

Lebanon Economic and Humanitarian Crisis

Forum: General Assembly

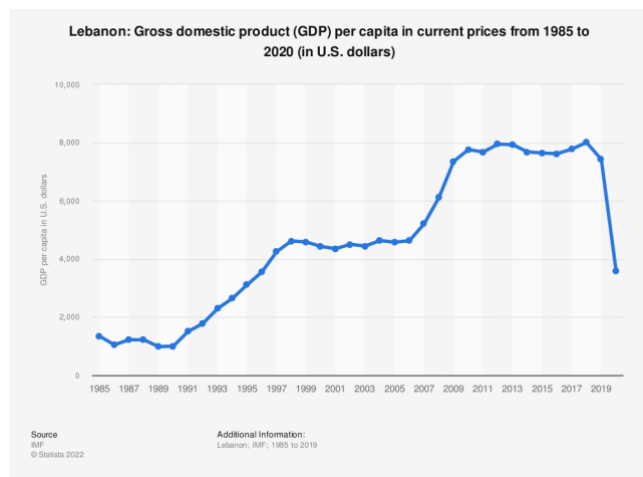
Student Officer: ShinWoo Park, Deputy Chair

Introduction

Lebanon, home to roughly six million people, has been known for its well-preserved historical remains and national position as a commercial and cultural center for the Middle East. However, as the twenty-first century has begun, Lebanon has been assailed by unprecedented challenges. One of those is the urgent economic crisis which has reached a level that threatens Lebanon's citizens' adequate standard of living. By going through global-scale events such as the outbreak of COVID-19 disease and the Beirut port explosion in 2020, which directly impacted and aggravated the economic situation in Lebanon, the majority of citizens could not have enough income to afford their necessities including food, medicine, housing, and education. Worse, Lebanon's political dysfunction hampers it from solving the fundamental problems. In order to ensure the citizens' rights and to protect Lebanon, the help from global society is deemed necessary.

Background

Lebanon struggled for more than three years due to the devastating multi-pronged economic crisis. Based on the Spring 2021 Lebanon Economic Monitor, Lebanon's economic crisis is the worst among the global economic crisis since the mid-nineteenth century. While GDP plunged from 52 billion U.S. dollars to nearly 23 billion between 2019 and 2021, many other economic hallmarks indicate the severity of Lebanon's economic challenges, making the World Bank reclassify it as a lower-middle-income country from an upper-middle-income country in 2022.



Lebanon's GDP graph (1985 – 2020)

Even though the sudden collapse of Lebanon's economy took place in 2019, the collapse itself was foretold. While the civil war in 1975, which was accompanied by a subsequent devaluation of the Lebanese currency, has damaged the overall economy of Lebanon, the Government's national Ponzi scheme financed an unsustainable economic model, and a significant portion of people's savings at commercial banks have been misused and misspent over the past 30 years. More, the arrival of significant numbers of Palestinian and Syrian refugees further burdened the economy. Consequently, by the end of 2019, Lebanon's public debt became 179% of its GDP. Then, in 2020, two major events posed critical damages to its

economy: the Beirut port explosion and the spread of COVID-19. Beirut port explosion on 4 August 2020, recorded as one of the biggest explosions in Lebanon's history, devastated the key infrastructures and health care systems and resulted in economic losses that are estimated to be more than 8 billion U.S. dollars. Aside from its direct damages, the blast weakened the Government's control over the pandemic and ultimately led to the failure of Lebanon's attempt to mitigate the spread of COVID-19, which seemed to be successful until July 2020. These incidents overall heavily impaired the economy.

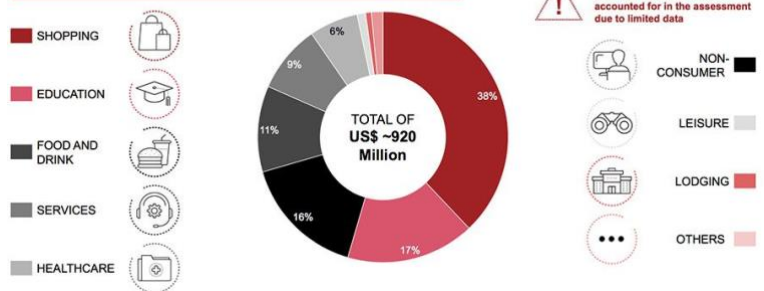
This brutal economic crisis harmed the citizens' lives, causing a series of severe humanitarian crises. After the economic shocks, Lebanon's social protection system has been fragmented, leaving people in all classes, including the elders and young children, without any protection. With the rising costs of living and unemployment, depreciating local currency, and skyrocketing inflation, the majority of households are suffering to pay for their essentials. Still, fewer than 5 percent could receive some sort of government assistance. As the Lebanese Government is currently incapable of solely resolving these issues, international actions should be made in response to these economic and humanitarian crises.

International Actions

Right after the explosion in the Port of Beirut, Lebanon received a devastating blow to its economy and infrastructure, making it impossible to provide enough social services and assistants to the people. According to the data collected by Consultant-me.com, the direct economic impact received by the area within a 4.1 km radius of the explosion is estimated to be a total of 920 million U.S. dollars, including massive damages to the foods, services, healthcare, and education sectors.

Summary of the economic impact *(excludes indirect economic impacts)*

REVENUES LOST BY SECTOR – within one from the explosion
(in US\$ Million, data from within a 4.1 km radius of the explosion)



Summary of the direct economic impact of Beirut Port explosion on the sector within 4.1 km radius of the explosion



Poster of Lebanon 3RF

As a comprehensive response to these damages, World Bank Group, EU (European Union), and UN (United Nations) started the 3RF. A people-centered recovery and reconstruction framework focusing on a period of 18 months, the 3RF aimed to help Lebanon achieve three goals: recovery that returns sustainable livelihoods to the citizens, reconstruction of critical infrastructures that provides equal access to the affected population, and

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lastly reform of government institutions to support those recovery and reconstruction. They argue that along with giving enough material supports to the affected individuals, regaining the trust of the Lebanese in governmental institution is imperative for successful recovery. Also, from December 18th, 2020, the LFF (Lebanon Financing Facility) has been formed with the goal of helping short-term socio-economic recovery after the explosion. The LFF, in alignment with 3RF, adopts flexible implementation modalities and strong supervisory oversight.

Possible Solutions

Various approaches can be made to resolve the issue of the current economic and humanitarian crisis in Lebanon. However, as reforming Lebanon and building better financial and social infrastructures require detailed yet swift actions in response to a highly fluctuating economy, the possible solutions should see the problems in three big terms: short, medium, and long-term, concerning the time after the crisis.

First, in the immediate or short-term, the member states and organizations should support Lebanon's citizens to pursue a higher level of living. As mentioned above, the detrimental effects of the economic crisis directly led to the humanitarian crisis, resulting in poverty and starvation all over the nation. While there can be state-level monetary subsidies, funding through NGOs such as UNICEF can also effectively support Lebanese people with the help of global citizens. However, because it requires enough public awareness of Lebanon's problems to successfully do so, possible solutions can additionally include ways to increase global awareness. Besides, solutions should focus on helping Lebanon to implement a credible macro-financial stability strategy, which will be the cornerstone for building a better Lebanon in the longer term.



Poster of a campaign aim to raise funds for the victims of the Beirut port explosion

In the medium term, the solutions should include specific steps to mediate immediate and long-term needs. Those steps will be carried out through comprehensive economic stability strategies. The strategies can aim to restructure the economy by achieving debt stability and securing the banking sector to ground the nation's economy to a firm base. This is because of Lebanon's high debt level and economic model, which heavily relies on the unstable scheme. The strategy should also seek measures to regain credibility from the citizens, such as building new monetary policy frameworks. In addition, apart from economic reformations, because one main fundamental cause of the Lebanese crises is political dysfunction and governmental corruption, measures to resolve those problems will be relevant to the topic.

Finally, in the long term, solutions should guide Lebanon to prioritize reconstructing good business environments, government, and institutions. To achieve this, constant international monetary aids and private investments are necessary. Also, urging Lebanese Parliaments to act in favor of the swift and large-scale reformations is important.

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Glossary

Ponzi scheme: a form of fraud in which belief in the success of a nonexistent enterprise is fostered by the payment of quick returns to the first investors from money invested by later investors.

GDP (Gross Domestic Product): the monetary value of final goods and services produced in a country in a given period of time.

World Bank Group: World Bank Group is one of world's largest sources of funding and knowledge for developing countries. It helps developing countries to achieve sustainable growth through measure such as financing investments, advisory advices, and mobilizing capitals in market.

3RF (Reform, Recovery, and Reconstruction Framework): a two-phase financing strategy for recovery and reconstruction building on ongoing humanitarian assistance and the in-kind support.

NGO (Non-Governmental Organizations): a nonprofit organization that operates independently of any governments, typically one whose purpose is to address a social or political issue.

UNICEF (United Nations International Children's Emergency Fund): UNICEF is an agency of the United Nations responsible for providing humanitarian and developmental aid to children worldwide.

Timeline

October, 2019 – Lebanon economic and financial crisis unfolds.

2020 – Global spread of COVID-19 becomes a threat to the world economy and exacerbates Lebanon's economy.

August 4, 2020 – A massive explosion happens in the Port of Beirut, Lebanon's capital.

December, 2020 – World Bank Group, along with European Union and United Nations, launches the Reform, Recovery, and Reconstruction Framework (3RF) to address the Lebanon's immediate needs.

December 18, 2020 – The Lebanon Financing Facility (LFF) is formally established to provide short-term socio-economic recovery of populations and businesses impacted by the explosion, and to support the Government of Lebanon.

July 2022 – Lebanon is reclassified by the World Bank as a lower-middle income country, down from upper-middle income status.

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