

Khalil: Halve salaries of ministers, MPs

[Osama Habib](#) | BEIRUT:

Finance Minister Ali Hassan Khalil Wednesday proposed a 50 percent salary reduction for the president, prime minister, ministers, current lawmakers and former MPs as part of an overall plan to reduce the budget deficit. Khalil tweeted this proposal after submitting the 2019 draft budget to Prime Minister Saad Hariri at the Grand Serail.

The proposal, which has not been officially discussed in the Cabinet or Parliament, may have been made to contain the anger of citizens, activists and civil society who insist that the salaries of ministers, MPs and former MPs should be cut drastically before even contemplating reviewing the salary scale, which was granted to government civil servants, military personnel and retirees back in 2017.

According to unofficial estimates, the salaries of the president, prime ministers, ministers, lawmakers and former MPs total close to \$80 million a year.

But Khalil's proposal received mixed reaction from various lawmakers – with some supporting his suggestion, provided it's part of a bigger reform plan, and others expressing reservations about the idea, stressing that the problem was not in the salaries of officials.

One lawmaker, who spoke on condition of anonymity, told The Daily Star Khalil's proposal was "populist."

"The minister seems to be trying to appease the Lebanese public, which is demanding a radical reduction of MPs' salaries. We are willing to discuss this proposal in a rational way only. Cutting the salaries of ministers and MPs will not solve the real problem, which is waste and squandering in public departments," the lawmaker said.

He added that if the salaries of all ministers, MPs and former MPs were cut by 50 percent, the treasury would only be saving less than \$40 million a year.

"Do you really think that cutting the wages of MPs by 50 percent will solve once and for all the wide fiscal deficit? The budget deficit in 2018 reached LL11 trillion [\$7.3 billion]. Saving \$40 million from a deficit of LL11 trillion is a joke," the MP said.

Another lawmaker supported Khalil's proposal, provided that the move would be part of a wider program to fight corruption, cut waste and improve tax collection.

"I am willing to cut my salary by 50 percent if there was a general consensus on this proposal. But I do not support depriving the civil servants of the salary scale, which they richly deserved in 2017," the lawmaker said.

He added that corruption, waste and tax evasion was costing the treasury some \$4 billion a year – enough to slash the deficit by half each year.

Some lawmakers said that the finance minister wanted to give the wrong impression that the fiscal deficit was a result of the salaries of MPs and ministers.

The minister's proposal was only a small part of the 2019 draft budget.

No information has been yet been disclosed on the 2019 draft budget, but sources say Khalil is proposing a reduction of the budget deficit by 2.5 percent a year for the next five years.

Lebanon has agreed on the conditions set by CEDRE conference to implement large scale reforms as a main condition to receive \$11.6 billion in soft loans to rehabilitate the country's aging infrastructure and struggling economy.

One of the conditions is to reduce the budget deficit by 1 percent each year for the next five years.

But economist Ghazi Wazni said that cutting the deficit by 2.5 percent may not be enough.

"The government agreed to cut the deficit by 1 percent during CEDRE conference a year.

"But the deficit at that time was only LL9 trillion. Now we have a deficit of more than LL11 trillion," Wazni explained.

In his opinion, the government needs to take measures – and fast – to reduce the deficit, and one such measure should be to cut Electricite du Liban's deficit quickly to relieve the market.

"There is a possibility that the minister may propose raising the tax on interest rates on customer deposits from 7 to 10 percent.

"This proposal will only affect the depositors and not the commercial banks," Wazni said.

He added this proposal will not have a dire effect on depositors, since they are now collecting higher interest rates on their deposits that sometimes reach more than 10 percent.

The finance minister also proposed removing the customs exemptions on imported goods for politicians, MPs, religious establishments and charitable groups.

He also submitted a proposal to remove financial penalties on companies that failed to pay their taxes on time.

One newspaper estimated that the financial penalties on these companies was close to \$114 million.

Khalil said that many of these companies were unable to pay their taxes on time due to the delicate financial situation they have experienced over the past few years.

However, the minister said that the final word is left to the Cabinet, adding that if the ministers refused exempting the companies from the financial penalties then he will reinstate these penalties on these firms.