

Lebanon at a crossroad

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We have reached the moment of truth: Our economy is sputtering, but there is a glimpse of hope if we act responsibly and act now. And yes, our economy can rebound if we change our approach and reverse years of mismanagement and government incompetence.

The core of our economic conundrum is the fact that we have a stagnant private sector and a costly public sector.

To reverse the situation, there is no escape but to energize the private sector by injecting funds into producing sectors. The state assets and government-owned institutions became liability on the treasurer and are derailing the financial resources. The costly public sector is the result of years of mismanagement and corruption.

To stop the bleeding, privatization is the only remedy. The government owns and runs several sectors that can be profitable, and could generate the needed funds. Only the private sector can turn these sectors into an efficient operation, away from cronyism and corruption. With the private sector running these sectors and institutions, political leaders can be relieved from the pressure of securing jobs for their supporters and draining the budget.

Lebanon is a free economy where the private sector is the main engine of the economy, and in our case, the banking sector is the only sector capable of creating dynamism in the country.

We have recently witnessed a positive change in our politicians' attitude toward the economy. They now understand that they cannot continue to do business as usual, and the blaming game has to come to an end.

The economic situation has become a priority, and populism is costly and will hunt back the populists. Political bickering and sectarian populism are luxuries we cannot afford anymore.

Our gross domestic product represents 25 percent of our banking sector for a population of 6 million people.

The size of our economy is not proportionate to the size of the population. There is a great need to double our GDP and expand the economy. The only way to do so is through injecting investment capitals, funding infrastructure projects and supporting productive industries. Our imports are draining our foreign currency reserves and the funds exiting the country are not justified, given our revenues and the size of the economy, thus the huge trade deficit and the balance of payment strains.

The main challenge is to secure needed capital and investment. This is where close coordination with the government is required. Adding more taxes should not be the only way to increase revenues. There are other revenues such as giving incentives to settle maritime properties that can help ease the fiscal challenges and generate much-needed revenues. There is no room for a futile debate. Lebanon is not the only country which went through creditor and large national debt problems.

There is a proven remedy which requires national consensus and decisive leadership. Securing local and foreign investments requires readiness to implement serious and credible privatization efforts, mainly for the sectors causing the budget deficit, mainly utility services. The banking sector is capable and ready to play its traditional role in jump-starting the economy, but the government needs to do its part. We need to restore the international credibility in our intuitions and governance. Oversight institutions should be empowered, and old practices of cronyism should end.

The national debt and its servicing remains the elephant in the room. There is only one way to tackle it: economic growth and a balanced budget. The 2019 budget was a step in the right direction, but the jury is still out on the 2020 budget.

Reasonable and balanced budgets can help improve our rating and lower the interest rates that are hindering the investment climate in the country. The upcoming budget should not even be a book entry exercise, but must include an economic strategy to lead the country toward economic recovery. High interest rates are the results of uncertainty and this is considered a "fear tax" that we pay to offset political instability.

We must reach out to friends and partners to help secure the needed investments. A country that imports most of its goods should be able to convince and leverage its trade partners to invest in its economy, but credibility must first be restored.

Regaining the confidence of donor countries and international institutions is key to the success of CEDRE conference. The recent credit rating given by the agencies should serve as an incentive for us to work harder in order to regain the

trust of the international community. The latter should be done by updating our institutions and having better auditing procedures. The current challenges can present an opportunity to modernize the economy and the public institutions.

We are part of an international market. We have to be compatible with the world and credible to the international banking sector, its regulators and the rating agencies.

Lebanon is at a crossroad. To secure a successful transition into a modern economy, we need a national hero whom people trust and would be willing to temporarily sacrifice certain privileges toward prosperity.

Our main assets have always been our human resources, and we can now add the awaited promised natural resources. Our outlook is positive, and our destiny is in our hands. It is not too late, but we have to choose between credible, modern institutions or the current archaic system.

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