INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
AND
INTERNATIONAL FINANCE CORPORATION
AND MULTILATERAL INVESTMENT GUARANTEE AGENCY
COUNTRY ENGAGEMENT NOTE
FOR
THE STATE OF LIBYA
FOR THE PERIOD FY19–FY20
June 26, 2018
CURRENCY EQUIVALENTS
(Exchange Rate as of February 1, 2018)
Currency Unit= Libyan Dinar (LYD)
US$1 = LYD 1.32

Government Fiscal Year
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ACLED  Armed Conflict Location and Event Data
ASA   Advisory Services and Analytics
AU    African Union
CBL   Central Bank of Libya
CEN   Country Engagement Note
CSO   Civil Society Organization
DFID  U.K. Department for International Development
DTM   Displacement Tracking Matrix
EU    European Union
FCV   Fragility, Conflict, and Violence
FSRU  Floating Storage and Regassification Unit
GDP   Gross Domestic Product
GECOL General Electricity Corporation
GNA   Government of National Accord
GNC   General National Congress
HoR   House of Representatives
IBRD  International Bank for Reconstruction and Development
IDP   Internally Displaced Person
IFC   International Finance Corporation
IMF   International Monetary Fund
IOM   International Organization for Migration
ISIL  The Islamic State of Iraq and the Levant
ISIS  The Islamic State of Iraq and Syria
LFPR  Labor Force Participation Rate
LIA   Libyan Investment Authority
LNA   Libyan National Army
LPA   Libyan Political Agreement
MDTF  Multi-Donor Trust Fund
MENA  Middle East and North Africa
MFD   Maximizing Finance for Development
MIGA  Multilateral Investment Guarantee Agency
MOF   Ministry of Finance
MOH   Ministry of Health
MWG   Migration Working Group
NGO   Nongovernmental Organization
PAU   Project Administration Unit
PFM   Public Financial Management
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EXECUTIVE SUMMARY

i. This Country Engagement Note (CEN) proposes the World Bank Group’s reengagement with Libya in the context of a renewed United Nations (UN)-led peace initiative. This reenergized peace process presents a critical opportunity for the international community to support stabilization and recovery and contain regional spillovers of conflict. The WBG’s engagement, in partnership with the UN Special Representative of the Secretary General, is timely at this juncture because economic and political solutions can mutually reinforce peace and stability, which is in line with the recommendations of the recent UN-World Bank flagship study, Pathways for Peace.¹

ii. The economic situation in Libya is dire. Even with the increase in oil production, fiscal and current account deficits are massive, with large subsidies and an immense wage bill. Inflation is extremely high. The Libyan dinar has lost significant value against the U.S. dollar in the parallel market and money has moved to the informal economy, prompting a liquidity shortage. People wait in lines for hours to get limited cash from banks, and basic commodities are in short supply. Yet, with the level of reserves and the continued inflow of oil revenues, this highly distortionary situation could persist.

iii. Political uncertainty, insecurity, and economic instability are creating a vicious cycle with devastating consequences for people. Eleven percent of schools have been destroyed, lifesaving medicines are not available, there are daily blackouts, and clean water is becoming scarce. The UN estimates that some 1.1 million persons need urgent humanitarian assistance, including 185,000 internally displaced persons (IDPs), 369,000 returnees, and 662,000 migrants as of March 2018. There are migrants living under inhumane conditions and being sold into slavery, and more than 14,500 migrants have died trying to get to Europe since 2014.

iv. To turn the tide in an extremely challenging situation, the Government has established an official coordination structure and has formally requested World Bank Group support. The World Bank Group’s engagement is considered crucial because of (a) its unique ability to support recovery and reconstruction while linking it to longer-term, sustainable development, and (b) the trust nurtured over time as a reliable and independent institution. The World Bank has worked with key international partners during the last year to align its engagement in support of peace and stability.

v. The CEN seeks to address the Government’s urgent priorities: economic recovery, governance, and the restoration of basic service delivery. The CEN will have a two-year time frame (FY19–FY20). Going beyond traditional infrastructure reconstruction, the CEN program seeks to reinforce peace and stability by supporting activities that will contribute to citizens’ trust in the State. Part of this is by supporting the State to stabilize the economy and provide basic services but also doing that in ways that incorporates stronger transparency, accountability, and social inclusion. It will also be implemented using methods established in similar fragility, conflict, and violence affected settings (FCV).

vi. The CEN consists of two pillars: (1) Setting the Foundations for Economic Recovery and Effective Government and (2) Restoring Basic Service Delivery, underpinned by the cross-cutting theme of governance (transparency, accountability, and inclusion).

vii. Under Pillar 1, the World Bank aims to help (a) create a foundation for macro-fiscal stability, (b) strengthen core functions of public financial management (PFM) and public sector

¹ This joint WB-UN report can be found at: http://www.worldbank.org/en/topic/fragilityconflictviolence/publication/pathways-for-peace-inclusive-approaches-to-preventing-violent-conflict
administration, and (c) enhance private sector capacity and access to finance. In close collaboration
with the International Monetary Fund (IMF), the World Bank will support consolidation of the budget,
PFM, macroeconomic analysis, and data generation. The World Bank will also support the Libyan
Investment Authority (LIA) under the Reserve Advisory and Management Program (RAMP). Under this
program, the World Bank would manage a portion of the liquid assets of the LIA and provide capacity
building for investment management of sovereign assets, provided that the United Nations Security
Council (UNSC) amends the sanctions to this effect while maintaining the frozen status of the
concerned assets. The World Bank will also support strengthening of core government functions,
including strengthening management of public finances, prioritization of public investment to improve
service delivery, and oversight by audit institutions and the Central Bank of Libya (CBL). The World
Bank will begin to engage in the private sector through private sector mapping, which will assess the
impact of the conflict at the sectoral and firm levels. The World Bank will also conduct a stocktaking
of the financial sector to assess the capacity of public and private banks to meet the financing needs
of firms. The International Finance Corporation (IFC) and the Multilateral Investment Guarantee
Agency (MIGA) will also seek opportunities to engage in Libya.

viii. Under Pillar 2, the World Bank aims to (a) improve electricity supply and lay the foundation
for improved sustainability and (b) improve access to health care. With daily blackouts, the planned
emergency project will focus on increasing electricity supply while laying the foundation for medium-
term sectoral sustainability. If there is sufficient interest, the project could also pilot private sector
participation in renewable energy. In parallel, to address the critical shortage of health services and
medicines, the planned emergency health project will increase access to primary and emergency
health care and provide necessary critical inputs such as drugs and medical staff.

ix. Governance is the cross-cutting theme of the CEN. Specifically, transparency, accountability,
and inclusion are necessary elements to build citizen trust in the State to contribute to a new social
contract and will be mainstreamed in the CEN activities. There will be attention to procurement due
to the high level of corruption. The World Bank will start with intensive support to project
procurement but will also begin to help build country financial systems over time.

x. The CEN program will pay particular attention to women and youth. To support their voice
and agency, the World Bank has established women and youth chapters of the Libya Economic
Dialogue (LED). There will also be specific entry points in the basic service delivery projects focusing
on access for women. In the private sector mapping, attention will be given to female and youth
entrepreneurs to highlight their needs and shape future World Bank Group activities in the private
sector.

xi. The World Bank will also work with partners and the Government to contribute to
addressing the migration crisis. The World Bank has been conducting a stocktaking of available data
to better understand the various facets of the crisis. The World Bank will engage more deeply in the
Migration Working Group, which it has recently joined, and consult with counterparts to identify
potential collaboration. Meanwhile, the planned emergency projects will ensure that electricity and
health access is being expanded to migrants and IDPs. More broadly, the CEN addresses one of the
main drivers of migration, the weak State, through support on macroeconomic stabilization,
governance, and the private sector.

xii. The World Bank will also make a significant effort to develop a knowledge base for longer-
term engagement. The proposed list of Advisory Services and Analytics (ASA) includes work on
poverty and conflict monitoring, the migration crisis, and subsidy reform. The World Bank will also
support the development of an Economic Platform to underpin and reinforce the UN-led peace
process. The World Bank will also work with partners to develop a Joint Risk Monitoring Mechanism,
as well as a future Recovery and Peacebuilding Assessment (RPBA), which will be the basis for a road
map for reconstruction. The World Bank will support the Government to establish a reconstruction fund, underpinned by the RPBA, that will allow partners to pool resources, ensure adequate accountability and build Libyan capacity for prioritization, technical expertise, as well as supervision and monitoring.

xiii. **The Government has requested temporary financing, to be coordinated by IBRD, for recovery and reconstruction, until the economy is back on track and Libya can access adequate domestic resources.** Although Libya has significant reserves, oil revenue, the main source of domestic revenue, is extremely volatile and wholly inadequate to cover the massive fiscal deficit. Trust funds will continue to be an important financing source though on a much smaller scale.

xiv. **The CEN is a high-risk/high-reward undertaking.** Although there are multiple risks that could directly affect the program, the risk of not engaging is much greater, with potentially devastating consequences for stability and peace. The World Bank is gradually reestablishing its physical presence in Tripoli and has recently rented space to accommodate limited office capacity and short-term missions. To deal with the fluidity of the situation on the ground, there will be multiple levels of contingency planning both for security and implementation. If the insecurity escalates, the World Bank will scale down activities, use intensive reverse missions for activities that can be continued, and postpone new activities. With such risks in mind, the World Bank is exploring third-party implementation mechanisms, as well as remote monitoring to be able to deliver on the ground in a short period.
1. **Six years after the fall of Muammar Gaddafi, there is significant Libyan and international momentum to move the peace process forward, under the framework of the United Nations (UN)-brokered Action Plan of September 2017.** The plan aims to contribute to reconciliation and power sharing among the country’s main power blocks: the internationally recognized Government of National Accord (GNA), based in the west around the capital, Tripoli; the House of Representatives (HoR), based in the northeastern city of Tobruk; and the so called Libyan National Army (LNA) and its aligned militias, in the east. The UN-led peace process presents a critical opportunity for the international community to support stabilization and recovery, as well as to address regional spillovers of conflict, including threats of extremist violence and the migration crisis. It is critical for the World Bank Group to engage now with the United Nations Support Mission in Libya (UNSMIL), UN agencies, the International Monetary Fund (IMF), the European Union (EU), and key bilateral agencies in partnership to support peace and stability in a country that has experienced much suffering.

2. The WBG’s engagement is timely at this juncture of the Libyan peace process as it is now understood that economic and political solutions reinforce each other and the WBG can bring its global experience aligned with the recommendations of the recent UN-World Bank flagship study *Pathways for Peace*. The World Bank Group is regarded by Libyan and international stakeholders as a critical player in this effort, due to (a) its convening power, including to develop financing instruments to support reconstruction; (b) its global expertise, including in the humanitarian and development nexus; and (c) the World Bank’s ability to link recovery and reconstruction to longer-term sustainable development.

3. **The political crisis, instability, and conflict have led to great suffering among the population.** Since the outbreak of violence in 2014, clashes have persisted among armed groups. The UN estimates that some 1.1 million persons need urgent humanitarian assistance, including 185,000 internally displaced persons (IDPs), 369,000 returnees, and over 662,000 migrants. Basic service delivery has collapsed. Libyans experience daily blackouts, lack of basic commodities, and lack of access to medical care and lifesaving medicines, as well as to clean water. The economic situation is precarious with massive fiscal and current account deficits. Inflation is very high and much of the money has moved to the informal economy, creating a shortage of cash in the formal economy. The Libyan dinar (LYD) has lost much of its value against the U.S. dollar in the parallel market.

4. **While the reality on the ground is dire, Libya has tremendous potential.** The country’s location is a major asset as are its natural resources, the beauty of its beaches and deserts, and rich cultural heritage assets. There is potential for Libya to diversify and become an economic hub for the region and beyond. Once the peace process takes hold and Libyans come together to work towards a rules-based market economy, with inclusive political and social institutions, the country not only has the oil wealth to greatly spur its own growth, but it could attract foreign investment. Its small

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3 The GNA is led by Prime Minister Fayez Mustafa al-Sarraj, who is also the head of the Presidential Council. Previously, he served as the Minister of Housing and Utilities (2014) during the General National Congress (GNC). The GNA has the support of most of the international community. However, consolidating domestic legitimacy has been a challenge because the country remains deeply fractured among opposing political forces.
4 The self-named LNA is led by Khalifa Haftar, who was part of the coup that brought Gaddafi to power. He fell out with Gaddafi and lived in the United States for nearly 20 years. In 2011, he returned to Libya and took part in overthrowing Gaddafi. He became commander of the Tobruk government forces in 2015. With support from Russia, United Arab Emirates, and Egypt, the LNA has been fighting Islamists and aligned militias and has consolidated control in the east.
5 In the last two years, clashes have continued but at a slightly lower intensity. Source: The Armed Conflict Location and Event Data Project (ACLED), https://www.acleddata.com/tag/libya/.
population, concentrated along the coast makes it a manageable challenge to tackle issues around education, skills, and social protection while allowing the Libyan private sector to work with investors from abroad to create a new economic pole in the Southern Mediterranean. This new Libya could help stabilize Northern Africa, while also playing a key role in the development of various parts of sub-Saharan Africa.

5. As a step toward this brighter future, this Country Engagement Note (CEN) proposes reengagement in Libya in support of the UN-led peace process. After several years of limited bank-executed trust-funded activities with remote implementation support, this CEN represents the World Bank Group’s first engagement strategy for Libya. A CEN is the most appropriate vehicle for this engagement given the dynamic and uncertain context, the lack of sufficient sector data and analytics, and the World Bank’s limited presence in country. The CEN frames a two-year engagement for FY19–FY20 and aims to provide short-term results while building trust between the State and its citizens and laying the foundations for a longer-term partnership in support of economic and social development. It seeks to address selected urgent priorities with a view to contributing to the consolidation of peace and stability while being realistic in what can be delivered. Recognizing the role of private sector development in economic recovery, the CEN has been prepared jointly by IBRD, International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA).

II. COUNTRY CONTEXT

A. Political and Security Context

6. Since the fall of Gaddafi in 2011 and international intervention, Libya has been beset by political conflict and the rise of competing militias (Box 1). Insecurity has prevailed, fueled by overlapping ideological, personal, financial, territorial, and transnational rivalries (see Annex D, Risk and Resilience Assessment). The lack of stability has allowed other predatory practices to emerge, including corruption, smuggling, and human trafficking.

<table>
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<th>Box 1: Brief Political History</th>
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<td><strong>After World War II</strong>, Libya came under UN Administration until it became an independent constitutional monarchy under King Idris of the Sanussi order in 1951. In 1969, Gaddafi staged a military coup and shifted the country’s political and economic power to Tripoli. Gaddafi ruled Libya for more than four decades, promoting a policy of Arab nationalism and populism.</td>
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<td><strong>In February 2011, Gaddafi was overthrown in a popular uprising.</strong> The National Transitional Council declared Libya 'liberated' and took control in October. A new parliament, the GNC, was elected in November. The GNC quickly became dominated by the Islamist movement. By the summer of 2012, the struggle for power had become polarized between a coalition of Islamist militias and the anti-Islamists, led by former army general Khalifa Haftar. This escalated into violent conflict in 2014.</td>
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<td><strong>In June 2014, voters chose a new HoR to replace the GNC, with a non-Islamist party gaining the majority of seats.</strong> That August, however, political instability reached new heights when the GNC, whose term had expired earlier in 2014, refused to recognize the legitimacy of its successor. The country has effectively been divided into two competing polities, with the HoR relocated to the east and the GNC in the west. Each of these bodies has appointed a Prime Minister who formed a government. The rivalry and duplicate legislative and executive branches have created political deadlock, divided national institutions, and exacerbated armed conflict.</td>
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<td><strong>After two years of fighting, the UN brokered the Libyan Political Agreement (LPA) in December 2015.</strong> The parties agreed to form a new unity government—the GNA—led by a Presidency Council and headed by a Prime Minister, Fayez al-Sarraj. Although this government has been recognized internationally, it has not been able to consolidate domestic legitimacy due to continuing political rivalries.</td>
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7. With the situation on the ground growing direr, there is significant momentum behind the UN-led process for peace and stability. The UN plan foresees amending the 2015 LPA, convening a
reconciliation conference, adopting a new constitution, and holding national elections. Although agreement on amending the LPA has not been reached, there has been some progress in drafting a new constitution, laying the groundwork for a ‘big tent’ reconciliation conference, and robust voter registration. Before elections, the most critical aspect of the UN initiative, can take place, several key conditions must be fulfilled, including passage of an Electoral Law, security guarantees, and an agreement to accept the election results.

8. The most challenging variable is the security situation, which continues to be fluid, with no war and no peace. Despite Khalifa Haftar leading the ‘LNA,’ there is no national army able to guarantee security, and local militias continue to align themselves with various political actors and fight for control. For example, Tripoli is controlled by several entrenched militias, some of which nominally support and protect the GNA and some of which oppose it. In 2017 and early 2018, intermittent clashes between Tripoli militias led to brief closures of Tripoli Airport. Other militias, nominally part of the ‘LNA,’ have been fighting extremist forces in Benghazi and Darnah and have been gradually strengthening Haftar’s geographic control in the east and south. While the Islamic State of Iraq and the Levant (ISIL) is no longer in control of any substantial territory, it continues to be active south of Sirte and has sleeper cells in other areas. It remains a potent threat to stability for Libya and the region, particularly with the terrorist diaspora after the collapse of ISIL in Syria and Iraq.

9. Another critical challenge is the country’s weak governance and public administration capacity, which undermines the functioning of the Government, as well as the administrative bifurcation that has developed. With the governance legacy of the previous regime and delay in structural reforms since the 2011 revolution, government institutions have become increasingly overstaffed, with unclear or overlapping mandates. Necessary organizational and managerial functions such as human resource management, financial management, procurement, communication, and coordination are unclear or absent. Civil servants often have limited technical capacity and skills to execute the primary tasks associated with their positions, including design and implementation of policies. In the last few years, parallel administrations have developed in the east and west resulting in two Ministries of Finance and central banks, as well as some line ministries though more nominal in the east.

10. The lack of institutional reforms, the failure to replace the opaque system under Gaddafi with a system based on principles of transparency, accountability, and participation has allowed corruption to flourish. Expert assessments and perception-based indicators suggest that corruption, poor governance and lack of rule of law are widespread and worsening. Following the revolution, in 2012, the GNC tried to strengthen the National Audit Bureau and introduced a National Anti-Corruption Commission, but with negligible results. The much-needed reform of the public procurement system is still pending, while delays allow further fraud and corruption.

11. Weak governance has exacerbated the deterioration of basic service delivery and led to an erosion of citizens’ trust in the Government. The 2014 World Values Survey showed that Libyans do not trust their Government (32 percent respondents expressing not very much trust and 38 percent none). The same report showed that almost 50 percent of respondents have little or no trust in the civil service, while non-public organizations are viewed with greater trust. With the breakdown of public services, the social contract is essentially broken.

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6 The Islamic State of Iraq and the Levant (ISIL) is the term for the Islamic State of Iraq and Syria (ISIS) faction in Libya. Emily Estelle. 2017. A Strategy for Success in Libya: Critical Threats.
7 World Bank. 2015. Labor Market Dynamics in Libya. Based in part on focus groups, the study finds that the clear majority (85 percent) of the active labor force is employed in the public sector, a high rate even by regional standards.
12. While reforms are needed, there is also inadequate capacity to provide data and statistics to underpin policy making. Libya has limited technical capacity to collect and analyze data, which is indispensable for effective and efficient policies.

13. The prolonged conflict and ineffective central authority weigh increasingly on the relationship of the central state with subnational and local governments. Many regions and municipalities have organically decentralized and no longer rely on the Central Government to provide public services. This situation is creating pressure toward disintegration instead of a unified state.

Box 2: Drivers of Fragility in Libya: Findings of the Joint Risk and Resilience Assessment (RRA)

The joint RRA (UN, EU, and the World Bank Group) highlighted six critical drivers of crisis:

- **Contested transition** without unanimity on the composition and role of the new state structure, form of elections, or nature of the social contract with citizens;
- **Security vacuum** supported by economic predation, creating many incentives for quick rewards through the exercise of violence;
- **Lack of formal, accountable public structures** that provide legitimate functions and services;
- **Undiversified but fragmented economy**, with weak financial management and accountability systems and an embryonic and largely captured private sector;
- **Fractured social cohesion**, with exclusion of women and youth;
- **Fragmented international engagement**, characterized by some competing interests.

On the other hand, the RRA also noted various intrinsic aspects of resilience:

- **Human capital**. While currently weak in accountability and effectiveness, the public sector has many well-educated personnel;
- **Social capital**. In the absence of an effective Central Government, communities have taken on dispute resolution and service provision. Civil society and community networks are strong counterweights to the current conflict dynamics;
- **Resistance to sectarianism**. While certain extremist groups exist, there has been a popular resistance to taking up their cause;
- **Resources**. Libya used to be a high-middle-income country and still has great economic potential, albeit linked to oil production in the short term.

**B. Economic Context and Outlook**

14. With massive balance of payments and fiscal deficits and without a path toward stabilization, the macroeconomic framework is unstable. The fiscal stance remains unsustainable, with large budget deficits (LYD 18 billion, or 26 percent of the gross domestic product [GDP] in 2017) driven by reduced oil production, a high wage bill (LYD 25 billion, or 36 percent of GDP in 2017), and massive subsidies (LYD 6 billion, or 9 percent of GDP in 2017). The deficits have been mainly financed by advances from the Central Bank of Libya (CBL). Over the medium term, the challenges to the economy go beyond reconstruction and include addressing longstanding development gaps, diversifying the economy, which relies too heavily on oil revenue, and promoting private sector development (see Annex E, Macroeconomic Analysis).
15. The collapse in oil production due to the conflict has drained the economy, with severe, interrelated consequences at the macro level. Hydrocarbons account for nearly all economic growth, more than 70 percent of GDP, more than 95 percent of exports, and approximately 90 percent of government revenue.

Figures 1 and 2: Although Declining, the Twin Deficits Remain High

Source: Libyan authorities and World Bank staff calculations.

16. Inflation is at its highest since the conflict started in 2011, hitting a record high of 28 percent in 2017, up from 26 percent in 2016. Inflation has accelerated significantly in recent years, which has eroded the purchasing power of the population and has likely pushed people into poverty. It is driven by acute shortages in the supply chains of basic commodities, speculation in the expanding black market, the de facto removal of food subsidies due to lack of funds, and the strong devaluation of the currency in the informal market.

Table 1: Libya/Macro Outlook Indicators, Growth Rate (percent)

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<td>GDP, at constant market prices</td>
<td>−13.6</td>
<td>−24.0</td>
<td>−8.9</td>
<td>−2.8</td>
<td>26.7</td>
<td>9.9</td>
<td>0.3</td>
<td>0.2</td>
<td>0.2</td>
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<tr>
<td>Private consumption</td>
<td>−8.5</td>
<td>−1.4</td>
<td>−22.5</td>
<td>−12.0</td>
<td>16.3</td>
<td>0.9</td>
<td>−2.3</td>
<td>−1.5</td>
<td>−0.5</td>
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<tr>
<td>Government consumption</td>
<td>116.8</td>
<td>6.6</td>
<td>−19.5</td>
<td>−28.0</td>
<td>24.4</td>
<td>1.6</td>
<td>−2.2</td>
<td>−2.3</td>
<td>−2.3</td>
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<td>Gross fixed capital investment</td>
<td>56.9</td>
<td>−16.7</td>
<td>−42.2</td>
<td>−23.8</td>
<td>97.1</td>
<td>37.2</td>
<td>2.0</td>
<td>2.2</td>
<td>1.8</td>
</tr>
<tr>
<td>Exports, goods, and services</td>
<td>−23.8</td>
<td>−54.6</td>
<td>9.0</td>
<td>−27.0</td>
<td>144.0</td>
<td>14.7</td>
<td>0.4</td>
<td>0.3</td>
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<tr>
<td>Imports, goods, and services</td>
<td>37.6</td>
<td>−8.8</td>
<td>−37.1</td>
<td>−42.4</td>
<td>116.1</td>
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<td>Hydrocarbon</td>
<td>−31.6</td>
<td>−53.7</td>
<td>−15.8</td>
<td>−5.4</td>
<td>116.8</td>
<td>22.2</td>
<td>0.6</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Non-hydrocarbon</td>
<td>8.7</td>
<td>−1.0</td>
<td>−6.5</td>
<td>−2.0</td>
<td>0.0</td>
<td>2.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Inflation (Consumer Price Index)</td>
<td>2.6</td>
<td>2.4</td>
<td>9.8</td>
<td>25.9</td>
<td>28.4</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Current account balance (% of GDP)</td>
<td>0.0</td>
<td>−46.1</td>
<td>−31.4</td>
<td>−14.6</td>
<td>−9.7</td>
<td>−7.8</td>
<td>−6.8</td>
<td>−6.2</td>
<td>−5.8</td>
</tr>
<tr>
<td>Fiscal balance (% of GDP)</td>
<td>−4.0</td>
<td>−43.3</td>
<td>−76.9</td>
<td>−66.0</td>
<td>−25.8</td>
<td>−12.7</td>
<td>−15.2</td>
<td>−15.4</td>
<td>−16.0</td>
</tr>
</tbody>
</table>

Source: Libyan authorities and World Bank staff estimates.
Note: e = estimate, f = forecast.

17. Libya’s monetary situation remains fragile. Since 2011, the CBL has struggled to fulfill its core responsibilities of managing the currency, money supply, and interest rates and overseeing the commercial banking system. The presence of two CBL administrative structures, one in the west and

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9 The non-oil economy is relatively small and remains inhibited by lack of funds and security.
another in the east, has created competing power structures. The GNA has relied heavily on borrowing from the CBL in Tripoli for financing, thereby drawing down foreign currency deposits. The GNA has also issued bonds sold to commercial banks.

18. **At the same time, many transactions have moved from the formal to the informal economy given the difficulty in accessing foreign currency through the banking system.** Although the official exchange rate has been maintained around its peg (1.4 LYD per US$), the Libyan dinar has lost nearly 70 percent of its value in the parallel market. With cash being less and less intermediated through the formal banking system, the effectiveness of any monetary policy will be limited. Increased demand for foreign currency, combined with the reduction of foreign currency revenues from oil, has caused Libya’s foreign exchange reserves to fall sharply, by 41 percent (US$124 billion in 2012 to US$73 billion in 2016). Foreign reserves stabilized in 2017, but if government spending stays at the current high levels and the production of oil remains at around 1 million barrels per day (bpd), foreign reserves will continue declining and reach around 44 percent of its 2012 level by 2021. To manage import-induced inflation, import restrictions and letters of credits are being applied, which means that only a handful of commodities can be brought into the country legally and at the official rate.\(^{10}\)

19. **Fiduciary risks are high, with commercial banks, official businesses, and gold market traders implicated in fraudulent activities in the currency black market.** These practices exacerbate the depletion of currency reserves, drive corruption, and further erode trust in the banking sector. Importantly, the practices constitute the exploitation of services that should ordinarily be available to Libyan residents and companies through official channels. However, with evidence of fraud networks involving commercial banks, businessmen, traders and other economic actors, the population cannot trust even the most basic banking services, which has contributed to the liquidity crisis.\(^{11}\)

20. **Unemployment has risen sharply, and public sector wages remain the sole source of income for most families.** With the steep decline of the non-oil economy, many private sector jobs have been lost. On the other hand, an estimated 1.9 million people, nearly 30 percent of the total population, are currently on the government payroll in both the east and the west. In addition, to compensate for the economic decline and inflation, average public salaries have risen fourfold since 2011, which has dramatically increased fiscal pressure.

21. **The baseline macroeconomic scenario in this CEN is a status-quo scenario where large twin deficits and high inflation continue, but full-scale crisis is averted.** In this scenario, oil production improves but is hindered by security challenges, and public expenditure remains at levels inconsistent with external sustainability. At the current pace of spending and if the context of conflict and insecurity persists, foreign exchange reserves would fall to around US$54 billion in 2021. Under typical crisis dynamics, this would trigger exhaustion of reserves and forced exit from the exchange rate peg—possibly before 2021. However, the existence of the parallel market for foreign currency, although highly distortionary, mitigates the direct link between a speculative attack and reserve exhaustion. Over time, inflation will rise as more goods are priced based on the parallel premium, and reserves will leak as the parallel premium creates large incentives for mis-invoicing and export revenue diversion. Nevertheless, with still large reserves and incoming oil revenues, the situation may persist for some time. On the other hand, if peace and security return to Libya allowing the economy to progressively reach its potential and the Government ensures macroeconomic stability, growth is projected to accelerate. Under this scenario, both the fiscal and current account balances should improve significantly, with the budget and the current account expected to run surpluses from 2020 onwards. Foreign reserves would then remain above US$70 billion during 2018–2021.

\(^{10}\) The exchange rate spread per U.S. dollar range between the official rate (LYD 1.4) and the informal rate (LYD 9.42) as of December 2017 was about 800 percent.

\(^{11}\) Middle East and North Africa (MENA) Regional Economic Outlook 2017.
22. **The status quo scenario is a consequence of the overall fragility but also contributes to it.** The fragmentation of monetary and fiscal institutions impedes the implementation of a corrective course, even when the unsustainability and distortions in the current trajectory are recognized. Authorities have implemented ‘least bad’ policies within these constraints, notably through tolerating the emergence of a parallel market for dollars and creeping dollarization—staving off the loss in reserves. But the parallel premium, along with massive distortions in the market for petroleum products, has created massive rents which are the basis of corrupt activities, financing criminal and terrorist networks. Thus, while macroeconomic collapse can be delayed, the associated distortions are contributing to the violent contestation of resources, worsening the exclusion of the poor and marginalized.

23. **The private sector is nascent and uncompetitive, a legacy of the strong control, poor regulatory environment, cronyism, and oil-dependent growth under Gaddafi.** In addition to the impacts of the political and security crises, the private sector is further constrained by damaged and destroyed infrastructure, lost production and distribution chains, and lost markets and trade networks. Structural bottlenecks in terms of regulatory environment and lack of an entrepreneurship ecosystem have prevented competition and start-ups. Lack of access to foreign currency is also a critical constraint, including for some of the largest businesses. This has adversely affected imports of raw materials and other inputs on which Libya is heavily dependent. The decline in imports, along with inflation, has increased the cost of production, leading to factory closings and job losses.

24. In the financial sector, the liquidity crisis resulting from macroeconomic instability and loss of confidence in the banking system is adversely affecting access to credit. Only 2 percent of firms had a loan or credit in 2015,\(^\text{12}\) compared with, for example, 52 percent in Lebanon (2009) and 32 percent in Morocco (2012). Law No. 1 of 2013, which banned interest-based banking services, has also reduced the incentive for banks to lend. The underdeveloped domestic credit infrastructure makes it difficult for financial institutions to assess borrowers. The already high number of nonperforming loans has prompted banks to be more cautious in their lending, limiting access to credit for micro, small, and medium enterprises. Even as banks have curtailed lending, there is also a massive overhang of deposits because grey or black markets in goods and currency undermine the monetary functionality of dinar deposits. In effect, there is an incipient monetary crisis and de facto dollarization, which is adversely affecting the population, except for connected businesses and criminal networks.

C. **Socioeconomic Impact of the Crisis**

25. Libya’s economic fragility has had significant consequences for people’s well-being. Libya was a high-middle-income country, with health and education indicators among the highest in Africa. However, prolonged crisis and insecurity have led to destruction of livelihoods, basic services, and infrastructure and a fall to lower-middle-income status, with a large share of the population likely to be vulnerable to poverty or already fallen into poverty.\(^\text{13}\) It is difficult to have an accurate measure of the magnitude of the social collapse, because the country’s statistical capacity is weak and existing statistics are not comprehensive or representative of the entire population.

**Social Services and Infrastructure**

26. **Despite being free, there is acute lack of access to health care.** Nearly 20 percent of public hospitals and primary health care facilities have closed; and fewer than one out of six primary health facilities have adequate essential drugs. There is also a shortage of health workers, due in part to the

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\(^{12}\) World Bank. 2015. *Simplified Enterprise Survey and Private Sector Mapping for Libya*. There was a significant difference between large and small firms; 13 percent of large firms had a credit line or loan, according to the survey, compared to only 1 percent of small and medium firms and no micro firms.

\(^{13}\) Libya Census 2012.
flight of skilled and unskilled migrant health workers. According to the World Health Organization (WHO), fewer than 15 percent of the country’s more than 1,300 primary healthcare clinics (PHCs) currently offer antenatal care, and barely half can provide services for managing common chronic diseases.\(^\text{14}\) Only 43 percent of PHCs offer immunizations for children, fewer than half offer services for the treatment of cardiovascular disease, and fewer than 2 percent offer family planning services. Less than one-third of PHCs offer diagnostic laboratory services, and fewer than 5 percent have an X-ray machine. Previous progress in maternal and child health is being reversed, because PHCs lack inputs and are unable to meet the overwhelming demand or have been closed due to armed conflict.

27. **The country is facing the reemergence of communicable and noncommunicable diseases along with increasing malnutrition and poor mental health.** Child stunting and overweight rates stand at 21 percent and 22 percent, respectively, which are above the regional average. Some diseases such as malaria and respiratory infections are showing an upward trend due to the influx of migrants and the weak public health system. Mental health issues are increasing; nearly one out of three persons are suffering from some form of depression or anxiety. The situation is much worse among migrants, who are either detained in very poor conditions or do not have access to health services.

28. **Despite free access to education, the sector has been hard hit by the conflict, which has affected education infrastructure, sector governance, and school-level service delivery.** The most recent data from the United Nations Children’s Fund (UNICEF)\(^\text{15}\) show considerable damage to vital school infrastructure. Nearly 550 schools (11 percent) are not fully functioning, affecting regular access by an estimated 279,000 children. Insecurity and violence have delayed the start of school years and closed schools, resulting in fewer school days. The psychosocial needs of many students and teachers have become acute. For those with access, the liquidity crisis is causing an additional challenge in terms of school supplies.\(^\text{16}\) IDPs and migrant children lack regular access to school.\(^\text{17}\) This challenging environment is further exacerbated by weak sector governance, marked by the region’s lowest student-teacher ratios, which have fallen to as low as 4.3 students per teacher.\(^\text{18}\)

29. **There is rapid deterioration in water and sanitation.** Libya is among the world’s most water-scarce countries. Average renewable water share is about 100 m\(^3\) per person per year, a tenth of the international scarcity threshold. Water services are poor due to damage from the conflict, the age of the system, as well as lack of electricity, maintenance (partly due to insecurity), and financing. The 2009 (latest available) estimates of access rates show access to piped water supply at 54 percent and sanitation at 45 percent. These rates are likely to have decreased. With over-reliance on groundwater, the water supply is at very high risk for sudden disruption. Some desalination plants are on the verge of shutting down and others are working at very low capacity due to lack of spare parts and chemicals. This could potentially cut off 10 percent of drinking water. National sewerage treatment plants are running at barely a quarter of their capacity, which means that only 10 percent of collected wastewater is being treated.

30. **Electricity service is unreliable and costly.** Large parts of the country experience daily power outages that last from 3 to 12 hours a day in summer and winter—due to generation shortfalls and network problems. The poor quality of supply is the result of damage due to conflict, maintenance backlogs due in part to insecurity, lack of adequate spare parts, interruption of fuel supplies, and delays in completing new projects. Although the nominal installed capacity is more than 10 GW, the

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\(^{14}\) Health data are from Libya Service Availability and Readiness Assessment (SARA), WHO 2017.


\(^{16}\) International Organization for Migration (IOM) Displacement Tracking Matrix on problems related to access of non-food items.


actual peak generation is only about 5.6 GW (56 percent utilization). This creates a supply shortfall of around 1.4 GW during periods of peak demand. Furthermore, the power sector is a fiscal drain due to the highly subsidized tariffs, subsidized fuel inputs, and high commercial losses. Upstream fuel subsidies alone amount to nearly LYD 2 billion. The sector currently recovers only 9 percent of direct production and supply costs. With low tariffs, wasteful consumption (such as leaving windows open with air conditioning on) causes significant economic losses.

**Women and Youth**

31. **In recent years, the escalation of insecurity and the rise of violent extremism have restricted women’s voice and agency, and gender equality gains have been eroded.** Since the revolution, women’s ability to engage in the political sphere has been restricted. Women have been only partially represented in the national constitutional drafting process. There is no legal protection from domestic violence. Gender roles are embedded in Family Law, with wives under legal obligation to ensure their husband’s comfort, assuming all domestic responsibilities, in return for which they have the right to maintenance. Curfews, difficulties in transport, and checkpoints restrict freedom of movement.

32. **Levels of gender-based violence are alarmingly high.** Violence against women and girls, particularly sexual violence and abduction, is a terror tactic used by militias. In ISIS-occupied areas, doctors have reported increasing numbers of injuries of young girls related to sexual abuse and child marriage. A 2018 survey showed that 40 percent of respondents perceive violence against women as being ‘very common’ or ‘common’. Men and boys also face conflict-associated risks, including sexual and physical abuse, alcoholism, and drug addiction. Among migrants, women and girls are particularly vulnerable to gang rape and other sexual violence and exploitation. In a recent survey, nearly half of migrant women and children interviewed reported frequent sexual abuse during their journey and in Libya.

33. **Women and youth face high rates of unemployment and access to private sector jobs.** Despite high tertiary education rates, Libya has one of the world’s highest youth unemployment rates, estimated at 48 percent for the 25–34 age group compared with the national average of 19 percent. Although youth (ages 15–34) account for nearly half of the workforce, their participation in economic activity declined from 72 percent in 2012 to 48 percent in 2015. Further, 62 percent of female youth in the labor force are unemployed. In addition, the education system does not provide youth with the skills and competencies needed to access labor markets. Unemployment and underemployment are push factors for youth joining militias.

34. **In addition, youth are largely excluded from public dialogue.** Participation in civil society organizations (CSOs) is very limited; only 3 percent of CSOs registered with the Civil Society Commission are youth organizations. Youth cite lack of systems and policies that support and encourage their participation as obstacles to increased engagement.

35. **With a small private sector, most Libyans work in the public sector, and for women this is almost the only option (97 percent of all working women are in the public sector).** Female entrepreneurship rates are lower than the regional average. In a 2013 study, 24 percent of private

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19 Libya Family Law, Articles. 17 and 18.
24 UN Libya Joint Country Assessment (2018).
sector firms reported having a woman as a principal owner, compared with 35 percent and 34 percent in Egypt and Lebanon, respectively. Women’s participation is limited due to social and cultural norms, rising extremism, and insecurity, which affect their mobility.

36. **Women earn less than men at all education levels.** Female university graduates tend to earn 18 percent less than their male counterparts in the public sector and 11 percent less in the private sector. Women with a secondary education earn 30 percent less than their male counterparts in the private sector and 10 percent less in the public sector (see Annex F, Gender and Youth Note.)

**Migration and Forced Displacement**

37. **The Libyan economy has traditionally relied on migrants to fill labor shortages in several sectors.** Before 2011, foreign workers filled occupations and trades that Libyans did not pursue. Data from the UN suggest that migrants have consistently made up around 10 percent of the population since 1990. Since 2011, the percentage of migrants in Libya has remained roughly the same but the system that managed migration is no longer functioning, namely the economy.

38. **With protracted conflict and the absence of an effective state, there has been a surge in irregular and undocumented migration.** Smugglers and militias have taken advantage of the security vacuum at borders, particularly in the south, to smuggle in migrants from the Middle East, South Asia, and Sub-Saharan Africa. Since 2014, there has been a surge in those trying to reach Europe with more than 14,500 deaths at sea. Although there is no precise data, migrant smuggling is now a multi-billion-dollar industry. In November 2017, CNN documented human traffickers auctioning migrants as slaves, which caused outcry in the international community and stepped up efforts at voluntary repatriations and to deal with human trafficking rings (see Annex F, Migration Note).

39. **With Libya being both a destination and a transit country, it is important to distinguish between distinct categories of migrants, asylum seekers, and displaced persons.** Data from the IOM suggests that most migrants from neighboring countries such as Egypt, Niger, and Chad are economic migrants who plan to work and stay in Libya, whereas migrants from West Africa are more likely be there as a transit point for Europe. According to the latest IOM numbers, there are an estimated 662,000 migrants in Libya in addition to almost 185,000 IDPs and 369,000 returnees.

40. **Repatriation of migrants held in official detention centers have intensified since the emergence of the CNN video.** In January 2018 alone, more than 16,000 migrants were repatriated with support from the EU, African Union (AU), and IOM. Less than 5,000 migrants remain in official detention centers, several of which have since been closed. However, the number and conditions faced by migrants held by militias and smugglers in unofficial detention centers are unclear. In addition, there are economic migrants staying in Libya, most of whom lack official documentation and are vulnerable to abuse from employers and security personnel. The GNA is working with support from the international community to help migrants and host communities, which face a significant strain on services (see Box 6).

41. **Taken together, these political, security, economic, and social factors add up to a ‘Fragility Trap’, a condition in which the dynamics people have developed to survive insecurity effectively deepen their fragility.** One manifestation of this trap is the reliance on informal networks based on social and cultural identities, such as tribes and extended families, which can undermine the emergence of more independent and effective institutions, especially security and justice institutions. Another is the informal economy and the large smuggling networks, which have reinforced corruption and exclusion, while undermining the emergence of the formal private sector, especially small and

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25 http://www.globaldtm.info/libya/

medium enterprises (SMEs), which could provide employment. Finally, these coping dynamics tend to exclude women and youth, depriving the country of groups that can play a vital role in peace and conflict resolution. Breaking the fragility trap is an important challenge. The longer the political, security, and economic crisis lasts, the more difficult it will be to establish a more effective State and cohesive society (see Annex D, Risk and Resilience Assessment Summary).

III. WORLD BANK GROUP COUNTRY ENGAGEMENT STRATEGY

A. Government and Partners

42. The GNA\textsuperscript{27} has initiated the national planning process and articulated its priorities as macroeconomic stability, governance, and the provision of basic services, including electricity, health, education, and water and sanitation. The peace process is aligned with the Government’s program, and partners’ activities are being coordinated through a mechanism set up by the Government. This mechanism consists of the high-level International Coordination Framework for Technical Coordination, along with various working groups, through which the authorities and partners are developing sector work plans. The World Bank is a co-chair, with the GNA, of the Economic Recovery Working Group. During the CEN period, as the peace process and UN-led Action Plan move forward, the World Bank Group will support Libyan stakeholders and partners in developing a recovery and reconstruction strategy that addresses urgent needs while being anchored in a medium-term development framework.

43. The partners have already begun to coordinate their support through a Joint Partner Task Force. They agreed in a meeting in August 2017 that peace and stability in Libya are regional and global public goods, and that restoring the macroeconomic framework is key to stabilization. Given the dire situation on the ground, they also agreed to work together in the humanitarian and development nexus focusing on governance, basic services, and private and financial sector development. The partners further agreed to take an inclusive ‘All of Libya’ approach to encourage national reconciliation and reintegration. Four basic services were identified for immediate action: health, education, electricity, and water and sanitation, as well as lead partners to coordinate those sectors. UNICEF will lead in education; WHO will lead in health, the African Development Bank will lead in water and sanitation; and the World Bank will take the lead in electricity. This division of labor is based on comparative advantage, global technical expertise, and implementation capacity and experience.

44. The partners are also aligning their engagements. The UN system is one of the main partners in Libya and is currently developing its strategy for engagement for the next two years. The key priorities are governance and rule of law, economic recovery and growth, and basic services, which closely mirror the components of the World Bank Group CEN, detailed below.

B. Proposed WBG Country Engagement

45. The World Bank Group’s reengagement program will build on lessons learned. The key strategic lesson from previous Bank experience in Libya, as well as from other FCV countries is the need for flexibility to be able to quickly adapt to changing circumstances. Another lesson is the importance of building trust and credibility to gain traction, including by maintaining dialogue and capacity building at the technical level when the political context is fragile (see Annex C, Previous

\textsuperscript{27} The GNA is the internationally recognized Government of Libya. As such, the World Bank is developing the CEN in collaboration with the GNA. All references to the Government in this paper are to the GNA. However, the reality on the ground is that authority in the country is fragmented, with two administrations (east and west) in several sectors, as well as the HoR and the LNA, among others (see Box 1 for more details). Recognizing that national reintegration is central to the peace process, the World Bank will, as the security situation allows, include as many stakeholders from various parts of Libya as possible in its activities.
The CEN priorities reflect strong selectivity. Selection criteria for areas of engagement are the Government’s priorities; the World Bank’s comparative advantage, including from FCV contexts in the MENA Region; and division of labor with partners. In addition, a realism lens was used as a filter, given the security and capacity challenges in Libya. The priorities of Libyan stakeholders were captured through discussion with the GNA, consultations with a broad spectrum of Libya stakeholders, and women and youth focus groups through the Libya Economic Dialogue (LED) (Box 3).28

Box 3: Stakeholder Consultations

During the 4th LED, which was specially convened to discuss the elements of the CEN, participants praised the World Bank for deepening its engagement, moving from ideas to actions through a well-articulated and focused engagement strategy with concrete proposals in areas of critical needs.

Giving strong endorsement on pillars, objectives, and activities, the participants stressed the need to

- Reintegrate Libyan institutions into unified central authorities and reestablish vertical linkages between central and local public administration structures;
- Stabilize the macroeconomic framework and strengthen PFM, supported by transparent and accountable government institutions;
- Strengthen the financial system, address the liquidity crisis, and restore citizens’ confidence in banks;
- Engage with communities on basic services and promote local participation in investment decisions;
- Elevate responsibility for critical reforms to the highest levels of government; and
- Produce concrete results that will improve people’s lives and restore their confidence in the State.

Consultations were also held with youth and women. These participants also welcomed the World Bank’s reengagement and concurred with CEN priorities but highlighted several additional needs:

- Women expressed the need for more support for private sector activities, especially regarding training and access to finance.
- Women also highlighted the need to improve women’s access to basic services.
- Both women and youth expressed their concerns about water scarcity.
- Youth underlined the need for economic opportunities as alternatives to militias.
- Youth also emphasized the need for demobilization and for support to reintegrate into society.

47. The strategy is also aligned with the World Bank Group’s goals and the MENA regional strategy. In support of the Libyan people and the economy that have suffered from years of conflict and political crisis, the strategy is aligned with the World Bank Group twin goals to eradicate poverty and boost shared prosperity. The CEN is also supports three pillars of the MENA Regional Strategy on recovery and reconstruction, renewing the social contract, and resilience to IDP/refugee shocks.

Principles of Engagement

48. The CEN program will be highly focused, given current limitations on accessing the field, while incrementally deepening the engagement. By going beyond traditional infrastructure reconstruction, the CEN program aims to reinforce peace and stability by supporting the building of a new social contract. The program is informed by the RRA and aims to contribute to renewing the social contract by supporting the State to provide services that will contribute to citizens having more trust

28 The LED, first convened in Tunis in March 2016, brought together Libyans from the GNA, HoR, academia, CSOs, and the private and financial sectors, and partners, to discuss critical economic issues and priorities in a non-politicized environment. Having evacuated from Libya in 2014 due to escalation of conflict, this enabled the World Bank to gather information on the real situation in the field. As the LED evolved into a semiannual event, the World Bank began to disseminate analyses on key issues and to facilitate the emergence of consensus on needed reforms. This dialogue has contributed to the World Bank becoming the preferred development partner to a broad range of stakeholders.
in the State. Part of this is by supporting the State in stabilizing the economy and provision of basic services but also doing so in ways that creates stronger transparency, accountability, and social inclusion and does not exacerbate existing tensions.

49. Based on learning from the World Bank’s experience with CENs in other FCV countries, the Libya CEN is guided by the following principles of engagement: (a) concretely improve lives and build state capacity, (b) have short-term impact while linking activities to a medium-term framework, (c) support trust building between the state and citizens, (d) promote social cohesion and reintegration, and (e) be flexible to adapt to a fluid situation and not exacerbate existing conflict tensions.

50. This approach, calibrated to the specific challenges of Libyan fragility, will allow the World Bank to scale up its interventions if there is progress in the peace process or scale down activities if the situation deteriorates. The program will also be supported by multiple contingency plans to deal with insecurity and challenges to implementation.

**CEN Strategy and Objectives**

51. The overall objective of the CEN is to address selected urgent priorities to restore the economy and basic services with a view to contributing to peace and stability (Figure 3). The CEN consists of two pillars, with the following objectives:

(a) **Pillar 1: Setting the Foundations for Economic Recovery and Effective Government.** The three objectives under this pillar are to (i) create a foundation for macro-fiscal stability, (ii) strengthen core functions of PFM and public sector administration, and (iii) enhance private sector capacity and access to finance.

(b) **Pillar 2: Restoring Basic Service Delivery.** The two objectives under this pillar are to (i) improve electricity supply and lay the foundation for improved sustainability and (ii) improve access to health care.

52. The CEN is underpinned by the cross-cutting theme of governance focusing on promoting transparency, accountability, and inclusion as a key part of CEN activities necessary to support the building a new social contract.
Activities Supported under the Country Engagement Program

PILLAR 1: SETTING THE FOUNDATIONS FOR ECONOMIC RECOVERY AND EFFECTIVE GOVERNMENT

53. With politics, economics, and conflict so closely intertwined and the desire to help turn around a rapidly deteriorating situation, Pillar 1 focuses on the building blocks of inclusive economic recovery: macroeconomic stability, improved governance, and a strengthened private sector.

Objective 1: Create a Foundation for Macro-Fiscal Stability

54. The significant budget deficits from the past four years, the large differential between the formal and informal exchange rate, and a substantial liquidity crisis have created an urgent need for macroeconomic stabilization, including both expenditure-reducing (fiscal deficit reduction) and expenditure-switching (currency devaluation) measures. However, there is not yet a consensus between the Government and the CBL about what policy path to follow.

55. To support macroeconomic stabilization, the activities under Objective 1 will support budget consolidation and PFM, as well as capacity building for macroeconomic policy making. As a central part of this engagement, the World Bank, together with the IMF, will continue existing TA to build consolidated policy-driven budgets. With the administrative fragmentation, the World Bank has been bringing policy makers from various sides together and laying the groundwork for institutional reintegration through the budget. The World Bank will also work with IMF to help strengthen capacity in the Ministry of Finance (MOF), Ministry of Planning, and the CBL for fiscal, PFM, and macroeconomic policy making and implementation. Also jointly, the World Bank and IMF will provide support on subsidy reform to address fiscal pressure. In addition, the World Bank will conduct capacity building for macroeconomic modeling using various reform scenarios, including that of non-action. These activities will enable key decision making needed to establish a reasonably consistent macroeconomic framework. The activities will use a learning-by-doing approach to build sustainable capacity.

56. To build a foundation for solid economic analysis and help Libya regain control of the budget, the World Bank will support the Bureau of Statistics in developing the necessary skills to collect and analyze economic and social data. The World Bank will also continue to build capacity to conduct household surveys and develop a Consumer Price Index, which will be used to calculate inflation. The World Bank will also build sector-level capacity to gather and analyze data on basic service delivery.

57. Another potentially important activity is the institutional support to the Libyan Investment Authority (LIA) under the World Bank Reserve Advisory and Management Program (RAMP). Under this program, the World Bank would manage a portion of the liquid assets of the LIA and provide capacity building assistance across all areas of investment management of sovereign assets. The preconditions for this support are for the United Nations Security Council (UNSC) to amend the sanctions on Libya to allow the Bank to manage the funds while maintaining the frozen status of the assets and for relevant national level sanctions to also be removed.

Objective 2: Strengthen Core Functions of Public Financial Management and Public Sector Administration

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29 The World Bank and the IMF have worked closely on Libya for several years. They work jointly on budget consolidation. All policy notes and advice on macroeconomic stabilization and the liquidity crisis have been produced in collaboration. In some areas there is division of labor; the IMF leads on devaluation and the World Bank leads on subsidy reform and safety nets. The IMF does not have a program in Libya but closely monitors the situation and provides advice to the Government.
Many core functions of the Government are weak, including PFM and prioritization of investments to improve basic service delivery. To address this, the World Bank will support building PFM accountability systems and capacity to improve service delivery. TA for macroeconomic stabilization under Objective 1 will be complemented by the development of a new budget coding structure and implementation of an appropriate financial management system. The World Bank will also support an effective cash management process and progress toward a Single Treasury Account. The MOF and line ministries will be trained in developing public investment guidelines to facilitate priority setting and informed policy-based budgeting to help restore basic services.

To address the liquidity crisis and restore confidence in banks, the World Bank will support rebuilding of the CBL’s supervisory function. Specifically, the TA for private and financial sector development in Libya, financed by the MENA Transition Fund, will support capacity building in licensing, regulations, and enforcement practices, as well as training of supervisors. The World Bank will also work to strengthen the CBL’s capacity for effective cash management.

The World Bank will support the efforts of Libyan authorities to strengthen the capacity of state institutions to execute core government functions, including service delivery. While building functioning state institutions is a longer-term endeavor, the World Bank will concentrate on a few fundamental dimensions during the CEN period. To ensure that key institutions function effectively, the World Bank will support the development of basic technical and soft skills at the central level with the Ministries of Finance, Planning, and Health and the General Electricity Corporation (GECOL). The focus will be on basic administration, evidence-based policy making, and policy implementation. The World Bank will also support improving the management of human and financial public resources, especially the oversized public service. There will also be support to strengthening checks and balances through capacity building of audit institutions.

The World Bank will engage at the local level as opportunities emerge. The World Bank will support (a) aggregate expenditure analysis, (b) revenue assignment analysis to achieve vertical balance (at least for the most larger regions), and (c) guidance on intergovernmental transfers. On basic services, the World Bank will work with partners to support more effective local provision of basic services.

The activities under the first two objectives will be closely coordinated with partners. All macroeconomic stabilization support will be undertaken in collaboration with the IMF, except for RAMP and the financial sector activities. Most governance activities are ongoing, with TA funding from the EU, United Kingdom, and Netherlands through a Governance and PFM Multi-Donor Trust Fund (MDTF). The governance work under the CEN will be closely coordinated with the United Nations Development Programme (UNDP), which is the lead partner in this area.

Objective 3: Enhance Private Sector Capacity and Access to Finance

The sequencing of activities in the private sector will be to start with a private sector mapping and a stocktaking of the financial sector in the first six months of the CEN period. The results will be used to inform activities that will follow.

The mapping exercise will assess the impact of the conflict at the sectoral and firm levels. A significant share of the sample will be enterprises that were surveyed in the previous 2015 Enterprise Survey, to give a better understanding of the impact of the conflict. The World Bank will

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58. **Many core functions of the Government are weak, including PFM and prioritization of investments to improve basic service delivery.** To address this, the World Bank will support building PFM accountability systems and capacity to improve service delivery. TA for macroeconomic stabilization under Objective 1 will be complemented by the development of a new budget coding structure and implementation of an appropriate financial management system. The World Bank will also support an effective cash management process and progress toward a Single Treasury Account. The MOF and line ministries will be trained in developing public investment guidelines to facilitate priority setting and informed policy-based budgeting to help restore basic services.

59. **To address the liquidity crisis and restore confidence in banks, the World Bank will support rebuilding of the CBL’s supervisory function.** Specifically, the TA for private and financial sector development in Libya, financed by the MENA Transition Fund, will support capacity building in licensing, regulations, and enforcement practices, as well as training of supervisors. The World Bank will also work to strengthen the CBL’s capacity for effective cash management.

60. **The World Bank will support the efforts of Libyan authorities to strengthen the capacity of state institutions to execute core government functions, including service delivery.** While building functioning state institutions is a longer-term endeavor, the World Bank will concentrate on a few fundamental dimensions during the CEN period. To ensure that key institutions function effectively, the World Bank will support the development of basic technical and soft skills at the central level with the Ministries of Finance, Planning, and Health and the General Electricity Corporation (GECOL). The focus will be on basic administration, evidence-based policy making, and policy implementation. The World Bank will also support improving the management of human and financial public resources, especially the oversized public service. There will also be support to strengthening checks and balances through capacity building of audit institutions.

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30 Established in 2012, the MENA Transition Fund is a World Bank-administered trust fund that provides grants for technical cooperation and knowledge exchange to help transition countries strengthen their governance and social and economic institutions and develop and implement home-grown and country-owned reforms.

31 The survey will cover 400 enterprises and include in-depth interviews with 60 stakeholders.
use this information to identify areas for intervention, including TA focused on SME development and entrepreneurship. Toward the second half of the CEN period, the World Bank could also pilot small-scale grants to a limited number of SMEs to enable them to respond to procurement and subcontracting opportunities in the priority sectors of health and electricity, where the World Bank will engage under Pillar 2. IFC would look to exploring possibilities for supporting SME finance and bank risk management, through its advisory services programs in collaboration with the World Bank.

65. In the financial sector, the World Bank will take stock of the capacity of the banking system to meet the financing needs of the private sector, particularly for housing and SMEs. This may include selected regulatory, governance, and risk management practices. As the situation permits, the World Bank could also provide TA to facilitate discussion around a participatory public-private dialogue platform to be created by Expertise France. IFC would provide advisory support for public private partnerships (PPPs), which would include a regional PPP event.

66. IFC is interested in engaging in Libya from an advisory perspective and both IFC and MIGA are interested in engaging from an investment perspective if the operating conditions and private sector appetite prevail. In addition to above mentioned activities, if there is sufficient interest from the private sector, IFC may explore the possibility of supporting the floating regassification terminal that is under consideration to increase electricity supply under Pillar 2. IFC will also utilize the new Creating Markets Advisory Window (CMAW) to undertake a private sector needs assessment and scoping/diagnostic work to better understand opportunities for engagement and constraints to private sector development. Under appropriate circumstances, MIGA would consider providing political risk insurance for eligible cross-border investments, including through its First-Loss Conflict-Affected and Fragile Economies Facility.

PILLAR 2: RESTORING BASIC SERVICE DELIVERY

Objective 1: Improve Electricity Supply and Lay the Foundation for Improved Sustainability

67. The World Bank has been working closely with the major energy sector actors GECOL, the Renewable Energy Authority, and the National Oil Corporation to develop a comprehensive strategy for energy sector reform. The strategy includes (a) emergency measures to improve electricity supply, (b) an assessment of the national gas grid and options for liquid natural gas imports (the proposed regassification terminal), (c) a plan to improve operational and commercial performance of GECOL, (d) inputs for a new Electricity Act, (e) a road map for establishing an independent regulator, (f) a strategic plan for developing renewable energy resources, and (g) a framework for piloting private sector partnerships in renewable energy projects.

68. Given urgent needs on the ground, the World Bank will begin by focusing on implementing the first element of the strategy, through an emergency electricity project that would undertake measures to increase electricity supply, which will provide tangible results critical to building citizens’ trust in the State. The planned project will include (a) improved power plant maintenance and operation, (b) resolution of critical transmission connectivity and load dispatch issues, and (c) arranging for an adequate supply of natural gas. Addressing maintenance backlogs for existing power plants and improving operational practices can potentially add nearly 2,000 MW of available capacity. The project will also strengthen critical transmission connectivity and improve efficiency of load

32 Expertise France is the French agency for international technical cooperation. It has been working on private sector development in Libya.

33 IFC conducted PPP workshops in Tripoli in 2014 – which were well received by stakeholders on the ground.

34 This work has been supported by a US$2 million grant from the MENA Transition Fund, which the proposed operation will leverage for greater impact.
The project would initially target the lowest hanging fruits, which are power plants that can deliver 500 MW through improved maintenance. The power plants would be selected based on expected increase in capacity availability, need for additional electricity supply in the area, technical ease of implementation, prevailing security conditions, and feasibility of plant shut-down for maintenance – among other factors. Transmission and load dispatch sub-projects would be selected with a similar approach. It is expected that maintenance works would require only routine components, which are relatively easily accessible. The project will be implemented through a Project Implementation Unit (PIU) to be set-up at GECOL, which is one of the institutions with the most capacity. The technical studies, including the Detailed Project Report would be prepared by GECOL staff. Implementation would be supervised through third party monitoring, which will provide milestone reports with photographic evidence and technical measurements of plant parameters.

As mentioned earlier, a floating storage and regassification unit (FSRU) could be brought to Libya to increase the availability of natural gas for power generation. In an FCV context, the FSRU, which is offshore, could mitigate various security and other risks involved in providing a stable gas supply. The FSRU would secure 600 MW of additional generation, as well as provide fuel for another 2,000 MW of capacity from the restoration of unused installed generation capacity. The installation of the FSRU and related onshore infrastructure is a complex task, which could be implemented through an appropriate Maximizing Finance for Development (MFD) approach. IFC is exploring possible engagement. This component could also be structured with guarantees coordinated by IBRD.

The sector is currently recovering only 9 percent of its costs. During the second half of the CEN period, the project will address commercial performance and financial sustainability of the sector by improving GECOL’s metering, billing, and revenue collection system. This will be done through rationalizing tariffs, strengthening collection, and implementing advanced metering infrastructure, using the Revenue Protection Program approach. This component may initially be limited to sections of Tripoli (or other parts of Libya with adequate security), which would pilot approaches that may be scaled-up as the security environment improves. Some methods of billing and collection improvements are already being piloted by USAID funding. The project would build upon the USAID pilot and scaled-up implementation to improve metering, billing and collection.

The project will also lay the foundation for medium-term sustainability and improved governance by addressing restructuring and institutional reforms during the later CEN period. Building on previous TA, the project will support the preparation and implementation of (a) a legal, regulatory and institutional framework, including an Electricity Law, a Renewable Energy Law, and a draft National Energy Policy, (b) an independent electricity sector regulator, and (c) organizational restructuring and capacity building for GECOL. The project will also improve accountability through improved customer service and communications strategy, which will increase transparency and create momentum for reforms, and promote theft control, revenue enhancement, and energy conservation.

If there is sufficient interest, the project could also pilot private sector participation in renewable energy in the later CEN period. The development of renewables can help mitigate power shortages, increase energy security, and yield significant economic benefits by saving gas and oil reserves for export to bring in revenue. Preliminary results from the ongoing Least-Cost Generation Expansion Plan analysis demonstrate a strong case for deploying renewable energy (solar photovoltaic and wind energy) to substitute natural gas for power generation over time. The World Bank could assist in establishing the institutional framework for private sector participation in renewable energy development, then formulating pilot projects by conducting a competitive selection process using the MFD approach. IFC could facilitate private investments possibly through the Scaling Solar model. The
World Bank could assist with credit enhancement, guarantees, and access to low-cost green energy climate finance such as the Clean Technology Fund or the Green Climate Fund.

74. Expected outputs and outcomes under this objective could potentially include (a) an additional 2,000 MW from improved power plant maintenance and operation, 500 MW of which is expected during the CEN period, and (b) the design of an FSRU. The time taken to achieve improved technical and commercial performance of the utility will be longer than the CEN period.

Objective 2: Improve Access to Health Care

75. To address the massive deterioration of health care in Libya, the planned emergency health project will focus on strengthening the technical and operational capacity of local health institutions to deliver basic health and essential nutrition services. The project will build on knowledge acquired through ongoing analytical work supported by the MENA Transition Fund (US$2.3 million), which has enabled a deeper understanding of health system capacities and challenges, and the sectoral assessment conducted by WHO.\textsuperscript{35} The main areas of operational support will include (a) strengthening the delivery of primary and secondary health care, (b) providing critical inputs such as health personnel and medicines, and (c) enhancing the capacity and management of the sector. The project will pay particular attention to access for vulnerable groups such as women, children, IDPs, migrants, and host communities. The project will also support targeted activities and modes of service delivery according to the epidemiological needs of different demographic groups, the implementation capacity of local institutions, and the presence of other development partners.

76. Given the challenging implementation environment, the institutional and implementation arrangements will follow a special framework to minimize risks and build on evidence-based modalities successfully used in other FCV countries. The main responsible implementing entity will be the Ministry of Health (MOH). However, to deal with lack of access to the field and low institutional capacity, a number of UN agencies will be contracted to support the implementation of the planned activities given their comparative advantage including field presence. The project will establish a Project Administration Unit (PAU) at MOH and engage the decentralized organizational structure of the district health offices to (a) ensure the availability and provision of basic services, and (b) maintain and revive the operational health capacities at the governorate and district levels. Regarding financial management, the UN agencies will provide supervision and fiduciary oversight. While the project management responsibility would be the PAU’s, the fiduciary responsibilities would be with the UN agencies for stronger accountability. The project will employ several layers of monitoring to ensure close supervision. The contracted UN partners will ensure timely collection and provision of monitoring data and report on a quarterly basis. Independent third-party monitors will undertake quarterly performance verification and field visits to monitor the activities and provide reports on results and outputs to ensure that services are being delivered to the intended beneficiaries.

77. The project will also help further build management of the health sector by strengthening systems for health information, referral, smart drug management, and integrated disease and early warning surveillance. The project will also support development of simplified monitoring mechanisms at the district and central levels. Targeted capacity building at the central and local levels for data collection and analysis will improve decision making, monitoring, and supervision and allow for stronger coordination within the Ministry of Health for effective service delivery. In addition, a Health Sector Public Expenditure Review will shed light on health financing. These activities will be undertaken in the second half of the CEN period.

\textsuperscript{35} Libya Service Availability and Readiness Assessment (SARA), WHO 2017.
Expected outputs and outcomes during the CEN period include increased access to primary and emergency care and referrals, including for women, children, IDPs, migrants, and host communities, and critical inputs such as trained health care workers and medicines. Stronger sector management, through a smart drug management system and an integrated health information system, will be achieved beyond the CEN time frame.

In addition to health, if appropriate after a stocktaking of existing social funds, a Social Fund for Development (SFD) could be designed with a community-driven approach to channel small-scale funding to the community level. By giving citizens a voice, fostering social inclusion, and increasing responsiveness to those concerns, an SFD could help to catalyze the new social contract. An SFD could allow citizens to participate in identifying, designing, and implementing projects for basic services that address the most pressing needs of their communities, leveraging existing municipal institutions. Such approaches have been successfully used in other FCV countries (for example, Iraq, Yemen, Sudan, Afghanistan) to help overcome administrative, governance, and fiscal constraints at the central level that impede the implementation of basic service delivery and social protection programs. This instrument could also be used to address the needs of IDPs and migrants and host communities.

**Cross-cutting Theme - Governance: Transparency, Accountability, and Inclusion**

Overall, the lack of transparency, accountability, and inclusion are major impediments to sustainable recovery and peace building. Large-scale corruption pervades all levels of government. Systemic corruption and patronage are serious barriers to the effective delivery of services, management of public resources, growth of the private sector, as well as to the citizens’ trust in the State.

To help address this complex issue, the CEN places transparency, accountability, and inclusion at the center of the World Bank Group’s engagement and, by doing so, seeks to support the development of a new social contract between citizens and the State. The World Bank Group program will support the creation of accountability mechanisms in public institutions to improve internal governance and increase transparency, enabling citizens, CSOs, and others to ensure that government is more responsive to their concerns. The World Bank will pilot e-tools for citizens’/businesses’ feedback on basic public services, in the sectors where there will be projects such as health and electricity. Going beyond project grievance mechanisms, technology could be used, for example, to send text messages to citizens to gain their feedback on services they have received. By leveraging the capacity-building activities under the pillars, the World Bank will strengthen the governance of various institutions. The World Bank will also support strengthening of checks and balances, including sectoral supervision and monitoring, as well as the audit skills of ministries, agencies, and audit institutions.

The CEN program will also support reforms in procurement, an area particularly prone to corruption in order to strengthen accountability. World Bank support for procurement reform will start with the projects in the health and electricity sectors that provide contracting opportunities for the private sector. TA will be provided to both the procurement entities and potential contractors to ensure that they follow internationally accepted procurement rules and practices. In the latter half of the CEN period, the World Bank will support the development of a legal and regulatory framework for procurement at the national level.

The World Bank will promote inclusion by ensuring that populations that have been excluded such as women, youth, IDPs, and migrants are taken into consideration in macroeconomic policy making and receive access to services through the basic service delivery projects. The World Bank will also support geographic inclusion through its support to reintegration of institutions and access to basic services.
To address the large knowledge gaps resulting, in part, from the World Bank’s evacuation from Libya in 2014, there will be a significant effort during the CEN to develop the knowledge base needed for a long-term engagement. The World Bank will carry out initial assessments in key areas where basic data are lacking, such as education and the private and financial sectors. In other areas, such as subsidies and safety nets, further analysis is needed to formulate sound policies. A proposed list of ASA, some to be carried out in collaboration with partners, is shown below.

### Box 4. Proposed ASA under the CEN

**Pillar 1: Setting the Foundations for Economic Recovery and Effective Government**

**Macroeconomic Modeling:** to strengthen Government capacity in developing a basic and consistent macroeconomic framework and strengthen analytical capacity for economic policy design

**Private Sector Mapping Survey:** to understand the impact of conflict on the sector and inform engagement in the private sector (World Bank)

**Financial Sector Stocktaking:** to understand the status of public and private banks

**Poverty and Conflict Monitoring:** Rapid surveys to develop understanding of poverty, including impact of crisis, that will also contribute to efficient and sustainable options of subsidy reform and accompanying safety net mechanisms

**Pillar 2: Restoring Basic Services Delivery**

**Pre-tertiary and Tertiary Education Assessments:** to document service delivery, identify gaps, and feed into policy recommendations on improving access and quality

**Social Protection Strategy:** Stock-taking of existing safety net schemes, their coverage and targeting mechanisms, and ways to expand them to support the most vulnerable

**Migration Stocktaking:** to understand nuances of the migration crisis, identify data gaps, and assess how the Bank could collaborate with partners (World Bank in collaboration with IOM)

**Social Fund for Development:** to take stock of existing social funds, assessment of their performance, and proposal of appropriate mechanism for community-level participatory financing

**Road Map to Peace and Reconstruction**

**Economic Platform for Stabilization and Peace:** to support the peace process with an economic platform that brings parties together to discuss and make decisions on economic stabilization in a neutral space (World Bank and UN)

**Joint Risk Monitoring Mechanism:** to better understand the evolution of the situation on the ground and the changing risk profile, benefit from partners’ respective comparative advantages, and identify ways to mitigate risks (World Bank, UN, and EU)

**Recovery and Peacebuilding Assessment:** to identify damage and needs and feed into strategy for recovery and reconstruction, including for reconstruction fund, and support better strategic alignment of partner reconstruction programs (World Bank, UN and agencies, EU, and possibly other multilateral banks and bilaterals)

Through ASA, the CEN period will also be used to prepare the path for peace and reconstruction, in close collaboration with partners, a key element would be the development of an Economic Platform to accompany the peace process. This dialogue space for economic issues, which the World Bank would develop with the UN, would help reinforce the peace process by advancing economic stability. There is broad agreement among partners that the economy could be the one issue that can get Libyans to put aside their differences and work together. This platform could bring together influential actors, governmental and nongovernmental, to find solutions, provide an enabling environment, and demand accountability. This platform could be used to address issues such as macroeconomic stability and the liquidity crisis. This would take place in a neutral space, outside of the complex and intricate political context. It would be strongly linked with the political and security tracks of the peace process so that progress on the economic front could be leveraged for progress on a political settlement and vice versa. The World Bank has proposed this possibility to the UNSMIL
and the EU, which are interested in exploring it. One option would be to evolve the LED into a higher-level platform that would serve this purpose.

86. The World Bank will also work with partners to develop a Joint Risk Monitoring Mechanism and, when appropriate, a Recovery and Peacebuilding Assessment (RPBA). The monitoring mechanism would provide a channel for regular feedback on the changing risks to the program, including to prevent exacerbation of conflict. Although until recently there was little interest among the partners for a Recovery and Peacebuilding Assessment because of the unresolved political situation, such an assessment will be needed to underpin reconstruction. Therefore, when the time is ripe, the World Bank will work with partners on developing and implementing a RPBA.

Box 5: Government and Donor Approach to Migration

With significant international attention on the condition of migrants in Libya, the GNA has denounced the inhumane treatment of migrants and set up a committee to investigate the criminal gangs involved in human trafficking. The Government has also issued over 200 arrests and arrested over 80 people suspected of involvement. It is also working with UNHCR and IOM on voluntary repatriation.

Having identified migration as a priority for international support, the GNA has set up a Migration Working Group (MWG) responsible for coordinating international support and giving policy advice on migration. It is co-chaired by the Ministry of Foreign Affairs and the IOM and includes Libyan entities, UN, EU, AU, bilateral partners, and the World Bank.

With out-migration to Europe through a dangerous sea crossing, many international partners are also engaged in managing the crisis. The EU has mobilized EUR 182 million to strengthen resilience and protection of displaced communities, support protection and voluntary humanitarian repatriation, and stabilize local communities. Italy is supporting the Transit and Departure Facility in Tripoli for those in need of international protection. It will also facilitate the transfer of migrants to third countries and has been working with the Libyan coast guard to limit migration across the Mediterranean. Doctors without Borders is running mobile clinics in seven migrant detention centers in and around Tripoli. IOM is tracking migrants, providing support to detention centers, and repatriating migrants on a volunteer basis in coordination with UN agencies to Nigeria, Ethiopia, Morocco and Tunisia (it repatriated 14,500 in 2017). Rwanda has also announced that it is willing to host up to 30,000 African migrants stranded in Libya.

The World Bank Group approach to migration in Libya can be summarized as follows:

- Main role will be to rebuild Libyan economy and institutions so that Libya can return to being a labor-importing country as it was in the recent past. Through reengagement, it will be able to engage in dialogue, including on treatment of migrants, with the IOM in the lead;
- Conducted analysis and produced stocktaking notes to gain insights on nuances of the migration crisis, which was facilitated by IOM data;
- Deepening participation in the MWG, which it has recently joined, identifying areas of collaboration;
- Expanding coverage in basic service delivery projects (health, electricity) to include migrants and IDPs;
- Potential area of support could be in designing efficient systems and processes to manage economic migration (UNDP is conducting some initial work).

87. There are several areas where ASA could lead to projects later in the CEN period if the situation on the ground does not deteriorate. In education, the pre-tertiary assessment, financed by the State and Peace Building Fund (SPF), is expected to be concluded in 2018 and will yield critical information that could feed into an operation, if requested by the authorities. As mentioned under Pillar 2, the SFD could also be developed into an operation. The World Bank may also consider an operation to directly support migrants if there is a clear need and a comparative advantage (Box 5).
Implementation of the CEN

Managing Implementation Challenges

88. Implementation of the CEN program will incorporate the main operational lessons from the World Bank’s earlier engagement in Libya and other FCV countries: (a) prepare for multiple contingencies to deal with impact of uncertainty due to politics, security, and other elements of fragility; (b) design simple and flexible projects to be able to adapt quickly to changing context; (c) prepare for alternative implementation methods because activities may be undertaken at a distance; and (d) plan for very intensive implementation support to deal with chronic low capacity.

89. The CEN proposes specific actions to contend with these and other implementation challenges, building on previous experiences in Libya and other FCV settings:

(a) **Bank counterpart**: The GNA is the internationally recognized government, although the continuing political impasse in the country has affected its domestic legitimacy and effective control. The GNA’s status and composition could be affected by future political and governance realignments under the UN-led peace process. Consequently, the Bank will deal with the GNA as its official counterpart while ensuring both that its engagements in Libya are consistent with the Bank’s legal and policy framework, particularly its policies on conflict and development and de facto governments, and that the risks associated with a change in the status of the GNA are managed.

(b) **Staffing footprint.** The World Bank is reopening facilities in Tripoli to be present in the field and serve as a base for short missions. Staffing on the ground will be modulated according to the security situation, increasing as the situation improves. There will also be planning for multiple security contingencies to ensure staff safety. IFC will support its engagements through its regional hubs in Cairo and Dubai until sufficient traction is achieved to build a viable pipeline and program in the country.

(c) **Policy dialogue.** Given the fragmented nature of the Libyan polity, specific emphasis will be placed on ensuring inclusiveness of stakeholders in all activities and allowing sufficient time for information to be disseminated to the various stakeholders. This will be critical for the World Bank Group’s operational and reputational legitimacy.

(d) **Third-party execution and building country systems.** Alternative implementation arrangements may be used, such as delegating implementation to UN agencies to get quick results under the planned emergency operations, while the World Bank has limited physical presence in the field. At the same time, the CEN program will explore ways to build country systems, such as hands-on, expanded implementation support to procurement and other fiduciary functions, including financial management.

(e) **Monitoring by third parties and beneficiaries.** Given limited staff presence, the activities will incorporate innovations from other difficult operating environments, including for remote supervision such as remote sensing, geo-enabling of projects, third-party monitoring, intense beneficiary feedback to strengthen accountability, and grievance mechanisms.

(f) **Risk monitoring.** Given the heightened degree of risk that will confront staff and operations (see risk section below), the World Bank will use the Joint Risk Monitoring Mechanism, mentioned earlier, to provide regular updates on how program implementation intersects with violent events, displacement, migration, and poverty. This will feed into contingency planning for down side scenarios. Other socioeconomic and political data on risk will also be used to inform and strengthen decision making within the CEN program.
90. **The CEN program will pay particular attention to women and youth.** To support their voice and agency, the World Bank has established women and youth chapters of the LED. These chapters will enable women and youth to systematically provide their perspectives on policy, strategy, activities, and implementation-related issues. The women’s chapters will enable women from the public sector, private sector, academia, and CSOs from various parts of Libya to come together around women’s constraints, opportunities, and gender-oriented policies. The results of their dialogue can then be integrated into the agenda of the LED. Youth will use their chapters to network and delve into issues relevant to their needs as the chapter grows.

91. **The CEN program will also support access to basic services and economic opportunities for women and youth.** Gender will be a key consideration informing critical policies such as subsidy reform and eligibility in cash transfer mechanisms. The projects under Pillar 2 will also have a specific focus on women, particularly in health, where women will have greater access to prenatal and postnatal services, and support for dealing with gender-based violence. In the private sector mapping survey, particular attention will be given to female and youth entrepreneurs to highlight their needs, interests and strengths, which will inform future support to those groups.

C. **Financing the CEN**

92. **Authorities have requested transitional financing, to be coordinated by IBRD, for recovery and reconstruction, until the economy is back on track and Libya can access adequate domestic resources.** Although Libya has significant oil resources, oil revenue, on which the state is almost entirely dependent, remains very volatile due to security issues and still significantly less than pre-conflict levels. Other resources, such as those of the LIA, will remain frozen for the near future. In this context, the authorities have asked for World Bank support for projects in electricity and health, recognizing the unique value proposition of the World Bank based on its apolitical position, convening power, global technical expertise, strength in building governance, and the ability to link recovery and reconstruction to longer-term sustainable development.

93. **Any financing coordinated by IBRD would be consistent with principles outlined in the Bank Policy on Security Arrangements.** Depending on the specific project, the credit support could include third-party guarantees from World Bank’s development partners or other creditworthy entities, project-level security, or cash reserve accounts to support the repayment of debt service.

94. **Trust funds will continue to be an important, though much smaller, source of financing for CEN activities.** The existing program is almost entirely supported by Bank-executed trust funds, which will be leveraged for IBRD. ASA in electricity and health supported by the MENA Transition Fund will leverage IBRD to produce results that have a tangible impact on people’s lives. The private and financial sector assessments are supported by an existing MENA Transition Fund grant. The macroeconomic, statistics, and governance activities are financed by the EU, DFID, and the Netherlands under the Governance and PFM MDTF. The SPF is financing the LED and the education sector assessment and the preparation of the two IBRD projects.

95. **The Libyan authorities have also requested help from the WBG to establish a Reconstruction Fund.** The authorities would like the Fund to finance major reconstruction efforts, while at the same time helping to promote accountability and ensure solid financial management. The thematic scope of the Fund will be defined through the proposed Government-led Needs Assessment, and will depend in part on the level of financing available. Early consultations suggest a fund could cover areas such as: (a) public investment for large-scale infrastructure reconstruction, basic services, and development, leveraging resources from government, multilateral banks, and development partners.
in the short-term; (b) institutional strengthening and implementation support to link investments to
reforms and capacity building efforts that can strengthen government ability to prioritize, develop,
deliver, monitor and evaluate its reconstruction and development program, including procurement,
financial management, and implementation capacities; and (c) development of the local private sector
and support to build a pipeline for private investment and public-private partnerships, including with
support from IFC and MIGA. The Fund could also facilitate implementation and delivery in a high-risk
environment, including in terms of analytical work, program development, enhanced supervision,
including third party monitoring and remote sensing technologies, and a risk mitigation.

96. The Reconstruction Fund would be based on experience with similar funds in other MENA
countries but will be adapted to the needs of Libya. The WBG would work with government and
development partners to identify the best option, looking at Iraq, Afghanistan, and Yemen among
others. It would be customized for Libya, incorporating strong ownership from the Government in
terms of strategy and priorities, while complying with WBG policies and procedures. The core
structure could include a pooled funding mechanism with a steering committee comprised of the
Government of Libya and partners to take strategic decisions, and a small secretariat to administer
the fund.

IV. MANAGING RISKS TO THE CEN

97. The CEN is a high-risk/high-reward undertaking. Although there are multiple high risks that
could directly affect the World Bank Group program, the risk of not engaging could be much greater,
with potentially devastating consequences for stability and peace. If the World Bank does not
reengage, limiting its leverage, the macro-fiscal situation may continue to deteriorate at a rapid pace,
with an increasing likelihood of economic collapse. Another risk of inaction is that lack of reliable
electricity will contribute to increasing water scarcity as pumps and desalination plants go offline,
leading to a deterioration in public health and possible outbreaks of communicable diseases such as
malaria. Health services will also continue to deteriorate. Many children may not get vaccines; babies
and mothers will continue to die in hospitals from lack of equipment or qualified medical personnel;
and people will continue to die from lack of medicines for diseases such as diabetes, heart disease,
and cancer. Given the risks of not engaging, the best choice for the World Bank is to support the UN-
led peace process, along with other partners, by reengaging.

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<th>Risk Categories</th>
<th>Risk Ratings</th>
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<tr>
<td>Political and Governance</td>
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<td>Macroeconomic</td>
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<td>Sector Strategies and Policies</td>
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<td>Institutional Capacity for Implementation</td>
<td>High</td>
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<tr>
<td>Fiduciary</td>
<td>High</td>
</tr>
<tr>
<td>Environmental and Social</td>
<td>High</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>High</td>
</tr>
<tr>
<td>Other (Security)</td>
<td>High</td>
</tr>
<tr>
<td>Overall</td>
<td>High</td>
</tr>
</tbody>
</table>

98. Political, security, and governance risks are rated High. Insecurity and lack of progress on the
peace process are among the highest risks to the program. If the various parties do not come together
and engage in the peace process and move toward political resolution, there is very high risk of further
deterioration of the situation on the ground, which would delay needed policy decisions and reforms
and increase security risk and implementation challenges for the CEN program. To address this risk,
there will be multiple back up plans for various contingencies both in terms of security and
implementation of activities. In terms of security, based on security assessments, there will be layers
of backup systems both for communications and physical security. To fully support and safeguard
these identified critical systems, the Corporate Security Program and security countermeasures will be fully implemented prior to the deployment of WBG staff into the country. Operationally, if insecurity increases, the World Bank will make every effort to proceed with the proposed program but will mitigate risks through methods such as reverse missions. In addition, the projects will utilize alternative procurement arrangements, third-party implementation, and remote monitoring. If the risks become too high, activities may be postponed. On the other hand, if the peace process is successful and stability is improved, the World Bank could pursue more projects in areas such as education and community-level activities and could also undertake national data collection for more granular analysis on issues such as budget execution and safety net mechanisms.

99. **Macroeconomic risk is rated High.** There is high risk of macroeconomic deterioration, which will increase the already major challenge of restoring macro-fiscal stability. With the continuing political crisis, it is difficult to get decision makers to agree to the critical reforms needed to improve the macroeconomic situation. The liquidity crisis, exchange rate, and inflation may present specific challenges for fiscal stability. For projects, it may become increasingly difficult to purchase inputs. These risks, however, strengthen the argument for reengagement, as the World Bank Group is the lead partner on economic recovery. Mitigation measures will be to (a) continue TA on budget reform, PFM, public investment management, and subsidy reform, (b) work with the IMF on exchange rate adjustment and macroeconomic reform, and (c) support implementation of the Economic Platform for high level decision making of economic issues.

100. **Sector strategies and policies risk is rated High.** With fragmentation and political crisis, the authorities have not made decisions on sector reforms. However, they recognize the urgent need for reforms, particularly in basic services sectors. Mitigation will include elevating the dialogue, developing the evidence base for reforms, and strengthening the capacity of the relevant ministries to formulate and implement reforms.

101. **Technical design of program risk is rated High.** Given the low capacity in government institutions, there is substantial risk that the design of the program will pose challenges to the achievement of the CEN objectives. Although the projects under Pillar 2 are in the design phase, there will be an emphasis on simplicity given the complex operating environment. In health, part of the mitigation will be third-party implementation through UN agencies. In electricity, mitigation lies in the fact that the counterparts have ownership of the design of the project and are among the more competent institutions in Libya, as well as third party monitoring. Overall, there is adequate analysis in the areas of engagement, and where there are gaps, as in the private, financial, and education sectors, the focus will be on knowledge development. One opaque area is political economy. It is understood, for example, that there is a large shadow economy, but the scope and mode of operation is not yet well understood.

102. **Institutional capacity for implementation and sustainability risk is rated High.** Implementation capacity in the country is very weak. There is a lack of accountability and transparency and strong capture by vested interests, as well as administrative bifurcation. Mitigation will be focused on building capacity for implementation, as much as possible by using the learning-by-doing approach and the use of third-party implementation in the short term, to quickly achieve results. The foundation for longer-term institutional sustainability, which includes reintegrated institutions, will be built through analysis of the public administration and sector-specific performance reviews, as well as working inclusively with various stakeholders on common action plans in the various activities to pave the way for reintegration.

103. **Fiduciary risk is rated High.** With significant corruption and lack of accountability and transparency, there is potential for large fiduciary risk. Mitigation will include using alternative procurement methods, third-party implementation, and project implementation units instead of
country systems in the short to medium term, while also working on procurement reform and capacity building and strengthening accountability institutions such as the Supreme Audit Bureau through TA.

104. **Environmental and social risk is rated High.** The capacity for managing environmental and social risk is not well understood due to the World Bank’s limited engagement, but it is assumed to be weak, in line with generalized weak capacity and lack of accountability. Therefore, the World Bank will carry out environmental and social training and assessments to identify areas of vulnerability before management plans are prepared. The management of environmental and social safeguards may need to be delegated to an implementing agency, at least initially while capacity is built, accompanied by vigorous monitoring by the World Bank.

105. **Stakeholder risk is rated High.** Based on consultations with Libyan authorities, private and financial sector actors, CSO, and academia, as well as with partners, it is not expected that they would work against the achievement of CEN objectives. There is risk that the average Libyan citizen does not know what the World Bank Group does, and there are some who believe the World Bank is trying to indebt countries. Mitigation will include continued partner collaboration and increased outreach to Libyan stakeholders as the World Bank reengages and reestablishes its field presence. There is need for an effective communication strategy that balances the World Bank’s security needs (staying below the radar and not becoming a target) with the need for more outreach to explain what the World Bank Group does in general and what it is doing for Libya.
ANNEX A: CEN RESULTS

| Objective 1: Create a Foundation for Macro-Fiscal Stability | • Budget Consolidation for 2017, 2018, and 2019  
• International Practice Cash Basis Public Accounting system installed |
| Objective 2: Strengthen Core Functioning of PFM and Public Sector Administration | • Manuals defining policy process and procedures produced;  
• Number of staff trained and modules delivered on leadership, policy process, formulation, communication, PFM, procurement, HRM, and monitoring and evaluation  
• National accounts audited and published |
| Objective 3: Enhance Private Sector Capacity and Access to Finance | • Enterprise Survey completed and disseminated  
• Financial sector assessment completed and disseminated  
• Training to banks and CBL delivered |

| Objective 1: Improve Electricity Supply and Lay the Foundation for Improved Sustainability | • Approximately 500 MW of electricity added to grid  
• Design FSRU |
| Objective 2: Improve Access to Health Care | • Number of people receiving health and nutrition services, with gender, and migrant-disaggregated data |
## ANNEX B: LIBYA PORTFOLIO

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Description</th>
<th>Counterparts</th>
<th>Approval Date</th>
<th>End Date</th>
<th>Amount (USD)</th>
<th>Undisbursed Balance (USD)</th>
<th>Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening PFM Institutions and Building Governance</td>
<td>TA and capacity building in PFM, information, and human resources</td>
<td>Ministry of Planning; Ministry of Finance</td>
<td>September 2015</td>
<td>December 2018</td>
<td>2,312,883</td>
<td>719,562.37</td>
<td>DFID</td>
</tr>
<tr>
<td>Libya Capacity Building in Statistics and National Accounts</td>
<td>TA and building capacity of Bureau of Statistics and Census and General Direction of National Accounts</td>
<td>Ministry of Planning</td>
<td>November 2016</td>
<td>June 2018</td>
<td>120,000</td>
<td>120,000</td>
<td>SPF</td>
</tr>
<tr>
<td>Libya: Electricity Sector Reform Technical Assistance</td>
<td>Institutional development and performance improvement of GECOL; strategic plan for renewable energy development</td>
<td>Ministry of Electricity and Energy</td>
<td>June 2014</td>
<td>December 2017</td>
<td>1,960,000</td>
<td>1,198.33</td>
<td>MENA Transition Fund</td>
</tr>
<tr>
<td>Libya Finance and Private Sector Development Technical Assistance</td>
<td>Diagnostic and capacity building to the banking sector; strategic plan for the implementation of Islamic Finance Strategy and mapping of the private sector</td>
<td>Several ministries and agencies</td>
<td>October 2013</td>
<td>June 2021</td>
<td>3,300,000</td>
<td>1,534,795.93</td>
<td>MENA Transition Fund</td>
</tr>
<tr>
<td>Libya Health Sector Support ASA</td>
<td>Human resources for health, services delivery, and health financing</td>
<td>Ministry of Health</td>
<td>May 2017</td>
<td>December 2020</td>
<td>2,373,600</td>
<td>1,690,497.53</td>
<td>MENA Transition Fund</td>
</tr>
<tr>
<td>Libya Education Sector Assessment and Technical Support</td>
<td>TA for the diagnostic/assessment of all education sector and policy and strategic planning in support of national education reforms</td>
<td>Libyan Society for Research and Development Bureau of Statistics and Census</td>
<td>April 2017</td>
<td>September 2019</td>
<td>350,000</td>
<td>350,000</td>
<td>SPF</td>
</tr>
<tr>
<td>Libya State and Peace Building Fund (SPF) for Recovery and Reconstruction</td>
<td>LED; technical sectoral assessments and critical knowledge development; project preparation and implementation support</td>
<td>Various</td>
<td>September 2017</td>
<td>December 2018</td>
<td>1,000,000</td>
<td>560,526.59</td>
<td>SPF</td>
</tr>
</tbody>
</table>
ANNEX C: PREVIOUS WORLD BANK ENGAGEMENT

1. This annex summarizes the activities and outcomes of the World Bank’s strategic partnership with Libya since October 2011. The World Bank’s program from 2012 to the present has included the LED and analytical work and TA in three areas: (a) increasing capacity, accountability, and transparency in key institutions; (b) promoting private and financial sector development; and (c) supporting decentralization and improving basic services at the local level.

<table>
<thead>
<tr>
<th>TA - Area</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing Capacity, Accountability and Transparency</td>
<td></td>
</tr>
<tr>
<td>Financial Sector Review</td>
<td>The report provided a comprehensive analysis of the financial sector and identified priority reforms to be undertaken by financial and monetary authorities. This served as a basis for US$3.3 million MENA Transition Fund proposal approved in 2013.</td>
</tr>
<tr>
<td>Public Financial Management and Governance Technical Assistance</td>
<td>This ongoing program supports key PFM activities such as strengthening the core systems and processes in the Ministry of Finance and building PFM functions, including budget consolidation. Medium-term budgetary framework training for about 40 budgeting officials took place in February 2014. Additional activities include the setting up of a new PFM information technology system; training of 60 Libyan public officials in basic PFM management; and the setting up of a Macro-Fiscal Unit Cell in the Ministry of Finance to conduct fiscal policy analysis; and near-term consolidated budgets.</td>
</tr>
<tr>
<td>Statistics and National Accounts</td>
<td>This activity supported capacity building in statistics, financed by the SPF. In FY14, the World Bank supported the implementation of the strategy to modernize the Libyan National Statistical System. This included three main activities: (a) training sessions for around 100 staff and managers on key statistics and national accounts operations, (b) TA to help the General Direction of National Accounts to update and complete the current series of National Accounts over the period 2006–2012, and (c) TA to plan and implement new statistics operations and preparation of the new series of National Accounts. These activities strengthened the basis for social and economic planning, budgeting, and public policy design.</td>
</tr>
</tbody>
</table>

Creating Jobs and Promoting Private and Financial Sector Development

| Finance and Private Sector Development | In the financial sector, the World Bank: (a) conducted a gap analysis of the payment system and electronic clearing system; (b) provided TA that helped developed an Islamic Finance Strategy; and (c) provided capacity building on banking supervision, support on a Partial Credit Guarantee scheme, and TA to improve financial sector governance. In private sector development, the World Bank conducted a modified Enterprise Survey in 2015 funded by the MENA Transition Fund grant. |

Supporting Decentralization and Improving Basic Services at the Local Level

| Electricity TA | This activity consisted of (a) a phone-based willingness-to-pay survey, (b) support to the Renewable Energy Authority, and (c) support for electricity sector reform. The willingness-to-pay survey, financed by the SPF, assessed customer interest and willingness to pay for electricity, including from renewables. Advisory support to the Renewable Energy Authority assisted in the preparation of a road map for a renewable energy and energy efficiency regulatory framework. Support for an electricity sector reform program, aimed at enhancing the technical and financial viability of the sector, was launched with a workshop with sector stakeholders in April 2013. |
| Public Services Delivery Cluster | This task, financed by the Governance MDTF, made recommendations on the new Law on Local Government. The activity included three South-South exchanges in Turkey, Tunisia, and Lebanon. Participants were exposed to international experiences around municipal governance and decentralization. The authorities also requested support on developing guidelines to devolve solid waste management to the local level. The guidelines were finalized in October 2016 and shared with the Ministry of Local Government. |
Lessons from previous engagement: Overall, the program continued to play an instrumental role in supporting the transitional governments with analytical studies and advice on governance, PFM, and other activities, as mentioned earlier. Although some program activities were suspended due to the escalation of conflict, the remaining and added TA activities continued to disperse and to produce critical outputs and capacity building. The World Bank developed a reputation as an independent, reliable, and credible source of information. The analytical work and the program activities, particularly on economic policy and PFM, were the basis on which development partners, the World Bank, and others have been able to build their engagement on economic recovery in the country.

Flexibility in program design and program implementation is crucial. The fluctuating security and political situation has contributed to challenges and delays in implementation. For example, the electricity survey could not be carried out on the ground because of security concerns but was changed to a telephone survey, which was eventually completed. In some instances, they have led to such constraints that activities were cancelled, as noted earlier. The World Bank has adapted by engaging in reverse missions; hosting workshops in Tunisia, Jordan, Turkey; and taking authorities to other countries on study tours. The World Bank also provided implementation support using many methods, including phone, Skype, Viber, and Facebook, daily or weekly.

Identifying strong and capable technical counterparts and being responsive to their needs. High turnover in the aftermath of 2011 depleted managers with experience and technical expertise in public administration. The World Bank had difficulties identifying the right counterparts for activities, which caused delays. Since evacuation, the World Bank has recruited and mentored local consultants over the past several years to supplement intensive implementation support from outside.

Maintaining independence and being a reliable partner. In a highly politicized environment, including multiple changes in governments, the World Bank continued to build its reputation as a reliable, independent organization. It did this by being steadfast in support even when other partners were no longer working on Libya and by carefully maintaining its neutrality and independence.

Every activity is transaction-intensive and activities require strong implementation support. Due to years of ongoing crisis and conflict, there is weak capacity, even for basic tasks. Task teams need to spend a lot of time supporting their counterparts to ensure that the pace of implementation is maintained. This is a challenge when it is not possible to go to the field, but through telecommunications and use of local consultants, the World Bank has been able to maintain quality implementation support in a difficult operating environment.
ANNEX D: RISK AND RESILIENCE ASSESSMENT SUMMARY

1. **Libya continues to be in crisis.** Following more than 40 years of autocratic rule by Colonel Muammar Gaddafi, the 2011 revolution that led to his overthrow, and the subsequent conflict, have severely affected both the macro-stability of the country and the lives and livelihoods of the Libyan people. The various post-uprising political groups have struggled to reach a sustained political agreement, and Libya remains in a state of turmoil. This instability has also had ramifications beyond Libya’s internal borders, including the spillover of instability into neighboring countries such as Mali, Niger, and Tunisia, contributing to creating safe havens for radical extremist groups and providing a platform for smuggling people and goods into Europe.

2. **A mostly desert and oil-rich country, Libya is in the central Maghreb region along the Mediterranean Sea.** It occupies a large arid territory and has a relative small population of approximately 6 million people, most of whom are concentrated in the major cities along the coast, leaving the arid interior sparsely populated. Libya remains a young country, with 43 percent of the population under the age of 24 years, and a bulge in the 25 to 29 years age group, including a large number of unemployed men, who lack the necessary skills for the labor market.

3. **With a revitalized political peace process, the present period might offer an opportunity for Libya to break with the entrenched fragility and violence of the past five years.** This RRA was undertaken by the EU, UN system, and the World Bank Group to achieve a better understanding of the drivers of fragility and conflict, and to ensure that international technical and financial assistance are informed in terms of challenges and risks and are able better designed to mitigate them and contribute to peace and stability.

4. The objectives of the RRA are to

   (a) Provide an overview of political and socioeconomic developments in Libya and identify the key challenges and risks that need to be overcome to promote peace, stability, and recovery;

   (b) Offer recommendations to enhance the sensitivity of EU, UN, and World Bank Group interventions and ensure that they are tailored to existing challenges and can more effectively mitigate against future risks; and

   (c) Provide an agreed-upon narrative to underpin any future efforts to jointly prioritize actions in support of the political process.

**Structural Challenges, and Drivers of Conflict and Violence**

**Structural Challenges**

5. Libya faces a variety of challenges across several facets of state and society.

   • **State Building Challenges (Political and Institutional)**

     - Libya is a divided country without a unifying territorial and organizational state structure.
     - Following the revolution, the prospect of more inclusive and transparent institutions has not been realized, and state institutions have struggled to function and secure legitimacy.
     - Coordination between central and local levels of government is missing, weakening the effectiveness of the state at the municipal level.
The absence of an independent and accountable justice system is a significant obstacle to peace and stability.

Security Challenges

- Post-revolution Libya lacks a coherent national security apparatus.
- Attempts to integrate armed groups into a central security apparatus under civilian authority have not been successful, due in part to an ad hoc and patchwork approach that stems from divergent narratives of legitimacy among post-Gaddafi security sector institutions.
- Arms proliferation among the general public as well as armed actors remains a key security concern.
- Breakdown in security has enabled the growth of more radical and extremist elements.

Economic and Fiscal Challenges

- An undiversified economy remains largely dependent on the oil sector, while the non-hydrocarbon economy is shrinking due to lack of funds and security.
- Inflation is at its highest since the conflict started in 2011 and is driven by acute shortages in basic commodities, currency devaluation, and fluctuations in the vast black market.
- In the absence of increasing revenues, the size and composition of the budget is unsustainable.
- The fragile monetary situation is plagued by ongoing conflict and political division, which has destabilized the macroeconomy and eroded trust in the banking system.
- The shadow economy is expanding at the expense of the formal economy, while the currency in the shadow economy is rapidly losing value.
- Fiduciary risks are high, with commercial banks, official businesses, and gold market traders implicated in fraudulent activities in the currency black market.
- Unemployment has risen sharply, and public sector wages remain the sole source of income for most families.
- Economic hardship and deteriorating public service delivery is affecting communities directly exposed to armed conflict and displacement.
- Smuggling and financial corruption schemes have become an important source of funding for armed groups, further fueling conflict and instability.
- The rise of human trafficking is a significant source of revenue for smugglers and armed groups and a core element of Libya’s conflict economy.

Challenges of Social Exclusion and Fragmentation

- Libya faces multiple challenges of territorial fragmentation and the re-emergence of subnational identities; in some regions, power is primarily held by local elites who have created loyalties and secured their interests by controlling and collaborating with armed militia groups.
- Tribalism and ethnicity, while not at the national level of conflict dynamics, play an important part in localized conflict and affiliations between different armed groups, particularly in rural areas.
- Several groups are largely excluded from public, social, and economic life, including young people, who represent half of the population, and women, who face discrimination and constraints to participation in public life.
Large numbers of economic migrants, refugees, and IDPs are targets of exploitation and abuse.

- **Libya and the International Community**
  - Libya’s current global prominence is a consequence of its geostrategic importance. Renewed access to its oil wealth, military, and political chaos, and the tangible opportunity for a political resolution have attracted the attention of a variety of actors, while also exacerbating conflict.
  - A number of international players remain active in Libya but not always working toward the same ends, often backing opposing sides in the Libyan military and political struggle.
  - The international community has been active post revolution but sometimes in ways that add to conflict pressures. Of concern is the tendency among the international community to promote standardized peace and development approaches in Libya without fully recognizing the country’s history and culture.

**Drivers of Conflict and Violence**

6. The analysis points to several specific drivers of conflict and violence. Although some overlap and intersect, they are presented as distinct drivers to isolate and independently address the effect of each one.

(a) **A stalled transition process without agreement on political vision or the basis of a new social contract.** The transition process has most recently been driven by the positive prospect of upcoming elections. However, this should not overshadow the divisions that remain in Libya or the fact that there is no agreed-upon basis to define a new social contract.

(b) **A persistent security vacuum and an economy of predation.** Growing distrust among different military and security actors and their involvement in profit-making conflict economy activities have created strong disincentives for them to form a unified and accountable security apparatus.

(c) **The lack of a formal, institutional foundation for the public service, and of transparency and accountability in governance.** The lack of adequate and legitimate national and local-level public service institutions and the absence of coordination among the levels has both eroded the legitimacy of the state and provided the space for non-state actors to fill the Government’s role.

(d) **A fragmented, undiversified economy, with weak financial management and control systems.** Volatility in international oil prices and frequent interruptions to domestic oil production have adversely affected the country’s fiscal health. A bifurcated public administration combined with weak PFM systems has allowed the proliferation of rogue economic activity and enabled a predation economy and corruption to take hold.

(e) **Lack of social cohesion and the exclusion of women and youth.** The exclusion of key groups, including women and youth, remains a factor of fragility during the peace process, as it renders popular acceptance of the process more elusive.

(f) **Shortcomings of international engagement and the lack of adaptation of global peace and state-building approaches to the specific circumstances of Libya.** A key driver of instability has been the many attempts to make Libya fit into traditional models and to apply traditional peace and state-building concepts rather than approaches that are appropriately adapted to the history and culture of Libya.
Resilience and Stabilizing Factors

7. A number of factors of resilience can be built upon and supported to shore up the capacity to mitigate the risks of conflict and violence.

(a) **Existing capacity in the Libyan public administration, which can be leveraged through the reconstruction process.** The public administration includes a number of educated civil servants who are motivated to design and implement a reform of Libyan public administration.

(b) **Clear indications of community-level organization, which provide an additional element of institutional resilience.** Local agreements among communities provide a strong basis for a bottom-up approach and can be used to strengthen local or subregional institutions and create pockets of stability. The flexibility and expertise demonstrated by the CSOs that have continued to operate can also provide an element of resilience during conflict and its aftermath.

(c) **Social cohesion and bonds forged across identity groups.** During and after the 2011 crisis, groups were convened to save and build bonds for technical knowledge and commitment to Libya’s future. This has enabled the creation of network bonds across tribal and spatial identities.

(d) **Libya’s geographic proximity to Europe.** Libya’s geostrategic location, where non-state actors can regroup and launch movements into other parts of Libya and beyond, means that Libya will continue to receive international attention and assistance.

(e) **Libya’s resistance to attempts by sectarian outfits to gain foothold.** The rise and presence of the Islamic State in Libya is less a consequence of extremism taking root in the country, and more a result of political chaos.

(f) **The role of the informal sector in local service delivery and protection.** Traditional structures are preponderant in many local governance systems and are involved in the delivery of local services. Elders and tribal figures are particularly important, while CSOs are also present and active in most municipalities.

(g) **Widespread media access, especially television.** Those wishing to deliver a public message or demonstrate transparency have a ready vehicle for reaching the citizenry.

Risk Analysis

8. Even as the political transition at the central level is moving forward, if a settlement can be found, addressing the many challenges described above require serious effort. Seven short-term risks, each associated with one of the six drivers of conflict and violence, are particularly critical.

(a) There is a fundamental lack of agreement on a shared national vision to guide the institutional, economic, and territorial transformation that has been under way post Gaddafi.

(b) Development outcomes will be minimal if the authorities are unable to ensure security.

(c) There is risk of a frustrated political process and delayed implementation of the UN Action Plan.

(d) The lack of effective accountability and financial control is slowing the recovery effort.

(e) Economic incentives remain stacked against stability, and the conflict in Libya has created the space for a thriving war economy.

(f) The roll-back of gender equality creates the risk that the needs and priorities of Libyan women and girls will be shut out of recovery and reconstruction efforts.

(g) The exclusion of youth, amplified by high unemployment and raised expectations, creates the risk that peace will be unsustainable.
(h) The international community is also at risk of doing harm to the fragile process in Libya in the following ways:

(i) Limited access to insecure areas may create imbalances in international attention and fuel interregional tensions.

(ii) Lack of donor coordination, and acting on insufficient data, may do unintentional harm.

(iii) The focus on migrant-related projects could create resentment.

(iv) Support to municipalities might be contributing to further disintegration of state institutions, which could affect the overall macro-economic governance system.

(v) There is risk of the international community being perceived as imposing unrealistic peace and state-building approaches without due adaptation to context.

(vi) Libya’s south could be further isolated and decoupled from development in the rest of the country.

(vii) The reliance on technocratic approaches creates the risk that actual political economy issues will not be recognized.

Recommendations for International Actors

9. Libya presents a complex situation in which the risks to international engagement are large, yet the risks of non-action and continuation of status quo are likely to be much higher for both the Libyan population and the North Africa region. This RRA focuses on recommendations that can explicitly support better collaboration and coherence in the international response going forward, including:

- **Deepening our collective knowledge and understanding**
  - Develop further analysis in specific areas that have emerged through this assessment.
  - Facilitate information sharing about how to use knowledge to inform decisions.
  - Develop tailor-made recommendations for specific socioeconomic reforms.

- **Strengthening the links between the economic stabilization and recovery efforts and the political process through rigorous integration of all aspects of the political economy**
  - Establish a platform whereby economic recovery supports the political process.
  - Accompany focus on elections with more explicit elaboration of what a widely accepted social contract might look like, including associated economic institutions.
  - Establish specific targets and mechanisms to promote inclusion of women, youth, and other vulnerable groups in the national dialogue and civic life.

- **Establishing joint risk monitoring and mitigation mechanism**
  - Use RRA as basis for more detailed context risk monitoring.
  - Establish a Joint Risk Management Mechanism.

- **Strengthening our collaboration**
  - Develop joint principles for engagement.
  - Support inclusive, effective, and accountable governance nationally.
  - Engage in a joint prioritization exercise on how to promote recovery and peacebuilding.
Formalize and expand more specific coordination around key engagements and risk mitigation measures.

- **Jointly improving implementation arrangements**
  - Engage government counterparts in ways that promote accountability for delivery.
  - Strengthen bottom-up accountability in the short term.
  - Use development financing to explicitly target the economy of predation.
ANNEX E: MACROECONOMIC ANALYSIS

1. **Crisis has devastated the economy; insecurity has led to a significant reduction in oil production, with large economic consequences.** Hydrocarbons have long dominated the Libyan economy, accounting for more than 70 percent of GDP, and approximately 90 percent of government revenue. With about 3.5 percent of the world’s proven oil reserves, Libya has had a prominent position in the international energy market. Before the revolution of 2011, Libya’s oil output was 1.77 million bpd (equivalent to 2 percent of global output) and close to 0.2 million barrels-equivalent of natural gas. However, between 2012 and 2016, due to the strong decline in oil production, the sector’s gross value added represented only 33.2 percent, on average (Figure E.1). Because of the dominance of hydrocarbon within the economy, growth in Libya is dependent on the oil sector (Figure E.2).

![Figure E.1. Contribution to GDP of Libya’s Hydrocarbon and Non-hydrocarbon Sectors](image)

**Source:** Libyan authorities, World Bank staff estimates.

![Figure E.2. Contribution to Economic Growth Rate of Libya’s Hydrocarbon and Non-hydrocarbon Sectors](image)

2. **The financial situation of the public sector is precarious, with the Government borrowing from the CBL.** The money supply increased due to monetization of the budget deficit(s), and currency in circulation increased from LYD 7.6 billion at end-2010 to LYD 30.6 billion at end-November 2017 (Figure E.3). Although currency in circulation has significantly increased, demand for cash has increased even more, resulting in a shortage of liquidity in the banking system. Keeping money in banks has become less attractive because (a) security constraints make it harder to access banks; (b) it has become difficult to convert deposits into cash, which in turn encourages preemptive deposit withdrawals; (c) bank deposits are not remunerated sufficiently, particularly against the background of high inflation; and (d) confidence in the banking system has fallen (Figure E.3). Thus, deposit holders have been trying to convert deposits into cash and then use the cash to buy either goods, which are largely imported, or foreign currency to preserve the value of their savings.
3. The increased demand for foreign currency, combined with the collapse of foreign currency revenues from oil, has caused Libya’s foreign exchange reserves to fall precipitously from US$ 123.5 billion in 2012 to US$ 72.6 billion in 2017 (Figure E.4). Were the current high public spending and insecurity around oil infrastructure to persist, foreign reserves would continue declining to reach around 44 percent only of its 2012 level by 2021. Libya would be in a extremely difficult situation because it relies on imports for almost all its consumption and intermediate goods and would be unlikely to be able to borrow externally in such dire circumstances. The official exchange rate of the Libyan dinar against the U.S. dollar has been maintained around its SDR peg (1.4 LYD/USD), but the Libyan dinar has lost 80 percent of its value in the parallel market due to the weak macroeconomic fundamentals, as well as to the foreign exchange restrictions implemented by the CBL to limit the amounts of hard currency residents can purchase (Figures E.5 and E.6). In February 2017, the CBL decided to sell up to US$400 per year to each citizen to ease the pressure on the Libyan dinar. By end-July 2017, almost US$869 million had been sold to some 2.172 million citizens, but this did not achieve its intended objective of stabilizing the Libyan dinar in the parallel currency exchange market. Security constraints, high inflation, cash shortages, lack of remuneration on bank deposits (result of Law 1/2013 on prohibition of interest), and falling confidence in the banking system all compound the high demand for foreign exchange.

Source: Libyan authorities and World Bank staff estimates.
Economic Developments in FY2017

4. **Despite growth driven by the recent increase in oil production, the Libyan economy is still significantly affected by the political crisis and insecurity.** The economy had been in recession for four years (2013–2016), reflecting declining oil output, which strongly recovered in 2017 with a significant increase in production. Output rose to an average 0.820 million bpd last year, a strong increase compared with 0.380 million in 2016. It hit the symbolic threshold of 1 million bpd in July 2017, a record performance not seen since July 2013. However, oil production is still volatile with security incidents causing shutdowns at various sites. On the other hand, the non-hydrocarbon sectors remained sluggish, inhibited by lack of liquidity and security. In sum, GDP is estimated to have increased by almost 27 percent in 2017 following its decline by an average of 12.3 percent the previous four years. This has allowed income per capita to substantially improve to 64 percent of its 2010 level, after losing more than half of its value.

5. **However, prices of almost all commodities continued to increase in 2017, which further depleted the purchasing power of the population.** Inflation hit a record level of 28.4 percent in 2017 following the 25.9 percent registered in 2016. Inflation is mainly driven by acute shortages of basic commodities, speculation in the expanding black markets, the de facto removal of food subsidies due to lack of budget funds, and the strong devaluation of the Libyan dinar in the parallel markets. Inflation, coupled with inadequate performance of the non-hydrocarbon sectors, is likely to have increased poverty and exacerbated socioeconomic exclusion.

6. **Although public finances improved in 2017, they continued to be strained by the ongoing political crisis.** After its worst performance in 2016, budget revenue jumped strongly in 2017 due to higher hydrocarbon revenues, which tripled compared with 2016 to reach LYD 19.2 billion. Although improving, non-hydrocarbon revenues were still very low (LYD 2.7 billion or 3.9 percent of GDP), mainly reflecting the generous tax system, wide tax evasion and fraud, and low tax collection due to weak tax administration and corruption. As a result, total revenues reached LYD 21.9 billion (31.1 percent of GDP) in 2017 compared with only LYD 8.2 billion the previous year. This increase represented barely half of revenue potential and was not enough to cover public wages (36 percent of GDP). Subsidies (LYD 6.4 billion in 2017, or 9 percent of GDP) continued to absorb a significant amount of budget resources, while capital expenditures remained limited (LYD 2.5 billion versus LYD 4.1 billion in 2016).

7. **Overall, the budget deficit remained high at 25.8 percent of GDP in 2017, though less than half of the 2016 deficit (66 percent of GDP).** The deficit is being financed mainly through cash advances from the CBL (west) and, to a lesser extent, by the issuance of Treasury bonds to selected commercial banks. The domestic debt has quickly increased to reach LYD 79 billion at end 2017, up from LYD 1 billion in 2010.

8. **The balance of payments is also improving but continues to suffer from the ongoing political uncertainty and the global oil glut.** The relative improvement of security around the main oil facilities allowed Libya to substantially increase oil exports to an average of 0.82 million bpd in 2017, with a peak of 1 million bpd in July. Although oil revenue tripled in 2017, it is not enough for current account to be sustainable considering the high dependence of Libya on imports to meet consumption and intermediate goods requirements. Fortunately, with higher revenues coupled with imports restrictions, external account was balanced, allowing foreign reserves to remain unchanged at end-2017 at around US$72.6 billion. This was the first-time foreign reserves did not decline because they were at US$123.5 at end 2012.

9. **The banking sector experienced a liquidity crisis despite the sharp increase in money supply (up 21.4 percent end September 2017, year-on-year), as currency circulating outside the banking
Economic agents have been holding increasing amounts of cash, reaching a record LYD 30.6 billion at end-November 2017 (43.4 percent of GDP versus 8 percent of GDP in 2010). As a result, the currency in circulation outside banks represented 27.8 percent of the money supply in 2017 compared to 16.4 percent in 2010. This reflects a lack of trust in the banking system. Credit to the economy declined by 6.7 percent by end-November 2017 (year-on-year).

10. **Subsidies in Libya are costly, inefficient, and distorting.** Subsidies (9 percent of GDP in 2017) continue to absorb a significant amount of budget resources. Total subsidies amounted to LYD 6.4 billion (US$4.5 billion) in 2017 and more than US$41 billion during 2011–2016, representing 100 percent of 2016 GDP. Broken down by product, 66 percent of subsidies are for hydrocarbon products and 11 percent for electricity, which has led to overconsumption of these products. Subsidies in Libya are not targeted and are inefficient, mainly benefitting those who are higher income. In addition, a substantial portion of subsidies is lost to smuggling (30 percent in 2014). The World Bank (2016) estimates that the fuel smuggling from Libya to Tunisia increased to US$151 million in 2015 against US$41.1 million in 2013.

**Macroeconomic and PFM Challenges**

11. The status quo macroeconomic scenario presented below remains very fragile because it requires upholding the implicit agreement between the parties in conflict to ensure minimum security around oil infrastructure. This scenario assumes that the current situation will prevail with oil production at around 1 million bpd over the next few years. The non-oil sectors will remain sluggish as well. In this context, economic growth is projected to reach around 10 percent in 2018—mainly reflecting a catch-up from a low oil production in 2016—and remain at less than 0.5 percent during 2019–2021. Both the budget and current accounts are expected to run high deficits, between 13 percent and 16 percent of GDP for the budget and 6 percent to 8 percent of GDP for the current account. The Government will continue financing the deficits through cash advances from the CBL. The Government will also continue allowing the exchange rate to depreciate further in the parallel market to control imports and reduce the pressures on foreign reserves. The resulting high inflation would also constrain consumption and limit imports.

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<th>Table E.1. Libya/Macro Outlook Indicators, Growth Rate (percent)</th>
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<tr>
<td><strong>2013e</strong></td>
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<tr>
<td>GDP, at constant market prices</td>
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<tr>
<td>Private consumption</td>
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<td>Government consumption</td>
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<tr>
<td>Gross fixed capital investment</td>
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<td>Exports, goods, and services</td>
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<td>Imports, goods, and services</td>
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<td>GDP, at constant market prices</td>
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<td>Inflation (Consumer Price Index)</td>
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<td>Fiscal balance (% of GDP)</td>
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Source: Libyan authorities and World Bank staff estimates.
Note: e = estimate, f = forecast.

12. **The situation calls for immediate actions to bring current expenditures under control, especially the wage bill and subsidies, and to improve governance of the financial sector, which will contribute to price stability.** Reforms are also needed to contain the wage bill and increase the efficiency of the public sector. Over the medium term, the country needs broader and deeper structural reforms to stabilize the macroeconomic framework and promote private sector-led job generation. Other medium-term priorities should focus on promoting the development and diversification of the private sector for job creation through policies to reorient the economy away from hydrocarbon dependence, reforming the financial sector, and improving the business environment.

13. **Furthermore,** fiscal consolidation will be required to offset the current spending from 2014–2017, and to provide the needed fiscal space for capital and reconstruction spending while preserving long-term fiscal sustainability. Capital spending, subject in the short term to capacity constraints, should be reassessed given urgent reconstruction needs, efficiency considerations, and the need to assess the limits of the country’s absorption capacity. Libya would benefit from introducing reforms focused on ensuring a unified budget process (including full integration of recurrent and capital budgets), introducing a medium-term perspective to inform the annual budget, strengthening the policy context of budgeting, and adopting a comprehensive and clear budget perspective. In addition, an assessment of investment projects is necessary to decide on priorities within the 2018–2019 budget.
Section 1: Migration Overview: Insights from IOM’s Displacement Tracking Matrix and other data

1. **Context:** Libya has suffered from a prolonged period of conflict and instability ever since the fall of the Gaddafi regime in 2011. One byproduct of the protracted conflict has been the increase in smuggling of migrants from Sub-Saharan Africa and beyond into Libya, with a subset entering Europe after perilous journeys across the Mediterranean.

2. The purpose of this note is to shed light on specific aspects of the Libyan migration crisis to highlight what is known, as well as identify knowledge gaps, and donor activities.

Migration is not a new phenomenon in Libya, but there has been a shift in the composition of migrants by nationality since 2015.

3. Before the Libyan uprising, migrants filled trades and occupations that Libyans were unwilling to take up. Since the data became available in 1990, migrants have consistently made up more than 10 percent of Libya’s population. Because of continued instability since 2011, a significant number of migrants have also fled Libya. Furthermore, there has been a large shift in the composition of migrants by nationality. The percentage of migrants from Egypt, Chad, Niger, Nigeria, and Sudan has significantly increased since 2015, while the percentage of migrants from Palestine, Iraq, and Somalia has gone down dramatically.

The majority are economic migrants who plan to stay in Libya.

4. Most migrants tracked by the IOM are economic migrants who plan to stay in Libya. IOM’s data suggest that more than 90 percent leave their country of origin in search of better livelihood options.

5. Contrary to popular media narratives, fewer than 30 percent of migrants plan to go to Europe and around 55 percent plan to remain in Libya. According to Round 12 of IOM’s Displacement Tracking Matrix (DTM) flow monitoring surveys, a sizable number of migrants coming from Egypt, Chad, Niger, and Sudan say that Libya is their destination of choice. A small proportion express a desire to return home.

Migrants who pay higher amounts to smugglers to enter Libya or have higher levels of education are more likely to plan to go to Europe and less likely to consider return.

6. There seems to be a positive association between the price migrants pay and their destination of choice, as well as their willingness to return to their country of origin. Migrants planning to enter Europe are significantly more likely to pay smugglers between US$1,000 and US$5,000 compared with migrants not planning to enter Europe. The likelihood of their having plans to enter Europe

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36 The IOM has tracked migrants, IDPs, and returnees in Libya since the end of 2015 through its global DTM. The numbers of Libyan IDPs and returnees tracked by this tool are probably close to accurate, while the migrant numbers are likely an underestimation because it is challenging to track people who are often in transit. With some confidence, the DTM probably tracks around 60 percent of the migrants in Libya at any given time.

37 The IOM’s Missing Migrant project estimates that there have been more than 14,000 deaths in the Mediterranean Sea since the escalation of the Libyan conflict in 2014.


39 However, the IOM does not track the large mobile and Invisible migrant population, out of which a significant number could be heading to or aspiring to go to Europe.

40 DTM Libya, Round 12, July–August 2017.

41 Studies conducted by UNHCR have found similar proportions in other time periods. See https://reliefweb.int/sites/reliefweb.int/files/resources/LIB-HCR-MAS-Final-Report.pdf.
Migrants who pay between US$1,000 and US$5,000 are less likely to say they are considering returning to their countries of origin compared with migrants who pay less than US$1,000.

**Migration, internal displacement, and conflict interact in complex ways. These mechanisms, and especially the financial linkages, need to be better understood.**

7. Along with 662,000 foreign migrants who can be tracked using the IOM’s tracking matrix, there are more than 185,000 IDPs and 369,000 returnees residing in different regions of Libya. Migrants are mostly concentrated in Misrata and Tripoli in the west and Sebha in the south. Benghazi (east) has the highest number of both returnees and IDPs. Returnees are mostly present in the northeast, close to the coast, while both migrants and conflict hotspots are mostly concentrated in the western half of the country.

**Areas with large inflows of migrants in Libya perceive that the migrants have a negative impact on local labor markets and public services.**

8. Libya needs support from the international community to provide basic services and livelihood options to migrants, because the country is already struggling to meet the need of Libyans themselves. Libyans see migrants as taking up what economic opportunities exist and overstretcing limited basic services.

9. Little is known about the availability of basic services and livelihood options for migrants, IDPs, and host communities. There is a need to look at what sort of support host communities need at the local level, and to identify mechanisms to deliver that support. It is also important to look at local platforms to understand the level of cohesion and trust between migrants/IDPs and their host communities.

**Section 2: Exploitation and Abuse of Migrants**

10. An investigative report by CNN and the Guardian in 2017 on slavery in Libya alarmed the international community. CNN released a video of Sub-Saharan African migrants being sold off in auctions in Libya. This is not a recent phenomenon. The international migration community has raised alarms about exploitation of migrants in Libya since 2015, if not earlier.

**Geographical factors seem to make a difference in the level of abuse and exploitation migrants face.**

11. Preliminary evidence from two various sources (IOM and UNHCR) shows that migrants from West Africa (Nigeria, Guinea, Gambia, and others) have a higher likelihood of being exploited by smugglers than do migrants from North Africa, the Horn of Africa, and Western and Southern Asia. Data from the IOM’s migrant profile surveys show that higher proportion of migrants from West

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42 DTM Libya, Round 13, August-September 2017.
45 See the reports Mixed Migration Trends in Libya (p. 16) and Flow Monitoring and Human Trafficking (p. 3) from IOM.
Africa pay more, between US$1,000 and US$5,000, while a lower proportion of migrants from other countries.

12. It is unclear whether paying more necessarily means less chance of being exploited. However, there is anecdotal evidence that distance may be a factor in how migrants are treated, because the smugglers often demand more money than initially negotiated later in the journey. This indicates that money could help to shield migrants from abuse or help them escape from smugglers if abuse occurs.

**Longer journeys with many stopping points are associated with greater likelihood of abuse and exploitation. Migrants traveling in groups are less vulnerable to abuse.**

13. Multiple reports show that migrants traveling together are at lower risk of exploitation and abuse. For example, an October 2016 survey of migrants who reached Italy through the Central Mediterranean found that migrants traveling alone were much more likely to say they had experienced exploitation or abuse than were migrants traveling in groups. Another report asserted that “Longer periods spent in transit from one country to the next are associated with a higher share of positive responses to at least one of the trafficking and other exploitative practices indicators.”

**Smugglers use an increasingly diverse array of financial and technological tools to extort more money from migrants during their transit and stay in Libya.**

14. Smuggling in Libya is increasingly concentrated in the hands of fewer, more well-organized criminal networks, dominated by armed groups. As a result, smugglers can use sophisticated logistical, financial, and technological tools, including social media, to organize throughout Libya and Sub-Saharan Africa. Reports cite increases in smuggling costs because of the multiplication of smuggling intermediaries, as well as the liquidity and inflation crisis in Libya. Smugglers often demand more money from migrants during their journey. News media have reported smugglers using Facebook as a tool to broadcast videos of migrants’ suffering to extort more money from their families at home and from relatives in the diaspora. Migrants often face additional abuse, torture, and threats of starvation or death if they fail to satisfy the demands of the smugglers. Financial transactions from migrants to smugglers are carried out through both formal (Western Union, Moneygram) and informal channels (the **hawala** system).

15. **Repatriation efforts have been intensified since the release of the CNN video.** However, voluntary repatriation has been low.

16. After the outrage caused by the CNN video, the UN and leaders from the African Union and the EU have pushed for more accelerated return of migrants to their countries of origin. The IOM has helped more than 14,500 migrants return in 2017 and a further 18,000 migrants were repatriated in January 2018. However, even if 30,000 migrants end up repatriating by the end of 2018, they would represent less than 10 percent of the visible migrant population in Libya, with an unknown number of invisible migrants remaining.

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46 For this note, ‘Western Africa’ is defined as the following list of countries: Benin, Burkina Faso, Cameroon, Ivory Coast, Equatorial Guinea, Gambia, Ghana, Guinea Bissau, Liberia, Mali, Mauritania, Nigeria, Senegal, Sierra Leone, and Togo
47 See Flow Monitoring and Human Trafficking (p. 7).
48 See Flow Monitoring and Human Trafficking (p. 7).
49 To understand the history and evolution of the smuggling networks in post-Gaddafi Libya, read “The Human Conveyor Belt” released in 2017 by the Global Initiative against Transnational Organized Crime
50 Mixed Migration Trends in Libya.
51 See 2017 news reports from Quartz and Reuters.
52 Mixed Migration Trends in Libya, p. 83.
17. While it can be assumed that some migrants will be more willing to return than in the past because of the harsh treatment that they receive, the fact that many migrants in Libya flee war, violence, persecution, or abject poverty in their countries of origin cannot be ignored. Further, it is unclear how many of the migrants who do not wish to return would qualify for limited third-country resettlement programs under the mandate of UNHCR. Rwanda has offered to host up to 30,000 migrants stranded in Libya. However, it is not certain whether existing global migration management tools can facilitate third-country settlements for economic migrants.

Knowledge Gaps

There is limited understanding of how conflict, migration, and forced displacement interact.

18. One way to analyze this link could be through the financial channels. There is a lack of knowledge on the link between migrant smugglers and armed militias and how one group feeds off the other, keeps hold of their territories, and benefits from the protracted conflict. Migrant smugglers have vastly profited from the security vacuum along Libya’s borders. According to the IOM’s migrant profile surveys, 80 percent of the migrants enter Libya unofficially, after paying enormous fees to smugglers. Various agencies including Europol/Interpol, UNICEF, and IOM regard migrant smuggling in the Mediterranean as a multi-billion-dollar business.53 Based on a rough calculation from just one survey round of migrants, assuming that migrants pay, on average, US$1,000, smugglers and armed militias could be making US$400 to US$800 million per year.

Little is known about the private detention centers where migrants are kept in Libya.

19. Reports documenting abuse of migrants are frequently linked to detention centers. Besides the state-run detention facilities, it is unclear how many private detention centers in Libya are run by smugglers, where they are located, what kinds of abuse take place there, and what the Libyan authorities are doing about it.

Section 3: International Support for Migrants

Migration is among the priorities for international assistance identified by the Libyan Government.

20. The Libyan Ministry of Foreign Affairs, along with the IOM, chairs the recently created MWG whose mission is to better manage migration policies and procedures in Libya. The group has so far held four consultations and will provide a platform for enhancing the coordination of international assistance, as well as programming and resources on migration in Libya, and the harmonization of migration policies across various government entities covering this domain.

21. The IOM, in coordination with other UN agencies and the African Union, with financing from the EU, runs a voluntary repatriation program, which repatriated about 14,750 migrants in 2017. Efforts have been intensified in response to the international outcry over migrant auctions and slavery. A further 18,000 migrants were repatriated in January 2018 and just under 5,000 are thought to remain in official detention centers.

22. The IOM provides non-food items, including blankets, mattresses, and pillows, and hygiene kits with soap, toothbrushes, and toothpaste to migrants at detention centers or other holding facilities where it has been granted access, including those in Surman, Az Zawiyah, Abu Sleem, and Al Khums. In addition, the IOM distributes emergency food rations and basic medical equipment and supplies, and provides triage, critical health care, psychosocial counselling, and referral services. The

53 See Europol/Interpol, UNICEF, and IOM for further details.
IOM Libya also provides direct assistance to migrants who have been rescued at sea by the Libyan Coast Guard.

23. **The EU has mobilized EUR 162 million for migration-related projects through the emergency EU Trust Fund for Africa.** The fund has four components: (a) mixed migration management (EUR 90 million), (b) support for integrated border and migration management (EUR 46.3 million), (c) strengthening of protection and resilience of displaced populations (EUR 5.9 million), and (d) support for protection and humanitarian repatriation and reintegration into their home countries of vulnerable migrants in Libya (EUR 19.8 million). These initiatives are being implemented through various UN agencies such as UNDP and UNICEF, as well as GIZ, IOM, and local CSOs in Libya.

24. **The AU and its member countries have also accelerated repatriation efforts.** AU-led initiatives have repatriated 12,500 migrants. However, it is unclear whether these repatriations are happening independent of the IOM-run Voluntary Humanitarian Repatriation (VHR) program or through different bilateral and multilateral arrangements. Despite repatriation efforts, videos of migrant abuse and exploitation continue to surface. For example, families of Sudanese migrants were sent videos of migrants being abused to extort more money. The smugglers were subsequently caught by the authorities.

25. **UNDP is looking at ways to register undocumented migrants in Libya and has carried out some consultations with different ministries and local government bodies to understand the feasibility and best practices.** Many economic migrants still reside in Libya and Libyan SMEs, microenterprises and individuals still frequently used undocumented labor to fill in shortages.

26. **The Italian government supports a Transit and Departure Facility in Tripoli for people in need of international protection.** The Italian government has pledged to facilitate the transfer of thousands of vulnerable refugees to third countries. So far, only 10,500 pledges have been made.

27. **WHO has an ongoing project to strengthening disease surveillance in the migrant population.** Doctors without Borders runs mobile clinics in seven dangerously overcrowded migrant detention centers around Tripoli. Medical complaints are mostly related to lice, scabies and fleas, nutritional deficiencies, and the lack of safe drinking water.

28. **SOS Mediterranee is a European maritime and humanitarian rescue organization for the Mediterranean.** It was founded by citizens in May 2015 in response to the deaths in the Mediterranean. It works as a European association with teams in Germany, France, Italy, and Switzerland, jointly financing and operating the rescue ship Aquarius, which has been in continuous operation since February 2016 in international waters between Italy and Libya. The medical care has been provided by Doctors without Borders since May 2016. Since its launch, SOS Mediterranee has rescued 23,000 refugees.
ANNEX G: GENDER AND YOUTH NOTE

Background

1. **The Libyan women’s movement dates back to independence in 1951.** In 1954, the Women’s Renaissance Society of Benghazi became the first women’s movement in Libya. As early as 1955, Libyan women could own and dispose of property independent of their husbands, form their own associations, and hold public office. In 1957, a Women’s Society was formed in Tripoli, and the two groups joined to form the Women’s Movement Union of Libya, which had the goal of women’s equality. Since the early 1960s, Libyan women have participated in political life through civil society. They won the right to vote in 1963.45

2. **During the Gaddafi era, gender equality was declared a pillar of the state and Libya ratified international conventions on women’s and children’s rights, but large gender gaps in access to economic opportunities and women’s voice and agency remained.** Gaddafi promoted an image of himself as a humanitarian who respected women’s rights. A constitutional proclamation granting women equal rights as men under the law was issued in December 1969. In 1975, Gaddafi’s *Green Book* declared socialism, gender equality, Arabism, and anti-imperialism as the pillars of the new Libyan state. However, independent women’s organizations were not permitted the right of association. Libya ratified several conventions including the United Nations Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) and acceded to the Convention on the Rights of the Child (CRC) in 1993. During the 1970s and 1980s, laws were passed regulating women’s employment, including equal pay for equal work. However, progress was slow, and women’s employment accounted for only 7 percent of national employment by 1980.

3. **The Libyan Youth Movement (LYM), also known as Shababilibya, was established just before the uprising in 2011.** The LYM is a youth-led and youth-focused social media and online-based initiative created by two 24-year olds, Ayat Mneina and Omar Amer. The LYM’s Facebook page started as a place for youth to share information, but it quickly became the most accurate and reliable news source on the Libyan uprising. The International Political Forum also partnered with LYM on a project called Libyan Youth Voices, in which young people told their stories of the revolution and their hopes for the future. In a 2014 Association for Women’s Rights in Development interview, Mneina stated, “the emergent war has forced women and youth civil society organizations and movements to re-strategize and re-think how to advance their causes.”

4. **Since 2011, Libyan women have fought hard to enter politics, but early gains are being reversed.** During the parliamentary elections of July 2012—Libya’s first free elections in almost five decades—party lists were required to alternate men and women candidates, and more than 600 women were registered as candidates. Thirty-three women were elected to the GNC, increasing

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60 International Political Forum is platform for politically engaged youth.


women’s representation to 17 percent. However, in the 2014 elections for the HoR that replaced the GNC, men won 170 out of the 200 seats, the HoR subsequently lowered the quota for women to 15 percent.

5. **Women have been poorly represented on the constitutional drafting committee and have struggled to make their voices heard.** Women members of the GNC came together to promote women’s inclusion in the drafting of the constitution; however, despite their efforts, only six seats were allocated to women. A new constitution has yet to be adopted, but compared with earlier drafts the most recent draft shows backtracking in support for women’s rights.

6. **A climate of intolerance toward gender equality and human rights has emerged.** Women’s rights under the law have been rescinded and attempts are being made to limit their voice and agency. For example, in February 2013, Libya’s Supreme Court lifted some of the existing restrictions on polygamy. In 2014, Salwa Bugaighis, a human rights lawyer and women’s rights advocate, was shot dead by a hooded gang inside her house in what many believe was a politically motivated attack. Many human rights nongovernmental organizations (NGOs) have been raided and shut down.

**Human Capital**

7. **Libya’s population is young and lives mostly in urban areas.** As of 2016, Libya has a population of roughly 6 million people, of which 3 million are women. Similar to other North African countries, Libya has a youth bulge; 30 percent of the Libyan population is under the age of 14 years, 52 percent are 24 years or younger.

**Education**

8. **Historically, Libya has performed relatively well on human capital dimensions of gender equality.** By 2013, 56 percent of Libyan women were reaching secondary or higher level of education, compared to just 44 percent of men. Figure 1 shows that compared with Algeria, Tunisia, Egypt, and Morocco, Libyan women are more educated. Youth illiteracy has been eradicated. According to the Arab Human Development Report 2016, adults (15 years of age and above) had a literacy rate of 90 percent, and for youth (people of ages 15–24 years), the literacy rate was universal. However, while Libya has relatively high secondary school and higher education enrollment rates, the education quality is low.

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9. Many women have taken advantage of educational opportunities, but girls’ access to education remains restricted in some locations. While statistics are not available, reports suggest that there is a significant difference in girls’ access to education in urban compared with rural areas, and across the different regions in Libya, with access more restricted in the south and other areas outside the northern coastal belt. Especially in rural areas, societal norms limit the movement of women and girls, particularly in the evening, restricting their ability to go to school.72

10. The conflict and instability are eroding progress made in access to education for both boys and girls. UNICEF (2012) found that more than 558 schools are no longer functioning due to mismanagement, lack of funds, or because they house IDPs, denying an estimated 279,000 children access to education.73

Health

11. Maternal health improved in the decades leading up the revolution. In 2008, Libya was categorized as ‘making progress’ toward improving maternal health (MDG5).74 Figure G.2 shows that maternal health indicators in 2015 were considerably better in Libya than in the rest of the MENA Region with maternal mortality rate at 9 per 100,000 live births.75

12. Conflict and insecurity have led to a rapid deterioration in access to health services, directly affecting women’s access to reproductive health and maternal health services. Hospitals are overwhelmed with trauma patients, which restricts access for other patients, including pregnant women.76 A joint Ministry of Health and WHO review in September 2016 found that an estimated 43 out of 98 assessed hospitals across Libya are either only partially functional or not functional at all because of an acute shortage of medical supplies, equipment, and human resources.


Figure G.1. Secondary Education Levels, Female and Male Population, Algeria, Tunisia, Libya, Egypt, Morocco, and Arab States

Figure G.2. Maternal Mortality Ratio and Adolescent Birth Rate


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72 Gashut, H. 2017. Update of the Gender Profile Libya.
75 World Development Indicators (WDI) 2016.
76 WHO Humanitarian Crisis in Libya. May 2015.
In October 2016, five major hospitals went out of service in Benghazi due to the armed conflict within the city. This essentially meant the collapse of maternal and psychiatric health care facilities. Hospitals are overloaded and unable to meet the demand for health services. There is an increasing death rate among neonates; for example, 20 neonatal deaths a month in Sabha. Mental health symptoms of severe/mild psychosocial stress are emerging in young girls and boys. There has also been an increase in noncommunicable diseases such as heart attacks, strokes, and asthma.\textsuperscript{77}

**Water and Sanitation**

13. **School children are being affected by lack of water and sanitation.** Access to water and sanitation facilities varies between public and private schools but the vast majority of schools reported having access to student latrines (all but 4), running water (85 percent) and/or hand-washing facilities (84 percent). Access to drinking water was more problematic, with 25 percent of schools reportedly unable to provide access (only 8 percent of private schools). Sanitation in schools is also limited, with only 37 percent of public schools reporting having a waste collection/disposal system.\textsuperscript{78}

**Female and Youth Labor Force Participation and Employment**

14. **There are wide gender disparities in Libya’s labor force participation rate (LFPR).** The female LFPR in 2016 is estimated at 28 percent, compared with roughly 48 percent for men and an overall LFPR of 33 percent.\textsuperscript{79} The female share of the Libyan labor force is comparable to the share in most middle-income countries, including Tunisia (27 percent), Turkey (30 percent), and Malaysia (38 percent).\textsuperscript{80}

15. **As seen in most of the MENA Region, female unemployment is higher than that of males.** Female unemployment in 2017 is estimated at 26 percent, compared with male unemployment of 36 percent. Also, 62 percent of female youth in the labor force are unemployed. As in other MENA countries, these gender dynamics are likely a result of lower labor mobility among females; a preference for public sector jobs, which come with generous nonwage benefits such as maternity benefits; and other factors related to lagging private sector job growth.

16. **While there are no significant differences in unemployment rates by education level for men, female unemployment is higher for those with lower education levels (primary or less).** At the same time, unemployment among females with a university education, at 25 percent, is still high compared with other middle-income countries. These patterns may reflect either a lack of jobs for unskilled Libyan females or a lower willingness of Libyan females, compared with males, to accept low-skilled jobs.

17. **Youth unemployment in Libya is estimated at 48 percent.** Higher unemployment persists among the 25–34 age group compared with the national average of 19 percent. After age 35, unemployment drops from 27 percent to 10 percent for those of ages 35–44, then to only 5 percent for ages 45–54.

18. **Data gathered by the World Bank on youth perceptions about constraints to obtaining a job show that 28 percent believe that constraints for youth are due to their lack of training.**\textsuperscript{81} Twenty

\textsuperscript{77} A joint Ministry of Health and World Health Organization (WHO). Review (September 2016)
\textsuperscript{79} WDI 2016.
\textsuperscript{80} World Bank, 2013. *World Development Indicators (WDI).*
percent think there are no good jobs available, and roughly 9 percent believe that jobs are based on
connections.

19. Almost 97 percent of working women are employed in the public sector, and wages among
females with a secondary education tend to be three times higher in the public than in the private
sector. Public sector employment accounts for 79 percent of working men. Although women are paid
better in the public sector, female university graduates tend to earn 18 percent less than their male
counterparts. Females who finished secondary school earn 30 percent less than their male
counterparts in the private sector and 10 percent less than males in the public sector.

20. Overall, women tend to earn 12 percent less than men in Libya—an outcome driven largely
by a 7 percent earnings differential in public administration and 20 percent in state-owned
enterprises. Estimated wage differentials by gender in the public sector are more reliable than those
in the private sector due to limited data in the latter. Trends suggest that men earn more than women
among local private firms but that women earn somewhat more than men among the self-employed
and foreign firms. These differences could be driven by self-selection. In other words, the few women
who opt out of the public sector may possess particular skills, competencies, or networks that
distinguish them from their male counterparts, many more of whom are found in the private sector.

21. Female entrepreneurship is limited in Libya. Self-employment, estimated at 6.8 percent, is
far lower for women in Libya than in neighboring Maghreb countries, where it is 26 percent.

Conflict Environment

22. Violence against women and girls, particularly sexual violence and abduction, has been a
widely used terror tactic in the Libyan conflict. Girls have been more severely affected by the crisis
and are at higher risk of gender-based violence. Sexual violence committed by state-affiliated persons
and by militias during the uprising and post-2011 was used to spread fear and control over women.
Many incidents have been reported of militiamen kidnapping girls for revenge against an enemy tribe.
Armed groups on all sides continue to take hostages, carry out unlawful killings, and use torture and
forced disappearances, including of civilian women. Journalists have reported that with the rise of
ISIS, families have been forced to marry off girls as young as 12 to fighters for protection. Some young
girls are taken by fighters as second or third wives. Clinics are also recording growing numbers of
miscarriages and complications during labor and birth.

23. Men and boys also face many risks of alcoholism, drug addiction, and sexual and physical
abuse. Groups affiliated with ISIL reportedly operated training camps south of Sirte and held a
graduation ceremony for 85 children under 16 years of age in December 2015. There has also been

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82 World Bank. 2015. Labor Market Dynamics in Libya: Reintegration for Recovery. This data should be considered
cautiously a sample size for the private sector is small.
86 Saul, H. 2015. “ISIS in Libya: Families Forced to Marry Girls as Young as 12 to Fighters for Protection as Clinics. See
Growing Number of Miscarriages and STDs.” Independent.
a rise in the abduction of boys by armed groups, militias, and criminal organizations, including for ransom.  

24. Curfews, difficulties in transport, and checkpoints further restrict women’s freedom to move and consequently their prospects for economic and political participation. More information is needed on the impact of the conflict on women and girls and their access to education and health services and to economic opportunities.

25. Of the 160,000 IDPs and 700,000 migrants that the IOM (2018) estimates to be in the country, 10 percent are adult women traveling alone, including pregnant or single mothers. In addition to lacking access to basic services, this group is particularly vulnerable to gender-based violence. For example, displaced families living in schools in Benghazi reported intoxicated men stalking young girls at night and outside public bathrooms.

Migration

26. West African women represent the largest group of migrant women in the country. A recent survey found the majority of these women are single (61 percent) and without children (58 percent). This group of women is also particularly vulnerable to harassment and gender-based violence.

27. UNICEF (2017) reported that nearly half of migrant women and children interviewed reported exposure to frequent sexual abuse during their journey and in Libya.

28. The 2017 UNICEF report on migrant experiences in Libya finds evidence of gender-based violence committed against women and children, including rape and forced prostitution. The violence against female and male migrants is also being recorded by international NGOs working with migrants. Rape, looting, unpaid labor, and physical and mental abuse are widely documented in reports and video clips. Migrant women and girls were particularly vulnerable to gang rape and other sexual violence and exploitation.

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88 For example, the body of a 16-year-old boy, reportedly abducted by militias found in Benghazi in December 2015 (UN General Assembly Security Council, Children and armed conflict Report); a boy was kidnapped for ransom and found 6 days later in Tobruk in February 2018 (https://www.libyaobserver.ly/inbrief/boy-kidnapped-six-days-found-tobruk); a 15-year-old boy was found in September 2017 with marks of torture and gunshot wounds. (https://www.libyaobserver.ly/crimes/15-year-old-boy%E2%80%99s-body-found-benghazi).

89 IOM, Libya Plan of Action, August 2016-December 2017; and EU/NATO: Europe’s Plan Endangers Foreigners in Libya.” Human Rights Watch, July 2016.


ANNEX H: DONOR ACTIVITIES

1. The analysis of donor activities is based on the latest available (July 2017) Matrix of International Assistance to the GNA, compiled by the UN Support Mission in Libya, as well as strategic coordination efforts that have been undertaken among Libya’s key partners. The matrix provides extensive information about international assistance, including implementing agencies, names and objectives of projects, description of activities, geographical coverage, budget, start/end dates, and projects in the pipeline.

2. The partners are aligning their strategic engagements and coordinating activities. Having convened a Joint Partner Task Force in August 2017, the partners agreed that peace and stability in Libya are a global and regional public good, and that restoring the macroeconomic framework is key to stabilization. Given the urgency of the situation, they also agreed to work together in the development and humanitarian nexus in support of peace and stability with an emphasis on supporting governance, basic services, and private and financial sector development. Four basic services sectors were identified for immediate action: Health, Education, Electricity, and Water and Sanitation. UNICEF will take the lead in education, while the WHO, the African Development Bank, and the World Bank will take the lead in health, water and sanitation, and electricity, respectively.

3. The UN system is one of the main partners in Libya and is currently developing their strategy for engagement for the next two years. Their key priorities are governance and rule of law, economic recovery and growth, and basic services, which closely mirror the components of the World Bank Group’s strategic framework.

4. Together, the partners are implementing or have pledged to implement 171 projects. These projects cover seven main areas: (a) Economic Recovery and Infrastructure, (b) Governance, (c) Restoration of Basic Services, (d) Migration, (e) Airports/Seaports and Border Management, (f) Human Rights/Justice and Rule of Law, and (g) Communications. There is one last category, ‘other,’ which has to do with security, disarmament, and arms control. Thirty-three of the projects are pledges. They do yet not have budgets, time lines, or confirmed donors.

5. Current international commitments to Libya total US$348 million. Seventeen countries have submitted offers of assistance (Figure H.1). The EU and the United States, through their international development agencies, account for more than the half of the international commitment. Six UN agencies have proposed projects that will be financed from their core funding (FAO, IOM, UNDP, UN-HABITAT, UNICEF, and WHO). Ten donors account for 90 percent of the international assistance as of July 2017.

Figure H.1. International Assistance to the GNA as of July 2017

6. **Ongoing projects represent around 73 percent of the total committed amount.** The planned and committed projects represent 6.5 percent of the total amount. Short-term projects account for 26 percent of the total amount. Medium and longer-term projects represent 33.5 percent and 40.5 percent, respectively.

7. **The breakdown of international assistance by area shows an emphasis on economic recovery and infrastructure, as well as governance, which represent 64 percent of the total amount (Figure H.2).** Although they are critical, basic services accounts for only 15 percent of the total amount.

![Figure H.2. International Assistance Offers by Donor and by Sector as of July 2017 (US$, millions)](chart)

**Source:** Matrix of International Assistance to the GNA, UN Support Mission in Libya. July 2017.

8. **Partners are planning activities in line with the broader strategic alignment among partners.** DFID’s planned activities include micro-finance and SME development. EU, in addition to financing the World Bank’s Governance Trust Fund, is working to enhance service delivery at the subnational government level and is the largest international donor contributing to migrant relief programs (EUR162). U.S. Agency for International Development (USAID) is focusing on the electric power sector (establishment of an energy regulator), targeted PFM reforms, and improving service delivery at primary health care facilities. The Italian government is focusing most its current and future efforts on customs (border) control and migrant relief programs.