

Restoring confidence as we rebuild our nation and economy

[Ali Hejeij](#)

For decades, Lebanese banks have played a key role in our nation's economy by providing credit to the individuals and businesses that have been essential to growth and development. Today, the banking sector is in turmoil due to the local and international economic crises. However, if our beloved country is to recover, Lebanese banks must help to lead our country out of the crisis and into a stronger, more secure future.

While the financing that banks have provided has long been critical to Lebanon's progress, this is also where we went wrong: In looking to support economic growth, we offered too much credit while hoping that debtors would fulfill their promises. The decision to default on a payment of \$1.2 billion worth of Eurobonds -- many of which were held by Lebanese banks -- in March of 2020, a first in the country's history, as well as insufficient effort over the last decades to diversify an economy dependent on services and foreign remittances, has led us to this unfortunate situation today. The crisis has been made worse by the failure to enact legislation formalizing necessary capital controls, which have been implemented to preserve deposits and to prevent the collapse of the markets.

As a key next step, a full forensic audit of the Central Bank and other governmental institutions is needed to provide transparency and a foundation for necessary reforms. Without the audit, any reforms will not be complete or effective, and will not restore public trust. Moreover, recovery will depend on aid from the international community, which has insisted on the audit as a precondition to such assistance.

Despite current uncertainties, following decades of political and financial instability that led to a failure of support to broaden economic growth and infrastructure development, I believe that, while implementing proper reforms, we can regain the trust of the Lebanese people and global investors and rebuild the strong relationships we once had.

Lebanese banks have demonstrated their resilience to financial shocks, including civil wars, the 2008 global financial crisis, and this year's twin disasters: the coronavirus and the tragic Beirut Port explosion. As they have before, the banks will return to being a regional safe haven for stable and profitable investment.

MEAB Bank will do its part by striving each day to comply with the highest standards set by leading global authorities, including the Bank for International Settlements, the International Monetary Fund, and the Financial Action Task Force. We will do so under the guidance of the Lebanese regulators, in a shared mission to ensure that deposits remain secure and that banks comply with Lebanese laws and international guidance on topics such as anti-money laundering and combating terrorism funding.

Much of the risk now facing Lebanese banks involves overexposure to government debt. MEAB Bank's exposure to sovereign debt remains less than 30 percent of its lending portfolio, substantially less than many banks, because we believe, as we always have, that the only way to lift the country out of this crisis is to shift away from an unproductive rentier economy toward investing in productive economic sectors.

With a recovery plan in place, Lebanese banks again will be the institutions best suited to facilitate these investments. I know that transparency and honest dialogue are essential to restoring the people's confidence, and I trust that all parties will come together to create solutions for the benefit of all.

Ali Hejeij is the chairman and general manager of MEAB Bank sal.