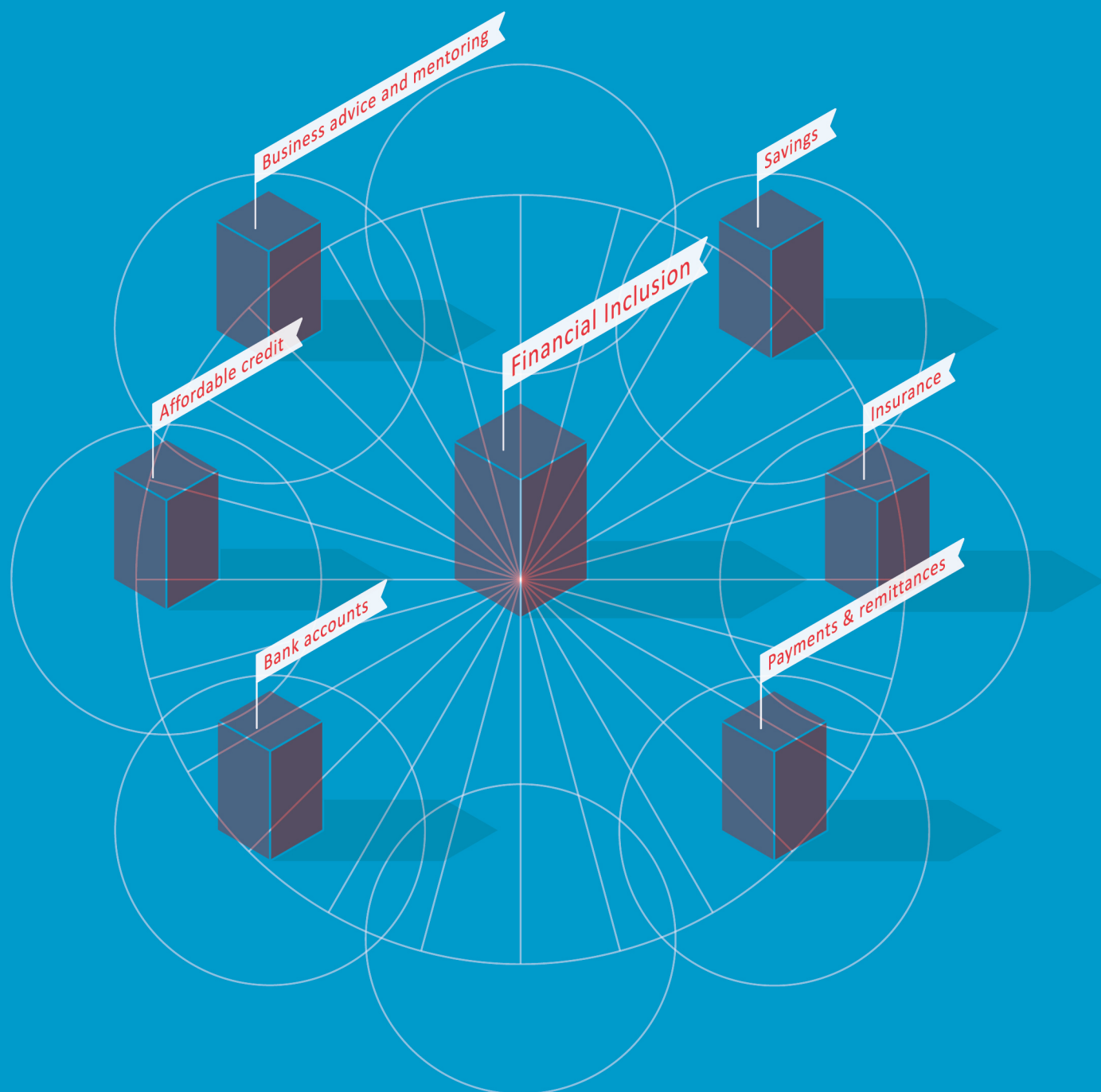


# Expanding Financial Inclusion of Foreign Born Residents in Lebanon



Swiss Capacity Building Facility, AGFUND and IBDA

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## List of Acronyms and Abbreviations

AGFUND	Arab Gulf Programme for Development	MoET	Ministry of Economy and Trade
AML/CTF	Anti-Money Laundering/Counter-terror Financing	Mol	Ministry of interior
AUB	Arab University of Beirut	MoL	Ministry of Labour
BCC	Banking Control Commission	MoSA	Ministry of Social Affairs
BdL	Banque du Liban	MoU	Memorandum of Understanding
CBO	Community-based Organisation	M/SME	Micro, Small and Medium-sized Enterprise
CdR	Centrale de Risque	NBFI	Non-bank Financial Institution
CIP	Capital Investment Plan	NEET	(Youth who are) Not in Education, Employment or Training
DFID	UK Department for International Development	NFS	Non-financial Services
DPAR	Mol's Directorate of Political Affairs and Refugees	NRC	Norwegian Refugee Council
DPRA	Mol's Department of Palestinian Refugee Affairs	NSSF	National Social Security Fund
DRC	Danish Refugee Council	PaR	Portfolio at Risk
EU	European Union	PCR	Public Credit Registry
FBR	Foreign-Born Resident	PLO	Palestine Liberation Organisation
FDI	Foreign Direct Investment	PRL	Palestine Refugee in Lebanon
FDW	Foreign Domestic Worker	PRS	Palestine Refugee displaced from Syria
FENASOL	National Federation of Trade Unions of Workers and Employees in Lebanon	RAIS	UNHCR's Refugee Assistance Information System
FSP	Financial Service Provider	ROSCA	Rotating Savings and Credit Association
GCC	Gulf Cooperation Council	SARL	Société à Responsabilité Limitée (limited liability company)
GSO	Mol's General Directorate for General Security	SCBF	Swiss Capacity Building Facility
HBB	Home-based Business	SDC	Swiss Development Cooperation
HH	Household	SPTF	Social Performance Task Force
I/NGO	International/Non-Governmental Organisation	TIP	Trafficking in People (Report)
ICT	Information, Communication and Technology	UAE	United Arab Emirates
IDAL	Investment Development Authority in Lebanon	UNCTAD	United Nations Conference on Trade and Development
ILO	International Labour Organisation	UNDESA	United Nations Department of Economic and Social Affairs
IMF	International Monetary Fund	UNDP	United Nations Development Programme
IRC	International Rescue Committee	UNHCR	United Nations High Commissioner for Refugees
ITS	Informal Tented Settlement	UNICEF	United Nations Children's Fund
KYC	Know-Your-Customer	UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
LBP	Lebanese Pound	UNRWA	United Nations Relief and Works Agency
LCRP	Lebanon Crisis Response Plan	USAID	United States Agency for International Development
LIFE	USAID-funded Livelihoods and Inclusive Finance Expansion Project	VSLA	Village Savings and Loan Group
LMFA	Lebanon Microfinance Association	WFP	World Food Programme
LoC	Letter of Credit	WVI	World Vision International
LOUISE	Lebanon One Unified Interagency System for E-Cards		
LPDC	Lebanese Palestinian Dialogue Committee		
MCC	Migrant Community Centre		
S/MEB	Survival/Minimum Expenditure basket		
MENA	Middle East (West Asia) and North Africa		
MFI	Microfinance Institution		

Ibda'a Microfinance SAL was established in Lebanon in 2012 as an initiative of the Arab Gulf Program for Development (AGFUND) jointly with nine socially responsible Lebanese investors to provide innovative and inclusive financial services to poor Lebanese and legal residents of Lebanon with the aim to help them increase overall family income, and thus help them achieve their goals. Established as a joint-stock company with an initial capital provision of USD 5.2 million, Ibda'a is registered as a non-bank financial institution regulated by the Banking Control Commission.<sup>i</sup> Operating under a social business model whereby shareholders are not entitled to dividends, Ibda'a Lebanon forms part of the network of nine AGFUND FSPs across the Arab world, including in Syria, Jordan, Sudan, Yemen, and Palestine. A member of the Lebanese Microfinance Association and the Sanabel Network, Ibda'a is forging closer collaboration with the licensed Ibda'a Microfinance Bank in Syria.<sup>ii</sup> Strategically positioned to target vulnerable segments, a high 67% of Ibda'a's active borrowers are women. Since its launch, Ibda'a has served Palestinian refugees, and foreign-born resident (FBR) clients comprised 15% of the overall portfolio of 18,480 clients holding USD 16.2 million in outstanding loans from the eight branches at end 2018. Of the 2,730 FBRs served, Palestinians make up 68%, and Syrians comprise 30%. Ibda'a Lebanon offers six individual credit products along with a credit-life insurance and a hospital plan. FBR clients are concentrated in the multi-purpose *Sayedati* loan for women (45%), while 21% of FBRs have a *Tatweer* micro-enterprise loan, 17% have the salary-guaranteed consumption loan *Sanadi*, and 16% of FBRs have accessed the loan for established youth entrepreneurs '*Shababi*.' Having grown the portfolio by 20% year-on-year, Ibda'a aims to increase its outreach to Syrians and other FBRs in Lebanon alongside nationals, and to explore options for introducing new products and digital delivery channels as a contribution to the integration of refugees while in Lebanon and to facilitate their eventual return home.



## SWISS CAPACITY BUILDING FACILITY Association for Income and Employment Generation

<sup>iii</sup>The Swiss Capacity Building Facility (SCBF) is a public-private development partnership founded in 2012 by leading institutions in financial sector development in Switzerland. Functioning as a technical assistance facility and early grant provider, the SCBF supports partner financial institutions in emerging and developing countries with a mission of combatting poverty through financial inclusion of low-income communities. The SCBF focuses on traditionally marginalized groups in society, including refugees, to ensure financial inclusion for all.



## The Arab Gulf Program for Development

<sup>iv</sup>The Arab Gulf Program for Development (AGFUND) is a regional organization based in Riyadh, Saudi Arabia. AGFUND was established in 1980 upon the initiative of His Royal Highness, Prince Talal Bin Abdul Aziz Al Saud with the support of leaders of the Gulf Cooperation Council Countries. AGFUND works mainly in the field of human development at the international level. Through the implementation of its programs, AGFUND provides support to vulnerable populations through facilitating access to basic, fundamental economic and social requirements, including access to finance. To date, AGFUND has funded over 58 projects specifically benefitting refugee populations.

<sup>i</sup> <http://www.ibdaalebanon.com/home/en>

<sup>ii</sup> <http://agfund.org/activities/microfinance-banks/established-banks/>

<sup>iii</sup> <http://scbf.ch/>

<sup>iv</sup> <http://agfund.org/activities/microfinance-banks/overview/>

# 1. EXECUTIVE SUMMARY

Foreign-born residents (FBRs) make up a third of the population in Lebanon, but they remain largely excluded from access to financial services due to several barriers affecting the demand and supply side alike. FBRs 'self-exclude' due to language and information barriers, assumed ineligibility, and fear of discrimination or distrust (e.g. fear of personal data being disclosed to authorities, or preference for known, often informal, financial service providers). Their precarious legal status limits free movement and income-generation through work or business operations, resulting in real or perceived inability to repay a loan, and/or they may have limited financial education and exposure to income generation opportunities. On the supply-side, a lack of enabling policies and negative public opinions fuel reputational risk concerns and lead to 'de-risking' of foreigners among financial service providers (FSPs). The lack of information, contact and familiarity with the diverse, potential client segment of FBRs emerges as the biggest barrier for FSPs' expansion of their services to include all residents in their markets.

This synthesis diagnostic study seeks to narrow the information gap by providing insights from available sources about the foreign-born populations in Lebanon from the perspective of an FSP considering to expand services to these populations. The study is a summary of an in-depth market assessment conducted as part of a 4-month technical assistance project co-funded by the Swiss Capacity Building Facility (SCBF), the Arab Gulf Program for Development (AGFUND), and IBDA Microfinance sal.

When refugees and migrants are able to work legally, start businesses, and build sustainable livelihoods, not only do they require less humanitarian aid but they also spur economic growth in host communities. From other markets with large-scale influxes of refugees, the evidence shows that a progressive policy of enabling refugees and hosts alike to work and operate businesses, improves their livelihoods, the socio-economic circumstances of their families, and the local communities they share with nationals. This experience has not been adopted by the politically fragile Lebanese government due to a complex web of interacting interests and concerns, many of which are unrelated to the Syrian refugee influx.

The policy environment is characterized by outdated or incomplete legislation, and fragmented, often conflicting, and cumbersome regulations issued to address political concerns or perceived risks to the delicate and largely conceptual ethno-demographic balance in the country. The large influx of Syrian refugees since 2011 exacerbated deep-rooted, structural and social challenges and fractures in the class-based and sectarian market, plagued by corruption. The war in Syria has impacted Lebanon, but the small *laissez-faire* rentier economy underwritten by a strong banking sector buoyed up by diaspora investments in real estate and remittances, and an unsustainable level of debt, has so far demonstrated overall resilience.

In the Lebanese real-economy, a vibrant, entrepreneurial and creative population of nationals and FBRs make the best of the opportunities provided in the challenging market, largely through informal employment and entrepreneurship. Despite the public image of displaced populations as an unwanted 'burden,' FBR investments in Lebanon, including by Syrians, are significant, providing job opportunities for both FBRs and nationals, and the consumption by refugees has contributed to growth through increased demand. FBRs have brought new skills and entrepreneurial spirit, which could further grow and diversify the Lebanese economy, while closing the skills-mismatch in several sectors. Public services in local communities are overstretched, but communities also benefit from the increase in rentals and consumer spending. While most workers have had to adjust to depressed wages, employers can hire for less.

As always, increasing competitive pressures and the limited reach of rule of law policy enforcement unfortunately impact the most vulnerable at the bottom of the economic ladder the most: poor Lebanese, foreign-born migrants and refugees face many similar challenges and compete for work opportunities, affordable basic goods, and services in order to secure their livelihoods. But the access and resources at their disposal to compete on a level playing field are not equally distributed. Rather than being encouraged to engage the private initiative for which Syrians are known, all FBR segments, but Syrians in particular, are currently subject to fragmented, shifting and increasingly restrictive curtailing of formal rights to stay, move, work, and operate businesses to secure their livelihoods in Lebanon. This impacts the ability of FSPs to meaningfully serve them. Paradoxically, the main legal and reputational risk facing FSPs' expansion to financially include more FBRs, and Syrian refugees in particular, is the stance of the government that is currently severely curtailing the ability of refugees to be legally resident and to make a living in Lebanon, and hence hampers the prospects for their successful financial inclusion.

Except for determining language abilities and possible cultural assimilation, nationality in itself is not a useful characteristic to predict financial demand, behaviour, or the likely success of some FSP clients over others, and it can



lead FSPs inadvertently to ‘segment by stereotypes.’ Rather, the key initial criteria for identifying potentially viable FBR client segments in Lebanon are legal residency and economic participation profile. In addition, indicators of ‘stability’ can help clarify the relative risk profiles of sub-segments.

Despite many banks citing regulations as a reason for not serving FBRs, and many refugees understanding they are not allowed to open a bank account, financial sector regulators have not issued any restrictions on serving FBRs, as long as FSPs comply with the KYC and AML/CTF regulations. It is possible to perform regular KYC verification of new FBR clients, as most of them, including Syrian refugees, have verifiable personal ID documentation. While there are severe constraints in FBRs’ access to residence and work permits, there are few restrictions on FBRs opening formal businesses in Lebanon – despite persistent political statements to the contrary, and subsequent risks of irregular evictions.

The communities of FBRs in Lebanon do not differ significantly from Lebanese in their socio-demographic profile, human and social capital, economic levels of activity, and gender-based agency restrictions. As a consequence, their demand for and potential to successfully use the financial services offered by FSPs largely mirror that of nationals. Overall, however, they are significantly more economically fragile, and FSPs must take care to avoid over-indebting already fragile households. Non-bank financial institutions in Lebanon cannot meet all financial needs identified among FBRs, but there is no evidence that new credit products need to be developed in order to serve FBRs in Lebanon. On the contrary, the principle of equal access to existing products is essential to avoid discontent among existing clients.

Taking the difficult market environment into account in the segmentation, this study finds a minimum potential market of around 206,730 economically active adult FBRs with legal documentation of stay (residency permits) in Lebanon, who have been in Lebanon for more than a year. Facilitation of access to residency permits could increase this figure to 316,000 clients. This potential market comprises three main segments: foreign migrant workers, and refugees and asylum seekers, predicated as ‘displaced’ in Lebanon, and a smaller but economically important segment of foreign investors (proprietors). There are significant overlaps among these groups – especially among Syrians.

<b>Best guess' market of economically active, legal FBRs interested in credit in Lebanon</b>				
<b>Main segments</b>	<b>Likely market, individuals</b>	<b>Households</b>	<b>Minimum market, individuals</b>	<b>Households</b>
Refugees/asylum seekers	187,533	92,050	90,222	42,720
Foreign migrant workers	104,235		100,000	
FBR businesses	25,000		16,505	
<b>Est. total potential market</b>	<b>316,768</b>		<b>206,727</b>	

For FSPs, the challenge is to identify the viable sub-segments within the FBR populations that could be served successfully within prevailing policies and regulations. In that context it is important to recall that not all FBRs in Lebanon are Syrian, and not all Syrians in Lebanon are poor. FSPs may want to establish their core target segments slightly above the income level of the ‘vulnerable households’ generally supported by humanitarian organisations. With appropriate segmentation and appraisal, and with slightly adjusted products and delivery systems, however, no significant additional *credit* risk could be identified for these client segments, and there are no reasons to believe that inclusion of more FBR clients, including refugees, alongside nationals in the loan portfolio would reduce profitability.

Given the fiercely competitive national market segment, where banks, NBFIs and NGO-MFIs seek to attract clients, and the comparatively open segment of FBRs, it is hard to identify another growth strategy, which would present a better social and financial return for FSPs than serving FBRs in Lebanon on terms equal to those offered to nationals. Conversely, it is likely that the opportunity cost of *not* including especially Syrian refugees would be significantly higher than their gradual economic and financial inclusion. However, this is not currently a view shared by the Lebanese authorities.

Most members of the Lebanon Microfinance Association have dealt with shifting policy agendas for many years, and are well versed in how to operate in an *un-abling* political environment. To justify an expansion of microfinance services to FBRs, and in particular to Syrian refugees, in the challenging environment, however, FSPs would benefit from a ‘policy anchor’ to underpin the common good of improving the socio-economic well-being of all residents of Lebanon. The Lebanon Crisis Response Plan offer some options, but additional advocacy for core enabling policy directions for successful microfinance are needed. LMFA, or the sub-set of LMFA members interested in improved financial inclusion of FBRs could form an advocacy alliance supported by international development finance and humanitarian actors, business associations, funders and investors to present the concerns and proposals of FSPs and lobby for a more conducive policy for the expansion of financial inclusion in Lebanon.

## 2. Approach and Methodology

From December 2018 to April 2019, the Swiss Capacity Building Facility (SCBF) with co-funding by the Arab Gulf Program for Development (AGFUND) contracted the independent Financial Inclusion Consultant Lene M.P. Hansen to provide technical assistance to the Lebanese Non-bank Financial Institution Ibda'a Microfinance SAL to explore options to expand financial services to the large segment of foreign-born residents in Lebanon, alongside low-income Lebanese nationals. Under this assignment, the consultant conducted research in Lebanon, meeting with Banque du Liban, the Ministry of Economy and Trade, and the Ministry of Social Affairs, as well as UNHCR, UNDP, WFP and ILO, the Lebanon Microfinance Association (LMFA), an insurance company, and the AGFUND-funded Arab Open University in Lebanon. Further, the consultant met with five INGOs and one local NGO working with FBRs in Lebanon, and attended a Lebanon Humanitarian INGO Forum's Civil Society workshop in preparation for the Brussels III Conference. Following consultations with branches, clients, and departments of Ibda'a Lebanon and managers of its sister organisation, Ibda'a Microfinance Bank Syria, the consultant developed a proprietary Market and Demand Diagnostic study and a strategic action plan for Ibda'a Lebanon.

This public report synthesizes the main findings of the diagnostic market and demand study in order to help FSPs and other stakeholders better understand the options and challenges of expanding financial services to FBRs in Lebanon. Following a presentation of the complex country context highlighting the considerable market-level constraints to financial inclusion of FBRs in Lebanon (section 3), the report seeks to establish a clearer picture of the socio-economic characteristics and financial demand profile of the main potential FBR customer segments from the perspective of a financial service provider (section 4), focusing on the largest sub-segment of displaced persons from Syria. Section 5 translates these findings into summary ideas for next steps for FSPs interested to diversify their portfolio, and other stakeholders interested in financial inclusion of FBRs in Lebanon.

The Consultant would like to thank everyone who contributed time and insights to the diagnostic study. Any omissions or misrepresentations are the responsibility of the consultant, and the views and recommendations presented are those of the consultant, and do not necessarily represent the views of Ibda'a Lebanon or the Swiss Capacity Building Facility, that has funded this report in collaboration with AGFUND.

### Caveat

Up-to-date and credible baseline data is extremely scarce in Lebanon, due in part to political sensitivities, in part to weak capacity and lack of coordination among existing data compilation systems. Overall demographic and socio-economic data on the national population is incomplete and outdated; reliable data on migration flows, if available, is not published; no comprehensive labour market data exists; and the large informal private sector is relatively undocumented. As a result of poor baseline data, the country-level projections and estimates by global data sources, such as UNDESA, are either outdated or inaccurate. No one reliable data source exists by which to analyse the multi-cultural, interacting and overlapping Lebanese market of economically active residents.

The access by FBRs in Lebanon to legal residency, the labour market, and to business opportunities, differs by nationality in Lebanon's complex policy regime dedicated to preserve a delicate political-demographic balance. In addition, most recent studies on FBRs in Lebanon take a distinct nationality-based approach, and focus on the vulnerabilities of the poorest groups. In compiling available data for this report, therefore, references to nationality have been maintained to preserve data integrity, but nationality is not per se a useful segmentation indicator for FSPs.

This study compiles and presents data and statistics from a large body of research from many different sources. While sources have been documented, not all of the research referenced was conducted within the same time frame, nor using comparable or even representative samples, and results therefore differ. The main sub-segments of FBRs will be briefly introduced before available demographic and socio-economic indicators relevant to financial services providers will be presented in a cross-national comparison to assist in the identification of the most promising sub-segments for financial inclusion. As trends and general characteristics, the data summarised in this report are thought to reasonably accurately depict the potential target market for inclusive finance, but it is presented with the caveat that **significant uncertainty remains around many of the detailed data points** provided, and the absolute figures and percentages presented should therefore be interpreted with caution. The data sets and calculations used in this report are included in Annex 3 for ease of updating, correcting, and elaborating the financial services industry's knowledge on the FBR segments in Lebanon.

### 3. Setting the Stage for Financial Inclusion of FBRs in Lebanon

#### 3.1 Country Context – a Complex Environment

The total **population** of the small and densely populated Lebanese Republic stands at around 6.08 million (2017), but its composition is a matter of such sensitivity that a census has not been held since 1932. Emigration has been a longstanding feature of Lebanon's history, but since the end of the civil war in 1990, Lebanon has become a net immigrant country, and the demographic profile of the generally well-educated and largely urbanised population has shifted. With a decreasing fertility rate, increasing life expectancy, and net positive immigration of working age adults (including returning nationals), Lebanon has a substantially higher share of working-age adults (68% in 2017) and elderly (8% being 65 years and above) than neighbouring countries,<sup>1</sup> resulting in a decreasing dependency ratio. Women comprise 49.7% of the adult population or 2.07 million individuals in some 1.52 million households. UNDESA estimated that 68% of the resident population in 2017 were Lebanese citizens, while some 1.94 million FBRs make up one-third.<sup>2</sup>

Lebanon is an upper middle-income country with a GNI per capita of USD 8,400.<sup>3</sup> The typical annual household income in Lebanon ranges from USD 4,000 to 8,400.<sup>4</sup> Based on the latest National Household Survey from 2004/05, the Ministry of Social Affairs (MoSA) and UNDP assessed that 28.6% of the Lebanese population were living under the national **poverty** line of USD 4/person/day). Poverty levels vary geographically, with the highest levels in El Nabatieh, Beqaa, the South and the North, and the lowest poverty incidences in the urban centres of Mount Lebanon and Beirut, but due to the high levels of urbanisation, the greatest number of poor households reside in the urban centres.

Reflecting deep-rooted internal schisms, the Lebanese **political system** rests on a principle of "confessional distribution" of power, intended to deter conflict among the 18 recognised ethno-religious communities, but often contributing to political inertia, gridlocks, and interruptions of governance.<sup>5</sup> After a two-year delay, a new President was eventually elected in 2016, and long-delayed general elections to Parliament were held in May 2018. However, Parliament was unable to reach agreement on the formation of a Cabinet until 01 February 2019. In addition, class consciousness is pronounced, segmenting society into five broadly defined social classes: the national elite, the upper class, the middle class, the upper lower class, and the lower class.<sup>6</sup> The social gloss of Beirut as the 'Mediterranean Paris' has to an extent covered the fragile structure of the state and the underlying social tension caused by uneven development of the different Lebanese communities and regions for decades,<sup>7</sup> but spill-over effects of external and internal shocks, including the war in Syria, have increased the visibility of the underlying political, economic and social challenges.

The government presented its "Vision for Stabilization, Growth and Employment" at the Conférence Économique pour le Développement par le Réforme avec les Entreprises (CEDRE) in Paris in April, 2018,<sup>8</sup> committing to much needed public finance management reforms, and to the implementation of a multi-billion dollar Capital Investment Plan (CIP). The international donor community pledged USD 11 billion to finance CIP investment and infrastructure projects, subject to progress on the reforms and a strategy to diversify the productive sectors.<sup>9</sup> It remains to be seen if the newly confirmed Cabinet can ensure implementation of the promised reforms. Despite steps taken by government to fight corruption since 2016,<sup>10</sup> Lebanon ranks 138<sup>th</sup> out of 180 economies in the Transparency International Corruption Perception Index for 2018.<sup>11</sup>

Lebanon has a free-market **economy** and a strong laissez-faire commercial tradition. With a currency pegged to the US dollar since 1999, the open, oil-dependent and highly dollarized economy has seen GDP growth decline in constant prices since 2000.<sup>12</sup> Minimal public investments have taken its toll on the country's infrastructure of transportation,

<sup>1</sup> <http://asylumaccess.org/wp-content/uploads/2017/09/Middle-East-Refugee-Work-Rights-Syrian-Crisis.pdf>

<sup>2</sup> [https://migrationdataportal.org/data?cm49=422&focus=profile+&i=stock\\_abs\\_&t=2017](https://migrationdataportal.org/data?cm49=422&focus=profile+&i=stock_abs_&t=2017)

<sup>3</sup> World Bank, in current USD, Atlas method for 2017. <https://data.worldbank.org/indicator/NY.GNP.PCAP.CD?locations=LB>

<sup>4</sup> Oxfam and AUB: Poverty, Inequality and Social Protection in Lebanon, January 2016

<sup>5</sup> World Bank: Lebanon Economic Monitor, Fall 2018 – Derisking Lebanon: <http://documents.worldbank.org/curated/en/615661540832875043/Lebanon-Economic-Monitor-De-Risking-Lebanon>

<sup>6</sup> <https://staff.aub.edu.lb/~lmeho/meho-kawtharani-kurdish-community-in-lebanon.pdf>

<sup>7</sup> Kamal Salibi: A House of Many Mansions – the History of Lebanon Reconsidered. [http://almashriq.hiof.no/lebanon/900.geography\\_and\\_history/902/Kamal-Salibi/](http://almashriq.hiof.no/lebanon/900.geography_and_history/902/Kamal-Salibi/)

<sup>8</sup> World Bank: Lebanon Economic Monitor, Fall 2018, op.cit.

<sup>9</sup> [https://www.diplomatie.gouv.fr/IMG/pdf/cedre\\_statement-en\\_final\\_ang\\_cle8179fb.pdf](https://www.diplomatie.gouv.fr/IMG/pdf/cedre_statement-en_final_ang_cle8179fb.pdf)

<sup>10</sup> <https://knowledgehub.transparency.org/product/lebanon-progress-towards-sustainable-development-goal-16>

<sup>11</sup> <https://www.transparency.org/country/LBN>

<sup>12</sup> ILO: Towards Decent Work in Lebanon: Issues and Challenges in Light of the Syrian Refugee Crisis, 2015.



water supply, electricity, and sanitation,<sup>13</sup> while public wage spending and subsidies, especially to the electricity sector, are contributing to increasing macroeconomic imbalances and structural bottlenecks.<sup>14</sup> Despite the difficult external and internal environment, macroeconomic stability has been maintained through adroit crisis management at the expense of an unsustainably high debt-to-GDP ratio of over 150% at end 2017, and a fiscal deficit reaching 7%.<sup>15</sup>

The formal economy is dominated by the (public and private) services sector, notably real estate and construction, but also trade, tourism, public administration and financial services, which contributes 76% of GDP growth (see **Table 1**), and absorbs 77% of the workforce (72% of men, and 92% of working women). Manufacturing in Lebanon includes food and beverage processing, jewellery, cement, textiles, mineral and chemical products, wood and furniture products, oil refining, and metal fabrication.<sup>16</sup> Growth in productive sectors such as communications and agriculture has been marginal, due in part to the existence of oligopolies that dominate the local market, in part to corruption and rent-seeking.<sup>17</sup> While headline inflation surged to nearly 12% in early 2013 as a result of the influx of refugees, inflation has not exceeded 3% since July 2013. During December 2014-16, Lebanon was in deflation, and concerns over a sustained rise in inflation have not materialised.<sup>18</sup>

Table 1: Socio-Economic Indicators Lebanon	
Population	6.08 m
Population density	595 per km <sup>2</sup>
GNI per Capita	USD 8,400
GDP	USD 53.6 bn (2017)
Structure of GDP, 2017 (%)	
• Agriculture	4.2
• Industry/manufacture	20.1
• Services	75.7
Inflation rate (2017)	4.3
Urban population (%)	88.4
Poverty (% population below national poverty line)	Est. 25-28% (2017)
Life Expectancy (2016)	79.6 years
Labour market participation	51.4 % (26% female)
Literacy (% of pop age 15+)	91 (2009)
Source: <a href="https://data.worldbank.org/indicator/">https://data.worldbank.org/indicator/</a>	

While a relatively complete, if outdated, legislative basis exists, the **investment climate** suffers from red tape, corruption, arbitrary licensing decisions, complex customs procedures, high taxes, tariffs and fees, archaic legislation, and weak intellectual property rights.<sup>19</sup> Lebanon ranked 105<sup>th</sup> out of 137 economies in the Global Competitiveness Index 2017-2018,<sup>20</sup> the lowest among all 12 Arab countries surveyed. Performance on business sophistication, technological readiness, and innovation is improving, but a lack of effective regulation has concentrated market power into a handful of large firms.<sup>21</sup> The vast majority (more than 90%) of Lebanese firms are micro, small- and medium-sized (MSME) enterprises, estimated to employ 50% of the working population and to receive about 20% of total private sector credit. MSMEs are primarily retail-driven and engaged in local value chains.<sup>22</sup> Of the estimated 70,000 formally registered MSMEs, micro-enterprises (with less than 10 full-time employees) make up around 75%, while SMEs (11-50 employees) constitute 20%.<sup>23</sup> 80% of MSMEs are located in Mount Lebanon and Greater Beirut, underscoring the rural-urban divide in the small market.<sup>24</sup>

The service-led economy does not produce the consumption goods in demand, and these are instead largely imported. The resulting trade deficit is financed in large measure by remittances, deposits and investments from the sizeable Lebanese diaspora.<sup>25</sup> Remittances into Lebanon grew at around 4% in 2018, totalling USD 7.8 billion or 14.5% of GDP, despite the high cost (10-15% in early 2018) of remitting money from high-income OECD countries to Lebanon.<sup>26</sup>

The devastating conflict in Syria has impacted Lebanon's **trade** in goods and services both positively and negatively. Some sectors have seen decline, but others have adapted well to the war economy. Overall, Lebanon's trade has been resilient, and the IMF and UNCTAD trade data from 2011-13 could not confirm the dramatic decline in services exports reported by the Banque du Liban. The trade route disruptions negatively affected Lebanese manufacturing, as some

<sup>13</sup> World Bank: Lebanon Economic Monitor, Fall 2018, op.cit.

<sup>14</sup> <https://www.imf.org/en/News/Articles/2018/02/12/ms021218-lebanon-staff-concluding-statement-of-the-2018-article-iv-mission>

<sup>15</sup> <https://www.thenational.ae/business/economy/lebanon-s-debt-to-gdp-could-balloon-to-180-by-2023-imf-warns-1.704229>. IMF states a figure of 157.6% debt to GDP as at April 2018. [https://www.rand.org/pubs/research\\_reports/RR2653.html](https://www.rand.org/pubs/research_reports/RR2653.html)

<sup>16</sup> <http://www.lb.undp.org/content/dam/lebanon/docs/Operations/LegalFramework/UNDP%20Lebanon%20PS%20Strategy.pdf>

<sup>17</sup> World Bank: Lebanon Economic Monitor, Fall 2018, op.cit.

<sup>18</sup> [https://ec.europa.eu/info/sites/info/files/dp029\\_en.pdf](https://ec.europa.eu/info/sites/info/files/dp029_en.pdf)

<sup>19</sup> US Investment Climate Report, Lebanon, 2018.

<sup>20</sup> [http://www3.weforum.org/docs/Arab-World-Competitiveness-Report-2018/WEF\\_GCI\\_2017\\_2018\\_Profile\\_Lebanon.pdf](http://www3.weforum.org/docs/Arab-World-Competitiveness-Report-2018/WEF_GCI_2017_2018_Profile_Lebanon.pdf)

<sup>21</sup> [http://www3.weforum.org/docs/Arab-World-Competitiveness-Report-2018/AWCR%202018.0724\\_1342.pdf](http://www3.weforum.org/docs/Arab-World-Competitiveness-Report-2018/AWCR%202018.0724_1342.pdf)

<sup>22</sup> IMF Country Report No. 17/21: Lebanon Financial System Stability Assessment, January 2017.

<sup>23</sup> MoET presentation, April 2018: <https://www.economy.gov.lb/media/11222/smes-in-lebanon-180412-19-website.pdf>

<sup>24</sup> [https://www.economy.gov.lb/public/uploads/files/6833\\_5879\\_4642.pdf](https://www.economy.gov.lb/public/uploads/files/6833_5879_4642.pdf)

<sup>25</sup> Ibid.

<sup>26</sup> <https://www.knomad.org/sites/default/files/2018-12/Migration%20and%20Development%20Brief%2030.pdf>

25% of industrial supplies were being sourced from or through Syria, but the Port of Beirut increased sales as trade was redirected in 2012-13.<sup>27</sup> Non-tourism services expanded, including legal, accounting, and business services, engineering, architecture, advertising and media services, but tourism, hospitality, and transport suffered in the period of 2011-2014, as inbound travel declined by 19% between 2011 and 2013.<sup>28</sup> Tourism and transport represent a large source of employment in Lebanon, particularly for the lower-skilled workforce, and are thus important sectors for pro-poor growth. Their decline may partially explain the widespread concerns about job losses and labour competition.

At least in part, the relative resilience of the consumption-led economy is related to increased demand for Lebanese services by the influx of Syrian refugees since 2011. The first wave of Syrian refugees consisted mostly of middle class businessmen, who stayed in hotels, rented apartments, and opened restaurants and businesses, contributing to an increase in upscale housing and retail rental prices in Beirut by 40% during 2012, further fuelled by the subsequent arrival of international aid workers. In August 2014, Syrian capital in Lebanese banks was estimated at USD 14 billion, and Syrian investments since 2011 boosted demand, adding an estimated USD 36 million rental payments to the economy.<sup>29</sup> The increased demand for and hence prices of housing and consumer goods rose from an already high level since 2013, benefiting Lebanese property and business owners in the rural agricultural communities and the urban centres hosting the majority of the Syrian refugees. Despite the wider socio-economic impact, World Bank has calculated that for each 1% increase in refugee stock in Lebanon, services exports (outputs) increased by about 1.5%.<sup>30</sup>

The Lebanese **labour market** is characterised by low productivity and employment rates; low participation of women; high informality rates; a large segment of foreign workers; and a large number of skilled Lebanese people emigrating for employment abroad.<sup>31</sup> The labour market participation rate among Lebanese men is 71%, and around 26% for women.<sup>32</sup> The public administration absorbs some 30% of wage employees, and the majority of working women,<sup>33</sup> but the formal economy does not generate sufficient jobs for the annual numbers of new entrants. The formal labour market is heavily protected with a large number of professions reserved for nationals,<sup>34</sup> and is **too segregated for a general replacement by foreigners (and especially Syrian refugees) of the national labour force to take place**. However, recruitment practices are opaque, relying heavily on personal and family connections (*"wasta"*),<sup>35</sup> which may contribute to the moderately increasing unemployment rates.<sup>36</sup> In addition, the low status and poorer working conditions in the low-productivity service industries are rejected by well-educated Lebanese job-seekers with high expectations for white-collar jobs. Instead, many start (informal) businesses (36% of the male Lebanese workforce, but only 14% of women, were self-employed in 2009<sup>37</sup>) or they continue to emigrate in search of well-paid work abroad (in the Gulf). Emigration of Lebanese professionals generates remittances, but the loss of skilled workers ('brain drain') has negatively impacted the ability of enterprises to find the skilled workers needed to maintain and expand their businesses,<sup>38</sup> and **local semi- or unskilled labour is in short supply**.<sup>39</sup> In 2018, 25% of firms surveyed faced difficulties recruiting highly skilled workers, whereas only 10% had difficulties hiring semi- or unskilled workers.<sup>40</sup>

Historically, foreign migrant workers have filled this gap in the market. Arab (mainly Syrians, Egyptians, and Palestinian refugees), East and Southeast Asian, and African labourers are hired to work in construction, agriculture, industry, and as domestic workers in households.<sup>41</sup> Specifically, Lebanon allowed open circular migration with reciprocal freedom of movement, residence, economic activity, and property ownership for Syrian nationals under 1991 and 1993 bilateral

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<sup>27</sup> <http://documents.worldbank.org/curated/en/908431468174247241/pdf/96087-WP-P148051-PUBLIC-Box391435B-Syria-Trade-Report.pdf>

<sup>28</sup> World Bank: Lebanon Economic Monitor, op.cit.

<sup>29</sup> Migration Policy Centre: Migration Profile – Lebanon, May 2017.

<sup>30</sup> <http://documents.worldbank.org/curated/en/908431468174247241/pdf/96087-WP-P148051-PUBLIC-Box391435B-Syria-Trade-Report.pdf>

<sup>31</sup> European Training Foundation: Lebanon labour market, op.cit.

<sup>32</sup> MoET presentation, April 2018: <https://www.economy.gov.lb/media/11222/smes-in-lebanon-180412-19-website.pdf> and WBG data indicators.

<sup>33</sup> European Training Foundation: Lebanon labour market, op.cit.

<sup>34</sup> <https://www.state.gov/e/eb/rls/othr/ics/2018/nea/281671.htm>

<sup>35</sup> ILO: Towards Decent Work in Lebanon, op.cit.

<sup>36</sup> The latest national unemployment estimate is 6.3% in 2009, while ILO's modelled estimate is 6.7% in 2018, both likely underestimated. World Bank estimated the national unemployment rate at 11% in 2012, but higher at 18% among women and 34% among youth. ILO: Matching skills and jobs in Lebanon: Main features of the labour market – challenges, opportunities and recommendations, A Policy Brief, September 2017.

<sup>37</sup> ILO: Towards Decent Work in Lebanon, op.cit.

<sup>38</sup> ILO: Matching skills and jobs in Lebanon: Main features of the Labour market – challenges, opportunities and recommendations, A Policy Brief, September 2017.

<sup>39</sup> <https://www.state.gov/e/eb/rls/othr/ics/2018/nea/281671.htm>

<sup>40</sup> RAND Corporation: Opportunities for All – Mutually Beneficial Opportunities for Syrians and Host Countries in Middle Eastern Labor Markets, 2018 [https://www.rand.org/pubs/research\\_reports/RR2653.html](https://www.rand.org/pubs/research_reports/RR2653.html)

<sup>41</sup> Ibid.

agreements.<sup>42</sup> As a result, an estimated 300,000-400,000 Syrians were already working in Lebanon before 2011.<sup>43</sup> Despite assertions to the contrary by some ministries, municipalities and syndicates (trade unions), there are **no formal restrictions on FBRs opening and running formal business operations.**<sup>44</sup>

The level of **informality** in the economy is high, estimated at 44% in 2015, but much higher in e.g. agriculture and construction, affecting both business operation and employment. 57% of formal Lebanese enterprises surveyed in 2013-14 reported they were competing against unregistered or informal firms.<sup>45</sup> For employees, registered work contracts with social security coverage are not commonplace, and labour standards, including the minimum wage, which was increased to LBP 675,000 (USD 450)/month in 2012, are not generally enforced. This is particularly true in the low-skill and low-wage jobs traditionally occupied by foreign-born workers,<sup>46</sup> and it is estimated that 75-80% of employed Palestinians work informally, alongside Syrian and other refugees. Informally employed FBR workers are more likely to accept lower wages and poorer working conditions, given their need for, but limited choice of livelihoods, and the widespread availability of informal Syrian labour has put downward pressure on wages since 2011. In the lower echelons of the economic sectors, including agriculture, construction, retail trade, hospitality, and cleaning, where workers' educational attainment, skills profile, and wage bargaining power are the weakest, competition among income-seekers of all nationalities in Lebanon is fierce, and a certain degree of crowding out of unskilled Lebanese youth may be taking place. However, the most severe competition for jobs appears to happen between Syrians, the Palestine refugees, and the migrant workers from e.g. Egypt, Sudan and elsewhere in the MENA region. The ability of the informal sector to expand with additional supply might, however, be a core reason why the labour market has not imploded with the large influx of refugees since 2011.<sup>47</sup> In fact, the Lebanese informal economy has expanded in the wake of the Syria crisis.<sup>48</sup>

While Lebanon has been heavily impacted by the war in Syria, the structural challenges in Lebanon's economy were not caused by the Syrian crisis, nor by the influx of up to 1.5 million refugees from the war-torn neighbour.<sup>49</sup> The understandable concern among Lebanese nationals about the lack of professional jobs expected by well-educated school leavers is more likely related to type of jobs available, the skills mismatch between job demand and supply, and the limited investments in productivity, which cause employers to recruit cheaper labour,<sup>50</sup> than any significant labour displacement of nationals by foreigners. The quality and availability of education and healthcare have declined as overburdened facilities struggle to cope with the significant increase in numbers of students and patients, and under-funded municipal service delivery to the large urban populations have been unable to keep up, all of which are concerns to many Lebanese.

These factors have a **spill-over effect on Lebanese acceptance of foreigners**, including refugees, augmented by public political scapegoating associating the presence of especially Syrian refugees with labour competition, environmental degradation, and increase in crime and insecurity. Negative perceptions and stereotypes vary across geographic areas and among social groups, with the strongest anti-refugee rhetoric appearing to come from parts of the elite political class and from within Hezbollah-run Shia areas.<sup>51</sup> Importantly, such sentiments are not mutual. More than 80% of Syrian and other refugees consistently report having neutral or positive relations with Lebanese.<sup>52</sup> Many municipalities are pragmatically focusing on finding solutions to the challenges accompanying the Syrian refugee influx,<sup>53</sup> supported by local business actors and chambers of commerce.<sup>54</sup> While night-time curfews have been imposed on Syrians in some 400 of the more than 1,100 municipalities,<sup>55</sup> the level of inter-community conflict remains relatively low and area-specific.<sup>56</sup>

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<sup>42</sup> Alexander Betts et al: Local Politics and the Syrian Refugee Crisis - Exploring Responses in Turkey, Lebanon, and Jordan, 2017.

<sup>43</sup> [https://www.iom.int/sites/default/files/our\\_work/ICP/MPR/WMR-2015-Background-Paper-MSerageldin-FVigier-MLarsen.pdf](https://www.iom.int/sites/default/files/our_work/ICP/MPR/WMR-2015-Background-Paper-MSerageldin-FVigier-MLarsen.pdf)

<sup>44</sup> [https://investinlebanon.gov.lb/en/doing\\_business/starting\\_a\\_business/choose\\_a\\_business\\_structure](https://investinlebanon.gov.lb/en/doing_business/starting_a_business/choose_a_business_structure)

<sup>45</sup> <http://www.enterprisesurveys.org/data/exploreeconomies/2013/lebanon#informality>

<sup>46</sup> ILO: Towards Decent Work in Lebanon, op.cit.

<sup>47</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/718557/Lebanon\\_Palestinians\\_in\\_Lebanon\\_-\\_CPIN\\_-\\_v1.0\\_June\\_2018\\_External.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/718557/Lebanon_Palestinians_in_Lebanon_-_CPIN_-_v1.0_June_2018_External.pdf)

<sup>48</sup> World Bank: The Economic Monitor, op.cit.

<sup>49</sup> Ibid.

<sup>50</sup> ILO: Towards Decent work in Lebanon, op.cit.

<sup>51</sup> Alexander Betts et al.: Local Politics and the Syrian Refugee Crisis, op.cit.

<sup>52</sup> ARK: Regular Surveys on Social Tensions throughout Lebanon, September 2018, and VaSYR 2018, VaRON, 2017.

<sup>53</sup> M. Janmyr for the AUB policy Institute: The Legal Status of Syrian Refugees in Lebanon, Working Paper, March, 2016.

<sup>54</sup> A. Betts et al: Local Politics and the Syrian Refugee Crisis, op.cit.

<sup>55</sup> <https://www.odi.org/sites/odi.org.uk/files/resource-documents/12532.pdf>

<sup>56</sup> UNHCR: VaSYR 2018, op.cit.

Lebanon does not recognise itself as a country of asylum, transit or resettlement of refugees, and has not signed the 1951 UN Convention Relating to the Status of Refugees nor its 1967 Protocol. Until 2014, no comprehensive policy framework was in place for displaced populations in the country, nor regulations for their legal stay. In 2013, an inter-ministerial Crisis Cell was established,<sup>57</sup> and a Ministry for Displaced (Refugee) Affairs was created in 2016 to supervise the joint Government and UNHCR Lebanon Crisis Response Plan (LCRP)<sup>58</sup> as part of the UNHCR-led Regional Refugee and Resilience Plan (3RP),<sup>59</sup> which emphasises the need to support both Syrian refugees and vulnerable Lebanese hosts. A multitude of regulations implemented by many different institutions have guided the management of nationality-specific inflows of refugees over time:

- **Palestinians** are administered by the Directorate of Political Affairs and Refugees (DPAR), and its counterpart department of Palestinian Refugee Affairs (DPRA) in the Ministry of Interior (MoI), which coordinate efforts with the United Nations Relief for Palestine Refugees (UNRWA);<sup>60</sup>
- **Iraqi and other non-Syrian asylum seekers and refugees** are processed by UNHCR under a 2003 Memorandum of Understanding (MoU) signed with the GSO (not the government per se), and Iraqi refugees were granted *prima facie* status in Lebanon until 2011. The MoU accepts UNHCR refugee status determination procedures, but recognizes only temporary stay for refugees prior to their expected resettled to third countries.<sup>61</sup> Negotiations on a new MoU to harmonise Lebanon's legal framework with international standards and to address the refugee determination for Syrians have not succeeded;<sup>62</sup>
- As a consequence, UNHCR has not made an official declaration of *prima facie* refugee status for **Syrian refugees** in Lebanon.<sup>63</sup> Only Syrians registered with UNHCR before May 2015, when the government instructed UNHCR to stop refugee registration, can renew their letters of registration. Later asylum applications are being reviewed for refugee determination in coordination with the GSO, as per the Council of Ministers' "Policy Paper on Syrian Refugee Displacement," explicitly aiming to halt the influx of Syrian refugees and encourage their return to Syria, while formalising the presence of those who stay. In February 2018, however, the State Council (Lebanon's high administrative court) issued a ruling to annul the 2015 GSO directive amending the conditions of Syrians' entry and residence in Lebanon.<sup>64</sup> It remains to be seen if this ruling will ease the regulations for Syrians in Lebanon.

The Lebanon Compact<sup>65</sup> was signed in February 2016, generating EU-commitments of around Euro 400 million for the temporary stay of Syrian refugees and the fostering of jobs and educational opportunities for 'all of Lebanon's vulnerable groups.'<sup>66</sup> Access to education for Syrian refugee children in public schools, and access to primary healthcare services by public dispensaries has been facilitated, and UNHCR subsidises specialised medical treatment,<sup>67</sup> but access to livelihoods has been given much less priority. Prior to the Brussels Conference III on 12-14 March, 2019, Lebanon had received USD 3.4 billion in grants (USD 1.1 billion) and concessional loan funds (USD 2.3 billion) for the period 2018-20 from the international community,<sup>68</sup> including from the World Bank's Multi Donor Trust Fund and the World Bank-administered Global Concessional Finance Facility, the UN-managed Lebanon Recovery Fund, and the EU Regional Trust Fund.<sup>69</sup>

## 3.2 Financial Sector Organisation and Financial Inclusion

Several agencies have financial sector oversight responsibilities, with the Banque du Liban (BdL) and its governor playing a key role in the institutional framework underpinning financial stability, in effect functioning as the "policymaker of last resort."<sup>70</sup> The oversight of the financial system has been devolved to the Banking Control Commission (BCC), which supervises banks and non-bank financial institutions (NBFIs). The BCC is administratively independent of, but funded by

<sup>57</sup> KNOMAD: Refugees' Right to Work and Access to Labor Markets – An Assessment, 2016, op.cit.

<sup>58</sup> <https://reliefweb.int/report/lebanon/lebanon-crisis-response-plan-2017-2020-2019-update>

<sup>59</sup> <https://www.unhcr.org/afr/partners/donors/5a54c1957/2018-2019-regional-refugee-resilience-plan-response-syria-crisis.html>

<sup>60</sup> <https://core.ac.uk/download/pdf/85213036.pdf>

<sup>61</sup> Migration Policy Centre: Migration Profile Lebanon, op.cit.

<sup>62</sup> KNOMAD: Refugees' Right to Work and Access to Labor Markets – An Assessment, 2016, op.cit.

<sup>63</sup> M. Janmyr: "UNHCR and the Syrian refugee response: negotiating status and registration in Lebanon," in the International Journal of Human Rights, Volume 22, 2018. <https://www.tandfonline.com/doi/full/10.1080/13642987.2017.1371140?src=recsys>

<sup>64</sup> <http://legal-agenda.com/en/article.php?id=4286>

<sup>65</sup> <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/lebanon-compact.pdf>

<sup>66</sup> A. Betts et al: Local Politics and the Syrian Refugee Crisis, op.cit.

<sup>67</sup> GSO regulations for entry of Syrians: <http://www.general-security.gov.lb/ar/posts/33W>

<sup>68</sup> <https://www.voltairenet.org/IMG/pdf/syria-report-seven.pdf>

<sup>69</sup> <https://insight.jbs.cam.ac.uk/assets/cbr-sharq-lebanon-livelihoods-report.pdf>

<sup>70</sup> <https://www.imf.org/en/News/Articles/2018/02/12/ms021218-lebanon-staff-concluding-statement-of-the-2018-article-iv-mission>

the BdL, and works in close coordination with the BdL governor. Banking legislation has not been updated for many years, leading to an extensive and complex set of circulars, decrees, and regulations issued by the BCC and the BdL.<sup>71</sup> New draft laws on insolvency and secured transactions have been submitted to Parliament, but have not yet been passed. There are plans to develop a registry of movable assets to facilitate collateral requirements for MSMEs (and households), when the new laws are adopted.<sup>72</sup>

The Lebanese financial system is dominated by commercial banks. In 2018, there were 142 operating banks in Lebanon, including both commercial and investment banks.<sup>73</sup> By June 2018, the balance sheet of the banking sector reached USD 234 billion, more than 4 times the Lebanese GDP, of which private sector deposits made up USD 173 billion. The Lebanese State is the dominant client for banks, and over half of commercial bank assets are sovereign debt. As BdL instruments have increasingly become the main investment of choice for commercial banks, large international retail banks have abandoned the Lebanese market.<sup>74</sup> Banks are well capitalized (the overall capital adequacy ratio was 16.5% by end 2016), and relatively resilient, with the consolidated capital account having remained at 7-9% of the total balance sheet since 2011. By June 2018, the deposit-to-total liabilities ratio stood at 76%. The inflow of remittances from the diaspora constituted about 16% of the country's GDP in 2015,<sup>75</sup> and had reached 21% of total private deposits by June 2018.<sup>76</sup>

Deposit and remittance inflows attracted by high interest rates and exchange rate stability have largely preserved confidence in the banking sector.<sup>77</sup> Bank losses attributable to the Syrian crisis have been marginal relative to the overall income of the Lebanese banks that showed only a 5% reduction in profits in 2011-12. Syrian affiliates of major Lebanese banks experienced a drastic drop in profits, mainly due to a steep increase in non-performing loans, but by 2013, bank profits had largely rebounded.<sup>78</sup> The system-wide loan-to-deposit ratio (all currencies) is low at 38% due to the large holdings of sovereign and BdL debt, and subdued demand for credit, but 53% of all (formal) Lebanese enterprises (50% small and 63% medium-sized) had received a bank loan in 2015. About 90% of the banking sector's loan portfolio is exposed to real estate, directly via housing loans and lending to real estate developers, and indirectly through collateral.<sup>79</sup>

The Kafalat is co-owned by the National Institute for the Guarantee of Deposits (75%) and Lebanese banks (25%), and operates a partial (75-90%) credit guarantee program for SMEs with subsidised interest rates and reduced collateral requirements. The BdL has operated a scheme allowing for reduced bank reserve requirements up to the amount of SME finance provided under the scheme. Similarly, a USD 400 million facility established by BdL has offered partially guaranteed, interest-free loans to technology start-ups, incubators, and accelerators. It is estimated that BdL's measures represented a third of the total loans to SMEs, but the impact on access to finance by MSMEs is not clear, and it appears that these instruments have been curtailed with the concerns over increasing sovereign debt levels.<sup>80</sup>

BdL published a **roadmap for a Financial Inclusion Strategy in April 2017**, aiming to improve the socio-economic and financial well-being for *citizens*, through promoting affordable, timely access to regulated financial products and services, and broadening their responsible use by 'all segments of the population', including vulnerable and marginalised groups, listed as 'those with special needs, job-seekers, and the highly indebted.' BdL plans to focus the Strategy on financial literacy and digitalised payments.<sup>81</sup> Contrary to its Jordanian counterpart, BdL has not demonstrated particular commitment to actively increase financial inclusion for FBRs, and the roadmap does not recognise or address financial inclusion of FBRs. However, **there are no specific regulatory restrictions on a foreigner or non-resident's ability to open a bank account** in either local or foreign currencies. KYC requirements have not been simplified specifically for the large segment of Syrian refugees, but these are also not excessively onerous.<sup>82</sup> BdL does not directly disincentivise FSPs from serving FBR population segments, as long as existing Know-Your-Customer (KYC) requirements are met, and

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<sup>71</sup> N. Iskandar Diab and T. Mallat: "Lebanon" in Yearbook of Islamic and Middle Eastern Law 16 (2010-2011).

<sup>72</sup> <https://www.economy.gov.lb/media/11222/smes-in-lebanon-180412-19-website.pdf>

<sup>73</sup> <http://www.databank.com.lb/doc.asp?ID=1011>

<sup>74</sup> N. Iskandar Diab and T. Mallat: "Lebanon" in Yearbook of Islamic and Middle Eastern Law, op.cit.

<sup>75</sup> Migration Policy Centre: migration Profile Lebanon, op.cit.

<sup>76</sup> IMF Country Report No. 17/21: Lebanon Financial System Stability Assessment, op.cit.

<sup>77</sup> Ibid.

<sup>78</sup> <http://documents.worldbank.org/curated/en/908431468174247241/pdf/96087-WP-P148051-PUBLIC-Box391435B-Syria-Trade-Report.pdf>

<sup>79</sup> Ibid.

<sup>80</sup> Ibid.

<sup>81</sup> [http://www.bdl.gov.lb/files/downloads/BDL\\_Financial\\_Inclusion\\_Strategy2017\\_EN.pdf](http://www.bdl.gov.lb/files/downloads/BDL_Financial_Inclusion_Strategy2017_EN.pdf)

<sup>82</sup> US Investment Climate Report, 2018, op.cit.



stringent inquiries to ensure compliance with the Lebanese Anti-Money Laundering and Combating Terrorism Financing (AML/CTF) laws are conducted.

Focused on the protection and stability of the banking industry, authorities have **not developed a microfinance policy framework**, and regulations have only recently been introduced for NGO-type Microfinance Institutions (MFIs),<sup>83</sup> aimed more at increasing transparency through reporting requirements to the BCC than at effectively promoting sound development of a microfinance industry. Regulated or not, non-bank MFIs are not permitted to mobilise deposits from the public, cannot offer electronic or mobile wallets for storage of money, and need to work through banks for cashing out loans by checks, and through licensed insurance companies (and/or brokers) to offer micro insurance products.

<b>Table 2: Financial Inclusion data, Lebanon (Findex 2017)</b>	
Formal financial inclusion, %	44.8%
• women	32.9%
Borrowed any money in past year (+15)	36.2%
Of these, from FSPs	22.6%
Of these, from family or friends	13.4%
Saved in the past year (+15)	51.8%
Of these, saved with an FSP	21.2%
Of these, saved with <i>jama'iat</i> /non-family	10.3%
Sent or received (domestic) remittances	10.5%
Sent (domestic) remittances	11.4%
Used debit/credit card for purchase	23.9%

Given the down-scaling efforts of some 10-12 commercial banks to serve the microfinance market, **formal financial inclusion of nationals** in Lebanon compares well with the regional average at 45% in 2017, but it has decreased slightly since 2014.<sup>84</sup> Half of adults saved in 2017 and around one third borrowed, but only about one-fifth used FSPs (see **Table 2**). In addition to the banks, estimated to provide 21% of the total **microfinance** outreach in 2014, 13 other FSPs were active in the microfinance market in November 2014, including the Al Qard Al Hassan Foundation, believed to be the largest provider of pawn-based loans in Lebanon. The NBFIs and NGO-MFIs specialised in microcredit served a total of 225,650 clients with

loans worth around USD 225 million, split between three of the currently 74 NBFIs in operation,<sup>85</sup> accounting for 35% of outreach, and 10 NGO-MFIs providing 35% of services. In addition, retail companies sell on credit, and comptoirs,<sup>86</sup> cooperatives, and informal providers also provide microcredit. Products on offer include a wide array of individual and solidarity group-guaranteed loans, generally aimed at business growth (around 42% of loans), but consumption loans are also common (38%), and specific loans for home improvement exist (11% of loans in 2014). The average microfinance loan size is USD 1,300 for a 12-month term, but larger loans for up to 36-month terms are also available.<sup>87</sup> The microfinance market is highly competitive, and potentially saturated in some urban centres, resulting in a high levels of price sensitivity among clients, moderately high drop-out rates, and decreasing growth rates for some MFIs and NBFIs.

Ten FSPs are currently members of the Lebanon Microfinance Association (LMFA), established in 2015. These microfinance providers (excluding Al Qard al Hassan) were estimated to serve some 136,000 clients (50% female) with an outstanding credit portfolio of USD 186 million in 2017.<sup>88</sup> The LMFA is reliant on operational subsidies from the USAID-funded LIFE project, and has recently secured funding for a study of the demand for microinsurance in Lebanon. It has also developed two basic financial literacy training modules specifically for women clients that are being delivered by 54 trainers from across the MFI members. Currently, the LMFA is focusing on lobbying the BdL to improve the terms set out in the recent circulars for regulating NGO-MFIs. Successful revision of these regulations would benefit both NGO-MFIs and NBFIs that compete directly in the market.

The only source of information for lenders to assess borrowers' credit risk is the **Public Credit Registry (PCR)** hosted by BdL. The PCR collects and disseminates both positive and negative information through two distinct systems, the Centrale de Risque (CdR) and the Central Office of Returned Checks. It is currently undergoing modernisation to automate systems and the data collection threshold has recently been lowered to USD 1,000.<sup>89</sup> The BdL also requires licensed FSPs to verify new clients against a list of individuals registered on an AML/CTF watch list ("black list"). Around 30% of microfinance clients had multiple loans at the end of 2014, consistent with the relatively low loan sizes compared to price levels in Lebanon, and with the emergence of signs of saturation in urban markets. Most cross-borrowing happened between MFIs and banks (20% of clients), and cross-borrowing was more prevalent among poorer clients and among clients with salary-guaranteed consumer loans than among business loan borrowers. 15% of the sample surveyed in 2014 was at critical levels of over-indebtedness or already insolvent.<sup>90</sup>

<sup>83</sup> Intermediate Circulars 505 (Decision 12860 of 16 August 2018) and 506 (circular 7136) on micro-credit, which are currently formulated with requirements that risk to significantly decrease the availability of microfinance services in Lebanon.

<sup>84</sup> Findex 2017 (World Bank Group: the Little Book on Financial Inclusion, 2018, p. 91).

<sup>85</sup> <http://www.databank.com.lb/docs/List%20of%20financial%20institutions-BDL-2018.pdf>

<sup>86</sup> Comptoirs are NBFIs with a specific legal status that cannot borrow to on-lend, but intermediate only their own capital.

<sup>87</sup> [http://www.findevgateway.org/sites/default/files/publication\\_files/sanad-cgap-lebanon-indebtedness\\_study-20180208\\_dis.pdf](http://www.findevgateway.org/sites/default/files/publication_files/sanad-cgap-lebanon-indebtedness_study-20180208_dis.pdf)

<sup>88</sup> Interview with LMFA on 24 January 2019.

<sup>89</sup> IMF: Country Report No. 17/21: Lebanon Financial System Stability Assessment, op.cit

<sup>90</sup> [http://www.findevgateway.org/sites/default/files/publication\\_files/sanad-cgap-lebanon-indebtedness\\_study-20180208\\_dis.pdf](http://www.findevgateway.org/sites/default/files/publication_files/sanad-cgap-lebanon-indebtedness_study-20180208_dis.pdf)

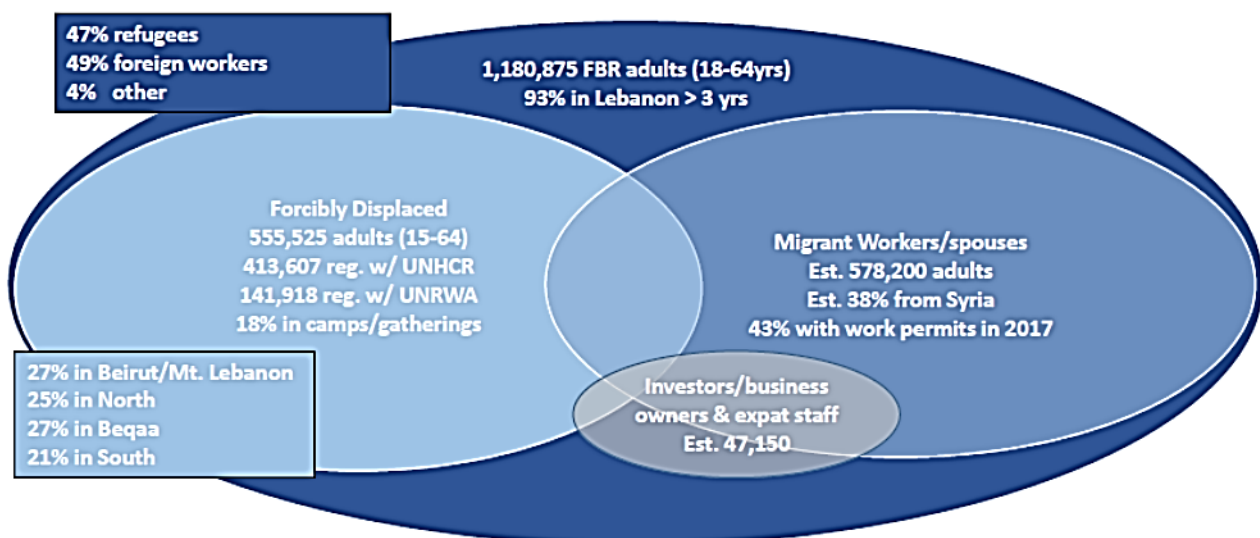
Since 2012, several humanitarian organisations have experimented with electronic **cash transfers to vulnerable refugee** populations. After several iterations of pre-paid e-cards issued by WFP to eligible refugees for use at ATMs or at around 500 dedicated merchants across Lebanon, the former Lebanon Cash Consortium<sup>91</sup> (funded by DFID and UNOCHA during 2014-2017), WFP, UNHCR and UNICEF developed a common platform for multi-purpose cash-based assistance in 2016; the Lebanon One Unified Interagency System for E-Cards (LOUISE),<sup>92</sup> implemented through a bank. Cash assistance has decreased in the past years, and does not in itself ensure sustainable livelihoods, but comparative studies confirm its benefits to recipients, and it may have increased the familiarity of (Syrian) refugees with the usage of digital financial delivery channels.

Constituting one third of the resident population, FBRs are far from ‘invisible’ in Lebanon and have formed an integral part of the labour force for decades, but they remain severely under-served by formal financial institutions. Most FSPs focus almost exclusively on serving nationals, in part due to reputational risks stemming from the inflamed protectionist public discourse, in part due to ignorance of the business opportunity. Commercial banks are severely risk averse, and often de-risk foreigners, citing AML/CFT or KYC concerns, lack of collateral, or excessive perceived credit risk, and only a handful of banks have developed transactional products that appear to also be open to FBRs. With the exception of Al Majmoua and Ibda’a Microfinance SAL, most NBFIs are unfamiliar with the economic strategies and livelihoods, skills, and bankability of FBRs, and refugees in particular, and perceive them as a very high risk client segment.<sup>93</sup> This market diagnostic study seeks to address this information gap.

## 4. Foreign-Born Resident Populations in Lebanon

Foreign-born residents in Lebanon were estimated to comprise about 32% of the total population, or some 1.94 million people in 2017 of diverse, but mostly Arabic-speaking nationalities.<sup>94</sup> The FBR population of around 1.1 million adults comprises two main segments by reason for being in Lebanon: foreign migrant workers and forcibly displaced refugees and asylum-seekers, as well as a smaller segment of foreign investors and business owners. As illustrated in **Figure 1**, there is a significant overlap between these segments – especially among Syrians, many of whom were working in Lebanon before the Syrian crisis - but also among some African and Arab migrant workers, who have registered with UNHCR as asylum seekers after some years in Lebanon. By nationality, Syrians comprised the largest sub-segment of all FBRs at around 1.2 million or 62% in 2017, and Palestinians the second-largest group (11%).<sup>95</sup>

**Figure 1: Overall FBR market scope in perspective, estimates**



<sup>91</sup> Initially comprising ACTED, CARE, IRC, Save the Children, Solidarités International and World Vision.

<sup>92</sup> <http://lhif.org/uploaded/Items/9d727731629a4a2e93231aac664b00c1LCC-%20Guide%20to%20Cash%20-%20Final.pdf>

<sup>93</sup> See SPTF: Serving Refugees – the Next Financial Inclusion Frontier, op.cit.

<sup>94</sup> [https://migrationdataportal.org/data?cm49=422&focus=profile+&i=stock\\_abs\\_&t=2017](https://migrationdataportal.org/data?cm49=422&focus=profile+&i=stock_abs_&t=2017) Against the UNDESA estimate of 1.2 million Syrians, the Government of Lebanon estimates a total population of 1.5 million. The UNDESA figures over-estimates the number of Palestinians in Lebanon, but under-estimates the number of Asian and African migrant workers. With these adjustments, this study arrives at an estimated total FBR population of 1.8 million in Lebanon, of whom 65% are of working age.

<sup>95</sup> Ibid.

Most research available on displaced populations analyse sub-segments by nationality, but except for determining language abilities and possible cultural assimilation, **nationality in itself is not a useful characteristic to predict financial demand, behaviour, or the likely success of some FSP clients over others**, and it can lead FSPs inadvertently to ‘segment by stereotypes.’ Rather, the key initial criteria for identifying potentially viable FBR client segments are legal residency and economic participation profile. In addition, indicators of ‘stability’ can help clarify the relative risk profiles of sub-segments, given the high level of concern of ‘flight risk’ among FSPs. The presentation of the segments of the FBR population in Lebanon below therefore seeks to focus on these aspects more than on their countries of origin.

#### 4.1. Forcibly Displaced Populations in Lebanon – Who are the refugees?

Lebanon is no stranger to the impact of conflict, and the resulting migratory flows of people in the Levant and beyond. As far back as 1918, refugees have arrived to Lebanon, e.g. from Armenia and Kurdish regions of Turkey, in the wake of conflict in their home lands. While the (mainly Christian) Armenians were naturalised as Lebanese citizens early on, qualifying (mainly Sunni) Kurdish refugees and other residents acquired Lebanese citizenship following a naturalization decree in 1994. Both communities have fully integrated; the Armenians as a vibrant and visible ethnic business community, estimated to number some 150,000-200,000 people today;<sup>96</sup> and the Kurdish community of some 60-90,000 people largely as unskilled or semi-skilled workers and entrepreneurs.<sup>97</sup> Neither of these communities should be considered refugees today, but they may not be fully financially included.

Conversely, Lebanese nationals have been displaced internally and to neighbouring countries, including to Syria, during the Lebanese Civil War and the Israeli bombardments of Beirut in 2006. In July 2013, it was estimated that 29,000 Lebanese had fled back from Syria to Lebanon as **returnees**. 65% of the heads of these nearly 6,000 households hold Lebanese citizenship, but their situation, as surveyed in 2014, remained as vulnerable as that of Syrian refugees, in part because they are unaware of the assistance systems available to them, but also because they are often perceived as Syrians, and suffer from similar lack of social inclusion and integration in Lebanon.<sup>98</sup> While displaced and excluded, these returnees have inherent rights and access to services as Lebanese citizens, and will therefore not be analysed further in this report.

Instead, the baseline market segment for FSPs comprise the half a million forcibly displaced people in the productive age brackets, and the nearly 275,000 households in which they live, as illustrated in **Table 3**. They share the common factor that they did not move to Lebanon by choice, but fled conflict in search of safety abroad (push factor), and that they cannot safely return to their place of origin.<sup>99</sup>

	Total registered population	Adults (18-64 yrs)	Of whom, women	No. households	% HHs of total
PRL (2017)	185,467	121,295	60,162	45,795	17%
Syrian (Mar 19)	944,613	399,572	225,763	215,253	78%
PRS (Jun 18)	31,533	20,623	10,230	6,435	2%
Iraqi* (2017)	19,321	11,593	5,260	5,084	2%
Other refugees	3,131	2,442	1,135	1,843	1%
<b>Total est.</b>	<b>1,184,065</b>	<b>555,525</b>	<b>302,550</b>	<b>274,410</b>	<b>100%</b>

\*Registered with UNHCR of the total estimated 50,000 Iraqis in Lebanon, some of whom may be entrenched.

One-fifth of these refugees have been in Lebanon for generations. Most Palestine Refugees in Lebanon (PRL) were – as the name suggests – born in Lebanon, as descendants of refugees having fled from Palestine since 1948, when an estimated 130,000 refugees arrived in Lebanon, of whom 105,000 were registered with UNRWA in 1951.<sup>101</sup> In most other markets, and for refugees of most other countries of origin, such an entrenched segment would have been fully integrated by now, but the specific ethno-political context, the prevailing regulatory regime, and the camps have contributed to establish the PRL community as a ‘separate but integral’ part of Lebanon. Only some 3,000 Palestinian

<sup>96</sup> <https://www.opendemocracy.net/en/odr/no-velvet-revolution-for-lebanese-armenians/>

<sup>97</sup> <https://staff.aub.edu.lb/~lmeho/meho-kawtharani-kurdish-community-in-lebanon.pdf>

<sup>98</sup> <https://www.iom.int/files/live/sites/iom/files/Country/docs/IOM-Lebanon-LH-Assessment-November-2014.pdf>

<sup>99</sup> World Bank and UNHCR: The Welfare of Syrian refugees - Evidence from Jordan and Lebanon, 2016.

<sup>100</sup> Calculated based on demographic breakdowns in UNHCR: Vulnerability Assessment of Syrian Refugees in Lebanon (VaSyR), 2018, VaRON 2017, op.cit, UNDP: Assessing Vulnerabilities in Palestinian Gatherings, op.cit., LPDC: The Population and Housing Census in Palestinian Camps and Gatherings, op.cit.; and UNHCR POC data, end 2017.

<sup>101</sup> <https://www.refworld.org/pdfid/56cc95484.pdf>

families have been given Lebanese citizenship during 1950-72.<sup>102</sup> Over the years, UNRWA has registered a cumulative number of some 469,555 Palestinians in Lebanon,<sup>103</sup> but has not adjusted for their significant emigration.<sup>104</sup> Based on UNRWA figures, UNDESA estimated the Palestinian population on Lebanon to be 507,000 people in 2017.<sup>105</sup> However, a census in 2017<sup>106</sup> suggested that the total Palestinian population actually residing in Lebanon comprise only 193,000-241,000 people, of whom some 175,000 PRL live in the 12 official camps and 156 informal gatherings of Palestinians across Lebanon.<sup>107</sup> To avoid overestimating the potential microfinance market, this report will use the average of the 2017 estimated total and assume 217,000 Palestinian refugees residing in Lebanon, of whom the entrenched segment comprise 185,467 PRLs in some 45,795 households. Some 121,295 are adults (15-59 years), and 60,162 are women.<sup>108</sup>

The more recent arrivals include refugees and asylum-seekers from Syria, Iraq and 30 other countries who are registered as 'persons of concern' and assisted by UNHCR; the Palestinian refugees doubly displaced from Syria (PRS) who are supported by UNRWA; and an unknown number of forcibly displaced people who have not registered with UN or the Lebanese authorities.

Of the total estimated population of 1.21 million Syrians in Lebanon,<sup>109</sup> some 78% are registered with UNHCR. The largest group of Syrian refugees arrived during 2012-13 as the conflict in Syria intensified, the majority from the poorer governorates of Homs (21%), Aleppo (21%) and rural Damascus (14%) in Syria.<sup>110</sup> The adult population (18-64 years) make up 42.3% or some 399,570 people, 225,760 of whom are women.<sup>111</sup>

Iraqi refugees began arriving following the invasion of Iraq in 2003. Iraqis arriving from central and southern Iraq (but not those arriving from the Kurdish Region of Iraq) were granted *prima facie* asylum and refugee certificates by UNHCR until 2011.<sup>112</sup> The UNDESA estimate from 2017 included 118,650 resident Iraqis in Lebanon, but already in 2007, the total estimated population was adjusted down to 50,000.<sup>113</sup> If some 50,000 Iraqis still live in Lebanon, this segment would include some 13,160 households with a total of 30,000 people in the productive age groups (18-60 years), and 13,610 would be women.<sup>114</sup> However, nearly four in ten may have resettled, registered with non-refugee residence permits, or may have married a Lebanese national (the case for 12% of Iraqis surveyed in 2017), and thus should no longer be considered refugees. Alternatively, they could have remained displaced with no legal residency documents at all, as they are not registered with UNHCR. As at end 2017, 19,321 Iraqi persons of concern (58%) were registered with UNHCR,<sup>115</sup> comprising 11,593 adults of working age in some 5,084 households, including 5,260 women. Palestinians from Iraq may also have fled (through Syria) since 2003, but they may not have settled in Lebanon in great numbers.

Most of the Palestinian Refugees displaced from Syria (PRS) arrived in Lebanon during 2012-14 following the total destruction of their homes in the Yarmouk camp near Damascus.<sup>116</sup> As the newest arrivals, PRS are particularly vulnerable. They are unlikely to have had stable work for years in war-torn Syria, where most Palestinians fill day-labourer and unskilled jobs, and any savings PRS brought with them to Lebanon would have lost value due to the poor exchange rate between the Syrian and Lebanese pounds, and the price level in Lebanon which are at least triple that in Syria. They are faced with more intense legal restrictions than other refugees, as they seek opportunities for income

<sup>102</sup> <https://core.ac.uk/download/pdf/85213036.pdf>

<sup>103</sup> <https://www.unrwa.org/where-we-work/lebanon>

<sup>104</sup> [https://www.unrwa.org/sites/default/files/content/resources/survey\\_on\\_the\\_economic\\_status\\_of\\_palestine\\_refugees\\_in\\_lebanon\\_2015.pdf](https://www.unrwa.org/sites/default/files/content/resources/survey_on_the_economic_status_of_palestine_refugees_in_lebanon_2015.pdf) Note that UNRWA does not have a mandate as a civil authority for registration of population fluctuation; its statistics are for its own management, operational and fundraising needs. <https://core.ac.uk/download/pdf/85213036.pdf>

<sup>105</sup> [https://migrationdataportal.org/data?cm49=422&focus=profile+&i=stock\\_abs\\_&t=2017](https://migrationdataportal.org/data?cm49=422&focus=profile+&i=stock_abs_&t=2017)

<sup>106</sup> Lebanese Palestinian Dialogue Committee (LPDC), Central Administration of Statistics (CAS), and Palestinian Central Bureau of Statistics (PCBS): The Population and Housing Census in Palestinian Camps and Gatherings - 2017, Key Findings Report, February 2018.

<sup>107</sup> UNHCR: Lebanon Crisis Response Plan 2017- 2020 (2019 update).

<sup>108</sup> UNDP: Assessing Vulnerabilities in Palestinian Gatherings in Lebanon - Results of the 2017 Household Survey, Sept. 2018.

<sup>109</sup> UNDESA, 2017, op.cit.

<sup>110</sup> World Bank and UNHCR: The Welfare of Syrian Refugees, op.cit. UNHCR reported in 2017 that the majority of displaced Syrians currently residing in Beirut and Mt. Lebanon came from Aleppo (30%), Idlib (17%), Dara'a (10%, and rural Damascus (8.5%). UNHCR: Supporting Refugees and Local Communities in Beirut and Mt. Lebanon 2013-2017

<sup>111</sup> <https://data2.unhcr.org/en/situations/syria/location/71>

<sup>112</sup> Migration Policy Centre: Migration Profile Lebanon, op.cit., and <https://www.tandfonline.com/doi/full/10.1080/13642987.2017.1371140?src=recsys>

<sup>113</sup> <https://www.unhcr.org/subsites/iraqcrisis/4762690f2/iraqi-population-survey-lebanon-november-2007.html>

<sup>114</sup> UNHCR: Vulnerability Assessment of Refugees of Other Nationalities in Lebanon (VaRON), 2017.

<sup>115</sup> UNHCR Persons of Concern, Annual Report, 2017.

<sup>116</sup> [https://ec.europa.eu/neighbourhoodenlargement/sites/near/files/eutf\\_madad\\_action\\_document\\_8th\\_ob\\_palestinian\\_refugees\\_20062018.pdf](https://ec.europa.eu/neighbourhoodenlargement/sites/near/files/eutf_madad_action_document_8th_ob_palestinian_refugees_20062018.pdf)

generation in a very competitive market, where they may not have the social networks to easily find work.<sup>117</sup> In August 2013, when this group was estimated to number 42,000, the first set of restrictions on their access into Lebanon were introduced, and their numbers have since decreased.<sup>118</sup> As at June 2018, UNRWA had registered 31,533 PRS,<sup>119</sup> down from 40,739 in May 2016.<sup>120</sup> They comprise some 6,435 households with around 20,623 people are in the productive age brackets, and of these, 10,230 are women.<sup>121</sup>

UNHCR had registered additional 4,655 persons of concern in Lebanon at the end of 2017, comprising mainly younger, often single males from Sudan (46%), Ethiopia (18%), Egypt (9%) and indeed 1,524 Palestinians. Considering that Ethiopian and Egyptian (but not Sudanese) nationals received the highest proportions of Lebanese work permits in 2017, it is likely that (some of) these refugees came to Lebanon as migrant workers but have sought UNHCR protection due to exploitative working conditions or lack of work. Among this sub-segment, some 2,442 are in the productive age groups in some 1,842 households, and some 1,135 are women.<sup>122</sup>

#### 4.1.1 Displacement Phases and Assimilation – How long have Refugees been here?

Like for any other population, the demand for financial services among refugees in Lebanon is shaped by the economic and social means at their disposal ('level of vulnerability'), and evolves over time with displacement phase and migration plans. During the arrival phase, refugees will focus on immediate, basic survival needs, and these will vary with vulnerabilities at arrival, e.g., trauma and/or poor health. On average, 20% of refugee households across nationalities in Lebanon have a member with a serious medical condition or a disability.<sup>123</sup>

During early displacement refugees might be more dependent on aid. Especially if unplanned, the flight itself can be costly, many assets may have been left behind, and the cost of living in Lebanon is significantly higher than in most refugees' countries of origin. As displacement becomes more protracted, the need to seek income sources within the host economy becomes more crucial.<sup>124</sup> As the duration of displacement prolongs, refugees' needs will gradually assimilate those of nationals in terms of building livelihoods to improve their standards of living. Their success will depend on human and social capital (e.g., education, marketable skills, and familiarity with the host culture), financial inclusion in their country of origin, their income generating capacities, and – especially – the opportunities provided for access to work, and the level of integration (acceptance) they meet.<sup>125</sup>

In terms of displacement phase, the vast majority of adult refugees in Lebanon (97%) fall into the categories of protracted or entrenched displacement, as per **Table 4**.

	Arrival/transit (1-6 months)	Early displacement (6 – 12 months)	Protracted (1-3 years)	Entrenched (< 3 years)	% displaced > 1 year	Total adult refugee pop.
From Syria	8 480	8 480	50 800	331 812	96%	399 572
From Iraq	396	400	1 440	9 357	93%	11 593
PRL	0	0	0	121 295	100%	121 295
PRS	0	300	2 400	17 923	99%	20 623
Other	195	195	1 170	882	84%	2 442
<b>Reg. adult refugees</b>	<b>9 071</b>	<b>9 375</b>	<b>55 810</b>	<b>481 269</b>	<b>97%</b>	<b>555 525</b>
In %	2%	2%	10%	87%	97%	100%

<sup>117</sup> <https://www.daleel-madani.org/civil-society-directory/american-near-east-refugee-aid/projects/winterization-support-palestinian>

<sup>118</sup> UNRWA: Profiling the Vulnerability of Palestine Refugees from Syria living in Lebanon, 2015.

<sup>119</sup> <https://www.unrwa.org/newsroom/videos/eu-unrwa-together-palestinian-refugees-syria-lebanon>

<sup>120</sup> [https://www.unrwa.org/sites/default/files/content/resources/survey\\_on\\_the\\_economic\\_status\\_of\\_palestine\\_refugees\\_in\\_lebanon\\_2015.pdf](https://www.unrwa.org/sites/default/files/content/resources/survey_on_the_economic_status_of_palestine_refugees_in_lebanon_2015.pdf)

<sup>121</sup> Calculations based on UNDP: Assessing Vulnerabilities in Palestinian Gatherings in Lebanon, op.cit. and UNHCR POC data.

<sup>122</sup> Ibid, and UNHCR: POC data, 2017.

<sup>123</sup> Constant across Palestinians (in Gatherings), Syrians and Iraqi and refugees of other nationalities, ref. VaSYR 2018, VaRON 2017, and UNDP: Assessing Vulnerabilities, 2018, op.cit.

<sup>124</sup> <http://documents.worldbank.org/curated/en/908431468174247241/pdf/96087-WP-P148051-PUBLIC-Box391435B-Syria-Trade-Report.pdf>

<sup>125</sup> SPTF: Serving Refugee Populations: Guidelines for Financial Service Providers, op.cit.

<sup>126</sup> Data compiled from UNHCR: [http://popstats.unhcr.org/en/persons\\_of\\_concern](http://popstats.unhcr.org/en/persons_of_concern), <https://data2.unhcr.org/en/situations/syria/location/71>; and UNRWA: Needs Assessment for Palestine Refugees from Syria, 2014.



Compared to five years ago (January 2014), when UNHCR had registered 879,907 Syrian refugees,<sup>127</sup> only 7% more, or 944,613 Syrians were registered with UNHCR as of March 2019, so the vast majority have been in Lebanon for at least five years. UNHCR was instructed by the government to stop registration of Syrians in May 2015, and since then, only babies born in Lebanon to Syrian parents already registered with UNHCR have been registered, explaining any increase in the published numbers of registered Syrian refugees since. It is, however, reported that some 40,000 new arrivals from Syria were biometrically ‘recorded’ in UNHCR’s Refugee Assistance Information System (RAIS) database as at June 2016.<sup>128</sup> If we assume that some 40,000 Syrians have tried to register annually since May 2015, then around 88% of Syrian refugees have been in Lebanon for 5 years or longer.

Many Syrians and Iraqis have been in Lebanon for decades, but have only registered with UNHCR as refugees more recently. Some 660 approached UNHCR seeking international protection during January-June 2017, but it is not evident that they were newly arrived to Lebanon. Rather, depleted savings and the difficulties in accessing work may have caused additional Iraqi residents already in the country to seek UNHCR assistance. A third (34%) of the even smaller segment of refugees from elsewhere have lived in Lebanon since before 2010, while around 500 have registered with UNHCR each year since.<sup>129</sup> Beginning to arrive only after the Syrian crisis in 2011, more than half of the Palestinian refugees from Syria (PRS) arrived in early 2013, and they have thus also been in Lebanon for around five years. Even refugees without prior connections, family ties or social networks in Lebanon would have integrated, having spent that long in a neighbouring country without language barriers.

We would thus expect the vast majority of the refugee populations in Lebanon to have assimilated to a large degree, and thus display similarities with the segment of low-income Lebanese nationals amongst whom they live. However, the restrictive and cumbersome systems in place for displaced FBRs to become and stay legal in Lebanon severely affect their ability to generate income from work to improve their resilience and integrate as contributors to the local economy, and these regulations differ among nationality segments.

#### **4.1.2 Localities and Mobility – Where are the Refugees and will they Stay there?**

The populations of refugees in Lebanon are relatively evenly distributed across the small country. While Lebanon is highly urbanised, there are significant regional inequalities in terms of access to public services, employment and infrastructure among its regions. The poorest and most underdeveloped areas – where rents are the lowest and where the majority of poor Lebanese therefore reside – are in the North, the Beqaa, the South, and in the Palestinian refugee camps.<sup>130</sup> Within these areas, some 82% of refugees mix with Lebanese nationals to form what has been called “contemporary socio-economic zonation”, i.e. neighbourhoods formed of households of mixed origin but with similar economic status in terms of income, or lack thereof.<sup>131</sup> Poor quality housing and infrastructure, overcrowding, and limited access to institutions and services (with the exception of UNRWA facilities in the Palestinian camps) characterise these neighbourhoods.<sup>132</sup>

For many displaced populations, the cost and availability of housing is the biggest determinant for where they settle. However, refugees will also initially settle where they perceive the most assistance and support to be available, and they are therefore likely to cluster in neighbourhoods where they have social networks through historical kinship, family, religious or work ties, and where they perceive the hosts to be most accommodating. Without dedicated refugee camps for Syrians in Lebanon, the complex and intertwined history of Syria and Lebanon plays a significant role in explaining why Syrian refugees displaced from different parts of Syria settle where they have in Lebanon, and internal movement across these typically confessional ‘borders’ inside the country have only been detected since 2013, possibly related to saturation of shelter, and employment in the preferred host areas.<sup>133</sup> About one third of Syrian refugees have settled in the relatively poorer governorates of Beqaa (36%) and the North (26%), while another 26% reside in Beirut and Mount Lebanon, and 12% live in the South.<sup>134</sup>

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<sup>127</sup> ILO: Assessment of the Impact of Syrian Refugees in Lebanon, op.cit. [https://www.ilo.org/wcmsp5/groups/public/---arabstates/-ro-beirut/documents/publication/wcms\\_240134.pdf](https://www.ilo.org/wcmsp5/groups/public/---arabstates/-ro-beirut/documents/publication/wcms_240134.pdf)

<sup>128</sup> <https://www.tandfonline.com/doi/full/10.1080/13642987.2017.1371140?src=recsys>

<sup>129</sup> UNHCR: VaRON, 2017, op.cit.

<sup>130</sup> <https://civilsociety-centre.org/paper/regional-differences-conditions-syrian-refugees-lebanon>

<sup>131</sup> R. Davis for the Institute for the Study of International Migration: Urban Refugees in Amman, Jordan, 2012.

<sup>132</sup> Ibid.

<sup>133</sup> <https://civilsociety-centre.org/paper/regional-differences-conditions-syrian-refugees-lebanon>

<sup>134</sup> <https://data2.unhcr.org/en/situations/syria/location/71>

Overall, **18% of the registered refugee population of all nationalities live in the 12 official Palestinian refugee camps and 156 informal ‘Gatherings’**,<sup>135</sup> adjacent to (extensions of) or separate from the official camps.

<b>Table 5</b>	All Palestinians	PRL	In %	PRS	In %
In 12 camps	87,384	78,897	43%	8,487	27%
In 156 gatherings	104,744	95,525	51%	9,219	29%
<i>Sub-total</i>	<i>192,128</i>	<i>174,422</i>	<i>94%</i>	<i>17,706</i>	<i>56%</i>
Self-settled urban	24,872	11,045	6%	13,827	44%
<b>Total est. pop.</b>	<b>217,000</b>	<b>185,467</b>	<b>100%</b>	<b>31,533</b>	<b>100%</b>

This includes some 89% of the estimated total Palestinian population, as illustrated in **Table 5**. The 2017 Census also identified 12,000 Lebanese, 28,300 Syrians and 1,300 people of other nationalities as residents of the Palestinian camps and gatherings.<sup>136</sup> While still labelled ‘camps,’ the majority of these settlements have evolved into communities or neighbourhoods with functioning markets and services, of which 50% are urban.<sup>137</sup> Lebanese government and security authorities, however, are absent from most of the official camps, and law enforcement is instead managed by Palestinian political factions and various armed groups.<sup>138</sup> The majority of camps and gatherings are in the Sidon and Tyre areas of South Lebanon, home to 51% of PRL and 47% of PRS. About a quarter (25% PRL and 22% PRS) live in the North, whereas Beirut is home to 13% of PRL and 9% of PRS; al Chouf (Mt. Lebanon) houses 7% of PRL and 11% of PRS, and the balance of 4% PRL and 11% PRS live in Beqaa.<sup>139</sup>

The vast majority of Iraqis (89%) and refugees from elsewhere (88%) reside in Beirut and Mt. Lebanon. Within these urban centres, most refugees are concentrated in Baabda, Alaaey, Chouf and El Meten districts. A segment of Iraqis probably reside in the more affluent quarters, but the majority of the registered refugees live in the poorer suburbs of Bourj Hammoud, Tariq al-Jadida, and Dahiye of Beirut and Mount Lebanon,<sup>140</sup> where it could be assumed that a large segment of the unregistered refugees and the migrant workers have also found shelter.

The majority of Syrians (66%) rent apartments or houses. Similarly, 96% of Iraqi refugees and 85% of refugees from elsewhere live in rented or owned accommodation, but the latter group, many of whom are single, often share accommodation to reduce costs, as is also common among migrant workers. About 15% of Syrians have found shelter in places not usually considered for residence, such as garages, outhouses and warehouses, or on construction sites, and some 19% live in the unrecognised and Informal Tented Settlements (ITS),<sup>141</sup> primarily in Baalbek-Hermel and in Beqaa.<sup>142</sup> The ‘no camp’ policy for Syrian refugees prohibits funding of interventions to upgrade the infrastructure of these informal tent settlements.<sup>143</sup>

Since 2001, when Decree 11614 was amended, Palestinian refugees have been excluded from the property ownership options otherwise available to foreigners in Lebanon, and they are prohibited from owning or passing property to children through inheritance. Some Palestinian property owners re-registered their homes in the name of Lebanese citizens (a spouse or relative) to secure it. Some ‘gatherings’ are constructed on land historically owned by the PLO and endowed to the Islamic Waqf in 2001 to increase safety of tenure, but others are built on occupied private or municipal land, with higher eviction risks. While 52% of Palestinian households in gatherings report to have constructed, purchased, or inherited a house, land tenure insecurity remains a deep-rooted vulnerability for PRLs.<sup>144</sup> This also limits their ability to provide physical collateral for bank loans.

For FSPs, a key perceived risk related to serving displaced populations is the fear that they will abscond without repaying a loan, and that unlike nationals, they cannot be easily traced, if they move. Globally refugees do tend to move more than the average national household, both across borders and internally in their host countries, but mobility is associated with economic opportunity (moving for jobs or trade business), costs (moving to cheaper accommodation), and social networks (maintaining contact to family and friends). However, increased mobility does not mean ‘disappearance,’ and the perceived ‘flight risk’ is not very evident among refugees in Lebanon. In 2018, **only 10% of Syrian refugees in Lebanon had changed accommodation in the previous six months** (compared to 12% in 2017). Another 7% of refugee households surveyed in 2018 were planning to move in the following six months, down from

<sup>135</sup> Congregations of 15 or more households with at least one Palestinian member.

<sup>136</sup> LPDC: Population and Housing Census, 2018, op.cit., from where the data in Table 5 are also calculated.

<sup>137</sup> UNDP: Assessing Vulnerability in Palestinian Gatherings, 2018, op.cit. and [https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms\\_236502.pdf](https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_236502.pdf)

<sup>138</sup> [https://www.unrwa.org/sites/default/files/lebanon\\_protection\\_brief\\_october\\_2017.pdf](https://www.unrwa.org/sites/default/files/lebanon_protection_brief_october_2017.pdf)

<sup>139</sup> Ibid.

<sup>140</sup> UNHCR: VaRON 2017, op.cit.

<sup>141</sup> [https://www.urban-response.org/system/files/content/resource/files/main/WURSHIJL\\_final\\_report\\_online.pdf](https://www.urban-response.org/system/files/content/resource/files/main/WURSHIJL_final_report_online.pdf)

<sup>142</sup> UNHCR: VaSYR, 2018, op.cit.

<sup>143</sup> ILO: Assessment of the Impact of Syrian Refugees in Lebanon and their Employment Profile, 2013.

<sup>144</sup> UNDP: Assessing Vulnerabilities of Palestinians, 2018, op.cit.

10% in 2017, and primarily west from Beirut and Mount Lebanon to find cheaper accommodation as an economic coping mechanism.<sup>145</sup> As a large proportion of all refugees in Lebanon, but non-Syrians in particular, do not have legal residency (see below), the risk of arrest and detention would limit their freedom of movement in the country,<sup>146</sup> and they are unlikely to move unless necessary.

Nearly all refugee populations have and use mobile phones. However, using mobile phones in Lebanon comes at steep costs, not least because Lebanon's two mobile phone operators, Alfa and Touch, require users to top up their SIM cards monthly on penalty of losing their numbers. Topping up costs a minimum of 9 USD (Alfa) or 11 USD (Touch) but often more. In 2017, Syrian refugee households spent at least USD 23/month on their phones. Crucially, an active Lebanese phone number is necessary to renew the UNHCR registration, and refugees who lose their phone numbers may be de-registered, and lose access to humanitarian aid. Thus, the lack of an active phone number is a sign of great vulnerability and should be treated as such by FSPs. Conversely, the cell phone number is a precious commodity for refugees, but the commercial practice of requiring a new SIM (number) if a top up payment is missed, causes **more refugees in Lebanon than elsewhere to have to change phone numbers**. UNHCR-registered refugees can call the UNHCR help-line to report their new phone number (which FSPs could receive, if a Data Sharing Agreement would be signed with UNHCR). Many registered refugees maintain an active Lebanese number in order to receive communications from UNHCR (by SMS) while they rely on WhatsApp for other connections. WhatsApp does not require a Lebanese SIM card but can be used with a far more affordable Syrian SIM card and operated through Wi-Fi.<sup>147</sup> The Syrian SIM card/phone number may be less at risk of change, especially for refugees living close to the Syrian border, and **FSPs should therefore consider communicating with refugee clients through WhatsApp or Viber rather than SMS**.

Refugee entrepreneurs exploit transnational networks to trade, and their livelihood strategies often span both host communities and their community of origin.<sup>148</sup> In 2014, 44% of surveyed Syrian refugees in the region reported going to Syria to visit family members, check on property, or to harvest crops. Trade motivated a smaller proportion of Syrians to visit their home,<sup>149</sup> and some Iraqis also travelled to see to their business at home. While refugees may travel more than nationals, they consistently return to the host location established as a safe base for their families. FSPs can develop and **include indicators of such 'location stability' in appraisal processes**, including e.g. pre-paid rental contracts, business operations, children in local schools, and membership of local associations and business networks.

Resettlement to third countries is a so-called durable solution, but is only provided to a very few. UNHCR referred 81,310 refugees for resettlement in 2018, of whom 28,200 were Syrians, but only 9,800 refugees from Lebanon, or less than 1% of refugees, were actually resettled in 2018.<sup>150</sup> FSPs can **ask for and verify refugees' applications for resettlement** at the time of appraisal to mitigate this potential risk.

Between 2016 and March 2019, a total of 156,932 Syrian refugees were verified by UNHCR to have returned to Syria, some 34,562 (3.6% of the refugee population) from Lebanon.<sup>151</sup> Some believe that more stability and less violence within Syria would serve as a preamble to large-scale return, which is of concern to FSPs with outstanding loans. Others argue that access to financial services would make refugees stay in the host country longer, and therefore should not be provided. A third argument is that deprivation and exclusion will drive refugees to go home. Neither of these three perceptions are supported by evidence.

Recent studies demonstrate that absence of fighting in the home country is rarely a singular trigger for the decision by refugees to return. Numerous other factors count in this decision, including improved security and socio-economic conditions in home area, access to property and assets, and the availability of key services and restitution. Refugees have their own rational calculus of mobility, usually employing a gradual approach of sending some family members home to assess the property, assets and services available, while **income generation in the host country will be continued by others in order to build up savings for an eventual return**.<sup>152</sup> Better living conditions and access to services may affect the decision on where to settle if there are options, but do not reduce the likelihood of return, especially not for poorer households. In fact, poverty appears to *constrain* return.

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<sup>145</sup> UNHCR: VaSYR, 2018, op.cit.

<sup>146</sup> UNHCR: VaRON 2017, op.cit.

<sup>147</sup> [https://www.clingendael.org/sites/default/files/2018-07/PB\\_Mobile\\_phones\\_July\\_2018.pdf](https://www.clingendael.org/sites/default/files/2018-07/PB_Mobile_phones_July_2018.pdf)

<sup>148</sup> Humanitarian Innovation Project: Refugee Economics – Rethinking Popular Assumptions, University of Oxford, June 2014.

<sup>149</sup> World Bank and UNHCR: The Welfare of Syrian Refugees, op. cit.

<sup>150</sup> [https://www.developmentaid.org/#!/news-stream/post/38610/less-than-5-per-cent-of-global-refugee-resettlement-needs-met-last-year?utm\\_source=Newsletter&utm\\_medium=Email&utm\\_campaign=NewsDigest](https://www.developmentaid.org/#!/news-stream/post/38610/less-than-5-per-cent-of-global-refugee-resettlement-needs-met-last-year?utm_source=Newsletter&utm_medium=Email&utm_campaign=NewsDigest)

<sup>151</sup> [https://data2.unhcr.org/en/situations/syria\\_durable\\_solutions](https://data2.unhcr.org/en/situations/syria_durable_solutions)

<sup>152</sup> <https://reliefweb.int/report/jordan/six-years-exile-challenges-and-coping-strategies-non-camp-syrian-refugees-jordan-and>

**Box 1: Nationality vs. stability?**

Some Lebanese returnees from Syria present almost the same level of vulnerability as Syrian refugees, and have not fared much better in trying to secure livelihoods in Lebanon. Despite enjoying full rights to work and certain public services, returnees are often not able to integrate. Overall, 53% of Lebanese returnee households surveyed in 2014 expressed the intent to return to Syria whenever possible in the future, while only 32% wished to settle in Lebanon. In Akkar, 74% of households planned to return to Syria, compared to 51% in the Beqaa. It is not evident that nationality matters much for increased stability.

Source: <https://www.iom.int/files/live/sites/iom/files/Country/docs/IOM-Lebanon-LH-Assessment-November-2014.pdf>

In Lebanon, 63% of the Syrian refugees registered with UNHCR consider safety and stability in Syria as the most important reason for opting to return, whereas the cost of living in Lebanon also plays a part for 28%. Conversely, **exclusion from services and livelihoods does not induce a decision to return**.<sup>153</sup> Not even citizenship may be enough for refugees to stay in exile (see **Box 1**). Knowing this, FSPs can actually ‘self-insure’ against the perceived flight risk by serving refugees and help them to sustain a livelihood while in exile.

#### 4.1.3 Legal Status in Lebanon – Can Refugees be verified as Legal Residents?

Being legally resident in Lebanon is a prerequisite for a modicum of personal protection for FBRs, more so for refugees. Legal status also has a profound impact on the ability of FBRs in Lebanon to be well served by FSPs, both on the demand and the supply side. Personal identification is necessary to obtain a residency permit. Without legal documentation of residency, the free movement of FBRs is restricted, as they are at risk of arrest, detention, and for some, deportation, if stopped at checkpoints. This increased risk makes them less likely to

engage in economic activities, and their access to public services (health, education for their children, etc.) is curtailed. Without documentation of legal stay, FBRs are also often unable to access formal financial services. From a supply side perspective, licensed FSPs supervised by the BCC are unable to serve FBRs who do not have a valid personal ID document and documentation that they are legally in the country.

All foreigners in Lebanon must be in possession of **personal ID** (passport or an accepted national ID card) and a valid **visa or residency permit (iqama)**, issued by the Ministry of Interior’s General Directorate for General Security (GSO for short) in order to reside legally in the country. Based on the “Law Regulating the Entry for Foreign Nationals into, their Residence In, and their Departure from Lebanon,” issued with order No. 319 of 1962,<sup>154</sup> temporary residency permits are issued for 6 or 12 months, while ‘permanent’ residency permits are valid for three years, and both are generally renewable (see **Annex 1**). In addition, most FBRs need a **work permit** issued by the Ministry of Labour (MoL), if they want to work legally in Lebanon (see **Annex 2**). However, a plethora of regulations and directives issued by various authorities results in an extremely complicated and changeable regime for permits, which varies among FBRs according to their reasons for residing in Lebanon and to some extent their nationality, as well as with the uneven interpretation and capacity for implementation of the regulations across government offices. The application process is cumbersome and expensive for most FBRs, and especially difficult for Syrians and PRS.

**Most forcibly displaced people in Lebanon do have personal identification papers**, either in the form of passports or national IDs from Syria, Iraq or elsewhere, and at least the Syrian national ID card is recognised as valid personal ID in Lebanon. The **identity of refugees registered with UNHCR can be validated** against their RAIS database, if FSPs sign a Data Sharing Agreement. However, some 22% of Syrian and up to 61% of Iraqi residents in Lebanon have not registered with UNHCR as refugees, either due to a lack of need or interest. They could well have passports, and e.g. investor visas, but this data is not publicly available.

The vast majority of PRLs is registered either with UNRWA or the MoL and hold an officially recognised ‘Identification Card for Palestine Refugees,’ which also serves as a residency permit.<sup>155</sup> Only some 3,000-5,000 PRL were estimated to be without ID documents (stateless) in 2014,<sup>156</sup> despite the 2008 agreement between the government and the Palestine Liberation Organization to provide temporary ID cards to these so-called “non-ID” Palestinian refugees,<sup>157</sup> following a process which is still listed on the GSO website.<sup>158</sup>

<sup>153</sup> WBG and UNHCR: The Mobility of Displaced Syrians – An Economic and Social Analysis, 2019.

<sup>154</sup> [https://www.unodc.org/res/cld/document/lbn/1962/order\\_no\\_319\\_regulating\\_the\\_status\\_of\\_foreign\\_nationals\\_in\\_lebanon\\_en\\_html/Order\\_no\\_319\\_EN\\_excerpts.pdf](https://www.unodc.org/res/cld/document/lbn/1962/order_no_319_regulating_the_status_of_foreign_nationals_in_lebanon_en_html/Order_no_319_EN_excerpts.pdf)

<sup>155</sup> UNHCR: The Situation of Palestinian Refugees in Lebanon, 2016, op.cit.

<sup>156</sup> <http://www.aidoun.org/en/wp-content/uploads/2014/01/No-ID-E.pdf>

<sup>157</sup> Migration Policy Centre: Migration Profile: Lebanon, op.cit.

<sup>158</sup> <http://www.general-security.gov.lb/en/posts/90>

However, the **majority of other refugees in Lebanon do not have a valid residency permit**, and even fewer have a work permit. The sub-segment of PRS face severe restrictions on access to legal stay, and are generally not issued with ID, residency permits, nor travel documents by the Lebanese authorities. As at September 2016, **some 40% of PRS did not have valid residency permits in Lebanon**.<sup>159</sup> Following the introduction of GSO restrictions on access to residency permits for Syrians, only 39% of Syrian households surveyed in 2018 reported that at least one adult had a valid residency document, down from 45% in 2017. Overall, only **27% of surveyed, UNHCR-registered Syrian refugees above 15 years of age had legal residency documents** in Lebanon, most residing in the South (38%) and least in Akkar (6%) and Beqaa (10%).<sup>160</sup> The 2015 GSO Directive was challenged in Lebanon's highest administrative court, and in February 2018, the State Council annulled the Directive, ruling that the 1993 bilateral agreement with Syria on free movement of goods and people should take precedence.<sup>161</sup> Despite this landmark ruling, it remains unclear if any changes have been implemented in the past year.

Asylum-seekers and refugees from elsewhere than Syria and Palestine can obtain a registration letter from UNHCR, but the **UNHCR documentation is not formally recognised by the Lebanese government** as a legal alternative to residency permits, and does not exempt refugees or asylum-seekers from penalty fees or detention associated with irregular entry or a lack of legal residency in Lebanon.<sup>162</sup> In addition, student visas, for which foreigners can normally apply in Lebanon, are not issued to nationals from Iraq, Pakistan, Afghanistan, India, Sri Lanka, Philippine, Sudan, Egypt, Bangladesh, or Somalia,<sup>163</sup> and the USD 200 residency permit fee has not been waived for refugees from countries other than Syria and Palestine. Unsurprisingly, therefore only **9% of Iraqi refugees surveyed in 2017 reported to have a valid residency permit. Similarly, 28% of the small group of refugees from elsewhere** over 15 years of age had legal residency papers in 2017.<sup>164</sup>

FSPs requiring clients to document legal stay in order to access finance must thus limit their outreach to the 40% of the potential market of forcibly displaced adults resident in Lebanon, and the current barriers to legal residency may cause around nearly 329,000 registered refugees to be financially excluded. If we assume that the proportion of registered refugees with residency permits in 2017-18 is the same for the entire estimated adult population of displaced FBRs in Lebanon (recognising the overlap with non-refugees), nearly 462,000 adults or 67% of the displaced do not have legal proof of stay in the country, as illustrated in **Table 6**. Of those refugees with legal proof of residence, a little more than 1% had access to the formal labour market in the form of a work permit in 2017, most among Iraqis. Overall, the lack of a residency permit is considered more critical than lack of a work permit for both FBR employees and the firms that hire them.<sup>165</sup> Currently, **the lack of access to legal proof of residence is the greatest hindrance for increased financial inclusion of refugees in Lebanon**.

	A	B (% of A)	C (% of B)	D (% of A)	E (% of C)
	Tot. est. adult pop.	With UN/GoL registration	<i>of whom</i> , with GSO residency permits	Est. total adults without legal residency	With MoL work permit, 2017
Syrians	511,530*	399,572 (78%)	103,310 (27%)	408,220 (80%)	1.3% (1,776)
Palestinians	141,918	139,300 (98%)	121,520 (86%)	20,098 (14%)	0.7% (890)
PRL	121,295	118,675 (98%)	118,675 (100%)	2,620 (2%)	0.8% (890)
PRS	20,623	20,623 (100%)	2,845 (14%)	17,478 (86%)	0%
Iraqi	30,000**	11,593 (39%)	1,043 (9%)	28,958 (97%)	6.1% (165)
Other nat.	2,442	2,442 (100%)	685 (28%)	1,757 (72%)	n.a.
<b>Total</b>	<b>685,890</b>	<b>552,905 (81%)</b>	<b>226,560 (41%)</b>	<b>461,653 (67%)</b>	<b>1.2% (2,831)</b>
*UNDESA estimated 1,209,286 Syrians residents in Lebanon in 2017, of whom 42.3% were 19-64 yrs of age <a href="https://migrationdataportal.org/data?i=stock_refug_abs_&amp;t=2017&amp;cm49=422">https://migrationdataportal.org/data?i=stock_refug_abs_&amp;t=2017&amp;cm49=422</a> (including non-refugees).					
**Est. total of 50,000 Iraqis, of whom 60% are 18-64 years. There is likely a number of unregistered refugees from other countries in Lebanon as well, but no estimates on their numbers could be found.					

<sup>159</sup> [https://www.unrwa.org/sites/default/files/lebanon\\_protection\\_brief\\_october\\_2017.pdf](https://www.unrwa.org/sites/default/files/lebanon_protection_brief_october_2017.pdf)

<sup>160</sup> UNHCR: VaSYR, 2018, op.cit., p. 170.

<sup>161</sup> State Council Decision no. 421 of 2017-2018 issued on February 8, 2018. <http://legal-agenda.com/en/article.php?id=4286>

<sup>162</sup> <https://www.tandfonline.com/doi/full/10.1080/13642987.2017.1371140?src=recsys>

<sup>163</sup> <http://www.general-security.gov.lb/en/posts/238>

<sup>164</sup> UNHCR: VaRON, 2017, op.cit.

<sup>165</sup> RAND Corporation: [https://www.rand.org/pubs/research\\_reports/RR2653.html](https://www.rand.org/pubs/research_reports/RR2653.html)

<sup>166</sup> Calculations based on data from UNDESA: [https://migrationdataportal.org/data?i=inflow\\_total&t=2016&cm49=422](https://migrationdataportal.org/data?i=inflow_total&t=2016&cm49=422), UNHCR: VaSYR 2018 and VaRON 2017, UNDP: Assessing Vulnerabilities, 2018, and MoL work permit data, 2017.



#### 4.1.4 Socio-Economic Characteristics of Refugees – How Different are they?

FSP staff finds it challenging to appraise potential FBR clients, as they are ‘unknown.’ Despite the lack of familiarity, perceptions about refugees being financially (or generally) illiterate, too poor to serve, and/or otherwise unbankable abound. To familiarize FSPs with the new potential client segments, the following section seeks to present some core characteristics of the refugee populations in Lebanon, mindful of the fact that the data presented is compiled from several different, often sample-based, sources, and should be interpreted with care. As much as possible, the similarities and differences between Lebanese and refugee segments are highlighted to help FSPs compare indicators of potential success as FSP clients.

As illustrated in **Table 7**, the demographics of the three main subgroups of (Arabic-speaking) refugees in Lebanon do not differ markedly from the core microfinance clientele of low-income Lebanese, which is unsurprising, given the cultural similarities across the neighbouring countries of origin. Palestinian and Syrian refugee households tend to be slightly larger than Lebanese, whereas refugees from other countries, who are more typically single, therefore also have lower dependency ratios.

<b>Table 7: Tentative Comparatives among sub-segments of the poor populations in Lebanon</b>						
	Lebanese LI = low income (USD 450/m/p)	Palestinian refugees including PRS		Syrian refugees		Iraqi/other refugees
		In camps	Self-settled (including in gatherings)	Self-settled/ overall	In gatherings/ ITSs	
Median age of population (or HHs)	29	31	26.5	29	22.4	44/36
% 18-59 years of total population	62%	65%	65%	44%	42%	60%/78%
Gender ratio (males per female)	0.98	0.99	0.99	1.02	1.06	0.83/0.87
Size of HH	4.0	4.5	4.4-4.9	4.9	5.4	3.8/1.7
Dependency ratio	0.43	0.5	0.6	1.02	0.76	0.65/0.29
% adults +15 married	44%	56%	62%	35%	33%	
% Female-headed HHs	15%	21%	13%	18%	15%	12%/17%
Sources: CAS (2007) and Cross-Sectoral Formative research KAP study, Nov 2017 for Lebanese and Syrians in ITS; World Bank data, UNHCR: VaSYR 2018, VaRON 2017, UNDP: Assessing Vulnerabilities in Palestinian Gatherings; UNRWA, and ILO.						

The Syrian refugee population is younger overall, with higher dependency ratios (more children), and the youngest seem to congregate in gatherings or ITS. There is a higher percentage of female-headed households among Palestinian camp residents. Both Palestinians and Syrians seem to marry slightly younger, which could be economically driven.

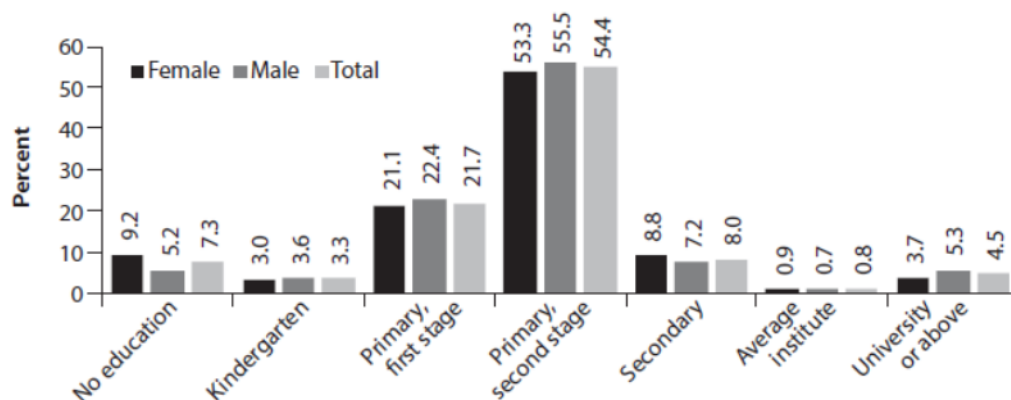
##### 4.1.4.1 Education Levels

Among Lebanese, the literacy rate is 91% (2009), and the gross enrollment in tertiary education was 38% in 2017.<sup>167</sup> Sample-based surveys of the lower-income Lebanese population, however, suggests that access to tertiary education is constrained by finance also for Lebanese households. Iraqi refugees have educational attainments similar to Lebanese, whereas the attainments for Palestinian refugees is catching up, especially in camps and settlements, due to the UNRWA schools and educational support. In comparison, Syrians have had less schooling, and among them, Syrian women have had access to less education than men, as illustrated in **Figure 2**. However, education level does not majorly affect access to employment for Syrians, likely because the jobs available are mostly in low-skilled sectors.<sup>168</sup> In addition, formal educational attainment is not necessarily a determinant for successful performance as a microfinance client.

<sup>167</sup> <http://datatopics.worldbank.org/education/country/lebanon>

<sup>168</sup> [https://reliefweb.int/sites/reliefweb.int/files/resources/LabourMarketAssessmentReportFinal\\_tosubmit.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/LabourMarketAssessmentReportFinal_tosubmit.pdf)

Figure 2: Educational Attainment of Syrian Refugees (5 years and older) in Lebanon by gender, 2014 (%)<sup>169</sup>



As presented in **Table 8**, the educational profiles of Syrians and Palestinians in Lebanon do not differ significantly, and several FSPs have served PRLs successfully for years. For all nationalities, lower educational levels affect particularly older women, while younger age groups have attained higher levels of education. However, as is the case for Lebanese youth, the **return on education in terms of job opportunities is low**, given the restricted labour market and the moderate to high unemployment rates. This has driven migration by Lebanese youth for many years, but for refugee populations, migration is not an immediate option.

	Lebanese	Palestinian refugees		Syrian refugees		Iraqi/other
		In camps	Self-settled (including in gatherings)	Self-settled/overall	In gatherings/ITSs	
No formal education	9%	12%	13%/16% f	13%	12%/18% f	3%/33%
Completed primary	53%	53%	61%	57%	47%/37% f	48%/34%
Completed secondary/voc.	20%	15%	15%/14% f	8%	10%	28%/15%
Completed tertiary	18%	8%	9%	4%	4%	18%/8%

In 2018, **one third (31%) of Syrian young people in Lebanon (age 19-24) explained their lack of school attendance with a need to work**. Young men in particular thus engage economically to contribute to their family livelihoods, and among them, there may be demand for credit to start-up informal businesses and/or for salary-guaranteed consumer loans. A higher percentage (39%), primarily of young women, reported marriage as a reason for not pursuing education – a trend seen consistently across the MENA region. However, there is also a significant segment of inactive refugee youth in Lebanon. 61% of Syrian refugees aged 15 to 24 were not employed, not in education, and not attending any training (NEET), the highest percentages in Beqaa (70%), Baalbek-Hermel (68%) and Mount Lebanon (62%). The NEET rate is higher for female youth (79%) than for males (41%), and higher among youth 19 to 24 years of age (67%) than for younger adolescents.<sup>171</sup>

#### 4.1.4.2 Economic Participation

The overall labour market participation rates of Lebanese, Syrians and Palestinians do not markedly differ; around 70% for men and 16-20% of women are employed or are seeking work,<sup>172</sup> as illustrated in **Table 9**. Iraqi refugees reported a significantly lower participation rate overall (41-44%) in 2017, but significantly higher for women, possibly related to the higher barrier to legal residency that they face, and/or the higher level of affluence, or remittances received by this sub-segment.

<sup>169</sup> World Bank and UNHCR: The Welfare of Syrian Refugees, op.cit.

<sup>170</sup> Data compiled from [https://www.unrwa.org/sites/default/files/content/resources/survey\\_on\\_the\\_economic\\_status\\_of\\_palestine\\_refugees\\_in\\_lebanon\\_2015.pdf](https://www.unrwa.org/sites/default/files/content/resources/survey_on_the_economic_status_of_palestine_refugees_in_lebanon_2015.pdf), Central Administration of Statistics (CAS): Population and Housing in Lebanon, April 2012, UNHCR: VaSYR 2018 and VaRON 2017, ILO: Assessment of the Impact of Syrian Refugees, 2013, op.cit., and UNICEF: Cross Sectoral Formative Research – Knowledge Attitude and Practice (KAP) Study, November 2017.

<sup>171</sup> UNHCR: VaSYR, 2018, op.cit.

<sup>172</sup> Later sample-based surveys suggest a higher economic activity rate among FBRs at 92% for men and 30% for women. See [https://www.rand.org/pubs/research\\_reports/RR2653.html](https://www.rand.org/pubs/research_reports/RR2653.html)

Table 9: Tentative Comparatives among sub-segments of the populations in Lebanon <sup>173</sup>						
	Lebanese	Palestinian refugees		Syrian refugees		Iraqi/other
		PRL	PRS	Self-settled/ overall	In gatherings/ ITSS	
Labour market participation rate	48%	42%	38%	43%	21-40%	25%/52%
Men	66%	69%	66%	73%		43%/48%
Women	24%	17%	14%	16%		41%/15%
Self-employed	30%/14% f	20%, 12% f	16%		36-45%	
Unemployed	11%, 18% f	21%/32% f	49%/68% f	35%/ 61% f		
% HHs w/ min. 1 at work	85%	76%	67%	68%	83%	65%/69%
% adults w/ WP	n.a.	6%	1%	0.2%	0.2%	6.1%/
% adults by sector:						
* Public (adm, educ, health, army)	54%	0.7%*	2.3%*			
* Private, formal	11%, 7% f	13.6%	1%, 12% f	1%		
* Private, informal	3%, 5% f	85%	87%, 82% f	80%, 85% f		
* Own/family business		18%	7%	10%	36-45%	
% adults in jobs as:						
Professionals	32%, 33% f	8.5%	2.9%		2%	
Technicians/clerks	17%, 17% f	10%	4.7%	4%	3%	
Service/sales	11%, 19% f	13.4%	11%	10%, 4% f	10%	
Crafts/trade	34%, 5% f	29.7%	33.5%		18-20%	
Agriculture/elementary	13%, 20% f	36.4%	47%	32%, 48% f	14%	
% adults in sectors:						
Education/health			13% f			
Agriculture	7%, 6% f		10%	22%, 38-55% f		
Trade/services	69%, 86% f		27%, 64% f	24%, 8% f		
Construction	9%		25%	32%, 1% f		
Manufacturing	13%, 8% f		14%	8% m		
Other/merial				11% m		
% women w/ HBB	14%	12%	10%		36%	
The labour market comprises people who are employed or temporarily absent from work, and those who are unemployed but want to/are actively seeking to work, and would be able to take a job if offered.						
* An additional 8% of PRL and 2.3% of PRS work for UNRWA or NGOs.						

To work formally, most FBRs, including refugees, and even PRLs, **are obliged to obtain an annually renewable MoL work permit**,<sup>174</sup> in the sectors open to foreigners (See **Annex 2**). The public sector and some 37 private professions regulated by professional syndicates remain barred for FBRs, including e.g. lawyers, journalists, taxi drivers, hairdressers and real estate agents.<sup>175</sup> Formal employment require FBRs and their employers to contribute to the National Social Security Fund (NSSF), but refugees (including PRLs) cannot benefit from the NSSF sickness or maternity benefits, nor the family allowances.<sup>176</sup> Resident FBRs that work on their own account **require an ‘employer permit.’**

With a permit and NSSF registration, PRLs can access some 70 professions and jobs,<sup>177</sup> and since 2010, PRL employees in semi- or unskilled job categories have been exempted from paying the work permit *fee*.<sup>178</sup> PRS, Iraqi and refugees from elsewhere must obtain a work permit with a *kafala* contract in ‘unprotected’ sectors, and pay the applicable fees, as must Syrian nationals who want to be formally employed outside of the three sectors open to ‘the displaced:’ agriculture, construction, and cleaning (environment). Despite some inconsistencies in the interpretation of the regulations, however, it seems that **Syrian refugees** who were registered with UNHCR in May 2015, renewed their residency based on this registration at least once, and did not seek a residency permit renewal under any other GSO

<sup>173</sup> Data compiled from [https://www.unrwa.org/sites/default/files/content/resources/survey\\_on\\_the\\_economic\\_status\\_of\\_palestine\\_refugees\\_in\\_lebanon\\_2015.pdf](https://www.unrwa.org/sites/default/files/content/resources/survey_on_the_economic_status_of_palestine_refugees_in_lebanon_2015.pdf), CAS: Population and Housing in Lebanon, April 2012, UNHCR: VaSYR 2018 and VaRON 2017, ILO: Assessment of the Impact of Syrian Refugees, 2013, op.cit., and UNICEF: KAP Study, 2017, op.cit.

<sup>174</sup> KNOMAD: Refugees’ Right to Work and Access to Labor Markets – An Assessment, 2016, op.cit.

<sup>175</sup> N. Iskandar Diab and T. Mallat: “Lebanon” in Yearbook of Islamic and Middle Eastern Law, op.cit.

<sup>176</sup> [https://www.unrwa.org/sites/default/files/content/resources/survey\\_on\\_the\\_economic\\_status\\_of\\_palestine\\_refugees\\_in\\_lebanon\\_2015.pdf](https://www.unrwa.org/sites/default/files/content/resources/survey_on_the_economic_status_of_palestine_refugees_in_lebanon_2015.pdf)

<sup>177</sup> UNDP: Assessing Vulnerabilities of Palestinians, 2018, op.cit. and UNRWA: [https://www.unrwa.org/sites/default/files/2017\\_employment\\_of\\_palestine\\_refugees\\_in\\_lebanon\\_-\\_arabic\\_and\\_english\\_ve.pdf](https://www.unrwa.org/sites/default/files/2017_employment_of_palestine_refugees_in_lebanon_-_arabic_and_english_ve.pdf)

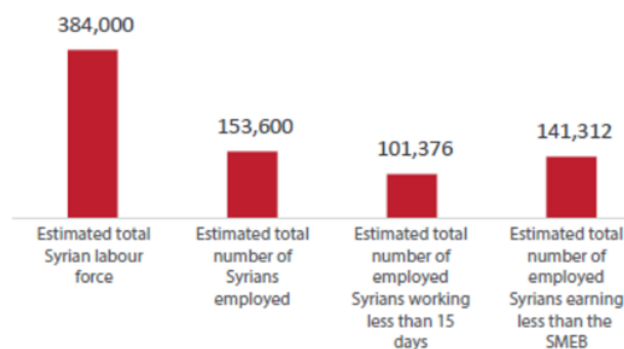
<sup>178</sup> LPDC: Population and Housing Census, 2018, op.cit

category, are exempt from the work permit requirement, if they have a valid (“humanitarian”) residency permit. In effect, UNHCR serves as their *kafeel* (sponsor), but only for work in the three permitted sectors.<sup>179</sup>

Lebanese citizens and those FBRs who have legal right to formal work (residency and work permits) and can find employment, can make a living wage (the minimum wage is LBP 675,000 (USD 450) per month), but formal, secure jobs are scarce. The overall unemployment rate in Lebanon was estimated at 11% in 2013, but higher at 18% for women and 34% of youth - and significantly higher for refugees, especially among PRS. As most jobs available to foreigners, and refugees in particular, are informal and few have a contract, the regulations for work permits have little practical relevance. In a 2017 survey asking refugees “What could aid agencies do to enable you to live without aid in Lebanon?” 59% answered ‘job opportunities’ and 31% answered ‘residence permit.’<sup>180</sup>

**Figure 3: Displaced Syrians at work in Lebanon, 2017**

(ILO estimates on registered and unregistered Syrians)



In 2017, it was estimated that the total labour force of Syrian refugees in Lebanon, including those not registered by UNHCR, comprised 384,000 people, of whom some 153,600 were employed, as per **Figure 3**.<sup>181</sup> This would suggest that 75% of all Syrian adults in Lebanon are economically active.

**Among UNHCR-registered Syrian refugees, 68% of households had at least one working member in 2018**, up nearly four percentage points since 2017.<sup>182</sup> However, only 27% of employed Syrian refugees reported having regular (full time) work in 2018 – most (54%) in Beirut and lowest at 20% in Beqaa, and as a consequence, around 17% (18% of men and 11% of

women) had more than one job.<sup>183</sup> While Syrian refugees in particular thus display a tenacious willingness to work, and are relatively confident that employers are willing to hire them, the cost of (finding a *kafeel* for) legal papers, fears that working will get them into trouble with the government or the police, and fears that a job may result in their humanitarian assistance being cut off, are prevalent.<sup>184</sup> However, more than **half of Syrians (65%), Iraqis and refugees from elsewhere get their primary income from work**.

The composition of the Syrian workforce inside Syria before the crisis was different from that of Lebanon, but early study conclusions<sup>185</sup> that Syrians may therefore not be qualified for available jobs in Lebanon are questionable. While 45% of Syrians now displaced to Beirut and Mount Lebanon occupy jobs that they are familiar with from home, Syrians with higher qualified previous jobs, such as engineering, finance or education, are either unemployed or have been compelled to move to low-pay jobs in low-skill sectors, or to self-employment in the informal sector<sup>186</sup> – a pattern which is also not uncommon among highly educated Lebanese youth and Lebanese returnees (see **Box 2**).

In 2013, 45% of surveyed Syrian refugee workers in Lebanon were occupying unskilled jobs, such as agricultural workers, building caretakers, drivers, and domestic workers. **Around 43% held semi-skilled jobs, such as carpeting, metal works, and food processing, typically as self-employed**. 4% of Syrians were skilled workers, occupying professional positions in 2013.<sup>187</sup> More current breakdown of working Syrian refugees in Lebanon vary significantly among research sources and samples, possibly also due to the widespread misreporting by firms who are employing Syrians outside of the three permitted sectors.

<sup>179</sup> Lebanon Support: Formal Informality, Brokering Mechanisms, op.cit. MoL Resolution 1/197 redefined a long list of professions open only to Lebanese, and explicitly states that Syrians are allowed to work in the agriculture, construction, and cleaning sectors. In December 2015, the MoL Resolution (218/1) also allowed Syrians to work in the environment sector (which includes cleaning services). KNOMAD: Refugees' Right to Work and Access to Labor Markets – An Assessment, 2016, op.cit.

<sup>180</sup> Mixed Migration Platform: Refugee Perceptions in Lebanon, Survey Round Two, 10 August, 2017.

<sup>181</sup> <https://www.unhcr.org/lb/wp-content/uploads/sites/16/2018/04/LCRP-EN-2018.pdf> p. 113, from where Figure 3 is taken.

<sup>182</sup> UNHCR: VaSYR 2018.

<sup>183</sup> Ibid.

<sup>184</sup> RAND Corporation: Opportunities for All: Mutually Beneficial Opportunities for Syrians and Host Countries in Middle Eastern Labor Markets, 2018 [https://www.rand.org/pubs/research\\_reports/RR2653.html](https://www.rand.org/pubs/research_reports/RR2653.html)

<sup>185</sup> E.g. World Bank and UNHCR: The Welfare of Syrian Refugees, op.cit.

<sup>186</sup> [https://reliefweb.int/sites/reliefweb.int/files/resources/LabourMarketAssessmentReportFinal\\_tosubmit.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/LabourMarketAssessmentReportFinal_tosubmit.pdf)

<sup>187</sup> ILO: Assessment of the Impact of Syrian Refugees, 2013, op.cit.

Overall, however, about one third of men are reported to work in construction, a fifth in agriculture, 8% in manufacturing and 16% in services, while Syrian refugee women work primarily in agriculture (55%) and in services, including in professional jobs (8%). By comparison, 46% of Lebanese workers were engaged in services, and around a third (27%) worked in trade.<sup>188</sup>

Social networks are critical to finding employment. As could be expected, Syrians who worked in Lebanon before 2011 have greater chances of finding jobs as refugees.<sup>189</sup> PRLs with their much longer tenure in Lebanon also have strong networks, which Palestinians from Syria, Iraqis, and other refugees lack. While much of the public discourse centres on the labour competition faced by nationals, studies have documented how competition among FBRs is even more intense.<sup>190</sup> Whether employed with a work permit (under the kafala-system) or informally, FBRs face occasional exploitation by employers. Although informally employed Lebanese workers face many of the same challenges, findings show that FBR workers are generally being paid less, have to work more, and are offered poorer conditions than Lebanese working in the same sector. As such, the economic return on employment (in terms of impact on welfare) for refugees is low.<sup>191</sup>

In this challenging market, the comparatively high percentage of self-employment is unsurprising. 30% of the male Lebanese workforce were self-employed in 2010 (but only 14% of women), and while the percentage is lower for refugees, it is not insignificant. **In the**

**Palestinian gatherings, 15% of residents were self-employed in 2018**, and additional 6% employ others,<sup>192</sup> but 15% of all households rely on remittances or humanitarian cash transfers as the main form of income. PRLs are more likely than others to have work or home-based businesses as their main source of income, but clearly, not all work or business activity generate sufficient income.

Self-employed refugees engage mainly in work they are familiar with from home, and seek out niche markets in the host country, typically for products and services from home, missed by other compatriots. Although there are few products and services specific to Syria that are not already available in Lebanon, Syrians have opened grocery stores, small catering business, oriental sweets and pastry or coffee shops, ice cream parlours, hair salons and tailoring businesses.<sup>193</sup> About one third (29%) of the Syrian-owned businesses are in Beirut and Mt. Lebanon, and many of these form old, well-integrated parts of the business community, and are not directly associated with the refugee influx.

However, **66% of the estimated stock of informal businesses run by Syrians were opened during 2011-2014**, as compared to only 29% of Lebanese-owned firms having been started in this period.<sup>194</sup> In the North and in Beqaa, Syrians managed 13% of informal businesses opened between 2011 and 2014 compared to 5% between 2004 and 2010, whereas a MoET survey in 2013 identified 54% of all informal Syrian businesses to be located in the Beqaa and 9% in the North,<sup>195</sup> providing handicrafts and semi-skilled services, such as carpentry, welding, mechanics, and repairs.<sup>196</sup> Another study found 380 enterprises in the Beqaa run by Syrian refugees, including 260 restaurants and 120 bakeries, shops and various types of workshops.<sup>197</sup>

## **Box 2: Refugee status degrades economic opportunities - no matter nationality**

Like for refugees, the occupational status of Lebanese returnees from Syria has deteriorated due to their displacement. None of the 4% of returnees surveyed in 2014 who were business owners in Syria, were operating business in Lebanon. The share of self-employed had dropped from 15% to 5%. Strikingly, the 24% who were “managers and professionals” in Syria had dropped to 7% in Lebanon, and of the 24% “skilled agricultural workers,” only 3% had retained their occupation in Lebanon. 24% were now workers, as compared to 12% in Syria. 58% of these workers were employed on monthly wages, whereas 48% were casual labours, but all were now holding low-skilled jobs, such as garbage collectors, concierges, cleaners, peddlers, domestic workers, construction workers, packaging workers, and farm hands.

Source: <https://www.iom.int/files/live/sites/iom/files/Country/docs/IOM-Lebanon-LH-Assessment-November-2014.pdf>

<sup>188</sup> World Bank: The Mobility of Displaced Syrians, 2019, op.cit. UNHCR: VaSYR 2018 reports a breakdown of work only within the officially permitted sectors, and does not report on self-employment.

<sup>189</sup> [https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms\\_240134.pdf](https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_240134.pdf)

<sup>190</sup> UNDP: Assessing Vulnerabilities of Palestinians, 2018, op.cit.

<sup>191</sup> World Bank and UNHCR: The Welfare of Syrian Refugees, op.cit.

<sup>192</sup> UNDP: Assessing Vulnerabilities of Palestinians, 2018, op.cit.

<sup>193</sup> ACTED: Labour Market Assessment in Beirut and Mount Lebanon, 22 January 2014.

<sup>194</sup> Ibid. The total number of this ‘stock’ of informal businesses could not be established.

<sup>195</sup> Lebanon Support: <https://civilsociety-centre.org/paper/regional-differences-conditions-syrian-refugees-lebanon>

<sup>196</sup> KNOMAD: Refugees’ Right to Work and Access to Labor Markets – An Assessment, 2016, op.cit.

<sup>197</sup> <http://www.databank.com.lb/docs/Assessing%20the%20Development-Displacement%20Nexus%20in%20Lebanon%202018.pdf>



In the south, Syrian enterprises were largely welcomed by local Chambers of Commerce, as they competed with Palestinian businesses more than with Lebanese enterprises. But in the North and in Beqaa, the uneven economic opportunities and perceived lack of development support has resulted in frustration by Lebanese entrepreneurs, which to an extent has been blamed on unfair competition from informal Syrian businesses.

The **MoL Resolution** limiting Syrian displaced to employment in agriculture, construction and cleaning has been **erroneously interpreted by several Lebanese syndicates (trade unions) and some municipalities to also disallow self-employment and (informal) business operations by Syrians**.<sup>198</sup> Some INGOs have understood that Syrians are only allowed to open businesses in partnership with a Lebanese as the legal owner.<sup>199</sup> However, the MoL does not regulate commercial activity, and while informal business operation is in principle not allowed for anyone, the Lebanese laissez-faire economy is largely informal. Among many Lebanese, Syrians are regarded as talented and skilled, entrepreneurial, good at service delivery (sales) and excellent at crafts. This neighbourly respect, bordering on intimidation, fuels the fear of being out-competed. Whether real or perceived, such sentiments have resulted in Syrian enterprises having come under increasing pressure from nationals (see **Box 3**).<sup>200</sup> Curfews have been introduced, and in some areas, Syrian-owned businesses have been closed down by local authorities, triggered by filed complaints or electoral campaigns, which has contributed to their increasing invisibility in the local commercial landscape.<sup>201</sup> Even businesses co-owned by Lebanese partners seem to have sporadically affected.<sup>202</sup> Informal business operators of any nationality in Lebanon are at risk of being evicted, but Syrian refugee entrepreneurs may be arbitrarily targeted in the politicised environment, due to the limited capacity for rule-based regulatory enforcement of the State.

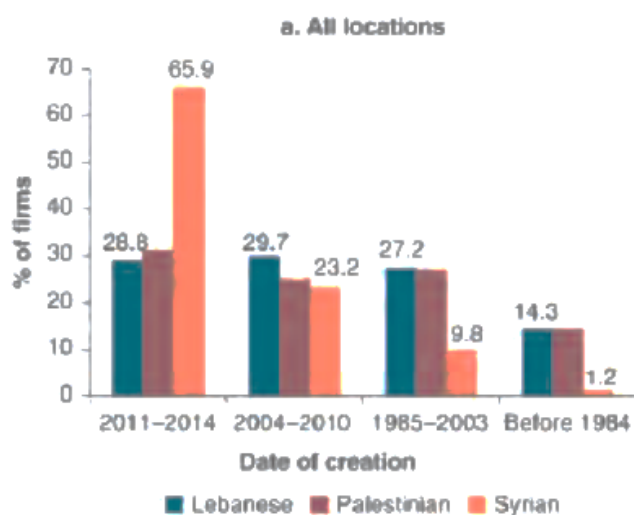
### Box 3: Tenacity required – the regulatory challenges for Syrian business owners.

Ghanim came to Lebanon on an investor visa when his home and restaurant in Homs were destroyed in the war. He soon opened a kebab restaurant in Tripoli. One morning in 2017, he arrived at work to find his restaurant had been ordered to close and the lock sealed with wax. He hired the required Lebanese employees and reopened, but was soon shut down again. Then he found a Lebanese business partner and put the accounts in his name. The partner took off with much of Ghanim's money, and his restaurant was forced to close for the third time.

Ghanim was recently told that he needs to take his family of seven back to Syria in order to renew his residency permit. He is looking for a safer way to operate legally: "I paid so much money in this country, but I still can't find a good way to invest here."

Source: <https://www.newsdeeply.com/refugees/articles/2017/12/13/the-compact-experiment>

Figure 4: Creation of informal firms by nationality of owner



Despite the media-augmented statements to the contrary, there is **very little evidence that informal Syrian businesses have displaced Lebanese firms**. The number of Lebanese-managed informal businesses created in 2004–10 and in 2011–14 has remained virtually the same as per **Figure 4**, and the majority of all informal firms from 1985 to 2014 were managed by Lebanese (about 87%), followed since 2011 by Syrians (8%) and Palestinians (4%).<sup>203</sup> In a survey of Lebanese businesses in 2016, 20% recognised that the Syrian crisis had impacted their business positively, whereas 44% stated that the conflict had had no direct impact. Only one-third (36%) felt that the conflict had impacted them negatively.<sup>204</sup> There is clearly a segment of businesses operated by both Lebanese and FBRs that could be of interest as potential microfinance clients.

<sup>198</sup> <https://www.newsdeeply.com/refugees/articles/2017/12/13/the-compact-experiment>

<sup>199</sup> [https://www.care-international.org/files/files/CAREInternationalLebanon\\_RefugeesinLebanon\\_Whatworksandwhythatmattersforthefuture.pdf](https://www.care-international.org/files/files/CAREInternationalLebanon_RefugeesinLebanon_Whatworksandwhythatmattersforthefuture.pdf)

<sup>200</sup> <https://rescue.app.box.com/s/rw9lptxnm75yaaz6h6bevsngv4sttg3v3/file/52389991625>

<sup>201</sup> <http://www.databank.com.lb/docs/Assessing%20the%20Development-Displacement%20Nexus%20in%20Lebanon%202018.pdf>

<sup>202</sup> Ibid.

<sup>203</sup> <http://documents.worldbank.org/curated/en/951911467995104328/pdf/103201-REPLACEMNT-PUBLIC-Lebanon-SCD-Le-Borgne-and-Jacobs-2016.pdf> from where Figure 4 is also taken.

<sup>204</sup> [https://www.buildingmarkets.org/sites/default/files/irc\\_and\\_building\\_markets\\_sme\\_market\\_overview\\_february\\_2016.pdf](https://www.buildingmarkets.org/sites/default/files/irc_and_building_markets_sme_market_overview_february_2016.pdf)

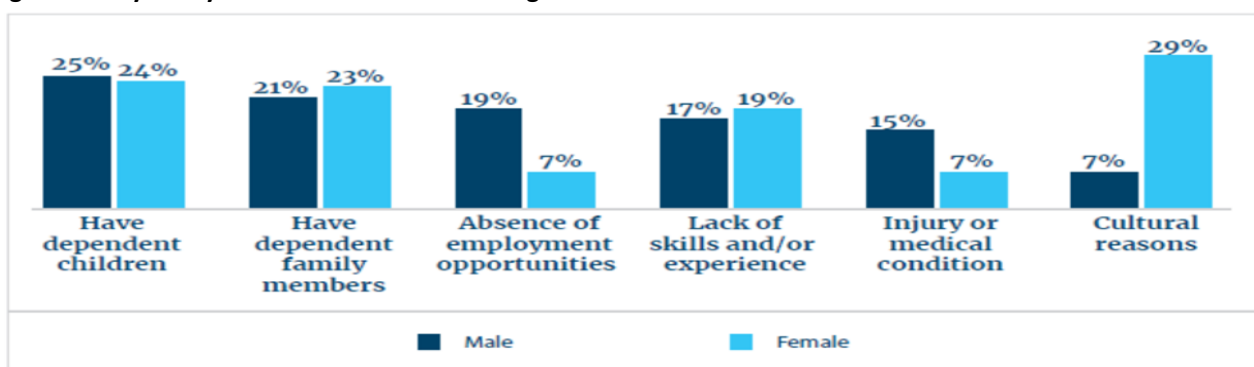
The **participation of women of any nationality in economic life in Lebanon is low**. The formal overall labour market participation rate for Lebanese women was 24% in 2013.<sup>205</sup> Access barriers for women persist, due to mismatches between the skills learned in educations ‘acceptable’ for women, and the labor market requirements. The generally highly educated women that do enter the labour market face a high unemployment rate, which reflects a real lack of opportunities for women, as well as a very significant wage gap for equal work. Therefore, the low participation rate is not simply the result of women’s preferences for family life.<sup>206</sup> These general trends for working women are similar for all female (Arabic-speaking) population segments in Lebanon – only more pronounced for refugees. In 2010, 13% of Syrian women participated in the national workforce in Syria, down from 20% in 2008, and they held similar jobs to Lebanese women, most in professional or technical service sectors. Now as refugees in Lebanon, 16% of women are economically active, but their **unemployment rate is 61%**.<sup>207</sup>

Women in poor households are faced with the paradox that their gender-defined role requires them to care for members of the households, while the stretched household budget demands their financial contribution. They are aware of job opportunities, but lack of childcare, high transportation costs to/from work, and little experience are barriers to economic participation. Nevertheless, an increasing number of Syrian refugee women are entering the (mainly informal) job market. For nearly 75% of women refugees surveyed in 2018, this was their **first employment outside the home**, and many reported feeling a sense of pride from working, earning their own money, and increasing their financial independency. Unsurprisingly, Syrian women are finding more job opportunities in urban than in rural areas,<sup>208</sup> where the majority work in agriculture. Of all surveyed Syrian refugee women that used to work in agriculture at home, 90% were working in agriculture in Lebanon in 2013.<sup>209</sup>

Due to the care duties, many women prefer home-based work. Syrian women refugees in Lebanon who have started home-based activities, often engage in cooking or cleaning for neighbours and food production, such as dairy products, pickles, sweets, and bread, but these home-based businesses (HBB) remain very small and often covert, as they may not comply with local regulations, e.g. on food hygiene. Some INGOs also report that Syrian refugees informally import goods for resale. Others again produce items for clothing or furniture shops from home, or work in beauty salons, small shops or factories. Those with teaching qualifications sometimes provide private lessons from home, get hired as teachers at schools, or as (paid) ‘volunteers’ for I/NGOs.<sup>210</sup> Providing micro-finance, financial advising and marketing services may help these women reach a larger market that could allow them to earn a modest livelihood.<sup>211</sup>

Whether Lebanese, Syrian, or Palestinian, the majority of women in Lebanon do not work, and are not actively looking for work. Caring for dependents, and ‘cultural reasons’ or ‘gender considerations’ (usually meaning family objections or the deep belief that women should not have to work), are the main reasons why (see **Figure 5**). In addition, lack of skills and training (19%) are barriers to women working.<sup>212</sup> While such barriers could be overcome by non-financial services, there still remains a relatively high reluctance among women surveyed for any type of employment. As such, **not exclusively targeting women as a potential FBR customer segment makes good sense for Lebanese FSPs**.

**Figure 5: Why are Syrians in Lebanon not working?**



<sup>205</sup> <https://www.ifc.org/wps/wcm/connect/988c2280433da4ca8b6bef384c61d9f7/IFC+and+Fransabank+Lebanon.pdf?MOD=AJPERES>

<sup>206</sup> UNDP: Mind the Gap – A Labour Needs Assessment for Lebanon, 2016.

<sup>207</sup> CARE: Women, Work and War - Syrian women and the struggle to survive five years of conflict, March 2016.

<sup>208</sup> [https://www.rand.org/pubs/research\\_reports/RR2653.html](https://www.rand.org/pubs/research_reports/RR2653.html)

<sup>209</sup> ILO: Assessment of the Impact of Syrian Refugees in Lebanon, 2013, op.cit.

<sup>210</sup> See e.g. NaTakallam, <https://natakallam.com/>

<sup>211</sup> <https://www.rand.org/blog/2019/02/as-refugees-syrian-women-find-liberation-in-working.html>

<sup>212</sup> World Bank: The Mobility of Displaced Syrians, 2019, from where Figure 5 is also taken (p. 108).

Being largely concentrated in the informal jobs market, poor households of all nationalities in Lebanon are affected by seasonality; hence the flow of income is not consistent throughout the year. Incomes are usually low in the winter months, when the availability of work is low (especially in agriculture and construction sectors) and the ability of people to work is also lower because of cold weather. Seasonal variation in work availability is more pronounced in Beqaa, Akkar and Nabatieh, where the agricultural and construction sectors dominate. The winter months are also the time when household expenses are the highest for both Lebanese and refugee households.<sup>213</sup>

#### 4.1.4.3 Poverty Levels, Income, and Debt

While the statistics are old, it is generally assumed that some 28% of Lebanese nationals are living below the national poverty line of USD 3.8/person/day. That number drops to 16% in urban cities, and climbs to 36% in some rural areas.<sup>214</sup> Beyond the coastal cities, the 13% of Lebanese who live in rural areas face a different set of causes of poverty. Social protection, institutional reach of the state, and government support are far more limited in these remote and often mountainous regions, and natural or man-made shocks can have an even more devastating impact. Seasons also have a major effect on incomes, as discussed above. This conspires to make **poverty in rural Lebanon more extreme and wide-ranging than in urban Beirut**.<sup>215</sup> In the latest survey from 2007,<sup>216</sup> 8% of Lebanese were considered to live in extreme poverty below the 'lower' poverty line of USD 2.40/person/day.<sup>217</sup> Almost all were rural dwellers.

Table 10: Tentative comparatives among sub-segments of the poor populations in Lebanon						
	Lebanese LI = low income <sup>218</sup>	Palestinian refugees <sup>219</sup>		Syrian refugees <sup>220</sup>		Iraqi/other <sup>221</sup>
	All	PRL	PRS	Urban/all	In gatherings	
% HHs below poverty line	28.6%	65%	89%	69%		27%
Main source of income						
a. Work and/or HBB:	98%	77%		53%		48%/52%
b. Soc/hum. assistance		10%		31%		
% HHs with min. 1 income earner	90%	76%	67%	68%	83%	87%
% HHs renting apt/owning house	80% (76% own)	95% (59% own)	94%	66%	89%	91%/71%
Average HH income/month USD per capita	Min. 415	370, 330 f	300	60 (240)	300	101/158
Ave. expenditure/mnth USD per household pc	Min. 431	147	108	111	101	220/248
Of which, on rent	n.a	45%		20%		38%
Of which on food/water	30%	12%		40%		30%
Of which in health	13%	7%		12%		10%
Of which debt repay	6%			2%		
Monthly finance gap	16 per capita			51 p.c.		119/90 p.c.
Gap cover strategies						
a. Borrowing (informal)	36%			81%		53%/76%
b. Spent savings	47%			30%		42%
b. Hum./soc. Assistance		15%		31%		
c. Sale of assets				27%		50%
d. Remittance from fam.		12%				10%/1%
Ave. debt/HH (USD)	53% > 10,000			1,016		275/324

<sup>213</sup> Oxfam: Poverty, Inequality and Social Protection in Lebanon, January, 2016.

<sup>214</sup> <https://borgenproject.org/top-10-crucial-to-know-facts-about-poverty-in-lebanon/>

<sup>215</sup> <https://www.borgenmagazine.com/causes-of-poverty-in-lebanon-urban/>

<sup>216</sup> The poverty line set in 2007 has not been updated, and no recent poverty assessments have been done. [https://www.oxfam.org/sites/www.oxfam.org/files/file\\_attachments/rr-poverty-inequality-social-protection-lebanon-200116-en\\_0.pdf](https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/rr-poverty-inequality-social-protection-lebanon-200116-en_0.pdf)

<sup>217</sup> [https://www.oxfam.org/sites/www.oxfam.org/files/file\\_attachments/rr-poverty-inequality-social-protection-lebanon-200116-en\\_0.pdf](https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/rr-poverty-inequality-social-protection-lebanon-200116-en_0.pdf)

<sup>218</sup> REACH: Food Security and Livelihoods Assessment of Lebanese Host Communities, 2015. <http://www.fao.org/3/a-az720e.pdf>

<sup>219</sup> UNDP: Assessing Vulnerabilities of Palestinians, 2018, op.cit.

<sup>220</sup> UNHCR: VaSYR, 2018, op.cit.

<sup>221</sup> UNHCR: VaRON 2017, op.cit.

The poverty incidence among Iraqis was about the same as for Lebanese (27%) in 2012.<sup>222</sup> By comparison, **65% of PRL, 69% of Syrian refugees, and 89% of PRS in Lebanon live below the poverty line.** Conversely, 31% of Syrian refugees in Lebanon are **not** poor, but a much larger percentage could benefit from broader financial inclusion. While 90% of Lebanese households have at least one member who is working, this percentage drops to 67% for PRS, 68% for Syrians, 76% for PRL, 83% for Iraqis and 87% for refugees from elsewhere, reflecting access to labour market barriers, as discussed above. For Syrians, the highest percentage of households with income earners is in the South and el Nabatieh (80%), whereas it is lower at 55% in Beqaa and Baalbek-Hermel. On average, only 45% of female-headed Syrian households, but 73% of male-headed households, had a breadwinner, consistent with the labour participation rates as presented in **Table 10** above.

Against the official minimum wage of USD 450/month, the average monthly income of a Lebanese worker was estimated at USD 445 in 2017.<sup>223</sup> The monthly income for working Syrian refugees was considerably less on average at USD 209 for men, and USD 92 for women, higher in Beirut at USD 311 for men and USD 189 for women, and lowest in Baalbek-Hermel at USD 104 and USD 49 respectively. Across all governorates and population segments, a large gender pay gap remains.<sup>224</sup>

For registered refugees, UNHCR has constructed a 'Household income per capita per month' ratio to enable comparison across the vulnerability studies which are nearly always carried out by nationality segment. The average monthly income for a Syrian refugee in 2018 was USD 60, ranging from USD 104 in Beirut to USD 26 in Baalbek. This measure is higher for both Iraqis at USD 101 and refugees from elsewhere at USD 158, despite the similarity in daily wage pay. Though not directly comparable, the average monthly income for PRL in the Gatherings was USD 370 for men and USD 330 for women, while the generally poorer Lebanese living in Palestinian Gatherings reported an average monthly income of USD 415 against the average of USD 240-300 per month for PRS and Syrians. Employment rates are similar across nationalities living in the Gatherings, but the type of work and the fewer hours worked leads more recent refugees to earn lower wages.<sup>225</sup> Outside of the Gatherings, 8% of Lebanese households receive rent income or services (58% including labour) from displaced Syrians living on their properties, highest in Beqaa (10%).<sup>226</sup>

Among poor Lebanese households, 76% are property owners and thus do not spend income on rental costs, and the same is true for 60% of Palestinians living in Gatherings. The PRL that do pay rent, however, spend 40% of their budget on housing, compared to 20% by Syrian refugees, who paid a mean of USD 182/month (average formal residential rents are higher at USD 220/month) in rent in 2018, largely unchanged from 2017. For Syrians, food as % of total expenditure has decreased by 4 percentage points since 2017, signalling a slight decrease in vulnerability, despite the overall level of poverty. The cost per month for health services is similar across all segments.

It is worth noting that **70% of Syrian refugee households in Lebanon reported ownership of property in Syria**, and that many reported to have formal evidence of ownership or other rights to property, including land titles and lease contracts, even if only about half reported possessing title documents, and these were not always in their names.<sup>227</sup> For FSPs interested in developing cross-border products, it may be possible that title deeds in Syria could be verified and mortgaged via FSPs in Syria and used as collateral for loans by FSPs in Lebanon.

Against the 'household income per capita' of USD 60 for Syrian refugees, the average monthly expenditure per person in 2018 was USD 111 for Syrians overall, highest in Beirut at USD 160 and Mount Lebanon at USD 145, followed by the North at USD 123, and slightly less at USD 101 for Syrians and USD 108 for PRS living in Gatherings. Iraqis and refugees from elsewhere earned more than Syrians, (but less than Palestinians) but spent considerably more at USD 220-248 per person per month. However, 10% of these two segments and 12% of PRL reported receiving remittances that may not have been added into the income measure used. The socio-economic hierarchy among nationality segments is also reflected in spending patterns (as a proxy for income) and has remained unchanged over the past years, if the more standard measure of average spend per household is used: In 2012, the average spend for Lebanese overall was USD 1,738, whereas in 2017 it was 593 for (poorer) Lebanese households living in the Gatherings. Against this, PRLs spent

<sup>222</sup> [https://www.researchgate.net/publication/264198686\\_Poverty\\_and\\_Livelihoods\\_Among\\_Unhcr\\_Registered\\_Refugees\\_in\\_Lebanon](https://www.researchgate.net/publication/264198686_Poverty_and_Livelihoods_Among_Unhcr_Registered_Refugees_in_Lebanon)

<sup>223</sup> <https://insight.jbs.cam.ac.uk/assets/cbr-sharq-lebanon-livlihoods-report.pdf>

<sup>224</sup> UNDP: Mind the Gap, 2017, op.cit.

<sup>225</sup> UNDP: Assessing Vulnerabilities of Palestinians, 2018, op.cit.

<sup>226</sup> REACH: Food Security and Livelihoods Assessment of Lebanese Host Communities, 2015, op.cit.

<sup>227</sup> <https://www.nrc.no/globalassets/pdf/briefing-notes/icla/final-hlp-syrian-refugees-briefing-note-21-12-2016.pdf>

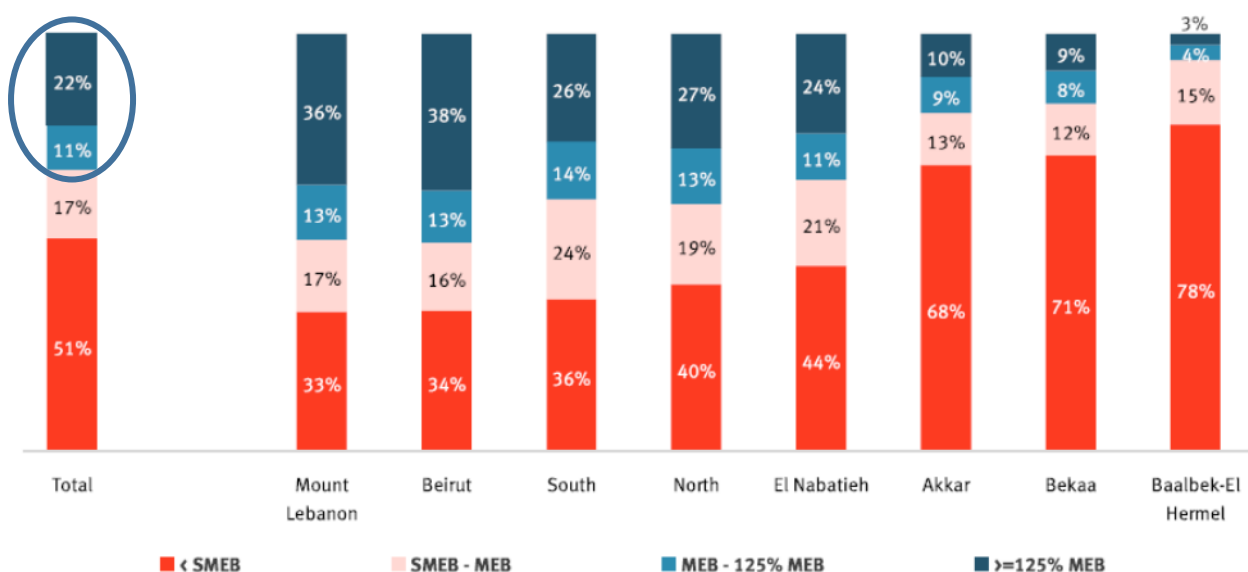
USD 541, and Syrians and PRS living in the Gatherings spent USD 475 per month on average.<sup>228</sup> As such, **refugees have on average less than a third of the income to spend per month than Lebanese.**

As a consequence, for both poor Lebanese, Palestinians, and Syrian refugee households surveyed, assistance from organisations (I/NGOs, CBOs, and UNRWA/UNHCR/WFP) are important sources of additional income:

- UNRWA provides free schooling, medical and health services, and assistance to Palestinian refugees. Vulnerable PRS are eligible for a cash-for-food assistance funded in part by WFP and UNRWA, but implemented through UNRWA, totalling USD 21.60/person/month. However, 74% of households in the Gatherings do not receive any cash aid, and 60% of all households rely solely on income from work;
- UNHCR's cash assistance programme in Lebanon provides USD 27/person/month to registered Syrian refugee households at risk. Highly vulnerable Syrian refugees are also eligible for food assistance from WFP at the amount of USD 21.60/person/month for a maximum of 5 persons per household through electronic vouchers (also referred to as e-cards) that allows beneficiaries to buy food items of their choice from some 500 designated merchants. In addition, Syrian refugees can access health services (maternal healthcare, immunization and deliveries) provided by Primary Healthcare Centres at nominal charges, but the waiting time is often long and for Syrians who are used to free health services in Syria, health services in Lebanon appear costly;<sup>229</sup>
- 38% of Iraqi and other households had received some kind of cash assistance in 2018, with 27% receiving Multi-Purpose Cash and 36% receiving Winter Cash. WFP does not provide cash for food assistance to refugees from countries other than Syria, and UNHCR stopped providing food assistance to this group in March 2017 due to lack of funds;
- However, a host of I/NGOs programmes offer various types of cash and in-kind assistance to Syrian and to an extent other refugees, which continues to be a source of discontent for poor Lebanese households. Aid assistance is a clear second source of income for Syrian refugees, after work income. 87% of surveyed Syrian households in 2017 experienced food insecurity, but this percentage had only increased by 2% since 2016,<sup>230</sup> indicating that the level of reliance on UN aid was already low.

UNHCR has segmented the registered Syrian refugees it supports into categories by purchasing power for a Survival Minimum Expenditure Basket (SMEB) of USD 87 per person/month, and a Minimum Expenditure Basket (MEB) of USD 87-113/month, and tracks households spending up to **125% of MEB (USD 143/person/month), which would likely be the poorest segment of refugees that FSPs could successfully serve with loans.** Overall, 33% of all registered Syrian refugee households spend above the MEB, but in Beirut and Mt. Lebanon, this segment comprises half of the Syrian refugee population, as presented in **Figure 6**.

**Figure 6:** Percentage of HHs by Minimum and Survival Expenditure basket category by governorate. MEB + 125% MEB categories are HHs spending USD 143/month or above per capita.<sup>231</sup>



<sup>228</sup> UNDP: Assessing Vulnerabilities of Palestinians, 2018, op.cit.

<sup>229</sup> Oxfam: Poverty, Inequality and Social Protection in Lebanon, 2016, op.cit.

<sup>230</sup> UNHCR: VaRON, 2017, op.cit.

<sup>231</sup> UNHCR: VaSYR, 2018, op.cit.



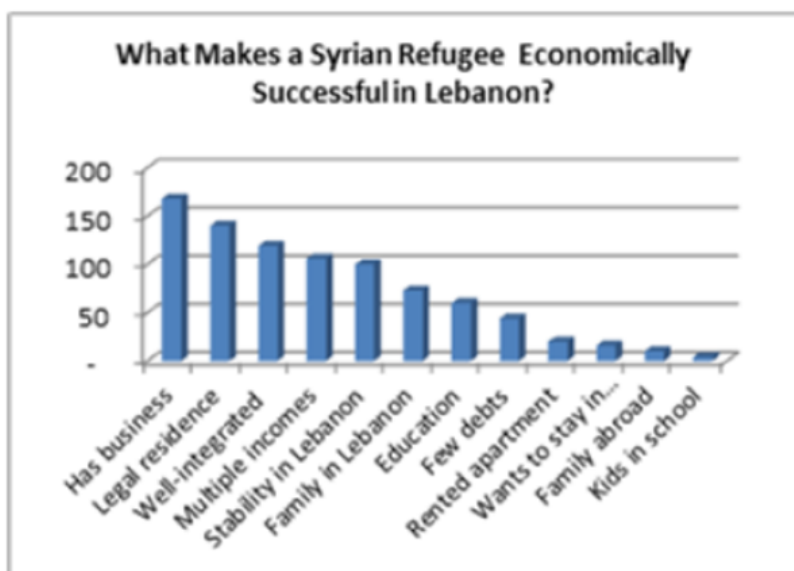
**Irrespective of nationality, the majority of poor households in Lebanon have debt.** Both poor Lebanese and refugees face monthly expenditures in excess of income, and thus borrow money from friends or family, and/or buy necessities on credit to make ends meet. Borrowing is often in-kind from stores for food, groceries, medicines etc., but cash is also borrowed for unexpected and large expenses. Such credit is either taken from informal sources such as friends and relatives or - by Lebanese - from FSPs.<sup>232</sup> Informal sources of credit appear to be interest-free, and 16% of Syrians (or UNHCR on their behalf) report informal credit as a main source of 'income.' Usually debt accumulates and repayments can form a significant but hidden part of up to 25% of the household expense.<sup>233</sup> Lebanese, Syrian, PRL and Iraqi refugees listed repayment of debt as a monthly expense in 2017, indicating a relatively sound credit culture, even if **FSPs would want to examine the repayment capacity carefully to avoid over-indebting new clients, especially as the refugee segment may not be familiar with interest-bearing loans.**

For Syrian refugee households on aggregate, the access to informal debt was at par with work income (51% each) and humanitarian aid comes second at 48%, and as a mean, Syrian refugee households have a (interest free, informal) debt of USD 1,016 outstanding (USD 250 per capita), borrowed from friends and family (84%), groceries and shops (47%), and landlords (12%). The lowest dependence on informal credit is among Syrian households in Mount Lebanon (14%), while the greatest dependence was found in Beqaa. Unsurprisingly, the debt decreases with increasing income. Overall 81% of Syrian refugee households have debt, dropping to 59% in Beirut, followed by Akkar (72%) and Mount Lebanon (73%). While the proportion of Syrian households with debt in these governorates is the lowest, these households have the highest average debt outstanding. In the other governorates, some 9 out of 10 Syrian households have borrowed money, but lesser amounts.

Of the overall 81% of households who borrowed, some 43% had debt in excess of USD 600, a third (33%) have USD 201-600 outstanding, while 12% had debt of USD 200 or less. Another 12% of Syrian households had no debt. Lebanese households were the only segment reporting debt for productive use in 2017, e.g. for agricultural input or business assets.<sup>234</sup> It is, however, possible that refugees would not be inclined to tell UNHCR surveyors of debt for business, fearing that they may lose their humanitarian assistance. It is also possible, that UNHCR's surveys do not ask this question.

The average debt per capita was considerably lower among Iraqi households (USD 275) compared to USD 324 per capita among refugee households from elsewhere. This does not immediately tally with the finding that other refugees on average earned an income that exceeded or equalled their expenses per capita, compared to only 28% of Iraqi households balancing their budgets. It is likely that other households who have registered as refugees or asylum seekers with UNHCR are sending a part of their earnings home as remittances, which have not been registered by UNHCR.

**Figure 7: Indicators of successful microfinance clients**



As demonstrated, the conditions and **coping mechanisms applied by poor people in Lebanon do not differ markedly across nationalities, but the segments of forcibly displaced people are clearly more economically fragile than Lebanese.** Factors associated with increased poverty include family size (number of children), living in non-residential shelter, and lack of residency permit. When FSPs segment, therefore, indicators such as owning or renting a residential shelter (apartment), smaller family size, and all children in school, could be used to identify refugee households that could benefit from credit services, and clearly FSPs must be careful not to over-indebt new clients. As illustrated in **Figure 7**,<sup>235</sup> the most significant segmentation indicators for credit appear to be economic activity and legal residence.

<sup>232</sup> Some 863 Syrian refugee households (0.4%) reported accessing formal credit from a bank in 2017. UNHCR: VaSYR, op.cit., p. 181

<sup>233</sup> <https://www.alnap.org/system/files/content/resource/files/main/rr-poverty-inequality-social-protection-lebanon-200116-en.pdf>

<sup>234</sup> REACH: Food Security and Livelihoods Assessment of Lebanese Host Communities, 2015, op.cit.

<sup>235</sup> Making Cents for SANAD and OeEB: Microfinance for Syrian Refugees – The Lebanese and Jordanian Market, December 2017.

## 4.2 Foreign (Migrant) Workers in Lebanon

Article 2 of the International Convention on the Protection of all Migrant Workers and Members of their Families (1990) defines a ‘migrant worker’ as a “person who is to be engaged, is engaged, or has been engaged in a remunerated activity in a State of which he or she is not a national.”<sup>236</sup> While this definition would include most FBRs in Lebanon, migrant workers are defined by their voluntary arrival for the purpose of working (pull factor).

The **vast majority works informally** without a MoL work permit and no other source of registration of foreign migrant workers is publicly available. In addition, there is **significant overlap especially between Syrian migrant workers and refugees**, as Syrian workers called their families to safety in Lebanon after the outbreak of hostilities in 2011, and others registered with UNHCR as refugees, effectively changing status from migrant worker to refugee. Assessing the size of the migrant worker segment for FSPs is a difficult exercise, as there is **no reliable data** to go by, as illustrated below:

- UNDESA estimated a total adult FBR population of 862,950 in 2017, of whom the adjusted share of refugees comprises 555,525 people, leaving a total non-refugee adult population of 307,700. Of this total, countries of origin would indicate that 95% or 292,310 could be migrant workers. However, UNDESA’s estimate of 81,925 Egyptians in Lebanon in 2017 may be over-stated, as Egyptians are no longer able to enter Lebanon on a tourist visa,<sup>237</sup> and the MoL issued renewed or new work permits to only 20,005 Egyptians in 2017, while 273 Egyptians were registered with UNHCR. Conversely, UNDESA listed only 14,106 FBRs from Asia and Africa, which under-estimates the large contingent of foreign domestic workers.<sup>238</sup> MoL issued new and renewed work permits for a total of 228,212 Asian and African nationals in 2017, of whom 75% were women, typically contracted as domestic workers;<sup>239</sup>
- In 2011 before the Syrian refugee influx, the total foreign immigrant stock in Lebanon was estimated at 758,200, of whom 61% or 462,380 people (mainly Palestinians), were refugees, leaving a foreign non-refugee population of 295,820.<sup>240</sup> In that year, 185,000 work permits were issued by the MoL, suggesting that 62.5% of foreign residents had valid (residency and) work permits. Extrapolating this figure at the same level of informality to 2017, when MoL issued 249,652 work permits to non-refugee (Syrian and Palestinian) foreign residents, the total segment could reach 399,445 migrant workers in Lebanon in 2017;
- Some 300-400,000 Syrians were thought to be working in Lebanon before the start of the conflict. ILO estimated the total labour force of Syrians displaced to Lebanon to comprise 384,000 in 2017.<sup>241</sup> Applying the labour force participation rates among the UNHCR-recorded population of adult Syrian refugees in 2017 (see section 4.1.4.2), this segment would comprise some 165,060 economically active Syrian refugees, and leave a segment of Syrians unregistered by UNHCR of around 220,000 adults of whom the majority are assumed to be migrant workers, and a small group would be proprietors/investors.

	UN/ILO est. 2017 less reg. refugees	Registered with MoL <sup>1</sup>	Est. working informally	Min. estimate of migrant workers*	% female (MoL data)
Syrians	218,940	1,776	218,224	220,000	16%
Egyptians	81,651	20,005	26,495	46,500	15%
Other Arab	1,441	1,805	16,695	18,500	5%
Ethiopians	0	137,682	27,318	165,000	99.8%
Other African	1,868	9,182	15,818	25,000	95%
Filipino	989	20,818	9,182	30,000	96%
Bangladeshi	2,994	41,993	6,207	48,200	39%
Other SE Asians	8,255	16,401	8,599	25,000	47%
<b>Total est.</b>	<b>316,138</b>	<b>249,662</b>	<b>328,538</b>	<b>578,200</b>	
* In addition to this segment, 73% of Syrian refugee men and 16% of women (VaSyR 18), 43% of Palestinian refugees (total 217,000) (VaPal 17), 35% of Iraqi (total 50,000) and 48% of other refugees are economically active (VaRON 17), but are not migrant workers.					

<sup>236</sup> ILO: Employer-Migrant Worker Relationships in the Middle East - Exploring scope for internal labour market mobility and fair migration, May 2017 [https://www.ilo.org/beirut/publications/WCMS\\_552697/lang-en/index.htm](https://www.ilo.org/beirut/publications/WCMS_552697/lang-en/index.htm)

<sup>237</sup> [https://www.rand.org/pubs/research\\_reports/RR2653.html](https://www.rand.org/pubs/research_reports/RR2653.html), p. 105.

<sup>238</sup> [https://migrationdataportal.org/data?i=stock\\_refug\\_abs\\_&t=2017&cm49=422](https://migrationdataportal.org/data?i=stock_refug_abs_&t=2017&cm49=422)

<sup>239</sup> E. Longuenesse and P. Tabar: Migrant workers and class structure in Lebanon: Class, race, nationality and gender, 2014.

<sup>240</sup> World Bank: Migration and Remittances Fact Book 2011, <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1199807908806/Lebanon.pdf>

<sup>241</sup> <https://www.unhcr.org/lb/wp-content/uploads/sites/16/2018/04/LCRP-EN-2018.pdf> p. 113

Using this latest estimate as a ‘best guess’ for the Syrian sub-segment of migrant workers as part of an indicative market size for FSPs, we arrive at an **estimated population of 578,200 migrant workers in Lebanon in 2017**, of whom some 38% were Syrians, as indicated in **Table 11**, but the data cannot be fully verified. Foreign migrant workers in Lebanon fall into three broad sub-segments:

- Around 250,000 female domestic foreign workers primarily from Ethiopia, but also from elsewhere in Africa and South and Southeast Asia (see section 4.2.1);
- An estimated 220,000 Syrian migrant workers<sup>242</sup> who arrived to work informally in agriculture, hospitality, retail, and to a lesser extent in construction.<sup>243</sup> Before the war, many took temporary, seasonal jobs, but contrary to most other migrant workers, most Syrians are now thought to have brought their families,<sup>244</sup> and some have registered as refugees with UNHCR; and
- An estimated 108,200 ‘traditional’ migrant workers, of whom nearly 50,000 held MoL work permits in 2017. The majority are from Bangladesh (42%), Egypt (32%), India, Pakistan and Nepal (12%), and are typically single males, arriving on legal *kafala* sponsorship contracts to work in construction, industry or agriculture for 2-5 years, and then either depart for good; go back to return a few years later (circular migration is high especially from Egypt); or stay in Lebanon as irregulars or self-employed workers or entrepreneurs.

There is a small group of FBRs who do not require a MoL work permit, but are granted special visas by the GSO: the “*artistes*” working in Lebanon’s regulated adult entertainment industry. Based on a 1962 decree, the GSO issues visas for up to six months, after which artistes are expected to leave Lebanon for at least 12 months. This segment of almost exclusively women are aged between 19 and 31, and come primarily from Belarus, Moldova, Russia, Ukraine, and Uzbekistan as well as Algeria, Morocco and Tunisia.<sup>245</sup> Compared to 6,024 such visas issued in 2011,<sup>246</sup> a total of 10,363 of these ‘artistes’ visas were issued in 2017.<sup>247</sup>

Syrians are assumed to make up the largest contingent of migrant workers, due to geographical proximity, the economic differences between Lebanon and Syria, and the historic Syrian-Lebanese relationship. The 1993 bilateral agreement with Syria on Economic and Social Cooperation and Coordination granted reciprocal freedom of stay, work, employment and practice of economic activity for nationals,<sup>248</sup> and these rights were recently upheld by the court over the 2015 GSO restrictive regulations for Syrians.<sup>249</sup> It is therefore **not at all evident that Syrians require the work permit** expressly demanded from FBRs from elsewhere, and such permits had not been issued to Syrians with any reliability for a considerable period prior to 2015.<sup>250</sup> In 2017, only 1,776 work permits were issued to Syrians. Similarly, Palestinians constitute an important part of the “foreign” workforce, even if only 890 work permits were issued to Palestinians in 2017.<sup>251</sup> The Egyptians and the Sudanese, many of whom are refugees from Darfur, make up the second and third largest Arab contingents of migrant workers in Lebanon.<sup>252</sup> Outside of the Arab workforce, Ethiopians constitute the largest African labour contingent today, whereas East and West Africans also make up a sizeable segment, almost all of them women, and almost all working as cleaners in companies or domestic helpers in households.

Southeast Asian labour was brought in by Lebanese recruiting agencies during the 1976-90 Civil War years, largely as less contentious replacements for Syrians in the hospitality and domestic services sector. Initial recruits were from Sri Lanka, but today Bangladesh provides the largest segment of Southeast Asian migrant workers, almost all of whom arrive on sponsored (*kafala*) contracts, and of whom a majority are male. A smaller segment of West Africans and the Sudanese migrant workers tend to arrive privately, and negotiate their contracts on an individual basis.<sup>253</sup> Despite their large number, Ethiopians, Nepali, Malagasi and unskilled Filipino migrant workers have actually been banned by their own countries from going to Lebanon for work. This has not deterred workers from coming to work in Lebanon, which

<sup>242</sup> In 2017, ILO estimated a total Syrian workforce in Lebanon of 384,000 people including the economically active refugees. Deducting the 73% registered Syrian refugee men and 16% women who participate in the labour market from this total, we arrive at the balance of 218,940 Syrian migrant workers. UNHCR: Lebanon Crisis Response Plan 2017-20 (2018 Update, p. 113)

<sup>243</sup> Lebanon Support: Formal Informality, Brokering Mechanisms, and Illegality, op.cit.

<sup>244</sup> <https://www.newsdeeply.com/refugees/articles/2017/12/13/the-compact-experiment>

<sup>245</sup> [https://publications.iom.int/system/files/pdf/other\\_migrant\\_crisis.pdf](https://publications.iom.int/system/files/pdf/other_migrant_crisis.pdf), p. 83.

<sup>246</sup> International Centre for Migration Policy Development: Trafficking in Human Beings in Lebanon - A Stock-Taking Report, 2013.

<sup>247</sup> US Department of State: 2018 Trafficking in Persons Report – Lebanon, 2018. <https://www.state.gov/j/tip/rls/tiprpt/countries/2018/282691.htm>

<sup>248</sup> [https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms\\_240134.pdf](https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_240134.pdf)

<sup>249</sup> State Council Decision no. 421 of 2017-2018 issued on February 8, 2018. <http://legal-agenda.com/en/article.php?id=4286>

<sup>250</sup> <https://www.rescue.org/sites/default/files/document/987/policybrief2righttoworkforrefugees-syriacrisisresponsejanuary25.pdf>

<sup>251</sup> Nicholas Rossis: The Informal Economy in Lebanon: Dangers and Benefits, 2011.

<sup>252</sup> <http://www.lnf.org.lb/migrationnetwork/mig2.html>

<sup>253</sup> Ibid.

is seen as a high-pay destination, but only caused new migrant workers to arrive irregularly, e.g. on tourist visas, and then arranging their work papers once in Lebanon. Ethiopia lifted its ban in February 2018.<sup>254</sup>

The MoL issued a total of 252,318 annual work permits to foreigners in 2017, the vast majority for semi-skilled jobs in the private sector,<sup>255</sup> and studies have consistently estimated that around one third of the formally employed workforce in Lebanon is foreign. The level of informal employment is very high, estimated at 95% among resident FBRs, including Palestinians, Syrians and migrant workers, and at 59% for Lebanese in 2015.<sup>256</sup> Foreign migrant workers thus compete with informally employed Lebanese, as well as – and primarily - with each other, and competition has increased with the expanding labour supply offered by displaced Syrians having arrived since 2011, resulting in downward pressure on pay. **In the highly segregated labour market, however, nationals have largely retained managerial and professional positions**, whereas FBRs work mainly as semi- or unskilled labour in low-skilled jobs in services, from retail over construction to domestic work, as illustrated in **Table 12**.

<b>Table 12: Illustration of the segmented Lebanese labour market<sup>257</sup></b>						
	<i>By # employees</i>			<i>% FBR by job type</i>		
By sector:	Nationals	FBR	% FBR	Management/ admin	Professional/ technical	Semi-skilled
Agro-food	1,486	524	35%	4%	7%	48%
Construction	2,994	1,037	35%	5%	10%	55%
ICT	1,310	30	2%			
<b>All 3 sectors</b>	<b>5,790</b>	<b>1,591</b>	<b>27%</b>			

Formal Lebanese companies can to some extent bypass the difficulties of hiring foreign migrant workers by outsourcing especially cleaning and other menial services to informal micro- and small enterprises, based on service contracts. This shifts the management responsibility of staff entirely to the service companies. Similarly, some manufacturing companies seem to outsource the hiring of staff, enabling them to hire labour on a day-to-day basis, circumventing the Labour Code requirements of minimum wages, overtime, rest periods, etc. (see **Box 4**).<sup>258</sup>

With a copy of a valid residence permit (*iqama*), work permit and passport, foreign workers are relatively safe from detention and deportation in Lebanon. It is the responsibility of the *kafeel* to ensure renewals of the legal documentation for migrant workers, but it is the FBR workers who risk fines, detention or deportation, if documents are out of date. Migrant workers thus can easily become ‘irregular’ or ‘illegal’ and formally, **they cannot on their own rectify their employment status**. The MoL and GSO occasionally announces ‘amnesties’ for such irregular foreign migrant workers, latest for Syrian workers in 2017-18, but the amnesties are offered to waive outstanding fees and fines only if the worker leaves the country, and s/he is effectively blacklisted, barred from returning for at least five years.<sup>259</sup>

#### **Box 4: Example of contracted labour force**

In a large, formal beverage manufacturer surveyed in 2013, about half of the 1,000 workers were FBRs. Of these, 400 Syrians were outsourced by a labour hire sub-contractor ‘as per need’ to the company, working without contracts but paid fortnightly at the rate of USD 2.5/hour worked, adding up to USD 170-460/month.

100 other workers were from Bangladesh and Sudan, employed by a cleaning company sub-contracted by the manufacturer, earning USD 330/month for six 10-hours work days per week.

The Lebanese worked as qualified production line workers or lorry drivers, were direct employees of the company, and earned USD 660-800/month for 8-hour work days with social benefits and overtime pay.

*Source: E. Longuenesse and P. Tabar for HAL: Migrant workers and class structure in Lebanon: Class, race, nationality and gender, 2014*

<sup>254</sup> <https://www.news24.com/Africa/News/ethiopia-lifts-ban-on-domestic-workers-moving-overseas-20180201>

<sup>255</sup> The published lists of work permits issued by MoL (in Arabic only) could be further analysed to more accurately determine the break-down by types of work and ‘class.’

<sup>256</sup> <https://www.wiego.org/sites/default/files/resources/files/Informal-Employment-Arab-Countries-Aita-2017.pdf>

<sup>257</sup> UNDP: Mind the Gap, op.cit.

<sup>258</sup> E. Longuenesse and P. Tabar for HAL: Migrant workers and class structure in Lebanon, op.cit.

<sup>259</sup> Interview with Insan Association, 06 February 2019.



#### Box 5: Portrait of a skilled migrant worker family

Ahmad came to Lebanon from India in 1998 on a kafala sponsorship contract, which cost him USD 3,500. He has a degree in commerce and work experience from an industrial plant. He has been working in administration for a cleaning company in Beirut for 15 years. In 2009, his wife joined him to work part time for the same company, but their two children remain in India, looked after by their grandparents. Ahmad works from 6.30am – 10.30am for the company, has a second job from 1-4.30pm in Jounieh, and returns to the cleaning company to work 6-9pm. Because of this overtime, he earns USD 370/month, whereas his colleagues who finish work at 4pm, are paid USD 270/month. On Sundays, Ahmad cleans private houses as a self-employed worker, earning a little extra. His wife works 3-9pm. They rent an apartment costing USD 300/month with utilities, and save up for the annual renewal of residency and work permits and insurance, and the occasional trip back home.

Source: E. Longuenesse and P. Tabar for HAL: Migrant workers and class structure in Lebanon: Class, race, nationality and gender, 2014

The consequences of the unfortunate kafala system of disproportionate power to the employer is that many foreign workers end up as irregular with no or incomplete documentation. Unsurprisingly, **a black market of fake sponsors, brokers, and employers, legal lease agreements and kafeel 'pledges of responsibility' has emerged.** This explains how employers and migrant workers can and do 'privately arrange' the necessary legal documentation: A Lebanese sponsor might bring a migrant worker to Lebanon to run a business in return for rent payment, based on an unofficial agreement. Alternatively, Lebanese nationals sell 'fake' sponsorships for a fee of upwards of USD 1,000.<sup>260</sup> A migrant worker already in Lebanon may thus informally agree to pay the sponsor in exchange for maintaining his or her work permit and residence status, in effect becoming a self-employed rent or fee payer to the sponsor, as opposed to a wage earner. **Despite the practice being illegal, the resulting work permits are authentic.**<sup>261</sup>

Both "class 1 and 2" (see **Annex 2**) foreign workers are allowed to sponsor their spouse and children (and "servants and drivers") on their work permits, whereas category 3 and 4 are denied this right, as are Egyptians.<sup>262</sup> Overall, however, very little research has been done to further document the composition and economic strategies of this 'shadow workforce' in Lebanon, especially the male segment. **Box 5** presents an example of the assumed minority segment of skilled migrant workers who manage their own legal paperwork. Such **migrant worker families could very well demand financial services from FSPs**, including transactional accounts, savings, remittances and credit for consumption (including permit renewal) and for some, working capital for their small businesses.

### 4.2.1 Female Domestic Workers

Female Domestic Workers (FDWs) constitute the largest group of registered migrant workers in Lebanon, estimated to number 250,000 women,<sup>263</sup> of whom 60% had new or renewed MoL work permit in 2017. Of these formally registered FDWs, 72% went to Ethiopians, while Filipinas made up 10.5% and Bangladeshi women 8.5%. Another 5% came from elsewhere in sub-Saharan Africa, and Sri Lanka (3%). Results from a 2016 survey<sup>264</sup> show that the majority are aged 20-40, and **on average they have been in Lebanon for 5 years, 14% having stayed more than 8 years.** Filipinas are slightly older on average and have stayed longer, whereas Ethiopians are the youngest on average, and Bangladeshi workers have stayed for 3.9 years on average.

Among FDWs, educational levels and pre-arrival training differ significantly.<sup>265</sup> 29% of Filipina FDWs had a tertiary education against 12% across the entire segment surveyed in 2016, and 49% had completed secondary schooling as opposed to a quarter of the sample overall. A third of Sri Lankans and 25% of Bangladeshi FDWs had never attended school. Similarly, 26% of Filipinas had skilled jobs before moving to Lebanon, while only 36% of Filipinas as opposed to 70% of Bangladeshis and 61% of Ethiopians were unemployed before arriving in Lebanon. 37% of FDWs are married and 42% have children at home, whereas only 3% (typically households settled in Lebanon) have their children with them. Given the 3-year duration of an initial domestic work contract, it is little surprise that 20% of the FDWs surveyed reported going home every three to four years.<sup>266</sup>

<sup>260</sup> Lebanon Support: Formal Informality, Brokering Mechanisms, and Illegality, op.cit.

<sup>261</sup> ILO: Employer-Migrant Worker Relationships in the Middle East, op.cit.

<sup>262</sup> <https://www.libanpost.com/english/annual-residency-permit>

<sup>263</sup> Insan Association: Trapped, op.cit. Calculated from Table 11, we arrived at 247,768 female migrant workers.

<sup>264</sup> ILO: Intertwined – the worker's side; A study of Working and Living Conditions of Migrant Domestic Workers in Lebanon, 2016.

<sup>265</sup> These characteristics are for 'live-ins' who were researched in 2014, and no studies appear to have been made on 'live-out' FDWs, but as 'live-outs' often start their career as 'live-in' FDWs, characteristics are thought to be comparable.

<sup>266</sup> ILO: Intertwined, 2016, op.cit.



Salary levels also vary significantly among nationality groups, with Filipinas earning more than double the amount of other FDWs, as illustrated in **Table 13**. On average, **FDWs remit three quarters of their salaries home**, mostly via cash transfer agencies, while only 8% sometimes rely on friends or bank transfers. Most (90%) sent the money for consumption purposes, but a third (36%) paid for children's education, while 27% sent money for home improvement or building. Around one third of FDWs save and plan to retire after their working lives, higher at 50% among Sri Lankans, whereas 22% of FDWs are saving to start a business in their home country, especially Nepali (46%) and Filipinas (39%).<sup>267</sup> Almost all Filipinas but only half of Bangladeshis own a mobile phone, for an average across nationalities of 60%.

<b>Table 13: Illustrative characteristics of female domestic workers in Lebanon<sup>268</sup></b>				
	<b>Filipina</b>	<b>Bengali</b>	<b>Ethiopia/African</b>	<b>Total</b>
Education level	78% secondary or higher 29% tertiary	20% secondary or higher	20% secondary or higher	15% no education 40% primary educ. 37% secondary or higher
Work experience	36% skilled/ trained	25% skilled/ trained	16% skilled/trained	57% no experience 21% skilled
Arabic proficiency	20%	46%	25%	
Financial services used	Bank accounts at home, remittances, ROSCAs	Remittances, some w/ bank accounts at home	Remittances, some w/ bank accounts at home	
Ave. wage/ month	USD 409	USD 138	USD 238	USD 180
Have mobile phone	92%	51%	66%	64%
Ave. % of income remitted home	72%	73%	73%	66%

FDWs' freedom of movement differs with their living arrangements. The unified FDW contract introduced by the MoL in 2009 acknowledges the kafala system of employment, but it does **not specify that employees must live with their employers**. However, the GSO often interprets the regulations in this manner, and FDWs who leave their employers' houses without permission or who live separately from their employer are at risk of forfeiting their legal status, especially it seems if they have children in Lebanon.<sup>269</sup>

While an estimated 66% of all female domestic workers are 'live-ins', working full-time in the house of their employer. 'Live-in' FDWs residing with their employer work on average 10 hours a day, and few have the regulatory 1 day a week off. Despite a MoL Order No. 142/1 from 2003 making it illegal for employers to confiscate workers' passports,<sup>270</sup> just over half of the 'live-in' FDWs have their passport and residency papers withheld by their employer (40% among Filipinas and 90% among Nepalis), and around a quarter are often or always locked inside their place of employment, which would restrict their ability to even move in public. Conversely, an estimated **85,000 FDWs or around 34% live independently of their employer**,<sup>271</sup> typically sharing the cost of an apartment as is common among all migrant workers, as illustrated in **Table 14**.

**The influx of Syrian refugees has had minimal impact on the domestic work sector.** A few Syrian refugee women have become domestic workers to support their families. They typically represent households in the Beqaa and the North, in which the men are unemployed or absent. Syrians are not competing with or replacing the FDWs from Africa or Asia, but rather filling a gap in providing domestic services to Lebanese households who are otherwise unable to afford a FDW, in return for shelter (for the whole family), food, and/or a small fee. Thus, they compete, if at all, with the community of 'freelance' migrant domestic workers rather than with 'live-ins'.<sup>272</sup>

<sup>267</sup> Ibid.

<sup>268</sup> Data compiled from ILO: Intertwined, op.cit.

<sup>269</sup> US Department of State, TIP 2018, op.cit., and Insan: Trapped, op.cit., which documents that the GSO has required FDWs to reside with their employers as a condition to renew their residence permits since 2016, but that this seems particularly enforced for the estimated 10,000 FDWs who have children in Lebanon. A 2014 GSO directive prohibits FDWs from renewing their children's residency in Lebanon, which is now seemingly being enforced. Earlier GSO directives prohibited FDWs from getting married and having children in Lebanon, and forbade family reunification, but these regulations were not implemented. <http://www.insanassociation.org/en/images/Shattered%20Dreams%20children%20of%20migrants%20in%20Lebanon.pdf>

<sup>270</sup> [https://publications.iom.int/system/files/pdf/other\\_migrant\\_crisis.pdf](https://publications.iom.int/system/files/pdf/other_migrant_crisis.pdf)

<sup>271</sup> Insan Association: Trapped, op.cit.

<sup>272</sup> <https://reliefweb.int/sites/reliefweb.int/files/resources/LEBANON-Case-Study-FINAL.pdf>

Table 14 Characteristics of FDWs by mode of residency <sup>273</sup>			
“Live-ins”	“Run-aways”	“Live-outs”	“Freelancers”
Live in sponsor/employer’s home for the duration of contract (average 3-4 years). 77% have worked for only one employer.	- Former ‘live-ins’ who have absconded before the contract ended, often without personal ID or documents	- Live alone or with other FDWs and work for one or more employers	- Typically arrived legally to Lebanon on ‘live in’ kafala contracts, or as private persons
Employers are responsible for all costs: food, clothing, shelter, issuance and renewal of legal papers, and insurance, and return ticket.	- If reported to the GSO by the employer, is considered illegally in Lebanon and at risk of detention and deportation.	- Majority has sponsorship contract with one household/ employer	- Live alone or with other FDWs, and work on hourly/daily basis for one or more employers
90% have residency/work permits, but 52% report to have personal ID and residency papers confiscated by employer	- Might get a laissez-passer from embassy to return home, or negotiate release/retrieval of personal documents from former employer (at a fee)	- Have more independence, and earn more, but also incur more costs to renew permits and insurance, pay rent, etc.	- Negotiates fee for sponsor ‘pledge of responsibility’ by brokers
If hired through recruitment agency, employer can change the FDW within first 3 months of contract at no cost. FDW cannot change employer without the consent of existing and new employer, as processed through MoL.	- Might find a new sponsor (either an employer or a ‘broker’) to renew residency and work permit.		- Have more independence, and earn more, but also incur more costs to renew permits and insurance, pay rent, etc.
Est. segment: 153,000 FDWs (62%)	Est. segment: 10,000 FDWs (4%)	Est segment: 85,000 FDWs (34%)	Est. segment: 25,000 or 30% of ‘live-outs’

“Freelancers” are essentially micro-entrepreneurs in the service industry. Most appear to have arrived in Lebanon as domestic workers on a legal *kafala* sponsorship, but have left the initial employer (either untimely due to poor working conditions or abuse (‘the run-aways’), or at the end of a contract). Instead of returning home, they have established themselves as independent “freelance” cleaners or caterers; or have found employment with a Lebanese cleaning/service company who act as their sponsor. This segment would normally have legal residency and work permits, even if these may not have been obtained in the manner prescribed by law, but rather with the assistance of Lebanese acquaintances (typically former employers) or with service companies (acting as the *kafeel*) or brokers.<sup>274</sup> Some may risk irregular employment either as independent freelancer or with a cleaning company hiring them without legal residency papers.<sup>275</sup> For every year any foreign migrant worker is irregular (i.e. not sponsored), s/he accrues a USD 200 fine, and is liable for deportation, so the risk is not negligible. It was recently suggested, that 10% of domestic migrant workers, or around 25,000 women might be “freelancing,”<sup>276</sup> and over a third (36%) have been in Lebanon for longer than 3 years.<sup>277</sup>

The “free-lance” domestic workers are earning more than ‘live-ins’ from their domestic work for several employers, typically around USD 700-1,000 per month (LBP 9,000/hour is the going rate for cleaning, i.e. double the daily pay offered to refugees working informally in the construction sector),<sup>278</sup> but they also work very long hours. In addition to their domestic jobs, many have part time work in other sectors or sub-jobs, e.g. in catering, restaurants, or sales. A smaller group run their own informal businesses, e.g. producing handicrafts, or making and selling ethnic foods or other

<sup>273</sup> International Centre for Migration Policy Development: Trafficking in Human Beings in Lebanon, op.cit.

<sup>274</sup> E. Longuenesse and P. Tabar: Migrant workers and class structure in Lebanon, op.cit., and ILO: Intertwined, op.cit., which found that 4% of FDWs surveyed had paid money to switch employer or renew residency and work documents, and [http://www.rightsobserver.org/files/Report\\_Syrian\\_Workers\\_ENG\\_final\\_\(2\).pdf](http://www.rightsobserver.org/files/Report_Syrian_Workers_ENG_final_(2).pdf)

<sup>275</sup> E. Longuenesse and P. Tabar: Migrant workers and class structure in Lebanon, op.cit.

<sup>276</sup> Interview with Insan Association, 06 February, 2019.

<sup>277</sup> ILO: Intertwined: The Workers’ Side – A study of Working and Living Conditions of Migrant Domestic Workers in Lebanon, 2016.

<sup>278</sup> <https://reliefweb.int/sites/reliefweb.int/files/resources/LEBANON-Case-Study-FINAL.pdf> and interview with Insan Association, 06 February 2019.

items at places of worship or at social events for their community.<sup>279</sup> Free-lance domestic workers also have more expenses than 'live-ins', as they have to pay for rent, health care, food, social insurance, as well as remit money home and pay for the all-important annual renewal of their residency and work permits that cost up to USD 1,200.

FDWs save for their annual renewal of papers.<sup>280</sup> Within the Filipina community in particular, membership in ROSCAs is very common, and serve to secure the lump sum funds for the annual document renewals. These ROSCAs ('*paluwagan*') typically have 30-40 members who pay in USD 10/month to access USD 1,000-1,500 when it is their turn to renew permits, or for hospital bills, or tickets for visits home.<sup>281</sup> No interest is charged. For emergencies, domestic workers like other FBRs borrow from friends, pawn jewellery (at up to 50% of actual value) at pawn shops, or deposit households assets or even passports in exchange for cash loans from loan sharks or landlords at an average interest of 10% per month. As FSPs are generally perceived not to serve FBRs, this is seen as the only option available in a financial crisis.<sup>282</sup>

If financial services were available from FSPs to meet emergency and lump sum cash needs at a lower cost for this segment of FBRs, the demand is thus likely to be high. Globally, female domestic workers and Filipinas in particular are considered excellent clients by many FSPs. In Lebanon, Al Majmoua has extended (primarily group) loans to this segment for a decade, as part of a migrant worker portfolio segment which has grown from 2,500 in 2015 to some 15,000 FBRs in 2019.<sup>283</sup> The Par(30) for loans to Filipino borrowers in Lebanon was 0.06% in 2015 against 0.81% for other migrant workers (e.g. from Ethiopia and Bangladesh), and Filipinas also had a higher retention rate.<sup>284</sup>

Freelance FDWs (and migrant worker communities in general) are relatively organised in community networks, typically led by migrant workers with the longest tenure in Lebanon, who also typically have contacts to their embassies. The networks can be contacted through the community centres that support them, e.g. the Migrant Community Centre (MCC) in Beirut, Insan, Ameen, and Caritas. Further, KAFA, the Lebanese Centre for Human Rights, and the Anti-Racism Movement (ARM), would be good **interlocutors for FSPs wishing to contact FDWs and present their products and services.**<sup>285</sup>

### 4.3 Foreign Investors, Proprietors and Employers of FBRs

The Investment Development Authority of Lebanon (IDAL) is the national agency responsible for promoting investment in Lebanon, which issues licenses and permits for new Foreign Direct Investments (FDI), and manages the incentives and FDI exemptions under Investment Law No. 360. In February 2018, IDAL established a Business Support Unit to provide legal advice and free financial services to start-ups across sectors.<sup>286</sup> Very little public data or research is available on foreign investors or business owners in Lebanon. Data from tax declarations of all business owners in Lebanon in 2014 captures 88,040 taxpayers representing a cumulative income of USD 1.3 billion, but only 3% or some 2,377 firms had more than 10% foreign ownership.<sup>287</sup>

Law No. 296 of 2001 amended a 1969 law governing acquisition of property by foreigners, **allowing foreigners (except Palestinian refugees) to acquire up to 3,000 m<sup>2</sup> of real estate** without a permit, and set the real estate registration fees at approximately 6% for all.<sup>288</sup> To promote foreign direct investment (FDI) in Lebanon, foreign investors (employers) are accorded a number of tax incentives and other benefits, and repatriation of capital is allowed.<sup>289</sup>

Legislative Decree No. 35/1967 under the Commercial Code, **permits foreigners to fully own and manage limited liability companies** (Société à Responsabilité Limitée - SARL), except within certain commercial sectors, where Lebanese must hold a majority of the capital, and the manager should be Lebanese. However, formal business registration is cumbersome and costs a minimum of LBP 5 million (USD 3,330). A foreigner may establish a (formal) business by registering the business in the Commercial Registry, obtain any required licenses and permits from the Investment Development Authority of Lebanon (IDAL), and must retain the services of a lawyer to serve as a corporate agent.<sup>290</sup>

<sup>279</sup> Interview with migrant workers at Smallville Hotel, Beirut, January 2019.

<sup>280</sup> Interview with Caritas Lebanon 07 February, 2019

<sup>281</sup> <https://reliefweb.int/sites/reliefweb.int/files/resources/LEBANON-Case-Study-FINAL.pdf>

<sup>282</sup> Ibid.

<sup>283</sup> Presentation by Al Majmoua at EaSI Technical Assistance Workshop on Refugee/Migrant Finance, Istanbul, 09 April, 2019.

<sup>284</sup> SPTF: Serving Refugee Populations in Lebanon - Lessons Learned from a New Frontier: A Case Study of Al Majmoua in Lebanon, 30 December 2015.

<sup>285</sup> <https://reliefweb.int/sites/reliefweb.int/files/resources/LEBANON-Case-Study-FINAL.pdf>

<sup>286</sup> [https://investinlebanon.gov.lb/en/about\\_us](https://investinlebanon.gov.lb/en/about_us)

<sup>287</sup> <http://www.enterprisesurveys.org/data/exploreeconomies/2013/lebanon#firm-characteristics>

<sup>288</sup> <https://www.state.gov/e/eb/rls/othr/ics/2018/nea/281671.htm>

<sup>289</sup> [https://investinlebanon.gov.lb/en/doing\\_business/investment\\_incentives](https://investinlebanon.gov.lb/en/doing_business/investment_incentives)

<sup>290</sup> [https://investinlebanon.gov.lb/en/doing\\_business/starting\\_a\\_business/choose\\_a\\_business\\_structure](https://investinlebanon.gov.lb/en/doing_business/starting_a_business/choose_a_business_structure)

**Foreigners who manage their businesses from within Lebanon must apply for an employer work permit and a residency permit.** Employer permits stipulate that a foreign investor's capital contribution cannot be less than USD 67,000 (see **Annex 2**). FBR business owners must also hire at least three Lebanese employees and register them with the NSSF within six months of employment.<sup>291</sup>

Despite the legitimate concerns of formal enterprises about unfair competition from the majority of MSMEs in Lebanon that operate informally, neither the MoET nor the Investment Development Authority of Lebanon (IDAL) have amended regulations for **Syrians, who, like any other foreigner, are therefore permitted to register even fully foreign-owned businesses.**<sup>292</sup> The small but economically important segment of **foreign investors and business owners** (proprietors), a majority of whom are from Syria and the Gulf States,<sup>293</sup> has become nearly invisible in the quest to document the vulnerability of the poorest FBRs in Lebanon and their hosts by both the government and the international aid community, and very little data is available on this segment.

### 4.3.1 Foreign Investors

Overall, Foreign Direct Investments flows (FDI) to Lebanon increased by 1% year-on-year in 2017 to a value of USD 2.62 billion. In 2018, 55 new foreign projects and partnerships were established in Lebanon, primarily in the service sub-sectors of trade, real estate and ICT. Foreign investors from Europe accounted for 51% of FDI in 2018 (up from 31% in 2017); while investors from the MENA and GCC countries made up 29% (of which 32% came from the UAE (up from 11% in 2017), followed by Jordan, Egypt, Qatar, Algeria and Saudi Arabia (11% each); and North American and Asia-Pacific investments represented 20% of the total.<sup>294</sup>

Many foreigners have set up firms in Lebanon, but the largest share is controlled by Lebanese diaspora (70% of investments) in the real-estate market (93% of FDI inflows in 2017). 23% of FDI came from other foreigners, notably GCC nationals, and only 3.7% of FDI was invested *formally* in non-real estate firms in 2017.<sup>295</sup> As expected, FBRs from e.g. Syria do not feature strongly in these overall FDI figures, as most of their business investments are assumed to be informal. However, middle and upper class Syrian business people have invested in retail commerce space and hospitality establishments in Lebanon for decades. Real estate sales in Lebanon re-bounded in 2012-13, in part due to investments by Syrian nationals. As noted by an August 2014 BankMed report: “the increase in real estate demand by displaced Syrian nationals is playing an important role in compensating for reduced local demand, hence contributing to further stickiness in real estate prices.”<sup>296</sup> Syrian capital in Lebanese banks was estimated at USD 14 billion in 2014.<sup>297</sup>

In the real estate market, **Syrians were the second largest investor group in Lebanon in 2017**, acquiring 14% of the total real estate acquisitions by foreign nationals after Saudi Arabians at 18%. The value of real estate transactions by foreigners increased by 23% year-on-year reaching USD 757 million in 2018,<sup>298</sup> possibly in part due to the 2018 State budget provision **offering residency in Lebanon to FBRs who purchase apartments** at the price of USD 500,000 in Beirut and USD 332,000 elsewhere in the country.<sup>299</sup> In 2018, real estate acquisitions by Syrians and Saudis levelled at 13% each, as per **Figure 8**.

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<sup>291</sup> <https://investinlebanon.gov.lb>

<sup>292</sup> E.g. World Bank: The Mobility of Displaced Syrians, 2019, p. 105. <https://www.alaraby.co.uk/english/news/2017/4/4/lebanon-displaces-syrian-refugees-forces-them-to-close-businesses> for local reactions to the MoL decision to limit Syrian workers to three sectors.

<sup>293</sup> In August 2014, Syrian capital in Lebanese banks was estimated at USD 14 billion, and Syrian investments since 2011, which boosted demand, increased bank deposits, added an estimated USD 36 million rental payments to the economy. <https://www.cairn.info/revue-confluences-mediterranee-2015-1-page-89.htm#> See also Migration Policy Centre: Migration Profile, op.cit.

<sup>294</sup> <https://investinlebanon.gov.lb/en/lebanon-at-a-glance/foreign-direct-investments/foreign-investment-structure>

<sup>295</sup> IDAL: FDI Monitor, 2018.

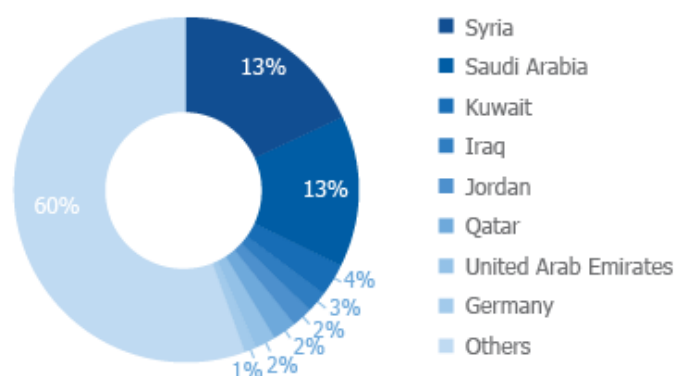
<sup>296</sup> Soueid, Mazen, and et al., “Analysis of Lebanon’s Real Estate Sector - August 2014,” BankMed, August 2014 quoted in Hisham Ashkar: “Benefiting from a Crisis: Lebanese Upscale Real-Estate Industry and the War in Syria” in Confluences Méditerranée 2015/1 (N° 92), pages 89-100, March 2015.

<sup>297</sup> Migration Policy Centre: Migration Profile – Lebanon, op.cit.

<sup>298</sup> <https://investinlebanon.gov.lb/en/lebanon-at-a-glance/foreign-direct-investments/foreign-investment-structure> from where Figure 8 is also taken.

<sup>299</sup> <https://investinlebanon.gov.lb/Content/uploads/SideBlock/180730121827427~IDAL%20FDI%20MONITOR%20LEBANON%20-%20202018.pdf>

Figure 8: Real estate acquisitions by foreigners in Lebanon (% , 2018)

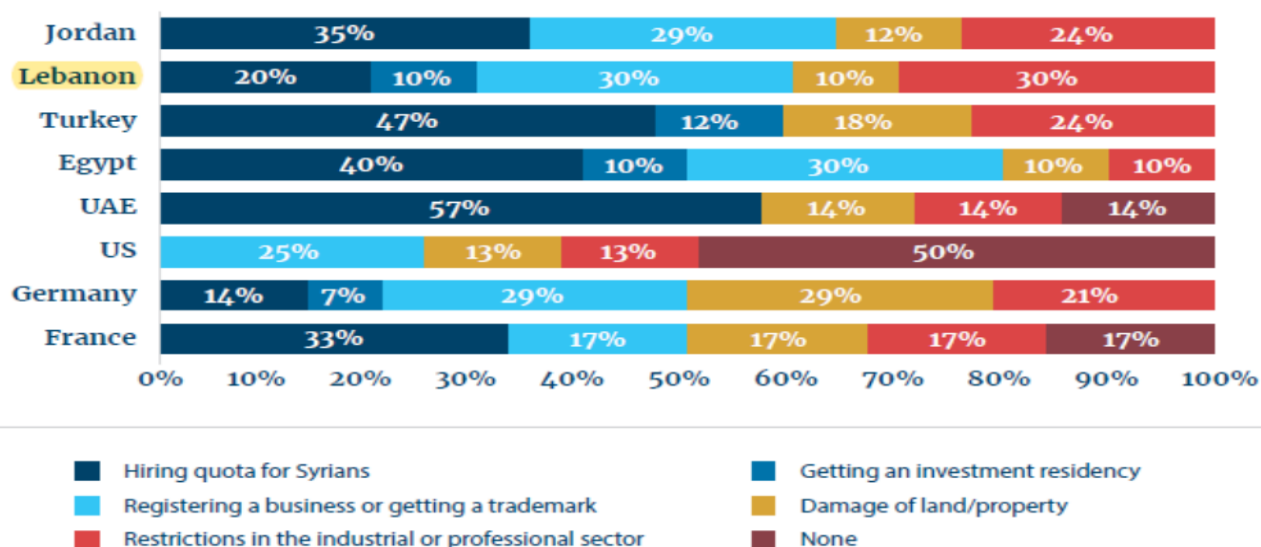


For FBRs with (significant) capital and prior experience in business, the setting up of a formal business in Lebanon would seem to be an opportunity to earn a living. The investment regulations are generally welcoming of foreign investors and business operations, and there are **no official restrictions on Syrians (or any other FBRs) opening a formally registered business.**<sup>300</sup> The procedures for registration, however, are very cumbersome, and may not be implemented evenly across the country, and many foreign business owners appear to start their business informally without registration, as do many Lebanese.

A survey of 1,015 informal enterprises across Lebanon in 2013 found 87% to be Lebanese-owned, whereas 8% were owned by Syrians and 4% by Palestinians.<sup>301</sup> The willingness of businesses to formalise in Lebanon is low (19% of all firms surveyed in 2013 indicated interest in formalising<sup>302</sup>), in part due to the limited capacity of authorities to ensure the enforcement of equitable rules and regulations to provide a level playing field. While formalisation is a valid goal for the cash-strapped government, the gradual and equitable introduction and enforcement in all sectors of labour standards such as work contracts and the minimum wage, etc., may be a more effective way to levelling the playing field for employers, while improving the conditions under which a large part of the workforce are employed.<sup>303</sup>

Syrian entrepreneurs who might wish to restart business operations in Lebanon, recognise the legal, regulatory and political barriers, as illustrated in **Figure 9**. 30% of potential Syrian investors surveyed in 2017 ranked restrictions on entry and registration difficulties respectively as their biggest constraint.

Figure 9: Obstacles for Syrian entrepreneurs to start business in different host countries<sup>304</sup>



The enterprises owned by Syrians or other FBRs that have managed to formalise, can presumably access finance from banks, even if the collateral requirements are onerous. 57% of all firms surveyed in 2013 had bank loans or lines of credit, less for small firms at 49% and higher for medium and large firms (70% or more). A high 53% of Lebanese formal firms used banks to finance investments, and 40% took bank credit to finance working capital, while only 8% of

<sup>300</sup> World Bank: The Mobility of Displaced Syrians, op.cit., as confirmed in correspondence with World Bank staff.

<sup>301</sup> Ibid. p. 94.

<sup>302</sup> <http://documents.worldbank.org/curated/en/951911467995104328/pdf/103201-REPLACEMENT-PUBLIC-Lebanon-SCD-Le-Borgne-and-Jacobs-2016.pdf>

<sup>303</sup> As also recommended by the ILO.

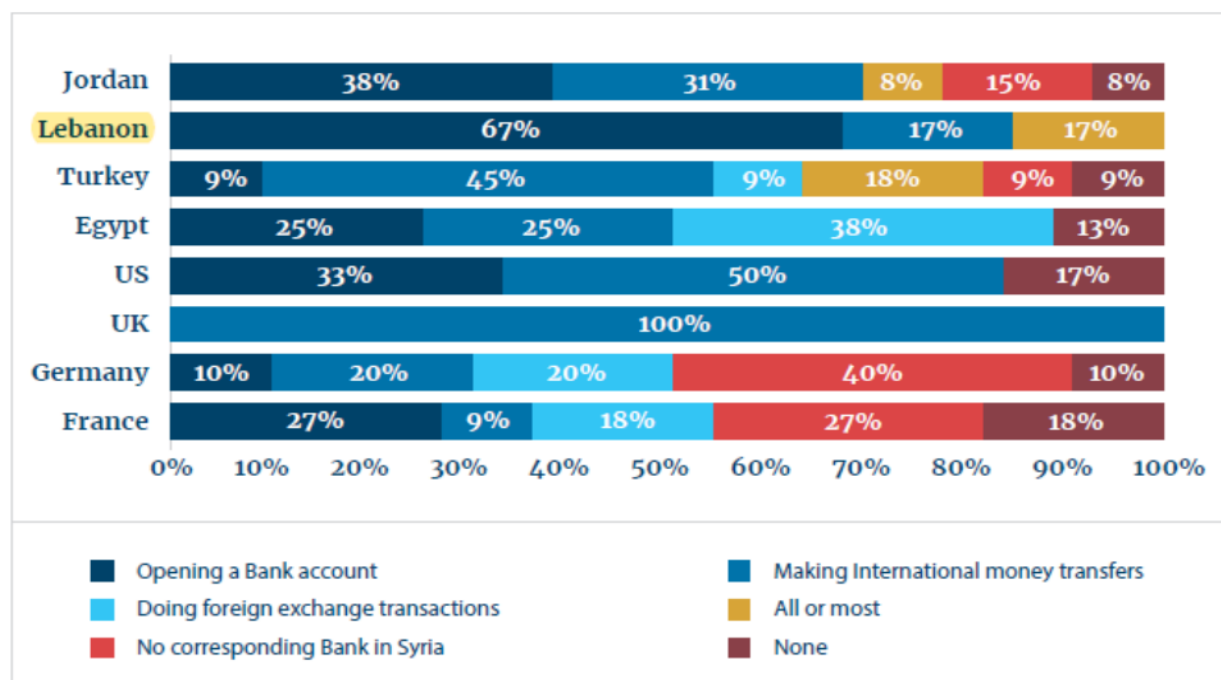
<sup>304</sup> World Bank and UNHCR: The Mobility of Displaced Syrians, 2019, op.cit., p. 92.



applications by firms were rejected. Even if 41% of these firms identified access to finance as a major constraint,<sup>305</sup> it would seem that formal SMEs are relatively well financially included in Lebanon, and do not present a huge expansion opportunity for microfinance FSPs. As 40% of informal firms, however, see improved access to finance as the main benefit of formalisation, however, the **Government could promote increased business formalisation by improving access to finance**,<sup>306</sup> e.g. by facilitating lending by NBFIs to informal MSMEs, indifferently of the nationality of their owner.

Legal barriers have a direct bearing on access to finance, as noted by Syrian business people in Lebanon, of whom 67% reported that opening a bank account was a major obstacle for them to start businesses operations. **There are no regulatory restrictions on opening bank accounts for legally resident Syrians**, so this barrier could be due to de-risking strategies by commercial banks, or it may relate to not having a residency permit (see **Figure 10**).

**Figure 10: Key financial constraints for Syrian businesses in host countries.**<sup>307</sup>



For smaller firms, and informal small firms in particular, obtaining business loans from banks or finance in general is the greatest obstacle. In a survey in Beirut and Mount Lebanon from 2014, **60% of Lebanese and 25% of Syrians had considered opening a business, but lack of financial resources and capital was the most commonly reported obstacle**, as illustrated in **Figure 11**. One in three Lebanese also reported that a lack of business management skills deterred them from starting a business. Inter-community tension was not a big obstacle for Lebanese (3%), but 12% of Syrians reported that this would be a concern, and given developments since, this concern may have increased. Some joint venture firms have been established, but the potential for exploitation in such partnerships remains high.<sup>308</sup>

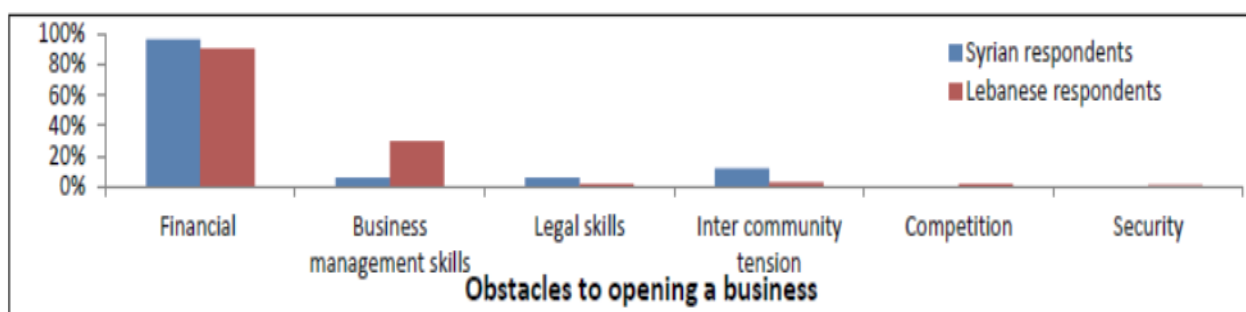
<sup>305</sup> <http://www.enterprisesurveys.org/data/exploreeconomies/2013/lebanon#finance>

<sup>306</sup> <http://documents.worldbank.org/curated/en/951911467995104328/pdf/103201-REPLACEMNT-PUBLIC-Lebanon-SCD-Le-Borgne-and-Jacobs-2016.pdf>

<sup>307</sup> World Bank and UNHCR: The Mobility of Displaced Syrians, 2019, op.cit., p. 92.

<sup>308</sup> [https://www.care-international.org/files/files/CAREInternationalLebanon\\_RefugeesinLebanon\\_Whatworksandwhythatmatters\\_forthefuture.pdf](https://www.care-international.org/files/files/CAREInternationalLebanon_RefugeesinLebanon_Whatworksandwhythatmatters_forthefuture.pdf)

Figure 11: Obstacles to Syrians and Lebanese opening a business a Beirut/Mount Lebanon, 2014 (n=394)<sup>309</sup>



In a recent focus group discussion, the Syrian diaspora in Beirut lamented the limited financial inclusion of refugees, and lobbied for Syrian businesses to be enabled to operate freely. Further, they saw opportunities for increased job creation for refugees in the free economic zones in Akkar and Tripoli, as well as in agriculture and wood-processing, where they saw specific needs for provision of working capital for micro and small businesses.<sup>310</sup> This group of business people are not obvious candidates for microfinance themselves, but they could play roles as business advocates, investors, and employers of Syrians and potentially other FBRs, and could therefore be an **important entry point for FSPs**.

**There are opportunities for FSPs to support small firms run by FBRs or jointly managed micro-ventures** among Lebanese and FBR clients. External FSP finance can improve risk sharing and thus lower the exploitative risks of joint ownership. When developing strategies for serving this potential new client segment, however, FSPs should carefully analyse the local market and potentially apply different marketing approaches, ensuring that financial services are being offered on equal terms and conditions to all enterprises irrespective of the owner's nationality to avoid further inflaming any negative prejudices. It will be important that inclusive financial services are seen to contribute to the general alleviation of economic hardship for all residents.

#### 4.3.2 Employers of FBRs

In 2014, **76% of surveyed formal businesses in Lebanon reported hiring FBRs**, including Syrians (21%) and other FBRs (Iraqi, Palestinian, and Bangladeshi nationals) to make up one third (32%) of their workforce, typically in low-skill positions in construction, household and industrial (cleaning) services, and tourism (hospitality). Lebanese businesses in the agriculture, construction, and manufacturing sectors relied most on Syrian labour, whereas service industries, such as retail and hospitality, were less likely to hire Syrian employees. In a smaller survey in 2018, all firms reported employing Syrian workers, who made up 30% of the workforce on average, and more among the small firms, while **40% of firms also had non-Syrian FBR workers**, as illustrated in **Figure 12** – so the informal FBR workforce in Lebanon may well be larger than estimated.<sup>311</sup>

In January 2017, MoL Decision No. 1/49 was put in place, stipulating that the number of foreign workers per company must not exceed 1 foreigner per 10 Lebanese workers. Domestic workers, Palestinian refugees, and agricultural workers who work for individuals (on the basis of one worker per 5,000 square meters), are exempt from these restrictions. Modified ratios apply to cleaning companies (maximum 10 foreigners for each Lebanese), and construction or equivalent work (maximum 1 foreign worker for every Lebanese worker).<sup>312</sup> Applications for FBR work permits (see **Annex 2**) must include the business articles of incorporation and license of the employer (firm), and therefore employers in the informal sector cannot directly secure work permits for FBRs.

While Lebanese employers benefit from the supply of low cost labour, even formal enterprises find it **more difficult to hire FBR staff** after the government tightened rules and regulations on quotas and work permits.<sup>313</sup> For MSMEs that make up 90% of the Lebanese economy, the quotas and work permit requirements to formally hire FBRs constitute an additional cost. The relatively high total compensation cost (contributions to the NSSF amount to 21.5% of wages), provides little incentives for MSMEs to formalise.

<sup>309</sup> [https://reliefweb.int/sites/reliefweb.int/files/resources/LabourMarketAssessmentReportFinal\\_tosubmit.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/LabourMarketAssessmentReportFinal_tosubmit.pdf)

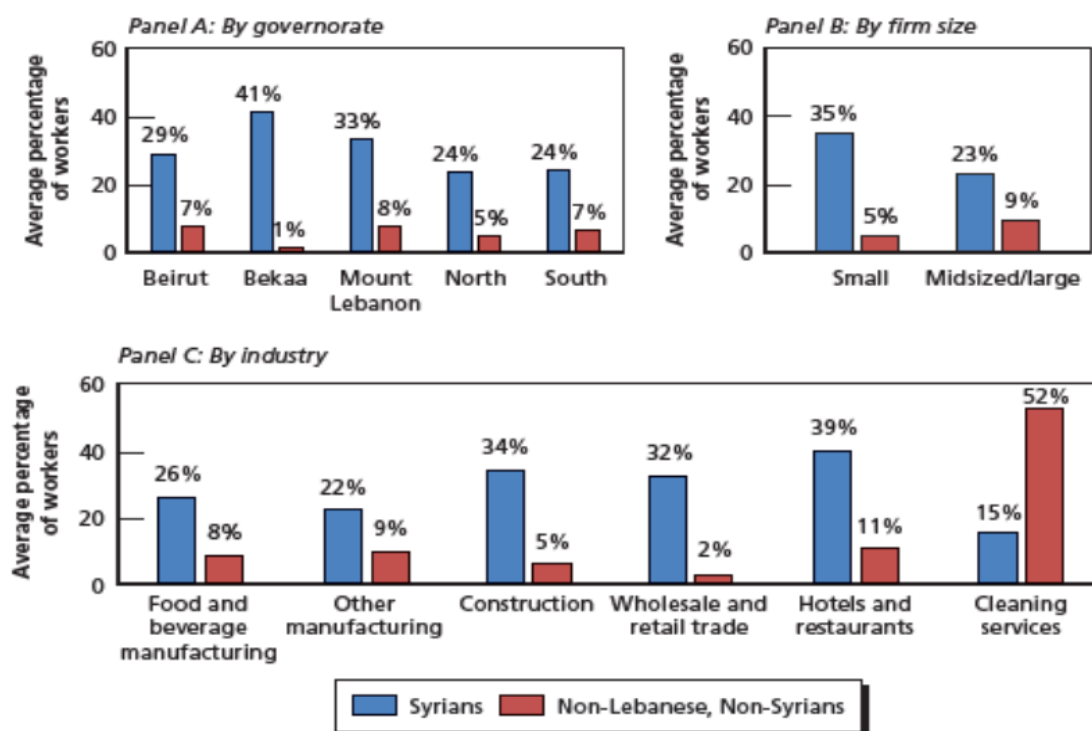
<sup>310</sup> [https://www.theciip.org/sites/ciip/files/documents/Jordan\\_Syrian%20Diaspora%20Focus%20Group%20Report%20.pdf](https://www.theciip.org/sites/ciip/files/documents/Jordan_Syrian%20Diaspora%20Focus%20Group%20Report%20.pdf)

<sup>311</sup> [https://www.rand.org/pubs/research\\_reports/RR2653.html](https://www.rand.org/pubs/research_reports/RR2653.html), p. 119, from where Figure 12 is also taken.

<sup>312</sup> World Bank and UNHCR: The Mobility of Displaced Syrians, 2019, op.cit.

<sup>313</sup> [https://www.buildingmarkets.org/sites/default/files/irc\\_and\\_building\\_markets\\_sme\\_market\\_overview\\_february\\_2016.pdf](https://www.buildingmarkets.org/sites/default/files/irc_and_building_markets_sme_market_overview_february_2016.pdf)

Figure 12: Sample-based share of Syrian and other FBR Workers in % of all workers in firms (n=150)<sup>314</sup>



#### Box 6: Examples of Social Enterprises with refugee employees

1. *Recycle Beirut*: Recycling company in Beirut, offering jobs to Syrian refugee women;
2. *LiveLoveRecycle*: Recycling company in Beirut, offering jobs (back office) to Syrian refugees with WFP funding;
3. *Arc En Ciel* runs centres for training, social support and income generation for Lebanese and refugees throughout Lebanon, linked to enterprises, including in sustainable tourism, agriculture, and a network of shop;
4. *TightKnitSyria*: Handicraft enterprise with global web-shop selling knitwear produced by Syrian artisans collectives in Syria and in the Shatila camp in Lebanon;
5. *Inaash* works with women in 6 Palestinian refugee camps to generate income from embroidery.
6. *Amel* and 13 other NGOs and cooperatives have created the first economic network for women in Lebanon, called "MENNA" ("from us"). More than 300 refugee and rural Lebanese women producers sell soaps, candles, accessories and handicrafts directly to the public in a shop in Beirut also named MENNA. A MENNA catering service was established in Feb 2016; and
7. *Fajr Beirut* offers training and production space for Syrian refugee women to make paper notebooks, which are sold by local stockists and in a web-shop.

Instead, MSME owners hire freelance workers on service contracts, under-report employees, or lower their wages to reduce their fixed costs.<sup>315</sup> At the same time, businesses complain that they **cannot recruit Lebanese nationals** for low-skilled work due to the "cultural mind-set and unrealistic expectations."<sup>316</sup> Lebanese business owners that hired both Lebanese and Syrians in 2014 rated the performance of Syrian employees higher than Lebanese in relation to technical skills, commitment, discipline and overall ability.<sup>317</sup> However, there seems to be a growing number of MSMEs specifically set up to resolve a problem and hire FBRs in the process.

A number of **social enterprises**, often established by diaspora or foreign business owners have sprung up in the sectors broadly allowing (Syrian) refugee employment, including recycling and sanitation, cleaning, green energy, sustainable tourism, and handicraft production. Some of these enterprises may be of interest as SME clients of FSPs, but because they have specifically focused on employing refugees, they are also a **potential entry point for FSPs** wanting to serve employed refugees (see Box 6).

<sup>314</sup> [https://www.rand.org/pubs/research\\_reports/RR2653.html](https://www.rand.org/pubs/research_reports/RR2653.html)

<sup>315</sup> [http://www.undp.org/content/dam/lebanon/docs/Governance/Publications/Lebanon-SME-Strategy\\_091214\\_2.pdf](http://www.undp.org/content/dam/lebanon/docs/Governance/Publications/Lebanon-SME-Strategy_091214_2.pdf)

<sup>316</sup> <https://www.ifc.org/wps/wcm/connect/988c2280433da4ca8b6bef384c61d9f7/IFC+and+Fransabank+Lebanon.pdf?MOD=AJPERES>

<sup>317</sup> [https://reliefweb.int/sites/reliefweb.int/files/resources/LabourMarketAssessmentReportFinal\\_tosubmit.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/LabourMarketAssessmentReportFinal_tosubmit.pdf)

## 5. Financial Inclusion of FBRs – the Emerging Business Case

The documentation on FBRs in Lebanon is either outdated, fragmented by nationality, or objective-led to almost exclusively focus on the most vulnerable, and it is therefore difficult for FSPs to generate a more accurate overview of the entirety of the potential FBR market.

As illustrated in this report, the demand-side characteristics of the FBR communities in Lebanon, and the Syrian refugees in particular, provide both opportunities and constraints for their financial inclusion. The **main challenge for FSPs is to identify the viable segments within the FBR populations that could be served successfully alongside nationals**, and in that context it is important to recall that not all FBRs are Syrian, and not all Syrians in Lebanon are poor. Current policies provide less manoeuvre room for FSPs to serve Syrians than other FBRs, but the vast majority of humanitarian agencies and I/NGOs in Lebanon are currently focusing efforts on assisting vulnerable Syrians and their hosts, guided by the Lebanon Crisis Response Plan. The large community of private sector Lebanese and FBR-owned businesses that employ FBRs, be they formal or informal, has had to adapt to the shifting policy environment. With their networks and knowledge of FBR communities, they may offer entry points for FSPs to the less visible segments of non-destitute, legally resident and economically active, but financially excluded FBRs in the country.

Despite the data limitations and the subdued demand for microfinance among the refugee segment in the constrained environment, there appears to be a sufficiently large viable market of potential FBR clients to warrant the effort of market expansion for FSPs that have the risk appetite to extend current services to politically contentious market segments, who work as informally as the majority of the current Lebanese clientele. Deducting for vulnerability, lack of economic activity, and in particular lack of legal documentation of stay and/or work, we arrive at a 'best guess' minimum market of **210,960 economically active FBRs spending above extreme poverty levels, who have been in Lebanon for longer than 12 months, have (or could get) residency permits, and who are very likely to demand credit services**. Of these, 43% are refugees, whereas the migrant worker market segment comprises 49%, and FBR businesses make up 8%, as illustrated in **Table 15**. Pending easing of access to legal documentation of stay, the viable microfinance market segment of FBRs could likely increase to around 316,770 individuals. **Annex 3** presents the detailed calculations of the indicative market scope.

<b>Table 15: Best guess minimum market of economically active, legal FBRs interested in credit in Lebanon</b>							
<i>Main segments</i>	<i>Duration</i>	<i>Res. Permit</i>	<i>Econ. active adults</i>			<i>=/&gt; MEB</i>	<i>Credit int?</i>
<b>Refugees 43%</b>	<i>In Leban &gt;1yr</i>	<i>ave. 40%</i>	<i>male (ave 60%)</i>	<i>female (ave 20%)</i>	<i>Total</i>	<i>ave 48%</i>	<i>ave. 48%</i>
Syrians	382,630	103,310	121,500	34,591	156,091	<b>126,268</b>	55,558
Palestinians	141,618	126,804	48,942	11,639	60,581	<b>51,566</b>	30,300
Others	12,849	1,546	3,063	2,152	5,215	<b>9,698</b>	4,364
<b>Subtotal</b>	<b>537,097</b>	<b>231,661</b>	<b>173,505</b>	<b>48,381</b>	<b>221,887</b>	<b>187,533</b>	<b>90,222</b>
<b>Migrant workers</b>	<i>In Leban &gt;3yr</i>	<i>w/ WP '17</i>	<i>male (ave 51%)</i>	<i>female (ave 49%)</i>	<i>Total</i>	<i>'stable'</i>	<i>Credit int?</i>
Syrians	210,650	1,776	114,576	8,800	123,376	40,714	35,116
Other MENA	16,250	20,143	52,488	1,836	54,324	21,730	12,050
Africans	68,400	148,620	1,235	142,978	144,213	64,896	37,467
Asians	32,960	79,264	39,467	44,887	84,354	37,959	19,602
<b>Subtotal</b>	<b>328,260</b>	<b>249,803</b>	<b>207,765</b>	<b>198,500</b>	<b>406,267</b>	<b>165,299</b>	<b>104,235</b>
<b>FBR Business owners/private investors</b>							
MENA/GCC	41,977	1,460?				25,000	<b>16,505</b>
<b>Total estimated (likely/minimum) market for FSP credit</b>						<b>316,768</b>	<b>210,962</b>

The vast majority of the segment of **at least 90,000 working age displaced people (refugees)** from Syria, Palestine, Iraq and elsewhere, have been in Lebanon for several years, but only 40% on average have proof of legal stay (residence permits). While more could obtain legal stay if facilitated with finance, this is the core market limitation for FSPs at present. The demographic profile of this segment does not differ significantly from the profile of the core clientele of Lebanese FSPs. There are no significant cultural or language barriers, but on average, they are clearly more economically fragile with 48% on average spending at or above the UNHCR Minimum Expenditure Basket (MEB) in 2017, despite 60% of males and 20% of women on average (more than double for Iraqi women) being economically active. For FSPs that provide only one loan per household, this segment represents a **likely viable segment of 92,050 households** with at least one income stream and 1 residence permit, but only 35% spend at MEB level or above on average. In December

2017, a survey found 39-44% of such households interested in taking credit.<sup>318</sup> This gives us the absolute minimum estimate of 42,720 households that might be interested in credit from an FSP. Syrian households make up 70% of these potential borrowers.

Of the estimated 578,200 migrant workers in Lebanon, of whom half are women,<sup>319</sup> 57% are estimated to have been in Lebanon for three years or longer. 43% of men and 58% of women are assessed to be working full-time, including as FDWs in the residences of employers, which would subdue their demand for productive credit as offered by Lebanese NBFIs, but a segment of some 50,675 are still likely to demand small consumer loans, payment or savings services. Among the estimated 35% (30% men and 10% women) who are 'live-out' self-employed or 'freelancers' operating their own service business, the demand for credit (including for productive purposes) is assessed to 53,560 potential clients. We thus find a **potential market of 104,235 economically stable migrant workers with legal documents and interest in credit, which can be sub-segmented** into three distinct groups:

- Some 35,000 **Syrian migrant worker families**, who likely overlap with the Syrian refugee segment, and are often working informally in agriculture and construction, and could benefit from access to small loans to improve their homes and livelihoods, but they may not all have residency permits;
- Around 26,150 traditional migrant workers from Egypt and elsewhere in the MENA region (12,000), and from Southeast Asia, and Africa (14,150), who are typically male, single, and of whom less than half are likely to stay in Lebanon for many years. While they represent a market for transfers, remittances, short-term savings, and consumer loans, most traditional migrant workers will not be interested in micro-credit for business purposes. Among this segment, however, there are long-term **resident migrant worker families**, many of whom are operating small service businesses (concierge, laundry, beauty salons, and other home-based businesses) in addition to the employment of the main breadwinner. These families generally have ways of securing legal residency, are economically active, and may well be interested in credit;
- Nearly 43,000 'live-out,' female migrant workers, most of whom are Ethiopian, but also from elsewhere in Africa and Southeast Asia, who have been in Lebanon longer than 5 years on average. They reside primarily in the urban centres, arrange for legal residency permits on an annual basis, and are either **self-employed ('freelance') entrepreneurs or informally employed contract workers** in MSME companies, typically in the service (cleaning and catering) industry. While not everyone is fluent in Arabic, they will have assimilated enough to arrange for translation when needed, and as they manage their business activity and regularly remit funds home, they are generally financially literate.

Finally, there is a **small segment of FBR-owned businesses**, which may number some 47,000 mainly male entrepreneurs, operated formal or informal businesses alone or with Lebanese partners, typically for decades. They are primarily Syrian, but also come from elsewhere in the MENA region (and beyond, e.g. Armenia). Typically affluent and fully assimilated as families, often inter-married or in kinship with Lebanese, the majority have access to banking services and would not be interested in microfinance. However, many employ FBRs and could therefore be excellent entry points for FSPs wanting to serve FBR employees. Some smaller (trading) businesses may have been impacted negatively by the Syria crisis, while other foreign-owned businesses may have been affected by recent political restrictions, both of which could have excluded them from formal financial services, and resulted in their renewed interest in NBF credit services. This segment is tentatively estimated at around 16,000 micro- and small enterprises.

## 5.1 Matching the Demand Profile: Financial and Non-financial Needs

The demand for financial services among the segment of FBRs in Lebanon that can use them successfully, does not differ markedly from that of low-income Lebanese nationals. However, with the much higher economic fragility levels among the refugee populations in particular, this demand is muted among sub-segments that cannot access the labour market and may be facing intimidation when running businesses. A proportion of potentially eligible FSP clients will reject conventional credit services and prefer Shariya-compliant products. For the around 30% of displaced Syrians who are not destitute and among FBRs who are employed and/or operate or want to run a business, however, financial services are in demand, as illustrated in **Table 16**. Banks often de-risk FBRs, and due to the regulatory restrictions on (credit-only) products that microfinance institutions in Lebanon can offer, MFI FSPs cannot at present meet all of the financial needs identified by the FBR segments, which leaves an un-served market also for down-scaling banks.

<sup>318</sup> SANAD and Making Cents: Microfinance for Syrian Refugees - The Lebanese and Jordanian Market, December 2017.

<sup>319</sup> 76% of the migrant work permits issued and renewed in 2017 were for women, but the total market clearly includes a large number of migrant workers who do not have work permits.



Table 16 Summary of demand profiles of key segments		
Segments	Characteristics	Fin. Service demand profile
Refugees	18-64 yrs, female/male, self-settled/in settlements, Majority in Lebanon > 3 years, assimilated but economically more fragile (30% non-poor) Economic activity: HBB/MSE businesses, informal jobs Origin: Syria, Palestine, Iraq, other MENA, Africa	Individual/group loans for HBB/MSE/start-up business, agriculture, home improvement, school fees and debt consolidation; remittances, micro insurance; NFS; safe, convenient savings
1) Migrant worker families  2) Live-out, freelance domestic workers	25-60 yrs, primarily female, urban, in Lebanon on average 5 years. Have developed local/regional networks, varying command of Arabic and levels of financial literacy. Some self-employed/informal jobs FDW: most kafala contracted but 10-15% self-employed. Origin: Syria, Egypt, Southeast Asia, Africa	Remittances/payments; individual/group loans for MEs and agriculture, home improvement, education; annual permits; health insurance; savings; some NFS
Small FBR business owners	25-65 yrs, male, urban, in Lebanon > 10 years, established local/regional network, but some businesses distressed due to Syria crisis, and limited access to bank finance Origin: Syria, Iraq, Palestine, other MENA	Bank account, transactional accounts, forex services, domestic/international transfers, MSME investment and working capital loans, LoCs.

### 5.1.1 Financial Products and Services

**MFI FSPs are currently unable to offer savings products.** While nearly 52% of all Lebanese saved in 2017, only 21% did so with an FSP, while 10% were members of a ROSCA (*jam'iyya*). Outside of the 30% of displaced people from Syria who are not poor, the demand among the UNHCR-registered Syrian refugees for savings seems limited. In focus group discussions, clients stated they saved at home, if at all. For other refugee subgroups, savings and assets at home might provide an additional buffer, but the depressed market for income generation has obviously affected their ability to save money at all. Within the migrant worker segment, and especially among 'freelance' FDWs, safe storage of ROSCA savings would no doubt be in high demand. To serve this segment, FSPs might be able to develop agent banking relationships with commercial banks, while leveraging the existing informal savings groups (e.g. the *paluwagan*) rather than insisting on new groups being formed. If a regulatory solution can be found for NBFIs able to manage savings or storage of excess funds (e.g. m-wallets), there may also be scope for introducing new VSLA-type saving groups among more inexperienced (typically female) potential clients, e.g. in partnership with CARE or World Vision.

The credit product range currently available from MFI FSPs adequately matches the FBR demand profile. Both group and individual products are available for consumption and productive purposes, as well as for specific projects, e.g. education of children and home improvement. There is **no evidence that new credit products need to be developed** in order to serve FBRs in Lebanon. On the contrary, the principle of equal access to existing products is essential to avoid discontent among national clients. Some FBRs may prefer group loans, whereas others would be happy with an individual loan. Taking into account the difficult policy environment as well as the emerging global good practices, any pressure by current or potential funders to develop a specific 'refugee product,' ostensibly to make their inclusion more visible to external stakeholders, should be rejected by FSPs. However, given that many refugee households are relatively highly indebted with interest-free debt, local segmentation is important to identify refugees who can benefit without falling deeper into debt. It can be difficult for FBRs to find loan guarantors, as many of their friends, family or neighbours might already be repaying a loan, or guaranteeing someone else, and thus be disqualified as guarantors for new loans.<sup>320</sup> Loans with minimal guarantor requirements which do not require formal work confirmations (permits), for example, are therefore particularly well suited to FBRs who work informally.

Given the grant-based 'employment and livelihood support' provided by an extremely large number of INGOs, NGOs and CBOs working with refugees in Lebanon, **some credit market contamination** in the refugee segment might be expected. However, the allocation of international aid to the livelihood sector is relatively modest at USD 214.4 million for 2019, or 8% of the total budget requested for 2019, and the activities to be implemented by 68 I/NGOs target only 21,350 refugees.<sup>321</sup> Nevertheless, the cash assistance and grant-based entrepreneurial training and business start-up support (typically (grants for) small assets) from I/NGOs combined with the prevalence of informal and interest-free credit could mean that some refugees would not understand or reject interest-bearing loans from FSPs. Clear and transparent marketing information will be needed upfront to ensure that FSP services are not confused with free (grant-based) relief services.

<sup>320</sup> [http://www.findevgateway.org/sites/default/files/publication\\_files/sanad-cgap-lebanon-indebtedness\\_study-20180208\\_dis.pdf](http://www.findevgateway.org/sites/default/files/publication_files/sanad-cgap-lebanon-indebtedness_study-20180208_dis.pdf)

<sup>321</sup> Lebanon Crisis Response Plan 2017-20, 2019 Update.

Multi-purpose (**production and consumption**) **microloans** are likely to be in demand among Arabic-speaking refugee, non-refugee and migrant worker women (and men) who are employed and/or have recently started a home-based or micro-business, typically in the services sector. Poor FBR households have few resources to improve their physical living spaces, and landlords have little incentive to repair rented apartments, especially if the rents collected are not particularly high. Unfurnished apartments are cheaper to rent, but require substantial upfront expenditures for appliances, cooking items, etc. Few refugee household budgets can accommodate home maintenance and furnishings. As such, micro-consumer loans for home improvement, simple housing renovations, and furnishing could be in high demand, especially if tenants would hire refugees or other FBRs to do the work. This would help generate income, and improve the low-quality housing, benefitting the (Lebanese) landlords too.

Established micro-enterprises, including home-based businesses run by FBRs, would benefit from small **business loan products**. The current political and trade union pressures on Syrian-run informal businesses in some areas, however, pose a reputational risk issue for FSPs. In addition to emphasising that credit is equitably available to all eligible businesses, FSPs operating in particularly contested environments could start by offering small business loans to refugee entrepreneurs from elsewhere than Syria, service enterprises run by ‘freelance’ migrant workers, spouses of migrant workers (e.g. from Egypt, Sudan and India) who run businesses, and/or to ‘joint ventures’ between Lebanese and Syrian (or other FBR) owners (both men and women), bearing in mind the potential for exploitation, and therefore ensuring that both owners are jointly appraised to ensure that the power imbalances are sought offset. The vast majority of even joint venture businesses would be informal (unlicensed), but a written agreement between the owners should be encouraged and it is possible that a municipal business license could be obtained in some areas.

To contribute to alleviating the plight of the large ‘NEET’ group of inactive youth among Syrian, but also other refugee segments, **loan products targeting youth start-ups** would be welcomed, and there is also likely demand among already self-employed youth for loans to established youth-owned businesses. The government is actively encouraging start-up loans to Lebanese youth, especially since the BdL subsidies have been curtailed, but start-up loans to youth of any nationality carry a higher credit risk. However, several FSPs offer loans to Lebanese youth, and have successfully managed risk in the past, thanks to careful appraisals, which would also need to be done for FBRs. Credit risk can be reduced if loans to youth are accompanied by business training and mentoring, e.g. in partnerships with livelihoods I/NGOs like IRC and Mercy Corps.

The smaller sub-segment of FBRs with investor/employer permits might be able to access bank finance. However, access to finance among SMEs is listed as a key constraint by Lebanese and FBR enterprises alike, indicating a demand for **non-bank SME loans**. As is usually the case with SME loans, additional credit risk mitigation measures could be necessary for such larger and longer loans, including collateral. FSPs could explore options for mortgaging property, e.g. in Syria, through Syrian FSPs for such loans.

**Microinsurance** is not well developed in Lebanon, but at least one MFI offers a hospital cost reimbursement product with a fixed pay-out per night spent in hospital. More than half of Lebanese (53%) are not covered by any form of **health insurance** in the fragmented and highly informal market. About a quarter (23%) are signed up to the NSSF, and an additional 13% have specific public sector coverage, whereas only 3% have a private health insurance, the highest percentage in Mount Lebanon.<sup>322</sup> Most registered refugees in Lebanon can access some free or partially subsidised health services. Formally employed Palestinians have access to NSSF, but not to all its benefits, and coverage is predictably low.<sup>323</sup> Among Syrian refugees, 69% reported to need medical care in hospital in 2018, which they did not get due to the cost.<sup>324</sup> This figure is lower among refugees from elsewhere, but among this group, 86-88% paid for health care themselves in 2017.<sup>325</sup> Migrant workers must obtain a health insurance in order to renew their residency and work permits and it can be expensive, but covers accidents, in-patient and sometimes outpatient services. Some embassies help with these costs.<sup>326</sup> However, it is likely that more affordable hospital plans would be in demand, also among ‘freelance’ migrant workers. Given the localised risks of flooding and drought in the agricultural sector, where many poor Lebanese and FBRs work, index- or weather-based **crop insurance and livestock insurance**, as well as **fire and theft** cover for (informal) microenterprises are also lacking in the market. On this background, there would no doubt be demand among many potential FBR clients for a greater variety of microinsurance products than are currently available in Lebanon. The timely, ongoing study by LMFA on the feasibility of better microinsurance in Lebanon should also include the FBR segments of the potential market.

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<sup>322</sup> <http://www.socialwatch.org/node/11031> Data is from 2006, and could have improved since.

<sup>323</sup> UNDP: Assessing Vulnerabilities of Palestinians, 2018, op.cit.

<sup>324</sup> UNHCR: VaSYR 2018, op.cit.

<sup>325</sup> UNHCR: VaRON 2017, op.cit.

<sup>326</sup> <https://reliefweb.int/sites/reliefweb.int/files/resources/LEBANON-Case-Study-FINAL.pdf>

The general usage of **digital financial services** in Lebanon remains low due to an under-developed payment service infrastructure. While only 0.7% of Lebanese had a mobile money account in 2017, 33% received an electronic payment and 24% used a debit or credit card. Refugees eligible for cash assistance from WFP and UNHCR will also have been accustomed to using e-cards and ATMs. Many FBRs, including refugee women and 'live-in' FDWs who may not be able to leave their home, are very interested in mobile money solutions, as they enable transactions from their phone. The introduction of **mobile wallets** for clients that would allow for receipt and repayment of loan funds, storage of excess funds and potentially (domestic) payments and transfers, would be welcome, but such products will require further development of a national payments system and regulatory amendments to enable NBFIs to effectively offer electronic and mobile money instruments.

Iraqi, Palestinian and Syrian refugees receive international **remittance services** from family abroad, whereas an estimated 30% of refugees and the entire segment of foreign migrant workers send remittances to their home countries, even if Lebanon has some of the highest fee costs in the world. Remittance services are available (also for FBRs) from OMT (a Western Union agent), LibanPost, Cash United, Masri Money Express, and Thomas Cook (a MoneyGram agent),<sup>327</sup> but cannot be offered by MFIs. Advocacy support by funders and investors, as well as UN agencies, to enable non-bank microfinance providers to offer storage of money, savings and transfer products, e.g. through mobile delivery channels, would be welcome. It might be of interest for some FSPs to explore the feasibility of **collaborating with FSPs in FBRs' countries of origin** to review any credit histories of FBR clients. Likewise, FBR clients should be provided with a portable credit history (good borrower certificate) when they end a successful relationship with an FSP in Lebanon.

### 5.1.2 Non-Financial Services

While demand-led **business services, training and skills development** (including vocational education) could assist start-ups, there is an existing segment of both Lebanese and FBRs who are experienced entrepreneurs and may not need additional training and business support to grow their businesses, if regulations allow. It is likely that FDWs from East-South East Asia (e.g. Philippines and India) and East Africa (e.g. Kenya), for example, are very familiar with microfinance from home. But there is clearly also a large sub-segment of refugee women and youth who have less prior experience and capacity. For them, a range of tailored Non-Financial Services (NFS), notably BDS and access to market efforts, may increase their chances of employment or business success as potential clients, and hence lower credit risk for FSPs. Among Lebanese microfinance FSPs, both in-house NFS programmes and partnerships with I/NGOs, academic institutions, and business service providers have been developed to avail NFS to existing and potential clients prior to their access to loans. No one fully sustainable and sufficiently client-centric model has yet emerged.

In the over-heated labour market, most economically active FBRs are focused on getting or retaining a better paying job. UNHCR, ILO and a host of I/NGOs have promoted skills development programmes and vocational training for both Lebanese and refugee populations as a way of building social cohesion. I/NGOs provide internship programs to facilitate refugees' entry into the workforce, including vocational training, job placements, and some entrepreneur training, but most only assist Syrians, while refugees from Iraq and other countries have difficulty accessing assistance.<sup>328</sup> In addition to UNHCR and WFP, several INGOs (notably WVI, DRC, NRC and IRC) have provided cash transfers as well as seed capital for home-based businesses to Syrian recipients of vocational or business training, but at a relatively small scale. Most NFS is offered for free, which may or may not have led to employment for refugees, and the return on these training interventions is generally low. It is very likely that these ongoing initiatives have led to a certain level of **'training fatigue'** among refugees, and the government has recently limited funded skills-training programs for Syrian refugees to the three 'allowed' sectors only.<sup>329</sup> More than training for various vocations, there seems to be demand for language training among Syrians (many of whom do not speak English or French), and cross-national networking and skills-exchange sessions. Even among Lebanese MSMEs surveyed in 2016, only 32% indicated high interest (and 28% some interest) in attending additional training, while 36% indicated they were not very or not at all interested. This was particularly the case for smaller businesses. When asked to prioritise training needs, job seekers thought skills-building in sales and marketing; customer service; and communication would help them get a job whereas MSME owners prioritized training in customer service; sales and marketing; and financial management.<sup>330</sup>

For these reasons, any NFS should be offered based on in-depth client needs assessments, and in close consultation with (both national and FBR) clients to ensure it is demand-led and of interest to clients. For potential FSP clients who are employed or seeking wage employment, segmentation of job-seekers by qualifications should replace the

<sup>327</sup> <https://imtconferences.com/lebanon-remittance-inflows-outflows/>

<sup>328</sup> <http://asylumaccess.org/wp-content/uploads/2017/09/Middle-East-Refugee-Work-Rights-Syrian-Crisis.pdf>

<sup>329</sup> KNOMAD: Refugees' Right to Work and Access to Labor Markets – An Assessment, 2016, op.cit.

<sup>330</sup> [https://www.buildingmarkets.org/sites/default/files/irc\\_and\\_building\\_markets\\_sme\\_market\\_overview\\_february\\_2016.pdf](https://www.buildingmarkets.org/sites/default/files/irc_and_building_markets_sme_market_overview_february_2016.pdf)

assumption that all FBRs need training for employability, and the most effective intervention to ensure better inclusion of all in the opaque labour market may be the establishment of a transparent and **accessible system advertising available vacancies** and requirements, e.g. under the National Employment Office.

Any FSP strategy for NFS provision should take into consideration the cultural sensitivities of the new client segment, and the competitive inter-community tensions that do exist in some areas. Equality of access and transparency in terms and conditions for both financial and non-financial services will be crucial. Given the large and mutual information gap, it may pay off for FSPs to start with trust-building public information sessions, social events, or ‘open days’ for new potential clients to visit branches and ask questions. If partnerships are developed between FSPs and humanitarian/livelihood organizations for NFS services, it is important that FSPs retain the control of final client selection, and clients should be segmented also for NFS to avoid mismatches of client expectations and BDS offered.

For potential clients who are or want to become entrepreneurs, it may be more relevant to be connected to ‘mentors’ and receive regular coaching on specific market or business challenges, as offered, for example, by Mercy Corps’ business advisors, rather than to receive pre-defined trainings. FSPs could consider developing systems to monitor the effect of such mentoring to ensure that clients are progressing with their businesses and their BDS needs are being identified and addressed by appropriate support. A more localised and client-centric approach to NFS may well unlock motivation and drive among clients to contribute to appropriate NFS design, as well as to identify solutions to practical, logistic, and culturally sensitive constraints. FSPs should not shy away from presenting constraints to clients and asking for suggestions, including of the financing of NFS. If NFS is well aligned with the interests of clients, it is possible that they could contribute to cost-cutting efforts, e.g. through arranging transport, volunteering time, identifying low-cost trainers and venues, etc. **The agency of clients involved in resolving problems to demand-driven services should not be under-estimated**, but can remain latent if an overly supply-driven approach is taken.<sup>331</sup>

## 5.2 What are the Next Steps?

This diagnostic study is loosely structured as recommended in the global Guidelines for FSPs on financial inclusion of refugee populations,<sup>332</sup> seeking to clarify the market-level levers presented in the tentative business case framework for inclusion of all FBRs in Lebanon (see **Figure 13**). With this information, FSPs could review their infrastructure, capacity and other institutional levers to determine which of the segments (and sub-segments) within the FBR populations they might be able to serve best.

### Box 7: Preparatory steps for FSPs

1. Conduct a scoping study
2. Generate the strategy
3. Make contact and conduct market research
4. Segment potential clients
5. Adjust eligibility and appraisal criteria
6. Conduct a pilot test

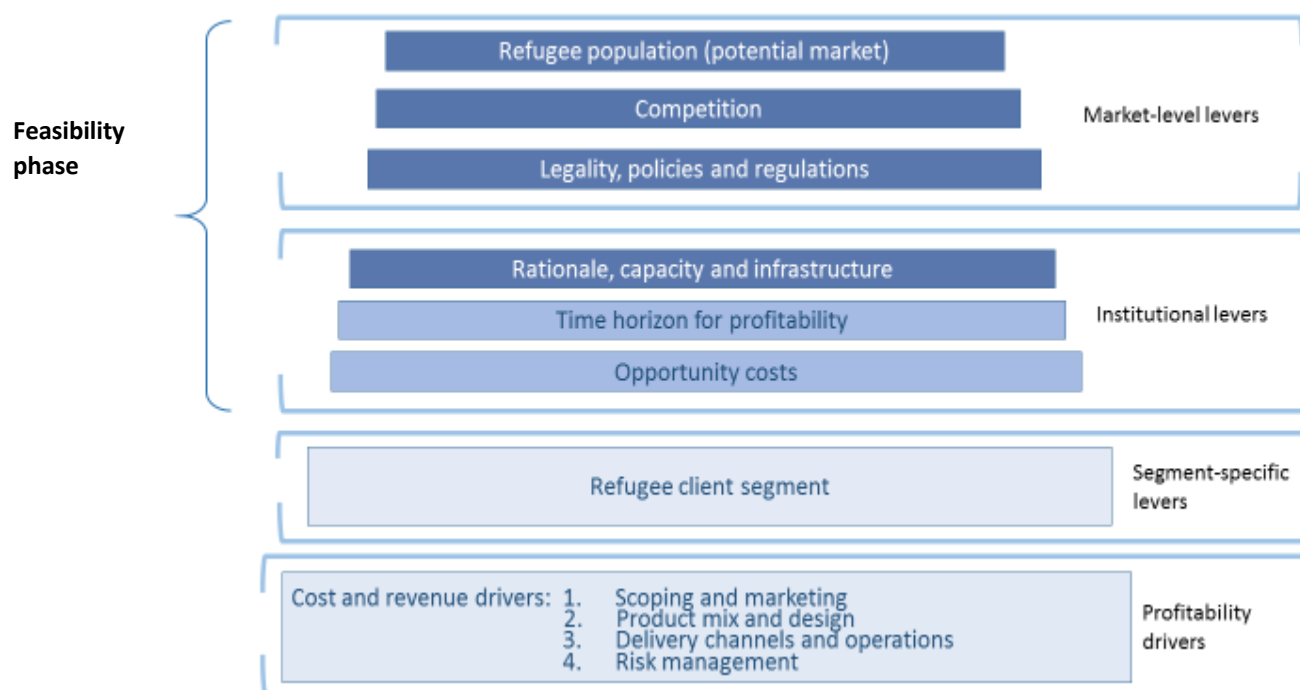
A next step could be to design a strategy for expansion into the new segment(s), as outlined in the six steps of the Guidelines (see **Box 7**), which will evidently differ among FSPs based on their mission, financial and social goals, and risk appetite. The strategy would outline the approach to contact (entry points) and marketing, local market research to refine the approach to inclusion of FBRs by branch. For most FSPs, the subsequent steps would include refresher training in segmentation to ensure the best ‘match’ of available service to demand, an internal process of adjusting policies, procedures and processes to make sure

FBR clients are accommodated at par with nationals and not inadvertently excluded by procedures or eligibility criteria, and then pilot testing to ensure that the strategy developed works in practice, or is adjusted with lessons learned.

<sup>331</sup> See also lessons learned from Al Majmoua in Lebanon: Case study, 2015, op.cit.

<sup>332</sup> Social Performance Task Force and UNHCR: Serving Refugee Populations: The Next Financial Inclusion Frontier. Guidelines for Financial Service Providers, March 2017.

Figure 13: Tentative Business case framework for financial inclusion of refugees (and other FBRs)



Neither the BdL nor the BCC has issued any regulatory restrictions against serving FBRs, as long as FSPs comply with the KYC and AML/CTF regulations. Performing regular **KYC verification of new FBR clients is possible**, as most FBRs have personal ID documentation. Based on Data Sharing Agreements, UNHCR-registered refugees can be verified against UNHCR's database RAIS, but given the GSO's insistence of access to this database for review of refugee registration files, this option should be used with caution in the interest of clients' personal data protection. Refugees and migrant workers with residence permits would already have been verified by the GSO, while FBRs with work permits are also registered with the MoL.

With appropriate segmentation and appraisal, and with slightly adjusted products and delivery systems, **no significant additional credit risk** could be identified for FBR client segments. By contrast, several traits of Syrian refugees in particular suggest a slightly lower credit risk profile, including their entrepreneurial acumen, skills and talents (as perceived by Lebanese clients), and their fear of drawing negative attention to themselves, e.g. by defaulting on a loan. Among FSPs, flight risk is the core concern, specifically for Syrian refugees. Despite the few examples that can always be put forward, however, FSPs already serving refugees in the region have not to date seen this risk materialise. Rather than flight risk among FBRs, there may be a slight increase in credit risk among nationals, as competition for jobs, pay and thus income at the lower echelons of the Lebanese labour market intensifies. Such risk should be monitored by early warning triggers.

There are no reasons to believe that inclusion of more FBR clients, including refugees, in the loan portfolio would reduce profitability of these products for FSPs, but the impact of any expansion on **profitability** will obviously depend on the scale and speed of growth within the new market segment. Currently, the main reason for rejection of loan applicants among FSPs is multiple loans detected in the Centrale de Risque register, and this can be expected to reduce with an increased uptake of FBR clients, who have typically not had access to formal credit before. **Reduced rejection rates enhances profitability**. FBR client retention is likely to be higher than among nationals, as FBRs currently have less choices of providers in Lebanon, and are likely to display a higher level of loyalty to FSPs that will serve them. **Lower drop-out rates increases profitability**. If FSPs need **additional capital** to on-lend to FBRs, there are several international funders looking for investible FSPs in the region. To increase FSP Board levels of comfort with such expansions, there are options for buying down the perceived flight risk (e.g. of a mass exodus of refugees from Lebanon in the happy if unlikely event of a peace agreement in Syria) through **credit guarantee facilities**. Decisions on **NFS investments are likely to be the biggest cost-driver** in an expansion strategy. While many models exist, the core to an affordable NFS strategy (outside of typically short-term and thus not fully sustainable grant funding) is for FSPs to analyse the expected



level of cross-subsidisation of NFS costs by the loan revenue to arrive at estimates for the total client profitability of the new client segments.<sup>333</sup>

However, any FSP strategy to expand services to FBRs **carries political and reputational risks** in the current *un-abling* political environment in Lebanon, and limited to offering micro-credit, FSPs must clearly establish their risk appetite. To justify an expansion of microfinance services to FBRs, and in particular to Syrian refugees, in this environment, FSPs need a '**policy anchor**' to underpin their strategic contributions to the common good of improving the socio-economic well-being of all residents of Lebanon. Potential documents endorsed by government and the international donor community that could serve this purpose include:

- The February 2016 Government Statement of Intent to the London Conference on Support to Lebanon that states "It is recognized that an expansion of economic opportunity will diminish the need for humanitarian assistance as growth will result in jobs for Lebanese and Syrians. [...]the Government is proposing a new combination of programs that aim to stimulate the economy by investing in [...] sustained economic growth and trigger business expansion, at the same time as directly providing additional job opportunities for both Lebanese and Syrians. Through these interventions, an estimated 300,000 to 350,000 jobs could be created over the coming 5 years, 60% of which for Syrians;"<sup>334</sup>
- The Lebanon Refugee Crisis Plan 2017-20 (update 2019), which calls for reinforcement of Lebanon's economic, social and environmental stability by strengthening productive sectors in expanding economic and livelihood opportunities, benefiting local development and the most vulnerable communities, by:
  - Strategic Objective 3: Support service provision through national system; Impact 3: Vulnerable populations have equitable access to basic services through national systems, including "Stimulation of local economic development and market systems to create income generating opportunities and employment;"
  - Strategic Objective 4: Reinforce Lebanon's economic, social and environmental stability; Impact 4: Mitigated deterioration in the economic condition of vulnerable populations, under which the promotion of "job creation and support to businesses to generate income for local economies in poor areas benefiting all vulnerable communities" is mentioned, with a specific outcome measuring the "number of targeted vulnerable persons engaged in home-based income generation (at least 50% women)."<sup>335</sup>

Given the relatively weak policy formulations, which do not directly promote the access to income through business activities for refugees, additional advocacy for core enabling policy directions for successful microfinance might be needed. The sub-set of LMFA members interested in financial inclusion of FBRs could form an **advocacy alliance** supported by international financial institutions, UN agencies,<sup>336</sup> INGOs, funders and investors, to present the concerns and proposals of FSPs to government and lobby for a more conducive policy for the expansion of financial inclusion in Lebanon. Associations of enterprises in Lebanon that are employing FBRs could be invited to join such an alliance, including e.g. the regional diaspora Syrian business community,<sup>337</sup> that could also help develop concepts for cross-border financial products. An advocacy alliance could focus on clarifying and mitigating the core restrictions affecting the ability for FSPs to serve these populations effectively, including:

- Their limited access to legal stay (residency permits), and the difficulties of regulated FSPs to serve 'illegal aliens';
- Clarification that FBRs, including people displaced from Syria, can open and run businesses, including home-based businesses, and that FSPs can legally finance such businesses; and
- The limited access by refugees and other FBRs to decent (formal/legal) work (work permits), including the restriction for Syrians to three low-pay sectors, which may prevent FSPs from financing (irregular) FBR employees.

Given the fiercely competitive national market segment, where banks, NBFIs and NGO-MFIs seek to attract clients, and the comparatively open segment of FBRs, it is hard to identify another **growth strategy**, which would present a better social and financial return for FSPs than serving FBRs in Lebanon on terms equal to those offered to nationals. Conversely, it is likely that the opportunity cost of *not* including especially Syrian refugees would be significantly higher than their gradual economic and financial inclusion. However, this does not currently appear to be a view shared by the Lebanese authorities.

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<sup>333</sup> For more on the concept of total client profitability, see CGAP: Is there a Business Case for Small Savers?. Occasional Paper # 18, September 2010.

<sup>334</sup> <http://www.businessnews.com.lb/download/LondonConferenceLebanonStatementOfIntent4Feb2016.pdf>

<sup>335</sup> Lebanon Crisis Response Plan 2017-20, Update 2019, p. 19 and p. 41.

<sup>336</sup> E.g. the UN Regional Joint Secretariat, that issued a Policy paper on Improving Livelihoods and Economic Opportunities for Syrian Refugees and Host Communities in Egypt, Iraq, Jordan, Lebanon and Turkey in 2018. See: <http://www.arabstates.undp.org/content/dam/rbas/doc/SyriaResponse/Livelihoods%20Sector%20Brochure%20no%20crop%20marks.pdf>

<sup>337</sup> CIIP: [https://www.theciip.org/sites/ciip/files/documents/Jordan\\_Syrian%20Diaspora%20Focus%20Group%20Report%20.pdf](https://www.theciip.org/sites/ciip/files/documents/Jordan_Syrian%20Diaspora%20Focus%20Group%20Report%20.pdf)

## Annex 1: Overview of the Residency permit regulations for FBRs

Law Regulating the Entry for Foreign Nationals into, their Residence In, and their Departure from Lebanon,” issued with order No. 319 of 1962,<sup>338</sup> and a host of subsequent decrees, circulars and decisions regulate the residency requirements for foreign nationals in Lebanon, reflecting a needs-based, ad hoc approach to the management of changing migration flows. The current system for residency permits for FBRs include a number of different categories, as attempted illustrated in **Table A**.

Type of FBR	Term of permit	Requirements/documentation (in addition to personal ID)	Exceptions/exclusions	Fee in LBP (+ an LBP 180,000 processing fee for all)
Family/relatives (dependents of a 2 <sup>nd</sup> class work permit holder, FBR relatives of Lebanese citizens)	Annual	<ul style="list-style-type: none"> <li>- Proof of family ties</li> <li>- Pledge not to work (for family, not needed if &lt; 64 years of age)</li> <li>- Pledge of responsibility (for bread winner)</li> </ul>	<ul style="list-style-type: none"> <li>- remarried widows</li> <li>- Families of Egyptians</li> <li>- Families of 3<sup>rd</sup>/4<sup>th</sup> class work permit holders</li> </ul>	300,000
Self-sustainable means (with monthly income or capital)	Annual/permanent (3 years)	<ul style="list-style-type: none"> <li>- Lease or property title in Lebanon</li> <li>- monthly income &gt; LBP 3-5 million (e.g. retirement fund)</li> <li>- Ownership of bank account with &gt; LBP 100-300 million blocked</li> <li>- Pledge not to work</li> </ul>	<ul style="list-style-type: none"> <li>- Palestinian refugees</li> <li>- Family members can be included, except adult males</li> </ul>	3 yrs: 900,000 1 yr: 300,000
Business person/investor	Annual/permanent (3 years)	<ul style="list-style-type: none"> <li>- Proof of profession from country of origin</li> <li>- Proof of investment project in Lebanon</li> </ul>		3 yrs: 900,000 1 yr: 300,000
Religious Student/ man of religion	Annual	<ul style="list-style-type: none"> <li>- residence and proof of income</li> <li>- Attestation for men of religion/accreditation</li> <li>- pledge not to marry</li> </ul>	- Syrians, Iraqi, and many other countries	1 yr: 250-300,000
Student	7 days + Term of enrolment	<ul style="list-style-type: none"> <li>- Proof of enrolment</li> <li>- Proof of income and address</li> </ul>	- Syrians, Iraqi, and many other countries	250,000
Work permit holder	Annual/permanent (3 years)	<ul style="list-style-type: none"> <li>- Copy of prior work permit</li> <li>- Certified work contract</li> <li>- Employer's id card or proof of company register</li> <li>- LBP 1.5 million deposit guarantee</li> <li>- NSSF/insurance registration</li> <li>- Health report</li> </ul>	<ul style="list-style-type: none"> <li>- Foreign employers</li> <li>- Domestic workers</li> </ul>	1 <sup>st</sup> : 1.8-5.4 mill 2 <sup>nd</sup> : 1.2-3.6 mill 3 <sup>rd</sup> class: 400,000 4 <sup>th</sup> class: 300,000 (and women)

The Lebanon Partnership Paper for the Brussels II Conference in April 2018 confirmed the government's commitment to ensuring that all eligible refugees can renew their residency free of charge, by further upscaling the capacity of the offices of the General Security to process a higher number of applications, and by applying the waiver to all.<sup>340</sup> However, the complex system of obtaining legal stay via a residency permit is a main contributor to the widespread marginalisation of FBRs in general, and refugees in particular. The regulations, level of corruption, and the effects of 'wasta' are such that it is possible to buy a residency permit if you have the means, but the majority of forcibly displaced persons do not. For them, a maze of bureaucratic red tape surrounds the access to and renewal of residency permits, which are unevenly implemented across the country, and differing by country of origin.

### Residency permits for Syrian nationals

The 1993 bilateral agreement between Lebanon and Syria on Economic and Social Cooperation and Coordination granted mutual freedom of nationals of the two countries to stay, work, and practice economic activity.<sup>341</sup> Based on this

<sup>338</sup> [https://www.unodc.org/res/cld/document/lbn/1962/order\\_no\\_319\\_regulating\\_the\\_status\\_of\\_foreign\\_nationals\\_in\\_lebanon\\_en\\_html/Order\\_no\\_319\\_EN\\_excerpts.pdf](https://www.unodc.org/res/cld/document/lbn/1962/order_no_319_regulating_the_status_of_foreign_nationals_in_lebanon_en_html/Order_no_319_EN_excerpts.pdf)

<sup>339</sup> <http://www.general-security.gov.lb/en/posts/5> and Lebanon Support: Formal Informality, Brokering Mechanisms, and Illegality. The Impact of the Lebanese State's Policies on Syrian Refugees' Daily Lives, 2016.

<sup>340</sup> <https://www.consilium.europa.eu/media/34145/lebanon-partnership-paper.pdf> The Government rejected flat out any mention of job opportunities for Syrians in this statement.

<sup>341</sup> Lebanon Support: Formal Informality, Brokering Mechanisms, and Illegality, op.cit.

agreement, Syrians (whether refugees or not) could obtain a free residency permit valid for 6 months in the form of a GSO stamp at the border, by presenting a valid passport, a (Syrian) ID card, or an extract of the Syrian Family book (civil status registry) as personal identification.<sup>342</sup> This residence permit could be renewed in Lebanon at no charge for another six months. The USD 200 per adult per year renewal fee introduced for Syrians in February 2013 was waived again in February 2017 with a specific set of conditions (see below),<sup>343</sup> but the requirement of a return card (obtainable only from Syrian authorities) remains, essentially requiring Syrians to go to Syria in order to renew their Lebanese residency permit.

In January 2015, the GSO issued a directive detailing new entry and residency requirements based on the October 2014 “Policy Paper on Syrian Refugee Displacement,” requiring Syrian nationals to comply with one of the following options for legal stay in Lebanon:

- Be visiting for the purpose of tourism, business, study, transit, medical treatment or visa application at a foreign embassy;
- Own property in Lebanon or hold a residential rental agreement. Decree 11614 of 1969 gave Arab residents (but not non-Arabs) the right to own estates of up to 5,000 (later reduced to 3,000) square meters in Lebanon, including Syrians. The GSO enables Syrians to obtain legal residency based on formal lease (rental) or property ownership documents;
- Already hold a Lebanese residence permit, be a spouse of a Lebanese national or child of a Lebanese mother, a wife of a Palestinian refugee registered in Lebanon, or a holder of a residence permit in another Arab or foreign country or be a diplomat; or
- Have a Lebanese sponsor,<sup>344</sup> and thus **for the first time introducing the kafala system for Syrians.**<sup>345</sup> Syrians renewing their residency permit with a Lebanese sponsor or employer (who is required to sign a “pledge of responsibility”), are henceforth considered as migrant workers and no longer as displaced persons (refugees).<sup>346</sup>

**Syrian refugees** registered with UNHCR by January 2015 (but not later arrivals), who have obtained residency through their UNHCR certificate at least once before, and who have not renewed their residency based on other documents (e.g. a work contract, rentals, or tourism visas) can in principle still renew their residency permit as a ‘humanitarian case of displacement’<sup>347</sup> but this category is often interpreted only to apply to cases of urgent medical needs. Initially, this required refugees to sign a “pledge to not work,” but this pledge was amended in July 2016 to a more general commitment to obey the laws of Lebanon. The permit renewal fee waiver does not apply to Syrians not registered with UNHCR and registered Syrian refugees who renewed their residency through a kafala sponsorship.<sup>348</sup> UNHCR estimates that less than half of Syrian refugees met these conditions in 2018, and the waiver of the permit fee for Syrians has thus had little effect on the legalization of refugees so far.<sup>349</sup>

Documentation of financial means can purchase a residency permit (a blocked deposit in a Lebanese bank account, or proof of monthly income, including humanitarian assistance), but for these permits, an attestation that the applicant shall not work is required.<sup>350</sup>

For all categories, the application to get or renew a residency permit must be accompanied by:

- A valid passport or Syrian national ID card (or family book for dependents)
- Entry slip (proof of legal entry in Lebanon)
- Return card (obtained from Syria)
- Proof of address (*ifadat sakan*) confirming their place of residence, and a certified attestation by the landlord who owns the rented property; and
- Two photographs stamped by the local mukhtar, administrative head of the village or neighbourhood.<sup>351</sup>

<sup>342</sup> <http://www.general-security.gov.lb/en/posts/241> and Lebanon Support: Formal Informality, Brokering Mechanisms, and Illegality, op.cit.

<sup>343</sup> Lebanon Support: Formal Informality, Brokering Mechanisms, and Illegality, op.cit.

<sup>344</sup> <http://www.databank.com.lb/docs/Assessing%20the%20Development-Displacement%20Nexus%20in%20Lebanon%202018.pdf>

<sup>345</sup> UNHCR and Government of Lebanon: Lebanon Crisis Response Plan 2017–2020 (2019 update), op.cit.

<sup>346</sup> KNOMAD: Refugees’ Right to Work and Access to Labor Markets – An Assessment, 2016, op.cit.

<sup>347</sup> Limited to unaccompanied and/or separated children with a parent already registered in Lebanon; persons living with disabilities with a relative already registered in Lebanon; persons with urgent medical needs for whom treatment in Syria is unavailable; and persons who will be resettled to third countries.” M. Janmyr: The Legal Status of Syrian Refugees in Lebanon, 2016, op.cit.

<sup>348</sup> Migration Policy Centre: Migration profile Lebanon, op.cit.

<sup>349</sup> UNHCR: VaSYR 2018, op.cit.

<sup>350</sup> <http://www.general-security.gov.lb/en/posts/241>

<sup>351</sup> Lebanon Support: Formal Informality, Brokering Mechanisms, and Illegality, op.cit.

The main categories of residency permits available for **Syrians** are attempted presented in **Table B**.

<b>Table B: Main categories and requirements for residency permits for Syrians in Lebanon<sup>352</sup></b>				
Types of FBRs	Term of permit	Requirements/documentation	Exceptions	Fee
Tenant/property owner	6 months, renewable for duration of lease	- Lease agreement registered with the Municipality and GSO Validity of the registration of the lease agreement with GSO is 3 months	Palestinians are excluded from property ownership in Lebanon	
Humanitarian: Refugees registered with UNHCR (before Jan 15, if Syrian)	6-12 months	- Copy of expired residency permit - UNHCR attestation letter - humanitarian case (e.g. unaccompanied child, disabled, in urgent medical need, resettlement candidate)	- Refugees not registered with UNHCR or having renewed residency based on other documents	Free for Syrians (only)
Sponsored stay (kafala)	6 months, renewable twice	- Lease/rental agreement - ID of kafeel (individual or employer) - "pledge of responsibility"		

The 2015 GSO directive has been challenged in Lebanon's high administrative court, the State Council. **In February 2018, the State Council annulled the GSO directive**, ruling that GSO did not have the authority to amend the conditions of Syrians' entry and residence in Lebanon, as this is the prerogative of the Council of Ministers, and that international agreements take precedence. As possible consequences of this ruling, the GSO can either revert to apply the directives in force before 2015 (i.e. issuing 6-monthly renewable permits to Syrians irrespective of their reason for entry), or the Council of Minister can issue a new decree regulating the conditions of Syrians' entry and residence in Lebanon.<sup>353</sup> Despite this landmark ruling, it remains unclear if any changes have been implemented in the past year.

Given the complicated procedures, the documents required, and the seemingly uneven interpretation and implementation of the policy by GSO offices across Lebanon, it is unsurprising that only 39% of Syrian households surveyed in 2018 reported that at least one adult had a valid residency document (higher at 41% for female-headed households), down from 45% in 2017. Overall, only **27% of surveyed, UNHCR-registered Syrian refugees above 15 years of age had legal residency documents** in Lebanon, most residing in the South (38%) and least in Akkar (6%) and Beqaa (10%).<sup>354</sup>

### **Permits for Palestinians**

The vast majority of **PRLs** is registered either with UNRWA, or the MoI's DPRA or DPAR, or both, and hold an officially recognised 'Identification Card for Palestine Refugees,' which also serves as a residency permit.<sup>355</sup> However, the much stricter registration procedures applied to PRS, and their often inconsistent and erratic implementation, have resulted in some **86% of PRS not having valid residency permits** as at March 2016.<sup>356</sup> The stresses of irregular stay is reflected in 48.5% of surveyed PRS in 2015 stating that obtaining or renewing of their legal residency permit was a priority basic need.<sup>357</sup>

From mid-2013, **PRS** are required to obtain a pre-approved Ministry of Interior (MoI) visa prior to arrival, which need to be requested by a guarantor in Lebanon.<sup>358</sup> As at mid-2014, 47% of PRS in camps and 42% of self-settled PRS held valid visas.<sup>359</sup> From May-December 2014, the border with Syria was effectively closed for PRS and the MoI stopped issuing visas for PRS, only granting entry for verified embassy appointments, transit for onwards travel, or upon presentation of a pre-approved sponsorship agreement.<sup>360</sup> Since 2015, the GSO has intermittently allowed PRS to renew existing but expired residency permits upon payment of any outstanding fees (USD 200 per person per year). This fee was waived late in 2015, but the waiver has reportedly been applied inconsistently across the country.<sup>361</sup> From July 2017, GSO has

<sup>352</sup> <http://www.general-security.gov.lb/en/posts/5> and Lebanon Support: Formal Informality, Brokering Mechanisms, op.cit.

<sup>353</sup> State Council Decision no. 421 of 2017-2018 issued on February 8, 2018. <http://legal-agenda.com/en/article.php?id=4286>

<sup>354</sup> UNHCR: VaSYR, 2018, op.cit., p. 170.

<sup>355</sup> UNHCR: The Situation of Palestinian Refugees in Lebanon, 2016, op.cit.

<sup>356</sup> <https://www.flyktningshjelpen.no/globalassets/pdf/reports/women-refugees-in-lebanon.pdf>

<sup>357</sup> UNDP: Assessing the Vulnerabilities of Palestinians, 2018, op.cit.

<sup>358</sup> M. Janmyr: The Legal Status of Syrian Refugees in Lebanon, 2016, op.cit.

<sup>359</sup> UNRWA: Lebanon - Profiling the Vulnerability of Palestine Refugees from Syria living in Lebanon, 2015.

<sup>360</sup> <http://www.general-security.gov.lb/en/posts/159>

<sup>361</sup> UNHCR: The Situation of Palestinian Refugees in Lebanon, 2016, op.cit.

allowed PRS who entered Lebanon before September 2016 to obtain 6-months' permit renewals at no cost and with no penalty charges for delays. In addition, visa renewal has been allowed for PRS who have turned 15 years of age in Lebanon.<sup>362</sup> However, PRS who arrived later cannot must still pay the fees and penalties, and PRS with expired residency permits have been arrested and detained for several days. Deportation orders are often issued, but these do not appear to have been enforced.<sup>363</sup>

#### *Legal stay documentation for refugees and asylum-seekers from elsewhere*

**Asylum-seekers from other countries than Syria and Palestine** can still be reviewed by UNHCR to determine their refugee status based on the provisions of the 2003 MoU with the Government. However, asylum-seekers already in the country before the MoU took effect in 2003, or those being rejected by UNHCR, become de facto irregular, undocumented residents at risk of detention and deportation.<sup>364</sup> Contrary to the PRS, the GSO has on occasion deported refugees of other nationalities from Lebanon.<sup>365</sup>

Asylum-seekers are provided with one Registration Letter to the head of each family, with biometrically verified data of all family members included, and following successful refugee status determination, UNHCR issues a Refugee Certificate. These documents are valid initially for two years and entitles refugees to humanitarian assistance, pending their level of vulnerability (and nationality). For displaced people from Syria, who are not granted refugee status, but who have registered with UNHCR prior to May 2015, the Registration Letter is updated and re-issued upon expiry. However, the **UNHCR documentation is not formally recognised by the Lebanese government** as a legal alternative to residency permits, and does not exempt refugees or asylum-seekers from penalty fees or detention associated with irregular entry or a lack of legal residency in Lebanon.<sup>366</sup>

Student visas, for which foreigners can normally apply in Lebanon, are not issued to nationals from Iraq, Pakistan, Afghanistan, India, Sri Lanka, Philippine, Sudan, Egypt, Bangladesh, or Somalia,<sup>367</sup> and the USD 200 residency permit fee has not been waived for refugees from countries other than Syria and Palestine. Unsurprisingly, therefore only **9% of Iraqi refugees surveyed in 2017 reported to have a valid residency permit**. 62% explained this by the high cost, but 10% cited other reasons. **Similarly, 28% of the small group of refugees from elsewhere** over 15 years of age had legal residency papers in 2017, and 82% cited the cost of permits as the main reason why they had not renewed their papers.<sup>368</sup>

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<sup>362</sup> [https://www.unrwa.org/sites/default/files/lebanon\\_protection\\_brief\\_october\\_2017.pdf](https://www.unrwa.org/sites/default/files/lebanon_protection_brief_october_2017.pdf)

<sup>363</sup> UNDP: Assessing the Vulnerabilities of Palestinians, 2018, op.cit.

<sup>364</sup> UNHCR: VaRON, 2017, op.cit.

<sup>365</sup> <https://www.hrw.org/news/2018/11/21/lebanon-deportation-threat-sudan-refugees>

<sup>366</sup> <https://www.tandfonline.com/doi/full/10.1080/13642987.2017.1371140?src=recsys>

<sup>367</sup> <http://www.general-security.gov.lb/en/posts/238>

<sup>368</sup> UNHCR: VaRON, 2017, op.cit.



## Annex 2: Overview of the Work permit regulations for FBRs

The 1946 Labour Code and its 1962 and subsequent amendments regulate the labour market in Lebanon. The Code does *not* apply to foreign domestic workers, agricultural workers, family enterprises (or public servants).<sup>369</sup> As such, the majority of foreign workers and refugees are only rudimentarily protected under the 1932 Code of Obligations and Contracts (the Civil Code). Foreign workers are covered by the law on occupational accidents, but **regulations of minimum wages do not apply to foreigners, who are also largely excluded from the provisions of the Social Security Act introduced in 1946**. The 1962 Law on Entry and Stay in Lebanon confers some basic rights, such as free movement throughout the country on all FBRs in Lebanon.<sup>370</sup>

In 1964, the MoL issued the Regulation on the Work of Foreigners,<sup>371</sup> which apply to all foreigners wishing to work in Lebanon, *except* for the particular sub-group of ‘*artistes*,’ who need visas from the GSO under a separate legal regime.<sup>372</sup> Draft amendments to the Labour Law extending legal protections to foreign workers, and a draft law providing increased labour protections to domestic workers, have been awaiting parliament approval for years.<sup>373</sup>

The *kafala* regime of employer sponsorships common across the Arabian Gulf and Mashreq is particularly rigidly enforced in Lebanon.<sup>374</sup> Reflecting the *kafala* system and mirrored in the GSO procedures for residence permits, the work permit system managed by the Ministry of Labour (MoL) was developed to regulate foreign workers recruited in their home countries, and has not been adapted to the reality of FBRs already in the country who seek access to the formal labour market.<sup>375</sup>

- Work permits may be granted to foreigners based on skills unavailable in Lebanon; on Lebanese origin, marriage, or long-term residence; a work contract; or proof of at least LBP 100 million deposited in a Lebanese bank;<sup>376</sup>
- The regulations expect foreigners wishing to work as employees in Lebanon to receive authorization from the MoL prior to entry through a Lebanese employer or a recruitment agency. This pre-approval is required as part of the application for a residency permit, if the purpose for entry is work, and serves as an initial entry visa to Lebanon;
- The MoL issues an annual list of professions and occupations, which are reserved for Lebanese nationals.<sup>377</sup> Outside of these restrictions, foreigners can generally obtain work permits as employees with a valid ID document and a residency permit, a signed and notarized work contract, and evidence of registration with the National Social Security Fund (NSSF). Foreign workers can however only benefit from this cover, if their country of origin provides reciprocal benefits for Lebanese workers, a practice only implemented by Syria, Belgium, France, Italy, and the United Kingdom as at 2011. Work permits for Syrians are restricted to agriculture, construction, and cleaning services;
- A resident **self-employed foreigner or investor requires an ‘employer permit.’** In addition to the above, this requires business articles of incorporation and evidence of employment of at least three Lebanese nationals.

When a work permit has been obtained, foreign workers and their sponsor must apply to the GSO for the annually renewable residency permit, by presenting a passport (Syrian national IDs are accepted for Syrians), the work permit, a certified copy of a work contract (except if the employer is not domiciled in Lebanon), and a copy of the employers’ ID (if an individual) or business license (if a company), unless the employer is a foreign company or organisation. In addition, a certificate is required showing that the employer has deposited the equivalent of USD 1,000 with the Housing

<sup>369</sup> [https://www.ilo.org/labadmin/info/WCMS\\_150914/lang--en/index.htm](https://www.ilo.org/labadmin/info/WCMS_150914/lang--en/index.htm)

<sup>370</sup> [https://publications.iom.int/system/files/pdf/other\\_migrant\\_crisis.pdf](https://publications.iom.int/system/files/pdf/other_migrant_crisis.pdf)

<sup>371</sup> <http://lawsdocbox.com/Immigration/70521055-Foreign-workers-regulating-the-work-of-foreigners.html>

<sup>372</sup> ‘Artistes’ are primarily foreign women working in the regulated sex industry, see regulations in IPMPD, 2016, Annex 4, and <http://www.general-security.gov.lb/en/posts/46>

<sup>373</sup> <https://www.state.gov/documents/organization/282798.pdf>

<sup>374</sup> The *Kafala* system has its roots in a class-based system of contract labour dating back to the turn of the century, when typically poor, rural (often Shia) Lebanese and foreign Arab (Palestinian, Syrian, Egyptian, and Kurdish) women were recruited to work in wealthier urban households under duty of care and honour guardianship agreements. Recruited girls as young as 9–12 years of age, obviously lived in the household and worked until they were ready for marriage, whereas parents would visit occasionally to collect the wages. During the Lebanese civil war, Egypt banned women from working as domestic helpers in Lebanon and the increasing social tensions between Lebanese and Palestinians created a market gap. Perhaps brought to Lebanon by the diaspora returning from the Gulf, the preference for Asian women for the low-status domestic work evolved in the 1970, with the first recruitment agency for Sri Lankans opening in 1978. [https://www.researchgate.net/publication/253813928\\_Women\\_Migrant\\_Domestic\\_Workers\\_in\\_Lebanon](https://www.researchgate.net/publication/253813928_Women_Migrant_Domestic_Workers_in_Lebanon)

<sup>375</sup> <https://www.state.gov/documents/organization/282798.pdf>

<sup>376</sup> <http://lawsdocbox.com/Immigration/70521055-Foreign-workers-regulating-the-work-of-foreigners.html> and <http://www.general-security.gov.lb/en/posts/241>

<sup>377</sup> <https://www.state.gov/e/eb/rls/othr/ics/2018/nea/281671.htm>

Bank, an NSSF or similar health and accident insurance policy, and a clean bill of health for the foreign worker.<sup>378</sup> The cost of a MoL work permit is generally LBP 480,000 (USD 200), but for agriculture, construction and cleaning sectors, a reduced fee of LBP 120,000 (USD 80) applied, at least until 2016.<sup>379</sup> Renewals of work permits can be done at offices of LibanPost.<sup>380</sup>

In principle all foreigners require a work permit to work formally (legally) in Lebanon. The main types of work permits (*ijazet amal*) issued by the MoL to foreigners who wish to work (legally) in Lebanon are sought illustrated in **Table C**.

<b>Table C: Overview of work permits available for FBRs</b>			
<i>Types of work permit</i>	<i>Type of job</i>	<i>Exceptions/exclusions</i>	<i>Main migrant worker segments</i>
1 <sup>st</sup> class	Expatriate employers, experts, or managers and their households, including e.g. house cooks		A majority are from Western Europe, China and Latin America, though some Arabs and other FBR are also employed, e.g. Filipina nurses in private hospitals and clinics.
2 <sup>nd</sup> class	Professionals, technicians and workers whose salaries range is 2-3 x higher than the minimum wage, and their households, e.g. assistant house cooks	Egyptians, who are not allowed to bring their family to Lebanon <sup>381</sup>	Syrians dominate, although some Egyptians also work in these jobs
3 <sup>rd</sup> class	Janitors, construction labourers, municipality workers, fishermen, cleaning and agricultural workers		Egyptians, Syrians, and Sudanese, almost all of whom are male, having taken over from the initial Southeast Asian workers
4 <sup>th</sup> class	Domestic workers, regardless of their salary amount. <sup>382</sup>		Female domestic workers from the Philippines, Sri Lanka, India, Madagascar, Ethiopia and West African countries. This segment is the largest, and is almost exclusively female: 75% of Afro-Asian migrant workers are females.
5 <sup>th</sup> class	Staff of foreign embassies and international entities (e.g. UN) in Lebanon, and their private families and domestic workers.		

Within the first three months of a contract, the labour broker is liable to replace an employee not arriving or leaving the employer, and the FDW can in principle also request a transfer. Thereafter, the sponsoring individual or enterprise (*kafeel*) is legally responsible for the stay, work, and conduct of the foreign worker, including for the renewals of personal ID documents (visa, passport, residency and/or work permits). This carries significant financial risk, and may be the root cause of the illegal but widespread practice of brokers and employers in Lebanon to confiscate the ID and residency permits of kafala employees.<sup>383</sup> A foreign employee is bound to one particular employer for the duration of his/her contract (usually 3 years, but the unified contract is renewable annually), and transfers between sponsors require the agreement of both.

The kafala system places migrant workers in a position of vulnerability with very little leverage to negotiate with employers, given the significant power imbalance within this employment relationship. Common grievances expressed by migrant workers include restrictions on free movement, confiscation of passports, delayed or non-payment of salaries, long working hours, untreated medical needs, and abuse.<sup>384</sup> The consequences of this unfortunate system of disproportionate power to the employer is that many foreign workers end up as irregular with no or incomplete

<sup>378</sup> Laboratory tests to demonstrate the worker is free of contagious diseases. KNOMAD: Refugees' Right to Work and Access to Labor Markets – An Assessment, 2016, Part II: Country Cases, pp.119-130 (Lebanon). <https://www.knomad.org/sites/default/files/2017-12/KNOMAD%20Study%20I-%20Part%20II-%20Refugees%20Right%20to%20Work%20-%20An%20Assessment.pdf>.

<sup>379</sup> [https://ec.europa.eu/info/sites/info/files/dp029\\_en.pdf](https://ec.europa.eu/info/sites/info/files/dp029_en.pdf)

<sup>380</sup> <https://www.libanpost.com/english/annual-residency-permit>

<sup>381</sup> <https://www.libanpost.com/english/annual-residency-permit>

<sup>382</sup> <https://www.unrwa.org/sites/default/files/lmrq-quarterly-1en.pdf>

<sup>383</sup> Insan Association: Trapped - Migrant Domestic Workers in Lebanon (undated).

<sup>384</sup> ILO: Employer-Migrant Worker Relationships in the Middle East: Exploring scope for internal labour market mobility and fair migration. White Paper, March 2017.

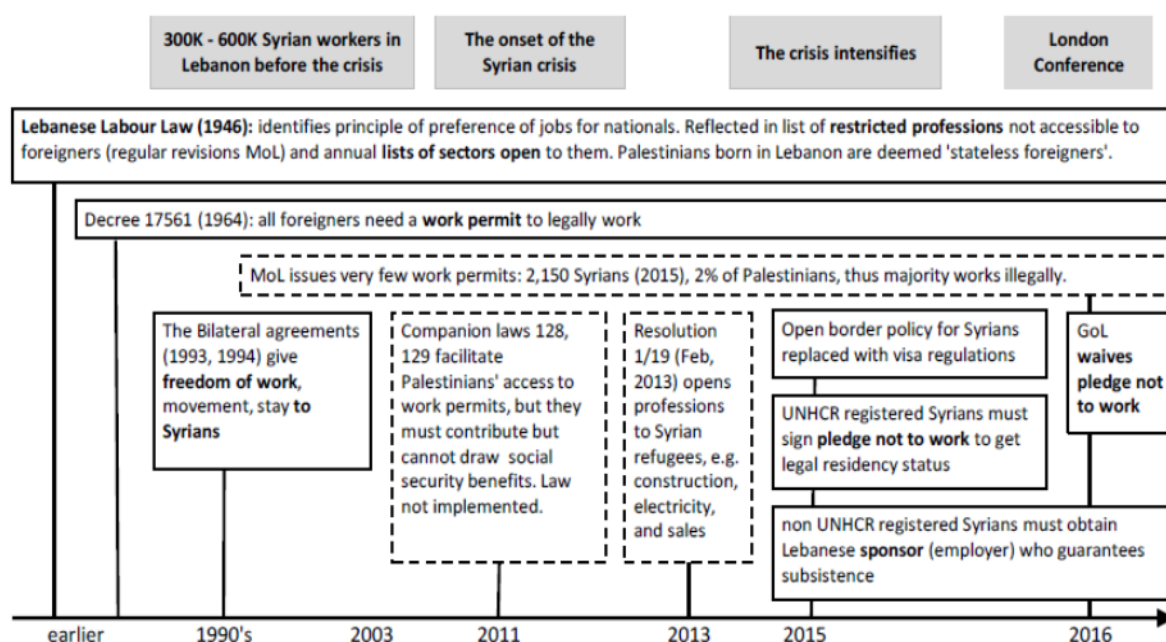
documentation. Unsurprisingly, a black market of fake sponsors, brokers, and employers, legal lease agreements and kafeel 'pledges of responsibility' has emerged, with the price of documents reaching USD 1,000<sup>385</sup> or more.

In 2009, the MoL introduced a **unified standard employment contract specific to female domestic workers (FDWs)**, outlining the rights and obligations of both the FDW and his/her sponsor/employer. Superseding any contracts signed in the FDW's country of origin, this contract must be signed at a Lebanese notary public by both parties, and is often only available in Arabic. It must then be submitted to MoL for the work permit to be issued,<sup>386</sup> before the FDW and her employer applies to the GSO for her residency permit. Guidelines for FDWs on contractual rights and responsibilities has been developed in several relevant languages.<sup>387</sup> The contract requires the employer to pay an agreed monthly salary, but does not insist on a bank account for FDWs.

The ILO and several NGOs are advocating for better protection of FDWs in Lebanon. In January 2015, a domestic workers' union seeking to mobilize FDWs and raise awareness about their legal rights was established under the auspices of the National Federation of Trade Unions of Workers and Employees in Lebanon (FENASOL). Although the union had over 400 members in 2016, it has not yet been officially recognized.<sup>388</sup> However, the **MoL is reportedly looking into the possibility of domestic migrant workers being sponsored by cleaning companies, specifically allowing them to reside independently of a sponsor and to have flexible hours.**<sup>389</sup> Other countries, including Bahrain and Jordan have introduced flexible migrant worker visas, cutting the tie of a migrant worker to one employer sponsor.<sup>390</sup>

Within the kafala system, the work permit regulations have evolved to include specific requirements and restrictions for refugees, and are thus unevenly applied to the different segments of FBRs, as illustrated in **Figure D**.

**Figure D: Overview access to work permits by Syrians and Palestinians**<sup>391</sup>



To work formally, even **PRLs are obliged to obtain an annually renewable MoL work permit**, like foreigners.<sup>392</sup> However, in 2017, only 890 work permits were issued or renewed for Palestinians, confirming the high level of informality. Since

<sup>385</sup> Lebanon Support: Formal Informality, Brokering Mechanisms, and Illegality, op.cit.

<sup>386</sup> International Centre for Migration Policy Development: Trafficking in Human Beings in Lebanon, 2013, op.cit., Annex 5.

<sup>387</sup> [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-manila/documents/publication/wcms\\_470255.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-manila/documents/publication/wcms_470255.pdf)

<sup>388</sup> [https://publications.iom.int/system/files/pdf/other\\_migrant\\_crisis.pdf](https://publications.iom.int/system/files/pdf/other_migrant_crisis.pdf) and <https://www.theguardian.com/global-development/2016/feb/15/lebanon-migrant-maids-domesticworkers-union>

<sup>389</sup> DG Georges Ayda, MoL, <https://www.reuters.com/article/us-lebanon-migrants-irregular/trapped-by-the-system-ethiopian-workers-in-lebanon-see-no-freedom-idUSKCN1FZ195>

<sup>390</sup> For the Bahraini Flexi-permit, see: <http://lmra.bh/portal/en/page/show/325> and <https://www.migrant-rights.org/2018/08/one-year-since-launch-has-bahrains-flexi-permit-lived-up-to-its-hype/> for a critical review. Jordan has introduced industry-based work permits for Syrians, enabling legal work in construction and agriculture, processed through unions or cooperatives.

<sup>391</sup> [https://www.urban-response.org/system/files/content/resource/files/main/WURSHIJL\\_final\\_report\\_online.pdf](https://www.urban-response.org/system/files/content/resource/files/main/WURSHIJL_final_report_online.pdf)

<sup>392</sup> KNOMAD: Refugees' Right to Work and Access to Labor Markets – An Assessment, 2016, op.cit.

the MoL decree 621/1 of 1995, PRL have been excluded from a number of salaried jobs and independent professions. In 2005, this ban was partially lifted, enabling PRL to access some 70 professions and jobs, provided they obtain a work (or employer) permit, and are registered with the NSSF.<sup>393</sup> The public sector and some 37 private professions regulated by professional syndicates remain barred for Palestinians and other FBRs, including e.g. lawyers, journalists, taxi drivers, hairdressers and real estate agents.<sup>394</sup> In 2010, PRL employees in semi- or unskilled job categories were exempted from the work permit *fee*.<sup>395</sup>

Amendments to the Social Security Law in 2010 further exempted PRLs born in Lebanon from the reciprocity condition imposed on FBRs in order for them to access compensation for work-related injuries and receive the 8.5% end of service gratuity, if they hold a work permit. However, even if formally employed PRLs and their employers pay the monthly contributions to the NSSF, PRLs do not have access to the NSSF sickness or maternity benefits, nor the family allowances.<sup>396</sup> **PRS** are considered foreigners according to MoL Decree No. 17561 and, unlike PRL, **are not exempted from work permit fees** and are prohibited to work in several administrative and commercial professions that are otherwise open to PRL.<sup>397</sup>

Despite some inconsistencies in the interpretation of the regulations, it seems that **Syrian refugees** who did register with UNHCR before May 2015, renewed their residency based on this registration at least once, and did not seek a residency permit renewal under any other GSO category, **are exempt from the work permit requirement, if they have a valid (“humanitarian”) residency permit**. In effect, the UNHCR attestation letter serves as an alternative for the kafeel (sponsor), but it only allows for work in the three permitted sectors: agriculture, construction, and cleaning (environment).<sup>398</sup> Conversely, Syrian nationals who are not registered with UNHCR (before May 2015) or who want to be formally employed outside of the three sectors open to ‘the displaced,’ are required to obtain a work permit with *kafala* sponsorship contract, binding them to one employer. **Only 1,776 MoL work permits were issued to Syrians in 2017**. Like other foreign workers, Syrians do not have access to full National Social Security Fund (NSSF) coverage, even if full contributions are made.

**Iraqi and refugees from elsewhere are required to obtain work permits** in order to work formally, following the standard regulations and paying the applicable fees. As most jobs available to foreigners, and refugees in particular, are informal and few have a contract, the regulations for work permits have little practical relevance. In 2017, only 165 MoL work permits were issued to Iraqis.<sup>399</sup>

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<sup>393</sup> UNDP: Assessing Vulnerabilities of Palestinians, 2018, op.cit. and UNRWA: <https://www.unrwa.org/sites/default/files/2017-employment-of-palestine-refugees-in-lebanon-arabic-and-english-ve.pdf>

<sup>394</sup> N. Iskandar Diab and T. Mallat: “Lebanon” in Yearbook of Islamic and Middle Eastern Law, op.cit.

<sup>395</sup> LPDC: Population and Housing Census, 2018, op.cit

<sup>396</sup> <https://www.unrwa.org/sites/default/files/content/resources/survey-on-the-economic-status-of-palestine-refugees-in-lebanon-2015.pdf>

<sup>397</sup> Ibid.

<sup>398</sup> Lebanon Support: Formal Informality, Brokering Mechanisms, op.cit. MoL Resolution 1/197 redefined a long list of professions open only to Lebanese, and explicitly states that Syrians are allowed to work in the agriculture, construction, and cleaning sectors. In December 2015, the MoL Resolution (218/1) also allowed Syrians to work in the environment sector (which includes cleaning services). KNOMAD: Refugees’ Right to Work and Access to Labor Markets – An Assessment, 2016, op.cit.

<sup>399</sup> MoL lists of issued work permits in 2017, available in Arabic at the MoL website: <https://www.labor.gov.lb/>

### Annex 3: Calculations for the market scope estimates

It is worth emphasizing that data on the FBR populations in Lebanon are scarce, narrowly focused on nationality sub-segments, and/or not available at all. In this report, the best efforts have been applied to distil indicative data across the various segments of FBRs to arrive at a *'best guess' estimate* of the overall market scope for FSPs. The calculations are included here so that FSPs can update, correct and adjust the data sets, as better data may become available.

2017 data sources reviewed				Estimates based on 2017 data				2019 updated estimates of FBRs in Lebanon					
	Total FBR	Displaced	Migrants	Investors	Calc total	informal MW/unreg.	Displaced	Migrant workers	Investors/w. business	Total			
FBRs	UNDESA	UNHCR	UNRWA	MOL WPs	Inv visa	Balance	Reg POCs	Reg WP	Informal	WP	Visa/unreg	Tot FBR	
Syrian	1 209 286	994 383		1 776	1 667	997 826	1 215 000	944 613	1 776	218 224		17 040	1 181 653
Pal	506 966	1 524	301 533	890	0	217 000	0	217 000	890			8 520	217 000
Iraqi *	118 659	19 321		165	3 179	22 665	27 335	50 000	165	2 416		13 445	35 347
Egypt	81 924	273		20 005	227	20 505	25 995	46 500	273	20 005	25 995	227	46 500
Ethiopia	0	561		137 682	0	138 243	26 757	165 000	561	137 682	26 757		165 000
Banglad	2 994	45		41 993	0	42 038	6 162	48 200	45	41 993	5 962		48 000
MENA MW	1 490	329		138	0	467	15 867	16 334	329	138	18 033		18 500
GC inv	2 166	62			28	90	2 076	2 166	62			28	2 166
African	648	1 624		10 938	76	12 638	12 362	25 000	1 624	10 938	12 362	76	25 000
Philippines	989	74		20 818	0	20 892	9 108	30 000	74	20 818	9 108		30 000
Asia MW	8 255	63		16 453	0	16 516	5 841	22 357	63	16 453	8 484		25 000
Asia Inv	2 643	69			377	446	2 197	2 643	69			377	2 197
Other Inv	3 192	31			1 055	1 086	2 106	3 192	31			1 055	2 106
Total	1 939 212	1 018 359	301 533	250 858	6 610	1 577 360	352 980	1 843 392	1 184 065	250 858	327 341	1 460	45 687
Grand totals	Adj investors			1460					1 184 065		578 200		47 147
		55%	16%						65%	14%	32%		3%
n %	105%		72%	14%	0%	86%	19%	100%	66%		32%		100%
* No other estimates than the 50,000 Iraqi from 2007 could be found, but this number seems over-estimated, and might be closer to 35,000													
*** The estimated 10,000 'artistes' working in Lebanon are not included in this overview of FBRs.													



Nationality	Total	Reg. Refugee/asylum-seekers, 18-64 years				Legal	Econ. active				Of whom	Refugee Households				Of whom
	Tot POCs	male	female	total	In Leb >1yr	Res Permit	Male	Female	Total	=/> MEB	int. credit?	HHs >1yr	w/ 1 incom	w/ 1 res pe	> MEB	int. credit?
Syrian	944 613	173 809	225 763	399 572	382 630	103 310	121 500	34 591	156 091	126 268	55 558	206 126	140 166	80 389	68 022	29 930
Palestinian	217 000	71 526	70 392	141 918	141 618	126 804	48 942	11 639	60 581	51 566	30 300	52 136	39 053	47 415	19 269	11 362
Iraqi	19 321	6 333	5 260	11 593	10 797	972	2 536	2 009	4 545	8 098	3 644	4 735	3 078	616	3 551	1 065
Egyptian	273			213												
Other MENA	391			305												
Ethiopian	561			438												
Other Africans	1 624			1 267												
Bangladeshi	45			35												
Filippino	74			58												
Other Asians	163			127												
<i>Subtotal other</i>	3 131	1 307	1 135	2 442	2 052	575	527	143	670	1 601	720	1 549	1 069	511	1 208	362
<b>Total refugees</b>	<b>1 184 065</b>	<b>252 975</b>	<b>302 550</b>	<b>555 525</b>	<b>537 097</b>	<b>231 661</b>	<b>173 506</b>	<b>48 382</b>	<b>221 888</b>	<b>187 533</b>	<b>90 222</b>	<b>264 546</b>	<b>183 366</b>	<b>128 931</b>	<b>92 050</b>	<b>42 719</b>
<b>In %</b>	<b>100%</b>	<b>46%</b>	<b>54%</b>	<b>47%</b>	<b>97%</b>	<b>43%</b>	<b>71%</b>	<b>17%</b>	<b>41%</b>	<b>35%</b>	<b>17%</b>	<b>100%</b>	<b>69%</b>	<b>49%</b>	<b>35%</b>	<b>16%</b>

Adult migrant workers						Duration	FT work/'live in'				Self-employed/freelance				Potential FSP market
	Est. total	male	female	% Female	W/ WP 2017	In Leb >3yrs	Males	Females	Total*	Int credit	Males	Females	Total*	Int credit	(pending legality)
Syrian	220 000	184 800	35 200	16%	1 776	210 650	49 896	7 040	56 936	8 540	64 680	1 760	66 440	26 576	35 116
Egypt	46 500	39 525	6 975	15%	20 005	11 625	29 644	1 046	30 690	4 604	7 905	698	8 603	4 301	8 905
Other MENA	18 500	17 575	925	5%	303	4 625	11 424	46	11 470	1 721	3 515	46	3 561	1 425	3 145
Ethiopia	165 000	330	164 670	99.8%	137 682	59 400	264	107 036	107 300	21 460	33	16 467	16 500	9 900	31 360
Other Africans	25 000	1 250	23 750	95%	10 938	9 000	625	14 725	15 350	3 070	313	4 750	5 063	3 038	6 108
Bangladeshi	48 200	29 402	18 798	47%	41 993	14 460	20 581	13 535	34 116	5 117	5 880	940	6 820	3 410	8 528
Filippino	30 000	1 200	28 800	96%	20 818	12 000	840	17 280	18 120	3 624	240	4 320	4 560	3 192	6 816
Other Asians	25 000	13 250	11 750	47%	16 453	6 500	9 275	7 638	16 913	2 537	2 650	1 175	3 825	1 721	4 258
<b>Total</b>	<b>578 200</b>	<b>287 332</b>	<b>290 868</b>		<b>249 968</b>	<b>328 260</b>	<b>122 549</b>	<b>168 345</b>	<b>290 894</b>	<b>50 673</b>	<b>85 216</b>	<b>30 156</b>	<b>115 372</b>	<b>53 563</b>	<b>104 235</b>
<b>In %</b>		<b>50%</b>	<b>50%</b>		<b>43%</b>	<b>57%</b>	<b>43%</b>	<b>58%</b>	<b>89%</b>	<b>17%</b>	<b>30%</b>	<b>10%</b>	<b>35%</b>	<b>46%</b>	<b>32%</b>

\*There is overlap between the two sub-segments, as some migrant workers hold multiple jobs, hence these columns do not add up to 100%.

Tentative estimate of minimum microfinance FBR business segment							
	Est. total	W/MoL WP	W/ visa/informal	In Leb > 3 yrs	Demand A2F	Min. FSP market	
Syrian	17 040		17 040	36%	16 188	45%	7 285
Palestinian	8 520		8 520		8 520	45%	3 834
Egypt	227		227	0%	216	45%	97
Other MENA/GCC	15 549	28	15 521	33%	13 217	35%	4 626
Ethiopia	na						
Other Africa	76		76	0%	68	55%	38
Bangladesh	na						
Philippines	na						
Other Asia	2 574	377	2 197	5%	2 188	25%	547
Europe/LAC/US**	3 161	1 055	2 106	7%	1 581	5%	79
<b>Total</b>	<b>47 147</b>	<b>1460</b>	<b>45687</b>		<b>41977</b>		<b>16 505</b>
<b>In %</b>	<b>100%</b>	<b>3%</b>	<b>97%</b>		<b>89%</b>	<b>39%</b>	<b>35%</b>
* This includes a possibly over-estimated number of Iraqi investors							
** For completeness, also work permits assumed to be issued to international aid workers are included in the total							

Est. FBR market for FSPs as at March 2019			
		Minimum	Likely
Refugees		90 222	187 533
Refugee households		42 719	92 050
Migrant workers			104 235
FBR businesses		16 505	20 000
<b>Total potential clients</b>		<b>210 963</b>	<b>311 768</b>