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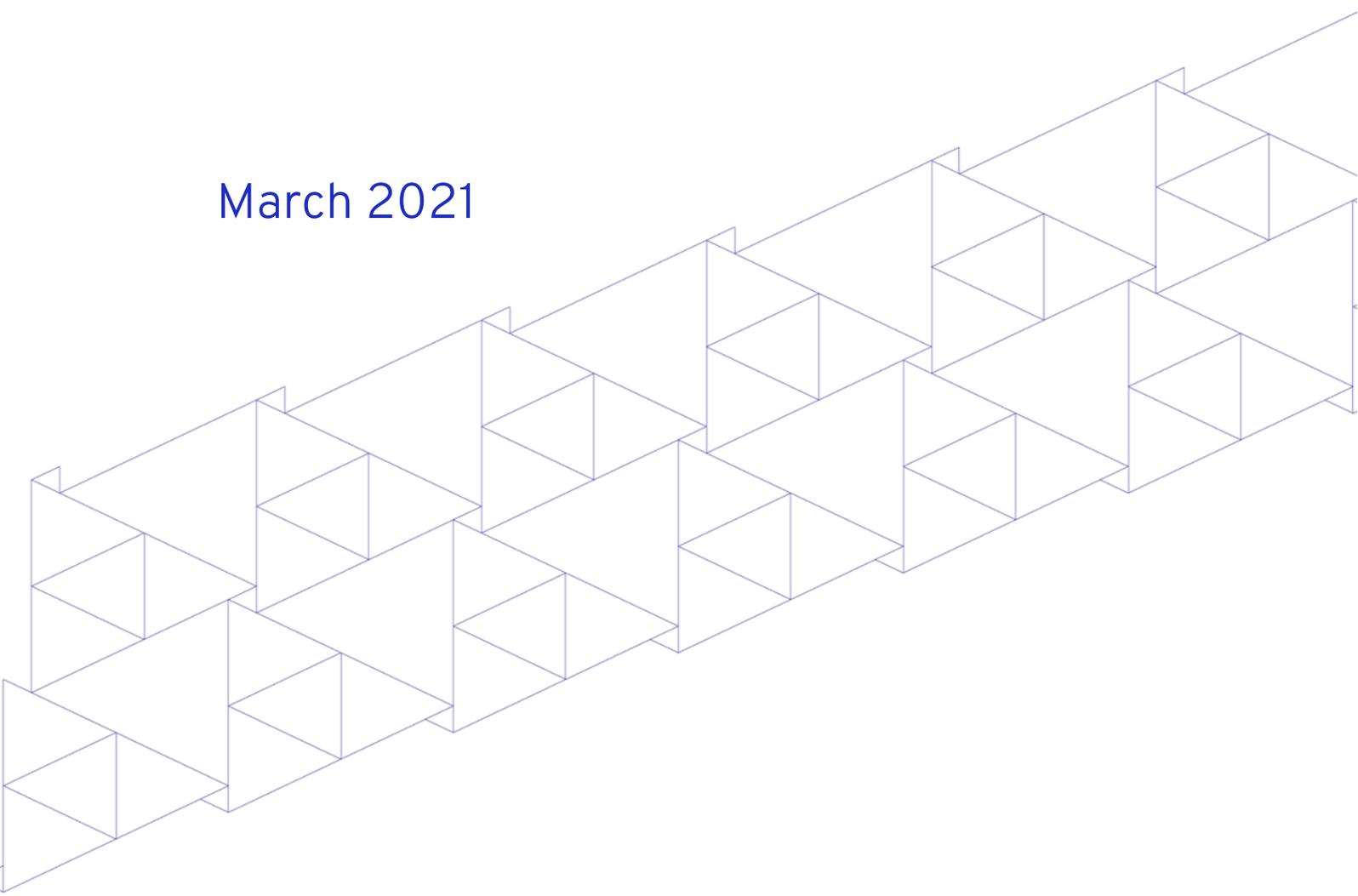
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► Towards a social protection floor for Lebanon

Policy options and costs for core life-cycle social grants

Policy note

March 2021



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Executive Summary

Lebanon is facing a detrimental and multifaceted crisis that threatens to undermine its political, economic, financial, fiscal and social stability. The country – its people and the Government – is at a critical juncture in which key decisions around the (re)construction of core institutions will determine the success or failure of the country’s immediate recovery plans and long-term trajectory. Social protection will be central to this reconstruction, but temporary or reactive measures will simply not be enough to get the country on track. Lebanon has an opportunity to meet this immense crisis with an equivalent investment in an inclusive, life-cycle social protection system, which will not only provide immediate relief but will also fuel a faster recovery and lay the foundation for a stronger economy and society going forward.

Background and context

Lebanon is facing an unprecedented culmination of economic, social and political crises: macro-economic, fiscal and monetary collapses; a rapid slowdown of business, worsening unemployment, widespread hunger and the Lebanese pound losing 80 per cent of its value; the Covid-19 pandemic; and a humanitarian crisis caused by the Beirut Port explosion on 4 August 2020.

The spillover on the social landscape is substantial, with bleak repercussions for millions of Lebanese and non-Lebanese alike. Rising unemployment and underemployment as well as declining remittances have made it harder for many Lebanese to meet their basic needs, pushing significant numbers into poverty and exacerbating the depth of existing destitution. The economic fallout of the Covid-19 pandemic and damage from the Beirut explosion have only exacerbated pre-existing challenges, while the imminent removal of subsidies for key imports – wheat, fuel, medicine – and a list of basic products will only heighten the insecurity of the already struggling poor, near poor and the middle class.

Lebanon’s national system for providing public goods, services and social protection is weak. Significant policy, legislative and institutional gaps leave large proportions of the population without support. A highly fragmented and unequal institutional framework for delivery of key services rooted in “sectarian-based welfarism”¹ relies on international and civil society organisations to fill in the gaps left by the State in responding to basic needs.

These gaps have led to a stream of mass protests since October 2019. The demonstrations reflect growing and urgent demands for a new social contract between the State and its citizens. If Lebanon is to settle the long-serving grievances from its past and present, strengthen the social contract and build a successful nation-state, a paradigm shift in the model of social security will be necessary.

Assessing gaps against social protection floor guarantees in Lebanon

The ability to balance multiple priorities – including social protection, but also growth, employment, and, most urgently, recovery – depends in large part on early investments in providing basic income and health security (a social protection floor) to the population. To fulfil these guarantees, most countries employ a combination of core benefits – which can be provided through a combination of contributory and tax-financed instruments – as well as other complementary programmes, such as safety nets or employment programmes.

Even before the latest crises, Lebanon’s social protection system suffered from large gaps in legal and effective coverage and was chronically underfunded. The contributory system provides at least some

¹ See Baumann (2019), Cammett (2014), Parreira (2019), and Salti and Chaaban (2010).

benefits for basic life-cycle contingencies, even if these are woefully inadequate and in need of urgent reform. But Lebanon offers almost no tax-financed guarantees to provide basic income security for children, during active age, or in old age. As a result of the bifurcated design of Lebanon's social security system (leading to institutional fragmentation), a large number of people in the "missing middle" – those who are informally employed and/or not deemed poor enough to qualify for last-resort benefits like the National Poverty Targeting Program (NPTP) – lack any access to social protection. The announced expansion of the NPTP through the Emergency Social Safety Net (ESSN) is an important development in the current crisis context, but an emergency programme targeting the extreme poor for 12 months cannot be a substitute to a full, multi-tiered social protection system based on a permanent social protection floor.

Indeed, the near complete absence of a life-cycle-based social protection floor or system of social grants in Lebanon makes it difficult to imagine how the country could go about reforming its contributory system without first – or simultaneously – investing in ensuring that the fundamental building blocks are intact.

Towards a social protection floor for Lebanon

The current crisis offers an unprecedented opportunity to join a growing chorus both inside and outside Lebanon to shift the thinking on social protection in the region, from the fragmented, sectarian approach that characterizes the existing system, to one centred on notions of rights-based entitlements for everyone.²

Integrating tax financed guarantees with the existing system

In a multi-tiered and rights-based social protection system, different types of instruments are not simply combined haphazardly or targeted at narrowly defined groups. Rather, they are integrated in a way that offers universal coverage to everyone experiencing a life-cycle contingency.

An inclusive, life-cycle social protection system in Lebanon would need to build upon the existing foundations within a multi-tiered framework and introduce or reform the following key elements:

1. A set of **tax-financed core life-cycle benefits such as child benefits, disability benefits and old-age pensions** are fundamental to an inclusive system but are completely absent in Lebanon.
2. These core guarantees must be introduced alongside **reforms to improve the social insurance system**, in particular the National Social Security Fund (NSSF). This will involve needed reforms to the end-of-service indemnity system to move toward payment of regular, predictable monthly pensions, improving the adequacy of benefits and introducing an unemployment insurance scheme to provide short-term income security for the large and growing numbers of unemployed.
3. The **NPTP, and the envisioned emergency response through ESSN**, will have an important role to play, particularly as the core life-cycle systems are being developed. Poverty targeted programmes that involve cash transfers could provide a vital last resort source of income security for those who receive them and should be strengthened to continue to act as a safety net. However, it is worth reiterating that programmes like the NPTP, by design, cannot replace

² See Center for Studies on Aging et al. (2020), LCPS (2020), Lebanon DPOs (2020), Oxfam (2020), and UNICEF, ILO and Beyond Group (2020).

a rights-based social protection system that provides income security to everyone when they experience common life-cycle contingencies.

4. In addition, ILO’s Social Protection Floors Recommendation, 2012 (No. 202) calls for **basic guarantees to ensure access to health care**; therefore, a universal health care package will be vital for filling the gaps in Lebanon’s health coverage. Proceeding with reforms to the tax-financed and contributory tiers in tandem will ensure that the right to social protection is guaranteed, that incentives to join the social insurance system are preserved, and that the schemes operate in an integrated way.

These basic elements of an inclusive system in Lebanon, including core life-cycle guarantees, safety nets and social insurance, are summarized in the table below.

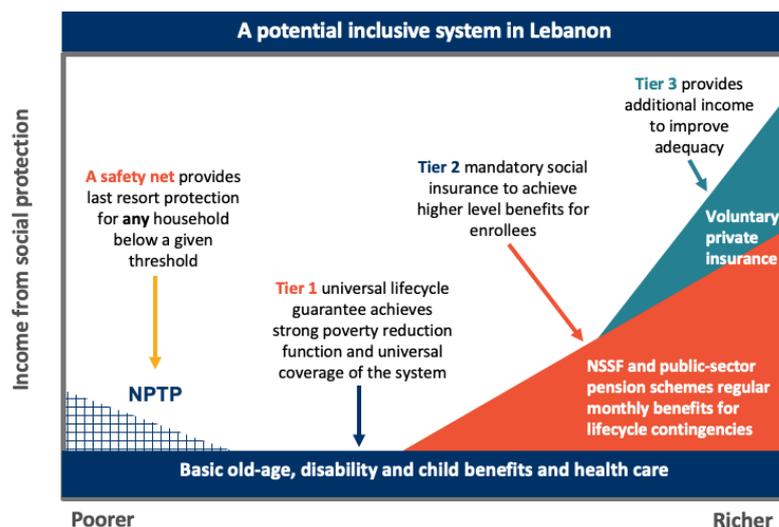
Table ES.1: A multi-pronged approach to securing social protection floor guarantees in Lebanon

Social protection floor guarantee	Type of benefit	Other objectives	Main tax-financed scheme (tier 1)	Key complementary social insurance reforms (tier 2)
Core life-cycle guarantees	Income security for children	Human capital	Child benefit	Enhance adequacy of family allowances paid through contributory system
	Income security for persons with disabilities	Social and economic inclusion	Disability allowance	Reform end-of-service indemnity to pay regular, predictable monthly pensions Enhance adequacy of invalidity benefits paid through contributory system
	Income security for older persons	Dignity in old age	Old-age pension	Reform end-of-service indemnity to pay regular, predictable monthly pensions Enhance adequacy of invalidity benefits paid through contributory system
	Financial access to health	Healthy societies	Universal health coverage package	Extend coverage of NSSF health insurance
Safety net	Income security for households	Combating extreme poverty	Poverty targeted programme (NPTP/ESSN)	Introduce unemployment insurance scheme

ESSN = Emergency Social Safety Net, NPTP = National Poverty Targeting Program, NSSF = National Social Security Fund.

Therefore, a future inclusive, rights-based, multi-tiered system in Lebanon could combine tax-financed guarantees with mandatory insurance to ensure both horizontal and vertical coverage extension, as depicted in figure ES.1. A set of core life-cycle benefits, which could be universal or insurance-tested, would become the foundation (tier 1) of the system. Mandatory social insurance from the NSSF or mandatory public-sector schemes would provide consumption smoothing and regular, predictable

Figure ES.1: A potential inclusive and multi-tiered system in Lebanon



NPTP = National Poverty Targeting Program, NSSF = National Social Security Fund.

income security for key life-cycle contingencies (tier 2) for those with sufficient contributions. Meanwhile, those on higher incomes who can afford to make additional contributions would have access to additional income through voluntary or private schemes (tier 3). Safety nets would also have a role, but if life-cycle guarantees are functioning as they are intended (that is, they are adequate and achieve broad coverage of the population), the role of a safety net would be limited. In Lebanon, this would mean that for those few households who either do not have members who qualify for individual core life-cycle guarantees, or for whom those guarantees are insufficient, a last resort safety net such as the NPTP would exist for all households that fall below a minimally defined threshold.³

Designing an inclusive life-cycle system in Lebanon

In this analysis, we have modelled three core life-cycle benefits using three high-level design options: universal (everyone in the category); affluence-tested (everyone in the category except individuals living in households in the top 20 per cent of the wealth distribution); and insurance-tested (everyone in the category except those affiliated to or benefitting from the NSSF or public social security system).

Within these high-level design frameworks, we adjust the eligibility criteria to explore options to help balance the long-term objectives of achieving universal coverage against the current available resources. The scenarios considered in this paper include variations on the age of eligibility, where option 1 considers a wider age eligibility range for child benefits (all children aged 0–17) and old-age pensions (all persons older than age 65), and option 2 considers a narrower age eligibility range for these benefits (all children aged 0–7 and all persons older than age 70).

Policymakers may also consider a range of different transfer values, provided these are minimally adequate based on a set of national and international benchmarks. The analysis considered a number of options, ranging from more modest to more generous, for the transfer values derived from a benchmark of the national minimum wage – the *salair minimum interprofesionnel de croissance*, or

³ Notably, in a life-cycle framework, benefits are paid to individuals as a right of citizenship/residency. In contrast, poverty targeted benefits are paid to households.

SMIC.⁴ The modest variation includes, for a child benefit, transfer values of 20 per cent of the SMIC per child per month; for a disability benefit, 50 per cent of the SMIC per adult per month and, as a disability top-up to the child benefit and old-age pension, an additional 20 per cent of the SMIC for children with disabilities and 10 per cent of the SMIC for older people with disabilities; and for an old-age pension, 40 per cent of the SMIC per person per month. The more generous variation includes, for a child benefit, 40 per cent of the SMIC per child per month; for a disability benefit, 75 per cent of the SMIC per person per month and, as a top up, an additional 40 per cent per cent of the SMIC for children with disabilities and 15 per cent of the SMIC for older people with disabilities; and for an old-age pension, 60 per cent of the SMIC per person per month.

For the purposes of demonstration, the simulations also explored the potential impacts on household income of different transfer packages. Unsurprisingly, the results suggest that generous transfers perform better than modest transfers in both design options, and notably, a universal design is associated with higher average income increases across wealth deciles than a benefit-tested design, since significantly more people would be receiving higher transfers. Moreover, all inclusive systems proposed would lead to significant increases in household income, particularly among households at the lower ends of the consumption distribution.

Estimating the coverage and costs of inclusive life-cycle social protection in Lebanon

Choices about these various combinations of high-level design, age eligibility and transfer values have implications for the size of the investment required to finance them. Bringing these three design elements together, the analysis explored the costs of four basic combinations of parameters, as described in table ES.2.

Table ES.2: Basic parameters for policy packages

Option	Age eligibility	Transfer value
1a	Wide age eligibility	Modest
1b	Wide age eligibility	Generous
2a	Narrow age eligibility	Modest
2b	Narrow age eligibility	Generous

These basic parameters were then respectively applied to the universal, affluence-tested and benefit-tested high-level designs to show the coverage of each option and produce a range of costs. The coverage and costs of the different options are presented in table ES.3 and table ES.4 respectively, which show very clear implications of narrower versus wide age ranges, and generous versus modest transfer values, as well as for the different high-level design combinations.

⁴ Currently 675,000 Lebanese pounds per month. The average wage of an unskilled worker, parameter utilized for adequacy of benefits benchmarking in the Social Security (Minimum Standards) Convention, 1952 (No. 102) of the ILO, is almost equivalent to the SMIC. The Convention requires minimum benefits of 40 per cent of the average wage of an unskilled worker for old age.

Table ES.3: Options for inclusive life-cycle social grants in Lebanon, coverage

Options by core life-cycle benefit and eligibility criteria	Universal design (all individuals in the category)			Affluence-tested design (excluding the richest 20%)			Benefit-tested design (excluding those affiliated with NSSF and other social security regimes)		
	Coverage of whole population (%)	Coverage (no. of individuals)	Coverage (no. of households)	Coverage of whole population (%)	Coverage (no. of individuals)	Coverage (no. of households)	Coverage of whole population (%)	Coverage (no. of individuals)	Coverage (no. of households)
Option 1: Wider age eligibility criteria									
Child benefit (age 0–17)	25.9	1,002,315	462,014	22.0	850,232	379,768	11.3	435,617	186,931
Disability allowance (all ages)	4.4	169,213	140,150	3.8	147,096	121,470	2.2	85,195	70,616
Old-age pension (age 65+)	13.2	508,364	368,054	9.6	369,933	271,455	4.3	164,262	140,793
Option 2: Narrower age eligibility									
Child benefit (age 0–7)	10.6	408,943	255,246	9.0	346,759	214,472	4.6	176,834	106,679
Disability allowance (all ages)	4.4	169,213	140,150	3.8	147,096	121,470	2.2	85,195	70,616
Old-age pension (age 70+)	9.1	351,631	269,666	6.9	264,774	203,736	3.0	115,808	103,968

Source: Authors' microsimulations, based on Labour Force and Household Living Conditions Survey (LFHLCS) 2018/19 data.

Table ES.4: Options for inclusive life-cycle social grants in Lebanon, parameters and costs

Option and sub-option by core life-cycle benefit and eligibility criteria	Transfer value (% of SMIC per person per month)	Annual cost of universal design (all individuals in the category)		Annual cost of affluence-tested design (excluding the richest 20%)		Annual cost of benefit-tested design (excluding those affiliated with NSSF and other social security regimes)	
		LBP bn	% GDP	LBP bn	% GDP	LBP bn	% of GDP
Option 1a: Wider age eligibility criteria, modest transfer value							
<i>Child benefit</i>							
Age 0–17	20	1,624	1.96	1,377	1.66	706	0.85
<i>Disability allowance</i>							
Age 18–64, with a disability	50						
Age 0–17, with a disability	20, in addition to the child benefit	359	0.43	317	0.38	206	0.25
Age 65+, with a disability	10, in addition to the old-age pension						
<i>Old-age pension</i>							
Age 65+	40	1,647	1.99	1,199	1.45	532	0.64
Option 1a: Total cost		3,630	4.38	2,893	3.49	1,444	1.74
Option 1b: Wider age eligibility criteria, generous transfer value							
<i>Child benefit</i>							
Age 0–17	40	3,248	3.92	2,755	3.32	1,411	1.70
<i>Disability allowance</i>							
Age 18–64, with a disability	75						
Age 0–17, with a disability	40, in addition to the child benefit	550	0.66	485	0.59	315	0.38
Age 65+, with a disability	15, in addition to the old-age pension						
<i>Old-age pension</i>							
Age 65+	60	2,471	2.98	1,798	2.17	798	0.96
Option 1b: Total cost		6,268	7.56	5,038	6.08	2,525	3.05
Option 2a: Narrower age eligibility, modest transfer value							
<i>Child benefit</i>							
Age 0–7	20	662	0.8	562	0.68	286	0.35

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Option and sub-option by core life-cycle benefit and eligibility criteria	Transfer value (% of SMIC per person per month)	Annual cost of universal design (all individuals in the category)		Annual cost of affluence-tested design (excluding the richest 20%)		Annual cost of benefit-tested design (excluding those affiliated with NSSF and other social security regimes)	
		LBP bn	% GDP	LBP bn	% GDP	LBP bn	% of GDP
<i>Disability allowance</i>							
Age 18–69, with a disability	50						
Age 0–17, with a disability	20, in addition to the child benefit	401	0.48	354	0.43	225	0.27
Age 70+, with a disability	10, in addition to the old-age pension						
<i>Old-age pension</i>							
Age 70+	40	1,139	1.38	858	1.04	375	0.45
Option 2a Total cost		2,202	2.66	1,773	2.14	887	1.07
Option 2b: Narrower age eligibility, generous transfer value							
<i>Child benefit</i>							
Age 0–7	40	1,325	1.60	1,123	1.36	573	0.69
<i>Disability allowance</i>							
Age 18–69, with a disability	75						
Age 0–17, with a disability	20, in addition to the child benefit	615	0.74	544	0.66	345	0.42
Age 70+, with a disability	10, in addition to the old-age pension						
<i>Old-age pension</i>							
Age 70+	60	1,709	2.06	1,287	1.55	563	0.68
Option 2b Total cost		3,649	4.40	2,955	3.57	1,481	1.79

GDP = gross domestic product, LBP = Lebanese pound, SMIC = *salaire minimum interprofessionnel de croissance*. Source: Authors' microsimulations, based on Labour Force and Household Living Conditions Survey (LFHCLS) 2018/19 data. The GDP figure is from World Economic Outlook for 2018, as benefits costs are estimated using the official minimum wage at pre-crisis price levels so to ensure benefit adequacy. Using a more updated figure of GDP would result in a lower cost in relation to GDP, but the value of minimum wage has been significantly eroded by inflation.

An inclusive life-cycle system based on universal transfers covering all children, adults with disabilities and older persons from age 65, with relatively generous transfer values (Option 1b – universal) would represent a substantial commitment to “building back better” in Lebanon, requiring an investment of 7.56 per cent of GDP. At the other extreme, the least ambitious package is a modest, benefit-tested transfer covering only children aged 0–7 and older persons aged 70 or older, which would require an investment of around 1.07 per cent of GDP. In the middle, policymakers are presented with a wide range of choices. When implemented alongside last resort safety nets, the cost of an inclusive social protection system in Lebanon is estimated to range between 1.64 and 7.64 per cent of GDP.

Financing a social protection floor in Lebanon and other key considerations

Lebanon currently spends 6.23 per cent of its GDP on social protection, excluding health and subsidies. This is below upper-middle income countries’ average spending of 8 per cent and is allocated mainly to social insurance for public-sector workers (ILO, n.d.). The proposed life-cycle social grants and safety nets would therefore entail a larger investment in tax-financed (social assistance) benefits and a significant increase from the current expenditure levels of around 0.17 per cent of GDP.

In the medium term, increasing revenue from progressive taxation and reallocating public expenditure within and outside the social protection sector can generate the necessary resource base to finance a social protection floor on a permanent basis. In the short term, a partial reallocation of resources from price subsidies would free up ample fiscal space to implement tax-financed social assistance programs that could provide adequate protection to a large proportion of the population. While some subsidies are expensive and highly regressive, they currently constitute the backbone of social spending in Lebanon. Their removal would lead to significant deterioration of living standards of the poor, near-poor and middle class, unless comprehensive, adequate and permanent social protection guarantees are put in place. Based on simulations and cost estimates presented in this paper, reallocating just one quarter to one third of resources currently spent on subsidies towards social protection would provide solid foundations for the social protection floor Lebanon desperately needs.

Beyond the design choices and financing options presented here, policymakers must also consider the institutional configurations including linkages to other programmes, the pace of reforms within the national political landscape, system and capacity constraints for implementation, and – particularly in Lebanon – how the social protection system will interact with and align with support being provided for non-Lebanese. Within a multi-tiered framework, policymakers must ensure that benefit values in different tiers are aligned in a way that preserves incentives to participate in social insurance, while also paying particular attention to institutional, financial and administrative arrangements to ensure smooth delivery.

As Lebanon considers the options for re-building after years of unparalleled institutional, economic and political crises, the analysis presented here strongly suggests that an inclusive life-cycle social protection system would be a good place to start. The case is clear for investing in a solid foundation – a social protection floor – while also pushing forward with complementary reforms to the social insurance system that would enhance adequacy, predictability and sustainability, within an integrated multi-tiered framework. Meanwhile, safety nets, such as the NPTP/ESSN, provide a lifeline for those assessed as extreme poor and constitute an important complement to a long-term vision for an inclusive life-cycle social protection system.

Conclusion

The people of Lebanon deserve a social protection system that they can rely on when they need it – as everyone inevitably will – throughout their lives. As larger segments of the Lebanese society face

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an increasing risk of income insecurity due to the multiple overlapping crises and in the context of impending phasing-out of universal price subsidies, strengthening social protection guarantees for all should be at the core of any reform effort and a prime policy priority.

Lebanon's current social protection system's institutional architecture is missing its foundational tier – its social protection floor. The social insurance system appears to be floating atop an empty space, a veritable architectural miracle that is at best unsustainable, and at worst, catastrophic.

This unprecedented crisis presents an equally unprecedented opportunity to re-imagine an inclusive life-cycle social protection system for Lebanon that not only protects the millions of those who have suffered as a result of the crisis but also invests in people at the centre of the new social contract. A relatively simple system, consisting of three core life-cycle transfers – inclusive child benefits, disability allowances and old-age pensions – would go a long way toward addressing a wide range of vulnerabilities.

Abbreviations

CAS	Central Administration for Statistics
Covid-19	Coronavirus disease
ESSN	Emergency Social Safety Net
GDP	gross domestic product
ILO	International Labour Organization
IMF	International Monetary Fund
LBP	Lebanese pound
LFHLCs	Labour Force and Household Living Conditions Survey
NPTP	National Poverty Targeting Program
NSSF	National Social Security Fund
SDG(s)	Sustainable Development Goal(s)
SMIC	<i>saire minimum interprofessionnel de croissance</i>
UNICEF	United Nations Children's Fund

1 Introduction

Lebanon is facing an unprecedented culmination of crises. Even before the arrival of Covid-19 or the Beirut blast, deep economic and political crises had already brought the country to the brink of collapse. The situation is dire for the millions of Lebanese and non-Lebanese alike, who struggle to envisage a brighter future. The country – its people and the Government – is at a critical juncture in which key decisions around the (re)construction of core institutions will determine the success or failure of the country’s immediate recovery plans and long-term trajectory.

Social protection will be central to this reconstruction, but not all social protection is equal. Temporary or reactive measures will simply not be enough to get the country on track. To borrow from Newton, the sheer force of the moment demands an “equal and opposite reaction”: Lebanon has an opportunity to meet the immense crisis with an equivalent investment in an inclusive, life-cycle social protection system. Such a system will not only provide immediate relief but will fuel a faster recovery and lay the foundation for a stronger economy and society going forward.

This note outlines a vision for an inclusive, life-cycle social protection system in Lebanon, underpinned by a social protection floor, with a view to realizing universal social protection in line with the global vision put forth in the Sustainable Development Goals (SDGs). Section 2 briefly outlines the background and context driving the demand for social protection; Section 3 briefly assesses the gaps in Lebanon’s social protection system within a life-cycle framework, including social protection floors; Section 4 introduces a new vision for an inclusive, life-cycle social protection system in Lebanon, exploring the potential reach, costs and impacts of a basic package of social protection guarantees for children, persons with disabilities and older people; and Section 5 concludes.

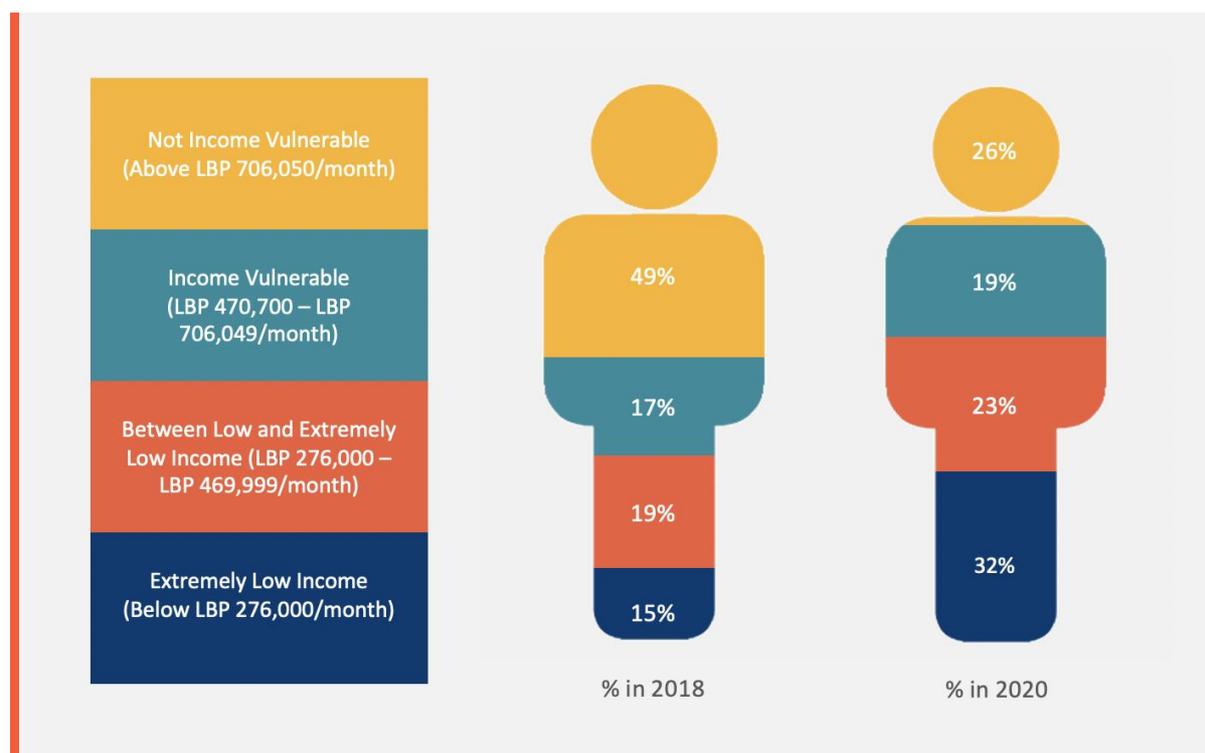
2 Background and context

Lebanon is facing a detrimental and multifaceted crisis that threatens to undermine its political, economic, financial, fiscal and social stability. The end of 2019 marked unprecedented macro-economic, fiscal and monetary downturns. The chronic twin deficit in the fiscal balance and balance of payments devolved into a sovereign debt crisis coupled with monetary and liquidity crises, ushering in a severe economic contraction on the verge of potential meltdown (LCPS 2020). As of February 2021, Lebanon’s attempts to contain Covid-19 significantly exacerbated the country’s rapid slowdown of business, worsening unemployment and widespread vulnerability, with the Lebanese pound losing over 80 per cent of its value. Adding fuel to the fire, the Beirut Port explosion on 4 August 2020 sparked a humanitarian crisis. The disaster unearthed pre-existing unmet needs and vulnerabilities among those affected, including housing, healthcare, education, food security, welfare services, legal aid, as well as compensation for heightened income insecurity caused by lost economic activity, erosion of livelihood opportunities, and the lack of appropriate systems for social security (UNICEF, ILO and Beyond Group 2020).

The spillover of the crisis on the social landscape is substantial, with bleak repercussions for the poor, near poor and the middle class. Lebanon’s gross domestic product (GDP) is expected to contract by 24 per cent in 2020 (Iradian 2020), suggesting a far deeper recession than the 12 per cent decline that the International Monetary Fund (IMF) projected before the blast (IMF Research Department 2020). This is in addition to the currency crisis and high inflation, which the Central Administration of Statistics (CAS) revealed increased by 120 per cent (consumer price index) between August 2019 and August 2020. Rising unemployment and underemployment as well as declining remittances have made it harder for many Lebanese to meet their basic needs, pushing significant numbers into poverty and exacerbating the depth of existing destitution. Recent analysis (ILO and CAS, forthcoming) suggests that the share of the population living on very low incomes (below 470,700 Lebanese pounds

per adult-equivalent per month) represented more than a third (34.1 per cent) in 2018, and just in the last two years has soared to reach more than half the population (54.7 per cent) in 2020, while the share of those living on extremely low incomes (below 276,000 pounds per month) has more than doubled, as shown in figure 2.1. Worryingly, many more Lebanese are income vulnerable, with nearly three quarters of the population now living on less than 706,050 pounds per adult-equivalent per month.

Figure 2.1: Share of the Lebanese population that is income vulnerable or living on low or extremely low incomes, Lebanon, 2018 and 2020



LBP = Lebanese pounds. Source: Based on ILO and CAS (forthcoming).

Before the Beirut blast, food security concerns had also been increasing in light of surging food prices; an increase of 109 per cent was recorded between October 2019 and June 2020 (WFP 2020). The damage from the Beirut explosion has only exacerbated pre-existing challenges, leaving nearly half of residents worried about access to food and increasing the risk of malnutrition (UNICEF, ILO and Beyond Group 2020). In relation to the Covid-19 epidemic, increased pressure on the already struggling health system coupled with a global slowdown and national lockdowns has compounded socioeconomic vulnerabilities, significantly worsening livelihoods and well-being. The socioeconomic situation in Lebanon is rapidly declining, the number of those in immediate need of support and social protection is without precedent, and the erosion of the middle class threatens to place more citizens at risk.

Indeed, the impacts of the recent crises have been felt across all groups in society. The percentage of the population living on very low incomes has increased by at least one third across all age groups, for persons with disabilities, older people and women – regardless of employment status – as shown in table 2.1.

Table 2.1: Percentage change in the population living on very low incomes, by population group, 2018 and 2020

Population group	Percentage of the population living on less than LBP470,700/month in 2018	Percentage of the population living on less than LBP470,700/month in 2020: projected	Percentage change 2018–20: projected
Children (0–5)	42.6	60.9	43.1
Children (6–17)	45.3	64.4	42.3
All working age adults (18–64)	30.9	51.1	65.5
Employed adults (18–64)	30	49.7	65.5
Unemployed adults (18–64)	42.2	69.9	65.6
Elderly (65+)	28.4	54.3	91.0
Persons with disabilities	46.5	71.8	54.2
Women	34.9	55.8	59.9
All individuals	34.1	54.7	60.5
All households	29.3	51.0	73.9

LBP = Lebanese pound. Source: Based on (ILO and CAS, Forthcoming)

Adding to this, in August 2020 it was announced that Lebanon’s Central Bank would soon stop using its limited foreign currency reserves for subsidizing key imports – wheat, fuel, medicine – and a list of basic foods. Without these subsidies, the prices of such goods and services will soar (in line with the international market), adding to heightened insecurity of the already struggling poor, near poor and the middle class.

The weakness of Lebanon’s national system for providing public goods, services and social protection has deep roots. Low investment in public social infrastructure stems from weak governance of social services provision (including corruption, poor coordination, and inadequate legal/policy frameworks) and a general lack of political will for social policy reform. This in turn compromises the quality of essential public services and reduces the State’s capability to address vulnerabilities and respond to crises (UNICEF, ILO and Beyond Group 2020). In exchange, support is generally provided by sectarian groups: citizens are able to access public services and economic opportunities by virtue of belonging to a particular religious group and supporting its leaders. This has led to a highly fragmented and unequal institutional framework for delivery of key services rooted in “sectarian-based welfarism”⁵ that relies on international and civil society organizations to fill in the gaps left by the State in responding to basic needs, leading to a vicious cycle (Kukrety et al. 2016, UNICEF, ILO and Beyond Group 2020). Significant policy, legislative and institutional gaps leave large proportions of the population without support.

Since October 2019, unprecedented and unrelenting mass protests have swept the country. Protestors’ grievances quickly expanded to include the broader issues of sectarian rule, a stagnant economy, high inequality, rising unemployment, endemic corruption, and social injustice. Central to the demonstrations has been the request to establish a new social contract between the State and its citizens. As such, an important policy issue facing Lebanon in this current moment is how to strengthen

⁵ See Baumann (2019), Cammett (2014), Parreira (2019) and Salti and Chaaban (2010).

the national social contract, within a context of a fractured state and national identity, poor governance, and broken infrastructure.

If Lebanon is to settle the long-serving grievances from its past and present, strengthen the social contract and build a successful nation-state, a paradigm shift in the model of social security will be necessary. Social protection as it currently exists in Lebanon – as a set of compensatory interventions divvied out by confessional groups and safety nets for the extreme poor and/or in times of crisis – is not enough. Instead, an inclusive social protection system based on life-cycle guarantees (a “floor”) would build trust in government, based on a social contract rooted in notions of citizenship and equality rather than the fractured, sectarian lines that currently stand in the way of large-scale social progress (Center for Studies on Aging et al. 2020).

3 Assessing gaps against social protection floor guarantees in Lebanon

While Lebanon’s experience is unique in many ways, the development of its social protection system shares challenges and characteristics of many low- and middle-income countries around the world that are grappling with how to balance multiple priorities – including protection, but also growth, employment and, most urgently, recovery. The ability to do so depends in large part on early investments in providing basic income and health security – a social protection floor – to the population.

3.1 Social protection floors from a life-cycle perspective

Social protection entails the guarantee of at least basic income and health security across the life-cycle – in childhood, working age and old age (ILO 2012). According to recent international frameworks, notably ILO Social Protection Floors Recommendation, 2012 (No. 202), countries can fulfil these guarantees in a variety of ways, leveraging a combination of benefits and services – both contributory and tax-financed – where the State has a duty to ensure basic rights and guarantees are fulfilled. Despite this apparent flexibility, most countries that have successfully extended coverage and leveraged their social security systems to drive growth and investment have done so by investing heavily in a set of core programmes aimed at addressing defined life-cycle contingencies. In fact, most countries employ a combination of core benefits as well as other complementary programmes, such as safety nets or employment programmes (see box 3.1).

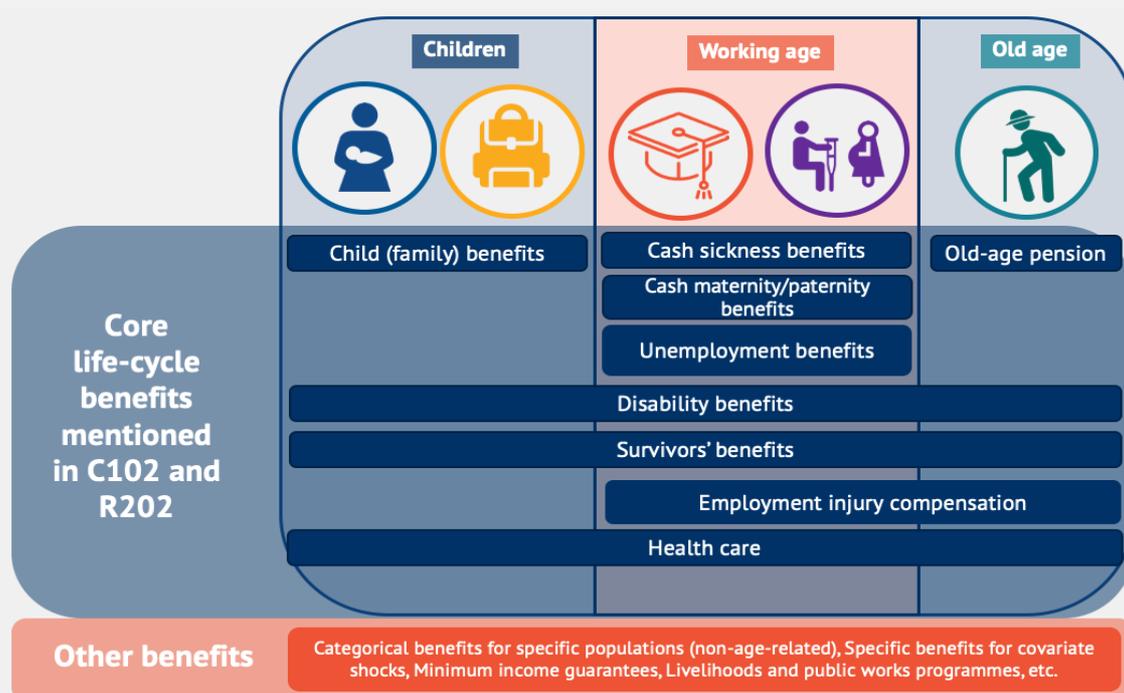
Box 3.1: Core life-cycle benefits in international perspective

Longstanding international standards exist for a set of core life-cycle benefits – old age pensions, disability benefits, survivor benefits, cash sickness and maternity benefits, unemployment benefits, employment injury benefits, family benefits and medical benefits – corresponding to nine common contingencies experienced over the life course.¹ These core benefits, which can be contributory or tax-financed, have been the engines driving successful social security systems in high-income countries and, increasingly, in many low- and middle-income countries for upwards of 80 years. Whether contributory or not, these core programmes (especially old-age pensions) are usually large programmes, with significant budgets, that shape and determine the institutional landscape of a national social protection system.

In addition, most national social protection systems include smaller programmes that supplement or complement core programmes. These non-core benefits may address covariate risks and shocks, such as conflict, drought or public health crises like Covid-19. They may also provide specific benefits for narrowly defined groups, such as ethnic minorities or refugees, or they may offer so-called safety net benefits specifically designed to guarantee minimum income or reduce (extreme) poverty. Many also offer other types of support, including small in-kind benefits for specific groups (such as school feeding), or livelihood or employment programmes.

Figure 3.1 depicts an ideal-typical model of a national social protection system combining core life-cycle benefits with other types of (smaller) programmes.

Figure 3.1: Core life-cycle benefits specified under ILO Convention No. 102 and Recommendation No. 202



¹ The same corresponding benefits are suggested in Recommendation No. 202 of 2012, which reinforced calls for basic income and health security during childhood, active (or working) age, and in old age. Source: Authors, adapted based on McClanahan et al. (2021).

The poverty reducing potential of core life-cycle transfers is often overlooked, but they can in fact be even more effective at reducing poverty – even though it is not their headline purpose – than many

of the same poverty targeted programmes designed with that purpose in mind. This is largely because inclusive life-cycle programmes, especially universal ones, reach many more people than poverty targeted programmes, which suffer from very large exclusion errors and are difficult to implement in low-capacity contexts.⁶ In addition, these programmes tend to have higher transfer values since they are also paid to people with higher incomes – rather than just to the poorest.⁷

In addition, life-cycle benefits adopt clearly defined and transparent eligibility criteria which generates trust in the system and a positive public reaction (see box 3.3), helping to overcome community discontent towards poverty targeted approaches that often derive from the “random nature of exclusion around the eligibility cut-off score and the associated lack of transparency in defining eligibility.”⁸

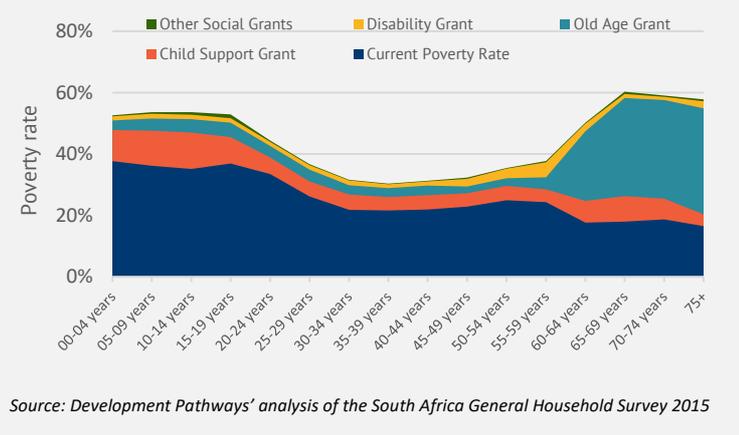
For all these reasons, core life-cycle transfers are much more conducive to promoting social cohesion and building a lasting and secure social contract than benefits that are only paid to narrowly defined groups, as illustrated by the case of South Africa (box 3.2).

As previously discussed, all countries have some combination of core life-cycle benefits together with programmes aimed specifically at addressing poverty (safety nets). A system that focuses primarily on life-cycle contingencies, with safety nets to complement the core programmes, has an enhanced capacity to perform essential preventive and protective functions, including poverty reduction, and can ensure more effective shock-responsiveness at times of crisis for a larger share of the population. Furthermore, core life-cycle benefits can be provided through a combination of contributory and tax-financed instruments, and indeed Recommendation No. 202 on social protection floors calls on

Box 3.2: Inclusive life-cycle systems reduce poverty and promote social cohesion

Moreover, programmes like guaranteed old-age pensions or universal child benefits – which exist in all European countries and are growing more common across low- and middle-income countries – are effective at reducing poverty and promote social cohesion. For example, in South Africa, an upper middle-income country with a history of deep social division under apartheid, the inclusive life-cycle social protection system not only helped to re-define the social contract based on citizenship, rather than race or identity (Migley, 2013), but has proved very effective at reducing poverty. The Older Persons Grant, Child Support Grant and Disability Grant together account for most of the reduction in poverty from social transfers, with other social grants playing a very limited role, as shown in figure 3.2. Without these guarantees, poverty among the elderly would be upwards of 60 per cent, and hovering around 50 per cent for children, whereas with them, they are much less likely to be poor.

Figure 3.2: Impact of social transfers on poverty, South Africa, 2015



⁶ See Stephen Kidd et al. (2017), Kidd and Athias (2019), and McClanahan et al. (forthcoming). See also Center for Studies on Aging et al. (2020).

⁷ See Stephen Kidd et al. (2017), Kidd and Athias (2019), and McClanahan et al. (forthcoming). See also Center for Studies on Aging et al. (2020).

⁸ See IMF (2019). See also Center for Studies on Aging et al. (2020) and MacAuslan and Riemenschneider (2011).

countries to use “the most efficient and effective combination of benefits and schemes in the national context” which can either be “universal benefit schemes, social insurance schemes, or social assistance schemes” (ILO 2012).

Box 3.3: The importance of having clear programme eligibility criteria

It is important to ensure that the beneficiary selection criteria and mechanisms are as simple as possible, especially in crisis contexts. This ensures that the programmes will be associated with lower exclusion errors, lower administrative costs and higher levels of trust and confidence in the system.

Poverty targeting of households can be challenging in any context since people’s incomes and circumstances are constantly in flux, and surveys to update poverty targeting tools are undertaken infrequently. Also, while it is often assumed that it is relatively easy to survey households and accurately collect information, in reality these are **resource intensive processes may underrepresent the vulnerable**. Particularly when their intended coverage is narrow, poverty targeted programmes tend to have large **errors of exclusion**, meaning that a significant share of those most in need are excluded from the programme. Evidence has shown that even the best performing programmes have exclusion errors of up to 44 per cent.

Moreover, if not well understood, poverty targeting approaches can create **tensions between beneficiaries and non-beneficiaries** and weaken social relations. This is particularly the case where there is little difference in living standards between beneficiaries and non-beneficiaries.

However, programmes that base eligibility on relatively clear and stable characteristics, such as age, disability status, or others associated with the life cycle, are not only more likely to reach their intended recipients but also tend to be more popular. This is true even where other selection criteria, such as geographic targeting based on aggregate vulnerability measures, may reflect a higher-level prioritization based on need.

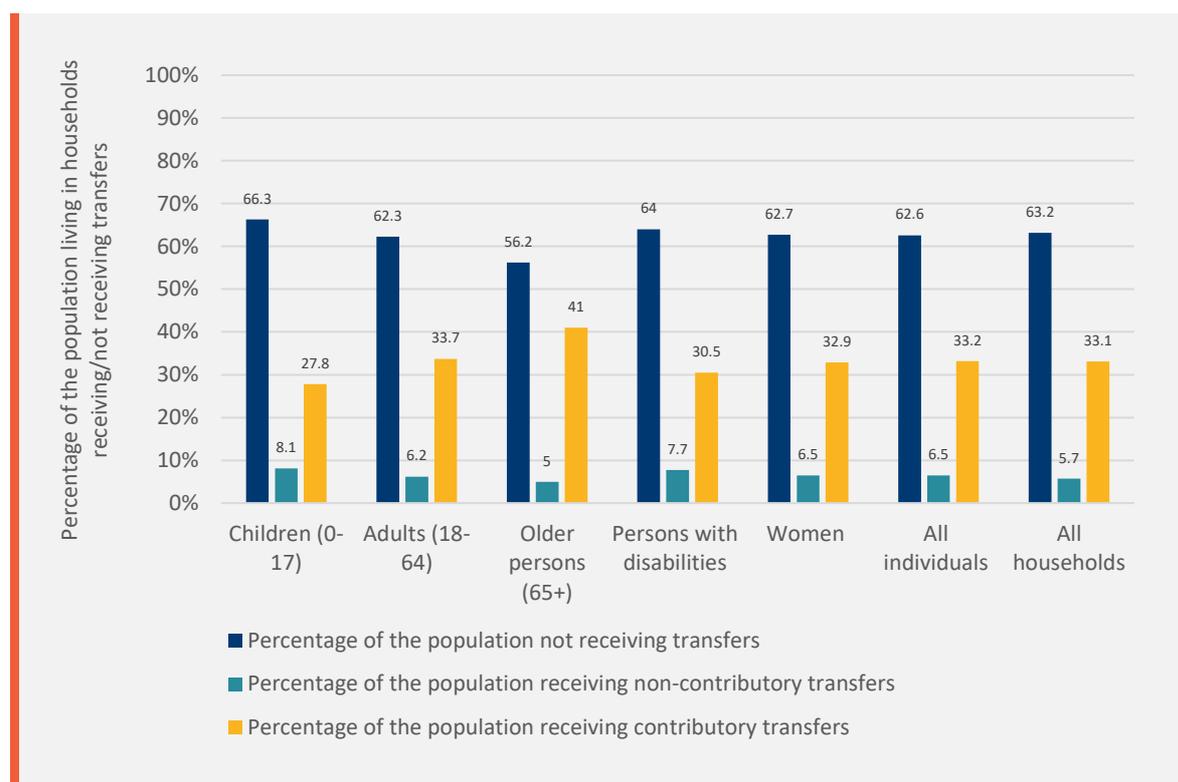
For example, UNICEF’s Emergency Cash Grant Programme, launched in the wake of the Beirut port explosion on 4 August 2020, reached almost 80,000 affected children and vulnerable individuals, including older persons, female-headed households and people with disabilities. The programme recorded a positive public reaction, arguably due in part to its clearly-defined eligibility criteria reflecting life-cycle contingencies. All individuals in the categories in the target areas of the city were eligible to receive the grant, regardless of nationality or any other indicator. The one-time cash transfer of US\$120 per person (capped at three beneficiaries per household) was available to households in the priority areas of Beirut (covering Karantina, Bourj Hammoud, Karm El-Zeitoun, Qobayat, Bachoura, Basta el Tahta and Khandak). The areas were identified according to their level of vulnerability as well as the impact of the blast.

Source: See Kidd et al. (2017) for ILO; Kidd and Athias (2019); Center for Studies on Aging et al. (2020); and Balsom (2020).

3.2 Lebanon’s social protection system from a life-cycle perspective

Even before the latest crises, Lebanon’s social protection system suffered from large gaps in legal and effective coverage and was chronically underfunded. Overall, the social protection system’s coverage – both direct and indirect – is very low. For example, only 6.5 per cent of the Lebanese population is living in a household that receives any type of non-contributory transfer, and only around a third lives in a household receiving a contributory transfer, as shown in figure 3.3 (ILO and CAS forthcoming).

Figure 3.3: Receipt of social transfers among Lebanese households, by population group, 2018 (%)

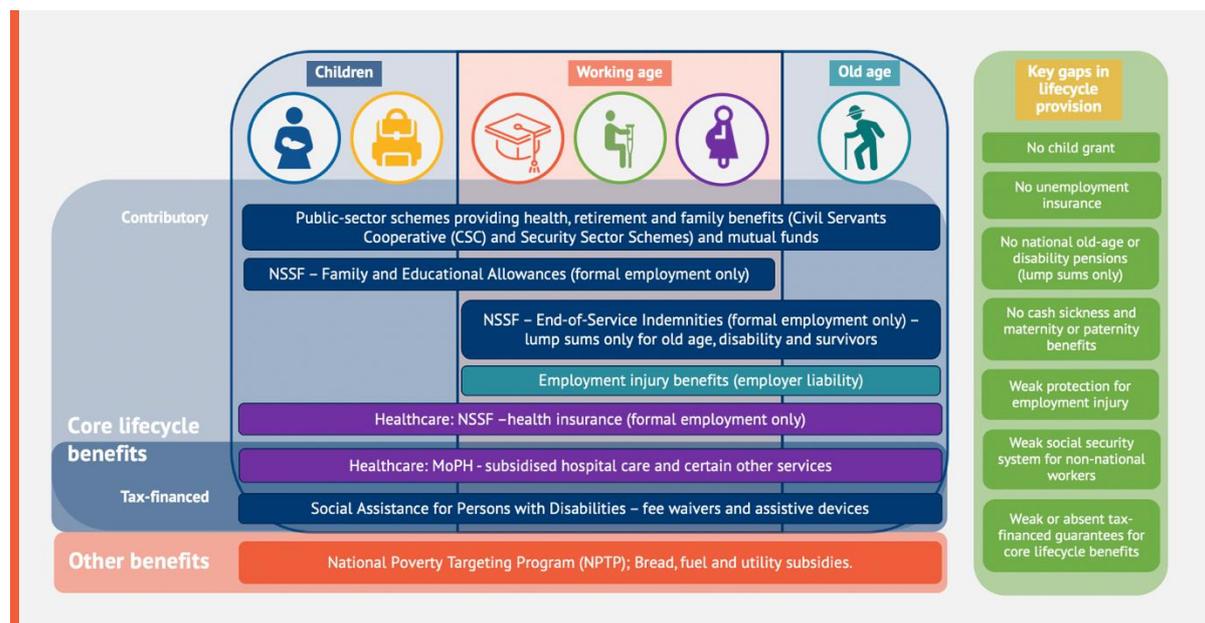


Source: ILO and CAS (forthcoming).

The basic features and gaps in Lebanon’s social protection have been thoroughly documented elsewhere. For example, the recently released United Nations (UN) Position Paper on Social Protection highlights critical gaps and advances proposals for improving the tax-financed social protection (social assistance) system, as well as for improving financial access to social services; economic inclusion and labour market activation; social welfare, including care; and social insurance (UNICEF, ILO and Beyond Group 2020).

The system suffers from a number of gaps in legal provisioning for core life-cycle benefits that seriously compromise its ability to deliver support during common periods of vulnerability that everyone experiences at different points during their lifetimes. Figure 3.4 depicts the comprehensiveness of Lebanon’s national social protection system from a life-cycle perspective, according to international frameworks, notably ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) and Recommendation 202 (ILO 2012, ILO 1952, UNICEF, ILO and Beyond Group 2020).

Figure 3.4: Overview of Lebanon’s national social protection system, including core life-cycle and other benefits



MoPH = Ministry of Public Health, NSSF = National Social Security Fund. Source: Authors.

At first glance, Lebanon appears to provide a multitude of benefits for children, people of working age and older people. However, given its historical emphasis on social insurance and like many low- and middle-income countries, the system reflects the stratified structure of the labour market, where the main benefits are tied to formal employment status. Just over half (56 per cent) of the population is covered by social insurance, which is provided through the National Social Security Fund (NSSF), public-sector schemes and various mutual funds (ILO and CAS forthcoming). The NSSF, as the only mandatory contributory scheme for formally employed workers in the private sector, provides some limited contributory benefits that align with the life-cycle contingencies outlined in international frameworks: end-of-service benefits in case of old age, disability and for survivors (though not a pension system with periodical payments); family allowances for dependants, including a monthly spousal allowance and monthly allowances for children aged 0–17 years (though transfer values are low); and health insurance for affiliates and dependants. As such, the NSSF offers an institutional infrastructure for delivering core components of a future life-cycle-based social protection system that is more comprehensive and inclusive.

In addition, Lebanon offers certain limited tax-financed provisions, primarily in the form of fee waivers and in kind benefits, for life-cycle risks. For example, the Social Assistance for Persons with Disabilities programme, which covers around 2.4 per cent of the population,⁹ provides assistive devices as well as fee exemptions, for example, from municipal taxes, property tax, customs and car registration fees, among others (Beyond Group 2020). And the Ministry of Public Health provides subsidies for healthcare to all those who are not enrolled in social insurance (1.8 million beneficiaries according to recent estimates), including direct payments to hospitals, subsidized co-payments and essential drugs and vaccines, and subsidized care for specific groups (Beyond Group 2020).

Complementing the life-cycle programmes, a collection of smaller, means-tested programmes – most notably the National Poverty Targeting Program (NPTP), launched in 2011 with support from the World Bank – aims to cover those deemed “most vulnerable” through a combination of fee waivers

⁹ The disabled population is estimated to represent at least 4 per cent of the population. See Center for Studies on Aging et al. (2020).

for hospital services and school fees and textbooks, and vouchers for food assistance. However, coverage under the programmes is very low: the programme uses a proxy means test to determine eligibility and reaches around 1.5 per cent of the population. Plans are underway to expand the NPTP so that it can target all households living in extreme poverty (see details in box 3.4).

Box 3.3: Lebanon's Emergency Crisis and Covid-19 Response Social Safety Net Program (ESSN)

With assistance from the European Union and the World Bank, plans to expand the NPTP from 15,000 e-card food voucher households will soon commence under the proposed Emergency Crisis and Covid-19 Response Social Safety Net Project (ESSN). As per the project's appraisal document, the ESSN aims to slow the increase in extreme poverty as a result of the multiple crises. It uses the proxy means test method already in place to determine eligibility, while also prioritizing socially vulnerable groups within the group of extremely poor households. As proposed by the Government of Lebanon, these categories include households headed by women, households with any member aged 70 or above, households with any member who has a severe disability, and households with children (aged 0–18). Hence, households must satisfy both conditions to be eligible for support.

Once verification and scale-up is complete, the ESSN will introduce cash transfers to an additional 147,000 extremely poor Lebanese households; top-up cash transfers for students from extremely poor Lebanese households at risk of dropping out of school to cover transport to school costs; and social services to vulnerable households. The total cost is US\$246 million for three years (though including just one year of the cash transfers) and is seeking to expand coverage from the present 1.5 per cent to reach 20 per cent of the population. In addition, donor support to the current NPTP is underway to increase coverage by 7 per cent, or an additional 35,000 households. In total, coverage of the ESSN and NPTP is expected to reach 197,000 households, or 27 per cent of the population. At the time of this writing, the project is still pending final approval.

Other public programmes provide universal subsidies for bread, fuel and utilities (see box 4.1 below). Beyond State provision, the Lebanese social protection system is scattered with a fragmented array of benefits and services provided by non-state actors, including national and international nongovernmental organizations and charities.

Whereas the contributory system provides at least some benefits for basic life-cycle contingencies, even if these are woefully inadequate and in need of urgent reform, Lebanon offers almost no tax-financed guarantees to provide basic income security for children, during active age,¹⁰ and in old age, beyond the envisioned emergency cash assistance targeted at the extreme poor. For children, the absence of child benefits, paid in recognition of their basic human right to social security and as an

entitlement of citizenship, is particularly noteworthy. Likewise, outside the contributory system, there are no cash benefits provided for disability or old age, leaving too many of the most vulnerable members of society without any guaranteed support, in spite of their lifetime of contributions to their communities, the economy and the broader society.

Indeed, the near complete absence of a life-cycle-based social protection floor or system of social grants in Lebanon makes it difficult to imagine how the country could go about reforming its contributory system without first – or simultaneously – investing in ensuring that the fundamental building blocks are intact. All social security systems should provide adequate, regular and predictable income security. In doing so, they fulfil two core functions of a social security system: (1) to provide a minimum guaranteed income to ensure that individuals do not fall below a given nationally defined threshold – a social protection floor; and (2) to smooth consumption (or incomes) over individuals' lifetimes if they experience defined contingencies, thereby ensuring that they can maintain a comparable standard of living (Kidd 2015). Whereas the first core function (a minimum guarantee) is generally achieved through schemes financed from general revenues, the second core function (consumption smoothing) is typically only possible through contributory arrangements – generally

¹⁰ For people of active age, aside from disability, many of the contingencies covered under life-cycle social security systems are short term in nature (for example, sickness, maternity, unemployment, etc.). For children, however, like older people, a life-cycle social security system would consider childhood itself to be a risk, and therefore anything less than 100 per cent coverage of children indicates a gap.

social insurance – that pool resources across groups of different income levels. Lebanon’s existing social protection system currently provides neither of these core functions.

4 Toward an inclusive life-cycle social protection system in Lebanon

The current crisis offers an unprecedented opportunity to shift the thinking on social protection in the region, from the fragmented, sectarian approach that characterizes the existing system, to one centred on notions of rights-based entitlements for all citizens. Critical voices in Lebanon are indeed calling for more inclusive social protection as a vital tool not only for recovery and reconstruction in the wake of Covid-19, the Beirut blast and multiple crises, but as a way to build a stronger future in which everyone has a right to basic income and health security.¹¹ Core life-cycle social grants are the key components of an inclusive social protection system (World Bank et al. 2020).

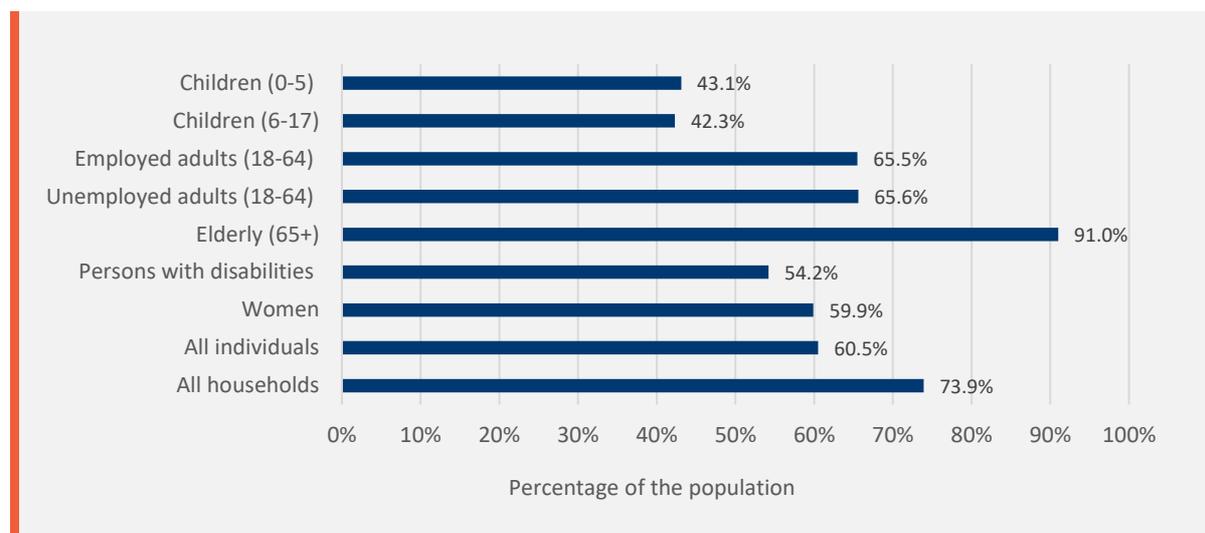
4.1 Rationale for core life-cycle social protection guarantees

For example, the Center for Studies on Aging, along with a host of national and international nongovernmental organizations, has proposed a social pension for all older people in Lebanon “as a right of citizenship rather than a privilege”¹² – a proposal which international organizations also strongly support (UNICEF, ILO and Beyond Group 2020). This requires breaking with a system that offers support through various groups rather than the State (Center for Studies on Aging et al. 2020). Lebanon is a rapidly ageing society, with its population aged 65 and older expected to double by 2050. More than 80 per cent of older people in Lebanon have no access to a pension (UNICEF, ILO and Beyond Group 2020). Older people are also more likely to live in poverty and are projected to be among the groups most severely affected by the crisis, where income poverty among the elderly is expected to rise from 26 per cent in 2018 to 54 per cent in 2020, an increase of 91 per cent, much higher than for the general population or other population groups, as shown in figure 4.1. This is indeed striking and has not occurred, for example, in other countries that have been hit by Covid-19 but that already have inclusive old-age pensions in place to cushion the impact. Older women are particularly vulnerable in old age due to their lower lifetime earnings and lower likelihood of being insured in the contributory system. And older people in Lebanon are also much more likely than the general population to become disabled, which not only undermines their ability to earn incomes in old age – where far too many older people in Lebanon must continue to work to make ends meet – but also makes them have to depend on family members and the community for support (Center for Studies on Aging et al. 2020). Indeed, some three quarters of older people in Lebanon rely on their children for income security (UNICEF, ILO and Beyond Group 2020). An inclusive old-age pension would go a long way toward addressing these issues to ensure that all older people in Lebanon can live out their final years in dignity.

¹¹ See Center for Studies on Aging et al. (2020), LCPS (2020), Lebanon DPOs (2020), Oxfam (2020), and UNICEF, ILO and Beyond Group (2020).

¹² See Center for Studies on Aging et al. (2020).

Figure 4.1: Projected percentage change in the share of Lebanese households or individuals living in households that were income poor, 2018–20, by population group



Source: Based on ILO and CAS (forthcoming).

Similarly, persons with disabilities, particularly women, are among the most vulnerable members of society and deserve access to social protection as a fundamental human right. Yet Lebanon’s current social protection excludes many of them and provides only paltry or inadequate benefits to those who are included. The challenges faced by persons with disabilities have only been exacerbated by the arrival of Covid-19 and its associated lockdown policies. For this reason, a chorus of civil society organizations advocating for persons with disabilities in Lebanon are calling for a different approach (Lebanon DPOs 2020). Persons with disabilities require much more than assistive devices and fee waivers afforded to disability card holders. Rather, they also require income support to compensate for the significant challenges to earn independent income due to combination of functional difficulties, lack of support and/or existing barriers in the labour market, as well as support to cover the additional costs associated with disability.

Estimates from a variety of countries suggest that households with persons with disabilities tend to spend an additional 35–40 per cent of household income to achieve the same economic standard of living as households without disabled members. This can impede their ability to access education, employment and other opportunities that form the basis for their full inclusion into society (Lebanon DPOs 2020). Estimates from Lebanon show that households with disabled members are spending on average an additional 16.5 per cent to reach the same standard of living. However, those in the lowest income quintile must spend an additional 31.8 per cent of their average income to achieve the same economic standard of living as their peers in the lowest quintile. The lower figure may be caused by families being too income constrained to purchase the goods and services needed by their members with disabilities, or because the goods and services they need are not available. Adjusting for these extra costs exacerbates the income inequality experienced by households with disabled family members. As shown in table 4.1, more than half of households with a child with a disability in Lebanon, and more than a third of households with an adult with a disability, are in the lowest income quintile. This stems both from barriers to work for people with disabilities and the need for family members to stay out of the workforce to provide needed support.

Table 4.1: Per-capita household income quintile by the presence of a person with a disability in the household, by age of person with a disability, adjusted for the extra costs of disability (%)

Per-capita household income quintile	No disability	Child with a disability	Adult with a disability	Adult and child with a disability	All households
1	19	54	34	65	21
2	19	24	25	22	20
3	19	13	20	10	19
4	21	6	15	3	20
5	21	3	6	0	19
Total	100	100	100	100	100

Source: Based on ILO and CAS (forthcoming).

A guaranteed level of income support provided through a disability benefit can help to meet these additional costs, compensate for lost or foregone earnings, and reduce the stigma that is often attached to disability, thereby ensuring that persons with disabilities can live in dignity up to their full potential to contribute to society. For these reasons, a universal disability allowance could start by providing basic income support for persons with disabilities, focusing on three main dimensions: (1) a basic income support scheme for persons with disabilities who are not provided with the opportunity of decent work, due to combination of functional difficulties, lack of support and/or existing barriers in the labour market; (2) caregiver allowance for parents of children with disabilities who have to stop or reduce work to provide the required support; and (3) a tax-financed, non-contributory old age pension for those who are above 65 years old who are not adequately covered by the NSSF or other regimes.

Box 4.1: Proposal for a disability-support allowance by national organizations of persons with disabilities

In 2020, a series of in-depth consultations amongst Lebanese organizations of persons with disabilities, in collaboration with ILO and UNICEF, led to an initial set of recommendations towards a rights-based, comprehensive and inclusive social protection system. The vision put forth is that of a system that would ultimately provide a set of cash transfers, in-kind support and services fulfilling the following functions: basic income security; coverage of health care costs, including rehabilitation and assistive devices; coverage of disability-related costs, including support services; and facilitating access to education and employment.

In light of the current context, the disability movement in Lebanon is calling for the adoption of a universal disability-support allowance compatible with work, poverty targeted programmes such as NPTP and ESSN, and other social protection benefits. Such an allowance is intended to cover basic disability-related costs faced by children and their families, working age adults and older persons, while complementing existing and future benefits. The initial proposal developed by the network of organizations of persons with disabilities engaging in these discussions involves a meaningful benefit equivalent to 30 per cent of the *salair minimum interprofessionnel de croissance* (SMIC), with a minimum nominal value of US\$35, for all people with disabilities, irrespective of age. Despite having a different objective from the disability grant that will be costed in this paper, which includes a component of income replacement, such a design of a disability-support allowance would have a comparable cost. Consultations with the Government of Lebanon and within the disability movement continue to explore the most equitable and cost-effective way to progressively build an inclusive system that adequately supports the empowerment of all persons with disabilities at all ages.

Likewise, global evidence suggests childhood and adolescence are some of the most vulnerable periods in the life cycle. Every child has the right to social security, as well as the right to a standard of living that is adequate for the child's development, including food and housing. Children in Lebanon

Box 4.2: Life-cycle social grants and subsidy reform in Lebanon

Currently, the national social protection budget is heavily reliant on regressive universal subsidies for basic goods and services (mostly implicitly through the Central Bank of Lebanon). Since August 2020, it was announced that by year's end Lebanon's central bank would stop using its limited foreign currency reserves to subsidize key imports – wheat, fuel, medicine – and a list of basic foods. Without these subsidies, the prices of such goods and services will soar (in line with the international market), adding to heightened insecurity of the already struggling poor, near poor and middle class.

In the immediate term, the rising cost of living and weak fiscal position of the government call for reforming subsidies in Lebanon, an approach which is both sustainable and people-centred. Comprehensive and inclusive income transfer programmes – based on broad coverage – are the most efficient and effective means of reaching the affected population, compensating for the inflationary effect of subsidy lifting while also promoting higher inclusion and reducing inequalities that may arise.

An approach that only temporarily protects households or only targets poor households for the increasing exposure to shock would not be sustainable if it does not address the structural weaknesses of the social protection system.

Instead, immediate compensation measures should be accompanied by plans for long-term development of a multi-tiered social protection system, – including a tax-financed child grant, a disability allowance and a social pension (see Section 4.1) – and should set the foundation for a permanent social protection floor for Lebanon.

are between 25 per cent and 33 per cent more likely to live in a household with low income, compared with other age groups. Almost two in five children are living in households that face non-monetary deprivations. Despite this, in Lebanon, more than six out of 10 children do not receive any social protection benefit, whether contributory or tax-financed (ILO and UNICEF 2019).

The multiple deprivations that children face as a result of living in multidimensional poverty blight their future and undermine productivity, as well as economic growth and social cohesion (Harman et al. 2020). It is for these reasons that global organizations such as UNICEF, ILO and Save the Children advocate for expanding social protection – especially as part of nationally defined social protection floors – to reach all children (Fernandez 2020, Harman et al. 2020). Child benefits are one

of the most immediately effective responses to alleviate various forms of child poverty and deprivation, and by enabling better access to services and economic opportunities, are a direct investment in the future labour force.

Given the significant programmatic gaps in providing life-cycle social protection, large proportions of society are increasingly resorting to negative coping strategies, which, if not addressed, will have lasting impacts on the Lebanese society and economy for decades to come. Moreover, the anticipated removal of price subsidies in the short term (see box 4.2) makes it even more urgent to address life-cycle vulnerabilities. Merely compensating households temporarily for their ever-greater exposure to shocks is not a sustainable solution. Rather, a long-term vision is required, one rooted in a rights-based approach to social protection (UNICEF and ILO 2020).

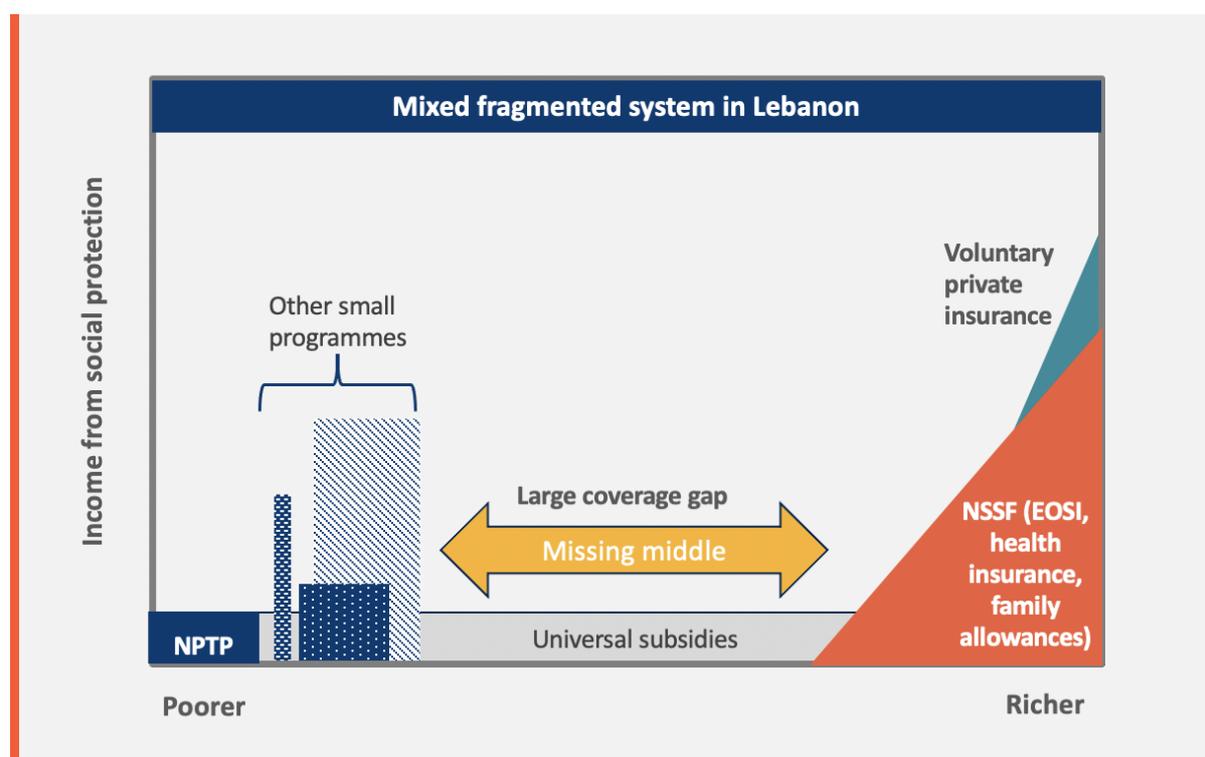
4.2 Integrating tax-financed guarantees with the existing system

An inclusive life-cycle social protection system in Lebanon could start with these three core life-cycle benefits – tax-financed child benefits, a disability allowance, and old-age pensions – as a solid foundation for a stronger, more effective multi-tiered social protection system. These benefits, together with necessary and ongoing reforms to the social insurance system, would provide adequate, guaranteed protection for those outside the social insurance system, and regular, predictable income security and consumption smoothing for those with higher incomes who can afford to pay contributions.

As a result of the bifurcated design of Lebanon’s social security system, compounded by high levels of informality and multiple crises, a large number of Lebanese in the “missing middle” – those informally employed and/or not deemed poor enough to qualify for last-resort benefits like the NPTP – lack any access to social protection.

Pairing a contributory system with only poverty targeted programmes, such as Lebanon’s NPTP, leaves substantial design gaps in coverage. Indeed, many social protection systems in low- and middle-income countries reflect this structure, with a contributory system for those in the formal economy set against multiple small programmes, most of which are means-tested, with differing and incompatible eligibility criteria. This configuration leads to institutional fragmentation and a large coverage gap for the “missing middle”, as depicted in figure 4.2.

Figure 4.2: Lebanon’s mixed fragmented social protection system with a large missing middle



EOSI = end-of-service indemnity, NPTP = National Poverty Targeting Program, NSSF = National Social Security Fund.
Source: Authors.

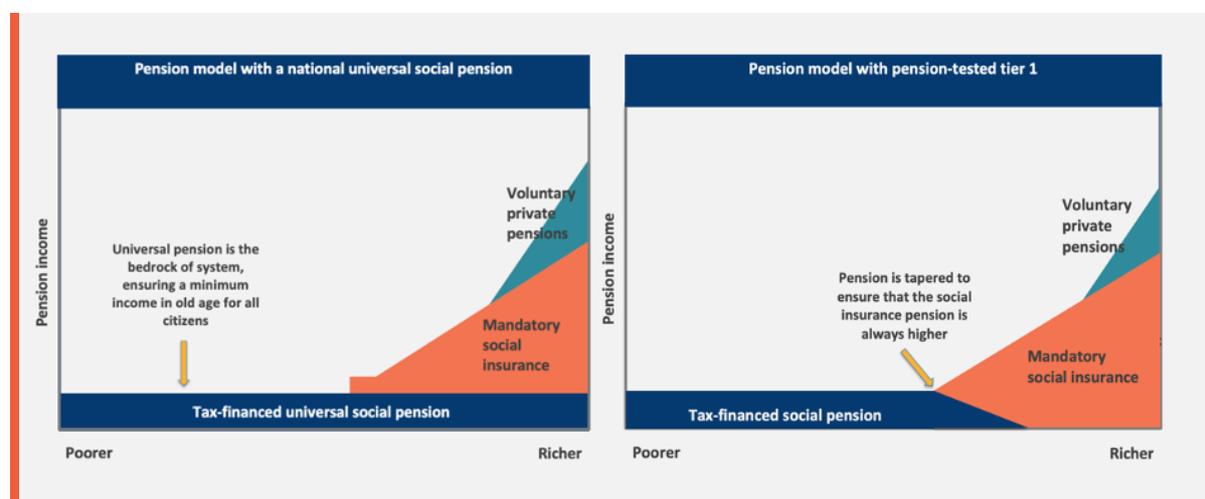
In a multi-tiered and rights-based social protection system, different types of instruments are not simply combined haphazardly or targeted at narrowly defined groups. Rather, they are integrated in a way that offers universal coverage to everyone experiencing a life-cycle contingency.

Although all benefits across different branches of social security can be multi-tiered, pension systems are most commonly associated with multi-tiered designs, as the ILO has long promoted (Duran 2017). An ideal multi-tiered pension system, depicted in figure 4.3, consists of:

- **tier 1:** an adequate, guaranteed pension (social pension) financed from general taxation, which can be either universal or “pension-tested”;
- **tier 2:** mandatory social insurance paying higher-rate pensions for those who pay social insurance contributions; and
- **tier 3:** voluntary private (supplemental) pensions for those who wish to make additional contributions (Kidd 2015).

The guaranteed tier 1 benefit can be universal or “pension-tested”, meaning the social pension is only paid to those who are not enrolled in a mandatory social insurance system. Furthermore, the tier 2 benefit must be higher than the tax-financed guarantee in order to preserve the incentive to join social insurance.

Figure 4.3: Ideal pension systems with universal (left) or pension-tested (right) tier 1



Source: Development Pathways’ depiction.

This multi-tiered design is consistent with the ILO’s “staircase social security” policy paradigm, where countries first aim to provide basic coverage at a minimum guaranteed level (horizontal extension), while striving to gradually provide higher levels coverage, including consumption smoothing, through risk pooling arrangements (vertical extension) (ILO 2010). Often referred to as a “multi-pillar” approach, it has rarely been applied to other branches.¹³ However, there is a clear need for more careful thinking about how the multi-tiered design ought to be applied to life-cycle benefits for all contingencies, including child benefits and disability benefits.¹⁴ Importantly, inclusive multi-tiered systems, when well designed, leave no legal gaps in coverage for the category of covered population. That is, they achieve universalism by design. Universal and pension-tested models ensure that, provided benefits are well-administered, no one is left without protection.

Lebanon’s mixed fragmented system, as seen above, falls far short of achieving this. Historically, Lebanon has partially invested in building the necessary social insurance infrastructure (so-called tier 2), though the NSSF is incomplete in providing for consumption smoothing due to the reliance on inadequate lump sums. However, almost no attention has been given to the foundational tier 1 of a multi-tiered social security system.

An inclusive, life-cycle social protection system in Lebanon would need to build upon the existing foundations within a multi-tiered framework and introduce or reform the following key elements:

1. A set of **tax-financed core life-cycle benefits such as child benefits, disability benefits and old-age pensions** are fundamental to an inclusive system but are completely absent in Lebanon.
2. These core guarantees must be introduced alongside **reforms to improve the social insurance system**, in particular the NSSF. This will involve needed reforms to the end-of-service indemnity system to move toward payment of regular, predictable monthly pensions,

¹³ See, for example, Duran (2017), Kidd (2015), and World Bank (1994).

¹⁴ On child benefits, see, for example, McClanahan and Gelders (2019), and on disability benefits, see Kidd et al. (2019).

improving the adequacy of benefits and introducing an unemployment insurance scheme to provide short-term income security for the large and growing numbers of unemployed.

3. The **NPTP, and the envisioned emergency response through the ESSN**, will have an important role to play, particularly as the core life-cycle systems are being developed. Poverty targeted programmes that involve cash transfers could provide vital last resort source of income security for those who receive it and should be strengthened to continue to act as a safety net. However, programmes like the NPTP/ESSN, by design, cannot replace a rights-based social protection system that provides income security to everyone when they experience common life-cycle contingencies.
4. In addition, Recommendation No. 202 calls for **basic guarantees to ensure access to health care**; therefore, a universal health care package will be vital for filling the gaps in Lebanon’s health coverage. Proceeding with reforms to the tax-financed and contributory tiers in tandem will ensure that the right to social protection is guaranteed, that incentives to join the social insurance system are preserved, and that the schemes operate in an integrated way.

These basic elements of an inclusive system in Lebanon, including core life-cycle guarantees, safety nets and social insurance, are summarized in table 4.2.

Table 4.2: A multi-pronged approach to securing social protection floor guarantees in Lebanon

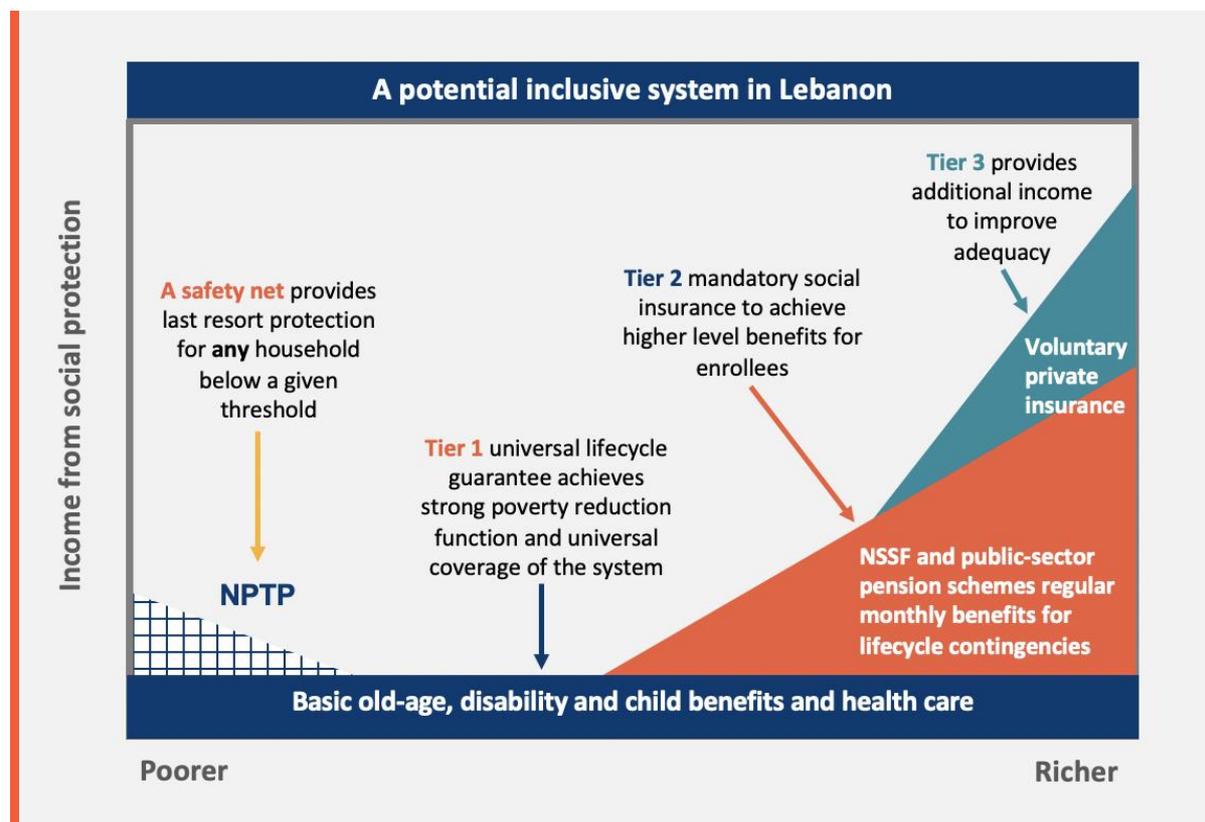
Social protection floor guarantee	Type of Benefit	Other objectives	Main tax-financed scheme (tier 1)	Key complementary social insurance reforms (tier 2)
Core life-cycle guarantees	Income security for children	Human capital	Child benefit	Enhance adequacy of family allowances paid through contributory system
	Income security for persons with disabilities	Social and economic inclusion	Disability allowance	End-of-service indemnity reform to pay regular, predictable monthly pensions Enhance adequacy of invalidity benefits paid through contributory system
	Income security for older persons	Dignity in old age	Old-age pension	End-of-service indemnity reform to pay regular, predictable monthly pensions Enhance adequacy of invalidity benefits paid through contributory system
	Financial access to health	Healthy societies	Universal health coverage package	Extension of coverage of NSSF health insurance
Safety net	Income security for households	Combating extreme poverty	Poverty targeted programme (NPTP/ESSN)	Introduce unemployment insurance scheme

ESSN = Emergency Social Safety Net, NPTP = National Poverty Targeting Program, NSSF = National Social Security Fund.

Therefore, a future inclusive and rights-based multi-tiered system in Lebanon could combine tax-financed guarantees with mandatory insurance to ensure both horizontal and vertical coverage extension, as depicted in figure 4.4. A set of core life-cycle benefits becomes the foundation of the system. While these are depicted as universal benefits in the diagram, they could also be pension- or benefit-tested, as described above. Mandatory social insurance from the NSSF (or mandatory public-sector schemes) would provide consumption smoothing and regular, predictable income security for key life-cycle contingencies for those with sufficient contributions. These could include those listed above: old-age, disability, and survivors’ pensions; unemployment insurance; health insurance; employment injury benefits; and family allowances. However, it could also – in the future – include maternity and paternity benefits. Meanwhile, those on higher incomes who can afford to make additional contributions would have access to additional income through voluntary or private

schemes. Last resort safety nets such as the NPTP/ESSN would continue to ensure that all those households who either do not have members who qualify for individual core life-cycle guarantees, or for whom those guarantees are insufficient, do not fall below a minimally defined threshold (such as the extreme poverty line).¹⁵ If life-cycle guarantees are functioning as they are intended (that is, they are adequate and achieve broad coverage of the population), the role of a safety net would eventually be more limited.

Figure 4.4: Envisaging a future inclusive multi-tiered social protection system in Lebanon



Source: Authors.

The next section presents the results of simulations of a potential inclusive social protection system in Lebanon.

4.3 Designing an inclusive life-cycle system in Lebanon

When designing an inclusive life-cycle system, policymakers must make critical decisions on three key system elements: (1) the high-level design of the system; (2) the eligibility and selection criteria, which will determine the size of the covered population; and (3) the adequacy of the transfers themselves. Decisions on each of these issues can have a big impact on the system’s effectiveness and the level of investment required to finance it. In Lebanon and elsewhere, the various combinations of high-level design and adjustments to benefit parameters allow for a wide range of potential options for designing a potential inclusive system consisting of three core life-cycle grants.

¹⁵ Notably, in a life-cycle framework, benefits are paid to individuals as a right of citizenship/residency. In contrast, poverty targeted benefits are typically paid to households.

High-level design

As explained in section 4.2, policymakers have a number of options for designing an inclusive life-cycle system in Lebanon that achieves universal or near-universal coverage. These high-level design choices have implications first and foremost for coverage, but also for the organization, financing and administration of benefits. As discussed previously, tax-financed guarantees (tier 1) can either be purely universal, that is, paid to everyone in the designated category, or they can be pension- or benefit-tested, meaning eligibility for the tier 1 benefit depends on whether or not the individual is enrolled in (or receives transfers from) the social insurance system, but everyone is covered by the whole system.

However, inclusive systems can also achieve near-universal coverage by applying an affluence test to the tax-financed tier – that is, excluding only the wealthiest in society, many of whom may opt out of the system anyway, while ensuring that the vast majority of those on lower and middle incomes receive the benefit. These three high-level design options for inclusive social protection transfers are summarized here:

- **Universal** transfers cover everyone in a given category or group.
- **Insurance-tested** transfers cover only those who are not affiliated to or benefitting from the national social insurance system.
- **Affluence-tested** transfers cover the vast majority but exclude a small proportion in the highest wealth deciles.

In this analysis, we have modelled three core life-cycle benefits using these three high-level design options, as shown in table 4.3.

Table 4.3: Varying the high-level design

Selection	Universal	Affluence-tested	Insurance-tested
Principles for selection	Everyone in the category	Everyone in the category except individuals living in households in the top 20 per cent of the wealth distribution	Everyone in the category except those affiliated to or benefitting from the NSSF or public social security system

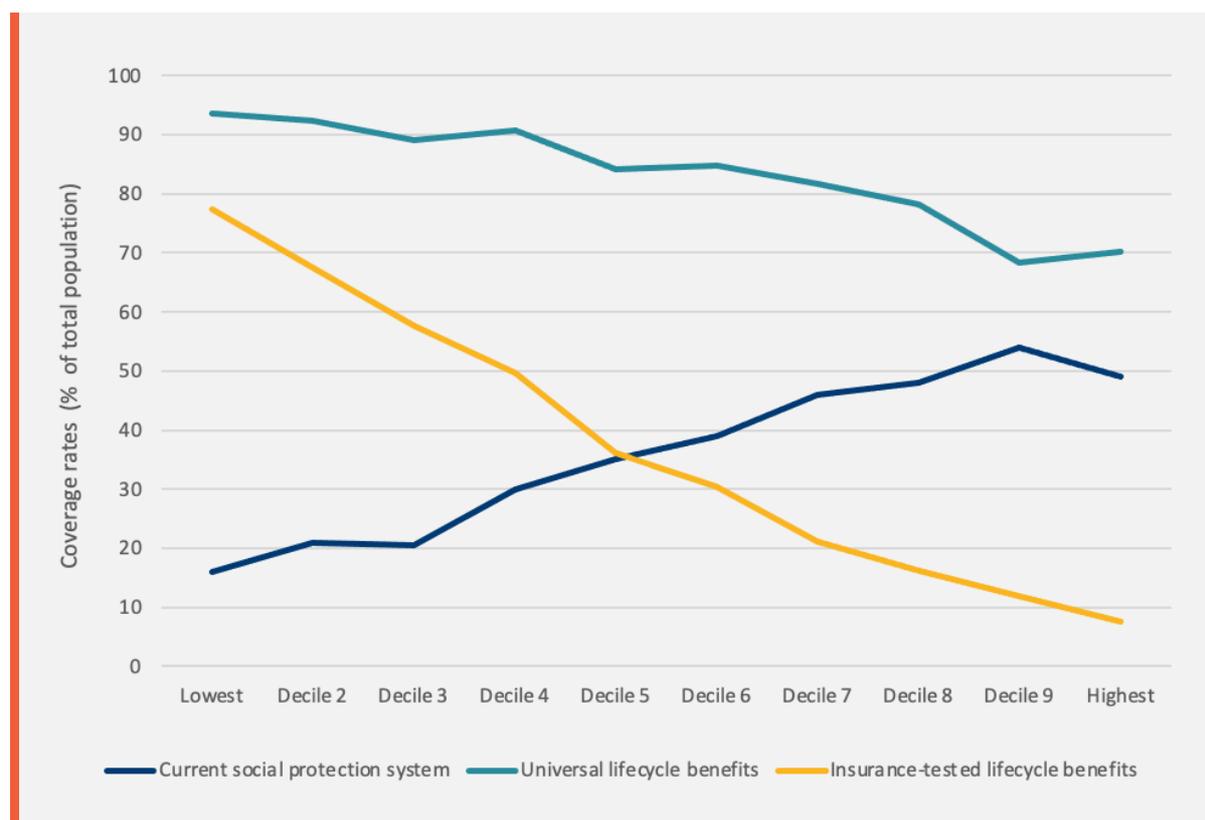
NSSF = National Social Security Fund.

While universal benefits are the simplest to administer, insurance-tested and affluence-tested benefits offer alternatives that may be more politically palatable or affordable based on current available resources.¹⁶ Importantly, these high-level design decisions affect the size of the population covered by tax-financed guarantees. Figure 4.5 shows the share of the population living in households receiving social protection transfers in Lebanon by wealth decile. It presents two basic scenarios (universal and insurance-tested) for coverage under an inclusive system consisting of child benefits for all children, disability benefits for everyone, and old-age pensions for those older than age 65, compared to coverage under the current system. From a coverage standpoint, clearly, a universal design – in which these are paid to everyone regardless of social insurance affiliation – covers many more people overall than a benefit-tested system.

¹⁶ However, arguments about fiscal space should also take into account the potential political economy effects of broad-based benefits, which can actually create fiscal space over the long run, due to middle-class buy-in, which translates into greater support for the social protection system and a higher capacity of the population to pay taxes.

Notably, both the universal and insurance-tested life-cycle scenarios are much more inclusive of those at lower ends of the wealth distribution than the current system, which is heavily skewed toward those in higher wealth deciles. In addition, the current system excludes nearly 85 per cent of those in the lowest wealth decile, in sharp contrast to the universal life-cycle system which covers more than 90 per cent of the population in the lowest four deciles – including the “missing middle” – and is high for all deciles.

Figure 4.5: Simulated coverage under universal versus insurance-tested high-level designs for life-cycle transfers compared with the current system, Lebanon



Notes: 1. Simulations for an affluence-tested system are not shown because they are identical to the results of the universal system, except for the last two deciles, where coverage drops to zero by design. 2. This figure shows the proportion of individuals living in households receiving transfers. Source: Authors’ microsimulation, based on Labour Force and Household Living Conditions Survey 2018/19 data.

Likewise, the insurance-tested inclusive system would cover many more in the lowest deciles than the current system, but coverage declines sharply as incomes rise (which is correlated with social insurance affiliation). Benefit (or insurance) testing is far superior to poverty targeting in offering system-wide universalism by design. It facilitates transparency, which likely results in a positive public reaction (see box 3.3). It is also administratively simpler because the only information required is a person’s social insurance status. Nevertheless, benefit testing requires a higher level of coordination and implementation capacity than universal benefits and therefore may still lead to exclusion errors due to administrative (rather than design) failures and may not be the optimal solution in low-capacity environments or crisis contexts with severe institutional constraints.¹⁷

¹⁷ See, for example, Kidd and Athias (2019).

While insurance-tested models are often chosen based on the assumption that those enrolled in social insurance are already protected, the simulation exercise suggests that many of those affiliated with social insurance, particularly the NSSF, are income poor or vulnerable. Some 30 per cent of those in the lowest wealth decile, and 40 to 60 per cent of those in deciles two to four are in fact living below 470,700 Lebanese pounds per month and are in dire need of adequate social protection, despite being enrolled in mandatory social insurance. This further reinforces the case for needed social insurance reforms to establish a truly effective and inclusive multi-tiered social protection system for Lebanon. The success of adopting an insurance-testing model for social grants in Lebanon would depend in large part on the success of complementary reforms to the NSSF, which for example would convert lump sum benefits into a monthly pension and improve the adequacy of family allowances.

Life-cycle eligibility parameters for beneficiary selection

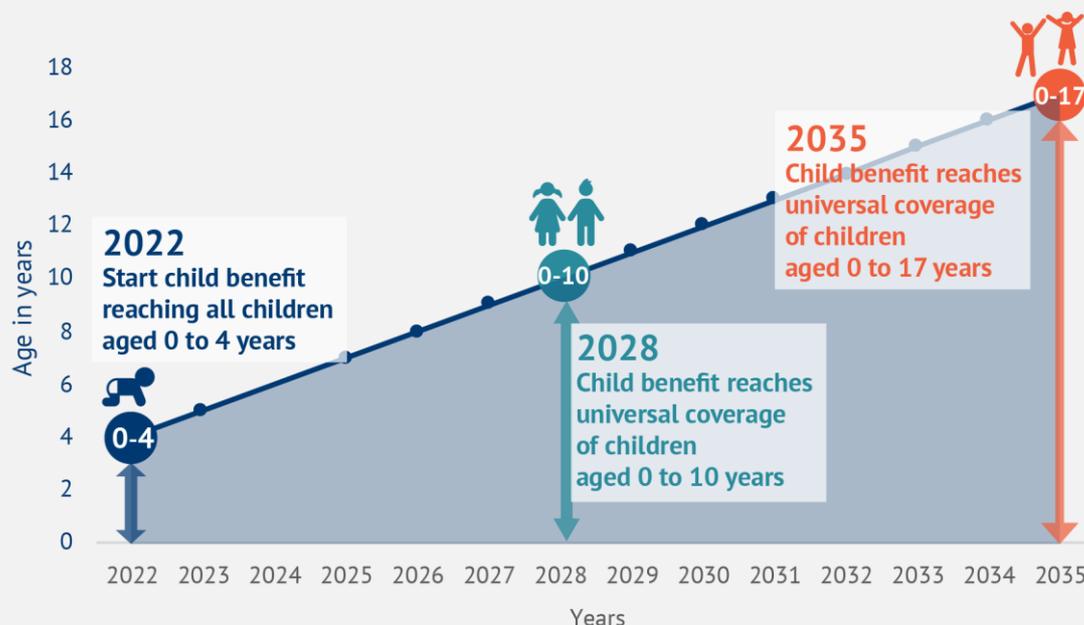
In addition to decisions about the high-level design of an inclusive life-cycle system, policymakers can also adjust the eligibility criteria to balance the objectives of achieving universal coverage against the current available resources. In a life-cycle framework, as eligibility is based on experiencing life-cycle contingencies, beneficiary selection is determined according to easily identifiable characteristics, such as age or disability status. Age-based benefits can be designed universally, but be more or less restrictive in terms of range of ages covered, where policymakers could consider adjusting the eligibility parameters for a universal, but less ambitious, system.

For example, rather than include all children, the age of eligibility for child benefits could be lowered so that only younger children were enrolled in the first year, based on a schedule that would gradually increase the age of eligibility in subsequent years, as explained in box 4.3. Similarly, the age of eligibility for tax-financed old-age pensions could be set higher initially, and gradually lowered to align with the pensionable age in the contributory system, as a number of countries around the world have done.

Box 4.2: Gradually expanding child benefits to cover all children

Policymakers facing severe budget constraints in early stages of building their child benefits systems may consider starting with the youngest cohorts. In subsequent years, the age of eligibility could be increased gradually, by one year each year, until all children were included, thereby ensuring that no child is ever removed from benefits. In this way, the first cohort of beneficiaries would continue to receive the benefit until they become adults. For example, following this simple schedule, introducing a universal child benefit for children aged 0–4 in 2022 would cover all children aged 0–10 by 2028 and all children aged 0–17 in 2035. This hypothetical process is depicted in figure 4.6. Considering the significant extra cost they face, children with disabilities should be eligible from the start from 0–17 years old.

Figure 4.6: Potential gradual adjustment of age of eligibility for child benefits



Source: Development Pathways’ depiction.

Following this logic, the scenarios considered in this paper include variations on the age of eligibility, where option 1 considers a wider age eligibility range for child benefits and old-age pensions, and option 2 considers a narrower age eligibility range for these benefits, as shown in table 4.4.

Table 4.4: Varying the age of eligibility

Life-cycle benefit	Option 1 (wider age eligibility)	Option 2 (narrower age eligibility)
Child benefit	All children aged 0–17	All children aged 0–7
Disability allowance	All persons with disabilities	All persons with disabilities
Old-age pension	All persons older than age 65	All persons older than age 70

Whereas option 1 would be the most ambitious and most inclusive of the two options, option 2 (or variants thereof that set a lower age of eligibility) nonetheless preserves the principle of universality by covering all individuals in a given category, while also allowing for nationally appropriate targets to be set to gradually achieve universal coverage of all children. If option 2 (or similar options) are chosen, it is important that the Government do so within the relevant statutory framework, such as legislation or regulations, to ensure that “progressive realization” is not done on an ad-hoc basis, leaving it prone to political will.

Adequacy of transfer values

Policymakers facing budget constraints may also consider a range of different transfer values, provided these are minimally adequate based on a set of national and international benchmarks. For example, the analysis considered a number of options for the transfer values derived from a benchmark of the national minimum wage – the *salaire minimum interprofessionnel de croissance*, or SMIC.¹⁸ Varying these hypothetical monthly transfer values demonstrates the sensitivity of costs and impacts to the level of benefit ultimately chosen, but in a rights-based framework, it is important to recall that the key driver of decisions around transfer values should be questions of adequacy. For the case of the disability benefit, alternative design options are possible, depending on policy objectives (see box 4.1). Currently, in Lebanon, economic conditions do not permit exact estimations of adequacy of transfer values, given that the value of the SMIC has eroded in a context of high inflation. Nonetheless, the variations considered are summarized in table 4.5.

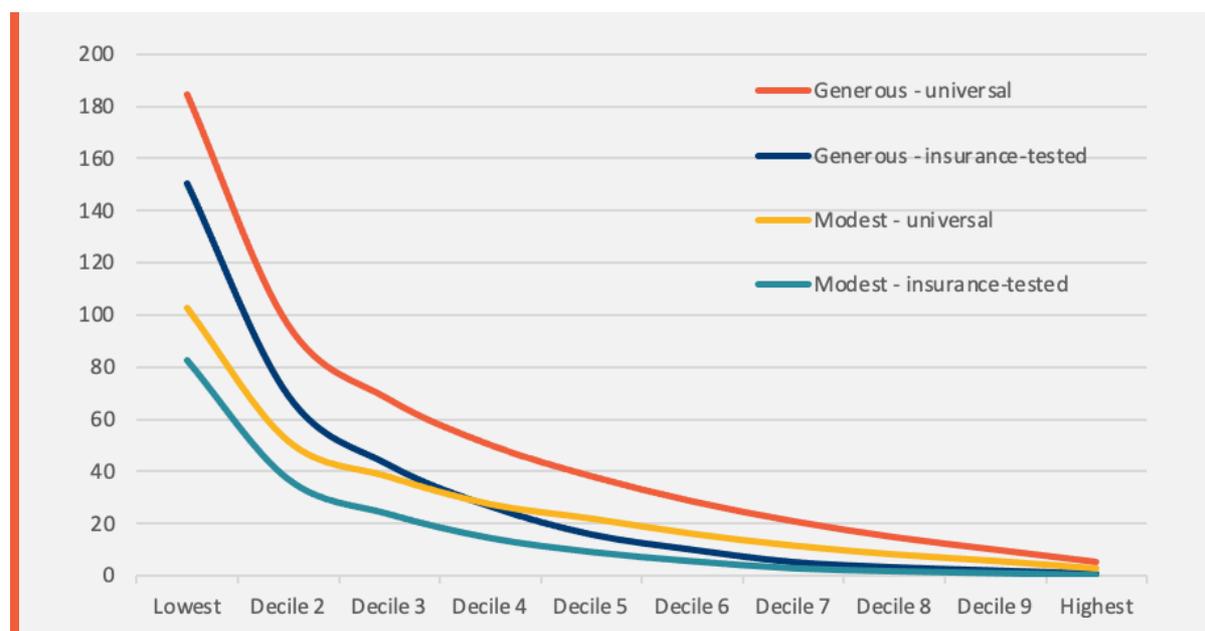
Table 4.5: Varying the transfer value

Life-cycle benefit	Modest	Generous
Child benefit	20% of the SMIC per child per month	40% of the SMIC per child per month
Disability allowance	50% of the SMIC per adult person per month	75% of the SMIC per adult person per month
	20% of the SMIC for children with disabilities (as a top up to the child benefit above)	40% of the SMIC for children with disabilities (as a top up to the child benefit above)
	10% of the SMIC for older people with disabilities (as a top-up to the old age pension below)	15% of the SMIC for older people with disabilities (as a top-up to the old age pension below)
Old-age pension	40% of the SMIC per person per month	60% of the SMIC per person per month

It is important to keep in mind the implications of different transfer values for those who receive them. For the purpose of demonstration, the simulations explored the potential impacts on household income of different transfer packages. Focusing again just on the universal and insurance-tested options for a hypothetical inclusive system using the wider age eligibility ranges introduced above (option 1, covering all children aged 0–17, all persons with disabilities and everyone aged 65 or older), figure 4.7 shows the simulated average increase in household income that would result from the introduction of an inclusive core life-cycle transfer system under both the modest and generous parameters outlined above.

¹⁸ Currently 675,000 Lebanese pounds per month. The average wage of an unskilled worker, parameter utilized for adequacy of benefits benchmarking in the Social Security (Minimum Standards) Convention, 1952 (No. 102) of the ILO, is almost equivalent to the SMIC. Convention No. 102 requires minimum benefits of 40 per cent of the average wage of an unskilled worker for old age.

Figure 4.7: Simulated average increase in household income as a result of inclusive life-cycle social grants, Lebanon



Source: Author’s microsimulation, based on Labour Force and Household Living Conditions Survey 2018/19 data.

Clearly, more generous transfers perform better than modest transfers in both design options, and notably, a universal design is associated with higher average income increases across wealth deciles than a benefit-tested design, since significantly more people would be receiving higher transfers. Moreover, all inclusive systems proposed would lead to significant increases in household income, particularly among households at the lower ends of the consumption distribution. The simulations suggest that those in the lowest wealth decile would experience an average increase of around 183 per cent in the generous universal scenario, compared with over 100 per cent for the modest universal transfers. Notably, those on middle incomes would also get a significant boost from the system – for example, a 50 per cent average increase from generous universal benefits for the fourth decile.

This pattern reflects the fact that the transfers represent a higher share of household income. However, it is also a reflection of the fact that lower-income households are often larger, where multiple individuals in a household could be entitled to different transfers, according to their individual, rights-based entitlement (for example, to a child benefit or an old-age pension).

4.4 Estimating the coverage and costs of inclusive life-cycle social protection in Lebanon

Choices about these various combinations of high-level design, age eligibility and transfer values have implications for the size of the investment require to finance them. Bringing these three design elements together, the analysis explored the costs of four basic combinations of parameters, as described in table 4.6.

Table 4.6: Basic parameters for policy packages

Option	Age eligibility	Transfer Value
1a	Wide age eligibility	Modest
1b	Wide age eligibility	Generous
2a	Narrow age eligibility	Modest
2b	Narrow age eligibility	Generous

These basic parameters were then respectively applied to the universal, affluence-tested and benefit-tested high-level designs to show the coverage of each option and produce a range of costs. The coverage and costs of the different options are presented in table 4.7 and table 4.8, respectively, which show very clear implications of narrower versus wide age ranges, and generous versus modest transfer values, as well as for the different high-level design combinations.

Table 4.7: Options for inclusive life-cycle social grants in Lebanon, coverage

Options by core life-cycle benefit and eligibility age	Universal design (all individuals in the category)			Affluence-tested design (excluding the richest 20%)			Benefit-tested design (excluding those affiliated with NSSF and other social security regimes)		
	Coverage of whole population (%)	Coverage (no. of individuals)	Coverage (no. of Households)	Coverage of whole population (%)	Coverage (no. of individuals)	Coverage (no. of households)	Coverage of whole population (%)	Coverage (no. of individuals)	Coverage (no. of households)
Option 1: Wider age eligibility criteria									
Child benefit (age 0–17)	25.9	1,002,315	462,014	22.0	850,232	379,768	11.3	435,617	186,931
Disability allowance (all ages)	4.4	169,213	140,150	3.8	147,096	121,470	2.2	85,195	70,616
Old-age pension (age 65+)	13.2	508,364	368,054	9.6	369,933	271,455	4.3	164,262	140,793
Option 2: Narrower age eligibility									
Child benefit (age 0–7)	10.6	408,943	255,246	9.0	346,759	214,472	4.6	176,834	106,679
Disability allowance (all ages)	4.4	169,213	140,150	3.8	147,096	121,470	2.2	85,195	70,616
Old-age pension (age 70+)	9.1	351,631	269,666	6.9	264,774	203,736	3.0	115,808	103,968

Source: Authors' microsimulation, based on Labour Force and Household Living Conditions 2018/19 data.

Table 4.8: Options for inclusive life-cycle social grants in Lebanon, parameters and costs

Option and sub-option by core life-cycle benefit and eligibility criteria	Transfer value (% of SMIC per person per month)	Annual cost of universal design (all individuals in the category)		Annual cost of affluence-tested design (excluding the richest 20%)		Annual cost of benefit-tested design (excluding those affiliated with NSSF and other social security regimes)	
		LBP bn	% GDP	LBP bn	% GDP	LBP bn	% of GDP
Option 1a: Wider age eligibility criteria, modest transfer value							
<i>Child benefit</i>							
Age 0–17	20	1,624	1.96	1,377	1.66	706	0.85
<i>Disability allowance</i>							
Age 18–64, with a disability	50						
Age 0–17, with a disability	20, in addition to the child benefit	359	0.43	317	0.38	206	0.25
Age 65+, with a disability	10, in addition to the old-age pension						
<i>Old-age pension</i>							
Age 65+	40	1,647	1.99	1,199	1.45	532	0.64
Option 1a: Total cost		3,630	4.38	2,893	3.49	1,444	1.74
Option 1b: Wider age eligibility criteria, generous transfer value							
<i>Child benefit</i>							
Age 0–17	40	3,248	3.92	2,755	3.32	1,411	1.70
<i>Disability allowance</i>							
Age 18–64, with a disability	75						
Age 0–17, with a disability	40, in addition to the child benefit	550	0.66	485	0.59	315	0.38
Age 65+, with a disability	15, in addition to the old-age pension						
<i>Old-age pension</i>							
Age 65+	60	2,471	2.98	1,798	2.17	798	0.96
Option 1b: Total cost		6,268	7.56	5,038	6.08	2,525	3.05
Option 2a: Narrower age eligibility, modest transfer value							
<i>Child benefit</i>							
Age 0–7	20	662	0.8	562	0.68	286	0.35
<i>Disability allowance</i>							

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Option and sub-option by core life-cycle benefit and eligibility criteria	Transfer value (% of SMIC per person per month)	Annual cost of universal design (all individuals in the category)		Annual cost of affluence-tested design (excluding the richest 20%)		Annual cost of benefit-tested design (excluding those affiliated with NSSF and other social security regimes)	
		LBP bn	% GDP	LBP bn	% GDP	LBP bn	% of GDP
Age 18–69, with a disability	50						
Age 0–17, with a disability	20, in addition to the child benefit	401	0.48	354	0.43	225	0.27
Age 70+, with a disability	10, in addition to the old-age pension						
<i>Old-age pension</i>							
Age 70+	40	1,139	1.38	858	1.04	375	0.45
Option 2a Total cost		2,202	2.66	1,773	2.14	887	1.07
Option 2b: Narrower age eligibility, generous transfer value							
<i>Child benefit</i>							
Age 0–7	40	1,325	1.60	1,123	1.36	573	0.69
<i>Disability allowance</i>							
Age 18–69, with a disability	75						
Age 0–17, with a disability	20, in addition to the child benefit	615	0.74	544	0.66	345	0.42
Age 70+, with a disability	10, in addition to the old-age pension						
<i>Old-age pension</i>							
Age 70+	60	1,709	2.06	1,287	1.55	563	0.68
Option 2b Total cost		3,649	4.40	2,955	3.57	1,481	1.79

GDP = gross domestic product, LBP = Lebanese pound, SMIC = *salaire minimum interprofessionnel de croissance*. Source: Authors' microsimulation, based on Labour Force and Household Living Conditions 2018/19 data. The GDP figure used as per World Economic Outlook for 2018, given that the cost is estimated in Lebanese pounds, using the established minimum wage that remains at pre-crisis levels while its value has been eroded by inflation. Using a more updated figure of GDP would result in a lower cost estimate for the social grants in relation to GDP.

4.5 Financing a social protection floor in Lebanon and other key considerations

Section 4.4 presented the simulation results of a potential inclusive social protection system in Lebanon, under various scenarios of population coverage and transfer values. An inclusive life-cycle system based on universal transfers covering all children, adults with disabilities and older persons from age 65, with relatively generous transfer values (option 1b – universal) would represent a substantial commitment to “building back better” in Lebanon, requiring an investment of 7.56 per cent of GDP. At the other end of the extreme, the least ambitious package is a modest, benefit-tested transfer covering only children aged 0–7 and older persons aged 70 or older, which would require an investment of around 1.07 per cent of GDP. In the middle, policymakers are presented with a wide range of choices. When implemented alongside safety nets, the total investment would be between 1.64 and 7.64 per cent of GDP (box 4.4).

Lebanon currently spends 6.23 per cent of its GDP on social protection, excluding health and subsidies. This is below upper-middle income countries’ average spending of 8 per cent (ILO, n.d.). The largest share of social protection spending – almost 6 per cent of GDP – is allocated to social insurance and benefits, mainly for public-sector workers, including civil servants and military personnel, through generous retirement and pension schemes. The proposed life-cycle social grants and safety nets would therefore entail a larger investment in tax-financed (social assistance) benefits and a significant increase from the current expenditure levels of around 0.17 per cent of GDP. By comparison, countries in the Arab region invest 1.5 per cent of GDP on average in tax-financed social protection, significantly below countries at similar income levels in other regions of the world (ILO, n.d.).

In light of the tight fiscal and macroeconomic constraints facing Lebanon, options to finance the establishment of a social protection floor may appear limited. Yet increasing investment in effective and adequate social protection programmes is not optional – it is a necessity to mitigate impacts of the crisis, ensure a more rapid economic recovery and set Lebanon on a path to a more stable, sustainable and equitable trajectory in the future. Countries like Lebanon have multiple options to broaden fiscal space for social protection (ILO 2019). In the medium term, increasing revenue from progressive taxation (such as income tax reform and the introduction of wealth tax) and reallocating public expenditure within and outside the social protection sector (such as the reform of the public sector social security system) can generate the necessary resource base to finance a social protection floor on a permanent basis.

In the short term, a partial reallocation of resources spent on subsidies would free up ample fiscal space to implement effective tax-financed social assistance programs that could provide adequate protection to a large proportion of the population. While some subsidies are expensive or highly regressive, they currently constitute the backbone of social spending in Lebanon. Their removal would lead to significant deterioration of living standards of the poor, near-poor and middle class, unless comprehensive, adequate and permanent social protection guarantees are put in place (see box 4.2). Reallocating around one third to one fourth of resources currently spent on subsidies to social protection would finance solid foundations for the social protection floor Lebanon desperately needs (box 4.4).

Box 4.3: Financing the establishment of a social protection floor for Lebanon

Life-cycle based social grants, as part of a multi-tiered and rights-based social protection system, aim to provide adequate income protection to everyone experiencing a life-cycle contingency as part of a social protection floor. When core life-cycle grants are rolled out, they would provide adequate universal protection for individuals who are eligible, while certain households that continue to fall below a minimally defined threshold could receive (additional) support from poverty targeted schemes such as the NPTP/ESSN, as a last resort safety net. If life-cycle guarantees are functioning as they are intended (that is, they are adequate and achieve broad coverage of the population), the role of a safety net would be limited.

Table 4.9: Combined cost of life-cycle social grants and safety nets, overall cost

Options	Cost of full set of social grants and safety net program (% of GDP)					
	Universal benefits		Affluence-tested benefits		Insurance-tested benefits	
	Modest	Generous	Modest	Generous	Modest	Generous
Wider age eligibility criteria	4.58	7.64	3.69	6.15	1.94	3.12
Narrower age eligibility criteria	3.23	4.88	2.71	4.05	1.64	2.27

Note: The simulated safety net programme provides a similar package of cash transfers for basic income support to the envisioned ESSN programme.

A simulation exercise was conducted to estimate the overall cost of both a poverty targeted safety net programme providing similar benefits to NPTP/ESSN and social grants, taking into consideration the expected complementarities and synergies across the two (table 4.9). The estimated overall cost would range between 1.64 per cent of the GDP, in the case of modest insurance-tested life-cycle benefits adopting the narrower age eligibility criteria, to 7.64 per cent of the GDP in the case of generous universal benefits adopting a wider age eligibility criteria. Notably, the financing requirement for the safety nets scheme would be between 42 per cent and 93 per cent lower in the presence of social grants, depending on the scenario used.

Despite serious challenges, financing these benefits is within reach. In 2020, Lebanon allocated an estimated US\$280 million per month to foreign exchange subsidies for key imports, such as fuel, medicine, wheat and other essential items (World Bank 2020). Direct fiscal subsidies – primarily to Electricité du Liban – amounted to 189 billion Lebanese pounds per month in 2019 (Institut des Finance Basil Fuleihan, forthcoming).

Based on the cost simulations presented in this paper, implementing a full set of life-cycle social grants and poverty targeted safety nets would be slightly lower in cost to the current subsidies under the wider age eligibility criteria, for the generous and affluence-tested scenario. Under its most restricted scenario, a modest, inclusive social protection system would constitute around 25 per cent of the cost of subsidies, with savings reaching around US\$2.7 billion per year. These estimates are presented in table 4.10 below.

Table 4.10: Cost of life-cycle social grants and safety nets in relation to the current foreign exchange and Electricité du Liban fiscal subsidies

Scenarios	Cost of full set of life-cycle social grants and safety nets (% of current subsidies)					
	Universal benefits		Affluence-tested benefits		Insurance-tested benefits	
	Modest	Generous	Modest	Generous	Modest	Generous
Wider age eligibility criteria	69	116	56	93	29	47
Narrower age eligibility criteria	49	74	41	61	25	34

In addition to financing considerations of core life-cycle social grants (tier 1) presented above, options to finance needed reforms of the social insurance system (tier 2) must also be considered. Given the limited contributory capacity of the population as a result of the crisis, the potential to raise social insurance contributions in the short term should be carefully assessed in the context of a more

comprehensive reform process. Equally, and as part of a longer term vision, policymakers should actively consider options to enhance the affordability and attractiveness of the contributory system – for example by leveraging short-term benefits – with a view to growing membership over time. The potential for an adequate, tax-financed social protection floor to contribute to increasing fiscal space (by increasing contributory capacity, social insurance registration and the overall tax base) should also be explored.

Beyond the design choices presented here and their financing options, policymakers must also consider the institutional configurations, the pace of reforms within the national political landscape, system and capacity constraints for implementation, and – particularly in Lebanon – how the social protection system will interact with and align with support being provided for non-Lebanese. Some of these considerations, particularly relevant for building a multi-tiered system, are briefly outlined here:

- **Benefit values and incentives:** What will the benefit reference be if flat-rate universal? If multi-tiered, what will be the size of the difference in values between tier 1 and tier 2? What sorts of additional incentives will be in place to encourage participation in the social insurance system?
- **Administrative organization:** Which agency, department or body will be responsible for administering the tier 1 and/or tier 2 benefits? If different, what sorts of mechanisms can be put in place to ensure coordination? If the same, what does this mean for the administration of other transfers?

As Lebanon considers the options for rebuilding after years of unparalleled institutional, economic and political crises, the analysis presented here strongly suggests that an inclusive life-cycle social protection system would be a good place to start. The case is clear for investing in a solid foundation – a social protection floor – while also pushing forward with complementary reforms to the social insurance system that would enhance adequacy, predictability and sustainability, within an integrated multi-tiered framework. Meanwhile, safety nets such as the NPTP/ESSN provide a lifeline for those assessed as extreme poor, and an important complement to a long-term vision for an inclusive life-cycle social protection system.

5 Conclusion

The people of Lebanon deserve a social protection system that they can rely on when they need it – as everyone inevitably will – throughout their lives. They deserve to feel included in it, not because they are poor, but because it is their right as citizens, in recognition of the contributions they have made or will make to society and the economy over the course of their lives. As larger segments of the Lebanese society face increasing risk of income insecurity due to the multiple overlapping crises and impending phase-out of universal price subsidies, strengthening social protection guarantees for all should be at the core of any reform effort and a prime policy priority.

Often, and especially in times of crisis, policymakers can get lost in the “trees” of individual programmes, addressing the very specific needs of very specific populations, and lose sight of the “forest” – the big picture design decisions that matter more in the long run. Equally, the big picture reforms can seem daunting when there are so many challenges.

However, a relatively simple system, consisting of three core life-cycle transfers – inclusive child benefits, disability allowances and old-age pensions – would go a long way toward addressing a wide range of vulnerabilities. This analysis has suggested that even a that even a relatively small investment in life-cycle transfers can have a large impact by covering large numbers of people and providing a

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significant income boost to the vast majority of the population, including those in the “missing middle”, with the largest impacts accruing to those at the lower ends of the wealth distribution.

Lebanon’s current social protection system’s institutional architecture is missing its foundational tier – its social protection floor. The social insurance system appears to be floating atop an empty space, a veritable architectural miracle that is at best unsustainable, and at worst, catastrophic. Social security reforms cannot be further delayed, but the social insurance system is ill equipped to respond to broad and rapidly deepening vulnerabilities, as will be safety-nets of last resort.

The time has long since come to build a foundation that will enable Lebanon to support its society and economy with the confidence that its social protection system will provide steady support for its people into the future. Only this can ensure that the profound and necessary structural transformation in the economy will not happen at the expense of its people.

This unprecedented crisis presents an equally unprecedented opportunity to re-imagine an inclusive life-cycle social protection system for Lebanon that not only protects the millions of those who have suffered as a result of the crisis, but also invests in the people at the centre of the new social contract.

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