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Lebanon's prolonged financial crisis has reignited debate over the country's gold reserves, with questions over whether they should remain untouched, be used to stimulate economic growth, or serve as a means of compensating depositors. In this context, Dr. Saade Chami, former Deputy Prime Minister and IMF economist, authored *[Managing Lebanon's Gold: Governance, Growth, and Financial Recovery](#)*, published by the Issam Fares Institute for Public Policy and International Affairs at the American University of Beirut in March 2026. The paper reframes the debate by shifting the focus from whether gold should be used to the more critical issue of how it should be governed and strategically deployed in support of long-term recovery and sustainable growth. Importantly, it cautions that channeling gold to cover financial sector losses could undermine fairness and legitimacy, while also decreasing the pressure for essential structural reforms needed to restore lasting financial stability.

## International Lessons on Gold Misuse

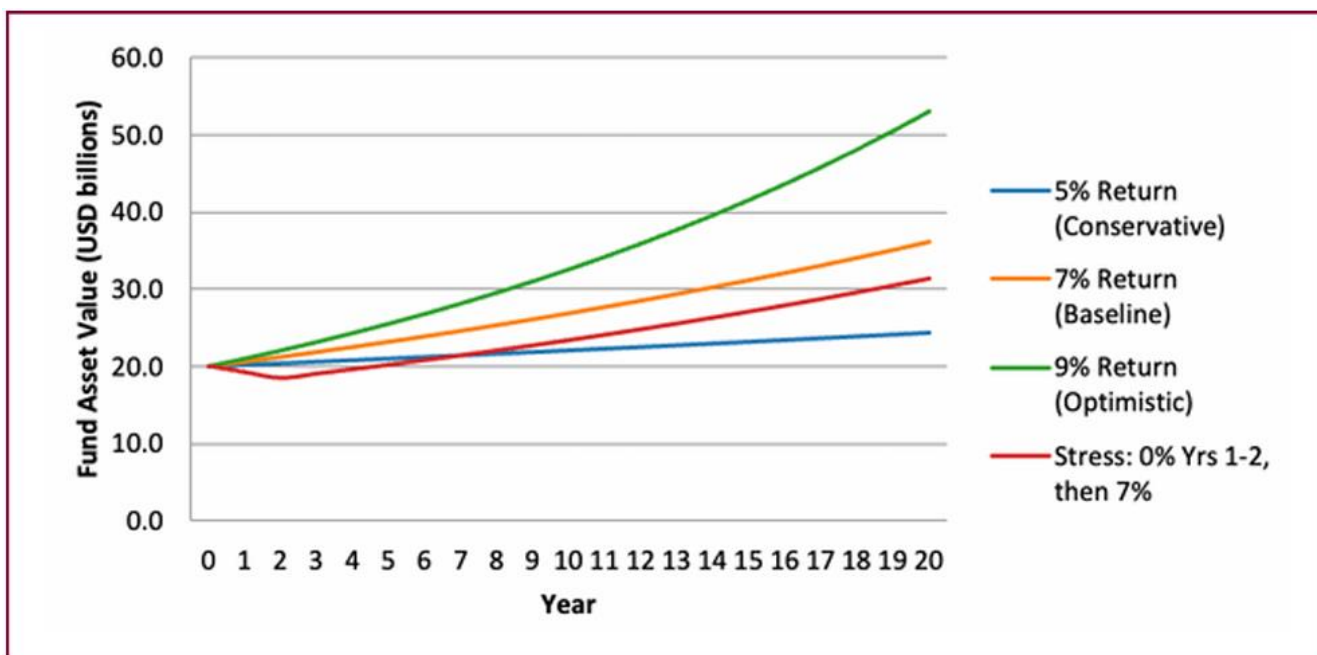
Dr. Chami cautions against treating Lebanon's gold reserves as a consumable asset, particularly for paying back depositors, noting that such use merely postpones reforms and has proven damaging in international experience. He argues that countries relying on gold as a quick financing tool often saw confidence erode rather than strengthen. In **Argentina (2014–2015)**, gold swap operations were transacted to secure short-term foreign currency liquidity. In **Venezuela (2014–2019)**, large-scale gold sales and opaque gold-backed transactions were repeatedly used for financing purposes as oil revenues fell. Markets considered these operations as reserve depletion, leading to higher risk premiums and weaker credibility. By contrast, **Italy's refusal to monetize gold** during the inflationary crises of the 1970s–80s and again in the euro-area crisis of 2011–2012 reinforced confidence. The critical lesson, as Chami emphasizes, is that gold should not be consumed to delay adjustment. Its use must be embedded in a credible institutional framework that safeguards long-term stability and serves the broader public interest.

### Policy Roadmap for Lebanon’s Gold Reserves

**This paper proposes retaining part of the gold while selling the rest, with proceeds managed by the National Gold Trust Fund (NGTF) to generate investment returns.** The fund’s role is to protect capital against inflation, deliver steady income, and support priority initiatives with strong social and economic returns. Mobilizing only part of Lebanon’s gold reserves balances diversification and safe-haven protection against shocks while easing political resistance by keeping part of the gold as the nation’s last-resort asset. The Fund would be protected by law, not allowing further sale or encumbrance. It will be professionally managed with possible international oversight, restricted to distributing only investment income, and designed to preserve capital value while generating diversified returns insulated from political interference.

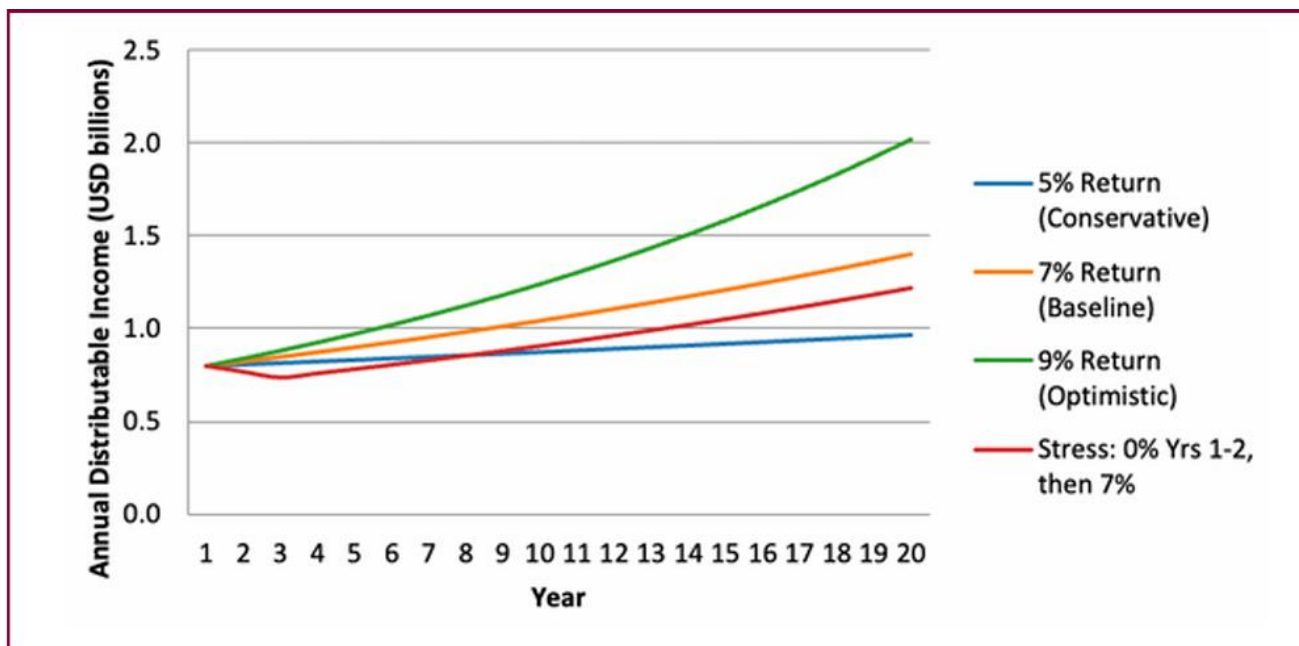
Three return scenarios (5%, 7%, and 9%) are considered, with payouts capped at 4% of the base year’s assets, but to be adjusted over time for inflation and realized returns; stress tests assume two years of zero returns before reverting to baseline. The NGTF’s strategy should be guided by long-term expected returns, not short-term volatility.

**Figure 1 – Projected Fund Asset Value Over 20 Years (4% Distribution Rule)**



Source: [Managing Lebanon’s Gold: Governance, Growth, and Financial Recovery](#)

**Figure 2 – Annual Distributable Income Over 20 Years (4% Opening Assets)**



Source: [Managing Lebanon’s Gold: Governance, Growth, and Financial Recovery](#)

**The NGTF could be managed either as a sovereign wealth fund or in an endowment style**, both offering benchmarks for realistic return expectations. Norway’s Government Pension Fund Global has achieved about 6.6% annualized returns since 1998 through disciplined diversification across stock, bonds and real assets, while Gulf sovereign funds disclose less but are generally assessed in the mid-single to low-double-digit range. U.S. university endowments like Yale and Princeton have reported long-term returns near 9% or higher, driven by alternative assets but with higher volatility and governance complexity. Overall, these experiences suggest mid- to high-single-digit returns are achievable under disciplined governance, aligning with the NGTF’s illustrative assumptions of 5%, 7%, and 9%.

**The NGTF should balance capital preservation, stable returns, and transparency through a diversified portfolio** anchored in public markets (60–70%), complemented by real assets and moderate exposure to alternatives. A liquidity buffer ensures flexibility, while overall structure targets mid- to high-single-digit long-term returns consistent with comparable institutional investors.

**Table 1 - Illustrative NGTF Strategic Allocation**

Asset Class	Allocation Range	Expected long-term return	Role in Portfolio
<b>Global Equities</b>	40–45%	7-8%	Main driver of long-term returns
<b>Global Bonds</b>	20–25%	4-5%	Stabilize portfolio, provide liquidity
<b>Real Assets (infrastructure/real estate)</b>	15–20%	6-8%	Diversification, inflation protection, steady income
<b>Private Equity</b>	10–15%	8-12%	Higher expected returns, but less liquid, higher fees and more complex
<b>Liquidity Buffer (cash/short-term government securities)</b>	8–10%	3-4%	Meet short-term obligations without selling long-term assets

Sources: [Managing Lebanon's Gold: Governance, Growth, and Financial Recovery](#); BLOMINVEST Bank

### Utilization of Returns and Strategic Implications

The NGTF's income, and in some cases the proceeds from liquidated gold, would be directed toward economy-wide priorities, with electricity reform as the most urgent.

### Mobilizing Gold to Reform the Electricity Sector

Lebanon's chronic power shortages have imposed heavy economic, fiscal, health, and environmental costs due to reliance on private diesel generators. **Selling \$2 billion worth of gold could displace generator use, saving USD 0.9–1.2 billion annually, while boosting GDP growth by about 1% in the first 5 years and 0.3–0.5% thereafter.** Reliable electricity would also strengthen fiscal revenues, reduce quasi-fiscal losses, and improve competitiveness. Over a 20-year horizon, the combined direct savings, productivity gains, and fiscal spillovers would far exceed the initial investment, illustrating how the Fund can preserve Lebanon's gold while unlocking high-return public investments.

## Mobilizing Gold to Reform Road Infrastructure

Lebanon's road network has deteriorated severely due to decades of underinvestment, weak maintenance, and fiscal constraints worsened by the economic crisis. Poor road conditions raise transport costs via higher fuel use, more vehicle repairs, and longer travel duration. They also increase accident rates, while reducing competitiveness for businesses, and decreasing access to employment opportunities. **Strategic investment in rehabilitation and expansion would lower costs, improve connectivity, and stimulate growth across sectors such as agriculture, manufacturing, tourism, and trade.** Over time, better roads would enhance firm profitability, household mobility, and financial stability, making infrastructure renewal a cornerstone of economic recovery.

## Impact of These Investments

Research consistently shows that public infrastructure investment boosts output both in the short term—via demand stimulus—and in the long term by expanding productive capacity. **Empirical benchmarks found that a 1% of GDP rise in infrastructure spending increases output by 2–3.5% in the long-run in emerging economies and developing countries,** where infrastructure gaps limits economic growth. Electricity and transport investments are especially impactful in developing economies, lowering costs, improving competitiveness, and enabling private investment. For Lebanon, with severe infrastructure gaps, the right infrastructure investments could deliver sizable and sustained output gains, strengthen fiscal capacity, and eventually support deposit recovery.

The proposed framework evaluates the macroeconomic impact of infrastructure investment in Lebanon across electricity and transport under conservative, baseline, and optimistic scenarios. It considers both demand-side multipliers and supply-side productivity gains, emphasizing that **the quality of reforms—governance, tariff reform, better bill collection, speed of reforms application and project efficiency—matters more than spending scale alone.** Crucially, gold mobilization and Fund income are complementary to broader reforms in banking, fiscal policy, and institutions strengthening; sequencing legal and governance frameworks for the Fund must precede income use.

Lebanon's GDP, currently around \$30 billion, is operating far below its level before the crisis. Chronic electricity shortages and deteriorating road infrastructure are among the most severe obstacles holding back Lebanon's economy from reaching its potential. Targeted investment of \$2 billion in electricity and \$1.5–2.5 billion in roads could raise GDP growth by 1.5%–2% yearly during peak years, generating \$450–600 million in extra output per year, if the amount was paid all at once. If these investments were spread over five years, then the \$3.5–4.5 billion program would average around \$700–900 million yearly, amounting to 2–3% of GDP in annual spending. If investment is spread out over time, growth will be smaller than if the full amount is deployed at once. By year five, GDP could be 5–7% higher than the no-investment baseline, or \$1.5–2.1 billion above current levels. Beyond direct growth, improved infrastructure would stimulate private investment, strengthen fiscal capacity, and support bank balance sheets—creating conditions for deposit recovery.

## **Role in Deposit Recovery**

Stronger growth from infrastructure investment would enable, but not replace, the reforms needed for deposit recovery.

Growth improves fiscal revenues. Assuming the economy grows by \$1.5–2 billion over five years due to the infrastructure investment and that tax/gdp is around 12-15%, this could yield \$180–300 million in extra annual tax receipts, which could contribute in depositors repayment. In addition, stronger economy growth along with credible reforms in the financial sector is expected to restore confidence in banks. It is also expected to strengthen bank balance sheets by stimulating credit demand as sectors recover, thereby narrowing banks' financial gaps. Infrastructure financing could also involve Lebanese banks alongside foreign partners, helping rebuild their asset portfolios.

These mechanisms operate in a self-reinforcing cycle: higher growth boosts fiscal capacity, fiscal gains support recovery frameworks, confidence reduces withdrawal risks, and healthier banks means lending resumption. However, international experience shows that growth alone cannot resolve banking crises; comprehensive restructuring, recapitalization, and transparent loss allocation remain essential. In Lebanon, infrastructure-led recovery can create the economic conditions under which deposit repayment becomes financially feasible and politically sustainable.

## Conclusion

In conclusion, the paper makes an excellent contribution, with only a few points needing further reflection.

It proposes mobilizing part of Lebanon's gold reserves—around \$20 billion, or roughly half of the total \$41.72 billion reported on Banque du Liban's balance sheet as of 31 May 2026. We agree with the principle of partial mobilization and the idea that channeling a share toward growth, along with applying the necessary reforms over time, could support deposit recovery. Yet, we caution that meaningful financial sector reforms are unlikely to materialize without recourse to gold. Moreover, even if Chami's proposal were to succeed, its implementation would take considerable time and could dampen the GDP multiplier effect of potential investments, given the banking sector's critical role in supporting them. IFI Associate Fellow and economist Albert Costanian, in [\*Making Use of Lebanon's Gold: A Tangible Proposal\*](#), similarly emphasizes dual allocation, suggesting 90% of fund proceeds be directed to central bank guarantees and 10% to PPP infrastructure projects. While the exact ratio is open to discussion, the core idea of two distinct shares remains essential. Restoring confidence in the financial sector cannot occur without comprehensive restructuring, and the government, central bank, and commercial banks cannot absorb losses without recourse to gold. Even if banks are assigned the largest share, they lack the capacity to repay depositors—ultimately shifting the burden back to BDL and leaving the system at an impasse.

Secondly, we reflect on the hierarchy of claims when considering Eurobond holders' risk of access to gold if mobilized for economic growth. That risk is arguably higher in this case than if gold were used to repay depositors, since depositors did not lend directly to the government. In fact, many deposits were held in current accounts rather than savings accounts. By principle, depositors should therefore be prioritized ahead of Eurobond holders, who technically extended credit directly to the Lebanese government.

Thirdly, the paper estimates that spending \$3.5–4.5 billion on infrastructure over five years would raise GDP by \$1.5–2.1 billion. This modest impact reflects the fact that while government expenditure rises, imports also increase due to machinery and equipment purchases for these projects. As a result, the effective GDP multiplier is just 0.5—suggesting that such investments, under current conditions, deliver limited productivity gains.

Fourth, while we fully support mobilizing gold to reform the electricity sector—and agree that roads infrastructure is also a valid priority, especially given the damage from the war—we believe road investment should initially be scaled down, with scope to expand later. At the same time, other sectors merit urgent reform, particularly internet infrastructure and education. Strengthening connectivity and embedding job-related skills such as AI into curricula would not only raise employment rates, but also bring more workers into the tax system, boosting government revenues from relatively modest investment. In parallel, positioning Lebanon as a remote-work hub would attract talent and generate spillovers into tourism, creating a broader base for sustainable growth.

Another consideration arises when weighing different risk scenarios. Many policymakers seem to favor opting for lower-risk investments, but this has both advantages and drawbacks: volatility is minimal for AAA assets, meaning the Fund may not need a 4% payout cap to safeguard against inflation and fluctuations as volatility is minor. At the same time, however, returns are lower—so a 5% nominal return would leave only 1% net for the Fund after distributions.

Overall, the paper is of exceptional quality. And given that seven years on no solution has emerged, its proposal may now offer a credible growth path forward—especially when the alternative is continued deadlock driven by political resistance to using gold for depositor repayment. But it couldn't be used as a model for deposit recovery and closure of the financial gap.

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