

# News Bulletin IX

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**MULTIPLE CRISES CONTINUE TO IMPOSE NEW CHALLENGES ON LEBANON AND THE ARAB REGION**

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## Regional Updates

Amid the worldwide battle against coronavirus and all the uncertainties associated with this health crisis, one thing is certain: the order we've known for the past few decades will not remain the same after the end of COVID-19. This is particularly the case of the Arab region, which has witnessed a variety of consequences on all levels, ranging from the collapse of certain economic sectors, return of popular uprisings, and more severely, increased threats to the healthcare systems and to the human rights practices.

### Rise in Domestic Violence

The spread of COVID-19 has had numerous repercussions on the society, including a steep rise in domestic violence and violence against women and girls. In the Gaza strip, the dire economic and financial situations as a result of confinement have multiplied the stress levels among people, which in turn manifested into [violence within families and communities](#) by more than 58 per cent. More particularly, the responsibilities of women were reported to dramatically increase and ranging from household duties to educating children and following on their needs.

In Egypt, a national [survey](#) targeting women above the age of 18 was conducted in April to look into the level of violence and abuse against women. Around 11 per cent of responders reported an act of marital abuse in the seven days prior to taking the survey, and about 84 per cent reported a verbal assault from the husband.

In Bahrain, campaigns were initiated to mitigate the risks associated with the crisis and the implications on women and girls in particular. The Bahrain Women Union launched a national campaign "Let's join hands for Bahrain" targeting households especially female-headed households and women victims of abuse, as well as young men and women. The campaign aims to provide awareness and psycho-social support in times of confinement and social distancing.

In Lebanon, the confinement measures locked up hundreds of women, girls and children behind closed doors. In an interview conducted by ANND and CIVICUS, Hayat Mirshad, RDFL head of communication, noted that the stories of

women revealed pain, violence and fear during the mandated quarantine, which at times led to suicide and murder. The pandemic has led to an increase in reports of domestic violence. In March 2020, domestic violence reports to Internal Security Forces increased by 100 per cent, and calls to RDFL's hotline increased by 180 per cent compared to the previous two months. All of these were new cases: twelve per cent of them were considered very serious, and 13 per cent of the people involved left their homes and needed shelter.

### Loss of Employment

As thousands of businesses closed as a result of confinement and cease of operations, unemployment has sharply risen. In Jordan, the Phenix Center conducted a [survey](#) during the month of May to learn about the repercussion of coronavirus on the economic situation of households; the survey concluded that around 40 per cent of respondents reported a loss on employment to a close family member. Around 36 per cent working in the private sector reported cease of employment, and 45 per cent reported moving to a part time basis. This adds to other random and arbitrary enforced measures such as forcing employees to take annual and unpaid leaves. More severely, the survey reports around 34 per cent of workers lacked social protection, which would increase their vulnerabilities in this crisis.

### Civil Society's Work

The health crisis has impacted the work of civil society organizations (CSOs) in the strip, with increased challenges on maintaining strong relations and ties between members of the community. The CSOs have had to shift their interventions to respond to the challenges associated with the crisis. This includes for instance [meeting the needs of people with disability](#) in light of the ongoing emergency, in a way that ensures their basic rights are not compromised, especially since all governmental procedures have no sensitivity to the requirements and needs of persons with disabilities.



## Between the Government Plan and the Banking Sector

May Makki, the Arab NGO Network for Development (ANND)

### The Government's Vision and the Need for an Alternative Economic Model

As soon as Hassan Diab's Government assumed power, it decided to head towards the International Monetary Fund and then announced an economic reform plan as an initial vision to lift Lebanon out of its crisis and allow it to receive aid. Despite the different reactions, most of the comments highlighted what they considered to be the "audacity" of the government plan in calculating the losses and speaking frankly to the Lebanese, despite the bankers' objection to these numbers and considering them inflated.

The plan presented by the government and sponsored by the Lazard Company (with some consultants) is only a financial losses management plan, and it does not rise to the level of the economic plan that might put Lebanon on track of a new economic system, radically different from the system of crises that led us to where we are. The plan starts with calculating losses, which are up to US\$63 billion,<sup>1</sup> distributed as follows: US\$45 billion as the Central Bank's losses, and US\$18 billion as the banking sector's losses. Thus, the deficit in the balance of payments and the state's general budget are the starting points of the plan. In covering the deficit, the plan relies on the logic of austerity and pressure on the import bill on the one hand, and external support, on the other. Austerity measures primarily involve "fiscal consolidation" measures, the most important of which is restructuring and minimizing the size of the public sector, reducing the benefits of the pension system and increasing taxes, adding to them the "reform" of the electricity sector as well as privatization and Public-Private Partnerships (PPPs) in other sectors, and finally, restructuring the domestic debt, to cover the deficit in public finances.

In addition to the devaluation of the Lebanese pound against the US dollar, the government considers that these measures lead to a decrease in consumption and, thus, a decrease in the demand for imports, which reduces the demand for dollars. The government is relying on external support from the IMF and the CEDRE Conference,

which is conditioned by reforms in administration and anti-corruption regulations. Lebanon hopes that getting this support would lead to a greater amount of bilateral aid from other sources later. It is also counting on negotiating with Eurobonds creditors, which would save up to 15-18 billion US dollars in the next five years. Thus, the state would reduce its balance of payments deficit as well.

As for the whole discussion on adopting a new economic model, it is peripheral to the plan, literally presented in the form of appendices. A set of sectoral reforms in agriculture, knowledge-based economy, and tourism are presented in one appendix, and an industrial strategy in another. Both appendices include promises that are not based on clear and specific funding sources and fall short of developing these sectors and supporting them as required. The plan states as well that reducing the import bill and the value of the national currency would stimulate local industry. However, it neglects that reducing expenditures as such, and putting pressure on consumption in parallel with refraining from measures to expand the economy and support the local industry and agriculture, especially in order to import the necessary raw materials, will only lead to an increase in the poverty rate and a state of stagflation. In other words, it will disrupt the economic cycle, destroys what is remaining of small and medium-sized local enterprises, and significantly increase unemployment. The many experiences of austerity policies that we should have learned from today, after dramatically increasing globally since the eighties, testify to this result.

As for the social dimension, it was even included as a sub appendix, within the sectoral reforms, with the sectors of agriculture, knowledge-based economy, and tourism. It is mainly based on the idea of expanding safety nets and targeting specific social groups. In an attempt to look at the elements of social vision scattered in various places of the plan, we see that it tends to put more pressure on the National Social Security Fund, with the state's intention to negotiate with the Fund to re-schedule the arrears and pay the interest. This is complemented by measures to stimulate the

private sector at the expense of workers' rights to social security. On the other hand, this pressure on social security is in exchange for expanding the spending on safety nets - which recently became evident in their dependence on clientelist and sectarian networks. Another main concern here is that these safety nets, which are the main pillar of the social vision of the entire country, depend on donors and external funds whose source has still not been decided. It is accompanied by the elimination of the idea of a universal rights-based social protection system and a more serious lack of a national strategy for social and local development that covers all regions and sectors, which had an essential economic component.

### Losses and Restructuring the Banking Sector

Going back to calculating losses, which are the starting point and center of this plan, the plan recognizes that the Central Bank of Lebanon's (BdL) losing operations are the source of these losses, which includes the financial engineering conducted in 2016 and 2017 to attract deposits in US dollars and cover on the banks' losing investments, in addition to the losses resulting from the devaluation of the national currency (this plan calculated the value of the currency at 3500 Lebanese pounds per US dollar). This is in addition to the expected losses due to the default on bank loans by borrowers due to the economic crisis and expected increase in rates of poverty and unemployment. On the other hand, a large part of what the plan considered losses is debt to the domestic banking sector, which the state would default on in the context of restructuring the domestic public debt. This part is exactly one of the main causes of the crisis during negotiations with the IMF between the banks and BdL, on the one hand, and the government, on the other.

The plan depicts the process of distributing the losses as if it were a transfer of the government's debts and burdens to BdL and then to commercial banks. After covering these losses mainly through the capital bases in each of the banks and BdL, the net losses become about US\$48 billion, distributed as follows: US\$39 billion losses for the Bank of



Lebanon and US\$9 billion losses in the banking sector. And the use of banks capital base to cover their losses was a second major cause of the aforementioned dispute. Since BdL losses will affect the certificates of deposit and bank deposits with the Bank of Lebanon, these losses will be considered transferred from BdL to the banking sector. It remains for the banking sector to deal with these losses, through merging and restructuring, investigating transfers abroad for people who have interfered in one way or another in the public sector and politics, as well as contraband deposits abroad, and to restore them. Most importantly, banks must be recapitalized by their owners, pumping an amount parallel to the profits they have earned since 2016.

If there are legitimate doubts in the process of structuring the banking sector, including the criteria on which merging will take place, the sacrifice of the rights of bank employees, patronage, and the need for legislation, it is necessary first to recall that these losses were not transferred from the government to the banking sector. These losses are an essential result of the banks being part of the system that originally caused these losses. One of the reasons of the state's failure to pay its debts is unrealistically high interests that were paid to banks over decades, starting from the reconstruction period, contributing to a huge public debt service whose size exceeded a third of the state's spending. Another role for the banks in the losses is the huge profits they earned from financial engineering, and essentially their responsibility of using depositors' money in lost investments.

And if the devil is in the details, some of the plan's "demons" are the proposal to set up a "Public Asset Management Company" and then "Deposit Recovery Fund," which the plan spoke about in marginal boxes and in general terms without providing any further details about them. First, the company aims to manage the state's assets of real estate, companies, and departments, that is, to restructure and privatize it, and finally allocate its profits to recapitalize the Bank of Lebanon. Part of this profit will be deposited into a deposit-recovery fund, in addition to the looted funds expected to be recovered – which are essentially public funds. Then this deposit-recovery fund will ensure to

compensate for the large deposits that will be used to restructure the banking sector,<sup>2</sup> especially if more resources are needed than those presented in the restructuring plan. In other words, and with an intentional ambiguity, the plan speaks of restructuring the banking sector, under a sectarian political authority that lost every trait of legitimacy or integrity, and then promises to save the banking sector by recapitalizing it and using large deposits (supposedly without affecting the owners of small and medium deposits). Then, these large depositors will be compensated later from public money, through profits derived from the sale and privatization of state assets.

### **Banks' plan: disagreement over "calculating losses"**

In this context comes the objection of the banks and central bank. They portray themselves as the protectors of the free economy and the people's deposits against an unjust authority that wants to make them pay for its own default, all while insisting that the state upholds its responsibility towards people's deposits. In an attempt to contribute to the reform plan, the Bank Association of Lebanon reveals to us another plan, mainly based on the refusal to default on the payment of the internal debt by the state. Consequently, the dispute between the Association of Banks and the state was portrayed as a dispute on the "method of calculating losses." Ironically, while the authority's discourse, back when the Lebanese currency was still stable, used to reassure us that Lebanon's debt is mostly internal and therefore a high debt to GDP ratio is no reason for fear, Lebanon has proven through its Bank Association that negotiating with the internal creditor is almost more difficult than the external creditor.

The plan is also based on the idea that Lebanon is not bankrupt, since it still has its public assets through which it can pay the state's debts to banks. It also severely warns against the potential effects of a default on the repayment of internal debts, claiming that this will not lead to the economy's recovery - which is certain, as we are going through an economic crisis and we have exhausted all of our options so that we are left with the painful ones. Consequently, the Banks' Association takes the state's plan to a more

extreme approach. For example, it proposed the establishment of a government fund for debt relief, simply, holding 40 billion US dollars of state assets, from which it issues "guaranteed interest-generating and long-term securities" to cover the government's debt to the Bank of Lebanon, thus, securing banks' deposits and CDs at BdL. practically, reducing the proportion of government debts to be written off will result in greater austerity in expenditures and a higher social cost for the reform plan, not to mention the depletion of state assets and sacrificing the rights of future generations. Although the paper claims to save depositors' money and preserve the strongest and "most dynamic" sector in Lebanon and its credibility, practically, it only saves capital owners and large deposits' owners and promises to save the crisis-generating Lebanese model at the expense of the people.

### **Negotiations with IMF: Beyond the "Technical" Dispute**

Numbers of the economic plan were passed today to a parliamentary "fact-checking committee," whose mission is to reduce the number of losses. Far from the negotiations' drama with the International Monetary Fund and the internal disputes of the Lebanese delegation, it seems today that the government's plan has fallen, with the consent of the authority that is allied with the banks. The fall of the government's plan in favor of a more extreme approach, whose features began to appear, is nothing but the fall of technocrats, after the PM showed us that his "impartiality" is nothing but a more "polite" aspect of the sectarian authority that appointed him and to which he is accountable. [Chancellor Shaul's](#) resignation was the final blow for everyone who once believed that technocrats might present a solution, for problems that are essentially political and structural, rather than technical. On the other hand, the fall of the government plan is a blow to anyone who once believed that the political authority and the banks' authority are separate, and tried to impose a list of priorities on the revolution that starts with one authority falling before the other.

On the other hand, it seems that all negotiations with the IMF are about to fall anyway. At first sight, this may seem like a relief, but in reality, if the nightmare of the IMF ends, it is because

a bigger nightmare awaits us. There is nothing worse than the IMF's choice, except a reality where IMF is not even an option - for many reasons, including the depth of the crisis, the US sanctions, and the inability of the authority to implement the least reform requirement. While the "fresh dollars' injection" the IMF would have provided, and which would have provided temporary relief at least, might no longer be a possible scenario, the IMF recipe still is. In fact, the IMF recipe is still alive and well, in its most extreme form, and is being promoted today by the Lebanese Authority, which claims to present an alternative of "going east" instead of West (IMF support). Without going into the details of the debate on "going East", which is not necessarily a bad choice, but on the contrary, it is one of the requirements for diversification and multiplicity of economic relations, and it is already present anyway. However, "going East" raises many questions in light of the American sanctions, especially with Caesar's Act now in force. It also raises many questions about the extent to which the Chinese option, for example, is more "merciful" than the American option, knowing that China's record is replete with cases of seizures of state assets in case of default. And once again, we return to the main problem: Do we trust this authority? And based on what strategy will we negotiate in the first place, be it with the East or the West?

Beyond the "technical" dispute between the government, the banks, and BdL, and whether we need to go east or west, there is a system that reproduces itself. Its components might grapple at every turn, but only to reproduce a more extreme version, maybe with slightly different balances. Day after day, reform under this system becomes utopian thought, and the radical option is becoming the realistic one. Lebanon may have reached a stage where it is difficult to make any choice that might prevent economic and social collapse in the foreseeable future. But what is certain is that today, more than ever, the cost of reform has become much more than the cost of uprooting the system and building a radically different one.

# Refugee conditions deteriorate amidst multiple crises in Lebanon

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As multiple crises are simultaneously bearing down on Lebanon, its fragile humanitarian situation is nearing a breaking point. Lebanon hosts the highest proportion of refugees per capita in the world, including over [1.5 million](#) Syrian refugees and [174,000](#) Palestinian refugees, and has struggled to cope with the spillover effects of the nine-year conflict in Syria. On top of this, Lebanon now faces its worst ever economic and financial crisis, forecasted to push [half](#) of its population into poverty, all while combating the spread of coronavirus.

Although humanitarian assistance has helped mitigate the impact of protracted displacement, capacities to respond to multiple crises are under significant pressure. The rapidly deteriorating conditions of the Lebanese population and political turmoil in the country have become crises of their own. As Lebanon descends further into chaos and without the political consensus to respond to these crises, refugees and Lebanese, alike, will continue to suffer the effects of the humanitarian disaster for the foreseeable future.

## On the brink of economic collapse

Lebanon is facing immense economic pressure, which has ignited historic nationwide [protests](#) since October 2019. Lebanon's unsustainable debt is currently hovering around \$90 billion, about 170 percent of the Gross Domestic Product, and has pushed the government to [default](#) on its Eurobond debt for the first time. Following months of uncertainties, the government approved an economic reform [plan](#) in April, but it will entail several painful trade-offs, with the primary aim of attracting development funding from the International Monetary Fund (IMF) and other donors.

The beginning of the [free fall](#) of the Lebanese economy can date back to 2018. As of September 2019, a 60 percent decline in the value of the [Lebanese pound](#) has substantially diminished households' purchasing power and has significantly

raised the price of essential goods. More than [one-third](#) of the population has become unemployed as of May, with more than 220,000 [jobs lost](#) in the private sector since October 2019. Workers engaged in informal employment, such as low skill jobs, are estimated to be 55 percent of the Lebanese [workforce](#). They stand as the most vulnerable in society due to the lack of social protection guarantees in their employment and absence of an inclusive social protection system in Lebanon.

## COVID-19: Lack of refugee protection

Since March, the Lebanese government has imposed strict measures to stymie the spread of COVID-19. A [rising number](#) of cases and deaths—standing at a total of 1,368 cases and 30 deaths as of June 9—have raised fears that the national healthcare system, which is lacking in sufficient testing capacity and medical supplies, could become overwhelmed. Refugees continue to face [uncertainty](#) regarding hospital costs and their eligibility for care and have struggled to apply social distancing measures because their dwellings are generally overcrowded and suffer from substandard living and hygiene conditions.

Overall, refugees in Lebanon are unable to benefit from international [instruments](#) of refugee protection and more than two-thirds of Syrian households lack legal residency due to institutional barriers. Refugees constantly navigate risks of arrest, detention, abuse by security forces, exploitation from landlords and employers, difficulty accessing services, and a range of coercive [practices](#), from mass evictions to unlawful deportations to Syria. Policymakers have fueled hostility towards refugees by scapegoating them for a range of political and economic woes, including the recent economic crisis.

Moreover, the health crisis is increasing discriminatory measures towards refugees under the pretext of combating COVID-19. In April, humanitarian agencies found that at least twenty-one Lebanese municipalities introduced additional restrictions on Syrian refugees that

weren't applied to Lebanese citizens, according to Jad Sakr, the country director for Save the Children in Lebanon. "These restrictions further restrained people's ability to access cash or purchase basic goods," noted Sakr. "There was also an increased risk of stigma against these communities, coupled with the spread of misinformation and rumors of infection among refugees."

## Rising vulnerabilities and needs

With the onset of the economic crisis, the International Rescue Committee estimated in March that 90 percent of Syrian [refugees](#) are in need of food aid. The [World Food Programme](#) has observed a substantial rise in the prices of basic food commodities, like sugar and rice. This has rendered a number of once affordable items inaccessible to the nearly 70 percent of Syrian households living in poverty.

"The limited employment opportunities refugees had before, with the even higher cost of living now, is a concerning development," says Bachir Ayoub, policy lead for Oxfam in Lebanon. "Even if we are able to double humanitarian appeals, it might not be enough to meet the needs in Lebanon between host and refugee communities."

Many are concerned that refugee families will increase their reliance on negative coping mechanisms as they descend further into poverty, such as child marriage or [child labor](#), explained Sakr. "Within the home, these additional stresses of economic crisis and the pandemic can lead to more risks of gender-based violence, abuse, and neglect."

In fact, organizations reported increased cases of violence against refugee and Lebanese women and girls by as much as [100](#) percent in March, particularly, in the form of domestic violence. Meanwhile, nearly half of Syrian and Lebanese caregivers, [recently](#), reported increased levels of violence against children since the national lockdown caused by COVID-19.

The nation-wide [closure](#) of schools and non-formal education programs have also further impacted children throughout Lebanon, despite attempts to



sustain distance learning. Continued disruptions to education could increase school dropouts, especially, among Syrian refugees, which could, subsequently, force children into the labor force, child marriage, or begging.

## Need for humanitarian assistance

The gap between humanitarian needs and funding has consistently widened in Lebanon in spite of pledges made at international donor conferences year after year. Less than half of the \$2.6 billion appeal for the national [Lebanon Crisis Response Plan](#) was funded in 2019.

Failure to contain the convergence of crises in Lebanon will have long-term implications on the resiliency of displaced communities as the livelihoods and protection environment of refugees disintegrate. The convergence of crises can also further deteriorate state institutions and public order at a time of great social unrest and political deadlock in Lebanon, perpetuating greater levels of instability that impact refugees and Lebanese alike.

International humanitarian assistance will be necessary to address the widening disaster in Lebanon, but Ayoub argues that the moment “requires out-of-the-box thinking beyond our traditional classifications of what humanitarian funding should be and how it should look.” He says that the changes in Lebanon since the October revolution have produced a vastly “different operating environment; it’s a different country and the needs have changed.”

In addition to supporting the national response capacity to COVID-19, assistance should continue to support refugees to advocate for the fulfillment of their rights to protection and dignity. Humanitarian funding should exercise flexibility to adapt to the continuously evolving nature of the humanitarian crisis and account for the deepening vulnerabilities of Lebanese households in addition to refugees. From the perspective of many actors in Lebanon, the multi-dimensional crisis “amounts to a social justice crisis” and, therefore, there is need for a “longer term and more structured funding that would entail a stronger developmental and rights-based approach,” says Dr. Marie-Noelle AbiYaghi, director of Lebanon Support.

Donors should continue to support a diverse range of humanitarian actors, while increasing direct support to local civil society organizations, who are “always the first responders and have thorough knowledge of the needs of their communities,” as AbiYaghi astutely points out.

The Lebanese government has [launched](#) formal negotiations with the IMF for billions of dollars in development assistance, which will likely take a significant amount of time and will fail to sufficiently account for refugee needs. Indeed, the government did not clearly address humanitarian concerns in its proposed economic plan and IMF assistance is not designed for humanitarian purposes. All actors must, therefore, deliver a swift response to this new phase of Lebanon’s humanitarian crisis, which will continue to challenge the resilience of refugees for years to come.



