

Prepared for



Survey results

Government draft plan

InfoPro has conducted a survey to gauge the reaction of members of LeadersClub on the draft of the Government Reform Program (aka Lazard plan), circulated early April, prior to the final plan announced on April 30.

Q1 Which points do you agree with?

1/3

Do not agree

40%

Agree with some points

10%

Agree with the draft plan as a whole



- a) One third of respondents do not agree with the plan at all. They don't have faith in the current political ruling scene.

Sample responses

- › All of the exercises in the plan are excel sheets which cannot be applied to the unique, doomed to die, and unfounded Lebanese reality.
- › The plan shows somehow a master plan for a potential recovery, but it does not delve into the reasons that made us reach this stage and how to overcome them – which is a more crucial matter now

- b) Around 40 percent of respondents said that they agree with some points in the draft plan:

- Reforming Electricite du Liban (EDL): The reform should be without any increase of tariffs and the electricity ships should be removed and replaced by power generating plants.
- Reducing the public payroll/ Full reform of the public sector wages and the reduction of number of unnecessary employees, EOS indemnity, etc.
- Combating corruption/ National anti-corruption strategy
- Recovering funds that have been embezzled over the last 15 years through a full recovery plan before even contemplating touching any deposits
- Debt restructuring strategy and restructuring of the financial system (Partially)
- Welcoming an intervention with IMF
- A proper assessment of the prevailing financial situation
- Reforming the Social sector (a necessity in times of crisis)
- Revenue enhancing measures, especially with respect to increasing certain taxes on luxury goods only
- The plan raised a great initiative by encouraging local production, didn't note that our technology is very basic and we have a high cost of production, which means that we are not able to compete with foreign products, and that there are difficulties in importing raw material for manufacturing.

- c) Ten percent of respondents agree with the draft plan as a whole if, and only if, all reform targets are implemented simultaneously. Partial implementation is not a viable solution.

- d) Additional points of agreement made

- The IMF should be invited to take part of reform efforts
- The revenue enhancing measures, especially with respect to increasing certain taxes on luxury goods
- Improving Customs and VAT collection, in addition to improving all kinds of collection that the government might impose to increase the non-tax revenues, could not be done without minimizing cash usage and moving to a more systematic e-payment system between peer to peer and peer to government

Q2 Which points do you disagree with?

2/3

**Disagree totally
with a haircut on
deposits**

a) Two thirds of respondents disagree totally with a haircut on deposits. Some of the reasons / alternative solutions provided were the following:

- The bail-in and haircut are totally rejected. The government should consider them only as a measure of last resort
- Touching depositor funds is a big NO. They must start by recovering all the embezzled money, reduce all government spending, sell assets owned by the government since the money was wasted by the government. The government should not be managing public funds. The government has been tested and it drove the country to bankruptcy.
- It is not acceptable to impose the financial burden for addressing the crisis on the depositors
- The haircut will have a profound negative effect on Lebanon's financial system and on the trust in Lebanese banks for decades
- Some have proposed depositor contribution either against bank's capital or targeted for bail-in to a dedicated deposit recovery fund. It is being proposed if the only other alternative is having 'untouchable, non-transferable' deposits at banks as in the present situation
- A full audit of the banking system and the government should be conducted before any measure is undertaken

30%

**Disagree with the
new imposed taxes**

b) Thirty percent of respondents disagree with the new imposed taxes (e.g. increasing the VAT rates and the introduction of LL1,000 on fuel). They also disagree with increasing the corporate tax rate from 17 percent to 20 percent, or the increase of income tax on capital gains from ten percent to 15 percent which they feel is counterproductive and will lead to stagnation. They proposed that the government had focused on the needs of the public sector on the expense of the private sector.

15%

**The devaluation of
the lira as depicted
in the draft reform
should be revised**

c) Fifteen percent of respondents considers that the devaluation of the lira as depicted in the draft reform is not realistic and should be revised.

Sample responses

- › The Devaluation should not be allowed to exceed 15 percent by end of 2020 since that could be rationalized by businesses who would be willing to collaborate. If the Lira devalues further, it will destroy most economic sectors.
- › Keeping the official rate unchanged during 2020 is not an appropriate and fair measure. The unification of the two rates is a must. This can be done by the prior stabilization of the economy and the restructuring of the banking sector
- › The report estimated the official exchange rate in 2024 will be around LL2,900. However, it is currently much higher. The mismatch between official rate and the real market rate is a huge problem
- › We are importers of raw material and we pay our suppliers in USD. How will we cope with this difference? Can we raise our prices? Will the Lebanese people be able to afford it?"



Q2



d) Additional points of disagreement

- Capital control on depositors are not fair
- Removing all profit and capital gain exemptions for holdings and offshore companies will lead to the shutdown of their subsidiaries which will lead to more unemployment and will remove competitive advantages we have with other jurisdictions
- Limit the responsibility of the financial crisis to BDL and Banks. The main responsibility is on Executive and Legislative authorities
- Not everything should be dependent on CEDRE related financing and IMF, which seems remote or at least not feasible in the short term.
- The plan is not inspiring at all neither to bring confidence nor to attract foreign funds since there are no tangible measures or vision
- The word 'corruption' appears 15 times. The advantages of fighting corruption are detailed in a very comprehensive manner. But nowhere is it said what is 'corruption' and how the new government will behave in a non-corrupted way
- There is no assurance that Parliament will vote reform measures
- No realistic proposals concerning the reform of the electricity sector
- Wage bill reduction: wages have already depreciated by more than half
- Proposed streamlining of public expenditures and government spending is not sufficiently aggressive, such as the reduction of public wages, improving cost of generation, broadening tax increase without reform milestones, reduction of school allowances, oil imports not identified for specific improvement,
- Consolidation and intent to reduce the size and number of banks is an incorrect title. There is also a contradiction between the intent to broaden tax base and reduce banks with the intent to develop capital markets and stock market
- Unpredictability and lack of transparency in the changes of legislation
- Social support / medical support through NFSS is weak



Q3 What is missing? What would you like to see in it?

