

Lebanon Crisis Update

January 2024



Credit: Hussein Malla/AP

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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:

- The conflict between Hezbollah and Israel along Lebanon's southern border continued throughout January, killing six civilians and causing extensive damage. The rate of Israeli and Hezbollah strikes was in keeping with past months, though Israel expanded the range of its strikes in Lebanese territory and Hezbollah utilized new weapons systems. In early January, a senior member of Hamas and six other people were killed in a presumed Israeli drone strike in Beirut's southern suburbs.
- The parliament approved the 2024 draft budget law after the Finance and Budget Committee extensively amended it. The amendments resulted in higher projected revenues, increasing the total budget size to USD 3.3 billion. However, the budget's composition has raised concerns about regressive taxes disproportionately affecting low-income earners and a notable lack of public investment, which comprises 9% of total expenditures.
- On January 10, the Central Bank invited commercial banks to subscribe to the "Bloomberg FX Interbank Matching System", on which traders can exchange LBP and USD. The rollout of the platform occurred months later than expected due to the conflict in South Lebanon, which delayed the arrival of Bloomberg representatives responsible for training Central Bank and commercial bank officers on the new platform.
- Severe storms swept across Lebanon in mid-January, when flooding washed away temporary shelters and heavily damaged farmland, particularly in northern regions. Nearly 1,800 people were displaced by flooding, prompting public demands to assess damages and issue compensation for losses incurred.



2024

JANUARY

A reported Israeli drone strike kills senior Hamas leader Saleh Al Arouri and six other people in Beirut's southern suburbs.



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A cyberattack at Beirut Rafic Hariri International Airport disrupts visual displays and baggage systems.

The Central Bank invites Lebanese commercial banks to subscribe to its new Bloomberg-administered exchange platform.



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United States Special Envoy Amos Hochstein visits Lebanon to discuss a proposal to de-escalate fighting between Hezbollah and Israel along the southern border.

Farmers in Al Qaa protest over high state electricity bills, which they attribute to Syrian refugees' informal use of the power grid.



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Parliament passes the 2024 draft budget law.

Parliament Speaker Nabih Berri meets with "five-nation group" ambassadors to discuss the presidential deadlock.



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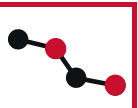
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The Association of Petroleum Importing Companies announces that it will suspend fuel distribution for one week.

Caretaker Minister of Social Affairs Hector Hajjar announces a reduction in payments to families registered under the National Poverty Targeting Program.



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Credit: Stringer /Anadolu Agency

South Lebanon Crisis:

Since October 8, Israeli artillery, air, and drone strikes have killed 27 civilians and injured at least 54 others. Israeli strikes in January caused significant damage to infrastructure, including a school,¹ civil defense centers,² a water reservoir,³ state electricity infrastructure,⁴ ^{5 6} a state hospital,⁷ a health center,⁸ a church,⁹ a mosque,¹⁰ vehicles,¹¹ about 68 private residences,¹² commercial estates,¹³ forests,¹⁴ and agricultural land, including olive groves.¹⁵ As of January 30, 86,665 individuals have been displaced due to fighting along the border, with 80% of internally displaced persons (IDPs) staying with host families, 15% renting houses, and 1% staying in 14 collective shelters. The largest percentage of IDPs from South Lebanon is hosted in Sour (31%) and Nabatieh (18%).^{16 17}

¹ NNA, [تضرر ثانوية الطيبة جراء الغارة الاسرائيلية على البلدة](#), January 22, 2024

² NNA, [العدو الاسرائيلي يستهدف مركزا للدفاع المدني في كفر كلا](#), January 21, 2024;

³ NNA, [غارة معادية على الطيبة وقصف لأطراف حولاً وميس الجبل وتلة العزية](#), January 22, 2024

⁴ NNA, [قصف معاد لأطراف بلدة بارين](#), January 17, 2024

⁵ A high voltage EdL line was damaged as a result of an Israeli strike, resulting in a complete power outage in Jezzine.

⁶ NNA, [الغارة على محيط مليخ أدت الى تضرر خط التوتر العالي وانقطاع الكهرباء عن منطقة حزين](#), January 14, 2024

⁷ EdL workers, accompanied by LAF soldiers, were attacked on January 7 as they repaired damage to the electrical grid caused by Israeli strikes in Bir Al Msalabyi. NNA, [تعرض عمال مؤسسة الكهرباء لقصف معاد في حولا أثناء إصلاح كابلات انقطعت بفعل الاعتداءات الاسرائيلية ولا اصابات](#), January 7, 2024

⁸ NNA, [الوكالة الوطنية للإعلام - قصف معاد لبلد على القرى الحدودية وغارة على عبتا الشعب أدت الى اضرار في السيارات وشبكاتي الماء والكهرباء](#), January 6, 2024;

⁹ NNA, [أهالي الضهرة يناشدون تصليح أعطال الكهرباء الناجمة عن القصف المعادي وطيران استطلاعي فوق صور والساحل البحري](#), January 31, 2024

¹⁰ NNA, [سقوط قذيفة في حرم مستشفى ميس الجبل الحكومي ونجاة الطاقم الطبي والتمريضي المناوب](#), January 1, 2024

¹¹ NNA, [ثلاث اصابات في غارة اسرائيلية استهدفت مقر الهيئة الصحية في جانين](#), January 11, 2024

¹² NNA, [غارة على المنطقة بين راميا ومروحين وقصف لعلماء الشعب استهدفت الكنيسة الانجيلية الوطنية](#), January 17, 2024

¹³ Al Manar via Ali Choieb on X (formerly Twitter), [مراسل المنار: اضرار كبيرة لحقت في مسجد بلدة #العباسية الحدودية بعد استهدافه بقذيفتي دبابة ميركافا أصابتنا](#), January 8, 2024

¹⁴ NNA, [إضافة استهداف سيارة رباعية الدفع عند مفترق كفرأ - صربين بالقرب من حاجز الجيش في قضاء بنت حبل](#), January 21, 2024;

¹⁵ NNA, [طيران المعادي اغار على طريق البازورية واستهداف سيارة ووقوع اصابات](#), January 20, 2024

¹⁶ 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, type of target, location, and date. Data cited in this report is based on reported incidents, meaning additional, unrecorded shelling incidents have possibly occurred.

¹⁷ NNA, [غارة معادية على تعاونية لبيع المواد الغذائية عند مئلتى بلدتى طبرجرفا الجين](#), January 28, 2024;

NNA, [تدمير سنتر حسن وحسين دخل الله جمعة في كفر كلا بقصف جوي معاد وتضرر محال ومنازل مجاورة](#), January 25, 2024;

NNA, [قصف معاد استهدف مؤسسة تجارية على طريق العديسة](#), January 8, 2024

¹⁸ NNA, [غارة اسرائيلية استهدفت جبل بلاط وإحراج رامية وخط واردة واضرار كبيرة في الاحراج](#), January 19, 2024;

NNA, [اغارات اسرائيلية على جبل البلاط وقصف لأطراف النافورة وجبل اللبونة وسهل مرجعيون](#), January 19, 2024;

NNA, [الطيران المعادي اغار على أطراف وجرح يارون](#), January 24, 2024

¹⁹ NNA, [مستيرة أغارت على حاوية في أرض زراعية في الوزاني ومدفعية العدو استهدفت أطراف ميس الجبل](#), January 23, 2024;

NNA, [قصف مدفعي لكروم الزيتون في محيط منطقة العبارة - كفر كلا](#), January 16, 2024

NNA, [مدفعية الاحتلال تستهدف بساتين الزيتون في الوزاني](#), January 2, 2024

²⁰ IOM, [Mobility Snapshot - Round 22 - 01-02-2024 | Displacement Tracking Matrix](#), February 1, 2024

²¹ Mercy Corps Lebanon, [Lebanon Data Analysis Platform](#)



In January, the rate of Hezbollah and Israeli military operations was more-or-less similar to the previous month, although the Israeli military expanded the overall reach of its shelling and Hezbollah utilized new weapons systems and struck new types of Israeli military targets. Israeli airstrikes and artillery fire reportedly struck residences in southern Lebanon 73 times, compared to 71 such reported strikes in the previous month.¹⁸ Total Israeli shelling incidents decreased slightly from December to January, though the tempo of airstrikes slightly increased.¹⁹ Hezbollah operations dipped in January, with the organization claiming an average of 6.2 a day, while in December it claimed an average of 7.6 daily.²⁰ Israel hit targets 10 kilometers or more from the border on at least 12 separate days in January, significantly increasing the rhythm of its deeper strikes amid a campaign of targeted assassinations.²¹ Notably, on January 2, Senior Hamas member Saleh Al Arouri²² and six other people were killed by a presumed Israeli drone strike in Msharafieh (approximately 63 kilometers from the border) in Beirut’s southern suburbs,²³ the first air/drone strike in greater Beirut since the 2006 Lebanon War.

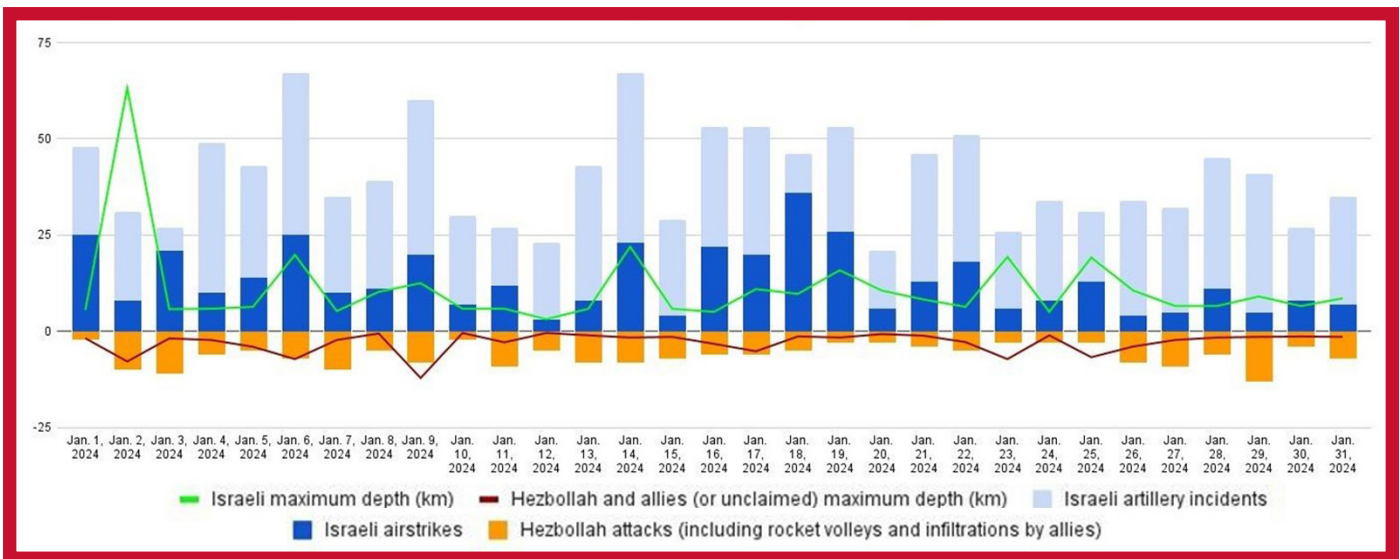


Figure 1: Distribution of Hezbollah and Israeli attacks and their depth along the border.

LCAT measured the amount of vegetation cover in southern Lebanon between January 20,²⁴ 2023, and January 20, 2024, to identify areas where the conflict has damaged cropland²⁵ and non-agricultural greenery. The results are displayed in Map 1, which shows areas of crop damage in red and non-agricultural greenery damage in orange. Apart from Sour and Nabatieh, the towns and villages labeled on the map are locations with the most vegetation damage. This analysis and similar future analyses can be used to target humanitarian programming designed to compensate farmers for lost livelihoods due to the conflict and, eventually, programs that assist farmers in re-cultivating their land.

¹⁸ LCAT logs all Israeli shelling incidents reported by Lebanon’s state-run National News Agency, Hezbollah’s Al-Manar, and Al-Mayadeen television, along with other outlets when applicable. Airstrikes and artillery fire that directly hit residences are logged by LCAT and tabulated each day.

¹⁹ In December, LCAT’s monitoring of media reporting on shelling in Lebanon yielded the following statistics: 346 reported airstrikes and 999 reported artillery incidents, for a total of 1,345. In January there were 409 airstrikes and 837 artillery incidents, for a total of 1,246.

²⁰ LCAT logs all attacks from Lebanon claimed by Hezbollah and its allies, classifying them by location, depth, and weaponry used, among other data points.

²¹ LCAT’s monitoring of Israeli shelling shows that Israel conducted attacks 10 kilometers or deeper from the border on six separate days in December, seven days in November, and three in November.

²² Saleh Al Arouri was a Palestinian national and deputy leader of the political bureau for Hamas. He was also a founder of the Al Qassam Brigades, Hamas’ military wing.

²³ LBCI, [Hamas leader Saleh al Arouri assassinated in explosion in southern suburbs of Beirut](#) January 2, 2024.

²⁴ Vegetation cover is measured using the Normalized Difference Vegetation Index (NDVI) and Sentinel-2 satellite imagery.

²⁵ Cropland identified using the [European Space Agency \(ESA\) WorldCover land cover/land use product](#).

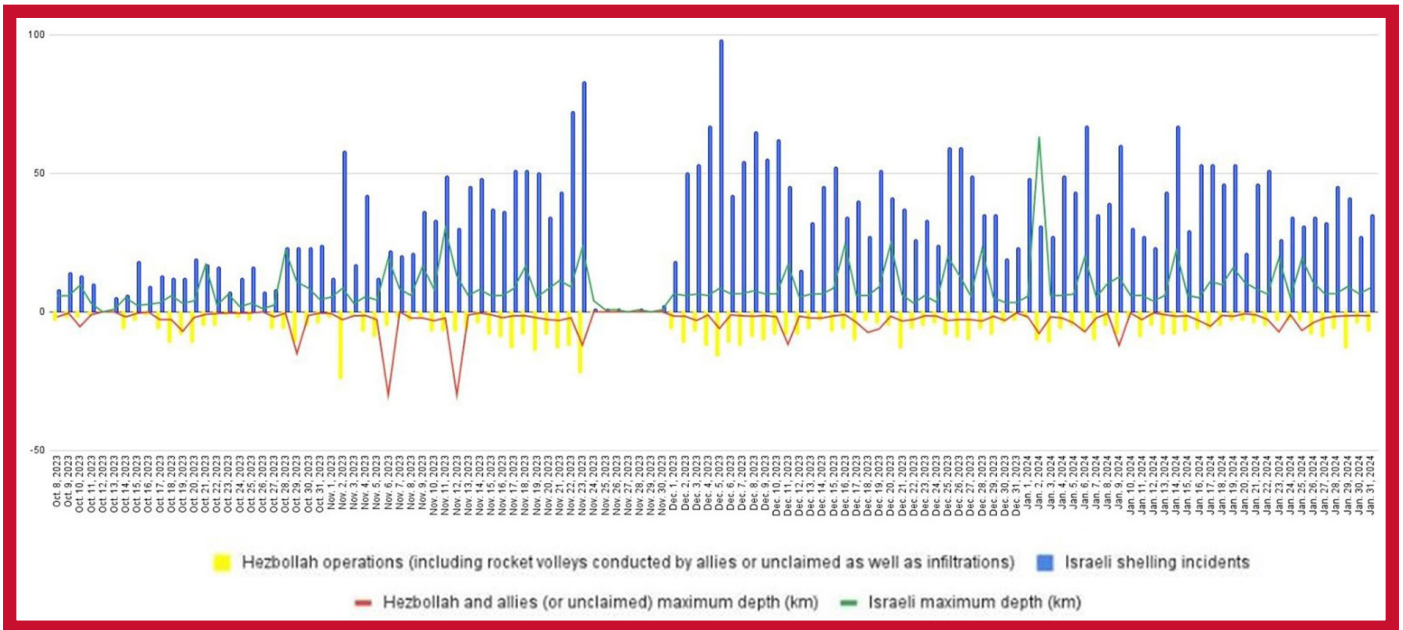
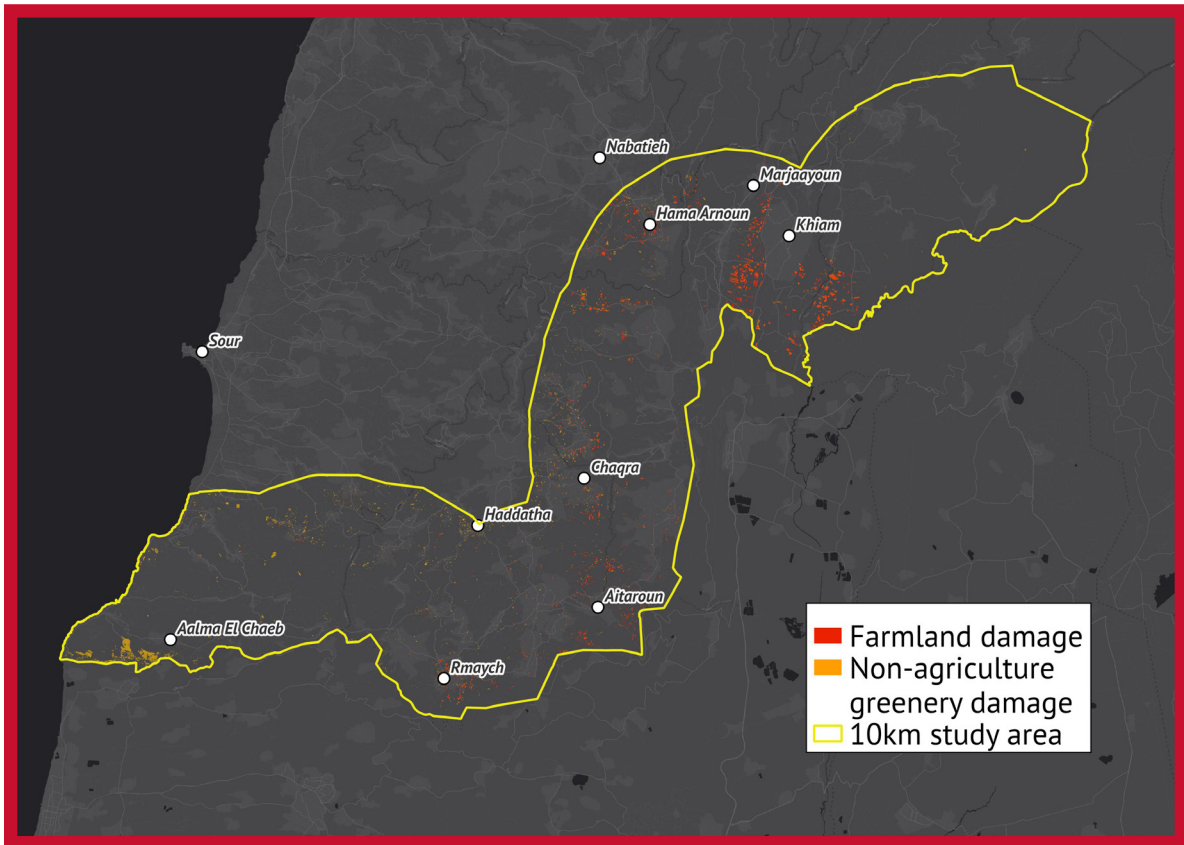


Figure 2: Maximum depth for Hezbollah and Israeli attacks.



Map 1: Vegetation damage in southern Lebanon, measured as a significant negative change in vegetation cover from January 2023 to 2024.



Political Developments:

Diplomatic efforts to de-escalate the conflict along Lebanon's southern border continued throughout January. European Union High Representative for Foreign Affairs and Security Policy Josep Borrell began a three-day visit to Lebanon on January 5, emphasizing the potential ramifications for the country in the event of a significant escalation. The following week, on January 11, United States Special Envoy Amos Hochstein visited Lebanon, where he reportedly introduced a proposal to ease and eventually halt fighting along the frontier. Hochstein's proposal reportedly entails establishing an eight-kilometer "engagement zone", where measures could be implemented to facilitate the return of displaced residents along both sides of the border.²⁶ Hochstein's proposal also reportedly contains measures to officially initiate Israeli-Lebanese negotiations over demarcating their shared border. Hezbollah has stated that any arrangement to address ongoing hostilities or demarcate the border must be predicated on an end to the Israeli military operation in Gaza. Israeli leaders have insisted that residents of northern Israel must be able to return to their homes soon, and that if diplomatic efforts fail to ensure their security, a military operation would be launched.²⁷ Hezbollah and their political allies have not publicly signaled their willingness to withdraw forces from Lebanon's southern border.²⁸

²⁶ L'Orient Today, [Berri: Lebanon must not allow itself to be dragged into a war according to the 'timing' desired by Israel](#) January 22, 2024.

²⁷ Notably, Israeli Defense Minister Yoav Gallant emphasized a limited window for diplomatic solutions to remove Hezbollah from the border and war cabinet member Benny Gantz emphasized the potential to use force in South Lebanon, drawing parallels to the strategies employed in Gaza.

The Telegraph, [Israel warns of 'short window' to remove Hezbollah from Lebanon border](#) January 4, 2024.

LBCI, [Gantz: If Lebanon wants its citizens to become human shields for Hezbollah and Iran, we will act in southern Lebanon as we are doing in Gaza now](#) January 10, 2024.

²⁸ L'Orient Today, [Berri: Lebanon must not allow itself to be dragged into a war according to the 'timing' desired by Israel](#) January 22, 2024.



Photo by Reuters

Economic Updates:

On January 25, the parliament passed the 2024 draft budget law.²⁹ The budget is slated to be implemented following last-minute consultations with the cabinet. The near-final version contains significant amendments to the original budget proposal submitted by Prime Minister Najib Mikati's caretaker government in October.³⁰ After comparing projected tax revenues with tax revenues collected in 2023, the Parliament's Finance and Budget Committee determined that the Ministry of Finance likely underestimated projected tax revenues in the draft budget sent to the parliament. The committee then tasked the Ministry of Finance with re-estimating projected tax revenues for 2024, and, where appropriate, adjusting expenditures accordingly.³¹ Consequently, the projected budget size increased to USD 3.3 billion, about 20% of the pre-crisis budget amount when accounting for currency depreciation and inflation.

On January 10, the Central Bank invited commercial banks to subscribe to the Bloomberg exchange platform.³² In a brief statement, the Central Bank notified private banks that they should contact Bloomberg's regional representative to prepare for the implementation of the "Bloomberg FX Interbank Matching System",³³ which enables banks to trade US Dollars for local currency. The system allows banks to anonymously place orders in a central system, which are matched based on agreed limits and other settings. It also provides trade data, which is used to calculate a publicly accessible exchange rate.

The platform's launch has been delayed since October, officially due to the conflict in South Lebanon, as Bloomberg waited to send their representatives and experts to Beirut to start training officers from the Central Bank and commercial banks on the new platform.³⁴

²⁹ Lebanese Parliament, [جلسة درس ومناقشة موازنة العام 2024 \(اليوم الأول\)](#) January 24, 2024;

Lebanese Parliament, [جلسة درس ومناقشة موازنة العام 2024 \(اليوم الثاني\)](#) January 25, 2024.

³⁰ The Policy Initiative, [Lebanon's 2024 Budget: A lose-lose situation for people](#) January 24, 2024.

³¹ Nidaa Al Watan, [المالية تكتشف إيرادات جديدة بقيمة 43 ترليون ليرة](#) January 19, 2024.

³² Banque du Liban, [Financial Announcements, Subscription to the Bloomberg electronic platform](#) January 10, 2024.

³³ Bloomberg, [Central Bank of Kenya launches Electronic Matching System on Bloomberg for the Interbank Foreign Exchange Market](#), January 4, 2024.

³⁴ Reuters, [Tensions at southern border force Lebanon to delay new FX platform](#) January 10, 2024.



The parallel market exchange rate remained stable at about 89,500 Lebanese pounds (LBP) per 1 US dollar (USD) throughout January, amid rumors and speculation about when the new Bloomberg platform would be officially launched. LBP money supply decreased in January, from LBP 58 trillion to LBP 57 trillion. Foreign reserves have increased by USD 748 million in the six months since the beginning of Acting Central Bank Governor Wassim Mansouri's tenure.³⁵

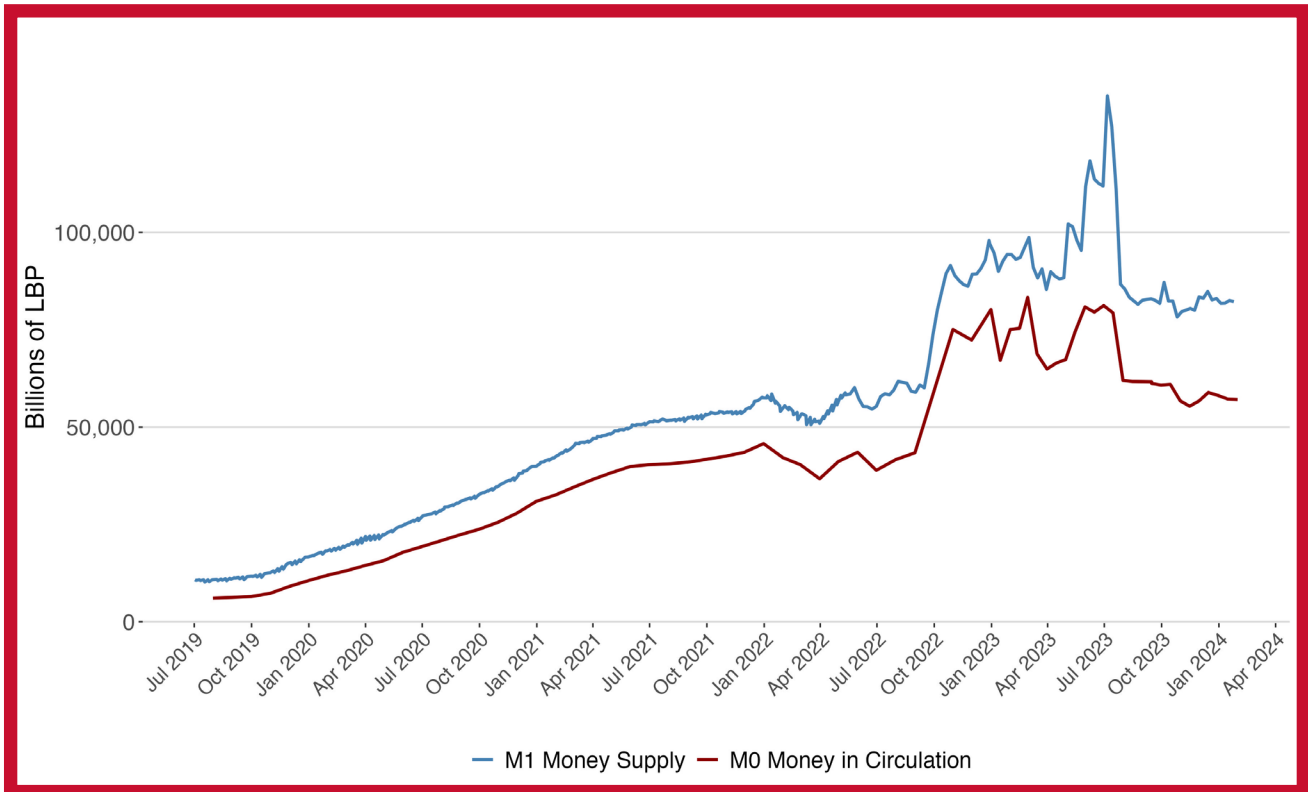


Figure 3: The evolution of LBP money supply from Baque du Liban.

Private sector employee transportation allowances increased in line with public sector transport stipends.³⁶ On January 22, the General Confederation of Lebanese Workers agreed to increase the daily transportation allowance in the private sector from LBP 250,000 to LBP 450,000. Public sector transport stipends previously increased in April 2023 alongside adjustments to the civil servant salary scale.³⁷ Daily compensation totals USD 5 at the current parallel market exchange rate of LBP 89,500 per USD 1. Given that there are 20 days of service per month, the total monthly compensation for transportation is equivalent to an additional USD 100 on top of one's base salary.

On January 30, the Association of Petroleum Importing Companies (APIC) announced that they would suspend fuel distribution to gas stations.³⁸ The action was taken in response to a new 10% exceptional tax, introduced in the 2024 budget law, on profits by institutions – including fuel-importing companies – who benefited from subsidies exceeding USD 10,000 provided by the Central Bank since the beginning of the crisis in October 2019.³⁹

³⁵ Bank Audi, [Lebanon Weekly Monitor](#), January 28, 2024.

³⁶ Credit Libanais, [PRIVATE SECTOR TRANSPORTATION ALLOWANCE INCREASED TO LBP 450,000 PER DAY](#) January 22, 2024.

³⁷ Mercy Corps Lebanon, [Lebanon Crisis Update](#), April 2023

³⁸ L'Orient Today, [Lebanese fuel importers announce strike over new 'exceptional' tax](#) January 31, 2024

³⁹ Arab News, [Lebanese tax budget sparks protests from fuel and medicine importers and public-sector employees](#) January 31, 2024



Several fuel companies limited their distribution in the following days, prompting residents to line up at fuel stations. Fuel distributor representative Fadi Abou Chakra said that fuel will remain available for distribution throughout the weeklong strike, which is slated to end on February 9.

Fuel prices were not heavily affected by the distributor strike, though petroleum and diesel prices slightly increased in January and closed the month at (per liter) LBP 1,525,000 for Octane-95, LBP 1,565,000 for Octane-98, and LBP 1,515,000 for diesel. Cooking gas prices slightly decreased and closed the month at LBP 929,000.⁴⁰

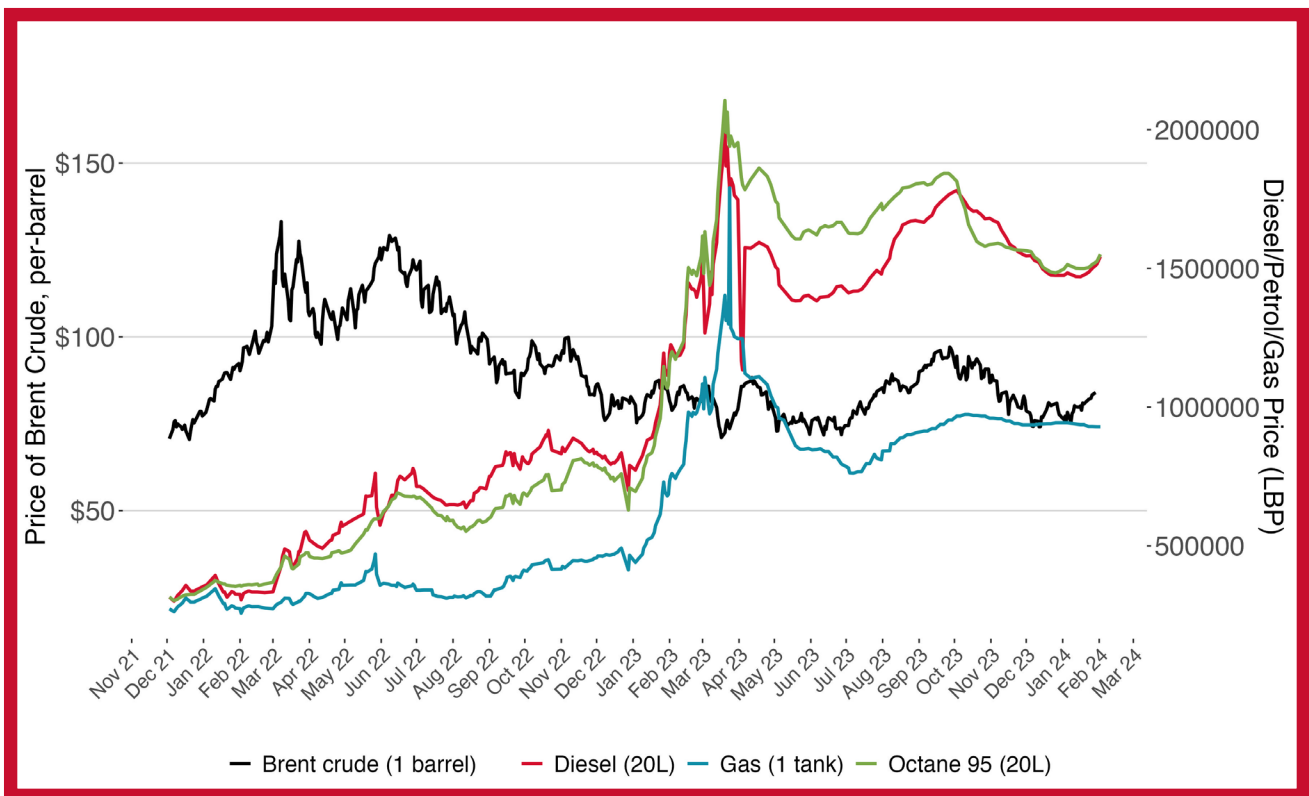


Figure 4: Evolution of combustibles' prices.

Analysis and Impact:

Experts argue that the 2024 budget does not adequately balance taxation and public investments. Bills and tariffs increased by varying amounts, ranging from 10-fold hikes for traffic fines to 120-fold hikes to acquire state-issued documents. Moreover, public investments only account for 9% of total expenditures, calling into question whether the budget is in fact reform-focused and compatible with a long-term recovery framework, both of which are key requirements for unlocking state financial assistance from the International Monetary Fund.

⁴⁰ Source: [IPT Fuel Prices](#).



Taking into account LBP depreciation and inflation, the 2024 budget's total value of 3.3 billion is roughly 20% of the 2019 budget, which totaled USD 17 billion. Instead of seriously tackling the augmenting shadow economy and inadequate tax collection, the government stuck to estimating "what it can collect" at present, resulting in the government expenditure window contracting by 80% compared to pre-crisis years. Reports suggest that executive ministries' budgets for 2024 shrank significantly, restoring only 40% of their pre-crisis financial capacities. For instance, the Ministry of Social Affairs, the Ministry of Education, and the Ministry of Public Works and Transportation budgets cover 33%, 18%, and 17% of their pre-crisis budget, respectively.^{41 42} The remaining gaps pose a significant risk to public investment and infrastructure rehabilitation. For example, limited financial allocations to the Ministry of Education could degrade the needed capacity to pay public teachers' and Lebanese university professors' salaries. Similarly, inadequate financial support for the Ministry of Public Works could delay the rehabilitation of damaged transportation and urban infrastructure, posing dangers to citizens' security and safety.

Revenue collection based on regressive taxation – characterized by tax burdens diminishing as salaries increase – appears to be a central feature of the 2024 budget. The budget converts private sector salaries from USD to LBP based on the parallel market exchange rate to create tax brackets. Those conversions remain mere estimations and do not account for changes in USD-denominated salary valuations (in LBP terms) when the exchange rate floats after full implementation of the Bloomberg platform. Put simply, the 2024 budget is not based on a fixed exchange rate, which will likely lead to discrepancies that undermine equity and financial justice among citizens.

⁴¹ The Policy Initiative, [Lebanon's 2024 Budget: A lose-lose situation for people](#), January 24, 2024.

⁴² Bank Audi, [Lebanon Weekly Monitor](#), January 28, 2024.



In focus:

How has the economic crisis impacted regional disparities in food prices across Lebanon?

LCAT found that the price of several essential food items has grown faster in markets where the price of the item was previously cheaper.⁴³ Figure 5 shows these items and the price growth rates in the least and most expensive markets. The graph visualizes the results of a regression analysis, which produced several statistically significant relationships between the price levels in a baseline time period to the growth rate of the price, from baseline to the endline period.

The fact that the price of these food items increased in markets where these items were previously relatively less expensive does not mean that price levels for an item are converging among markets. For example, the price of 1 kilogram of Egyptian rice in Hermel increased from LBP 1,563 in May 2018 (a relatively low price) to LBP 12,100 in May 2021 (a relatively high price), while in Batroun it rose from LBP 2,094 (a relatively higher price) to LBP 2,400⁴⁴ (a relatively lower price) during the same time period.

This analysis shows how markets with lower baseline price levels have been susceptible to rapid price increases during Lebanon’s economic crisis. Low baseline price levels could have been caused by favorable market conditions or weaker labor markets (lower wage rates and price levels). The latter supposition, however likely, cannot be confirmed without wage rate data that could be used to ascertain whether wages have kept pace with increasing prices. The former possibility

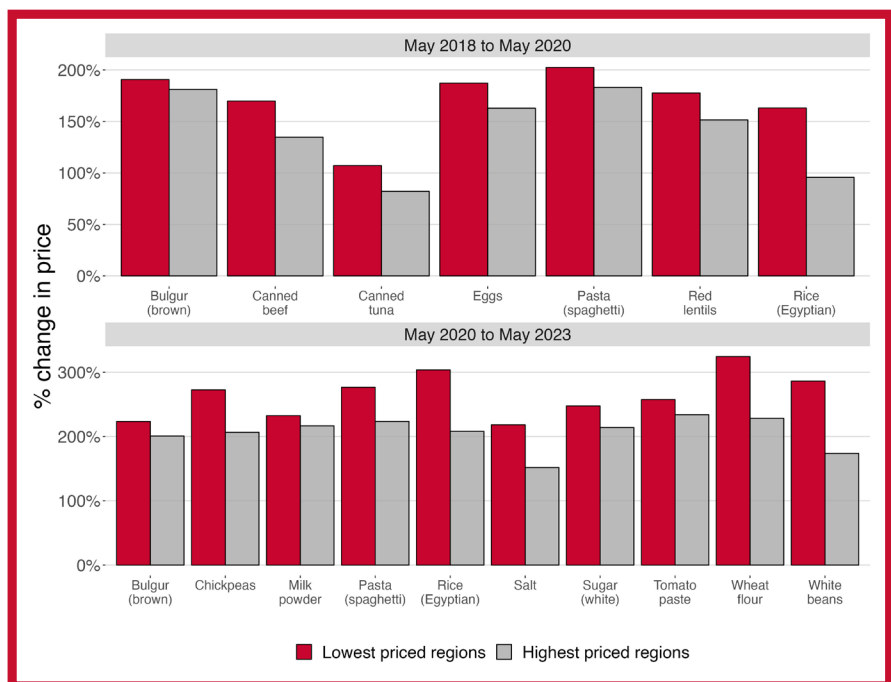
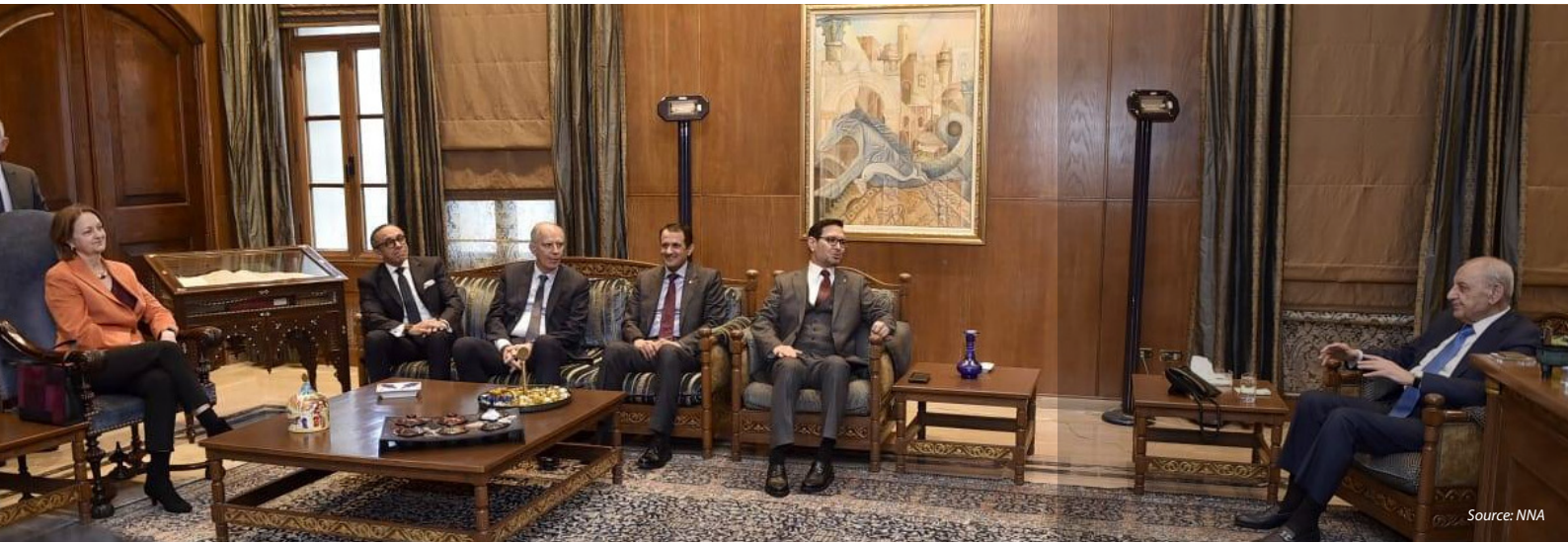


Figure 5: Growth rate of LBP prices of several essential food items in markets where the prices were lowest and highest at the baseline.

implies that households previously enjoying lower prices likely had to quickly rebalance their household expenditures due to rapidly increasing prices. Though future research into regional wage variation and food affordability is needed, these initial findings flag the relevance of regional food price dynamics for humanitarian actors to take into consideration when selecting locations to deliver relevant interventions, such as multi-purpose cash assistance programming.

⁴³ The analysis was conducted using [WFP market price data](#), which is updated through May 2023. The markets analyzed are where WFP collects price data, which are essentially district-level (qada).

⁴⁴ The May 2021 price of rice in Batroun from WFP is abnormally low. However, the April 2021 price was 5,030 LBP and the June 2021 price was 10,586 LBP; as such, even replacing the May 2021 price with the average of April 2021 and June 2021 price (7,800 LBP) proves the point.



Source: NNA

Political Updates:

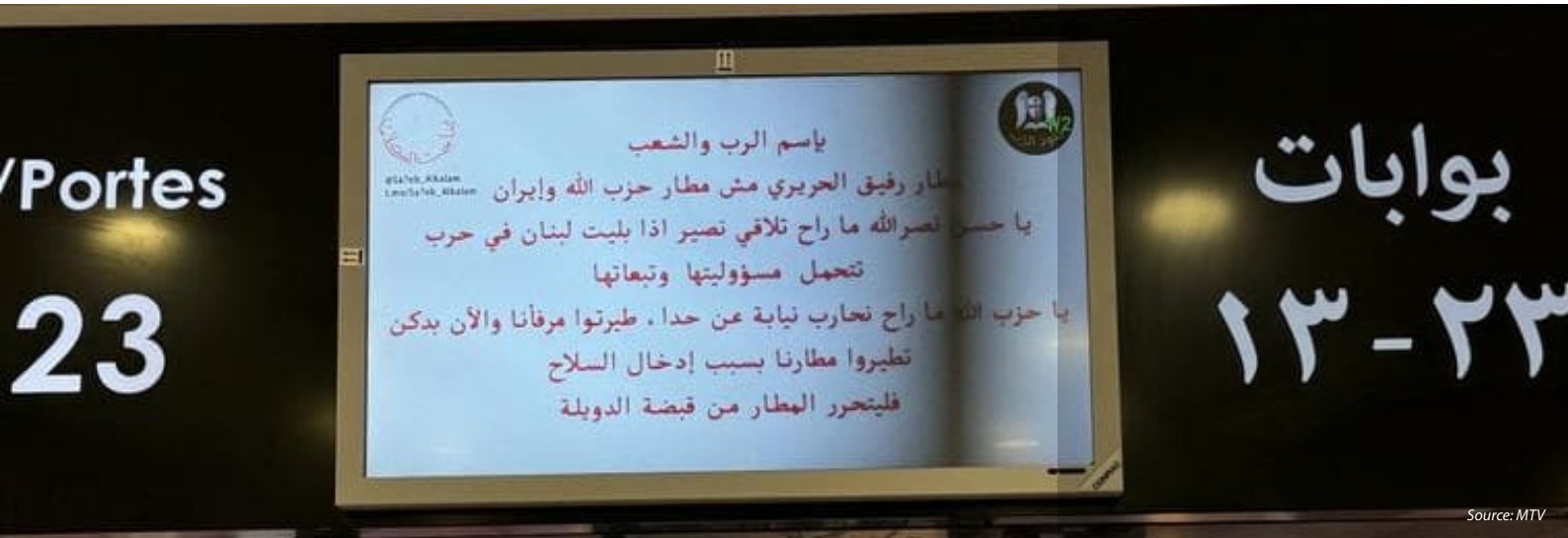
Parliament Speaker Nabih Berri met with “five-nation group” ambassadors on January 30 about electing a new president. Berri expressed cautious optimism about their “promising” potential to resolve the ongoing presidential deadlock.⁴⁵ This comes as the representative of the quintet group, French Envoy and ex-Minister for Europe and Foreign Affairs Jean-Yves Le Drian, is expected to visit Lebanon soon. Lebanese Forces chief Samir Geagea maintains that electing a president is a critical national priority, and separate from other matters, such as ending hostilities in South Lebanon.⁴⁶ Meanwhile, Maronite Patriarch Bechara Boutros Rai asserted multiple times that Lebanon cannot proceed with border demarcation negotiations without a duly elected president in office.⁴⁷ In a related development, MP Neemat Frem announced his presidential candidacy on January 10.⁴⁸

⁴⁵ L'Orient Today, [Quintet meeting 'useful and promising,' says Berri](#) January 30, 2024.

⁴⁶ LBCI, [Samir Geagea stands firm: Lebanon needs a President dedicated to reforms, not regional deals](#) January 9, 2024.

⁴⁷ L'Orient Today, [Rai opposes any change to Lebanon's southern land border before president elected](#) January 14, 2024.

⁴⁸ LBCI, [MP Neemat Frem asserts presidential candidacy following meeting with MP Abdul Rahman Bizri](#) January 10, 2024.



Source: MTV

Access to Services:

Parliament approved amendments to the social security system in late December 2023, changing its current end-of-service indemnity (EOSI) to a pension system, which will be launched in 2026.⁴⁹ The new system, which will be managed by the director general of the National Social Security Fund (NSSF) Mohammad Karaki,⁵⁰ promises tiered retirement options tailored to various salary levels and offers beneficiaries access to savings accounts and investment options. Citizens aged 49 and older can transition to the new system at any time over the next 15 years.

On January 31, caretaker Minister of Social Affairs Hector Hajjar announced that the National Poverty Targeting Program (NPTP),^{51 52} recipients' assistance is being halved.⁵³ The minister said that 43,000 beneficiaries (households who are unable to meet their basic food needs and that fall below the extreme poverty line) would receive payments every two months instead of every month, meaning they must wait until the end of February to receive their payment. Family allowances will be reduced from USD 25 to USD 20, and a maximum of five members of the family will be able to receive USD 10 instead of USD 20. Therefore, the largest amount a family would receive is USD 70 per month (20+[5x10]), paid as a USD 140 transaction every two months.

Extensive flooding swept across north Lebanon in mid-January. Flood waters reached heights of more than one meter and destroyed hundreds of refugees' tents in Summaqieh, Akar, where about 1,750 individuals were displaced to nearby schools and mosques between January 13 and January 15.⁵⁴ Wadi Khaled was heavily affected, where nearly 2 square kilometers of winter crop fields were damaged.⁵⁵ The Vegetable Growers Syndicate estimates significant losses across various crops, including several greenhouses that grow herbs, vegetables, and foreign potato seeds.⁵⁶

⁴⁹ L'Orient Today, [New pension scheme in Lebanon: Estimate your pension with our calculator](#) January 15, 2024.

⁵⁰ L'Orient Today, [Lebanon to potentially adopt a pension system after nearly 20 years of talks](#) January 9, 2024

⁵¹ World Bank, [Targeting Poor Households in Lebanon](#), April 21, 2020.

⁵² The National Poverty Targeting Program was launched in 2011 by the Lebanese government as a poverty-targeted social safety program in the country that focuses on extremely poor Lebanese households. Managed by the Ministry of Social Affairs and the Presidency of the Council of Ministers, it receives financial assistance from the World Bank and funds from different donors.

⁵³ Caretaker Minister of Social Affairs Hector Hajjar via X (formerly Twitter) [ملخص عن التطورات المتعلقة بالبرنامج الوطني لدعم الأسر الأكثر فقراً](#) January 31, 2024

⁵⁴ L'Orient Today, [Storm floods Akkar, the day after](#) January 15, 2024.

⁵⁵ NNA, [تقرير لوزارة الزراعة عن أضرار الفيضان في عكار ووادي خالد](#) January 15, 2024.

⁵⁶ NNA, [نقابة مزارعي عكار والشمال ناشدت المعنيين الكشف على أضرار العاصفة والمساعدة](#) January 15, 2024.



Pharmaceutical importers launched a protest in response to an increase in import taxes. The Syndicate of Pharmaceutical Importers has publicly denounced the introduction of a 10% tax on profit for importers benefiting from the Central Bank subsidies exceeding \$10,000. Pharmacists contend that the measure, introduced in the 2024 budget, could disrupt the supply of medicines. As the tax also applies to fuel imports, hospitals expressed concern that fuel delivery interruptions would jeopardize their ability to assist and offer care to patients.⁵⁷

Électricité du Liban (EdL) began collecting fees from Syrian refugee camps on January 16. Launched in November 2023, the initiative relies on 900 electric meters installed in informal settlements. EdL has urged all informal settlement residents to fulfill their payment obligations, reiterated that electricity is a paid service, and that state electricity consumers who do not pay their bills could face consequences, including service cuts and fines.⁵⁸ On January 17, farmers in Masharia al-Qaa blocked local roads to protest EdL's latest round of bill collection in the area. The farmers argued that the bills, totaling LBP 20 billion, are inflated because Syrian refugees in the region unofficially use the state electricity supply. The farmers added that international organizations should cover costs incurred by refugee power consumption.⁵⁹

On January 7, a cyberattack compromised Beirut International Airport's display systems.⁶⁰ Screens displayed messages warning Hezbollah against dragging Lebanon into a war with Israel, replacing flight information. Ten days after the attack, the baggage system was operating at 20% capacity.⁶¹ While the investigation remains ongoing and no culprits have been identified, potential perpetrators range from local groups like Jnoud el Rab,⁶² to international actors including Israel, and Beirut Airport staff.

⁵⁷ Arab News, [Lebanese tax budget sparks protests from fuel and medicine importers and public-sector employees](#) January 31, 2024.

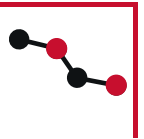
⁵⁸ NNA, [كهرباء لبنان بدأت بتحويل قيم استهلاك الكهرباء من المخيمات: على النازحين تسديد المستحقات](#), January 16, 2024.

⁵⁹ L'Orient Today, [Farmers demonstrate in al-Qaa against EDL directives](#) January 17, 2024

⁶⁰ L'Orient-Le Jour, [Aéroport de Beyrouth Waddah Sadek dénonce la corruption et l'insécurité](#) January 11, 2024.

⁶¹ L'Orient Today, [Limited connectivity at Beirut airport 10 days after the cyberattack](#) January 17, 2024.

⁶² Jnoud al Rab is a Christian group that claims to protect Christian values. Their public manifestations have primarily targeted the LGBTQ+ community and other marginalized communities.



Looking Forward:

- The 2024 budget law should be fully approved and implemented in February. Parliament's Finance and Budget Committee members were widely dissatisfied with the method by which taxes and bills were calculated in the draft sent to them by the cabinet.⁶³ Consequently, the final version contains a range of varied taxes and bills, as well as tax bracket modifications. Lebanese residents should expect price hikes due to increased added value and consumption taxes in particular.
- In addition to the projected lack of public investment in the 2024 budget, public service provision is also expected to deteriorate due to underfunding. The role of the aid sector will be crucial in this regard, as it can support heavily affected ministries and institutions and ensure the continuity of residents' basic needs including education, healthcare, and food security. Not only is the scope of service delivery expected to decrease from the government side, but also vulnerable households' capability to cope with surging life expenses, particularly as income taxes and indirect taxes could increase, alongside a rise in NSSF subscriptions. The latest version of the draft budget made available to the media reveals an imbalance between direct taxes (20% of all taxes) and indirect taxes (80% of all taxes).⁶⁴ This constitutes a form of regressive taxation that burdens the most vulnerable Lebanese taxpayers.⁶⁵
- Israeli leaders have stated that if a ceasefire is reached in Gaza, they are not committed to halting military operations along the Lebanese front. Recent reports indicate that the US and its allies have created a framework to ease tensions along the border, though public pronouncements by both Israel and Hezbollah do not suggest that a durable solution – entailing displaced Lebanese and Israeli citizens returning to border communities – is in the offing in the immediate term. If the conflict expands, it is unclear whether or how the state could offer more assistance to IDPs.
- The future of financial reform measures and trapped deposits in the commercial banking system is unclear. Circular 166 (issued by the Central Bank on February 2)⁶⁶ allows depositors who converted their savings from LBP to USD shortly after October 2019 – while their respective banks allowed such operations – to withdraw USD 150 per month from their accounts. Technically, Circular 166 replaces Circular 151, which only allows withdrawals at the official LBP 15,000 exchange rate for the same beneficiaries. Therefore, when implemented, Circular 166 should temper the volume haircut on deposits, at least until it expires in June 2024. However, commercial banks did not publicly announce that they would fully comply with the circular. Absent commercial bank compliance with this and forthcoming circulars, reform measures could be jeopardized, potentially further tarnishing the country's financial reputation.

⁶³ Lebanese Parliament, [Finance and Budget Committee News](#).

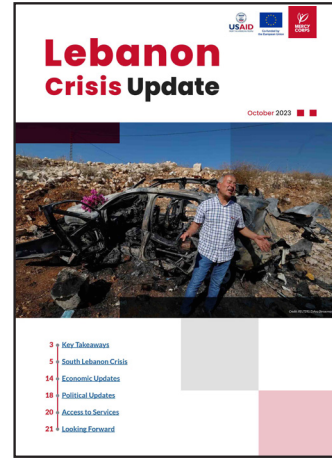
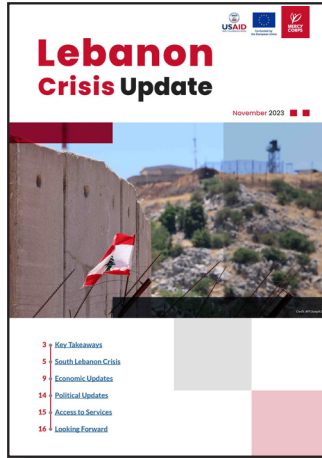
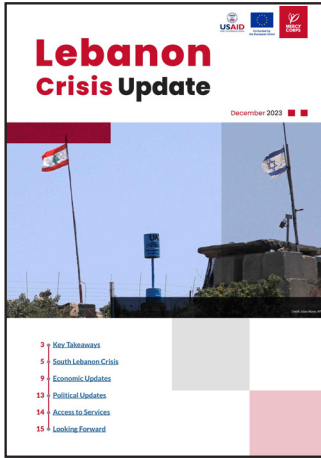
⁶⁴ Direct taxes are deducted from taxpayer earnings or applied to assets. Indirect taxes on the other hand, are paid on consumption, trading, and obtaining services. Indirect taxes include VAT, consumption taxes, customs, and tariffs.

⁶⁵ In a regressive system, the percentage of income or resources paid in taxes or spent on goods and services decreases as one's income or wealth level rises. This is in contrast to a progressive system, in which the opposite occurs: higher-income individuals bear a higher percentage of the burden.

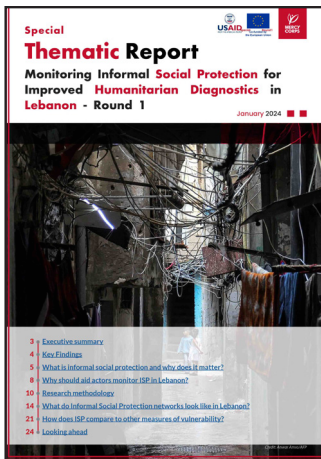
⁶⁶ Banque du Liban, Basic circulars, [Circular 166](#).



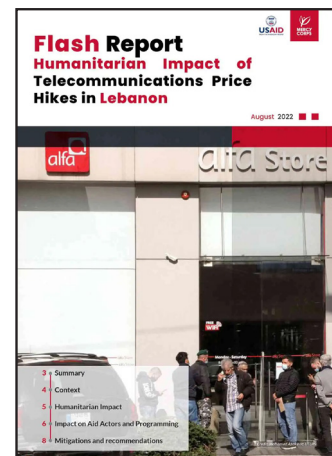
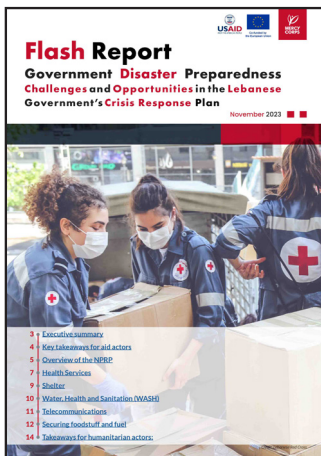
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