FACTS AND FINDINGS OF THE REVIEW OF GOVERNMENT SPENDING ON SOCIAL PROTECTION (2017-2024)

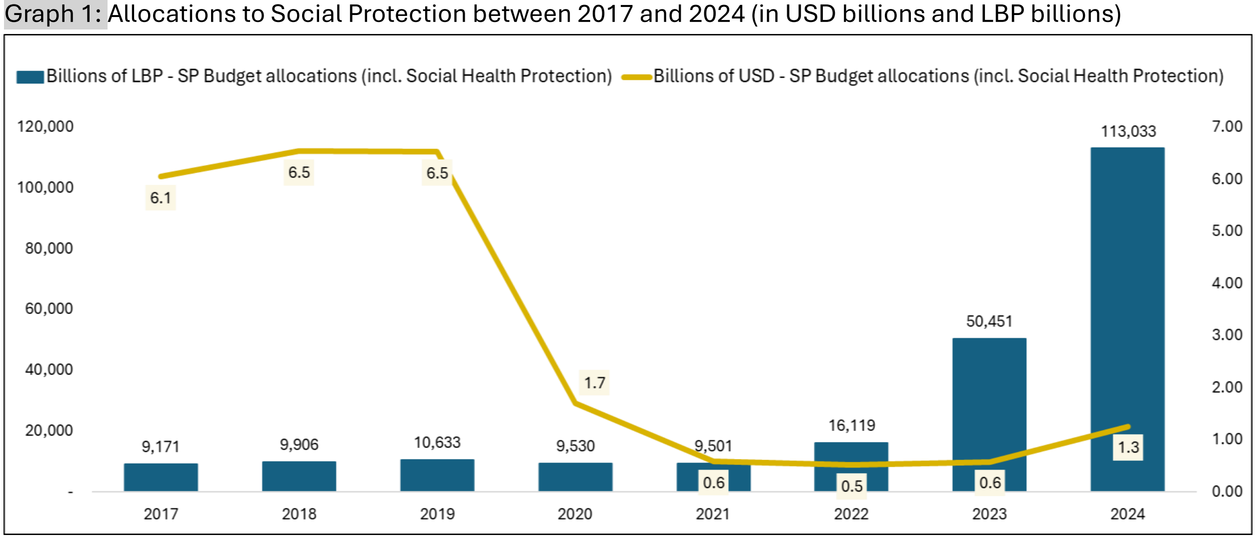
The Review of Government Spending on Social Protection (2017-2024) – undertaken by the Institut des Finances Basil Fuleihan, with the technical support of ILO and UNICEF - highlights major changes to the financing of and spending trends on social protection over the past seven years. It is designed to inform both fiscal and social policy reforms, support the State's response to the ongoing crisis, and guide strategic decisions on the financing and implementation of the National Social Protection Strategy.

This executive brief presents key facts and figures drawn from the analysis.

KEY FINDINGS

- **Budgetary allocations to Social Protection (excluding Social Health Protection) rose in nominal terms but dropped in real value.** Allocations increased from LBP 6,921 billion in 2017 to LBP 50,149 billion in 2024. but the real value[1] plummeted by approximately **87%**—from USD 4.6 billion in 2017 to just USD 0.6 billion in 2024—highlighting a significant erosion in actual spending power over the period.
- **Including Social Health Protection, the total budgeted allocation for Social Protection fell by approximately 79%** —from USD 6.1 billion in 2017 to USD 1.3 billion in 2024—underscoring a sharp decline in overall funding in real terms. (graph 1)

Graph 1: Allocations to Social Protection between 2017 and 2024 (in USD billions and LBP billions)

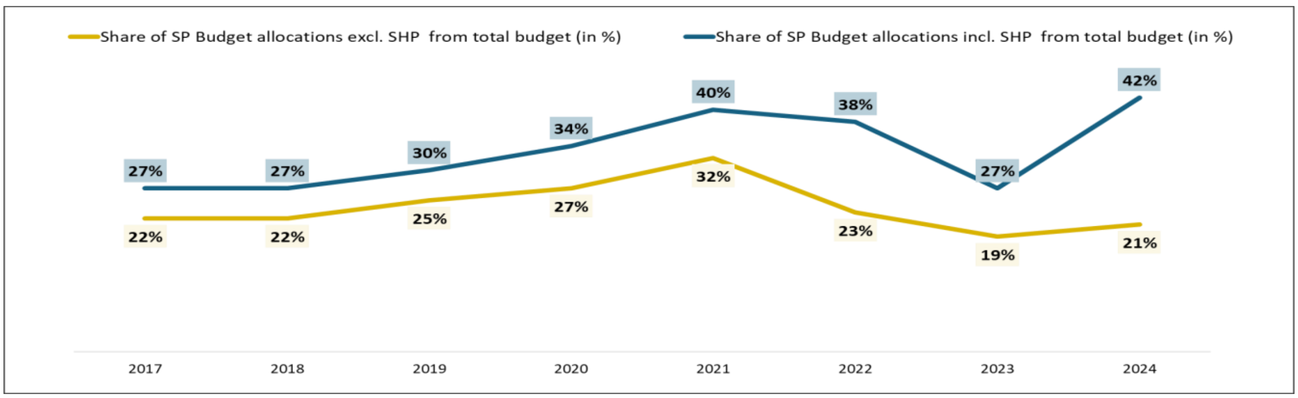


SP allocations were converted to USD based on the yearly average of daily exchange rates registered on the real market.
The total amount of SP allocations in this graph includes spending from the budget, the NSSF and the CSC, except for the year 2024 that excludes NSSF and CSC due to lack of available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

[1] The term "real value" in this context does not refer to inflation-adjusted figures. It indicates the counter value of amounts in LBP converted to USD.

- **Social Protection financing in Lebanon primarily relies on public sources beyond donor contributions.** These include the public budget, Treasury resources, and contributions collected by the National Social Security Fund (NSSF) and the Civil Servants Cooperative (CSC).
- **Social Protection represents a significant and growing share of the total national budget.** In 2024, Social Protection (excluding Social Health Protection) accounted for **21% of the total budget**, slightly below the **2017–2024 average of 24%**. Including Social Health Protection, this share rises to **42% in 2024**, with an average of **33% over the period** (see Graph 2).

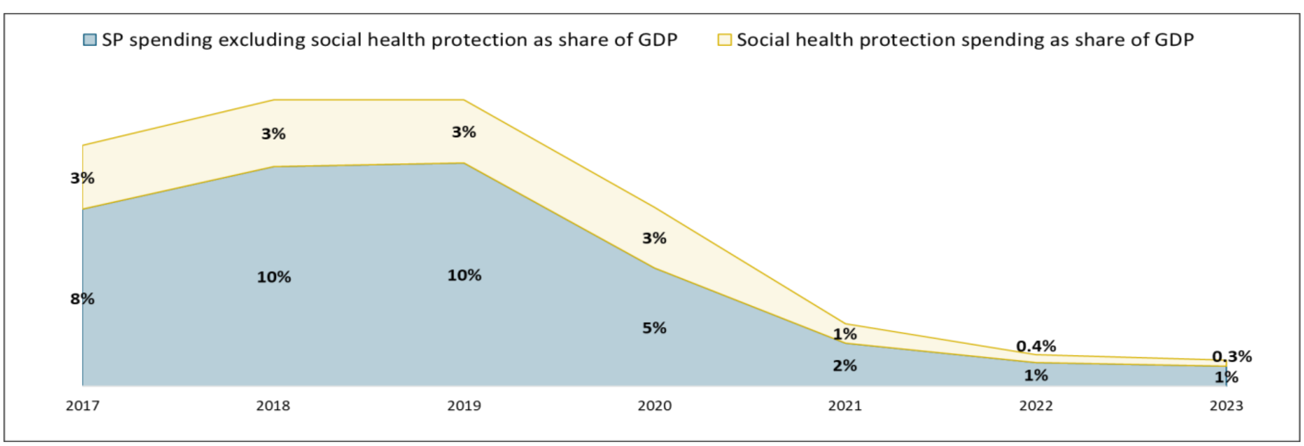
Graph 1: Size of Social Protection as Share of the Budget between 2017 and 2024



The total amount of SP spending in this graph includes only the allocations made in the state budget.

- **Social Protection spending in Lebanon, excluding Social Health Protection, has significantly contracted as a share of GDP**. In 2023, it accounted for just **2%** of GDP, down from an average of **6%** between 2017 and 2024 (see Graph 3). By comparison, according to ILO data, Social Protection spending in most Lower-Income Developing Countries (LDCs) averages around **4–5%** of GDP, while in MENA countries, the average typically ranges from **8% to 12% of GDP**, reflecting Lebanon's below-average investment in social protection relative to its regional peers.

Graph 3: Executed Social Protection Spending as Share of GDP between 2017 and 2023



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

- **In relation to the five pillars of the National Social Protection Strategy, the majority of social protection spending is directed toward the social insurance pillar**, which accounts for **57.7%** of total spending. In contrast, spending on social assistance remains limited, particularly after the phasing out of subsidies—previously classified under social assistance—without a proportional reallocation to other direct income support programs (see Graph 4)

Graph 4: Social protection spending as per the pillars of the National Social Protection Strategy (2017 – 2023)

	Pillar					
	Financial Access to Education	Social Insurance	Social Assistance	Social Welfare	Financial Access to Health	Eco Incl & Labor Activation
2017	4%	43%	23%	2%	27%	2%
2018	4%	45%	25%	1%	24%	1%
2019	2%	50%	23%	1%	22%	1%
2020	4%	59%	0%	1%	36%	0%
2021	3%	64%	0%	0.4%	32%	0%
2022	4%	72%	0%	0.3%	23%	0%
2023	2%	71%	0%	1%	27%	0%

Figures include Subsidies such as Transfers to EDL

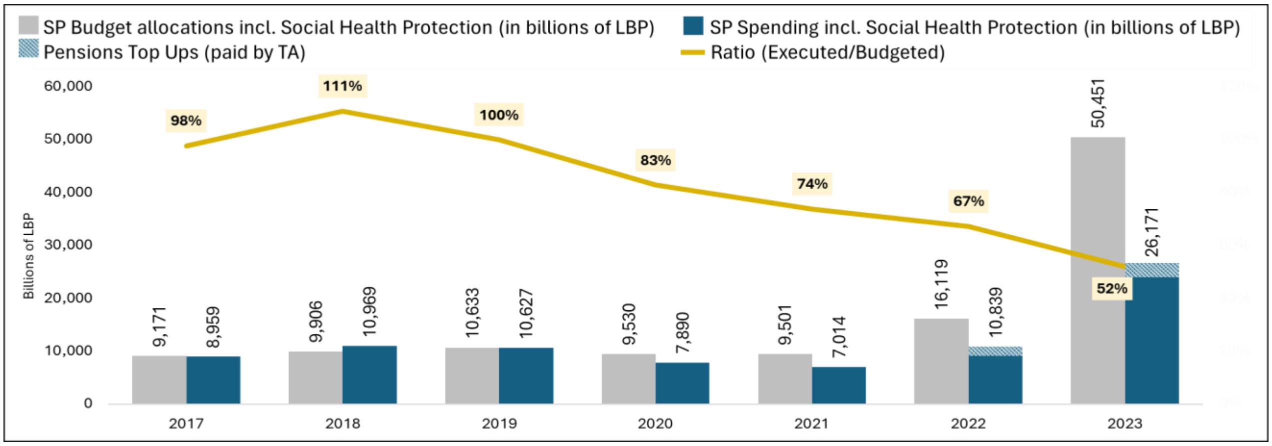
The total amount of SP allocations and spending in this graph includes allocations and spending from the budget, the NSSF and the CSC, except for the year 2024 that excludes NSSF and CSC due to lack of available data.

- **Public sector pensions, including end-of-service indemnities, represent the largest single component of Social Protection expenditure but only cover 2,5% of the population.** Spending on public sector pensions, including end-of-service indemnities averaged 11% of the total national budget and 2.1% of GDP between 2017 and 2024. During this period, public pensions absorbed 77% of total Social Insurance spending (including Social Health Protection). This situation highlights a significant imbalance between coverage and resource allocation.

- **Public sector employees—particularly security and armed forces—are the primary beneficiaries of social protection spending in Lebanon**. Within the public sector, the security and armed forces receive significantly larger allocations than civil servants, as evidenced by both budgeted and executed expenditures.

- **Spending efficiency in social protection has deteriorated significantly in the post-crisis period.** Measured as the ratio of executed to budgeted allocations, efficiency dropped to just **52%** in 2023, compared to an average of 83% over the 2017–2023 period indicating growing challenges in translating allocations into effective spending (see Graph 5).

Graph 5: Social Protection Spending Outturns between 2017 and 2023



The total amount of SP spending in this graph includes spending from the budget, the NSSF and the CSC.

- **The years 2021–2023 were characterized by significant underspending on Social Protection.** This under-execution was likely driven by three main factors:

  (i) a severe liquidity shortage stemming from limited state revenues;

  (ii) treasury management practices that prioritized urgent disbursements, non-deferrable payments, and time-sensitive commitments; and

  (iii) weakened institutional capacity, which further constrained the ability to implement allocated programs effectively.

Seven Challenges to consider when financing SP in Lebanon:

Lebanon's social protection system faces a number of critical future challenges that threaten its sustainability and effectiveness. These include:

1. **Pre-crisis structural shortcomings**: Social protection spending remains skewed toward the non-poor and largely focused on social insurance, rather than broader, inclusive coverage.
2. **Inadequate financing**: Mobilizing additional resources beyond current levels is critical to counteract the erosion in coverage and benefit adequacy.
3. **Government financing gaps:** Focus need to be set on increasing the government's share in funding non-contributory schemes and reallocating resources toward the poor and vulnerable populations.
4. **Decline in active contributors:** The drop in the number of active contributors driven by rising unemployment and a shrinking formal labor market, combined with the rapid devaluation of

contributory scheme benefits, is expected to weigh significantly on the future pensions and end-of-service settlements for an aging population.

5. **High informality in employment**: It undermines the sustainability of contributory schemes and emphasizes the need to boost formal employment. Increasing the share of formal employment is critical in addressing informality and expanding the base of contributory schemes
6. **Weak institutional capacity**: Limited administrative structures hinder the state's ability to plan, implement, and finance social protection programs effectively and sustainably.
7. **Implementation of the National Social Protection Strategy**: It must proceed gradually, guided by a comprehensive and evidence-based prioritization framework that incorporates cost analysis and vulnerability assessments.

Addressing these challenges will require bold policy reforms, improved targeting mechanisms, and sustainable financing strategies to build a more inclusive and resilient social protection system.

Towards a more universal, shock-responsive, and affordable social protection systems

Grounded in the principles of relevance, coherence, efficiency, value-for-money, and sustainability, these recommendations are critical to reversing the sharp decline in Lebanon's social protection funding and addressing the significant inefficiencies highlighted by recent data. They aim to restructure and reallocate social protection spending to maximize impact and equity, ensure robust data systems guide transparent resource allocation, and strengthen the financing framework to safeguard social protection's future. As a cornerstone for stakeholder dialogue, these recommendations require thorough assessment to confirm their feasibility and to secure long-term, resilient social protection outcomes amid ongoing fiscal challenges.

1. **Expand and improve the quality of social protection data** by enhancing budget classification systems and ensuring the regular publication of comprehensive national data—covering public finance, household surveys, NSSF, mutual funds, and Official Development Assistance related to social protection. Reliable data is essential for transparent, evidence-based decision-making.
2. **Strengthen institutional capacity** across key social protection providers and funders by building expertise in budget planning, costing, data management (recording and reporting), and establishing systematic, regular budget review processes to improve accountability and efficiency.
3. **Create fiscal space** aimed at dedicating a defined portion of domestic resource mobilization efforts to augment social protection financing, ensuring sustainable and predictable funding streams.
4. **Accelerate structural reforms that enhance long-term sustainability,** including reforming public pensions, implementing the new Pension Law, rigorously costing NSPS programs and policies, developing a medium- to long-term financing strategy aligned with benefit levels, and undertaking comprehensive budget reforms.
5. **Address resistance to change** through proactive engagement and communication by launching a coordinated public campaign and collaborating early with the Ministry of Finance to evaluate affordability and forecast the social and economic impacts of increased social protection investments.