



Lebanese Oil & Gas Initiative
المبادرة اللبنانية للنفط والغاز

Managing Lebanon's Natural Resource Revenues

May, 2020

Commissioned by:

Kulluna Irada (KI) and Lebanese Oil and Gas Initiative (LOGI)



In cooperation with:

Friedrich Ebert Stiftung (FES)



Prepared by:

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Key Recommendations

Preconditions for Establishing a Sovereign Wealth Fund

The Government of Lebanon, the Banque de Liban and parliament should immediately:

- Restructure public debt so that interest rates are reduced to within 200 basis points of German or US treasury bills and annual debt servicing costs less than five percent of GDP.
- Make the devaluation official, restructure BDL debt, and modify the BDL's mandate to prevent unorthodox financial engineering and quasi-fiscal programs.
- Name a task force empowered to write off bank shareholder equity, liquidate or resolve certain banks, create a 'bad bank' for impaired assets, design a 'bail-in' that is fair to small depositors, and invite foreign investors into the banking sector.
- Pass a Fiscal Responsibility Law with strict expenditures and/or balanced budget rules and a fiscal council to keep debt levels sustainable.
- Pass a law to reform income tax schedules, deductions, rates and enforcement.
- Implement the electricity plan and review the public service wage bill.

Establishing a Sovereign Wealth Fund

- Do not pass a law establishing a sovereign wealth fund until Lebanon's public debt levels are sustainable.
- In time, the government could consider creating a special fund that would invest hydrocarbon revenues in foreign assets, where the interest would be used to finance renewable energy, pensions, foreign scholarships, public transport or environmental protection.





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