



**Atlas
Assistance**

Lebanon Monthly Report

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Content

Key takeaways	1
Political developments	2
Joseph Aoun's term extended	2
Economic developments	4
BDL maintains currency stability.....	4
BDL balance sheet trends pre-Gaza war.....	8
BDL balance sheet trends post-Gaza war.....	8
Humanitarian developments	9
Rising displacement from South Lebanon.....	9
Chart of total IDPs by date.....	10
Chart of IDP arrivals by district.....	10
Security developments	11
Border conflict at strategic stalemate	11
Chart of resistance attacks and fatalities per day.....	14
Chart of Israeli artillery barrages and airstrikes per day.....	14
Table of resistance actor attacks per IDF border position.....	15
Chart of IDF attacks in Lebanon by area.....	16
Map of security developments	17
Northern Lebanon	18
Developments in northern Lebanon	18
Map of developments in northern Lebanon.....	19
The Bekaa Valley	20
Developments in the Bekaa Valley.....	20
Map of developments in the Bekaa Valley.....	21
Beirut and Mount Lebanon	22
Developments in Beirut and Mount Lebanon	22
Map of developments in Beirut and Mount Lebanon.....	23
Southern Lebanon	24
Developments in southern Lebanon	24
Map of developments in southern Lebanon	25
Future developments	26
Political developments.....	26
Security developments	26
Our services in Lebanon	27
Disclaimer and copyrights	28



Key takeaways

Political developments

- 🕒 The Lebanese presidential vacancy has now lasted a total 14 months with no immediate end in sight.
- 🕒 On December 15th the Lebanese parliament passed a law that effectively postpones LAF commander Joseph Aoun's retirement by one year until January 2025, thus keeping him in the presidential race as the unofficial candidate of the Lebanese Forces and other parties that lobbied for his extension.

Economic developments

- 🕒 The central bank (BDL) has kept the currency exchange rate surprisingly stable in the five months since former governor Salameh retired and was replaced by his deputies led by Wassim Mansouri.
- 🕒 Mansouri and his colleagues have preserved currency stability by shelving their own stated plan of floating the lira over a six-month period and instituting a new trading platform run by Bloomberg.
- 🕒 Mansouri and his team have instead sustained the new de facto currency peg adopted by Salameh last March and are using the same policies to sustain it, primarily borrowing dollars from the ministry of finance and injecting it into the money market at discounted rates and buying it back a market rates. The mounting losses incurred in the process are hidden in a budget item tied to the ministry of finance.

Humanitarian developments

- 🕒 The resumption of hostilities between Hezbollah and Israel expectedly led to a new wave of displacement from the Lebanese border area, with the total number of IDPs rising from some 55,000 in late November to nearly 75,000 by mid-December, most of whom settled in Tyre, Nabatieh and Saida.
- 🕒 Neither the Lebanese government nor the humanitarian sector have yet produced comprehensive and systematic data of IDP humanitarian needs, but anecdotal evidence suggests they are great and unmet.

Security developments

- 🕒 The expiry of the Gaza truce on December 1st expectedly gave way to a resumption of hostilities between Hezbollah and Israel along the blue line at the same intensity observed in mid-November.
- 🕒 In the second half of December, the number of attacks by Hezbollah and IDF began declining and in the last week of the month stood at roughly half the level of mid-November and early December.
- 🕒 Besides the drop in number of attacks, virtually all other aspects of the hostilities remained unchanged over the past month - including types of weapons used, types of targets hit and the geographical scope of the operations - as a sense of stalemate set in at both the strategic and the tactical level.

Local developments

- 🕒 In North Lebanon pro-Palestine protests continue intermittently, gun violence remains common and popular anger simmers in Tleil after those accused of the deadly 2021 fuel blast were released on bail.
- 🕒 The Bekaa continues to witness historically low levels of civil unrest, violent crime and gun violence, while tensions rose in Zahle after a Skaff family employee was attacked by businessman Danny Rashid.
- 🕒 Beirut and Mount Lebanon continue to witness low rates of civil unrest, violent crime and gun violence while the region, especially the capital, suffered immensely from a series of floods in December.
- 🕒 In South Lebanon pro-Palestine protests remain concentrated in the Palestinian refugee camps, while controversy rose as the trial of UNIFIL soldier Sean Rooney's alleged killer was postponed six months.

Future developments

- 🕒 No president will be elected in January as political parties – especially the FPM - assess their options after the term extension of LAF commander and unofficial presidential candidate Joseph Aoun.
- 🕒 Cross-border hostilities between Hezbollah and Israel will continue in January at the same medium levels seen in the second half of December while both sides ponder long term plans and exit strategies.



Political developments

Joseph Aoun's term extended

Lebanon's presidential vacancy is now entering its 15th consecutive month with no clear end in sight. The dynamics and key players in the race remain the same after the Lebanese politicians mustered the minimally required political will to extend the term in office of LAF commander Joseph Aoun, who was otherwise headed for retirement on January 10th. As detailed in our last monthly report, Aoun has not declared his candidacy for the presidency and has not been officially named as a candidate by any party either. He nonetheless remains an essential piece in the presidential puzzle as the tacit candidate of many Lebanese parties and foreign embassies. The intense struggle over his term extension in December did only corroborate this analysis. But the battle for Aoun's career and its implications on the presidency was not only intense but also densely packed with bizarre manoeuvres and real or perceived conspiracies. Indeed, up until the last moment it was uncertain if Aoun's term would be extended and, if so, how.

Caretaker prime minister Najib Mikati and parliamentary speaker Nabih Berri had been passing the buck back and forth for weeks, trying to force the other to take responsibility for an Aoun extension. Both leaders had legal concerns. Mikati had doubts over the legality of a decree issued by his caretaker cabinet to extend Aoun given the expected opposition from caretaker minister of defence Maurice Salim and other Free Patriotic Movement (FPM) cabinet members. For his part, Berri was unsure if a quorum could be secured for a legislative session in parliament given that most christian parties have refused legislative activity in the absence of a president. Berri also knew that passing a law in parliament to extend Aoun's term only would be illegal as no law can be passed to benefit just one person. Berri also had political concerns: extending Aoun's term would keep him in the presidential race as the main challenger to the speaker's own candidate Sleiman Frangieh. However unwilling to end up with the buck, Mikati and Berri were also keen on avoiding the unprecedented scenario of leaving the Lebanese army without a commander, especially given the immense pressure from some embassies to prevent this scenario. Berri and Mikati were also facing heat from christian parties and the maronite church to avoid a vacancy in the third top christian post in the state after the presidency and the governorship of the central bank. The FPM was the exception to this trend and opposed an Aoun extension as illegal or even unconstitutional. Hezbollah took no clear stance as endorsing an Aoun extension would strain relations with the FPM while opposing it would expose it to criticism of being responsible for leaving LAF without a commander. Hezbollah did however seem to favour a solution to the Aoun conundrum in parliament where it would not hold the decisive votes, unlike in cabinet where Hezbollah can make or break quorum with the FPM.

After several unsuccessful bids by Mikati to convene the cabinet to discuss the Aoun extension, Berri on December 7th scheduled a parliamentary bureau meeting the following week to prepare for a legislative session. Chaired by the speaker, the bureau has the vital role of setting the agenda for legislative sessions in parliament, choosing both what bills will be voted on and in what order. It ignored the 'Aoun extension bill' drafted by the Lebanese Forces because it had insufficient legal and political viability by benefiting only the LAF commander. Instead, the bureau included another bill submitted by the sunni-majority Future Movement-linked National Moderation bloc led by Walid Baarini raising by one year the retirement age of all officers with rank of general and major general, thus also benefiting sunni ISF general-director Imad Othman. Crucially, the parliamentary bureau carefully inserted this extension bill at the bottom of the agenda after a range of draft laws sponsored by Berri and his political allies. Under its chairman's experienced leadership, the parliamentary bureau thus ensured that the Lebanese Forces and other parties demanding an Aoun extension would first have to help adopt a tranche of legislation nearly cherry-picked by the bureau and thus set a precedent of the parliament legislating during a presidential vacancy. Another way of phrasing it was that the extension bill was held hostage politically. Having set the agenda (or 'trap'), the parliamentary leadership scheduled a legislative session on December 14th.



Three days before the legislative session, voices in the anti-Hezbollah opposition began warning of trap. Independent Zahle MP Michel Daher warned of a nefarious plot allegedly hatched by the ruling parties. He claimed to possess information that Mikati was planning to convene the cabinet on December 15th one day after the parliamentary legislative session, to adopt an Aoun extension. Daher prophesised that the long agenda set for the legislative session on December 14th and the inclusion of thorny issues in need of protracted debate like a capital controls law would ensure that the extension bill intentionally placed at the bottom of the agenda would not be voted on. Berri would therefore have no choice but to suspend the session and schedule its continuation the next day, December 15th, after the cabinet session being planned by Mikati. Daher predicted that the cabinet would decree a six-month extension for general Aoun *only* and that parliament would then use this as a pretext to not vote on the extension bill benefiting other officers too in its legislative session later the same day. The cabinet decree would then be appealed by the FPM at the State Shoura Council, which would likely annul it due to its questionable constitutional and legal basis and the council's affiliation with FPM. In this way, Daher warned, a triumvirate of Mikati, Berri and FPM leader Gibran Bassil had hatched the perfect plot: the former would gain credit for initially extending Aoun, the second would have earned the opposition's support for a lot of other legislation, while the third would see Aoun retire. Everyone else would be angry and blame the State Shoura Council.

The political conspiracy detected by Daher seemed very plausible. Within 24 hours his warnings were echoed by most of the opposition to Hezbollah, including the Lebanese Forces, Kataeb and many media like MTV, Nida al-Watan and L'Orient LeJour/Today. The prophecy seemed to come true when Mikati defended the cabinet's right to extend Aoun, then refused to deny planning a session on the 15th and then scheduled an actual session on that exact date. Daher's predictions nearly materialised when the December 14th parliamentary legislative session expectedly bogged down in debates and votes on other draft laws, thus failing to reach the Aoun extension bill and obliging Berri to schedule a follow-up session the next day, December 15th, after the cabinet session called for by Mikati. But then events took a bizarre turn. Either the conspiracy sensed by Daher did not exist or it was poorly executed in the decisive moment. But the cabinet session surprisingly failed to make quorum because the FPM ministers maintained their usual boycott, thus preventing the adoption of Aoun extension decree that FPM could have had overturned at the State Shoura Council and thus secured Aoun's retirement on January 10th. Instead, it amplified the pressure on parliament to adopt it by law. FPM thus did the exact opposite of what Daher prophesised and in contrast to what even casual observers would expect given the party's zealous determination to see Aoun retire. There is no clear explanation for FPM's politically bizarre behaviour. Perhaps it sensed that Mikati was trying to bait it into abandoning its boycott and normalise cabinet sessions during a vacant presidency just as Berri had outwitted the Lebanese Forces into normalizing legislative activity in the parliament without a president. Mikati could have achieved this in the same way as Berri by keeping the Aoun extension decree at the bottom of the agenda of the December 15th cabinet session, or he could have conspired with Berri by having parliament adopt the bill later in the day in any case.

FPM's motives for boycotting the December 15th cabinet session and thus thwarting the Aoun extension decree the anti-Hezbollah opposition had warned of remain obscure. But in doing so, FPM helped pass the buck back to parliament and raised pressure on the hose to adopt the broad extension bill placed on the agenda by Berri that will be harder for the FPM to overturn. Quorum was only narrowly secured. Hezbollah MPs were present during the debates over and votes on all the other laws but left the house when the extension bill reached the floor to demonstrate to the FPM that they had no role in passing it. Conversely, Kataeb and other self-styled reformists were absent from the floor during the votes on all the initial draft laws and only attended when MPs reached the extension bill to show that they solely endorse 'legislation of necessity'. Hezbollah and the 'changeists' thus basically took turns in providing a quorum throughout the session for the bills they respectively backed. In this chaotic manner, parliament passed the law raising by one year the retirement age of all generals and major generals, effectively extending Aoun's term as LAF commander until January 2025 and keeping him in the presidential race for now.



Economic developments

BDL maintains currency stability

Going into 2024 the Lebanese central bank (BDL) is defying all expectations by maintaining the stability of the national currency. Despite political crisis, economic meltdown and war on the southern border, the Lebanese lira has remained stable at 89,000 LBP/USD at the market currency exchange rate. This was the same rate former BDL governor Riad Salameh preserved from late March 2023 until he left his post in disgrace in late July. The preservation of Salameh's "new peg" since he retired is all the more surprising because the new BDL leadership led by first deputy governor and acting governor Wassim Mansouri promised to float/unpeg the lira when it came to power. In July before taking office, Mansouri and the other deputy governors Salim Chahine, Bashir Yaqzan and Alexander Mouradian presented an ambitious plan for comprehensive monetary and financial policy 'correction' in the post-Salameh era. As detailed in our August and September reports, the plan envisioned a six-month transition from the Salameh era to a new era of more sustainable and transparent monetary and financial policy. During the transition, BDL would gradually float the lira by letting the market exchange rate actually be determined by the market forces of supply and demand. BDL would also allow the Lebanese government to borrow 200 million USD per month during the six-month transition to finance critical public expenditures. The four BDL deputy governors' plan also entailed that during the transition the Lebanese cabinet and/or parliament would pass the major reforms expected by the IMF and the international community since mid-2020, such as the capital controls law, a balanced state budget, and financial sector and public debt restructuring plans.

It has now been five months since Mansouri and his colleagues presented their correction plan and prepared to implement the transition after assuming the reigns at BDL on August 1st. But apart from ceasing lending from BDL reserves to the Lebanese government, no part of the BDL deputy governors' plan has been implemented. The main reason is that there is insufficient political will in cabinet and parliament to pass the big reforms like a capital controls law, a balanced public budget and a financial sector restructuring plan. Given that the executive and legislature had refused to pass the reforms since they were first mulled by the former Diab cabinet in early 2020, it is unclear why the new BDL leadership would hinge its plan on steps that cabinet and parliament had clearly and repeatedly shown they were unwilling to take. Whatever the reasons, as predicted in our September report, the plan is in limbo, and BDL has not even explained if the transition is postponed, expired or cancelled. Moreover, the new BDL leadership shares some responsibility as it has only implemented one of two reforms set out for itself: ceasing lending to the government from its dollar reserves. The other step, gradually de-pegging the lira, remains unfulfilled. The gradual floating of the lira was meant to be implemented via a new currency exchange platform run by American company Bloomberg. It would replace the Sayrafa platform launched under Riad Salameh by his assistant Marianne Huwaik and suspected of being at the centre of a vast scheme of corruption and speculation against the Lebanese currency. The new BDL leaders halted trading on the Sayrafa platform and it is now used only to set the rate at which public salaries will be disbursed in dollars and some residual subsidies. The Bloomberg platform was expected to be launched in September or early October but was delayed for reasons unclear. After the Gaza war began spilling over into Lebanon on October 8th, the launch of the Bloomberg platform was postponed indefinitely.

In sum, the underlying reason that the Lebanese lira has remained stable since August 1st is that BDL has abandoned its initial plan to float the national currency and instead continued the policy inherited from Salameh of de facto pegging the exchange rate at the ~89,000 LBP/USD mark. In other words, the lira is stable because BDL – and surely the political establishment too – wants it to be so. If BDL accepted that the lira would be subject to the market forces, the exchange rate would by now have turned unstable. But intent alone obviously does not explain how BDL has managed to preserve the exchange rate stability. That requires a probe into the actual monetary and financial policies adopted by the bank since August.



One of the changes that acting BDL governor Wassim Mansouri and his colleagues made at the central bank after taking over is its accounting practices. As mentioned in our September report, BDL did not issue any of its usual bi-monthly balance sheets in August. The deputy governors were buying time to ascertain BDL's actual financial position, implying there was reason to doubt the validity of the figures published under Salameh. In addition, the new BDL leadership wanted to upgrade the accounting practices to be in line with international practice and to be more transparent about the bank's position when the balance sheets were again issued on a regular basis. This began happening in September and they have been duly published roughly every 15 days since then. The new more transparent and reliable BDL balance sheets however leave little doubt that Mansouri and the other deputy governors are using the same policy tools to maintain exchange rate stability that Salameh himself used from late March to July.

Most items in BDL's balance sheets see no major change over time. Among assets, BDL's gold reserves, foreign currency reserves, securities portfolio, loans to the public sector, assets from exchange operations on financial instruments, and its fixed assets changed at most 2% up or down in the three months from mid-August to mid-October. The same continuity is observed on the liabilities side of BDL balance sheets where currency in circulation, re-valuation adjustment, other liabilities, and the capital account barely moved over the same three months. In fact, only two budget items – one on the asset side and one on the liabilities side – underwent significant shifts from mid-August to mid-October. Among BDL assets 'Re-valuation adjustment (Articles 75&115 of C.M.C)' is the only item that really changed in those three months. It did, in fact, balloon from 617 trillion LBP on August 1st when Mansouri took over to 629 in mid-August, 643 trillion LBP in mid-September and 655 trillion LBP in mid-October. As detailed in our July report, the 'Re-valuation adjustment (Articles 75&115 of C.M.C)' among assets is a budget item invented by Salameh to hide BDL losses from currency exchange market interventions by booking them as assets. The losses are incurred when BDL buys dollars at the market rate and sells at below-market rate to stabilise the market rate. These losses are booked as assets using a legal article allowing BDL to claim the losses reimbursed by the ministry of finance. The rise in 'Re-valuation adjustment' among assets thus shows that BDL incurred more than 25 trillion LBP in losses from mid-August to mid-October on currency exchange market interventions aimed at stabilising the national currency. This equals 1.7 billion USD at the official exchange rate of 15,000 LBP/USD or 281 million USD at the market rate of 89,000 LBP/USD.

BDL's losses from exchange rate interventions are not incurred by literally selling dollars via Sayrafa or by any other mechanism. Just as in the last four months of the Salameh era, BDL has practically ceased selling dollars from its reserves in the traditional sense. Instead, the main mechanism for injecting USD from BDL reserves into the money market is via the disbursement of public sector salaries as cash dollars. This arrangement was set up by Salameh and is sustained by his successors for the same reason. It avoids inflating the amount of lira in circulation, the rise of which has been the primary driver of the surging dollar rate since 2019. Disbursing public sector salaries in cash dollars also protects the purchasing power of civil servants by insuring them from potential currency exchange rate fluctuation. A second method by which BDL incurs losses is in the sales of dollars to importers of critical items like cancer medicine. BDL incurs financial losses from these two mechanisms because the lira-denominated public sector salaries and the lira price of cash dollars for cancer drug imports were calculated using a below-market exchange of ~85,000 LBP/USD. BDL's leadership thus sustained Salameh's policy of disbursing (i.e. selling) dollars from BDL reserves at a discount and incurring the bank an economic loss of around 4,000 LBP per dollar leaving the reserves. This loss is realised when BDL buys back the same dollar from the market at the market rate of 89,000 LBP/USD. The new BDL leadership thus continues to run Riad Salameh's dollar carousel: it injects dollars from its reserves into the market at discounted rates and then buys back the same dollars at the market rate to avoid depleting its foreign currency reserves. BDL thus suffers no dollar-denominated losses that would appear on the asset side of its balance sheets. And the lira-denominated losses incurred in this continuous process are booked as assets under a budget entry - 'Re-valuation adjustment (Articles 75&115 of C.M.C)' - that shifts the losses to the ministry of finance.



The 25 trillion LBP in financial losses incurred by BDL during money market interventions from mid-August to mid-October and accounted for among its assets in 'Re-valuation adjustment' are naturally also shown on the liabilities side of its balance sheets. The liabilities hide the signs of how BDL is actually organising the buyback part of the dollar carousel. As detailed in our July report, Riad Salameh relied on two tools. One was expanding the LBP supply and basically printing the lira needed to buy back the dollars sold at a discount. In three months from April 1st to July 1st, Salameh expanded the lira supply by nearly 25% from 65 to 80 trillion LBP, in effect injecting into the economy cash LBP with a value of 1 billion USD at the official rate of 15,000 LBP/USD or 169 million USD at the market rate. As injecting cash lira into the economy undermines the objective of stabilising the dollar rate, Riad Salameh increasingly began using another tool to finance the dollar buyback scheme without raising the lira supply. He instead started registering huge amounts in the budget item known as 'other liabilities'. BDL has never explained what 'other liabilities' means. But as detailed in our July report, it likely covers accounts opened in BDL on behalf of those who sell it USD at the market rate, probably a few select banks and money exchangers with ties to political elites. These accounts reminisce 'I owe you' documents and represent lira owed by BDL but not yet in circulation. They therefore do not raise the lira supply in the real economy. Notably, 'other liabilities' more than doubled from 16 to 37 trillion LBP from April 1st to mid-July last year as Riad Salameh sought to hide some 20 trillion LBP owed by BDL to whoever was selling it cash dollars.

But the new BDL leadership is neither printing lira nor opening credit accounts for large dollar traders to fund the buyback part of the dollar carousel set up to stabilise the exchange rate. Lira in circulation plummeted from 81 to 61 trillion LBP in July as Salameh during his last month in office soaked up huge amounts of cash lira by selling dollars. After he retired, the amount of lira in circulation stabilised. As shown in the chart below, LBP in circulation changed less than 1% in the three months from mid-August to mid-October and hovered steadily around 61 trillion LBP. 'Other liabilities' also remained stable. It had plummeted from 37 to 17 trillion LBP in the last two weeks of Salameh's term in July, apparently as he paid out 20 trillion LBP to BDL's unknown creditors. Judging from the steep drop in BDL dollar reserves at the time, the 20 trillion LBP may have been disbursed mostly in USD at the official rate of 15,000 LBP/USD (1.3 billion USD) instead of the market rate 89,000 LBP/USD (224 million USD). It seems BDL creditors sold one dollar at the market rate of ~90,000 LBP/USD and then had the same 90,000 LBP converted back to dollars at the 15,000 LBP/USD rate. Creditors thus got back six dollars for every dollar they lent to Salameh, probably one of the highest rates of return on any three-month investment. This scheme has however ended under BDL's new leadership. 'Other liabilities' has changed little, rising slightly from 16.7 trillion LBP in mid-August to 17.8 trillion LBP three months later in mid-October.

As BDL neither inflates the lira supply nor opens credit accounts for its dollar sellers, it appears to fund the USD injections with dollars *borrowed* (not 'lent') from the government. 'Public sector deposits' (i.e. government loans to BDL) is the only item among BDL's liabilities that changed significantly in the first three months after Mansouri became BDL governor. It surged 30% from 125 trillion LBP in mid-August to 157 trillion LBP in mid-October. The stunning trend in public sector deposits is not new but began under Salameh. Public sector deposits stood at 71 trillion LBP in mid-February and rose steadily to 110 trillion LBP mid-July, an average of 10 trillion LBP per month. After Salameh retired on July 31st, public sector deposits in BDL grew from 115 trillion LBP on August 1st to nearly 147 trillion LBP in mid-September, twice the pace of the Salameh era. Public sector deposits rose by 32 trillion LBP in total in three months from mid-August to mid-October. This is the only significant change among BDL's liabilities in that period and exceeds the 26 trillion LBP in 'Re-valuation adjustment' on the asset side covering losses from exchange market interventions. In short, BDL sustains its injections of USD into the market not by buying it back with freshly printed cash lira nor by opening credit accounts for its brokers but by borrowing fresh USD from the government. The increasing amount borrowed is properly booked among liabilities as 'public sector deposits' while losses are disguised as assets in the 'Re-valuation adjustment' entry. These losses belong to the ministry of finance, which is lending BDL the dollars in the first place.



In sum, the main way BDL injects discounted dollars into the money market to maintain exchange rate stability is by borrowing USD from the government. The money borrowed is registered in public sector deposits among liabilities in BDL balance sheets while losses are booked among assets as part of the Exchange Stabilisation Fund in the 'Re-valuation adjustment'. This dynamic is shown in the relationship between the two balance sheet items whose month-to-month variations are almost identical apart from late July when Salameh did his last trick before leaving office. BDL is able to borrow fresh dollars from the government because the latter has dollarized a lot of public revenues like airport passenger and transit fees and customs tariffs. Ironically, it was historically BDL lending dollars to the government but the relationship has now reversed as the ministry of finance earns the dollars that BDL needs. Public sector deposits in BDL more than doubled from 85 to 176 trillion LBP from May 1st to December 1st, equal to 6 billion USD at the official rate of 15,000 USD/LBP and 1 billion USD at the market rate of 89,000.

Borrowing from the government is not the only tool used by the new BDL leadership. It also continues to buy dollars from the market, albeit on a smaller scale than under Riad Salameh when the buyback mechanism had to steadily accelerate as the dollar carousel turned at rising speed. BDL has also suspended trading on Sayrafa and thus curbed the wanton exchange rate manipulation it permitted. BDL has also urged the ministry of finance and commercial banks to limit lira liquidity in the market to stem the dollar rate. BDL also let circular 151 expire in December. It was issued by Salameh in 2020 to allow depositors to withdraw cash LBP from USD-denominated accounts at rates below the market rate. This helped eliminate 30 billion USD in dollar/lollar deposits from banks' balance sheets by turning it into cash LBP. But this contributed to a five-fold increase in the LBP lira supply that was the main driver of the collapse of the Lebanese currency. After assuming office, Mansouri has advised depositors not use circular 151 until the new state budget is passed as it will raise the official rate from 15,000 to ~89,000 LBP/USD, thus allowing depositors to recoup a fairer share of the value of their dollar deposits. As a result since August few depositors have used circular 151, thus stemming the rise in the lira supply. Mansouri has also pressed commercial banks to adhere to circular 158 allowing depositors to withdraw some amounts of cash dollars from their dollar accounts to raise the dollar supply in the economy and stem the rise in the exchange rate. BDL's goal of stabilising the dollar rate has been aided by a rise in remittances since the Gaza war began as the diaspora began sending more money to help relatives at home manage the crisis.

The stable trends in BDL's balance sheets used to gauge its policies since Mansouri took office have been upset by the start of the Gaza war and its effects on Lebanon. The conflict at first raised world gold prices and led BDL gold reserves to rise in value by 22 trillion LBP from mid-October to mid-December. BDL has not explained how it accounts for this artificial expansion of gold assets. It did not create an ad hoc item among liabilities in its balance sheets to reflect as other central banks do. The rise in gold has been coupled on the assets side by a multi-trillion LBP drop in 'Re-valuation adjustment', the first time the value of this entry has decline since it was introduced. It is unclear how rising gold prices make BDL lose less money on stabilising the currency. Among liabilities, lira in circulation shrunk 5 trillion LBP from mid-October to mid-November, also with no clear sign of how this relates to gold prices. 'Other liabilities' increased by 3.5 trillion LBP over the same period, still with no information of what this item covers of what drives its changes. Changes in the relative value of dollars, euro and other components of BDL's foreign currency portfolio further complicate analysis of BDL policy after the Gaza war began. BDL has said it was able to raise its foreign currency reserves by 400+ million USD and simultaneously lower the lira supply. This is confirmed by its balance sheets but seems incredible since buying lira from the market implies spending dollars. Again the explanation lies in a 30 trillion LBP rise in public sector deposits from mid-October to mid-December allowing BDL to buy back trillions of LBP from the market while raising its foreign currency reserves. It thus seems BDL maintains the gravity-defying exchange rate stability by borrowing dollars from the government while incurring mounting losses hidden in its balance sheets as a ministry of finance issue. The current, deceptive currency stability will be impossible to sustain if/when the 2024 public budget is passed and if depositors be able to withdraw lira from their USD-denominated accounts at the 90,000 LBP/USD rate instead of the 15,000 one, as this will cause the lira supply to surge.



BDL balance sheet trends pre-Gaza war

	August 15 th	September 15 th	October 15 th
Assets			
Gold	265 trillion LBP	265 trillion LBP	260 trillion LBP
Foreign assets (foreign currency reserves)	208 trillion LBP	209 trillion LBP	210 trillion LBP
Securities portfolio	66 trillion LBP	66 trillion LBP	66 trillion LBP
Loans to the public sector (i.e. government)	249 trillion LBP	249 trillion LBP	249 trillion LBP
Loans to the financial sector (i.e. local banks)	16 trillion LBP	16 trillion LBP	17 trillion LBP
Re-Valuation adjustment (i.e. losses on money market interventions shifted to the MoF)	629 trillion LBP →	643 trillion LBP →	655 trillion LBP
Assets from exchange operations of financial instruments	18 trillion LBP	18 trillion LBP	18 trillion LBP
Other assets (market ops. and seignorage)	102 trillion LBP	104 trillion LBP	107 trillion LBP
Fixed assets	0.5 trillion LBP	0.5 trillion LBP	0.4 trillion LBP
Total assets	1,554 trillion LBP	1,570 trillion LBP	1,582 trillion LBP
Liabilities			
Currency in circulation outside BDL	62 trillion LBP	61 trillion LBP	61 trillion LBP
Financial sector deposits (bank deposits in BDL which are lost and have become lollars)	1,339 trillion LBP	1,332 trillion LBP	1,333 trillion LBP
Public sector deposits (i.e. loans from the government/ministry of finance)	125 trillion LBP →	147 trillion LBP →	157 trillion LBP
Re-Valuation adjustment	0 trillion LBP	0 trillion LBP	0 trillion LBP
Other liabilities	16 trillion LBP	17 trillion LBP	18 trillion LBP
Capital account	13 trillion LBP	13 trillion LBP	13 trillion LBP
Total liabilities	1,554 trillion LBP	1,570 trillion LBP	1,582 trillion LBP

BDL balance sheet trends post-Gaza war

	October 15 th	November 15 th	December 15 th
Assets			
Gold	260 trillion LBP →	273 trillion LBP →	283 trillion LBP
Foreign assets (foreign currency reserves)	210 trillion LBP	213 trillion LBP	217 trillion LBP
Securities portfolio	66 trillion LBP	66 trillion LBP	65 trillion LBP
Loans to the public sector (i.e. government)	249 trillion LBP	249 trillion LBP	249 trillion LBP
Loans to the financial sector (local banks)	17 trillion LBP	17 trillion LBP	16 trillion LBP
Re-Valuation adjustment (i.e. losses on money market interventions shifted to the MoF)	655 trillion LBP →	652 trillion LBP →	651 trillion LBP
Assets from exchange operations of financial instruments	18 trillion LBP	18 trillion LBP	18 trillion LBP
Other assets (market ops. and seignorage)	107 trillion LBP	111 trillion LBP	114 trillion LBP
Fixed assets	0.4 trillion LBP	0.5 trillion LBP	0.5 trillion LBP
Total assets	1,582 trillion LBP	1,595 trillion LBP	1,614 trillion LBP
Liabilities			
Currency in circulation outside BDL	61 trillion LBP →	55 trillion LBP →	59 trillion LBP
Financial sector deposits (bank deposits in BDL which are lost and have become lollars)	1,333 trillion LBP	1,332 trillion LBP	1,335 trillion LBP
Public sector deposits (i.e. loans from the government/ministry of finance)	157 trillion LBP →	177 trillion LBP →	186 trillion LBP
Re-Valuation adjustment	0 trillion LBP	0 trillion LBP	0 trillion LBP
Other liabilities	18 trillion LBP	19 trillion LBP	22 trillion LBP
Capital account	13 trillion LBP	13 trillion LBP	13 trillion LBP
Total liabilities	1,582 trillion LBP	1,595 trillion LBP	1,614 trillion LBP



Humanitarian developments

Rising displacement from South Lebanon

As predicted in our last monthly report, the collapse of the Gaza truce on December 1st and the ensuing resumption of cross-border hostilities between Hezbollah and Israel has exacerbated the displacement of civilians from South Lebanon. The number of internally displaced persons (IDPs) registered by IOM changed little in the beginning of December, with virtually no change in numbers from November 28th to December 5th. Over the following week however intensifying hostilities between Hezbollah and Israel drove the number of IDPs from ~55,835 to 64,053 by December 12th. The number jumped by another 8,000 in just two days, perhaps due to irregularities in data gathering or due to a methodological issue since there was no rise in the intensity of hostilities from December 12th-14th. If anything, hostilities were de-escalating at that time (see more below). In any case, the IDP number stabilised after December 14th and had settled close to 75,000 by December 26th. Despite the ~35% rise in IDP numbers, there was little change in geographical displacement patterns over the past month. Nearly 90% of all IDPs hail from Nabatieh governorate, with close to 80% of the total number originating from Bint Jbeil or Marjayoun districts. Most of the roughly 75,000 IDPs continue to prefer fleeing to nearby areas such as Tyre district (31%), Nabatieh district (18%) and Saida district (16%). As such, these three districts host roughly two-thirds of all IDPs while another 13% have found refuge in Beirut district and the city's southern suburbs in Baabda district. As such, 20% of Lebanon's 25 administrative districts host almost 80% of the IDPs.

The latest IOM Mobility Snapshot also reveals some curious changes in IDP shelter patterns. Between late November and late December, the number of IDPs residing with host families surged from 57% to 80% while those sheltering in second homes dropped from 12% to 1% and those renting alternating housing declined from 28% to 17%. As such, a roughly 20 percentage-point increase in IDPs sheltering with host families was offset by 10 percentage-point drops for secondary homes and rental housing. These notable shifts indicate that the more affluent southerners with access to alternative housing like secondary homes or budget to afford rental housing were overrepresented in the first waves of displacement in October and November while those without such material privileges were more likely to stay in the south. When Israeli attacks resumed in December and increasingly targeted civilian population centres, more destitute locals fled despite having no alternatives but to seek refuges with host families or the government's under-resourced public shelters. The 14 government shelters in Tyre, Saida, Rashaya and Hasbaya only host slightly more than 1,000 people, barely 1.5% of the total number. But the 'displacement of the poor' theory alone does not explain the large shifts in shelter type. For example, the percentages of IDPs housed in secondary homes implies that some 6,000 persons had such shelter in late November against barely 700 by late December. It is unclear why 5,000 presumably affluent IDPs would leave the comfort of their secondary homes and go elsewhere. They certainly would not return to their residence in South Lebanon where increasingly indiscriminate Israeli attacks forced even more locals to flee.

While the IOM Mobility Snapshots eminently highlight IDP numbers, geographical patterns and shelter types, there is a lack of assessments of the living conditions of the IDPs. Producing such data is beyond IOM's expertise and mandate while OCHA Flash Updates provides no such information and instead only reproduce numbers and conclusions of other agencies like IOM, UNDP and the World Bank. In fact, there is no sign that either the humanitarian sector or the Lebanese government has an accurate picture of what the 70,000+ IDPs living outside the official shelters need or have access to. But the situation is surely dire. An investigation by Nida al-Watan in Nabatieh paints a picture of IDPs being universally dissatisfied with the level of aid they are receiving from the authorities and NGOs. A municipal official conceded the authorities' poor performance but explained that the municipality only has resources to help 10-20 of the 500+ families residing within its jurisdiction. Assuming realistically that this is a general problem, there are likely significant and largely undetected unmet humanitarian needs among the ~75,000 IDPs.



Chart of total IDPs by date

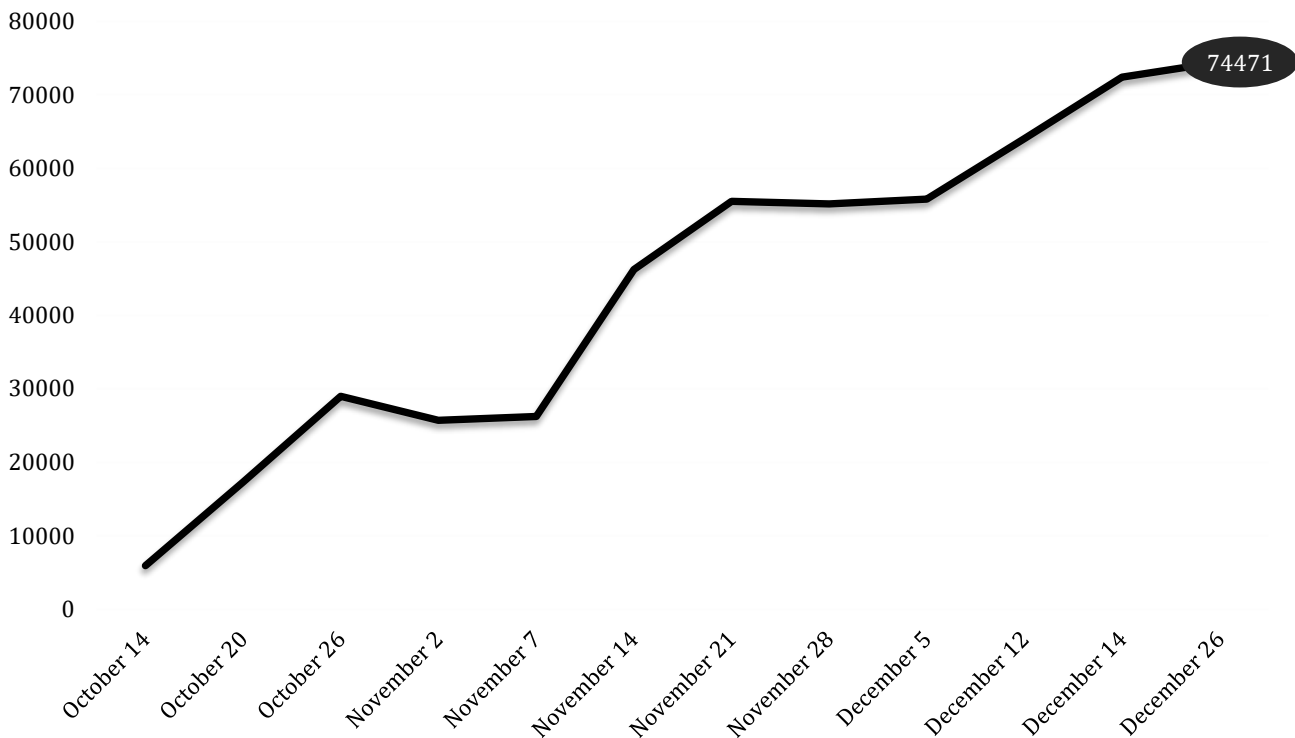
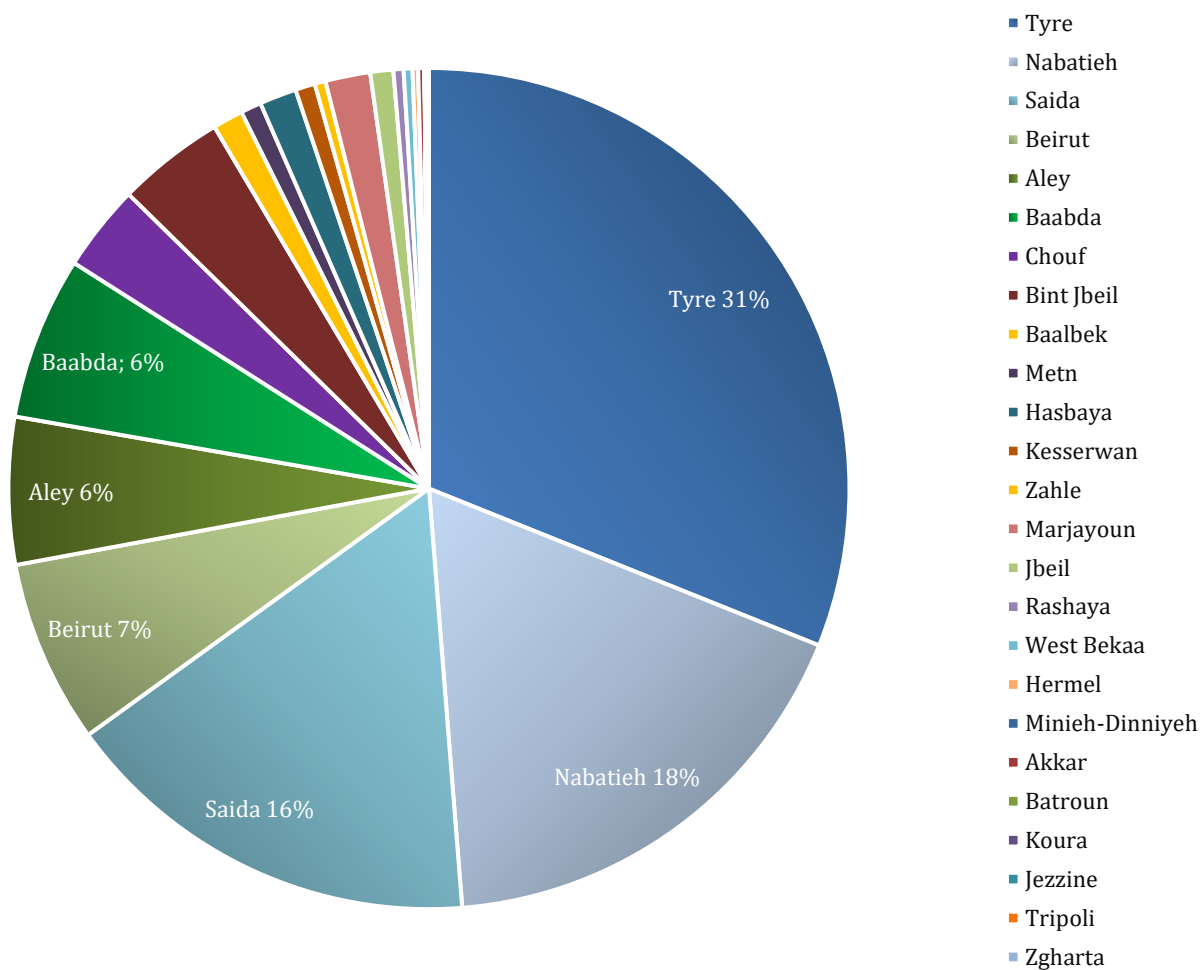


Chart of IDP arrivals by district



Security developments

Border conflict at strategic stalemate

The cross-border conflict between Hezbollah and Israel that erupted on October 8th as a ripple effect of the Gaza war has now lasted 12 weeks and is poised to continue several weeks if not months into 2024. The expiry of the Gaza truce on December 1st expectedly also led to a resumption of hostilities between Hezbollah and Israel along the blue line. As predicted in our last monthly report, the violence returned to intensity levels of mid-November. In 11 days from December 2nd-11th Hezbollah and its allies carried out nearly 100 attacks against IDF along the blue line, with the 14 operations conducted on December 5th being the third-highest so far. The resumption of resistance operations was mirrored in IDF bombardments. Over the same 11 days Israeli artillery and aircraft carried out some 500 bombing operations in southern Lebanon, with the 72 strikes on December 5th being the highest number since the hostilities began in early October. However, as detailed in our December 12th analysis, the number of attacks then began a long, gradual and sustained decline throughout the rest of the month. Over the following 11 days, Hezbollah and its allies carried out only some 60 attacks against the IDF, a 40% drop from the previous period. Similarly, Israeli bombing dropped by roughly 33% from ~500 artillery and airstrikes to 385 over the 11-day period from December 13th to 23rd. The decline in attacks was sustained until the end of the month with the number of attacks currently matching the relatively low levels seen in October.

The cause of the drop in hostilities is not entirely clear. Heavy rains, strong winds and dense fog surely accounted for the decline in attacks on days with adverse weather. But the drop in military operations was sustained on practically all days with mild weather too. One could speculate that the decline in attacks also partially reflects a lack of tactical opportunities for operational targets presented in the field. But the abundance of IDF positions along the blue line makes it unlikely that Hezbollah would lack feasible targets. Indeed, Hezbollah has previously shown readiness to attack even half-deserted IDF border posts already badly damaged in previous attacks and thus yielding little added value of yet another strike. Similarly, most Israeli artillery shelling has no clear target and just pounds open areas and forests somewhat arbitrarily. As such, neither explanation seems to fully account for the drop in attacks.

The drop in Hezbollah and IDF attacks since mid-December could well reflect a shared and conscious strategic decision to de-escalate the hostilities. Having initiated the de-escalation, Israel possibly wanted to buy some much-needed international goodwill and to facilitate efforts by diplomats in Beirut trying to convince Hezbollah to implement UN Security Council Resolution 1701. Regardless of whether this is realistic, Hezbollah's subsequent reduction in attacks may also be by choice. Hezbollah's campaign pursues the objective of ending the Israeli aggression on Gaza by increasing military pressure on Israel's northern border to draw away IDF forces from Gaza and raising the spectre of all-out war if Israel crosses the resistance axis' red lines in Gaza. A month after the short truce ended and IDF resumed the Gaza campaign, Israel is still relatively far from crossing Hezbollah's red lines. IDF has not dealt a fatal blow to Hamas' critical military infrastructure while the prospect of a mass expulsion of the civilian population remains remote (but not inconceivable). Moreover, most of the international community - even the US - is becoming increasingly critical of the Israeli campaign in Gaza. The families of Israeli hostages and internally displaced Israelis also remain sources of pressure on the Israeli government to enter negotiations with Hamas. Under such conditions, Hezbollah may reckon that its attrition strategy pursued since October is working and no longer requires the same number of operations. Moreover, Hezbollah may also have lowered its number of operations to reduce the pressure from various diplomats exploring new military and security arrangements in South Lebanon in the post-conflict phase. Whatever the exact reasons, the number of attacks rose in the first week of December, dropped in the second week and then remained relatively stable at the new lower level throughout the second half of the month. This has given way to a soothing sense of stalemate contrasting the fears of all-out war in October and November.



Tactical stalemate

While the number of attacks by Hezbollah and Israel started dropping from mid-December, the conflict also started showing signs of facing a stalemate at the tactical level as there has been very little innovation in the number of targets and types of weapons used. Hezbollah continues to rely mainly on mortars and unguided rockets for its operations. These weapons were seemingly used in as much as 65% of all Hezbollah attacks in December, reflecting their utility in minimising resistance fighter exposure to Israeli counter-fire. Guided missiles remain used on a much smaller scale than in the early phase of Hezbollah's campaign in October, seemingly accounting for less than 15% of all attacks in December. Hezbollah also continues to occasionally use the Burkan short-range heavy rockets unveiled in November, deploying them a dozen times in December. Hezbollah also continues to use kamikaze drones, deploying them a total of eight times in December, up from five in November. IDF similarly sticks to the same tactics it has used since October. It mainly relies on stand-off artillery shelling, mostly with conventional grenades but regularly employing phosphorous and incendiary shells. Israeli drone strikes also continue at a rate of multiple attacks per day while airstrikes by manned warplanes carrying heavier munitions remain less frequent and usually deployed only against high-value or hard targets. In short, December witnessed very little change in the variety of weapons or the relative frequency at which they are used.

The sense of tactical stalemate also extended to the geographical boundaries of the battlefield. Of the 230 attacks by Hezbollah and its allies against Israeli targets in December, it appears that not a single one was aimed at a target more than 5 km from the blue line. Hezbollah, Hamas and the other resistance factions in South Lebanon refrained from any rocket or missile attacks directed at Haifa, Ein Zeitim or more distant Israeli targets that were hit several times in November. In fact, more than 80% of attacks by Hezbollah and its allies in December hit targets within 2 km of the blue line. A similar geographical concentration of military operations is observed on the Israeli side. Of slightly more than 1,000 Israeli artillery and airstrikes recorded by Atlas Assistance in December, around half hit targets within 1 km of the blue line with another 24% reaching only 2 km into Lebanon. Just 5% of all Israeli attacks hit targets more than 5 km from the border, of which less than 1% extended more than 10 km into Lebanese territory. These included a drone strike against a suspected Hezbollah air-defence crew in the Jabal Rihan area between Nabatieh and Jezzine. In other words, the violence remains hyper-concentrated to the vicinity of the blue line and does not affect the security or safety of areas more than a dozen kilometres away. As such, the geography of hostilities is unchanged and remain a border conflict in the fullest sense of the term.

The impression of stalemate is also derived from the kind of targets being hit. Hezbollah, which accounts for some 98% of all attacks on the IDF, continues to focus on Israeli borders posts and secondarily, on bases near the blue line. For example, the Ramim and Metula bases along with the Jal al-Alam, Berket Risha, Ramieh and Raheb border posts together account for ~33% of all the 230 resistance operations carried out in December against close to 60 different targets. Attacks rarely target distant sites like the IDF Beit Hillel Command or the Yaara barracks. In a novelty, on December 18th Hezbollah attacked two Iron Dome missile-defence systems at Kibbutz Kabri in north-western Galilee, seemingly damaging both. This attack could have marked a potentially new phase in the conflict but has been the only of its kind. Hezbollah instead prefers to launch small, cheap civilian drones into Israeli airspace to distract the Iron Dome. December did witness an increase in targeted attacks against Israeli civilian settlements, albeit with few reports of casualties. This mirrored a prior shift in Israeli targeting. While the IDF carried out fewer bombardments in the second half of December, a large share of the attacks carried out intentionally hit Lebanese population centres. Indeed, the last three weeks of conflict caused more destruction of residential areas in South Lebanon than the first nine weeks. For example, on December 11th an Israeli artillery strike killed Taybeh mukhtar Hussein Mansour in his own home while on the 21st Nuhad Muhanna was killed in an Israeli artillery barrage on her home in Maroun al-Ras. Hezbollah avenged their deaths by directing equally indiscriminate targeted attacks against Israeli population centres in an explicit dedication to the principle of proportionality to deter IDF from future attacks on civilians in Lebanon.



Tacking stock

The current cross-border hostilities between Hezbollah and IDF are in many ways - positive and negative - unprecedented and therefore do not compare easily to past conflicts in South Lebanon. First of all, by mid-January the current conflict will have lasted 100 days, three times the length of the 2006 war and thus constituting the longest hot conflict between Hezbollah and IDF since South Lebanon was liberated from Israeli occupation in 2000, almost a quarter century ago. The unprecedented duration has allowed for an unprecedented number of attacks. By Atlas Assistance's count, since October 8th Hezbollah and its allies have carried out some 550 attacks against IDF, which in turn has carried out 2,500 artillery and airstrikes in Lebanon. This equals around 45 resistance operations and 200 Israeli bombings per week, or nearly 7 and 30 on a daily average. The violence thus exceeds in intensity the cross-border conflict in the 1960s and 1970s in South Lebanon between the Palestinian resistance factions and IDF, which never reached the same number of attacks over such a long period. In terms of the number of operations, the current hostilities thus resemble more closely those of the late 1990s when Hezbollah's resistance to the Israeli occupation peaked in the last months and years before the Israeli army withdrew in May 2000.

The exceptionally high number of attacks is also shown in an unprecedented number of casualties on both sides. Since October 8th Hezbollah has suffered 114 fatalities in South Lebanon, equal to more than twice the number of official martyrs in the 2006 war. This reflects the longer duration of the current war and that Hezbollah this time is on the offense rather than the defence. The pace of Hezbollah martyrs even seems to exceed that of its liberation campaign in the 1990s or that of the Palestinian factions in the 1960s and early 1970s. The 114 martyrs exclude seven Hezbollah fighters killed in an Israeli airstrike in Syria's Homs governorate on November 9th, two fighters killed in battle with Syrian rebels in Aleppo on December 6th, three killed in an Israeli airstrike in Syria's Quneitra governorate two days later, two more killed in an Israeli drone strike in rural Damascus on the 10, as well as four fighters killed in a suspected Israeli airstrike in Syria's Deir al-Zour governorate on December 29th. These 18 Hezbollah fighters killed in Syria have been erroneously added to its casualty toll for the conflict with Israel in South Lebanon by L'Orient LeJour and other news outlets, even though the same media often correctly reported that these casualties had taken place in Syria. Hezbollah's many allies Saraya al-Muqawama, Amal, SNNP, Hamas and Palestinian Islamic Jihad have only lost a combined 18 men in South Lebanon since October. But despite reducing the number of attacks, the resistance groups lost a staggering 31 men in the last three weeks of December, including 28 Hezbollah fighters. Hezbollah seems to attribute this sudden rise in part to Israeli intelligence hacking internet-connected CCTV systems installed on homes and shops in the south.

But in contrast to the 1960s, 1970s and 1990s, the current cross-border hostilities have been free of high-impact Israeli bombings of civilian and civilian infrastructure in Lebanon. In the past, Israel regularly attacked Lebanese civil targets, like blowing up aircraft at Beirut airport in 1968. In the 1993 Operation Accountability and the 1996 Operation Grapes of Wrath, IDF intentionally and systematically bombed the civilian population and infrastructure in Lebanon, like the 1996 Qana massacre and multiple attacks on power stations and bridges. No comparable Israeli attacks on Lebanese civilians or infrastructure have unfolded this time. Similarly, hostilities of the 1960s-1970s and 1990s often affected parts of Lebanon far from the border, like Saida, Beirut and the Bekaa. In contrast hereto, in the current conflict Israeli attacks have been strictly limited geographically to South Lebanon with no airstrikes or artillery shelling seen in any other governorate. Moreover, by Atlas Assistance calculations 98% of all Israeli attacks have occurred within 10 km of the blue line. Even Tyre, Saida and Nabatieh cities along with most of the territory of South Lebanon have suffered no Israeli aggression at all. As a result, only 26 civilians have been killed in Lebanon by IDF since October, far below the daily number of civilian casualties in Gaza. While the current conflict along the blue line has killed far more combatants than the 2006 war, it has thus far left fewer Lebanese civilians dead or displaced. It is hence a more strictly military affair than any past conflict, mainly due to Hezbollah and Israel's shared desire to preserve the tacit rules of engagement that kept the peace for 17 years and continue to prevent all-out war by limiting the intensity and geographical scope of hostilities, thus yielding over time an uneasy stalemate with no clear end game visible yet.



Chart of resistance attacks and fatalities per day

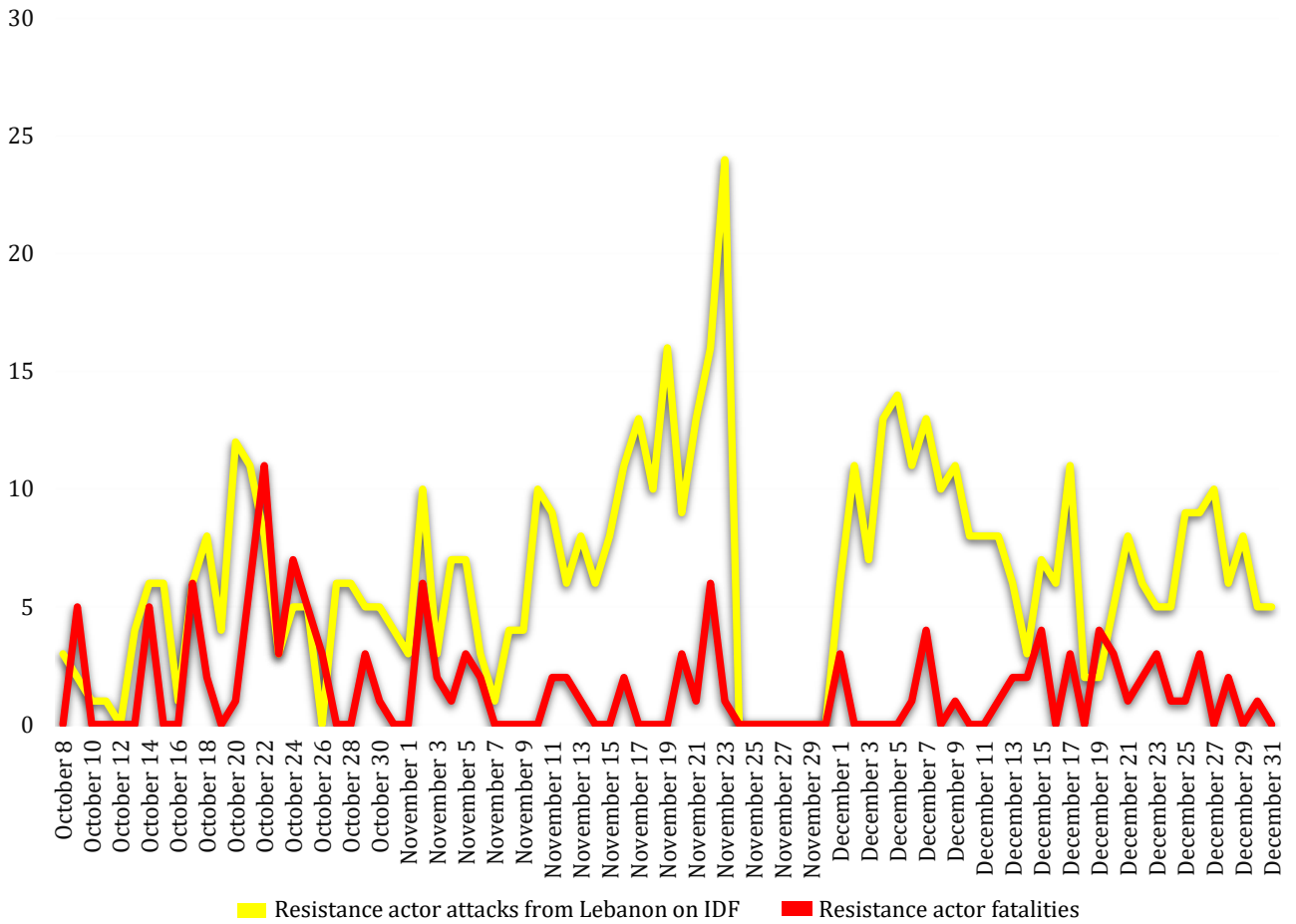


Chart of Israeli artillery barrages and airstrikes per day

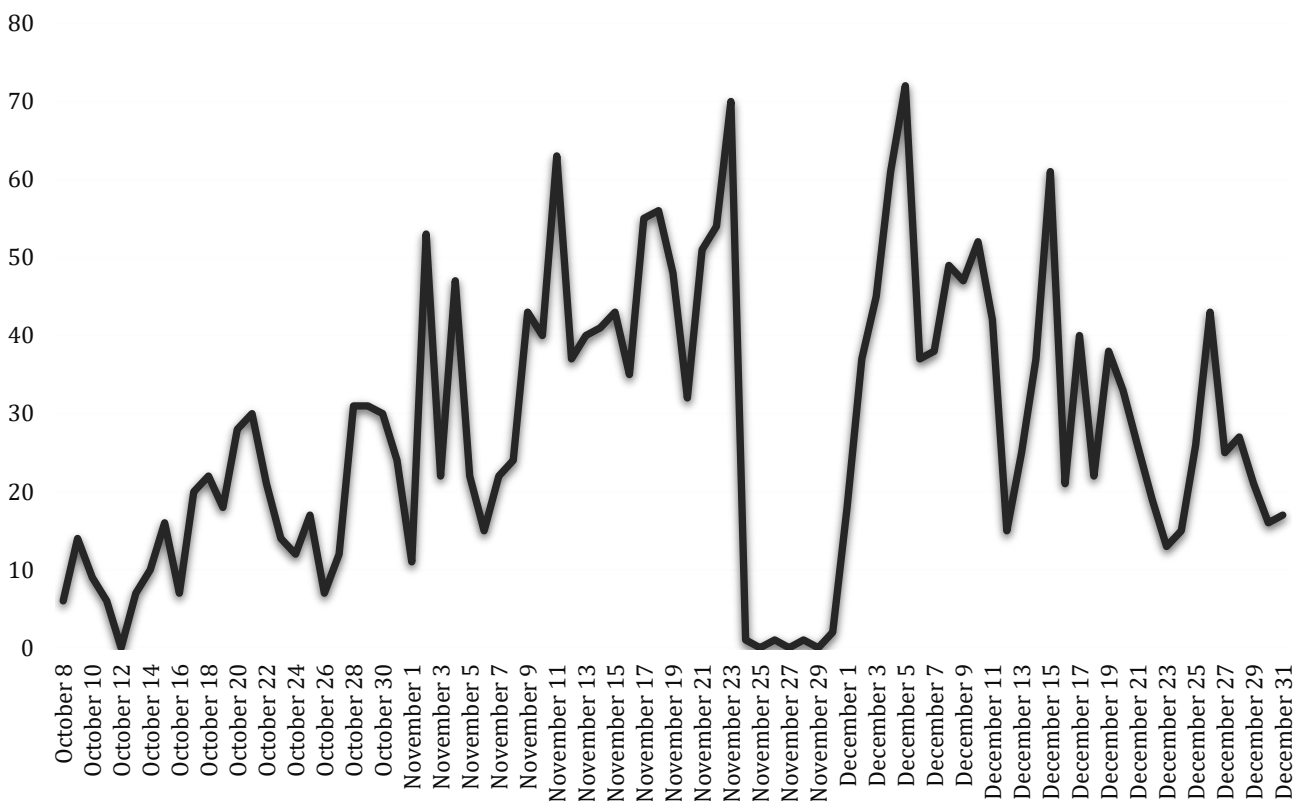
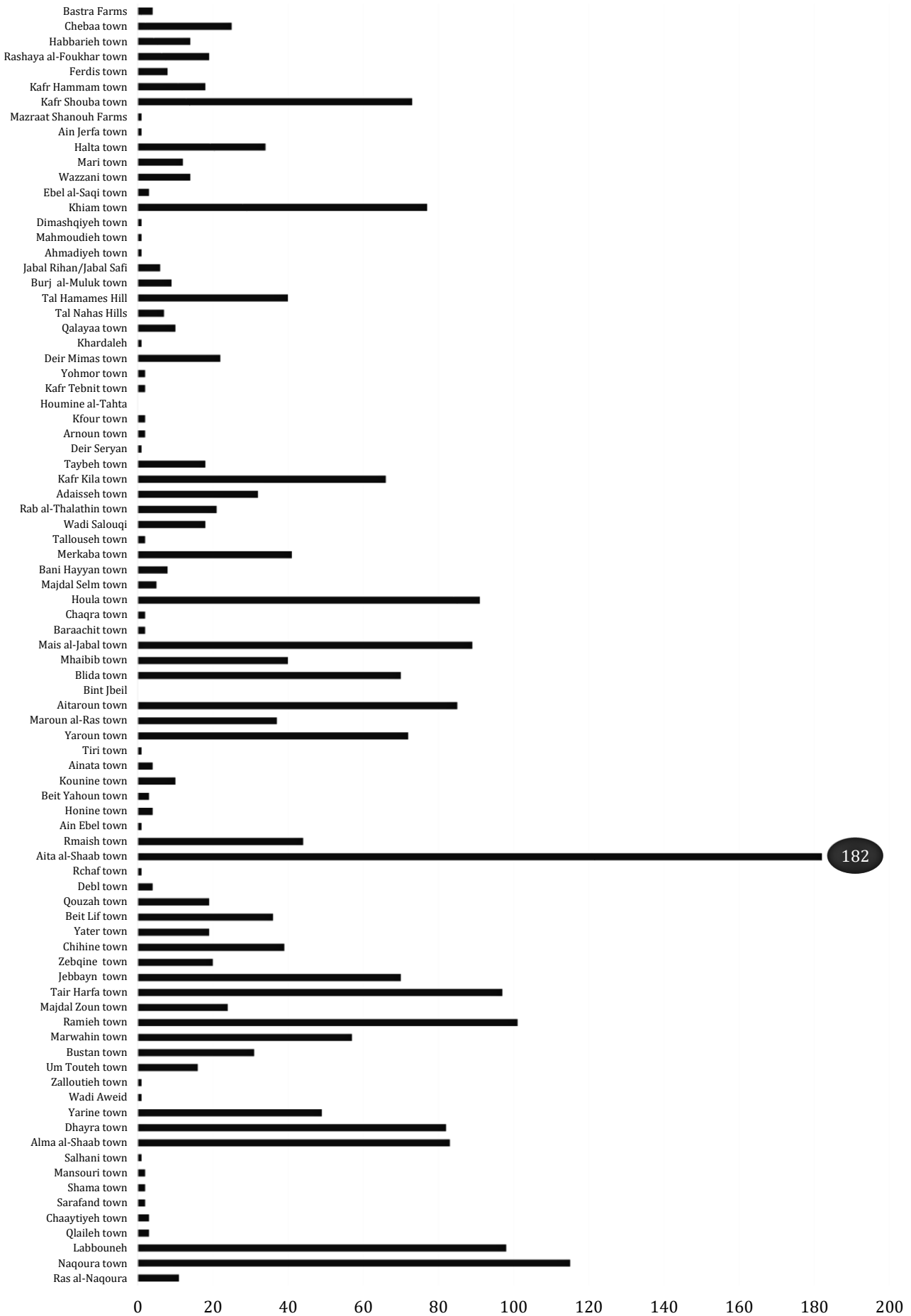


Table of resistance actor attacks per IDF border position

IDF position	Type	Nearby Israeli settlement	Nearby Lebanese town	Times hit
Bahri/Ras Naqoura base	Barracks	Kafr Rosh HaNikra	Naqoura	10
Jal al-Alam	Surveillance post	Shlomi	Labbouneh	25
Hanita border post	Border post	Hanita	Alma al-Shaab	15
Kibbutz Kabri Iron Dome site	Air-defence	Kabri	Alma al-Shaab	1
Al-Hamra border post	Border post	Hanita	Alma al-Shaab	1
Yaara barracks	Barracks	Yaara	Alma al-Shaab	2
Cobra Hill border post	Border post	Adamit	Alma al-Shaab	1
Dhayra border post	Border post	Adamit	Dhayra	1
Jaradah border post	Border post	Arav Al-Aramsha	Dhayra	14
Hadb al-Bustan	Border post	Arav al-Aramsha	Bustan	11
Birket Risha border post	Border post	Arav Al-Aramsha/Zarit	Bustan	11
Kherbet Maer base	Artillery position	Arav al-Aramsha/Shomera	Bustan	23
Shomera base	Barracks	Shomera	Bustan	8
Zaarit base	Barracks	Zarit	Marwahin	6
Abu Dajaj border post	Border post	Zarit	Ramieh	10
Khallet Wardeh	Open field	Shutla	Aita al-Shaab	2
Ramieh/Zahr al-Jamal post	Border post	Zarit/Shtula	Ramieh	6
Raheb border post	Border post	Shtula	Aita al-Shaab	20
Even Menachem barracks	Barracks	Even Menachem	Aita al-Shaab	29
Tal Shaar border post	Surveillance post	Shtula	Aita al-Shaab	2
Pranit base	Barracks	Netua	Rmaish	2
Rmaish border post	Border post	Mattat	Rmaish	24
Mattat base	Barracks	Mattat	Rmaish	0
Hermon border post	Border post	Dovev	Yaroun	8
Doviv base	Barracks	Dovev	Rmaish	2
Hadb Yaroun post	Border post	Baram	Yaroun	9
Sadah border post	Border post	Yiron	Yaroun	12
Saasaa base	Barracks	Saasaa	Rmaish	2
Avivim base	Border post	Avivim	Maroun al-Ras	5
Ein Zeitim	Command base	Daltan/Safad	N/A	6
Jal al-Deir border post	Border post	Avivim	Aitaroun	1
Dishon artillery position	Artillery position	Malikiyah	Aitaroun	4
Malikiyah base	Barracks	Malikiyah	Aitaroun	2
Bayyad/Shoshan post	Border post	Yiftah	Blida	24
Aasi border post	Border post	Yiftah/Manara	Mais al-Jabal	22
Tayhat/Baghdadi post	Border post	Yiftah/Manara	Mais al-Jabal	11
Yiftah base	Barracks	Yiftah	Blida	14
Manara border post	Border post	Manara	Houla	8
Abbad post	Surveillance post	Margaliot	Houla	19
Hunin/Ramim base	Barracks	Margaliot	Markaba	17
Marj border post	Border post	Misgav Am	Markaba	25
Misgav Am post	Surveillance post	Misgav Am	Adaisseh	24
Metula east base	Unclear	Metula	Adaisseh	7
Metula post	Barracks	Metula	Kafr Kila	0
Metula base	Border post	Metula	Kafr Kila	23
Kafr Kila border post	Border post	Metula	Kafr Kila	3
Ebel al-Qammah post	Border post	Yuval	Wazzani	1
Maayan Baruch post	Border post	Yuval/Mayaan Baruch	Wazzani	0
Kiryat Shmona base	Barracks	Kiryat Shmona	N/A	1
Beit Hillel Command	Command base	Kiryat Shmona	N/A	1
Abbasieh post	Border post	Dan	Ghajar	4
Ruwaisat al-Qorn post	Border post	Dan	Wazzani	0
Zebdine post	Border post	N/A	Halta	6
Ramtha post	Border post	N/A	Halta	14
Sammaqa post	Border post	N/A	Halta	9
Radar post	Surveillance post	N/A	Kafr Shouba	9
Ruwaisat al-Alam post	Border post	N/A	Kafr Shouba	11
Berket Naqqar base	Surveillance post	N/A	Shebaa	19
Total hits				551



Chart of IDF attacks in Lebanon by area



Map of security developments

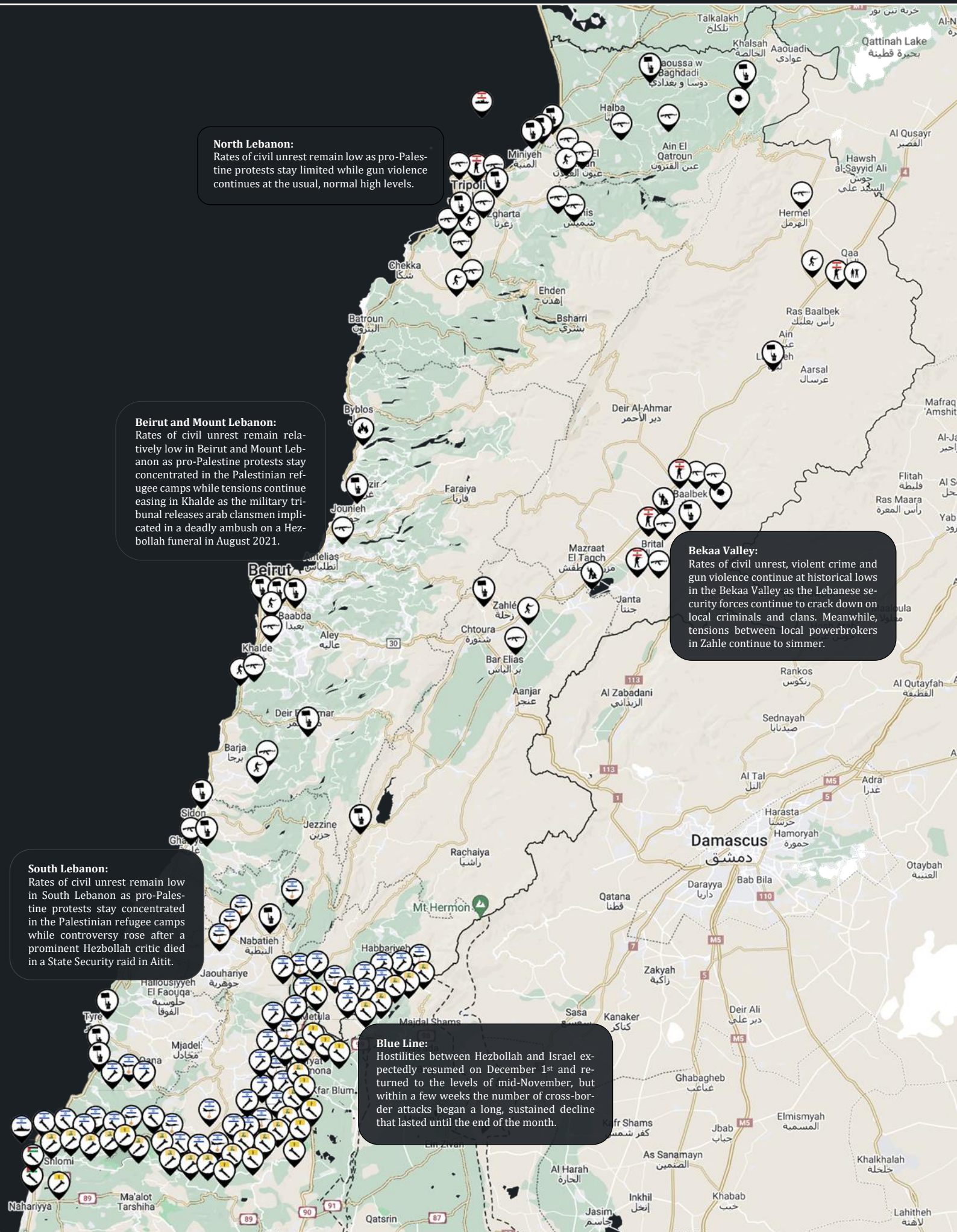
North Lebanon:
Rates of civil unrest remain low as pro-Palestine protests stay limited while gun violence continues at the usual, normal high levels.

Beirut and Mount Lebanon:
Rates of civil unrest remain relatively low in Beirut and Mount Lebanon as pro-Palestine protests stay concentrated in the Palestinian refugee camps while tensions continue easing in Khalde as the military tribunal releases arab clansmen implicated in a deadly ambush on a Hezbollah funeral in August 2021.

Bekaa Valley:
Rates of civil unrest, violent crime and gun violence continue at historical lows in the Bekaa Valley as the Lebanese security forces continue to crack down on local criminals and clans. Meanwhile, tensions between local powerbrokers in Zahle continue to simmer.

South Lebanon:
Rates of civil unrest remain low in South Lebanon as pro-Palestine protests stay concentrated in the Palestinian refugee camps while controversy rose after a prominent Hezbollah critic died in a State Security raid in Aitit.

Blue Line:
Hostilities between Hezbollah and Israel expectedly resumed on December 1st and returned to the levels of mid-November, but within a few weeks the number of cross-border attacks began a long, sustained decline that lasted until the end of the month.



Northern Lebanon

Developments in northern Lebanon

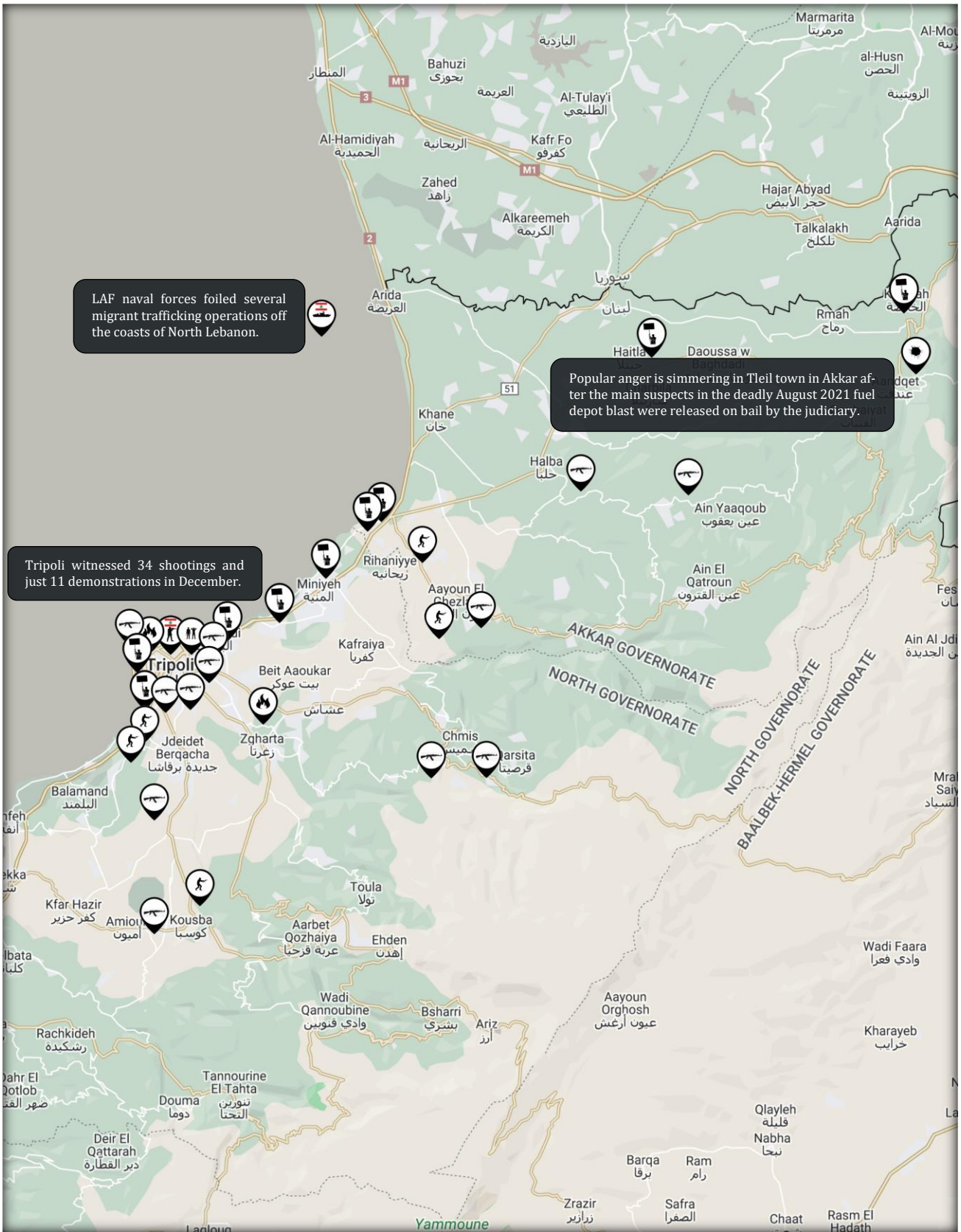
Going into January 2024 the situation in North Lebanon is unchanged and precarious. Pro-Palestine protests expectedly resumed after the Gaza truce ended on December 1st but they lost momentum in the second half of the month due to protester fatigue, bad weather and the holiday spirits. Rates of violent crime do however remain high with multiple armed robberies and burglaries as well as an abduction of a Lebanese-Turkish dual national in Akkar. Shootings also remains common with more than 40 incidents taking place across the north in December, primarily in Tripoli and secondarily in Akkar.

Meanwhile, the judiciary is closing the case on one of the biggest disasters in North Lebanon in a decade. It pertains to the August 2021 illegal fuel depot explosion in Tleil town in Akkar that left dozens of people dead and scores wounded. As detailed in our September 2021 report, the main suspects are fuel smuggler Ali Faraj who owned the tanks that blew up, Hanna 'George Rashid' Ibrahim who owned the land they were situated on and the latter's son Richard and nephew Jerji. As detailed in our June 2023 report, the judiciary has been unusually slow in processing the case amid allegations that judges are engaged in a cover-up to absolve of responsibility top LAF officers, local parliamentarians and the main suspects. The victims' families have claimed to receive offers of cash and/or threats to reach out-of-court settlements with the defendants before the (procrastinating) judges make a verdict. Insult was added to the injury of the families on December 22nd when the Judicial Council chaired by Suheil Abboud – the highest judge in Lebanon – decided to release on bail the two prime suspects Ali Faraj and 'George Rashid' Ibrahim. The families could not help but recall how Abboud himself has firmly stood by the suspended Judicial Council investigative judge Tareq Bitar in the similar Beirut blast case and insisted that the judiciary prosecute all criminals to the full extent of the law regardless of politics. The Tleil victims' families therefore called out Abboud as a hypocrite when they gathered at the blast site on December 22nd to protest the Judicial Council's decision to release on bail the two main defendants. But with even self-styled reformists like Abboud ignoring the plight of the Akkaris, their protests will fall on the deaf ears of local power brokers.

Finally, and unexpectedly, there is good news concerning public infrastructure in Tripoli. On December 25th the local seaport received a new ship-to-shore crane delivered by a Chinese ship. Valued at 10-20 million USD, it will be the third crane of its type and is expected to be installed by late January or early February. It was apparently paid by Franco-Lebanese firm CMA CGM which owns and manages Tripoli port after buying out the former operator in 2021. CMA CGM also owns and operates the Beirut port container terminal. According to Tripoli port manager Ahmed Tamer the new crane will help double the container management speed and reduce by one-third the time container ships need to dock. Seemingly expecting christmas to be the season of miracles, Tamer boasted that the port will soon have one of the highest container management speeds in the world. But Tamer and Santa had more gifts in store for Tripoli. The next day caretaker minister of public works & transportation Ali Hamieh came to Tripoli and informed parliamentarian Jamil Abboud, other local dignitaries and the people of the city that the derelict municipality building would be repaired. Routed through the cabinet chaired by Tripolitan billionaire Najib Mikati, the money came from Ahmad Tamer/the Tripoli port administration and local businessman Toufiq Sultan, one of parliamentary speaker Nabih Berrī's many friends. The grant will however not fund a rehabilitation of the municipal council. As detailed in our November and December 2022 reports, the council ousted former mayor Riad Yamaq in August that year and re-elected ex-mayor Ahmad Qamaredine to his former post in October. But the re-election was appealed by Yamaq and overturned by the State Shoura Council in October 2022 and again in November 2023. Tripolitan caretaker minister of interior Bassam Mawlawi and North Lebanon Governor Ramzi Nohra have ignored the State Shoura Council rulings and allowed Qamaredine to remain in office without any legal basis nor being recognised as Tripoli's mayor by Mawlawi's ministerial colleagues, local parliamentarians or even state media.



Map of developments in northern Lebanon



LAF naval forces foiled several migrant trafficking operations off the coasts of North Lebanon.

Popular anger is simmering in Tleil town in Akkar after the main suspects in the deadly August 2021 fuel depot blast were released on bail by the judiciary.

Tripoli witnessed 34 shootings and just 11 demonstrations in December.

The Bekaa Valley

Developments in the Bekaa Valley

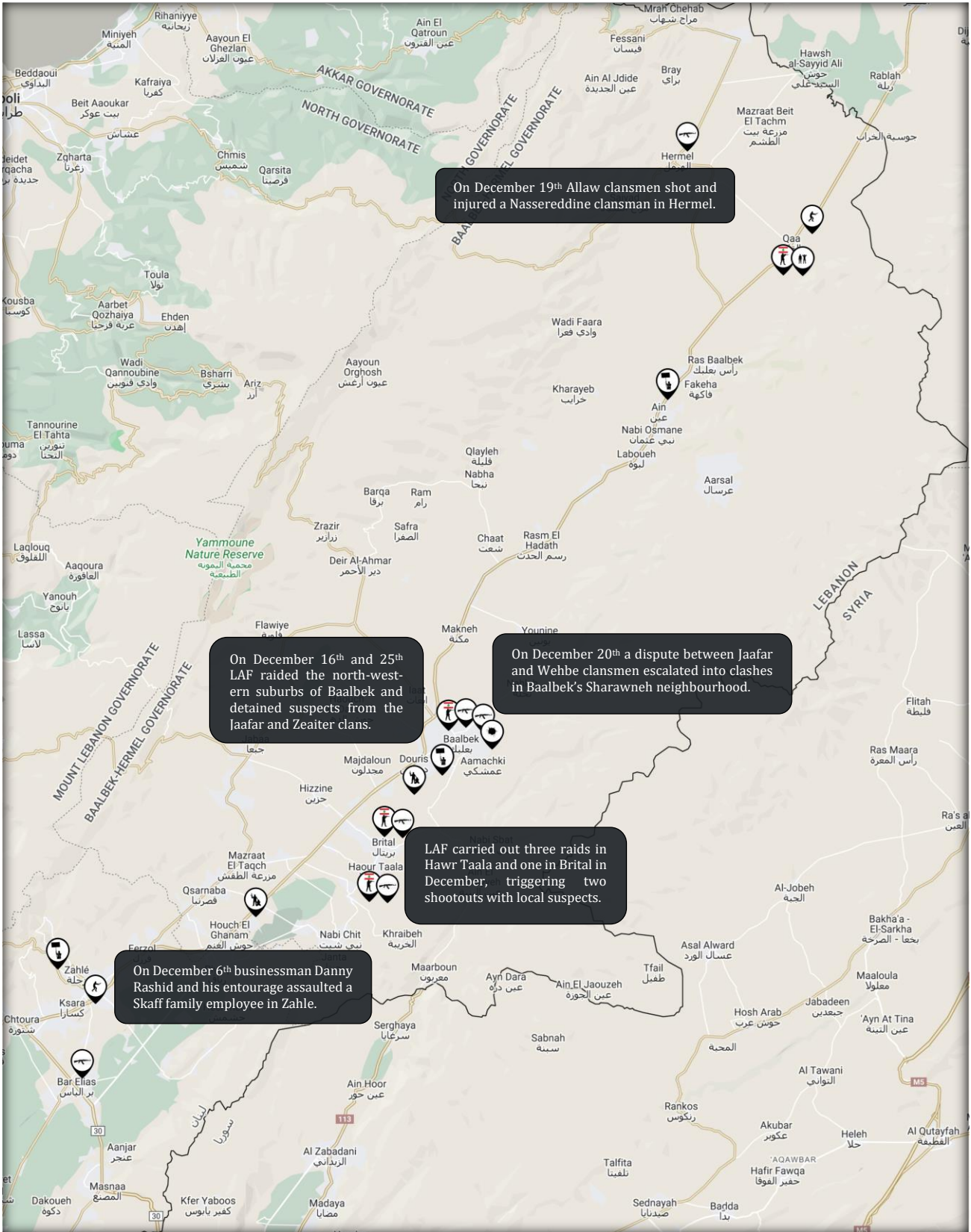
Going into January 2024 the security situation in the Bekaa Valley remains unchanged and more stable than at most other points in its past. Rates of civil unrest, violent crime as well as gun violence all continue at historically low levels. The region witnessed only five demonstrations over the past month, four of which were held by pro-Palestine activists to protest the ongoing Israeli bombing of Gaza. One demonstration was held in central Baalbek, another in the nearby Wavel Palestinian refugee camp, a third at al-Ain town north of the city while the fourth took place in Mashghara town in the West Bekaa. All the demonstrations were small, brief and with practically no operational impact. The rates of violent crime similarly remain low in the Bekaa. There were no reported armed robberies or carjackings over the past month and only one single kidnapping, which was not even confirmed by multiple sources independently of one another. It was initially reported by the National News Agency on Christmas Eve without revealing the name of the victim or from where he was taken, merely stating that he had in fact managed to later escape at the Bekaa highway's Talia junction and seek help from an LAF position. If the abduction took place, which is unclear, it would have been the first kidnapping in the Bekaa in three months. The last confirmed incident took place on September 28th when gunmen abducted the businessman Badih al-Hajj from his home in Kamed al-Lawz in the West Bekaa and held him for a 4 million USD ransom. He was, however, released the next day by LAF Intelligence. His captors turned out to be a group of Lebanese and Syrians led by his own cousin Hadi al-Hajj, meaning it was somehow an intra-family affair.

Rates of gun violence also remain low in the Bekaa Valley with shootouts and clashes erupting barely once per week on average. For example, on December 20th a dispute between Jaafar and Wehbe clansmen escalated into a gunfight in Baalbek's notorious Sharaweneh neighbourhood, albeit seemingly without leaving any casualties. Five days later an LAF raid in the nearby Tal Abyad area escalated into a shootout with a wanted suspect from the Zeaiter clan, while on December 27th yet another army raid in Brital south of Baalbek devolved into armed clashes between soldiers and suspects. In another notable incident some members of the Allaw clan shot dead a Dandash clansman in Hermel due to an old dispute while the other two regular shootings evolved from domestic disputes between disgruntled men and their wives or brothers. Needless to say, the Bekaa also witnessed generous celebratory gunfire on New Year's Eve but it is unclear if it left any casualties, unlike in other more densely populated parts of the country.

Finally, the political intrigue surrounding the Skaff dynasty in Zahle continues. On December 6th the manager of the Skaff Estate in Ammiq south of Zahle, Abdullah Hanna, was brutally assaulted in Ksara. He was apparently rammed with a car from behind, then kicked and beaten before being threatened at gunpoint. Two weeks later, the ISF Information Branch apprehended the assailants, one of whom is none other than Zahlawi businessman Danny Rashid. He is accused of sowing divisions in the Skaff family by encouraging heir Joseph Skaff Jr. to revolt against his mother Miriam, purportedly to weaken it politically and to trick Skaff Jr. into selling family lands at low prices. The assault on Hanna came in this context. As detailed in our September report, Rashid is the office manager of Zahlawi politician and former FPM minister Salim Jreissati and a relative of State Security director Tony Saliba. Moreover, Rashid hails from a Syrian family that was naturalized as Lebanese citizens in the 1990s and retains close ties to Damascus to the present day, according to al-Kalima Online. Given these professional and family ties, it is no wonder that the ISF and the judiciary have been under strong pressure to lower the charges against Rashid and his henchmen from a felony to a misdemeanour so they can get away with a fine for the assault on Hanna. Conversely, the anti-Syria political camp in Zahle and in Lebanon at large is equally determined to pressure the ISF Information Branch and the public prosecution to keep Rashid behind bars as long as possible. Rashid's fate and its implication on the political struggle in Zahle surrounding the Skaff dynasty remain to be seen.



Map of developments in the Bekaa Valley



Beirut and Mount Lebanon

Developments in Beirut and Mount Lebanon

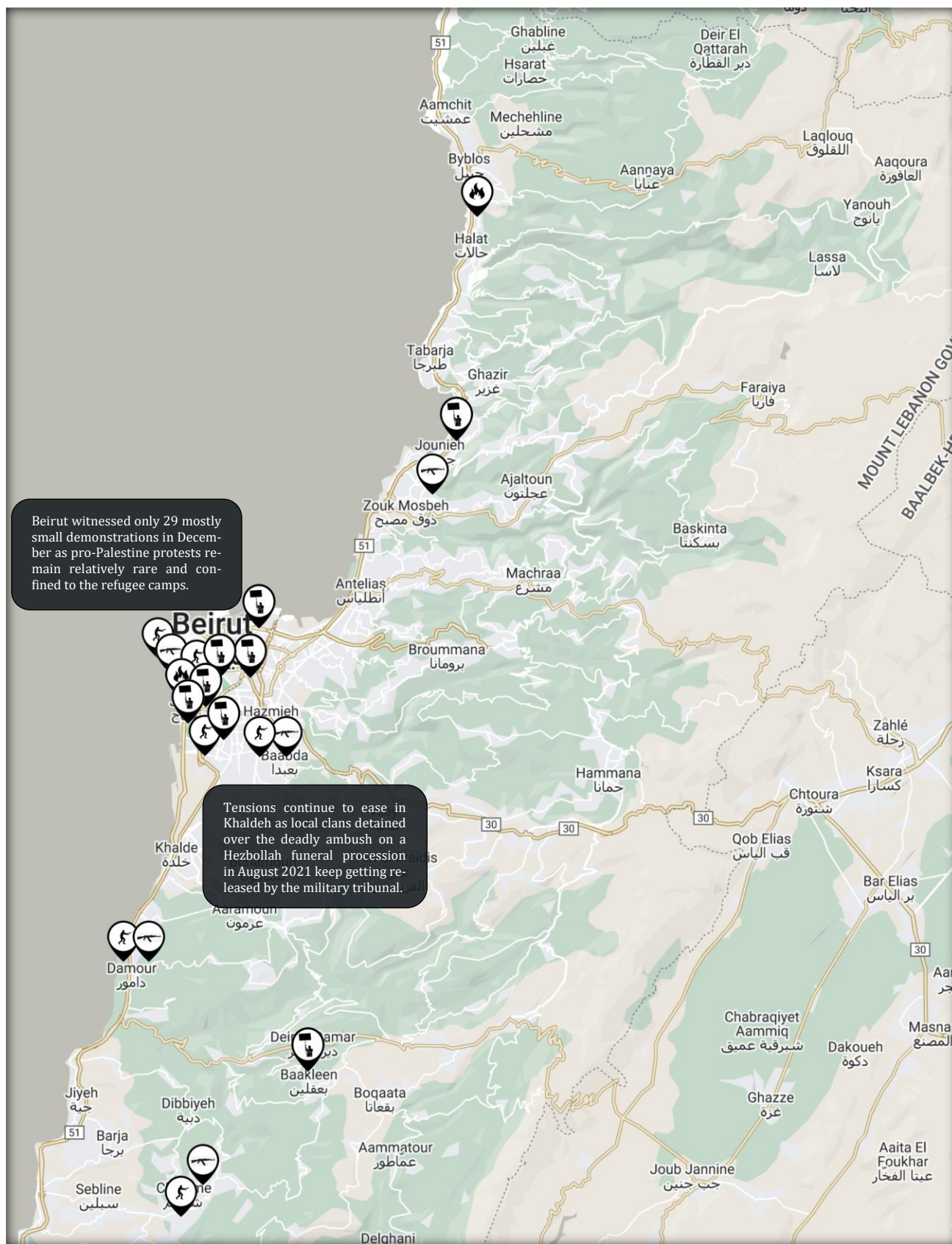
Going into January 2024 Beirut and Mount Lebanon remain stable amid low levels of civil unrest and gun violence. Pro-Palestine protests expectedly resumed after the end of the Gaza truce on December 1st and continued on a near-daily basis in Beirut until mid-month. But in the last two weeks of December, the pro-Palestine unrest waned again, probably due to a mix of protester fatigue, bad weather and holiday spirits. Meanwhile, political and sectarian tensions continue to ease in Khalde as local arab tribesmen tried for a deadly ambush on a Hezbollah funeral procession in August 2021 continue to be released from detention. As mentioned in our last monthly report, the military tribunal in November began overturning a series of convictions and harsh sentences issued against dozens of detained Khalde tribesmen back in April. This turnaround continued in December when the tribunal released the suspects Mousa Ghosn, Mohammed Talal Mousa, and Ishaq Omar Ghosn on a 400 million LBP bail each, equal to ~4,500 USD. Illustrating the eminently politicised conduct of the trial, of the total 13,500 USD for the bails some 2,500 USD were paid by the defendants' relatives while the rest was paid by politicians. Lebanese Democratic Party leader Talal Arslan 'donated' 1,000 USD while Progressive Socialist Party de facto leader Walid Jumblatt made a 3,000 USD 'grant'. According to al-Akhbar, the remaining 7,000 USD was paid by the independent Beirut sunni MP Nabil Badr, who has taken up the cause celebre among his fellow sunnis, seemingly in order to bolster his popular base. As detailed in our May and December reports, this gradual solution to the Khalde crisis is the brainchild of master political deal maker, Amal leader Nabih Berri.

Meanwhile, on December 15th German airliner Lufthansa and its subsidiaries SWISS and Eurowings resumed flights to Beirut after a two-month suspension due to the Gaza war's spill-over effects on Lebanon. Many of the resumed flights brought in diplomats, UN staff, INGO professionals and their families who were evacuated in the first weeks after the Gaza war erupted and spread to Lebanon. Several embassies and international organisations have later discreetly restored Lebanon's status as a family duty station to allow staff to bring back their spouses and children. But it appears that few embassies have eased travel advisories to Lebanon, as most diplomatic missions still advise their nationals not to stay in Lebanon. Although there were few foreign tourists to cater to, the European airliners resuming flights to Beirut were able to tap into the demand for tickets by the Lebanese diaspora, a demand that MEA despite adding 200 flights was unable to meet. While the number of foreign tourists in the holiday season appears to be the lowest since 2019, the number of diaspora Lebanese returning home for the holidays seems unchanged. Tellingly, from mid-December restaurant owners and retailers were expressing optimism that the large number of diaspora visitors could partially offset the absence of foreign tourists while traffic in the greater Beirut area was unusually dreadful due to the high number of arrivals.

It is, however, doubtful, that the returning diaspora members were impressed either by the condition of the airport or Lebanon's transportation infrastructure in general. On December 12th the airport arrival hall and the basement-level parking just outside were flooded with rainwater, forcing MEA ground staff to try to mop up or swab away the water. Perhaps not coincidentally, a few days later French president Emmanuel Macron cancelled a scheduled christmas visit to Lebanon. Maybe he had no faith in his ability replicate Jesus' feat of walking on water or in the Lebanese's ability to part the waters for him. The December 12th flooding was dwarfed by the one on December 23rd-24th, the biggest in years. Tunnels, roads and highways all along the coast were submerged under 25-100 cm of waters while mountainous areas were ravaged by landslides that damaged or closed roads and killed at least four Syrian refugees. The gross inadequacy of public works and transportation infrastructure to handle a predictable seasonal challenge led to intense blame trading as the caretaker minister of public works & transportation denied responsibility and instead blamed the flooding on the caretaker ministers of interior and energy & water.



Map of developments in Beirut and Mount Lebanon



Southern Lebanon

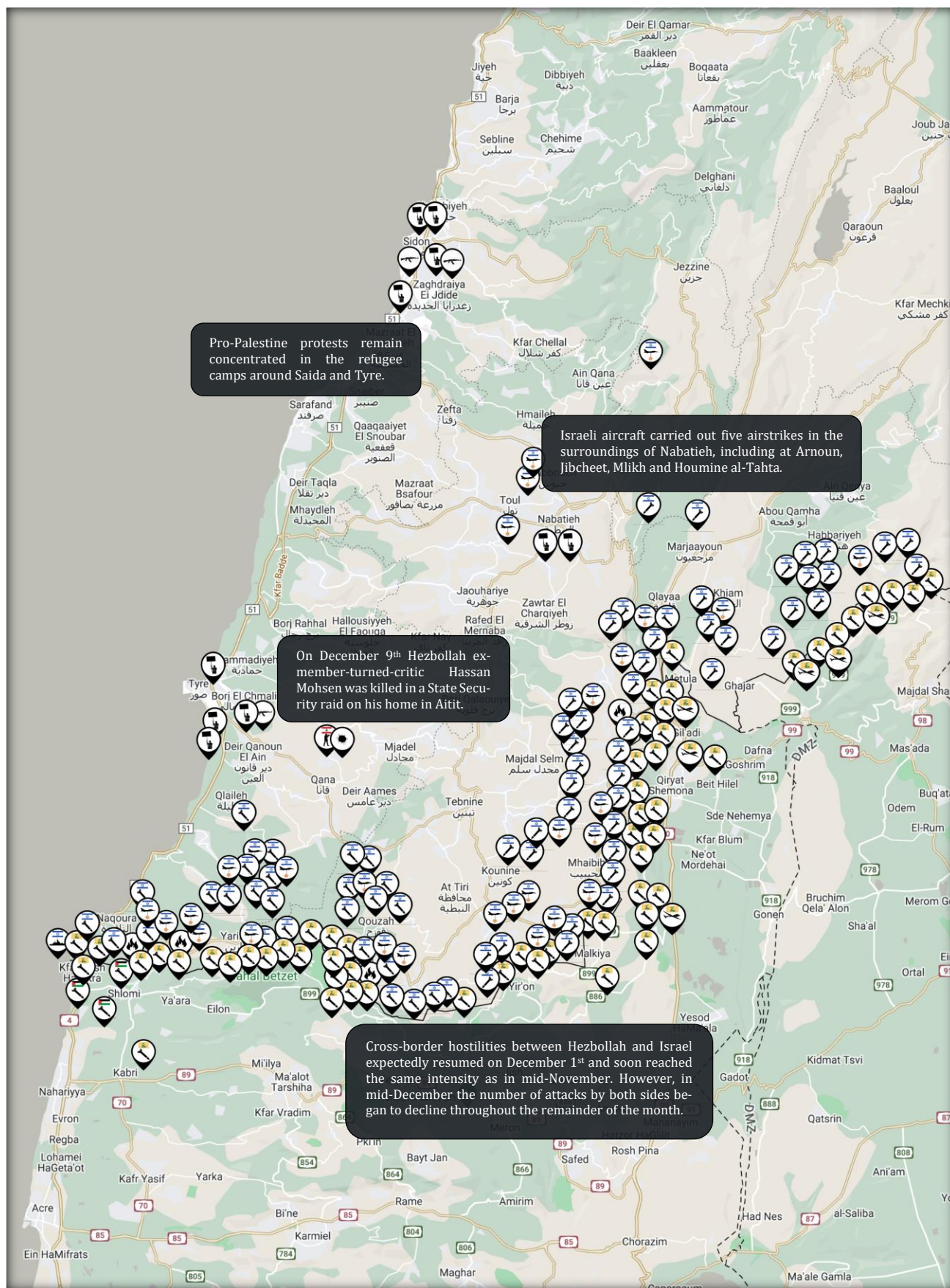
Developments in southern Lebanon

Going into January 2024, the situation in southern Lebanon remains relatively normal and stable outside the areas affected by the conflict between Hezbollah and Israel. As the Lebanese have ceased protesting against Israel, pro-Palestine protests are largely confined to the local Palestinian refugee camps in Saida and Tyre. There is practically no other civil unrest. Violent crime and gun violence also remain relatively rare as even the Ain al-Helweh camp maintains an eerie calm. Meanwhile, (in)famous local man Hassan Mohsen, a bold Hezbollah critic or village fool depending on who you ask, has been killed in mysterious circumstances. Known as Wala Aitit after his hometown, Mohsen joined Hezbollah after the 2006 war and soon rose through its rank. But in 2014 he was detained by the party's internal security bureau and held for eight months on suspicion of looting arms from warehouses under his purview and selling them on the black market. Mohsen claims he was not compensated for wounds incurred during his duties and the costs of medical treatment. He was eventually released and discharged from Hezbollah and shortly after became an arduous critic of the party, even going as far as burning posters of Hassan Nasrallah in his hometown Aitit. His tirades had him branded as bold ex-member-turned-critic by Hezbollah's rivals while the party's supporters viewed him as a nuisance, if not harmless madman. He was left mostly alone until December 5th when an ISF unit turned up at his house. Mohsen responded by throwing a grenade that injured two officers. In response to this attack, the judiciary ordered Mohsen arrested. Four days later State Security raided his home in Aitit at 4 am. According to a terse agency statement, Mohsen had prepared for 'hostilities' and hence armed himself with 'military equipment and explosives'. When the officers raided his home, 'military developments occurred' that left the suspect dead. It appears his front door was rigged with explosives. But Mohsen's family deny the State Security insinuation that Mohsen rigged the door to kill intruders, such as law enforcement officers coming for him following his grenade attack on the ISF. Instead, his relatives say that State Security planted the explosives and then knocked on the door. When Mohsen opened, he was blown to pieces. Mohsen's death was expectedly blamed on Hezbollah with scant regard for the fact that it had left him in peace for 15 years and that he was not killed by party operatives but in a State Security raid triggered by his grenade attack on an ISF patrol.

Finally, South Lebanon also claims a share of politicised judicial cases like the Tleil blast in the north, the Danny Rashid affair in the Bekaa and the Khalde case in Mount Lebanon. In the wake of the shocking decision in November to release defendant Mohammed Ayyad charged with the December 2022 killing of Irish UNIFIL soldier Sean Rooney, the Lebanese military tribunal enhanced its own image as a kangaroo court in December by postponing case proceedings until June 2024. This spectacular step was taken virtually on the anniversary of Rooney's death after Ayyad's legal team presented documents purportedly showing that he is in hospital. Medical issues were the official reason he was released on bail in November and is now used as grounds for postponing the trial by six months. It is remarkable that an able-bodied young man fit to shoot at a UNIFIL convoy a year ago is now too ill to even appear in court. This has bred suspicion that the medical documents are forged and that his attorneys are conspiring with a hospital and the court to keep Ayyad free along with the five other fugitive defendants at the behest of their political patrons. The Lebanese authorities' total lack of will to even pretend to prosecute Rooney's alleged killer has had a chilling effect on the rank-and-file peacekeepers and unsettled the states that contribute troops. The unease grew in late December following two violent encounters between local villagers and two UNIFIL patrols in Taybeh and Kafr Kila, one Indonesian and one French. The Rooney affair has had a particularly harmful impact on Libano-Irish relations, especially as Dublin has been the European country most in line with Lebanon's view on the Gaza war and been a lone, early and consistent European critic of Israeli operations there. But Irish sympathy with Palestinian victims of Israeli crimes apparently does not translate into Lebanese sympathy for Irish victims of Lebanese crimes.



Map of developments in southern Lebanon



Future developments



Political developments

The presidential vacancy is expected to continue throughout January and most probably even longer. It has yet to be seen how the parliamentary law extending the term of LAF commander Joseph Aoun will impact his unofficial candidacy and the presidential race generally. The Free Patriotic Movement (FPM) has strongly hinted that it will appeal the law with the Constitutional Council. If the party were to do so, the FPM-influenced council may overturn the law and in effect sent Aoun into retirement on January 10th. In another more likely scenario, the Constitutional Council does not overturn the law or the FPM does not appeal it at all. In either case, it may be a few weeks before it becomes crystal clear to all stakeholders if Aoun is still unofficially in the presidential race or not. Until then, no major change is expected in the presidential file. Once Aoun's fate is clear, the jockeying over the next head of state will likely intensify. If it holds, the Aoun extension is a major setback for FPM leader Gibran Bassil, who regards the general as the worst of all candidates and invested great effort in ensuring his timely retirement on January 10th. As noted in our October report, Bassil was likely biding his time on the presidential file and intentionally stalling until Aoun's scheduled retirement and presumed exit from the race. This would have enhanced Bassil's negotiation position vis-à-vis Frangieh's supporters. Now the FPM procrastination strategy has failed and the party is still in the position where the two candidates it finds least appealing – Aoun and Sleiman Frangieh – are the de facto top contenders. As its ill-fated 'intersection' with the anti-Hezbollah opposition on Jihad Azour shows, FPM has been unable to leverage its centrist position into imposing a third candidate. This draws back attention to FPM's negotiations with Hezbollah over a grand Frangieh deal. On December 28th Bassil criticised Hezbollah for its purported role in the Aoun extension – whereas March 14th parties and media said that the Shiite party tried to thwart it – and declared that the two did not have an 'alliance' but simply an 'understanding'. This terminological hair-splitting did, however, not prevent Bassil from stating in no uncertain terms that he is ready to endorse Frangieh in return for laws on administrative decentralisation and a fund to manage public assets. This is a crystal clear invitation for renewed negotiations that will require more than just a month to finish, especially as long as Hezbollah is preoccupied with the conflict with Israel along the blue line and the situation in Gaza.



Security developments

The ongoing conflict between Hezbollah and Israeli along the blue line is poised to continue far into 2024. As detailed above, the intensity of hostilities has been gradually decreasing since the second week of December. But they are very unlikely to come to a full stop until the war in Gaza ends. And that does not seem imminent. While the United States has publicly and privately insisted that the IDF ends or at least curbs its operations in Gaza by the start of 2024, Israeli political and military officials have repeatedly stressed that the Gaza campaign will continue for several more months. Even if so, the IDF's continuous failure to neutralise top Hamas leaders or destroy critical Palestinian military assets means that the risk of clashes escalating into an all-out war against Israel will remain low on the short-to-medium term. As such, the current status quo along the blue line will likely continue with at most minor changes in coming weeks. The medium-to-long term remains more uncertain. Diplomats in Beirut are taking seriously Israeli threats to launch a war against Hezbollah in Lebanon after the one against Hamas in Gaza is over. Clearly frustrated with how Hezbollah's operations have complicated the IDF campaign in Gaza, Tel Aviv is now demanding the implementation of UN Security Council resolution 1701 stipulating the withdrawal of Hezbollah forces north of the Litani. If diplomats in Beirut do not nudge Hezbollah and the Lebanese government into compliance, the IDF will do so by force, the threats go. Hezbollah has publicly stated that it will not agree to change the strategic status quo along the blue line under threat and during a war. Hezbollah's official stance and any possibility of compromise will likely be made clear by Nasrallah in his January 3rd speech. The deadline of the Israeli threat (or bluff) is understood to be sometime in February.



Our services in Lebanon

Analytical services

- 💡 **Lebanon Monthly Report:** 25-35 pages covering all political, economic, humanitarian, and security developments in Lebanon as well as delivering a range of future forecasts and highly detailed maps.
- 💡 **Lebanon Awareness App:** A unique app with in-depth background insights, detailed maps, risk assessments, updated analysis, 24/7 live security alerts, and a range of emergency functions.
- 💡 **Tailored area reports:** 20-50 pages covering local developments, threats, maps, forecasts and practical security recommendations.

Consultancy services

- 💡 **Security and emergency plans:** Full design/review of Lebanon security and emergency plans. Includes security situation, threats, maps, responsibilities, guidelines, SOPs, templates, and emergency response plans.
- 💡 **Risk assessments:** Assessments of risks in Lebanon relating to an organisation's operational context, sites, movements, and staff. Final report with findings and practical recommendations for improvements.
- 💡 **Field visit/delegation support:** Assessments of and recommendations for planned routes and visits. Also includes a briefing email with latest updates and standby support during the entire trip.

Training services

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- 💡 **Personal security training:** A two-day course hosting up to 15 participants. Day one focusing on personal security awareness, threat exposure, and best practise responses, while day two is fully dedicated to practical outdoor security scenario simulations.
- 💡 **Personal security training for partner staff:** A two-day course hosting up to 15 NGO partner staff. Day one focusing on field security awareness, local threats, and best practise responses, while day two is fully dedicated to practical outdoor security scenario simulations.

About us

Atlas Assistance is a small dedicated company supporting a long range of humanitarian, diplomatic and commercial actors across the Middle East from our office in Beirut.

We are specialised in delivering analytical and security solutions based on a deep understanding of local contexts and what actually works on the ground.

For more information about our work, please visit our website: www.atlasassistance.org

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