

Lebanon Budget Reform Monitoring Tool

The Urge to Act
A tool by Transparency International - Lebanon



Funded by
the European Union



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ABOUT THE TOOL

The tool provides the civil society organizations in Lebanon with a scientific and objective framework to track and monitor the progress towards much-needed functional and structural reform policies across the state budget's cycle, with particular emphasis on the pillars of transparency, accountability, and inclusivity. The tool falls in line with TI-LB's knowledge production of tools and evidence empowering civil society organizations to conduct more effective oversight of key public policies to inform joint advocacy efforts towards key reforms.

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LIST OF ABBREVIATIONS

CBA	Central Budget Authority
COA	Court of Accounts
CSOs	Civil Society Organizations
MoF	Ministry of Finance
MTBF	Medium Term Budgetary Framework
MTFF	Medium Term Fiscal Framework
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IOF	Institute of Finance
PFM	Public Financial Management
PIM	Public Investment Management
TSA	Treasury Single Account

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CHAPTER 1: WHY REFORMING THE BUDGET IS INEVITABLE?

1. LEBANON DELIBERATE SINKING

October 2019 was the official trigger date for the series of unmatched multifaceted crisis that hit the Lebanese Economy, paralyzed the financial sector, and plunged 80% of the population into poverty (UNESCWA, 2021). The political authority was expected to efficiently address two key issues that would have contributed to “stop the bleeding” and pave the way for a sustainable growth recovery and social cohesion: (i) ensure a fair distribution of losses, (ii) prepare the ground for both immediate and structural reforms across the banking sector, the monetary policy, and the public financial management system.

Over the last couple of years, the political elite’s “Great Denial”, as portrayed by the Bank (World Bank, 2022), have contributed to normalize the crisis, meanwhile the middle and the poorest class were left behind to unequally bare most of the loss burden aggravated by a disorderly devaluation of the national currency fueled by the banking sector’s attempt to recapitalize on the local market and by a chaotic management of subsidies and subsidy removal. Not only Lebanese people have lost their lifesaving, but also saw their purchasing power deplete to near 3% of their pre-crisis level.

Political disengagement and inaction also hit public administrations hard. The Ministry of Social Affairs could merely rely on the donor’s sponsorship to only activate specific social assistance programs and emergency social safety nets targeting a fraction of the most vulnerable. The Ministry of Finance (MoF), unable to secure a minimum level of operations due to lack of resources, witnessed an unprecedented exodus of skilled labor force, compromising its institutional capacity to implement needed and conditional fiscal reform policies.

2. PUBLIC FINANCIAL MANAGEMENT AT THE HEART OF ALL REFORMS

It is undeniable that all reform areas (including banking restructuring, monetary reform, revamping inclusive social systems, and other) are crucial to put Lebanon back on a recovery path. Yet, this document is solely concerned with public financial management reform (PFM). PFM refers to the collection, management, and expenditures of public money. The core objective is to improve citizens’ lives through effective policies and a quality delivery of public services. In simple terms, the state apparatus cannot fulfill its functions and cannot operate efficiently under a fragmented and deficient public financial management system.

What are the key PFM reforms and why are they important?

Area 1: **Debt restructuring** as part of medium-term fiscal consolidation. During the last decade, Lebanon has excessively reverted to internal and external debt to finance recurrent and unsustainable fiscal deficits and as a tool to pay for principal repayments. During March 2020, the Lebanese government announced halting the payment of bonds. Regardless of the rightness of the choice, the direct consequence was the loss of access to international financing. Restoring debt sustainability, firstly through restructuring, is a key measure that needs to be taken by the Lebanese government, otherwise the donor community, led by the IMF would not grant access to any significant financing.

Area 2: Establishing a binding **Medium-term budgetary framework** (MTBF) as part of a more efficient and transparent fiscal policy. For years, the Ministry of Finance (MoF) has been producing a 3-year macro-fiscal projection framework published in the budget circular and based on misestimated budgetary and economic assumptions. None of the past budget circulars has established any fiscal objectives, any fiscal rules, or any fiscal binding orientation. A binding MTBF, usually a conditional requirement for a debt restructuring, is needed to provide a strong framework for sustainability and to send a clear signal to the donor’s community and to the financial markets that the government is committed to full transparency regarding its fiscal goals and orientations.

Area 3: Establishing a **governance framework for public investment management (PIM)**. Most of international support, if cleared into the Lebanese economy, would be geared towards public investment projects that are essential to improve the country's competitiveness and to act as catalysts for economic growth. In the absence of a clear and robust PIM governance system, money invested in public investment will witness significant losses in terms of (i) capital accumulation, (ii) public investment efficiency and mediocre quality of infrastructure, (iii) public investment productivity and low impact on growth (IMF, 2015). As a matter of fact, Lebanon would have to design a set of rules and procedures that govern transparent public investment projects and instill accountability as the norm.

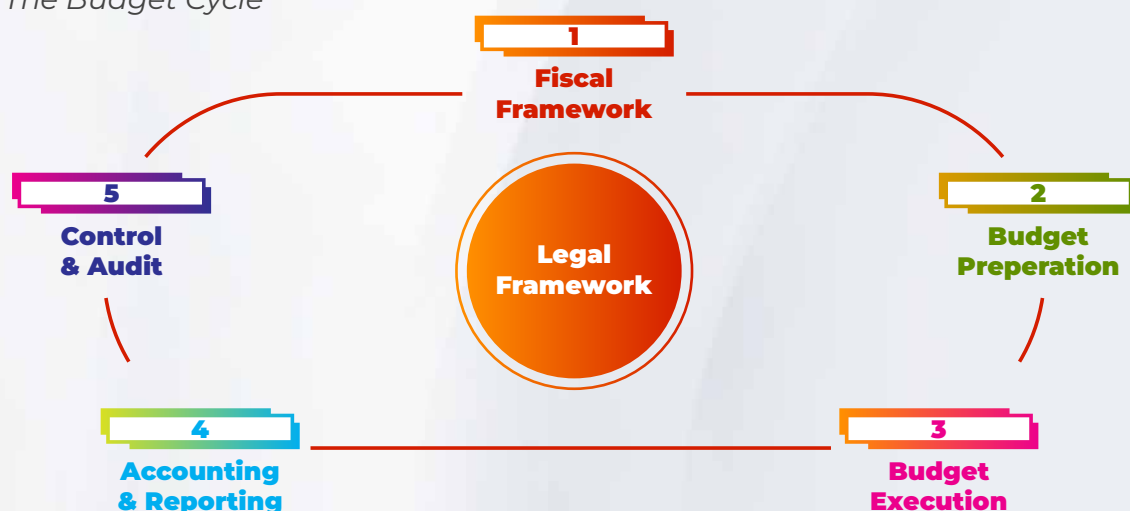
Area 4: **Reforming the taxation system on the basis of efficiency and fairness**. The monetary crisis had dramatic consequences on the Lebanese taxation system. The latter was subject to systematic mis-valuation of taxes caused by the multiplicity of exchange rates; It also suffered significant progressivity gaps due to mis-valuation and slow reactivity of authority to impose a systematic indexation of tax brackets to the real value of Lebanese Pound. The taxation system also witnessed an increased reliance on indirect taxes, while the overall fiscal burden reached a historic low (Boustany, Bassima, & Hatem, 2023). Without proper tax adjustments, the state institutions cannot by any means finance its basic operations, in a context characterized by donor fatigue.

Area 5: **Reforming SOEs** to improve their governance, operational viability and limit fiscal risks, particularly in the energy sector. In fact, the energy sector was for decades the number one source of public deficit and accumulation of debt, to the extent that it was assumed that Lebanon would have survived all combined corruptions, had the energy sector been adequately reformed.

Area 6: **Reforming budget system laws** through the design and the validation of an organic budget law. The budget preparation and validation process are still governed partially by the public accounting law and by the constitution. Both of the legal texts provide an obsolete framework for budget management including an outdated structure that hinders any synchronization between the budget lines and policy objectives. Moreover, the current top-down budgeting practices that frame the fiscal policy design are loose. In simple words, the government could prepare the most beautiful budget law yet, and given the current context, it would still be irrelevant to policy making. The MoF is urged to conduct drastic reforms across the budget process and to suggest a modern budget system law that articulates clear rules for formulating, executing, on the annual budget as well as a clear statement of medium-term fiscal policy objectives.

As the areas of PFM are very wide, **this tool is only concerned with measures that can be taken and initiatives to reform the budget system** (Reference figure 1 that covers the key reform areas 2 and 5 mentioned above), and that could positively impact other PFM functions.

Figure 1: The Budget Cycle



Source: IMF literature

3. WHY ANCHORING THE BUDGET REFORM IN TRANSPARENCY, INCLUSIVENESS, AND ACCOUNTABILITY IS INEVITABLE?

Reforming the budget system would result in positive outcomes across the cycle.

(i) Transparency is a pre-requirement for the remaining two pillars and is a cross-cutting pillar that should be strengthened at all levels:

- a. The MoF should be clear and open about its fiscal strategy including its medium-term fiscal framework (multi-year economic and fiscal forecasts, medium-term fiscal targets) and its medium-term budget framework (multi-year expenditure ceiling and spending allocations).
- b. The MoF should produce and publish in a timely manner all documents related to the budget preparation (pre-budget statement, budget proposal, enacted budget), budget execution (periodic budget reporting), budget and financial accounting, and finally control and audit.

(ii) Accountability is made possible only through relevant, meaningful, and timely reporting. The legislative should be able to render the government accountable against clear stated public policy objectives and fiscal policy goals. Citizens and CSOs also have a crucial role in monitoring the government's performance.

(iii) Inclusiveness is mostly reflected in the budget preparation process and designate (i) the participatory approach of budget planning, and (ii) the coverage and spread of public policies. Inclusiveness requires at the same time a solid infrastructure of data collection processes, a clear participatory mechanism, and a budget structure and classifications that support multiple layers of disaggregation.

4. WHAT IS THE RATIONALE BEHIND THIS TOOL?

This tool is designed to allow CSOs to track and monitor any progress towards achieving budget system reforms with particular focus on transparency, accountability, and inclusiveness. It offers an objective framework to compare and rate the progress achieved in various areas against international best practices, IMF recommendations, and relevant internal policy orientations.

CHAPTER 2: HOW IS THE MONITORING TOOL DESIGNED?

1. SELECTION OF BENCHMARK FRAMEWORK

In the absence of a formal national budget reform strategy, the tool will be based on a thorough literature review of the key recommendations for budget reforms in Lebanon, based on previous ministerial statements, the International Monetary Fund's recommendations, and other applicable benchmarks, to determine the short, medium, and long-term actions towards a more citizen-focused state budget. The researchers attempted to cover a wide range of variables, yet the framework might not be totally comprehensive, as some aspects and data might have been missed during compilation.

A validation exercise with key stakeholders would provide more credibility and legitimacy to this exercise. Until the validation process is initiated, the following framework could serve as a solid baseline for CSOs, policy makers, parliamentarians, and other categories of society.

2. SELECTION OF PARAMETERS AND COLLECTION OF DATA

The assessment exercise attempts to cover various dimensions including:

- Classification by **pillars** relevant to the work of TI-Leb: Transparency, accountability, and inclusiveness.
- Classification by the various **phases of the budget** cycle: Fiscal framework, budget preparation, budget execution, accounting and reporting, control, and audit.
- Classification by the **level of priority**: low, moderate, high.
- Classification by the **timeframe**: short-term, medium-term, long-term

Other qualitative data were identified such as the action recommended, the associated tool, the success indicators, stakeholders the status, and the references.

The qualitative data was collected from the sources mentioned in the previous section and classified based on the above identified parameters.

3. SETTING THE SCORING METHOD

The scoring method depends on a multitude of criteria:

- Specific weight assigned to pillars based on their importance and relevance to the Lebanese context:
 - Transparency (× 2): It is a pre-requisite for accountability and good governance.
 - Accountability (× 3): It is a condition to upgrade the overall performance of the system. More accountability is an urgency in Lebanon and necessary to rebuild the trust relationship between citizens and state institutions.
 - Participation (× 1): It is very important, yet not an utmost priority in the current context.
- Specific weight assigned to the progress achieved:
 - Not initiated: 0
 - Early stages: 0.25
 - In progress
 - Advanced: 0.75
 - Completed: 1
- Specific weight assigned to priority level:
 - High priority (× 3):
 - Moderate priority (× 2)
 - Low priority (× 1)

The scoring sheet is available in attachment.

CHAPTER 3: WHAT ARE THE KEY AREAS FOR INTERVENTION?

The following chapter presents the reform framework from different perspectives.

1. REFORM MEASURES ACROSS THE BUDGET CYCLE

Figure 2: Fiscal Reform Across the Budget Cycle

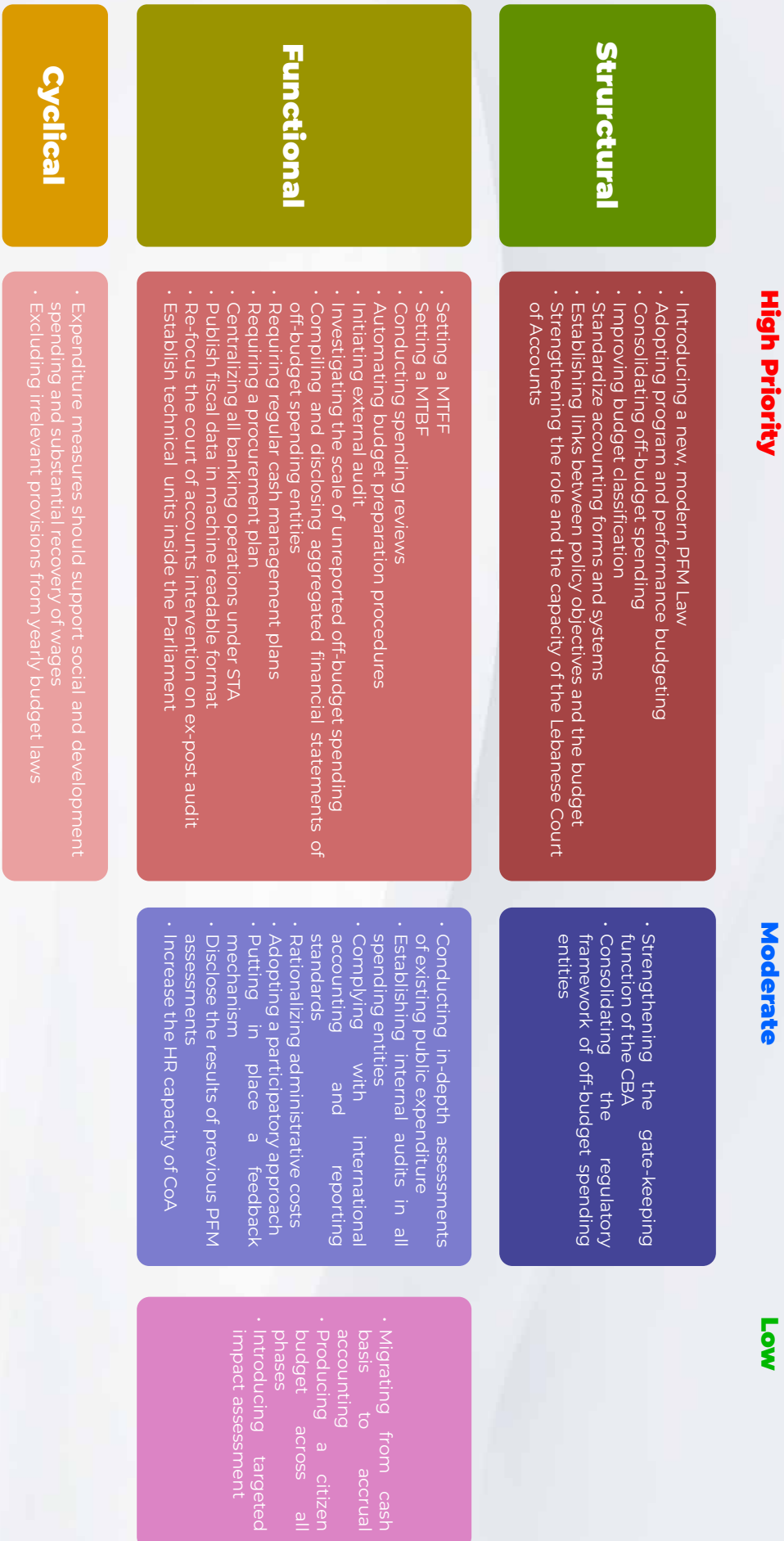


Cross-cutting measures

- Producing citizen budgets
- Putting in place a feedback mechanism
- Abiding by legal deadlines
- Introducing modern PFM law
- Publishing fiscal data in a machine-readable format
- Disclosing previous PFM assessments

2. REFORM MEASURES CLASSIFIED BY URGENCY AND COMPLEXITY

Figure 3: High Urgency for Reform



3. REFORM MEASURES FROM THE LENSES OF TRANSPARENCY, ACCOUNTABILITY, AND INCLUSIVITY: THE SCORECARDS

3.1 Transparency

A) Fiscal Framework

Table 1: Transparency Across the Fiscal Framework

Action	Cat.	Success Indicator	Observation Justification	Status	Score
1. Development of an operational Fiscal Strategy	F	Publishing a fiscal strategy		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
2. Setting multi-year macro-fiscal objectives & targets	F	Publishing of a MTF document		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
3. Setting multi-year aggregate expenditure ceilings & indicative resource allocation ceilings	F	Publishing of a MTF document		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
4. Compile adequate macroeconomic, fiscal and debt data for the whole public sector	F	Publishing of realistic forecasts and comprehensive assumptions		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
5. Build the capacity of the administration to formulate in a reliable way affordable strategic priorities	F	The administration undertaking ex ante policy assessment		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
6. Reinforce aggregate fiscal discipline	F	Publishing of MTBF document		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
7. Facilitate a more strategic allocation of expenditure	F	Publishing of MTBF document		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	

3. REFORM MEASURES FROM THE LENSES OF TRANSPARENCY, ACCOUNTABILITY, AND INCLUSIVITY: THE SCORECARDS

3.1 Transparency

B) Fiscal Framework

Table 2: Transparency in Budget Preparation

Action	Cat.	Success Indicator	Observation Justification	Status	Score
1. Measure and scope budget coverage by investigating the scale of unreported off-budget spending	F	Publishing a report		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
2. Automating budget preparation procedures	F	Automated budget preparation process		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
3. Improving budget classification	F	New budget structure		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
4. Submit a procurement plan alongside the budget draft	F	Yearly procurement plans		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	

C) Fiscal Framework

Table 3: Transparency in Budget Execution

Action	Cat.	Success Indicator	Observation Justification	Status	Score
1. Effective in-year monitoring and reporting	S	Regular in-year budget execution reports		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
2. Consolidate all off-budget spending	S	Comprehensive fiscal indicators		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	

3. REFORM MEASURES FROM THE LENSES OF TRANSPARENCY, ACCOUNTABILITY, AND INCLUSIVITY: THE SCORECARDS

3.1 Transparency

D) Accounting and Reporting

Table 4: Transparency in Accounting and Reporting

Action	Cat.	Success Indicator	Observation Justification	Status	Score
1. Compile and disclose aggregated financial statements of off-budget spending entities to improve transparency	F	Publishing of relevant fiscal reports		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
2. Enforce existing laws mandating SOEs to submit their accounts to the Ministry of Finance	F	Publishing of relevant fiscal reports		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	

E) Measures Across the Budget Cycle

Table 5: Transparency Across the Budget Cycle

Action	Cat.	Success Indicator	Observation Justification	Status	Score
1. Abide by legal deadlines	F	Timely budget cycle		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
2. Produce citizen budgets across all phases	F	The production of Citizen Budgets		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
3. Publish fiscal data in machine readable format	F	The publishing of an online platform		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
4. Disclose the results of previous PFM assessments (the PEFA 2011 and the PIMA 2018)	F	The publishing of the reports		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	

3. REFORM MEASURES FROM THE LENSES OF TRANSPARENCY, ACCOUNTABILITY, AND INCLUSIVITY: THE SCORECARDS

3.2 Accountability

A) Fiscal Framework

Table 6: Accountability Across the Fiscal Framework

Action	Cat.	Success Indicator	Observation Justification	Status	Score
1. Costing budget baseline	F	Publishing a report		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	

B) Budget Preparation

Table 7: Accountability in Budget Preparation

Action	Cat.	Success Indicator	Observation Justification	Status	Score
1. Adopting program and performance budgeting, in addition to a clear definition and revisit of all procedures and legal deadlines to comply with international standards	S	Voting a new law		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
2. Each ministry should establish a clear link between its policy objectives and the relevant budget appropriations	S	Ministerial pre-budget statement		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
3. Exclude irrelevant provisions from yearly budget laws	C	Budget laws excluding riders		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	

3. REFORM MEASURES FROM THE LENSES OF TRANSPARENCY, ACCOUNTABILITY, AND INCLUSIVITY: THE SCORECARDS

3.2 Accountability

C) Budget Execution

Table 8: Accountability in Budget Execution

Action	Cat.	Success Indicator	Observation Justification	Status	Score
1. Strengthen the gate-keeping function of the CBA	S	Yearly approval on plans and projects		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
2. Require regular cash management plans to be submitted by all budget entities	F	Production of regular cash management plans		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
3. Condition new appropriations to the budget validation	F	Amended public accounting law		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
4. Rationalize administrative costs	F	Ministerial decision		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	

B) Budget Preparation

Table 7: Accountability in Budget Preparation

Action	Cat.	Success Indicator	Observation Justification	Status	Score
1. Conducting in-depth assessments of existing public expenditure in order to identify opportunities to reduce or redirect spending from low-priority, inefficient, or ineffective spending	F	Publishing of spending reviews		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	

<p>2. Medium-term spending reviews across all public sectors (education, electricity, and infrastructure) to reduce expenditure from low priority, inefficient or ineffective programs.</p>	F	Publishing of spending reviews		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
<p>3. Standardize accounting and reporting requirements, forms and systems</p>	S	The existence of a functional accounting system		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
<p>4. Comply with international accounting and reporting standards (IPSAS)</p>	F	Adopting new accounting standards		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
<p>5. Migrate from cash basis to accrual accounting to significantly improve information available and overall financial management</p>	F	Improved accounting system		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
<p>6. Centralize all banking operations and balances through the establishment of a Treasury Single Account</p>	F	Centralize cash management		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	

Table 10: Accountability in Control and Audit

Action	Cat.	Success Indicator	Observation Justification	Status	Score
1. Audit of Macro Assumptions	F	Publishing an audit report		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
2. Submit all financial statements and performance information to an independent external audit	F	Publishing of external audit report		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
3. Establish internal audits in all spending entities and reduce unnecessary internal controls	F	Establishment of audit unit		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
4. Strengthening the role and the capacity of the Lebanese Court of Accounts which is currently operating at half-capacity and does not have timely access to the public accounts	S	Completion rate of audit report		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
5. Introducing targeted impact assessment	F	Production of a report		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
6. Re-focus the court of accounts intervention on ex-post audit	F	New ToRs		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
7. Amending the set of penalties and sanctions enforced by the court of accounts	F	New set of sanctions		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
8. Increase the HR capacity of the court of accounts	F	Institution size in terms of HR		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
9. Establish technical units inside the Parliament to support MPs during the budget validation process	F	Establishment of the units		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	

F) Measures Across the Budget Cycle

Table 11: Accountability Across the Budget Cycle

Action	Cat.	Success Indicator	Observation Justification	Status	Score
1. The introduction of a new, modern PFM Law is a cornerstone for the implementation of a comprehensive PFM roadmap which should include broadening the coverage of the budget, the formulation of medium-term fiscal framework, restricting the use of treasury advances, establishing a fully integrated treasury single account, and enhancing SOE oversight.	S	Voting a new law		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
2. Amend and consolidate the legal and regulatory framework to be in line with the decrees regulating the operations of public institutions (decrees no. 3398, 1193, 4517) at various levels	S	Voting a new regulatory framework		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	

3. REFORM MEASURES FROM THE LENSES OF TRANSPARENCY, ACCOUNTABILITY, AND INCLUSIVITY: THE SCORECARDS

3.3 Inclusivity

A) Budget Preparation

Table 12: Inclusivity in Budget Preparation

Action	Cat.	Success Indicator	Observation Justification	Status	Score
1. Expenditure measures should support social and development spending and substantial recovery of wages	C	Dedicated budget appropriations		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	
2. Adopting a participatory approach to engage citizens and CSOs in the budgeting process	F	The existence of a participatory process		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	

B) Measures Across the Budget Cycle

Table 13: Inclusivity Across the Budget Cycle

Action	Cat.	Success Indicator	Observation Justification	Status	Score
1. Putting in place an online feedback collection mechanism	F	The existence of a feedback mechanism		<input type="checkbox"/> Not Initiated (0) <input type="checkbox"/> Early Stages (0.25) <input type="checkbox"/> In Progress (0.5) <input type="checkbox"/> Advanced (0.75) <input type="checkbox"/> Completed (1)	

APPENDIX: TRACKING/SCORING DATABASE



Pillar	Reform Type	Budget Phase	Tool	Action	Additional Explanation	Success Indicator	Level of Priority	Stakeholders	Timeframe	Indicative Status	Reference
Transparency	Functional	Fiscal Framework	MTTF	Setting multi-year macro-fiscal objectives & targets	Sets explicit values for end of period targets: e.g., public deficit, public expenditure, compulsory levies, public service manpower	Publishing of a MTTF document	Moderate	MoF CoM Parliament	Short Term	Not Initiated	IMF Guidelines
Transparency	Functional	Fiscal Framework	MTTF	Setting multi-year aggregate expenditure ceilings & indicative resource allocation ceilings across spending entities, in addition to fiscal rules.	Aggregate compulsory ceilings for ministries & agencies. Indicative aggregate estimates for revenues. Fiscal rules designed to ensure trajectory is abided to and targets reached	Publishing of a MTTF document	Moderate	MoF CoM Parliament	Short Term	Not Initiated	IMF Guidelines
Transparency	Functional	Fiscal Framework	MTTF	Development of an operational Fiscal Strategy Paper	It enables decisions on: Targets and trajectory Fiscal space Affordable strategic priorities (on public policies, including taxes)	Publishing the fiscal strategy paper	Moderate	MoF CoM Parliament	Short Term	Not Initiated	IMF Guidelines
Transparency	Functional	Fiscal Framework	MTTF	Compile adequate macroeconomic, fiscal and debt data for the whole public sector	N/A	Publishing of realistic forecasts and comprehensive assumptions	Moderate	MoF	Short Term	Early Stages	IMF Guidelines
Transparency	Functional	Fiscal Framework	MTTF	Build the capacity of the administration to formulate in a reliable way affordable strategic priorities	Establishment of a realistic baseline Establishment of fiscal space estimates Capacity to consider possible new policies Capacity to reliably cost new policies and correctly prioritize them at a macro level even at this early stage	The administration undertaking ex ante policy assessment	Moderate	MoF	Medium Term	Not Initiated	IMF Guidelines
Transparency	Functional	Fiscal Framework	MTBF	Reinforce aggregate fiscal discipline	Constrain budget appropriation & execution in future years to levels consistent with medium-term fiscal objectives	Publishing of a MTBF document	High	MoF	ShortTerm	Not Initiated	IMF Guidelines Ministerial statements

Transparency	Functional	Fiscal Framework	MTBF	Facilitate a more strategic allocation of expenditure	Focus on implementing national policy priorities; abstract from immediate pressures and legal and administrative constraints that impinge upon the annual budget process	Publishing of a MTF document	High	MoF	Short Term	Not Initiated	IMF Guidelines
Accountability	Functional	Control and Audit	MTBF	Audit of Macro Assumptions	N/A	Publishing an audit report	Moderate	To be Determined	Short Term	Not Initiated	IMF Guidelines
Accountability	Functional	Fiscal Framework	MTBF	Costing budget baseline	N/A	Publishing a report	Moderate	MoF	Medium Term	Not Initiated	IMF Guidelines
Transparency	Structural	Budget Execution	IFMIS	Effective in-year monitoring and reporting	Including the verification of the availability of unused fund and future (contractual) commitments.	Regular in-year budget execution reports	High	MoF	Medium Term	Not Initiated	IMF Guidelines
Accountability	Structural	Budget Execution	N/A	Strengthen the gate-keeping function of the CBA	Ensure that planned projects and programs of line ministries (in-year and multi-annual) match with (medium-term) budget plans.	Yearly official approval	Moderate	MOF Line-ministries	Medium Term	Not Initiated	IMF Guidelines
Accountability	Functional	Accounting and Reporting	Spending Reviews	Conducting in-depth assessments of existing public expenditure in order to identify opportunities to reduce or redirect spending from low-priority, inefficient, or ineffective spending	N/A	Publishing of spending reviews	Moderate	MOF	Medium Term	Not Initiated	IMF Guidelines
Accountability	Functional	Accounting and Reporting	Medium-term spending reviews	Medium-term spending reviews across all public sectors (education, electricity, and infrastructure) to reduce expenditure from low priority, inefficient or ineffective programs.	N/A	Publishing of spending reviews	High	MOF Line-ministries	Medium Term	Not Initiated	IMF recommendations - Article IV

Accountability	Structural	Budget Preparation	Organic Budget Law	Adopting program and performance budgeting, in addition to a clear definition and revisit of all procedures and legal deadlines to comply with international standards	Requires a new budgetary legal framework	Voting a new law	High	MoF CoM Line-ministries	Long Term	Not Initiated	IMF guidelines Ministerial statements
Accountability	Structural	All Phases	Modern PFM Law	The introduction of a new, modern PFM Law is a cornerstone for the implementation of a comprehensive PFM roadmap which should include broadening the coverage of the budget, the formulation of medium-term fiscal framework, restricting the use of treasury advances, establishing a fully integrated treasury single account, and enhancing SOE oversight.	N/A	Voting a new law	High	MoF CoM Court of Accounts	Long Term	Not Initiated	IMF recommendations - Article IV
Inclusiveness	Cyclical	Budget Preparation	Expenditure measures	Expenditure measures should support social and development spending and substantial recovery of wages	N/A	Dedicated budget appropriations	High	MoF Line-ministries	Medium Term	Not Initiated	IMF recommendations - Article IV
Transparency	Functional	Budget Preparation	Mapping	Measure and scope budget coverage by investigating the scale of unreported off-budget spending		Publishing a report	High	MoF Line-ministries	Short Term	Not Initiated	Policy recommendation by the IoF
Transparency	Structural	Budget Execution	N/A	Consolidate all off-budget spending	N/A	Comprehensive fiscal indicators	High	MoF	Short Term	Not Initiated	Policy recommendation by the IoF

Transparency	Functional	Budget Preparation	IFMIS	Automating budget preparation procedures	N/A	Automated budget preparation process	High	MoF	Medium Term	Not Initiated	IMF Guidelines
Transparency	Structural	Budget Preparation	Budget Nomenclature	Improving budget classification	Adopting GFSM 2014	New budget structure	High	MoF	Medium Term	Not Initiated	IMF Guidelines
Accountability	Structural	Accounting and Reporting	Standardized accounting system for all public sector	Standardize accounting and reporting requirements, forms and systems	Putting in place the accounting system	The existence of a functional accounting system	High	MoF Off-budget spending entities	Short Term	Not Initiated	Policy recommendation by CSOs
Accountability	Functional	Control and Audit	External audit	Submit all financial statements and performance information to an independent external audit	N/A	Publishing of external audit report	High	MoF	Medium Term	Not Initiated	Policy recommendation by the government
Accountability	Structural	All phases	Legal text	Amend and consolidate the legal and regulatory framework to be in line with the decrees regulating the operations of public institutions (decrees no. 3398, 1193, 4517) at various levels	Consolidate and harmonize the procedures of all states institutions including off-budget spending entities	Voting a new regulatory framework	Moderate	MoF Parliament Off-budget spending entities	Long Term	Not Initiated	Policy recommendation by CSOs
Transparency	Functional	Accounting and Reporting	Report	Compile and disclose aggregated financial statements of off-budget spending entities to improve transparency	N/A	Publishing of a fiscal report	High	MoF	Short Term	Not Initiated	Policy recommendation by CSOs
Transparency	Functional	Accounting and Reporting	Report	Enforce existing laws mandating SOEs to submit their accounts to the Ministry of Finance	N/A	Publishing of a fiscal report	High	MoF SOEs	Short Term	Not Initiated	Policy recommendation by the IoF
Accountability	Functional	Control and Audit	N/A	Establish internal audits in all spending entities and reduce unnecessary internal controls	N/A	Establishment of audit unit	Moderate	MoF MOF Line-ministries	Medium Term	Not Initiated	Policy recommendation by the IoF

Accountability	Functional	Accounting and Reporting	N/A	Comply with international accounting and reporting standards (IPSAS)	N/A	Adopting new accounting standards	Moderate	MoF	Medium Term	Not Initiated	Policy recommendation by the IoF
Accountability	Functional	Accounting and Reporting	N/A	Migrate, with the guidance of the Ministry of Finance, from cash basis to accrual accounting to significantly improve information available and overall financial management	N/A	Improved accounting system	Low	MoF	Long Term	Not Initiated	Policy recommendation by the IoF
Accountability	Functional	Budget Execution	N/A	Require regular cash management plans to be submitted by all budget entities	N/A	Production of regular cash management plans	High	MoF	Short Term	Not Initiated	Policy recommendation by the IoF
Accountability	Functional	Accounting and Reporting	TSA	Centralize all banking operations and balances through the establishment of a Treasury Single Account	N/A	Centralize cash management	High	MoF BDL	Short Term	In Progress	Policy recommendation by the IoF
Transparency	Functional	All phases	Fiscal Calendar	Abiding by legal deadlines	Does not require a legal text	Timely budget cycle	High	MoF	Short Term	In Progress	Ministerial Statements
Transparency	Functional	Budget Preparation	Procurement plan	Submit a procurement plan alongside the budget draft	Does not require a legal text	Yearly procurement plans	High	Line-ministries MoF	Short Term	Not Initiated	Ministerial Statements
Accountability	Structural	Budget Preparation	To be determined	Each ministry should establish a clear link between its policy objectives and the relevant budget appropriations	Does not require a legal text	Ministerial pre-budget statement	High	Line-ministries	Medium Term	Not Initiated	Ministerial Statements
Accountability	Cyclical	Budget Preparation	N/A	Exclude irrelevant provisions from yearly budget laws	Does not require a legal text	Budget laws excluding riders	High	MoF	Short Term	In Progress	Ministerial Statements
Accountability	Functional	Budget Preparation	Legal provision	Condition new appropriations to the budget validation	It requires the amendment of the public accounting law	Amended law	High	CoM Parliament	Short Term	Not Initiated	Ministerial Statements

Accountability	Functional	Budget Execution	Legal provision	Rationalize administrative costs	N/A	Ministerial decision	Moderate	CoM Parliament	Short Term	Early Stages	Ministerial Statements
Inclusiveness	Functional	Budget Preparation	To be determined	Adopting a participatory approach to engage citizens and CSOs in the budgeting process	N/A	The existence of a participatory process	Moderate	MoF CoM Line-ministries	Long Term	Early Stages	Ministerial Statements
Inclusiveness	Functional	All phases	Feedback	Putting in place an online feedback collection mechanism	N/A	The existence of a feedback mechanism	Moderate	MoF	Short Term	Not Initiated	Policy recommendation by CSOs
Transparency	Functional	All phases	Citizen guide	Producing a citizen budget across all phases	During the last couple of years, the Citizen budget was produced for the budget proposal and the enacted budget only	The production of Citizen Budgets	Low	MoF	Medium Term	In progress	Policy recommendation by CSOs
Transparency	Functional	All Phases	Online Platform	Publish fiscal data in machine readable format	N/A	The publishing of an online platform	High	MoF	Short Term	Not Initiated	Policy recommendation by CSOs
Transparency	Functional	All Phases	N/A	Disclose the results of previous PFM assessments (the PEFA 2011 and the PIMA 2018)	N/A	The publishing of the reports	Moderate	MoF	Short Term	Not Initiated	Policy recommendation by CSOs
Accountability	Structural	Control and Audit	N/A	Strengthening the role and the capacity of the Lebanese Court of Accounts which is currently operating at half-capacity and does not have timely access to the public accounts	N/A	Completion rate of audit report	High	CoM Court of Accounts	Medium Term	Early stages	Policy recommendation by CSOs
Accountability	Functional	Control and Audit	Impact Assessment	Introducing targeted impact assessment	Such exercises are highly informative for effectiveness and efficiency measurement	Production of a report	Low	MOF Line-ministries Parliament	Medium Term	Not Initiated	Policy recommendation by CSOs

Accountability	Functional	Control and Audit	To be determined	Re-focus the court of accounts intervention on ex-post audit	N/A	New ToRs	High	CoM MoF Court of Accounts	Medium Term	Not Initiated	Ministerial Statements
Accountability	Functional	Control and Audit	Amendment of regulations	Amending the set of penalties and sanctions enforced by the court of accounts	N/A	New set of sanctions	Moderate	CoM Parliament Court of Accounts	Medium Term	Not Initiated	Ministerial Statements
Accountability	Functional	Control and Audit	N/A	Increase the HR capacity of the court of accounts	N/A	Institution size in terms of HR	Moderate	CoM Parliament Court of Accounts	Medium Term		Ministerial Statements
Accountability	Functional	Control and Audit	N/A	Establish technical units inside the Parliament to support MPs during the budget validation process	N/A	Establishment of the units	High	Parliament	Short Term	Not Initiated	Ministerial Statements

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