

Govt to seek up to \$5B loans to finance basic needs imports

[Osama Habib](#)

BEIRUT: Newly appointed Finance Minister Ghazi Wazni said Wednesday that one of the priorities of the government was to secure between \$4 billion to \$5 billion of soft loans from the international community to finance the purchase of wheat, medications and fuel oil.

“We will ask the international donors to provide Lebanon with \$4 billion to \$5 billion in soft loans to finance the purchasing of wheat, fuel oil and pharmaceuticals. This injection will cover the country’s needs for one year and will also help reduce the run on the U.S. dollar,” Wazni told The Daily Star in an interview.

Hassan Diab’s 20-member Cabinet faces a massive task amid endless riots by anti-government protesters who are deeply outraged by the failure of all successive Cabinets to address the needs of the people.

Among Diab’s biggest challenges is the restoration of confidence by the majority of the Lebanese as well as the international community which seemed disappointed by the inability of the previous governments to implement reforms and reduce the mounting fiscal deficit.

Eyes will be focused on Wazni, who will be entrusted with contributing to an emergency rescue economic plan to bail Lebanon out of its financial problems.

The minister said the other priorities of the government are to lower the interest rates on treasury bills, Eurobonds, deposits and loans and this will be done in coordination with the Central Bank.

“This step would alleviate pressure on the finances of the government and stimulate the economy and also ease the pressure on the Central Bank,” Wazni said.

The minister did not give more details about the efforts to cut the interest rates, noting that this should be decided by the Cabinet.

Bloomberg quoted Oxford Economics as saying that Lebanese authorities will eventually default on debt payments until a functioning government is formed, pushing back any plans for a bond restructuring to later this year.

It said investors can reap a 13-percent return by buying Lebanon’s dollar-denominated note due March 9, London-based strategist Nafez Zouk said in an emailed note. While there’s an 85-percent probability those bonds will be repaid at maturity, dwindling foreign-currency reserves mean a default may still be announced in the second half of 2020, Zouk said.

But Wazni declined to comment on the possibility of debt restructuring as this measure should be decided by the Cabinet.

“We will also help some of the sectors and citizens that were affected by the recent crisis by offering facilities to citizens who took loans from banks. These bad loans will also be addressed by the Central Bank,” Wazni said. He added that the government will also speed up the extraction of oil and gas.

The minister said the decision to seek the assistance of the International Monetary Fund was left to the government.

Wazni noted that the government would also reactivate CEDRE financial pledges to Lebanon.

He added that reforming the electricity sector was high on the agenda of the Cabinet but did not say whether the authorities would raise the electricity tariffs or partially lift the subsidies on EDL.

“If the government implements structural electricity reforms this would lead to a drop in the deficit of EDL,” Wazni said. The electricity deficit, which ranges between \$1.5 billion to \$2 billion a year, is the second highest drain on state finances after the cost of debt servicing.

Wazni also refrained from saying whether the dollar exchange rate would return to the LL1,507 rate, but said: “The most important thing is to preserve the stability of the lira.”

The trading prices of the dollar in the black market has ranged between LL2,100 to LL2,350 since the crisis started in October 17, 2019.

But Wazni told LBCI earlier that it will be “difficult, if not impossible” for the Lebanese pound exchange rate to the U.S. dollar to return to what it was.

He added that reining in the parallel market, where the price of dollars has risen beyond the official pegged rate, would be “tied to the government’s work.” He added that the recent drop in the price of the dollar to LL2,000 can be attributed to people’s trust in the new government.