

Lebanon



Debt summary

Lebanon's debt to rich world countries and multilateral donors amounts to US\$29.47 billion. This figure is equivalent to 127.9% of Lebanon's Gross Domestic Product, one of the highest proportionate amounts in the world. With a small population relative to this giant debt burden the huge annual debt repayments of US\$4.25 billion are equal to US\$1027 per person. Only a small fraction of this amount, US\$179, is spent per capita each year on healthcare. This burden is in addition to further debt owed to domestic banks. Poverty rates and inequality remain as persistent problems for the country but due to the country's upper middle income status, Lebanon has not been considered eligible for debt relief.

Putting the debt into context

Civil war gripped the country between 1977-1990, devastating Lebanon's economy and infrastructure. Rather than following the usual trends of increasing taxation for the highest income bands in the aftermath of conflict in order to help those who suffered as a result of the conflict, Hariri's government reduced tax in line with free market policies to encourage investment and economic growth. Instead therefore Lebanon borrowed heavily for reconstruction, leaving the country with a debt burden which continues to threaten its economic stability. In July 2006, war with Israel broke out, further damaging the Lebanese economy, and displacing an estimated 25% of the population. The poorest and marginalised individuals are consistently hit hardest by the conflicts in the country.

The global financial crisis and the Arab spring, particularly the ongoing crisis in neighbouring Syria, have provided large challenges for Lebanon in a context where slowing economic growth is substantial with regard to debt repayments. Uprisings in surrounding countries have had a detrimental effect on Lebanon's economy which is now particularly vulnerable.

Current situation

Lebanon's economy grew rapidly between 2007-2010, earning the country praise from international bodies for its commitment to free market economics. However, Lebanon's economy has struggled alongside the global crisis. The ongoing crisis in neighbouring Syria has led to a decline in investments further jeopardising the economic growth in the country. The International Monetary Fund has blamed the downturn on a lack of reform and investment in infrastructure. This suggests that such changes alone would stimulate economic investment and success in the country. They have not considered that the free market economic reforms have left Lebanon extremely vulnerable to external affairs.

The high debt burden continues to prevent investment in the people of Lebanon despite ongoing challenges. Regional inequalities in income and poverty levels are striking. Those in Northern regions earn over a quarter less than the national average. 20.7% of the population live in the North but the region is home to 46% of the extremely poor population. 8% of whole the population live in extreme poverty, without the ability to meet basic requirements including food and shelter. In 2008, the New Economics Foundation found that 69% debt cancellation was needed for the government to meet the basic needs of the population and since then, the debt has continued to grow. The International Poverty Centre found that the projected cost of halving extreme poverty would be "a mere fraction of the cost of the country's large external debt obligations."

Factfile

Population
4.1 million

Life expectancy
75 years

87.4%
Total adult literacy rate

1
Doctor for every
100,000
people

28%
of the population live
below the poverty line

Human Development
Index rated
71
out of 187 countries

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