

# Lebanon Crisis Update

November 2023 ■ ■



Credit: AFP/Joseph Eid

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

The Lebanon Crisis Analytics Team (LCAT) provides reactive and in-depth context analysis to inform the 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.

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## Key Takeaways:

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- Fighting escalated between Hezbollah and the Israeli military along Lebanon's southern border in November, with Israeli shelling reaching the Zahrani area, 30 kilometers into Lebanese territory. Eleven civilians were killed and 15 were injured by Israeli shelling in November, bringing the total number of Lebanese civilian casualties since fighting broke out on October 8 to 15 killed and 38 injured (as of November 30).
- Fighting along the southern border resulted in damage to infrastructure, including telecommunications transmission towers and public water infrastructure. Israeli shelling has also heavily damaged farmland and ignited forest fires.
- The Consumer Price Index (CPI), surged by 17.2% in October, during the period that fighting intensified along Lebanon's southern border. Notably, the highest CPI increases were recorded in Beirut and Mount Lebanon. The nationwide spike in consumer prices is primarily attributed to increases in rent, household expenditure, and education costs.
- The Central Bank issued decision 13592 to broaden depositors' eligibility to benefit from Circular 158. Depositors who transferred US dollar (USD) balances to another bank after October 31, 2019, and later returned them to their original banks are now covered by the provisions of Circular 158, allowing them to withdraw USD 300 from their USD-denominated accounts each month.



# 2023

## NOVEMBER

An Israeli airstrike damages a solar power system in Tayr Harfa, cutting off public water services to about 4,000 people.



3

Israeli artillery targets Brak in Zahrani, the deepest such strike into Lebanese territory (30 kilometers) since fighting broke out on October 8.



9

Caretaker Minister of Communications Johnny Corm instructs internet service providers to pay all outstanding arrears.

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Hezbollah launches two Burkan missiles, a short-range high-yield munition, at targets in Israel for the first time.



20

The Central Bank announces that it will issue two new 100,000 Lebanese pound (LBP) banknote editions.



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A short-term truce is announced in Gaza and fighting along the Lebanese-Israeli frontier subsides.



24

The Council of Ministers approves compensation for individuals affected by fighting in South Lebanon, which could total up to LBP 1 trillion.



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French Envoy and ex-Minister for Europe and Foreign Affairs Jean-Yves Le Drian urges Lebanese parties to elect a new president during his fourth visit to Lebanon.



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Credit: REUTERS/Evelyn Hockstein

## South Lebanon Crisis:

Fighting along Lebanon's southern border between Hezbollah and Israel increased in frequency and ferocity until a truce in Gaza took effect on November 24.<sup>1</sup> On November 11, Israeli artillery fire extended to Brak in the Zahrani area,<sup>2</sup> approximately 30 kilometers into Lebanese territory, the deepest a non-unmanned aerial vehicle strike has reached into Lebanon to date.<sup>3</sup> On November 20, Hezbollah launched two Burkan missiles for the first time,<sup>4</sup> and claimed the strike targeted an Israeli military post.<sup>5</sup>

As of November 30, Israeli military strikes have killed 15 Lebanese civilians and injured 39 more. Israeli military action has also damaged several houses,<sup>6</sup> buildings, vehicles,<sup>7</sup> farmland,<sup>8</sup> a football field,<sup>9</sup> food warehouses,<sup>10</sup> one church,<sup>11</sup> one aluminum factory,<sup>12</sup> two ambulances in Tayr Harfa,<sup>13</sup> and two telecommunications transmission towers.<sup>14</sup> The Israeli Air Force also targeted a solar power system (worth about 300,000 US dollars [USD]), which provides electricity to local public water infrastructure serving about 4,000 residents in the village of Tayr Harfa,<sup>15</sup> and other public water networks operated by the South Lebanon Water Establishment.<sup>16</sup>

<sup>1</sup> Fighting along the Lebanese-Israeli frontier did not completely halt during the Gaza ceasefire, with Israeli and Hezbollah shelling and gunfire reported on multiple occasions. / NNA, [مراسل الجديد: العدو الإسرائيلي يطلق قذيفة مدفعية على أطراف](#) November 24, 2023; / Al Jazeera, [بلدة عيتا الشعب](#) November 25, 2023; / Al Jazeera, [UN peacekeepers in Lebanon say patrol hit by Israeli fire](#) November 25, 2023; / NNA, [سقوط ثلاث قذائف على منطقة بلاط](#) November 26, 2023; / NNA, [الوكالة الوطنية للإعلام - سقوط قذيفة على اطراف عيتا الشعب](#) November 28, 2023

<sup>2</sup> Israeli artillery hit a pickup truck in an orchard in Brak.

<sup>3</sup> NNA, [مسيرة معادية تستهدف سيارة بيك أب في احد بساتين منطقة البراك - الزهراني](#) November 11, 2023

<sup>4</sup> Burkan missiles, or Volcano missiles, are short-range rockets that can deliver warheads weighing hundreds of kilograms and have a range to 10 kilometers.

<sup>5</sup> NNA, [إصابة منزل جراء القصف المعادي على شبيحين في القطاع الغربي](#) November 20, 2023;

<sup>6</sup> NNA, [إصابة منزل جراء القصف المعادي على شبيحين في القطاع الغربي](#) November 2, 2023; / NNA, [مدفعية العدو استهدفت منزلا في الخيام ولا اصابات](#) November 2, 2023; / NNA, [مسيرة معادية نفذت غارتين على منزلين في حي الرجم في عيتا الشعب](#) November 10, 2023; / NNA, [العدو الاسرائيلي استهدف مجددا منزلين جديدين](#) November 11, 2023

<sup>7</sup> NNA, [مسيرة معادية تستهدف سيارة بيك أب في احد بساتين منطقة البراك - الزهراني](#) November 11, 2023

<sup>8</sup> NNA, [العدو الاسرائيلي استهدف مجددا منزلين جديدين في طبرحرفا](#) November 2, 2023

<sup>9</sup> NNA, [مسيرة معادية تطلق ثلاثة صواريخ على ملعب لكرة القدم في حولا وصاروخان استهدفا منزلا وسيارة لم ينفجرا](#) November 8, 2023

<sup>10</sup> NNA, [العدو يستهدف حاوية في المشروع الزراعي الخاص في منطقة العمرة - سردا](#) November 23, 2023;

<sup>11</sup> NNA, [قصف معاد لوسط سهل مرجعيون](#) November 24, 2023

<sup>12</sup> NNA, [قصف معاد لوسط سهل مرجعيون](#) November 20, 2023

<sup>13</sup> NNA, [استهداف عمق منطقة النبطية فجرا واحترق معمل ألومنيوم](#) November 18, 2023

<sup>14</sup> The ambulances belong to the Scouts of the Risala al Islamiya and the shelling resulted in four injuries.

<sup>15</sup> NNA, [كشافة الرسالة: نضع جريمة استهدافنا برسم المجتمع الدولي](#) November 5, 2023

<sup>16</sup> The first transmission tower belonging to Alfa was hit on November 18, and the second belonging to Touch was hit on November 22.

NNA, [توقف إرسال شبكة "ألفا" في ميس الجبل بسبب القصف المعادي على مجيب امس](#) November 19, 2023;

NNA, [مسترة للعدو الإسرائيلي أغارت على محطة إرسال تابعة لشركة «تاتش» في طبرحرفا](#) November 22, 2023

<sup>15</sup> NNA, [طيران العدو يقصف مشروع الطاقة الشمسية في طبرحرفا](#) November 3, 2023

<sup>16</sup> El Nashra, [مؤسسة مياه الجنوب: منشآتنا تعرضت لقصف إسرائيل ونسعى مع المعنيين لإصلاح الأعطال](#) November 3, 2023;



Israeli use of incendiary munitions ignited forest fires, resulting in damage to fields and preventing residents from harvesting from olive groves, citrus trees, and banana fields.<sup>17</sup> The Israeli military also deployed phosphorus munitions farther north of the Blue Line.<sup>18 19</sup> Sustained bombardment of Labbouneh caused extensive damage to the local forest, with residents in the surrounding villages of Tayr Harfa and Aita El Chaab displaced towards Sour.<sup>20</sup> On November 21, Israeli army shelling damaged a Lebanese Armed Forces (LAF) base in Wazzani.<sup>21</sup> The United Nations Interim Force in Lebanon (UNIFIL) is also investigating an incident in which a UNIFIL soldier was injured by gunfire on November 14, the origins of which are undetermined.<sup>22</sup>

Hezbollah stated that they will provide compensation for individuals whose houses have been damaged, while compensation for damage to land and uninhabited houses will be disbursed at a later stage.<sup>23</sup> On November 29, the cabinet approved compensation for South Lebanon residents pending damage evaluations by the Council of South Lebanon, the Development and Reconstruction Council, and the Higher Relief Commission.<sup>24</sup> Reports suggest that the Council of South Lebanon will pay an estimated 1 trillion Lebanese pounds (LBP) to affected individuals and households.<sup>25</sup>

As of November 28, 55,183 individuals have been displaced by fighting along the southern border, with about 1,000 residents dispersed among 12 centers established for internally displaced persons (IDPs).<sup>26</sup> Nearly 26,000 individuals were displaced in November, in addition to the 28,965 displaced in October. Fifty-seven percent of IDPs are staying with host families, 28% are renting houses, and 2% are staying in collective shelters.

Fighting along Lebanon's southern border resumed after the truce in Gaza lapsed on December 1, which risks further displacement, disruptions to agricultural activities, and interruptions of public service delivery.

<sup>17</sup> NNA, [طيران استطلاعي معاد منذ الفجر فوق القرى المتاخمة للخط الأزرق حتى صور ومجرى الليطاني](#) November 9, 2023;

NNA, [مدفعية العدو قصفت يارين والجيبين وطير حرفا ومروجين والزهيرة بقذائف حارقة اشعلت حرائق وسط تحليق لطائرات الاستطلاع](#) November 8, 2023;

NNA, [قصف معاد يستهدف اطراف رامية وبيت ليف والقذائف الحارقة تشعل النيران في احراج رامية وعيتا الجبل](#) November 9, 2023;

NNA, [القصف المعادي يطاول بلدة بحمر الشقيف في النبطية](#) November 4, 2023

<sup>18</sup> The Blue Line is a demarcation between Lebanon and Israel that was established by the UN following the withdrawal of Israeli military forces from Lebanon in 2000. It marks the southernmost extent of UNIFIL peacekeeping operations.

<sup>19</sup> NNA, [العدو يقصف سهل مرجعيون واطراف بلدات الخيام وكفر كلا وبرج الملوك ووطى الخيام](#) November 9, 2023

<sup>20</sup> NNA, [قصف معاد صياحا وغارات على محيط الناقورة وعلما الشعب وجبل اللبونة](#) November 16, 2023

<sup>21</sup> NNA, [القصف المعادي يطاول مركزا للجيش في الوزاني ولا إصابات](#) November 21, 2023

<sup>22</sup> NNA, [مصدر اطلاق النار على موقع اليونيفيل بالقرب من القوزح غير معروف واي استهداف لمواقعنا غير مقبول](#) November 14, 2023

<sup>23</sup> NNA, [Hezbollah announces it started paying compensation for damaged houses in border south villages](#) November 27, 2023

<sup>24</sup> L'Orient Today, [Mikati cabinet delays banking reform bill, other key issues](#) November 29, 2023

<sup>25</sup> LBCI, [Here is the amount of compensation for those affected by Israeli aggression on the south](#) November 30, 2023

<sup>26</sup> IOM, [Mobility Snapshot - Round 13 - 30 -11-2023 | Displacement Tracking Matrix](#) November 30, 2023



Figure 1 displays cadasters where more than 10 households have been displaced, using the International Organization for Migration (IOM) Displacement Tracking Matrix (DTM) population movement<sup>27</sup> dataset. The concentration of Israeli shelling is highlighted in orange (less intense) and red (more intense). Most displaced households have moved to Sour (3,302 HHs), Nabatieh (1,862 HHs), Saïda (1,526 HHs), and Beirut (1,224 HHs). Moussaytbeh in Beirut (1,106 HHs) and Aabbassiyet in Sour (1,000 HHs) have received the most IDP households among all destination cadasters. IOM-DTM population movement data will be visualized in an interactive map on the LCAT dashboard and released in the coming month.

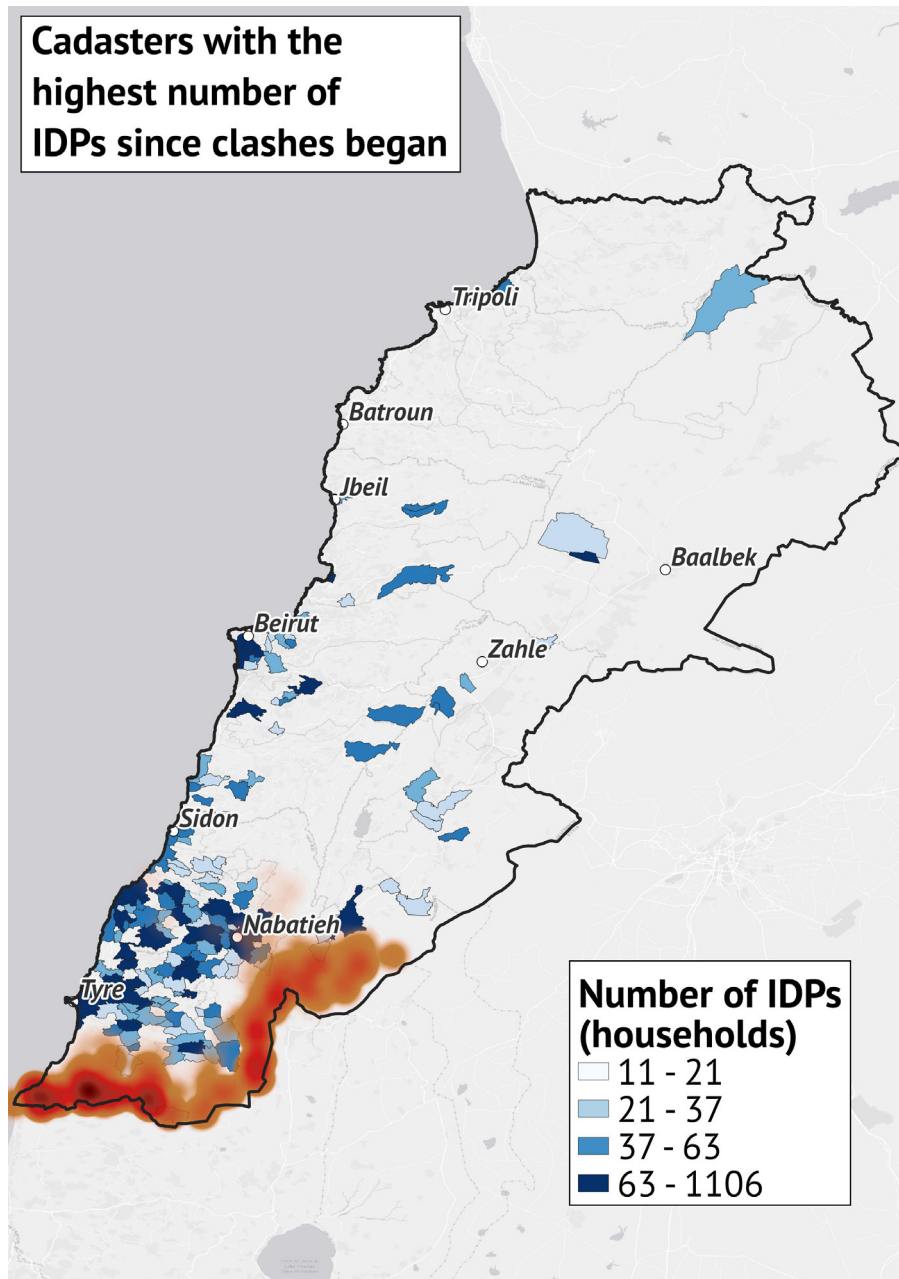


Figure 1: Internal Displacement Map.

<sup>27</sup> IOM, [Lebanon Displacement Data - IDP Tracking - \[IOM DTM\]](#)



## Political Developments

The United Nations Special Coordinator for Lebanon Joanna Wronecka, United States Secretary of Defense Lloyd Austin, and French President Emmanuel Macron<sup>28</sup> called for de-escalation along Lebanon's southern border, citing the risks of further escalation, in particular its potential to spark a regional conflict. On November 11, Hezbollah Secretary-General Hassan Nasrallah delivered a speech in which he asserted that the South Lebanon front remains a "pressure front" against Israel and that the United States should force Israel to end its military campaign in Gaza to avoid a regional conflict.<sup>29</sup> On November 22, head of the Lebanese Forces Samir Geagea said that United Nations Security Council Resolution (UNSCR) 1701<sup>30</sup> should be fully implemented, entailing the full withdrawal of Hezbollah forces from South Lebanon and the LAF assuming responsibility for security throughout the south.<sup>31</sup> On November 22, caretaker Minister of Information Ziad Makary announced that Lebanon filed a second complaint against Israel in the UNSC for killing two journalists (Farah Omar and Rabih Al Maamari) in South Lebanon.<sup>32</sup> On October 13, Lebanon submitted a similar complaint following the killing of journalist Issam Abdallah.<sup>33</sup>

## National Planning

Lebanon reviewed its National Short and Medium-term Preparedness and Response Plan (NPRP) in response to expanded military operations along the Lebanese-Israeli frontier. The updated draft plan, submitted to parliament on October 31, draws on previous national and international efforts to prepare for crises, especially disaster risk reduction strategies led by the United Nations Development Programme. The draft plan, [reviewed by LCAT](#), outlines a coordinated response involving national and local government agencies, as well as humanitarian organizations. Ministries and other administrative bodies have also developed relevant disaster preparedness plans that fall under the scope of the main NPRP plan. Lebanon's disaster response plan heavily relies on the country's existing humanitarian infrastructure. Local authorities are central to coordination efforts, and the plan calls for collaboration with the UN and other aid groups.

## Humanitarian Response

The United Nations Office for the Coordination of Humanitarian Affairs announced that partner organizations, including other UN agencies and non-governmental organizations, have distributed 16,916 essential relief items (including blankets, mattresses, and pillows) and about 22,000 articles of clothing since October 8. As of November 18, 63% of displaced students were enrolled in private or public schools in regions where they relocated. About 555 food parcels have been distributed to IDPs at shelters in Tyre, Hasbaya, and Rachaya and 2,207 food parcels have been distributed to displaced individuals staying with relatives in Marjayoun, Bint Jbeil, and Mount Lebanon. About 8,000 hygiene kits and about 130,000 liters of bottled water have been distributed to IDPs in shelters since October 8.<sup>34</sup>

<sup>28</sup> L'Orient Today, [US defense sec. warns Israel against military actions in Lebanon: Axios](#) November 13, 2023;

L'Orient Today, [UN Special Coordinator declares urgent need to de-escalate situation on Blue Line](#) November 21, 2023;

L'Orient Today, [Macron to Mikati: Extending the war to Lebanon will have serious repercussions](#) November 28, 2023

<sup>29</sup> NNA, [نصر الله: العالم والفلسطينيون يطالبون القمة العربية بالعمل لوقف العدوان والتعهد بإجراءات جدية \(\\*\)](#) November 11, 2023

<sup>30</sup> UNSCR 1701 (2006) was adopted unanimously by the UNSC in August 2006 to end hostilities between Hezbollah and Israel. It calls for the deployment of the LAF and UNIFIL along Lebanon's southern border, the withdrawal of the Israeli military forces from Lebanese territory, and measures to prevent non-Lebanese state armed personnel or weapons from being deployed along the Blue Line. United Nations Security Council, [UNSC Resolution 1701 \(2006\)](#) August 11, 2006

<sup>31</sup> NNA, [جججج: استخدام الحزب قري حدودية كمنصة صواريخ مرفوض وعلى الحكومة اتخاذ الإجراءات اللازمة](#) November 22, 2023

<sup>32</sup> Ziad Makary via X (formerly Twitter), [تقدم لبنان اليوم بشكوى الى مجلس الامن عبر وزارة الخارجية حول الاستهداف المقصود من قبل العدو الاسرائيلي للصحافيين](#), وهي الشكوى الثانية بعد جريمة قتل #عضام عبدالله #فرح عمر و #ربيع المعماري في الجنوب اللبناني, November 22, 2023

<sup>33</sup> LBCI, [Lebanon files complaint with UN Security Council over killing of journalist Issam Abdallah by Israel](#) October 14, 2023;

<sup>34</sup> Relief Web, [Lebanon: Flash Update #2 - Escalation of hostilities in south Lebanon, 25 November 2023](#) November 26, 2023





Photo by Bilal Hussein / AP

## Economic Updates:

The price of 20 liters of fuel decreased by 6.7% in line with global market trends and a stable LPB-USD parallel market exchange rate.<sup>35</sup> Fuel prices closed the month at LBP 1,564,000 for Octane-95, LBP 1,604,000 for Octane-98, LBP 1,545,000 for diesel, and LBP 936,000 for cooking gas.

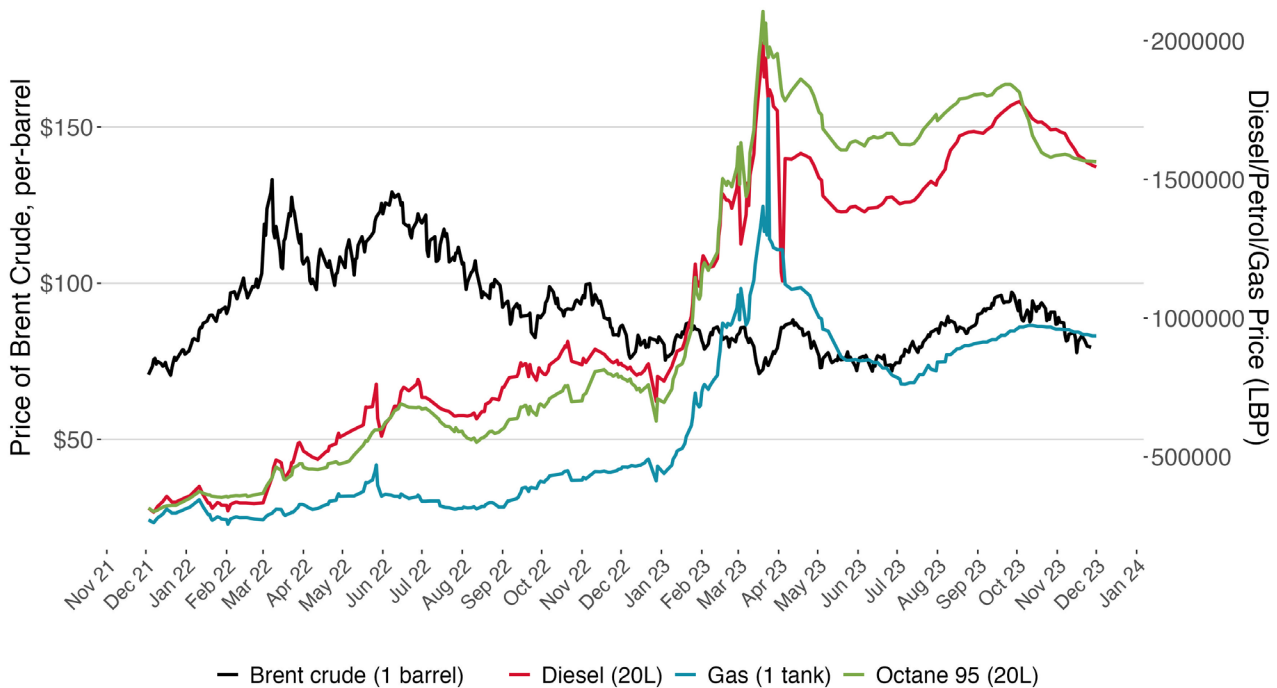
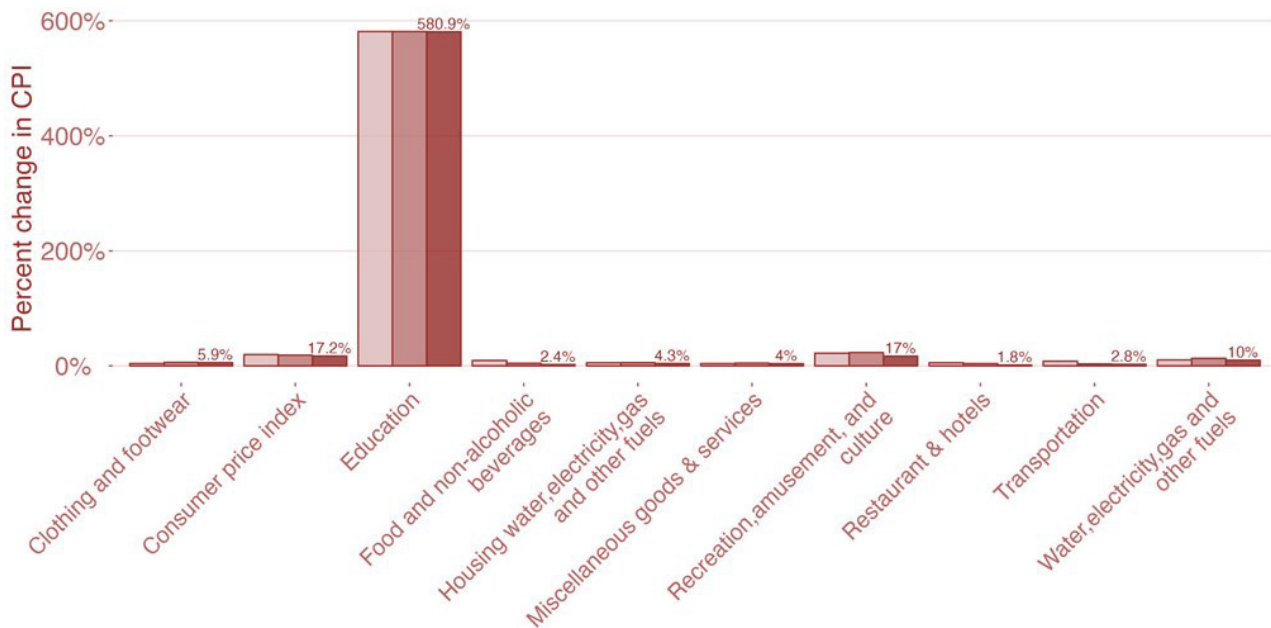


Figure 2: Fuel Prices.

<sup>35</sup> Fuel Prices from [IPT Lebanon](#)



**The consumer price index (CPI) increased by 17.2% in October.** The CPI increased by 16.2% and 22.6% in Beirut and Mount Lebanon respectively, mainly due to hikes in housing, transport, and recreation expenditures, as well as a significant surge in education expenditures. The rate of education cost hikes rose from 549.12% in September to 3,738.81% in October. This increase can be attributed to tuition fee hikes for public education (1110.1% increase since September), and the dollarization or partial dollarization of tuition fees for private education (592% increase since September). The increase in CPI was asymmetric across different areas in Lebanon, with Mount Lebanon (652.71%) and Beirut (602.9%) recording the highest increases, and Nabatieh (489.3%) and the South (235.2%) the lowest increases.

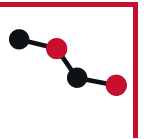


CPI in Oct 2023 compared to: ■ Jul 2023 ■ Aug 2023 ■ Sep 2023

**Figure 3:** CPI Percentage Change in October Compared to Previous Months Across Major Expenditure Components.

Private generator costs are rising in rural and mountainous regions of Lebanon despite a reduction in official national generator fees.<sup>36</sup> In mountainous areas, lower temperatures necessitate higher electricity consumption for heating and other utilities. Contrasting rural and mountainous areas, generator bills reduced in cities, due in large part to lower demand corresponding with the end of the tourism season and colder weather, as during summer months air conditioning units account for a large portion of electricity consumption.

<sup>36</sup> By law, the basic monthly price for a 5 ampere generator connection is LBP 385,000, while 10 amperes costs LBP 685,000. These values are added to the kWh consumption of each subscriber calculated by a generator meter, which are then multiplied by the rates per kWh. Providers of private generators are required to install individual generator meters (rather than charge a flat rate) and price in LBP, in line with Ministry of Economy and Trade decision 176/1, 2018. L'Orient Today, [Generators: kWh price falling in lira and dollar](#) November 30, 2023



	October	November	Change
Price/kWh (in LBP)	36,817	34,863	-5.3%
Price/kWh (in USD)	0.41	0.39	-4.87%
Price/kWh in rural and mountainous areas (in LBP)	34,836	38,319	10%
Price/kWh in rural and mountainous areas (in USD)	0.39	0.42	7.7%
Price of Fuel Oil/ 20 liters (in LBP)	1,777,830	1,658,317	-6.7%
Average Exchange Rate	89,525	89,700	0.19%

Table 1: Generator Electricity Tariffs (Price per KiloWatt).

**LBP in circulation (M0) remained stable through November, while money supply (M1) increased by LBP 2 trillion, reaching LBP 80 trillion.** For the first time since Wassim Mansouri took over acting Central Bank governor in August, LBP in circulation increased by LBP 1 trillion in the second half of November and stabilized at LBP 56 trillion. This followed a nearly four-month period in which the LBP money supply was constricted and the parallel market exchange rate stabilized.

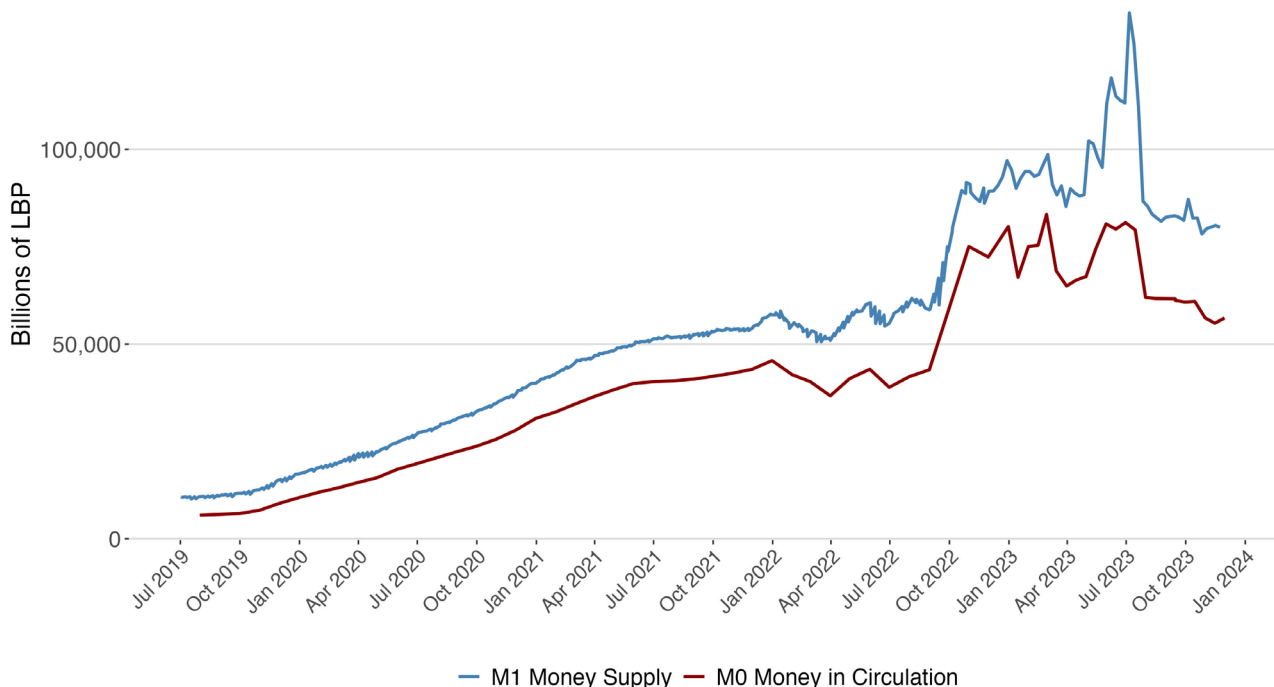


Figure 4: The Evolution of LBP in Circulation (M0) and Money Supply (M1).



**Central Bank Foreign Assets increased by USD 133 million in November.**<sup>37</sup> Progressively restoring Central Bank foreign reserves is a key step in stabilizing the LBP-USD parallel market exchange rate ahead of establishing a new official exchange platform, where trading is expected to be based on an “official floating exchange rate”. Foreign reserves fell below USD 10 billion at the end of August, largely as a result of long-term investment in the Sayrafa exchange platform and government lending. Recent increases in the foreign asset balance are likely due to government revenue collection in USD (for example from Casino du Liban), and trading in financial and bond markets. Moreover, recent reporting indicates that the Central Bank is purchasing USD on the parallel market, similar to practices during the late period of former Governor Riad Salameh’s tenure.

**Parliament’s Finance and Budget Committee resumed discussions over the 2024 draft budget law.** Following meetings on November 6 and November 8, the committee requested that the government reformulate income tax laws, specifically Articles 65, 66, and 67, concerning income tax brackets.<sup>38 39</sup> Through November 15, the committee canceled increases – ranging between 10 to 127 fold – in fees for accessing public documents, municipality and Mukhtar tariffs, and various tickets and fines.<sup>40</sup> Through November 20, the committee removed additional articles in the draft budget concerning income taxes and commercial bank deposit haircuts (through digital tax collection), among other administrative and fiscal provisions in the draft budget.<sup>41 42</sup>

**On November 17, the Central Bank issued decision 13592, allowing more depositors to benefit from Circular 158.**<sup>43</sup> Depositors who transferred USD-denominated balances to other banks after October 31, 2019, and returned them to their original banks<sup>44</sup> can now benefit from Circular 158. The circular allows depositors who currently have USD-denominated balances, which were originally deposited in a commercial bank prior to October 2019, to withdraw USD 400 or USD 300 per month, depending on when they subscribed to benefit from the circular.<sup>45</sup>

**On November 23, the Central Bank announced that it would issue two new LBP 100,000 banknotes.** Both of these editions will be smaller in size than the current LBP 100,000 banknote in circulation, with no changes in the design or safety stamps. The first edition is set to be released on December 1,<sup>46</sup> and the second edition is set to be released on January 2, 2024.<sup>47</sup>

<sup>37</sup> Banque Du Liban Balance Sheets

<sup>38</sup> Parliament Finance and Budget Committee, [Press Release](#), November 6, 2023

<sup>39</sup> Parliament Finance and Budget Committee, [Press Release](#), November 8, 2023

<sup>40</sup> Parliament Finance and Budget Committee, [Press Release](#), November 13, 2023;

Parliament Finance and Budget Committee, [Press Release](#), November 15, 2023

<sup>41</sup> Parliament Finance and Budget Committee, [Press Release](#), November 20, 2023

<sup>42</sup> Parliament’s Finance and Budget Committee removed several articles from the original draft law:

Article 10, which would have allowed the Central Bank to issue subsidized investment loans.

Articles 16 and 17, which would have leveled new property and real estate regulations.

Article 20, which would have formalized extra fees to expedite the issuing of legal documents from public institutions.

Article 21, which would have enabled commercial bank deposit holders to pay bills using funds currently trapped in their accounts, with a 50% haircut.

Article 25, which would have required that business owners pay their employees’ income taxes in the same currency used for their salaries.

Check Nidaa Al Watan, [2024 موازنة على مشروع موازنة 2024](#), November 22, 2023

<sup>43</sup> Banque Du Liban, [Decision 13592, Intermediate Circular 682](#), November 17, 2023

<sup>44</sup> Many depositors elected to transfer their deposits to banks that exhibited relative solvency in the first year of the financial crisis.

<sup>45</sup> The depositors who applied to and benefited from Circular 158 before July 1, 2023, can withdraw USD 400 per month, while those who agreed to the terms of the circular after that date can only withdraw USD 300 per month.

Check [Circular 158](#).

<sup>46</sup> Banque Du Liban, [Announcement 34: New 100,000 LBP banknote in circulation \(Issue Date 1/12/2023\)](#), November 23, 2023

<sup>47</sup> Banque Du Liban, [Announcement 35: New 100,000 LBP banknote in circulation \(Issue Date 2/1/2024\)](#), November 23, 2023



## Analysis and Impact:

Prolonging the passage of the 2024 budget law late into 2023 – only two months before the legal deadline of January 31, 2024 – is indicative of poor coordination between the caretaker government and the parliament, and the absence of a clear plan to implement reforms. The draft has been amended multiple times, including removing several articles concerning newly imposed taxes and bills, particularly dollarized payments such as Électricité du Liban bills, customs fees, and income tax. The Finance and Budget Committee has outright rejected a heavy increase in taxes, an example of how the budget drafting process is carried out absent a clear economic vision and structure.<sup>48</sup>

The negative effects of scant state fiscal planning in the draft budget is compounded by inadequate regulation of the now largely insolvent financial sector. While Central Bank Decision 13592 enables more depositors to access their accounts, the majority of USD depositors still face a time haircut,<sup>49</sup> which prevents them from accessing the bulk of their savings trapped in commercial banks. New circular 158 beneficiaries, who can access USD 300 per month, cannot afford to cover the survival minimum expenditure basket (SMEB) using deposit withdrawals, as the SMEB surpassed USD 300 in March.

About 10 months after the Ministry of Economy allowed traders and retailers to price their goods in USD, the dollarization strategy seems to have failed. In the absence of effective consumer protection and price controls, traders and retailers had significant leeway in pricing goods, a significant factor contributing to higher CPI figures shown in Figure 5. Conflict in South Lebanon could be used to justify price increases despite relative global commodity market stability.

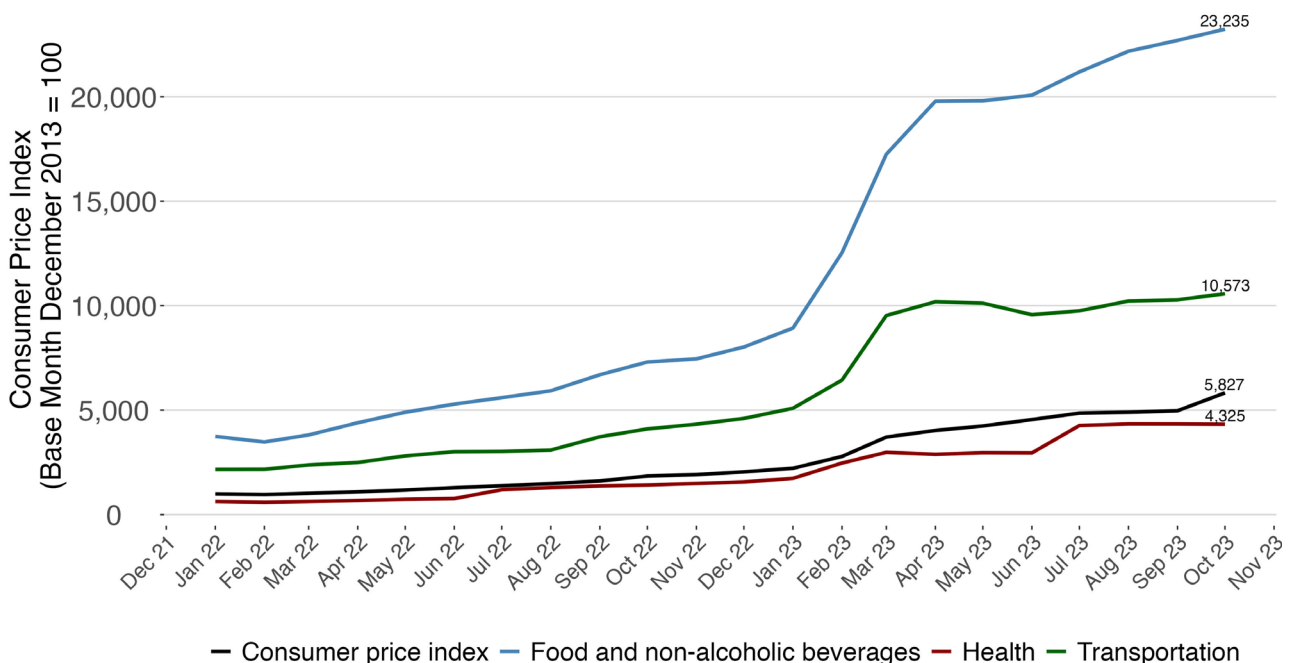


Figure 5: The Evolution of the Consumer Price Index (CPI) Across Essential Expenses.

<sup>48</sup> Nidaa al Watan, [كنعان: لن نسمح بإصدار الموازنة بمرسوم حكومي... ولتتحمل الكتل النيابية مسؤولياتها](#), November 30, 2023

<sup>49</sup> A time haircut entails depositors being granted limited access to their deposits over a prolonged period, meaning that commercial banks will not have to pay out the full amount in the immediate term. Due to currency depreciation over the same period, such a haircut enables banks to recover some of their losses.



Credit: Mohamed Yassine

## Political Updates:

**French Envoy and ex-Minister for Europe and Foreign Affairs Jean-Yves Le Drian visited Lebanese political leaders for a fourth time and stressed the need to elect a president.**<sup>50</sup> Le Drian, representing the “five-nation group” (the United States, France, Egypt, and Saudi Arabia), suggested a consensus third candidate could be elected by the parliament, other than Suleiman Frangieh and Jihad Azour. Weeks before, Frangieh stated that he was not withdrawing his candidacy and remained “open to dialogue”. Following a meeting with Le Drian, head of the Lebanese Forces Samir Geagea said that while the opposition is open to the envoy’s suggestion, a third candidate may not be acceptable to Hezbollah and their allies. Le Drian also discussed the implementation of UNSCR 1701 and the extension of LAF Commander-in-Chief Joseph Aoun’s term with different parties. The presidential vacuum has impeded the appointment of top state officials, including the Director of General Security and the Central Bank Governor.

**Parliament Speaker Nabih Berri announced that he will hold a legislative parliamentary session before December 15.** Several draft laws are set to be considered, both those submitted by the parliament and those referred from the cabinet, most notably raising the retirement age of “commanders” in the army to 61,<sup>51</sup> which would result in the extension of LAF commander-in-chief Aoun’s term beyond May 2024. The draft proposal was submitted by the Lebanese Forces and supported by Maronite Patriarch Bechara Boutros Al Rahi<sup>52</sup> and is opposed by the leader of the Free Patriotic Movement Gebran Bassil.<sup>53</sup>

<sup>50</sup> Presidency of the Council of Ministers, [الرئيس ميقاتي يستقبل الوفد الفرنسي جان إيف لودريان](#) November 29, 2023

<sup>51</sup> Al Joumhouria, [يري لـ “الجمهورية”: انتخاب الرئيس اليوم قبل الغد... و“الخطر” مصدره إسرائيل](#) November 30, 2023

<sup>52</sup> LBCI, [Frances Le Drian to LBCI: I support the term extension of army commander](#) December 1, 2023

<sup>53</sup> L’Orient-Le Jour [Le Drian n’y va pas par quatre chemins : oui à la prorogation du mandat de Joseph Aoun](#) November 30, 2023

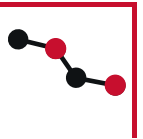


Photo by Paul Saad

## Access to Services:

On November 9, caretaker Minister of Communications Johnny Corm instructed internet service providers (ISPs) to pay all outstanding arrears owed since July 2017. Many ISPs did not comply with previous, similar directives,<sup>54</sup> fearing that consumers would opt for accessing services provided by lower-cost competitors. Corm's decision aims to fold illegal ISPs into the legal network and, ultimately, lower prices for consumers.<sup>55 56</sup>

<sup>54</sup> Executive decisions 956 (July 1, 2017), 9452 (June 24, 2022), and 1/544 (October 9, 2023)

<sup>55</sup> NNA, [دفع مبالغ مالية متوجبة منذ تموز ٢٠١٧ ISPs الوكالة الوطنية للإعلام - قرار للقرم بتكليف شركات مزودي الانترنت](#), November 9, 2023

<sup>56</sup> The decision is based on decree no. 1/544 dated October 9, 2023 and mandates that ISPs pay the following amounts for each E1 line they have rented but not used in accordance with the laws, decrees, regulations, and applicable procedures:

From July 1, 2017, to June 30, 2022: The number of subscribers multiplied by LBP 20,000.

From July 1, 2022, to August 31, 2023: The number of subscribers multiplied by LBP 85,000.

From September 1, 2023, to the date of implementing the aforementioned Decree: The number of subscribers multiplied by 550,000 LBP, provided that the value of the assignment does not exceed LBP 200,000,000 for each E1 assigned to the company.



## Looking Forward:

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- Le Drian’s visit officially focused on securing an agreement among Lebanon’s disparate political interests to elect a new president. His meetings also tackled fighting along the southern Lebanese border, with the diplomat echoing US calls to implement UNSCR 1701.<sup>57</sup> Le Drian’s proposal, and similar initiatives, are widely understood as being made at the behest of Israel, whose citizens in the north of the country were ordered to evacuate in October as deadly cross-border exchanges intensified.<sup>58</sup> The Israeli government has made clear that they are committed to their return in a “secure” environment and that if a diplomatic agreement cannot be reached to remove – at a minimum – Hezbollah’s elite forces, Israel will consider additional military action in South Lebanon. This could signal that a more destructive phase of the conflict lies ahead, entailing further targeting of civilian infrastructure. Escalation along the border and any prospective deal likely hinges on developments in Gaza, as Hezbollah has vowed to intensify its “pressure campaign” if Hamas is faced with a terminal, existential threat.
- Displacement from areas along Lebanon’s southern frontier throughout November – which only slowed during the Gaza truce from November 24 to December 1 – is likely to continue into December. Whether or not fighting between Hezbollah and the Israeli military accelerates, IDPs from South Lebanon may not return to their homes for some time, necessitating a sustained flow of aid. The government is already contending with shortages of non-food resources provided to IDP shelters in the South, a situation likely to worsen due to a lack of stockpiling of essential commodities such as fuel, food, and potable water.<sup>59</sup>
- Lebanon’s crumbling infrastructure, a result of years of poor governance, is likely to face further strain due to ongoing hostilities in South Lebanon. In response to the current crisis, the South Lebanon Water Establishment is working to provide electricity to water facilities to address localized water shortages caused by Israeli strikes. Ogero, anticipating potential disruptions, has stockpiled one month’s worth of diesel and is planning to procure other needed equipment. The prolongation of the crisis in the South, in conjunction with continued economic disruptions and fiscal constraints, threatens to further diminish public service delivery across the country, not only in the South.

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<sup>57</sup> LBCI, [International pressure mounts on Lebanon for UN Resolution 1701 implementation](#) December 1, 2023

<sup>58</sup> Haaretz, [Israelis in 28 Communities Near Lebanon Border to Be Evacuated by Army](#), October 16, 2023

<sup>59</sup> The NPRP used the 2006 Lebanon War as a benchmark, allocating 79 schools as designated shelters to accommodate a potential 200,000 IDPs. These shelters are not adequately equipped to receive IDPs, as they lack essential facilities, such as showers, beds, and kitchens.





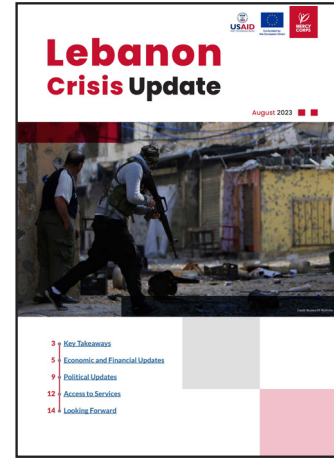
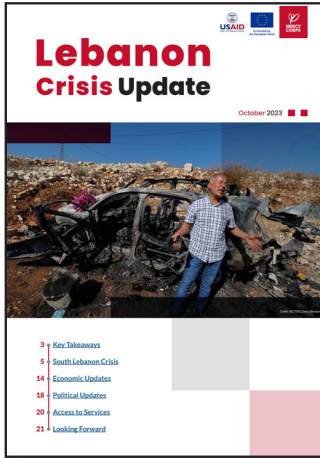
- After a successful summer tourism season, business owners expect winter holiday revenues to be lower than previous years. In early November, the US, UK, and European Union (EU) advised their citizens to depart Lebanon promptly and take advantage of available flights, as numerous airlines have halted operations at Beirut International Airport.<sup>60</sup> Therefore, foreign currency inflows from the tourism sector, worth more than USD 1 billion annually and about 25% of GDP, will be severely affected by ongoing hostilities. In addition to remittances, foreign currency inflows from tourism are essential to maintaining the cash dollar supply, which allowed the Central Bank to stabilize the LBP-USD parallel market exchange rate at LBP 89,500 per USD 1 and slow the decline of LBP earners' purchasing power.
- The government's emergency plan requires financial support that the Central Bank is likely unwilling to provide. Acting Central Bank Governor Wassim Mansouri has accumulated foreign currency and stabilized the parallel market exchange rate since he assumed his post in August. These positive developments could lead the parliament and cabinet to pass laws which legally oblige Mansouri to release funds, despite Mansouri's public stand on limiting government access to foreign reserves. When the deadline for approving the draft budget passes, the caretaker government could also elect to issue budget articles as executive decisions in the Official Gazette.<sup>61</sup>

<sup>60</sup> L'Orient Today, [Several countries advise against travel to Lebanon and urge their citizens to leave](#) October 20, 2023; United Kingdom Government, [Foreign Travel Advice: Lebanon](#)

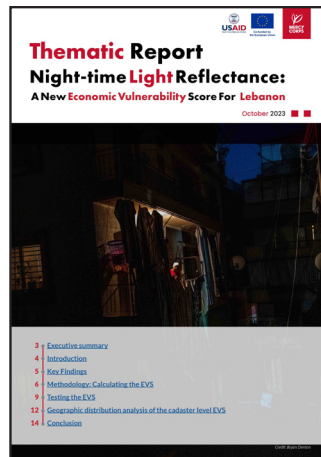
<sup>61</sup> Nidaa Al Watan, [كتعان: لن نسمح بإصدار الموازنة بمرسوم حكومي... ولتتحمل الكتل النيابة مسؤولياتها | نداء الوطن](#) November 30, 2023



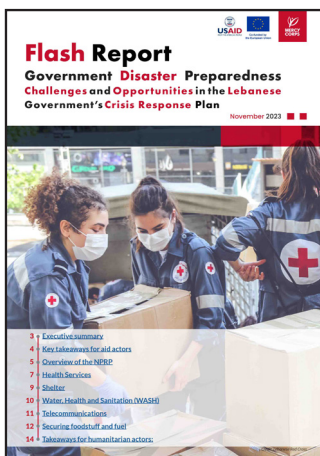
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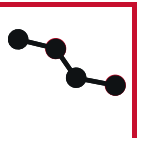


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