e-lebanon: A New Dawn for Lebanon
The Challenges of Rebuilding a Modern, Competitive Economy, Polity & Society*

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It is an honour for me to address my fellow AUB alumni on such an important occasion, the AANA's 50th Anniversary and AUB's 135th. The occasion symbolises a critical need in our region of the world: the action and persistence of *institutions, and* the efficient application of our enormous human capital and potential. My Alma Mater has been at the forefront of institutions that have weathered the storms and vicissitudes, taken up the challenges and opportunities and survived. It has endowed and enhanced Lebanon and the Arab region with that intangible form of wealth, human, social and cultural capital. This intangible wealth is the source, the origin of tangible wealth, of true economic development, of the freedom of individuals and nations.

I will use this occasion to offer three sets of remarks. I shall mention, briefly, the challenges facing Lebanon --and by extension and inclusion, the AUB—at the start of this Millennium. I turn next to the economic environment, to Lebanon's endowment and its implications for the understanding of its economic history over the past half-century. We need a positive action plan to address the needs of future generations. A number of building blocks are proposed in the third set of remarks.

Some Challenges Facing Lebanon

Lebanon is embattled, confronted by some major challenges. I will list without extensive discussion, as this is not the appropriate forum.

- An unstable regional situation due to the non-settlement of the Arab-Israeli conflict and the actions and strategy of the Sharon government, which have jeopardised security and undermine the very bases of potential settlement and conflict resolution.
- The challenge of rebuilding and modernising Lebanon –politically, socially, economically—after the destruction and ravages of the wars and conflicts over the period 1975-1990, and creating an internationally competitive economy and society, capable of ensuring viable, sustainable prospects for future generations.
- The challenge of addressing inequality and poverty, achieving development in all the regions of Lebanon, the distressed and deprived, marginalized regions.

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In particular, the liberated areas of the Western Bekaa and South Lebanon must be the focus of a systematic, major reconstruction and development effort aimed at undoing the destructive consequences of twenty-two years of Israeli occupation, oppression and domination.[1] The international community should make the rebuilding and development of the liberated areas into a confidence building case; it is the only positive development in the region since the Barcelona process. The Western Bekaa and the South are of geo-strategic importance in the context of the Middle East and the Arab-Israeli conflict. Achieving security, political and socio-economic stability in the liberated areas is critical for the security and stability of the Middle East.

- Lebanon needs structural and deep political reform and revision of the functions, role and responsibility of the state and its institutions and agencies in order to create a new, modern polity and government,
- Long-standing economic problems exacerbated by conflicts and war and the costs of reconstruction, pose a challenge for economic policy, for monetary, fiscal and commercial policy. Lebanon needs sustained growth and the modernisation of its economy, to become ***e*-lebanon.**

Lebanon’s resilience and the ability of the Lebanese people to rebuild and renew are a matter of record and admiration, if not awe. Few peoples have been exposed to as many opportunities, conflicts, tensions and challenges throughout their history. Few peoples have survived the challenges with as much self-reliance and defiance. We live at a confluence of civilizations, of geographical regions, of continents –indeed; plate tectonics have been one of the determinants of our history! – Of religions, of races, of contrasting and occasionally clashing economic and political régimes. We have always, and continue to live in a geo-strategic location and area of the world. Ours is a turbulent, unstable, often violent neighbourhood. Since WWI and following the demise of the Ottoman Empire, it is a region with a high frequency of wars –both, domestic and international- civil unrest, and various forms of coup d’état, revolutions and other expressions of civil unrest.

Size, Geography and Human Capital

We live in a small-sized country with limited natural resources, but relatively high population density. Our population has benefited from the inputs and contributions of peoples from virtually all continents, races, ethnic groups and communities: Darwin would have nodded approvingly at the characteristics of our gene pool!

These factors, geography, location, size, the forces and random accidents of history, have been major sources and determinants of Lebanon’s economic growth and development and of its comparative advantage among nations. The dearth of natural resources implied increased investment in human capital. The variety of original populations and languages resulted in a diversity of skills, talents and human capital resources.

For a small country exposed to a multitude of risks, investment in human capital acted as an insurance policy; it is a hedge against various forms of risk and uncertainty.

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[1] See the contents and references in the website,   and the statement in N. Saidi,…..

Human capital is more mobile than fixed, physical capital and other forms of investment. Human capital can pick up and leave if economic, social, political or other conditions negatively affect the realised and anticipated rate of return on investment.

Faced with uncertain security, political, economic and social conditions and developments, the Lebanese have, accordingly, invested in themselves in the form of schooling, education and training. They have the highest educational attainment rates of the Arab region. Higher education institutions and universities like AUB were major centres and contributors: they were in many ways the "factories" of Lebanon, manufacturing human capital. Our universities and higher education institutions are Lebanon's capital goods industry. We were able to export our human capital, which we designed in response to the requirements of our export markets in the Arab countries, the Americas, Africa and beyond: doctors, engineers, lawyers and other professionals; our entrepreneurs and business people embodied and carried with them management, know-how, and new technology. The human capital possessed multi-lingual communication skills and was adaptable to market demand.

Openness and Economic Policy

Small countries (with a *caveat* for land-locked or distant islands) tend to be more open to the rest of the world. Small countries tend to be more specialized, more concentrated in terms of production. Limited size and extent of the domestic limits the potential of diversification in activity and production and limits the potential benefits from economies of scale. On the other hand, international trade provides the variety of goods required for consumption. This has been systematically true in Lebanon's case: imports plus exports of goods and services represent more than 60% of GNP. Historically, Lebanon has always been a trading nation, as befits its size and its geographical location.

Openness requires compatible, enabling laws and institutions, it requires flexible, non-restrictive economic policy and regulatory regimes. It is my thesis that Lebanon adopted a liberal economic policy regime out of necessity, as a Darwinian adaptation to its natural physical, geographic environment and lack of natural resources. Economic policy liberalism was –indeed remains- necessary for survival; it was not a grand, perspicacious choice of economic policy regime by political leaders and decision-makers.

A liberal non-protectionist foreign trade and commercial policy regime is not compatible with restrictions and controls on external payments. Lebanon has allowed and maintained freedom of payments on all transactions since its independence and exit from the French Franc zone.

Similarly, it has also been open to the movement of capital: Lebanon has always allowed the freedom of movement of capital and payments in and out of the country. It has pursued such liberal economic policies even in the most difficult of economic, security and political conditions. These policies have served Lebanon well. They have allowed us access to the international capital markets. Investors, domestic, Arab and foreign can freely move capital in and out of the country. Free capital markets and access to international markets allowed us to finance Lebanon's reconstruction since 1992.

Lebanon's banking and financial sector has evolved into a sound, well regulated, well-capitalised system. The payment system has been modernized and conforms to best international practice and standards. Since 1992, banking is the sector with the highest equity investment rate, with capital funds rising from about $200 million in 1992 to more than $3 billion in 2000. Capital adequacy is well above international standards. Prudential regulations and efficient banking control and supervision have reduced credit, interest rate and asset price risks. Lebanon has a banking system that conforms to the "Core Principles" advocated by the Bank for International Settlements.

Human Capital and Comparative Advantage

The relative abundance of human capital has also implied a comparative advantage of Lebanon in the sector of services: trade and marketing, tourism, banking and financial, contracting, health and hospital care, education, the media, various forms of consulting services (accounting, management, engineering) among others. Indeed, the structure and sources of production in Lebanon are characteristic of post-industrial, modern economies: services contribute about 70% of GDP, whereas industry and agriculture contribute about 18% and 12%, respectively. This production structure has been characteristic of the Lebanese economy since the 1960's, long before the evolution of the industrialized economies. There were some short-term changes and interruptions to this pattern of production during the war period, 1975-1990, when agriculture and industry experienced an increase in their share of output. This was a result of the decline in real wages pushing down costs in industry and leading to the adoption and continued use of labour intensive techniques of production in industry and agriculture. Similarly, wars and conflicts implied higher risks and lower expected real returns to investment. This led to lower investment in all sectors and lower productivity growth. In turn, the wars and conflicts led to population displacement, and increased poverty and urban insecurity, which led to a short-term revival of agriculture.

The relative lower cost of mobility of human capital allowed Lebanon to weather and adjust to economic, political and security shocks, whether domestic or foreign. In response to such disturbances, the Lebanese emigrated. Indeed, there were several, large emigration waves in the XIXth century and continuing during the periods following WWI and WWII, as well as during the recent 1975-1990 period of wars and conflict. Typically, the Lebanese emigrated to seek better opportunities abroad, searching for a higher return on their human capital, as well as to escape from perceived difficult political and social conditions and developments. The result is a spread of Lebanese émigrés, the Lebanese Diaspora, estimated at more than 12 million, spanning all continents: active, successful, entrepreneurial, dynamic groups that have integrated well in the economic, social, cultural and political dimensions, into their new habitats and communities.

The Lebanese émigré network should be extensively and intensively developed as Lebanon's exo-economy, its extended economy. In today's jargon, it should become a true network, ***Lebanon.net.com*** Already our émigré population, our human capital invested abroad, is a major factor in Lebanon's international trade; they represent the main source of remittances, capital inflows, "foreign" direct investment, and the major investors in our external debt issues, Eurobonds and our domestic debt and equity markets.

Prosperity, Destruction & Reconstruction: 1950-2000

How have Lebanon and its economy fared over the past fifty years? The accompanying graphs are worth a thousand words[2]. The first shows the evolution of estimates of real GDP over the period 1950-2000. The economy expanded at a relatively rapid pace during the period 1950 to 1975, with a trend growth rate of 5.5%. The openness of the economy and the reliance on freedom and a market-based economic system attracted capital –financial and human- fleeing from countries in the region, that were pursuing non-market, socialist, command-economy strategies during the 1950’s and 1960’s. Lebanon was –and continues to be- a safe haven for the Arab world.

It benefited as well, in the 1970’s from the oil price boom in the Arab world and the resulting boom in transfers from the rest-of-the world.

Even during this relatively prosperous period, domestic crises, external shocks and political developments affected economic outcomes. However, the dramatic change in economic fortunes resulted from the destruction and losses generated by the wars of the period 1975-1990, and, in particular, the series of persistent and deliberately destructive Israeli attacks and invasions in 1978, 1982, 1993, 1996, 1999, 2000, resulting in average negative growth rates of minus 2.8%.

Apart from the direct physical costs of some of the Israeli attacks (1982)–estimated at more than US$20 billion in 1993 prices-, and human losses (more than 120,000 killed and at least twice that number maimed and or physically handicapped, not to mention the larger number of mentally and psychologically handicapped), the *foregone output*, had the economy remained on its pre-war trend represents more than *50 times* 1993 real output.

To date, despite the costly investments undertaken in physical infrastructure, we have not recovered from the wars. Indeed, some estimates suggest that it may take us between 34 and 69 years to converge to three-quarters of our long-term real per capita income[3]. It will take steady real economic growth and development at high rates, sustained over several generations to make up for the damages of the wars and destruction! In this Lebanon’s experience would be similar to the historical experience of post-conflict situations, such as the South of the U.S.A. following the civil war.

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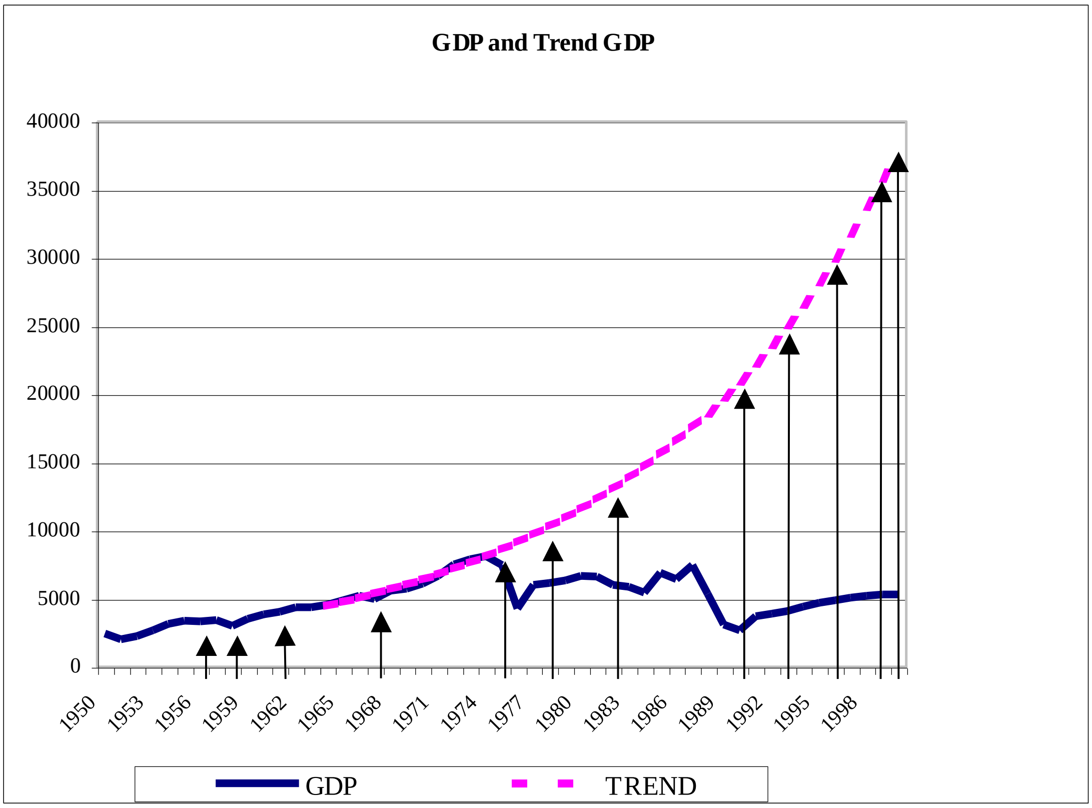
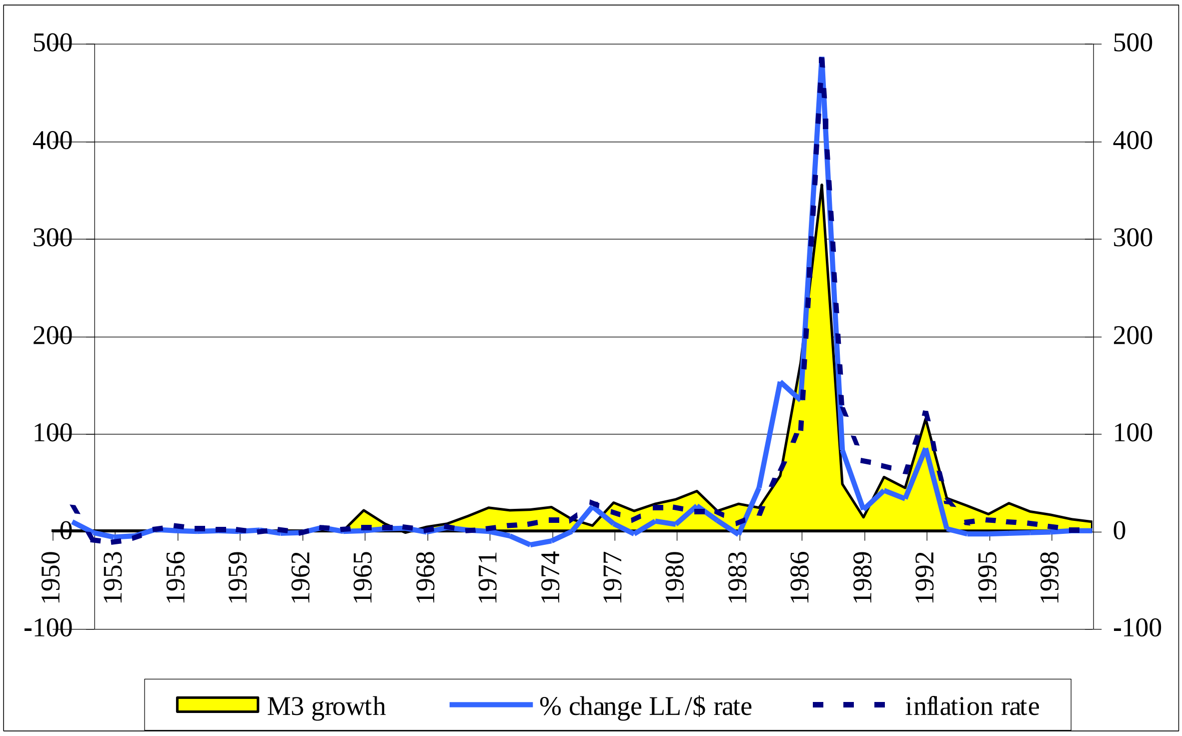
[2] The reader may want to refer to the papers in Eken, S. et. al. “*Economic Dislocation and Recovery in Lebanon*”, International Monetary Fund, Occasional Paper 120, Washington DC 1995; Eken, S. and T. Helbling, Eds. “*Back to the Future, Post-war Reconstruction and Stabilization in Lebanon*”, IMF Occasional Paper 176, and Saidi, N. “*Growth, Destruction and Reconstruction: Macroeconomic Essays on Lebanon*”, Lebanese Center for Policy Studies, Beirut 1999.

[3] See the discussion and estimates of convergence rates contained in S. Eken (1995), op. cit.



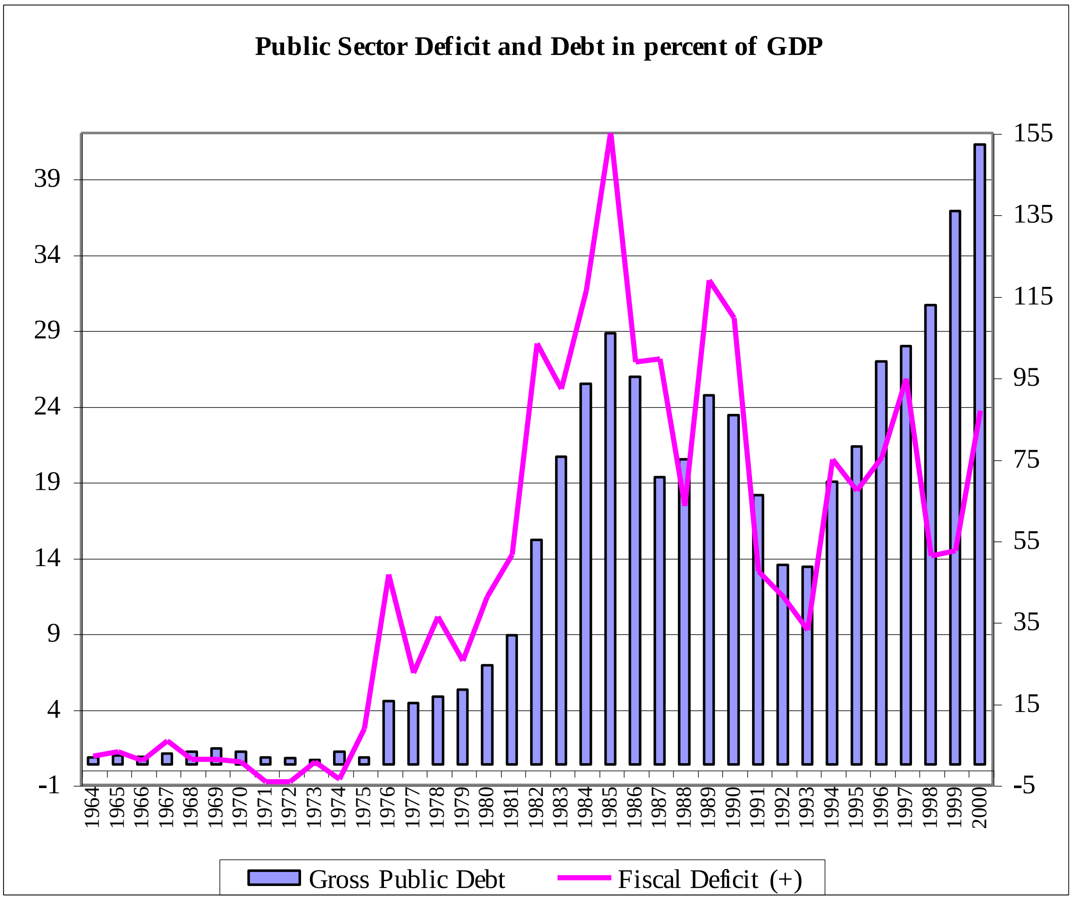
Such sustained growth and reconstruction requires internal cohesion and consensus, as well as an international aid and assistance package for Lebanon: a small "Marshall Plan" for Lebanon, funded by the Arab countries and the international community. In addition, there is the issue of compensation. Lebanon should seek compensation from Israel for the loss of human life, maiming, mental and physical handicapping and otherwise impairing human capital and the population, destruction of property and infrastructure, illegally and forcefully appropriating land and natural resources, including water. Further, compensation for damages is due in regard to the foregone output –as clearly illustrated above- as a result of Israel's attacks and invasions of Lebanon since 1978.

The second graph shows the close relationship between money growth, inflation and exchange rate changes. The pre-1975 period shows low and stable inflation, accompanying a stable exchange rate, and monetary expansion in line with real economic growth and an expanding banking and financial sector. Wars and conflict destroyed public finances, administration and the public sector. Large budget deficits and their monetary financing resulted in inflation and exchange rate depreciation – with two major episodes in 1985-87 and 1991-92.



Let me turn in more detail to the issue of public finances. Prior to the civil war, the Lebanese government played a relatively small role in overall economic activity and pursued conservative fiscal policies. Government expenditures represented less than 15% of GDP. The outbreak of war had a significant impact on the level and structure of public finances. Continued large fiscal deficits led to hyperinflation and exchange rate depreciations, while widening the government's role in the economy during and after the war. Since the ending of hostilities, in spite of the fiscal adjustment[4] that took place during the 1991-1992, the reconstruction needs coupled with a weak administrative capacity have led to a chronic public finance problem. Continued public deficits reaching a peak of 26% of GDP were financed mostly through the issuance of short-term Treasury bills held primarily by the banking sector. Consequently, the public debt increased to unsustainable levels, from 49% of GDP in 1992 to about 152% end 2000. I believe it's time to seriously and purposely tackle, not only the deficit issue, but also more importantly the problem of the stock of debt.

[4] The government was able to restore its authority over the territory and establish control over major sources of revenue such as customs from the ports of entry, representing more than 45% of revenues.



Public finance –or the lack of it- had a direct impact on monetary conditions. When the civil war erupted in 1975, a high degree of uncertainty dominated the political and economic environment. The immediate response of the private sector was a portfolio switch to liquid assets. The money supply started growing to finance the government deficit, leading to a sharp acceleration of inflation and to the depreciation of the Lebanese pound. Political and economic risks induced currency substitution and led to large-scale capital flight. Following the end of the conflict in 1990, an exchange rate-based nominal anchor policy was adopted in 1992 aiming at achieving a rapid disinflation. The restrictive monetary policy stance managed to reduce and stabilize the inflation rate from more than 120% in 1992 to 4% in 1995. Exchange rate stability and the resulting monetary stability have allowed Lebanon to attract substantial capital inflows, generating balance of payments surpluses despite continuous current account deficits, and resulting in an increase in international reserves of the Central Bank of Lebanon. However, the rising cost of capital, with high and rising real interest rates associated with the high public sector borrowing requirements have contributed to a "crowding-out" of private sector investments and eroded the international competitiveness of the Lebanese productive sectors. Following a spurt of growth over 1993-95, an economic slowdown has started in 1996 and pushed the economy into recession. Today, real economic growth is absent, inflation rate is nil, monetary growth is low, while financing needs are very high. It is difficult to underestimate the importance of getting the public finances house in order.

Planning a Future for our Children

Where do we go from here? How do we build a modern, democratic polity and society, a dynamic economy able to compete internationally in an increasingly globalised world economy? We need to maintain strategies and policies that have served us well, but rebuild our institutions and provide new infrastructure and frameworks. Market-based, competition enhancing solutions are required to meet the multiple challenges facing Lebanon at the start of this new millennium. The answer I believe is in ***@-lebanon***. The vision and strategy for recovery and growth rests on the following building blocks.

- **Rehabilitation of public finances**. Fiscal and tax reforms are required in a two-pronged strategy to: (a) reduce the size of the public and institute public debt management through the setting-up of a debt management agency, and (b) permanently reduce the government's budget deficit (on a consolidated basis). The first will require undertaking a wide-ranging privatisation programme, leading to a deep reappraisal of the role and functions of the State. The second will require a reduction of expenditures through a reduction in the bureaucracy, a rationalisation of expenditures and re-orientation towards capital spending, an increase in tax collection, a widening of the taxpayer base, as well as the introduction of broad-based taxes, such as VAT.[5] The reduction on a sustainable basis of the budget deficit, will lead to lower LL and on-shore foreign currency interest rates, and set in motion a virtuous cycle of lower budget deficits, lower interest rates, higher economic growth and a lower debt to GDP ratio. To reduce the budget deficit on a permanent and sustainable basis necessarily implies addressing the issue of the public debt. The two, of course, are intertwined. Unless you address the issue of the public debt and have a clear economic policy as to what you're going to do to the stock (the level of the public debt), you cannot address the issue of the flow (the budget deficit) on a sustainable basis. The reason is that given the size of the debt, debt service consumes close to 90% of government revenues.

- **Maintain an open economy** with free trade, unfettered payments and capital movements. The traditional openness of the Lebanese economy needs to be strengthened by entry into the World Trade Organization (WTO), active promotion of the Greater Arab Free Trade Area (GAFTA) and an Arab Common Market (ACM), and a Partnership Agreement with European Union. The strategic Partnership Agreement with the EU under negotiation for the past five years may be initialled by this summer. Effectively executed it promises to open new political, economic, social, and cultural horizons for Lebanon.[6] Entry into the WTO is now on course since Lebanon gained observer status in April 1999, and depending on the speed of negotiations and the passage of the required legislation could occur as early as 2003. Under the existing agreement, the GAFTA should be a reality by 2007, with a potential market in excess of 200 million. By 2002 a free trade area will be in place with Syria, creating an economic zone of some 20 million economic agents. As a result of the multilateral opening up, the Lebanese economy will be an attractive venue for investment.

[5] It is estimated that such a tax will generate income to government (revenue) to the tune of some 5% to 6% of GDP otherwise setting an example.
[6] See the discussion in N. Saidi…

- **Liberalize and deregulate the economy**, and allow markets to operate. This implies creating the framework for the private sector to participate in the provision of infrastructure and its services, and pursue the privatisation of public utilities and services: telecommunications, power, water, transport and communications are candidates. The **privatisation law** enacted in July 2000 provides an enabling framework for privatisation; we have to move into the implementation stage. This will have to be accompanied by the introduction of new regulatory structures and independent regulatory authorities to ensure a transparent, effective and accountable privatisation program. In addition, we need reform of our capital markets, through the enactment of the draft legislation setting up an independent capital market authority, and privatising the stock exchange. This should be part and parcel of the privatisation program, in order to ensure the democratic participation through ownership of privatised entities. Privatisation and capital market reform will force a fundamental review and transformation of the role of the state and its responsibilities. Fundamentally, free markets and economic freedom, civil liberties and personal and political freedom are inseparable and indivisible.

- **Invest massively and rapidly in Media, Information and Communication Technologies (MICT)**. This is not just a matter of bridging the "digital divide". MICT investments are critical so that Lebanon can become the region's provider and centre of ***ⓔ-services***. The form, content and delivery of the traditional services in which Lebanon has a revealed comparative advantage –banking and finance, entertainment and tourism, trade and marketing, health, education, the media and all forms of management and consulting – have to re-engineered so that they can be delivered digitally. Importantly, the new technologies, MICT, allow the cross-border delivery of services. As a result, the traditional distinction made between traded and non-traded goods and services is becoming less relevant both because of the large reduction in transport and communication costs, and due to new MIC technologies which allow international, cross-border delivery of digitised goods and services. This offers Lebanon the enormous opportunities offered by the markets of the Lebanese Diaspora as well as the Arab world. We have prepared for this by implementing the Law Protecting Intellectual Property in 1999, and a new Patents Law in 2000. Proposed legislation for recognising electronic and digital signatures and documents was approved in August 2000. Lebanon possesses the capacities, has access to the enabling technologies, has prepared the legal framework and is competitively well positioned to become

the ***ⓔ-services*** centre of the Middle East. Let us make ***ⓔ-services***, banking, payments, capital markets and financial services, call-centres, medical, distance learning, consulting services a national focus and priority.

- **Political and administrative reforms are a national priority**. We should adopt Amartya Sen's call for *Development as Freedom* as our national motto. Social and political freedom, individual freedom is both an objective and a means of development. A modern economic policy regime and the operation of competitive markets are not compatible with a social and political system that does not allow for competition. The issue here is to actively act against discrimination and de-confessionalise our political, administrative and social system. Constraints on individual freedom in the political domain, which lead to confessional *clientelism*, which prevent political competition, translate into constraints on economic freedom; they cannot form the future social and political framework for our children and future generations.

Political reform will ensure competition and lead to greater efficiency in the administration, which in turn, will improve policymaking. It will also draw the path toward economic stabilization, growth and development in all the regions of Lebanon.   We need to make a qualitative, quantum, technological jump in public administration to effect true administrative reform. The ***ⓔ-services*** revolution should also be applied to the provision of all government goods and services: we need to rapidly implement ***ⓔ -government.***[7] Government has to become an efficient provider of goods and services, delivered with transparency, by accountable officials and civil servants. I believe that ***ⓔ –government*** is the solution to administrative reform.

- We need to modernize and introduce new laws, institutions and regulations. Geography and location will no longer be as important as in the past. Countries will compete by the soundness of their institutions, by transparency in the enactment and application of laws by the legislative and judicial system, and by the flexibility of their laws and regulations. In particular, in the new “digital economy and society” property rights and their protection will play a determining role in the location and development of economic activities. I venture to forecast that quite likely, WIPO will become the most important of the world’s international organisations.

At this start of a new century and new millennium, we are entering a ‘brave new world’. I believe that we can enter that world and help fashion it, confident in our abilities. I believe that ***ⓔ-lebanon*** is our vision to make true for future generations and us. I believe that AUB has an important pro-active role to play in promoting and making ***ⓔ-lebanon*** a reality. The modern media, information and communication technologies, MICT, are now in the process of converging, transforming our societies, economies and political systems. AUB should spearhead the vast challenge to implement ***ⓔ-lebanon.*** How can this be done? Clearly, the curriculum in all faculties has to be reviewed, changed and modernised. New programmes will have to be introduced. Specifically, I call for the set-up of a National Institute for Media, Information and Communication Technology at AUB. I know that our AUB alumni and *lebanon.net.com* are willing and capable to make that a reality.
When next you are working on your PC, on a network, remember to click the *save Lebanon file!*

[7] See the discussion and papers included in N. Saidi, Ed**.**, ***e-government, Lebanon 2000,*** Beirut Lebanon, May 2001.

Macroeconomic Indicators (1991-2000)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Real Sector										
Nominal GDP (Mn$)	$4,452	$5,545	$7,535	$9,110	$11,119	$12,993	$14,868	$16,235	$16,445	$16,462
Real GDP Growth rate	38.2%	4.5%	7.0%	8.0%	6.5%	4.0%	4.0%	3.0%	1.0%	0.0%
Inflation rate	51.5%	120.0%	29.1%	8.0%	10.6%	8.9%	7.8%	4.5%	0.2%	0.0%
LL/US$ exchange rate (average)	928.2	1,712.8	1,741.3	1,679.7	1,620.9	1,570.9	1,538.9	1,515.9	1,507.9	1,507.5
LL/US$ exchange rate (end-of-period)	879.0	1,838.0	1,711.0	1,647.0	1,596.0	1,552.0	1,527.0	1,508.0	1,507.5	1,507.5
3-month TB Rate	17.47%	13.00%	17.22%	13.49%	16.01%	14.29%	13.09%	11.77%	11.18%	11.18%
3-month US Deposits Rate	5.89%	3.77%	3.25%	4.67%	5.62%	5.59%	5.62%	4.94%	6.13%	6.55%
Interest Rate Differential	11.58%	18.63%	15.02%	8.82%	10.39%	8.70%	7.47%	6.83%	5.05%	4.63%
External Sector										
Exports (Mn $)	$545	$564	$631	$739	$816	$1,020	$649	$716	$677	$714
Imports (Mn $)	$3,743	$4,202	$2,215	$2,598	$5,480	$7,540	$7,467	$7,070	$6,207	$6,228
Balance of Trade (Mn $)	($2,675)	($2,982)	($3,805)	($4,802)	($5,740)	($6,554)	($6,818)	($6,354)	($5,530)	($5,514)
Balance of Payments (Mn $)	$1,074	$54	$1,170	$1,131	$256	$786	$420	($488)	261	($289)
BDL International Reserves (Mn $)	$4,497	$4,524	$5,834	$7,385	$8,069	$9,307	$8,551	$9,089	$10,405	$8,420
BDL F.X. Reserves (Gross) (Mn $)	$1,237	$1,448	$2,230	$3,840	$4,487	$5,886	$5,932	$6,403	$7,596	$5,748
Net Foreign Assets (Mn $) (Banking system)	$6,957	$6,739	$8,724	$9,567	$9,892	$10,571	$10,269	$9,697	$9,767	$9,250
Import coverage (# of months)	4.0	4.1	12.1	17.7	9.8	9.4	9.5	10.9	14.7	7.4
Public Finance (end of period)										
Gross Domestic Public Debt (Bn LL)	2,230	4,178	5,804	9,348	11,997	17,229	19,787	21,686	25,567	27,161
External Public Debt (Mn US$)	$577	$257	$327	$772	$1,353	$1,908	$2,432	$4,177	$5,538	$7,030
Gross Debt (Mn US$)	$3,114	$2,530	$3,719	$6,447	$8,870	$13,009	$15,390	$18,558	$22,498	$25,047
External Public Debt to GDP ratio	13.0%	4.6%	4.3%	8.5%	12.2%	14.7%	16.2%	25.4%	33.7%	42.7%
Gross Debt to GDP ratio	69.9%	45.6%	49.4%	70.8%	79.8%	100.1%	102.7%	113.0%	136.8%	152.2%
Fiscal Operations										
Revenue (BnLL)	522	1,059	1,855	2,241	3,033	3,533	4,010	4,449	4,868	4,552
Expenditure (BnLL)	1,196	2,219	2,958	5,379	6,342	7,732	8,639	7,907	8,453	10,724
Primary Deficit (+) (BnLL)	469	642	319	1,650	1,444	1,516	1,189	131	-39	1,982
Overall Deficit (+) (BnLL)	674	1,160	1,103	3,138	3,309	4,199	4,629	3,457	3,586	6,172
Deficit as % of GDP	16.3%	12.2%	8.4%	20.5%	18.4%	20.6%	20.2%	14.0%	14.5%	24.9%
Deficit as % of Expenditure	56.3%	52.3%	37.3%	58.3%	52.2%	54.3%	53.6%	43.7%	42.4%	57.6%
Monetary Sector (end of period)										
M1= Currency+Demand Deposits (Bn LL)	689	1,199	1,143	1,437	1,561	1,753	1,929	2,052	2,261	2,389
M2=M1 + LL Time Deposits (Bn LL)	2,140	4,371	5,309	8,587	9,663	14,002	14,530	16,554	20,237	19,493
M3=M2 + Foreign Currency Deposits (Bn LL)	5,499	11,776	15,679	19,651	22,883	29,241	34,897	40,509	45,201	49,294
Foreign Currency Deposits (Mn $)	$3,822	$4,029	$5,723	$6,718	$8,283	$9,609	$13,124	$15,640	$16,560	$19,768
M1 growth	53.2%	74.0%	-4.7%	25.7%	8.6%	12.3%	10.1%	6.3%	10.2%	5.7%
M2 growth	69.2%	104.2%	21.5%	61.7%	12.5%	44.9%	3.8%	13.9%	22.2%	-3.7%
M3 growth	43.9%	114.1%	33.1%	25.3%	16.4%	27.8%	19.3%	16.1%	11.6%	9.1%
Commercial Banking Sector (end of period)										
Total assets (Bn LL)	6,798	14,634	18,685	24,285	29,055	37,183	45,633	55,031	60,971	67,888
Capital Base (Mn US$)	$168	$143	$260	$410	$718	$1,252	$1,958	$2,400	$2,666	$2,903
LL deposits	1,739	3,697	4,722	7,844	8,994	13,351	13,935	15,897	19,641	18,788
LL credits	364	531	672	1,018	1,278	1,623	1,987	2,074	2,474	2,889
Foreign currency deposits (Bn LL)	3,741	8,371	11,184	12,506	14,890	17,334	24,634	30,207	31,519	37,941
Foreign currency credits (Bn LL)	1,628	4,368	5,247	6,782	9,042	11,064	13,464	16,603	18,521	19,353
LL Liquidity ratio (credits/deposits)	20.9%	14.4%	14.2%	13.0%	14.2%	12.2%	14.3%	13.0%	12.6%	15.4%
FC Liquidity ratio	43.5%	52.2%	46.9%	54.2%	60.7%	63.8%	54.7%	55.0%	58.8%	51.0%
Foreign currency deposits/total deposits	68.3%	69.4%	70.3%	61.5%	62.3%	56.5%	63.9%	65.5%	61.6%	66.9%
Foreign currency credits/total credits	81.7%	89.2%	88.6%	86.9%	87.6%	87.2%	87.1%	88.9%	88.2%	87.0%

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