FORUM: Advisory Panel

QUESTION OF: Measures to Stabilize Lebanon's Collapsed Economy and Hyperinflation Crisis

MAIN-SUBMITTER: The People's Republic of China

CO-SUBMITTERS: Brazil, Germany, India, Indonesia, Israel, Japan, Kenya, South Africa, Saudi Arabia, Turkey,

ADVISORY PANEL,

Deeply disturbed by the Beirut Port Explosion in 2020, which is one of the main reasons the Lebanon Lira has lost over 80% of its value since then,

Recognizing Lebanese Gross Domestic Product (GDP) has collapsed by 38% and has lost more than 98% of its value on the parallel market,

Fully aware of Lebanon's unsustainable debt load of 120 billion United States Dollars since the Sayrafa FX Platform's initiation,

Appalled that the debt in 2020 was more than 184% of GDP,

Observing that more than a third of Lebanese people are unemployed,

Taking note that poverty rates are around 80% in the nation,

Desiring a financial recovery plan that comprises fiscal, banking and structural reforms,

Reaffirms the actions of International Monetary Fund (IMF) and the Lebanese government to lower inflation and stabilize the exchange rate, supported by the BdL's decision to end monetary financing and foreign exchange subsidies, as well as the elimination of the fiscal deficit,

MAIN-SUBMITTER: The People's Republic of China

1. Demands the implementation of the following measures to ensure transparency and accountability:
    a. Requiring the National Anti-Corruption Commission (NACC) to inform the Lebanese public of anti-corruption measures by:
        i. Publishing annual records of corruption complaints received, investigations opened, and decisions made,

ii. Publicly identifying officials who fail to submit required asset declarations and reporting measures taken to enforce submission and verification,
iii. Requiring the NACC to publish these reports by the end of each calendar year, with failure to do so subject to parliamentary review;

b. Requiring the Minister of Finance and the Council for Development and Reconstruction (CDR) to submit to Parliament and publicly release:
i. Reports on fiscal performance, objectives, and measures taken to achieve them,
ii. Reports detailing all extra-budgetary spending from the previous year,
iii. Reports on all foreign-financed capital expenditures implemented by the CDR,
iv. Prohibiting the approval of future discretionary budget allocations to relevant institutions until overdue financial reports have been submitted, subject to applicable Lebanese law;

c. Reinforcing the Access to Information Law by:
i. Amending the Right of Access to Information Law to establish legal penalties for public officials who deliberately withhold information or repeatedly refuse lawful information requests,
ii. Requiring all obligated administrations to publish their compliance records and implementation progress,
iii. Requiring administrations that fail to comply with the law to face formal investigations and appropriate legal penalties;

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2. Strongly recommends resolving Lebanon's banking crisis through a fair debt restructuring process that protects ordinary citizens and small businesses by:
a. Identifying and addressing financial losses within Lebanon's banking sector by:
i. Identifying the financial losses of each commercial bank through third party countries,
ii. Publishing the results of these examinations to establish the actual amount of financial liabilities,
iii. Requiring bank shareholders to absorb losses before placing additional financial burdens on ordinary depositors,

b. Restructuring outstanding bank and government debts by:
i. Issuing government-backed restructuring certificates to the Central Bank of Lebanon (BdL), which will transfer these certificates to commercial banks to reduce its outstanding debt to them,

ii. Distributing restructuring certificates to commercial banks according to the amount of their deposits held at the BdL,
iii. Converting eligible bank deposits above a protection threshold into long-term restructuring certificates, allowing banks to reduce their outstanding deposit liabilities,
iv. Establishing a full deposit protection threshold of at least United States Dollars (USD) 100,000 and ensuring that deposits below this amount are fully recognized at their original value,

c. Ensuring the stability of commercial banks by:
i. Requiring commercial banks to maintain a minimum capital-to-asset ratio of 15% following the restructuring process,
ii. Requiring banks that fail to meet this requirement to immediately raise additional capital through their own resources or receive temporary financial support from the BdL,
iii. Subjecting banks receiving financial support from the BdL to increased supervision and prohibiting dividend distributions until their financial position is restored,

d. Ensuring transparency throughout the process by:
i. Requiring regular reports on the progress of banking reforms,
ii. Preventing government officials and bank executives from unfairly benefiting from the restructuring process,
iii. Only lending new money to finance the needs of the reconstruction and recovery if they can be assured that when all new money is disbursed, the sum of this new debt plus the old debt will be sustainable;

MAIN-SUBMITTER: Germany

3. Suggests the government of Lebanon to build a strong and sustainable foundation for future economic growth by strengthening its domestic revenue system through reforms in ways including but not limited to:
a. Expanding the national tax net to include a broader range of citizens and businesses because it builds citizen participation in governance and allows for everyone to contribute fairly to national development:
i. Simplifying the tax registration and payment processes by establishing easy-to-use online platforms and local help centers that assist individuals and small businesses in becoming registered taxpayers,
ii. Launching awareness campaigns that explain how taxes can directly fund public goods and services such as schools, hospitals, and transportation, which can help citizens see that their taxes investment in their own communities,

iii. Offering short-term incentives or reduced rates for first-time or small-scale taxpayers in the informal sector to encourage voluntary compliance and build long-term habits of participation,
iv. Allowing Lebanese families with incomes under a designated poverty level to apply for reduction or exemption from taxes,
v. Punishing tax evasion either by imprisonment, fines, retracting business license or other means depending on the situation,

b. Redirecting government spending toward productive sectors such as education, infrastructure, and job creation:
i. Investing more in schools, technical training centers, and scholarships to build a skilled workforce,
ii. Repairing and building roads, energy systems, and digital networks to make trade and work easier across the country,
iii. Encouraging entrepreneurship among youth and small business owners by providing small grants, low-interest loans, and community programs that help new ideas grow into sustainable local enterprises,

c. Encouraging the political parties of Lebanon to adopt a unified approach to this issue without which the implementation of any reform policies will certainly be most challenging;

MAIN-SUBMITTER: Germany

4. Strongly urges the reviewing and strengthening of state-owned enterprises' (SOEs) governance to improve their efficiency, reduce fiscal burdens, and redirect public resources toward sectors that add long-term economic value by means including but not limited to:
a. Conducting public performance reviews of major SOEs to identify financial inefficiencies, losses, and areas requiring reform:
i. Requiring all major SOEs to adopt standardized financial reporting systems and submit annual financial reports,
ii. Prohibiting appointments to SOE boards that fail to meet published integrity and qualification requirements,
iii. Requiring all major SOEs to establish and publicly disclose performance agreements with measurable targets and financial reporting obligations,
b. Using the collected data from performance reviews to determine whether to keep and improve the given enterprises or to remove them,
c. Based on the decision, either phase in new efficiencies (if keeping the enterprise), or phase out the state-owned enterprise entirely,
d. Directing biannual tests to see if efficiencies and goals have truly been met;

MAIN-SUBMITTER: Germany

5. Strongly requests the Government to construct structural changes and reforms needed to break the downward spiral and move towards a path of inclusive and sustainable growth in ways such as but not limited to:
    a. Working with the Ministry of Justice to implement the Law on the Organization of the Judiciary to enhance independence from external influence, effectiveness, professionalism, and fairness of the judiciary,
    b. Asking the Parliament and Minister of Finance to reform the legal framework for Public Financial Management in consultation with IMF staff,
    c. Reforming the legal framework on State-owned Enterprises through the Parliament and Council of Ministers in consultation with IMF staff,
    d. Reforming the legal framework on the Central Bank,
    e. Reforming the legal framework and institutional set-up of the Lebanese banking supervisory authorities;

MAIN-SUBMITTER: South Africa

6. Strongly encourages Lebanon to expand sectors that will potentially drive future growth to combine economic recovery with the necessary rebalancing of a previously unsustainable growth model:
    a. Adoption of modern technology and agricultural methods, and the certification and quality control techniques,
        i. Expanding access to precision agriculture tools. Including drip irrigation, soil monitoring, and satellite based crop management,
        ii. Establishing accredited national laboratories and inspection bodies aligned with international food and safety and quality standards,
    b. Gaining access to higher-priced markets such as organic olive oil,
    c. Strengthening agricultural value chains through investments in agro-processing, cold storage, packaging, and logistics in order to reduce post harvest losses and increase export values,
    d. Diversifying export markets and strengthening trade facilitation, including through regional and bilateral trade agreements:
        i. Pursuing new market access in the Gulf, Europe, and Africa to reduce reliance on a limited number of destinations,
        ii. Streamlining customs procedures and digitizing export documentation to reduce clearance times and costs,
    e. Promoting climate smart and water efficient agricultural practice,

f. Developing knowledge based and service sectors, including information and communications technology, digital services, and renewable energy, to create decent jobs and reduce dependence on remittances and imports;

MAIN-SUBMITTER: Kenya

7. Strongly suggests the Lebanon Government to support the growth of a sustainable tourism system that prioritizes foreign countries by improving amenities and sites by way but not limited to:
    a. Expanding the Beirut-Rafic Hariri International Airport to support a more greater range of tourists and visitors as it can let Lebanon gain more popularity among foreign counties:
        i. Making the process of entering Lebanon easier by creating a simple online system to help with booking for planes and securing visas,
        ii. Establishing campaigns to promote the usage of the airport via online ads or also the usage of promotions using local TV stations and posters,
        iii. Expanding the airport so it can support more planes so that it can bring more tourists from foreign countries,
    b. Improving road networks by creating new highways, improving public transport, and creating Intelligent Transport Systems (ITS),
    c. Starting gastronomic tourism so that local and big restaurants can receive more interest while also providing tourists with cultural and traditional experiences,
    d. Leveraging the country's renowned healthcare system for medical tourism.