

Lebanon

Technical Assistance in Fiscal Year 2017

The protracted conflict in Syria and refugee inflows continue to place pressures on the Lebanese economy. For more than half of FY17, in the absence of a president, the authorities have tried to preserve macroeconomic stability and market confidence in very difficult circumstances. In such an environment, METAC's assistance has been incremental, focusing mainly on strengthening institutional capacity. More recently, after the formation of a new government, METAC provided assistance to strengthen VAT compliance.

Banking Regulation and Supervision (September 19-30)

Over the last ten years, the BCCL has been implementing a risk-based supervision (RBS) program. In this context, a METAC mission assisted the BCCL on the implementation of the risk-based supervision (RBS) manual that was developed earlier with METAC assistance. The mission worked with a task force team of BCCL supervisors on a pilot bank to identify difficulties and challenges in the implementation process. The mission assisted in developing a template for RBS report, which would help to assess how a bank manages risks and to signal the areas that could threaten the soundness and safety of the bank. A follow-up on mission on RBS will take place in FY18.

Revenue Administration (February 13-24)

In recent years FAD and METAC have organized several tax administration expert visits to Lebanon to provide assistance in RA. The April 2010 FAD mission reviewed progress made by the tax administration in reforming its organization and operations, and advised on future reforms, including the integration of VAT and income tax administrations, and the design of appropriate strategies to improve tax compliance. A METAC mission, organized in July 2013, reviewed and identified weaknesses in the administration of VAT refunds. It recommended a set of measures to prevent abusive activities and fraudulent claims, and strengthen the VAT refund process. In this context, a METAC mission assessed commitment and progress in implementing the recommendations of the 2013 mission to improve the overall efficiency of VAT refund management. The mission advised on appropriate further measures to enhance detection and prevention of VAT refund fraud.

Statistics (March 6-17, April 24-28)

A METAC mission assisted CAS in assessing and organizing the source data for re-establishing the Rest of the World (ROW) account, as a part of the integrated economic accounts for Lebanon. The mission strongly encouraged coordination between the national accountants at CAS and the balance of payments compilers at the Banque Du Liban (BDL), to enable CAS to resume the compilation and publication of critical macro-economic aggregates, such as Gross National Income and Gross Disposable Income. Following the mission's recommendations,

these data were published for the first time (after 2010) in March 2017, together with the national accounts data set for 2014 and 2015.

Another mission was in response to a new request from BDL. METAC assisted in establishing a system for the regular compilation of residential property price index (RPPI) for Lebanon. The mission provided hands-on expertise on the process of the RPPI construction, including: validation of the data sourcing and means to improve them in future; assessment of the stratification technique used, and BDL's hedonic regression modeling. The mission agreed with the authorities on a program for the implementation of the recommended improvements and the adoption of appropriate modeling techniques for the regular compilation of RPPI.

National Workshops in Fiscal Year 2017

Banking Regulation and Supervision (February 20- 24, April 25-28)

To enhance the BCCL's risk-management framework, METAC trained the BCCL supervisors on the techniques and implementation of stress tests as an essential tool to assess the resilience of individual banks against economic and financial shocks, in a forward-looking perspective. The training focused on how the BCCL supervisors can use supervisory data to create single-factor sensitivity tests for generic credit risk, sectoral credit risk, large-exposure credit risk, foreign-exchange risk, interest rate risk, liquidity risk, and interbank contagion risk. METAC plans to continue this CD program in FY18, including to cover multi-period stress testing.

Against the background of the 2016 FSAP recommendations, and at the request of the BCCL, METAC also organized a workshop on consolidated and cross-border supervision. The workshop focused on the relationships between home and host supervisors in sharing information related to banking entities operating in their jurisdictions.

Public Financial Management (November 14-21, December 13-16)

As highlighted in the 2016 Article IV consultation, fiscal risks may add further pressure on Lebanon's public deficit and debt. The Lebanese authorities aim at strengthening the institutional framework for identifying and managing fiscal risks, anchoring its responsibility in the Macro Fiscal Department. In this context, METAC delivered a series of training sessions comprising presentations and hands-on training focused on the main concepts and commonly used methods for identifying, categorizing and measuring fiscal risks. An outline for a flash risk report was prepared, which considers risks to growth forecasts, tax revenue performance, and expenditure outlook. It also includes long-run revenue, debt and debt-service cost scenarios, contingent and accrual liabilities, and the likely long-run pressures on the budget.



*Training on "Fiscal risks", Lebanon
November 14-21, 2016*

As part of its efforts to strengthen PFM and increase transparency, the Lebanese MoF is seeking to issue Financial Statements based on IPSAS. Following a workshop organized by the World Bank in 2015, the MoF established a working group to prepare an action plan for the adoption of IPSAS. In this context, METAC provided training to MoF staff to sensitize the senior staff, raise their awareness of IPSAS among the main stakeholders, and enhance their understanding of the requirements of IPSAS and pronouncements. The mission also assessed where MoF stands in terms of meeting the requirements of the cash-basis IPSAS, shared lessons and experiences of countries who have adopted IPSAS, and recommended actions for adopting the cash-basis IPSAS.



*Training on "IPSAS", Lebanon
December 13-16, 2016*

Statistics (July 25 - August 5)

The mission assisted the CAS with further improvement of sources for and compilation of CPI, particularly for better treatment of missing prices, enhanced data collection methods, and the treatment of rent. The mission also helped CAS to develop contingency plans for the collection of prices during August 2016, in case of eventual budgetary constraints—as those experienced during the price collection for January 2017 CPI. The authorities at all levels have demonstrated full commitment to compiling a CPI that broadly reflects the international standards and best practices.

The mission was followed up by a four-day workshop on the PPI compilation methods for CAS staff. A work program has been agreed for the development of a PPI for Lebanon, with initial coverage including quarrying, manufacturing, and utilities. Value-added tax data will be used to develop weights and, the 2008 survey of economic activity will be used as the basis for selecting a sample of establishments, as this is the only source of establishment data available.



*Training on "Price Statistics", Lebanon
July 25 – August 5, 2016*