

Coronavirus response in 2021: building back better

Update on Lebanon (16 June 2021)



Covid-19 policy response

- **The policy response to Covid-19 in 2020 was heavily affected by economic hardship and political stalemate.** The government announced a social support package worth 1.5 per cent of GDP, as well as tax holidays, loan subsidies and health spending. The continued crisis has deterred or delayed the enforcement of a number of response measures.
- **Lebanon's failure to form a government is delaying much-needed reforms and international support.** This, in turn, is placing more strain on already diminishing resources and eroding the fiscal space needed to support the affected sectors and aid recovery in 2021.
- **External support hinges on the formation of a reform-minded government and agreement on an International Monetary Fund (IMF)-supported programme.** Attempts to broker a political deal have been unfruitful, stalling talks with the IMF. World Bank cash transfers worth US\$ 246 million to vulnerable families, due to be disbursed in 2021, are on hold. Strong international support is needed in 2021-22 to ease the economic and social woes and trigger comprehensive reforms.

Macroeconomic indicators (%)

	2018	2019	2020	
GDP growth	-1.9	-6.7	-25.0	Short-term indicators EBRD GDP growth forecast (June 2021) 2021: -5.0%; 2022: 5.0% Consumer sentiment (IPSOS): 18.5 (Q3 2020) PMI (BLOM): 47.1 (April 2021) Annual inflation: 121.7% (April 2021)
Annual inflation (end-year)	4.0	7.0	145.8	
Government balance/GDP	-11.3	-10.5	-9.9	
Current-account balance/GDP	-28.2	-26.5	-14.3	
Net FDI/GDP	4.8	4.3	n/a	
Public debt/GDP (end-year)	154.9	174.3	154.4	
Unemployment rate (end-year)	6.1	6.0	6.6	

Key short-term priorities

- Agreeing an IMF-supported stabilisation and structural reform programme is essential.
- The reform programme should be accompanied by a social safety net.
- The campaign to combat corruption must take place, along with a vitally important programme to recover stolen assets.

EBRD assessment of transition qualities (ATQs), 2020¹



Building back better: selected ongoing initiatives

Competitive

- A virtual industrial fair, Cedar Oxygen, was launched to bring together Lebanese producers, raw-material providers, buyers, Chambers of Commerce and investors.

Green

- Lebanon is targeting an increase in energy generation from renewables to 30 per cent by 2030.

To learn more about EBRD's support to Lebanon visit: <https://www.ebrd.com/lebanon.html>.

¹ For more details on ATQs, see EBRD (2020), [Transition Report 2020/21: The State Strikes Back](#), London.