

LEBANON

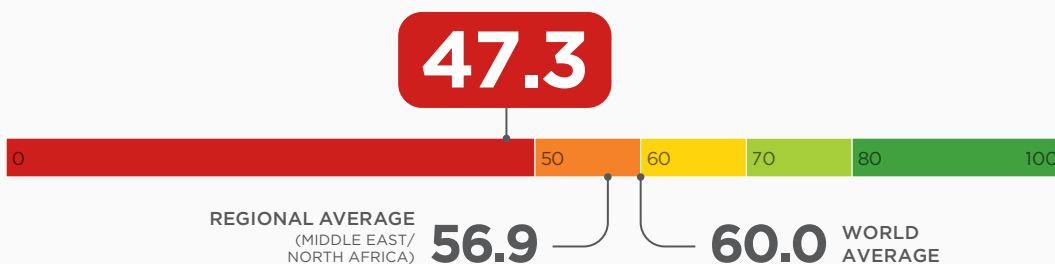
Lebanon's economic freedom score is 47.3, making its economy the 162nd freest in the 2022 *Index*. Lebanon is ranked 12th among 14 countries in the Middle East and North Africa region, and its overall score is below the regional and world averages.

Lebanon's economy has experienced negative growth for the past five years. That long economic contraction has been mirrored by a steady degradation of economic freedom. With score decreases in seven of the 12 indicators, Lebanon has registered an overall 6.0-point loss in economic freedom since 2017 and has fallen into the "Repressed" category. Trade freedom is relatively strong, but Lebanon's **fiscal health** is the lowest in the world.

IMPACT OF COVID-19: As of December 1, 2021, 8,735 deaths had been attributed to the pandemic in Lebanon, and the government's response to the crisis ranked 138th among the countries included in this *Index* in terms of its stringency. The economy contracted by 25.0 percent in 2020.

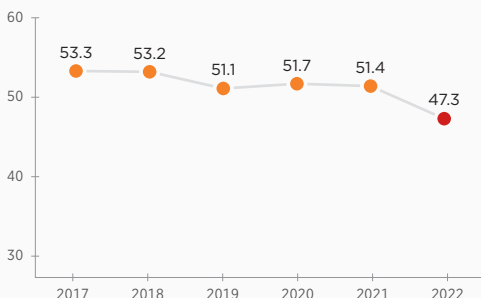


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): -15.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
6.8 million

GDP (PPP):
\$78.9 billion
-25.0% growth in 2020
5-year compound annual growth -6.2%
\$11,564 per capita

UNEMPLOYMENT:
6.6%

INFLATION (CPI):
88.2%

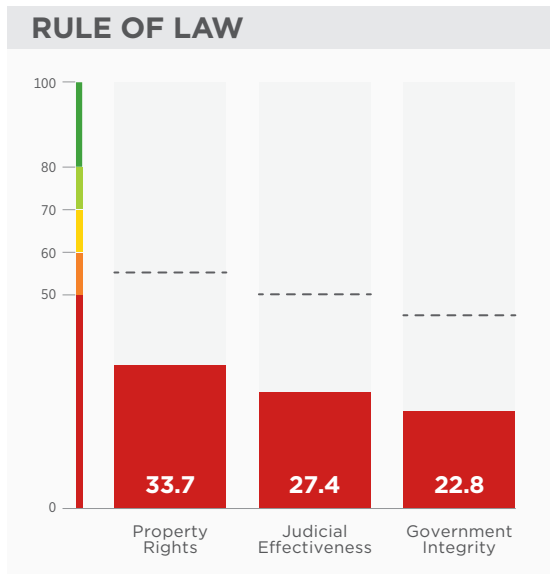
FDI INFLOW:
\$3.1 billion

PUBLIC DEBT:
154.4% of GDP

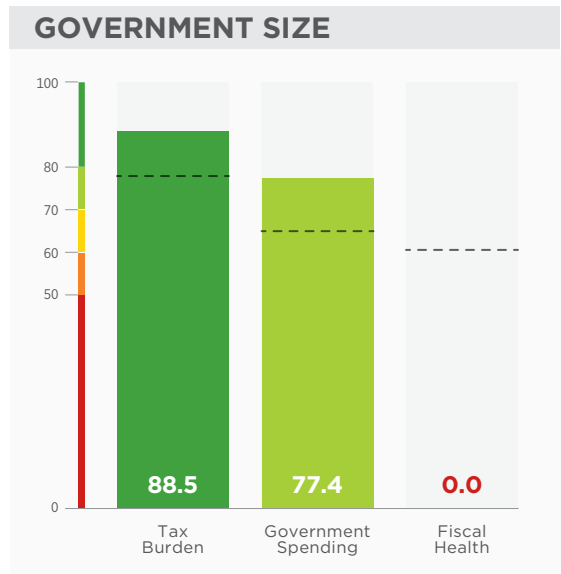
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Once a prosperous leading regional center for finance and trade, Lebanon has been severely damaged in recent decades by political turmoil. Since 1975, the country has been destabilized by civil war, Syrian occupation, and clashes between Israel and Hezbollah. Syria's army withdrew in 2005 after its government was implicated in the assassination of Lebanese Prime Minister Rafiq al-Hariri. Sectarian tensions have made political cooperation difficult. Hassan Diab has served as a caretaker prime minister since resigning in August 2020 following the Beirut port explosion. After former Prime Minister Saad al-Hariri failed to form a new government, President Michel Aoun appointed Nijab Mikati, another former prime minister, to try to form a new government in July 2021. New elections are scheduled for May 2022.

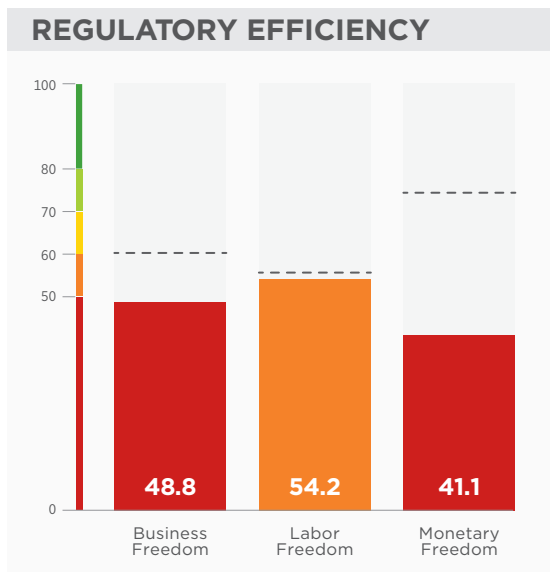
12 ECONOMIC FREEDOMS | LEBANON



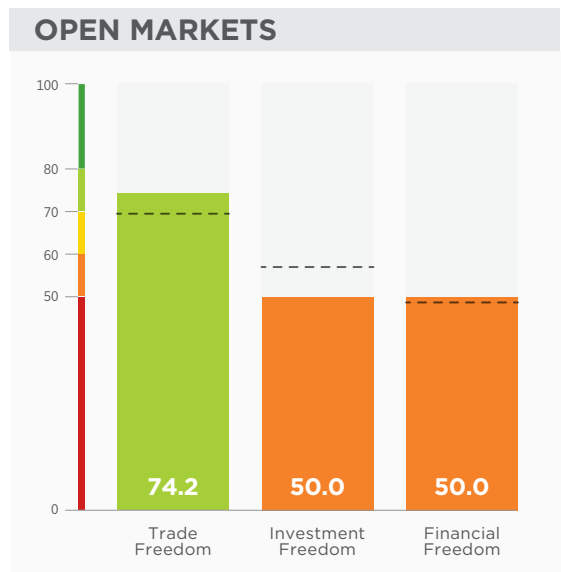
Secured interests in property, both movable and real, are recognized and enforced. Weak judicial capacity (a shortage of judges, inadequate support structures, and administrative delays) causes delays in the handling of cases. Powerful lobbying groups often interfere in the court system. Corruption is reportedly pervasive in government contracts (primarily in procurement and public works) as well as taxation, elections, judicial rulings, and real estate registration.



The top individual income tax rate is 25 percent, and the top corporate tax rate is 17 percent. The overall tax burden equals 15.3 percent of total domestic income. Government spending has amounted to 27.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 10.6 percent of GDP. Public debt is equivalent to 154.4 percent of GDP.



Businesses struggle to adapt or even to survive amid fiscal, financial, debt, and currency crises and an overall lack of security. An annual list of jobs that are restricted to Lebanese nationals is published. The government has struggled to subsidize imports of a wide variety of essential goods while also trying to keep hyperinflation under control.



Lebanon has four preferential trade agreements in force. The trade-weighted average tariff rate is 5.4 percent, but poor regulatory systems discourage dynamic trade and investment flows. Lebanon is not a member of the World Trade Organization. Political instability has severely impeded investment. Lebanon's financial sector used to be a regional hub, but ongoing political insecurity has subjected it to a high degree of uncertainty and strain.