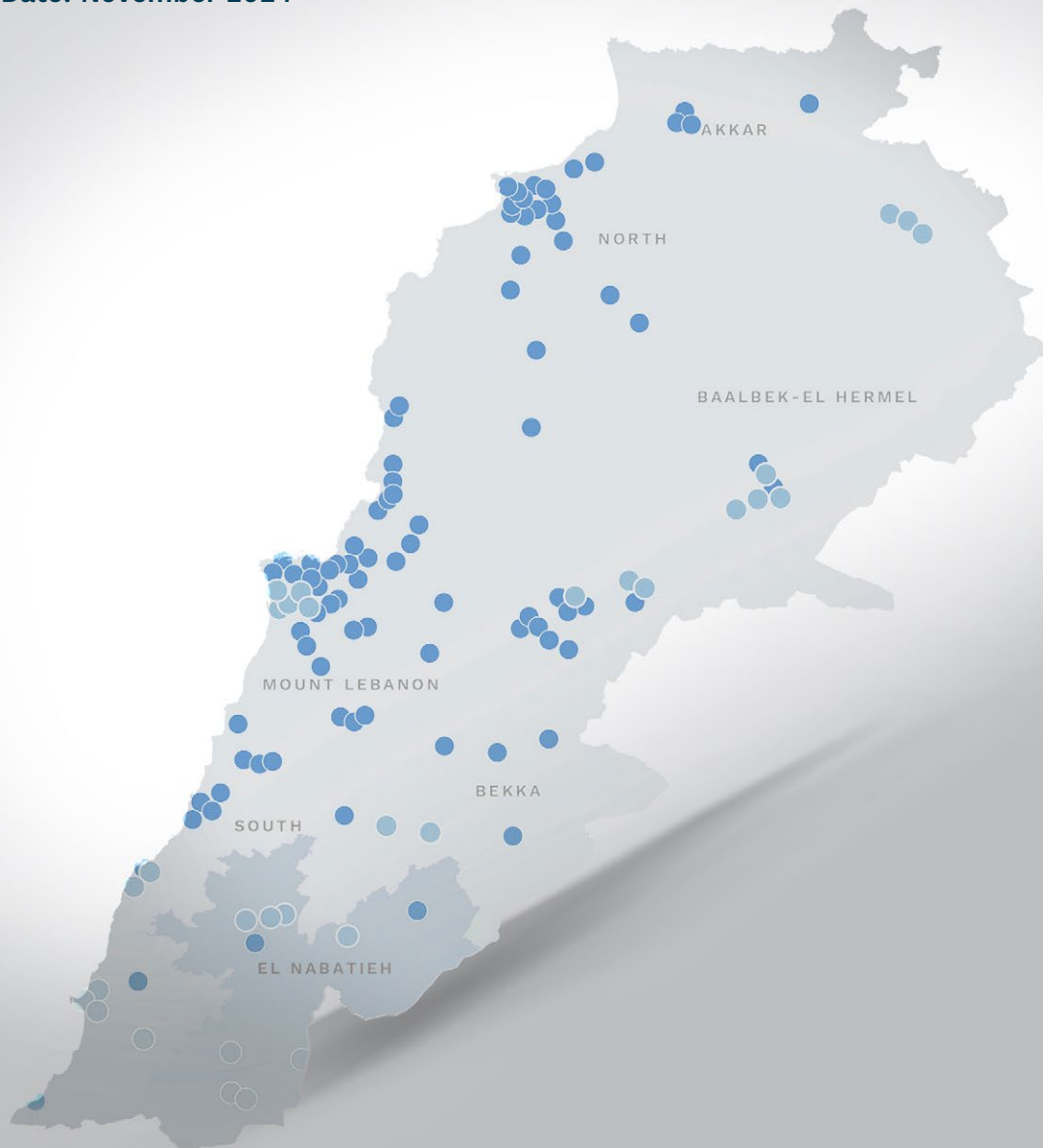

‘Day After’ Lebanon

POLICY PRIORITIES AND CONFLICT SENSITIVITY
RISKS FOLLOWING THE HEZBOLLAH-ISRAEL WAR

Date: November 2024



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Executive Summary

This report assesses the main social, economic, and political impacts of the 2023-2024 military conflict between Israel and Hezbollah. It aims to provide operational insights with a focus on the policy priorities and key conflict sensitivity challenges in Lebanon during a post-conflict period. It assesses the long-term challenges that will emerge following the 26 November ceasefire deal, including elevated sectarian tensions within Lebanon; the devastation of Shiite urban areas and homes; the erosion of Hezbollah's traditional capacity to provide social services; and the massive scale of displacement, which is likely to persist long into the future. Additionally, the report highlights critical programming risks for addressing these challenges, including the need to navigate Lebanon's complex contracting environment and the necessity of working through government while insulating against the country's endemic corruption.

Introduction

On 26 November, U.S. President Joe Biden announced that Lebanon and Israel had agreed to a ceasefire to wind down the conflict that began more than 13 months earlier between Hezbollah and Israeli forces.¹ Under the terms of the deal, Hezbollah will withdraw to areas north of the Litani River, and the Israeli military will vacate positions in southern Lebanon, paving the way for the deployment of the Lebanese Armed Forces.² The agreement's successful implementation is by no means guaranteed, however. Both parties continued to carry out attacks in the window between the agreement's adoption and the time it went into effect, on 27 November. In addition, Israel has insisted on U.S. support for a supplementary annex — not formally part of the agreement — that will allow it to undertake further military action in Lebanon if it deems that Hezbollah or other forces pose a threat.³ Broadly speaking, the deal's parameters mirror those contained in UN Security Council Resolution 1701, which ended the 2006 war between Israel and Hezbollah. The current agreement may face similar obstacles to implementation, including Hezbollah's deeply entrenched presence in border communities.⁴

Despite its limitations, the deal is a major step toward stabilisation in Lebanon, and it necessitates aid response planning that assesses Lebanon's current humanitarian context and future reconstruction needs. The conflict has had major impacts on both sides of the border — including the death of more than 140 Israelis and the displacement of 70,000⁵ — yet the war has been waged mostly on Lebanese soil, and Lebanese have endured its worst effects. As of 21 November, the fighting had killed 3,583 in Lebanon and injured 15,244, while more than 1.4 million people have been displaced. On the strategic level, the conflict has severely degraded the capacity of Hezbollah, Lebanon's most important political player and the strongest actor in the Iran-backed "axis of resistance."⁶ The fighting has also deepened Lebanon's domestic turmoil, which predates the outbreak of conflict. When fighting between Hezbollah and Israeli forces erupted on 8 October 2023, Lebanon was in the midst of a slow recovery from the worst multidimensional crisis it has endured since its bloody civil war. The country will now be forced to confront the needs of a major

1 <https://www.cbsnews.com/news/israel-hezbollah-ceasefire-netanyahu-war-lebanon-gaza-hamas/>

2 <https://www.haaretz.com/israel-news/2024-11-26/ty-article/.premium/israeli-cabinet-approves-lebanon-cease-fire-to-begin-on-wednesday-official-says/00000193-68d7-d09a-ab9f-ffdfe310000>

3 <https://www.timesofisrael.com/netanyahu-we-retain-full-freedom-of-military-action-against-hezbollah-with-us-okay/> and <https://www.aljazeera.net/news/2024/11/28/%d8%b9%d8%a7%d8%ac%d9%84-%d8%a7%d9%84%d9%82%d9%86%d8%a7%d8%a9-12-%d8%a7%d9%84%d8%a5%d8%b3%d8%b1%d8%a7%d8%a6%d9%8a%d9%84%d9%8a%d8%a9-%d8%a7%d9%84%d9%88%d8%ab%d9%8a%d9%82%d8%a9>

4 <https://www.theguardian.com/world/2024/nov/26/what-would-a-ceasefire-between-israel-and-hezbollah-entail-and-would-it-be-successful>

5 <https://www.axios.com/2024/11/25/israel-lebanon-near-hezbollah-ceasefire-deal> and <https://www.unocha.org/publications/report/lebanon/lebanon-glance-escalation-hostilities-lebanon-21-november-2024-enar>

6 <https://tcf.org/content/commentary/the-gaza-war-has-irreversibly-strengthened-the-axis-of-resistance/>

post-war reconstruction effort while also overcoming the effects of its 2019 economic and governmental collapse. The combination of these factors has dramatically worsened Lebanon's sectarian fragility. In this context, donors and aid implementers will need to take steps to understand how the spillover of regional war onto Lebanese soil has had catastrophic effects that will long outlast the fighting.

Key Takeaways

- **The conflict has devastated the infrastructure and urban fabric of Shiite-majority areas.** Southern Lebanon, the south Beirut suburbs, and the Beqaa Valley have been disproportionately affected. **In particular, strikes on healthcare facilities exacerbate health access disparities in predominantly Shiite areas.**
- **The destruction of an estimated USD 2.8 billion in housing has created a shelter crisis that overwhelmingly affects Shiite Lebanese.** Approximately 100,000 housing units have been damaged or destroyed.
- **The conflict has dealt Hezbollah a heavy blow militarily, politically, and socially.** Its ability to fulfill its social contract by providing constituents with social services through entities such as Qard al-Hassan, a microlender, has been undermined. **Shiite communities are not monolithic, nor is Hezbollah the only party vying for their support.⁷ Yet it is the most significant such party, and Shiite communities risk backsliding on decades of social development if Hezbollah services falter without a clear alternative to fill the gap.**
- Hezbollah has been weakened and marginalised domestically, yet it remains a significant political force in the country. **Nonetheless, Lebanon's sectarian system extends beyond Hezbollah, and sectarian corruption will likely continue to hinder meaningful political reform and accountability.**
- **Mass displacement has upset Lebanon's delicate sectarian balance.** One-quarter of the country's population has been displaced, and many Shiites have been driven into Druze, Christian, and Sunni areas. **Airstrikes targeting the displaced and greater stress on services risk exacerbating intercommunal tensions, particularly if displacement is protracted.**
- **The need to revitalise the state while both adequately safeguarding against corruption and consulting civil society will be a major implementation hurdle in the post-conflict period.**
- **Hezbollah's role in rebuilding destroyed homes and assets in Shiite-majority areas will constitute a major challenge for donors, and it may test the limits of the ceasefire agreement concerning the party's role in areas south of the Litani River. Among Shiite Lebanese, Hezbollah is an essential provider of social services; it will face enormous pressure from constituents to support reconstruction.**
- **The ceasefire agreement is an important step but is highly fragile.** An escalation in regional conflict involving Gaza, the West Bank, or Iran may prompt a breakdown in the truce.

⁷ https://www.washingtoninstitute.org/sites/default/files/pdf/PolicyFocus172Ghaddar_1.pdf

Background and Conflict Context

Lebanon's Deep Multidimensional Fragility

The conflict between Hezbollah and Israel has worsened sectarian tensions, and it tests Lebanon's underlying governmental weakness. Prior to the crisis, Lebanon experienced decades of state fragility rooted in the sectarian nature of its governing structure. Lebanon's system of confessional power-sharing is a formalised outcome of the country's civil war (1975-1990), in which armed factions coalesced predominantly along religious lines. In the main, the parties that dominate Lebanese politics today are descended from these sectarian militias. Designed primarily as a means of managing sectarian conflict, Lebanon's system of government apportions political representation and allocates state offices according to religious sect. While this prevents any single group interest from dominating the others, doing so removes electoral pressure as a serious check on parties in power, reducing accountability and fostering endemic corruption. Decades of poor service efficiency and ineffective governance have eroded confidence in the state, and party leaders have plundered public funds to enrich themselves and sustain patronage networks.⁸

These factors set the stage for the severe shocks that Lebanon has weathered in the past five years. The implosion of a vast financial engineering scheme in late 2019 wreaked lasting havoc on the banking sector, decimating public finances, shrinking access to essential services, and bankrupting ordinary Lebanese. In the ensuing months, popular outrage against the government fuelled a widespread popular movement against government inefficiency and sectarian corruption. Although the COVID-19 pandemic stifled the protest movement, the Beirut port explosion on 4 August 2020 that killed more than 200 people deepened popular resentment toward the country's widely despised political class. Since early 2023, the pace of Lebanon's economic collapse has slowed, yet the country may take decades to recover to earlier levels of prosperity. A 98% drop in the exchange value of the currency has plunged nearly three-quarters (73%) of the population into multidimensional poverty.⁹ Nearly half (47.5%) the people living in Lebanon are food-insecure.¹⁰ Even before the conflict with Israel erupted, the resilience of ordinary Lebanese and the credibility of the government were at a low ebb.

Conflict Trajectory

The Gaza war that broke out on 7 October 2023 quickly spread to neighbouring Lebanon and has unfolded in two stages.¹¹ Prior to September 2024, the conflict remained confined to relatively low-intensity exchanges between Israel and Hezbollah almost entirely within 15km of the Blue Line, the demarcation line separating Israel and Lebanon.¹² The conflict escalated markedly in September 2024, when Israel conducted 1,700 airstrikes, a 125% month-to-month increase, decimating Hezbollah's command structure and senior military and political leadership.¹³ Paired with Israeli ground operations and evacuation orders for hundreds of villages spanning southern Lebanon,¹⁴ **the war has uprooted more than 1.4 million people, including 886,000 IDPs and 528,000 who have sought safety in Syria.**¹⁵ By emptying southern Lebanon of most of

⁸ <https://coar-global.org/2022/01/14/conflict-analysis-lebanon-national-level/>

⁹ <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099052224104516741/p1766511325da10a71ab6b1ae97816dd20c>

¹⁰ <https://www.wfp.org/countries/lebanon>

¹¹ <https://www.reuters.com/world/middle-east/israel-strikes-lebanon-after-hezbollah-hits-shebaa-farms-2023-10-08/>

¹² See: <https://aub.maps.arcgis.com/apps/dashboards/2a3cd18fa4f4400ba5ee330273117f95>. Nonetheless, by the end of 2023, the fighting had displaced 60,000 Israelis and 75,000 Lebanese, creating significant political pressure in both countries.

¹³ <https://acleddata.com/2024/10/04/middle-east-september-2024-special-issue-middle-east-crisis/>

¹⁴ <https://www.amnesty.org/en/latest/news/2024/10/lebanon-israels-evacuation-warnings-for-civilians-misleading-and-inadequate/>

¹⁵ <https://reliefweb.int/map/lebanon/lebanon-ucpm-and-eu-humanitarian-aid-response-situation-lebanon-dg-echo-daily-map20112024>

its civilian population, the war has dramatically increased nationwide housing and shelter needs and has intensified the pressure on flagging public utilities and soft services in host communities. Hundreds of schools have been converted into shelters, while attacks on physical infrastructure have devastated service provision networks, particularly hospitals. An estimated **3.7 million people are in need of emergency aid, primarily social stability, health, and basic assistance.**¹⁶

Key Conflict Impacts

The conflict has had diverse multisectoral impacts. It has battered Lebanon's ailing economy and isolated the country from regional neighbours. Israeli airstrikes and shelling have affected every governorate, and 89% of the Lebanese population has been exposed to conflict, according to projections.¹⁷ Nonetheless, **the targeting of Hezbollah and the localities in which it operates has overwhelmingly exposed Shiite Lebanese to the most damaging effects of the war**, particularly the destruction of homes and infrastructure, and mass displacement. These factors combine to worsen Lebanon's pre-existing communal disparities and risk aggravating sectarian tensions.

Destruction of Urban Fabric in Shiite Areas

Israel's stated military objective is to destroy Hezbollah military infrastructure and assets. In practical effect, Hezbollah's deep integration in public life and the urban nature of affected areas means that the **bombing has decimated the physical infrastructure, government facilities, markets, bridges, and homes of Lebanon's Shiite population.** UN experts and analysts have warned that the intensity of the bombardment and the razing of Shiite-majority neighbourhoods and entire border villages such as Mhaibib¹⁸ may constitute "Shiite urbicide".¹⁹ A comprehensive damage assessment will be impossible until long after the conflict ends. However, preliminarily remote sensing analysis indicates that as of mid-October, **more than 95% of all damaged structures are in Lebanon's two southernmost governorates, Nabetieh (67%) and South (28%).**²⁰ An estimated **86% of all damaged structures are found in the three southernmost districts** where Israel has focused its most intense aerial and ground operations: Marjaayoun, Bent Jbeil, and Sour.²¹ These districts have a combined population that is more than 80% Shiite, according to 2014 electoral lists maintained by the Lebanese Interior Ministry.²² The conflict has damaged roughly three-dozen hospitals.²³ **Health infrastructure serving Shiite populations has been especially badly affected (Table 1), aggravating health disparities that existed before the war.**²⁴ Notably, roughly 74% of all attacks on health facilities since the conflict began have taken place in South and Nabetieh governorates, which have also seen 81% of health worker fatalities and 90% of health worker injuries.²⁵

¹⁶ <https://reliefweb.int/report/lebanon/lebanon-response-plan-glance-2024>

¹⁷ <https://acleddata.com/conflict-exposure/#calculator>

¹⁸ <https://www.nytimes.com/2024/10/18/world/middleeast/israel-lebanon-mhaibib-photo-video.html>

¹⁹ <https://www.youtube.com/watch?v=cb8PUrKfgo> and <https://www.thenationalnews.com/news/mena/2024/11/05/israel-gaza-domicide-lebanon/>

²⁰ <https://storymaps.arcgis.com/stories/de7d44fc3f594c5084a95fe8fef1634c>

²¹ <https://understandingwar.org/backgrounder/understanding-israel%E2%80%99s-campaign-defeat-hezbollah-lebanon>

²² <https://lub-anan.com/%D8%A7%D9%84%D9%85%D8%AD%D8%A7%D9%81%D8%B8%D8%A7%D8%AA/>

²³ <https://www.cnn.com/2024/11/02/middleeast/israel-airstrikes-lebanon-hospitals-intl-invs/index.html>

²⁴ <https://www.freiheit.org/sites/default/files/2023-07/lcps-policy-brief-reforming-the-healthcare-system.pdf>

²⁵ Data published 24 October 2024, valid through 8 October 2024.

Map 1. - Attacks on Healthcare Facilities

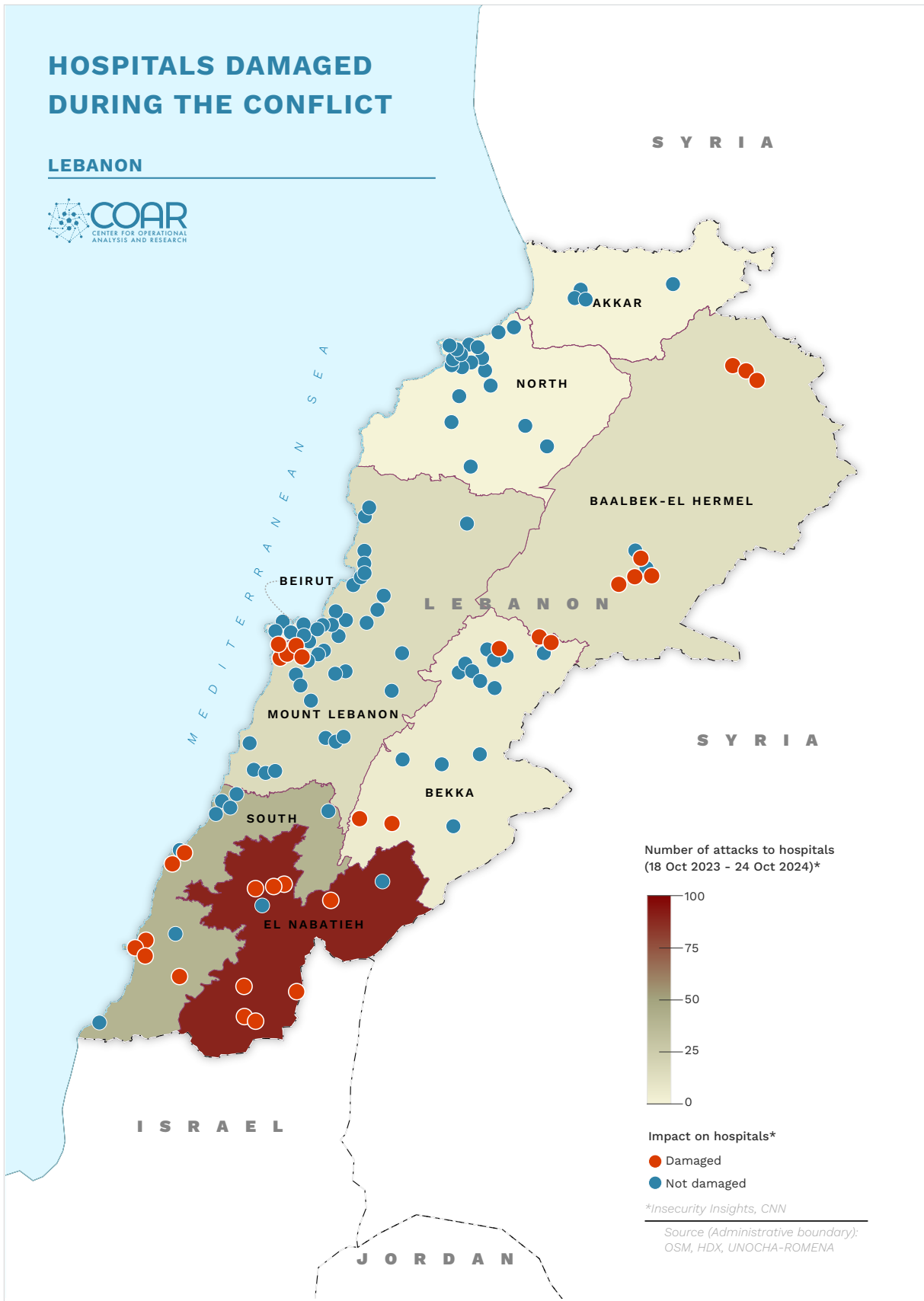


Table 1. Concentration of Attacks on Health Infrastructure (Oct. 2023 - Oct. 2024)

Governorate	Attacks on Health Facilities	Health Workers Killed	Health Workers Injured	Health Transportation Destroyed	Health Transportation Damaged
Baalbek-Hermel	5	1	1	0	2
Beirut	1	2	0	0	0
Beqaa	5	6	4	0	1
Mount Lebanon	6	4	5	0	0
Nabetieh	35	67	71	3	20
South	13	36	21	1	9
N/A	0	10	0	0	1
Total	65	126	102	4	33

Source: Insecurity Insight

Patterns of damage outside southern Lebanon place the targeting of Shiite areas in sharp relief. For instance, 302 damaged structures are detected in Mount Lebanon governorate, the traditional seat of Druze power.²⁶ Of these structures, 299 (99%) are found in Baabda district, home to Beirut’s southern suburbs, the most significant Shiite population centre in metropolitan Beirut. Predominantly Shiite localities have been similarly impacted in the Beqaa Valley. Airstrikes have damaged an estimated 269 structures in Beqaa governorate; 249 of these are found in just three communities, each with noted Shiite populations: Sohmor (159), Fourzol (74), and Yohmor (13).²⁷

Destruction of Housing

The conflict has obliterated housing stock, particularly in Shiite areas, creating a shelter crisis with long-term social and economic implications. The World Bank estimates that 82% of structural damages are in the housing sector, primarily in Nabetieh and South governorates.²⁸ Approximately 100,000 homes have been destroyed thus far, with estimated damages exceeding USD 2.8 billion. Over time, the lack of adequate shelter will aggravate Lebanon’s pre-existing housing shortage, which is a consequence of stalled construction due to the 2019 financial crisis. Due to the destruction of homes and infrastructure, many IDPs have no homes to which they can return, amplifying the urgency of identifying sustainable medium-term housing solutions for the massive IDP population.

Erosion of Hezbollah’s ‘State within a State’

Shiite Lebanese have suffered generations of disparities in state investment and social services; Hezbollah has traditionally bridged these gaps. Now, the party’s capacity to meet constituents’ needs is in doubt, due to heavy conflict losses. If this ‘state within a state’ falters, Shiite Lebanese risk backsliding on decades of social development that has played a large role in elevating them into the middle class. Hezbollah-affiliated social services, charity organisations, and party organs have enabled Shiites to navigate past shocks, including the July 2006 war and the 2019 financial crisis. Yet the current war has damaged Hezbollah’s institutional capacity, and some of its affiliated service entities have been deliberately targeted. Among the most significant Hezbollah-affiliated social service entities is Qard al-Hassan, a popular microlender.

26 <https://www.lorientlejour.com/article/1297803/data-and-statistics.html>

27 <https://coar-global.org/2022/02/17/lebanon-conflict-analysis-central-bekaa/>

28 <https://documents1.worldbank.org/curated/en/099111224112085259/pdf/P5063801c62fbc0c21beff1d0a436d07e02.pdf>

On 20 October, Israel began to conduct airstrikes on Qard al-Hassan branch offices across Lebanon, seeking to undermine Hezbollah's financing capacity.²⁹ Similarly, the wave of pager explosions in September incited online rumours that RFID chip-enabled subsidy cards distributed by Hezbollah were vulnerable to a similar attack, prompting some constituents to proactively destroy their cards.³⁰ **Post-conflict reconstruction will test the party's capacity further. Waad Project and Jihad al-Binaa, two entities responsible for reconstruction support in the past, are now under international sanction, impeding their capacity to support post-conflict rebuilding efforts.**

Table 2. Hezbollah-Affiliated Social Service Entities

Entity	Service	Notes
Souq al-Nour	Discounted shopping	Souq al-Nour markets are found in Shiite areas and offer goods imported (or smuggled) via Hezbollah's regional allies and partners.
Al-Sajjad card ³¹	Market subsidies	Al-Sajjad is a card-based system providing cash assistance to needy families. Ostensibly, it is available to families irrespective of party or sectarian affiliation.
Jihad al-Binaa ³²	Reconstruction and social and economic development	Jihad al-Binaa is affiliated with the Iranian entity by the same name. Its emphasis in Lebanon has been on postwar reconstruction (e.g., July 2006) and agricultural development, although it is also accused of building up Hezbollah's military infrastructure.
Waad Project ³³	Reconstruction	Waad Project is a reconstruction company accused by the U.S. Treasury of evading sanctions on Jihad al-Binaa and rebuilding Hezbollah's south Beirut headquarters. ³⁴
Qard al-Hassan	Loans and microfinance	Qard al-Hassan is a licensed microlender and parallel deposit apparatus with greater stability than the Lebanese financial system. Though sanctioned, ³⁵ it has 30 branch offices and has the capacity to serve all Lebanese, irrespective of party or sect. ³⁶
The Martyrs' Organisation ³⁷	Social support for wounded fighters	The organisation distributes pension and benefits support to wounded fighters and the families of the killed.
Al-Imdad Association ³⁸	Charitable support	The charity provides general social services, including for orphans.

29 <https://x.com/AvichayAdraee/status/1848060472857346104> and <https://www.wsj.com/world/middle-east/israel-expands-lebanon-campaign-with-strikes-on-banks-it-links-to-hezbollah-4dc856c6>

30 <https://www.almodon.com/society/2024/10/3/%D8%A8%D8%B9%D8%AF-%D8%A7%D8%AA%D8%B5%D8%A7%D9%84%D8%A7%D8%AA-%D9%85%D8%B4%D8%A8%D9%88%D9%87%D8%A9-%D9%85%D9%88%D8%A7%D8%B7%D9%86%D9%88%D9%86-%D9%8A%D9%85%D8%B2%D9%82%D9%88%D9%86-%D8%A8%D8%B7%D8%A7%D9%82%D8%A9-%D8%A7%D9%84%D8%B3%D8%AC%D8%A7%D8%AF>

31 https://www.aljadeed.tv/news/%D9%85%D8%AD%D9%84%D9%8A%D8%A7%D8%AA/359425/%D8%A8%D8%B7%D8%A7%D9%82%D8%A9-%D8%A7%D9%84%D8%B3%D8%AC%D8%A7%D8%AF-%D8%A7%D9%84%D8%AA%D9%85%D9%88%D9%8A%D9%86%D9%8A%D8%A9-%D8%AA%D8%B3%D9%88%D9%91%D9%82-%D9%84%D9%85%D8%B1%D8%A9-%D9%88%D8%A7%D8%AD%D8%AF%D8%A9-%D9%81%D9%8A-%D8%A7%D9%84%D8%B4%D9%87%D8%B1#google_vignette

32 <https://www.jihadbinaa.org.lb/index.php>

33 <https://www.opensanctions.org/entities/NK-2qwt6v2sLUsc8viEvWUw/>

34 <https://home.treasury.gov/news/press-releases/hp1341>

35 <https://sanctionssearch.ofac.treas.gov/Details.aspx?id=10416>

36 <https://www.amnesty.org/en/latest/news/2024/10/israel-lebanon-branches-of-hezbollah-affiliated-financial-institution-not-military-targets/>

37 <https://www.shaheed.com.lb/>

38 <https://www.alemdad.org.lb/index.php>

Mass Displacement and Fraying Social Cohesion

One-quarter of Lebanon's residents — including much of the Shiite population — has been displaced, threatening the country's delicate sectarian balance. The vast majority of Lebanon's Shiite Muslims live in southern Lebanon, the northern Beqaa Valley, and the south Beirut suburbs. Active conflict and Israeli evacuation orders have occurred almost entirely in these areas, displacing much of the country's Shiite population into Druze, Christian, and Sunni communities. **Hosts have generally welcomed IDPs, and mutual aid initiatives and other efforts to soften the impact of displacement stand as notable examples of Lebanon's potential for intercommunal harmony.**³⁹ Returns began quickly following the ceasefire agreement.⁴⁰ Nonetheless, high levels of destruction may force large numbers of IDPs to grapple with displacement on a long-term basis. In addition, pressure on service networks, "hyperinflated [rental] prices,"⁴¹ and the spillover of fighting have the potential to create intercommunal divisions. On 15 October, an Israeli airstrike killed 23 people in Aitou, a Christian-majority town outside Tripoli.⁴² Hezbollah does not have a known operational presence in the area; the strike reportedly targeted a Hezbollah official who was distributing cash assistance to IDPs from the south.⁴³ Other villages⁴⁴ have been affected by similar strikes, and hosts elsewhere⁴⁵ have spoken of suspicion and hostility toward IDPs and other Lebanese from outside their communities.⁴⁶

39 <https://carnegieendowment.org/middle-east/diwan/2024/10/on-the-ground-with-lebanons-displaced?lang=en>

40 <https://www.theguardian.com/world/2024/nov/27/thank-god-we-are-home-lebanese-return-south-after-ceasefire-with-israel>

41 <https://www.aljazeera.com/opinions/2024/10/19/left-unchecked-lebanons-displacement-crisis-could-tear-the-country-apart>

42 <https://www.bbc.com/news/articles/crej40034r20>

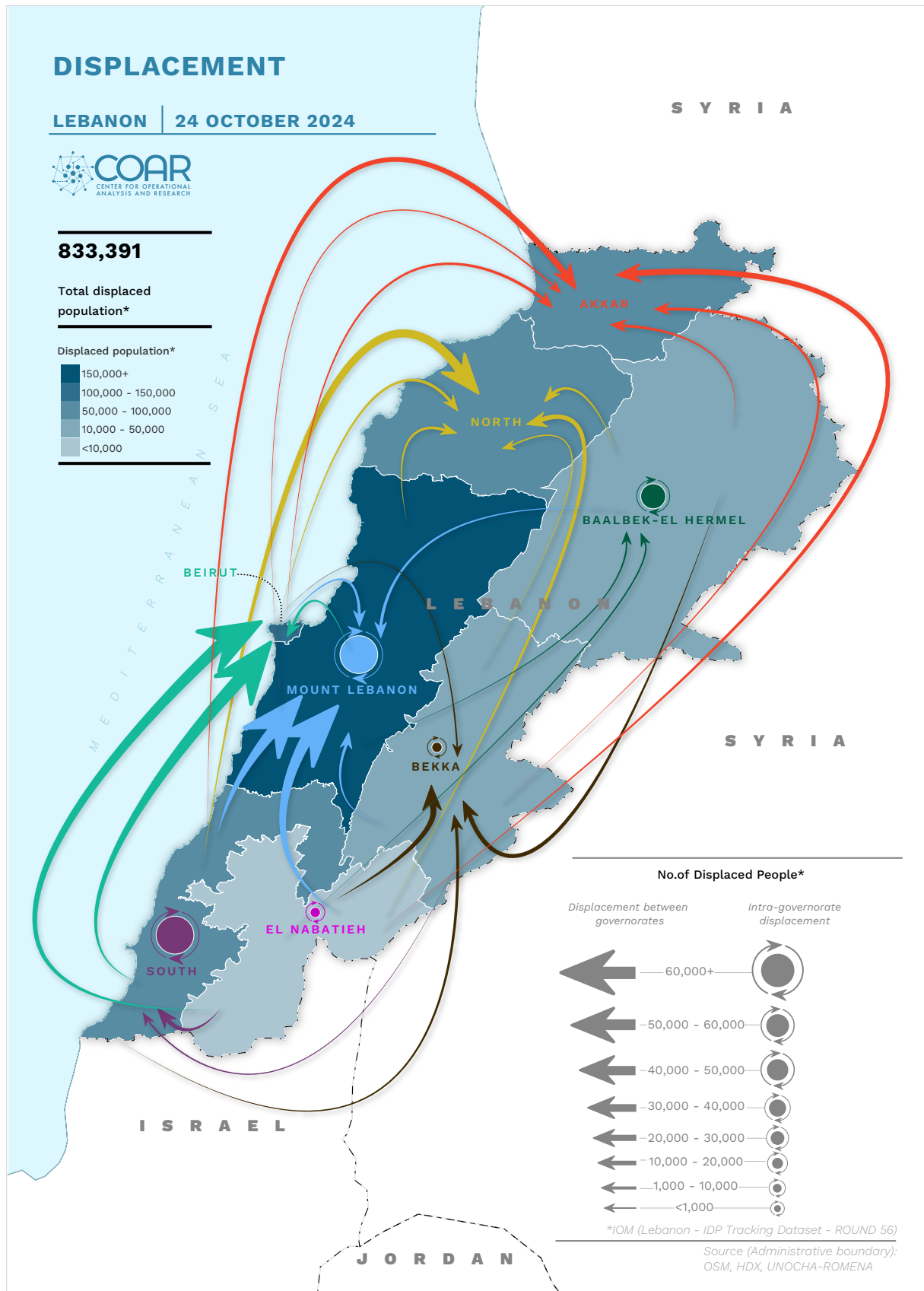
43 <https://www.nbcnews.com/news/world/thought-haven-israeli-strikes-christian-town-lebanon-now-scene-carnage-rcna175876>

44 <https://www.aa.com.tr/en/middle-east/death-toll-from-israeli-airstrike-on-central-lebanon-rises-to-8/3344182>

45 <https://www.reuters.com/world/middle-east/mass-displacement-lebanon-war-revives-spectre-sectarian-strife-2024-10-15/>

46 <https://www.bbc.com/news/articles/crej40034r20>

Map 2. Mass Northward Displacement



Hezbollah and Lebanon's New Political Landscape

Prior to the conflict, Hezbollah was the unchallenged axis around which Lebanese politics evolved.⁴⁷ The conflict has undermined the party, fraying its traditional alliances⁴⁸ and alienating its constituents.⁴⁹ **Hezbollah's many domestic rivals — and some Western governments — have expressed hope that the war has created a generational opportunity⁵⁰ to push Hezbollah to the political margins.**⁵¹ Nonetheless, the declaration by Israeli Defense Minister Israel Katz that Hezbollah has been “defeated” does not track with reality on the ground.⁵² **Although Hezbollah may be forced to accept a diminished role in Lebanese national politics,** and donors may be forced to confront an unfamiliar political landscape in the country, Hezbollah remains a force to be reckoned with. Many of the **fundamental political reforms desired by Western donors are likely to remain out of reach, due to the paralyzing influence of other political actors.** State fragility and a lack of accountability toward the Lebanese public are features of a sectarian system that exists beyond Hezbollah.

Damages, Losses, and Lebanon's Worsening Economic Crisis

The conflict has badly derailed Lebanon's slow recovery from the 2019 economic collapse, deepening the multidimensional effects of widespread poverty. The war has generated economic losses in excess of USD 5.1 billion, in addition to USD 3.4 billion in estimated damages, according to the Interim Damage and Loss Assessment (IDLA).⁵³ Tourism, commerce, and agriculture have been the worst-affected sectors. According to the World Bank, Lebanon's real GDP is projected to shrink by 5.7% in 2024, while UNDP estimates that Lebanon's economy will contract by 9.2% if hostilities last through the end of the year, with continuing contraction for years to come.⁵⁴ These impacts heighten the effects of long-term currency depreciation, food-price inflation, and a dramatic increase in poverty due to the country's 2019 economic collapse.

⁴⁷ <https://www.wilsoncenter.org/article/lebanon-the-shiite-dimension>

⁴⁸ <https://today.lorientlejour.com/article/1432453/bassil-the-fpm-is-not-in-a-situation-of-alliance-with-hezbollah.html>

⁴⁹ <https://www.reuters.com/world/middle-east/mass-displacement-lebanon-war-revives-spectre-sectarian-strife-2024-10-15/>

⁵⁰ <https://www.washingtoninstitute.org/policy-analysis/day-after-lebanon> and <https://apnews.com/article/lebanon-israel-united-states-hezbollah-politics-11ef4fo255e17b5bf545366520565691>

⁵¹ <https://www.crisisgroup.org/middle-east-north-africa/east-mediterranean-mena/israelpalestine-lebanon/israel-invades-lebanon>

⁵² https://www.timesofisrael.com/liveblog_entry/hezbollah-defeated-new-defense-minister-says-as-rockets-bombard-north/

⁵³ <https://documents1.worldbank.org/curated/en/099111224112085259/pdf/P5063801c62fbc0e21beffidoa436do7e02.pdf>

⁵⁴ <https://www.undp.org/press-releases/un-development-programme-warns-socio-economic-crisis-lebanon-amidst-escalation-hostilities>

Conflict Sensitivity Challenges for Implementation

Numerous risks will complicate policy-making and the provision of donor-funded assistance in post-conflict Lebanon. Key challenges will revolve around state revitalisation, civil society engagement, contracting and due diligence procedures, and social cohesion. In this respect, Lebanon's recovery will depend on approaches that strengthen state institutions while ensuring accountability and navigating the complex relationships between government bodies, local organisations, and civil society. Yet donor-funded programming must account for destabilising factors including entrenched corruption, intercommunal tensions, and the role of Hezbollah in reconstruction. Additionally, geopolitical externalities, particularly the potential for renewed fighting, pose further threats to stability and the ultimate success of reconstruction initiatives.

State Revitalisation and Government Accountability

State revitalisation will be a foremost challenge in a post-conflict setting, yet it is a necessity for enhancing long-term stability in Lebanon. Previous cycles of reconstruction in Lebanon have undermined and eroded state authority.⁵⁵ The national-level emergency response plan seeks to reverse this trend by placing more coordination authority in the hands of state agencies, despite the current limitations of its technical and financial capacity.⁵⁶ The economic windfall of reconstruction carries with it the potential to elevate the state's central role in a post-war Lebanon, and the government has sought to court assistance by proactively pledging to channel funding transparently through multilateral mechanisms.⁵⁷ Extensive due diligence procedures and robust safeguards will be needed to supplement conventional monitoring, evaluation, and transparent planning. Such steps are needed to ensure that assistance promotes accountability and boosts efficiency at various levels of government.

Civil Society Engagement

Lebanon's vibrant civil society is essential to effective post-conflict recovery. The 2020 Beirut blast occurred at a time of intense donor scepticism toward the Lebanese government, and an ecosystem of nearly 400 local NGOs and CSOs vied to participate in relief efforts.⁵⁸ Yet an approach that sidelines the government entirely in favour of such organisations risks reinforcing pre-existing intercommunal disparities and entrenching sectarianism. Organisations and other local stakeholders are important partners who should be involved in participatory planning and urban recovery, yet their efforts should be situated within state-centric processes, where possible.

⁵⁵ <https://beiruturbanlab.com/en/Details/697>

⁵⁶ <https://reliefweb.int/report/lebanon/lebanon-crisis-response-insights-weekly-update-2>

⁵⁷ <https://today.lorientlejour.com/article/1429644/lebanons-cabinet-says-it-will-channel-aid-through-un-amid-displacement-crisis.html>

⁵⁸ <https://beiruturbanlab.com/en/Details/697>

Contracting and Due Diligence Risks

The proliferation of shadow economies, prevalent fraud, and ingrained corruption will be severe hurdles to contracting and procurement during post-conflict rehabilitation. Lebanon ranks 149 out of 180 on Transparency International's corruption index,⁵⁹ while government ministries are currently insolvent and incapable of operating without donor contributions to their operating budgets.⁶⁰ Conventional monitoring and evaluation frameworks emphasise technical capacity and basic legal compliance, which are necessary but insufficient safeguards in the Lebanese context. Such frameworks are not adequately robust to ensure that donor political and strategic objectives are achieved at all steps of partnership and procurement processes. The highly sanctioned and politically complex Lebanon context requires awareness of the deeper systemic impacts of programming and partnership decisions, including procurement value chains and possible distortion of the fragile economy. Entity analysis and enhanced due diligence procedures are needed to ensure contracting achieves full legal compliance and avoids unintended community harms.

Social Cohesion and Intercommunal Conflict Sensitivity

Lebanon's history of sectarian violence elevates the importance of donor awareness toward social dynamics, intercommunal tensions, and geographic and sectarian disparities in resources and opportunities. Social tensions monitoring will be one element of a conflict sensitive approach. Lebanon currently hosts major populations displaced by three major regional conflicts: Palestinians (1948), Syrians (2011), and Lebanese (2023), and social tensions have escalated throughout 2024.⁶¹ Area profiling and a deeper understanding of such dynamics will be needed to ensure that the needs of IDPs, refugees, and host populations are adequately addressed.

Hezbollah and Its Role in Shiite Public Life, Including Reconstruction

As the most important social services provider to Shiite Lebanese, Hezbollah cannot be overlooked as a presumptive major player in reconstruction. In 2006, its Waad Project (lit. "Promise Project") led rebuilding efforts in some areas, using funds raised by Hezbollah itself as well as donor support channelled via the state's Higher Relief Council (HRC).⁶² Waad is now sanctioned internationally, alongside Jihad al-Binaa, the Hezbollah entity focused on construction and rural agricultural development.⁶³ In a post-conflict setting, Hezbollah will face pressure to repay the loyalty of constituents with the kind of reconstruction support it provided in 2006 — if the party and its backers in Tehran are able to shoulder the immense cost. Donors should be mindful that attempts to freeze Hezbollah-linked entities out of reconstruction may encounter steep resistance and community acceptance barriers. Donor policies designed to prevent Hezbollah from rebuilding its party infrastructure in Shiite areas of Lebanon risk harming civilian populations.

59 <https://www.transparency.org/en/countries/lebanon>

60 <https://tcf.org/content/report/adopt-a-ministry-how-foreign-aid-threatens-lebanons-institutions/>

61 <https://www.hrw.org/news/2024/10/30/syrians-fleeing-lebanon-risk-repression-upon-return>

62 <https://beiruturbanlab.com/en/Details/697>

63 <https://home.treasury.gov/news/press-releases/hp1341>

The Status of Palestinians in Lebanon

Palestinian camps in Lebanon have largely been spared the worst of the fighting in the war between Hezbollah and Israeli forces, despite deadly high-profile incidents.⁶⁴ Yet long-term conflict sensitivity risks persist. **Palestinians enjoy few opportunities in Lebanese political and economic life. Without a fundamental resolution to decades of Palestinian displacement and socio-economic despair, the camps will remain recruiting grounds for Hamas⁶⁵ and other armed resistance groups.** Throughout the conflict, Hamas's Al-Qassam Brigades, the Fajr Forces, and Al-Quds Brigades⁶⁶ have operated alongside Hezbollah in southern Lebanon. They will be incentivised to return to the battlefield if conflict escalates in Gaza or the West Bank, even if a ceasefire agreement neutralises Hezbollah. Moreover, humanitarian needs and armed group recruitment in the camps will trend upwards if there is a change to the funding or legal status of UNRWA, a lifeline for Palestinians in Lebanon.

Regional Conflict Trends

Conflict may resume at short notice. For Israel, de-escalation in Lebanon is motivated in part by Tel Aviv's desire to redirect attention to the Gaza front and the broader conflict with Iran. Yet **separating Lebanon from escalating regional conflict will be challenging, if not impossible.** Despite Hezbollah's heavy losses, its militia is still seen as Iran's most significant regional asset and first line of defense. **If intensifying conflict with Israel seriously threatens Iran, Hezbollah will face pressure to support its patrons in Tehran by re-opening its own military front with Israel.** In addition, ceasefire negotiations between Hezbollah and Israel are predicated on decoupling the Gaza and Lebanon fronts. Yet the coming change of presidential administration in the United States has emboldened Israel's government to undertake preparations for "applying sovereignty" in parts of the West Bank — a euphemism for formal annexation.⁶⁷ Such a step would inflame the region, and it would invite renewed conflict on the Lebanon-Israel frontier. In addition, the ceasefire agreement calls for a moratorium on re-arming Hezbollah. Nonetheless, the party has a long history of smuggling of weapons, contraband, and illicit narcotics via its allies in Syria, Iraq, and elsewhere in the region. These black market activities are unlikely to halt, and they will risk inching the region closer to resumed fighting.

64 <https://www.aljazeera.com/news/2024/10/1/why-did-israel-attack-lebanons-biggest-palestinian-refugee-camp>

65 <https://www.arab-reform.net/ar/publication/%D8%B7%D9%88%D9%81%D8%A7%D9%86-%D8%A7%D9%84%D8%A3%D9%82%D8%B5%D9%89-%D9%81%D9%8A-%D8%A7%D9%84%D9%85%D8%AE%D9%8A%D9%85%D8%A7%D8%AA-%D8%A7%D9%84%D9%81%D9%84%D8%B3%D8%B7%D9%8A%D9%86%D9%8A%D8%A9-%D9%81/>

66 <https://www.independentarabia.com/node/592111/%D8%B3%D9%8A%D8%A7%D8%B3%D8%A9/%D8%AA%D9%82%D8%A7%D8%B1%D9%8A%D8%B1/%D8%A7%D9%84%D9%81%D8%B5%D8%A7%D8%A6%D9%84-%D8%A7%D9%84%D9%81%D9%84%D8%B3%D8%B7%D9%8A%D9%86%D9%8A%D8%A9-%D8%A7%D9%84%D9%85%D8%B3%D9%84%D8%AD%D8%A9-%D9%81%D9%8A-%D9%84%D8%A8%D9%86%D8%A7%D9%86-%D9%85%D9%86-%D9%8A%D8%B6%D8%A8%D8%B7-%D8%AA%D8%AD%D8%B1%D9%83%D8%A7%D8%AA%D9%87%D8%A7%D8%9F>

67 <https://www.aljazeera.com/news/2024/11/11/far-right-israeli-minister-orders-preparations-for-west-bank-annexation>



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