

# The multidimensional impact of Israeli attacks on Lebanon - Annexes

## Annex 1 | Multidimensional poverty across sectors, 2019–2024

The multidimensional poverty index (MPI) assesses deprivation across various sectors and is most accurately calculated using representative household surveys. The Labour Force and Household Living Conditions Survey (LFHLCS) conducted in Lebanon in 2018 and 2019 is considered the most recent comprehensive and representative survey available in the country, covering all geographical areas.

Since the LFHLCS survey, Lebanon has experienced severe economic turmoil and an ongoing conflict along its southern borders, leading to significant changes in the socioeconomic landscape. This section will examine the impact of these crises, attempt to quantify these shocks, and connect them to MPI indicators based on the best available information.

Two additional surveys have been conducted recently: the 2022/2023 Lebanon Household Survey (LHS) and the follow-up 2022 Labour Force Survey (LFS). However, because of the lack of data for the governorates of Baalbek-Hermel, Nabatieh, and South Lebanon in the LHS and the unavailability of microdata from the LFS, precise inferences cannot be made. The aggregate data from the LFS, although broken down by governorate, may not fully capture actual demographic distributions.

Despite these limitations, the aggregate results reported by the Central Administration of Statistics (CAS), together with insights from recent World Bank<sup>1</sup> and International Labour Organization (ILO)<sup>2</sup> reports, provide valuable indications of the socioeconomic impact of the ongoing crisis and conflict.

### Impact of the economic crisis, 2019–2023

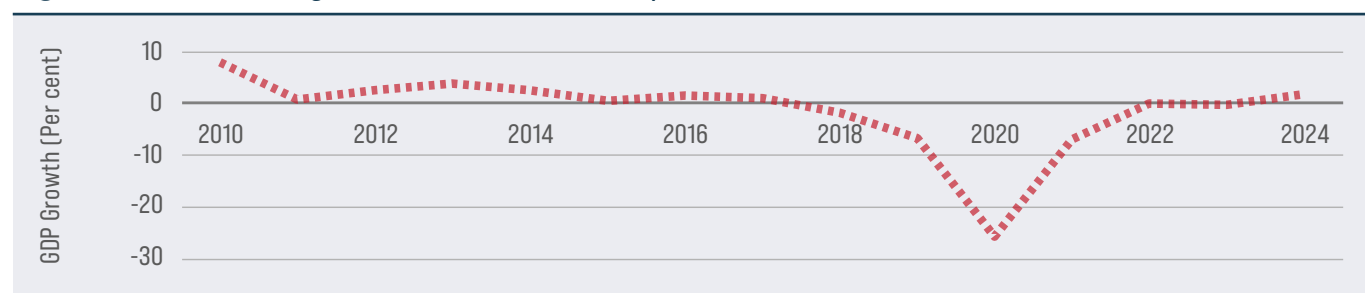
#### GDP growth

The data from the World Economic Outlook of the International Monetary Foundation (IMF) indicates that real GDP growth was modest before the 2019 economic crisis. This has changed since 2020, as GDP has contracted. The negative growth at national level has also trickled down to household income and expenditure (figure A1.1).

#### Impact on inequalities in income/ expenditure, poverty, food security and social safety nets

Using data from the 2011–2012 Household Budget Survey and the recently conducted LHS for 2022/23, the World Bank has estimated the growth incidence curve for Lebanese households over the 10-year period from 2012 to 2022/23 for both income and expenditure measures. The results are shown in figure A1.2. Although household expenditure growth over this period was predominantly negative across all population segments, the trend is not consistently increasing or decreasing. This means that inequality in household expenditures in Lebanon has remained stable, with the Gini coefficient measured at 0.322 in 2011/12 and 0.317 in 2022/23. In simpler terms, the decrease in household expenditure has been similar for both better-off and worse-off households.

**Figure A1.1** Real GDP growth over the 2010–2024 period



Source: International Monetary Fund World Economic Outlook Database, accessed on 1 April 2024.

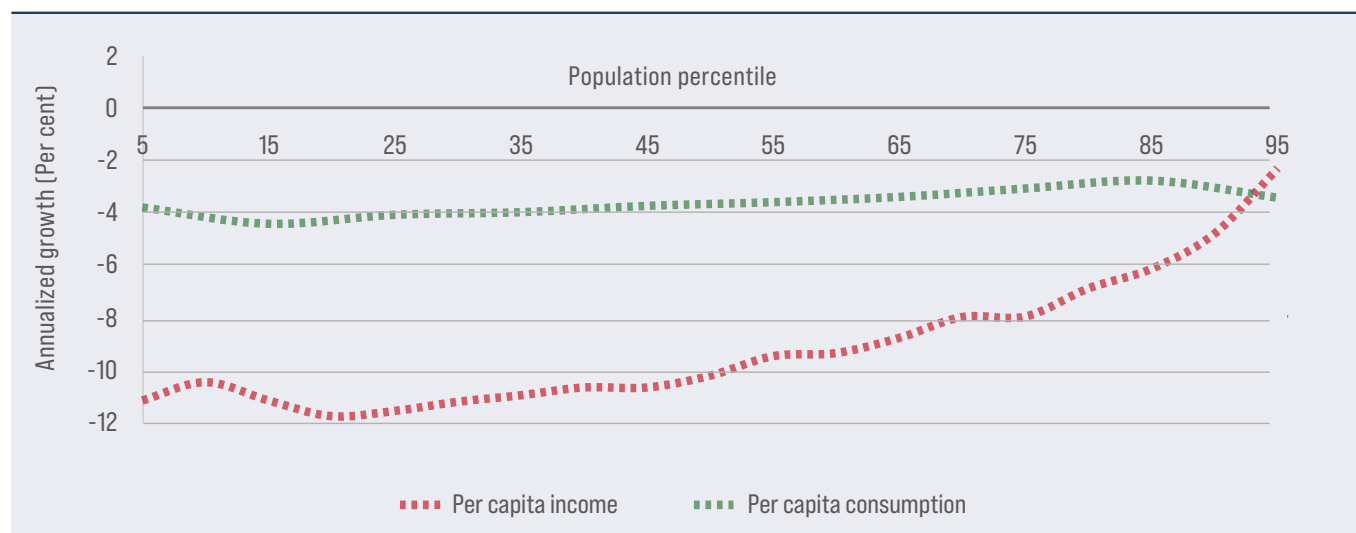
Due to price increases and the falling purchase power of the national currency, the expenditure behaviour of households has shrunk significantly in recent years. Monetary poverty as measured by expenditure welfare has more than tripled, rising from 11 per cent in 2019 to more than 33 per cent in 2022.<sup>3</sup> Per capita income across household population segments increased steadily over the same period, demonstrating that the country experienced an increase in its income Gini coefficient. This pattern is the opposite of “pro-poor growth”. In fact, the Gini index of Lebanon rose from 0.42 in 2019 to 0.61 in 2022. Although income dwindled for all Lebanese citizens, the income losses resulting from the negative economic growth were disproportionate

across all segments of the population: the poorest experienced the biggest decrease, which contributed to a rise in income inequality.

## Public expenditure and international aid

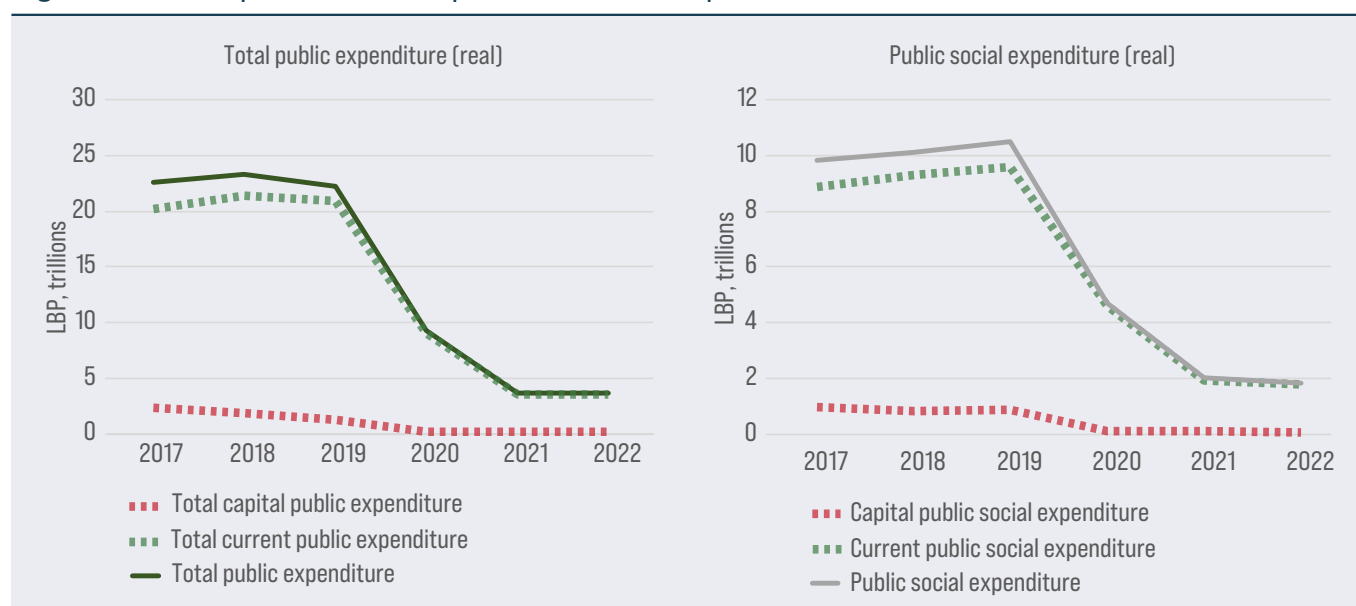
Government expenditure as a proportion of GDP has fallen sharply since 2019, from pre-economic crisis values of around 30 per cent of GDP to 7 per cent in 2022. The economic crisis has had a sharp impact on overall wealth at public budget level, and is likely to have long-term effects in terms of human capital formation (figure A1.3).

**Figure A1.2** Growth incidence curve (income and expenditure) for Lebanese households, 2012–2022



Source: World Bank estimates, 2021.

**Figure A1.3** Sharp decline in real public and social expenditures as economic crisis hits



Source: ESCWA Social Expenditure Monitor based on the Ministry of Finance annual budgets, 2024.

In 2023, the humanitarian community estimated that approximately \$200 million is needed to provide life-saving assistance to vulnerable people in Lebanon.<sup>4</sup> However, it remains unclear whether international aid will be sufficient to meet all of the country's critical needs in the future. This uncertainty over funding highlights the urgent need for sustained support to address the ongoing humanitarian crisis.

Strong and effective institutions can spearhead economic and social development. Non-functioning institutions obstruct socioeconomic development while exacerbating the impact of any shocks, which in Lebanon include hostilities with Israel. The rule of law and government effectiveness have deteriorated significantly since 2019. There is a 72 per cent vacancy rate in public institutions, which further aggravates institutional weakness.

The shortage of public expenditure, combined with insufficient international aid and the deterioration of the rule of law and government effectiveness, will undoubtedly mean that policymakers do not have the resources they need to address the challenges of the war.

## Employment and informality

Data from the LFHLCs in Lebanon for the 2018–2019 period was used to estimate the levels of deprivation in employment and informality indicators (table A1.1).

**Table A1.1** Percentage of households whose working-age members are all unemployed or informally employed, by governorate

Governorate	Employment deprivation <sup>a</sup> (percentage)	Employment informality <sup>b</sup> (percentage)
Beirut	11.95	6.76
Mount Lebanon	11.06	4.39
North Lebanon	12.76	3.05
Akkar	14.52	3.14
Bekaa	14.81	3.97
Baalbek-Hermel	12.18	2.85
South Lebanon	13.71	3.44
Nabatieh	15.91	4.33
National level	12.57	3.88

Source: ESCWA estimates, as measured from the 2019 LFHLCs.

<sup>a</sup> **Employment deprivation:** All household members aged 20 and above are unemployed or underutilized or discouraged.

<sup>b</sup> **Employment informality:** All household members aged 20 and above are informally employed.

Under the definition of ILO, the national unemployment rate was around 11.4 per cent in 2019; it rose to 29.6 per cent in 2022. Employment in the informal sector increased by 13.1 percentage points during the 2019–2022 period (35.2 per cent in 2019, 48.3 per cent in 2022).

## Access to electricity and water

The public electricity sector, represented by Electricité Du Liban (EDL), produced around 15 TWh in 2019, before the crisis. In recent days, it has produced around 3–4 TWh. Its generation capacity relies solely on a fuel swap deal with the Iraqi Government, in addition to limited and variable hydropower resources.

The socioeconomic crisis has reduced the public electricity generation capacity of Lebanon. Electricity demand reached 24 TWh in 2019; it currently stands at around 16–17 TWh. The gap between the amount generated by EDL and overall demand is being met from solar energy generation and private diesel generators. The only progress experienced in this sector has been a sevenfold increase in solar generation capacity, which is estimated to have reached 1,000 MW in 2023.

Although Lebanon has relatively abundant water resources, actual supply of improved water falls short of demand, for various reasons. Data are limited and contradictory, making it difficult to accurately assess water resource availability in Lebanon. Data from the LFHLCs in Lebanon for the 2018–2019 period were used to estimate levels of deprivation in access to drinking water and sanitation at both national and governorate levels (table A1.2).



Electricity demand reached **24 TWh** in 2019; it currently stands at around **16–17 TWh**.

**Table A1.2 Household deprivation rates by governorate – water sector**

Governorate	Drinking water deprivation <sup>a</sup> (percentage)	Sanitation deprivation <sup>b</sup> (percentage)
Beirut	1.01	0.02
Mount Lebanon	4.72	21.59
North Lebanon	18.78	18.08
Akkar	48.02	38.20
Bekaa	9.64	35.26
Baalbek-Hermel	28.24	53.46
South Lebanon	6.23	30.85
Nabatieh	11.59	65.20
<b>National level</b>	<b>11.44</b>	<b>27.72</b>

Source: ESCWA estimates as measured from the 2019 LFHLCs survey.

<sup>a</sup> Proportion of households using non-improved drinking water or using bottled water and non-improved publicly supplied water.

<sup>b</sup> Proportion of households without access to improved drainage techniques.

At national level, approximately 11 per cent of households lacked access to improved drinking water, and more than a quarter lacked access to sanitation in the form of improved drainage facilities. The gap between supply and demand has widened as a result of the recent economic crisis. The main contributing factors include:

- Absence of reliable public water services.
- Shortages of electricity needed for pumping water and operating treatment plants.

Other factors that have put stress on the grid include high numbers of refugee arrivals over the past few years and inadequate infrastructure. As a result of the ongoing economic crisis, the proportion of households lacking access to improved drinking water is now estimated to have increased to 20 per cent. The crisis has exacerbated issues across all stages of water provision – from generation and transmission to storage and distribution infrastructure.

Table A1.3 provides a summary of the key indicator changes.

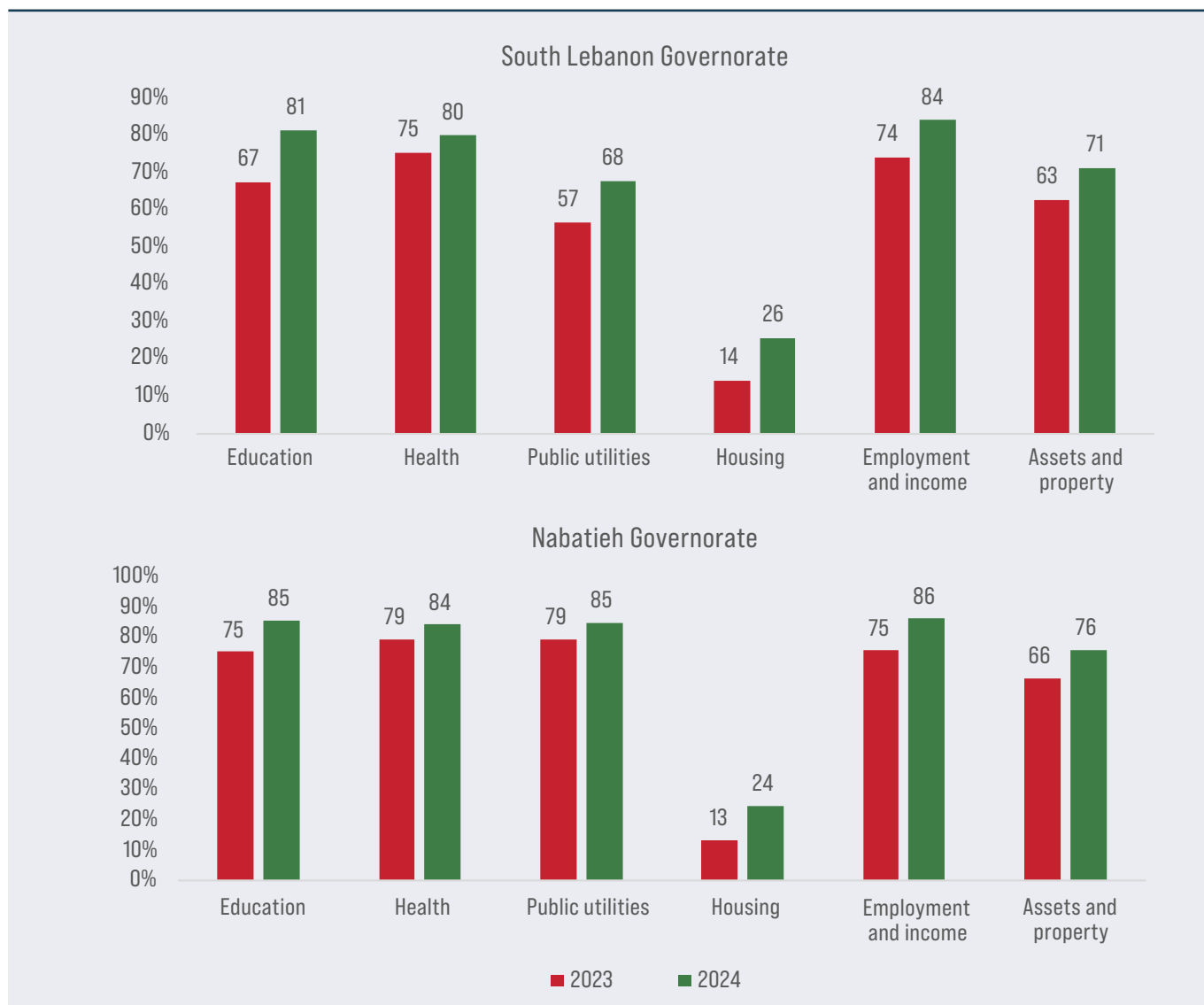
**Table A1.3 Indicator-specific trends over time and impact of socioeconomic crisis – national level – coverage: people living in Lebanon**

Indicators	MPI indicator definition	Survey indicator	2018–2019	2022–2023
<b>School attendance</b>	Household is deprived if any member aged 5–19 is not attending school	Young people (15–24 years old) not in education, employment or training by sex and governorate, Lebanon LFHLCs 2018–2019 (and LFS 2022 (percentage	22.00%	29.10%
<b>Health insurance</b>	Household is deprived if any household member has no health insurance coverage	Distribution of residents, according to whether benefiting from health insurance and by sex, Lebanon, 2022	55.60%	49.00%
<b>Unemployment</b>	Household is deprived if all household members, aged 20 and above, are unemployed or underutilized or discouraged	National unemployment rate ((percentage	11.40%	29.60%
<b>Informality</b>	Household is deprived if all household members, aged 20 and above, are informally employed	Informal employment	54.90%	62.40%
<b>Income</b>	Household is deprived if adjusted income for children and economies of scale is less than (LBP 400,000 (\$266	Average monthly earnings of employees at main job real US dollars	786	91

Source: LFHLCs in Lebanon for 2018–2019, CAS Lebanon, Labour Force Survey 2022, and Skills Anticipation Survey - ILO, 2023.

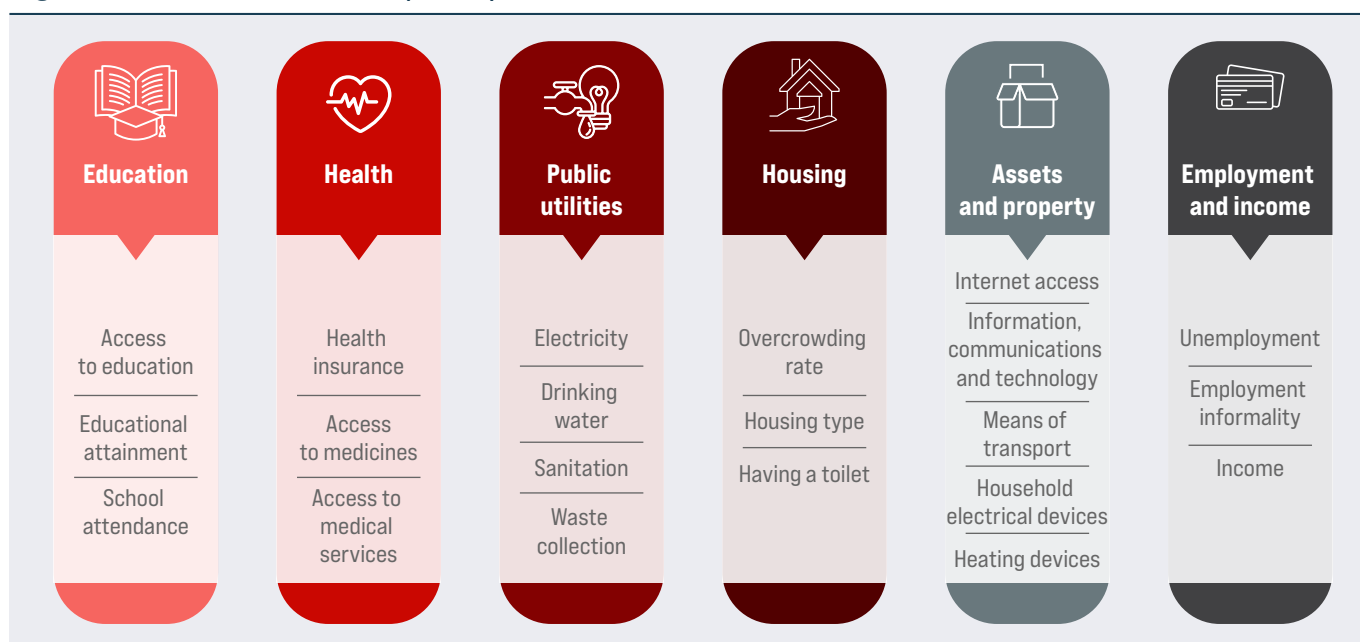
Note: The remaining MPI indicators are not exclusively measured in any of the recent surveys conducted in Lebanon; yet, it is clear that there has been a steep regressive trend in the indicators related to access to basic infrastructure (electricity, water waste collection) and assets (electrical and heating devices) during the socioeconomic crisis.

**Figure A1.4** Proportion of people with at least one indicator of deprivation across each MPI dimension



Source: ESCWA estimates based on the LFHCLS in Lebanon for 2018–2019.

**Figure A1.5** Multidimensional poverty index: dimensions and indicators



Source: ESCWA assumptions based on the LFHCLS in Lebanon for 2018–2019.

## Annex 2 | Multiple crises in Lebanon: exacerbating the impact of the current war and undermining future recovery

### The current war is likely to further increase the risk exposure of Lebanon given the ramifications of different crises

Lebanon is exposed to a multitude of risks. According to the latest figures, institutional risk is “severe” – the highest risk rating. Risks associated with conflict and economic risks were also deemed to be “significant” (table A2.1).<sup>5</sup> Policy recommendations need to address these risks while at the same time addressing the impact of the current war.

It is impossible to separate the ramifications of the crises of recent years from the current impact of the war. In 2022, the high vulnerability of Lebanon was primarily driven by corruption, financial dependence, conflict intensity and unemployment. The country had become more vulnerable as a result of ongoing financial and economic challenges and a significant governance deficit. Between 2005 and 2022, vulnerability to corruption had increased by 20 per cent.

The economic crisis, which began in October 2019, led to higher financial dependence and unemployment. For example, private remittances as a proportion of GDP more than doubled between 2018 and 2021, as did the proportion of the country’s GDP coming from official development aid. This highlights the country’s economic dependence on aid. Before the war on Gaza broke out in October 2023, decision makers in Lebanon had proved to be either unwilling or unable to deal with any of these drivers of vulnerability. Low resilience in Lebanon was mainly due to issues with displacement resilience, territorial integrity and government effectiveness. These challenges are also key contributors to the country’s difficulties in managing the refugee crisis, internal displacement, territorial control and governance. Despite some progress in women’s participation and health care,

**Table A2.1 Arab Risk Monitor: Lebanon**

Pathway	Risk domain	Component	2005	2022	Trend	2022 vs. 2005
<b>Conflict</b>	Conflict	Vulnerability	0.30	0.58		<b>Deteriorated</b>
		Resilience	0.38	0.36		<b>Deteriorated</b>
<b>Climate</b>	Natural resources	Vulnerability	0.50	0.47		<b>Same</b>
		Resilience	0.47	0.43		<b>Deteriorated</b>
	Climate hazards	Vulnerability		0.25		
		Resilience		0.50		
<b>Development</b>	Economic	Vulnerability	0.61	0.68		<b>Deteriorated</b>
		Resilience	0.45	0.35		<b>Deteriorated</b>
	Social	Vulnerability	0.43	0.41		<b>Same</b>
		Resilience	0.49	0.50		<b>Same</b>
	Institutional	Vulnerability	0.68	0.82		<b>Deteriorated</b>
		Resilience	0.44	0.31		<b>Deteriorated</b>

Risk scale: **Severe** **Minor**

Source: ESCWA estimates.

overall government effectiveness and economic growth have declined, particularly after the 2019 economic crisis. Governance effectiveness fell by over 50 per cent between 2018 and 2022. Here again, the country's decision makers failed to bring about any reforms to improve government effectiveness, which in turn would have improved resilience.

The convergence of existing crises with the escalating conflict is likely to further exacerbate these worsening trends. In the short term, risks associated with conflict and economic risks could rise sharply. In the long term, weak governance and

fragile public institutions – demonstrated by the sharp increase in institutional risk – will diminish the prospect of containing the impact of the current conflict. This could lead to a ripple effect, affecting other critical areas. Ultimately, these weaknesses will jeopardize the future socioeconomic development of Lebanon, its recovery from the current war, and its escape from the financial and economic crises, which currently beset it. It is vital for the country to address the root causes of the drivers of high vulnerability and low resilience. In doing so, improved governance will be the most essential catalyst.

## Endnotes

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- 1 World Bank, 2024.
- 2 ILO, 2024.
- 3 World Bank, 2024.
- 4 OCHA, 2023.
- 5 The ESCWA Arab Risk Monitor provides a breakdown of the core vulnerability and resilience of each of the risk areas, and it defines vulnerability in terms of a country's likelihood or exposure to shocks, whereas resilience is defined in terms of a country's policy-driven capacity to absorb such shocks.

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