

# Lebanon Crisis Update

December 2023 ■ ■



Credit: Jalaa Marey /AFP

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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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- Heavy fighting resumed along Lebanon's southern border after the ceasefire in Gaza lapsed on December 1. Six civilians were killed by Israeli military action in December, bringing the total number of civilian casualties between October 8 and December 31 to 21. Fighting displaced 76,018 people in South Lebanon through January 4, necessitating an increase in educational, health, and basic needs assistance in host communities.
- The Lebanese Parliament extended Lebanese Armed Forces (LAF) Commander-in-Chief Joseph Aoun's term on December 15, despite strong opposition by the Free Patriotic Movement. Directors of other key state institutions continue to operate on an interim basis, including the General Directorate of General Security and the Central Bank.
- Parliament's Finance and Budget Committee met seven times in December about the 2024 draft budget law. On December 4, committee members agreed to adjust the consumption tax scale in line with inflation rates and on December 13, the committee approved an expenditure of LBP 1 trillion to finance municipal elections.
- On December 19, the Central Bank increased the Sayrafa exchange rate from LBP 85,500 to LBP 89,500 per USD 1, aligning it with the parallel market rate. This policy was instituted in line with acting Central Bank Governor Wassim Mansouri's plan to unify and float the official exchange rate.



# 2023

## DECEMBER

An Israeli artillery strike kills a Lebanese Armed Forces (LAF) soldier in South Lebanon.



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The Union of Fuel Station Owners announces that fuel stations will no longer accept bank card payments.

Lebanese state and municipal institutions close in response to global calls for solidarity with Gaza.



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Électricité du Liban announces that it is operating at reduced capacity due to fuel shipment delays.

The parliament's Finance and Budget Committee approves an LBP 1 trillion fund to finance municipal elections.



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The parliament votes to extend the term of LAF Commander-in-Chief General Joseph Aoun by one year.

The Israeli military drops leaflets in Kfar Chouba calling on residents not to aid Hezbollah.



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The Central Bank adjusts the Sayrafa exchange rate to LBP 89,500 per USD 1.

The parliament's Finance and Budget Committee amends 123 tax-related articles in the 2024 draft budget law.



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Credit: Reuters

## South Lebanon Crisis:

Intense fighting resumed along Lebanon's southern border on December 1, when the temporary truce in Gaza lapsed. From October 8 to December 31, Israeli strikes killed 21 civilians and injured 54 more in Lebanon, in addition to damaging public infrastructure,<sup>1</sup> including a telecommunications transmission tower<sup>2</sup> and a municipal building,<sup>3</sup> as well as private residences,<sup>4,5</sup> stores,<sup>6</sup> forests,<sup>7</sup> Lebanese Armed Forces (LAF) bases,<sup>8</sup> a mosque,<sup>9</sup> and schools.<sup>10</sup> As of January 4, 76,018 individuals have been displaced in Lebanon as a result of the fighting along the border, with 81% of the internally displaced people (IDPs) staying with host families and 2% staying in 14 collective shelters. The largest number of Lebanese IDPs are being hosted in Sour (24,317) and Nabatieh (13,791).<sup>11 12</sup>

Fighting intensified along the southern border throughout December relative to November. Israel conducted an average of at least 11.2 airstrikes per day in December, up from an average of at least 6.9 between October 8 and the start of the Gaza truce on November 24.<sup>13</sup>

<sup>1</sup> NNA, [إنقطاع التيار الكهربائي عن الطيبة جراء القصف المدفعي المعادي](#), December 14, 2023

<sup>2</sup> NNA, [مسيرة معادية تستهدف بصاروخ محطة إرسال للخلوي ومحطة اشتراك انترنت في بلدة الطيبة فوق أحد المنازل و الأضرار اقتصرت على الماديات](#), December 17, 2023

<sup>3</sup> NNA, [تحليق معاد طوال الليل وحتى الصباح فوق قرى القطاعين الغربي واللاوسط وقصف ليلى استهدف جبل اللبونة](#), December 9, 2023

<sup>4</sup> NNA, [غاربان استهدفتا منزلين في بلدة بيت ليف](#), December 1, 2023/ NNA, [غاربان معاديتان استهدفتا عينا الشعب ومنزلا في أطراف الجبين](#), December 2, 2023;

<sup>5</sup> NNA, [مسيرة معادية اغارت على منزل خال في الطرف الشمالي](#), December 3, 2023/ NNA, [تعرض بلدات في مرجعيون لقصف معاد واستهداف منزلين في حولا والوزاني](#), December 7, 2023; [جريح وجرح في قصف معاد استهدف أحد المنازل في الدياكة شرق ميس](#), December 4, 2023/ NNA, [لينت جيبيل وقصف معاد طاول منزلا قرب حديقة مارون اليراس](#), December 5, 2023 / NNA, [جرحى في غارة معادية استهدفت منزلا في خراج مجدل نون](#), December 7, 2023;

<sup>6</sup> NNA, [العدو مشط الأطراف الشرقية لبلدنا صباحا وشهد وجرحى في غارة على مبنى دمر كليا في كفر كلال](#), December 13, 2023;

<sup>7</sup> NNA, [مدفعية العدو تقصف منازل في منطقة رأس الظهور الطراش بميس الجبل](#), December 15, 2023

<sup>8</sup> NNA, [غاربات معادية دمرت حيا كاملا في بلدة عيترون وتضرر العديد من المنازل](#), December 10, 2023;

<sup>9</sup> NNA, [قصف مدفعية معاد يطاول الاحياء السكنية في بارين](#), December 14, 2023

<sup>10</sup> NNA, [بلدات قضاء مرجعيون عاشت ليلا أمنيا قاسيا وطيران استطلاعي معاد استمر حتى الصباح](#), December 5, 2023;

<sup>11</sup> NNA, [تعرض العديسة وأطراف الخيام لقصف مدفعية معاد](#), December 8, 2023

<sup>12</sup> NNA, [القنابل الفوسفورية المعادية تسببت باندلاع حريق على تلة المطران- منطقة حمامص](#), December 2, 2023

<sup>13</sup> NNA, [قصف مدفعية معاد ليلا لسهل مرجعيون وتلة حمامص وتلة عويضة](#), December 4, 2023

<sup>14</sup> NNA, [الجيش: تعرض مركزنا الاستشفائي في عين ايل](#), December 2, 2023 / NNA, [استهداف مركز الجيش اللبناني في الوزاني ولا اصابات](#), December 2, 2023 / NNA, [استهداف مركز للجيش اللبناني في الوزاني ولا اصابات](#), December 8, 2023 / NNA, [استهداف مركز للجيش اللبناني في الوزاني ولا اصابات](#), December 10, 2023

<sup>15</sup> NNA, [قصف معاد بقذائف الفوسفور لأطراف الخيام واستهداف مسجد الجبين](#), December 14, 2023

<sup>16</sup> NNA, [صاروخ لم ينفجر في مدرسة باطر الرسمية واصابة سيارة المديرية](#), December 12, 2023;

<sup>17</sup> NNA, [العدو استهدف مدرسة في بلدة الطيبة](#), December 24, 2023

<sup>18</sup> IOM, [Mobility Snapshot - Round 16 - 21-12-2023 | Displacement Tracking Matrix](#), December 21, 2023

<sup>19</sup> Mercy Corps Lebanon, [Lebanon Data Analysis Platform](#)

<sup>20</sup> M LCAT has monitored and logged incidents of Israeli shelling reported by Lebanon's state-run National News Agency and major news outlets since fighting broke out along Lebanon's southern border on October 8. LCAT has sorted these incidents by type of shelling, location, and date. Data cited in this report is based on reported incidents, meaning additional, unrecorded shelling incidents have possibly occurred.



These air raids have increasingly targeted residential buildings in southern Lebanon, such as a December 26 airstrike that destroyed a home in Bint Jbeil, killing a Hezbollah fighter and two of his civilian relatives.<sup>14</sup> Israeli airstrikes have directly targeted at least 45 residences in southern Lebanon since December 1, almost double the recorded total of 24 between October 8 and November 23.<sup>15</sup> Israeli airstrikes have also targeted increasingly deeper areas in Lebanon; on four separate days in December, Israeli forces struck targets 20 kilometers or further from the border.<sup>16</sup> Hezbollah has maintained a steady pace of military operations against Israel, averaging 7.5 attacks per day since December 1, up from 5.85 a day through the Gaza truce on November 24.<sup>17</sup>

Israel versus Hezbollah (and allies) data

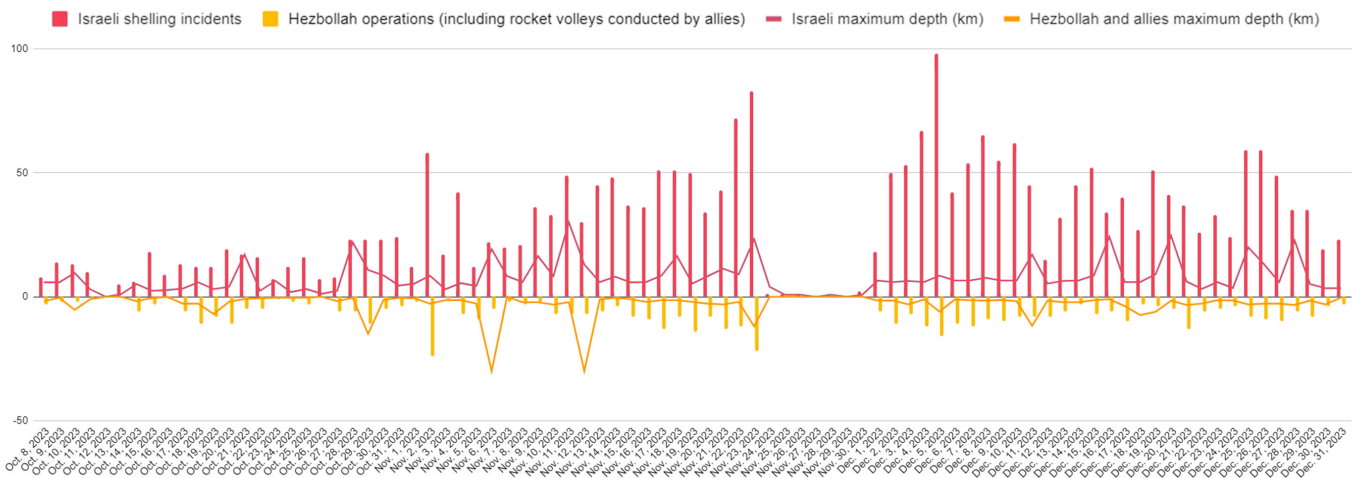


Figure 1: Israel vs Hezbollah (and allies) shelling and depth of attacks.

On December 5, Israeli artillery fire struck an LAF base on Oweida Hill in South Lebanon, resulting in the death of one soldier, the first LAF fatality since October 8.<sup>18</sup> The Israeli military issued a statement claiming that the LAF was not the intended target of that strike and that an investigation into the incident was ongoing.<sup>19</sup> Lebanon’s United Nations (UN) delegation announced that it would lodge a formal complaint against Israel, deeming the attack intentional. United States officials have criticized continued Israeli military attacks on or near LAF bases and positions, over 30 of which had been reported through mid-December.<sup>20</sup>

<sup>14</sup> L’Orient Today, [Lebanese-Australian, his wife and Hezbollah brother killed in Israeli air strike](#) December 27, 2023

<sup>15</sup> LCAT has monitored and logged incidents of Israeli airstrikes and artillery shelling targeting residences in southern Lebanon since October 8, based on reports from Lebanon’s state-run National News Agency and major news outlets. Since this information is based on reported incidents, additional residences may have been targeted during the studied period.

<sup>16</sup> LCAT tabulates the distance from the border of each shelling incident and tabulates all incidents per day to determine the maximum depth per day.

<sup>17</sup> LCAT has monitored all Hezbollah statements on its attacks, sorting them by type of weapons used, location of targets, distance of the target from the border, whether the organization claimed to have inflicted casualties, and whether an attack was launched in retaliation to a specific incident.

<sup>18</sup> Lebanese Army, [نعي الرقيب الشهيد عبد الكريم المقداد | الموقع الرسمي للجيش اللبناني](#) December 5, 2023

<sup>19</sup> Israeli Defense Forces via X (formerly Twitter), [Earlier today, IDF soldiers operated in self defense to eliminate an imminent threat that had been identified from Lebanon.](#) December 6, 2023

<sup>20</sup> CNN, [US rebukes Israel for more than 30 attacks on Lebanese military amid concerns of Gaza conflict widening](#) December 15, 2023

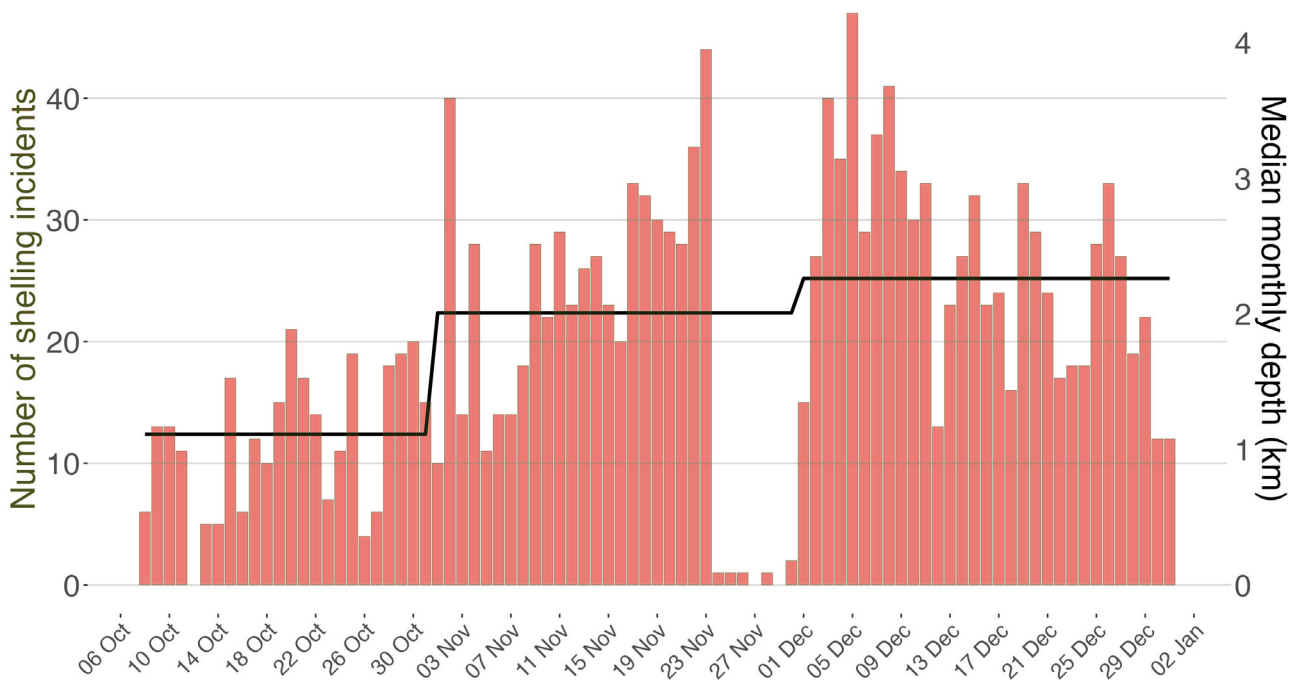


Figure 2: Israeli shelling incidents in Lebanon from October 8 through December 31 by frequency and monthly median distance. The left y-axis (green bars) represents the number of shelling incidents and the right y-axis (black line) is the monthly median depth (km) of the shelling incidents.

## Political Developments

**Multiple Western states have dispatched diplomats to the region in an effort to stem fighting along the Lebanese-Israeli border and prevent a wider regional conflict.** French Foreign Minister Catherine Colonna visited Lebanon on December 18, where she called for “restraint” along the border.<sup>21</sup> French diplomats also reportedly proposed the establishment of a “buffer zone” in South Lebanon and the withdrawal of Hezbollah’s elite forces from the South, a condition set by Israel for the return of its citizens evacuated from the north of the country. Concurrently, US diplomats are reportedly working to secure a border demarcation agreement between Israel and Lebanon. Both of these initiatives have been publicly dismissed by Hezbollah and their allies, who have stated that diplomatic negotiations over the conflict in south Lebanon should be predicated on a cessation of hostilities in Gaza.<sup>22</sup>

**Hamas officials in Lebanon announced the establishment of the Al Aqsa Flood Vanguard unit and called on prospective recruits to “resist the occupation”.**<sup>23</sup> Several Lebanese political party leaders denounced the December 4 Hamas announcement, including Free Patriotic Movement (FPM) leader Gebran Bassil,<sup>24</sup> Kataeb leader Sami Gemayel,<sup>25</sup> Lebanese Forces leader Samir Geagea, and caretaker Prime Minister Najib Mikati.<sup>26</sup> Hamas later stated that the Vanguard unit is not a military grouping, but rather a “popular mobilization framework” for Palestinian youth.<sup>27</sup>

<sup>21</sup> L’Orient Today, [‘Risk of escalation remains very high’ in southern Lebanon, French FM warns](#) December 18, 2023

<sup>22</sup> L’Orient le Jour, [Liban-Sud: les frappes s’intensifient, la diplomatie aussi](#) December 13, 2023,

<sup>23</sup> NNA, [حماس - لبنان تعلن تأسيس “طلائع طوفان الأقصى” وتدعو الشباب الفلسطيني إلى الالتحاق بها](#) December 4, 2023

<sup>24</sup> NNA, [باسيل: نرفض إعلان حماس - لبنان تأسيس طلائع طوفان الأقصى وأي عمل مسلح انطلاقاً من لبنان هو اعتداء على السيادة الوطنية](#) December 4, 2023

<sup>25</sup> NNA, [رئيس الكتائب اختتم زيارته الأميركية: تحركات حماس في لبنان تحد للدولة واللبنانيين](#) December 9, 2023

<sup>26</sup> L’Orient Today, [Geagea criticizes creation of new Hamas brigade in Lebanon](#) December 6, 2023

<sup>27</sup> Al Jazeera, [بعد الإعلان عن “طلائع طوفان الأقصى” حماس تطمئن اللبنانيين | أخبار](#) December 4, 2023



## **Humanitarian Response**

According to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), partner organizations have distributed gas heaters and core relief items to IDPs displaced from South Lebanon who are residing in collective shelters. More than 8,000 food parcels have been distributed to IDPs staying with relatives and in shelters in Tyre, Nabatieh, Bint Jbeil, Hasbaya, Mount Lebanon, Marjaayoun, and Bekaa, and about 13,000 hygiene kits have also been distributed. OCHA partners also scouted locations for 11 prospective IDP shelters in northern Lebanon.<sup>28</sup>

## **Economic Repercussions**

Fighting along the southern Lebanese border is projected to cause USD 1 billion in losses to national GDP by the end of December 2023, largely driven by reduced demand in the tourism and hospitality sector.<sup>29</sup> Formal hotels and local small-to-medium hospitality businesses report low occupancy rates averaging less than 5%, prompting them to reduce active use of their facilities by up to 80%.<sup>30</sup> Other hospitality sector businesses, such as restaurants, reported that business activity has reduced by 70% since August.<sup>31</sup>

Trade and supply chain disruptions, partially due to delayed shipments and increased shipping costs through the Red Sea, are driving further price increases in Lebanon, especially for goods imported from East Asia markets such as China.<sup>32</sup>

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<sup>28</sup> OCHA, [Lebanon: Flash Update #6 - Escalation of hostilities in south Lebanon](#) December 21, 2023

OCHA, [Lebanon: Flash Update #7 - Escalation of hostilities in south Lebanon](#) December 27, 2023

<sup>29</sup> Nidaa Al Watan, [مليار دولار خسائر الاقتصاد اللبناني منذ بدء حرب غزة](#) December 8, 2023

<sup>30</sup> L'Orient Today, [Lebanon's AirBnB Market suffers as a result of Gaza War](#) December 4, 2023

<sup>31</sup> UNDP, [Gaza War: Preliminary Findings on the Socio-Economic and Environmental Impact on Lebanon](#) December 18, 2023

<sup>32</sup> L'Orient Le Jour, [CMA CGM double ses tarifs pour les échanges Asie-Méditerranée](#) January 3, 2024





Photo by AFP

## Economic Updates:

**The consumer price index (CPI) index increased in November due to domestic inflation and regional conflicts affecting trade and shipping.** November inflation forecasts estimate a 2.6% increase in the Consumer Price Index, with the highest increases in the North (5.5%) and the second-highest in South Lebanon (3.4%). Among basic needs, food and non-alcoholic beverages inflation remains the highest. Other household expenses significantly increased, largely due to a 29% rise in telecommunication prices.<sup>33</sup>

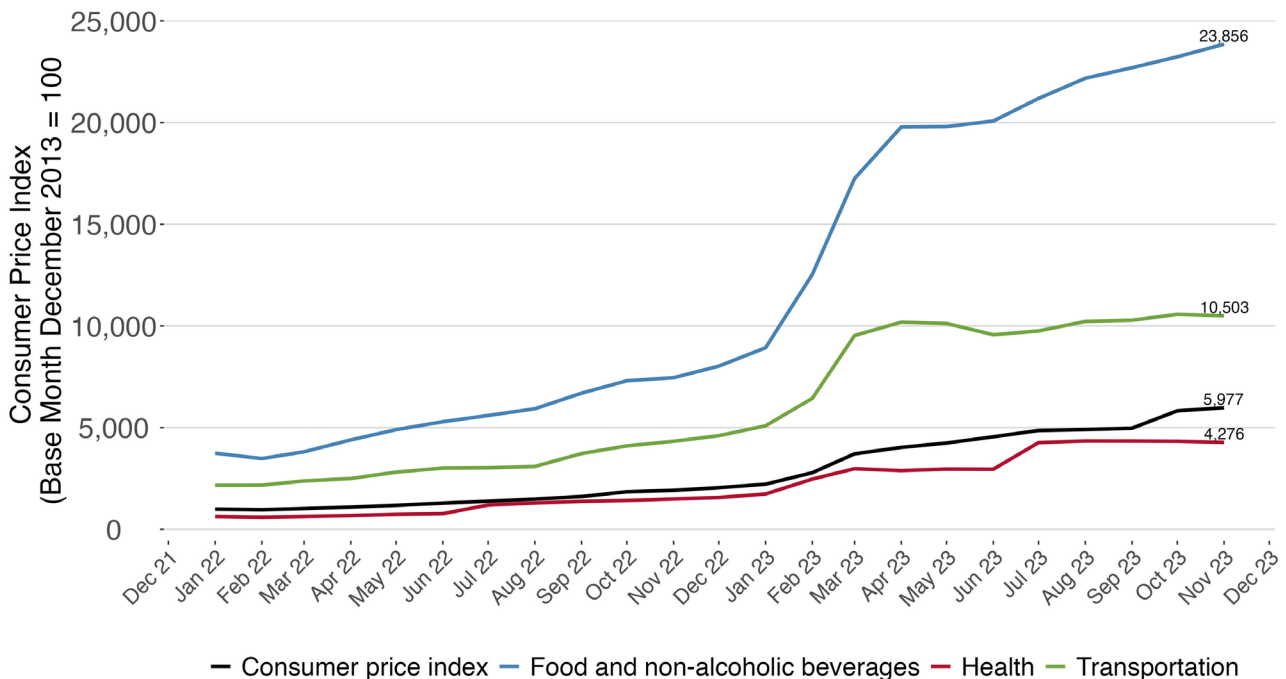


Figure 3: Evolution of Consumer Price Index Components.

<sup>33</sup> Central Administration of Statistics, [Economic Statistics, Consumer Price Index](#)



**Fuel prices decreased in December as global demand for crude oil declines.**<sup>34</sup> Domestic (per 20-liter) fuel prices closed the month at LBP 1,498,000 (USD 16.74) for Octane-95, LBP 1,538,000 (USD 17.18) for Octane-98, LBP 1,475,000 (USD 16.48) for diesel, and LBP 944,000 (USD 10.45) for cooking gas.<sup>35</sup>

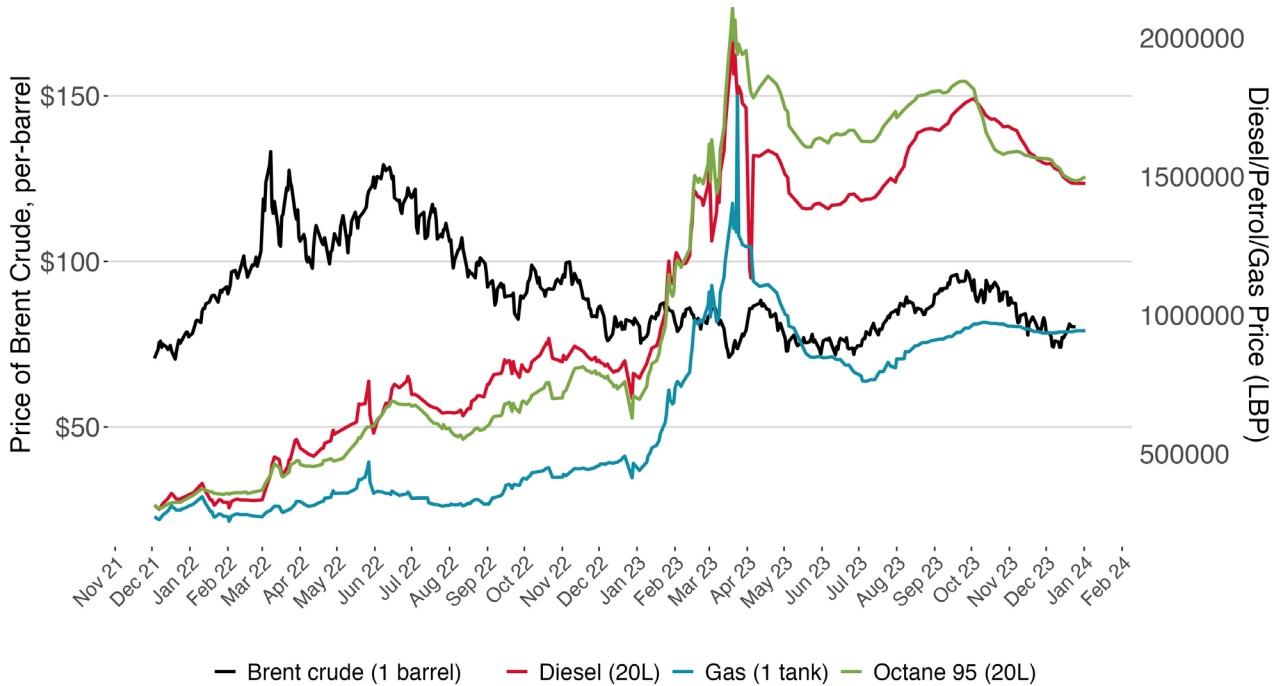


Figure 3: CPI Percentage Change in October Compared to Previous Months Across Major Expenditure Components.

**On December 9, fuel stations across Lebanon stopped accepting bank card payments.**<sup>36</sup> The decision to exclusively accept cash payments stems from an October 2023 Ministry of Finance decree, which ordered all fuel distributors to pay 100% of value-added tax (VAT) in cash. Previously, fuel distributors were required to pay only 25% of VAT in cash.

**LBP money supply remained largely stable through December.** Currency in circulation (M0) increased from LBP 56 trillion to LBP 58 trillion, while money supply (M1 [M0 + Demand Deposits]) fluctuated around LBP 83 trillion through December. Despite expanding LBP in circulation, total LBP money supply remained stable in December, in line with Central Bank policies first instituted in August 2023 that aimed to stabilize the exchange rate.<sup>37</sup>

<sup>34</sup> Brent crude prices are decreasing due to the declining demand for energy consumption worldwide. The upward trend in fuel prices in the global commodity market reached its peak in the summer.

MarketPlace, [Why are oil prices suddenly dropping?](#) October 6, 2023

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

<sup>36</sup> Nidaa Al Watan, [المحطات تُعلن وقف قبول الدفع ببطاقة الائتمان](#), December 9, 2023

<sup>37</sup> Banque du Liban, [BdL Interim Balance Sheet](#);

Banque du Liban, Statistics and Research, [Money Supply](#)

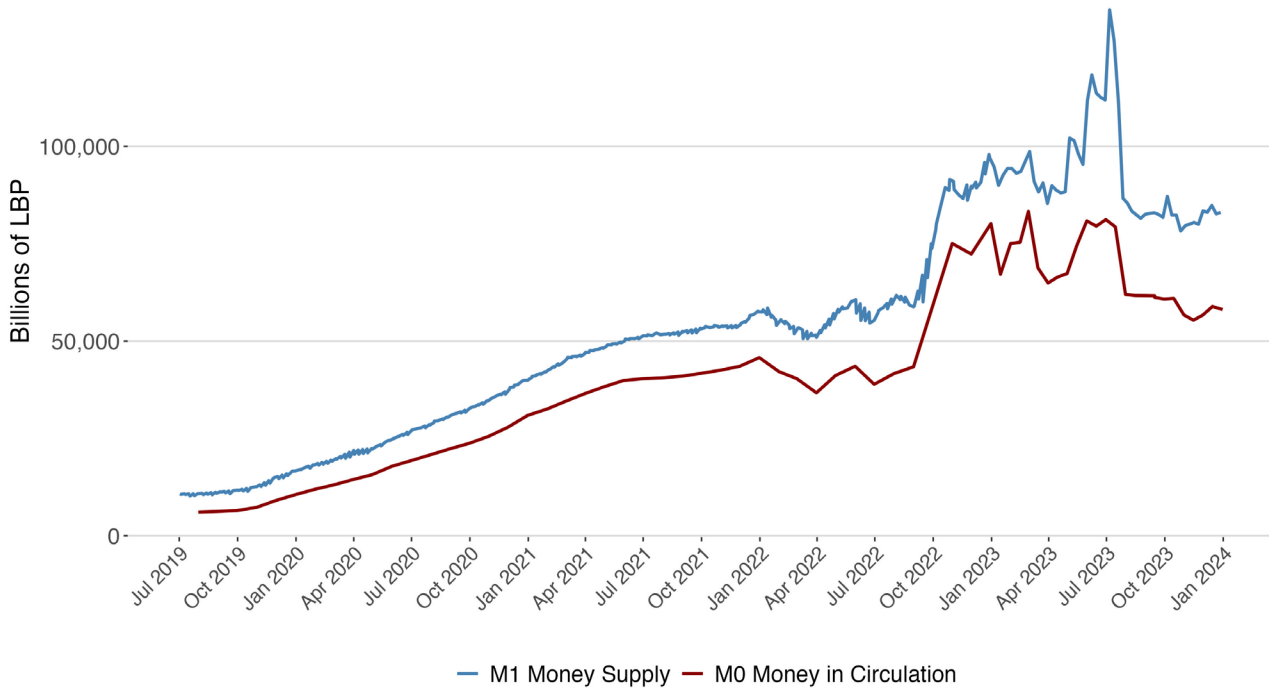


Figure 4: Evolution of Money in Circulation and Money Supply

**Parliament’s Finance and Budget Committee convened seven times in December to debate and amend the 2024 draft budget law.** The committee adjusted the consumption tax scale in line with inflation rates on December 4<sup>38</sup> and approved an LBP 1 trillion balance to finance municipal elections on December 13.<sup>39</sup> Throughout the rest of the month, committee meetings focused on discrepancies in projecting ministry expenditures, particularly concerning the Ministry of Energy and Water.<sup>40</sup>

**On December 19, the Central Bank adjusted the Sayrafa exchange rate to match the parallel market exchange rate.**<sup>41</sup> Acting Central Bank Governor Wassim Mansouri’s plan to unify and float the official exchange rate necessitates raising the official rate from LBP 85,500 to LBP 89,500. The latter step is contingent on implementing the Bloomberg LBP Exchange, a Central Bank-administered exchange platform, though its rollout has been delayed amid the ongoing conflict in South Lebanon.<sup>42</sup>

<sup>38</sup> Lebanese Parliament, Finance and Budget Committee, [لجنة المال والموازنة أنهت دراسة مواد قانون موازنة 2024 وعدلت الزيادات المقترحة على رسوم الإستهلاك](#), December 4, 2023

<sup>39</sup> Lebanese Parliament, Finance and Budget Committee, [لجنة المال والموازنة ناقشت موازنة وزارة الداخلية والبلديات](#), December 13, 2023

<sup>40</sup> Lebanese Parliament, [Finance and Budget Committee](#)

<sup>41</sup> Banque du Liban, [Press Room\\_Sayrafa](#) December 19, 2023

<sup>42</sup> Nidaa Al Watan, [مصرف لبنان ألغى سعر المنصة وسيلغي التعميم 151](#), December 19, 2023



## Analysis and Impact:

As of December 19, public sector employees' purchasing power took a further hit as they stopped benefitting from the 4.7% difference between the parallel market exchange rate and the Sayrafa rate, at which they received their LBP-denominated salaries in USD throughout 2023. Moreover, telecom prices, including Alpha and Touch monthly phone subscription plans, increased by the same percentage since both state-owned telecommunications companies calculate their prices using the Sayrafa rate. EdL tariffs are also slated to increase between December 2023 and April 2024. The national electricity company has calculated electricity bills based on an exchange rate of Sayrafa + 20% since early 2023, though the new Central Bank decision increases the rate to the new parallel market rate + 20%.<sup>43</sup> The government is reportedly considering eliminating the combined rate for EdL bills by April and reducing it to the official exchange rate adopted by the Central Bank.<sup>44</sup>

Exchange Rate per Transaction type	Before December 19	After December 19
Public Sector Salaries	85,500	89,500
Income Tax and VAT	15,000	15,000
Customs Tariff <sup>45</sup>	86,000	Undetermined
Mobile Telecoms Dollar Price	85,500	89,500
EDL Tariff	103,200	107,400
USD equivalent in LBP in banks for trapped deposits	15,000	15,000

**Table 1:** Different Official Exchange Rates in Lebanon (LBP per USD 1).

Until the 2024 budget law is approved, the exchange rate on income tax, VAT, and other taxes will remain at LBP 15,000 per USD 1, the official exchange rate used on Central Bank balance sheets. The current version of the 2024 draft budget law uses a unified exchange rate for all transaction types (shown in table 1), though it notably excludes the banking sector, where most Lebanese residents' life savings are still trapped. Such a measure would worsen the already toxic relationship between citizens and the financial sector, which would need to improve in order to revive the Lebanese economy.

<sup>43</sup> L'Orient Le Jour, [Nouveau taux de la BDL à 89.500 LL/\\$: qu'est-ce que ça change?](#) December 20, 2023

<sup>44</sup> Nidaa Al Watan, [ابتداءً من أيار 2024... فواتير الكهرباء على سعر الصرف الرسمي](#), December 21, 2023

<sup>45</sup> In March 2023, the Ministry of Finance increased the exchange rate on customs to LBP 86,000 per USD 1, nearly the Sayrafa rate at the time of LBP 86,400 per USD 1. However, the rate remained stable despite the drop in the parallel market and the slight fluctuation of the Sayrafa rate itself.



Source: Lebanon 24

## Political Updates:

**The parliament extended LAF Commander-in-Chief Joseph Aoun's term by one year.**<sup>46</sup>

The move was strongly opposed by FPM leader Gebran Bassil, who announced that the FPM would appeal the decision.<sup>47</sup> Bassil claimed that the extension conflicted with public accountability laws and that alternative candidates could have assumed the top LAF position.<sup>48</sup> During the legislative session, parliament also approved a law adjusting old rent values for commercial leases to align with the current market prices.<sup>49</sup>

**Caretaker Prime Minister Najib Mikati addressed the Global Refugee Forum in Geneva, where he appealed for assistance in addressing Lebanon's refugee crisis.**

Mikati called on participants at the December 16 gathering to facilitate the return of Syrian refugees to their home country, claiming that their presence in Lebanon has left the country "on the verge of total collapse". Mikati asserted that Syrian refugees have placed significant financial and social strains on Lebanon – which he claimed amounts to tens of billions of US dollars over multiple years – and proposed that a classification system be implemented to distinguish between foreign workers and other displaced individuals.<sup>50</sup> He added that most Syrians entering the country are now doing so to pursue economic opportunities and that aid agencies should therefore focus on delivering aid to Syria.

<sup>46</sup> The National News, [Lebanese Parliament votes to extend army chief's term by a year](#) December 15, 2023

<sup>47</sup> NNA, [لبنان القوي: سنلجأ إلى تقديم الطعن بالتمديد غير الدستوري لقائد الجيش](#), December 19, 2023

<sup>48</sup> LBCI, [باسيل: التمديد لقائد الجيش إهانة لكل ضابط مؤهل ومستحق والشخص المعني عنوان لقلّة الوفاء](#), December 12, 2023

<sup>49</sup> NNA, [نقابة المالكين: نطالب رئيس الحكومة بإرسال قانون الإجراءات غير السكنية إلى الجريدة الرسمية](#), January 5, 2024

<sup>50</sup> NNA, [الشرق الأوسط: ميقاتي يطلق نداء لمساعدة لبنان في قضية النزوح السوري قال إن البلد «على شفير الانهيار» وطلب بخطة تضمن عودتهم](#), December 14, 2023



Photo by EPA

## Access to Services:

**Électricité du Liban (EdL) announced on December 13 that a fuel shipment delay forced it to reduce production levels.** Delays in public tendering and extending credit lines forced EdL to adopt a range of precautionary measures, including limiting electricity production and prioritizing basic vital facilities, such as the airport, public water delivery services, and waste management. Caretaker Minister of Public Works and Transport Ali Hamieh criticized EdL for power outages at Beirut International Airport, which contravene the Ministry of Energy and Water's mandate to provide the airport with uninterrupted electricity, especially during the holiday season. Power outages have forced the airport to rely on diesel generators to cover gaps in electricity provisioning.<sup>51</sup> A shipment of fuel oil arrived in Lebanon in late December, which should keep Lebanon's two largest power plants operational for several weeks.<sup>52</sup>

**Heavy rainfall caused extensive damage across Lebanon between December 21 and December 23.** A Syrian family's residence was severely damaged by a mudslide in Meziara, killing four children; the Civil Defense rescued students trapped on buses in Keserwan, and the Sacred Heart Hospital in Hazmieh was damaged by heavy rains, including its emergency room. Several residences and businesses in Beirut's Karantina district were also damaged by flooding.<sup>53 54</sup>

<sup>51</sup> Ali Hamieh via X (formerly Twitter), [الجدول المرفق يبين الفترات التي تمت فيها تغذية المطار بالتيار الكهربائي من قبل مؤسسة كهرباء لبنان، أما باقي الفترات فهي ٢٤/٢٤ من خلال المولدات الخاصة بالمطار. هل يُعقل أن يتم ذلك خلال فترة الأعياد المجيدة؟ المفروض من مؤسسة كهرباء لبنان تغذية هذا المرفق بالتيار الكهربائي ساعة](#) December 26, 2023

<sup>52</sup> [L'Orient Today, EDL finally to receive its fuel oil shipment of the month](#) December 29, 2023

<sup>53</sup> L'Orient Today, [Karantina businesses dig themselves from the mud a week after devastating flood](#) December 29, 2023

<sup>54</sup> L'Orient Today, [In Lebanon, rain and mud cause death and destruction](#) December 23, 2023



## Looking Forward:

- The war of attrition between Israel and Hezbollah along Lebanon’s southern frontier will continue, at least, for the near term. Hezbollah has said it will maintain a “pressure front” until the Israeli military ends its campaign in Gaza, which multiple Israeli leaders have stated will continue well into 2024. Many understood the January 2 airstrike in Beirut’s southern suburbs that killed senior Hamas leader Saleh al-Arouri as a significant escalation. While it marked the deepest strike into Lebanese territory since October 8, other factors are more likely to fuel an expansion of the current conflict. Israel has promised citizens displaced from northern Israel that they will return to their homes in due course, whether by diplomatic means or using military force. Israeli leaders have asserted that this necessitates the withdrawal of Hezbollah’s elite units from Lebanon’s southern border, a condition with which Hezbollah has not signaled willingness to comply. Hezbollah and Israel’s conflicting objectives dictate that a comprehensive end to fighting in South Lebanon will be difficult to secure. Diplomatic missions aimed at easing tensions in southern Lebanon, spearheaded by the United States and France, have been coldly received by both Israel and Hezbollah, and should not be expected to bear fruit, at least as long as the conflict in Gaza continues. Accordingly, aid actors should expect that displacement across South Lebanon will increase – in line with a prospective expansion of Israeli strikes – driving needs and necessitating both near- and medium-term contingency planning.
- Decentralization efforts received a boost on December 14, when the parliament passed a law that establishes a framework authorizing the private sector (individuals and companies) and municipalities to generate renewable electricity and distribute it using the EdL network. The law helps to partially localize a key public service that has traditionally fallen under the purview of the central state, which has dominated electricity production and provision.<sup>55</sup> In practice, Lebanon’s energy mix is heavily decentralized, with diesel generators and private solar distributing electricity to fill in for gaps in EdL provision. The law passed on December 14 partly rolled back the near-complete state monopoly on the electricity sector, though full decentralization will take some time, not the least because it would also require implementing Law 462,<sup>56</sup> passed in 2002 to reorganize governance of the electricity sector. On a more technical and practical end, distribution will still rely on EdL’s aging and ill-maintained grid, raising questions about technical feasibility.<sup>57</sup> In effect, this law was passed due to necessity, market demand, and local citizens and leaders adhering to a new governance paradigm. Apart from the electricity sector, municipalities are implementing new tax schemes for properties and municipality provided services, including water.<sup>58</sup> For instance, in Jbeil, commercial properties must pay taxes according to exchange rates that are double those of residential properties, since the first is expected to generate income in fresh USD. These key examples of decentralization, however, cannot be replicated and expanded at scale without implementation of Law 462, as this would sanction, and in effect approve, similar decentralization initiatives.

<sup>55</sup> L’Orient Today, [Lebanon MPs approve sovereign wealth fund, reject capital controls](#) December 14, 2023

<sup>56</sup> AUB, [Issam Fares Institute, Unbundling Lebanon’s Electricity Sector](#) September 2021

<sup>57</sup> KAS, [Legal framework of the Lebanese renewable energy sector and its good governance](#)

<sup>58</sup> L’Orient Today, [This municipal tax season, a surprise hike for Lebanese businesses and homeowners](#) December 12, 2023



- In early 2024, the Central Bank’s monetary policy may shift significantly, bringing about one of two potential scenarios. The first entails adopting an official floating exchange rate, effectively bringing an end to existing mechanisms to payout customers’ “lollar” deposits while also requiring that commercial banks adhere to strict, official capital control regulations. In the second scenario, a new floating exchange rate would be introduced for the broader economy, excluding banks, which would continue to operate under existing circulars, including Circular 151, which denotes the exchange rate at which trapped deposits can be withdrawn is LBP 15,000. Under both scenarios, depositors’ ability to access their trapped deposits would continue to be constrained. In the first, effective financial sector insolvency would restrict commercial banks’ abilities to pay out depositors in USD.<sup>59</sup> In the second scenario, individuals may be discouraged from withdrawing savings due to the low exchange rate offered by banks, despite the near-complete dollarization of the consumer economy.

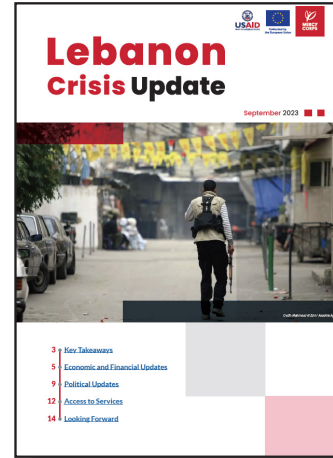
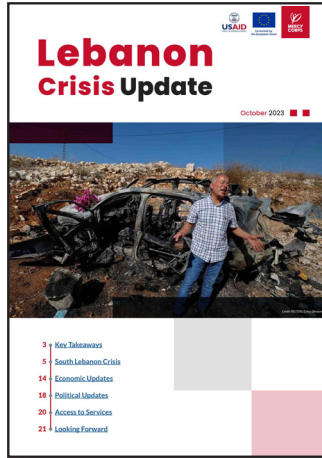
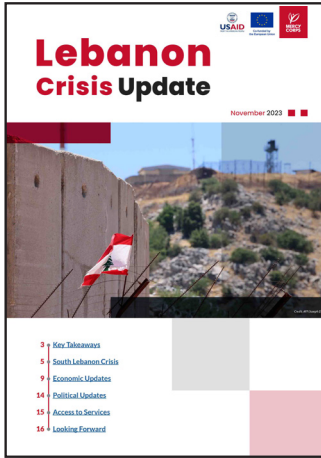
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<sup>60</sup> Nidaa Al Watan, [صعوبات تعترض توسعة الاستفادة من التعميم 158](#), December 15, 2023

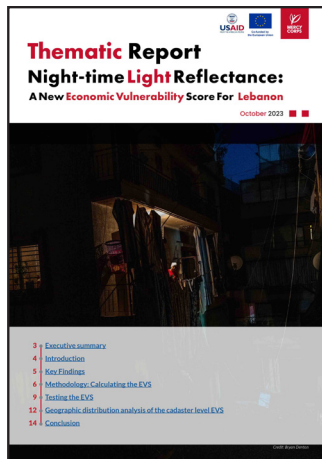




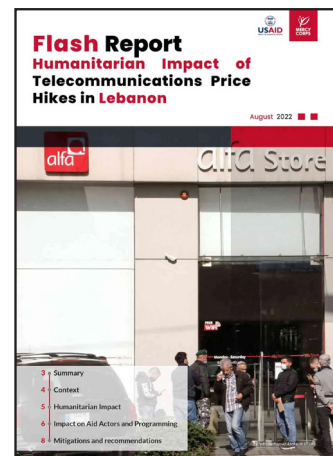
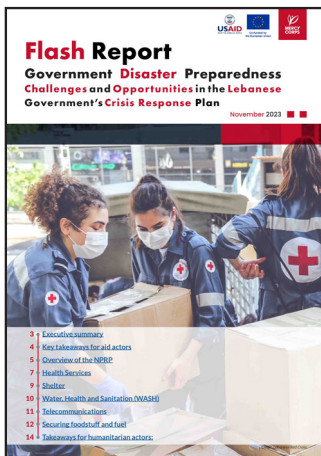
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