

## Sound govt vision key to economic recovery

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It's common practice for governments and companies in distress to seek assistance from financial consultants in order to introduce fresh ideas and devise solutions for their trouble. However, expecting quick fixes and magical solutions may be foolhardy and could even exacerbate the situation and waste precious opportunities.

Although we have welcomed the government's decision to solicit advice from financial consultants, in this case Lazar Asset Management, unfortunately this reputable firm yielded to pressure from the government, which sought quick political gains and rushed into some erroneous conclusions.

The simple truth is that while populism may be easy and seductive, it is also trap.

Central banks around the world cannot be assessed in terms of gains and losses the way the normal businesses are assessed. The primary function of central banks is to provide the state with the required liquidity and navigate its monetary policy while maintaining its total independence.

Lazar stated the obvious and took the wrong approach in assessing the situation of Lebanon's Central Bank and the country's banking sector. Rather than calling for the introduction of much-needed reforms in the public sector, it went after the only vibrant sector in the history of the country, namely the banking sector.

Subsequently, the Cabinet, armed with recommendations from the international consultants which are influenced by the government and its newly appointed advisors, leaked its financial rescue plan, which in reality is nothing short of an obituary for our free market economy.

This type of paradigm leads to depression and inhibits motivation, which is crucial in a country known for its creativity and individual excellence.

Instead of such a debilitating direction, which would come at the expense of the private sector led by the banking industry, what is required are solutions devised through joint efforts by the government, the Central Bank and the banking sector.

While the actors may vary, governance itself is interminable and as such it requires the state to take responsibility for its aggregate decisions instead of trying to shift blame and avoid bold decisions.

It is bewildering that although the banking sector is the most taxed and most audited sector in Lebanon, it has somehow been selected as the first target in the government's pursuit of reforms and restructuring, despite being the only profitable and prosperous industry in the country's history.

Placing the vast majority of the burden and cost on the banking sector raises questions about the government's commitment to long-awaited public-sector reforms, especially when it's no secret that the root of all problems is corruption and bad governance.

By now, most people are well aware that successive governments have squandered state resources and borrowed money from the Central Bank, which was obligated to help the state continue to function by providing the required funds.

By resorting to such borrowing, the government in effect confiscated depositors' money in banks, and consequently created the current liquidity crisis.

Instead of calling for restructuring of the banking sector, the government should focus on reforming the public sector and the balancing its budget. In the meantime, keep your hands off the banks: They know quite well how to deal with their clients and investors; they have been doing it successfully for decades.

Unfortunately, rather than one sound program being tabled to put the country on the path to recovery, what we are seeing are too many theories being thrown around. The fact is that true leaders don't rule through consensus, but rather they lead with a sound vision.

How we proceed will determine whether Lebanon becomes a prosperous country in which its citizens can raise and educate their children with pride or a country that sees its youth queuing at the door of embassies looking for a greener pastures abroad.

We have already started to detect worrying signs in the way the government is dealing with the monetary and financial issues, suggesting that it lacks vision and its decisions are impulsive at best. The government may have good intentions, but good intentions don't necessarily lead to smart decisions.

The blame game will not take us anywhere and political bickering will only discourage investors and waste our time and energy. On the contrary, if our goal is to nurture a country governed by the rule of law, first and foremost accountability must be a prerequisite.

We must also be realistic. The financial impact the coronavirus pandemic is having on the global economy has yet to be determined, but we can certainly expect donor countries to be less inclined to provide Lebanon with economic assistance at a time when they all have their own domestic problems to deal with.

Therefore, the Lebanese government must find tangible solutions to the current crisis, taking care not to exacerbate the crisis. Lebanon will undoubtedly need a great deal of investment in order to extricate itself from the current crises, but when the prime minister hints that he cannot guarantee that the deposits of the top 2 percent of depositors will be safe, he is sending the wrong message to both current and prospective investors. To put it simple, a country that doesn't honor its obligations or commitments is not fertile ground for investment.

The state has entered the stage of bankruptcy, which means it must evaluate its assets and produce a convincing plan that can restore the confidence of the international community and above all the trust of its own citizens. Lebanon is in desperate need of fresh funds, and the somber mood prevailing in the Grand Serail is not helping.

Selling or mortgaging state assets are strategies that other governments around the world adopted in order to restore financial balance. Privatization and partnerships between the public and private sectors have helped many financially troubled nations and proved to be an effective solution, if performed with total transparency and sound planning.

Successful and economically stable countries have resorted to outsourcing basic services such as utilities, airports and seaports, as well as public sector services. These services which the government provides should be profitable rather than a strain on the budget, as is the case in Lebanon. Only the private sector is capable of turning these services into profitable operations away from cronyism and corruption.

The main threats to Lebanon's sovereignty are poverty and failed policies rather than responsible and transparent privatization. Only prosperity can cement the sovereignty of our country, where the Lebanese people want to live and raise their children with pride instead of relying on government handouts. This attachment to Lebanon was underscored recently with the emergence of the coronavirus crisis, which proved once again that the Lebanese are connected to their motherland and ready to return to their beloved country.

At the end of the day, no one is blaming the current government for the crisis we are now facing. However, unless it comes up with a clear vision to overcome these problems, it will not only inherit them, but will also own them.

We are particularly alarmed by the drift we have seen in the government's move to default on the Eurobond payments. Unless it brushes aside politically driven decisions, this government will be held responsible not only for failing to remedy the situation but also for plunging the country further into crisis.

What's at stake here is the future of Lebanon. A free economy is one of the main pillars of our democracy which most Lebanese value and take pride in. The role of the government should be to protect this freedom and create a stable environment conducive to encouraging investors to return, help fund the private sector and restore economic growth.

History will not be kind to those who threaten the image of Lebanon as a beacon of freedom and prosperity in the Arab region. Salim Sfeir is the chairman of the Association of Banks in Lebanon and chief executive of Bank of Beirut.