

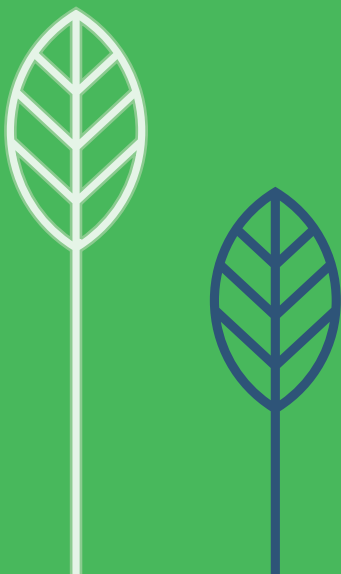


Shared Prosperity **Dignified Life**



# Vision for Libya: towards prosperity, justice and strong State institutions

A rights-based socioeconomic vision and road map for sustainable development



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This vision was developed within the framework of the Libya Socioeconomic Dialogue Project, and funded by the German Federal Ministry for Economic Cooperation and Development (BMZ). The project was carried out in partnership with the United Nations Economic and Social Commission for Western Asia (ESCWA) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and with the support of a Libyan consulting group. The Libya Socioeconomic Dialogue is purely Libyan project in all aspects: institutional, academic, advisory, technical and in the dialogue itself. The national dialogue engaged Libyans from all walks of life on issues of sustainable social and economic development and good governance, in order to achieve comprehensive, balanced and stable development and prevent a relapse and return to conflict.

This vision constitutes the first phase of the project, culminating these efforts and providing informed options for strategic policies. It aims to move from the logic of rent-seeking and exploitation to a State of institutions, based on the principles of justice and equity, from the logic of dignity to universal rights and fundamental freedoms and from a rentier economy to a productive, diversified and renewable economy for the sake of a peaceful and prosperous society.

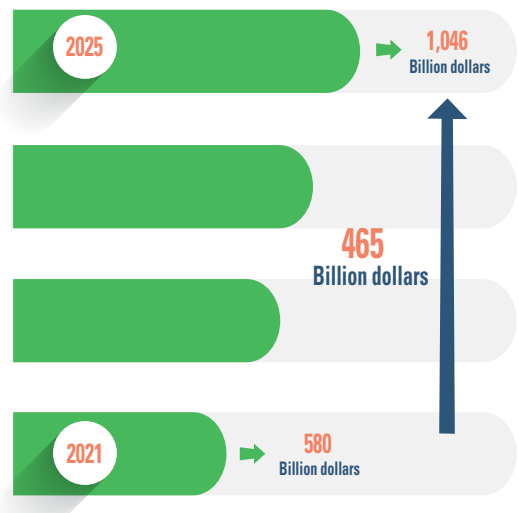
The formulation of this vision was based mainly on open discussions among Libyans through the ESCWA platform. These discussions were spread over 8 open virtual dialogue sessions attended by 262 Libyan participants and broadcast live via social media, reaching more than 38,760 viewers who interacted through comments and shares. The project team also provided an opportunity for Libyans to express their opinions in writing, through eight surveys that included questions related to the topics raised in each dialogue session. More than 850 written contributions were received and used in preparing and drafting the vision.

The vision was prepared and formulated under the leadership of Ahmed Mohamed Ahmed Jahani and Mohamed Zahi Al-Mugherbi. The teams included Khair Milad Abu Jarada, Azza Omar Bou Ghandoura, Salaheddine Abdelkader BouGhrara, Abdullah Hamed al-Hassi, Fatima Zahra Ahmed Langhi, Nasser Milad al-Maarfi, Jazia Jibril Shaitir and Suliman Salem Alshahmy. The Working Group on Libya at ESCWA contributed in revising the text, supported the team of researchers and experts and completed the procedures for its publication. This team includes Tarik Alami, Youness Abouyoub, Ibrahim Musa Grada, AlTayeb Al-Dajani, Haitham Mohammed Al-Keef, Karam Karam, Lubna Ismail, Jala El-Akoum and Nada Aoun.



# The Economic Cost of the Conflict in Libya

The war has taken a heavy toll on the Libyan economy, with losses from 2011 to the present estimated at 783 billion LYD (\$580 billion).<sup>1</sup> These losses are expected to increase if the conflict continues and political and societal instability continue after 2021, reaching 628.2 billion LYD (\$465 billion)<sup>2</sup> for the period between 2021 and 2025. The conflict has damaged all aspects of economic life and caused a significant decline in growth and an increase in volatility. A sharp decline was recorded in government revenues, spending and investment and activities in productive sectors, including oil and gas, construction and agriculture.



## Socioeconomic vision

**The future Libya is a State of institutions based on justice and equity, universal rights and fundamental freedoms with a productive, diversified and renewable economy and a peaceful and prosperous society**

This vision is independent, non-politicized, evidence-based and not time-bound. It is based on the participation of all components of Libyan society without exception and multiple and complementary social, economic and institutional fields and specializations.

The vision addresses fundamental challenges to the establishment of a Libyan State based on civil rights and considers the four basic rights needed to rebuild the State: the right to a central government that supports and balances decentralization, the right to local governance and development, the right to family and the right to property. It highlights the complementary relationship between civil and political rights and social, economic and cultural rights and links the concept of rights with complementary fields of local and institutional development during the rebuilding of the State.

The vision seeks to dismantle the centralized, authoritarian and top-down framework to address the distortions that have marred Libyan society and wreaked havoc on its culture. In doing so, it aims to provide an alternative framework that will achieve justice in rebuilding society and the State, rebuild State institutions and ensure their stability. The vision depends on the dismantling of four mutually reinforcing traps. The first trap is rentierism associated with totalitarianism, dictatorship and centralization. The second trap is institutional ambiguity and a widespread culture of corruption. The third trap is societal disregard for values in the form of seizing and disrespecting property and otherwise exploiting citizens. The fourth trap is a culture of begging, dependence, patronage, appointment and disguised unemployment.

The vision contains the outlines of a new implicit social contract defining the rights and obligations of individuals together with the powers and responsibilities of the State. The new social contract aspires to achieve sustainable institutional development based on four pillars: a State based on justice, citizenship and identity; protection and social justice; an alternative diversified economic model; and institutional reform, transparency and good governance. The vision shows the complementarity of human rights in the context of human security broadly construed, and their connection to the 2030 Sustainable Development Goals.

1 At the time of the publication of the ESCWA report *The Economic Cost of the Conflict in Libya (Executive Summary)* in December 2020, the exchange rate was 1.35 Libyan dinars to the dollar (2 December 2020).

2 On 3 June 2021, the official exchange rate according to the Central Bank of Libya was 4.46 Libyan dinars to the dollar.

### State of Justice, Citizenship and Identity

- Achieve the rule of law
- Achieve a balance in rights and obligations
- Base citizenship on an integrated value and legal system
- Provide effective local services to give citizens a sense of security
- Enable Libyans to hold their governments accountable
- Commit to launch a societal reform project and dissolve subsidiary loyalties
- Reject ideas based on intolerance, stagnation, chaos, closed-mindedness and extremism
- Enable local administrations to provide the best services and achieve welfare
- Respect diversity and recognize multiple cultural identities
- Uphold loyalty to the country over other loyalties and define obligations and duties towards it
- Enable Libyans to build a State based on citizenship and civil rights and a nation encompassing identities that have historically coexisted
- Highlight the overarching Libyan identity, which reflects authenticity, history and geography

### Protection and Social Justice

- Eliminate quotas, injustice and poor revenue management
- End corruption, which has caused imbalances in social structures and shortcomings in social protection services
- Adopt the values of social justice based on:
  - » Reforming the salary and wage system, adopting a tax policy that ensures equitable distribution of income and implementing plans and programmes to reduce poverty and unemployment
  - » Spreading a culture that rejects all forms of corruption
  - » Enacting laws to enhance the resilience of vulnerable groups in the face of economic and social crises and challenges
  - » Developing and strengthening the administrative agencies responsible for administrative and financial oversight
- Equitably distribute income among members of the community and provide basic social protection, welfare and health and education services
- Achieve peace, stability and development by strengthening communities and providing for their security
- Increase human capital and create job opportunities for young people

### Alternative Economic Model

- Build an alternative and inclusive economic model for sustainable development
- Build a social economy based on excellence and promising economic opportunities
- Eliminate the rentierism obstructing societal economic development, curb corruption and put an end to the extractive State through local development and decentralization
- Rely on the various local economies to drive economic growth and diversify the economy
- Bring about a qualitative change in the economic structure linked to diversified local economic development
- Emphasize the responsibility of the central government in creating a stable economic environment
- Achieve partnership between the private and public sectors in the process of the country's economic growth
- Liberate the private sector from its dependence on the central government and allow it to take initiative
- Develop the management of public funds and improve the rules for distributions
- Establish financial and economic transparency

### Institutional Reform and Good Governance

- Build an independent and impartial judiciary by applying the principles of justice and human rights and seek to end the conflict, build peace and restore community safety
- Realize the principle of equality before the law through a single system of laws that apply to all Libyans without distinction
- Address the growing numbers of State employees in the context of confronting the challenges of totalitarianism and centralization and eliminating rentierism
- Adopt an integrated package of systems, policies, legislation and decisions by institutions
- Adopt economic empowerment policies by state institutions to stimulate the economy and employment
- Eliminate forces leading to deprivation to give life to economic empowerment and social protection policies
- Adopt decentralization to enable local government institutions to participate in designing more efficient and effective economic policies

## Obstacles and challenges to the success of the vision

In looking towards the future, it is important that we also assess the past. The fundamental constraints which have persistently held back human development and impeded sustainable development in Libya need to be identified in order to break from the past and build a shared vision for a better and more peaceful future. Development in Libya is currently constrained by a number of factors or strategic issues including:



### Economic challenges

The Libyan economy faces structural challenges, macro-level imbalances and sectoral distortions, despite economic advantages that allow it to attain the highest levels of development. These include the country's geography (the length of the Mediterranean coast, vast land area and strategic location), natural resources, attractiveness for tourism and marine wealth.

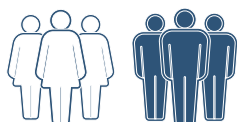
**Fiscal policy:** Heavy reliance on oil revenues to finance the general budget, low tax revenues and sovereign revenues, growing consumer spending and domestic public debt.

**Monetary policy:** High inflation rates, ineffective foreign exchange policy, depletion of international reserves and significant expansion of the money supply.

**Investment:** Business environment not conducive for domestic and foreign investment.

**Employment:** High employment in the public sector (85 per cent), high unemployment rate, especially among young men and women, poor efficiency, lack of local skills and inadequate educational output for the market.

**Economic sectors:** Many economic sectors face clear challenges to building and implementing strategic policies to contribute to growth, reinforce development programmes and achieve the transformation to a new and diversified economy. These sectors are: finance, energy, communications and information technology, transportation, housing and utilities, agriculture, livestock and fisheries and tourism.



## Institutional challenges

Political instability, armed conflict, lack of the concept of the State, dysfunctional institutions and corruption of all kinds in the absence of governance, transparency, accountability and centralization: All of these pose real challenges to reform, progress and the attainment of high levels of development and cause numerous economic and social failures and crises.



**Institutional division:** Its forms include institutional fracture, institutional redundancy and the creation of institutions needlessly. In the future, the unified Government is expected to face significant challenges in integrating these institutions and overseeing and correcting their operations.

**Corruption:** Among the main obstacles to building the national economy is administrative, political and financial corruption and institutional dependence on armed groups and tribal loyalties.

**Centralization:** Centralization in State institutions impedes local governance and local development. Centralized management of development has led to the following challenges: migration to a limited number of large cities in search of job and investment opportunities, pressure on major cities' resources and infrastructure and settlement of populations of different regional origins in different residential areas, deepening internal divisions and regional rivalries.



## Social challenges

Libya faces several social challenges related to the standard of living and access to social services, in addition to challenges affecting the social fabric and cohesion.



**Poverty:** Relative poverty rates are high, and about a third of Libyans live below the national poverty line.

**Education services:** The education system does not meet the needs of the labour market or the global knowledge economy.

**Health services:** The health system is weak due to institutional fractures, limited financial resources, lack of human resources, shortages of life-saving medicines and basic equipment and the deterioration of the primary health care network.

**Displacement:** The increasing number of displaced people due to ongoing conflicts, fighting and wars poses a real social challenge.

**Irregular migration to Libya:** The large and growing number of irregular migrants poses a real social and economic challenge, particularly in terms of balance, demographic security, human rights violations and involvement in the informal economy and organized crime.

**A lasting peace, security and political stability must be achieved.**



**Reconstruction and infrastructure development:**

Libya needs substantial funds to build and maintain basic infrastructure and keep up with payments.

# Success and realization of the vision: national development strategies

The Libyan socioeconomic vision can be realized if the impediments which have held back long-term development are overcome and national development strategies are implemented to transform Libya. These strategies are based on the perceived needs and priorities of Libyans and establish the roadmap by which Libya will progress to becoming a prosperous and more peaceful country.

## A. Building a comprehensive national identity

Priorities	Fundamentals for the future
<b>Achieve a State based on citizenship and diversity</b>	Develop educational curricula to consolidate national values, norms and rights of citizenship and establish a new social contract taking into account the rights of citizens of all tribes and groups.
<b>Combat all forms of discrimination and cultural marginalization</b>	Recognize multiple identities and accommodate diversity to enrich a single national identity, in a cultural and social atmosphere of awareness, coexistence, tolerance and respect for the other.
<b>Combat the marginalization and discrimination against women and young people</b>	Incorporate the principle of equality between men and women into the Constitution and ensure its application through the necessary legislation and mechanisms; take appropriate measures to prohibit all discrimination against women and ensure effective legal protection for them through competent courts; provide young people with the skills to engage in the public sphere and the labour market and develop plans and strategies to finance projects that ensure their integration into society instead of armed groups and organized crime.
<b>Combat tribal or regional discrimination and marginalization</b>	Give a vital and positive social role to social structures and work to end inter-tribal conflicts; strengthen the rule of law to ensure that the individual does not resort to the tribe to combat marginalization and exclusion; distribute institutions across different geographical regions and spread officials among different regions and cities.
<b>Address the crisis of citizenship</b>	Employ the media to uphold the values of citizenship and patriotism; promote the values of justice, equality, the rule of law, co-existence and good-neighbourliness over custom; consolidate the values of citizenship through the education system and work to spread tolerance, coexistence, good-neighbourliness and acceptance of others.

## B. Strengthening State authority and the rule of law

Priorities	Fundamentals for the future
<b>Institutional building reform</b>	Develop strategic plans to reform institutional structures, including security agencies and the judiciary, to serve as fundamental and powerful levers for achieving political stability, economic progress and social cohesion; consult international institutions regarding suggestions of the best systems for restructuring State institutions, separating competencies and defining rights and obligations.
<b>Achieve societal understanding</b>	Establish mechanisms for communication and dialogue between the various components of society, prioritize the public interest over private interests, elevate the language of reconciliation, understanding and tolerance over the language of violence and fighting and establish mechanisms to ensure fairness in the distribution of resources, jobs and representation.



Priorities	Fundamentals for the future
<b>Rebuild security institutions</b>	Reform security institutions and create a disciplined, strong, organized, qualified and centralized police apparatus whose main task is to maintain security and combat corruption, organized looting of State property and assets and acts of vandalism in the public sector; provide equal opportunities in this agency for all segments of society.
<b>Political participation and civic culture</b>	Enact laws protecting public rights and freedoms; support civil society institutions that defend public rights and freedoms, spread community awareness, defend victims, engage the community, promote civil participation, create channels for dialogue and communication, respond to community problems and present them openly and responsibly; increase societal awareness of rights, their protection and equal treatment by institutions under the law and in the performance of obligations and responsibilities.
<b>Activate the role of judiciary</b>	Ensure the fairness and effectiveness of laws and the independence of the judiciary and protect it from political pressure by preventing the executive branch from influencing the operations of the judiciary and maintaining a separation of powers; separate the Department of Judicial Inspection from the judicial bodies in membership of the Supreme Judicial Council; purge the judiciary of elements that are proven to be corrupt, activate the judicial inspection system and work to strengthen the Department of Judicial Inspection to curb the persistence of nepotism in decision-making; and establish a Supreme Constitutional Court.

## C. Restoring confidence and national reconciliation

Priorities	Fundamentals for the future
<b>Address the root causes of conflict</b>	Design an economic model that achieves equity, justice, regional and demographic balance and gender balance; strive for fairness in the distribution of development dividends and the management of national wealth, appointments, distribution of powers, retention and promotion and diversification of the economy.
<b>Achieve transitional justice</b>	Promulgate a national charter based on equitable distribution and national reconciliation; formulate alternative justice and fact-finding mechanisms that take into account local characteristics; develop a consensus formula within a targeted national partnership to build a sound democratic project that ensures equal opportunities for all and balanced and inclusive political and social development; and activate the role of the Transitional Justice and Reconciliation Commission.
<b>Pursue reconciliation based on tolerance</b>	Spread tolerance in order to achieve a national reconciliation; establish transitional justice through the adoption of an inclusive national identity; and provide reparations for damages suffered by members of society, whether material or moral.
<b>Engage women, young people and civil society institutions in restoring trust, reconciliation and peacebuilding</b>	Support efforts and initiatives of individuals, women, young peoples and institutions aimed at official and community mediation; support societal platforms that contribute to settling social, economic and political conflicts; and develop effective mechanisms to activate the role of civil society institutions and trade unions.

## D. Human Capital Development and Empowerment Policies

Priorities	Fundamentals for the future
<b>Reintegrate all sectors of society</b>	Take into account demographic makeup and challenges, empower young people and women and reintegrate militants.
<b>Reintegrate militants</b>	Provide a genuine political will to deal with young militants and psychologically rehabilitate them before they enter professional training and rehabilitation institutions; activate the role of trade unions, cultural and sports clubs, student unions and civil society organizations; and provide funding to those who suffered permanent physical harm during the war to enable them to establish suitable projects.

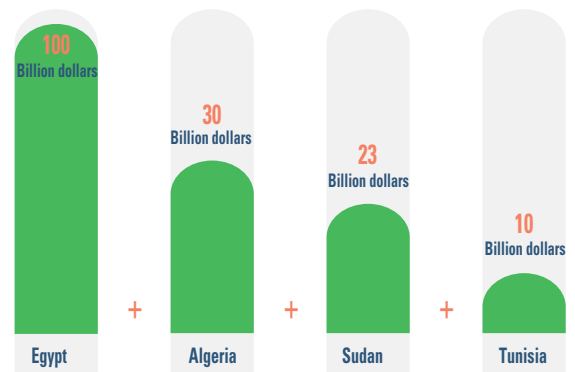
## E. Building a diversified and sustainable economy

Priorities	Fundamentals for the future
<b>Promote diversity</b>	Build a diversified and sustainable economy, based on added value, knowledge and innovation, governed by the rules of development, fair competition, transparency and social responsibility.
<b>Achieve fiscal sustainability</b>	Use the State's general budget to serve development and establish necessary infrastructure.
<b>Promote private sector competitiveness</b>	Rehabilitate and develop the private sector to lead the economy.
<b>Restructure the Government and improve its functioning</b>	Form a public administration based on good governance that is flexible, innovative and technology-friendly.
<b>Promote local development and governance</b>	Achieve comprehensive geographical development based on decentralization.
<b>Consolidate the financial and banking system</b>	Establish an advanced financial and banking system and well-governed financial and banking institutions capable of effectively contributing to sustainable economic development.

## Benefits of Peace in Libya: Neighbouring Countries and Beyond

There is no doubt that peace in Libya will bring significant economic gains to it and to neighbouring countries. Gains in neighbouring countries are expected to total \$163 billion by 2025, distributed as follows: about \$100 billion in Egypt, \$23 billion in Sudan, \$10 billion in Tunisia and \$30 billion in Algeria.

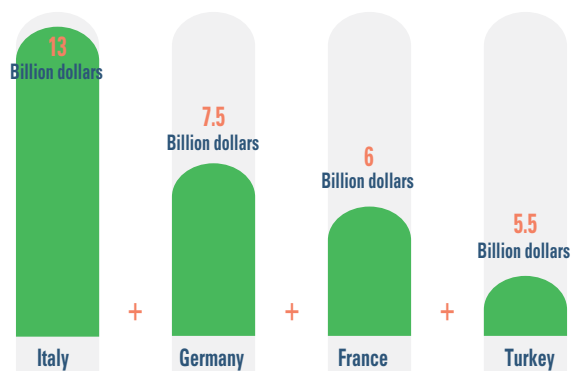
Peace in Libya will bring opportunities for other countries in the form of economic gains for its main trading partners, which are expected to reach \$13 billion in Italy, \$7.5 billion in Germany, \$6 billion in France and \$5.5 billion in Turkey. Peace may contribute to reducing unemployment in Sudan by 14 percent by 2025, 9 percent in Egypt, 6 percent in Tunisia and 2 percent in Algeria.



Gains in neighbouring countries are expected to total **\$163 billion** by 2025



By 2025, unemployment will decrease



By 2025, the gains for the main trading partners will be **\$32 Billion**

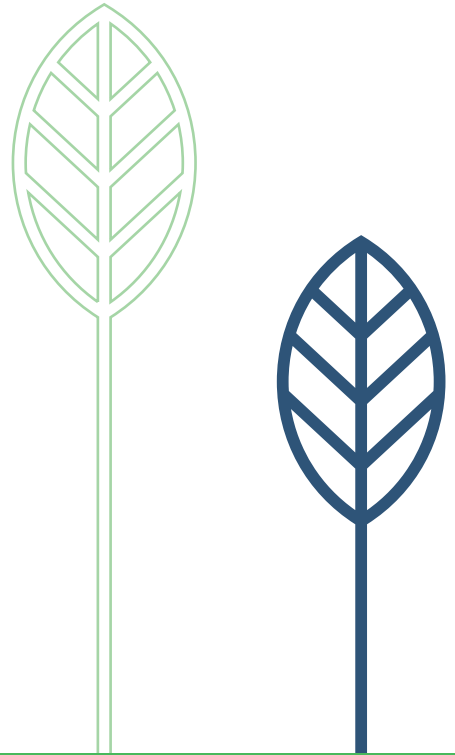
# Next steps – Phase II of the Libya Socioeconomic Dialogue Project

The first phase of the project was aimed at launching a social and economic dialogue in Libya and providing support for the creation of a sustainable development framework that is inclusive, transparent and equitable and addresses the causes of vulnerability in different segments of society. Libyans have agreed on a social and economic vision for the transition from conflict to sustainable economic and social development.

The second phase of the project aims to provide a platform for Libyans to formulate strategic policies for the stabilization of Libya and sustainable economic and social development, and to develop a strategic framework for the implementation of the national vision at the sectoral and local levels. By 2024, Libyan civil servants (from national and local agencies) are expected to have several opportunities to improve their capacity to develop and implement policies and strategies at various levels. This phase requires close collaboration with relevant central institutions to develop a framework for evaluating strategic policies, identifying strengths and weaknesses and formulating policy alternatives and options at the sectoral level.

ESCWA is currently working to secure the financial resources necessary to finance the activities of the second phase of the Libya Socioeconomic Dialogue Project, with these activities to be implemented as soon as the necessary resources are obtained in order to ensure the sustainability of this vision and activate its outputs.





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#### VISION

ESCWA, an innovative catalyst for a stable, just and flourishing Arab region

#### MISSION

Committed to the 2030 Agenda, ESCWA's passionate team produces innovative knowledge, fosters regional consensus and delivers transformational policy advice.

Together, we work for a sustainable future for all.

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