



## Hezbollah's response to the economic crisis in Lebanon

January 4, 2021

### Overview

► **For over a year, there has been a severe economic and political crisis in Lebanon, whose end is not in sight.** Underlying the crisis are **fundamental problems**, mainly firmly-rooted corruption and a chronic state of political instability. **Additional difficulties have been added** to the fundamental problems: the COVID-19 crisis; the negative effects of US sanctions on the Lebanese economy and banking system; the explosion at the Port of Beirut; difficulties stemming from the Syrian civil war (the problem of Syrian refugees who fled to Lebanon); and the lack of external assistance due to Lebanon's failure to carry out the reforms required by the international community<sup>1</sup>.

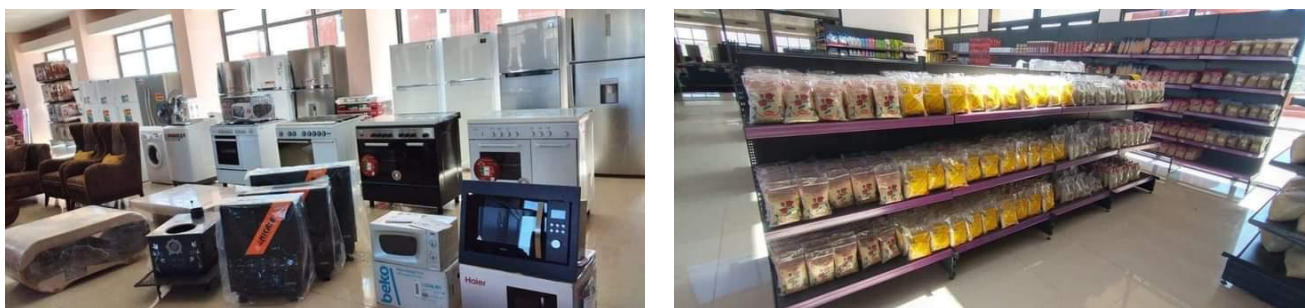
► Since mid-2020, **the effects of the economic crisis on the Shiite population have become increasingly evident in regions where Hezbollah has built the so-called resistance society** (southern Lebanon, the southern suburb of Beirut, and the Bekaa Valley). These effects were reflected, inter alia, in a shortage of basic essential products (food, fuel and medications), difficulties in the banking system and even initial signs of increased crime and weakened security.

These effects **posed a genuine challenge to Hezbollah, which strives to build a so-called resistance economy in its areas of control**, that is, **an economy parallel to the Lebanese economy**. In view of this, **Hezbollah has made a series of moves aimed at helping the Shiite population in its areas of control** cope with the negative implications of the economic crisis. **In these moves, Hezbollah is heavily supported by Iran which**, despite its own severe ongoing economic crisis, **continues to provide assistance not only in building Hezbollah's military infrastructure but also in operating the organization's civilian institutions among the Shiite community.**

► The following are the main difficulties caused by the economic crisis and Hezbollah's response:

<sup>1</sup> See Institute for National Security Studies, "Lebanon's Political-Economic Crisis: Ramifications for Israel" (Hebrew), INSS Insight No. 1251, January 16, 2020.

◆ **Shortages of goods and skyrocketing prices:** Hezbollah has opened a chain of supermarkets called **Al-Nour Depot** in southern Lebanon, south Beirut and the Bekaa Valley. These supermarkets **sell inexpensive Iranian and Syrian goods at subsidized prices that are about 30%-50% lower than the market prices.** Payment is made through a special shopper's card called the **Al-Sajjad Card** (named after the fourth Shiite Imam, who attached great importance to mutual solidarity in society). It was recently reported that stores that do not belong to Hezbollah's supermarket chain have also started selling inexpensive Iranian goods. In addition, Hezbollah has also begun importing inexpensive clothes to Lebanon, which are sold mainly at big stores in southern Lebanon.



**Photos reportedly taken inside a branch of the Al-Nour Depot chain (Lara's Twitter account, October 5, 2020)**

◆ **A drug shortage was discovered in Hezbollah's control areas during 2020, as part of an overall drug shortage in Lebanon.** In response, **Hezbollah has begun smuggling inexpensive drugs and medical products into Lebanon from Syria. The drugs and medical products are manufactured in Iran,** which has an extensive pharmaceutical industry. These drugs are distributed to Hezbollah-affiliated pharmacies such as the **Al-Mortada pharmacies.** In the future, inexpensive drugs may also be sold at branches of Al-Nour Depot. In addition, Hezbollah, according to its opponents, has begun purchasing pharmacies that have run into difficulties or gone bankrupt in the wake of the economic crisis.

◆ **A fuel shortage that has led to rising prices of fuel products and frequent power outages:** Hezbollah has begun **purchasing fuel products,** especially diesel fuel, and stockpiling them in its control areas. **Hezbollah also gives priority in supplying fuel to gas stations affiliated with it** or with Shiite organizations and institutions operating under its sponsorship. In addition, Hezbollah has begun **purchasing generators** to address the problem of the frequent power outages.



**Long line of cars waiting for gas at a gas station in the village of Haris, in southern Lebanon. According to the person who posted the video on Facebook, gas stations will only sell gas for a minimum price of LBP 15,000 (“Where is the State?” Facebook page, September 28, 2020).**

◆ **Closure of Hezbollah’s accounts at Lebanese banks due to US sanctions and massive withdrawal of deposits from banks, mainly in dollars.** In response, Hezbollah has begun **expanding the services of the Al-Qard al-Hasan Association**, Hezbollah’s quasi-banking institution that provides loans and operates community solidarity funds in accordance with Islamic religious law. The association has installed ATMs at various branches in south Beirut and southern Lebanon and has begun to expand and improve its banking services. In one of his speeches, Hezbollah Secretary General Hassan Nasrallah boasted that anyone who withdrew his deposits from the banks and deposited them in Al-Qard al-Hasan safeguarded the value of his money (November 11, 2020).



**Bint Jbeil branch of the Al-Qard al-Hasan Association  
(Bint Jbeil local news website, December 27, 2012)**

◆ **Assistance to agriculture:** Nasrallah called for an “**agricultural and industrial jihad**” to turn the “resistance economy into a manufacturing economy” (July 7, 2020).

Consequently, **Hezbollah has stepped up its efforts to assist farmers, mainly in southern Lebanon.** This assistance includes: **allocating land for cultivation, subsidizing feed for livestock, distributing seedlings, creating new jobs in processing agricultural produce, and providing loans on favorable terms.**

◆ **Spiraling water prices: Hezbollah has begun digging wells in two neighborhoods in south Beirut in order to use them “when the need arises.”** The local Shiite population still relies on water supplied by the Lebanese government (Lebanon Water). However, Hezbollah is striving to sell its own subscriptions at reasonable prices, which will take the economic crisis into consideration. In addition, Hezbollah continues to distribute free drinking water to residents of the southern suburb of Beirut as part of the Abbas Water project carried out by Hezbollah’s Jihad al-Bina Association.

◆ **The increase in crime and the lack of personal security in Hezbollah’s control areas, which is part of the increase in crime throughout Lebanon.** Hezbollah has initiated nighttime patrols by municipal inspectors in villages and towns in the Shiite areas, in order to deter burglars. In addition, Hezbollah is preparing to secure the supply of food and fuel to southern Lebanon, with an emphasis on the coastal highway, in light of the fact that roads were blocked during the public protests against the Lebanese regime.

**What are the implications of these steps?** Hezbollah’s commitment to addressing the political and economic crisis **strengthens its status among the Shiite population in its control areas. This population perceives Hezbollah as an organization that symbolizes Shiite solidarity, making a genuine effort to assist the population at a time of political and economic depression, while the Lebanese state and its institutions are gradually disintegrating.** In the ITIC’s assessment, this feeling will continue to prevail among most of the Shiite population **and will serve as a “unifying glue” for the resistance society built by Hezbollah.**

### **The structure of the study**

- ▶ The implications of the economic crisis in Lebanon on the resistance society that Hezbollah is building in its control areas

- ▶ Hezbollah's striving to develop a parallel economy that will reduce the resistance society's dependence on the Lebanese economy:
  - ◆ The Iranian concept of the resistance economy
  - ◆ Hezbollah's version of the resistance economy: building a parallel economy in its control areas
- ▶ Hezbollah's response to the economic crisis
  - ◆ Product subsidies: Opening of a chain of department stores (Al-Nour Depot):
    - The origin of Al-Nour Depot
    - The opening of the Al-Nour Depot chain
  - ◆ Addressing the fuel shortage:
    - Stockpiling fuel products
    - Purchasing generators
  - ◆ Hezbollah's response to the drug shortage
  - ◆ Expanding the semi-banking services
  - ◆ Promoting agriculture in southern Lebanon (Agricultural Jihad)
  - ◆ Distributing drinking water
  - ◆ Importing inexpensive clothing
  - ◆ Increasing personal security and securing the supply route to southern Lebanon

## The implications of the economic crisis in Lebanon on the Resistance Society that Hezbollah is building in its control areas

**Since mid-2020, the signs of the economic crisis have become increasingly evident among the Shiite population in Hezbollah's control areas**, where it is building the **resistance society** (southern Lebanon, the southern suburb of Beirut, and the Bekaa Valley). This is reflected, inter alia, in occasional shortages of basic essential products (food, fuel and medications), along with initial signs of weakened security. **All of these pose a real challenge to Hezbollah, which it is forced to address.**

► The following are indications of the impact of the economic crisis on the Shiite population in Hezbollah's control areas:

- ◆ In June-September 2020, **there was a severe shortage of diesel fuel for operating generators**. This shortage led to **the introduction of electricity rationing in many towns and villages, disconnection of telephone and Internet lines, and even frequent water outages due to damage to water pumping** (websites and Facebook pages of cities and villages in south Lebanon, such as Tyre, Bint Jbeil, Yaroun, and Al-Khiyam). At that time, there were also occasional **gasoline shortages**. This led to the closure of gas stations for a few hours or even for a few days; rationing initiated by some gas station owners; and the development of a black market in light of the fuel shortage (websites affiliated with Tyre and Bint Jbeil; the newspaper Al-Akhbar, September 9, 2020).
- ◆ In addition, in the second half of 2020, there were **occasional local food shortages, mainly bread and meat**, which are subsidized by the Lebanese government (Bint Jbeil's local news website, June 26, 2020; Ya Sour, June 27, 2020; Bint Jbeil's local news website, June 27, 2020; Ya Sour, July 14, 2020; Janoubia, November 30, 2020). **The explosion at the Port of Beirut on August 4, 2020, resulting in damage to Lebanon's national wheat storage depot** located near the warehouse that blew up, **further aggravated the situation** (Al-Nashra News Agency, August 12, 2020).



**Crowds of customers at bakeries in the Tyre area, after the bakery owners announced that they would stop selling bread to stores and supermarkets (Ya Sour, June 27, 2020)**

- ◆ **A shortage of drugs**, mainly for chronic illnesses, **was discovered in Hezbollah's control areas during 2020, as part of an overall drug shortage in Lebanon.** In the wake of the difficulties in the pharmaceutical industry, the chairman of the Lebanese Pharmacists Association claimed that by the end of June 2020, **200 pharmacies** (out of 3,000 operating in Lebanon) **had closed** and that another 800 pharmacies were expected to close (Al-Nashra News Agency, June 27, 2020; Al-Khiyam local news website, October 13, 2020).
- ◆ Since November 2020, with the approach of winter, **there has been a shortage of heating products (mainly diesel fuel) and domestic gas.** This has led to an increase in the collection of firewood from the many wooded areas in southern Lebanon on the one hand, and to fundraising campaigns focused on this issue on the other hand (Janoubia, November 4, 2020; Ya Sour, November 11, 2020; Ya Sour, December 8, 2020; Bint Jbeil local news website, December 15, 2020).
- ▶ Hezbollah has refrained from encouraging its supporters to take part in the large-scale protests against the Lebanese government and has made sure that these protests do not spill over into areas under its control. Nevertheless, the political and economic crisis has created **sporadic security problems for Hezbollah, which are still under control.** For example:
  - ◆ **During the protests, the coastal highway, which is the essential supply route from Beirut to southern Lebanon, was blocked on several occasions.** In addition, the shortage of diesel fuel for generators and gasoline for cars led to a **violent reaction by residents, in the form of disrupting the movement of oil tankers on the coastal highway** and stealing their contents (Ya Sour, July 16, 21 and 29, 2020).



◆ **Complaints about the development of a black market in fuel products led to an initiative by Hezbollah and the Amal Movement**, in cooperation with the Lebanese Ministry of the Interior, **for police and Lebanese military intelligence to escort all tankers leaving the oil facilities in Tripoli and Al-Zahrani**. This was done in order to prevent fuel from being smuggled, stockpiled or sold on the black market (Thaer al-Dar's Twitter account, July 17, 2020; Ya Sour, July 23, 2020).

## Hezbollah's desire to develop a parallel economy that will reduce its dependence on the Lebanese economy

### The Iranian concept of the resistance economy

► In light of the imposition of sanctions on Iran in the past decade, Iran has developed a **resistance economy concept**, as a desirable response to the economic crisis plaguing the country. Iranian leader Ali Khamenei has reiterated on several occasions that he perceives **the realization of the resistance economy** as a solution to Iran's economic problems. In his view, this concept means **strengthening Iran's economic independence and reducing its dependence on fuel exports and its reliance on foreign countries**. This independence, in Khamenei's view, will enable Iran **to cope better with its economic problems without having to succumb to Western dictates**.

► This Iranian perception was further reinforced by the US withdrawal from the nuclear deal in May 2018 and the reinstatement of the sanctions on Iran. According to Iran, this does not necessarily mean severing all of its commercial ties with countries around the globe, but rather **expanding trade to markets perceived by Iran as less vulnerable to US pressure**, mainly regional markets such as Iraq and Afghanistan.

► This view is reflected in two speeches delivered by Khamenei in early 2020:

◆ At a meeting with Iranian army air force commanders, Khamenei said: "We have coped with the boycott and this boycott has intensified today. This boycott is a crime in every sense of the word, because it is not an American boycott but rather a boycott by others as a result of coercion [...]. **This boycott is an opportunity and could be an opportunity in the future as well, and can free the country's economy from relying on oil** [...]. The sages of America have noticed this point and I read in the report that they recommended not allowing Iran to try an economy that is separate



from oil and [recommended] planning a course that would prevent Iran from parting ways permanently with oil, because it would turn to an oil-free economy.”

◆ In a speech marking the Iranian new year, Khamenei said: **“If we succeed in streamlining production, the economic problems will certainly end and then this boycott will be to our advantage.** The boycott benefited us by **encouraging us to think about meeting the country’s needs through its internal resources,** and that is a very great treasure. Thus, we still need production. **This year’s slogan is A Jump in Production”** (Imam Khamenei’s Twitter account in Arabic, February 8 and March 20, 2020).

### Hezbollah’s version of the resistance economy: building a parallel economy in its control areas

**Hezbollah appears to have adopted the resistance economy concept from Iran. In the Lebanese arena, this means building a parallel economy, which will reduce the Shiite population’s dependence on the Lebanese economy and improve Hezbollah’s ability to cope with the worsening economic crisis.** In June-July 2020, Hezbollah Secretary General Hassan Nasrallah began mentioning the worsening economic crisis in Lebanon in his speeches and proposing ways of coping with it. At the same time, in the summer of 2020, a discourse began to develop on Hezbollah-affiliated social media regarding the need to cope with the worsening economic crisis<sup>2</sup>. **Hezbollah’s opponents claim that the parallel economy is playing a key role in creating the economic crisis in Lebanon.** One of their major allegations is that **Hezbollah smuggles goods into Lebanon through unofficial crossings** but does not pay taxes or fees, even when it imports goods through the Port of Beirut (Al-Hurra Channel, September 3, 2019; Lebanon the Dream Facebook page, December 2, 2020).

► In his speeches, Hassan Nasrallah publicly made suggestions **that would mean building a parallel economy in Hezbollah’s control areas**<sup>3</sup>. In Hezbollah’s view, this economy is of an

<sup>2</sup> It can be estimated that one of the reasons for this discourse was the **stepping up of US sanctions on Hezbollah** and the entities that support it, including the Lebanese banking system. **On December 1, 2020,** it was published that the United States was considering imposing sanctions on the **Central Bank of Lebanon,** on suspicion of money-laundering by Hezbollah (Janoubia, December 1, 2020). **These sanctions are liable to harm not only Hezbollah’s military infrastructure but also the resistance society that it has built.**

<sup>3</sup> **The term “parallel economy”** is defined as “an economy that is not included in the domestic product and national income **and is not under the auspices of the state.**” This refers to small

autarkic nature, capable of meeting most of its own needs while minimizing its dependence on the Lebanese state economy<sup>4</sup>. This is a kind of adaptation of Iranian leader Khamenei's perception of the Lebanese reality. Al-Akhbar editor-in-chief **Ibrahim al-Amin**, who is close to Hezbollah's leadership, gave an interview to Hezbollah's Al-Manar Channel (December 25, 2020). In the interview, he called on Hezbollah to turn to the East and build a parallel economy that would cope with Lebanon's economic collapse.

► **In his speech on July 7, 2020, Hezbollah Secretary General Sayyid Hassan Nasrallah** devoted most of his time to local and regional developments, but also touched on the economic issue. In his speech, **Nasrallah called for an “agricultural and industrial jihad”** with the goal of turning the resistance economy into a manufacturing economy (contrary to the nature of the Lebanese economy, which relies heavily on services and trade, especially the banking system). In addition, Nasrallah called for **opening the Lebanese economy to non-Western influence** and turning to markets such as China, Iran, Iraq, and Russia (“Turning to the East”) (Hezbollah's media relations website, July 8, 2020). In the wake of the speech, **Hezbollah stepped up its efforts to help farmers and encourage productivity among the resistance society** (see below).

► **Despite the economic crisis**, which has been exacerbated by the US sanctions, **Iran continues to assist Hezbollah** not only in building its military infrastructure, but also in addressing the economic crisis. In addition, Iran has announced **that it will be prepared to assist Lebanon in areas such as pharmaceuticals, technology, food, and solar energy**. An Iranian proposal to this effect has reportedly been sent to Minister of Industry Imad Hobballah (Hezbollah) by Iranian Ambassador to Lebanon Mohammad-Jalal Firouznia. Ambassador Firouznia was later interviewed by Hezbollah's Al-Manar TV and officially announced that **Iran was even prepared to rely on the Lebanese pound in trading with Lebanon, especially with regard to petroleum products** (Aita Al-Shaab's local news website, July 7, 2020; Al-Tansiqiya Facebook page, July 16, 2020; Twitter; Al-Tansiqiya Facebook page, July 22, 2020). **These Iranian proposals have not been implemented in**

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businesses and artisans, whose income is not reported and who do not pay taxes on it (Wikipedia in Arabic, entry “parallel economy”; see also “What is the Meaning of the Parallel Economy?” on Your Article Library website).

<sup>4</sup> An **autarkic economy** (closed economy) is an economy in which the economic unit (the state, for example) does not conduct foreign trade with its neighbors **and attempts to meet all its needs on its own**. This concept runs counter to the prevailing view around the world of encouraging free trade between countries (Hebrew Wikipedia entry “Autarkic Economy”; yeda.cs.tecnion).

practice, presumably due to reservations on the part of the Lebanese government, which is well aware of the political implications of economic reliance on Iran.

### Examples from the #Yes\_to\_the\_Iranian\_proposal campaign

User Hamdar A (@hamdar\_a) tweeted on July 17, 2020:

#Yes\_to\_the\_Iranian\_proposal

**#Iran: We will supply you with electricity 24 hours a day.**

**The Lebanese of the US and Saudi Arabia:** Don't want.

**Iran: We will connect gas to your homes.**

**The Lebanese of the US and Saudi Arabia:** God forbid, do not agree.

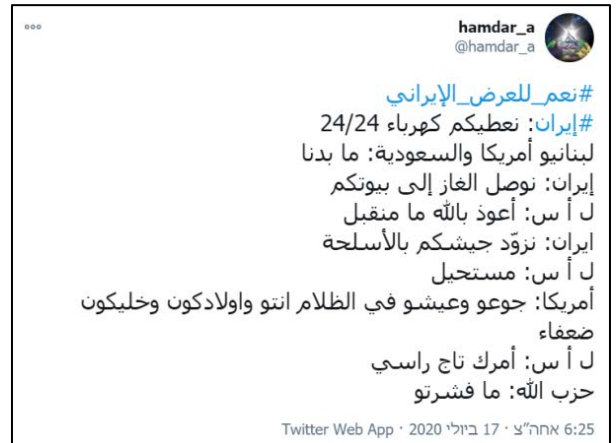
**Iran: We will equip your army with weapons.**

**The Lebanese of the US and Saudi Arabia:** Unthinkable.

**USA:** Starve and live in the dark, you and your children, and stay weak.

**The Lebanese of the US and Saudi Arabia:** At your command, sir.

**Hezbollah:** It will not happen.



On July 17, 2020, user Saleh Rakin (@saleh84092564) tweeted a picture of a Hezbollah fighter saluting a painting of Jesus in a church (or a monastery) with the following inscription: **I as a Lebanese citizen say #yes\_to\_the\_Iranian\_proposal, otherwise you must offer this nation an alternative.**



## Hezbollah's response to the economic crisis

### Product subsidies: Opening of a chain of supermarkets (Al-Nour Depot)

#### The origin of Al-Nour Depot

To help the Shiite population cope with the economic crisis, and to address skyrocketing prices and food shortages, **Hezbollah recently established a chain of supermarkets in its control areas called Al-Nour Depot**. This chain was established within a short timeframe **on the basis of an existing chain of stores called Al-Nour Convenience Stores, which until recently served only Hezbollah operatives**. Eligibility to shop at the chain has been significantly expanded to include **Shiite population sectors** (**note:** at this stage it is unclear whether the subsidized goods will eventually be sold to the entire Shiite population or only to Hezbollah operatives, their families and selected population sectors).

► A grocery store that operated (as of March 2018) at the southern entrance to Baalbek is an example of the previous **Al-Nour Convenience Stores** format. Most of the transactions of the store were carried out **by means of a Nour Card**. The store offered a very wide range of goods: stoves, furniture, smartphones computer games and consoles, housewares, TVs, air conditioners and fans, bicycles and electric cars for children, inflatable swimming pools, schoolbags, fitness equipment, laptops, printers, vacuum cleaners, carpets, rechargeable cards for internet services, safes, sports equipment, batteries, washing machines, coffee machines, food processors, heaters, blankets and more. In addition to the low prices, shoppers were also offered additional benefits such as a shopping voucher raffle, **trips to Iran** and discounts on Shiite and Lebanese holidays (Facebook page of the Al-Nour Convenience Store in Baalbek, March 2018 – December 2020).



**Logo of the Al-Nour Convenience Store in Baalbek  
(Facebook page of the Al-Nour Convenience Store in Baalbek)**

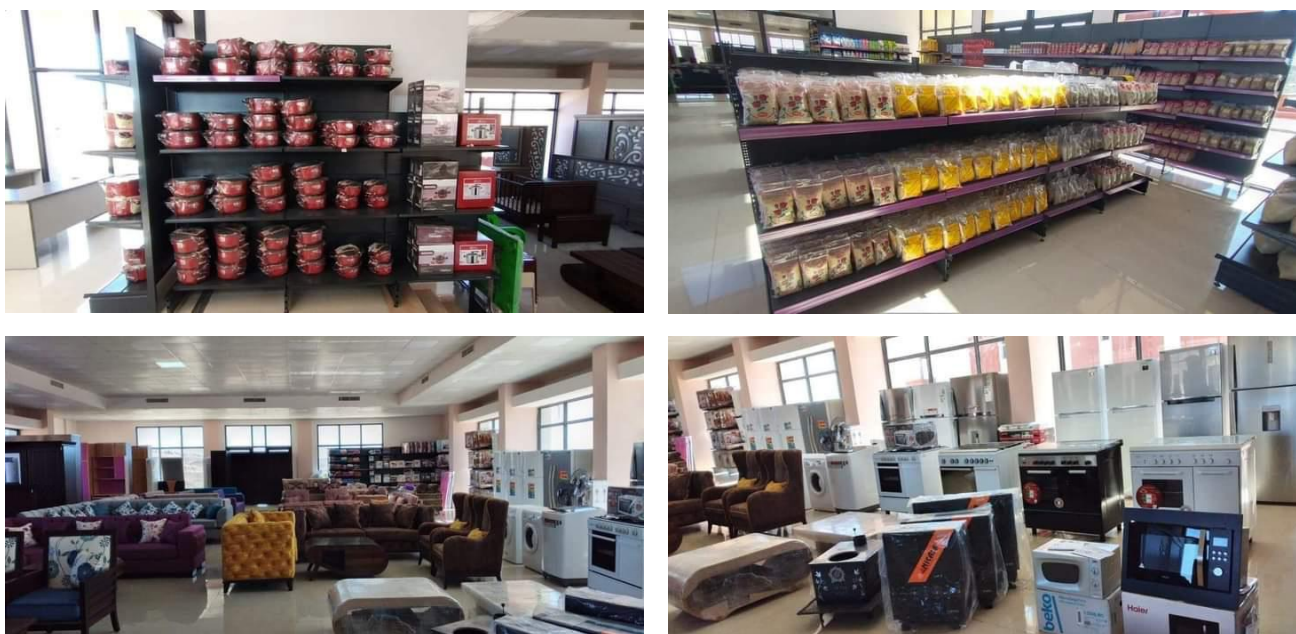
### Opening the Al-Nour Depot chain

- ▶ It seems that in light of the economic crisis, **Hezbollah decided to change the nature of the Hezbollah operative “consumer club” and open it to Shiite sectors. In early October 2020, it was published that Hezbollah had opened a supermarket chain called Al-Nour Depot.** The first branch was opened **in the village of Kounine in southern Lebanon.** Subsequently, branches were to be opened in the neighborhood of Al-Ruwais (Dahieh); the cities and villages of Sharqiya, Wadi Jilou, Nabatieh, Tyre, and Kfar Dajjal (southern Lebanon); and the cities and villages of Baalbek, Bednayel, and Rasm al-Hadath (Bekaa Valley). Other branches are due to open at a later date.
- ▶ **Al-Nour Depot reportedly sell Iranian and Syrian goods at subsidized prices which are about 30-50% lower than the market prices.** Those goods include **23 kinds of basic food products, in addition to housewares, detergents, and subsequently also clothing.** Those stores will apparently not accept cash. Payment will be made through a special shopper’s card called the **Al-Sajjad Card**, named after the fourth Shiite Imam, who attached great importance to mutual responsibility in society<sup>5</sup>. The card will be charged **with LBP 300,000** (about \$200) **on a monthly basis** for purchasing products in the chain.

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<sup>5</sup> **Al-Imam al-Sajjad (Ali bin Hussain, Zayn al-Abedin)** is the Shiites’ fourth Imam. He was present at the Battle of Karbala, where his family members were killed, and also other important battles. He authored a book of prayers highly regarded by Shiite Islam (“Ali al-Sajjad” and “Al-Sahifa al-Sajjadiya,” Arabic Wikipedia). **He was known for the great importance that he attached to mutual responsibility in society and his support to the poor** (Baqiyatullah magazine, Issue No. 197, February 2008).

► In the second week of October 2020, it was reported that **Hezbollah began distributing to residents certificates of eligibility for buying in the chain. The first to receive the certificate were members of needy families who are routinely supported by the Al-Imdad Association**<sup>6</sup>. By October 5, 2020, a total of **20,000 certificates were reportedly distributed**, and an **additional 30,000 certificates were reportedly to be distributed** several days afterwards. Residents who wish to receive such a certificate **need to approach their local Hezbollah representative**. According to the organization’s opponents, **Hezbollah imports the goods without paying customs**<sup>7</sup>, sells them in Lebanese pounds and then converts the revenues into US dollars (summary of items from Lebanese media outlets, websites, social media and newspapers).



**Photos reportedly taken in a branch of the Al-Nour Depot chain  
(Lara’s Twitter account, October 5, 2020)**

<sup>6</sup> **Al-Imdad Association is a branch of the Imam Khomeini Relief Committee**, an Iranian aid association whose first branch in Lebanon was opened in Beirut on the order of Imam Khomeini, in 1983. Subsequently, its activity was expanded and it opened branches in the south and the Bekaa Valley. The association is engaged in support for underprivileged populations by providing monthly allowances, distributing food, financing medical treatment etc. (Shimon Shapira, “Hezbollah between Iran and Lebanon,” (Hebrew), Tel Aviv University and Hakibbutz Hameuchad Publishing, fourth printing 2006, p. 146).

<sup>7</sup> It seems that they refer to **Hezbollah smuggling products from Syria into Lebanon through illegal border crossings**. Thus, for example, Hezbollah’s opponents claim that a crossing in the Zabadani area, which was formerly used for military purposes, prepared by Hezbollah for passage by civilians (Janoubia, July 6, 2020). It is likely that **there are many other illegal crossings**. The value of Iranian imports to Lebanon **was estimated in 2017 at \$89.02 million and in 2018 (until March 2019) at \$79 million**, not including fuel products (Trading Economics; Financial Tribune, May 17, 2020). It can be estimated that the value of Iranian imports to Lebanon is much higher, **but due to its criminal nature it is not included in the official statistics**.



## The source of the inexpensive goods and the Lebanese companies distributing them

Iran and Hezbollah, with the help of Lebanese companies, are apparently involved in importing goods to Lebanon, not always by legitimate means. In the ITIC's assessment, **Iran is subsidizing the goods as part of its policy of helping Hezbollah deal with the economic crisis. Hezbollah**, on its part, is marketing the goods in Shiite areas, at Al-Nour Depot branches and other stores. By marketing the subsidized Iranian goods, **Hezbollah is raking in financial profits and, at the same time, helping the Shiite population and increasing its influence among it.**

► According to information from Hezbollah's opponents, **inexpensive Iranian goods of the type sold at the Al-Nour Depot chain** have also begun to be sold **at stores that are not part of the chain**, such as the **Al-Watania** supermarket in Harat Hreik (the Dahieh) and at the **Matar supermarket** in Tyre (southern Lebanon). The Facebook page of the Matar supermarket **confirms this information** (Observer & News Twitter account, December 10, 2020; Janoubia, December 12, 2020).



Iranian goods sold at the Matar convenience store in Tyre  
(Facebook page of the Matar supermarket, September 24 and December 4, 2020)

## Addressing the fuel shortage

### Stockpiling fuel products

► In the second half of 2020, Hezbollah began preparing **to address the fuel crisis in Lebanon**. This crisis has led to **frequent power outages and rising fuel prices**. In view of the fuel crisis, in late July 2020, Hezbollah's opponents began to allege that **the organization has started purchasing fuel products, especially diesel fuel, and**



**stockpiling them in its areas of influence in order to help its supporters in the event of a shortage.** Since mid-December 2020, **there have been increasing reports of fuel stockpiling in addition to the stockpiling of other basic products** (Janoubia, July 24, 2020; Al-Joumhouria, December 14, 2020; Janoubia, December 20, 2020).

► **Lebanese social activist Yusuf Aasi**<sup>8</sup> even went so far as to publish details about what he calls the “fuel cartel” which, according to him, **Hezbollah and the Amal Movement are operating in southern Lebanon.** Following are examples of the operating methods of Hezbollah in collaboration with the Amal Movement (Janoubia, July 24, 2020; July 28, 2020):

- ◆ **Prioritizing the distribution of fuel to gas stations owned by Hezbollah or by Shiite figures and institutions affiliated with the organization.** As an example, Yusuf Aasi noted **the daily distribution of gasoline in the Tyre area**, with priority being given to the gas stations of the Al-Amana chain (owned by Hezbollah), the Al-Aitam chain (owned by Sayyid Mohammad Hussein Fadlallah Institutions) and the Shaghri chain (Hezbollah’s security officer in the Tyre area is a member of the Shaghri family). **These stations received an allocation of 150,000 liters each.** On the other hand, other stations, owned by groups not affiliated or associated with Hezbollah, **received much less** (two received 35,000-40,000 liters and one received 80,000 liters).
- ◆ **Listing a bogus destination for deliveries by tankers** departing from the oil facilities in Al-Zahrani which is not their actual destination. In practice, the tankers deliver fuel to places determined by Hezbollah and the Amal Movement.
- ◆ In one **case, workers at the oil facilities in Al-Zahrani were reportedly threatened at gunpoint** by Amal’s military commander in the village of Sarafand, so that they would deliver diesel fuel to him.

## Purchase of generators

► **Massive purchase of generators is the traditional Lebanese solution to address the frequent power outages.** According to a report from mid-November 2020, **Hezbollah intends to enter the generator market.** Several days afterwards, there was an incident in the Ruwais neighborhood (Dahieh) between members of the Al-Miqdad family and **Al-Hadi Generators, a company that operates in the area on behalf of Hezbollah.** According to

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<sup>8</sup> **Yusuf Aasi** is an assistant project manager at Trillium Holding, a construction, contracting, security, protection, mining and real estate company operating in the Middle East and Africa. **Aasi exposes corruption and irregularities in southern Lebanon** and was active in various protests even before October 2019 (Yusuf Aasi’s Facebook profile and Trillium Holding’s Facebook page).

Hezbollah's opponents, the company is owned by **Yasser al-Mussawi** (the son of former Hezbollah leader, the shaheed Sayyid Abbas al-Mussawi), **Jawad Nasrallah** (the son of Hezbollah leader Sayyid Hassan Nasrallah), and another senior Hezbollah figure. **The company controls the generator market in the entire Dahieh, except for the Chiyah neighborhood, which is controlled by Amal.**

► According to information published by Hezbollah's opponents, Al-Hadi Generators has **about 20,000 subscribers in Dahieh, which it obtained by inducements such as one month of free electricity, free power supply for the elevator, and discounted rates** (which the company could offer after obtaining diesel fuel in a subsidized price from the Al-Zahrani oil facilities). In mid-December 2020, it was published that **Hezbollah had purchased massive generators that would be able to supply electricity to its areas of influence, for fear that it would be hard for the government to extend credit for purchasing fuel for the power stations** (Lebanon Mirror, November 15, 2020; Janoubia, November 20, 2020; Al-Joumhouria, December 14, 2020).

### **Hezbollah's response to the shortage of drugs**

► Since the beginning of the economic crisis, many pharmacies found themselves **in financial difficulties**, mainly because of the Lebanese Health Ministry's inability to subsidize drugs and importers' inability to pay for the drugs in hard currency<sup>9</sup>. To address the difficulties, Hezbollah began to purchase **pharmacies that ran into difficulties or went bankrupt due to the economic crisis**, mainly in southern Lebanon. According to Hezbollah's opponents, **the organization usually leaves the original name of the pharmacy but renovates the premises, bringing its own staff and equipping the pharmacy with a large stock of drugs**. According to some allegations, the businessmen involved are relatives of a former minister affiliated with Hezbollah (Janoubia, October 21, 2020; Janoubia, November 19, 2020)<sup>10</sup>.

► **At the same time, Hezbollah began smuggling into Lebanon drugs and medical products made in Iran**, inter alia through unofficial "military crossings" between Syria and Lebanon. These drugs are distributed to **the Al-Mortada pharmacies**, which are apparently **under Hezbollah's influence**. In the past year, Al-Mortada pharmacies have sold drugs

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<sup>9</sup> See Hanin Ghaddar, "**Hezbollah has created parallel financial and welfare systems to manage the current crisis**," The Washington Institute, December 9, 2020 (hereinafter: Hanin Ghaddar).

<sup>10</sup> Apparently, the "former minister" in question is **Mohammad Fneish**, whose brother Abdel Latif was involved in a counterfeit drugs case in 2011-2012 (Al-Akhbar, November 15, 2012).

made in Iran and are occasionally referred to as “**the Iranian pharmacies.**” Such pharmacies exist in **Baalbek, Dahieh, and Nabatieh**, among other places. According to one of the reports, **branches of this chain will be opened in Al-Nour Depot branches** (Lebanese Social Insurance website; Twitter account of Haidar Zuaytar, January 10, 2020; Twitter account of Mohammad Samaha, an employee of the Al-Amara chain of gas stations which belongs to Hezbollah’s Martyrs Foundation, July 2, 2020; Abu Haidar’s Twitter account, July 20, 2020; Lara’s Twitter account, October 5, 2020; Twitter account of Abu Haidar, October 17, 2020).



**Wrinkle cream with Persian text. The photo was taken in a Dahieh pharmacy (Twitter account of Mohammad Samaha, an employee of the Al-Amara chain of gas stations which belongs to Hezbollah’s Martyrs Foundation, July 2, 2020)**

**The Iranian pharmaceutical industry is one of the most developed in the Middle East and North Africa.** In the beginning, this industry manufactured only generic drugs. However, it developed and also started to manufacture more sophisticated drugs, used for treating various types of cancer, diabetes and multiple sclerosis. **At the end of 2019, the value of the Iranian drug industry was estimated at €2.5 billion annually and it is expected to expand.** Most of the drug industry’s output (about 90%) was intended for domestic use. Iran exports drugs worth € 90 million a year, mainly to Central Asia and Africa (Sanctions Help Desk, October 2020; Tasnim News Agency, October 12, 2019).

### **Expanding quasi-banking services**

► Following the increase of the US pressure on the Lebanese banking system, many Lebanese began to withdraw their money from the banks, mainly deposits in US dollars. Since October 2019, Lebanese citizens have withdrawn an amount estimated at **\$6 billion in**

**cash from the banks**<sup>11</sup>. Accounts of Hezbollah and its supporters were closed due to the sanctions. Hezbollah responded by a propaganda campaign against the banking system. It decided to adopt a more practical manner of action, mainly **expanding the quasi-banking services of the Al-Qard al-Hasan Association**, mostly providing loans and community mutual guarantee funds in accordance with Islamic religious law<sup>12</sup>.

**Starting late October 2020, the Al-Qard al-Hasan Association began to offer a list of new services:** The association installed **ATMs** in its three branches in Beirut's southern suburb, and it intends to install ATMs in additional branches. It offered **to buy and sell gold for US dollars**, an activity similar to money changing; it also started **offering a gold storage service for a low fee**, thus addressing the lack of personal security and mounting crime in southern Lebanon and the Bekaa Valley. Furthermore, over the past year, **Al-Qard al-Hasan Association strictly maintained a high standard of service in comparison to the banks:** the association's branches remained open during the public protests, it accommodated borrowers who ran into difficulties, refrained from seizing funds (unlike the Lebanese banks) and covered security costs involved in keeping the branches open in the shaky security situation.



**New ATMs placed in the branches of the Al-Qard al-Hasan Association  
(Sour Press, November 7, 2020)**

<sup>11</sup> Hanin Ghaddar.

<sup>12</sup> See the ITIC's Information Bulletin from June 2020, "Hezbollah's socioeconomic foundations: Al-Qard al-Hasan, a quasi-bank that provides interest-free loans, mainly to members of the Shiite community"

► Encouragement for withdrawing money from Lebanese banks and depositing it with the Al-Qard al-Hasan Association can be found in Hezbollah leader Hassan Nasrallah's speech on the occasion of Shaheed Day (November 11, 2020). Hassan Nasrallah claims that **Hezbollah's operatives and supporters who withdrew their deposits from banks managed to keep their money during the current banking crisis**, when the banks claimed that they were unable to pay their depositors in dollars. According to Nasrallah, the money that was withdrawn from the banks **"is either in houses [i.e., the homes of Hezbollah operatives who have been sanctioned]; or [they] have put them in all sorts of places, for example in the Al-Qard al-Hasan Association."** Nasrallah refers to the **depositors who left their money in banks** and were happy not to be on the [US] terror list, claiming that **"now their money and deposits are in danger."** To support his argument, Nasrallah repeatedly cites a verse from the Quran [2:216]: "Perhaps you dislike something which is good for you and like something which is bad for you. Allah knows and you do not know" (translation from The Clear Quran, by Dr. Mustafa Khattab), i.e., every cloud has a silver lining.

### Encouragement of agriculture in southern Lebanon (agricultural jihad)

► **Hezbollah encourages agriculture mainly in southern Lebanon.** This is reflected, among other things, **in the allocation of lands for cultivation, subsidization of feed for livestock, distribution of seedlings, and the provision of loans in affordable terms** (summary of information from social media of towns and villages in southern Lebanon and on Lebanese media outlets, both affiliated with Hezbollah and opposing it, in July-October 2020). South of the Litani River, **over 5,000 new dunams were added with Hezbollah's assistance**, where fruit trees, grain and vegetables were planted. There were also additions of **4,000 head of cattle, 42,000 chickens and 500 beehives**. In addition, south of the Litani River, **50 agricultural processing jobs were created** (manufacturing homemade food and handicrafts). Planning for the subsequent phase includes the provision of **loans on affordable terms to small and medium businesses**, inducements to plant vegetable gardens, and the subsidization of seeds (Ya Sour, October 20, 2020).

### Distribution of drinking water

► According to the Al-Hurra Channel (which is sponsored by the US), **Hezbollah still distributes drinking water free of charge to residents of Beirut's southern suburb (Dahieh) as part of the Al-Abbas Water project carried out by Jihad al-Bina.** The drinking

water arrives in tankers from Al-Barouk. In addition, **Hezbollah started to dig wells in the neighborhoods of Ghobeiry and Harat Hreik in Dahieh**, in order to use them “should the need arise.”

► Most of the Shiite population uses the services of Lebanon Water, supplied by the Lebanese government. Hezbollah intends to continue using the Lebanon Water infrastructure to supply water to its subscribers from Hezbollah’s water sources. This water will be supplied to the consumers in return for monthly subscriptions that will be provided in affordable prices, taking into account the economic crisis (Janoubia, November 20, 2020).

### Importation of inexpensive clothing

► Until the economic crisis, stores of inexpensive clothing were a prosperous business in southern Lebanon. Following the crisis, prices rose in these stores too (Nida Al-Watan, September 15, 2020). According to Hezbollah’s opponents, **Hezbollah has started to import clothing from Africa**, which is exported by Lebanese merchants from the United States. The clothes **are sold in southern Lebanon in large stores occupying several floors**. Opening stores in this scope is unusual since similar stores which have existed for a long time had to close down due to the crisis. **The new stores sell at much lower prices than the older ones, although they sell famous American brands and the clothing looks brand new** (Janoubia, November 27, 2020). As aforesaid, Hezbollah also intends to sell second-hand clothes in the Al-Nour Depot chain.

### Increasing personal security and securing supply to southern Lebanon

► In view of the escalating economic crisis, **crime in Lebanon has increased**, along with the **lack of personal security** (Ya Sour, September 29, 2020; Al-Akhbar, October 16, 2020). According to Hezbollah’s opponents, the organization **initiated night patrols by municipality inspectors in villages and towns to deter burglars**. These inspectors are equipped with **light weapons and assisted by Hezbollah and Amal operatives** (Janoubia, September 10, 2020; September 11, 2020).

► Hezbollah also prepares **to secure the food and product supply network for southern Lebanon**, mainly on the coastal highway, in view of road blocking incidents during the protests. In June and December 2020, senior Hezbollah figures implied that if, during the protests in Lebanon, the coastal highway or other important roads were blocked in other areas of influence of Hezbollah, **Hezbollah would use force to keep the roads open in**

**order to guarantee supplies to its areas of influence** (Twitter account of Sheikh Sadiq al-Nabulsi, a cleric affiliated with Hezbollah, June 26, 2020; Janoubia, December 20, 2020).