

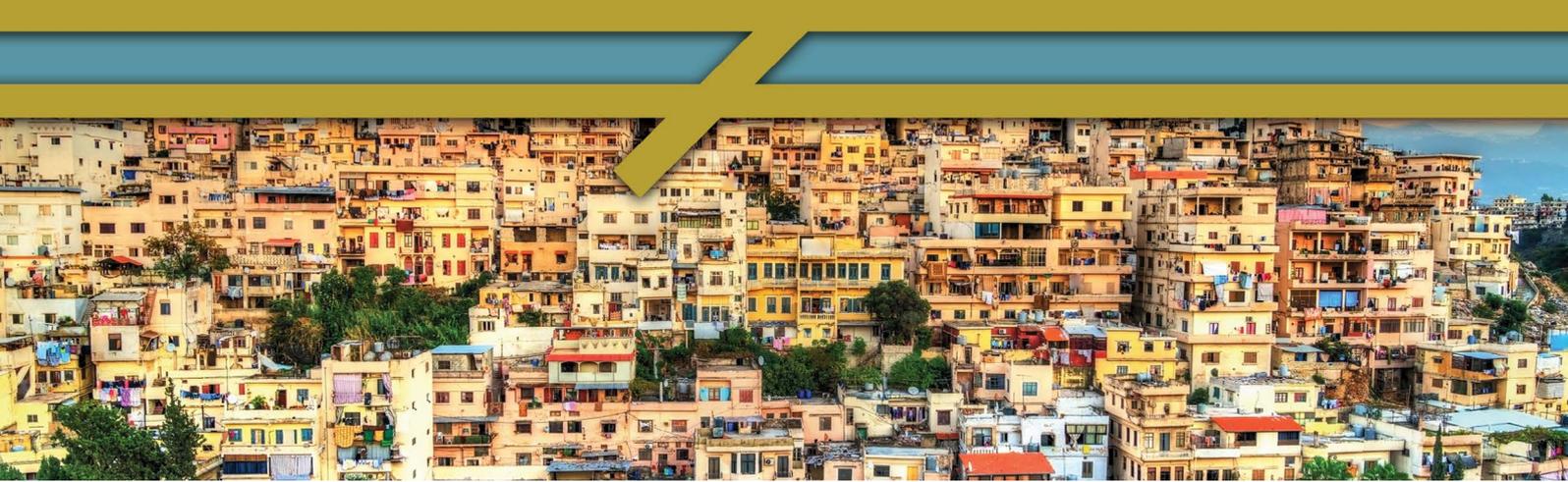
Inequality in Lebanon: an ever-growing gap



Shared Prosperity Dignified Life



E/ESCWA/CL2.GPID/2022/Policy brief.5



Introduction

People in Lebanon today have a pervasive perception of entrenched corruption, a prevailing sense of social and economic inequality, and a deep-rooted pessimism about near-future social and economic improvements. These issues were revealed by a recent ESCWA poll, in which Lebanese respondents, unlike their peers in nine other Arab countries, highlighted corruption as the primary cause of the rampant social and economic inequality in their country.¹

Lebanon is no stranger to inequality: the richest 10 per cent of the population owns almost 70 per cent of total estimated personal wealth,² and an oligarchic economic structure prevents upward mobility. Consequently, inequality is endemic and deeply ingrained. Structural inequality characterizes the political system, where seats in government and parliament and senior posts in the administration are apportioned by a predetermined sectarian quota. Since 2019, several paralysing

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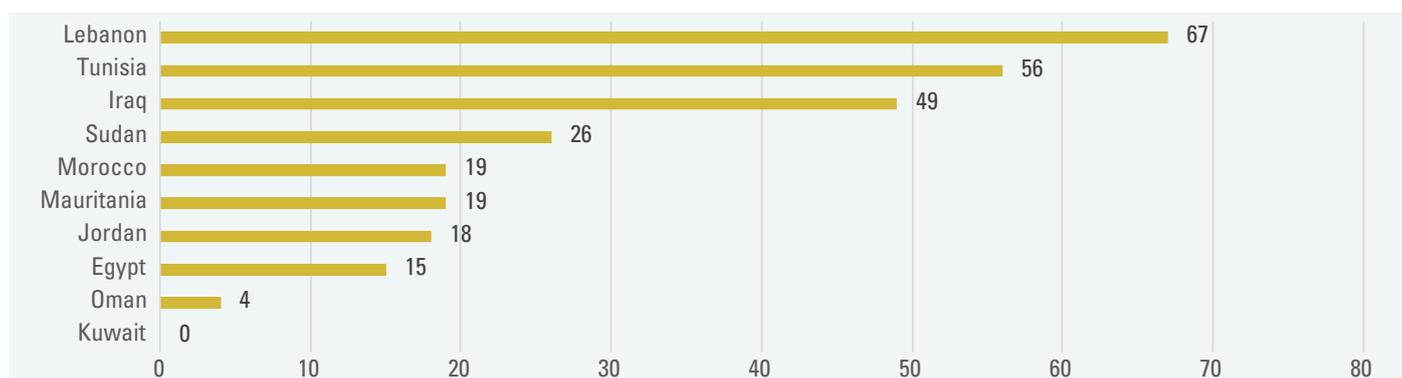
of total estimated
personal wealth



crises have befallen the country, beginning with a sudden and devastating financial collapse resulting in foreign-currency bank accounts being frozen, and the capital flight of billions of dollars belonging to the rich as no capital control law had been enacted.³ In 2020, a massive explosion destroyed large parts of Beirut, and led to the displacement of hundreds of families who lost their homes and businesses. Large-scale brain drain and a severe deterioration in public and social services quickly followed. Moreover, the outbreak of the COVID-19 pandemic led to unprecedented business closures, abundant layoffs, and severe disruptions to economic life.

This succession of events over the past three years has deepened existing inequalities, and precipitated the pauperization of several vulnerable groups, especially in marginalized areas. As a result of a foreign currency crunch brought on by the financial collapse, government subsidies on key commodities have been lifted, and access to basic services has become prohibitively expensive for most people. Electricity supply, for example, is provided for a maximum of two hours per day, and not at all in some deprived areas. Owing to the suspension of subsidies on fuel prices, wealthy households can afford private generators, but most poor and rural areas have been plunged into darkness. Corruption, cronyism and clientelism are leading causes for the unequal distribution of wealth, inefficient utilities, and lopsided access to services for poorer social groups.

Figure 1. There is full social and economic inequality (Percentage)



Source: Ipsos-ESCWA Opinion Poll on Social Inequality, 2022.

Furthermore, only 6 per cent of Lebanese respondents expect more social and economic equality in the next five years, far lower than the regional average of 26 per cent, while 40 per cent expect the future to hold more social and economic inequality, compared with the regional average of 16 per cent.

When asked to rank the top 11 government interventions to redress social and economic inequality, 65 per cent of Lebanese respondents ranked “combatting corruption” as their most important priority to improve social and economic

Impact assessment

Perceptions of social and economic equality

Along with nine other Arab countries, the perceptions of a representative sample of the Lebanese population were surveyed with regard to inequality. The Lebanese, unlike their Arab peers, cite corruption as the main cause of social and economic inequality. Their outlook is bleak and pessimistic: 40 per cent of respondents believe that no improvement in social and economic equality will be achieved in the next five years, and 60 per cent do not expect the Government to provide decent jobs in the near future. Instead, Lebanese respondents expect more jobs to be provided by the private sector, or through funding of individual initiatives for small and medium enterprises (SMEs).

Incongruently with the other nine Arab countries included in the survey, 67 per cent of Lebanese respondents think that there is full social and economic inequality in Lebanon today (figure 1), double the regional average of 27 per cent. Lebanese respondents had an extremely pessimistic perspective, with only 2 per cent mentioning that full social and economic equality currently exists.

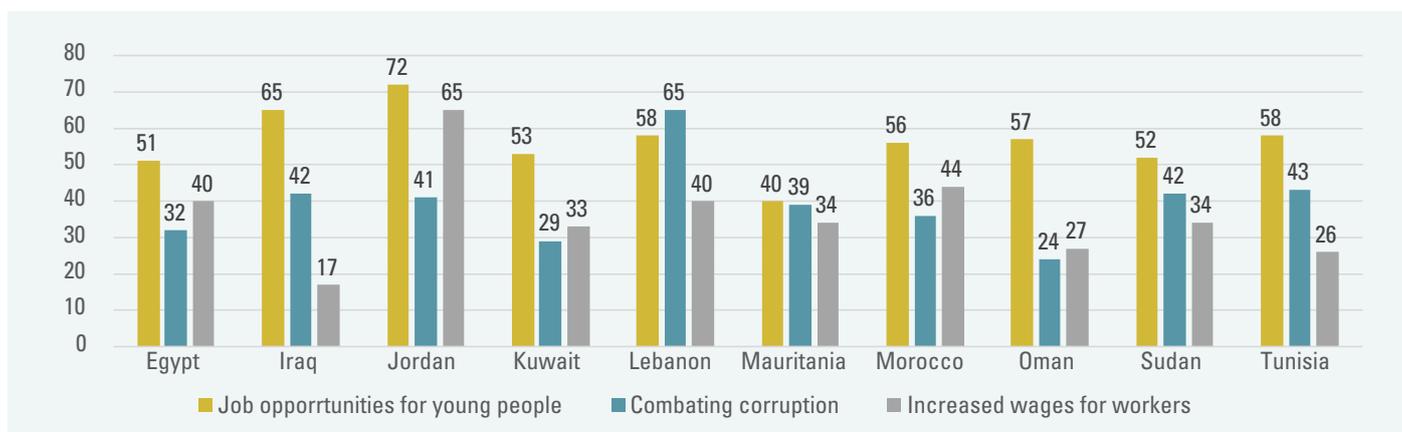
equality – a much higher percentage than respondents from the other nine countries (figure 2).

Pessimism about the future of jobs in Lebanon is very high: 60 per cent of Lebanese respondents do not expect the Government to offer decent and productive jobs in the next five years. Moreover, more than half of respondents (54 per cent) stated that creating more jobs in the private sector, followed by providing more funding for SMEs, are top priorities to enhance employment opportunities in Lebanon.

The Lebanese consider corruption as the main obstacle to tackling social and economic inequality. The perceptions of Lebanese respondents indicate that issues of governance and political economy supersede any other priority. They also reflect an exasperation and lack of faith in the performance of the ruling class, irrespective of potential socioeconomic rescue packages. These views are shared across governorates in Lebanon (figure 3), but are significantly higher in historically marginalized areas such as Akkar and the South (76 and 75 per cent, respectively).

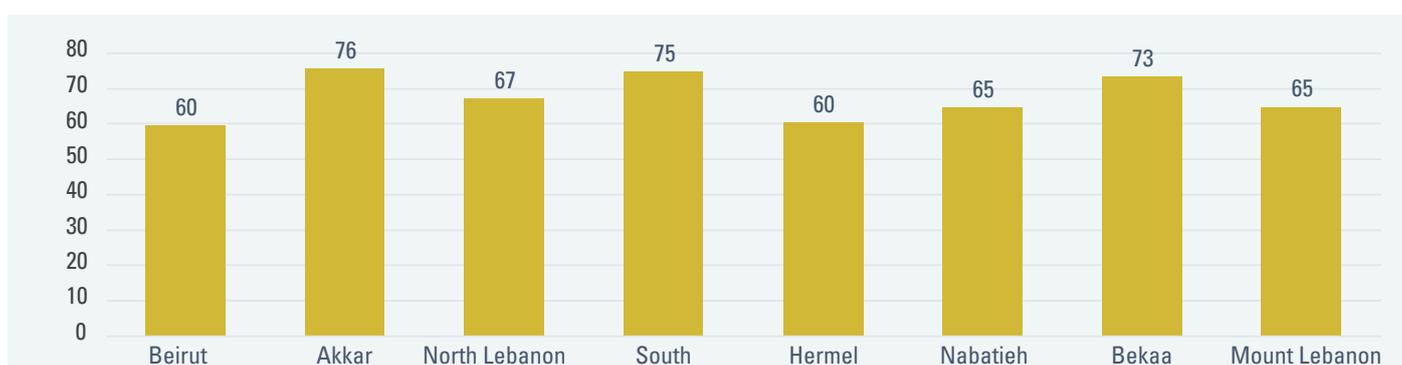
Lebanese respondents would like to see serious efforts to curb corruption, a stronger private sector, more investments in SMEs and promotion of entrepreneurship, and a reformed education system. Several factors may explain their insistence on combatting corruption as the main priority. The Lebanese believe, as suggested by international organizations, that the current economic crisis is self-inflicted by the ruling elites owing to their chokehold on the country's resources, and their monopoly of government jobs and of major economic, fiscal and monetary policies. Consequently, exiting the social and economic inequality trap in which Lebanon finds itself requires a multi-layered and phased approach.

Figure 2. Government actions to improve social and economic equality (Percentage)



Source: Ipsos-ESCWA Opinion Poll on Social Inequality, 2022.

Figure 3. Full social and economic inequality in Lebanon today (Percentage)



Source: Ipsos-ESCWA Opinion Poll on Social Inequality, 2022.



Policy recommendations

Corruption, cronyism, and inequality in Lebanon are an explosive mix that has triggered massive street protests demanding the departure of the ruling class, and an end to widespread corruption that people consider to be at the root of social and economic inequality in the country. Following the legislative elections on 15 May 2022, and in view of an impending rescue plan with the International Monetary Fund (IMF), Lebanon has been presented with an opportunity for a socioeconomic revival that should not be missed. ESCWA recommends the following policy mix:

♣ In the immediate term, the Lebanese Government should continue assisting vulnerable groups and the poorest families through effective and consistent social protection programmes, such as the Aman and Hadi programmes launched by the Ministry of Social Affairs. This assistance must be a key component of any bailout plan negotiated with IMF in the immediate future, and should be part of a larger national sustainable strategy for social protection.

♣ The energy sector, particularly electricity supply, reflects the State's corruption, waste and mismanagement. Rehabilitating the sector and gradually improving the power supply would not only improve access to this basic commodity, but would also be a litmus test of the State's will to enact change. In the meantime, accelerating the transition towards renewable energy sources and reducing dependency on increasingly unaffordable fuel oil should be a national priority.

♣ In the immediate term, Lebanese authorities should concentrate efforts on restoring confidence in public institutions through a series of quick-win measures, by developing and implementing, for example, an urgent plan to reform the fraying and outdated infrastructure, with private sector and international assistance. This should be accompanied by rigorous measures to ensure transparency and accountability in implementation.

♣ Impending bailout plans must focus on strengthening the middle class by funding creative and innovative MSME initiatives across Lebanon, while ensuring a fair and balanced implementation programme. If a reasonable business infrastructure is restored, affordable investments in initiatives such as a regional call centre, an industrial park, and various tourism and social entrepreneurship initiatives championed by educated young people could be extremely valuable in encouraging talents and skills to remain in the country.

♣ The Lebanese authorities should focus on revising the education curriculum and ensuring that it matches the demands of a fast-changing job market. This must be undertaken in the context of a national plan to overhaul the education sector, uplift the status of public schools and universities, and restore their role in preparing future generations to assume decent jobs.

♣ The rise in food prices has increased pressure on household finances, as they contend with inflation. The rapid currency depreciation and shortages of essential items, including medicines, have boosted already high food inflation rates, which in February 2022 stood at 396 per cent,⁴ up from 154.8 per cent in 2021, and 84.9 per cent in 2020. An immediate intervention to stabilize the currency and cap galloping inflation is needed, along with a plan to revise wages and adjust expenditures, with international assistance.

Endnotes

- 1 Ipsos-ESCWA Opinion Poll on Social Inequality, 2022.
- 2 ESCWA, Poverty in Lebanon: solidarity is vital to address the impact of multiple overlapping shocks, 2020.
- 3 Yale School of Management, Part III of crisis in Lebanon: public protests, COVID-19 crisis, and international support, 2020.
- 4 www.cas.gov.lb/index.php/key-indicators-en.



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