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Thematic Report

Lebanese Remittances: A Household Analysis

July 2023

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Credit: Joseph Eid/AFP

The Lebanon Crisis Analytics Team (LCAT) provides reactive and in-depth context analysis to inform the aid community in Lebanon. The information and analysis contained in this report is therefore strictly to inform humanitarian and development actors and associated policymaking on Lebanon.

This study/report is made possible by the support of the American People through the United States Agency for International Development (USAID) and European Union Humanitarian Aid. The contents of this report are the sole responsibility of the LCAT and do not necessarily reflect the views of USAID, the United States Government, or the European Union.

Executive summary

Remittances have long been an important feature of Lebanon's economy. Yet, the role of Lebanon-bound remittances has changed since the country's financial and economic collapse began in force in late 2019. Once a driver of investment, household remittances are now primarily used to purchase essential items such as food and medicine. Building on a 2022 LCAT report examining the limitations of remittances as a coping strategy, this report leverages new data from a household-level survey and key informant interviews to understand how remittances are playing an evolving role in informal social protection networks and the economy as a whole.

Given the notorious difficulty of building reliable remittance data at the macroeconomic level, this report focuses instead on how remittances are affecting households and what this means for Lebanese communities. This microeconomic approach reveals that the economic crisis has affected the quantities, frequencies, and utilization of remittances. Recipient households have become more dependent on remittances since 2019. Remittance inequality is considerable, with higher-income households benefiting from larger and more frequent remittances payments. Most recipients receive remittances from family members, with close family members providing more regular and higher amounts of assistance. While the importance of remittances has grown in Lebanon, most recipient households report that the number of people upon whom they can rely for assistance has decreased in the last year. Therefore, although remittances will likely remain an important coping strategy for households, they do not present a viable alternative to state-administered social protection policies and international aid interventions.

Introduction

Remittances, comprising transfers of money from migrants to their home country, are described by some economists as Lebanon's "Dutch disease", referring to their hindrance of real economic growth generated by productive sectors. Nevertheless, they are a crucial element of the Lebanese economy, as remittances support import payments and foreign debt repayment. Remittances have acted as a critical insurance mechanism for Lebanese residents during crises since the 1970s.[1] In contemporary Lebanon, remittances play an important role in sustaining the livelihoods of a large number of Lebanese families amid the collapse of the Lebanese pound (LBP) and erosion of wages and purchasing power.

This paper builds on a previous report published by Mercy Corps,[2] which focused on the role of remittances during the current crisis. The 2022 study provided a detailed description of the evidence base and literature on remittances in Lebanon. It also provided insights into the changing patterns of remittances post-2019, the role of remittances as a social safety net, and highlighted gaps in remittance data that hinder a more detailed understanding of their dynamics and impact at the household level. This paper fills some of those gaps by taking a microeconomic approach, namely, studying Lebanese households receiving remittances and building a profile of these households to understand how they spend remittances.

[1] World Bank, "Remittances, an Overview", 2003.
[2] LCAT, Understanding the limitation of remittances as in informal social safety net in Lebanon, November 24, 2022.

Key Findings

- Higher-income households receive remittances on a more regular basis. A mere 7% of respondents reporting a monthly income of less than LBP 5 million receive regular remittances, compared to almost 60% of those earning between LBP 20 million and LBP 25 million. This finding underlines the prevalence of remittance inequality and that remittances are not a substitute for state-guaranteed social protections or international aid interventions.

- Recipients primarily use remittances to purchase food, cover basic expenses, and buy medication as opposed to saving and investment, which was more common prior to 2019.

- Sixty-three percent of surveyed remittance recipients reported that they began receiving remittances after 2019. This links the economic crisis to reliance on remittances as a source of income amid LBP depreciation.

- Most remittance recipients rely on direct family as their source of remittances. Transactions through close family members tend to be both more regular and higher in value.

- About half of survey respondents reported having support circles outside of their direct family, including at least one person outside Lebanon. Most remittances arriving in Lebanon originate in Gulf Cooperation Council (GCC) countries (34%). One-quarter originate from North America, 19% from Europe, 14% from Africa, and 14% from Australia.

- The economic crisis has led to a decrease in the number of people in informal social protection circles, especially individuals who live in Lebanon. As a result, people have smaller circles of support today compared to before the crisis.

Credit: Joseph Eid/AFP

Methodology

This study relies on a mixed methods approach utilizing both primary and secondary data. The primary data was mainly collected through a closed-ended survey of remittance recipients, complemented by a series of key informant interviews (KIIs).

A quantitative survey was conducted from January to February 2023, with a sample of 379 Lebanese respondents, all of whom were receiving remittances. Table 1 shows their geographic distribution across Lebanese governorates. The sample was chosen to ensure that the study is based on data garnered from a sufficient number of respondents to capture trends and dynamics among remittance recipients.[3]

Governorate	Frequency	Percent
Akkar	49	13%
Baalbek - Hermel	62	16%
Beirut	20	5%
Bekaa	36	10%
Byblos - Keserwan	3	1%
Mt. Lebanon	98	26%
Nabatiyeh	22	6%
North	55	15%
South	34	9%
Total	**379**	**100%**

***Table 1**: Sample distributions by governorate.*

The survey was administered over the phone using a snowball sampling methodology, according to which the team of 13 surveyors began by contacting three to four of their phone contacts and then moved to collecting phone numbers from respondents' contact lists.

To collect qualitative data, a series of 10 interviews were conducted with key informants – who were selected from the sample of respondents – to provide more nuanced and detailed information. The notes from the interviews were then structured into a matrix to facilitate further analysis.

[3] As such, the study does not reflect on the share of households in Lebanon that receive remittances, but only looks at the characteristics of those that do.

Profile of Respondents

The sample consisted of 41% female and 59% male respondents of Lebanese nationality; the average age of respondents was 44.6 years; 64% were married and 22% were single; and 60% of the respondents reported being the head of their household (20% female and 80% male).[4] The 40% who were not a head of household reported that their husbands (52%) or their fathers (36%) were a head of household.

RESPONDENT PROFILE				
Total sample size	379			
Gender Distribution	41% Females	59% Males		
Age	3% 18 – 24 years	44% 25 – 40 years	46% 41 – 64 years	7% above 64 years
Marital status	64% Married	22% Single	5% Divorced	5% Widowed
Female headed HHs	12%			
Have children	68%	Avg. number of children	2.76	
Working status	62% are in waged work 19% are engaged in housework		9% are looking for work	
Wages	24% less than 5 Mil LBP *(121 USD)*	33% 5 – 10 Mil LBP *(121 – 242 USD)*	30% 10 – 20 Mil *(242 – 365 USD)*	11% more than 20 Mil LBP *(More than 365 USD)*
Overall Income	15% less than 5 Mil LBP	33% 5 – 10 Mil LBP	27% 10 – 20 Mil	24% more than 20 Mil LBP

***Table 2**: Respondent profiles to LCAT remittance survey.*

Sixty-two percent of respondents reported that they worked in exchange for payment. Almost half (48%) were full-time employees and 24% were self-employed (figure 1). Most daily workers were drivers or agricultural workers and many part-time employees were tutors. Full-time employees were mainly divided between members of the Lebanese Armed Forces (LAF), teachers, and office/store staff. Self-employed individuals reported several freelance activities, especially carpentry, as well as owning transportation vans and working as farmers. Respondents who identified as employers predominantly owned minimarkets and retail shops, as well as some restaurants.

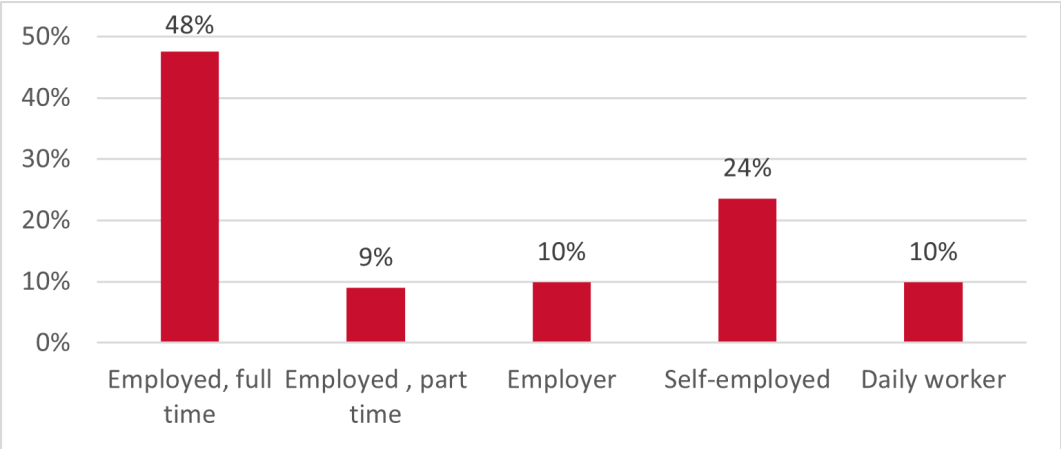


***Figure 1**: Working respondents by type of work.*

[4] Female-headed households formed 12% of the entire sample of respondents.

Fifty percent of those who reported that they did not work were engaged in housework and 24% were searching for work. This renders the total unemployment rate of our sample at 9%.

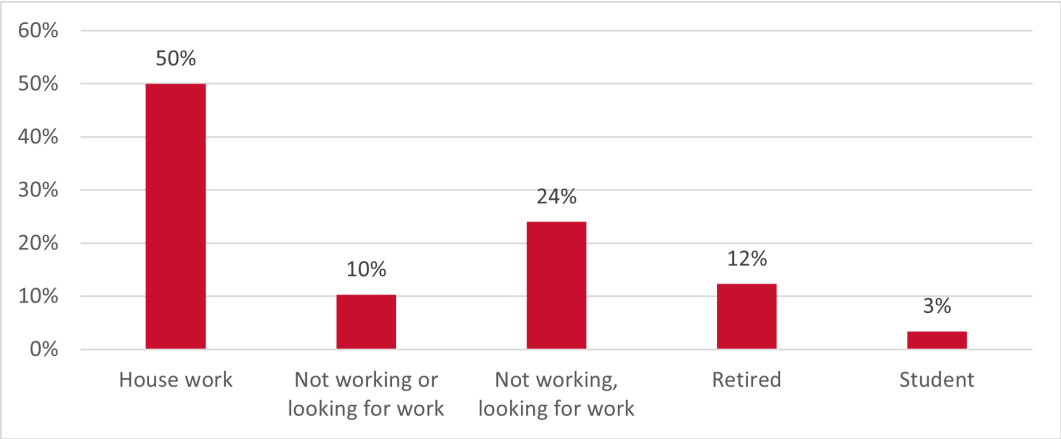


***Figure 2**: Distribution of respondents who do not work.*

Most respondents earned a monthly wage totaling below LBP 20 million (approximately 400 US dollars [USD] at the time of the survey), with the largest proportion earning monthly wages between LBP 5 million and LBP 10 million (approximately USD 100 to USD 200). The vast majority of respondents received regular payment for their work. More than half of the working respondents received payment on a monthly basis and 28% were paid daily. A minority, 12%, received ad-hoc payments.

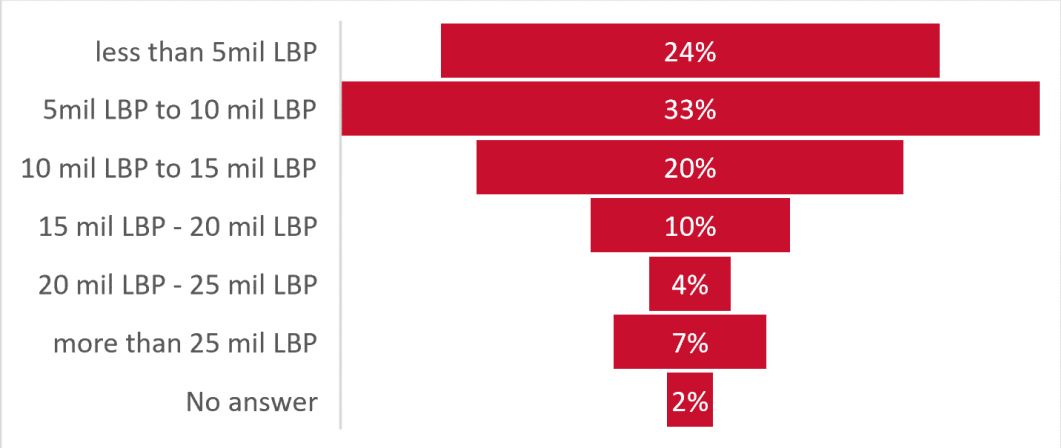


***Figure 3**: Average monthly wage reported by working respondents.*

One-third of respondents reported that their monthly household income fell within the range of LBP 5 million LBP and LBP 10 million. Fewer people reported themselves within the lowest household income range (less than LBP 5 million) and highest income range (more than LBP 25 million).

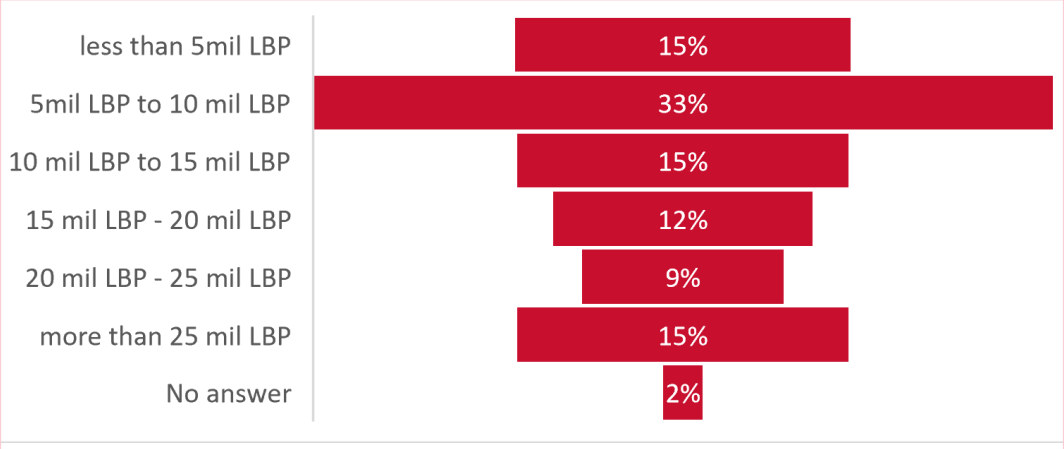


***Figure 4**: General household income reported by respondents.*

Photo by AFP

Lebanon and remittances

Remittances are challenging to define and measure due to their heterogeneous characteristics. They comprise many small transactions conducted by individuals through a variety of channels: formal channels, such as electronic wire, and informal channels, such as cash carried across borders. The World Bank and International Monetary Fund (IMF) refer to these informal channels as "Underground Banking" channels or "Alternative Remittance Systems" because they often entail transferring money through service providers called "Hawaladars" (the term originates from the word "hawala" which means "transfer" in Arabic) who operate outside the formal financial sector.[5] Remittances can also be sent in the form of clothing, electronics, jewelry, and other consumer goods, the values of which are not captured by data. Therefore, available data likely underestimates the value of remittance flows.

A good deal of ambiguity surrounds the definition and computation of remittances, especially in the Lebanese context. At its broadest, remittances can be any type of money transaction, whether formal (electronic wire) or informal (cash). As highlighted in a recent UNDP report, in Lebanon there is lack of agreement on which capital inflows should be included for computing remittances.[6] Lebanon's Central Bank, for example, includes non-resident financial deposits in its remittances definition. For the purposes of this report, LCAT uses a narrower definition that aligns with the UNDP report, namely monetary transfers made by relatives or other personal contacts living in any host country outside of Lebanon.

Some countries, like Lebanon, resort to combining different sources of data and estimation methods to reach an aggregate figure for remittances. The lack of reliable data, difficulty of collecting such data, and lack of transparency by some agencies makes gathering or calculating an accurate figure for Lebanon impossible. The most circulated figure for total remittances to Lebanon in 2022 is a World Bank Group estimate – based on IMF balance of payments data, whose sources are the Lebanese Central Bank and the Lebanese Central Administration of Statistics – of USD 6.68 billion.[7]

[5] World Bank, "Remittances, an Overview", 2003.
[6] UNDP, The Increasing Role and Importance of Remittances in Lebanon, June 2023.
[7] World Bank, Personal remittances, received (% of GDP) - Lebanon, accessed June 2023.

Figure 5 depicts the inflows, outflows, and net remittances in Lebanon for the period 2002 to 2022. Since 2019, net remittances have quickly and steadily increased. However, this appears to be largely due to a big drop in remittance outflows rather than an increase in remittance inflows. In fact, remittance inflows decreased from USD 7.4 million in 2019 to USD 6.3 million in 2021, and then increased to USD 6.8 million in 2022. These fluctuations can be attributed to several factors including USD purchasing power in Lebanon (at the onset of the crisis and before the price adjustment process began, a small amount of USD was sufficient to cover living expenses), challenges faced when sending money through the traditional banking system, and the COVID-19-related global recession.[8]

> **"Since 2019, net remittances have quickly and steadily increased"**

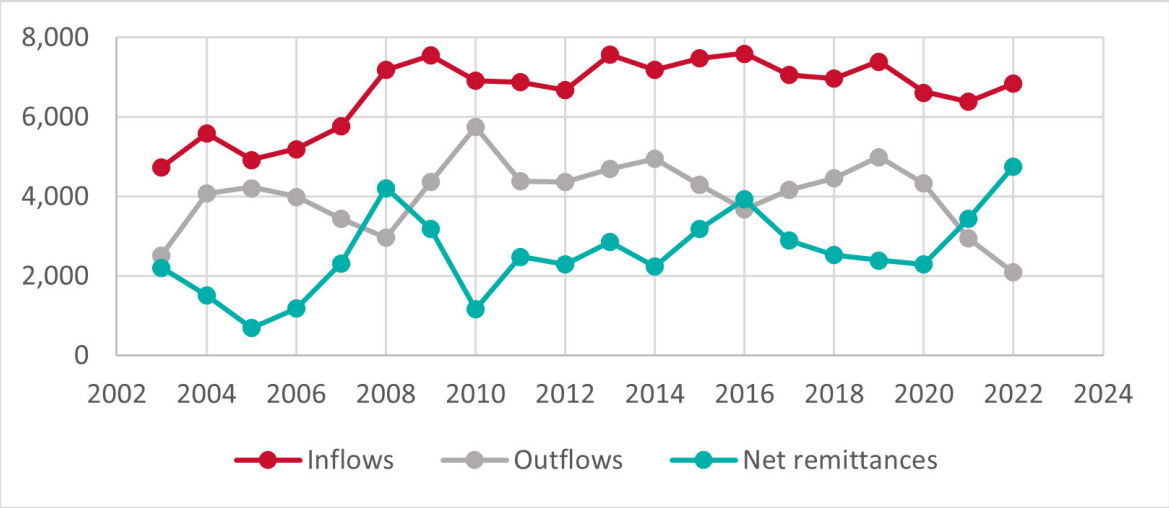


***Figure 5**: Inflows and outflows of Lebanese remittances 2002 – 2022.*
Source: KNOMAD / World Bank data.

Over the same period, remittances as a share of GDP dramatically increased from 14% in 2019 to 28% in 2022. However, this increase was due to a significant drop in GDP – which decreased from USD 51.9 billion in 2019 to USD 23.13 billion in 2021 – rather than an increase in remittances.

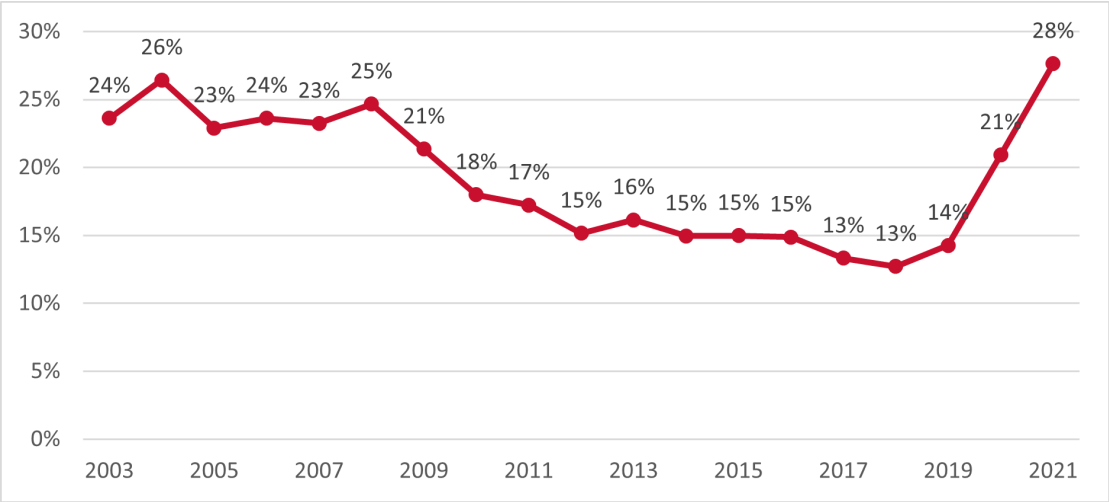
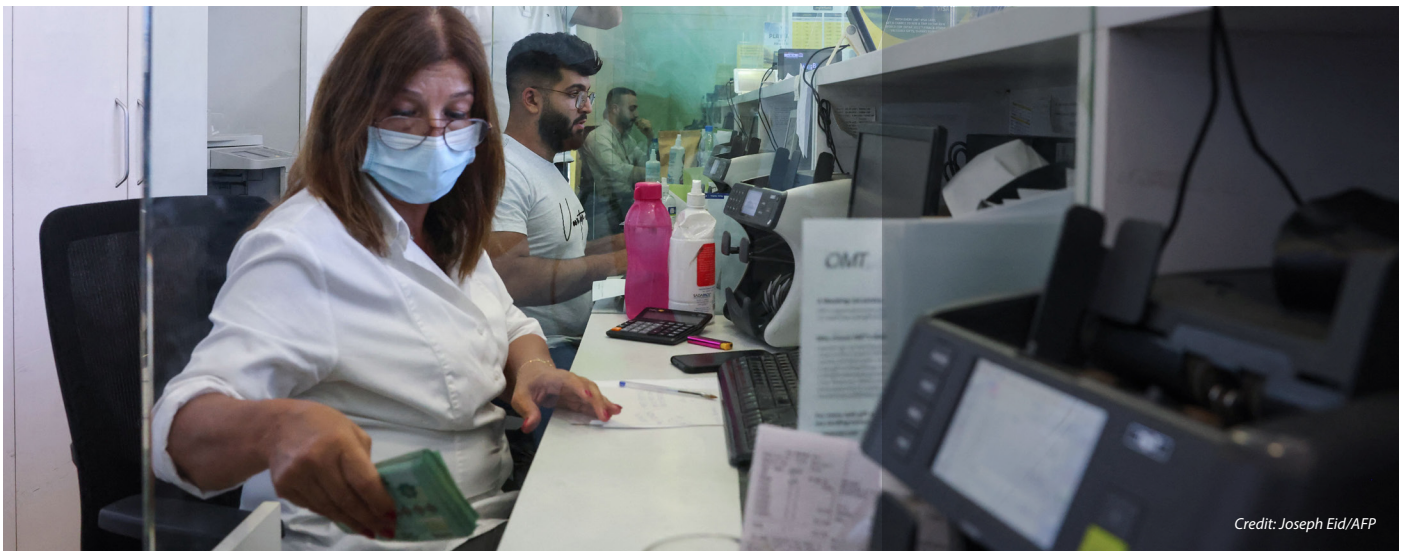


***Figure 6** : Remittances as share of Lebanon's GDP 2003 – 2021.*
Source: Author's calculations based on World Bank WDI data.

[8] Several factors determine Lebanese remittances including Lebanon's migration profile, domestic economic characteristics, oil prices as a proxy for global economic trends, and the cost of remittances. UNDP, The Increasing Role and Importance of Remittances in Lebanon, June 2023.



Credit: Joseph Eid/AFP

The Changing Role of Remittances

Remittances play a key role in sustaining living conditions for a large segment of Lebanese residents, but their function is changing. Pre-crisis, remittances were an important source of external development finance for Lebanon and positively influenced investment and savings.[9] As this report shows, post-crisis remittances have been used predominantly for urgent consumption needs, which likely reduces their stimulating effect observed in pre-crisis Lebanon.

Higher-income households appear to receive remittances on a more regular basis. Fifty-nine percent of respondents who reported an average monthly income of LBP 20 million to LBP 25 million and 48% of respondents who reported a monthly income of more than LBP 25 million said they regularly received remittances. This share drops to 7% for those who had an average monthly income of less than LBP 5 million.

	Less than 5 mil LBP	10 mil LBP to 15 mil LBP	15 mil LBP to 20 mil LBP	5mil LBP to 10 mil LBP	20 mil LBP to 25 mil LBP	more than 25 mil LBP	Total
Irregularly - for exceptional expenses	61%	45%	48%	52%	26%	32%	46%
Irregularly - without exceptional expenses	32%	18%	11%	18%	15%	20%	20%
Regularly	7%	38%	39%	30%	59%	48%	34%
Total	100%	100%	100%	100%	100%	100%	100%

***Table 3**: Household income and frequency of receipt of remittances.*

More than half of remittances are transferred by direct family members and the majority of respondents received remittances on an irregular basis. A majority of households received remittances from direct family members, i.e., parents, spouses, or siblings (66%), and 22% from extended family, i.e., cousins and other relatives.

[9] Bassam Charif Hamdar and Samer Nouayhd, Remittances and Foreign Aid as Sources of External Development Finance: Impacts on Savings and Investment in Post-War Lebanon, 2018

Only 10% received remittances from friends. Overall, 34% of households received remittances on a regular basis. Additionally, 66% of households irregularly received remittances – 46% of households used these funds to pay for specific expenses, while 20% used them to cover general expenses.

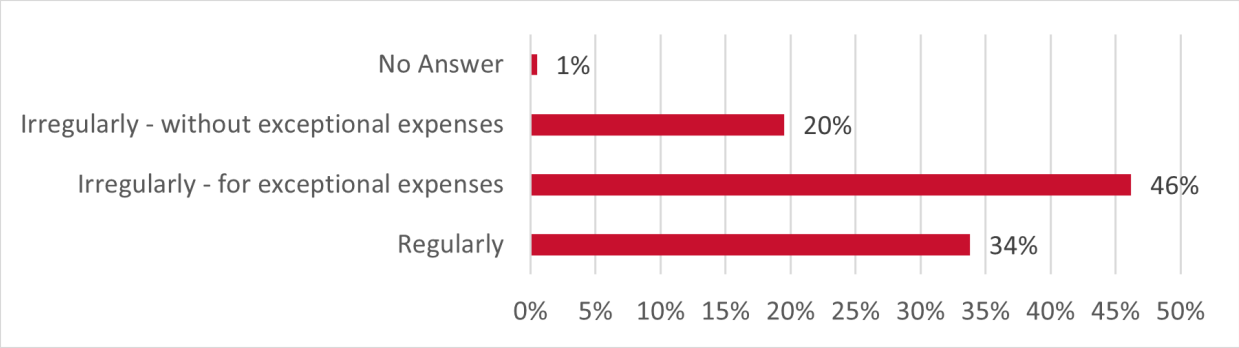


***Figure 7**: Frequency of receiving remittances.*

Cross tabulation analysis shows that remittances received from direct family members are sent on a more regular basis compared to other sources of remittances. Ninety percent of regular recipients directly received remittances from close family members. Those benefiting from irregular remittances tended to receive them from extended family.

Who is the main source of your remittances?	Irregularly - for specific expenses	Irregularly - without specific expenses	Regularly	Total
Direct family (parent / spouse / sibling)	56%	50%	90%	66%
Extended family (cousin / other relatives)	32%	26%	8%	22%
Friends	11%	20%	2%	10%
No Answer		4%	1%	1%
Total	100%	100%	100%	100%

***Table 4**: Frequency of receiving remittances by source of remittances.*

Looking at sources of remittances, 34% were sent from GCC countries, 25% from North America, 19% from Europe, 14% from Africa, 14% from Australia and 4% from South America. Table 4 shows the distribution of remittance countries of origin by type of sender.

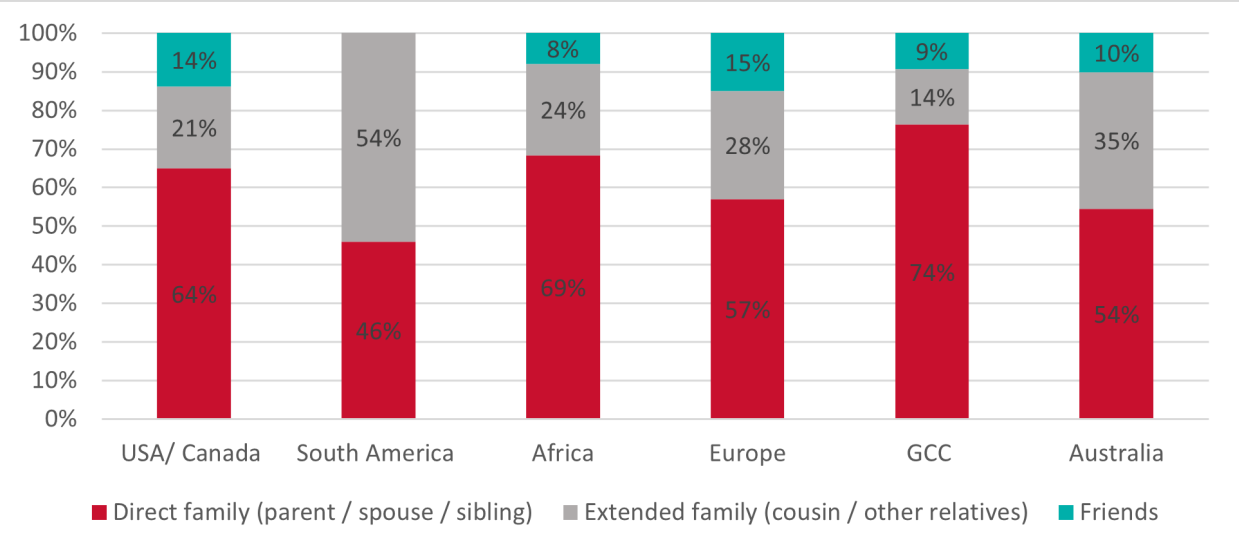


***Figure 8**: Remittance country of origin by type of sender.*

The more regular remittance payments are, the higher their amounts on average tend to be. Overall, half of the remittances that respondents received at the time of the survey averaged between USD 100 and USD 300.[10] The highest share of remittances between USD 100 and USD 300 were reported by respondents who regularly received remittances. The share of respondents who received the highest amounts (of more than USD 500) was also among those who regularly received remittances. Respondents who irregularly received remittances received the lowest amounts of remittances.

***Figure 9**: Average amount of remittances by frequency of receipt.*

Remittances are primarily used to purchase food and on basic expenditures (65%) and medication (59%). Very few respondents used remittances for small and medium enterprise (SME) support. The 16% of respondents who used remittances for debt repayment had debts related to food and basic expenditures and medication.

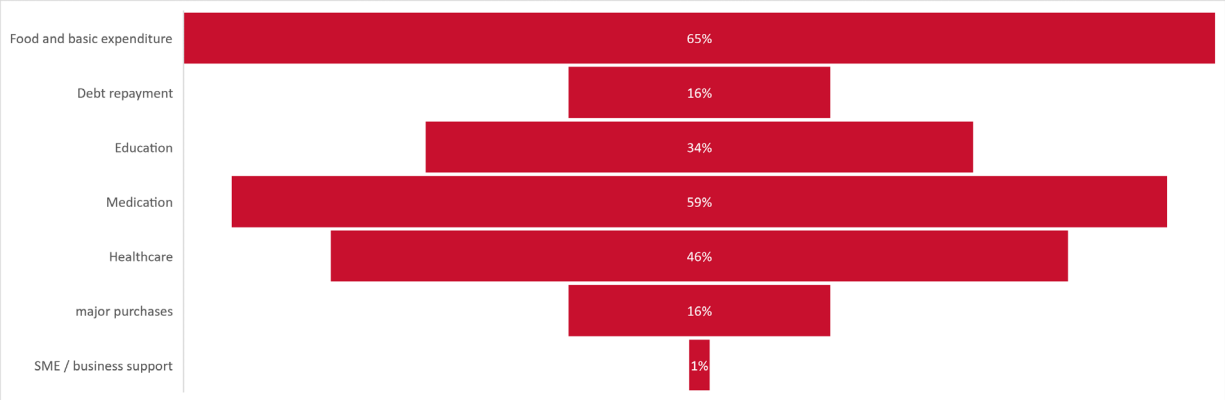


***Figure 10**: Main uses of remittances.*

[10] This dollar range refers to the monthly average or monthly equivalent for irregular frequency transfers.

Remittances and Economic Crisis

Most respondents started receiving remittances after 2019, and there appears to be a positive relationship between the change in frequency and changes in amounts received since 2019. Sixty-three percent of respondents reported that they did not receive remittances prior to the onset of the economic crisis in 2019. Forty-five percent of respondents reported that they received remittances more frequently in 2022 and 41% received larger amounts in 2022. The table below shows that the size of remittance transfers is positively correlated with transfer frequency, i.e., those who reported receiving remittances more frequently also received higher amounts, and those who received remittances less frequently also received lower amounts.

	Lower amount	Higher amount	No change	Total
Less frequent	83%	1%	10%	18%
More frequent	3%	82%	25%	45%
No change	13%	16%	62%	34%
Total	100%	100%	100%	100%

***Table 5**: Changes in frequency and amounts of remittances over the past year for households that started receiving remittances post 2019.*

Cross tabulation analysis also shows that frequency and amount have a positive relation, as respondents who reported receiving remittances more frequently since 2019 also reported receiving higher amounts. Of the 38% of respondents who received remittances prior to the crisis, 47% reported that they received them on a more regular basis since 2019 (i.e., after the crisis), while 40% said that the frequency of receipt did not change. Forty-five percent of respondents received higher amounts since 2019, while 37% reported that the amount they received has not changed.

	Lower amount	Higher amount	No change	Total
Less frequent	68%	3%		13%
More frequent	8%	88%	15%	47%
No change	24%	9%	85%	40%
Total	100%	100%	100%	100%

***Table 6**: Changes in frequency and amounts of remittances over the past year for households that received remittances before 2019.*

Other datasets show that the overall share of the population receiving remittances does not exceed 15% to 30%.[11] The 2023 UNDP Tensions Monitoring System shows that in Baalbek-Hermel, Beqaa, and the North, on average 15% of residents receive remittances.[12]

	No	Yes
Baalbek-Hermel	83.6%	16.4%
Beqaa	84.6%	15.4%
North	85.7%	14.3%

***Table 7**: Changes in frequency and amounts of remittances over the past year for households that received remittances before 2019.*

[11] LCAT, Understanding the limitation of remittances as in informal social safety net in Lebanon, November 24, 2022.
[12] United Nations Development Programme, Tensions Monitoring System, 2023.

Credit: Joseph Eid/AFP

Informal Social Protection (ISP)

Remittances are just one way in which Lebanese households are surviving Lebanon's overlapping crises. They fit into broader informal social protection (ISP) networks that replace formal social protection usually provided by the state. In order to identify the nature and prevalence of ISP networks, the survey also asked questions about the circle of non-family members within Lebanon upon whom respondents could rely.

Overall, respondents' Lebanon-based support circles are shrinking. The crisis and its detrimental impact on people's living conditions appears to have negatively impacted the number of people in one's support circle within Lebanon. When asked about changes in the number of people they can rely on over the past year, 62% of respondents reported that their support circle inside Lebanon had shrunk and 33% reported that it had not changed.

Conversely, those with access to ISP from abroad have enjoyed relative stability. Sixty percent reported that their support circle outside Lebanon remained the same, 18% reported that it increased, and 19% reported that it decreased. This stability is also reflected in the finding that more people were confident that their support circle abroad would continue to support them compared to those whose support circle were located in Lebanon.

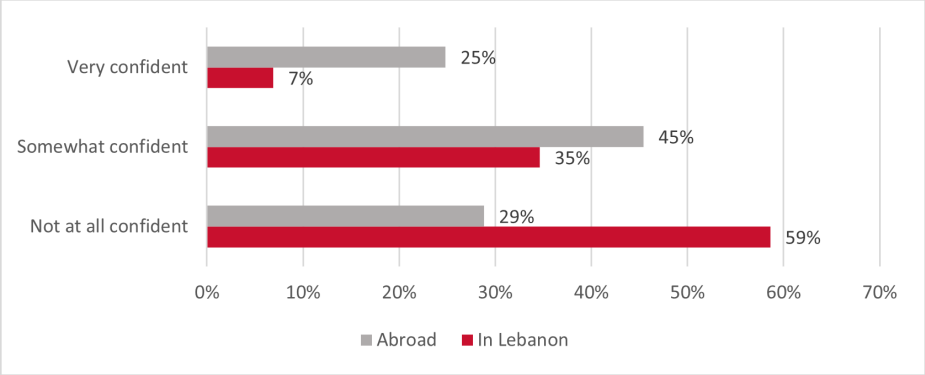


***Figure 11**: Confidence in the ability to keep receiving support from a support circle over the next year.*

As the table below shows, 47% of respondents reported that they did not have anyone who would help them, and 37% said that they had one to three people upon whom they could rely. From the 53% of people who reported having someone who can assist them, 54% said that their support circle was located in Lebanon and 41% said that one to three people from their support circle was located abroad.

	Total	Abroad
None	47%	54%
1 to 3	37%	41%
4 to 7	10%	5%
8 to 10	5%	1%
More than 10	2%	0%
Total	100%	100%

***Table 8**: Number of people outside the family who would be willing to assist.*

In-kind support is most common from support circles within Lebanon. Only 17% of respondents reported receiving in-kind assistance from the diaspora. As the figure below shows, the highest share of respondents receiving in-kind assistance was in the North. Sixty-two percent of respondents receiving in-kind assistance also reported receiving medication and 28% food products.

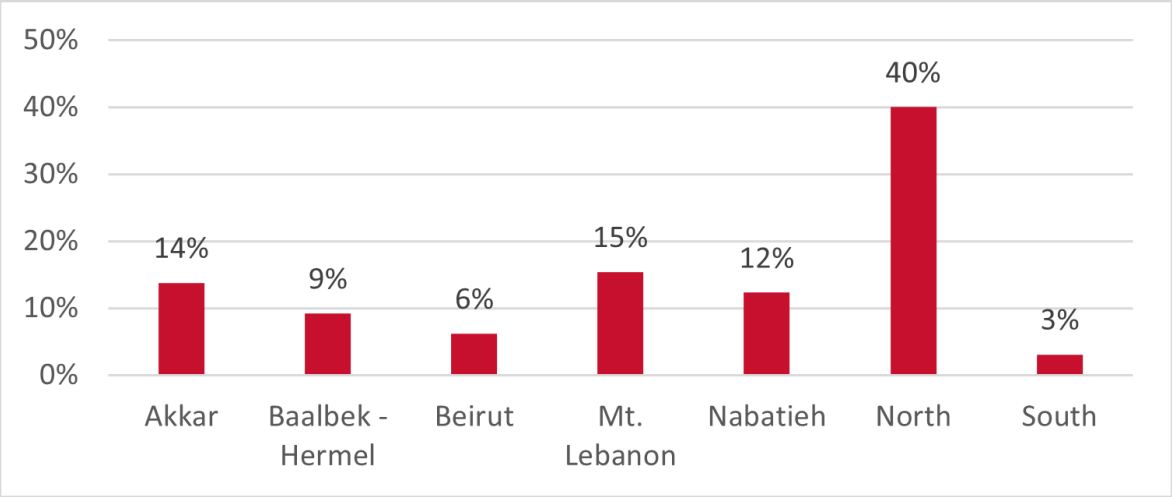


***Figure 12**: Geographical distribution of those who received in-kind assistance.*

Cross tabulations show that a higher share of respondents who received in-kind assistance did not work. This indicates that in-kind assistance distribution could be prioritizing unemployed individuals and households in local communities.

	No in-kind assistance	Received In-kind assistance	Total
Does not work	35%	55%	39%
Works	65%	45%	61%
Total	100%	100%	100%

***Table 9**: Work status vs. receiving in-kind assistance.*

Conclusion

This report examines remittance dynamics in Lebanon at the household level and demonstrates that the economic crisis affects the quantities, frequencies, and utilization of remittances. It also highlights elements of social protection networks that have had a tangible impact on remittance recipients' lives. The findings move us one step closer to understanding the role remittances play in Lebanon at the household level in a period of financial and economic crisis. This role has shifted from saving and investment to supporting access to food and medication, an avenue for future research. The increasing importance of remittances also partially explains how Lebanon continues to fund its import bill, despite a shrinking GDP.[13]

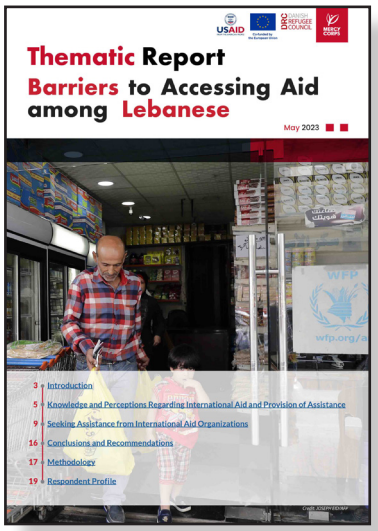
Researchers and aid actors should take particular note of variations in remittance amounts and frequency, in addition to how these are affected by remitters. Remittances are distributed unequally, with richer families receiving larger and more regular sums. This underlines the fact that remittances are not a substitute for state-guaranteed social protections or international aid interventions. Family ties appear to determine remittances, as a remitter who is related to a recipient is more likely to send a remittance on a regular basis and of higher value. This finding has implications for humanitarian actors since individuals without close family living abroad are likely to lack protections provided by remittance inflows.[14] Remittance totals also appear to have a positive relationship to frequency, though it should be recognized that high-income households are more likely to receive remittances on a regular basis, whereas low-income households receive remittances less frequently. Geography is another variable that may interest humanitarian and development actors in Lebanon. The North's disproportionate reliance on in-kind remittances such as medication, indicates that residents in these regions have more limited access to medical care and pharmaceuticals.

> **"Remittances are distributed unequally, with richer families receiving larger and more regular sums."**

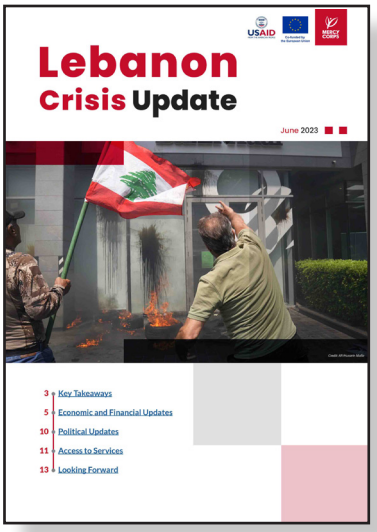
This report also finds that respondents' support circles have shrunk, as 62% of respondents reported that assistance originating from inside Lebanon was smaller in early 2023 than one year prior. Members of support circles who live abroad are more reliable, as respondents reported that they are more confident they would not lose them over the course of next year. This links informal social protections to remittances, as the members of informal social protection circles living abroad mostly provide financial support through remittances. The findings suggest that total remittances at the macro-level are underestimated. However, the size of this underestimation cannot be assessed without a detailed national-level household survey on remittances, requiring further and more extensive research. Future remittance analysis might also include refugee populations living in Lebanon. At the policymaking level, remittances can still be beneficial to the economy if they are channeled towards productive investments and are not simply used to meet household immediate consumption needs. To this end, an improved business environment could promote a shift in the use of financial flows to the real economy and away from the real estate and financial sectors.[15]

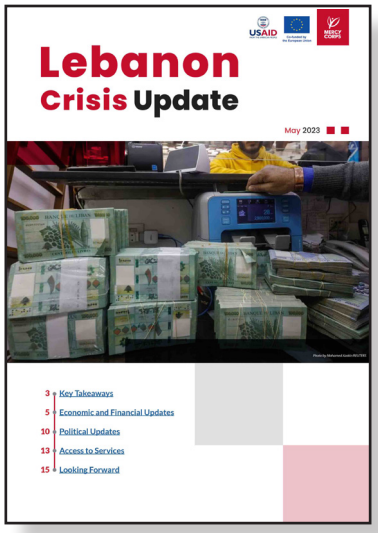
[13] LCAT, Lebanon's Import Bill: Jewelry Before Baby Formula, July 2023.
[14] For more on social capital and access to informal social protection, see: Mercy Corps, Social Capital in the Wake of Disaster, July 2021.
[14] For other recommendations to maximize the potential of remittances in Lebanon, see: UNDP, The Increasing Role and Importance of Remittances in Lebanon, June 2023.

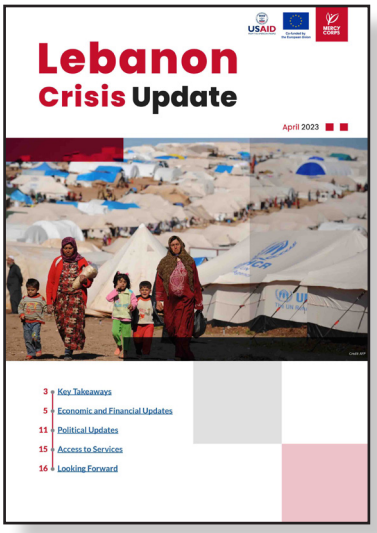
Latest Thematic Reports



Latest Monthly Reports







Contact

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ABOUT MERCY CORPS

Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within. Now, and for the future.