

Open letter from the Lebanese private sector to the Members of Parliament of the nation

Beirut, February 24th 2022

We ask you not to transform the proposed state budget into a systematic plan sentencing the legal economy and the good citizen to death

Ladies and Gentlemen, Representatives of the nation,

There is no legal private sector without the existence of a just and strong state. Needless to say that there is no future for any strong and just state, without a legal private sector, a good sense of citizenship whom together complies to laws and regulations.

At this fateful moment in Lebanon's modern history, the "legal" Lebanese private sector implores your honorable Parliament that is entrusted with the interests of our institutions and citizens alike, to assume its responsibilities towards a population whom has become one of the poorest in the world in less than two years, due to wrong policies.

Approving a budget for a state that has faltered due to the large dimension of corruption, waste, and unproductive spending, is an urgent need and a national responsibility.

However, the necessity today does not lie in setting a mere accounting state budget. The latter has to be in line with a financial, economic and social recovery plan, for the medium and long terms, in order to guarantee the rights of citizens and their decent living, as well as fairness among them all.

Honorable Members of Parliament,

The "legal" Lebanese private sector is breathing today its last breath, and you cannot stand watching.

The wrong economic policies led the country and its people to their knees, while costing the employers as well as the workers more than %80 of their capitals, their businesses, their savings and their retirement plans. This crisis also created an unprecedented brain drain of national competences.

And here is the 2022 draft budget today repeating previous mistakes, by encumbering the legal economy and good citizens who are committed to implementing the laws in force, with the burdens of the state's failure to properly manage its public institutions and finances, as well as its failure to approve and implement the required structural reforms and fight the illegal economy by preventing smuggling, taxes and customs evasion. These practices, which have cost the state treasury as much as %5 of the GDP per annum over the past years, is an important pillar of the problem. It would be enough to compare import bills in Lebanon with export bills in the country of origin, to show the atrocity and the volume of smuggling. Consequently, any decision to randomly raise taxes and the customs' dollar value without addressing these issues will magnify the losses of legal institutions duly registered at the ministry of finance, which form the basis of the taxable base. It will also threaten hundreds of thousands of law-abiding Lebanese employees and families.

A healthy pathway out of this existential crisis, is to adopt, urgently, policies that lay the foundations for sustainable growth, while stimulating job creation to positively impact state revenues. It is also necessary to embrace a modern and clear vision for a comprehensive tax reform aimed at harmonizing the requirements of social justice on the one hand, and encouraging growth and attracting private investments on the other hand, instead of increasing in taxes randomly.

Accordingly, the legal Lebanese private sector rejects the following in the current proposed budget:

- Firstly: Rejects the raise of the customs dollar; indexing it to the fluctuating price of the Sayrafa platform while:
 - The Lebanese Dollar (blocked in the banks) is still at the rate of 8,000 LBP.
 - The smuggling at the illegal borders persists.
 - The tax evasion at the legal borders proliferates.
- Secondly: In view of the devaluation of the Lebanese Pound, we refuse the absence of corrective actions with regards to exonerated tax tranches related to taxable salaries.
- Thirdly: Reject the raise of taxes' percentages pertaining to the liberal professions revenues as well as the companies' benefits.
- Fourthly: Refuse the delegation to the government or to the Minister of Finance of exceptional legislative powers, which constitutes a flagrant violation of the principle of separation of powers.
- Fifthly: Refuse the allocation of an additional advance payment to Electricité du Liban without having a comprehensive, reliable and applicable plan to reform the electricity sector.
- Sixthly: Refuse the legalization of the "Lillarization" of the bank deposits in foreign currencies prior to the fair repartition of losses.

Therefore, the legal Lebanese private sector implores the Parliament to pressure the government and to work alongside in order to declare a state of economic emergency, through which all efforts will be exerted to address the following priorities, before moving forward with approving the 2022 budget:

- The implementation of immediate and strict measures to considerably reduce the illegal economic activities and to fight fiscal evasion and money laundering. It is an obligation to subject all institutions to the financial and fiscal regulations in force, especially by forcing them to register at the ministry of finance with the aim of tax identification number like all other registered institutions.
- Controlling borders to end trade smuggling.
- Implementing procedures to eliminate customs evasion, by fighting against "fake institutions" and "fake invoices", through the adoption of international systems that monitor the commercial invoices from the place of origin to the Lebanon.
- Implementing the laws in vigor in terms of preventing the exploitation of public and maritime properties, and reevaluating fines to be in line with the current market prevailing prices.
- Adopting a plan for a financial, economic and social recovery within the framework of a program with the International Monetary Fund, which includes the following main pillars: (1) correcting public finances through spending restructuring, a comprehensive tax reform, and a restructuring of the public debt to ensure its sustainability; (2) unifying the exchange rate and dealing with losses in the banking sector and in the Banque du Liban; (3) developing a legal framework for bank restructuring; (4) adopting a fair capital control law.
- Implementing an urgent social protection plan to protect the most vulnerable.
- Applying an urgent reform plan for the National Social Security Fund (NSSF) and pay the state's dues to the NSSF and hospitals.

- Legislating a law on the independence of the judiciary, as well as laws to prevent conflict of interest, and implement an urgent review of the banking secrecy law making sure it is in line with international standards, are key pillars to combat corruption and enhance transparency and governance.
- Developing legislation to support and encourage the productive sectors, and legislate incentives for Lebanese and foreign investors to encourage them in reinventing and bringing in foreign currencies into the country.
- Addressing the issue of insurance companies and insured related to the Beirut Port explosion crime.
- Requiring the banking sector, in cooperation with the Central Bank, to allow employees to receive their full salaries in cash LBP, until the normalization of the banking sector and the adoption afterwards of an electronic and computerized payment system.
- Implementing electronic voting in the parliament's general assembly and public sessions of parliamentary committees.

The above requirements constitute essential reforms, to be followed by larger reforms steps tackling the following issues:

- The restructuring of the public sector, in both organization and human resources, and implementing e-governance across state institutions.
- The consolidation of social protection laws, particularly to support women, elderly and children.
- The application of the Public-Private Partnership Law.
- Strengthening the role of municipalities and adopting a law on administrative decentralization.

The above is a non-exhaustive list to protect the rights of the good citizens and the legal private sector, and to rebuild an institutionalized state of law.

Accordingly, and as representatives of the legal Lebanese private sector, we find the 2022 state budget not to be up to the current existential risks, and devoid of any recognition of the tragic economic, financial and social reality.

The legitimate Lebanese private sector, which believes in a state that extends its authority over its entire territory, and its legitimacy over all of its institutions, calls on all responsible parties and MPs to correct the proposed budget. Furthermore, it calls to eliminate the illegal economy in all its forms, and to immediately start reforms before sentencing the legitimate economy and the good citizen to death to the benefit of the illegal economy.

In conclusion, the Lebanese legal private sector warns from the adoption of the proposed 2002 budget with its present form, as it will destroy what remains of our aspirations to rebuild trust between a responsible state from the one hand, and the legal private sector and the good citizen on the other. The top priority consists of being all aware and working sincerely for the enactment of overdue expected reforms, in order to relaunch the national economy and to ensure the continuity of the state and its institutions.