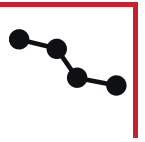


Lebanon Crisis Update

November–December 2021



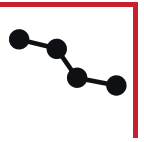
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The Monthly Lebanon Crisis Update provides an overview of economic and political developments to alert the international aid response to new and emerging challenges that could impact the humanitarian situation in Lebanon. In the context of the multiple crises affecting Lebanon, the update tracks the impact of political developments on the economy, relevant international developments, updates on service delivery and governance issues, and analysis of the drivers of humanitarian need as they develop. The report also aims to provide nuanced forecasting on contextual shifts relevant to shifting needs and the implementation of humanitarian programming. The report draws upon a desk review of currently available literature, analysis of relevant quantitative data, and key informant interviews with a range of experts and individuals with knowledge of Lebanon's economy.

The Lebanon Crisis Analytics Team (LCAT) provides reactive and in-depth context analysis to inform the humanitarian community in Lebanon. The information and analysis contained in this report is strictly to inform the humanitarian response and policymaking on Lebanon.

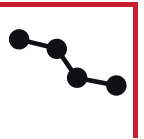
This study/report is made possible by the support of the American People through the United States Agency for International Development (USAID). The contents of this report are the sole responsibility of the LCAT and do not necessarily reflect the views of USAID or the United States Government.



Key Takeaways:

- The Lebanese lira continued to experience significant depreciation during the final two months of 2021, pushing towards [30,000](#) and further reducing the purchasing power of the population, driving many more towards a dependence on humanitarian assistance and remittances. The minimum wage of 675,000 LBP now reflects less than 25 USD per month in dollar value - a fraction of the value of the Survival Minimum Expenditure Basket (SMEB).¹ The continuing dive appeared to be exacerbated by new Banque Du Liban (BDL) policies, notably [Circular 601](#), with subsequent [efforts](#) being implemented by BDL to stabilise the decline in late December.
- Exacerbating the impact of depreciation-driven inflation was the continuing staggered removal of BDL foreign exchange subsidies on critical household goods throughout 2021, which were reflected in price increases in November and December 2021 for fuel and medicine, in particular.
- December saw indications of a potential consensus on Lebanon's top-line banking sector losses among Lebanese authorities, a positive step forward on one of several pillars to be addressed ahead of any agreement on an International Monetary Fund (IMF) support package to Lebanon. However, significant obstacles [remain](#).
- On December 8, Lebanon's Labor ministry announced an amendment to labor restrictions on Lebanon born but non-Lebanese citizenship holding individuals - affecting protracted Palestinian refugees for the most part. While a hugely positive step forward towards equitable employment opportunities for an economically marginalised portion of the resident population, a number of [obstacles](#) to the successful roll out of the new policy remain.
- Government service delivery continued to deteriorate throughout the reporting period. State electricity provision continued to be historically low in the last two months of the year, averaging less than 5 hours per day. The telecommunications sector continues to struggle to provide phone and internet services throughout the country, and the Minister of Telecommunications warned of a country-wide service outage in the face of a major fiscal shortfall.
- In positive news, some progress was seen on two critical social protection mechanisms expected to be rolled out in 2022. Registration began in December for the Emergency Social Safety Net (ESSN) project (fully funded by the World Bank) and the government Ration Card program (to be cost shared between the WB and government) with 355,310 applicants registered in the first month. The ESSN is expected to begin in March 2022, while the Ration Card program is currently unfunded, but with some expectation that Lebanon's Special Drawing Rights (SDR) allocation will be used to support it.

¹ The SMEB for Syrian refugees was 4552,634LBP for November, 2021



NOVEMBER



4

Head of the Court of Appeals in Beirut, Judge Habib Mezher, issued a decision to temporarily stop Judge Tarek Bitar's work on the Beirut Blast investigation.

Subsidies on medicine were announced to be partly lifted. Minister of Health Firass Al Abyad said that the ministry will maintain a 65% subsidy rate on medicines for chronic diseases.

7



14

Wildfires broke out in multiple areas in Lebanon including Koura, Keserwan, Akkar, Tyr, Nabatieh, Aley, Chouf, Jezzine and Baabda.

DECEMBER



1

The Minister of Social Affairs, Hector Hajjar, announced the launch of the long awaited ration card and ESSN registration process.

The Minister of Information, George Kordahi, resigned following a weeks-long dispute between Lebanon and a number of Gulf countries, after he criticised the Saudi-led military campaign in Yemen against the Houthi rebels.

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6

An IMF delegation visited Lebanon to meet with senior officials including President Aoun and Prime Minister Mikati and to discuss conditions for the institution's potential support package.

Parliament failed again to agree on a proposed capital control law, due to significant concerns the draft isn't fit for purpose.

7



7

Lebanon's parliament again granted approval to the much delayed \$246 million World Bank loan for a social safety net.

Efforts to pass a law giving Parliament oversight over the spending of the \$1.1 billion USD worth of Lebanon's Special Drawing Rights allocation failed.

7



7

Beirut blast investigator Judge Tarek Bitar was informed of the Beirut Court of Appeals decision allowing to continue investigating the port explosion.

The Speaker of Parliament Nabih Berri refused to allow MPs to vote on a law to extend the suspension of banking secrecy past December, 2021.

7



8

Lebanon's Labor ministry announced an amendment to ease labor restrictions on Lebanon born but non-Lebanese citizenship holding individuals.

The Central Bank Issued Circular No. 601, which increased the exchange value of USD deposits trapped in Lebanese banks to 8,000 LBP, from the previous 3900 withdrawal rate.

9



10

Judge Tarek Bitar re-issued the arrest warrant for former minister Ali Hassan Khalil over suspicious links to the port explosion.

The Central Bank issued a statement announcing that commercial banks will be provided with USD cash instead of LBP for the remainder of December at the Central Bank Sayrafa rate.

14



16

The Central Bank issued a statement announcing that depositors with dollars stuck in the banks are now able to exchange at the Sayrafa rate in the banks, effectively protecting depositors withdrawing at the 8,000 LBP rate from ongoing depreciation on the parallel market.

The Minister of Telecommunications Johnny Corm warned the sector is at risk of collapsing due to the cost of fuel and unpaid international fees.

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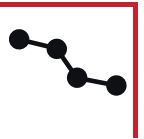
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Lebanon's Interior Ministry announced that the country's 2022 parliamentary elections would be held on May 15, rather than the previously set date of 27 March.

Bitar informed of a lawsuit against him submitted by former ministers Ghazi Zeaiter, and Ali Hassan Khalil, which halts the investigations for the fourth time.

24





“ Economic and humanitarian updates:

The Lebanese lira continued to experience significant depreciation during the final two months of 2021, reaching 27,500 LBP to the dollar on the parallel market as of the end of December, further reducing the purchasing power of the population. There are a range of factors driving the continuing decline of the lira on the parallel market during the reporting period, some of which are difficult to discern. However, volatility of the lira is the result of a very sentiment sensitive market, reacting immediately to political and financial decisions. New BDL policy developments, notably a new mechanism for the withdrawal and exchange of trapped dollar holdings in Lebanese banks, continue to drive instability on nervous markets. Notable was the December 9 Circular No. 601, which increased the exchange value of USD deposits trapped in Lebanese banks, known as “Lollars” to 8,000 lira, from the previous 3,900 withdrawal rate.² The resulting expectation of an increase in lira circulation to the market appeared to directly exacerbate the rate of depreciation.

Continuing government deadlock and an ongoing row with Gulf countries are also affecting confidence in the lira. The eventual resignation of the Minister of Information because of earlier comments he had made criticising the Saudi intervention in Yemen saw an immediate, if short lived improvement in the parallel rate (see graph).

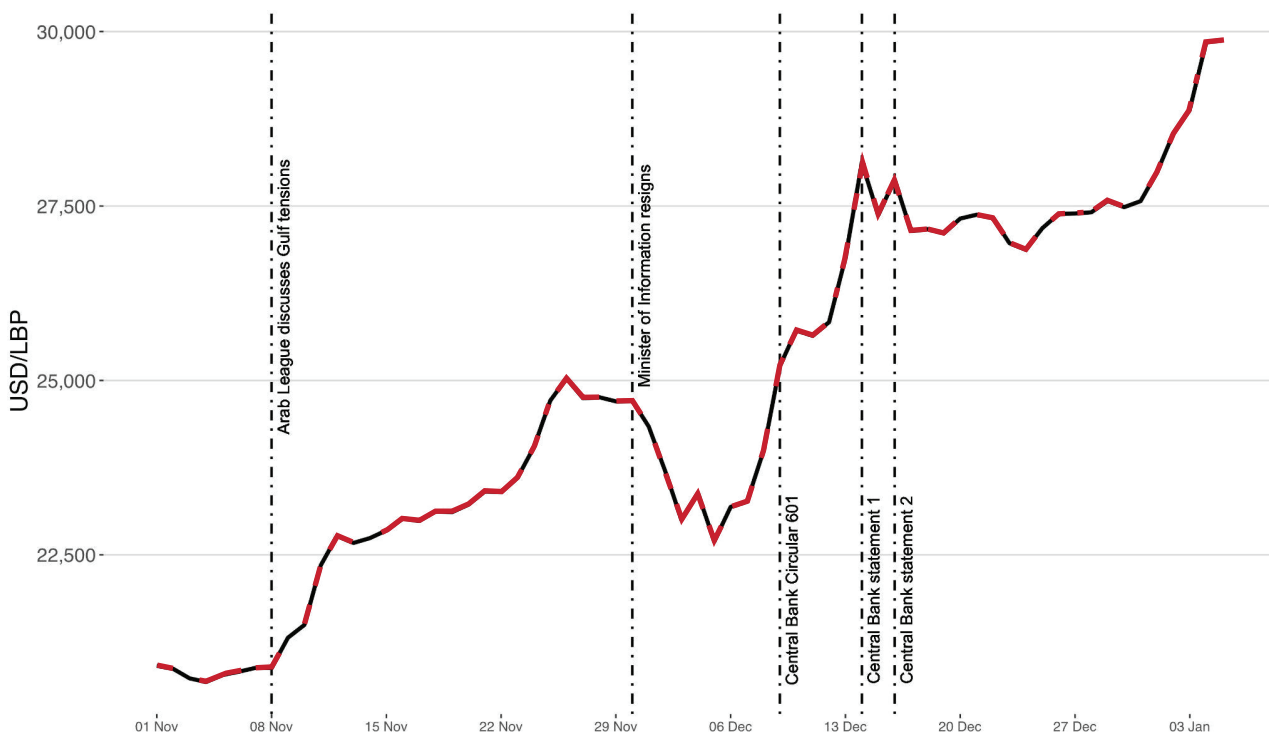


Figure 1: USD/LBP Black-market rate for the months of November and December.
Source: www.lirarate.org

² This increase in the bank dollar price is valid until June 2022, 30 and within a monthly withdrawal limit of 3,000 Lollars, previously 5,000 Lollars. This means depositors can access their funds at a 70% loss at the current market rate. However, the lowering of the withdrawal limits will minimise the potential benefit to depositors.



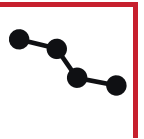
In the days following launch of Circular 601, BDL announced a series of new measures to stabilise the fast-depreciating lira. This included the December 16 decision through Circular 161 to provide commercial banks with USD cash instead of LBP for the remainder of December at the EDL Sayrafa³ rate of 22,300, with banks providing clients that receive salaries in LBP in USD on the Sayrafa rate. USD depositors, now also able to withdraw at 8,000, would in turn be able to exchange at the Sayrafa rate in the Bank - basically fixing the value of their withdrawals at around 35 USD for every 100 USD “Lollars” withdrawn.⁴ Public sector employees were also granted access to dollars at the Sayrafa rate, which subsequently saw a rush on the banks in the days preceding Christmas. As a result, the Central Bank extended Circular 161 for an additional month.

The impact of the removal of subsidies on key goods was keenly felt in the final two months of the year.⁵ In addition to the impact of major fuel price rises from June to October 2021, subsidies were lifted on medicine, resulting in price increases amid improving supply. For much of 2021, medicine availability in Lebanon had significantly deteriorated, with pharmacy shelves empty of many critical medicines as supply chains strained under pressure from both reduced BDL import financing and reported high rates of smuggling, hoarding and black-market diversion. On the 7th of November, Minister of Health, Firass Al Abyad, announced in a media interview that the ministry will maintain a 65% subsidy rate on expensive medicines for chronic diseases, while cheaper, generic products will receive less state support. The November lifting of subsidies has resulted in medicine supply improving since the dramatic shortages experienced during the summer. However, the significant increase in prices presents a major barrier to many Lebanese seeking access to critical and basic medical care, further increasing a dependence on aid actors.

³ In mid-June 2020, BDL launched its first version of the Sayrafa platform, intended for accredited money changers and extended to banks, organisations and enterprises later, with the aim of lowering the exchange rate by injecting dollars into the market.

⁴ Around 695,959 depositors have accounts with under 5,000 USD, a total of 369.9 million USD. Depositors that have less than 30 million pounds (20,000 USD) in their accounts represent 68.3% of the total number of dollar depositors in the banking sector, 2.9% of the total dollar deposits.

⁵ When referring to subsidies in Lebanon, we are speaking about the implicit foreign exchange subsidy from a lower exchange rate offered by BDL to importers than that present on the parallel markets, rather than a direct payment to distributors or traders, reducing the cost of goods by BDL. In the context of constant fast depreciation and price controls on fuel/medicine/food items, the indirect subsidy will continue to recur unless price shifts move to a more regular, such as daily or market decided, cycle.



For example, a monthly supply of diabetes medication, “Galvus”, that used to cost 70,000 LBP in early 2021, now costs 580,000 LBP. A monthly supply of “Gastrimut”, used to treat acid reflux, previously cost 36,000 LBP and now costs 434,000 LBP. For children, baby formula that lasts around 3 to 4 days has risen from 13,000 LBP to 120,000 LBP. Similarly, basic medication such as Panadol have seen prices hiked from 3,500 LBP to 46,000 LBP. A family surviving off a regular monthly salary of 1,200,000 LBP with one parent that suffers from diabetes, and 1 child that requires a regular supply of baby formula, would need to spend the entire salary, and borrow, to cover costs. According to the recently released REACH MSNA, 66% of Lebanese respondents reported having at least one person in the family with a chronic illness.

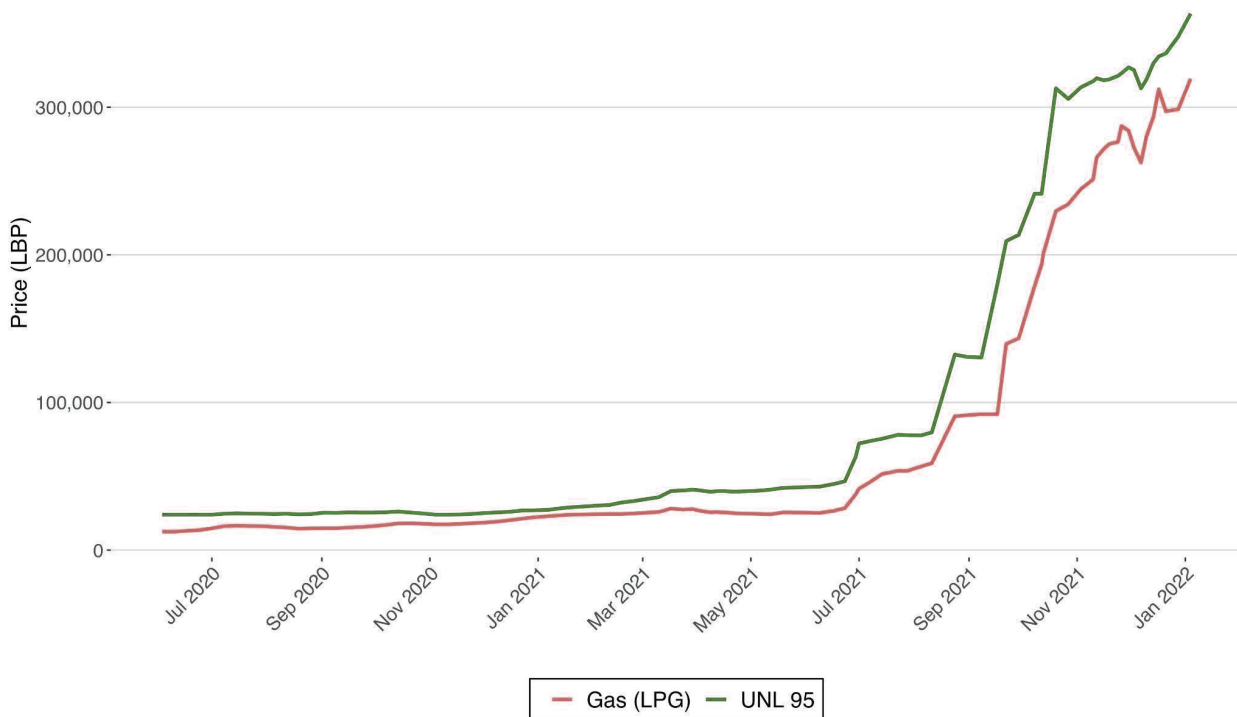
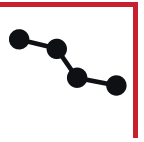


Figure 2: LPG and gasoline prices (Octane 95).
Source: [IPT Group](#)

To put the rising cost of fuel represented in Figure 2 in perspective, with an average car needing around 2.5 x 20L gallons to be filled, an individual with a basic salary of 1,220,000 LBP will need to pay more than 800,000 LBP on fuel only to fill their car once. This cost increase is being reflected in significant rolling increases in bus and taxi costs, affecting those parts of the workforce reliant on long commutes to access work opportunities, as is often the case with low income earners from outside Beirut relying on daily work in the capital.



Analysis/Impact:

The reduction and removal of foreign exchange subsidies on critical goods such as fuel and medicine in the last quarter of 2021 has resulted in major price hikes, with further increases expected due to ongoing lira depreciation. Lira-based salaries, notably in the public sector, are continuing to have their real value eroded to a fraction of what they were worth pre-crisis, driving further thousands into poverty and a dependence on humanitarian assistance.

Alternative support mechanisms such as borrowing money from friends, family, or loan sharks, selling assets such as jewellery, or receiving remittances from abroad are likely providing some relief to a large percentage of the population. However, these represent short term or unsustainable negative coping strategies for the most part. Many of these mechanisms are likely to be increasingly strained heading into 2022. For example, even the large portion of the Lebanese population likely able to receive consistent fresh dollars through remittances from abroad are seeing the purchasing power of these dollars erode daily in the context of the removal of subsidies. Support received from family members abroad will purchase less and less, placing greater strain on familial and social support networks.⁶

Even using the conservative data estimates provided by the Central Administration of Statistics, the impact of the LBP depreciation on prices has been stark. Official numbers of inflation date to October 2021 only; total inflation rate in Lebanon surged 519% from December 2019 to October 2021. Total Inflation for food and non-alcoholic beverages surged 1,874% from December 2019 to October 2021, while total Inflation for clothing surged 1,614% during the same period ([Central Administration of Statistics](#)).

Multiplying the impact of the price increases has been the lack of any meaningful changes to public sector salaries upon which a significant segment of the population depends. Taking the public sector that employs around 300,000 Lebanese ([LBCI](#)) as an example, 25% of the employees are paid less than 1,220,000 LBP per month (or around 45 USD as of end of December, 2021) %50 of the employees are paid less than 2,140,000 LBP per month (or around 79.25 USD) and 75% of the employees are paid less than 5,790,000 LBP per month (or around 214 USD) ([Salary Explorer](#)).

Private sector salaries have, to some extent, seen some positive change in some sectors of the economy. However, data is limited and any increases likely lag significantly behind inflation. Massive increases to transportation costs will continue to challenge labor markets, with many dependent on large commutes for work seeing larger and larger portions of their incomes eroded by transportation costs. Increasing anecdotal evidence exists of companies shifting hiring practices to those living nearby, to avoid pressure to provide transportation subsidies.

⁶ In early 2021, a family receiving even just a couple hundred dollars in remitted funds from abroad could take advantage of the significant purchasing advantage of exchanging those funds at the parallel market rate, and purchasing goods continuing to be heavily subsidised by the Lebanese state. This advantage is beginning to disappear.

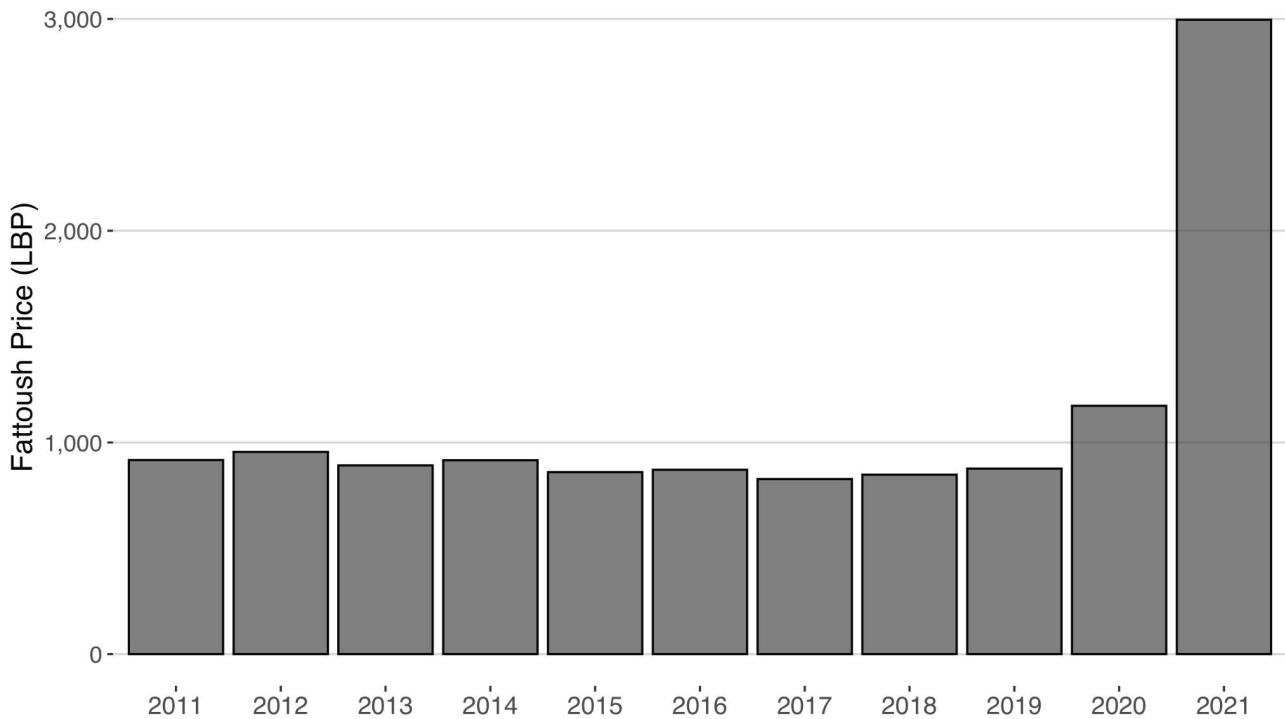
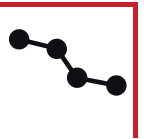


Figure 3. Average price of fattoush (in LBP) during Ramadan, 2011 to 2021. Data obtained from [Lebanese Ministry of Economy and Trade](#).

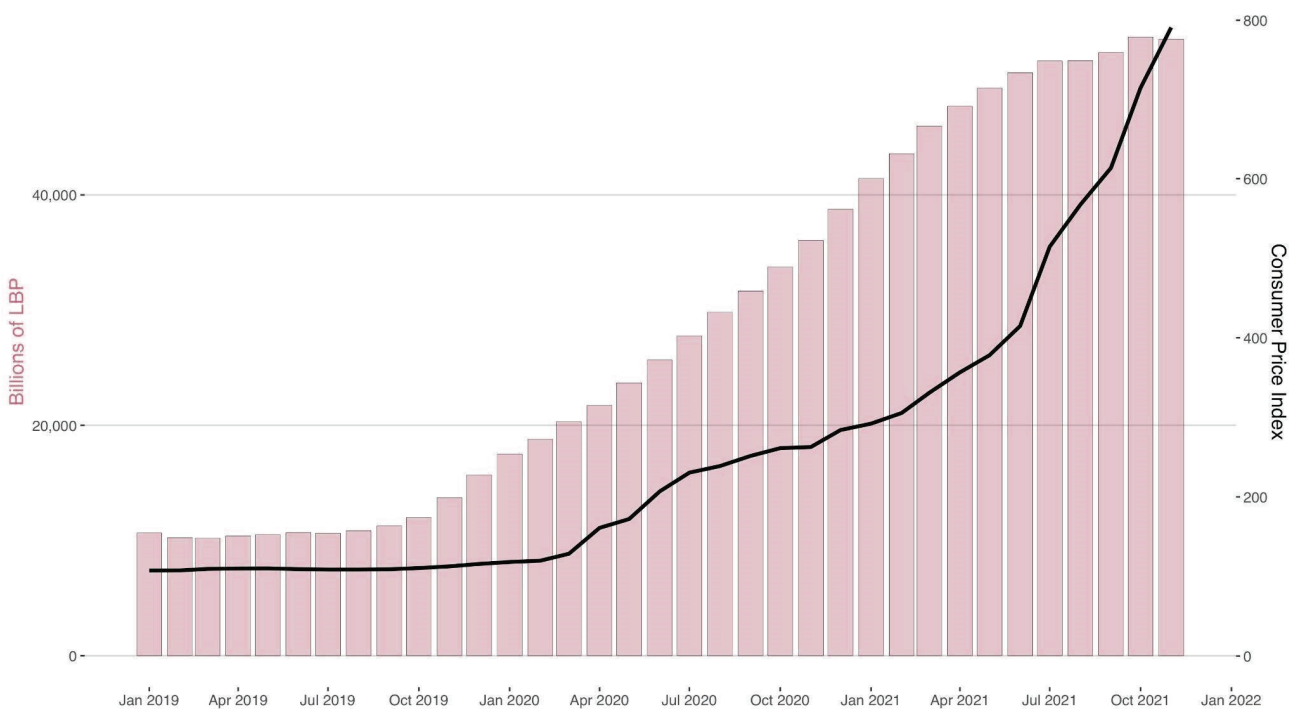
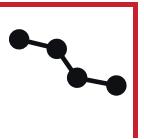


Figure 4: Consumer Price Index vs Lira circulation in the market⁷
Source: [Central Bank Balance sheets](#), [Central Administration of Statistics](#)

⁷ As shown in figure 2, the Central Bank's balance sheet shows a six time increase in total amount of lira in circulation since October 2019 to November 2021 - LBP 43.5 trillion LBP as of the end of November. Experts predict that Circular 601 means that the Central Bank will need to inject further LBP into the market, a move that will ultimately lead to further depreciation of the LBP and increased inflation.



“ Service Delivery and Social Protection Update:

On December 1, the Minister of Social Affairs, Hector Hajjar, announced the launch of the long-awaited ration card registration process and Lebanon’s parliament again granted approval to the much delayed 246 million USD World Bank loan for a social safety net.

The Ration Card program is a critical component of Lebanon’s social protection strategy, in combination with the World Bank supported Emergency Social Safety Net (ESSN). Minister of Social Affairs Hector Hajjar announced the opening of registration for both cash assistance programs, with 355,310 having applied from [all over Lebanon](#) in the first month of registration.⁸ The programs are intended to help the most vulnerable families in Lebanon cope with the withdrawal of subsidies and deteriorating economic situation. Parliamentarians demanded some small changes to the mechanism, notably increasing the number of beneficiaries. Beneficiaries of the program will start receiving payments of 23 USD per month per person, or a maximum of 126 USD per household, only from March 2022, but will get the money retroactively for January and February, with the program backed by a 256 million USD loan from the World Bank.⁹

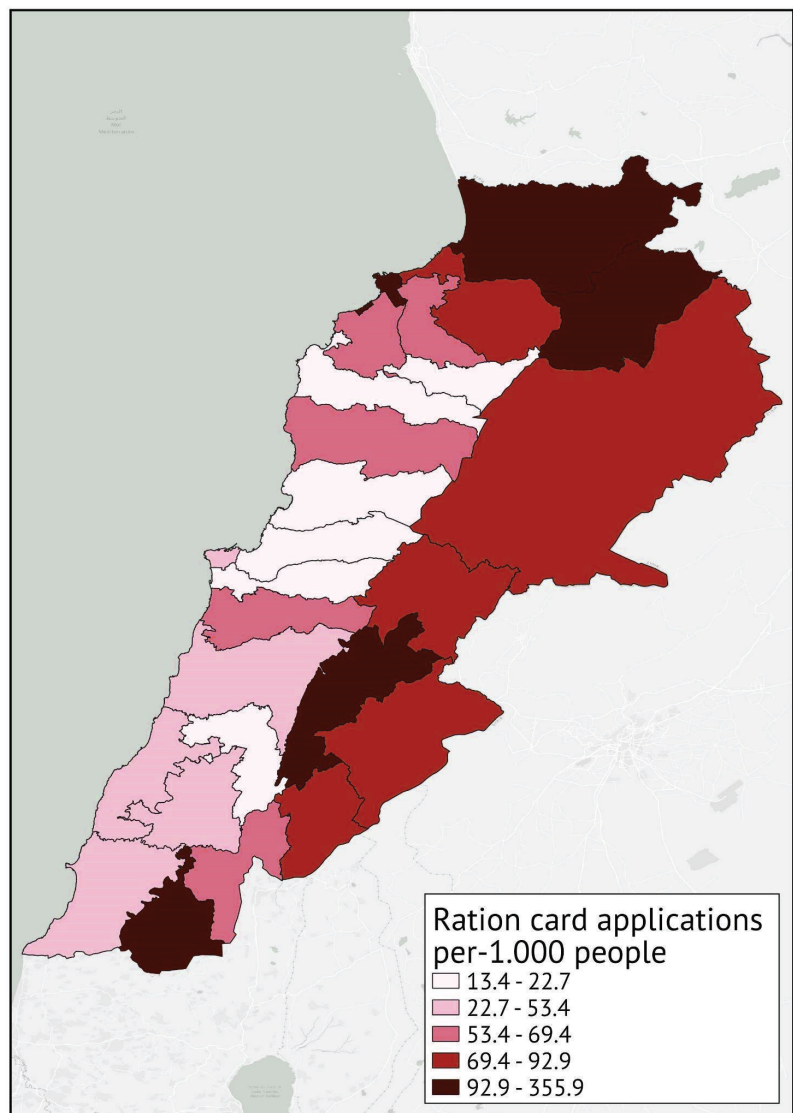
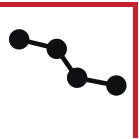


Figure 5. The number of ration card applications per1.000- people per-district as of the 3rd of Jan 2022. Population numbers are [WorldPop 2020 estimates](#). Registration numbers can be found at www.impact.gov.lb/dashboard

⁸ The program will include 204\$ million in cash transfers to approximately 14,000 families, 23 million USD to target children at risk of dropping out of school, 10 million USD in capacity building for the Ministry of Social Affairs, and 9 million USD to support the creation and strengthening of social safety net delivery systems, including a National Social Registry.

⁹ The programs were first announced in September of 2020 during Prime Minister Hassan Diab’s government, but officials cited technical and administrative problems for the delay. According to the World Bank, the Lebanese government submitted a formal request to the World Bank for funding of the ration card program. Although the World Bank has said it will consider the request, it asked that the Lebanese government fund part of the program from its own budget. It is likely that Lebanon will utilise its SDR allocation to support implementation, an international reserve asset provided by the International Monetary Fund (IMF).



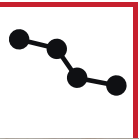
During December, there was increasing concern that the Lebanese telecommunication sector would see a major degradation of services, including the loss of phone and internet services across parts of the country. On December 19, the Minister of Telecommunications, Johnny Corm, warned that the sector is at risk of collapsing, due to Lebanon's duopoly, Touch and Alfa, of telecommunications companies being unable to pay international suppliers outstanding debts. Outages have also been caused intermittently by challenges facing certain relay stations from accessing diesel, notably in Tripoli and neighboring areas, and in Nabatieh. ([L'Orient Today](#)).

While a widespread catastrophic loss of internet and phones coverage across the country is highly unlikely, certain areas of Lebanon will likely continue to experience outages or poor coverage as a result of the increasing costs of fuel needed to run broadcast relay stations, notably in poor rural and urban areas inhabited by some of Lebanon's most vulnerable communities. The sector is in the process of significantly increasing the costs of phone and internet access to mobilise the financial liquidity required to maintain service, with the added risk that many consumers will in turn be unable to afford these new prices and access much needed services. In addition to the significant household impact, should connectivity issues take place for intermittent periods, the operations of aid actors themselves could be negatively affected.

On December 8, Lebanon's Labor ministry announced an amendment to labor restrictions on Lebanon born but non-Lebanese citizenship holding individuals, however significant caveats remain. Labor restrictions on Lebanese born non-citizen residents has been a contentious issue for decades, especially given the presence in country of Palestinian non-citizens for over 70 years. The historic ban disallowed Palestinians born on Lebanese soil, foreigners born to a Lebanese mother or married to a Lebanese woman, and those born in Lebanon who are not registered, from seeking employment in certain professions, such as engineering, banking, or medicine. The amendment also sets a minimum percentage of positions to be given to persons with disabilities. As expected, the amendment proved to be controversial, notably among some political parties historically motivated to resist participation of Lebanon born Palestinian workers in all sectors of the economy. The Pharmacist and Physicians' syndicates also pushed back on the amendment. Ongoing fear from large segments of Lebanese society that eventual naturalisation will upset delicate confessional balances, in combination with a more immediate fear of heightened labor market competition in the context of the current economic crisis, will continue to spur opposition to the policy changes aiming to bring about less-discriminatory and equitable opportunities for Lebanon born non-citizens to access the job market.

Despite being a positive step forward for Lebanon born non-citizens, there are a number of significant obstacles to the effective implementation of the amendment. First, as it is a ministerial decision, there are no obstacles to a subsequent minister overturning the decision. Second, Syndicates¹⁰ and "Orders" themselves must amend their own internal rules to accommodate Palestinians' and other Lebanon born non-citizens into their membership, which the Labor ministry has limited capacity to influence. Third, under the new framework, ratios continue to be in place for the number of non-citizens to Lebanese citizens, potentially complicating its implementation. As such, while Bara's decision is a positive step forward for equitable employment opportunities for non-Lebanese citizens, its implementation and effectiveness are far from guaranteed. Aid actors should attempt to endorse and support these actions, given the positive role further economic opportunities will have in historically economically marginalised communities within the context of the current crisis.

¹⁰ Lebanon has Syndicates in place for most of the professions with the purpose of protecting the workers' rights and the professions themselves. Examples of Syndicates in Lebanon would be, Teachers Syndicate, Hospitals Syndicate, Press Syndicate, Syndicate of Restaurant Owners, Pharmacies Syndicate, Syndicate of Actors, Syndicate of Physicians, etc.



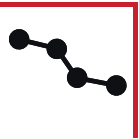
“Political updates:

In a potentially positive step forward, agreement appeared to be reached as to the scale of losses in the Lebanese banking sector. Agreement over these losses is one of several prerequisites demanded by the IMF in its negotiations with the Lebanese state. On December 14, Deputy Prime Minister Saadeh al-Shami told Reuters that the tentative losses in Lebanon’s financial sector are between 68 and 69 billion USD. The former government led by Hassan Diab drafted a plan that reflected losses in the financial sector worth nearly 70 billion USD. These figures were endorsed by the IMF, yet commercial banks, the Central Bank, and members of Parliament have resisted these figures and have sought to minimize losses. There is continuing debate over the distribution of losses between the Lebanese state, bank shareholders, and depositors. Consensus over financial losses is a key demand from the IMF ahead of any engagement with the Lebanese government over a bail out, and therefore the announcement should be seen as a positive step with official negotiations expected to begin in January.¹¹ However, expectations should be kept low: the back and forth that continues in efforts to reach a consensus on total losses will continue, and many further steps remain.

On December 4, the Minister of Information, George Kordahi, resigned following a weeks-long dispute between Lebanon and several Gulf countries, after he criticised the Saudi-led military campaign in Yemen against the Houthi rebels. Kordahi’s comments added fuel to an already ongoing diplomatic rift with the Gulf state, the consequences of which have also seen an indefinite ban on Lebanese exports following the April 2021 foiling of a major captagon smuggling operation in Riyadh.¹² Saudi Arabia is one of Lebanon’s largest export markets, with almost 230 million USD of goods being imported from Lebanon during 2020 alone. The April 23 ban on agricultural goods, in particular, has hit Lebanon’s producers already reeling from the impact of the economic crisis, with the cost of imported inputs such as seeds, fuel, and fertilizers skyrocketing amid soaring inflation. Kordahi’s resignation is likely a small step towards a political de-escalation and resumption of normal economic trade activity. This in turn will have a positive impact on the areas of Lebanon’s economy upon which some of its most vulnerable populations depend for their livelihoods. The resignation appeared linked to broader efforts by French President Macron to diffuse tensions between Lebanon and the Kingdom during his visit to Saudi Arabia in December.

¹¹ The IMF has also requested a parliament approved capital control law, unified exchange rates, a national budget, a thorough restructuring of public debt, and reforms of the central bank, private banking sector, and electricity sector.

¹² Saudi Arabia, Bahrain, the United Arab Emirates (UAE) and Kuwait had all expelled their Lebanese ambassadors following Kordahi’s comments



The Lebanese parliament continued to be deadlocked on several important issues during the reporting period, notably on the approval of a controversial capital control law, as well as efforts to impose parliamentary oversight on the use of the 1.1 billion USD Special Drawing Rights (SDR) allocation. On the 6th of December, further attempts to agree on a new capital control law made little progress, with continuing disagreement in Parliament over the language of the draft being circulated. The new law has been put forward as a critical step in stabilising the currency and providing a just framework for the protection of bank depositors. However, civil society and independent groups rejected the circulating draft on the grounds that it doesn't achieve the essential goals of regulating the economy's foreign exchange flows, nor does it adequately protect depositors' rights, but rather reinforces banks' efforts towards the full-scale lira-ification of foreign exchange deposits trapped in Lebanese banks. Instead, they have called for a more adequate law with former technical approval from the IMF. In similar news, on December 7, the Speaker of Parliament, Nabih Berri, forbade MPs to vote on a law to extend the current suspension of banking secrecy laws past December.¹³

Also on December 7, Parliament failed to pass a law giving it oversight over the spending of the 1.1 billion USD worth of Lebanon's Special Drawing Rights allocation.¹⁴ The Prime Minister, Najib Miqati, opposed the parliamentary law on the grounds its usage should be the prerogative of the executive branches of Lebanon's government, for use towards emergency interventions, or to partially fund the proposed ration card system. While Lebanon has a degree of flexibility on how it uses the SDR allocation, consensus appears to be that at least a portion will be utilised towards underwriting the implementation of key social protection interventions. In combination with broader reforms and effective policies, the SDR allocation is a major asset for the Lebanese state in mitigating the impact of the current crisis on the population, if used effectively.¹⁵

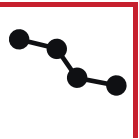
On December 7, Judge Tarek Bitar was informed of the Beirut Court of Appeals' decision allowing him to continue investigating the port explosion. The court rejected further efforts preventing Bitar from questioning top officials.¹⁶ Bitar re-issued the arrest warrant for former minister Ali Hassan Khalil on December 10th, initially launched on October 12, 2021. However, ISF Director-General Maj. Gen. Imad Osman has continued to refuse to execute it. The investigation continues to be bogged down in legal obstacles and the refusal of state institutions to enforce Bitar's orders. On December 24th, Bitar was informed of a lawsuit against him submitted by MPs and former ministers Ghazi Zeaiter and Ali Hassan Khalil, which halts the investigations again for the fourth time. Multiple political parties have made it increasingly clear that they will make significant efforts to avoid the prosecution of aligned ministers or members. The investigation continues to have a high political profile with major implications. This includes security implications, as was seen during the Tayyouneh clashes on October 14, and political and economic implications, as was seen in the governmental dead-lock resulting from ministers boycotting cabinet meetings in protest of Judge Bitar's actions two days before Tayyouneh clashes took place.

¹³ Lebanese President Michel Aoun signed a decree in September 2021, to contract Alvarez & Marsal (A&M) to audit Lebanon's Central Bank. A&M ceased the audit in November 2020 in the face of a lack of cooperation from BDL, with the latter citing a banking secrecy law, which itself was lifted in December 2020.

¹⁴ On August 2021, the IMF [announced](#) the largest allocation of Special Drawing Rights (SDRs) in history, about 650 billion USD, of which Lebanon received approximately 860 million USD worth. With reportedly 300-200 million USD worth of SDR's unused from the 2009 allocation, Lebanon has access to over 1 billion USD. Special Drawing Rights are an accounting unit for IMF transactions based on a basket of the world's five leading currencies (the U.S. dollar, euro, yuan, yen and the UK pound).

¹⁵ While there are officially no conditions on the use of SDRs, Lebanon will need to identify a foreign central bank willing to engage in the exchange, which may present a second tier of conditionality if that international partner sets preconditions on how the SDRs are to be used, which might have a positive impact on encouraging authorities to implement effectively.

¹⁶ The Court rejected the request to remove Bitar, filed by former Minister Youssef Fenianos, for lack of jurisdiction. The investigation was suspended for more than a month, as Judge Habib Mezher attempted to seize the port case and remove Bitar from it on November 4. On November 9, Mezher was taken off Bitar's case.



The interior ministry announced that national parliamentary elections will take place on May 2022, 15. Previously, in October, parliament voted to hold the elections on March 27, but after the refusal of President Aoun to approve the earlier date, a decision was reached to hold it closer to its initial date of May 8. Upon the election of the new parliament, the current government dissolves and a new government should be formed, and the Prime Minister selected and agreed upon. With the current President's term ending in November 2022, the Parliamentary elections will be followed soon by Parliament's election of a new President. Expatriate voting will be an important part of the election, with the numbers of expat voters registered to vote reaching 244,442 votes, up from around 93,000 in the last 2018 elections. There is a strong possibility that further delays could be expected in government formation following the elections. The impact on public services will likely be disruptive to aid actors relying upon interaction with government agencies for implementation.

Public Health Updates:

COVID19- infections rates are anticipated to increase significantly in January following increased social gatherings and expat arrivals in late December. Much of this is expected to be of the Omicron variant, which is significantly more infectious. While the variant is reportedly less deadly than previous COVID19- outbreaks, Lebanon's vaccine rate to combat the disease is still low, with approximately only 35% of the population having received 2 doses, and ICU units 81% full as of the 31st of December (MOPH). In positive news, on the 19th of December the US Embassy delivered 336,000 doses of Johnson & Johnson, a single dose vaccine, with a further 277,340 doses arriving before the end of December. As a result, further restrictions are to be expected, likely depending on the severity of hospitalization and fatality numbers in the coming weeks.

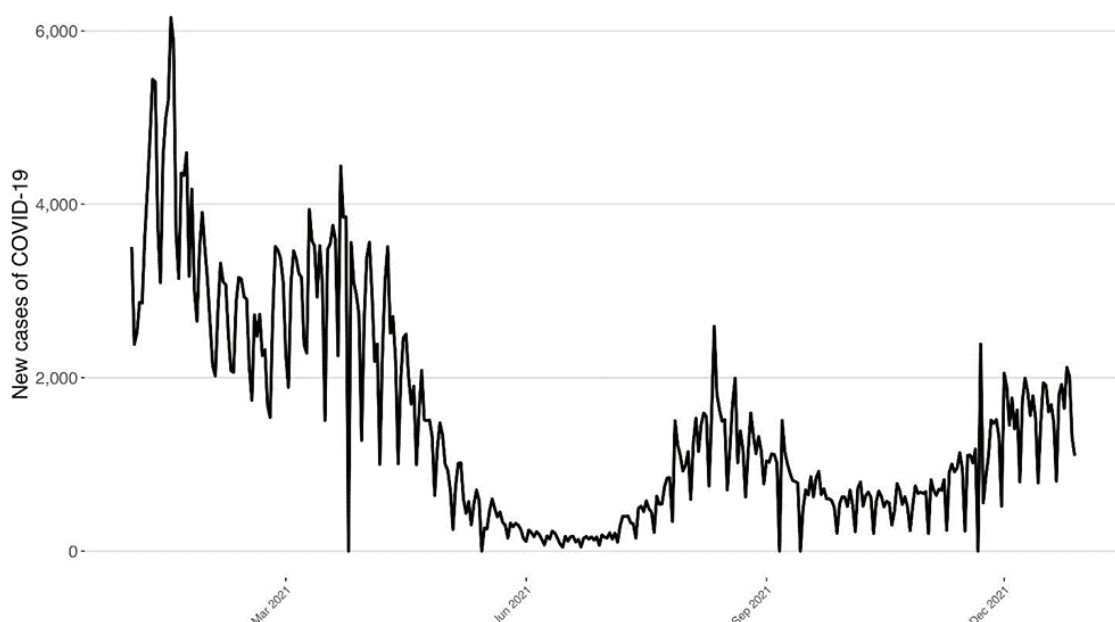
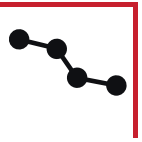


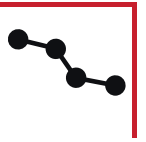
Figure 6: Confirmed COVID Cases in Lebanon

Source: WHO The figure above shows a slight increase in COVID19- cases in Lebanon between the months of September and December, with a surge in confirmed cases expected to arrive after mid-January due to the holiday season and the ease in transferring the Omicron variant.



Looking Forward

- **Further volatility in the LBP rate is anticipated in January, causing inflation in food and beverages, clothing, medicine, and oil and gas prices.** Should rapid depreciation take place, increases on price regulated items such as food, medicine, and fuel will become more common, as BDL avoids implicitly reintroducing large foreign exchange subsidies. Rising international prices will exacerbate these dynamics, notably recent increases in the price of oil on international markets. Humanitarian actors engaged in cash programming in lira denominated amounts will continue to have the impact of programming eroded by depreciation and price inflation.
- **Haphazard price increases of price regulated goods such as bakery bread, medicines, and fuel, continue to drive short term shortages.** As prices are increased to reflect the gradual lifting of subsidies, fuel stations, bakeries and pharmacies selling price-regulated goods will continue to restrict sales in advance of “rumored” - real or not - price increases. This is to ensure the most return on stockpiled goods.
- **Prices of internet and telecom services are expected to rise, with accompanying service failures in parts of the country.** In addition to negatively impacting economic activity and affecting poor and vulnerable communities disproportionately, telecoms price increases are a strong trigger point for public anger, as was seen in 2019 when a proposed “WhatsApp tax” triggered major protests. Private sector actors increasingly dependent on online sales and services will also be heavily affected. Tariffs on other basic services, such as state electricity and water, are also likely to increase.
- **The successful rolling out of social safety nets such as the ration card and ESSN could provide relief to vulnerable families in the coming months.** However, delays are to be expected, and benefits will be offset by rising prices of basic items and services. Other aid actors engaged in cash programming will need to track the implementation and roll out of these social protection programs with an eye for failings and gaps in their delivery. There is a general concern that the program could be marked by political interference and corruption, with a high risk of aid diversion.
- **The months leading up to parliamentary elections in May will be characterised by heightened service delivery by political actors seeking to mobilise support, with some benefits for the population.** However, significant risks remain that these actors will interfere with the timing and implementation of reforms, the roll out of social safety nets, and activities of aid actors more broadly if doing so will result in electoral advantage.
- **The government is likely to move forward with agreeing on a 2022 budget in the coming weeks.** Agreement over the budget is a crucial step in implementing increases to public sector salaries, on a budget to implement elections, and an important step in engagement with the IMF.



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