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## THE IMF'S "TO-DO LIST" FOR LEBANON

A paper published by the IMF in October 2014, [Designing a Fiscal Framework for a Prospective Commodity Producer: Options for Lebanon](#), and reflecting the views of its authors Mariusz Jarmuzek, Diego Mesa Puyo, and Najla Nakhle, addresses the changes that Lebanon will need to adopt in preparation for its expected transformation into a gas producer. The authors highlight the importance of designing an appropriate fiscal regime that achieves an equilibrium between a fair share of revenue for the government and appropriate incentives to invest and develop the sector for investors.

The study explains how Lebanon's economy and institutions need to adapt to embrace the changes that becoming a natural gas producer brings. According to the study, on top of Lebanon's top priorities figures the urgent need to adopt an appropriate fiscal regime. The paper suggests that Lebanon is expected to become a commodity producer in the next decade. A prudent approach to fiscal policy is recommended by the paper given the current moderate estimates of Lebanon's hydrocarbon resources (at 25 Tcf). The paper also stresses the importance of strong institutions that would ensure an efficient and transparent use of the resource wealth.

Lebanon has [delayed](#) the launching of its first licensing round several times. The delays have spurred the despondency of potential [investors](#), and a general feeling of distrust in the country's ability to develop its nascent oil and gas sector and fully exploit its offshore hydrocarbon to the benefit of its people. Lebanon's hydrocarbon potential, albeit modest as the study highlights, could nevertheless boost the country's economy, put an end to its frequent power outages and ease its burdening public debt exceeding \$55 billion. The study brings a temperament to the big hopes attached to Lebanon's expected hydrocarbon wealth. It draws attention on the exhaustibility of natural resources and the resulting need to control government consumption over time, to avoid the need for major fiscal adjustment once the resource wealth has been exhausted.

The delays in the opening of Lebanon's bidding round could be a good thing. Lebanon needs to develop and implement a solid infrastructure for the management of its future hydrocarbon



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revenues. Perhaps the political impasses could provide the necessary time for the country to get in shape to embrace its offshore wealth. The IMF paper suggests a "to-do list" when it comes to adopting an appropriate fiscal regime, centered around four focal points: achieving an equilibrium between government share and investors' incentives, deciding how much to spend and how much to save, deciding how to assess the macro-fiscal stance to inform policy decisions, and finding a way to strengthen institutions to ensure an efficient and transparent use of resource wealth.

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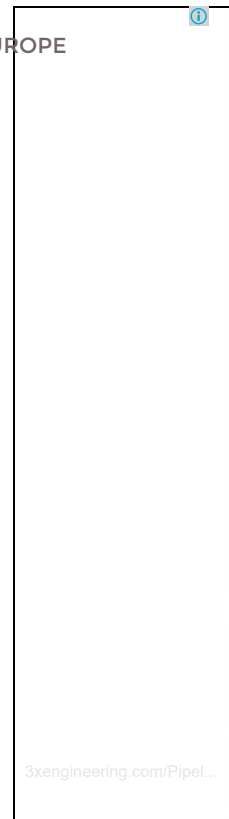
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