

ANND's intervention on the causes of poverty in Lebanon – November 2, 2021

During the visit of the United Nations Special Rapporteur on extreme poverty and human rights Olivier De Schutter to Lebanon

Poverty in Lebanon

For nearly two years now, Lebanon has been faced by a major socioeconomic crisis qualified as one of the most severe crisis' episodes since the mid nineteenth century, other than the COVID-19 pandemic and the August 4 explosion which has subsequently worsened the situation.

- The Lebanese population is now subject to **a significant rise in poverty** due to the decrease they face in their living standards.
- According to the studies in Mid 90s 1/3 of the population was poor, in 2019 it was 25-30% and estimation now 75%.

Vast and persisting Income inequality

- According to a study published in 2018 by the World Inequality Lab the top 10 percent of the country's richest individuals earned between 49 and 54 percent of national income, the middle 40 percent earned 34 percent, and the poorest 50 percent of the population earned between 12 and 14 percent. Such a statistic places Lebanon among the countries with **the highest levels of income inequality in the world**.
- A new aspect of inequality emerged in the crisis related to those of have revenue in \$ versus who have revenue in Lebanese pounds.

The political and economic causes of poverty and inequality

- The Neo-patrimonial state prevented the adoption of fair public policies. it increased the public's reliance on sectarian leaders. As a consequence, sectarian leaders maintain their grip on power.
- The relationship between political and business elites is based on the following formula: In exchange for major tax breaks, laissez-faire policies, and minimum state intervention, business elites provide regular support to political elites.
- The direct looting of the Lebanese treasury, which is the cause of today's significant levels of public debt. As a consequence, most of the money the state collected through the bonds was in the end used to repay the interest rather than to fund social welfare programs or public infrastructure. This direct profit scheme enriched bankers as well as the political elites who had issued bonds in the first place.
- Lebanon has long followed a predator capitalism, a model, relying mainly on the banking system, services, mainly financial, and tourism and undermined productive and added value sectors.

October 17th:

- The collapse of Lebanon's financial sector presented an opportunity to revamp their unsound political economy; the dismantlement of the sectarian power-sharing system, and the introduction of a new redesigned Lebanese economic model which must have social justice as its core given Lebanon's extreme levels of poverty and inequalities.

- Tax reform and universal social protection should be building blocks of any reform plan of Lebanon.

However 2 Years After October 17th: Policies lead to more poverty and more inequality

For almost two years now, the Lebanese have been restricted from their dollar deposits, and are being forced to withdraw their money in the local currency with a haircut of almost 80%. This haircut has affected small depositors, further exacerbating the inequality.

Last year, the financial economic plan identified \$90 billion hole in the financial system, which banks claimed it was too much for them to cover. Negotiations have been ongoing to produce a financial recovery plan that should include a fair distribution of losses suffered by the financial system, but unfortunately nothing concrete has been produced.

Lebanon's subsidies program that was implemented over the 2 past years, was not just expensive, but also regressive; the richest benefit from subsidies far more than those economically marginalized. This is because the wealthiest have the greatest and most consistent access to subsidized goods with their purchasing power. An analysis by UNICEF and the International Labour Organization (ILO) revealed that only 20 percent of subsidies benefit the poorer half of Lebanon's population.

On the social protection level, there has been, negotiations with the international organizations targeted at helping the poorest with scattered and targeting initiatives away from human rights based and universal approaches including:

1. The Reform, Recovery and Reconstruction Framework (3RF)¹
2. The Emergency Crisis and COVID-19 Response Social Safety Net Project (ESSN)
3. \$556 million program Ration Cards to replace BDL subsidies²
4. Provision of Vaccines: NDVP Lebanon: Lebanon National Deployment and Vaccination Plan for COVID-19 Vaccines
5. UNICEF Emergency Cash Transfers (ECT)³:

Most of Lebanese political Elite agree that the country is in need of a bailout by the International Monetary Fund (IMF). The IMF attached conditions to its proposed package including structural reforms that increase transparency and financial stability as well as reduce corruption and tax evasion. The country's ruling class has proven unwilling to meet such demands for fear of losing its privileges. As a result, the negotiations with the IMF were interrupted.

The different policies and initiatives taken after the revolution are considered as a continuation of the "deliberate depression" (the World Bank). They deepened poverty and inequality, they lacked the vision, and showed the incapacity of the ruling elite which drove Lebanon to the crisis the crisis to present the solution. Since the causes were political and economic the solutions should also be multi-dimensional and visionary.

¹ <http://nna-leb.gov.lb/en/show-news/130110/nna-leb.gov.lb/en>

² <https://today.lorientlejour.com/article/1271999/a-deep-dive-into-the-ration-cards-that-will-replace-bdl-subsidies-eventually.html>

³ https://www.unicef.org/lebanon/media/7031/file/UNICEF_Lebanon_Blast_Cash_Response_BRIEF_2021.pdf