Interview with BBC on the departure of Lebanon's discredited central bank governor, 31 Jul 2023

Dr. Nasser Saidi appeared on BBC World Business report on 31st Aug 2023 to discuss the departure of the discredited central bank governor, Riad Salameh, and the next steps for the Banque du Liban and the nation.

Lebanon's economic and political paralysis entered a new phase at end-July with the departure of the discredited central bank governor, Riad Salameh. For most of his thirty-year tenure he was celebrated as a financial genius, but he is now widely blamed for Lebanon's almost complete economic collapse since 2019.

Listen to the interview (from 5:50 to 12:11) at https://www.bbc.co.uk/sounds/play/w3ct4zdj

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Comments on exodus of its most educated citizens from Lebanon, FT, 7 Mar 2022

Dr. Nasser Saidi commented on the exodus of its most educated citizens from Lebanon in the FT article titled "Lebanon faces exodus of its most educated citizens" published on 7th Mar 2022.

The full article can be accessed at: https://www.ft.com/content/44633cbe-77e7-4c3f-a8b2-cce88b0af331

The comments are posted below:

Nasser Saidi, a Lebanese economist and former minister, also warned of the dangers of the depletion of Lebanon's "stock of human capital".

"When you have skilled people working alongside unskilled people, they help them improve because they teach them," he said. "If the skilled people and the educated people are not there, then we just have misery."

Panelist at the IMF's MENA Conference "Coping With Covid19", 27 Oct 2020

Dr. Nasser Saidi participated as a panelist at the IMF's event related to the Regional Economic Outlook report for the Middle East and North Africa region held on 27th October, 2020.
The panel discussion was titled "Coping with Covid19: Challenges & Policy Priorities for the MENA region and the Global Economy" and discussed in addition the impact of US elections on the Middle East.
The IMF report can be accessed at https://www.imf.org/en/Publications/REO/MECA/Issues/2020/10/14/regional-economic-outlook-menap-cca
Watch the video of the webinar below:

"Turning War Economies into Peace Economies: Lessons from Lebanon & Beyond", Presentation at IFIT webinar, 24 Sep 2020

Dr. Nasser Saidi presented on the topic "Turning War Economies into Peace Economies: Lessons from Lebanon and Beyond" *(click title to download)*, at a webinar hosted by the Institute for Integrated Transitions (IFIT) on 24th Sep 2020.

In conflict-affected states, achieving sustainable and inclusive growth depends in no small part on transforming the incentives and structures that underpin a wartime economy. The talk analysed key structural lessons from Lebanon and other countries in the wider region.

During the talk, Dr. Saidi touched upon Lebanon's short history (1920-2020) in addition to laying out the economic consequences of conflicts and post-conflict reconstruction. Impact of population displacement and refugees as well as state capture by militias and allies formed valid discussion points. The talk was wrapped up by focusing on Lebanon, with respect to the structural reforms needed for economic-financial-fiscal-monetary-banking-financial stabilisation and reform.

Interview with BBC on the Beirut blast & way forward, 10 Aug 2020

Dr. Nasser Saidi appeared on BBC World Business report on 10th Aug 2020 to discuss the Beirut port explosion and how Lebanon can get of this crisis.
Dr. Saidi mentions during the interview that pledges from the Paris donor conference is presumably for humanitarian aid & will be largely insufficient for any infrastructure rebuilding efforts. A concerted macroeconomic stabilisation plan is needed, alongside an agreement with the IMF.
Talks with the IMF have been sabotaged so far: there is a resistance to reform by the political class & the banking sector. There has been no political courage in the Diab government and the time is right to bring in independent 'technocrats' to stand up to the political class & form a new government.
Need a clear message from the international community that the political class will be personally subject to sanctions should they not support a new govt willing to undertake reforms

Listen to the interview (from 4:30 to 8:45) at https://www.bbc.co.uk/sounds/play/w172x57q96njsxt

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Comments on Lebanon, FT, 8

Aug 2020

Dr. Nasser Saidi commented on the economic and financial meltdown in Lebanon in the FT article titled "Currency collapse fuels mass protests in Lebanon" published on 8th Aug 2020.
The full article can be accessed at: https://www.ft.com/content/0e8aff25-629c-4737-a1dc-8ed4ee32447e

The comment is posted below:
"A corrupt political class, subservient policymakers and cronies have generated an unprecedented misery, an economic, banking, and financial meltdown," says Nasser Saidi, a former economy minister and vice-governor of the central bank after the war. "Their endemic corruption, criminal negligence and incompetence have now delivered the Horses of the Apocalypse disaster on Lebanon and the Lebanese."

Interview on CNN's Quest Means Business on the Beirut blast & accelerating financial collapse, 5 Aug 2020

Dr. Nasser Saidi was on CNN International's Quest Means Business programme on 5th of Aug 2020. Following the blast in Lebanon's capital city Beirut, Dr. Saidi said the "political message" to Lebanon has to come from the rest of the world, "and it is urgent. We don't want another failed state on the Mediterranean coast…the rest of the world really cannot afford that."

Watch the interview below:

Lebanon's Hidden Gold Mine, Article in Carnegie Middle East Centre, 16 Jul 2020

This article originally appeared in the Carnegie Middle East Centre on 16th Jul 2020. Click to download a PDF of the article.

Click to read the Arabic version of this article.

Lebanon's Hidden Gold Mine
by Dag Detter & Nasser Saidi

Treating Lebanon's macro, fiscal & financial ailments alone will not resolve its multiple crises. Better management of the public sector, particularly the handling of public assets, is a critical prerequisite. Establishing a credible National Wealth Fund would help to alleviate the country's multiple crises.

"One of the tragic illusions that many countries . . . entertain is the notion that politicians and civil servants can successfully perform entrepreneurial functions. It is curious that, in the face of overwhelming evidence to the

contrary, the belief persists." —Goh Keng Swee, former deputy prime minister of Singapore

Since October 2019, Lebanon has been in the throes of an economic and financial meltdown. Unsustainable monetary and fiscal policies and an overvalued fixed exchange rate have led to persistent fiscal and current account deficits. These twin deficits have led to a rapid buildup of debt to finance current spending, with limited public or private real investment.

Public debt is projected to reach 184 percent of GDP in 2020—the third-highest ratio in the world. And informal capital controls and payment restrictions to protect the dwindling reserves of Lebanon's central bank, the Banque du Liban (BDL), are generating a liquidity and credit squeeze and severely curtailing domestic and international trade. This situation has resulted in a loss of confidence in the banking system and the Lebanese pound, as well as a sharp, double-digit contraction in economic growth. Of course, the coronavirus pandemic has only exacerbated these problems.

Lebanon is simultaneously facing a public health crisis, a debt crisis, a banking crisis, and an exchange rate and balance of payments crisis. Together, these crises have created a vicious cycle. The deep recession has led to a steep reduction in government revenues and a rapid increase in the budget deficit financed by the BDL. In turn, the enduring and unsustainable monetization of deficits and debt by the central bank has accelerated inflation, depreciated the pound's value on the black market, and reduced real income—thereby further depressing consumption, investment, and growth. Layoffs, bankruptcies, and insolvencies, as well as unemployment and poverty rates, are spiking.

Given the economic and monetary dynamics, Lebanon's prospects are dismal unless a comprehensive reform package is implemented. It must comprise a macroeconomic, fiscal, financial, banking, and structural reform plan that includes restructuring the public debt and fundamentally reforming the public sector. The policy imperative should be credible and sustainable structural reforms with an immediate focus on combating the root causes of Lebanon's dire predicament—endemic corruption and bad governance.

The government of Prime Minister Hassan Diab has so far prepared a Financial Recovery Plan that comprises fiscal, banking, and growth-enhancing structural reforms. Passed on April 30, 2020, the plan has been presented to the International Monetary Fund (IMF), as part of negotiations for an IMF-funded reform program. But treating the country's macrofiscal and financial problems without addressing the structural components will not work. Public sector restructuring should be an integral part of the reform process. Fiscal and debt sustainability will not be possible in the absence of a fundamental, systemic overhaul of the government procurement process (a major facilitator of corruption), reform of the pension system and of salaries and benefits for civil and military personnel, and management of the ghost worker problem. The other pressing need is reforming the handling of public assets, an often overlooked part of the public sector balance sheet.

Policymakers and markets characteristically focus on public debt but largely ignore public assets. In most countries, public wealth is larger than public debt. Better management could help resolve debt problems while providing resources for future economic growth. This should be part of any solution for Lebanon.

The Economic Importance of Public Assets

How public wealth is managed is a crucial difference between well-run countries and failed states. Public wealth can be a curse when it tempts political overseers to engage in illicit activities and clientelism. This is exemplified in countries that are endowed with natural resources such as oil and gas but are financially vulnerable because of corruption and bad governance. Public assets in Lebanon are vast, as they are in virtually all countries. In fact, they are a hidden gold mine.

Public assets worldwide are larger than public debt and worth at least twice the global GDP. But unlike listed equity assets, public wealth is unaudited, unsupervised, and often unregulated. Even worse, it is almost entirely unaccounted for. When developing budgets, most governments largely ignore their assets and the value they could generate. Professionally managed public assets could, on average, add another 3 percent of GDP in additional revenues to a government's budget.

Public assets can be divided into two main types: operational and real estate. In most countries, the value of real estate is often several times that of all other assets combined, with government-owned commercial real estate assets accounting for a significant portion of land. But governments often know about only a fraction of these properties, most of which are not visible in their accounts. This wealth is hidden mainly because public sectors around the world have not adopted modern accounting standards similar to those used by private companies. These standards should be based on accrual accounting, as recommended by the International Public Sector Accounting Standards Board.

Typically, it requires a crisis to bring the issue of public assets to the surface. The political will to address this arises from a recognition that every dollar generated with an increase in yield from public commercial assets is a dollar less gained from budgetary cuts or taxation increases. That is the case today in Lebanon, where a public debate over the management and value of public assets is growing.

Operational assets—airports, ports, utilities, banks, and certain listed corporations—are sometimes called state-owned enterprises (SOEs) when owned by the national government.

Although less valuable than real estate assets, these enterprises play a fundamental role in many economies by often operating in sectors on which the economy depends—electricity, water, transportation, and telecommunications. For these reasons, the importance of well-governed SOEs cannot be overstated.

The IMF finds that SOEs tend to underperform. They are on average less productive than private firms by one-third. In Lebanon, poorly performing operational assets are a major factor behind the country's dismal rankings in the cost of doing business (143 among 190 nations), corruption (137 among 180), and overall infrastructure (89 out of 141).

When properly designed, measures to improve public wealth management can help win a war against corruption. Efficient management of public assets can generate revenues to pay for public services, fund infrastructure investments, and boost government revenues without raising taxes. Such outcomes would simultaneously address two of Lebanon's greatest problems: the shortage of infrastructure investment due to the public debt overhang and the undermining of democracy through bad governance and through the capture of public assets by politicians and their cronies.

Reforming Lebanon's Management of Public Assets

The key to unlocking public wealth lies in separating the management of public commercial assets from policymaking and of ownership from regulatory functions. This ensures a level playing field with the private sector and provides a healthy environment for competition. A century of experimenting with public asset management in Asia and Europe has shown that the only effective way of managing public commercial assets is through an independent corporate holding company that is kept at arm's length from political influence.

Implementing proper governance reforms should aim not only to improve the performance of operational and real estate assets but also to increase the value of the portfolio of assets as a whole. Without generating a relevant balance sheet as part of the budget process, a state’s financial status is unclear—governments focus mainly on debt and cash, without recognizing the existing and potential value of their assets. A financial and fiscal focus on debt and cash alone can lead to bad decisions, such as privatizing an airport to finance infrastructure investment rather than arranging financing against the asset. Recognizing that even a government has a balance sheet consisting of assets and liabilities makes it possible to use net worth (assets minus liabilities) as a fiscal indicator instead of debt to GDP. With a focus on net worth, an increase in debt to finance an investment is matched with an increase in assets. This creates an incentive to invest in government-owned assets rather than to privatize, which is often carried out for the wrong reasons, at the wrong time, and at the wrong price.

A public financial management system that provides better information based on audited accrual data plays a crucial role in facilitating fiscal decision making. Without this information, any level of privatization offers tempting opportunities for quick enrichment through crony capitalism, corruption, or dysfunctional regulation. Privatization should not be undertaken without first also establishing a regulatory framework that includes politically independent competition and the oversight of regulatory authorities. Regulators should be recruited through a competitive, merit-based, and transparent system. Proper regulatory analysis must outline how best to structure market participants and the value chain in order to ensure maximum benefit to consumers, taxpayers, and society.

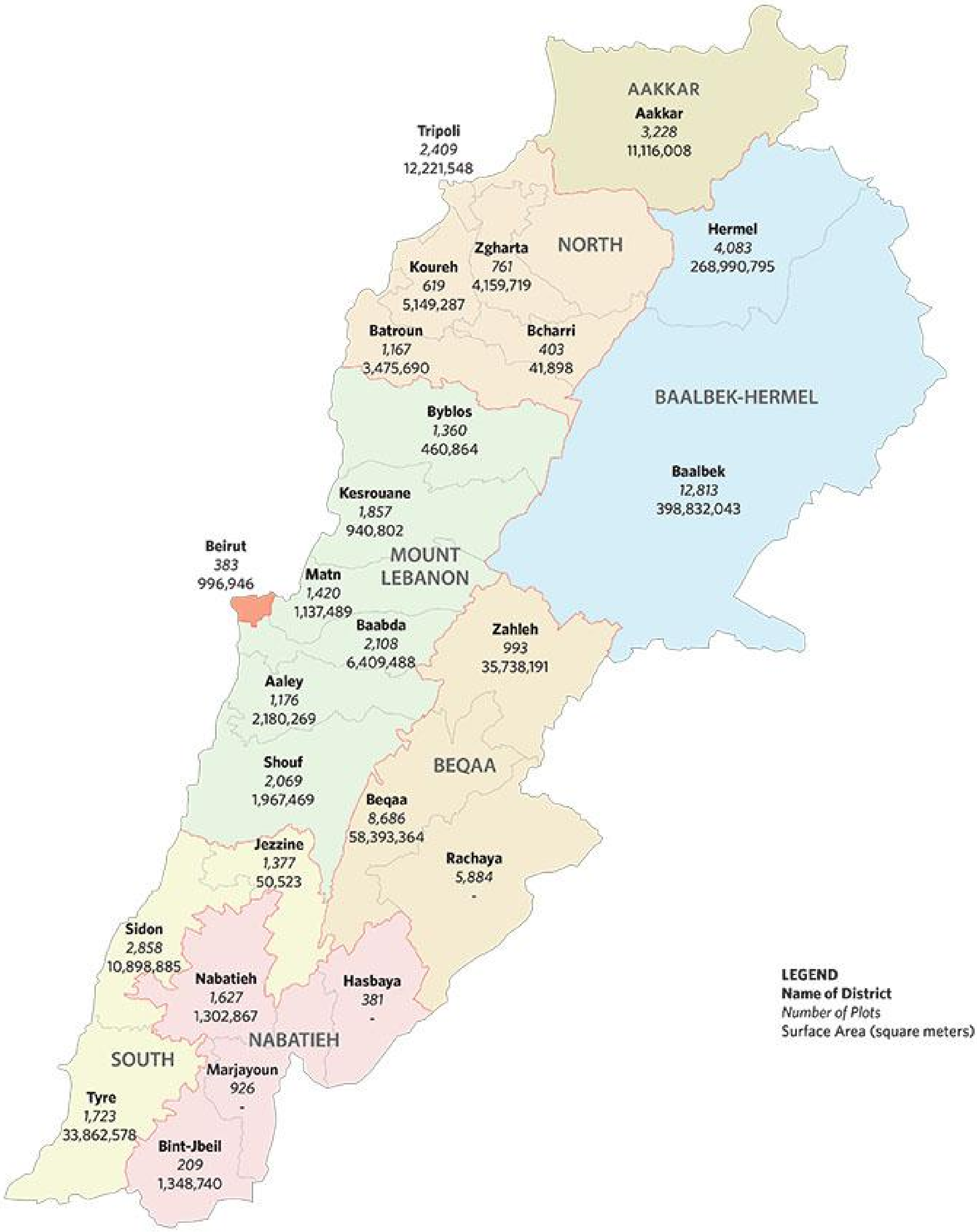
Empirical evidence internationally shows that waste and corruption can be reduced considerably by improving fiscal transparency and disclosure as well as by ensuring quality procurement systems, expanding digitalization, and reducing the administrative burden. Efficient use of public assets will result in increased overall productivity growth and innovation by encouraging investment and raising private sector productivity growth, thereby contributing to fiscal recovery and stability. Once they are well managed and subject to competition, public assets are ideal for lowering the degree of government ownership—provided that former monopolies are restructured, unbundled, and broken up to help create a fully transparent and competitive environment.

Lebanon’s portfolio of public commercial assets comprises a wide range of operational assets. These include telecoms infrastructure, such as the Ogero fixed network and the Alfa and Touch mobile networks; Electricité du Liban, which is responsible for electricity production and transmission; and four water utilities. The government also owns Middle East Airlines; the Rafiq al-Hariri and Rene Mouawad airports; the Beirut, Sidon, Tripoli, and Tyre ports; the Casino du Liban; the Régie Libanaise des Tabacs et Tombacs; the Intra Investment Company; the Finance Bank; and two refineries in Tripoli and Zahrani (see figure 1).

FIGURE 1
Public Commercial Assets

The real estate side of the portfolio is less well understood, due mainly to the absence of an accurate land registry and an official information system identifying relevant data on all geographical objects, including boundaries and ownership. Nevertheless, the government claims ownership of some 60,000 land plots with a total area of more than 860 million square meters (the exact sizes of 30,000 of the total plots are unknown). The land is distributed across Lebanon’s eight governorates, with the highest number of plots and surface areas in Baalbek-Hermel (see figure 2). The majority of plots are less than 1,000 square meters. Due to the lack of proper accounting, there are no valuations of land or buildings—not even of valuable seaside properties captured by politicians, their cronies, and political clients. However, more details are available for property developments such as the Rashid Karami International Fair, the Hariri Sports City Center, and the Linord and Elyssar real estate projects.

FIGURE 2
State Land in Lebanon's Eight Governorates (Plots and Surface Areas)



Historically, public assets have benefited only a small group of elites, largely due to the influence of politicians. Public assets, ultimately owned by the taxpayers, should benefit the consumers and serve the welfare of all citizens. Without proper transparency, SOEs are allowed to be unproductive and unsustainable, while receiving sizeable government support through budget transfers, subsidized inputs, and cheaper public funding, including loans at below-market rates. Their policies and activities are open to political interference, and as a result, nepotism, cronyism, and clientelism are rife. In addition, weak or nonexistent governance standards, with boards and management dominated by political appointees, have led to corrupt practices, high costs, and inefficiency through overstaffing and unproductive investment.

Political interference and the absence of strong regulatory authorities have resulted in a lack of accountability. In the case of the electricity, telecommunications, and oil and gas sectors, such authorities were established by law but were emasculated by their respective ministries. The lack of transparency and disclosure—with few publicly available, audited, or published accounts—has led to extremely low or negative returns on assets, with operational losses adding to budget deficits. The most visible case is Electricité du Liban, where annual deficits exceed $1–1.5 billion, representing some 30 percent of Lebanon’s budget deficit and 14 percent of overall noninterest spending.

Lebanon’s SOEs are, in fact, nonperforming assets and an integral part of the organized structure of corruption. Problems with inefficiency, low productivity, and lack of innovation have increased costs, lowered private sector productivity, and negatively impacted households more generally. These outcomes have had multiplier effects in the economy by crowding out the private sector and diverting capital and labor to inefficient public assets. Infrastructure quality is a major factor in determining investment and attracting foreign direct investment. The mediocrity of government-provided infrastructure services has reduced domestic and foreign investment, further dampening national productivity and economic growth.

Setting up Lebanon's National Wealth Fund

The Diab government's financial recovery plan aims to set up a Public Asset Management Company "tasked with the restructuring of public companies in its portfolio." However, it does not offer a clear strategy, objectives, or governance mechanism. Is this a prelude to privatization? Will a consolidation of assets without proper governance and regulation enable further abuse by politicians? Meanwhile, the Association of Banks in Lebanon and other analysts have proposed creating a fund that includes public assets. It would serve to repay the central bank's debts to commercial banks. But this implies giving preferential access to public assets to one set of creditors, namely banks, to the detriment of taxpayers and the public.

That is why Lebanon must establish an independent corporate holding company, such as a National Wealth Fund (NWF), that would own and manage public commercial assets for society's benefit. The law establishing it would therefore include a fiscal rule stating that any dividend transferred to the government must be used to pay for public services that help alleviate human suffering and rebuild the economy. Monies generated from the better management of the assets, as well as the occasional divestiture or privatization, should first be used to further develop the portfolio so that basic services such as water, electricity, and transportation become more efficient. This to the benefit of the end users, the people, and the economy. In addition, with a commercial capital structure and dividend policy in place, the NWF would be able to produce a yearly dividend to the government—as a complement to revenues from taxes and other measures—to help fund other government requirements.

Professionalizing the management of public assets is a simple two-step process. The first step is to create a central public registry of all commercial public assets (both operational and real estate assets) and assign an indicative value to them. This should be done swiftly to help inform a feasibility study demonstrating what kind of yield and additional revenues could be expected from the NWF. The second step is to transfer these assets into the NWF. The responsibility and accountability of developing the NWF portfolio should be delegated to a professional, experienced, and politically independent board and management team.

With the institutional structure in place, the portfolio should be governed according to the same requirements as any privately owned company and thereby aim for similar returns based on three core principles: transparency, a clear objective, and political insulation. Transparency and disclosure are prerequisites for holding the fund’s board and management team broadly accountable. The NWF should operate according to the highest international norms, as if it is a listed company. Ultimately owned by the taxpayers, it is a truly public company.

Given that the assets in the portfolio are commercial in nature and would be subjected to competition, the NWF’s sole objective should be to maximize the value of the assets by being as financially focused and nimble as a private equity fund. Always aiming to achieve the best possible return would help avoid crowding out private sector initiatives.

Finally, political insulation will be critical for combating corruption and for managing the NWF in a truly commercial manner. That means delegating responsibility and holding the board of directors fully accountable for the day-to-day management of the assets, thereby enhancing the board’s professionalism. Creating an unambiguous separation between the government’s regulatory function and the fund’s ownership of public assets will also improve the likelihood of increased private sector investment and foreign direct investment—as additional ways to enhance and develop the assets in the portfolio.

Furthermore, there is no reason why the board and managers should not be subject to the same legal framework and requirements as private sector owners. In many countries, the functions and responsibilities of boards are clearly defined by law, with government-owned companies having the same accountability as boards in private joint-stock companies. Establishing a level playing field for private and publicly owned companies ensures that they operate under a single legal framework and that managers of public assets can use all the tools of the private sector.

An important advantage of consolidating all state assets under a common corporate structure is the ability to develop an asset to its full potential using the strength of the entire balance sheet of the holding company, instead of being tempted to privatize assets in a fire sale as part of the yearly struggle to close the budget deficit in a political budget process. The timely disposal of assets is instead part of the broader business plan for maximizing yield across the entire portfolio, until the asset has reached a fair value.

The efficient management of assets contributes to higher rates of real GDP growth, generates dividends for the government budget, and lowers operating costs. By making the value of the assets visible to the capital markets and debt holders, the government would improve key financial soundness metrics that the three global rating agencies use in their sovereign rating models. All together, these outcomes help to bolster a country’s governance and institutional strength and, in turn, can improve its sovereign credit rating and lower the cost of borrowing.

Properly managed, the NWF would be able to generate an annual dividend that could help fund socially important functions, ranging from healthcare to infrastructure. This would also ensure that the fund enjoys public support to fight the endemic corruption currently characterizing the management of public assets. Eventually, the NWF would also help reduce the public sector debt load, strengthening the government’s net worth as a buffer against future economic challenges.

Conclusion

Lebanon’s economic and financial meltdown cries for a revolution in policy reform, including the creation of an NWF as part of comprehensive macroeconomic and structural reform. The objectives would be to restructure public assets to combat corruption and inefficiencies, help achieve fiscal sustainability, revive economic growth, and create additional revenues for the benefit of Lebanese society as a whole. Of course, setting up an independent NWF would be a leap of faith and break with the past. The government and the public would need to act together, as a nation, to dismantle the long-standing fragmented political kleptocracy.

About the Authors

Dag Detter is an investment adviser on public assets and the former president of the Swedish government holding company.

Nasser Saidi is a Lebanese economist, former minister of economy and trade and industry, and former vice governor of Lebanon’s central bank.

Interview with BBC on Lebanon's outlook, 12 Jun

2020

Dr. Nasser Saidi appeared on BBC World Business report on 12th Jun 2020 to discuss why the outlook seems so bleak for Lebanon, and whether it is likely to receive a bailout from the International Monetary Fund.
Listen to the interview (from 2:48 to 6:46) at https://www.bbc.co.uk/programmes/w172xlt0yngxy54

"Lebanon's Economy: Staring into the Abyss", Presentation to the Harvard Business Club in Lebanon, 24 Apr 2020

Dr. Nasser Saidi's presentation titled "Lebanon's Economy: Staring into the Abyss", was aired as a webinar to the Harvard University Alumni Association of Lebanon (HUAAL) and the Harvard Business Club in Lebanon on 24th April 2020.
Click below to access the webinar, including Q&A.

Interview with CNN's Richard Quest on Lebanon's path forward amid the crisis, 8 Jan 2020

Dr. Nasser Saidi was interviewed by CNN International's Richard Quest on 8th Jan, 2020 to provide his insights on Lebanon's path forward amid the economic and political crisis.
Watch the interview below:

Interview with BBC on Lebanon's economic crisis, 6th Dec 2019

Questions answered in this interview include: How did Lebanon get to this crisis scenario? Why should the international community come to Lebanon's aid? Also discussed is the urgency to form a new technocratic government and an eventual move to a secular state.
Listen to the interview (from 1:00 to 7:00) at https://www.bbc.co.uk/sounds/play/w172wq52b0xp9qs

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Interview on CNN's Quest Means Business on Lebanon's anti-government protests, 1 Nov 2019

Dr. Nasser Saidi was on CNN International's Quest Means Business programme on the 1st of Nov 2019 to provide his views on Lebanon's anti-government protests, reopening of banks after a 10-day closure, external debt concerns and more.
Watch the interview below:

Radio interview with Dubai Eye's Business Breakfast on Lebanon's economy, 23 Oct 2019

Dr. Nasser Saidi spoke with Dubai Eye's Business Breakfast team on the ongoing protests in Lebanon. Some comments are listed below:
The catalysts for Lebanon's unrest include deep economic-financial-fiscal issues, environmental problems, rampant corruption and lack of trust in the government. The government needs to address multiple issues including reduce public debt, address size of the government/ public sector & pension system, tackle corruption and increase competition among others.
Listen to the full radio interview

at https://omny.fm/shows/businessbreakfast/lebanon-economy-nasser-saidi-associates-23-10-2019

Comments on the protests in Lebanon in Arab News, 21 Oct 2019

Dr. Nasser Saidi's comments on the Lebanese protests appeared in the article "Lebanese unite in protest against their political elite" published by Arab News on 21st Oct 2019.
The full article can be accessed at: *https://www.arabnews.com/node/1571806/middle-east*
Comment are posted below:
Nasser Saidi, a former finance minister and vice governor of the country's central bank, believes that the unrest is the result of a combination of factors: Poor governance; a rapid decline in health, education and environmental standards; and deteriorating economic conditions and prospects for the future.
"Lebanon has a high misery index of 36 percent, as measured by the sum of the unemployment rate (30 percent) and inflation (6 percent), similar to that of countries such as Nigeria, Bosnia and Iran," he told Arab News.
"It is estimated that half of the labor force is in the informal sector without access to social insurance, and there is a high degree of inequality in the distribution of wealth and income – 1 percent of depositors own more than 50 percent of the value of deposits."
Former minister Saidi said that there is a clear consensus that Lebanon needs a regime change, with a new beginning that establishes the rule of law, combats corruption and addresses

the country's many divides.
"It is time for a new government with extraordinary powers, composed of non-partisan technocrats, able to implement a financial plan to address Lebanon's high level of debt, among other things," he said.
"New elections should bring forth fresh blood and a new vision for the country. Clearly, this will be an uphill battle and there will be opposition from the varied forces of the establishment. But the future of Lebanon and our young is at stake."

Comments on McKinsey's Lebanon report in Arab News, Jan 2019

Dr. Nasser Saidi's comments (below) appeared in an Arab News report titled "Lebanon's damning McKinsey report: how the experts reacted", on January 7, 2019. The full article can be accessed here and here; the Arab News report can can be downloaded here.

One of the damaging figures reveals that Lebanon's residents spend 50 percent more time than needed on congested roads, only 15 percent of which are in good condition. It also discloses that Lebanon's infrastructure ranks 113th out of 137 countries.
"These numbers come from a variety of sources like the World Bank and others, so these have been assessed by various international parties," Dr. Nasser Saidi, former chief economist and head of external relations at the Dubai International Financial Center, told Arab News.

“What’s more important is the cost of this in terms of productivity and income, because when you spend time on the road you aren’t producing anything, so congestion costs are very large in terms of both loss of business opportunities, lost income and lost productivity.”

Lebanon’s perceived corruption was shown to have increased by 26 points since 2012 to 146 out of 180.

“In terms of governance, it has been deteriorating over the past five to six years on a continuous basis,” Saidi said. “It’s corruption, bribery and nepotism. In all reports on transparency and corruption, Lebanon is unfortunately one of the most corrupt (places) in the world, and the importance of it is not only that we want to be able to fight corruption, but that it has become a cancer and it is so pervasive.”

He emphasized the issue as it is a major contributor to public finance and the budget deficit. “Corruption is directly related to government procurement and government contracts as well as government revenue,” he said. “So there is widespread tax evasion, and corruption is at the core of Lebanon’s large budget deficit, which was close to 11 percent in 2018 and likely to be the same or higher in 2019… The economic and fiscal impacts are extremely important.”

“If you want to measure the real damage that the civil war and the (Israeli) occupation have done to the country, it’s where Lebanon stands vis-a-vis countries that were equivalent to it before the war,” he added. “So it has regressed a lot by that measure.” Saidi said the poor quality of statistics in the country needs to be improved as the central statistics office lacks resources and figures on key areas including GDP and investment.

He said the lack of field productivity growth and investment means it is unsurprising that there has not been much of an increase in per capita income or real GDP.

The McKinsey report highlighted the country’s education system, deeming it to be of low quality and in decline. It said many skills are not being taught to suit labor force needs, partially because the curriculum has not been upgraded since 1997. Experts, however, said this is only the case for public sector schools and universities.

“The picture is diverse and there’s a big gap between public and private education,” Saidi said. “The major private sector universities are St. Joseph, the AUB and the LAU, which are able to deliver competitive quality education. The evidence for that is that our graduates are able to go to top-notch universities internationally.” But the problem is that it is mostly elites who can afford high-quality education, leaving behind most of the population, including Syrian refugees, he said.

He pointed the finger at the Arab world as a whole. “You need to think of two things: Education for employment, which should give you skills to be able to get jobs, and digital education for digital employment, because economies on a global basis and in the Arab world are increasingly going to have to move to become digital.”

In terms of the country’s diaspora and its $6.9 billion in remittances sent back to Lebanon, the report said they are not largely channelled into productive areas.

“There’s very little public investment, and all remittances and the capital coming in from the diaspora go into bank deposits, treasury bills and to finance the budget deficit,” Saidi said. “We have one of the highest levels of debt to GDP in the world, in excess of over 158 percent, which makes it the third most indebted country in the world after Japan and Greece.”

He attributed the problem to very little public investment, which trickled down to poor infrastructure performance. “It’s all going to finance wages, pensions and interests on public debt,” he added, calling it a resource curse due to the government’s dependency on it. “They’re happy to pay high rates just to attract them. Had we not had them, they would’ve had to adjust on their own and had fiscal reform.”

The main issues at hand, he believes, are fiscal reform and corruption, cutting down the budget deficit and the level of public debt.