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SM/94/171
Correction 1

CONTAINS CONFIDENTIAL
INFORMATION

July 26, 1994

To: Members of the Executive Board
From: The Acting Secretary
Subject: Socialist People's Libyan Arab Jamahiriya - Staff Report
for the 1994 Article IV Consultation

The following corrections have been made in SM/94/171 (7/5/94):

Page 4, Table 2, column 1, stub "Central Bank": for "1,696" read "-1,696"

Page 22, under II, line 3, column 3: for "20.52" read "19.52"

column 5: for "15.82" read "16.83"

Page 23, column 1, under
"(In millions of U.S. dollars), line 6: for "2,547.6" read "-320.8"

line 7: for "1,698.1" read "-1,170.2"

Corrected pages are attached.

Att: (3)

Other Distribution:
Department Heads

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice. This not only helps in tracking expenses but also ensures compliance with tax regulations.

In the second section, the author outlines the various methods used for data collection and analysis. It includes a detailed description of the survey process, from identifying the target population to the distribution of questionnaires. The results of the survey are then presented in a clear and concise manner, highlighting the key findings.

The third part of the document focuses on the implementation of the proposed system. It details the steps involved in the development and testing of the software, from the initial requirements gathering to the final deployment. The author also discusses the challenges faced during the implementation process and how they were overcome.

Finally, the document concludes with a summary of the overall findings and recommendations. It reiterates the importance of the research and provides practical advice for future studies in this field. The author expresses hope that the findings will be useful to other researchers and practitioners alike.

The author would like to thank the following individuals for their support and assistance during the course of this research:

Table 1. Socialist People's Libyan Arab Jamahiriya: Selected Economic and Financial Indicators, 1990-94

| | 1990 | 1991 | 1992 | 1993 | Proj. 1994 |
|---|-------|--------|--------|--------|---------------|
| <u>(Annual percentage change, unless otherwise indicated)</u> | | | | | |
| Production and prices | | | | | |
| GDP at current prices | 12.1 | 13.1 | 1.3 | 5.6 | 6.0 |
| Non-oil GDP at constant prices ^{1/} | -1.0 | -3.6 | -1.0 | -3.2 | -5.0 |
| Oil production ^{2/} | 23.4 | 19.5 | -6.6 | -10.6 | 0.8 |
| Consumer prices: annual average | 8.6 | 11.7 | ... | ... | ... |
| External sector (in U.S. dollars) | | | | | |
| Exports, f.o.b. | 60.4 | -2.8 | -5.3 | -15.6 | -16.1 |
| Of which: oil | 63.2 | -4.8 | -8.7 | -17.2 | -10.3 |
| Imports, f.o.b. | 22.5 | 9.4 | -6.2 | 9.6 | -19.0 |
| Exports, volume | 27.3 | 12.7 | -3.6 | -4.6 | -2.7 |
| Of which: oil | 28.6 | 12.6 | -7.2 | -5.8 | 4.1 |
| Imports, volume | 17.8 | 7.7 | -10.7 | -0.3 | -25.0 |
| Terms of trade (deterioration -) ^{3/} | 21.1 | -16.0 | -6.5 | -19.6 | -18.1 |
| Nominal effective exchange rate | -3.8 | 4.7 | -1.8 | 6.7 | ... |
| General government budget ^{4/} | | | | | |
| Total revenue | 17.6 | 19.6 | -23.7 | -4.1 | -7.6 |
| Oil | 43.8 | 11.9 | -43.2 | -15.6 | 0.9 |
| Non-oil | -14.9 | 35.9 | 9.8 | 6.2 | -4.1 |
| Total expenditure | -10.6 | 14.8 | -8.6 | 9.0 | 2.7 |
| Current | -7.7 | 11.4 | -8.1 | 8.5 | 0.9 |
| Capital ^{5/} | -18.6 | 23.9 | -9.8 | 10.2 | 6.9 |
| Money and credit | | | | | |
| Net domestic assets ^{6/} | 12.5 | -2.9 | 6.9 | 13.1 | ... |
| Net credit to government ^{6/} | 6.3 | 2.6 | 8.9 | 2.1 | ... |
| Credit to other sectors ^{6/} | 4.4 | 1.7 | 2.7 | 4.1 | ... |
| Money and quasi-money (M2) | 20.3 | -1.9 | 14.5 | 5.2 | ... |
| Velocity (M2/GDP) | 1.6 | 1.8 | 1.6 | 1.6 | ... |
| Interest rate on Central Bank advances ^{7/} | 5.0 | 5.0 | 5.0 | 5.0 | ... |
| Deposit rate (1 year deposits) ^{7/} | 6.0 | 6.0 | 6.0 | 6.0 | ... |
| <u>(In percent of GDP)</u> | | | | | |
| General government budget ^{4/} | | | | | |
| Revenue | 30.2 | 32.0 | 24.1 | 21.9 | 19.1 |
| Expenditure | 26.6 | 27.1 | 24.4 | 25.2 | 24.4 |
| Overall position | 3.6 | 4.9 | -0.3 | -3.3 | -5.3 |
| Bank financing | 3.6 | 3.1 | 2.7 | 1.2 | 2.2 |
| External current account | 5.5 | -- | 2.9 | -3.7 | -2.9 |
| <u>(In million of U.S. dollars)</u> | | | | | |
| Overall balance of payments | 1,694 | 250 | 1,038 | -2,066 | ... |
| Gross official reserves (end-period) | 5,974 | 5,932 | 6,234 | 3,915 | ... |
| (in months of imports) | 9.0 | 8.2 | 10.2 | 5.7 | ... |
| <u>(In millions of Libyan dinars)</u> | | | | | |
| GDP at current prices | 9,734 | 11,007 | 11,144 | 11,771 | 12,482 |

Sources: Libyan authorities; and Fund staff estimates and projections.

^{1/} Preliminary staff estimates and projections.

^{2/} Million barrels per day.

^{3/} Preliminary staff estimates and projections.

^{4/} Data for years 1990, 1991, and 1992 are those for the fiscal years 1990/91, 1991/92, and 1992/93 respectively, which cover the period April 1-March 31.

^{5/} Including GMR.

^{6/} In percent of beginning period broad money.

^{7/} Percent per annum; end of year.

Table 2. Socialist People's Libyan Arab Jamahiriya: Balance of Payments, 1990-94

(In millions of U.S. dollars)

| | 1990 | 1991 | Prel. 1992 | Prel. 1993 | Proj. 1994 ^{1/} |
|---|--------|--------|----------------------|----------------------|-----------------------------|
| Trade account | 3,570 | 2,438 | 2,381 | 46 | 282 |
| Exports (f.o.b.) | 11,155 | 10,733 | 10,160 | 8,572 | 7,188 |
| Oil sector ^{2/} | 10,731 | 10,217 | 9,332 | 7,723 | 6,926 |
| Other exports | 424 | 515 | 827 | 849 | 263 |
| Imports (f.o.b.) | -7,585 | -8,295 | -7,778 ^{3/} | -8,527 ^{3/} | -6,906 |
| Services and transfers (net) | -1,665 | -2,456 | -1,236 | -1,450 | -1,426 |
| Receipts | 784 | 753 | 880 | 633 | 333 |
| Investment income | 667 | 653 | 774 | 545 | 260 |
| Other | 117 | 99 | 107 | 88 | 74 |
| Payments | -2,449 | -3,208 | -2,166 | -2,083 | -1,759 |
| Oil sector services and transfers | -435 | -614 | -616 | -625 | -612 |
| Freight and insurance | -378 | -442 | -387 | -420 | -340 |
| Travel and transportation | -508 | -904 | -176 | -160 | -128 |
| Other government services | -456 | -463 | -457 | -446 | -288 |
| Remittances of foreign workers | -492 | -570 | -337 | -288 | -279 |
| Other | -180 | -214 | -144 | -144 | -112 |
| Current account balance | 1,905 | -18 | 1,145 | -1,405 | -1,144 |
| Capital account balance (net) (including official transfers) | -618 | 55 | 332 | 40 | ... |
| Oil sector | 159 | 93 | 102 | 113 | ... |
| Other private | -22 | -35 | 143 | 98 | ... |
| Official transfers and capital | -755 | -4 | 87 | -171 | ... |
| Official transfers/grants | -35 | -89 | -106 ^{4/} | -96 | ... |
| Foreign investment banks ^{5/} | -715 | 85 | -102 | 297 | ... |
| Other loans extended | -5 | 1 | 2 | 2 | ... |
| Other | -- | -- | 291 | -373 ^{6/} | ... |
| Errors and omissions | 118 | 176 | 154 | -391 | ... |
| Counterpart to valuation adjustment ^{7/} | 289 | 37 | -593 | -311 | ... |
| Overall balance | 1,694 | 250 | 1,038 | -2,066 | ... |
| Reserve movements (assets increase-) | -1,694 | -250 | -1,038 | 2,066 | ... |
| Central Bank | -1,696 | -345 | -450 | 2,551 | ... |
| Commercial banks | 2 | 95 | -588 | -484 | ... |
| Memorandum items: | | | | | |
| US\$/LD (end of period) | 3.7055 | 3.7258 | 3.319 | 3.0768 | ... |
| US\$/LD (period average) | 3.5363 | 3.5649 | 3.515 | 3.2048 | ... |
| Import to GDP ratio (in percent) | 22.0 | 21.1 | 19.9 | 22.6 | 17.3 |
| Current account balance to GDP (in percent) | 5.5 | -- | 2.9 | -3.7 | -2.9 |
| Gross official reserves (in months of imports) | 9.0 | 8.2 | 10.2 | 5.7 | ... |

Sources: Central Bank of Libya; and staff estimates.

^{1/} Projections for 1994 are those of the authorities, adjusted for oil export prices in line with the June 1993 WEO oil price projections.

^{2/} Includes estimates for gas exports from 1991 onwards.

^{3/} Includes estimates of unrecorded trade with neighboring countries. The counter-entry is in "Other exports" and "Other private capital".

^{4/} Includes grants for earthquake relief to an Arab country and other grants.

^{5/} Libyan Arab Foreign Bank (LAFB) and Libyan Arab Foreign Investment Company (LAFIC). For LAFB, data are on fiscal year basis in 1991-93.

^{6/} Including an outflow of US\$417 million prepayment of imports.

^{7/} Differences between changes in reserves valued at end-period exchange rate and balance of payments data converted from Libyan dinars using period average exchange rate.

V. Proposed Decision

The following draft decision is proposed for adoption by the Executive Board:

1. The Fund takes this Decision relating to exchange measures of the Socialist People's Libyan Arab Jamahiriya subject to Article VIII, Sections 2(a) and 3, and in concluding the 1994 Article XIV consultation with the Socialist People's Libyan Arab Jamahiriya, in light of the 1994 Article IV consultation with the Socialist People's Libyan Arab Jamahiriya conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance Over Exchange Rate Policies).

2. The Socialist People's Libyan Arab Jamahiriya continues to maintain restrictions on the making of payments and transfers for current international transactions in accordance with Article XIV, except for the multiple currency practices and exchange restrictions as described in SM/94/171, that are subject to Fund approval under Article VIII, Sections 2(a) and 3. Libya also retains a bilateral payment arrangement with a Fund member that involves features subject to Fund approval under Article VIII. The Fund urges the authorities to liberalize the exchange system and to eliminate the exchange restrictions and the multiple currency practices as soon as possible.

Libya -- Basic Data

I. Social and Demographic Indicators 1/

| <u>Area</u> | <u>Population</u> | <u>Density</u> |
|--|--|--|
| 1.76 million square kilometers | 4.9 million (1992) Rate of growth (percent): 3.5 | 2.8 per sq km |
| <u>GDP per capita (1992)</u> | US\$8,048 | |
| <u>Population characteristics (1992)</u> | | <u>Energy consumption (1992)</u> |
| Life expectancy at birth | 63 years | Energy consumption per capita (kg of oil equivalent) |
| Infant mortality (per thousand) | 68 | 2,164 |
| Child death rate (per thousand) | 83 | |
| <u>Health (1992)</u> | | <u>Education (1984)</u> |
| Population per physician | 743 | Primary and intermediate school enrollment (in percent of age group) |
| Population per hospital bed | 244 | 66 |

II. Economic and Financial Indicators

| | <u>1989</u> | <u>1990</u> | <u>1991</u> | <u>1992</u> | <u>1993</u> | <u>Proj. 1994</u> |
|--|----------------|-------------|-------------|-------------|-------------|-----------------------|
| Oil sector | | | | | | |
| Crude production (mbd) 2/ | 1.13 | 1.39 | 1.65 | 1.55 | 1.39 | 1.40 |
| Oil exports (US\$ billions) | 6.58 | 10.73 | 10.22 | 9.33 | 7.72 | 6.93 |
| Average sale price of crude oil (US\$ per barrel) | 18.32 | 23.25 | 19.52 | 19.27 | 16.83 | 14.50 |
| | (In percent) | | | | | |
| Ratios to GDP (at current market prices) | | | | | | |
| Total government revenue | 28.8 | 30.2 | 32.0 | 24.1 | 21.9 | 19.1 |
| Total government expenditure | 33.5 | 26.6 | 27.1 | 24.4 | 25.2 | 24.4 |
| Fiscal position | -4.7 | 3.6 | 4.9 | -0.3 | -3.3 | -5.3 |
| Money and quasi-money | 58.9 | 63.2 | 54.8 | 62.0 | 61.8 | ... |
| Exports, f.o.b. | 24.0 | 32.4 | 27.4 | 25.9 | 22.7 | 18.0 |
| Imports, f.o.b. | 21.4 | 22.0 | 21.1 | 19.9 | 22.6 | 17.3 |
| Current account balance | 3.5 | 5.5 | -- | 2.9 | -3.7 | -2.9 |
| | (In thousands) | | | | | |
| Employment | 995.2 | 1,018.6 | 1,012.5 | 1,044.9 | ... | ... |
| Nationals | 842.5 | 879.4 | 927.2 | 967.9 | ... | ... |
| Expatriate labor | 152.7 | 139.2 | 85.3 | 77.0 | ... | ... |

APPENDIX I

Libya -- Basic Data (concluded)

| | 1989 | 1990 | 1991 | 1992 | 1993 | Proj. 1994 |
|---|----------|----------|----------|----------|----------|---------------|
| <u>(In millions of Libyan dinars)</u> | | | | | | |
| Public finance ^{3/} | | | | | | |
| Total revenue | 2,503 | 2,944 | 3,522 | 2,686 | 2,577 | 2,382 |
| Total expenditures | 2,912 | 2,594 | 2,978 | 2,722 | 2,967 | 3,046 |
| Current | 2,050 | 1,892 | 2,108 | 1,937 | 2,102 | 2,120 |
| Capital ^{4/} | 862 | 702 | 870 | 785 | 865 | 925 |
| Overall position | -408 | 350 | 544 | -36 | -390 | -663 |
| <u>(In millions of Libyan dinars)</u> | | | | | | |
| Money and credit (changes during period) | | | | | | |
| Money and quasi-money | 266.0 | 1040.4 | -119.9 | 877.8 | 361.1 | ... |
| Foreign assets (net) | -315.5 | 397.8 | 60.8 | 464.1 | -537.7 | ... |
| Domestic assets (net) | 581.5 | 642.5 | -180.7 | 413.8 | 898.8 | ... |
| Claims on | | | | | | |
| Treasury (net) | 451.4 | 324.0 | 160.1 | 534.7 | 144.2 | ... |
| Claims on other sectors | 151.9 | 227.5 | 103.4 | 163.2 | 280.6 | ... |
| Other items (net) | -21.8 | 91.0 | -444.2 | -284.2 | 474.0 | ... |
| <u>(Annual change in percent)</u> | | | | | | |
| Money and quasi-money | 5.5 | 20.3 | -1.9 | 14.5 | 5.2 | ... |
| <u>(In millions of U.S. dollars)</u> | | | | | | |
| Balance of payments | | | | | | |
| Current account | | | | | | |
| balance | -1,011.4 | 1,905.0 | -18.2 | 1,144.8 | -1,404.7 | -1,144.0 |
| Exports, f.o.b. | 6,955.6 | 11,155.4 | 10,732.5 | 10,159.5 | 8,572.2 | 7,188.0 |
| Imports, f.o.b. | -6,190.2 | -7,585.4 | -8,294.8 | -7,778.4 | -8,526.7 | -6,906.0 |
| Services and private transfers (net) | -1,776.8 | -1,664.9 | -2,455.9 | -1,236.2 | -1,450.2 | -1,426.0 |
| Capital and official transfers (net) | 162.0 | -617.8 | 55.3 | 331.8 | 39.7 | ... |
| Errors and omissions (net) ^{5/} | -320.8 | 346.7 | 212.9 | -444.9 | -701.2 | ... |
| Overall balance | -1,170.2 | 1,693.9 | 249.9 | 1,037.8 | -2,066.2 | ... |
| Net external assets | | | | | | |
| (end of period) | 2,661.3 | 4,355.1 | 4,605.1 | 5,642.9 | 3,576.7 | ... |
| Central Bank of Libya | 3,390.0 | 5,085.9 | 5,430.6 | 5,880.5 | 3,330.0 | ... |
| Commercial banks | -728.7 | -730.7 | -825.5 | -237.6 | 246.7 | ... |

Source: Data provided by the Libyan authorities; and Fund staff estimates and projections.

^{1/} Based on World Bank, Social Indicators of Development, 1993.

^{2/} Million barrels per day.

^{3/} The fiscal years 1989/90-1992/93 cover the period April 1 - March 31. The 1994 fiscal year is on a calendar year basis, while figures for 1993 are annualized on the basis of developments during the last nine months of 1993.

^{4/} Includes GMR.

^{5/} Includes counterpart to valuation adjustment.

Libya--Fund Relations

(As of May 31, 1994)

I. Membership Status

Date of membership September 17, 1958

Status Article XIV

A. Financial Relations

II. General Department (General Resources Account)

Quota SDR 817.6 million

Total Fund holdings
of Libyan dinars SDR 498.8 million, equivalent
to 61.0 percent of quota

Reserve position
in the Fund SDR 319.0 million, equivalent
to 39.0 percent of quota

III. SDR Department

Net cumulative
allocation SDR 58.8 million

Holdings SDR 308.5 million, equivalent
to 524.9 percent of net
cumulative allocation

IV. Outstanding Purchases and Loans None

V. Financial Arrangements None

VI. Projected Obligations to Fund None