



FORUM: Economic and Social Council (ECOSOC)

TOPIC: Addressing the Socioeconomic Impact of Hyperinflation and Currency Collapse in Lebanon

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POSITION: Deputy President

PERSONAL INTRODUCTION

Dear Delegates,

My name is Giannakaki Anastasia and I'm honored to serve as your Deputy President for this year's AMLMUN Economic and Social Council. I'm a 12th grade student at Ekpaideutiki Anagennisi, and I have a deep passion for debating and international relations. I have been taking part in MUN for the last 4 years as a delegate and now, for the first time, as a chair.

MUN has taught me the value of cooperation and constructive argumentation. I aim to create a committee where every delegate feels comfortable to express themselves, debate the topic, and work towards efficient solutions.

If you happen to have questions before the conference, feel free to email me on giannakakianast@gmail.com. I'm looking forward to seeing your ideas and to an inspiring and fruitful session to come.

Best regards,

Giannakaki Anastasia

TOPIC INTRODUCTION

Currency collapse and hyperinflation have been some of the most crucial economic crises that states can face, affecting the citizens' purchasing power, the operation of businesses, the stability of financial systems and, most importantly, social cohesion. Lebanon's case is considered one of the most significant cases of corruption of the last decades, ranked by the World Bank among the gravest ones since the mid-19th century.

The crisis began to unfold in late 2019, when the country entered a deep economic recession due to chronic imbalances, political instability and the bank system collapsing. The rapid depreciation of the Lebanese pound, the hyperinflation and the banks' inability to serve depositors, led to a dramatic decline in living standards, while the Beirut explosion in 2020, further exacerbated the already fragile situation.

The effects of the crisis extended far beyond the financial sector and increasingly affected the everyday lives of the Lebanese population. Food prices were particularly affected by the depreciation of the national currency, with Lebanon recording approximately 350% year-on-year food price inflation in April 2023, making it the country with the highest nominal food price inflation globally at that time. At the same time, the prolonged economic contraction contributed to a significant deterioration in living conditions and increased reliance on coping mechanisms such as reducing household consumption and essential expenditures. By 2022, monetary poverty had increased to 44% in the areas covered by the World Bank's household survey, compared with 12% in 2012.

Recognizing the significance of the situation, global organisations, such as the United Nations, the World Bank and the International Monetary Fund, have repeatedly called for the implementation of actual economic reforms, the increase of transparency and financial support to Lebanon. Furthermore, addressing the issue of hyperinflation and currency collapse is related to Sustainable Development Goals, particularly through the eradication of poverty, the reduction of inequalities and the promotion of living conditions.

DEFINITION OF KEY TERMS

Hyperinflation

"A situation in which prices rise rapidly affecting a country's economy and damaging it typically caused by a combination of excessive money supply, loss of confidence in the national currency and shortages of goods and services."¹

Currency Collapse/Currency Crisis

"Currency crisis is a situation where a nation's currency experiences a rapid devaluation, leading to significant economic instability and inflation"²

Currency Depreciation

"Currency depreciation occurs when a currency loses value relative to other currencies. Triggered by factors such as economic fundamentals, interest rate differentials, or inflation"³

¹"Hyperinflation noun - Definition, pictures, pronunciation and usage notes" *Oxford English Dictionary*, University of Oxford, <https://www.oxfordlearnersdictionaries.com/definition/english/hyperinflation> Accessed 25 July 2026

² Bakar, Ergun. "Currency Crisis: Definition, Conceptual Context & Why It Matters - TRT World Research Centre." *TRT World Research Centre*, 30 Apr. 2026, <https://researchcentre.trtworld.com/dictionary/currency-crisis/> Accessed 29 Aug. 2026

³ "Understanding Currency Depreciation: Causes, Examples and Solutions" <https://www.investopedia.com/terms/c/currency-depreciation.asp> Accessed 25 July 2026

Exchange Rate

“An exchange rate is the relative value of one country’s currency versus another. Exchange rates can be influenced by factors such as inflation, interest rates, economic performance, political stability, trade balances, capital flows, and market confidence.”⁴

Banking Crisis

“Banking crisis reflects the crisis of liquidity and insolvency of one or more banks in the financial system”⁵

Purchasing Power

“Purchasing power describes the number of products or services that a single unit of money can acquire, reflecting the real-world value of currency in the marketplace.”⁶

Public Debt

“Public Debt is money owed by governments, typically in the bond of forms and other securities that promise repayment at a future date.”⁷

Capital Control

“Capital controls are government or central bank measures designed to regulate the flow of foreign capital in and out of a country's economy. These controls, which can include taxes, tariffs, legislation, and transaction limits, aim to stabilize financial markets and protect domestic economies from volatility.”⁸

Fiscal Deficit

“A fiscal or budget deficit refers to a situation where a government's total expenditures exceed its total revenue in a given fiscal year. In other words, it represents the shortfall between the government's spending and its income during a specific period, typically one year. A fiscal deficit occurs when the government needs to borrow money to finance its expenditures”⁹

⁴ “Exchange Rate Definition” <https://www.investing.com/academy/currencies/exchange-rate-definition/> Accessed 25 July 2026

⁵ “What is Banking Crisis?” *IGI Global* <https://www.igi-global.com/dictionary/early-warning-system-for-banking-crisis/51063> Accessed 25 July 2026

⁶ Hayes, Adam. “Understanding Purchasing Power and the Consumer Price Index.” *Investopedia*, 17 May 2025, <https://www.investopedia.com/terms/p/purchasingpower.asp> Accessed 29 Aug. 2026

⁷ “Public Debt” *Britannica Money* <https://www.britannica.com/money/public-debt> Accessed 25 July 2026

⁸ “How Capital Controls Safeguard Economies: Types and Effects” *Investopedia* https://www.investopedia.com/terms/c/capital_control.asp Accessed 25 July 2026

⁹ “What Is Meant by a Fiscal Deficit?” *Tutor2u*, 2023, <https://www.tutor2u.net/economics/reference/what-is-meant-by-a->

BACKGROUND INFORMATION

Historical Context

The modern economic crisis in Lebanon is not the result of just a single event, rather than the accumulation of chronic weaknesses, such as economic and political ones, that were formed over the decades. After the end of Lebanon's Civil War (1975-1990), the country entered a reforming period aimed at restoring infrastructure, revitalizing the economy and restoring Beirut as a major financial centre in the Middle East. The government adapted a model based mostly on services, the banking sector, and the attraction of foreign investment, while reconstruction was largely financed through borrowing. Although this strategy contributed at first to economic growth, as it progressed, it led to one of the biggest and highest levels of public debt internationally.

In 1997, Banque du Liban, adopted a default exchange rate, connecting the Lebanese pound with the US dollar, with a rate of approximately 1,507.5 pounds per dollar. This policy mainly targeted the maintenance of monetary stability, the diminution of hyperinflation and boosting the trust between the investor and the depositor. However, maintaining the exchange rate required constant inflows of foreign currency, solely through deposits such as tourism and foreign investments. As the inflows mentioned above declined over time, the adopted economic model became even more unsustainable.

In the meantime, the Lebanese banks offered very high interest rates, attracting both domestic and foreign actors. The majority of these funds were invested or deposited with the Central Bank, creating an interdependence between the state, the Banque du Liban and the banking system. The World Bank and the International Monetary Fund have pointed out that Lebanon's economic model relied heavily on a continuous influx of foreign capital rather than on the sustained growth of productive sectors and exports. These inflows were essential for financing persistent fiscal deficits, as well as for enabling the Banque du Liban to maintain the Lebanese pound's exchange rate against the US dollar. As investor confidence decreased and foreign currency inflows were restrained, the country lacked exchange resources to maintain the exchange rate system and meet its financial obligations. This ultimately contributed to the depletion of foreign exchange reserves, the collapse of the fixed exchange rate, the severe depreciation of the Lebanese pound, and the further deterioration of the Lebanese economy.

[fiscaldeficit?srsId=AfmBOoqA6YrQSq1iEMiyjITK9YeXq2YTt6VD1USEBouWlpUz1XDbJbNw](https://www.fiscaldeficit.com/fiscaldeficit?srsId=AfmBOoqA6YrQSq1iEMiyjITK9YeXq2YTt6VD1USEBouWlpUz1XDbJbNw) Accessed 29 Aug. 2026.

At the same time, political instability, widespread corruption, and the absence of meaningful structural reforms significantly restrained the country's economic competitiveness. The productive base remained limited, while the economy relied heavily on imports, increasing the demand for foreign currency and widening the trade deficit. Furthermore, low tax revenues, combined with rising public expenditure, led to fiscal imbalances and a further increase in public debt.

After 2011, when the Syrian crisis occurred, a mass amount of refugees increased the demand for public services, while regional instability curtailed tourism, investment, and trade. Foreign currency influx declined, resolving the maintenance of the exchange rate twice as difficult.

The crisis escalated in 2019, where a significant shortage of dollars in the economy caused a severe liquidity crisis within the banking system. Banks imposed strict restrictions, which were followed by protests and discontent across the entire country. In the meantime, the Lebanese pound began to rapidly lose value, while the banking system became unable to meet its obligations to depositors.



Beirut Port Explosion¹⁰

In 2020, the situation escalated when Lebanon announced a default on its foreign debt. A few months later, the explosion at the Port of Beirut caused severe losses, both human and economic, placing burden on an already collapsing economy. The explosion was caused by the ignition of a large quantity of ammonium nitrate transported to Lebanon in 2013 aboard the ship and subsequently stored in the port's Hangar 12. Approximately 2,750 tons of the material remained there for nearly six

¹⁰ Fireworks, ammonium nitrate, likely fueled fueled Beirut
<https://www.politico.com/news/2020/08/05/beirut-lebanon-explosion-391834> Accessed 30 July 2026

years under improper storage conditions and without adequate safety measures.¹¹ Lastly, the pandemic in 2020 restrained economic activity, increased unemployment and worsened the humanitarian situation.



Map of Lebanon¹²

Causes of Hyperinflation and Currency Collapse

Unsustainable Public Debt and Fiscal Deficits

One of the main causes of unsustainable public debt and fiscal deficits is the rise of public debt. The Lebanese government since 1990 had a significant portion of public expense by not focusing on the implementation of essential amendments. Reconstruction after the civil war era, combined with taxes and low administration efficiency, led to fiscal deficits.

By 2019, Lebanon's public debt exceeded its Gross Domestic Product (GDP), ranking the country among the highest indebted nations globally. This debt consumed a share of government revenue, limiting the capacity for investment in sectors such as healthcare, education, and public framework.

¹¹ Aya Majzoub. "They Killed Us from the Inside." *Human Rights Watch*, 3 Aug. 2021, <https://www.hrw.org/report/2021/08/03/they-killed-us-inside/investigation-august-4-beirut-blast> Accessed 30 August 2026

¹² Maps of Lebanon <https://www.worldatlas.com/maps/lebanon> Accessed 30 June 2026



Additionally, the constant need to raise new capitals created a vicious cycle of borrowing, becoming unsustainable when currency inflows declined.

Banking System Corruption

The banking sector played a crucial role in the growth but also the collapse of Lebanon's economy. For many years, commercial banks offered exceptionally high interest rates, attracting substantial deposits from the Lebanese diaspora and foreign investors. These funds were primarily invested in government bonds or deposited in the Banque du Liban, creating a strong dependence between the banking system and the state. However, the model was heavily based on deposits. Inflows started decreasing after 2016, causing banks to face liquidity crisis. Consequently, they implied restrictions on capital controls. These restrictions led to the loss of citizen's trust, as they were unable to access their savings

The bank's inability to respond to their responsibilities in the depositors further boosted the uncertainty, restricted lending to businesses and highly contributed to a contraction of the economic system.

The Collapse of Monetary Stability

For more than two decades, the Lebanese pound maintained a stable exchange rate with the US dollar. This balanced restricted inflation and restored the investor's confidence while also requiring significant foreign exchange reserves for its maintenance.

However, as the foreign exchange rates decreased progressively, the Banque du Liban was unable to support the pound's fixed exchange rate against the US dollar. This led to the creation of various different exchange rates, while the value of the Lebanese pound collapsed. The continuous decline of the lira (also known as the Lebanese pound) increased the expenses of goods, such as imports for food, fuel, medicines, and materials, where Lebanon heavily relies on.

The dramatic rise in prices led to the augmentation of hyperinflation and to a sharp decline in domestic purchasing power. Moreover, uncertainty regarding the value of the Lebanese pound powered dollarization, as citizens and businesses preferred to conduct transactions or save in US dollars that ensured safety rather than the lira which was degraded.

Socioeconomic Consequences

Poverty and Social Inequalities

The combination of increased and decreasing income levels has driven a part of society into a situation wherein they are unable to fulfil their basic requirements. The families had to cut back on their expenditure on food, education, and healthcare or turn to relevant organizations for help. The problem was significantly noticeable to the most vulnerable age groups, such as the elderly and children. The middle class also, traditionally a fundamental base of the Lebanese economy, had been devastated due to the loss of income and savings.

Education

The education sector was also significantly affected. Due to low teacher salaries, in combination with high inflation, the shut down, and then permanent closure, of public schools was unavoidable. Many families struggled to cover the costs of transportation, and tuition fees, increasing the percentage of school dropouts. UNICEF has emphasized that the disruption of the educational process could have long-term consequences for the development of Lebanon's human capital.

Unemployment and Immigration

The recession caused a significant decline in financial activity, which also caused an increase in unemployment. Young people and highly skilled professional workers, specifically, faced limited career prospects, contributing to the "brain drain" phenomenon.¹³ Thousands of professionals left the country in search of better working conditions abroad. This further restricted the country's potential for economic recovery, as Lebanon is deprived of a significant portion of its skilled workforce.

MAJOR COUNTRIES AND ORGANIZATIONS INVOLVED

France

France has also been a supporter of Lebanon, maintaining close relations since the 20th century. When the explosion which took place in 2020 in Beirut happened, France offered international humanitarian assistance to Lebanon and convened successive international conferences to try and rebuild the ruins. At the same time, serious diplomatic pressure has been exerted in favour of the implementation of economic and institutional reforms, insisting that financial aid must offer greater

¹³ The situation in which large numbers of educated and very skilled people are forced to leave their country to live and work in another one where pay and conditions are better.



transparency and be more effective battling against corruption. France continues to be a firm supporter of Lebanon's stability and economic recovery through the European Union.

Germany

Germany is viewed as one of the major funding partners for humanitarian and developmental projects in the country. This has been achieved through funding of projects related to improving the public health sector, developing water and sanitation facilities, job creation, and promotion of small and medium enterprises through the German Corporation for International Cooperation (GIZ), the KfW Development Bank, and the Federal Ministry for Economic Cooperation and Development (BMZ). Germany has also committed substantial financial aid for supporting Syrian refugees and host communities, as well as stabilization of the social pressures facing the economy of Lebanon. Germany strongly advocates for Lebanon in its negotiations with the International Monetary Fund so as to implement reforms for fiscal sustainability and efficiency.

Lebanon

Lebanon is a key player in the discussion on addressing the socioeconomic impacts of hyperinflation and currency collapse. Since 2019, the country has been facing an economic and financial crisis, combined with the collapse of the banking system, the rapid depreciation of the Lebanese pound, hyperinflation, and a significant rise in poverty. The state's government has been negotiating with international organizations, such as the International Monetary Fund (IMF), targeting the security of financial assistance and the implementation of structural reforms. However, political instability, limited institutional effectiveness, and delays in the implementation of reforms continue to delay the economic recovery process.

Saudi Arabia

Saudi Arabia has been one of Lebanon's most important economic and political partners for a very long time, as the two countries maintain close trade, investment, and social ties. For decades, Saudi Arabia has been a major source of investment and developmental aid facilitated by the large Lebanese diaspora. At the same time, it has funded projects and humanitarian aid, while supporting initiatives aimed at the country's economic stabilization. However, recently, a more cautious stance has been adopted, ensuring that any substantial financial aid must be followed by economic and institutional modifications, effective anti-corruption measures, and transparency in public administration. Saudi Arabia takes part in international and regional initiatives to support Lebanon's political stability, recognizing that the country's economic recovery is important for maintaining security across the Middle East region.

United States of America (USA)

The US has been playing an important role in assistance through the United States Agency for International Development (USAID)¹⁴ and other government programs. The efforts were primarily targeting the development of sectors like food security, health care, education and economic stability, as well as institutional development. Furthermore, the United States encourages Lebanon's discussions with the International Monetary Fund and reforms that would lead to fiscal stability and investor confidence which might have been lost during the crisis.

International Monetary Fund (IMF)

The IMF, since 2020, has been working together with the Lebanese government in creating an economic recovery plan that includes fiscal policies reforms, banking system reform, and public administration reform. A staff-level agreement of a financing plan was made in 2022, costing approximately 3 billion US dollars.¹⁵ However, the money is still heavily dependent on the execution of these reforms. The IMF believes that this can only be achieved through institutional reforms.

World Bank

As one of Lebanon's international development partners, the World Bank continuously provides financial and technical support to address the social and economic consequences of the crisis. Through technical assistance programs and loans, funding linked to social protection, public healthcare, education, infrastructure, energy security, and making public institutions more resilient has progressively become more projected. The World Bank has also been posting the periodic publication "Lebanon Economic Monitor", which is one of the most significant global analyses that emphasizes on the progress of the Lebanese economy and is mainly used by governments and global organizations.

World Health Organization (WHO)

Because of the economic crisis, the healthcare system of Lebanon has significantly suffered, leaving it highly vulnerable. For these reasons, the World Health Organization has collaborated with Lebanon's Ministry of Health for the supply of medicines, vaccines, and medical equipment, while also helping hospitals and primary health centres. There has been particular emphasis placed on addressing the shortage of medical supplies and improving access to essential care services for vulnerable age

¹⁴ The United States Agency for International Development (USAID) offered humanitarian aid in Lebanon, supporting food security, health, education and vulnerable social groups during the socioeconomic crisis.

¹⁵ "Lebanon Economic Monitor." *World Bank*, <https://www.worldbank.org/en/country/lebanon/publication/lebanon-economic-monitor> Accessed 30 August 2026

groups, such as the elderly, children and people with disabilities. Through collaboration with the United Nations and states, the World Health Organization also contributes to addressing the impacts of the crisis in public health.

United Nations Development Program (UNDP)

The United Nations Development Program is considered fundamental in the process of economic and social rehabilitation of the country. All the activities of this organization aimed at reinforcing public administration, promoting good governance, creating job opportunities, development of small and medium enterprises and social cohesion. The UNDP prepares reports and conducts studies about socio-economic effects of the crisis, offering data for the government and international community in their policy making process. More importantly UNDP takes part in the coordination of the Lebanon Response Plan, working together with numerous international organizations and countries in order to combine humanitarian assistance with sustainable development.

United Nations High Commissioner for Refugees

Lebanon hosts a massive amount of refugees internationally in contrast to its population, meaning that it significantly increases the pressure on public services and economy. The United Nations High Commissioner for Refugees provides economic support, housing, legalized protection and education to not just refugees, but also vulnerable Lebanese communities. Concurrently, the organisation collaborates with the government and other international organizations in order to support the social cohesion and tackle the effects of the crisis in local communities.

TIMELINE OF EVENTS

DATE	EVENT
1 st of December 1997	Lebanon Pegs the Lebanese Pound to the U.S Dollar: stabilizing inflation restoring confidence after the Lebanese Civil War
19 th of October 2019	Beginning of Lebanese Protests: Expression of discontent for the announcement of new taxes, becoming a boarding movement on corruption and marking the start of Lebanon's economic crisis
7 th of March 2020	First Sovereign Debt Default: Announcement of Lebanon's default of

	approximately 1.2 billion US\$, signalling the collapse of public finances ¹⁶
4 th of August 2020	Beirut Port Explosion: 200 deaths, thousands of injuries, and billions of fiscal damages, marking the start of the humanitarian crisis ¹⁷
4 th of December 2020	Launch of the Reform, Recovery and Reconstruction Framework: offering international assistance and reconstruction in Beirut and its victims after the explosion
7 th of April 2020	IMF Staff-Level Agreement: An agreement for a US\$3 billion Extended Fund Facility ¹⁸
2022	Rise of Hyperinflation: Inflation exceeds 170% and the Lira loses majority of its pound ¹⁹
1 st of February 2023	Officially Exchange Rate Adjustment: Banque du Liban officially changes the exchange rate to 15,000 LBP per USD ²⁰

¹⁶ Timour Azhari. "Lebanon Will Default on Its Debt for the First Time Ever." *Al Jazeera*, 7 Mar. 2020, <https://www.aljazeera.com/economy/2020/3/7/lebanon-will-default-on-its-debt-for-the-first-time-ever> Accessed 2 Sept. 2026

¹⁷ *Beirut Rapid Damage and Needs Assessment Prepared by the World Bank Group in Cooperation with the European Union and the United Nations*. 2020, <https://documents1.worldbank.org/curated/en/650091598854062180/Beirut-Rapid-Damage-and-Needs-Assessment.pdf> Accessed 2 Sept. 2026.

¹⁸ "IMF Reaches Staff-Level Agreement on Economic Policies with Lebanon for a Four-Year Extended Fund Facility." *IMF*, 7 Apr. 2022, <https://www.imf.org/en/News/Articles/2022/04/07/pr22108-imf-reaches-agreement-on-economic-policies-with-lebanon-for-a-four-year-fund-facility> Accessed 2 Sept. 2026.

¹⁹ "IMF Reaches Staff-Level Agreement on Economic Policies with Lebanon for a Four-Year Extended Fund Facility." *IMF*, 7 Apr. 2022, <https://www.imf.org/en/News/Articles/2022/04/07/pr22108-imf-reaches-agreement-on-economic-policies-with-lebanon-for-a-four-year-fund-facility> Accessed 2 Sept. 2026.

²⁰ *Balance of Payments and International Investment Position Report -2024*. [https://bdl.gov.lb/CB%20Com/Publications/Publications/Annual%20Report 2024 En%C2%A7105303.pdf](https://bdl.gov.lb/CB%20Com/Publications/Publications/Annual%20Report%2024/En%C2%A7105303.pdf) Accessed 2 Sept. 2026.



RELEVANT UN TREATIES, CONVENTIONS AND RESOLUTIONS

Resolution A/RES/70/1: The 2030 Agenda for Sustainable Development (September 2015)

The resolution adopted by the United Nations General Assembly in September 2015 sets out the Agenda for Sustainable Development which suggested 17 Goals for Sustainable Development (SDGs). This resolution points out that poverty, economic recession and social inequalities cannot be resolved solely through economic growth, but need policies which ensure social protection and sustainable development. It appeals to the Member States to increase international cooperation and policies which enhance capacity building of vulnerable social groups. This resolution acts as a guide to international efforts of economic recovery in the case of Lebanon, since its objectives are linked with solving the problems of poverty, unemployment, economic instability and weak institutions created by the financial crisis.

Reform, Recovery and Reconstruction Framework (3RF)

As stated above, the Reform, Recovery and Reconstruction Framework (3RF) powered by the World Bank, the European Union and the United Nations was launched December 4th of 2020 to tackle the consequences that appeared from the Beirut explosion. The framework aims to coordinate international financial and humanitarian aid while promoting structural reforms that enhance and boost transparency, accountability, and sustainable economic growth. Special emphasis is also placed on the protection of social groups which can be considered vulnerable, restoring essential public services, and ensuring the active participation of civil society in the decision-making process. Since its inception, the 3RF has served as the primary means for coordinating international aid to Lebanon and continues to guide the country's economic and institutional recovery efforts.

National Poverty Targeting Program (NPTP)

The National Poverty Targeting Program (NPTP) has been implemented since 2011 and ever since it has begun operations in Lebanon, especially after the crisis of 2019, supporting households stricken by poverty offering them the assistance required and also providing them with access to healthcare and education. The program was considered one of the key factors that helped restore the socioeconomic consequences that hyperinflation had caused. The program worked as a substantial approach in social protection during the collapse, contributing to the mitigation of the crisis's immediate social impacts. Even so, the limited coverage of Lebanon's population, the notable rise of poverty and budget limitations, restricted its effectiveness and was unable to live up to its expectations and goals, to abolish poverty.



PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

Bank Resolution Framework

This legal framework has been assessed by the Lebanese government since 2022, mainly with the aim of addressing the substantial losses incurred by the banking sector, restoring investors' trust and rejuvenating the financial system. The plan was expected to distribute the losses among the state, the Banque du Liban and the commercial banks, but also provide protective mechanisms to smaller depositors. Despite repeated discussions, the adoption of such a complex framework has been postponed due to significant political disagreements and conflicting interests, which continue to constitute a major obstacle to Lebanon's economic recovery. The framework could have been improved by establishing a clear and legally binding timeline for implementation, while ensuring greater transparency regarding the allocation of losses and strengthening protections for small depositors. This could have reduced uncertainty within the banking sector and accelerated the restoration of confidence in the financial system.

Lebanon Financial Recovery Plan

In 2020, the Lebanese government presented its first financial recovery plan, aiming to combat the financial crisis. Some of its main aspirations were to restructure public debt, recapitalize the banking sector, reform the Banque du Liban, as well as the gradual stabilizations of exchange rates, hoping that Lebanon could recover fully from its hardships. Measures were also included to improve fiscal management and strengthen social protection mechanisms. However, due to political disagreements, a lack of consensus among the government, the Central Bank, and commercial banks, as well as ongoing political instability, a large part of the plan was never implemented, significantly limiting its effectiveness. Improvements could have been made by establishing clearer implementation mechanisms and binding deadlines and ensuring that the proposed reforms were translated into legislative and measures which would have increased the likelihood of achieving its objectives.

Emergency Social Safety Net (ESSN)

The Emergency Social Safety Net was originally introduced back in 2021, set out to provide immediate support to Lebanese households affected by the economic collapse. Through the program, financial aid and support were tailored to meet basic needs, such as food purchases, access to education, and healthcare services. The program helped partially by alleviating the impact of hyperinflation and the devaluation of the Lebanese pound. However, limited funding, administrative difficulties, and the inability to address the economy's deeper structural problems was

an additional challenge for the ESSN. The continuous rise in the number of impoverished and disabled citizens, combined with the declining economic situation, placed even greater pressure on the program's available resources. Furthermore, its reliance on international funding made it difficult to ensure its long-term sustainability. As a result, apart from its significant contribution in providing temporary relief to vulnerable social groups, it failed to address the main causes of Lebanon's economic and social crisis.

Staff Level Agreement between The International Monetary Fund and Lebanon (2022)

On April 7th of 2022 the Staff Level Agreement was announced, becoming a crucial step in the stabilization of the Lebanese economy. The agreement stipulates a funding program of 3 billion US dollars, given that the government would be implementing economic and institutional reforms.²¹ These include reforming the banking system entirely, unifying the exchange rate, strengthening the independence of the Central Bank, and combating corruption. Although the agreement has not yet been fully implemented, Lebanon's economic recovery is in need of its suggested reforms and it can be considered a requirement for securing and receiving international funding from other development organizations and states.

POSSIBLE SOLUTIONS

Expansion of Social Protection Programs

Expanding Social Protection Programs can be achieved through the collaboration of organizations, such as the United Nations Development Programme (UNDP), the United Nations International Children's Emergency Fund (UNICEF), the World Food Programme (WFP) and the United Nations High Commissioner for Refugees (UNHCR). The programs will expand their activities in domains such as food supplying, supporting education and subsidizing health centres, for households unable to afford them. These actions will help families meet their basic requirements which might fall outside the scope of their family budget while at the same time ensuring that the younger generation is not affected by the adverse effects of the crisis in the future. Moreover, the development of humanitarian protection programs and cooperation between international organizations and the government will ensure that humanitarian aid will reach those who really need it, thereby helping the population as well as the country in the long run.

²¹ "IMF Staff Concludes Visit to Lebanon." *IMF*, 21 Sept. 2022, <https://www.imf.org/en/News/Articles/2022/09/21/pr22314-lebanon-imf-staff-concludes-visit-to-lebanon> Accessed 2 Sept. 2026.

Strengthening International Cooperation and Financial Assistance

Stabilizing Lebanon's economy and addressing the impact of hyperinflation can be easily achieved by the financial assistance of international organizations. A close collaboration between the United Nations, The International Monetary Fund, The World Bank, and donor countries, financial assistance, technical assistance, and humanitarian aid respectively can be adjusted in order to address the basic needs of the population. The international community can assist in the undertaking of structural reform, good governance, and rebuilding of the country's infrastructure.

Comprehensive Restructure of Banking Sector and Financial Sector Reform

Implementing a comprehensive reform of the banking and financial sector could be a step towards restoring economic stability in Lebanon. Restructuring commercial banks, combined with more effective supervision by the Central Bank and the establishment of a transparent legislative framework for managing banking losses, can help restore the confidence of depositors and investors. By ensuring the protection of small depositors, the gradual lift of restrictions on banking transactions, and the unifying of the exchange rate would strengthen the functioning of the financial system and facilitate the restart of economic activity. Not only that, but adopting stricter accountability mechanisms could reduce the risk of future financial crises and create a more resilient, reliable banking system. International organisations could also support these reforms by providing financing, technical expertise, and monitoring mechanisms, while foreign investors could contribute additional capital and stimulate economic activity.

Promoting Economic Diversification and Strengthening Small Businesses

A resilient and sustainable economy could be achieved by reducing reliance in the banking and financial sector and focusing on secondary ones. Strengthening small businesses can generate new jobs and boost domestic production. At the same time, developing sectors such as agriculture, manufacturing and the digital economy can enhance its export potential, given that Lebanon is mainly exporting agricultural products to Gulf countries. Fostering innovation and entrepreneurship can also contribute to long-term economic growth, improved competitiveness, and the creation of a more stable economic environment.

Modernization of Tax Administration

In order to restore the fiscal stability of the country and the credibility of the state, tax administration shall be modernized. Digitalizing the tax processes, simplifying the tax code, and improving tax administration efficiency can increase government revenues without adding further tax burdens on citizens. By improving mechanisms and increasing transparency in tax administration, corruption can be prevented, and efficient distribution of taxes can be achieved. By ensuring the above, the state will have sufficient funds for providing basic public services and an even more stable atmosphere, which will contribute to Lebanon's recovery.

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