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## The road to reducing inequality in Lebanon: Facts and recommendations

The Issam Fares Institute for Public Policy and International Affairs (IFI) at the American University of Beirut (AUB) organized, in partnership with Oxfam in Lebanon, a [webinar](#) titled “The road to reducing inequality in Lebanon: Facts and recommendations” on Monday, October 26, 2020. Following the webinar, a [policy brief](#) and accompanying [infographic](#) were released highlighting the conclusions of this webinar and a previously closed roundtable discussion on inequality-related policies in Lebanon.

**Dana Abed**, research and policy advisor at Oxfam, moderated the talk. The discussion included interventions by **Lea Bou Khater**, senior development specialist at the Consultation and Research Institute and lecturer at the Lebanese American University (LAU), **Nabil Abdo**, senior policy advisor at Oxfam MENA, and **Ferdinand Abou Haydar**, interim head of the Family Affairs Department at the Ministry of Social Affairs.

**Dana Abed** first showcased some numbers and findings that Oxfam reached with Development Finance International (DFI) in the [Commitment to Reducing Inequality \(CRI\) Index report](#), launched in October 2020. The Index looked at more than 150 countries around the world and categorized them according to the progress governments have made in fighting inequality across three pillars: spending on health, education, and social protection, taxation, and labor rights. Lebanon’s overall [CRI index ranking](#) for this year was 115 of 158. The country ranked 95 on labor rights and wages, 105 on public services spending, and 117 on tax progressivity.

For his part, **Nabil Abdo** affirmed that the tax system in Lebanon is designed for the benefit of the concessionaires, and it is this system that has brought the country to the crumbling and decaying economic situation it is in today, noting that the progressive tax imposed on large companies was canceled after the civil war and replaced by a flat-rate tax, and that this tax is recorded at the lowest rates worldwide. In addition, for a long time, the income from bank deposits, treasury bonds and Eurobonds was exempt from any tax. Abdo stressed that these measures resulted in a rentier economy, and allowed banks to accumulate profits on which the public treasury did not collect any tax returns. "Progressivity must be restored in the Lebanese tax system, alongside imposing a tax on accumulated wealth, and imposing taxes on rentier activities in order not to depend on these activities in the future," he added. Abdo insisted on the collapse of this economic model today, especially in light of the contraction of the GDP by 25%, and the rate of public revenues reaching 12% of the GDP, after the percentage was close to 21% during the past year. “The word ‘reforms’

appears to be a positive word on the surface,” he concluded. “However, we must pay attention to its esoteric influence and not accept everything called reform unless it is clear-cut.”

**Lea Bou Khater** raised the importance of turning the debate on inequality into a political debate and she questioned the extent to which targeting and treating poverty can occur in a society dominated by inequality. Bou Khater touched on several levels of the Lebanese liberal sectarian system, and linked the role of this system with promoting vulnerability as a result of labor conditions. First, she spoke about the weakness of the law, which is reflected in the unfair labor law that establishes the guardianship of the Ministry of Labor and the employer over workers and thus perpetuates inequality, as well as the *Kafala* system, and the Ministry of Labor’s inability to disclose and protect workers in the informal sector. She added that judicial protection is weak and workers lack confidence in the judiciary, especially since the State’s Shura Council revoked the Unified Labor Law for foreign workers on Monday October 26, 2020. She also discussed the weakness of trade union representation because the General Workers’ Union today defends the ruling class and not the workers as it should. The structure of this system is weak and explosive, said Bou Khater. “This system considers workers as dangerous forces to the system, hence protecting them is a threat to the establishment,” she noted. She also reminded of the absence of social and health protection for workers, as well as the absence of a pension system. Bou Khater believes that the first steps towards a fair society lie in the demand for amending the unfair labor law, establishing worker representation, obtaining social security, and abolishing the system of slavery represented by *Kafala*.

As for **Ferdinand Abou Haydar**, she spoke about the Lebanese Constitution’s recognition of the rights of citizens to be equal, and insisted that rising challenges do not eliminate the need to objectively assess the situation and recognize the achievements, even if they are small. She said that the Ministry of Social Affairs is seeking to establish a sustainable mechanism to empower local communities, and that the Lebanese government launched a program with the World Bank since 2011 to target the poorest families. She added that public spending on social affairs is always the lowest, and the Ministry of Social Affairs works within very limited capabilities and yet subsidizes services. She finally stressed that empowering families is a continuous and ongoing process, because change is occurring, albeit gradually, according to her.