

Address by HE Prime Minister Hassan Diab
announcing the government's financial plan
Grand Serail - April 30, 2020

Congratulations to Lebanon!

Yes ... with full confidence, I can announce to the Lebanese that the State has in its possession, for the first time in history, a complete and integrated financial plan, which puts an end to floundering financial policies that brought the country to the current state of collapse.

Congratulations to Lebanon!

The country has a clear road map for managing public finances.

Today, I can say that we are on the right path to get Lebanon out of its deep financial crisis.

The road map for fiscal consolidation comes days after the State's decision to recuperate the mobile phone sector, to demonstrate that the State can be a successful manager and not necessarily a failed administration.

Dear fellow Lebanese,

Lebanon is not going through ordinary or sporadic circumstances.

A whole bunch of accumulated and recent crises have combined

in weeks, putting an additional strain on the country and on the Lebanese people.

The current government came out of the ordinary and is facing an unfamiliar situation in various fields and at all levels.

Dear fellow Lebanese,

Since October 17, when the Lebanese revolted against corruption, it became clear that the country's problem lies in the fact that corruption has become a state within the State, and that it is rampant and deeply-rooted in the State institutions.

It also became clear that the State was on the brink of total collapse, that the financial reality is based on unrealistic figures, and that the stability of the Lebanese pound exchange rate is an illusion we live and believe in.

While the government was groping its way toward power, taking a historical decision to stop paying the debts and relevant interest rates, in preparation for addressing the country's financial situation, Coronavirus pandemic took priority nationwide, and drained a lot of effort and capabilities.

Nevertheless, the government, which handled the epidemic very carefully and acknowledged its risks, did not stop working on the implementation of its ministerial program.

In our ministerial statement, we committed ourselves to a programme of action that includes the submission 26 reform projects within a hundred days of gaining confidence. To date, we

have completed 14 bills, and 3 other bills will be finalized within days. The remaining eight projects should be completed within the set deadline.

The most prominent draft laws that we have submitted relate to banking secrecy and the suspension of legal and judicial deadlines. The government engages through the Ministry of Justice in examining proposals and draft laws related to fighting corruption and to the independence of the judiciary, which are currently under consideration by parliamentary committees.

In parallel, the government has been working extensively to prepare the general framework of the financial reform plan in the context of preparing Lebanon's comprehensive economic plan.

However, unfortunately, the social crisis exacerbates, and pushes the Lebanese to express their anger due to difficult social and living conditions, especially in light of the steadily rising prices significantly linked to the increase in US dollar exchange rate. The Central Bank of Lebanon, which is responsible for the stability of the national currency, is supposed to take measures aiming at controlling the situation.

No sane person can blame people for their cry of social pain. But no sane person can also accept the destruction of property; no sane person can be convinced that riots are spontaneous and do not carry political goals. Some of this riot is organized, destroys people's property, increases Lebanese losses, and tarnishes the image of Lebanese regions.

Democratic expression is one thing, but chaos, riots, attacks on military and security forces, and damage to public and private

property are something else, having nothing to do with hunger or democracy.

I am also afraid that such practices will set back the measures by which we have succeeded in preventing the spread of Coronavirus epidemic; we are aware that a second wave of this epidemic may be more widespread.

In the beginning of this week, we had launched our plan to gradually reopen the country on methodological and scientific grounds. Next Monday, we will start the second phase, but I call on citizens to fully comply and adhere to the necessary preventive measures. The dangers of partly lifting the lockdown can take us back to the same boat we were on a few weeks ago because we are still in the eye of the storm. We have used a robust prediction model to estimate the number of infections in the coming months.

If we fully comply with the plan and follow preventive measures, the second wave, predicted in July, is expected to be less than the first wave that started last March.

However, if we partially comply, the second wave will be 35% higher than the first one and the total percentage of infected persons will be 56% higher than the first wave. I repeat: it will be much higher than the first wave. Covid-19 features make it reappear repeatedly and with renewed strength, causing further infections, exhausting our healthcare system and leading to more deaths. This has prompted many countries to re-impose lockdowns after reopening.

We do not want this epidemic to spread again and claim the lives of our loved ones. We were very effective in containing the first

wave, which resulted in saving many lives. Thus, the mortality rate in Lebanon is much lower compared to many other countries.

The countries of the world are currently at different levels of the epidemic, which indicates that the global crisis will be long.

We are not in the final stages of the Covid-19 crisis and we will be living with it for a long time. I urge you all not to waste our sacrifices and accomplishments. Let us all stay on the right track of the plan in a conscious, vigilant and careful manner. If some act irresponsibly and indifferently, this will have catastrophic consequences for the whole society; therefore, everyone is responsible to abide by prevention and protection guidelines.

Dear fellow Lebanese,

Today, the Council of Ministers has voted unanimously on the adoption of the economic and financial plan that will put Lebanon on the right path towards financial and economic rescue. This plan is based on six main interrelated components: financial, economic, banking, fiscal, social and development protection.

We had submitted this plan for the first time before the Cabinet on April 6, 2020 and after 24 days, we came up with this formula.

We have discussed this plan in cabinet meetings, and with many economic and financial experts, trade unions, representatives of various economic and industrial sectors, academic institutions and civil society organizations. Those meetings and discussions resulted in a comprehensive and credible plan for all the Lebanese people to embrace and support.

I am very proud of the exceptional minds, talents and experiences of all Lebanese, who have devoted their time and efforts to contributing to their country's recovery by producing this plan. I thank them from the bottom of my heart.

Now, based on this plan, we can build the Lebanon of tomorrow.

We will proceed with requesting a program from the International Monetary Fund, formalizing our negotiations with Eurobond creditors and moving forward, thereby reducing the debt burden on our citizens and presenting our vision for an economic recovery scheme to our international friends, partners and investors at home and abroad.

I call on all Lebanese to consider this day as a turning point for a better future for our country. The road ahead will not be easy, but our determination and optimism will help us overcome our difficulties as we look to better days ahead. If we all unite, we will definitely reach the desired success in the future.

The plan is based on the necessity of starting immediately with the implementation of the long-awaited reforms at the level of the State, administration, financial policy, financial sector, Central Bank, current account, and balance of payments. The plan has set goals over a period of five years, namely:

Current account deficit recedes to 5.6 percent; external financial support exceeding \$ 10 billion in addition to Cedre conference funds; positive growth restored as of 2022; direct and indirect support to needy categories; implementation of relevant social programs.

The program also aims to restore the initial public finance surplus by 2024, structuring the sovereign debt portfolio and reducing the ratio of public debt to GDP to less than 100 percent; this will protect Lebanon against future shocks and fluctuations.

The plan also aims to restructure the banking and financial sectors to allow the relaunching of the economy, generate good and sustainable job opportunities and launch very promising

economic sectors that are in line with the high capabilities of the Lebanese people.

The plan was built on foundations that allow Lebanon to obtain the required international support in terms of relaunching economy, recapitalizing banks and institutions as well as securing the long-awaited necessary safety nets and infrastructure to lift most of the Lebanese out of poverty and destitution.

In terms of public finance, we will undertake basic reforms, such as the electricity sector, the end-of-service scheme and indemnities as well as fair and progressive taxation that does not affect work and production. The issue of recovering stolen funds will receive a major portion of the government's work to compensate the Lebanese for the crimes committed against them.

The plan includes structural reforms in all areas of the economy to create jobs and secure a workable environment, away from corruption and its consequences.

The plan also includes measures that allow for greater productivity and competitiveness of our economy.

As for the banking sector, the plan aims to protect depositors' money, strengthen and restructure banks so that they can secure people's money and basic services for the economy, with the Central Bank to refocus on its core business, that is, to preserve economic, financial and monetary stability.

There are huge losses in the system, and we must cooperate with the Central bank and commercial banks in affording them, in order for us to restart our economy quickly. We will seek to absorb losses fairly, that is, without any burdens on those who have not benefited from past policies.

We are seeking a contribution from extremely high interest rates that were given, from those who reaped profits from financial

engineering, and also from those who broke the laws and have stolen public funds.

It is also possible to rely in part on banking institutions' capitals and funds abroad, on the properties they own, on Central Bank's assets and other assets.

We will continue to examine every possible venue to relieve the citizen and restore prosperity as soon as possible, in a society that rejects corruption, which duly holds accountable those responsible, and where the spirit of solidarity and patriotism grows.

Dear fellow Lebanese,

Today we are at an important and historical crossroads. Therefore, Lebanon, the country to which we belong voluntarily and lovingly, needs all of us.

This period has proven that the Lebanese people cannot give up their homeland; they are insisting on returning to Lebanon from all over the world because they are now convinced that Lebanon is their true refuge. Here is their big home, and here is their big family.

Believe me, we cannot turn our back on our homeland. We cannot give it up.

Lebanon needs every effort today, every support, every help.

I address my appeal to all Lebanese, residents and expatriates. To every Lebanese who is able to help his compatriots. I know very well your confidence in us and your bet on us.

Do not leave your family in this difficult ordeal.

I call on Lebanese residents to support each other. To cooperate, to stand together and to protect each other.

I address the expatriates, asking them to contribute to the support of their families and relatives, as they always do, and to stand by their country, as they have always done throughout history.

Yes, we are in a crisis. However, I am confident that we will overcome it, that we will succeed and that we will emerge from this trial more solid and with more national cohesion among all Lebanese, residents and expatriates.

Dear fellow Lebanese,

Today we can build together a new Lebanon, according to your dreams and expectations.

Dear Lebanese around the world,

Do not forget your country

Long live Lebanon!