

## **What are we waiting for to implement a social protection rescue plan?**

An economic meltdown seems all but imminent and the worse is yet to come. If the newly formed government doesn't act swiftly on mobilizing social protection systems to provide safety net to the poorest families, the economic crisis will soon unleash new, more violent, waves of social unrest.

Lebanon is not the first or the last country to go under. Economic hardship is becoming a global trademark outcome of the poisonous mix of shortsighted policies, crony-capitalism and weak governance. Despite the alarming indicators such as high inflation, lower consumption levels, and increasing unemployment, the political class have continuously failed to put a rescue plan.

The implementation of ad-hoc capital control measures imposed by Lebanese banks and the widening (unofficial) spread between the Lebanese pound and U.S. dollar has already taken its toll on the vital sectors of the country and broken the trust in the monetary and financial systems. More importantly, it has severely impacted the most vulnerable groups, their purchasing power, and well-being.

### **LEBANON'S POVERTY BASELINE IS ALREADY BAD**

Since the end of the country's civil war, the public debt kept on expanding and so did the gaps between the different socio-economic groups. Economic inequalities can be easily spotted by simply looking at the wealth and income distribution in the country, where, based on income tax figures, the richest 1 percent of Lebanon's population claimed nearly 25 percent of GDP between 2005 and 2016 according to the World Inequality Database. Similarly, based on bank deposits figures, less than 1 percent of depositors control 50 percent of all customer deposits in Lebanese banks, according to the International Monetary Fund.

According to a recent analysis by the World Bank, about a third of Lebanese live under the poverty line; of whom 7 percent are extremely poor. It is estimated that the LBP currency depreciation of 30 percent could spike poverty rates to over 50 percent of the population and expand it deep into the middle class.

It should be noted that poverty in Lebanon is not uniform. While the poverty rate, prior to the crisis, in the urban areas (except Tripoli) is around 16 percent, poverty in Tripoli and some of the underdeveloped rural areas are at more than 30 percent. Even within cities, there are poverty pockets with all kinds of socio-economic challenges.

#### **WHAT ARE THE MAJOR EFFECTS OF AN ECONOMIC MELTDOWN?**

Due to the existing hard currency shortages and credit restrictions, the inflation rate will likely continue to increase. Between October and December basic food basket prices have risen by 33 percent, thus lowering the real purchasing power of the public.

Firms are suffering too. Reduced revenues due to either a halt in production or lowered consumption levels are forcing firms to cut costs by laying off employees or reducing their salaries, exacerbating the vicious cycle of economic hardship. Restrictions on dollarized imports are already impacting medical supplies and could soon translate into a scarcity of certain goods, regardless if people can afford paying for or not.

Adding salt to injury, the symptoms of economic collapse have started to spread into basic public services. Not only the power and water sectors will be prone to further disruptions due to shortages of fuel, other critical sectors such as public health institutions and schools will face a serious challenge as the demand for these services will outpace the supply, regardless of any quality considerations. Public schools are already overcrowded and will become more strained as families move their children from private to public education. Not to mention the families who will no longer afford school-related costs like tuition fees, transportation, and other school related cost, risking thousands of school dropouts. The crisis will inevitably worsen poverty which will lead multidimensional effects on violence, health and mental health as it has been observed in other countries such as Venezuela and Greece that continue to face the worst economic, social and political crisis.

### **A NATIONAL SOCIAL PROTECTION STRATEGY IS NON-EXISTENT**

While social protection is gaining momentum on the international level, Lebanon still does not have a comprehensive national social protection strategy.

The National Social Security Fund and the (Emergency) National Poverty Targeting Program, the two main elements of a social protection floor to help poor families, are not well-funded or well-coordinated which is reflected by their low coverage and weak support.

The NSSF, which is already under a lot of financial strain due to its exposure to Lebanese bonds, covers only 30 percent of the private sector workforce; however, this support ends for the employee and his/her dependents at the time of their retirement age of 64. The employers' contribution to the fund is considered high, of which more than 40 percent are not registered in the NSSF. Informal wage earners, self-employed people or the unemployed are excluded from any kind of social insurance, keeping in mind that there is no established formal employment fund to protect laid off employees or unemployed. As it stands, nearly half of population lack any form of health or social security coverage. The ENPTF is not very known among poor families and its selection criteria favor the extremely poor, depriving families who are "poor," based on other standards, from its benefits.

The main problem is that individuals is that NSSF, and other social protection system, do not cover those who need it most. The percentage of elderly in Lebanon is one of the highest in the Arab region, and more than half of them are economically deprived. Recent projections show that people above 65 years constitute 12 percent and 21 percent of the population by the year 2030 and 2050, respectively. Yet, Lebanon does not have a uniform old-age/retirement pension plan. According to the International Labor Organization figures, about 80 percent of older adults aged 65 or above do not get pension or health care coverage, putting heavier burden on the Ministry of Public health.

### **WHAT CAN BE DONE TO IMMEDIATELY MITIGATE THE IMPACT OF THE CRISIS?**

Clearly, there is a long list of reforms that need to be implemented, however some require urgent actions that cannot wait any longer.

First, the new Cabinet should intervene swiftly to help vulnerable people against negative effects of adjustments through:

1. Enacting social protection measures that significantly benefit all poor and vulnerable individuals in Lebanon in a sustainable manner in collaboration with international partners;
2. Enforcing the current social protection mandate to ensure that those who should receive NSSF have access to their entitlements and that employers are paying in what is required;
3. Prioritizing necessary reforms in national poverty programs and paying the government's pending debts and receivables towards the healthcare sector and the NSSF;
4. Designing a smart and effective social safety net with specific focus on basic needs such as health, food and housing, especially for the elderly and special needs who individuals should be prioritized.

The new government should support economic sectors on the short and medium terms, depending on the need of the citizens. However, on the long term, Lebanon needs a new economic model that encourages efficiency, local production, and exports.

Sirine Anouti is a researcher in the Refugee Research and Policy Program at Issam Fares Institute for Public Policy and International Affairs, American University of Beirut.