

The **Hunger** Revolution Containment Plan

A contingency plan to save Lebanon's private sector

United for Lebanon is a group of Lebanese business owners from diversified industries, corporates, family businesses, small, medium and large enterprises responsible for tens of thousands of employees and generating yearly taxable revenues exceeding 2 billion USD.

Having endured huge challenges and having registered cumulative losses during the past several years, due to heavy bank interest rates, unlawful competition, limited access to foreign markets, political instability, and lately unlawful capital controls, currency devaluation and galloping inflation, we are currently risking total collapse because of the lockdown imposed in the fight against the Covid-19 pandemic.

Time being on the enemy front, our companies, not able to pay anymore their salaries and overheads, are facing **imminent bankruptcy**.


In the aim of limiting the impact of the raising poverty

– **1.7 million persons are estimated to be already under the poverty line** –

and supporting employment in the private sector, it is mandatory to immediately implement a contingency plan based on the support of the government and stimulus from the world bank and the IMF.

Beirut, the 6th of April 2020



This containment plan has been prepared by responsible citizens **United for Lebanon**  with the endorsement of:

Here below are our recommendations with our analyses for an immediate and a short-term action plans to assist the private sector companies overcome the fatality of the situation

A. Emergency measures to maintain household economic welfare

1- Salaries:

- a. Subsidizing the salaries, along with the NSSF contributions, during the lockdown period for all the companies that have partially or fully stopped working.

2- VAT:

- a. Freezing all importation and Value Added Taxes during the lockdown period plus 3 months.

3- NSSF:


- a. Delaying the payment of the contributions for 6 months without imposing penalties on the companies and extending their quietus validities for one year.
- b. Encouraging employment by exemptions of NSSF contributions for the first year.

4- Taxes & Utilities:

- a. Freezing all taxes for 6 months:
 - i. Income
 - ii. Salaries
 - iii. VAT
 - iv. Built Property
 - v. Municipality
 - vi. Customs
 - vii. Utilities like electricity, water, ...

5- Banks:

- a. Enforcing the BDL circular #547 and extending its benefits to all companies and individuals.
- b. Offering new loans for companies to secure their working capital and salaries without additional guarantees.
- c. Unfreezing the bank facilities to companies in need of such facilities.

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B. SMEs crisis survival measures:

1- Salaries:

- a. Accepting salaries / Working hours reduction schemes without penalizing the companies.
- b. Setting up a legal frame that authorizes and encourages part time jobs.

2- VAT:

- a. Delaying the payment of the Value Added Taxes until the settlement of the invoices related to all commercial activities (local trading, contracting...) and not their issuance (i.e. at the date of the receipts and not the date of the invoices). Tracking the receipts sequential number eliminates the risk of tax evasion.
- b. Delaying the payment of the VAT and the customs taxes on imported goods until the settlement of the invoices related to sale of these goods (same as for the other activities in section 2.a), or minimum 6 months from their clearing date.
- c. Canceling all importation taxes and apply variable VAT rates depending on the type of the imported goods.

3- NSSF:


- a. Reflecting the drop in the salaries on the contributions while adjusting the employees' end-of-service pension **only** on the period of the drop.

4- Banks:

- a. Reducing the debit bank interest rates to match international rates.

C. Measures to revive economic activity:

- 1- Closure:
 - a. Shortening the lock down period while enforcing proper social distancing measures as per international WHO standards and Ministry of Health directives.
- 2- Collections:
 - a. Paying by all government institutions all the invoices due to private companies (contractors, consultants, system integrators, traders, hospitals ...).
- 3- Funds:
 - a. Providing credit lines to all companies to cover the needs from local banks.
 - b. Providing fresh money to importers from foreign funds in order to import goods proportionally to each business based on their turnover from previous years.
 - c. Utilizing the existing monthly incoming foreign currency support funds destined to the Syrian displaced, by injecting them as fresh money into the economic cycle (available for private sector imports needs) and giving the equivalent to their (Syrian displaced) beneficiaries in local currency for local spending.
- 4- Market:
 - a. Opening new markets for exporting companies.
 - b. Facilitating bank guarantees to allow companies to participate in foreign bids.
 - c. Subsidizing the utilities to reduce the overheads on the manufacturing and agriculture companies.
- 5- Exchange Rate:
 - a. Limiting the use of cash for any transaction above USD100 and LBP 200,000, to direct the consumers towards using cheques and credit cards. A measure that is trending in most developed countries and that limits money laundering and prevents exchange traders from controlling (inflating) the exchange rates (e.g. Sweden is promoting a cashless society).
 - b. Controlling the exchange rates at the exchange traders by enforcing the law and creating an online platform inline with the new BDL circular thus ensuring the availability of foreign currency.


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6- Unlawful competition:

- a. Increasing the controls on the borders and empowering the authority of the customs to halt the illegal importations
- b. Increasing fiscal controls by the Ministry of Finance to halt tax evasions
- c. Stopping all unconstitutional interferences from the ministry of economy in setting the margins and prices and resume to respecting our Free Trade economy

Note:

A detailed plan is available for each of the above measures

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Conclusion:

Considering an estimate of 200,000 Small and Medium Enterprises in the private sector, generating most of the GDP and employing close to 900,000 salaried employees and freelancers, and considering the expected eminent closure of up to 20% of these businesses, we fear the social impact of 180,000 additional job losses in Lebanon, probably at the rate of 18,000 per month.


To counter this forced reality, it is mandatory to provide the necessary stimulus packages to compensate for the losses incurred and expected future losses by the companies of the private sector and help them revive their business and keep their employees.

An estimate of the value of these funds can be found in the table below:

Actions topics	Estimated Amounts per year	Impact Amounts over 3 months	Required Subsidized Amounts	Suggested Subsidies Sources
Aid for 50% of the Salaries	\$ 16,000,000,000	\$ 4,000,000,000	\$ 2,000,000,000	IMF, WB
Waving the VAT	\$ 1,800,000,000	\$ 450,000,000	\$ 450,000,000	GOV, IMF, WB
Aid for the NSSF	\$ 1,000,000,000	\$ 250,000,000	\$ 250,000,000	IMF, WB
Waiving the Taxes/Utilities	\$ 6,000,000,000	\$ 1,500,000,000	\$ 1,500,000,000	GOV, IMF, WB
			\$ 4,200,000,000	
<i>\$4,200,000,000 being the amount needed from the IMF, the WB, the government or any other source to maintain the private sector companies alive and their employees in their jobs</i>				
Splitting Banks interests in 2	\$ 4,000,000,000	\$ 1,000,000,000	\$ 2,000,000,000	Banks & Depositors
			\$ 2,000,000,000	
<i>\$2,000,000,000 being the drop in the bank interests the private sector companies would spare in case the interest rates are split in half, allowing them to invest in their sustainability, growth and employment</i>				

Summary:

USD 6.2 billion saved from the above detailed stimulus schemes would allow private sector companies to survive the crisis and to optimize their scarce cashflow and result in sustainability, economic growth and employment.


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Supporting Data:

GDP COMPOSITION BY SECTOR (2018) *		2018*		2020*
Agriculture, Forestry, and Fishing	3%	\$M 1,856	-5%	\$M 1,763
Mining and Quarrying	0%	\$M 0,232	-60%	\$M 0,093
Manufacturing	8%	\$M 4,408	5%	\$M 4,628
Utilities (Electricity and Water)	2%	\$M 1,392	-5%	\$M 1,322
Construction	4%	\$M 2,204	-60%	\$M 0,882
Wholesale and Retail Trade, Repair of Vehicles	13%	\$M 7,482	-60%	\$M 2,993
Real Estate	15%	\$M 8,816	-60%	\$M 3,526
Information and Communication	2%	\$M 1,218	15%	\$M 1,401
Transportation	3%	\$M 1,682	-35%	\$M 1,093
Hotels and Restaurants	3%	\$M 1,798	-50%	\$M 0,899
Financial Services	9%	\$M 4,930	-30%	\$M 3,451
Professional Services	4%	\$M 2,378	-30%	\$M 1,665
Administrative Services	3%	\$M 1,508	-30%	\$M 1,056
Public Administration	11%	\$M 6,612	-30%	\$M 4,628
Education	7%	\$M 4,292	-30%	\$M 3,004
Health and Social Care	4%	\$M 2,146	15%	\$M 2,468
Personal & Community Services	3%	\$M 1,682	-15%	\$M 1,430
TOTAL		\$M 58,000		\$M 36,302

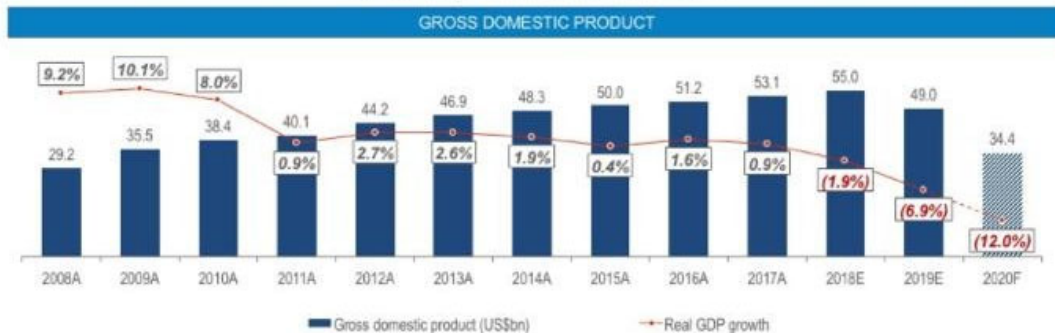
* 2018 Data is published by IDAL

* 2020 figures are based on various expert published studies including the Ministry of Finance

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The Lebanese economy is going through a deep contraction...



- **Real GDP growth** slumped in recent years, decreasing from 1.6% in 2016 to **-6.9% in 2019**.
- In 2020, real GDP could contract further by 12% as dollar shortage puts a **massive drag on nonfuel imports** and could be worsened with the additional impact of the **Coronavirus outbreak**

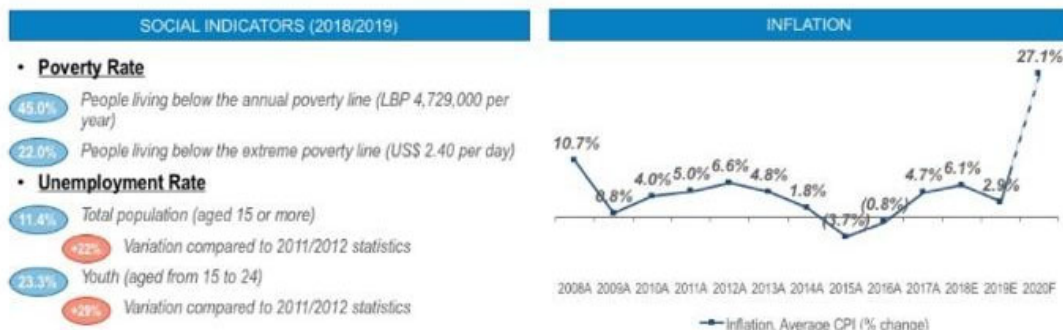
Sources: Lebanese Authorities, IMF World Economic Outlook (October 2019)

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*Charts published by MOF's Situation Update 27 March 2020

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...Exacerbating the deterioration of social conditions




- On the back of a **rapidly deteriorating social situation**, on October 17th, 2019, a **popular uprising erupted** demanding better standards of living with equal opportunities for all and led to the **resignation of the previous government**
- Risks of **accelerating inflation** fueled by the ongoing sharp depreciation of the Lebanese pound on the parallel market will further dampen social indicators

Sources: Lebanese Central Administration of Statistics, Labour Force and Household Living Conditions Survey 2019-2019

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*Charts published by MOF's Situation Update 27 March 2020

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