POSITION PAPER

Lebanon's 2027 Budget: Towards Public Finance for Recovery and Social Justice

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Introduction

Lebanon's 2027 budget comes at a time when public finances continue to operate under the effects of the economic and financial collapse, declining purchasing power, growing social needs, and damage to infrastructure and public services, alongside ongoing recovery efforts, the rebuilding of state institutions, and efforts to address accumulated imbalances in public finance and the economy.

In this context, the regular preparation and management of the budget is a necessary step towards restoring regularity to public finances. Completing the final accounts also remains essential to enable Parliament to exercise its role in overseeing and holding accountable the management of public funds. The importance of the budget is not limited to its role as an annual framework for revenues and expenditures; it is also one of the key instruments through which the state mobilizes public resources, directs spending, and responds to economic and social needs.

The 2027 Draft Budget includes a number of measures that could contribute to broadening the tax base and improving the fairness of the distribution of the tax burden. These include limiting the exemption granted to vacant residential units from the built-property tax after a specified period of vacancy, as well as amendments related to the tax on profits arising from the disposal of real estate, and the introduction or adjustment of certain taxes on income and assets that previously benefited from preferential tax treatment. These measures are important not only in terms of the revenues they could generate, but also because of their potential to broaden the taxpayer base and achieve greater consistency in the treatment of different sources of income and wealth.

However, these and other budget measures need to be considered within a broader framework that takes into account the nature of Lebanon's ongoing financial and economic crisis, accumulated imbalances in public finances, and the need to link the annual budget to a clear recovery and reform trajectory. Against this backdrop, this paper examines the main aspects of the 2027 Draft Budget, focusing on revenues and the tax burden, public expenditure, social justice, social protection, fiscal sustainability, and the budget's capacity to support economic and social recovery.

I. The 2027 Budget: Between Accounting Balance and a Fiscal and Economic Framework

The 2027 Draft Budget continues a traditional approach to public financial management in Lebanon, treating the budget primarily as an annual accounting exercise aimed at balancing revenues and expenditures, rather than as part of an integrated economic and social vision that defines the state's priorities and links fiscal policy to a path of economic recovery. Consequently, an apparent balance between revenues and expenditures does not, in itself, reflect the state's actual financial situation or demonstrate fiscal sustainability.

The issue of public debt and accumulated state liabilities is particularly important in this regard. The budget does not provide a comprehensive treatment of the debt burden, particularly external debt, whose implications following the default on sovereign bonds in March 2020 remain unresolved. A complete picture of the state's financial position also requires taking into account accumulated liabilities and the potential cost of debt restructuring, as well as other obligations that may not be adequately reflected in the annual budget accounts. Therefore, achieving a formal balance between revenues and expenditures may create the impression of fiscal balance while the state's fiscal sustainability remains far from being achieved.

In the same context, the 2027 Draft Budget does not adequately address public-sector wages and salaries, despite the continued need to address the situation and compensation of public employees in a manner that goes beyond temporary adjustments and allowances. What is needed is a transition towards a more sustainable wage policy that takes into account developments in inflation and the exchange rate, protects workers' purchasing power, and at the same time remains consistent with the state's fiscal capacity. This issue is directly linked to the state's ability to retain its human resources, provide quality public services, and guarantee workers' rights within a clear and sustainable fiscal framework.

The draft also lacks a clear macroeconomic framework linking revenue and expenditure estimates to assumptions concerning economic growth, inflation, the exchange rate, employment and income levels, and the trajectory of economic recovery. The budget should not be merely a table of projected revenues and allocated expenditures; it should be an instrument of economic and social policy through which the government sets its priorities and clarifies how public resources will be used to achieve growth, improve services, reduce poverty and inequality, and strengthen social protection.

Accordingly, assessing the 2027 Budget should not be limited to the question of whether revenues equal expenditures. It should extend to a deeper question: Does the budget provide a sustainable fiscal and economic framework that takes into account debt and state liabilities, links public resources to economic and social objectives, and sets out a pathway for recovery and state rebuilding? From this perspective, the accounting balance of the budget remains a limited indicator unless it forms part of a medium- and long-term fiscal and economic framework.

II. The 2027 Budget and the Fiscal Trajectory

The 2027 Draft Budget estimates total public revenues at approximately LBP 614.9 trillion, including LBP 528.2 trillion in tax revenues and LBP 86.7 trillion in non-tax revenues, while the draft shows a balance between estimated revenues and expenditures. However, achieving an actual zero deficit remains dependent on the realization of projected revenues, particularly since most of the expected increase in revenues comes from taxes and customs duties linked to consumption, rather than from a comparable expansion in direct revenue sources. These revenues are themselves affected by the level of economic activity and consumption, as well as by geopolitical developments in the region and their repercussions on the Lebanese economy.

Table 1 – Distribution of Public Revenues in the 2027 Draft Budget

Revenue item	Value (LBP trillion)	% of total revenues
Tax revenues	528.223	85.9%
Non-tax revenues	86.722	14.1%
Total	**614.945**	**100%**

Source: 2027 Draft Budget Law.

These figures show that public finances rely heavily on tax revenues. Therefore, accounting balance alone is not sufficient to assess the budget; attention must also be paid to the sources of revenues, their distributional impact, the efficiency of expenditure, and the state's capacity to finance services and public investment.

Fiscal sustainability does not mean simply maintaining a balance between revenues and expenditures. It also means building the state's sustained capacity to finance its core functions and respond to economic and social needs. The 2027 Budget cannot be considered separately from the major financial and economic issues facing Lebanon. Public finances are linked to the trajectory of public debt resolution, banking-sector restructuring, addressing financial losses, reforming the Banque du Liban, and rebuilding public institutions.

Accordingly, the annual budget needs to form part of a medium-term fiscal and economic framework that sets the overall direction of public finances, revenue, expenditure and investment objectives, and their relationship to rebuilding the economy and institutions. This is particularly important given the need to restore the capacity for public planning rather than managing financial issues separately from one another.

III. Fair Mobilization of Public Resources and Distribution of the Tax Burden

A comparison of the budgets shows that tax revenues increase from LBP 435.6 trillion in the 2026 Budget to LBP 528.2 trillion in the 2027 Draft, an increase of approximately 20.2%. More important than the size of this increase, however, is the composition of tax revenues and their sources, and who bears the greatest share of the burden of financing public finances.

Table 2 – Composition of Tax Revenues in the 2027 Draft Budget

Type of tax revenue	Value (LBP trillion)	% of tax revenues	% of total revenues
Taxes on income, profits and capital	79.604	15.1%	12.9%
Property taxes	34.048	6.4%	5.5%
Domestic taxes on goods and services	321.426	60.8%	52.3%
Taxes on international trade and transactions	66.944	12.7%	10.9%
Other tax revenues	26.201	5.0%	4.3%
Total	**528.223**	**100%**	**85.9%**

Source: 2027 Draft Budget Law.

The table shows that domestic taxes on goods and services account for 60.8% of tax revenues, compared with 15.1% for taxes on income, profits and capital and 6.4% for property taxes.

This structure calls for consideration of tax policy from a perspective broader than revenue collection alone. Diversifying revenue sources and improving the balance between direct and indirect taxation are essential elements in building a more sustainable fiscal system.

From ANND's perspective, tax reform should gradually move towards:

- Increasing the role of direct and progressive taxation, ensuring a greater contribution from individuals and activities with greater ability to pay;
- Improving consistency in the treatment of different sources of income;
- Reducing excessive reliance on consumption-related taxes;
- Expanding coverage of economic activities that are insufficiently integrated into the tax system;
- Strengthening efforts to combat tax evasion and avoidance; and
- Assessing the economic and social impacts of tax and fee adjustments.

Taxes on Wealth and Property

Taxes and fees related to wealth, property, real estate and transfers of ownership are areas that should receive greater attention in Lebanese fiscal policy, particularly given the significant weight of real estate wealth in the economy. The 2027 Budget reduces the tax rate on profits from the disposal of real estate from 15% to 10% when the transferor is a natural person not subject to income tax, pursuant to Article 19. Consequently, projected revenues from property taxes remain limited, accounting for only around 6.4% of total tax revenues.

From the perspective of tax justice, the issue is not simply increasing revenues, but rebalancing the structure of the tax system so that the tax burden is more clearly linked to the ability to pay. There is therefore a need to strengthen the contribution of wealth and property—particularly high-value properties and assets—to public financing, while protecting groups with limited income and wealth.

Public Maritime Domain

The decline in estimated revenues from the occupation and exploitation of the public maritime domain from approximately USD 35 million in 2026 to around USD 16 million in 2027 raises questions about how these resources are managed and how to ensure that the public finances and society benefit from them in a sustainable manner.

It is important to distinguish between regularizing occupation and violations, on the one hand, and managing public property as a state asset and sustainable source of revenue, on the other. Public maritime property should therefore not be approached solely from the perspective of immediate revenue collection, but as part of a clear public asset management policy that protects public funds, regularizes unlawful occupation, establishes fair and transparent fees, and ensures that the economic and social returns from these resources accrue to the state and society.

Activating and Developing Existing Environmental Taxes and Fees

The challenge facing environmental fiscal policy in Lebanon is not limited to introducing new taxes or fees. The existing legal framework already includes fiscal instruments and incentives linked to environmental protection and enshrines the "polluter pays" principle. The main challenge is to activate and develop these instruments and link the financial burden to the degree of pollution and environmental damage.

The quarries and crushers sector provides a clear example of the need to link fiscal policy to natural-resource management and the protection of public funds. The issue of amounts owed by the quarries and crushers sector has been raised in Parliament, including taxes, fees and compensation related to environmental damage. In 2026, the government announced the issuance of more than 1,500 collection orders related to environmental damage and rehabilitation costs, while the Prime Minister stated that collection orders against quarry and crusher operators exceeded USD 1 billion.

At the same time, the 2027 Draft Budget does not contain a clear line item separately identifying expected revenues from quarries and crushers or the amounts expected to be collected under existing collection orders. Consequently, the published budget figures do not make it possible to assess whether these outstanding amounts have actually been included in revenue estimates, or to determine the amount of revenue expected to be collected in 2027 compared with previous years.

This highlights the need for greater transparency regarding the amount of outstanding liabilities, amounts actually collected, amounts expected to be collected, and how the costs of environmental damage and rehabilitation are calculated.

From a public finance perspective, these amounts should not be viewed merely as additional revenues, but as financial and environmental claims belonging to the state and society, with collection linked to financing rehabilitation and natural-resource protection, thereby putting the "polluter pays" principle into practice.

Tax Exemptions and Incentives

Assessment of tax policy should not be limited to the taxes and fees imposed by the state. It should also include the revenues that the state forgoes through tax exemptions, incentives and exceptions.

From this perspective, some measures included in the 2027 Draft Budget represent a positive step, including limiting the open-ended exemption from the built-property tax for vacant residential units, making the tax due after a specified period of vacancy. This measure could broaden the direct tax base and limit artificial declarations of vacancy aimed at benefiting from the exemption.

At the same time, however, this measure raises a broader question regarding the overall scale of tax expenditures in Lebanon. The draft budget still does not provide a comprehensive inventory of the value of tax exemptions, incentives and exceptions, nor does it adequately clarify their cost to public finances, their distribution across sectors and groups, or the economic and social objectives they are intended to achieve.

An analysis of the 2027 Draft Budget has indicated that a number of exemptions remain in place without a clear justification, while the draft strengthens certain disclosure requirements related to exemptions without comprehensively reviewing whether the rationale for maintaining them remains valid.

ANND therefore calls for the preparation and publication of an annual tax expenditure report identifying the value of each exemption, incentive or exception, its beneficiaries, its objectives, and the economic and social outcomes achieved. These exemptions should also be subject to periodic review, so that only those demonstrably achieving a clear economic or social objective are maintained, ensuring that tax policy serves justice, economic efficiency and resource mobilization rather than providing unjustified tax privileges.

IV. Value-Added Tax and the Social Dimension of Tax Policy

Estimated VAT revenues for 2027 amount to approximately LBP 205.7 trillion, making VAT one of the major sources of tax revenue in the draft budget.

Table 3 – VAT's Share of Tax Revenues

Item	Value (LBP trillion)	% of total tax revenues
Value-added tax (VAT)	205.667	38.9%
Other taxes and fees	322.556	61.1%
Total tax revenues	**528.223**	**100%**

Source: 2027 Draft Budget Law.

Domestic taxes on goods and services also account for 60.8% of total tax revenues. These figures reflect the significant weight of consumption-related taxes in financing public finances.

This highlights the importance of consumption-related taxation in public revenue generation. Therefore, any changes to taxes and fees should be accompanied by a clear assessment of their social and economic impacts, particularly on low- and middle-income households, small enterprises and productive activities.

ANND does not view tax justice merely as a matter of distributing burdens; it also considers it an element of fiscal sustainability itself. A system that distributes contributions to public financing more consistently with economic capacity can provide a more stable basis for public revenues.

Table 4 – Changes in Key Revenue Items between 2026 and the 2027 Draft

Revenue item	2026	2027	Change
Total revenues	538.416	614.945	+14.2%
Tax revenues	439.613	528.223	+20.2%
Non-tax revenues	98.802	86.722	−12.2%
Taxes on income, profits and capital	57.647	79.604	+38.1%
Property taxes	36.008	34.048	−5.4%
Domestic taxes on goods and services	255.790	321.426	+25.7%
Taxes on international trade and transactions	73.907	66.944	−9.4%
Value-added tax	185.688	205.667	+10.8%
Other tax revenues	16.262	26.201	+61.1%

Source: 2027 Draft Budget Law.

The comparison shows a significant increase in tax revenues alongside a decline in non-tax revenues. Taxes on income, profits and capital increase by 38.1%, while domestic taxes on goods and services increase by 25.7%. These increases should not be considered in isolation from their economic and social impacts, but rather as part of an integrated vision for restructuring revenue sources in a way that strengthens justice and sustainability.

V. Mobilizing Public Resources and Managing State Assets

The state's capacity to finance its policies does not depend solely on tax collection. The budget also includes resources generated by public institutions, state property, returns and administrative fees, among others. The draft, for example, includes revenues from non-financial public institutions and private state property.

ANND considers that improving public resource mobilization should include:

- Improving the management and use of state property in the public interest;
- Increasing the efficiency of revenue-generating public institutions and administrations;
- Improving customs collection;
- Reducing revenue evasion and leakage;
- Developing tax administration;
- Expanding the use of digital systems and linking databases; and
- Reviewing exemptions and facilities that no longer serve clear economic or social objectives.

The issue is not simply increasing resources regardless of how they are collected, but building a more efficient financial administration capable of mobilizing public resources in a transparent and accountable manner.

VI. Public Expenditure, Investment and the Budget's Capacity to Support Recovery

Current expenditure in the 2027 Draft Budget amounts to approximately LBP 548.3 trillion, compared with around LBP 66.6 trillion for the acquisition of fixed assets.

Table 5 – Overall Distribution of Expenditure in the 2027 Draft Budget

Expenditure item	Value (LBP trillion)	% of total expenditure
Current expenditure	548.312	89.2%
Acquisition of fixed assets	66.633	10.8%
Total	**614.945**	**100%**

Source: 2027 Draft Budget Law. Current expenditure figures are drawn from the draft's general expenditure table.

This distribution reveals the high weight of current expenditure compared with spending allocated to fixed assets. This reflects the scale of the state's existing obligations, but at the same time raises questions about the fiscal space available to finance the investments required for recovery.

ANND does not consider that this challenge should be addressed by reducing social expenditure. Rather, it should be addressed by reorganizing spending priorities and strengthening the budget's capacity to combine social obligations with public investment.

Table 6 – Distribution of Current Expenditure

Current expenditure item	Value (LBP trillion)	% of current expenditure	% of total expenditure
Social benefits	177.773	32.4%	28.9%
Wages, salaries and related allowances	151.455	27.6%	24.6%
Transfers	91.846	16.8%	14.9%
Consumable supplies	56.234	10.3%	9.1%
Miscellaneous expenditures	36.180	6.6%	5.9%
Financial expenditures	15.482	2.8%	2.5%
Emergency and exceptional expenditures	13.242	2.4%	2.2%
Consumer services	6.100	1.1%	1.0%
Total	**548.312**	**100%**	**89.2%**

Source: 2027 Draft Budget Law.

The draft budget data show that social benefits account for 32.4% of current expenditure, while wages, salaries and related allowances account for 27.6%. This reflects the significant weight of current expenditure associated with social obligations and public-sector employee compensation.

However, an increase in sectoral allocations alone does not necessarily indicate an expansion in the scope of services or an improvement in their quality. This depends on how resources are distributed within each sector and on the share actually directed towards service delivery, infrastructure and operational capacities.

Lebanon's economic recovery cannot be separated from the volume and quality of public investment.

ANND calls for investment to be directed towards areas that can directly affect productivity and economic and social well-being, particularly energy and water, transport, health, education, infrastructure, reconstruction and job creation.

Investment projects should also be linked to clear and measurable objectives so that actual achievements can be assessed against allocated appropriations.

It is also important to adopt a multi-year perspective for public investment, since infrastructure and reconstruction projects cannot be managed efficiently through separate annual decisions.

VII. Social Protection as Part of Economic Policy

ANND considers social protection to be a core function of the state rather than merely a temporary response to crises.

Social expenditure, together with health, education and essential services, contributes to protecting households from shocks, reducing poverty, strengthening human capital, and supporting the economy's capacity to recover.

The budget should therefore be linked to a clear pathway for building a sustainable social protection system, with the state gradually increasing its capacity to finance this system from domestic public resources, thereby reducing dependence on temporary external financing.

Social protection programmes should also be more closely linked to the actual needs of the population and should be subject to monitoring and evaluation to ensure that resources reach the intended groups.

Sustainable social protection also requires a gradual shift from an approach based on separate programmes and crisis response towards a more integrated approach linking social protection with decent work, public services, health coverage and labour-market policies. This would strengthen households' capacity to cope with shocks and reduce the intergenerational transmission of poverty.

VIII. Transparency and Accountability in Public Financial Management

Public finances require an information system that enables Parliament, civil society and citizens to know:

- What was budgeted?
- What was actually achieved?
- How were resources used?
- What results were achieved?

For this reason, the publication of financial data should be strengthened, final accounts should be completed within the legally established frameworks, oversight and evaluation tools should be developed, and information should be made available in an accessible and timely manner.

The budget should also gradually evolve towards programme- and performance-based budgeting, allowing allocated resources to be linked to objectives and results rather than merely to expenditure items.

Transparency is not merely a procedural matter; it is part of society's and oversight institutions' capacity to assess public policies and hold responsible authorities accountable for implementation.

IX. ANND's Priorities for the 2027 Budget

Based on its economic and social assessment of the draft, ANND proposes focusing the discussion of the 2027 Budget on seven interconnected priorities:

- **Building a Fairer and More Sustainable Tax System:** Strengthening the role of direct and progressive taxation, improving consistency in the treatment of different sources of income and wealth, and reducing excessive reliance on consumption-related taxes.
- **Broadening Participation in Public Financing:** Improving coverage of unregulated economic activities, strengthening compliance, developing tax administration and digitalization, and enhancing information exchange.
- **Improving Public Resource Management:** Increasing the efficiency of tax and customs collection and revenues related to state property and public institutions.
- **Protecting Purchasing Power and Social Protection:** Subjecting tax and fee adjustments to impact assessments on households and small enterprises, while protecting essential social expenditure.
- **Increasing Spending on Services, Investment and Recovery:** Strengthening the budget's capacity to finance infrastructure, essential services, reconstruction and projects that support economic activity and employment.
- **Adopting a Medium-Term Fiscal Perspective:** Linking the annual budget to a clear trajectory for revenues, expenditure, public debt, and economic and financial reform.
- **Developing Public Financial Management:** Strengthening transparency, oversight and financial data, and gradually moving towards programme- and performance-based budgeting, linking resources to results.

Conclusion

The figures in the 2027 Draft Budget show that Lebanon's public finances are entering the coming year with a revenue base heavily dependent on taxation, while current expenditure continues to account for a large share of total spending. At the same time, the space allocated to fixed-asset acquisition and public investment remains limited compared with the overall volume of expenditure.

These figures call for viewing the budget not merely as a table of revenues and expenditures, but as an instrument for determining the direction of the state's economic and social policy.

From this perspective, ANND considers that the discussion around the 2027 Budget should focus on four interconnected questions:

- How can a more balanced and sustainable public revenue base be built?
- How can contributions to financing the state be distributed more fairly?
- How can the state maintain its capacity to protect social rights?
- How can public resources be transformed into investment and services that support economic recovery?

Answering these questions requires the budget to form part of a broader process of rebuilding public finances and state institutions, while strengthening transparency and accountability and linking public resources to results.

In this way, the 2027 Budget can become one of the instruments for rebuilding the fiscal relationship between the state and society on a more sustainable basis, through fair resource mobilization, more efficient expenditure, sustainable social protection, and public investment that serves both the economy and people.