

# The Government of Lebanon should not honor its debt maturity in 2020 at the expense of its people

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February 4, 2020

While Lebanon awaits the new Government's ministerial declaration in the midst of increased social distress and upheaval, official declarations are confirming in advance a higher political decision to avoid sovereign default at any cost and ensure payment of the March 2020 debt maturity which stands at USD 1.2Bn.

After years of failed policies that have led the country to the current crisis and after months of illegal and arbitrary capital controls, authorities are yet again giving preference to the interests of bondholders over pressing domestic social and economic needs. Paying the March maturity will come at the cost of depleting Lebanon's already scarce foreign currency reserves, which are direly needed to cover the basic needs of the population.

It is a matter of time before Lebanon's rampant socioeconomic crisis develops into a full-blown humanitarian crisis. Hundreds of businesses are closing, tens of thousands of people are losing their jobs, while others' wages are being cut. In the midst of galloping inflation and poverty, health and food security are now on the line. Half of the Lebanese population risks falling below poverty line this year according to the World Bank. Hospitals are facing a serious shortage in medical supplies. The threat of not being able to provide essential medical services or even life-saving procedures and urgent medical care is looming, as reported by Human Rights Watch. Cutoffs and salary reductions for medical staff have already started and even more are on the horizon.

It is therefore unacceptable by all standards of equity to keep kicking the can down the road at a time when courageous and smart decisions need to be taken to put some order into the banking sector including a fair capital control that is equitable to all stakeholders and not arbitrary favoring some depositors over others.

Defaulting is not a matter of national pride. It is unwise to proceed to paying bonds at full, when the market has already written down their values by 40%-50% and is expecting a restructuring of debt. And it is inadmissible to proceed with the payment of debt principal and interest, privileging interests of few banks and investors, when the economy is not able to bear this burden.

We call on the Government to honor its responsibility towards the Lebanese people and: proceed immediately to an orderly restructuring of the debt within a comprehensive macroeconomic-fiscal-financial-banking reform programme, that can garner the needed international support and financing and regain the confidence of the Lebanese people.

The time has come to acknowledge past mismanagement, stop the increasingly disastrous cycle of spiraling debt, distribute our losses fairly by preserving small depositors' interests, and start implementing the reconstruction plan of our economy for the sake of future generations.