To Use or Not to Use the Gold? That is the Question: Reflections on the Lebanese Crisis

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2026: Billion USD

BDL Foreign Reserves	11.5
Total Deposits	83
BDL Gold	41
100,000 USD Total Deposits	20*
Asset-Backed Securities Deposits	35*
Bank Reserves	3.5*

* Estimate

In the debate regarding whether to use the Gold held at the Central Bank of Lebanon (BDL) to pay back depositors whose money have been stuck in the Lebanese banking sector since November 2019, three views have generally emerged. First, the view that the gold shouldn't be used, end of story. Second, the view that part of the gold should be used but for investment in infrastructures, which in turn would stimulate economic growth and consequently help indirectly to restore back deposits. Third, the view that gold should be used and put to work, as this would immediately bring back deposits and confidence in banks.

We will comment in this note on the second and third views, as the first view is nonsensical, basically implying that we keep the gold as a useless 'fetish'. The second view, best articulated by the ex-Minister Saade Chami [1], argues that gold is better understood as part of the nation's patrimony, held by the central bank as custodian on behalf of the Lebanese population. Using gold for depositor compensation would amount to transferring private-sector losses onto the public balance sheet, thereby shifting the burden to the broader population. Instead, it proposes that an important share of Lebanon's gold would remain in physical form as a strategic reserve, while a portion ($20 billion) – subject to parliamentary approval – would be liquidated and transferred into a National Gold Trust Fund (NGTF). The income generated from the NGTF would then be used to support growth-enhancing investment in infrastructures, which would play an important role in facilitating the recovery of bank deposits and restoring confidence in the financial system.

That said, we believe that the second view is sub-optimal for the following reasons :

1. If BDL's gold belongs to the people, then depositors are people too, and paying them back in liquidated gold is fair. With an estimated 975,000 accounts, and assuming one account holder per household and that every household has an average of 5 people, then these accounts cover almost all of the Lebanese population of 4.9 million people.

2. Using the liquidated gold to pay back depositors not only helps guarantee horizontal equity by spreading the cost among government, BDL, and banks[2] ; but also guarantees vertical equity among depositors by helping to pay back both large and small depositors.

[1] Chami, S. "*Managing Lebanon's Gold: Governance, Growth, and Financial Recovery*", IFI, AUB. March 2026.
[2] The entities responsible for the crisis in a descending order of responsibility.

3. Paying depositors back from liquidated gold increases confidence in banks directly, rather than relying indirectly on economic growth through spending the gold proceeds on infrastructure. Besides, it also enables banks to recover and resume profitability faster and surer. Moreover, investing the proposed $20 billion in a fund containing a safe portfolio of financial assets produces small returns over time, reaching to more than $1 billion annually only after 20 years.[3]

4. Using gold proceeds to retrieve directly deposits at banks eliminates any incidences of corruption and waste arising from spending them on infrastructural investments instead. And just as important, it eliminates any governance issues pertaining to mismanagement of the NGTF.[4]

5. The 'Golden Rule' in public finance is that debt should be the ideal mode of financing infrastructure, as these expenditures would generate returns over time that would cover the cost of borrowing. So why not use official financing for such investments? And the flip side of this reasoning is to use the liquidated gold to pay back depositors.

6. Liquidating part of the gold for paying back deposits might be more popular than we think, as it will appease almost all of the population. More important, it will be politically easier to manage than the sensitive debate that could emerge later over allocating gold proceeds toward reconstruction in the South, since deposit repayment benefits the entire country whereas reconstruction spending is concentrated in one region.

[3] Assuming a conservative 5% rate of return.

[4] In addition, Chami's paper postulates that spending $3.5-4.5 billion on infrastructure over a five-year period will generate higher GDP of around $1.5-2.1 billion only. That is a GDP multiplier of less than 0.5! So if these numbers turn out to be accurate, then the designated infrastructural investments are hardly productive to start with.

If the third view could be the superior one, what is the amount of money that needs to be generated from liquidating the gold? The table above shows that total deposits stand at $83 billion. But according to the proposed 'Financial Gap' Law, not all of these deposits have to be returned, as around $28 billion will be scratched out as anomalies[5]. That leaves us with $55 billion, split roughly between $20 billion that constitute small depositors of accounts of $100,000 and less, and $35 billion of the rest of the accounts that represent large depositors. The proposed law intends to pay back the $20 billion in cash[6], and the $35 billion in asset-backed securities. The crucial question is how ?

For paying back the $20 billion, note from the table that BDL has $11.5 billion [7]and banks $3.5 billion. So that adds to $14 billion; as such, the remaining $6 billion could be met by liquidating that amount from the gold, which is currently valued at about $41 billion. For the $35 billion in asset-backed securities, they could be backed by the remaining gold of $35 billion, meaning not using the gold for actual payment but as collateral, since payment at maturity (over a suggested period of 20 years) will be undertaken by the government, BDL, and banks .[8]

So, to answer the question: yes, gold should be used, in ways similar to the one outlined above, to help pay back deposits[9]. Perhaps a more fundamental question is: under what

[5] Note that this is a very raw estimate; it represents mostly 'shady accounts' and in-eligible accounts that have been converted to USD from LBP during the crisis.
[6] Incidentally, the $20 billion represent 85% of the total accounts.
[7] In actual fact, however, the $11.5 billion belongs to the banks as their required reserves at BDL
[8] Of course, with such credible collateral, a crucial advantage is that the asset-backed securities will maintain their values and be discounted at reasonably low rates when traded in secondary markets.
[9] For other proposals on how to use gold for the return of deposits, see: Kostanian, A. "Making Use of Lebanon's Gold: A Tangible Proposal', AUB IFI, February 2026.

conditions? The sufficient conditions that we see as pre-requisites are well known[10]: enacting a fair financial gap and bank restructuring law, restoring full sovereignty and political stability, and formulating a solid economic reform and governance program. Absent these conditions, no use even considering the gold question!

[10] We are abstracting here from the -- perhaps valid -- issue of how to deal with *foreign creditors' claim on the gold when the country's foreign debt default comes up for resolution.*

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