

## Lebanon's social explosion dilemma

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Lebanon is undergoing an unprecedented financial and economic deterioration as the middle class is gradually disappearing, basic needs are becoming increasingly scarce, the unemployment rate is soaring, and brain drain is out of control. People are being pushed to extreme poverty lines. The grievances and sense of insecurity are surging to the peak where the state is trapped with no concrete road map to exit from complex crises.

The Lebanese Economic and Social Council (ECOSOC) submitted a paper on “redirecting subsidies” based on a participative approach process with relevant stakeholders. The paper introduced a series of recommended urgent measures to be implemented for 12 months to remove subsidies gradually on most commodities within a holistic program for rescue, reform and recovery, in conjunction with activating work with direct cash assistance in dollars via a cash card, taking into consideration the increase in their value in parallel with the subsidy lifting process. The paper highlighted the importance of merging all direct cash assistance programs under one centralized governmental mechanism that puts clear and unified selection criteria and sets a National Social Registry.

The Lebanese government launched in 2011 the National Poverty Targeting Program (NPTP) with assistance from the World Bank to help households living below the extreme poverty line. Building on NPTP, the government launched the Emergency Crisis and COVID19 Response Social Safety Net Program (ESSN) to support the poor and vulnerable who are severely affected by the implications of COVID-19 and economic crises. The program is financed through a loan from the world bank of total amount 246 million USD. The components of the program will be: (i) cash transfers to 140,000 extreme poor Lebanese households; (ii) top-up cash transfers for students from extreme poor Lebanese households at risk of dropping out of school; (iii) social care services to vulnerable Lebanese households and Displaced Syrians; (iv) enhanced delivery of Social Safety Net systems. According to the Implementation Status & Results Report that was published by the World Bank on April 19, “the parliament introduced changes to the Project Loan Agreement, and the World Bank is awaiting a letter from the Minister of Finance to review the Parliament’s latest changes, which will likely require additional time and funds. Most importantly, the government should have started the verification of applicants – one of the disbursement conditions – as this process is expected to take 4-6 months at minimum.” Thus, the project implementation is delayed and there is no clear declaration on the currency negotiations as beneficiaries will receive the cash assistance in the Lebanese Pound.

The subsidies program constitutes a social contract between the government and citizens. However, taking into consideration the current situation, many studies and reports support the measures of lifting subsidies to be replaced with direct cash transfer (DCT) to the targeted households that are below poverty line. DCT is a quick solution in the meantime to hinder the total collapse. However, this mechanism has a charity approach rather than a developmental one, and it suffers from some drawbacks. Cash transfers require a fairly precise census of individuals and households and simple but sound methodologies to verify that conditions have been satisfied. Furthermore, when governance is weak, cash transfers open the way to abuse by making it easier to channel public resources to unintended beneficiaries, for example, to obtain political support. Cash transfers may also create disincentives to work for recipients. Lebanon lacks a public census data, and all cash transfers programs are being built on outdated or inaccurate databases; and this long-rooted problem was amplified in the pandemic and economic crises. Thus, errors and inaccuracy will lead to high exclusion rate of targeted households. This mechanism is short-term with a limited funding for three years. However, the problem in Lebanon is that we often cling to temporary measures on the long-term. It is essential to set on a parallel track a vision for reform and economic development, as well as social policies that build up social safety nets. The government shall also renew its population census records and build the capacity of the central administration of statistics. If short-term measures are not directly accompanied by a well-structured long-term process, direct cash transfer will be a temporary measure to delay the collapse instead of stopping it.

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