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**Minister Khalil's speech at the Career and Internship Fair at Notre Dame University-Louaize**

I am honored to be once again at Notre Dame University-Louaize 15 or 16 years after my first time addressing the students as the Minister of Agriculture. At that time, I addressed the concerns of a sector that had been forgotten by the State. Today, after all these years, we are back to tackle the same concerns related to the future of this country's youth, its production sectors, and the absence of real guidance that would place them on top of this country's priorities. I am honored to be in this honorable university that reflects the image of the Lebanon we want. The Lebanon that is more than a country, that is bigger than a country. Lebanon the message as defined by late Pope John Paul II, a message that had a great impact then on a region and a world where contradictions and challenges prevailed.

He wanted to place Lebanon in its natural position as an advanced model in this world; a country that was capable, and is still able, to play a central role in the dialogue of civilizations, in the convergence and exchange between cultures, in the production of a model showing that religions can live as one and not only coexist and a role in our ability to turn our religious differences into a wealth giving our country an added value in this world through its capacity to take a stance and have an exceptional position in the world, the

whole world.

We find in the NDU the image of that Lebanon, since this university embraces openness, love and peace in the heart of Lebanon, because Kesserwan is the heart of Lebanon, the heart of this Lebanese mountain, which, despite all the problems faced by this country, has been able to remain vibrant with life and love, organizing differences and finding solutions to crises and problems, regardless of their magnitude.

Father Pierre just handed a precious gift: the book of Virgin Mary. It gave me tremendous joy because I consider myself one of her true followers. She is the mother of our Lord Jesus Christ, and she represents all the values of NDU, this blessed university. Since the spirit of gathering is based on dialogue and not solely on the principle of talking and hearing, I will not ruin the idea of this meeting with a political speech that should be stated elsewhere. Many of you students are the teachers of politicians, because any politician who does not take into account the opinions, concerns, expectations and dreams of the youth, fails as a politician and does not know his real role.

The role of the politician is to know their concerns and build his position accordingly, placing them on his agenda at the Parliament, in the government, in his political party and in his association, within his wide scope of influence.

I am here to listen and learn from students and employers what we have to do in the next phase of this country's history.

I would like to mention two issues before starting the dialogue. First, Lebanon will not get better unless we prioritize the logic of citizenship over

other issues. Being true citizens in this country does not limit our ambition. No obstacles that can do that, whether sectarian, confessional or regional. We are committed, and shall continue to be committed, to the true partnership between all the components of this country. We believe that Lebanon, as it is today, maintaining equality between Muslims and Christians, must continue to do so, not for the protection of Christians or for the protection of Muslims, but for the protection of the country/message that we have mentioned earlier. The country cannot move forward without real unity based on true integrated partnership. However, there is a big difference between maintaining the relationship between the sects and killing our spirit of citizenship at the expense of the religious sect or confession.

Imam Musa al-Sadr once said that sects in Lebanon are a blessing, but sectarianism prevents us from having the Lebanon that we want. This is why dear students we must all work on building a responsible and honorable sense of citizenship. A citizenship that builds a country for the future. We should implement this comprehensively so it becomes a basis for relationships between people across their jobs, social life and existence. The other issue is that we have to trust our country's ability to live. We must not lose hope. We must not break under the pressure of circumstances, no matter how harsh the situation is. We must always trust that we can find solutions, emerge from crises and truly establish a better reality. It is true that jobs are hard to find, but Lebanon has always supplied, for decades, many countries with human resources and scientific knowledge. We do not want our youth to emigrate, but at the same time, we do not want to ignore their role in creating progress and creativity in the Arab world and the rest of the world. Let us not worry. We have to turn our concern into hope and insist on leading the change toward the best at all levels.

Have faith in your country, Lebanon. Have faith that an objective analysis of the experience of the countries in the region and some countries in the world reveals that you are in a country that deserves our sacrifice, our resistance and our energy to help it move forward and advance.

Today, with this innovative initiative by NDU, we regain hope by highlighting the issue of employment opportunities, the roles of youth and how the different sectors should promote this matter. This also requires our involvement, each from his position, in the government, parliament, economic bodies and other entities in order to be part of this process, not only in theory, but also in terms of inducing change at the different legislative and non-legislative levels. I do not want to steal the time allocated to the dialogue on the challenges we are facing. I would like to reiterate my deepest gratitude and pride to be a member of this family, the NDU family, with all its principles and ideals.

**The statement was followed by a dialogued between H.E. the Minister and the public**

- Answering a question Minister Khalil said, “I hope that the saying “Listen and you shall be happy, try and you shall be sad” is behind us, but I am not sure. The experience is not encouraging and we have to admit that the political administration was unable, for decades, to formulate reassuring projects for the future of young people in different fields and at the economic, financial and political levels in

the first place. This has, in one way or another, spread concern among the youth, but this does not mean that we should remain negative about the suggested solutions the existing solutions projects. If there are suggestions that overcome the crises, we must push them forward and not keep on insisting that words cannot be turned into actions. If we seriously take into account the public's opinion and role, we can make a difference."

- Commenting on the information about a financial crisis in Lebanon, H.E. said, "The situation is delicate and critical, but we are not collapsing or the verge of doing so. We believe in facts, not only in politics and in the media. We can get out of the crisis. We still have major financial and economic capabilities that can help us overcome our situation. There is a big difference between understanding the depth of the problem and delineating it, and between working on finding solutions and talking about collapsing. I seriously state that we are facing a big challenge, but we also have the will to make a difference through a series of reforms. Some might consider these reforms as fulfilling the requests of CEDRE Conference, the World Bank, the International Monetary Fund or international rating agencies. However, I consider this to be fulfilling a national need. Yes, we need reforms in light of our current financial situation, and this reform starts with the adoption of a new and serious budget, with a clear vision of the shortfalls. A budget that puts everything on the right track.
- I do not think that it makes sense to talk about a transformative budget that would give solutions at the touch of a button, but we can

definitely approve a budget that puts us on the track of real financial reform, and this is what we are working on.

On another note, we cannot discuss the financial situation without mentioning the economic conditions. Today, we have to tackle our economic issues from different angles. We have to answer which economy we want. The government tried to do so by asking McKinsey to undertake a study, and some have many questions about this report or the role of this company. As for me, I consider it as a document to be studied and taken into account. We need a new approach toward this economy to really know what we want and concentrate on production sectors. If we are unable to push the sectors, such as the industry, agriculture and other elements that form any economy, forward in order to restore minimum balance, we will not be able to redress the deficits of the balance of trade or the balance of payments and we will keep on facing a financial challenge.

- The situation is delicate and needs great attention. Any financial reform or attempt to address our current budget deficit requires actions that may be difficult. We must maintain the fine line between social stability and financial reforms. We do not want any reform that threatens this necessary social stability that protects people's lives and livelihoods. However, we have to know that if we do not take serious measures, we could somehow jeopardize these people. Here is the problem; we either take measures or we push all our national potential into the unknown. We have tried to reduce many issues within the budget including waste of money, or funds going into the wrong place or for purposes other than the proper way to spend public money. We

were able to put in place a series of cuts that do not affect public stability, but certainly make a difference in reducing the deficit. However, we have to complete the issue of cuts with a set of real measures that ensure the sustainability of this reduction in spending, especially the issue of employment.

Here I say clearly that the issue is not a question of employment legitimacy. Perhaps we need to open the door to employment in some ministries, but what we are talking about is random and arbitrary employment, which serves political and private interests, and not the interests of the State. We might need sometimes to carry out recruitment processes that cover areas of weakness and shortfalls, but what happened was a transgression of laws and arbitrary employment. Some may ask why the Ministry of Finance pays if the recruitment is done like that? The answer is that there is an imbalance in the administrative organization of the State, allowing some institutions and departments to elude, which leads to a major imbalance similar to what we have witnessed over the past two years in terms of arbitrary employment. Such employment I believe is random and does not serve the public sector. It burdens the State's treasury and current deficit.

- **Budget and expenditure:** Each minister is trying today to get money for his own ministry and this will never lead to a financial policy. Indeed, we should consider the situation from everyone's viewpoint and not just one person's. Honestly, if the budget is approved according to the requirement of ministries, the deficit of this budget

would jump from 12% to 13% of GDP and this is something we are all aware of. Over the past three or four years, I have deliberately dealt with figures without embellishment or concealment, or turning them into numbers that reflect balance. Frankly, there is an unacceptable deficit ratio. At CEDRE, we talked about reducing the deficit by 1% per year and we were at 8.2%. Now, we have exceeded 10.5% and 11%. Which means that instead of reducing our deficit by 1% we increased it by 3.5%. This is dangerous, but it is the result of the political tension that existed, the vacuum after the parliamentary elections, the delay in the formation of the government, the regional problems, the impact of the Syrian displacement on Lebanon, the decline in the economic situation in Gulf countries and other regions where Lebanese are present, in addition to the decrease in remittances and the lack of stability in the balance of trade and consequently in the balance of payments.

All of these issues have led us to the current deficit. In all honesty, we are obliged to reduce the deficit to an acceptable level. Otherwise, we will shortly face a new challenge: the result of the reports of all the rating agencies and international bodies that will reveal whether Lebanon is on the path of recovery or whether its political class considers that it is be able to overcome things without radical measures.

I do not want to talk about collapse, but about further deterioration, decline and loss of hope in the ability to recover, because if we cannot tackle the situation today, I think that after months it will be much harder and harder to do so. Economic bodies, business owners and the private sector where people interact directly with the market are aware



of the level of decline in economic activity. In all honesty, growth has not reached 1.5% since last year. This year, and I will be straightforward, while discussing the budget and studying figures and indicators, our analysis was based on the perception that the growth rate will not exceed 1.5%. We hope that we will have a promising summer and that the measures taken by the government in terms of the budget will be good. Only then, we can get out of this tunnel and increase our growth rate.

- Concerning the reduction of the pensions of ministers and MPs: This is not a show. I know that this is an issue that will not make any change or difference in the budget, but it is within the options to resort to for the reduction of spending. This does not mean that this reduction will solve the problem, but we have to consider it and decide the next course of action. For me, this is serious and I hope that Council of Ministers and Parliament will adopt it. I know that for some MPs this is unfair, especially for those who have no other source of income, but we have to make painful decisions related to spending. Even if this will help us close a small gap only, we have to take a decision.
- We are not facing collapse but a huge crisis. First, Lebanon is committed to paying its debts, and it has never failed, in the past, to pay its external or internal debts. Therefore, the BDL and the Ministry of Finance can still carry out all the measures to pay Lebanon's international commitments in this field. I am confident that we are not facing the collapse of the Lebanese lira. We are facing challenges, not collapse, and we can go on maintaining this stability. Now, do we

need to discuss the future of the financial situation in the country?  
This must be done quietly and within closed rooms that allow us to reach results and not spread panic and tensions within markets, effecting the general economic climate.

- Yes, the salary scale cost us a lot, for different reasons. I have mentioned random employment, but the most serious aspect is that this scale has greatly increased the appetite to retire; in 2016, after the adoption of the salary scale, around 4900 retirees joined the annual number of retirees. It was more than expected and they have raised the cost to 400 million dollars, or 600 billion LBP, which in turn increased the deficit. The current budget suggests addressing this gap, and I will not go in the details for now. I think that it sets a ceiling for the spending in this area and it will greatly help in reducing the deficit. I am against the reserve decreasing to the level they are talking about. The reserve has exceptionally decreased but it is being built up again.
- BDL will not issue Eurobonds. This is a process carried out by the Ministry of Finance. Before April 20, 2019, we were planning to issue bonds in foreign currencies and we have started to work on it. We are cooperating with the BDL to encourage the concerned international banks to promote such bonds.
- 24 billion dollars have not left the country. If this had happened, in addition to our trade deficit, we would not be sitting in this room

today, and we would not have known what had happened to us. However, the dollar is certainly being drained. Dollars are of course leaving the country, but the problem is that we import 19 billion-dollar worth of goods. Which means that this amount is practically leaving Lebanon and everything we export against the dollar does not bring us back 3 billion dollars, but maybe a bit over 2.5 billion dollars. Consequently, our trade deficit is around 15 to 16 billion dollars. In addition, the remittances of the Lebanese abroad have decreased. Some years ago, remittances were around 9 billion dollars and have reached now a maximum of 4 and 4.5 billion dollars. This is the result of the crisis in the Gulf, Africa and Latin America, which weakened remittances. All these factors have significantly affected our situation. However, I would like to reiterate that the 2019 budget, despite being late, was submitted within the constitutional deadline by Ministry of Finance before the end of August 2018. Unfortunately, due to political debates, the formation of the government took 9 months and thus delayed the process for adopting of the Budget. Today, I spoke with the Prime Minister and we should start the discussions this week at the Council of Ministers in preparation for the adoption of this Budget.

- The Budget will include different measures for the agriculture, industry and production sectors, in terms of reduction or incentives. Especially that our Budget cannot bear reductions in investment spending. Indeed, our Budget is distributed as follows: 35% on salaries, 34% on public debt service, 12% on electricity deficit (or a bit less), and 8.5% to 9% on investment expenses. Therefore, we need

to raise this last figure and lower other figures in other areas. We are following up on the incentives of the production sectors.

- Exemptions: Many legal articles need to be reviewed. However, the official in charge is obliged to work according to the law; Article 3 of Law 662 clearly stipulates that the Minister of Finance has to submit to the Council of Ministers the case of any company with penalties exceeding one billion LBP for appropriate action. Therefore, it is the duty of the Minister of Finance to submit this proposal and this is what happened. Any delay in taking a decision on this matter will delay the collection by the Ministry of Finance of revenues directly related to the value of these penalties to be collected or will delay the transactions of people related to these companies because they are not be able to obtain a quittance.

I still believe that this item should be discussed and decisions taken, either by approving these exemptions and determining their rate or by rejecting them so that the Ministry of Finance can proceed with the voluntarily or forced collection of these revenues. Exemptions take place all over the world; the political leadership and the Council of Ministers decide to exempt for incentive reasons and determine the rate such as 20, 50 or 80% ... It is not wrong to raise such a question for debate. If we need to reconsider the laws, I support the revision many laws, not only those that exempt but also those that complicate the life and work of companies. We must consider the matter from all angles.

- Concerning Housing, the Parliament assumed its responsibilities and allocated 100 billion LBP to this matter. Unfortunately, through difficult negotiations with banks, the way to manage this file was determined only to have banks change their mind and stop implementing the procedures that enforce this plan. We are coordinating with the BDL, which enforced some solutions that benefited some military and security institutions, fulfilling old needs but not opening the door to new loans. We have allocated in the current Budget 100 billion LBP to pay the interest differences to the Housing Corporation. I do not want to give dates, but we are working daily on this file.

As for subsidized issuances or the banks' contribution to this matter, I do not like talking about the financial procedures related to our relationship with the BDL and banks through the media. However, this is part of addressing the problem of public finance and reducing the deficit. Progress was made to reach an understanding on the contribution of the banking sector to this process.

- Administrative Decentralization: We are firmly committed to working on the adoption of the Administrative Decentralization Law. We consider that this shall contribute to alleviating the problems of the country on more than one level, but we are careful not to turn this suggestion into a political division in the country. It is a sensitive issue, but it should not prevent us from working seriously on the Decentralization Law. Those who follow the sessions of the Parliament know that we are optimistic as to this proposition and we

are pushing for its adoption. We can draw a line between the political risks and the positive outcomes that can be achieved in terms of real development in these areas.

- Salaries: We are committed to paying salaries without problem, despite all the discussions on social media. There is no problem related to the salaries of the military staff because they are one of the foundations of this country and they have played, and still are playing, an important role. They have protected us and we must protect them. What we are discussing is the whole financial situation in the country and therefore the military and security institutions are part of it. We are not targeting the Army, security and military institutions, as some are portraying. Neither are we targeting the retirees. Nevertheless, they are part of the structure of this country and they will be affected, directly or indirectly, by any measures taken.