In 2017, Libya witnessed a significant increase in oil production, boosting estimates for real GDP growth to 70.8%, decreasing the budget deficit to an estimated 43% of GDP and turning the current account into an estimated surplus of 2.2% of GDP.

The political conflict persists despite the efforts of the United Nations Support Mission in Libya (UNSMIL) to mediate between parties to reach a consensus on the wording of the Libyan Political Agreement.

The humanitarian situation continues to worsen. Migrants and refugees take the Mediterranean route through Libya; violence in the country displaces more people.

Economically, the increase in oil production that reached 1 million barrels per day (bpd) in July 2017 boosted Libya’s macroeconomic indicators and economic outlook. Real GDP growth is estimated at 70.8% in 2017 and is projected to decline significantly but remain positive through 2018 and 2019. However, Libya still suffers from an important budget deficit that is expected to decrease from 113.3% of GDP in 2016 to 43.2% in 2017 due to the increase in oil revenues, but will persist because spending on wages and subsidies continues to constitute the majority of public expenditures. Exports, notably of oil products, have significantly increased, leading to an estimated current account surplus of 2.2% in 2017. In 2018, imports are expected to increase significantly by 64.8%, while exports are projected to increase by only 26%. These trends should negatively impact the current account, which is projected to turn into a deficit of -10.7% of GDP in 2018.

Despite the positive outlook, there is still a lot of uncertainty regarding the performance of the Libyan economy and the well-being of the population. Indeed, the economy is heavily dependent on oil revenues, which are primarily dependent on the security situation and the Government’s ability to maintain current production levels. Lack of funds for maintenance and investment currently hampers the National Oil Corporation (NOC) from consolidating production levels.

OVERVIEW

In 2017, the political situation in Libya continued to make slow progress. A second round of talks was held in Tunis in October 2017 between the House of Representatives (HoR) and the High Council of State (HCS), facilitated by the United Nations Support Mission in Libya (UNSMIL). The talks concluded with an agreement to amend the wording of the Libyan Political Agreement (LPA). Both the HoR and HCS agreed to continue consultations for amending the UN-sponsored political agreement in preparation for a constitutional referendum and elections before the end of 2018. The UN promised to provide Libya with technical support to hold the elections as per the request of the Presidential Council.
RECENT DEVELOPMENTS AND PROSPECTS

The political conflict between the UN-backed Government of National Accord (GNA) and the HoR continues. Under the leadership of Ghassan Salame, UNSMIL has been holding negotiations between HoR and HCS with the aim of amending the LPA to make it acceptable and binding for all parties. Once the LPA is agreed, the political authorities will move to drafting a constitution and carrying out elections planned before the end of 2018.

In the absence of a unified authority to control State affairs, militias and armed groups with different allegiances continue to engage in conflict. As a result, the humanitarian situation remains serious. According to the United Nations High Commissioner for Refugees (UNHCR), the central Mediterranean route has now become the main migration channel, and Libya the major point of departure. As of October 2017, 43,113 migrants, refugees and asylum seekers were transiting through Libya to reach Europe and were subject to life-threatening conditions, sexual assault and forced labour. Up to 90% of people crossing the Mediterranean Sea to Europe depart from Libya.

After falling to an unprecedented level of 0.4 million bpd in 2016, oil production in Libya increased significantly throughout 2017, reaching 1 million bpd in July. After being exempted from the agreement under which members of the Organization of Petroleum Exporting Countries (OPEC) chose to limit oil production to 32.1 million bpd from January 2017, Libya rejoined the agreement in December 2017 and was set a production limit of 1 million bpd from the start of 2018. Nevertheless, this should not affect oil production in Libya very much because the country is unable to maintain high levels of oil production in the current turmoil.

In October 2017, the Libyan NOC announced the re-opening of its largest oil field, Al Sharara. NOC indicated that it is aiming to increase production to 1 million bpd, but faces severe difficulties in securing the necessary funds and capacity for maintenance. In addition, attacks from militias lead to frequent production disruptions, including closures.

In 2017, the Libyan economy, which had significantly contracted since 2014, registered a major improvement in its macroeconomic performance due to the boost in production and export of oil. Real GDP growth was estimated at 70.8% in 2017, compared to -7.4% in 2016. It is projected to decelerate significantly to 16.4% in 2018, and real GDP per capita is expected to follow the same trend. Increased oil production accounted for 87% of Government revenues in 2017. With the growth in Government oil revenues, the budget deficit has declined greatly, reaching 43% of GDP in 2017 compared to 113.3% of GDP in 2016; it is projected to stabilize around 39.3% of GDP in 2018.

Exports are estimated to have increased by 83% in 2017, leading to an expected current account surplus of 2.2% of GDP after a record deficit of 126% of GDP in 2015. Imports, which were falling due to the decline in foreign reserves, are expected to have increased by 19% in 2017. The official exchange rate for the Libyan Dinar (LYD) stabilized at around LYD 1.37 to the USD in 2017, but it lost 80% of its value in the parallel market.

The inflation rate has been on the rise in recent years and reached 28% in 2017. This is partly due to the de facto removal of food subsidies because of a lack of fiscal resources to sustain them. Despite this removal, expenditure on State wages and subsidies are still a major burden on the budget, and the Ministry of Finance continues to finance budget needs by borrowing from the Central Bank of Libya (CBL), accumulating public debt.

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1. 3rd Quarter 2017 Economic bulletin of the Central Bank of Libya.
Even though CBL increased the money supply, the banking sector continues to suffer from major liquidity shortages and illiquid assets. Trust in banks has declined, leading to an increase of local currency in circulation and a preference to hold cash.

In Libya, the banking sector is responsible for most financial sector activity. The performance of the financial sector mirrors the under-performance of the banks, most of which are State-owned. Lack of funds and difficulty in accessing finance are major problems hindering private sector involvement in the economy. They also fuel the growing queue for public sector jobs in an already inflated public sector. The World Bank Doing Business report ranked Libya 185 out of 190 countries in 2018, underlining how difficult it is for the private sector and micro, small, and medium enterprises to operate in a diversified economy and provide job opportunities.

The combination of political fragmentation and insecurity resulted in deteriorated living conditions for Libyans. Since 2011, the State’s capacity to provide public services to citizens has been limited. The start of the school year was delayed in many parts of the country due to the ongoing conflict. Healthcare continues to be a major concern; an estimated 1.3 million people have no access to medicines or basic life-saving healthcare services. Lack of resources also prevented the Government from providing a social safety net, usually in the form of subsidies. As a result, poverty has continued to rise.

Nevertheless, if the political factions achieve a gradual reconciliation, oil revenues could be used to fuel an economic and social recovery plan, which could help to make the Libyan economy more diversified and less oil-dependent and provide better prospects for an inclusive Libyan society.

### MACROECONOMIC POLICY

#### Fiscal policy

In December 2016, GNA agreed with CBL and the Audit Bureau to operate in 2017 under a temporary financial arrangement, as set out in the LPA. The temporary financial arrangement replaced the normal budget which, according to Libya’s budget law, requires the approval of the legislature. However, HoR rejected the arrangement, calling it unconstitutional. Libya is currently operating with two central banks in an uncoordinated manner: CBL, based in Tripoli, and a parallel Central Bank in Al Bayda, eastern Libya, which was set up by the Abdullah Al Thinni administration in 2015.

After peaking at 126% of GDP in 2015, the budget deficit is estimated to have significantly decreased (to 43% of GDP in 2017) and is expected to contract further to -39.3% in 2018. The decline in the fiscal deficit is due to a significant increase in oil production, which reached one million bpd in July 2017. As a result, Government revenues were boosted from approximately 29% of GDP in 2016 to an estimated 42% of GDP in 2017. Nevertheless, on 2 October 2017, in reporting revenues and expenditures from January to September 2017, CBL indicated that the difference between expected and actual revenues was huge, no less than LYD 6.5 billion.

Expenditure declined from 145% of GDP in 2016 to an estimated 90% of GDP in 2017. According to CBL, the bulk of total expenditure is still allocated to State salaries (63.5%) and subsidies (21%). However, the Ministry of Finance and the Administrative Control Authority announced in October 2017 that approximately LYD 5 billion have been saved annually since March 2015 by removing false duplicate salaries. Moreover, spending on subsidies have been decreasing due to austerity measures. The Libyan Audit Bureau announced in August 2017 that Libya has spent over USD 30 billion on fuel subsidies in the last five years. Libyan fuel prices have been among the cheapest in the world, which has encouraged illegal exportation.

As mentioned above, other taxes represent a very small source of revenue, only 3.5% of the total budget in 2017. This underlines the need for reform of the tax system and tax collection mechanisms, to diversify revenue sources and build a more resilient economy.

**Monetary policy**

Inflation has been rapidly increasing in the last two years. It jumped from 9.8% in 2015 to 25.9% in 2016 and peaked at an unprecedented level in 2017, estimated at 28%. Inflation has been fuelled mainly by supply chain disruptions and a weakening local currency. Prices of food items were reported to have increased by 10.7% on average between June and October 2017, while non-food items have not witnessed a noticeable increase during the same period. The price increase was also due to the de facto removal of food subsidies, because the Government lacked resources to sustain them. In addition, the LYD depreciated significantly in the parallel market, falling from LYD 6.36 to the US dollar in March 2017 to LYD 8.4 in July 2017, while the official market exchange rate remained about LYD 1.37. This situation encouraged the smuggling of commodities abroad, creating shortages in domestic markets and exacerbating inflation. CBL has not established a clear monetary policy.
in response to rising inflation. In addition, Libya stopped using interest-based transactions between individuals and legal institutions in 2013 as part of its transition to a Sharia-compliant banking system.\(^2\)

The banking system in Libya is suffering from a cash shortage and a liquidity crisis despite recent increases in money supply. There is excess demand for cash from households that cannot be met due to an illiquid banking sector. In addition, people are increasingly holding money. CBL reported that currency in circulation reached about LYD 27 billion in 2016 (a 17% increase over the previous year) and LYD 31 billion in 2017, compared to approximately LYD 13.4 billion in 2013. Time deposits, on the other hand, fell from LYD 4 billion in 2013 to LYD 1 billion in 2016 (an 8.5% drop compared to the previous year). In 2017, time deposits rose again to LYD 2.2 billion but without reaching pre-crisis levels.

**Economic co-operation, regional integration and trade**

Libya is a member of a number of regional initiatives, which include, in Africa, the Common Market for Eastern and Southern Africa (COMESA), the Community of Sahel-Sahara States (CEN-SAD) and the Arab Maghreb Union (UMA). According to the 2016 African Regional Integration Index, Libya was a low performer in COMESA, especially in productive integration.\(^3\) Libya also had a poor showing in CEN-SAD, scoring lowest in productive integration and free movement of persons. In UMA, Libya was considered an average performer. It scored lowest in financial integration followed by the free movement of people, and highest in trade integration. Libya remains an observer with the World Trade Organization (WTO). As for trade partners, the United Arab Emirates was the leading destination of Libyan’s exports (48% of total exports) in 2016, followed by Italy (17%) and Spain (13%).

Peaking at 78% of GDP in 2014, the current account’s deficit fell in 2016 to 24.7% of GDP and it is expected to have a surplus of 2.2% in 2017. The main driver of this positive outlook is Libya’s performance in oil production and exports. Imports are expected to increase by 19% in 2017 and to reach pre-crisis levels in 2018, increasing by 64%. As a result, the current account is expected to return to a deficit of 10.7% of GDP in 2018. Libya’s most important imports include vegetables, food-stuffs and wood.

**Debt policy**

Libya used to have one of the lowest external debt levels in the world. In 2015, external debt reached an estimated USD 3.985 billion, which slightly decreased by 22% to USD 3.116 billion in 2016. The corresponding trend in foreign exchange and gold reserves for the same period also indicates a decline (by an estimated 10.5%), from USD 73.83 billion in 2015 to USD 66.05 billion in 2016 (compared to USD 123.5 billion in 2012). Similarly, the LYD depreciated in the official foreign exchange market against the US Dollar at the end of 2016 as well as in the beginning of 2017. At the end of July 2017, the exchange rate then stabilized at around USD 1 for LYD 1.37, the same rate as before the waves of depreciation in September 2016.

The Ministry of Finance continues to cover its financing needs by borrowing from the CBL, which has resulted in a total domestic public debt increase to LYD 74 billion in 2017 from LYD 56 billion in 2016, and LYB 20 billion in 2014. Continuous borrowing from CBL and the depletion of foreign reserves could potentially crowd out private sector investment. Due to increased Government borrowing, it is impossible for the private sector to find credit. This is exacerbated by the almost complete dependence of the Libyan economy on revenues from the oil sector, which are subject to constant shocks: price-wise globally and quantity-wise from the ongoing internal conflict, and the existing cash shortage and liquidity crisis. At the same time, there is no clear information available regarding the existence of a debt management unit to handle the important increase of public debt over the two last years. This could constitute a serious problem for the Libyan economy if not well managed.

**ECONOMIC AND POLITICAL GOVERNANCE**

**Private sector**

The private sector plays a minimal role in the Libyan economy, as it did even before the 2011 revolution. There is a vast difference between social security benefits in the public and private sectors. Data shows that only 46% of employees are covered in the private sector, compared to 98% of public sector workers, which increases the waiting list for public sector jobs.

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2. Under a Sharia-compliant banking system, earning interest (riba) is not allowed. Banks can profit from buying and selling approved goods and services. The principal activities of Islamic finance are based on trading, so banks and financial institutions will trade in Sharia-compliant investments using customers’ deposits, sharing risks and profits with them.

3. This dimension links to ‘industrialization’ as an aim for Africa’s integration and captures the country’s efforts to be part of a regional and global value chain. It is measured by, among others, the percentage of intra-regional export and import of goods.
In addition to the ongoing conflict and political instability, the private sector in Libya faces a demotivating business environment. The 2018 World Bank Doing Business report ranked Libya 185 out of 190 countries in ease of doing business (compared to 188 in 2017), preceding the Republic of Yemen, South Sudan, Venezuela, Eritrea and Somalia. A specific sub-categories, Libya ranked 187 in ‘registering property’, 187 in ‘dealing with construction permits’ and 186 in ‘ease of getting credit’. The private sector also faces challenges in recruiting skilled and qualified Libyan staff. This problem is likely to be exacerbated by the ongoing conflict that leads to frequent interruptions of school and university years.

The volatility of Libya’s economy arises from being a rentier State that depends almost entirely on the performance of the oil sector. It also arises from the population’s reliance on the State to meet its needs. One effective way to overcome these two challenges would be to involve the private sector in reviving the economy and achieving diversification. The private sector can help absorb new entrants in the labour market and even play a role in rehabilitating ex-combatants by providing them with a job. Policy and institutional reforms are needed to reduce the number of steps to start a business, facilitate access to finance, and tailor the products offered by the financial and banking sectors to encourage businesses and attract foreign direct investment.

Financial sector
The financial sector in Libya has always been dominated by the State, which controls 85% of financial activity. Before the revolution, several reforms were initiated to liberalize the financial sector. They included a number of partial privatizations and the involvement of foreign partners in six of the sixteen commercial banks. However, the majority of financial activity remains under the control of Government. Additionally, there is an absence of diversification among financial products and financial institutions in Libya, since the banking sector is the only effective financial institution that exists. A Libyan Audit Bureau report in 2016 indicated that corruption and poor governance (e.g., money smuggling and illegal overseas bank transfers through the manipulation of letters of credit) are pervasive in the Libyan banking sector and threaten the economy.

The 2018 World Bank Doing Business index ranked Libya 185 out of 190 economies on ‘ease of getting credit’, impeded by weak collateral and bankruptcy laws; the country scored 183 out of 190 on ‘protecting investors’. The Global Competitiveness Report 2014-2015 lowered Libya’s global ranking for financing because access to local finance remained poor. According to the Global Competitiveness Index, Libya ranked last (out of 144) world economies in terms of availability and affordability of financial services.

Reduced bank lending to the private sector has had an adverse effect on private sector involvement in growing and diversifying the economy. With the positive outlook for Libya’s economy and the expected flow of revenues from oil production and exports, a window for reform is opening for the Libyan government. The financial sector plays a vital role in any economy that needs concerted reform and liberalization. It can play a significant role in promoting a range of investment channels and transforming Libya’s economy. Access to finance needs to be facilitated for micro, small and medium enterprises.

Public sector management, institutions and reforms
In 2016-2017, Libyan institutions and ministries experienced no improvement in operational efficiency. The 2017 Global Integrity Report for Africa ranked Libya weak in terms of public management with a score of 25 (out of 100) compared to a score of 38 in 2014. This deterioration was mainly due to the political situation, one in which Libyan ministries and institutions are not involved in any concerted way in a planned budget process. In addition, public service delivery has been hampered severely by the country’s ongoing political crisis. First, the decline in the government’s hydrocarbon revenues between 2014 and 2016 reduced its ability to maintain expenditures on social services and plan public investments. Second, the fragile security situation and the unstable political context significantly affected the ability of the State to maintain clear and consistent oversight over the country’s service delivery networks. Since the beginning of the crisis in 2014, resource allocations for public investment have decreased, and successive governments have prioritized expenditures for security expenses, yearly public salaries and subsidies.

Natural resource management and the environment
According to 2016 OPEC estimates, Libya’s oil reserves are estimated at 48.4 billion barrels. They are the largest in Africa and the seventh largest in the world. NOC is the national authority responsible for oil sector operations in Libya. In July 2017, NOC announced that Libya’s oil production had reached 1 million bpd, getting closer to its target of 1.25 million bpd, though NOC faced severe difficulties in obtaining funding for maintenance during the oil and gas fields production phase.

4. Due to lack of data, the World Economic Forum’s Global Competitiveness Report has not included Libya since 2015.
The Resource Governance Index assesses the quality of natural resource governance in countries that together produce 82% of the world’s oil and 78% of its gas. According to its 2017 Index, Libya scored 18 out of 100 points and ranked 87 out of 89 countries assessed. Libya’s score is considered as a ‘failing score’, indicating that the country has almost no governance framework to ensure oil extraction benefits the society. In contrast, it is likely to benefit only a small number of companies or elites in the country. The failing score for Libya is mainly driven by the lack of an enabling environment (6 out of 100), which captures government’s openness, transparency, regulatory quality, corruption level and the degree of political stability.

Political context
Despite international recognition, the UN-backed GNA still struggles to obtain the support or recognition of the HoR in eastern Libya. The Joint Drafting Committee, which includes representatives of the HoR and HCS5 and is facilitated by UNSMIL, met in Tunis in October 2017. They concluded its second round of talks after frequent interruptions due to disagreements over the wording of the LPA. There is still disagreement regarding LPA Article (8), which states that the Presidential Council heads the GNA and assumes control of the army. HoR wants to cancel this last point. The meeting was preceded by a first round of talks that ended with agreement to reduce the Presidential Council from nine members to three: a head and two deputies, and a separate government. The talks are all part of the UN Action Plan, which, according to UNSMIL Chief Ghassan Salame, aims to conclude the process by September 2018 with a referendum to adopt a constitution. Under this framework, a president and parliament would be elected to end the transitional phase.

Poverty reduction, social protection and labour
Due to lack of information, the percentage of the population living in poverty in Libya cannot be calculated accurately. Nevertheless, estimates indicate that about one-third of the population is living below the national poverty line. Government spending on public services in Libya has relied on oil revenues which in turn have depended on the security and political situation. Because of the ongoing conflict and the State’s inability to adequately provide public services, a higher percentage of the population has become vulnerable to poverty. Most social safety nets and social protection systems take the form of subsidized commodities, in particular food items and fuel. However, there is no efficient targeting of the populations most in need of these subsidies and assistance.

SOCIAL CONTEXT AND HUMAN DEVELOPMENT

Building human resources
According to the 2016 Human Development Report, Libya’s Human Development Index (HDI) was 0.716 in 2015, placing it 102 out of 188 countries. Libya’s performance has deteriorated since 2014 (when it scored 0.719) and from its pre-revolution level (0.756 in 2010), yet it is still in the high human development category. HDI measures human development in three main areas: education, health and living standards. These areas are significantly affected by the insecurity and political instability in the country as well as by the fluctuating performance of the oil sector that dictates Government revenues and its ability to spend on building human capacity.

In 2015, the average number of years of education received by Libyan adults (aged 25 years or more) was 7.3 years, unchanged from 2010. In the same year, the expected number of school years for a child at school entry age was 13.4 years, down from 14 years in 2010 (assuming that enrolment rates stay the same). Healthcare has always been a major concern in Libya. With the ongoing conflict, State health services have deteriorated; there is a lack of human resources, shortages in supplies and medicines, limited finance, and fragmented governance.

Combined with political instability, the deterioration of health care services have produced a serious humanitarian situation. According to UNHCR, the absence of law and order has resulted in thousands of people falling prey to migrant smuggling hubs and trafficking. More than 2 410 deaths and disappearances have been recorded, an estimated 435 000 people have been internally displaced, around 125 000 people have been externally displaced (to other countries), and approximately 200 000 returnees to Libya face the challenge of re-integrating and rebuilding their lives. In 2016 UNHCR reported an unprecedented 109% increase in the number of unaccompanied and separated children who arrived by sea, and the trend was expected to continue. The European Union has intensified negotiations with Libyan authorities to control migration flows.

The absence of a strategy or of steps to improve human development is harmful also to the labour force and job seekers. The humanitarian crisis risks creating new waves of extremism, fueling an already deteriorating security situation that could spread to neighbouring countries in the region.

5. The High Council of State (HCS) is an advisory body established under the LPA to advise both the interim government (GNA) and the HoR.
6. This rank was reached by applying the 2015 methodology to 2014.
When oil revenues fell in the last few years, subsidies on food items were removed because the Government lacked resources to sustain them. In addition, as mentioned, large volumes of subsidized fuel were smuggled to neighbouring countries, which created shortages domestically. There is a need to gradually reform the subsidy system and replace it by more targeted measures to compensate those most affected by price increase. For instance, it could be replaced by a cash transfer system.

Libya has one of the highest unemployment rates in the world, especially when compared to its high rate of tertiary enrolment. Unemployment in Libya has been steady, around 19%, since 2012, and is projected to stay at roughly the same rate in 2018. There was a vast difference between male (16%) and female unemployment (28%) in 2016. Youth unemployment has always been high, but reached 47.7% in 2015. According to International Labour Organization estimates, in 2017 around 19% of employed people worked in the agricultural sector, 25% in industry, and approximately 55.8% in services. Historically, there has been a huge mismatch between the skills needed in the labour market and the skills of the labour force, which makes the transition from school to the job market difficult. Also, in addition to the challenge of absorbing unemployed youth, Libya faces will need to find jobs to reintegrate ex-combatants.

**Gender equality**

Although women played an important role in the Libyan Revolution, the status of women in Libyan society has not improved. Women are still underrepresented in official institutions. The 2016 Human Development Report included two indices that reflect a gender perspective: the Gender Development Index (GDI) and the Gender Inequality Index (GII). The first gives the disaggregated HDI for males and females and shows that women in Libya have a lower HDI (0.691) than men (0.727). The second index measures gender-based inequalities in three dimensions: reproductive health; empowerment (captured by the number of seats in parliament assumed by women and secondary and higher education attainment for both genders); and economic activity (captured by participation in the labour force of men and women). In this index, Libya ranked 38 out of 169 countries. In 2016, 16% of parliamentary seats were held by women, 65% of women had been at least to secondary school (compared to 44% of men), and 27.8% of women were economically active compared to 78.7% of men – a stark difference.

**THEMATIC ANALYSIS: INFRASTRUCTURE FINANCING**

According to the 2014-2015 Global Competitiveness Index, Libya ranked last (out of 144 countries) in terms of infrastructure quality. Overall, the infrastructure in Libya is not well developed and it has been severely damaged as a consequence of the political crisis. In 2018, the country has no operational railway system and lags behind neighbouring countries such as Tunisia and Egypt. In addition, the gross investment rate has decreased significantly from 5.3% of GDP in 2013 to 4.4% in 2014; and from to 4.0% of GDP in 2015 to 3% in 2016. At the same time, Government consumption increased from 16.4% of GDP in 2013 to 21.7% of GDP in 2015 and in 2016. Yet, it is expected that public and private investment in infrastructure will be the main drivers of growth post-crisis.

Libya continues to experience a shortfall in power. The country has installed capacity of 10 GW thermal, but barely 5.5 GW are available in practice due to lack of maintenance and fuel shortages. Gas has also progressively replaced fuel oils for power generation, resulting in an over 50% reduction in operating costs. In terms of power intensity, the current transmission system comprises 16 000 km of 220 kV and 400 kV lines, feeding 25 000 km of lower-voltage lines for electricity distribution to 1.2 million customers. The technical performance of the transmission and distribution systems is acceptable and mostly unchanged from pre-2011 levels. New power plants are to be built on a conventional procurement basis, with foreign contractors being asked to tender for the works. However, these plans have been postponed due to the political and economic situation. Indeed, in 2018 only 23% of the generation projects planned for 2010-2016 had been completed.

Water infrastructure is a high priority in Libya. The country has minimal surface waters and no perennial rivers, and only 95 m³ of available water per person per year. In 2013, the Housing and Infrastructure Board planned to rehabilitate more than 75 wastewater treatment plants and, in 2014, to build new wastewater networks and pumping stations. The intention is also to build brackish-water treatment plants.
Libya’s political conflict has disrupted its telecommunications sector. For instance, one-quarter of the country’s mobile towers have been destroyed and other important telecom infrastructure has been stolen. Despite this destruction, the overall level of telecom infrastructure in Libya remains one of the best in Africa. Before the revolution and the 2013 political crisis, important investments were made in a next generation national fibre optic backbone network. Libya also had one of Africa’s first fibre-to-the-premises deployments. The first terabit international fibre optic cable was laid in the country in 2010, followed by a second in 2013. For the broadband sector, market penetration is still very low. Only one mobile network has launched third-generation (3G) broadband services. Fixed-line penetration has also fallen significantly as a result of the political crisis, but it is expected to be reconstructed and improved as demand for very high-speed broadband increases.

Before the 2014 political crisis, Libya had a USD 100 billion pipeline of planned infrastructure projects. Government earmarked significant resources for reconstruction and development after the 2011 revolution. For example, in the 2013 and 2014 budgets, it allocated more than LYD 10 billion to capital expenditure (equivalent to USD 7.5 billion). However, institutional constraints and depressed oil income have prevented the Government from fully disbursing these funds.

The different budget breakdowns indicate that a lower priority has been given to public works and infrastructure expenditure, while Government maintained (and even increased) spending on salaries and subsidies. The Central Bank of Libya, with its large stock of foreign reserves, operates as a de facto Ministry of Finance, prioritizing current expenditure on subsidies and salaries over large-scale reconstruction works. In 2017, development expenditure increased by LYD 500 million over 2016, but it still occupies the lowest amount in total spending at LYD 1.9 billion, which is below the 2013 level of LYD 13.3 billion. More than 75% of budgetary expenditure (LYD 24.89 billion) was allocated to public sector salaries, whereas LYD 4.3 billion was given to subsidies, an increase over 2013. This was mainly aimed at keeping fear under control during renewed social unrest and as economic activity fades into the shadow of increased political uncertainty.

Foreign investment has trickled into Libya’s infrastructure since the 2011 revolution, owing to restrictive legislation and the lack of guarantees for the safety of foreign capital in the country. Some foreign contractors have opted to abort their operations in Libya until they receive compensation for their losses during the 2011 uprising.

A new law regulating public-private partnerships (PPP) was passed to broaden the financing scope of Libya’s development and infrastructure projects. As a result, some institutions started engaging in strategic planning around PPP opportunities. The Libyan Local Investment and Development Fund started working to generate long-term financial returns and tangible socio-economic benefits by developing Libya’s infrastructure through active investment and promotion of PPP opportunities. Nevertheless, this law was delayed again in 2016 as the country’s rival governments continued to prioritize security matters.

Since the 2011 revolution, Libya has focused on recovering from the effects of war and years of international isolation, which have strongly affected the quality of the country’s infrastructure. However, since 2014, the rival governments have delayed infrastructure development as institutional capacity remains limited and interim governments focus on security and political transition, as well as on keeping existing facilities running. Some expansion is planned for 2018-2020 in the electricity, water, healthcare and transportation sectors, providing opportunities for local and foreign investors. Strengthening public resource management and adopting a clear strategy should be a priority for the infrastructure sector in Libya once the security situation improves.