LEBANON

WHAT HAPPENED IN NOVEMBER?
Lebanon entered a presidential vacuum after parliamentarians failed to elect a successor to Michel Aoun. The vacuum boded ill for assembling an empowered cabinet. The state budget came into effect amid concerns over its potentially inflationary impact.

WHY DOES IT MATTER?
The presidential vacuum may persist for months or years if political blocs fail to compromise. It may prevent the formation of a new government that can enact reforms required to unlock International Monetary Fund support, compounding dire economic circumstances.

OCTOBER TRENDS
In a significant breakthrough, Lebanon and Israel signed a maritime border deal following months of Israel-Hizbollah tensions. Parliament failed to elect a president before the end of Aoun’s term, while government formation and progress toward reforms remained stalled.

PROSPECTS FOR ASSEMBLING A NEW CABINET APPEARED DIM
The likelihood of forming an empowered cabinet without a new president remained exceedingly slim, as politicians generally accept that this lies outside the powers of the caretaker administration now exercising presidential prerogatives.

Requiring consensus for most decisions, caretaker ministers will struggle to make reforms the country needs to obtain rescue from its economic woes. Prime Minister Mikati announced in October that he will convene the caretaker cabinet only “for urgent matters”, further weakening the government’s functioning.

CONCERNS OVER INFLATION PERSISTED AMID TROUBLED ECONOMIC OUTLOOK
The 2022 state budget came into effect on 15 November. It increased ten-fold the exchange rate for calculating customs duties. This may fuel another bout of inflation that will reduce purchasing power and increase poverty. The Lebanese lira reached a record-low of 41,000 to $1 in late November. The World Food Programme on 22 November announced it had earmarked $5.4bn in food assistance for the next three years, noting food prices are sixteen times higher than three years ago.

WHAT TO WATCH
The country’s main political factions may continue pushing for their preferred presidential candidates rather than seeking a compromise figure who can break the current deadlock.

A presidential vacuum and weakened government further complicate efforts to address the economic crisis as winter approaches. Many Lebanese households may struggle to run heating systems after the energy ministry on 28 November increased prices for almost all fuel products.

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