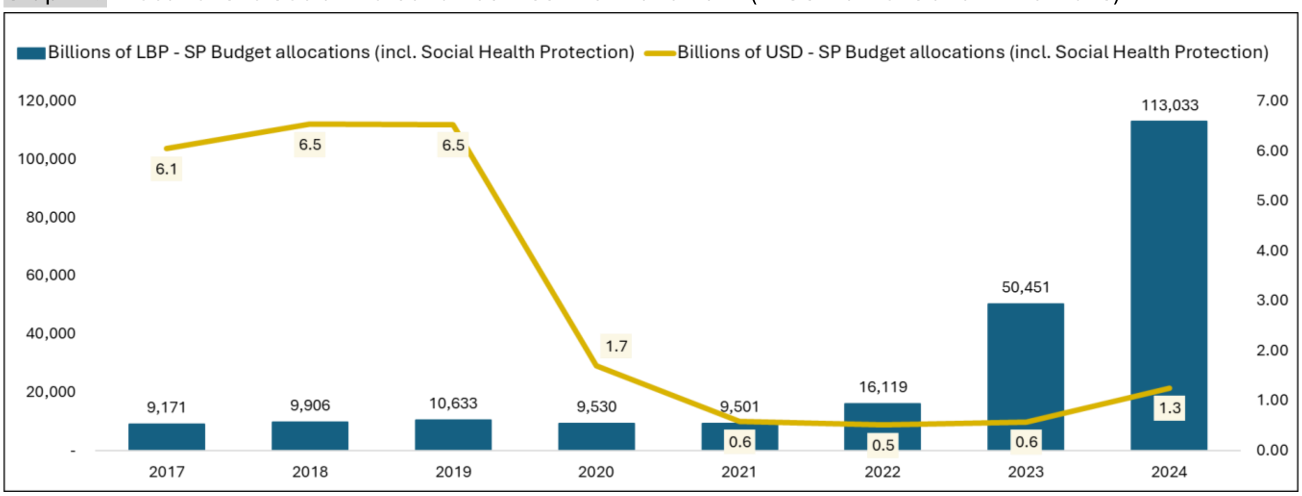
FACTS AND FINDINGS OF THE REVIEW OF GOVERNMENT SPENDING ON SOCIAL PROTECTION (2017-2024)

The Review of Government Spending on Social Protection (2017-2024) – a joint effort of the Institut des Finances Basil Fuleihan, with the technical support of ILO and UNICEF - highlights major changes to the financing of and spending on social protection programs over the past seven years. Its findings aim to inform both fiscal and social policy reforms, in addition to the State's response to the ongoing crisis and guide decisions regarding the financing and implementation of the National Social Protection Strategy. This executive brief summarizes key facts figures resulting from the analysis.

- Budgetary allocations to Social Protection (excluding Social Health Protection) increased in nominal terms from LBP 6,921 billion in 2017 to LBP 50,149 billion in 2024. However, when converted to USD, the real value[1] of these allocations contracted significantly—from approximately USD 4.6 billion in 2017 to USD 0.6 billion in 2024—reflecting a substantial erosion in real expenditure capacity over the period.
- When Social Health Protection is included, the total budgeted allocation for Social Protection rises to USD 1.3 billion in 2024 compared to USD 6.1 billion in 2017. (graph 1)

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

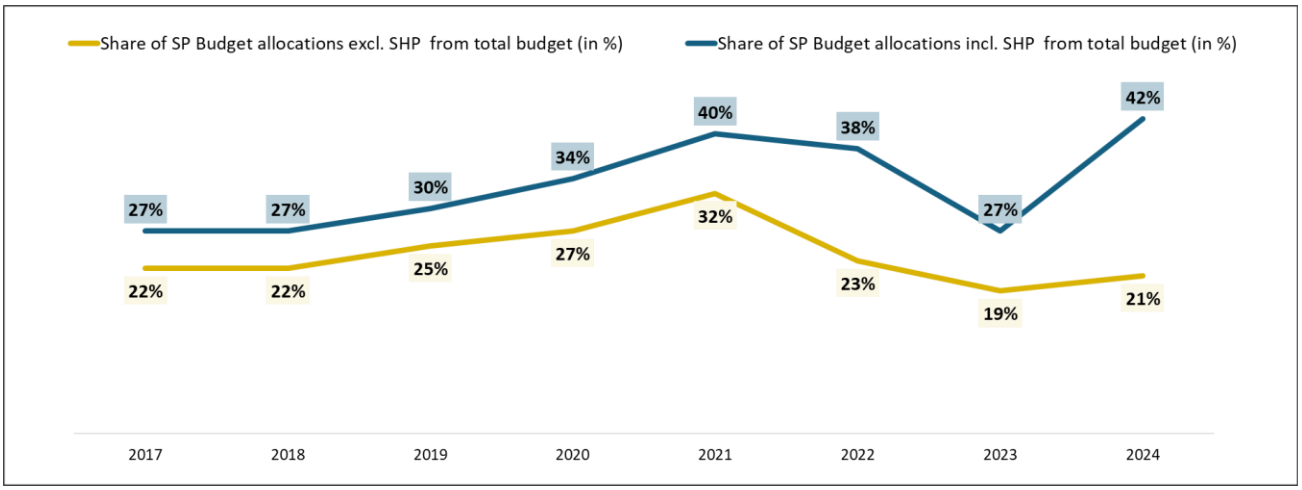


SP allocations were converted to USD based on the yearly average of daily exchange rates registered on the real market.
The total amount of SP allocations in this graph includes spending from the budget, the NSSF and the CSC, except for the year 2024 that excludes NSSF and CSC due to lack of available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

- Apart from donor financing, Social Protection is primarily financed from the public Budget, the Treasury, and the contributions collected by the NSSF and the Civil Servants Cooperative.
- In 2024, the share of Social Protection (excluding Social Health Protection) accounted for 21% of the total budget, compared to an average of 24% over the period from 2017 to 2024. When Social Health Protection is included, the share of Social Protection in the total budget increases to 42% in 2024, with the average for the period rising to 33% (graph 2).

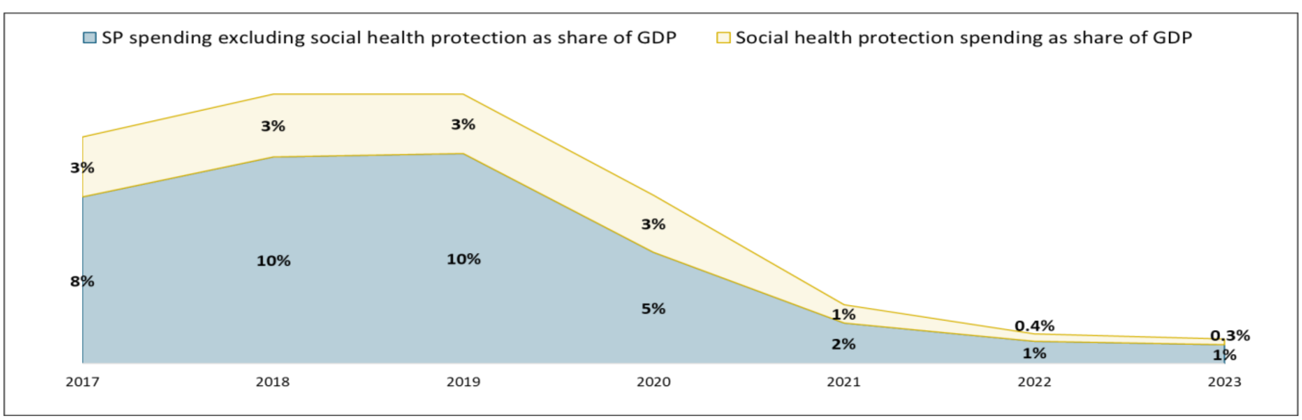
Graph 1: Size of Social Protection as Share of the Budget between 2017 and 2024



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

- In terms of GDP, the share of Social Protection (excluding Social Health Protection) accounted for 2% of the GDP in 2023, compared to an average of 6% over the period from 2017 to 2024 (graph 3).

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.

- With reference to the five pillars under the National Social Protection Strategy, most social protection spending is allocated to the social insurance pillar (57.7%). Investments in social assistance, in turn, are limited, in particular following the phasing out of subsidies (previously classified as social assistance spending) without a corresponding reallocation to other direct income support programs. (graph 4)

Graph 4: Social protection spending as per the pillars of the National Social Protection Strategy between 2017 and 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

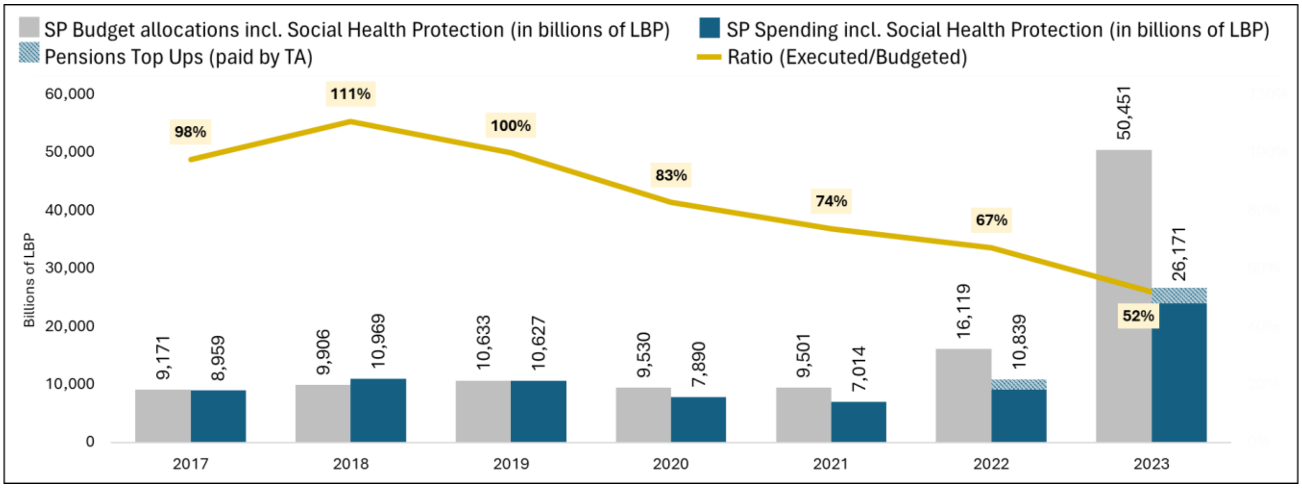
The total amount of SP allocations and spending in this graph includes allocations and spending from the budget, the NSSF and the CSC, except for the year 2024 that excludes NSSF and CSC due to lack of available data.

- The budgetary allocation to public sector pensions—including end-of-service indemnities—represents the largest component of Social Protection expenditure, averaging 11% of the total national budget and 2.1% of GDP between 2017 and 2024. Over this period, public pensions accounted for 77% of the total Social Insurance budget spending (incl. Social Health Protection), despite covering only approximately 2.5% of the population.

- When it comes to beneficiaries, the public sector has been the largest beneficiary of social protection spending in Lebanon, with the security and armed forces receiving more substantial allocations than civil servants, as reflected in both budgeted and executed expenditures.

- Spending efficiency, measured as the ratio of executed to budgeted allocations, declined markedly in the post-crisis period—reaching just 52% in 2023—compared to an average of 83% over the 2017–2023 period (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 period 2021-2023 has been marked by underspending on budgets allocated to Social Protection, likely driven by three factors: (i) a severe liquidity shortage due to limited state revenues, (ii) treasury management prioritizing urgent disbursements, non-deferrable payments, and undelayable commitments and (iii) weakened institutional capacity.

Recommendations:

Rooted in the principles of relevance, coherence, efficiency, value-for-money, and sustainability, these recommendations aim to ensure **that social protection spending is more effectively structured, allocated, and equitably disbursed; that data is available to inform resources allocation; and that the ecosystem for financing social protection is strengthened.** Serving as a foundation for discussions and consultations with relevant stakeholders, these recommendations may require further assessments to evaluate their feasibility and long-term impact.

1. **Expanding and enhancing the quantity and quality of existing data on social protection,** including the enhancement of social protection spending classification in the budget, and the regular publication of relevant national data (Public finance data, household data, NSSF data, mutual funds data, Official Development Assistance financing social protection, etc.)
2. **Strengthening the institutional capacities of key social protection providers and financers,** including developing institutional capacities in budget planning and

costing, data recording and reporting, and adopting systematic approaches for the regular conduct of budget reviews.

3. **Creating fiscal space,** including allocating a share of the domestic resources mobilization strategy to finance social protection.
4. **Speeding up the implementation of structural reforms to create synergies that would support the long-term sustainability of social protection efforts,** such as the entry into force of the Pension Law, reforming public pensions, costing the programs and policy initiatives under the NSPS and establishing a medium to long term financing strategy, based on the function and level of benefits that will be gradually provided, and conducting budget reform.
5. **Overcoming resistance to change** by launching a coordinated public communication campaign and engaging early on with the Ministry of Finance to assess the affordability and potential outcomes of increased social protection spending.