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Economic Commission for Africa

COUNTRY PROFILE 2017

LIBYA

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Contents

Acknowledgments

Country Profiles is a series published annually by the Economic Commission for Africa (ECA). The aim of the series is to disseminate country- and region-specific policy analyses and recommendations for economic transformation, with an emphasis on promoting sustainable growth and social development, strengthening regional integration and facilitating development planning and economic governance. The present series is the result of the close collaboration of the ECA subregional offices with the African Centre for Statistics. Specific contributions were provided by relevant ECA divisions, particularly the Macroeconomic Policy Division, the Regional Integration and Trade Division, and the Social Development and Policy Division.

The country profile on Libya was compiled under the overall guidance of Ms. Lilia Hachem Naas, Director of the ECA Subregional Office for North Africa. The document was prepared and coordinated by Ms. Kenza Aggad, Research Fellow, under the substantive supervision and guidance of Mr. Omar Abdourahman, Economic Affairs Officer. Substantive contributions were made by Mr. Isidore Kahoui, Statistician, Mr. Zoubir Benhamouche, Economic Affairs Officer and Mr. Mohammed Mosseddek, Senior Research Assistant. Valuable contributions and comments were made by an internal review panel convened by the ECA Operational Quality Section. We would also like to thank Dr. Hassan Yousif for his expert critique and review of this country profile and Open Data for their data analysis.

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Note to the reader

The current Libya Country Profile was compiled on the basis of a desktop review. As such, data was collected through extensive research that used a number of sources, including national and international institutions. With respect to national sources, the Central Bank of Libya served as the pivotal source of reference data on monetary policy, gross domestic product (GDP) and other economic variables. With respect to international institutions, data was mainly collected from United Nations agencies. Data compiled by the African Development Bank were also used.

Data collection proved to be challenging as much data was outdated and there was often a lack of detailed information available. There were three main problem areas. Firstly, there was a lack of disaggregated data with respect to both imports and exports. Prior to 2011, some data had been available (but no detailed figures). As of the beginning of the conflict, however, significant data discrepancies became apparent. Secondly, employment data was very challenging to compile; although the Bureau of Statistics and Census – Libya does provide certain employment statistics, that data is very outdated and could not be used in the 2017 Country Profile. Moreover, as is the case with trade statistics, little detailed information on employment is available, including with regard to employment rates in each economic sector. It was particularly challenging to collect data on people living below the poverty line. In addition, data related to value added (as a percentage of GDP) per sector was outdated. To resolve these problems, other reports were consulted with a view to addressing data gaps. Those reports are cited in the list of references.

The present Libyan Country Profile highlights a number of factors relevant to the country's current political and security situation, and on how those factors have affected the Libyan economy. As such, the Country Profile focuses, primarily, on economic shocks and their repercussions rather than on the country's structural transformation. Indeed, Libya continues to experience the repercussions of its political divisions, which have been exacerbated by the struggle to control the country's oil resources. As the Libyan economy relies heavily on oil exports, that struggle has had a direct and significant impact on the country's financial resources. It is very challenging at the present time to address the question of structural transformation, given the country's current economic issues. However, should the country successfully resolve its current challenges, addressing the question of economic diversification and structural transformation could significantly strengthen the Libyan economy.

Libya at a glance

General	
Subregion	North Africa
Official language(s)	Arabic
Currency	Libyan dinar (LD)
Capital city	Tripoli
Regional Economic Community membership(s)	Arab Maghreb Union, Common Market for Eastern and Southern Africa, Community of Sahelo-Saharan States, Council of Arab Economic Unity, Greater Arab Free Trade Area

Rankings	
Human development index (United Nations Development Programme)	102/188 (2016)
Gender inequality index (United Nations Development Programme)	38/159 (2015)
Ibrahim Index of African Governance (Mo Ibrahim)	51/54 (2016)
Ease of doing business index (World Bank)	188/190 (2017)
Corruption Perceptions Index (Transparency International)	170/176 (2016)

ECONOMIC GROWTH

Ongoing political and security issues have hindered the prospects for the Libyan economy. Economic growth was estimated at -4.9 per cent in 2017, as compared to -8.1 per cent and -10.2 per cent in 2016 and 2015, respectively[1]. These negative growth rates indicate a contraction in GDP due to supply and demand factors. On the supply side, with an economy that is almost entirely dependent on oil revenues, oil production has declined due to conflict-related oil field disruption and oil price volatility. On the demand side, growth has been negatively affected by a decrease in consumption due to a significant cut in subsidies as well as a substantial increase in inflation rates.

PUBLIC FINANCE

The public finances of Libya have been significantly affected by lower oil revenues, increases in government expenditure on wages, and large subsidies. Total revenues decreased from 16,843.4 million Libyan dinars (LD) in 2015 to LD 8,595.2 million in 2016: a contraction of 48.97 per cent. Total revenues, mainly driven by oil exports, have fallen significantly, and, by way of comparison, stood at LD 70,131.4 million and LD 54,763.6 million in 2012 and 2013, respectively[2].

MONETARY POLICY

Inflation accelerated to 9.8 per cent in 2015, compared to 2.4 per cent in 2014, mainly driven by a considerable increase in oil prices as well as food shortages caused by a lack of funding to finance imports (especially subsidized food). The rise in the price of imports is due to frequent disruptions to local transport infrastructure as well as security challenges. As of the second quarter of 2017, inflation has reached a record high of 31.3 per cent[3].

[1] African Development Bank, African Economic Outlook 2017, Libya Country Note. Available at https://read.oecd-ilibrary.org/development/african-economic-outlook-2017/libya_aeo-2017-40-en#page1.
[2] Central Bank of Libya, Quarterly Economic Bulletin (second quarter, 2017). Available at https://cbl.gov.ly/en/economic-bulletin/ (Arabic only).
[3] Central Bank of Libya, Quarterly Economic Bulletin (second quarter, 2017).

CURRENT ACCOUNT

The large current account surplus recorded in 2012 (LD 30,034 million) was more than halved in 2013, before turning into a large deficit for three consecutive years, which reached LD -6,549.2 million in 2016[4]. Those deficits have led to the rapid depletion of the country's foreign currency reserves, which declined by 60 per cent, from $107.6 billion in 2013 to approximately $43 billion by the end of 2016[5].

CAPITAL AND FINANCIAL ACCOUNT

Although reflecting a negative balance in 2016 (LD -1,300.3 million), the capital and financial account has shown a considerable improvement of 87 per cent since 2012, when it was LD -9,937 million[6]. Foreign direct investment remains weak, however. Factors that have reduced foreign direct investment include political instability, economic policy uncertainty, and fears over the security situation. For these and other reasons, Libya ranks 188 on the World Bank ease of doing business index[7] and was given a very low score of 31.77 in 2016 and of 33.19 in 2017.

DEMOGRAPHY

The total population in 2018 was estimated at 6.47 million, in contrast to 4.95 million in 1995, 5.36 million in 2000, 6.17 million in 2010, and 6.23 million in 2015.[8] This population growth pattern is explained by high but declining fertility. The total fertility rate was estimated at 5.7 children per woman in 1990 but declined to 4.2 in 1995 and to 3.2 in 2000. It is currently estimated at 2.4 and is projected to decline to 2.2 in 2020. Libya's population is now predominantly urban with 5.18 million living in urban areas and 1.29 million in rural areas[9].

POVERTY

The most recent publicly available survey data used to calculate the Human Development Report Multidimensional Poverty Index for Libya[10] refer to 2007. In Libya, 1.4 per cent of the population (82,000 people) is multi-dimensionally poor, while an additional 6.3 per cent lives near multidimensional poverty (378,000 people)[11].

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[4] Central Bank of Libya, Quarterly Economic Bulletin (second quarter, 2017).
[5] African Development Bank, African Economic Outlook 2017, Libya Country Note.
[6] Central Bank of Libya, Quarterly Economic Bulletin (second quarter, 2017).
[7] World Bank, Doing Business 2017: equal opportunity for all. Available at http://documents.worldbank.org/curated/en/172361477516970361/Doing-business-2017-equal-opportunity-for-all.
[8] United Nations, Department of Economic and Social Affairs (DESA), World Population Prospects: The 2017 Revision. Available at https://esa.un.org/unpd/wpp/publications/Files/WPP2017_KeyFindings.pdf.
[9] United Nations, DESA, World Urbanization Prospects: The 2018 Revision. Available at https://population.un.org/wup/Publications/Files/WUP2018-KeyFacts.pdf.
[10] The 2010 Human Development Report introduced the Multidimensional Poverty Index, which identifies multiple overlapping deprivations suffered by households in three dimensions, namely education, health and living standards. The education and health dimensions are each based on two indicators, while standard of living is based on six indicators. All of the indicators needed to construct the Index for a country are taken from the same household survey. A deprivation score of 33.3 per cent (one third of the weighted indicators) is used to distinguish between the poor and non-poor.
[11] United Nations Development Programme (UNDP), Human Development Indices and Indicators: Briefing note for countries on the 2018 Statistical Update: Libya. Available at http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/LBY.pdf.

EMPLOYMENT

The Libyan economy is mainly dependent on the hydrocarbon sector, which is capital intensive and can therefore only make a very limited contribution to employment growth. As a result of the conflict and recurrent disruptions to the oil sector, overall unemployment increased from 13.5 per cent in 2010 to 19 per cent in 2012[12]. According to the latest figures available (2012), youth unemployment was 48.7 per cent and female unemployment stood at 20.9 per cent[13]. Due to security issues and given the concentration of the economy in the oil sector, unemployment is expected to have increased since 2012, especially given the intensification of the conflict in 2014. In parallel, the fact that the non-hydrocarbon sector is not sufficiently developed to absorb the bulk of the labour force may push a large part of the labour force towards unemployment or into informal economic activity.

HEALTH

Since 2011, the Libyan health sector has gradually deteriorated. A shortage of primary health-care facilities as well as shortages in qualified nurses and doctors have become serious problems. In addition, much of the country's health infrastructure has been destroyed by the ongoing conflict, further impeding the provision of health-care services. As a result of those factors, a slight increase has been recorded in the crude death rate, from 4.7 deaths per thousand people in 2005-2010 to 5.2 deaths per thousand people in 2015-2020.[14] For the same periods, life expectancy at birth[15] has slightly declined, from 71.82 to 71.47, respectively.

EDUCATION

The adult literacy rate (for persons aged 15 and older) in Libya is estimated at 91 per cent.[16] The gross enrolment ratio is approximately 114.4 per cent for primary, 104.3 per cent for secondary and 60.9 per cent for tertiary (as a percentage of the school age population). As a result of security issues, the education system has been severely disrupted, with school years lost in certain cities, schools destroyed and populations displaced.

GENDER

Women's access to economic resources remains limited in Libya. Female participation in the labour force is only 30 per cent, compared to 76.4 per cent for men. According to the 2015 Human Development Report, only 16 per cent of parliamentary seats in Libya are held by women.

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[12] United Nations Statistics Division data. Available at http://data.un.org/Data.aspx?q=rate&d=SDGs&f=series%3ASL_TLF_UEM.
[13] United Nations Statistics Division data.
[14] United Nations, DESA, World Population Prospects: The 2017 Revision.
[15] United Nations, DESA, World Urbanization Prospects: The 2018 Revision.
[16] UNDP, Human Development Reports: Libya. Available at http://hdr.undp.org/en/countries/profiles/LBY.

1. Overview

In the aftermath of the Arab Spring, Libya entered a new historical phase marked by periods of instability and attempted conflict resolution. The first post-revolution national elections in Libya were held in July 2012 with power formally transferred from the National Transitional Council to the General National Congress. The new prime minister and cabinet were approved by late October 2012. However, the instability of the country's governance institutions has impeded political transition and efforts to promote national unity in a country emerging from a lengthy era of political suppression. Tensions over the control of the country's oil resources came to a head in March 2014 following the dismissal of the Libyan prime minister by parliament because of his government's failure to address the crisis.

In mid-2014 the country was plunged into an unprecedented period of political unrest and insecurity. Libya's intensive political instability led to the emergence of two governments: one based in Tripoli, in the west of the country, which was supported by the General National Congress, and one based in Tobruk, in the east of the country, which was supported by the House of Representatives. Under concerted pressure from the international community and under the auspices of the United Nations, a power sharing accord was signed in mid-December 2015 between the two rival governments. The Libyan Political Agreement provided for the formation of a one-year interim government of national accord to end the political crisis, which could be renewed once only. The Libyan Political Agreement was thereafter renewed until December 2017. However, none of the numerous proposed cabinets have been approved by the House of Representatives.

As of 2017, there is still no sign that a government of national accord will be approved. The United Nations has stated, however, that the Libyan Political Agreement remains valid until a new one is adopted. In July 2017, Libya's opposing governments agreed to a conditional ceasefire following talks in France aimed at preparing for the country's presidential and parliamentary elections. Such an initiative could eventually lay the ground work for future talks between the opposing governments and set a solid base for the country's efforts to promote political stability. Nevertheless, although the Agreement represents a step forward, other peace deals concluded since 2011 have been broken. The political and security situation in Libya is thus likely to remain unstable until a central government is established.

The unstable political and security situation in Libya since 2011 has had a significant negative impact on the country's economy. In 2016, GDP was almost 50 per cent lower than it had been prior to 2011. The Libyan economy is overwhelmingly dependent on the oil sector, which generated more than 50 per cent of GDP and more than 96 per cent of the country's budgetary revenues under the Gadhafi regime[17]. The ongoing political struggle has severely undermined hydrocarbon production, which fell from more than 1.6 million barrels per day before the fall of the Gadhafi regime to less than 250 thousand barrels per day in 2013.[18]

In 2017, Libya continues to suffer from political instability and security issues, and GDP growth is estimated at -8.1 per cent. Budgetary revenues, dependent on hydrocarbon exports, have reached their lowest levels since 2011. As a result, the country has a double deficit: its balance of payments, equivalent to 61 per cent of GDP, and a very large budget deficit of almost -69 per cent of GDP. Real incomes have been eroded by inflation, which reached an unprecedented 31.1 per cent in 2017.[19] The conflict has also undermined the provision of social services, with an estimated 1.3 million people now without access to vital social and health-care resources.

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[17] Ralph Chami and others, *Libya Beyond the Revolution: Challenges and Opportunities* (Washington, D.C., International Monetary Fund, 2012). Available at https://www.imf.org/external/pubs/ft/dp/2012/1201mcd.pdf.

[18] Laura Hurst and Grant Smith, Libya's oil production is at three-year high and rising, *Bloomberg*, 24 January 2017. Available at https://www.bloomberg.com/news/articles/2017-01-24/libya-s-noc-says-oil-output-is-at-three-year-high-and-rising.

[19] Central Bank of Libya, Quarterly Economic Bulletin (second quarter, 2017).

This country profile looks at six fundamental aspects of the Libyan economy:

- National and subregional context;
- Economic growth;
- Public finances;
- Monetary policy;
- Balance of payments and foreign trade;
- Capital and financial account.

A study of the following three specific points complements the analysis of those fundamental aspects:

- Regional integration process;
- Social development;
- Problems to be solved: Political, security and migration issues.

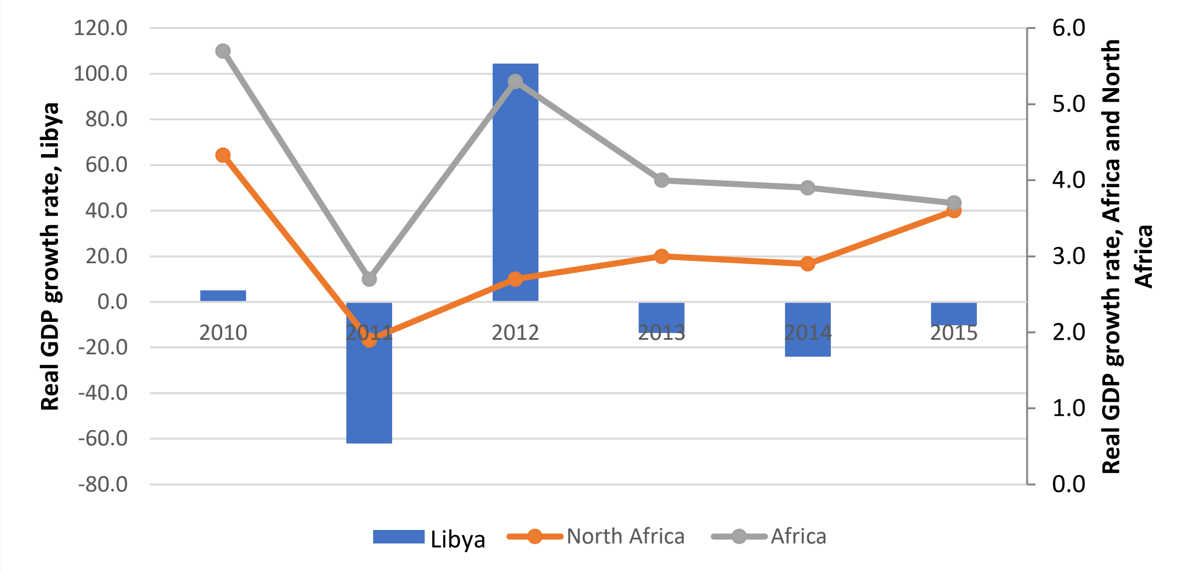
2. National and subregional context

The North Africa subregion faces numerous political and social challenges. Most countries in the subregion have been affected by widespread social upheaval, which has exacerbated political instability and had far-reaching repercussions on economic activity. The economic growth of the subregion fell from 2.8 per cent in 2010 to 2 per cent in 2011, as illustrated in figure I.

The political and social unrest that started in 2011 plunged Egypt, Libya and Tunisia into turmoil. Despite the fragile security situation in Egypt and Tunisia, those countries still embarked on political reforms which led to presidential elections, marking a return to a degree of political stability. This relative stability renewed the path to growth. Libya, on the other hand, is still experiencing a period of political turmoil, which continues to impede development. In 2009, Mauritania also restored political stability, which led to a mean growth rate of 5.5 per cent over the period 2010-2015.

In comparison, Algeria and Morocco have experienced very little political turmoil. According to the Ibrahim Index of African Governance, only Tunisia (ranked 8th) is featured among the top 15 African countries. Mauritania and the Sudan are ranked 50th and 51st respectively, while Algeria and Morocco are in 20th and 16th place, respectively.

Figure I
Real GDP growth rate, Libya, North Africa and Africa



Source: DESA, Growth Libya (2016); African Development Bank Statistical Yearbook (2016); ECA calculations.

***** The growth rate for North Africa in 2012 resulted, primarily, from Libyan growth of 104.5 per cent, which, in turn, resulted from the revival of oil production in that country. If Libya is excluded, however, the growth rate for North Africa was only 2.3 per cent.

In terms of efficiency of public regulation (on an index of 1 to 100, with 100 being the best performance), according to the World Bank Good Governance Index, no significant progress has been achieved by Libya since 2010. Among North African countries, only Morocco obtained a score above 50 in 2014. In terms of the efficiency of the State, very little progress has been made, with Egypt and Tunisia underperforming. No country in North Africa obtained an index score that was higher than 50, with Tunisia having the highest score (49), followed by Morocco (48). Lastly, corruption continues to be a major challenge for the economies of the subregion. All countries in North Africa score below 4 (on a scale of 0 to 10, with 0 being the bottom of the scale) according to the Transparency International Corruption Perceptions Index.

The economies of the subregion are not diversified enough in terms of exports and GDP growth is based, primarily, on the exploitation of their primary or natural resources. The exports of Algeria, Mauritania, the Sudan and, to a lesser extent, Egypt, all comprise low value-added products. In the Sudan, oil, gold and livestock account for 77 per cent of exports; in Algeria, hydrocarbons account for 95 per cent; in Mauritania, gold, fishing and iron account for 78 per cent, and in Egypt, fuel oil, oil and oil derivatives make up 48 per cent. On the other hand, Morocco and Tunisia have been able to diversify their exports. Capital goods account for over 16 per cent of exports in the two countries and consumer goods over 32 per cent.

Private sector development is still a huge challenge for the economies of North Africa, while the business climate is one of the key areas of concern for the Governments of the subregion. Only Morocco and Tunisia were ranked lower than 100 in the World Bank ease of doing business index in 2016. Algeria and Egypt went down in the rankings in 2015. In 2013, Mauritania made considerable efforts to improve its business environment by establishing companies and improving access to credit.

Limited economic diversification puts pressure on government resources earmarked for economic and social development. For most of the countries in the subregion, national budget depends on a limited number of sectors and volatile resources. While strides have been made to improve public finance management and diversify resources, much remains to be done to strengthen the tax base. The ratio of tax revenue to GDP is about 19 per cent in all countries, except for the Sudan, where it stands at only 7.3 per cent.

Lastly, unemployment is an endemic problem in the subregion, with overall unemployment rates exceeding 10 per cent in most of North African countries. More and more young people are unemployed, with youth unemployment exceeding 25 per cent in all the countries, except for Morocco where the youth unemployment rate was 19.3 per cent in 2013.

From a regional integration perspective, Libya is part of various initiatives such as the Greater Arab Free Trade Area, the African Union, the Arab Maghreb Union, the Community of Sahelo-Saharan States, the Common Market for Eastern and Southern Africa and the Council of Arab Economic Unity. Libya also applied for membership of the World Trade Organization (WTO) in 2004, but still holds only observer-government status since it has not yet submitted its memorandum on the trade regime. Once the situation stabilizes in the country, it could continue its negotiations with WTO in addition to its pending trade agreements with the European Union and the United States of America.

In terms of regional integration, Libya ranks moderately to poorly among States members of the Arab Maghreb Union, the Community of Sahelo-Saharan States and the Common Market for Eastern and Southern Africa, attaining fourth, fourteenth and fifteenth place, respectively, in the Africa Regional Integration Index (see table 1).

Prior to the revolution, Libya had made significant efforts to promote regional integration and economic cooperation. Given the current political and economic context, however, Libya has been obliged to focus more on challenges related to the use of its scarce financial resources than on its commitment to allocate sufficient human, technical and financial resources to regional integration programmes.

Africa Regional Integration Index

The Africa Regional Integration Index is a joint initiative of the African Development Bank, the African Union Commission and ECA. Its aim is to assess the level of harmonization of policies and cooperation among the 54 African countries in the following five dimensions: the free movement of people, trade integration, productive integration (development of regional value chains), regional infrastructure, and macroeconomic and financial integration. The following section analyses these dimensions and their respective indicators. A technical description of the indicators can be found at https://www.integrate-africa.org/. Table 1 below provides an overview of the relative performance of Libya compared with other member States of the regional economic communities according to the five dimensions.

Table 1

The performance of Libya compared with other member States of regional economic communities according to the five dimensions of the Africa Regional Integration Index

<table>
<tr><td colspan="5">Overall rank for Libya: 15th among member States of the Common Market for Eastern and Southern Africa (COMESA) (score: 0.33), 19th among member States of the Community of Sahelo-Saharan States (CEN-SAD) (score: 0.34) and 4th among member States of the Arab Maghreb Union (AMU) (score: 0.39).

Best performer among member States of the COMESA is Zambia (score: 0.55), among member States of CEN-SAD is Côte d'Ivoire (score: 0.65) and among member States of AMU is Morocco (score: 0.56).</td></tr>
<tr><td>Free movement of people

Libya:

Last in COMESA (Score 0). The best performer in COMESA is Seychelles (score 0.70).

27th in CEN-SAD (score 0.14). The top</td><td>Trade integration

Libya:

6th in COMESA (score 0.69). Top performer in COMESA is Zambia (score 1.00).

13th in CEN-SAD (score 0.46). The top</td><td>Productive integration

Libya:

Last in COMESA (score 0.07). The best performer is Egypt (score 0.76).

23rd in CEN-SAD (0.13). The top</td><td>Infrastructural integration

Libya:

3rd in COMESA (score 0.49). The top performer is Swaziland (score 0.55).

2nd in CEN-SAD (0.59). The top</td><td>Financial integration and macroeconomic integration

Libya:

7th in COMESA (score 0.42). The top performer is Seychelles with a score of 0.50.

18th in CEN-SAD (score 0.38). The</td></tr>
</table>

performer is Côte d’Ivoire (score 0.80). Last in AMU (score 0.10). The top performer is Algeria (score 0.80).	performer is Côte d’Ivoire (score 0.96). 3rd in AMU (score 0.75). The top performer is Tunisia (score 0.97).	performer is Kenya (score 0.75). 3rd in AMU (score 0.43). The top performer is Tunisia (score 0.67).	performer is Morocco (score 0.61). 1st in AMU (score 0.67).	top performer is Niger with the maximum score of 1. Last in AMU (score 0.00). The top performer is Morocco (score 0.50).

Libya is member of three regional economic communities, namely COMESA, CEN-SAD and AMU.

Free movement of people: Libya is the worst performing country in both COMESA and AMU, with a score of 0.59 and 0.10 respectively, and is among the worst performing countries in CEN-SAD. At the time of calculation of the Index, the country had ratified the CEN-SAD and AMU protocols on the free movement of people. However, citizens of African countries, with the exception of Tunisian nationals, require visas to enter its territory. Effective implementation of the protocols on free movement of people is critical for Libya.

Trade integration: Libya is a moderate performer in terms of trade integration with member States of the regional economic communities of which it is a member. The country does not apply tariffs on intra-regional economic community trade. Over the period 2010-2013, Libya’s share in intraregional trade flows was approximately 18 per cent within AMU, 7 per cent within COMESA, and 8 per cent within CEN-SAD. Its recent signing of the Agreement Establishing the African Continental Free Trade Area will open up new trade opportunities which may improve the country’s trade performance within those regional economic communities.

Productive integration: Libya displays relatively low to moderate performance in this dimension and is ranked last among member States of COMESA, below average among member States of CEN-SAD and performs only moderately well when compared with other AMU countries. The country is poorly integrated with its trading partners within its regional economic communities. The values of the United Nations Conference on Trade and Development merchandise trade complementarity index for Libya vis-à-vis its regional economic communities were below 0.15 (on a scale of 0 to 1).

Infrastructure: Libya is the best performer among AMU member States, second best among CEN-SAD member States and third among COMESA member States, which makes it a top performer. The country has relatively well developed infrastructure assets. Libya is among the top performers, based on the African Development Bank Infrastructure Index, and achieved scores above 72 (on a scale of 0 to 100) during the calculation period for the Regional Integration Index.

Financial integration and macroeconomic convergence: Libya is ranked seventh among COMESA member States. However, it is the worst performing country among AMU Member States, with a below-average score and is one of the worst performing CEN-SAD countries. The country’s currency is not convertible into any of its regional economic community member States’ currencies.

To conclude, Libya should undertake further efforts to enhance its performance in all five dimensions of regional integration, with the possible exception of infrastructure. The country could leverage its existing high-quality infrastructure to develop its productive capacities and take full advantage of emerging trade opportunities, particularly within the context of the African Continental Free Trade Area. Promoting the free movement of people by easing visa requirements for citizens of member States of relevant regional economic communities is also critical.

3. Economic performance

3.1. Economic growth

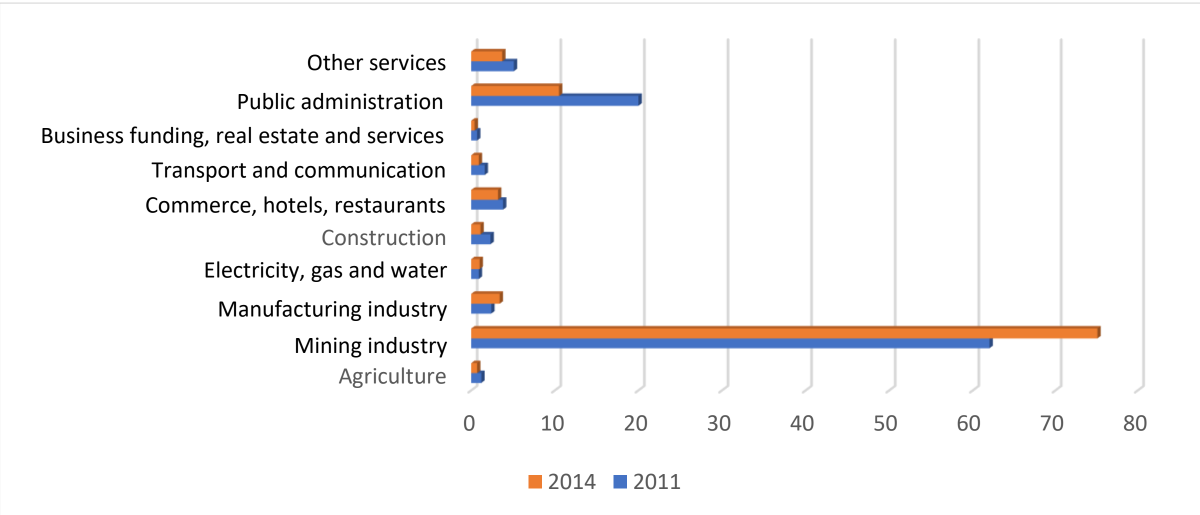
The Libyan economy contracted by approximately 4.9 per cent in 2017, compared to contractions of 8.1 per cent and 10.2 per cent in 2016 and 2015, respectively[20]. Two sets of supply and demand factors explain the downturn of the economy, which is highly dependent on oil revenues. On the supply side, oil production has declined due to the ongoing conflict, and oil prices have become highly volatile. Consequently, oil revenues have dropped drastically. On the demand side, high inflation rates and significant cuts to subsidies have led to a decrease in consumption, thereby undermining economic growth. However, the supply and demand factors are interrelated. When oil revenues increase, income and, in turn, consumption will increase, leading to economic recovery and higher growth rates.

The volatility of economic growth in Libya is directly linked to the political instability and insecurity that has plagued the country since 2011. Indeed, the fall of the Gadhafi regime and its repercussions on the oil and gas sector have had tremendous negative repercussions for the Libyan economy. The sharp fall in oil production in 2011 led to a 62.1 per cent fall in GDP, but the recovery in production that began in 2012 resulted in GDP growth of 104.5 per cent. Political instability, including conflicts around oil fields, then led to a 13.6 per cent drop in GDP in 2013. Oil production has since fallen to an average level of 250 thousand barrels per day, a level very much below the historical average of 1.6 million barrels.

The years 2014 and 2015 were marked by difficult security conditions and poor oil infrastructure, with crude oil production dropping to around 0.4 million barrels per day[21]. Non-hydrocarbon sectors remained weak due to disruptions in domestic and foreign input supply chains, as well as a lack of investment.

Apart from being negatively affected by ongoing political turmoil and insecurity, the Libyan economy remains ill-prepared to cope with disruptions in oil production and fluctuations in oil prices, which, increasingly, have repercussions for other sectors of the economy. In fact, in 2014, the mining industry, which is mainly driven by the hydrocarbon sector, accounted for approximately 75 per cent of GDP; compared to approximately 62 per cent in 2011 (see figure II). As such, the limited economic diversification of the Libyan economy has had a major impact on GDP growth rates.

Figure II
Distribution of GDP (as a percentage) per economic sector



Source: African Development Bank, African Economic Outlook 2017: Libya Country Note.

[20] African Development Bank, African Economic Outlook 2017, Libya Country Note.
[21] Laura Hurst and Grant Smith, Libya's oil production is at three-year high and rising, *Bloomberg*, 24 January 2017.

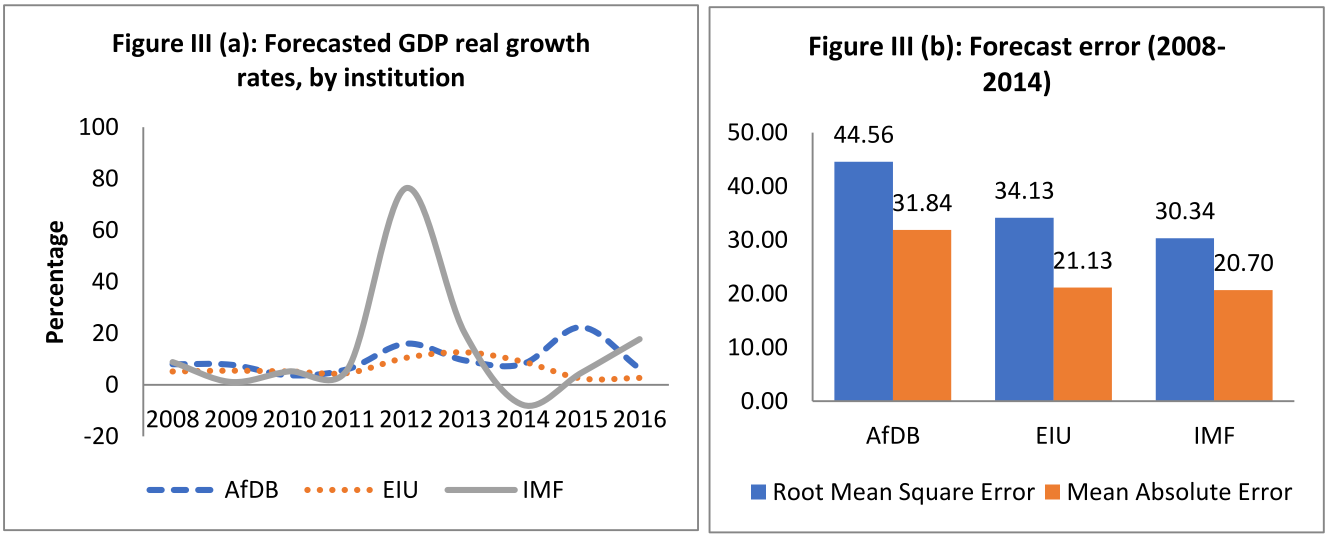
As of 2017, economic growth remains weak. In spite of the slight improvement in economic growth rates, the long term stability of the country's economy is contingent on the formation of a unity government and the stabilization of the security situation. If the country can move beyond its current state of crisis, it could initiate an economic diversification process that would pave the way for more inclusive and sustainable economic growth.

Comparing Economic Forecasts

Economic forecasts provide essential information for decision makers in the public and private sectors. Reliable economic forecasts inform and support a country's decision-making process. A number of organizations currently produce forecasts on economic growth for Libya. These include the African Development Bank, the Economist Intelligence Unit and the International Monetary Fund (IMF).[22] The forecasts produced by these organizations have at times been close to each other (diverging by 1.5 percentage points) but they also diverged from each other by as much as 17.8 percentage points (see figure III (a) below). However, during shocks, such as wars and economic crises, as occurred in 2012, the forecasts diverged by as much as 65.8 percentage points. IMF provided the most optimistic growth forecast that year, and predicted that growth would average 14.7 per cent over the period 2008-2016. The most optimistic growth rate forecast for 2016 was by IMF (17.7 per cent), followed by the African Development bank (6.3 per cent) and the least optimistic was by the Economist Intelligence Unit (2.7 per cent).

The degree of accuracy of these forecasts is an important issue, hence ECA has carried out an analysis to assess which forecasts tend to be more reliable, using the root mean square error and the mean absolute error, which are the most common measures used to evaluate forecasts. Generally, the higher the value of these errors, the less accurate the forecasts[23]. ECA analysis of forecasts over the period 2008-2014 indicates that IMF forecasts are relatively more accurate, followed by the forecasts of the Economist Intelligence Unit, while African Development Bank forecasts had relatively high forecasting errors (see figure III (b)).

Figure III
Forecasted GDP real growth rates by institution and forecast error (per cent)



3.2. Public finance

The 2011 revolution highlighted the many challenges impeding the establishment of an efficient and transparent public financial management system and the sustainable use of Libyan

[22] In both the forecasts and forecast evaluation, we did not include the World Bank due to data limitations.
[23] For more information on these terms and the ECA approach to evaluating the accuracy of forecasts, see ECA (2015).

hydrocarbon resources. The country's many years of isolation, as a result of economic sanctions, had drastically weakened the Libyan authorities' public-sector capacities. Indeed, following a series of sanctions imposed on Libya prior to 1992, the United Nations adopted Security Council resolution 883 (1993). The latter entailed tightening air restrictions, freezing Libyan funds and financial resources, and banning the export of selected equipment used in the energy sector. An example of export sanctions was the ban on the export of equipment linked to the oil sector. This, in turn, had a significant negative impact on Libyan public finances. Moreover, the lack of coordination among public sector institutions undermined efforts to promote effective and transparent revenue management and monitoring.

In 2012, Libya had a budget surplus of 23.4 per cent, due to a recovery in oil production. With the GDP decrease in 2013, there was a budget deficit of 4 per cent of GDP. In March 2014, oil production levels further dropped to 250,000 barrels per day, and the budget deficit worsened, increasing to around 46.1 per cent of GDP.[24]

In 2013, the Libyan Government started to engage with a number of international institutions, including the IMF, to facilitate the implementation of public financial management programmes. In 2015, the security conditions and the decline in oil prices had a major impact on public finances. Public sector wages accounted for 59.7 per cent of public expenditure, mainly because of the recruitment of civil servants. Subsidies were, however, reduced by 23.6 per cent due to lower import prices and stricter oversight of supply chains for subsidized products. The budget deficit reached a record 67 per cent of GDP in 2015, and was mainly financed by withdrawing government deposits held at the Central Bank of Libya. In 2016, the budget deficit remained very high, and was equivalent to nearly 50.8 per cent of GDP[25].

Continued political deadlock and persistent power struggles in 2015 and 2016 prevented the sound and timely preparation and implementation of a national budget. Beyond the evident inconsistencies and waste of resources resulting from the parallel implementation of two budgets, there were serious capacity gaps in budgetary management, implementation, and monitoring, which hindered the provision of basic services to the population.

The recorded budget deficits since 2011 result from the significant gap between revenues and expenditure in Libya (see table 2). Revenues continue to be driven heavily by oil and remain unpredictable. Expenditure remains high, further undermining the country's public finances.

Table 2

Summary of actual revenue and expenditure (LD)

Items	2011	2012	2013	2014	2015	2016	30-06-2017*
1- Revenue	**16 813.3**	**70 131.4**	**54 763.6**	**21 543.3**	**16 843.4**	**8 595.2**	**7 600.2**
A- Oil revenues	15 830.1	66 932.3	51 775.7	19 976.6	10 597.7	6 665.5	6 821.3
B- Non-oil revenues	983.2	3 199.1	2 987.9	1 566.7	6 245.7	1 929.7	778.9
2- Expenditure:	**14 305.5**	**28 788.4**	**43 178.9**	**43 814.2**	**65 283.5**	**53 941.6**	**23 366.5**
A- Administrative expenditures	17 580.10	36 733.0	42 598.5	26 892.0	29 196.1	21 315.8	11 199.8
B- Development expenditures	0.0	5 500.0	13 276.5	4 482.4	4 411.9	1 398.3	96.5
C- Subsidies and price stabilization	4 414.4	11 708.6	9 408.5	12 439.8	9 570.9	5 723.8	3 009.2
D- Extra budgetary	1 372.0	.	.	.	.	.	.

Source: Central Bank of Libya.

*Refers to provisional data.

[24] World Bank, World Economic Outlook: Libya (2017). Available at http://pubdocs.worldbank.org/en/992911492266521026/Libya-MEM2017-ENG.pdf.

[25] World Bank, World Economic Outlook: Libya (2017).

In a nutshell, the emergence of two parallel governments has severely impaired economic management in Libya. The lack of almost any institutional coordination in the public sector is undoubtedly the most significant impediment to effective and transparent financial and economic management and oversight. Furthermore, the power of the two governments is declining, and non-State militias are increasingly in control of the country's major source of revenue.

3.3. Monetary policy

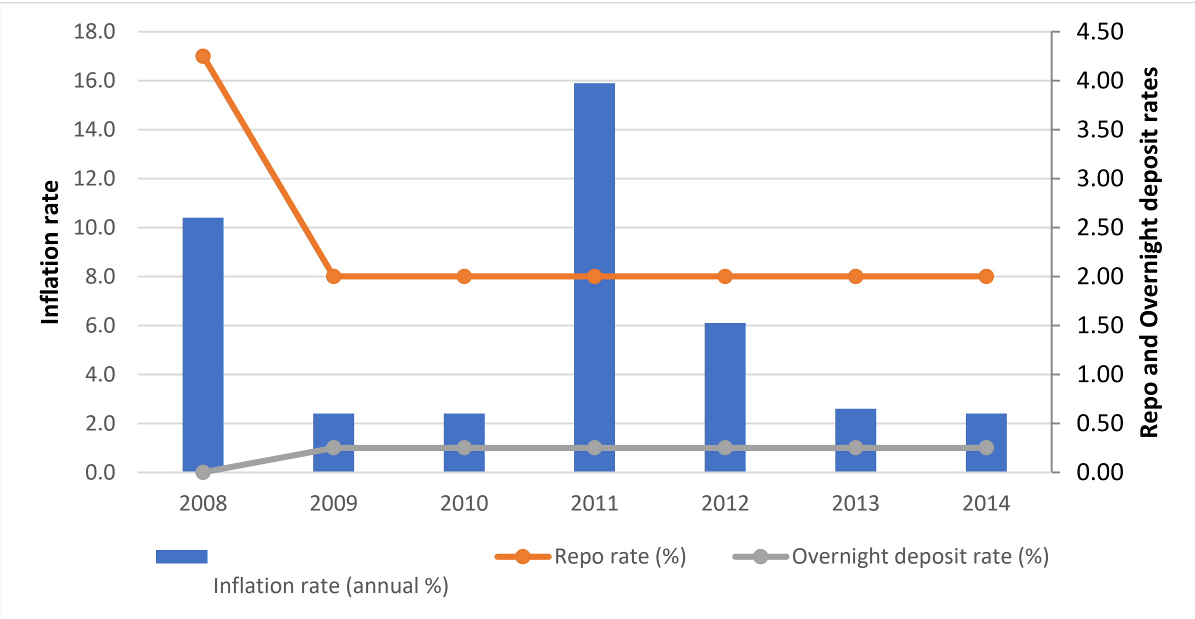
Inflation increased from 2.4 per cent in 2014 to 9.8 per cent in 2015, mainly as a result of a significant increase in oil prices as well as food shortages caused by a lack of funding to finance imports (especially subsidized food). The rise in import prices was due to frequent disruptions to local transport infrastructure as well as security challenges. As of the second quarter of 2017, inflation had reached a record high of 31.3 per cent.[26]

Libya is experiencing a severe liquidity crisis and many banks have limited cash withdrawals to LD 500 a day. The country's bank deposits have fallen from LD 6 billion in 2013 to LD 3 billion in 2015. The liquidity crisis has also negatively affected credit growth and the broad money supply, which now stand at approximately 1 per cent and 5 per cent of GDP, respectively.[27]

Net foreign currency reserves fell from $107.6 billion in 2013 to around $56.8 billion by the end of 2015. The Libyan dinar continued to weaken against the United States dollar and depreciated by more than 9 per cent in 2015.

Since 2014, the macroeconomic situation has worsened in Libya. There is a lack of transparency and no clear monetary policy has been implemented. Furthermore, interest rates on deposits and credits were eliminated pursuant to the adoption of Law No. 1 of 2013[28] (see box 1).

Figure IV
Annual inflation and interest rates (per cent)



Source: Central Bank of Libya, Quarterly Economic Bulletin (second quarter, 2017).

It is unlikely that Libya will be able to adopt a sound monetary policy prior to national reconciliation and the establishment of a unified central government. With inflation rates rising

[26] Central Bank of Libya, Quarterly Economic Bulletin (second quarter, 2017).
[27] African Development Bank, Country Policy and Institutional Assessment: Libya (2016).
[28] Further information regarding Law No. 1 is available at amereller.com/wp-content/uploads/2016/10/Libya-Law-No1.pdf.

rapidly, weak economic governance, political instability and security issues will continue to undermine the country’s macroeconomic situation.

Box 1: Law No. 1 of 2013 on the prohibition of interest-based financing transactions

On 7 January 2013, the General National Congress adopted Law No. 1 of 2013 on the prohibition of interest-based financing transactions. Law No. 1 of 2013 essentially bans interest in all civil and commercial transactions.

Pursuant to that law, a financial return on an investment is permissible only if the investor also participates in the business risk of a venture or project. Money has no time value and the deferral of payment may not result in an increase of the amount due.

Prior to the application of this law a cap of 10 per cent was applied for interest payments. Article 1 (1) of the new law makes a radical break with that approach by prohibiting all kinds of interest payments. Most notably, there is no exemption for financial institutions. In addition, the prohibition extends to concealed interest payments.

An alternative for mobilizing funds is to use Islamic financing structures, such as loans based on a profit sale (murabaha) or leasing structures. These structures are asset based and work without a declared stipulation of interest. Under a murabaha structure, a bank would buy and resell an asset with a predetermined profit. Under an Islamic lease, the bank would acquire an asset and lease it to the customer, who may also be granted a purchase option. These structures have been tested for many years in Islamic financial markets and most international banks are familiar with them. It should be noted, however, that the prohibition of interest payments under the new law is exceptionally strict. This means that also some of the ‘interest-free’ transactions of Islamic banks may be considered to conflict with the prohibition of interest payments, because they are deemed to contain concealed interest.

Another alternative is the use of offshore structures. In fact, the Libyan prohibition of interest payments applies only to the territory of Libya. This means that it should not impact an offshore structure that provides for interest payments outside Libya. One option is to grant a loan through an offshore special purpose vehicle. Another option is to provide for an “interest shortfall guarantee”, which is enforceable outside Libya.

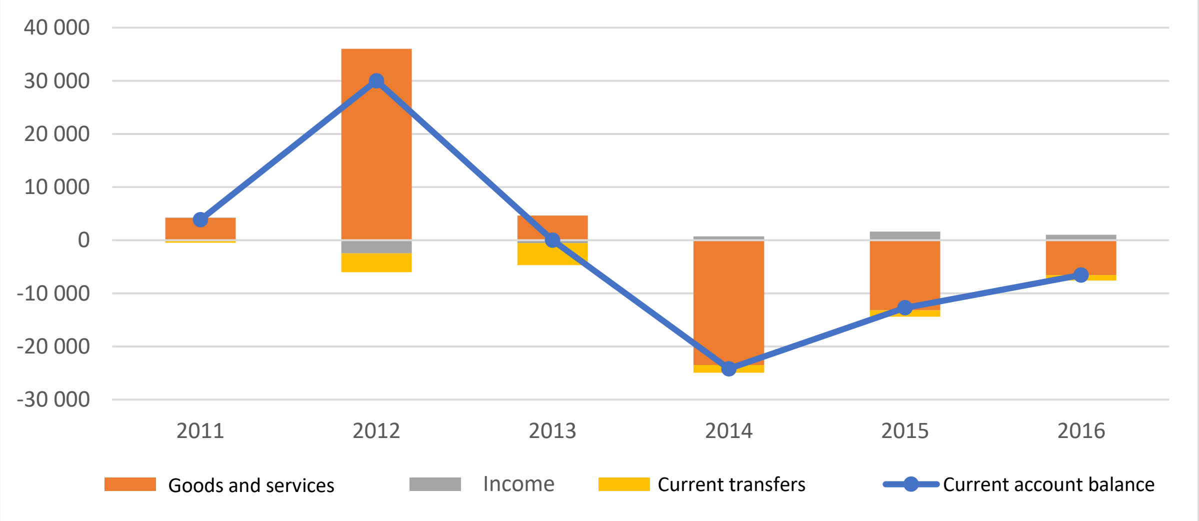
3.4. Balance of payments

The sharp decline in oil production as well as low international oil prices have had a major impact on the country’s balance of payments, particularly as import levels remain high. Although the country ran a trade surplus in 2012, the decline in oil exports to only 0.3 million barrels per day in 2015 resulted in a significant current account deficit. In 2016, estimates of the size of the deficit ranged from 41 per cent of GDP (African Development Bank) to 61 per cent (World Bank). Oil production is still at historically low levels.

The political unrest and lack of security in Libya have had a very serious impact on trade and caused a considerable fluctuation in the country’s trade balance. In 2014 and 2015, the political crisis in addition to the growing exploitation by non-State militias of oil fields and export terminals severely curtailed the country’s legal oil exports, which fell from 1.5 million barrels per day in 2012 to 988,000 barrels per day in 2013 and to only 350,000 barrels per day in 2014. Nonetheless, consumption driven imports remained high. Consequently, the large current account surplus recorded in 2012 (29 per cent of GDP) was more than halved in 2013, before turning into a large deficit of 32.8 per cent of GDP in 2014. According to the Libya’s Economic Outlook, published by the World Bank in October 2016, the current account deficit is projected to deteriorate further to approximately 61 per cent of GDP, the third annual deficit in a row. To finance its deficits, Libya is rapidly depleting its foreign currency reserves, which fell from $107.6 billion in 2013 to an estimated $43 billion by the end of 2016.

Infrastructural deficiencies and high insecurity levels have also reduced imports in Libya, which imports most of its consumer goods from abroad. Furthermore, due to the breakdown of the country's infrastructure, weak or non-existent central government authority and a weakened banking system, import transaction costs have risen substantially, particularly for food imports. Although imports of wheat and other basic foodstuffs are subsidized, the failure of many government offices and banks to function effectively has resulted in shortages of many products and an increase of up to 10 per cent in prices of certain basic food commodities.

Figure V
Trends in major current account balances (LD million)



Source: Central Bank of Libya, Quarterly Economic Bulletin (second quarter, 2017).

There have been some positive developments, however. For example, although the country's capital and financial accounts registered a negative balance of LD 9,937 million in 2012, the deficit fell to only LD 1,300.3 million in 2016, an improvement of some 87 per cent.[29] Foreign direct investment remains weak, however, particularly because of the country's ongoing political turmoil and economic policy uncertainty, as well as fears over the security situation.

4. Social developments

4.1. Outlook for human and demographic development

The total population is estimated at 6.47 million in 2018, up from 4.95 million in 1995, 5.36 million in 2000, 6.17 million in 2010, and 6.23 million in 2015.[30] As illustrated in figure VI, Libya is a relatively young country, with children below age 15 and young people aged 15 to 24 comprising a high proportion of the total population. However, the proportion of people of working age (persons aged 25 to 64) is increasing rapidly, reflecting a potential demographic dividend that needs to be harnessed through the adoption of appropriate education and healthcare policies, and the creation of employment opportunities. The current political crises are jeopardizing the opportunity to take full advantage of the demographic dividend in the country. This population growth pattern and the changes in the age structure of the population are the result of high but declining fertility levels. Although the total fertility rate was estimated at 5.7 children per woman in 1990, it declined to 4.2 in 1995 and to 3.2 in 2000. The total fertility rate is currently estimated at 2.4 and is projected to decline to 2.2 by 2020. In 2018, the population of Libya is predominantly urban, with 5.18 million living in urban areas and 1.29 million in rural areas.[31]

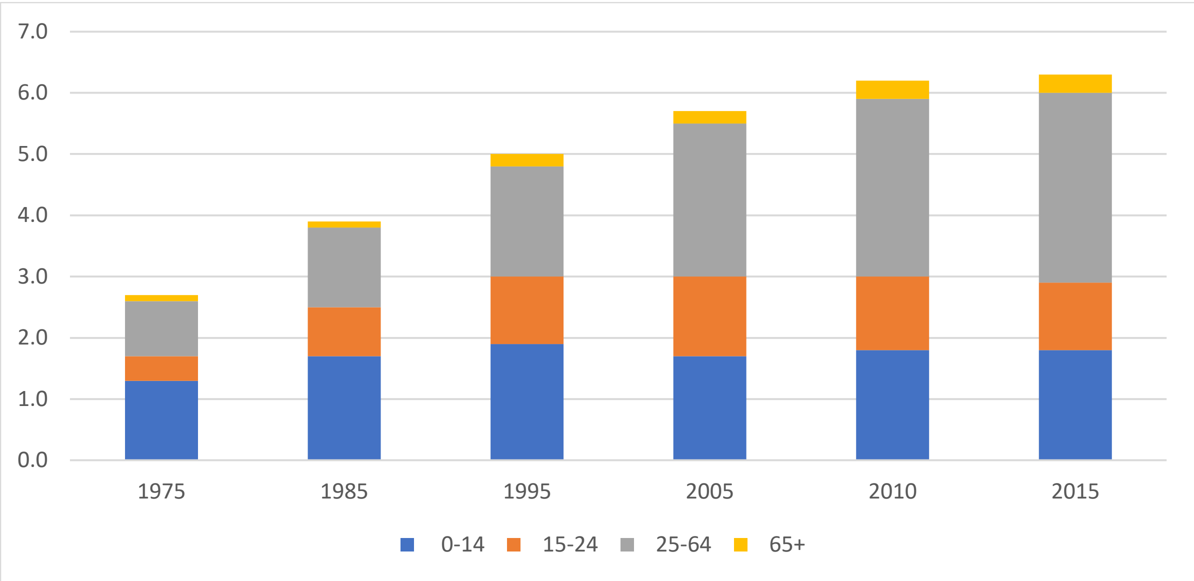
Libya has experienced a massive displacement of individuals due to the conflict. According to a report published by the International Organization for Migration in April 2017, a total of 294,436 individuals have been displaced internally. In addition to the internally displaced, many Libyans have fled the country. Due to a lack of data, however, there are no reliable estimates of the externally displaced population.

In 2016, Libya achieved a human development index score of 0.716 (compared to 0.724 in 2015), positioning the country at 102 out of 188 countries and territories. The 2016 Ibrahim Index of African

[29] Central Bank of Libya, Quarterly Economic Bulletin (second quarter, 2017).
[30] United Nations, DESA, World Population Prospects: The 2017 Revision.
[31] United Nations, DESA, World Urbanization Prospects: The 2018 Revision.

Governance ranked Libya 19th on the continent and awarded it a score of 58.1 in terms of its human development: in that regard, Libya registered the largest decline in Africa in the category of human development (-15.7 since 2006). This is mainly due to the deterioration of the following three subcategories: welfare (rank 50, score 25.2: a deterioration of 36.3), education (rank 8, score 64.4: a deterioration of 9.7) and health (rank 4, score 84.8: a deterioration of 1.0).

Figure VI
Total population, both sexes combined, by age group (millions)



Source: United Nations, DESA, World Population Prospects: The 2017 Revision.

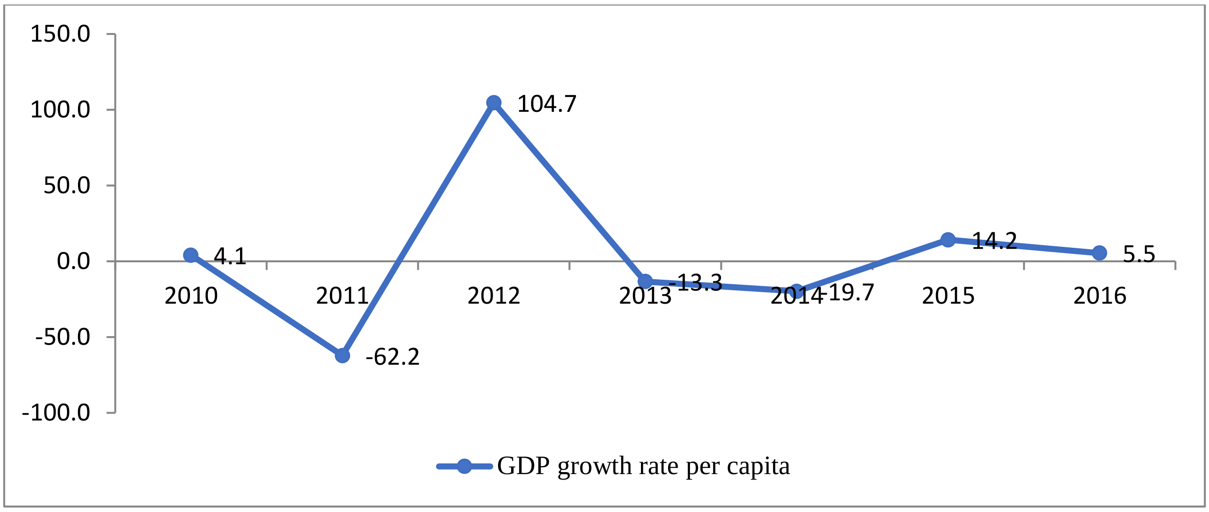
4.2. Poverty and employment

Libya has experienced serious setbacks in terms of its socioeconomic development. GDP per capita has fallen every year since 2012 as a result of falling oil prices and decreased Libyan oil production. The most recent publicly available survey data used to calculate the Human Development Report Multidimensional Poverty Index for Libya refer to 2007. In Libya, 1.4 per cent of the population (82,000 people) is multi-dimensionally poor while an additional 6.3 per cent lives near multidimensional poverty (378,000 people).

Unemployment continues to be a challenge in Libya's predominantly hydrocarbon-based economy. Libya's post-revolution economic recovery, which has been based, primarily, on the growth of the capital-intensive energy sector, has failed to address the country's estimated 15 per cent unemployment rate (with youth unemployment currently at 50 per cent). The country's volatile political and security situation has impeded the formulation of a new growth and development framework that could promote economic diversification, productive employment generation, and inclusive development. There is high risk of further political unrest fomented by disenchanted social groups in Libya. Poverty levels have been mitigated by generous, yet untargeted, government social safety net programmes. However, the system of government subsidies, which totaled LD 10.6 billion in 2013, equivalent to some 16 per cent of the budget, is believed to be extremely inefficient.

In October 2015, the Central Bank of Libya removed direct subsidies on food supplies, leading to a 25.4 per cent reduction in government expenditure on subsidies. As a result, the purchasing power of Libyans decreased and was further eroded by a sharp increase in the inflation rate, which reached an unprecedented 31.1 per cent in the second quarter of 2017.

Figure VII
GDP growth rate per capita (per cent)



Source: United Nations Statistics Division, *World Statistics Pocketbook 2016.*

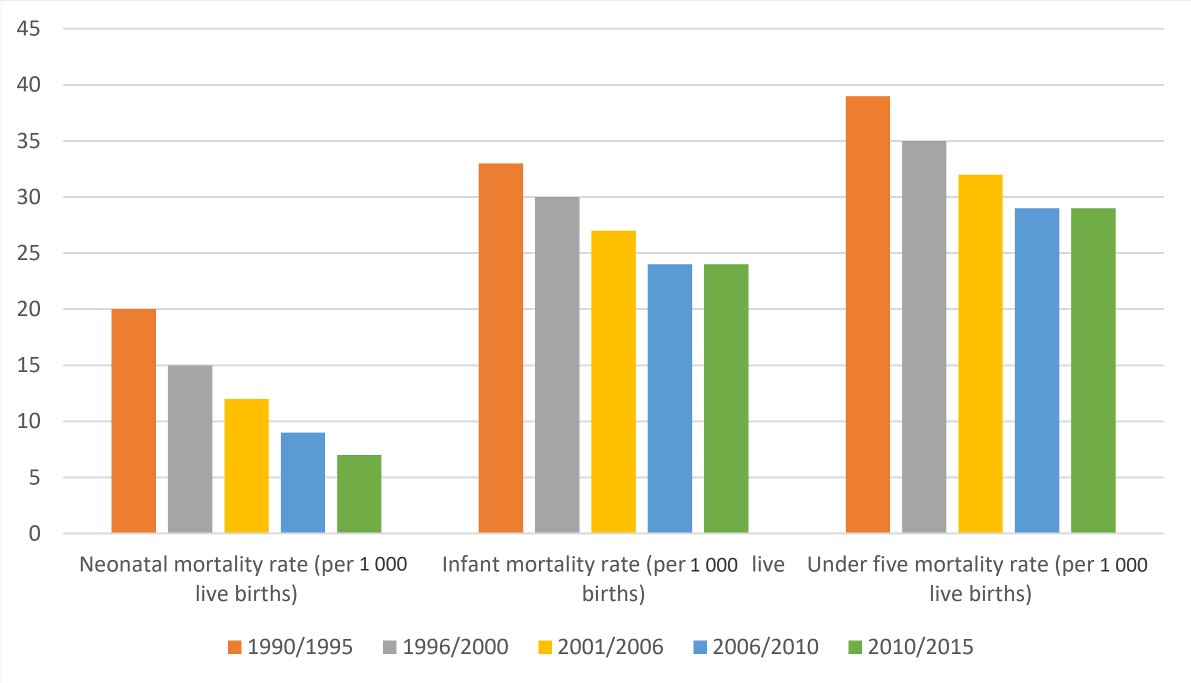
Oil revenues are essential for maintaining the country's safety net programmes. Thus, Libya's most immediate need is to enhance the productivity of its hydrocarbon sector, which constitutes the backbone of the Libyan economy. At the same time, if Libya is to move beyond its present crisis, it must address key economic challenges, including the need to diversify the economy and create jobs, particularly for young people.

4.3. Health

As illustrated in figure VIII, infant mortality, neonatal mortality and under five mortality rates, which had improved significantly in Libya in previous decades, have deteriorated since 2011 due to the destruction of infrastructure and a lack of qualified medical staff.

The shortage of primary health-care facilities, including local clinics and district hospitals is now a serious challenge. Although there were previously some 17 doctors and 50 nurses (a significant proportion of whom were foreign nationals) per 10,000 persons in Libya, and some 1500 medical facilities serving a population of approximately 6.3 million, a high proportion of those facilities have closed or are operating at reduced capacity.

Figure VIII
Neonatal, infant and under-five mortality rates (per 1000 live births), 1990-2015



Source: United Nations Population Division and World Health Organization data.

There is an urgent need for additional financial resources to support the health sector in the country. According to the Libyan Ministry of Health, the health-care system is under serious strain because of the scarcity of financial resources to purchase medicines and medical equipment. Consequently, fees have been imposed on patients at some medical facilities, including, for example, the Tobruk Medical Centre, whereas previously all public hospitals and medical centres in Libya offered treatment free of charge to patients.

According to the September 2016 monthly report on the humanitarian crisis in Libya published by the United Nations Support Mission in Libya, the health-care system is near collapse and access to health-care services is a major concern in most Libyan cities, particularly in the eastern part of the country.

The health-care sector is therefore in great need of support. In the short to medium term, and once political circumstances improve, Libya must rebuild its health-care infrastructure and reinforce its capacity in terms of medical staff. For the time being, however, such initiatives are hindered by a lack of financial and human capital and are further impeded by the ongoing conflict.

4.4. Education

In 2005, Libya was the country with the highest literacy and educational enrolment rates in North Africa, and the 2008 report on progress towards the achievement of the Millennium Development Goals in Libya concluded that the country was well on its way to achieving those Goals. However, it is possible that the ongoing conflict prevented Libya from attaining the Goals by the 2015 deadline. According to the latest data available (2008), the primary school enrolment rate was estimated at 98.2 per cent, compared to a rate of 108.2 per cent in 2005 and 114.5 per cent in 2006. As illustrated in figure IX, the adult literacy rate (for persons aged 15 and older) in Libya is estimated at 91 per cent, and the gross education enrolment ratio is approximately 114.4 per cent for primary, 104.3 per cent for secondary and 60.9 per cent for tertiary (as a percentage of the school age population).[32] Nevertheless, pre-school and early childhood development have been very much neglected and, according to the UNDP 2015 Human Development Report, the gross enrolment ratio in pre-primary education is only

[32] UNDP, Human Development Reports: Libya.

around 10 per cent, which is relatively low compared to the other countries of in the Middle East and North Africa.

Figure IX
Adult and youth literacy rates (per cent)

Source: United Nations Educational, Scientific and Cultural Organization (UNESCO), Adult and youth literacy report, 2013.

According to a 2016 United Nations report that was based on statistics published by the Libyan Ministry of Education in July 2016, almost 280,000 students are unable to attend school due to the closure of 558 schools that have been partially damaged or destroyed in the conflict. In Benghazi and certain other cities, schools have been converted into centres for displaced persons. In December 2015, about a third of the 254 city schools had reopened. However, although this is positive for the educational system, the environment is such that productive learning may not be tenable at present.

The quality of the education system in Libya has consequently been affected and the 2014-2015 school year was partly abandoned. No major reforms of the country's educational system and curricula have been undertaken since the conflict started. According to the World Economic Forum Global Competitiveness Report 2014-2015, Libya was ranked last in the world (144 out of 144 economies) in terms of the quality of its education system.

The ongoing conflict has severely disrupted school years in some cities, destroyed schools and displaced large numbers of people. As a result, many pupils have had to interrupt their studies or leave the educational system. Going forward, Libya will face challenges related to the lack of long term post-conflict educational strategies.

4.5. Gender equality

Equality between women and men is enshrined in the 1977 Declaration of the Authority of the People and the 1988 Great Green Charter of Human Rights in the Age of the Masses. Those instruments guarantee equal rights for men and women in areas such as national security duties, marriage, divorce, child custody, the right to work, social security, and financial independence. However, those guarantees of equality are undermined by family law, which retains many discriminatory clauses.

The Ibrahim Index of African Governance ranked Libya 53rd in 2016 in terms of gender equality (score 26.9: a decline of 1.9 over the previous decade). The Index considers 7 indicators, namely gender equality, women's political participation, gender balance in education, laws on violence against women and workplace gender equality.

Access to education is quite balanced between men and women in Libya. According to UNESCO, both male and female youth literacy rates were above 99.9 per cent in 2013 (persons aged 15 to 24), and 55.5 per cent of adult women and 41.9 per cent of men have completed at least secondary education. According to the Libya Status of Women Survey 2013, which was conducted by the

International Foundation for Electoral Systems, there are almost as many women (32 per cent) as men (33 per cent) holding a university or post graduate degree.

According to the 2015 Human Development Report, Libya's gender-adjusted human development index is quite high compared to other countries in the Middle East and North Africa (0.950 for Libya; 0.860 for Jordan; 0.894 for Tunisia; and 0.849 for all Arab States). The components of the index are life expectancy at birth, expected years of schooling, years of schooling, gross national income per capita and human development index scores for both men and women.

Nonetheless, women's access to economic resources remains limited in Libya. Indeed, female participation in the labour force is only 30 per cent compared to 76.4 per cent for men. Furthermore, according to the 2015 Human Development Report, only 16 per cent of parliamentary seats in Libya are held by women.

5. Thematic analysis: political situation, security and migration

In 2011, Libya entered a new historical phase following the termination of the 42-year Gadhafi regime. A transitional government was established prior to the first post-revolution national elections, which were held in 2012. Libya experienced a brief period of calm before it was once again embroiled in conflict. That conflict, that was triggered by struggles over the control of the country's oil resources, heightened tensions among the national Government and opposition groups. Subsequently, the country suffered significant divisions in the political sphere, which had serious repercussions on the security situation.

In 2014, full civil war broke out between two main fighting blocs: the General National Congress-aligned Libya Dawn and the House of Representatives-aligned Dignity movement. However, Libya was already fragmented by localized battles and power dynamics. An estimated 1,700 armed groups and militias are now active in Libya[33], some of which were established during the 2011 uprising, while others have emerged since that time. This fragmentation has impeded efforts to arrive at a national consensus or shared vision among Libyans with a view to managing the transition of power or share power thereafter. In examining the current situation in Libya, it is thus important to understand that the roots of the Libyan conflict lie in the country's political divisions.

Another issue of concern is the question of migration in Libya. Given its geostrategic position and lack of security, Libya has become a portal to the Mediterranean. According to the International Organization for Migration, some 770,000 migrants and asylum seekers were in Libya in September 2016,[34] equivalent to 12 per cent of the country's pre-war population[35]. While the numbers crossing the Mediterranean are relatively well documented, there are no real numbers on those making their way into Libya. Because of security issues and the lack of centralized power in Libya, monitoring migration remains a key challenge.

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[33] United Kingdom, Home Office, Independent Advisory Group on Country Information, Country Policy and Information Note, Libya: Security and Humanitarian Situation (January 2017); available at http://www.refworld.org/pdfid/588f38994.pdf.

[34] Further information available at https://www.hrw.org/news/2016/12/14/libya-end-horrific-abuse-detained-migrants.

[35] Further information available at https://www.brookings.edu/blog/future-development/2017/05/15/the-tragedy-of-migrants-in-libya/.

5.1. Political situation

The events of the Arab Spring were a driving force behind the protests that took place across Libya from February 2011, which eventually resulted in the ousting of the previous government and the installation of a transitional government in October 2011.

In July 2012, Libya's first post-revolution national elections were held with power formally transferred from the National Transitional Council to the General National Congress. With 80 per cent of eligible voters taking part in the elections, the National Forces Alliance received a plurality of seats in the 200-seat National Congress. Women's participation in the electoral process was warmly welcomed by the United Nations Support Mission in Libya. A new prime minister and cabinet were approved in October 2012. However, it proved difficult to stabilize the county's governance institutions, with frequent challenges and interventions from various regional and tribal factions, and this underscored the challenges of political transition in a country emerging from an extensive era of political repression. Tensions over the control of the country's oil resources came to a head in March 2014 when Prime Minister Ali Zeidan was dismissed by parliament for his Government's failure to handle the crisis.

Since the summer of 2014, Libya has been through an unprecedented period of political unrest and security instability. This had been caused by the disputed legitimacy of two governing institutions, namely the General National Congress in Tripoli and the House of Representatives in Tobruk. The two sides' failure to agree on a common agenda led to the emergence of two governments: one backed by the General National Congress in Tripoli, and one backed by the House of Representatives in the city of Tobruk. Under concerted pressure from the international community and under the auspices of the United Nations, a power sharing accord was signed in mid-December 2015 between the two rival governments; The Libyan Political Agreement provided for the formation of a one-year interim government of national accord to end the political crisis. However, none of the numerous proposed cabinets have been approved by the House of Representatives. Talks are still ongoing to reach agreement on the composition of the new government.

In July 2017, Libya's opposing governments committed to a conditional ceasefire following talks in France aimed at preparing for the country's presidential and parliamentary elections. Such an initiative could eventually lay the groundwork for future talks between the opposing governments and set a solid base for the country's efforts to promote political stability. Nevertheless, the Libyan political situation is intricate, with numerous fighting groups controlling various parts of the country. Their activities continue to undermine peace talks and unification efforts.

Although the Agreement represents a step forward, other peace deals concluded since 2011 have been broken. Furthermore, the absence of a specific date for proposed new elections could delay the concretization of efforts. The political and security situation in Libya is thus likely to remain unstable until a central government is established.

Box 2: Brief chronological succession of events in Libya

February 2011 – Following revolts in neighbouring Tunisia and Egypt, violent protests break out in Benghazi and spread to other cities, leading to escalating clashes between security forces and anti-Gadhafi rebels.

July 2011 – The International Contact Group on Libya formally recognizes the main opposition group, the National Transitional Council as the legitimate Government of Libya.

August-September 2011 – The African Union joins the 60 countries that have recognized the National Transitional Council as the new Libyan Government.

October 2011 – Arrest of Gadhafi.

August 2012 – Transitional Government hands power to the General National Congress, which was elected in July.

August 2013 – Petroleum Facilities Guard company and militia imposes a blockade on oil export terminals.

February 2014 – Protests erupt in response to the refusal of the General National Congress to disband after its mandate expires.

March 2014 – The General National Congress dismisses Prime Minister Ali Zeidan after a tanker laden with oil from a rebel-held port breaks through a Libyan navy blockade. Election of Ahmed Maiteg as new prime minister.

June 2014 - Prime Minister Maiteg resigns after Supreme Court rules his appointment illegal.

January 2016 – United Nations announces new, Tunisia-based interim government, but neither Tobruk nor Tripoli parliaments agree to recognize its authority.

March 2016 – New "unity" government arrives in Tripoli.

April 2016 – United Nations staff return to Tripoli after an absence of nearly two years.

July 2017 – Libya's opposing governments agree to a conditional ceasefire following talks in France.

5.2. Security issues

Since the 2011 revolution, Libya has experienced deep divisions stemming from political instability and the ongoing struggle for control of the country's oil resources. In 2011, the revolution was mainly driven by two opposing groups: the first one backed by Gadhafi forces and the second by armed groups supporting a regime change in Libya. At the end of 2011, the formal structures of the Libyan police and army were shattered. Following the victory of the opposition forces, a significant number of armed groups established along geographical and tribal lines were able to exert control over large parts of Libya.

Although the country remained relatively stable in 2012 – with the election of a new government – some localized incidents, especially in the east of the country, had a devastating impact on the population. Nonetheless, tensions over the control of oil resources declined and led to an agreement that provided for the re-opening of oil pipelines and an increase in production. This allowed the country to reach high levels of economic growth and maintain a certain level of stability until the second half of 2013.

In late 2013, however, the security situation in Libya deteriorated yet again due to disputes over the control of hydrocarbon resources. This started a showdown between the Government in office and armed groups seeking to gain control over oil production and exports. Tensions reached critical levels in 2014 when armed groups seized three eastern ports and exported oil from Es Sider terminal. The incident further exacerbated political instability and led to the ouster of the prime minister.

Following the ousting of the prime minister, Libya was plunged into a civil war that destabilized the security situation even further. Moreover, the intensification of the conflict among rival factions seeking control of territory and oil resources created further tensions in the political sphere. To date, political divisions in Libya remain deep, making it challenging to address the country's security issues.

On a regional level, the Libyan Government's limited capacity to control the country effectively has caused serious security challenges across North Africa and in the Sahel region. As a result, the entire region is vulnerable to cross-border militancy and there is an urgent need for closer political and security cooperation among pan-African and international stakeholders, including the United Nations, African Union and North Atlantic Treaty Organization.

Acts of violence intensified from late 2013 and the number of violent incidents reached a peak in 2014 due to increasing tensions among regional militia groups and the Libyan Government. Efforts to restore stability and security have diverted the Government's attention and focus away from much needed constitutional and social reforms.

Until consensus on a new constitution and the creation of stable State institutions has been achieved, armed militias and factions will continue to undermine security. A stable security environment is essential for Libya's successful political and economic transition. Despite those huge challenges, Libya continues to make gradual progress in accordance with its transitional roadmap; however, a full transition to political stability is expected to be a lengthy and volatile process.

5.3. Migration

In addition to the political and security issues, Libya has also been making headlines with respect to its migration issues. Given its strategic geopolitical position, and despite ongoing instability, the country continues to attract many migrants. The country continues to undergo deadly violence and a number of regions are affected by multiple armed conflicts.

The instability and violence negatively affecting Libya since October 2014 has resulted in the massive internal displacement of Libyans. In fact, the International Organization for Migration[36] has identified and located 348,372 internally displaced persons within the country.

Libya also presents a challenge for policymakers due to the migration flows that continue to cross its territory. Indeed, the root of Libya's wave of migration does not come from a single source; migrants have been fleeing en masse from at least a dozen different countries. Migrant crossings through the central Mediterranean jumped more than four-fold after 2013. The International Organization for Migration estimates that nearly 182,000 migrants from Libya have landed in Italy since the start of 2016, exacerbating a massive refugee crisis already spilling out of Syria and other parts of the Middle East.

Based on estimates provided by embassies, the total population of migrants in Libya is between 700,000 and 1 million people, most of whom started their journeys in Bangladesh, Egypt, Mali, the Niger, Nigeria, the Sudan and Syria.[37] Migrants are currently experiencing tremendous insecurity in Libya, including arbitrary arrest by non-State actors, detention for indefinite periods of time, bonded labour, harassment and general exploitation.

As of 31 August 2016, 278,327 migrants had arrived in Europe by sea. During the same reporting period there were 3,168 people recorded dead or missing. Of those who successfully completed the journey, 106,461 migrants had arrived in Italy, as of 28 August, and 2,726 deaths had been recorded along the Central Mediterranean Route.[38]

The migration crisis is a conundrum for policymakers both within and outside Libya. Although Libya has expressed its willingness to work with international actors to manage its complex migration dynamics, the challenge posed by migration can only be fully addressed once the political situation in Libya stabilizes and key security issues are addressed.

5.4. Conclusion remarks

The events of the Arab spring, coupled with growing socioeconomic challenges, has had a devastating impact on the political landscape in Libya. Since 2011, the country has suffered a lengthy period of power struggles and conflict that has resulted in the creation of three governments and the proliferation of armed groups. Relatively stable periods have been interspersed with periods of devastating violence.

In 2017, deep divisions remained between the parties despite growing consensus on the need to amend certain provisions of the Libyan Political Agreement. In July, the rival governments agreed to a conditional ceasefire in order to facilitate efforts to prepare for presidential and parliamentary elections. Although no fixed date has been set, Libyan politicians, the United Nations and European member States have held talks to prepare for elections in 2018. That process may prove challenging and lengthy, however.

The security situation remains volatile. Despite efforts to implement security arrangements, the Presidency Council continues to rely heavily on the support of armed militias. Struggles over political power and the control of oil resources have impeded efforts to establish clear strategies for resolving the country's short to medium term security situation.

The situation of migrants and refugees in Libya, which was characterized in December 2016 by the United Nations Support Mission in Libya and the Office of the United Nations High

[36] International Organization for Migration, Displacement Tracking Matrix data. Available at http://www.globaldtm.info/libya/.
[37] International Organization for Migration, Displacement Tracking Matrix data.
[38] International Organization for Migration, Displacement Tracking Matrix data.

Commissioner for Human Rights as a “human rights crisis” remains critical. Supported by international actors, Libya could more effectively control migration flows in the country and uphold security once a unified national government is established. At present, however, only limited attempts are being made to address migration issues in Libya.

In short, Libya’s most immediate need is to operationalize its agreement to unify opposing groups and reinforce its political and economic institutions. As a first step, efforts could be made to centralize decision-making. However, those efforts are likely to be successful only in the medium to long term. Consequently, security issues should be addressed gradually. In addition, if Libya is to move beyond its present state of crisis, it must address its economic issues and take steps to diversify its economy.

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