

# Lebanon Crisis Update

August 2023 ■ ■



Credit: Reuters/Ali Hashisho

- 3 ● [Key Takeaways](#)
- 5 ● [Economic and Financial Updates](#)
- 9 ● [Political Updates](#)
- 12 ● [Access to Services](#)
- 14 ● [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:

---

- Fighting between rival factions in the Ain el Hilweh Palestinian refugee camp killed 13 people and heavily damaged multiple neighborhoods in late July and early August. After the clashes subsided, the United Nations Relief and Works Agency for Palestine Refugees in the Near East issued an appeal for USD 15.5 million to initiate an emergency response to assist camp residents.
- A Hezbollah-owned truck transporting ammunition overturned in Kahaleh on August 9. Tensions escalated between the truck drivers and local residents following the accident, culminating in a firefight that claimed the lives of a Kahaleh resident and a Hezbollah member. Multiple people involved in or who were witnesses to the incident were called to testify at the Military Court in the second half of August.
- The United Nations Security Council renewed the United Nations Interim Force in Lebanon (UNIFIL) mandate for one year. An amended version of article 16 of UNSC resolution 2695 reaffirms that UNIFIL can operate independently, but also that it must “coordinate with the Lebanese government”. The renewal came as United States Special Presidential Coordinator for Global Infrastructure and Energy Security Amos Hochstein visited Lebanon, where he reportedly met with Lebanese officials to discuss offshore natural gas exploration and the demarcation of Lebanon’s southern border.
- The United States, Canada, and the United Kingdom leveled sanctions on former Lebanese Central Bank Governor Riad Salameh and some of his former associates. The Special Investigation Commission, headed by the acting Central Bank Governor Wassim Mansouri, also froze accounts belonging to Salameh, his brother Raja, and his son Nady.
- PrimeSouth Lebanon, the company operating the Zahrani and Deir Aamar power plants that provide almost half of Lebanon with electricity, halted operations for one day due to delayed payments from state electricity company Electricite du Liban (EdL). The Beirut and Mount Lebanon Water Establishment also announced that it cannot pay EdL in US dollars to power its operations, resulting in a reduction of public water provisioning. The announcement has raised concerns that public water services could be severely reduced or even halted in the Beirut and Mount Lebanon area.
- Alvarez & Marsal’s preliminary audit report found that the Central Bank accrued a negative balance of USD 70.9 billion between 2015 and 2020, largely due to “financial engineering” measures. The report also found that bank operations were not adequately transparent or accountable and that former Governor Salemech operated the bank with little oversight during the studied term.
- The Caretaker Government Cabinet approved an LBP line of credit valued at approximately USD 50 million for the Ministry of Education to finance USD payments to public school teachers. According to Caretaker Minister of Education Abbas Halabi, the approved amount covers three to four months, while the entire school year requires USD 150 million in funding.



# 2023

## AUGUST

Parliament's Finance and Budget Committee approves the Lebanese Oil and Gas Sovereign Fund draft law.

1



3

Caretaker Telecommunications Minister Johnny Corm announces that Ogero tariffs on Internet and fixed-telephone line calls will increase sevenfold in September.

The United States, Canada, and the United Kingdom sanction former Central Bank Governor Riad Salameh.

7



9

A Hezbollah-owned truck transporting ammunition overturns in Kahaleh, after which a firefight breaks out between Hezbollah members and local residents.

A leaked audit report on the Central Bank details more than USD 100 million in irregular transactions.

11



14

PrimeSouth Lebanon resumes operations at the Zahrani and Deir Amar power plants after they were shut down for one day.

A report by the European Union Aviation Safety Agency and International Civil Aviation Organisation highlights safety concerns at Beirut Airport.

17



17

The cabinet approves a LBP 5 trillion line of credit for the Ministry of Education to finance US dollar payments to public school teachers.

The Ministry of Energy and Water announces the start of exploratory drilling for natural gas in Lebanon's offshore Block 9.

24



30

The United Nations Relief and Works Agency for Palestine Refugees in the Near East requests USD 15.5 million for an emergency response following days of heavy fighting at the Ain el Hilweh Palestinian refugee camp.

The United Nations Security Council renews the United Nations Interim Force in Lebanon mandate.

31



31

111 judges announce that they will go on strike on September 4.



Photo by Joseph Eid/AFP

## Economic and Financial Updates:

The Lebanese pound (LBP) to US dollar (USD) parallel market exchange rate was largely stable in August, averaging LBP 89,400 per USD 1. Exchange rate stability is likely due to a relative balance in demand for USD and LBP compared to previous months. USD money supply was initially bolstered by Central Bank reserves via its official foreign currency exchange platform “Sayrafa” in July.<sup>1</sup> Dollar supply was maintained in August by an influx of “fresh dollars” from expatriates, tourists, and Lebanese deposit account holders who transfer USD to Lebanese commercial banks.

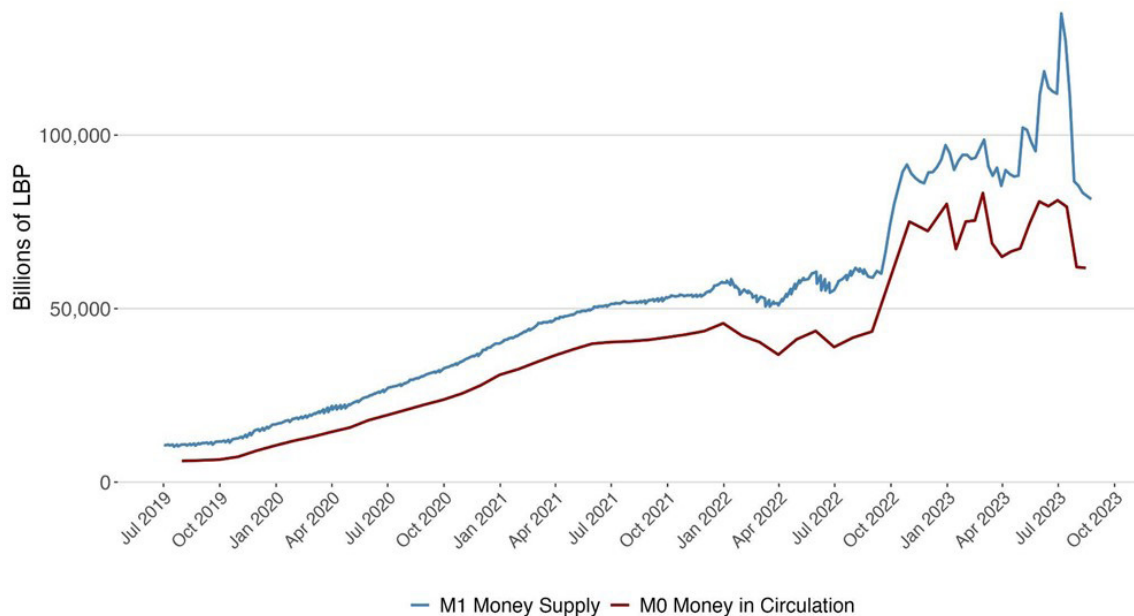


Figure 1: Money Supply.

<sup>1</sup> The Central Bank spent more than USD 500 million of its foreign reserve balance to stabilize the parallel market exchange rate in July.



**LBP money supply (M1) decreased by 5 trillion and LBP in circulation (M0) shrank by 2 trillion in August.**<sup>2</sup> LBP money supply contraction was not as pronounced in August compared to July, when the Central Bank resumed its policy of purchasing LBP, resulting in a decrease of LBP 20 trillion in circulation, about 25% of LBP in the market at the time. Acting Central Bank Governor Wassim Mansouri appeared to adhere to a similar contractionary monetary policy in August.<sup>3</sup>

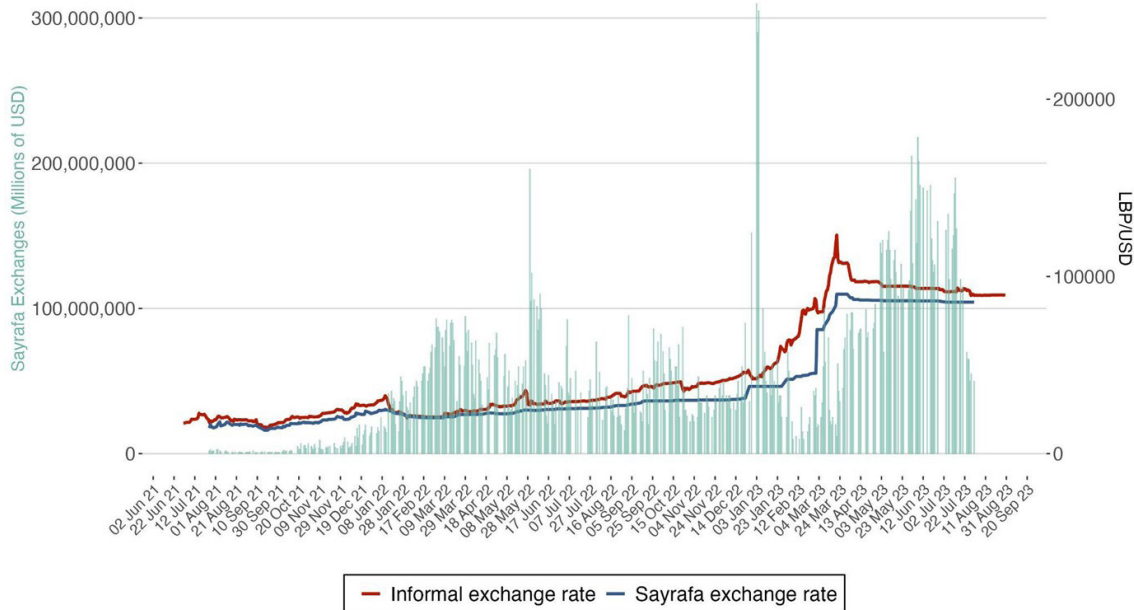


Figure 2: Sayrafa Transactions Volume.

**The value of daily Sayrafa transactions decreased in August compared to July, averaging under USD 50 million.** Activity on the official exchange platform significantly declined following the end of former Central Bank Governor Riad Saleme’s tenure at the Central Bank on July 31. Since his departure, the new Central Bank leadership headed by acting Central Bank Governor Wassim Mansouri has reduced access to the platform. On September 4, Mansouri confirmed that he intends to introduce an alternative trading platform to Sayrafa.<sup>4 5</sup>

<sup>2</sup> Banque du Liban, [Statistics and Research - Money Supply](#)

<sup>3</sup> Mercy Corps Lebanon, [July Crisis Update](#), July 2023

<sup>4</sup> Al Arabiya News, [Lebanon’s central bank plans new currency exchange platform via Bloomberg: Mansourj](#), September 4, 2023

<sup>5</sup> Bloomberg provides financial data, analytical services, and products including trading platforms.



**Local fuel prices increased in line with a rise in Brent crude rates.** Lebanese fuel prices closed the month at LBP 1,805,000 for Octane-95, LBP 1,843,000 for Octane-98, LBP 1,673,000 for diesel, and LBP 907,000 for cooking gas.<sup>6</sup> High petroleum derivative costs are a key driver of consumer inflation.

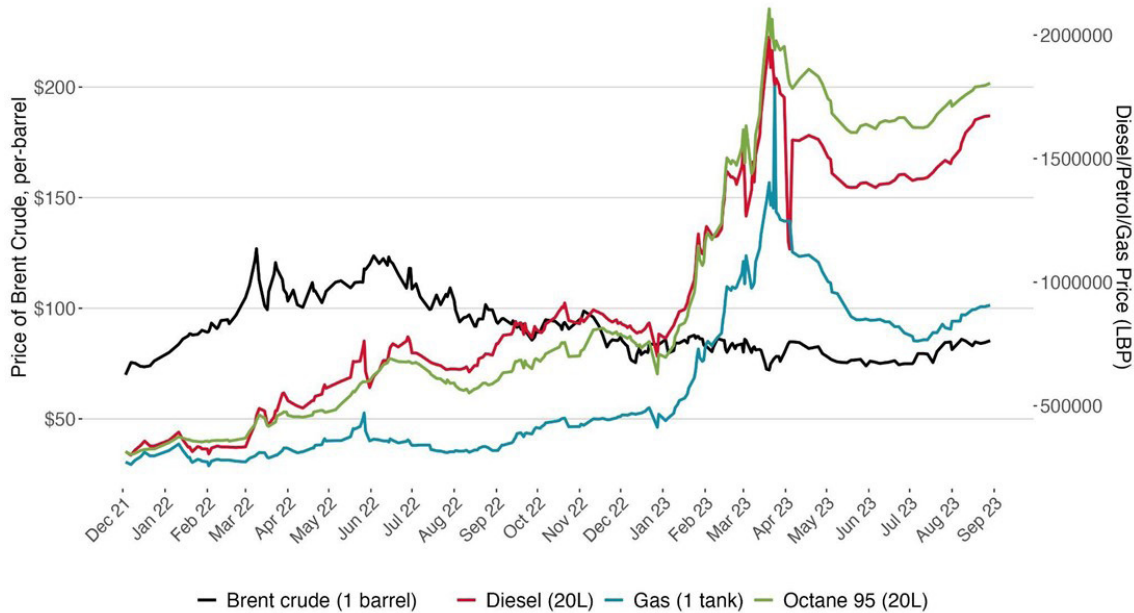


Figure 3: Fuel Prices.

**On August 1, parliament’s Finance and Budget Committee approved the Lebanese Oil and Gas Sovereign Fund draft Law.** The draft defines the Lebanese Sovereign Fund as a private institution owned by the government and legally bound to the Council of Ministers.<sup>7</sup> Among the articles approved by the committee is a requirement that a specialized management firm monitor the administering and auditing of the fund and that fund revenues cannot legally be used to cover national debt payments.<sup>8</sup>

**On August 11, a preliminary report on the Central Bank audit was leaked to the press, detailing more than USD 100 million in irregular transactions.** The audit conducted by Alvarez & Marsal (A&M) examines Central Bank governance and performance from 2015 to 2020.<sup>9</sup> According to the report, the Central Bank accrued a USD 70.9 billion negative balance as a result of “financial engineering” adopted from 2015 to late 2019.<sup>10</sup> The report is highly critical of Central Bank operations during the advent of the fiscal, financial, and economic crises, especially the management of FX reserves amid commercial banking deadlock that began in late 2019.<sup>11 12</sup>

<sup>6</sup> IPT Group, [Fuel prices](#).

<sup>7</sup> Lebanese Parliament, [لجنة المال والموازنة أقرت قانون الصندوق السيادي اللبناني للنفط والغاز](#), July 31, 2023.

<sup>8</sup> Annahar, [هل يشكل الصندوق السيادي للنفط والغاز بادرة مكافحة فساد؟](#), August 3, 2023.

<sup>9</sup> European probes into former Central Bank Governor Riad Saleme focused on allegedly illicit transactions to Forry Associates prior to 2015. The A&M Audit report covers 2015 to 2020 and does not include the USD 333 million investigated by Lebanese and European authorities.

<sup>10</sup> L’Orient Today, [Overestimated balance sheets, underreported losses: A&M takes aim at BDL](#), August 11, 2023.

<sup>11</sup> Financial Times, [Long-awaited auditor report slams governance at Lebanon central bank](#), August 11, 2023.

<sup>12</sup> The National, [Forensic audit of Lebanon’s central bank criticizes BDL’s management under Riad Salameh](#), August 11, 2023.



**On August 17, the cabinet approved a LBP 5 trillion line of credit for the Ministry of Education to finance USD payments to public school teachers.**<sup>13</sup> According to Caretaker Minister of Education Abbas Halabi, the approved amount is worth about USD 50 million and covers three to four months, while the entire school year requires about USD 150 million.<sup>14</sup> Teachers have received about USD 100 per month in bonuses since March 2023, as part of an effort to boost their compensation in USD terms. Teachers' gross salaries – comprising base pay calculated in LBP and paid in USD, in addition to fresh USD bonuses – average about USD 200 at the current parallel market exchange rate.

**On August 24, acting Central Bank Governor Wassim Mansouri released a summary of an audit of Central Bank gold reserves.**<sup>15</sup> The audit verified that the Central Bank vault holds 13,000 gold bars and 600,000 golden coins valued at USD 18 billion, the same as reported on publicly available balance sheets.<sup>16</sup> The audited gold was also transferred to a new vault in the Central Bank.<sup>17</sup> A comprehensive audit of the Central Bank assets and accounts remains a key International Monetary Fund requirement to unlock state financial assistance.

## Analysis and Impact:

Total Sayrafa transactions have declined since late July, raising questions about the degree to which the official exchange platform affects the parallel market exchange rate. Stability in the exchange market throughout August suggests that other forces are at play, including more equal supply and demand for LBP and USD. While many view exchange rate stability as a positive end in itself, the dollarization of imports, production costs, and government taxes and tariffs continues to drive inflation. Moreover, the caretaker government has not adjusted the minimum wage for public and private sector workers since April, despite a consistent rise in consumer prices. The average minimum wage in USD 100 falls short of covering the cost of the Survival Minimum Expenditure Basket (SMEB) that surpassed USD 200 in August.

Acting Central Bank Governor Wassim Mansouri's approval of a transfer to pay August's public salaries in USD based on the Sayrafa rate marks a step back from his initial pledge not to use Central Bank reserves for state expenditures.<sup>18</sup> The move could result from political pressure and indicates that he may decide to release more funds for state expenditures in the near future, placing further pressure on mandatory reserves that primarily comprise trapped commercial bank deposits. Government decisions to dedicate lines of credit for state expenditures such as fuel imports and public salaries places additional pressure on the Central Bank reserves that have been the primary financial resource for state lending and monetary interventions.

<sup>13</sup> [Cabinet Meeting Decisions](#), August 17, 2023.

<sup>14</sup> L'Orient Today, [Cabinet agrees on dollar incentives for public teachers 'to ensure start of school year'](#), August 17, 2023.

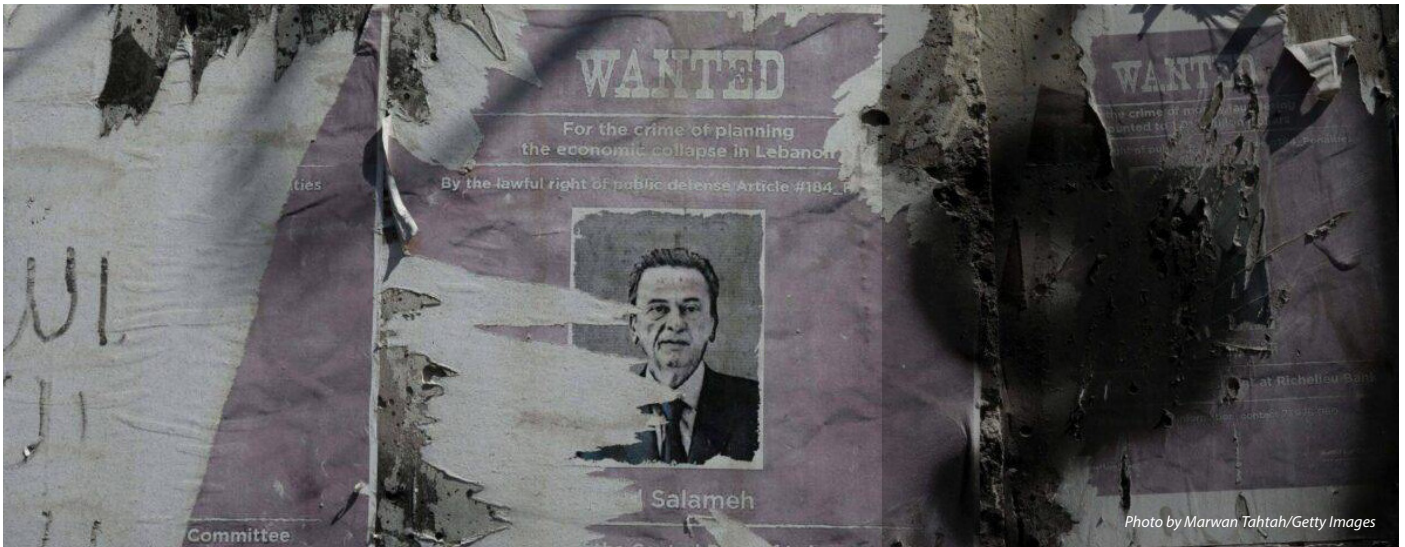
<sup>15</sup> Banque du Liban, [BDL Statement regarding its Vault Audit Report](#), August 24, 2023.

<sup>16</sup> The Central Bank appointed KPMG, Oliver Wyman, and A&M in 2020 to conduct financial and forensic audits of Central Bank accounts. In turn, KPMG commissioned ALS Inspection Ltd to physically examine and audit Central Bank gold reserves.

<sup>17</sup> Forbes Middle East, [Audit Finds Lebanon's Central Bank Gold Reserves To Be Worth \\$18B](#), August 24, 2023.

<sup>18</sup> DW - [Lebanon to pay public sector salaries in US dollars](#) - August 25, 2023.





## Political Updates:

**The United Nations Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA) appealed for assistance following heavy fighting in the Ain el Hilweh Palestinian refugee camp that killed 13 people and displaced thousands of others.** Fighting initially kicked off in late July and reached its peak in early August, prompting Gulf and European states to issue travel warnings to their citizens in Lebanon. When the clashes subsided on August 3, UNRWA announced that it would halt operations inside the camp for one day (August 18) to protest militant factions' occupation of its facilities.<sup>19</sup> Damage from fighting rendered eight UNRWA schools unusable for the upcoming academic year and will affect 5,900 children. On August 30, UNRWA appealed for USD 15.5 million to initiate an emergency response for camp residents,<sup>20</sup> entailing repairing essential infrastructure, providing alternative locations for schooling outside Ain el Hilweh, and providing one-time cash assistance to households impacted by the fighting. This amount does not include the reconstruction of schools.

**Political elites' condemnation of and calls for legal action targeting Lebanon's LGBTQ+ community are on the rise.** On July 12, opposition MPs submitted a draft proposal to abolish article 534 of the penal code, which stipulates that sexual relations that are "against the laws of nature" – broadly understood to reference homosexuality – should be penalized. The measure has not been adopted and public condemnation of LGBTQ+ individuals and relationships increased through the rest of July and into late August. During a speech on July 22, Hezbollah Secretary-General Hassan Nassrallah said there is a need to ban "unnatural" phenomena, including homosexuality, and that such actions should be treated as a crime punishable by death.<sup>21</sup> On August 18, MP Achraf Rifi submitted a draft law stipulating three years imprisonment and a hefty fine if someone is indicted for promoting or supporting homosexuality. On August 19, MP Gebran Bassil stated that the values of family should be protected and argued that homosexuality is "contrary to nature".

<sup>19</sup> UNRWA, [Unrwa Suspends Its Services Today In Ein El Hilweh In Protest Over Violation Of Its Premises](#), August 18, 2023.

<sup>20</sup> UNRWA, [Unrwa Appeals For Us\\$ 15.5 Million To Address Emerging Needs From Conflict In The Ein El Hilweh Palestine Refugee Camp In Lebanon](#) August 30, 2023.

<sup>21</sup> Human Rights Watch, [Anti-LGBT Rhetoric Undermines Rights in Lebanon](#), August 01, 2023.



Concerns are growing that such pronouncements and actions could result in further targeting of Lebanon's LGBTQ+ community, and may result in more incidents similar to the Jnoud al Rab ("Soldiers of God")<sup>22</sup> targeting of an LGBTQ+ friendly bar in Beirut on August 23.<sup>23</sup>

**On August 9, a Hezbollah-owned truck transporting ammunition from the Bekaa Valley overturned on the main road in Kahaleh.**<sup>24</sup> Kahaleh residents and Hezbollah members accompanying the trucks engaged in a firefight following the crash, prompting the Lebanese Armed Forces (LAF) to intervene following the death of a Kahaleh resident and Hezbollah members.<sup>25</sup> The LAF issued a statement emphasizing that the ammunition recovered from the site was transported to a military base and that a judicial investigation into the incident was opened.<sup>26</sup> On August 18, the Military Court summoned four residents of Kahaleh for testimony and on August 21, four members of Hezbollah who were present at the time of the incident were also summoned by the court.<sup>27</sup>

**Political wrangling over electing Lebanon's next president continued into August.** On August 15, French Minister for Europe and Foreign Affairs Jean-Yves Le Drian sent a letter to Lebanese MPs, in which he inquired about the qualities of their preferred presidential candidate. The letters were sent ahead of Le Drian's planned visit to Lebanon in early September, when a dialogue about electing Lebanon's next head of state is scheduled to take place.<sup>28</sup> The letter sparked backlash among some opposition groups – namely the Lebanese Forces, Kataeb, and some independent MPs – who issued a joint statement on August 18, in which they asserted that dialogue involving Hezbollah will not be productive.<sup>29 30</sup> Simultaneously, newly re-elected head of the Free Patriotic Movement (FPM) MP Gebran Bassil announced that his party and Hezbollah are engaging in discussions over presidential elections. Bassil stated that his party is willing to agree to Hezbollah's preferred candidate Sleiman Frangieh if Hezbollah agrees to establish a sovereign state assets fund<sup>31</sup> and endorse decentralization<sup>32</sup> prior to the election.<sup>33</sup>

**The United Nations Interim Force in Lebanon (UNIFIL) mandate was renewed on August 31.** Negotiations over amending article 16 of United Nations Security Council Resolution (UNSC) 2650 (2022) delayed the renewal, as it authorized UNIFIL forces to operate within the confines of their stated mission without prior approval from the Lebanese Government. Article 16 was criticized by Hezbollah and members of the Lebanese government in the leadup to the UNSC vote, who argued that it infringes on Lebanon's sovereignty.<sup>34</sup>

<sup>22</sup> Jnoud al Rab is a Christian group based in the Beirut neighborhood of Achrafieh that proclaims to protect Christian values. Their public manifestations have primarily targeted the LGBTQ+ community and other marginalized communities, with members of the group dubbing homosexuality and the rainbow flag "satanic". Jnoud al Rab is reportedly affiliated with Antoun Sehnaoui, the chairman for Société Générale de Banque au Liban, although he had denied these claims.

<sup>23</sup> Jnoud al Rab members did not allow patrons to leave the bar, chanted insults, and destroyed property outside the bar. Few injuries were reported and police had to be called to the scene to disperse members of Jnoud al Rab. Members of the group stated that they intend to carry out other public actions targeting LGBTQ+ groups and associated businesses.

<sup>24</sup> Kahaleh is Christian majority village in Mount Lebanon that was the site of heavy fighting from 1970 until 1990.

<sup>25</sup> L'Orient Today, [Two shot dead after Hezbollah-owned truck overturns in Kahaleh](#) August 10, 2023.

<sup>26</sup> Lebanese Army Statement, [انقلاب شاحنة تحمل ذخائر على طريق عام الكحالة](#), August 15, 2023.

<sup>27</sup> L'Orient Today, [Four Hezbollah members summoned in Kahaleh shootout investigation](#), August 21, 2023.

<sup>28</sup> L'Orient Today, [Presidency: Le Drian writes to MPs; opposition says 'no room for wasting time'](#), August 16, 2023.

<sup>29</sup> NNA, [Rahi says sole solution to national crisis "voting for president rather than holding dialogue"](#), August 23, 2023.

<sup>30</sup> LBCI, [French Envoys letters to Lebanese MPs met with limited enthusiasm](#), August 21, 2023.

<sup>31</sup> The independent state assets fund would comprise public assets managed by a company associated with the fund and run by an independent board.

<sup>32</sup> Decentralization, a concept included but not implemented in the Taif Agreement, would entail district-level tax collection, district representative assemblies, and overall district self-governance.

<sup>33</sup> L'Orient Today, [The latest in Bassil's political chess game](#), August 17, 2023.

<sup>34</sup> L'Orient Today, [Can Beirut count on Beijing and Moscow to extend UNIFIL's mandate?](#) August 25, 2023.



Article 16<sup>35</sup> was amended prior to passage of the 2023 version of the resolution to stipulate that UNIFIL must coordinate with the Lebanese government in order to carry out its mission.<sup>36</sup> The renewal came as United States Special Presidential Coordinator for Global Infrastructure and Energy Security Amos Hochstein – who mediated negotiations on the maritime border demarcation between Lebanon and Israel – visited Lebanon to meet with Lebanese officials about offshore natural gas exploration and the possible demarcation of Lebanon’s southern border.<sup>37</sup>

**The United States, Canada, and the United Kingdom leveled sanctions on Central Bank Governor Riad Salameh.** The sanctions, issued on August 7, follow a series of foreign asset freezes and separate sanctions by European Union countries, including France.<sup>38</sup> On August 14, the Special Investigation Commission, headed by acting Central Bank Governor Wassim Mansouri, froze accounts belonging to Salameh, his brother Raja, his son Nady, and other associates.

---

<sup>35</sup> Article 16 of the UNSCR 2650 (2022) is article 15 of the UNSCR 2695 (2023).

<sup>36</sup> UNSC, [United Nations Security Council Resolution 2695 \(2023\)](#), August 31, 2023.

<sup>37</sup> Reuters, [US could help settle Lebanon, Israel border dispute, White House adviser says](#), August 31, 2023.

<sup>38</sup> The National News, [US, UK and Canada sanction former Lebanon central bank chief Riad Salameh](#), August 10, 2023.



Photo by LBCI

## Access to Services:

**Caretaker Telecommunications Minister Johnny Corm announced on August 3 that Ogero tariffs on Internet and fixed-telephone line calls will increase sevenfold in September.** The minister emphasized the need for Ogero to maintain adequate liquidity to ensure service delivery.<sup>39 40</sup> The fee hikes will add to an already high cost of living, meaning vulnerable communities will likely have internet access constrained, which could hinder their ability to seek employment, access online services, and communicate with informal social support networks.

**A report by the European Union Aviation Safety Agency (EASA) and International Civil Aviation Organisation (ICAO) highlighted safety concerns at the Beirut Rafic Hariri Airport.** The unpublished report – a prerequisite for the Universal Safety Oversight Audit Programme (USOAP) – cites navigation, communication, and personnel issues at Beirut Airport.<sup>41</sup> Of particular concern is a shortage of Air Traffic Control (ATC) staff, which poses serious risks to aviation safety. ATC staff at Beirut Airport currently work overtime outside the advised parameters set by the European Union, including working 24-hour shifts. Sectarian considerations reportedly hindered the recruitment of 20 ATC candidates who passed required exams in 2018.<sup>42</sup> The Directorate General of Civil Aviation (DGCA) acknowledged staff shortages in a statement on August 18, but denied there are safety concerns.<sup>43</sup> The DGCA stated that new ATC staff will be trained and that the directorate is focused on aligning its practices with international standards. Reforms are needed to ensure that Lebanon avoids being issued a “red flag” by the ICAO, which could significantly reduce air traffic to and from the tourist- and expat-reliant country. ATC staff did not follow through on their threat to go on a partial strike on September 5 – which would have entailed exclusively working day shifts until 8 p.m., rendering nighttime departures and arrivals untenable – pending ongoing discussions to address the staff shortage issue.<sup>44</sup>

<sup>39</sup> L'Orient Today, [New Ogero tariffs will be 25 percent cheaper than before crisis, telecoms minister says](#), July 04, 2023.

<sup>40</sup> NNA, 2022 القرم: وضع اوجيرو "تعبان" والوزارة لم تقبض أي ليرة للصيانة في موازنة العام - August 09, 2023.

<sup>41</sup> L'Orient Today, [Beirut airport safety issues need 'urgent' reform, report says](#), August 17, 2023.

<sup>42</sup> The National, [Beirut airport: Safety fears flagged in global watchdog report](#), August 17, 2023.

<sup>43</sup> NNA, 2023 الطيران المدني: ما تناولته مواقع التواصل عن خطر يهدد سلامة الحركة الجوية عار من الصحة، August 18, 2023.

<sup>44</sup> The National, [Beirut airport: Air-traffic controllers suspend strike amid staff shortage negotiations](#), August 30, 2023.



**On August 24, the Ministry of Energy and Water announced that exploratory drilling for offshore natural gas began in Block 9.** Results are expected in about two months and seismic surveying of Block 8 is also underway.<sup>45</sup> Block 9 exploratory results will be sold to interested petroleum companies and if subsequent assessments and exploratory drilling yield positive results, Lebanon could issue extraction and additional exploration licenses. While this marks a step forward for Lebanon's nascent oil and gas sector, commercial extraction will likely not begin for multiple years.

**On August 14, PrimeSouth Lebanon<sup>46</sup> resumed operations at the Zahrani and Deir Amar power plants after they were shut down for one day.** The two plants provide electricity to nearly half of Lebanon and the interruption affected several areas and essential infrastructure such as Beirut Airport. The plants were closed after Électricité du Liban (EdL) failed to transfer dues to PrimeSouth Lebanon. In order to resume operations, the cabinet approved a USD 7 million line of credit using International Monetary Fund-issued Special Drawing Rights to make a partial payment to PrimeSouth Lebanon.<sup>47</sup> Later in the month, on August 21, two Iraqi ships and one Emirati ship transporting fuel for EdL docked in Lebanon, but did not offload their cargo. The delay was due to a pair of factors: needed testing of hydrocarbons on board the Iraqi vessels and a 30 million USD payment delay to the UAE-based company, Coral Energy DMCC, with which the Ministry of Energy and Water recently signed an agreement to import fuel.<sup>48</sup> Following a meeting between acting Central Bank Governor Mansouri and caretaker Prime Minister Najib Mikati, caretaker Minister of Energy Walid Fayyad was informed that the Central Bank could not facilitate the payment.<sup>49</sup> A similar issue arose regarding Beirut and Mount Lebanon Water Establishment operations, when the public service provider announced that it would be unable to pay EdL in fresh USD to secure needed state-produced power or diesel fuel for "backup" generators, resulting in a severe reduction in water provision in Beirut and Mount Lebanon in late August.<sup>50</sup>

**On August 31, 111 judges announced that they would go on strike on September 4.** The judges stated that they were not paid monthly benefits in August, their solidarity fund is no longer covering healthcare costs, and education stipends for their children are paid in LBP, while most schools now charge tuition in USD.<sup>51</sup> A protracted judiciary-wide strike – as occurred from August to December 2022 – would likely result in an accumulation of backlogged cases, delayed trials, and a suspension of judicial proceedings.

<sup>45</sup> L'Orient Today, [Offshore hydrocarbons: Lebanon aims to raise the stakes for block no. 8](#), August 24, 2023.

<sup>46</sup> Primesouth Lebanon is the company managing the Zahrani (in the South) and Deir Amar (in the North) power plants since it won the tender in 2016.

<sup>47</sup> L'Orient Today, [Cabinet secures an end to power plants blackout](#), August 17, 2023.

<sup>48</sup> L'Orient Today, [Three fuel ships, two power plants, and one \(seemingly delayed\) line of credit](#), August 21, 2023.

<sup>49</sup> NNA, [فياض: رد باخرة الفبول من قبل ميقاتي يشكل خسارة حولة في مسار تنفيذ خطة الطوارئ](#), August 31, 2023.

<sup>50</sup> NNA, [مياه بيروت وجبل لبنان: نظام تقنين قاس لعدم القدرة على شراء المازوت](#), August 23, 2023.

<sup>51</sup> LBCI, [Judicial Strike Looms Again: Judges' Demands and Pending Crisis](#), September 1, 2023.



## Looking Forward:

---

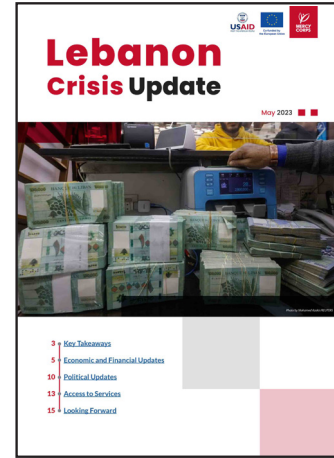
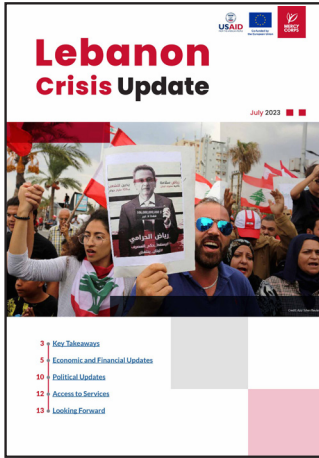
- Lebanon's current account deficit and growing cash economy suggest that a significant portion of USD which entered the market this summer will be allocated to the country's high import bill heading into the new year. Acting Central Bank Governor Wassim Mansouri confirmed on several occasions that he intends to float the exchange rate without intervening in the market and injecting USD using Central Bank foreign reserves. It is unclear whether the low rate of LBP in circulation will be maintained, despite the need for more LBP to cover the state expenditures.<sup>52</sup>
- Shortages of fuel used for electricity production could have far-reaching implications, particularly following the partial success of the Ministry of Energy and Water's most recent electricity plan.<sup>53</sup> Beirut and Mount Lebanon Water Establishment, which depends on a stable power supply to ensure public water delivery, has already warned that its inability to directly procure state power or needed diesel for "backup generators" could lead to severe cutbacks in service. Reduced state power provision – similar to coverage provided prior to the implementation of the Ministry of Energy and Water's emergency plan – would increase many households' expenditures, requiring many to spend more on private electricity production. Such outcomes stand to exacerbate vulnerabilities, compounding the social and economic challenges faced by the population, particularly as a reduction in public electricity provision could significantly impact individuals' ability to access essential services and secure and maintain employment.
- Presidential elections appear likely to remain on hold for the foreseeable future. Le Drian's efforts could result in many Lebanese political factions sitting down at the negotiating table but no party has expressed a willingness to engage in a participatory and collaborative process to name a candidate. While negotiations between the FPM and Hezbollah could result in them agreeing to publicly support Sleiman Frangieh, there is no guarantee that enough other parties would follow suit. Despite Parliament Speaker Nabih Berri's effective ultimatum to elect a president, parties potentially opposed to Frangieh's candidacy retain enough seats in parliament to prevent quorum in an electoral session. Key in this regard are not only the candidates put up for Lebanon's next head of state but also political deals that must be struck before a new president can assume their position in Baabda.
- The cabinet approved the 2023 budget on September 4 and is slated to review the 2024 budget in early September. While the 2024 budget contains provisions that should reduce the deficit compared to 2023, it appears unlikely that it will comply with IMF requirements. Moreover, reports suggest that state taxes and fees may be fully dollarized in the 2024 budget, a move which would see overall prices rise and represent an additional burden on vulnerable households. LCAT will examine the 2024 budget in its September Crisis Update.

<sup>52</sup> [L'Orient Today, Lebanon's central bank will not print money to lend state, cover deficit, acting governor says](#), August 24, 2023.

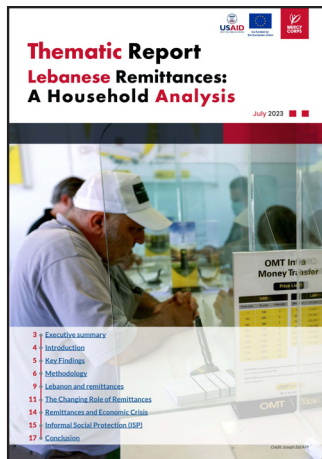
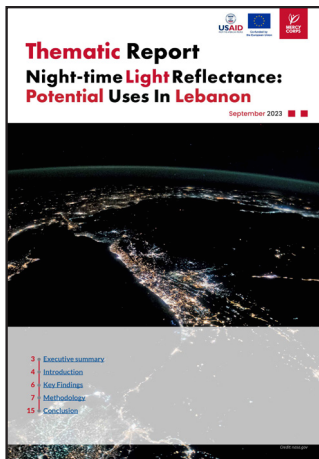
<sup>53</sup> Originally slated to provide at least eight hours of state-produced electricity across the country, the Ministry of Energy and Water plan has resulted in greater electricity provision in select neighborhoods, though often not beyond four or five hours per day. [L'Orient Today, Fayyad: EDL's increased electricity plan saw 'relatively low' success](#), April 13, 2023.



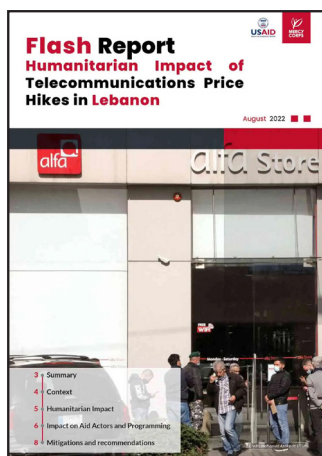
## Latest Monthly Reports

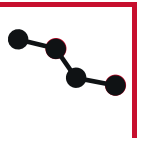


## Latest Thematic Reports



## Latest Flash Reports





# Contact

---

**Team Lead: Crisis Analytics | Lebanon**  
[lb-lcat@mercycorps.org](mailto:lb-lcat@mercycorps.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.

