

# Responding to the Coronavirus Crisis

## Update on Lebanon (12/11/20)



### EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
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### Economic channels of disruption

#### Tourism, trade, investment, reforms

- Lebanon's underlying economic situation is already challenging, with negative growth, record inflation, high public debt, twin deficits, and funding needs. The spread of COVID-19 deepened the economic recession, as did the Beirut explosion on 4 August.
- The global implications of the pandemic on tourism, trade and investment are undermining the timely implementation of crucial fiscal, energy and structural reforms.
- A five-phase plan was approved in April to gradually ease the general mobilization (now complete). A new 2-week lockdown was imposed starting 14 November.

#### Selected crisis impact indicators

**EBRD GDP growth outlook** 2020: -22.0%  
(Sep 2020) 2021: -1.0%

**Purchasing Managers Index** 43.3  
(Oct 2020) (up 1.2 points m/m)

**Banque du Liban Coincident Indicator** 152.8  
(Jun 2020) (down 6.1 per cent m/m)

**Lebanon stock market (BLOM)** 621  
(11 Nov 2020) (down 21% YTD)

### Crisis response measures to date

#### Support for healthcare, workers and businesses

- Allocate LBP1.2tn (\$800mn) for social support.
- Pay part of the sums due to hospitals to mitigate their financial challenges.
- A national solidarity fund that would accept in-kind and monetary donations.
- Cash and in kind assistance for families most affected by the crisis.
- BdL allows banks and financial institutions to extend exceptional 5-year 0% interest rate loans to customers. BDL will in turn provide banks and financial institutions 5-year 0% interest rate credit lines in dollars equivalent to the value of exceptional loans granted.
- Agriculture Ministry reduces prices of vegetables and fruits.

#### Selected crisis response indicators

**Payment holidays for loans** Exceptional 5-year zero-interest loans to customers  
(months) with credit facilities but unable to meet obligations

EU: €375mn to support health-related and socio-economic needs.

WB: re-allocate \$40mn from the Health Resilience

**Committed external assistance** Project (\$120mn) to strengthen the Health Ministry  
USA: \$13.3mn donation for medical supplies.

UAE and Qatar: 23 tonnes of in-kind medical donations

### Key short-term priorities

Agree on the IMF reform programme; create a social safety net to accompany the reform programme; and combat corruption