



The state's responsibility, even if delayed ...

*By Dr. Fadi Khalaf
Secretary General
Association of Banks in Lebanon*

In the context of the financial crisis that Lebanon is experiencing, the role of the state and its financial institutions in deepening this crisis becomes evident through a series of actions and practices that contradict the basic principles of international law, including the United Nations principles on the international responsibility of states for acts that are inconsistent with governance guidelines in financial management. These principles define the framework within which states must operate to ensure financial and economic order and stability, and emphasize that states bear full responsibility for any failure to effectively regulate and monitor the financial system.

Therefore, demanding accountability from the state is not only a right for those affected by this crisis, but also a duty related to ensuring justice and restoring trust in the financial system. The affected parties must demand the state to fulfill its obligations, even if delayed, and at the same time, insist on implementing radical reforms to prevent the recurrence of such crises.

Demanding the state is at the same time a right and a duty, so that rights are not lost and duties are enforced.

The right: the right of banks and depositors to assign responsibilities,

- Responsibility of those who squandered the banks' and depositors' money on expenses and projects surrounded by question marks,
- Those who supported traders with others' money,
- Those who paid out money and distributed interest from the effort of others,
- Those who smuggled depositors' savings across borders,
- Those who destroyed two generations, hiding behind future generations hoping for upcoming benefits,
- Those who fixed a currency whose true value was later revealed.

The duty: the duty to restructure the state simultaneously with the banks,

- So that integrity would not be linked to an individual but be a rule applicable to all,
- So that the "Alvarez" report is not forgotten in the drawers to protect this or that person,
- So that a public servant does not leave prison only to return to his position,
- So that depositors' wealth is not redistributed to borrowers again,
- So that investors are not forced to inject money only for it to be lost again,
- So that an honest judge can rule justly, away from the double standards.

Holding the state accountable to let everyone know that the crisis is systemic, and that the state is primarily responsible for the dilapidation of deposits, as below numbers indicate:

- By 2020, the losses of the Central Bank of Lebanon reached 51 billion dollars, for which the state is responsible according to Article 113 of the Code of Money and Credit.
- The state's debt to the Central Bank is 16.5 billion dollars.
- The Central Bank squandered about 23 billion dollars on smuggling and supporting traders and the Lebanese pound since the crisis began from the mandatory reserves of banks.

- The state has refrained from issuing laws that prevent borrowers from enriching themselves at the expense of depositors by 31 billion dollars.

These figures dissipate any doubt that the state and its institutions are responsible for squandering more than 121 billion dollars out of 124 billion dollars that were deposited in banks on the eve of October 17, 2019.

It is true that no one expects the state to magically compensate for its atrocities, nor to sell its properties and assets to pay its obligations to banks and depositors. However, citizens at least hope for the state to highlight solutions, which begin with the state acknowledging its responsibility for the systemic crisis it caused, so that possible plans can be sought. By shifting the burden of its misdeeds onto banks and depositors, evading responsibility, and adopting a scorched earth policy to obscure the facts, the entire banking sector will likely collapse, thereby extinguishing any hope of recovering the deposits.

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.