Gérard Charvet

April 10 2022

TOGETHER WE
ARE STRONGER

@100pour100_liban

100p100liban.org

100% LIBAN

The key to Lebanon's recovery is in restoring trust

TOGETHER WE ARE STRONGER

@100pour100_liban

Two essential prerequisites to revive Lebanon:

Step 1: Need for a state that has regained its sovereignty

Step 2: **is economic + political decisions**

Important for:

- The return of private or state investors
- Financing power plants
- Major infrastructure needs
- The development of gas exploitation

100% LIBAN

Lebanon's financial needs > **50 Billions USD**

TOGETHER WE ARE STRONGER

@100pour100_liban

100% LIBAN

After the civil war, Lebanon was rebuilt mainly because of:

- Its Diaspora(1/3 of the present GDP)
- With the help of the Arab world

It will be the same this time

TOGETHER WE ARE STRONGER

@100pour100_liban

Before discussing a restructuring plan, it is worth talking about shared responsibility.

100% LIBAN

The accumulation of state losses is estimated at around 60 billion USD, and it is due to:

Poor state management

The complacency of the BDL

Earnings made by banks

Interest on deposits

The EDL deficit

TOGETHER WE ARE STRONGER

@100pour100_liban

TOGETHER WE ARE STRONGER

@100pour100_liban

The EDL deficit, which represents nearly 50% of the State's debt, is mainly due to 4 factors:

An old production and distribution tool

Inappropriate prices

Insufficient invoice collection

Political involvement

Any solution must deal simultaneously with the debt of the State, the BDL and the banks, while providing a liquidity mechanism for frozen deposits in banks.

Dollar = 20.000 L.L.

↓

Debt in L.L. ↘ **5 Billion USD**

By offering bondholders 25% of their face value

↓

the government could reduce its debt to 60% of its GDP

The unbalanced balance sheet of the BDL and the banks remain to be dealt with, namely the **83 billion USD** owed to the banks by the BDL, as well as the banks' debt of **104 billion USD** in favor of the depositors.

100%
LIBAN

The governmental approach will be:

Participate for 10 billion dollars with the issuance of bonds

↓

Raising the debt to more than 100% of GDP again.

Banks and depositors would obtain $69 billion through a $43 billion haircut on deposits

↓

The use of bank equity would be additional for 12 billion USD and the balance would be covered by the BDL.

↓

The State would in fact not assume any responsibility with its assets, although it is the major responsible of this crisis.

100% LIBAN

The proposed solution reduces the contribution of depositors by **25 billion USD** and safeguards the banking system by accelerating its restructuring.

TOGETHER WE ARE STRONGER

@100pour100_liban

100% LIBAN

We propose to match the 104 billion deposits by:

- $31 billion of BDL assets, namely gold, the balance of its currencies and its Eurobonds at the proposed residual value.
- 20 billion dollars through the issue by the BDL of 5-year CDs payable forward in L.L. at the market rate, paper listed on the Beirut stock exchange.
- 40 billion dollars through the issue by the BDL of 10-year bonds guaranteed up to 2/3 by state assets, paper listed on the Beirut stock exchange.
- $10 billion converted into bank shares, with each depositor having the right to choose the bank they wish to recapitalize in.
- Possible $3 billion from the IMF

TOGETHER WE ARE STRONGER

As part of the necessary measures, it will be necessary to put in place a framework law for depositors to subscribe to BDL issues as well as to the recapitalization of banks.

Only deposits **over $100,000** will be affected by these measures

Rules of call for funds will be refined by deposit tranches in order to distribute them progressively

Bank shares will be reserved only for the largest depositors

This law will be supplemented by a law on capital control which will make it possible to establish the stability of the currency

The proposed solution has the advantage of liquefying all the deposits that are frozen in the banks

Although imperfect, this approach should restore some dignity to depositors, and allow bankers to finally get back to their job