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 2019-2021

February 19, 2019

Maghreb Country Management Unit
Middle East and North Africa Region
International Bank for Reconstruction and Development
International Finance Corporation
Multilateral Investment Guarantee Agency

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CURRENCY EQUIVALENTS
(Exchange Rate as of September 30, 2018)
Currency Unit= Libyan Dinar (LYD)
US$1 = LYD 1.384

Government Fiscal Year
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACLED</td>
<td>Armed Conflict Location and Event Data</td>
</tr>
<tr>
<td>ASA</td>
<td>Advisory Services and Analytics</td>
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<tr>
<td>AU</td>
<td>African Union</td>
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<tr>
<td>CBL</td>
<td>Central Bank of Libya</td>
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<td>CEN</td>
<td>Country Engagement Note</td>
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<tr>
<td>CSO</td>
<td>Civil Society Organization</td>
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<tr>
<td>DFID</td>
<td>U.K. Department for International Development</td>
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<td>DTM</td>
<td>Displacement Tracking Matrix</td>
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<tr>
<td>ESWG</td>
<td>Education Sector Working Group</td>
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<td>EU</td>
<td>European Union</td>
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<tr>
<td>FCV</td>
<td>Fragility, Conflict, and Violence</td>
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<tr>
<td>FSRU</td>
<td>Floating Storage and Regassification Unit</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product (WHO)</td>
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<td>GECOL</td>
<td>General Electricity Corporation</td>
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<td>GNA</td>
<td>Government of National Accord</td>
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<td>GNC</td>
<td>General National Congress</td>
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<td>HoR</td>
<td>House of Representatives</td>
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<tr>
<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<td>IFD</td>
<td>Government Fiscal Year</td>
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<tr>
<td>IDP</td>
<td>Internally Displaced Person</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IOM</td>
<td>International Organization for Migration</td>
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<tr>
<td>ISIL</td>
<td>The Islamic State of Iraq and the Levant</td>
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<td>ISIS</td>
<td>The Islamic State of Iraq and Syria</td>
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<tr>
<td>LFPR</td>
<td>Labor Force Participation Rate</td>
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<td>LIA</td>
<td>Libyan Investment Authority</td>
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<td>LNA</td>
<td>Libyan National Army</td>
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<td>LPA</td>
<td>Libyan Political Agreement</td>
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<td>MDTF</td>
<td>Multi-Donor Trust Fund</td>
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<tr>
<td>MENA</td>
<td>Middle East and North Africa</td>
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<tr>
<td>MFD</td>
<td>Maximizing Finance for Development</td>
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<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency</td>
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<td>MOE</td>
<td>Ministry of Education</td>
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<td>MOF</td>
<td>Ministry of Finance</td>
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<td>MOH</td>
<td>Ministry of Health</td>
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<tr>
<td>MWG</td>
<td>Migration Working Group</td>
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<td>NGO</td>
<td>Non-governmental Organization</td>
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<tr>
<td>PAU</td>
<td>Project Administration Unit</td>
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<td>PFM</td>
<td>Public Financial Management</td>
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<td>RAMP</td>
<td>Reserve Advisory and Management Program</td>
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<td>RAS</td>
<td>Reimbursable Advisory Services</td>
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<tr>
<td>RRA</td>
<td>Risk and Resilience Assessment</td>
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<td>SARA</td>
<td>Service Availability and Readiness Assessment</td>
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<tr>
<td>SFD</td>
<td>Social Fund for Development</td>
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<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>SPF</td>
<td>State and Peace Building Fund</td>
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<tr>
<td>TA</td>
<td>Technical Assistance</td>
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<td>TF</td>
<td>Trust Fund</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<td>UNDP</td>
<td>United Nations Development Program</td>
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<td>UNFPA</td>
<td>United Nations Population Fund</td>
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<tr>
<td>UNHCR</td>
<td>United Nations High Commissioner for Refugees</td>
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<td>UNICEF</td>
<td>United Nations Children's Fund</td>
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<td>UNSC</td>
<td>United Nations Security Council</td>
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<td>UNSMIL</td>
<td>United Nations Support Mission in Libya</td>
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<td>VC</td>
<td>Video Conference</td>
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<td>WBG</td>
<td>World Bank Group</td>
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<td>WHO</td>
<td>World Health Organization</td>
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<tr>
<th>Role</th>
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<tr>
<td>Vice President</td>
<td>Ferid Belhaj</td>
</tr>
<tr>
<td>Director</td>
<td>Marie Francoise Marie-Nelly</td>
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<tr>
<td>Task Team Leaders</td>
<td>Kanae Watanabe, Michael Schaeffer</td>
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<tr>
<th>IBRD</th>
<th>IFC</th>
<th>MIGA</th>
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<tr>
<td>Sergio Pimenta</td>
<td></td>
<td>Keiko Honda (CEO-EVP)</td>
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<td>Mouayd Makhlouf</td>
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<td>Merli Baroudi</td>
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<td>Walid Labadi</td>
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<td>Mena Cammett</td>
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COUNTRY ENGAGEMENT NOTE FOR LIBYA 2019–2021

I. INTRODUCTION

1. The fall of Muammar Gaddafi in 2011 ended four decades of autocratic rule and eventually precipitated Libya’s fracture along political, regional, sectarian, and tribal lines. Libya, once a high middle-income country with health and education indicators among the highest on the African continent, is now a lower-middle-income country that is navigating a challenging transition. The United Nations (UN), is leading a peace process to bring stability and peace after five years of crisis.

2. Authority is fragmented with parallel state institutions divided along geographic lines. The UN-supported and internationally-recognized Government of National Accord (GNA)¹ is based in the western city of Tripoli and led by Fayez al-Sarraj. A parallel administration is based in eastern city of Tobruk with the House of Representatives under the leadership of Abdullah al-Thinni. The self-styled Libyan National Army (LNA) based in Beyda/Benghazi, under the leadership of a general, Khalif Haftar, continues to present a threat to the authority of the GNA. The LNA’s de facto control extends to the east and the center, which provides a semblance of stability in some areas.

3. The Government is trying to bring stability in this difficult context. A national conference is planned for early 2019 to move forward with the constitutional process; unify divided financial institutions, including the two Central Banks; and create a path for national elections in 2019. The Ministry of Interior is in discussions with various armed factions for new security arrangements. The Government and the Tripoli-based Central Bank are also undertaking various measures towards macro stability.

4. The recently reenergized peace process presents a critical opportunity for the international community to support stabilization and recovery. Improving the situation in Libya will help address regional and global spillovers from the conflict, including smuggling, terrorism and the migration crisis, thereby contributing to regional and global stability. The World Bank (WB) is working in close coordination with the United Nations Support Mission in Libya (UNSMIL), UN agencies, the International Monetary Fund (IMF), the European Union (EU), and key bilateral agencies.

5. In this context, the Country Engagement Note (CEN) lays out initial areas of World Bank Group (WBG) engagement in support of peace and stability and is timed to contribute to a national conference planned for early 2019. It builds upon several years of strategic dialogue through the Libya Economic Dialogue (LED) and focused technical assistance (TA) in the areas of governance, private sector development, decentralization and service delivery. Formal WBG engagement is particularly appropriate now, as it has become evident that Libya’s economic and political challenges are mutually reinforcing.

6. The World Bank Group is regarded by Libyan and international stakeholders as a critical player in the peace effort, recognized for its expertise and independence in highly politicized environments. In Libya, the WBG has built a relationship of trust over years of engagement, even when other partners had stopped working on Libya. The WBG is valued for its global technical expertise at the nexus of peacebuilding and development and its unique ability to link recovery and reconstruction

¹ The GNA is led by Prime Minister Fayez Mustafa al-Sarraj, who is also the head of the Presidential Council. The GNA, as the internationally recognized Government of Libya, is the government counterpart in developing this CEN.
to longer-term sustainable development. It is also valued for its convening power, its ability to bring together other partners and mobilize financing for development.

7. **A CEN is the most appropriate vehicle for the WBG’s engagement given the dynamic and uncertain context, the lack of data and analytics, and the World Bank’s limited presence in country.** The CEN frames a three-year engagement for 2019–2021 that aims to address selected urgent priorities for recovery, while building the foundation for a new social contract and for longer-term transformation. World Bank Group support will focus on Technical Assistance (TA) and Reimbursable Advisory Services (RAS). Recognizing the critical role of private sector development in economic recovery, the CEN has been prepared jointly by International Bank of Reconstruction and Development (IBRD), International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA).

8. **The CEN lays out the WBG’s approach to addressing the Government’s urgent priorities.** The CEN consists of two pillars: Pillar 1, Accelerating Economic Recovery; and Pillar 2, Restoring Basic Service Delivery. The cross-cutting theme of the CEN is governance, with emphasis on enhancing transparency, accountability and inclusion. While the program will focus on actions that will concretely improve lives, the WBG will continue to develop its knowledge base for longer-term engagement through a program of Advisory Services and Analytics (ASA). Anticipating the future emphasis on reconstruction, the CEN expects to conduct a joint Recovery and Peacebuilding Assessment (RPBA) together with the UN and EU, which will develop a shared roadmap for reconstruction and help ensure a focus on the effective coordination, monitoring and sequencing of future reconstruction support.

9. **The CEN is aligned with WBG strategic objectives and the pillars of the MNA regional strategy.** The CEN will lay the foundation for the renewal of the social contract between the government and citizens. In this regard, addressing the inclusion of women and youth will be a prominent feature of the CEN.

10. **The World Bank will also contribute, along with partners and the Government, to address the migration crisis.** The Bank will engage with the Migration Working Group and counterparts to identify potential areas of collaboration to address this global issue. At the same time, support to basic service delivery incorporate expanding access to migrants and internally displaced persons (IDPs). More broadly, the CEN aims to strengthen the capacity of the Libyan state to play its role, through support for macroeconomic stabilization, public sector governance, and private sector growth.

11. **Although there are multiple risks to engagement, the risk of not engaging in Libya now is much greater.** The World Bank has recently reopened its Libya office with a small staff and will be able to accommodate short missions. To be prepared for the fluidity on the ground, the Bank will operate with multiple contingency plans for both security and implementation.

II. **COUNTRY CONTEXT**

A. **Politics, Security, and Governance**

12. **In Libya, interlinked political, security and economic crises are weakening State institutions, facilitating the continued existence of non-state armed groups, and damaging its economy.** Since the fall of Gaddafi in 2011, Libya has been beset by political conflict and, since 2014, by violence and the

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rise of militias (Box 1). Instability continues to be fueled by overlapping ideological, financial, territorial, and transnational rivalries. This has allowed other predatory practices to emerge, including corruption, smuggling, and human trafficking.

Box 1: Brief Political History

After World War II, Libya was under UN Administration until it became an independent constitutional monarchy 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 authoritarian populism.

In February 2011, Gaddafi was overthrown in a popular uprising. The National Transitional Council declared Libya “liberated” and took control in October. A new parliament, the General National Congress (GNC), was elected in November. By the summer of 2012, the struggle for power had become polarized among several regional militia factions, with rivalries developing along ideological, political and territorial lines. These tensions escalated into violent conflict in 2014.

In June 2014, voters chose a new House of Representatives (HoR), which replaced the GNC with a secular majority. Political instability reached new heights when the GNC, whose term had expired earlier in 2014, refused to recognize the legitimacy of its successor. This effectively fractured the country into competing polities, with the HoR the Libyan National Army (LNA) in the east, and the GNC in the west. Rivalry and duplicate legislative and executive branches created political deadlock, divided national institutions, and exacerbated armed conflict.

After a year and a half of fighting, the UN brokered the Libyan Political Agreement (LPA) in December 2015. 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 the GNA has been recognized internationally, it has not been able to consolidate political power due to continuing political rivalries.

In September 2017, the UN unveiled an Action Plan to push the peace process, which provided for amending the LPA, convening a reconciliation conference, adopting a new constitution, and holding elections in 2018.

In 2018, the French and Italian Governments, respectively, engaged in political dialogue to facilitate a political settlement and produce a timeline for possible elections. The elections are expected to take place in 2019.

13. While the situation on the ground remains volatile, the people of Libya are tired of conflict and the international community is supportive of the UN initiative. Although the initial, ambitious timetable for the UN Action Plan has not been realized, the process still includes the adoption of a new constitution and national elections.³ There has been some progress in drafting a new constitution, inclusive dialogues have taken place across the country to ascertain peoples aspirations for Libya, a Referendum Law has been passed for the new constitution by the House of Representatives, and nearly 2 million citizens have been registered to vote. To maintain the momentum of the peace process and prevent further deterioration, France and Italy convened high-level meetings in 2017/2018 and the GNA is preparing national consultations with the support of the UN that will pave the way for elections. Several key conditions must be fulfilled before national elections can take place, including passage of an electoral law, security guarantees, and an agreement by all parties to accept the election results.

14. As rival entities compete for power, the resulting fragmentation and dysfunction are exacerbating the security environment. Despite General Haftar calling his troops the Libyan National Army (LNA), there is no unified army that can guarantee national security. Powerful local militias continue to align themselves with various political actors as they fight for territory and resources.

Tripoli is controlled by several entrenched militias, some of which nominally support the GNA. Other militias – aligned with the LNA – have fought off extremist forces in Benghazi and Darnah and strengthened Haftar’s geographic control in the east and center. While terrorist organizations no longer control significant territory, ISIS remains active and, with an influx of fighters from Syria and elsewhere, is regrouping outside Sirte. ISIS demonstrated its ability to threaten Libya’s stability with attacks on the Ministry of Foreign Affairs, National Oil Corporation, and the Election Commission in 2018.

15. **Moreover, militias are transforming into criminal networks with links to businessmen and key public officials.** These criminal organizations, engaged in smuggling goods and arms, as well as human trafficking, are profiting from the conflict and trying to obstruct peace and stability. The extent of State capture by militia and illicit forces is a serious obstacle to political resolution.

16. **Structural economic issues are exacerbating the crisis.** Dependence on oil revenues during the Gaddafi years led to the development of a rentier economic State, which defined the social contract in terms of State rewards and citizens’ entitlements. This structure created a large but weak middle class and an unaccountable, non-transparent governance structure.

17. **The State is weak, making it more difficult to create a single, functioning, national government.** With the governance legacy of the Gaddafi regime and the delays in structural reforms, public institutions have become increasingly overstaffed, employing an estimated 85 percent of the active labor force. At the same time, the emergence of competing public administrations has led to the creation of public institutions with unclear or overlapping mandates. Necessary organizational and managerial functions, such as human resources, financial management, procurement, communication, are unclear or absent across most of the government, and civil servants often have limited technical capacity or skills to execute their primary tasks, including design and implementation of policies. The effect of this institutional dysfunction, is illustrated by significant declines in government effectiveness, political stability, regulatory quality, and rule of law, according to World Governance Indicators between 2012 and 2017.5

18. **Libya’s prolonged conflict and weak public administration have also adversely impacted the relationship between central and subnational government.** Many municipalities have de facto (organically) decentralized, attempting to provide some basic services with limited resources. While Local Administration Law 59 of 2012 provides for greater municipal autonomy, regarding the enforcement of local laws and the management of health and social affairs, urban planning, commerce, public utilities and infrastructure, many municipalities lack the institutional capacity, human and financial resources to fulfil responsibilities. Systemic weaknesses in public financial management, procurement processes, and low levels of citizen engagement present additional obstacles to effective and responsive local governance.

19. **Even with some local basic service delivery, perceptions of weak governance have eroded citizens’ trust in all levels of government.** The 2014 World Values Survey showed that many Libyans do not trust their Government (38 percent said they had “not very much” or “no trust”). The same report showed that almost 50 percent of respondents have little or no trust in the civil service. The social contract has so degraded as to be effectively non-existent. Expert assessments and perception-based indicators also suggest that corruption, poor governance and lack of rule of law are widespread.

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and worsening\textsuperscript{6}. Following the revolution in 2012, the Government tried to strengthen the National Audit Bureau but with negligible results. The GNC introduced a National Anti-Corruption Commission, also with negligible results.

B. Economic Context and Outlook

20. The overall fiscal stance is under severe stress with high expenditures and volatile oil revenues, however, public finances are expected to improve with stable oil production (Figure 1). While oil revenues are expected to improve significantly (increasing from 36.4 percent of GDP in 2017 to 50 percent in 2018), up they will barely cover the high and increasing wage bill and other expenditures on goods and services (42.4 and 12.1 percent of GDP respectively). The rising wage bill reflects both salary and hiring increases, with the public payroll (covering 30 percent of the population) being used as a stabilizing instrument across society. In addition, to compensate for the economic decline and inflation, average public salaries have risen fourfold since 2011, which has dramatically increased fiscal pressure. Subsidies also remain high, at 12.3 percent of GDP, and the budget deficit, while improving, will remain at around 7 percent of GDP for 2018 (down from 34.5 percent of GDP in 2017), despite high revenues from the recently instituted fee on foreign exchange transactions (LYD 8 billion or 12.6 percent of GDP estimated for 2018). The deficit is expected to be financed through cash advances from the Central Bank (west) and issuance of government bonds (east). While there is no IMF program, the IMF is monitoring the situation closely in collaboration with the Bank.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure1.png}
\caption{Twin Deficits Remain High, in % of GDP}
\end{figure}

\textit{Source: Libyan authorities and World Bank staff calculations.}

21. Fiscal revenue and the overall economy are highly dependent on oil production and international oil prices, both of which have significantly fluctuated (Table 1). In the current security environment, the oil production remains vulnerable to militia attacks on oil fields. And, oil prices remain volatile, during 2018 alone they went from over US$100 a barrel (bbl.) to US$45 bbl. Political and security arrangements improved during the second half of 2017 resulting in doubling of production and record economic growth (up 26.7 percent) after four years of recession, but this could not be sustained over the first half of 2018. In fact, oil production stagnated at around 1 million barrels per day (bpd) over the first 5 months before dropping to 0.7 million bpd in June. For 2019, the GNA has released ambitious plans to double production to 2.1 million bpd. However, meeting these targets will

\textsuperscript{6} See http://info.worldbank.org/governance/wgi/#reports.
be challenging given the security situation and lack of sufficient resources to rebuild and repair oil facilities.

22. **Libya’s monetary situation remains fragile (Figure 1).** Since 2011, the Central Bank of Libya (CBL) has struggled to fulfill its core responsibilities of managing the currency, money supply, and interest rates and overseeing commercial banking. Central Bank effectiveness has also been weakened significantly with the creation of competing central banks (Tripoli and Beyda). The GNA has relied heavily on borrowing from the CBL (west) for financing, which has drawn down foreign reserves. The CBL (east) has also issued bonds sold to commercial banks.

23. **The efficacy of monetary policy is limited as less and less cash moves through the formal system.** Increased demand for foreign currency, combined with the reduction of foreign exchange revenues from oil, has caused reserves to fall sharply by 35.4 percent (US$124 billion in 2012 to US$80 billion in 2018). While reserves were consolidated in 2017 and 2018, they are projected to decline further and reach around 59 percent of their 2012 level by 2021 if government spending stays at the current high levels and oil production remains around 1 million bpd. 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.

24. **Fiduciary risks are high, with commercial banks, official businesses, and gold market traders involved in fraudulent activity in the currency black market.** These practices accelerate the depletion of currency reserves, entrench corruption, erode trust in the banking sector and have contributed to the liquidity crisis.7 Importantly, they also deny Libyan citizens and companies access to basic financial services ordinarily available through official channels.

25. **Inflation is decelerating but remains high, reflecting market disruptions due to supply shortages of goods and services, along with a still active parallel foreign exchange market.** The consumer price index increased by 10.7 percent from January to November 2018 (compared with 28.4 percent in 2017). Inflation is slowing mainly due to the relative improvement of the exchange rate in the parallel market, induced by an increased supply of foreign currency through the official rate. Inflation is expected to have slowed further in December 2018, which would lead to an average rate of inflation in 2018 of around 10 percent. Nevertheless, the cumulative inflation over the last four years is still significant with Libyan households having lost almost 80 percent of their purchasing power.

<table>
<thead>
<tr>
<th>Table 1: Libya Macro Outlook Indicators, Growth Rate (percent)</th>
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<tbody>
<tr>
<td><strong>GDP, at constant market prices</strong></td>
</tr>
<tr>
<td>Private consumption</td>
</tr>
<tr>
<td>Government consumption</td>
</tr>
<tr>
<td>Gross fixed capital investment</td>
</tr>
<tr>
<td>Exports, goods &amp; services</td>
</tr>
<tr>
<td>Imports, goods &amp; services</td>
</tr>
<tr>
<td>GDP, at constant market prices</td>
</tr>
<tr>
<td>Hydrocarbon</td>
</tr>
<tr>
<td>Non-hydrocarbon</td>
</tr>
<tr>
<td>Inflation (Consumer Price Index)</td>
</tr>
<tr>
<td>Current account balance (% of GDP)</td>
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<td>Fiscal balance (% of GDP)</td>
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26. **Unemployment has risen sharply.** With the steep decline of the non-oil economy, many private sector jobs have been lost. This has hit youth particularly hard with youth participation in economic activity declining from 72 percent (2012) to 48 percent (2015). Furthermore, among female youth, unemployment is 62 percent.

27. The baseline macroeconomic scenario is that of continued macroeconomic fragility, including twin deficits and high inflation, with heightened risk of full-scale crisis. In this scenario, oil production improves but reaching economic potential is hindered by security challenges, and public expenditure remains at unsustainable levels. The existence of an official “taxed” and unofficial parallel market for foreign currency, although highly distortionary, mitigates the direct link between a speculative attack and reserve exhaustion. Inflation will remain high as more goods are priced based on the dual or parallel premium. Reserves will leak as the parallel premium creates large incentives for mis-invoicing and export revenue diversion. Conversely, if peace and security return to Libya, allowing the economy to progressively reach its potential, and if the Government ensures macroeconomic stability, growth is projected to accelerate. Under this positive 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 reach above US$85 billion by 2021.

28. The macroeconomic situation is a consequence of the overall fragility but also exacerbates it. The fragmentation of monetary and fiscal institutions impedes the implementation and effectiveness of a corrective course. Authorities have implemented incremental crisis-averting policies within these constraints, notably through taxing foreign exchange sales and tolerating the emergence of a parallel market for dollars and creeping dollarization—staving off the threat to reserves. But the parallel premium, along with very low official prices 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 avoided, the associated distortions are contributing to the violent contestation of resources, such as seizure of oil fields by militias, and worsening the exclusion of the poor and marginalized.

29. The private sector is nascent and uncompetitive, a legacy of a State-dominated economy, poor regulatory environment, cronyism, and oil-dependent growth. In addition to the impacts of the political and security crises, the private sector is further constrained by damaged and destroyed infrastructure, lost production capital, distribution chains, markets, and trade networks. Bottlenecks in terms of regulatory environment and lack of an entrepreneurship ecosystem have prevented competition, as well as development of SMEs and start-ups. Lack of access to foreign exchange 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 there is heavy dependence. Import restrictions, along with high inflation, has increased the cost of production, leading to factory closings and job losses.

30. In the financial sector, there is a liquidity crisis resulting from macroeconomic instability and loss of confidence in the banking system, which is also adversely affecting access to credit. Only 2 percent of firms had a loan or credit in 2015, compared with, for example, 52 percent in Lebanon.

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9 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.
(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 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.

31. **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 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.

C. **Socioeconomic Impact of the Crisis**

32. **Libya was previously a high-middle-income country, with health and education indicators among the highest in Africa.** However, prolonged crisis has led to destruction of human capital, livelihoods, basic services, and infrastructure, as well as a decline to lower-middle-income status.\(^{10}\) While it is difficult to accurately assess the magnitude of the social deterioration because of weak data and lack of statistical capacity, the assessment below is based on the last Census and existing data from international agencies.

**Deteriorating Basic Services**

33. **Libyans are suffering from an acute lack of access to health care.** Nearly 20 percent of public hospitals and primary health care facilities have closed; and fewer than one sixth of primary health facilities have adequate essential drugs. Due in part to the flight of migrant health workers, there is a significant shortage of health personnel. According to the World Health Organization (WHO), fewer than 15 percent of the more than 1,300 primary healthcare clinics (PHCs) currently offer antenatal care and barely half provide common chronic disease management.\(^ {11}\) Only 43 percent of PHCs offer immunizations, and fewer than half offer cardiovascular disease treatment. Less than a 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, are unable to meet the overwhelming demand, or have been closed due to fighting.

34. **Communicable and noncommunicable diseases are emerging, along with increasing malnutrition and poor mental health.** Child stunting and overweight rates are 21 and 22 percent, respectively, which are above the regional average. Malaria and respiratory infections are increasing

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\(^{10}\) Libya Census 2012.

\(^{11}\) Health data are from Libya Service Availability and Readiness Assessment (SARA), WHO 2017.
due to the influx of migrants and the weak public health system. Mental health issues are increasing, with nearly one out of three persons suffering from depression or anxiety. The situation is much worse among migrants, many of whom are detained in very poor conditions or do not have access to health services.

35. **Despite free access, the education sector has been hit hard by the conflict in terms of infrastructure, sector governance, access, and quality.** The most recent data from the United Nations Children’s Fund (UNICEF)\(^{12}\) 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.\(^{13}\) IDP and migrant children lack regular access to school.\(^{14}\) This challenging environment is further exacerbated by weak sector governance and inefficiency, marked by the region’s lowest student-teacher ratios, which have fallen to as low as 4.3.\(^{15}\)

36. **Large parts of the country experience power outages of up to 10 hours a day due to generation shortfalls and network problems.** The chronic shortage of electricity supply has a profound negative impact on economic activities, households, and public services. The poor supply is the result of damage from 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 installed capacity is 10.2 GW, the actual peak generation is only about 5.2 GW (around 55%). However, peak electricity demand is about 7.5 GW. Furthermore, the power sector is a fiscal drain due to highly subsidized tariffs, subsidized fuel inputs, and high commercial losses. Upstream fuel subsidies alone amount to nearly LYD2 billion, and downstream electricity losses amount to another LYD1.8 billion. The sector currently recovers only 9 percent of direct production and supply costs. In addition, low tariffs lead to wasteful consumption behaviors (such as leaving windows open with air conditioning on) at significant economic cost.

37. **Water services and sanitation capacity are rapidly deteriorating.** Libya is among the world’s most water-scarce countries. Average renewable water share is about 100m\(^3\) per person per year, a tenth of the international scarcity threshold. Water services are poor due to conflict-damaged infrastructure, the age of the system, lack of electricity, maintenance (partly due to insecurity), and financing. The 2009 (latest available) estimates of access rates show piped water supply at 54 percent and sanitation at 45 percent, which is 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 (potentially cutting off 10 percent of drinking water) and others are working at very low capacity due to lack of spare parts and chemicals. National sewage treatment plants are running at barely a quarter of their capacity and treating 10 percent of collected wastewater.


\(^{13}\) International Organization for Migration (IOM) *Displacement Tracking Matrix.*


Women and Youth

38. Youth and women in Libya constitute 37 (age 15-34) and 50 percent of the population, respectively.16 Youth and women fought for the end of the Gaddafi regime, yet they have limited influence and are excluded from the country’s political life and economy. Yet, both constituencies could be an important source of resilience in the society.

39. In recent years, the escalation of insecurity and the rise of violent extremism have restricted women’s voice and agency. Women can play a pivotal role in recovery and reconstruction but have been only partially represented in the national constitutional drafting process. Curfews, difficulties in transport, and checkpoints restrict freedom of movement and isolate women, deepening their economic exclusion. Gender roles are embedded in Family Law, with wives under legal obligation to assume all domestic responsibilities, in return for which they are entitled to financial support.17 At the same time, they do have the same rights as men to own land or property, to receive bank loans or credit, to enter into business contracts or economic activities, or study.

40. Levels of gender-based violence are alarmingly high. Violence against women and girls, particularly sexual violence and abduction, is used by militias as a terror tactic. 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.”18 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 sexual violence and exploitation. In a recent survey, nearly half of migrant women and children reported frequent sexual abuse during their journey and in Libya.19

41. Relatively few women are employed in the private sector (97 percent of working women are publicly employed) and women earn less than men. Female entrepreneurship rates are lower than the regional average. In a 2013 study, 24 percent of private sector firms reported having a woman as a principal owner, compared with 35 and 34 percent in Egypt and Lebanon, respectively. Women’s participation is limited due to social and cultural norms, as well as rising extremism and insecurity, which affect their mobility. Women earn less than men at all education levels. Female university graduates earn nearly 18 percent less than 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 (Annex 7).

42. Youth are an important but neglected segment of society.20 Libyan youth face complex challenges. While they played a significant part in the overthrow of Gaddafi, seeking freedom and social and economic justice, they are little represented in decision-making to determine Libya’s future. The conflict and instability have also had significant negative impacts on their physical, social and psychological wellbeing. Youth are the most educated and skilled segment of society, yet they are the most vulnerable to economic exclusion and exploitation by militias and criminal organizations.

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16 Libya Census 2012.
17 Libya Family Law, Articles. 17 and 18.
20 UNFPA. 2018. The Libya Youth Today: Opportunities and Challenges.
43. The large youth cohort is characterized by high tertiary education rates, yet Libya has one of the world’s highest rates of youth unemployment, estimated at 48 percent for the 25–34 age group.²¹ Although youth (ages 15–34) account for nearly half of the workforce, their participation in economic activity declined from 72 percent (2012) to 48 percent (2015).²² Furthermore, 62 percent of female youth are unemployed. The causes of high youth unemployment include lack of mobility due to insecurity, an undiversified economy, high public-sector concentration of employment, an undiversified and small private sector, and skills mismatch due to the poor education quality.²³

44. In addition, youth are largely excluded from public dialogue. Participation in civil society organizations (CSOs) is very limited; only 3 percent of CSOs registered are youth organizations. Although they have the potential to be agents of positive change, youth cite lack of systems and policies that support and encourage their participation as obstacles to increased engagement.²⁴

Migration and Forced Displacement

45. While, Libya has traditionally relied on migrants to fill labor shortages, the crisis has made migration a larger, complex, multi-stakeholder issue (Annex 6). Before 2011, many foreign workers were in occupations that Libyans did not pursue, but many of these workers have left due to the insecurity. With protracted conflict and the absence of an effective State, there has been a surge in irregular and undocumented migration, with Libya being both a destination and a transit point. Although migration has slowed since 2017, smugglers and militias have taken advantage of the security vacuum at borders to smuggle in migrants from the Middle East, South Asia, and Sub-Saharan Africa. According to IOM, there are nearly 669,176 migrants, 193,581 IDPs, and 382,222 returnees in Libya.²⁵ Most migrants who come from neighboring countries, such as Egypt, Niger, and Chad, are economic migrants planning to work in Libya. Whereas, for migrants from West Africa, Libya is likely to be a transit point for Europe. Since 2014, there had been a surge in those trying to reach Europe through Libya. Although there are no precise data, migrant smuggling has become a multi-billion-dollar industry. But since 2017, with funding from the EU to support Libya’s coastguard in patrolling the Mediterranean and voluntary repatriation, migration has slowed. The number of migrants landing on Italy’s southern shores in the first half of 2018 was down 81 percent from the same period last year.²⁶

46. Repatriation has reduced the number of people in official detention. Since early 2017, 30,000 migrants have been repatriated with support from the EU, African Union (AU), and IOM.²⁷ Fewer than 5,000 migrants remain in official detention centers, several of which have since been closed. However, the number of migrants held by militias and smugglers under poor conditions in unofficial detention centers is unclear. In addition, most of the economic migrants staying in Libya lack official documentation and are vulnerable to abuse from employers and security personnel. The GNA, with

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²⁵ http://www.globaldtm.info/libya/.
support from the international community, is working to help migrants and host communities which face the significant strain on services in their communities.

47. Taken together, these political, security, economic, and social factors have driven up the level of fragility in Libya, which was confirmed in a Risk and Resilience Assessment (RRA) carried out jointly by the UN, EU and WBG in 2017. The RRA identified six critical drivers of the crisis in Libya, as well as important sources of resilience that will be strengthened under the CEN (Box 2 and Annex 4).

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 consensus 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 incentives for the exercise of violence;
- **Lack of formal, accountable public structures** to 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**. The public sector has many well-educated personnel;
- **Social capital**. In the absence of an effective State, communities have taken on dispute resolution and service provision. Civil society and community networks are counterweights to conflict dynamics;
- **Resistance to sectarianism**. There has been popular resistance to taking up sectarianism;
- **Resources**. Libya has great economic potential, albeit linked to oil production in the short term.

III. WORLD BANK GROUP COUNTRY ENGAGEMENT STRATEGY

A. Government and Partners

48. The Government of National Accord has initiated a national planning process and articulated its priorities as macroeconomic stability, governance, and delivery of basic services, including electricity, health, education, and water and sanitation. The GNA also undertook critical reforms in 2018. Notably, to eliminate the gap between the official and unofficial exchange rates, it implemented fees on the sale of foreign exchange for commercial and personal use.

49. On migration, the GNA has recognized that the complex and multi-faceted nature of the issue requires joint actions by countries of origin, transit and destination (Box 5). Libya has expressed its commitment to do its part and has denounced all inhumane practices and crimes targeting illegal immigrants. It has set up a committee to investigate criminal gangs involved in human trafficking and has arrested suspects. The state has also contributed by providing food, shelter, and other assistance.

50. Partners’ activities are being coordinated by the Government through a high-level International Coordination Framework for Technical Coordination. There are also various technical working groups, through which the authorities and partners are developing sector work plans. The World Bank is a co-chair, with the Ministry of Economy, of the Economic Recovery Working Group.
51. **The CEN will be implemented in strategic alignment and collaboration with key partners.** The broader group of partners, which includes the AfDB, EU, France, Germany, Italy, UK, UN agencies, and the World Bank, have already been coordinating support through a Joint Partner Task Force. The partners have agreed to work together at the humanitarian and development nexus with strategic alignment around macroeconomic stability, governance, private sector development, and basic services (health, education, electricity, and water and sanitation). They have also agreed on lead partners to coordinate activities in those sectors. Moreover, in both policy dialogue and activities, there is consultation, coordination, and sharing of data among partners, to prevent duplication, fragmentation, and confusion.

B. **Proposed WBG Country Engagement**

52. **The World Bank Group’s engagement builds on lessons learned.** The key strategic lesson from previous World Bank experience in Libya and other fragility, conflict and violence-affected (FCV) countries is the need to be flexible to quickly adapt to changing circumstances. Another important lesson is the importance of building trust and credibility to gain traction. The Bank has become a trusted partner because it has maintained dialogue and capacity building at the technical level even after it left Tripoli in 2014 and due to the Libya Economic Dialogue (LED), which allowed for open and candid dialogue with a broad range of stakeholders. The LED, first held in Tunis in March 2016, brings together Libyans from the GNA, HoR, academia, civil society organizations (CSOs), the private and financial sectors, as well as partners, to discuss critical economic issues and priorities in a non-politicized environment. The LED was used as a basis for stakeholder consultation for the CEN (Box 3).

**Principles of Engagement**

53. **Based on learning from the Bank’s experience in other FCV countries, such as Yemen and Afghanistan, and previous engagement, the engagement will be guided by strategic opportunism and maximum flexibility to adapt to changing circumstances.** The central principles of engagement are to contribute to: (a) concretely improving lives and build State capacity; (b) have near-term impacts while linking activities to a longer-term framework; (c) promoting social cohesion and reintegration; and (d) improving trust between citizens and the State. This agile approach will enable the WBG to ramp up activities if there is progress in the peace process or scale down if the security situation deteriorates.

54. **Selection criteria for specific areas of engagement** are based on (a) the Government’s priorities; (b) the World Bank Group’s comparative advantage, including experience in FCV countries; (c) division of labor among partners; and (d) a realistic assessment of the security and capacity challenges. The areas of engagement also consider the priorities of a broad spectrum of Libyan stakeholders, including women and youth, as captured through LED focus groups (Box 3).

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28 Many partners such as the UN and UN agencies, EU, France, Italy, UK are also going back to Libya after leaving in 2014 to support peace and stability.

29 In August 2017, the Task Force met and agreed that peace and stability in Libya are regional and global public goods; that restoring the macroeconomic framework is key to stabilization; and that an “All of Libya Approach” should be used.

30 UNICEF is the lead in education, WHO in health, the African Development Bank in water and sanitation, and the World Bank in electricity. This division of labor is based on comparative advantage, global technical expertise, and implementation capacity and experience.
To define specific activities, the World Bank needs to establish a knowledge base. Priority activities are therefore based on areas where the Bank already has adequate understanding of the sector. In other areas, there will be significant ASA under the CEN. One of the most notable areas of work will be to support recovery and peacebuilding. The Recovery and Peacebuilding Assessment that the Government has asked the Bank to lead, along with the UN and EU, will inform the future reconstruction plan.

**CEN Strategy and Objectives**

With the overall objective of addressing selected urgent priorities with a view to contributing to peace and stability, the CEN consists of two pillars with the following objectives (Figure 2):

**Pillar 1: Accelerating Economic Recovery.** Under this pillar, the WBG will support capacity development to help: (i) create a foundation for macro-fiscal stability, (ii) strengthen governance and the core functions of public administration, and (iii) develop the private and financial sectors.

**Pillar 2: Restoring Basic Service Delivery.** Under this pillar, the WBG will support capacity development in selected sectors: (i) improve electricity supply and sustainability, (ii) improve access to health care, and (iii) enhance access to quality education.

The CEN is underpinned by the cross-cutting theme of governance focusing on promoting transparency, accountability and inclusion in policymaking and service delivery, to help build trust in the state and contribute to a new social contract (Figure 2).
CEN OBJECTIVE: ADDRESS SELECTED URGENT PRIORITIES WITH A VIEW TO CONTRIBUTE TO PEACE AND STABILITY

PILLAR 1: ACCELERATING ECONOMIC RECOVERY

Create a Foundation for Macro-Fiscal Stability

Strengthen Governance and Core Functions of Public Administration

Develop the Private Sector and Financial Sector

PILLAR 2: RESTORING BASIC SERVICE DELIVERY

Improve Electricity Supply and Sustainability

Improve Access to Health Care

Create a Foundation for Quality Education

Governance: Transparency, Accountability, And Inclusion

PILLAR 1: ACCELERATING ECONOMIC RECOVERY

58. Pillar 1 focuses on the building blocks of inclusive economic recovery: macroeconomic stability, improved governance, and a strengthened private sector.

Create a Foundation for Macro-Fiscal Stability

59. The significant budget deficits from the past four years, the large differential between the dual formal and informal exchange rates, and the liquidity crisis have created an urgent need for macro-fiscal stabilization, including budget consolidation, deficit reduction and currency devaluation measures. However, there is a lack of technical understanding of these issues, as well as lack of consensus on the overall economic and fiscal policy path.

60. To promote macroeconomic stabilization, the CEN will support capacity development in the following areas: budget consolidation, subsidy reform, macroeconomic policymaking, and public financial management. The Bank, together with the IMF, will continue TA to develop a consolidated budget (east and west) driven by policy objectives. To address administrative fragmentation, the Bank will continue to bring policymakers from various sides together, laying the groundwork for institutional and functional reintegration through the budget process. Further, the Bank will provide TA on subsidy reform, as well as capacity building on macroeconomic modeling. These activities will enable decisionmakers to take the steps needed to establish a reasonably consistent macroeconomic framework. The activities will use a learning-by-doing approach to build sustainable capacity.

61. To address weak PFM structure and capacity, the Bank will support the development of PFM accountability systems and functionality. TA for macroeconomic stabilization will be complemented by the development of a new budget coding structure, budget formulation and execution programs, and implementation of an appropriate financial management system. The Bank will also support work towards a Single Treasury Account. TA will also support the development of public investment guidelines to facilitate priority setting and informed policy-based budgeting for the provision of basic services.
services in synergy with Pillar 2. The Bank will also provide TA on public investment management, particularly on evaluating and prioritizing Libyan legacy projects.

62. **To build a foundation for economic analysis and help Libya regain control of its fiscal policy, the World Bank will support the development of skills for the collection and analysis of economic data**, including strengthening the capacity of the Bureau of Statistics to conduct household surveys and develop a Consumer Price Index.

**Strengthen Governance and Core Functions of Public Administration**

63. **To address the critical challenge of a State with a weak public administration, the World Bank will support Libyan authorities in strengthening their capacity to carry out core government functions, including service delivery.** While institution building is a long-term endeavor, the Bank will support the development of foundational technical skills (basic administration, evidence-based policymaking and policy implementation, mainstreaming accountability, transparency, and inclusion into processes) and soft skills at the central level, to ensure that key institutions can function effectively, particularly those vital for recovery and reconstruction, such as Finance, Planning, Health, Education, and the General Electricity Corporation (GECOL). The Bank will also build capacity in national audit institutions to help build the fundamentals of accountability in the use of public resources.

64. **The World Bank will support improving local administration and service delivery through TA on fiscal and administrative decentralization.** The Bank will provide support for aggregate expenditure analysis, as well as guidance on intergovernmental transfers. The Bank will support implementation of the Decentralization Law, including by strengthening the technical and organizational capacity of the Ministry of Local Government to put in place the legal framework for decentralization.

65. **Also, under this pillar, an important activity is being developed for institutional support to the Libyan Investment Authority (LIA) under the World Bank Reserve Advisory and Management Program (RAMP).** Under this program, the World Bank Treasury would manage a portion of the liquid assets of the Libyan Investment Authority (LIA), and provide capacity building to the LIA to increase effectiveness and accountability in asset management. This will benefit the people of Libya by ensuring that the LIA’s assets are being managed responsibly and will be available to help rebuild the country when unfrozen.32

66. **The activities under the first two objectives will be closely coordinated with partners.** All macroeconomic stabilization efforts will be carried out in collaboration with the IMF. Most governance (public administration strengthening and transparency and accountability) activities are ongoing, through a Governance and PFM Multi-Donor Trust Fund (MDTF) funded by the EU, UK and the Netherlands. The governance activities, except for RAMP, will be closely coordinated with the United Nations Development Program (UNDP), the lead partner for Governance.

**Develop the Private and Financial Sectors**

67. **Although Libya continues to be heavily dependent on oil, for the economy to grow and to address unemployment, the private sector needs to expand.** The World Bank, IFC, and MIGA will seek to support private sector development in line with the principles of Maximizing Financing for

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32 The key preconditions for the Bank being able to manage these funds are relevant authorizations, clarifications and amendment of the sanctions imposed by the United Nations Security Council (UNSC) and individual member countries.
Development in an FCV environment. In this context, IFC will engage in advisory services to support the development of a public private partnership (PPP) framework, SME financing, and business support services. IFC will apply the new Creating Markets Advisory Window to undertake a private sector needs assessment and diagnostic work to better understand constraints and identify opportunities. And, both IFC and MIGA could engage in investment if appropriate operating conditions and private sector appetite are present. To date, IFC has not yet invested in, or provided advisory services specifically for, Libya. MIGA could consider providing political risk guarantees for eligible cross-border investments, potentially through MIGA’s First-Loss Conflict-Affected and Fragile Economies Facility, if risks are acceptable and there is a sovereign counterparty able to provide the required host country approvals.

68. Due to limited prior engagement in this area, the World Bank, in collaboration with IFC, has started a private sector mapping and financial sector stocktaking, which 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. Subsequent areas for intervention could include TA focused on SME and startup financing and development, as well as entrepreneurship support. Libya will join the Maghreb Startups network under development and will benefit from cross-country experiences and opportunities.

69. In the financial sector, the World Bank, in collaboration with IFC, will take stock of the capacity of the banking system to meet the financing needs of the private sector and support the Central Bank to rebuild its bank supervisory role and effectiveness. The stocktaking may include selected regulatory, governance, and risk management practices. As the situation permits, the World Bank could also provide TA to facilitate discussion through a participatory public-private dialogue platform to be created by Expertise France. The TA to the Central Bank 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.

PILLAR 2: RESTORING BASIC SERVICE DELIVERY

70. Years of conflict have significantly impacted basic service delivery, which has consequently also reduced earlier gains in human capital. The CEN program is designed to improve basic services to give concrete results in the near term, while linking them to longer-term sustainable development goals.

Improve Electricity Supply and Sustainability

71. Given the importance of the electricity sector, the World Bank has been working closely with the major energy sector actors—GECOL, the Renewable Energy Authority, and the National Oil Corporation—over the last two years to develop a comprehensive strategy to improve service delivery and reform the sector, which will be rolled out in phases.

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33 The survey will cover 400 enterprises and include in-depth interviews with 60 stakeholders.

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

35 Established in 2012, the MENA Transition Fund is a World Bank-administered trust fund that provides grants for TA and capacity building to help transition countries strengthen their governance and social and economic institutions.

36 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.
72. The first phase will be to support measures to restore power supply (zero load-shedding), while rationalizing new project investments, and minimizing operational costs. The program will also focus on financial sustainability by strengthening collection, implementing advanced metering, and rationalizing tariffs, initially in Tripoli and scaled up as security improves. USAID is piloting billing and collection improvements, which will inform the activity. The WBG will also assist in building managerial capacity and technical skills of sector agencies, including GECOL and the Renewable Energy Authority of Libya, for efficient investment planning, competitive procurement, project management, as well as maintenance.

73. Options for quickly increasing electricity supply and reducing costs during the first phase are a Floating Storage Regassification Unit (FSRU) and renewables. The FSRU is particularly suited to an FCV context because the unit is kept offshore, mitigating security and other risks. The FSRU could augment natural gas supply and increase power generation by providing fuel for 2,000MW of currently unused generation capacity. This could be implemented through a MFD approach. IFC is exploring possible engagement. The development of renewables can also help mitigate power shortages, increase energy security, and yield significant economic benefits by saving gas and oil reserves for exports to bring in revenue. The Bank will assist with the institutional framework for private sector participation in renewable energy development, which could be followed by the formulation of pilot projects through an MFD approach with IFC facilitating private investments.

74. If the political and security situation improves during the CEN period, the Bank could begin the second wave, which will contribute to laying the foundation for medium-term sustainability and improved sector governance. These measures are needed to address the massive fiscal drain posed by energy subsidies. The Bank will support priority actions around (a) regulatory and institutional frameworks; (b) an independent electricity regulator; (c) organizational restructuring of GECOL; and (d) private participation in generation and distribution. Global experience has shown that these reforms require maturity of the sector and significant preparation, therefore, these activities may extend beyond the CEN period.

Improve Access to Health Care

75. To address the significant deterioration in health care, the World Bank will focus on strengthening the technical and operational capacity of local health institutions to deliver basic health services. The areas of support will be (a) strengthening delivery of primary and secondary health care, through a pilot; and (b) enhancing the accountable management of the sector. The Bank will also develop a pilot for an integrated model of service delivery that could be scaled up nationally. This will be undertaken through a RAS program with the Ministry of Health, already supported by the ongoing MENA Transition Fund (US$2.3 million), which has enabled a deeper understanding of health system capacities and challenges, and by the sectoral assessment conducted by WHO.37 Bank support will emphasize the inclusion of vulnerable groups (women, children, youth, IDPs, and migrants) in the health system.

76. The pilot will introduce technological innovations to facilitate service delivery and supervision in the complex operating environment. These innovations include (a) satellite imagery and geo-mapping for planning and supervision; (b) a smart tracking system for the distribution of equipment and medicines; and (c) social media analysis on patient perspectives, including satisfaction.

37 WHO. 2017. Libya Service Availability and Readiness Assessment (SARA).
Independent third-party monitors will undertake performance verification and field visits to monitor activities and report on results and outputs of the pilot to ensure that services are being delivered to the intended beneficiaries.

77. The program will also pay attention to building and strengthening the institutional foundations of the health system, including improving transparency and accountability. CEN activities will include the introduction of simplified monitoring mechanisms at the district and central levels, as well as targeted capacity building for data collection and analysis to improve decision-making and monitoring.

Create a Foundation for Quality Education

78. The World Bank will begin to engage in the education sector through a program of analytics, capacity building, and TA. The first phase of activities will be to deepen understanding of the sector through assessments of primary and secondary, tertiary, and vocational institutions using a learning-by-doing approach to build local capacity.

79. The World Bank will also provide TA and capacity building to the Ministry on policy and programs to help improve education quality. Focus will be on improving teacher management, quality of teaching and learning, and aligning performance standards, which are keys to improving quality. In line with the Human Capital Project, the Bank will help with data and analytical work to improve measurement of human capital and better understanding human capital formation.

80. The education activities will be carried out in coordination with UNICEF, the lead partner in the sector. The Bank will also work in coordination with the Education Sector Working Group, which coordinates all the partners under a new, dynamic minister.

Cross-cutting Theme – Transparency, Accountability and Inclusion

81. Overall, the CEN will mainstream governance, transparency, accountability, and inclusion and, by doing so, aim to contribute to the development of a new social contract between citizens and the State. The CEN program aims to support the creation of accountability mechanisms in public institutions to improve internal governance and increase responsiveness to citizens’ demands. The Bank will support the Government’s piloting of innovative e-tools for citizens’ and businesses’ feedback on basic public services.

82. In a context of rampant corruption, the CEN program will look for entry points to strengthen public procurement. As the political situation is resolved, the World Bank will support the development of a legal and regulatory framework for procurement at the national level. Based on the data and prioritization from the RPBA, the World Bank at the request of Government will lead the design and implementation of a Reconstruction Facility (see para. 86) that will include strong transparency and accountability mechanisms, including in procurement.

83. The World Bank will promote inclusion through a “twin-track” approach. First, with the fragmentation of Libyan society and institutions, reaching out and working with all parts of Libya through an “All of Libya Approach.” This is critical in all activities, from building the budget to health services to reintegration of institutions. Second, inclusion will be mainstreamed through the incorporation of excluded populations, such as youth, women, IDPs, and migrants, into various activities from macroeconomic policy making to basic services (Box 4).
Box 4: Focus on Youth and Women

Because youth and women are critical to stability, the CEN program will pay specific attention to their needs:

- To better understand unemployment, the TVET Assessment will look at drop-outs, skills development, and school-to-work transition and the private sector mapping will look at female and youth entrepreneurs to highlight their needs and strengths, which will inform future support.

- To better understand the constraints faced by women to access education and economic opportunities the Bank will complete an on-going study on women in the public administration.

- To help address unemployment, support to SME financing and entrepreneurship will make extra effort to include youth and women and address their specific needs. They will also be included in the Maghreb Start-up Platform.

- To better understand unemployment, the TVET Assessment will look at drop-outs, skills development, and school-to-work transition and the private sector mapping will look at female and youth entrepreneurs to highlight their needs and strengths, which will inform future support.

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- To address basic service needs, in health and education, TA will include support for the provision of psychosocial services, which could particularly help youth in a FCV context. For women, support will also contribute to improving reproductive, prenatal/postnatal services, and care for gender-based violence.

- To better serve vulnerable youth and women, they will be a key consideration for critical policies, such as subsidy reform and eligibility in cash transfer mechanisms.

- To help strengthen voice and participation, the Bank has started the Youth and Women’s Chapters of the LED so that their concerns and ideas can be incorporated into the discussion on policy and interventions among senior officials, academics, and the private sector.

84. On the complex issue of migration, which is as important for Libya as for the international community and requires a multi-stakeholder response, the World Bank will contribute in several areas. Primarily, support will be through economic recovery so that Libya can once again become a host country to economic migrants. There will also be support to expansion of basic services (health, education, electricity), which will include specific attention to access for migrants and IDPs. The WB will also deepen understanding of the situation and solutions as part of the RPBA. The Bank will also engage with the Migration Working Group (MWG) and identify areas for collaboration, such as designing efficient systems and processes to manage economic migration (UNDP is initiating work).

Box 5: Multi-stakeholder Approach to Migration

As part of a multi-stakeholder effort on migration, the GNA has expressed commitment to do its part. It has denounced the inhumane treatment of migrants and set up an investigative committee on human trafficking. The GNA has also arrested more than 80 suspected traffickers, and has voluntarily repatriated 30,000 people since 2017, with help from UNHCR and IOM.

Having identified migration as a priority for international support, the GNA has set up a Migration Working Group to coordinate policy dialogue and partner activities. 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 migrants heading to Europe via the Mediterranean, many partners are engaged in managing the migration crisis. The EU has mobilized EUR182 million to support voluntary repatriation, protect displaced communities, and stabilize local host communities. Italy is supporting the Transit and Departure Facility in Tripoli. It has also been working with the Libyan coast guard to limit Mediterranean crossings. Doctors without Borders is running mobile clinics in detention centers around Tripoli. IOM is tracking migrants and providing support in detention centers. The African Union and IOM are working together on voluntary repatriations to multiple countries of origin. Rwanda has also announced that it is willing to host up to 30,000 African migrants stranded in Libya.
Generating Knowledge for the Longer Term: Proposed Analytical Program (ASA)

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 period to develop the knowledge base needed for a long-term engagement. The Bank will carry out initial assessments in key areas under both pillars where basic data are lacking (Box 6).

<table>
<thead>
<tr>
<th>Box 6 : Proposed ASA Program under the CEN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PILLAR 1: ACCELERATING ECONOMIC RECOVERY</strong></td>
</tr>
<tr>
<td>Macroeconomic modeling: to strengthen Government capacity to develop a basic and consistent macroeconomic framework, and strengthen analytical capacity for economic policy design</td>
</tr>
<tr>
<td>Local government and decentralization support: to provide the Government and citizens with a better understanding of the fiscal and administrative aspects of decentralization, including key challenges and priorities to be addressed and sequenced to ensure effective service delivery</td>
</tr>
<tr>
<td>Women in public sector: to understand the constraints faced by women in accessing equal employment and economic opportunities</td>
</tr>
<tr>
<td>Private sector mapping: to understand the impact of conflict on the private sector</td>
</tr>
<tr>
<td>Financial sector stocktaking: to understand the state of financial sector development, and identify main challenges and priorities for action</td>
</tr>
<tr>
<td>Poverty and conflict monitoring: to develop understanding of poverty, including impact of crisis, to help guide subsidy reform and accompanying safety net mechanisms (with EU)</td>
</tr>
</tbody>
</table>

| **PILLAR 2: RESTORING BASIC SERVICE DELIVERY** |
| Pre-tertiary, tertiary and TVET education assessments: to document service delivery, identify gaps, and feed into policy recommendations on improving access and quality |
| Social protection strategy: to take stock of existing safety net schemes, their coverage and targeting mechanisms, and provide options for expansion to support the most vulnerable |
| Social fund for development: to take stock of existing social funds, assess their performance, and propose appropriate mechanism for community-level participatory financing |

| **RECOVERY AND PEACEBUILDING** |
| Recovery and Peacebuilding Assessment (RPBA): to identify damage and needs and inform the design of a prioritized reconstruction strategy and reconstruction fund (with UN agencies, EU, other partners) |
| Reconstruction Facility: to develop a reconstruction financing facility, incorporating transparency and accountability, to fund a prioritized reconstruction strategy (with all major partners) |
| Joint Risk Monitoring Mechanism: to better understand and manage the situation on the ground and the changing risk profile, and identify ways to mitigate risks (with UN, EU) |

To pave the way for recovery and peacebuilding, the Bank will work with the UN and the EU on a Recovery and Peacebuilding Assessment (RPBA). The objective of the RPBA will be to provide technical support to the Government to establish a national strategy for reconstruction. It will begin with a stocktaking of existing data from all partners. It will then identify and cost critical reconstruction needs and support the Government to develop a prioritized strategy for reconstruction, including the identification and design of necessary institutional, accountability and financing mechanisms.

The authorities have also requested support to establish a Reconstruction Facility to finance the Government’s reconstruction strategy, while helping to promote accountability and ensure solid financial management. The WBG would work with the Government and development partners to identify the appropriate design and thematic scope, which will be informed by the RPBA. A facility could cover areas such as: (a) large-scale public investment for reconstruction, leveraging resources from Libya and partners in the short term; (b) institutional strengthening and implementation support; and
(c) development of the private sector, including with engagement from IFC and MIGA. The core structure of the facility could include a financing platform with a steering committee led by Government and a secretariat to administer the fund.

88. If appropriate, after a stocktaking of existing social funds, the Bank could support the design of a Social Fund for Development (SFD) to provide small-scale funding for community-driven services projects. Such approaches have been successfully used in other FCV countries (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.

IV. IMPLEMENTATION OF THE CEN

A. Managing Implementation Challenges

89. Implementation of the CEN program will incorporate the main operational lessons from the World Bank’s earlier engagement in Libya and other FCV countries. These lessons include (a) having multiple contingency plans to deal with uncertainty due to politics, security, and other elements of fragility; (b) designing simple and flexible activities that can adapt quickly to a changing context; (c) preparing for alternative implementation methods in anticipation of changes in the operating environment; and (d) planning for intensive implementation support to deal with chronic low capacity.

90. The CEN proposes specific actions to contend with these and other implementation challenges:

(a) Bank counterpart. The GNA is the internationally recognized Government of Libya and the World Bank’s official counterpart. The Bank will ensure that its engagements with the GNA are consistent with the Bank’s legal and policy framework, including its rules regarding engagements with de facto governments. However, the continuing political impasse has affected the GNA’s domestic legitimacy and effective control, and its status and composition could be affected by political realignments under the peace process, including upcoming elections. Risks associated with a change in the status of the GNA will be managed through an “All of Libya” approach, which includes engagement with the HoR and other authorities.

(b) Staffing footprint. The World Bank office has reopened in Tripoli, which enables daily field presence and serves 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, including physical security and communications. The IFC will engage through its regional hubs (Cairo and Dubai) until there is sufficient traction to build a viable project pipeline.

(c) Policy dialogue. Given the fragmented polity, specific emphasis will be placed on ensuring inclusion of a broad range of stakeholders. This will be critical for the World Bank Group’s operational and reputational legitimacy, as well as to mitigate the risk of uncertainty regarding future power configurations.

(d) Building country systems. The CEN program will explore ways to build country systems, such as technical support for public financial management, and comprehensive support for reconstruction through the envisioned reconstruction financing facility.
(e) **Monitoring by third parties and beneficiaries.** Given the Bank’s limited field presence, the activities will incorporate third-party monitoring and intensive beneficiary feedback to strengthen accountability and grievance mechanisms.

(f) **Risk monitoring.** Given the heightened risk, the World Bank will use the Joint Risk Monitoring Mechanism to collect data on the socioeconomic, political and security situation. These data will inform decision-making within the CEN and feed into contingency planning for downside scenarios.

B. Financing the CEN

91. **The World Bank Group will use various instruments at its disposal to support Libya.** Despite its current circumstances, Libya has significant resources, including one of the largest oil reserves in Africa. Therefore, World Bank Group support will focus on TA and RAS. Before the Bank closed its Libya office in 2014, it had signed a RAS Framework Agreement, which has been extended until 2024. Trust funds, which finance the existing program, will be used to leverage other financing, including bilateral resources for externally financed outputs (EFOs). Depending on the authorizing environment and progress towards peace and stability, various World Bank Group instruments may be considered. As private sector opportunities develop, potential participation by IFC and risk mitigation from MIGA will be considered.

V. MANAGING RISKS TO THE CEN

92. **The CEN is a high-risk/high-reward undertaking.** Although there are significant risks that could directly affect the WBG program, the risk of not engaging is much greater. If the Bank does not reengage, this would limit its ability to influence key reforms, including on the macro-fiscal framework, which could further economic deterioration and increase the possibility of economic collapse. Another risk of inaction is continued deterioration of basic services, with blackouts and increasing water scarcity as pumps and desalination plants go offline, leading to a deterioration in public health and possible outbreaks of communicable diseases. Health services will also continue to deteriorate. Many children may not get vaccines; babies and mothers may continue to die from lack of equipment or qualified medical personnel; and deaths may increase from lack of medicines.

<table>
<thead>
<tr>
<th>Risk Categories</th>
<th>Risk Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political and Governance</td>
<td>High</td>
</tr>
<tr>
<td>Macroeconomic</td>
<td>High</td>
</tr>
<tr>
<td>Sector Strategies and Policies</td>
<td>High</td>
</tr>
<tr>
<td>Technical Design of Program</td>
<td>High</td>
</tr>
<tr>
<td>Institutional Capacity for Implementation</td>
<td>High</td>
</tr>
<tr>
<td>Fiduciary</td>
<td>Moderate</td>
</tr>
<tr>
<td>Environmental and Social</td>
<td>Substantial</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>

93. **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 parties do not come together and move toward political resolution, there is very high risk of further deterioration on the ground, which
would delay needed policy decisions and increase security risks and implementation challenges for the CEN program. The overall approach to fragmentation is to reach out and work with all parts of Libya through an “All of Libya Approach.” Furthermore, there will be multiple backup plans for both security and implementation of activities. For security, there will be layers of contingency systems for communications and physical safety. In terms of high case and low case 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, video conferences and alternative communication methods. As needed, the Bank will also utilize third-party and remote monitoring. If the risks become too high, activities may be postponed or canceled.

94. **Macroeconomic risk is rated High.** There is high risk of macroeconomic deterioration. With the continuing political crisis, it is difficult for decisionmakers to agree on the critical reforms needed to improve the macroeconomic situation. The liquidity crisis, multiple exchange rates, subsidies, high wage bill and inflation present specific challenges for fiscal stability. 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, PFM, public investment management and subsidy reform; (b) work with the IMF on exchange rate adjustment and macroeconomic reform; and (c) support the UN to bring parties together to make high-level, evidence-based decisions on economic issues by providing data and technical advice.

95. **Sector strategies and policies risk is rated High.** With political crisis and fragmentation, the authorities have not taken key decisions on reforms needed to improve public services. However, the authorities recognize the urgent need for reform, particularly in basic services sectors. Mitigation will include (a) elevating the dialogue by Bank senior management; (b) developing the evidence base for reforms through sectoral assessments and the RPBA; and (c) strengthening the capacity in ministries to formulate and implement reforms through the ongoing Leadership Training of managers in key ministries.

97. **Technical design risk is rated High.** Given the low capacity in government institutions, there is substantial risk that the design of programs will pose challenges to CEN objectives. Throughout the CEN program, there will be an emphasis on simplicity and flexibility given the complex operating environment. In both health and energy, mitigation lies in strong ownership by counterparts. Many of the counterparts such as GECOL, Ministry of Finance, and the Central Bank are among the more competent institutions in Libya. Overall, there is adequate sectoral analysis in the areas of engagement, and where there are gaps knowledge will be developed. 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 well understood with potential negative impact on reforms and TA support.

98. **Institutional capacity for implementation and sustainability risk is rated High.** Implementation capacity is very weak and made weaker by the prolonged instability. There is a lack of accountability and transparency in institutions and widespread capture by vested interests. The political fragmentation has led to an administrative bifurcation, creating further opportunities for corruption and manipulation by vested interests. Mitigation will be focused on building capacity for implementation in public administration in all parts of the country, as much as possible by using the learning-by-doing approach. The foundation for longer-term institutional sustainability, which includes reintegrated institutions, will be built through analysis of the public administration and sectoral reviews, and active and systematic inclusion of stakeholders from various sides at the technical level in developing common action plans to serve as a basis for reintegration.
99. **Fiduciary risk is rated Moderate.** Although generally there is significant corruption and lack of accountability and transparency, this will be largely mitigated by primarily using Bank-executed trust funds and RAS.

100. **Environmental and social risk is rated Substantial.** Environmental and social risks are not well understood due to disengagement of the international community in 2014, and capacity to manage it is assumed to be weak. However, the risk will be largely mitigated by primarily using Bank-executed trust funds and RAS. As appropriate, the Bank will carry out, environmental and social assessments and training to identify areas of vulnerability and provide necessary support. The Bank will also strengthen capacity for environmental and social safeguards management through the proposed Reconstruction Facility.

101. **Stakeholder risk is rated High** Based on consultations with Libyan authorities, private and financial sector actors, CSO, and academia, as well as with partners, these constituencies are not expected to work against the achievement of CEN objectives. Due to complex political economy, there is some risk that vested interests will try to obstruct reforms. Mitigation will be to gain a better understanding of the interests and approach reforms in ways that will make them more likely to be implemented and effective. There is risk that Libyans may not understand what the Bank does or may believe that the Bank is attempting to put Libya in debt. Mitigation will include continued outreach to Libyan stakeholders as the Bank reengages and reestablishes its field presence.
### VI. ANNEXES

#### Annex 1. CEN Results

<table>
<thead>
<tr>
<th><strong>Pillar I – ACCELERATING ECONOMIC RECOVERY</strong></th>
<th></th>
</tr>
</thead>
</table>
| **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 Governance and Core Functions of Public Administration** | • Manuals defining policy process and procedures produced;  
• Number of staff trained on leadership, policy process, communication, human resource management, PFM, procurement, and monitoring and evaluation  
• National accounts audited and published |
| **Objective 3: Develop the Private and Financial Sector** | • Enterprise Survey completed and disseminated  
• Financial sector assessment completed and disseminated  
• Training to CBL and banks delivered |

<table>
<thead>
<tr>
<th><strong>Pillar 2 – RESTORING BASIC SERVICE DELIVERY</strong></th>
<th></th>
</tr>
</thead>
</table>
| **Objective 1: Improve Electricity Supply and Sustainability** | • Design of transaction frameworks for LNG import facility and for a pilot for Renewable Energy  
• Number of staff trained on managerial capacity and technical skills |
| **Objective 2: Improve Access to Health care** | • Number of people receiving health and nutrition services, with gender, and migrant-disaggregated data covered by the pilot |
| **Objective 2: Enhance Access to Quality Education** | • Pre-tertiary and Tertiary and Vocational Training Assessments completed |
## Annex 2. Libya Portfolio

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Description</th>
<th>Counterpart</th>
<th>Approval Date</th>
<th>End Date</th>
<th>Amount (USD)</th>
<th>Undisbursed Balance</th>
<th>Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening PFM Institutions and Building Governance</td>
<td>TA and capacity building in PFM; information; Statistics and Census and National Accounts; Education and human resources</td>
<td>Ministry of Planning; Ministry of Finance;</td>
<td>September 2015</td>
<td>March 2020</td>
<td>$7,000,000</td>
<td>$2,000,000</td>
<td>Governance MDTF</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</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 &amp; agencies</td>
<td>October 2013</td>
<td>June 2021</td>
<td>$3,300,000</td>
<td>$1,482,686</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>$1,394,973</td>
<td>MENA Transition Fund</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 2019</td>
<td>$1,000,000</td>
<td>$120,949</td>
<td>State Peace Building Fund</td>
</tr>
<tr>
<td>Developing a Framework for Recovery and Peacebuilding in Libya</td>
<td>Technical support to the government to establish a national strategy for recovery and peacebuilding to address the fragility that Libya is currently facing.</td>
<td>Various</td>
<td>February 2018</td>
<td>March 2020</td>
<td>$750,000</td>
<td>$743,653</td>
<td>State Peace Building Fund</td>
</tr>
<tr>
<td>Water Sector Resilience in Libya</td>
<td>Access Libya water utilities resilience in providing water and wastewater services during the conflict and identify gaps for recovery and Development</td>
<td>Various</td>
<td>January 2018</td>
<td>August 2020</td>
<td>$537,426</td>
<td>$537,426</td>
<td>Global Water Security &amp; Sanitation Partnership</td>
</tr>
<tr>
<td>Support for Preparation of Libya Emergency Electricity Supply Improvement Project</td>
<td>Support improve performance of the energy sector through (i) restoring unavailable generation capacity, (ii) improving availability of natural gas for power generation, and (iii) piloting solar power generation with private sector participation</td>
<td>Ministry of Electricity &amp; agencies</td>
<td>June 2018</td>
<td>June 2019</td>
<td>$250,000</td>
<td>$224,397</td>
<td>MNA Cross-Sector Technical Assistance Program</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>17,171,026</strong></td>
<td><strong>6,505,282</strong></td>
<td></td>
</tr>
</tbody>
</table>
Annex 3. Previous World Bank Engagement

LESSONS FROM PREVIOUS ENGAGEMENT

1. This annex summarizes lessons, as well as the activities of the World Bank’s partnership with Libya since October 2011. The World Bank’s program has included strategic dialogue through the LED, as well as analytics and TA in three areas: (a) increasing capacity, accountability, and transparency in key institutions; (b) promoting private and financial sector development; and (c) improving basic services.

2. Throughout a tumultuous period, the World Bank has continued to have an instrumental role in supporting multiple transitional governments through TA and analytics. Although some activities were suspended due to the escalation of conflict in 2014 and Bank staff was evacuated from Tripoli (as was the case with all partners in Libya), TA activities continued, albeit through remote modalities, producing critical outputs and building capacity. The World Bank was seen as a trusted partner. The analytical work and TA, particularly on economic policy and PFM, were the basis on which development partners have been able to build their engagement on economic recovery.

3. Flexibility of program design and implementation are 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 because of security concerns but was changed to a telephone survey, which was able to be completed. The World Bank has adapted to the various situations, through reverse missions, hosting workshops in third countries, and taking authorities on study tours. Intensive implementation support was provided using many methods, including phone, Skype, Viber, and Facebook, on a daily or weekly. In some instances, where the situation became too constrained, activities were cancelled.

4. Maintaining independence and being a reliable partner. In a highly politicized environment, including multiple changes in government, the Bank continued to build its reputation as a reliable, independent organization. It did this by being steadfast in support even when other partners had pulled out and stopped working on Libya and by carefully maintaining neutrality and independence.

5. 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 Bank had difficulties identifying technical counterparts for activities, which caused delays. Since evacuation, the Bank has recruited and mentored local consultants to supplement intensive implementation support on the ground.

6. Every activity is transaction-intensive, requiring strong implementation support. Due to years of ongoing crisis and conflict, there is weak capacity. Task teams need to spend a lot of time supporting their counterparts to maintain pace of implementation, which can be a challenge without being able to go to the field. However, through telecommunications and use of local consultants, the Bank has been able to maintain quality implementation support in a difficult operating environment.
<table>
<thead>
<tr>
<th>TA - AREA</th>
<th>DESCRIPTION OF ACTIVITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increasing Capacity, Accountability and Transparency</strong></td>
<td></td>
</tr>
<tr>
<td>Financial Sector Review</td>
<td>This 2013 report, served as a basis for US$3.3 million MENA Transition Fund grant, provided a comprehensive analysis of the financial sector and identified priority reforms to be undertaken by financial and monetary authorities.</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 public administration systems and processes in the Ministry of Finance and building PFM functions, including budget consolidation. 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 set-up of a Macro-Fiscal Cell in the Ministry of Finance to conduct fiscal policy analysis and near-term consolidation of budgets.</td>
</tr>
<tr>
<td>Statistics and National Accounts</td>
<td>This activity has supported statistical capacity building. In FY14, the Bank supported the implementation of the modernization strategy of the Libyan National Statistical System. The three main activities included: (a) training for around 100 staff and managers on key statistics and national accounts operations, (b) TA to help the General Direction of National Accounts update and complete the 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 been strengthening the basis for social and economic planning, budgeting, and public policy design.</td>
</tr>
<tr>
<td><strong>Creating Jobs and Promoting Private and Financial Sector Development</strong></td>
<td></td>
</tr>
<tr>
<td>Finance and Private Sector Development</td>
<td>The 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. The Bank conducted a modified Enterprise Survey in 2015 funded by the MENA Transition Fund.</td>
</tr>
<tr>
<td><strong>Supporting Decentralization and Improving Basic Services at the Local Level</strong></td>
<td></td>
</tr>
<tr>
<td>Electricity TA</td>
<td>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 included 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 in 2013.</td>
</tr>
<tr>
<td>Public Services Delivery Cluster</td>
<td>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.</td>
</tr>
</tbody>
</table>
Annex 4. Risk and Resilience Assessment Summary

1. The Risk and Resilience Assessment (RRA) was undertaken by the EU, UN system, and the World Bank Group in 2017 to develop a better understanding of the drivers of fragility and conflict, and to ensure that international assistance is informed of the challenges and risks, are better designed to mitigate them, and contribute to peace and stability. The objectives of the RRA are to: a) provide an overview of political and socioeconomic developments and identify key challenges and risks to be addressed to promote peace, stability, and recovery; b) offer recommendations to enhance the conflict sensitivity of interventions, ensure that they are tailored to existing challenges, and can more effectively mitigate against future risks; and c) provide an narrative to underpin prioritization of actions in support of the political process.

Structural Challenges

2. 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.
     - The prospect of more inclusive and transparent institutions has not been realized.
     - 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 a patchwork approach that stems from divergent narratives of legitimacy among post-Gaddafi security organizations.
     - Arms proliferation among the public, as well as armed militias remains a key security concern.
     - Breakdown in security has enabled the growth of more radical and extremist elements.
   - **Economic and Fiscal Challenges**
     - An undiversified oil dependent economy, which is producing significantly less, while the non-hydrocarbon economy is shrinking due to lack of funds and security.
     - Inflation went up to a historic high and is driven by acute shortages in basic commodities, currency devaluation and fluctuations in the black market.
     - The liquidity crisis is exacerbated by the fragile macroeconomy and lack of trust in the banking system.
     - The shadow economy is expanding at the expense of the formal economy.
     - 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 are affecting the country but communities directly exposed to armed conflict are harder hit.
     - Smuggling and financial corruption schemes have become an important source of funding for armed groups, further fueling human trafficking, conflict and violence.
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 collaborating with militias.
  - Tribalism and ethnicity, while not at the national level of conflict dynamics, play an important part in local conflict and affiliations between different armed groups, particularly in rural areas.
  - Several groups are largely excluded from public, social, and economic life, including youth, which represent nearly 40 percent of the population, and women, who face discrimination and constraints to mobility and participation in public life.
  - Large numbers of migrants, refugees, and IDPs are targets of exploitation and abuse.

- **Libya and the International Community**
  - Libya is of geostrategic importance due to its location.
  - Renewed access to oil, security and political chaos, and the prospect of a political resolution has attracted attention from various actors, while also exacerbating conflict.
  - Various international actors are involved in Libya but not all are working towards peace, backing opposing sides in the security and political struggle.
  - The international community sometimes acts in ways that add to conflict pressures. Of concern is the tendency among the international partners to promote standardized peace and development approaches without fully recognizing the Libyan context.

**Drivers of Conflict and Violence**

3. The analysis points to six specific drivers of conflict and violence.
   - **A stalled transition process without agreement on political vision or the basis of a new social contract.** The political process has most recently been driven by the prospect of upcoming elections. However, this should not overshadow the divisions that remain or the fact that there is no agreed-upon basis to define a new social contract.
   - **A persistent security vacuum and an economy of predation.** Growing distrust among security actors and their involvement in profitable conflict economy activities has created strong disincentives for them to form a unified and accountable security apparatus.
   - **The lack of formal foundation, transparency, or accountability for public institutions.** The lack of adequate and legitimate national and local-level public service institutions and the absence of coordination among the central and municipal levels has eroded the legitimacy of the State and provided the space for non-state actors, including militias, to fill the role.
   - **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 base. 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.
   - **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.
• **Shortcomings of international engagement and the lack of adaptation of peace and state-building approaches to specific Libyan circumstances.** 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 Libya.

### Resilience and Stabilizing Factors

4. Several factors of resilience can be supported to mitigate risk of conflict and violence.

- **Existing capacity in the Libyan public administration can be leveraged through the reconstruction process.** The public administration includes educated civil servants, who are motivated to design and implement reforms.

- **Community-level organizations add to institutional resilience.** Local-level agreements provide a strong basis for a bottom-up approach and can be used to strengthen local or sub-regional institutions to create pockets of stability. The flexibility and expertise demonstrated by CSOs that have continued to operate can also provide an element of resilience.

- **Social cohesion and bonds forged across identity groups.** Since 2011, various groups have 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.

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

- **Libya’s resistance to attempts by sectarian organizations to gain foothold.** The rise and presence of the Islamic State in Libya is less a consequence of extremism taking root than a result of political chaos.

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

- **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

5. **Even as the political transition at the central level moves forward, addressing the many challenges described above require serious effort.** Several short-term risks, each associated with one of the six drivers of conflict and violence, are particularly critical.

- There is a fundamental lack of agreement on a shared national vision to guide institutional, economic, and territorial transformation.

- Development outcomes will be minimal if the authorities are unable to ensure security.

- There is risk of a political impasse, delaying implementation of the UN Action Plan.

- The lack of effective accountability and financial control is slowing economic recovery.

- Economic incentives remain stacked against stability, and the conflict has created the space for a thriving war economy.

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

- The exclusion of youth, amplified by high unemployment and raised expectations, creates the risk that peace will be unsustainable.
• The international community is also at risk of doing harm in the following ways:
  • Limited access to insecure areas may create imbalances in international attention and fuel interregional tensions.
  • Lack of donor coordination, and acting on insufficient data, may do unintentional harm.
  • The focus on migrant-related projects could create resentment.
  • Support to municipalities might be contributing to further disintegration of state institutions, which could affect the overall governance system.
  • There is risk of the international community being perceived as imposing unrealistic peace and state-building approaches without due adaptation to context.
  • The south could be isolated, decoupled from development in the rest of the country.
  • The reliance on technocratic approaches creates the risk that actual political economy issues will not be recognized.

Recommendations for International Actors

6. **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 Libya and the 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 for decision-making.
  - Develop tailor-made recommendations for specific socioeconomic reforms.

- **Strengthening the links between the economic stabilization and the political process, through integration of various 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 a 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.
Annex 5. Macroeconomic Analysis

1. The political 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 of GDP, 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](image1)

![Figure E.2. Contribution to Economic Growth Rate of Libya’s Hydrocarbon and Non-Hydrocarbon Sectors](image2)

Source: Libyan authorities, World Bank staff estimates.

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 34.8 billion at end September 2018 (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 pre-emptive deposit withdrawals; (c) bank deposits are not remunerated, 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$ 124 billion in 2012 to US$70 billion in 2016 (Figure E.4). Increased oil production in 2017-2018 has enabled foreign exchange reserves to improve relatively and stabilize. Libya would be in an extremely difficult situation if not for its substantial level of foreign reserves 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$400 per year to each citizen to ease the pressure on the Libyan dinar. Thus, households bought US$ 2.8 billion in 2017 at the official exchange rate (to 7 million individuals, much more than the official size of the population 6.4 million), 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 2018

4. Given its high reliance on hydrocarbon activities, the performance of the Libyan economy remains strongly affected by security conditions, especially around the main oil fields and terminals. Improved political and security arrangements reached during the second half of 2017 allowed Libya to more than double its production of oil and to register record growth (up 26.7 percent) after four years of recession. But this dynamic has not been sustained over the first half of 2018. In fact, oil production stagnated around 1 million barrels per day (bpd) over the first 5 months before abruptly dropping to only 0.7 million bpd in June following the attack and temporary control of the oil fields and terminals in the east by militias, which significantly damaged oil infrastructure and oil reservoirs. Assuming the authorities can fix the damaged oil infrastructure over the second half of the year, it is expected that GDP will grow at 7.2 percent in 2018, driven on the supply side by higher oil output that could recover to around 1 million bpd by end 2018, and on the demand side by higher government expenditures and investment.

5. Although declining, inflation remains high reflecting market disruptions due to supply shortages of goods and services along with still very active parallel markets, including for currency exchange. The consumer price index increased by 10.7 percent from January to November 2018 (compared with 28.4 percent in 2017). Inflation is slowing mainly due to the relative improvement of the exchange rate in the parallel market, induced by an increased supply of foreign currency through the official rate. Inflation is expected to have slowed further in December 2018, which would lead to an average rate of inflation in 2018 of around 10 percent. Nevertheless, the cumulative inflation over the last four years is still significant with Libyan households having lost almost 80 percent of their purchasing power.

6. Public finances are expected to improve slightly but the inflexibility of current expenditures and volatile oil revenues keep the overall fiscal stance under severe stress. While oil revenues are expected to improve significantly (increasing from 36.4 percent of GDP in 2017 to 50 percent in 2018), they will barely cover the high and increasing wage bill and other expenditures on goods and services (42.4 and 12.1 percent of GDP respectively). The rising wage bill reflects both salary and hiring increases, with the public payroll (covering 30 percent of the population) being used as a stabilizing instrument across society. In addition, to compensate for the economic decline and inflation, average public salaries have risen fourfold since 2011, which has dramatically increased fiscal pressure. Subsidies also remain high, at 12.3 percent of GDP, and the budget deficit, while improving, will remain at around 7 percent of GDP for 2018 (down from 34.5 percent of GDP in 2017), despite high revenues from the recently instituted fee on foreign exchange transactions (LYD 8 billion or 12.6 percent of GDP estimated for 2018). The deficit is expected to be financed through cash advances from the Central Bank (west) and issuance of government bonds (east).

7. The balance of payments will reflect the large public-sector deficit and the economy’s heavy reliance on imported consumption and intermediate goods, including refined fuel. This will go from a small current account surplus registered in 2017 (2.5 percent of GDP) to a deficit of around 2.9 percent of GDP in 2018. Foreign reserves will stabilize at around US$80 billion in 2018 as selected foreign investment in the oil sector and elevated oil prices will cover most of the current account deficit, allowing the Central Bank to stave off further drain on reserves.

8. The financial sector continues to be in liquidity crisis despite the sharp increase in money supply (up 11.3 percent end September 2018 year-over-year), as currency circulating outside the banking system continues to rise. Economic agents have been holding increasing amounts of cash, reaching a
record LYD 34.8 billion at end September 2018 (versus 1 billion in 2010). As a result, the currency in circulation outside banks represented 28 percent of the money supply end September 2018 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 September 2018.

9. **Subsidies in Libya are costly, inefficient, and distorting.** Subsidies (12 percent of GDP in 2017 and 12.3 percent in 2018) continue to absorb a significant amount of budget resources. Total subsidies amounted to LYD 6.4 billion (US$4.5 billion) in 2017 and LYD 6.8 billion in 2018. Accumulated subsidy outlays reached more than US$51 billion since 2011, representing 83 percent of 2018 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) estimated that the fuel smuggling from Libya to Tunisia increased to US$151 million in 2015 against US$41.1 million in 2013.38

**Macroeconomic and PFM Challenges**

10. **The status quo scenario determined by delayed resolution of the political strife and the persistence of the internal division makes sustained stabilization unlikely.** In this context, Libya can only manage to resume oil production to a daily average of 1 million barrel per day (bpd) by the end of 2018 and keep production around this level over the next few years, which will represent only 2/3rd of potential. GDP will grow at 6.8 percent in 2019 (a catch-up effect) and an average 2 percent over 2020-21, resulting in a GDP per capita at 62.5 percent of its 2010 level. Even in this modestly optimistic baseline, inflation is expected to be around 10 percent, adding to stress on the official exchange rate. The twin deficits will remain high, with budget deficits at more than 13 percent of GDP on average, and current account deficits at 8 percent of GDP. The Central Bank is expected to resist declines in reserves, but reserves will though slightly drop to around US$73 billion by end 2021 (from US$78.4 billion end 2017). This assumes that the current extremely fragile bargain regarding the Central Bank’s apolitical role can be maintained.

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

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<tbody>
<tr>
<td><strong>GDP, at constant market prices</strong></td>
<td>-13.6</td>
<td>-24.0</td>
<td>-8.9</td>
<td>-2.8</td>
<td>26.7</td>
<td>7.2</td>
<td>6.8</td>
<td>2.5</td>
<td>1.4</td>
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<tr>
<td>Private consumption</td>
<td>-8.5</td>
<td>-1.4</td>
<td>-26.3</td>
<td>-24.8</td>
<td>3.2</td>
<td>-3.2</td>
<td>-5.1</td>
<td>-2.8</td>
<td>-2.7</td>
</tr>
<tr>
<td>Government consumption</td>
<td>116.8</td>
<td>6.6</td>
<td>-15.4</td>
<td>-15.8</td>
<td>14.1</td>
<td>2.2</td>
<td>-3.2</td>
<td>0.1</td>
<td>0.3</td>
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<tr>
<td>Gross fixed capital investment</td>
<td>56.9</td>
<td>-16.7</td>
<td>-38.5</td>
<td>-6.1</td>
<td>27.9</td>
<td>88.1</td>
<td>10.6</td>
<td>6.9</td>
<td>3.7</td>
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<td>Exports, goods &amp; services</td>
<td>-23.8</td>
<td>-54.6</td>
<td>9.0</td>
<td>-27.0</td>
<td>71.1</td>
<td>54.2</td>
<td>12.0</td>
<td>3.0</td>
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<td>Imports, goods &amp; services</td>
<td>37.6</td>
<td>-8.8</td>
<td>-37.5</td>
<td>-43.9</td>
<td>11.6</td>
<td>109.8</td>
<td>3.2</td>
<td>3.3</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>GDP, at constant market prices</strong></td>
<td>-13.6</td>
<td>-24.0</td>
<td>-8.9</td>
<td>-2.8</td>
<td>26.7</td>
<td>7.2</td>
<td>6.8</td>
<td>2.5</td>
<td>1.4</td>
</tr>
<tr>
<td>Hydrocarbon</td>
<td>-31.6</td>
<td>-53.7</td>
<td>-15.8</td>
<td>-5.4</td>
<td>116.8</td>
<td>15.5</td>
<td>12.1</td>
<td>3.2</td>
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<td>Non-hydrocarbon</td>
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<td>-2.0</td>
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<td>1.8</td>
<td>3.0</td>
<td>2.0</td>
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<td><strong>Inflation (Consumer Price Index)</strong></td>
<td>2.6</td>
<td>2.4</td>
<td>9.8</td>
<td>25.9</td>
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<td><strong>Current account balance (% of GDP)</strong></td>
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<td>-33.1</td>
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<td>-2.9</td>
<td>-7.9</td>
<td>-8.1</td>
<td>-8.3</td>
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<tr>
<td><strong>Fiscal balance (% of GDP)</strong></td>
<td>-4.0</td>
<td>-43.3</td>
<td>-80.9</td>
<td>-81.2</td>
<td>-34.5</td>
<td>-7.0</td>
<td>-18.6</td>
<td>-11.2</td>
<td>-11.3</td>
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Source: Libyan authorities and World Bank staff estimates.

Note: e = estimate, f = forecast.

11. The current political standoff and its associated economic and social outcomes impose severe hardship on Libyan citizens and migrants, reinforced by the grim outlook. An alternative scenario that can surmount the current adversity and uncertainty would entail a revitalized political will to unite the country and its institutions. This would be the foundation for the needed critical reforms to stabilize the macroeconomic and fiscal frameworks. In the medium term, diversifying the economy would simulate private job growth and improve the wellbeing of the population. The main policies include reforming the subsidy system, rightsizing the public sector, reforming the tax system, consolidating the financial sector, and rebuilding damaged infrastructure and restoring public services. Under this scenario, Libya can progressively restore its oil production level to pre-revolution potential (1.6 million bpd) by end 2021 leading GDP to grow by an average 11 percent over the period and inflation slowdown to around 5 percent. Both the budget and balance of payments would be in surplus by end 2021. This scenario will allow Libya to restart building up its foreign reserves starting in 2020. Real GDP per capita will improve to 77.5 percent of its pre-revolution level.

12. Furthermore, fiscal consolidation will be required to offset the recurrent spending surge from 2014–2018, 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 2019 budget.
Annex 6. Migration Note

Section 1: Migration Overview: Insights from IOM’s Displacement Tracking Matrix and other data

1. Migration is a complex issue that impacts not only Libya but also the MENA region and Europe. Libya needs support from the international community to provide basic services and livelihood options to migrants. Migration is also not a new phenomenon, but there has been a shift in the composition of migrants since 2015. Before the revolution, migrants filled trades and occupations that Libyans were unwilling to take up. In the last few years, the conflict has led to increase in smuggling of migrants from Sub-Saharan Africa and beyond, with a subset entering Europe after perilous journeys across the Mediterranean. At the same time, a significant number of migrants have also fled Libya. There has been a large shift in the composition of migrants with the percentage from Egypt, Chad, Niger, Nigeria, and Sudan having significantly increased since 2015, while the percentage from the Palestinian Territories, Iraq, and Somalia has gone down dramatically.

2. Migration, internal displacement, and conflict interact in complex ways. These mechanisms, and especially the financial linkages, need to be better understood. Along with 669,176 foreign migrants who can be tracked using the IOM’s tracking matrix, there are 193,581 IDPs and 382,222 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 west.

3. The majority are economic migrants plan to stay in Libya. IOM’s data suggest that more than 90 percent leave their country in search of better livelihoods. Contrary to popular media, fewer than 30 percent plan to go to Europe and around 55 percent plan to remain in Libya.

4. Host communities perceive a negative impact on local labor markets and public services. Libyans see migrants as taking up what economic opportunities exist and overstretching limited basic services. There is a need to look at what sort of support host communities need, 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 host communities.

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39 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 likely fairly accurate, while the migrant numbers are likely an underestimation because it is challenging to track people who are often in transit. The DTM probably tracks around 60 percent of the migrants in Libya at any given time.
41 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.
42 DTM Libya, Round 21, July-August 2018. https://www.globaldtm.info/libya/
43 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.
44 DTM Libya, Round 21, July–August 2018.
45 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.
Section 2: Exploitation and Abuse of Migrants

5. The international migration community has been raising concern over the exploitation of migrants since 2015, if not earlier. Geographical factors seem to make a difference in the level of abuse and exploitation migrants face. Preliminary evidence shows that migrants from West Africa have a higher likelihood of being exploited by smugglers than do migrants from North Africa, the Horn of Africa, and Western and Southern Asia. However, it is unclear whether paying more necessarily means less chance of being exploited. There is anecdotal evidence that distance may be a factor in how migrants are treated because smugglers often demand more money as the journey continues.

6. Multiple reports show that migrants traveling together are at lower risk of exploitation and abuse. A survey of migrants that reached Italy found that those traveling alone were much more likely to say they had experienced exploitation or abuse than those in groups.

7. Smugglers use an increasingly diverse array of financial and technological tools to extort more money from migrants during their transit and stay in Libya. Smuggling is increasingly concentrated in the hands of fewer, more well-organized criminal networks, dominated by armed groups. News media have reported smugglers using Facebook as a tool to broadcast videos of migrants’ suffering to extort more money from migrants’ families. Reports cite increases in smuggling costs because of the multiplication of smuggling intermediaries, as well as the liquidity and inflation crisis. Smugglers often demand more money from migrants during their journey. Migrants often face additional abuse, torture, and threats of starvation or death if they fail to satisfy the demands of the smugglers.

8. Repatriation efforts have been intensified, however, voluntary repatriation has been limited. Since 2017, the UN, AU, EU have supported 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. 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 flee war, violence, persecution, or abject poverty in their countries of origin, which cannot be ignored.

Knowledge Gaps

9. There is limited understanding of how conflict, migration, and forced displacement interact. 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. Various agencies including Europol/Interpol,
UNICEF, and IOM regard migrant smuggling in the Mediterranean as a multi-billion-dollar business.\textsuperscript{52} Based on a rough calculation from just one survey round of migrants, if migrants pay, on average, US$1,000, smugglers and armed militias could be making US$400 to US$800 million per year.

10. Little is known about the private detention centers where migrants are kept. 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 are run by smugglers, where they are, or what kinds of abuse takes place.

**Section 3: International Support for Migrants**

11. The GNA has identified migration among the priorities for international assistance. 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 and coordinate activities.

12. The IOM provides non-food items, including blankets, mattresses, and hygiene kits 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 provides emergency food and critical health care and psychosocial counselling. The IOM also provides assistance to migrants who have been rescued at sea.

13. The EU has mobilized EUR162 million for the following migration programs: (a) mixed migration management (EUR90 million), (b) border management (EUR46.3 million), (c) protection and resilience of IDPs (EUR5.9 million), and (d) humanitarian repatriation (with AU) and reintegration into their home countries (EUR19.8 million). These initiatives are being implemented through various UN agencies such as UNDP and UNICEF, as well as GIZ, IOM, and local CSOs.

14. 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.

15. 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.

\textsuperscript{52} See Europol/Interpol, UNICEF, and IOM for further details.
Annex 7. Gender and Youth Note

Background

1. **The Libyan women’s movement dates to independence in 1951.** In 1954, the Women’s Renaissance Society of Benghazi became the first women’s movement. As early as 1955, 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. Women won the right to vote in 1963.

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 his image as a humanitarian who respected women’s rights. A constitutional proclamation granting women equal rights 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 old, 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 during the 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, 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 challenges remain.** During the parliamentary elections of July 2012, party lists were required to alternate men and women candidates, and there were more than 600 women candidates. Thirty-three women were elected to the GNC.

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59 International Political Forum is platform for politically engaged youth.
increasing women’s representation to 17 percent. However, in the 2014 elections for the HoR, men won 170 out of the 200 seats, the HoR subsequently lowered the quota for women to 15 percent. 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 gang inside her house in what many believe was a politically motivated attack.

**Human Capital**

5. **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; nearly 40 percent of the Libyan population is between 15 and 34 years, and nearly 70 percent are between 0 and 34 years of age.

**Education**

6. **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 with 44 percent of men. 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 high secondary school and higher education enrollment rates are relatively high, the education quality is low.

7. **Many women have taken advantage of educational opportunities, but girls’ access to education remains restricted in some locations.** While statistics are not currently 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, 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, including their ability to go to school.

8. **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.

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71 UNICEF. 2012. *Nation-wide Assessment of Schools, Ministry of Education in Tripoli and Benghazi.*
Health

9. **Maternal health improved in the decades leading up the revolution.** In 2008, Libya was categorized as “making progress” toward improving maternal health (MDG5). Maternal health indicators in 2015 were considerably better in Libya than in the rest of MENA with maternal mortality rate at 9 per 100,000 live births.

10. **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. A joint Ministry of Health and WHO review in September 2016 found that an estimated 43 out of 98 assessed hospitals are either only partially functional or not functional at all because of an acute shortage of medical supplies, equipment, and human resources. 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.

Water and Sanitation

11. **School children are being affected by lack of water and sanitation.** Access to water and sanitation facilities varies between public and private schools but a 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.

Female and Youth Labor Force Participation and Employment

12. **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. The female share of the labor force is comparable to the share in most middle-income countries, including Tunisia (27 percent), Turkey (30 percent), and Malaysia (38 percent).

13. **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.

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73 World Development Indicators (WDI) 2016.
74 WHO Humanitarian Crisis in Libya. May 2015.
75 A joint Ministry of Health and World Health Organization (WHO). Review (September 2016)
76 UNICEF. 2012. Nationwide School Assessment.
77 WDI 2016.
78 World Bank, 2013. World Development Indicators (WDI).
14. **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 females or a less willingness of females, compared with males, to accept low-skilled jobs.

15. **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 to 10 percent for those of ages 35–44, then to only 5 percent for ages 45–54.

16. **Data gathered by the 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.** Twenty percent think there are no good jobs available, and roughly 9 percent believe that jobs are based on connections.

17. **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.

18. **Overall, women tend to earn 12 percent less than men—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 skills, competencies, or networks that distinguish them from their male counterparts, many more of whom are found in the private sector.

19. **Female entrepreneurship is limited.** 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**

20. **Violence against women and girls, particularly sexual violence and abduction, has been a widely used terror tactic.** 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

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80 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.


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.

21. **Men and boys also face many risks of alcoholism, drug addiction, and sexual and physical abuse.** For example, at a training camp affiliated with ISIL, a graduation ceremony for 85 children under 16 years of age in December 2015. There has also been a rise in the abduction of boys by armed groups, militias, and criminal organizations, including for ransom.

22. **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.

23. **Of the IDPs and migrants that are in the country, 10 percent are adult women traveling alone, including pregnant or single mothers.** Out of the 670,000 identified migrants 91% were reported as adults and 9% as minors. 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**

24. **Nearly half of migrant women and children interviewed reported exposure to frequent sexual abuse during their journey and in Libya.** West African women represent the largest group of migrant women in the country. A recent survey found most 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.

25. **The 2017 UNICEF report on migrant experiences 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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86 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).
88 http://www.globaldtm.info/libya/
Annex 8. Donor Activities

1. **In terms of strategy, partners are aligning and coordinating activities.** The broader group of partners, which includes the AfDB, EU, France, Germany, Italy, UK, UN agencies, and the World Bank, have already been coordinating their support through a Joint Partner Task Force, which was convened in August 2017. The key partners agreed that peace and stability are global and regional public goods, and that restoring the macroeconomic framework is critical to stabilization. Given the urgency of the situation, they also agreed to work together in the development and humanitarian nexus to consolidate peace and stability with an emphasis on supporting governance, private and financial sector development, and basic services. 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.

2. **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 CEN. The UN Strategic Framework stressed the need for fostering coordination to avoid fragmentation and maximize synergies.

3. **Partners are coordinating support around the GNA’s priorities with support in six areas:** (a) Economic Recovery, (b) Governance, including political stability and security, restoration of government institutions and justice and rule of law, (c) Restoration of Basic Services, (d) Migration, (e) Women and Youth, and (f) Human Rights. The partners’ activities are being coordinated through a mechanism set up by the Government, which consists of a 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 Ministry of Economy, of the Economic Recovery Working Group.

4. **Current international commitments to Libya total US$384. million.** The EU and the United States (US) account for almost the half of the international commitment (US$178 million).

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94 The analysis of donors/development partners activities is based on the Libya Cooperation Management Information System Platform (LCMIS) hosted at the Ministry of Planning. The LCMIS provides information about international assistance, including implementing agencies, names and objectives of projects, description of activities, geographical coverage, budget, start/end dates.
5. The breakdown of international assistance by area shows an emphasis on economic recovery, as well as governance, which represent 51 percent of the total amount (Figure H.2). Although critical, restoration of basic services accounts for only 13 percent of the total funding.

6. Activities related to economic recovery aim primarily to: i) stabilize the macroeconomic framework, ii) support the development of an effective PFM system, iii) strengthen the financial sector, iv) promote the development of private sector, and v) support job creation and develop social protection policies.

7. Partners collaborate closely in support of stabilizing the macroeconomic framework and on PFM. Main support for economic recovery comes from the EU and Germany (75.4 percent). In addition to strengthening PFM system at national and local government levels, EU is also financing activities contributing to the development of the private sector and job creation, including building the capacity of youth for entrepreneurship, developing coworking spaces, and improving access to SME finance. Germany is primarily supporting the creation of jobs for youth through start-ups. The development of private sector and promotion of job creation, through entrepreneurship, captured 79.4 percent of the total international commitment of US$75.7 million.
8. **Partners provide support to the government to strengthening governance.** The US, Germany, EU together with other bilaterals provide US$122 million. Assistance focuses on political stability, security and strengthening government institutions at the national and local levels. For political stability, partners support mediation and national dialogues for political reconciliation, the constitution drafting process, and the establishment of democratic and transparent electoral process. Partners also provide the GNA with strategic and communication expertise and capacity building for local CSOs, as well as youth and women to strengthen their political participation.

9. **Partners also provide TA and capacity building to improve security.** Activities range from mapping conflict dynamics and security actors to addressing explosive hazards and raising awareness on the risk of small arms and weapons. Some activities target the empowerment of women in communities affected by the conflict. Support to customs in terms of organization, management, and tools addressing trafficking is also being provided.

10. **To improve the government capacity to deliver public services, partners provide support to build and strengthen institutions at the national and local levels.** At the national level, activities aim to strengthen the capacity of the state in terms of institutional reintegration and execution of core government functions. At the local level, partners support targeted municipalities to develop a participatory approach in defining and addressing local communities’ needs for basic services.

11. **Although severely impacted by the conflict, basic services, such as health, education, electricity and to a lesser degree water and the environment, receive less funding from partners with of total financing of US$49.7 million.** Health and education sectors receive 90 percent of the funding. Main contributors are the EU, Italy and WHO.

12. **Partners activities in the health sector aim to address urgent needs and strengthen the national health system.** Partners’ support focus on primary, mental, emergency, and trauma care in conflict affected areas, as well as procurement of medical equipment, kits and medicines. Support to the national health system covers improvement of: i) the health information system, ii) supply chain management, iii) allocation of human resources, and iv) health financing. Other activities aim to support national programs such as the development of national strategies for mental, reproductive, maternal, new-born child and adolescent health.

13. **Most of partners’ support to the education sector aims to improve resilience of children and youth.** This includes life skills training, tools monitoring and addressing out-of-school children, and psycho-social services. Other partner activities target tertiary education by improving networking among domestic universities and with universities in Europe.

14. **Despite its importance for economic recovery and basic services provision, the energy sector has received little international assistance.** The TA provided by the Bank remains among the only activities, which addresses the electricity sector weaknesses and potential development of renewable energy. USAID is contributing to improving the institutional framework through support for the restructuring of GECOL and establishing an energy regulator. The EU is developing the human resources by supporting the creation of a master’s course in energy management.

15. **Although suffering from structural weaknesses and the impact of the conflict, the support to the water sector is through a package of activities aiming to improve the resilience of vulnerable groups**
through provision of WASH services. The AfDB is supporting a sector assessment that will lead to the development of a national strategy for the sector.

16. **International assistance for the protection of human rights focuses on building capacity in state institutions, as well as empowering CSOs as agents of change.** Switzerland has supported the setup of a human rights platform for archiving human rights violations. The US has provided support to activists and CSOs for self-protection, facilitated reporting of incidents, as well as mapping and analysis of incidents around freedom of expression.

17. **In addition to empowering political participation of youth and women at the national and local levels, partners have supported their socio-economic resilience and active role in the society.** Activities promoting youth as actors of positive change focus on their access to non-formal education, livelihood and entrepreneurship programs, recreational and cultural services, and enhancing the capacity of youth associations and NGOs to play a greater role in conflict resolution and peacebuilding. Women have received training on socio-economic empowerment, particularly in Tripoli and Benghazi.
Annex 9. World Bank Group Team Composition

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