Bank Restructuring… What about the Public Sector?

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There is no doubt that restructuring the financial sector has become an unavoidable necessity. It is a central pillar in any serious reform path that aims to restore financial order, rebuild trust in the banking system, and lay the foundations for a gradual transition from a cash-based economy to a structured, growth-oriented one.

However, since the crisis is systemic in nature, restructuring must not be limited to the banking sector alone.

Can we keep treating the outcomes of the downfall without addressing its structural causes? Isn't the financial gap a direct reflection of decades of unsustainable public spending and irresponsible fiscal policies?

From this perspective, any partial approach that places the bulk of the crisis burden on the banking sector is unfair, while the State — the primary party responsible for the collapse — contributes only symbolically, as if it attempts to perpetuate temporary solutions while ignoring the need to restructure the public sector, which lies at the core of the required rebalancing.

Without fundamental reforms in the structure of the State, any banking recapitalization or restructuring risks to be drained within a few years, dragging the country back into the same vicious cycle.

The current legislative process to prepare a law for addressing the financial gap is a necessary step, but only if it fits within a comprehensive framework that clearly defines:

- The actual responsibilities of each stakeholder,
- The contribution of both the State and the Central Bank,
- Depositors' rights as a foundational principle that cannot be compromised.

Placing the full burden on a single party for a crisis created by public policy failure will not create a solution, but will only deepen the existing paralysis and delay recovery.

The speech delivered by the Chairman of the Association of Banks at the recent Union of Arab Banks Conference clearly outlined the size of the challenges faced by the sector and the commitment of the banking sector to engage constructively in rebuilding the financial system, through fresh capital injections, enhanced transparency, and modernized banking tools to align with a digital economy.

But this alone is not enough.

True reform is not measured by the number of banking laws that are enacted, but by the degree of commitment to implementing a comprehensive national plan in which public authorities and the private sector jointly participate, based on realism, fairness and shared responsibility.

So let's ask the question the right way:

Do we truly want to restore sustainable trust?

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If the answer is yes, then the equation is clear: a strong banking sector cannot be built on a weak fiscal foundation and growth cannot be recovered without a bold convergence between public sector reform and banking sector restructuring.

Note: This article is part of a series written by the Secretary General of the Association of Banks in Lebanon as part of his introductory articles to a number of periodicals issued by ABL. It represents his own opinion and personal analysis of the developments, without committing ABL to its content, which remains the sole responsibility of the Secretary General.