

November 2025

# Review of the Government Spending on Social Protection in Lebanon<sup>1</sup>

2017-2024



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## Key Takeaways

Macro-fiscal Analysis: Perceived  
Growth Masking Real Decline

Spending Analysis: Structural  
Imbalances and Misclassified  
Expenditures

Financing Structure: Sustainability  
Crisis and Donor Dependence

Conclusions and Policy  
Recommendations

- **Spending capacity on social protection was largely constrained in the post-crisis period:** Despite nominal increases, social protection allocations contracted by 78% in real terms from USD 6.1 billion in 2017 to USD 1.3 billion in 2024 - or from 12% of GDP in 2017 to 2.7% in 2023 - reflecting the devastating impact of currency depreciation and fiscal constraints.
- **Inequitable spending patterns persist:** The public sector remains the largest beneficiary of social protection spending, with security and armed forces receiving more substantial allocations than civil servants, while spending on the poor and vulnerable remains limited.
- **Execution efficiency is severely compromised:** Spending efficiency declined markedly post-crisis, reaching only 52% in 2023 compared to 100% in 2019, indicating severe capacity and liquidity constraints.
- **Structural imbalances in social protection architecture exacerbate inequity:** Social insurance dominates spending on social protection, crowding out social assistance investments, while public pensions consume 77% of social insurance budgets despite covering only 2% of the population.
- **Fiscal sustainability is at critical juncture:** With donor fatigue emerging and external support uncertain, Lebanon requires urgent domestic resource mobilization and structural reforms to finance social protection.
- **Fragmented management undermines strategic planning:** Coordination challenges are weakening comprehensive social protection planning and oversight.

<sup>1</sup> The Review of Government Spending on Social Protection (2017-2024) is a joint work of the Institut des Finances Basil Fuleihan, ILO and UNICEF, with the co-financing of the European Union.

## Lebanon in crisis: poverty, conflict and social vulnerability on the rise

Since 2019, Lebanon has faced an unprecedented multidimensional crisis that fundamentally reshaped the social protection landscape. The economic collapse decimated the real value of incomes, savings, and pensions, creating unprecedented social needs precisely when the state's capacity to respond was most constrained. Poverty more than tripled from 11% in 2012 to 33% in 2022<sup>2</sup>, with the depth and severity of poverty worsening particularly among the most vulnerable populations. Unemployment and labor underutilization reached crisis levels, with overall labor underutilization standing at 50.1% and youth unemployment peaking at 57.6% (Central Administration of Statistics, 2022).

The situation deteriorated further with the outbreak of conflict on October 8, 2023, which escalated into a wide-scale military attack by September 2024. The World Bank's Rapid Damage and Needs Assessment estimates the combined cost of physical damages and economic losses from the war to at least USD 14 billion (World Bank, 2025). More than 1.2 million people were internally displaced, with women, children, older people, persons with disabilities, and refugees disproportionately affected. Approximately 166,000 individuals lost their jobs, corresponding to USD 168 million in lost earnings, while housing damages alone amounted to USD 4.6 billion.

## Milestones amid crisis: Progress in social protection development

Despite these overwhelming challenges, Lebanon achieved four significant milestones in social protection development during 2023-2024. The National Disability Allowance was launched in April 2023, providing direct income support to approximately 25,000 persons with disabilities aged 15-30, gradually expanding to cover 0-30 age group and above 65. Parliament ratified a new Pension Law in December 2023, establishing a comprehensive pension system for private sector workers (International Labour Organization, 2023). The Government officially adopted the National Social Protection Strategy in November 2023 and launched it in February 2024, outlining a vision for a rights-based system aimed at improving coverage and governance while moving toward universality, shock responsiveness, and financial sustainability.

Additionally, existing social assistance programs were rapidly scaled up, with the National Poverty Targeting Program (NPTP) and Emergency Social Safety Net (ESSN) merged in November 2024 into a single poverty-targeted program known as AMAN. However, these initiatives were primarily supported or financed by the international community through Official Development Assistance (ODA), highlighting the persistent challenges in domestic financing capacity.

## Macro-fiscal Analysis: Perceived Growth Masking Real Decline

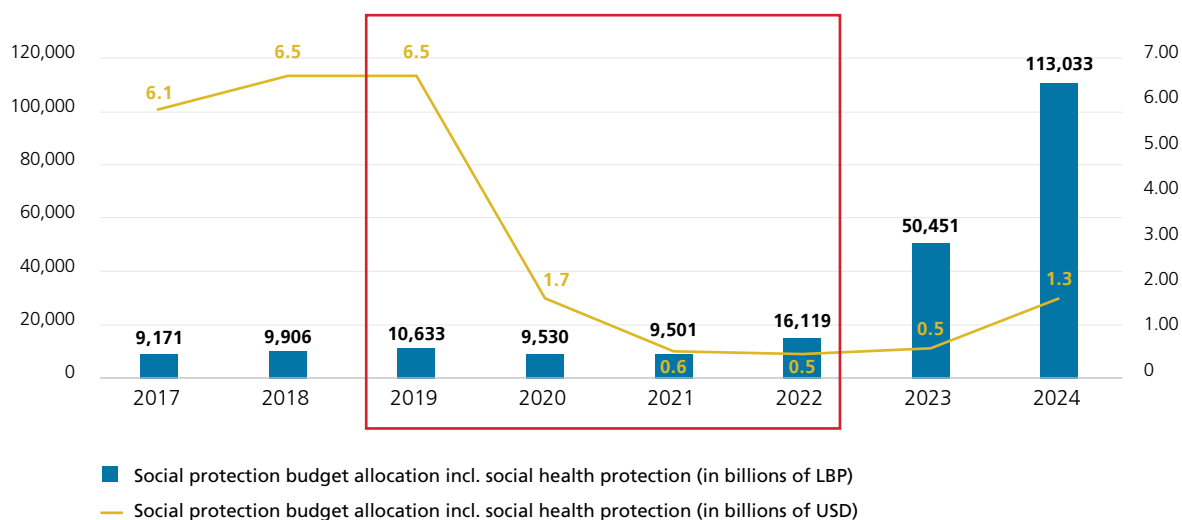
### Delayed adjustment and fiscal constraint

Macro-fiscal aggregates reveal two critical patterns in social protection spending since the crisis began. First, there was a **significant delay in budget adjustment to address the crisis impact**, with the government only substantially increasing budget allocations in nominal terms beginning in 2023, the fourth year into the crisis. This delayed adjustment reflected both the severity of fiscal constraints and delays in the budget process itself.

<sup>2</sup> The survey conducted by the World Bank in 2023-2024 covered only 5 of the 8 governorates across Lebanon and that are the governorates of Akkar, Bekaa, Beirut, Mount Lebanon and North Lebanon. It excluded the governorates of Baalbek El-Hermel, El-Nabatieh, and South Lebanon due to the absence of corresponding data.

Second, despite nominal increases in Lebanese pounds, real spending capacity eroded substantially when measured in dollar terms. Social protection allocations increased from LBP 9,171 billion in 2017 to LBP 113,033 billion in 2024 in nominal terms. However, when converted to USD using real market exchange rates, these allocations contracted from approximately USD 6.1 billion in 2017 to USD 1.3 billion in 2024, representing a staggering 78% decline in real purchasing power.

Allocations to social protection between 2017 and 2024 (in USD billions and LBP billions)

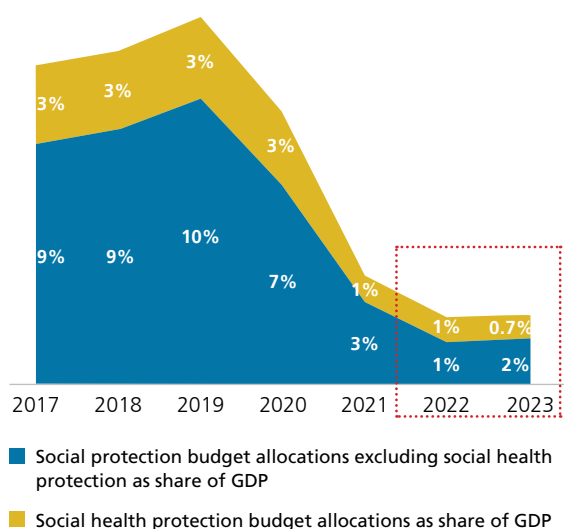


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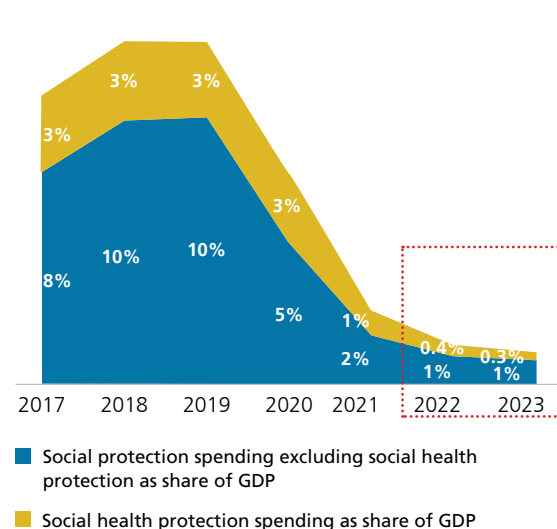
- Social protection allocations were converted to USD based on the yearly average of daily exchange rates registered on the real market.
- The total amount of social protection allocations in this graph includes figures from the budget, the NSSF and the CSC, except for the year 2024 that excludes NSSF and CSC due to lack of available data.

Budgeted and executed social protection spending (including and excluding social health protection) as share of GDP between 2017 and 2023

Social protection allocations as share of GDP



Social protection spending as share of GDP



Remarks:

- The total amount of social protection allocations and spending in this graph includes allocations and spending from the budget, the NSSF and the CSC.
- Social protection spending was converted to USD based on the yearly average of daily exchange rates registered on the real market.

Additional Sources: Lira Rate website; IMF, World Economic Outlook.

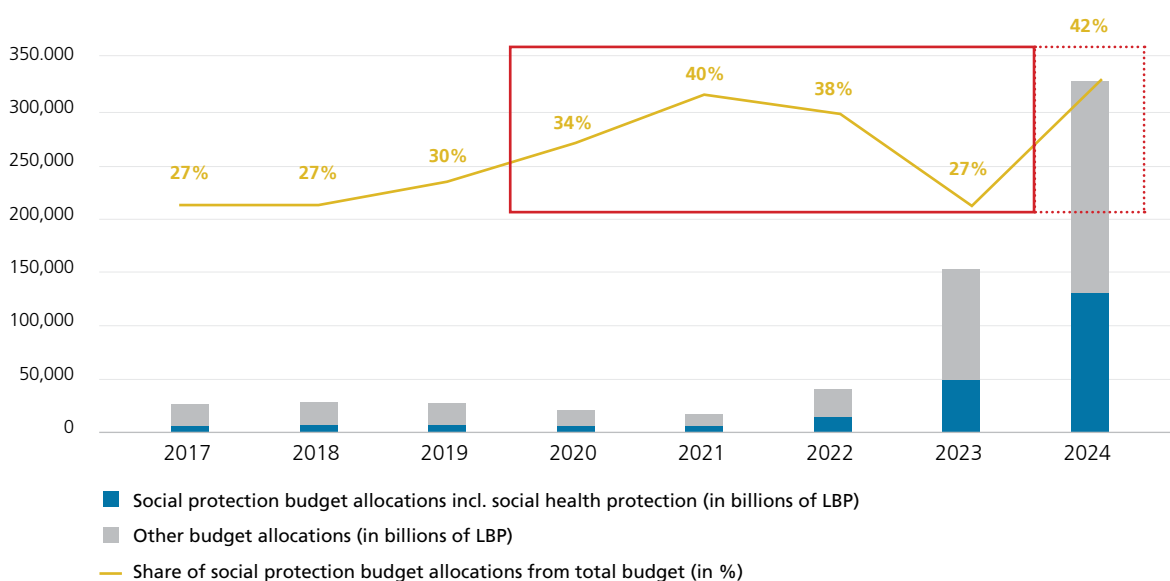
In 2023, spending on social protection accounted for just 2% of GDP, down from an average of 6% between 2017 and 2024. By comparison, according to ILO data, Lower-Income Developing Countries (LDCs) spend around 4–5% of GDP, while in MENA countries, this share typically ranges between 8% and 12% of GDP, reflecting Lebanon's below-average investment in social protection relative to its regional peers.

### The largest share of social protection earmarked to social health protection

**Increases in social protection spending were largely reactive rather than the result of strategic policy prioritization.** In 2024, social protection (excluding social health protection) accounted for 21% of the total budget, while including social health protection brought the share to 42%. These proportions appear substantial, but they reflect more the contraction of other spending categories (such as debt service or operational expenses) than genuine prioritization of social protection.

The increase in social protection's budget share between 2020-2022 can be attributed to two key factors: delayed tax adjustments and weak revenue mobilization that froze other spending lines, and pressure from social tensions and external shocks (COVID-19, Beirut Port explosion) that prompted ad-hoc emergency spending reallocations.

Size of social protection allocations as share of the budget between 2017 and 2024



Remark: The total amount of social protection spending in this graph includes only the allocations made in the state budget.

### Execution gaps and capacity constraints

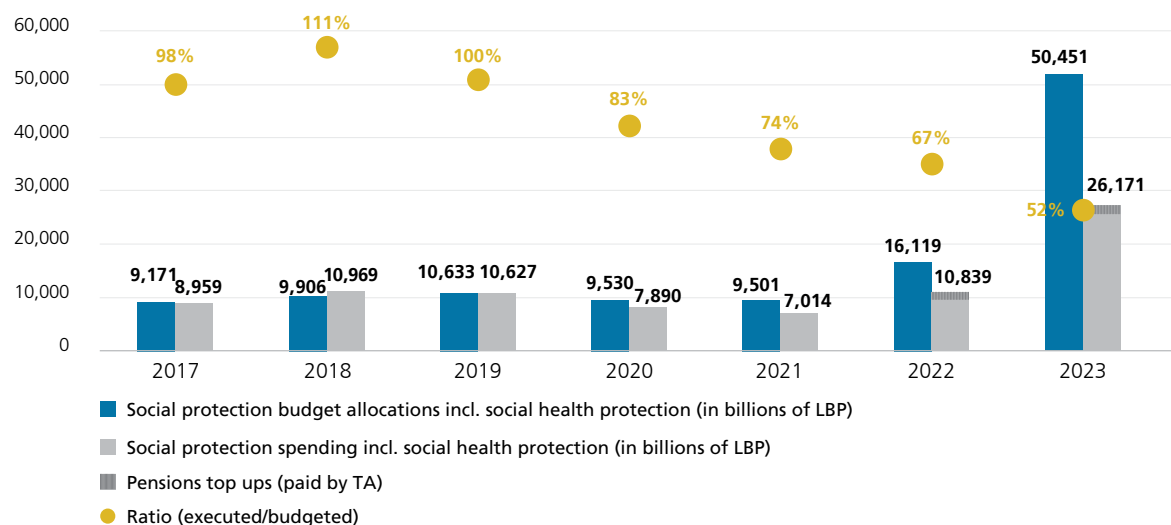
With the crisis, a persistent and worsening gap between budgeted allocations and actual spending emerged as a critical challenge. In 2018-2019, execution rates were relatively stable. However, **starting 2020, execution gaps widened dramatically**, with only 83% of budgeted allocations spent in 2020, falling to 74% in 2021, 67% in 2022, and reaching a low of 52% in 2023.

This deteriorating execution capacity stems from three primary factors:

- **Severe liquidity shortages** due to limited state revenues and delayed tax collection,
- **Treasury management** that prioritized urgent and non-deferrable payments, and
- **Weakened institutional capacity** that forced ministries to operate under restrictive provisional spending rules.

The result was a vicious cycle where limited execution capacity undermined the credibility of budget planning while fiscal constraints further reduced the capacity for actual service delivery.

#### Social protection spending outturns between 2017 and 2023



Remark: The total amount of social protection spending in this graph includes spending from the budget, the NSSF and the CSC.

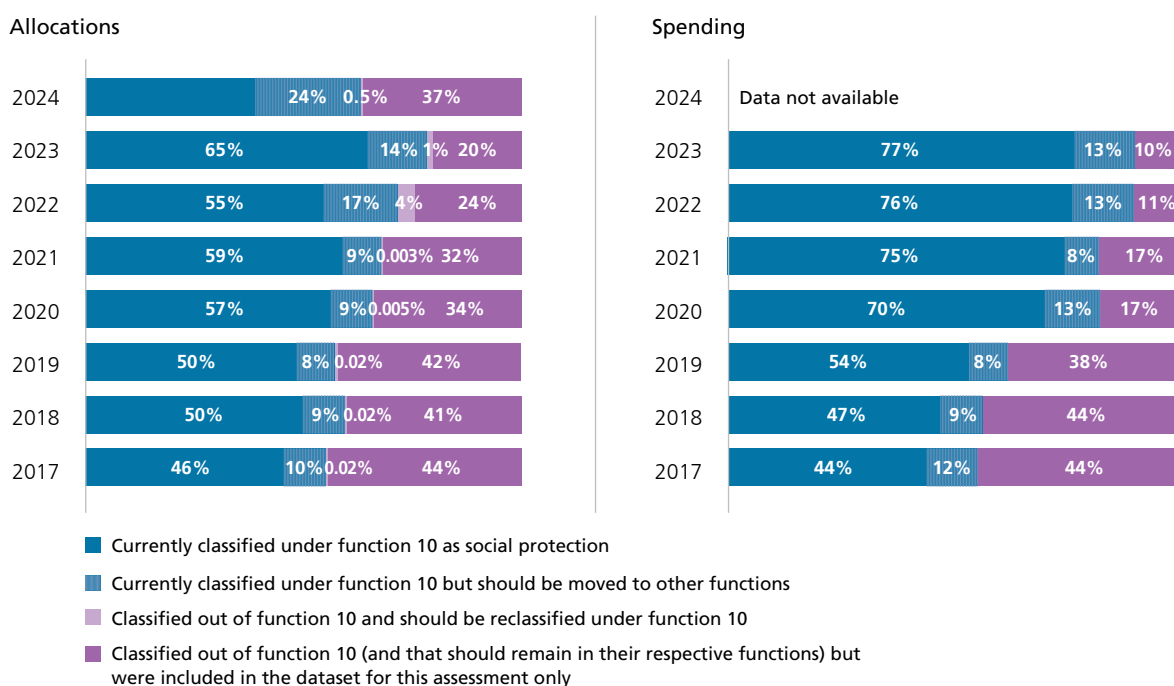
## Spending Analysis: Structural Imbalances and Misclassified Expenditures

### Shortcomings in functional classification undermine budget credibility

A detailed analysis of the current budget classification revealed significant structural problems in how social protection expenditures are categorized and tracked within Lebanon's budget system. **While the Ministry of Finance officially classifies social protection under "Function 10," approximately 39% of actual social protection spending remains scattered across other budget functions, including Health (function 7), Economic affairs (function 4), Education (function 9), and Public order and safety (function 3).**

Conversely, about 14% of allocations currently classified under function 10 are not rightly social protection expenditures. These misclassifications create significant challenges for accurate budget analysis, policy planning, and public accountability. Items such as hospitalization expenses, medical costs, sickness and maternity pay, and school allowances for security forces require reclassification to provide a clearer picture of actual social protection resource allocation.

### Functional classification of social protection inside and outside function 10 between 2017 and 2024<sup>3</sup>



Remark: The total amount of social protection allocations in this graph includes allocations from the budget only.

### Lifecycle contingency analysis: Old age dominates social protection spending

When looking at social protection dimensions spanning across the lifecycle, the spending analysis reveals severe imbalances across lifecycle contingencies. **Old age and survivors' benefits absorb the largest share of resources**, followed by Health, crowding out allocations for Other income support and assistance and Basic education.

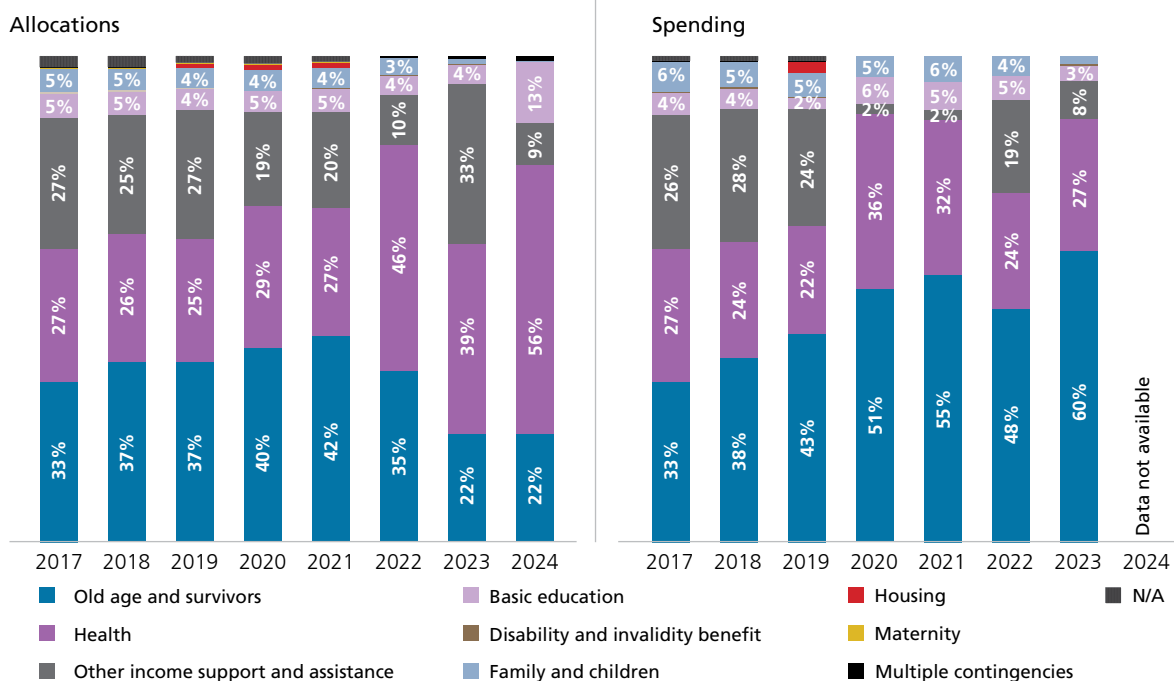
Within the Old age and survivors category, public pensions consume an average of 86.7% of resources, with end-of-service indemnities for private sector workers comprising the remaining 13.3%. This concentration is problematic given that public pensions cover only approximately 2% of the population while consuming a large share of resources.

Under Health, 43% of spending finances hospitalization expenses and 33% sickness and maternity paid by the National Social Security Fund (NSSF) to private sector workers. Less than 0.5% is spent on contributions to public hospitals that usually offer their services to the most poor and vulnerable populations.

Critically, there were no allocations for Disability and invalidity benefits prior to 2024, despite significant needs in this area. Similarly, spending on Maternity and Housing support remained minimal throughout the period, indicating substantial coverage gaps in essential social protection areas.

<sup>3</sup> Some data classified out of function 10 (and that should remain in their respective functions) was included in the dataset for this assessment only (such as hospitalization expenses for security forces) to allow for a more accurate estimate of the real size of spending on social protection from the budget, notably including social health protection.

### Distribution of social protection spending as per the nine ILO branches for social protection between 2017 and 2023



### The analysis confirms previous findings: Within the NSPS pillars, spending on social insurance significantly outweighs allocations to social assistance

Analysis according to the pillars of Lebanon's National Social Protection Strategy confirms that **Social insurance dominates spending** at 57.7% of total allocations, while **Social assistance remains severely limited**. This imbalance became more pronounced following the phasing out of energy subsidies, which were previously classified as Social assistance spending. After 2020, Social assistance spending dropped to 1%, without corresponding reallocation to cash assistance programs for vulnerable populations.

Under Social insurance, the concentration on contributory schemes primarily benefits formal sector workers, particularly in the public sector, while leaving informal workers and unemployed populations largely uncovered.

### Beneficiary analysis: Skewed Distribution and Equity Implications

The analysis of spending by beneficiary categories uncovers persistent and substantial bias toward **public sector employees**. Historically, the public sector has been the largest beneficiary of social protection spending, with security and armed forces receiving more generous allocations than civil servants. This pattern persisted throughout the crisis period despite the drop in the value of benefits and the growing needs among vulnerable populations.

A notable shift occurred in 2024 with the government's commitment to co-finance the National Disability Allowance, allocating LBP 150 billion for this purpose. This represented the first significant budget increase for the "Poor and/or vulnerable" category in years.

The inequity becomes stark when considering coverage versus resource allocation. For example, public pensions, which cover approximately 2% of the population, account for 76.8% of total social insurance spending (including social health protection). Meanwhile, programs targeting the Poor and vulnerable, who represent a much larger share of the population, receive proportionally minimal resources.



## Financing Structure: Sustainability Crisis and Donor Dependence

### Financing sources and institutional challenges

Social protection in Lebanon is primarily financed through multiple channels: the state budget, the NSSF, the Civil Servants Cooperative (CSC), treasury advances, and donor contributions (the largest share of which remains off budget). This multi-source financing structure creates both opportunities and challenges for the sustainable provision of social protection programs.

With the crisis, the NSSF's role as a central social protection financier was undermined by governance challenges and the government's persistent failure to settle its arrears and its obligations as an employer. Prior to the crisis, the government rarely paid its NSSF contributions on time, and this pattern worsened during the crisis. The NSSF's share of social health protection financing is estimated to have dropped sharply from 48% in 2019 to 17% in 2023, reflecting both stagnant coverage tariffs and widespread under-declaration of wages by employers.

Similarly, government contributions to the CSC were only partially covered, creating chronic financing gaps that undermine the sustainability of social insurance schemes in the public sector.

### Extensive reliance on treasury advances contributed to off-budget distortions

During the crisis, the government increasingly relied on treasury advances to finance social protection spending. In 2023, treasury advances reached LBP 57,518 billion, with an estimated LBP 18,273 billion (equivalent to 10% of the draft budget) supporting social protection activities.

While these advances temporarily filled financing gaps, they created major distortions in budget management and fiscal reporting. **The practice led to the fragmentation of state finances, complicated efforts to assess actual spending levels, and undermined budget reporting and fiscal controls.** Even more concerning, execution rates for treasury advances averaged only about 51%, highlighting persistent capacity constraints even when funding was theoretically available.

### Donor financing: Critical support amid sustainability concerns

During the crisis, key cash assistance programs including the National Poverty Targeting Program (NPTP), Emergency Social Safety Net (ESSN), and National Disability Allowance (NDA), which collectively reach hundreds of thousands of beneficiaries, depended heavily on donor support.

**This heavy reliance on donor financing created vulnerabilities. Programs were managed largely off-budget, weakening strategic planning, and creating fragmented service delivery.** With donor fatigue beginning to emerge and external support becoming less certain, these programs face potential sustainability challenges that could severely impact vulnerable populations and increase the pressure on domestic financing.

### Special Drawing Rights: A missed opportunity

Lebanon received approximately USD 1.135 billion in IMF Special Drawing Rights (SDR) in 2021, intended to support macroeconomic adjustment and crisis response. However, analysis suggests these resources were not optimally utilized for social protection purposes. **Nearly 60% of SDRs were allocated to subsidies (medication, wheat, fuel) rather than more targeted and efficient social protection interventions.**



Only about 15% went to operational expenses and 18% to loan servicing and SDR charges, with minimal direct investment in social protection infrastructure or programs. **This represents a significant missed opportunity to strengthen domestic financing capacity for social protection during a critical period.**

#### Breakdown of spending financed by the SDRs

#	Spending purpose	Direct beneficiary	(Amount (in millions	Currency
1	Loan servicing	AFD	13.2	EUR
2	Loan servicing	Various donor organizations	163	USD
3	Medication subsidy	Ministry of Public Health	478	USD
4	Wheat subsidy	Ministry of Economy and Trade	134	USD
5	Fuel subsidy	EDL	70	USD
6	Invoicing and collection services	EDL service providers	62	USD
7	Printing of passports	General Security	13	USD
8	Legal fees	Ministry of Justice	0.684	USD
9	Purchase of Insecticides	Ministry of Agriculture	0.05	USD
10	SDR charges	IMF	35	USD
11	Public Works	International Civil Aviation	7	USD
12	Unidentified	Unidentified	62	USD
<b>Total SDRs granted</b>			<b>1,139</b>	<b>USD</b>

Sources: Presidency of the Council of Ministers and Limsib.

## Conclusions and Policy Recommendations

### The imperative for reform: Moving toward sustainable and equitable social protection

Lebanon's social protection system remains characterized by severe financing constraints, structural inequities, and institutional weaknesses that undermine its capacity to protect vulnerable populations during the country's most challenging period in decades.

The current system is both socially unequal and economically inefficient. With vulnerability on the rise and social needs reaching crisis levels, fundamental reforms are essential to create a more equitable, efficient, and sustainable social protection framework.

### Strategic recommendations for systemic reform

#### Enhancing data systems and transparency to support decision-making

- Collaborate with the Ministry of Finance to comprehensively review and enhance social protection spending classification within the budget system. This should include developing technical guidelines to address identified misclassification issues and improve data granularity for more accurate analysis and planning.
- Resume publication of the Public Finance Monitor, which has been suspended since 2021, to enhance transparency, accountability, and evidence-based decision-making. Regular fiscal reporting would enable stakeholders to track budget allocations, expenditures, and gaps more effectively.

- Establish an integrated financial information management system linking all agencies providing social protection services with the Ministry of Finance. This system should enable real-time tracking of social spending, reduce misallocations, and support data-driven decision-making across government levels.
- Conduct comprehensive analysis of mutual funds budgets and operations to better understand their functioning, financing mechanisms, and service delivery patterns. This analysis should assess the feasibility of potential mergers to reduce management costs and increase efficiency.
- Resume the integration of Official Development Assistance within the budget or at least devise a mechanism that facilitates the pooling, tracking and coordination of ODA financing social protection programs.

#### **Strengthening the institutional capacity and governance of Social Protection providers**

- Develop systematic capacity building programs for key social protection providers focusing on budget planning, costing methodologies, and data recording and reporting. The persistent underspending across agencies indicates significant capacity constraints that require targeted interventions.
- Design a comprehensive solution for settling unpaid government contributions to social insurance funds (NSSF and CSC) and establish sustainable mechanisms for meeting ongoing employer obligations. This should include rescheduling repayment of arrears and creating automated contribution systems.
- Establish a regular budget review mechanism that allows for systematic updating and analysis of social protection spending data. This should include developing institutional capacity within the Ministry of Finance for ongoing social protection analysis and policy support.

#### **Creating fiscal space and consolidate domestic revenue mobilization for sustainable financing**

- Develop and implement a comprehensive domestic resource mobilization strategy with a dedicated allocation for social protection financing. Given that Lebanon's tax revenue as a share of GDP (15.3% in 2019) is relatively low compared to regional peers, significant potential exists for increasing tax revenues.
- Consider introducing earmarked taxes for social protection, such as taxes on vacant properties, wealth taxes, or excise taxes.
- Consider the set-up of a mono-tax, for formalizing micro and small enterprises, as well as extending social protection coverage to independent workers and liberal professions.
- Implement comprehensive tax reform to remove exemptions and preferential treatments that disproportionately benefit wealthy taxpayers and politically connected sectors. Lebanon's tax system currently provides exemptions to at least 135 categories of individuals and industries.
- Strengthen tax collection capacity through digitization, automation of declaration processes, capacity building for tax administration, and enforcement of existing laws. Additionally, implement structured installment programs for recovering tax arrears.

#### **Implementing key structural reforms needed to reinforce the social protection framework**

- Accelerate implementation of the new Pension Law (law no. 319) and initiate comprehensive dialogue with the private sector to expand contributory scheme coverage. This should include measures to encourage accurate wage declaration and extend legal coverage to business owners, liberal professions, and informal workers.
- Implement parametric reforms to the public pension system, including indexation of pensions to inflation with economic safeguards, reduction of accrual rates to sustainable levels, expansion of salary averaging periods, and optimization of survivor benefit rates.

- Conduct comprehensive costing studies for National Social Protection Strategy programs and establish a medium to long-term financing strategy based on the function and benefit levels to be gradually provided.
- Establish efficient and transparent governance frameworks for NSPS operationalization, including strengthening the Interministerial Committee and various sub-committees established to date.

#### **Managing change and building support**

- Launch a coordinated public communication campaign to explain social protection strategy, laws, and measures to citizens. This campaign should emphasize social protection as a public good that benefits all citizens and supports broader policy goals including inequality reduction and social cohesion.
- Engage early and systematically with the Ministry of Finance to demonstrate the affordability and potential outcomes of increased social protection spending. This should include backing policy options with impact assessments and showing how incremental increases would affect other sectors.
- Consider setting specific budgetary goals for social protection within the current framework, such as reducing fragmentation by merging specific mutual funds by target dates, ensuring specific shares of transfers are digitally disbursed and tracked, or increasing social protection budget allocation to reach predetermined percentages of GDP.

#### **The Path Forward**

Lebanon stands at a critical juncture in its social protection development. The convergence of economic crisis, conflict impacts, and persistent structural challenges has created both unprecedented needs and opportunities for fundamental reform. The government's adoption of the National Social Protection Strategy and recent legislative developments provide a framework for transformation, but success will require sustained political commitment, adequate financing, and comprehensive institutional reforms.

The analysis presented in this policy brief demonstrates that incremental adjustments can make a difference but will not suffice to address the magnitude of challenges facing Lebanon's social protection system. What is required is a comprehensive transformation that prioritizes equity, efficiency, and sustainability while building robust institutional capacity for long-term service delivery.

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