

How public assets can help revive Lebanon, Oped in FT Alphaville, 30 Jun 2020

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How public assets can help revive Lebanon

*This is a guest post by Dag Detter, an investment adviser and former president of Stattum, the Swedish government holding company and Nasser Saidi an economist and former Minister and Central Bank Vice Governor in Lebanon, arguing that **Lebanon should create a national wealth fund to help it maximise the value of public assets and thus better address its debt imbalances.***

Lebanon is in the throes of a fiscal, banking, currency and debt crisis. It is negotiating a rescue package with the IMF and a restructuring of its public debt which stands at 175 per cent of GDP with an estimated budget deficit of 15 per cent. Across the globe and in Lebanon, policymakers have focused on managing the debt to get the country back in balance. But they have largely ignored the question of how public assets and real estate can help to alleviate the problem. Governments around the world, including Lebanon, have trillions of dollars of public assets. These are potentially a hidden gold mine in the fight against debt crises, or more pertinently an iceberg because so little of the wealth is visible to sovereign bond investors. Globally, the IMF estimates public assets are worth at least worth twice that of global GDP. Yet the assets are often badly managed and frequently not even accounted for at all. Given that in most countries public wealth is larger than public debt, managing it better could help to solve many debt issues while also providing material for future economic

growth.

The idea of public asset wealth may not ring true to anyone familiar with the operational part of the government portfolio in Lebanon. Yet the portfolio plays a fundamental role in the economy because it operates in important sectors on which the broader economy depends. This is why the [importance of well-governed SOEs cannot be overstated](#).

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An efficiently managed National Wealth Fund would cut the drain on the government's budget and resources, increase the value of public commercial assets, provide revenues and would be a major contributor to fiscal sustainability. More efficiently managed assets would contribute to a higher rate of real GDP growth, and lower private sector operating costs. If properly administered, the move would then bolster faith in Lebanon's credit rating assessment, lowering the cost of borrowing on the international market, thus benefiting society as a whole.

The complete article can accessed directly ([paywall](#)) or download the article [here](#).