

IMF urges Lebanon to quickly enact economic reforms

[Hussein Dakroub](#)

BEIRUT: Lebanon should act quickly to implement reforms to stabilize the country's ailing economy, the International Monetary Fund said Thursday, in the international community's latest call on the government to move ahead with enacting long-delayed reform measures.

The IMF's call came days after Prime Minister Hassan Diab suspended payment of \$1.2 billion Eurobonds that matured Monday and is seeking debt restructuring with foreign creditors because of dwindling foreign currency reserves held by the Central Bank. This is the first time in Lebanon's history a government decides to default on the payment of its outstanding debts.

"Given the severity of economic conditions in Lebanon, it's important that the government designs and implements promptly a comprehensive package of reforms to effectively address the economic challenges and improve Lebanon's economic prospects," IMF spokesman Gerry Rice told reporters in Washington.

While the country has not requested aid from the Washington-based crisis lender, "We stand ready ... to assist the authorities in those efforts," AFP quoted Rice as saying.

Lebanon's debt, which has exceeded \$90 billion, long among the largest in the world, is now equivalent to nearly 170 percent of its gross domestic product.

The Lebanese pound has lost more than 40 percent of its value on a parallel market relative to the official exchange rate pegged at 1,507.5 pounds to the dollar, which is still used for the purchase of fuel, wheat and medicine.

Amid a dollar liquidity crunch and a weak Lebanese pound, prices have risen, many businesses have been forced to close and banks have imposed crippling capital controls on cash withdrawals and transfers.

A team of IMF experts visited Beirut last month and met with Diab and other senior Lebanese officials, and is now waiting to see their plans "on how to tackle the economic challenges they face," Rice said.

Lebanon has so far requested technical assistance from the IMF on dealing with the crippling economic and financial crisis, the worst in decades, but not financial aid that would typically come as part of a program of reforms.

Finance Minister Ghazi Wazni said Thursday Lebanon's plan to tackle the financial and economic crisis would meet IMF recommendations and would be ready in weeks. He added that any recourse to an IMF program must be politically agreed and its terms should not cause suffering.

Wazni also told Reuters the Lebanese pound's official exchange rate would be maintained for the "foreseeable future," saying this helped control inflation among other factors.

The plan being drawn up by Diab's government will form the cornerstone of efforts to pull Lebanon out of the financial crisis. It will cover banking, financial and other economic reforms.

Wazni said the IMF was ready to send experts back to Lebanon once the plan was ready. The government's plan would meet "the recommendations of the IMF" and include a plan that Beirut is drawing up with the World Bank.

Wazni said Lebanon was in need of \$25 to \$30 billion of assistance over the next five years to get out of the crisis.

"Lebanon welcomes all international financial assistance without exceptions. But when it comes to the IMF, this depends on several matters: that the understanding with the IMF, if Lebanon resorts to it, ... does not negatively affect the political situation in Lebanon," Wazni said.

Hezbollah strongly opposes the IMF's possible financial assistance, fearing that the fund's conditions would entail imposing new taxes and the privatization some of the state's assets.

Amid growing public concerns over the spread of coronavirus, the Cabinet Thursday decided to double the speed and capacity of the internet for Ogero users free of charge until end of April. The decision, designed to encourage citizens to stay home to avoid being infected with the disease, comes after the third coronavirus death was registered in Lebanon Thursday. Speaking to reporters after the Cabinet session chaired by President Michel Aoun at Baabda Palace, Information Minister Manal Abdel-Samad quoted Diab as saying that the government has begun studying a draft law on capital controls in banks. She said the Cabinet decided to keep the price of 20 liters of gasoline as it is so that it would not be affected by a drop in the global oil prices.

Aoun stressed the need for speeding up the government's comprehensive economic rescue contained in its policy statement, Abdel Samad said.

In its policy statement, Diab's 20-member government, formed on Jan. 21, warned that it must rapidly take "painful steps" as part of a comprehensive rescue plan to avoid a "total collapse" of the economy.

Speaking during the Cabinet session, Diab mentioned “positive results” from the decision to default on the Eurobond payment.

“We have all of us felt clearly the wide satisfaction at all levels with the government’s decision last week to suspend the Eurobonds payment. It seems that the positive results are being translated quickly at more than one level. The finance minister told us that the servicing of the Lebanese pound-dominated bond debt has dropped by 2.24 percent, which is approximately around LL300 billion. This is a very positive and important indication,” Diab said.

During a meeting with the U.N. Special Coordinator for Lebanon Jan Kubis at Baabda Palace, Aoun said: “The government is working at a fast pace to finalize the reform plan which deals with the restructuring of debt and banks and financial and administrative reforms, in addition to the socio-economic plan.”

On a potentially divisive issue, Abdel Samad said Justice Minister Marie-Claude Najm, who has so far refused to endorse a new batch of key judicial appointments proposed and approved by the Higher Judicial Council, made remarks during the Cabinet session about these appointments.

“The justice minister briefed the Cabinet on the latest developments in the issue of judicial appointments and transfers. She praised the work of the Higher Judicial Council and the positive aspects contained in the [appointments] plan prepared by it,” Abdel Samad said.

She added that Najm made “some remarks” about the proposed judicial appointments and held a “fruitful meeting” with the head and members of the HJC to discuss these remarks.

The justice minister “entirely rejected entering into proposing names [of new judges], saying she is waiting for the Higher Judicial Council’s response in this subject and hoping that all efforts will be geared toward boosting the capabilities of the judicial authority in this fateful stage in the country’s history,” Abdel Samad said.

The HJC, headed by Judge Suhail Abboud, announced last week that it had submitted to the justice minister its list of judicial appointments. Abboud was quoted as saying Tuesday: “We have begun a project for an independent judiciary through judicial appointments made by the Higher Judicial Council without any political or non-political interference.”

An independent judiciary is a key demand of hundreds of thousands of Lebanese who have taken to the streets on Oct. 17 in an unprecedented popular uprising against the entrenched political class.

Najm, who belongs to the Free Patriotic Movement founded by Aoun and is now headed by former Foreign Minister Gebran Bassil, was reported to have come under political pressure to reject the proposed judicial appointments because they allegedly exclude judges affiliated with the FPM.

In the first fallout of the proposed appointments, Mount Lebanon Public Prosecutor Judge Ghada Aoun, who is affiliated with the FPM, said last week she would place her resignation at the disposal of President Aoun in protest at these appointments.