Alternative Financing for Universal Social Protection in the Lebanon: A Qualitative Research Synthesis

Table of Contents

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Introduction

This report presents the qualitative research findings for Lebanon within the broader Finance4All project on "Alternative Financing for Universal Social Protection in the Arab Region." The project examines how conventional, International Financial Institutions (IFI)-shaped financing mechanisms, entailing poverty-targeting, donor dependency, and a covert pattern of fiscal austerity, are interacting with decades of politico-economic dynamics to entrench fragmentation and expose the limits of existing social protection systems and their financial sustainability. The impact on vulnerable groups, including but not limited to women, children, older persons, migrants, refugees, rural communities, and informal workers, is central to the project. Finance4All is committed to open and transparent research; in keeping with that commitment to making its data publicly available, this report is a synthesis – not an analysis – of the Key Informant Interviews (KIIs) and a Focus Group Discussion (FGD) conducted for the Lebanon component of the study, alongside a thorough literature review.

The interviews were conducted with a deliberately wide range of experts whose work, taken together, spans the full terrain the project sets out to map. They include specialists in academic research on social protection and political economy; practitioners with direct institutional experience of the National Social Security Fund (NSSF) and its governance; legal experts versed in Lebanon's labor and social insurance framework; leading economists and analysts of fiscal policy, taxation, and debt with global expertise, and civil society actors and advocates working with the populations most excluded from formal coverage. This was complemented by a Focus Group Discussion with participants working directly with marginalised communities in Lebanon. This range was intentional, allowing for the synthesis to read the failures of conventional financing not as an isolated technical shortfall but through the eyes of those who study, administer, or live with its consequences.

Throughout the report, interviewees are identified by anonymized codes (e.g., KII-1, KII-2, and so on) rather than by name. The aim is to let the analytical weight of the interviews come through in the voices of the people who provided it, while organizing their insights into a coherent account. The report does not claim representativeness of findings; its value lies in the depth of information, in the convergence of independent experts on a shared diagnosis, in major differentiating inputs, and in the specificity with which they trace how financing choices affect particular groups.

The shared diagnosis sets the tone for most of what follows. The report is organized around a mapping of Lebanon's social protection landscape, an examination of how conventional financing has shaped and constrained that landscape, an assessment of alternative financing pathways, and the cross-cutting barriers that stand in their way. It opens from a single analytical premise on which the interviews converge, and which frames the chapters that follow.

The KIIs and FGD all converge on one key analytical statement: Lebanon's resource problem is not, at its core, a problem of scarcity; it is a problem of political will. Fragmentation across the NSSF, the cooperative civil servants' scheme, and dedicated sectarian funds is not incidental but politically functional, distributing social provision as a tool of patronage rather than as a universal right. Conventional financing, poverty-targeted safety nets designed and funded by the World Bank, IMF-aligned austerity absorbed covertly through currency collapse rather than announced cuts, and a regressive, poorly enforced tax system, have not merely failed to build universality; they have actively constructed the conditions that make universality harder to achieve. This means that alternative financing mechanisms, progressive taxation, debt restructuring, contributory reform, and climate finance, are, by the evidence gathered, technically feasible and internationally precedented; what stands in their way is the concentration of political and economic power in the hands of the few who benefit.

Context and Rationale

Lebanon enters the mid-2020s in a condition of layered and compounding crises. The financial collapse that began in 2019, the result of decades of mismanaged public finances, a banking system that functioned as a Ponzi scheme underwritten by the state, and a political class that consistently prioritised its own interests over institutional sustainability, has destroyed the savings, pensions, and purchasing power of a generation. The COVID-19 pandemic arrived simultaneously. The August 2020 Beirut port explosion killed hundreds, injured thousands, and displaced hundreds of thousands more. Successive waves of armed conflict in the south since October 2023, most recently in 2026, have added displacement and destruction on top of an already overwhelmed system. By any measure of poverty rates, public service functionality, currency value, and institutional capacity, Lebanon's social fabric has been torn drastically.

At the centre of this unravelling is the failure of social protection. Lebanon's social protection system remains fragmented across multiple institutions, designed to serve formal sector workers rather than the population at large, dependent on donor financing for its poorest-targeted programs, and governed by the same confessional power-sharing logic that has brought the country to its current state, leaving it been unable to absorb the shocks of the past six years. Poverty-targeted cash transfers, financed primarily through World Bank loans, reached some of the most visible poor while leaving the majority of informal workers, migrants, rural women, and newly impoverished middle-class families without any meaningful protection.

This failure is not simply a consequence of the crises but rather is part-and-parcel with the causes of these crises. Social protection systems that function as clientelistic instruments rather than universal rights-based institutions do not generate the solidarity, the trust, or the institutional capacity needed to weather compound shocks. They generate, instead, exactly what Lebanon has experienced: communities competing for scarce targeted benefits; political actors using humanitarian programs as patronage tools; populations looking abroad for remittances rather than to the state for support; and a civil society moving between project implementation and survival, with little capacity for the sustained political organising that reform requires.

The regional context matters for understanding why Lebanon's situation, while extreme, is not unique. Across the Arab region, social protection systems have been shaped by the same authoritarian bargain: services in exchange for political quiescence, and the same IFI prescription: poverty targeting as a substitute for universality, austerity as a path to fiscal credibility, and donor dependency as a permanent condition rather than a transitional arrangement. The Finance4All project's regional scope, covering Lebanon, Jordan, Tunisia, and Morocco, allows for comparative analysis of how these dynamics play out differently across contexts, and for the identification of entry points for alternative financing that are genuinely transferable across the region.

Scope

This report constitutes the qualitative component of the Finance4All Lebanon country study. It draws on a review of the existing literature on social protection financing in Lebanon and the Arab region, key informant interviews (KIIs) conducted with experts spanning academic research, institutional practice, legal expertise, civil society, and political economy analysis, and a focus group discussion (FGD) with participants working directly with marginalised communities in Lebanon.

This qualitative report is designed to complement the project's on-ground quantitative component, which consists of a nationally representative household survey capturing social protection coverage, adequacy, and financing perceptions across the Lebanese population. This report aims to provide depth on the analytical frameworks, political economy assessments, and expert and community level judgements and observations that are essential for understanding how alternative financing mechanisms could actually work in the Lebanese context.

Drawing on KIIs, our FGD, and existing literature, this report pursues three objectives. First, to briefly map Lebanon's social protection landscape as it currently exists, its institutional architecture, its coverage gaps, and the populations it systematically fails to reach. Second, to examine how conventional financing mechanisms (IFI loans, donor aid, poverty targeting, and the fiscal choices of the Lebanese state) have shaped that landscape and constrained the possibilities for reform. Third, to assess the evidence base, perceptions, and political feasibility of alternative financing mechanisms in Lebanon's context, including progressive taxation, debt restructuring, contributory system reforms, and climate finance. All three sections hope to provide a holistic and simulatenously expansive understanding that can help shape the Finane4All project's policy reccomendations and insights.

Throughout, the report maintains the Finance4All project's commitment to centering the perspectives and experiences of marginalisedd and vulnerable groups, ranging from informal workers, women, refugees and migrants, children, older persons, and communities excluded from both formal systems and humanitarian programs, not as objects of analysis but as bearers of rights whose exclusion from social protection represents both a failure and a political economy choice that must be addressed.

Lebanon's Social Protection Landscape: An Overview

Lebanon's social protection system is, by near-total consensus among experts, researchers, and practitioners, fundamentally fragmented. Rather than a unified, rights-based architecture designed to cover all residents across the life cycle, what exists is a patchwork of disconnected schemes, each serving distinct categories of the population under the custody of different ministries and institutions, with no single coordinating body bearing overall responsibility for the system. This fragmentation reflects and reproduces the country's confessional power-sharing logic, in which control over social provision is distributed across political and sectarian actors as a mechanism of patronage, loyalty, and constituency maintenance.[1] Understanding this architecture, its historical roots, and the cascading crises that have pushed it to near-collapse, is essential to the Finance4All project's central question: what alternative financing pathways exist, and what would be required to make them viable in Lebanon?

System Structure and Formal Coverage

Lebanon's social protection system operates across several parallel and largely isolated tracks. The National Social Security Fund (NSSF), established in the 1960s and modelled after the French social insurance system, remains the primary institution for private sector workers, providing health insurance, family allowances, and end-of-service indemnities. Public sector civil servants are covered under a separate cooperative

1 Al Shami, Farah. "Financing Universal Social Protection Systems in the Arab Region: What Alternatives to Debt and Austerity?" Arab Reform Initiative, Social Protection Series, 2024. https://www.arab-reform.net/publication/financing-universal-social-protection-systems-in-the-arab-region-what-alternatives-to-debt-and-austerity/

scheme, while the military, security forces, teachers, and university staff each operate under their own dedicated funds. This institutional proliferation mirrors the broader political economy of the Lebanese state, in which social provision is deliberately distributed across confessional and political actors rather than consolidated into a universal and rights-based system.[2,3]

The structural limitations of the NSSF are compounded by the governance crisis resulting from it's governance and surrounding political negotiations. The NSSF's board of directors, for example, has not been properly constituted for years, and had been blocked by the same political discourses over appointment quotas that stall most other institutional decisions in Lebanon. More critically, the Lebanese government has consistently failed to pay its legally mandated contributions to the Fund, leaving a large portion of its true public debt hidden through this omission. Moreover, the government successively pressured the NSSF to invest its accumulated reserve in Lebanese treasury bonds, an arrangement and decision that held its ground up until the 2019 financial collapse which left those bonds rendered effectively worthless.[4,5] As a result, worker and employer contributions were largely wiped out. As one senior policy expert put it, "*The real crime committed is the government hiding its real size of public debt by not paying its contribution to the National Social Security Fund.*" [6]

These governance failures cannot be separated from one of the Finance4All project's core concerns: the sustainability of social protection financing. A system whose primary social insurance institution has had its reserves effectively confiscated and lost by the state, and whose governance structure is hostage to confessional bargaining, cannot be expected to mobilise domestic resources effectively, regardless of what financing mechanisms are theoretically available. Reforming the NSSF is therefore not a secondary technical question but a prerequisite for any meaningful alternative financing agenda.[7]

The multiplicity of schemes also reflects and reinforces a fundamental political choice about who deserves protection. Arab social protection systems have historically prioritised formal sector workers and the urban middle class, not because of their level of need, but because of their political organisation and electoral salience.[8] In Lebanon,

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2 Loewe, Markus et al. "The Social Contract as a Tool of Analysis." World Development, Volume 145, 2021. https://doi.org/10.1016/j.worlddev.2020.104982

3 Cammett, Melani. "Sectarianism and the Ambiguities of Welfare in Lebanon." Current Anthropology 56, no. S11, 2015. https://www.journals.uchicago.edu/doi/pdf/10.1086/682391

4 Osmat, Bashir. "The Social Protection Program of the National Social Security Fund in Lebanon." Arab Reform Initiative, 2023. https://www.arab-reform.net/publication/social-security-in-lebanese-political-economy-a-critical-view-from-within-the-national-social-security-fund/

5 KII 7.

6 Ibid.

7 KII 2; KII 8.

8 Loewe, Markus. "Caring for the Urban Middle Class: The Political Economy of Social Protection in Arab Countries." In Social Protection in Developing Countries. Routledge, 2013. https://www.researchgate.net/publication/256063609

this logic has produced a system in which those with the most stable formal employment, union representation, and access to political patronage receive the most protection, while those with the least receive the least. Informal workers, domestic workers, agricultural labourers, rural communities, and the self-employed are structurally excluded from the contributory architecture that the system is built around.

Law 319, adopted by parliament in December 2023, represents the most significant legislative attempt to address this situation in recent decades. The law aims to transition the NSSF's end-of-service indemnity into a monthly pension scheme, moving toward a model that offers more predictable, inflation-protected income security in retirement. Several interviewees did indeed acknowledge it as a genuine step forward. The formation of a new administrative council however requires cross-sectarian agreement on appointments that has not materialised, and the government itself continues to under-declare employee wages, making it structurally contradictory to enforce on the private sector rules the state is not itself following.[9]

A number of interviewees also raised critical concerns about the pension scheme's design. Law 319 introduces an individual capitalisation model, wherein workers build their own pension accounts rather than contributing to a pooled, solidarity-based fund. This strips social insurance of its core collective principle, placing risk entirely on the individual rather than distributing it across a community of contributors. Given Lebanon's relatively young demographic profile, a solidarity-based pay-as-you-go system would in fact be actuarially advantageous. The conditions that make individual capitalisation more attractive elsewhere, namely ageing populations and shrinking workforce-to-retiree ratios, do not yet apply in Lebanon.[10]

The Impact of Compound Crises on Financing and Coverage

Whatever structural deficiencies Lebanon's social protection system carried before 2019, the years that followed transformed a fragile system into a near-dysfunctional one.

The financial collapse that began in late 2019 destroyed the savings, pensions, and insurance coverage of large portions of the population almost overnight. Currency depreciation of over 90% in real terms meant that lira-denominated social security benefits lost most of their purchasing value. NSSF health coverage became largely theoretical: by the time of fieldwork for this study, approximately 90% of hospitals had stopped accepting NSSF patients, and roughly 80% of medicines were no longer available at NSSF-referenced prices.[11]

9 Al Shami, Farah. "Recent Social Security Reforms and New Pension System in Lebanon: Interview with ILO's Rania Eghnatios and Luca Pellerano." Arab Reform Initiative, 2024. https://www.arab-reform.net/publication/recent-social-security-reforms-and-new-pension-system-in-lebanon-interview-with-ilos-rania-eghnatios-and-luca-pellerano/

10 KII 3; KII 2.

11 KII8

The COVID-19 pandemic arrived simultaneously with the financial collapse, compounding the damage across health, education, and livelihoods simultaneously. The August 2020 Beirut port explosion then devastated the capital's infrastructure and displaced hundreds of thousands of residents, triggering yet another wave of need at a moment when the state's capacity to respond had already been severely depleted. Successive waves of Israeli military operations in southern Lebanon added a further dimension of displacement and destruction, producing a compound crisis without historical precedent in Lebanon, one in which the systems that might have provided protection were already failing and fragile before the external shocks arrived.

One analyst interviewed for this study argued that the social impact of this crisis has been obscured by the manner in which it was administered. Rather than announcing explicit austerity measures, i.e. cuts to social spending, salary reductions, and removal of subsidies, the state allowed the national currency to collapse, achieving the same fiscal adjustment covertly and without democratic accountability: [12]

> "Since these things were made according to an unfair plan, in a destructive and unannounced way, the world saw it as a result of the collapse. It didn't see it as a deliberate policy that is being imposed."
>
> **— KII-6**

If fiscal adjustment is structured to be invisible, absorbed through currency collapse rather than announced spending cuts, it becomes significantly harder for civil society and affected communities to identify the causal chain, build accountability claims, or mobilise around alternative financing proposals. The Lebanese state's covert austerity has, in this sense, functioned similarly to the explicit austerity documented in regional comparators, but without the political visibility that might generate organised resistance.[13]

The dollarisation of the Lebanese economy following the collapse has created a two-tier system of access to healthcare and social services. Two interviews describe this de-facto operating logic post-collapse by highlighting how those with dollar-denominated income or private insurance can access hospitals and medications, while those relying on lira-denominated NSSF coverage largely cannot.[14] Out-of-pocket health expenditure is now estimated at approximately 85% of total health spending, one of the highest rates in the world.[15] The fiscal impact on the state's capacity to fund social provision has been

12 KII 6

13 KII 5; KII 3.

14 KII 8; KII 6.

15 KII 5. The 85% out-of-pocket expenditure figure was cited by the interviewee; it is consistent with World Bank Lebanon health expenditure data.

equally severe: public sector wages in real dollar terms have collapsed to the equivalent of forty to fifty US dollars per month for many civil servants, public hospitals operate at minimum capacity, and the Lebanese University has been reduced to symbolic instruction in most faculties.[16]

Patterns of Exclusion

Against this backdrop, the question of which groups are most systematically excluded from Lebanon's social protection system is both urgent and multidimensional. To study and examine Lebanon's social protection system through a universal and rights-based lens, understanding how alternative financing mechanisms could address the needs of those (most) marginalised is essential, and that orientation requires a clear mapping of who these groups are, and what mechanisms or structures exclude them. Several distinct yet overlapping categories emerge from the literature and interviews conducted for this study.

Informal workers constitute the largest single excluded group in numerical terms. With an estimated 60% of Lebanon's workforce operating outside the formal economy,[17] the contributory logic of the NSSF, which ties eligibility to registered formal employment, structurally excludes the majority of working people. This exclusion is self-reinforcing: workers in the informal sector often see no benefit in formalising, perceiving the cost of contributions as exceeding any return in social protection coverage, particularly given the collapse of NSSF services.[18] The result is a vicious cycle in which informality expands, the contributory base shrinks, and the financial sustainability of the system deteriorates further, a chain dynamic documented across the MENA region and acutely visible in Lebanon.[19,20]

Syrian and Palestinian refugees, numbering in the hundreds of thousands, are entirely excluded from Lebanon's formal social protection system. They have no legal access to NSSF coverage, the national poverty targeting programs, or the National Disability Allowance (NDA). Their only recourse is the humanitarian system: UNHCR, UNRWA, and the networks of international NGOs, a system that is itself contracting rapidly as global donor funding declines. One FGD participant working with vulnerable communities in peripheral areas captured the structural nature of this exclusion:

16 KII6

17 KII 8; KII 7.

18 KII 1.

19 The Centre for Social Sciences Research and Action. "International Financial Institutions Breaking Down Social Contracts in the MENA." 2022. https://civilsociety-centre.org/content/international-financial-institutions-breaking-down-social-contracts-mena-0

20 KII 1; KII 7.

> "Social protection is supposed to be like an umbrella that covers everyone. Unfortunately, if you don't have Lebanese nationality, you don't have an umbrella. So you get rained on, you get wet, you get stormed, and unfortunately, no one talks to you."
>
> **— FGD Participant**

Non-refugee migrants, particularly domestic workers employed under Lebanon's kafala sponsorship system, occupy a similarly, if not more, precarious position. Unlike refugees, they are not covered by UN humanitarian mechanisms; unlike Lebanese informal workers, they have no legal right to organise; and unlike other excluded groups, they have almost no institutional advocacy voice within Lebanon's political system beyond the civil-society organizations carrying minimal advocacy for them.[21]

Gender constitutes another significant axis of exclusion, operating both within the formal and informal system. The household-based structure of programs like the ESSN and the National Poverty Targeting Program channels benefits to the designated 'head of household', a category that in Lebanon most commonly identifies the adult male, in ways that can reinforce rather than mitigate intra-household inequalities.[22] From a human rights standpoint, the right to social security is an individual entitlement, not a household allocation; targeting at household level structurally disadvantages women, particularly those in situations of domestic vulnerability. Family compensation, a monthly child benefit legally required to be paid by employers, is also routinely withheld in practice, with women and children bearing the cost of non-compliance and a non-functional judiciary providing no effective resolution.[23] These gendered dynamics naturally carry over to individuals with non-normative gender identities, expressions, and sexualities, who too often find themselves excluded, by intention or consequence, from household allocations and affiliations, and hence remain excluded just the same.[24]

The gendered dimensions of exclusion are further compounded in rural areas. FGD participants and several interviewees noted that awareness of existing programs is significantly lower among women in peripheral areas than in urban centres, partly because program databases have historically been populated through municipal and political networks from which many women are structurally absent, and partly because

21 KII 3; FGD Participant 2.

22 KII 1; FGD. The household-based targeting critique was raised independently by both the academic interviewee and community-level FGD participants, reflecting its visibility across different levels of analysis.

23 KII 8.

24 FGD Participant 1.

the stigma attached to registering for assistance functions as a more powerful deterrent in close-knit rural communities.[25,26]

Children too represent a politically neglected group within Lebanon's social protection architecture. As one interviewee observed, the pension system has historically absorbed the bulk of social insurance attention, partly because older workers have union representation and electoral voice, and partly because the NSSF's institutional history is built around retirement and end-of-service provisions. Children, who cannot vote and have no organised political constituency, receive comparatively little dedicated attention.[27] The case for a universal child grant, raised by several interviewees as both feasible and high-impact, has not advanced meaningfully in Lebanese policy discussions, reflecting the political economy logic that prioritises visible electoral returns over human rights-based coverage.

Finally, a newly significant excluded category has emerged from the post-2019 crisis: the formerly middle-class private sector employee. This group, individuals who held formal jobs, paid NSSF contributions, and maintained modest savings, has been devastated by the financial collapse and the erosion of their purchasing power. They do not qualify for poverty-targeted programs by the criteria used, but they are increasingly unable to meet basic needs. Many in this group face what one interviewee described as a mental barrier to accessing NGO or humanitarian assistance: years of moderate economic stability have made dependence on charitable provision feel incompatible with their sense of dignity and social identity.[28] They are falling through a gap between a formal system that no longer functions and a humanitarian system designed for a different population entirely.

Taken together, these patterns of exclusion reveal a social protection landscape that is not merely underfunded but structurally misaligned with the population it is expected to serve. The system was designed for a labour market and political economy that no longer exist, one in which formal private sector employment was the norm, the state was a reliable actor, and contributions could be safely invested in domestic financial instruments. All three of those assumptions have been invalidated by the events of the

25 The Centre for Social Sciences Research and Action. "The Precarity Gender Gap and Non-Institutional Forms of Solidarity in Social Protection in Lebanon." Civil Society Centre, 2023. https://civilsociety-centre.org/content/precarity-gender-gap-and-non-institutional-forms-solidarity-social-protection-lebanon-0

26 Younes, Miriam. "Solidarity as Resistance: Multidimensional Fears, Vulnerabilities and Coping Mechanisms Among Women Leading Households in Lebanon." CESSRA, 2023. https://civilsociety-centre.org/resource/solidarity-resistance-multidimensional-fears-vulnerabilities-and-coping-mechanisms-among

27 KII 1.

28 KII 5; KII 6. The 'new vulnerable middle class' was identified independently by both interviewees as a category invisible to both formal systems and humanitarian programs.

past decade.[29,30] As one analyst has argued, what Lebanon needs is not incremental adjustment to elite welfare but a fundamental shift toward common welfare, social protection that is genuinely for and governed by the people it serves.[31]

The Impact of Conventional Financing on Social Protection

The previous section briefly mapped the architecture of Lebanon's social protection system and the populations it fails to reach. This section hence aims to examine the financial logic that sustains that architecture, and analyzes the ways in which conventional financing mechanisms have actively constrained the possibility of more universal and sustainable financing schemes. In Lebanon, three interlocking dynamics were identified by interviewees that define the conventional financing landscape: the dominance of IFI-shaped poverty targeting and donor dependency; a fiscal policy environment that has produced austerity by stealth; and a tax and structurally weak contributory system that generates neither adequate revenue nor public trust. Each of these dynamics reinforces the others, producing a self-sustaining cycle of misaligned under-investment.

The World Bank, the IMF, and the Architecture of Poverty Targeting

The single most consequential external influence on Lebanon's social protection system in recent decades has been the World Bank's promotion of poverty-targeted safety nets as the dominant model for social assistance. Importantly, this is not a Lebanon-specific phenomenon, rather it reflects a region-wide and indeed global pattern in which the Bank has positioned cash transfers as the primary tool for addressing poverty, backed by expensive social registries built on proxy means testing algorithms.[32,33] In Lebanon, this influence has been direct and material: the World Bank funded the Emergency Social Safety Net (ESSN), now known as AMAN, effectively designing and financing the country's primary social assistance architecture with limited government ownership and no sustainable domestic financing plan.[34,35]

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29 Lanchovichina, Elena. "Eruptions of Popular Anger: The Economics of the Arab Spring and its Aftermath." The World Bank, 2017. https://documents1.worldbank.org/curated/en/251971512654536291/pdf/121942-REVISED-Eruptions-of-Popular-Anger-preliminary-rev.pdf

30 Roman, Howaida Adly. "A Guide to Universal Social Protection in the Arab Region." Arab Reform Initiative, 2023. https://www.arab-reform.net/publication/a-guide-to-universal-social-protection-in-the-arab-region-challenges-and-opportunities/

31 Mezher, Jad. "Lebanon Needs to Shift from Elite Welfare to Common Welfare." Arab Reform Initiative, 2023. https://www.arab-reform.net/publication/lebanon-needs-to-shift-from-elite-welfare-to-common-welfare/

32 Al Shami, Farah. "Financing Universal Social Protection Systems in the Arab Region: What Alternatives to Debt and Austerity?" Arab Reform Initiative, 2024. https://www.arab-reform.net/publication/financing-universal-social-protection-systems-in-the-arab-region-what-alternatives-to-debt-and-austerity/

33 Radwan, Tarek. "The Impact and Influence of International Financial Institutions on the Economies of the Middle East and North Africa." Friedrich Ebert Stiftung, 2020. https://library.fes.de/pdf-files/bueros/tunesien/16107.pdf

34 KII 1

35 KII 1; KII 7. Both interviewees independently noted the World Bank's role in designing and funding the the ESSN.

The implications of this model for this project and its agenda are significant. A social protection system financed through World Bank loans is, by definition, not domestically owned or sustainably financed. When the loan cycle ends, or when donor priorities shift, the program ends, returning beneficiaries to zero, as one interviewee described it, rather than graduating them from poverty into a more secure position.[36] More fundamentally, this donor-financed targeted program creates no institutional infrastructure for universality. It does not build the administrative systems, the revenue base, the political ownership, or the public trust that a rights-based universal system requires. It substitutes for these things rather than building toward them which is precisely why, as the global evidence reviewed demonstrates,[37] targeted programs almost never expand naturally into universal ones.[38]

The World Bank's influence has also shaped the narrative environment in which Lebanese policymakers operate. Multiple interviewees observed that the dominant framing that limited resources must be targeted at the most vulnerable, that universality is unaffordable, and that poverty registries are a technical improvement rather than a political choice has been so thoroughly internalised by Lebanese technocrats that it functions as common sense rather than ideology.[39,40]

The concept of 'cheap social policies, reforms that appear inclusive but are designed to minimise redistribution and avoid challenge to existing power structures[41], is directly applicable to Lebanon's experience. The ESSN is not a path to universal social protection; it instead fills a role of a political technology for managing social discontent during crisis while preserving the structural conditions that produce that crisis. It provides donors with evidence that resources are reaching the vulnerable, provides the Lebanese state with an alibi of social concern, and provides affected populations with just enough to remain politically dormant, while changing nothing about the underlying distribution of wealth and power.

The IMF's role in Lebanon has been different in mechanism but convergent in effect. Lebanon has not had a formal IMF program, meaning the Fund's influence has operated primarily through the negotiation process, i.e. the threat and promise of a program rather than its conditionality.[42] Nevertheless, the IMF's consultations have consistently recommended fiscal consolidation, subsidy rationalisation, and public sector wage

36 KII 1

37 Kidd, Stephen et al. "Affordable and Feasible Pathway to Universal Social Security." Development Pathways, 2023. https://www.developmentpathways.co.uk/wp-content/uploads/2023/06/Affordable-and-feasible-pathway-to-universal-social-security.pdf

38 KII 4.

39 KII 3

40 KII 7.

41Eibl, Ferdinand. "Squaring the Circle: 'Cheap Social Policies' in the Middle East." POMEPS Studies 31, 2018. https://pomeps.org/squaring-the-circle-cheap-social-policies-in-the-middle-east

42 KII1.

restraint, and the Lebanese government has at various points acted in alignment with these recommendations, not due to any formal requirement, but because demonstrating fiscal discipline to the IMF was a prerequisite for accessing any future program or signalling creditworthiness.[43],[44]

This dynamic produced one of the most striking observations from this study's interviews: that the Lebanese government was generating primary budgetary surpluses during the height of its financial and social crisis, cutting public spending to demonstrate fiscal discipline at precisely the moment when social expenditure was most urgently needed. One interviewee described this as 'borderline criminal':[45]

> "In Lebanon, since the collapse of 2019, even in the last two or three years, you had a budgetary surplus. The government was making a budgetary surplus at a time when you were in a very big financial and social crisis. It's borderline criminal."
>
> — **KII-3**

What makes this dynamic particularly relevant to this project is that it reveals the surplus as a political choice rather than a fiscal necessity. Multiple interviewees were explicit that the government is collecting revenues and accumulating reserves in the Central Bank, while publicly claiming to have no funds available for social protection, wages, or public services.[46] Most important is that the argument that Lebanon cannot afford to finance social protection differently is not a neutral fiscal assessment, it is a political claim that serves specific interests and hence requires direct challenge.

Donor Dependency, National Ownership, and the Sustainability Trap

The reliance on donor financing for social assistance in Lebanon creates a structural problem that goes beyond the immediate question of funding levels. When social protection programs are financed through World Bank loans or bilateral donor grants, the Lebanese state is not functioning as a social protection provider, it is functioning as an implementing partner for external actors' development priorities. This distinction

43KII 6.

44 KII 3; KII 5. Both interviewees described the government's primary surplus policy as serving the signalling function of demonstrating fiscal discipline to the IMF rather than reflecting genuine resource scarcity.

45 KII 3. The interviewee used the term 'borderline criminal' specifically in reference to the Lebanese government generating primary surpluses during the height of the financial and social crisis.

46 KII 6; KII 5. Both interviewees independently described the dynamic of the government collecting revenues and accumulating surpluses while publicly claiming insufficient funds for social spending.

matters enormously for a sustainable financing future. Financing alternatives cannot be built on a foundation of programs that are owned, designed, and financed externally.[47],[48]

Several dimensions of this dependency were consistently highlighted across interviews. First, donor-financed programs are inherently time-bound and contingent on funding renewal, a vulnerability that was illustrated when various programs faced interruption or reduction during the 2019-2023 crisis period, precisely when demand for social assistance was at its peak. Second, the design of donor-financed programs reflects donor priorities and institutional preferences rather than nationally determined social protection objectives. For example, the World Bank's preference for proxy means testing, its investment in social registry infrastructure, and its conditionality around targeting criteria, all represent choices made by the funder, not by the Lebanese state, and they shape the system in ways that outlast any individual program.[49]

Third, and arguably most consequential, donor-financed programs actively crowd out the political will for domestically financed alternatives. When the World Bank is paying for social assistance, the Lebanese state has no fiscal or political incentive to develop its own financing mechanisms. The availability of external funding reduces the urgency of tax reform, contributory system expansion, and budget reallocation, even as it simultaneously justifies those reforms by pointing to their necessity. One interviewee captured the institutional logic with particular clarity:[50]

> "If you look at the poverty targeted programs, they are all donor funded, heavily influenced by the World Bank. And the concern is that this also shapes design and outcomes. Taking national ownership is important because political groups have to really buy in to the programs, care about them — and also to [be able to] address the inequality, because if you collect revenue progressively, the inequality-reducing impact is much larger."
>
> **— KII-1**

The experience of the National Disability Allowance (NDA) is instructive as a counterexample. The NDA is a quasi-universal program financed in part from the national

47 World Bank. "Lebanon Public Finance Review: Ponzi Finance?" Washington DC, 2022. http://hdl.handle.net/10986/37824

48 The Centre for Social Sciences Research and Action. "International Financial Institutions Breaking Down Social Contracts in the MENA." Civil Society Centre, 2022. https://civilsociety-centre.org/content/international-financial-institutions-breaking-down-social-contracts-mena-0

49 Human Rights Watch. "IMF/World Bank: Targeted Safety Net Programs Fall Short on Rights Protection." Human Rights Watch, 2022. https://www.hrw.org/news/2022/04/14/imf/world-bank-targeted-safety-net-programs-fall-short-rights-protection

50 KII 1. The interviewee directly noted that more universal programs such as the NDA were developed outside World Bank involvement, primarily with ILO and EU funding.

budget, was developed outside World Bank involvement, primarily with ILO and EU support. Its COVID-era scale-up, which briefly extended a one-off payment to all registered disability cardholders, demonstrated what a more universally oriented program can achieve when it has national ownership and a clear, simple eligibility criterion. Multiple interviewees pointed to the NDA as evidence that the Lebanese state is capable of moving toward universality when external pressure toward targeting is absent.[51] The fact that it was built without World Bank involvement helps suggest that the path toward domestically financed universal social protection may require, at least in part, reducing rather than increasing IFI engagement in program design.

Fiscal Space, Taxation, and Austerity by Stealth

The fiscal conditions under which Lebanon's social protection system operates are among the most constrained in the region, but the constraints are not, the fieldwork for this study suggests, primarily the result of genuine resource scarcity. They are the result of a tax system that is both inadequate in yield and deeply regressive in structure, compounded by a pattern of public spending that consistently prioritises servicing debt and protecting capital interests over investing in social protection.[52],[53]

Lebanon's tax-to-GDP ratio, estimated at around 15-16$ before the 2019 crisis, is significantly below the regional average and well below the levels that would be required to finance a universal social protection system.[54] More critically, the composition of tax revenues is heavily weighted toward indirect taxes (value added taxes, customs duties, and excises) which fall disproportionately on lower-income households that spend the largest share of their income on consumption. Direct taxes on income and wealth contribute comparatively little, partly because of low tax rates, partly because of extensive exemptions and incentives for the corporate sector, and partly because of endemic tax evasion that the state has historically lacked both the capacity and/or the will to address.[55]

Several interviewees pointed to the enforcement gap as the most immediately addressable fiscal failure. Tax evasion in Lebanon is not majorly a sophisticated offshore arrangement requiring complex international cooperation, it is, in many cases, simply a matter of employers declaring wages to the Ministry of Finance at different levels than

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51 KII 1; KII 5. Both interviewees pointed to the NDA as evidence that the Lebanese state is capable of moving toward universality when external pressure toward targeting is absent.

52 Ortiz, Isabel et al. "Fiscal Space for Social Protection: A Handbook for Assessing Financing Options." UNWOMEN and International Labour Organization, 2019. https://www.social-protection.org/gimi/Media.action?id=16957

53 Oxfam International. "The Middle East and North Africa Gap: Prosperity for the Rich, Austerity for the Rest." Oxfam International, 2023. https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621549/bp-mena-gap-prosperity-for-the-rich-austerity-for-the-rest-051023-en.pdf

54 UN-ESCWA. "Tax Reforms in the Arab Region: Assessing Equity, Efficiency and Progressivity toward Mobilizing Domestic Resources." UNESCWA, 2023. https://www.unescwa.org/node/45079

55 KII 8; UN-ESCWA. "Tax Reforms in the Arab Region: Assessing Equity, Efficiency and Progressivity toward Mobilizing Domestic Resources." UNESCWA, 2023. https://www.unescwa.org/node/45079

those declared to the NSSF, or companies operating without any formal registration at all. Technical solutions such linking Ministry of Finance and NSSF databases are straightforward; the political will to implement them has however been absent, because the employers and commercial interests that benefit from evasion are the same actors whose political support the ruling class depends on.[56]

The government's own severing of the link between NSSF contributions and the minimum wage is a particularly revealing example of how fiscal choices actively undermine the contributory system. When the minimum wage was de-indexed from NSSF contribution rates, the government effectively chose to protect employer costs at the expense of the Fund's revenue base, a choice that, as one interviewee calculated, has reduced NSSF income to a fraction of what it would be if the link were restored.[57] Such a technical decisions reflects a political economy in which employer interests systematically outweigh the interests of workers and social insurance sustainability.

The regressive character of Lebanon's fiscal system is further compounded by the distributional impact of the 2019 financial collapse. The collapse functioned, in effect, as a massive regressive wealth transfer: small depositors, pension savers, and public sector workers lost the value of their savings and wages, while large depositors and politically connected elites were better positioned to move assets abroad or into dollar-denominated instruments before the crash.[58],[59] The result is that Lebanon now has both greater wealth concentration at the top and greater fiscal constraint at the bottom, precisely the combination that makes alternative financing most necessary and most politically difficult.

Against this backdrop, one interviewee's framing of the primary surplus as a political performance becomes analytically central. If the state is demonstrating fiscal discipline to external creditors by not spending money it has collected, then the argument that Lebanon cannot afford to finance social protection differently is empirically false, and the advocacy interventions and efforts have and must continue to focus on making that falseness visible.[60]

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56 KII 6; KII 8. Both interviewees raised the minimum wage/NSSF contribution link as a specific and concrete example of how the government's own fiscal choices undermine the contributory system it purports to support.

57 KII 8. The interviewee described in detail how the government severed the minimum wage link from NSSF contributions, effectively reducing Fund revenues to protect employer costs.

58 World Bank. "Lebanon Public Finance Review: Ponzi Finance?" Washington DC, 2022. http://hdl.handle.net/10986/37824

59 KII 5.

60 KII 6. The interviewee argued that making the government's unspent surpluses publicly visible is among the most important advocacy interventions available to civil society.

> "There is money that we are getting but we are not spending it. The starting point is to spend what we are looking at, because there is funding. Let it be half of the existing expenses, because this is something you can do now."
>
> **— KII-6**

Perceptions of Conventional Financing

The perceptions of conventional financing models held by interviewees and FGD participants for this study reveal a striking convergence across very different professional and lived positions. Whether speaking from academic research, institutional expertise, legal practice, community organising, or economic analysis, interviewees consistently described the current financing model as not merely inadequate but actively harmful, operating a system that reproduces the conditions it claims to address.

The most frequently recurring theme was the distinction between the IFIs' stated commitments and their operational behavior. The World Bank committed to universality in 2015 through the Universal Social Protection 2030 initiative co-launched with the ILO, and has more recently made public commitments to rights-based approaches in social protection.[61] Yet the programs it funds in Lebanon, Aman/formerly the ESSN, the social registry, the proxymeans testing infrastructure, are operational opposites to universality. As one interviewee put it, when this contradiction was raised with World Bank counterparts, the response was acknowledgment without action.[62]

> "We present [the World Bank] the evidence, we show them the issues, and they're like, 'we know, but we still take this approach.' If everybody knows the system doesn't work but nobody has interest in changing it, it makes it so much harder."
>
> **— KII-1**

A different but complementary perspective emerged from interviewees with closer experiences and proximity to the IFIs. Two participants, despite being critical of the current social protection financing model, argued that IFI engagement, particularly IMF

61 KII 1. The interviewee explicitly raised the IMF's Universal Social Protection 2030 initiative (co-launched with the ILO) as evidence of rhetorical commitment to universality, while arguing that country-level programs continue to prioritise targeting.

62 Ibid.

conditionality, has in some respects been more progressive than Lebanese government policy on questions like banking sector reform and fiscal transparency.[63],[64] This divergence in stakeholder perceptions reflects a genuine complexity: the IFIs are not monolithic actors, and their influence in Lebanon is mediated by the specific political economy of each reform area. On social protection design and financing, their influence has been predominantly regressive; on banking sector accountability and fiscal governance, their pressure has at times pushed in directions that could create more fiscal space for social spending.

Among community-level FGD participants, the IFI-policy linkage was largely invisible, not because it is unimportant, but because the causal chain between international financing decisions and household-level deprivation is too long and too obscured by the covert character of Lebanon's austerity to be visible from the ground.[65] Participants described their communities as living with the consequences of these decisions without the analytical tools or institutional access to trace them back to their sources. This gap between the policy level at which financing decisions are made and the community level at which their effects are felt is itself a marked governance failure.

What emerges from this cross-level analysis is that conventional financing in Lebanon has not only failed to produce universal social protection, but it has actively constructed the conditions that make universal social protection harder to achieve. Donor dependency has reduced national ownership; poverty targeting has prevented universality; fiscal austerity has constrained spending; regressive taxation has limited revenue; and the narrative dominance of IFI frameworks has made alternatives seem utopian rather than achievable. Breaking this cycle requires not just identifying alternative financing mechanisms but directly challenging the political economy logic that has made conventional financing seem like the only option.[66],[67]

Alternative Financing Mechanisms: Evidence, Perceptions, and Feasibility

The Finance4All project begins from a premise that both the regional literature and the fieldwork conducted for this study have consistently affirmed: alternative financing

[63] KII 7. The interviewee argued explicitly that IMF conditionality, despite its neoliberal reputation, has been more progressive than Lebanese government policy in several respects, particularly on banking sector reform and debt distribution.

[64] KII 2. The interviewee argued that IFI involvement, while imperfect, has been an important external pressure for reform in Lebanon, a view shared by KII 7 but contested by KIIs 1 and 3.

[65] FGD Participants 1 and 2. Both participants described communities as experiencing the consequences of financing decisions without being able to trace them back to their institutional origins.

[66] Loewe, Markus et al. "The Social Contract as a Tool of Analysis." World Development, Volume 145, 2021. https://doi.org/10.1016/j.worlddev.2020.104982

[67] Lanchovichina, Elena. "Eruptions of Popular Anger: The Economics of the Arab Spring and its Aftermath." The World Bank, 2017. https://documents1.worldbank.org/curated/en/251971512654536291/pdf/121942-REVISED-Eruptions-of-Popular-Anger-preliminary-rev.pdf

mechanisms for universal social protection are numerous, they are grounded in international evidence, and the primary obstacles to their adoption in Lebanon are political rather than just technical or financial.[68],[69] This section examines four categories of alternative financing: progressive taxation and domestic resource mobilisation; debt restructuring; contributory scheme reform; and climate finance. These four categories are preliminary avenues of exploration adopted in this report, drawing on both the literature and on the perceptions, assessments, and reservations expressed by interviewees. Moreover, we aim to bring in an analysis of the intersecting barriers that affect financing alternatives, helping highlight them as areas of interest to address through actionable and feasible policy recommendations.

Progressive Taxation and Domestic Resource Mobilisation

Across the literature and across virtually every interview conducted for this study, progressive taxation and domestic resource mobilisation emerged the financing alternative with the most urgency, potential for impact, and feasbility within Lebanon. The argument extracted from our qualitative studies is as follows: Lebanon collects too little revenue, collects it regressively, and enforces what it collects incompletey. Adressing any one of these three aspects of failure would help generate significant additional fiscal space, while addressing all three together would transform the financing landscape for social protection.[70]

Lebanon's tax-to-GDP ratio of approximately 15-16% is among the lowest in the region and well below what peer economies collect.[71] This composition of reveneues is heaviles weighted toward indirect taxies that fall disproprotionately on lower-income households. Direct taxes on income and corporate profits contribute far less than their statuory rates would suggest, largely due to a combination of extensive exemptions and incentives, overlapping loopholes, and a pervasive culture and practice of evasion. Oxfam's analysis suggests that simply a 5% wealth tax on individuals with fortunes above $5 million in Lebanon alone would contirbute meaningfully to a combined $10 billion in regional revenues across Lebanon, Egypt, Jordan and Morocco. Particularly for Lebanon, these funds could help increase combined health and edcuation spending an estimated sevenfold.[72]

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[68] Al Shami, Farah. "Financing Universal Social Protection Systems in the Arab Region: What Alternatives to Debt and Austerity?" Arab Reform Initiative, 2024. https://www.arab-reform.net/publication/financing-universal-social-protection-systems-in-the-arab-region-what-alternatives-to-debt-and-austerity/

[69] Ortiz, Isabel et al. "Fiscal Space for Social Protection: A Handbook for Assessing Financing Options." UNWOMEN and International Labour Organization, 2019. https://www.social-protection.org/gimi/Media.action?id=16957

[70] Ibid.

[71] UN-ESCWA. "Tax Reforms in the Arab Region: Assessing Equity, Efficiency and Progressivity toward Mobilizing Domestic Resources." UNESCWA, 2023. https://www.unescwa.org/node/45079

[72] Oxfam International. "The Middle East and North Africa Gap: Prosperity for the Rich, Austerity for the Rest." Oxfam International, 2023. https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621549/bp-mena-gap-prosperity-for-the-rich-austerity-for-the-rest-051023-en.pdf

Interviewees were consistent in identifying the enforcement gap as the most immediately addressable fiscal failure, as opposed to the rate structure. One expert described the administrative solution as almost “embarrassingly simple”, proposing linking the Ministry of Finance database with NSSF records to identify employers declaring different wage levels to each institution, imposing formal penalties for non-declaration, and restoring the severed link between NSSF contributions and the minimum wage.[73],[74] Another interviewee noted that new port and border security measures introduced in 2024 for security-related reasons had incidentally raised customs revenues by approximately 80%, providing evidence that enforcement, not rates, is the primary constraint on revenue collectionn in Lebanon.[75]

Beyond such enforcement, several specific tax insturments were identifies by intnerviewees as both viable and high-impact. Income tax reform, which would innclude increasing both the number and progressivity of tax brackets, indexing those brackets to inflation, and ensuring corporate income tax rates approach statutory rates, were consistently raised as a priority by multiple innterviewees.[76],[77]

Property taxes, particularly on vacant properties and on the undervalued maritime properties that have been allocated to private interests below market rates, were cited as untapped revenue sources with the additional benefit of addressing speculative real estate dynamics that have contributed to housing unaffordability.[78] Sin taxes on tobacco and alcohol were mentioned by several interviewees as relatively easy to implement, though with caveats about the need to balance revenue generation against the risk of increasing smuggling in Lebanon's porous border.[79]

The digital economy and gig platform workers were raised by multiple interviewees as an increasingly significant gap in both the tax base and the contributory system.[80] Companies like Uber, Toters, and other food delivery platforms classify workers as independent contractors rather than employees, avoiding social security contributions and income tax withholding obligations. As Lebanon's formal employment base shrinks and more economic activity migrates to informal digital platforms, this gap will grow unless specifically addressed. Taxing digital services and closing the misclassification

[73]KII 1

[74]KII 8. The interviewee proposed specific mechanisms: a levy on companies and institutions that use informal labour, forcing them to appear on Ministry of Finance screens and begin declaring, and restoration of the NSSF contribution link to the minimum wage.

[75]KII 6.

[76]KII 1

[77]KII 6

[78] UN-ESCWA. "Tax Reforms in the Arab Region: Assessing Equity, Efficiency and Progressivity toward Mobilizing Domestic Resources." UNESCWA, 2023. https://www.unescwa.org/node/45079

[79]KII 5.

[80]KII 1. The interviewee described gig economy and digital platform workers as an undertaxed and under-contributing group, noting research on how much US states lose annually in unemployment insurance contributions from misclassified platform workers as an analogy for Lebanon's own informal digital economy.

loophole would simultaneously expand the tax base and the contributory base for social insurance.[81]

The global context is also relevant here. The ongoing UN negotiations on a Framework Convention on International Tax Cooperation, which would establish binding obligations on multinational corporations and address the structural advantages that tax havens provide to large capital, create an external momentum that Lebanon could align with.[82],[83] As a small, open economy with a historically large financial sector and significant corporate presence, Lebanon has both interests in and leverage over international tax governance conversations. Positioning Lebanon as a beneficiary and advocate of global tax reform would not only potentially increase domestic revenues but would also shift the political economy of the taxation debate, making it harder for domestic elites to sustain the current system of exemptions and evasion by pointing to its inconsistency with international commitments Lebanon has publicly endorsed.[84]

Mongolia's experience of financing a universal child benefit through a small corporate export tax, cited by one interviewee and documented in the Development Pathways literature[85], is particularly instructive as a proof of concept. It demonstrates that creative, sector-specific taxation can finance universal social protection even in resource-constrained contexts, and that the political economy of such reforms can be navigated when the benefit is universal, visible, and directly connected in public discourse to the tax that funds it. Lebanon's renewable energy sector, its maritime economy, and its telecommunications infrastructure all represent potential bases for sector-specific revenue instruments, though their political feasibility would require careful assessment and enforcement.[86]

Debt Restructuring as a Pathway to Fiscal Space Expansion

Lebanon defaulted on its sovereign debt in March 2020, the first sovereign default in the country's history, and has since been in a prolonged and unresolved negotiation process with creditors. The absence of a debt restructuring agreement is widely understood as one of the primary obstacles to macroeconomic stabilisation and to any IMF program that might unlock additional financing. But debt restructuring is also a potential source of fiscal space for social protection if the savings generated from reduced debt service

[81] KII 4.

[82] KII 1. The interviewee specifically raised the UN global tax convention negotiations as a timely opportunity for Lebanon to position itself as a beneficiary of global corporate tax reform.

[83] UN-ESCWA. "Arab Policy Choices and Financing Opportunities in a New World Tax Order." UNESCWA, 2022.

[84] KII 1. The interviewee argued that positioning Lebanon within international tax reform conversations would make it harder for domestic elites to justify the current exemption and evasion system.

[85] KII 4. The interviewee cited Mongolia as a concrete proof-of-concept: a universal child benefit financed by a small corporate export tax, launched in a low-income country context, demonstrating that creative domestic financing of universal programs is not a high-income-country luxury.

[86] Ortiz, Isabel et al. "Fiscal Space for Social Protection: A Handbook for Assessing Financing Options." UNWOMEN and International Labour Organization, 2019. https://www.social-protection.org/gimi/Media.action?id=16957

are to be directed toward social spending rather than absorbed into financial sector compensation.[87]

The regional and global literature on debt restructuring as a social protection financing mechanism is consistent on several points. Debt restructuring that reduces the stock of obligations and lowers interest payments frees fiscal resources, ones that could be redirected to social spending. This redirection is most politically defensible, and most resistant to reversal by creditors, when the freed resources are explicitly earmarked for social purposes: pensions for the elderly, benefits for people with disabilities, child grants, etc. The argument that social spending financed by debt relief cannot be clawed back by financial creditors is both normatively powerful and practically useful in negotiations.[88]

Multiple interviewees were cautiously optimistic about the prospects for debt restructuring in Lebanon's current political context, while stressing its limitations as a standalone measure.[89] The current political moment, with a new president, a government under greater international pressure than its predecessors, and more active engagement from donor countries, was identified as providing more favourable conditions for restructuring than existed before 2024, however such a standing has since become much more precarious and fragile considering the 2026 conflict. The IMF's position on how losses from the financial collapse should be distributed, requiring bank shareholders to absorb losses before public resources are used, was described by one interviewee as more aligned with the public interest than the position of the Lebanese banking lobby, making IMF conditionality in this specific area relatively more favorable for financing sustainably and universally.[90]

However, debt restructuring faces three significant constraints in Lebanon's context. First is the question of time, requiring several years of negotiations before any agreement is reached, and years more before the fiscal savings can materialise at scale, which is particularly concerning considering the urgency for fiscal space expansion considering the compounnded crises and conflicts that have faced Lebanon. The second constraint identified by intervieewes is the Lebanese banking lobby which holds much much of the domestic debt, and has consistently resisted restructring arrangmenets that would require shareholders to bear losses. The lobby retains significant political influence over both the parliamenet and the executive, leaving avenues for change particularly difficult

[87] KII 1; KII 5. Debt restructuring was raised by both interviewees as urgent and necessary but insufficient on its own, requiring parallel structural tax reform to produce lasting fiscal space.

[88] Arab NGO Network for Development. "Cancel the Debt Now to Deliver Climate Justice." ANND, 2023. https://www.annd.org/en/publications/details/cancel-the-debt-now-to-deliver-climate-justice

[89] KII 1; KII 5. Both interviewees were cautiously optimistic about the prospects for debt restructuring while stressing its limitations as a standalone measure.

[90] KII 7. The interviewee argued that the IMF's position on how losses from the financial collapse should be distributed — requiring bank shareholders to absorb losses before public resources are used — is more aligned with the public interest than the position of the Lebanese banking lobby.

to re-direct. [91] Finally, the third constraint identified, and one which is least material to fix, is the trust deficit between the Lebanese state and its population, which itself is a product of the same financial collpase that makes such restructruing necessary. This collpase of the social contract means that any fiscal savings from debt restructuring will require exceptionally transparent governance with built-in accountability mechanisms to be directed towards social spending rather than absorbed by political and electoral interests.[92],[93]

Finally, the debt-climate nexus offers an additional framing for restructuring that is worth developing for Lebanon's context, and would be particulary innovating for Lebanon. A portion of Lebanon's debt was incurred through projects, particularly in the energy sector, that have produced environmental damage and locked the country into fossil fuel dependence. The argument that this debt constitutes, in part, a climate debt that should be cancelled or converted rather than repaid at market rates aligns Lebanon with a broader global justice movement and potentially opens access to different negotiating frameworks.[94],[95] Lebanon's significant renewable energy potential, solar in particular, means that a just transition framing connects debt relief to investment opportunity in ways that could attract international support beyond the traditional humanitarian and development donor base.

Reforming the Contributory System

The third major alternative financing pathway identified in both the literature and our KIIs/FGDs is the reform and expansion of Lebanon's contributory social insurance system. In particular, experts suggested widening the base of contributions by bringing informal workers, domestic workers, and eventually migrants into the system, while simultaneously making the benefit package sufficiently attractive to incentivise enrollment.[96],[97]

The current contributory system faces a structural trap wherein informality reduces the contribution base, which reduces the quality of services the NSSF can offer, which

[91] KII 6; KII 8. Both interviewees independently identified the banking lobby as the most powerful single actor blocking the fiscal reforms that would generate space for social protection financing.

[92] KII 5. The interviewee stressed that any debt restructuring or innovative financing mechanism requires a multi-stakeholder governance architecture, government, civil society, private sector, international community, etc., to be credible and binding.

[93] KII 5. The interviewee stressed the importance of institutional management and oversight mechanisms for any financing tool, arguing that the tools themselves are less important than the governance architecture through which they are administered.

[94] KII 4.

[95] Arab NGO Network for Development. "Cancel the Debt Now to Deliver Climate Justice." ANND, 2023.

[96] Al Shami, Farah. "Financing Universal Social Protection Systems in the Arab Region: What Alternatives to Debt and Austerity?" Arab Reform Initiative, 2024.

[97] Osmat, Bashir. "The Social Protection Program of the National Social Security Fund in Lebanon." Arab Reform Initiative, 2023. https://www.arab-reform.net/publication/social-security-in-lebanese-political-economy-a-critical-view-from-within-the-national-social-security-fund/

reduces the incentive for formal registration, which further expands informality. Breaking this cycle requires intervening simultaneously on multiple fronts, inlcuding governance reform to restore public trust in the NSSF, enforcement to penalise employers who operate informally, incentive design to make formal registration attractive, and benefit reform to make the package visibly worth contributing to.[98],[99]

The monotax model was raised by one interviewee as a particularly promising instrument for Lebanon's large informal economy.[100] This could be an effective tools for extending social security coverage to informal workers without requiring them to navigate separate tax and contribution bureaucracies. In Lebanon, where the administrative complexity of formalization is itself a barrier to enrollment, a simplified combined payment mechanism could reduce the cost of compliance sufficiently to shift the assumed trade-off for many currently informal workers and employers.[101]

The private sector's role in contributing to social insurance was raised by several interviewees as a dimension that has been systematically eroded by political pressure.[102],[103] Employer contributions to the NSSF have been reduced over time in response to lobbying by business associations, while the government's own contribution has remained unpaid. Restoring employer contributions to levels consistent with the Fund's actuarial needs and enforcing those contributions through penalties with real deterrent effects would significantly strengthen the NSSF's financial position without requiring new taxes or external financing. One interviewee was particularly pointed about the private sector's selective engagement with social protection:[104]

> "What is often not stressed enough is the role of companies and the private sector in paying into social insurance. Them not doing that is a form of not contributing to the social contract, basically evading certain responsibilities. It doesn't only fall on the taxpayer; a lot of the corporations making profit should be contributing."
>
> **— KII-1**

[98] KII 8.
[99] KII 7.
[100] KII 4.
[101] Ibid.
[102] KII 1.
[103] KII 7.
[104] KII1

The threat of NSSF privatisation, raised by one interviewee as a real and present danger obscured behind various reform agendas[105], adds urgency to the contributory system reform agenda. If the private sector succeeds in dismantling the NSSF under the banner of formalization or labor market reform, the result would be the elimination of the only mechanism through which Lebanese workers currently have any formal social insurance claim. Defending and reforming the NSSF therefore moves beyond simply a technical question of contribution rates and benefit design and into beingn a strategic priority to achieve domestically and sustainabily financed universal social protection.

Climate Finance and Debt Justice: Opportunities and Limits

Climate finance represents the most theoretically significant and practically underdeveloped alternative financing pathway for Lebanon, and the theoretical case is indeed compelling. Lebanon is severely affected by climate change through rising temperatures, water scarcity, altered rain patterns, food insecurity, and the compounding effects of environmental degradation on a population already in acute economic distress.[106] As a country that has contributed negligibly to historical greenhouse gas emissions while bearing disproportionate climate impacts, intervieewes identified Lebanon as a state with a legitimate claim to climate finance on both adaptation and loss/damage grounds. If climate finance were structured as grants rather than loans, framed as justice rather than charity, it could represent a significant source of non-debt external financing for social protection and public services.[107],[108]

The reality however, as documented in the literature and acknowledged by interviewees, is considerably more complex. The majority of climate finance that reaches developing countries comes in the form of loans at market or near-market rates, not grants.[109]

Several interviewees acknowledged the strategic logic of engaging with the climate finance agenda. Lebanon risks being left out of major global funding streams if it does not position itself within climate justice frameworks[110], while still witholding scepticism about whether climate finance would translate into actionable social protection

[105] KII 7. The interviewee was explicit that the private sector lobby (through Chambers of Commerce and industrial unions) has been working for years to privatise social security, framing all reform agendas (formalization, labor participation, fighting informality) as cover for NSSF abolition.

[106] Al Shami, Farah. "Financing Universal Social Protection Systems in the Arab Region: What Alternatives to Debt and Austerity?" Arab Reform Initiative, 2024.

[107] KII 4. The interviewee identified Lebanon as having a legitimate claim to climate finance on adaptation and loss/damage grounds, while also describing the political economy of climate finance as a 'dual abuse'. Extractivism comes with indebtedness, and debt cancellation for climate adaptation is resisted by creditors who prefer new green loans.

[108] Arab NGO Network for Development. "Cancel the Debt Now to Deliver Climate Justice." ANND, 2023.

[109] Al Shami, Farah. "Financing Universal Social Protection Systems in the Arab Region: What Alternatives to Debt and Austerity?" Arab Reform Initiative, 2024.

[110] KII 1. The interviewee was cautiously optimistic about Lebanon's renewable energy potential while noting that no political green agenda currently exists, arguing that policy proposals need to be ready for when a political opening emerges.

spending in the near term. One interviewee described the dilemma directly: "I don't have a clear answer. I see how it would be strategic to do so. But then also there's education and health and water supply and many others. You don't want to be left out of the key discussions."[111]

The debt-for-climate swap mechanism offers a more concrete pathway. Under this arrangement, a portion of Lebanon's sovereign debt would be cancelled in exchange for Lebanon making equivalent investments in climate adaptation, renewable energy, or social protection. Several countries in the Global South have pursued variants of this approach. For Lebanon, a debt-for-social-protection swap which would link debt relief explicitly to expanded social protection coverage would simultaneously address the debt burden, generate fiscal space, and create a binding commitment to social spending that is harder to reverse than a discretionary budget allocation. The political appeal of such an arrangement to donor countries, which could point to concrete social outcomes as justification for debt cancellation, could be a powerful negotiating asset for Lebanon.

Cross-Cutting Barriers: Governance, Political Economy, and Trust

Each of the financing mechanisms examined in this section has technical merit and international precedent. Yet the fieldwork for this study consistently revealed that the primary obstacles to their adoption are not technical, they are political, institutional, and relational. This section identifies four cross-cutting barriers that affect all alternative financing pathways and that advocacy and policy reform must engage with directly reccomendations are to have traction.[112]

The first and most fundamental barrier is the concentration of political and economic power in the hands of actors who benefit from the current financing model. The banking lobby, crony capitalist networks, politically connected employers, and the confessional political class all have material interests in maintaining a low-tax, low-enforcement, donor-dependent social protection system. Multiple interviewees described these interests as structurally embedded, not merely an obstacle to reform but the active architects of the status quo.[113] One FGD participant put the point with directness: "Maybe the most important change is to remove this oligarchic layer — this layer, which is 50 years old, is what brought the country here."[114]

The second barrier is the absence of the governance infrastructure required to administer alternative financing mechanisms credibly. Tax enforcement requires staff,

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111 KII 4.

112 KII 3. The interviewee framed social protection reform explicitly as a political project requiring popular support and constituency-building, not a technocratic exercise.

113 KII 3; KII 7. Both interviewees described social protection reform as requiring a power base, organised constituencies, political allies, and institutional leverage, not just evidence and advocacy.

114 FGD Participant 1. The participant identified removal of the oligarchic layer as the foundational prerequisite for any meaningful reform, a view consistent with the political economy analysis across multiple KIIs.

systems, and institutional independence that Lebanon currently lacks. Debt restructuring requires transparent accounting and political will that has been absent for years. Contributory system reform requires an NSSF board that can function and make decisions, which hence requires political agreement on appointments that has not been reached. One interviewee argued that the tool question, i.e. what financing mechanism, is less important than the governance question: how any mechanism is administered:[115]

> "Any tool needs a mechanism to administer it, binding and realistic, not just theory in the books."
>
> **— KII-5**

The third barrier is the trust deficit and deep scepticism, documented across interviews and focus groups, that public revenues collected for social protection will actually reach the intended beneficiaries rather than being absorbed by political interests or lost to corruption.[116],[117] This trust deficit is grounded in decades of experience of a state that has confiscated pension savings, tolerated employers withholding family compensation, failed to pay its own NSSF contributions, and generated primary surpluses while claiming insufficient funds for public services. Rebuilding trust requires demonstrated performance that is visible, adequate, and consistently delivered social protection before fiscal mobilisation can be expected to follow.[118]

The fourth barrier is the fragmentation and political capture of potential reform constituencies. Interviewees identified the missing role of labour unions in Lebanon, highlighting their coopatation by political parties, lack of democratic internal structures, and inability to play the transformative national role that equivalent organisations have played in social protection reform elsewhere.[119] Civil society organisations similarly are largely donor-dependent and project-focused, lacking the membership base and political power to sustain pressure beyond individual campaign moments.[120] Participants in the FGD reinforced this picture at the community level, describinng

[115] KII5.
[116] KII 5; KII 8. Both interviewees documented the deep scepticism among workers and communities that public revenues collected for social protection would actually reach intended beneficiaries rather than being absorbed by political interests.
[117] Osmat, Bashir. "The Social Protection Program of the National Social Security Fund in Lebanon." Arab Reform Initiative, 2023.
[118] KII 5; KII 8.
[119] KII 7; KII 3.
[120] KII 3.

solidarity culture eroding under economic stress, competition replacing mutual support, and civil society operatin in survival rather than advocacy mode.[121]

These four barriers are formidable but not impossible to overpass. Several interviewees identified conditions under which reform has become more possible in Lebanon's current moment: the post-war political opening, the greater external pressure on the political class from donor countries and the IMF, the increasing visibility of government surpluses that undermines the 'no money' narrative, and the emergence of a new generation of political actors with less embedded clientelistic commitments.[122],[123]

This project's contributions could possibly be most valuable not as a source of new technical proposals, many of which are endorsed and understood by experts and decision-makers, but rather by politicizing the financing question, making alternatives visible and legible, and emphasizing the case that universal social protection reform in Lebanon is indeed a matter of political will, not resource scarcity.[124],[125]

> "I don't see social protection as a technocratic policy reform. I see it as a political project. It's not different than most things [in Lebanon], you need the backing, you need to build popular support. The issue of political feasibility, [civil society] creates it. It doesn't exist. No one wants to do anything. Their goal is to rebuild the old system."
>
> **— KII-3**

Conclusions

This report set out to examine Lebanon's social protection system through a qualitative lens, combining existing literature, key informant interviews, and a focus group discussion, in order to generate insights that could inform the Finance4All project's goal of identifying feasible, alternative financing mechanisms for universal social protection.

What has emerged is a clarifying map of obstacles and opportunties. Deeply entrenched political obstacles and invisiblized communities most in need (ignored by the systems that purport to serve them) could make social protection reform seem almost impossible in Lebanon. However, analysis consistently points towards the same conclusion,

[121] FGD Participants 1 and 2. Both participants described solidarity culture eroding under economic stress, competition replacing mutual support, and civil society increasingly operating in project implementation rather than advocacy mode.

[122] KII 8.

[123] KII 6. The interviewee argued that making the existence of government surpluses publicly visible is a key advocacy lever. Once citizens know money exists and is not being spent on social protection, political pressure on elected officials increases.

[124] KII3.

[125] Loewe, Markus et al. "The Social Contract as a Tool of Analysis." World Development, Volume 145, 2021. https://doi.org/10.1016/j.worlddev.2020.104982

Lebanon's resource problem is easily addressed, and so identifying the political economy problem and naming it as such is the first necessary step towards changing the bleak reality.

Summary of Key Findings

Five cross-cutting findings emerge from the synthesis of the literature, the KII data, and the FGD observations that inform this report:

1. **Lebanon's social protection system is structurally fragmented in ways that are not incidental but are instead politically functional.** The multiplicity of schemes does not reflect a universal architecture of coverage, but rather a distribution of social provisions across different actors and mechanisms of patronage. This fragmentation serves the political interests of those control access to these services. Reforming this system requires a move beyond rationalizing the adminstrative landscape, and instead disrupting accountability and those interests.[126],[127],[128]
2. **The NSSF is in a structural crisis that predates the 2019 collapse.** Though the collapse has made its consequences catastrophic for many. The Lebanese government's decades-long failture to pay its own contributions, the forced investment of accumulated reserves in treasury bonds, the severing of the contribution-minimum wage link, and the political blockage of board appointments are all political choices made across multiple governments over many years, rather than scapegoating them as a result of the 2019 collapse. The collapse simply removed the financial engineering that had obscured these choices from view.[129],[130],[131]
3. **Conventional IFI-led financing, particulary poverty-targeting models, have failed to build universal social protection in Lebanon and have actively constructed conditions that make universality even more difficult to achieve.** Donor dependency has reduced national ownership, Proxy-means testing has deepened social divisons rather than solidarity, and the narrative dominnance of

[126] Al Shami, Farah. "Financing Universal Social Protection Systems in the Arab Region: What Alternatives to Debt and Austerity?" Arab Reform Initiative, 2024. https://www.arab-reform.net/publication/financing-universal-social-protection-systems-in-the-arab-region-what-alternatives-to-debt-and-austerity/

[127] Loewe, Markus et al. "The Social Contract as a Tool of Analysis." World Development, Volume 145, 2021. https://doi.org/10.1016/j.worlddev.2020.104982

[128] Cammett, Melani. "Sectarianism and the Ambiguities of Welfare in Lebanon." Current Anthropology 56, no. S11, 2015.

[129] World Bank. "Lebanon Public Finance Review: Ponzi Finance?" Washington DC, 2022. http://hdl.handle.net/10986/37824

[130] KII 7.

[131] Osmat, Bashir. "The Social Protection Program of the National Social Security Fund in Lebanon." Arab Reform Initiative, 2023. https://www.arab-reform.net/publication/social-security-in-lebanese-political-economy-a-critical-view-from-within-the-national-social-security-fund/

IFI frameworks has made most alternatives seem impossible and out-of-reach.[132],[133],[134],[135]

4. **Alternative financing mechannisms for universal social protection are numerous, evidence-based, and feasible.** The primary obstacle to their adoption is political, not technical. Progressive tax reform and the enforcement of existing rules to help move toward rate and structure reofrm, debt resturcurings that direct saving into social spending, contirbutroy system reforms to help expand the base and improve governance, and even climate-linked financing positioninng Lebanon as a rights-holder rather than a petitioner, are all pathways that have been supported by international evidence, and to varying degrees, by the interviewees.[136],[137],[138]
5. **The communities most affected by social protection failure are the least visible to the systems designed to address them, and most often, the least connected to the accountability mechanisms that could help these systems to change.** Informal workers, refugees, domestic and migrant workers, women in rural areas, the new poor middle class, queer communities, and childrens and orphans all appear as populations whose exclusion is structural, and whose coping mechanisms have been eroded.[139],[140],[141]

Cross-Cutting Themes

Beyond the specific findings summarised above, three cross-cutting themes recur throughout the analysis and bear emphasis in the conclusions.

1. The gap between legislation and implementation is Lebanon's most persistent governance failure in the social protection domain. Law 319 exists but is unimplemented. The National Social Protection Strategy exists but is unfinanced. Legal obligations for employer NSSF contributions exist but are unenforced. The National Disability Allowance exists but reaches a fraction of eligible recipients.

132 Al Shami, Farah. "Financing Universal Social Protection Systems in the Arab Region: What Alternatives to Debt and Austerity?" Arab Reform Initiative, 2024.

133 KII 1.

134 Human Rights Watch. "IMF/World Bank: Targeted Safety Net Programs Fall Short on Rights Protection." 2022.

135 The Centre for Social Sciences Research and Action. "International Financial Institutions Breaking Down Social Contracts in the MENA." 2022.

136 Ortiz, Isabel et al. "Fiscal Space for Social Protection: A Handbook for Assessing Financing Options." UNWOMEN and ILO, 2019.

137 Kidd, Stephen et al. "Affordable and Feasible Pathway to Universal Social Security." Development Pathways, 2023.

138 Ortiz, Isabel et al. "Fiscal Space for Social Protection: A Handbook for Assessing Financing Options." UNWOMEN and International Labour Organization, 2019. https://www.social-protection.org/gimi/Media.action?id=16957

139 FGD Participants 1 and 2.

140 Roman, Howaida Adly. "A Guide to Universal Social Protection in the Arab Region." Arab Reform Initiative, 2023. https://www.arab-reform.net/publication/a-guide-to-universal-social-protection-in-the-arab-region-challenges-and-opportunities/

141 Y ounes, Miriam. "Solidarity as Resistance." CESSRA, 2023; The Centre for Social Sciences Research and Action. "The Precarity Gender Gap and Non-Institutional Forms of Solidarity in Social Protection in Lebanon." 2023.

As multiple interviewees argued, Lebanon does not need more laws nor decrees, it needs the political will to implement what already exists.[142],[143]

2. The trust deficit is a financing problem as much as a governance problem. No tax reform, no contributory expansion, no alternative financing mechanism can succeed in Lebanon without a prior or concurrent rebuilding of public trust in the state as a social protection provider. As one interviewee argued, the sequence matters: the government must first demonstrate that it can deliver visible, adequate, and consistently available social protection before it can reasonably ask citizens to contribute more to the system that delivers it.[144]

3. Social protection reform in Lebanon is a political project, not merely a technocratic one. Creating political feasibility requires building constituencies, making financing alternatives visible and legible to the public, occupying the accountability spaces that exist, and leveraging the external pressures that currently have more leverage over the Lebanese government than civil society does.[145]

[142] KII 8.

[143] KII 2.

144 KII 1; KII 8.

[145] KII 3; KII 7. Both interviewees independently identified social protection as a political project requiring constituency-building.