

The Collapse of Social Protection Financing in Lebanon: 2017-2024

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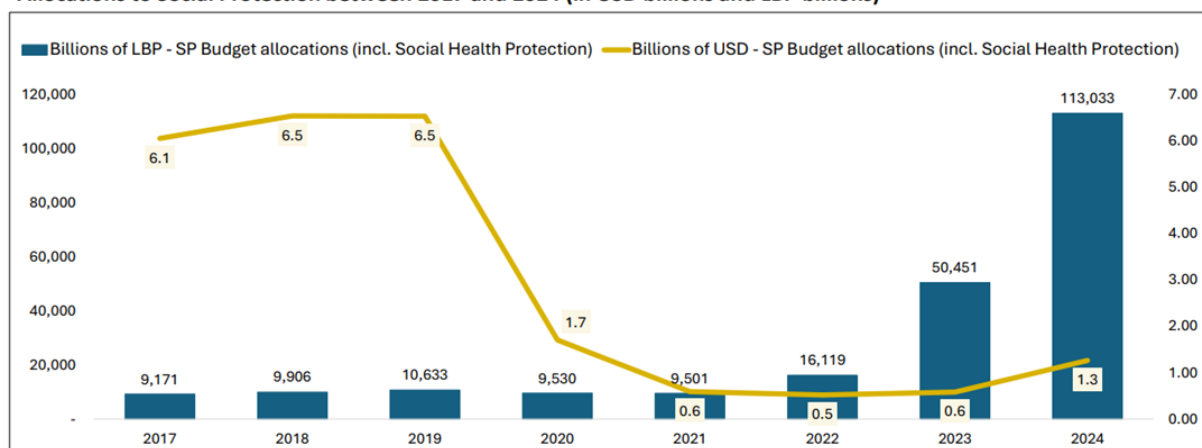
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The period between 2017 and 2024 marks a tumultuous phase for Lebanon's social protection system, characterized by macroeconomic instability, currency collapse, and rising poverty. The report by the Institut des Finances Basil Fuleihan published in July 2025 highlights critical insights into government spending on social protection, revealing systemic inefficiencies and structural imbalances that worsened during the crisis.

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



Source: Institut des Finances Basil Fuleihan

Allocations for social protection showed a striking divergence when expressed in local currency versus U.S. dollars. Between 2017 and 2024, the Lebanese pound allocations surged from LBP 9,171 billion in 2017 to LBP 113,033 billion in 2024, reflecting hyperinflation and exchange rate depreciation. In contrast, allocations in U.S. dollars collapsed from USD 6.1 billion in 2017 to only USD 1.3 billion in 2024, indicating severe erosion in real expenditure

capacity. This duality underscores how nominal increases in LBP failed to translate into actual improvements in service delivery or coverage.

The share of the total budget dedicated to social protection rose significantly, particularly when social health protection is included. By 2024, social protection constituted 42% of the total budget compared to just 27% in 2017. However, this growth was primarily driven by allocations to social health protection, overshadowing other components such as social assistance. This skewed allocation pattern highlights the limited diversification within Lebanon's social protection system, with health-related spending dominating overall priorities.

Despite rising allocations, actual spending as a share of GDP declined sharply. Social protection expenditures (excluding health) dropped from 8–10% of GDP in 2017–2019 to 1% in 2023, while social health protection similarly fell from 3% to nearly negligible levels. These figures indicate a collapse in the state's capacity to fund and execute social protection measures amid the economic crisis, severely compromising their adequacy and impact.

Execution rates reveal another dimension of fiscal weakness. While spending outturns nearly matched allocations in 2018 (111% execution), the rate plunged to just 52% by 2023. Such underperformance reflects persistent budget delays, administrative bottlenecks, and systemic inefficiencies. In LBP terms, allocations reached LBP 50,451 billion in 2023, yet actual spending was only LBP 26,171 billion, emphasizing the widening implementation gap.

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

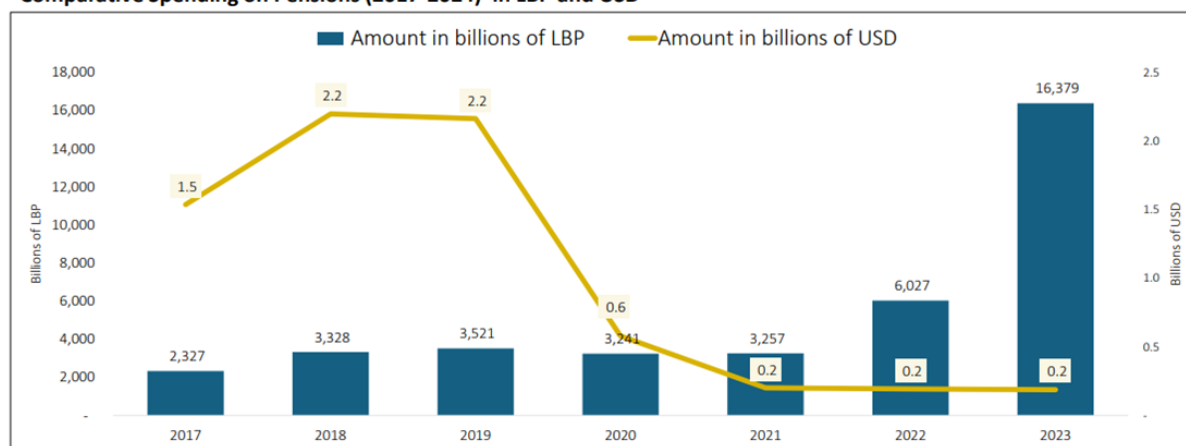
Source: Institut des Finances Basil Fuleihan

An analysis based on the pillars of the National Social Protection Strategy indicates that social insurance and financial access to health dominated expenditures, accounting for up to 72% of total spending by 2022. In contrast, critical components like social assistance and economic inclusion remained marginal, rarely exceeding 4%. This imbalance signifies a system skewed towards contributory schemes, leaving vulnerable groups inadequately supported despite escalating poverty.

Spending by lifecycle contingency illustrates how old-age benefits increasingly crowded out other priorities. By 2023, 60% of total social protection spending was directed to pensions and survivor benefits, up from 35% in 2017. Conversely, allocations for family support, disability, and maternity benefits shrank to negligible levels. This trend reflects demographic pressures, entrenched political priorities, and the absence of robust redistribution mechanisms.

The public sector remains the primary beneficiary of social protection funds. In 2024, the largest shares went to civil servants and security personnel, with security and armed forces alone accounting for 57% of allocations within this group. Poor and vulnerable populations received only a fraction of total benefits, reinforcing concerns about the regressive nature of current spending patterns.

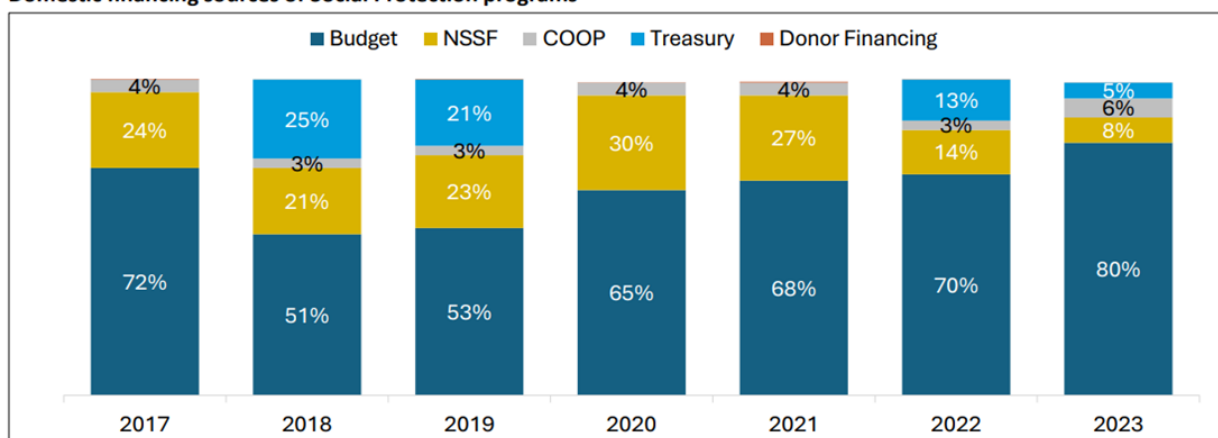
Comparative Spending on Pensions (2017-2024) in LBP and USD



Source: Institut des Finances Basil Fuleihan

Although pension spending in LBP terms skyrocketed from LBP 2,327 billion in 2017 to LBP 16,379 billion in 2023, its value in USD terms plummeted from USD 1.5 billion to just USD 0.2 billion over the same period. This collapse reflects currency depreciation and underscores the urgent need for pension reform, as benefits now represent less than 25% of their pre-crisis real value.

Domestic financing sources of Social Protection programs



Source: Institut des Finances Basil Fuleihan

The financing structure of Lebanon's social protection programs shifted significantly during the crisis years. While the state budget accounted for 72% of total domestic financing in 2017, its share increased to 80% by 2023, reflecting a heavier reliance on direct budgetary allocations. However, this rise masks a deeper problem: the overall financing pool contracted to just 9% of its pre-crisis level, meaning that despite the higher budget share, real spending capacity collapsed.

Contributions from the NSSF and COOP, once substantial, declined sharply to only 3-8% by 2023, driven by the government's failure to settle arrears and a shrinking formal labor market. Donor financing grew in importance during the peak of the crisis, but reliance on off-budget mechanisms - such as Treasury Advances, which totaled LBP 57,518 billion in 2023 with 32% allocated to social protection - proved unsustainable. Similarly, allocations from Special Drawing Rights (SDRs) provided temporary relief but were largely diverted to subsidies for wheat, fuel, and medications, which were later phased out.

Despite these shifts in financing, Lebanon's contributory social insurance schemes remain structurally fragile. Although allocations to COOP and NSSF rose exponentially after 2021 - COOP reaching LBP 13,958 billion and NSSF increasing to LBP 2,680 billion by 2024 - these increases are largely nominal, driven by hyperinflation and temporary measures rather than systemic reform. Actual spending, however, has not kept pace with the allocations, reflecting delays, liquidity constraints, and weak institutional capacity to execute budgets effectively.

Thus, the report emphasizes that Lebanon's social protection system is neither inclusive nor sustainable under the current trajectory. Existing spending is heavily distorted toward contributory schemes and public sector benefits,

leaving large gaps in coverage for the poor and vulnerable. To address these systemic deficiencies, the government must adopt a comprehensive, costed plan to implement the National Social Protection Strategy (NSPS). Expanding non-contributory schemes is critical to protect households from poverty shocks, while strengthening contributory programs through formal employment growth is essential for long-term viability.

On the fiscal front, creating space for social protection requires innovative financing solutions. The recommendations to earmark new taxes (on wealth, vacant properties, and excise items), reduce tax exemptions, and tackle illicit financial flows are crucial for mobilizing domestic resources. However, these measures must be accompanied by expenditure rationalization and the phasing out of inefficient subsidies.

Institutional reforms are equally urgent. The adoption of program-based budgeting, integrated financial information systems, and greater NSSF transparency will improve governance and accountability. Importantly, overcoming political resistance through evidence-based advocacy and public awareness campaigns is vital to build consensus for reforms, particularly around sensitive issues like pension restructuring and taxation.

In sum, Lebanon's social protection system has become increasingly fragile, with soaring nominal allocations masking severe erosion in real spending power, structural inefficiencies, and financing vulnerabilities. Without decisive reforms to improve governance, stabilize financing, and expand coverage for the most vulnerable, the system risks further collapse, deepening social and economic inequalities.

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