Lebanon

Technical Assistance in Fiscal Year 2018

Financial Supervision (July 24-28)

To enhance the risk-management capacities of the Banking Control Commission of Lebanon (BCCL), METAC trained the BCCL supervisors on (i) the concepts and practices of stress-testing implemented by banks, and their role in the ICAAP; (ii) integrating the review of ICAAP stress-testing in their supervisory review and evaluation exercises; and (iii) setting up and administering a bottom-up stress testing process, and collating and evaluating results. The mission also introduced to the BCCL supervisors the concepts of multi-period stress-testing, and associated issues in preparation for the subsequent multi-period related training.

Public Financial Management (October 23-27, October 30-November 8)

Following initial training and advice in December 2016, METAC organized a seminar on IPSAS and Fiscal Reporting (IPSAS) in Beirut. With the participation of 18 representatives from the MoF of Lebanon, the seminar supported the convergence of the Lebanese government’s financial reporting with international standards. Participants discussed the progress made by the Lebanese MoF to prepare its first financial statements in accordance with the Cash-Basis IPSAS and the way to overcome the remaining challenges. METAC presented international experiences and provided technical advice to improve the overall quality of financial reporting, fiscal transparency, and accountability. The head of the Lebanese IPSAS Committee, stressed the importance for Lebanon to adhere to the international standards, and stated that the IPSAS committee is working to finalize a first draft of financial statements, in accordance with the Cash-Basis IPSAS, in the upcoming months.

The Lebanese authorities intend to strengthen the institutional framework for identifying and managing the fiscal risks in Lebanon. Following METAC’s support in November 2016 and a METAC regional seminar on fiscal risk management in January 2017, the Macro Fiscal Department at the MoF initiated analytical work, focusing on macroeconomic risks, and aims at preparing a FRS. In this context, the Macro-Fiscal Department requested METAC to (i) further support the development of their capacity to identify and analyze fiscal risk and (ii) provide guidance to prepare a draft a FRS. Accordingly, METAC organized a three-day inception seminar to discuss international standards, country experiences, and methodological issues. It also supported the development of a first draft FRS and undertook a summary review of fiscal risks disclosure practices against the principles set by the Fiscal Transparency Code to identify key gaps. Last, the mission developed a short-term roadmap to improve adherence to fiscal transparency standards related to fiscal risk management.
**Revenue Administration (April 16-27)**

METAC assessed the Lebanese tax administration, using the TADAT. The diagnostic mission identified the strengths and weaknesses in administering core taxes, addressing all relevant issues pertaining to the major taxes. The assessment provided a baseline for the current reform efforts, and an input to potentially necessary adjustments to the current reform process. It also created the basis for measuring progress over time, and provided the authorities with the necessary information for determining the need for future TA. Following up on this assessment, in FY19 METAC will provide further support in one of the TADAT outcome areas.

**Statistics (September 18-29, October 16-27)**

METAC continued its assistance to the CAS of Lebanon on re-establishing the RoW account as a part of the integrated economic accounts for Lebanon, in consistency with the ESS. The mission assessed and organized the data sources to reconcile the data used in the BoP and the RoW account in national account statistics. It coordinated the work with the BoP compilers at the Banque du Liban, building on the good cooperation established during the previous mission in March 2017. In discussion with both CAS and Banque du Liban, the mission helped to establish of a common set of adjustments to reconciling the raw merchandise trade data in national accounts with the BoP imports and exports of goods. It also provided recommendations to supplement the International Transactions Reporting System (ITRS) with alternative sources of information to further improve the national accounts/BoP estimates of trade in services, including travel spending.

METAC also helped the CAS of Lebanon to continue to improve the CPI. To this end, a mission addressed the treatment of missing prices in the calculation of the index; data collection issues, including the management of field work; the collection of prices for electronic goods and select services; the treatment of promotions and sales in the index; and the lack of detailed metadata on CPI methods. It advised enhancing the analysis in the monthly CPI press release, by better describing key contributions to the overall change in the CPI. The mission also discussed and agreed with the authorities on a program to develop a PPI, by focusing on the elaboration of weights and a sample frame of establishments.