

Reflections on the Potential Socioeconomic Fallout of COVID-19 on Lebanon's Stability

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Introduction

Today, the world is facing grave challenges as the COVID-19 pandemic prompts an unprecedented response from countries around the globe. Socioeconomic crises are often the result of the complex interactions of many factors, the majority of which will be altered, and likely exacerbated, by the coronavirus outbreak. As medical facilities are put to the test, we are also beginning to witness secondary effects that the disease is having on economies and the well-being of people. The situation in Lebanon is no exception to this reality.

The first confirmed COVID-19 case was declared in Lebanon on February 21 and as of May 11, the number of cumulative cases has exceeded 800¹. Although the virus spread appears to be under control so far, its future evolution remains uncertain, particularly since the health sector has been severely impacted by an unprecedented economic crisis. Following the closure of educational institutions on February 29, the government on March 15 declared a state of "general mobilization", effectively bringing the country into full lockdown, closing private businesses, public administrations, and all ports of entry including the airport. Strict movement measures were also enforced, including the implementation of a daily curfew.

Underlying drivers of instability

While the Lebanese authorities' response was similar to that of most countries impacted by COVID-19, the outbreak hit Lebanon at a time when the country was already struggling with its worst socioeconomic crisis in decades. The unparalleled scale of the financial crisis coupled with the repercussions of movement limitations on livelihood opportunities have impaired the capacities of already vulnerable households to subsist and heightening pre-existing tensions between host and refugee communities². The economic downturn resulting from COVID-19 restrictions has also fueled underlying intra-Lebanese rifts and led to a significant increase in crime rates in response to job losses and deteriorating living conditions. Last but not least, the crisis is creating conditions for radicalization to thrive and the re-emergence of the terrorism threat.

Intra-Lebanese dynamics

Nationwide unrest over socioeconomic grievances and perceived political corruption has been ongoing for months. With the health crisis, tensions have further increased and while the spread of the virus has temporarily undermined efforts to organize mass demonstrations, there has been a resurgence in protests in recent weeks despite movement restrictions. In contrast to the initial stages of the protest movement in late 2019, the latest gatherings have been significantly more violent. Protesters have vandalized financial institutions and public property, while the security forces have used tougher measures to disperse crowds. Anger has been particularly directed at commercial banks for imposing informal capital controls by limiting US dollar withdrawals. Another chief driver of the latest bout of violent unrest has also been the rapid depreciation of the Lebanese pound and the severe

¹ Lebanese Ministry of Public Health

² Lebanon Crisis Response Plan, Situation Update, March 2020

deterioration in living standards³. Indeed, the value of the Lebanese pound has depreciated by more than 60% on the parallel market in comparison to the fixed exchange rate with the US dollar, which has been in place since the 1990s.

Prolonged government-mandated closures and movement restrictions have prevented daily and informal laborers, who account for roughly half of the labor force, from working. The liquidity crisis has also had a knock-on effect on prices of basic goods⁴, which have in some cases increased by 70%⁵. While the government in late March announced an aid package to support low-income households, the distribution of relief has been delayed following allegations that recipients were chosen on the basis of political affiliation, rather than need. Moreover, deepening rifts and an escalation in rhetoric between the government and its opponents signaled the beginning of another cycle of political and sectarian bickering over the economic and health crises.

Inter-communal tensions

Lebanon hosts the largest number of refugees per capita in the world⁶. Even prior to the onset of COVID-19, tensions between host communities and refugee populations were already high. With the spread of the virus, inter-communal relations have further deteriorated. Opinions are surfacing in mainstream media, and polarized social media posts, often centered on the criticality of ensuring preventative measures in refugee camps with many reference to the fear of an outbreak within the refugee community. Unfortunately, these concerns materialized when a first case was detected in al-Jalil-Wavel Palestinian refugee camp on April 22⁷.

These fears have also been translated into increased pressures on refugee populations and the imposition by local authorities of strict movement measures, including curfews and the prohibition of leaving camps or hosting visitors. Such arbitrary decisions have contributed to exacerbating pre-existing tensions, leading to a number of violent incidents between local residents and refugees.⁸

Emergence of secondary risks

COVID-19 restrictions coupled with the fallout of a deteriorating economy led to a notable upsurge in criminality. Official crime statistics⁹ for the period between 30 March and 10 April revealed that 132 incidents occurred across the country (compared to 80 for the same period last year) with Mount Lebanon registering 52 incidents alone. Around 67% of these incidents were home break-ins, approximately 27% were vehicle thefts and the remaining were robberies of pharmacies, supermarkets and other types of retail businesses. Around 23% of these operations reportedly involved the use of firearms or other life-threatening weapons.

³ The Daily Star, *Angry protesters vandalize banks in Lebanon's Sidon*, April 28, 2020

⁴ Middle East Eye, *Wheat shortages and rising food prices spell disaster for cash-strapped Lebanon*, April 11, 2020

⁵ France 24, *Lebanese protest against rescue plan as government seeks IMF help*, May 1, 2020

⁶ Lebanon Crisis Response Plan, March 2019

⁷ The Daily Star, *First COVID-19 case among Palestinian camp population*, April 22, 2020

⁸ April clashes between Ghazze (Bekaa) residents and refugees following the Municipal Council's decision to remove the Abdo Clinton camp

⁹ Data obtained from the General Directorate of Internal Security Forces

Militant groups have been largely contained in Lebanon, but a socioeconomic crisis of this size creates conditions for radicalization to violence among impoverished sympathizers of extremist political views. Absent genuine political efforts to contain this risk carefully, terrorist activities may reemerge. A number of foreign intelligence services have warned their Lebanese counterparts that militant groups may exploit the pandemic to resume operations in Lebanon¹⁰.

Forecast of Events

Based on the dynamics cited above, **the short term outlook** (the next 3 to 6 months) sees the resurgence of nationwide demonstrations, particularly once COVID-19 restrictions are eased and when the socioeconomic repercussions of the pandemic compounded by the effects of the financial crisis are felt more acutely. Although the level and scale of unrest are expected to match those already witnessed, the intensity of the protest movement will largely depend on the government's response to the demands of the protesters. Although the cabinet on April 30 announced the adoption of an economic rescue plan accompanied by a decision to negotiate financial assistance with the International Monetary Fund, it is likely that major parties will continue to block reforms that could compromise their privileged positions within state institutions. This will further jeopardize the government's position and undermine its legitimacy in the eyes of people. Any future spikes in protests are also likely to be manipulated by political groups, who have previously sought to capitalize on the protest movement¹¹ in a bid to divert it from achieving its goals. Increased competition between host communities and refugee populations over access to basic services¹² and increasingly diminishing job opportunities could also become another driver of social instability. Although a remote risk under this scenario, it is however possible for militant groups to use the preoccupation of authorities with COVID-19 and the upsurge in social unrest to resume activities in a number of areas.

A **mid-range scenario** (6-12 months) is marked by a considerable increase in the frequency and scale of protests, triggered by the implementation of austerity measures, such as cuts to public sector wages and social spending, as part of the government's economic plan, which will aggravate socioeconomic grievances and provide further momentum for violent unrest. Political parties continue to block meaningful reforms thereby delaying negotiations with the IMF. This scenario sees an escalation of unrest levels beyond those experienced so far, with an intensification of both inter-communal and intra-Lebanese tensions. Further economic pressures and subsequent social impact create an opportune environment for criminality to grow and the resulting instability will most likely be exploited by parties opposing the government to regain direct control of state affairs. In the event the government's main political backers withdraw their support during attempts to push through unfavorable reforms, this could prompt its resignation and usher in fresh political uncertainty against the backdrop of a deteriorating economy. Another prolonged deadlock over the formation of a new cabinet aggravates popular discontent with the ruling elite and prompts activists to further escalate violence. The profound socioeconomic impact of a new political crisis will further push more vulnerable communities into poverty with further decreased capacity to cover basic needs. This is likely to be translated into an escalation in intra-Lebanese and inter-communal tensions. Militant organizations may exploit the resultant chaos to regroup and make a comeback on the Lebanese scene.

¹⁰ Senior Lebanese security sources, April 2020

¹¹ Reuters, *Political manipulation seen behind Lebanon violent protests: U.N. official*, January 23, 2020

¹² Perception surveys on social tensions throughout Lebanon, ARK Wave, March 2020

A **longer run** (12-24 months) outcome centers on the total collapse of the economy, triggered by persistent political infighting and the failure of authorities to handle the declining economy, accompanied by widespread social chaos, civil unrest and a breakdown of law and order. Efforts by the security forces to contain unrest creates room for excessive use of force that can prove escalatory. Poverty expands and with it the risks of certain elements resorting to more violence, whether it be on a localized, individual, or organized level. Such outlook may entail a state of widespread lawlessness and a gradual disintegration of state institutions. Under these circumstances, the current Parliament's term (May 2022) expires and parliamentary elections are adjourned due to decidedly unfavorable security conditions to conduct polls or the failure of mainstream parties to agree on a new electoral law. Major political forces assume control of large swatches of the territory and Lebanon is plunged back into sectarian strife. Should armed confrontations along political/sectarian lines reemerge, the already weak political system might quickly unravel with imbalances convincing different leaders to covertly support a limited form of conflict to achieve political goals. The country once again becomes a proxy battleground for regional and international narratives and while Israel is not interested in open conflict with Hezbollah, a local effort against the group could also receive some support. Militants take advantage of the state's focus on the political crisis to expand their presence. At this point, a military government becomes the only viable solution to preserve the country's unity although the army is also unlikely to be totally exempted from the repercussions of a profound political and sectarian cleavage.

Conclusions and Recommendations

The socioeconomic implications of COVID-19 are complex and severe, with both short and long term effects. It is therefore crucial for the Lebanese government, as well as for other stakeholders, to take a number of actions to limit the risks this crisis may have on Lebanon's future stability.

Lebanese government

Addressing the risk of an imminent economic collapse requires the implementation of immediate steps to support vulnerable households to cope with the impacts of the pandemic. The aim should be to rapidly establish a *Social Stabilization Fund*, multilaterally funded by the IMF, World Bank and the Cedre Conference participants in order to create a targeted *Social Safety Net* structure to fight poverty and support basic needs of the most vulnerable. The *Social Stabilization Fund* could be tasked with issuing vouchers to be used for services freed from subsidy (fuel, electricity, etc.) as well as for the purchases of basic items such as food, medicines and other necessities.

The government must also enact a post-COVID-19 economic recovery plan to support businesses, particularly small and medium-sized enterprises, to quickly recover from the effects of the pandemic. This plan should include exceptional measures such as waivers on paying past tax dues, overdue National Social Security Fund contributions, and access to finance at zero rates to support companies struggling to pay their employees and cover urgent operational costs.

International partners

UN agencies, humanitarian organizations, and international donors must consider an urgent multi-sectoral, targeted and integrated response that will look at the specific needs of each segment of the population, and design interventions that are responsive to those requirements. Ensuring timely, adequate and equal access to job opportunities and basic services during and in the immediate aftermath of the outbreak remains critical to limit competition over scarce resources between host communities and refugees and mitigate the risk of further inter-

communal tensions. International donors must also demonstrate flexibility in re-channeling funding to support COVID-19 efforts.

International and local NGOs

Foreign and national NGOs must re-program and adapt new working modalities and take necessary actions to support to support vulnerable host communities and refugee populations. They must aim to work with the government and international partners to enhance the delivery of livelihoods emergency programs aimed at enabling those in need to sustain the impacts of the health crisis and graduate out of poverty. They should also advocate with the government, UN agencies and international donors to ensure that the rights of the refugee community are protected and their needs fully met.

About the author: Rabih Fayad has more than 20 years of professional experience in political and security risk analysis. He previously served in a variety of roles with numerous international organizations in the Middle East, Europe and Africa. He is currently based in Beirut where he is employed by a major international NGO.

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