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On January 29<sup>th</sup>, 2026, the Lebanese Parliament passed the 2026 Budget Law prepared by the Ministry of Finance (MoF) and approved by Council of Ministers (COM). This budget law is generally a balanced budget where expenditures is equal revenues (USD 6 billion); with a small primary surplus. This note will provide a concise analysis of the budget law, accompanied with an assessment of its strengths and limitations in addition to suggestions of how to increase future revenues and control future expenditures.

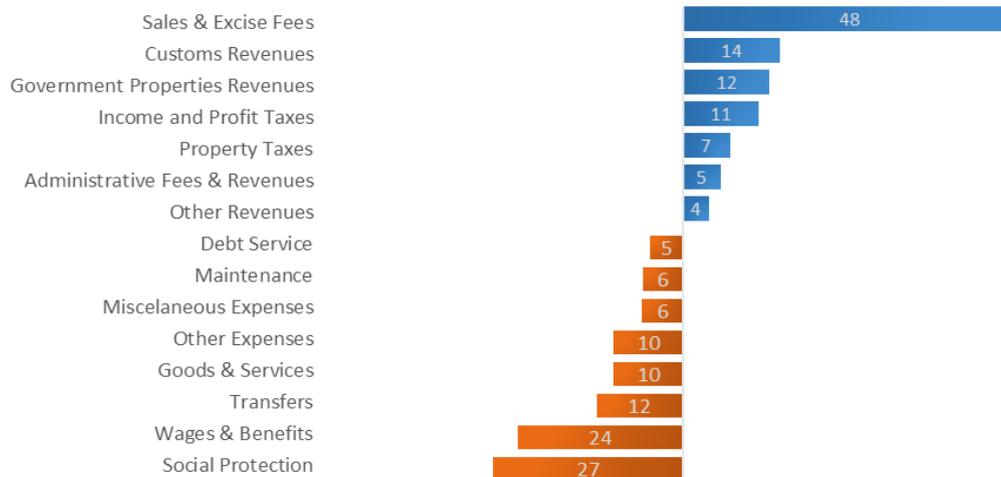
Similar to the budget of previous years, the majority of expenditures are related to current expenditures while capital expenditures (investments) represent a small portion, 88% vs 12%. The latter, no doubt, is quite small. However, 2026 budget projects a primary surplus of USD 290 million. The below table shows the main revenues and expenditures in nominal and percentage terms:

Category	Amount (USD Billions)	Percentage of Total
<b>Revenues</b>	6.0	100%
<i>Tax Revenues</i>	4.9	81.65%
<i>Non-Tax Revenues</i>	1.1	18.35%
<b>Expenditures</b>	6.0	100%
<i>Current Expenditures</i>	5.3	88.04%
<i>Capital Expenditures</i>	0.7	11.96%

Source: MoF

On the revenues side, main revenue items were Sales & Excise Fees (48%), Customs Fees (14%), Government Properties Revenues (12%), and Income & Profit Taxes (11%). As for expenditures, main items were Social Protection (27%), Wages & Benefits (24%), and Transfers (12%). Tax revenues accounted for around 82% of total revenues, that being in the ideal range for a sustainable state revenue collection. However, tax reforms are needed for a fairer tax system that also doesn't result in economic inefficiencies.

## Lebanese 2026 Budget Composition



N.B.: Transfers are mainly contributions within the public sector in addition to subscriptions to regional and international institutions and organizations.

In ministerial terms, military entities will receive the largest part of 2026 budget's expenditures, specifically 38.2%. It is followed by Ministry of Education and Higher Education (13.2%), Ministry of Public Health (11.4%), Ministry of Public Work and Transport (5.7%), and Ministry of Telecommunication (4.9%).

The budget has some advantages but also some drawbacks. We will start with the advantages:

1. No fiscal deficit; on the contrary, a primary surplus of USD 290 million is expected.
2. Government budget increased by 20%, from USD 5 billion in 2025 to USD 6 billion in 2026, mainly due to the anticipated increase in revenue collection, especially custom revenues after installing new and advanced scanners at sea ports.
3. Increase in social spending and welfare programs as additional credits were allocated for Ministry of Public Health (around USD 92 million) and Ministry of Social Affairs (around USD 50 million). Moreover, additional credit was assigned for Ministry of Education and Higher Education.

However, there are three drawbacks that can be attached to the 2026 budget:

1. No macro environment and GDP figures were provided. In other words, it lacks a convincing economic narrative.
2. The World Bank estimates 2026 GDP at USD 33.5 billion. This means that the revenue (and expenditures) to GDP ratio is estimated at 17.9% (and the primary surplus at 0.9%), fairly low for a low middle-income country.
3. The fact that the primary surplus is USD 290 million, and given that debt service is only 5% of current expenditures (or USD 290 million), this implies then that the 2026 budget is relatively on the restrictive or contractionary side.

Interesting to add that, after approving the budget law, the COM decided to add tariffs on gasoline to finance the increase in salaries and benefits of public sector employees. As per Prime Minister (PM) Dr. Nawwaf Salam, reforming and restructuring of public sector employees is not really applicable, as civil employees are only around 7,000 employees; while the bulk are military forces and retirees. In addition, the PM added that the Ministry of Public Works and Transport are currently scanning all the state's properties which will be reevaluated in order to determine their fair values and rents. This step is very important as total state revenues from properties, in addition to public entities revenues, are expected to reach only USD 720 million.

In proscriptive terms, revenues could be increased for instance through the following:

1. Increase revenues from state properties as it owns several properties in strategic areas that could be rented at prices way better than current prices.
2. Digitalize several administrations that collects revenues such as Ministry of Finance and Real Estate Departments. As such, those who are paying taxes will not be paying bribery to employees so as to use loopholes that circumvent regulations and allow them to pay less to the state. In addition, it will make it easy for tax payers to pay their taxes.
3. Raise taxes on tobacco and cigarettes, since low prices of tobacco lead to increase in its consumption and consequently to higher future expenditure on health. These taxes could be fertile and would raise needed revenue.

As to state expenditures, restructuring them would lead to the vital increase in investment expenditures. This could be done through several ways, among others:

1. Review the job descriptions of all public functions and roles and delete unnecessary ones. As such, redundant public employees could be transferred to the private sector by giving tax incentives to private companies.
2. Raise the retirement age to 67 years of age.
3. Amend the law of 1-year for 3-years (a huge drag on the budget) for military employees who also have the right to retire after only 18 years of service. In this respect, soldiers servicing in fighting groups could be transferred to administrative roles after 18 years of service to replace retired administrative employees.

In conclusion, the current and future governments have a load of work to do to raise the quality of public sector work and perform the needed reforms to rebuild it after decades of mismanagement. The new political regime, with the help from the audit of international organizations, is the best opportunity so far to enhance public accountability and efficiency.

# Lebanon's 2026 Budget: Bigger Budget but Insufficient Investment



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