Report

THE POLICY INITIATIVE

# Paying the Price

## Lebanon’s public sector wage crisis and institutional collapse

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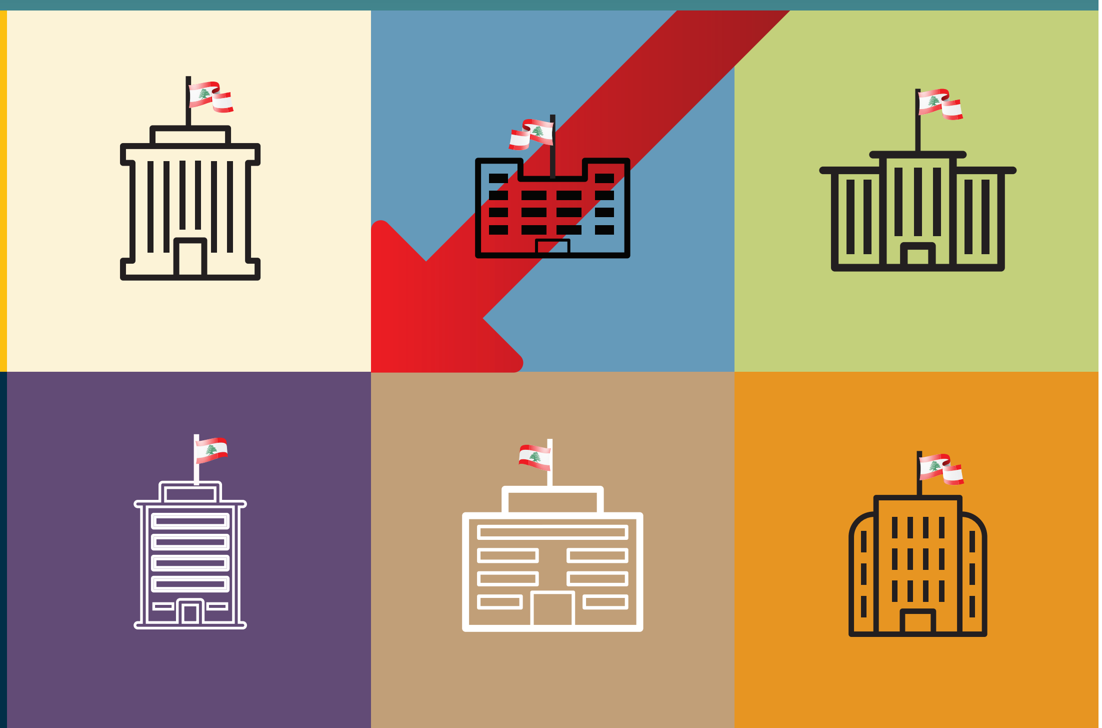
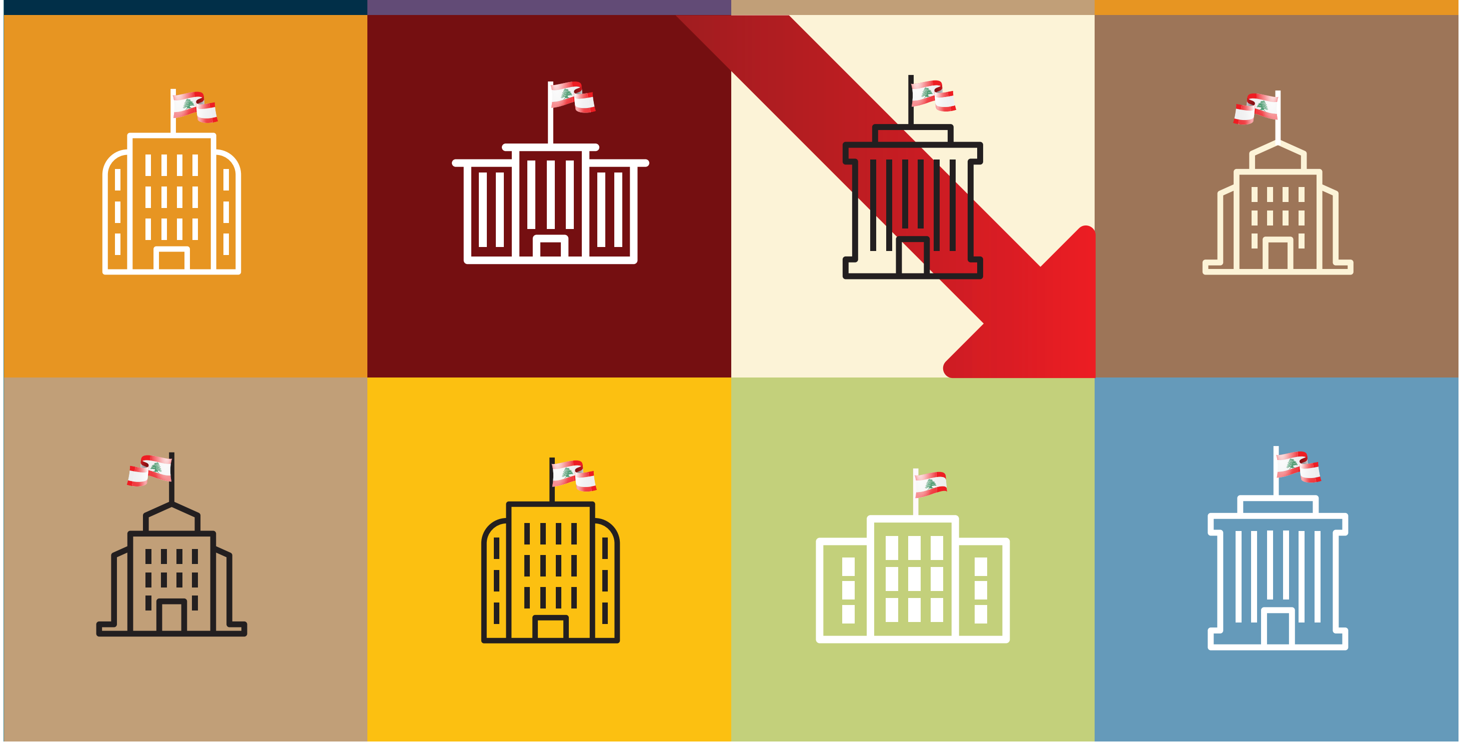


April 7, 2025



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**Acknowledgments**
This report has been produced as part of The Policy Initiative’s collaboration with UNICEF under a joint project titled “Analyzing and Advocating for Critical Policies and Reforms”, to promote independent research and policy advocacy. UNICEF does not endorse the viewpoints/analysis/opinions expressed by the authors.

The report is designed by Ibrahim Mantoufi.

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## Executive Summary

Lebanon is facing an unprecedented economic crisis that began in August 2019, marked by a 56% contraction in GDP, the Lebanese pound losing 99% of its value, and unemployment rates exceeding 30%. By 2024, the national budget had shrunk to just 24% of pre-crisis levels. Consequently, public sector employees, whose real wages have plummeted, struggle to meet basic living expenses, resulting in high absenteeism, low morale, and deteriorating state functions in critical areas like healthcare and education. This report examines not only how the financial crisis has exacerbated public sector wages but also how its effect on public institutions was unequal, making three core arguments. First, the unwillingness of the political elite to undertake any structural reforms led to an insufficient fiscal space for personnel expenditure. Second, limited public funds were allocated largely by political discretion rather than administrative necessity, disproportionately benefited certain departments and functions over others, leading to inequities across public sector employees. Third, while donor assistance offered stopgap relief, it has fostered deeper dependencies, reinforced patronage, and eroded Lebanon's state autonomy.

### Key findings

**Inadequate Government Response**

- **Severe Erosion of Personnel Costs:** By 2024, personnel costs were only 28% of their 2019 value, after rising from 11% and 13% in 2021 and 2022, respectively.

- **Reliance on Temporary Compensation**
  While the government issued 11 decrees between 2021 and 2024 to mitigate wage erosion in the public sector through transportation and social assistance allowances, core salaries, which are critical for pension and healthcare contributions, fell to 7% of their total compensation,

- **Fiscal Context from an International Perspective**
  Lebanon's public sector personnel spending as a share of GDP fell dramatically from 12% in 2018 - surpassing the averages in High-Income Countries (HICs) - to only 3% in 2021, before partially rebounding to 7% in 2024, placing Lebanon on par with international peers. However, personnel expenditures relative to total public spending rose sharply, reaching 60% in 2024, considerably higher than the 15% observed in HICs and 40% in the Arab region.

- **Small and Vulnerable Core Administration**
  While the state paid the salaries for 300,000 people, only 8,000 full time staff worked in ministries whose share of the personnel cost to total expenditure is 1%. The remaining 292,000 personnel, which include retirees, security forces, teachers, diplomats, and state-owned employees, were paid the remaining 59% of personnel cost to total spending.

- **Entrenchment of a Negative Economic Equilibrium**
  Public expenditures saw a sharper decline than the GDP, underscoring a disproportionate burden on the public sector.

**Discretionary Budgeting and Skewed Resource Allocation**

- **Heightened Discretion**
  In the 2024 budget, 40% of the total personnel budget was placed in budget reserves, up from 1% in 2019, enabling the government to allocate resources opaquely and without parliament scrutiny.

- **Unequal Recovery Across Functions**
  Employees in the diplomatic, defense, and economic affairs institutions received the highest increases in salaries, meanwhile oversight, judicial, and administrative functions lagged, threatening governance and accountability.

- **Notable Institutional Disparities**
  Of the 133 departments analyzed, only 14 saw increases exceeding tenfold. Examples include the Missions Abroad in the Ministry of Foreign Affairs (47-fold), Customs Administration in the Ministry of Finance (15-fold), and security bodies like the Lebanese Army (11-fold).

### Donor Interventions Between Short-Term Relief and Long-Term Fragmentation

- **Vital Yet Fragmented Support**
  While external assistance has prevented the complete collapse of key institutions (education, healthcare, security), donor funding has exacerbated internal public sector hierarchies and reinforced political patronage.

- **Disproportionate Benefits to Select Departments**
  Military and high-level bureaucrats have secured targeted foreign salary support, while lower-level civil servants receive little to none. This widened internal inequities and undermined institutional cohesion.

- **Risks of Dependency and Corruption**
  By dealing directly with individual ministries, donors inadvertently empowered political elites to distribute resources in patronage-based ways, undermining transparency, accountability, and the reforms donors were seeking to promote.

## Recommendations

Lebanon's public sector is both a reflection and a driver of national crisis. Years of clientelism, political interference, and institutional neglect have hollowed out the state, leaving it unable to deliver basic services or maintain fiscal sovereignty. Piecemeal emergency measures and donor assistance have failed to reverse systemic decline. A credible recovery strategy must begin by rebuilding state capacity on sound economic and institutional foundations.

At the heart of this effort is a shift away from patronage toward professional, merit-based governance. The state does not suffer from overextension, but from deep misalignment—some areas are bloated while others remain critically understaffed. Reform must be comprehensive, targeted, and data-driven.
This report outlines five priority actions:

1. **Structural Fiscal and Economic Reform**
   Economic stabilization is a prerequisite for public sector reform. This includes restructuring the banking sector, conducting forensic audits, implementing progressive taxation, digitizing revenue collection, and completing structural reforms linked to international support.

2. **Public Sector Census and Workforce Mapping**
   A national census is essential to assess the size, distribution, and qualifications of public employees. It should also identify ghost workers, redundancies, and inequities to inform evidence-based workforce policies.

3. **Strategic Human Resource Redeployment**
   Personnel should be reallocated based on institutional needs and individual competencies. Non-essential staff should be retrained and integrated into high-priority sectors such as health, education, and infrastructure.

4. **Wage Policy Reform**
   Salaries should be adjusted gradually and equitably, tied to inflation and fiscal capacity. Increases must be built into core wages—not temporary allowances—to ensure long-term sustainability and improve pension contributions.

5. **Investment in Social Services for Public Employees**
   Enhancing access to quality public healthcare and education will reduce out-of-pocket costs for civil servants, improve morale, and reinforce the state's role as a provider of essential services.

## INTRODUCTION

Lebanon's public sector stands on the brink of collapse following an unprecedented economic crisis that began in August 2019. The ensuing turmoil has profoundly reshaped the state's ability to deliver essential services, severely impacting public sector wages and institutional functionality. Since 2019, GDP has contracted by approximately 56%,[1] the Lebanese pound has lost 99% of its value, and unemployment rates exceed 30%.[2] By 2024, the national budget had shrunk to just 24% of its pre-crisis level,[3] dramatically undermining public sector capacities. Public employees, whose salaries no longer cover basic living expenses, have experienced widespread impoverishment, high absenteeism, and declining morale. As a result, critical services such as healthcare and education have severely deteriorated, disproportionately harming vulnerable communities and threatening social stability.

This report aims to examine how the financial crisis has exacerbated disparities in public sector wages and how its impact on public institutions has been unequal. It makes three core arguments. First, the political elites' persistent unwillingness to implement structural reforms has perpetuated an unsustainable economic equilibrium, severely restricting the government's fiscal capacity to maintain essential personnel expenses.

Second, amidst profound financial scarcity, Lebanese policymakers have increasingly allocated state resources according to political discretion rather than administrative necessity or transparency. A substantial proportion—roughly 40%—of personnel budgets in 2024 were designated as discretionary reserves, and those that were allocated to specific institutions disproportionately favoring elite-perceived politically sensitive issues like diplomacy, defense, and economic affairs. Meanwhile, critical administrative, judicial, and oversight functions remained chronically underfunded and neglected.

Third, international donor interventions have become indispensable for Lebanon's public sector survival. Although these external interventions provide short-term stability, they have inadvertently reinforced structural inequalities and political patronage networks. Donor assistance has deepened internal fragmentation, increased dependency on external funding, and further eroded Lebanon's state autonomy and sovereignty.

This report seeks to clarify these dynamics by examining government expenditure data, economic indicators, and legislative documents, ultimately providing recommendations for immediate stabilization and long-term structural reform. Without decisive actions to address these deep-rooted issues, Lebanon risks irreversible institutional deterioration, intensified social fragmentation, and prolonged economic consequences.

The report is structured into four sections. The first section examines the collapse of public sector expenditures, evaluates government responses, assesses whether Lebanon's personnel costs are genuinely excessive by global standards, and provides macroeconomic context. The second section explores disparities in wage recovery across ministries and state functions. The third section evaluates the implications of donor interventions on state autonomy and institutional coherence. Finally, the report synthesizes key findings and offers concrete policy recommendations aimed at resolving Lebanon's public sector wage crisis and reversing institutional deterioration.

[1] According to World Bank figures.
[2] UNHCR Livelihoods and Income report. 2021.
[3] According to Lebanon's national budgets.

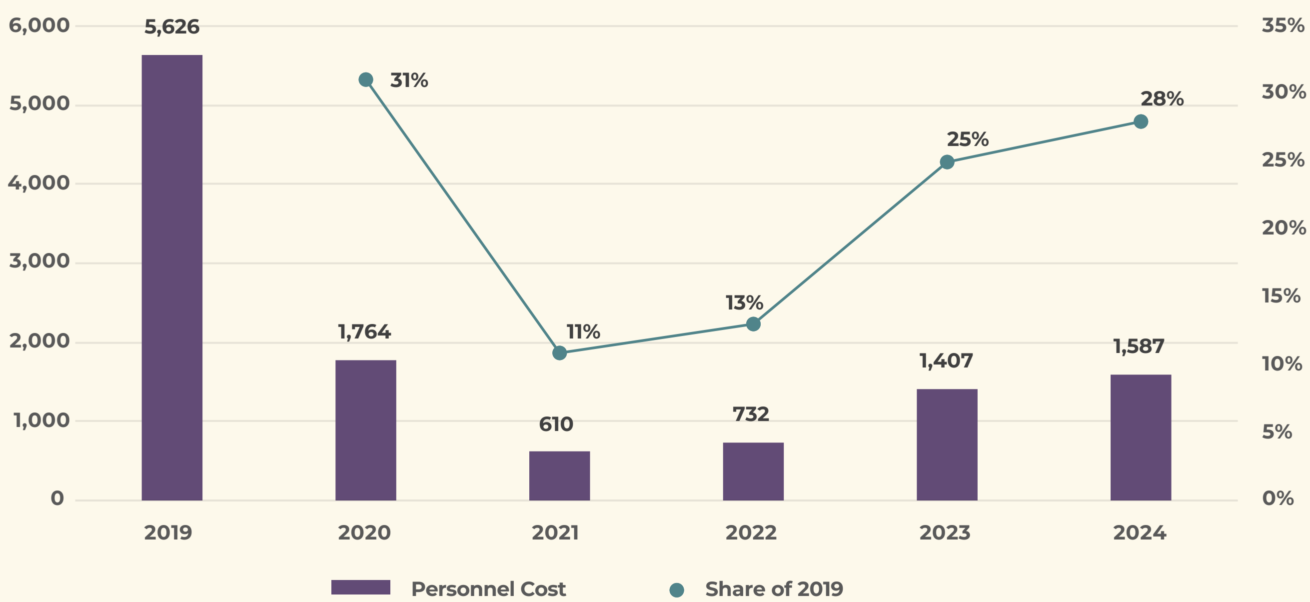
## A Hollow State: Lebanon's Personnel Cost Crisis and Government's Ineffective Response

This section analyzes the dramatic reduction in Lebanon's public sector personnel expenditures following the onset of the economic crisis. Despite signs of a partial recovery in the private sector, the Lebanese government consistently failed to implement critical structural reforms necessary for sustained economic growth and to replenish state resources. Instead, policymakers preserved a negative economic equilibrium characterized by limited private-sector recovery that could not adequately restore the state's fiscal capacities.

### Short-term Fixes Over Structural Reform

Personnel costs—defined as total compensation and benefits allocated to public sector employees—in the 2024 budget represented merely 28% of their 2019 pre-crisis baseline (Figure 1).[4] Although this marks a drastic decline from pre-crisis levels, it indicates a slight improvement relative to preceding years. Specifically, personnel costs had fallen sharply to 11% in 2021 and 13% in 2022 compared to the 2019 benchmark. To contextualize these figures further, the state's average total expenditure per employee, encompassing salaries, pensions, and benefits, plummeted from approximately $19,000 in 2019 to $2,000 in 2021, then slightly rising to $2,440 in 2022, and reaching $5,300 in 2024.[5]

**Figure 1: Lebanon's personnel costs over time in ($ Millions)**




Source: Lebanon's national budgets

Confronted with this severe erosion of its public workforce capacity, the Lebanese government opted for a reactionary approach, implementing temporary and short-term measures rather than initiating substantive structural reforms. Between January 2021 and September 2024, policymakers issued 14 decrees aimed at providing provisional support, primarily through transportation allowances and additional social assistance payments.[6] While these interventions might have alleviated immediate hardship to some extent, their transient nature exacerbated uncertainty, weakened social security protections, and undermined morale and trust within public institutions. These decrees included:

[4] According to Lebanon's national budgets.
[5] This figure is calculated by dividing total personnel costs by the number of public servants.
[6] Based on a review of the Official Gazette.

1. **Decree No. 8143 (August 26, 2021):** Established a daily transportation allowance of LBP 24,000 for each confirmed day of attendance.

2. **Decree No. 8737 (January 28, 2022):** Provided monthly social assistance equivalent to half the salary or pension, with a minimum of LBP 1,500,000 and a maximum of LBP 3,000,000.

3. **Decree No. 8741 (January 28, 2022):** Increased the daily transportation allowance to LBP 64,000.

4. **Decree No. 8838 (February 22, 2022):** Extended previous temporary social assistance measures pending the approval of the 2022 general budget.

5. **Decree No. 9718 (July 20, 2022):** Provided additional social assistance payments.

6. **Decree No. 9753 (July 28, 2022):** Increased the daily transportation allowance to LBP 95,000.

7. **Decree No. 9754 (July 28, 2022):** Granted a productivity allowance to public sector employees based on their employment tiers, contingent upon attendance at least three days per week.

8. **Decree No. 11225 (April 18, 2023):** Adjusted the daily transportation allowance to LBP 450,000.

9. **Decree No. 11227 (April 18, 2023):** Granted a fourfold increase in wages for public sector employees, including permanent staff, contractors, and wage workers.

10. **Decree No. 12030 (November 9, 2023):** Tripled retirement pensions and set the minimum monthly pension at LBP 7 million.

11. **Decree No. 13020 (February 28, 2024):** Introduced temporary monthly financial compensation for public sector employees amounting to twice their salaries, capped at LBP 30 million, along with a fuel allowance determined by employment tiers.

12. **Decree No. 13125 (March 20, 2024):** Amended Decree No. 13020 by adding a one-time payment for retirees (excluding military personnel), equivalent to three months' pensions, with a minimum monthly amount of LBP 800,000.

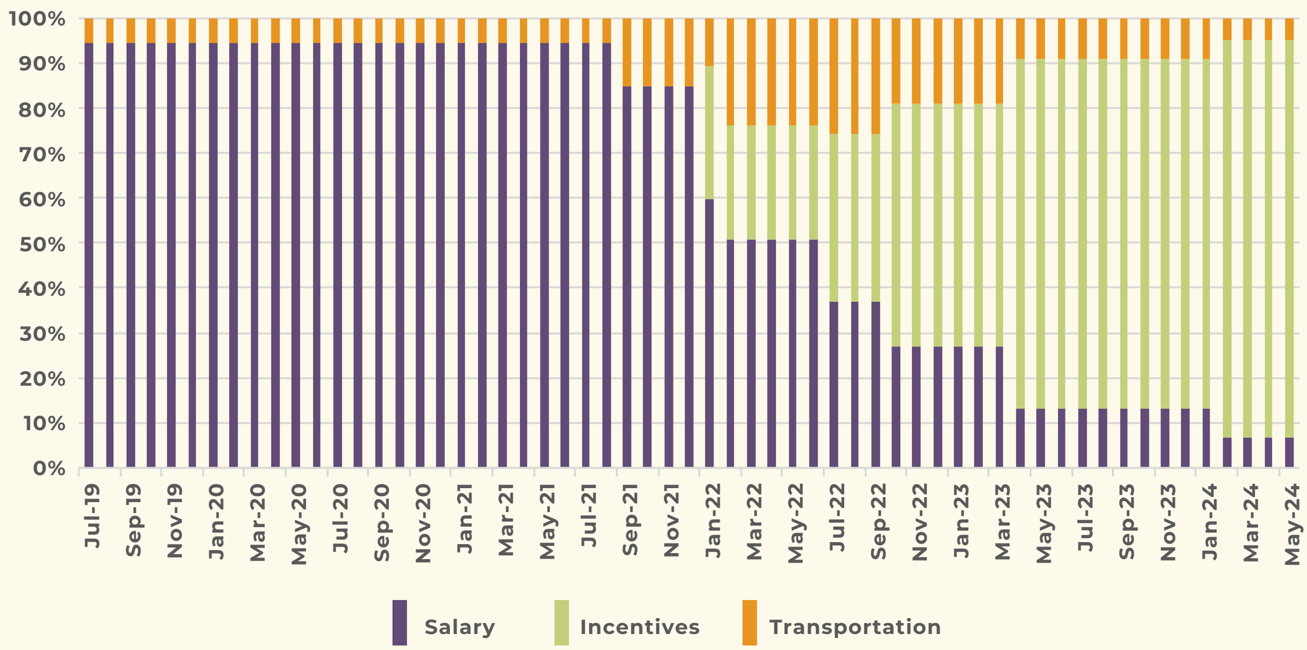
13. **Decree No. 13223 (April 5, 2024):** Provided senior officials with temporary monthly compensation equal to twice their current salaries, along with an additional lump sum of LBP 25 million.

14. **Decree No. 14033 (September 30, 2024):** Granted public sector employees and retirees temporary monthly compensation equal to twice their base salaries.

As of May 2024, temporary social assistance and transportation allowances accounted for approximately 88% of total public sector compensation, whereas core salaries represented only 7%.[7] This stands in sharp contrast to 2019, when core salaries accounted for 94% of total compensation (Figure 2). The heavy reliance on temporary and uncertain measures significantly weakens employees' long-term social protection, especially since critical social insurance contributions for healthcare and retirement are tied exclusively to nominal salaries. Consequently, any healthcare or retirement coverage exceeding the nominal salary threshold is directly financed by taxpayers, rather than by employee contributions. This dynamic severely undermines the financial sustainability and operational viability of retirement and healthcare funds, placing additional burdens on public finances while eroding employees' long-term financial security.

[7] According to the changes introduced in the decrees.

**Figure 2: Composition of a public servant's compensation over time**




Source: Official Gazette, TPI Calculations

Furthermore, the drastic decrease in the proportion of core salaries severely constrains the capacity of public institutions to motivate and reward individual employee performance. Many incentive mechanisms, including overtime compensation and performance bonuses are directly tied to the nominal salary scale. With salaries drastically reduced in real terms, institutions lose critical flexibility to implement targeted incentives. Instead, institutions become dependent on broad, generalized adjustments in compensation, reducing their ability to address specific organizational needs effectively.

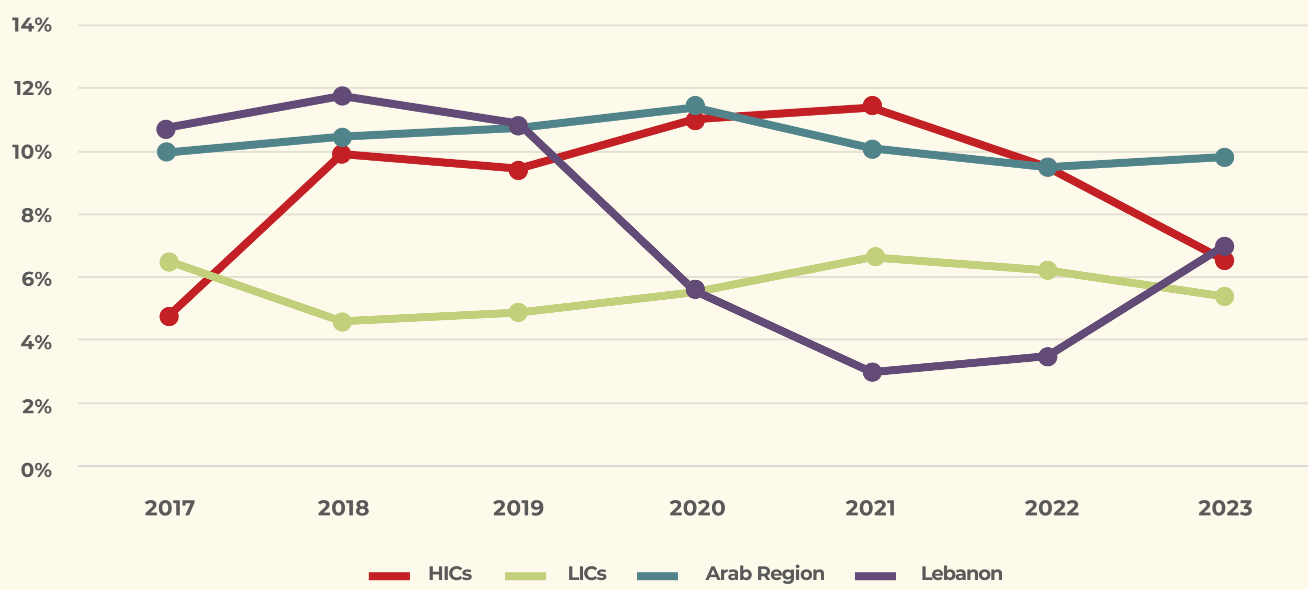
**Lebanon's Fiscal Realities**

Historically, Lebanon's personnel expenditures have frequently attracted criticism from economists and international institutions due to perceptions of fiscal inefficiency and unsustainability. Specifically, personnel spending represented approximately 12% of Lebanon's Gross Domestic Product (GDP) in 2018, considerably surpassing the typical benchmarks found in High-Income Countries (HICs), where such expenditures typically average around 7-9% of GDP (Figure 3).[8] This excessive spending was often attributed to inefficient employment practices, political patronage, and bloated payrolls.

Personnel expenditures that were previously viewed as excessive experienced a drastic reduction in absolute and relative terms. By 2021, public-sector personnel expenditures had declined to approximately 3% of GDP, representing a severe contraction in the state's financial capacity. Despite a partial recovery to approximately 7% of GDP by 2024—aligning with international peers—Lebanon's personnel expenditures remained substantially below pre-crisis levels. Nonetheless, these expenditures still constitute a large share of total public spending (60%), compared to 15% in HICs and around 40% in LICs and the Arab region (Figure 4). These figures, however, obscure the severe erosion in absolute state capacity and conceal the impact of sharply diminished public sector remuneration and benefits.

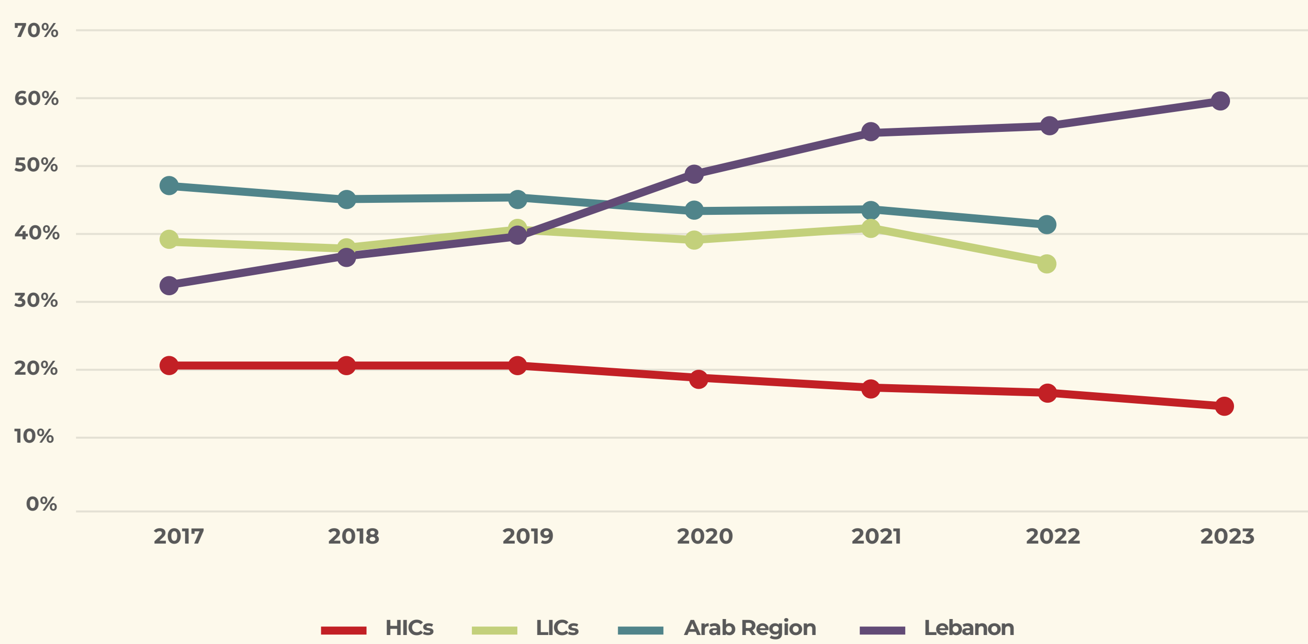
[8] According to IMF data.

**Figure 3: Lebanon's personnel cost to GDP from an international perspective**




Note: Data are not available for all countries categorized under HICs, LICs, and Arab region; the line graphs are produced based on the available data.
Source: IMF Data

**Figure 4: Lebanon's personnel cost to expenditure from an international perspective**

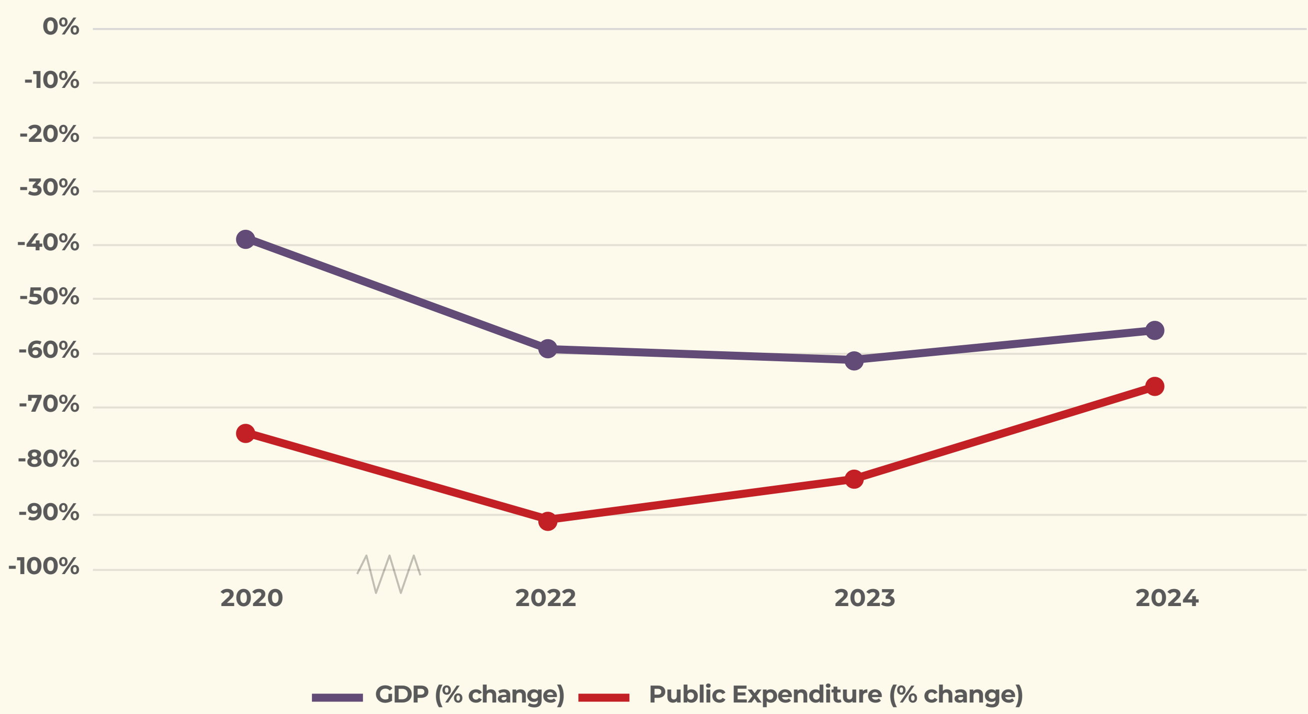



Note: Data are not available for all countries categorized under HICs, LICs, and Arab region; the line graphs are produced based on the available data.
Source: IMF Data

The substantial reduction in public sector expenditure in Lebanon no longer reflects deliberate fiscal policy choices but rather represents an inevitable economic reality resulting from the country's significant GDP contraction and reduced economic output. Since the onset of the prolonged downturn in 2019, Lebanon's economy has consistently failed to generate adequate revenues required to maintain an effective and adequately functioning public sector.

Compounding this issue is the persistent unwillingness among Lebanon's political and economic elites to undertake essential structural reforms, a stance that has notably prolonged and intensified the crisis, particularly within the public sector, even as the private sector demonstrates incremental signs of recovery. In fact, the decline in total GDP since 2019 has been substantially less severe than the concurrent decline in public expenditure (Figure 5). By 2024, GDP had declined from approximately $52 billion in 2019 to nearly $23 billion—a drop of roughly 56%. However, this decrease was less severe than that of expenditures, which fell by 66% during the same period. This highlights the disproportionate burden borne by the public sector. The lack of decisive reform has further deepened chronic revenue shortfalls, restricted fiscal flexibility, and weakened institutional capabilities, thereby solidifying Lebanon's entrapment within a negative economic equilibrium.

**Figure 5: Percentage change of GDP and public expenditure relative to 2019**




Note: The numbers for 2021 were omitted due to the unavailability of a budget that year.
Source: Lebanon's national budgets and IMF data

Moreover, prevailing perceptions of Lebanon's public sector as excessively large and inefficient fail to accurately capture the reality of its administrative capacity. A closer examination reveals that the administrative core of Lebanon's public sector—the personnel directly responsible for governance and critical service delivery—is strikingly small. Out of approximately 300,000 total public sector personnel, which includes retirees, military and security personnel, and employees of state-owned enterprises, only around 15,500 individuals form the core administrative workforce. Of these core administrative employees, fewer than 8,000 work on a full-time basis,[9] underscoring the exceptionally limited size and operational capacity of the Lebanese bureaucracy even before the crisis unfolded.

The severity of Lebanon's economic downturn since 2019 has further undermined this already fragile administrative structure. By 2024, annual allocations to maintain the administrative core totaled merely around $42 million, accounting for roughly 1% of Lebanon's drastically diminished national budget. Consequently, the Lebanese state's administrative apparatus is not only smaller but also increasingly dysfunctional and vulnerable, reinforcing the cycle of economic instability and institutional erosion.

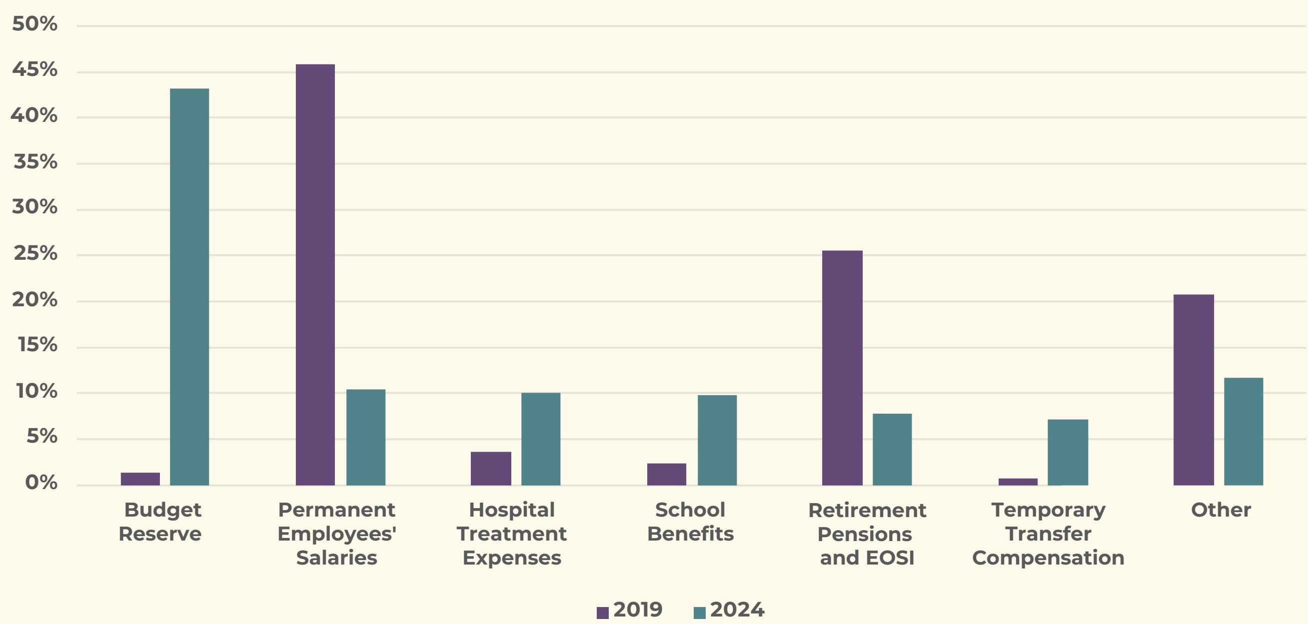
## Unequal Recovery: Discretionary Budgets and Skewed Resource Allocation Across Public Institutions

This section examines how Lebanon's personnel expenditures have been reallocated among ministries and state functions since the onset of the crisis. The analysis demonstrates that recent budget shifts do not reflect strategic priorities aligned with public welfare; instead, they expose systemic biases favoring certain institutions over others. Specifically, diplomatic, defense, and economic affairs departments have disproportionately recovered pre-crisis salary levels, while critical administrative, judicial, and oversight functions have lagged significantly behind.

### Heightened Discretion in the 2024 Budget

The Lebanese government's approach to personnel budgeting in 2024 significantly increased discretionary spending. Forty percent of the total personnel budget was allocated to reserves rather than explicitly assigned to specific salary line items. Such large, unallocated reserves grant decision-makers considerable flexibility, enabling opaque resource distribution and bypassing established salary scales and transparent budgeting practices. As illustrated in Figure 6, the proportion of the personnel budget held in reserves surged dramatically from just 1% in 2019 to 43% in 2024. Conversely, direct allocations for permanent salaries significantly declined, underscoring how Lebanon's public sector budgeting has become both more discretionary and unstable.

**Figure 6: Distribution of personnel cost in 2019 and 2024**




Source: Lebanon's national budgets

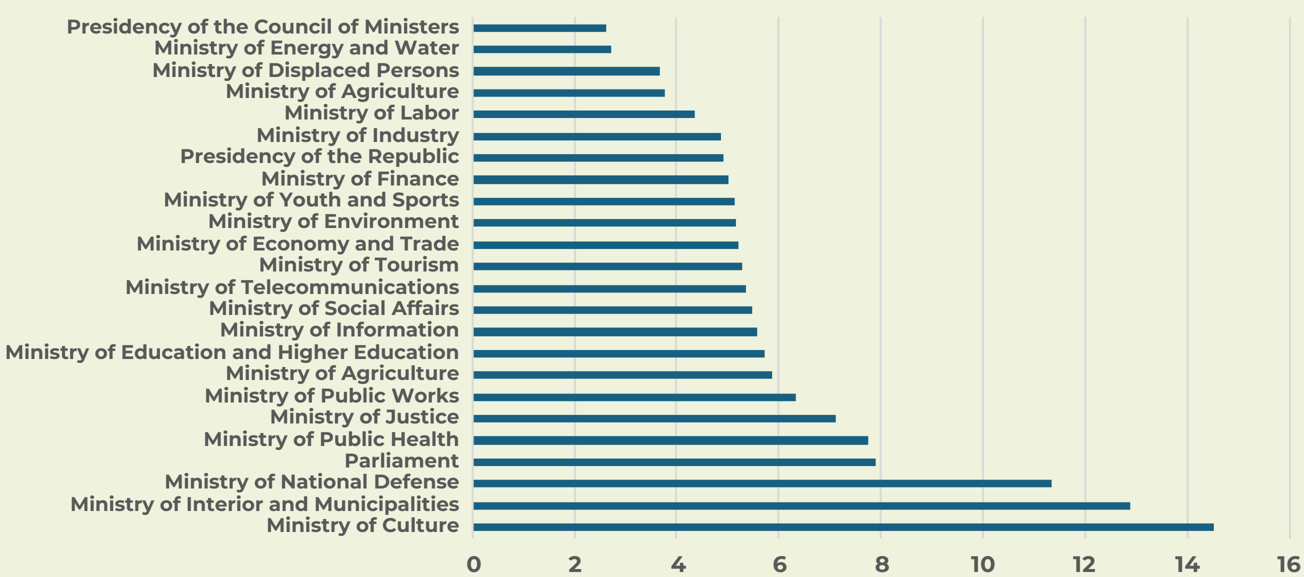
[9] According to the Civil Service employment survey.

### Unequal Recovery Across Ministries and State Functions

A detailed analysis of Lebanon's personnel budget recovery, by institution, from 2019 to 2024 uncovers substantial disparities, highlighting clear biases in resource allocation that appear driven more by political considerations than by coherent administrative or socio-economic needs. Most public institutions experienced modest increases in their personnel budgets, typically ranging from three- to six-fold, however, seven ministries received markedly disproportionate increases:

- **Ministry of Foreign Affairs (43.9-fold increase):** This drastic rise was primarily driven by hard-currency payments to diplomats, reflecting an emphasis on international diplomacy over domestic administrative priorities.
- **Ministry of Culture (14.5-fold increase):** Predominantly due to salary increases for staff at the National Conservatory of Music.
- **Ministry of Interior and Municipalities (12.9-fold increase):** Primarily resulting from Law 334 (2024), which formalized Civil Defense volunteers as salaried public sector employees, underlining a prioritization of security and emergency services.
- **Ministry of National Defense (11.3-fold increase):** Resulting from increased compensations for personnel across different security bodies.
- **Ministry of Public Health (7.7-fold increase):** Targeted adjustments aimed at critical healthcare personnel, addressing the ongoing public health crisis.
- **Ministry of Justice (7.1-fold increase):** Allocations directed toward bolstering administrative and legal capacities in core judicial operations.
- **Ministry of Public Works (6.3-fold increase):** Emphasis placed on urban planning and infrastructure management departments, reflecting targeted investments in specific infrastructure needs.

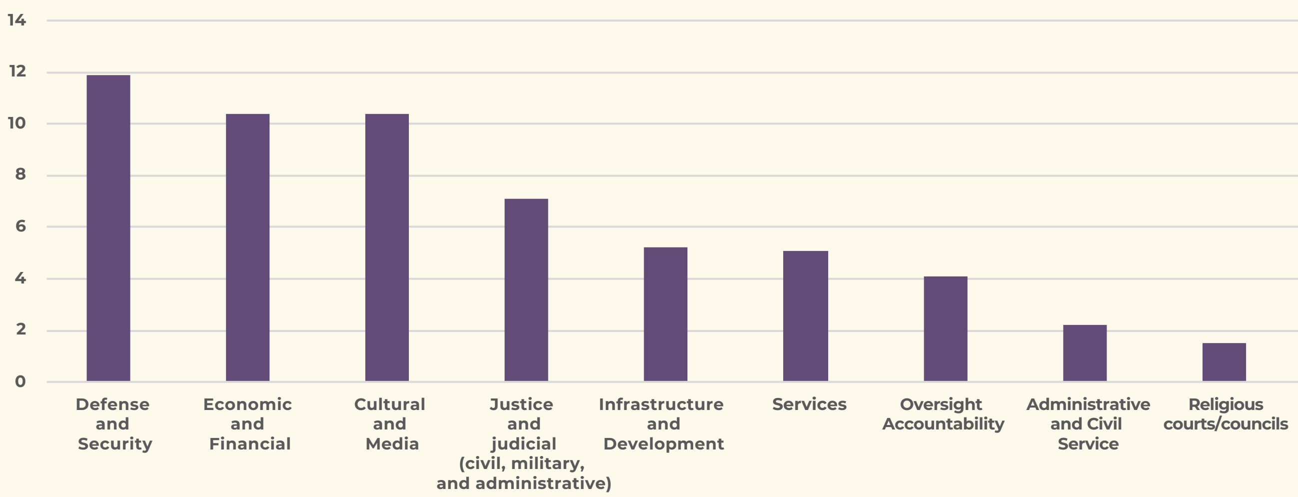
**Figure 7: Increase of personnel cost across public institutions in folds between 2019 and 2024**




Note: The Ministry of Foreign Affairs was omitted from the graph for being an outlier.
Source: Lebanon's national budgets

When categorizing institutions into broader sectors, further political biases become evident. According to figure 8, diplomatic (43-fold), defense (12-fold), and economic/financial functions (10-fold) witnessed substantially larger recoveries compared to administrative services (2-fold), oversight and accountability (4-fold), and justice and judicial functions (7-fold). This stark imbalance reveals deliberate political choices favoring sectors associated with international representation, national security, and revenue generation, while simultaneously undermining essential administrative capacities, oversight effectiveness, judicial independence, and broader institutional integrity. The annex provides the definition and examples for each category.

### Figure 8: Recovery of state functions in folds between 2019 and 2024




Note: The diplomatic function was omitted from the graph for being an outlier.
Source: Lebanon's national budgets

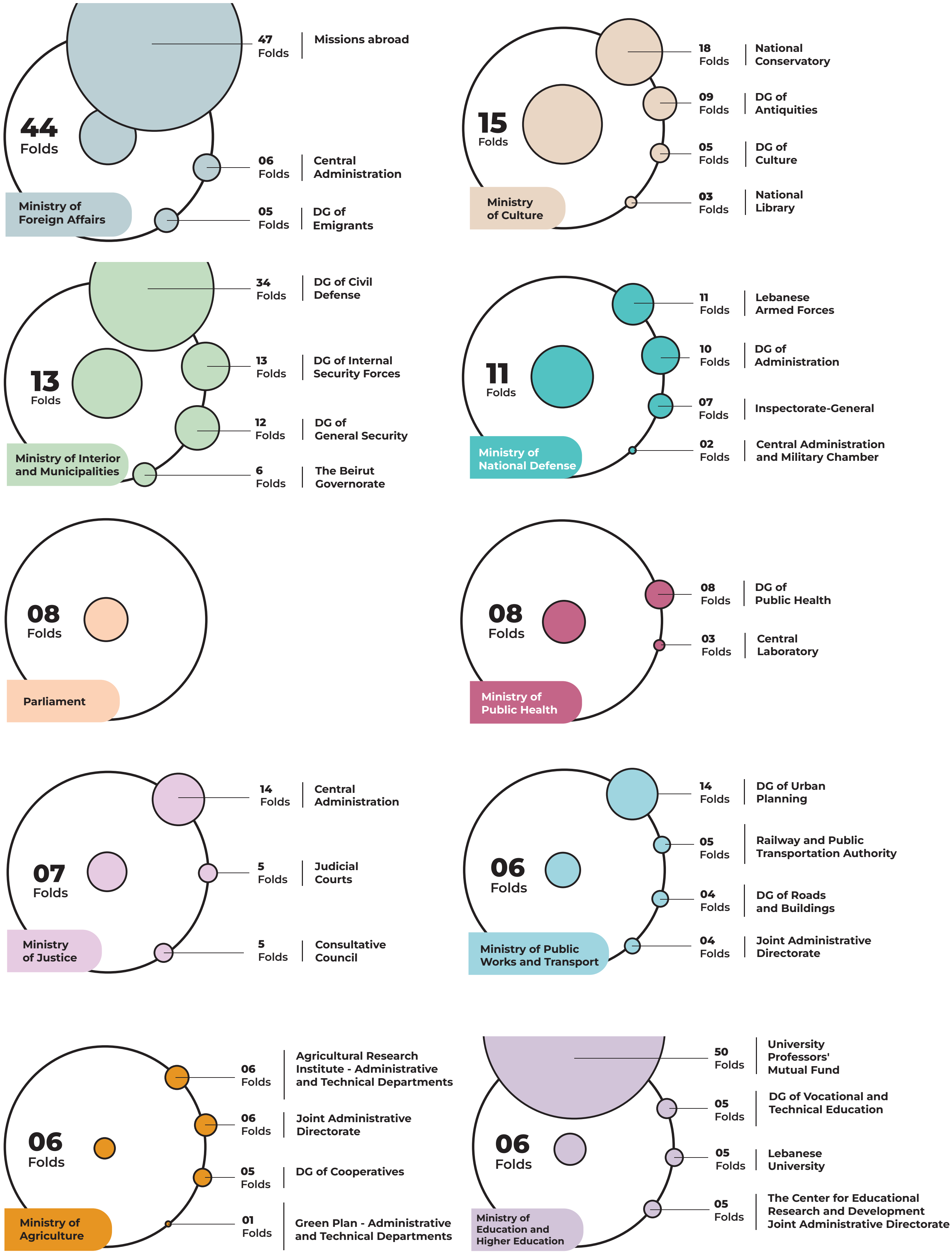
Disparities are even more pronounced within individual ministries and public institutions. Out of 133 departmental budgets analyzed, only 14 departments experienced increases exceeding tenfold, reflecting highly uneven internal priorities (Figures 9 & 10). This indicates clear strategic prioritization: security-related departments are heavily emphasized along with revenue-generating departments, particularly in the Ministry of Finance. Meanwhile, exceptional recoveries in diplomatic and education-related departments reflect a strategic focus on international representation and managing domestic pressures related to education.

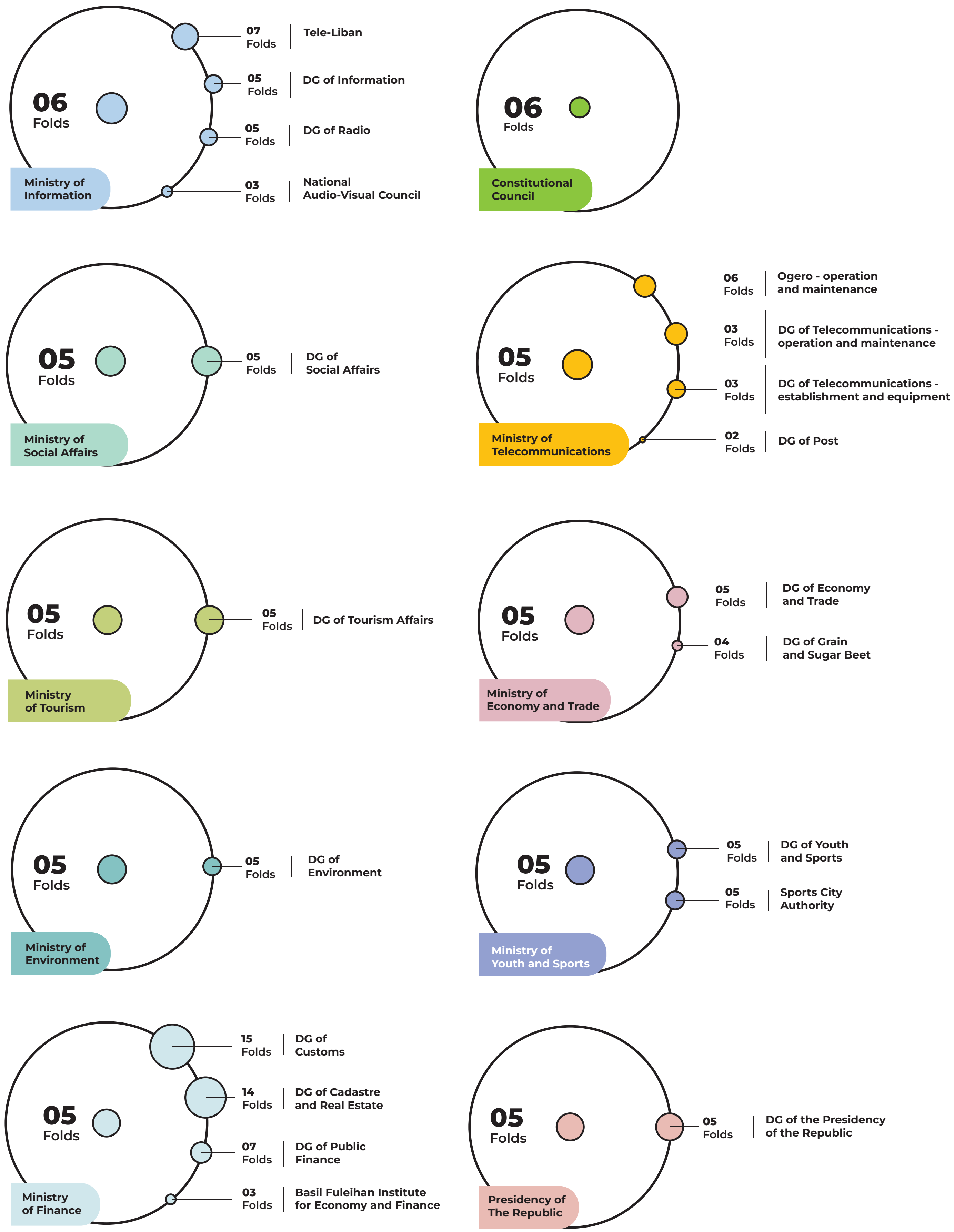
**Figure 9: Departments with budget increases exceeding tenfold along with magnitude and reasons**

| Department | Ministry | Budgetary increase (in folds) | Reasons for increase |
|---|---|---|---|
| Joint Administrative Directorate under the Educational Center for Research and Development | Ministry of Education and Higher Education | 1,027 | NA |
| University Professors Mutual Fund | Ministry of Education and Higher Education | 50 | Compensation top-up to Lebanese university professors |
| Missions Abroad | Ministry of Foreign Affairs | 47 | Hard currency requirements to diplomats |
| Civil Defense | Ministry of Interior and Municipalities | 34 | Passage of Law 334 |
| National Conservatory | Ministry of Culture | 18 | Efforts from the head of the national conservatory towards restoring the salaries of the staff to their pre-crisis levels[10] |
| Presidency of the Council of Ministers | Council of Ministers | 17 | NA |
| Customs Administration | Ministry of Finance | 15 | Sustaining a key revenue generating department |
| Central Administration | Ministry of Justice | 14 | NA |
| Directorate General of Urban Planning | Ministry of Public Works | 14 | NA |
| Directorate General of Real Estate Affairs | Ministry of Finance | 14 | Sustaining a key revenue generating department |
| Internal Security Forces and Prisons | Ministry of Interior and Municipalities | 13 | Compensation top-up to security personnel[11] |
| General Security | Ministry of Interior and Municipalities | 12 | Compensation top-up to security personnel |
| Lebanese Army | Ministry of Defense | 11 | Compensation top-up to security personnel |
| Directorate-General of Administration | Ministry of Defense | 10 | Compensation top-up to security personnel |

[10] "بيان لوزارة التربية عن التعويضات وبدلات النقل للهيئة التعليمية." National News Agency. 2024.
[11] The Lebanese state issued decisions to increase compensation for the security sector, such as adjustments equivalent to three times their basic salaries in 2024.

**Figure 10: Magnitude of personnel cost recovery across different ministries and their top four departments**
(The diameter of each circle represents the magnitude of personnel cost recovery)

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Ministry of Information
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Tele-Liban
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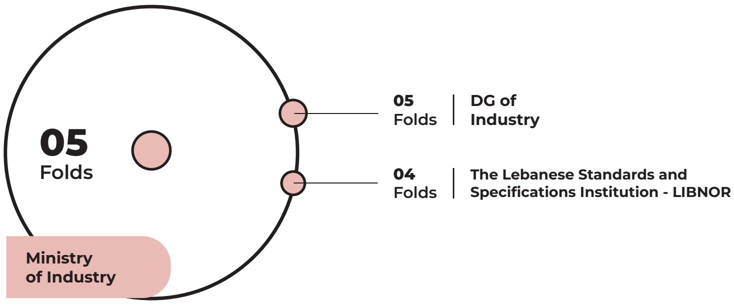
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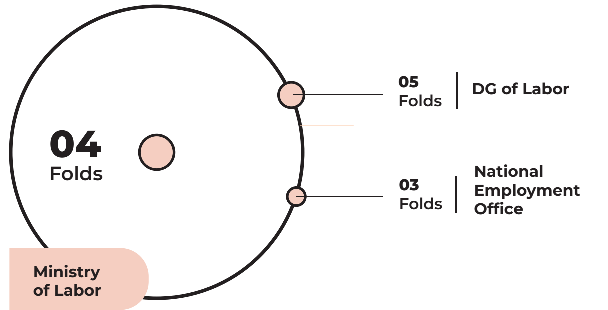
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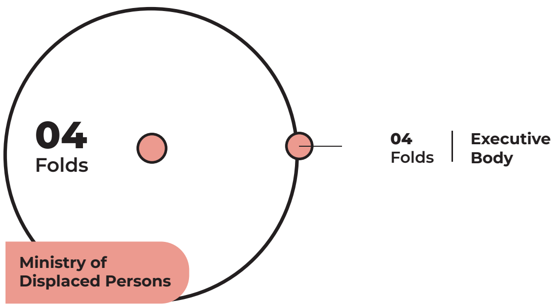
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Ministry of Displaced Persons
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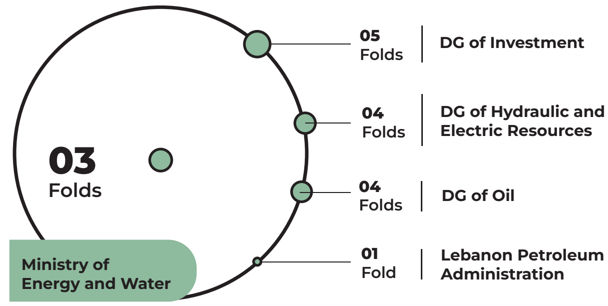
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Folds
Ministry of Energy and Water
05 Folds | DG of Investment
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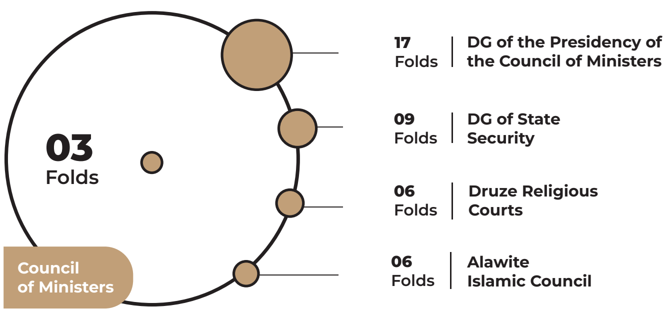
04 Folds | DG of Oil
01 Fold | Lebanon Petroleum Administration


03
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17 Folds | DG of the Presidency of the Council of Ministers
09 Folds | DG of State Security
06 Folds | Druze Religious Courts
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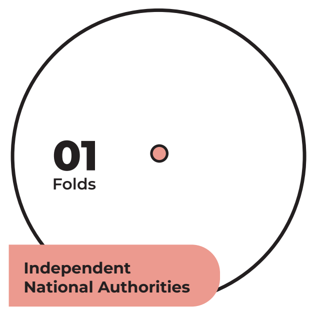
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Independent National Authorities

## Short-term Relief, Long-term Risks: How Donor Interventions Deepened Fragmentation and Patronage

The increasing involvement of international donors in Lebanon's public sector amid the ongoing economic and political crisis has significant implications for state functionality, political dynamics, and national sovereignty. This section explores how targeted international aid has shaped Lebanon's public administration landscape, emphasizing how external interventions interact with domestic political decisions, resource allocation biases, and structural governance challenges highlighted throughout this report.

Donor interventions have been instrumental in temporarily addressing acute shortages and stabilizing select public institutions, notably in critical sectors such as education, healthcare, and security.[12] Given Lebanon's severely constrained fiscal resources and collapsing public spending capabilities, external assistance has increasingly filled the resource gaps. However, while these interventions provide immediate relief, their design and distribution often align closely with existing political priorities and elite interests, inadvertently reinforcing entrenched structural biases rather than promoting equitable recovery and sustainable reform.[13]

Critically, donor-driven salary support has contributed to a fragmented civil service hierarchy, reinforcing disparities within the public sector.[14] For example, direct financial aid from the United States and Qatar, amounting to approximately $100 per month per individual, supports around 80,000 Lebanese Armed Forces personnel. This approach sustains a disproportionately large defense sector that historically absorbed substantial fiscal resources—up to 71 percent of its budget previously allocated to salaries and pensions.[15] Meanwhile, lower-level administrative staff and municipal employees receive negligible or no external support, exacerbating internal inequities, fueling dissatisfaction, and further undermining administrative cohesion and effectiveness.[16]

Furthermore, the selective distribution and management of aid amplify existing risks of corruption and political favoritism. By engaging directly with individual ministries rather than a coordinated central authority, donors inadvertently empower Lebanese political elites, enabling them to allocate resources in ways that strengthen their political patronage networks rather than address objective public service needs.[17] This dynamic entrenches governance problems, reduces transparency, and intensifies accountability deficits, directly contradicting the stated objectives of many donor interventions.

Ultimately, while donor interventions play an essential role in alleviating immediate humanitarian crises, the current approach risks entrenching fragmentation, exacerbating inequalities, fueling corruption, promoting long-term dependency, and further eroding state sovereignty. As such, aligning future aid strategies with broader structural reform goals remains critical to achieving sustainable governance and fiscal resilience in Lebanon.

## Restoring Sovereignty: A Roadmap for Rebuilding Lebanon's Public Sector Capacity

Lebanon's public sector is both a symptom and a driver of the country's prolonged governance crisis. Decades of political interference, clientelist hiring, and institutional neglect have left the state fragmented, under-resourced, and unable to fulfill even basic administrative functions. Emergency stopgaps and scattered donor assistance have failed to reverse the steady collapse in service delivery across health, education, and infrastructure.

The roots of dysfunction are institutional, not just financial. A credible recovery strategy must prioritize rebuilding state capacity through professional, data-driven, and transparent governance. The Lebanese state does not suffer from overexpansion but from misalignment. Certain sectors are bloated, while others suffer from severe understaffing. The challenge is not to reduce the size of the state, but to reorient and strengthen it.

Reform should begin with the recognition that many public servants remain committed and capable. However, they operate in a system that rewards political loyalty over competence. A shift in institutional culture—toward merit, performance, and service—is essential. Building this new culture requires a comprehensive and actionable reform agenda:

[12] Heller, S. 2023. "Adopt a Ministry: How Foreign Aid Threatens Lebanon's Institutions." The Century Foundation.
[13] Ibid. [14] Ibid. [15] Ibid. [16] Ibid. [17] Ibid.

1. **Structural Fiscal and Economic Reform**
   No public sector reform is viable without first stabilizing the economic foundations of the state. A sovereign and capable state must be able to finance its functions, regulate economic activity, and allocate resources independently. Economic reform is not a complement to state-building, it is its starting point.

   Stabilization begins with restructuring the banking sector and equitably distributing losses among stakeholders. Continued delay undermines trust and deepens fiscal insolvency. Forensic audits of public institutions and commercial banks are essential to identify mismanagement, recover diverted funds, and restore financial accountability.

   Lebanon must also expand its fiscal space. This requires enacting progressive taxation—particularly on high incomes and luxury assets—and digitizing revenue collection to reduce leakages and improve compliance. Completing structural reforms tied to international support, such as the IMF program, will be critical for unlocking liquidity, attracting investment, and financing long-term institutional renewal.

2. **Public Sector Census and Workforce Mapping**
   A full public sector census is the foundational step. It should collect detailed data on employee numbers, qualifications, roles, and geographic distribution. The census must also identify ghost workers, redundancies, and imbalances. This information is critical to designing equitable workforce policies, prioritizing support for vulnerable employees, and eliminating inefficiencies.

3. **Strategic Human Resource Redeployment**
   Reform must focus on reallocating personnel based on actual institutional needs. Employees should be reassigned according to their skills, with an emphasis on critical public services such as education, healthcare, and infrastructure. Those in non-essential or redundant roles should be offered retraining and integrated into priority areas. Redeployment must be transparent and based on merit to avoid reproducing sectarian or political distortions.

4. **Wage Policy Reform**
   Public sector salaries must be revised in line with inflation and fiscal realities. A phased approach to wage increases, tied to available resources, will help restore purchasing power and morale. Increases should be reflected in core salaries rather than temporary bonuses, which will also reinforce pension contributions and long-term benefits.

5. **Investing in Public Services for Employees**
   Improved access to quality public healthcare and education can reduce the financial burden on civil servants. Strengthening these services will enhance employee welfare, indirectly raise real incomes, and reinforce the state's role as a provider of public goods.

### Reclaiming the Role of the State

Lebanon's recovery depends on building a public sector that is functional, credible, and development oriented. A capable state cannot emerge without institutional reform, beginning with a clear understanding of its human capital. A national public sector census is not just a technical necessity, it is a political and developmental imperative.

Restoring state legitimacy requires more than efficiency. It requires a new social contract built on merit, fairness, and public trust. The opportunity exists to reshape Lebanon's institutions into engines of service and sovereignty. The cost of inaction is far greater than the cost of reform.

## Annex

### Table 1: Definition and examples of different state functions

| Function | Definition | Examples |
|---|---|---|
| Diplomatic & Foreign Affairs | Departments managing Lebanon's international relations and representing Lebanon abroad. | Directorate-General of Emigrants<br>Missions Abroad Department |
| Defense & Security | Departments overseeing national defense, including protecting Lebanon's territorial integrity and national security. | Lebanese Armed Forces<br>Internal Security Forces<br>Central Administration & Military Chamber |
| Economic & Financial | Departments handling Lebanon's public finance, economy, as well as those generating revenues. | Rashid Karami International Fair Tripoli<br>Higher Privatization Council<br>Public Procurement Authority<br>Economic Zone of Tripoli<br>Investment Development Authority (IDAL) |
| Cultural & Media | Departments promoting Lebanese culture, heritage, and responsible for different means of communication. | National Archives Foundation<br>National Audiovisual Council |
| Justice & judicial (civil, military, and administrative) | Departments ensuring the administration of civil, military, and administrative justice. | Court of Cassation<br>Military Courts<br>State Council |
| Infrastructure and Development | Departments planning, developing, and maintaining infrastructure, such as roads, telecommunications networks, and urban planning. | Elyssar Foundation<br>Council for Development & Reconstruction<br>Directorate-General of Telecom-Establishment & Equipment |
| Service | Departments regulating essential public services to citizens, including health, education, labor, relief, and more. | Higher Relief Committee<br>National Commission for Missing and Disappeared<br>Central Public Health Laboratory |
| Oversight & Accountability | Departments ensuring oversight, transparency, and accountability within the state. | Central Inspection<br>Court of Audit<br>Higher Disciplinary Board |
| Administrative & Civil Service | Departments managing the administrative state tasks, civil service, executive and legislative branches, local governance, and more. | Civil Service Board<br>Directorate-General of Local-Administrations & Councils<br>Parliament<br>Council of Ministers |
| Religious courts/councils | Departments administering religious affairs. | Sunni Sharia Courts<br>Jaafari Sharia Courts<br>Supreme Islamic Shiite Council |


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