

IMF Governance Diagnostic: Assessing Corruption Challenges and the Path to Institutional Reform in Lebanon



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Contact Information

Jana Boumatar

jana.boumatar@blominvestbank.com

In its October 2025 Diagnostic Report on Governance and Corruption and the accompanying High-Level Summary Technical Assistance Report, prepared by the International Monetary Fund (IMF) mission led by Tina Burjaliani, the IMF provided a comprehensive assessment of the nature and severity of corruption and governance weaknesses in Lebanon. Conducted at the request of the Lebanese authorities, the assessment aimed to support Lebanon's economic recovery, institutional resilience, and reform agenda. The report was carried out in line with the IMF's 2018 Framework on Enhanced Fund Engagement on Governance and the 2022 Strategy on Fragile and Conflict-Affected States, examining key state functions, including fiscal governance, central bank operations, financial sector oversight, anti-money laundering frameworks, and the rule of law.

The IMF places its assessment within the broader context of Lebanon's long-standing political and economic vulnerabilities. Since gaining independence in 1943, the country has experienced repeated conflicts and periods of instability, most notably the 1975-1990 civil war, which devastated the economy and weakened state institutions. More recently, the financial collapse that began in 2019 erased approximately 15 years of economic growth, pushed nearly half of the population into poverty, and caused the Lebanese currency to lose around 98% of its value between 2019 and 2022, while inflation averaged 171% in 2022. The devastating Beirut Port explosion of August 4, 2020 further intensified these challenges. Although the authorities have launched initiatives aimed at rebuilding institutions and

strengthening the state, progress has remained constrained by political deadlock, institutional weaknesses, and resistance from vested interests.

The report further highlights that Lebanon’s confessional political system, rooted in the 1943 National Pact and rebalanced by the 1989 Ta’if Agreement, has contributed to institutional fragmentation and complicated decision-making processes. While originally designed as a compromise among Lebanon’s major sectarian groups, the system has, according to the IMF, facilitated patronage networks, weakened accountability, and created an environment conducive to widespread and systemic corruption. However, following the election of President Joseph Aoun and the formation of a government led by Prime Minister Nawaf Salam, the IMF was able to re-engage with the Lebanese authorities and finalize the governance diagnostic process, which had begun with a hybrid scoping mission in October 2022 and was followed by several missions through April 2023 before the final report was transmitted in October 2025.

Lebanon’s engagement with the IMF has been central to its reform efforts. In April 2022, Lebanon reached a Staff-Level Agreement (SLA) with the IMF on a comprehensive reform program that could be supported by a US\$3 billion Extended Fund Facility (EFF). The agreement called for wide ranging reforms, including restructuring the financial sector, implementing fiscal measures consistent with debt sustainability, reforming state-owned enterprises – particularly in the energy sector – strengthening governance and anti-corruption frameworks, improving anti-money laundering and combating the financing of terrorism (AML/CFT) measures, and establishing credible monetary and exchange rate policy frameworks. Despite improvements in macroeconomic management since mid-2023, the IMF notes that progress on broader structural reforms has remained limited due to strong resistance from vested interests, particularly regarding banking sector reforms.

The IMF’s diagnostic concludes that corruption in Lebanon is pervasive and systemic, significantly impairing the functioning of key state institutions. Fiscal governance represents one of the areas most affected by structural weaknesses, with outdated legal frameworks, fragmented institutional arrangements, and insufficient oversight undermining public financial management. The budget process suffers from a lack of transparency, frequent breaches of the constitutional budget calendar, and the near systematic absence of audited

state accounts submitted to Parliament. Significant off-budget spending, especially fiscal support to Électricité du Liban (EdL) has further increased fiscal vulnerabilities. While the adoption of a new Public Procurement Law marked an important reform step, delays in establishing institutions such as the Public Procurement Authority and the Complaints Authority have prevented its full implementation. Moreover, state-owned enterprises continue to operate under weak governance frameworks, while tax and customs administrations face overlapping mandates, limited autonomy, inefficient decision-making structures, and inadequate accountability mechanisms.

The report also identifies serious governance and accountability shortcomings within the Central Bank of Lebanon also known as Banque du Liban (BdL). The existing institutional framework does not meet international standards regarding central bank autonomy, mandate clarity, decision-making, and oversight. These weaknesses enabled a lack of transparency and created opportunities for corruption and rent-seeking, particularly through the operation of the now defunct Sayrafa foreign exchange platform, which remained active until July 2023. Consequently, the IMF stresses the importance of comprehensive legal and institutional reforms to restore transparency, credibility, and accountability within the central bank.

Similarly, financial sector oversight remains weakened by a fragmented supervisory architecture, excessive concentration of decision-making powers, limited public accountability, and inadequate checks and balances. The IMF also points to shortcomings in prudential supervision, including weak conflict of interest rules, insufficient oversight of related party transactions, ineffective governance arrangements within banks, and inadequate fit and proper requirements for board members and senior management. Addressing these weaknesses requires aligning Lebanon's supervisory and regulatory frameworks with international standards.

Although Lebanon has established legal frameworks to combat money laundering and the financing of terrorism, their effectiveness remains limited due to broader governance failures. Measures such as beneficial ownership transparency and monitoring politically exposed people are generally aligned with international standards; however, weak implementation restricts the authorities' ability to detect corruption related illicit financial flows, prosecute offenders, and recover illicit assets. The IMF also notes that the Special Investigation

Commission (SIC), Lebanon's Financial Intelligence Unit, operates under governance arrangements that may expose it to undue influence, thereby limiting its operational independence.

The rule of law and judicial effectiveness remain essential challenges in Lebanon's governance landscape. Judicial institutions have suffered from years of underfunding, understaffing, and shortages of basic resources, resulting in severe case backlogs and lengthy judicial procedures. The financial crisis further intensified these limitations and weakened public confidence in the justice system. Nevertheless, the IMF acknowledges recent progress, including the completion of long-delayed judicial appointments in early 2025 and the adoption of the Law on the Organization of the Judiciary by Parliament on July 31, 2025, which represents a significant step toward strengthening judicial independence and improving judicial governance.

In parallel, Lebanon's anti-corruption framework remains unable to effectively confront systemic corruption and dismantle deeply rooted patronage networks. While legal and institutional mechanisms have improved, including the establishment of the National Anti-Corruption Commission (NACC), implementation remains weak due to limited resources, institutional fragility, and continued dependence on donor support. Other oversight institutions, including the Office of the Minister of State for Administrative Reform (OMSAR), Central Inspection (CI), the Court of Accounts (CA), and the Civil Service Board (CSB), continue to face serious financial and human resource constraints, limiting their capacity to effectively enforce transparency and accountability mechanisms.

To address these challenges, the IMF proposes a comprehensive, sequenced, and country-specific reform strategy aimed at tackling the underlying causes of corruption and restoring confidence in state institutions. Priority structural measures include implementing the Law on the Organization of the Judiciary to strengthen judicial independence, reforming the legal frameworks governing public financial management, state-owned enterprises, the Central Bank of Lebanon, and banking supervisory authorities, and enhancing the overall effectiveness and integrity of financial sector oversight.

The IMF also places strong emphasis on promoting transparency and accountability throughout the public sector. Recommended measures include publishing regular information on corruption complaints, investigations, sanctions, and asset declarations through the NACC and Central Inspection; improving fiscal transparency by submitting comprehensive budget documentation to Parliament and disclosing information on fiscal performance and public expenditures; ensuring the effective implementation of the Access to Information Law; improving state-owned enterprises' financial reporting, governance structures, and merit-based appointments; and enhancing transparency in the electricity sector by publishing contracts, concessions, fuel agreements, and financial transactions between the government and Électricité du Liban.

A. Priority Measures for Structural Reform			
	Measure	Leading Responsible Institution	Timeline¹⁴
1	Implement the Law on the Organization of the Judiciary to enhance independence from external influence, accountability, effectiveness, professionalism and fairness of the judiciary.	MOJ	MT
2	Reform the legal framework for Public Financial Management in consultation with IMF staff.	Parliament, MOF	LT
3	Reform the legal framework on State-Owned Enterprises , in consultation with IMF staff	Parliament, Council of Ministers	LT
4	Reform the legal framework on the Central Bank (BdL) , in consultation with IMF	Parliament, Council of Ministers, BdL	MT
5	Reform the legal framework and institutional set-up of the Lebanese banking supervisory authorities¹⁵	Parliament, BdL, BCC, SIC	MT
B. Priority Measures to Promote Transparency and Accountability			
6	Inform Lebanese public on anti-corruption measures undertaken by NACC and CI. In particular, <ul style="list-style-type: none"> • Publish annually, information - disaggregated by type of corruption offence and official involved - about number of corruption complaints received, investigations opened, and the decisions made. • Publish annually information on number of asset declarations submitted to the NACC, names of obligated subjects who have failed to make a submission and measures undertaken by NACC to receive, hold, manage and verify asset declarations. • Publish, annually, information by Central Inspection about number of complaints received, investigations opened, sanctions, referrals to other competent supervisory, disciplinary and judicial authorities 	NACC, CI	ST
7	Prepare, submit to the Parliament as part of the budget documentation, and publish: <ul style="list-style-type: none"> • A report on fiscal performance and medium-term fiscal objectives and the measures to achieve them. • A report on extra budgetary spending in the last three years Budget allocations, accompanied by the budgets of National Social Security Fund, Council for Development and Reconstruction (CDR), Independent Municipal Fund, Electricité du Liban and Telecom. Expand the coverage of the requirement gradually to all public institutions (LT) • A report on foreign financed capital expenditures implemented by CDR (MT) 	MOF, CDR	ST/MT/LT
8	Implement the Access to Information Law by: <ul style="list-style-type: none"> • Amending the Right of Access to Information Law to introduce sanctions. • Publish the list of all obligated administrations as well as the names and contact information of assigned information officers and provide regular reports on the level of implementation of the law 	NACC, Council of Ministers, all relevant state institutions	ST

	<ul style="list-style-type: none"> Beginning proactive publication of information by prioritizing institutions based on their size, corruption risks, administrative and digital capabilities and relevance of data and information 		
9	<p>Enhance SOE governance and improve SOEs financial reporting and transparency by</p> <ul style="list-style-type: none"> Developing financial reporting templates and providing training to SOE financial units. Publishing sound fit and proper, independence and integrity criteria for upcoming appointments of board members of largest SOEs, to be recruited under open, merit-based and transparent procedures. Developing performance agreements with the largest SOEs that set out, among other aspects, specific performance targets and goals, financing mechanisms and comprehensive reporting and proactive transparency obligations; ensuring they are made public. Ensuring that top managers and board members of the largest SOEs file their asset declarations. Preparing a comprehensive action plan for the gradual implementation of the new SOE law. 	Council of Ministers, Line Ministries	MT
10	<p>Mandate a comprehensive proactive transparency policy for the electricity sector, through</p> <ul style="list-style-type: none"> Publication of full copies of all existing and future (i) contracts and concessions authorizing private sector persons to generate electricity for EdL, (ii) distribution service provider contracts and agreements and the payment formulas and amounts (iii) fuel purchase contracts tendered by the Directorate General of Oil and any other governmental agency or body since 2015, (iv) active fuel import licenses. Publication of all financial flows between the government and EdL on a half-yearly basis. 	Council of Ministers	ST

Source: IMF, Lebanon: Diagnostic of Governance and Corruption, October 2025.

Overall, the IMF’s assessment demonstrates that governance reform is not only necessary to combat corruption but also a fundamental prerequisite for Lebanon’s economic recovery, institutional rebuilding, and long-term sustainable growth. While the report acknowledges the severe political, financial, and administrative constraints facing the country, it stresses that meaningful progress will require sustained political commitment, stronger accountability mechanisms, effective implementation of reforms, and the development of a professional and merit-based civil service. Continued support from international partners will also remain essential to assist Lebanon in translating these recommendations into tangible institutional change.

**For your Queries:
BLOMINVEST BANK s.a.l.**

Research Department

Zaituna Bay

POBOX 11-1540 Riad El Soloh

Beirut 1107 2080 Lebanon

Jana Boumatar

jana.boumatar@blominvestbank.com

Research Department

Tel: +961 1 991 784

research@blominvestbank.com

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