



Lebanon, everything still to be redone?

Edited by Vincenzo Pira and Marco Pasquini

Introduction

Armadilla is a social cooperative committed, primarily, to international cooperation: (www.armadilla.coop).

It also carries out training and information activities on the issues of the 2030 agenda, proposed by the United Nations, for the defense of human rights and for the achievement of the 17 goals for sustainable human development: <https://www.unric.org/it/agenda-2030>

In this context, these Notebooks want to help disseminate information, critical analysis, possible answers to the priority problems that are faced among students and the public opinion to which Armadilla addresses itself. The collection of all the Notebooks from 2015 to today is found in: <http://armadilla.coop/quaderni/>

In this notebook we propose an update on the situation in Lebanon, considering the institutional, political and economic crisis that has existed for some time, aggravated by the Covid-19 emergency and the explosion of 4 August in the port of Beirut.

Lebanon is a country of 6.8 million inhabitants in an area of 10,452 km². In recent years, it has seen a human tide of over 1.7 million refugees from Syria and other neighboring countries. A country that had already hosted hundreds of thousands of Palestinian refugees in the history of the last 70 years, currently around 450,000. The number of Syrian citizens present in the country is estimated at approximately 1.5 million, of which only 892,3106 are registered by the UNHCR; to these is added a large community of Palestinian refugees increased with the arrival of 28,800 Palestinian refugees from Syria.

The humanitarian crisis is triggered by a drastic worsening of the social and economic situation of the country which in the last year recorded annual inflation of 56.5% and an increase in the food price index of 189.8%. The high inflation and the progressive loss of income resulting from the increase in unemployment and wage cuts, have caused a significant deterioration in the living conditions of Lebanese and refugees, triggering numerous protests among the population and especially among young people whose rate of unemployment exceeds 40%. The socio-economic crisis falls mainly on the most vulnerable categories of Lebanese and refugees, among whom 73% live below the poverty line, conditions that become worse in the cases of women heads of families or families in which there are people with disabilities or with chronic diseases. At the beginning of February 2020, the containment measures of COVID-19 infections have caused further economic losses and highlighted the weakness of the national social assistance system. At the end of September, the positive cases identified were over 30,000 and about 400 deaths. In addition the explosion of August 4th, there were 190 victims, plus the injured and missing people, it has generated numerous displaced people both among the Lebanese and the refugee population, triggering a logistical, food and health emergency that further weighs on the economic capacity and social stability of the country.



- ★ Capital
- Major Towns
- Waterways
- International Boundaries
- Governorate Boundaries
- Caza Boundaries

1. Political and social situation

Lebanon is experiencing an institutional, political and economic crisis aggravated by the Covid-19 emergency and the 4 August explosion at the port of Beirut.

For months the protests of citizens, besieged ministries, throwing stones and Molotov cocktails, slogans against the political class accused of corruption and inefficiency have multiplied. Increasing the new protests was the explosion that destroyed the port and surrounding areas due to negligence and the lack of controls and prevention. These protests forced the head of the government, Saad Hariri, to resign but the hopes of the population for a real renewal of politics and institutions have, up to now, proved vain. After months of uncertainty and instability, the task of forming a new government was entrusted to Hassan Diab, the former Minister of Communications. Diab is a politician who does not correspond to the required change in citizens' demonstrations and has failed to mediate the various positions existing in parliament by declining the office he has received. French President Emmanuel Macron and other European leaders have called for an independent government, made up of "specialists", without any dependence on political parties. Request that has not found many consents and makes it difficult to find mediation. **The president of Lebanon Michel Aoun had appointed Mustafa Adib, current ambassador of Lebanon to Germany, indicated by the Sunnis of the future, on 31 August, who immediately found the support of the Shiite forces of Hezbollah and Amal.**

Adib tried to form a new government, pledging to find "a team of experts" with a "reforming" mission but the path is full of obstacles and it still took time to find mediation between the various parliamentary forces, especially for assignment of important ministries. But he had to resign on September 26, due to the impasse reached in not finding a possible mediation between the parties involved. Adib would have tried to form a team of experts who did not belong to any faction and the main difficulties would have emerged above all as regards the appointment of the figure at the head of the Ministry of Finance. The latter will play a central role in what will be the new Beirut executive, as it will have to outline a path that will allow Lebanon to recover from the economic crisis it is afflicted with. **According to the Lebanese Constitution, modified by the 1989 Taëf agreements, which ended the civil war that devastated the country between 1975 and 1990, a sectarian distribution of the main state authorities (Christian president, Sunni prime minister and president of the Shiite Parliament) and a distribution of parliamentary seats, halfway between Christians and Muslims.** Currently in Lebanon, there are 18 recognized confessions, 4 major religious groups: Christians, Shiites, Sunnis and Druze.

The latest official certified data date back to the 1932 census, which resulted in 55% Christians and 45% Muslims, including Shiites, Sunnis and Druze in the same group. The balance between Sunnis, Shiites and Christians is now history.

In recent years, the Christian presence in Lebanon has dropped to 10%, while the mass arrival of Syrian refugees has unbalanced even the latest balance with the Shiite component in favor of the Sunni world.

It is no coincidence that someone wants to overcome the Taëf agreement in order to be able to recalibrate the religious and numerical weight.

The current electoral law was approved in June 2017, after months of negotiations between the various political forces. It provides a proportional system, divides the country into 15 districts and maintains preferential voting at the district level.

This law has transformed the Lebanese electoral system from majority to proportional, albeit with a high threshold (10%), and the permanence of the division of seats based on the confessional affiliation of the candidates.

Issues such as the diaspora's vote and its representation in the House, the establishment of a women's quota or the army's right to vote have been parked for future negotiations. The new law had the support of almost all political forces (CPL, Future Movement, Hezbollah, Amal and Lebanese Forces).

The designated Lebanese premier, Mustapha Adib, charged with forming a new government for Beirut, has called on political parties to facilitate their mission, at a time when it still seems to face numerous obstacles.

Although the deadline for submitting the new government team was set to September 15, Adib has not yet completed the task assigned to him. "Lebanon cannot allow itself the luxury of wasting time in the midst of an unprecedented financial, monetary, economic, social and health crisis," the president-in-charge told the Lebanese media on 21 September. For this reason, all political parties involved were urged to commit "immediately and without delay" to find an agreement, so that a government can be formed capable of introducing the reforms necessary to restore the country and stop its rapid deterioration and risk of new generalized conflicts.

There are reforms on the horizon, that is, tears and blood maneuvers, also urged by the International Support Group for Lebanon, which also includes Italy. The economic and financial crisis that threatens to strangle the country will therefore be paid by the weakest while the middle class is impoverished. The most troubled families sell essential appliances, such as ovens and refrigerators, in order to collect a few dollars.

The freeze in economic activity brought unemployment, already substantial before the crisis, to rates of 30% last month. Inflation is running at an unsustainable pace (56% in May) after the Lebanese pound lost 80% of its value.

The devalued lira has caused the costs of imports to soar by multiplying the prices of food products, which Lebanon purchases from abroad for about 80% of its needs. As a result, poverty has soared to the point that it affects one in two Lebanese today.

The impact of the economic and health crises has been felt even more heavily among Syrian and Palestinian refugee communities, which already face conditions of poverty and difficulties in accessing the Lebanese health system.

The weakness of the agricultural and industrial sector has caused Lebanon to accumulate a heavy trade deficit and a high public debt (the third in the world in relation to GDP). The Lebanese banking system has been fostering these two deficits for years through a policy of high interest rates. In fact, interest guaranteed large earnings on bank deposits, thus attracting capital in

dollars, especially from abroad. These dollars were then used to buy government bonds, offered by the central bank with even higher interest rates, over 10% per annum. To make a comparison, if we talked in terms of spread with the German Bunds we would be over 1,000 points. Finally, the state used the hard currency thus obtained to finance public spending of a clientelist nature and, more importantly, to pay for the imports on which Lebanon depends. This bubble was also favored by the presence of some politicians in the administration of the Lebanese banks, politicians against whom the demonstrations today are hurled.

The system short-circuited between September and October 2019, when popular protests and high public debt undermined the confidence of Lebanese bank account holders. From there began a race to withdraw dollars that dried up the banks of 25 billion dollars in 2019 and 5.7 billion in the first two months of 2020. Without hard currency, the Lebanese system could not hold up, as it could no longer refinance. large public debt and paying for imports. The final consequence: the collapse of the Lebanese lira. Today, in fact, the real emergency in Lebanon is the currency emergency. The Lebanese pound has drastically depreciated against the dollar, a problem for a country where the American currency is used in everyday life between tourism, remittances from Lebanese abroad and trade.

Dollars in the system are less and less, in fact they are only found on the black market, where up to 9,500 Lebanese pounds are traded while the official exchange rate is now 1,784. This is helping to turn the Lebanese pound into waste paper, with a loss of 80 percent of its value in one year. The Lebanese authorities are obliged to request technical assistance from the International Monetary Fund (IMF) to draw up a stabilization plan for the financial and economic crisis. The debt restructuring, which has reached over \$ 83 billion (2018 GDP was \$ 56.6 billion), must be conducted in an orderly manner to avoid damaging the country's banking system, but macro-economic measures will be imposed and financial heavy.

A mandatory devaluation of the Lebanese lira is assumed followed by a semi-flexible exchange rate, aimed at rebuilding foreign exchange reserves and restoring economic competitiveness.

To reduce the deficit, an increase in the progressiveness of the tax system and indirect taxes (increase in VAT) and the reduction of part of the "unproductive" public expenditure are required (cuts in subsidies to the electricity sector are hypothesized, cost: between 3.5 and 5% of annual GDP; the liberalization of the energy market with the appointment of the Electricity Regulator and the Board of Directors of *Electricité du Liban*, with conflicting interests between French and German companies; new law on public procurement, etc.), with the intention of generating a primary surplus that stabilizes the trajectory of the debt / GDP ratio (from > 170% currently to 95% in 2024) and allows greater fiscal space for social spending and productive investments. Currently only 7% of the public budget has been spent on social services, 5% on investments, 0.09% on tourism, 0.03% on industry and 0.34% on agriculture. However, the latest developments do not bode well.

Disputes have opened with the IMF on the real consistency of the "gaps" in public finances regarding the losses recorded in the balance sheets of the Central Bank of Lebanon.

The IMF's Extended Fund Facility (EFF) access program - with an availability of between \$ 3 and \$ 5 billion - could help return to sustainability of Lebanese public finances by coalescing financial support from other international donors around a coherent and long-term program. The figures

assumed as total availability are 8 billion dollars from the IMF plus 11 billion from international donors interested in stabilizing the Lebanese situation. Billions pledged as part of the "CEDRE" conference held in Paris in April 2018 but which are blocked pending a credible plan for structural reforms. Already then, in particular by France, measures to combat corruption and rampant poverty and a radical reform of the banking sector were urged. The wait for political decisions, worsens the humanitarian crisis.

2. Humanitarian emergency

In a country already socially precarious, it is expected that by the end of 2020 60% of Lebanese will live below the poverty line, while to date the unemployment rate of the active population has already risen to 33%, compared to 11% in the 2019. Many families of the now former middle class are leaving their migrant home helps on the street, because they are no longer able to pay them. And in this scenario the suicide rate rises, a symptom of a general desperation in a country completely adrift. Meanwhile, electricity outages are increasing, with some areas of Beirut where it is not uncommon to reach sixteen hours of darkness, two thirds of the day. Currency problems mean that there is a shortage of fuel with which to power the generators.

The government responds by raising prices, so that citizens already tormented by the economic crisis find themselves paying more for a service, the energy one, which they do not benefit from. The generator mafia, the one that fills the holes left by the national electricity company, thanks, as rumors spread that soon the internet could also collapse.

The emergency is making itself felt not only on the finances of Lebanese families, but also on other aspects of everyday life in the country. In one of the capital's largest hospitals, Rafiq Hariri University Hospital, air conditioning systems in corridors and administrative offices were turned off, while several operating rooms were closed and surgery postponed.

This is because the fuel to run the generators is scarce and, in the face of continuous electricity cuts, the hospital must at least guarantee the functioning of the intensive care units, where to date about 45,000 positive cases and 406 deaths have been identified.

Even at the environmental level, the situation appears critical. As the Waste Management Coalition and Human Rights Watch pointed out, the country is no longer able to manage its waste, a bit like it was in 2015 when thousands took to the streets for this reason.

Today the country's main landfills have reached their maximum capacity and the context of crisis means that the government is not doing anything to manage the situation, while garbage piles up in Lebanese cities and beaches. Several studies have shown that the absence of a sustainable waste management plan has a significant cost for the country: \$ 154.5 to treat each ton of solid waste, compared to values of less than \$ 22 in the other countries in the area. Yet another waste of public money, while today new taxes are being asked of citizens to remedy the mistakes of the past.

This, in a country that is not surprisingly already among the most polluted in the world. According to a Greenpeace report, the estimated number of deaths in Lebanon attributable to fossil fuels was 2,700 in 2018, a rate of four deaths per 10,000 people and the worst in the Middle East. For years there has been a demand for a reconversion of the country towards cleaner energy, a tight policy against hundreds of illegal landfills, in short, attention to what is one of the country's major problems, environmental protection. The profound depression of recent months and the inability of institutions to cope, risk worsening this situation. In response to the changed emergency context caused by the COVID-19 epidemic, on 7 May 2020 the United Nations published the COVID-19 Emergency Appeal for Lebanon. The EU is at the forefront of support for Lebanon, with over € 2.3 billion in assistance since 2011, including over € 660 million in humanitarian aid.

At the international conference on assistance and support to Beirut and the Lebanese people, the European Commission pledged to allocate new funding of € 30 million to respond to the country's most urgent needs. Today's funding complements the EU emergency operations currently underway, including:

- the dispatch of around 300 highly qualified experts from the EU and its Member States (search and rescue, chemical assessment and medical teams) through the EU Civil Protection Mechanism;
- assistance in kind (emergency medical equipment and supplies, chemical protective clothing);
- a military helicopter carrier for medical evacuation and medical and protective equipment;
- activation of the Copernicus satellite mapping system to help assess the extent of the damage.

In response to the humanitarian emergency generated by the Syrian crisis, in 2012 the Italian Cooperation launched initiatives in Syria, Lebanon, Jordan and Iraq. In the first emergency phase, the Italian Cooperation funded initiatives aimed at food assistance, the distribution of basic necessities and the protection of minors in Syria and neighboring countries. Since 2014, interventions have been carried out aimed at strengthening the resilience of refugees and host communities in countries bordering Syria through the rehabilitation and improvement of infrastructures and basic social services, support for the education sector and strengthening the management capacities of institutions locals. In

Lebanon, from 2012 to today, the Italian Cooperation has financed humanitarian aid initiatives for a value exceeding 101 million euros, of which almost 68 million in the 2016-2020 period.

Following the explosion in the port of Beirut, Italy responded by sending about 20 tons of humanitarian aid, a rubble removal unit of the military engineers, a military field hospital, through 3 flights and 3 ships with aid. humanitarians. An initial financial contribution of 762 thousand euros was also made in support of the emergency response activities of the Lebanese Red Cross. Further financial contributions to the activities of UN agencies, the ICRC and CSOs on the ground are expected in the near future.

However, it is also necessary to underline critical issues affecting the Italian cooperation system: delays in the management of calls for CSOs and in the approval of new emergency interventions. The funding blockade is serious due to the bankruptcy of the Lebanese bank in which AICS had the funds and which will not be easy to recover. The crisis caused by the

pandemic must not cause further blocks or delays but a stimulus to find procedures and new ways to ensure efficiency to help overcome the difficult emergency situation.

