

Lebanon

Technical Assistance in Fiscal Year 2022

Public Financial Management (April 1-13; March 21-April 4; February 15-17; June 14-17)

A three-day virtual workshop organized jointly with the Institute of Finance Basil Fuleihan allowed for a peer exchange of the MoF and line ministries on budgeting. Consideration should be given to further strengthening macro fiscal planning and establishing multi-year ceilings for different sectors and ministries. Increasing budget coverage and introducing consistent baseline estimates and forward costing would enhance planning and improve resource use.

The second mission was delivered jointly with IMF headquarters and designed a strategy to tackle expenditure arrears at the Central Government level. The mission took stock of the current situation on expenditure arrears, provided a tentative definition of arrears, and advised authorities on how to quantify and monitor the stock of expenditure arrears. This was the first in-country public financial management mission since the begin of the pandemic. The mission used a hybrid mode (opening a virtual channel to allow participants to connect remotely to in-person meetings) which worked to some extent, but there were some logistical limitations related to the IT equipment and translation.

METAC organized a training following up on a 2021 workshop, delivered jointly with the Institute of Finance Basil Fuleihan. The training spanned over three days and built the authorities' capacity to use the state-owned enterprise (SOE) health check tool (refresher from last year's course) and on reporting and transparency of SOEs. The mission presented a reporting template to gather data from the SOEs to be input directly into the SOE Health Check Tool for analysis by the MoF, as well as a roadmap to take immediate actions and strengthen surveillance of SOEs. The training was attended by 15 participants, including financial controllers from SOEs, the Public Accounting Directorate (the entity responsible for supervising the SOE sector) and the team working directly with the General Director of the MoF on the issue of SOEs.

With the Institut des Finances Basil Fuleihan, METAC organized a webinar on assessing and managing fiscal risks from public-private partnerships. This webinar was part of an ongoing medium-term capacity development project to develop the Ministry of Finance's role as gatekeeper for identifying, quantifying, and capturing fiscal risks. It defined a workflow within the Ministry of Finance regarding the roles and responsibilities for reviewing, vetting and approving public-private partnerships, and developed a roadmap for the short and medium term. It also looked at the coordination mechanisms between the Ministry of Finance and the Higher Council for Privatization and Partnerships.

Revenue Administration (March 30-April 11; March 28-April 8; February 16-28)

METAC also provided technical assistance in the customs area, based on the November 2021 IMF report on "Short-and-Medium-Term Actions for Stabilizing Revenue Administration." The proposed measures will be prioritized based on available resources and capacity. The mission helped the Lebanese Customs Administration identify the organizational units that will be responsible for the implementation of the selected measures.

METAC provided remote activity to assess the tax IT system of the Lebanese Tax Administration. The IT function of the General Directorate of Finance lacks proper financing and is in a precarious situation. The mission proposed recommendations for immediate support of the IT function to avoid a breakdown of the IT systems. It also provided medium- and long- term recommendations for the IT modernization to be aligned with international good practices.

A plan for immediate and short-term revenue improvement from administrative measures was proposed by IMF HQ in November 2021. In METAC's remote activity, more detailed action plans were put forward in seven areas where progress seems feasible this year. A plan to re-activate tax

collection will start with (i) businesses that are less affected by the crisis and (ii) the largest tax debtors. A broad-ranging offer to clear the accumulated tax arrears through instalments will follow. A reform to the large taxpayer office to incorporate VAT will not take effect until 2023.