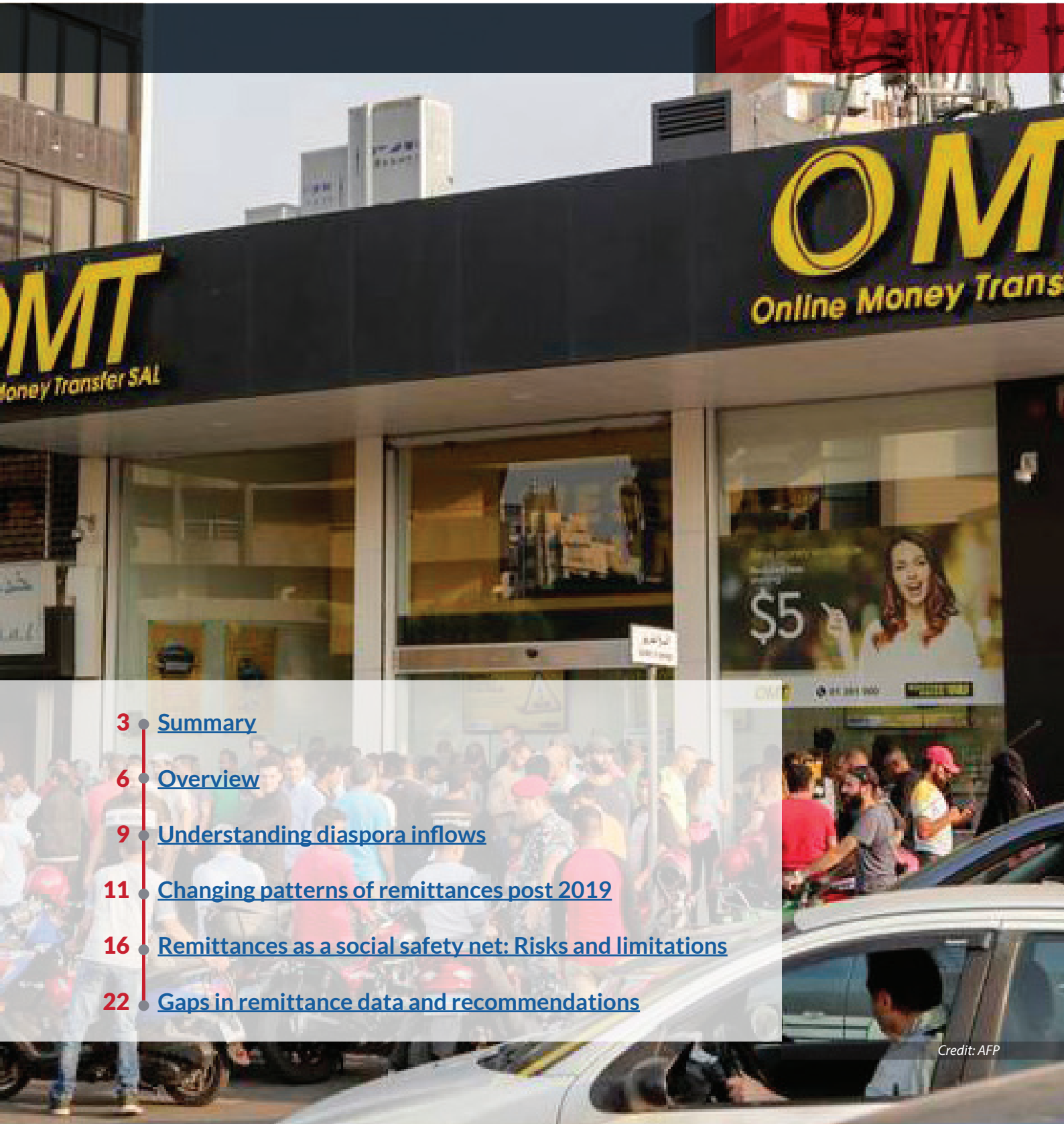


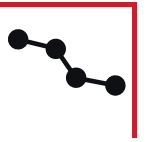
# Thematic Report

## Understanding remittances as a coping strategy amidst Lebanon's crises Opportunities and challenges for aid actors

November 2022

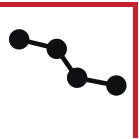


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The Lebanon Crisis Analytics Team (LCAT) provides reactive and in-depth context analysis to inform the humanitarian community in Lebanon. The information and analysis contained in this report is strictly to inform the humanitarian response and policymaking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



# Summary

Remittances and other diaspora inflows have long played an important role in Lebanon's economy, bringing in an average of 7.15 billion US Dollars (USD) each year, over the past 10 years.<sup>1</sup> The collapse of Lebanon's economy, driven by the economic and fiscal crisis of late 2019; the Beirut port explosion in August 2020; and rising global food prices due to the war in Ukraine and the Covid-19 pandemic have made remittances even more important.<sup>2</sup>

Understanding the role remittances and other diaspora flows play as a social safety net for Lebanese families could help the humanitarian community better assess coping strategies in the context of Lebanon's severe and overlapping crises, and assist in the design of more relevant and robust approaches to aid delivery.

Lebanon is now the most remittance-dependent country on the planet, with remittances accounting for a staggering 53.8% of GDP in 2021.<sup>3</sup> While it is difficult to determine the full extent to which Lebanese families receive remittances, an estimated 15% to 30% of households in 2022 rely on remittances as a source of income, up from 10% in 2018 and 2019.<sup>4</sup> Notably, overall remittance volumes actually decreased over a five-year period, down to USD 6.6 billion in 2021, from a peak of USD 7.8 billion in 2016.<sup>5</sup>

While remittances are often described as a social safety net, they have limitations that pose risks to poor Lebanese:

- Remittances sent to Lebanon are vulnerable to external shocks, such as the Ukraine crisis and global price increases. The literature shows that spikes in remittances after a crisis, such as the Beirut blast, are generally not sustained long term. Remittance senders are often in vulnerable positions in their host country and may have limited capacity to sustain long-term support.<sup>6</sup>
- Remittances are not necessarily available to the most vulnerable populations. In a recent ARK-UNDP survey, only %2.3 of Syrian households reported receiving remittances in the past year, compared to %17.3 of Lebanese households.<sup>7</sup>
- Remittances are not delivered regularly in most cases. Almost two-thirds of people receiving remittances said they collected them intermittently or on special occasions like holidays and family celebrations.<sup>8</sup>

<sup>1</sup> KNOMAD/World Bank (2022), Migrant remittance inflows (USD million). Retrieved at: <https://www.knomad.org/data/remittances>

<sup>2</sup> Lebanon Crisis Analytics Team (March 2022), Flash update: Humanitarian impact of Ukraine conflict on Lebanon. Retrieved at: <https://reliefweb.int/report/lebanon/flash-update-humanitarian-impact-ukraine-conflict-lebanon-march-2022>

<sup>3</sup> KNOMAD/World Bank (2022), Migrant remittance inflows (USD million). Retrieved at: <https://www.knomad.org/data/remittances>

<sup>4</sup> Lebanon's Labour Force Survey in 2022 found that 15% of households in Lebanon were relying on remittances from non-residents, up from 10% in 2018-2019. Likewise, ARK-UNDP's August 2022 perception survey found that 17.3% of Lebanese households nationally received remittances. Experts believe that respondents could be underreporting the amount of remittances they receive as they fear it could make them ineligible for aid or other assistance. As a result, the actual number of households receiving remittances from non-residents could be double the reported amount, or up to 30%. Central Administration of Statistics and International Labour Organization (2022), Labour Force Survey: Lebanon. Retrieved at: [http://www.cas.gov.lb/images/Publications/LFS\\_2022/Presentation%20-%20Follow%20Up%20LFS%20Lebanon%202022.pdf](http://www.cas.gov.lb/images/Publications/LFS_2022/Presentation%20-%20Follow%20Up%20LFS%20Lebanon%202022.pdf)

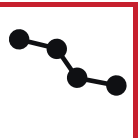
ARK-UNDP (2022), Regular Perception Surveys on Social Tensions throughout Lebanon. Wave XIV narrative report. Retrieved at: [https://drive.google.com/file/d/1yADfaDM8\\_m1F5x5gidPXgAsl511ZPsEH/view](https://drive.google.com/file/d/1yADfaDM8_m1F5x5gidPXgAsl511ZPsEH/view)

<sup>5</sup> While remittances have fallen, other areas of the economy have collapsed much faster. As a result, the overall share of remittances in Lebanon's economy has grown steeply. KNOMAD/World Bank (2022), Migrant remittance inflows (USD million). Retrieved at: <https://www.knomad.org/data/remittances>

<sup>6</sup> John Bryant (March 2019), Remittances in humanitarian crises. Humanitarian Policy Group, Overseas Development Institute. Retrieved at: <https://cdn.odi.org/media/documents/12638.pdf>

<sup>7</sup> ARK-UNDP (August 2022), Regular perception survey on social tension throughout Lebanon: Wave XIV narrative report, pg. 16

<sup>8</sup> Ibid, pg. 17



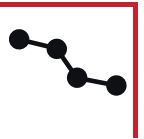
- Remittances are not keeping pace with the rising cost of living. The purchasing power of foreign transfers decreased rapidly amid the removal of Lebanon's Central Bank subsidies in 2021, and has reduced further due to increasing international commodity prices.
- Remittances are not a reliable indicator of vulnerability on their own. While remittances often go to less vulnerable families, some groups, like elderly families, may be heavily reliant on remittances for survival. Thirty-two percent of households reported that they would not be able to meet basic needs if they were not receiving remittances.<sup>9</sup>
- Remittances are largely channeled through informal markets and subject to fluctuations in exchange rates and unclear pricing.
- Remittances risk diverting spending away from productive sectors and hindering long-term growth. Some economists warn of a "remittances curse".
- It is important to understand the dynamics of exclusion regarding remittances and diaspora inflows. It is possible that remittances administered by municipalities may have a political bent. If one is not part of a patronage network, they may miss out.
- Too often in the past, the role of remittances as an informal social safety net have been used as an excuse for political inaction, or to generalize about a lack of needs. While remittances are important, they are no substitute for economic and social reform, or well-targeted humanitarian and development assistance.

Despite these challenges, a better understanding of remittances can provide crucial context about coping strategies. Learning from changes to remittance channels post-crisis could also help inform more adaptive and robust humanitarian responses. To achieve this, the aid community in Lebanon must address multiple gaps in the current data, including:

- Gaining a better understanding of which areas of Lebanon are more or less better served by remittance inflows.
- Building a nuanced picture of the characteristics of families that receive remittances. While in most cases remittances do not flow to the most vulnerable in society, there are other groups who may be heavily reliant on remittances and disproportionately impacted by interruptions to remittance flows.
- Understanding onward flows of remittances. For example, how are they distributed to extended families and communities after they are received?
- Understanding the expanding role of municipalities and communities as a platform for remittance distribution.
- Understanding the profiles and motivations of remitters (for example, those in the Gulf, vs. the US, Latin America, Africa, and Australia).

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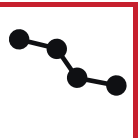
<sup>9</sup> Ibid, pg. 17



This study aims to provide a stock take of the current evidence base on remittances in Lebanon to support future work on the topic. It does this through: a desk review of current global literature on the role of remittances in humanitarian emergencies; interviews (8 males/10 females) with Lebanese families, small business owners, and money exchange agents in Beirut, Tripoli, Jounieh, Zouk Mosbeh, and Byblos in July and August 2022; and participation in a UNDP-led roundtable discussion with a variety of experts in Beirut in July 2022.

This is not an exhaustive study, with major gaps remaining in our understanding of how remittances and other diaspora flows act as a social safety net in Lebanon. It is intended to help improve understanding among humanitarian actors in Lebanon seeking to respond to growing needs. The Lebanon Crisis Analytics Team (LCAT) will continue producing analysis on the topic over the coming year, and is currently conducting a countrywide survey aimed at better understanding how families depend on remittances, changing dynamics in remittance flows throughout the crisis, as well as insights into how remittances are shared within communities and networks.

This study was conducted by Dr. Jasmin Lilian Diab and Mercy Corps' Lebanon Crisis Analytics Team (LCAT), with support from Sami Zoughaib, Research Manager at The Policy Initiative (TPI).



# Overview

## 2019 to 2022: Lebanon's economic and political crisis deepens:

Lebanon is mired by overlapping financial, economic, political, and social crises.<sup>10</sup> Currency depreciation has worsened, inflation continues to soar, and external imbalances point to further economic decline.<sup>11</sup> Pressure on financial resources is at an all-time high.<sup>12</sup> The government is unable to access international financial markets following the March 2020, USD 1.2 billion Eurobond default. Foreign direct investment remains minimal and foreign exchange reserves have fallen to record-low levels.<sup>13</sup>

According to World Bank estimates, Lebanon needs from 12 to 19 years to return to its 2017 GDP level.<sup>14</sup> In the absence of effective political leadership, there is a risk that state institutions could gradually fade away across a two-decade-long collapse.<sup>15</sup> The World Bank projects that this will prompt hundreds of thousands of people to leave their homeland in pursuit of investment, work, study, and retirement, in addition to those who have already left the country.<sup>16</sup>

Prospects for job creation in Lebanon remain low. The World Bank estimates that one in five Lebanese residents has lost their job since the end of 2019, and that 61% of companies in Lebanon have reduced the size of their permanent staff by an average of 43%.<sup>17</sup>

According to multiple reports and surveys, many indicators point to an incipient mass emigration wave from Lebanon – one that is ultimately expected to persist for several years. The 2021 Arab Youth Opinion Survey found that 77% of surveyed Lebanese youth indicated that they think about emigrating and actively seek it, the highest rate among all Arab countries.<sup>18</sup> The active pursuit of emigration by most Lebanese youth is a predictable outcome of the ongoing decline in job opportunities at the national level, coupled with low salaries for jobs when a vacancy is found.<sup>19</sup> The already substantial migration of specialists and professionals – particularly male and female workers in the health sector,<sup>20 21</sup> and in the educational sector (including university professors and teachers),<sup>22 23</sup> – threatens the country's standing on multiple fronts.

<sup>10</sup> The World Bank (2022), Lebanon's Crisis: Great Denial in the Deliberate Depression, Retrieved at: <https://www.worldbank.org/en/news/press-release/2022/01/24/lebanon-s-crisis-great-denial-in-the-deliberate-depression>

<sup>11</sup> Ibid

<sup>12</sup> Ibid

<sup>13</sup> Dana Khraiche and Ben Bartenstein (2021), Lebanon's Foreign Creditors Demand Urgent Debt Restructuring, Bloomberg, Retrieved at: <https://www.bloomberg.com/news/articles/2021-09-21/lebanon-s-foreign-creditors-demand-urgent-debt-restructuring>

<sup>14</sup> Rawad Taha (2021), Indicators warn of a "third mass exodus" from Lebanon: AUB Crisis Observatory, Al Arabiya, Retrieved at: <https://english.alarabiya.net/News/middle-east/2021/08/31/Indicators-warn-of-a-third-mass-exodus-from-Lebanon-AUB-Crisis-Observatory>

<sup>15</sup> Ibid

<sup>16</sup> Ibid

<sup>17</sup> Angela Elzir (2021), What the mega-crises have done to Lebanese firms and workers, The World Bank, Retrieved at: <https://blogs.worldbank.org/arabvoices/what-mega-crises-have-done-lebanese-firms-and-workers>

<sup>18</sup> Gillian Duncan (2021), Arab Youth Survey 2021: One in three hit by Covid-19 pandemic job losses, The National, Retrieved at: <https://www.thenationalnews.com/mena/2021/10/12/arab-youth-survey-2021-pandemic-brings-job-losses-and-setbacks-for-women/>

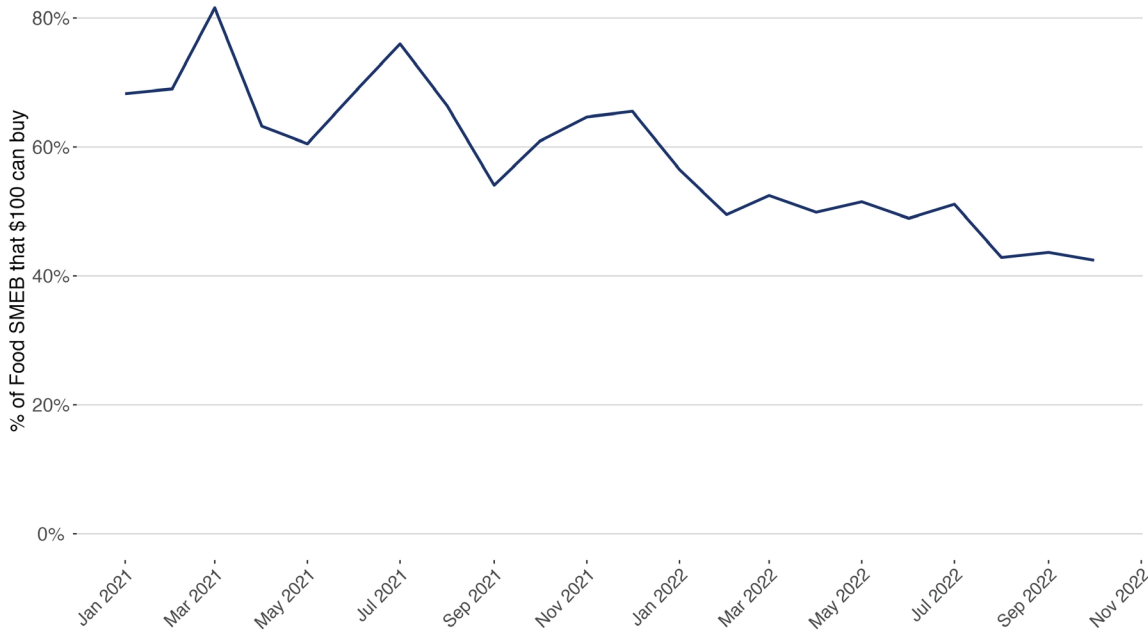
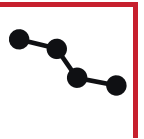
<sup>19</sup> Timour Azhari (2020), With jobs scarce, Lebanon's labor minister pushes low-wage work, Al Jazeera English, Retrieved at: <https://www.aljazeera.com/economy/2020/1/30/with-jobs-scarce-lebanons-labour-minister-pushes-low-wage-work>

<sup>20</sup> Emily Lewis (2020), Lebanon hospitals under threat as doctors and nurses emigrate, The National, Retrieved at: <https://www.thenationalnews.com/world/mena/lebanon-hospitals-under-threat-as-doctors-and-nurses-emigrate-1.1077418>

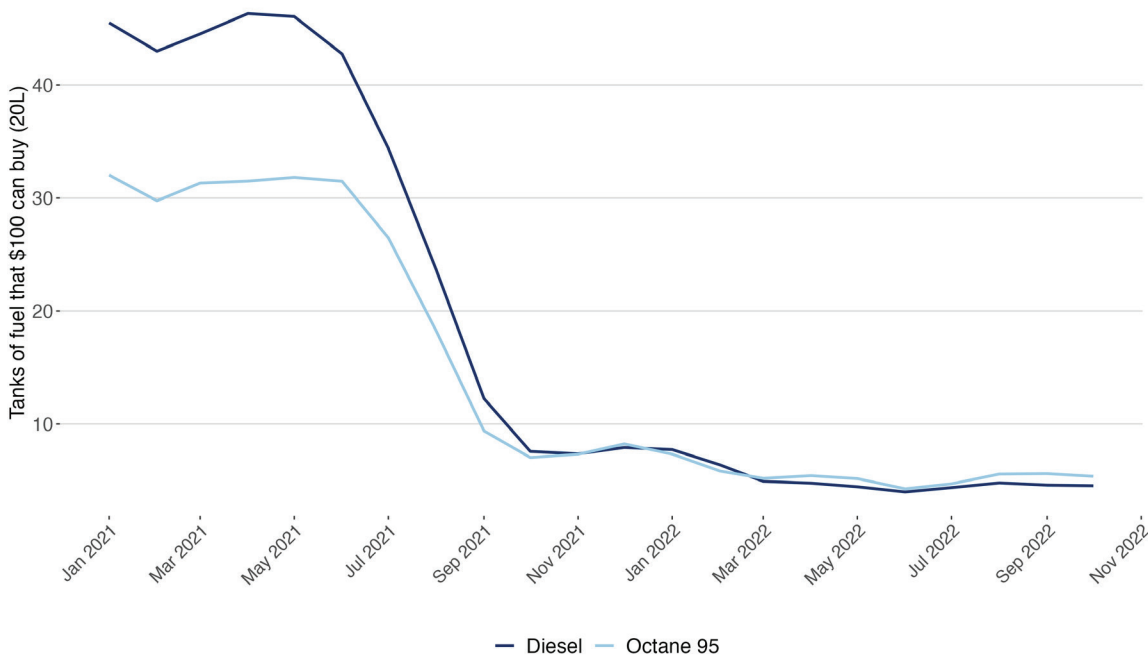
<sup>21</sup> Nurses Syndicate estimated that 1,600 male and female nurses have emigrated since 2019.

<sup>22</sup> Jana Dhaybi (2020), University Professors Feel the Pain of Lebanon's Worsening Crisis, Al Fanar Media, Retrieved at: <https://www.al-fanarmedia.org/2020/07/university-professors-feel-the-pain-of-lebanons-worsening-crisis/>

<sup>23</sup> At the American University of Beirut alone, 15% of the educational body emigrated in 2020.



**Figure 1:** The percent of the food survival minimum expenditure basket (SMEB)<sup>24</sup> that USD 100 can purchase.



**Figure 2:** The number of diesel and petrol fill-ups (20L) that USD 100 can purchase.

<sup>24</sup> The Survival Minimum Expenditure Basket (SMEB) is a basic basket of goods (food, hygiene items, cooking fuel, basic clothes, transport, communication, rent, water, and debt repayment) that captures what a Syrian household in Lebanon requires to meet lifesaving needs and survive in a displacement setting. The SMEB is set by an expert group of humanitarian agencies and used to track how vulnerable households' economic situations are changing and to set values for cash and other assistance. WFP, (September 2020), Review of the Survival and Minimum Expenditure Baskets in Lebanon Updated SMEB and MEB Components and Costs, retrieved at: <https://reliefweb.int/report/lebanon/review-survival-and-minimum-expenditure-baskets-lebanon-updated-smeb-and-meb>



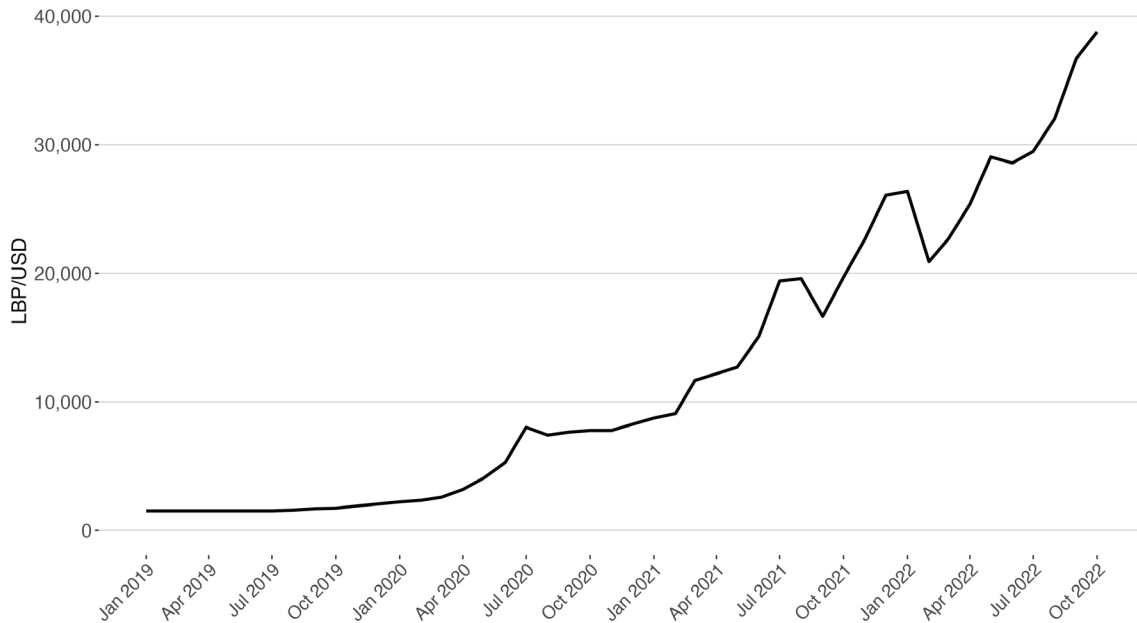
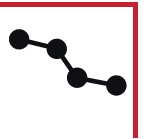


Figure 3: Average monthly parallel market LBP/USD exchange rates since 2019.

Progress on implementing reforms from 2020 to 2022 has also been negligible, as several remain blocked or undermined by political paralysis and an overall lack of political will or consensus.<sup>25</sup> Following parliamentary elections in 2022, an agreement on an International Monetary Fund (IMF)-supported stabilization and structural reform program remains the most immediate priority for the country.<sup>26</sup> IMF support would assist in the restoration of credibility and in improving access to much-needed external financing.<sup>27</sup> A complete restructuring of the commercial banking sector must accompany budgetary and structural reforms.<sup>28</sup> According to the Lebanese Government's 2021 "Financial Recovery Plan", "[...] an international financial rescue package is urgently needed to backstop the recession and create the conditions for a rebound. In parallel, a quick delivery on long-awaited reform measures is critical to help restore confidence" – a component which has yet to be realized, largely due to inadequate reform implementation.<sup>29</sup> Strong government commitment is needed to accelerate and see through the forensic audit of the Lebanese Central Bank, to recover stolen assets, and to combat corruption at the national level.<sup>30</sup>

According to a 2021 International Labour Organization and United Nations Children's Fund report, comprehensive social safety nets are urgently needed in conjunction with a reform agenda.<sup>31</sup> Poor economic indicators, record inflation and the Covid-19 crisis have led to alarming unemployment and poverty rates.<sup>32</sup>

Excessive indirect taxation – including on goods and services such as food, fuel, and mobile phone bills – places a disproportionate burden on the low- and middle-income social strata.<sup>33</sup> A 2017 UNDP and Ministry of Finance study on income inequality found that the richest 2% had as much wealth as the poorest 60% of society, which ranks Lebanon 124th out of 141 countries in terms of wealth inequality.<sup>34</sup>

<sup>25</sup> Mona Yacoubian (2021), Lebanon: Assessing Political Paralysis, Economic Crisis and Challenges for U.S. Policy, United States Institute of Peace, Retrieved at: <https://www.usip.org/publications/2021/07/lebanon-assessing-political-paralysis-economic-crisis-and-challenges-us-policy>

<sup>26</sup> International Monetary Fund (2022), IMF Staff Concludes Virtual Mission on Lebanon, Retrieved at: <https://www.imf.org/en/News/Articles/2022/02/11/pr2233-lebanon-imf-staff-concludes-virtual-mission>

<sup>27</sup> Ibid

<sup>28</sup> Ibid

<sup>29</sup> Ministry of Finance, Lebanon (2021), The Lebanese Government Financial Recovery Plan, Retrieved at: <http://finance.gov.lb/en-us/EventPdfs/English/The%20Lebanese%20Government%20Financial%20Recovery%20Plan.pdf>

<sup>30</sup> Ibid

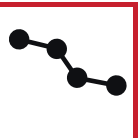
<sup>31</sup> ILO and UNICEF (2021), Towards a Social Protection Floor in Lebanon, Retrieved at: [https://www.unicef.org/lebanon/media/6231/file/Towards\\_a\\_Social\\_Protection\\_Floor\\_for\\_Lebanon\\_Lifecycle\\_Social\\_Grants\\_EN.pdf](https://www.unicef.org/lebanon/media/6231/file/Towards_a_Social_Protection_Floor_for_Lebanon_Lifecycle_Social_Grants_EN.pdf)

<sup>32</sup> Joelle M. Abi-Rached and Ishac Diwan (2020), The Socioeconomic Impact of COVID-19 on Lebanon: A Crisis Within Crises, EURO MESCO, Retrieved at: <https://www.euromesco.net/publication/the-socioeconomic-impact-of-covid-19-on-lebanon-a-crisis-within-crisis/>

<sup>33</sup> Ibid

<sup>34</sup> Ministry of Finance, Lebanon and UNDP (2017), Assessing Labour Income Inequality in Lebanon's Private Sector, retrieved at: <https://www.undp.org/content/dam/lebanon/docs/Governance/Publications/Assessing>





Credit: Getty Images

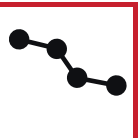
# Understanding diaspora inflows

The debate on remittances in Lebanon is often mired by a limited understanding of the types of funding sent to Lebanon by the diaspora. Lebanon receives four main types of inflows from its diaspora: remittances, non-resident deposits, municipal remittance platforms, and informal financial flows. Each of these have different purposes and have been impacted differently by the crisis.

Type of diaspora inflow	Description	Impact of the economic crisis	Data Source
Remittances	Formal money transfer operator (MTO) or bank transfers intended for family support. Estimated at USD 6.6 billion in 2021. <sup>35</sup> A large proportion of remittances are carried through Beirut airport as cash <sup>36</sup>	53.8% of GDP, despite some decline from 2016 to 2021	World Bank/KNOMAD  Central Bank balance of payments data, current account (credit)
Non-resident deposits	Investments designed to benefit from high pre-crisis interest rates. Can be proxied for by calculating the yearly growth (or decrease) in non-resident deposits. While not all are Lebanese, this is the best proxy available.	50% decline from August 2019 to August 2022	Central Bank, consolidated balance sheet commercial banks, non-resident deposits
Municipal platforms	Municipalities facilitate the process of disbursing funds from the diaspora, such as through e-platforms. It is likely this has increased post-crisis.	Anecdotally believed to be increasing post crisis, e.g. Tyre municipality and the diaspora in Africa	No data available
Informal flows	Includes informal MTOs, digital wallets such as Purpl, and crypto transactions.	Anecdotally believed to be increasing post crisis due to challenges with the formal banking system	No data available. Operators, like Purpl, likely have data but may be reluctant to share

<sup>35</sup> KNOMAD/World Bank (2021), Migrant remittance flows (USD million). Retrieved at: <https://www.knomad.org/data/remittances>, UNDP Lebanon, Remittance Roundtable Event, August 2022,

<sup>36</sup> UNDP Roundtable, The Impact of Remittances and Financial Inflows to Lebanon, July 2022, Kevin Savage and Paul Harvey (May 2007), Remittances during crises Implications for humanitarian response, Humanitarian Policy Group Report 25, retrieved at: <https://reliefweb.int/report/world/remittances-during-crisis-implications-humanitarian-response>



Formal remittances are sent in different ways, including via Money Transfer Operator (MTO) and bank transfers, and by individuals traveling to Lebanon from abroad. Formal remittances are tracked by the Lebanese Central Bank's balance of payments data and the World Bank. A large proportion of these remittances – up to 70% according to some experts – are carried, in person, through Rafiq Al Hariri International Airport.<sup>37</sup> Overall formal remittance flows have decreased over the past five years, down to USD 6.6 billion in 2021, from a peak of USD 7.8 billion in 2016.<sup>38</sup> However, as the rest of the economy has collapsed to a much greater extent, remittances sharply increased to a staggering 53.8% of GDP in 2021, the highest level of dependence in the world.<sup>39</sup>

Informal flows are transferred through informal MTOs, such as Purpl,<sup>40</sup> or crypto exchanges. There is no data on informal flows, but anecdotally they are thought to have increased post-crisis due to challenges presented by the formal banking sector. A recent report by CNBC found that cryptocurrency transaction volumes in Lebanon are up 120% year-on-year and Lebanon now ranks second only to Turkey in volume of cryptocurrency received among countries in the Middle East and North Africa.<sup>41</sup>

Non-resident deposits constitute money invested from abroad into Lebanon's banking system. It is not possible to differentiate diaspora vs. other foreign deposits. However, it is estimated that diaspora money accounts for the majority of non-resident deposits. Pre-crisis, the Lebanese diaspora regularly deposited money in Lebanese banks to take advantage of high interest rates. However, as of August 2022, the amount of non-resident deposits are down 56% compared to August 2019.

The last type of diaspora inflows are municipal platforms, a relatively new trend post crisis, which entails some municipalities partnering with key diaspora communities to collect funding that they disburse on to the community. While these funds are not technically remittances, these platforms are providing much-needed sources of foreign currency liquidity and may be providing income support to families. However, it is unclear whether funding is disbursed according to need or whether it favors particular social or political constituents. There is currently no data on municipal platforms and further research is needed. Examples of municipal platforms include Tyre municipality's relationship with the Lebanese diaspora in Africa.<sup>42</sup>

<sup>37</sup> UNDP Roundtable, The Impact of Remittances and Financial Inflows to Lebanon, July 2022.

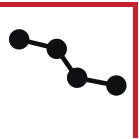
<sup>38</sup> While remittances have fallen, other areas of the economy have collapsed much faster. As a result, the overall share of remittances in Lebanon's economy has grown steeply. KNOMAD/World Bank (2022), Migrant remittance inflows (USD million). Retrieved at: <https://www.knomad.org/data/remittances>

<sup>39</sup> Ibid

<sup>40</sup> Purpl is a Lebanese digital wallet and money transfer app, see <https://purplme.com/>

<sup>41</sup> McKenzie Sigalos, (5 November 2022), In bankrupt Lebanon, locals mine bitcoin and buy groceries with tether, as USD 1 is now worth 15 cents, CNBC, retrieved at: <https://www.cnbc.com/2022/11/05/-in-bankrupt-lebanon-locals-mine-bitcoin-and-buy-groceries-with-tether.html>

<sup>42</sup> Key Informant Interview, Economic Expert, 30 October 2022



# Changing patterns of remittances post 2019

## Remittances began to decrease in 2020, but their share of the overall economy increased:

In the first year of the economic crisis, data from the World Bank showed a sharp drop in remittances from USD 7.4 billion in 2019 to USD 6.3 billion in 2020,<sup>43</sup> likely due to the diversion of funding to informal channels.<sup>44</sup>

This was a sharp turnaround after 17 years of growth in remittances. As per Blom Bank Group, remittances in Lebanon reached their fifth-highest annual level in 2019 – using data from 2002 to 2019<sup>45</sup> – with a high of USD 7.6 billion in 2016, up from USD 2.5 billion in 2002.<sup>46</sup>

As the overall economy worsened, the share of remittances in Lebanon’s GDP has actually increased. In 2020, Lebanon was the twelfth-most remittance-dependent country in the world.<sup>47</sup> By 2021, it was the most remittance-dependent globally. World Bank data highlights that remittances to Lebanon were equivalent to a staggering 53.8% of GDP in 2021, up from 18.9% in 2020, 14.52% in 2019, and 12.7% in 2018.<sup>48</sup>

<sup>43</sup> Ibid

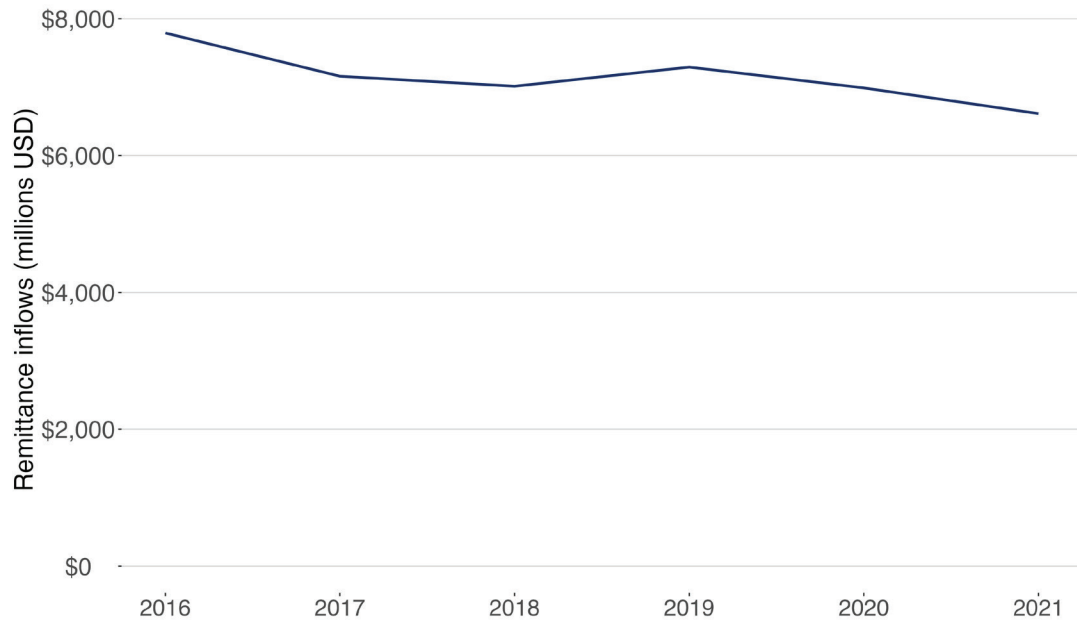
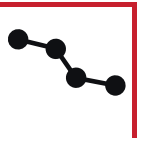
<sup>44</sup> Ibid

<sup>45</sup> The prevalence of remittances shaped the economic policies of the state in the post-war period. The government has sought to appropriate part of this revenue through taxation. Directly taxing remittances was not an option as it would deter their inflow. Indirect taxation was thus seen as a means of appropriating a portion of incoming remittances. As these entries tend to increase consumption, the government initially opted for import taxation, in a country highly dependent on imports. A value added tax was then introduced in 2002, after tariff reductions. According to data released by the Ministry of Finance, indirect taxes accounted for 56% of total revenues between 2015 and 2017. This figure highlights the importance of indirect taxation for Lebanon’s public finances, and therefore its dependence on remittances from migrants to finance. Non-tax revenues were also a means of appropriating part of the remittances from incoming migrants.

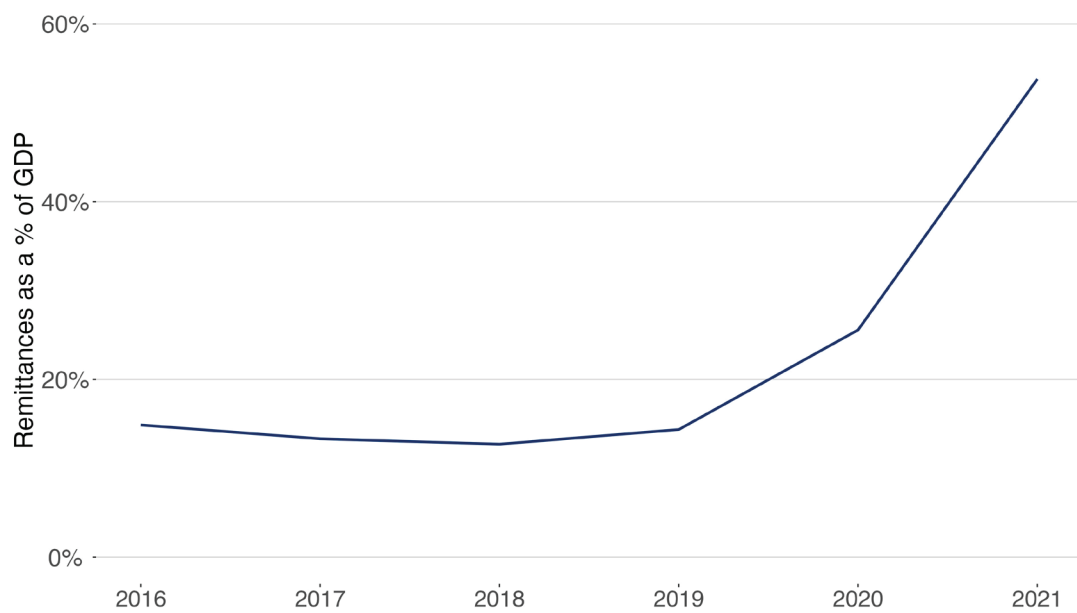
<sup>46</sup> Aline Azzi (2021), Lebanon Ranked 12th Worldwide in Remittances Received per GDP, Blom Bank, Retrieved at: <https://blog.blominvestbank.com/41452/lebanon-ranked-12th-worldwide-in-remittance-received-per-gdp>

<sup>47</sup> Ibid

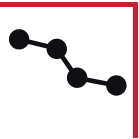
<sup>48</sup> KNOMAD/World Bank (2021), Migrant remittance flows (USD million). Retrieved at: <https://www.knomad.org/data/remittances>



**Figure 4:** Inward remittances to Lebanon from 2016 to 2021.



**Figure 5:** Inward remittances to Lebanon as a proportion of GDP from 2016 to 2021.



**Lebanese women-headed households are the most likely to receive remittances, Syrian households the least:**

A survey conducted by ARK-UNDP in August 2022 provides insights into who receives remittances in Lebanon. Lebanese citizens are much more likely than Syrians to receive remittances, with 17.3% of Lebanese respondents reporting that they received remittances compared to 2.3% of Syrian households.<sup>49</sup>

Women-headed households are much more likely to receive remittances, with 23.2% receiving a remittance compared to 14.6% of male-headed households.<sup>50</sup> Over 90% of remittance senders are a direct relative (sibling, parent, or child), with only 7.8% of senders identified as a more distant relative (such as a cousin, uncle or grandparent) or a friend.<sup>51</sup> Thirty-two percent of receiving households said they would not be able to cover their household expenses without remittances, with a further 41.7% indicating that they could cover “some but not all basic needs” in the absence of remittances.<sup>52</sup>

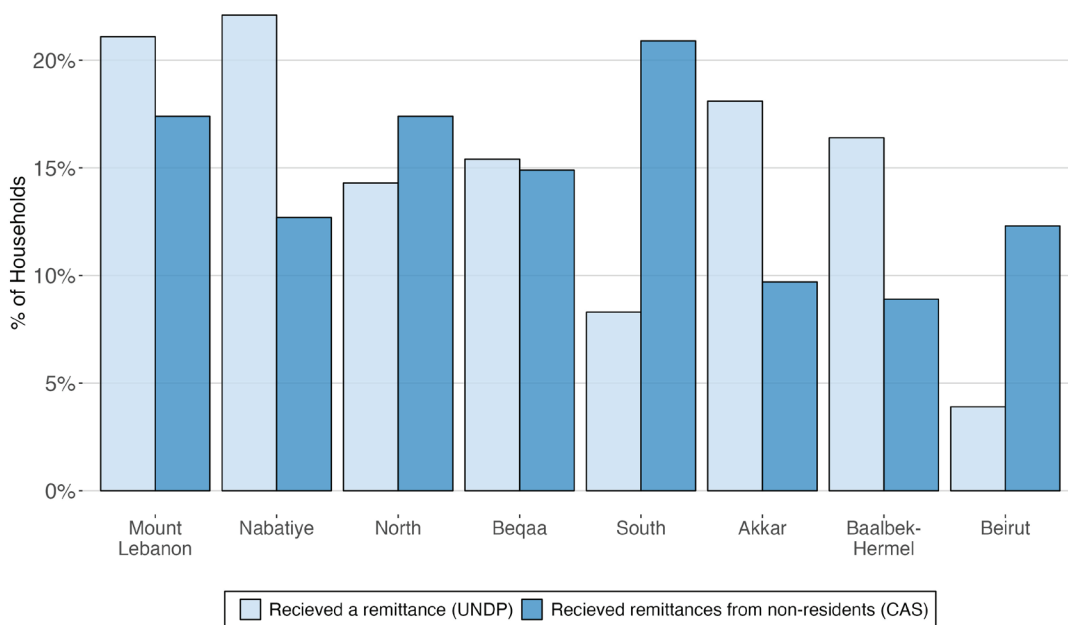


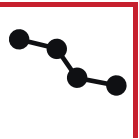
Figure 6: Proportion of households which report receiving a remittance, by governorate.

According to the ARK-UNDP survey, Nabatieh (22.1% of households), Mount Lebanon (21.1%), and Akkar (18.1%) received the most remittances, with the South (8.3%) and Beirut (3.9%) governorates receiving the least remittances. Households in Mount Lebanon, Nabatieh, and Beqaa were the most reliant on remittances to meet their daily needs.<sup>53</sup>

Remittances came from 46 different countries and regions, with Canada, Germany, the UAE, US, and Africa<sup>54</sup> listed as the main sending country or region.

<sup>49</sup> ARK-UNDP (August 2022), Regular perception survey on social tension throughout Lebanon: Wave XIV narrative report, pg. 16  
<sup>50</sup> Ibid, pg. 16  
<sup>51</sup> Ibid, pg. 16  
<sup>52</sup> Ibid, pg. 17  
<sup>53</sup> Ibid, pg. 17  
<sup>54</sup> Most respondents did not specify where in Africa. Ibid, pg. 17





### **The rise of “philanthropy” remittances post-2020:**

The global literature on remittances shows that they are often counter-cyclical, increasing in response to economic collapse or a sudden onset disaster.<sup>55</sup> This trend appears to be happening in Lebanon. For example, a study of how small businesses recovered from the Beirut Port explosion, conducted by Mercy Corps in July 2021, found that 10% of businesses relied on remittances for recovery, reaching as high as 18% in Achrafieh.<sup>56</sup>

According to a survey completed by the Moise Khayrallah Center for Lebanese Diaspora Studies at North Carolina State University, philanthropy and remittances have historically overlapped. However, recent shifts in motives and trends point to emerging priorities and a focus on different forms of support. The 2021 Lebanese American Public Opinion Survey (to which 338 Lebanese-Americans responded) recorded a substantial increase in the percentage of respondents who sent money to Lebanon. According to the survey results, 48.3% of respondents send money annually to Lebanon.<sup>57</sup> This percentage is higher than reported in a 2016 Khayrallah Center study on Lebanese American philanthropy, according to which little more than one-quarter (27%) reported sending money to family in Lebanon.<sup>58</sup> It is also larger than their 2020 survey, in which 40% of respondents indicated that they sent money to recipients in Lebanon.<sup>59</sup>

The diaspora in the US also have increased the amount of support they provide. In 2020, only 6% of respondents whose great grandparents (or earlier generation) emigrated to the US provided total annual support greater than USD 1,000 and 75% did not send money to Lebanon that year.<sup>60</sup> In 2021, 80% of respondents indicated that they “donated” USD 1,000 or more to Lebanon – according to a key informant, largely due to the perceived increase in cost of living in the country as relayed by their families in Lebanon.<sup>61</sup> When asked about changes in their level of financial support compared to the previous year, 51% indicated that it increased.<sup>62</sup> According to the survey, the Beirut Port explosion and “ensuing financial free fall of the Lebanese economy” motivated this outpouring of support.<sup>63</sup> The majority of financial support was remitted to family members (60%), remitted to friends (21%), and only 16% was donated to NGOs in Lebanon in the immediate post-Beirut Port blast period.<sup>64</sup> Due to the very personal nature of inflows of money into Lebanon, the true impact of these inflows at the national level remains unequal and very targeted, particularly as an overwhelming majority of the country’s diaspora maintains that they will only support their families and civil society.<sup>65</sup>

<sup>55</sup> John Bryant (March 2019), Remittances in humanitarian crises. Humanitarian Policy Group, Overseas Development Institute. Retrieved at: <https://cdn.odi.org/media/documents/12638.pdf>

<sup>56</sup> Mercy Corps (July 2021), Social capital in the wake of disaster: How small businesses used social capital to cope with, recover and respond to the Beirut port explosion, pg. 72. Retrieved at: [https://www.mercycorps.org/sites/default/files/2021-07/Mercy-Corps\\_Lebanon\\_Social-Capital-and-Beirut-Blast.pdf](https://www.mercycorps.org/sites/default/files/2021-07/Mercy-Corps_Lebanon_Social-Capital-and-Beirut-Blast.pdf)

<sup>57</sup> Khayrallah Center (2021), Lebanese American Opinion Survey 2021, Retrieved at: <https://storymaps.arcgis.com/stories/32c11d50290e4c62b25ec27cb3cecabf>

<sup>58</sup> Ibid

<sup>59</sup> Ibid

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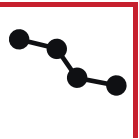
<sup>61</sup> Ibid

<sup>62</sup> Ibid

<sup>63</sup> Ibid

<sup>64</sup> Ibid

<sup>65</sup> Ibid



The literature also found that increases in remittances are difficult to maintain. Initial spikes in sending immediately after a disaster are often balanced by less remittances sent in the future. Remittances are also heavily impacted by economic conditions in the sender's economy.<sup>66</sup> With sharp global price rises in 2022, driven by the conflict in Ukraine and Covid-19, it is unclear how long the Lebanese diaspora will be able to continue providing increased levels of support.

***More households are receiving remittances post-2020, but the money is “spread thin”:***

Lebanon's Labour Force Survey in 2022 found that 15% of households in Lebanon relied on remittances from non-residents, up from 10% in 2018 and 2019. A September 2022 ARK-UNDP survey found that 17.3% of Lebanese respondents received remittances.<sup>67</sup> Experts believe that respondents could be underreporting the amount of remittances they receive, as they fear it could make them ineligible for aid or other assistance. As a result, the actual number of households receiving remittances from non-residents could be double the reported amount, or up to 30%.<sup>68</sup> According to multiple reports, OMT in Lebanon continues to transfer money from the Lebanese diaspora to at least 150,000 families.<sup>69</sup> In light of the extent of social vulnerability today, current inflows remain “stretched too thin.”<sup>70</sup> The Beirut-based think tank The Policy Initiative found that remittance inflows into Lebanon largely impact select households and their capacity to consume rather than support investment in human capital, which is necessary for employment and economic growth.<sup>71</sup>

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<sup>66</sup> Centre for Disaster Philanthropy (2022), Remittances. Retrieved at: <https://disasterphilanthropy.org/resources/remittances/>. John Bryant (March 2019), Remittances in humanitarian crises. Humanitarian Policy Group, Overseas Development Institute. Retrieved at: <https://cdn.odi.org/media/documents/12638.pdf>

<sup>67</sup> ARK-UNDP (2022), Regular Perception Surveys on Social Tensions throughout Lebanon. Retrieved at: [https://drive.google.com/file/d/1yADfaDM8\\_m1F5x5gidPXgAsI511ZPsEH/view](https://drive.google.com/file/d/1yADfaDM8_m1F5x5gidPXgAsI511ZPsEH/view)

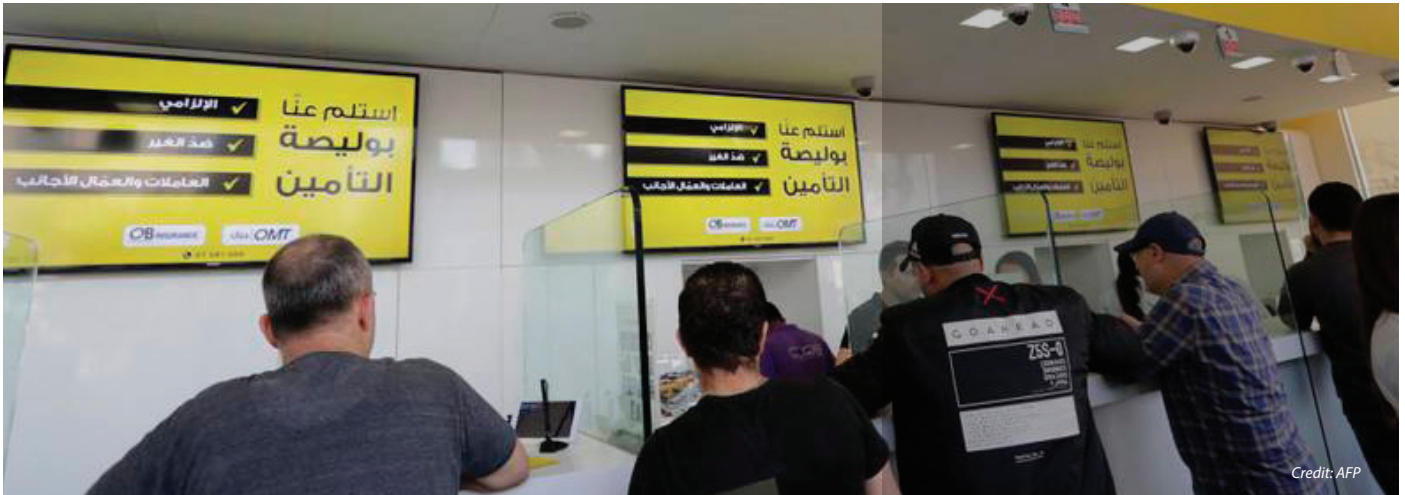
<sup>68</sup> Central Administration of Statistics and International Labour Organization (2022), Labour Force Survey: Lebanon. Retrieved from

<sup>69</sup> Souad Lazkani (2021), How OMT Helped Facilitate The Money Transfers Of Lebanese Diaspora To 150,000 Families, The961 Media, Retrieved at: <https://www.the961.com/omt-lebanese-families/>

<sup>70</sup> Ibid

<sup>71</sup> Ibid





Credit: AFP

## Remittances as a social safety net: Risks and limitations

Migration is a key coping strategy for Lebanon. Remittances from the diaspora undoubtedly benefit the estimated 15% to 30% of the community who receive them. Globally, remittances are worth hundreds of billions of USD, dwarfing foreign direct investments and aid. Remittances are usually directly applied toward family incomes, having an immediate effect on the livelihoods of receiving households. However, remittances present multiple challenges that could undermine their usefulness as a social safety net in Lebanon.

### **Remittances are vulnerable to external shocks:**

The war in Ukraine and resulting increases in global commodity prices are stretching the ability of Lebanese abroad to send remittances. When asked how they manage to cover bills and household expenses, one family member from Tripoli who worked at a salon<sup>72</sup> explained, “[...] I have one son abroad who is studying. He does not work, but he is on some kind of scholarship that gives him a small allowance. He has been sending us USD 150 to assist us in making ends meet. I cut off power to the house, so the money largely goes toward food and medication. It also goes towards paying back some debt when I need it. He does not send it through every month, but sends it when he can. In Europe now, the war in Ukraine has strained everyone, including my son. Things are already more expensive there and this impacts how much he can send to us.”<sup>73</sup>

### **Remittances do not arrive regularly:**

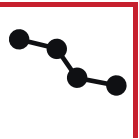
Many key informants reported not receiving a “steady flow” of remittances, but rather, receiving smaller amounts upon request. This has made it difficult for families to calculate their monthly expenditures and organize finances.

A survey conducted by ARK-UNDP in August 2022 found that slightly more than one-third (35.9%) of households reported regularly receiving remittances. Moreover, 50.6% reported receiving occasional remittances and 13.3% received remittances only on a special occasion or for special needs, like school fees and hospital bills.<sup>74</sup>

<sup>72</sup> Head of household, male, 57 years old, Tripoli, North Lebanon.

<sup>73</sup> In-depth Interview, July 2022.

<sup>74</sup> ARK-UNDP (August 2022), Regular perception survey on social tension throughout Lebanon: Wave XIV narrative report, pg. 16



One shop owner in Tripoli who operates a service shop with two or more money transfer services stated that most transfers are not consistent in amount or frequency. He explained that the “regulars” who receive a consistent amount each month are in the minority. He elaborated, saying: “[...] all I can tell you is that the incoming amounts are not steady, and are not in the form of a mini salary at the end of each month. They are rather spontaneous amounts that are sent to residents in the area every once in a while. The ones that receive payments monthly are very few. I know this because I have two money transfer services at my shop, and I am the only one in the area within a large radius.” When asked about average amounts of transfers, the shop owner explained: “[...] amounts are not as substantial as everyone may think. They are honestly anywhere as low as USD 50, and can go as high as USD 300 in some cases. In very rare cases do people receive more. For those that receive an amount every month, the amount is USD 150 at most. However, these transfers are consistent. This is the difference.” As the shop also sells a range of goods, the owner explained that some residents in the area maintain a tab at his shop that they pay off at the end of every month once a transfer comes through. Predominantly, the debt they tally up is for food, mobile phone recharge cards, and internet cards.

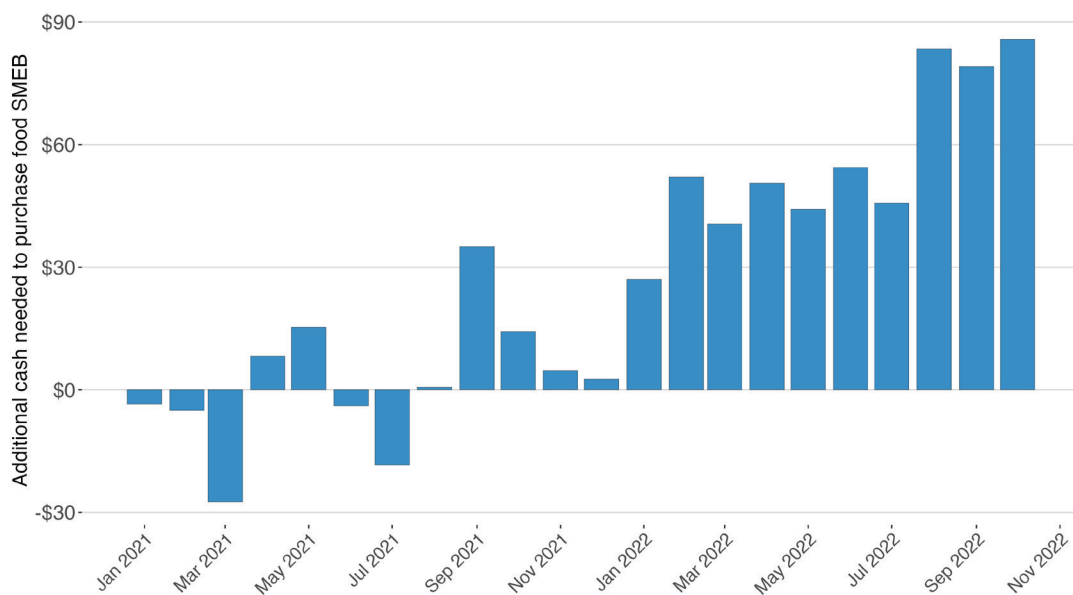
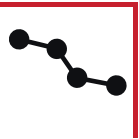


Figure 7: Additional USD needed to afford the food SMEB after applying a USD 150 monthly remittance to purchasing the basket.

A survey conducted by ARK-UNDP in August 2022 found that only 9.8% of remittance-collecting households received more than USD 10,000 per year, 33.5% received from USD 1,200 to USD 10,000 per year, and 30.2% received from USD 750 to USD 1,200 per year.<sup>75</sup>

<sup>75</sup> ARK-UNDP (August 2022), Regular perception survey on social tension throughout Lebanon: Wave XIV narrative report, pg. 16



***With the removal of subsidies and international commodity shocks, remittances are not keeping pace with price rises:***

According to the Lebanon Crisis Observatory at the American University of Beirut, the cost of food increased by 700% from 2019 to 2021, with the increase continuing to pick up well into 2022.<sup>76</sup> According to the World Bank, Lebanon’s food prices were highest in the MENA region in November 2022, and second-highest globally, with food prices up 46% in October 2022 compared to the previous year when adjusted for inflation.<sup>77</sup> In its periodic assessment of the repercussions brought on by the Covid-19 pandemic, the World Bank found that from February 2021 to March 2021, food prices in Lebanon surged across all food categories.<sup>78</sup> The World Bank’s report assessed the prices of five main food categories in 19 different countries across the region, including carbohydrates, fruits, meats, dairy products, and vegetables.<sup>79</sup> According to the study, fresh and frozen cattle meat prices rose by 110% during the assessment period, indicating the highest increase in price for frozen cattle meat in the region.<sup>80</sup> Lebanon, Syria, and Djibouti were the only three countries to record a rise of over 35% in this category.<sup>81</sup>

*Echoing these findings, one family interviewed from the greater Beirut area explained, “[...] potatoes, eggs, and bread used to be the food of the poor. Everyone could afford them. You could at least afford that. Now, not only are they so expensive, but the fact that they are less and less readily available when we need them gives shop owners the liberty to price them as they please. There is very high demand and absolutely no availability. We do not know how much things are “supposed” to cost anymore.” As prices continue to change, calculating needs within families has become increasingly difficult as well, particularly when they request outside support. As the same respondent explained, “I used to be able to ask my brother for USD 100 to cover the month – but this was six months ago. Now, USD 100 is barely enough for gas for me to get to work and keep us afloat. I do not have the heart to ask for more though. Even though he is family, he does not understand how quickly prices and realities shift where we are. It is difficult to explain, and I do not want him to feel like I am taking advantage of him or exploiting his help.”<sup>82</sup>*

By 2021, families in Lebanon were spending more than five times the minimum wage on food alone.<sup>83</sup> According to a Lebanese family interviewed in July 2022 – which prior to the crisis considered themselves “upper-middle-class” – their food budget was five times the minimum wage “at least”, and their income dropped so substantially that they continued to “ration food and fuel.” Without taking into account the additional costs of the household, the family of five was spending more than 5 million Lebanese Pounds (LBP) per month on food alone for a family of five.<sup>84</sup>

<sup>76</sup> AUB Lebanon Crisis Observatory (2022), Retrieved at: <https://www.facebook.com/CrisisObservatory/>

<sup>77</sup> The World Bank (2022), Food Security Update, Retrieved at: <https://www.worldbank.org/en/topic/agriculture/brief/food-security-update>

<sup>78</sup> Ibid

<sup>79</sup> Ibid

<sup>80</sup> Ibid

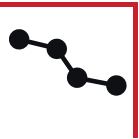
<sup>81</sup> Ibid

<sup>82</sup> In-depth Interview, July 2022.

<sup>83</sup> AFP (2021), Lebanon families spend “five times minimum wage” on food alone: Study, Al Arabiya, Retrieved at:

<https://english.alarabiya.net/News/middle-east/2021/07/21/Lebanon-families-spend-five-times-minimum-wage-on-food-alone-Study>

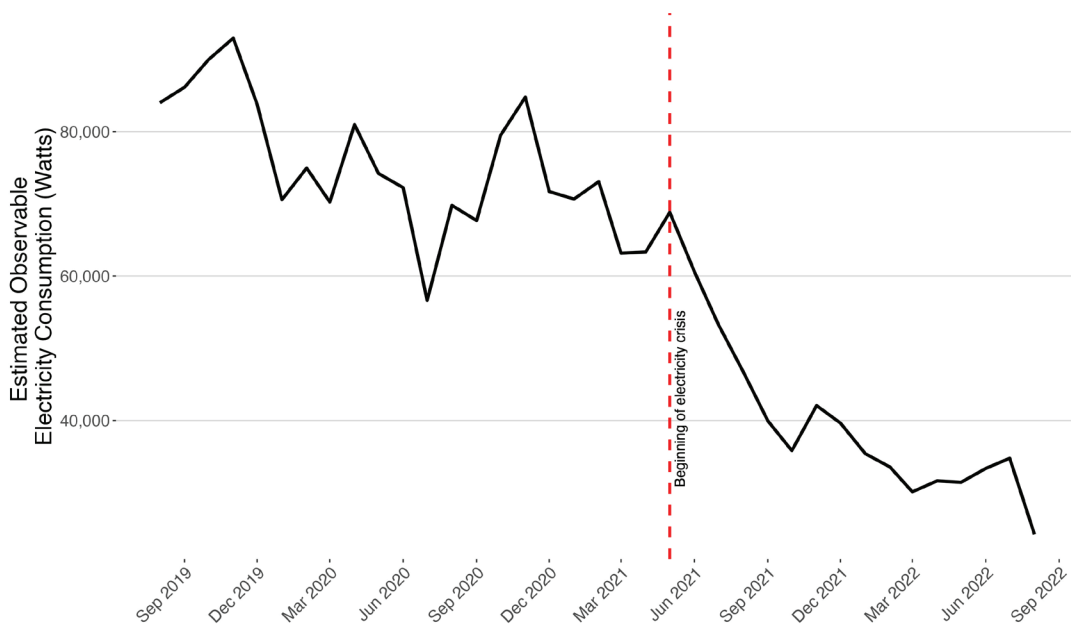
<sup>84</sup> In-depth Interview, July 2022.



As the overwhelming majority of the Lebanese population is paid in the local currency and the national minimum wage stands at LBP 675,000, people across the country are continuing to fall deeper into poverty due to currency depreciation, high inflation, rising prices, and loss of income.<sup>85</sup> Prior to the 2019 collapse, LBP 675,000 could consistently be exchanged for USD 450 – an amount, according to one family, that could sustain (at least) until “well into the third week” of the month.<sup>86</sup> Today, LBP 675,000 barely fetches USD 30 at the “parallel market” rate.

According to another family from the greater Beirut area, “When the government continued to slowly lift subsidies on key goods such as fuel and medicine, we really fell far below the poverty line. Because we are a community, we are now borrowing from each other. I owe the shop across the street from my home money for food. I owe the pharmacist two months’ worth of my wife’s prescription medication and I owe the library around the corner money for my kids’ school supplies. For a while, the gas station near our home was allowing us to pay him at the end of each month, but then he could not do that anymore.”

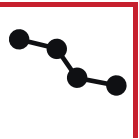
As Lebanon continues to struggle to import enough fuel to keep its power plants in operation, electricity cuts for up to 23 hours a day are a reality in areas such as Tripoli and Akkar. One family interviewed from the region explained: “We do not have money for food, but it is not like we can fill our fridge. The food will go bad, and we are running out of alternatives. This has assisted us in controlling our spending, but to what avail?” As electricity in the country continues to suffer, the cost of connecting to a “back-up” neighborhood generator has also increased, ultimately making many families across Lebanon opt for cutting off this type of power to their homes altogether. Interviewed families also explained that they have lost jobs as a result of power outages, as many businesses are unable to keep their lights on or stay in operation.



**Figure 8:** Electricity consumption observed from night lights reflectance data in Lebanon from August 2019 to August 2022. Lebanon experienced a 71% decline in electricity consumption from August 2019 to August 2022.

<sup>85</sup> Govt. of Lebanon, UNDP, UNHCR et al (2022), Launch of the 2022 Lebanon Crisis Response Plan (LCRP): Government, UN and partners appeal for USD 3.2 billion [EN/AR], <https://reliefweb.int/report/lebanon/launch-2022-lebanon-crisis-response-plan-lcrp-government-un-and-partners-appeal>

<sup>86</sup> In-depth Interview, July 2022.



Workers from a local popular supermarket chain in Lebanon stated that instead of receiving a daily email from the supermarket chain’s management informing them to adjust pricing of different items – predominantly food – they began receiving emails and calls as often as twice to three times per day to increase prices. Sometimes, they explained, these calls can be made only two hours apart. One employee stated, “People would get to the register and find out the new prices on the spot. This has caused many people to return items because they cannot afford them, and/or to lash out at employees. Supermarkets are not as crowded as they used to be in any case. People are resorting to much less bulk shopping in recent years, and buying very limited items from local convenience stores.”<sup>87</sup>

The cost of a basic breakfast for a family of five members reportedly rose to more than LBP 5 million during Ramadan in 2022.<sup>88</sup> One family member from the greater Beirut area explained, “[...] at the moment, the LBP [value] is loosely around LBP 30,000 to the dollar. I have three children. There are five of us. A special occasion, a celebration, Ramadan, a holiday, or just an average proper diet requires each of us to need at least LBP 1,000,000 if we want to eat the way we used to – comfortably with each of us having what they enjoy. Even if you convert the amount to USD, we are looking at more than USD 170. It does not make sense. Something does not add up, even when you calculate it back to USD.” He added, “[...] my brother from Germany, just one year and a half ago (in 2020) could send me USD 150 and it would go a long way. Now, we are not sure what goes a long way. We are also not sure about what we will wake up to. Even the war in Ukraine has made us get in line for bread – the price of which is now just as unpredictable.”<sup>89</sup> The family believed that shop owners around the greater Beirut area were hoarding bread, giving it to select friends and family, and hiking up the prices as they please due to scarcity and high demand.<sup>90</sup>

According to an expert interviewed for this study, “[...] Lebanon’s food price increases have mostly overlooked the indecisive nature of the Lebanese Pound – in that, traders and shop owners do not decrease the prices as the Lebanese Pound drops, but rather, keep the prices at the Lebanese Pound’s highest rate in a bid to salvage some of their capital if it were to drop again.”

***The banking sector collapse has prompted remittance senders and receivers to instead use formal and informal international money transfer organizations, increasing inefficiencies and fees:***

Due to the collapse of the country’s financial system (late 2019-present), Lebanese citizens face a multitude of banking restrictions, varying withdrawal limits, the emergence of the “fresh dollar”,<sup>91</sup> as well as an array of platforms on which the value of the LBP against the USD fluctuates daily. Prior to the crisis, the USD and LBP were used interchangeably (as local currency) and remittances were predominantly sent to family members through the banking system in USD from abroad, or carried in as cash during regular visits to Lebanon. With the LBP rate fluctuating, many items, particularly imported goods, are now priced in USD. Following the collapse of the banking system, individuals who had USD-denominated accounts in commercial banks found themselves no longer able to withdraw from them, while those paid in LBP found their salaries and savings shrink by more than 90% in value.

<sup>87</sup> In-depth Interview, July 2022.

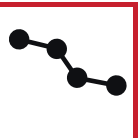
<sup>88</sup> Ibid

<sup>89</sup> In-depth Interview, July 2022.

<sup>90</sup> In-depth Interview, July 2022.

<sup>91</sup> “Fresh dollars” refer to USD held in cash or deposited into the Lebanese commercial banking system after October 2019, when banks began to implement informal capital control measures on most USD-denominated accounts. USD deposited into so-called “fresh dollar” or “fresh fund” accounts is not subject to withdrawal limits.





In order to mitigate this, exchange offices began to exchange money at the new “parallel market” rate. Authorities intervened, blocking websites that tracked the parallel market USD rate and cracking down on exchange offices that did not adhere to rates set by the Central Bank. Increasingly, people began to direct their attention toward independent operators and international money transfer services such as OMT, digital wallets such as Purpl, and crypto wallets like Binance or Coinbase. In December 2021, the Central Bank announced that it would provide USD to local banks to exchange for their customers at yet another rate, which is set on the Lebanese Central Bank’s Sayrafa platform.<sup>92</sup> Exactly how the rates are calculated and set on the parallel market remains unclear – as economists and experts insist that the current parallel market rate remains “very far” from the “true value” of the LBP.<sup>93</sup> Exchange houses contacted for the purpose of this report repeatedly declined to comment on how their businesses operate and how rates are set. Experts agreed that the LBP is likely headed for “another crash,” amid no real national economic strategy, and that use of the parallel market rate will not end in the near future.<sup>94</sup> As one Economist said, “[...] people do not trust the Lebanese Pound, and do not trust the government or the banks. So long as this is the case, and the black market is alive and well, the majority of money entering the country will be through money transferring agencies (OMT, Moneygram, BOB Finance, Wish Money, LibanPost), informal Hawala services,<sup>95</sup> as well as in cash carried by people coming from abroad.”<sup>96</sup>

**The remittance curse:**

Experts also argue that remittances may divert spending away from productive sectors toward services and consumption. A 2018 transnational study (including Lebanon) found that migrant remittances caused a labor market shift from high-wage, high-productivity industries to low-wage, low-productivity, and non-tradable industries.<sup>97</sup> For decades, remittances to Lebanon have been compensatory in nature and are therefore mainly spent on household consumption.<sup>98</sup> According to the same study, remittances are accompanied by a shift in resources from agriculture and manufacturing to the service sector.<sup>99</sup>

According to key informants, in the absence of basic public goods, remittances usually cover expenses for education, health, housing, and utilities, with the rest capitalizing local banks.<sup>100</sup> The IMF found that remittances tend to result in a boom in the services sector, which places upward pressure on wages, raising the cost for and lowering the competitiveness of tradable sectors of the economy.<sup>101</sup> This trend was seen in Lebanon in the post-war period. According to UNCTAD data, the services sector share of GDP rose from 66.8% in 1992 to 81.2% in 2017, while the share of tradable sectors fell from 33.22% to 18.76% during the same period.<sup>102</sup>

<sup>92</sup> BDL (2022), Sayrafa Rate, Retrieved at: <https://www.bdl.gov.lb/news/more/8/678/21>

<sup>93</sup> Key Informant Interview, June 2022.

<sup>94</sup> Key Informant Interview, June-July 2022.

<sup>95</sup> Hawala refers to an informal funds transfer system by which service providers transfer money from one location to another outside the formal banking and financial system. Mohammed El Qorchi (2003), Informal Funds Transfer Systems: An Analysis of the Informal Hawala System. IMF eLibrary, Retrieved at: <file:///C:/Users/johnm/Downloads/9781589062269-9781589062269.pdf>

<sup>96</sup> Key Informant Interview, June 2022.

<sup>97</sup> Ralph Chami, et al (2018), Are Remittances Good for Labor Markets in LICs, MICs and Fragile States?, IMF eLibrary, Retrieved at: <https://www.imf.org/en/Publications/WP/Issues/2018/05/09/Are-Remittances-Good-for-Labor-Markets-in-LICs-MICs-and-Fragile-States-45839>

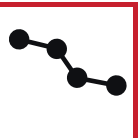
<sup>98</sup> Ralph Chami, et al (2003), Are Immigrant Remittance Flows a Source of Capital for Development?, IMF eLibrary, Retrieved at: <https://www.elibrary.imf.org/view/journals/001/2003/189/article-A001-en.xml>

<sup>99</sup> Ibid

<sup>100</sup> Ibid

<sup>101</sup> Ibid

<sup>102</sup> Ibid



Although there are no case studies exploring the effects of remittances on the growth of the Lebanese economy, claims that they have had a positive effect are overstated. Slow growth has been a feature of Lebanon's post-war economy, with GDP per capita growing at an average rate of only 0.3% per year from 1998 to 2018 according to World Bank data.<sup>103</sup> These figures show that instead of supposedly boosting growth, remittances have shaped an economy symptomatic of Dutch Disease, with low equilibrium growth, large trade deficits, and underperforming tradable sectors.<sup>104</sup>

While remittances have historically shaped Lebanon's economic (and migration) narratives and landscapes, according to The Policy Initiative, "to assume that foreign currency inflows are restoring stability to crisis-torn Lebanon is indeed an overstatement."<sup>105</sup> According to the think tank, "These inflows are barely sufficient to strengthen the country's investment capacity, reduce economic inequality, recover losses, or trigger economic growth. Exacerbated by poor business confidence, financial sector collapse, and extreme social vulnerability, much of these inflows have turned into stopgap capital."<sup>106</sup> Indeed, remittance inflows have fallen short of containing the country's multiple crises. Experts have argued that contrary to popular belief, the effect of remittances on Lebanon's economy has been minimal – with multiple experts insisting that inflows into Lebanon only impacted a select few.

According to Economist Samer Talhouk, the LBP-USD peg was adopted to encourage remittance inflows.<sup>107</sup> The easy convertibility of the two currencies and the stability of the exchange rate eased expectations and avoided uncertainty in times of political crisis.<sup>108</sup> The cost of such a policy was high interest rates, raising borrowing costs for domestic industries.<sup>109</sup> Depositing money in banks thus became lucrative, crowding out investment in favor of collecting what is referred to as "easy passive income."<sup>110</sup>

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<sup>103</sup> Ibid

<sup>104</sup> Kamel Wazne (2014), Remittances in Lebanon: A Lebanese-Dutch Disease?, UNESCWA, Retrieved at: <https://www.unescwa.org/sites/default/files/event/materials/l2-2.pdf>

<sup>105</sup> Hussein Cheaito and Sami Zoughaib (2022), Tourism and remittances are not a panacea for Lebanon's financial woes, The Policy Initiative, Retrieved at: <https://www.thepolicyinitiative.org/article/details/177/tourism-and-remittances-are-not-a-panacea-for-lebanons-financial-woes>

<sup>106</sup> Ibid

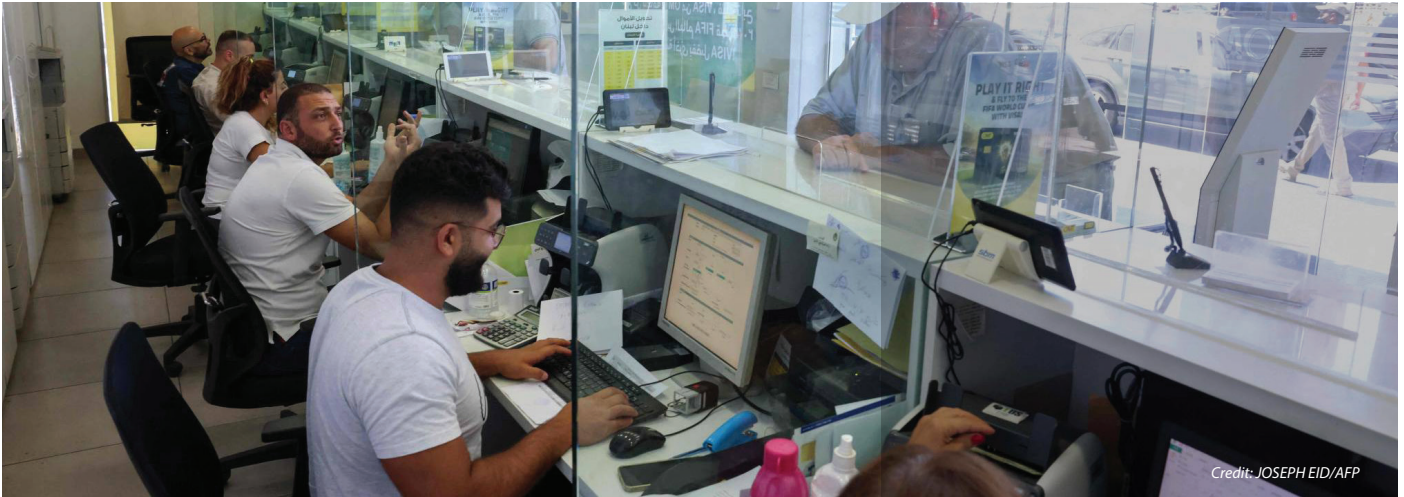
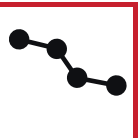
<sup>107</sup> Samer Talhouk (2019), Rethinking the role of remittances inflows in the Lebanese Economy, Beirut Today, Retrieved at: <https://beirut-today.com/2019/10/07/rethinking-remittances-inflows-lebanese-economy/>

<sup>108</sup> Ibid

<sup>109</sup> Ibid

<sup>110</sup> Ibid





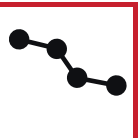
## Gaps in remittance data and recommendations

The literature on remittances warns of multiple limitations on the usefulness of remittance data in humanitarian responses:

- Informal transfer mechanisms, such as crypto wallets,<sup>111</sup> or Hawalas, are opaque and difficult to track.
- Money transfer operators have limited incentives to share commercially sensitive information on remittances.
- Remittance senders may be reluctant to openly disclose amounts they are sending, especially if they have a tenuous legal status in the country in which they work.
- People receiving remittances have a tendency to underreport them, either because they fear it could jeopardize their access to aid or other social support, or because they think it could expose them to crime or community pressure.
- The humanitarian community needs to ensure that it has the capacity to safely store secure data. The aid sector has suffered a number of high profile data breaches over the past five years.<sup>112</sup>

<sup>111</sup> Examples of popular crypto wallets in Lebanon include Binance, Coinbase, Paypal or KuCoin. McKenzie Sigalos, (5 November 2022), In bankrupt Lebanon, locals mine bitcoin and buy groceries with tether, as USD 1 is now worth 15 cents, CNBC, retrieved at: <https://www.cnbc.com/2022/11/05/-in-bankrupt-lebanon-locals-mine-bitcoin-and-buy-groceries-with-tether.html>

<sup>112</sup> The New Humanitarian (28 February 2022), "It's like the wild west": Data security in frontline aid. Retrieved at: <https://www.thenewhumanitarian.org/interview/2022/02/28/data-security-in-frontline-aid>

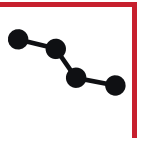


Due to these limitations, remittance data is likely not useful for targeting support to families and individuals. However, a broader understanding of remittances, and their role in coping with the crisis in Lebanon, could in turn paint a fuller picture of livelihoods and resilience in crises. Moreover, it can also expand our understanding of the agency and inventiveness of people affected by crises, and how they use complex global networks to adapt.<sup>113</sup> Remittance networks are robust. They are quick to adapt and reestablish themselves in response to crises and disasters. Such lessons from the remittance sector could help inform contingency planning for future humanitarian crises.

To better integrate remittances into humanitarian planning, it is necessary to address data gaps, including:

1. Understanding how remittances are spent: There is an assumption that remittances are spent on consumption, but limited data to back this up.
2. Building a better picture of the profiles of households receiving remittances: There is an assumption that remittances do not go to the most vulnerable households in society, but this may not be true in all cases, such as elderly relatives.
3. Understanding the flow of remittances within Lebanon's different communities, including in rural and urban areas, and by governorate: There is an assumption that remittances favor urban areas, but no solid data to back this up.
4. Understanding onward flows of remittances (how they are distributed to extended families and communities beyond the initial receiver of remittances).
5. Learning more about remittance transfer systems and mechanisms to plan how to maintain support in the aftermath of a possible future crisis: Remittances are robust and could help build contingency plans for humanitarian responders.
6. Understanding the expanding role of municipal-led platforms for remittances and how this impacts local development and social cohesion.
7. Understanding the profiles and motivations of remitters (for example, those in the Gulf, vs. North America, Latin America, Africa, and Australia).

<sup>113</sup> John Bryant (March 2019), Remittances in humanitarian crises. Humanitarian Policy Group, Overseas Development Institute. Retrieved at: <https://cdn.odi.org/media/documents/12638.pdf>



# Contact

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**Team Lead**

Crisis Analytics | Lebanon  
[lb-lcat@mercy Corps.org](mailto:lb-lcat@mercy Corps.org)



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