



# Executive Summary

Lebanon is reeling from a compound balance-sheet crisis that the World Bank

KDV GHVFULEHG DV WKH FRXQWU\·V ZRUVW VLOFH  
GLVDVWHU ZDV SUHFLSLWDWHG E\ WKH AQDO EUH  
VFKHPH LQ ZKLFK SROLWLFDO HOLWHV HQULFKH  
FRXQWU\·V EDQNLQJ V\ VWHP ZKLOH QHJOHFWLQJ  
EUHDNGRZQ LQ SXEOLF WUXVW LQ WKH JRYHUQPH  
WKH SROLWLFDO XSKHDYDO RI WKH 2FWREHU  
FDOOHG IRU WKH UHSODFHPHQW RI SROLWLFDO O  
FRXQWU\ DQG ORFNGRZQV SUHFLSLWDWHG D UHF  
/HEDQRQ·V SROLWLFDO HFRQRP\ ZDV YLROHQWO\  
SRUW H[SORVLRQ DV DXWKRULWLHV DEGLFDWHG  
WKLW FULWLFDO HFRQRPLF OLIHOLQH

1RZ ZLWK HYHU\ PRQWK RI LQDFWLRQ DQG SROLV  
RI SD\PHQWV AQDQFLDO FXUUHQF\ DQG HFRQR  
/HEDQRQ·V GHYHORSPHQW DQG HUDVH JDLQV LQ  
7KLV GLUH HFRQRPLF VLWXDWLRQ ZLOO WDNH GH  
**SHUFHQW** RI WKH SRSXODWLRQ DOUHDG\ LQ SRYH  
KDV VN\URFNHWHG WR **SHUFHQW** :RPHQ·V ODE  
GLVPDO **SHUFHQW** DQG LV H[SHFWHG WR GHFU  
\RXWK DUH ÁHHLQJ WKH FRXQWU\ FROWULEXWLO  
ZLOO FDXVH SHUPDQHQW GDPDJH WR WKH FRXQW  
HFRQRPLF ZRHV LV \HW DQRWKHU GHPRJUDSKLF F  
FDSLWD UHIXJHH SRSXODWLRQ ZRUOGZLGH ,Q M)  
PHPEHUV RI WKH ZHOO FROQHFWHG HOLWHV ZHUH  
EDQNV DQG VHQG WKHP DEURDG DV FDSLWDO ÁLJ  
IDFWR IUR]HQ LQ

,Q WKLW UHSRUW WKH FR DXWKRUV \$HPSORWH WK  
D JHQHUDO EDFNGURS RI ZHDN LQVWLWXWLRQDO  
the authors argue that any reform program for Lebanon should be simple,  
WUDQVSDUHQW DQG PRVW LPSRUWDQWO\ PDQDJ  
\$GYRFDWLQJ D FRPELQDWLRQ RI PHDVXUHV WKH  
WR VWRS WKH AQDQFLDO KHPRUUKDJLQJ RI WKH  
HPEDUNLQJ RQ D JUDGXDO MRXUQH\ WRZDUG VWU  
,Q WKH KHDW RI WKH SUHVHQW FULVLV /HEDQRQ  
HFRQRP\ DZD\ IURP WKH GRPLQDQW AQDQFLDO V

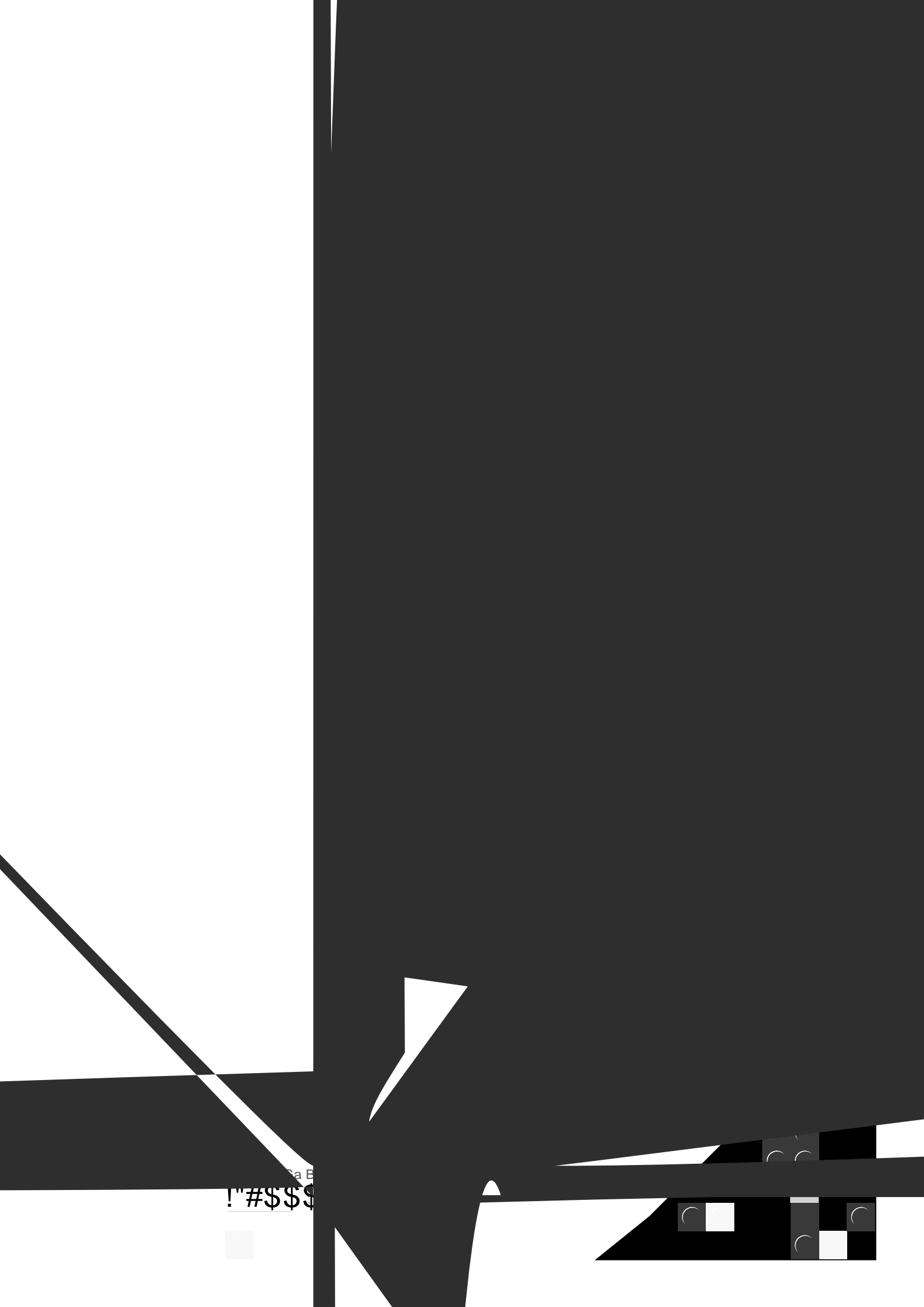




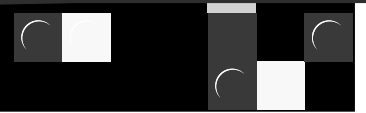


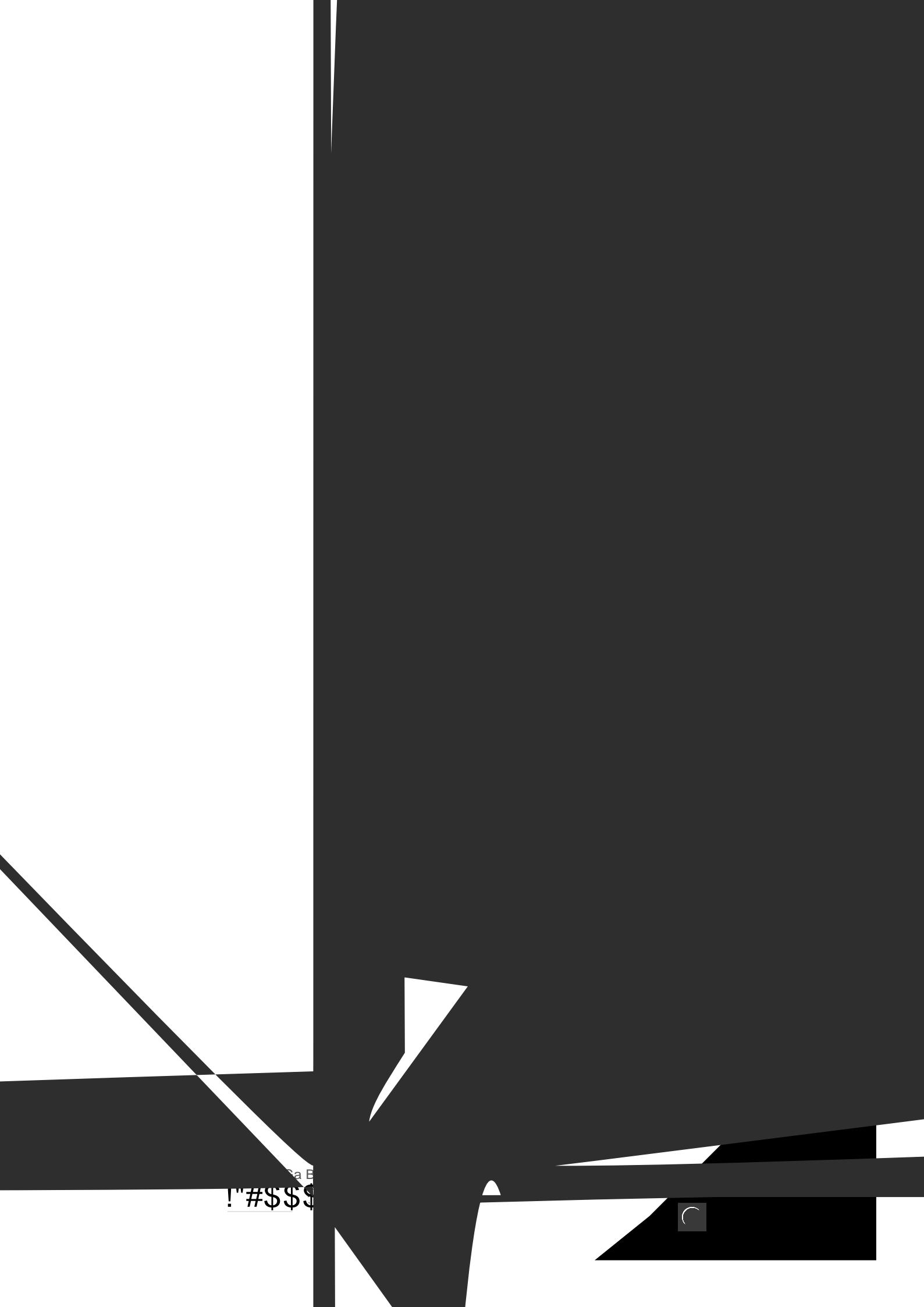
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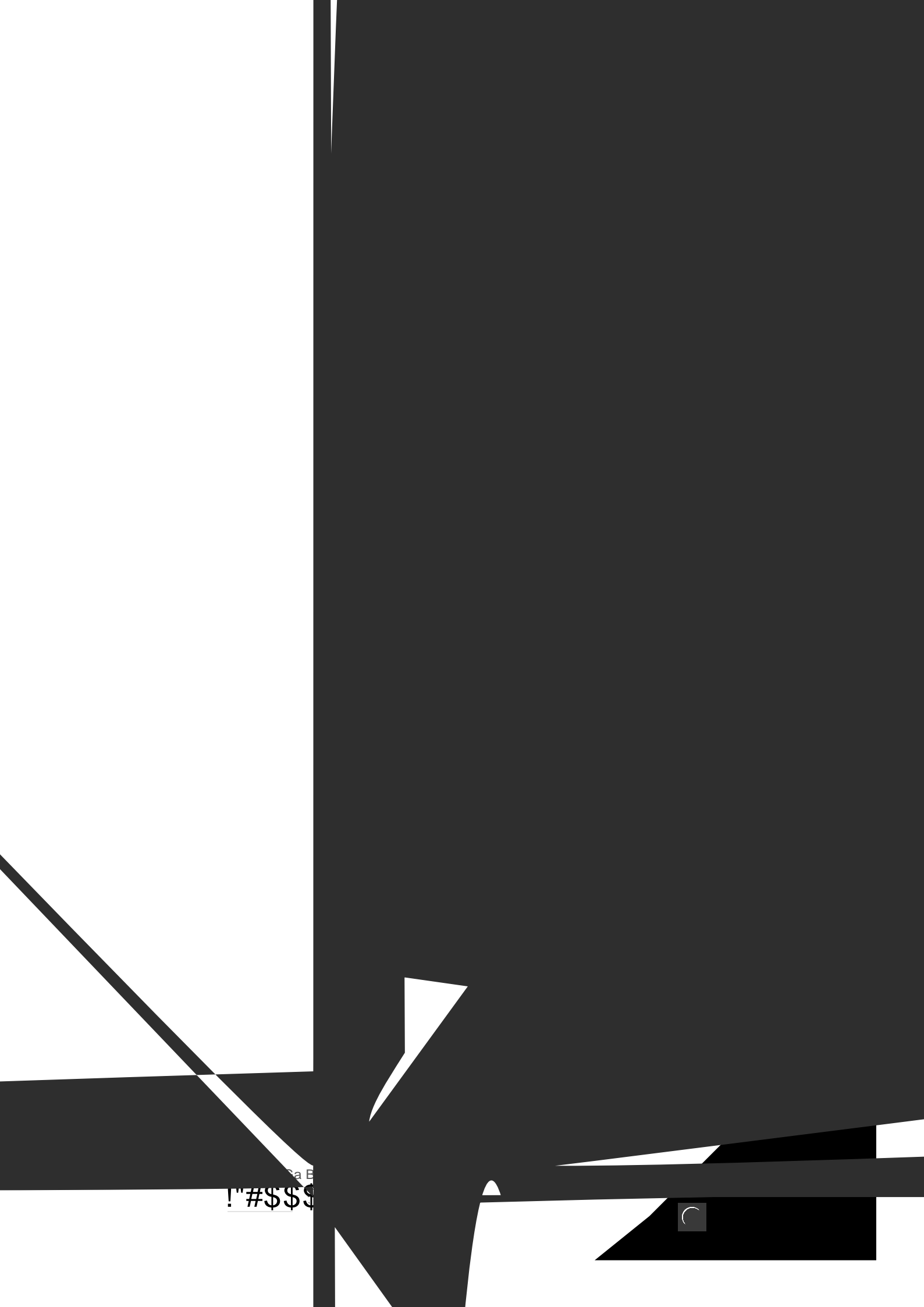


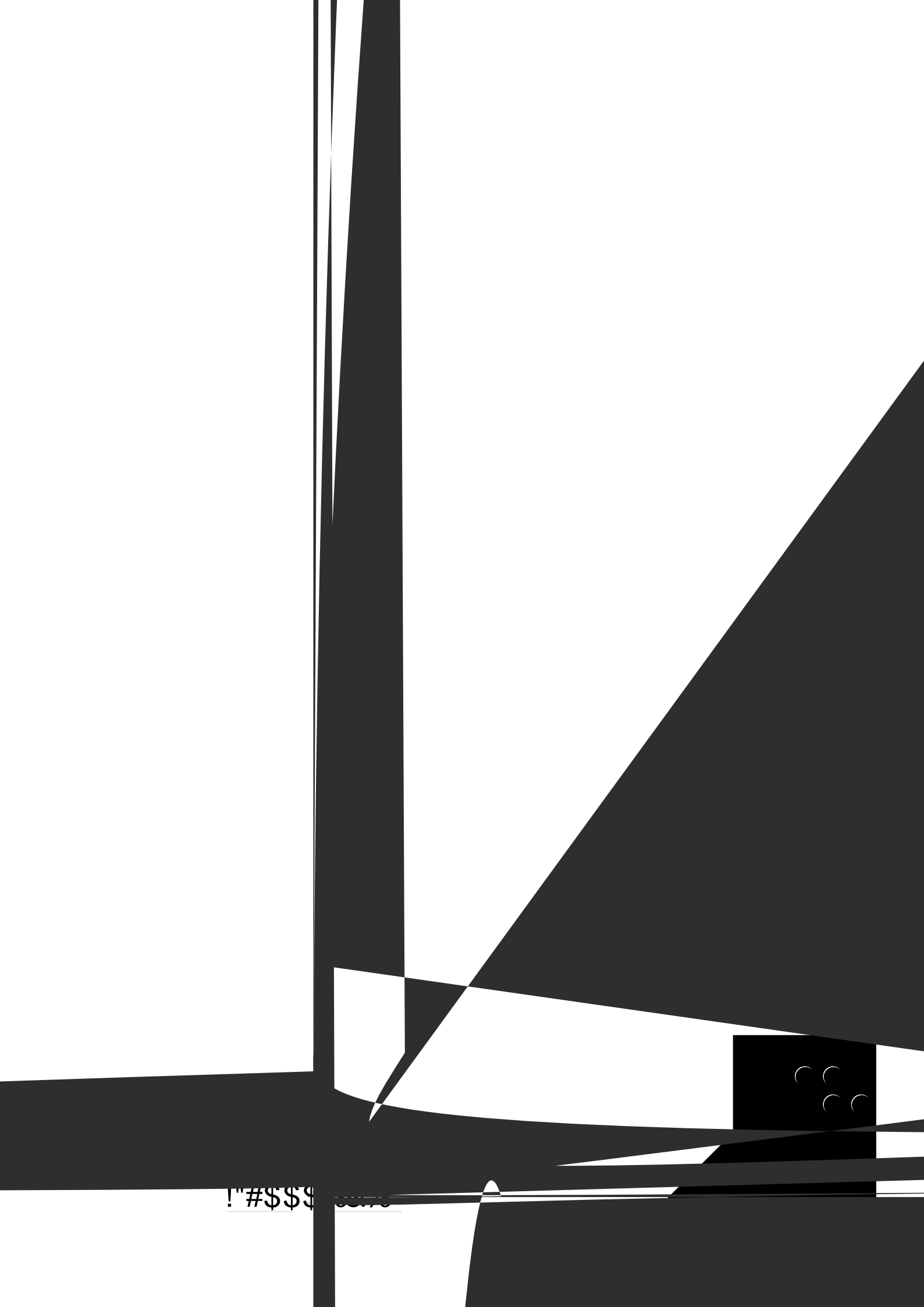


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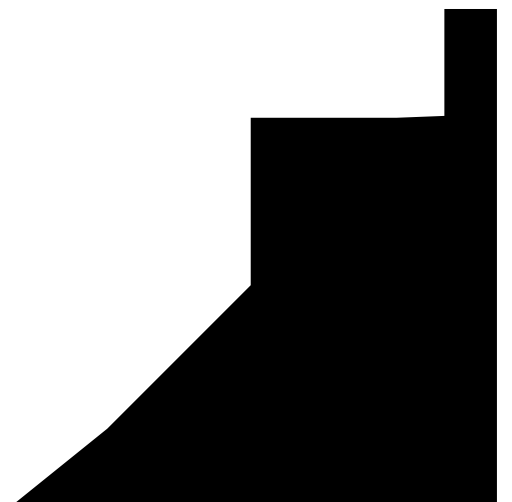
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% \ -DPHV ) -HIIUH\  
&KDLU OLGGOH (DVW 3URJUDP  
7KH :LOVRQ &HQWHU

7KH :RUOG %DON·V VSULQJ LVVXH RI /HEDQR  
WKH HFRQRPLF DQG AQDQFLDO FULVLV WKH FRXQ  
WRS WHQ SRVVLEO\ WRS WKUHH PRVW VHYHUH  
WKH PLG QLQHWHHQWK FHQWXU\ μ 7KH UHSRUW  
SURGXFW \*'3 IHOO IURP DSSUR[LPDWHO\ EL  
ELOOLRQ LQ )XUWKHU DFFRUGLQJ WR WKH  
UDWH GHSUHFLDWHG E\ SHUFHQW LQ μ  
DYHUDJH RI SHUFHQW LQ μ \*LYHQ WKH  
UHDO \*'3 LV SURMHFWHG WR FRQWUDFW E\ D IX  
SUHVHQWV D EOHDN SLFWXUH RI WKH FRXQWU\  
EHHQ SDUW RI UHJLRQDO FRQÁLFWV ZLWK JORED  
VHFWRU DWWHPSWV WR DGGUHVV ÁUVW JLYHQ  
LV LW LPSRUWDQW WR VXSSRUW /HEDQRQ RXW R

7KH LQWHUQDWLRQDO V\ VWHP KDV VHYHUDO LQW  
DVVLVWDQFH WR /HEDQRQ 7KH ÁUVW LV ZRUNLO  
HFRQRPLF DQG FLYLO VRFLHW\ JURXSV WR SUHY  
DQG WKH HFRQRPL\ ZKLFK ULVNV FUHDWLQJ D ID  
LVQHVVQJ ZDQG FADQFLDO FODOUDDQGD DN LTUW



Part I  
International  
Political

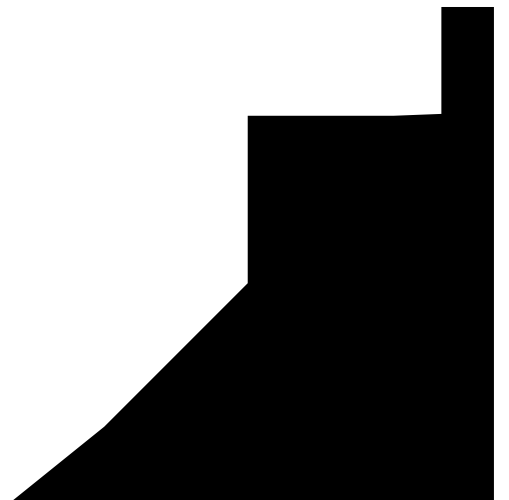
DQG 'LSORPDWLF  
&RQVLGHUDWLRQV

IRUPDWLRQ RI D JRYHUQPHQW %RWK 86 DQG (XU  
GLVPD\ DW WKH LQDELOLW\ RI WKH SROLWLFDO  
careful to spread blame among all factions, but there is a general belief that  
PDMRU DQG FRXUDJHRXV UHIRUPV ZLOO EH UHTXL  
root out corruption, and undertake the necessary steps needed for economic  
UHFYHU\ DQG UHEXLOGLOJ /RQJHU WHUP WKH  
/HEDQRQ WR FRQGXFW RQ WLPH DQG LQ DFFRU  
HOHFWLRQV LQ WKH VSULQJ RI

\$ NH\ HOWLW\ WKDW PHULWV 86 DQG LQWHUQDV  
\$UPHG )RUFHV /\$) DQG IXQGLOJ WKH /\$) ZRXC  
HQYLURQPHQW WR DGGUHVV WKH FRXQWU\·V HFR  
VXFK VXSSRUW LV FUXFLDO JLYHQ LWV LPSUHVVL  
VLQFH WKH %HLUXW EODVW LQ \$ IXOO\ VXS  
D NH\ SLOODU IRU /HEDQRQ·V SROLWLFDO VWDEL  
HFRQRPLF FULVLV KDV VHYHUHO\ KLW VHFUXLW\  
RQ H[WUD MREV

,Q DGGLWLRQ WKH LQWHUQDWLRQDO FRPPXQLW\  
LOOLFLW LQWHUIHUHQFH LQ /HEDQRQ E\ H[WHUQ  
GRHV QRW EHFRPH LQYROYHG LQ QHZ UHJLRQDO  
WKH FRXQWU\·V HFRQRPL\ LQIUDVWUXFWXUH DQ  
UHOHYDQW 8QLWHG 1DWLRQV 81 6HFXULW\ &R

:KLOH WKH DERYH LV SULPDULO\ WKH MRE RI WK  
WKH LQWHUQDWLRQDO FRPPXQLW\ GRORUV VXSSR  
FDQQRW EH LJQRUHG \$ PRUH VWDEOH /HYDQW L  
VWDEOH /HEDQRQ \$V ORQJ DV VHULRXV FRQÁLFV  
/HEDQRQ·V YLFLQLW\ LWV RZQ IXWXUH ZLOO EH  
SROLWLFDO DQG HFRQRPLF UHIRUP ,Q FRQWUDVV  
HFRQRPLF GLIÁFXOWLHV WKH UHJLRQDO VLWXDW  
FRWURO ORUH XQLW\ DPRQJ WKH VWDWHV RI V  
PHPEHUV RQ LPSOHPHQWDWLRQ RI UHJLRQDO VWI  
GHFLVLYHO\ WR WKH HQYLURQPHQW WKDW LV QH  
UHVROYH WKHLU LQWHUQDO LVVXH





% \ 5DQG \*KD\DG  
\$GMXQFW 3URIHVVRU  
+DUYDUG 8QLYHUVLW\  
Former IMF Economist

/HEDQRO KDV EHHQ OLYLQJ DERYH LWV PHDQV IR  
WKH HQRUPRXV WDVN RI WDFNOLQJ WKH DFFXPXC  
LUUHVSROVLELOLW\ FRUUXSWLRO DQG QHSRWLV  
WKH YHUJH RI EHFRPLQJ D IDLOHG VWDWH 7KH  
HFRQRPLF FRQGLWLRQV FRPSRXQGHG ZLWK D ODF  
/HEDQHVH DXWKRULWLHV SXW WKH FRXQW\ DW U  
RI PDVV PLJUDWLRO E\ WKH YHU\ SHRSOH WKH Q  
'HOD\ V LQ DGGUHVVLQJ WKH FULVLV ZLOO LQFUH  
WKH URDG WR VWDELQJLWLRQ D ORQJ DQG GDXC  
SURFHVV WKDW ZLOO WDNH WLPH DQG WKH VWD

among reform-oriented alliances from all stakeholders in Lebanon, including

FLYLO VRFLHW\ DQG WKH SULYDWH VHFWRU 7KH  
^%UHDNLQJ 2XW RI )UDJLQJ\ μ SURYLGHG H[SH  
WKDW KDYH VXFFHVVIXOO\ QDYLJDWHG VLPLODU  
4XDUWHW FRDOLWLRQ LQ 7XQLVLD ZKLFK PDQDJH  
EHWZHHQ WKH JRYHUQQPHQW DQG WKH RSSRVLWL  
HOHFWLRQV 6LPLQDU PHFKDQLVPV IRU GLDORJXH  
WRJHWKHU WKH PXOWLWXGH RI SROLWLFDO DQG  
FRQVHQQV RQ KRZ WR GHVLJQ D IDLU DQG HTXL

\$OWKRXXK PDQ\ DJUHH WKDW WKH HFRQRPL\ LV L  
FRWLQXH WR GLIHHU RQ KRZ WR UHYLWDOL]H HF  
FRPSUHKHQVLYH AVFDO<sup>3</sup>DQG VWUXFWXUDO<sup>3</sup>DGMXV  
SDFNDJH RI AVFDO DXVWHULW\ PHDVXUHV DQG V  
EDVHG RQ EHOW WLJKWHQLOJ DQG WKH UHGXFWL  
D YLHZ WR UHVWRULQJ HTXLOLEULXP LQ WKH HF  
GHPDQG WR WKH OHYHO RI SURGXFWLYH FDSDFLW  
RI D QHZ HFRQRPLF JURZWK PRGHO WKDW ZRXOG  
WKH HFRQRPL\ VXFK DV DJULFXOWXUH DQG WKH N  
KDOI RI WKH SRSXODWLRO DW ULVN RI SOXOJLQJ



AVFDO DGMXVWPHQW SODO LV OLNHO\ WR UHVXO  
,Q D FRXQWU\ ZLWK SHUVLVWHQW VRFLDO WHOVL  
DQ\ UDSLQ FRPSUHKHQVLYH DGMXVWPHQW<sup>3</sup>LQFO  
EDODQFH WKH EXGJHW<sup>3</sup>FDQ EH KLJKO\ H[SORVLYH  
D UHIRUP DJHQGD ,W LV EHWWHURW W VS URLOR WLRV L  
KDQJLQJ IUXLW LQLWLDWLYHV ZKLFK FDQ GHOLYH  
DQG LQWURGXFLOJ IDU UHDFKLOJ VWUXFDWX WVKOH D  
HYROYLQJ VRFLRSROLWLFDO HOYLURQPHQW SHUPI

7R XQGHUVWDQG WKH VLWXDWLRQ RI WKH /HEDQ  
WKDW WKHUH DUH WKUHH SURIRXQG HFRQRPLF FU  
ZLGHO\ DFNQRZOHGJHG DQG GHEDWFKH EDQWKLQJ  
V\VWHP KDV FROODSVHG DQG WKH JRYHUQPHQW  
KHDY\ EXUGHQ RI IRUHLJQ GHEW WDN7KHQ RQ E\ W  
VHFRQG FULVLV GLVWLQFW IURP WKH AQDQFLDO  
UHDVROV ZK\ QDWLRQV IDLO WRGD\ μ LV WKH LO  
SRZHUIXO HOLWHV ZKR GHVLJQHG H[WUDFWLYH I  
ZKLOH KXUWLQJ WKH UHVW RI VRFLHW\ 7KH WKI  
WHUP LV D V\VWHPLF FULVLV RI VWUXFWXUDO D  
HFRQRPLF PRGH WKDW GHSHQGV RQ D SHJJHG H  
EHWZHHQ WKH EDQNLQJ VHFWRU WKH FHQWUDO  
WRZDUG D PRUH VXVWDLQDEOH DQG SURGXFWLYH  
JRYHUQPHQW ZHUH AQDQFLDOO\ VROYHQW DQG I  
VWDWH LQVWLWXWLRQV WKHUH ZRXOG VWLOO E  
RI WKH VWUXFWXUDO FKDUDFWHULVWLFV RI WKH

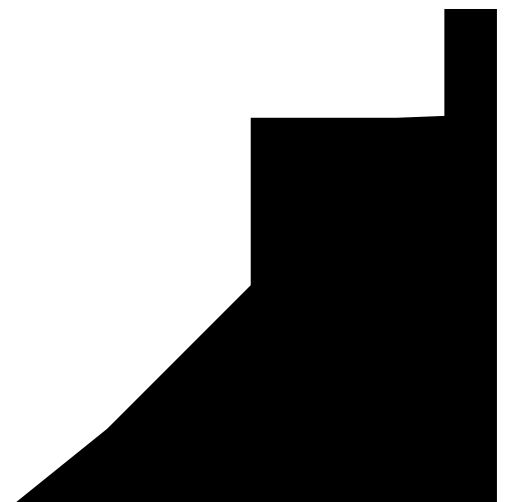
,Q DQ LGHDO ZRUOG WKH SUHIHUUHG DSSURDFK  
LQ SDUDOOHO +RZHYHU HDFK SRVHV D SUREOHP  
IRU D VROXWLRQ \$GGLWLRQDOO\ NH\ SROLWLF  
RI D FRPSUHKHQVLYH IXOO AHGJHG SURJUDP UHP  
WR FRQVWUXFW D IRXQGDWLRQ WKDW FDQ KHOS  
5HIRUPV UHTXLUH WLPH WR \LHOG SRVLWLYH UH

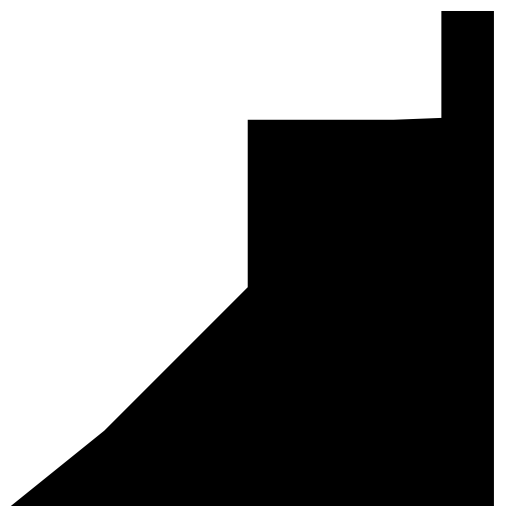
on austerity measures may lead to results contrary to its purpose in the short

WHUP :LWK WKH /HEDQHVH SRSXODWLRQ DOUHDQ  
XQUHDOLVWLF RYHUSURPLVLOJ PD\ OHDG QRW RQ  
VWDQGDUGV RI ORZ LQFRPH JURXS EXW DOOR WI  
JURXS WKDW DUH DIIHFWHG E\ PHDVXUHV DNH  
SURJUDPV



7KUHH 7LPH +RUL]RQV IRU 6WUDV  
([SHULHQFH DOG HYLGHQFH IURP FRXQWULHV ZLW  
LQVWLWXWLQV DV GLVFXVVHG LQ '



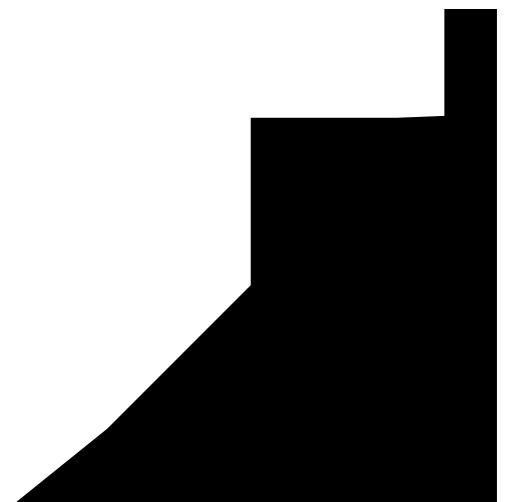








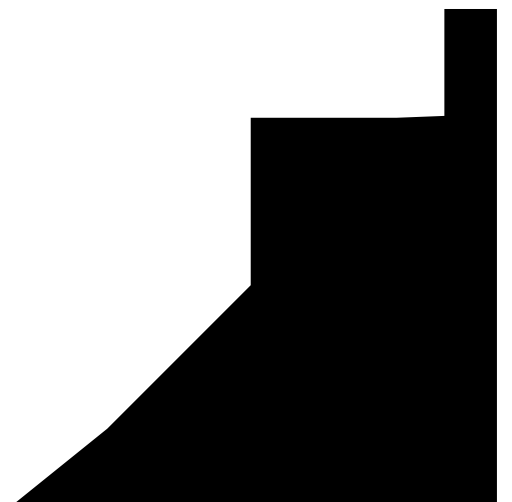
ZRXOG KHOS DFKLHYH LW +RZHYHU RQH LPSRUW  
OLWWOH FRQWURO UHODWHV WR UHJLRQDO DQG



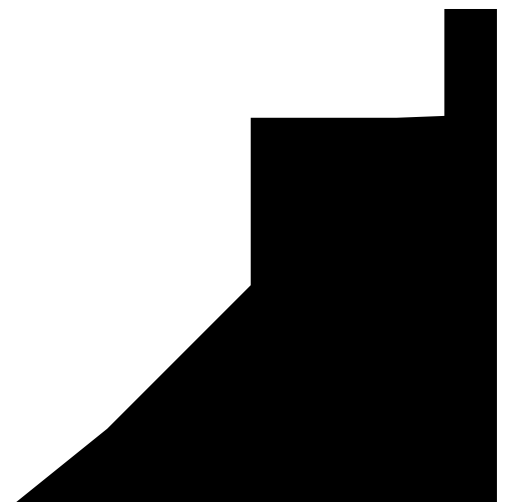
By Hung Tran

1 R Q U H V L G H Q W 6 H Q L R U ) H O O R Z  
Atlantic Council  
Former Executive Managing Director Institute  
R I , Q W H U Q D W L R Q D O ) L Q D Q F H

, Q W U R G X F W L R Q  
7 K H / H E D Q H V H P R Q H W D U \ D Q G A Q D Q F L D O V \ V W H  
E D Q N U X S W V W D W H I R U W K H S D V W W Z R \ H D U V 7 K  
W K H F H Q W U D O E D Q N F D O O H G % D Q T X H G X / L E D Q  
K R X V H K R O G V D Q G W K H F R U S R U D W H V H F W R U K D Y H



WR ZKDW LV QRZ D WLQ\ DPRXQW FRPSDUHG WR  
EXLOW XS RYHU GHFDGHV ZKLFK KDG EHHQ HVWL



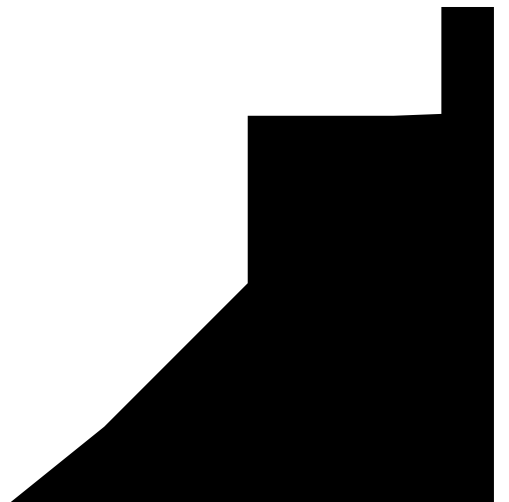
Part III  
7KH  
5HKDEL0LWDWLRQ  
RI /HEDQRQ•V  
ORQHWDU\ DQG  
Financial System

LQVWLWXWLRQV (VVHQWLDOO\ WKLVLV D PDWV  
apportion the losses among the BdL, commercial banks, households, and  
FRPSDQLHV DQG LW UHSUHVHQWV D YHU\ GLIÄFX  
JRYHUQPHQW JLYHQ WKH GHHS VHFWD7UKLHDQ GLYL  
JRYHUQPHQW KDV SURPLVHG WKDW RQO\ ODUJH C  
UHTXLUHG WR VKDUH ORVVHV DV SDUW DQGD UHV  
SHUFHQW RI GHSRVLWRUV ZLOO EH NHSW ZKRO  
DVVXDJH DW OHDVW WR VRPH H[WHQW SRSXOD  
DQG JRYHUQPHQW PLVPDQDJHPHQW EXW LW LV C  
EH KRQRUHG JLYHQ WKH VFDOH RI WKH ORVVHV

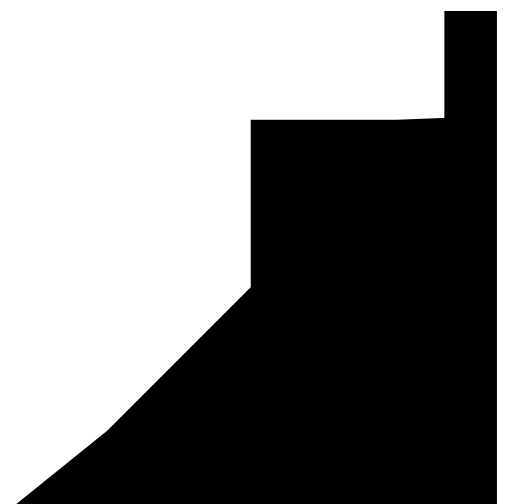
,GHDOO\ WKH UHVWUXFWXULQJ RI WKH VHFWRU  
SODQ IRU HFRQRPLF VWDEL0L]DWLRQ UHFROVWU  
GHJUHH RI SROLWLFDO FRPPLWPHQW DQG RZQHUV  
OHDGHUVKLS +RZHYHU SROLWLFDO FRPPLWPHQW  
WR VHFWDULDQ GLYLVLRQV ZKLFK DUH WKH URR  
ZDLWLQJ IRU WKH FRXQWU\ WR VRPHKRZ HYROYH  
VRFLDO FRQVHQQXV DOORZLQJ QHJRWLDWLRQ RI  
WKH LQWHUQDWLRQDO GRQRU FRPPXQLW\ ZRXOG  
SHULRG WKH FULVLV ZRXOG GHSHQ FDXVLOJ PR  
PRUH GLIÄFXOW DQG FRVWO\ WR UHSDLU HYH0W

7KH RQO\ KRSH LV WKDW UHDOL]LQJ WKLVLV GDQJ  
EULQJ WKHPVHOYHV WR DJUHH WR D PLQLPDO ÄQ  
ÄQDQFLDO DQG EDQNLQJ FRQGLWLRQV ZKLFK DUH  
DFWLYLWLHV EDVLFDOO\ EX\LQJ WLPH WR QHJR  
ZRXOG EULQJ LQ LQWHUQDWLRQDO DVVLVWDOFH  
RI WKH FRXQWU\ LQ JHQHUDO 7KH LQWHUQDWLR  
WKH ULVN WKDW LI LW GRHV QRW SURYLGH VRPH  
ULVNV EHFRPLQJ D IDLOHG VWDWH IXUWKHU GHV  
UHJLRQ DQG SRVVLEO\ WKH ZRUOG

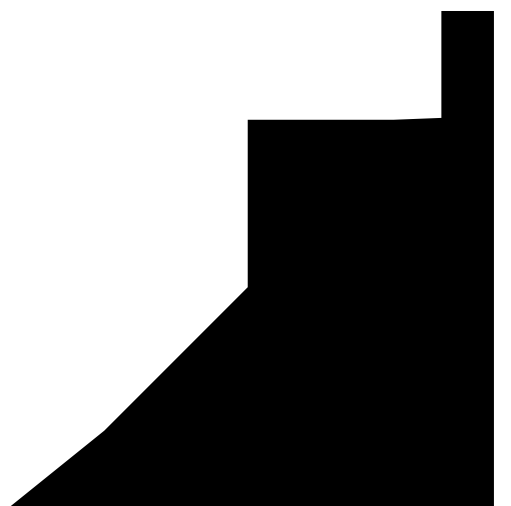
+RZHYHU LW LV LPSRUWDQW WR NHHS LQ PLOG  
LPSRUWDQW DV D FRQGLWLRQ UHTXLUHG E\ WKH  
DQ\ UHVFXH SDFNDJH DQG ZLOO EH XVHIXO LQ G



IRU HFRQRPLF VWDELQJLJDLRQ DQG UHFROVWUXF  
VLOYHU EXOOHW 7KH ,0) IDLOHG WR WDNH QRW  
GROODULJHG HFRQRP\ XQWLO WKH FULVLV HUXSW  
\$UWLFOH ,9 FRXQWU\ UHSRUW ,0) H[HFXWLYH G  
%DQTXH GX /LEDQ `KDV FRQWLQXHG LWV ÀQDQFL  
RIIHULQJ KLJK UHWXUQV RQ 86' GHSRVLWV ZLW

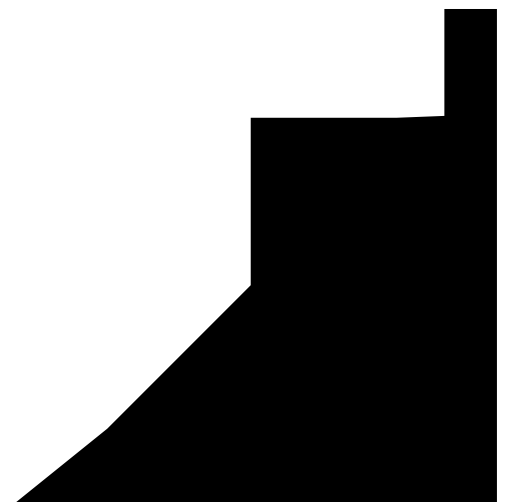






LV GRDEOH SROLWLFDOO\ EXW HYHQ LI LPSOHPH  
IURP WKH %G/ WR WKH EDQNLQJ V\ VWHP DGGLO  
UHTXLUHPHQWV

7KH GLIIHUHQFH LQ HVWLPDWHG ORVV<sup>3</sup>IURP





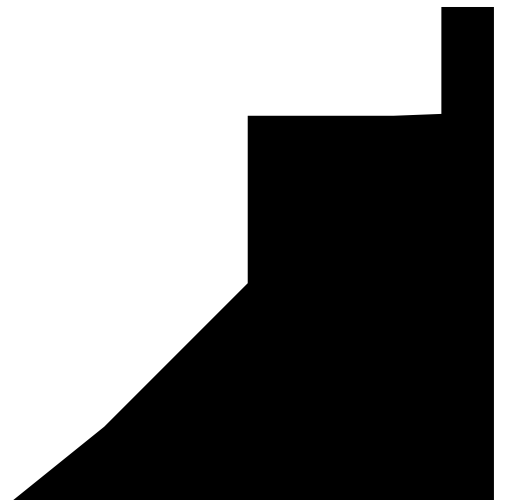
Part III  
7KH  
5HKDEL0LWDWLRQ  
RI /HEDQRQ·V  
ORQHWDU\ DQG  
Financial System

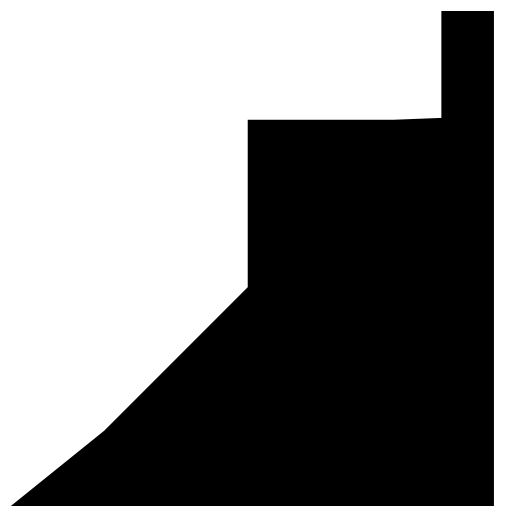
LV DVVXPHG WKDW ZRXOG JHQHUDWH DQRWKHU  
KRZ ODUJH D KDLUFXW %G/ LPSRVHV RQ FRPPHUF  
EDQNLOJ VHFWRU ZRXOG VXIIHU DW OHDVW D  
SUREDEO\ D ORW PRUH

2Q LWV OLDEL0LW\ VLGH WKH EDQNLOJ VHFWRU  
UHVLGHW FXVWRPHUV DQG ELOOLRQ E\ QR  
RI UHVLGHW AQDQFLDO VHFWRU OLDEL0LWLHV  
AQDQFLDO VHFWRU OLDEL0LWLHV<sup>3</sup>SUMMPDEO\ PR  
EDQNV KDYH /%3 WULOOLRQ RI /%3 GHQRPLC  
WULOOLRQ RI GHEW VHFUXLWLHV

'HVSLWH SURPLVHV E\ WKH JRYHUQPHQW WKDW  
ZLOO EH SURWHFWHG LW LV FOHDU WKDW EDQNV  
86' \$Q\ ZULWH GRZQV RI WKH 86' GHSRVLWV DO  
DPRXQVV LI H[WHQGHW WR /%3 GHSRVLWV DOG C  
losses on the asset side of the banks, but at the cost of imposing losses on  
KRXVHKROGV DQG WKH FRUSRUDWH VHFWRU ZKLF  
LQYHVWPHQW DQG JURZWK IRU \HUV WR FRPH  
VRFDO SURWHVWV 'HSRVLWRUV DQG GHEW KROG  
VRPH RI WKHLU EDODQFHV WR EDQN VKDUHV UH  
H[WHUQDO UHFDSLWDOL]DWLRQ EXW WKLV ZRXO  
SRZHU VRPHZKDW VLPLODU WR D ZULWH GRZO RI  
GHSRVLWV ZRXOG EH FROYHUWHG WR PFK ULVNL

2Q EDODQFH WKH EDQNLOJ VHFWRU IDFHV D ORV  
ELOOLRQ RU /%3 WULOOLRQ DW FXUUHQW RSI  
ZLSH RXW E\ VHYHUDO WLPHV WKH EDQNV· FDSLW  
LI WKH H[FKDQJH UDWZHU WR LPSURYH ZKHQ  
/%3 86' FORVH WR WKH UDWZHU WKH %G/ XV  
LPSRUWV RI HVVHQWLDO IRRG LWHPV WKH ORV  
WZLFH WKH EDQNV· FDSLWDO (YHQ LI FXUUHQW  
FRPSOHWHO\ EDLOHG LQ ZLWK HVWLPDWHG YDO  
86' IUHVK IXQGV ZRXOG QHHG WR EH IRXQG WR  
UHFDSLWDOL]H WKH EDQNV





Part III  
7KH  
5HKDEL0LWDWLRQ  
RI /HEDQRO·V  
ORQHWDU\ DQG  
Financial System

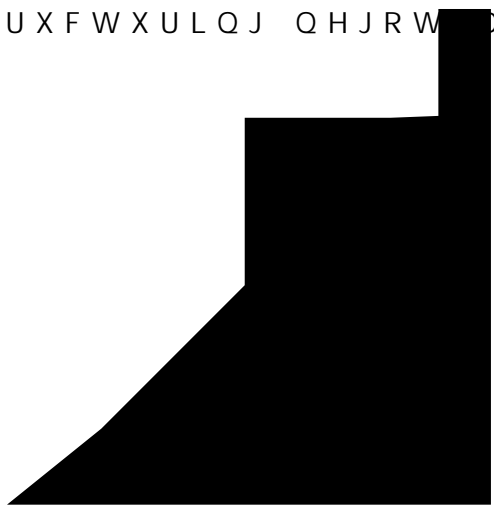
DOOHJLQJ WKDW WKR VH EDQNV SURYLGHG PDWHU  
IRU PRQH\ ODXQGHULQJ VDOFWLRQKH YIDFWLRQ DC  
WKDW WKH 8QLWHG 6WDWHV KDV GHVLJQDWHG +  
SROLWLFDO FRQWURO LQ /HEDQRO<sup>3</sup>D WHUURULVW  
WKH 8QLWHG 6WDWHV WR SDUWLFLSDWH HQWKXV  
UHVFXH GHDO IRU /HEDQRO YLD IRU H[DPSOH &  
(FRQRPLF & RQIHUHQFH IRU WKH 'HYHORSPHQW RI  
%XVLQHVVHV ZKLFK ZDV KHOG LQ 3DULV LQ

5HVWUXFWXULQJ /HEDQRO·V (XURERQGV  
7KH /HEDQHVH JRYHUQPHQW KDV DERXW ELOC  
RU SHUFHQW RI LWV WRWDO EROGHG GHEW ,C  
RI QRQERQGHG GHEW PDNLQJ IRU D WRWDO RI  
/HEDQRO·V WRWDO SXEOLF GHEW \*'3 UDWLR LV H  
SHUFHQW<sup>3</sup> WKLV QHHGV WR EH EURXJKW GRZO  
VXVWDLQDEOH +RZHYHU VLQFH SUDFWLFDOO\ D  
bonds are being held by the BdL and commercial banks, a haircut of that  
PDJQLWXGH ZLOO LQÁLFW D VHYHUH ORVV RQ WK  
VLJQLÁFDQW UHFDSLWDOL]DWLRQ

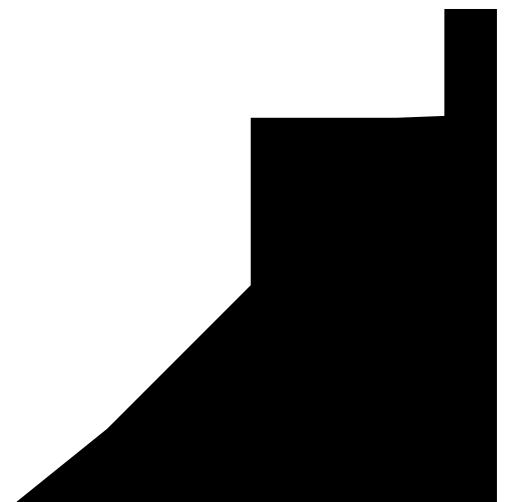
/HEDQHVH VRYHUHLJQ (XURERQGV KDYH KDUGO\ V  
IRU PRUH WKDQ D \HDU ZLWK WKH ODVW LQGLFD  
GROODU 7KLV LV DERXW KDOI WKH OHYHOV RI R  
\$UJHQWLQD RU (FXDGRU IRU H[DPSOH DQG ZD\  
RI FHQWV RQ WKH GROODU IRU HPHUJLQJ PDU

\$V D FRQVHTXHQH WKH SULQFLSDO KDLUFXW QI  
(XURERQGV ZRXOG EH TXLWH VWHHS DW OHDVW  
WR SHUFHQW \$JDLO WKH GHSHU WKH KDLUF  
E\ WKH %G/ DQG /HEDQHVH FRPPHUFDO EDQNV  
UHFDSLWDOL]DWLRQ E\ WKH JRYHUQPHQW

,Q DGGLWLRQ QRQH RI WKH /HEDQHVH (XURERQGV  
FODXVHV NQRZQ DV &\$& WKH\ DOORZ D TXDOLA  
WKH PLQRULW\ LQ FKDQJLQJ WKH WHUPV RI WKH  
DQG FRQWHQWLRXV UHVWUXFWXULQJ QHJRWDWL



SULYDWH ERQGKROGHUV ZLWK D GLVWLOFW ULVN  
5HSRUWHGO\ VRPH LQWHUQDWLRQDO LQYHVWPH  
VSHFLÄF /HEDQHVH VRYHUHLJQ (XURERQG LVVXHV  
7KH /HEDQHVH )LQDQFLDO 5HKDELOLWDW  
)XQG DQG WKH 5ROH RI WKH ,O)



Part III  
7KH  
5HKDEL0LWDWLRQ  
RI /HEDQRO·V  
ORQHWDU\ DQG  
Financial System

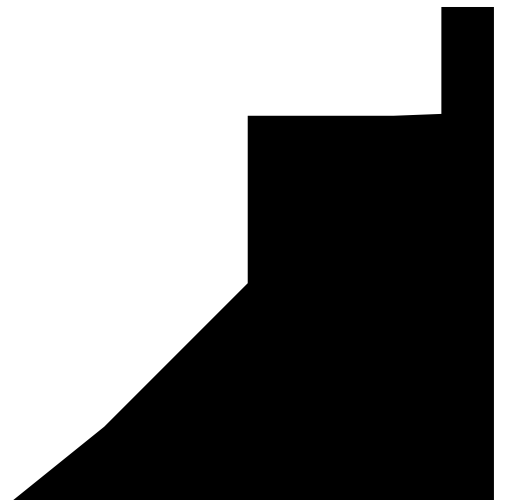
UHÁHFVW WKH UHDOLW\ LQ /HEDQRO RI VWUROJ  
D FRQGLWLRQ IRU DQ ,O) SURJUDP VR IDU KHOS  
FDUHWDNHU /HEDQHVVH JRYHUQPHQW DQG WKH ,O  
E\ WKH GD\

\$ PLQLPDO SURJUDP ZLWK PLQLPXP FRQGLWLRQD  
WKH ÀQDQFLDO VHFWRU GUDZLOJ KHDYLO\ RQ ,O  
)XQG UHVRXUFHV ZRXOG KDYH D EHWWHU FKDQF  
\$ IXOO ÁHGJHG ,O) SURJUDP DORQJ WUDGLWLRQD  
conditions, could be negotiated and hopefully adopted in a second stage of

WKH UHKDEL0LWDWLRQ SURFHVV ZKLFK ZRXOG D  
UHIRUPV DQG EXLOGLOJ WKH EDVLV IRU D QHZ D  
,GHDOO\ ERWK SKDVHV RI UHVWUXFWXULOJ DQG  
LPSOHPHQWHG LQ WDOGHV DV WKH\ LPSDFW HD  
HVVHQFH KRZHYHU LW·V EHWWHU WR PRYH TXLF  
ÀQDQFLDO VHFWRU UHVWUXFWXULOJ DQG UHFDSL  
ÀQDQFLDO DQG HFRORPLF FRQGLWLRQV WR VRPH  
FRPSUHKHQVLYH SURJUDP

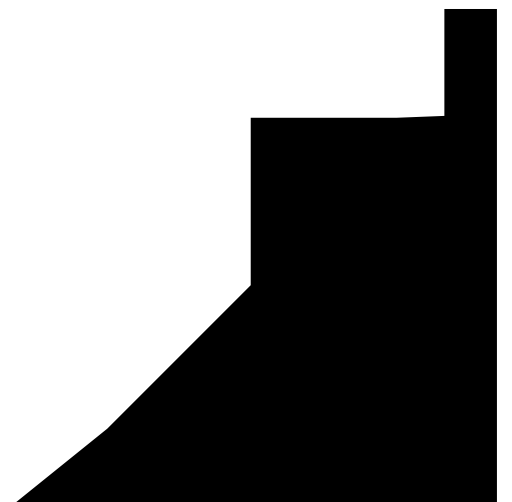
&RQFOXVLRQV DQG \*XLGHOLQHV IRU  
WKH )LQDQFLDO 6HFWRU \*RLOJ )RUZDUG  
7R VXP XS WKH VLWXDWLRQ LQ /HEDQRO LV GHV  
DOPRVW E\ KDOI LQ WKH SDVW IHZ \HDUV DQG F  
WR PRUH WKDQ SHUFHQW RQ D \HDU RQ \HDU  
WKH /HEDQHVVH JRYHUQPHQW WR UHDFK DJUHHPH  
SDUWLFLSDQWV WR VWDUW WKH UHVFXH SURFHVV  
LV PXFH EHWWHU WR TXLFNO\ UHDFK DJUHHPHQW  
UHVFXH EDOO UROOLOJ SUHYHQWLOJ /HEDQRO IU  
GHVWDEL0L]LQJ WKH UHJLRO DQG WKH ZRUOG DW  
QHJRWLDWLRQV IRU D FRPSUHKHQVLYH SDFNDJH V  
LQ IXOO JLYHQ WKH IUDFWXUHG QDWXUH RI /HE

,Q WKH &('5( JDWKHULOJ JRYHUQPHQWV DQ  
SOHGJHG ELOOLRO LQ ORDQV DQG JUDQWV \*F

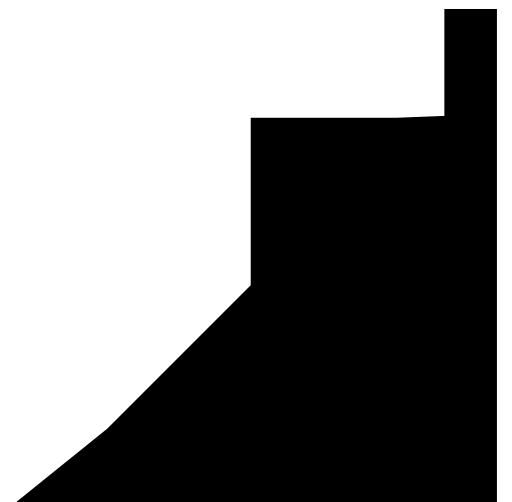


FRXOG EH LQYLWHG WR MRLO WKH FROIHUHQFH  
WUDGLQJ SDUWQHUV ZLWK /HEDQRO DQG KDV H[S  
UHFROVWUXFWLRQ SURMHFWV DQG ,UDQ EHFDXV  
WKURXJK +H]EROODK ~~DOGS RLOW W & HU B B QWRH~~ [KW PRH OD  
VWDWH DQG 6DXGL \$UDELD

7KH /HEDQHVH JRYHUQPHQW KDV UHTXHVWHG D  
LV XQUHDOLVWLF \$ PRUH IHDVLEOH JRDO ZRXOG  
VWDQGE\ DUUDQJHPHQW DOORZLQJ LW WR JHW  
PD[LXP JLYHQ FLUFXPVWDQFHV DQG LQFUHDVH  
TXRWD RI PLOOLRQ<sup>3</sup>RU DERXW ELOOLRQ



7KH LPSOHPHQWDWLRO RI FDSLWDO FRQWUROV K  
FXUUHQW GH IDFWR RSDTXH DQG DUELWUDU\ FR



Part IV  
Reigniting

W KH (FRORP\  
(QJDJLOJ W KH  
'LDVSRUD DQG  
6 WUHQJWKHQLOJ  
/HEDQRO·V  
(QWUHSUHQHXUVKLS

Ecosystem



% \ OHULVVD .KXUPD

'LUHFWRU OLGGOH (DVW 3URJUDP  
7KH :LOVRQ &HQWHU

,QWURGXFWRQ

7KH GLUH HFRQRPLF VLWXDWLRQ LQ /HEDQRO UH  
RI HPSOR\PHQW DQG ZDJHV 7KH 81 HVWLDPDWHV  
SRSXODWLRQ LV LQ SRYHUW\ \$FFRUGLQJ WR WKI  
RI /HEDQHVH DUH ZRUULHG DERXW DFFHVV WR IR  
KDV VN\URFNHWHG WR SHUFHQW DQG ZRPHQ·V  
WR SHUFHQW DFFRUGLQJ WR W KH ODWHVW :R  
WR GHFUHDVH IXUWKHU 8QHPSOR\HG DQG VNLOO  
FRQWULEXWLQJ WR DQ DOUHDG\ DFXWH EUDLQ GU  
WR /HEDQRO·V HFRORP\ \$FFRUGLQJ WR ODFUR7U  
IRU /HEDQRO KDV LQFUHDVHG SHUFHQW IU  
H[WHQVLYH GLDVSRUD FRPPXQLW\ WKDW LV HVW  
/HEDQRO·V HFRQRPLF ZRHV LV \HW DQRWKHU GH  
KLJKHVW SHU FDSLWD UHIXJHH SRSXODWLRQ ZRU

\$W W KH KHDUW RI /HEDQRO·V ULVLQJ SRYHUW\ D  
ZHDNHQH GHPDQG VLGH IDFWRUV IDFLQJ W KH SU  
PHGLXP VLJHG EXVLQHVVHV ZKLFK FRPSULVH  
FRXQWU\ KDYH EHHQ VHYHUHO\ KLW E\ W KH FR  
ORVVHV SDUWLFXODUO\ DPRQJ ZRPHQ /HEDQRO  
PHDQLQJ WKDW D ODUJH DPRXQW RI WUDQVDFWL  
GHSRVLWHG LQ EDQNV 7KH GHYDOXDWLRQ RI WK  
RI KXQGUHGV RI WKRXVDQGV DV W KH\ VHH WKHL  
GHFUHDVH DQG W KH FRVW RI LPSRUWV ULVH 8Q  
W KH EDQNLQJ VHFWRU LQ W KH HFRORP\ ZKLFK U  
XQSURGXFWLYH LQ WHUPV RI HPSOR\PHQW DQG V

\$V GLVFXVVHG LQ WKLV UHSRUW W KH SUHVHQW  
IRU /HEDQRO WR FKDUW D ORQJ WHUP SDWK WR

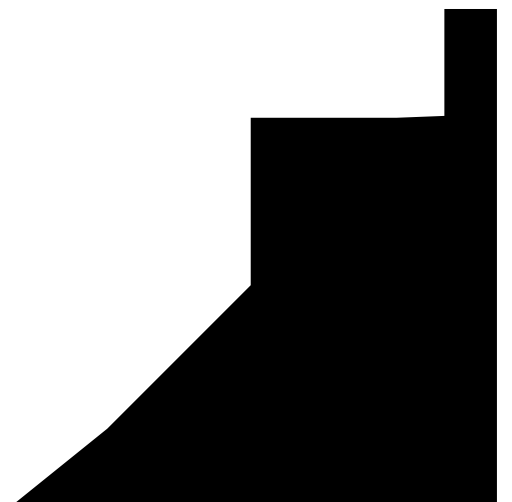


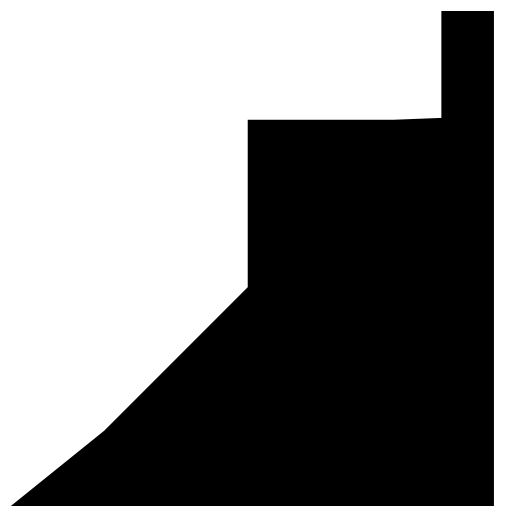


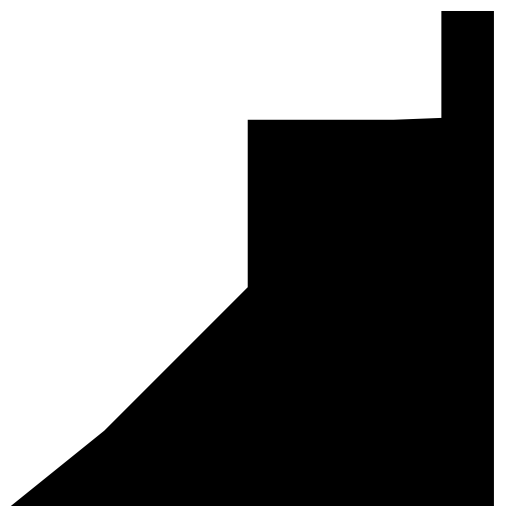
RI WKH HFRQRP\ JHQHUDWH H[SRUWV DQG FUHD  
WHFKQRORJ\ DQG LQQRWDWLRO 7KH VHHGV RI W  
today, despite the present crisis, and a key element must be an orchestrated  
ZRUNIRUFH GHYHORSPHQW VWUDWHJ\ WKDW HPSK  
/HEDQRQ·V \RXWK 7KLV VHFWRRO SURSRVHV D S  
HFRQRP\ IURP WKH JURXQG XS ZLWK PHDVXUHV W  
SURGXFWLYH SULYDWH VHFWRU VWUHQJWKHQ WK  
PDNLQJ ZRPHQ DQG \RXWK WKH GULYHUV RI QHZ  
HQJDJH /HEDQRQ·V H[WHQVLYH GLDVSRUD FRPPXO  
VWDELOL]DWLRO DQG UHFRQVWUXFWLRO HIIRUWV

6 WUHQJWKHQLOQJ 60(V DQG WKH (QWUHSU  
ÅWV ZUDLpL WLBQ´LOVÀ

@V Z[H VRUW @GPODQW CLVWRUHSUHVHO@WH Ep@ð ð €



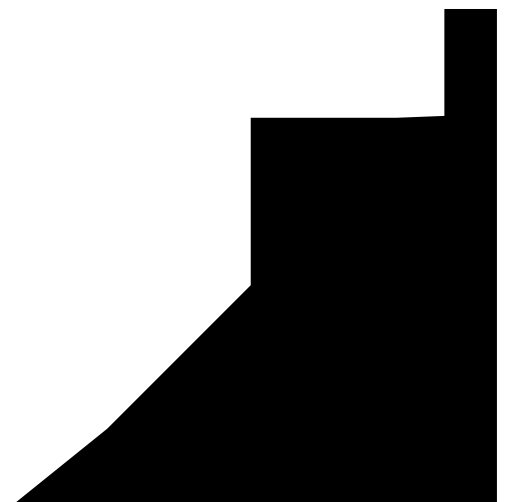




RQOLQH FRQVXPSWLRQ<sup>3</sup>D FKDOJH OLNHO\ WR EHF  
DUH H[SHFWHG WR JURZ LQ WKH QH[W WZR \HDU  
DQG DYDLODELOLW\ RI VHUYLFHV IURPHINXODVLR  
SULYDWH VHFWRU H FRPPHUFH LV DQ RSSRUWXQ  
PDUNHWV DQG LQFUHDVH H[SRUWV RI JRRGV DQG  
GHYDOXDWLRO RI WKH FXUUHQF\

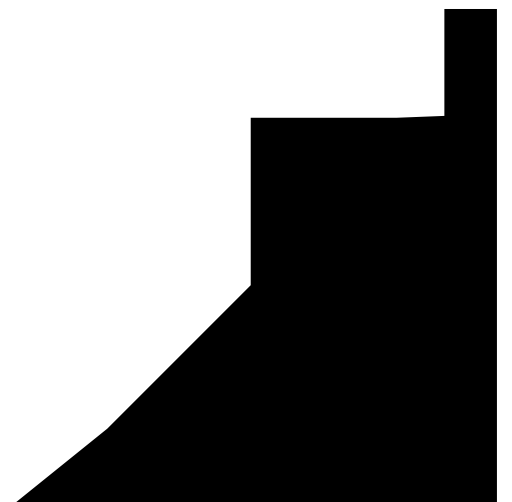
+RZHYHU PDQ\ FKDOOHQJHV LOKLELW /HEDQRO·V  
LQ WKH SURGXFWLRO RI HOHFWULFLW\ DV PHQW  
LQIUDVWUXFWXUH DOVR UHTXLUHV VXEVWDQWLDO  
JUHDWHU VSHHGV ZLWK LQFUHDVLOQJ DFFHVV +RZ  
E\ WKH SDQGHPLF LV WKH GLJLWDO GLYLGH 'HV  
AJXUHV PDQ\ FRQVXPHUV HVSHFLDOO\ LQ UXUD  
HFRQRP\ 6FKRRO FORVXUHV DOVR UHYHDOHG LQ  
VHUYLFHV \$FFRUGLQJ WR WKH :RUOG %DQN DER  
GR QRW KDYH D FRPSXWHU RU KDYH WR VKDUH L  
PHPEHUV μ ZLWK UHFHQW HVWLPDWHV VKRZLOJ  
DUH FRQQHFWHG WR RQOLQH OHDUQLQJ μ (TXLSS  
QHFHVVDU\ GLJLWDO VNLOOV LV HVVHQWLDO WR  
WKHP GULYHUV RI HFRQRPLF DFWLYLW\ DQG QHZ

2QH SDWKZD\ WR VWUHQJWKHQLOQJ WKH HQWUHS  
/HEDQRO·V H[LVWLQJ \RXWK VNLOOV EDVH LQ WH  
SURSRVHG /HEDQRO ,QFXEDWRU ,QYHVWPHQW )XQ  
E\ GRQRU FRXQWULHV OLNH WKH 8QLWHG 6WDWH  
UHJLRQDO DOOLHV LQFOXGLQJ WKH 8QLWHG \$UDE  
GLDVSRUD FDQ SOD\ D FULWLFDO UROH E\ LQYHV  
IURP LWV FRQVLGHUDEOH WDOHQW SRRO 7KH IX  
U)UD `ÿ@đOYO p°VQY·€`€O@`€P4@pÀ`·H`ÀKDP@O@VQY·



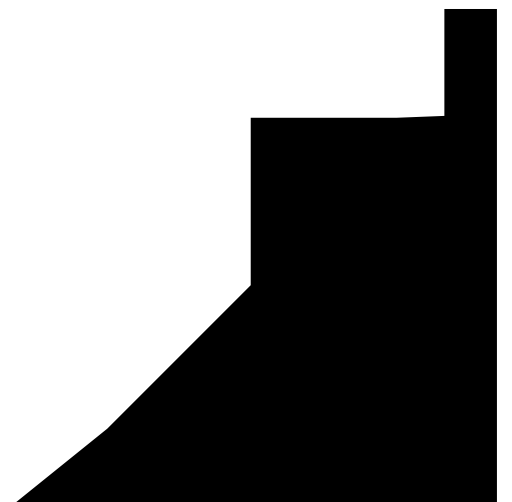
\$GGUHVVLQJ WKHVH FKDOOHQJHV UHTXLUHV LOYR  
JRYHUQPHQW WKH SULYDWH VHFWRU FLYLO VRF  
QHWZRUNV 7KLV FDQ KHOS EULQJ LQ LOYHVWPHQ  
SURJUDPV WR XSJUDGH GLJLWDO VNLOOV GLJLW  
LQWHUQDWLRQDO PDUNHWV

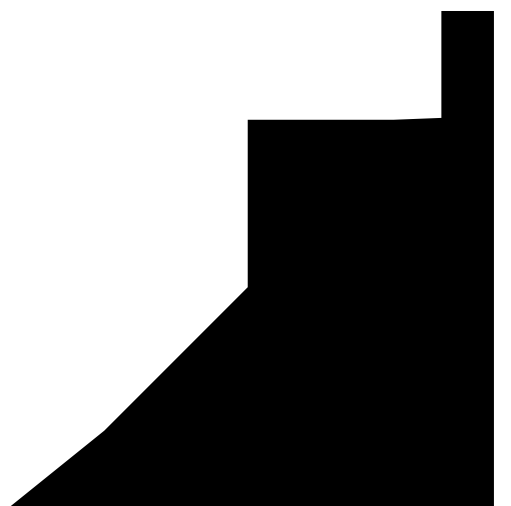
5HEDODQFLQJ /HEDQRQ•V :RUNIRUFH )RUP  
7KXV IDU ZH KDYH DGGUHVHVG WKH LPEDODQFH  
ZRUNIRUFH IRUPXOD +RZHYHU WKLV HFRQRPLF V  
ZLWKRXW DQ LQWHJUDWHG SROLF\ WR DGGUHV  
6RPH RI WKH WUHQGV LQ WKH ZRUNIRUFH FKDOO



,Q WHUPV RI VFKRRO RXWSXW ERWK JOREDO DQG  
`VRIWµ RU HVVHQWLDO VNLOOV VXFK DV FRPPXQ  
SUREOHP VROYLQJ OHDGHUVKLS DQG FULWLFDO  
LQ HPHUJLQJ HVSHFLDOO\ GLJLWDO LOGXVWULH  
IRU GHYHORSPHQW DJHQFLHV DQG QRQJRYHUQPHQ  
LQYHVWPHQW RQ WKH HVVHQWLDO DQG HPSOR\DI  
VXSSOHPHQWU\ VFKRRO SURJUDPV DQG ZRUNVKR  
DQG SULYDWH VHFWRU LQYHVWRUV PXVW GHYHOR  
ZLWK WHFKQLFDO VFKRROV DQG XQLYHUVLWLHV  
VHFWRUV VXFK DV ,&7 DQG DUWLÀFLDO LQWHOOL  
FHUWLÀFDWLROV \*LYHQ WKH IDVW SDFHG WHFKQ  
WKLV FDQ SUHSDUH /HEDQHVH \RXWK EHWWHU IR  
ZLGHVSUHDG GLJLWLJDWLRO RI SURGXFWLRO DQG  
DV WKH 8QLWHG \$UDE (PLUDWHV ZKLFK KDV OD)  
LQLWLDWLYH FDQ JXLGH /HEDQRO·V LPPHGLDWH

9RFDWLRODO DQG WHFKQLFDO HGXFDWLRO UDWK  
VWXGHQWV LQ /HEDQRO VKRXOG EH UHLPDJLQHG  
SURGXFWLYLW\ 7HFKQLFDO DQG YRFDWLRODO HG  
Sp€ 0 ` ` À€`€0\$UQH ZFU P@ Ôp€DHD ZKLFK sD`pXFDW



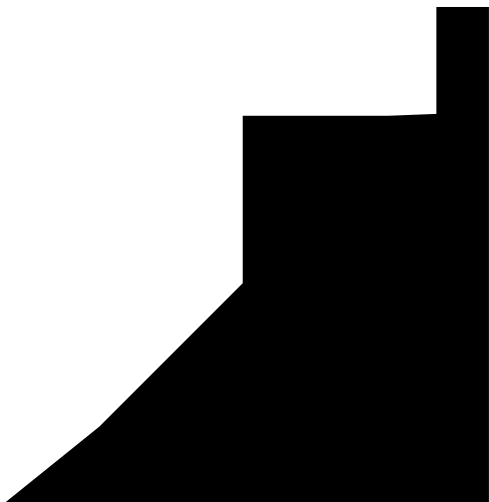


(QJDJLQJ WKH 'LDVSRUD

7KH %HLUXW SRUW H[SORVLRQ KDV JDOYDQLJHG WKH  
ZRUOG LQ DQ XQSUFHFGHQWHG PDQQHU WR VXSSRUW  
KXPDQLWDULDQ QHHGV DV ZHOO DV PLGWHUP UHFRYH  
IUXVWUDWHG E\ WKH /HEDQHVH JRYHUQQPHQW.V QHJO  
OHDGHUVKLS DIWHU WKH H[SORVLRQ WKH GLDVSURUD  
VHFWRUV WR FKDQQHO DVVLVWDQFH DQG VXSSRUW 7  
/HEDQRQ.V GLDVSURUD FRPPXQLWLHV FDQ EH HQJDJHG  
LQGHFLVLRQ LQ WKH NH\ SKDVHV RI VKRUW WHUP UHF  
WHUP JURZWK HVSHFLDOO\ LQ VXSSRUW RI LWV ZRUN

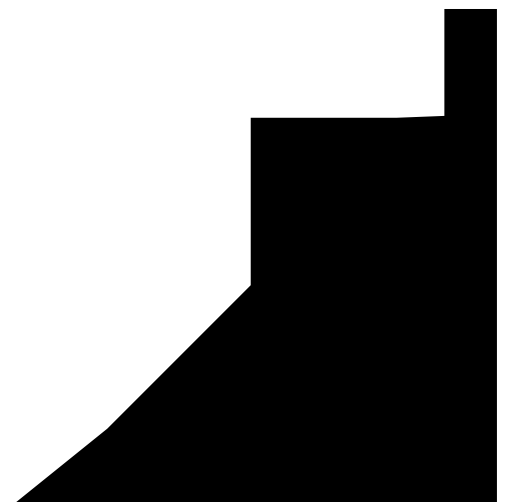
\$ QXPEHU RI LQLWLDWLYHV IRFXVHG RQ VWUHQJWKHO  
OLQNDJHV WR /HEDQRQ ZHUH ODXQFKHG LQ WKH ODV  
IRXQGDWLRQ IURP ZKLFK WR DVVHVV OHVVRQV OHDU  
'LDVSRUD,' ZKLFK DLPV WR OLQN GLDVSURUD PHPEHU  
EXW WKH OHYHO RI WKH FRPPXQLWLHV WRZQV DQG  
RULJLQDWHU GLQJO\ D /HEDQHVH GLDVSURUD IRUXP VK  
HQJDJH GLIIHUHQW DVVRFLDWLRQV DQG RUJDQLJDWL  
(XURSH DV ZHOO DV WKH \*XOI &RRSHUDWLRQ &RXQFL  
VKRXOG EH GLUHFWHG WR FRPSOHJHQW WKSHFLBOOD  
LQ VXSSRUWLQJ WKH UHFRYHU\ RI EXVLQHVHV DQG

entrepreneurship ecosystem, especially by bolstering the one-stop shop for





ERQGV DV D PHDQV RI LQYHVWPHQW ,VUDHO DQ



AUTHOR



AUTHOR



AUTHOR



AUTHOR



