



**Date: 14/09/2021**

A handover ceremony took place today between the outgoing finance Minister Dr. Ghazi Wazni and the newly appointed minister Dr. Youssef Al-Khalil at the Ministry of Finance.

On this occasion, Minister Wazni made the following statement:

“First of all, we congratulate the Minister Dr. Youssef Al-Khalil for his appointment at the head of the Ministry of Finance. He is indeed a long-time and dear friend and a man of experience in his field.

Our government has encountered a very challenging economic, financial and social situation, starting with the “siege” imposed on it from inside and outside, through to the COVID-19 pandemic, its resignation six months after its formation and the port blast, as well as the fact that we have remained for thirteen months as a caretaker government.

With regard to the budget of the Ministry of Finance, we have prepared a draft budget for 2020, which was a budget focusing on the social and daily life aspects. At the end of 2020, the deficit stood at 53%, i.e. less than the deficit in the 2019 budget.

In the 2021 draft budget, we took into account the difficulties of the social and the everyday life situation, and hence its goal was to improve the living and social situation of citizens, especially for the public sector.

In the draft budget 2022, we have allocated a 50% increase for salaries and wages in the form of a social assistance. At the same time, we raised the transportation allowance from 24,000 to 64,000 Lebanese pounds. This was an indispensable social decision. Likewise, we have increased by three or four times the allocations for hospitals and drugs.

My second point is related to the ration card. The funds for the card are available from two main sources: the World Bank, which had allocated approximately \$295 million for the transportation network project that was planned for the city of Beirut. The World Bank did not hesitate to show its full readiness to allocate this amount to social assistance and to supporting the poor. This amount is available and needs a decision by Parliament to modify its use modalities.

The total cost of the ration card is \$500 million, and we can get an additional 200 or 220 million from other sources such as the special drawing rights (SDRs).

The newly formed government will work on the issue of the ration card and is set to launch it in a timely manner.

With regard to the International Monetary Fund (IMF), there is no way out for this government of its crisis except through the IMF program. When we started negotiations with the Fund in March 2020, the majority were against this, and today everyone views negotiations with it as inevitable.

We stopped negotiating with the IMF at the end of July for internal reasons. Our government presented the Fund with an economic recovery plan and the Fund considered it as positive, valid and good, regardless of any comment they had. The plan has received international recognition. The dimension related to the financial and banking sector is negotiable, and the new Minister participated in the negotiation meetings. We hope that the new government will present a plan similar to it or something equivalent.

On the subject of SDRs, Lebanon's share amounts to \$860 million.

We, the Ministry of Finance, demanded Lebanon's right from the International Monetary Fund for the year 2009, which we had not withdrawn, since the Governor of the Banque du Liban saw at the time that we did not need this amount as we had surplus funds at the domestic level. Hence, the value of SDRs increased from \$860 million to \$1,135 billion.

This is not something that happened overnight; it is rather the result of consultations between me, the President of the Republic, the Prime Minister and the Governor of the Banque du Liban about a month ago, which we did not want to announce it for technical reasons.

To clarify the role of the Ministry of Finance, (let me tell you that) the Governor of the World Bank in Lebanon is the Minister of Finance, the person responsible for negotiating with the IMF is also the Minister of Finance, and the Fiscal agent responsible for the SDR is the Minister of Finance and not the Banque du Liban (BDL). The eligible person to make use of the \$1,135 billion account is the Minister of Finance, not the Banque du Liban, but in cooperation with the BDL, and this will impose additional responsibilities on the new minister in the forthcoming stage.

The fourth item is the forensic audit, which is a national and international requirement. We have taken advanced steps in this matter. The new contract was supposed to be signed with the forensic audit firm Alvarez & Marsal yesterday, but there was a delay due to a request by the Court of Audit (Accounts) to translate the contract into Arabic, and Minister Al-Khalil is expected to sign the contract in the coming days.

As for the financial audit with KPMG and Oliver Wyman, the two companies have submitted the initial report which has become available, while the second report should be ready within a month.

Finally, on the subject of communication with the World Bank, the Bank has shown me its full readiness to help Lebanon, especially in the current circumstances. On 10&11 October, the Governors of the World Bank Group in the region will meet, and Minister Wazni received a request to have Lebanon's Governor preside over the session."

Minister Khalil made also a statement in which he said:

"I would like to thank Minister Wazni for his opportune and kind words. I also consider him a friend and cherish his friendship, which I hope will be maintained. I also hope that we will meet periodically to discuss the economic situation.

We all acknowledge that this is a historic and pivotal moment on the political, economic and social levels in Lebanon. Lebanon is suffering a lot. Either we succeed or we fail to amend the situation. As we have seen more than two years ago, the repercussions of failure put us in a spiral that leads to disasters and fragmentation. Success cannot be achieved by relying on sweet talk mixed with political rhetoric, and Lebanon must work to prove its worth and face challenges, so that we can win the battle seriously, because change for the better requires structural reforms on various levels.

With respect to fiscal policy, its role will be essential for the Ministry of Finance to keep pace with this change.

The general concept of fiscal policy is limited with a validity period that is almost expired. As a matter of fact, linking the success of the fiscal policy to expenditure cuts and maximization of revenues is no longer sufficient, knowing that Lebanon must adhere to acceptable standards in terms of deficit and debt levels. Modern economics has transcended the old concept, which considered the accumulation of productive and financial capital as a first priority. The concept of traditional economics has been changed by adding two main pillars: human capital and the ecosystem.

Now the most important question is: what can be done?

Is increasing the productive, financial or even human capital sufficient to get out of the crisis in the short term? Not sure. The loss of confidence in governmental and private institutions is a major obstacle to getting Lebanon out of its problems, and increasing confidence in fiscal policy requires a fundamental change in the performance, image, effectiveness and transparency of public administration and its interaction with citizens. Today, Lebanon's economic and therefore social History is being written, and everyone in all sectors must work to make the salvation of this country a reality.

I call upon my colleagues at the Ministry to maintain an honorable performance that makes us hold our heads high when fulfilling our duty, an effort that should of course be rewarded by the state.”