



# Reforms stays of utmost necessity to benefit from Lebanon private sector full potential



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RASSEMBLEMENT DE DIRIGEANTS ET CHEFS D'ENTREPRISES LIBANAIS  
LEBANESE BUSINESS LEADERS ASSOCIATION  
تجمع رجال وسيدات أعمال لبنان

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- 1. Macro economic and monetary backdrop**
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## I. WHERE ARE WE NOW ?

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### a) **Macro economic and monetary backdrop**

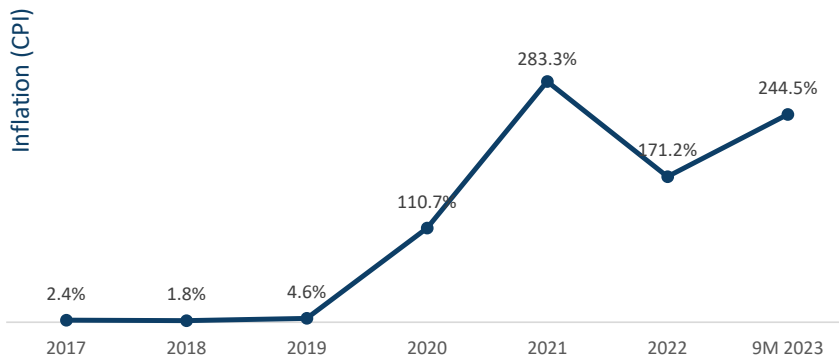


# 1. UNSTABLE MONETARY ENVIRONMENT

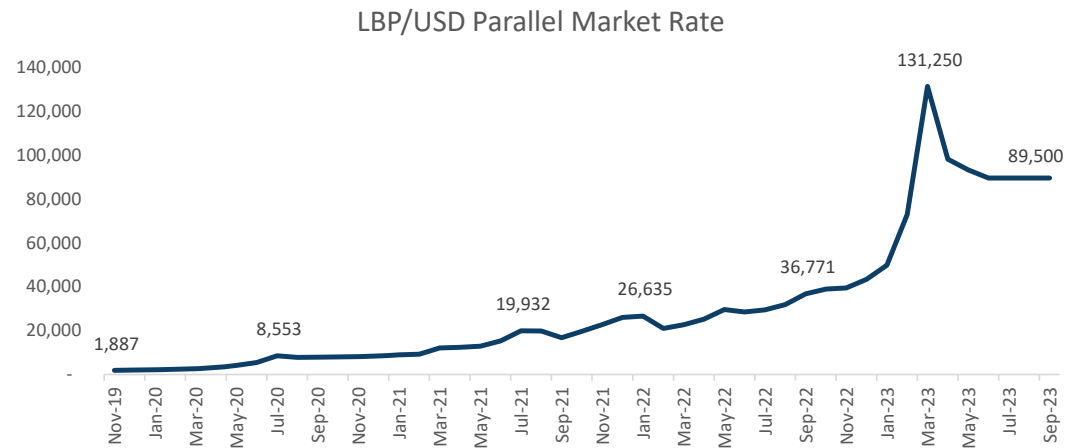
Figures in \$ Billion

After a period of spiraling depreciation, the LBP is somewhat stable at around 89,500 LBP/USD to a positive Balance of Payment. The situation could quickly derail if reforms are not implemented amidst high political risks.

### Surge in Inflation



### Sharp LBP depreciation since onset of crisis losing more than 98% of its value

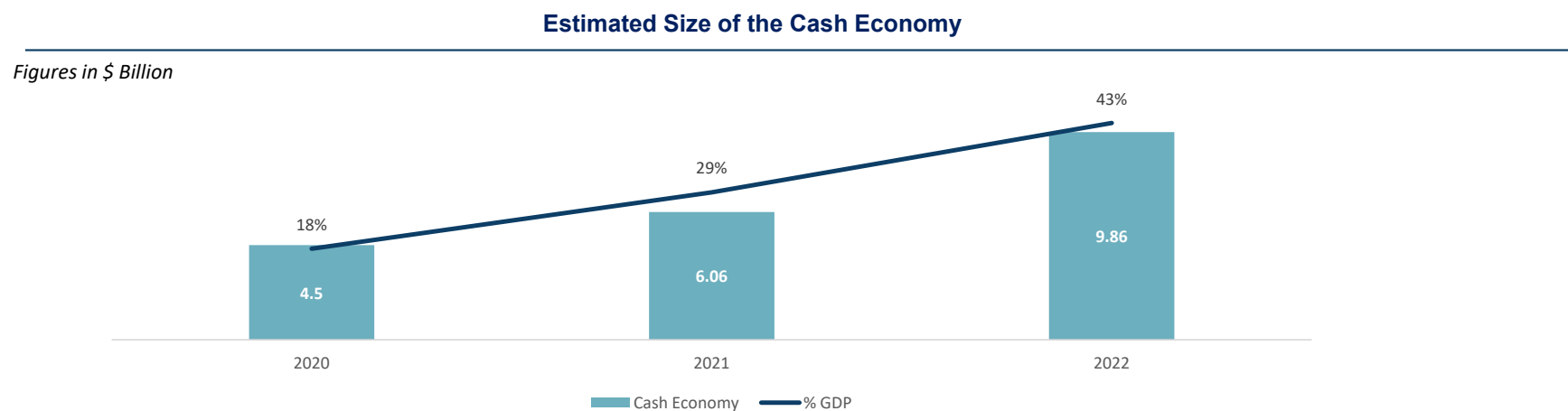


Source: Bank Audi economic research



## 2. THE CASH ECONOMY & INCREASED RISKS

- Over the last three years, the size of the cash economy continued growing and reached 43% of GDP in 2022
- It is important to note that the cash economy is not a contributor to growth, it only affects the nature of settling transactions
- In fact, the prevalence of cash transactions increases money laundering risks, the informal and illegal private sector and creates space for tax evasion; this is contrary to the reforms that Lebanon needs to implement
- The root cause of the cash economy is the loss of confidence in the insolvent financial sector.
- **Restructuring the banking sector** is the only sustainable solution to combat the cash economy.



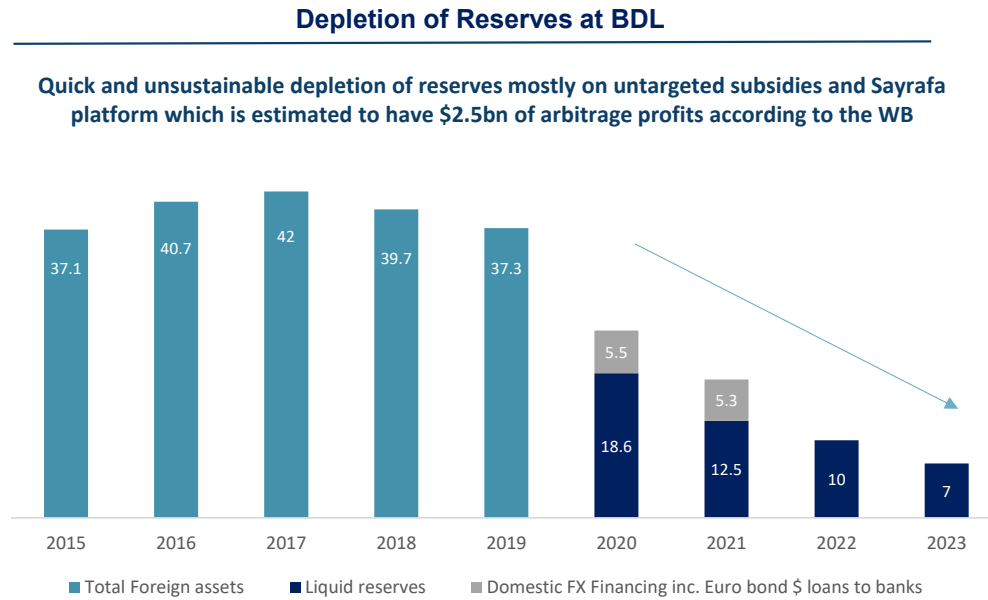
Source: World Bank – Lebanon Economic Monitor – Spring 2023



### 3. DEPLETION OF THE RESERVES AT THE CENTRAL BANK

Figures in \$ Billion

The current account deficit was financed by BDL foreign currency reserves until July 2023



Source: As declared by BDL



## 4. LACK OF ACCESS TO FINANCE & CASH TRAP

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- Lebanese private companies had to navigate through the crisis **without access to finance**.
- In fact the banking crisis has abruptly **constrained companies' access to financing and to their own cash reserves** who became stuck in the insolvent financial system.
- In addition, **development banks are restricting financing to the private sector until an IMF program is put in place** to ensure macro-economic stability. Given the lack of control over the political decision this has unfairly also restricted the private sector from much needed **financing lifelines**.
- Moreover, the lack of political will for reforms and the adhoc decisions to deal with the crisis has only benefited a few at the expense of others and have lead to a re-distribution of wealth in the country



## REQUIRED RESTRUCTURING AND REFORMS

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- Lebanon's private sector has emerged as a resilient force amidst the country's economic turmoil.
  - However, it is essential to acknowledge that the private sector's resilience alone cannot solve Lebanon's complex polycrisis.
  - Structural reforms, transparent governance, and a supportive business environment are crucial to foster sustained growth and economic rebound.
  - As we repeatedly called for by our institution, Lebanon needs to implement urgent comprehensive reforms through the adoption of an IMF program to restore trust and confidence.
  - The reform plan should urgently tackle the below critical points:
- 1. Financial sector restructuring to restore solvency and confidence with the IMF**
  - 2. Energy sector restructuring with the aim to provide the cheapest, cleanest and most sustainable energy to the Lebanese economy. In fact, if unaddressed, the energy crisis would derail any reform plan**
  - 3. Pension restructuring**
  - 4. Border control**
  - 5. Size of public sector**
  - 6. Judiciary independence**
  - 7. New monetary and exchange rate framework**
  - 8. Decentralization**
  - 9. Fiscal strategy for debt sustainability**
  - 10. Governance and transparency reforms including digitization , ect ...**





DESPITE ALL THE PRIVATE SECTOR IS STILL STANDING

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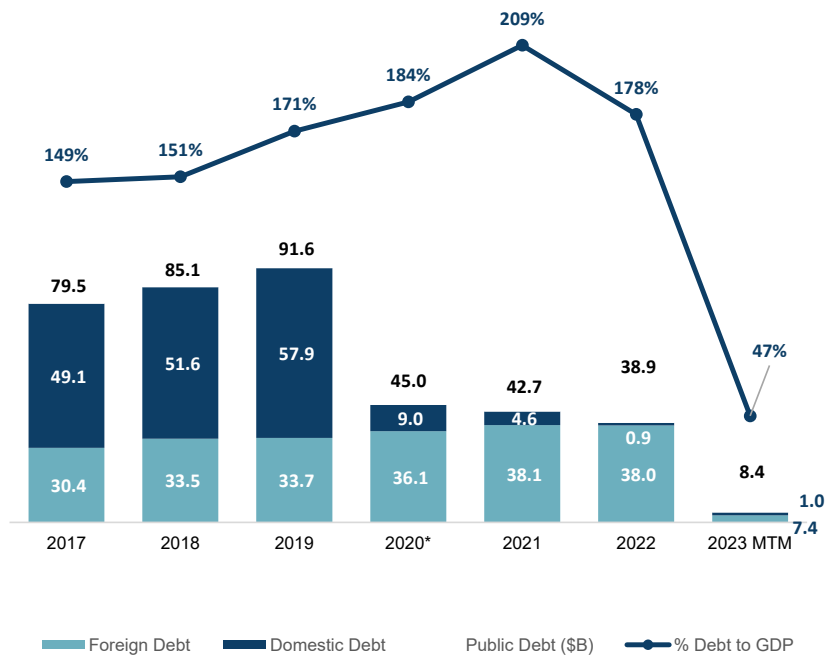
**b) Opportunities amidst adversities**



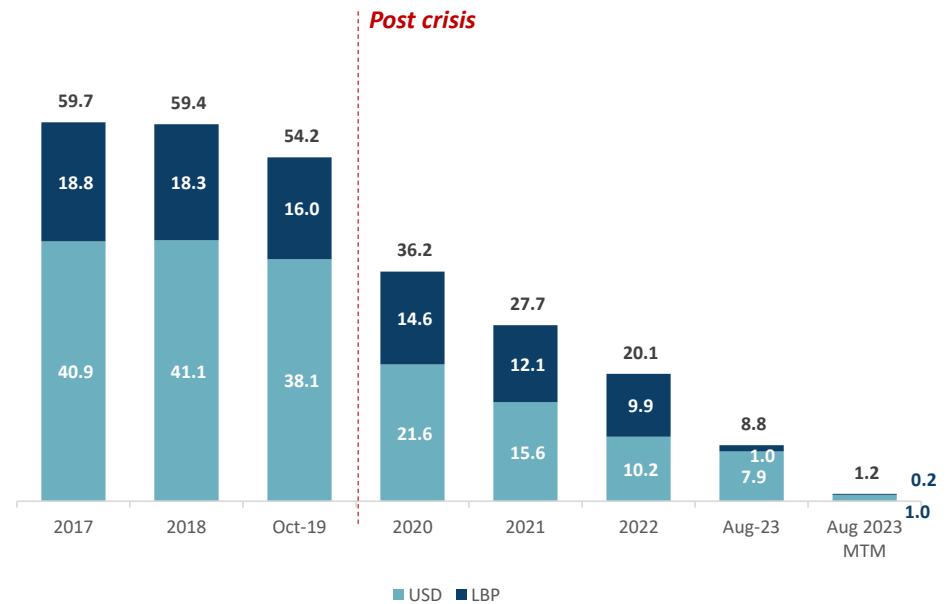
# 1. DELEVERED PRIVATE SECTOR (NOW) and PUBLIC SECTOR (AFTER RESTRUCTURING)

Figures in \$ Billion

Delevered Public Sector (after restructuring)...



... & Delevered Private debt (Corporate and retail)



- 2020 & 2021 & 2022 & 2023 Domestic Debt converted at FX rate of LL10,000 & LL20,000 & LL 100,000 & LL 89,500 respectively
- 2023 Mark-to market "MTM" assumes Eurobonds are restructured at 15% + 2 Billion USD Multilateral kept at par value.

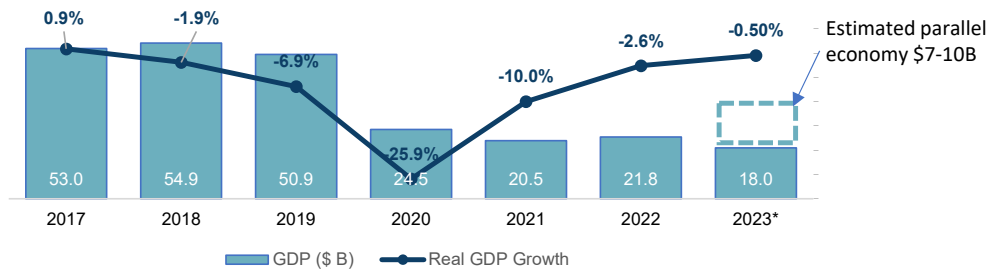
Note: 2023 mark to market "MTM" assume LBP exchange rate at 89,500 and local dollar value of 13%



## 2. MACRO-ECONOMIC INDICATORS

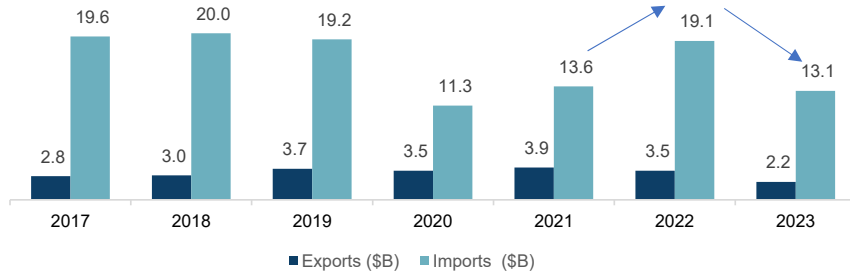
Figures in \$ Billion

### Continued contraction with growing parallel economy



Source: Bank Audi Research department, 2023 annualized based on 9M 2023 performance

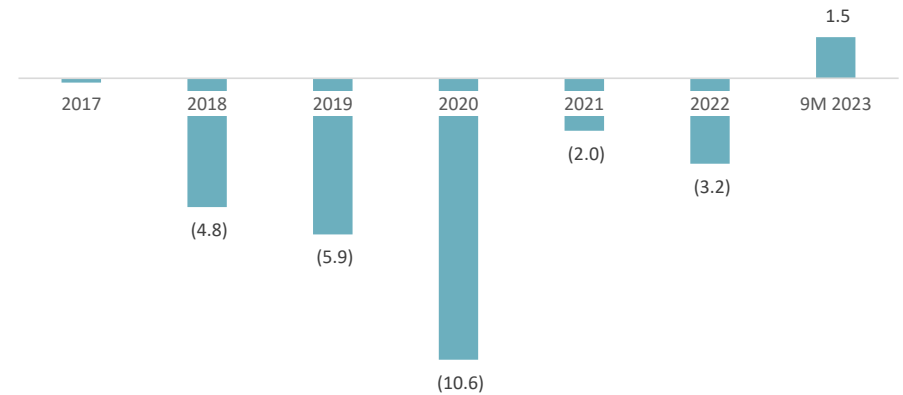
### Trade data distorted by customs dollars



**Notes:** 2022 sharp increase in imports largely driven by overstocking prior to increase in custom duties.

2023 estimated based on annualized 9-months 2023 figures

### Balance of Payments



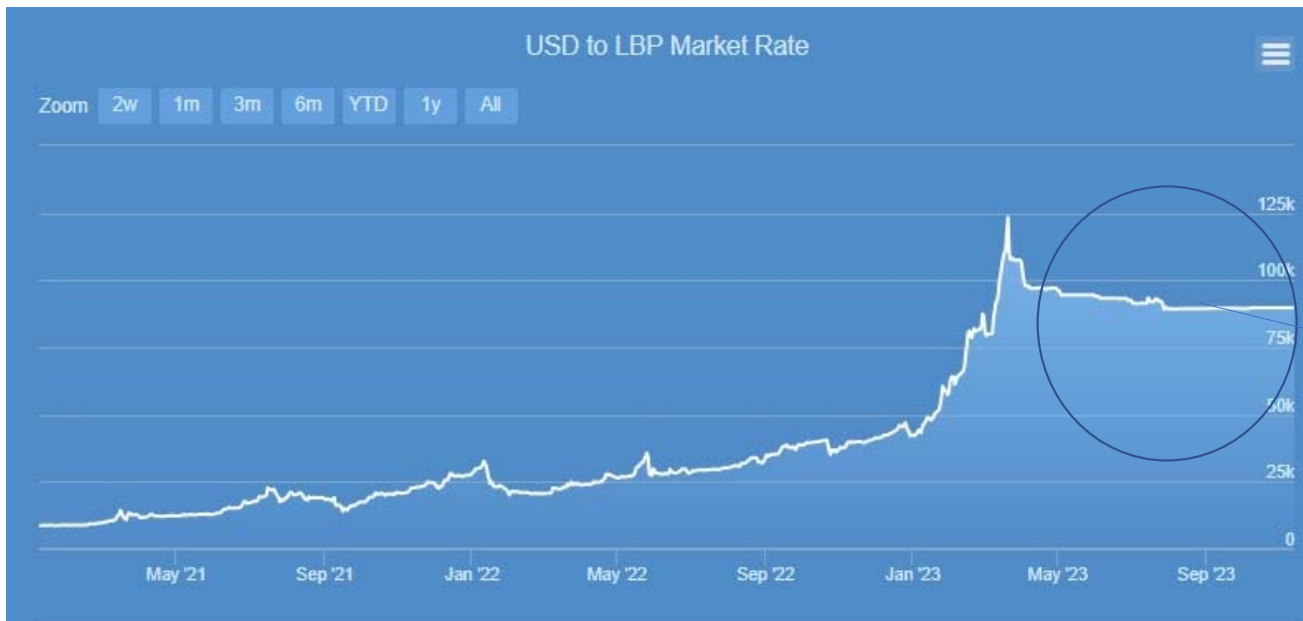
Source: Bank Audi Research department, 2023 annualized based on 9M 2023 performance

**Balance of payment is gradually neutralizing/slight positive.  
Result of which is the exchange rate is quasi stable  
(w/o intervention of the BDL)**



### 3. CENTRAL BANK INTERIM GOVERNOR POLICY

*Decision not to use neither remaining reserves in USD no printing LBP currency*



The stable currency while dissociating fiscal from monetary policy (not allowing financing any state deficit from BDL) suggests the BOP is neutral / positive.



## 4.DURING CRISIS (Until Sep 2023)

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The below sectors have shown resilience and growth despite the crisis (PRE- GAZA WAR):

1. **Renewable energy (Decentralized / Private sector) \*13times between 2019 and 2022 installed**
2. **Hospitality + 200 new restaurants**
3. **Pharma (local production) (75M\$ in 2019 —> 150M\$ 2022)**
4. **Industrial exports +10% (could have been +25% if SA was allowed)**
5. **Outsourcing of quality (Content creation, Back offices, Audio visual, IT development, call centers, engineering, design etc.) ex. CME, Multilane, CMACGM, Murex, ..., (ex: ICT exc. Telco : exports of 600M\$ in 2020 could reach 2T\$ in 2030) 15000 Jobs today , could reach 35,000 Jobs if restructuring happens)**
6. **Knowledge economy: Tech startups, Artificial intelligence, ex. Fintech.**
7. **Agro-food industry ex. Qoot cluster (ex. AFID22 22/24March : 0.5m\$ of sales contracts)**
8. ...

Lebanese talent is outstanding and incorporate in critical thinking, depth of analysis, and quality of output. Not to mention communication skills, multidisciplinary skills and multilingual approach.

However situation now is extremely difficult on several fronts due to lack of reforms and to the consequences of wrong policy making and ongoing war.



## 4.Examples



### CME

Outsourcing Tech development  
 # Employees 2018 (Leb): app.50  
 # Employees 2023 (Leb): 350+



### DICTALIVE

Outsourcing Medical services – Client: France  
 # Employees 2018: app.80  
 # Employees 2023: 200+



### ADD BLOOM

Outsourcing Marketing services  
 from 30 to 60+ employees



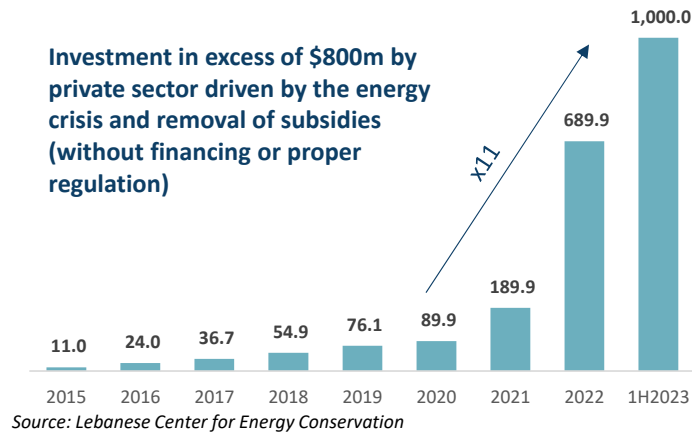
### DAHER AND PARTNERS

Partly outsourcing consulting services  
 +35 % Turnover abroad

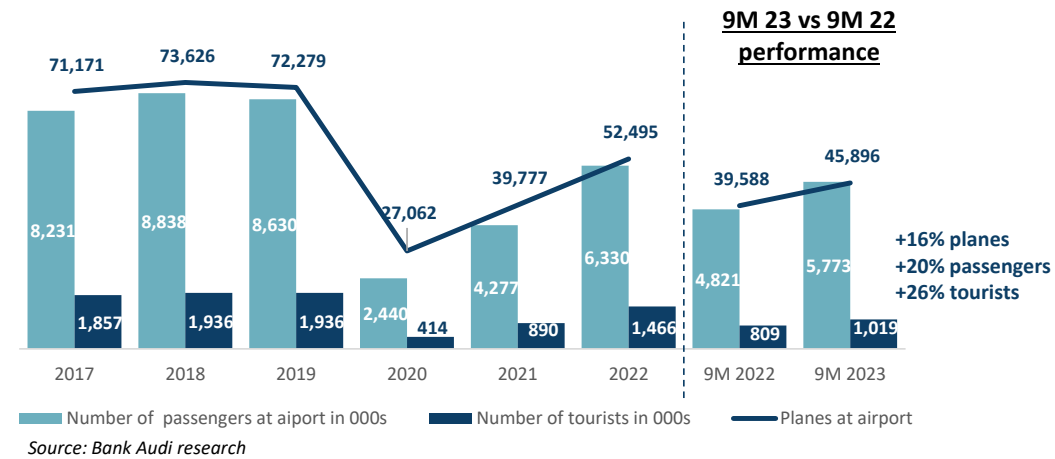


## 5. RECENT WAR COULD DERAILED POSITIVE INDICATORS

### Boom in Decentralized Solar Installation



### Increase in Airport Activity



- Unfortunately, the recent positive momentum, especially in tourism, could be derailed by the war in Gaza and risks of potential widening of conflict



## POST IMF & RESTRUCTURING

Post an IMF deal, it is expected that large flows of capital (est. at \$15 billion) would be channeled to Lebanon to invest in multiple sectors and projects. Most projects will be designed in PPP format, whereby the private sector will play a major role

1. **Renewable energy / Energy (PPP)**
2. **Banking and Fin. Tech**
3. **Oil and gas (including servicing contracts)**
4. **E-mobility/green transport**
5. **Tourism**
6. **Healthcare**
7. **Industry**
8. **State owned enterprises managed by the private sector (Airport, Ports, Waste management, Roads, water, public transport)**





# Prospection on the ports of Lebanon with the WB

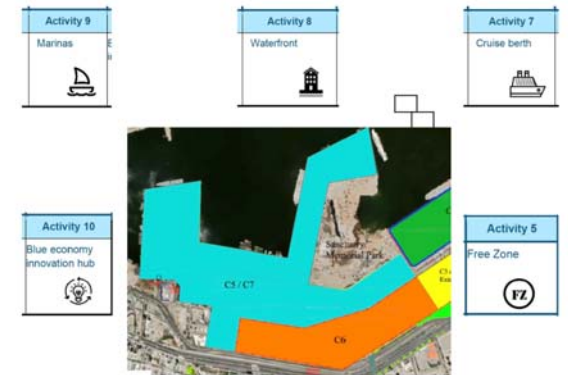
## Challenge 1: rebuilding a competitive port sector



## Challenge 1: rebuilding a competitive port sector – Port of Beirut



## Mission: defining port-city integration's key activities



## Where is the need ? And where is the opportunity

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- The Lebanese private sector has proven to be adaptive and resilient to the multiple shocks created by the crisis.
- The Lebanese private sector is a key ally to access markets in the GCC and Africa.
- The need to access financing makes the Lebanese private sector makes JV's interesting both ways.
- Decreasing cost of operations would also encourage European companies to JV's with Lebanese counterparts.





THANK YOU

Downtown, Allenby street, Building 109, 3rd floor, Beirut, Lebanon - T. +961 1 98 62 98 - E. [rdcl@rdcl.org.lb](mailto:rdcl@rdcl.org.lb) - W. <http://rdcl.org.lb>