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The Socialist People's Libyan Arab Jamahiriya: Selected Issue—Medium-Term Economic Reform Strategy, and Statistical Appendix

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THE SOCIALIST PEOPLE'S LIBYAN ARAB JAMAHIRIYA

Selected Issue—Medium-Term Economic Reform Strategy, and Statistical Appendix

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Approved by the Middle East and Central Asia Department

March 2, 2006

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Medium-Term Economic Reform Strategy for Libya[1]

I. Introduction and Background

1. **Libya is generously endowed with energy resources, but has one of the least diversified economies in the Maghreb region and among the oil producing countries**. (Table 1, Figure 1). In the early 1970s, Libya opted for a command economy with essentially state-driven investment, a strictly controlled external trade, widespread price controls and subsidies, and an almost nonexistent private sector. The government's stifling interference in the economy resulted in a continuous deterioration in the business climate, low economic growth, declining living standards, fragile macroeconomic conditions, and increased vulnerability to external shocks. Other impediments to economic development included weak institutions and poor governance. Economic conditions started to deteriorate in the mid-1980s with the fall in world oil prices, and worsened in the 1990s as a result of international sanctions.

Table 1. Libya: Comparative Indicators, 2004

(In percent of GDP unless otherwise specified)

	Libya	Maghreb 1/	OPEC2/ 3/
GDP per capita (in US$)	5,321	2,605	8,594
Nonhydrocarbon GDP per capita (in US$)	1,629	2,024	5,331
Share of nonhydrocarbon GDP (in total)	30.6	77.7	62.0
Real GDP growth	4.6	5.3	7.5
Government expenditure	44.0	36.7	31.7
Fiscal surplus/deficit	17.5	-0.5	9.8
Government revenue	59.1	35.7	41.3
External trade balance	24.2	-1.0	16.6

Sources: WEO; and staff estimates.

1/Maghreb: Algeria, Libya, Mauritania, Morocco, and Tunisia.
2/ OPEC: Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, UAE, and Venezuela.
3/ Excluding Iraq.

2. **Since the freezing of the UN sanctions in 1999, Libya has been implementing measures to reform and open its economy,** but progress in developing a market economy has been slow and discontinuous. Libya needs strong and sustained economic growth to meet the demands of its rapidly growing labor force, which requires high investment in physical and human capital, and an efficient use of the country's resources. This can only be achieved through the implementation of far-reaching market-oriented structural reforms that would enhance the role of the private sector, improve the business climate, and promote economic diversification.

3. The purpose of this paper is to present a medium-term reform strategy that could be pursued by Libya in order to accelerate its transition to a market economy and achieve the above objectives. The paper is composed of four sections, including the introduction. **Section II** reviews the main characteristics of the Libyan economy, and medium-term prospects under current policies. **Section III** presents the proposed reform strategy in two subsections: subsection III-A examines the priority reforms that Libya needs to implement in order to accelerate its transition to a market economy, while maintaining macroeconomic stability; and subsection III.B deals with a second set of reforms that aim to consolidate the reform process and advance the restructuring of the economy in favor of the non-oil sector. The

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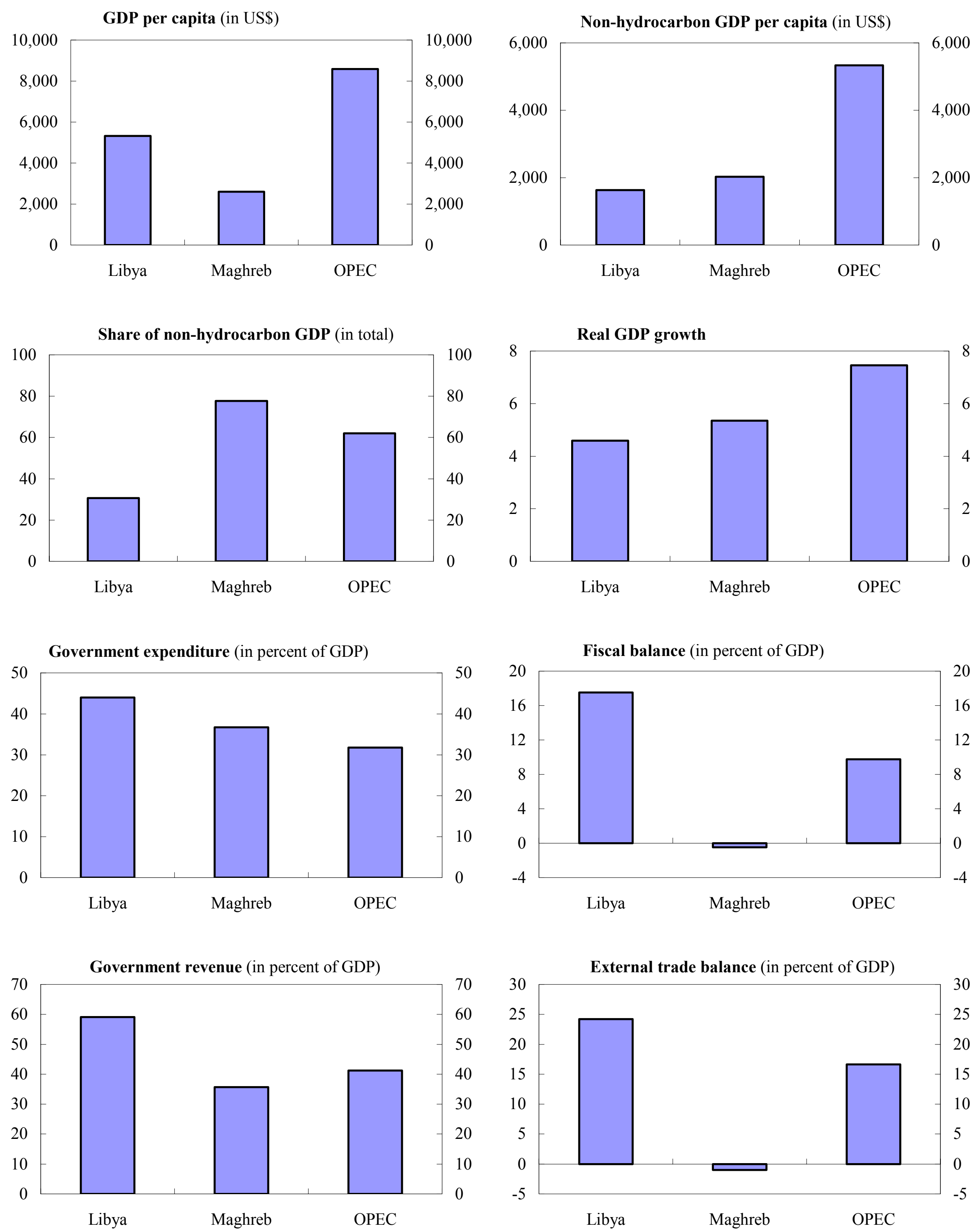
[1] Prepared by Ramdane Abdoun.

Figure 1. Libya: Comparative Indicators, 2004



Source: *World Economic Outlook* , 2005; and Fund staff estimates.

paper has four appendices: Appendix I (Revenue Administration); Appendix II (A Stabilization and Savings Fund for Libya); Appendix III (Bank Restructuring Strategy); and Appendix IV (Statistical Reforms).

II. Main Characteristics of Libya's Economy

A. Recent Developments

4. **The Libyan economy continues to be driven by the oil sector,** which contributed about 56 percent of GDP in 2000-05. The remaining economic activities include services (28 percent of GDP) and the sectors of agriculture, industry, transportation, and construction, whose size remains very modest (about 4-5 percent of GDP each).

5. **The predominance of the oil sector is also highly noticeable in the country's external and fiscal accounts**. During 2000-05, hydrocarbon exports accounted for about 97 percent of total exports receipts and were the main source of official reserves.[2] Overall, the non-oil sector remains largely dependant on imports, as evidenced by the high non-oil imports- to non-oil GDP ratio (70 percent) and the low coverage of non-oil imports by non-oil exports (11 percent in 2004). On the fiscal front, coverage of government expenditure by non-oil revenue was less than 30 percent, resulting in a non-oil deficit of about 30 percent of GDP.

6. **On the structural front, some progress in liberalizing the economy has been made in recent years,** including unifying the exchange rate; passing a new banking law that enhances the role of the Central Bank of Libya (CBL) and opens up the banking sector to domestic and foreign competition; privatizing some state enterprises; simplifying procedures for business application; removing customs duty exemptions enjoyed by public enterprises; liberalizing most prices; removing restrictions on external trade; and allowing foreign investment in some sectors. More recently, in 2005, the government created an investment fund (IF) to manage part of the government's foreign exchange holdings, and significantly streamlined the customs tariff. Also, as a first step toward improving transparency in and consolidation of public finances, the government abolished all extrabudgetary expenditure from the Oil Reserve Fund (ORF).[3] Finally, the CBL partially liberalized interest rates, issued a number of decrees to improve the operations of commercial banks, and launched the privatization of a major bank, Sahara bank (see Box 1).

7. **However, reform implementation continues to suffer from lack of coordination, including between the CBL and the Ministry of Finance (MOF).** Also, effectiveness of reforms was affected by the absence of an overall reform strategy, serious human capacity constraints, and weak institutions. As a result, the Libyan economy remains largely state-

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[2] Official reserves increased by US$26 billion during the period.

[3] This decision was taken after the adoption of a LD3 billion multi-year lending program of subsidized loans to households, private farmers, and entrepreneurs.

controlled, three quarters of employment are in the public sector, and private sector investment remains minuscule (2 percent of GDP).

Box 1. Libya: Reform Measures Implemented in 2004–05

Year 2004

- Approval by the government of the privatization of 360 state-owned enterprises.
- Simplification of procedures for business application.
- Submission to parliament of a plan to replace the current subsidy system with a cash subsidy.
- Passage of a new banking law that enhances the role of the CBL and opens up the banking sector to the private sector (including foreign banks).
- Passage of an Anti-Money Laundering law.

Year 2005

A. Management of Oil Revenues

- Creation of an Investment Fund (IF) to manage part of government oil revenues.

B. Tax and Customs Policy

- Simplification of the tariff schedule. The new import tariff has two rates (10 percent for tobacco products and 0 percent for all other products), and all imported goods are subject to a 4 percent service fee.
- The *production and consumption tax* was increased to 25–50 percent for imported goods and reduced to 2 percent for domestically produced goods.

C. Revenue Administration

- Beginning to put in place a three-year modernization plan for the tax and customs directorates.

D. Interest Rate Liberalization

- (i) Unification of the CBL's deposit rates; (ii) liberalization of the banks' deposit rates; and (iii) replacement of the banks' multiple lending rates by a ceiling 250 basis points above the CBL discount rate (currently at 4 percent).

E. Bank Restructuring and Banking Supervision

- Initiation of the privatization of Sahara bank.
- Various measures to strengthen banking supervision.

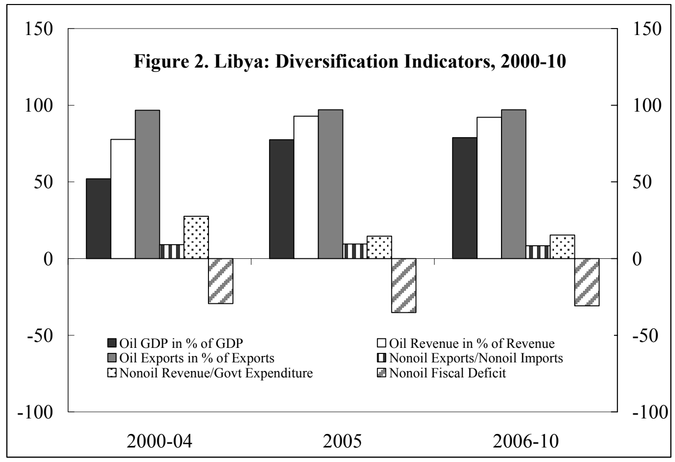
F. Trade Policy

- Decree 12 of 2005 (which allowed the import of a number of consumption and investment goods only through an agent) has been replaced by Decree 190, which limits such restrictions only to six categories of imports for which after-sale service is necessary.

B. Medium Term Prospects Under Current Policies

8. Based on WEO's latest oil-price projections and current policy stance, **Libya's outlook for 2006–10 remains favorable and does not raise sustainability concerns**. Under these projections, both the fiscal and external current account balances will continue to register

large surpluses during the period 2006-10.[4] However, the non-oil fiscal deficit is projected to remain substantial (31 percent of GDP). Moreover, while the oil sector is projected to grow at an annual rate of 6-7 percent, the non-oil sector's real growth would be about 3 ½ percent per year, and non-oil private sector investment would barely exceed 2 percent of GDP, as the current pace of government reforms will fall short of generating a sustained increase in private investment and non-oil output. This projected level of growth for the non-oil sector would not be sufficient to generate employment opportunities for the rapidly increasing labor force (about 4 percent per year) (Figure 2).



III. Medium-Term Reform Strategy

9. In view of the above, **Libya needs a comprehensive medium term strategy (MTS) to reform its economy** and make better use of its economic and financial potential, by diversifying the economy and reducing the country's dependency on oil. The proposed MTS aims to maintain macroeconomic stability and rationalize the use of the country's oil wealth, accelerate the transition to a market economy, and establish a solid basis for the development of the non-oil economy. It could be implemented over a 5–6-year period in two phases of 2–3 years each.

A. Phase One: Acceleration of the Transition to a Market Economy

10. Maintaining a sound macroeconomic framework, sending a clear signal to the market on the authorities' commitment to reform, and implementing the reform measures for which IMF technical assistance (TA) has been provided[5] will constitute major steps toward recapturing the confidence of the private sector and enhancing the country's economic potential. To that effect, during the first reform phase, priority should be given to (i) consolidating public finances and streamlining budgetary management and procedures; (ii) enhancing the role of the central bank and implementing market-based monetary reforms; (iii) removing remaining external trade restrictions; (iv) completing price liberalization and rationalizing the subsidy system; (v) developing a vigorous and coherent privatization program; and (vi) improving the business climate.

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[4] Under current projections, oil and natural gas revenue windfalls are projected to increase from an average of US$16 billion per year (54 percent of GDP) in 2000–05 to an average of US$38 billion per year (76 percent of GDP) in 2006–10.

[5] The IMF has already provided TA in the monetary policy, bank restructuring, banking supervision, tax policy, revenue administration, and statistics areas.

Public Finance

11. Although the overall fiscal position is projected to remain comfortable over the medium term, **the structure of the budget needs to be rationalized and fiscal policy will need to be geared toward maintaining macroeconomic stability**. Three categories of reforms are required to achieve these objectives, including measures to (i) bring total control of fiscal policy under the responsibility of the ministry of finance and improve transparency in government operations; (ii) enhance the quality of government spending and broaden the non-oil tax base; and (iii) improve the management of the country's oil wealth in order to reduce the overall fiscal vulnerability to oil shocks (Box 2).

12. **The first category of reforms would require consist of** (i) **unifying the budget** by integrating the administrative, development, and subsidies budgets and all extrabudgetary operations in a consolidated budget under the responsibility of the MOF; (ii) **modernizing the treasury system**; and (iii) **strengthening budgetary procedures**.[6]

13. **The second category of reforms could be accomplished by broadening the tax base to enhance non-oil revenue collection, and strengthening expenditure management and control** to improve the efficiency of public spending. Reforms on the revenue side include simplification of the tax system, tax cuts to reduce the costs of doing business, elimination of widespread exemptions, and improvement in revenue administration (Box 2-A and B, Appendix I). On the expenditure side, efforts would focus on reinforcing the budgetary process, strengthening expenditure management and control, and improving governance. The development of Medium Term Expenditure Frameworks (MTEFs) aimed at achieving long-term fiscal sustainability, and based on stable expenditure policies with quantifiable targets to be reflected in the government's annual budgets, is an important step in that direction (Box 2-C). Also, the MTEF could be an efficient instrument for the reallocation of resources toward basic infrastructure, social services, and capacity building which have deteriorated significantly under the sanctions.

14. **The third category of reforms will need to be centered on the establishment of an oil fund in the form of a stabilization and savings fund** (SSF) to reduce the impact of volatile revenue on public finances and the economy, and save part of the oil revenue for future generations (Box 2-D, Appendix II). During upswings in oil prices, the existence of the SSF could help the government better manage its fiscal operations in line with the country's absorptive capacity. During oil price downturns, the recourse to SSF resources would help maintain expenditure stability. For these reasons, strict rules governing the SSF's revenue and expenditure policies would need to be established and fully enforced, and performance would need to be periodically assessed. Achievement of these objectives would

[6] In particular, abolishing the 70/30 rule under which 70 percent of budgetary oil revenue is allocated to capital spending and the remaining 30 percent to current expenditure. The detailed measures to undertake these important reforms will be based on the findings and recommendations of the planned FAD mission on budgetary procedures and expenditure management and control scheduled to take place in the second quarter of 2006.

Box 2. Libya: Public Finances: First Phase Reforms (2006–08)	Proposed timing
A. **Budget**	
• Develop a unified consolidated budget framework under the responsibility of the Ministry of Finance, including the administrative, development and subsidies budgets, and all the other extrabudgetary government operations.	End-2006
B. **Revenues**	
1. **Tax Policy**	
• Integrate the service fee and consumption tax on imports in the tariff structure.	April 2006
• Simplify the tax rate structure, introduce new payment arrangements for corporations, repeal current provisions relating to tax incentives (tax holidays), and strictly limit tax exemptions.	End-2006
• Introduce appropriate rules for neutral tax corporate restructuring, in order to facilitate privatization.	End-2006
• Revisit excises.	2007
• Prepare for the introduction of the VAT.	2007–08
2. **Revenue Administration**	
2.1. **Tax Directorate**	
• Establish reform committees at the tax and customs directorates to oversee the reforms.	April 2006
• Restructure the tax department, establish a large tax-payer office, introduce self-assessment, supported by redesigned business process and IT systems.	2006–08
• Strengthen human resource development and training, and upgrade tax office buildings and equipment.	2006–08
2.2. **Customs Directorate**	
• Introduce risk-based controls.	2006–08
• Change procedures to meet WTO obligations.	2006–08
• Introduce automation to customs-import processing.	2006–08
• Introduce management information systems.	2006–08
• Strengthen human resource development and training, and improve office buildings and equipment.	2006–08
C. Expenditure	
• Enhance the efficiency of public expenditure, by improving the preparation, content and execution of the public investment program, through stricter project selection and solid project execution review process.	2006–08
• Strengthen expenditure management and control and reform the procurement code.	2006-08
• Strengthen the budgetary system.	2006-08
• Develop an MTEF.	2007
D. Establish a Stabilization and Savings Fund (SSF)	
• Enact a law establishing the SSF.	2006
• Integrate the SSF in a unified consolidated budget under the responsibility of the Ministry of Finance.	2007
E. Governance	
• Develop a plan to improve governance.	2006-08
F. Preparations for Second Phase Reforms	
• Undertake a comprehensive census of the civil service.	2006
• Undertake a study of the social security system.	2006

enable the government to implement strong macroeconomic policies necessary to achieve strong, sustainable, and noninflationary economic growth.

Monetary Reforms

15. **Monetary policy should aim to maintain price stability**, while allowing for an adequate expansion of credit to the economy at competitive interest rates. In this context, the recent partial liberalization of interest rates represents an important first step in the CBL's progressive move to indirect monetary management. However, for this measure to produce its full impact, it is important that the CBL stop directed credit allocation and channel all credit subsidies through the budget.[7]

16. **The CBL should develop indirect monetary policy instruments, starting with the issuance of CDs, and the reactivation of the interbank money market** as a first step toward the development of open market operations. Also, the CBL needs to strengthen the monetary policy committee responsible for key policy decisions, improve the monetary policy framework with the strengthening of its database and economic monitoring capabilities, and reinforce its daily monetary management. Other reforms are needed, including the reorganization of the CBL in line with the requirements of the new banking law and the expected transformation of the domestic economic environment. These reforms, together with the gradual restructuring of the banking system, will create the conditions for an efficient allocation of credit, essential to jump-start private sector activities and increase the potential and efficiency of the non-oil economy (Box 3-A and E).

Bank Restructuring

17. **A more efficient, market-oriented and sound banking system is also needed** if Libya is to succeed in reforming its economy. This will require (i) enhancing banking supervision; (ii) restructuring the banking system; (iii) modernizing the domestic payment system; and (iv) revising the legal and regulatory frameworks.

18. **The CBL should continue implementing the strategic work plan to strengthen banking supervision agreed on with the Middle East Technical Assistance Center** (METAC), in order to accelerate the building-up of an effective banking supervision capability. The main objectives of this plan are to upgrade and improve the onsite and offsite inspection systems, develop new key prudential regulations in line with Basel banking supervision requirements and international best practice, and strengthen capacity building (Box 3-B).

19. **Bank restructuring is urgently needed.** Given that the CBL currently owns the main commercial banks, the first step should be to transfer the ownership of these banks to an independent government bank restructuring agency (BRA). The CBL would remain in charge

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[7] The scheme to administer these subsidies should be based on two rates: the rate received by the bank, which will be increasingly market determined; and the subsidized rate paid by the borrower, which is set by the government. The difference between the two rates should be financed by the government and budgeted.

of banking supervision, but would not be directly involved in the restructuring/privatization process. Its responsibilities would include ensuring that the new private owners are fit and proper, and that the banks meet all prudential requirements. The main tasks of the BRA would be to (i) exercise ownership rights over the banks currently owned by the CBL; (ii) safeguard the banks' value and stability during the interim period before restructuring/privatization; (iii) organize and monitor a proper due diligence for each bank; and (iv) implement a resolution strategy for each bank (Box 3-C, Appendix III).

20. **The reform of the domestic payment system is another key action in support of the restructuring of the banking system**.[8]The CBL should continue implementing its plan to modernize the payment system through the acquisition and use of automated systems and the introduction of noncash payment instruments that it has developed with the technical assistance of the World Bank. This plan, expected to be fully implemented by 2007, will enhance markedly banks' performance by expanding and improving service delivery and reducing costs.

21. **Finally, upgrading the legal, regulatory, and institutional framework for the banking sector in order to remove existing legal and other impediments to financial deepening will also be a key element of reform**. In particular, opening up the banking sector to external competition; strengthening the judicial system to speed up and improve conflict resolution; and reforming the existing legislation in the areas of accounting and bookkeeping, and bankruptcy are critical to strengthen the development of, and competition within, the banking sector, and improve financial deepening. (Box 3-D).

Exchange Rate Policy

22. The absence of pressures on the exchange rate following the implementation of current account convertibility and the increased liberalization of external trade are indications that **the current exchange rate of the Libyan dinar is broadly appropriate**.[9] While implementation of the MTS should reinforce non-oil production and export prospects, a close monitoring of the non-oil economy's external competitiveness would need to be done to assess the appropriateness of the exchange rate policy, including the level of the peg.[10]

23. **By the end of the first reform phase (2008)**, as structural and macroeconomic reforms progress and the non-oil economy starts to develop, **the authorities could consider the desirability and feasibility of switching to a more flexible exchange rate regime** that would give them more room of maneuver to respond to sharp changes in oil prices.

[8] The current system is particularly inefficient, with clearing varying from 7 to over 20 working days.

[9] The fact that non-oil exports are low reflects lack of structural reform and investment, rather than an overvaluation of the exchange rate.

[10] In addition to monitoring unit costs, surveying the views of the business community, including investors, bankers, and enterprises involved in external trade, could help in assessing the appropriateness of the exchange rate level.

Box 3. Libya: Money and Banking -- First Phase Reforms(2006-08)	Proposed timing
A. Monetary Reforms	
• Terminate directed credit allocations.	April 2006
• Channel all credit subsidies through the budget.	April 2006
• Strengthen the role of the Monetary Policy Committee.	April 2005
• Fully liberalize interest rates.	June 2006
• Issue CBL bills and establish an auction system.	2006
• Allow commercial banks to issue CDs and manage their liquidity.	2007
B. Banking Supervision	
• Upgrade on-site and off-site supervision.	2006-08
• Improve accounting and financial reporting systems.	2006-08
• Strengthen credit-risk assessment, in line with Basel requirements.	2006-08
• Develop capacity building and staff training.	2006-08
• Strengthen prudential supervision and include specialized banks.	2007
C. Bank Restructuring:	
• Postpone the privatization of Wahda bank.	April 2006
• Repeal the decision that limits any private investor's share in the capital of a bank to 4 percent, and open domestic market to foreign banks.	June 2006
• Transfer public banks' ownership from the CBL to a bank restructuring agency.	2006
• Complete the due diligence process.	2006
• Consolidate the 48 regional banks into one entity.	2006
• Start the restructuring/privatization of the remaining state-owned banks.	2007
D. Other Reforms to Improve Financial Deepening and Strengthen the Sector	
• Reform existing legislation on accounting and bookkeeping, and bankruptcy, in line with international standards.	2006-07
• Strengthen the judicial system.	2006-08
• Complete the modernization of the payment system.	2007
E. Enhance the Status of the Central Bank of Libya (CBL)	
• Introduce an amendment in the banking law stipulating that the central bank does not take instructions from the government.	June 2006
• Restructure the CBL	2007
F. Exchange Rate Policy	
• Closely monitor the exchange rate and external competitiveness.	2006-08

Trade Reforms

24. The significant progress that has been made in recent months in reforming the trade system and in simplifying the trade regimes should be maintained. In particular, all remaining state monopolies on imports should be terminated;[11] the remaining 10 nonreligious

[11] Including monopolies on imports of tobacco, veterinary medicines, and vaccines.

and non-health-related import bans should be replaced by import tariffs; and customs procedures should be simplified in line with international standards (Box 4-A).

25. **WTO accession negotiations will require Libya to adjust its trade laws and institutions to conform to basic WTO norms**. A number of reforms are to be accorded high priority, including inter alia (i) ensuring that all regulations are applied equally to foreign and domestic investors; (ii) incorporating the internal taxes that are levied on imports but not on domestically supplied goods in the tariff schedule; (iii) adopting WTO rules on customs valuation; (iv) limiting import licensing; and (v) bringing Libya's Intellectual Property Rights (IPRs) regime in line with international best practice. In order to speed up the review of all laws, regulations, and policies that affect international trade and investment, and prepare the Memorandum of the Foreign Trade Regime, Libya could seek outside technical assistance, including from the World Bank, whose experts have prepared similar documents in other countries.

Pricing and Subsidy Policies

26. **Price liberalization should continue with the lifting of the remaining controls on price and profit margins**. A limited number of goods, which the authorities feel are not sufficiently exposed to competition, could remain under a temporary pricing formula; the number of these goods should, however, be gradually reduced and eventually eliminated.

27. **Streamlining the subsidy system, which includes explicit subsidies** (mainly for food items) **and implicit subsidies in the form of low consumer prices** (for petroleum products, natural gas, electricity, and water) should be high on the government's agenda.[12] In this context, the government's plan to replace explicit food subsidies with cash payments should be better explained to the public in order to gain the support of the Basic People's Congress. Moreover, at a later stage, the case could be made to reverse the universality of these subsidies and progressively restrict them to the most vulnerable segments of the Libyan population. The issue of implicit subsidies would also need to be addressed by undertaking a comprehensive study to assess their size, and by implementing a plan to gradually reduce them overtime and limit them to the poorest segments of the population (Box 4-B).

Privatization and Foreign Direct Investment

28. **Encouraging private sector development, and in particular strengthening the small and medium-sized enterprises (SMEs), is key to promoting economic diversification, an objective that will require long and sustained efforts**. To that effect, priority should be given to enhancing the government's privatization strategy, ending all remaining monopolies and other impediments to economic competition, and attracting foreign investment.

[12] In 2005, explicit subsidies were estimated at about 2 percent of GDP. The implicit subsidies, which are concentrated in the energy and water sectors, are assumed to be large, in the order of 14 percent of GDP for the energy sector; there are no current estimates of the size of the implicit subsidies in the water sector.

Box 4. Libya: First Phase (2006-08)-- Other Recommended Reforms	Proposed Timing
A. Trade Reform and WTO Accession	
• Abolish remaining state import monopolies.	2006
• Replace the remaining 10 nonreligious and non-health-related import bans with import tariffs.	2006
• Simplify customs procedures in line with international standards.	2006-07
• Bring institutions, laws, and regulations related to international trade and investment, in line with international standards.	2006-07
B. Price Liberalization and Reform of Explicit and Implicit Subsidies	
• Remove the remaining controls on price and profit margins.	2006
• Promote the government's plan to replace explicit subsidies by cash payments.	2006
• Prepare a study on implicit subsidies in the water and energy sectors.	2006
• Put implicit subsidies on budget, and develop a plan to gradually reduce them over time.	2007-08
C. Privatization and Foreign Direct Investment	
• Clarify the mandate and strengthen the independence of the privatization agency.	June 2006
• Enact a privatization law allowing investors to acquire a significant share of capital and have corporate control over the privatized companies, and requiring that the sale process be based on competitive bidding.	Sept. 2006
• Strengthen the privatization program.	Sept. 2006
• Amend the law on foreign investment: use a system of negative list and limit the number of restrictions, streamline the approval process, and replace the screening procedure and feasibility study with a simple registration system.	2006
• Regroup all tax incentives in the tax code in order to harmonize the tax incentives across all investors (including domestic investors) and ensure a level- playing field. Incentives should be offered in the form of tax credits, tax allowances, or accelerated depreciation (rather than tax holidays or exemptions).	2006-07
D. Social Policies	
• Develop a plan to reform the education and health systems.	2006-07
• Undertake a study on poverty.	2006-07
• Develop a social safety net for the segments of the population most affected by structural reforms.	2006-07
E. Strengthening the Statistical System	
E.1. Main Reforms	
• Create a National Statistical Council (NSC).	June 2006
• Establish a National Statistical Agency (NSA).	Sept. 2006
• Prepare a multi-year statistical work program.	Dec. 2006
• Prepare a multi-year program of recruitment and training for NSA staff.	Dec. 2006
E.2. Other Measures	
• Nominate a GDDS coordinator.	Feb. 2006
• Move the responsibility for national accounts to the National Information Documentation Authority (NIDA), and create 6-10 additional staff positions.	Mar. 2006
• Transfer NIDA's statistics department to the NSA.	June 2006
• Establish a GFS unit at the ministry of finance.	June 2006

29. The **strengthening of the government's privatization strategy** will consist of (i) enacting a privatization law that would give the privatization agency a legal existence and an explicit mandate; (ii) allowing investors to acquire a significant share of capital and have corporate control over the privatized companies; (iii) subjecting public enterprises slated for privatization to hard budget constraints, and strengthening their operational independence; and (iv) basing the sale process on competitive bidding.

30. **The enhancement of the privatization process would need to be supplemented by actions aimed at improving the business climate, and encouraging foreign investment and technology in all sectors**. These measures include (i) amending the law on foreign investment with a view to simplifying procedures and speeding-up the approval and registration process; (ii) regrouping all tax incentives in the tax code; (iii) streamlining the activities of the Libyan Foreign Investment Board; (iv) promoting a more competitive business environment by fostering easier access to land, strengthening bankruptcy laws, and simplifying administrative procedures, in addition to the other positive effects expected from reform efforts in other sectors (Box 4-C).[13]

Social Policies

31. While the extent of poverty in Libya is not known, it has probably increased in the last 15 years, as a consequence of the international sanctions and the deterioration of economic conditions. In this context, **one priority measure will be to undertake a comprehensive study on poverty that would facilitate the design of a social safety net to protect the most vulnerable segments of the population** against potential adverse effects of the reform process. This study, for which technical assistance from the World Bank could be sought, should be carried out soon, preferably in 2006, so that its recommendations are in place early in the reform process. Also, the authorities would need to develop plans to reform the education and health systems, and World Bank assistance in this endeavor would be useful as well (Box 4-D).

Strengthening the Statistical System

32. **Libya's statistical system remains weak**, resulting in serious deficiencies that affect the capacity of the government to assess economic and financial conditions and develop appropriate policies. This situation requires the development of an effective long-term program of reforms to strengthen the institutional framework and build-up a strong and reliable statistical system. Key reforms include (i) establishing a National Statistical Council to ensure coordination among data-producing agencies, discuss and approve the national statistical work program, and monitor progress in building a high quality statistical system; (ii) creating a National Statistical Agency with the authority to produce and disseminate official statistics and coordinate the national statistical work program; (iii) increasing financial resources devoted to statistical activities and strengthening human resource

[13] The latter include advancing financial sector reforms, improving underdeveloped infrastructure, and modernizing and developing the transportation and telecommunication networks.

development and training; and (iv) participating in the Fund's General Data Dissemination Standards (GDDS), and using the GDDS as a framework for statistical development (Box 4-E, Appendix IV).

B. Phase Two: Consolidation of the Reform Process

33. The second reform phase will need to focus on (i) advancing economic diversification and promoting sectoral reforms in the agricultural, industrial, and services (including tourism) sectors; (ii) reforming the civil service and the social security system; (iii) further strengthening the social safety net; and (iv) improving governance (Box 5). As several of these reforms require technical work and large consensus building, preparations should start early in the reform process, so that implementation can begin before the end of the first phase of reforms.[14]

Requirements for the Diversification of the Non-oil Economy

34. **Diversification is the biggest challenge for Libya**, as it implies sustained efforts to promote SMEs in order to expand the country's non-oil production and export bases, and create jobs to meet the demands of the rapidly increasing labor force. Policies to expand the production base should be centered on (i) land reform; (ii) the continuation of efforts to improve the legal and regulatory environment, including the reform of the labor code; and (iii) the reform and consolidation of the judicial system to streamline and speed up conflict resolution, and improve the private sector's confidence in the country's legal institutions.

Sectoral Policies

35. **Government policies in the agricultural and industrial sectors should aim to enhance economic diversification and contribute to job creation, both in urban and rural areas**. Agricultural policies should focus on increasing output and productivity by reforming the land law, improving government services, and encouraging trade through improvement in the road network in rural areas. As Libya does not yet have comparative advantage in large-scale industrial activity, reform efforts should target the development of SMEs in agro-processing and other light industries, transportation, telecommunications, and tourism. Labor market reforms should focus on the removal of existing rigidities with flexibility given to enterprises to control the quality and size of their labor force.

Civil Service

36. Because the move to a market economy will result in the easing of government control on the economy and the progressive shifting of economic decision making to the private sector, **there will be a need to redefine and simplify the functions of government and to reform the civil service**. The reform should aim at streamlining the civil service and reforming its statutes, and adapting government wage and recruitment policies to the new domestic economic environment.

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[14] Given that the major part of the above reforms fall in areas in which the Bank has extensive skills and experience, the authorities are encouraged to seek the Bank's assistance for their design and implementation.

Social Policies

37. In addition to the implementation of reform plans in the education and health sectors, **the authorities will need to undertake a comprehensive study of the social security system**. The latter covers about three-quarters of the labor force and has started to show signs of financial distress, with persistent operating deficits that are expected to grow overtime. Based on the findings and recommendations of this study, the government will be in a position to develop a comprehensive reform package to redress the system's weaknesses, and ensure its financial sustainability while improving service delivery.

Governance

38. Finally **the success in the implementation of the reform agenda outlined above will require substantial improvement in governance**, with measures aimed at enhancing transparency and accountability in government operations, promoting predictability of regulations, and reinforcing the institutional framework (efficient judiciary and strengthening of the government's audit body).

Box 5: Libya: Second Reform Phase(2008-2010): Recommended Actions

A. Economic Diversification and Sectoral Policies

- Continue efforts to build up a sound investment climate, with strong institutions to support open markets and a level playing field for all investors, and to strengthen the rule of law.
- Complete the implementation of the privatization program.
- Complete the restructuring of the banking system, and develop financial markets.
- Develop a land reform plan and revamp the existing legal framework for industrial land.
- Reform the labor code, in order to give more flexibility to enterprises to control the quality and size of their labor force.
- Improve government services in the agricultural sector and improve rural infrastructure.

B. Civil Service

- Initiate a reform of the civil service consistent with the new decentralized economy.

C. Social Policies

- Implement comprehensive reforms in the education and health sectors.
- Develop a reform package to restructure and strengthen the social security system.

D. Governance

- Strengthen the institutional framework: strong and independent audit body, and efficient judiciary.

C. Implementation of the MTS and Technical Assistance

39. **Implementation of the MTS will require its decomposition into annual programs, including the required technical assistance (TA) for the implementation of the recommended reforms and a performance monitoring system**. Regarding the provision of TA by the Fund, two options could be considered: (i) the placing of short and long-term

resident advisors; and/or (ii) frequent visits from Fund's functional departments and METAC staff. While some TA could be provided by the Fund free of charge, Libya would have to cover most of the cost of the required TA. Concerning the financing of the latter, two options are available: (i) the TA provided by the Fund would be on a reimbursement basis; or (ii) Libya could establish at the Fund a TA-sub-account that would be used to finance the TA provided and/or arranged by the Fund.

D. Other

40. **It is important that the authorities establish shortly a High Inter-Ministerial Economic Team (HIT) that will be in charge of coordinating the government's reform efforts**.[15] The HIT could be aided in its task by a Technical Committee (HIT/TC), charged with data collection and analysis, and technical policy formulation. The HIT/TC could also be charged with providing regular reports to the government on the country's economic and financial situation and the implementation status of the government's reform program. The HIT and HIT/TC could (i) include representatives of the Prime Minister's office, the General Planning Council, and the Ministries of Finance, Economy, Planning, Energy, the CBL and the Statistical Agency; and (ii) be assisted by outside advisors.

41. In the implementation of the MTS, **Libya could benefit from the experiences of other countries that have succeeded in their transition to a market economy**. To that effect, in addition to detailed documentation on these experiences that could be provided to them by IMF staff, the authorities are encouraged to organize information missions in the concerned countries for the members of HIT and HIT/TC.

42. Finally, **the sustainability of the reform process requires public support**, which could only be achieved by engaging the Basic People's Congress on the need and merits of economic reforms. Also, it is important that the authorities establish a permanent and constructive dialogue with the civil society, including the business community, that would enable the government to explain its economic and social objectives and, hence, increase the adherence to, and the effectiveness of, its policies.

E. Next Steps

43. The successful implementation of the proposed MTS will boost the development of the non-oil sector, and lay the groundwork for the second critical transition for the Libyan economy, from an oil economy to a more diversified economy.

[15] The establishment of the HIT would help solve the tensions between the CBL and the MOF, two key institutions in the implementation of the MTS.

Revenue Administration[1]

A. Introduction

1. **Libya's decision to open up and liberalize its economy will have a significant impact on the tax and customs departments.** In particular, the recent decision of the General People's Congress (GPC) to reduce the government's budget reliance on oil resources will require major efforts to reshape and strengthen revenue administration.[2]

2. **The current activities of the tax and customs departments** are characterized by a wide network of regional and local operations, with most activity concentrated in the major urban centers. However, revenue collections are weak and among the lowest in the Middle East, reflecting major shortcomings in tax administration (Box 1).

Box 1. Libya: Tax and Customs Administration—Current Status

Tax Administration

- Widespread tax evasion; no taxpayer education, no information dissemination.
- No registration data base, no taxpayer identification number (TIN).
- Outmoded administrative tax assessment processes; almost no computerization; no uniform internal procedures and systems; lack of information systems; lack of skilled and trained staff.
- No clearly defined organizational structure; degraded physical infrastructure and equipment.

Customs Administration

- Extensive exemptions; no automation and computerization of processes.
- Procedures that do not comply with WTO requirements; slow clearance of imports; heavy and redundant control procedures; no management information systems.
- Limited capacity to improve current performance with existing skills and procedures.
- Poor accommodation and equipment.

B. Reform Priorities for Tax Administration

3. **The tax department needs to undergo an extensive modernization program.** The sequencing of reforms must be carefully determined and take into account the tax department's capacity constraints, the ability of staff and public to adjust to the reforms, and the need to ensure the effective management of current operations. A successful start in the implementation of reform is likely to facilitate implementation of later stages of the reform

[1] See FAD's report: " Program for Reform in Tax and Customs, July 2005".

[2] In 2000-05, oil revenues contributed some 80 percent of government revenue.

program and may impact revenue mobilization. The main steps in the proposed reform process are as follows:

- **Establish a steering committee** to oversee the reforms.

- **Implement key tax policy reforms** to establish a strong policy foundation on which to modernize tax administration.

- **Restructure the tax department:** On a phased basis, beginning with headquarters, implement a function-based organizational structure. Restructuring at regional level will require moving from a tax-type structure (where each type of tax is administered by a separate division performing all administrative functions) to separate divisions for each major function (e.g., audit, taxpayer services, and so on).

- **Establish a large taxpayer office (LTO)** in Tripoli to secure tax revenues and provide appropriate services to the large taxpayers. The LTO could also be used as a vehicle for introducing modern tax administration practices and systems. The LTO will need to be extended to cover other regions at a later stage.

- **Introduce self-assessment procedures and systems** covering all key functional areas, including identification and registration of taxpayers; processing of returns and payments; collection enforcement; taxpayer services; taxpayer audits; and internal support systems. These new procedures and systems should be applied first to the largest taxpayers, and extended progressively to other categories of taxpayers.

- **Strengthen human resource development and training:** Recruit, develop, and train staff in headquarters and regions.

- **Upgrade tax office buildings and equipment.**

- **Develop necessary legislation:** This includes enacting legislation to support introduction of self-assessment procedures. In the longer-term, consideration should be given to introducing a *tax procedures code* to consolidate key administrative provisions for all taxes.

C. Reform Priorities for Customs Administration

4. The customs department (CD) is in need of a deep reform of its procedures and systems. The latter are necessary if the CD is to comply with the requirements of the new, market-based economy that the authorities are trying to build. Implementation of these reforms will require new working methods, new skills, substantial training, and external technical assistance. The main steps in the proposed reform process are as follows:

- **Establish a high-level reform steering committee** to monitor and manage the reform program. The committee should include representatives from tax and other stakeholder departments.

- **Develop a plan** to communicate the vision of a modernized customs department to internal and external stakeholders.

- **Implement key customs policy and legislation reforms**: implement IMF recommendations on tax policy; and amend the new customs law and introduce provisions that will enable new customs procedures, for example acceptance of electronic declarations and advance manifests.

- **Introduce risk-based controls:** replace the current heavy and inefficient clearance system based on full documentary and physical examination of consignments with a more selective approach that targets customs resources to the areas of highest risk.

- **Introduce automation to customs import processing**: Consider implementing internationally-used customs-processing IT application that could be adapted to meet the specific needs of the customs administration. In particular, replace the current systems by an integrated system that will process declarations and provide the operational and management information support necessary for a modern customs service.

- **Change procedures to meet WTO obligations**: Reform the current customs valuation procedures, and adopt WTO requirements and recommended policies in this area. In particular, establish a post clearance audit unit whose purpose will be to review selected transactions, undertake audits, and issue reassessments where undervaluation is detected.

- **Strengthen human resource (HR) development and training.**

- **Improve office buildings and equipment.**

- **Develop management information systems and performance measures.**

A STABILIZATION AND SAVINGS FUND FOR LIBYA

A. Background

1. Libya's budget is highly dependent on oil, which is estimated to have contributed about 80 percent to government revenue in 2000–05. Given the volatility and unpredictability of oil prices and their impact on fiscal cash flows, there is a strong macroeconomic case for Libya to save part of this wealth both to achieve long-term fiscal sustainability and for intergenerational equity. This could be done through the establishment of a stabilization and saving fund (SSF), the proper design and implementation of which are crucial if the above objectives are to be achieved. The purpose of this appendix is to discuss the situation of the Oil Reserve Fund (ORF) in Libya, and provide some suggestions for the design of an SSF.[1]

B. Libya's Experience with the ORF

2. The ORF was established in 1995 with the objectives of (a) mitigating the impact of the short-term volatility of oil prices on government expenditure, and (b) shielding the budget from political pressure to spend when oil revenue is high. However, to this day, the ORF's status remains unclear as no legislation has been enacted stating the ORF's purpose, its operating principles, the agency that controls it, and the ORF's relations with the budget. In practice, the ORF is not integrated in the budget, and its operations are governed by an accumulation rule—the ORF is the recipient of all oil revenues above a reference oil price set in the budget law—and the government has full discretion regarding the ORF's spending decisions. In 2005, the authorities decided to eliminate all extrabudgetary spending from the ORF.

3. Libya's experience with the ORF does not seem to have been consistent with the two main objectives assigned to it. Indeed, available information indicates that the non-integration of the ORF in the budget and the absence of an oversight authority have complicated fiscal management, led to an inefficient allocation of resources, and contributed to increased lack of transparency in government operations. Overall, the ORF has not constrained the government's fiscal policy in any way: it has not helped stabilize government expenditure, nor has it performed any long-term savings function.

4. Available data summarized in Table 1 indicate that prior to the establishment of the ORF in 1995 and during the first two years of its existence, Libya pursued a rather prudent fiscal policy. In 1992–94, responding to a sharp drop in oil revenues (by some 12 percentage points of GDP), the authorities reduced the non-oil fiscal deficit by more than 3 percentage points of GDP and managed to contain the overall fiscal deficit at about 3 percent of GDP. In 1995–96, although oil revenues more than doubled in terms of GDP to about 27 percent of GDP, the non-oil deficit increased only by about 2 percentage points of GDP. However,

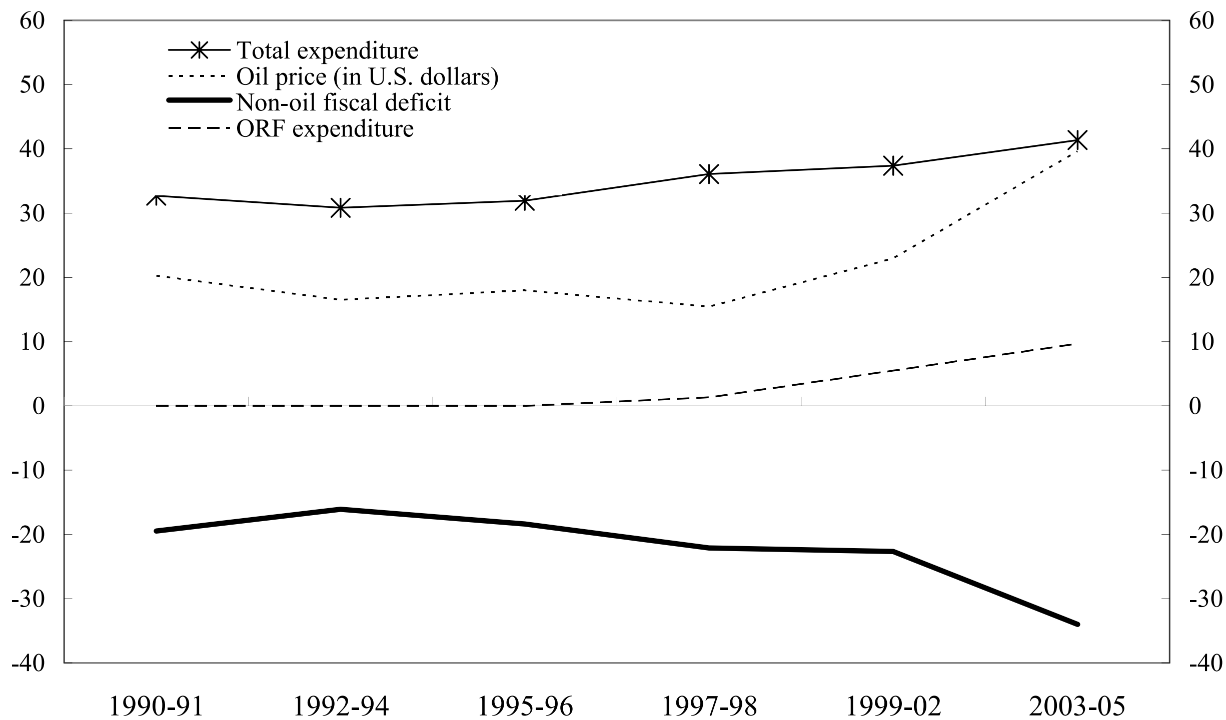
[1] The reform of the ORF has been discussed several times in the past, including during the 2004 and 2005 Article IV consultations. On those occasions, the authorities stressed their preference for a fund that combines both stabilizations and savings functions.

Table 1. Libya: Main Fiscal Indicators, 1990-2005
(In percent of GDP, unless otherwise specified)

	1990-91	1992-94	1995-96	1997-98	1999-02	2003-05
Overall fiscal balance	5.1	-3.1	8.3	-2.4	7.0	21.5
Of which : Nonoil fiscal deficit	-19.5	-16.1	-18.4	-22.1	-22.6	-34.0
ORF expenditure	0.0	0.0	0.0	1.3	5.5	9.7
Expenditure/NOR (in percent) 1/	250.2	209.1	237.1	273.5	273.6	659.8
Oil price for Libya (in US$ per barrel)	20.3	16.5	18.0	15.5	23.0	39.6
Oil revenue	24.6	13.0	26.7	19.7	29.6	55.5

Source: Libyan authorities; and staff estimates.
1/ NOR=Nonoil revenue.

Chart 1. Libya: Oil Revenues and Government Expenditure, 1990-2005
(In percent of GDP)



starting in 1997–98, there was a break in the government's fiscal discipline, which resulted in increased recourse to the ORF to finance discretionary extrabudgetary spending; the latter averaged some 6 percent of GDP in 1999–02, but increased to about 10 percent of GDP in 2003–05. These developments have weakened the ORF's intended stabilization purpose and its long-term savings objective. They have also raised serious transparency issues, since large amounts of the ORF's resources have been spent in off-budget operations, on most of which no information is available.

5. The situation did not improve much in 2005. Indeed, while the government increased the oil reference price to US$26 (from US$22 in 2003-04) and decided to refrain from extrabudgetary spending, it allocated off-budget LD 3 billion of ORF resources to specialized banks, mainly to finance an ambitious housing program and provide subsidized loans to private farmers and entrepreneurs.[2] Also, the government established a new extrabudgetary fund, the Investment Fund (IF), further complicating fiscal policy, already exacerbated by the existence of three different budgets (current budget, development budget, subsidy budget) managed by three different ministries (the ministries of finance, planning, and economy), and a multitude of off-budget operations.[3]

C. Why an SSF for Libya

6. There are many factors that would justify the establishment of an SSF in Libya. These factors include: (i) the high dependence of the budget on—and hence its vulnerability to—volatile oil revenues, which makes a stabilization fund highly desirable; and (ii) the limited absorptive capacity of the Libyan economy, the willingness of the authorities to reduce progressively the public sector's share in the economy, the need to shield the economy against Dutch disease, and prudence and intergenerational equity, all of which indicate the need for a saving function.

7. The two main objectives of an SSF are: (i) to reduce the impact of volatile revenue on public finances and the economy; and (ii) to save part of the oil revenue for future generations. During upswings in oil prices, the existence of the SSF could help the government resist spending pressures by formally limiting the resources available to the budget, thus dampening inflationary pressures and containing the potential appreciation of the exchange rate. During oil price downturns, the recourse to SSF resources would help maintain expenditure stability. These objectives would enable the government to implement strong macroeconomic policies, and thereby achieve strong non-inflationary sustainable economic growth.

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[2] Staff recommended that this operation be undertaken through the banking system rather than using government resources, in order to allow the commercial banks to usefully recycle part of their substantial excess liquidity.

[3] The decree establishing the IF lacks a clear definition of the IF's objectives and the rules governing the accumulation and use of its resources. Moreover, it does not address the need to report and audit its operations on a regular basis, and allows the IF to invest domestically.

8. It has to be stressed, however, that the establishment of an SSF as such cannot substitute for the commitment of the government to pursuing a sound fiscal policy. In the case of Libya, an oil producing country, this means a sensible medium-term budget framework (MTBF) that focuses on the non-oil fiscal deficit. Without it, fiscal policy will fail with or without an SSF. Such a framework could help the government design multi-year expenditure plans based on stable expenditure policies, and focus on the requirements of long-term fiscal sustainability, which in turn could foster increased political support in favor of saving part of the oil revenue. More concretely, under this scheme, the government will first target a non-oil fiscal deficit, and then derive the level of the budget oil revenue—that is the amount of oil revenues to be earmarked to the budget—that would balance the budget.

D. The Establishment of the SSF

9. The SSF should be established by a comprehensive law that covers all the issues relevant to the success of the new fund.[4] The law should:

- Include a clear definition of the purpose and objectives of the SSF, in order to facilitate performance evaluation and swift intervention if corrective action is needed, and its location.

- State the nature and source of the SSF's resources, and the rules governing the accumulation and use of these resources. In particular, reference in the law to (i) a contingent budget rule for accumulation in the SSF can mitigate pressure on the government to spend and facilitate the political acceptance of safeguarding part of the country's oil wealth for future generations; and (ii) a budget rule for withdrawal from the SSF would clarify the relations with the budget, including the instances when withdrawal from the SSF for budget financing purposes is allowed.[5]

- Address the issues related to the integration of the SSF in the fiscal framework, including the need to integrate the SSF in the budget process in a coherent manner that would preserve the unity of the budget and keep control of fiscal policy under the responsibility of the ministry of finance (MoF). In particular, all transfers to and from the fund should appear as explicit line items in the budget.

- Stipulate guidelines for the establishment of operating and asset management regulations for the SSF.

- Address the governance, transparency, and accountability issues related to the management of the SSF. The roles and responsibilities for managing the fund, the requirements for reporting, auditing (both internal and external), and evaluating performance

[4] Once the SSF is established, the government would need to abolish the ORF and the IF and transfer their balances to the SSF.

[5] The contingent rule for accumulation could indicate that all revenues above a level equivalent to the targeted non-oil budget deficit would be transferred to the SSF.

(both management and financial), and the sanctions if rules and procedures are not followed should also be stated in the law.

E. Operating and Asset Management Regulations of the SSF

10. The operating and asset management regulations of the SSF should aim to preserve the fund from risky investments, or from being subject to poor governance, while ensuring full transparency in its operations. In this context:

- There is a strong case for the SSF's resources to be invested abroad. Such an option could be justified by the need to sterilize these resources and hence avoid the destabilizing effect of their investment in domestic financial assets, through transmission of oil revenue volatility to the economy. Also, the noninvestment of the SSF's assets domestically would be consistent with the government's divestiture strategy and its strong willingness to enhance the role of the private sector in the economy, and the need to preserve the competitiveness of the non-oil economy.

- The SSF's investment policies should be prudent. The SSF should not be permitted to borrow or to lend, and its assets should not be used as collateral for government borrowing.

- The SSF's budget should be prepared annually and integrated together with the regular budget [6] in a consolidated budget that would be submitted to parliament for approval. The MoF could be charged with the responsibility of preparing the SSF's budget, and ensuring its consistency with the regular budget and the overall macroeconomic objectives.

- The operating regulations of the SSF should provide for a mechanism that would allow withdrawals from the SSF to bridge the budgetary gaps that would result from budget oil revenues falling below target.

- Full transparency in SSF operations would require regular and frequent disclosure and reporting, as well as regular audits, preferably by independent agencies of international repute, with reports presented to parliament and the public on a timely basis.

11. Implementation of the proposed reform could require twelve to eighteen months and be completed by the time of the preparation of the 2008 budget, hence giving the government the opportunity to prepare and submit to Parliament a consolidated 2008 budget, including the regular budget and the SSF's budget.

[6] Including the existing current, development and subsidy budgets.

BANK RESTRUCTURING STRATEGY

A. Background

1. **The Libyan banking sector remains predominantly in the hands of the public sector**, which represents 90 percent of Libya's banking business. The government, through the Central Bank of Libya (CBL), fully owns three banks—the National Commercial Bank, Umma Bank, and Jamhouria Bank—and has a majority share in the capital of Wahda Bank (87 percent) and Sahara Bank (82.7 percent, before the start of the privatization). The private sector owns four banks and 48 small regional banks.

2. **The banking sector is characterized by substantial excess liquidity and a high ratio of nonperforming loans (NPL),** reflecting a limited financial deepening and an inefficient allocation of resources, resulting from a monetary policy dominated until recently by directed credit and interest rate controls.[1] Also, it suffers also from the unfavorable business climate, which constrains private sector development, and the lack of expertise and modern banking skills.

B. Fund Staff's Recommended Approach[2]

3. **Restructuring Libya's banking system is urgently needed and will require a comprehensive and properly sequenced program of reforms, and enhanced expertise.** These reforms include the development of institutions, markets, and instruments; the building-up of an effective banking supervision capability; and changes to the legal and regulatory framework.

4. **The transfer of direct ownership of the state-owned commercial banks to a Bank Restructuring Agency (BRA)** is key to the success of the proposed approach. The BRA's mission will be to serve as the owner of the public commercial banks during an interim period of a minimum of two years, but not to exceed five years. It will have the responsibility to appoint the boards and key managers of the banks, and issue general instructions. The BRA should have a clear written mandate and a board composed mainly of independent persons. In particular, its chairman should be a widely respected figure from the private sector or academia. The BRA should also be financially independent, with a budget that could be funded through a levy on the banks it manages. It should be given authority to hire the required expertise, both domestically and internationally, from consulting, accounting, and law firms, and investment banks.

5. **Enforcement of adequate safeguards will be necessary** during the interim period. The BRA should ensure that the substantial liquidity held by the commercial banks is carefully safeguarded before a decision is made about the future of each bank.

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[1] At end- 2005, the banks' excess liquidity was equivalent to 34 percent of broad money, and the NPL ratio was about 33 percent.

[2] See MFD's report on "Financial Sector Reform: Proposals to Bring the Process Forward-October 2005".

6. **During the interim period,** the concerned banks will need to undergo a process of operational restructuring that could start just after the establishment of the BRA, in parallel with the safeguards mentioned above. This process should include the introduction of modern techniques for interbank transfers and risk management and control, as well as merging or closing unprofitable branches and starting to consolidate redundant staff.

7. **A proper due diligence will need to be undertaken,** including at least two components: an audit of the financial statements based on internationally understood valuation norms; and an operational review to assess procedures and systems, including information technology. A preliminary assessment indicates that all public commercial banks have substantial bad assets in addition to their low operational efficiency. The CBL should initiate a due diligence process of all public commercial banks. Once the banks are transferred to the BRA, this agency should continue monitoring the due diligence.

- International best practices require a due diligence for public banks as a first step because, depending on the findings, there could be several possible resolution approaches, privatization being only one of them.

- Since external audits are now required by the new Banking Law, it is suggested that they be carried out for each bank's last fiscal year; be performed jointly by two accounting firms, a local one and an international one; and be based on International Financial Reporting Standards (IFRS). This should apply also to Sahara Bank, regardless of the results of the privatization currently underway.

- The second component of the due diligence process—the operational review—should start at the same time as the audit, and be performed by relevant international firms.

8. **The selection of a resolution strategy for each bank** should follow the completion of the due diligence, and be made by the BRA, in coordination with the board and the management of the concerned bank. In doing so, the BRA could request the assistance of relevant specialized international firms. It is unlikely that the same solution will fit all banks. For each bank, all options should be considered, including operational and financial restructuring followed by a privatization, with or without the participation of foreign investors; merger; a split between good assets and bad assets; and even voluntary liquidation, after repayment of all liabilities. Any privatization strategy should also include which banks to privatize, when, and in what order. Once adopted, the strategy should be made public.

9. **Banks' financial restructuring, including management of bad assets,** will aim to improve their financial structure to make them financially viable: solvent, profitable and liquid. For a weak public bank, this often includes removing bad loans and replacing them with good assets to allow the bank to focus on its normal business. In some cases, it might be appropriate to go further and split the bank into two parts, a good one and a bad one. Another BRA responsibility will be to take over and manage any bad assets removed from the banks as part of their financial restructuring, and to maximize their value.

10. **The transfer of responsibility for each bank to its new owners and managers will be the last step**. At this stage, the BRA's responsibility for each bank can end. While the

general objective is to complete the restructuring process expeditiously, the absorptive capacity of the potential investors and the level of interest of the targeted buyers, domestic or foreign, should also be taken into account to determine the timetable for the completion of this operation.

C. Additional Reform Measures

11. **Reform the corporate and commercial laws**. It is necessary to identify the reforms needed to improve the legal framework for the corporate sector and the financial markets. In particular, the government should repeal the legal provision that limits private ownership to 4 percent of capital for banks (and 5 percent for companies), which prevents the emergence of a leading shareholder. Also, the government should introduce a law that makes the share registry of larger private companies, including banks, publicly available, and treats local and international investors equally.

12. **Develop a plan to open the banking sector to foreign banks**. International banks will introduce advanced systems and techniques, and increase competition. The demonstration effect will be considerable domestically, and the signaling effect--that Libya is now open for business with the rest of the world--will be particularly strong.

13. **Accelerate capacity-building in banking supervision,** which is urgent, and will require substantial technical assistance. Also, the supervision of the specialized banks[3] by the CBL should start immediately, as required by the new law, and the consolidation of the 48 regional banks into a single entity should be completed expeditiously.

14. **Improve the environment for banking activities**. The most important reforms include:

- Further liberalizing interest rates.
- Adopting the IFRS both for banks and other large corporate entities.
- Establishing a privately-owned Tripoli Stock Exchange (TSE). The TSE should be a separate legal entity, owned and controlled by the participants in the financial market. The privatization of Sahara Bank will provide the opportunity to start trading on a modest scale.
- Accelerating the modernization of the payment system, in order to enhance banks' performance by expanding and improving service delivery and reducing costs.

[3] There are three public specialized banks, placed under the authority of the Ministry of Finance: the Agriculture Bank, Saving and Real Estate Investment Bank, and Development Bank.

STATISTICAL REFORMS[1]

A. Background

1. Libya needs a **professionally operated statistical system** to support its economic reforms, bolster economic policy decisions, and monitor the well-being of its population. At present, the data producing agencies work largely in isolation from one another, and core datasets are weak.

2. **National accounts statistics** follow the outdated *1968 System of National Accounts (1968 SNA)* framework and are under the responsibility of the Ministry of Planning (MoP). Their compilation is hampered by ineffective legal and institutional arrangements, the absence of human resources, and lack of an efficient data collection program. Inadequate interagency coordination and methodological weaknesses are other impediments.

3. **Government finance statistics** are compiled by the Ministry of Finance (MoF), but overall responsibility for producing these data is not clearly established. At present, there is no comprehensive set of data that consolidate the three government budgets.[2] Other shortcomings include the misclassification of expenditure items; non-coverage of the social security, social solidarity, and employment funds; and the non-recording of the Oil Reserve Fund (ORF) operations.

4. **Monetary statistics** are compiled by the Central Bank of Libya (CBL), but their institutional coverage is incomplete. In addition, weaknesses in the valuation and accrual accounting practices in the source data limit the reliability of the data and generate inconsistencies with balance of payments statistics.

5. The CBL has a well-established practice for collecting, processing, and compiling **balance of payments statistics**, but has no legal authority to do so. There are no discussions or cross-checks on balance of payments data with other institutions. Therefore, inconsistencies in methodological, recording, and valuation practices are not addressed by data producers, and formal regulations about the confidentiality of data are absent.

B. Adopt an Overall Vision for Statistical Development

6. **The authorities' expressed commitment to strengthen the statistical system** is a basic condition for compiling official statistics in line with international standards. To that effect, a National Statistical Council should be created to discuss and approve the national statistical program and to monitor progress in building a high quality statistical system within the framework of the IMF General Data Dissemination System (GDDS). The data producing agencies must work together to ensure that data are consistent across datasets.

7. **The GDDS,** which is used in over 80 countries, offers a comprehensive approach and a vision to build official statistics. GDDS spells out international best practices in statistics and

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[1] See STA's report: "Report of the Multisector Statistics/GDDS mission-November 2005".

[2] The administrative, subsidies, and development budgets.

allows participants to set progress, in achieving these objectives, according to their own pace and through self-defined strategies. GDDS participation will serve Libya well.[3]

C. Create a Coordination Mechanism Among Data Producing Agencies

8. The data producing agencies must work together to ensure that data are consistent across datasets. **A National Statistical Council** should be created to discuss and approve the national statistical program, and to monitor progress in building a high quality statistical system within the framework of the GDDS.

D. Strengthen Real Sector Statistics

9. **Real sector statistics are needed to monitor and analyze economic growth**, business activity, inflation, labor market developments, household income and wealth, and other social developments. These statistics are closely related to other macroeconomic datasets and are derived from censuses, household and economic surveys, and administrative data sources.

10. **The compilation of more accurate and reliable national accounts statistics** should be given a high priority, and appropriate resources must be allocated. Compilation and dissemination of national accounts statistics should be combined into one organizational unit with other real sector statistics. This would allow integration with other data sources and the realization of efficiency gains. In the present circumstances, the Census and Statistical Department of the National Information, Documentation, and Telecommunication Authority (NIDA) appears to be the obvious choice for becoming the central unit for real sector statistics.[4]

E. Establish Government Finance Statistics

11. **Government finance statistics are needed to determine the fiscal stance in a transparent way**, to inform fiscal policy decision, and assess fiscal sustainability and vulnerability. The establishment of government finance statistics should be reinforced and the overall responsibility for fiscal statistics centralized in the MoF. The authorities should adopt the *Government Finance Statistics Manual (GFSM 2001),* which harmonizes the system used to report fiscal statistics with other macroeconomic statistical systems and most notably with the *1993 System of National Accounts (1993 SNA)*.

F. Develop External Sector Statistics

12. While the Libyan statistical legislation does not assign any responsibility to the CBL for the collection, compilation and dissemination of balance of payments statistics, the CBL has a well-established practice through the activities of the Research and Statistics Department

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[3] In February 2006, the authorities officially announced their participation in the GDDS and appointed a national GDDS coordinator.

[4] In staff's view, official statistics and telecommunications should not be under the same Authority, as is currently the case.

(RSD). A Balance of Payments Division within the RSD and additional staff for this division would permit a formal designation of responsibilities and a clear separation of tasks for the compilation of a comprehensive set of external sector statistics in line with the *Balance of Payments Manual,* fifth edition *(BPM5)*.

G. Strengthen Monetary Statistics

13. The format of monetary statistics compiled by the CBL's RSD is broadly consistent with the structure of the Monetary and Financial Statistics (MFSM)'s Depository Corporations Survey. However, there is a need to broaden the institutional coverage and improve the valuation and accounting practices in the source data, in order to ensure greater consistency between monetary and balance of payments statistics.

H. Recommendations

14. **Short Term**

- Create a National Statistical Council to strengthen collaboration among agencies and to support the (future) national statistical agency.
- Amend the Banking law in order to set out provisions for mandatory reporting of data for BOP statistics.
- Move responsibility for national accounts statistics to the Census and Statistical Department. Start the process of strengthening national accounts statistics by creating 6-10 additional permanent staff positions.
- Establish a government finance statistics unit with 4-6 staff at the MoF, responsible for compiling a comprehensive set of fiscal data consistent with the *GFSM 2001* framework.
- Create a balance of payments division in the Central Bank of Libya and appoint sufficient staff for this division.

15. **Medium Term**

- Establish a National Statistical Agency with authority to produce and disseminate official statistics and to coordinate the national statistical program.

Table 1. Libya: Summary of Real Sector Statistics, 2000–05

	2000	2001	2002	2003	2004	Prel. 2005
			(In millions of Libyan dinars)			
Nominal GDP at factor costs	17,775	18,592	25,246	31,968	41,950	56,165
Nominal hydrocarbon GDP	7,081	7,297	13,326	19,565	28,142	40,773
Nominal nonhydrocarbon GDP	10,695	11,295	11,920	12,403	13,808	15,391
Real GDP at factor cost	13,934	14,563	15,038	16,412	17,165	17,773
Real hydrocarbon GDP	4,256	4,228	4,213	5,345	5,644	5,724
Real nonhydrocarbon GDP	9,678	10,335	10,825	11,066	11,521	12,049
			(Annual percentage change)			
Nominal GDP at factor costs	26.3	4.6	35.8	26.6	31.2	33.9
Nominal hydrocarbon GDP	77.2	3.1	82.6	46.8	43.8	44.9
Nominal nonhydrocarbon GDP	6.1	5.6	5.5	4.1	11.3	11.5
Real GDP at factor costs	1.1	4.5	3.3	9.1	4.6	3.5
Real hydrocarbon GDP	-2.7	-0.7	-0.4	26.9	5.6	1.4
Real nonhydrocarbon GDP	3.0	6.8	4.7	2.2	4.1	4.6
GDP deflator	24.9	0.1	31.5	16.0	25.5	29.3
Hydrocarbon deflator	82.2	3.7	83.3	15.7	36.2	42.9
Nonhydrocarbon deflator	3.1	-1.1	0.8	1.8	6.9	6.6
CPI index (1995 = 100)	111.3	101.4	91.4	89.5	87.6	89.8
Inflation rate	-2.9	-8.8	-9.9	-2.1	-2.2	2.5

Sources: Libyan authorities; and Fund staff estimates.

Table 2. Libya: Sectoral Distribution of GDP at Current Prices, 2000–05

	2000	2001	2002	2003	2004	Prel. 2005
	(In millions of Libyan dinars)					
GDP at factor cost	17,775	18,592	25,246	31,968	41,950	56,165
Nonoil sector	10,695	11,295	11,920	12,403	13,808	15,391
Agriculture, fishing, and forestry	1,438	1,392	1,349	1,376	1,440	1,527
Oil production	7,081	7,297	13,326	19,565	28,142	40,773
Mining	294	307	387	360	418	450
Manufacturing	890	878	813	765	761	794
Electricity, gas, and water	270	285	294	303	334	379
Construction	1,014	1,063	1,342	1,249	1,450	1,614
Trade, hotels, and restaurants	1,686	1,882	2,090	2,205	2,418	2,846
Transportation, communication, and storage	1,214	1,299	1,429	1,516	1,641	1,932
Financing, insurance, and business services	357	377	415	440	477	551
Housing	476	499	515	534	592	646
Total public services	2,666	2,901	2,859	3,205	3,800	4,129
Public services (except education & health)	1,238	1,301	1,282	1,437	1,704	1,852
Educational services	922	1,035	1,020	1,143	1,355	1,473
Health services	506	566	558	625	741	805
Other services	392	411	428	451	477	524
	(In percent of total)					
GDP at factor cost	100.0	100.0	100.0	100.0	100.0	100.0
Nonoil sector	60.2	60.8	47.2	38.8	32.9	27.4
Agriculture, fishing, and forestry	8.1	7.5	5.3	4.3	3.4	2.7
Oil production	39.8	39.2	52.8	61.2	67.1	72.6
Mining	1.7	1.6	1.5	1.1	1.0	0.8
Manufacturing	5.0	4.7	3.2	2.4	1.8	1.4
Electricity, gas, and water	1.5	1.5	1.2	0.9	0.8	0.7
Construction	5.7	5.7	5.3	3.9	3.5	2.9
Trade, hotels, and restaurants	9.5	10.1	8.3	6.9	5.8	5.1
Transportation, communication, and storage	6.8	7.0	5.7	4.7	3.9	3.4
Financing, insurance, and business services	2.0	2.0	1.6	1.4	1.1	1.0
Housing	2.7	2.7	2.0	1.7	1.4	1.2
Total public services	15.0	15.6	11.3	10.0	9.1	7.4
Public services (except education & health)	7.0	7.0	5.1	4.5	4.1	3.3
Educational services	5.2	5.6	4.0	3.6	3.2	2.6
Health services	2.8	3.0	2.2	2.0	1.8	1.4
Other services	2.2	2.2	1.7	1.4	1.1	0.9

Source: Ministry of Planning, and staff estimates.

Table 3. Libya: Sectoral Distribution of GDP at Constant 1997 Prices, 2000–05

	2000	2001	2002	2003	2004	Prel. 2005
			(In millions of Libyan dinars)			
GDP at factor cost	13,934	14,563	15,038	16,412	17,165	17,773
Nonoil sector	9,678	10,335	10,825	11,066	11,521	12,049
Agriculture, fishing, and forestry	1,274	1,322	1,357	1,384	1,411	1,447
Oil production	4,256	4,228	4,213	5,345	5,644	5,724
Mining	252	263	316	294	309	324
Manufacturing	778	746	727	691	680	692
Electricity, gas, and water	300	316	326	336	353	374
Construction	796	940	1,130	1,051	1,104	1,159
Trade, hotels, and restaurants	1,544	1,698	1,774	1,863	1,975	2,113
Transportation, communication, and storage	1,178	1,290	1,419	1,490	1,565	1,674
Financing, insurance, and business services	228	322	354	374	394	414
Housing	472	493	508	525	545	567
Total public services	2,506	2,579	2,542	2,657	2,763	2,846
Other services	351	368	372	401	421	438
			(In percent of total)			
GDP at factor cost	100.0	100.0	100.0	100.0	100.0	100.0
Nonoil sector	69.5	71.0	72.0	67.4	67.1	67.8
Agriculture, fishing, and forestry	9.1	9.1	9.0	8.4	8.2	8.1
Oil production	30.5	29.0	28.0	32.6	32.9	32.2
Mining	1.8	1.8	2.1	1.8	1.8	1.8
Manufacturing	5.6	5.1	4.8	4.2	4.0	3.9
Electricity, gas, and water	2.2	2.2	2.2	2.0	2.1	2.1
Construction	5.7	6.5	7.5	6.4	6.4	6.5
Trade, hotels, and restaurants	11.1	11.7	11.8	11.4	11.5	11.9
Transportation, communication, and storage	8.5	8.9	9.4	9.1	9.1	9.4
Financing, insurance, and business services	1.6	2.2	2.4	2.3	2.3	2.3
Housing	3.4	3.4	3.4	3.2	3.2	3.2
Total public services	18.0	17.7	16.9	16.2	16.1	16.0
Other services	2.5	2.5	2.5	2.4	2.5	2.5
			(Annual changes in percent)			
GDP at factor cost	1.1	4.5	3.3	9.1	4.6	3.5
Nonoil sector	3.0	6.8	4.7	2.2	4.1	4.6
Agriculture, fishing, and forestry	3.0	3.7	2.6	2.0	2.0	2.5
Oil production	-2.7	-0.7	-0.4	26.9	5.6	1.4
Mining	-2.7	4.4	20.2	-7.0	5.0	5.0
Manufacturing	5.9	-4.1	-2.5	-5.0	-1.5	1.8
Electricity, gas, and water	7.9	5.4	3.2	3.2	5.0	6.0
Construction	10.3	18.1	20.2	-7.0	5.0	5.0
Trade, hotels, and restaurants	-0.4	9.9	4.5	5.0	6.0	7.0
Transportation, communication, and storage	1.0	9.5	10.0	5.0	5.0	7.0
Financing, insurance, and business services	-23.1	41.5	10.0	5.5	5.5	5.0
Housing	3.2	4.6	3.0	3.4	3.8	4.0
Total public services	3.5	2.9	-1.4	4.5	4.0	3.0
Other services	3.6	4.6	1.3	7.8	5.0	4.0

Source: Ministry of Planning; and staff estimates

Table 4. Libya: Gross Fixed Capital Formation by Economic Sector, 2000–05

(In millions of Libyan dinars at current prices)

	2000	2001	2002	2003	2004	Prel. 2005
Agriculture, forestry, and fishing 1/	492	479	498	302	252	442
Oil and natural gas	200	200	350	385	462	600
Mining and quarrying	5	5	10	12	14	15
Manufacturing	39	38	176	147	176	173
Electricity, gas, and water	138	134	224	600	448	932
Construction	9	9	9	9	11	12
Trade, hotels and restaurants	12	11	14	10	21	22
Transportation and communication	249	242	286	193	432	510
Finance, insurance, and real estate	14	13	9	6	11	15
Ownership of dwellings	201	196	818	818	1,274	1,231
Public services (including education and housing)	852	828	1,178	840	878	844
Education services	236	207	318	...	...	...
Health services	137	120	184	...	...	...
Other services	4	4	7	7	10	11
Total gross fixed capital formation	2,214	2,158	3,580	3,331	3,988	4,807

Source: Ministry of Planning.

1/ Includes Great Man-Made River project.

Table 5. Libya: Labor Force and Employment, 1999–2004 1/

Economic Sectors	1999	2000	2001	2004
	(In thousands)			
Agriculture, forestry, and fishing	232.0	239.1	103.4	113.4
Oil and gas extraction	38.7	39.9	40.0	43.9
Mining and quarrying	12.0	12.5	28.9	31.7
Manufacturing	163.7	169.6	172.1	188.8
Electricity, gas and water	39.6	41.0	50.9	55.8
Construction	207.9	222.0	45.2	49.6
Trade, hotels and restaurants	66.7	69.5	161.2	176.8
Transportation and communication	132.2	143.4	55.5	60.9
Finance, insurance and real estate	30.1	33.0	38.1	41.8
Public administrations	116.1	118.9	219.2	240.5
Education services	191.6	198.2	365.5	401.0
Health services	83.6	86.1	158.3	173.7
Other services	69.6	71.8	20.1	22.1
Total employment	1,383.8	1,445.0	1,458.4	1,600.0
Of which:				
Libyans	1,203.9	1,257.1	1,335.4	1,543.1
Non-Libyans	179.9	187.9	123.0	56.9
	(Growth rates, in percent 2/)			
Memorandum items:				
Total employment	4.5	4.4	0.9	9.7
Of which:				
Libyans	4.5	4.4	6.2	15.6
Non-Libyans	4.5	4.4	-34.5	-53.7

Source: Libyan authorities.

1/ The GMR is included in agriculture and construction.
2/ For 2004, the growth rate is over 2001.

Table 6. Libya: Consumer Price Index (End of Period), 2000–05

(1999 = 100)

	2000	2001	2002	2003	2004	Sept. 2005
Food, beverages and tobacco	95.9	82.7	77.5	78.5	73.5	74.3
Clothes and shoes	94.6	83.7	64.2	59.3	60.7	60.6
Dwellings	95.0	85.0	84.8	82.3	82.7	89.1
Furniture (household)	87.0	80.6	79.0	74.6	69.7	71.6
Health care	104.5	104.9	102.0	100.7	103.6	108.6
Transport	97.0	95.8	99.7	95.9	96.2	99.6
Education & entertainment	100.5	96.0	83.0	85.8	82.0	84.7
Other miscellaneous services	95.8	88.9	79.2	80.6	78.1	77.3
Overall Index	95.4	85.7	79.3	78.3	75.6	77.2
			(In percentage change)			
Food, beverages and tobacco	-4.1	-13.8	-6.3	1.3	-6.4	1.1
Clothes and shoes	-5.4	-11.5	-23.3	-7.6	2.4	-0.2
Dwellings	-5.0	-10.5	-0.2	-2.9	0.5	7.7
Furniture (household)	-13.0	-7.4	-2.0	-5.6	-6.6	2.7
Health care	4.5	0.4	-2.8	-1.3	2.9	4.8
Transport	-3.0	-1.2	4.1	-3.8	0.3	3.5
Education & entertainment	0.5	-4.5	-13.5	3.4	-4.4	3.3
Other miscellaneous services	-4.2	-7.2	-10.9	1.8	-3.1	-1.0
Overall Index	-4.6	-10.2	-7.5	-1.3	-3.4	2.1

Source: Census and Statistics Department.

Table 7. Libya: Consumer Price Index (Average), 2000–05 1/

(1999 = 100)

	2000	2001	2002	2003	2004	Sept. 2005
Food, beverages and tobacco	97.5	87.8	77.1	76.8	74.8	76.6
Clothes and shoes	93.6	83.0	65.6	60.9	60.8	61.5
Dwellings	97.9	86.8	87.1	83.3	83.2	86.6
Furniture (household)	95.3	82.1	79.2	76.9	70.9	71.1
Health care	101.0	106.6	101.4	97.0	103.5	107.0
Transport	98.1	96.6	99.3	99.0	95.8	97.7
Education & entertainment	99.5	97.0	85.1	83.5	82.2	82.5
Other miscellaneous services	98.1	92.2	81.7	80.3	78.7	77.5
Overall Index	97.1	88.5	79.8	78.1	76.4	77.9
			(In percentage change)			
Food, beverages and tobacco	-2.5	-10.0	-12.2	-0.4	-2.5	2.3
Clothes and shoes	-6.4	-11.4	-21.0	-7.2	-0.1	1.2
Dwellings	-2.1	-11.3	0.4	-4.4	-0.1	4.1
Furniture (household)	-4.7	-13.8	-3.6	-2.9	-7.7	0.3
Health care	1.0	5.6	-4.9	-4.3	6.7	3.3
Transport	-1.9	-1.6	2.8	-0.2	-3.3	2.0
Education & entertainment	-0.5	-2.5	-12.3	-1.9	-1.5	0.3
Other miscellaneous services	-1.9	-6.0	-11.4	-1.8	-1.9	-1.6
Overall Index	-2.9	-8.9	-9.8	-2.1	-2.2	1.9

Source: Census and Statistics Department.

1/ Based on a 1992 household expenditure survey.

Table 8. Libya: Retail Prices of Selected Items in Tripoli, 2000–05

(In Libyan dinars)

	Unit	2000	2001	2002	2003	2004	Sept. 2005
Poultry	Kilogram	4.290	3.147	2.812	2.634	2.636	2.308
Eggs	30 eggs	3.460	3.170	2.654	2.897	2.202	3.354
Potatoes	Kilogram	0.670	0.625	0.815	0.647	0.742	1.313
Sugar	Kilogram	0.120	0.120	0.140	0.133	0.140	0.140
Tea red	Kilogram	1.000	1.000	1.250	1.250	1.250	1.500
Coffee	Kilogram	4.500	4.000	4.000	4.000	4.000	6.000
Olive oil	Liter	2.330	2.009	2.281	2.396	2.500	2.333
Sunflower oil	Liter	0.400	0.450	0.500	0.538	0.584	0.625
Tobacco	20 cigarettes	0.400	0.900	0.713	0.650	0.650	1.000
Gasoline	Liter	0.120	0.140	0.150	0.150	0.120	0.140
Kerosene	Liter	0.060	0.060	0.070	0.060	0.060	0.080
Gas in cylinder	15 Kilograms	1.250	1.250	1.250	0.125	1.250	1.500
Electricity	Kilowatts	0.020	0.020	0.020	0.020	0.020	0.020

Source: Census and Statistics Department.

Table 9. Libya: Great Man-Made River Financial Operations, 2000–04

(In millions of Libyan dinars)

Year	Revenues	Expenditures	Deficit (-) Surplus (+)	Accumulated Deficit/Surplus
2000	375.5	365.9	9.6	-894.9
2001	447.7	350.5	97.2	-797.7
2002	883.9	853.8	30.1	-767.6
2003	699.3	627.7	71.6	-696.0
2004	637.0	708.0	-71.0	-767.0

Source: Great Man-Made River Authority.

Table 10. Libya: Domestic Production of Petroleum Products, 2000–04

(In thousands of metric tons)

	2000	2001	2002	2003	2004
Natural gas (bottled)	159	163	119	195	191
Gasoline	763	757	716	858	654
Jet fuel	1,526	1,519	1,487	1,562	1,406
Naphtha (raw)	2,640	2,419	2,348	2,585	2,474
Gas oil	4,001	3,743	3,352	3,771	3,842
Fuel oil	7,036	6,045	5,887	6,244	6,431
Total	16,125	14,646	13,909	15,216	14,999

Source: National Oil Corporation.

Table 11. Libya: Domestic Consumption of Petroleum Products, 2000–04

(In thousands of metric tons)

	2000	2001	2002	2003	2004
Gasoline	1,824	1,884	2,017	2,146	2,257
Kerosene and Jet fuel	303	326	325	392	533
Kerosene	92	94	…	…	…
Jet fuel	211	232	…	…	…
Fuel oil	2,118	1,896	2,373	2,549	2,473
Gas oil	2,853	2,660	3,073	3,429	3,783
LPG	260	256	277	272	281
Asphalt	43	55	77	0	…
Total	7,401	7,077	8,142	8,787	9,327

Source: National Oil Corporation.

Table 12. Libya: Domestic Retail Prices of Petroleum Products, 2000–05

(In dirhams per liter, unless otherwise specified)

	2000	2001	2002	2003	2004	2005
Premium gasoline 1/ (98 octane premium)	140	140	150	150	150	...
Premium gasoline (94 octane premium)	105	105	115	115	115	150
Kerosene	60	60	70	70	70	70
Gas oil	110	110	120	120	120	140
Fuel oil (dinar per ton)	12	12	27.6	27.6	27.6	77.6
LPG (per 15-kilo cylinder)	1250	1250	1250	1250	1250	1500

Source: National Oil Corporation.

1/ Starting in 2006, this quality of gasoline is no longer sold in Libya.

Table 13. Libya: Production and Exports of Gas and Petrochemicals, 2000–04

	2000	2001	2002	2003	2004
	(In billions of cubic feet)				
Gas produced	490	484	464	494	527
Used	388	406	391	365	379
Flared	102	78	73	128	148
	(In thousands of metric tons)				
Petrochemical exports	2,164	1,863	1,819	2,022	1,819
Methanol	674	592	715	659	600
Ammonia	141	132	152	196	138
Urea	814	740	718	775	758

Source: National Oil Corporation.

Table 14. Libya: Production of Crude Oil and
Exports of Crude Oil and Refined Products, 2000-05

(In millions of barrels)

	Production			Exports		
	Daily Average	Total	Change in Total (In percent)	Daily Average	Total	Change in Total (In percent)
2000	1.351	493	2.6	1.30	473	21.5
2001	1.316	480	-2.6	1.22	444	-6.3
2002	1.200	438	-8.8	1.06	386	-13.0
2003	1.534	560	27.9	1.35	491	27.3
2004	1.615	591	5.6	1.45	528	7.5
2005	1.64	600	1.5	1.46	532	0.6

Sources: Secretariat of Oil; National Oil Corporation; and Fund staff estimates.

Table 15. Libya: Data on Fiscal Operations, 2000–05

(In millions of Libyan dinars)

	2000	2001	2002	2003	2004	2005
Total Revenue	8,075	7,814	12,572	16,336	23,272	37,433
Hydrocarbon	5,557	5,286	9,872	14,228	20,141	34,763
Nonhydrocarbon	2,518	2,528	2,700	2,108	3,131	2,671
Budgetary Revenue	4,729	5,802	9,417	11,332	13,755	19,845
Hydrocarbon budget allocation	2,427	3,568	7,323	9,645	10,916	17,425
Nonhydrocarbon Tax Revenue	2,061	2,056	1,150	725	1,617	1,542
From tax adminstration	475	524	771	340	1,015	1,025
Taxes on international trade	1,586	1,531	379	385	602	517
Nontax revenue	241	179	944	962	1,222	877
Extrabudgetary revenue	3,346	2,012	3,155	5,004	9,517	17,588
Oil Reserve Fund (ORF) allocation	3,130	1,719	2,549	4,583	9,225	17,337
GMR revenue	216	294	606	421	292	251
Total expenditure and net lending	5,528	8,038	10,063	13,396	17,332	21,107
Total expenditure	5,528	8,038	10,063	13,396	17,231	18,319
Current expenditure	3,721	6,226	6,724	10,564	10,298	8,420
Administrative budget	3,044	3,537	4,183	4,228	5,611	7,072
Expenditure on goods and services	2,801	3,236	3,684	3,499	4,780	6,022
Wages and salaries 1/	1,999	2,297	2,546	2,812	3,577	4,455
Other purchases of goods and services	802	863	1,139	688	1,202	1,567
Interest payments	0	75	0	0	0	0
Subsidies and other current transfers	243	301	499	728	832	1,050
Food subsidies	130	140	431	480	...	...
Other currrent transfers	113	161	67	248	...	...
Extrabudgetary current expenditure	677	2,689	2,541	6,336	4,686	1,348
ORF 2/	121	2,193	1,966	5,636	3,792	368
Defense	556	496	575	700	894	981
Capital expenditure	1,807	1,813	3,339	2,832	6,933	9,899
Development budget	1,541	1,539	2,936	2,204	6,135	9,073
Extrabudgetary capital expenditure	266	274	403	628	798	826
Lending minus repayments	...	...	...	...	102	2,788
Errors and omissions	0	-447	1,229	-1,333	-961	-357
Overall balance	2,547	223	1,280	4,273	6,901	16,683
Overall position (excluding ORF revenue)	-583	-1,495	-1,269	-310	-2,324	-654
Nonhydrocarbon position	-3,010	-5,063	-8,592	-9,955	-13,240	-18,079
Domestic financing 3/	-2,547	-223	-1,280	-4,273	-6,901	-16,683
Banking system	-3,275	-213	-1,134	-4,207	-6,654	-16,191
Nonbank financing	728	-10	-147	-66	-247	-492
			(In percent of GDP)			
Total revenue	45.7	43.1	51.4	54.4	59.1	73.0
Oil revenue	31.5	29.1	40.4	47.4	51.2	67.8
Of which: ORF	17.7	9.5	10.4	15.3	23.4	33.8
Non-oil revenue	14.2	13.9	11.0	7.0	8.0	5.2
Tax revenue	12.9	12.9	7.2	3.8	4.8	3.5
Nontax revenue	1.4	1.0	3.9	3.2	3.1	1.7
Total expenditure and net lending	31.3	44.3	41.2	44.6	44.0	41.2
Total expenditure	31.3	44.3	41.2	44.6	43.8	35.7
Current	21.1	34.3	27.5	35.2	26.2	16.4
Budgetary	17.2	19.5	17.1	14.1	14.3	13.8
Extrabudgetary	3.8	14.8	10.4	21.1	11.9	2.6
Capital	10.2	10.0	13.7	9.4	17.6	19.3
Budgetary	8.7	8.5	12.0	7.3	15.6	17.7
Extrabudgetary	1.5	1.5	1.6	2.1	2.0	1.6
Total net lending	...	...	...	...	0.3	5.4
Overall balance	14.4	1.2	5.2	14.2	17.5	32.6
Overall balance (excluding Oil Reserve Fund revenue)	-3.3	-8.2	-5.2	-1.0	-5.9	-1.3
Nonhydrocarbon balance	-17.0	-27.9	-35.1	-33.1	-33.6	-35.3
Gross domestic debt	43.3	42.1	31.3	25.4	0.1	0.0
			(In millions of Libyan dinars)			
Memorandum items						
Gross domestic debt (mn of Libyan dinars)	7,644	7,644	7,644	7,644	25	25
Nominal GDP	17,668	18,148	24,449	30,036	39,361	51,244
Nonhydrocarbon GDP	10,857	11,419	11,622	11,199	12,050	11,520

Sources: Ministry of Finance; and staff estimates and projections.

1/ Net of income taxes and includes the contributions to the social security fund.
2/ ORF expenditure for 2003 and 2004 includes payments for the Lockerbie settlement of LD 1,388 million and LD 1,404 million, respectively.
3/ Data for 2004 do not include the government's debt buyback operation.

Table 16 Libya Government Administrative Expenditure, 2000-05

(In millions of Libyan dinars)

	2000	2001	2002	2003	2004	2005
Expenditure of central secretariats 1/						
General people's Congress	51	49	43	44	47	48
General people's Committee	184	218	222	204	190	178
Justice and public security	335	202	219	244	284	313
Education and scientific research 2/	0	170	175	196	0	0
Finance	158	133	42	41	47	53
Information and culture	36	0	0	0	0	0
Foreign affairs	61	68	178	175	233	240
Planning , economy and trade	0	1	1	1	5	6
Tourism	0	0	0	0	4	5
Miscellaneous and Contingencies	0	0	129	119	180	227
Transfers to public institutions	112	85	67	58	72	172
public debt	110	255	60	60	60	60
Investment expenditure	0	100	100	0	0	0
Subsidies	130	301	499	480	832	1,050
Allocations to the regions 1/	1,978	2,198	2,042	2,140	2,687	2,665
Others	0	0	501	297	336	0
Total administrative expenditures	3,153	3,779	4,278	4,058	4,977	5,017
Allocations to the regions (in percent of total)	63	58	48	53	54	53

Source : Secretariat of Finance

1/ In 1998 many of the responsibilities and functions of government were transferred to the regional institutions .
2/ Expenditures for 2004 and 2005 are recorded in allocations to the regions .

Table 17. Libya : Central Government Development Expenditures, 2000-04

(In millions of Libyan dinars)

	2000	2001	2002	2003	2004
Total Development Budgetary Expenditure	1,541	1,539	3,702	2,050	3,581
Goods Producing Sectors:	313	305	553	710	865
Agriculture, Marine & Livestock Wealth 1/	163	150	184	124	263
Industry & Energy	150	156	369	586	603
Economic Services Sectors	432	482	688	293	681
Housing & Public Utilities	234	293	454	195	388
Communication & Transportation 2/	198	190	234	98	293
Social Services Sectors:	451	410	1,272	679	988
Education , Establishment & Youth & Scientific Research	324	216	739	316	603
Health & Social Security	107	136	406	326	249
Justice	10	43	72	31	91
Information & Culture & Tourism	9	15	55	5	45
Other Sectors	345	341	1,189	368	1,046
Economy & Trade	6	6	33	3	14
Planning & Finance	241	12	106	48	83
Foreign Affaires	0	0	0	10	50
Regional Development	98	104	177	144	183
Great Man –Made River	0	0	365	161	154
Human Development	0	0	169	0	0
Working groups & Excessive Staff Emergency Reserve	0	7	0	0	0
Payoff the Previous Liabilities	0	188	316	0	366
Others 3/	0	25	23	3	196

Source: High Planning Council .

1/ For 2000, 2001 includes GMR .
2/ Including railway sector expenditure from 1998 onwards .
3/ In 2004, includes expenditure of development projects.

Table 18. Libya: Food Subsidies, 2000-05 1/

(In millions of Libyan dinars)

	2000	2001	2002	2003	2004	2005
Wheat	23.3	11.6	99.2	-31.0	77.4	0.0
Flour	97.2	123.9	150.7	338.0	526.5	490.5
Sugar	-5.4	11.1	21.8	39.3	44.1	55.3
Rice	15.2	8.0	51.9	45.9	104.3	100.7
Olive and other vegetable oils	11.7	-6.2	4.6	98.7	164.9	120.4
Tea	7.8	17.8	11.2	15.0	30.5	17.4
Coffee	-1.9	0.0	0.0	0.0	0.0	0.0
Tomato paste	6.7	8.6	8.8	15.7	0.0	0.0
Dry yeast	-1.0	-0.3	0.8	4.2	11.4	10.4
Dry legumes	-0.8	0.0	0.0	0.0	0.0	0.0
Evaporated milk	-1.9	-6.5	3.0	56.1	147.0	0.0
Semolina	0.0	0.0	3.8	36.9	47.5	37.1
Miscellaneous	1.5	4.0	1.5	6.3	6.3	7.0
Pasta	0.0	0.0	0.0	0.0	42.3	0.0
Total	152.4	172.0	357.3	625.1	1,202.2	838.8

Source : National Supply Corporation (NASCO) .

1/ A minus sign indicates an operating surplus .

Table 19. Libya: Summary Accounts of the Central Bank of Libya, 2000–05

(In millions of Libyan dinars)

	2000	2001	2002	2003	2004	2005
Foreign assets	7,296	9,414	18,444	26,578	33,073	54,460
Gold	58	58	58	58	58	58
Foreign exchange	6,669	8,675	16,997	24,866	31,332	52,681
Reserve Position with the Fund	278	324	651	764	764	764
SDR holdings	291	358	738	890	919	956
Claims on government	7,288	7,151	7,010	7,012	828	828
Claims on treasury 1/	6,833	6,789	6,790	6,792	608	608
Great Man-made-River (GMR)	455	362	220	220	220	220
Claims on other sectors 2/	269	339	884	1,300	1,499	2,522
Claims on nonfinancial public enterp.	261	330	873	1,287	1,485	2,505
Claims on private sector	8	10	11	13	15	16
Claims on other banking institutions	0	0	0	0	0	0
Claims on nonbank financial instit.	0	0	0	0	0	0
Claims on deposit money banks	116	87	58	29	1	2
Unclassified assets	572	648	526	1,109	1,598	1,390
Total Assets	15,540	17,639	26,921	36,028	36,999	59,201
Total Liabilities	15,540	17,639	26,921	36,028	36,999	59,201
Reserve money	5,405	6,141	6,240	6,891	9,966	14,423
Currency outside CBL	2,827	2,690	2,752	2,883	2,794	3,482
Currency with DMBs	127	131	138	120	182	171
Currency outside DMBs	2,699	2,560	2,614	2,764	2,613	3,311
Commercial Banks'reserves with CBL	1,380	1,183	906	914	1,510	2,748
Demand deposits 3/	239	454	460	351	740	1,407
Time and savings deposits	959	1,813	2,123	2,743	4,921	6,786
Of which : Commercial Banks	959	1,614	1,984	2,634	4,876	6,752
Restricted deposits	562	738	1,468	1,702	1,352	1,549
Government deposits	7,566	7,765	8,587	12,964	19,519	35,893
Treasury deposits	7,184	7,384	8,217	12,551	19,105	35,220
Social Security Fund deposits	382	381	370	413	414	673
Foreign liabilities	0	4	4	5	7	12
Capital accounts	1,520	2,639	9,919	13,991	4,315	5,634
Unclassified liabilities	487	352	702	476	1,841	1,691

Source: Central Bank of Libya.

1/ Treasury bonds, bills, advances, and overdrafts.
2/ Largely public sector enterprises.
3/ Almost all belong to public sector enterprises.

Table 20. Libya: Summary Accounts of the Deposit Money Banks and Regional Banks, 2000–05

(In millions of Libyan dinars)

	2000	2001	2002	2003	2004	2005
Reserves	2,482	2,447	2,557	3,258	6,342	9,154
Currency	127	131	138	120	182	171
Deposits with central bank	2,355	2,316	2,420	3,138	6,160	8,983
Foreign assets	529	623	778	794	1,312	2,047
Claims on government	1,766	1,811	1,811	1,811	373	373
Treasury bills	1,393	1,438	1,438	1,438	0	0
Great Man-made-River (GMR)	373	373	373	373	373	373
Claims on other sectors	5,456	6,137	6,569	7,005	6,712	6,382
Claims on nonfinancial public enterprises	1,040	1,501	1,965	2,497	1,993	1,773
Claims on private sector	4,268	4,482	4,427	4,285	4,438	4,557
Claims on other banking institutions	50	78	82	77	67	45
Claims on nonbank financial institutions	98	76	96	146	215	7
Unclassified assets 1/	1,352	1,629	1,820	1,700	1,813	1,722
Total Assets	11,585	12,647	13,535	14,566	16,552	19,678
Total Liabilities	11,585	12,647	13,535	14,566	16,552	19,678
Demand deposits	4,494	4,690	5,632	5,915	7,184	9,250
Time, savings & foreign currency deposits	2,183	2,339	2,021	2,421	2,554	3,034
Time and savings deposits	2,148	2,309	1,994	2,383	2,519	2,958
Foreign currency deposits	35	31	28	38	35	76
Restricted deposits	377	741	670	792	857	1,154
Foreign liabilities	50	57	94	244	141	72
Credit from central bank	0	91	61	32	1	1
Government deposits	600	582	788	678	1,147	1,210
Capital accounts	854	992	1,306	1,470	1,566	1,842
Unclassified liabilities	3,026	3,155	2,962	3,016	3,102	3,115

Source: Central Bank of Libya

1/ Includes frozen assets (principal and interests) under unclassified assets, and counterpart under unclassified liabilities.

Table 21. Libya: Monetary Survey, 2000–05 1/

	2000	2001	2002	2003	2004	2005
	(In millions of Libyan dinars)					
Net foreign assets	7,774	9,976	19,123	27,123	34,237	56,423
Central bank	7,296	9,410	18,440	26,573	33,066	54,448
Foreign assets	7,296	9,414	18,444	26,578	33,073	54,460
Foreign liabilities	0	4	4	5	7	12
Deposit money banks	479	566	683	550	1,171	1,976
Foreign assets	529	623	778	794	1,312	2,047
Foreign liabilities	50	57	94	244	141	72
Net domestic assets	2,780	1,745	-6,119	-13,071	-18,893	-36,684
Domestic credit	6,611	7,092	6,899	3,486	-11,253	-26,998
Net claims on government	887	616	-555	-4,820	-19,465	-35,902
Central bank claims	7,288	7,151	7,010	7,012	828	828
Governments' deposits with central bank	7,566	7,765	8,587	12,964	19,519	35,893
Commercial banks' claims	1,766	1,811	1,811	1,811	373	373
Governments'deposits with comm. banks	600	582	788	678	1,147	1,210
Claims on the economy	5,724	6,477	7,453	8,305	8,212	8,903
Central bank	269	339	884	1,300	1,499	2,522
Deposit money banks	5,456	6,137	6,569	7,005	6,712	6,382
Claims on nonfinancial public enterp.	1,300	1,831	2,838	3,784	3,477	4,278
Claims on private sector	4,276	4,492	4,438	4,298	4,452	4,573
Claims on specialised banking institutions	50	78	82	77	67	45
Claims on nonbank financial instit.	98	76	96	146	215	7
Other items (net)	-3,831	-5,347	-13,018	-16,557	-7,640	-9,686
Broad money	10,555	11,721	13,004	14,052	15,344	19,739
Money	7,433	7,704	8,705	9,029	10,537	13,968
Currency in circulation	2,699	2,560	2,614	2,764	2,613	3,311
Demand deposits (other than government)	4,734	5,144	6,092	6,266	7,924	10,657
Quasi-money	3,122	4,018	4,299	5,023	4,807	5,771
Of which: Restricted deposits	939	1,479	2,138	2,494	2,208	2,703
Memorandum items:						
Net claims on the government excl. SSF 2/	1,269	1,057	-77	-4,284	-18,938	-35,129
	(Annual rate of change in percent)					
Broad money	5.1	11.1	10.9	8.1	9.2	28.6
Money	3.7	3.6	13.0	3.7	16.7	32.6
Quasi-money	8.4	28.7	7.0	16.8	-4.3	20.1
Net claims on Government	-78.4	-30.6	-190.1	769.0	303.9	84.4
Claims on nonfinancial public enterprises	-65.3	40.8	55.0	33.3	-8.1	23.0
	(Change in percent of beginning of the period money stock)					
Net foreign assets	58.1	20.9	78.0	61.5	50.6	144.6
Domestic credit	-50.3	4.6	-1.7	-26.2	-104.9	-102.6
Net claims on government	-32.1	-2.6	-10.0	-32.8	-104.2	-107.1
Claims on the economy	-18.2	7.1	8.3	6.6	-0.7	4.5
Claims on nonfinancial public enterprises	-24.4	5.0	8.6	7.3	-2.2	5.2
Claims on private sector	6.4	2.0	-0.5	-1.1	1.1	0.8
	(As percent of GDP)					
Domestic credit	37.4	39.1	28.2	11.6	-28.6	-52.7
Net claims on the government	5.0	3.4	-2.3	-16.0	-49.5	-70.1
Broad money	59.7	64.6	53.2	46.8	39.0	38.5
Nominal GDP (in millions of Libyan dinars)	17,668	18,148	24,449	30,036	39,361	51,244

Source: Central Bank of Libya

1/ Starting in 2000, data include the regional banks.
2/ The SSF is the Social Security Fund.

Table 22. Libya: Interest Rate Structure, 2000-05

(In percent)

	2000-02	2003	2004	2005	
				Jan.–Aug.	Sept.–Dec.
Central bank and treasury					
Rediscount rate	5.00	5.00	4.00	4.00	4.00
Treasury bills rate 1/	5.00	5.50	5.50	...	...
Treasury bonds rate 1/	5.00	6.00	6.00	...	...
Commercial banks:					
Deposit rates (actuals)					
Fixed term deposits rates					
10 days or less	2.50	2.50	1.50	1.50	...
11 days–30 days	3.00	3.00	2.00	2.00	...
31 days–89 days	3.50	3.50	2.50	2.50	...
90 days–180 days	4.00	4.00	3.00	3.00	...
181 days–360 days	5.00	5.00	4.00	4.00	...
One year	5.50	5.50	4.50	4.50	...
Two years	5.50	5.50	4.50	4.50	...
Three years	5.50	5.50	4.50	4.50	...
Four years and over	5.50	5.50	4.50	4.50	...
Savings Deposits rates					
LD 0–20,000	6.00	6.00	5.00	5.00	...
LD 20,000–100,000	5.00	5.00	4.00	4.00	...
LD 100,000 and more	0.00	0.00	0.00	0.00	...
Lending rates (maximum) 2/					
Loans and advances					
Secured	7.00	7.00	6.00	6.00	6.5
Unsecured	7.50	7.50	6.50	6.50	6.5
Agricultural, industrial	6.00	6.00	3.00	3.00	...
Real estate loans	2.00	3.00	3.00	3.00	...
Civil servants to production	5.00	3.00	3.00	3.00	...
Interbank lending rates	4.00	4.00	4.00	4.00	...

Source: Central Bank of Libya.

1/ In 2004, the government bought back its entire debt from the banking system.

2/ As of August 2005, banks were granted autonomy to determine freely interest rate on deposits and to set lending rates within a band of 250 basis points above the discount rate.

Table 23. Libya: Foreign Assets and Liabilities of the Central Bank and Commercial Banks, 2000–05

	2000	2001	2002	2003	2004	2005
			(In millions of Libyan dinars)			
Central Bank of Libya						
Foreign assets	7,296	9,414	18,444	26,578	33,073	54,460
Gold	58	58	58	58	58	58
Foreign exchange	6,669	8,675	16,997	24,866	31,332	52,681
Reserve position in IMF	278	324	651	764	764	764
SDR holdings	291	358	738	890	919	956
Foreign liabilities	0	4	4	5	7	12
Foreign assets (net)	7,296	9,410	18,440	26,573	33,066	54,448
Deposit money banks						
Foreign assets	529	623	778	794	1,312	2,047
Foreign liabilities	50	57	94	244	141	72
Foreign assets (net)	479	566	683	550	1,171	1,976
Banking system						
Foreign assets	7,825	10,037	19,221	27,371	34,385	56,507
Foreign liabilities	51	61	98	248	148	83
Foreign assets (net)	7,774	9,976	19,123	27,123	34,237	56,423
			(In millions of U.S. dollars)			
Net foreign assets of central bank	13,502	14,475	15,242	20,434	26,574	40,128
Net foreign assets of commercial banks	886	870	565	423	941	1,456
Net foreign assets of banking system	14,388	15,346	15,807	20,857	27,516	41,584
Official exchange rate (LD/US$, eop)	0.54	0.65	1.21	1.30	1.24	1.36
Official exchange rate (LD/US$, pa)	0.51	0.61	1.27	1.28	1.30	1.31

Source: Central Bank of Libya.

Table 24. Libya: Summary Accounts of the Libyan Arab Foreign Bank, 2000–05

(In millions of Libyan dinars)

	2000	2001	2002	2003	2004	Sept. 2005
Current assets	3,171	3,581	6,579	7,169	9,746	8,464
Cash and short-term balances with banks	264	259	308	521	505	989
Time deposits with banks	2,559	3,043	5,781	6,120	9,010	7,320
Short-term facilities	348	279	490	528	231	155
Noncurrent assets	1,730	2,138	3,662	4,549	4,357	4,419
Investments, loans, and securities	1,204	1,518	2,678	3,315	3,153	3,148
Participations	379	437	668	790	1,072	1,164
Other non-current assets	147	183	316	445	133	107
Unpaid capital	0	0	0	0	0	0
Fixed assets	3	2	3	4	3	3
Assets = liabilities	4,904	5,721	10,244	11,721	14,106	12,886
Current liabilities	3,859	4,520	7,554	8,423	10,392	8,574
Demand deposits	1,314	442	1,081	1,214	1,550	1,863
Time deposits	2,496	4,002	6,351	7,062	8,702	6,648
Other current liabilities	49	76	122	146	141	63
Noncurrent liabilities	763	911	2,392	2,990	2,449	2,782
Share capital and reserves	282	290	298	309	1,265	1,530
Shareholders dividend	0	0	0	0	0	0

Source: Libyan Arab Foreign Bank.

Table 25. Libya: Loans Disbursed by the Agricultural Bank, 2000–05

(In millions of Libyan dinars)

	2000	2001	2002	2003	2004	Sept. 2005
Short-term loans 1/	25.8	19.2	9.0	3.7	17.3	7.3
Medium-term loans	10.2	11.1	54.5	24.0	33.6	25
Long-term loans	1.4	6.2	55.0	52.2	27.7	18.5
Total new disbursed, year-on-year	37.4	36.5	118.5	79.9	78.6	50.8
Repayment, year-on-year	20.6	18.3	17.1	14.5	6.2	0.0
Loan stock outstanding at end of period	113.0	131.2	232.6	298.0	370.4	421.2

Source: Agricultural Bank.

1/ Includes emergency loans from a special account administered for the Secretariat of Agriculture.

Table 26. Libya: Loans Disbursed for Housing and Construction Projects by the Savings and Real Estate Investment Bank, 2000–05

(In millions of Libyan dinars)

	2000	2001	2002 1/	2003	2004	Sept 2005
Housing loans	38	76	303	512	886	1,554
Construction projects	17	19	13	199	84	84
Total new disbursed, year on year	55	94	315	710	969	1,638
Repayment, year-on-year	59	6	42	517	...	...
Loan stock outstanding at end of period	521	609	882	1,075	...	...

Source: Savings and Real Estate Investment Bank.

1/ In 2002, includes loans from municipalities (shaabiyat).

Table 27. Libya: Loans Disbursed by the Development Bank, 2000–05

(In thousands of Libyan dinars)

	2000	2001	2002	2003	2004	Sept 2005
Food industries	4,151	4,795	7,369	16,729	11,155	4,268
Building materials plastics	2,446	2,053	5,114	10,865	6,543	15,312
Chemicals and plastics	5,008	6,694	18,763	13,696	4,059	5,797
Metal works	4,024	1,862	10,024	10,053	2,186	2,691
Textile industries	344	1,271	229	845	234	0
Furniture industries	814	731	270	1,130	307	7,992
Industrial services workshops	2,526	5,457	17,116	16,708	7,147	193,754
Others	1,409	8,842	10,282	7,800	4,393	5,469
Total loans disbursed	20,722	31,705	69,167	77,826	36,024	235,283
Loan stock outstanding at end of period	127,900	212,000	339,600	429,000	498,900	...

Source: Development Bank.

Table 28. Libya: Distribution of Credit Facilities by Commercial Banks, 2000–05

(In millions of Libyan dinars)

Sectors	2000	2001	2002	2003	2004	Sept 2005
Petroleum	83.7	106.5	168.9	206.0	629.1	494.3
Electricity	325.0	346.8	380.8	443.0	101.4	140.4
Transportation & communication	116.4	149.4	129.8	95.1	165.4	119.1
Planning and economy	783.4	929.1	1,137.5	1,065.7	545.6	665.8
Industry	321.6	345.6	317.9	366.7	365.2	335.1
Treasury	8.7	7.4	23.0	23.1	12.1	11.5
Health	42.9	133.1	84.6	203.1	161.9	119.5
Agriculture	118.5	172.1	191.0	232.0	228.7	121.4
Housing and public utilities	404.6	472.3	439.3	411.3	450.8	498.4
Education	10.4	13.0	39.0	43.5	40.4	61.1
Information and culture	8.1	7.7	12.4	34.2	35.2	16.1
Social security	0.0	4.3	1.1	4.1	2.1	0.8
Tourism	42.5	49.4	57.0	61.0	49.5	49.4
Marine wealth	40.7	39.2	43.7	39.1	30.6	30.7
Justice and general security	8.8	14.8	16.4	22.2	54.1	26.9
Great Man-Made River	400.9	394.4	421.2	419.5	413.7	387.6
National Investment Council	90.3	88.6	0.0	0.0	0.0	0.0
National Banking corporation	34.2	31.2	30.8	29.1	19.1	19.1
Specialized banks	34.0	37.5	24.6	44.2	44.3	6.2
Craftsmen and partnerships	63.9	60.4	0.0	0.0	0.0	0.0
Other private sector	373.3	359.4	0.0	0.0	0.0	0.0
Social loans	937.2	1,083.0	1,699.4	1,959.1	1,486.9	1,654.6
housing loans	1,468.9	1,469.2	1,103.1	1,164.9	1,456.2	1,435.9
Other domestic	730.4	581.7	944.5	544.1	919.7	801.1
Total domestic	6,448.2	6,896.1	7,266.0	7,411.0	7,212.0	6,995.0
Foreign companies	43.0	151.1	194.6	269.2	197.7	260.2
Foreign letters of guarantees	0.0	0.0	0.0	0.0	0.0	0.0
Total domestic and foreign	6,491.2	7,047.2	7,460.6	7,680.2	7,409.7	7,255.2

Source: Central Bank of Libya.

Table 29. Libya: Balance of Payments, 2000–2005

(In millions of US dollars)

	2000	2001	2002	2003	2004	Prel. 2005
1. Current Account	7,763	4,145	566	5,036	7,303	15,985
A. Goods and Services	8,533	5,217	1,172	6,170	10,355	17,758
a. Goods	9,251	6,067	2,309	7,325	11,832	19,234
Exports (fob)	13,380	10,892	9,717	14,525	20,600	30,110
Hydrocarbon sector 1/	12,929	10,472	9,534	14,037	19,723	29,210
Other exports	450	420	184	489	877	900
Imports (fob)	-4,129	-4,825	-7,408	-7,200	-8,768	-10,875
Of which: oil sector	-666	-752	-626	-950	-1,271	-1,378
b. Services (net)	-718	-850	-1,137	-1,155	-1,477	-1,476
Debit	890	1,033	1,539	1,597	1,914	1,970
Credit	172	183	402	442	437	494
Freight and insurance for imports	-187	-263	-343	-540	-658	-816
Travel	-515	-494	-628	-352	-368	-381
Transportation	-145	-169	-83	-104	-85	-68
Government services (other)	-161	-209	-190	43	45	47
Private services (other)	-83	-79	-100	-202	-134	-70
Of which: Hydrocarbon sector	-58	-49	-23	-23	-33	-48
B. Income	-180	-240	265	540	-543	-870
Direct investment income 2/	-850	-747	-585	-845	-1,634	-2,551
Other investment income	670	507	850	1,385	1,091	1,681
Government sector	420	414	740	1,263	966	1,549
Private sector	250	93	110	122	125	132
C. Current transfers	-590	-832	-872	-1,673	-2,509	-903
General government 3/	0	0	0	-1,174	-1,741	-115
Private sector	-590	-832	-872	-499	-768	-788
Oil sector	-123	-127	-105	-156	-210	-259
Other sectors (workers transfers abroad)	-467	-705	-767	-343	-558	-529
2. Capital and Financial Account	-149	-976	89	-167	-1,023	-2,349
Direct investment	43	-308	281	79	-643	-1,503
Abroad	-98	-175	136	-63	-1,000	-1,909
In Libya	141	-133	145	142	-312	406
Portfolio investment	-706	-1,358	72	-607	-187	-448
Other investment	514	690	-264	361	-193	-399
3. Errors and Omissions and Other Capital	-1,115	-1,831	-341	-1,748	-134	0
4. Overall Balance	6,499	1,338	314	3,122	6,146	13,636
5. Reserve items	-6,499	-1,338	-314	-3,122	-6146	13636
Memorandum items:						
Official exchange rate, LD/US$ (pa)	0.51	0.61	1.27	1.28	1.30	1.31
Official exchange rate, LD/US$ (eop)	0.54	0.65	1.21	1.30	1.24	1.36
Gross official reserves (in billions of US$)	13.1	14.1	15.0	19.5	25.6	39.3
Gross official reserves, in months of next year's imports of GS	26.7	19.0	20.5	21.9	23.9	31.5
Current account balance (in percent of GDP)	22.5	13.8	2.9	21.5	24.2	40.8
Overall balance of payments (in percent of GDP)	18.8	4.5	1.6	13.3	20.4	34.8
Nominal GDP (in billions of US$)	34.5	30.0	19.2	23.4	30.2	39.2

Source: Central Bank of Libya; and staff estimates and projections.

1/ Includes foreign partners' oil share.

2/ Includes partners' profit remittances from oil investment.

3/ For 2003 and 2004, includes payments for the Lockerbie Settlement of US$1,076 million and US$1,080 million, respectively.

Table 30. Libya: Composition of External Trade , 2000–04

(In percent of total)

	2000	2001	2002	2003	2004
Imports 1/	100.0	100.0	100.0	100.0	100.0
Food and live animals	20.1	17.1	15.0	13.4	14.1
Beverages and tobacco	0.3	0.4	0.4	0.1	0.2
Crude materials, inedible, except fuels	2.6	2.2	2.1	1.4	1.4
Mineral fuels, lubricants, and related materials	0.3	0.1	1.3	0.7	0.7
Animal and vegetable oils and fats	3.7	1.9	0.9	3.1	1.9
Chemicals	7.2	6.5	8.5	5.3	4.0
Materials	16.2	15.9	19.8	20.9	19.9
Machinery and transport equipment	41.0	42.3	43.0	48.0	48.0
Miscellaneous manufactures	8.6	13.6	9.0	7.1	9.8
Exports 2/	100.0	100.0	100.0	100.0	100.0
Hydrocarbons	96.6	96.1	98.1	96.6	95.7
Other	3.4	3.9	1.9	3.4	4.3

Source: Census and Statistics Department; and staff estimates.

1/ Based on customs statistics.
2/ Based on balance of payments data.

Table 31. Libya: Direction of Trade, 2000–04 1/

(In percent of total)

	2000	2001	2002	2003	2004
Imports	100.0	100.0	100.0	100.0	100.0
Arab countries	11.6	10.2	9.7	10.1	6.1
Asian countries	18.7	14.5	18.5	13.8	22.9
Of which: Japan	4.6	3.5	6.5	8.7	8.3
Other African countries	0.6	0.9	0.4	0.4	0.2
European countries	61.3	67.9	63.3	71.8	63.1
Of which					
France	5.5	4.4	4.4	4.9	4.0
Germany	11.8	13.1	11.2	8.9	12.0
Greece	0.7	0.4	0.8	1.0	0.6
Italy	19.1	24.3	24.4	18.4	18.3
Netherlands	2.3	2.6	1.8	1.3	1.1
Spain	3.3	1.8	1.9	1.4	1.5
Turkey	1.0	1.3	1.5	2.1	1.8
United Kingdom	5.8	5.7	7.0	5.4	4.1
Western Hemisphere countries	7.2	5.8	7.2	3.5	7.5
Of which					
Canada	0.9	0.6	1.1	1.1	1.8
United States	2.1	2.8	2.9	1.9	2.5
Unallocated	0.6	0.7	0.8	0.4	0.2
Exports	100.0	100.0	100.0	100.0	100.0
Arab countries	5.4	6.6	6.2	4.6	3.9
Asian countries	0.5	2.8	3.3	4.9	4.1
Other African countries	...	0.3	0.4	0.2	0.2
European countries	93.9	90.0	89.9	89.9	90.5
Of which					
France	5.6	3.6	3.7	2.6	2.1
Germany	15.3	14.1	13.3	14.7	18.3
Greece	2.6	2.3	2.4	2.2	2.1
Italy	42.6	41.6	41.0	39.6	39.3
Netherlands	0.7	1.2	1.1	0.9	0.7
Spain	15.2	15.5	17.1	14.7	13.3
Turkey	7.5	6.2	5.8	7.7	8.3
United Kingdom	2.3	1.8	2.8	2.4	1.7
Western Hemisphere countries	0.2	0.3	0.2	0.4	1.3

Source: Census and Statistics Department.

1/ Based on customs statistics, which differ from balance of payments data in both timing and coverage.

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IMF Executive Board Concludes Article IV Consultation with The Socialist People's Libyan Arab Jamahiriya

On March 17, 2006, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with the Socialist People's Libyan Arab Jamahiriya.[1]

Background

Since the lifting in 2003–04 of the international sanctions, which lasted more than 10 years, Libya has decided to undertake comprehensive structural reforms and accelerate its transition to a market economy. While progress has been made in recent years to liberalize the economy, it remains largely state controlled and not diversified. Three quarters of employment is still in the public sector, private investment is minuscule (2 percent of GDP), and the oil sector remains dominant.

In 2004, Libya's macroeconomic performance was satisfactory, owing mainly to higher oil prices (31 percent) and increased oil output (5.6 percent). Real GDP grew 4½ percent, while consumer prices declined (-2.2 percent). The favorable developments in the oil market contributed to a significant improvement in the external current account surplus, which reached some 24 percent of GDP. Gross international reserves rose to about 24 months of 2005 imports.

The fiscal stance continued to be expansionary, with a large non-oil fiscal deficit of 33½ percent of GDP. However, reflecting high oil prices, the overall fiscal surplus reached 17½ percent of GDP. Non-oil revenue increased by about 1 percentage point of GDP, owing to strong collections by customs reflecting increased imports and some improvements in revenue administration. Total expenditure and net lending declined by ½ percent of GDP, as the surge in capital expenditure (8 percent of GDP), due to the implementation of a number of public projects, was more than offset by a sharp drop in extrabudgetary current expenditure.

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities.

Broad money grew 9.2 percent. As a result of the improved government financial situation, the government's net creditor position with the banking system was about 50 percent of GDP. Overall credit to the economy declined by 1 percent, mainly reflecting a government buy-back of public enterprises' bank debt and a limited increase in credit to the private sector.

In 2005, macroeconomic performance remained relatively strong. Real GDP growth was about 3½ percent, and inflation low (2.5 percent). In contrast to previous years, economic growth is estimated to have been generated mainly in the non-oil economy (4½ percent). While activity in the oil sector grew only 1½ percent, due to output capacity constraints, the pick-up in activity in the non-oil sector was essentially the result of the increase in government spending. The main sectors that registered strong growth include trade, hotels, and transportation (7 percent); and construction and services (5 percent). Gains in agriculture remained modest (2.5 percent), but the manufacturing sector registered its first positive growth in five years (1.8 percent).

Based on preliminary data, the overall fiscal surplus reached 32½ percent of GDP, reflecting strong oil revenues (68 percent of GDP) and reduced expenditure (in terms of GDP). Non-oil revenue is estimated to have declined by about 15 percent, notably because of the nontransfer of the interest on the Oil Reserve Fund balances by the Central Bank of Libya (CBL); and lower collections by customs and local governments, partly reflecting the downside effects of the new tax law and customs tariff. Overall, the non-oil fiscal deficit widened to 35 percent of GDP.

Monetary developments were characterized by strong broad money growth (29 percent). Both money and quasi-money grew markedly, by 33 percent and 20 percent, respectively. These developments also reflect a remonetization of the economy consistent with improved domestic economic conditions and increased public confidence following the lifting of sanctions, and the sharp increase in bank credit to public enterprises (23 percent). With the sustained improvement in the government's financial situation, the government's net creditor position with the banking system reached 70 percent of GDP. While bank credit to the private sector grew only modestly (about 3 percent), most of the private sector credit needs were met by the government through specialized banks.

On the external side, the widening of the current account surplus to 41 percent of GDP reflected mainly strong hydrocarbon exports, which increased by 48 percent to about US$29 billion. Imports grew 24 percent to some US$11 billion, boosted by increased domestic demand. Overall, gross international reserves rose to about 32 months of 2006 imports.

In 2005, the authorities continued to implement measures to reform and open up the economy. The government streamlined the customs tariff, and eased restrictions on external trade by downsizing the negative import list from 31 items to 17 items. The new tariff schedule has only two rates (10 percent for tobacco products and 0 percent for all other products), but all imported goods are now subject to a 4 percent service fee. In the meantime, the production and consumption tax was increased to 25–50 percent for imported goods and reduced to 2 percent for domestically produced goods. Also, the government created an investment fund (IF) to manage part of the government's oil revenues.

In the monetary and banking area, the authorities passed: (i) a new banking law which reinforces the independence of the CBL and gives it the authority to allow foreign banks to operate in Libya;

and (ii) an Anti Money Laundering (AML) law. As of August 2005, banks were granted autonomy to determine freely interest rates on deposits and to set lending rates within a band of 250 basis points above the discount rate (currently at 4 percent). The CBL also launched the privatization of Sahara Bank and recapitalized three commercial banks.

As regards structural reform, major progress has been made in simplifying business application procedures. In particular, a one stop-window has been established, and a 30-day limit has been set for application approval with the obligation for the administration to notify any refusal through a notary public. The privatization program and foreign investment's scope of activity have been broadened to include downstream activities in the oil, health, transportation, and insurance sectors. Also, joint ventures between Libyan and foreign investors are now permitted to benefit from the incentives of Law 5 related to domestic investment. Overall, a total of 216 enterprises have been slated for privatization, and 144 are to be liquidated. Thus far, 66 small enterprises have been sold.

Libya has taken steps towards regularizing its relations with external creditors. In 2004–05 disputed claims with creditors in Germany, Spain and the United Kingdom have been settled. Discussions with other foreign creditors are ongoing.

Following its withdrawal from the Heavily Indebted Poor Countries (HIPC) Initiative, Libya has developed its own debt relief plan. Rescheduling agreements were reached with a number of HIPC countries including Uganda, Tanzania, Benin, and negotiations with Nicaragua are ongoing.

Executive Board Assessment

Directors welcomed Libya's continued strong macroeconomic performance during 2004–05, which had benefited from favorable developments in the world oil market. Both the fiscal and external current account balances registered large surpluses, and international reserves increased considerably. Directors commended recent structural reform initiatives, including the streamlining of the tariff schedule, the partial liberalization of interest rates, and the broadening of the privatization program and the scope for foreign investments.

Directors stressed the importance of accelerating progress towards the establishment of a market economy and sustained growth and job creation in the non-oil economy, noting that reform efforts have so far suffered from the absence of a comprehensive medium-term plan that is consistently implemented. Accordingly, they urged the authorities to take advantage of the good opportunity afforded by Libya's comfortable financial situation to pursue their reform agenda vigorously, with the medium-term strategy prepared by staff at the authorities' request as a blueprint. Directors were encouraged by the authorities' recognition of the need to move forward along these lines. They stressed that successful implementation will depend on careful prioritization and sequencing, as well as effective coordination among institutions—in particular between the central bank and the ministry of finance—including through the establishment of a high inter-ministerial oversight committee.

Directors noted that improving budgetary management and implementing a prudent fiscal policy are key to maintaining macroeconomic stability. They recommended that control of fiscal policy be brought under the responsibility of the ministry of finance by unifying the government's budgets and officially abolishing all extrabudgetary operations. The authorities should also persevere with the implementation of fiscal reforms, by strengthening expenditure management and control, streamlining the tax system, and modernizing and improving revenue administration. To ensure long-term fiscal sustainability, Directors urged the authorities to strengthen the management of Libya's oil wealth by replacing the existing Oil Reserve Fund and Investment Fund by a Savings and Stabilization Fund. The revenue and expenditure policies of such a fund should be governed by strict and fully enforced rules, and its performance should be periodically assessed.

Directors supported the authorities' decision to increase public expenditure on basic infrastructure and social services, in order to improve coverage of the population's basic social needs. They stressed, however, that such spending should take into account the economy's absorptive capacity, while institutional capacities and accountability should be strengthened in order to ensure increased efficiency. In particular, budget preparation, execution, and monitoring need to be considerably reinforced and budgetary discipline enhanced. Beyond this, Directors urged that all outstanding government arrears be eliminated and no new arrears be accumulated.

Directors welcomed the partial liberalization of interest rates by the CBL, as well as the new banking law, which strengthens the central bank's independence and grants the CBL authority to allow foreign banks to operate. They encouraged the authorities to move to indirect monetary management, starting with full interest rate liberalization. Other required reforms include eliminating directed credit, reactivating the interbank money market, and strengthening banking supervision in line with international best practices. Directors considered the restructuring and modernization of the banking sector to be key to the development of the financial sector. They urged the authorities to implement a strategy for the restructuring of the state-owned banks, in line with staff recommendations, including the establishment of an independent bank restructuring agency that would take over ownership of public commercial banks.

Directors noted that Libya is well served by the current exchange rate regime pegging the Libyan dinar to the SDR, and that the current rate of the dinar is broadly appropriate. Going forward, due consideration should be given to adjustments in response to market developments, while preserving the economy's competitiveness. Over the longer-run, Directors recommended that exchange rate policy be kept under review as structural and macroeconomic reforms progress.

Directors welcomed the progress made in reforming the trade regime, and encouraged the authorities to terminate the remaining state import monopolies. They recommended that import taxation be streamlined by integrating all taxes and fees on imports in the tariff rates, which would be gradually reduced at a later stage. Directors encouraged the authorities to accelerate preparations for WTO accession discussions, and to seek technical assistance from outside experts in this endeavor.

Directors underscored that economic diversification will require a sustained effort including, in particular, enhancements to the government's privatization strategy, and improved conditions for foreign investment. They urged the authorities to enact a privatization law that will give the privatization agency a legal status and an explicit mandate. As regards foreign investment, Directors recommended replacing the current positive list with a clear and streamlined negative list, and removing the US$50 million floor on investment that, de facto, disqualifies most foreign investments in the non-oil sector. They also encouraged the authorities to gradually streamline the subsidy system.

Directors welcomed Libya's recent decision to participate in the Fund's General Data Dissemination System (GDDS) and to use the latter as a framework for statistical development. They encouraged the authorities to undertake a thorough restructuring of Libya's statistical system, giving priority to the establishment of a National Statistical Council and the creation of a National Statistical Agency.

Directors welcomed the authorities' close collaboration with the Fund staff. They stressed that, in view of its severe human resource constraints and weak institutions, Libya will need further significant technical assistance to advance its economic reform agenda. In this regard, Directors welcomed Libya's decision to cover most of the cost of the country's required technical assistance.

Directors welcomed Libya's intention to participate in the financing of the Exogenous Shocks Facility and the progress made in improving relations with external creditors. They encouraged the authorities to reconsider Libya's withdrawal from the HIPC Initiative and integrate its debt relief plan in the multilateral framework of the latter.

Public Information Notices (PINs) form part of the IMF's efforts to promote transparency of the IMF's views and analysis of economic developments and policies. With the consent of the country (or countries) concerned, PINs are issued after Executive Board discussions of Article IV consultations with member countries, of its surveillance of developments at the regional level, of post-program monitoring, and of ex post assessments of member countries with longer-term program engagements. PINs are also issued after Executive Board discussions of general policy matters, unless otherwise decided by the Executive Board in a particular case.

Libya: Basic Economic and Financial Indicators, 2000–04

(Quota = SDR1,123.7 million)
Population (million): 5.67 million (2004)
Per capita GDP: US$5,271 (2004)

	2001	2002	2003	2004	Prel. 2005
	(Annual percent changes)				
National income and prices					
Real GDP	4.5	3.3	9.1	4.6	3.5
Real nonhydrocarbon GDP	6.8	4.7	2.2	4.1	4.6
CPI inflation	-8.8	-9.9	-2.1	-2.2	2.5
	(In percent of GDP)				
Central government finances					
Revenue	43.1	51.4	54.4	59.1	73.0
Expenditure and net lending	44.3	41.2	44.6	44.0	41.2
Errors and omissions 2/	-2.5	5.0	-4.4	-2.4	-0.7
Overall fiscal balance	1.2	5.2	14.2	17.5	32.6
Nonhydrocarbon balance (deficit -)	-27.9	-35.1	-33.1	-33.6	-35.3
	(Annual percent changes, unless otherwise specified)				
Monetary Indicators					
Broad Money	11.1	10.9	8.1	9.2	28.6
Deposit rates (1 year-deposits, in percent)	5.5	5.5	5.5	4.5	4.5
	(In billions of dollars, unless otherwise specified)				
External Sector					
Exports of goods	10.9	9.7	14.5	20.6	30.1
Imports of goods	4.8	7.4	7.2	8.8	10.9
Current account balance	4.1	0.6	5.0	7.3	16.0
(As percent of GDP)	13.8	2.9	21.5	24.2	40.8
Gross official reserves	14.1	15.0	19.5	25.6	39.3
(In months of next year's imports)	19.0	20.5	21.9	23.9	31.5

Sources: Libyan authorities; and Fund staff estimates.
2/ Correspond to fiscal operations (net) not captured in available fiscal data.