CPIA Detailed Report

Country: Libya

Exercise Year: CPIA Exercise 2023

Currency: Libyan Dinar (LYD)

City: Tripoli

Income Group: Upper middle income

Lending Category: IBRD

Final CPIA Score: 1.511

(A) Economic Management

Cluster Score: 1.833

01. Fiscal Policy

Criteria Score: 1

1. Fiscal Policy

Score Type	Value
Draft Score	1.0
Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

According to the African Economic Outlook (AEO), the real gross domestic product (GDP) was estimated to have increased by 5.4% in 2022 after a significant rebound of 89% in 2021. The oil production in 2022 was volatile and was on average at 981 thousand barrels per day (tb/d), a decrease of 14.2% compared to 2021 (1,143 tb/d), according to the Organization of Petroleum Exporting Countries (OPEC). The Libyan economy is still a fragile rentier economy that depends on hydrocarbons. In 2022, the oil industry contributed at 68% of the GDP structure while it accounted for 97% of total exports, and it contributed to the financing of the general budget by more than 90%. The outlook is positive and assumes an acceleration of oil production and an avoidance of conflicts and political disturbance. The downside risks are increased political instability and conflicts which would lead to oil blockades and the deterioration of the humanitarian situation.

The current account remained positive in 2022 but decelerated to 9% of GDP compared to the 13.9% recorded in 2021, reflecting volatility in oil exports. Domestic credit to private sector (% of GDP) in Libya was reported at 10.13 % in 2022, according to the World Bank (9.8% of GDP in 2021 and 21.9% in 2020). According to available data, in 2015 only 2% of private companies reported having a loan or credit from a bank. Clearly, there is lack of financial support that hinders Libya's development.

In 2022, the fiscal surplus remained high at 20.1% of GDP. Despite lower production, oil revenues increased by 41% between 2021 and 2022 thanks to higher global prices. Total expenditure increased by 32.9% during the same period (from 85775,9million LYD in 2021 to 127874,5 million LYD in 2022), with the biggest increase registered in administrative expenditure (65.7%). Budget for salaries increased by 34.9%. Development expenditure increased by 48.4% to reach 33725,5 million LYD its share in total expenditure increased from 20.3 % in 2021 to 26.4 % in 2022 (the share was between 4 and 10% between 2018 and 2020). However, resource allocations for public investment remain low despite the recent important increase.

Expenditure on subsidies reached 20 038 million LYD in 2022 against 20 830,3 million LYD. This expenditure plays an important role in stabilizing inflation through the compensation of producer and imports prices. Inflation is expected to reach 3.4% in 2023 and 2.8% in 2024 according to IMF forecast (October 2023). The Price Stabilization Fund is a public fund established in order to achieve stability in goods and services and provide them at appropriate prices to all citizens in the local market in proportion to the income level of individuals.

The absence of an approved budget has undermined policy coordination among key economic institutions and negatively impacted policy credibility. Spending allocations are often increased in an opaque and short-sighted manner that does not take into account the complications that may arise if oil revenues are lower than expected. Furthermore, there is no obligation for fiscal organization nor a distinct procedure for defining fiscal goals and spending preferences. Consequently, the budget functions primarily as a means of redistribution, utilizing oil revenue to distribute public sector compensations and subsidies, rather than an instrument for implementing effective macroeconomic policies. It is vital that a mutually accepted budget be established promptly. (Source: IMF, Article IV).

02. Monetary Policy

Criteria Score: 2.5

2. Monetary Policy

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

Money supply tended to stabilize and represented 38.1% of GDP in 2022 against 45.4 % in 2021 and 134.2 % in 2020. After decreasing the exchange rate in 2021, the money supply decreased from 125,543.0 million LYD in 2020 to 100,618.3 million LYD in 2021. During the forst nine months of 2023, money supply reached 122,198.0 million LYD against 110,338.9 million LYD in 2022.and the value of goods and services increased, which indicate that there are no inflationary pressures resulting from the money supply. **Libya's central bank announced in 20 August 2023 its reunification after being split for nearly a decade**.

In recent years interest rates have remained unchanged at 3% although there has been a tightening in global financial conditions. Libyan dinar (LYD) depreciated slightly in 2022 after the one-off 70% devaluation of its official exchange rate in January 2021. The gap between the official and the parallel exchange rates decreased to 6% in 2022 from 13% in 2021 and 188% in 2020. The CBL targets a gap of only 3 %.

Inflation has remained relatively subdued despite the sizable depreciation of the dinar and rising global commodity prices. (Source: IMF, article IV). Inflation reached 4.6 % in 2022 from 2.8 % in 2021. This increase was mainly driven by the rise in prices of food (mostly imported), housing, and electricity. Civil conflicts have disrupted the supply chain of basic utilities (electricity, water, transport, and gas) while Russia's invasion of Ukraine and the long-lasting effects of Covid-19 disrupted international trade and continue to keep the prices of key food items at high levels.

The Central Bank of Libya (CBL) announced on August 2023 its reunification after being split for nearly a decade due to the country's long-running civil war that resulted in two rival administrations, in the east and the west. The government's ongoing attempts to reunite the central bank would strengthen monetary policy, reduce liquidity stress in the banking system, diminish pressure on foreign exchange reserve, decrease risks of disorderly adjustment, increase banking sector confidence, and promote the growth of the private sector.

In the absence of conventional instruments, the exchange rate serves as a vital tool for monetary policy, and the CBL must safeguard foreign exchange reserves to ensure macroeconomic stability in the face of political and security challenges. In order to protect foreign currency reserves, the CBL implemented capital control measures in 2015. **The devaluation of the dinar in 2021 allowed some of these restrictions to be relaxed.** (Source: IMF Article IV).

Libya's oil reserves were estimated at 48.3 billion barrels as of 2021. In addition to oil, Libya also has significant natural gas reserves, with an estimated 53.1 trillion cubic feet of proved reserves as of 2021. Low economic diversification of the country and its dependence on hydrocarbons continue to weaken the Libyan economy resilience to shock.

The government's ongoing attempts to reunite the central bank would strengthen monetary policy and banking system.

03. Debt Policy

Criteria Score: 2

3. Debt Policy

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

In years when oil earnings are insufficient to pay expenses, **Libya, which has no state debt, turns to monetary finance to cover the deficit.** According to budget law, the Central Bank may advance funds to the government equal to up to one fifth of the budget's anticipated revenues, with repayment due at the end of the fiscal year. However, in recent years, the government has turned to monetary financing to cover deficits in years when oil revenues haven't been enough to fund expenses**. The CBL estimates that by 2022, the government will owe the CBL 90.5% of its GDP**. But this isn't debt in the traditional sense. It is issued in local currency, carries no interest, has no set repayment period, and is forgivable through administrative processes without any negative effects on the economy. repercussions (source: IMF, Article IV). The ratio public debt to GDP is expected to decrease gradually to reach 66.5% by 2028 (IMF forecast). The external position is heavily reliant on hydrocarbon exports. Diversification would be crucial to minimize risks from fluctuations in the hydrocarbon sector. (Source : IMF Article IV).

Libya does not borrow externally thanks to its abundant foreign earnings and reserves from hydrocarbons. The measures taken by the Central Bank, including mainly the currency's devaluation in January 2021, helped maintain a large stock of foreign reserves of US$ 84 billion at the end of 2022 which are sufficient to cover its commodity imports for a period of 41.3 months (Source: Arab Monetary Fund, Competitiveness of Arab Economies report for the year 2022.). **Public debt, mostly domestic, is manageable as long as oil production and international prices remain high**. Domestic debt is high, with arrears due to continued borrowing from the CBL. Financing needs could arise for post-war reconstruction. The situation could be critical, and the solution is essentially political.

Continuous borrowing from the Central Bank combined with the depletion of foreign reserves is not sustainable and carries potentially serious economic consequences for Libya. If domestic debts continue to grow rapidly, Libya could consider external borrowing as an option to cover its financing needs. However, this financing option is very difficult to achieve for a post-conflict country with an uncertain environment and high-risk perception.

There is currently no information on the existence of a debt-management unit within the government, or any mechanisms for coordination between debt management and macroeconomic policies (Source African Economic Outlook, AfDB, OECD, UNDP 2017). However, it is acknowledged that the country needs capacity building in the areas of debt management and resource mobilization. A strong debt management policy should be implemented to handle the recent increase of public domestic debt (Source: Libya Country Brief, AfDB 2020-2022).

Overall, Libya is devastated by conflicts and dependence on oil revenues. There is no clear financing strategy nor information on a debt management unit. The reunification of the central bank may help managing the debt. The ratio public debt to GDP is expected to decrease gradually.

(B) Structural Policy

Cluster Score: 0

04. Policies and Institutions for Economic Cooperation, RI and Trade

Criteria Score: 0

4.a. Regional Integration and Economic Cooperation

Score Type	Value
Draft Score	1.5
Reviewed Score	1.5
Second Draft Score	1.5
Final Score	1.5

Country Notes:

Libya has participated in regional forums such as the Arab League and the African Union, demonstrating its willingness to engage with neighboring countries. During 2022, Libya represented North Africa in the

AU’s Bureau of the Assembly and occupied the post of second vice chair. Despite positive strides, Libya's regional integration efforts have been hindered by internal conflicts and political instability. The country has struggled to establish stable governance structures, which has limited its ability to engage effectively with regional organizations and initiatives.

In terms of regional integration within the African continent, Libya scores poorly. According to Mo Ibrahim index of Regional integration, the country was ranked 53rd out 54 African countries in 2021, same thing as 2019. According to the latest report of the “Regional Integration Index in Africa” published in 2019, Libya’s score is average at 0.28 (0.3 in 2016) among 54 African countries, with 0 is the lowest and 1 is the highest. Overall, the country is a low performer, it scores below the average range, and it is among the lowest performers in the continent on almost all dimensions, except for infrastructure integration. In terms of macroeconomic integration and productive integration, the country ranked 41st (score: 0.325) and 34th (0.159), respectively. Free Movement of People is the weakest area for Libya where it ranked last on the continent with a low score of close to zero (0.006). Libya did not sign the Free Movement of Persons Protocol (Kigali) and requires most African citizens to obtain a visa to enter their territory. A new U.N. report finds migrants in Libya are subject to systematic human rights violations and abuse to compel them to accept so-called assisted returns to their countries of origin (source: https://www.voanews.com/a/un-migrants-in-libya-compelled-to-go-home-under-threat-of-abuse-/6786859.html). On the other hand, Libya ranked among the top performers (7th) on the continent with respect to infrastructure integration with a strong score of 0.480. Libya’s top position on the infrastructure dimension, for instance, is primarily due to its outstanding performance on the AfDB’s Infrastructure Development Index – one of the indicators used to measure how well a region’s infrastructure is integrated – where it ranks third in the continent.

However, Libya recognizes the importance of economic cooperation with its regional neighbors and has taken steps to attract foreign direct investment (FDI) and promote trade. (Source: The Observatory of Economic Complexity). The Libyan government has made efforts to attract FDI through the Privatization and Investment Board (PIB) and the National Oil Corporation (NOC). The 2010 Investment Law provides incentives for qualifying investments, such as tax exemptions and customs benefits. Libya has signed 39 Bilateral Investment Treaties (BIT), most notably with Turkey, Italy, France, and Egypt. Libya has also signed 10 Double Taxation Treaties (DTT) with the following countries: Algeria, Belarus, Egypt, India, Italy, Kuwait, Malta, Pakistan, Singapore, Sudan, Saudi Arabia, Tunisia, and the United Kingdom Libya is a signatory to the following three multi-lateral Free Trade Agreements (FTA): Greater Arab Free Trade Area (GAFTA), Arab Maghreb Union (AMU), and African Continental Free Trade Area. Libya also has bilateral FTAs with Morocco and Jordan.

Trade between Libya and the rest of the African Continent remains negligeable comparedto its trade activity with other regions. Indeed, trade relations with Libya have been markedby the lasting crisis, instability, and lack of political settlement in this country. In 2019, whilethe country’s exports were twice its imports, Libya’s imports from its continental neighborsbarely reached 10% and its exports reached only 0,6% on the same period. Among these10%, we count 9.5% the share of its imports from the North African market specifically. Infact, and despite that Libya is a member of the Arab Maghreb Union, its exports to the NorthAfrican region remain insignificant with 181 million USD. On the other hand, imports fromthe North African region reached roughly 1,4 bn USD.

In 2021, Libya was number 67 economy in total exports and number 84 in total imports. (Source: U.S. Department of State: 2023 Investment Climate Statements – Libya). The top export destinations for Libya in 2021 are Italy ($7.47B), Germany ($3.26B), Spain ($3.05B), China ($2.84B), and France ($1.94B). Most of Libya’s imports in 2021 came from Turkey ($2.77B), Greece ($2.38B), China ($2.13B), United Arab Emirates ($1.71B), and Italy ($1.43B). In 2021, Libya reached a record value of its exports since a decade, with 31,6 bn USD, resulting in a surplus in its trade account of 15,7 bn USD mainly driven by the improvement of the sanitary situation, the easing of restrictive measures and the opening of the international borders. In 2021, Libya reached a record value of its exports since a decade, with 31,6 bn USD, resulting in a surplus in its trade account of 15,7 bn USD mainly driven by the improvement of the sanitary situation, the easing of restrictive measures and the opening of the international borders. China is also a major country of destination for Libya's exports, improving its share yearly from 8% in 2017 to 22% in 2019. Reversely, the United Arab Emirates has been losing its leading position since 2016, from 29% to barely 4% in 2019; The country's biggest suppliers are China with a share of 2,45 bn USD representing 16% of the country's total imports in 2019, Turkey with 2,07 bn USD (13%) and Italy along with UAE with a 9% share. These four countries have always been Libya's biggest import partners; however, their ranking differs from one year to another. Libya has the opportunity to strengthen economic ties with African countries particularly outside North Africa by fostering mutually beneficial trade relations. As Libya is a member COMESA and the Community of Sahel-Sahara States (CEN-SAD). Moreover, Libya has signed the African Continental Free Trade Agreement (AfCFTA) in March 2018, signaling its commitment to intra-African trade and economic integration, but has not yet deposited its instruments of ratification. Libya's 2021 trade statistics indicate that only 3.3% of its total trade is intra-African, with Egypt, Tunisia, and Algeria serving as prominent trading partners on the continent. Diversifying trade partnerships beyond North African neighbors and exploring opportunities in other African regions could enhance Libya's economic resilience.

Webb Fontaine Group Awarded 5-Year Project with Libyan Customs Authority for Advanced Cargo Information System for Exports to the State of Libya.(Source: newswire.ca/news).

Given the current political and economic context, the problem of scarce resources has overshadowed the country's willingness to allocate sufficient technical and financial resources to regional integration programs.

4.b. Trade restrictiveness

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

In 2021, Libya exported a total of $30.8B, making it the number 67 exporter in the world. During the last five reported years the exports of Libya have changed by $10.5B from $20.3B in 2016 to $30.8B in 2021. The most recent exports are led by Crude Petroleum ($27B), Petroleum Gas ($1.94B), Refined Petroleum ($592M), Scrap Iron ($336M), and Gold ($236M). The most common destination for the exports of Libya are Italy ($7.47B), Germany ($3.26B), Spain ($3.05B), China ($2.84B), and France ($1.94B). In 2021, Libya imported $18.3B, making it the number 84 trade destination in the world. During the last five reported years the imports of Libya changed by $7.84B from $10.5B in 2016 to $18.3B in 2021. The most recent imports of Libya are led by Refined Petroleum ($3.66B), Rolled Tobacco ($636M), Broadcasting Equipment ($590M), Cars ($579M), and Jewellery ($424M). The most common import partners for Libya are Turkey ($2.77B), Greece ($2.38B), China ($2.13B), United Arab Emirates ($1.71B), and Italy ($1.43B). [source: The Observatory of Economic complexity]

The countryLibya suffers from a lack of diversification of goods and sales markets. Export earnings remain dependent on key natural resources, mineral fuels and oil, and few destination markets, leaving the Libyan economy vulnerable to domestic and foreign shocks from the volatile oil sector. While its exports are almost represented by crude petroleum, Libya's imports are very diversified. Libya features an underperforming agricultural sector, importing almost 1 billion dollars of cereal and food of animal origin each year since more than a decade.

Libya applied to the WTO in 2004 but has not taken any further actions to negotiate its accession. Therefore, the country remains outside the scope of WTO rules. Infrastructural deficiencies pose a major obstacle to trade in Libya. Transport infrastructure in Libya has been seriously undermined by years of political instability and armed conflicts, which poses major constraints to international trade and economic activity in the country. Libya ranked the last country (score = 1.9; The LPI score ranges from 1 to 5, with higher scores indicating better performance) in the global ranking of the World Bank's Logistic Performance index 2023. The Subindex scores of the LPI show that Libya is ranked last is tied for last place (Customs, 133th; Infrastructure 138th; International shipment 135th; Logistic competence and equality138; Timeliness 137th; tracking and tracing 136th).

The decrease in the global ranking of the country's LPI from year to year is mainly due to the decrease of its score in terms of quality of trade and transports related infrastructures.

According to the recent available data for Libya on trade tariffs "the Global Competitiveness Index of 2014-15", the country ranks 132 out of 144 economies in the world with a score of 3.7 in terms of prevalence of trade barriers. This rating implies the existence of high levels of non-tariff barriers in the country which could among other factors limit the ability of imported goods to compete in the domestic market. However, Libya is ranked number one with "zero" tariff rate in the world. Tariffs on imported goods were abolished in 2005 and replaced by a 4 % "port services tax."

Political instability, exacerbated by security threats, is a significant impediment to foreign trade and investment. However, following the recent improvement in the situation, the Libyan National Oil Corporation has opened the door again for international companies to return to the country and explore for energy sources, years after they left Libya due to the complex security conditions over the last decade. This call came days after the unity government lifted the state of "force majeure" on all oil sites after the noticeable improvement in security conditions during the last period, and the availability of appropriate conditions for foreign oil companies to resume their activities in Libya. (source: Independent Arabia). Three major international energy companies announced on August 2023 their intention to resume their exploration activities in Libya, after stopping their work in the country in 2011.

Over the period 2018-2022 and given the political and economic context, the Government priorities are more focused on security issues and macroeconomic challenges. Also, there is a lack of updated data on the country (the ones available on NTB are 5 years old). Yet, some encouraging elements have been registered recently. Indeed and since the October 2020 ceasefire agreement, a quite improvement peace has been registered and the Libyan stakeholders are cautiously optimistic about possible ways to get out of the political stalemate. Also, the country applies a low level of the applied tariff.

4.c. Customs/trade facilitation

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

Libya has established in 2020, Asycuda Libya Shipping & Maritime Agency. At all Libyan Ports, the Agency provide all services related to Clearance Formalities, Tariffs Commodity Interpretation and all required Documents preparation and Delivery in quick and Safe Manner. We It offers also Delivered duty paid and Door to Door services. (Source: HOME – ASYCUDA LIBYA). in May 2019, customs procedures for humanitarian cargo entering Libya through air and sea ports have been adopted. (Source: Logistics Cluster_OPERATION_Document_YYMMDD_V.1.0 (reliefweb.int)). In October 2021, A technical experts group from the UNCTAD started a mission to provide support to the members of the Customs Authority technical department in completing the task of launching the experimental project of the computerization of customs procedures at Tripoli Port's Customs Centre, and thereafter to computerize customs procedures at all customs point. (Source: Libya Herald, October 2021).

Corruption Perceptions Index in Libya remained unchanged at 17 index points in 2022, country 173 at world level. Public administrations are plagued by corruption, the weak institutional framework to combat corruption although the establishment of the National Anti-Corruption Commission (Law No. 11 of 2014). In practice, Libya's anti-corruption agencies are somewhat effective in investigating and prosecuting allegations of corruption. Unfortunately, due to a lack of documentation about the activities of the Libyan Audit Bureau (LAB), it is not clear whether the findings have been followed up on. The insecurity and ongoing conflict continue hindering these agencies from undertaking any serious investigations. Also, attempts by civil society to curb corruption have been limited.

Libya has established in 2020, Asycuda Libya Shipping & Maritime Agency. At all Libyan Ports, the Agency provide all services related to Clearance Formalities, Tariffs Commodity Interpretation and all required Documents preparation and Delivery in quick and Safe Manner. We offer also Delivered duty paid and Door to Door services. (Source: HOME – ASYCUDA LIBYA). in May 2019, customs procedures for humanitarian cargo entering Libya through air and sea ports have been adopted. (Source: Logistics Cluster_OPERATION_Document_YYMMDD_V.1.0 (reliefweb.int)). In October 2021, A technical experts group from the UNCTAD started a mission to provide support to the members of the Customs Authority technical department in completing the task of launching the experimental project of the computerization of customs procedures at Tripoli Port's Customs Centre, and thereafter to computerize customs procedures at all customs point. (Source: UNCTAD supports Customs Authority in computerization of customs procedures at Tripoli port | (libyaherald.com)UNCTAD supports Customs Authority in computerization of customs procedures at Tripoli port(libyaherald.com)

According to the most recent Logistic Performance Index ranking of the World Bank (2023), Libya ranks Libya ranks the last country (score = 1.9; The LPI score ranges from 1 to 5, with higher scores indicating better performance). In terms of efficiency of the clearance process by border control agencies including customs, the country is ranked 133 out of 138countries. This was mainly due to the lengthy and burdensome customs and clearance procedures of the country.

The latest modifications of the Libyan legal framework of customs duties and taxes on imports date from summer 2005. Customs duties on imported goods were abolished on August 1st, 2005, except for tobacco and tobacco products. In fact, the general customs duty of 35% that applied to 3,500 products were replaced by a 4% tax called "Port Services Tax".

As for the non-tariffs barriers, since 2003, importing goods into Libya is no longer subject to import license but all imports must be accompanied by a certificate of origin. Since January 1998, the Libyan Customs tariff has used the simplified harmonized system. According to Decree number 475 of July 2005, it is prohibited to import seventeen "luxury" or locally manufactured products, such as live pigs, furs, ivory, jewelry, and alcoholic drinks. Some products are exonerated from customs duties, like the equipment necessary for the completion of a project in Libya. Tax administration and Compliance is administered in Libya by the Tax Administration, that is affiliated to the Ministry of Finance. This authority aims to contribute to the financing of the Public Treasury through the collection of taxes in accordance with the legislation in force and participation in financial policy using the best systems, methods, and techniques. Libya has more than 10 tax treaties with several countries in force. It has not signed the OECD multilateral instrument (MLI).

Although the post-revolution governments initiated a series of reforms to address the customs issues and revenues, the political crisis has delayed the reforms while leaving much ambiguity over the enforcement of the customs procedures and the collection of the related revenues.

The current political instability in the country have had a major negative impact on the country’s trade, a situation that is expected to remain as such until a more stable political and economic situation is established.

05. Financial Sector Development

Criteria Score: 0

5.a. Financial stability

Score Type	Value
Draft Score	1.5

Reviewed Score	1.5
Second Draft Score	1.5
Final Score	1.5

Country Notes:

The Central Bank of Libya (CBL) owns the four largest banks in Libya, accounting for approximately 70% of the total banking system and 80% of the total loans provided. CBL's involvement in the banking industry creates a conflict of interest between shareholders' profit-maximizing incentives and regulators' supervisory responsibilities. The central bank has made good progress in updating financial sector regulations and improving supervision, but implementation challenges remain. In 2022, the central bank issued multiple notices aimed at improving banks' regulatory requirements in terms of capital, liquidity, asset quality, etc. The implementation of Basel II and Basel III has made certain progress. CBL has also completed work on a new reporting platform that will improve bank data collection and enhance external oversight. Additionally, regulations have been introduced to improve governance and compliance. To be effective, the pace of reform should be incremental and dependent on implementation and monitoring capabilities. This will prevent banks from being overwhelmed by new regulations and strengthen compliance and resilience to improve the operations and reputation of the sector (Source: IMF Article IV).

Libya's financial system is dominated by state-owned banks. These banks constitute nearly 90% of Libya's banking sector assets. State-owned banks have been characterized by governance dysfunction. these banks are characterized by a clear incentive to expands their portfolios. **The financial products are limited,** and loan are often made through personal connection rather than business plan. Libyans use their bank accounts just to receive the salary. Saving and borrowing rates are high (60% and 50% respectively) but largely informal. **The formal financial sector finances very little of the needs of the private sector.** Domestic credit to private sector (% of GDP) in Libya was reported at 10.13 % in 2022, according to the World Bank (9.8% of GDP in 2021 and 21.9% in 2020). According to available data, in 2015 only 2% of private companies reported having a loan or credit from a bank. Clearly, there is lack of financial support that hinders Libya's development.

Before 2011, the authorities have taken several reforms aimed at liberalizing the financial sector. Indeed, several partial privatizations with the involvement of foreign partners in six out of the sixteen commercial banks were taken. However, most of the financial activities remain under the control of the Government. Also, Libyan banks are characterized by the absence of diversification among financial products and financial institutions in Libya. The banking sector is the only efficient financial institution that exists. The Banking sector has been suffering from deficiencies for decades due to weak development.

This sector is highly vulnerable to shocks in the medium term. Share of NPLs and level of capital at risk are high. Adherence to Basel Core Principles is limited (capital adequacy requirements not in line or below Basel I requirements). Quality of risk management in financial institutions is poor. Supervisors use rudimentary tools and resources to adequately assess risk.

“The CBL has invested in raising the capacity of its staff and of its systems, in particular with an IMF program, yet still needs significant strengthening particularly in the areas of bank governance, risk management (Basel II and III compliance), and IT risk oversight”. (Source: Libya Financial sector review, World Bank 2013).

“Over the last three years, the CBL has put great effort in developing the AML/CFT framework; expanding e-payment services; enhancing banking regulations, developing systems and tools; increasing transparency and disclosure; and improving commercial bank reporting, among other proactive initiatives. The CBL is also determined to reviewbankrecapitalization requirements and intends to disinvest commercial banks under its ownershipgradually over the longer run. The authorities find the Selected Issues Paper on banking sector reform very useful and will seek scaled up support from the Fund and other development partners to develop the financial sector and promote financial inclusion, especially of women and youth”. (IMF, Article IV 2023).

Since 2011, the sector has faced serious challenges. Financial system has become unable to handle frequent and unpredicted shocks that resulted in a liquidity crisis, due mainly to a fragility situation of the country. **However, during the past three years, the central bank issued multiple notices aimed at improving banks' regulatory requirements in terms of capital, liquidity, asset quality, etc. The CBL put great efforts to develop the financial sector stability.**

5.b. Sector's efficiency, depth, and resource mobilization strength

Score Type	Value
Draft Score	1.5
Reviewed Score	1.5
Second Draft Score	1.5
Final Score	1.5

Country Notes:

The Central Bank of Libya (CBL) in Tripoli controls access to all foreign currency in Libya. The CBL provides Libyan importers access to hard currency by issuing letters of credit (LCs). These letters are designated to funds imports of foods, medicine, and other goods into Libya. The importer requests its bank to issue a LCs. In case of acceptance, The CBL exchanges the importer’s dinar for foreign currency from Libya’s foreign exchange reserve. Access to LCs have historically been an issue. The 2018 implementation of a foreign exchange fee engendered a sharp increase in the access to LCs. These fees were imposed to tackle the wide gap between the official exchange rate to the dollar (1.4 dinars), and the parallel rate (7 dinars). Following the shutdown in the oil and gas sector in 2020, the CBL has restricted the issuance of LCs. According to the Libyan Audit Bureau (LAB), the decline in the rules of law has increased the money cross-border smuggling through manipulation of LCs and the widespread of money laundering resulting from fraudulent LCs.

Although the difficult situation in the country, t**he CBL put great efforts to develop the financial sector stability. The reunification may enhance the efficiency of the banking sector.**

Size and reach of financial markets are very limited, and capital markets are very underdeveloped. Interest rate spreads are very high and private sector credit (12% GDP in 2022) is very low, given the economy's size and sophistication. Microfinance is very inefficient.

5.c. Access to financial services

Score Type	Value
Draft Score	1.0
Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

Underdeveloped legal and administrative procedures impede credit intermediation. To mitigate credit risk and assess the creditworthiness of borrowers, banks rely on a system that includes a credit information bureau and a property registry. However, this information is often outdated and not always used.

Unless the authorities wish to revisit the 2013 prohibition on interest, further development of Islamic finance products is needed to mobilize credit. In 2013, the authorities abruptly introduced a law that prohibited charging interest. Since there had been no adequate preparation to ensure a smooth transition to Islamic banking, the already-weak credit intermediation was hampered further.13 A decade later, banks are still struggling to develop Islamic finance products, and credit to the private sector is only slightly above its 2014 level. The CBL is also yet to introduce Islamic finance-compliant instruments to manage system liquidity and support monetary policy.

The Access to Bank index of Mo Ibrahim still the same at 16/100 since 2012 while access to financial products has stand at zero during the same period.

The financial infrastructure has been significantly degraded by unstable political and economic conditions. Limited access to financing severely impedes any meaningful private business development. (Heritage Foundation, 2022).

In Libya, **the availability of financing on the local market is weak. Banks can only offer limited financial products**. Loans are based more on personal connections rather than business plan. Public banks suffer from an absence of development outlook aiming at expanding portfolios. Consequently, existing projects and the start of new ones have been hindered, particularly for the housing sector where small-scale projects often suffer for lack of stable funding streams. According to the 2020 World Bank financial sector analysis of Libya, most firms, whether public or private, have little access to formal lending. Lending comprised only nearly 13% of bank assets in 2018. The 2018 survey carried out by EU showed that roughly 91% of firms have no loan or line of credit and thus used alternative resources of financing such as own capital, savings, the contribution of family and friends.

While two thirds of Libyans (65.67% in 2017) hold an account at a financial institution (compared to 48 % in Middle East and North Africa region), most of these are limited to receiving wages with very little financial intermediation. The number of ATMs per 100,000 adults decreased to 3.59% in 2018. Savings and borrowing rates are high, but predominantly informal. The first microfinance institution has been established with donor funding in 2019. Libyan stock exchange was founded in 2006 but has been inactive since 2014 due to political instability. [source: World Bank's "Libyan financial sector review" report (February, 2020)].

The banking system is composed by 19 banks, 5 of which are state-owned. The five state banks hold over 90 % of Libya's deposits. The tight control of the government over the existing financial institutions has limited the access to the financial services by both individuals and business enterprises. By 2018 and according to the World Bank, almost 30% of Libya's cash was outside the banking system. According to Findex, 44% of individuals report receiving financing from informal sources, mainly friends and families. Businesses are strongly self-financing. **Businesses and consumers have very little access to leasing, factoring, or other financial activities beyond the banking system. Also, households and individuals face limited access to financial services for saving, borrowing, and making and receiving payments impeding their ability to prepare for emergencies or make plans and investments for their futures. Legal and regulatory framework burdensome to financial services. Payment and clearance systems and credit reporting systems are highly underdeveloped.**

The political and security situation have further damaged the financial sector and have made more difficult to access to financial services for businesses, individuals, and households.

06. Business Regulatory Environment

Criteria Score: 0

6.a. Regulations affecting entry, exit, and competition

Score Type	Value
Draft Score	1.5
Reviewed Score	1.5
Second Draft Score	1.5
Final Score	1.5

Country Notes:

Before 2011, the authorities took a series of reforms to encourage national and foreign investment by adopting the **New Investment Law No. 9/2010.** Under this Law, investors may create enterprises for activities in all industry sectors, other than oil and gas sector. The project may be wholly owned by the foreign investor, provided that the foreign investment exceeds LYD 5 million. If a Libyan partner holds at least 50% in the investment, the minimum investment is reduced to LYD 2 million. The Investment Law stated some conditions applied to projects such as the transfer and/or localisation of modern technology, technical expertise, or intellectual property rights; the development of established economic projects, assistance in the development of remote regions, assistance in increasing exports, providing employment for Libyan workers with no less than 30%, etc.

Since 2011, the regulations applicable to foreign companies have been modified several times. In July 2012 (2012-Decree No. 103), an amendment stated that a foreign company has the option to establish a branch in the country or enter a joint venture with a Libyan partner. Also, it is permissible to register a representative office. Several restrictions on foreign companies operating in Libya have been imposed. Indeed, the representative office which is now limited to general marketing activities and may not engage in any commercial activity. Another restriction was introduced in 2013, Libyan shareholders can only issue up to 49% of a joint venture to a foreign partner (rather than 65% provided for in the 2012-Decree No. 103). The amendments of the Law No. 9/2010 are the most recent ones.

The business environment in Libya is very unfavorable. Barriers to entrepreneurship have discouraged the private sector's growth, especially small businesses. The lack of commercial infrastructure and the private sector's disorganization have caused a drag in productivity without a private sector–led diversified economy. The public remains the largest employer in Libya. In 2015, about 85% of Libya’s active labor force works in the public sector reaching a share of 93% for female active population. This is mainly explicated by the fact that public sector employees usually have better benefits than private sector employees: The majority of them are covered by social insurance, whereas only 46% of private sector workers have such coverage. They also benefit from better job security, offering formal contracts unlike the private sector. The composition of the private sector has witnessed little change since the pre-conflict. In 2018, the Libyan private sector was estimated to have generated 11.8 billion LYD (8.5 billion US$), corresponding to 17.3% of Libya's GDP. Micro and small firms tend to be more prevalent in trading and services (representing 43% of companies in these sectors) than in manufacturing and construction sectors (respective shares of 27% and 28%).

Libya ranked 186 out of 190 countries in the World Bank 2020 Ease Of Doing Business. There are no changes to the performance of Libya compare to previous year. Thus, much reforms have not been place since last Doing Business report. The total number of procedures to register a firm is 10 and takes 35 days to register the firm. The registration of foreign companies in Libya is still regulated by the Libyan commercial law 23/2010 and Ministry of Economy decree 207/2012. Business setup must be registered with the Ministry of Economy. The process involves reserving a unique company name, draft memorandum and articles of association with the Notary, open a bank account and deposit paid-in minimum capital, pay stamp duty, apply and obtain registration at the commercial registry, register at the Chamber of Commerce, retrieve the bank letter from the notary public, Notarize the company lease and Register with the Social Security Fund - Ministry of Labor, obtain the business license, and obtain a company stamp. Regarding the ease of securing permits, according to the US Department of States, the process of granting licenses and permits in Libya is often subject to long and unexplained delays, and the decisions are usually based on subjective and non-transparent criteria. On the ease of settlements of dispute/arbitration, according to the World Bank's DB, there were no foreclosure, liquidation, or reorganization proceedings filed in the country in the last 12 months. Due to this circumstance, it is not possible to assess the time, the cost, or the outcome associated with the insolvency scenario described.

Libya was ranked 140 out of 144 countries for ICT readiness and last on innovation on the 2015 Global Competitiveness Index. The country was also ranked the last in the 2015 Networked Readiness Index (NRI). However, since 2017, Libya has been focusing on the private sector to put the country in the global innovation and competitiveness index. As a result, more than 5000 Libyans got training camps and workshops about entrepreneurship from different organizations and more than 6 incubators and co-working space were built on international standards to cater new business owners across Libya.

Libya has several organizations that are actively contributing to fostering the innovation ecosystem. These organizations are mostly part of the government; However, these entities lack funding and proper management. In fact, governmental aid programs that aim at fostering and encouraging entrepreneurship are poorly represented and if available, they are not working effectively. There is a problem of policy and projects implementation, the government tends to give promises of projects and reforms and then no impact is visible.

State meddling in business decisions is extensive, and the application of existing regulations is inconsistent and nontransparent. The state-controlled labor market functions poorly, and the informal sector is large. Unemployment and underemployment are chronically high. Monetary stability has been fragile. (Heritage foundation, 2022).

According to the Competition Policy index of 2022 Mo Ibrahim IIAG, the country is ranked 38th in 2021 compared to 36th in 2019 and this score has been the same since 2012 (28.6).

The private sector in Libya still faces a demotivating business environment such the political instability, the inefficient administration which hampers the development of the private sector, the lack of loans and a control of prices and exchanges, etc.

The country faces many challenges impeding the entry and operation of businesses. **Under the current political situation most of the reforms/policies related to the regulations of business operations are delayed.**

6.b. Regulations of ongoing business operations

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

Libya scored 17 points out of 100 on the 2022 Corruption Perceptions Index (which the perceived level of public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean)) reported by Transparency International and the country. The country is the 171 least corrupt nation out of 180 countries.

The Libyan regulatory system lacks transparency due to a general lack of clarity regarding the role and responsibilities of Libyan government institutions. Thus, accurate information about investment and commercial regulations is difficult to obtain. Besides, the legal frameworks are difficult to navigate, and the country's bureaucracy is one of the opaquest in the Middle East region.

The procedures of business registration in Libya are lengthy and complex. The Ministry of Economy is the primary agency for handling business registration requirements. The Libyan government does not maintain an online information portal regarding regulations for new company registration or online registration facilities for registering new companies. For the simplest corporate structure, the process can take two to three months if the registration agent is familiar with the procedures. Also, the registration is not uniform across all types of companies: private limited company, trading company, joint-venture, or self-employment. For instance, the registration of private limited companies takes 35 days and 10 steps in Libya, compared to averagely 10 days and 8 steps in MENA region.

With data being key in today's world, Libyan entrepreneurs face significant difficulties to collect information. As a result, they are taking decisions on intuition not on data, which can be acceptable for the initial stages but in the long run, it compromises the ability to develop and adapt to the market.

Obtaining business licenses and permits in Libya is a long process that can last several months. In fact, numerous parties are involved in the approval such as the social security administration, labor administration, tax administration, Ministry of Interior and Ministry of Economy. What's more, delays and refusals are quite frequent and even unfounded.

Funding for private enterprises in Libya remains lower than in its peer regional economies. Domestic credit to the private sector as a %age of GDP remained at an average of 14,9% between 2010 and 2017, compared with 48% in MENA countries. Even before the civil war, Libyan banks played little role in financing private sector growth. The government subsidies or venture capitalist funding are significantly limited. Along with the liquidity crisis, conflicts have complicated access to finance for private entities.

The government has established in **2009 the General Board of Privatization and Investment (rule No.89-2009)** to promote national and foreign capital to set up investment projects in various production and service sectors in accordance with the general policy framework of the country and the social and economic development goals such as building and developing of the national workforce, transferring and localization of technology, diversification of sources of national income, etc. Following this and as an attempt of the Government -back then- to promote investment, it has issued the **New Investment Law No. 9/2010**. No new reforms were recorded under the ease of repatriation of capital and profit. Investment projects that match within this law scope enjoy several benefits, such as relief from income taxes for a set number of years. Regarding any disputes initiated by a foreign investor or a state, Article 24 of the mentioned law states some regulations. Any dispute is to be settled by competent Libyan courts, unless there is a bilateral or multilateral agreement Libya, and the state investor is subject to that includes provisions for alternative arbitration procedures

After 2011, the authorities showed **a stronger commitment to pursue privatization**. In the beginning of 2013, the government prepared a **new draft for public-private partnerships (PPPs**) that could involve private capital financing for reconstruction projects, and then drawing profits from taxpayers and/or users over the course of the PPP contract. In June **2020, a Public Private Partnerships unit (PPP) has been created** by ministerial decree and named the Libyan Private Partnership Projects Company (LPPPC). The unit is embedded within the Ministry of Finance.

Examples of Main programs to improve the business environment, including those financed by the AfDB are the Capacity Building for the Financial & Accounting Training Institute (AFTI) of the Government of Libya, a MIC-TAF Technical Assistance of USD 205,000 approved in November 2021 to support the Libyan Financial & Accounting Training Institute (AFTI) affiliated to the Ministry of Finance. Also the Libya Enabling Environment towards Youth Entrepreneurship Support and Positive Migration Governance (EEYES), a USD 900,000 grant approved in November 2021 and funded by the Youth Entrepreneurship and Innovation Multi-Donor Trust Fund (YEI MDTF). the “Reforms Guide” was published in January and its main goal is to enable constructive public-private dialogue and provide practical proposals to accelerate the economic reform process by focusing on key and achievable steps that will have the maximum positive impact on the country’s economy.

According to the US Department of States, the country’s foreign investment prospects remain hindered by threats from non-state militias, foreign mercenaries, and extremist and terrorist groups. Investment is also constrained by an unclear bureaucracy, complications resulting from the division of state institutions, burdensome regulations, and widespread corruption in public administration. In addition, the Libyan government has a long track record of not complying with contractual obligations and timely payments. The sectors that have historically received the most significant investment in Libya are oil and gas, electricity, and infrastructure.

Regarding the ease of foreign investors investing in the economy, no new reforms featured. The regulations of ongoing business operations are still facing multiple challenges impeding the development of the private sector. These challenges include mainly the sharp deterioration of the security situation over the past years, an inefficient administration, and the delay in the establishment of reforms. However, the country has enhanced cooperation with MDBs and international organizations, especially in terms of capacity buildings.

6.c. Regulations of factor markets (labor and land)

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

Employment in Libya is governed by the Labor Law No. 12/2010, the Civil Code and the Social Insurance Law No. 13 of 1980, complemented by Law No. 1 of 1991. At least 75% of a company's workforce should be Libyans. Foreign companies can recruit non-Libyan nationals for positions which cannot be filled by Libyan nationals. In certain activity sectors, some positions can only be occupied by nationals. Employment contracts should be based on the official template (the Green Form). Social security contributions are due from both the employer and the employee, calculated on gross pay. The contribution rates are 11.25% and 3.75% for the employer and the employee respectively. The employer is responsible for suppression income tax from employee's pay.

The US Department of States argues that current legislation does not provide the right for workers to form and join independent unions. Formal sector workers are automatically members of the General Trade Union Federation of Workers but can opt out on request. Foreign workers are not permitted to organize. Workers are permitted to bargain collectively, but the law stipulates that cooperative agreements must conform to the "national economic interest," thus significantly limiting collective bargaining. The government has the right to set and cut salaries without consulting workers. No new reforms have been promoted in terms of access to land and title deeds. The Land Registry is the institution in charge of immovable property registration. The type of land registration system in the Libya is dual system (Title & Deed). Married and unmarried individuals have equal access to property.

The authorities adopted some reforms between 2012 and 2017. These reforms concern some provisions concerning Official Working Hours (Ministerial Order No. 10 of 2012), onshore, Maritime and Oil Fields Allowance (Ministerial Order No. 9 of 2012), enacting Some Provisions Regarding Training (Ministers Order No. 296 of 201)2, the National Identification Number (Law No. 8 of 2014), the establishment of the National Anti-Corruption Commission (Law No. 11 of 2014), basic pension (Law No. 1 of 2017). The most recent labour regulation is the council of Ministers Order No. 120 of 2017 on the approval of the payment of salaries. This Order concern the disbursement the minimum salaries that were suspended, for displaced persons inside and outside Libya, by 450 LYD, from January 2017 to June 2017.

Libya's labor regulation is relatively flexible compared to the rest of the North African countries, according to the indicator measuring the rigidity of labor law of the 2014-2015 Global Competitiveness Index. In terms of the labor market efficiency, Libya ranks 55th and 143 out of a total of 144 countries respectively in terms of "Flexibility of the Labor regulation" and the "Efficient use of Talent".

The Mo Ibrahim index "Cooperation in labour-Employee relations didn't witness any improvement and has been the same at 56.9/100 since 2014".

Employment is governed by labour regulation of 2010 revised in 2012 and 2017. Labour restrictions still exist. **Over the period 2018-2022, no changes have been recorded in terms of Labor regulation of in registering property.**

(C) Policies for Social Inclusion/Equity

Cluster Score: 2.5

07. Gender Equality

Criteria Score: 0

7.a. Promotion of equal access for men and women to human capital development opportunities

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

Article 6 of the Interim Libyan Constitution states that Libyans shall be equal before the law, enjoy equal civil and political rights, have the same opportunities in all areas, and be subject to the same public duties and obligations without distinction, including on the grounds of gender. The law provides for gender equality and/or protection from gender-based violence and is substantially compliant with international standards. A green category does not indicate that the law is perfect or that gender justice in the relevant topic area has been fully achieved. However, the law does not provide for gender equality and/or there is no or minimal protection from gender-based violence. Partly, some gender justice aspects of the law have been addressed, but important gender inequalities remain. (source: https://www.unescwa.org/sites/default/files/event/materials/libya-adjusted.pdf).The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), ratified by Libya in 1989. “Although a party to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), Libya does not have a National Action Plan per resolution 1325 (2000)” (Source: https://www.womenpeacesecurity.org/region/africa/northern-africa/libya/)

“Libyan women have made strides in their quest for equal participation and representation in the peace process. Since 2020, 17 women have participated in the LPDF to build consensus on a unified governance framework and arrangements to restore Libya’s sovereignty and the democratic legitimacy of its institutions, including national elections that are scheduled for December 2021. Moreover, five women ministers have been appointed in the interim government, including Libya’s first female Minister of Foreign Affairs”. (Source: https://arabstates.unwomen.org/en/countries/libya)

The Libya’s main obstacles to gender equality and women’s empowerment are: “Women face high rates of unemployment due to the lack of recognition of their contribution to the economy; Women are significantly underrepresented in politics, humanitarian response, conflict resolution and peacebuilding; Violence against women and girls in all its forms, including against those who publically advocate for gender equality and women human rights defenders, which infringes on women’s rights and hinders their equal participation in Libya’s political, economic and social life; The lack of an adequate legal framework to effectively protect women from all forms of gender-based violence aggravates this phenomenon; The complex and protracted humanitarian and protection crisis that disproportionately impacted vulnerable groups such as migrants and refugees and people with disabilities, particularly women". (source: https://arabstates.unwomen.org/en/countries/libya)

The unemployment rate was 19% in 2019 (Male 15.9 %, Female 25.1%). The total fertility rate (births per woman) was 24 in 2019. The literacy rate for the adult female population was 77,8% in 2019. The p ercentage of women ministers was 14% in 2021 while the percentage of women in the labor force was 34% (2019). Data form the World Bank development indicators show that, the life expectancy for both men and women stands at 77,7 years. Female life expectancy at birth is 80.1 years, compared to male life expectancy of 75.3 years. The proportion of births attended by skilled health staff is at 100% in 2013 (latest data available). 72 women die per 100,000 live births due to pregnancy-related causes in Libya.

Although there is no definition of inclusive education in the laws and policies that were reviewed, the vision of the Ministry of Education through the Department of Education and Integration of Disabled Groups (EIDG) is 'Access to education for all without discrimination'. The Ministry of Education established the Women's Support and Empowerment Office in 2017 to increase women's representation in leadership positions, support working women in the ministry, monitor violations, study the status of women in the education sector, empower women and build their capabilities and competence. This measure aims to achieve qualitative and effective participation of Libyan women in the education sector (source: https://education-profiles.org/northern-africa-and-western-asia/libya/~inclusion). The Ministry of Education focuses on 'working to raise the efficiency of the integrated educational process for all students, including special groups, and providing special educational needs for that'. (Source: https://education-profiles.org/northern-africa-and-western-asia/libya/~inclusion). Students are struggling to complete their studies due to a lack of equipment, teacher strikes, outdated curricula, and electricity cuts. (Source: UNSMIL)

According to the African Gender Index (AfDB,2019), the social dimension (education and health), Libya scores 1,038, which indicates a situation without gender inequalities. Reference made to the Arab Gender Report 2020, in education, the net enrolment rate in education for primary school is 94% for girls and 99% for boys. The net enrolment rate in secondary education is higher for boys compared to girls. Adult literacy stands at 68% for women and 83% for men. The Equality education index of the 2022 Mo Ibrahim ranks the country 19th in 2021 with a score of 51.1. The Health equality index registered significant decline from 27.7 (rank 28) in 2019 to 19.1 in 2021 (rank 46).

Due to the long-lasting insecurity and war, in addition to the recent torrential rains and flash floods caused extensive damage to healthcare facilities, schools and water and sanitation facilities. This has a direct impact on women and girls' health and wellbeing like women's access to reproductive and other health care and access to education.

For "Sexual and reproductive health care services," "family planning," and "reproductive health Libya reiterates the reservations it set forth more fully in the Report of the ICPD and the Beijing Platform for Action and states that, under no circumstances are these terms to be understood to include recourse to abortion. In particular, the ICPD rejects recourse to abortion for family planning, denies it creates any new rights in this regard, and recognizes that this matter may only be determined through national legislation. Abortion is always gravely illicit and can never be called "safe" for the child who is killed or the mother who is brutalized. (Source: https://sdgs.un.org/statements/libya-12632)

No significant improvement has been registered regarding the promotion of equal access for men and women to human capital development opportunities.

7.b. Promotion of equal access for men and women to productive and economic resources

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

According to the 2023 Global integrity indicators, in Libya, there is no law that explicitly establishes that women have equal access to employment opportunities and benefits in the workplace. The labour law is vague on many articles related to women, as it states that women can only work in jobs best suited to them, leaving it to the employer to interpret what is best for women, and hindering women's access to many areas of work. the majority of barriers of access to employment for women are familial and/or societal, and not necessarily systematically implemented by the government or the private sector.

Libya ranking in the Global Gender Inequality Index (GII) has dropped from 56 in 2019 to 61 in 2021, indicating the pressing need for action to address the issue of women access to economic resources.

When it comes to labour force participation, the rate for women stands at 45.7%. Although this marks a significant improvement compared to previous years,**there is still a need to further promote women's access to decent work and equal pay in Libya".** (UNDP report on Gender equality and women empowerment, 2023). This is reinforced the social cultural norms and also the discriminatory law on employment. The 2010 Labor Relations Law reinforces gendered occupational segregation and contributes to gender pay disparity. Article 24 states that *"Women may not be employed in jobs that are not commensurate with the nature of women," and "positions deemed appropriate for women are generally of lower status and pay".*About one-third of Libyan women work in paid employment, women represent about one quarter of the workforce. Most employed women are teachers or nurses in government schools and clinics or employed in administrative roles. Libya has ratified ILO Conventions C100- Equal Remuneration Convention 1951 as well as C111- Discrimination (Employment and Occupation) Convention, 1958. The law mandates non-discrimination based on sex in employment regarding selection criteria, recruitment, hiring, terms and conditions, promotions, training, assignments, and termination. The law also requires equal remuneration for work of equal value. However, in practice, there are certain jobs that are deemed unfit for women to work within (Labour Relations Act, Act No.12 of 1378). A female employee is entitled to 98 days of paid maternity leave with a mandatory postnatal period of 6 weeks or more. If more than one child is born, the leave is extended to 112 days. A woman is entitled to a position within the same company upon return; however, it is not guaranteed that the position will be of equal standing. For 18 months following her pregnancy, the woman is entitled to one or more nursing breaks of at least one hour in total, which are considered paid hours of work. The Government is responsible for paying 100% of the maternity leave (SIGI, 2019).

Regarding entrepreneurship, women entrepreneurs have limited access to available financial resources, such as local venture capital or loans from banks, government schemes, or donor-funded development programs. Access to bank loans, for example, is typically conditioned by ownership of land or property and a guarantor. women have the right to access bank loans, mortgages, and other forms of financial credit. However, they are no public discrimination measures put in place to promote or ensure the equal treatment of women in regard to financial stability and access. With lack of collateral, in addition to cultural barriers, the number of women entrepreneurs is limited.

Women in Libya, however, do not own or have control over land or property against which they can obtain bank loans. According to the Law on Protection of Women's Rights to Inheritance, female surviving spouses are given the same rights as male surviving spouses regarding land and non-land assets. However, tradition often takes precedence, and women struggle to collect what it legally theirs because of bureaucracy.

Also, women face challenges in registering their businesses, which is required for accessing loans from many banks and from the government and also lack knowledge and experience in marketing and managing a business.

The limited number of women in employment and entrepreneurship is mainly due to the social cultural norms which define the role of women and household. Women are expected to do all domestic work and men's contributions in the home are not considered their duty, but as help they give to the women. The Law No. 10 of 1984 Article 18 regulates inequality in the household by enumerating a wife's obligations to her husband, which include taking care of his comfort, managing the marital house, and raising children.

No significant improvement has been registered regarding the promotion of equal access for men and women to productive and economic resources.

7.c. Men and women equal status and protection under the law

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

“Gender inequality is a persistent challenge in Libya, as highlighted in a UNDP report that reveals the ongoing existence of gender (in)equality worldwide. Women in Libya continue to face lower wages, bear a heavier burden of unpaid housework and childcare, and experience significant under-representation in civic and business leadership role […] The country's ranking in the Global Gender Inequality Index (GII) has dropped from 56 in 2019 to 61 in 2021, indicating the pressing need for action to address the issue. […] women's representation in the Libyan parliament remains low, with only 16% of parliamentary seats held by women in 2019. However, there is a positive sign of progress in women's education, as the percentage of the population aged 25 and older with at least some secondary education was 70.5% women.When it comes to labour force participation, the rate for women stands at 45.7%. Although this marks a significant improvement compared to previous years, there is still a need to further promote women's access to decent work and equal pay in Libya”. (UNDP report on Gender equality and women empowerment, 2023).

Libya acceded to the international Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) in 1989 with two reservations related to Islamic Shariah law. However, most Libyan laws do not comply with CEDAW’s provisions, and Libya lacks a national action plan for CEDAW implementation. A national women’s economic empowerment plan is also needed.

Women remain underrepresented in all elected and appointed governance institutions and processes, and policy-making roles generally. The House of Representatives includes only 21 women out of 200 seats. Women’s Empowerment Units have been established in Ministries, but these units are marginalized, and there are few women in leadership and at higher policy levels (USAID, 2020).

In general, women in the public sphere are not well-accepted by either men or women. Women who choose to be in the public are subjected to sexist language, defamation, and bullying for not abiding by social norms, including in parliament and public sector agencies. For example, female parliamentarian Dr. Siham Sergiwa was kidnapped from her home in July 2019 soon after giving a television interview critical of ongoing violence in the country. Public reaction on social media was mostly that she deserved this fate because she worked outside her household in politics and expressed her views publicly (USAID, 2020).

The political division, the ongoing war and boycott of the House of Representatives with the creation of a parallel parliamentary body since 2019, affected the work of the legislature.

The legal framework did not change. Some of the discriminatory laws include access to nationality- women do not have the right to transfer their nationality to their foreign-born spouses or the children of such unions (Law Number (24) for 2010/1378). While the children of a Libyan father and foreign mother are granted Libyan nationality, children of a Libyan mother and foreign father are not and require visas to enter the country if they reside abroad.

There are no changes or/and reforms recorded over the period 2020-2022 under the indicator 18.c

08. Equity of Public Resource Use

Criteria Score: 0

8.a. Poverty Measurement

Score Type	Value
Draft Score	1.0
Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

The 2022 humanitarian response plan indicates that the number of people in need of assistance decreased from 1.5 million in 2021 to 803,000 in 2022. Nevertheless, Libya still struggles with food insecurity, malnutrition, multidimensional poverty, income inequity, low agricultural production and climate change. The number of people identified with the most severe needs necessitating targeted assistance is estimated at 211,000. Libya experienced a high unemployment rate estimated at 19.6 % in 2022, with over 85 % of the working population engaged in the public and informal sectors, according to the World Bank.

According to World Bank estimates, the per capita wealth in Libya during the year 2021 was estimated at only about $3,700, while during the years 2018 and 2019 it was about $7,800.

There are no national mechanisms to clearly identify poor and vulnerable groups. **However, the United Nations Office for the Coordination of Humanitarian Affairs report estimates that one in seven Libyans, roughly a million people, needs humanitarian assistance**. Only five cities (Tripoli, Bengahzi, Sebha, Ejdabia and Misrata) have mental health services, according to the report. The composition and incidence of expenditure are neither tracked nor evaluted. Existing data on poverty are not publicaly available.

Due to a lack of more recent information, the percentage of the population living under the poverty line in Libya is not accurate.

8.b. Public Expenditures: Priorities and strategies

Score Type	Value
Draft Score	1.0
Reviewed Score	1.0
Second Draft Score	1.0

Final Score	1.0

Country Notes:

According to the 2022 Mo Ibrahim index on African governance (IIAG), Libya was ranked 45th out of 54 countries in terms of the overall governance, with an index of 35.7 in 2021 compared to 34.9 in 2019, and to an index of 46.7 in 2010. Regarding the human development, it was 45.2 (rank 37 out of 54 countries), a decline compared to 2019 IIAG assessment (47) and far way the score of 60.5 registered in 2010. Social protection and in a lesser extent sustainable environment and education showed their ranks deteriorated over the past years. However, **the ranking still the same over the past two years**, except for the sustainable environment where the country registered a decline.

Total expenditure increased by 54.4% between 2021 and 2022, with the biggest increase registered in administrative expenditure (191.5%). **Regarding expenditures, the government continues to prioritize expenditures for yearly public salaries.** According to the Ministry of Finance and Banking operations Department in Central Bank of Libya, 39.7% of total expenditure were allocated to salaries and 18.2% were allocated to administrative expenses in 2022. Development expenditure accounts for 26.4% of the total expenditures in 2022 compared to 20.3% in 2021. The remaining expenditure accounts for 18.2% for administrative expenses and 15.7% for subsidies and price stabilization. In 2022, fuel subsidies represent 70.4 percent of total subsidies and 22.6% of total expenditure. The government plans to remove fuel subsidies and replace them with cash subsidies to eliminate smuggling and reduce the growing energy bill.

Political instability and security situation presents a particularly challenging obstacle to carry out economic and social reforms to respond to the poors and vulnerable groups.

8.c. Regressive Tax

Score Type	Value
Draft Score	1.0
Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

Tax revenues represent roughly 1% of total revenues in 2022. This shows the **lack of adequate reforms of tax system and tax collection mechanisms**, which would diversify revenue sources and generate a less volatile fiscal stance. The distribution of revenue shows a high share of revenues from oil (97,1%) compared to non-oil revenue (2.9%). The economy is heavily dependent on oil revenues, which are primarily contingent on the security situation and on the Government's ability to maintain normal production levels.

According to the Law No 7 of 2010, the corporate income tax is 20% while the payroll tax is 5% for the first LYD12,000 of annual income and 10% for any amounts more than LYD12,000. The rate of Stamp Duty due on supply, construction, transportation, public utilities concessions and any other contracts the subject of which is the provision of service or conduct of work has been reduced from 2% to 1% of the value of the contract. However, the most recent new tax Law in Libya is the Law No 7 of 2010. The taxation system didn't observe any improvement over the past years.

The tax rates applicable to the personal income remuneration are set according to a progressive scale. Residents and foreign nationals are subject to Personal Income Tax on income. The Rates are applied on the gross salary after deductions of social insurance contribution and employee social security fund contribution. Personal exemptions are also included :i) For an annual income of 12000 LYD (a monthly income of 1000 LYD): Personal Income Tax is levied at a rate of 5%; ii) For an annual income higher than 12000 LYD (a monthly income of greater than 1000 LYD): Personal Income Tax is levied at a rate of 10%. The corporate Income is taxed in Libya on both, income sourced from within Libya, as well as income sourced outside Libya. This implies that Libya follows a worldwide income tax regime. Corporate Income Tax is levied in Libya for controlled corporate entities, as well as other foreign entities. Corporate Income Tax Rate in Libya. Corporate Income Tax is levied in Libya at a rate of 20%. This rate is applied in a flat manner, regardless of the volume of the profit generated.oncerning the Value Added Taxation Value Added Taxation There is no Value Added Taxation (VAT) applied in Libya. regarding the Custom Duties, a service fee at a rate of 5% is levied on most imported goods and services. However, there are certain exemptions. (source: Tax Guide Libya - Personal & Corporate Taxation in Libya (goldencapitalist.com)).

There is no information on the overall incidence of revenue contributions to poverty reduction in Libya.

The coexistence of two governments with two separate budgets continues to hamper the efficiency of fiscal policy. There are no changes or/and reforms recorded in the Libyan taxation system over the period 2020-2022.

09. Building Human Resources

Criteria Score: 0

9.a. Health and nutrition services

Score Type	Value
Draft Score	1.5
Reviewed Score	1.5
Second Draft Score	1.5
Final Score	1.5

Country Notes:

In Libya, health needs are immense while the quality of the health system and access to health services have witnessed a considerable decline since 2011. This situation has been caused by years of conflict. Health Cluster (2021) reported that 80 health facilities (37 per cent of total health facilities) were completely or partially damaged. The outbreak of the COVID-19 pandemic put additional pressure on the health system, already suffering from limited medical facilities and a lack of adequate staff and equipment. According to Health Cluster (2021), a total of 1.2 million people needed healthcare in 2021, against 3.9 million in 2020. The report indicates that in some areas, “up to 90% out of all existing primary health care centers remained closed. Only 20 % of communities have child health and emergency services, 25 % general clinical services, and 15 % - services for reproductive health care and non-communicable and communicable diseases”. Very few public health facilities offer a standard package of essential health care services in the country. Mental health services are basically missing, and needs are immense. Additionally, electricity shortages and lack of adequate water, sanitation, and hygiene facilities have reduced the quality of care. Also, the sector continues to be under-resourced with shortages of available medicines and health workers. (Source: North Afrcia Economic outlook 2022).

In Libya, agriculture and food distribution systems have been significantly affected by almost a decade of conflict and political instability, resulting in increased food insecurity and malnutrition. According to the FAO (2023), the number of moderately or severely food insecure people was 2.7 million during 2019-2021, exacerbated by the increase of international food prices during the COVID-19 pandemic followed by Russia’s invasion of Ukraine. The overall cost of the food basket increased by 18 % between January to October 2022. With the reduced supply of cereals, the prices of flour (+19 %), bread (+34 %), couscous (+76 %) and pasta (+50 %) have significantly increased, while the price of vegetable oil has increased by 36 %. The food security situation, which has been very fragile, is likely to worsen with the prolonged global supply chain disruption and price soaring. The productivity of the agriculture sector in Libya has been hampered by harsh climatic conditions, poor soil quality, and limited renewable water resources. The Ministry of Economy and Trade is preparing a short and long-term Food Security Strategy with the aim to increase local cereal production, especially wheat, and promote seed cultivation locally. Domestic cereal production covers only 5 % of the population’ needs, resulting in a high reliance on imported cereals to meet the country’s needs. Libya imports about 90 % of food to meet its local needs. (Source: North Africa Economic Outlook, 2023).

With reference to the Mo Ibrahim index of Food security, the index witnessed a decline between 2019 and 2021 from 82.1 (rank 10) to 78.4 (rank 13)

According to the 2022 Mo Ibrahim index human development, Health index was 63.1 in 2021 (rank 19 out of 54 countries), a slight decline compared to 2019 IIAG assessment (63.6) and far way the score of 55.1 registered in 2012. In 2021, the country was ranked 46, 41 and 31 in access to healthcare, control of non-communicable disease, and control of communicable diseases, respectively. The country has been ranked 23rd in the Child and maternal index since 2019.

Policies and funding in Libya permit only limited access to essential health services and protection against the financial burdens of illness; national health strategy lacks many important elements; oversight and regulation are largely ineffective; programs to prevent malnutrition are limited; public resources generally do not achieve intended goals. One of the major problems this sector is facing is the loss of control over supply medicines and pharmaceutical equipment from international suppliers for both public and private sectors which has reduced the impact of this sector.

The quality of the health system and access to health services ontinues to be under-resourced with shortages of available medicines and health workers. In addition, the food security situation in Libya is also fragile.

9.b. Education, ECD, training and literacy programs

Score Type	Value
Draft Score	1.0
Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

“Libya’s health (SDG3) and education (SDG4) systems have witnessed a significant deterioration in their capacities to provide accessible and quality services. The maternal mortality ratio increased from an estimated 52 deaths per 100,000 live births in 2008 to 72 per 100,000 live births in 2017. Conversely, Libya continued to make steady progress in reducing child death rates. Although Libya provides free and compulsory education, school attendance and enrolment rates in primary and lower secondary appears to have declined since 2011”. (Source: UNDCSF, 2023).

Prior to the 2011 revolution and the subsequent internal conflicts, Libya had one of the highest school enrolment rates in the Middle East and North African region. Countrywide enrolment was almost universal with no significant gender disparity. Since then, the armed conflict, instability and insecurity has affected the education sector rendering it inconsistent and unreliable due to frequent closures, damage to infrastructure, electricity cuts and other such elements. **The COVID-19 pandemic has made access to education even more challenging, and it is expected that the effect of these long gaps in learning and in formal education, will become more visible with time.**

According to the 2022 Mo Ibrahim index human development, Education index was 35.9 in 2021 (rank 43 out of 54 countries), a decline compared to 2019 IIAG assessment (37.9) and far way the score of 55.1 registered in 2012. Education equality index registered a decline between 2019 and 2021 from 55.1 to 51.1 (70.1 in 2012)

According to the Legatum Prosperity Index, over the past 10 years, **the only increase witnessed in the education pillar, has been under the “adult skills” sub-sector, which recorded a score of 51 in 2010 and 55.5 in 2020**. Most likely, this refers to the skills mismatch between those entering the job market and the needs of the labour market; with the result that these young adults have had to learn additional skills to find employment.

In Libya policies, spending, and effectiveness are nonexistent or grossly inadequate to assure literacy, universal access to basic education, equitable access to ECD services, and adequate post-basic education and training; teacher and student learning standards are nonexistent or grossly inadequate.

9.c. Prevention and treatment of HIV/AIDS, tuberculosis, and malaria

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

The official number of HIV cases in the country is 6983, but the real number is estimated to be at least 19% higher, mainly because of insufficient testing capacity, the paucity of HIV services and the stigma surrounding the disease. Data from the Libyan National AIDS Programme (NAP) shows that 305 new HIV infections were reported in 2021. Although antiretroviral therapy (ART) is free for all Libyan citizens, repeated stockouts have resulted in treatment interruptions and led to increasing numbers of people living with HIV (PLHIV) admitted to health facilities with advanced stages of the disease. (WHO Report, 2022).) "Libya's pharmaceutical management and supply chain is a complex, multi-tiered system with highly compartmentalized distribution channels. As currently structured, it cannot meet the needs of either PLHIV or the healthcare providers who serve them".

"According to WHO's latest Global Tuberculosis Report, 1932 new cases of TB were notified in Libya in 2021 (28 per 100 000 population). This represents an 11% increase over the 1744 new cases notified in 2020 (25 per 100 000 population). This apparent increase is likely due to the reactivation of TB diagnostic laboratories following the COVID-19 pandemic, as well as the overall strengthening of TB services in the country. Although the treatment success rate for TB patients in Libya remains low, it has increased by over 10% since 2018, largely because of considerable efforts by WHO and partners to strengthen the National TB Programme (NTP) by providing equipment and supplies, training NTP staff and improving TB surveillance ». (WHO Report, 2022).

« In 2021, there were 52 confirmed cases of the disease in central Libya (Al Jufra and Sirte) and south Libya (Al Kufra, Murzuk and Sebha). Between January and December 2022, another 92 new cases of malaria were diagnosed in the south, east and west […] The National Centre for Disease Control (NCDC) is strengthening malaria surveillance, laboratory diagnosis and case management in the south. In July 2022, WHO supported training for 55 laboratory technicians." (WHO Report, 2022).

Recent UN assessments (Humanaitirian Needs Overview and Multi-Sectoral Needs Assessmen) have shown an improvement in the overall humanitarian situation in Libya following a period of relative political and economic stability […] At the end of 2022, a total of 134 787 people remained displaced, a reduction of almost 25% compared with the end of 2021 (WHO Report, 2022).

According to UNDP's Human Development Reports (and UNAIDS), there is no data available concerning HIV prevalence and malaria in Libya. In Libya, policies for prevention and treatment of HIV/AIDS, tuberculosis, and malaria exist, but funding and implementation are limited; limited standards and epidemiological information exist; public resources generally do not achieve intended goals. Absence of appropriate data is really worrisome.

10. Social Protection and Labor

Criteria Score: 0

10.a. Social safety net programs

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

The right to SP is entrenched in Art. 8 of the 2011 Constitutional Declaration,8 which indicates that the "State shall guarantee equal opportunity for every citizen and shall provide an appropriate standard of living", and in Art. 5, which stipulates that mothers, children and elderly people are to be protected and that children, youth and persons with disabilities (PWDs) will be taken care of by the State. The Law No. 13 on Social Security (1980) states that the concept of 'social security' includes: (i) social insurance instruments (Art. 3); (ii) social assistance (Art. 2, 22) instruments in cases of emergency and loss of income; and (iii) social services (Art. 12) such as care for vulnerable groups and health care provision.

Libyan society has a long history of social solidarity and mutual support, reflected in Government programmes and interventions relating to social security. Indeed, Libyan legislators have crafted laws to provide social welfare and healthcare to vulnerable social groups as per international standards […] Social policy in Libya is restricted to the social safety net, which provides services to people with disabilities, widows and others. […]; Yet the social protection network in Libya is currently going through a difficult stage, in view of the many challenges arising from the repercussions of fighting and conflict, chief among them the institutional division that has affected social welfare institutions such as the social security and pension funds. Those institutions have in turn faced considerable challenges that have prevented them from fulfilling their function. Such challenges include the difficulty of collecting contributions, the inability to provide due benefits to vulnerable social groups, and the hampering of their investment plans due to war and fighting, all of which threaten their ability to adequately fulfil their obligations in the future". (Source:

Social protection system, ESCWA, 2021).

Here are the social assistance programmes implemented in Libya with their main objective and status of implementation: Basic Pension Benefit (Financial support to vulnerable groups and those unable to work: active), Blind Students Assistance (Financial support to blind university students in need of a reader: inactive), Homecare PWD Grant (Financial support to cover the cost of carers for PWDs: Partial), Disaster Compensation Benefit (Financial support to those experiencing hardship : active), Social Assistance Benefit (Financial support to those in need usually given around Ramadan and Eid or for health care costs: active), Health Assistance Benefit Health Assistance Benefit (Financial support for health care costs, active), Housing Assistance Benefit (Financial support for affordable housing : inactive since 2010), Education Benefit (Financial support to cover study related cost : inactive since 2008), Marriage Benefit (Financial support for men and women wishing to marry ; unknown), Wives and Children's Grant (Financial support for Libyan families: active), IDP Inventory and Registration Programme (Financial support to displaced persons : partial). [Source: A mapping of Libya's social protection sector, International Policy Centre for Inclusive Growth, 2022].

In Libya, most social safety nets and social protection systems come in 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. With decreasing oil revenues over the past few years, subsidies on food items were removed de facto due to a lack of resources to sustain them. In addition, subsidized fuel is usually smuggled to neighboring countries, which creates shortages domestically. This calls for a gradual reform of the subsidy system and substituting it with more targeted measures to compensate those most affected by price increase. Thus, social protection programs have been developed, but funding and coverage are limited and weak administration allows substantial leakage of benefits to better-off groups. Existing data on out-of-pocket expenditures on health are quite outdated, as they are from 2014, when they represented 26.5% of total health care spending (WHO 2018). It is estimated that more than half of health care facilities have closed down since 2019 due to the conflict, with primary health care facilities being the most affected (Health Cluster Libya 2020). Those that remain operational face further challenges due to a lack of supplies and inadequate amounts of medication (World Bank 2021).

The government plans to remove fuel subsidies and replace them with cash subsidies to eliminate smuggling and reduce the growing energy bill. In 2022, fuel subsidies represent 70.4 % of total subsidies and 22.6 % of total expenditure.

With reference to Mo Ibrahim index, the Social safety nets score was almost double between 2019 and 2021 (from 8.3 to 16.7) while the Socio-economoic mitigation index witnessed a decline during the same period (from 66.3 to 62.3)

The Mo inbrimIbrahim index of Poverty reduction policies score has been 33.3 since 2015, placing the country 24th out of 54 countries in Africa.

According to the Multisector Needs Assessment conducted by UN-OCHA in March 2023, 50% of the surveyed households reported having needed healthcare in the 3 months prior to data collection, 25% of interviewed households found to have water, sanitation & hygiene (WASH) needs, 10% of interviewed households found to have food security needs, 5% of interviewed households found to have protection needs.

10.b. Protection of basic labour standards

Score Type	Value
Draft Score	1.5
Reviewed Score	1.5
Second Draft Score	1.5
Final Score	1.5

Country Notes:

Because of the ongoing armed conflict situation in the country and the institutional instability since 2014, there is a lack of data and of clarity regarding the monitoring and the measures of the quality and effectiveness of the progress in terms of protection of basic labour standards.

The country has previously ratified the major international labor conventions : C29 related to Forced Labour in 1930, C87 related to Freedom of Association and Protection of the Right to Organise in 1948, C98 related to Right to Organize and Collective Bargaining in 1949, C100 related to Equal Remuneration for Work of Equal Value in 1951, C105 related Abolition of Forced Labour in 1957, C111 related Discrimination in Employment and Occupation in 1958, C138 related to Minimum Age for Employment in 1973 and C182 related Worst Forms of Child Labour Convention in 1999.

The culture of establishing strong trade unions in Libya is missing since the inception years of the rule of Gaddafi. The situation for trade unions improved after 2011 since prior to that date anything actively against authorities was met with serious consequences; now, not only are they able to mobilize, but they can strike and protest.

In practice, and according to the law, workers are free to organize trade unions in Libya. Union workers benefited from capacity-building programs in January 2017.The National Trade Union's Federation signed a capacity-building agreement with the Friedrich Ebert Foundation However, and because of the armed conflict context which Libya is going through, Libya’s rating is 5+ according to the 2018 ITUC Global Rights Index. With this score, Libya is in the category of countries where there is no guarantee of rights due to the breakdown of the rule of law.

Over the period 2020-2022, no changes or improvements have been observed under the Indicator 16.b

10.c. Labour market regulations

Score Type	Value

Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

Labor legislation in Libya is perceived as rigid and do not support business development. According to a 2015 World Bank Report on “Labor Market Dynamics in Libya”, the regulations is unclear for more than 77% of firms employing foreign workers. According to 2018 Index of Economic Freedom of Heritage, the labor market of Libya remains destabilized, and the large informal sector is an important source of employment.

The labour legislation reform was due to be initiated when the situation worsened in 2014, and therefore has not been conducted. The existence of labour regulation quotas in Libya has created a situation where firms are hiring Libyan nationals to meet the quotas (The quota for Libyan nationals is officially 25% under Article 51) and foreign workers to meet the business needs (World Bank study, Labor dynamics in Libya, 2015). The way the actual legislation is designed do not promote job creation by defining quotas, hiring procedures, etc. A reform regarding contracts, trainings and quotas is necessary according to the World Bank to promote job creation. This should go with an empowerment of trade and labor unions.

Libya has ratified 29 Labor conventions: 8/8 Fundamental conventions; 2/4 Governance Conventions and 19 out of 177 technical conventions. The Latest conventions ratified was in 2000, C182 (Worst Form opf Child Labour Convention) and C087 (Freedom of Association and Protection of the Right to Organize Convention).

Over the period 2020-2022 there is no official announcement on changes made under the indicator 16.c

10.d. Community driven initiatives

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

Following the Arab spring and given the political as well as security instability since 2014, Libya has suffered a tremendous social fragmentation. As a result, it has been challenging to bring forward community driven initiatives due to more urgent needs such as the political, social and economic stability.

Despite the political efforts following the Arab spring in Libya to encourage community-based initiatives, particularly before the election and in the reconstruction of the county after 2011, the increase of armed groups, militias and the tribal, social and religious divisions have worsened the social context in Libya.

Nevertheless, it is crucial to highlight the fact that local governance has been a growing interest due to the current polarized situation between the different factions, it has been legally framed by the issuance of Law No. 59/2012 on local administration, which the NTC (National Transitional Council - the interim governance body created in March 2011 to replace Gaddafi's regime) voted for on July 18, 2012. Furthermore, more effort at the international level is being

The main concern of the municipalities is to improve public service delivery, which was primarily controlled by the central government before the revolution, with little involvement of the local level. With Law 59/2012 and associated decrees, newly created municipal councils were tasked with managing provision of basic services, such as water, electricity and gas supply, waste management, public lighting, and local urban planning. The new role undertaken by municipal councils is supposed to ideally encourage the community driven initiatives in Libya once the situation stabilizes and the environment enables for such efforts to take shape.

Going forward, community driven initiatives could only be addressed once the political, security and economic situations will be stabilized.

10.e. Pension and old age savings programs

Score Type	Value
Draft Score	1.5
Reviewed Score	1.5
Second Draft Score	1.5
Final Score	1.5

Country Notes:

Concerning retirement pension and savings program there is a lack of data concerning the current situation. According to a 2015 report by the US based Social security office of retirement and disability policy, the first law concerning old age, disability and survivors was established in 1957 and is still actual. The qualifying conditions to old age pension are age (65 for men, 60 for women, 62 for civil servants and 60 for unhealthy occupations) knowing that employment must cease, and benefits are not paid abroad, the minimum pension is 80% of the legal national minimum wage. The maximum is defined according to the three last year's insured average earnings (80% of that amount).

Over the period 2020-2022, there is no official announcement or changes made on the Pension and old age savings programs.

11. Environmental Policies and Regulations

Criteria Score: 2.5

11. Environmental Policies and Regulations

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

The decade-old conflict in Libya has affected the country's efforts to mitigate and build resilience to climate change. Libya has not yet submitted its Nationally Determined Contributions (NDCs) nor has it submitted its long-term strategies or defining and prioritizing specific mitigation and adaptation goals which are critical to frame the countries response to climate change and ensure sustainable development. The country lacks a dynamic online emissions-tracking platform. It has ratified the Paris agreement and partially ratified the United Nations Framework Convention on Climate Change (UNFCCC), the Kyoto Protocol to the UNFCCC, the United Nations Convention to Combat Desertification, the Convention on Biological Diversity, the Convention on the International Trade in Endangered Species of Wild Flora and Fauna, and the Convention on Wetlands of International Importance Especially as Waterfowl Habitat. In 1999, the country established an Environment General Authority (EGA) which is a scientific, regulatory, and advisory body operating under the General People's Committee for Health and Environment in 2000. The primary purpose of the EGA is to coordinate and manage environmental concerns and has overall responsibility for action policies, strategies and programs including projects in Libya. (Source: AfDB CFR Libya 2022).

To support the acceleration of the 2030 Agenda and the SDGs in Libya, the UN and the government of Libya engaged in a partnership frame for the period 2023—2025. Based on a comprehensive and integrated analysis of the main impediments to inclusive and sustainable development, as well as the outcome of wide-ranging consultations, a set of four interrelated and mutually reinforcing strategic priorities were identified on which the Cooperation Framework is structured, specifically 1) Peace and Governance; 2) Sustainable Economic Development; 3) Social and Human Capital Development; and 4) Climate Change, Environment, and Water. Libya is one of the countries to be covered by the MENA Region Concentrated Solar Power programme. This initiative is motivated by objectives of energy security, climate change mitigation, and regional integration in the Mediterranean. A total of $750 million in Clean Technology Fund (CTF) concessional financing is supporting the development of 960 MW of new CSP capacity across Egypt, Tunisia, Morocco, Jordan, and Libya.

Law No. 15 of 2003 is the main law for protecting and improvement of the environment in Libya. The law specifies public duties and the other related parts towards preserving the environment in the following fields: general provision, air pollution, protection of sea and marine wealth, protection of water sources, protection of foodstuffs, environmental hygiene, protection from common animal diseases, protection of soil and plants, protection of wildlife, biological safety, penalties, and final provisions. Authorities are trying to enhance collaboration with international organization in the field of environmental protection and pollution reduction to enhance collaboration with international organization in the field of environmental protection and pollution reduction.

Before being plunged into the socio-political crisis that has undermined effective governance and the development of the country from 2011 to date, the Libyan state had been very attentive to environmental protection and regulation. To operationalize this desire, the latter had established a General Environmental Authority, which has been responsible for defining environmental protection standards, regulations, and legislation, signing regional and international agreements, and monitoring their implementation, and controlling the excesses of conferences and scientific seminars to contribute to the process.

The best ranking of Libya among the African countries in the environmental governance was in year 2010. Since then, **the deteriorating political and security situation throughout the political unrest and especially in the last couple of years has reduced the priority and policy attention given to debates over environmental policies and regulations**. Little progress has been made on the Green Oil Libya policies that were initiated as part of a large Libya Environmental Initiative aiming to protect the environment by pursuing high-quality waste-treatment solutions. However, and under its Strategic Plan for Renewable Energies 2018-30, Libya sets a target of reaching 6.6 GW of renewable capacity by 2030.

According to Ibrahim Index of African Governance (IIAG, 2022), the ranking records of Libya decreased over the years. The assessment of economic policy’s consideration of environmental concerns to foster sustainability and pollution management (Environmental policies index) shows that Libya’s ranking dropped from 43 in 2019 to 49 in 2021 (-6), compared to 29th in 2012. The country has been ranked 41st since 2014 in terms of enforcement of environmental regulation index. Over the same period, neither land and forest are managed in a sustainable fashion way (-2), nor the terrestrial biomes and marine areas are protected (-2).

The institutional weakness determined mostly the bad environmental management indicators recorded to date. In fact, the institutional co-ordination, overall national co-ordination, and monitoring of environmental management in Libya lies within the Environment General Authority (EGA). However, the persisting unstable political situation is hampering EGA to emerge on environmental issues, actions, policies, and programs-projects in Libya. It is hampering EGA also in coordinating environmental information and advocacy as well as setting up currently required environmental specifications and standards. Besides that, the roles of the NGO community in global environmental management are at an early stage of development and the active NGOs still suffer from being weak, not well institutionally structured and incapable to co-ordinate large-scale environmental activities. The isolation of Libya from international cooperation (1986-2004) due to sanctions imposed by US and UN, led Libya not to heavily rely on financial assistance from international funding bodies like World Bank or IMF. This factor contributed to the current absence of Environmental Impact Assessment (EIA) as regular practice in Libyan policymaking and planning process.

Libya has several protected areas aimed at conserving its biodiversity and natural heritage. Some notable protected areas include the Jebel Akhdar (Green Mountain) in the northeast, the Jebel Nafusa region in the northwest, and the Jebel Uweinat in the southwest. However, the effectiveness of protected area management has been hampered by political instability and insufficient resources. Likewise, water scarcity is a significant environmental issue in Libya and access to safe water remains a challenge for many Libyans, particularly in rural areas and regions affected by conflict. Limited infrastructure, damaged water supply networks, and disruptions in services have hindered access to safe drinking water. Overall, these issues point to challenges in governmental management and capacity in terms of infrastructure development, power supply reliability, water treatment, distribution network expansion, and effective regulation and enforcement of water quality and wastewater management.

Libya is very vulnerable to climate change, because of its geographic, economic, and political context. Approximately 95% of Libya’s land area is comprised of desert. Coastal areas, the low mountains, and scattered oases in the desert are the most densely populated areas of the country and suffer the highest levels of land degradation and the least protection of its biologically diverse ecosystems and habitats. Desertification is one of the most pressing environmental threats in Libya which poses risks of further loss of already limited arable land, thereby potentially impacting food security. Desertification is driven by a combination of factors, including high rates of urbanization and overexploitation of water resources and natural vegetation. On the 11th of September 2023, storm Daniel caused largescale flooding in Libya’s northeast, leading to loss of lives and infrastructure damage in several coastal towns and along rivers, including Benghazi, Al-Jabal Al-Akhder, Al-Marj, Batah, Bayada, Albayda, Shahat and Sousse. The city of Derna appears to be particularly hard-hit after two dams broke upstream, releasing over 30 million cubic meters of water into the city of Derna. Initial reports suggest extensive damage to housing and critical infrastructure. (source: https://reliefweb.int/report/libya/libya-2023-floods-emergency-situation-overview-13-september-2023)

Adaptation capacity and resilience in the face of extreme climate events are limited. Economically, the Libyan economy is one of the least-diversified, most oil dependent economies, meaning it is at risk of possible negative impacts from global mitigation efforts (e.g. having stranded assets). The country has experienced also issues like drought, conflict, migration, land degradation, desertification and already has very limited fresh water and arable land. Climate Change may further exacerbate regarding this situation.

The Libyan’s Green Growth Index (GGi) over the past decade decreased from 33.2 in 2010 to 29.8 in 2021, compared to an average index for North Africa increasing from 42.3 to 43.5 and an average index for Africa increasing from 47.6 to 48.6 during the same period. The absence of a national vision towards green growth initiatives and the delay in related reforms are the main factors leading to this pattern.

In 2020, the Ministry of Economy and Industry announced plans to increase the share of renewable energy in the country's electricity mix to 20 % by 2025 and 30 % by 2030. This will require significant financing needs for supporting climate change actions and green growth.

According the 2019 World Resources Institute, Libya is among the seventeen countries which are facing extremely high-water stress and ranked 6th. Libya, Syria, and Yemen the countries whose governments cannot effectively manage environmental problems at all, according to the 2020 environmental performance Index (EPI). Libya is not scored or ranked in the 2020 EPI. The country hasn't submitted any major communications or reports for international environmental processes in recent years. Libya has not yet submitted Nationally Determined Contributions or Intended Nationally Determined Contributions (INDC), per the Paris Agreement on Climate Change. Therefore, there is no data on Libya's climate change financing needs, which makes it impossible to work out the financing gap. However, recently on 31 August 2021, the Parliament of Libya ratified the Paris Agreement; and Libya has committed to most of the international conventions on environment and Climate Change as well. The country is preparing to develop its NDC. Libya is one of the countries to be covered by the MENA Region Concentrated Solar Power programme. This initiative is motivated by objectives of energy security, climate change mitigation, and regional integration in the Mediterranean. A total of $750 million in Clean Technology Fund (CTF) concessional financing is supporting the development of 960 MW of new CSP capacity across Egypt, Tunisia, Morocco, Jordan, and Libya.

Libya's natural resource endowment is both a blessing and a curse. The significant hydrocarbon wealth has driven economic growth and development but is also a source of vulnerability and tension. In Lybia, natural resource extraction is a vital component of fiscal revenues and can contribute to employment generation and enterprise creation if rents are effectively and equitably distributed. Unfortunately, the country lacks an operational regulatory and institutional framework to sustainably manage its sources. For the country to attain its IHYA Libya Vision 2030 which seeks among other factors to bring prosperity and development to the country, there is an urgent need for efforts to be made to create effective partnerships with the international community on environmental sustainability and effective compliance with environmental transparency and management conventions. Also, adherence to extractive industry transparency standards in line with international norms as well as strengthening civil society organizations to monitor production-sharing agreements can bring more transparency to how Libya's natural resources are governed and how government revenues are used.

In general, due to the political instability of Libya, **there no clear visibility and availability of data on the environmental impact of development policies in the other sectors of the economy, nor actions taken in 2022 by the government to strengthen the institutional capacity and address environmental issues. The priority and policy attention given to debates over environmental policies and regulations have been reduced.** The Libyan Government has not yet developed a climate change strategy, defining and prioritizing specific mitigation and adaptation goals which are critical to frame the countries response to climate change and ensure sustainable development.

(D) Public Sector Management and Institutions

Cluster Score: 1.258

12. Property Rights and Rule-based Governance

Criteria Score: 1.5

12.a. Legal basis for secure property and contract rights

Score Type	Value
Draft Score	1.5
Reviewed Score	1.5
Second Draft Score	1.5
Final Score	1.5

Country Notes:

Property rights were highly insecure before 2010 and the government's approach to property governance was defined by its inconsistency. The Libyan government regularly confiscated private land, some of which was redistributed to the landless or to political favorites. A series of successive redistribution efforts culminated in the abolition of private property ownership in 1986, leaving Libyans with only transferable use-rights to land. This led to a rise in social tension and a lack of investor confidence.

However, the first government which was established after the revolution in 2012 had set as one of its primary tasks to determine the procedures to provide the foundation for Libya's new property rights and resource governance regime. Preliminary steps have already been taken but never completed; and in March 2013 the Ministry of Justice published a draft law intended to resolve disputes arising from earlier state seizures of property. The law includes provisions regarding restitution and compensation for those whose property was expropriated by the state under Law No. 4 - a provision the Qadhafi regime used to justify wide-ranging expropriations. As Libya seeks to dampen social conflicts and to attract foreign investment, reforms to clarify and strengthen private property rights will become increasingly necessary.

The intensifying tensed state of affairs in the country, on the political and security levels, with the lack of the presence of one united government that has a strong control over the country's resources and have the authority to propose and issue laws and supervise the preparation of the constitution, implied that economic, property and contract rights are increasingly defined by the politics and power struggles within the country rather than well-established rules and laws protecting such rights.According to the 2020 Mo Ibrahim Index of African Governance, Libya ranks 46th (out of 54 African countries) in terms of Property Rights. This index has continuously been worsening since 2012. While the current political unification efforts may contribute to a positive environment in upcoming period, the trend of Property Rights is not yet clear.

The 2022 Mo Ibrahim Index of Property Rights & Regulations (an index which assesses the extent to which government authorities ensure well-defined rights of private property and regulate the acquisition, benefits, use and sale of property) has been 12.5/100 since 2015, placing the country either at the 46th or 45th place.

The overall Rule of law index of the Mo Ibrahim IIAG is weak in Libya at 21.6/100 in 2021 compared to 20.5 in 2019 (Rule of Law: 0 = low rule of law, 100 = High rule of law). The Property rights index of the Heritage Foundation shows that between 2018 (5) and 2020 (30), Libya experienced some significant gains on this front. However, the country's score decreased to 5.4, below the world average. The present score of 5.4 indicates that there's a weak degree of legal protection of property and judiciary independence. The country's judicial effectiveness score (3.6) is below the world average; and its government integrity score (12.5) is below the world average. (Heritage Foundation, 2022).

Libyan property rights are muddled due to historical government policies and a current weak regulatory framework. While efforts have been made to reverse previous laws that eliminated private property rights, the system remains convoluted with ambiguous property ownership and reluctance from banks to acknowledge residential property as collateral. Additionally, while there are laws that seem to cover intellectual property rights, enforcement is inconsistent, and trademark violations are common. This situation indicates that laws and regulations related to property and intellectual property rights in Libya are applied selectively, and there's significant room for unpredictability. The limited enforcement and widespread violations demonstrate that while there are laws in place, their practical application is often lacking.

Despite the few attempts of the previous governments towards issuing a law to regulate property rights, to date there is no comprehensive law on property rights in the country. In addition, enforcement is very weak.

12.b. Predictability, transparency, and impartiality of laws affecting economic activity

Score Type	Value
Draft Score	1.0
Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

hough the latest political development towards a unified government provides a positive perspective, there still are numerous challenges in planning reforms and enacting key laws affecting economic activity due to a general concern over the upcoming transition period*.* Indeed, it has proven extremely challenging for public and private sector entities to predict changes in laws and regulations affecting their economic activities, bringing to a halt the productive base of the economy while undermining the prospects for long-term investment and development planning.

The Libyan regulatory and legal system lacks transparency and is characterized by obscurity, and a non-distinctive demarcation of governmental roles. This system exhibits severe deficiencies marked by an extremely low ranking in both corruption perception and ease of doing business. . Transparency International (TI) placed Libya 173rd out of 180 countries with a score of 17 out of 100 points ("1" being the least corrupt) in 2020 Corruption Perceptions Index. In the last TI Index in 2019, Libya placed 168th out of 180 countries with a score of 18. The ranking and index worsened between 2019 and 2020. This is a continuous trend in the past decade such that it has scored 21, 15, 18, 16, 14, and 17 from 2012 to 2017 respectively. Libya’s bureaucracy is one of the most opaque and amorphous in the region due to its legal and policy frameworks which are similarly difficult to navigate.

Licenses and permits are subject to prolonged, unpredictable delays with decisions often lacking clear criteria, fostering an environment ripe for corruption. The lack of public consultation, challenges in accessing reliable commercial regulations, and the non-mandated reporting for companies further inhibit transparency. While the country's legal foundation, the 2011 Constitutional Declaration, sets the basis for laws and obligations, the broader justice system's weakness, coupled with the challenge of law enforcement, creates a setting that is highly unfavourable and uncertain for businesses and investors.

Libya’s National Anti-Corruption Commission (NACC), founded in 2014, was accredited by the United Nations Office on Drugs and Crime (UNODC) in December 2020, a step hoped to improve its international collaboration. Together with the Libyan Audit Bureau (LAB), its effectiveness is largely hampered by the country’s split and occasional militant attacks (Source: BTI 2022 Country Report).

No changes of improvements are being observed under the criteria 10.b. over the period 2021-2022.

12.c. Difficulty in obtaining business licenses

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

While the national unification seems in sight after a decade-long conflict, political instability and potential crowding out the private sector in Libya continually face a demotivating business environment. The 2022 Mo Ibrahim Index of African Governance (IIAG) shows that Libya marked the largest deterioration on the

Foundation of Economic Opportunity (29.9 in 2021 compared to 32.1 in 2019, rank 46 during 2019-2021). While this indicator is relatively stable in up-word in the most African countries, Libya is the only country categorized as the country of the Increasing Deterioration. While Infrastructure index was positive, the rest of two indicators of Public Administration and Business Environment is negative which are related to obtaining business licenses. Moreover, the private sector had difficulties recruiting skilled and qualified individuals from the Libyan labour force. Though the national unification efforts may provide positive perspective, this problem is likely to continue over the next decade until a stable government provide better environment for schools and universities.

Obtaining business licenses and permits in Libya is a long process that can last several months. In fact, numerous parties are involved in the approval such as the social security administration, labor administration, tax administration, Ministry of Interior and Ministry of Economy. What’s more, delays and refusals are quite frequent and even unfounded. Mandatory requirements, spanning across several departments and institutions, necessitate the involvement of specialized agents. Even for the most straightforward corporate structures, registration is time-consuming, taking months. This environment signals significant bureaucratic hurdles, potential inefficiencies, and a likely deterrent for new business endeavours.

Business registration procedures in Libya are still lengthy and complex. The Ministry of Economy is the main institution for processing business registration requirements. The Libyan government does not maintain an online information portal on regulations for new business registration or online registration functionality for registering a new business.

Libya performs continually poorly in important indicators of business environment.

12.d. Crime and violence as an impediment to economic activity

Score Type	Value
Draft Score	1.5
Reviewed Score	1.5
Second Draft Score	1.5
Final Score	1.5

Country Notes:

Though the efforts of forming a unity government are progressing, the crime and security situation in Libya is still highly insecure because of uncertainty in coming months. High insecurity and political uncertainty are the main constraints the Libyan private sector is facing since 2014, in addition to poor regulatory environment, policy instability, corruption, and a lack of an entrepreneurship ecosystem.

Libya’s peace remains fragile and election disputes remain unresolved. Initially planned on 24 December 2021, national elections have been postponed twice, first to June 2022 and then to the end of 2022, after the head of the High National Election Commission ordered the dissolution of the electoral committees nationwide. To date, there is no agreement on a new date nor legal and constitutional basis for the elections. The year 2022 has brought a return to political division with increasingly frequent conflict events in the country, and a lack of a unified security force. The United Nations is encouraging the authorities to hold elections before the end of the year. Members of the Libyan 6+6 Joint Committee for Preparing Electoral Laws reached an agreement on 6 June 2023 on draft laws for presidential and parliamentary elections. The Libyan stakeholders are cautiously optimistic about possible ways to get out of the political stalemate.

It seems that the state is largely ineffective in protecting its citizens' lives and property against crime and violence, especially in the context of politically motivated damages and seizures. The establishment of the GNU has brought some stability, but the political tension and rivalries among armed groups continue to pose significant threats.

The political and security crises have dealt a major blow to firms, disorganizing their operations, closing factories, and causing job losses, and increasing the militias’ involvement in the private sector. The conflict-induced collapse of the economy and the lack of confidence in the banking system has generated a liquidity crisis. As many as 97 % of firms reported in 2018 that the crisis directly impacted their business, which is up from 77 % in 2014 (World Bank, forthcoming). Due to their relatively larger assets and focus on production, companies active in the manufacturing and real estate sectors were more affected than businesses active in services or retail (Source: WB/EU/UNDP 2019).

The 2022 Mo Ibrahim Absence of crime index indicates a score of 59.8/100 in 2021 (rank 39th/54) compared to 60.6/100 in 2019 (rank 40th/54).

Though the efforts of forming a unity government are progressing, the crime and security situation in Libya is still highly insecure because of uncertainty in coming months. High insecurity and political uncertainty are the main constraints the Libyan private sector is facing since 2014, in addition to poor regulatory environment, policy instability, corruption, and a lack of an entrepreneurship ecosystem. The political and security crises have dealt a major blow to firms, disorganizing their operations, closing factories, and causing job losses, and increasing the militias’ involvement in the private sector. The conflict-induced collapse of the economy and the lack of confidence in the banking system has generated a liquidity crisis. As many as 97 % of firms reported in 2018 that the crisis directly impacted their business, which is up from 77 % in 2014 (World Bank, forthcoming). Due to their relatively larger assets and focus on production, companies active in the manufacturing and real estate sectors were more affected than businesses active in services or retail (Source: WB/EU/UNDP 2019).

The establishment of the GNU has brought some stability, but the political tension and rivalries among armed groups continue to pose significant threats. The situation of crime and violence, therefore, hasn’t been realistically reduced yet in 2021-2022 so that the business and investment would return. Therefore, no clear changes or improvements have been observed under the criteria 10.d yet.

13. Quality of Budgetary and Financial Management

Criteria Score: 1.125

13.a. Comprehensive and credible budget

Score Type	Value
Draft Score	1.0
Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

In 2022, the fiscal surplus remained high at 20.1% of GDP. Oil revenues increased by 41 % between 2021 and 2022 thanks to higher global prices. Total expenditure increased by 54.4 % during the same period, with the biggest increase registered in administrative expenditure. Resource allocations for public investment remain low despite the recent important increase.

Exemptions from customs duties, are widespread with no tight controls. According to the Audit Bureau, there are approximately 2,000 state-owned enterprises (SOEs) in Libya, and this number continues to increase. The issue of SOE ownership and control in Libya is especially intricate. SOEs that generate profits have not provided any dividends to the Ministry of Finance (MoF) since 2010, while SOEs that experience financial losses receive budgetary assistance to cover their payroll expenses. (Source: IMF Article IV).

The budget preparation process is governed by the requirements set out in the State’s General Finance Law n°01/2008. The budget circular plays a key role in the budget preparation process. At present, given the institutional situation, the budget preparation process remains fragmented and doesn’t allow the adoption of a unified Budget. Furthermore, the budget preparation exercise lacks a medium-term perspective. Moreover, In the absence of a Government Financial Management Information System (GFMIS), the budget execution and follow-up are largely manual. As well, the audit and closing of the budget and finals accounts are facing real challenges.

Thus, the High Financial Committee said in September 2023 that it had assigned a team to work with the responsibility of developing the basis and criteria for the final form of the unified budget, subject to ensuring the quality of public expenditure, equitable distribution and improved service delivery. (Source: The Libya Observer).

The Budgeting process is weak and significantly affected by the existence of two governments. **Very limited progress has been registered in 2021 and 2022 and the current year 2023. The country’s budget is still not an effective policy instrument for public finance** and is not linked to a medium-term fiscal strategy informed by macroeconomic realities and objectives.

13.b. Effective financial management systems

Score Type	Value
Draft Score	1.0
Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

The Libyan Public Financial Management (LPFM) program was established in 2013. It seeks to advance national stability and a more prosperous future for the Libyan people by strengthening the country’s fiscal foundation, revitalizing its electricity sector, and stimulating private sector growth. The main LPFM objectives are: (i) Strengthening Libya’s public financial management systems at the national and sub-national levels to improve budget transparency, accountability, and more equitable distribution of critical public services; (ii) Enhancing Libya’s energy efficiency, conservation, and service reliability; and (iii) Improving Libya’s business enabling environment to stimulate private sector growth and investment.

Libya’s public financial management framework suffers from several issues, such as: weak controls and oversight of cash management; an outdated and fragmented legal framework that lacks clear descriptions of roles, responsibilities and processes; a lack of medium-term strategic direction in policy development; and is largely paper-based processes, which have evolved over the years to meet new needs but are not clearly defined within the legal framework; lack of modern IT systems to support decision-making, execution, monitoring, accounting and reporting; practices and tools that do not comply with modern international standards, such as comprehensive Chart of Accounts and Unified Treasury Accounts System (Source: IMF, ARTICLE IV).

The Bertelsmann Stiftung's Transformation Index (BTI) 2022 report states that Economic planning has been almost impossible due to the erratic development of GDP growth, which has largely depended on how well the production and export of oil are functioning.

The PFM systems are weak and lack, from one hand, a framework defining controls over public expenditures including ex-ante controls and ex-post controls, from an other hand, an adequate system of budget reporting and monitoring.

13.c. Timely and accurate fiscal reporting

Score Type	Value
Draft Score	1.0

Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

Libyan Audit Bureau is the highest financial control and accounting body in Libya. It is directly affiliated with the legislative power and is a member of the international organizations.

The budget preparation process is governed by the requirements set out in the State's General Finance Law n°01/2008. The budget process is orderly and adheres to a fixed budget calendar. The Libyan fiscal year starts on January 1st and runs until December 31st of the following year. The budget circular plays a key role in the budget preparation process. The final phase of the budget process is the audit by the Libyan Audit Bureau (LAB). Thus, the different public entities shall submit to the MoF their finals accounts at latest three (3) months after the relevant financial year. Then the MoF will submit the consolidated final accounts to the LAB no later than six (6) months after the closing of the financial year. The LAB shall review the budget results for accounting accuracy and compliance with laws and administrative regulations and submit its Audit Report to the Parliament. The audit and closing of the budget and finals accounts are facing real challenges. In fact, the last budget and final account was in 2007 due failure to provide sufficient supporting documents and to answer the questions of the LAB.

According to the Audit Bureau 2022 report, Despite the improvement registered in 2021 in the unification process and security situation, the political situation is still fragile, as matters soon became complicated again at the end of the year with the emergence of security and political disputes, and no law was issued the unified budget in addition to the continued absence of accountability and accountability.

The coexistence of two separate budgets and the absence of accountability continues to hamper an accuracy and timely financial reporting, putting under pressure the efficiency of fiscal and thus macroeconomic policy.

Given the current political instability, the fiscal system is expected to stay as such until a central government is established, and concrete reforms are envisaged.

13.d. Clear and balanced assignment of expenditures and revenues to each level of government

Score Type	Value
Draft Score	1.5
Reviewed Score	1.5
Second Draft Score	1.5
Final Score	1.5

Country Notes:

The overall fiscal stance in Libya is under severe stress since 2014, with high expenditures and volatile oil revenues. A rebound in oil prices and the resumption of oil production resulted in budget surpluses in both 2021 and 2022 (IMF, Article IV). In 2022, the fiscal surplus remained high at 20.1 % of GDP. Despite lower production, oil revenues increased by 41 % between 2021 and 2022 thanks to higher global prices.

During 2021 and 2022, the budget balance registered surpluses, estimated at 10.2% and 2.4% of GDP, respectively. Total expenditure increased by 32.9% during the same period (from 85775,9million LYD in 2021 to 127874,5 million LYD in 2022), with the biggest increase registered in administrative expenditure (65.7%). Budget for salaries increased by 34.9%. Development expenditure increased by 48.4% to reach 33725,5 million LYD its share in total expenditure increased from 20.3 % in 2021 to 26.4 % in 2022 (the share was between 4 and 10% between 2018 and 2020). However, resource allocations for public investment remain low despite the recent important increase. The government plans to remove fuel subsidies and replace them with cash subsidies to eliminate smuggling and reduce the growing energy bill. In 2022, fuel subsidies represent 70.4% of total subsidies and 22.6% of total expenditure.

Capital expenditures are limited as GNU does not have an approved budget and instead spends according to the adjusted 2019 budget. This situation results in limited capital expenditures and budget surpluses in 2021 and 2022 ($4.4 billion and $6.4 billion, respectively). Due to the lack of an approved budget, some revenues and expenditures are not included in official budget accounts. (Source: IMF Article IV).

The political instability mainly in the form of institution division and the long-lasting effects of Covid-19 in addition to the negative impacts of the War in Ukraine have severely impacted the preparation of clear and balanced budget in Libya. However, the share of development spending showed an improvement in the past two years.

14. Efficiency of Revenue Mobilization

Criteria Score: 1

14.a. Tax policy

Score Type	Value
Draft Score	1.0
Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

In 2022, the oil industry contributed at 68% of the GDP structure while it accounted for 97% of total exports, and it contributed to the financing of the general budget by more than 90%. The economy is heavily dependent on oil revenues, which are primarily contingent on the security situation and on the Government's ability to maintain normal production levels.

Regarding revenues, the structure of government revenues and spending in Libya reflects its heavy dependence on oil revenue. The distribution of revenue shows a high share of revenues from oil (97,1%) compared to non-oil revenue (2.9%). Hydrocarbon revenues play a critical role in financing government expenditures. When oil production falls, so do governments revenues and then the Libyan Government adapts its spendings. This calls for important reforms of the tax system and collection mechanisms, which would diversify revenue sources and generate a less volatile fiscal stance.

Tax revenues represent roughly 1% of total revenues in 2022. This shows the **lack of adequate reforms of tax system and tax collection mechanisms**, which would diversify revenue sources and generate a less volatile fiscal stance. Oil revenues represent 59,6% (2.401 billion LYD) of total revenue, according to the Central Bank of Libya. The most recent new tax Law in Libya is the Law No 7 of 2010. The taxation system didn't observe any improvement over the past years. According to a 2014 capacity analysis conducted by the IMF, revenue collection performance is low by regional standards.

Regarding expenditures, the government continues to prioritize expenditures for yearly public salaries. According to the Ministry of Finance and Banking operations Department in Central Bank of Libya, 39.7% of total expenditure were allocated to salaries and 18.2% were allocated to administrative expenses in 2022. Development expenditure accounts for 26.4% of the total expenditures in 2022 compared to 20.3% in 2021. The remaining expenditure accounts for 18.2% for administrative expenses and 15.7% for subsidies and price stabilization.

The political instability and the security situation hindered the authorities in Libya to prepare clear and balanced budget and tax reform. This situation is expected to stay as such until a central government is established, and concrete reforms are envisaged.

14.b. Tax administration

Score Type	Value
Draft Score	1.0
Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

Libyan authorities adopted in 2010 a substantial reform of the income tax regime (Law 7/2010). This reform introduced new rates of taxation and changed the long-established concepts. It abolished certain taxes and changed the relationship between taxpayers and the Tax Authority.

Regarding the corporate income tax, the income statement must be certified by a registered accredited public auditor and the statement must be submitted within 4 months from the end of the financial year instead of 7 months under the previous law. The rate is 20%. Regarding the payroll tax, the rate for this tax is now 5% for the first LYD12,000 of annual income and 10% for any amounts more than LYD12,000. The minimum income exempted from tax has been increased and the range of exemptions has been widened, so that now an unmarried person will be exempted for LYD1,800 of annual income and a married person will be exempted for LYD2,400 of annual income plus a further exemption of LYD300 per dependent child. The rate of Stamp Duty due on supply, construction, transportation, public utilities concessions and any other contracts the subject of which is the provision of service or conduct of work has been reduced from 2% to 1% of the value of the contract.

However, **the most recent new Tax Law in Libya is the Law No 7 of 2010. The taxation system didn't observe any improvement over the past years**. According to a 2014 capacity analysis conducted by the IMF, revenue collection performance is low by regional standards. The situation is expected to stay as such regarding the fact that the tax administration is plagued by corruption, the weak institutional framework to combat corruption, and the ineffective fiscal institution in addition to huge needs in developing human resources. According to the Mo Ibrahim Absence of corruption in public institution index, Libya is ranked 41/54 countries in Africa in 2021. Thus, **the tax administration's performance is poor.**

Political and economic unrest have made it difficult to impose taxes efficiently for a long time. The government, which is unduly reliant on the oil industry, has made very slow and limited changes to diversify the economy, much of which is still under strict state control. (Source: Heritage Foundation 2022).

15. Quality of Public Administration

Criteria Score: 1.167

15.a. Policy coordination and responsiveness

Score Type	Value
Draft Score	1.0
Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

Libya's peace remains fragile and election disputes remain unresolved. Initially planned on 24 December 2021, national elections have been postponed twice, first to June 2022 and then to the end of 2022, after the head of the High National Election Commission ordered the dissolution of the electoral committees nationwide. To date, there is no agreement on a new date nor legal and constitutional basis for the elections. The year 2022 has brought a return to political division with increasingly frequent conflict events in the country, and a lack of a unified security force. Libya's central bank announced in 20 August 2023 its reunification after being split for nearly a decade.

The executive power in the country is fragmented between different institutions with the lack of one centralized government. This has reduced the levels of coordination between the two competing governments. Since the third quarter of 2014, the level of policy coordination and responsiveness in Libya has slowed down due to the political division and the poor security situation. There have been several attempts by the Government of national accord brokered under the auspices of UN, to unite the country and form one government, which gets the consent of all sides. However, an achievement of forming one government hasn't been realized yet.

Over the period 2021-2022, the situation has dramatically progressed that the new presidential election and parliamentary election are agreed to be held in late 2021. By this agreement among rival political groups, a possibility of a new unity government is suddenly in sight. Members of the Libyan 6+6 Joint Committee for Preparing Electoral Laws reached an agreement on 6 June 2023 on draft laws for presidential and parliamentary elections. The Libyan stakeholders are cautiously optimistic about possible ways to get out of the political stalemate. However, **the situation is still fluid and uncertain** especially towards the transition period which may cause power vacuum. Therefore, the public institutions' policy coordination has been still low. The 2022 Mo Ibrahim Index on African Government indicates that the **public administration capacity of Libyan government is still very weak** (Score 31.5 in 2020 and 2021, rank 48 in 2020 and 2021). Therefore, the improvement in criteria 11.a hasn't still been practically observed yet.

15.b. Service delivery and operational efficiency

Score Type	Value
Draft Score	1.0
Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

Service delivery has been hampered severely by the country's ongoing political crisis. First, an unstable status of the government's hydrocarbon revenues has hampered its ability to maintain stable levels of expenditure on social services. Second, the fragile security situation and the fragile political context have significantly impacted the ability of the state to maintain a clear and consistent oversight on the country's service delivery networks. Since the beginning of the crisis in 2014, resources' allocation for public investment have decreased, and the successive governments have prioritized essential of their expenditures to cover security expenses, yearly public salaries, and subsidies.

The recent disaster at the city of Derna in the Eastern part of the country in 2023 has been said that it was due to the underinvestment on public infrastructure for many years. The service delivery in various area including infrastructure investments have been weak. Also government services such as meteorological information services, disaster prevention, on top of regular public services have been quite weak.

According to the Worldwide Governance Indicators 2021, **Libya is scored very low in terms of Government Effectiveness** (-2.5 weak; 2.5 strong) at -1.72 and ranked 185th worldwide (-1.84 in 2020); The governance effectiveness of Libya has been slightly improved; but remains low.

The political scene remains highly polarized, with the GNA ruling in the capital, Tripoli, in western Libya, and a parallel administration in the east of the country.

Since the beginning of the crisis, the delivery system for basic services is extremely fragile and on the verge of collapse. Power shortages last at least 3 to 4 hours on most days. The water sector infrastructure is approaching critical failure. Access to and use of healthcare services is significantly reduced especially outside the major urban centers. Access to education is reduced and quality is low leading to lower productivity and earnings.

Over the period 2021-2022, though the current political unification efforts may contribute to a positive environment in upcoming period, the uncertainty of near future provides people to maintain status quo. Therefore, no clear changes or improvements have been observed under the criteria 11.b yet.

15.c. Merit and ethics

Score Type	Value
Draft Score	1.5
Reviewed Score	1.5
Second Draft Score	1.5
Final Score	1.5

Country Notes:

Since 2011, Libya has deteriorated dramatically in terms of the various indicators pertaining to merits and ethics particularly in public sector institutions. According to the Global Integrity index 2020, Libya’s score in terms of Civil services integrity has deteriorated compared to the 2018 report. The country records a score of 0 out of 100 in 2020 and 2019 compared to 25 in 2018 and 2017. In Libya, civil servants' work is compromised by political interference. The two governments were formed based on gaining the loyalty of tribes and cities or satisfying the demand of the armed groups, not on a merit-based process. Political affiliation and clashes between polarized political actors play a main role in this situation, and in this environment civil servants cannot function without political interference. Therefore, civil servants frequently face sanctions and removal without due process.

In a very low governance environment (2.45/10 in the Bertelsmann Transformation Index - BTI 2022 compared to 2.31 in previous BTI), and the country was ranked 127th out of 137 countries; and a low ranking in the Transparency International Corruption Perception Index (173/180, with a score of 17/100) bribe seeking in public service may also be a significant factor. The BTI 2022 report also states that since the beginning of the civil war, and the consequent political and institutional divisions, employment standards for middle and senior positions have been absent, and that many of these roles have been distributed based on tribal or regional quotas rather than capacity. Based on the write-up and the other factors affecting merit and ethics in the public service a lower score of 1.5 is proposed. (source: https://bti-project.org/en/reports/country-report/LBY).

“After a cease-fire was reached in October 2020, there appeared to be significant movement toward a political solution, with major steps taken toward Libya’s institutional reunification.(source: https://bti-project.org/en/reports/country- dashboard/LBY)

Over the period 2020-2021, though the current political unification efforts may contribute to a positive environment in upcoming period, the uncertainty of near future maintains the civil service system to be the status quo. Therefore, no clear changes or improvements have been observed under the criteria 11.c yet.

15.d. Pay adequacy and management of the wage bill

No score data available for this subcriteria.

16. Transparency, Accountability, and Corruption in the Public Sector

Criteria Score: 1.5

16.a. Accountability of the executive to oversight institutions

Score Type	Value
Draft Score	1.5
Reviewed Score	1.5

Second Draft Score	1.5
Final Score	1.5

Country Notes:

In practice, Libya's anti-corruption agencies are somewhat effective in investigating and prosecuting allegations of corruption. The Libyan Audit Bureau's (LAB) has revealed serious cases of corruption in most sectors during the period 2019-2020. Unfortunately, due to a lack of documentation about the activities of the LAB, it is not clear whether the finding have been followed up on.

Some progress has reached in terms fighting corruption over the period 2018-2020. In December 2019, a joint agreement has been signed between the National Anti-Corruption Commission, the Audit Bureau and the Administrative Control Authority to form a national team for developing a national anti-corruption strategy.

However, and despite the theoretical capacity of these three agencies to mount an effective front against corruption, the insecurity and ongoing conflict continue hindering these agencies from undertaking any serious investigations. While the current political unification efforts may contribute to a positive environment, the status may tend to be unchanged due to the uncertainty in upcoming period.

Before the agreement signed on February 2021 between the two politically dominant groups of Government of National Accord (GNA) and the Interim Government (IG) backed by the House of Representatives (HOR), the institutional governance situation in Libya was very serious such that crimes under international law committed by State actors and armed groups have not been properly prosecuted. Reported by the International Commission of Jurists in 2019, however, Libya's political fragmentation did not undermine the unity of the Libyan judiciary. It explains that judges and prosecutors continuing to discharge their functions under the authority of a single Supreme Judicial Council and applying the same laws and procedures. But at the same time, due to the weak and decentralized political structure and the precarious security situation, the effectiveness of the judicial system was significantly undermined. Therefore, the coverage of justice in the country has been very limited.

According to the 2022 Mo Ibrahim Index on African Governance, Libya's status on rule of law registered slight improvement; but still not strong. The Rule of law and Justice Index was 21.6 in 2021 compared to 20.5 in 2019; ranking the country 49th compared to 50th in 2021) While the Institutional Checks and Balance scores 46.4/100 which is 25th ranking out of 54 countries, the overall Security and Rule of Law score of Libya is 26.9/100 and ranks 50 out of 54 countries and the trend of this score is deteriorating.

For instance, the role of the judiciary remains unclear in country, without a permanent constitution, and judges, lawyers, and prosecutors face frequent threats and attacks. The national judicial system has essentially collapsed, with courts unable to function in much of the country. According to the 2022 Mo Ibrahim Index on African Governance, Libya scored 37.2/100 in 2021 (compared to 43.6 in 2019) and was ranked 30th out of 54 countries for the sub-criteria of Institutional checks and balances. So, delving further into the institutional set up that exist could strengthen the analysis.

Libya should enhance the accountability of the executive to oversight institutions through trainings and capacity building. Strengthening governance mechanisms and practices is an essential element to the effective delivery of public serices.

Therefore, no clear changes or improvements have been observed under the criteria 12.a.

16.b. Access of civil society to information on public affairs

Score Type	Value
Draft Score	1.0
Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

The post-revolutionary period has seen a flourishing of civil society, and some non-governmental organizations have devoted themselves to transparency, most notably in the energy sector. This was manifested by the number of new associations which were set up. Most of these new NGOs seek to improve Libyans socio-economic living standards by building infrastructure, improving the health and education sectors, creating growth and employment, or promoting the study of foreign languages.

Several CSOs have dedicated their work to promoting transparency, particularly within the energy sector. Although still in its first stages of development, cooperation between the government and civil society has been established after the 2011 revolution. Nonetheless, with the political division in 2014, efforts to cooperate also followed suit, leaving CSOs to function only at a local level. Attempts by civil society to curb corruption have been limited. The Libyan Transparency Association is an CSO that is active in fighting corruption (LTA).

Libya is assessed as “Very weak” according to the 2023 Africa Integrity Indicators regarding Access to Information & Openness There is no legislation that regulates the dissemination of the information to CSOs in Libya. So CSOs will find the same hardship to get information as any other player in the country. “In practice, citizens’ requests for public information are limited unless requested with permission from an employment or university institute. However, not all documents can be accessed, such as financial records or information related to national security. For instance, petroleum engineers cannot gain data from government oil and gas companies, even if requested from a university, unless there's a relationship with people working on the inside, and even then the available information is limited and cannot be fully accessed. The Bureau of Census and Statistics in Libya, which retains the most information, gives limited access to papers when requested, and barely provides information online.

However, after creation of the Government of National Unity, several governmental entities, such as the Ministry of Labour, tried to develop an online mechanism to provide information to citizens through live interaction. Most entities and ministries provide their information through their social media pages rather than uploading it to their websites, leaving Libya behind in the digitalisation era. However, the High National Election Commission, the Central Committee for Municipal Council Elections and the National Center for Disease Control are the top governmental units that update their information and statistics online." (Source: Africa Integrity Indicators, 2023).

The Freedom House's "Freedom in the World 2023" scores Libya at 10/100 for overall rating with mentioning of "Not Free". In the same rating, Political Rights scores 1/40, Civil Liberties scores 9/60. The report highlighted that "Libya has been racked by internal divisions and intermittent civil conflict […]. International efforts to bring rival administrations together in a unity government have repeatedly failed, preventing long-overdue elections. The proliferation of weapons and autonomous militias, flourishing criminal networks, interference by regional powers, and the presence of extremist groups have all contributed to the country's persistent lack of physical security. More than a decade of violence has displaced hundreds of thousands of people, and human rights conditions have generally deteriorated" (source: Freedom House's "Freedom in the World 2023). The report indicates also indicates that Libya is the country which witnessed the largest 10-year declines worldwide.

Reporters Without Borders' 2023 Press Freedom Index also highlights the same trend, with the country being ranked 149th out of 180 countries assessed. "Libya has been caught in a deep crisis and armed conflict. Media and journalists are commonly forced into the service of one of the parties involved in the conflict, to the detriment of editorial independence" (Source: Reporters without Borders, 2023)

The Mo Ibrahim Index of African Governance 2022 follows the same trend, ranks the country 48th out of 54 countries, with a score of 0/100 on the sub-criteria of "Accessibility of Information".

Though the efforts to form a unified government through elections are progressing, **the status of creation of an effective central government in Libya is still uncertain**, CSOs continue being increasingly consulted by both national and international actors in Libya. With the fragile situation in security, they continue to play an instrumental role in delivering basic services as well as contributing to peace building efforts and democratic development.

The lack of access to information on public affairs (Government policies, programmes, schemes, benefits and deliveries) makes corrupt practices thrive. Promoting access to information is crucial as development needs to become a people-centric and people-driven process. Efforts should be devoted to creating awareness, motivating the demand for rights, providing skills and improving capacities. Civil Society Organisations (CSOs) should be involved in monitoring public service delivery and should also serve as an instrument for reform and social change.

Over the period 2021-2022, no changes or improvements have been observed under the criteria 12.b.

16.c. State captured by narrow vested interests

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

In Libya, the labour law is specific about combating conflicts of interest, nepotism, cronyism, and patronage in all branches of government, and promotes competitive recruitment. Article 3 of Law No. 12 of 2010 says that in all institutions and for all types of functions, work is based on merit and perseverance. The selection of candidates is based on values of transparency, justice and good faith. All forms of favoritism, partiality and patronage are forbidden, including those based on membership in unions, tribal links and any other affiliations.

Before the 2011 revolution, evidence shows that there has seen some sort of favoritism in some of the business aspects like owning lands, getting credits from banks and facilitating business licenses.

During the post-revolutionary period in Libya, arms were widespread across the country, therefore the real authority is with the militias rather than a strong, united and functioning government. As a result, civil servants are subject to different kinds of harassment and/or assaults. It is not possible to say that appointing or dismissing civil servants is taking place through a merit-based system, but rather people's political connections play a key role.

The resulting amalgamation of private interests mixed with military units is likely to shape Libya’s political and security landscapes for years to come. Since mid-2022, relations between leading military actors have been characterized by pragmatic arrangements. But they continue to harbour considerable potential for conflict as distributive conflicts can quickly lead to armed confrontation. (Source: https://www.swp-berlin.org/10.18449/2023C44/)

While the current political unification efforts may contribute to a positive environment, the current situation may tend to be unchanged due to the uncertainty in upcoming period. Over the period 2021-2022, no changes or improvements have been observed under the criteria 12.c.

(E) Infrastructure and Regional Integration

Cluster Score: 1.167

17. Infrastructure Development

Criteria Score: 1.333

17.a. Sector strategy/policy

Score Type	Value
Draft Score	1.0
Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

A decade of armed conflict and political instability in Libya has resulted in significant destruction and degradation of the economic infrastructure (energy, water and transport).

The Libyan electricity sector continues to struggle to fully meet the national demand due to power shortages. Although the country has nameplate installed capacity of 10 GW thermal, only 6 to 7 GW are available in practice due to lack of maintenance and fuel shortages. Almost all power generation in Libya relies on fossil fuels (oil and gas). The unfavorable foreign investment environment has weakened considerably domestic oil and gas production; however, production has started to gradually recover since the second half of 2022. Energy remains highly subsidized in Libya which does not promote energy efficiency and threatens the sustainability of the sector. New thermal power generation projects have been contracted by the authorities, which are expected to help close the supply gap by 2025. On the other hand, Libya has large renewable energy potential that remains to be exploited. Some large-scale solar energy projects have been in the making for a while. Restoring stability and security are critical for Libya to be able to attract private investors to invest in its renewable energy plans.

In Libya, about 70.2 % of the population has access to electricity in 2021 (World Bank). In 2019, Libya's per capita electricity consumption was 4,585 kWh, one of the highest in Africa. Such a level of electricity consumption is associated with high GDP per capita (PPP adjusted), which was USD 15,174 in 2019. However, Libya's energy mix is still dominated by fossil fuels, while the country boasts considerable potential for renewable energies (wind and solar). The share of oil and natural gas accounted together for more than 97 % of the total energy supply in 2019 while the share of wind, solar, and other renewable energies was very small. The solar PV applications are typically utilised in remote areas, particularly when it is expensive to link such regions to the power system. In Libya, renewable energy investment is limited by several constraints such as capacity building, policy and law, operation and maintenance and infrastructure.

Likewise, the water and sanitation infrastructures in Libya have suffered from severe degradation. It is estimated that four out of ten people in Libya do not have access to potable water networks and the country lacks minimum infrastructure to guarantee water quality. As for sanitation, it is estimated that almost six people out of ten do not have access to sewage collection networks, and very few wastewater treatment plants are currently operating. **Libya**has 75 sewage treatment plants, intended for agricultural use, but very few wastewater treatment plants are currently operating (10 plants), processing less than 11% of the country's urban wastewater. Most pumping stations have suffered serious damages. Many wells which require either routine maintenance or replacement, remained unrepaired due to lack of funds, spares and absence of contractors. Regarding seawater desalination, there are currently about 21 operating desalination plants with a total capacity of 525,686 m3/d. The General Company for Water and Wastewater Company (GCWW) has been facing financial difficulties to cover maintenance costs. The large public irrigation schemes, equipment, and installations have been damaged due to lack of maintenance, resulting in considerable irrigation water losses estimated at more than 35%. In addition, the municipal water supply and sanitation infrastructure lack of adequate operations and maintenance services, aging equipment, increasing losses and risk of pollution. This situation has disrupted municipal water supply and sanitation services due to frequent power cuts and the unavailability of chemicals, chlorination, spare parts for pumping stations and water treatment equipment. In addition, the poorly equipped laboratories preclude the monitoring of water and wastewater quality. **Infrastructure and the workforce in the Water sector have deteriorated both in terms of quality and quantity.**

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 destruction to the telecom sector however, 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 because of the political crisis, but it is expected to be reconstructed and improved as demand for very high-speed broadband increases.

Transport infrastructure has also been damaged. The Libyan transportation system is deteriorating and facing increasing demands. Most roads are in poor condition due to their age, improper implementation, overloading, and a complete absence of maintenance. Rail tracks are very old and abandoned, while air transportation is not commonly used domestically. Such factors and others have lowered the level of service required to meet public expectations and level of demand on transportation. This poses major constraints to international trade and economic activity in the country. According the 2023 the World Bank's Logistics Performance Index (LPI), Libya's global ranked 139th in 2023 out of 139 countries. This is mainly due to increases in its scores in terms of timeliness of shipments in reaching destinations within the scheduled or expected delivery time and transport-related infrastructure. Within this context, AfDB has provided a grant to the Government to carry out a sector review.

On the 11th of September 2023, storm Daniel caused largescale flooding in Libya's northeast, leading to loss of lives and infrastructure damage in several coastal towns and along rivers, including Benghazi, Al-Jabal Al-Akhder, Al-Marj, Batah, Bayada, Albayda, Shahat and Sousse. The city of Derna appears to be particularly hard-hit after two dams broke upstream, releasing over 30 million cubic meters of water into the city of Derna. Initial reports suggest extensive damage to housing and critical infrastructure. (source: https://reliefweb.int/report/libya/libya-2023-floods-emergency-situation-overview-13-september-2023). The Central Bank of Libya (CBL) has confirmed that the World Bank is set to conduct a comprehensive assessment of the devastated city of Derna. Risk management firm AON estimates Storm Daniel caused $4.3 billion of material losses in Libya.

The rival governments delay infrastructure development plans and stay focused on their pressing daily concerns (paying salaries and subsidies), as well as on keeping existing facilities running. Furthermore, very recent flooding events have exposed the high vulnerability of infrastructure to the risks of climate change.

17.b. Legal and regulatory frameworks for infrastructure

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

Despite the availability of resources, foreign investment has trickled very slowly into Libya's infrastructure since the 2011 civil conflict, owing to restrictive legislation and the lack of guarantees to the safety of foreign capital in the country. Some foreign contractors have opted to abort their Libya operations until they receive compensation for their losses during the 2011 uprising, but some are gradually resuming their work.

A new law regulating public-private partnerships (PPP) was drafted to broaden the financing scope for Libya's development and infrastructure projects. As a result, some institutions started engaging in strategic planning around PPP opportunities. The Libyan Local Investment & Development Fund (LLIDF) started working to generate long-term financial returns and tangible socio-economic benefits by developing Libya’s infrastructure, through active investment in and promotion of PPP opportunities. Further, in 2020, the Libyan Public-Private Partnership Company (LPPPC) was established in accordance with Article 12 of the Investment Law. LPPPC is entrusted with spearheading the promotion and preparation of feasible PPP projects pursuant to the strategy of the government for increasing the role of the private sector in the economy. Nine sectors are targeted for PPPs, including the main infrastructure sectors of energy, water, transport and communications. However, the PPP law has not been enacted yet as the country's rival governments continue to prioritize security matters.

Overall, there has been no official announcements on changes made during the reporting period to the legal and regulatory frameworks for infrastructure in Libya.

17.c. Public resource management and accountability in the infrastructure sector

Score Type	Value

Draft Score	1.0
Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

Before the 2014 political crisis, Libya had a USD 100 billion pipeline of planned infrastructure projects. However, the deterioration of the security situation, the fragile macroeconomic stance, intensification of the armed conflict in early 2020, and a nine-month closure of major eastern oil fields one the one hand and highly volatile international oil prices on the other have prevented the Government from implementing those projects;.

The Interim Government of National Unity issued the regulations for government procurement, which will be implemented during the year 2023, in harmony with the government bidding and procurement platform.This was stated in the Decree No. 12 of 2023, the third article of which included the objectives of the regulation, which are " 1: Regulate procurement and business procedures, and prevent the exploitation of influence and the effect of personal interests therein so as to protect public money; 2: Achieve the best value for public money when contracting and executing business and procurement at fair, competitive prices. 3: Promote integrity and competition, achieve competitors' equality and equitable treatment, and the principle of equal opportunities. 4: Ensure transparency in all government business and procurement procedures".

The different budget breakdowns indicate a lower priority 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. **Thus, strengthening public resource management in the infrastructure sector and adopting a clear strategy will be a priority in Libya once the security and political situation stabilizes.**

18. Regional Integration

Criteria Score: 1

18.a. Movement of persons and labor and right of establishment

Score Type	Value
Draft Score	1.0

Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

Libya has signed the protocol on free movement of people as well as the AfCFTA but is yet to ratify both indicating its reluctance to adhere to the principles of both documents. **Libya is the lowest ranked country openness to visitors from other African countries** according to the on-visa openness index (2022), with a score of 0.019 with 1 being the highest score. (Source: Africa Visa Openness Report 2022). It offers no visa on arrival and citizens from all African countries except Tunisia must obtain a visa before travelling to Libya. Libya also scored 0.32 in the 2023 Africa Regional Integration Index, thereby falling in the lowest category. Although Libya is a member of several regional initiatives, which include the COMESA, Community of Sahel-Sahara States (CEN-SAD), and the Arab Maghreb Union (UMA), it does not offer reciprocal visas to member states of the regional economic communities. Libya has signed the protocol on free movement of people; however, it has not ratified the agreement. Further, Libya has also not joined the Single African Air Transport Market and as result Libya airspace remains largely closed to African countries.

The situation regarding free movement of labor and right of establishment has largely remained unchanged. **Libya has maintained a rigid regulatory framework on employment of foreign workers**. (Source: Africa Visa Openness Report 2022). It has put in place laws prioritizing the hiring of Libyan citizens in both public and private sectors. Despite the legal preference for Libyan nationals, many companies reportedly prefer employing foreign nationals, indicating a significant gap between the law and its implementation. Employment is governed by labour regulation of 2010 revised in 2012 and 2017. The Law No. (12) of 2010 regarding labor relations explicitly states that “non-nationals may not practice work except after obtaining a license from the competent authority - that is, the Ministry of Labor and Rehabilitation.” - Employers are also not permitted to bring in non-nationals or contract with them”. In general, it is not permissible to employ foreign workers at a rate exceeding 25% in any company or branch of a foreign company registered under the commercial registry in Libya in accordance with Article (51) of the Labor Law. This percentage increases to 70% in accordance with Law No. (9) of 2010 regarding encouraging... Investment in Article (7.7), which permits investment companies or their branches registered under the investment registry to use foreign workers when there is no national alternative available. (Source: Itkan Law Services).

According to the United States of America 2023 Investment Climate Statement, Libya has a difficult investment environment. The Government of National Unity (GNU) has shown an interest in attracting more foreign investment and collaborating with foreign companies. However, the country’s foreign investment prospects remain hindered by threats from non-state militias, foreign mercenaries, and extremist and terrorist groups. Investment is also constrained by an unclear bureaucracy, complications resulting from the division of state institutions, burdensome regulations, and widespread corruption in public administration.

Over the period 2020-2022, and due to the current political and security situations, the priorities of the Libyan governments are focused on the security issues and macroeconomic challenges leaving little room for reforms or policies related to the movement of persons are highly

ineffective.

18.b. Regional financial integration

Score Type	Value
Draft Score	1.0
Reviewed Score	1.0
Second Draft Score	1.0
Final Score	1.0

Country Notes:

Since 2011, **Libya's financial system has been strongly affected by the conflict.** The financial sector is highly centralized and dominated by the public sector which, according to latest available figures, accounted for more than 85% of activity. The entry of foreign banks remains limited in Libya. The reunification of the Central Bank announced in August 2023 is crucial for mitigating systemic risks and stabilizing the financial sector, paving the way for a more coherent and integrated financial system in Libya. Another important action was the issuance of regulation 11/2022 requiring banks to calculate capital adequacy using the Basel 11 capital accord and maintain a ratio above 12.5% and the issuance of regulation 2/2023 and 14/2022, which introduced Basel III Net Stable funding ratio and the Liquidity Coverage Ratio. The reunification of the Central Bank announced in August 2023 is crucial for mitigating systemic risks and stabilizing the financial sector, paving the way for a more coherent and integrated financial system in Libya. Another important action was the issuance of regulation 11/2022 requiring banks to calculate capital adequacy using the Basel 11 capital accord and maintain a ratio above 12.5% and the issuance of regulation 2/2023 and 14/2022, which introduced Basel III Net Stable funding ratio and the Liquidity Coverage Ratio. Balancing modernization with stability will be key to fostering economic growth and development in the country.

Banks in Libya operate in a difficult environment characterized by a fragile security situation, an inefficient legal system, and weak rule of law. This gives rise to all types of operational risks, including Anti-Money Laundering/Counter-Terrorist Financing (AML/CFT), fraud, and physical damage to branches and ATMs. (Source: IMF, Banking sector reform: a roadmap, 2023). This presents many challenges note informs for the national financial system of the country to align with existent regional strategies in the financial sector.

Efforts to modernize Libya's banking sector have been underway. These include a privatization program allowing private shareholders to invest in state-owned banks. The modernization program also aims to introduce electronic payment systems and expand private foreign exchange facilities, enhancing the sector's efficiency and accessibility. The number of e-payment cardholders increased from 91,500 in 2016 to 581,000 in the first half of 2019, while mobile money has been integrated into the CBL's financial inclusion strategy.

> Unfortunately, and **given the political instability that Libya is facing since many years, a lack of follow up has been a burden factor to the implementation of initiatives leading to financial regional integration.**