

**Input by the Arab NGO Network for Development  
Consultation process of the United Nations Special Rapporteur on extreme  
poverty and human rights**

**The human rights impact of fiscal and tax policy**

**TAXATION**

---

**1- Is your government's tax policy compatible with the obligation to use maximum available resources to realize economic and social rights? If not, why? Do obstacles of a national or international nature impinge on your government's ability to mobilize the maximum available resources through taxation?**

Taxes revenues account for 78.5% of budgetary revenues and for 74.1% of total treasury and budget receipts<sup>1</sup>. The government's tax incomes are mostly used for debt servicing. Indeed, in 2011, 55% of the government's revenue was used for debt servicing<sup>2</sup>. This foreign debt is the main international hindrance on the government's capacity to allocate spending to health, education or employment in order to realize economic and social rights.

Moreover, it is worth noting that the main national obstacle that impinges the government's ability to mobilize available taxes through taxation, is the widespread tax evasion that is primarily caused by the lack of application of the principles of accountability in Lebanon.

**2- In general, would you say that the tax regime is regressive or progressive? Why? Please provide examples (for instance: proportions of wealth, income, and consumption taxes in total revenue; distributional impacts of tax schemes between and within households, including deduction and exemptions for women, people living in poverty, single household heads, or based on marital status). What are the shares of tax revenue paid by different groups and the rate of taxation on different social groups?**

Taxation Schemes in Lebanon include:

Income Taxes which include:

**Corporate Tax on Profits:** which stands at 15% for corporations and between 4% and 21% for individuals

**Taxes on Wages and Salaries or the Payroll Tax:** which currently range between 2% and 20%

**Taxes on Income from Movable Capital:** which currently stands at 10%

Other Types of Taxes which include:

---

<sup>1</sup>[https://www.google.com.lb/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CCkQFjAA&url=http%3A%2F%2Fwww.byblosbank.com%2FLibrary%2FFiles%2FLebanon%2FPublications%2FEconomic%2520Research%2FLebanon%2520This%2520Week%2FLebanon%2520This%2520Week\\_323\(1\).pdf&ei=tkKXUtSnGYTE0QX6zIDYAg&usg=AFQjCNGrYZDSczE3UA2Z7XO0DOGgsYaEaw&sig2=bTGI7pe6wdPWkj6XK\\_Gs7w&bvm=bv.57155469.d.d2k&cad=rja](https://www.google.com.lb/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CCkQFjAA&url=http%3A%2F%2Fwww.byblosbank.com%2FLibrary%2FFiles%2FLebanon%2FPublications%2FEconomic%2520Research%2FLebanon%2520This%2520Week%2FLebanon%2520This%2520Week_323(1).pdf&ei=tkKXUtSnGYTE0QX6zIDYAg&usg=AFQjCNGrYZDSczE3UA2Z7XO0DOGgsYaEaw&sig2=bTGI7pe6wdPWkj6XK_Gs7w&bvm=bv.57155469.d.d2k&cad=rja) page 9

<sup>2</sup> <http://www.annd.org/english/data/latest/file/123.pdf> page 2

**Social Security Contribution:** which currently stands at 21.5% for employers and 2% for employees

**Property Tax:** which ranges from 0 to 14%

**Value Added Tax (VAT):** which currently stands at 10%

**Stamp and Custom Duties:** with a stamp duty of 3% charged on most contracts and custom duties ranging from 0 to 70%<sup>3</sup>

For a first glance, the tax regime in Lebanon seems rather progressive but only to a certain point. Indeed, tax rates reach a high of 20% for an income of 120 million LP<sup>4</sup> per year. There are no progressive measures after this income which is equivalent to 80.000 USD per year.

**3- What is the tax/GDP ratio of your country? Would you say that the tax regime allows the State to: a) raise adequate resources to ensure the realization of human rights, including sustainable financing of social protection systems; b) mitigate poverty and inequalities; and c) ensure that rights of disadvantaged and marginalized individuals and groups are not disproportionately affected? Please explain. If the answer was negative, why are different rates or other types of taxes not in place?**

The overall tax income amounts to 17.2% of total domestic income<sup>5</sup>.

The issue of the resources raised by the state to sustainably finance social protection systems and Human Rights should be reformulated. It is not a question of the amount of resources but rather their allocation: more than half of the State's resources are dedicated to debt repayment. What is left of government resources is not enough for financing the above-mentioned. Indeed, the provision and availability of State services is not enough especially in health and education<sup>6</sup>. The UNDP Lebanon report on the post 2015 consultation indicated that corruption and a misplaced redistribution of revenues in the country are hindering social justice and developmental objectives. The same report indicates that: *"the redistribution of revenues is not properly allocated to achieve social priorities such as social justice, job creation, poverty alleviation, equitable regional development, improvement of the standard and quality of health, education and other basic services, as well as the preservation of the environment"*<sup>7</sup>. Adding to corruption, tax evasion and the absence of any awareness among citizens as to their fiscal duties are also important challenges<sup>8</sup>.

**4- How does the government guarantee that the design and implementation of taxation measures, as well as monitoring of their impacts, are carried out in accordance with principles of public participation, transparency, non-discrimination and accountability? Are there special mechanisms to protect these guarantees, in particular for marginalized and vulnerable groups?**

<sup>3</sup> [http://www.idal.com.lb/en/lebanon\\_at\\_a\\_glance](http://www.idal.com.lb/en/lebanon_at_a_glance)

<sup>4</sup> <http://www.annd.org/arabic/data/publications/pdf/47.pdf> page 54

<sup>5</sup> <http://www.heritage.org/index/country/lebanon#> last checked 28/11/2013

<sup>6</sup> <http://www.undp.org/content/dam/lebanon/docs/MDG/Publications/Post%202015%20Public%20report%20Final%20-English.pdf> page 3, last checked 28/11/2013

<sup>7</sup> <http://www.undp.org/content/dam/lebanon/docs/MDG/Publications/Post%202015%20Public%20report%20Final%20-English.pdf> page 11, last checked 28/11/2013

<sup>8</sup> <http://www.annd.org/arabic/data/publications/pdf/47.pdf>

The law No.44 on tax procedures in Lebanon was issued in 11/11/2008. It tackled the issue of tax evasion in both a direct and direct manner<sup>9</sup>. It was followed by the decree number 2488 and the 453/1 in 2009 that regulate tax procedures. Monitoring of the impacts are often carried out by various stakeholders, including CSOs, more awareness is being built in this regard.

**5- If the government has recently introduced tax cuts, which sectors of society have benefited most? How has your government justified any reduction in revenue, which may result from these tax cuts? What is your country's corporate tax rate?**

In 2011, caretaker Energy and Water Minister Jibril Bassil, intended on introducing a cut on gasoline taxes. Indeed, in January 2011, “the minister passed a gasoline tax cut of LL 3,000 after prices reached their highest level since 2008<sup>10</sup>. Caretaker Finance Minister Raya Hassan, of the opposite political coalition, has tried to outbid Bassil, by proposing a gasoline tax cut of LL 5,000”. The law could not be implemented and *the Higher Council on Accounting* was blamed by Jibril Bassil who stated that: “Failure to implement [the tax cuts] harms the public interest and the rights of citizens”<sup>11</sup>

In March 2011, caretaker Finance Minister Raya Hassan introduced a decision to reduce the income tax on the owners of Lebanese industrial enterprises by 35 percent. “The Finance Ministry issued a brief statement announcing that Hassan had agreed to cut income tax on industrialists for a period of five years. The statement did not elaborate on when or how the decision would take effect.”<sup>12</sup> However, economists warned that such measures are not applicable without a government: “Cutting the industrialists’ income tax is a very important step but I believe that such a decision should have been taken earlier in the presence of the government, announcing such a decision in the absence of a government has only one objective: gaining public support”<sup>13</sup>. In other words, the government did not bother in justifying these income reductions since the measures adopted are unlikely to be implemented in the absence of a government.

The maximum corporate tax rate in Lebanon is of 15%<sup>14</sup> on the corporation’s business income. “Individuals and partners in a private company are subject to tax on profits, after deduction of family allowances, on a progressive scale as follows:

The tax rate for non-residents is 7.5% on royalties (15% on 50% of the net profit).

- For individuals and partners: Progressive rates from 4% to 21% for taxable profit :
- Up to LBP 9 million 4%
- LBP [9-24] million 7%
- LBP [24-54] million 12%

<sup>9</sup> <http://www.annd.org/arabic/data/publications/pdf/47.pdf> page 59, last checked 28/11/2013

<sup>10</sup> <http://www.dailystar.com.lb/Business/Lebanon/2011/Feb-23/61817-state-legal-body-backs-bassil-fuel-tax-cuts.ashx#axzz2m2N9IPhr> last checked 29/11/2013

<sup>11</sup> Idem

<sup>12</sup> <http://www.dailystar.com.lb/Business/Lebanon/2011/Mar-23/134938-hassan-oks-35-percent-tax-cut-for-industrialists.ashx#axzz2m2N9IPhr> last checked 29/11/2013

<sup>13</sup> Idem

<sup>14</sup> <http://www.annd.org/arabic/data/publications/pdf/47.pdf> page 56, last checked 28/11/2013

- LBP [54-104] million 16%
- over LBP 104 million 21%<sup>15</sup>

Furthermore, “exemptions from corporate tax on profits apply to the following: holding companies, offshore companies, education institutes, hospitals, cooperative associations, trade unions, local air and sea transport companies, touristic establishments”<sup>16</sup>.

**6- What is the fiscal pressure on the financial sector? Would you characterize the financial sector as paying a fair share of taxes? On what basis?**

The fiscal pressure on the financial sector is at a minimum. Indeed, measures for facilitating business are common currency in the country. The top 13 banks in Lebanon have seen their profits rise to 1.2% in the first 9 months of 2013, in the midst of security turmoil, social unrest and increasing poverty in the country and increased economic hardship on the average Lebanese citizen.

**7- Are there any particular industries that receive tax subsidies (for example, agriculture, housing)? Are these subsidies related to government’s commitments to specific human rights (for example, right to adequate housing or food), or do they follow other human rights-based rationale?**

The Lebanese government subsidizes Wheat<sup>17</sup>, agriculture<sup>18</sup>, fisheries<sup>19</sup>, fuel<sup>20</sup> and electricity<sup>21</sup> among other. The rationale behind these subsidies is enshrined in the country’s ratification of the International Covenant on Social, Economic and Cultural Rights.

## **SPENDING**

---

**1. Are gender equality and economic and social rights criteria considered in budget planning and execution? If so, how are they integrated and monitored? Since when? Have you or your government been able to track the effect of these criteria? If so, what results have you obtained by applying these criteria?**

In Lebanon, the 1963 Law on Public Accounting<sup>22</sup> establishes the legislative framework for budget preparation and execution. Accordingly the budget cycle including the formulation, approval, execution and oversight is undertaken in an

<sup>15</sup> The Investment Development Authority of Lebanon: page 2 last checked 28/11/2013

<http://investinlebanon.gov.lb/Content/uploads/SideBlock/130306010904242~Taxation%20Schemes%20in%20Lebanon.pdf>

<sup>16</sup> Idem page 6

<sup>17</sup> <http://dailystar.com.lb/Business/Lebanon/2013/Sep-11/230781-wheat-farmers-condemn-subsidies-delay.ashx#axzz2lxexjaZY>

<sup>18</sup> <http://dailystar.com.lb/Article.aspx?id=165650#axzz2lxexjaZY>

<sup>19</sup> <http://www.seararoundus.org/Subsidy/default.aspx?GeoEntityID=119>

<sup>20</sup> <http://www.dailystar.com.lb/Business/Lebanon/2011/May-21/139191-cracks-appear-in-lebanon-fuel-subsidy-agreement.ashx#axzz2lx7uFmHR>

<sup>21</sup> <http://www.carboun.com/energy/lebanon-247-producing-electricity-in-lebanon/>

<sup>22</sup> [http://www.finance.gov.lb/en-](http://www.finance.gov.lb/en-US/finance/BudgetInformation/OtherBudgetDocuments/Documents/Public%20Accounting%20Law.pdf)

[US/finance/BudgetInformation/OtherBudgetDocuments/Documents/Public%20Accounting%20Law.pdf](http://www.finance.gov.lb/en-US/finance/BudgetInformation/OtherBudgetDocuments/Documents/Public%20Accounting%20Law.pdf)

annual basis whereby the Ministry of Finance (MoF) issues the budget circular, every administrator prepares its draft budget and submits it to MoF. The Directorate of Budget and Expenditures studies the draft budgets and discusses them with each administration. The draft budget then is sent to MoF which considers it as a whole and discussed later by Council of Ministers before sending to the Parliament, that evaluates (by the Budget and Finance Committee) and adopts it in a plenary session.

This budget cycle approach in Lebanon does not allow a participatory budgeting to ensure that aspirations and needs of the people are taken into consideration; or a gender sensitive budget. The latter would have required that the different needs, rights and obligations of men and women are recognized and accordingly the government budget is disaggregated and the effects of expenditure and revenue policies is analyzed. Unfortunately, although Lebanon undertook trainings by United Nations Development Fund for Women as early as 2000 on gender-responsive budgeting the practice still lacks. This indeed has been as well recognized by the Arab Human Development Report, with a regional perspective, that called for Arab countries to tackle gender inequalities in budget execution and a large increase in public spending to bring economic, social and political empowerment for women.

It is important to note that whereas gender equality and economic and social rights criteria does not require separate budgets but instead a national budget that promotes the resources to be used most efficiently to ensure equality in enjoyment of rights both by women and men, the Lebanese budgetary process lacks this aspect. It is particularly visible given that the budgetary analysis is mainly focused on structured economy, which is dominated mainly by men but does not consider care economy that is carried out mostly by women.

On the other hand, with realization of economic and social rights, rather than the budget reflecting the country's socio-economic policy necessities and priorities, as noted by UNDP, in Lebanon due to internal and external pressures, constraints and imbalances, the budget turns to be "a rollover document intended to pay the bill and keep the government running for another 12 months."<sup>23</sup> In this regard, given that for 2013, nearly 45 percent of the government's revenues cover the cost of debt servicing and 35 percent covers the salaries of the public sector employees<sup>24</sup>, the lack of financial resources for ensuring economic and social rights is clear.

**2. Has your government engaged, or is it planning to engage, in fiscal austerity measures, such as cutting spending on social services? If so, what safeguards did, or will it put in place to ensure that such measures are consistent with human rights obligations? Are the cuts temporary or permanent? Are they necessary in the sense that their absence would have meant greater harm to economic and social rights of the population? Has the government identified the minimum content of rights that should not be affected? Have the cuts been accompanied by mitigating measures to ensure that vulnerable and marginalized populations are not disproportionately affected? If yes, please provide examples of some of those measures.**

<sup>23</sup> <http://www.undp.org.lb/communication/publications/linking/session3.pdf>

<sup>24</sup> <http://www.dailystar.com.lb/Business/Lebanon/2013/Jun-15/220436-budget-deficit-rises-to-26-percent-in-first-quarter.ashx#ixzz2lk052VoA>

Lebanon has engaged in austerity measures since 2000s and the reduction in education and health spending (as % of GDP) well reflects this (*below*). Rather than drastic cuts due to external pressure or crisis, the last decade analysis of the public spending on sectors like education and health reveals that it has been in constant decrease. This indeed reflects the policy choices of the government in less spending on sectors necessary for human and social development. Accordingly the dire effects of the cuts are reflected in the violations that the peoples face in the enjoyment of these rights. For instance, with regard to the right to health, with an inefficient public healthcare system, the healthcare system turns out to be mostly based on private sector. Yet this does not ensure accessibility and affordability for all citizens equally.

With regard to mitigating measures applied by the Lebanese government, it should be noted that by October 2011, Lebanon launched the national program to support the poorest families. By February 2013, 65.000 families applied to the program and 45.000 families were approved in the first phase. Additional 18.500 families began receiving benefits by 2013.<sup>25</sup> The program aims to support these families through providing free hospitalization, preliminary health care, medicine, exemption of poorest families from tuition fees in government schools in all phases and ensuring schoolbooks. The program includes different initiatives, including beneficiaries' receipt of a discount of 20,000 Lebanese pounds (\$13) on their electricity bill or elderly beneficiaries to receive a food basket every three months for instance. By 2013 the new initiative the card Hala started, this card enables beneficiaries to obtain health coverage in 30 government and 44 private hospitals, and covers the cost of drugs for chronic diseases. It also provides free registration and textbooks for students in public schools.

While these measures aim to support particularly marginalized and vulnerable people, it is critical to highlight that they are rather limited compared to the urgent need of adopting new policy approach that focuses on developing a long term comprehensive social plan and providing affordable and high quality basic services including clean water, energy, public transportation and housing as well as health and education including free schooling.

	Public spending on education, total (% of GDP)	Public spending on education, total (% of government expenditure)	Health expenditure, total (% of GDP)	Health expenditure, public (% of total health expenditure)
2000	2	9.2	9.9	32.6
2001	1.9	11.1	9.3	37.3
2002	2.8	12.3	8.6	43.5
2003	2.6	-	8.2	40.6
2004	2.6	12.7	8.3	43
2005	2.6	11	8.1	45.6
2006	2.7	9.8	8	41.5
2007	2.6	9.6	8.2	40.2
2008	2	8.1	7.4	41.1
2009	1.8	7.2	7.1	39.3

<sup>25</sup> [http://al-shorfa.com/en\\_GB/articles/meii/features/2013/02/26/feature-01](http://al-shorfa.com/en_GB/articles/meii/features/2013/02/26/feature-01)

2010	1.7	7.2	6.2	27
2011	1.6	7.1	6.3	25.5

Source: World Bank Database

**3. What measures were put in place to ensure public participation, transparency, non-discrimination and accountability in the design and implementation of spending cuts and in the monitoring of their impacts? To what extent do these rely on disaggregated data by sex, age, income and place and up-to-date information on poverty?**

In Lebanon, policy making and implementation mechanisms do not ensure public participation and transparency, including with regard to spending cuts. The statistics of International Transparency Organizations reflects the lack of transparency and budget openness in Lebanon. Accordingly Lebanon ranks at 128 (out of 176) with a score of 30 over 100 for 2012. Moreover, the budget openness is noted only minimal again with a score of 30 over 100. The Open Budget Index score remaining at 33 out of 100 in 2012 (and around the same level for the last three years) indeed indicates the lack of accountability<sup>26</sup>.

In Lebanon, the budget proposal is not fully available to the citizens. The government provides some information to the public, but citizens do not have a comprehensive picture of the government's plans for taxing and spending for the upcoming year. Moreover the lack of mid-term reports and difficulties in tracking spending, revenue collection and borrowing creates further challenges for public accountability<sup>27</sup>. The legislature does not hold any hearings on the budget which indeed could have enabled further public participation.

On the other hand, with regard to availability and accessibility of information on poverty, the situation is as well bleak. It is important to note that access to information itself is problematic in Lebanon and the law on access to information still lacks. This creates a violation given that the free flow of information and freedom of access to it is a basic human right. The survey undertaken by Lebanese Transparency Association reveals the situation in Lebanon further. Accordingly with reference to the level of difficulties in accessing information, 72% of the respondents confirm that it is very difficult to access information in Lebanon. More important, of the methods by which one could most easily access information, 81% mention *wasta* and political pull as the most successful means, while 23% refer to paying to access information<sup>28</sup>.

Particularly with regard to poverty statistics, the data is not updated, though is disaggregated specifically with regard to different regions in Lebanon, highlighting rural-urban inequalities (*below*)<sup>29</sup>. Accordingly, "it is estimated that nearly 27 percent of the Lebanese population, or 1 million people, were poor, living on less than USD 4

<sup>26</sup> <http://internationalbudget.org/wp-content/uploads/OBI2012-LebanonCS-English.pdf>

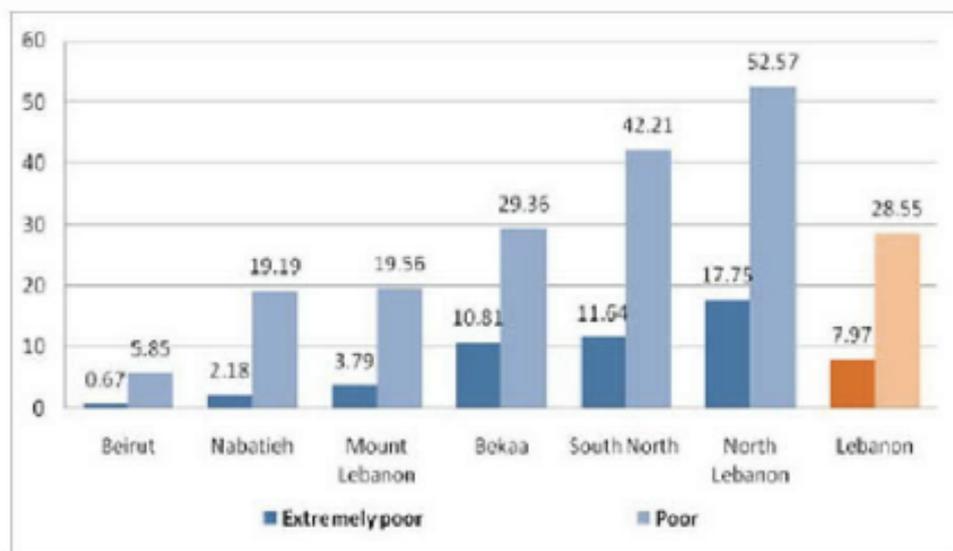
<sup>27</sup> [http://internationalbudget.org/wp-content/uploads/2011/04/cs\\_lebanon.pdf](http://internationalbudget.org/wp-content/uploads/2011/04/cs_lebanon.pdf)

<sup>28</sup> <http://www.ldn-lb.org/UserFiles/ATI%20Report%20in%20Lebanon%20and%20Bill%20of%20Right-Sept%202012-LTA-Carthage-Final.pdf>

<sup>29</sup> The data is used as well by the latest Social and Economic Impact Assessment prepared by the World Bank, 2013.

per day, and 8 percent, or 300,000 people, were extremely poor, living on less than USD 2.40 per day.

### -Poverty Rates in Lebanon by Governorate



Source: Government of Lebanon, 2010, and UNICEF (2011).

**4. What is the distribution of expenditure between different social groups (e.g. women-men, rural-urban, different age groups)? What percentages of the national budget does your government allocate and spend on health services, public education, and social welfare compared to military expenditure?**

	Public spending on education, total (% of GDP)	Public spending on education, total (% of government expenditure)	Health expenditure, total (% of GDP)	Health expenditure, public (% of total health expenditure)	Military expenditure (% of GDP)
2000	2	9.2	9.9	32.6	5.4
2001	1.9	11.1	9.3	37.3	5.4
2002	2.8	12.3	8.6	43.5	4.7
2003	2.6	-	8.2	40.6	4.6
2004	2.6	12.7	8.3	43	4.4
2005	2.6	11	8.1	45.6	4.4
2006	2.7	9.8	8	41.5	4.5
2007	2.6	9.6	8.2	40.2	4.6
2008	2	8.1	7.4	41.1	3.9
2009	1.8	7.2	7.1	39.3	4.1
2010	1.7	7.2	6.2	27	4.3
2011	1.6	7.1	6.3	25.5	4.1

Source: World Bank

The frequent wars with Israel and overall policy approach to “national security”, result in high percentage of military spending in Lebanon. The higher rate is visible when comparing military expenditure to public education, the later around 3 times less than the former. Whereas the 2011 military expenditure is in decrease when compared to a decade ago, it is also important to note that the decrease in military expenditure is much less than the one of the health sector. (for military from 5.4% to 4.1% whereas in health from 9.9% to 6.3%).

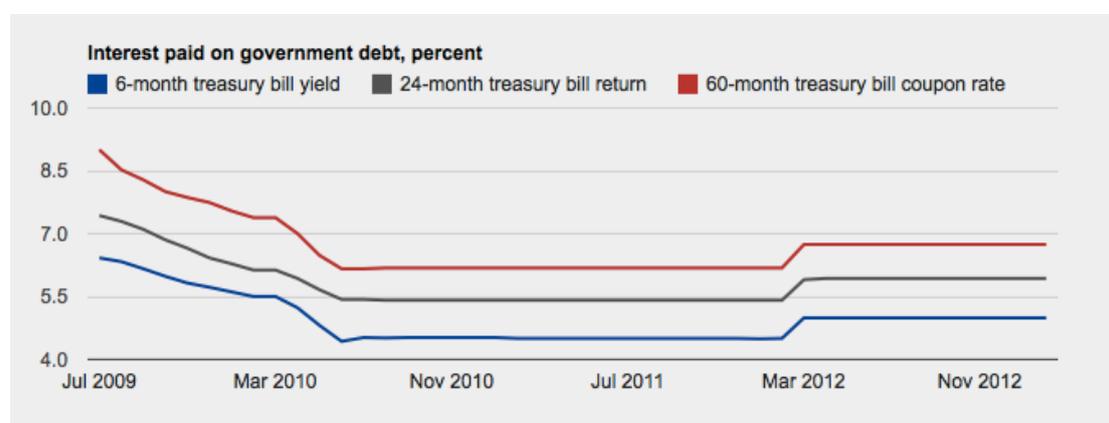
### 5. What percentage of the national budget goes to service debt? Is that level of payments consistent with the spending needed to comply with your government’s human rights obligations?

In the first half of 2013, debt-servicing accounted for 28.4% of total expenditures and for 36% of budgetary spending and absorbed 39.5% of overall revenues and 41.8% of budgetary receipts.<sup>30</sup> With a high percentage of the budget spent on debts, it is clear that the obligation to devote the maximum available resources to the realization of economic and social rights, as noted in Article 2 (1) of the International Covenant on Economic, Social and Cultural rights is indeed violated. The debt repayments are prioritized over social expenditures that are necessary for the advancement and full enjoyment of economic and social rights.

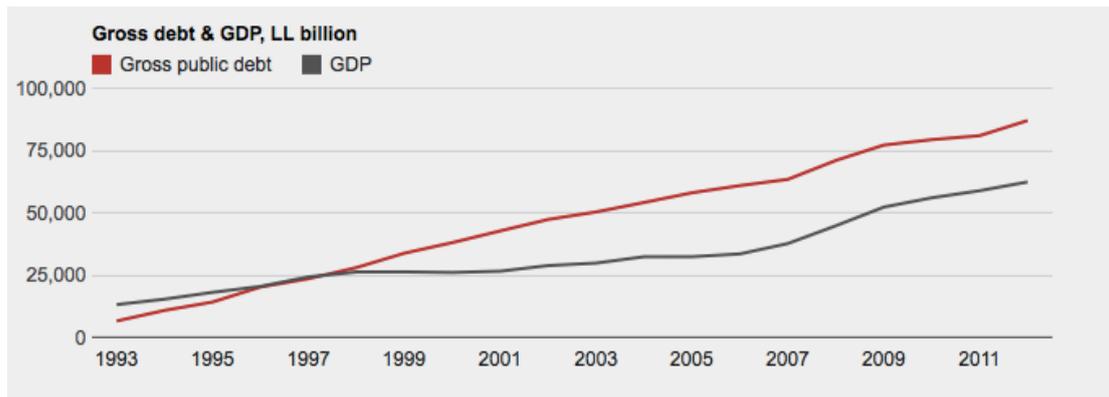
(in % unless specified)	2010	2011	2012	Change*
Nominal GDP (\$bn)	37.1	39.3	41.6	
Public Debt in Foreign Currency / GDP	55.5	53.2	58.7	550
Public Debt in Local Currency / GDP	86.2	83.2	80.2	(300)
Gross Public Debt / GDP	141.7	136.4	138.9	250
Total Gross External Debt / GDP	167.2	173.8	172.3	(150)

Source:

[http://www.byblosbank.com/Library/Files/Lebanon/Publications/Economic%20Research/Lebanon%20This%20Week/Lebanon%20This%20Week\\_332.pdf](http://www.byblosbank.com/Library/Files/Lebanon/Publications/Economic%20Research/Lebanon%20This%20Week/Lebanon%20This%20Week_332.pdf)



<sup>30</sup>[http://www.byblosbank.com/Library/Files/Lebanon/Publications/Economic%20Research/Lebanon%20This%20Week/Lebanon%20This%20Week\\_323\(1\).pdf](http://www.byblosbank.com/Library/Files/Lebanon/Publications/Economic%20Research/Lebanon%20This%20Week/Lebanon%20This%20Week_323(1).pdf)



Source: <http://www.executive-magazine.com/lebanon-debt-guide/>

## 6. What is your assessment of the Government's capacity in terms of tax collection, treasury management, budget execution, accounting and auditing?

Apart from the income tax that mainly includes corporate tax on profits, tax on wages and salaries and tax on income from movable capital, the Lebanese taxation system includes the property taxes and Value-Added Tax (VAT).<sup>31</sup> The taxation system in Lebanon needs to be revised before adding new taxes or increasing tax rates in order to be based on progressive direct taxation that contributes to the redistribution of wealth. In this regard, the 2012 Lebanese budget including the VAT rise from 10% to 12% remains problematic. The studies highlight that “tax rate increases will have major negative impacts on the welfare of the middle class and households living just above the poverty line. Overall poverty in Lebanon, currently evaluated at almost 30% of the population, might increase to 35 and even 50% as the VAT rate is moved to 12 and 15%”<sup>32</sup>. This increase in VAT while corresponding to the commitments made under the problematic Paris III reform agenda, brings in further negative impacts on the living conditions of the poor population in Lebanon.

With regard to auditing, in line with Lebanese Constitution Article 87 Public Accountancy Act of 1951 there is the Supreme Audit Institution-Court of Accounts that covers the public sector. Yet financially and administratively the SAI is linked to Council of Ministers thus does not enjoy full independence and is not protected from political interference. In this regard, despite legal provisions the genuine “independence of the Court depends on the willingness of the political leadership to recognize the importance and benefits of an independent financial control agency and provide it with the needed support”<sup>33</sup>. For Lebanese case the later had been problematic with certain limits and constraints deriving from existing political context and realities.<sup>34</sup> On the other hand, with regard to overall function of the Court of Accounts, by law it is required to prepare and disclose audit reports. Whereas it is

<sup>31</sup> <http://www.google.com.tr/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&ved=0CDkQFjAB&url=http%3A%2F%2Finvestinlebanon.gov.lb%2FContent%2Fuploads%2FSideBlock%2F130306010904242~Taxation%2520Schemes%2520in%2520Lebanon.pdf&ei=LQ-XUtLMCIrMygOTHyDABQ&usg=AFQjCNHQ20UC6XOyIhTl-EOLeGmpiO8Jhg&bvm=bv.57155469,d.bGQ>

<sup>32</sup> Nisreen Salti and Jad Chaaban, The Poverty And Equity Implications Of A Rise In The Value Added Tax: A Microeconomic Simulation For Lebanon, May 2009,

<http://ideas.repec.org/p/erg/wpaper/483.html>

<sup>33</sup> <http://almashriq.hiof.no/ddc/projects/pspa/PSAccount/PSAccount-1.html>

<sup>34</sup> <http://almashriq.hiof.no/ddc/projects/pspa/PSAccount/PSAccount-1.html>

definitely an added-value for the accountability and transparency, as noted by the Global Integrity Report points out the Court remains inefficient as no recent reports are published<sup>35</sup>. The body also remains insufficient due to lack of human resources.

Given these and as well noted by the World Bank, Lebanon “still has a long way before an effective and transparent public financial management system is in place. The next wave of reforms should concentrate on budget preparation, budget execution and controls, accounting and treasury management, fiscal reporting, capacity building at the MOF and line ministries, and the legislative framework. Reform of the country’s external auditor, the Court of Accounts, remains a challenge that requires immediate attention.”<sup>36</sup>

**In light of the information and data provided to the consultation process launched by the UN Special Rapporteur on extreme poverty and human rights, the Arab NGO Network for Development provides below recommendations to be taken into consideration by the Special Rapporteur in her call to Lebanese government to implement:**

- **Increase the transparency in budgetary process by preparing and making publicly available budgetary reports (yearly and midterm)**
- **Ensure a participatory approach to budget cycle, enabling all relevant stakeholders to discuss and contribute to budget preparations particularly to reflect upon the real needs and necessities of the society**
- **In line with the Lebanon’s government’s commitment to gender equity and its obligations deriving from international human rights treaties that Lebanon is a state party to, focus on gender awareness and mainstreaming in all aspects of budgeting at national and local levels**
- **Ensure that available resources are used in a way to advance human rights conditions in Lebanon, equally by men and women**
- **Adopt new policy approach that focuses on developing a long term comprehensive social plan and providing affordable and high quality basic services including clean water, energy, public transportation and housing as well as health and education including free schooling and ensure that maximum available resources spent on these social sectors correspond to actual needs.**
- **Enable the availability and accessibility of information and data on household resources at a finely disaggregated level that consider regional and gender disparities**
- **Revise the Lebanese taxation policy in order to be based on progressive direct taxation that contributes to the redistribution of wealth, and revisit the taxation policies in order to avoid tax evasion.**
- **The application of the unified tax system that is based on the collection of net revenues to the taxpayer in one pot, and then impose a progressive tax and follow standard procedures in terms of collection and verification**

<sup>35</sup> [www.coa.com](http://www.coa.com)

<sup>36</sup> <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/MENAEXT/EXTMNAREGTOPGOVERNANCE/0,,contentMDK:21918503~isCURL:Y~menuPK:4406853~pagePK:34004173~piPK:34003707~theSitePK:497024,00.html>

*The Arab NGO Network for Development (ANND) is a regional network, working in 12 Arab countries; ANND members are 9 national networks (with an extended membership of 250 CSO) in addition to 23 individual NGO members. ANND was established in 1997 and its headquarters is located in Beirut, Lebanon since 2000. ANND aims at enhancing and strengthening the role of civil society. It also aims at promoting the values of democracy, respect of human rights and sustainable development in the region. ANND advocates for more sound and effective socio-economic reforms in the region, which integrate the rights based approach and the concepts of sustainable development and gender justice.*

*For more information [www.annd.org](http://www.annd.org)*