

The Daily Star

February 23, 2018

Osama Habib

### **Hariri seeks 2018 budget before Paris IV conference**

Prime Minister Saad Hariri plans to travel to Paris in April armed with the 2018 budget and a government pledge to carry out urgent reforms in order to secure sufficient funds from donor states and international institutions to finance infrastructure projects. With a public debt of almost \$80 billion and an annual fiscal deficit of \$5 billion, Hariri and his Cabinet realize that structural reforms should begin as soon as possible before the problem spins out of control. Finance Minister Ali Hasan Khalil has presented the 2018 draft budget to the Cabinet which did not include additional taxes. But economists warned that any budget which is short of real reforms will only prolong the financial crisis in Lebanon and put the country in predicament. Against this backdrop, a ministerial committee headed by Hariri met Thursday to review all the numbers in the supplement of 2018 draft budget and to propose quick and realistic steps to reduce waste in public departments. Economy and Trade Minister Raed Khoury told The Daily Star there are several proposals on the table to reduce spending and waste before even passing this bill to Parliament for final approval. He added that the most important item in the proposed budget was a call to increase electricity tariffs provided that power becomes available 24 hours a day. "I and some of the ministers have proposed awarding new contracts to operate new electricity barges. If the ministers approve the leasing of these barges then we can secure 24 hours of electricity and then opt to increase the tariffs," Khoury said. But the minister admitted that not all Cabinet members are in favor of leasing new electricity barges. Khoury argues that leasing these boats is the only way to provide additional electricity in few months while building new plants will take several years. Electricity bills in Lebanon are still heavily subsidized by the government since 1984. This subsidy is one of the main causes of a deficit of nearly \$1.7 billion a year in the electricity sector. Nearly all of Lebanon's decrepit electricity plants still run on gas oil, which is an expensive commodity. Sources said that Hariri is determined to settle the debate over the electricity barges and proceed with the step until the new electricity plants are completed. Khoury also pointed out that the committee examined ways to reduce the cost of debt servicing. "We have discussed the possibility of making swapping part of the outstanding debt between the Finance Ministry and Banque du Liban. This may help reduce the cost of debt servicing a little bit. But this is still a proposal and did not materialize yet," the minister said. Khalil proposed increasing the issuance of Eurobonds from \$4.5 billion to \$6 billion this year to meet the needs of the Treasury but this proposal was rejected by the committee members. "We have finished discussing most of the budget's items, including some related to reforms, and we will continue discussions on the numbers Monday," Khalil said after the meeting. Officials have underscored the urgent need to endorse the new budget and carry out economic reforms as Paris IV, or "Cedre Conference" approaches. The conference is set to be held in April in support of Lebanon's economy and infrastructure. Paris IV is one of three upcoming international conferences that will be held in support of Lebanon. The Rome II conference scheduled for March aims to support the Lebanese Army and security forces, while a conference in Brussels will be held to discuss the Syrian refugee issue. Public Works and Transport Minister Youssef Fenianos assured that no additional taxes would be imposed as part of the 2018 budget.

Addressing concerns on potential increases on electricity tariffs, Fenianos said, “increases will only be passed after 22 to 24 hours of electricity [a day] are supplied,” Fenianos said. But Nassib Ghobril, the head of the Economic Research Department at Byblos Bank, said passing the 2018 budget is a good effort but will not be enough if it did not include real reforms. “The Cabinet and Parliament want to pass this budget before May elections and before the convening of the Paris donor conference,” he added. Ghobril said that the problem is that the political class wants to pass the budget for purely electoral reasons. “They are talking about 20-percent cuts in all ministries and public departments. But the real cuts should touch huge indemnities of retired public servants,” he added. Ghobril insisted that the government need to look into the number of redundant staff in government departments. “This should have happened before the implementation of the salary scale for public servants and public school teachers,” he said.