

Independent Oversight Board of the Lebanon Reform, Recovery, & Reconstruction Framework

Communiqué May 12, 2023

More than a year after the signing of a Staff Level Agreement between the Government of Lebanon (GoL) and the International Monetary Fund (IMF), Lebanon is still in arrears, not least in a deliberate stalemate that has been blocking sectoral reforms that are crucial for economic recovery.

The patchwork approach that the GoL has adopted for decades must cease; ad hoc circulars issued by the Central Bank that fall short of a comprehensive package of reforms including a fair capital control law, and a solid bank restructuring plan inter alia is futile. More importantly, accountability and justice to depositors are indispensable to reinstating local and international trust in the financial sector.

The standard response from officials entrusted to manage a country facing the worst financial and economic crisis in its history should strictly exclude depleting foreign reserves and include working around the clock on corrective policies and laws.

The IOB emphasizes that current taxation schemes are unfair and inequitable and a well-designed fiscal policy is indispensable. The IOB urges decision-makers to adopt reforms that simplify tax legislation and structures, introduce more progressive personal income taxes and broaden tax bases. Lebanon needs reforms that reduce the scope of arbitrary implementation such as digital tools and e-government, that support growth, improve the distribution of wealth and promote social justice.

We aspire that the national social protection strategy will bring adequate respite to all vulnerable groups and stress that social protection programs should be given the needed fiscal space in the 2024 budget.

The IOB condemns the parliament's postponement of municipal elections as it undermines the democratic process and the principles of good governance. We call on the Constitutional Council to swiftly take the appropriate verdict in protecting the right of citizens to elect their representatives and consecrating constitutional deadlines.

We call on the Lebanese parliament to elect a President and fast-track the formation of a Council of Ministers whose roles are indispensable to setting Lebanon on a meaningful reform track and to sustaining and strengthening public institutions.