

COMMENTARY

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Political Bickering Dominates Debate Over Lebanon's 2012 Budget

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It is common in many countries for budget discussions to enter the public spotlight in a way where a government's spending and revenue generating structures are scrutinized. These kinds of discussions offer the best opportunity for voicing practical suggestions and appropriate questions about key issues. These issues include tax policy and its relation to income distribution, regional growth disparities, social justice, government spending priorities, general economic frameworks and government plans regarding future public expenditures and expected economic growth.

Traditional budget preparation do not allow for adequate public involvement. Some international organizations are actually calling on countries to issue what is known as a "Citizen's Budget." This type of budget-making breaks down the basics of expenditure and revenue collection in a way that allows different social segments to participate in discussions and decision-making processes related to public spending. This approach serves to outline the position of each Member of Parliament and party on various budget items.

Centralizing or decentralizing government power is normally translated in terms of delegating authority to tax and spend from the central government to local authorities. Such delegation forms the relationship between central government and local communities in any country.

In the Lebanese budget approved just a few weeks ago — following a delay of nine months — none of the principals mentioned above were present. To the contrary, the deliberations were dominated by politicized debates on issues such as the funding of the Special Tribunal for Lebanon (STL) and electricity projects. Thus, the well being of the Lebanese citizen — the budget's would-be overarching concern — was obscured. After the various parties agreed on a funding mechanism for the STL, the remaining budget items passed unchanged through two quick sessions following a long gestation period.

The key issues which were supposed to give the budget a developmental dimension were rushed through. A two percent increase in Value Added Taxes (VAT), which was proposed by the Minister of Finance, was not included in the budget. The same went for changes to the salary scale, military spending and allocations to public hospitals. It was decided that additional spending should not be included in the budget until additional sources of funding are found.

The fact that these new sources of revenue remain nebulous suggests that the US\$1.9 billion deficit is likely to rise. In fact, the implementation of these programs, Lebanon's adaptation to new developments in Syria and the expected shortage of tourism and export revenues all point to the fact that government spending will surpass the budget anyway.

It seems as though all political parties connived together to push through this particular project in a time where it was getting unacceptable for budget issue to remain unresolved. There has been no convincing reason for this delay, and the parliamentary opposition failed to issue any alternative course of action.

This point to the fact that the disagreements surrounding the budget are nothing more than political bickering, which has disrupted the decision-making process. The conflict blocked the potential for agreement on some basic policies capable of improving the living conditions of ordinary citizens, in whose name decisions are made in the first place.

When the time finally rolled around to agree on a budgetary policy, the interests of the citizens were forgotten. The search for an agreement on wages, vital projects in the fields of energy and water and the pending question of the *Electricité du Liban* employees was postponed. The various parties agreed that there could be no more spending without extra resources. Given the fact that the imposition of new taxes seems like a long shot this situation looks like a recipe for stagnation.

The budget is usually developed through three different stages: preparation, implementation and monitoring of spending procedures in order to observe how they have achieved the desired goals. These three stages, however, have not received the attention they deserved. Observers are now fully aware that the 2012 budget will not differ from many previously adopted budgets.

In fact, talk about reducing wasteful spending does not go beyond generalities. There is no talk about any fresh items related to assessment or oversight. There are no citizens' budgets to make the people feel that the billions of dollars being thrown around involve them in any way. They were barred from establishing a relationship with the state budget, the most important growth-related document that governments issue on annual basis.

The best thing to come out of this year's budget is the fact that politicians now realize the importance of setting limits on the expansion of public expenditures, as well as the inclusion of a budget item that restricts foreign borrowing, limiting it instead to financing the deficit. All grants from abroad are to be listed as revenues in the budget, whereas previous governments used to leave such external resources outside of this tally.

On the other hand, the accounts of the Council for Development and Reconstruction as well as some other accounts were kept of the budget, which means that the supervision and governance of public spending will remain unchanged.

The passing of the 2012 budget in Lebanon is first and foremost a success for politicians because they were able to reach something akin to an agreement. However, it does not constitute an economic breakthrough and does not differ from the approach, which has been taken in years past, where public spending is used to achieve political gains. The spending plans for roads, electricity, water and telecommunications suggests that the situation will remain the same.

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