

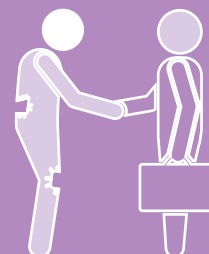
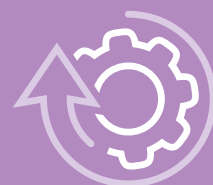
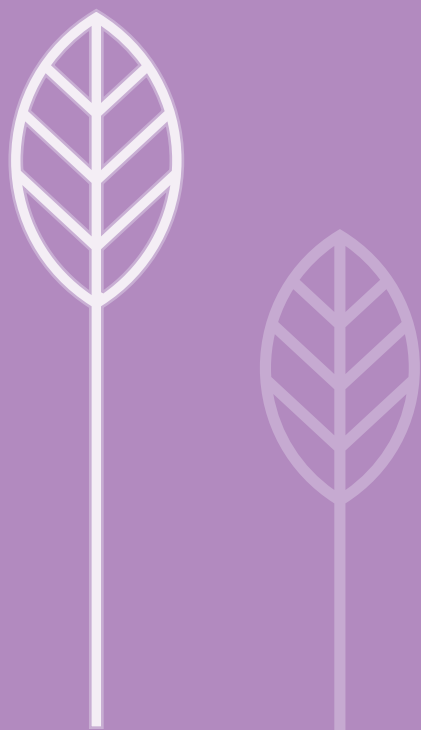


Shared Prosperity Dignified Life



Mechanisms

# for economic reform and recovery



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## NOTE

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This document is one of a set of eight studies<sup>2</sup> on policy options relating to the socioeconomic vision mentioned above, conducted by ESCWA in collaboration with a group of Libyan experts. These studies are meant to contribute to realising this vision, addressing its challenges, and facilitating the process of drafting policies and developing strategies that take into account its socioeconomic and institutional dimensions.

<sup>1</sup> Vision for Libya: towards prosperity, justice and strong State institutions.

<sup>2</sup> Titles of these studies:

1. Towards an inclusive national identity in light of a just citizenship State.
2. Social protection system.
3. Human capital, youth and women empowerment, and the integration of militant forces.
4. The role of the State in sustainable economic development and the strategic positioning of Libya in the global economy.
5. Strengthening the State authority and the rule of law through a fair and independent justice system, and human security based on human rights and the principles of comprehensive justice.
6. Restoring trust and reconciliations to establish a national charter.
7. Building a State of institutions, regional integration and international cooperation.
8. **Mechanisms for economic reform and recovery.**



## Executive summary

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The Libyan economy is a rentier economy that relies to a great extent on oil imports, which account for a large proportion of the country's Gross Domestic Product (GDP). Public expenditures exceed the total of collected revenue, with most of the funds going to consumer spending, of which salaries and wages represent the greater part. Meanwhile, the proportion of development spending (which is expected to create job and additional revenue) does not exceed 7.5 per cent of total spending. This distortion in public spending has led to rising rates of inflation in the economy, and rising rates of poverty in the population.

The need to address the makeup of public finances in Libya has become one of the most pressing matters. Yet addressing it will require taking bold and disciplined steps and measures to achieve the desired economic recovery. Those should be a focused on diversifying the national economy and avoiding reliance on a single source of income. Other pressing matters should also be addressed. One example is the high number of public sector employees, which currently make up 85 per cent

of the country's labour force. Others include streamlining commodity subsidies; controlling fuel subsidies, as a portion of the subsidised fuel is being smuggled to neighbouring countries; supporting the development of the private sector, and preparing it to take an active part in the economy; opening up to the world through transit trade; and allowing foreign investors to operate in the Libyan economy, such as to ensure the dissemination of specialised knowledge from abroad and the creation of new jobs.

Steps like these require specific mechanisms and plans of action to ensure their success, including for example: improving most of the current legislation and amending it to keep pace with the changes required; stopping the State from monopolising employment and controlling most economic activity; allowing foreigners to invest and own property; expanding the provision of services; improving the infrastructure; and many more. All of this is nevertheless contingent on preserving the sovereignty of the State, and precisely identifying the areas that can be invested in.

## Introduction and historical background

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Economic issues are some of those with the greatest impact on the rise and progress of the State, and on the problems it might face. Libya today presents an extreme case of rentier economy. On the whole, its economy is relatively small, in terms of its contribution to the global economy. It also relies to a great extent on foreign trade to provide for its needs in various commodities and services, and is considered to have a high rate of economic exposure, at an average of as much as 84 per cent between 2010 and 2017 (Abu sneineh, 2018a).

Yet before any recovery mechanisms can be recommended for the Libyan economy, the real distortions it faces must first be examined. Those include, for example:

**Revenue:** The economy relies chiefly on oil sales, which represent more than 95 per cent of the country's exports, and 90 per cent of State revenue. On the whole, domestic oil production is the main pillar of the economy, while the country's Gross Domestic Product (GDP) without oil provides only a meagre contribution, at no more than 32 per cent of GDP and only 7 per cent of public revenue (Central Bank of Libya, 2018).

**Expenditure:** When it comes to expenditures, the greater part of them remains consumer spending, which represents more than 92.5 per cent of total public spending. Salaries and wages make up most of this proportion, while development and investment spending does not exceed 7.5 per cent of total spending Libyan Audit Bureau, 2017. This reality is at odds with the legislation in effect, and in particular the planning law, which states that development and investment spending should make up no less than 70 per cent of total spending.

**Budget deficit:** The public budgets of the last few years have all been funded at a deficit. The budget deficit today remains very high, and is being largely funded through loans from the Central Bank of Libya and from commercial banks. This deficit is due to multiple factors, such as uncontrolled public spending, reduced revenue in view of the constant political instability, armed conflict over oil resources, corruption and the mismanagement of funds.

**Public debt:** Resulting mainly from budget deficits, the country's declared public debt is estimated at 140 billion Libyan dinars. Yet this declared debt does not constitute the entirety of the debt owed by the Libyan State, as

there are a few additional commitments (resulting from decisions that were issued and laws that were passed) that could affect the value of the public debt. Examples include Cabinet Decision no. 641 of 2013, which raises the salaries of employees in the administrative sector, and Cabinet Decision no. 642 of the same year on employees in the oil sector, as well as laws on family allowance, salary increases for the police, higher education and more. The estimated value of this additional debt was of nearly 100 billion dinars in 2019, with an annual accrual estimated at about 12 billion dinars (Al-Hassi, 2020).

**Employment and unemployment:** Libya has one of the highest unemployment rates in the world, having reached 19 per cent in 2012, and not having improved much after that, reaching 17.3 per cent in 2019 (Abuhadra and Ajaali, 2014). This rate is expected to remain about the same for the next few years. Meanwhile, the Government employs approximately 85 per cent of all Libyans in the job market (numbering 1.8 million workers), as the total number of people employed in the public sector is 1,569,000 employees (Libyan Audit Bureau, 2017). This number does not include those whose salaries are paid by the Interim Government, notably those in the military institution and some other sectors. The inability of the private sector to create new job opportunities and the restriction of employment to the public sector are resulting in high unemployment rates, and an accumulation of veiled unemployment in Government jobs (as with employees who get paid twice and provide no labour at all).

**Poverty:** Studies indicate high poverty rates in Libya, as it is estimated that about a third of all Libyans live under the poverty line (Abderrahim-Ben Salah, 2018). Yet the percentage of people living in poverty in Libya cannot be calculated with any precision, as it would vary with the discrepancy of the exchange rate of the Libyan dinar to the dollar. Thus, the international poverty line is currently set at \$1.25 per person per day, and average individual daily income in Libya is estimated at about 7.559 dinars, which would amount to \$5.3 a day as per the official exchange rate before it was adjusted. Based on this exchange rate, the percentage of people living under the poverty line would be relatively low. However, with the adjusted exchange rate, the same individual daily income would amount to \$1.69, which would significantly raise the percentage of those under the poverty line. Furthermore, the exchange rate in the parallel market in December 2016 reached 6.23 dinars to the dollar (in cash). This means that the average individual daily income (7.559 dinars), calculated at this rate, would amount to no more than \$1.21, bringing a much larger proportion of the population below the poverty line. More recently, in 2020, the exchange rate was as low as 5.5 dinars to the dollar in cash transactions, and as high as 6.5 dinars to the dollar in bank cheque transactions, further complicating the process of calculating the real percentage of people living under the international poverty line in Libya.

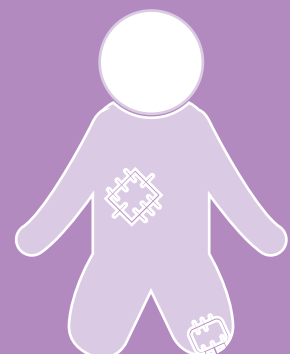
**Corruption:** Administrative, political and financial corruption in Libya represent some of the most significant obstacles to building up the country's economy, and one of the main reasons for the failure of every attempt at reform undertaken by the State since quite some time. According to a report by Transparency International (Administrative Control Authority, 2017), Libya received a score of 17 out of 100 on the Corruption Perception Index (CPI). This is clearly apparent in

Unemployment  
rate  
in Libya:

19%  
in 2012

17.3%  
in 2019

The Government  
employs **85%** of  
all Libyans in the  
job market



the volume of expenditures incurred by the State on development projects, without any results being reflected or seen on the ground. Oversight bodies have tried to strengthen the principle of transparency and to combat corruption in public institutions, and have investigated cases connected to corruption. Those included cases of misappropriation of public funds, failure to protect public funds, misuse of public funds, bank loan manipulation, banking facilities manipulation, and unlawfully opening bank accounts (Administrative Control Authority, 2017). Yet those measures have not translated into effective solutions, and corruption has remained rampant, even within the oversight bodies themselves. One of the major reasons for corruption in Libya is the prevalence of

clientelism and favouritism (especially when it comes to securing jobs and contracts for relatives), in addition to collusion, bribery, abuse of office for personal gain, speculation in foreign currency, fraud and monopoly.

Looking at all of these factors together, it has clearly become necessary to spread the culture of reform and economic recovery, stressing the country's dire need for it, especially when it comes to the values of transparency, combating corruption and participating in decision-making – all of which would lead Libya to emerge from the successive crises that have plagued its economy. There is also a need to revise existing legislation, as well as oversight and implementation mechanisms, on contracting procedures, public tenders, employment and more.

## I. Methodology

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Over the course of an entire year, the ESCWA team conducted preliminary studies to identify and analyse the challenges facing the Libyan economy, relying on official statements issued by Government officials. The research team then recommended reform mechanisms for the development and recovery of the Libyan economy. Their recommendations were presented to 88 Libyan experts, so that they may assess them, suggest additions and provide appropriate clarifications. Priority issues were then identified, particularly when it comes to economic reform and recovery. These recommendations were then discussed in a wide-ranging societal dialogue, which

included various different social groups, including public and private sector employees, people with disabilities, and representatives from every region of Libya. This dialogue went on for eight sessions, with discussions involving 262 Libyan participants, and over 857 written submissions received. All of these efforts led to a set of important recommendations and priorities for the preparation of a unified national vision for the future. All of the data previously obtained were then gathered, reformulated and presented in a validation session, with the participation of 81 Libyan citizens of diverse backgrounds.

## II. Recommended Options and policies

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### Diversifying the economy

Diversifying the country's sources of income is of the utmost necessity for the development of the Libyan economy, because oil and natural resources are by their very nature destined to be depleted. Moreover, the Libyan State does not have the ability to control the price of petroleum products, since they are priced according to the global market. The oil industry is also fraught with a number of challenges, including and in particular the tireless attempts by countries around the world to avoid relying on oil as their sole source of energy, and to seek other sources, such as shale oil, renewable energy and others. This places the Libyan economy in real danger. To this can be added the fighting and interference in oil production, as witnessed in Libya in 2013, which led to ceasing production for several years, reducing the country's GDP to unprecedented levels and directly

affecting ordinary citizens. Nevertheless, revenue from the oil sector will be the main pillar of any future development of the Libyan economy, and it cannot be left undeveloped, unmodernised and undiversified. Paying adequate attention to the oil sector should therefore be a priority, alongside developing and supporting other economic sectors.

Efforts to diversify the Libyan economy should focus on its most competitive sectors, when compared with other economies, such as:

- **The oil sector:** Libya has the ability to increase its oil production by more than three million barrels per day. Yet this is contingent on the efficiency of drilling and development efforts, the maintenance and improvement of existing refineries, and the creation of new refineries with greater capacity. If taken, those steps would contribute to meeting the increasing need for imports of

motor fuel and oils, with nationally produced quantities compensating for national demand. There are also opportunities for economic growth and diversification in the petrochemical sector, by turning to the use of natural gas liquids instead of other types of fuel. The demand for agricultural chemicals, such as nitrogen-based, mixed and complex fertilisers, could also be met by producing them in Libya.

- **The industrial sector:** The Libyan State owns several large public companies, such as the Libyan Iron and Steel Company (Lisco) and the General Scrap Company. Other energy-intensive industries, such as that of aluminium, could also be developed, as Libya benefits from the competitive factors of both energy and location in this regard. Moreover, after 2011, the Southern and South-Eastern parts of the country were found to contain significant quantities of gold ore, which is being excavated and exported illegally. Building mines and factories to develop the gold sector could create serious opportunities and contribute to transferring new skills and knowledge to the Libyan market. Public companies specialised in the manufacture of electric cables and wires, as well as those specialised in the manufacture of pipes, are in need of development, training for their workers, partnership with the private sector and foreign investment. This would allow them to contribute to the development of the country's industrial sector, meet national needs, and perhaps start exporting to a few neighbouring countries.
- **The tourism sector:** The geographical location of Libya on the Mediterranean at a short distance from European countries, and its abundance of historical and heritage sites, are both factors that could create a real opportunity to attract tourism. Foreign companies could also play an important role in developing the country's tourism sector, given the lack of local experience in this regard.
- **The agricultural sector:** Agriculture cannot be relied upon as one of the main sectors for the diversification of sources of income in Libya. However, national agriculture can be relied upon to reduce the total value of imports, and cover the national demand for grain, fruits and vegetables. The focus should be on high-value products that can be competitive, such as dates, olives and olive oil. Similarly, the livestock sector, which requires pastures and animal feed, should focus on covering the national demand for meat, eggs and dairy products. The fishing sector could also create decent job opportunities and find new markets for export.
- **The building and construction sector:** The construction sector is more closely connected to economic growth and development than any other sector. Economic goals such as improving the infrastructure and providing additional public housing cannot be achieved without first developing this sector. Nor would it be possible to work on developing tourism in Libya. In view of the consequences of war, and the considerable damage

suffered by the housing sector and the country's infrastructure, demand for housing and infrastructure is expected to be high and to be given priority in the coming period. Libyan companies involved in construction are also expected to acquire a great deal of expertise, in view of the diverse kinds of damage suffered by the infrastructure and the considerable need for housing. In the future, these companies could make use of their experience in this regard to compete on a global level.

- **The financial sector:** Developing the financial sector would actively affect most of the economic sectors targeted for development. Indeed, it would provide funding for projects, especially small and micro-projects; strengthen the principle of transparency in giant corporations, as their inclusion in the stock market would require them to disclose their financial transactions and statements regularly and transparently; provide new investment opportunities; and encourage investors to invest their money in the Libyan market. The latter could even become a new destination for financial investment (like Dubai and Singapore).
- **The communications and information sector:** State interest in the communications and information sector is essential to the development of the economy. Moreover, adopting e-Government and electronic trade could greatly help diversify the Libyan economy, especially as Libya covers a vast geographical area, with its cities far apart and its population limited. E-Government mechanisms and a focus on trade over the internet would therefore greatly contribute to developing the trade and services sectors. Libya could also become a technological centre for improving and updating software, or for the establishment of call centres for corporations and other institutions that need to communicate in Arabic. This would first require developing the sector and its infrastructure, and attracting international capabilities and expertise in this field.

Achieving those strategies would require adopting strict implementation plans that would include the clear allocation of responsibilities, and an accurate conception of implementation and funding mechanisms. It should also be stressed that reforms aimed at diversifying and strengthening economic structures must be implemented continuously, in line with quantitative goals and specific roles ascribed to the parties responsible, and regardless of circumstantial developments.

## Transit trade

There are numerous characteristics that could contribute to the success of transit trade in Libya, and to revitalising the use of free-trade zones. Indeed, the country's large geographical area would allow for the creation of industrial and service-based free-trade zones all along the coast, or deep inside the desert along the

borders with neighbouring Sub-Saharan countries. The country's geographical location is also important and competitive, as it could connect Southern Europe, North Africa and Sub-Saharan Africa. In addition, Libya is capable of providing the needed energy (particularly for industrial projects), and Libyan law provides encouraging advantages for free-trade zones in its existing trade sector legislation.

Free-trade zones offer several advantages, guaranteed by Law no. 14 of 2010 on free-trade zones, such as: the right to establish a comprehensive investment environment that would include the use of other languages in official documentation; the right to establish courts, arbitration centres and specialised financial markets; tax and duty exemptions; protections for invested capital; and the right to establish service sector companies and institutions. The revenue generated by those free-trade zones could then be put to use in building and developing public infrastructure.

### Building a private sector economy and absorbing the unregulated sector

The private sector is capable of creating considerable opportunities that would absorb new graduates from educational institutions, as well as workers downsized from the public sector. The private sector also has the ability to quickly transfer new skills and knowledge from abroad to the national economy, and, unlike public sector companies, it can quickly adapt to political and economic changes. Moreover, the activity of the private sector would give rise to a spirit of competition and actively contribute to increasing State revenue from taxes, social security, etc. Yet the national private sector economy needs to be rehabilitated to strengthen its competitive capabilities. This can be done by developing basic infrastructure, and by strengthening the interconnectedness of State institutions that provide support, such as the banking sector, the real estate registration authority, and the urban planning authority. There is also a need to revise legislation connected to the private sector economy, especially when it comes to investment and partnership with the public sector.

### Privatisation

When looking at the experiences of some of the countries that have turned to privatisation to restructure and develop their economies, it can be noted that privatisation can be a process fraught with peril, and one that might even endanger the sovereignty and safety of the State. Moreover, there is always the problem of a specific group of influential people benefiting exclusively from such a process. Privatisation measures can also have a negative impact on ordinary citizens, as private companies are usually motivated by profit above all else, which is reflected in the number of their employees and the

quality of the services they provide. Public institutions, in contrast, seek to achieve specific social and security goals, thereby transcending their material objectives. Nevertheless, privatising decrepit public companies that represent a drain on Government funding (which should go to supporting development and reconstruction) may well be an ideal solution. Moreover, privatisation is expected to represent a factor of attraction for bringing foreign investors and their investments into the Libyan market. It would also greatly contribute to rehabilitating workers, improving their skills and creating a competitive market.

### Encouraging foreign investment

Foreign investments could contribute to reconstruction and to rebuilding the country's infrastructure. They could also build factories, create commercial and service-based companies, ensure the transfer of skills and knowledge from abroad to the Libyan economy, employ Libyans and develop their skills, and positively affect the business environment. Moreover, foreign investors usually have the support of their Governments, which would help build strong political and economic relations with foreign countries. The prospect of reconstruction projects, the country's geographical location and its energy reserves could all represent major factors of attraction for bringing foreign investors into the Libyan market.

### Natural resources management and the fair distribution of wealth

The problem of income distribution in developing countries ranks as one of their most important problems, due to its close connection to the standards of living of every segment of society, and especially those in low-income categories. There is some disagreement as to whether wealth should be distributed fairly, or whether the management of natural resources should be improved, so that the revenue they generate might reflect positively on the living standards of citizens. The fears harboured by some researchers about the management of natural resources is due to continued opportunities for corruption, monopolisation and fraud when it comes to the funds they generate, which strengthen criminal networks and increase their power and influence. Meanwhile, others consider that the fair and direct distribution of wealth among citizens would represent a major wasted opportunity for the State, as it could use those funds to rebuild the country's infrastructure, and make the investments best suited to contribute to developing the economic environment and society.

### Combating corruption

Adhering to transparency, providing accurate data and information on Government spending, allowing this



information to be circulated in the media, establishing the principle of accountability, subjecting State officials to legal and administrative accountability, and urging judicial authorities to announce the results of investigations and the rulings issued in cases of administrative and financial corruption. All of these are measures that are hoped to contribute to limiting the phenomenon of corruption. Reducing the State's interference in economic activity and giving the private sector a greater role to play should also have a positive impact on efforts to reduce corruption.

### III. Moving forward

The implementation of economic reform programmes includes a number of financial and monetary measures and reforms. Within this framework, the importance has been stressed of accelerating structural reforms aimed at diversifying and broadening the production and exports base and the sources of public revenue, so as to achieve sustainable economic growth.

Economic reform programmes include a number of elements that form a comprehensive set of political, economic and financial measures. When it comes to the Libyan economy, there were several attempts to achieve holistic economic stability, with the assistance of the International Monetary Fund (IMF), as attempts at self-correction had failed to target the most important economic indicators. This can be attributed to the balance-of-payments deficit due to the cessation of oil exports, the continued spread of corruption as a result of political division, and other reasons.

Achieving economic growth would require focusing on a series of measures, including:

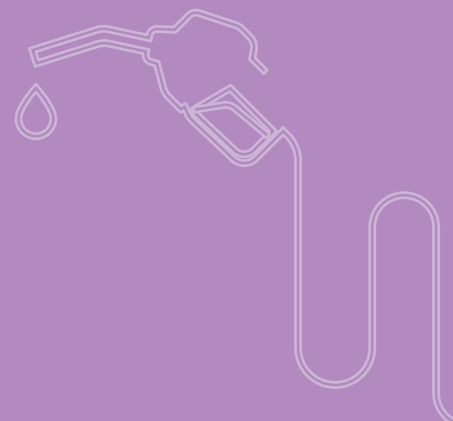
#### On public finance

- Restructuring public finance in line with international regulations and standards, especially when it comes to accounting.
- Developing mechanisms and action plans to reduce consumer spending and focus on development spending, which creates investment opportunities as well as job opportunities for public sector employees, thereby contributing to the reduction of unemployment in the Libyan market.
- Focusing on developing and modernising revenue and duty collection methods when it comes to non-oil revenue, such as from taxes, customs and other sources.
- Working with executive authorities to reduce the number of public sector employees, and turning to the creation of alternative job opportunities in the non-governmental private sector.
- Putting an end to multiple exchange rates for the Libyan dinar, and focusing on a single exchange rate for all governmental and non-governmental transactions, as long as such a rate is fair and can be defended in a sustainable way.
- Working with the executive branch of Government to recommend mechanisms for eliminating ill-designed subsidies, and replacing

**Economic reform programmes**  
Achieving economic growth would require focusing on a series of measures, including:

Restructuring public finance in line with international regulations and standards, especially when it comes to accounting

Working with the executive branch of Government to recommend mechanisms for eliminating ill-designed subsidies, and replacing them with monetary mechanisms or competitive economic benefits



them with monetary mechanisms or competitive economic benefits.

- Enacting a new law on Government procurement and tenders.

## On diversifying the economy and ending the hegemony of the oil sector

- Drafting investment plans and identifying projects to target for implementation, in accordance with the natural resources available and the particularities found in each region or city.
- Amending existing legislation in line with plans for the coming phase, especially when it comes to laws on commercial activity, public ownership, taxation and encouraging investment.
- Working to develop and grow eligible sectors with a competitive advantage and added value for the Libyan economy, such as those of services, free-trade, transit, agriculture, petroleum and petrochemical industries, and other sectors vital to the process of human development.
- Focusing on supporting and developing the tourism sector, as well as the renewable energy sector, including solar energy, wind energy and other forms of clean and sustainable energy, for the sustainable production of clean electricity.
- Lifting restrictions and encouraging the private sector to participate in economic growth, independently or in partnership with the public sector; reducing the State's monopoly on economic activity; and enacting the legislation necessary for public-private partnerships.
- Turning to small, medium-sized and micro industries; supporting and encouraging women and young people to participate in them; and providing the funding needed for such projects.
- Strengthening decentralisation and local governance, and reducing dependence on centralisation; revitalising the role played by municipalities or governorates so that they may participate in development; encouraging the creation of investment and development projects in partnership with the private sector; creating employment opportunities; and training a new generation of professionals.

## On transit trade and free-trade zones

- Working to develop executive plans for areas concerned with transit trade, whether on the maritime coast or in the Libyan interior.
- Revising existing legislation on free-trade zones and transit trade, in particular Law no. 14 of 2010 and other relevant laws.
- Developing executive plans to improve the infrastructure needed for transit trade projects, as well as executive

plans to provide skilled workers, whether by training Libyan workers or by allowing specialised workers to come in from abroad.

- Improving or building the seaports, airports and roads needed to provide transit trade services.
- Preparing the national business environment involved in transit trade to compete at a global level, especially against markets with international experience in providing transit, handling and freight services, either in partnership with specialised international companies, or by providing competitive benefits to attract foreign expertise; providing training and orientation; constantly following up on changes in the sector; and quickly responding to these changes, whether at the legislative or executive level.
- Focusing on activating partnerships with the private sector, both national and foreign, when it comes to implementation; and strengthening the participation of the private sector in management and operation, as well as in the development of areas concerned with transit trade and their infrastructure.

## On building up the private sector and absorbing the unregulated sector

- Revising existing legislation and procedures connected to trade and to employers, especially those concerned with small investors, taxation and the creation of companies – laws which are in need of revision and improvement in line with the desired vision for the future.
- Revitalising and developing chambers of commerce, industry and agriculture, as well as the General Union of Chambers, such as to ensure communication with the outside world, the development of business, and the transfer of knowledge.
- Resolving overarching funding challenges, as well as challenges connected to the public sector's control over commercial banks, the limited financial experience of employees working in the sector, the difficulty of allowing foreign banks and finance companies entry into the Libyan market, and the lack of institutions specialised in examining the liability and financial background of debtors and presenting them to lenders.
- Creating industrial and specialised zones, such as business gardens and specialised business incubators, through the private sector; and revitalising the role played by the industrial zones authority, so as to provide locations and work opportunities for small business owners.
- Reducing the State's interference in the private sector, and eliminating ill-designed mechanisms for loans from specialised banks to specific segments of society exclusively. These mechanisms are marred by corruption and clientelism, and the banks concerned

do not adhere to selection and funding standards that would ensure fairness and transparency.

- Strengthening the principle of transparency and combating clientelism, so as to afford everyone a fair opportunity at honest competition.
- Strengthening the fair creation of opportunities and fair competition between State-owned and private sector companies. This can be done by not giving public sector companies preferential advantages, not exempting them (as is the case most of the time) from taxes and customs duties, and not giving them priority in public contracting.
- Supporting the creation and development of small, medium-sized and micro-enterprises, without the interference of State institutions. This can be done by providing them with the appropriate infrastructure; providing mechanisms and sources of funding; revitalising the role played by loan insurance while limiting its interference in decision-making; finding solutions to the problems of real estate ownership; and strengthening the guarantees provided to commercial banks.
- Working to scientifically assess the unregulated economy, and drafting plans to absorb it into the legitimate economy, by making use of the successful experiences of other countries, especially in terms of the mechanisms used to integrate the unregulated economy into the larger national economy. This measure first requires acknowledging the necessity of such integration, followed by recommending simple mechanisms for registering unregulated institutions, and providing them with benefits and incentives, such as tax exemptions, registration fee exemptions and more.

## On privatisation

- Developing clear executive plans for the privatisation of public companies, and specifying the companies targeted, especially those public companies that are unable to improve, and would require considerable funds to be restructured and enabled to compete.
- Creating a distinct body to examine the situation of the companies and institutions slated for privatisation, evaluate their assets, recommend the appropriate privatisation mechanisms, and decide whether they should be fully or only partially privatised, through partnership or rent.
- Strengthening the principle of transparency in companies and institutions slated for privatisation, and giving everyone a fair opportunity to partner with them.
- Allowing the State to refrain from privatising certain areas of a sovereign nature, such as frequency spectrum, water and sanitation infrastructure, and electric grid infrastructure, and to limit privatisation to service-based and industrial projects.

- Developing mechanisms to contain the surplus labour resulting from the privatisation process, creating employment opportunities for those workers and employees, and developing their skills and capabilities to suit the requirements of the job market.

## On encouraging foreign investment

- Amending existing legislation on commercial activity and foreign investment, such as Law no. 23 of 2010 on commercial activity and Law no. 9 of 2010 on investment promotion, in line with achieving the desired goals of such investment. Additional legislation should also be enacted on partnership between the public and private sectors, on implementation and operation systems, on the transfer of project ownership, and other issues, so as to incentivise both foreign and Libyan investors to invest in the Libyan market.
- Issuing sovereign guarantees to encourage investment, particularly in infrastructure, as sovereign funds could play an important role in this regard, by participating, supporting or providing the necessary guarantees.
- Facilitating procedures for company formation, visas, investment decisions and money transfers; limiting the interference of security services; and having the State adhere to its contractual obligations.
- Preparing the Libyan market to compete with other markets, by studying the competition and identifying the competitive advantages that could allow Libya to attract foreign investment, such as focusing on investment in tourism, maritime projects, reconstruction, infrastructure and telecommunications.
- Developing the banking sector and financing mechanisms in line with global progress, especially in the fields of savings investment, the transfer of funds, accreditation, reinvestment and others.

## On natural resources management and the fair distribution of wealth

Clear and transparent mechanisms must be developed for the management of natural resources, their fair distribution among the different regions, the preservation of their benefits for present and future generations, and their contribution to the development of the national economy. There are numerous recommendations for the distribution or management of natural resources that require systematic assessment to determine the best of them, and to adopt them in line with the situation in Libya. Those include, for example:

- **The seven categories:** Distributing the revenue from natural resources among seven recipients, namely: the present generation; future generations; the central Government; local governance bodies; the regions in which oil is produced; the regions through which it transits; and the regions in which it is refined and

exported. As per this model, the central Government would focus its work on strategic infrastructure, justice, foreign affairs and defence, while local governance bodies would take charge of local infrastructure, education and healthcare.

- **The four rights:** Distributing the revenue from natural resources among four categories: the central Government; local administrations; Libyan families; and ordinary citizens. As with the previous model, the work of the central Government here would be focused on sovereign affairs.
- **Special free economic zones:** Investing the revenue from natural resources in building special free economic zones, with the participation of the Libyan Investment Authority and investment funds, and using their funds and assets as guarantees for the investment (national reserves of oil and other natural resources could also be used as guarantees).
- **Local management of the revenue from natural resources:** Establishing a decentralised system, with broad powers for local governance bodies to build, develop and spend, and the role of the sovereign Government being limited to defence, security, foreign affairs and justice, all of which would be funded in great part by public revenue from natural resources.

### On combating corruption

- Requiring the State to adopt a national strategy to combat corruption, in accordance with the methods developed by Transparency International, along with the relevant international standards and transparency mechanisms.

- Providing accurate data and information on measures taken, on contracting and on spending; and making use of denouncing methods against those guilty of economic and financial crimes, mismanagement of public funds, abuse of office, and other crimes.
- Focusing on the role played by oversight bodies, such as the Audit Bureau and the Administrative Control Authority, and developing mechanisms to oversee their work, and ensure that they are providing their services without infringing on transparency and justice.
- Improving the working mechanisms of the National Anti-Corruption Commission in line with international standards, training its employees to adhere to those standards, and developing mechanisms to ensure transparency in the fulfilment of its functions in a fair manner when dealing with those accused.
- Drying out sources of corruption, particularly when it comes to Government contracts and the discrepancy between exchange rates, and eliminating ill-designed subsidies on fuel and consumer products.
- Making financial disclosures mandatory for State officials before assuming their functions, verifying the veracity of such disclosures, activating year-round administrative oversight of State institutions, and developing strict anti-corruption laws.
- Keeping pace with the day-to-day livelihood situation, to ensure that employees or officials are able to lead decent lives, with their salaries covering all of their daily needs and ensuring them a decent future.

## IV. Conclusion

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It is incumbent on decision-makers in Libya to take measures to remedy the current economic situation, address its distortions, and create mechanisms for economic reform and recovery. Such measures might include diversifying sources of income, focusing on a few important sectors like transit trade, rebuilding the private

sector, incentivising foreign investment by providing sovereign guarantees, and amending existing legislation. The outcomes of the measures recommended would bring changes to the State's economic situation, create new investment and job opportunities, and help Libya compete at the regional and global levels.

# List of Publications Issued by the Libya Project

Document Number	Title	العنوان
E/ESCWA/CL6.GCP/2020/TP.3	An Introductory Study on the Status, Challenges and Prospects of the Libyan Economy Part I of a Baseline Study for the Libya Socioeconomic Dialogue Project	دراسة تمهيدية عن الاقتصاد في ليبيا: الواقع والتحديات والآفاق الجزء الأول من دراسة أولية لمشروع الحوار الاجتماعي والاقتصادي الليبي
E/ESCWA/CL6.GCP/2020/TP.2	An Introductory Study on the Status, Challenges and Prospects of the Libyan Society Part II of a Baseline Study for the Libya Socioeconomic Dialogue Project	دراسة تمهيدية عن المجتمع في ليبيا: الواقع والتحديات والآفاق الجزء الثاني من دراسة أولية لمشروع الحوار الاجتماعي والاقتصادي الليبي
E/ESCWA/CL6.GCP/2020/TP.1	An Introductory Study on the Status, Challenges and Prospects of Governance and Institutions in Libya Part III of a Baseline Study for the Libya Socioeconomic Dialogue Project	دراسة تمهيدية عن الحوكمة والمؤسسات في ليبيا: الواقع والتحديات والآفاق الجزء الثالث من دراسة أولية لمشروع الحوار الاجتماعي والاقتصادي الليبي
E/ESCWA/CL6.GCP/2020/TP.8	The economic cost of the Libyan conflict	الكلفة الاقتصادية للصراع في ليبيا
E/ESCWA/CL6.GCP/2020/TP.5	Economic cost of the Libyan conflict Executive Summary	الكلفة الاقتصادية للصراع في ليبيا ملخص تنفيذي
E/ESCWA/CL6.GCP/2020/2	Benefits of Peace in Libya :Neighbouring Countries and Beyond	السلام في ليبيا: فوائد للبلدان المجاورة والعالم
E/ESCWA/CL6.GCP/2020/2/ SUMMARY	Benefits of Peace in Libya :Neighbouring Countries and Beyond Executive Summary	السلام في ليبيا: فوائد للبلدان المجاورة والعالم ملخص تنفيذي
E/ESCWA/CL6.GCP/2021/TP.1	Vision for Libya: towards prosperity, justice and strong State institutions	رؤية لليبيا: نحو دولة الازدهار والعدالة والمؤسسات
E/ESCWA/CL6.GCP/2021/ POLICY BRIEF.1	Towards an inclusive national identity in light of a just citizenship State	نحو هوية وطنية جامعة في ظل دولة العدالة المواطنة
E/ESCWA/CL6.GCP/2021/ POLICY BRIEF.2	Social protection system	منظومة الحماية الاجتماعية
E/ESCWA/CL6.GCP/2021/ POLICY BRIEF.3	Human capital, youth and women empowerment, and the integration of militant forces	رأس المال البشري وتمكين الشباب والمرأة ودمج المسلحين
E/ESCWA/CL6.GCP/2021/ POLICY BRIEF.4	The role of the State in sustainable economic development and the strategic positioning of Libya in the global economy	دور الدولة في التنمية الاقتصادية المستدامة والتموضع الاستراتيجي لليبيا في الاقتصاد العالمي
E/ESCWA/CL6.GCP/2021/ POLICY BRIEF.5	Strengthening the State authority and the rule of law through a fair and independent justice system, and human security based on human rights and the principles of comprehensive justice	تعزيز سلطة الدولة وسيادة القانون في ليبيا: دور مبادئ حقوق الإنسان والعدالة الشاملة في إرساء منظومة مجتمعية عادلة، وقضاء نزيه ومستقل، وأمن إنساني مستدام
E/ESCWA/CL6.GCP/2021/ POLICY BRIEF.6	Restoring trust and reconciliations to establish a national charter	ترميم الثقة والمصالحات: الطريق نحو تأسيس ميثاق وطني ليبي
E/ESCWA/CL6.GCP/2021/ POLICY BRIEF.7	Building a State of institutions, regional integration and international cooperation	بناء دولة المؤسسات والتكامل الإقليمي والتعاون الدولي
E/ESCWA/CL6.GCP/2021/ POLICY BRIEF.8	Mechanisms for economic reform and recovery	آليات الإصلاح والتعافي الاقتصادي

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