

LEBANON



HIGHLIGHTS

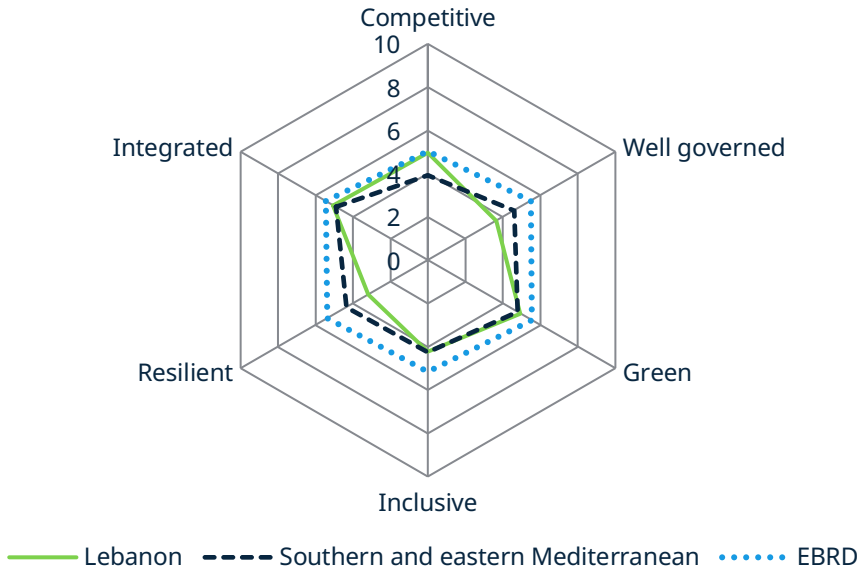
- **Renewed war with Israel devastated the country before a fragile ceasefire took hold in June 2026.** Fighting since March 2026 has killed thousands, displaced more than a million people and significantly damaged infrastructure. The ceasefire remains fragile and parliamentary elections that had been scheduled for May 2026 have been postponed until May 2028.
- **The government took its most concrete step yet to address the country's banking crisis, but parliamentary approval is still pending.** The cabinet approved a long-delayed draft law allocating financial-sector losses among the state, central bank, commercial banks and depositors. This is now facing delays in parliament. Talks with the International Monetary Fund (IMF) on an economic programme are continuing.
- **Several dormant authorities became operational as a first step towards deeper structural reforms, most importantly in the energy sector.** Institutional reforms progressed in the electricity and telecoms sectors, and appointments were made to the board of the Competition Authority. The Electricity Regulatory Authority (ERA) began operating and its board was appointed, paving the way for approval of an electricity policy that tackles sector unbundling and state-owned enterprise (SOE) reform and envisages higher private-sector participation.

For more information about country macroeconomic developments, please consult our latest Regional Economic Prospects report.

KEY PRIORITIES FOR 2027

- **Reach a consensus on banking reforms.** To ensure meaningful economic recovery, it is essential to restore the private sector's access to credit. Moreover, restructuring cannot be achieved without establishing a hierarchy for loss distribution and creating a clear distinction of the roles and responsibilities under the banking resolution framework.
- **Restructure debt and create a viable fiscal framework to bring back international donor financing and help rehabilitate war-affected infrastructure.** Beyond efforts to increase tax collection, Lebanon will need to take more concrete steps to widen the tax base, modernise its taxation regime and restructure outstanding sovereign external debt.
- **Accelerate electricity reforms to help bridge the large supply gap and establish a model for further SOE reform.** Implementing Lebanon's electricity policy successfully will be key to modernising the sector, attracting the investment needed to restore trust in the national grid and making better use of renewable energy potential.

ASSESSMENT OF TRANSITION QUALITIES (1-10)



For more on reforms and transition qualities, see Chapter 5 of the Transition Report 2026-27.

KEY REFORMS AND POLICY DEVELOPMENTS[1]

Banking reforms and anti-money laundering (AML) compliance

- The cabinet approved the draft financial gap law in December 2025, addressing a shortfall of more than US$ 70 billion (€60 billion) between deposits and available bank funds; depositors holding balances of less than US$ 100,000 (€86,000) will be repaid in full. However, the bill remains in parliament, facing pushback from various stakeholders over the use of state assets to compensate for losses.

1 From the fourth quarter of 2025 to October 2026.

- In parallel, in August 2026 parliament approved revisions to the Bank Resolution Law after prolonged discussions on the split of responsibilities between Banque Du Liban and the Higher Banking Commission. The new version is a step closer to IMF recommendations, but effective implementation is crucial. The country also remained on the Financial Action Task Force's grey list of jurisdictions under increased monitoring for AML standards.

Governance

- Dawlati – a digital portal consolidating access to government services – was launched in July 2026 as part of broader public-administration reforms. An initial 12 services have gone live, with further phases in the pipeline.
- A number of critical, independent authorities provided under existing laws have finally started operating, including: (i) the ERA, where the board was appointed in September 2025, laying the legal groundwork for future tariff, subsidy and private-investment reform in the power sector; (ii) the Telecommunications Regulatory Authority, which was reactivated in the third quarter of 2025 and took over regulation and commercial certification, and announced a three-year programme to roll out 5G networks; and (iii) the Competition Authority, which saw the appointment of its board in August 2026.

Fiscal and tax reforms

- A 2026 budget law was enacted, introducing a mechanism to tax income from wartime-era currency-exchange transactions and raising penalties for non-compliance with beneficial-ownership disclosure requirements. Tax filing for smaller businesses under the lump-sum tax regime became fully digital in 2026.
- However, broader fiscal reforms, including debt restructuring, a medium-term fiscal framework and a modernised income tax law, must progress before an economic programme can be agreed with the IMF.

Electricity reforms

- In July 2026 the cabinet approved a comprehensive plan for reforming the sector, outlining ERA responsibilities, short- and long-term market structures, and a framework for investment in generation and renewables. The document also highlights plans to unbundle key functions, restructure the state company, Électricité du Liban, and increase private-sector participation.

Green and renewable energy

- Rehabilitation of two hydroelectric plants began in January 2026. This will raise the plants' electricity output by 15 per cent, supply around 27,000 residents and cut an estimated 31,000 tonnes of CO_2 emissions a year.
- The authorities launched a market-sounding process in mid-2026 for up to 350 MW of new solar capacity paired with large-scale battery storage. The aim is to attract private investment into grid-connected renewables.