Ministry of Foreign Affairs

# Business Opportunities Report for Dutch companies

## Libya - Agriculture

Commissioned by the Netherlands Enterprise Agency

>> *Sustainable. Agricultural. Innovative. International.*

DLCC

DUTCH LIBYAN COOPERATION COUNCIL

# Business Opportunities Report for Dutch companies
# Libya - Agriculture sector

***Libyan dates***

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# Foreword

Libya has an urgent need to rebuild the country, and lacks sufficient expertise, experience and professional 'hands-on' support to accomplish this huge task. Dutch solutions, expertise and technologies can provide the support Libya needs, but many Dutch companies are unaware of the business opportunities Libya has to offer. Equally potential Libyan partners in the public and private sector are unaware of the advantages of working with Dutch companies.

The Dutch Embassy and Libyan stakeholders want to highlight the business opportunities in the sectors which are most relevant to Dutch companies, and to provide Dutch companies with the information and resources they need to be ready to invest in and trade with Libya.

The objective of this report is to help increase bilateral cooperation and trade by connecting the needs and opportunities Libya has to offer, with the expertise, experience and know-how Dutch companies can provide.

# Contributions

The authors would like to thank the Netherlands Enterprise Agency (Rijksdienst voor Ondernemend Nederland, RVO), and the Embassy of the Kingdom of the Netherlands in Libya for their support, and for giving us the opportunity to produce this report to raise awareness of the business opportunities available to Dutch companies in the agricultural sector in Libya.

The authors would also like to thank all the Libyan and Dutch companies, and business associations that participated in the interviews for this report. Their views and information will help Dutch companies to successfully do business in Libya.

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**The Privatisation and Investment Board of Libya**

Left: PIB CEO Mr Abduelaziz Eshawish, Right: DLCC Chairman Herman Klijnsma
Meeting at PIB Head Office, Tripoli, January 24th 2018

"The Netherlands and Libya cherish a special historic friendship, because of the Dutch UN High Commissioner for Libya, Adrian Pelt and his actions in 1951, to help Libya become a sovereign state. That is why Dutch businessmen and investors are especially welcome to come to Libya to help us once again rebuild our country.

We also know very well that the Netherlands has a great variety of specialist expertise and equipment that Libya urgently needs. Potential Dutch investors should be aware that Libya is on the brink of an era of huge investments in virtually all sectors of its economy.

We need almost anything you could possibly think of. This means that Libya can offer the international business community an unparalleled variety of attractive investment opportunities. Already many businessmen and investors from many countries have begun to visit us to explore the opportunities and to build relationships with local partners.

The PIB offers international investors a 'one stop shop' service to help them find their way towards profitable investment and business opportunities in Libya.

I hope that the long established and almost semi-permanent presence of the DLCC 'on the ground' in Libya will encourage and inspire many Dutch investors and businessmen to follow that example and come to Libya.

The PIB is looking forward to working closely together with the DLCC in order to build a strong and successful Dutch investor base in Libya".
(*Abduelaziz Eshawish, CEO of the Privatization and Investment Board, Tripoli, Libya*)

## EXECUTIVE SUMMARY

Despite decades of high rates of state investment under the Qaddafi regime, Libya's agricultural sector has failed to contribute adequately to food security or the growth of the economy. Post 2011, the sector is in need of reform along feasible and sustainable lines with a realignment of goals and policies.

The need for sector reform is driven by several local and global factors including increased population growth, the loss of fertile agricultural lands to urbanisation, climate change, increased desertification, reduced water resources and increased world food prices.

Agriculture could play a strategic role in Libya's economic diversification from the hydrocarbon sector, job creation for its youth and its food security policy. There are a number of sub-sectors that offer good potential for investment and development in achieving these strategic policies, including the managing and leveraging of Libya's scarce sustainable water resources, and agricultural investment projects. Other opportunities include developing olive oil production, animal rearing for meat consumption, wheat production, milling, animal feed, poultry for meat and for eggs, potatoes, fishing and agro-food sectors.

Despite the identification of several business opportunities, the development of many of these projects continues to be dependent on foreign investors returning to do business in Libya. The combined effect of armed conflicts in 2011 and 2014 and resulting political turmoil and economic instability, means most embassies and international businesses left Libya, and four years later most have yet to return.

The Libyan business community recognises that a stable and secure Libya is essential to restoring the levels of foreign investor confidence needed to fully develop the Libyan agriculture sector. Nonetheless Libyans are keen to progress with developing these projects, and welcome opportunities to engage with foreign companies and potential partners interested in doing business in Libya.

The presence of two governments in Libya – the internationally recognised government based in Tripoli in western Libya – and the unofficial government in Beida in the east - means foreign companies are advised to develop broad business links. Local chambers of commerce, local municipalities, and businessmen councils in both Tripoli and Benghazi are important sources of contacts for the private sector and public sector.

Companies should also note that the security situation in Libya, while relatively stable in early 2018, remains unpredictable.  All foreign visitors to Libya are advised to follow the latest advice of their national government on travel to Libya, and to have emergency contingency plans in place which recognise the absence of centralised authority in Libya.

These challenges aside, the purpose of this report is to help potential Dutch investors understand the Libyan agricultural sector and identify potential business opportunities which match their areas of expertise. By establishing early contact with Libyan counterparts, Dutch companies can be strategically placed to maximise the valuable opportunities Libya's agricultural sector has to offer.

# INTRODUCTION

**Context**

The Dutch approach to development has included the private sector in an effort to link development and trade. In this context, the private sector became a core element of Dutch development cooperation policy.

**Objective**

The purpose of this report is to raise awareness of one of the focus sectors of the Royal Dutch Embassy in Libya and increase bilateral cooperation by linking business opportunities in Libya with the expertise and know how Dutch companies have to offer.

**Guide for the reader**

The report has two main sections. The first section provides an overview of the business environment in Libya and how to do business. The second section provides the main trends and developments in the agricultural sector in Libya, together with information on potential business investment opportunities.

# SECTION 1: LIBYAN BUSINESS ENVIRONMENT

Libya is the 16th largest country in the world in terms of land mass, comprising around 1,760 thousand square kilometres. More than a quarter of the country's six million plus inhabitants live in its capital city, Tripoli.

## A. Economic developments

### A.1 Economic overview

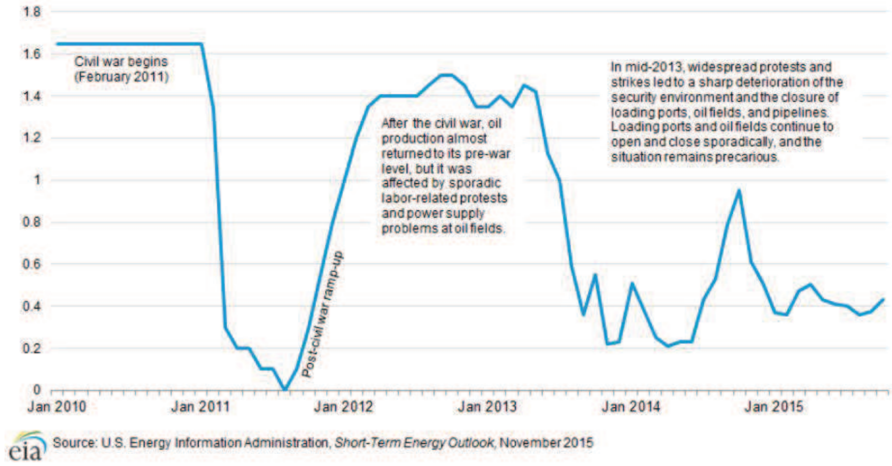
Libya discovered oil in 1959, started exporting oil in 1961, and joined the Organisation of Oil Exporting Countries (OPEC) in 1962. Ever since, the country has remained heavily dependent on hydrocarbons, which accounts for over 65% of GDP and 96% of export revenues. Valuable oil exports and a small population of 6.3 million, mean Libya is classified as an upper middle-income country, with Libya's real annual gross domestic product (GDP) per person averaging $12,000 between 2007 and 2010 (World Bank).

| **Libya – Real GDP % Growth 2011-2018** | | | | | | |
|---|---|---|---|---|---|---|
| | **Average** | | | | **Projections** | |
| | **2011-13** | **2014** | **2015** | **2016** | **2017** | **2018** |
| **Real GDP Growth**<br>*Annual change, percent* | 4.3 | -53.0 | -10.3 | -3.0 | 56.1 | 31.2 |
| Nominal Gross Domestic Product *(US$ billions)* | **Average 2009-14**<br>51.3 | | 17.8 | 20.5 | 33.3 | 47.5 |
| **Source: IMF World Economic Survey, Regional Economic Outlook, Middle East and Central Asia - October 2017** | | | | | | |

Libya's high dependence on its hydrocarbon sector, means its economic performance is closely linked to international crude oil prices, and its capacity to produce and export oil. War in Libya in 2011, severely disrupted oil production contributing to a 62% contraction in GDP with GDP per capita plunging to $5,603.

Subsequent violent clashes in and around Libyan oil fields and ports in 2013, continuing unrest since 2014, and lower international oil prices have continued to significantly impact Libya's hydrocarbon sector and the country's economic performance. In 2014 the economy contracted by 53%, followed by a fall of 10.5% in 2015 and further fall of 3% in 2016. Successive years of economic contraction, mean GDP per person had fallen to $3,205 in 2016.

**Libya: Crude oil production: January 2010 to October 2017 (million barrels per day)**





*Source: www.eia.gov*

*Source:peakoilbarrel.com/ opec-crude-oil-production charts/*

Since mid-2016 Libya's crude oil production has been steadily recovering from a low of 300,000 barrels a day, to an average of 1 million barrels per day in January 2018. In 2017 Libya's National Oil Corporation (NOC) Chairman, Mustafa Sanalla set an end-2017 target of 1.25 million, and a 2022 target of 1.6 million barrels per day, close to Libya's pre-revolution production levels of 1.65 million barrels per day.

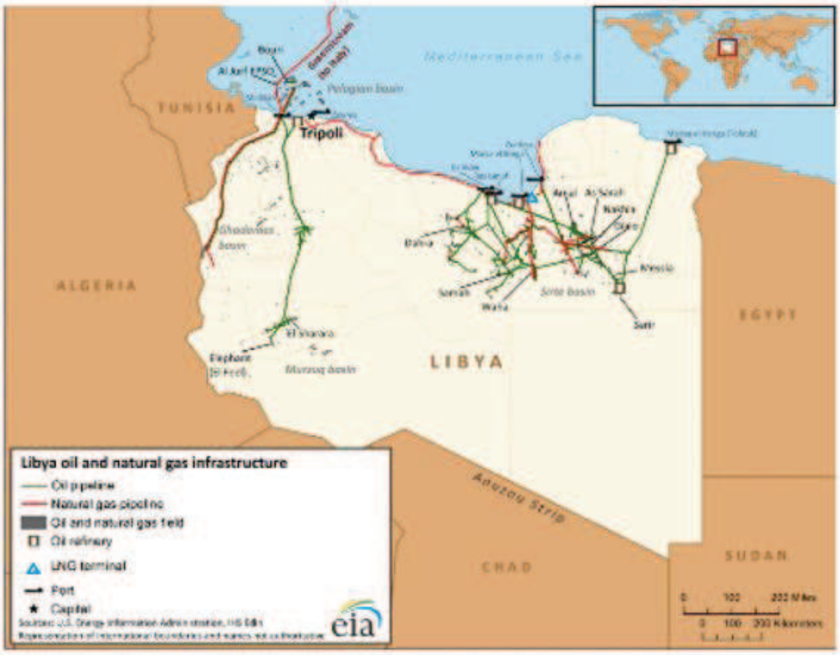
Improving levels of oil production and the return of relative stability to parts of the country, are positive developments, which were expected to show a return to economic growth in 2018. The IMF have projected Libya's annual real GDP to grow by 55.1% in 2017 and by 31.2% in 2018. An indication of the economic impact Libya's recent years of political turmoil, is evident from the latest Central Bank of Libya (CBL) budget data which shows Libya's oil revenues were $14 billion in 2017. In 2012 Libya's oil revenues were over US$60 billion.

| LIBYA'S HYDROCARBON RESERVES | |
|---|---|
| Proven crude oil reserves (million barrels) | 48,363 |
| Proven natural gas reserves (billion cubic metres) | 1,504.9 |
| **Source: www.OPEC.org - Libya data 2016** | |

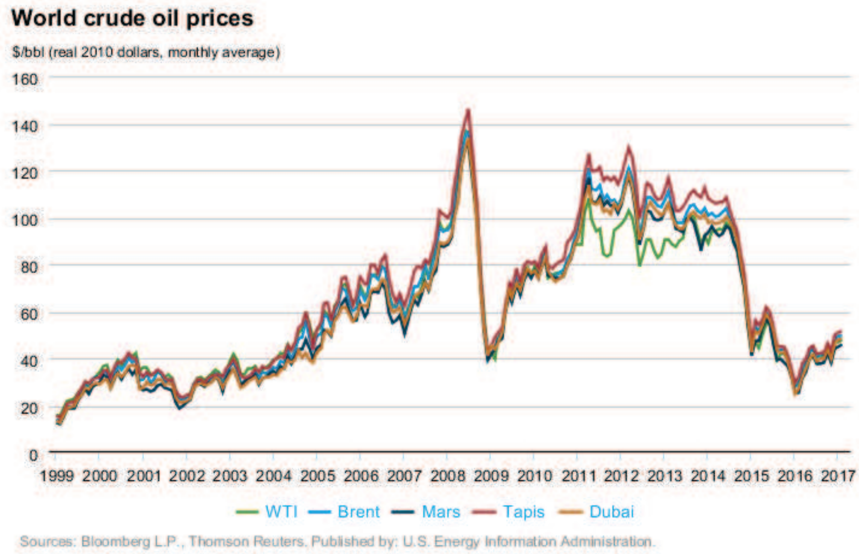
According to OPEC, Libya has proved crude oil reserves of 48.3 billion barrels, making it the ninth-largest holder in the world, and Africa's largest holder of proved crude oil reserves. The NOC believes Libya still has significant undiscovered on-shore and off-shore oil reserves, which will be explored once Libya is stable. Libya's low sulphur "sweet" crude oil is exported mainly to European countries, with Italy being the leading recipient. Libya's hydrocarbon resources also include 1,504 billion cubic metres of natural gas reserves. The IMF forecast Libya's natural gas exports to be 100,000 barrels equivalent a day in 2017-18, a large portion of which is exported directly to Italy via the undersea Greenstream gas pipeline between Libya and Italy.

| LIBYA: CRUDE OIL AND NATURAL GAS PRODUCTION | | | | | |
|---|---|---|---|---|---|
| | **Average** | | | **Projections** | |
| | **2009-14** | **2015** | **2016** | 2017 | 2018 |
| **Crude Oil Production** *Millions of barrels per day (bpd)* | 1.1 | 0.4 | 0.4 | 0.8 | 1.0 |
| **Natural Gas Production** *Millions of bpd equivalent* | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 |
| ***Source: IMF World Economic Survey, Regional Economic Outlook, Middle East and Central Asia - October 2017*** | | | | | |

**Libya: Oil and natural gas infrastructure**




*Source: www.eia.gov https://www.eia.gov/beta/international/country.cfm?iso=LBY*




This lack of diversification from oil revenues leaves the country very susceptible to revenue shocks which have often dramatically affected the government's spending patterns. Libya's dependence on oil exports and its vulnerability to oil price fluctuations, together with prolonged periods of reduced oil production and insecurity, means Libya's current fiscal and external deficits, continue to negatively affect development and investment spending.

According to the IMF "The outlook for Libya continues to be dominated by security conditions and oil producing capacity" *(IMF Oct 2017 Regional Economic Outlook: Middle East and Central Asia).*

| Libya – General Government Fiscal Balance & Total Government Gross Debt 2009-2018 | | | | | |
|---|---|---|---|---|---|
| | **Average** | | | **Projections** | |
| | **2009-14** | **2015** | **2016** | **2017** | **2018** |
| **General Government Fiscal Balance** *(% of GDP)* | -10.7 | -126.6 | -102.7 | -43.0 | -23.3 |
| **Central Government Total Expenditure and Net Lending** *(% of GDP)* | 78.2 | 176.1 | 131.4 | 86.4 | 64,9 |
| **Central Government Total Revenue excl. grants** *(% of GDP)* | 67.5 | 49.5 | 28.8 | 42.4 | 41.6 |
| **Total Government Gross Debt** *(% of GDP)* | 18.2 | 164.8 | 193.7 | 140.8 | 110.4 |
| **Source: IMF World Economic Survey, Regional Economic Outlook, Middle East and Central Asia - October 2017** | | | | | |

| Libya – Consumer Price Inflation 2009-2018 | | | | | |
|---|---|---|---|---|---|
| | **Average** | | | **Projections** | |
| | **2009-14** | **2015** | **2016** | **2017** | **2018** |
| **Consumer Price** *(Annual average %)* | 5.3 | 9.8 | 27.1 | 32.8 | 32.1 |
| **Source: IMF World Economic Survey, Regional Economic Outlook, Middle East and Central Asia - October 2017** | | | | | |

### A.2 Commercial potential

Given Libya's hydrocarbon wealth, any discussions about the country's commercial potential are often made with reference to the significant advances in economic development made by the oil-exporting Arab Gulf states. The export of hydrocarbons and low levels of investment during 40 years of the Qaddafi era, have meant Libya was able to amass sizeable foreign reserves, which were in excess of US$160 billion before the 2011 revolution. However years of economic turmoil since 2011, have significantly reduced Libya's foreign currency reserves to US$60 billion in 2018. Meanwhile Libya's sovereign fund, the Libyan Investment Authority (LIA) manages US$67 billion in sovereign fund assets.

Libya's geographical proximity to Europe (three hours' flight from most European capitals) puts European products, services and knowhow within easy reach. The country's strategic location between Europe, the Mediterranean and Africa, means there is potential to develop as a regional trade transit hub. With Libya's 1,770 kilometres coastline being the longest of any African country bordering the Mediterranean, these is also economic potential for the ports, fisheries and tourism sectors. In addition Libya's climate favours the early production of fruit and vegetables for winter exports to European countries with colder climates.

Libya's relatively small population and a population demographic of 60% below 24 years of age, means there is significant latent demand for modernisation, development and investment in Libya's infrastructure, transport, housing, health, education, IT, retail and leisure sectors. Accompanying this is a huge demand for international branded consumer goods: clothes and shoes, mobiles, food, drinks, mobile phones, cars, and electrical products etc.

There is also considerable opportunity in Libya's nascent non-oil sector which the authorities recognise needs to be developed if the country is to diversify away from of oil exports and create more jobs in new sectors. Libya's hydrocarbon sector is responsible for producing the country's economic wealth, but with 60,000 jobs – it employs relatively few people given Libya's workforce of 2.4 million and high levels of unemployment. The International Labour Organisation estimates unemployment among 15-24 year olds in Libya was 44% in 2016.

Libya's 42-year experience of a centralised command economy during the Qaddafi era has highlighted that the most likely way for the economy to become more competitive and create diversified niches, like Dubai, is by decentralising the economy and encouraging investment in the private sector. Focused attention on job-creating sectors such as tourism, fisheries, construction, agriculture, retail, services will be key to tackling youth unemployment and helping meet the high expectations of Libyan youth who compare their country with the Arab Gulf states such as Dubai. Qaddafi's failure to meet people's raised expectations was a contributing factor to the frustrations that fuelled the 2011 revolution.

| **Libya's commercial potential** | |
|---|---|
| Geography | Transit trade hub: Maghreb – Africa-Europe – Africa-Arab Gulf |
| Proximity to Europe | Within three hours' flight time of most European capitals |
| Relatively small population | Provides higher GDP per person and disposable income levels |
| Demographics | Libya needs to create jobs for the 44% unemployed youth |
| Oil reserves | 9th largest holder of reserves in the world |
| Mediterranean coastline | Potential for tourism, ports and fishing |
| Climate | Suitable for tourism and export of early fruit/vegetable varieties |
| Need to diversify / invest | Decades of under investment means Libya needs to invest and develop in order to meet the aspirations of its youth |
| Oil and natural gas service sectors | Libya still remains highly unexplored with current agreements with oil companies covering only 25 percent of the country. Libya needs multi-billion investments to replace ageing equipment, purchase spare parts, equipment and knowhow to upgrade its refining and producing capacities. |

| **Libya: Financial flows and Foreign Direct Investment (FDI)** | | | | |
|---|---|---|---|---|
| **US$ Millions** | **2005** | **2010** | **2015** | **2016** |
| FDI inflows | 1,038 | 1,909 | 726 | 492 |
| FDI outflows | 128 | 2,722 | 395 | 341 |
| Source: UNCTAD latest available (2015) data | | | | |

Mahmoud Jibril, Libya's prime minister during the 2011 revolution, said in 2012 that US$ 480 billion worth of investment over 20 years was needed in Libya in order to upgrade the country's infrastructure and economy to the necessary standard. He also referenced Libya's 'Vision 2025' report prepared in 2008 by over 110 Libyan specialists to break Libya's dependence on oil, the ideas of which are yet to be implemented. (Source: https://www.libyaherald.com/2012/02/16/the-security-issue-is-the-biggest-threat-to-libya-jabril/)

In an interview with *Libya Herald* in late 2017 Mahmoud Jibril confirmed he still believes that if Libya achieves security, it has the most unprecedented opportunity in the region. He also referred to a study released in 2017 which confirmed that there is a potential investment of US$ 700 billion in North Africa - and that two-thirds of that potential was expected from Libya alone.

### A.3 Challenges to the economy

The World Bank and IMF advise that Libya's socialist, welfare state system which has dominated economic activity for decades needs urgent structural, legislative and policy reform. Diversifying the economy away from oil requires enabling the private sector to play a full role in driving the economy and in creating added value services, competition and employment. As a result Libya faces a number of short-term and long-term challenges.

| Libya 2018: Some key challenges | | |
|---|---|---|
| Public sector employment and subsidies | Cash crisis | Corruption |
| Militias and insecurity | Power cuts | Workplace skills |

- **Public sector employment and subsidies**

The Qaddafi regime bought Libyans' loyalty by providing jobs in the public sector and high levels of welfare spending in the form of free public services and subsidies – funded by Libya's oil revenues. The global crash in crude oil prices from over US$ 130 per barrel in 2012 to under US $30 barrel in 2016, and the fall in Libya's oil production from 1.5 million barrels per day in 2012 to around 300,000 barrels per day in 2016, meant that Libya's hard currency revenues fell dramatically.

The disruption to Libya's oil revenues since 2011 has created sizeable budget and trade deficits which the state has funded by loans from the Central Bank of Libya (CBL) and drawing down on the foreign currency reserves accumulated during the Qaddafi era. The fall in earnings has led to austerity measures across all sectors and especially in the development and projects section of the budget.

The high levels of overemployment in state entities and resulting huge public-sector wage bills (62% of budget spending in 2016), are not sustainable. However, the need for fundamental reform is not popular with the Libyan population, who have resisted early attempts to reduce overemployment in state entities. Libyans are also used to a high degree of state welfare including free healthcare and medicines, free education and subsidised food, fuel and electricity. With subsidies accounting for 18% of budget spending in 2016, these are financial burdens Libya's state finances cannot continue to fund.

- **Public finances**

In January 2018, the Tripoli-based Central Bank of Libya (CBL) released figures for the Libyan economy for the year ending 31 December 2017. The figures showed the Libyan economy still had a budget deficit, but this was down by 48 percent; from LD 20.3 billion in 2016 (US$ 15.6 bn) to LD10.4 billion (US$ 8 bn) in 2017.

Successive budget deficits since 2011 mean the CBL has had to fund the budget deficits in the form of loans to the Ministry of Finance – totalling LD 72 billion (US$ 55.4 bn). This figure does not include the LD 22 billion (US$ 17 bn) spent as extra-budgetary spending by the eastern-based government which is not internationally recognised. The Central Bank of Libya office in Beida, eastern Libya, has been financing the Thinni government's expenditure.

The successive deficits are in large part due to security problems which have frustrated the National Oil Corporation from increasing oil production as expected. According to the CBL, these security problems have cost the Libyan state over LD 160 billion (US$ 123 billion).

| **Libya: 2017 Budget Revenues** | | | **LD / 1.3** |
|---|---|---|---|
| | **Actual** | **% of total** | **US$ bn** |
| State revenues | LD 22.31 bn | 100.0 | 17.16 |
| Oil revenues | LD 19.20 bn | 86.0 | 14.77 |
| Non-oil revenues | LD 3.11 bn | 13.9 | 2.39 |
| Tax revenues | LD 0.845 bn | 3.8 | 0.65 |
| Customs duties | LD 0.164 bn | 0.7 | 0.13 |
| Other revenues | LD 2.10 bn | 9.4 | 1.62 |
| *Source: CBL data* | | | |

In 2017, total actual state revenues were down by LD 4.69 billion (US$ 3.6 bn), from a projected LD 27 billion (US$ 20.8 bn) to LD22.31 billion (US$ 17bn). Oil revenues, the main state source of revenue, were LD 19.2 billion (US$14.7 bn), LD 2.5 billion (US$ 1.9 bn) lower than forecast, and non-oil revenues of LD 2.19 billion (US$1.7bn), were LD 3.11 billion (US$ 2.4bn) less than expected.

Tax revenues were LD 45 million (US$ 34.6bn) higher in 2017, than expected totalling LD 845 million (US$ 650m), while customs duties were down to only LD 164 million (US$ 126m), and other revenues were LD 2.1 billion (US$ 1.6bn), down a huge LD 2.15 billion (US$ 1.6bn) from forecast level of LD 4.25 billion (US$ 3.3bn).

The CBL credits the efforts of the Serraj-led Presidency Council/Government of National Accord (PC/GNA) for the reduction in spending and hence the total budget deficit. Total spending was down by LD 4.9 billion (US$ 3.8bn) to LD 32.7 billion (US$ 25.15bn) from a projected LD 37.6 billion (US$ 28.9bn).

Over 75% of Libyan public sector spending was spent on state-sector salaries (62%) and state sector subsidies (13.8%). Spending on development projects was just LD 1.9 billion (US$ 1.46bn), only 5.8% of total expenditure.

| **Libya: 2017 Budget expenditures** | | | LD / 1.3 |
|---|---|---|---|
| | **Actual** | **% of total** | **US$ bn** |
| Total expenditure | LD 32.7 bn | 100.0 | 25.15 |
| State sector salaries | LD 20.3 bn | 62.1 | 15.61 |
| Operational budget | LD 4.5 bn | 13.8 | 3.46 |
| State subsidies | LD 6.0 bn | 18.4 | 4.62 |
| Development projects | LD 1.9 bn | 5.8 | 1.46 |
| *Source: CBL circular 2018 for 2017* | | | |

The CBL also reported that in 2017 Libya's balance of payments balanced for the first time since 2014. This contrasts markedly with a US$ 21.6 billion deficit in 2014, US$ 11.6 billion deficit in 2015 and US$ 7.0 billion deficit in 2016. These deficits have drawn on the large foreign currency reserves Libya amassed during the Qaddafi era when oil production was around 1.5 million barrels per day (bpd) and international crude oil prices were US$100/barrel. At the time of writing Libya is producing an estimated 1.1 million bpd and crude oil prices average US$68 per barrel.

- **Militias and insecurity**

The presence of large numbers of former and current members of militias are seen as both a major barrier and an important driver for economic reform and restructuring. Successive interim governments since 2011 have failed to create the policies needed to achieve the successful demobilisation, demilitarisation and reintegration (DDR) of Libya's militias.

This is despite Libya creating the Warriors Affairs Commission (WAC) (now renamed the Libyan Programme for Reintegration and Development https://lprd.gov.ly/en/) to facilitate the DDR of Libya's militias. WAC interviewed and registered 162,000 of the estimated 200,000 plus armed militias to create a database of their future plans and aspirations, but the policies needed to fully support their reintegration into civil society have not materialised.

Many experts believe focusing on diversifying and restructuring Libya's economy will be the most effective way for militias to naturally reintegrate into a private sector-led economy.

However it is the continued presence of armed militias which is discouraging the private sector from actively investing in the Libyan economy to create the employment opportunities needed to convince the militias to disband and return to civilian life and work.

Meanwhile economic instability and political divisions have left state institutions, including the legitimate police, army and judicial system, weak and ineffective. This has created a legitimacy and enforcement vacuum which some militias believe they have a responsibility to fill, but which for many undermines confidence in Libya's safety and security. While militia fighting decreased markedly in 2017, with less crime and militia activities, there are still sporadic clashes as militias have consolidated along regional lines.

- **Cash crisis**

This prolonged period of political uncertainty has led to a loss of confidence in the Libyan state's ability to administer the economy and the banking sector. This has led to citizens choosing to hoard their cash at home – fearing a banking sector collapse – which has created an acute cash crisis leading to withdrawal limits and overnight queues at banks.

The combined loss of confidence in the economy, the banking sector and the dinar, has led to a spike in the black-market value of hard currencies resulting in the LD/US$ rate moving from around LD 1.4 in 2011 to nearer LD 10 per US dollar by the end of 2017. The acute shortage of hard currency has impacted on obtaining hard currency at the official CBL exchange rate of LD 1.3 per dollar. This was evident in the fraudulent and corrupt obtaining of Letters of Credit for ghost imports with many transactions either failing to bring goods into Libya or importing very low value products in order to smuggle foreign currency out of Libya.

- **Power cuts – electricity generation deficit**

Electricity is subsidised on two levels in Libya. Firstly, Libya's state-monopoly generation company, the General Electricity Company of Libya (GECOL), receives subsidised fuel to operate its power stations. Secondly, it sells electricity to consumers at hugely subsidised rates. In practice, this has meant that GECOL has never generated enough revenue to reinvest in its operations and has had to rely on the political goodwill of the regime to grant it funds for investment and development.

The problem has compounded GECOL's poor record in collecting payments from Libyan citizens for their consumption of electricity. There is a welfare dependency culture of not paying for electricity and GECOL is very reluctant to cut off supplies – especially to homes. This has meant that GECOL has failed to invest in the power generation capacity needed to keep up with demand. Following the collapse of state institutions and Libyans' continuing failure to pay their electricity bills, the situation has worsened leading to unprecedented periods of power cuts across Libya since 2011.

- **Training and updated know-how**

Besides investment in infrastructure, equipment and machinery, Libya needs investment in its human resource capability. In particular investment in the education and vocational training sector to better prepare Libya's youth for the world of work. Research has shown that Libyan university graduates lack the skills and knowledge required by international and private sector employers. This is largely because during the Qaddafi era, higher education was focused on qualifying Libyan students for their 'jobs for life' in the state sector with no assessments of their productivity or suitability to the job.

- **Corruption, lack of transparency and accountability**

After 42-years of authoritarian rule dominated by a single dictator, Libya lacks effective public systems or state institutions which are sufficiently transparent and accountable. In 2014, Transparency International reported that key Libyan institutions, such as the judiciary, law enforcement agencies, anti-corruption agencies and businesses - perform very poorly in relation to their role in combating corruption.

There are very few anti-corruption activities in Libyan state institutions and the few initiatives taken have failed to significantly combat corruption and the devastating effects corruption has on the economy and the country as a whole

As a result Transparency International ranks Libya's 170 of 176, while Libya's own Audit Bureau report says, corruption is practiced by 86% of people, adding that this has a huge negative impact on development. A recent World Bank report also estimates Libya's shadow economy to be 30% of the total economy.

### A.4 Economic Outlook

Libya's internal economic and monetary management is improving and the economic figures released by the Central Bank of Libya (CBL) for 2017 are encouraging. They show that the CBL and the Presidency Council / Government of National Accord have succeeded in halving the budget deficit from 2016 and in freezing the rise of state sector salaries and subsidies. They also show that Libya had no balance of payment deficit for the first time since 2014.

If increased oil production leads to more hard currency being offered by the CBL for sale to the general public, this would reduce the black-market exchange rate of the Libyan dinar against the main hard currencies. In turn, this would increase public confidence in the economy and may contribute to resolving the cash crisis.

The CBL has also promised a reform package in 2018. This is expected to include devaluation and subsidy reform. It has also promised a larger budget for development and projects in 2018 in order to help kick start the private sector economy, again increasing public confidence which would have a positive effect on the dinar exchange rate.

## B. Political Environment

### B.1 Background

Libya was an Italian colony between 1911 and 1942, when the Italians and their ally Germany were defeated by the British during the Second World War. From then on the British administered Libya until the United Nations, with input from Dutchman Adrian Pelt, granted Libya independence in 1951. Libya became a kingdom under King Idris I, who ruled from 1951 until he was overthrown by Muamar Qaddafi in a bloodless coup d'état in 1969.

- **The Arab Spring and Libya's 17 February Revolution**

Following the regional Arab Spring uprisings, on 17 February 2011 the Libyan people rose up against the 42-years of Qaddafi era rule. During this war against the Qaddafi regime, the National Transitional Council (NTC) was formed by regional and tribal leaders in March 2011, and was subsequently recognised by the international community.

- **The temporary constitution: The 2011 Transitional Constitutional Declaration (TCD)**

In August 2011, the NTC announced the Transitional Constitutional Declaration (TCD) which set out a political roadmap for drafting a constitution, a democratic Libyan state and elections. After the intervention of NATO forces the Qaddafi regime came to an end with Qaddafi's death on 20 October and the announcement of the country's liberation on 23 October 2011.

- **Democratic elections 1: The 2012 General National Congress (GNC)**

The unelected NTC remained in power until the democratic elections to the General National Congress (GNC) in 2012. Democratic elections and the tradition and culture of political parties is new for the overwhelming majority of Libya's population. After Libya gained independence in 1951, political parties were banned by King Idris I after the 1952 election riots. Qaddafi continued this ban during his authoritarian rule from 1969 to 2011. In Libya's first post-Qaddafi 2012 parliamentary

General National Congress (GNC) elections, parties were allowed by the Transitional Constitutional Declaration (TCD) of 2011 and the 2012 election law.

The 2012 election law allowed political parties to contest 80 seats, while 120 out of the 200 GNC seats were allowed to be contested only by independent candidates.

In the 80 seats contested by parties, the National Forces Alliance (NFA) of former 2011 war-time prime minister Mahmoud Jibril won 39 of the seats and 48% of the vote, while the Islamist leaning Justice and Construction party won 17 seats and 10% of the vote. The balance of 24 seats were won by 24 other parties. The top six parties won 71 percent of the vote while the rest won only 28 percent of the vote.

| **Libya: 2012 GNC election results** | | | |
|---|---|---|---|
| **Party** | **Seats won** | **% vote** | **Votes won** |
| National Forces Alliance (NFA) | 39 | 48.14 | 714,769 |
| Justice & Construction (J&C) | 17 | 10.27 | 152,441 |
| National Front (NF) | 3 | 4.08 | 60,592 |
| Union for the Homeland | 2 | 4.50 | 66,772 |
| National Centrist Party | 2 | 4.00 | n/a |
| Wadi al-Hayat | 2 | 0.47 | n/a |
| Rest | 15 | 28.54 | n/a |
| **Total:** | **80** | | |
| Registered voters | 2,865,937 | - | - |
| Total votes | 1,764,840 | - | - |
| Turnout | 61.58 % | - | - |
| Sources: HNEC/ Wikipedia /Libya Herald | | | |

The elections were passed as free and fair by international observers. Moreover, with over 2.8 million registered voters, and 62% voter turnout, most international observers deemed the elections a success given most of Libyans had never experienced an election since 1965 during the era of Kingdom of King Idris.

Although Mahmoud Jibril's NFA won the most seats in the 80-seat party list, the party did not win enough of the 120 independent seats to give the NFA an overall majority. In effect, an Islamist and anti-Mahmoud Jibril coalition won control of the GNC and formed an alliance against the NFA, partly on the basis that Jibril had worked under the Qaddafi regime.

A key role of the GNC was to implement the transitional political phase as set out in the TCD political roadmap by overseeing the drafting of a constitution and holding elections for a fully empowered Libyan government. However the lack of a history and culture of parliamentarianism and democratic practice, weak institutions and militia interference, meant the GNC very quickly became factional, disunited and ineffective. As a result it was failing to carry out its main task of drafting and passing a constitution within two years and announcing elections.

The GNC failed so badly that demonstrations (including armed ones by militias), forced it to call elections in 2014 for a new interim parliament - the House of Representatives (HoR) – to complete the implementation of the TCD roadmap as agreed.

- **Democratic elections 2: The 2014 House of Representatives (HoR) Elections**

The weakness and failure of the GNC was blamed on the divisive role of political parties, so parties were banned in the 25 June 2014 HoR elections - and all candidates stood as independents.

The election was again passed as free and fair by international observers. However, turnout was very low with only 630,000 people voting. This compares to 1.5 million people having registered to vote in the February 2014 elections for the CDA Constitution Drafting Authority, and 1.7 million people who voted in the 2012 elections. The low voter registration and turnout was blamed partly on the failure of the GNC and its government to achieve progress and stability, some disillusionment with democracy, and security concerns in Benghazi and other areas which discouraged voting.

The results returned a majority of seats, for what were considered to be nationalist or liberal factions, while broadly Islamist groups won an estimated 30 of the 200 seats.

- **2014 - The Tripoli coup: The Government of National Salvation in Tripoli (GNS)**

The House of Representatives (HoR) was elected in the 2014 parliamentary elections. However, a coalition of former GNC members, Islamists and militias who felt they had lost out in these elections, carried out a coup against the HoR in Tripoli, which escaped with its Interim Government to the eastern cities of Tobruk and Beida respectively. They have been based in the east since the 2014 Tripoli militia coup.

The new coup regime based in Tripoli formed their own new government, the Government of National Salvation (GNS) – but the government failed to receive any international recognition.

- **The HoR elections challenged in court**

The HoR election was not part of the 2011 Transitional Constitutional Declaration (TCD), but was added-on by a constitutional amendment passed by the GNC, after heavy public pressure on it to dissolve and call fresh elections. As a result, a number of protestors challenged the legality of this election at the High Court which ruled the HoR's existence illegal. This ruling was dismissed by the HoR based in eastern Libya, as being delivered under coercion and duress from the Islamists and their militias controlling Tripoli.

The court ruling however did weaken the HoR, by confusing the Libyan public regarding who had legitimacy to rule. Moreover, the international community continued to recognise the 2014 election results, the HoR and its Interim Government, until the signing of the Libyan Political Agreement (LPA) in December 2015.

- **2015 - The LPA, Faiez Serraj, the Presidency Council and Government of National Accord**

After a period of stagnation and acute political instability threatening to fragment the Libyan state, the United Nations brokered a political settlement - the Libyan Political Agreement (LPA) - between all the parties which was signed in the Moroccan city of Skhirat in December 2015.

The LPA led to the formation, and exclusive recognition, of a new government: The Presidency Council (PC) and Government of National Accord (GNA) headed by current Prime Minister-designate Faiez Serraj. The LPA, in theory, therefore succeeded in uniting the two existing governments, but still recognised the HoR as the exclusive legislature. The LPA also set out a two-year plan for reunification of all political entities and elections for a fully empowered government.

- **2015 – Hafter announces a coup and reforms the Libyan National Army (LNA)**

Meanwhile, there was a different political dynamic and narrative in eastern Libya. After the Tripoli-based authorities failed to counter a large assassination campaign in eastern Libya, Khalifa Hafter announced a coup on television against the GNC in February 2014. He subsequently launched his Operation Dignity (Karama) in May 2014 against what he called Islamists and extremists in the east. In March 2015, after a successful military campaign reduced assassinations and insecurity, the HoR appointed Hafter as commander of the Libyan National Army (LNA). In July 2017 the LNA announced that Benghazi had been liberated of extremists. Hafter's success on the ground gained him popularity and earnt him a political role.

- **2016-17 Political stalemate**

At one stage between 2014 and 2016, there were three governments in Libya. As of March 2018 in reality there are two governments in Libya with regionally specific scopes of influence.

The Presidency Council and Government of National Accord based in Tripoli is the only internationally recognised government, but is quite weak and has limited powers outside Tripoli. While the PC/GNA have started to create a new national army, called the Presidential Guard, they have to rely on Tripoli-based militias in Tripoli to support or enforce their will. These militias do so, as long as it does not conflict with their own direct interests. It also means when these PC/GNA-aligned militias engage in actions contrary to the PC/GNA, the PC/GNA is too weak to oppose them. This will continue to be the case as long as the PC/GNA does not have a strong police and army and while there is no policy of collecting weapons or disarming and reintegrating the militias (DDR).

The Government of National Salvation (GNS) was evicted from the capital by Tripoli-based militias in May 2017, but still claims to exist with militias aligned to the GNS engaged in military ‘’spoiler’’ action from time to time.

Meanwhile the HoR which controls most of eastern Libya and its oil fields, risks losing domestic legitimacy, the longer its Interim Government led by Abdallah Thinni, fails to fully recognise the Tripoli-based internationally-recognised government of Faiez Serraj. The HoR has refused to pass a law – as it is supposed to under the LPA terms – to fully accept the LPA. Instead the HoR considers that Tripoli is still dominated by Islamists and militias who have refused to disintegrate and demobilise to create a new unified national army.

The HoR insist on the eastern-based Libyan National Army (LNA) and its leader, Khalifa Hafter, being either head of or part of a new unified army. The powers in western Libya reject Hafter. This has led to the current stalemate of March 2018.

### B2. Political Outlook

In January 2017 Italy reopened its embassy in Tripoli and later a consulate in Tobruk. At the time of writing it is the only EU state issuing Schengen visas from Tripoli and Tobruk. Turkey has also reopened its embassy and is also issuing visas from Tripoli. In 2017 the British and Dutch also opened small (antenna) “offices”.

In September 2017, the United Nation’s new representative in Libya, head of UNSMIL, Ghassan Salame, put forward an Action Plan which includes the holding of a National Conference to achieve ground level reconciliation, prior to having elections later in 2018. In anticipation of elections, voter registration started in Libya in December 2017.

However, with the political splits and resultant insecurity, Libya remains trapped in a transitional period with the country waiting for the UN-brokered Libyan Political Agreement amendment process to go through the House of Representatives.

Meanwhile the risk remains that the longer this stalemate continues, with the contending political parties failing to reach a compromise, militias failing to unify into a legitimate national army, and continuing budget deficits, the Libyan state will be unable to pay salaries to state-sector employees and militias. This would lead the country into deeper economic and political chaos.

### B3. Judiciary System

Due to the widespread presence of weapons and militias, a climate of insecurity and ineffective state institutions, the Libyan judiciary system is currently very weak. There is fear of coercion by militias or armed individuals, and the judicial police is unwilling or unable to attempt to enforce judicial rulings.

The justice system is also suffering from the legacy of Qaddafi rule, where corruption, informal structures, unclear lines of communication, and lack of integrity and control mechanisms were the modus operandi. Nepotism and favouritism were general traits of the judiciary during Qaddafi's rule, and only a few judges were replaced after the 2011 revolution.

The judiciary also struggles with a major backlog of cases from the Qaddafi era and the 2011 revolution, at the same time as the system is being reformed. Experienced prosecutors and judges play an important role in this process, but also form part of the problem.

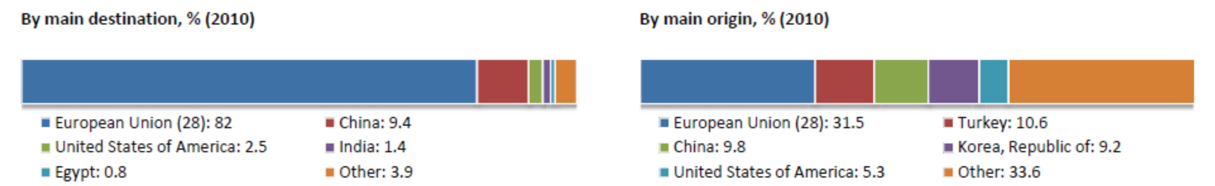
The public sector constitutes by far the biggest employer in Libya and the largest part of the economy. Even though rules and regulations are in place and in many cases uphold international standards, their low level of application allows for undue interference and does not promote accountability and integrity. The fact that it is difficult, and in many cases impossible, to get access to or even confirmation of the existence of laws, regulations and codes of conduct, indicates a low level of transparency.

## C. Trade and foreign investment regulations

### C.1 Libyan trade

Libya's trade is dominated by hydrocarbon exports, mainly to EU countries. Given the recent period of economic turmoil, Libya's pre-revolution trading relationships are most reflective of its usual trading performance. Data from the World Trade Organisation (WTO) for 2010, shows that 82% of Libya's exports were to the EU, and 9.4 % to China. The European Union was the main source of imports, accounting for 31.5% of the total and Turkey for 10.6%.

**Libya – Trade destination and origin - 2010**




Source: WTO Libya Trade Profile 2017 https://www.wto.org/english/res_e/booksp_e/trade_profiles17_e.pdf

The impact of the disruptions to economic activity and trade since 2011, and in particular from 2014 are evident in the WTO data for 2015 and 2016 which shows annual falls in imports of 41% and 51%; and annual falls in exports of 18% and 32% respectively.

| Libya: Merchandise Trade 2010 – 2016 | | | | |
|---|---|---|---|---|
| | Value | Annual percentage change | | |
| US$ m | 2016 | 2010-16 | 2015 | 2016 |
| Imports | 6,000 | -29 | -51 | -41 |
| Exports | 10,600 | -8 | -32 | -18 |

Source: WTO Libya Trade Profile 2017 https://www.wto.org/english/res_e/booksp_e/trade_profiles17_e.pdf

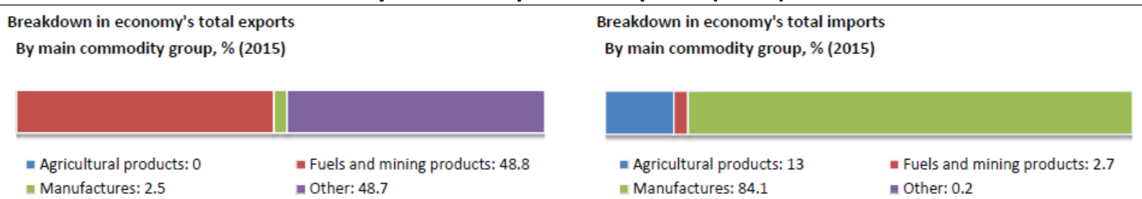
According to the IMF, in 2016, 60.3% of all Libyan exported goods went to the EU, and 21.1% went to Egypt. Data from UNCTAD (United Nations trade body) shows that Libya's largest trading partners are Italy, Egypt, Spain and France, with fuel exports accounting for 73% of exports in 2016.

**Libya – Trade with the world: Total goods – top trading partners - 2016**

| | Imports | | | | Exports | | | | Total trade | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Partner | Value Mio € | % World | | Partner | Value Mio € | % World | | Partner | Value Mio € | % World |
| | World | 5,924 | 100.0 | | World | 5,932 | 100.0 | | World | 11,856 | 100.0 |
| 1 | EU 28 | 1,354 | 22.9 | 1 | EU 28 | 3,575 | 60.3 | 1 | EU 28 | 4,930 | 41.6 |
| 2 | China | 846 | 14.3 | 2 | Egypt | 1,252 | 21.1 | 2 | Egypt | 1,431 | 12.1 |
| 3 | South Korea | 780 | 13.2 | 3 | China | 255 | 4.3 | 3 | China | 1,100 | 9.3 |
| 4 | Turkey | 607 | 10.2 | 4 | Canada | 217 | 3.7 | 4 | South Korea | 860 | 7.3 |
| 5 | USA | 181 | 3.1 | 5 | Turkey | 98 | 1.6 | 5 | Turkey | 705 | 5.9 |
| 6 | Egypt | 179 | 3.0 | 6 | USA | 95 | 1.6 | 6 | USA | 276 | 2.3 |
| 7 | Tunisia | 159 | 2.7 | 7 | South Korea | 81 | 1.4 | 7 | Canada | 225 | 1.9 |
| 8 | Ukraine | 134 | 2.3 | 8 | Singapore | 76 | 1.3 | 8 | Tunisia | 169 | 1.4 |
| 9 | India | 105 | 1.8 | 9 | Brazil | 47 | 0.8 | 9 | Brazil | 127 | 1.1 |
| 10 | Thailand | 101 | 1.7 | 10 | Morocco | 42 | 0.7 | 10 | Thailand | 120 | 1.0 |
| 1 | EU 28 | 1,354 | 22.9 | 1 | EU 28 | 3,575 | 60.3 | 1 | EU 28 | 4,930 | 41.6 |

Source: IMF in http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113414.pdf

**Libya: Total Exports – Imports (2015)**




Source: WTO Libya Trade Profile 2017 https://www.wto.org/english/res_e/booksp_e/trade_profiles17_e.pdf

**Libya: Total trade in services (US$ m)**

| Sector | 2005 | 2010 | 2015e |
|---|---|---|---|
| Services exports | 534 | 410 | 483 |
| Services imports | 2,349 | 6,127 | 4.663 |
| Services trade balance | -1,815 | -5,717 | -4.180 |

Source: UNCTAD latest available (2016) data

**Libya: Services exports by main categories**

| As % of total services | 2005 | 2010 |
|---|---|---|
| Transport | 21.7 | 64.0 |
| Travel | 46.8 | 14.6 |
| Other services | 31.5 | 21.4 |

Source: UNCTAD latest available (2016) data

**Libya – Current Account Balance 2009-2018**

| | Average 2009-14 | 2015 | 2016 | Projections 2017 | 2018 |
|---|---|---|---|---|---|
| **Current Account Balance** *(US$ billions)* | 5.3 | -9.3 | -4.6 | 0.6 | 4.7 |
| **Current Account Balance** *(% of GDP)* | 0.2 | -52.6 | -22.4 | 1.8 | 9.8 |

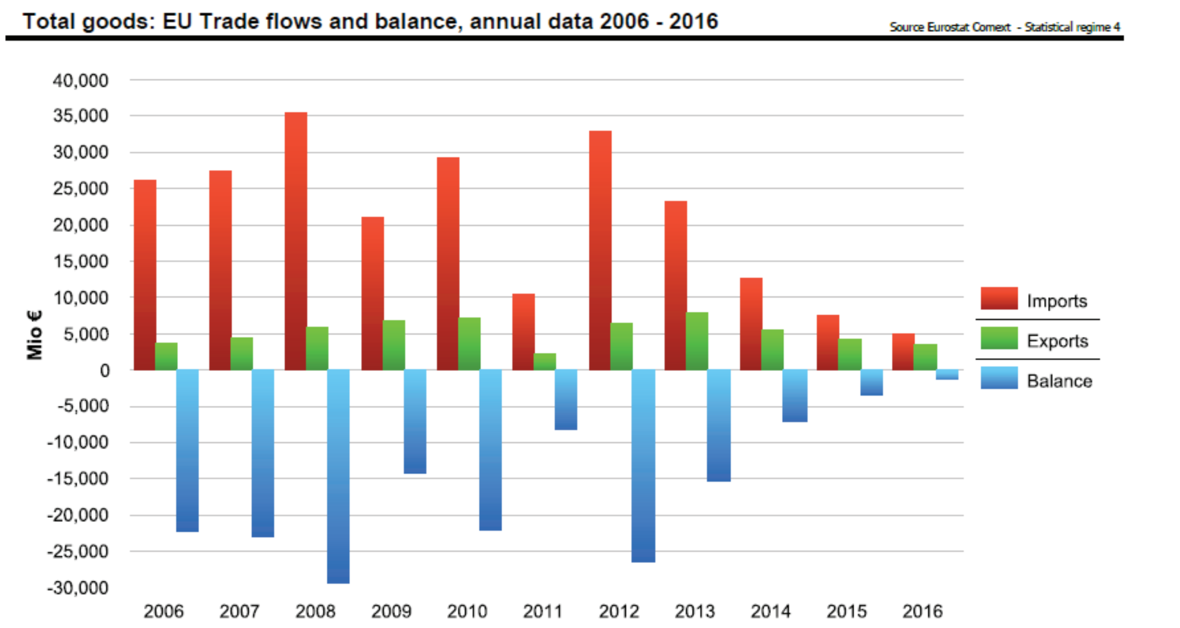
**Source: IMF World Economic Survey, Regional Economic Outlook, Middle East and Central Asia - October 2017**

## C.2 Libya-EU trade

Before the 2011 Libyan revolution, the EU was an important trading partner for Libya accounting for 70% of the country's total trade, which amounted to approximately €36.3 billion in 2010. However, between 2012 and 2016 EU imports from Libya decreased by 85%, from €32.8 billion in 2012 to € 4.9 billion in 2016. Despite this decrease Libya continues to be a fundamental energy exporter to the EU, and the EU continues to be the first trading partner of Libya, accounting for 53.8% of the country's global trade in 2015.

According to EU data, EU imports from Libya are dominated by mineral fuels, accounting for €4.5 billion, or 93.5% of the total EU imports from Libya which amounted to €4.9 billion in 2016. EU exports to Libya consist mainly of agricultural products and food (€1.0 billion 30.1%), mineral fuels (€0.9 billion, 27.6%), and machinery and transport equipment (€0.6 billion, 17.3%). Total EU exports to Libya amounted to €3.4 billion in 2016.

**European Union trade with Libya: 2006-2016**




*Source: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113414.pdf*

**2016 - European Union – Libya Trade: by SIC products**

**Trade flows by SITC section 2016**

Source Eurostat Comext - Statistical regime 4

| | Imports | | | | Exports | | | |
|---|---|---|---|---|---|---|---|---|
| | Value Mio € | % Total | % Extra-EU | % Growth | Value Mio € | % Total | % Extra-EU | % Growth |
| Total | 4,878 | 100.0 | 0.3 | -35.2 | 3,453 | 100.0 | 0.2 | -17.0 |
| 0 Food and live animals | 7 | 0.1 | 0.0 | 1943.2 | 1,044 | 30.2 | 1.2 | 4.5 |
| 1 Beverages and tobacco | 0 | 0.0 | 0.0 | -89.7 | 93 | 2.7 | 0.3 | -34.5 |
| 2 Crude materials, inedible, except fuels | 48 | 1.0 | 0.1 | 33.4 | 40 | 1.2 | 0.1 | -22.9 |
| 3 Mineral fuels, lubricants and related materials | 4,561 | 93.5 | 1.7 | -33.6 | 953 | 27.6 | 1.3 | 6.4 |
| 4 Animal and vegetable oils, fats and waxes | 0 | 0.0 | 0.0 | | 24 | 0.7 | 0.5 | 2332.8 |
| 5 Chemicals and related prod, n.e.s. | 38 | 0.8 | 0.0 | -49.4 | 359 | 10.4 | 0.1 | -0.2 |
| 6 Manufactured goods classified chiefly by material | 28 | 0.6 | 0.0 | -0.1 | 159 | 4.6 | 0.1 | -30.5 |
| 7 Machinery and transport equipment | 10 | 0.2 | 0.0 | 1.0 | 599 | 17.3 | 0.1 | -52.1 |
| 8 Miscellaneous manufactured articles | 0 | 0.0 | 0.0 | -49.5 | 173 | 5.0 | 0.1 | -21.6 |
| 9 Commodities and transactions n.c.e. | 2 | 0.0 | 0.0 | -36.9 | 6 | 0.2 | 0.0 | -37.4 |
| Other | 185 | 3.8 | n.a. | n.a. | 5 | 0.1 | n.a. | n.a. |

*Source: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113414.pdf*

**2013 - 2016 - European Union – Libya Trade: by SIC products**

**Trade flows by SITC section 2013 - 2016**

Source Eurostat Comext - Statistical regime 4

| | Imports Value Mio € | | | | Exports Value Mio € | | | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 |
| Total | 23,205 | 12,473 | 7,528 | 4,878 | 7,844 | 5,313 | 4,161 | 3,453 |
| 0 Food and live animals | 0 | 0 | 0 | 7 | 1,168 | 1,041 | 998 | 1,044 |
| 1 Beverages and tobacco | 0 | 0 | 0 | 0 | 137 | 133 | 141 | 93 |
| 2 Crude materials, inedible, except fuels | 30 | 29 | 36 | 48 | 167 | 99 | 51 | 40 |
| 3 Mineral fuels, lubricants and related materials | 22,940 | 12,281 | 6,868 | 4,561 | 2,125 | 1,565 | 895 | 953 |
| 4 Animal and vegetable oils, fats and waxes | 0 | 0 | 0 | 0 | 14 | 3 | 1 | 24 |
| 5 Chemicals and related prod, n.e.s. | 128 | 75 | 75 | 38 | 609 | 427 | 359 | 359 |
| 6 Manufactured goods classified chiefly by material | 63 | 60 | 28 | 28 | 577 | 389 | 229 | 159 |
| 7 Machinery and transport equipment | 28 | 13 | 10 | 10 | 2,533 | 1,284 | 1,251 | 599 |
| 8 Miscellaneous manufactured articles | 3 | 1 | 0 | 0 | 474 | 343 | 221 | 173 |
| 9 Commodities and transactions n.c.e. | 7 | 7 | 3 | 2 | 20 | 22 | 10 | 6 |
| Other | 6 | 7 | 508 | 185 | 20 | 7 | 4 | 5 |

*Source: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113414.pdf*

**Libya-EU trade – 2016 - Top 5 SITC sections**

**Libyan exports to EU**

| Product | Value Mio € | % Total |
|---|---|---|
| 3 Mineral fuels, lubricants and related materials | 4,561 | 93.5 |
| 10 Other | 185 | 3.8 |
| 2 Crude materials, inedible, except fuels | 48 | 1.0 |
| 5 Chemicals and related prod, n.e.s. | 38 | 0.8 |
| 6 Manufactured goods classified chiefly by material | 28 | 0.6 |

**Libyan imports from EU**

| Product | Value Mio € | % Total |
|---|---|---|
| 0 Food and live animals | 1,044 | 30.2 |
| 3 Mineral fuels, lubricants and related materials | 953 | 27.6 |
| 7 Machinery and transport equipment | 599 | 17.3 |
| 5 Chemicals and related prod, n.e.s. | 359 | 10.4 |
| 8 Miscellaneous manufactured articles | 173 | 5.0 |

*Source: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113414.pdf*

**Dutch exporters will be able to benefit from the big opportunities Libya offers.**

Atradius
Managing risk, enabling trade

"Through Atradius Dutch State Business, the official Export Credit Agency of The Netherlands, the Dutch government supports Dutch exporters of capital goods with financial products, such as credit insurance, guarantees and finance. By doing so deals are made bankable and thus possible.

At this moment Atradius DSB provides no cover for Libya because of the unclear situation. In order to underwrite business it is crucial to be able to obtain reliable information on the buyer and the environment should be stable. And that is currently not the case. But our experience is that things can change rapidly.

Libya is a big and important country with a lot of opportunities. We keep a close eye on the developments and if the situation allows we will start providing cover again.

Atradius DSB is there to support exporters financially. But it is of course the exporter that has to make sure he has the right network and products so that once the opportunities arise, he is first in line. One thing is for sure: somewhere in the, hopefully, near future, Dutch exporters will be able to benefit from the big opportunities Libya offers. And we will be happy to support them".

(*Bert Bruning, Managing Director, Atradius Dutch State Business, The Export Credit Agency of The Netherlands, February 2018*).

## C.3 Trade Agreements

- **The Arab Free Trade Agreement**

Libya is part of the Greater Arab Free Trade Area (GAFTA), also known as PAFTA (Pan Arab Free Trade Agreement). The Arab Free Trade Zone, which came into effect on January 1, 2005, comprises 17 member states: Libya, Lebanon, Tunisia, Morocco, Egypt, Sudan, Yemen, Kuwait, UAE, Saudi Arabia, Oman, Bahrain, Qatar, Iraq, Jordan, Palestine and Syria.

The agreement prescribes that customs duties are not applicable to imports from one GAFTA member to another GAFTA member country. The criteria is that these imports must originate from that GAFTA member country and pass the 40% local added value threshold to qualify as being of local origin. This agreement is being enforced by the Libyan authorities.

- **The Arab Maghreb Union**

The Arab Maghreb Union (AMU) was established in 1989 by five countries (Algeria, Libya, Mauritania, Morocco, and Tunisia). The aim of the AMU is to intensify trade among member countries, laying down the foundation for integration and the creation of a North Africa customs union by 1995 and an economic common market by 2000. None of these goals have been achieved.

- **European Union**

Libya is the only Mediterranean country that has not yet concluded a Free Trade Agreement with the EU. Trade relations between the European Union and Libya have so far taken place outside a bilateral legal framework governing bilateral relations.

- **World Trade Organisation (WTO)**

Libya is not a WTO member. Negotiations for Libya's accession to the WTO started in 2004. The negotiation for the Framework Agreement on trade between the EU and Libya, which started in 2008, would have paved the way for Libyan WTO accession. However negotiations were suspended in February 2011, and resumption of bilateral negotiations are dependent on the return to political stability in Libya.

- **Common Market for Eastern and Southern Africa (COMESA)**

COMESA is a free trade area, formed in 1994. It has nineteen member states with Libya joining in 2006.

## C4. Foreign Direct Investment

Libya’s strategic geographical location, large hydrocarbon reserves, and relatively small young population support its great need for investment in every sector of the economy. Economic sanctions during the Qaddafi era and political turmoil since 2011 mean Libya has suffered decades of underinvestment. Consequently it urgently needs to expand its infrastructure, diversify into non-oil sectors, overhaul its outdated working practices and upskill its labour force.

Libya requires investment in every area of the economy, but more importantly the international expertise and know-how to establish modern ways of working which offer new employment opportunities to Libya’s unemployed youth.

The scale of the opportunity is evident from 2010 when the government announced it would be spending LD 66 billion (US$ 50 bn) during 2010-2012 on development and infrastructure projects. Several projects started and did involve foreign direct investment partners – however they all stopped in early 2011 when the civil war forced international companies and their expatriate work force to evacuate Libya. Very few returned in 2012, only for foreign organisations to have to flee Libya again in 2014 when fighting resumed. As of early 2018, the majority of development projects started in Libya have stood idle since February 2011.

While significant investment opportunities remain, a return to political stability, security and economic growth in 2018 is vital to fully restoring foreign investor confidence in Libya.

Libya's strategic geographical location, large hydrocarbon reserves, and relatively small young population support its great need for investment in every sector of the economy. Economic sanctions during the Qaddafi era and political turmoil since 2011 mean Libya has suffered decades of underinvestment. Consequently it urgently needs to expand its infrastructure, diversify into non-oil sectors, overhaul its outdated working practices and upskill its labour force.

Libya requires investment in every area of the economy, but more importantly the international expertise and know-how to establish modern ways of working which offer new employment opportunities to Libya's unemployed youth.

UN trade and investment data from UNCTAD show that Libya received US$ 493 million of foreign direct investment (FDI) inflows in 2016, bringing the value of the total stock of foreign direct inward investment in Libya to US$ 19.73 billion, equal to 59.5% of GDP. UNCTAD report there were a total of 179 green field investment projects in Libya in 2014.

**Libya: Foreign Direct Investment (FDI) – Flows and Stock (2006-2016)**

| | (US$m) | | | | | (%) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | as a percentage of gross fixed capital formation | | | |
| **FDI flows** | 2005–2007 (Pre-crisis annual average) | 2013 | 2014 | 2015 | 2016 | 2005–2007 (Pre-crisis annual average) | 2014 | 2015 | 2016 |
| Libya | | | | | | | | | |
| Inward | 2 317 | 702 | 50 | 726 | 493 | 15.9 | 0.4 | 5.5 | 4.3 |
| *Outward* | *1 516* | *707* | *- 77* | *395* | *341* | *10.4* | *- 0.6* | *3.0* | *3.0* |
| | | | | | | as a percentage of gross domestic product | | | |
| **FDI stock** | 1995 | 2013 | 2014 | 2015 | 2016 | 1995 | 2014 | 2015 | 2016 |
| Libya | | | | | | | | | |
| Inward | 766 | 18 461 | 18 511 | 19 237 | 19 730 | 2.3 | 54.7 | 64.6 | 59.5 |
| *Outward* | *976* | *19 962* | *19 884* | *20 279* | *20 620* | *3.0* | *58.8* | *68.1* | *62.2* |

**Announced greenfield investment project overview, 2005–2007 average, 2014–2016**

(Millions of dollars)

| | As destination | | | | As source | | | |
|---|---|---|---|---|---|---|---|---|
| Region/economy | 2005–2007 (Pre-crisis annual average) | 2014 | 2015 | 2016 | 2005–2007 (Pre-crisis annual average) | 2014 | 2015 | 2016 |
| Libya | 8 698 | 179 | - | - | 8 | 23 | 11 | 11 |

Source: UNCTAD – World Investment Report – 2017
http://unctad.org/sections/dite_dir/docs/wir2017/wir17_fs_ly_en.pdf

In 2010 the Libyan authorities list a total of 355 investment projects; 210 approved and 155 active. Of these, 148 were in industry and 99 in tourism.

| **Libya: Total number of investment projects – 2003-2010** | | | |
|---|---|---|---|
| Sector | Project active | Projects approved | Total |
| Industry | 69 | 79 | 148 |
| Tourism | 36 | 63 | 99 |
| Services | 21 | 37 | 58 |
| Health | 7 | 11 | 18 |
| Agriculture/Livestock | 9 | 6 | 15 |
| Real Estate | 13 | 1 | 14 |
| Total | 155 | 197 | **352** |
| *Source: Libya Investment Board 2010* | | | |

Potential investment activities include: **Transport** (airports, highways, railways, ports); **Health** (hospitals, laboratories, medical equipment, pharmaceutical); **Education** (universities, schools, training centres); **Industry** (Cement, sanitary, plastics, flour, mechanical etc.); **Agriculture** (food crops, feed, poultry, fisheries, fish canning); **Tourism** (hotels, resorts, recreational facilities); **Utilities** (desalination plants, recycling plants, sewage treatment plants).

| **Libya – FDI and financial flows (US$m)** | | | | |
|---|---|---|---|---|
| **Financial flows** | | | | |
| *(millions of US$ unless otherwise specified)* | 2005 | 2010 | 2015 | 2016 |
| FDI inflows | 1 038.00 | 1 909.00 | 725.67 | 492.56 |
| FDI outflows | 128.00 | 2 722.00 | 394.80 | 341.38 |
| Personal remittances, % of GDP | .. | .. | .. | .. |
| *Source: http://unctadstat.unctad.org/CountryProfile/GeneralProfile/en-GB/434/index.html* | | | | |

**Focus on opportunities in the private sector**

"There is no hiding the difficult reality in Libya today. However, with risks come opportunities. There is still potential and opportunity even under the current difficult financial and political circumstances in Libya.

In my view, until a political settlement is reached in Libya, and until governing institutions become functional again, foreign companies can focus their efforts on opportunities in the private sector. The best approach to the Libyan market today comes through the establishment of partnerships and networks with successful private companies and businesses that have proven track record. Especially companies that rely on technology and innovation to come up with solutions to their problems under current circumstances. This is particularly true for private companies in sectors such as agriculture, manufacturing and dairy production, the free zones and maritime transport, renewable energy and ICT technology, as well as, health, education and banking. All of these sectors in Libya are looking to adopt innovative and technology-based solutions to overcome their problems.

This approach would give foreign companies competitive advantage in the future with the aim of capitalizing on their local contacts and networks to secure their share of the Libyan market once a political settlement and functional governing institutions are established. "
(*Mohamed Eljarh, Founder and CEO of LORC Research and Consultancy, Tobruk, Libya*)

## C.5 Trade and foreign investment regulations

- **Investment Law 9**

Libya's wants to encourage foreign investment. As part of its overall reform and diversification policies to make its business environment more attractive for foreign investors, it enacted the Free Trade Act of 1999 and Foreign Investment Law No 9 of 2010.

The Free Trade Act in 1999 includes tax incentives and allows for the transfer of project ownership, the re-export of employed capital, and the hiring of foreign workers. It also establishes a specialised agency, the Privatisation and Investment Board (PIB), to promote and supervise the law. In addition the Free Trade Act enables the establishment of offshore free-trade zones in order to enhance exports, revenue, training, and technology in land, water, energy, telecommunications, and manufacturing facilities.

Foreign investment into Libya is incentivised by Law No. 9 of 2010 which is overseen by the Privatisation and Investment Board (PIB) which acts as a unified window for investors for all their transactions. The law incentivises investors by waiving import duties on equipment and material for their approved project, and allows for the full repatriation of capital and profits. **For full information see the PIB website available in English at www.investinlibya.ly**

Foreign investors are welcomed where they contribute and add value to the economy in ways which local companies cannot, for example, bringing new technology and know-how. They are prohibited by law from competing directly with Libyan companies in general trade and commerce.

Investment is targeted in the following areas: industry, health, tourism, services, agriculture and any other sectors specified by the government. Foreign capital can invest in oil related services in Libya, however not in drilling and exploration, which are exclusive to the National Oil Corporation (NOC). The NOC's exploration and production agreements are mostly conducted through Exploration Production Sharing Agreements (EPSA).

Under Investment Law No. 9 of 2010, investors can establish investment enterprises for activities in all major industry sectors, other than upstream oil and gas. The investment project can be wholly owned by the foreign investor, provided that the foreign investment exceeds LYD 5 million. If a Libyan partner holds at least 50% in the investment, the minimum investment is reduced to LYD 2 million. An investment enterprise is particularly suitable for capital intensive projects. The licensing requirements must be complied with in each individual case.

Law No. 9 of 2000 on Organising Transit Goods & Free Zones regulates specific laws for Free Zone Companies (FZC) set up in the Misrata Free Zone and other proposed Free Zones. A free zone enterprise can be established to manufacture or process goods or to provide services. In the free zone, located at Misrata (www.mfzly.com/en), MFZ companies must be set up with a minimal capital of US$ 100,000 or the equivalent, and free zone enterprises qualify for exemptions and benefits similar to those available to investment enterprises. The Misrata Free Zone authority also operates the Tamenhent Free Zone in the south of the country which is not operational yet. The Elmreisa Free Zone in Benghazi *(www.efz.com.ly)* is still in the planning/construction stage.

An investment project, subject to the provisions of **Law No.9 for 2010** includes the following privileges:

- Exemption from customs duties, import fees, and other fees and taxes of a similar nature for the machinery, equipment and tools necessary for the execution of the project. However, exemption does not include ports, handling and storage service fees.

- Exemption from all fees and taxes for all supplies, raw materials, spare parts, transport means, fixtures and fittings, publicity and advertising material and any other requirements related to the operation and management of the project for a period of 5 years.
- Commodities produced for export are exempt from production tax, customs duties and any other charges imposed on exports.
- The investment project is exempt from income tax for a period of 5 years (from the starting date of the operating licence.
- Exemptions on return on investment including dividends, interests, shares equities, and equity release from merger, sale of a division or a change of the legal from of the project and any other returns arising from the investment projects, during the period of exemption.
- Exemptions on any profits arising from the projects activity when such profits are reinvested.
- Exemption from stamp duty (payable in accordance with the effective legislation) of all documentary records, registers, transactions, agreements and contracts that are ratified, signed or used by the investment project.
- Investment projects can qualify for extending the exemption period for further 3 years if the projects proves the project:

- contributes to the achievement of food security
- utilises measures that are capable of achieving abundant energy or water supplies
- contributes to the protection of the environment
- contributes to the development of local and rural areas.

**Rights and Guarantees for foreign capital investors include:**

- Re-exports of capital invested abroad.
- Open bank accounts and transfer their net profits and interest.
- Leasehold (for a set period of time) of land.
- The right to carry losses forward to the subsequent year.
- Imports of all the needs and requirements of the project from abroad.
- Procurement of manpower and foreign expertise for the project and allowing workers to transfer their salaries.
- No nationalisation of the project in any way, except by law or judgment and must be in return for prompt and fair compensation. There are relevant laws in place to resolve any dispute that may arise with the investor

Source: PIB www.investinlibya.ly and also see https://investinlibya.ly/en/faq/#q1

### C.6 Free Zones

Libya's Free Zones are regulated by Law No. 9/2000 on Transit Goods & Free Zones. Misrata Free Zone is the only operating Free Zone in Libya. All projects established inside the free zone cannot be nationalised, expropriated, seized, confiscated, frozen or subjected to any procedures that have the same effects, unless it is an act of law in exchange for a fair compensation.

**Investors' privileges and exemptions**

1- Zero personal or corporate income tax.
2- No customs duties, import/export taxes.
3- No restrictions on recruiting labour.
4- Reliable and inexpensive power utilities.
5- Possibility of transferring company's ownership.
6- No restrictions on in/out cargo traffic.
7- Different size plots available on request.

### C.7 Registration of foreign companies in Libya

The main options available to foreign capital investors are:
1) Establish a Representational Office in Libya (via a local agent)
2) Set up a Branch in Libya (the request to open a branch must be addressed to the Department of Business Registration at the Ministry of Economy & Trade
3) Establish a Joint Venture with a Libyan company - which must be at least 51 % Libyan-owned.

Registration of foreign companies operating in Libya would usually be conducted through a notary public's office as per existing law. Depending on what kind of foreign company (Representative Office, Branch or Joint Venture) or activity, this process can take up to 35 days according to the World Bank Doing Business in Libya 2018 report. Companies licenced by free zones would conduct the process through that particular free zone authority.

A joint venture company (a joint stock company with foreign participation) is subject to the same company law rules as a domestic joint stock company. However, a joint venture company with foreign participation cannot be active in certain sectors (*Article 6, Decree 207/2012*). These include retail, wholesale, commercial agency and small scale construction projects. Joint venture with a foreign participation must be a joint stock company. A foreign participation in any other form is not allowed.

A foreign shareholding in a joint venture company is limited to 49%. This limit can be increased by special permission of the Minister of Economy, up to 60% for specific ventures (*Article 3, Decree 207/2012*). These restrictions do not apply to companies that are set up under the Investment Law or in a free zone.

Setting up a JV with a foreign party does not require specific permission, other than the general need to register it with the Ministry of Economy/Company Registrar.

The minimum capital for a limited liability company is LYD 3,000. A minimum amount of LYD 3,000 must be paid in at incorporation (*Article 275, Commercial Code*). Companies are registered with the Company Registrar at the Ministry of Economy and with the Chamber of Commerce. Following registration, the company must be registered with the tax authorities. All corporate documents registered with the Commercial Register must be in Arabic (bilingual documents are not allowed and will not be registered). The contract of establishment and articles of association must be drafted in Arabic and the Arabic version will prevail.

### C.8 Laws - Contracts

In relation to equity joint ventures, the general company law rules in the Commercial Code apply. Both contractual and equity joint ventures are allowed. In practice, equity joint ventures are almost always used (e.g. in construction or infrastructure projects) and are usually a joint stock company.

Contracting parties are free under Libyan law to negotiate the legislation they prefer to govern their agreement, unless this contradicts Libyan law. However where one party is a public body the application of Libyan law is compulsory and automatic. Libyan law is also mandatory in the case of petroleum industry contracts.

In Libya the term joint venture in Arabic, *shirka mushtarika* is often used to denote a joint stock company with a foreign participation. Article 1 of Ministerial Decree 207/2012 on the participation of foreigners in companies and branches refers to a company with a foreign participation as a "joint venture company" which must be a joint stock company.

- **Arbitration and mediation**

Libya is not a member of the New York Convention (1958), therefore to be enforced in Libya, all foreign arbitration awards have to be approved by national courts. Disputes arising from Libyan state contracts are therefore subject to national courts. Libya has not ratified any of the major conventions on international trade law, including the New York Convention (1958), the Vienna Convention (1980), and the European Regulation Rome I.

### C.9 Tender process

This varies from sector to sector. Many tenders are announced and published on the website of the relevant Ministry or one of its sub-authorities concerned with the rules and regulations governing that tender. There is currently not one single reliable website or official source announcing tenders.

Often a tender document is announced but its contents would need to be purchased. Many tenders are closed or controlled using prequalification process. The prequalification process often includes conditions such as length of experience or technical qualifications. They may also prescribe if a foreign company can bid for a tender or if it needs to operate via a Libyan-registered company. The legal basis of tenders are the Civil Code and the Administrative Regulation no. 563, which also contains special rules to be applied to contracts with the government and public authorities.

Historically, public sector tenders in excess of LYD 0.5 million had to be approved by the Audit Bureau which was quite a slow process. In reality many tenders were politically controlled and directed.

### C.10. General rules for imports

Commercial quantities of imports must be transacted by tax registered and licenced companies. This would entail companies being registered with the Chamber of Commerce and in the Ministry of Economy's Importers' Registrar. Non-commercial quantities of goods and personal effects can be imported for personal use by individual citizens and residents.

### C.11. Tax system overview

Libyan tax law prescribes that tax shall be imposed on any income generated in Libya and abroad for companies and foreign company affiliates governed by the provisions of Libyan Commercial Code, irrespective of the type or purpose of their activity. Libyan law requires that companies formed in Libya must be Libyan controlled.

| | **Libyan Taxes** | **Percent %** |
|---|---|---|
| 1 | Statutory tax rate | 20 |
| 2 | Social security contributions | 10.5 |
| 3 | Jihad tax | 4.0 |
| 4 | Employee social security | 3.75 |
| 5 | Stamp duty on invoices | 0.5 |
| Source: World Bank: Doing Business Report | | |

Typically the Libyan tax department will make its final assessment on the profits of a company on the basis of what is called an assumed level of the profit. This is a set percentage of profit assumed by the tax department of companies operating in certain sectors/activities. This will vary according to the company's activities. In practice, branches of foreign companies, which often incur costs outside Libya, are usually assessed on the basis of their assumed (deemed) profit according to their sector of activity. No tax is payable if the company's profit and loss account shows a loss. Losses may be carried forward for relief against future profits up to a maximum of five years subject to compliance with rules as set out in the tax law

Taxpayers do have the right to object to a final tax assessment by applying to the arbitration committee and/or the courts.  Tax not paid by due date becomes immediately due for payment and is subject to a penalty of 1% per month on the amount due, plus collection charges with a maximum of 12%

There are no VAT or local government taxes in Libya. A company in receipt of an invoice from a contractor should ensure that the contractor is registered with the Tax Department and that the invoice has been registered with the Tax Department.

Libya has signed double tax agreements and social security reciprocal agreements with UK, India, Italy, Malta, Pakistan and Tunisia, France, Russia, Belarus and Ukraine.

All business entities in Libya are required by the Libyan Commercial Law No 23 of 2010 and Tax Law No 7 of 2010 to audit financial statements and maintain a ledger and journal in Arabic. Financial statements of all local and foreign companies are required by law to be audited by qualified auditors annually. Several local accounting firms are the appointed representatives of international auditing and accounting firms.

### C.12 Labour Law

The employer-employee relationship is defined in the Libyan Labour Law No. 12 of 2010, which defines working conditions, minimum wage rates, daily and weekly working hours, night shift regulations, dismissals and other employment related issues.

The legal basis for Libya’s social insurance, retirement fund INAS is Law No. 13 of 1980, complemented by Law No. 1 of 1991, according to which local and international ventures in Libya are subject to social insurance. INAS is payable on gross income, with INAS contributions paid by employees, employers and the government forwarded to the Social Security Fund.

Libyan salaries and wages tax Law No.7 2010 applies to all salaries, wages, bonuses and benefits that arise from employment in Libya. Salaries and wages declarations are filed monthly and the tax deducted must be paid to the tax department by the following month

The Jihad tax is payable under Law 44 of 1970 (originally to aid Palestinian cause), and is levied on personal incomes at 3% and corporation profits at 4%. In addition, Solidarity Fund Contributions are payable by deduction from the employees’ salary at the rate of 1% of gross.

## D. Access to Finance

The private sector finds it difficult to access appropriately-priced capital or basic banking services Lack of ready access to capital is the most serious hurdle for small businesses, with the majority of small and medium size Libyan enterprises (SMEs) finding it hard to access bank financing. Banks tend to follow a defensive lending policy, holding substantial parts of their funds in liquid assets instead of lending to the private sector.  (*Source: Monitor Group, National Economic Strategy Report)*

This happens because of a number of reasons including:

- the lack of standardised and reliable information on the risk profiles of borrowers
- the lack of adequate collateral available to small borrowers (itself due to the limited supply of privately owned land with undisputed title);
- limited incentives for bank managers to actively make loans.

This mismatch of supply and demand means that many genuine business ideas remain unfunded. Also, many foreign investors—including the Libyan diaspora—continue to shy away from investing in Libya.

Libyan businesses are frequently unable to access basic banking services that are standard in most developed and emerging countries. The core elements of the financial system—clearing systems and payment facilitation services—which would allow small businesses and consumers to transact quickly, conveniently and at low cost, are very underdeveloped by international standards.

- **Banking Sector**

Libya's Banking Law 1, 2005 was amended by Law No. 1 of 2012 and later by Law No. 46 of 2012, which includes details on Islamic banking. A list and contact details for banks and representative offices of banks operating in Libya is available from the Central Bank of Libya (www.cbl.gov.ly).

Historically, the socialist ideology of the Qaddafi era had profound implications on the performance of Libyan banks, because it involved Libya's commercial banks in non-profitable activities. Libyan banks were often forced to finance plans for public sector projects, assume the burden of financing parts of the general budget deficit, and carry the burden of non-performing loans.

Steps taken by the Central Bank of Libya to improve the banking system have included allowing strategic partnerships between Libyan and foreign banks, and establishing the Libyan Centre of Credit Information to provide credit-related information to all banks about prospective customers seeking loans.

- **Dependence on Cash**

Access to cash is of particular importance because Libyan consumers rely on cash as their main means of payment. Non-cash methods such as certified cheques, have grown in use - however, consumers paying by cheque often incur additional costs of 10-40%, as it is challenging for recipients to cash the cheques, given the current restrictions on obtaining cash from banks. Debit cards are available but are not widely used as there is an average 20% premium added by payees because of the difficulties in obtaining cash from banks. As a result the majority of retailers and individuals prefer to only deal in cash.

In order to access cash, consumers have to queue for hours in banks to make limited withdrawals because banks do not have sufficient funds to pay out to everyone. Some people have been unable to withdraw any cash forcing many to reduce their spending to just essentials purchases.

### E. Business Environment: Challenges

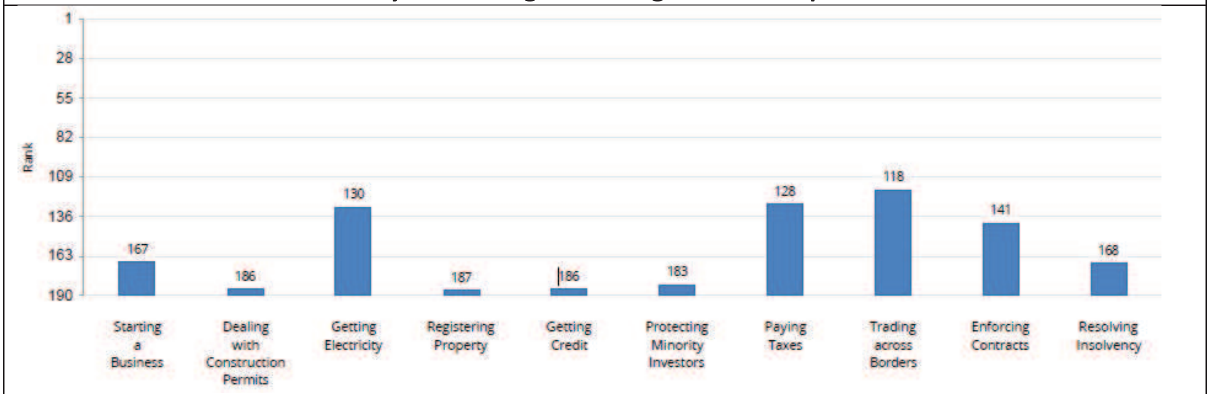
In the World Bank's 2018 Doing Business survey, Libya ranks 185$^{th}$ of out 190. This ranks Libya lower than the MENA regional average and behind countries such as Jordan, Egypt, Iraq and Syria.

In all the 10 different sectors assessed, Libya ranks in the bottom half of the rankings, with Registering Property (187), Getting Credit (186), Dealing with Construction Permits (186) and Protecting Minority Investors scoring (183).

In the Starting a Business ranking, Libya ranks 167 out of 190, which is below the regional MENA average and behind Egypt, Jordan, Syria and Iraq.

Setting up a company in Libya involves 10 procedures and takes up 35 days. This compares to 18.6 days for the MENA average and an average of 4.9 days for OECD states.

**Libya - Rankings on Doing Business topics**




*Source: World Bank Doing Business 2018 Indicators - Economy Profile of Libya*

## E.1. Doing business in Libya

The business environment in Libya can be challenging in all sectors, in terms of unexpected policy changes, revised regulations, opaque decision-making systems and a complex legal structure. This can make it very difficult for new market entrants, who are recommended to establish a local presence and build good relationships.

Since the 2011 revolution Libya's central decision-making and implementation apparatus has been weak. Decision-making in Libya can be very bureaucratic, especially in the state-sector. Many regional municipalities now have more effective input on the ground at the local level with regards to activities within the areas they control. Consequently having central government approval may not be sufficient to ensure a successful local implementation of a project. Hence it is advisable for foreign companies to establish local contacts and build strong relationships. Most foreign companies operating in Libya would appoint a Libyan liaison officer to support them in dealing with local processes as these can be time-consuming and without knowing the steps can appear confusing.

Since 2014, Libya's political split has led to some administrative splits in some institutions. In reality, while the head offices of most institutions may not split, operationally most state institutions are now operating semi-independently on a local level.

Receiving approval from one region to operate in the other may not be sufficient. Further approval may need to be obtained regionally. Companies wishing to operate in Libya may need to consider opening two separate offices, one in the west and one in the eastern Libya.

### Doing business in Libya - East and West

The presence of two governments in Libya – the internationally recognised government based in Tripoli in western Libya – and the unofficial government in Beida in the east - means foreign companies are advised to develop broad business links. In particular, Dutch companies interested in doing business in Libya are advised to contact and build relations with local chambers of commerce and local municipalities across Libya, and with the businessmen councils in both Tripoli and Benghazi.

Whiles these two governments exist, there is nothing that prohibits foreign companies conducting direct business with Libyan companies based in eastern Libya (B2B). Although because the eastern based government is not internationally recognised it is unlikely that international government entities will do business directly with the eastern based government (G2G). However there is nothing preventing international government entities from conducting business with private companies based in eastern Libya (G2B).

Since the international community supports the development of regional municipalities in Libya, there also appears to be nothing that prevents foreign government entities, or foreign companies from conducting business with municipalities located in eastern Libya.

In practice as most Libyan government entities have their headquarters in Tripoli in western Libya, it is most likely that any project would first be agreed in Tripoli with the head office – even if the project or business activity is to be implemented in eastern Libya.

Equally as Libya's oil funds are processed through the Tripoli-based Central Bank of Libya – payments would be arranged through the head office in Tripoli, for any business conducted with Libyan entities in western or eastern Libya. Whilst the eastern based government has minimal access to funds originating from the east (e.g. bank loans) – these are used for essential purposes, rather than general business or development projects.

Libyan private sector companies based in eastern Libya - unlike the government based in eastern Libya – do have access to a variety of channels to make payments for any transactions with foreign private sector companies.

At the time of writing there has been no evidence of one region of Libya imposing penalties or negative consequences on a foreign company for working in an 'opposing' region of Libya.

***Regaining confidence in Libya***

PHILIPS
Healthcare

*Before you put your 'commercial boots on the ground' in Libya, make sure you have full support of a reliable local partner, otherwise you will face major security and business risks.*

*You need to be able to rely heavily on the support of your local distributor who really understands the local culture, in order to achieve successful business in Libya and to solve future problems.*

*Philips Healthcare Systems has been present in the Libyan market for many decades and with success. Without combined efforts from Philips and our distributor, Assada Company, our business would never have flourished. However, business dropped after the 2011 revolution, started booming again until 2014, when it dropped again due to the clashing government parties and fighting between militias.*

*It has not been easy to maintain our business since then, but Libya has always been and will always be a promising and growing market. Libya's true potential is still untapped and in 2018 we are going to experience a little of that untapped potential, with plenty of new private hospitals opening up throughout the country".*

*(Johan Vooren, Vice President, General Manager Africa, Philips Health Systems)*

## E.2. Establishing business contacts

Dutch companies interested in doing business in Libya are advised to contact Mr. Herman Klijnsma who founded the Dutch Libyan Cooperation Council in 2012. He is a highly experienced and knowledgeable point of contact on doing business in Libya. He frequently visits Libya meeting Libyan public and private sector representatives exploring business opportunities and potential projects for foreign and Libyan companies in all sectors.

**The Dutch Libyan Cooperation Council**

The DLCC, founded in 2012, is an independent and impartial not-for-profit bilateral think tank and advisory body for the benefit of the Dutch and Libyan business communities and (semi-) governmental institutions in both countries. The DLCC strives to develop strong and sustainable bilateral relations between the two countries in the fields of economy and trade, politics, science and technology as well as arts and culture.

DLCC
DUTCH LIBYAN COOPERATION COUNCIL

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- **Local municipalities**

Historically, pre 2011, local municipalities had no real power as power was very much concentrated in the Tripoli-based central state apparatus. Going forward, Libya's new constitution is envisioned to give much more power and input in any economic activity in their regions to local municipalities. They are also, therefore, expected to be much more cooperative and proactive in attracting and supporting economic activity to their region. Investors in any region would need to establish good relations with any municipality they plan to work in.

- **Chambers of Commerce**

There are a number of Libyan chambers of commerce divided on a regional basis. Membership to regional chambers of commerce are compulsory for Libyan companies, as it is part of the process of issuing of a trade licence/company formation. Chambers of commerce are state institutions and their staff are appointed by the Ministry of Economy.

- **The General Union of Chambers of Commerce and Industry (GUCCI)**

The General Union of Chambers of Commerce and Industry (GUCCI) is an umbrella organization representing all the regional Libyan chambers.

- **The Tripoli Chamber of Commerce and Industry**

The biggest Libyan chamber of commerce by volume of companies is the Tripoli Chamber of Commerce and Industry. Due to its large membership, it has the largest budget. www.tcci.ly

- **The Benghazi Chamber of Commerce and Industry**

The Benghazi Chamber of Commerce and Industry is the second largest. Companies wishing to invest in the greater Benghazi area are advised to visit this chamber as during the current political split it has had more autonomy to initiate regional investment policy and debate. http://bencci.com/en/

There are also Chamber of Commerce branches in other cities such as Zawia, the Western Nefusa Mountains and Tobruk. Contact Tripoli or GUCCI for their contacts details.

- **Libyan Businessmen Council**

Business Councils are the bodies that represent private sector businesses. The largest and only legally recognised business council is the Libyan Businessmen Council in Tripoli, Dat Il Imad Towers. It has an official branch in Benghazi, the Libyan Businessmen Council Benghazi http://lbc.ly/english/

- **Libyan Businessmen Council of Misrata**

Libyan Businessmen Council in Misrata is a non-government organisation formed during 2011 to support the revolution while Tripoli was still under Qaddafi's control. It is still very influential even though it is not recognised by current law as an official businessmen council.

To date, attempts to reunite the business councils into one stronger voice to advocate for private sector interests, have failed. There are also various syndicates, workers trade unions and associations.

### E3. Bribery and Corruption

In the 2017 Transparency International Corruption Index (www.transparency.org), Libya ranks 170 out of 176, making it the sixth most corrupt country in the world. In 2016 the Tripoli-based Libyan Audit Bureau also concluded that corruption was rooted in the Libyan psyche and culture and was practiced by 86% of society.

In Transparency International's 2014 National Integrity System Assessments, Libya scored 14 out of 100 in public sector corruption, and reported that nearly 1 in 3 citizens who tried to access basic public services had paid a bribe in the MENA region in the past 12 months.

### E.4. Infrastructure challenges

- **Transport**

Libya lacks an integrated infrastructure system. Poor organisation, weak management and lack of investment mean Libya's main modes of transport – airports, ports and roads - are typically slow, inefficient, and dependent on face to face transactions. The absence of a railway network or internal waterways, means most goods are transported within Libya by road, and a small proportion by internal air freight. There are motorways and dual carriageways in main cities and coastal areas. However because Libya does not have a public transport system such as trams, buses or underground, traffic jams and acute parking problems are a growing problem, particularly in Tripoli.

Investment projects to upgrade the airports, ports and road systems were underway before the 2011 revolution, and partially resumed in 2012, before stopping again following the military clashes in 2014. As a result since 2014 several have been damaged during military clashes or are closed because of security concerns.

Construction of a coastal railway from the Egyptian border to the Tunisian border was underway but work has stopped since 2014 when the economic and political turmoil triggered by the Tripoli coup, led to the evacuation of international contractors and foreign workers from Libya.

- **Utilities**

Getting electricity, water and sewage connections outside the urban planning areas in Libya, including in the capital Tripoli can be problematic. Foreign investors and businesses are advised to choose locations within the urban plan. They will need to balance the cheaper rent and larger space with less utilities. However, some services can be obtained quicker by using a third-party mediator or contractor at premium cost.

<u>ELECTRICITY</u>: Most parts of Libya are near the GECOL electricity network. However, a commercial connection (depending on usage) may need to be run from quite a distance to the site. This would usually take some time (months) and would need GECOL to have all the necessary raw materials available at the time. In reality, outsourcing the project to a third-party contractor would cost a premium but will ensure quicker installation.

GENERATORS: International businesses are advised to install a power generator as post 2011, Libya has been experiencing acute power cuts which are expected to last for a number of years. Historically, most international businesses in Libya have installed backup power generators. It is now advised to upgrade generator capacity. A large diesel storage tank is also advised due to fuel shortages.

WATER: Sites in rural areas usually dig borehole wells to source water on sites outside the urban plan.

SEWAGE: In urban areas septic tanks are constructed by the user as the sewage network does not extend to many peripheral areas

TELEPHONE: Obtaining a telephone landline can be very challenging.

MOBILE PHONES: Mobile phone SIMs are widely used and are very easy to obtain. Mobile coverage can be weak in peripheral areas. During power cuts to mobile transmission masts mobile phone and internet coverage is frequently weak or lost. Many international businesses install a power generator and an independent stand-alone satellite dish for internet coverage outside the Libyan state-sector telecoms infrastructure.

Obtaining utility services are much easier in the Misrata Free Zone, which has set charges in US dollars applicable for installing the various utilities. See Misrata Free Zone www.mfzly.com

### E.5. Financial Liquidity

Libya is currently experiencing an acute cash crisis. There are often overnight queues outside banks. Many large transactions are conducted by cheques. However, cashing cheques carries a premium that ranges from 10-40 percent.

Libyan banks are not issuing any loans to commercial enterprises and are unable to accept property as loan guarantee.

## F. Safety and Security

Safety and security in Libya post 2011 has been poor. Due to the collapse of the official state security apparatus and the widespread availability of weapons and the multiplicity of militias, there has been a significant increase in crime since the 2011 revolution. According to the UN there are an estimated 20 million weapons in general circulation in Libya, contributing to the rise in armed robbery, illegal detention, kidnapping and assassinations.

Local security situations are fragile and can quickly deteriorate into intense fighting and clashes. Violent clashes can also cause the temporary suspension or closure of airports, closed roads and border crossings. There remains a high threat throughout the country of kidnap against foreigners, from extremists groups and armed militias.

Extremist groups are active in Libya, evidenced by terrorist incidents in Misrata and Benghazi in late 2017 and early 2018. Attacks are indiscriminate, including in places visited by foreigners. Terrorist groups in southern and south-west Libya are also of concern because these armed groups remain largely autonomous due the unstable security situation across large areas of Libya.

All foreign companies and business visitors to Libya are advised to the follow the latest advice of their national governments, to carry out a thorough risk analysis and to have emergency contingency plans in place which recognise the absence a centralised national authority.

- **Human Rights**

As a result of the 2011 conflict and subsequent armed clashes, Libya has over 200,000 internally displaced people, and thousands of illegal migrants en route to Europe detained in Libya - who are all vulnerable to abuse. Unfortunately all the state institutions required to protect human rights in Libya are weak. These include the absence of a regulated police force which has the ability to protect citizens, support the judiciary, and enforce public prosecutions.

In addition large numbers of armed individuals and militia groups mean threats and assaults on journalists and civil society organisations seeking to expose criminality and human rights abuses, go unpunished. In the 2017 Worldwide Press Freedom Index, Libya ranks 163 out of 180.

- **Regional threats**

The state's inability to impose its will and control its borders, especially those in the south, raises the risk of armed groups from regional conflicts crossing Libya's borders unchallenged.

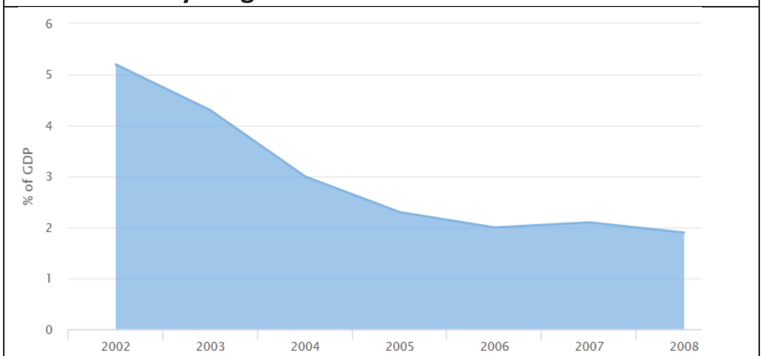
## SECTION 2: MAIN TRENDS AND DEVELOPMENTS IN THE AGRICULTURE SECTOR

### G. Importance of the agriculture sector to the Libyan economy

Libya is the 16th largest country in the world in terms of land mass, comprising around 1,760 thousand square kilometres. More than a quarter of the country's six million plus inhabitants live in its capital city, Tripoli.

Before the discovery of oil in Libya in 1958, the agriculture sector accounted for 25% of economic activity and Libya, and with its population then of only 1.2 million people, exported food. However, subsequent years of growth and development of Libya's significant oil and gas resources and the associated wealth the hydrocarbon sector generates has drastically reduced agricultural sector activity. The Arab Agricultural Statistics Yearbook 2016 reports Libya's agricultural production as $885 million, equivalent to 1.4% contribution to GDP in 2013, when the population was 6.2 million.

**Libya: Agriculture % of GDP 2002-2008**

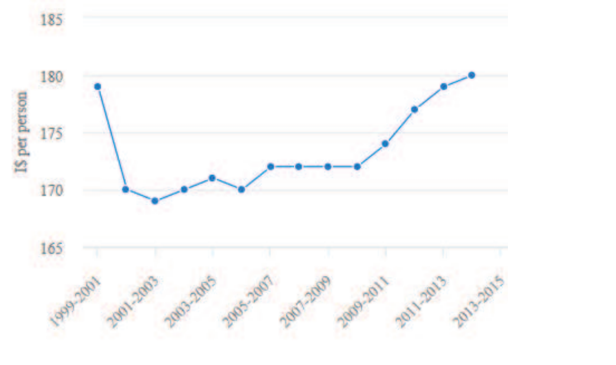



*Source: World Bank http://www.factfish.com/statistic-country/libya/agriculture%2C%20value%20added*

Overall between 2005 and 2014, Libya's food production from edible food crops increased by 12.1%. Regionally this compares to a 7% increase in Tunisia, a 20% increase in Algeria and 61% increase in Egypt during the same period. In Libya there was a decline in activity in 2014, as the ongoing conflict caused widespread disruption to agricultural production including the departure of large numbers of foreign manual workers who were working in the sector.

| Regional comparison - 2014<br>Food production Index<br>(2004-2006 = 100) | | | |
|---|---|---|---|
| Egypt | Algeria | Libya | Tunisia |
| 161 | 120 | 112 | 107 |
| *Source: World Bank* | | | |

**Libya: Average value of food production constant 1$ per person (3-year average)**



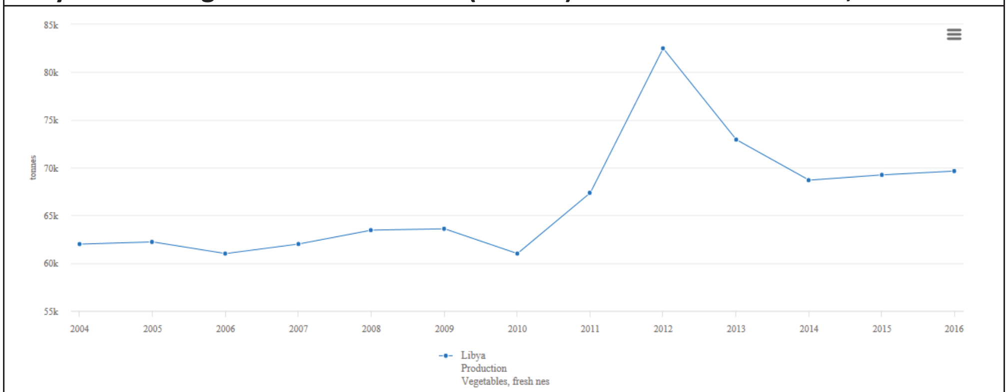

*Source: FAO http://www.fao.org/faostat/en/#country/124*

| Libya: Food production Index (2004-2006 = 100) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| *100.55* | *101.05* | *106.77* | *105.93* | *107.84* | *110.35* | *113.09* | *115.3* | *114.18* | *112.7* |
| *Source: World Bank (Libya Statistics online accessed February 2018)* | | | | | | | | | |

Libya's agricultural sector has been significantly impacted by the consequences of the political and economic turmoil which have gripped the country first in 2011, and then again since 2014. As a result, public ministries and administration have not been working normally, and the disruption to oil production has reduced income from oil exports creating an economic crisis. Meanwhile sporadic military clashes continue to fuel insecurity and uncertainty, as competing political authorities struggle to enforce the rule of law and build confidence.

The first impact on the sector was the massive departure of foreign workers in 2011 which reduced the labour available to work during key harvesting and planting times. Protracted and unpredictable periods of insecurity and fighting have disrupted supply channels, forced businesses to close and continues to interrupt electricity and water supplies.

**Libya: Fresh Vegetables - Production (Tonnes): 2004-2016  2016 = 69,644 tonnes**




Source: http://www.fao.org/faostat/en/#compare

The intermittent closure of ports has also affected the imports of important agricultural inputs, notable seeds, feed and livestock with shipping companies wary of docking in Libya. These factors have combined to disrupt imports of consumer food products, further highlighting the food security challenges Libya faces given its continuing dependence on food imports.

The World Food Programme's Libya Rapid Food Security Assessment Report in 2017 reported that since the beginning of the crisis in 2011, over 3 million people have been affected across Libya, with an estimated 1.3 million in need of some form of humanitarian assistance. The unstable political and security situation and resulting depreciation of the Libyan currency have negatively impacted food security, as Libya still imports the majority of its food because agricultural production is difficult.

Farmers have reported that the destruction of irrigation systems and disruption of supply routes prevented them from purchasing seeds, particularly for crops such as vegetables, where seeds are not normally saved from the previous harvest. In addition, the increase in fuel prices also limited farmers' ability to carry out mechanised operations.

Insufficient funds to pay subsidies to importers and distributors of basic food in 2015 have led to food supply shortages and high volatile food prices coinciding with falling incomes. According to the World Bank, the armed conflict has cut the income per capita of Libyan households by about two-thirds, falling to less than USD 4,500 in 2015 from almost USD 13,000 in 2012.

## G1. Structure of the agriculture sector

Libya's total land mass is 175.9 million hectares, however the predominantly dry desert climate means only 9% is suitable for agricultural, equivalent to 15.3 million hectares (or 153,500 square kilometres), while forest accounts for 0.1%. Libya's arable land, 1% of total land, is primarily located in the north of the country along the 1,800 kilometre Mediterranean narrow coastal belt. The two main areas of natural farmland are the high coastal plateau of Jebel Akhdar in the north-east and the fertile coastal plain in the north-west.

The Libyan agricultural sector is characterised by its large number of family managed small holdings, and 'weekend' farmers (who reside in towns), using heavily subsidised resources (seeds, pesticides, fertiliser and equipment) to provide produce for personal consumption and/or to sell in local markets. These farms are typically not mechanised, and given the 'real costs' of production, highly inefficient.

According to a census in Libya in 1987 the total number of agricultural holdings was 175,528, of which 49% were 5 hectares of less. This compares to Algeria in 2001 where 58% of holdings were 5 hectares or less, and Morocco in 1996 where 71% were 5 hectares or less. In Libya traditional small scale farming activity coexists with large farms that are more highly mechanised, using higher intensity inputs with relatively small amounts of labour – in 1987 only 0.6% of holdings were 50 hectares or more. Subsequent public sector involvement in the agricultural sector means the current number of large size holdings is likely to be higher.

**Libya: Number of agricultural holdings – Census 1987**

| Total | Less 1 hectare | 1-2 Ha | 2-5 Ha | 5-10 Ha | 10-20 Ha | 20-50 Ha | 50-100 Ha | 100-200 Ha |
|---|---|---|---|---|---|---|---|---|
| 175,528 | 25,125 | 17,654 | 43,904 | 40,904 | 28,285 | 15,987 | 393 | 686 |
| 100% | 49% | | | 23% | 16% | 9% | 0.6% | |

*Source: http://www.fao.org/3/a-i6537e.pdf FAO: Report: Family farming North Africa - 2016*

In the absence of more data from Libya, the estimated current number of holdings will have increased given that plots are typically sub-divided into even smaller size holdings as traditional Islamic inheritance rules stipulate that land be divided between surviving family members.

The absence of comprehensive accurate land ownership records, and the disruption to public state institutions since 2011, has also seen some Libyans take advantage of the situation by taking possession of land in urban and agricultural areas. Key drivers for this include a rising population, acute shortage of housing and lack of jobs. This unofficial residential and commercial construction on agricultural land, particularly in the areas of greater Tripoli and Benghazi, are reducing the number available to contribute to agricultural production.

| **Libya: Number of agricultural holdings – Census 1987** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Total** | **Less 1 hectare** | **1-2 Ha** | **2-5 Ha** | **5-10 Ha** | **10-20 Ha** | **20-50 Ha** | **50-100 Ha** | **100-200 Ha** |
| 175,528 | 25,125 | 17,654 | 43,904 | 40,904 | 28,285 | 15,987 | 393 | 686 |
| 100% | 49% | | | 23% | 16% | 9% | 0.6% | |
| *Source: http://www.fao.org/3/a-i6537e.pdf FAO: Report: Family farming North Africa - 2016* | | | | | | | | |

Libya's rural population is estimated to be 21% of the total population in 2016 equal to 1.34 million people. This compares to a rural population of 50% of the total in 1970. The International Labour Organisation (ILO) estimates employment in agriculture represents 20% of total employment.

With small sized farms, Libya's agriculture sector has very low levels of mechanisation. Rapid urbanisation has also led to a severe shortage of Libyan agricultural workers making it highly dependent on foreign migrant farm workers. Most are from sub-Saharan-Africa, Egypt or Tunisia - although many have left since 2011. However because they are a transient migrant labour force, many en route to Europe, it is uneconomical for Libyan farm-owners to invest in training them.

## G2. Agricultural inputs

The Qaddafi regime directly and indirectly protected and subsidised the agricultural sector for over 40 years in the form of low or no tariffs on agricultural seeds, fertilisers, pesticides, animal feed, and equipment. In addition the sector benefits from access to free water for irrigation and low fuel costs. With the exception of urea, Libya imports nearly all of its agricultural intermediate input needs.

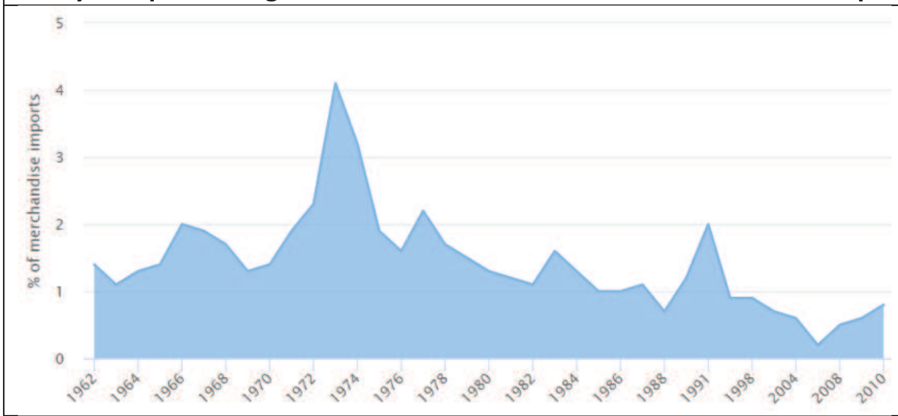
One indicator of the level of agricultural activity is fertiliser consumption. This was 4.58 kg per hectare in 2014, which is significantly lower than in 2011 when it was 38.61 kg per hectare.

| **Libya – Fertiliser consumption** | **2010** | **2011** | **2012** | **2013** | **2014** |
|---|---|---|---|---|---|
| Fertiliser consumption (kg per hectare of arable land) | 18.66 | 38.61 | 33.10 | 4.28 | 4.58 |
| Fertiliser consumption (% of fertiliser production) | 12,81 | 63.10 | 94.87 | 12.27 | 13.14 |
| *Source: World Bank data 2017* | | | | | |

Cereal seed supply depends mainly on the farmer's produced seeds. Besides the seeds imported by some national companies, large amounts of cereal seeds are produced by the government projects in southern Libya. The local crop varieties are used only in a very small scale, especially in cereal production, in some remote places, the commercial improved varieties are used more widely. Private nurseries provide most of the required amounts of the orchard trees seedlings.

| **Libya – 2015 Imports of fertilisers and pesticides (estimates)** | | | |
|---|---|---|---|
| **Libya Imports** | **Volume (1000 MT)** | **Libya Imports 2015** | **Value (1000 MT)** |
| Nitrogenous fertilisers | 2.24 | Insecticides | 10,736.00 |
| Phosphate fertilisers | 4.98 | Fungicides | 5,222.14 |
| Potash fertiliser | 5.22 | Herbicides | 509.44 |
| Nitrogen fertiliser | 913.48 | | |
| *Source: Arab Organisation for Agricultural Development, ARAB AGRICULTURAL STATISTICS YEARBOOK 2016 – No. 36* | | | |

**Libya: Imports of agricultural raw materials as % of merchandise imports 1962-2010**




*Source: World Bank http://www.factfish.com/statistic-country/libya/imports%20of%20%20merchandise*

## G3. Water resources

Major constraints to Libya's agriculture activity are low rainfall, scarce renewable water resources, and increasing water demand from a growing population. Most Libyan farms rely on bore-hole wells. These have had to be constantly deepened as the water table has lowered and in coastal areas sea water intrusion has filled the resultant vacuum. Saline water and poor drainage are reducing soil quality, so farms have had to move further southward seeking sweet water wells. The arid nature of much of the territory, means irrigated farming systems are of crucial importance.

Non-renewable groundwater from desert aquifers in southern Libya provides the bulk of Libya's water needs. Started in 1984, the Man-made River water supply project (MMR) which cost an estimated US$ 25 billion, supplies water to irrigate agricultural projects and supply water for the coastal urban centres where about 80% of the country's agriculture and population is located.

Former Libyan dictator Qaddafi's vision was that the MMR would be sufficient to supply the agricultural sector and help turn Libya's deserts 'green'. Hence a number of what he considered to be strategic agricultural projects irrigated by MMR water were set up and administered by the MMR Water Utilization Authority (GAMMARA). However, after decades of investing millions of dollars in these projects, years of mismanagement and corruption meant they failed to perform and the Qaddafi regime decided that only an international private-sector company could operate them efficiently. These projects were leased out to Farmco/Technofarm until the 2011 revolution forced the company to finally abandon these projects in 2014.

Higher than forecast consumption of the MMR resources and increasing demand for water, means the Libyan authorities are having to consider alternatives including improving the water efficiency, treating waste water and drainage water, cultivating less water-intensive crops and the establishment of desalination plants.

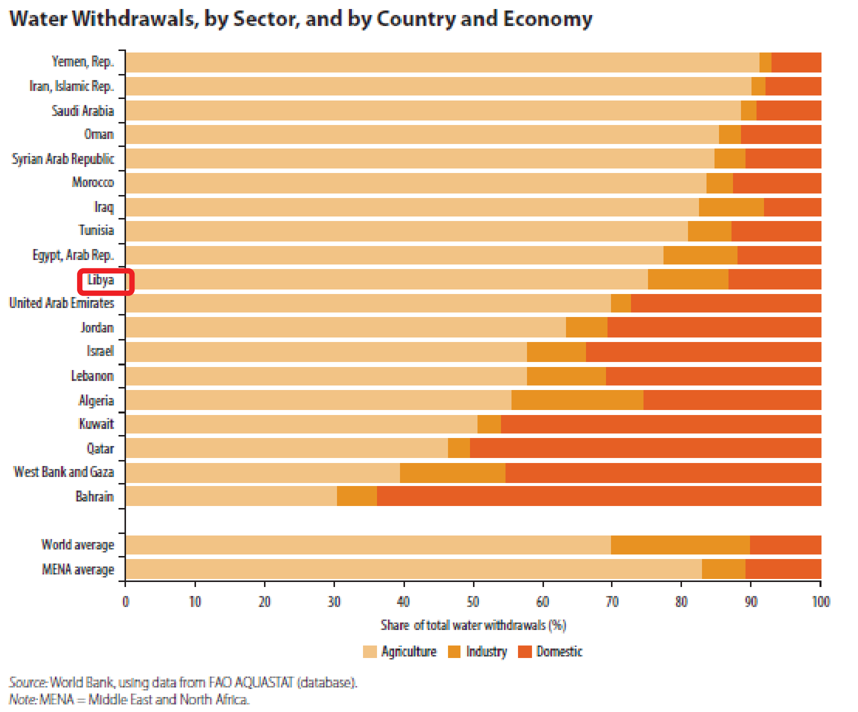
There is a great need to improve the system of water resources management in Libya, including: better use of water resources; application of irrigation techniques that use less water; and build more desalination plants.

Experts anticipate that since both the Man-made River project and bore-hole wells will be unable to fulfil Libyans' demand for water in the future, the shortfall would have to be met by increased desalination projects. In 2014, agricultural irrigation accounted for 83% of all annual freshwater withdrawals, compared to 12% for domestic use and 4% for industry. To this end, in 2015 the Libyan authorities announced that they were studying plans to create strategic water reserves for the main coastal urban centres, following a number of occasions when armed groups closed and damaged water pipes and installations from the south.

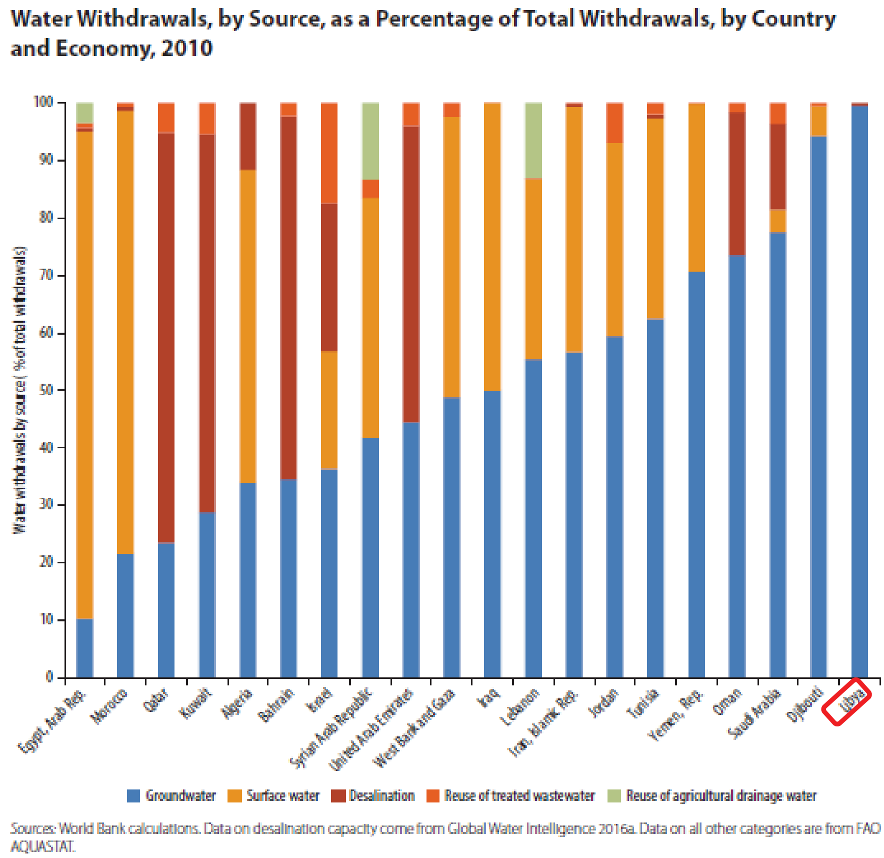
| **Libya water assessment: 2014** | |
|---|---|
| Renewable internal freshwater resources per capita (cubic metres) | 112.93 |
| Renewable internal freshwater resources total (billion cubic metres) | 0.70 |
| Annual freshwater withdrawals, total (% of internal resources) | 832.86 |
| Annual freshwater withdrawals: Agricultural irrigation (% of total) | 83% |
| Annual freshwater withdrawals: Domestic use (% of total)Domestic | 12% |
| Annual freshwater withdrawals: industrial/commercial (% of total) | 4% |
| *Source: FAO World Bank Statistics 2017* | |

Recent political stalemates and civil conflicts have resulted in damage to water infrastructure and institutions, preventing any progress toward water security. Climate change is expected to bring about increases in water stress and flood risks, compounding existing fragility challenges. Years of armed conflict and instability (since the Libyan 2011 revolution) have reversed gains in access to water services. According to the World Bank, Libya relies almost entirely on groundwater resources for its water supplies. Groundwater is being unsustainably exploited, with FAO estimates suggesting that water withdrawals are exceeding the renewable groundwater availability.

Experts anticipate that since both the Man-made River project and bore-hole wells will be unable to fulfil Libyans' demand for water in the future, the shortfall would have to be met by increased desalination projects. The recent study was to look at building a water desalination plant in the western Tripoli region of Janzour with a capacity of 200,000 cubic metres per day. (Libya Herald).




*Source: 'Beyond Scarcity, Water in the Middle East and North Africa' P.46; IBRD/World Bank – 2018 https://openknowledge.worldbank.org/bitstream/handle/10986/27659/211144ov.pdf*




*Source: 'Beyond Scarcity, Water in the Middle East and North Africa' P.46; IBRD/World Bank – 2018 https://openknowledge.worldbank.org/bitstream/handle/10986/27659/211144ov.pdf*

## G4. Outlook for agricultural sector

The future of agriculture in Libya will primarily depend on solving the constraints of arable land and water scarcities. Other constraints are the factors related to structural and demographic aspects as well as the lack of well prepared and informed technicians and farmers. In the first half of the Qaddafi regime, government efforts in agricultural development had been characterised by sizable investments and subsidies. However, despite those efforts the government failed in its ultimate objective of full food self-sufficiency as shown by the country's increased food imports.

An ecologically sound and economically viable use of the country's available resources, can be key to improved productivity and establishing a sustainable agriculture sector. Along with adequate education and research to develop adaptable farming techniques and management - agricultural productivity in the country could have a good future.

Libya's need to reform its agricultural sector is driven by several factors including increased population growth, the loss of fertile agricultural lands to urbanisation, climate change, increased desertification, reduced water resources and increased world food prices.

In addition, reform of Libya's agricultural sector is needed to achieve better food security and to diversify the economy from hydrocarbons, and create jobs.

## G5. Business opportunities and potential projects

Studies and research with state and private sector experts and stakeholders in the field have identified a set of key projects and sectors for potential development in the Libyan agricultural sector. Sequencing and prioritisation would depend on more research, and political decision-making by the Libyan authorities. However, some projects, particularly those where the Libyan private sector is active and looking for joint partners or specialist expertise may be easier to progress.

Despite the identification of several business opportunities, the development of many of these projects continues to be dependent on foreign investors returning to do business in Libya. The combined effect of armed conflicts in 2011 and 2014, and resulting political turmoil and economic instability means most embassies and international businesses left Libya and four years later have yet to return.

The Libyan business community recognises that a stable and secure Libya is essential to restoring the levels of foreign investor confidence needed to fully develop the Libyan agriculture sector. Meanwhile Libyans are keen to progress with developing these projects, and welcome opportunities to engage with potential foreign partners from the public and private sectors interested in doing business in Libya.

| | **Libya – Agricultural sector: Potential Business opportunities** |
|---|---|
| 1 | **Water conservation and desalination**<br>Consultancy, study and assessment of scarce water resources and a strategy as to how to best utilise them. A future strategy for water desalination projects to meet deficit in water supply that MMR will not be able to supply. |
| 2 | **Wheat/grains – for bread flour**<br>Libya consumes a high proportion of wheat-based foods such as flour for bread, couscous, pasta etc. The country is also a high consumer of bread. Therefore, wheat is a very strategic commodity. Yet 80% of the country's wheat is imported. Increasing production with better efficiency and productivity to reduce import-dependency & the creation of a strategic reserve is important. |

| | |
|---|---|
| 3 | **Mills – for flour & animal feed**<br>Libyan mills mill grains for bread flour and animal fodder. They are a strategic part of the wheat-mills-flour-food-animal fodder chain and also produce semolina, couscous and pasta. |
| 4 | **Animal feed – for animal rearing**<br>Animal fodder is an important input for an animal rearing industry. Libyan consumption of meat and eggs is expected to grow, and the increased supply of animal feed is an important part of developing this sector. |
| 5 | **Animal rearing for meat**<br>The development of an animal rearing sector for the production of meat is a possible sector for development in view of the forecast increase in Libyan meat consumption (lamb, beef, camel, chicken etc.). |
| 6 | **Hens for egg production**<br>Libyan consumption of locally produced eggs is expected to continue to grow with a preference for locally-produced eggs. This sector has been quite successful and can expand. |
| 7 | **Olive oil**<br>Libya has the potential to continue to expand its olive oil production capacity by utilizing the MMR water-irrigation projects and through the use of new Spanish Arbequina-type high intensity varieties that have already been tested successfully. The Libyan Export Promotion Centre has identified this sector for possible export potential. Currently, Libyan olive oil is exported to Tunisia where it is blended in with local oil and exported to Europe as Tunisian oil. Libya loses the export premium to Tunisia because of its inability to export directly to Europe. |
| 8 | **Palm dates**<br>Libya is self-sufficient in palm date production. But it has not been able to lift the productivity of the dates sector to enable it to export excess production. The Libyan Export Promotion Centre has identified this sector for possible export potential. |
| 9 | **Potatoes**<br>Dutch experts from Dutch potato-seed exporter to Libya, HZPC, see potential for the development of potato production in Libya. Small volumes of exports have already been achieved. There is a very small crisps factory using local potatoes. Market segmentation and penetration is still underdeveloped with possibility of frozen chips and potatoes specifically for the takeaway sector. |
| 10 | **Dairy products / production**<br>There are currently three Libyan producers of milk/yoghurt/ ice cream – using imported raw materials. The majority of products on the market are imports. There are a number of state-owned factories that could possibly be operated on a PPP basis. |
| 11 | **Food manufacturing & processing**<br>There is a small agro-food industry producing/packaging olive oil, cooking oil, dates, date syrup, chips, crisps, frozen veg / fries, fish, tomato paste, harissa etc. But 80 percent of Libya's food consumption is imported. The government is very keen to reduce this import dependence and try and diversify the economy and create jobs – by developing local industry. |
| 12 | **Fruit and vegetables – early varieties for export**<br>There is the possibility to develop the production of some early fruit and vegetable varieties specifically for the export market – especially in the south of Libya where the season is ahead of the north of Libya and well ahead of Europe. |
| 13 | **Logistics / storage (cold & freezing) Packing /sorting / grading**<br>To develop the Libyan agricultural and agro-food sector, the packaging, grading, sorting, storage value-chain needs to be developed. Around 30 % of fresh production is lost due to the poor logistic chain. |
| 14 | **Marketing / market penetration**<br>Together with logistics, more sophisticated marketing and market-penetration know-how and techniques are needed in the agri-food sector. |

| | |
|---|---|
| 15 | **Sector review / evidence-based decision-making policy review & formulation / Vision**<br>The Libyan government/Ministry of Agriculture needs advice and consultancy on reviewing the sector and identifying any real sector comparative advantages with potential for development to exploit resources efficiently. Policy needs to be evidence-based. |
| 16 | **Human resource development**<br>Leaders, management and staff at the Agricultural Ministry and its related departments need development and knowledge transfer in the latest techniques in their sector. |
| 17 | **Outreach / yield / efficiency / productivity**<br>The Agricultural Ministry used to have an outreach programme that visited farmers offering latest advice and transferring know how. In the last two decades this stopped. This is necessary for an effective agricultural sector. |
| 18 | **Laboratories / pest/disease control**<br>The Agricultural Ministry's ability to prevent and fight outbreaks of disease etc is vital to the sector. This depends on an effective Agricultural Research Institute with the latest know-how, training and equipment. |
| 19 | **Fishing / Aquacultures**<br>Libya's per capita fish supply is down by 50% between 2010 and 2015. Despite the richness of its waters in exportable fish (e.g., tuna and sardines), low investments in fishing boats, ports, and processing facilities are major obstacles to its growth. Fishing contributes only 2% to total agricultural GDP and employs about 1% of the workforce. Libyan fish is exported to Tunisia to feed its tourist industry and for exports to Europe as Tunisian fish. Libya is losing the export premium because it is unable to export directly into Europe. The Libyan Export Promotion Centre has identified the fishing sector as a potential sector for development. The Libyan government has been trying to develop this sector for decades to diversify the economy & increase employment. |
| 20 | **Tuna fish – canning for local and export**<br>As a sub-sector, Libya has been exporting tuna for decades – mainly to Japan. There is room for developing this sector further. |

### G6. Production

Wheat is the staple food of the Libyan diet, consumed as bread, couscous and macaroni. Couscous is a traditional food whereas macaroni is an easily prepared fast-growing dish. Rice consumption is increasing, and it is the only food product totally imported. Of pulses, the most consumed are chickpeas, lentils, dried beans and fava beans.

Meat, principally poultry, lamb and mutton, beef or camel, is an important part of Libyan meals. Milk is consumed mainly for breakfast, with increased consumption in the month of Ramadan. A wide variety of seasonal vegetables and fruit are abundantly available with a large production of citrus fruit and dates. Olive oil is produced locally, but imports of subsidised corn oil – which is widely used for cooking, frying and baking – have increased. Usually, there are three meals a day, lunch being the main meal. *www.fao.org/docrep/017/aq042e/aq042e.pdf*

Important crops in Libya include potatoes, onions, tomatoes, watermelons, dates, olives, wheat and barley. Libya's areas of arid steppe and pasture support its livestock production, including sheep, goats, cattle, camels, and poultry. Data from the Arab Organisation for Agricultural Development shows that local production needs to be supplemented by food imports to meet domestic demand. In particular, Libya is highly dependent on cereal imports. Consequently Libya's Self Sufficiency Ratio (SSR) in wheat and flour was only 14% in 2015, compared to complete sufficiency in potatoes with an SSR of 102%.

**Libya 2015 – Balance of major food commodity groups**

Value(V) : Millon U.S.Dollars Quantity (Q) : 1000 M.T. الكمية : الف طن

| ITEM | نسبة الاكتفاء الذاتي S.S.R. % | المتاح للاستهلاك AVAILABLE FOR CONSUMPTION | الميزان BALANCE قيمة V | كمية Q | الواردات IMPORTS قيمة V | كمية Q | الصادرات EXPORTS قيمة V | كمية Q | الإنتاج PRODUCTION |
|---|---|---|---|---|---|---|---|---|---|
| CEREALS (TOTAL) | 11.81 | 2644.66 | 479.11 | 2332.26 | 479.11 | 2332.26 | | | 312.40 |
| WHEAT AND FLOUR | 14.78 | 1353.64 | 235.11 | 1153.64 | 235.11 | 1153.64 | | | 200.00 |
| MAIZE | 0.54 | 642.07 | 107.22 | 638.63 | 107.22 | 638.63 | | | 3.44 |
| RICE | 0.00 | 66.72 | 59.55 | 66.72 | 59.55 | 66.72 | | | 0.00 |
| BARLEY | 16.75 | 567.24 | 77.00 | 472.24 | 77.00 | 472.24 | | | 95.00 |
| POTATOES | 102.86 | 276.14 | 0.70 | (7.89) | 2.29 | 2.78 | 1.59 | 10.67 | 284.03 |
| PULSES (TOTAL) | 88.79 | 9.90 | 1.10 | 1.11 | 1.13 | 1.22 | 0.03 | 0.11 | 8.79 |
| VEGETABLES (TOTAL) | 99.41 | 790.50 | 1.52 | 4.65 | 1.69 | 4.85 | 0.17 | 0.20 | 785.85 |
| FRUITS (TOTAL) | 87.25 | 461.38 | 57.38 | 58.83 | 57.49 | 58.88 | 0.11 | 0.05 | 402.55 |
| SUGAR(REFINED) | 0.00 | 170.76 | 102.23 | 170.76 | 102.23 | 170.76 | | | |
| FATS & OILS(TOTAL) | 50.11 | 107.57 | 69.09 | 53.67 | 71.99 | 55.67 | 2.90 | 2.00 | 53.91 |
| MEAT (TOTAL) | 93.60 | 303.67 | 47.83 | 19.43 | 47.83 | 19.43 | 0.00 | 0.00 | 284.24 |
| RED MEAT | 93.92 | 174.87 | 34.87 | 10.63 | 34.87 | 10.63 | | | 164.24 |
| POULTRY MEAT | 93.17 | 128.80 | 12.96 | 8.80 | 12.96 | 8.80 | | | 120.00 |
| FISH | 20.72 | 18.72 | 39.68 | 14.84 | 40.45 | 15.63 | 0.77 | 0.78 | 3.88 |
| EGGS | 86.84 | 69.09 | 16.00 | 9.09 | 16.00 | 9.09 | | | 60.00 |
| MILK & DAIRY PROD. | 40.78 | 569.09 | 193.81 | 336.99 | 193.81 | 336.99 | | | 232.10 |
| TOTAL | | | 1008.45 | | 1014.01 | | 5.57 | | |

*Source: Arab Organisation for Agricultural Development, ARAB AGRICULTURAL STATISTICS YEARBOOK 2016 – VOL. No. (36)*

| Libya: Crop production Index (2004-2006 = 100) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| 100.82 | 100.37 | 103.76 | 104.38 | 105.22 | 109.29 | 112.99 | 116.23 | 115.58 | 113.88 |
| *Source: World Bank (Libya Statistics online accessed February 2018)* | | | | | | | | | |

## G7-1 FOCUS: Wheat

In view of Libya's high consumption of meat and wheat-based foods - including bread, semolina, pasta, wheat and its related subsectors of milling, animal rearing, animal feed, - wheat plays an important role in the agriculture sector of Libya. FAO ranks Libya 76 in the world for wheat production, producing about 165,000 tons per year from about 207,000 hectares with a low ranked (120) yield of 7,946 hectogram per hectare.

### Domestic Wheat Farmers

Wheat flour and bread are of particular relevance to Libyan households, as these commodities are considered staple foods. According to the International Grains Council (IGC), 80% of food in Libya is based on wheat. The vast majority of wheat is imported from abroad. The share of local wheat production is low, with only around 10% coming from domestic sources before 2014. Post 2011, all wheat producers are located in the south of Libya, some of which are run by the government.

Fertiliser, pesticides and equipment (including spare parts) are imported from abroad, while seeds are derived from local sources. Many of the workers are of sub-Saharan or Egyptian origin.

### Set prices monitored by Audit Bureau

Both private and government-owned mills require letters of credit (LCs) from the Central Bank of Libya at the official exchange rate for the import of wheat. As a result of being granted official exchange rate LCs, they are subject to price restrictions imposed by the Audit Bureau when selling wheat flour to the market. This price is not fixed but moves in a certain range that depends on a variety of factors, such as production costs. The Audit Bureau regularly checks prices. If it observes price manipulation, the respective mill is blacklisted and banned from receiving letters of credit in the future.

### Private wheat flour importers

Besides the import of wheat, there are also significant imports of already processed wheat flour, reportedly accounting for roughly 25% of wheat flour consumption in Libya. In 2017, there were an estimated 10 companies responsible for importing from abroad (generally from Egypt, Tunisia, Turkey and Europe) and operate independently from wheat importers. The imported wheat flour is then sold to wholesalers, who in turn deliver it to bakeries, grocery stores and supermarkets.

### Price subsidies

The state's Price Stability Fund (PSF) subsidises a number of key food commodities, including wheat and flour. It used to buy 50 kg bags of wheat flour from mills at a price of 65 LYD and sold it to bakeries at around 20% of that price.

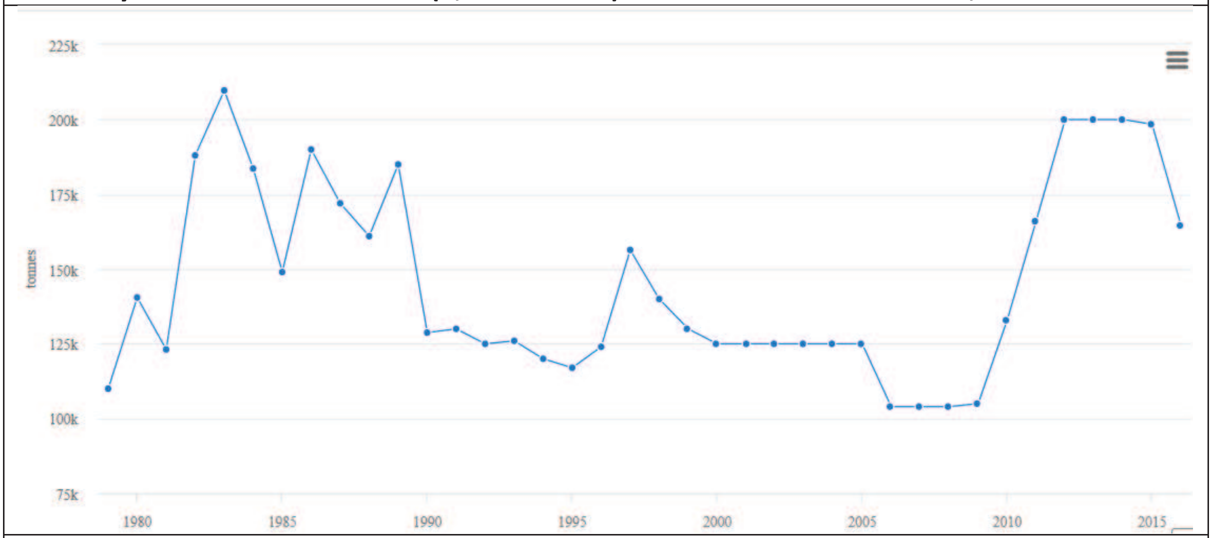
### Bakeries and retailers

There are more than 4,000 bakeries throughout Libya, requiring over 80,000 tons of flour every month to meet Libyans' demand for bread. Bakeries and retailers in Tripoli and Benghazi also sell wheat flour to residents of the city.

### Sector disruptions since 2014

While the wheat flour supply chain has been able to consistently provide wheat flour to the population, there have been important shifts affecting the price of the commodity. The combination of higher prices, the removal of subsidies, consumers' lack of liquidity and reduced purchasing power, mean the demand for wheat flour has halved since 2014.

**Libya – Wheat Production (1,000 tonnes) 1979-2016     2016 = 164, 572 tonnes**




http://www.fao.org/faostat/en/#compare

### Consumption Levels

Prior to 2014, Libya used to have one of the highest per capita consumptions of wheat in the world at 12kg per month, more than 280,000 tons of flour per month. This has declined in recent years to

120,000 tons of flour per month, because of rising prices, the lack of subsidised wheat flour, and consumers' lack of access to cash to purchase either flour or bread.

### Increasing wheat production & creating a strategic reserve

Libya needs to increase areas under cultivation and produce new, higher productivity wheat varieties to improve its wheat self-sufficiency gap. Experts believe that to increase wheat production and build a strategic reserve of wheat of at least 500 000 tons, Libya needs to rehabilitate existing wheat projects with investment, expand in new locations where soil and water resources permit, and support small farmers across the country to produce more wheat.

## G7-2 FOCUS: Mills

In view of Libya's high wheat consumption and imports, mills play a key role in the wheat flour market supply chain. Mills act as importers and bring in the vast majority of wheat which is milled in Libya from abroad. They contract European companies and buy wheat through tenders. In recent years, wheat has mostly been imported from Bulgaria and Greece and transported to Libya by sea, entering the country through the major ports in Tripoli, Misrata and Tobruk. From there the wheat is trucked to warehouses and mills.

The Libyan milling industry consists of public and private sector mills. There are 42 flour mills in Libya for soft wheat with a total capacity of 3.04 million tons of soft wheat per year, and 8 semolina mills with a total capacity of 700 thousand tons of hard wheat per year.

A 2017 survey by Reach, found that about 20 mills are currently producing wheat flour. Out of the 20 mills that have remained operational, 7 are large-scale factories, while the rest are small processors. There are only 3 mills located in the south. The actual production capacity of these mills varies from 70 to 1,000 tons of wheat flour per day.

The public sector represents 23% of the total milling capacity for soft wheat while the private sector owns 77%. However the public sector owns 40% of the total milling capacity for hard wheat, while 60% is owned by the private sector.

The public-sector mills are owned by the joint stock National Company for Flour Mills & Fodder in Tripoli and the National Milling Company in Benghazi (referred to as *Matahin meaning mills*). The total storage capacity of the grain silos in Libya is 500,000 tons. The Joint Stock Company for Flour Mills & Fodder was established in 1973 as a leading producer of food and feed industry in Libya. The company runs flour mills, semolina mills, pasta factories, couscous production lines and feed plants. It also owns grain silos with a total storage capacity of 220,000 Tons.

The total production capacity of the feed plants of the company reaches 500 000 tons per year which represents 25% of the total estimated demand of animal feed in the country, the balance (75%) is supplied by the National Milling company (Benghazi) and the private sector.

## G7-3 FOCUS: Animal Feed

Analysts forecast that demand for livestock products is expected to grow significantly leading to an increase in consumption of feed by livestock. Historically, it was a policy of the Qaddafi regime to support agricultural inputs by subsidising a third of the purchase price of animal feed. But the 200,000 tons of subsidised feed each year were not enough to reach all farmers.

The feed industry in Libya represents an essential part of the food chain that provides sustainable, safe and nutritious food by providing healthy feed. The importance of the feed industry comes also from the necessity to secure feed because of the shortage of green pastures during the year due to low rain fall and to supply feed during drought seasons.

The livestock sector in Libya is increasing and offers opportunities for agricultural development and food security gains. In Libya, like many developing countries, livestock keeping is a multifunctional activity which offers a supporting source of income.

The demand for feed in Libya is a derived demand for animals which consists of sheep and goats, camels, cattle and varying number of chicken. Libya needs about 2 million tons of feed per year, 60% for ruminants and 40% for poultry. For this, Libya needs to import about 2 million tons of animal feed ingredients of feed barley, yellow corn, soya beans, wheat bran and additives per year. The cost of animal feed is estimated to represent about 60% of the cost of livestock production in Libya.

Libya's animal production contributes approximately 30% of the total agricultural production, providing meat, milk, dairy products and eggs. Sheep, goats and camels are the main livestock species. However, the supply of animal products does not meet national demand, partly because of climatic conditions, feed shortage and lack of consistent governmental support.

Experts forecast that demand for livestock products in Libya is expected to continue to grow significantly. Consumption of food from livestock is projected to increase by 70% by the year 2050. The livestock sector in Libya is also considered to offer opportunities for agricultural development and food security gains.

| **Libya: Livestock production Index (2004-2006 = 100)** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** |
| 100.54 | 101.46 | 109.99 | 106.64 | 110.58 | 111.36 | 113.62 | 114.41 | 113.07 | 112.16 |
| *Source: World Bank (Libya Statistics online accessed February 2018)* | | | | | | | | | |

### G7-4 FOCUS: Fisheries

Fishing was encouraged under Qaddafi and the government attempted to stimulate demand by constructing a fishing port in Zuwara. Fisheries in Libya are mainly marine, with negligible inland fisheries and aquaculture.

Libya is almost self-sufficient in fish, with 95 percent for local consumption. The main exports are blue fin tuna, exported mostly to Japan, however, overfishing in the Mediterranean is a concern, with a significant contribution from Libya reducing stocks.

Latest available figures from FAO indicate per capita supply of fisheries products averages 4 kg per year in 2015, down from 8kg in 2010. www.fao.org/docrep/017/aq042e/aq042e.pdf. Despite the richness of its waters in exportable fish (e.g., tuna and sardines), low investments in fishing boats, ports, and processing facilities are major obstacles to growth of the sector. Fishing contributes an estimated 2% to total agricultural GDP and employs 1% of the workforce.

The annual catch was 52,000 metric tons in 2010. However since the 2011 revolution disrupted activity and impacted the annual catch, which was 26,000 metric tons in 2015. The catch sector in Libya is composed of four major activities: artisanal coastal fishing by small boats, lampara fishing mid-size boats, coastal trawling and tuna fishing. Most of the catch is taken by artisanal boats working with nets or hooks, and by the lampara fleet.

| **Libya – Fisheries production** | **2010** | **2012** | **2013** | **2014** | **2015** |
|---|---|---|---|---|---|
| Total fisheries production (metric tons) | 52,227 | 35.014 | 36,014 | 24,013 | 26,012 |
| Capture fisheries production (metric tons) | 52,117 | 35,004 | 36,004 | 25,003 | 26,002 |
| Aquaculture production (metric tons) | 110 | 10 | 10 | 10 | 10 |
| *Source: World Bank data 2017* | | | | | |

<table>
<tr><td colspan="2">Interview with Mr Husni Bey in December 2017<br>Leading Libyan businessman and chairman of the Bey Group of companies which owns a tuna canning factory and markets its tuna brand in Libya.</td></tr>
<tr><td>Mr Bey was asked about the fundaments of the Libyan state and economy, and if there are realistic opportunities to diversify the economy and create alternative sources of income besides hydrocarbons?</td><td>''Yes. The Libyan fundamentals are great - but the Libyan model is a failure. The fundamental problem of Libya is the civil servant who does not want to let go of his controlling power and of the state money.<br><br>Nowhere else in the world – except Libya - is an Economy, Communication, Health or Agriculture Minister given management of government owned companies. The Minister is owner through control of the General Assembly, Manager through his chosen Board of Directors and CEO, supplier/client by contracting through Government's budgets''.<br><br>''The Tuna caught in Libya is the most expensive variety: Bluefin Tuna. The tuna used for canning is the Yellow Fin and Tonggol variety. Tuna in Libyan waters is migratory from May to mid-July.<br><br>Libya can develop tuna farms as the Sirte Gulf is the egg-laying ground for Bluefin Tuna that migrates around the Mediterranean coast. The canning industry uses Yellow Fin Tuna imported from the Pacific Ocean, Thailand and South America and from the Indian Ocean, Oman and East Africa. Libya is rich in Mediterranean varieties of fish such as Grey and Red Mullet and other varieties. This can certainly cover the demand for the domestic Libyan market - as well as some exports''.</td></tr>
</table>

### G7-5 FOCUS Potatoes

According to FAO, in 2016 Libya produced 337,000 metric tons of potatoes, up from 295,000 tons in 2015 per year using 17,000 hectares at a yield of 196.000 hectograms per hectare. Libya's production compares to 440,000 metric tons in Tunisia, 4.8 million tons in Algeria and 5.0 million tons in Egypt in 2016.

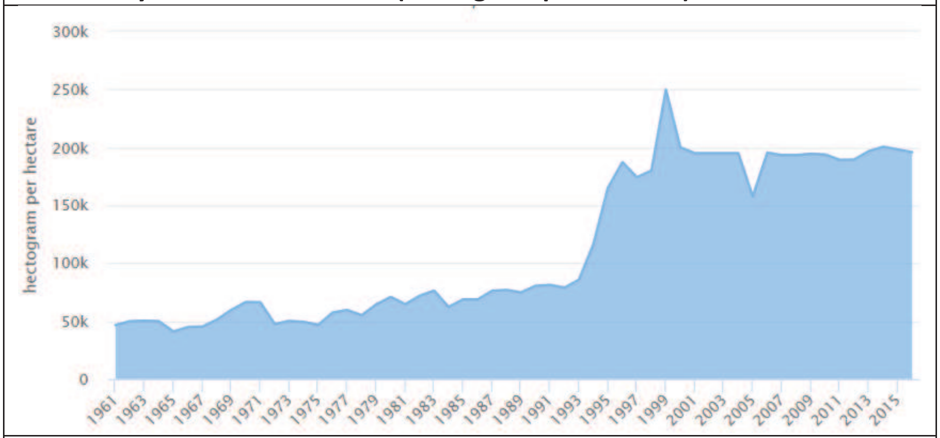
Libya's excellent quality sandy, loamy soil and favorable climatic conditions are seen as ideal for potato production. Hence experts are confident that Libya's potato sector has great potential for development.

| Libya | 2015 | | | 2008-2012 | | |
|---|---|---|---|---|---|---|
| | **Production** | **Yield** | **Area** | **Production** | **Yield** | **Area** |
| | 1000 MT | Kg/Ha | 1000 Ha | 1000 MT | Kg/Ha | 1000 Ha |
| Potatoes | 295.00 | 19,667 | 15.00 | 316.64 | 19,534 | 16.21 |

Source: *Arab Organisation for Agricultural Development, ARAB AGRICULTURAL STATISTICS YEARBOOK 2016 – VOL. No. (36)*

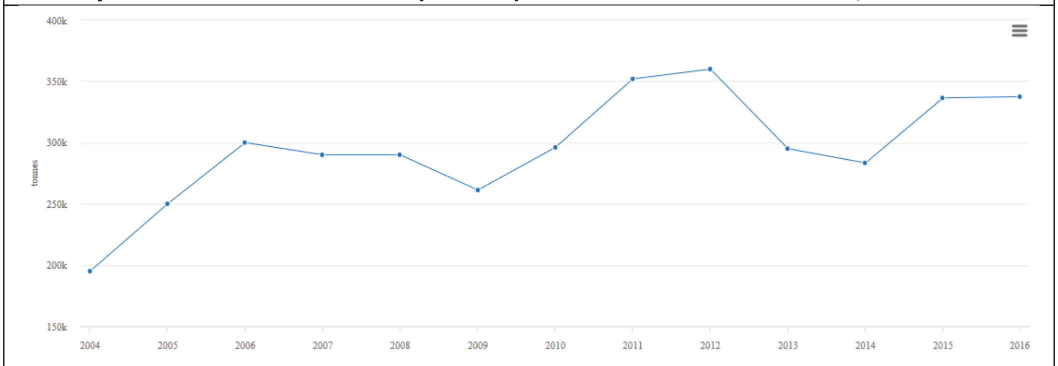
Spunta is the favourite variety of seed potato used in the Libyan market, although Valor is also grown. Local companies are responsible for the marketing of seed potatoes imported from Europe, mainly Holland.

**Libya – Potatoes – Yield (hectogram per hectare) 1961 - 2015**




http://www.factfish.com/statistic-country/libya/potatoes,%20yield

**Libya: Potatoes - Production (Tonnes): 2004-2016 2016 = 337,455 tonnes**




Source: http://www.fao.org/faostat/en/#compare

The size of the local market for seed potatoes in Libya is estimated at 10,000 metric tons per year, and is forecast to increase. The average potato consumption per capita per year is 35.5kg. There are no special import regulations on potatoes, as long as they comply with standard international regulations.

| | | | |
|---|---|---|---|
| Various market segments, including processing as French fries and crisps, and exports, are emerging. The local market is changing as Libyan consumers increasingly look for a wider variety of potato products on offer. | | Potato specialist, **Jaap Mazee**, at leading Dutch seed potato producer HZPC says: "The quality of Libyan soil is unique, it's ideally suited for growing consumption potatoes. I have not seen anything like it anywhere else". Small quantities of HZPC-seed potatoes grown in Libyan have been exported to UAE. | |
|  | Mr. Crunch! from HZPC-variety 'Taurus' grown in Libyan soil |  | Libya's sandy-loamy soil forms an ideal potato nursery |

## G7-6 FOCUS: The Technofarm/Farmco PPP Experiment

Farmco / Technofarm International was a consortium formed in 2002 between US companies Valmont (52%), FIAT's Case New Holland (28%) and the Libyan state in the form of the Great Man-made River Authority (GMR) (20%) to develop and manage farms in Libya fed by GMR water. Initially, Technofarm was the supplier and installer of linear/single pivot irrigation systems. However, as it became clear that Libyan management were unable to operate the GMR farms on an internationally competitive level, Technofarm formed the joint-venture Farmco to manage the GMR farm projects.

It is estimated that about 700 centre-pivot irrigation systems have been sold to Libya by Valmont and installed mostly in the south of Libya. The sizes of farms vary from 50-300 hectares each. At the time, Valmont was world's largest manufacturer of irrigation equipment, with a 50 percent market share for centre pivots.

The aim was to utilise the water resources and urea from Libya's Brega plant in the most efficient and productive way to produce food crops for the Libyan people. The venture was a partnership with the GMMR Water Utilization Authority (GMRWUA), to develop several farming projects across Libya. Technofarm developed the farm infrastructure, including the irrigation, civil works, farm machinery and other requirements and invested its own funds to provide the necessary seeds, fertilizers, technology, labour and management to produce the crops. After harvest, these crops were sold on the Libyan market and the revenues were shred with the GMR; 41% for FARMCO and 59% for GMR.

The venture involved 20,000 hectares of irrigated farmland in four locations in Libya that produced a variety of crops including wheat, barley, oats, corn, potatoes, alfalfa and grass hay, table grapes, olives and several fruit tree crops such as peaches, pears and apricots. It is estimated that at their peak, the farms generated produce valued at the equivalent of US$25 million.

The Al Khadra Large Farm Agriculture Project was the pilot project to determine the feasibility of combining the resources provided by the GMR and foreign investment companies. This project is located next to the town of Al Khadra, 50 kilometers south of Benghazi, and entailed the development of 1,200 hectares of irrigation using linear move systems.

The GMR Water Utilisation Authority provided the land, the water and the irrigation systems. Technofarm invests in the required crop inputs such as seed, fertilisers, labor and management. After harvest and sale of the crops, the resulting proceeds are shared by the two parties.
Based on the success of this pilot project, in 2004 Technofarm signed contracts for further development at the Al Khadra site to include an additional 12,000 hectares and for the development of 600 hectares at the Tarhona Agriculture project south of Tripoli. In addition, a small pilot project was developed in Gararah Al Gataf, using water from deep well. In 2005 another 5000 hectares at the Sirt Large Farms Project near Sirt Libya was also agreed. Unfortunately, all of the capital invested in Farmco was lost during the 2011 revolution.

| **FARMCO Managed GMR farms (2004-2014)** | | |
|---|---|---|
| **Farm location** | **Size hectares (Ha)** | **Type of produce planted** |
| Benghazi | 10,000 | Mostly: Wheat / barley (winter), corn (summer). 30 ha table grapes, 5 ha apricots, 5 ha peach, 5 ha apples & 5 ha of pears |
| Sirte | 5,000 | Wheat / barley (winter), corn (summer) |
| Bani Walid | 500 | Alfa alfa |
| Tarhuna | 450 | Wheat / corn. 10 ha apples, 10 ha apricots, 10 ha peach, 10 ha pear & 10 ha table grapes |

*Source: interview of FARMCO General Manager Greg Cunningham – December 2017*

**Greg Cunningham worked as General Manager for Technofarm in Libya during 2004-2014.**

*''I see the greatest potential for yield intensification in the GMR farm projects in soft wheat. The largest demand in Libya is for the soft wheat. The Libyan state guaranteed to buy all local production so as to encourage local production and local agriculture. To encourage farmers to continue to invest in growing wheat – it also guaranteed or fixed prices.*

*Soft wheat returned the highest price on the local market. For example, in Benghazi we sold all of our production to a local mill on our doorstep. I think that there is great potential for yield intensification for soft wheat because the varieties we used were local varieties which are generally poor varieties*

*Cereal growers were not supported with technical advice or recommendations on crop protection by the government. There is some support by the private sector but often the advice is of poor quality.*

*Most growers do not use herbicides. The more sophisticated growers will use (a selective herbicide) such as iloxan to control grasses and Derby or Brominil to control broadleaf weeds in two separate applications''.*
*Greg Cunningham. General Manager FARMCO (GMR farm projects) 2002-2014.*

## G7-7 FOCUS: Poultry for meat and egg production

The Qaddafi regime encouraged the country's poultry industry in the first two decades of its rule. This was part of its drive for self-sufficiency in foodstuffs of animal origin, such as poultry meat and eggs. Various state-owned and operated poultry complexes were set up and supported to achieve this goal. In addition to producing laying poultry and hatching eggs, at one stage state poultry complexes supplied more than 40% of Libya's chicken meat requirements. It is estimated that about 14,000 people were directly involved in this sub-sector.

In the last two decades of the regime, like all state-sector industries, some of the state poultry complexes faced various constraints such as corruption, inefficiency, overmanning, poor management, low competitiveness of poultry products and high mortality rates especially during hot seasons. The private sector filled most of the gap.

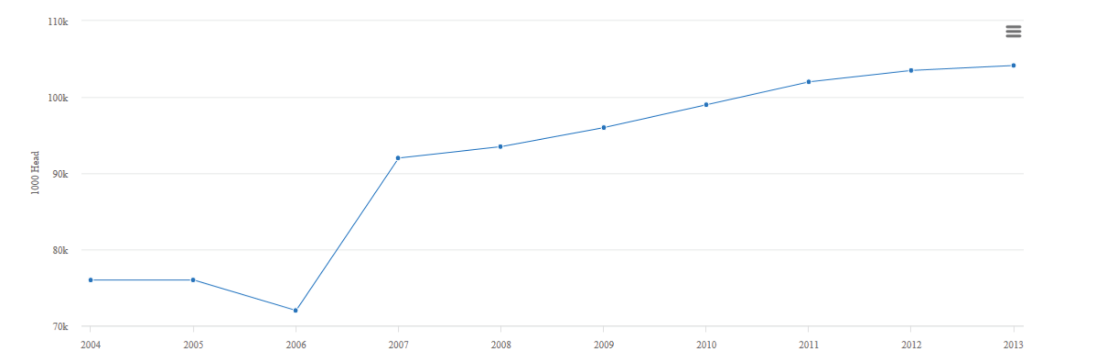
| **Source: FAO - Libya's egg and poultry meat production 2015** | |
|---|---|
| Eggs per capita | 215 eggs |
| Poultry per capita | 24 kg |
| * Population 6.1 m | |

### Poultry Meat

The cost of poultry meat production in Libya is constrained by the cost of imported inputs such as feed ingredients, parent stocks, vaccines, medicines and disinfectants. Libya's cost of producing poultry meat is approximately double that of countries producing their own feed ingredients, such as Brazil, USA, Argentina and Thailand. Hence chicken meat production in Libya will depend on the protection this sector receives from imports from countries whose cost of production is only 50% as much, such as Brazil, USA, Argentina and Thailand.

It is estimated that Libya's frozen chicken imports increased by about 70% in the last five years to 2011. This happened despite the imposition of import duties on poultry meat, and indicates a readiness by the local market to increase imports of frozen poultry meat at the expense of local production.

**Libya: Chicken Indigenous Meat - Production (1,000 head): 2004-2016 2016 = 104,150**




Source: [http://www.fao.org/faostat/en/#compare](http://www.fao.org/faostat/en/#compare)

The development of the poultry meat industry in Libya will depend on two options: increasing the import duties and/or reducing the cost of production. Reducing costs of production depends on firstly improving productivity to levels achieved in the exporting countries. This includes reduction of mortality in broiler flocks to a yearly average below 5%, and improving broiler parent productivity to over 135 broiler chicks per hen housed. Such achievements will reduce the cost of broiler production by about 30%.

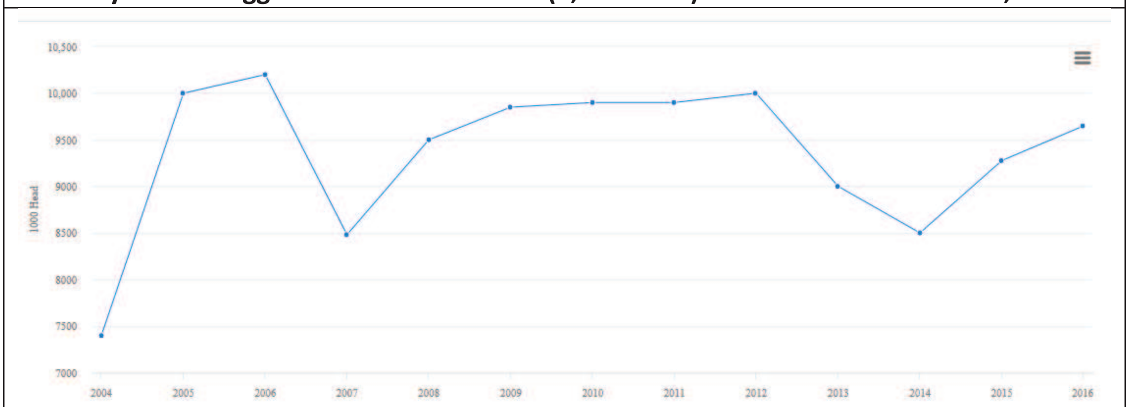
(Additional reductions in the cost of production can only come from producing corn and soybeans in the Arab countries at lower cost than the import prices from non-Arab countries. The cost to import these two feed items has remained lower than the cost of producing them in any Arab country since 1960.

## Egg production and imports

Egg trading among countries in the Arab region is quite limited except between close neighbours. This is because consumers demand fresh eggs, which limits imports. Egg production in Libya is expected to continue to increase to meet the growing demand due to population growth and increased per capita consumption. But increasing imports of egg products from countries with lower production cost cannot be ruled out if local production cannot compete on price or to meet demand.

Imports of eggs from Arab states (mainly from Tunisia), unlike frozen chicken from non-Arab states - are not subject to protectionist import duties.

**Libya: Hen – Eggs in Shell - Production (1,000 head): 2004-2016 2016 = 9,649**




Source: http://www.fao.org/faostat/en/#compare

## Poultry strains

Poultry production in Libya depends upon three sources for poultry strains and hatching eggs, the rest are the poultry farms that belong to the public sector which own breeder hens such as Tripoli poultry complex which has three chick hatcheries of 20 million egg capacity for the production of 15 million chicks for meat production. Benghazi poultry complex which has a hatchery or 15 million egg capacities per year to produce 7.5 million chicks yearly.

The second source for poultry strains and hatching eggs is poultry farms belonging to the private sector. The third source for chicks and hatching eggs are imports from abroad, where Libya imports some selected chicks for meat production and chicks for egg production as well as hatching eggs from Belgium, France and from Netherlands. The main imported hybrid lines include Hubbard-ISA, Hendrix and Hy-Line. The total annual production of hatching eggs and broiler chicks is estimated at 135 million and 93 million, respectively.

### Consumption and marketing

Consumption and prices of poultry products follows a seasonal pattern, being higher in winter and lower in summer. In addition, compared with eggs and chicken meat from intensively raised flocks derived from imported stocks, those from indigenous stocks are preferred by Libyan consumers. They therefore fetch premium prices. Indigenous laid eggs fetch more than three times the price of an egg from genetically improved hens. Libyan dishes prepared using indigenous chickens are often regarded as delicacies, with meat and eggs from indigenous chickens considered to be tastier and healthier - because synthetic drugs, such as antibiotics, are rarely used.

Broilers from both poultry complexes and private farms are marketed through slaughterhouses, small butcheries, wholesalers and brokers. However, while broilers from the poultry complexes are sold at 45 days of age, those from private farms are usually sold at 30-35 days old as this can reduce the risk of disease outbreaks. Butcheries tend to prefer these smaller birds. About 90% of consumers are estimated to buy slaughtered chickens, while the remaining 10% buy live birds.

Table eggs as well as hens at the end of their laying cycle of around 82 weeks of age are usually sold through wholesalers or brokers. Because no storage facilities are available on most farms, table eggs are sold on a daily basis or every two days.

### Poultry feed

One of the principal constraints to poultry industry development in Libya is related to feed resources and feeding aspects. Feed costs usually represent 60 to 70% of the economic inputs in the Libya's poultry industry, and in many cases, poultry business failures can be traced to poor feeding of the birds. At its peak, prior to 2011, the feed industry had more than twenty feedstuff factories supplying the sector. The total capacity of production of poultry feeds in Libya is about 750,000 MT. Most of the feed mills belonged to the government. The feed industry cannot produce sufficient feed to meet the poultry industry's requirements in Libya.

The main components of commercial poultry rations frequently used, include maize, barley, wheat bran, alfalfa meal, cottonseed meal, soybean meal and salt - most of which are imported.
Most of the cereal grains used to be imported from Latin America, while a few, including soybean meal and salt are produced locally, but production is not sufficient. In addition, premixes containing amino acids (lysine and methionine), magnesium oxide, vitamins and minerals are often incorporated into the poultry rations. Poultry feeds were traditionally produced in mash form containing a metabolisable energy (ME) of 2,940 kcal/kg feed. But there has been some shift towards the production of pelleted feeds.

**LIBYAN BUSINESS CASE: CHICKEN FARM FOR EGG and POULTRY MEAT PRODUCTION**

**Company:** **Misrata Centre for Egg Production (GNA government owned)**


Front: H.E. Dr Ahmed M.M. Abuzaid, Deputy Minister of Agriculture, Livestock and Marine Resources
Behind desk: Eng. Fathi A. Dernawi, General Manager Misrata Centre for Egg Production (DLCC site visit at the invitation of Deputy Minister Abuzaid, 13 January 2018)

**City:** Misrata
**Project:** Total refurbishment and modernisation of existing production facilities
Objective:
- revitalisation of national egg & poultry meat production
- significant expansion of egg production capacity
- significant expansion of poultry meat production

**Project value:** P.m.
**Status quo:** March 2018: agreement Libyan Ministry of Agriculture & DLCC to build Libyan-Dutch consortium to realise the project and to prepare the privatisation
**Option:** Foreign private sector (co-)ownership

**Summary**

The Misrata Centre for Egg Production is owned by the Tripoli-based internationally recognised government (GNA). Total area: 70 hectares, including 1400 olive trees, 200 date palm trees, 15 hectares for crop production and with a current layer and rearing capacity of 90.000 chickens each. The farm suffers from a dramatic lack of maintenance: the cooling system is out of order as is the automatic feeding system as well as the packing machines (all is done manually). The Ministry of Agriculture is seeking foreign expertise and co-investors (preferably Dutch) to work together on the redevelopment of the farm into a modern efficient production facility that will be privatised in due time.

Some highlights of the plan include:
- three new layer houses (capacity: 40.000 each)
- renovation of three existing and building of three new broiler houses (12.000 each)
- new poultry processing plant, build new cooler and freezer stores, build complete water treatment plant.

## G7-8 FOCUS: Dairy

Consumption of dairy products in Libya is forecast to grow substantially. The commercial market is not based on the local production of fresh milk, but is dependent nearly exclusively on recombining imported raw materials. Around 75% of overall milk production is from the “non market” economy produced for home consumption. Before 2011, there were a small number of major commercial players. Some have suffered damage to their business and others have ceased trading due to shortage of feed supply and inability to access hard currency letters of credit at the official exchange rates for imports.

Before the 2011 revolution, brands such as Bey Group’s Al Rayhan and Judi, based in Tripoli, accounted for about 50% of the milk market, while Misrata-based Al-Naseem dominated the yoghurt sectors. There is also a wide range of imported brands from Egypt (Americana, Juhayna), and major international brands such as Nestle, Arla and Fromageries Bel, for example.

In 2010 the previous regime had announced the 2010-13 LD3.3 billion (US$2.75 bn) Industrial Development Programme to expand the country’s industrial sector. This included a plan to improve existing and create new food processing plants which totaled 331.

**LIBYAN BUSINESS CASE: FRESH MILK PRODUCTION**

**Company: AL-NASEEM Dairy Company**
**Market leader in the Libyan dairy market**
City: Misrata www.alnaseemdairy.com




**Project:** Pilot 2018/2019:
Three (3) 'state-of-art' dairy farms (400 cows/farm)
Target 2022/2023: 3,000 cows, 18 million litres milk/year
**Objective:** Self-sufficiency in fresh milk production
**Project value:** Pilot: approx. € 4-6 million/farm
**Status quo:** March 2018: contract Al-Naseem & DLCC to build Libyan-Dutch consortium (Public Private Partnership project)
**Option:** Consortium to include also non-Dutch investors/partners

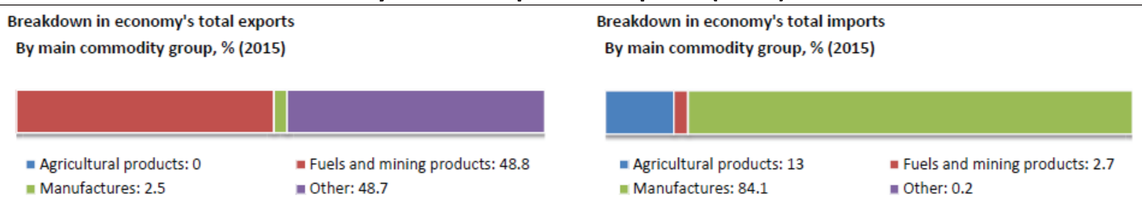
**Summary**

Establishment of a **fresh milk production and collection network** of three farms of 400 dairy cows each, to have a total of 1,200 purebred dairy cows. These farms will be the hard core of the project and will serve as a nursery to supply small farmers with full heifers and bulls. Within four years the project's herds will reach 3000 cows.
Furthermore, the project includes the creation of:
- a breeding centre for the production of full heifers and of breeding bulls
- an artificial insemination network
- a concentrated feed production plant for livestock
- an agricultural services unit (e.g. for technical assistance, monitoring, collection of milk, supply of fodder, concentrated feed, equipment, spare parts, etc.

## H1. Trade

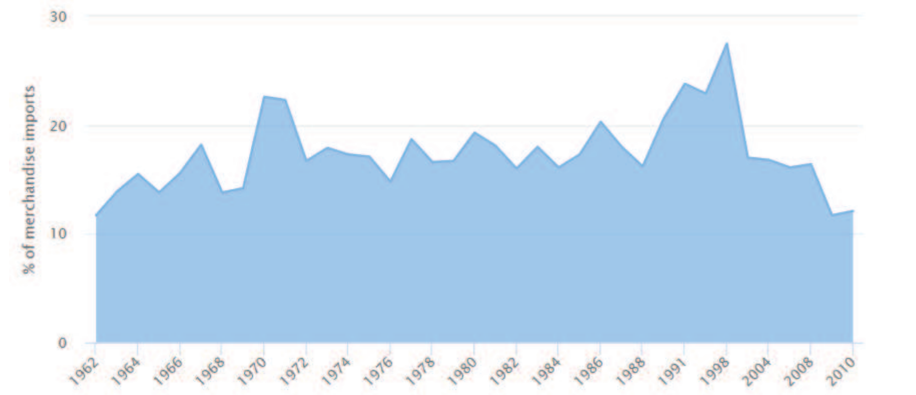
Agricultural production yields are generally low, meaning Libya imports the majority of its food needs. For example, in 2016, Libya imported Euro 4.88 billion from the European Union, 30% of which were food and live animal imports worth Euro 1.0 billion.

**Libya: Total Exports – Imports (2015)**




Source: WTO Libya Trade Profile 2017 https://www.wto.org/english/res_e/booksp_e/trade_profiles17_e.pdf

**Libya: Imports of food as % of merchandise imports 1962-2010**




*Source: World Bank*
*http://www.factfish.com/statistic-country/libya/imports%20of%20merchandise*
*Note:* Food comprises the commodities in SITC sections 0 (food and live animals), 1 (beverages and tobacco), and 4 (animal and vegetable oils and fats) and SITC division 22 (oil seeds, oil nuts, and oil kernels).

**European Union, Trade with Libya**
**Trade flows by HS section 2013 - 2016** Source Eurostat Comext - Statistical regime 4

| HS Sections | Imports Value Mio € | | | | Exports Value Mio € | | | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 |
| Total | 23,205 | 12,473 | 7,528 | 4,878 | 7,844 | 5,313 | 4,161 | 3,453 |
| I Live animals; animal products | 1 | 0 | 0 | 6 | 398 | 429 | 444 | 475 |
| II Vegetable products | 0 | 0 | 0 | 0 | 436 | 343 | 293 | 292 |
| III Animal or vegetable fats and oils | 0 | 0 | | | 15 | 3 | 1 | 25 |
| IV Foodstuffs, beverages, tobacco | 0 | 0 | 0 | 0 | 482 | 410 | 414 | 376 |

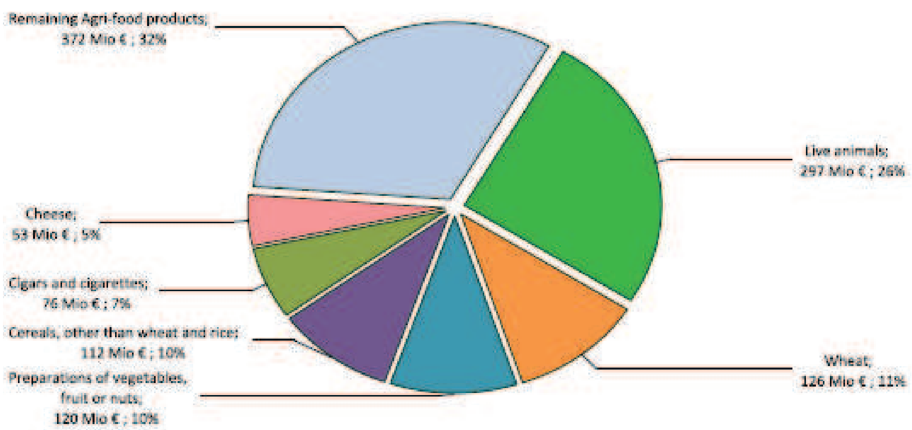
*Source: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113414.pdf*

**Libya = Agriculture Products – Trade values US$m 2010**

| Top exported products (Million US$) | | Value 2010 | Top imported products (Million US$) | | Value 2010 |
|---|---|---|---|---|---|
| HS2105 | Ice cream and other edible ice | 0.5 | HS1001 | Wheat and meslin | 520 |
| HS5101 | Wool, not carded or combed | 0.4 | HS1201 | Soya beans, whether or not broken | 169 |
| HS2009 | Fruit juices and vegetable juices | 0.1 | HS1005 | Maize (corn) | 155 |
| HS1905 | Bread, pastry, other bakers' wares | 0.1 | HS1003 | Barley | 120 |
| HS1006 | Rice | 0.0 | HS1701 | Cane or beet sugar | 113 |

https://www.wto.org/english/res_e/booksp_e/trade_profiles17_e.pdf

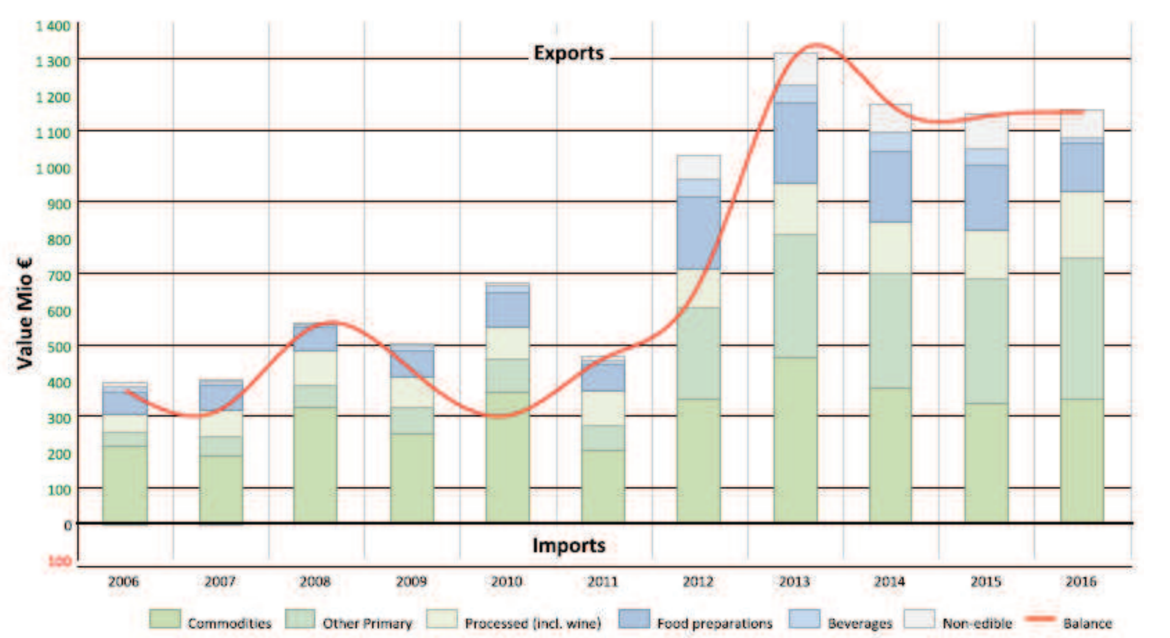
**EU Agri-food EXPORTS to Libya by product category - 2016**




https://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/statistics/outside-eu/countries/agrifood-libya_en.pdf

**EU Agri Food trade with: Libya**

Structure of EU Agri-food trade with Libya, 2006 – 2016 (Value Euro Millions)




https://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/statistics/outside-eu/countries/agrifood-libya_en.pdf

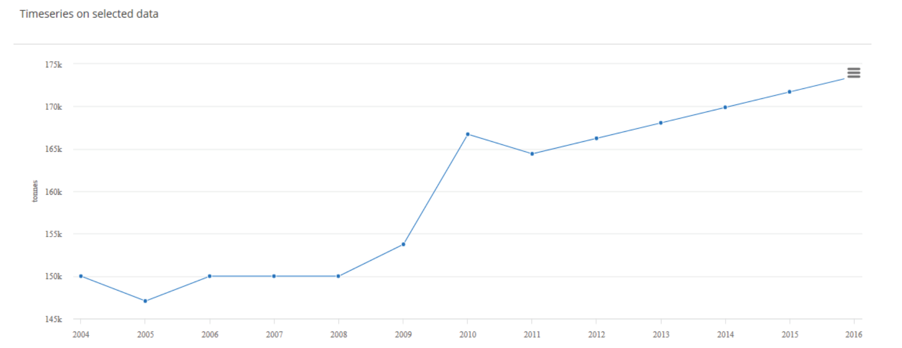
## H2. Value chain structure

Logistics play a vital enabling role for any developed agricultural sector. However, due to the fact that Libya is overly dependent on hydrocarbons, other sectors were not fully developed to provide possible alternative sources of state revenue.

This lack of diversification has meant there were no export sectors, other than hydrocarbons, to act as a catalyst for the development of commercial non-hydrocarbon logistics. This has affected the agricultural sector. During the Qaddafi regime, the aim of the agricultural sector was to provide food security and keep food retail prices low – rather than add value or contribute to GDP by providing alternative sources of revenues.

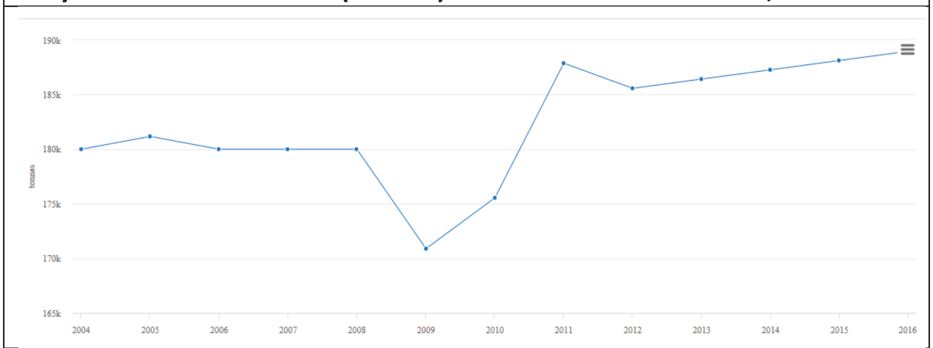
According to a 2005 study by Monitor/NES, Libya's agricultural sector would benefit from greater integration with international markets. ''Libya's agricultural sector is poorly adapted to international markets. Increased integration would allow more efficient allocation of scarce resources, to produce the most profitable goods. This could enable Libya to develop export-driven activities in high-value agriculture and fishing segments in which it could be competitive, such as dates, olives, olive oil, grapes, tuna, shellfish and shrimps".

**Libya: Dates - Production (Tonnes): 2004-2016 2016 = 173,456 tonnes**




Source: http://www.fao.org/faostat/en/#compare

**Libya: Olives - Production (Tonnes): 2004-2016 2016 = 188,975 tonnes**

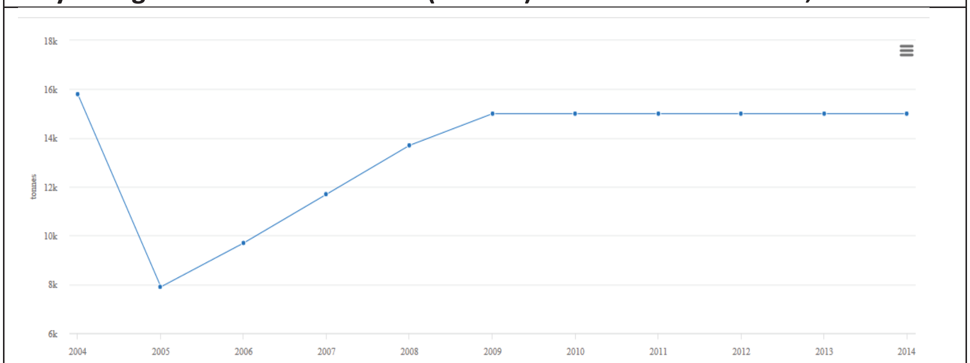



Source: http://www.fao.org/faostat/en/#compare

The lack of expert food supply chain knowhow, and ability to earn higher returns per unit produced, precludes farmers from using more expensive seed varieties or from investing in developing other parts of the agricultural supply chain. An underdeveloped food retail sector and limited retail demand for consistently high quality fruit and vegetables means there is little incentive to invest in up to date grading, packaging and delivery systems. High levels of food imports, mean Libya's food processing industry is largely limited to low volumes of local produce for local consumption.

The food processing industry's share in Libya's economy does not contribute much in the aggregate agricultural sector, primarily because most of the food products are imported and ready for consumption. Local processing includes transforming fruit into juice and pulp, making olive oil and date syrup from local crops.

**Libya: Virgin Olive Oil Production (Tonnes): 2004-2016 2016 = 15,000 tonnes**




Source: http://www.fao.org/faostat/en/#compare

The transport of Libya's agricultural products is predominantly carried out by individually owned trucks, vans and lorries. Most of Libya's main population centres in the west, east and south are linked by main roads. Most roads are in acceptable condition, apart from sections that have not been maintained for years, such as the road south from Ajdabia to Jalo and Aujla.

There are no international standard professional logistics companies specialising in the transportation of agricultural or agrofood products in Libya. The sector lacks specialist sorting, grading and food packaging capacity. Large travel distances, a hot arid climate, and very little suitable warehousing or cold storage facilities means that up to 30 percent of Libya's fresh perishable agricultural production is wasted.

Construction of a railway in Libya was interrupted by the war in 2011. To date the coastal sections have been contracted out to Russian and Chinese companies. A railway line from near Misrata to the south of Libya has not been contracted yet, with the feasibility of this section being questioned by those who do not believe in Libya becoming a transit hub linking the Mediterranean with sub-Saharan Africa. From an agricultural sector perspective, a rail line to and from the south of Libya could provide good transport routes for agricultural product, and especially the early crop varieties for export to European markets.

Libya's ports and airports are operational, but require extensive modernisation and automation to provide an integrated efficient freight distribution transport system for suppliers and customers.

## I. Institutional context

### I1. Sector policies and challenges

In the past, Libya maintained an approach of state driven agro-food production for import substitution to reduce agro-food imports. Qadaffi's agricultural "sustained food security" policy included using the Man-Made River water for irrigating agricultural production. Other key features were import substitution, and keeping domestic agricultural produce prices low by controlling exports and imports.

Political security demands that Libya should not be dependent for up to 80 percent of its food from imports and therefore should produce a minimal volume of food at home. However, this objective has to be balanced with sustainability issues, scare water resources, a shortage of fertile land, arid climate and declining public funds. In particular the Libyan authorities face the dilemma of protecting the local agri-food sector with high import tariffs, which risks protecting an otherwise uncompetitive sector that is wasting scarce resources.

Libya has also made extensive use of food subsidies as a source of welfare for the poor, but with considerable leakages to the non-poor, and economic inefficiencies arising from the price distortions it is a significant drain on public finances.

Water is scare in Libya so the country must make a strategic decision whether to use its scarce water for agriculture in a desert climate with very high rates of evaporation or, use the water for the rapidly expanding urban population and import its food needs at a relatively cheaper cost. These tough decisions are unavoidable as lower international crude oil prices negatively impact Libya's public finances, meaning the authorities will need to make strategic choices on where best to invest its reduced resources to achieve the best returns on investments.

Although Libya has ratified most of the UN conventions on environment, Libya faces serious environmental challenges in particular with respect to desertification, land degradation, solid waste management and adaptation to climate change. Libya, like other countries in the region is vulnerable to climate change. The risk is forecast increases in temperature and declining rainfall will increase water scarcity, reducing the per capita water available to a growing population and lead to crop losses and lower agricultural output.

Libya's dependence on agro-food imports, demographic trends and production potential of the agriculture sector imply that Libya is likely to continue to import most of its agro-food needs in the short-term. Meanwhile a more sustainable future involves increasing the growth of the value added Libyan agro-food sector. A focus on comparatively advantageous agro-food (which are environmentally sustainable) will ultimately generate higher returns for the sector.

## I2. Libya's current agricultural policy

Libya's current agricultural policy is evident from the policy agreements agreed with the UN's Food and Agricultural Organization (FAO) and with the UN Country Team (UNCT) after the 2011 revolution to support Libya's economic diversification. These show Libya's post 2011 revolution agricultural policy is focused on the following key national objectives to:

- contribute to food security through increased agricultural production
- increase percentage contribution of agriculture to GDP
- conservation of natural resources (soil, water, vegetation)
- development of agricultural R&D capacity
- plant and animal disease control
- increased awareness of breeding programmes, extension programmes and agricultural services
- provide job opportunities for agriculture researchers
- preserve natural resources

In August 2017 the government of Libya signed a US$ 3.5 million agreement with FAO to strengthen its technical and functional national capacities in agriculture. The agreement renews the 5-year 2012-17 framework agreement and will run to 2022. The project aims to build capacities and to ensure more efficient and effective governmental agricultural support services to achieve greater synergies and impacts. The aim is to achieve agricultural sustainability, improve food security and livelihoods and economic development.

### Capacity development

The FAO agreement includes a capacity development project to upgrade the skills and the capacities of the staff of the Ministry of Agriculture in a wide range of technical areas. In the short term, it will contribute to strengthening the capacities of the Ministry in dealing with the immediate challenges to agriculture and livestock production and the recovery of the agricultural sector. Together with Libyan academia and research institutions in the country, the project aims to train more than 300 technicians and experts of the Ministry of Agriculture to address the challenges of achieving food and nutrition security.

### Sustainable Development Goals

The project will also contribute towards achieving the 2030 Agenda for Sustainable Development as it links to SDGs 1 and 2, to end poverty and hunger, as well as to other SDGs, such as SDG 6, which covers water sanitation, and SDGs 12 to 15, which deal with responsible consumption, climate action, life below water and life on land.

The assistance provided by FAO to Libya follows five strategic priorities:

- Sustainable increase in crop productivity and raising levels of food safety and phytosanitary standards
- Sustainable and healthy improvement in livestock productivity
- Increasing exploitation and sustainable development of fisheries and marine resources

- Expansion of the use and sustainable management of natural agricultural resources
- Knowledge management, capacity building and improvement in services to support the agricultural sectors.

## I3. Economic Diversification & Industrial Development

The FAO agreement continues the economic policy support initiated by the UN Country Team (UNCT) after the 2011 revolution to support Libya's economic diversification.

The UNCT Strategic Framework 2013-2014 provides the Government of Libya and the United Nations Country Team in Libya and UNCT Partners (FAO, UNDP, UNIDO, World Bank, and UNESCO) with an overarching, strategic level mechanism, framing the response of the UN system to the national context and aligning UNCT planning and programming to national priorities.

UNCT aims to support the diversification and expansion of the local economy, and thus job creation, through fostering entrepreneurship and focusing on the generation of small and medium enterprises, and on sectors with yet unexploited potential such as the agrofood sector, as well as promoting the green economy.

Retraining and skills development opportunities, in particular on technical and entrepreneurial skills, are considered essential, particularly for the 17th February Revolutionaries (militias) seeking employment.

In response the UNCT has adapted its strategy to towards promoting the development of a market economy based sector. Specifically by supporting the stabilisation, restructuring, planning and reform of the agriculture sector through strengthening agricultural statistics, analyses, legislation and regulations.

The focus is on supporting Libya's efforts in shifting the governance of the sector from production for import substitution to export oriented agri-business. The development of the agro-food sector through modernised value-added production will enable the sector to become a net contributor to the economy rather than net dependent as during the Qadaffi era.

Agriculture protection as well as natural resource management, include strengthening the role of the Libyan National Water Authority, and projects (e.g. Man-Made River) in developing modern and efficient agriculture in Libya. Developing the capacity of the Ministry of Agriculture in data collection and information management, will include an agricultural census, rapid rural appraisal and establishing databases to support policy formulation including the Atlas of the Natural Resources for Agricultural Use in Libya and the Libyan Land Resources Information Management System.

Key objectives are to help develop the capacities of the Ministry of Agriculture including the identification of the agro-food systems of Libya and commodity chain analysis, to develop a longer term Agricultural Development Strategy.

Libya's succession of interim governments since 2011, and political stalemate since 2014, have frustrated its ability to tackle long term structural reform of the agricultural sector and progress to a more diversified economy. Nonetheless the technical assistance and emergency support already being provided by UN agencies such as FAO and UNCT mean the Libyan authorities are well advised of the long-term direction Libya's agricultural sector will need to take in order to remain sustainable, competitive, efficient and productive.

## I4. Stakeholders in the agriculture sector

### Ministry of Agriculture

The Ministry of Agriculture is responsible for the agriculture sector, and while its remit has often changed, it usually includes fisheries and forestry. In the last decade of the Qadaffi regime, the Ministry of Agriculture was downgraded to an Authority and subsidies to the sector were ended.

### Fisheries and Marine Welfare Authority

The Fisheries and Marine Wealth Authority is a sub-department of the Ministry of Agriculture concerned with the fisheries sector. It has a separate National Authority for Fishery Investment and the National Project for Development of Aquaculture departments.

### Agricultural Research Centre (ARC)

The Agricultural Research Centre is a department of the Ministry of Agriculture concerned with research on agricultural science, agronomy, crop physiology, crop science, horticulture, plant protection, breeding genetics and pathology, soil and environmental sciences, animal science, forestry, marine lives and utilisation science of agricultural resources in the country.

It conducts monitoring and oversight activity against pests and disease as well as being the body to take preventative and reactionary actions to any agri-health outbreaks. It also tests agricultural imports such as seeds and plants and issues phytosanitary certificates.

**Universities.** Universities in Tripoli, Sebha, Beida and Sirte have faculties of agricultural.

### The Marine Biology Research Centre (MBRC)

The MBRC was established in Tripoli in 1981 and in 1984 amalgamated with the Fisheries Research Centre. The MBRC issues research papers, and co-conducts research on the fisheries sector including those with international partners such as FAO. See http://mbrc.org.ly/

### The Price Stabilisation Fund (PSF)

The Price Stabilisation Fund (PSF) subsidises foodstuffs including, wheat and flower, and distributing into the market. The list of subsidised foods has varied over the decades depending on oil prices and state revenues. The main food staples included are: flour, semolina, sugar, pasta, tea, rice, tomato paste, and cooking oil. Its operations affects domestic production costs. The aim was to support consumer's income and to manage the supply of the main food items. The level of subsidy differs from one commodity to another ranging from 85% to 95%. Libya spends a substantial part of its annual national budget – about US$2.4 billion - on subsidies for essential food products.

Traditionally, the Libyan government has subsidised basic food items, which are sold at heavily reduced prices, for some products up to 50 % below market prices. Since 2014, food subsidies have been disrupted in large parts of the country and are not expected to return to the pre-conflict levels or in some cases not at all.

The PSF also directly imports a number of basic food commodities and distributes them directly through a network of consumer cooperatives. There are around 400-500 cooperatives in the city of Tripoli alone, and 6,500 around the country. Food is distributed to the cooperatives according to the number of households registered with them. Each household can obtain a certain monthly quota of the subsidised goods, which corresponds to the number of household members as well as the PSF's ability to procure goods.

Prior to 2014, the PSF not only distributed subsidised wheat flour through the cooperatives, but also used to buy flour from local mills and sell it to bakeries at a highly subsidised price. Bread sold at bakeries was thus heavily subsidised. However, due to the authorities' inability to mobilise adequate funds, the PSF faced severe difficulties in paying its accumulated debt. Both private and publicly-owned mills opted out of further dealings with the PSF. Bread, a staple for many Libyan households, is since no longer subsidised and prices have increased by more than 300% since 2014.

### The Man-Made River Water Authority (MMR)

The Man-Made River Water Authority GMR is the authority operating the huge infrastructure of wells, pipes, pumps and water reservoirs that supply water for both agriculture and the urban population. Its continued ability to supply water is vital for both agriculture and the urban/industrial sectors.

| **The Great Man-made River Project** | |
|---|---|
| Project started | 1984 |
| Total number of drilled wells | 1,300 |
| Depth of wells | 500 m |
| Length of pipes laid | 2,820 km |
| Maximum planned water capacity | 6.5 million cubic meters of water per day |
| Source of water | Fossil aquifers in the Libyan desert |
| Estimated cost of project | Over US$25 billion |
| Project started | 1984 |
| *Source: Wikipedia* | |

### The Great Man-Made River Water Utilization Authority (GAMMARA)

The Great Man-Made River Water Utilization Authority (GAMMARA) is a separate entity in charge of investing MMR water in agricultural projects. These projects include wheat, fruits and olives. As they are large scale farms, they could form the foundation of a competitive, large-scale agricultural production sector.

### The State Mills company (*Matahin*)

The State Mills companies (Tripoli and Benghazi) process a large volume of Libya's grains including wheat. They are suppliers of flour to the Price Stabilisation Fund which distributes subsidised wheat and flour to consumers and bakeries. Their role is pivotal to the animal feed industry for the rearing of animals for meat and for the production of eggs.

### The Food and Drugs Agency (FDA)

The Food and Drugs Agency is the food and drugs oversight and monitoring agency. It certifies imports of foods which are cannot be released from ports/borders until the FDA issues a release certificate. Most EU and US products from reputable suppliers are not sampled.

### The Private sector

Farmco/Technofarm was a joint venture Public Private Partnership (PPP) between a private sector foreign company and the Libyan state, whereby Farmco/Technofarm operated and profit-shared production from agricultural projects owned by and fed by MMR water.

### Libyan private sector

There are numerous Libyan private sector companies importing agricultural equipment, machinery, fertilisers, pesticides, and seeds. There are also numerous Libyan private sector companies producing, chicken for meat, eggs, and animal feed.

Due to the state sector's dominance of all economic activity in Libya, the majority of these private sector companies are small or medium sized. The lack of an enabling environment such as government policy and access to finance has stunted their growth. The best source for contact details with these would be the Ministry of Agriculture, the various Chambers of Commerce and Business Councils.

## I5. International cooperation

The Ministry of Agriculture has engaged in a number of international agreements, MoUs and letters of intent over the decades. A sample of some of the most recent include those with FAO, UNCTAD, UNDP, IOM, ICARDA and some European governments.

### 1993-94: LIBFISH Technical Assistance project

Assessing the Marine Resources of Libyan Waters. By UNDP/FAO/LIB/88/009

### 1996-2005: COPEMED 1 & COPMED 2 (2005-2008) Projects

The project was aimed at better management of exploited resources in the Mediterranean.
**2002: Med Sud Med "Assessment and Monitoring of the Fishery Resources and the Ecosystems in the Straits of Sicily"** a regional project with four countries (Italy, Libya, Malta and Tunisia). It is executed by FAO and funded since 2012 by the European Commission.

### 2006: FAO agreement for NEPAD/CAADP/NMTIP – (TCP/LIB/2902-I)

In 2006 FAO prepared a project to support the Government of Libya in implementing the NEPAD (New Partnership for Africa's Development) and CAADP (Comprehensive Africa Agriculture Development Program) within the context of the National Medium Term Investment Program.

### 2012: FAO - Joint cooperation agreement to increase food production, protect natural resources

An agreement to develop Libya's agricultural sector, improve food security and develop different areas, such as plant and animal health and production, pesticide management, seed development, natural resource management, capacity building and institutional strengthening. Projects under the agreement aim to increase food production and improve productivity while preserving natural resources such as water, all with the goal of improving food security in the country.

### 2013-14: UNCT-Libya Strategic Framework

The United Nations Country Team (UNCT) in Libya, that comprises FAO, UNDP, UNIDO, World Bank and UNESCO, has prepared a Strategic Framework 2013-2014 for providing assistance to Libya.

## I6. International aid projects and programmes - examples

**2011: Emergency food production support to poor families in eastern Libya**
Provide immediate livelihood relief to at least 100 vulnerable families in rural and semi-rural areas in eastern Libya through the provision of agricultural inputs and technical support to maintain or expand their vegetable production capacity.
Donor: Italy – US$672,948/Euro 500,000 - 5/7/2011 to 5/5/2012
**2017: Emergency agricultural support to most vulnerable small-scale farmers affected by the ongoing crisis in Libya**
Donor: Pool funded – US$250,000 – 23/3/2017 TO 31/12/2017
**2017: Emergency Assistance to Respond to the Outbreak of Date palm green pits-scale in Libya**
Donor: IOM – Amount – US$157,520 – 22/9/2017 TO 31/3/2018

### FAO assistance to Libya

The FAO initiative "Building Resilience for Enhanced Food Security and Nutrition in the Near East and North Africa" has been designed to support the region's countries in their efforts to improve national food security and nutrition while also promoting social cohesion. Libya is one of the countries participating in this initiative, which aims to build the capacity of families, communities, and agricultural systems to be prepared for the negative impact of human-induced and natural disasters, manage the effects when they occur, and ensure rapid recovery in the aftermath.

Addressing water scarcity in the region FAO has developed a programme to help countries coordinate and harmonize their policies, governance mechanisms and practices relating to management of water. The “Regional Initiative on Water Scarcity in the Near East and North Africa” comprises a collaborative strategy aimed at achieving the sustainable management of agricultural water resources. It is implemented in the form of a regional partnership among multiple stakeholders and is of relevance to Libya.

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