


THE CHALLENGING PATH OF  
REFORMS IN LEBANON

**SPECIAL DRAWING RIGHTS: A  
DISBURSEMENT MECHANISM MARRED BY  
VIOLATIONS AND LACKING TRANSPARENCY**





This report is part of a series of reports produced by Maharat Foundation to track the progress of reforms highlighted in the Lebanon Reform, Recovery and Reconstruction Framework (3RF) which is part of a comprehensive response to the massive explosion on the Port of Beirut on August 4, 2020, launched by the European Union (EU), the United Nations (UN) and the World Bank Group (WBG).

## **1- INTRODUCTION TO SPECIAL DRAWING RIGHTS (SDRS)**

In September 2021, Lebanon received \$1.139 billion in its Special Drawing Rights (SDRs) allocation from the International Monetary Fund (IMF).

The Special Drawing Right (SDR) is an interest-bearing international reserve asset created by the IMF in 1969 to supplement other reserve assets of member countries.

An SDR allocation is a way of supplementing Fund member countries' foreign exchange reserves, allowing members to reduce their reliance on more expensive domestic or external debt for building reserves.

While SDRs are not related to the specific reform priorities of the 3RF, it is worth noting that during the Second Consultative Group Meeting on the Reform, Recovery, and Reconstruction Framework (3RF) on July 27, 2021, the following action point was mentioned:

“Maximizing the potential benefits of the IMF Special Drawing Rights due in September through a proper mix of consumptive, systemic, and investing measures, decided after an inclusive public debate on the use of the SDR”.

Furthermore, the IMF emphasized that these funds should be used in a transparent and responsible manner to support the necessary macroeconomic adjustments and reforms.

Therefore, it is essential to address the issue of Special Drawing Rights, especially in terms of transparency, in light of the unconditional nature of these allocations. This unconditionality has often been criticized, particularly in relation to corrupt nations like Lebanon. For years, experts have cautioned against the risks of providing much-needed foreign reserves to quasi failed states without conditions.

## 2- SPECIAL DRAWING RIGHTS DISBURSEMENT: AN OVERVIEW

As mentioned above, in 2021, Lebanon received \$1.139 billion in Special Drawing Rights.

In this regard, the IMF mentions that "it is important that the SDR allocation help replenish depleted central bank reserves and that any use is done in a transparent and responsible manner that supports needed macroeconomic adjustment and reforms".

Contrary to the IMF's call for transparency in the disbursement process, the funds were disbursed in a non-transparent way, as the Ministry of Finance did not officially and clearly present the disbursement process. This prompted MPs Ibrahim Kanaan, Yassin Jaber, Paula Yacoubian, and Firas Hamdan to submit a letter to the Ministry of Finance on the 5th of December 2023 requesting detailed information on how the funds from Special Drawing Rights were disbursed.

The MPs, in their letter, requested clarification on how the SDRs were used as follows:

- \$134,152,000 was spent on wheat.
- \$69,406,868 was spent on importing gasoline and diesel.
- \$7,000,000 was spent on public works/International Civil Aviation Organization.
- \$683,396 was spent on legal fees for the Ministry of Justice.
- \$13,249,618 was spent on passports
- \$163,518,153 was spent on loans.
- \$34,946,434 was spent on Special Drawing Rights charges.

It's worth noting that these figures were sent by the Ministry of Finance to the objecting MPs without any explanation of the expenditure mechanism, as clarified by MP Firas Hamdan in an interview with Maharat-news.

MP Firas Hamdan added in an interview with Maharat-news that the government treated these funds in the same manner as treasury advances, and therefore did not subject them to the public procurement law. He pointed out that the disbursement of these funds constitutes a legal violation, especially given Prime Minister Najib Mikati's commitment not to spend these funds without returning to the Parliament. Indeed, the funds were spent without Parliament authorization.



However, no response to the letter from the MPs was received.

In parallel, in October 2023, the Finance and Budget Committee decided to refer the file to the Court of Audit due to multiple violations, announced by the committee's chairman, MP Ibrahim Kanaan, during a press conference. First, the funds were spent without parliamentary authorization, violating the Lebanese Constitution. Additionally, special accounts were opened at the Central Bank of Lebanon instead of transferring the funds to the Treasury's account, contravening Article 242 of the Public Accounting Code.


In this context, MP Firas Hamdan clarified in an interview with *Maharatnews* that he filed a lawsuit before the summary judge to compel the Ministry of Finance to provide full information on how the funds were disbursed and the mechanism followed for each expenditure item.

However, to date, the summary judge has not issued a decision on this lawsuit.

Hence, despite all these actions, there is still no transparency regarding how SDRs were spent and questions remain regarding the legality of these expenditures.

### **3- CHALLENGES RELATED TO THE DISBURSEMENT OF SPECIAL DRAWING RIGHTS**

- **Lack of Transparency in Spending:** Despite the International Monetary Fund's call for transparency in spending these funds, to date, there is no official information on how Special Drawing Rights were spent, raising numerous questions.
- **Spending Funds Outside of Structural Reforms:** The IMF recommended that Special Drawing Rights funds be spent to replenish the reserves of the Central Bank of Lebanon and support reforms at the macroeconomic level. However, Lebanese authorities spent these funds without a clear reform plan to put Lebanon back on the path of economic recovery.
- **Legal Violations:** The disbursement of SDR funds involved legal violations, including spending funds without parliamentary approval and opening special accounts at the Central Bank instead of transferring funds to the Treasury's account. These violations undermine transparency, accountability, posing a significant governance challenge in public financial management.

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- **Bypassing the Right to Access Information Law:** The Right to Access Information Law, which was one of the international community's fundamental demands, requires relevant authorities to provide information regarding how funds are spent. However, after MPs submitted a letter regarding the spending of funds, the Ministry of Finance did not provide any information.
  - **The Lack of Transparency** and the absence of official figures regarding the remaining amounts of Special Drawing Rights have led to conflicting information in the media, posing a challenge for journalists in their work.

#### 4-RECOMMENDATIONS

- **Access to Information Law enforcement:** It is important to enforce the Access to Information Law to enable Lebanese citizens to access information about how public money is disbursed, increasing transparency and accountability on public expenditure.
- **Necessity of Fully Functional Institutions:** Lebanon needs fully functional institutions, achievable only through the election of a president and the subsequent formation of a government.
- **Ensure Compliance with Legal Requirements:** It is imperative to adhere to a legal and transparent mechanism for the disbursement of funds, ensuring compliance with parliamentary authorization and other relevant laws and regulations.
- **Implementation of International Recommendations:** It is crucial today to guarantee the implementation of international recommendations that call for transparency and responsibility in the use of Special Drawing Rights allocation, whilst also ensuring they support needed macroeconomic adjustment and reforms.