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SM/99/34  
Correction 1

CONTAINS CONFIDENTIAL  
INFORMATION

February 19, 1999

To:            Members of the Executive Board

From:         The Secretary

Subject:      **Socialist People's Libyan Arab Jamahiriya—Staff Report for the 1998  
Article IV Consultation**

The following corrections have been made in SM/99/34 (2/10/99):

**Page 26, Box 5, Table:** revised

**Page 29, under (Change in percent; unless otherwise indicated),  
line 6:** revised stub heading and data

**last row:** revised stub heading

**Page 30:** Deleted footnotes 4 and 5 and renumbered subsequent footnotes.

Corrected pages are attached.

Att: (3)

Other Distribution:  
Department Heads

44. Turning to statistical issues, **while some progress has been made since the last consultation in improving the monetary and balance of payments data, significant weaknesses remain in the national accounts, prices and fiscal data.** The staff, therefore, encourages the authorities to move quickly to implement the statistics development plan proposed by the February 1998 STA mission.

45. Libya continues, under Article XIV, to maintain restrictions on payments and transfers for current international transactions, and also continues to maintain exchange and payment restrictions subject to Fund approval under Article VIII. In the absence of specific measures to eliminate the restrictions and multiple currency practices in a timely manner, the staff does not recommend that the Executive Board grant approval for retention of the exchange practices under Article VIII. The staff urges the authorities to eliminate these restrictions as soon as possible and to accept the obligations of Article VIII (see Appendix I, Section VIII for details).

46. The staff believes that Libya would benefit from a closer policy dialogue with the Fund, and urges the authorities to consider moving to a 12-month consultation cycle. If the authorities' acceptance of this proposal is not forthcoming, Libya would remain on the 24-month cycle.

### Box 5. Social and Demographic Indicators

Libya's human development index is one of the highest among Middle Eastern and North African economies. Literacy rates are higher than that recorded in neighboring countries, and health indicators, while deteriorating in the past few years, are still better than few countries in the region. Estimates for 1996 indicate that illiteracy was around 24 percent for adults aged over 15. Education is officially compulsory between the ages of 6 and 15. The education system, however, has failed to supply sufficient professionals, necessitating the recruitment of teachers, doctors and scientists from abroad. The state still provides free health care for all citizens. However, as economic conditions have worsened, the first moves have been made to introduce nominal charges for basic health care. According to the Human Development Report, published by the UN Development Program (UNDP), the infant mortality rate is 50 per 1000 live births for children under one year. In Algeria the equivalent figure is 34, in Tunisia 28, and in Morocco 64. In Libya 76 percent of births are attended by medical personnel, compared with 69 percent in Tunisia. Libya's immunization record is also good: the UNDP reports that 91 percent of children are vaccinated against tuberculosis and against measles.

	<u>Libya</u>	<u>Iran</u>	<u>Algeria</u>	<u>Morocco</u>	<u>Tunisia</u>	<u>Saudi Arabia</u>
Area (in 1000 km <sup>2</sup> ) 1/	1,759	1,648	2,382	1,140	164	2,150
Population in million (1996) 2/	5.6	61.1	28.6	27.6	9.1	18.8
GDP per capita (PPP US\$ 1995) 3/	6,026	5,480	5,618	3,477	5,261	6,091
<b>Human Development Index (1995) 3/</b>	<b>0.806</b>	<b>0.758</b>	<b>0.746</b>	<b>0.557</b>	<b>0.744</b>	<b>0.778</b>
Combined 1st, 2nd, & 3rd level school enrolment ratio (1995) 3/	90	67	66	48	69	57
Adult literacy rate (1995) (in percent of population aged 15 and over) 3/	76	69	62	44	67	63
Life expectancy at birth (1995) 3/	64	68	68	66	69	71
Infant mortality rate (1996) (per 1,000 live births) 3/	50	33	34	64	28	25

1/ World Bank, World Development Report, 1998/89. 2/ IMF, International Financial Statistics. 3/ UNDP, Human Development Report, 1998. The human development index is measured by life expectancy, educational attainment (adult literacy and combined primary, secondary and tertiary enrollment) and adjusted income per capita in U.S. dollars using purchasing power parities (PPP) instead of exchange rates as conversion factors.

Table 1. Libya: Selected Economic and Financial Indicators, 1993-99

	1993	1994	1995	1996	Est. 1997	Est. 1998	Proj. 1999
(Annual percent change; unless otherwise indicated)							
<b>Output and prices</b>							
Real GDP	-4.6	-2.2	-1.6	1.2	1.3	-3.0	-2.8
Oil GDP (change in volume)	-10.6	0.4	0.4	-0.6	0.3	-1.8	-1.5
Non-oil GDP	-2.1	-3.1	-2.2	1.7	1.6	-3.4	-3.1
Oil production (mb/d)	1.39	1.39	1.40	1.39	1.40	1.37	1.35
Average crude oil prices (US\$/barrel)	16.8	15.3	17.1	20.3	19.3	12.9	12.1
Consumer price index 1/	11.0	14.0	11.0	13.0	8.0	7.0	12.0
<b>Investment and consumption</b>							
Gross investment	12.5	11.7	11.8	13.0	11.9	10.8	10.0
Consumption	92.7	89.6	83.7	83.2	85.3	94.0	95.8
Saving-investment gap	-5.2	-1.3	4.5	3.8	2.8	-4.8	-5.8
(In percent of GDP)							
<b>Fiscal developments</b>							
Revenue	26.7	26.2	29.5	34.1	32.7	25.5	25.8
Oil	11.1	13.9	17.1	21.2	20.9	12.9	13.5
Non-oil	15.6	12.3	12.4	12.9	11.8	12.6	12.3
Expenditure	30.7	29.4	31.1	33.3	36.0	32.0	31.6
Development expenditure	9.0	7.6	6.3	7.8	7.6	5.6	6.4
Overall position (deficit -)	-4.0	-3.2	-1.6	0.8	-3.3	-6.5	-5.8
(Change in percent; unless otherwise indicated)							
<b>Monetary developments</b>							
Money and quasi-money	5.2	8.5	6.0	10.2	3.5	2.4	7.9
Net credit to the government 2/	6.4	6.6	-9.1	-2.8	-3.7	8.2	9.7
Credit to other sectors 2/	2.6	1.3	9.7	-4.7	1.6	0.5	7.0
Velocity GDP/M2	1.4	1.33	1.34	1.36	1.44	1.51	1.54
Maximum lending rate (in percent)	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Deposit rate (1 year deposits, in percent)	6.0	6.0	5.5	5.5	5.5	5.5	5.5
(In billions of U.S. dollars; unless otherwise indicated)							
<b>Balance of payments</b>							
Exports	8.6	8.4	9.0	9.7	9.9	6.6	6.2
Oil	7.6	7.2	7.8	9.1	9.1	6.0	5.6
Imports	-8.5	-7.4	-6.4	-7.2	-7.2	-7.0	-6.8
Current account balance	-1.4	-0.2	1.7	1.55	1.6	-1.4	-1.5
(As percent of GDP)	-4.3	-0.7	5.2	4.4	3.8	-3.9	-4.8
Overall balance (deficit -)	-1.7	0.4	2.0	1.6	1.3	-1.6	-1.5
Gross official reserves	2.7	4.1	5.8	6.3	6.2	4.7	3.2
(In months of imports)	3.4	5.9	9.7	9.3	9.1	7.2	5.2
<b>Exchange rate</b>							
Official exchange rate (LD/US\$, end of period)	0.33	0.36	0.35	0.37	0.39	0.46	...
Official exchange rate (LD/US\$, period average)	0.31	0.32	0.35	0.36	0.38	0.42	...
Indicative parallel rate (LD/US\$)	2.00	2.60	3.00	3.20	3.15	3.15	...
Indicative parallel rate/official rate	6.56	8.13	8.67	8.94	8.22	7.46	...

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

1/ Estimates by the Libyan Census and Statistics Department and Fund staff estimates and projections.

2/ In percent of beginning period broad money.

Table 2. Libya: Consolidated Summary of Fiscal Operations, 1993-99

	1993	1994	1995	1996	Est. 1997	Est. 1998	Budget 1999	Staff Proj. 1999
(In millions of Libyan dinars)								
Revenues	2,577	2,665	3,334	4,474	4,667	3,715	4,606	4,058
Oil 1/	1,069	1,411	1,934	2,778	2,981	1,883	2,668	2,120
Non-oil 2/	1,507	1,255	1,400	1,696	1,686	1,832	1,938	1,938
Tax revenues	732	822	838	888	881	952	1,058	1,058
Nontax	620	298	325	592	521	570	574	574
GMR	155	135	237	235	394	360	356	356
Consolidation 3/	...	...	...	-20	-110	-50	-50	-50
Expenditure	2,967	2,993	3,508	4,365	5,138	4,662	5,260	4,979
Current	2,102	2,218	2,794	3,341	4,056	3,846	3,969	3,969
Administrative	1,699	1,769	2,304	2,724	3,319	3,190	3,283	3,283
Wages and salaries	1,325	1,342	1,335	1,553	2,062	1,914	1,978	1,978
Goods and services 1/	374	427	575	780	852	832	810	810
Interest payments	341	389	394	392	405	443	495	495
Supplementary	403	449	490	617	737	657	686	686
Food subsidies (net)	41	37	98	144	160	117	130	130
Other	363	412	392	473	577	540	556	556
Development	865	775	714	1,025	1,082	816	1,290	1,010
Overall position	-390	-328	-174	109	-471	-947	-653	-921
Financing	390	328	174	-109	471	947	535	921
Banking system (net)	442	481	-4	-272	376	758	535	921
Nonbank 4/	-51	-153	177	163	95	189	...	...
(In percent of GDP)								
Revenues	26.7	26.2	29.5	34.1	32.7	25.5	29.3	25.8
Oil	11.1	13.9	17.1	21.2	20.9	12.9	17.0	13.5
Non-oil	15.6	12.3	12.4	12.9	11.8	12.6	12.3	12.3
Expenditures	30.7	29.4	31.1	33.3	36.0	32.0	33.4	31.6
Wages and salaries	13.7	13.2	11.8	11.8	14.4	13.1	12.6	12.6
Development	9.0	7.6	6.3	7.8	7.6	5.6	8.2	6.4
Overall position	-4.0	-3.2	-1.5	0.8	-3.3	-6.5	-4.2	-5.9
Memorandum items:								
Domestic debt in percent of GDP 5/	70.5	76.4	69.9	59.8	56.8	60.8	56.3	62.2
Nominal GDP	9,667	10,185	11,285	13,111	14,277	14,583	15,734	15,734
Crude oil prices (US\$/barrel)	16.8	15.3	17.1	20.3	19.3	12.9	14.0	12.1

Sources: Budget laws; budget execution reports; Secretariat of Finance; and Fund staff estimates.

1/ Net of the National Oil Company revenues and expenditures.

2/ Excludes Jihad fund. Excluded also taxes on government wage bill.

3/ Eliminates double counting from the consolidation of the treasury and GMR accounts.

4/ Includes residual financing items.

5/ Debt to domestic banking system.