

1. Introduction

The World Summit for Social Development (WSSD) that took place in Copenhagen in March 1995 resulted in adopting a set of recommendations focusing on three main themes: poverty eradication, productive employment and social integration. The participating countries in the Summit took upon themselves to prepare, design and implement the necessary plans and strategies to implement the recommendations of the Summit.

The national report presented by the Lebanese Government to the Summit (1995) was prepared in the absence of a comprehensive set of national up-to-date data on the three major themes of the Summit. However, empirical observations included in the report indicated the presence of serious problems related to poverty, employment and social integration in the country.

On poverty issues, the report presented to the summit evaluates the absolute and relative poverty lines, using available data, respectively at US 300 dollars and US 600 dollars for a household composed of five members. Furthermore, the report revealed that the percentage of households living below absolute poverty line was estimated at 7.5% of total Lebanese households, whereas 28% were estimated to live below the relative poverty line. Despite the scarcity of information on income, the report shed light on the decline in purchasing power of the Lebanese population that dropped during the war period by more than two-third, as a consequence of hyper-inflation and monetary crisis.

On employment conditions, the report estimated the active population at 1 -1.1 million, with an estimated unemployment rate of 12-14% (1994). the report also highlighted the effect of migration on maintaining relatively moderate unemployment rates. Regional imbalances were estimated by the report to be striking during the post-war period, where Beirut and its suburbs constituted a major pole of attraction for residents in peripheral areas, mainly as a result of the concentration of economic activities and rebuilding of infrastructure in these areas.

The social integration theme was treated in the report mainly in relation to the main constraints that face the achievement of social integration. Among these constraints, the report analyzed the regional factors such as the peace process, the Israeli occupation and settling Palestinian. Other internal constraints affect the process of social integration represented by the socio-political conditions, the sectarianism and lack of solidarity that still prevail in the country even after the Ta'ef accord. Besides, the effect of economic development on achieving social integration was highlighted, mainly in relation to the high financial and social cost incurred in this process. Also, the report shed light on identifying the social groups concerned with the issue of social integration. In this context, the report treated the conditions of the displaced population, southern occupied territories, rural areas, women, youth, handicapped, orphans, widowed and Palestinian refugees.

The report encapsulates a general description of policy orientations adopted by the Lebanese government in relation to social issues. These orientations include the social component embedded in the reconstruction plan, first launched in 1992, in addition to the resources allocated to ministries concerned with social spending. The report also highlighted the importance of the joint-work of governmental institutions with civil society to arrive at better solutions for the social dilemmas facing the country, mainly where poverty, employment and social integration are concerned.

During the period that followed WSSD, the country undertook several studies and surveys aiming at rebuilding the national statistical database on issues of concern, specifically households, housing, living conditions, employment, education and health. During the war-period and in the beginning of nineties, Lebanon suffered from the scarcity of reliable data on basic issues considered as very essential for setting economic and social policies. For instance, the size of the resident population was a very controversial issue in that period noting that the most recent

estimate of resident population size dated back to 1970 (2.1 million). In 1996, the population size was estimated at 3.1 million¹, against an estimate of 4 million in 1997².

In addition, the year 1995 presented a milestone for Lebanon in terms of the continued implementation of its National Emergency Reconstruction Plan (NERP- later to become Horizon 2000³) for post-conflict reconstruction and rehabilitation, as well as for monetary stabilization.

During the last five years following the WSSD, Lebanon witnessed substantial political, social and economic changes. The period witnessed the continued execution of national rehabilitation and reconstruction plans, as well as fiscal and monetary reform policies. In addition, some progress has been achieved in terms of increased- though modest- public political participation. In 1996, the country witnessed its second parliamentary elections, although with relatively low levels of public participation. Also, in 1998, municipal elections took place in Lebanon, the first since 1963, with a relatively acceptable level of public participation.

The United Nations Development Programme in Lebanon commissioned the Consultation and Research Institute to prepare this report. The purpose of this report is to provide an overview of the progress achieved in the implementation of the recommendations of the Social Development Summit, at the national level.

Unlike the report presented in 1995, which briefly reflects the effect of the governmental policies on socio-economic development, this progress report goes into more details regarding governmental fiscal and monetary policies and their impact on the macro-economic situation, and consequently on social conditions. Through its fiscal policy, the government usually sets the limits of tax deduction and hence the social segments affected by these deductions, consequently, it affects the disposable income of residents and their living standards. Also, through this same policy, the government clarifies its orientations as to narrowing down the social gap among the different social classes, as a byproduct of the heavy burdens of indirect taxation by providing compensation to lower income groups. These compensation packages are usually measured through the increased allocation of financial resources to basic services, such as health, education and social welfare, especially ensuring that these resources are spent in effective and equitable way. Also, the orientation of monetary policy determines the financial resources available to the private sector, constituting a major incentive/disincentive for productive investment and consequently for job creation and unemployment reduction. Given the importance of macro-economic aspect and its direct effect on social development, the first part of the report accentuates the changes from a macro-economic perspective, highlighting the implications of the fiscal and monetary policies on social development in the country over the past five years.

The second part of the report, which constitutes the core part, outlines the major achievements, mechanisms adopted, and constraints encountered, in implementing the recommendation of the Summit in each of its three themes (poverty, employment and social integration) at the national level. In this part, the report does not go into an evaluation of policies, programmes, plans and projects, rather it is restricted to a presentation of what is available of these, highlighting, however, the main constraints still faced in this respect, based on both qualitative and quantitative indicators. Tracing the impact of each project, plan or policy on socio-economic development lies beyond the scope of this report.

¹ Household and Population Database Survey, Ministry of Social Affairs and UNFPA, 1996

² Living Conditions of households in 1997, Central Administration of Statistics, 1998

³ Horizon 2000 is the plan prepared by the Council for Development & Reconstruction, aiming at restoring the physical infrastructure and basic services, as well as motivating the private sector to participate in the economic development process.

2. Social Development From a Macro-Economic Perspective

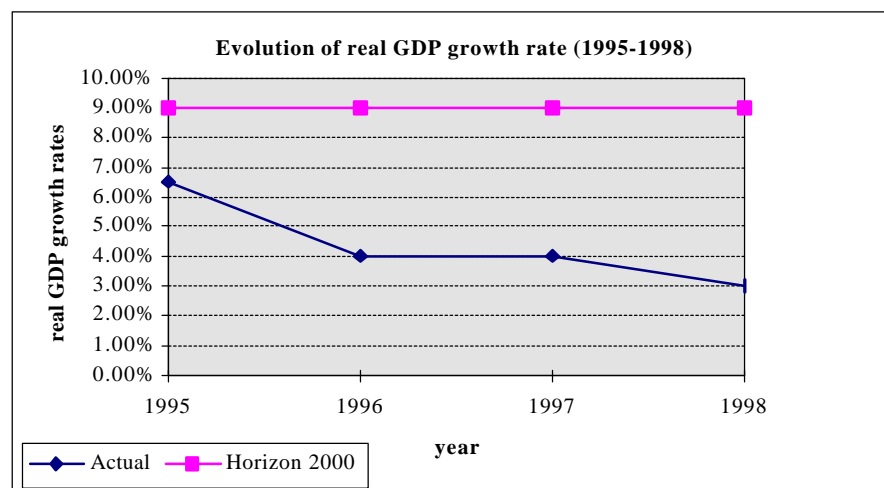
Social development in Lebanon cannot be viewed in isolation of the broader context of overall macro-economic development, especially as the fiscal and monetary policies adopted by the Government during the last decade played an important role in shaping the mapping of social conditions in the country. Given the absence of a comprehensive national plan for socio-economic development, the implications of the macro-economic policy on the social standing of the Lebanese population can be partially examined through tracing the changes in the following:

- ◇ The evolution of Gross Domestic Product (GDP);
- ◇ The fiscal policy, including social spending, wages and tax policy;
- ◇ The rehabilitation and reconstruction plan; and
- ◇ The monetary policy.

It is noted that these four components are examined specifically given their direct inter-relationship with social conditions and living standards of the population in a given context.

2.1 Evolution of Gross Domestic Product

Lebanon is currently undergoing a recession in the level of economic activity, coupled with a severe fiscal crisis that is weighing heavily on the economic and social standing of the country. Following an increase in real GDP growth rate during the early 90's, mainly attributed to the burst of growth in the real estate and construction sectors, the Lebanese economy witnessed a slowdown in 1995, followed by a stagnation and a further drop in economic activity in 1998, thus worsening the conditions for employment and national income levels. Within this context, it is noted that actual GDP growth rates were far below those projected in the Horizon 2000 Plan where economic growth was estimated to stabilize at 9 percent throughout 1995-1998.



Source: Horizon 2000 plan and Ministry of Finance

In addition to the decrease in its rate of growth, another striking phenomenon was the structural changes in the GDP which underwent substantial changes in terms of the percent share of its three major components: interest, wages and profits. The share of the interest component of total GDP increased from 10.8 percent of GDP in 1992 to around 22.7 percent in 1998, reaching higher levels than most middle and high income economies (the interest component share of GDP reaches 7-9 percent in high-income countries and 9-11 percent in middle-income countries⁴). This

⁴ As-Safir, *The 5-year Plan for Economic & Fiscal Reform*, June 9 1999

consistent acceleration of the financial base came at the expense of the real economic base and entailed economic and social burdens, the most important of which are:

- ◇ The decline in lending opportunities to productive employment and economic activities;
- ◇ The allocation of larger national resources to bondholders- the majority from wealthy and high-income classes- rather than to other productive segments of the working population, mainly wage-earners who belong to low and middle income classes.

The slowdown in real economic activity, coupled with the distortion in the structure of the national output, was partially induced by the contradictory goals of the fiscal and monetary policies adopted by the Lebanese Government in post-war Lebanon since the early 90's. In effect, there is no doubt that the dual strategy of post-war reconstruction and monetary stabilization was successful in some respects, yet, the social cost of this strategy proved to be very high, as it resulted in a severe socio-economic crisis and imposed a heavy burden on middle and low income segments of the population.

2.2 Fiscal Policy and its Effects on Social Development

The social effects of the fiscal policy have proven that the Lebanese Government has not yet presumed its role as a provider of social equity. On the contrary, it is widely believed that the expanding fiscal policy adopted by the Government has accentuated, to some extent, the social disparities that emerged during the years of civil war.

The social implications of the government fiscal policy can be traced through the evolution of social spending, wages and salaries, and taxation policies.

2.2.1 Evolution of Public Social Spending

Government budget expenditures on social services, as a percent of the overall budget, including spending on education, health and social welfare, recorded a notable increase during the last five years. However, the actual level of spending, its efficiency and equity provision are issues that remain controversial.

The total allocated budget for the Lebanese Ministries dealing with social issues⁵ constituted around 13 percent of total budgeted government expenditures during the period 1994-1998, the majority of which went to the Ministry of National Education, Youth and Sports (44 percent of total allocation for social spending) and Ministry of Public Health (22 percent).

⁵ Considered in the context of this report as the Ministries of National Education, Youth and Sports, Public Health, Social Affairs, Labor, Housing and Cooperatives, Displaced, Vocational and Technical Education, Culture and Higher Education, and Environment.

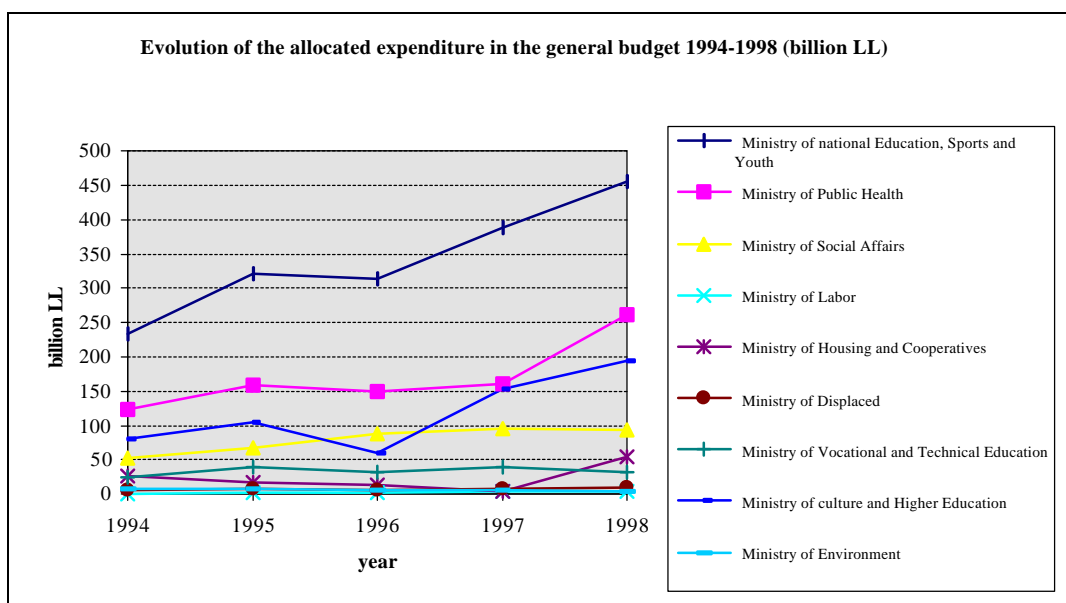


Table 1. Government Allocated Spending for Social Issues 1994-1998 (billion LL)

Government expenditures/ Budgeted figures	1994	1995	1996	1997	1998	Total
Ministry of national Education, Sports and Youth	234	322	314	388	456	1,713
Ministry of Public Health	124	159	150	160	261	854
Ministry of Social Affairs	52	68	88	95	94	397
Ministry of Labor	1	2	2	4	4	14
Ministry of Housing and Cooperatives	26	17	13	4	54	114
Ministry of Displaced	6	7	6	7	9	36
Ministry of Vocational and Technical Education	25	40	33	40	33	170
Ministry of culture and Higher Education	80	105	61	154	195	595
Ministry of Environment	7	8	6	6	5	32
Total public social spending	555	729	674	856	1,111	3,925
Total public expenditure(exclud. annexed budget)	4,106	5,630	6,458	6,433	7,320	29,947
Total budget expenditures (include. annexed budget)	4,715	6,247	7,091	7,203	8,199	33,456
Debt Service	1,359	2,279	2,600	2,700	3,200	12,137

Source: Ratified General Budgets 1994-1998

Public spending on social services such as education, health and social assistance should consider two basic policy objectives: efficiency and equity. Efficiency could be achieved when the public intervention produces external benefits that contribute to correcting market failure, whereas equity is achieved by making social services accessible for different population groups regardless of regional, social and economic differentials.

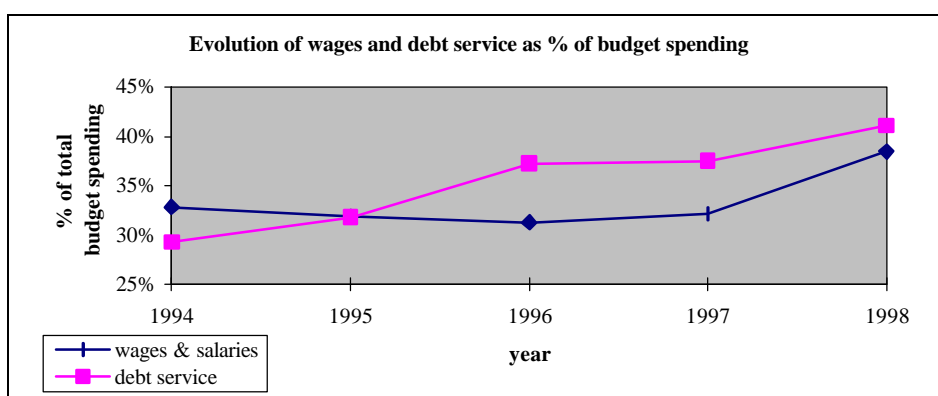
Despite the relatively considerable size of public spending on social issues by the Lebanese Government during the last five years, social sectors still face several structural problems. These problems are mainly reflected in the apparent inequity in access to social services, the high costs of these services, and the absence of a comprehensive national plan to address the socio-economic needs of the population and reduce regional and social disparities. One of the major factors affecting the effectiveness of public social spending remains the huge size of overhead administrative costs compared to operational costs in terms of actual service delivery.

The extent to which public spending has been effective during the past period could be measured by the brief review of the main achievements, constraints and problems encountered, despite the

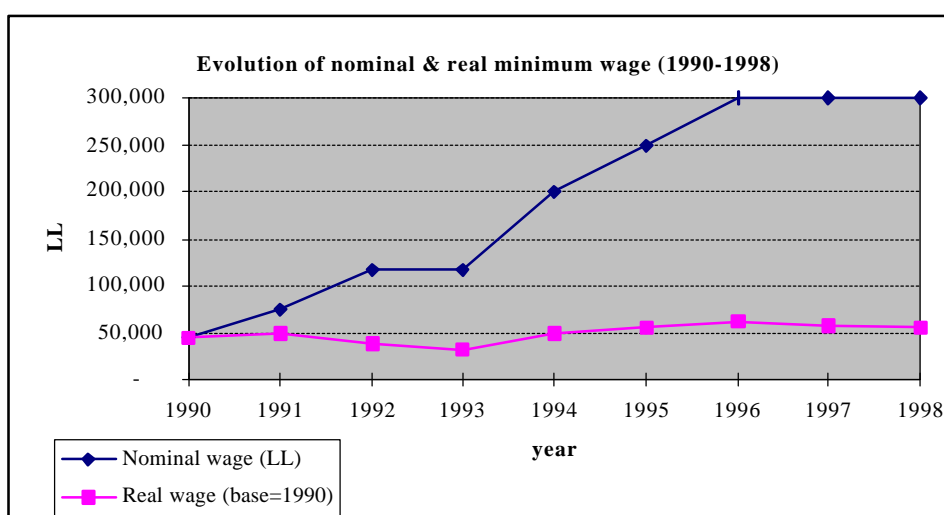
efforts made by governmental bodies, in the health, education and social welfare sectors (treated in section 3).

2.2.2 Evolution of Wages in the Government Budget

Wages constitute a considerable component of the governmental budget. Their contribution to the growth in public spending has been, in recent years, a very controversial issue. However, during the past five years, the share of wages of total budget spending tended to decline against a growth in the share of debt servicing expenditures⁶. It is noted that, since 1994, only two wage adjustments were ratified in 1995 and 1996. However, the implementation of the second wage adjustment was delayed for 1999 in order to develop a new salary scale for public sector employees.



In the absence of a well-defined wage policy (full indexation, partial indexation, etc.), the purchasing power of the Lebanese pound underwent a slight decline throughout the period 1995-1998, during which the cumulative inflation rate in Lebanese Pounds amounted to around 23%. However, the drop in real wages was much higher during the period 1991-1993, whereby the decline in purchasing power amounted to 37%⁷. It is important to mention that the wage adjustments that were implemented in the post-war period did not account for the huge cumulative drop in real wages that was incurred during the years of civil war.



⁶ Ministry of Finance, 1998 database

⁷ Consumer Price Index, Consultation & Research Institute, 1994-1998

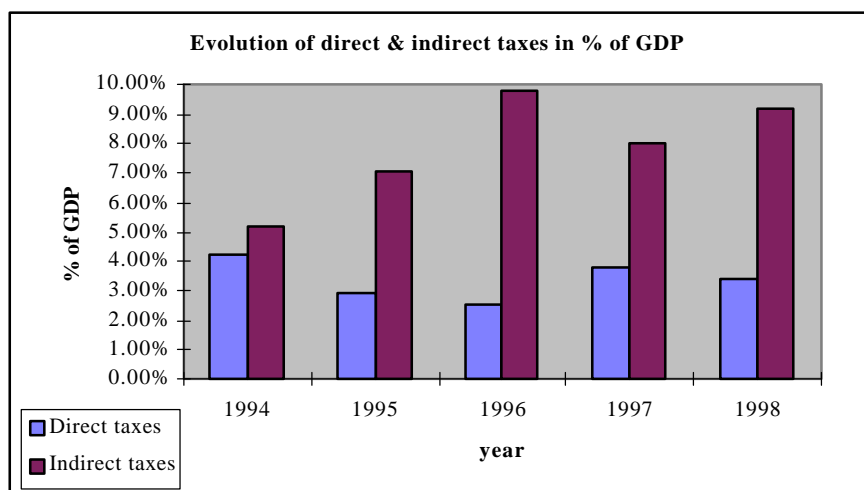
Official wage adjustments were not necessarily responsible for the increase recorded in expenditure on wages and salaries since 1994. Rather, it was the large expansion in the number of public sector employees, particularly within the army and internal security forces, coupled with the prevailing inefficiency in public sector institutions that contributed the most to the increase in the wage bill over these years.

As a consequence, the rise in the wage component in the general budget does not entirely reflect a real improvement in the living standard for a specific portion of labor force - namely public sector employees- and hence could not be justified to have a considerable impact on social development. Furthermore, as will be highlighted in the coming sections, increases in wages were partially offset by a simultaneous increase in indirect taxes.

2.2.3 Taxation Policies

During the last few years, a higher importance has been attached to the revenue-generating role of taxation policies, rather than to their impact on social equity. Accordingly, the tax burden fell most heavily on low and middle income groups, thus contributing to a wider gap among the different social classes.

The Lebanese government is placing higher weights on indirect taxes as the major source of government revenues. In 1993, a tax amendment was introduced lowering the ceiling of tax on profit and income to 10 percent, aiming at a dual objective: creating a suitable investment environment and improving the voluntary compliance of tax-payers.



During the past five years, the share of direct taxes in GDP did not exceed 3.8 percent, while the share of indirect taxes ranged between 4.5 percent and 7.5 percent⁸. Also, during the same period, the government increased the tariffs of public services such as electricity, telephone, and other services, much more than the average annual household income can sustain.

The reliance on indirect taxes- which are regressive in nature- increased the burdens on the middle and low income classes. In fact, the structure of Lebanese households' spending and incomes reveals that low-income categories spend a higher portion of their income on basic goods (foodstuff, clothing and personal care) than high-income household categories who spend a higher proportion of their income on services (such as education and leisure)⁹. Since the consumption of these services is not subject to taxation, the tax burden born by the low-income social categories- as compared to their level of income- is much higher than the burden born by high-income ones.

⁸ As-Safir, *The 5-year Plan for Economic and Fiscal Reform*, June 9, 1999

⁹ Family Budget in 1997, Central Administration of Statistics, 1999

From another perspective, the high indebtedness of the government led to a huge accumulation of debt servicing expenditures that constituted around 76 percent of total government revenues during the period 1995-1998 (92 percent in 1997). Given that bondholders were exempted from taxes, the government policy entailed a distribution of wealth and income away from tax-payers, who represent low and middle income groups, to bondholders who represent wealthy and advantaged groups.

The current tax structure in Lebanon relies on custom duties and other forms of indirect taxation, while a large part of domestic transactions, corporate profits, capital gains and wealth are not effectively subject to taxation. Consequently, a need for a structural tax reform targeting high-income and wealthy groups arises, aiming at achieving a dual objective: maximizing treasury revenues and narrowing down the existing gap among the different social classes. In this regard, the current government is proposing to increase tax rates on income and profits with a higher degree of progressivity. In addition, efforts are being undertaken to prepare for the introduction of value-added-tax - which would be imposed not only on goods but also on a variety of services- in order to gradually substitute for custom duties on imported goods. It should be noted that the implementation of VAT will constitute a positive step towards a more balanced income distribution as it would increase the tax burden on high-income groups who spend a high proportion of their income on services as compared to low-income groups.

Briefly, the taxation and spending policies adopted by the authorities did not play a major role in enhancing the social standing of the country. In addition, the future prospects are not encouraging in light of the hard fiscal crisis that the Government is passing through. With debt growing more rapidly than GDP, severe austerity measures are expected to be adopted by the Government, thus leaving little room for social spending to expand in the coming few years. In addition, given the complexity of administering income and wealth tax and the urgent need to achieve additional revenues, the recourse to heavy reliance on indirect taxation in the short term seems inevitable, which would further aggravate the tax burden on low and disadvantaged groups.

2.3 Rehabilitation and Reconstruction Plan

The national rehabilitation and reconstruction plan (Horizon 2000) adopted by the Lebanese Government in 1994 was relatively ambitious in setting its objectives and targets, intending to restore the country's pre-war state. The plan aimed at doubling the average living standard of the Lebanese population during the period 1995-2007, achieving balanced regional development, and integrating the private sector into the development process. The objectives of the plan can be examined through the sectoral and regional distribution of planned expenditures as follows:

Table 2. Sectoral distribution of planned expenditures - 1995-2007

Sector	Share
Physical infrastructure (electricity, communications, roads and highways)	37%
Social infrastructure (education, youth and sports, vocational and technical training, higher education, health, social affairs, housing, displaced)	25%
Socio-economic services (water, solid wastes, environment, public transport and railways)	22%
Productive sectors (agriculture and irrigation, industry and petroleum, airport, port, free zones, tourism, private sector services)	8%
Government apparatus (government buildings, security forces, information and public administration)	8%

Source: Council for Development & Reconstruction, Horizon 2000, Beirut 1995

Table 3. Regional distribution of planned expenditures- 1995-2007

Mohafazat/Region	Share
Beirut	14%
Beirut Suburbs	20%
Mount-Lebanon	15%
North-Lebanon	18%
Nabatieh	8%
South-Lebanon	11%
Bekaa	14%

Source: Council for Development & Reconstruction, Horizon 2000, Beirut 1995

During the period 1992-1998, many achievements are recorded in the rehabilitation and reconstruction process, in the different sectors: physical infrastructure, social infrastructures, basic services and productive sectors. In fact an apparent improvement was recorded, mainly at the level of physical infrastructure which accounted for a major portion of spending during the last period (around 50%).

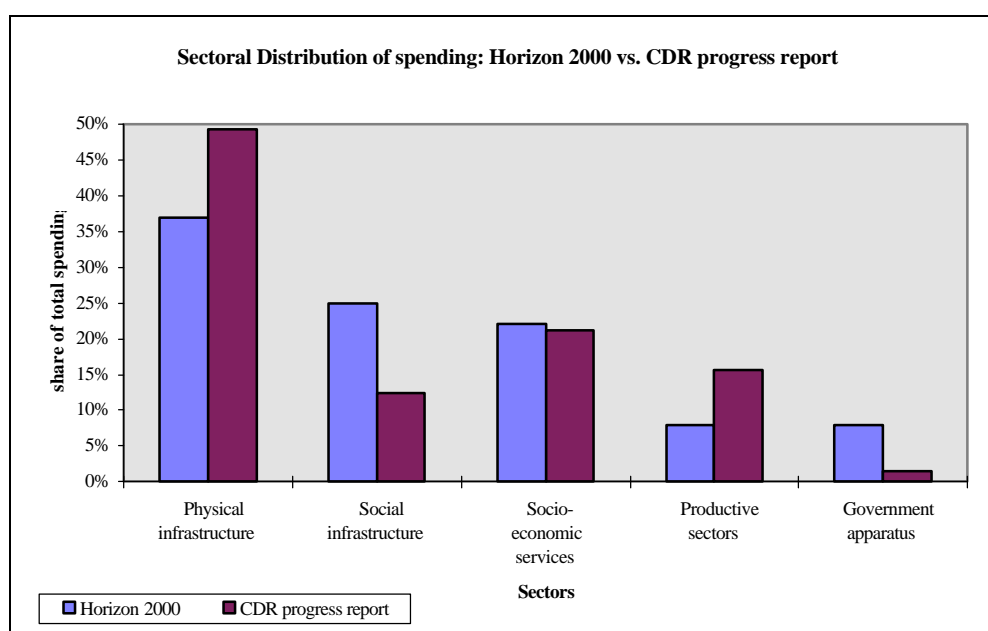
Table 4. Contracts from January 1 1992 to December 31 1998

Sectors	Total			Completed		In progress		
	N. of contracts	Amount USD	Foreign Fund	N. of contracts	Amount USD	N. of contracts	Amount USD	progress *
Physical Infrastructure								
Electricity	56	1337.9	1198.6	40	452.1	16	885.9	77%
Telecommunications, post	88	797.9	33.9	84	341.2	4	456.7	78%
Roads & highway, public transport	119	521.1	31.4	55	110.6	64	415.3	56%
Sub - total	263	2656.9	1263.9	179	903.9	84	1757.9	
Social Infrastructure								
Education	506	450	189.2	406	195.6	101	254.4	8%
Public Health	103	136.9	94.7	44	9.5	59	127.4	49%
Social affairs	14	2.5	0.9	14	2.5	0	0	0%
Housing and resettlement	13	3.1	2.8	12	1.4	1	1.7	90%
Environment & Physical planning	23	72.1	9.6	11	8.2	12	64	5%
Sub - total	659	664.6	297.2	487	217.2	173	447.5	
Basic services								
Water supply	105	323.1	238.7	40	62.4	65	253.1	42%
Waste water	70	154.1	28.1	25	25.9	45	128.2	46%
Solid waste	54	665.3	29.5	22	96.9	32	568.4	23%
Sub - total	229	1142.5	296.3	87	185.2	142	949.7	
Productive sector								
Agriculture and irrigation	77	58.9	43.6	33	9.5	44	49.5	36%
Industry, oil & gaz	16	5.4	3.9	12	1.2	4	4.3	35%
Ports and airport	37	642.4	178	19	17.2	18	625.2	61%
Government building	96	81	7.3	79	73.4	17	7.6	46%
Management & Implementation, other	250	138.9	107.6	196	106.8	54	32.1	57%
Sub - total	476	926.6	340.4	339	208.1	137	718.7	
Total	1627	5390.6	2197.8	1092	1514.4	536	3873.8	

Source: Progress Report, Council for Development & Reconstruction, March 1999

* estimated % of the in-progress work done during 1998

However, comparing the actual spending (as per CDR progress report) and the expected spending (as per Horizon 2000 estimates), considerable imbalances are noted particularly in the distribution of spending among the different sectors. Whereas spending on physical infrastructure is estimated to account for 37% of total plan, it actually rises during the period 1992-1998 to around 49% of spending. Meanwhile, the share of social infrastructure records, during the same period, only 12% of total actual spending, against a forecasted share of 25% of total spending. These imbalances might be attributed partially to the fact that physical infrastructure was completely destroyed during the war and had to be assigned high priorities, however, this does not explain the very low share of spending on social infrastructure which is almost equally important to physical infrastructure.



Spending on the construction and rehabilitation plan - as deduced from planned and execution figures- was skewed for physical infrastructure on the one hand, and on the other for some regions at the expense of others. This fact create some sectoral and regional imbalances

2.4 *The Monetary Policy*

The stabilization monetary policy pursued by the Lebanese Government since the early 90's had both positive and negative repercussions on the social conditions of the Lebanese population. On one hand, this policy which aimed at stabilizing the value of the exchange rate was successful in controlling the annual rate of consumer price inflation, which dropped from 100 percent in 1992 to 4.5 percent in 1998. Thus, the disastrous phenomenon of real wage erosion that was witnessed during the years of war was relatively controlled, even though the wage adjustments that were effected during the last decade were not sufficient to compensate for the cumulative losses in the purchasing power of wage-earners.

On the other hand, the monetary policy, which was implemented through high interest rates on treasury bills, discouraged private investment in the productive sectors of the economy, thus contributing to a slowdown in the rate of economic activity. Accordingly, the number of job opportunities created was relatively low and unemployment persisted as most foreign and local capital was invested in high-yield government bonds rather than in high-value employment-promoting activities.

In addition, the continuous appreciation of the Lebanese pound against the Dollar led to a rise in the real effective exchange rate- which measures the ratio of the average price of the Lebanese output basket to the price of foreign output basket- by around 58% between 1993 and 1998¹⁰. This means that the prices of domestic goods and services have risen by around 58% relative to foreign goods and services throughout that period, the fact which led to a deterioration in Lebanon's comparative advantage and slowed down the rate of activity in export-production sectors. As a result, the Balance of Trade deteriorated, thus aggravating the prevailing economic stagnation and the related employment prospects.

As a conclusion, the macro-economic policies during the last five years, whether fiscal or monetary, influenced to a large extent the social development in Lebanon. The main areas affected in this regard are:

- The level of disposable income that declined as a consequence to the increasing trend level of taxation and pricing of public services
- The distribution of income resulting from the heavy reliance on indirect taxation
- The uneven accessibility to basic infrastructure that results from the uneven allocation of financial resources among the different Lebanese regions
- The relatively low level of private investment generating job opportunities

¹⁰ As-Safir, *The 5-year Plan for Economic and Fiscal Reform*, June 9, 1999

3 WSSD themes: achievements, mechanisms and constraints

The preceding assessment highlighted the major deficiencies that hampered social development during the past few years from a macro-economic perspective. Yet, a more thorough analysis of the situation could be achieved by reviewing the specific social projects, plans or programmes that were undertaken by different governmental and non-governmental bodies within the context of addressing some of the prevailing social problems that were addressed by the World Summit for Social Development.

The achievements recorded in the three areas of concern can be assessed through examining the evolution of a set of relevant indicators, a task constrained by the availability of statistical data particularly on the situation that prevailed prior to the WSSD. The constraints that impeded the achievements of the WSSD recommendations can be highlighted, with specific focus on the predicaments facing the government, whether they are related to capacity building, availability of resources, or inaccuracy in planning.

It should be noted that a set of externally-financed investment programmes and projects have been contracted since 1995, aiming directly or indirectly at poverty alleviation, employment promotion and social integration of underprivileged groups. These implemented projects range from constructing databases holding information on the different demographic, social and economic aspects, to service provision projects addressing specific regions and social groups.

Yet, the efficiency, effectiveness and impact of these projects in achieving their presumed social functions cannot be identified given the absence of a well-defined comprehensive social plan with pre-determined objectives, as well as the absence of identifiable impact assessments of such programmes on the social status of the population. For instance, the Common Country Assessment (1998), prepared by the UN Resident Coordinator System in Lebanon attempted at presenting the current achievement level of some basic indicators relating to many aspects: population, poverty alleviation, employment and sustainable livelihood, health, education, environment management, governance and institution building, and empowerment and participation. It is noted that for most of these indicators, mainly core indicators, national targets were almost absent, reflecting the relative inadequacy in baseline information and planned outcome indicators.

According to Lebanon Development Cooperation Report¹¹, the sectoral disbursements of external assistance (amounting in total to US\$ 234 million) reveals that the share of expenditure on social development of this assistance was growing in the period 1993-1997, to reach 19.2% in 1997. However, the concept of social development and its components is still a controversial issue, and there is still no national-agreed upon classification for services and activities that could be considered within the context of social development. For instance, disbursements for social development in 1997 amounted to US\$ 450, among which 29.5% is disbursed for drinking water and sanitation projects and 25.3% for the construction of Beirut Sports City stadium. The controversial definition of the concept of social development is also highlighted in the governmental budget, mainly in the classification of expenditures, as to what to include under social spending and what to exclude. This fact is constituting an alleged reason for political dispute. The following table illustrates the development of the disbursement of external assistance and its breakdown by major sectors in the period 1993-1997:

Table 5. Gross Disbursements of external assistance by sector (1993-1997)

Million US \$	1993	1994	1995	1996	1997
Gross Disbursement	144.5	157.3	215.1	332.8	233.6
Break down of gross disbursement by sector %					
Social Development	9.2	15.7	16.1	11.4	19.2

¹¹ Development Cooperation Report, UNDP, 1998

Transport	0.4	0.4	10.3	4.0	16.8
Health care	17.4	8.6	11.0	14.5	14.4
Electricity	17.9	25.5	25.4	34.5	12.9
Human resources	11.0	28.0	13.0	6.5	9.6
Others	44.1	21.8	24.1	29.1	27.1
Total	100	100	100	100	100

Source: Lebanon Development Cooperation Report 1998, UNDP, 1998

3.1 *Theme 1: Poverty Eradication*

The 186 countries that attended the WSSD committed themselves to implement action programmes aiming at poverty eradication, with the following specific objectives:

- ◇ Developing methods for measuring the different levels of poverty, mainly absolute poverty;
- ◇ Adopting national strategies to reduce relative poverty and eradicate absolute poverty;
- ◇ Fixing time limits for the poverty alleviation process.

3.1.1 *Main achievements*

Absolute poverty in Lebanon is preliminarily defined as the inability of covering the cost of basic alimentary needs, whereas relative poverty is the inability to cover the cost of basic living needs (food, clothing, education, and health). Lebanon is still faces several predicaments in proceeding in the process of poverty eradication. Lebanon does not have a clear method of poverty measurement, nor does it have a specific national plan to eradicate poverty.

In 1998, an attempt has been made by The Ministry of Social Affairs and UNDP to rank geographic regions according to the degree of satisfaction of basic needs¹², using “Unsatisfied Basic Needs” (UBN) method. This adopted measurement, however, has a general indicative value with respect to describing social/regional disparities, nevertheless it does not lead to an exact social classification in the country. Furthermore, in the absence of income and expenditure data, this ranking selected eleven indicators grouped into four major fields (housing and related indicators; water and sewage; education and related indicators; and income-related indicators). Based on this classification, it was found out that around 32.1 percent of households (and 35.2 percent of individuals) are living below the satisfaction threshold. **The same study reveals that socio-economic conditions of rural areas in Lebanon are deteriorating¹³, as can be concluded from the classification of cazas based on the percentage of households having a low degree of satisfaction. For instance Bent Jbeil has the highest percentage of households with low degree of satisfaction (67.2% of households), followed by Hermel (65.3%), Akkar (63.3%), and Marjaayoun (60%) noting that all these areas are classified as rural areas.**

In addition to the attempt done on mapping of living conditions, another attempt was done in 1997 to identify the poverty profile in a specific region of Lebanon, historically considered as an under-served area, namely, Baalbeck-Hermel region¹⁴. The attempt resulted in determining the lower poverty line (estimated at monthly amount of US\$ 332 for an average household size of 5.26 members) and the upper poverty line (estimated at a monthly amount of US\$ 652 for an average monthly size of 5.26 members). The head count index for this region was equivalent to 25.5

¹² Mapping of Living Conditions in Lebanon, Ministry of Social Affairs & UNFPA, 1998

¹³ There is no clear and official classification of Lebanese areas as to their being urban or rural. However Lebanese cazas can be somehow ranked according to the degree of urbanization.

¹⁴ Poverty & Gender Profile in the Baalbeck-Hermel Region, Consultation & Research Institute and UNDP, 1998

percent and 58 percent of households (65% of population), relative to the lower and upper poverty lines, respectively. The poverty gap for the Baalbeck-Hermel region amounted to 30.4 percent and the Lorenz curve illustrated that 20 percent of this area's income was controlled by 50 percent of the population, whereas 30 percent of the income was controlled by 10 percent of the population. **This study further illustrates the deterioration of socio-economic conditions of rural-areas in Lebanon. The area of baalback-hermel, having around 21% of its labor force working in agriculture (which is among the highest in Lebanon), recorded the worst socio-economic indicators, mainly in terms of illiteracy rate and unemployment rates which are among the highest in the country. Also, income indicators reveal that the individual income levels are very low, with more than two thirds of the workers earning less than twice the official minimum wage. On the other hand, this study indicates that socio-economic conditions are worst for female than for male (poverty feminization phenomenon) . For instance, illiteracy rates are more than three times for female than those for male. Also, lower income levels are recorded for female working in these areas, as compared to male.**

Furthermore, it should be noted that the urban poverty line was estimated at US\$ 495 for a family of five members in Beirut (in 1992¹⁵). This estimate was arrived at through calculating the "least cost diet" taking into consideration several variants such as gender and age. Also, following the same methodology, the upper poverty line in rural areas was estimated at US\$ 377 in 1993¹⁶. The variation in urban and rural poverty lines accounts for auto-consumption, demographic structure and price differentials between urban and rural areas.

Taking into consideration that the extrapolation of poverty line is a very complicated process as it is related to inter-linked factors (demographic structure, elasticity and consumption behavior), for simplicity reasons, the above-mentioned poverty lines can be updated using inflation rates, *cet. par.* as follows:

Table 6. Extrapolation of Poverty lines in Urban and Rural Areas

Year	Urban Upper Poverty Line (US\$)	Rural Upper Poverty Line (US\$)	Inflation in (US\$)
1992	495		
1993	607	377	23%
1994	679	422	12%
1995	778	483	15%
1996	874	543	12%
1997	961	597	10%
1998	1,021	633	6%

Source: extrapolated by CRI using inflation rate

Despite the different surveys conducted during the recent years to evaluate the living conditions of the Lebanese population, the country still lacks some basic information on accurate national levels of absolute and relative poverty. The data made available through the different surveys provides insights regarding the level of income, distribution of income, the accessibility to basic services and some other indicators that could be used for an approximate indirect evaluation of the extent of poverty in Lebanon.

The main indicators used to measure poverty such as poverty line, head count index, poverty gap and severity of poverty have not been evaluated in Lebanon, except for some regions (Baalbeck-Hermel) or through some preliminary, though indicative, attempts that did not take into consideration the various factors that would affect the level of poverty line (demographic factors,

¹⁵ Study on the evolution of wages and prices 1984-1992, Consultation & Research Institute- ILO- CGTL, 1992

¹⁶ Rapid Needs & Capacity Assessment, Consultation & Research Institute - High Relief Committee - World Bank - UNDP, 1995

auto-consumption, structure of spending, housing ownership, elasticity, third-party finance for health and education, etc.). Hence, the measurement of the accurate level and profile of poverty in Lebanon could not be achieved at this stage.

Consequently, although preliminary attempts have been made, the three commitments of the action plan for poverty eradication has not been adequately met five years after the Summit.

3.1.2 Mechanisms

A. Surveys and Researches

As aforementioned and until the beginning of the nineties, the scarcity of statistical data complicated the assessment of the living conditions of the Lebanese population. However, since 1995, the most notable achievements of the Government in the context of poverty determination were the implementation of a number of surveys and sample studies which provided data on some major demographic, social, and economic aspects. Of these surveys, the most prominent are the following (listed in backward chronological order):

Improving living conditions of the poor (launched in October 1998- ongoing): Based on the results of the mapping of living conditions, this project was launched in 1998 by the Council for Development and Reconstruction, Ministry of Social Affairs and UNDP. It includes several action plans, studies and surveys. It aims, first, at capacity building of the Ministry of Social Affairs. Also, covering also the implementation of pilot micro projects in one of the poorest area in North Lebanon (Bab Eltabaneh and Akkar). It includes preparing a publication on the living conditions of Lebanese households (under implementation). Within the context of the same project, a national survey will be conducted aiming at estimating the poverty line (on both income and UBN basis) expected to be completed by the end of 2000. In addition, a project and support documents are being prepared for an integrated development programme for Akkar which is expected to be launched during year 2000 and to last 3-5 years.

Analysis of the budget according to the 20/0 initiatives (1999-under implementation): This study is aiming at analyzing budget spending to identify the allocation of governmental resources to social interventions and is supposed to result in the recommendations that would assist in devising the necessary policies and measures to achieve a better allocation of social spending.

Family Budget in Greater Beirut (1999): the study is being implemented by the Central Administration of Statistics (CAS) with the assistance of the United Nations Development Programme (UNDP). It is the first official survey on family budget since 1966, noting that a similar survey was conducted in 1986 by the Lebanese General Trade Union to identify the structure of family budget covering around 2000 households in Beirut and its suburbs. The survey aims at identifying the structure of household spending. This study could be later used for the identification of the level of absolute and relative poverty in urban areas.

Compulsory Free Education Survey (1999): the study was carried out by Consultation and Research Institute and the National Center for Educational Research and Development, and commissioned by UNICEF and the World Bank. It aimed at identifying the rates of enrollment, dropout, repetition, and failure of individuals aged between 3-22 years, in addition to the cost of education in the different schooling systems and their means of financing. It also aimed at determining the capacity needed in terms of school premises, equipment and educational staff to provide compulsory free education, as well as the cost that will be incurred in such a process.

Gender and Poverty Profile in Baalbeck-Hermel (1998): the study was carried out by Consultation and Research Institute at the request of UNDP. The study aimed at identifying the characteristics of the poor in Baalbeck-Hermel, as well as the prevailing gender disparities.

Mapping of Living Conditions (1998): the study was carried out by MOSA and UNDP. Based on the data provided through the housing and population survey (1996), a mapping of the living conditions was developed on Caza basis, classifying households and individuals into four categories depending on the degree of satisfaction of basic needs.

Living Conditions of the Lebanese Households in 1997 (1998): the study was carried out by the Central Administration of Statistics (CAS) with the assistance of the United Nations Development Programme (UNDP). The study resulted in an estimation of the population size of around 4 million (including Palestinians inside camps). It also served as a multipurpose survey providing information on demographic structure, housing conditions and accessibility to basic services, in addition to data on education, health, employment, income and wages, and structure of household spending.

Assessment of Socio-economic Conditions in Lebanon (1997): the study was carried out by Consultation and Research Institute at the request the World Bank. It was an analytical treatment of the Housing and Population Survey, with an attempt to identify households' income level in relation to an estimated level of poverty line.

Housing and Population Database Survey (1996): implemented by the Ministry of Social Affairs (MOSA) with the assistance of United Nations Population Fund (UNFPA). The study resulted in an estimate of the population size of 3.1 million (excluding Palestinians in the refugee camps), as well as demographic characteristics including distribution of population by gender, age groups, household structure, age of marriage, dependency rates, and migration. The study also provided information on the distribution of population by socio-professional occupation, economic activities, sectors (public, private), status of work (employer, wage-earner), seasonality of work, secondary occupations, female activity, and others. The study elaborates on the housing conditions, including crowding, accessibility to basic services (water, electricity), type of ownership, and others.

One of the possible mechanisms that would be of great significance in poverty alleviation is the foundation of the Social and Economic Council, that will be a potential tool of debate among the different parties involved in social and economic issues (employers in the different economic sectors, professional syndicates, labor unions...). However, the level of efficiency of this council will mainly depend upon the authorities granted to the council as well as to its being well representing the different concerned parties. Also, among the contributors to poverty alleviation, will be the role of the Economic and Social Fund, and its foundation has been preliminarily negotiated with CDR and that will be financed by the European Union.

In addition to these national and regional surveys and studies, other analytical studies and desk researches were conducted, having a poverty component.

B. Specific developmental interventions

During the recent period, several projects have been implemented by governmental and non-governmental bodies (some of which are on-going), with the financial and/or technical assistance of local and international organizations. These projects aim at enhancing the living conditions of specific social groups in specific regions (Annex 1 provides details on these projects). The nature of these projects varies according to different variables. Some have a regional development dimension, addressing in particular the deprived areas in Lebanon, such as Baalbeck-Hermel, Akkar and the South. Whereas others address specific target groups (displaced, small farmers,...). The nature of these projects, it varies between service provision, strengthening and capacity building, credit provision, rehabilitation of social infrastructure, and other types of assistance.

The main financial contributors to poverty-alleviation related projects included external multi-lateral and bi-lateral donors, in addition to the United Nations Agencies, including: the United Nations Development Programme (UNDP), the Arab Fund for Economic and Social Development (AFESD) and the United States Agency for International Development (USAID). Various organizations contributed in the execution of funded projects, especially the Council for Development and Reconstruction (CDR), line ministries, and non-governmental Organizations (NGOs).

3.1.3 Constraints

The main constraint in addressing social alleviation in Lebanon at the national level is the absence of a comprehensive national strategy aiming at poverty-reduction in the country. Such a comprehensive plan would identify under-served areas and poor groups, and would devise strategies to assess and respond to their needs, ensuring both high impact and sustainability. The absence of such a plan induced a high cost for the government in the last few years. For instance, governmental spending on education and health as percentage of GDP reached one of the highest levels by international standards, nevertheless the equity and efficiency of these services is debatable. Given the current hard fiscal and monetary conditions the government is facing, squeezing governmental spending, minimizing waste of resources, and ensuring their efficient use becomes a priority.

During the past few years, starting from 1996, the government attempted to shift its focus from investing in infrastructure to investing in social and human development, giving higher priority to governance and social issues, including administrative reform, return of displaced, balanced development and environmental aspects. However, this shift was confronted with fiscal difficulties, caused by a huge budget deficit and an uncontrollable growth in public debt.

3.1.4 Poverty Proxy Indicators

In the absence of comprehensive set of income indicators, available indirect indicators such as level of income and accessibility to basic services could constitute proxy indicators to evaluate the extent of poverty. Within this context, the present report will consider three main proxy indicators to evaluate the current extent of poverty in the country: wages and income, health, and education.

A. Wages and Income

Wages have been severely influenced during the past few years, the fact which is best illustrated through tracing the evolution of the minimum wage rate during the period 1990-1998. The minimum wage rate, fixed at LBP 45,000 in 1990 (US \$64), increased- in current prices- to reach LBP 300,000 in 1996 (US\$ 191), with an increase of 566 percent. Meanwhile, in constant prices, the minimum wage registered an increase of only 37 percent because of the cumulative inflation (both in Lebanese Pounds and in U.S. Dollars). It should be noted that this increase in general was notably slower for higher wage segments, since wage adjustments were applied with a certain degree of progressivity with higher rates of increases applied to lower segments of wages. Table 7 shows the evolution of minimum wage in both constant and current prices for the period 1990-1998:

Table 8. Evolution of Minimum Wage (1990-1998)

	Current Price LBP	Current price \$	Constant Price LBP	Constant Prices \$
1990	45,000	64	45,000	64
1991	75,000	81	49,885	71
1992	118,000	69	39,288	56
1993	118,000	68	31,510	45
1994	200,000	119	49,488	71
1995	250,000	154	55,941	80
1996	300,000	191	61,658	88
1997	300,000	195	57,218	82
1998	300,000	198	54,728	78

Source: Minimum wages adjustment decrees
Consultation and Research Institute, Consumer Price Index

Since the end of 1996, and despite the inflation rates recorded during the past three years, no wage adjustment has been taken into account for workers in the private sector.

Recent released statistics reveal that the average monthly salary earned by the Lebanese workers is around LBP 689,000 (equivalent to US\$ 450, 1997 figures¹⁷), i.e., 2.3 times the minimum wage. However, disparities are recorded in wage levels based on different variables, including gender, work status, geographic areas, occupation and others.

For example, significant gender disparities are recorded in the wage level, where the average monthly wage for females is estimated at LBP 568,000 (US\$ 372, 1997 figures), and is 18 percent lower than that for the average worker. On the other hand, the average monthly wage for males is estimated at LBP 732,000 (US\$ 480), i.e., around 6.2 percent higher than the average national wage level. Consequently, on average, male monthly wages are more than 28 percent higher than those of females.

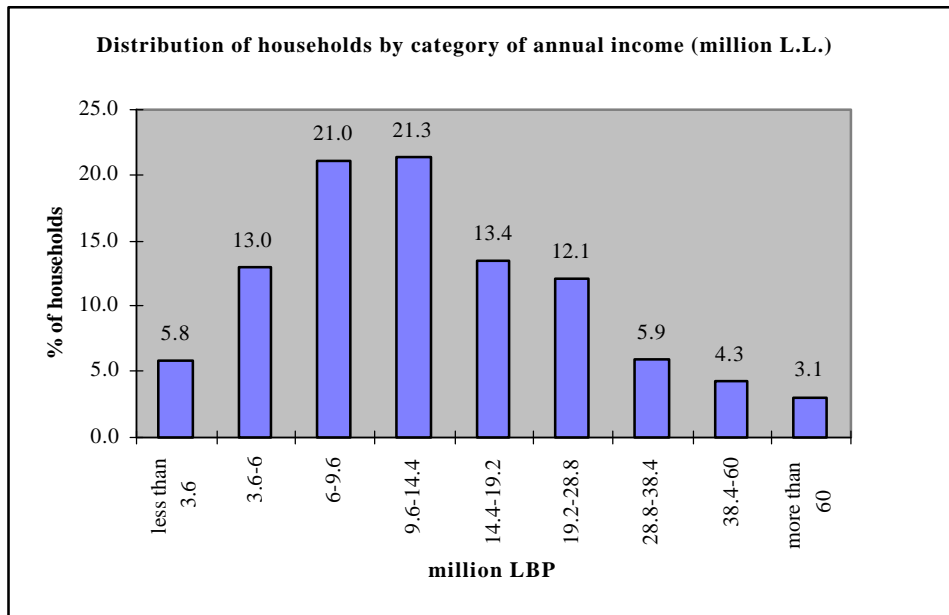
Also, regional variations in the level of monthly wages are evident throughout the country. Highest average monthly wage levels are recorded in Beirut (around LBP 835,000 -US\$ 547), followed by Mount Lebanon with an average monthly wage equivalent to LBP 801,000 (US\$ 525), whereas lowest monthly wage levels are recorded in South Lebanon (LBP 546,000 -US\$358), and are only 1.8 times the minimum wage rate.

Permanent salaried workers, representing the majority of the Lebanese labor force (64%), have a higher monthly wage level, estimated at LBP 769,000 per month, equivalent to US\$ 503 (1997)¹⁸. Other workers have a much lower monthly salary level reaching as low as LBP 444,000 per month.

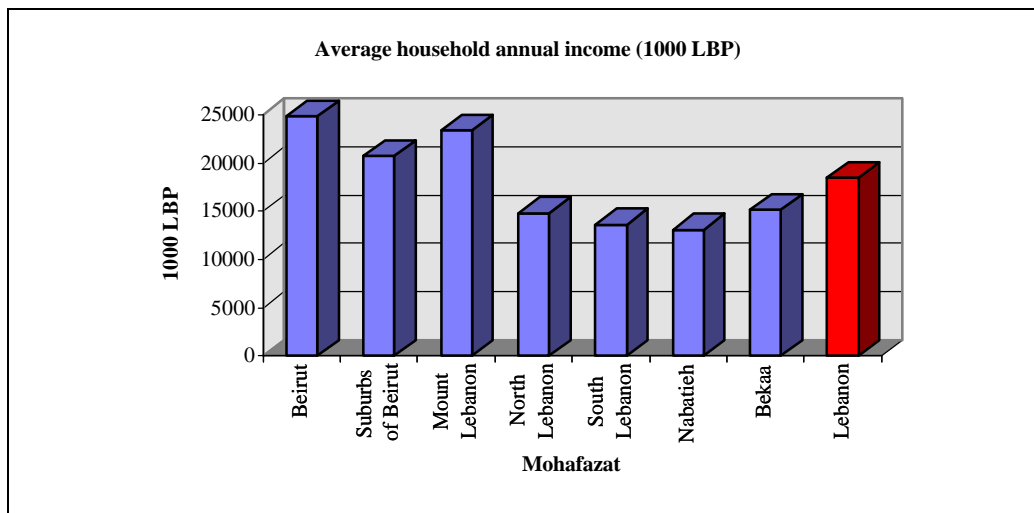
The distribution of Lebanese households by category of income reveals that around 75 percent of resident households earn less than LBP 19.2 million per year, with notable regional disparities. For example, 86 percent of households in South-Lebanon, compared to 64 percent of households in Beirut, earn an annual income less than LBP 19.2 million.

¹⁷ Central Administration of Statistics, Living Conditions of the Lebanese Household in 1997, 1998

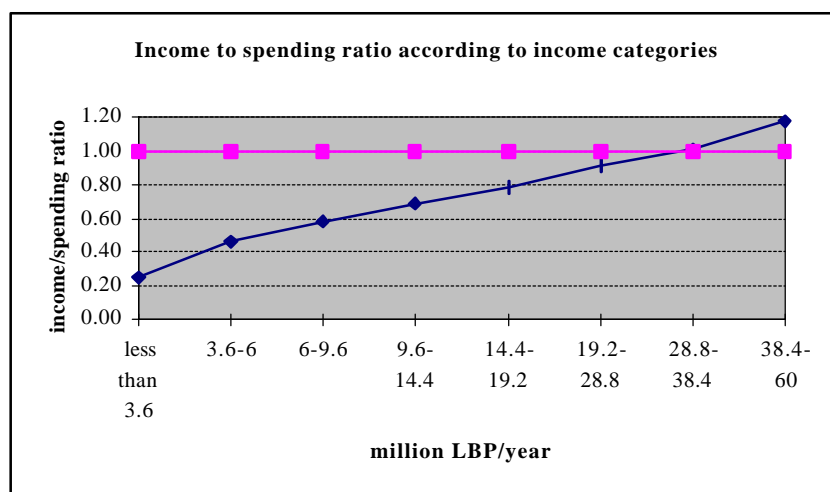
¹⁸ CAS, op. cit.



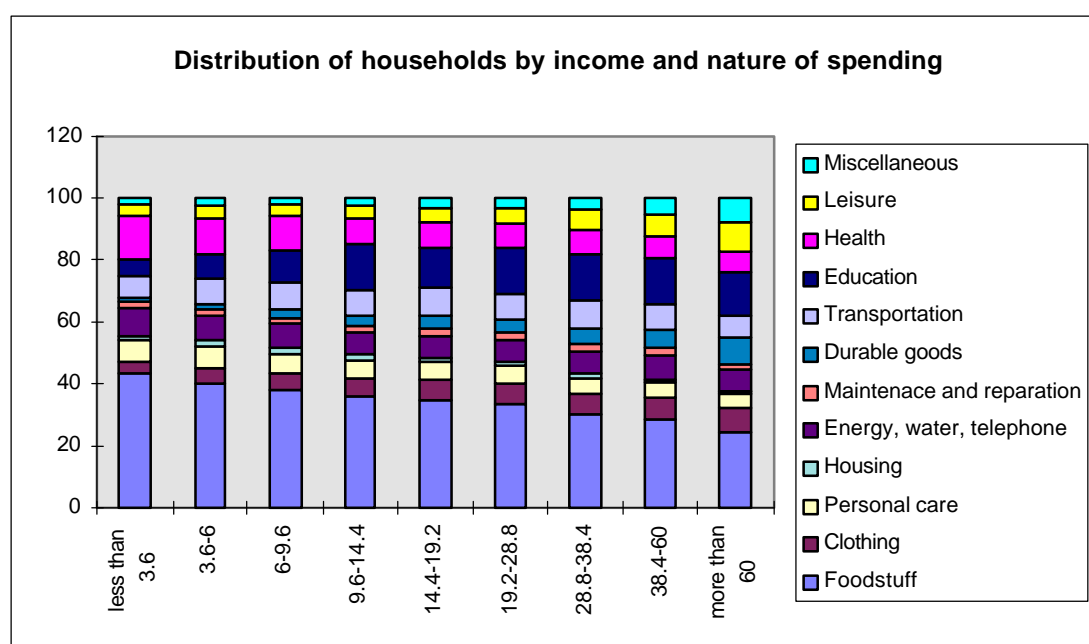
Furthermore, the level of household annual income varies considerably among the various Lebanese regions. It is found to be highest in Beirut (LBP 24.8 million) and Mount Lebanon (LBP 23.3 million), while it is lowest in Nabatieh (LBP 13 million) and South Lebanon (LBP 13.6 million). These disparities in income result from imbalanced regional development, and the concentration of high-income generating activities in Beirut and Mount Lebanon.



It is worth noting that around 80 percent of total resident households spend more than they earn, as their income to spending ratio ranges between 0.25 as a minimum and 0.91 as a maximum.



In addition, the distribution of annual household consumption by type of spending reveals that lower-income households spend relatively more on foodstuff, personal care, public services (energy, water and telephone), and health as compared to higher income households. As household income rises, spending becomes more concentrated on leisure activities, durable goods and education. This structure of spending makes lower-income households more vulnerable to custom duties and public services fees than higher-income ones.



As a conclusion, available data on wages and income reveals several facts including:

- The evolution of wages and income could not be accurately traced due the lack of suitable data, however the evolution of minimum wage showed that the purchasing power of the Lebanese population was notably affected during the period 1990-1998.
- Huge disparities are still encountered in level of income mainly in relation to gender and regions.
- The patterns of spending of the different income groups reveal that lower-income groups are affected by custom tariffs and price of public services more than higher-income groups.

B Health

Despite the huge size of the health bill estimated at around 9.2-10 percent of GDP in 1997¹⁹, the health care system in Lebanon continues to suffer from structural problems that directly affect the cost and accessibility of households to this service. Among the major constraints contributing to the high cost and inequity features are:

One) The inequity in accessing preventive and curative health care services among the different Lebanese regions, illustrated through the huge regional disparities in child and reproductive health indicators. For instance, infant mortality rate, at the national level, is estimated at 28 per 1000 live births, with considerable regional disparities, recording 15.9 in Beirut, compared to 51.5 in North Lebanon and 35.9 in Bekaa.

Two) The relatively huge bill paid as out-of-pocket cost estimated at around 52 percent of the total bill for health care (1997), reflects, to large extent, the many constraints facing the health system in Lebanon. Out-of-pocket spending on drugs is especially high due to two major facts: the lack of control over the drug market and the huge drug bill directly related to the lack of control on the use of drugs by physicians and pharmacists.

Three) Huge disparities are recorded in relation to the geographic distribution of insured households (or household members). For instance, more than 55 percent of Beirut residents are insured, against 23.5 percent in South Lebanon²⁰. It is noted that the percentage of insured households is positively correlated with the average level of income, i.e., areas with high income levels have higher proportions of insured population. This fact illustrates that households with lower incomes are more likely to spend out-of-pocket money on health than households with higher incomes. As to the age structure of the insured it is noted that only 37.4 percent of the Lebanese population aged above 60 years are covered through insurance schemes although this age category is the most prone to chronic diseases and in need for health care.

Four) The health care system in Lebanon is of a pluralistic nature, consequently it is experiencing an inconsistent flow of both financial resources and regulations through different players involved in the health system, with several different public, para-public, non-profit and private providers and financing agents.

Five) The multiplicity of the system, with the variety of funders and providers of health services, results in a redundancy at the level of administrative staff responsible for health care systems, which results in huge waste of resources in this sector. Specifically, the problem arises in the health care financing agencies, having a notable proportion of expenditures allocated for the administration and staffing. (The example of National Social Security Fund is illustrative).

Six) The health care market ceased, to large extent, to be a basic social service with the right of every citizen to have access to health care. It is currently driven by the forces of supply and demand, mainly in terms of health services pricing against the quality of services provided. The problem is further accentuated by the relative weakness of the preventive health care, which is attributing to raising demand for health services, and hence affecting the trend of pricing of these services, and consequently the overall bill.

¹⁹ Public expenditure review of the social sector, Social & Economic Development Group- Middle east & North Africa Region, 1998

²⁰ Living Condition of the Lebanese Households in 1997, CAS, 1998

Seven) The role of the government in this environment is not clearly identified. On the one hand, the Ministry of Health- being the main government agency in this regard- tends to invest in the health market by providing additional hospital beds and health centers, whereas statistics reveal that the market is almost over-saturated, except for some specific geographic areas. On the other hand, the government is not exercising its regulatory role in controlling the private sector in terms of quality and pricing of health services and insuring equitable access to these services.

Although efforts are being made to enhance the performance of the health sector and despite the relative improvement in health indicators, no efficient and equitable access to basic health services is yet ensured. Hence, the sector needs further development mainly to guarantee a balanced coverage of primary health services for the different regions and social segments.

C. Education

Spending on education in Lebanon reaches around 9.3 percent of GDP ²¹, the majority of which is considered as private expenditures (5.6 percent of GDP). However, the achievements in education do not justify the high level of recorded spending. During recent years many improvements were recorded in educational indicators, mainly in terms of increased enrollment rates, decreased drop out, failure and repetition rates, declined illiteracy rates, in addition to the progress attained in improving educational infrastructure. However, all these improvements took place at a very high cost and the regional equity is still lacking. Also, the efficiency of the current educational system remains questionable, mainly where the public sector is concerned.

The following are the main features characterizing the educational sector in Lebanon:

One) Despite the growing government expenditure on education, enrollment in public schooling remains far below expectations and does not exceed 35.4 percent of total enrolled students in pre-university education²². It should be noted that the share of public schools of total students is significantly lower for children below ten years of age (not exceeding on the average 24 percent of total enrolled students for this age group).

Two) The efficiency and quality of the public educational system is still at issue. This fact is partially deduced from the tight correlation between enrollment in public schools and the level of income of the households. The lower the household income, the higher is enrollment in public schools, illustrating the perception that public schools are for the poor.

Three) Other indicators of the questionable efficiency of the public educational system are explicitly measured through retardation, failure and dropout rates. The retardation rate, estimated at 40.9 percent for pre-university education at the national level, rises to around 60 percent in public schooling system, compared to 28 percent in private schooling system. The repetition rate is estimated at 11.5 percent (1997-1998), rising in public schools to 22.9 percent, against 4.7 percent in private schools.

Four) The inequity in the access to educational services among the different Lebanese age groups and regions is clearly illustrated through the huge disparities in enrollment rates. Total enrollment rate for the age groups 3-22 years is estimated at 78.3 percent in Lebanon. Enrollment reaches a peak for the age group 4-13 years, ranging between 92 and 99 percent, slowing down notably for the age group 22-23 (reaching 24.4 percent). Also, notable regional disparities are encountered in this regard; this rate is reaches 82.5 percent in Mount Lebanon and drops to 74.3 percent in Bekaa.

²¹ Public expenditure review of the social sector, Social & Economic Development Group- Middle east & North Africa Region, 1998

²² Compulsory free education survey, Center for Educational Research & Development and Consultation & research Institute, 1999.

Five) An over-supply of teaching staff is found in the public education sector with an average students/teacher ratio of around 8-9, against a ratio of 12 at the national level, 14 in private schools and 22 in private free schools. The qualification of existing staff in public schools is questionable, with only 34 percent of the staff with higher educational degrees. Even after the introduction of the new curricula during the 1998-1999 scholastic year for selected grades, the efficiency of this new curricula is disputable mainly as to the availability of instructional and illustration materials and the adaptation of students and parents to the new instructional methods.

Six) The cost of education in public schools is significantly higher than in private schools, when measured on a per-student basis. This cost is estimated to be 20 percent higher in public schools than in private schools for primary/complementary levels, and 35 percent higher for secondary schools²³. However, the computation of this cost includes the expenditures of governmental on education allowances for employees in the public sectors, noting that the majority of the latter have their children enrolled in private schooling.

Although enrollment rates for primary students are high, structural problems are still facing the public educational sector, mainly relating to the efficiency and quality of the public schooling, accessibility by the different regions and social classes, as well as the high cost incurred.

3.2 Theme 2: Employment

3.2.1 Main achievements

Given its limited capital and physical resources, Lebanon has to rely on its human capital as a mean to foster economic growth. The employment indicators witnessed slight improvements in recent years as compared to the pre-war era.

A significant growth in the global rate of activity was recorded rising from 29% in 1970 to 34% in 1997²⁴. A higher participation of women in the labor force is currently recorded, together with a stability in unemployment rate, in addition to an improvement in the level of education and skills of the labor force. Also, among the achievement in this regard is the decline in the child labor that dropped from 13.5% in 1970 to around 7.6% in 1997. The most outstanding change in the structure of the labor force is the drop of the agricultural workers from 29% in 1970 to merely 9% in 1997, as a result of internal migration and forced replacement that took place during the war period.

3.2.2 Mechanisms

During the last years, national efforts were mainly concentrated on improving vocational and technical education in Lebanon through constructing new public schools, providing technical assistance to existing ones, developing curricula and promoting technical and vocational training for qualified human resources.

A. Surveys and Studies

Several national surveys were conducted to assess the status of the labor market in Lebanon:

Labor force and Manpower Survey - Establishment, 1996: conducted by the National Employment Office with support from the ILO and UNDP. The survey was designed to assist the government

²³ Public expenditure review of the social sector, *ibid*

²⁴ Employment in Lebanon: an overview, Consultation & Research Institute, 1999

in formulating employment policies on the labor force in Lebanon, with a view to formulating a national employment strategy, developing national employment offices and establishing a link between supply and demand for labor.

Labor Market and Manpower Survey- Households, 1996: conducted by the National Employment Office with the support of ILO and UNDP. The study aimed at evaluating the unemployment conditions, including unemployment rate, average duration of unemployment, and profile of the unemployed.

Census of Buildings and Establishments, 1996-1997: conducted by the Central Administration of Statistics. The survey aimed at constructing a database of existing conditions of buildings and housing units (vacancy, spaces, year of establishment, and other). Also, the survey addressed the establishments and collected data on their economic activity, size (in terms of number of employees), year of establishment, etc.

B. Specific Developmental Interventions

The specific developmental projects aiming at enhancing employment conditions and creating job opportunities in Lebanon focused on particular areas of concern. First, seminars and conferences were conducted with the assistance of international organizations to review labor market conditions and to determine the main policies for enhancing employment conditions. Furthermore, several training programmes were initiated to upgrade labor skills in various sectors. Among the action plans implemented in this regard is the planning and construction new technical schools in various Lebanese regions.

In addition, the government initiated several developmental projects aiming at creating job opportunities and enhancing “employability” of residents, mainly in under-served areas (South Lebanon, Baalbeck-Hermel, Akkar,...).

The projects promoting employment in Lebanon were funded by various foreign organizations including: MES (France), GTZ (Germany), JG (Japan), MAE (France), SFD (Saudi Arabia), OFID, and KFW (Germany). The major executors were the Council for Development and Reconstruction (CDR), the International Labor Organization (ILO) and the Hariri Foundation.

3.2.3 Constraints

Despite the efforts made, several constraints arise at the macro and micro economic levels affecting employment conditions in Lebanon. Some of these predicaments are structural, and some are induced by the overall economic performance.

The performance of the private sector- that constitutes the engine of the economic activity in Lebanon- in the economic development process was rather limited during the past period. This sector has still not sufficiently benefited from the rehabilitation and reconstruction of basic infrastructure and services launched by the Government in the post-war era. The investment process, in this context, was relatively slow as a result of the persisting ambiguity concerning the potential economic role and identity of Lebanon in the region. The government attempted in 1993 to create a suitable environment for investment, through tax cuts, which did not fully succeed in attracting the expected levels of investments, mainly in productive sector. In the mid-nineties, a boom was recorded in the construction sector that did not last for a long time due to several factors, related mainly to the market behavior coupled with unfavorable macro-economic conditions.

Another important factor that should be highlighted is that the reconstruction spending has not fully been integrated into economic activity, since the major part of this spending has flown

outside the country (wages for foreigners, importation of machinery and equipment, profit for foreign construction companies, etc.).

Also, given the slow economic growth, coupled with the slowdown in inflation rates, the trade-off between unemployment and inflation suggests that higher unemployment rates might have occurred in the country during the last three years. The improvement of macro-economic framework is of highest priority in this regard. This would include minimizing the fiscal imbalances, and their resulting crowding-out effect”, setting up the suitable environment for private investment, and integrating the reconstruction effort within an economic development plan targeting the main sectors of productions, and encouraging decentralization of the economy, i.e., alleviating regional imbalance in terms of supply and demand for labor.

The various economic sectors in Lebanon, mainly the industrial sectors, are suffering from structural problems. The most substantial of these problems include the retreating competitiveness of this sector due to the increasing costs of production (capital, electricity, and land). Other factors negatively affect the performance of the sector, including operating below optimal capacity, improper quality of production, difficulties in operating with proper and adequately priced raw materials, and the lack of viable sources of financing. The implications of these problems on the labor force is translated in the incapability of the sector to properly upgrade the skills of the workers to improve their productivity and, consequently, their income.

On-the-job training and capacity building of the labor force in Lebanon is still far lagging behind actual needs, a fact that calls for adaptation to technological and economic changes prevailing at the regional and international level. In 1996, available data showed that the portion of the labor force that was subject to in-service training did not exceed 17 percent of the total labor force. The dominance of small-scale establishments that neither have the motivation, nor the financial capabilities to invest in training, is wide. The establishments that are most likely to carry out this investment are the large-scaled ones, and these do not exceed 1-2 percent of the total number of Lebanese establishments.

Also, technical and general education curricula do not adequately respond to the demand of the labor market due to the lack of policies organizing the relationship between educational institutions and employers.

In addition to the inherent problems, the Lebanese labor force is facing high competition from cheaper foreign labor. No official statistics were released on the size of foreign labor in the country, but according to unofficial sources this figure varies between 400 and 500 thousand, the majority of whom are Syrians. Although this competition is emphasized for a certain level of skills (unskilled and semi-skilled labor categories), it has a significant effect on the economy, inducing high unemployment rates among specific labor groups, increasing pressure on low-wage earners and causing money to flow out outside the country. Hence, the policies and measures should include imposing regulations on the flow of foreign labor force into the country, through imposing higher costs on employers hiring foreign labor, through additional taxes on work licenses and obligatory social insurance.

The crucial problem of wages should be carefully addressed, since the minimum wage and to some extent, the average wage do not match the minimum cost of living, and are still far below the poverty line of the household. A new wage policy should be implemented linking wage adjustment to productivity and to the improvement in human skills.

Specific attention should be paid to the female labor force, not only to improve their participation in the labor force, but also to enhance their working conditions and narrow the existing gaps compared to male, mainly in terms of wages, socio-professional occupations, and social allowances.

3.3 *Social integration*

The social groups concerned with the social integration can be defined to comprise the following:

- ◇ The displaced population
- ◇ The occupied southern territories and detainees in Israeli prisons and freed detainees
- ◇ Women and youth

3.3.1 *Displaced Population*

The displacement phenomenon in Lebanon is dated back to 1948, when the first waves of population started leaving the peripheral areas in South Lebanon due to Israeli occupation. These displacements continued either to other regions of Lebanon or to other countries. The movement of population changed the demographic equilibrium, as some region were completely evacuated, affecting in the same time the economic sectors, especially agriculture. The displaced were one of the major subjects discussed during the taiff agreement that would bring peace to the country in 1991. In the heart of the political integration of the country, a governmental intervention for the return of the displaced population is imperative.

The governmental solutions of the problem, took the form of creating a time limited ministry for the displaced that would supervise, and direct the return of the displaced, according to “the general plan for the return of the displaced”, that sets the priorities and the time schedule for the process. The ministry also acts as the link between the government, the displaced, and other organisms concerned with the return process.

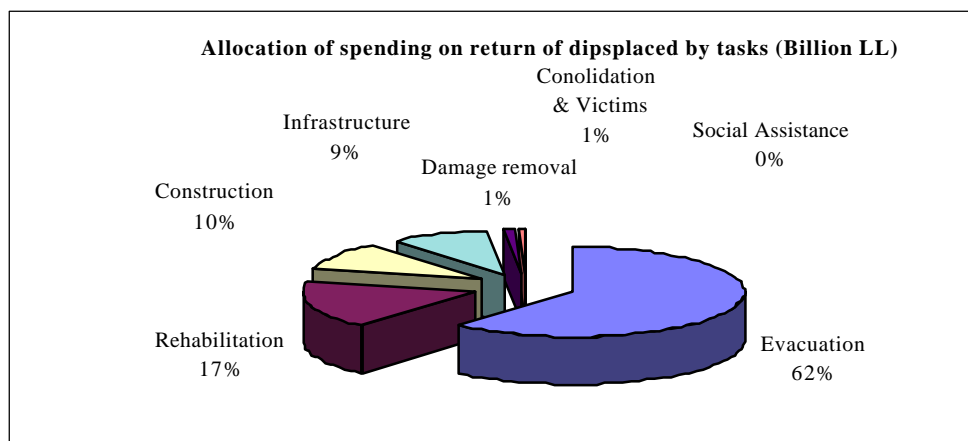
A displaced in definition is, “families or individuals that where forced to leave their original place of living, and move to other regions within the country, due to military conflicts, or due to the rarity of normal living conditions”.

A special fund has been created to cover the costs of reconstruction, and to provide loans for the same purpose. This fund was financed by different sources: the government budget, special taxes, loans and grants. The participation of local communities was necessary in order to accelerate the integration of the returnees, hence many local committees where established. In 1994, a joint programme between the United Nations Development Programme, the UNESCO programme, and the Council for Development and Reconstruction in Lebanon, and the Ministry of Displaced was initiated allocating a total of US\$ 1.7 million for the return process. The programme focused its activities on the economic and social needs of the returnees, as well as financing research and studies to be used for policy planning.

Another notable contribution to the return process is that of the European –union amounting to US\$ 1.2 million in 1994, and ECU 4.95 million in 1996 were channeled to the improvement of the agricultural sector in the regions of earlier displacement.

During the period 1993- January 1999, around 1.2 billion Lebanese Pounds were spent on the issue of displacement²⁵ (more than US\$ 750 million). The distribution of spending among the different tasks reveals that the bulk of spending was channeled through evacuation and dislodging, a task which absorbed more than 61 percent of the resources allocated for the return of displacement during this period.

²⁵ Statistical report published by the Autonomous Fund for Displaced , 1999



Meanwhile, spending on social assistance, consolidation and compensation for victims was estimated at merely 0.6% of the allocated resources. This spending covers around 108507 beneficiaries distributed among the different Lebanese regions, noting that the number of potential beneficiaries was estimated in 1996 at around 70,726 families (equivalent to more than 330,000 individuals)²⁶. Consequently, only one-third of the displaced have been addressed during the past 5 years. Currently, the Ministry of Displaced is preparing a plan to carry through the return process, adopting new criteria for beneficiary election. The plan is estimated to last for 36 months (estimated to end in 2001) with a total cost of LL 2.456 billion.

The return of the displaced population was faced with several constraints, the most prominent of which is the fiscal situation facing the Lebanese government, the fact which necessitates a sharp cut in government spending (excluding wages and debt servicing) in 1999. The shortage in financial resources would largely affect the possibility of accelerating the return of displaced in the short run. In addition to the financial constraint, return of displaced is constrained by several political and social factors. For instance, more focus should be placed on the reconciliation and integration of previously segregated groups to ascertain sustainability of national solidarity. Also, the long duration of displacement, most of which occurred in the pre-1985 period) imposed new lifestyle, traditions, habits, livelihood on the displaced. Hence, the return would not be an easy and permanent fact for a large portion of the displaced, which have adapted to their life in their current places of displacement. As a consequence, any plan should not only be confined to construction and rehabilitation of houses, rather it should create the socio-economic framework (basic services, job-opportunity creation,...) that will ensure the permanency and sustainability of return.

3.3.2 The population of the occupied zone and the Lebanese detainees in the Israeli prisons:

The southern territories occupied by Israel consists of around 192 villages and farms (including the caza of Jezzine freed recently), with a total population of around 77 thousand. The occupied area has been known, even in the pre-war period to be one of the most deprived and disadvantaged areas in Lebanon, mainly in relation to the unavailability of adequate infrastructure and basic services, heavy reliance on agriculture as a main source of livelihood, and remoteness from the center. During the war period, the situation got even worse, with new problems being imposed by the conditions of occupation, inter alia, displacement, handicapped, prisoners in Israeli jails, in addition to the reliance of residents on the Israeli presence as a major source of income (South Lebanon Army, smuggling, work inside Israel,...). The area faces many challenges that might hinder its development in the post-conflict era, mainly the integration of ex-combatant, mine clearance and job creation.

²⁶ The return of the Displaced in Lebanon, Ministry of the Displaced, 1996

As an attempt to clarify the prospective role of the South taking into consideration the persisting of the occupation condition or the Israeli retreat, the Lebanese government- through the High Relief Committee- in collaboration with the United Nations Development Programme- prepared a regional development plan for South Lebanon. This plan attempted at identifying the underlying potentials of the area, mainly regarding human, physical and financial resources. The plan comes out with the necessary action plans to be implemented in the different stages of relief and sustainable development. The plan is estimated to cost a total of \$ 1.02 billion, distributed on three phases : phase one that will take place prior to the retreat of Israeli army with a total cost of around \$ 308 million. A second phase, during the retreat, that may take several months, with a cost of \$ 16 million; and phase 3 which will be implemented after the retreat, which is expected to last for a period of 5 years, with a total cost of around 700 million.

The plan is supposed to prepare the transition of South Lebanon, from a marginalized area to an economically developed one, thus integrating its population in the economic mainstream by providing the necessary living conditions (infrastructure and basic services), and increasing the opportunities of work in the area.

The latest statistics on detainees in Israeli prisons reveal that around 174 Lebanese are detained in Israeli prisons, of which 133 are in the concentration camp of Khiam. Their detention is not justified with an accusation, as 74.3% of the detainees were captured without being convicted. The period of detention varies from 1-15 years, whether convicted or not. The conditions of detention violate most of the Geneva convention principles. Testimonies and examination of released prisoners, show that they were subject to, both, physical and psychological torture, of which most of them will carry the effects for the rest of their lives. 90 percent of the detainees said that they were subject to electrical shocks in the camp, 93.33 percent were beaten with all kinds of instruments, whereas 96.67 percent were put in the single room (the hole).

The government, through the council of the south offers a monthly pension of LBP 400,000 (around 260\$) per detainee during the period of detention and for 1 year after he is released. A pension of LBP 5,000,000 (around 3,300\$) is provided upon release.

The follow-up committee for the detainees works on raising public awarness on this issue, by organizing expositions and publishing books that reflect the experiences of the detained. The work of the Red Cross, is of great value for the detainees inside the prisons, through providing medical support, organizing visits, and chaperoning the release negotiation.

3.3.3 Women & Youth

The study on the mapping of living conditions reveals that women are more vulnerable to poverty than men. This study shows that around 54% of women have a very low standard of living against 46% of men. Also, female-headed households constitute around 14% of total households, noting that around 44% of these households have very low standard of living²⁷. Illitracy rates are higher for women (16%) than those form men (7%), with further disparities recorded in deprived areas.

The participation of women in public life recorded a slight improvement, mainly as to the participation in the labor force and syndicates, however women participation in political life is still far below expectations.

Table 9. Women Participation in public life

Women participation in public sector	1998	1994
Parliamentarian seats	3 out of 128	3 out of

²⁷ Mapping of Living conditions in Lebanon, Ministry of Social Affairs and UNDP, 1998

		128
Ministerial seats(%)	0	0
Director General seats (%)	2 out of 90	1 out of 90
Seats in Municipal councils		
Ambassadors (%)		2
Women in professional syndicates (%) (Lawyers)		24
Women in professional syndicates (%) (Doctors)		15
Women in professional syndicates (%) (Pharmacist)		51
Women in professional syndicates (%) (Engineers)		6.8
Women in professional syndicates (%) (Dentists)		14.2

Source: Common Country Assessment, 1998

The role of women in the economic life needs to be further strengthened. Despite the high educational attainments of women, their contribution to the labor market is still below expectations (only 21% of the labor force, among which a notable proportion is non- Lebanese). Also, the persisting wage differences between male and female (28% higher for male) might be considered as disincentive for women to integrate adequately in the labor market. The same applies to the fact that women are being deprived from attaining higher socio-professional occupations, as compared to men.

Despite the improvement recorded in the conditions of children and youth, mainly as to the improvement in the enrollment rates and the obvious retreat in under-age work, some constraints are still facing the young generations. For instance, unemployment rates are very high for this category, estimated at 28.6 percent for the age group 15-20 years, and 17.8% for the age group 20-24 years, noting that the national unemployment rate is estimated at 8.6%²⁸. Also, a considerable proportion of youth is deprived from their right in participating in political life, since the current election law state that voting is restricted only for the segments of population aged 21 years old and above. Currently, attempts are being made by civil society to update this law to reduce the age floor for voting to 18 years.

²⁸ The Active Population in 1997, Central Administration of Statistics, 1998