

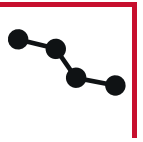
# Lebanon Crisis Update

May 2023 ■ ■



Photo by Mohamed Azakir/REUTERS

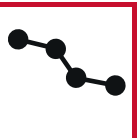
- 3 ● [Key Takeaways](#)
- 5 ● [Economic and Financial Updates](#)
- 10 ● [Political Updates](#)
- 13 ● [Access to Services](#)
- 15 ● [Looking Forward](#)



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 aid community in Lebanon. The information and analysis contained in this report is therefore strictly to inform humanitarian and development actors and associated policymaking on Lebanon.

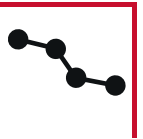
*This study/report is made possible by the support of the American People through the United States Agency for International Development (USAID) and European Union Humanitarian Aid. The contents of this report are the sole responsibility of the LCAT and do not necessarily reflect the views of USAID,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



## Key Takeaways:

---

- The Lebanese Pound (LBP) parallel market exchange rate stabilized around LBP 94,500 per 1 US dollar (USD) in May, aided by Central Bank interventions. Commercial banks operated without significant interruption, enabling regular transactions on the official Central Bank-administered USD-LBP exchange platform, Sayrafa. The parallel market rate and Sayrafa rate were relatively steady throughout April and May, in contrast to March.
- On May 12, the Ministry of Finance increased the customs dollar exchange rate to LBP 86,000 through May 31. While this brought the customs rate closer to the Sayrafa exchange rate, the two were not aligned. Unifying Lebanon's multiple exchange rates is a key requirement for unlocking International Monetary Fund financial assistance.
- The World Bank published its latest Lebanon Economic Monitor Report, which highlighted multiple economic challenges such as negative GDP growth, current account and export deficits, revenue losses, and dwindling Central Bank reserves. In addition to sharply critiquing Sayrafa policy and the slow pace of implementing reforms, the report also offered an estimation of the size of Lebanon's cash economy.
- French and German authorities issued arrest warrants for Central Bank Governor Riad Salameh on charges of committing financial crimes. Despite INTERPOL issuing a Red Notice for Salameh's arrest, he stated that he will not step down as Central Bank governor. The Lebanese judiciary has been tasked by the cabinet with determining whether Salameh should be dismissed from office.
- Public Administration employees called for a two-week strike to begin on May 29, citing mismanagement and deteriorating working conditions. Separately, the Ogero workers union announced that it will go on a two-day strike on June 6 and June 8 due to poor working conditions and station closures caused by fuel shortages. Work stoppages hampered service delivery and telecommunications across Lebanon in early June.



**MAY**



12

The Ministry of Finance raises the customs dollar exchange rate to 86,000 Lebanese Pounds (LBP) through May 31.

French authorities issue a warrant and INTERPOL issues a Red Notice for the arrest of Lebanese Central Bank Governor Riad Salameh.

16



21

Hezbollah conducts military exercises in South Lebanon.

German authorities issue an arrest warrant for Salameh.

23



23

Reuters reports that the Financial Action Task Force could place Lebanon on its greylist.

Parliamentary committees approve a bill that authorizes the Central Bank to print banknotes valued at LBP 500,000, LBP 1,000,000, and other values higher than LBP 100,000.

23



24

The UN reverses its decision to issue dual currency payments for Syrian refugees.

The League of Public Administration employees calls for a two-week strike to begin on May 29.

26



30

The Constitutional Council dismisses three appeals against the extension of municipal council and mukhtar terms.



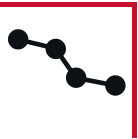


Photo by Mohamed Azakir/REUTERS

## Economic and Financial Updates:

The Lebanese Pound (LBP) parallel market exchange rate stabilized in May, at about LBP 94,500 per 1 US dollar (USD), largely due to consistent Central Bank monetary interventions. Similar to April, commercial banks remained open throughout the month, enabling daily transactions on Sayrafa, the Central Bank’s official USD-LBP currency exchange platform. As the figure below shows, the parallel market exchange rate and the Sayrafa exchange rate were relatively stable in both April and May. Total Sayrafa transactions significantly increased in May, with the daily average reaching USD 131 million (including June 1, when USD 205 million was traded on the platform), while this figure was USD 87 million in April and USD 48 million in March.

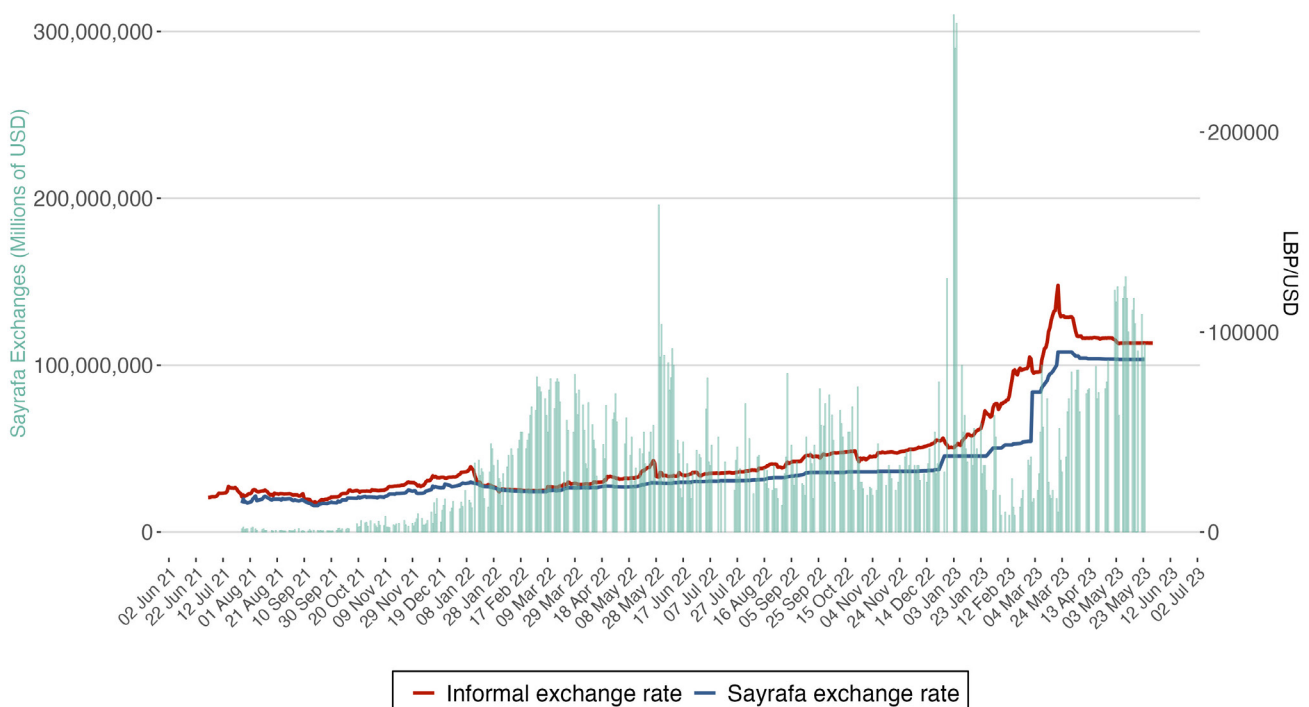
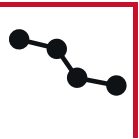


Figure 1: Sayrafa Exchanges.





**The Central Bank increased LBP money supply in May, in a move aimed at facilitating Sayrafa transactions.** Through mid-March, the Central Bank purchased USD from the market via money exchange institutions at a premium price by paying higher than the LBP parallel market rate for USD.<sup>1</sup> The Central Bank used those funds to finance Sayrafa transactions for public servants, as well as select individuals, importers, and businesses in April and May. Money supply (M1) slightly increased during April and May, driven by a limited increase in money in circulation (M0) as the figure below shows. LBP in circulation increased from LBP 67 trillion at the beginning of May to LBP 80 trillion by the end of the month.<sup>2</sup>

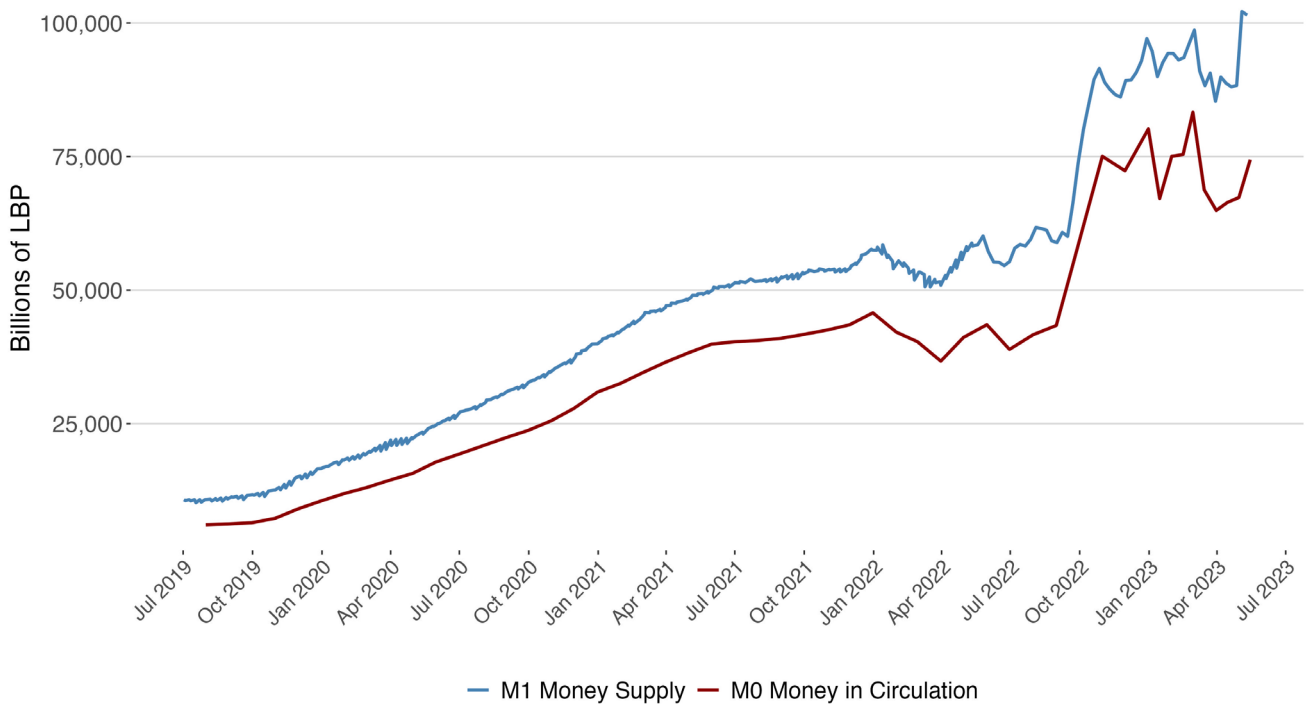
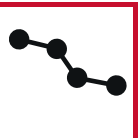


Figure 2: Money Supply and Money in Circulation.

<sup>1</sup> It is unclear at what specific point the Central Bank began purchasing significant amounts of USD at a premium, though a hike in USD prices and parallel market exchange rate fluctuations in February hint at a particularly high volume of Central Bank USD acquisitions that month.

<sup>2</sup> Banque du Liban, Interim Balance Sheets: May 15, 2023 and May 31, 2023.



**A decrease in global fuel prices and LBP stability led to a nearly 10% decrease in Lebanese fuel prices in May.** Fuel prices decreased by approximately LBP 200,000 and closed the month at LBP 1,681,000 for 98-Octane, LBP 1,639,000 for 95-Octane, LBP 1,403,000 for diesel, and LBP 851,000 for cooking gas.

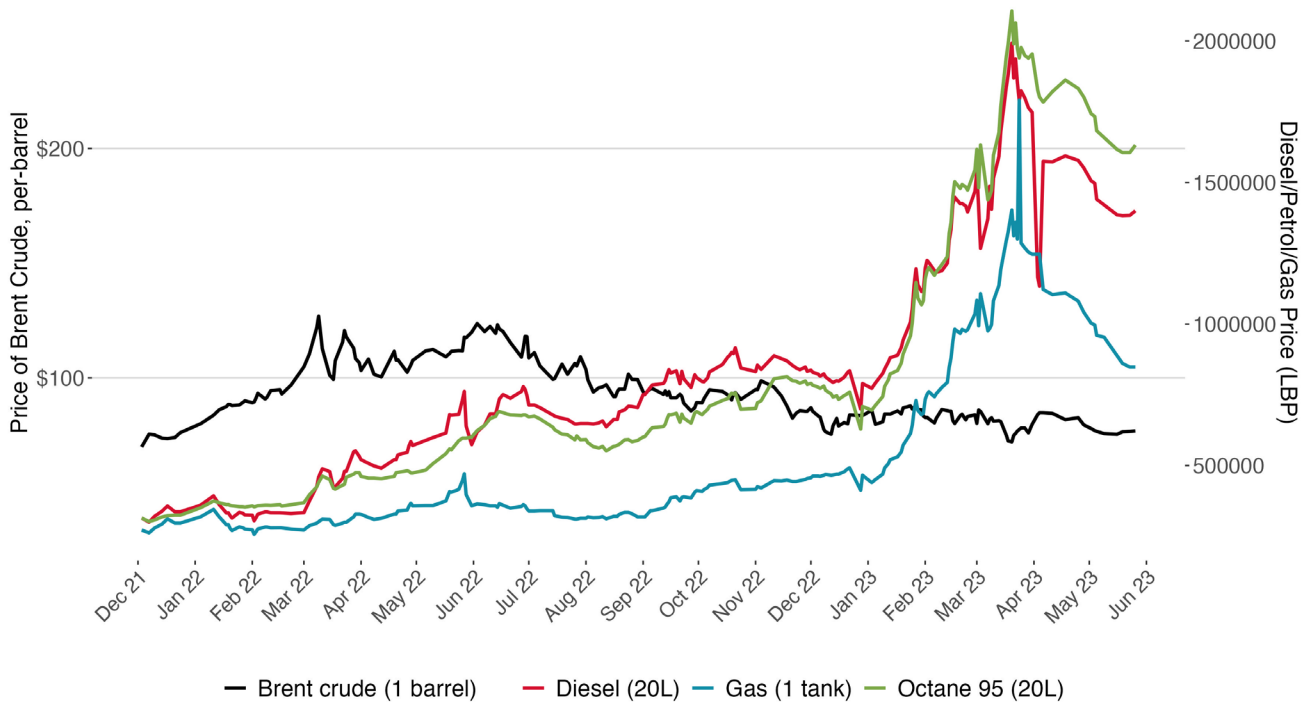


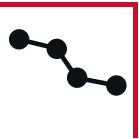
Figure 3: Fuel Prices from June 2021 to May 2023.

**On May 12, the Ministry of Finance raised the customs dollar exchange rate to LBP 86,000 through May 31.**<sup>3</sup> This marks the third customs rate increase in 2023, after the rate was raised to LBP 45,000 in March and LBP 60,000 in April. The raise brings the customs exchange rate closer to the Sayrafa exchange rate than at any other point in 2023, but falls short of indexing the customs exchange rate to the Sayrafa rate. Unifying Lebanon’s multiple exchange rates is a key requirement to unlock International Monetary Fund (IMF) financial assistance.

**The World Bank published a report on the Lebanese economy, highlighting key issues facing the country.** The Lebanon Economic Monitor Report was published on May 16,<sup>4</sup> covering a period of six months. According to the report, Lebanese GDP growth measured negative 2.6 percent in 2022, while deficits were recorded in Lebanon’s current account and exports. Amid losses in state revenues and dwindling Central Bank’s reserves, the report estimated the size of Lebanon’s cash economy to be USD 9.86 billion, by calculating USD cash in circulation, as well as USD inflows and outflows. The report critiqued Lebanon’s slow implementation of reforms and adoption of largely ineffective policies, particularly those ostensibly implemented in line with the IMF Staff Level Agreement. Notably, the World Bank offered a sharp criticism of the Sayrafa exchange platform, labeling it a form of arbitrage. The World Bank asserted that USD 2.5 billion of arbitrage profits have been generated using the platform, as beneficiaries acquire USD at a discounted rate via commercial banks and resell acquired USD with parallel market exchangers at a profit.

<sup>3</sup> [LOrient Today](#), “Finance Ministry raises customs dollar to LL86,000”, May 12, 2023.

<sup>4</sup> [The World Bank](#), “The Normalization of Crisis Is No Road for Stabilization”, May 16, 2023.



**On May 23, Reuters reported that Lebanon may be greylisted by the Middle East and North Africa section of the Financial Action Task Force (FATF), a financial crime watchdog.**<sup>5</sup> Reuters sources claimed that a preliminary evaluation conducted by the Task Force places Lebanon in a critical position, just above the greylisting threshold. The report also claimed that the Lebanese government and Central Bank officials are lobbying for more leniency in evaluation and scoring, though FATF reportedly rejected these requests as it considers the FAFT assessment of Lebanon to already be lenient. A final decision on greylisting Lebanon is expected in June.

**On May 23, parliamentary committees approved a bill that allows the Central Bank to print LBP 500,000 and LBP 1,000,000 banknotes, or other values higher than LBP 100,000.**<sup>6</sup> This step is expected to increase LBP money supply if the Central Bank decides not to replace existing banknotes in circulation with newly released paper currency of higher value.

## Analysis and Impact:

“Calmness” in the LBP parallel exchange market does not indicate economic stability. Instead, the exchange rate is maintained using costly Central Bank interventions that depend on increasing LBP money supply. Simultaneously, tax rate adjustments enable the state to collect excess LBP and “tame” the currency supply shock. As a result, the LBP parallel market exchange rate and its dependency on Sayrafa are affected by Central Bank decision-making and leadership (including who will succeed Salameh), as well as disruptions to commercial banking sector services, such as “bank strikes” declared in previous months.

The customs exchange rate increase in May and monthly adjustments to the exchange rates for taxes and bills are driving up prices in USD terms. Relative LBP stability now incentivizes suppliers to inflate their prices in USD, empowered by the Ministry of Economy’s decision to dollarize consumption. The figure below shows the resilience of SMEB prices despite heavy devaluation in March, followed by stability in the USD-LBP parallel market exchange rate in April and May.

Relative stability in the exchange market in April and May could act as a blueprint for future Central Bank leadership, who could copy some of the monetary intervention policies instituted under Salameh’s term. However, this is far from certain, as Central Bank decision-making (whether under Salameh or a successor) will also be affected by FATF’s forthcoming decision on whether or not to add Lebanon to its greylist. If Lebanon is greylisted, the Central Bank would be subject to increased FATF scrutiny regarding its operations, policies, monitoring, and reporting. To be removed from the greylist, Lebanon would need to implement stricter regulations and compliance procedures to address concerns raised by the task force. This would pose a serious challenge to the Central Bank, given that the prevailing cash economy complicates macro-level analysis of Lebanon’s economy.

---

<sup>5</sup> Reuters, “Lebanon set to be grey-listed by financial crime watchdog”, May 23, 2023.

<sup>6</sup> L’Orient Today, “BDL to print notes larger than LL100,000”, May 23, 2023.



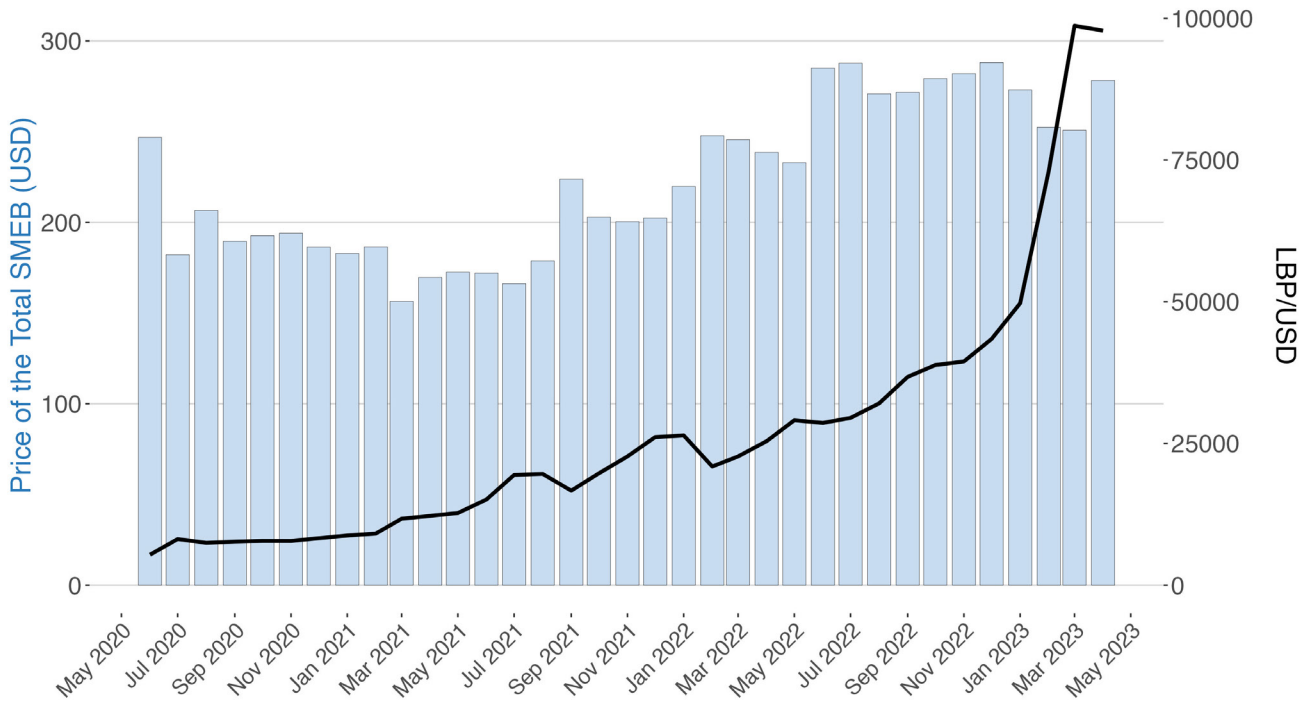
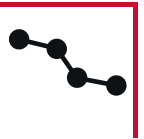


Figure 4: Price of SMEB in USD vs Parallel Market Rate.

Prospective greylisting and indictments filed against Salameh pose significant risks to the country’s global financial standing. This reputational crisis undermines limited progress made in cooperation with international organizations such as the IMF and World Bank. Political developments are crucial over the coming months as the largely hamstrung parliament seems closer to determining who will succeed former President Michael Aoun. While it is possible that fresh blood will both usher in new polices and clarify government policy and planning, this is not a given. The future of the Central Bank leadership remains unclear, an institution that holds as much or more sway over the day-to-day lives of Lebanese residents than elected officials who failed to achieve significant progress in implementing IMF-mandated reforms. Despite this should a “thawing” in Lebanese politics be in the offing, there could be room for cautious optimism.



## Political Updates:

**Central Bank Governor Riad Salameh was served with two arrest warrants by French and German authorities.** France issued its warrant on May 16 and Germany on May 23, with charges covering an array of financial crimes including money laundering, corruption, embezzlement, and forgery. After Salameh failed to attend a court hearing in France, INTERPOL issued a Red Notice at the behest of the French for his arrest.<sup>7</sup> Salameh, whose term is set to end in July, has refused to step down as Central Bank governor pending a judgment being issued against him.<sup>8</sup> Caretaker Deputy Prime Minister Saade Chami sent a letter to the caretaker Prime Minister Najib Mikati on May 18, warning him of the repercussions of Salameh remaining in office. Chami argued that the Red Notice affects relations with the international community, including the IMF, as well as Salameh's leading role in implementing financial and monetary policy in Lebanon. Chami insisted that the cabinet ask Salameh to resign and possibly use its exceptional powers to dismiss him. On May 22, the cabinet handed the decision of dismissing Salameh over to the Lebanese judiciary. The cabinet also tasked caretaker Minister of Justice Henri Khoury and caretaker Minister of Finance Youssef Khalil with producing a legal opinion on the fate of the governor and the effects that the warrants have on the Central Bank and its operations.<sup>9</sup> Court of Cassation Deputy Prosecutor Imad Kabalan seized Salameh's French and Lebanese passports on May 24.<sup>10</sup> Raja Salameh, the Central Bank governor's brother, failed to appear in the French court on May 31 on charges of embezzlement and corruption and Marianne Howayek, the governor's assistant, has been called to attend a hearing on June 13.

**On May 21, Hezbollah invited reporters to view the organization's military exercises in South Lebanon.** Senior Hezbollah leader Hachem Safieddine addressed those in attendance, saying that the party's "status quo" would not be affected by Israel.<sup>11</sup> The exercises were criticized by Hezbollah opponents, including Kataeb MP Samy Gemayel, who said the public display highlights Hezbollah's ambivalence towards the state and its laws.<sup>12</sup>

<sup>7</sup> [Reuters](#), "The probes into Lebanese central bank chief Salameh", May 23, 2023.

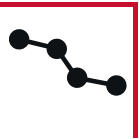
<sup>8</sup> [L'Orient Today](#), "Lebanon receives Interpol red notice for BDL's Riad Salameh", May 19, 2023.

<sup>9</sup> [PCM](#), الرئيس ميقاتي يترأس جلسة لمجلس الوزراء في السراي الحكومي, May 26, 2023.

<sup>10</sup> [NNA](#), الوكالة الوطنية للإعلام - القاضي قبالان استمع إلى سلامة وتركه رهن التحقيق وحجز جواز سفره اللبناني والفرنسي وأرسل محضر الجلسة إلى القضاء الفرنسي, May 24, 2023.

<sup>11</sup> [L'Orient Today](#), "Hezbollah conducts military exercises in South Lebanon", May 21, 2023.

<sup>12</sup> [Samy Gemayel - Twitter](#)



On May 23, the Israeli military dropped leaflets in Kfarshouba, South Lebanon, warning people against approaching or attempting to cross the border.<sup>13</sup> Later in the month, on May 25, Israel shot down a drone which they claim entered Israeli airspace from Lebanon.<sup>14</sup>

**The General Directorate of General Security (General Security) implemented new policies affecting Syrian nationals' ability to claim legal residency in Lebanon.** The General Security announced on May 15 that it will no longer accept requests to normalize the status of Syrian nationals who entered Lebanon illegally at General Security regional offices. Syrian nationals who entered Lebanon illegally must instead request the normalization of their status as they exit Lebanon at border posts. This policy will be officially in place through June 15, and Syrian nationals who are not issued a denial of entry report will be able to legally re-enter Lebanon in the future. The deadline for Syrians who entered Lebanon legally to normalize their residency status - particularly those who have violated the terms of their residency or had their residency lapse - is June 30.<sup>15</sup> On May 4, the General Security announced that Syrians seeking to be repatriated in line with the General Security-administered returns plan can register their names at General Security centers.<sup>16</sup>

**A UNHCR announcement that Syrian refugees in Lebanon would receive dual currency cash assistance (in LBP and USD) was quickly reversed after caretaker Minister of Social Affairs Hector Hajjar criticized the move.** Hajjar argued that the announced USD 140 per family stipend exceeds the wages of first degree public servants (whose salaries start at LBP 31,500,000), and that this will foment tensions between refugees and host communities. The Access Center for Human Rights documented more than 22 raids and 808 arbitrary arrests carried out by Lebanese authorities targeting Syrian nationals from April 1 to May 16. The center claims that 336 individuals who were brought into custody were deported.<sup>17</sup>

**Judge Ghada Aoun appealed a decision by the judicial disciplinary board to have her removed from the bench.** Aoun's May 16 appeal now places her professional fate in the hands of the High Disciplinary Court. Aoun previously filed lawsuits against Riad Salameh, his wife, and Stephanie Saliba (an actress) alleging illicit enrichment, in addition to a lawsuit against BankMed which alleges the bank participated in money laundering.<sup>18</sup>

**Former Finance Minister Jihad Azour is reportedly a leading candidate to become Lebanon's next president.** Currently the director of the Middle East and Central Asia Department at the IMF, Azour is supported by multiple political parties - including the Lebanese Forces (LF) and Free Patriotic Movement - to challenge Marada Movement leader Suleiman Frangieh's candidacy.<sup>19</sup> Should the Progressive Socialist Party and some independent MPs (including Michel Mouawad's bloc) back Azour, it is possible that he will be elected in a second round of voting at the next electoral parliamentary session, provided quorum is not lost. At previous electoral sessions, quorum was lost before a second round of voting, when the winning threshold is reduced to a simple majority from two-thirds.

<sup>13</sup> [NNA](#), "Enemy plane drops warning leaflets to cattle herders and residents of liberated farms in Kfar Shuba hilltops and Shebaa", May 23, 2023.

<sup>14</sup> [Reuters](#), "Israel shoots down drone from Lebanon, military says", May 25, 2022.

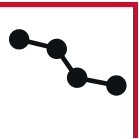
<sup>15</sup> [Lebanese Directorate of General Security](#), Statement, May 15, 2023.

<sup>16</sup> [Lebanese Directorate of General Security](#), News, May 5, 2023.

<sup>17</sup> [ACHR](#), "Lebanon's Violation of Human Rights Through the Forced Deportation of Refugees", May 19, 2023.

<sup>18</sup> [L'Orient Today](#), "Ghada Aoun presents a formal appeal against her dismissal", May 16, 2023.

<sup>19</sup> [NNA](#), [الوكالة الوطنية للإعلام - جمع أصد التوافق بين قوى المعارضة والوطني الحر على ترشيح أزور: لا مبرر للامتناع عن الدعوة إلى جلسة لانتخاب الرئيس](#), May 31, 2023.



**On May 9, commercial bank depositors staged multiple protests in downtown Beirut.** Demonstrators demanded that they be granted access to funds frozen in their accounts at commercial banks and set tires alight before being dispersed by security forces. A protest was also held in front of the Head of the Association of Lebanese Banks Salim Sfeir's house.<sup>20</sup>

**In a 7 to 10 vote, the Constitutional Council dismissed three appeals against the extension of municipal council terms on May 30.**<sup>21</sup> The extension was originally approved during a parliamentary session on April 18, which was boycotted by the LF and Kataeb. Both parties announced that since no president in office, the parliament is constitutionally obligated to act exclusively as an electoral body. However, the Constitutional Council's decision stipulates that parliament is able to legislate, even during a when there is no president in office, as it is only an electoral body during specified electoral parliamentary sessions. The court held that the extension of council terms is essential for ensuring the provision of public services (including documentation, administrative transactions, water provision etc.). The Constitutional Council is also examining a challenge filed by MP Fouad Makhzoumi on May 10 against amendments to the public procurement law.<sup>22</sup>

**On May 4, the Court of Audit issued a decision accusing six telecommunications ministers of misappropriation of funds.** Among the accused are former ministers Nicolas Sahnawi, Botros Harb, Jamal Jarrah, Mohamad Choucair, and Talal Hawat, as well as current caretaker Minister of Telecommunications Johnny Corm.<sup>23</sup> In its decision, the court listed multiple violations - applying to different former ministers - including renting and purchasing without carrying out a tendering process, conducting a purchase without determining valuation, conducting a purchase without referral to the Court of Audit, and failure to register a sale. The case stems from a court-ordered audit of the Ministry of Telecommunications, which found irregularities in recorded payments to the state-owned landline telephone company Ogero and mobile phone companies Alfa and Touch.<sup>24</sup>

**The World Bank approved 300 million USD in financing to support cash assistance for poor Lebanese families.** The financing will support Aman (Emergency Crisis and Covid-19 Response Social Safety Net), a project implemented by the World Bank in 2021 that administers payments to about 160,000 poor and vulnerable households. The funding will extend cash assistance for an additional two years, totalling a minimum of USD 25 per household and an additional USD 20 per house member, capped at USD 145 per household.<sup>25</sup> Students in these households will also receive scholastic stipends of up to USD 425. The World Food Programme will validate the eligibility of the households, and provide USD cash transfer payments through MTOs. The funds will also support the digital national social registry (DAEM) and a Social Protection Information System (SPIS), in addition to other similar programs.<sup>26</sup>

<sup>20</sup> [L'Orient Today](#), "Give us back our money: Depositors protest next to Parliament", May 9, 2023.

<sup>21</sup> [LBCI](#), "Constitutional Council dismisses challenges to municipal councils' extension law", May 30, 2023.

<sup>22</sup> [NNA](#), [الوكالة الوطنية للإعلام - مخزومي: تقدمت وعددا من زملائي النواب بطعن أمام المجلس الدستوري بقانون تعديل الشراء العام](#), May 10, 2023.

<sup>23</sup> [L'Orient Today](#), "Telecoms Corruption: The Court of Audit report nails six ministers", May 15, 2023.

<sup>24</sup> [Gherbal Initiative](#), "Court of Audit: The conviction of 6 telecom ministers and Touch company in Bachoura and Chiyah real estate case".

<sup>25</sup> [Reuters](#), "World Bank approves \$300 million financing to help poor people in Lebanon", May 26, 2023.

<sup>26</sup> [World Bank](#), "US\$300 million to Scale-Up Support to Poor and Vulnerable Lebanese Households and Strengthen Social Safety Net Delivery System", May 25, 2023.





## Access to Services:

**The League of Public Administration employees began a two-week strike on May 29.**<sup>27</sup>

The league accused the government of “mismanagement” and wasting funds, and claimed this resulted in a degradation of living and working conditions. The work stoppage resulted in reduced service delivery and administrative bottlenecks in early June, delaying the issuance of official documentation and legal processes. Disrupted services include issuing of import and export documentation, car registrations, and transactions at real estate offices. The work stoppage has also reduced state revenues, as fees for these transactions are not being collected. Previous strikes ended when workers were promised wage increases (capped at 50 million) and transportation stipends. Further LBP depreciation and changes in the Sayrafa exchange rate at which public sector workers are paid has led to a decrease in the USD value of their salaries.

**On June 1, the executive board of Ogero workers union announced that a two-day strike will be held on June 6 and 8 to protest deteriorating working conditions.**<sup>28</sup>

The declaration comes on the heels of Ogero Managing Director Imad Kreidieh announcing that some 30 Ogero stations would cease functioning by June 4 due to lack of diesel to power “backup” generators.<sup>29</sup> The union responded to Kreidieh, stating that employees are unable to pay for petrol to travel to their workplace. Multiple stations shut down and service disruptions were reported in areas across Lebanon in early June. The telecommunications sector faces the risk of being severely compromised if fuel reserves at central stations run out.

**Lebanon renewed its 2021 petroleum deal with Iraq, under which it will receive 1.5 million metric tons of heavy fuel oil and 2 million metric tons of crude per year under a separate commercial deal.** Payments will be deferred for six months after delivery and take effect on November 1.<sup>30</sup>

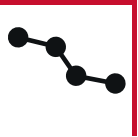
<sup>27</sup> [NNA](#), [الوكالة الوطنية للإعلام - رابطة موظفي الإدارة العامة أعلنت رفضها تقرير اللجنة الوزارية: الاضراب العام والشامل في جميع الإدارات لمدة أسبوعين ابتداء من الاثنين 29 الحالي إلى 9 حزيران المقبل](#), May 26, 2023.

<sup>28</sup> [NNA](#), [الوكالة الوطنية للإعلام - نقابة هيئة "أوجيرو": للتوقف عن العمل وعدم الحضور إلى المراكز الثلاثاء والخميس من الأسبوع المقبل كخطوة أولى والخطوات الأخرى تباعا](#), May 31, 2023.

<sup>29</sup> [L'Orient Today](#), ["30 Ogero plants to shut down due to fuel shortages"](#), May 31, 2023.

<sup>30</sup> [Reuters](#), ["Lebanon strikes deals to get more oil from Iraq"](#), May 16, 2023.



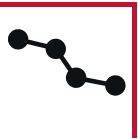


In order to make the payments, the Lebanese cabinet will likely request that the Central Bank extend new lines of credit. The increase in petroleum derivative imports is expected to add about three hours of daily electricity provision. Households will be charged increased state electricity fees in LBP, which are indexed at the Sayrafa rate plus 20%.

**On May 5, caretaker Minister of Energy Walid Fayad signed a contract with multiple private solar energy providers, who collectively will produce 165 megawatts of solar energy.** Contracted companies will construct power plants that sell electricity to state electricity producer Électricité du Liban. The companies are expected to secure their own financing within one year, and the expected cost for consumers will range from USD 0.10 per kWh for those using up to 100 kWh, to USD 0.27 per kWh for those using more. The companies are responsible for dismantling the solar farms once they are defunct in 25 years.<sup>31</sup>

---

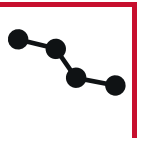
<sup>31</sup> [L'Orient Today](#), "Lebanon finally signs contracts to build 11 solar farms", May 8, 2023.



## Looking Forward:

---

- Monetary policy will likely be affected - though it is uncertain to what degree - by a change in Central Bank leadership and/or the election of a new president and naming of a new government. Similarly, it is uncertain how releasing high-denomination LBP banknotes will affect the market, particularly as the LBP money supply accounts only for approximately 5% of the cash economy. Foreign reserve depletion and consistently intervening in the exchange market is not sustainable in the long run, especially in a relatively stagnant cash economy that threatens to progressively become more independent of state regulatory authority.
- FATF's forthcoming decision on greylisting Lebanon in June could have serious and negative effects on the commercial banking sector's relationships with foreign banks. Despite media sources indicating that Lebanon will be given a grace period to implement reforms, in the event Lebanon's international reputation degrades further, the country could be forced to contend with reduced foreign investment incentives and an even more restrictive borrowing environment for local businesses.
- Following the latest customs rate increase, Lebanon's various exchange rates are one step closer to being unified. Once exchange rates are (prospectively) unified, Lebanon will be positioned to better manage fiscal revenues and enhance the monitoring of economic and social indicators. At the micro-level, high exchange rates burden consumers' shrinking budgets when taking into account increasing dollarization prior to the expected tourism boom this summer.
- Parliament Speaker Nabih Berri scheduled the 12th parliamentary electoral session for June 14, the first electoral session since January. Jihad Azour's candidacy may prove successful, though quorum could be lost before the second round of voting, similar to previous electoral sessions. Those supporting Suleiman Frangieh's candidacy may attempt to block the vote by not attending the session.



# Contact

---

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



## ABOUT MERCY CORPS

Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action – helping people triumph over adversity and build stronger communities from within. Now, and for the future.

