Off-Budget Spending: A risky business for Lebanon

A review of the government off-budget spending practices and risks

2022

Disclaimer: The views expressed in this report are those of the authors, and do not necessarily reflect the opinions of the organization.

Acknowledgements

This study was made possible thanks to the financial support of the Open Society Foundation. We would also like to thank the Institute of Finance Basil Fuleihan for facilitating access to information and the Gherbal Initiative for availing valuable data on their platform.

About the report

Amid very limited fiscal transparency and accountability, and a multifold fiscal, financial and economic crisis, Lebanon's fiscal adjustment plan is at risk of being undermined by the scattering of its accounts and exposure to unreported fiscal risks. While dozens of public institutions enjoy financial and administrative autonomy and operate outside the state budget with no provision of financial reporting, the current study seeks to investigate the scale and risks related to these "off-budget" spending entities and attempts to reconstruct a comprehensive picture of the public sector's finances. It also examines the modus operandi of these entities (legal framework, budgeting process and the involvement of legislative authorities, relation with State budget, finances, aggregate scale to total spending, etc.), identifies malpractices, and proposes a roadmap for improvement at short and medium terms.

List of Acronyms

CDR	Council for Development and Reconstruction
CSOs	Civil Society Organizations
EBF	Extra-budgetary funds
EDL	Electricite du Liban
FTEs	Fiscal transparency evaluations
GDP	Gross Domestic Product
GFSM	Government Finance Statistics Manuals
IPSAS	International Public Sector Accounting Standards
IMF	International Monetary fund
ME&CA	Middle East, North Africa and Central Asia
METAC	The Middle East Regional Technical Assistance Center
MoF	Ministry of Finance
NFCs	Non-Financial Public Corporations
NSSF	National Social Security Funds
OECD	Organization for Economic Co-operation and Development
PAL	Public accounting law
PFM	Public financial management
PEFA	Public Expenditure and Financial Accountability
PIMA	Public investment Management Assessment
PPPs	Public Private Partnerships
SOEs	State owned enterprises
QFA	Quasi-fiscal Activities

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Executive Summary

- Empirical evidence shows a positive correlation between fiscal transparency and fiscal performance (International Monetary Fund, 2012). **Greater transparency**, achieved through budget consolidation and comprehensiveness, **helps underpin the credibility of public financial management**, broaden the institutional coverage of fiscal reporting**, reduce off-budget exposure to fiscal risks** and improve market confidence in the public sector.

- In Lebanon, **almost 60 State entities including public corporations and revenue generating public institutions that have historically enjoyed financial and administrative autonomy still spend partially or totally outside the state budget and operate off the oversight of the Ministry of finance.** Available data shows that **reported off-budget spending** excluding the mentioned entities **stood at 12% of all reported government expenditures in 2018**, while the scale and risks associated to such a practice remain unidentified and overlooked.

- Data unveiled in the current study shows that **the total amount of effective spending associated with 43 entities out of the 60 would reach** 9,136 billion LBP, equivalent to **10.7% of GDP**.

- **The total off-budget spending including reported and unreported spending identified in this study reached 15.5% of GDP and 60% of the executed budget**, while the total identified central government spending reached 41% of GDP, excluding debt principal repayments.

- **These figures are expected to further increase in 2021**, as the real GDP significantly contracted by more than 50% between 2018 and 2021 and while the economy is not expected to recover in the absence of a serious reform plan. In addition, off-budget spending entities are more likely to adjust their spending in a faster pattern given their financial and administrative autonomy.

- The direct consequences are a **fragile fiscal position further compromised by fiscal opacity**. Beyond fiscal deficit, not a single budget document refers **to Lebanon's expected financing needs** factoring in the debt's principal repayment, and that **is expected to exceed 26% of GDP**, knowing that the latter do not include off-budget spending entities.

- **The structure of the state budget and parallel budgets did not evolve** to accommodate new international standards. While good practices recommend consolidating budget modalities to achieve fiscal sustainability and minimize risks, Lebanon has maintained a hybrid and scattered structure of its budget.

- **Beyond the size of unreported off-budget spending, observations have highlighted significant challenges in revenue management, further compromising the overall fiscal sustainability of the state**. Among these challenges are (i) outdated budget structures disconnected from policy objectives, (ii) the lack of participatory planning, (iii) the multiplicity of administrative and financial procedures, (iv) the lack of automation and a manual production of financial reports providing in turn inaccurate, inconsistent and non-comparable information, (v) unrealistic budget projections, (vi) the multiplicity of accounting systems, templates, and accounting practices, (vii) the lack of systematic production of financial reporting, (viii) the overlap of financial and administrative functions, and (ix) weak financial competencies.

- Additionally, **public investment programs financed based on hybrid instruments, mainly PPPs, are disconnected from the budget management function**, further exposing the state to contingent liabilities and fiscal risks.
- Reforming the parallel and unreported public sector is a must. **A first step, prior to any action, would be to officially assess its scale and risks and to systemize individual and aggregate reporting of all off-budget spending entities to enhance the coverage of public sector reporting and allow the state to have a comprehensive and accurate estimate of its financing needs.**
- It would be equally important to **enhance inter-ministerial communication** as a pre-requirement that should come hand in hand with **capacity building to support the shift towards strategic and program-oriented planning** and budgeting, in ways that would allow to link programs to budget lines within the existing budget nomenclature.
- **And finally, strengthening external audit** as the main leverage for increased accountability.
- On the medium-term, **the legal framework should be** checked for compliance and amended and **consolidated** to ensure consistency and to be in line with best practices.
- Ultimately, **the government should put in place a comprehensive organic budget law** and establish standards for the constitution of modern budget systems and structures and integrated governmental accounting.

Introduction

The following study focuses on a sector that has been overlooked in the past decades, and that could seriously compromise any initiative to reform Public Finances in Lebanon. Off-budget spending entities are government entities (public corporations, revenue generating public institutions, funds, etc.) that operate outside the central public finance governance framework, enjoying financial and administrative leeway, and that typically run their fiscal transactions partially or totally off the state budget. The study capitalizes on the efforts deployed by state agencies (namely the Institute of Finance in fiscal transparency) and CSOs (mostly the Gherbal Initiative) to achieve two main issues:

(i) A breakthrough in fiscal transparency by attempting to identify the scale of off-budget spending with a bid to reconstruct a more comprehensive picture of the state finances.

(ii) Expose Public Finance Management malpractices and provide mitigating measures.

The study is based on a three-layer analysis. At first, it is anchored in theories and best practices to frame the scrutiny and to the scope of analysis (section 1). The first layer investigates the main characteristics of identified off-budget spending at the macro level and highlights the direct repercussions resulting from the lack of budget consolidation in terms of spending, revenues, deficit, sustainability, and transparency (section 2). The second layer relies on a comprehensive mapping of off-budget spending entities covering spending amounts, regulatory framework, oversight mechanisms, etc. to provide valuable insights on the size of off-budget spending compared to the executed budget and size of the economy and to draw conclusions on the sector’s characteristics (section 3). The third layer is based on a qualitative assessment (including key informant interviews) of PFM practices across these institutions putting forth the main challenges of the sector in terms of budget management, accounting, relation with the MoF, and others (section 3). The study concludes on practical recommendations based on international best practices adapted to the Lebanese context.

Section 1: Why is budget consolidating critical to financial sustainability?

1. What is the rationale behind consolidating budget information?

For more than a decade, notable efforts have been made by international organizations, CSOs, rating agencies and citizens to push governments towards the disclosure of comprehensive and consolidated budget information with the aim of strengthening public financial management across countries (International Monetary Fund, 2012). The rationale behind improving the budget classification system serves several causes, among which the most important are:

(1) Improving citizens' understanding of the budget and therefore their capacity to hold governments accountable for their financial management.
(2) Providing policymakers, officials, the legislature, and the broad public with accurate and complete information to inform the design of more effective and efficient public policies.
(3) Factoring in fiscal risks and contingent liabilities, that otherwise would compromise budget credibility and fiscal sustainability.

2. Budget comprehensiveness at the core of fiscal transparency

The principle of budget comprehensiveness and the practice of consolidating budget information are core to the strengthening of fiscal transparency. **So why is fiscal transparency so important?**

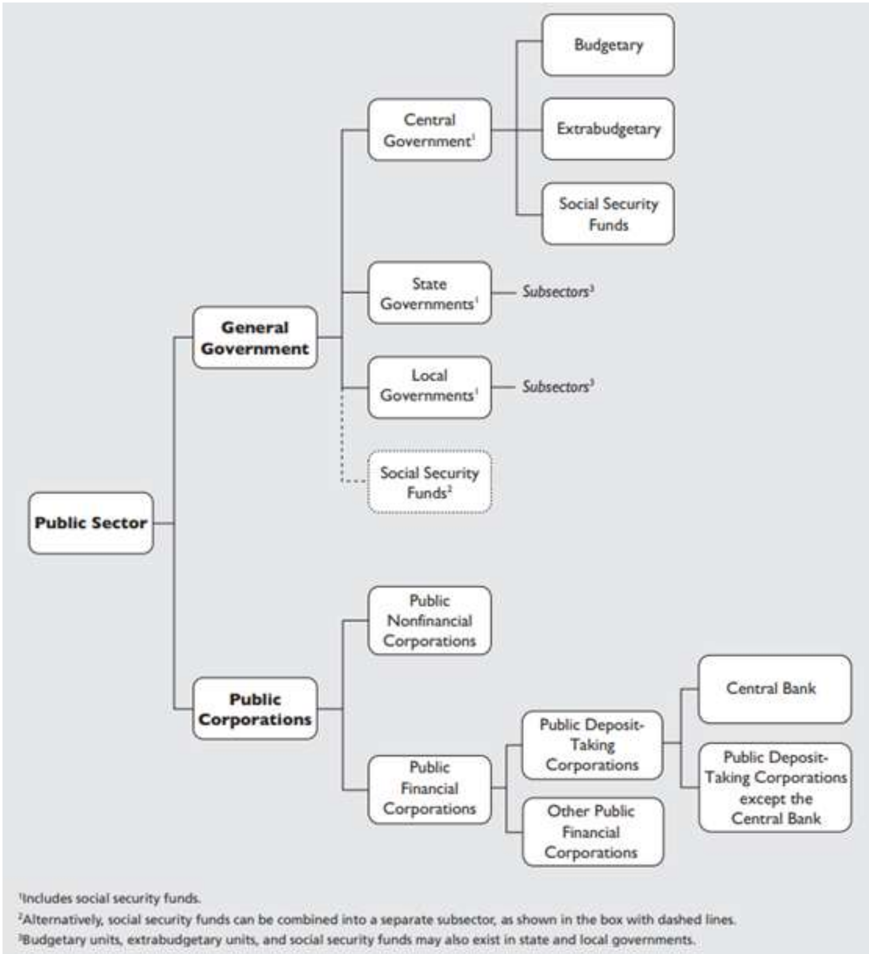
Empirical evidence shows a positive correlation between the degree of fiscal transparency and a country's fiscal performance or credibility such as government debts and deficits levels, especially in low- and middle-income countries (International Monetary Fund, 2012). **Greater transparency helps underpin the credibility of public financial management, broadening the institutional coverage of fiscal reporting and reducing off-budget fiscal activities, thus limiting government exposure to fiscal risks by incorporating contingent liabilities and silent fiscal commitments into the budget**. Finally, it helps improving market confidence and readiness and attract investments in the public financial sector (Reference appendix 1-A).

Therefore, fiscal transparency is a key driver of a country's financial governance system, while budget comprehensiveness is a key principle of sound budget management.

However, the main challenge facing this consolidation exercise is that all public sector entities do not always follow the same accounting standards, classifications, reporting timeframes,[1] and the PFM procedures. As a matter of fact, consolidating the whole public sector is ideal but very complex and lengthy to achieve, which drove governments for long to set their focus on central government's operations, and leave public corporations out of their PFM radar (Figure 1), therefore undermining budget coverage, credibility, and transparency.

[1] Countries following IPSAS, GFSM 2014 or related standards comply with International Financial Reporting Standards which eases the consolidation of public corporations with general government data.

Figure 1: The Public Sector Architecture



Source: IMF (2014) Government Finance Statistics Manual

3. What are the pillars of budget comprehensiveness?

For full budget comprehensiveness, global standards recommend integrating in fiscal reporting:

A- Institutional coverage

The coverage of all public entities – i.e., the general government, public nonfinancial corporations and public financial corporations including the central bank - in fiscal reporting is essential to reduce the scope of off-budget fiscal activity which may hide a significant cost on government, better understand fiscal risks and reduce the practice that consists of using public corporations as instruments for Quasi-fiscal Activities[2] (QFA). Regional and international standards address in priority the need to widen the institutional coverage of fiscal reports to encompass general government[3]. (Reference appendix 1-B).

[2] QFAs refer to activities usually undertaken by Central banks and other public financial institutions that can affect the overall public sector balance without affecting the budget deficit as conventionally measured. It may also have important allocative effects and increase the effective size of the public sector.

[3] General government comprises all entities controlled by central, state or local government or social security funds and engaged primarily in non-market activity. It does not include public corporations or quasi-corporations.

B- Coverage of flows

International standards focus also on the coverage of flows, more specifically on including all public revenues, expenditures, and financing in fiscal reports. All yearly cash and accrued transactions, in addition to other economic flows, should be reported to offer a comprehensive picture of all financial operations. In other terms, all budgetary and extra-budgetary activities of central government should be accounted for in the financial reports. This can be achieved either when the expenditures and revenues of extra-budgetary units and those related to extra-budgetary activities of budgetary units are not significant, or in the event of the integration of these revenues and expenditures in central government ex-post financial reports. (Reference appendix 1-C).

C- Transfers to subnational government

Subnational governments may rely on central government transfers such as conditional or unconditional grants or budget support to finance their expenditures when revenues are insufficient. These transfers[4] must follow transparent and orderly systems. The actual allocation of these transfers and the timeliness of reliable information provided to subnational governments on their allocations from central government for the coming year must be clearly defined to facilitate budget planning.

D- Public asset management: Financial and non-financial asset monitoring and disposal

Sound public asset management is able to guarantee the efficient and effective use of the government's owned or controlled resources when implementing policy goals. The misuse of public assets may be triggered by the government's lack of knowledge of the existence and application of assets.

Moreover, information on assets that are not needed, or not fully utilized, is fundamental in allowing governments to make timely decisions on whether these assets should be transferred to different users or exchanged for other assets. The PEFA indicator PI-12 "Public asset management" evaluates through three dimensions the management and monitoring of government assets and the transparency of asset disposal.

E- Debt management: recording and reporting on debt management and guarantees

The comprehensiveness of debt recording and reporting as well as debt management can have a significant impact on a nation's capacity to sustain its fiscal position. Effective debt management provides a solid foundation for minimizing on the long run the cost of obligations and ensuring that the country can meet them all on time. If governments fail to monitor the financial liabilities generated by domestic, foreign, and guaranteed debt or payment arrears, high debt service costs may arise, and planned services delivery be severely affected. The PEFA indicator PI-13 "Debt management" assesses through three dimensions the management of domestic and foreign debt and guarantees.

F- Fiscal risks reporting

Fiscal risks occur when the actual fiscal position differs from the government's forecasts and include shocks to revenues, expenditures, assets, or liabilities that are not included in the fiscal reports because of their uncertain nature. They can be classified into three main categories:

[4] The PEFA indicator PI-7 "Transfers to subnational governments" evaluates through two dimensions the transparency and timeliness of transfers from central government to subnational governments.

- Macroeconomic risks: when forecasts of macroeconomic variables such as GDP growth, unemployment or inflation deviate from outturns, resulting in the increase of the government's public debt.

- Specific fiscal risks: contingent liabilities or other unexpected events such as natural disasters, legal claims entailing government compensations, corporate bailouts or bailouts of SOEs, and government's rescues of financial institutions, subnational governments and PPP projects. While public investments such as PPPs may be considered as an opportunity to develop public infrastructure, they are also accompanied by significant fiscal risks They generate an increase in off-budget expenditures and may be used to bypass spending controls. As well, they allow for moving debt off balance sheet and develop contingent and future liabilities which can grow into fiscal costs. For instance, guarantees that are used to obtain private financing may expose the government to hidden costs, often higher than traditional public finance. On the long run, they constrain budget flexibility and may have an adverse effect on macro sustainability.

- Institutional and structural risks: Institutional risks may arise from inadequate PFM laws, dual budgeting, absence of a medium-term fiscal framework, ineffective fiscal coordination arrangements, lack of data or lack of capacity for risk management and monitoring. Structural risks however may be the result of revenues dominated by one or two (volatile) sources, high ratio of nondiscretionary spending to total spending and sizable revenues' earmarking. These risks not only have an impact on the effectiveness of risk management, but also increase the potential occurrence of negative events and entail higher costs when these events materialize.

All these types of risks are a burden to the government and may lead to a significant increase in fiscal costs with a similarly significant impact on the government's budget or balance sheet[5]. (Reference appendix 1-D)

[5] The third pillar of the Fiscal Code of Transparency emphasizes the importance of comprehensiveness in disclosing and analyzing fiscal risks to better respond to them, as well as in managing and monitoring public finances' fiscal risks. These practices contribute to a greater level of transparency and lead the way towards a better impact on the government's budget and fiscal balance sheets and on the economy. They also help restoring trust in the government's public finance management and reinforcing market confidence (International Monetary Fund, Fiscal Transparency Handbook, 2018).

Section 2: Lebanon's context: structural deficiencies and scattered data weaken fiscal reporting and compromise fiscal recovery

This section relies on published and available information to assess state finances against the major pillars of budget comprehensiveness and highlights its potential relation with the crisis. It attempts to draw a line on Lebanon's main features of off-budget spending before further investigating the financial practices obstructing systematic reporting and fiscal transparency. Where does Lebanon stand? Is it able to address any of the imbalances that triggered the subsequent crises?

A first step forward would be to admit that addressing the crisis requires a full fledge recovery plan that includes, among others, a bold fiscal adjustment program addressing fiscal imbalances, debt sustainability and macro-economic stabilization, and put in place consolidation and transparency measures. However, and prior to any reform design and implementation, a major requirement would be to measure and assess fiscal imbalances that contributed to the build-up of the unprecedented crisis. The ultimate objective is to provide a solid knowledge base to better understand how public resources are spent with a specific focus on fiscal risks that are rarely referred to or understood even by the more informed public.

Looking into Lebanon's political and governance framework, the past two years have been marked by widespread protests triggered by an economic collapse and rising social inequalities, inefficient public service delivery, weak government response to the crisis, further compromised by widespread corruption and state capture by the ruling elites. The various governments in place were criticized for their failure to address the multifaceted crises (economic, monetary, health, Beirut Port blast) including the massive devaluation of the Lira fueled by a deliberate depression and a disorderly removal of subsidies. Multidimensional poverty rate doubled to reach 82% of the population (ESCWA, 2021) and employment soared at 37% (World Bank, Lebanon Economic Monitor: The Great Denial, 2021). People have taken the streets asking for more transparency, a stronger say in the management of public resources and heightened accountability. In October 2019, the protests were sparked by a budget decision (a tax on WhatsApp use, the poor delivery of services, etc.) and fueled by the loss of trust in governments and their policy choices, in addition to the currency devaluation and hyperinflation, while the Central Bank was accused of total opacity over its cumulative accounts.

1. Reported off-budget spending is about 12 to 15% of all reported expenditures

- **Available data shows that reported off-budget spending including transfers to EDL and other treasury expenses stood at 12% of all reported government expenditures in 2018 and have risen to nearly 14% in 2019 and around 15% in 2020** (Institut of Finance Basil Fuleihan, The Lebanon Citizen Budget Dashboard, 2020). However, the scale and risks related to unreported off-budget spending remain unidentified and overlooked. In a context of dire crisis, opacity over state finances may lead to growing contingent liabilities and might compromise the sustainability of vital service delivery in key sectors such as the energy and telecommunication.

2. Dozens of public entities still operate outside the state budget

- **Dozens of State entities including public corporations and revenue generating public institutions (Reference Section 3) that have historically enjoyed financial and administrative autonomy spend outside the state budget**. Although most of them are required by their regulating laws to publish an annual report and to submit their books for independent audits and to the Court of Audit, the Ministry of Finance does not systematically receive their annual accounts, leaving the Treasury exposed to unreported risks and contingent liabilities.

- **These entities operate off the control and the oversight of the Ministry of Finance and the legislature**. In 2019, the MoF issued circular no484/S16/2019 mandating all public institutions and other public entities including committees, councils etc. to submit their budgets to the approval of the directorate of public accounting, in an attempt to tighten control over off- budget operations. Yet, these budgets remain neither approved by the legislative body (which increases fiscal risks), nor consolidated into budget related documentation, thus compromising the principle of institutional coverage. As a matter of fact, the MoF lacks a comprehensive mapping and oversight over these entities in the absence of a central reporting mechanism and systematically fails to produce and publish annual reports and comprehensive accounts, although required by the law. In summary, central budget documentation including closing accounts does not reflect the actual size of the public sector in terms of revenues and expenditures and does not provide a comprehensive overview of these flows.

Box 1. Definition of SOEs

The Lebanese law does not provide a clear definition of SOEs. Governed by Decree 4517 of 1972, most SOEs do not distinguish between public institutions engaged in commercial activities and others. However, a number of SOEs are governed by specific laws.

In the absence of a commonly accepted definition of SOEs at both national and international levels, the following three criteria were recently used to define what may classify as an SOE in Lebanon (Institute of Finance Basil Fuleihan, Briefing Note on SOEs in Lebanon, 2021):

(i) Public institutions that benefit from administrative and financial autonomy.

(ii) Public institutions that are under full or partial government control.

(iii) Public institutions that are largely involved in commercial or economic activities.

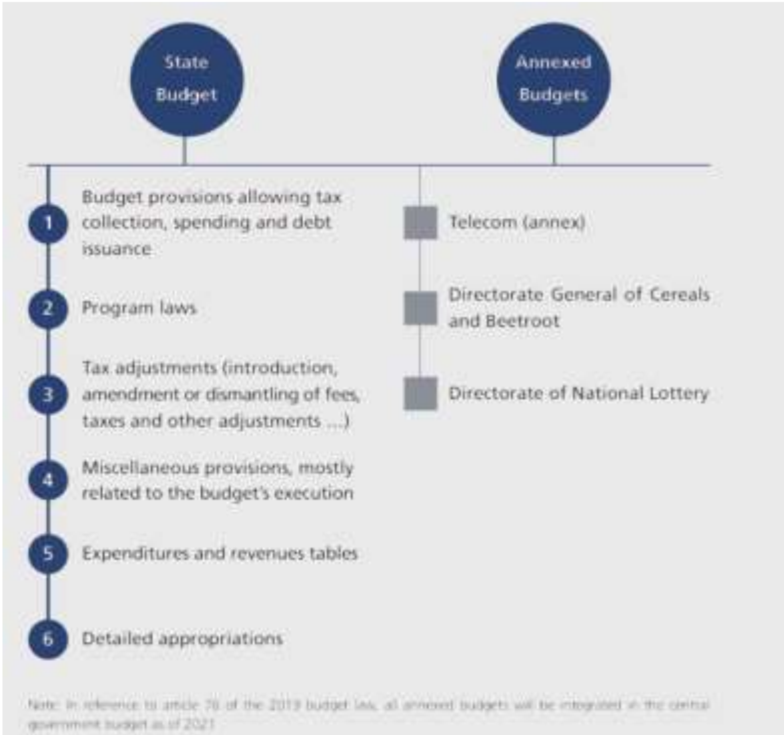
According to this definition, 24 SOEs were identified in Lebanon among 110 public entities enjoying a hybrid status. They often operate in monopolistic positions. These are few examples: The Ogero network; the Alfa and Touch mobile networks; the Electricité du Liban for electricity production and transmission; the Water authorities; the Casino du Liban; the Régie des Tabacs et Tombacs; the Middle East Airlines; the ports (Ports of Beirut, Sidon, Tyre and Tripoli).

3. The current budget structure reveals significant fragmentation and loss of data

- **The structure of the state and parallel budgets did not evolve to align with international standards**. While global practice sought to consolidate budget modalities to achieve fiscal sustainability and minimize risks, Lebanon kept on a hybrid structure including:
  - A state budget covering the budgets of all public administrations distributed over 27 titles.
  - Annexed budgets originally reserved for state services that were not endowed with a separate legal personality yet engaging in economic and commercial activities. As of the 2021 budget, Lebanon's three annexed budgets (reference figure 11) were merged into the state budget. Years of fragmentations have generated significant opportunity costs in terms of (i) unjustified expenses for sponsorship conducted inside the telecom sector, and (ii) delays in liquidity transfers from the telecom sector to the MoF, many times triggered by political deadlock, and pushing the Treasury to resort to additional debt with high interest rates while revenues were technically available but not accessible.
  - The independent budgets of specific autonomous public entities and offices: The designated entities usually operate outside the budget with only their net balance included in the state budget, meaning either their net profit is registered as a state revenue, or their net deficit as an expense (appropriation). Fiscal risks and contingent liabilities related to these entities are neither identified not factored in any official budget document.
  - Treasury advances or long-term treasury advances that should be repaid by the direct beneficiary during the same or in the next fiscal years: Theoretically, these payments should not be registered as an expense. But in the case of EDL and other entities that received treasury transfers between 2006 and2016 when no was budget approved, these transfers are not likely to be reimbursed and technically can be considered as due expenses.
  - Treasury expenses: in principle these are cash flows out that should be reimbursed to the treasury. Historically, treasury revenues would not compensate for these expenses which justifies the inclusion of net treasury expenses as effective expenses in the MoF annual reporting.
  - Municipal fund: a large share of municipal revenues are collected by the MoF on behalf of municipalities (mainly the Value Added Tax) and then transferred to them through the Independent Municipal Fund. These transfers are not covered in the budget projected expenses.
  - Municipal budgets are neither consolidated nor aggregated. They are submitted in paper format and stocked at the Ministry of Interior and Municipalities, without digital transformation or tracking system. Although municipal budgets are not included in the state budget, they remain an integral part of the general budget and of the public sector that should be accessible and transparent if serious reforms aiming at fiscal consolidation and decentralization are to be initiated. Today municipal budgets are a black box.
  - Exceptional budgets, kept for exceptional expenses requiring exceptional revenues: These budgets were only adopted in the aftermath of the civil war to finance reconstruction projects.

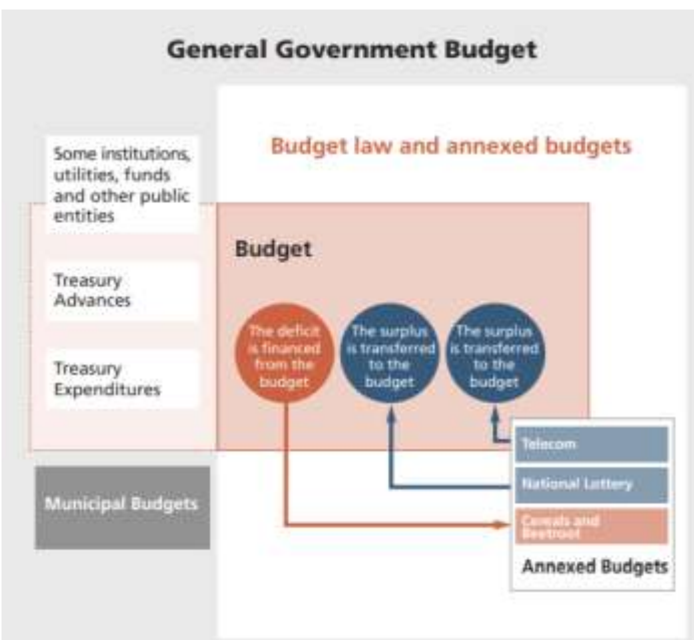
  Overall, the current budget structure leaves room for exceptions and harmful financial maneuvers. The principles of unity and comprehensiveness are far from being respected. (Figures 2 and 3).

Figure 2. Central Government Budget structure as represented by budget laws prior to 2021



Source: Institute of Finance (2020) Citizen Budget

Figure 3. General Government Budget structure as represented by budget laws prior to 2021



Source: Institute of Finance (2020) Citizen Budget

4. Fiscal data is scattered and largely unreported

- **A range of operations and activities are not consolidated within the central government**. Budget documents exclude information on the financing of central government operations such as Treasury advances and other lending operations. For instance, no information is provided on foreign-financed investments, extra-budgetary funds (EBF) or local governments. The Council for Development and Reconstruction (CDR), the Independent Municipal Fund and National Social Security Fund (NSSF) are large EBFs which activities are not disclosed to the government nor the Ministry of Finance. Other EBFs include the Council of the South, Fund for the Displaced, and the Higher Relief Committee.

- **Although quasi-fiscal activities (QFAs) are sizeable, their costs are not estimated nor included in budget documents.** Governments use subsidies and other means of compensation to cover for the losses entailed by quasi-fiscal activities undertaken by SOEs (public enterprises such as EDL or water authorities). These losses may be the result of economic or governance inefficiencies, but they are also associated to the provision of public services at below production costs. QFAs consisted of more than 3 percent of GDP in 2019 (International Monetary Fund, State-Owned Enterprises in Middle East, North Africa, and Central Asia: size, role, performance, and challenges, 2021) in the form of direct budget transfers. However, it is important to note that direct transfers reflect only part of the picture and do not take into account the total cost of such activities which also includes government expenditure arrears and forgone profit for investment or transfer to the government.

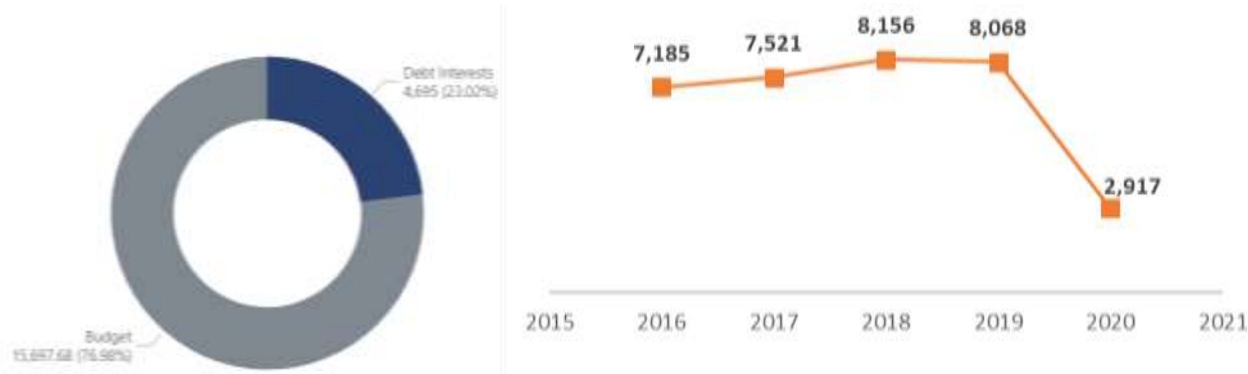
- **Fiscal outcomes and estimates are omitted from official reporting.** Budget documentation covers only current revenue and expenditure outturns while it provides inadequate information on past fiscal outcomes and omits future projections. Only multi-year information on investment expenditures in main sectors such as health, education, defense, or roads is disclosed. Despite the efforts undertaken to enhance data availability, no estimates have been included in the budget and no plans have been made to include the general government in fiscal data reporting.

- **The absence of a unified accounting system is further compromising the planning capacity of spending entities.** The multiplicity of systems in place is undermining the sound management of public finances and cash, costing the State millions in debt interests. While the latter have been constantly increasing over the past years, the country recently witnessed a sharp reduction with interests dropping from 8,312 billion LBP in 2019 to 4,695 billion LBP in 2020 due to the cut applied on debt in LBP. This amount represents around 23 percent of total budget expenditures. (Figure 4).

Figure 4. Total debt costs (Domestic and Foreign interests)

a. Debt interests as part of total budget expenditures (in %), 2020

b. Evolution of effective debt interests (in LBP billion), 2016-2020

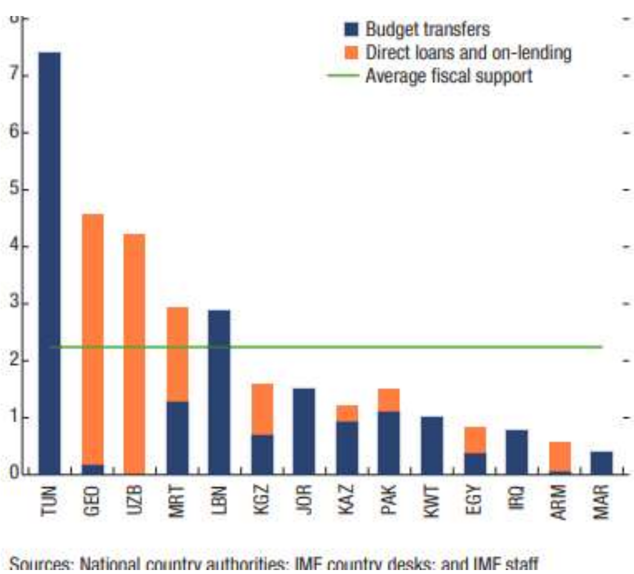


Source: IoF (2020) The Lebanon Citizen Budget Dashboard, MoF (2018, 2019, 2020) Public Finance Monitor

5. Exposure to fiscal risks is high

- **Direct support to SOEs is not conditioned to transparency and reporting pre-requisites.** Data for 2019 shows that direct support to SOEs in Lebanon consisted of explicit subsidies or transfers and stood above the average fiscal support of 2.2 percent of GDP in the ME&CA[6] region. Lebanon is the second largest country in the region to provide fiscal support through budget transfers, after Tunisia which budget transfers exceeded 7 percent of GDP in 2019. (Figure 5).

Figure 5. Direct fiscal support to SOEs (in % of GDP), 2019



Source: IMF Working Paper (2021) State-Owned Enterprises in the Middle East, North Africa, and Central Asia

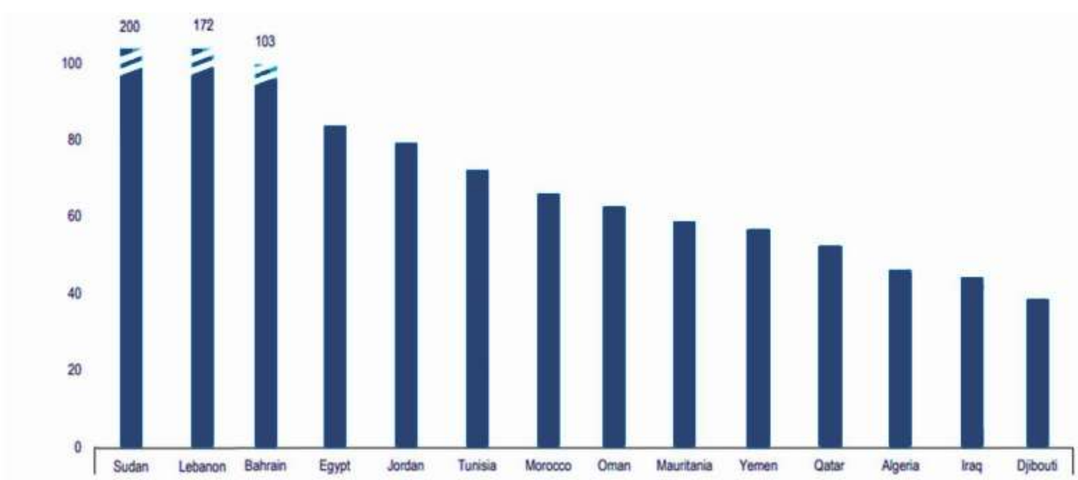
[6] Middle East, North Africa and Central Asia.

- **EDL is consuming most of the subsidies at the expense of social spending and currency reserves.** The Lebanese government subsidized the energy sector to secure minimal public service delivery amid deteriorating economic conditions (International Monetary Fund, State-Owned Enterprises in Middle East, North Africa, and Central Asia: size, role, performance, and challenges, 2021), but this came at very high cost in terms of fiscal sustainability and later in terms of depleting currency reserves.

- **Specific fiscal risks such as contingent liabilities or other budgetary risks are only partially monitored.** Contingent liabilities from guarantees related to public entities are reported and monitored on a regular basis. However, future liabilities associated to entitlement programs that are not funded such as pensions are not covered in the budget. Moreover, risks occurring from the restructuring or privatization of public entities, or from legal claims against the government, are not closely assessed. Only the financial implications of pension obligations, namely end-of service indemnities, have been assessed several times by the government.

- **Macroeconomic risks are not sufficiently analyzed or monitored.** Over the past years, Lebanon was hit by multifaceted crises, "*likely to rank in the top three most severe crises episodes globally since the mid-nineteenth century*" (World Bank, Lebanon Economic Monitor: Lebanon Sinking (to the Top 3), 2021). Moreover, the country was affected by the Covid-19 pandemic and the Beirut Port blast. These unexpected changes in macroeconomic variables - *such as the debt-to-GDP ratio and the real GDP growth* - had large fiscal implications. The public debt ratio has constantly been one of the highest at the global level and across MENA countries and this was further exacerbated in recent years by the economic crisis and local currency depreciation. The IMF estimates point to a public debt ratio that has exceeded 170 percent of GDP in 2020. (Figure 6)

Figure 6. Public debt ratios across ME&CA countries (as a % of GDP)



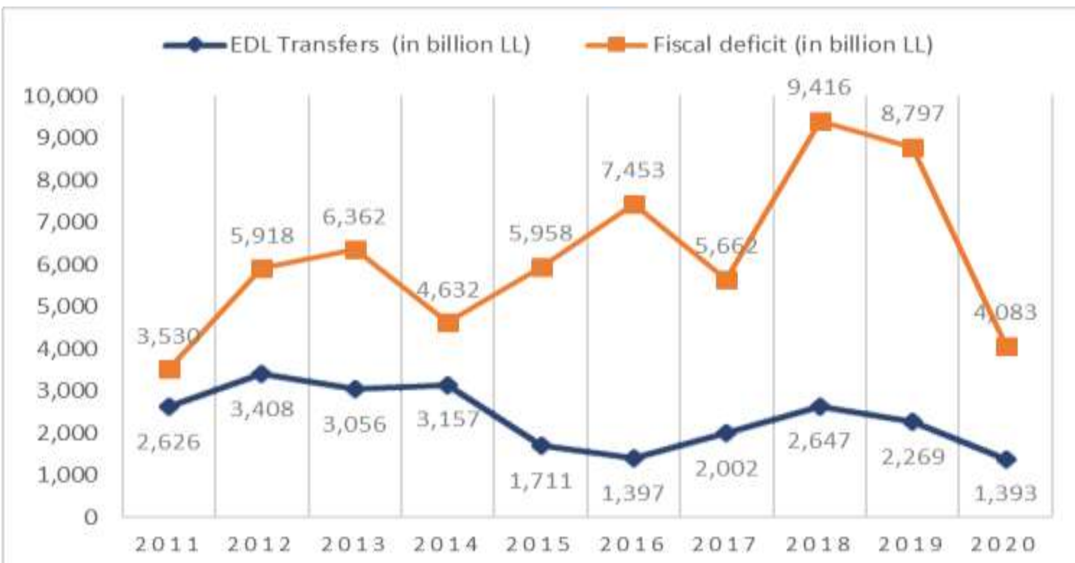
Source: IMF (2020) World economic outlook database

6. EDL activities alone represent 30% of total reported deficit

Budget expenditures do not reflect the total amount of public spending and looking at off-budget spending is essential to assess the government's fiscal position.

- **The deteriorating fiscal position cannot be entirely blamed on budgeting methods and mechanisms. A major driver of Lebanon's high indebtedness level was a sectoral failure, notably the recurrent deficits of the "Electricité du Liban" (EDL),** exacerbated by a lack of transparency and comprehensiveness. For instance, EDL's activities, representing around 30% of Lebanon's public deficit and 14% of overall noninterest spending (Detter & Saidi, 2020), were not consolidated into budget related documentations except for treasury transfers that were treated as extra-budgetary activities[7]. Over the last decade, the Lebanese government transferred more than USD15 billion to EDL, amounting to an average of 42% of the fiscal deficit over the same period (Tawilé, 2021). The expected treasury advances to EDL stood at around 2,500 billion LBP in 2019, equivalent to 2.9% of GDP, and declined to the ceiling amount that was set up at 1,500 billion LBP in 2020, with o sustainable sector reform measure put in place.

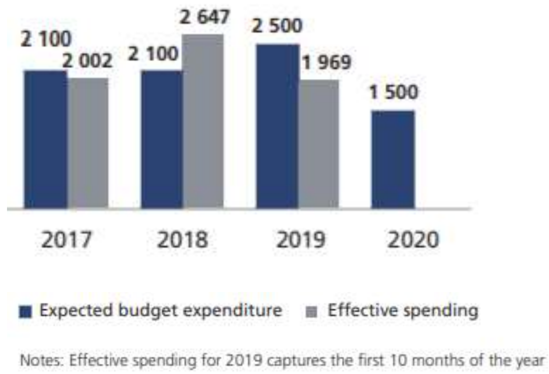
Figure 7. EDL transfers and fiscal deficit (in billion LL), 2011-2020



Reference: MoF (2011-2020) Public Fiscal Monitor

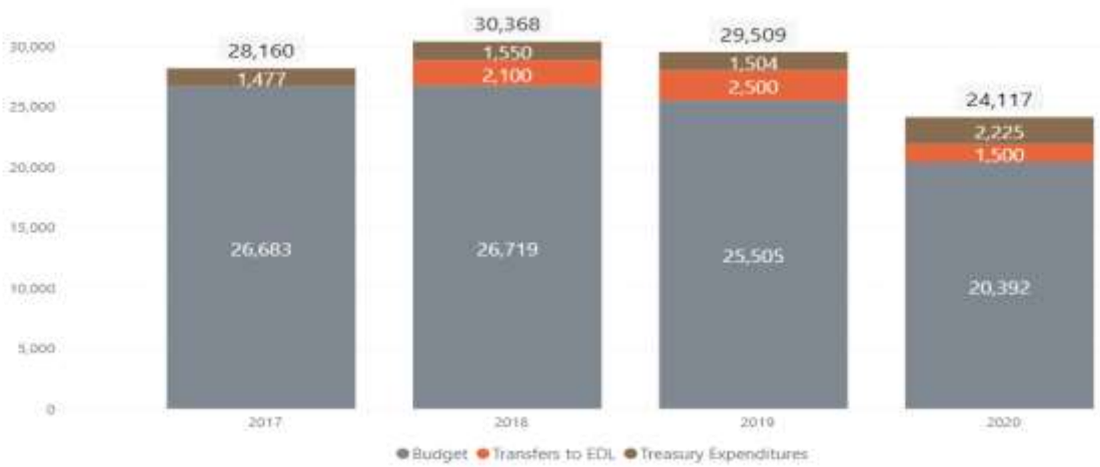
[7] Controversially and as of 2017, transfers to EDL were removed from the budget in attempt to artificially reduce the budget deficit. The transfers were recorded as long-term treasury advance, which is equivalent, according to the Latin terminology, to a loan.

Figure 8. Expected and Effective transfers to EDL (in billions of LBP), 2017-2020



Source: IoF (2020) Citizen Budget

Figure 9. Expected budget expenditures and off-budget spending (in billions of LBP), 2017 to 2020



Note: Before 2018, transfers to EDL were included in the budget.
Source: IoF (2020) The Lebanon Citizen Budget Dashboard

- **Among other SOEs, EDL represents the major risk**. Looking at the net flows of SOEs in 2019 (either net profit or net loss reference sub-section 2), the total fiscal cost (2,525,805.93 million LBP) exceeded net revenues (2,352,157 million LBP). However, data shows that when transfers to EDL are excluded, the fiscal cost is substantially reduced and would amount to 256,609.68 million LBP, thus noticeably alleviating the burden on the budget. (Figure 10)

Figure 10. Fiscal cost against net revenue generated by SOEs (in millions of LBP), 2017-2019

a. Including transfers to EDL

b. Excluding transfers to EDL

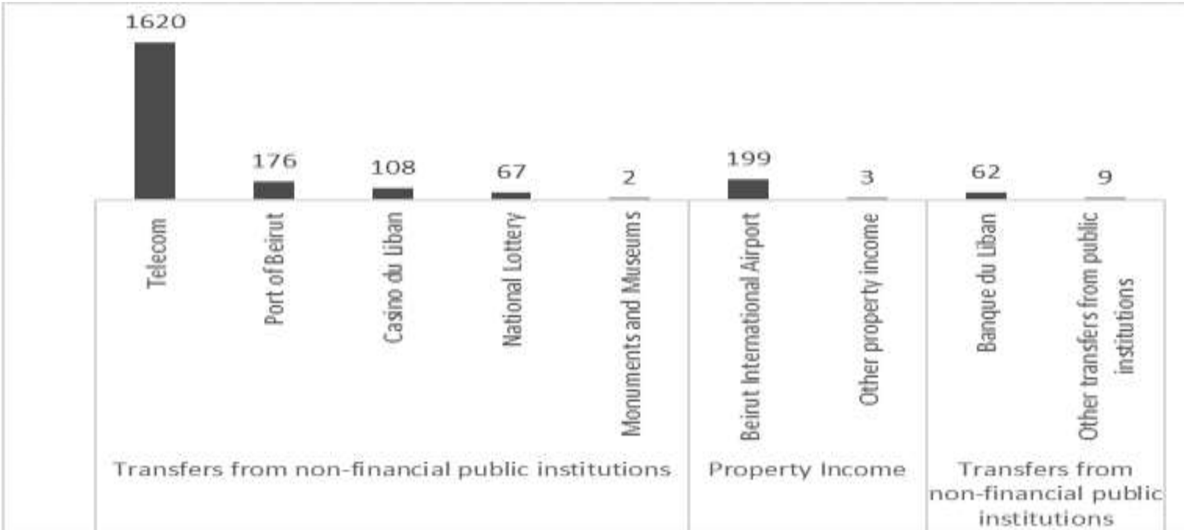
Source: IoF (2021), Briefing Note on SOEs in Lebanon

7. Most revenue generating public entities are at high risk

- **The current crisis did not spare profitable public entities as most of them are more likely to accumulate deficits that will further expose the Ministry of Finance.** Many of the public entities that are operating outside the state budget are revenue-generating, with their contribution reaching up to 16% of total government revenues (2,246 billion LBP in GT budgeted revenue out of a total budgeted revenue of 14,176 billion LBP) (Institut of Finance Basil Fuleihan, Briefing Note on SOEs in Lebanon, 2021). Over the past 5 years, SOEs and public institutions are estimated to have generated between 11 and 14% of public revenues[8]. The telecom sector contributed to the largest share (amounting to around 72% of total transfers from public institutions in 2020 and equivalent to 1620 billion LBP), followed by the Port of Beirut (176 billion LBP), the Beirut International Airport and the "Casino du Liban" (108 billion LBP) (Institut of Finance Basil Fuleihan, Briefing Note on SOEs in Lebanon, 2021). Unfortunately, the telecom sector, along other sectors, (including water authorities and public hospitals) is at high risk of fast deterioration and possible disruption due to substantial losses in revenues caused by the currency devaluation. Until the official policy of tariff freeze is halted, the sector is faced with maintenance and operation costs invoiced at market rate and asked to settle international telecommunication subscriptions and other operational and maintenance dues in fresh USD. The existing tariff gap ranges between 85% to 95%, significantly compromising the sector's sustainability and wiping off all net profits. Similarly, the Port of Beirut saw its operations reduced with the crisis, but mostly following the blast of August 2020 that heavily damaged all facilities and significantly reduced its activities and revenues.

[8] Compared to other countries of the Middle East, North Africa and Central Asia region, evidence shows that SOEs' contribution to budget revenue in Lebanon is limited and significantly lower, with a proportion that does not exceed 15 percent of general government revenue. While in oil-exporting countries such as Saudi Arabia, SOEs have contributed to more than 60 percent of general government revenue in latest years. (Figure 22)

Figure 11. Budgeted revenues by type of public institution (in billions of LBP), 2020



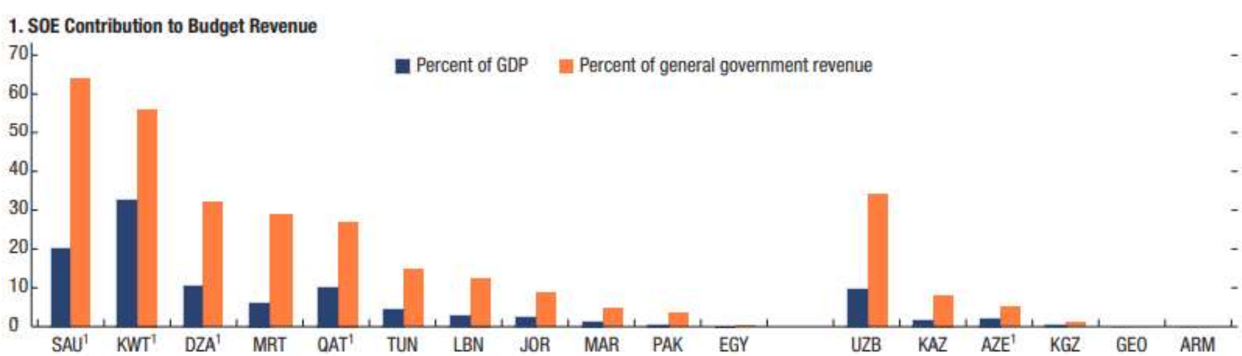
Reference: Iof (2020) The Lebanon Citizen Budget Dashboard

Figure 12. Budgeted versus Effective revenues (in %and billions of LBP), 2017 to 2020

	% GT Budgeted Revenues	% GT Effective Revenues	GT Budgeted Revenues (in billions of LBP)	GT Effective Revenues (in billions of LBP)
2017	14.49	15.12	2,519	2,649
2018	13.48	12.57	2,651	2,188
2019	12.97	12.92	2,581	2,155
2020	15.84	-	2,246	-

Reference: Iof (2020) The Lebanon Citizen Budget Dashboard

Figure 13. SOE contribution to Budget Revenue (in % GDP and % of general government revenue), 2019 or latest available



1.Includes only transfers by the national oil companies to the budget.
Source: IMF (2021) State-owned enterprises in Middle East, North Africa and Central Asia

8. A fragile fiscal position further compromised by accounting engineering

- **Reported deficit is misleading.** Figures presented in the official budget documentation are incomplete. For instance, figures of the 2020 budget law suggest an artificially deflated deficit (Figure 14). For non-technical people including political parties and decision-makers, the budget deficit for 2020 was calculated at 4,836 billion of LBP (5.5% of GDP) whereas the real deficit exceeded 7,673 billion of LBP (8.5% of GDP) as additional spending and disbursement should have been added including transfers to EDL and other treasury net expenditures. Beyond the fiscal deficit, budget documentation did not refer to the expected financing need of the public sector that should have included debt principal maturities[9] for that same year, knowing that budget expenses only included coupons maturities (debt interest payments). As such, by the end of 2019, the expected financing need for the year to come would have reached 23,220 billion LBP (26% of GDP), exceeding the size of the government budget by almost 28%. In more simple terms, and prior to the deceleration of the crisis (end of 2019), the Lebanese government needed, in addition to state ordinary revenues, an amount equivalent to 28% the size of its economy to finance reported expenses of its public sector, while at the time, the official numbers announced a budget deficit of 5.5% of GDP (Figure 15).

Figure 14. Budget figures for 2020

Title	Amount (LBP billion)
Expected budget revenues	13,395
Expected budget expenditures	18,231
Expected budget deficit	4,836
Expected treasury revenues	779
Expected treasury expenditures	2,116
Expected transfers to EDL	1,500
Expected Fiscal deficit	7,673

* Expected GDP at the time: 89,297 LBP billion

Reference: Lebanon budget law for 2020

Figure 15. Debt principal repayment dues in 2020, as of end of December 2019

Title	Amount (LBP billion)
Principal maturities in local currency	11,428
Principal maturities in foreign currency*	4,119

** The amount due in USD is 2,719 million. For ease of reference, it was converted to LBP based on the official exchange rate of 1515.*

Reference: debt and debt mark review, Dec 2019, available online: http://www.finance.gov.lb/en-us/Finance/PublicDebt/DebtReports/Documents/Debt%20&%20Debt%20Markets%20QIV%202019.pdf

[9] Principal maturities are not considered as an expense but rather a transfer of capital due contrary to coupon maturities.

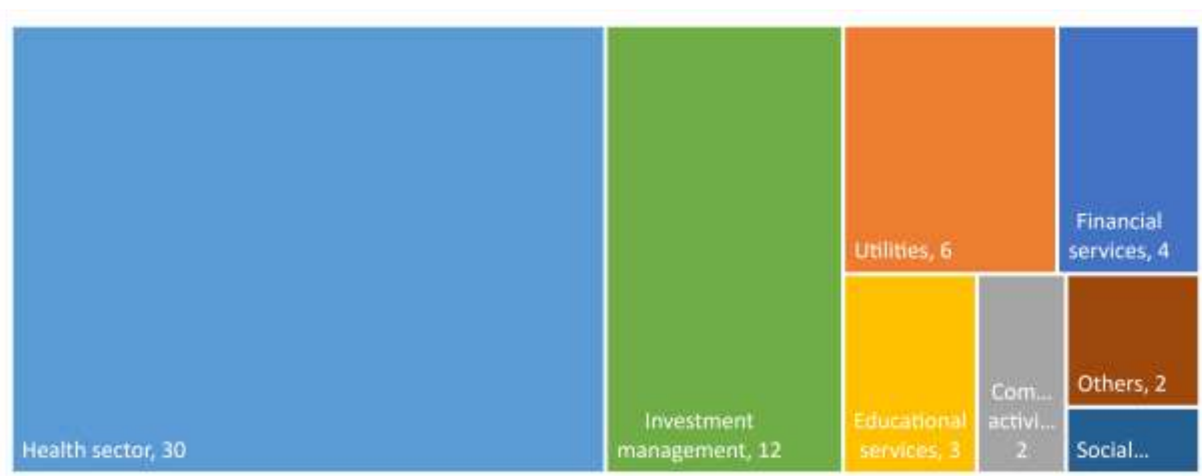
Section 3: Institutional assessment of off-budget spending entities

The following section maps the 60 public entities that spend totally or partially off-budget. The mapping is based on the available organizational charts and laws related to public administrations, including ministries, the council of ministers, the parliament, and the presidency of the republic. Results present major observations and findings regarding financial management patterns as well as challenges identified within these entities.

1. A brief profile of off-budget spending entities

- Half of identified entities (30/60) operate in the health sector distributed across the Lebanese territory.
- Among others, 6 entities provide basic amenities such as water, electricity, and telecom (4 water authorities and EDL).
- The remaining identified entities are classified as follow:
    - 2 entities engaged in commercial activities (Regie and Casino du Liban)
    - 3 entities engaged in educational activities (inc. the Lebanese University and the Lebanese Highest National Conservatory of Music)
    - 4 entities engaged in financial services (inc. BDL).
    - 12 entities in charge of conducting new investment or managing investments.
    - 1 entity classified as social protection (NSSF), knowing that some of its services are health related.
    - 2 entities classified as others.
- The NSSF is the largest identified off-budget spending entity with a budget exceeding USD 3.5 billion prior to the monetary crisis.
- Expenditures of large spenders such as the BDL, the CDR and the Lebanese University have not been identified.

Figure 16: Distribution of entities by sector



2. Fiscal assessment of identifiable off-budget spending

During the course of this exercise, effective spending data was collected for 17 entities and computed for another 26 entities based on average assumptions. The results show that:

- **The highest spending for one single year (2018), for one specific spending category (effective), covering 17 entities is 7,825 billion LBP.** 72% of the amount accounted only for NSSF spending. 93% of all spending accounted for two entities combined which are the NSSF and the Regie, while the other 15 entities, including mostly public hospitals and water authorities accounted for only 7% of spending. (Reference appendix 2-B).

- **The highest spending covering all entries including proxy data is 7,883 billion LBP.** Data for "Mais el Jabal" public hospital and "Tripoli" public hospital were adjusted for an average spending gap calculated for the same year (since the data available for those two entities are only budgeted data for 2018), while the data for the Tripoli Investment Port Authority was adjusted for YoY average variation taking the 2019 effective data as a proxy. (Reference appendix 2-B).

- **1/3 of off-budget spending entities spent the equivalent of almost 30% of the central government reported total spending in 2018 including treasury spending and advances and transfers to the Independent Municipal Fund** (860 billion LBP which is one of the 60 entities). It reached 26,821 LBP billion and 9% of total GDP[10]. (Reference appendix 2-B)

- **The total amount of effective spending covering 43 entities out of 60 would reach 9,136 billion LBP, which is equal to 34% of total spending and 10.7% of GDP for the year 2018**, excluding EDL transfers and budget. This amount covers the initial 20 entities in addition to the projected amounts covering the additional 22 public hospitals and the transfers to the Independent Municipal Fund amounting 860 billion LBP. (Reference appendix 2-B).

[10] The GDP reached 85,037 billion in 2018

3. Indicative reconstruction of the state finances

A reconstruction of state finances including off-budget spending was conducted based on 2018 figures (Table 1).

- **Identified off-budget spending reached 15.5% of GDP and 60% of the executed budget**, while total central government spending reached 41% of GDP, excluding debt principal repayments[11].
- **These figures are expected to be further inflated in 2021**, as real GDP significantly contracted, by more than 50% between 2018 and 2021, and the economy is not expected to recover in the absence of a serious recovery and fiscal adjustment plan. On the contrary, off-budget spending entities are more likely to adjust their spending in a faster pattern given their financial and administrative autonomy.

Table 1: Indicative reconstruction of the state finances based on 2018 figures

		AMOUNT IN BILLIONS OF LBP	PERCENTAGE SHARE OF GDP
BUDGET EXECUTION	Salaries, wages, and related items	6,017.00	7.08%
	Retirement and end of service indemnities	3,207.00	3.77%
	Transfers to public institutions to cover salaries	495.00	0.58%
	Interest payments	8,156.00	9.59%
	Materials and supplies	535.00	0.63%
	External services	205.00	0.24%
	Various in budget transfers exc. EDL	800.00	0.94%
	Other current expenses	789.00	0.93%
	Capital expenditures	1,382.00	1.63%
	budget advances	352.00	0.41%
	Total	**21,938.00**	**25.80%**
OFF-BUDGET SPENDING	Treasury advances to EDL[1,2]	2,647.00	3.11%
	Others	301.00	0.35%
	Customs administration	154.00	0.18%
	Transfers to the municipal fund	860.00	1.01%
	Other treasury expenditures	920.00	1.08%
	Assessed off-budget spending entities[3]	8,276.00	9.73%
	Total	**13,158.00**	**15.47%**
IDENTIFIED CENTRAL GOVERNMENT SPENDING		**35,096.00**	**41.27%**
GDP		**85,037.00**	

[1] Prior to 2018, transfers to EDL were included in the budget

[2] Transfers to EDL exclude the entity budget and covers only the purchase of oil and fuel

[3] Assessed off-budget spending entities includes 42 entities and excludes 17 entities among which 3 water authorities, the external financing of the CDR, the self-financing of the Lebanese university, the Lebanese central bank, Ogero authority, and others.

[11] Debt principal repayments are not considered as expenses, but rather as money transfers.

4. Challenges related to budget preparation and budgeting techniques

Beyond the size of off-budget spending, observations pointed to significant shortcomings in resource management, further compromising fiscal sustainability.

- **Budgets are not linked to specific plans and policies.** Although most of off-budget spending entities enjoy financial and administrative autonomy, yet many adopt budget structures that do not translate policy objectives into measurable outputs, therefore rendering the annual planning exercise disconnected from policy goals. Budget projections and figures are only replicated year over year with a slight linear increase. Practically, finance officers inside spending entities construct budget proposals based on the last available figures, factoring in adjustments based on procurement plans or outcomes, while the organization's strategy and plans are not translated into yearly outcomes that can be costed to inform budget preparation.

- Two planning practices were identified. While both patterns showcase a clear **lack of participatory planning**, the first relies on silo budgeting within one administration, and the second consists of a participatory compilation of financial projections. In the first case, the financial officer in charge of budget preparation does not consult with the various departments and does not take their respective departmental plans as inputs when putting together the budget proposal. In the second case, the financial officer orchestrates a compilation exercise based on a single round of discussions with the various departments while under normal circumstances, budget planning requires a continued dialogue and a prioritization exercise to achieve a solid proposal.

- **Administrative and financial procedures are not standardized** across spending entities managing independent budgets. Among the mapped entities, only around 20% are subject to the public accounting law (PAL), while another 20% are partially subject to the PAL (either at the level of budget preparation or execution). Around 25% operate without having their budget validated at least by the MoF. 84% do not have their financial transactions subject to pre-approval, while most should have their accounts post-audited by the Court of Accounts and made available to the public. Overall, the existing fragmentation renders effective oversight very difficult at all levels and makes it harder for the MoF to enforce full budget coverage.

- Most public entities have automated their financial management workflows individually, but many still proceed with a **manual production of their financial reports**. Despite these efforts, financial, and administrative procedures remain largely unautomated, leaving room for the production of **inaccurate, inconsistent and non-comparable data and financial information**. Public entities undertaking similar activities are being financially managed in different ways and using different information systems. For such reasons, the reconstruction of the off-budget spending provided in this report remains indicative, since the computing of accurate figures would require the establishment of unified financial information systems and classifications.

- Budget projections should rely on a fiscal framework provided in the budget circular or on a fiscal statement or rule that were never issued by Lebanese authorities. In the past few years, the budget circular was published with significant delays vis-à-vis the official budget cycle and didn't always reach all concerned public entities mapped under this exercise. In addition, fiscal assumptions were often too optimistic, undermining the forecasts' credibility. This makes autonomous agencies more liable in preparing and managing their own forecasts for both revenues and spendings.

- **Public Investment programs with hybrid financing, mainly PPPs, are disconnected from the budget management function**, exposing the state to related contingent liabilities and fiscal risks. While PPPs modalities should be clearly integrated in the budget planning, the new law regulating PPPs does not foresee a clear framework to govern the relation with the MoF, creating a risky leeway for the Executive to engage into long-term financial commitments and potential liabilities without the review and approval of the Ministry of Finance and Parliament.

5. Challenges related to accounting practices and systems

- **The multiplicity of accounting systems** used in off-spending entities compromises any aggregation and comparison exercise. Financial reports sourced from the Gherbal Initiative show that some of these entities (especially public hospitals) use general accounting systems, while the majority adopt public accounting systems. Any analysis would require a lengthy data transformation process given the high number of entities spending off-budget (around 60).

- For entities using the same type of accounting systems, the review of their financial reports reveal that these entities use **different templates for accounts** and closing of accounts. Even when comparison is possible, the analysis cannot be systematic as a layer of data transformation and validation would be still required.

- Another important challenge is the **inconsistency in budget line labeling:** (i) observations show that financial officers use different budget line appellations for the same type of spending, (ii) they also use different labels for similar account types, (iii) and the justification text related to spending significantly differs in terms of content, length, and even designation.

- Even when most of the covered entities have accounting systems in place, **closing accounts are not systematically produced**. Many entities still proceed with manual data entry, increasing the likelihood of error, inconsistency, and delays across years.

- There is **no official** single **reference** when it comes to advisory opinions related to public accounting affairs, especially those issued by the State Council, the Court of Accounts, and the Central Inspection Board. In the event of contradictory opinions, it is more likely that practitioners will react differently depending on historical background. Some might consider that the State Council is the ultimate reference while others might privilege the Court of Accounts.

6. Weakened relationship by the Ministry of Finance

- Unlike in public administrations, **accounting systems** in place in off-budget spending entities are **not directly linked to the Ministry of Finance's system** which renders monitoring and oversight as well as fiscal risk and cash management very difficult.

- For few entities that spend partially off-budget, the MoF proceeds with **systematic budget cuts** without any prior consultation. Budget officers are aware that MoF is constraint to reduce the appropriations allocated to their respective organizations, but do not understand criteria on which the cut is decided, especially that this has a direct impact on public service provision.

- **Communication with MoF is assessed as difficult,** as some entities report that no feedback is received from the MoF over the submission of financial reports.

- One of the major challenges facing these public entities are the **recurrent delays in allocation transfers** from the Treasury account. Delays on average can exceed 3 months and potentially compromise service delivery. The MoF argues that such entities are revenue generating and do not rely on the contribution from the Treasury. However, in the current context, all possible financing source are necessary to maintain operations and compensate for the loss in revenues caused by the devaluation.

- These public entities are **not** systematically **aware of** budget **circulars issued by the MoF** or other circulars and decisions. The MoF does not have a centralized database of these institutions and no single focal point is assigned to deal with all types of hybrid public entities and to reply to their requests or inquiries. Similarly, tax procedures and circulars issued by the tax administration are not clearly communicated to many of these entities and therefore are not adequately applied.

7. Challenges related to human resources and human capital

- **Financial and administrative functions inside these entities are understaffed**: For instance, the head of the financial department manages the accounting, executes the budget, and conducts monitoring and control.

- **The lack of financial competencies** is also undermining their performance. In many cases, the financial function is staffed with individuals with little knowledge or experience in public financial management. In addition, these are not always properly trained or coached.

Section 4: Recommendations and proposed roadmap

The mapping's outcomes, activity reports and one-to-one informal interviews with key stakeholders allowed to draw specific recommendations based on international best practices and chart a possible way forward.

1. Short-term recommendations

The following are short term recommendations that do not require neither political buy-in nor legal amendments. They rely on administrative cooperation between the Ministry of Finance and off-budget spending entities.

- **Compile and disclose aggregated financial statements of off-budget spending entities to improve transparency and reinforce accountability.** To overcome existing reporting discrepancies, the MoF should start by availing a unified template for financial reporting and then regularly compile and publish a comprehensive report on the financial and non-financial performance of public entities spending off-budget, including quasi-fiscal activities and SOEs and provide an analysis by type of risks. Aggregate reporting would allow decision-makers and citizens to have a better understanding of quasi-fiscal activities related risks and performance (Reference table 2). Required financial reporting could be drawn from the IMF SOEs financial healthcare tool.

Table 2: Type of information to be included in the financial reports

NO	TYPE OF INFORMATION
1	Scope and size of the sector, including list of all off-budget spending entities
2	Special rights or agreements
3	Financial performance and value of each entity as well as total value of the state's complete portfolio and aggregate financial information and key financial indicators
4	Information on Key non-financial performance indicators
5	Information on the organization of the ownership functions or governance
6	Changes in entity boards and that state's role in board nomination and appointment
7	Nature, form, and amount of any non-commercial assistance provided to these entities
8	Information on factors affecting competitive neutrality, e.g. applicability of public procurement rules, state, aid rules

Reference: IMF-METAC (2022), Surveillance of SOEs

- **Request the mandatory publishing of all individual reports produced by each entity**, to improve transparency and initiate a meaningful discussion among decision-makers. This would also allow to focus on the prominent fiscal issues including the exposure to exchange rate volatility, profitability, etc. Off-budget spending entities should be required to report annually on their performance.

- **Standardize budgeting templates and related justificative documentation used by all off-budget spending entities**: The MoF should take a step toward in systemizing the procedures and templates and circulate clear and practical guidelines to all entities on how to budget, how to register accounting records and related justifications for each budget line, and in what format to submit the required documentation, in preparation for a potential full automation of the process.

- **Put in place a centralized accounting system linked to the Ministry of Finance and compel all entities to record their financial information in line with internationally recognized standards**. Once the data is collected and stored in a shared and integrated IT solution, the presentation of all financial statements including the initial budget, closing accounts, financial statements and transfers can be standardized, thus allowing for instant monitoring, systematic aggregation and reporting, and ultimately more transparency.

Table 3: Other functionalities of a centralized financial information system

NO	FUNCTIONALITY
1	Linked to public procurement operations and reports on budget execution
2	Allows for additional controls: payment orders, public tender procedures
3	Allows for additional monitoring of entities that do not have solid internal financial controls
4	Can avail a dashboard to help policy decision at the aggregate level and at the entities' level
5	Can be used as a documentation repository: nominations, board committee, audits, etc.

Source: IMF-METAC (2022), Surveillance of SOEs

- **Introduce board members and executive directors in these institutions to programmatic planning to instill a culture of strategic and executive budgeting:** Train them on strategic planning and ultimately performance-based planning and to linking programs to budget lines despite the existing structural deficiencies in the budget structure and nomenclature.

- **Build the capacities of financial officers** on (i) participatory planning, budgeting, and forecasting techniques (ii) the production of closing accounts including reporting on actual spending and revenue, cash flows, fixed assets, and amortizations etc. (iii) filing and paying taxes including income tax on salaries and wages, value added tax, stamp duty fees, etc., (iv) internal control and audit.

- **Submit all financial statements and performance information to an independent external audit conducted either by the state supreme audit institution (the Court of Accounts in the case of Lebanon) or by private independent auditors and make results accessible to the public online**. In that case, the legal framework should also be checked for compliance.

- **Establish a dialogue with the MoF to reconsider systematic cuts when approving the budget and to set clearer criteria for budget caps** in a way that would not compromise the mission of these public entities and the delivery of services.

- **Enhance inter-ministerial communication particularly between the MoF and off-budget spending entities** and conduct regular meetings to discuss respective challenges including recurrent arrears and explain austerity measures imposed by the MoF in an attempt to creative more conducive working relationships.

2. Medium-term recommendations

- **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 including budget preparation, accounting criteria and budget execution and related procedures, and required documentations. Assign specific criteria that would allow to clearly identify SOEs.

- **Define job descriptions for financial and administrative positions inside off-budget spending entities** and reinitiate job inductions based on clear terms of responsibility and well-defined tasks.

- **Implement measures to retain expertise**, lowering the exit rates, and hiring new talents to fill in for vacant positions, knowing that in the current context, such measures would require a comprehensive reform plan targeting the civil service, in addition to a sustainable salaries adjustment schemes and financing, most probably through tax increase.

- **Put in place a comprehensive organic budget law** and establish standards for the constitution of budget systems and structures and integrated governmental accounting including:

    - Planning, programming, organization, coordination, execution, monitoring and control of public spending.

    - Systemizing the programming, management, and assessment procedures of public programs, services, and policies.

    - Developing and maintaining automated and integrated systems availing timely monitoring and systematic reporting on budget execution.

    - Managing and coordinating cash flows and money disbursement.

    - Establishing spending control systems and oversight mechanism.

Box 2: Roadmap to strengthen surveillance and disclosure on SOEs

This box is based on standardized recommendations provided by the IMF-METAC with the aim to enhance financial surveillance of SOEs.

1-Undertake an official mapping of all SOEs, compile them in one single list and classify them by type (based on clear criteria) and by sector.

2-Conduct a comprehensive assessment of the legal and regulatory framework governing SOEs as a starting point for legal consolidation.

3-Assess the availability, reliability, and timeliness of annual reporting published by SOEs.

4-Select SOEs with the highest fiscal risks and contingent liabilities (for instance EDL, telecom sector etc.), and take concrete steps to reduce transparency gaps including the application of conditional support. Once a new system in place, measures can be gradually applied to others.

5-Capture financial data and information on regular basis, classify and analyze insights and aggregates and disclose financial indicators and silent dues including cascading arrears and cross arrears.

6-Produce a comprehensive report presenting key aggregates and analysis of SOEs financial information including fiscal risks, arrears, transfers, activity indicators, etc.

7-Systemize the production of the report on a regular basis and in a timely manner.

8-Build-up a centralized and shared system that automates and standardizes budgeting procedures and accounting systems and that foresees to generate systematic reports feeding the comprehensive report with accurate aggregates and key information about SOEs.

Conclusion

Lebanon's PFM system structural deficiencies require a comprehensive reform plan including targeted actions that have become pre-requisites to unblocking foreign aid. Enhancing fiscal and sectoral transparency and implementing a fiscal strategy that combines debt restructuring, restoring budget credibility and predictability, and anchoring planning in a credible medium term fiscal framework are key steps to restore both efficiency and confidence in the system. Given its size and related risks, off-spending budget cannot be overlooked anymore.

Any fiscal adjustment strategy should therefore encompass the consolidation of scattered fiscal accounts and the mitigation of public sector's exposure to contingent liabilities, silent dues, latent debts, and fiscal risks associated with quasi-fiscal activities and other off-budget spending entities.

However, this long due path to reform might be faced with multiple challenges including a lack of political will and resistance to change from within the public sector. It will also require strong capacity notably at the Ministry of Finance to lead on the consolidation process and facilitate the transition and from civil society to step-in and reinforce its scrutiny over resource management.

Appendixes

1. Appendix 1: Fiscal consolidation best practices

A- Fiscal transparency initiatives and budget consolidation

The IMF's Code of Good Practices of Fiscal Transparency recognizes that "fiscal reports should provide a comprehensive overview of the fiscal activities of the public sector and its subsectors, according to international standards". It defines a set of principles to underline that institutional coverage is not sufficient to draw the full picture of PFM in a specific country. Other criteria are to be taken into consideration while assessing the comprehensiveness of budget information including among others [12] consolidated stocks, flows and tax expenditures in addition to all public assets and liabilities, public revenues, expenses and other economic flows, and revenue loss from tax expenditures.

The desired consolidation process would contribute to a significant decrease in off-budget fiscal activities undertaken by governmental entities and/or para governmental entities, discourage the bypass of fiscal rules and consequently of medium-term fiscal and budget frameworks, reduce the shift of fiscal activities outside covered reports and permit cross-country comparisons.

Box 3: Fiscal Transparency Initiatives

Several other fiscal transparency initiatives have been established, among which the OECD Best Practices for Budget Transparency, the multi-stakeholder Extractive Industries Transparency Initiative, and the International Budget Partnership's Open Budget Survey. Moreover, the Public Expenditure and Financial Accountability (PEFA) program provides an assessment of fiscal transparency through a set of performance indicators. More recently, the Global Initiative on Fiscal Transparency (GIFT) has defined a set of high-level principles of fiscal transparency, participation, and accountability. The OECD, with the participation of GIFT has also developed a Budget Transparency Toolkit bringing together existing standards and guidance materials and highlighting some key messages in budget and fiscal transparency. In addition, other standards have been developed by the IMF to complement the Code, such as the Government Finance Statistics Manual (GFSM), Public Investment Management Assessment (PIMA), Public-Private Partnerships Fiscal Risks Assessment Model (PFRAM), Public Expenditure and Financial Accountability (PEFA) and Tax Administration Diagnostic Assessment Tool (TADAT).

[12] Public entities cover the central government, subnational governments and other entities that are engaged in public activity, part of the wider public sector and under the government's control. It includes ministries, departments, and agencies at the central and subnational levels, in addition to extra-budgetary entities/funds and nonprofit institutions or corporations under the government's control or ownership.

B- Countries around the world are deploying significant efforts to improve institutional coverage

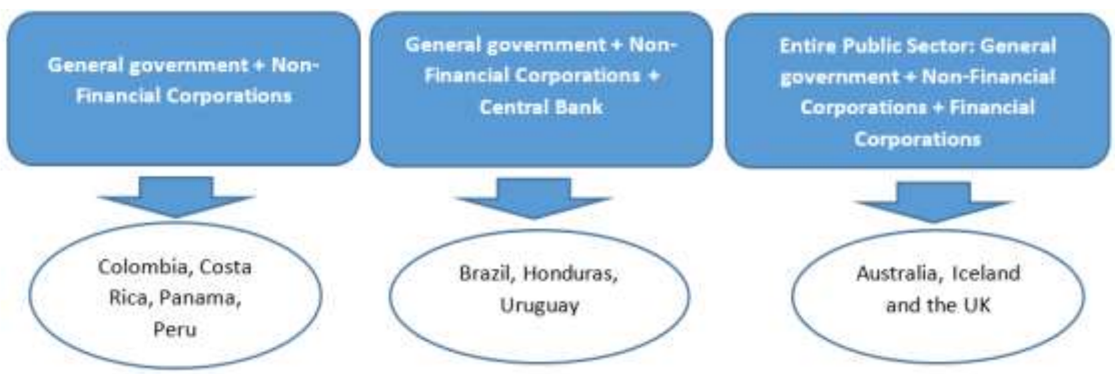
The number of countries that invested efforts in widening their financial reporting practices has almost doubled in 13 years (between 2003 and 2016), a progress mainly achieved in developed countries in Europe and Latin America (International Monetary Fund, 2012). (Figure 17).

Figure 17. Progress in institutional coverage of government financial reporting

Source: IMF (2018) Fiscal Transparency Handbook

In some countries, improvements were even more visible as they consolidated the general government budget with all nonfinancial public corporations. In others, consolidation included the general government, nonfinancial public corporations, and the Central Bank. Finally, few advanced countries consolidated their general government with all financial and non-financial public corporations to cover for the whole public sector. (Figure 18).

Figure 18. Going beyond the coverage of the general government



Reference: IMF (2012) Fiscal Transparency, Accountability, and Risk

Fiscal Transparency Evaluations (FTEs) have been conducted in more than 30 countries (International Monetary Fund, Fiscal Policies: Fiscal Transparency) providing an assessment of each country practices against the Code which distinguishes between three levels: basic, good, and advanced. Accordingly, countries meet the basic level of practices in institutional coverage by removing extra budgetary entities, reducing them, incorporating them into the budget or reporting them in consolidation; and consequently, generate fiscal reports that present all the operations undertaken by the central government, including budgetary entities, social security funds and extra budgetary activities (i.e., Turkey). Differently, fiscal reports in countries with good practices (i.e. Russia, Jordan) cover data for the general government (central and subnational governments). Advanced practices include fiscal reports covering all public sector entities (i.e., UK). More detailed ratings for the coverage of institutions are shown in Table 4.

Table 4. Assessment of country practices in the coverage of institutions

Level of the Practice	Definition	Country practice
Not met	-	**Guatemala:** fiscal reports cover only the budgetary central government, accounting for 44 institutions or budgetary units out of a total of 569 entities in the public sector. This explains the low coverage of total public expenditure in the country, where 76 percent of general government expenditure and 68 percent of public sector expenditure are not covered. **Uganda:** only the budgetary central government and local government are included in the fiscal reports. **Tunisia**
Basic	Fiscal reports present all the operations undertaken by the central government, which includes budgetary entities, social security funds and other extra-budgetary activities/funds. Several countries have been able to meet "basic practice" by removing extra-budgetary entities, reducing them, incorporating them into the budget or reporting them in consolidation.	**Turkey**: A substantial decrease in the number of EBFs has been registered between the late 1990s and 2013, falling from around 80 to only 5. Similarly, EBF's share of central government expenditure was reduced from over 3 percent of GDP in the late 1990s to 1.4 percent of GDP in 2013.** **Brazil**: a similar trend was observed, following the implementation of the Fiscal Responsibility Law in 2000. This law requires that all EBFs are brought under the federal government's budget, accounts, and the single treasury account. **Mexico**: A major gap remains in covering subnational governments[13] in fiscal reports, although states and municipalities represent nearly one third of total public sector expenditures (35 percent).

[13] State and local governments.

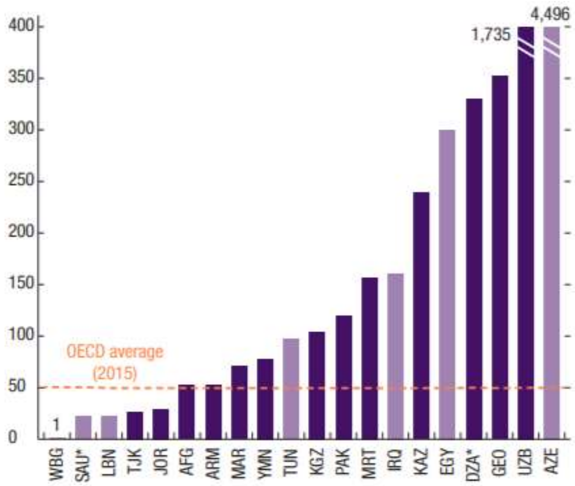
		Philippines, Albania, Armenia, Mozambique, Uzbekistan, Georgia, Macedonia, Maldives, Honduras
Good	Fiscal reports cover data for the general government (central and subnational governments)	**Ireland, Austria, Russia, Romania, Portugal, Finland, Lithuania, Malta, Jordan, Senegal, Kenya**
Advanced	Fiscal reports cover all public sector entities through the presentation of consolidated data for the general government and public corporations under the government's ownership and control.	**United Kingdom:** The Whole of Government Accounts is one of the most comprehensive sets of audited accounts published globally, comprising all 5500 public entities in the UK public sector. **Peru, Estonia, Colombia**

** Turkey includes government data in its fiscal reports and consequently meets "good practice" in the coverage of institutions. However, it has been classified under "basic practice" for the decrease in the number of its EBFs over the years.

Reference: IMF (2018) Fiscal Transparency Handbook, FTE assessments available at www.imf.org

Despite progress made to date, a large pool of public financial and nonfinancial corporations remains outside the general government. In the Middle East, North Africa and Central Asia region, the number of nonfinancial public corporations[14] (NFCs) in many countries exceeds substantially the OECD average which accounts for 51 NFCs, in countries like Iraq, Egypt and Algeria. (Figure 19)

Figure 19. Number of NFCs in the ME&CA (2019 or the latest available data)



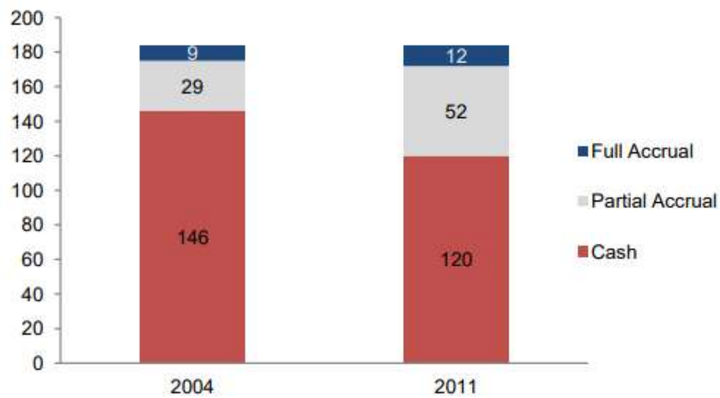
Source: IMF (2021) State-Owned Enterprises in Middle East, North Africa and Central Asia

[14] There is no commonly accepted definition of SOEs and therefore most of international organizations uses the term non-financial public corporations NFCs.

C- International effort to achieve full coverage of flows is yet to be enough

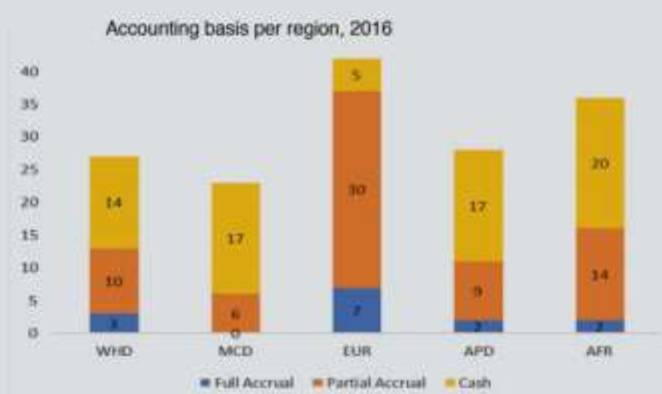
Over the past years, substantial efforts have been made in some countries to move from cash to partial or full accrual-based recording of transactions. 14 countries reported data to the IMF on a full-accrual basis in 2016, rising from only 9 countries in 2004. It is also worth noting that in the Middle East and Central Asia region, no country recorded transactions and other economic flows on an accrual basis in 2016. In parallel, the number of countries reporting data on a cash basis decreased from 146 in 2004 to 73 in 2016, a result showing that despite all efforts, many countries still lack full coverage of their flows and capture only government transactions that are on a cash basis. (Figures 20 and 21)

Figure 20. Basis of data reporting of government flows to the IMF (2004, 2011)



Source: IMF (2012) Fiscal Transparency, Accountability and Risk

Figure 21: Basis of data reporting of government flows to the IMF (2016)



Note: Partial accrual includes countries that report transactions and other economic flows on an accrual basis but do not prepare a full balance sheet. Full accrual includes countries that record transactions and other economic flows on an accrual basis and publish a full balance sheet.

The regional split is done according to the area department of the IMF.

Source: IMF (2018) Fiscal Transparency Handbook

Based on the FTE assessments of a range of countries, ratings for the coverage of flows are shown in the table below. (Table 5)

Table 5. Assessment of country practices in the coverage of flows

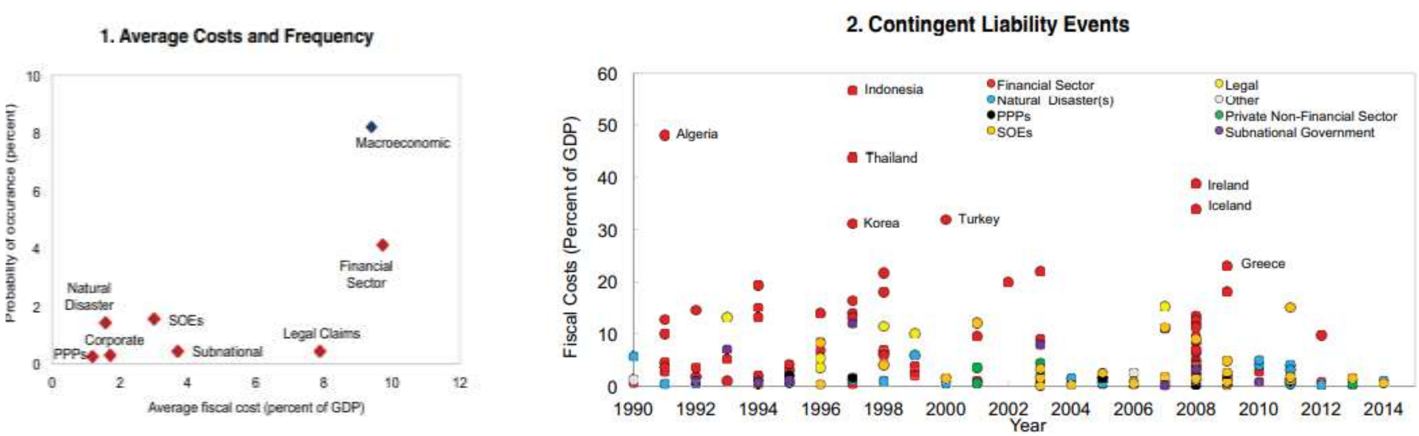
LEVEL OF THE PRACTICE	DEFINITION	COUNTRY PRACTICE
NOT MET	-	**Uzbekistan**
BASIC	Fiscal reports include cash revenues, expenditures, and financing,	**Armenia:** some operations are not reported in line with international standards which underestimates the government deficit. **Jordan:** fiscal reports do not include flows that pass through off-budget accounts and data on accrued revenues and expenditures **Tunisia, Uganda, Brazil, Mexico**, **Honduras, Kenya**, **Albania, Mozambique, Georgia, Macedonia, Maldives, Senegal, Colombia, Guatemala, Peru, Portugal.**
GOOD	Fiscal reports cover cash flows, accrued revenues, expenditures, and financing.	**Russia, Romania, Finland, Lithuania, Malta.**
ADVANCED	Fiscal reports cover cash flows, accrued revenues, expenditures and financing, and other economic flows *such as changes in the value and volume of assets and liabilities.*	**Austria:** Adopting most International Public Sector Accounting Standards (IPSAS) in 2013 allowed the country to integrate stocks and flows. **Turkey:** since 2012, reported fiscal data followed the GFSM 2001 standards and the fiscal reports covered data on stocks of assets and liabilities, accrued revenues, expenditures, financing and other economic flows. **United Kingdom, Estonia, Philippines**

Reference: IMF (2018) Fiscal Transparency Handbook, FTE assessments available at www.imf.org

D- Mitigating fiscal risks is necessary to ensure sustainability

Previous studies investigated the sources of shocks to government debt as well as their fiscal impact and likelihood based on a comprehensive study of 80 countries over the period 1990-2014 (Bova, Ruiz-Arranz, Toscana, & Elif Ture, 2016). In fact, macroeconomic risks have been associated with a high frequency and cost relatively to the fiscal risks that occurred between 1990 and 2014, as public finances are hit by macroeconomic shocks once every 12 years with an average fiscal cost of about 9 percent of GDP. As for the specific risks, they also occurred on average once every 12 years with an average fiscal cost of 6 percent of GDP and a cost of 30 to 60 percent of GDP for specific contingent liability events in some countries. (Figure 22)

Figure 22. Cost of fiscal risk realizations



Source: IMF (2018) Fiscal Transparency Handbook

According to international standards, fiscal risk disclosure and analysis requires providing a summary report of macroeconomic risks, specific risks, and long-term sustainability of public finances. Despite multiple efforts in current practices, fiscal risk disclosure and analysis remains insufficient, fragmented and heavily dependent on qualitative data in many countries, and further improvements are needed. A comprehensive review of fiscal risk disclosure and analysis practices[15] concluded that less than a third of surveyed countries publish a quantitative analysis of their macro-fiscal risks, 28 percent publish balance sheets half of which include only financial balance sheets, two-thirds discuss some of the specific risks in their budget while only 16 percent publish quantitative statement of risk, and 40 percent publish some form of long-term fiscal sustainability analyses.

As for managing fiscal risks, a set of principles define the instruments and strategies that could be used by countries to mitigate fiscal exposure, such as budget allocations, buffer funds setting aside resources to meet the costs of a risk, direct controls, or ceilings to limit the government's exposure to a particular risk, regulations to discourage excessive risk-taking by individuals or specific sectors and the usage of risk transfer mechanisms. The nature of risk exposures, the cost trade-off between risk mitigation and accommodation and capacities of institutions will determine whether to reduce risks in countries and how

[15] Staff estimates on the basis of IMF Budget Institutions Database for 58 countries and IMF Coverage of Fiscal Accounts Database (COFA) for 158 countries.

it should be done. Evidence shows that countries today are more likely to use direct control instruments to manage fiscal risk arising from government activities, whereas other instruments that could address risks arising from actions outside government control remain underutilized.

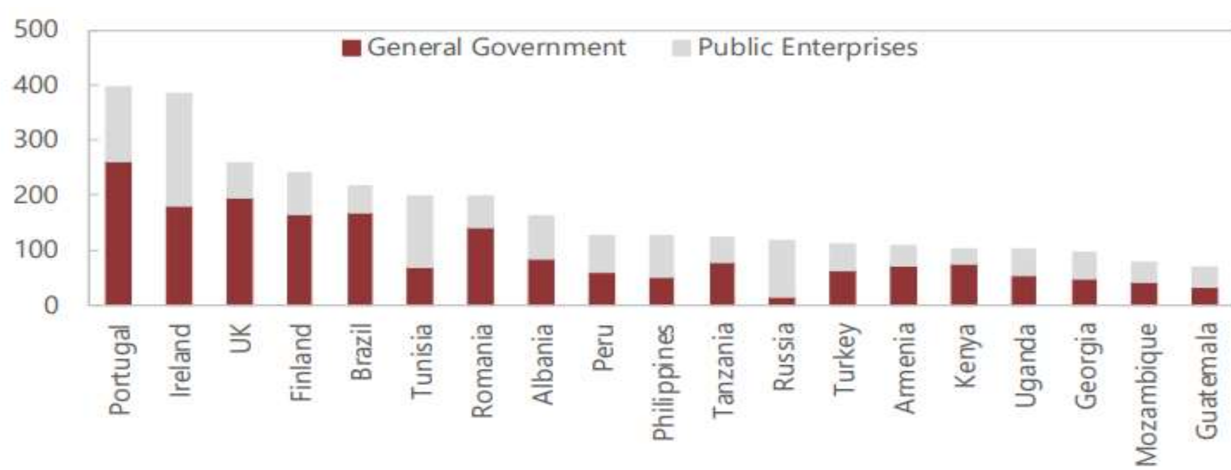
Looking more closely into fiscal risks from the Public Corporations' perspective[16]

Public corporations may be large in relation to the economy or have poor fiscal performance - unprofitable, financially unstable, or heavily dependent on government subsidies or guarantees – and thus should be closely monitored as they may stand behind the realization of significant fiscal risks and costs.

Evidence shows that the realization of related contingent liability generated an average cost of 3 percent of GDP which could reach 15.1 percent of GDP in some cases, making public corporations the second largest source of fiscal risk after the public financial sector (Bova, Ruiz-Arranz, Toscana, & Elif Ture, 2016).

Public corporations represent **a remarkable share of economic activity** even in advanced countries and account for a great part of public sector assets and liabilities. Kowalski and others found in a study that the market value of public corporations' amounts to around 11 percent of the total market value of listed state-owned enterprises at the global level and are much higher in emerging nations such as China (44 percent), India (22 percent) and Brazil (18 percent) (Kowalski & others, 2013). Their liabilities exceed those of the general government in countries such as Ireland, Tunisia, Peru, Philippines, Russia, Georgia, and Guatemala. (Figure 23).

Figure 23. Public sector gross liabilities in selected countries (percent of GDP)



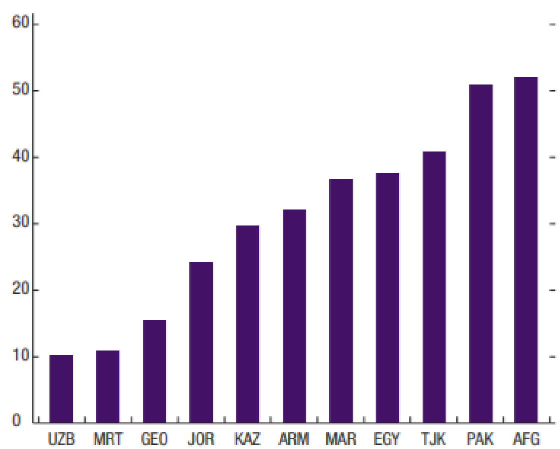
Source: IMF country report (May 2019) Fiscal Transparency Evaluation - Republic of Armenia

The poor management of SOEs may induce major macroeconomic issues and lead to sizable economic and financial costs. Given their nature as providers of basic and essential services and entities protected from market competition, SOEs can result in an unreliable supply of public services (such as the under-provision of power, water, and transport) or in their production at higher costs if poorly managed. This may affect negatively not only households but also the level of a whole nation's productivity.

[16] Also known as government-owned enterprises or state-owned enterprises (SOEs), *GFSM 2014*

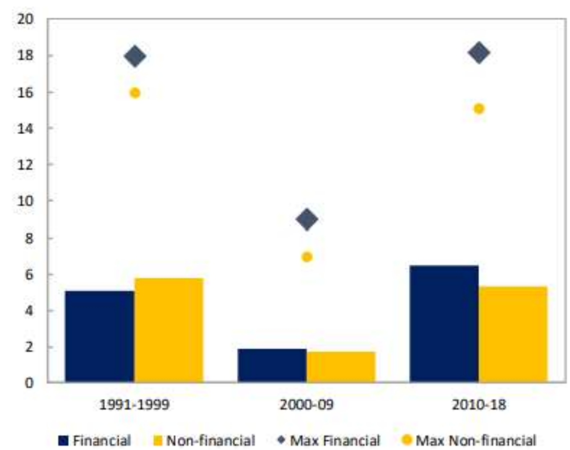
In the event of bankruptcy or struggle to service debt, public corporations' **liabilities are often covered by governments through guarantees, loans, subsidies, or capital injections**, which may increase considerably its deficit. For instance, a significant number of NFCs in the ME&CA region operate at loss and rely on government support (International Monetary Fund, State-Owned Enterprises in Middle East, North Africa, and Central Asia: size, role, performance, and challenges, 2021). More than half of NFCs in Afghanistan and Pakistan and between 30 to 40 percent in Tajikistan, Egypt, Morocco, and Armenia operate at a loss rendering the average fiscal cost of government support to exceed 5 percent of GDP over the periods 1991-1999 and 2010-2018 and to reach a maximum of 18 percent of GDP (Figures 24 and 25). Over the period 2012-2015, Jordan made massive transfers amounting to 15 percent of GDP to the state-owned electricity company (NEPCO). Another example is that of the UAE when the state-owned holding company World Dubai received a 10 billion dollars' bailout from Abu Dhabi in aid to avoid defaulting on its Islamic bond.

Figure 24. Number of NFCs operating at a loss (Percent of total NFCs, 2019 or latest)



Source: IMF Working Paper (2021) State-Owned Enterprises in the Middle East, North Africa, and Central Asia

Figure 25. Average fiscal cost of government support (percent of GDP)[17]



Source: IMF (September 2020) Managing Fiscal Risks from State-Owned Enterprises

Public corporations may engage in **quasi-fiscal activities** to achieve public policy goals, which in turn impacts the financial situation of the corporation given that it does not maximize its commercial profit level. These activities could be public service obligations when goods and services are provided below cost, subsidized purchases when the company purchases specific supplies at a price higher than cost, or excessive employments exceeding efficient levels alongside significant wages.

Public corporations can be used to escape fiscal controls through the conduct of off-budget operations, which may lead to the increase of financial corruption practices (Allen & Alves, 2016). Resulting in fiscal transparency issues, these activities weaken a government's financial performance, public finance management and market confidence.

[17] Average bailout costs in one year per country.

2. Appendix 2: Research methodology

The research was conducted based on multiple-phases approach:

A- Desk review and Mapping

The first phase consisted of a desk review on budget consolidation trends and comprehensiveness principles and best practices in addition to research on the Lebanese context covering major fiscal challenges and risks pertaining to off-budget operations. The research was complemented by a mapping of all public entities spending totally or partially from outside the budget. The mapping exercise was based on a thorough review of legal references, published ministry charts, state budget and other documentation, and covered 60 public entities ranging from State-Owned Enterprises to public institutions exercising commercial activities and other form of governmental institutions such as councils, funds and other entities placed under the stewardship of a specific "Minister". Some of them are engaging in administrative affairs other are exercising investment activities. The data was mainly sourced from "Gherbal" website and included their budgeted and effective expenditures covering the years 2018, 2019 and 2020, knowing that most data collected was for 2018, thus justifying the choice of baseline for assumption. Complementary and crucial information was collected from several legal references and covered (i) the legal framework regulating the operations and activities of each entity, the different budgeting processes, the involvement and oversight of legislative authorities, relation with the state budget, oversight mechanisms, and the source of financing other than the transfers from the state budget.

B- Analysis of quantitative data – gaps and assumptions

The analysis of collected quantitative data was not straightforward. The following data gaps have been identified while conducting the exercise:

- 60 entities have been mapped and screened. The mapping exercise might not be comprehensive, as some amendments might have not been captured.
- Financial data has been collected for 20 entities, accounting to 1/3 of the sample.
- Financial data included budgeted and effective data over 3 years (2017-2019); however, the most data collected for one specific year is for 2018. Breakdown of collection samples is shown under table 6.

Table 6: Number of observations per data type per year

	EFFECTIVE	BUDGETED
2017	4	3
2018	17	10
2019	14	10

- Due to the lack of data, the aggregation exercise has undergone several iterations. Data aggregation is far from being accurate but remains highly indicative and allows to draw relevant conclusions
- The first iteration summed-up the total effective spending of public entities for 2018.
- The second iteration added-up proxy data from another year (on the first iteration) to increase the number of entities covered. Proxy from budgeted data was adjusted for overall population average variation, and proxies for other years were adjusted for average YoY variation.

- The third iteration applied linear assumptions on entities not covered by the data collection. Since public hospitals account for almost half of the sample (30 out of 60), and whereas only 8 rendered their data accessible, a linear projection based on bed capacity for each has allowed to compute an indicative figure for the remaining 23 public hospitals.
    - In total 30 public hospitals were identified
    - Effective spending data was collected for only 8 hospitals (Bouar, Becharreh, Mays el Jabal, Nabatieh, Rachaya, Tannourin, West Sahar, Tripoli), for a total amount reaching 129,821 million LBP for 2018.
    - The total number of beds for the 8 hospitals as per the MoPH database is 451 (MoPH, 2021).
    - Given the above figure, an effective spending per bed was computed and an average spending per bed per year was calculated after ruling out extreme numbers. The figure amounted to 222.93 million LBP per bed per year for the given 8 hospitals.
    - The total number of beds in public hospitals as per the MoPH reference (MoPH, 2020) is 2,215.
    - The total number of beds in the 22 remaining public hospitals that did not avail their spending data is 1,764.
    - The total effective spending for the remining 22 hospitals was therefore estimated at 393,249 million LBP based on 2018 figures and assumptions.
- Most mapped entities were identified as public institutions engaging in commercial activities. The breakdown of entities per category is shown in table 7. Other categories can be identified across the public administration spectrum; however, they would fall under in-budget spending entities and were therefore omitted.
- Budgeted amounts for the Bekaa water authority were overlooked because of significant underspending (75%) due to cumulative carry-overs and halted spending in capital investment.

Table 7: Entities distributed per Category

ENTITY CATEGORY	NUMBER
PUBLIC INSTITUTIONS (ADMINISTRATIVE ACTIVITY)	6
PUBLIC INSTITUTIONS (COMMERCIAL ACTIVITY)	48
FUNDS	2
PRIVATE COMPANIES	2
NOT IDENTIFIED	2

C- Qualitative data collection

The second phase is based on qualitative data collected through informal Key Informant Interviews with representatives of public entities and other stakeholders. The interviews were held remotely in January 2022 and aimed at assessing internal challenges faced by public entities spending off-budget in terms of financial planning, budgeting, accounting, and reporting, in addition to key challenges affecting their relationship with oversight bodies namely the Ministry of Finance. The KII design draw on the existing literature review and the Lebanese context to develop two set of questions provided below:

KII with selected public entities

1. Economic and social challenges
    a. How the crisis impacted your fiscal position?
2. Internal challenges
    a. Do you have a clear strategy for your institution? Is it updated?
    b. Are you able to reflect your strategy in the yearly budgets?
    c. Can you please describe the budgeting process and approval?
    d. Do you receive allocations from the MoF?
    e. Do you have automated systems and templates (budgeting accounting)?
    f. Do you systematically produce reports? What types of reports?
    g. Do you run internal audit?
    h. Do you publish them regularly?
    i. Do you plan for unexpected expenses?
    j. How do you cover for these expenses?
    k. Have you ever been in a position where you had to ask for extra financing from the MoF?
3. Challenges pertaining their relationship with the MoF
    a. How do you assess your relationship with the MoF?
    b. Do you receive clear guidance from MoF?
    c. Do you share systematically your financial reports with the MoF?
    d. Does the MoF oversight your accounts?
    e. Are you subject to pre-control from the MoF (general financial controller)?

KII with oversight bodies

1. Internal challenges
    a. Are all public institutions subject to control from the MoF and the court of audit?
    b. What type of control do you exert over the public institutions?
    c. What type of financial data do the Ministry of finance, and the court of audit assesses?
    d. Do you regularly receive financial data from public institutions? What types of data?
2. Challenges pertaining the relationship with public entities spending off-budget
    a. Have public institutions delayed data validation? If so, how does it impact the budget execution process in these institutions?
    b. In your opinion, what constraints are the public institutions experiencing?
    c. What challenges in controlling public entities are you experiencing?
    d. How do you assess your relationship with the public institutions?
    e. What are the priorities for the public sector reform?

3. Appendix 3: Mapping of off-budget spending entities

Table 8: List of mapped entities

Institution	Legal status	Type	Authority of tutelage	Legal Reference	Creation date	Is the state budget a main source of financing?	Other source of revenues (self-generating revenues - aid and donation)
Council for Development and Reconstruction	Public institution	Administration	Presidency of the Council of Ministers	Legislative Decree No. 5	1977	Yes, the state budget is the main source of financing Budget part two (a), title Three: The Presidency of the Council of Ministers, Chapter 202: Council for Development and Reconstruction - Presidency of the Council of Ministers	Article 8 of the legal reference stipulate the following: The resources of the Council for Development and Reconstruction consist of: 1-What is noted in the state budget 2-Taxes and fees transferred to its account 3- loans 4- revenues generated from assets 5- Any other resources specified in special texts and laws 6-Treasury advances whose amount and methods of payment are determined by a decree passed by the Council of Ministers.
Beirut Port/ Free zone		Investment	Ministry of Finance/ Lebanese Customs	Customs Law Decree No. 4461"	2000	No	Rentals
Casino du Liban	Private company owned partially by the state	Commercial	Ministry of Finance	Law No 320	1994	No	Revenues generated by its activities. Legal reference not found.
National Institute for the Guarantee of Deposits	Private company	Financial	Association of banks	Law No. 28, Article 12, amended by a law implemented by Decree 14013 in 1970	1967		
Banque du Liban	Bank	Financial	N/A	the Code of Money and Credit and the Establishment of the Central Bank	1963	No	Revenues generated from own transactions and activities

Regie Libanaise des Tabacs et Tombacs	Public Institution	Investment	Ministry of Finance	Law No. 151	1959	No	Revenues generated from own transactions and activities
Railways and Public Transport Authority	Public Institution	Investment	Ministry of Public Works and Transportation	Law No. 6479	1961	Yes, the state budget is the main source of financing part One- Title 9: Ministry of Public Works and Transport Chapter 218: Department of Railways and Combined Transport - General Directorate of Land and Maritime Transport	Article 3 of the legal reference stipulate the following: The Authority shall have an independent fund to be financed by the following resources: 1- Revenues generated by assets and investments 2- Revenues generated by the sales of movable and immovable assets 3- revenues from ordinary and exceptional budgets 4- Taxes and fees allocated for this purpose 5- Loans contracted by the authority and guaranteed by the state 6- Other resources approved by the competent authorities.
Lebanese University	Public Institution	Administration	Ministry of Education and Higher Education	Law No. 75	1967	Yes, the state budget is the main source of financing Title 11: The Ministry of Education and Higher Education Chapter 220: The Lebanese University - General Directorate of Higher Education	Article 21 of the bylaws stipulate the following: Revenues generated from donations, registration fees, sales of publication, revenues generated from properties and all other revenues allocated to the university or obtained by the university in accordance with the provisions of the law
Rachid Karami International Fair- Tripoli	Public Institution	Investment	Ministry of Economy and Trade	Law implemented by Decree No. 4027	1960	Yes, the state budget is the main source of financing Title 13: The Ministry of Economy and Trade Chapter 223: Rashid Karami International Exhibition - Economy and Trade	The article 5 of the decree No. 6247, dated: February 25, 1961, stipulates that the Department shall have an independent fund whose revenues will be sourced from: 1- budget allocations 2- Taxes and fees allocated for this purpose 3- Revenues generated from sales and donations 4- registration fees
The Green Plan	Public Institution	Investment	Ministry of Agriculture	Law implemented by Decree No. 13335	1963	Yes, the state budget is the main source of financing part One	Not identified

						Title 14: Ministry of Interior and Municipalities Chapter 224: The Green plan - Administrative and Technical Departments In the past few years the state budget contribution covers only the salaries and wages.	
Ogero	Public Institution	Investment	Ministry of Telecommunications	Law No. 72/21	1972	Yes, the state budget is the main source of financing part two (a) Title: 115 Communication Chapter 1 part two (b) title: 115 Communication Chapter 100	Not identified
National Social Security Fund	Public Institution	Administrative	Ministry of Labor	Law implemented by Decree No. 13955	1963	Yes, the state budget is the main source of financing part One Title 16: The Ministry of Labor Chapter 226: The National Social Security Fund – Labor	1- Contributions from the private sector 2- Revenues generated by assets and investments
Electricite Du Liban	Public Institution	Investment	Ministry of Energy and Water	Law implemented by Decree No. 16878	1964	Yes	1- Revenues generated from the collection of utility fees 2- Regular treasury transfers
The Litani River Authority	Public Institution	Investment	Ministry of Energy and Water	Law amended by Law of December 3, 1955, and Decree No. 9631 dated December 13, 1996	1954	Yes, the state budget is the main source of financing	The Article 12 of the legal reference stipulates the establishment of an independent fund financed by treasury advances and internal and external loans.
Beirut and Mont Lebanon water establishment	Public Institution	Investment	Ministry of Energy and Water	law No. 221	2000	Occasionally	1- Revenues and allowances generated from the management of its projects and investments. 2- Donations.

							3- other funds
North Lebanon Water Establishment	Public Institution	Investment	Ministry of Energy and Water	law No. 221	2000	Occasionally	1- Revenues and allowances generated from the management of its projects and investments. 2- Donations. 3- other funds
Bekaa Water Establishment	Public Institution	Investment	Ministry of Energy and Water	law No. 221	2000	Occasionally	1- Revenues and allowances generated from the management of its projects and investments. 2- Donations. 3- other funds
South Lebanon Water Establishment	Public Institution	Investment	Ministry of Energy and Water	law No. 221	2000	Occasionally	1- Revenues and allowances generated from the management of its projects and investments. 2- Donations. 3- other funds
Camille Chamoun City Stadium	public institution	Investment	Ministry of Youth and Sports	Law implemented by Decree No 20125	1958	Yes	1- Donations and grants 2- Revenues generated from the operation of the facility
Lebanese Highest National Conservatory of Music	Public Institution	Administrative	Ministry of Culture	Amended by Law No. 36	2008	Yes part One, title 20: The Ministry of Education and Higher Education, Chapter 231: National Conservatory of Music - General Directorate of Culture	1 - Contributions received from national, regional, or international funding sources, private or public. 2 – Grants and donations from local or international parties 3- Revenues generated from the sales of its publications and other products. 4- registration fees
Industrial Research Institute	Institution that serves the public interest	Administrative	Ministry of Industry	Decree No. 10059	1955	No	Not identified
Tripoli Port Investment Authority	Public Institution	Investment	Ministry of Public Works and Transportations	Legislative Decree No. 43	1959	No	1- Revenues generated from investments 2- Revenues generated from sales and fees 3- Donations 4- Other revenues 5- Exceptional revenues
Tyre port Investment Authority	Public Institution	Investment	Ministry of Public Works and Transportation	Decree No. 5759	1994	No	1- Revenues generated from activities operated by the authority 2- Other revenues
Saida Port Investment Authority	Public Institution	Investment	Ministry of Public Works and Transportations	Decree No. 5657	1994	No	1- Revenues generated from activities operated by the authority

							2- Other revenues
Gestion et Exploitation du Port de Beyrouth	Public Facility	Public Facility	Ministry of Public Works and Transportations	An agreement between the Lebanese state and the "Beirut Port, Docks and Harvest Company", ratified by a law issued on May 31, 1960	1960	No	Not identified
Independent Municipal Fund	Fund	Administrative	Ministry of Interior and Municipalities	Legislative Decree No. 118 Article 87	1977	No	Dedicated taxes and shares of taxes including the VAT
Internal Fund for Vocational and Technical Education	Fund	Administrative	Ministry of Education and Higher Education	Law Implemented 15742	1964	Partially	1- Annual registration fees 2- Test fees 3- Sales of educational services 4- Registration fees in public school libraries 5- State contribution 6- Donations
Public Institution for Investment Projects at the Beirut International Airport	Public Institution	Investment	Ministry of Public Works and Transportations	Decree 6814	1995	Partially	1- budget allocations 2- self generated revenues 3- treasury advances 4- donations 5- Other sources
Beirut public Hospital - Karantina	Public Institution	Investment	Ministry of Public Health	Decree No. 4152	2000	Partially	Article 2 of Law No. 544 1- Fees collected in return of the provision of medical services 2- Donations 3- Other sources
Rafic Hariri public Hospital	Public Institution	Administrative	Ministry of Public Health	Law No. 544	1996	Partially	Article 2 of Law No. 544 1- Fees collected in return of the provision of medical services 2- Donations 3- Other sources
Baabda Governmental University Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 3977	2000	Partially	Article 2 of Law No. 544 1- Fees collected in return of the provision of medical services 2- Donations 3- Other sources
Dahr El-Bashek Governmental University Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 926	1999	Partially	Article 2 of Law No. 544 1- Fees collected in return of the provision of medical services 2- Donations 3- Other sources
President Elias Al-Harawi public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 13546	1998	Partially	Article 2 of Law No. 544 1- Fees collected in return of the provision of medical services 2- Donations 3- Other sources
Khirbet Qanafar public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 14307	2000	Partially	Article 2 of Law No. 544 1- Fees collected in return of the provision of medical services 2- Donations 3- Other sources
Rashaya Al-Wadi public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 2136	2000	Partially	Article 2 of Law No. 544 1- Fees collected in return of the provision of medical services 2- Donations 3- Other sources
Bouar public Hospital - Fotouh Kesrouan	Public Institution	Administrative	Ministry of Public Health	Decree No. 14254	2005	Partially	Article 2 of Law No. 544 1- Fees collected in return of the provision of medical services 2- Donations 3- Other sources

Qartaba Governmental Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 2667	1998		
Bint Jbeil public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 9519	2003		
Tyre public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree 9737	2013		
Mais Al Jabal public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 9283	2002		
A Nabih Berri public Hospital-Nabatieh	Public Institution	Administrative	Ministry of Public Health	Decree No. 1969	1984		
Damour public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree 2471	2009		
Tebnin public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 17836	2006		
Mashghara public Hospital - West Bekaa District	Public Institution	Administrative	Ministry of Public Health	Decree No. 8552	2012		
Marjeyoun public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 5155	2001		
Hasbaya public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 10341	2003		
Jezzine public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 14160	2005		
Tannourine public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 818	1996		
Sir Al-Dinnieh public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 2135	2000		
Dr. Abdullah Al-Rassi public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 883	1999		
Al-Sakskiyeh public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 14159	2005		
Becharreh public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 9589	2003		
Ehden public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 7313	2002		
Siblin public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 9850	2003		
Orange Nassau public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 9849	2003		
Saida public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 7415	2003		
Tripoli public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 7262	2002		
West Shahar public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 15934	2005		
Baalbek public Hospital	Public Institution	Administrative	Ministry of Public Health	Decree No. 17960	2006		

4. Appendix 4: financial practices and procedures of public entities spending off budget

Table 9: Compilation of various financial practices and procedures

Institution	Mission	Financial Control	Is it subject to public accounting law?	Is the budget discussed by the MoF?	Are financial transactions subject to pre-audit by the court of audit?	Are financial transactions subject to post-audit by the court of audit?	Subject to administrative audit by Central Inspection	Subject to financial audit by Central Inspection
Council for Development and Reconstruction	The responsibilities of the CDR were specified to three main tasks: complying a plan and a time schedule for the resumption of reconstruction and of development, guaranteeing the funding of projects presented, supervising their execution and utilization by contributing to the process of rehabilitation of public institutions, thus enabling it to assume responsibility for the execution of a number of projects under the supervision of the Council of Ministers	Expenditures are controlled by the government commissioner at the Council for Development and Reconstruction: - Availability of funds -Transaction compliance to laws and procedures	When preparing and implementing its regular budget, the Council is subject to the Public Accounting Law The Council also applies the Public Accounting Law on treasury advances , especially Articles 203 and 205	Yes Only with regard to the appropriations allocated to the Council in the state budget	No.	Yes It is subject to post audit based on internal regulations approved by the council of ministers	No	No
Beirut Port/ Free zone	Customs Law Article 243 Free zones shall be established, and their locations, borders, areas, and parts designated for rent by the concerned parties shall be determined, by a decision of the Higher Council of Customs, after the approval of the Council of Ministers.	Not identified	Not identified	Not identified	Not identified	Not identified	Not identified	Not identified
Casino du Liban	Undertaking commercial activities	Yes, by a joint committee (The Lebanese government and the Casino)	No	Not identified	Not identified	Not identified	Not identified	Not identified
National Institute for the guarantee	The purpose of the institution is to guarantee deposits in Lebanese currency with banks operating in Lebanon, regardless of the type or term of these deposits.	No	No	No	No	No	No	No
Banque du Liban	BDL mission consists of the: - Safeguard of monetary and economic stability - Safeguard of the soundness of the banking sector - Development of money and financial markets - Development and regulation of the payment systems and instruments - Development and regulation of money transfer operations including electronic transfers - Development and regulation of the clearing and settlement operations relative to different financial and payment instruments and marketable bonds	A Government Commission at the Central Bank established in the Ministry of Finance.	No	No	No	No	Indirectly by monitoring the work of the government commissioner	No

Regie Libanaise des Tabacs et Tombacs	It manages the cultivation, manufacture, and trade of tobacco in the various Lebanese regions, from the north to the south and the Bekaa.	(The financial controller is appointed by decree among the employees of the Ministry of Finance or the court of Audit Bureau	No	Yes Its budget is approved by the Minister of Finance based on the budget proposal submitted after consulting the Director General of Finance	No	Yes	Yes	No
Railways and Public Transport Authority	It manages public transportations in all Lebanese regions	Yes	Yes partially Treasury advances and transfer of allocation from the state budget reserve are subject to the Public Accounting Law	Yes	No	Yes	Yes	Yes
Lebanese University	The Lebanese University is a public institution that carries out the functions of formal higher education in its various branches and degrees. And there are centers for high scientific and literary research. It is intended in all of this to root the human values in the hearts of citizens.	Central accountant and group of secondary accountants.	No	Yes Since part of its budget comes from the state budget The University Council submits its budget proposal to the Minister of Education and Higher Education and the Minister of Finance for validation	Yes	Yes Audit Bureau	No	Yes
Rachid Karami Internat ional	Making Tripoli a cultural and economic locus outside of Beirut	yes	Yes, however with no reference by any explicit legal text	Yes	No	Yes	No	Yes
The Green Plan	Land terracing, development and conservation, water harvesting and watershed management, establishment of agricultural roads, reforestation, and seedling distribution.	Yes, a controller from the MoF	Only budget execution.	Yes	Not identified	Yes It shall submit a detailed report of its accounts to the Ministries of Agriculture and Finance and to the court of Audit every six month.	Yes(	Yes

Ogero	Ogero's mission is to design, implement and maintain the state of the art, reliable, secure and adaptable telecommunication and information technology infrastructure and solutions for the welfare of our society, that enable digital transformation in every home and every business in the country. The authority enjoys legal personality and financial and administrative independence and exercises its functions under the tutelage of the Minister of Communications in accordance with the provisions of Article 5 of Law No. 27/21 issued on December 27, 1972	Yes, internal controller	No The Authority is not subject to the provisions of the Public Accounting Law	Yes Ogero's committee approves the budget, but it does not become effective until it is ratified by the Minister of Finance	No	Yes The Authority is subject only to the oversight of the court of audit. Every year, it submits an activity and financial reports report	No	Yes
National Social Security Fund	Provides sickness and maternity insurance benefits in addition to end of service indemnities.	There is an internal financial officer in charge of financial control, however his functions are not clearly defined by the regulatory laws.	No	Yes	No	Yes	No	No
Electricite Du Liban	EDL is in charge of the production, transmission and distribution of electrical energy across all Lebanese territories	Yes, internal controller	No	Yes,	No	Yes	Yes	Yes
The Litani River Authority	Implementation of the Litani River project for irrigation, drying, potable water and electricity within a comprehensive design for Lebanese waters, according to the lessons carried out by government departments with the assistance of the American technical mission. Establishing a network of interconnection between the electricity generation plants in Lebanon. Establishment of transmission stations and distribution lines from all Lebanese regions.	Yes, internal controller	Partially, only when it comes to budget execution	Yes	Partially, only contracts and loans	Yes, yearly reports are submitted	Yes	Yes
Beirut and Mount Lebanon	Planning, studying, managing and investing in drinking water, irrigation and waste water, implementing related projects and the necessary operations and maintenance works.	Yes, internal controller	Yes partially	Not identified	No	Yes	Yes	Yes
North Lebanon Water Establishment	Planning, studying, managing and investing drinking water, irrigation and waste water, implementing related projects and the necessary operation and maintenance works.	Yes, internal controller	Yes partially	Not identified	No	Yes	Yes	Yes
Bekaa Water Establishme nt	Planning, studying, managing and investing drinking water, irrigation and waste water, implementing related projects and the necessary operation and maintenance works.	Yes, internal controller	Yes partially	Not identified	No	Yes	Yes	Yes

South Lebanon Water Establishme	Planning, studying, managing and investing drinking water, irrigation and waste water, implementing related projects and the necessary operation and maintenance works.	Yes, internal controller	Yes partially	Not identified	No	Yes	Yes	Yes
Camille Chamoun City Stadium	Carrying out maintenance work and new Carrying out all works of buying, selling, renting and concluding agreements related to new construction, maintenance and investment Managing the facilities in the Sports City during international and local matches of all kinds, in agreement with the Department of Physical Sports and Scouting, and in accordance with international sports regulations.	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lebanese Highest National Conservatory of Music	Providing musical education Offering qualification and training. Contributing to the dissemination and encouragement of musical culture in the Lebanese society. Contributing to the encouragement and release of talented and creative Lebanese youth Strengthening research in the field of music, especially the collection, preservation, dissemination of the Lebanese musical heritage and making it accessible to students, researchers, and all interested.	Yes.	Partially, budget execution	Yes	No	Yes	Yes	Yes
LIBNOR Lebanese Standards Institution	It sets national standards and specifications, publishes and amends them, and grants the right to use the conformity to standards and specifications badge.	Yes	Yes	Yes	Yes	Yes	No	No
Industrial Research Institute	Monitoring imported materials and ensuring their compliance with mandatory Lebanese specifications	Yes	No	Yes	No	Yes	Yes	Yes
Tripoli Port Investment Authority	Management and investment of docks, customs warehouses and the lands that constitute the new port facilities in “Tripoli Port”	Yes Internal controller	Yes partially	No	Yes	Yes the Comptroller.	Yes	Yes
Tyre port Investment Authority	It undertakes the management and investment of the basins and the water area in the port of Tyre, the customs warehouses, and the lands that constitute the facilities of the port.	Yes Internal controller.	Yes partially	No	No	Yes	Yes	Yes

Saida Port Investment Authority	it undertakes the management and investment of basins, water area, lands, berths, customs warehouses and buildings that constitute the facilities of the port	Yes Internal controller.	Yes partially	No	No	Yes	Yes	Yes
Gestion et Exploitation du Port de Beyrouth	Information not identified	Information not identified	Information not identified	No	No	No	No	No
Independent Municipal Fund	The Independent Municipal Fund is responsible for distributing revenues that the state collects on behalf of the municipalities	Yes	No	No	No	Yes	Yes	Yes
Internal Fund for Vocational and	Information not identified	Yes	Yes partially	No	Information not identified	Yes	Yes	Yes
Public Institution for Investment Projects at the	Management of investment and commercial activities inside the Airport including: Restaurants, rest houses, gas stations Hotels Garages established to secure parking on the premises of the airport Warehouses and shops in the duty free	Yes Internal controller	Yes	No	No	Yes	Yes	Yes
Beirut public Hospital - Karantina	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes

Rafic Hariri public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Baabda Governmental University Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Dahr El-Bashek Governmental	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
President Elias Al-Harawi public	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Khirbet Qanafar public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Rashaya Al-Wadi public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Bouar public Hospital - Fotouh	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes

Qartaba public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Bint Jbeil public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Tyre public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Mais Al Jabal public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Nabih Berri public Hospital-Nabatieh	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
A Damour public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Tebnin public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Mashghara public Hospital - West Bekaa	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes

Marjeyoun public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Hasbaya public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Jezzine public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Tannourine public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Sir Al-Dinnieh public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
A Dr. Abdullah Al-Rassi public	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Al-Sakskiyeh public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Becharreh public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes

Ehden public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Siblin public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
ange Nassau public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Saida public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Tripoli public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
West Shahar public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes
Baalbek public Hospital	1-Providing medical service in line with the ministry of health general guidance and policies 2- Supervising the medical, administrative, and financial workflow And hospitalization in the hospital 3- Monitoring the quality of service provided by the hospital in all its departments	Yes Internal controller	No	Yes	No	Yes	Yes	Yes

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