

Project Name Lebanon-Revenue Enhancement and Fiscal Management...  
Technical Assistance Project

Region Middle East and North Africa

Sector Finance

Project ID LBPA5340

Borrower The Lebanese Republic

Implementing Agency Ministry of Finance  
Contact Person: Mr. Basil Fuleihan  
Project Director  
Tel: 866-902  
Fax: 212-478-3487

Date PID Prepared October 20, 1994

Date of Initial PID May 16, 1994

Project Cost US\$23.60 million

Financing Plan	Local	Foreign	Total
----- (US\$ millions) -----			
Bank	0.36	19.58	19.94
Government	1.97	0.00	1.97
UNDP	0.00	1.03	1.03
IMF	0.00	0.66	0.66
Total	2.33	21.27	23.60

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Post-Appraisal Date April 1994

Board Approval Date June 1994

1. Background. Fifteen years of conflict in Lebanon (1975-90) have left the economy devastated, with real per capita income reduced by nearly two thirds due to the widespread destruction of infrastructure and productive assets and dislocation of the population. The total war damage to the economy is estimated by the U.N. at approximately US\$ billion. Nearly a quarter of the population of 3.6 million has been displaced. Apart from the tragic loss of life and the disabling of thousands of people, about 200,000 professional and skilled Lebanese have left the country. This has caused major shortages of skilled workers in various sectors of the economy. Public institutions are operating with limited skilled staff, and it is difficult to attract qualified new staff due to the current low salary scales. The working of the Government has also been seriously affected by the lack of office space (as most public buildings have been damaged by war), office equipment, and supplies, in addition to the lack of civil service training to update skills. The Ministry of Finance (MOF) occupies a central position in overcoming these

difficulties. Although it has suffered from the same handicaps (lack of personnel and equipment) as other ministries, it has the critical responsibility of stabilizing the economy and mobilizing resources for reconstruction and growth.

2. Project Objectives. The Project seeks to support Government efforts to enhance revenues and strengthen fiscal management. The Project's main focus is on filling the immediate gaps in key personnel, skills, equipment, and physical resources; assisting in improving systems, procedures, and data bases; and providing advice on future policy reforms.

3. Project description. The Project would provide technical assistance in the form of consultant services, training, and equipment, including computer equipment for the adoption of modern information technology. The Project would have three main components, focusing on the rehabilitation and modernization of: (a) the customs administration (US\$3.82 million); (b) cadastre and land registration (US\$17.09 million); and (c) domestic tax administration and public expenditure management (US\$1.67 million). The activities in (c) are being supported by a parallel activity with some initial grant financing from the United Nations Development Program (UNDP). The Project would finance the cost of consultants (mostly short-term) and some equipment for these activities to supplement the UNDP financing.

4. Technical assistance in the area of customs administration would focus on the reform of customs procedures and the installation and commissioning of the Automated System of Customs Data Entry (ASYCUDA) based on a United Nations Conference on Trade and Development (UNCTAD)/UNDP proposal. The component of cadastre and land registration would support the reconstruction and computerization of maps that were destroyed or damaged during the conflict, the correction of errors and discrepancies among maps, a cadastral survey of about 1500 km<sup>2</sup> of land, the preparation and computerization of maps for unmapped areas as well as new areas to be surveyed, and the introduction of a Geographic Information System (GIS) so as to keep track of land management records. This component is considered urgent for promoting private investment activity and institutional credit and for improving the collection of property taxes. To improve domestic tax administration, the focus of the technical assistance would be on establishing a specialized unit for large taxpayers, emphasizing consumption taxes, simplifying procedures for tax assessment and collection, preparing proposals for broadening and diversifying the tax base, and introducing tax payer identification and computer systems. To strengthen budgeting and expenditure control, the aim of the technical assistance would be to improve the budgeting process, review and reform the budget nomenclature and classification, systematize the formulation of public expenditure plans, and strengthen the control and oversight of such expenditures. To improve treasury management, procedural reforms would be designed to increase liquidity in government finances, enhance control over disbursements, and improve accounting and cash management.

5. Project Cost and Financing. The total project cost is estimated at US\$23.60 million, including US\$2.72 million to cover price and

physical contingencies. Foreign costs amount to \$21.27 million, and local costs to US\$2.33 million. The Bank would finance foreign exchange costs of US\$19.58 million and local costs of US\$0.36 million (for local consultants and training). The Government would provide US\$1.97 million equivalent from the budget to finance the balance of local costs. UNDP would provide a grant of US\$1.03 million, and the IMF an equivalent of US\$0.66 million. The Bank loan amount could be reduced (through cancellation) in case grant funds become available from other donors for financing part of the Project.

6. Project Implementation. Arrangements have been made to ensure effective project implementation. A Project Implementation Team (PIT), consisting of a Project Director, a Project Manager, three Component Implementation Specialists (CISs), an Accounts Officer, and support staff, would be established under a UNDP grant. The work of the PIT would be supervised by a Steering Committee, chaired by the Minister of Finance, and comprising the President of the Higher Council of Customs, the Director General of Finance, the Director General of Customs, the Head of the Directorate of Land Registration, and the Project Director (Secretary).

7. Role of Other Multilateral Agencies. The MOF would use the IMF, which has been involved in preparatory studies for fiscal management improvement and has helped in project preparation, as a technical assistance agency to implement the domestic taxation and public expenditures management component and part of the customs component. It would implement the rest of the customs component through UNCTAD. The MOF would directly implement the cadastre and land registration component through turnkey contracts.

8. Project Sustainability. Project sustainability would be facilitated by the substantial provision of training for Lebanese staff under the Project. In particular, the international consultants hired would have a special responsibility to train the counterpart staff, beyond the transfer of knowledge expected in the ordinary course as a result of their working together. The institutions strengthened, the equipment procured, the management information and other systems established, and the improved procedures introduced would benefit MOF functions beyond the life of the Project.

9. Project Benefits. The overall benefit of the project would be to improve the MOF's capacity for fiscal management and economic stabilization. The "re-tooling" of the MOF and its directorates would increase their efficiency in mobilizing revenues, managing the budget and the treasury, and controlling public expenditures. More specifically, the customs component would increase the efficiency of the customs administration, thus encouraging trade activity (including exports), increasing customs revenues, reducing business costs, and facilitating formulation of trade policy. The cadastre and land registration component would help reconstruct and preserve property records, increase receipts from registration fees and property taxes, and encourage real estate investment and related financial and economic activities. The sub-component of domestic taxation would help tap a relatively large potential for revenue increase, and the sub-component of public expenditure management would improve

budgeting, expenditure control, and cash management. Together, these activities should have a substantial impact in terms of improved fiscal and economic performance. Further, economic stabilization would help attract private sector (domestic and foreign) investment, which is critical for the recovery of the Lebanese economy over the medium-term.

Contact Point:                   Public Information Center  
                                      The World Bank  
                                      1818 H Street N.W.  
                                      Washington D.C. 20433  
                                      Telephone No.: (202)458-5454  
                                      Fax No.: (202)522-1500

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### Lebanon - Revenue Enhancement and Fiscal Management Technical Assistance Project Document Type: Project Information Document

**Keywords:** Technical assistance; Consulting services; Cadastral surveys; Public expenditures; Project implementation; Tax administration; Customs formalities; Economic management; Tax revenues

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**Collection Title:** n/a  
**Volume Title:** n/a  
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**Region:** Middle East and North Africa  
**Sector:** Public Sector Management  
**Sub-Sector:** Public Financial Management  
**Project Name/ID:** LB-Ta For Revenue Enhan -- P005340  
**Credit No:** n/a  
**Loan No:** 3770  
**Trust Fund No/Name:** TF032638-GLOBAL - INFORMATION TECHNOLOGY  
**Date Stored:** 1997/09/05

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Republic of Lebanon  
Office of the Minister of State for Administrative Reform  
Center for Public Sector Projects and Studies  
(C.P.S.P.S.)



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