

Lebanon

Technical Assistance in Fiscal Year 2019

Banking Supervision (January 14-18, 2018, February 18-22, 2019):

METAC assisted the Banking Control Commission of Lebanon (BCCL), Risk Assessment Department, in selecting and preparing the data to be used in undertaking solvency and liquidity stress testing and setting up the groundwork for building a stress test model. This assistance, when completed and the stress test model is set-up, is expected to increase BCCL's capacity in assessing individual bank vulnerabilities as well as that of the banking sector.

METAC assisted the BCCL in building capacity in multi-period solvency stress testing, and single period contagion testing. Complementing the activity above, this activity dealt with residual data issues, start-date analysis (to rigorously assess the position of the banks as at the date set for the start of the tests), scenario building, stress assumption development, and model configuration for the tests. The activity culminated with preliminary tests designed to flush out problems prior to conducting full tests. The mission encouraged cross-collaboration of various BCCL departments which play a role in stress testing: the Risk Assessment Department, which has principal responsibility for the tests; the Macro Studies Department, which develops the macroeconomic assumptions for the tests model; and the Electronic Data Processing Department, which is building a streamlined data gathering process.

Public Financial Management: June 21–July 6, 2018, January 8-17, 2019, January 28-February 1, 2019, March 26-28, 2019):

Lebanon plans to scale-up public investment to tackle its large infrastructure gaps. The authorities have prepared a capital investment plan, which contemplates about USD 16 billion of investment over a decade (32 percent of GDP). The plan envisions that the infrastructure be partly financed using PPPs. This ambitious plan, in a difficult economic, political and fiscal context, calls for reforms in infrastructure governance. Using the IMF's PIMA framework, METAC and FAD evaluated the strengths and weaknesses of the Lebanon's public investment management practices and provided practical recommendations to enhance its efficiency and impact on economic activity.

Lebanon is developing a framework to manage fiscal risks, to mitigate the budgetary and financial consequences of a volatile economic, social, and geopolitical environment. In 2017, METAC supported the MoF Macroeconomic Analysis and Studies Department to prepare a draft FRS. As a follow-up, it organized a workshop with the Department to review the 2018 FRS and compare it with international standards and practices. The workshop aimed to increase the coverage of the FRS, further enhance its analytical content, and identify key actions to ensure its integration with the budget process. At the end of the workshop, the Department presented a revised 2018 FRS to the MoF General Director.

The PIMA found that there was no mechanism to monitor and report contingent liabilities arising from guarantees for project loans and from PPPs. In addition, the MoF has not yet developed the human and institutional capacities to manage the fiscal implications of PPPs. In this context, METAC organized a five-day workshop to develop capacity in the MoF to assess the fiscal

implications of PPPs and identify institutional arrangements to control fiscal risk arising from them.

METAC co-organized a national workshop on GRB with the Institut des Finances Basil Fuleihan. Its main objectives were to: (i) develop a better understanding of gender budgeting practices and their integration with the overall PFM system; (ii) present innovations in gender budgeting, building on regional and international experiences and practices; and (iii) discuss challenges and opportunities for using gender budgeting to promote gender equality. The opening panel was attended by more than 70 participants from ministries, public institutions, and civil society organizations, highlighting the importance of this topic for Lebanon.

Revenue Administration (March 18-29, 2019):

METAC organized a two-week expert visit to assist the Lebanese Tax Administration on the development of a CIP—one of the areas identified in the April 2018 TADAT report. In a collaborative approach with senior management, the expert: (i) assessed current work being performed in the area of risk management; (ii) delivered workshops and animated discussion groups on risk related topics; and (iii) outlined the steps for the development of a CIP. This visit achieved an initial awareness of the work needed and the corresponding resource requirements.

Statistics (November 4-15, 2018, March 25-April 5, 2019):

METAC assisted the Lebanese Central Administration of Statistics (CAS) in improving the CPI and discussed a way forward on possible improvements to the PPI. The Improvement to the CPI included areas such as data collection methods, updating and augmenting the CPI outlet sample, pricing of rent; online collection of prices for the CPI and treatment of missing CPI prices.

METAC conducted a workshop for CAS staff to help them assess the methodology used in compiling the national accounts. CAS is converting the current compilation framework from annual to quarterly (a key milestone in improving the timeliness of national accounts data). The workshop concluded that the framework is generally sound, within the limitations of available data.