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LIBYA'S SOCIO-ECONOMIC LANDSCAPE:

CHALLENGES AND PATHWAYS TO SUSTAINABLE DEVELOPMENT

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DISCLAIMER

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ACRONYMS AND ABBREVIATIONS

CBL	Central Bank of Libya
GNU	Government of National Unity
HOR	House of Representatives
PC	Presidential Council
HCS	High Council of State
LNA	Libyan National Army
UNSMIL	United Nations Support Mission in Libya
PBF	Peacebuilding Fund
HNEC	High National Election Commission
LPDF	Libyan Political Dialogue Forum
LPA	Libyan Political Agreement
IDPs	Internally Displaced Persons
GDP	Gross Domestic Product
M2	Broad Money Supply
Mbpd	Million barrels per day
SOES	State-Owned Enterprises
PPPs	Public-Private Partnerships
AfCFTA	African Continental Free Trade Area
GAFTA	Greater Arab Free Trade Area
AMU	Arab Maghreb Union
BITS	Bilateral Investment Treaties
TIFA	Trade and Investment Framework Agreement
OECD	Organization for Economic Co-operation and Development
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization
IMF	International Monetary Fund
FLFP	Female Labor Force Participation
NOC	National Oil Company
IOM	International Organization for Migration
FAO	Food and Agricultural Organization
AfDB	African Development Bank
EIA	U.S. Energy Information Administration
UNDP	United Nations Development Programme
IRENA	International Renewable Energy Agency
SDG	Sustainable Development Goals
FDI	Foreign Direct Investment
UNECA	United Nations Economic Commission for Africa
MENA	Middle East and North Africa

INTRODUCTION AND SUMMARY OF KEY FINDINGS

Libya, a resource-rich nation strategically located in North Africa, continues to grapple with significant socio-economic challenges shaped by prolonged political instability and division, fragmented governance, and an overreliance on hydrocarbon revenues. This study provides an in-depth analysis of Libya's socio-economic landscape, highlighting key social, political, and economic trends, vulnerabilities, and policy gaps that require urgent attention.

Libya's demographic structure presents a mixed outlook. With a population of approximately 7.2 million, the country has a relatively high working-age population (66 percent) that offers economic potential. However, the country does not manage to tap into this potential, with an unemployment rate of 15 percent and youth unemployment soaring to 48 percent, exacerbated by a mismatch between educational outcomes and labour market needs. The labour market also suffers from a stark men and women gap, with women significantly underrepresented in the workforce.

Despite positive urbanisation trends, with 82 percent of the population residing in cities, Libya faces major infrastructure and service delivery challenges. The internal displacement crisis, largely driven by conflict, has strained social systems, particularly in urban areas. Furthermore, the country remains a key transit hub for migrants from sub-Saharan Africa, adding additional layers of complexity to an already fragile social environment and infrastructure.

Libya's economic trajectory has been volatile, driven by fluctuating oil production and price shocks. The country experienced a GDP contraction of 60 percent in 2011 due to the armed conflict but rebounded with periods of recovery. However, heavy reliance on hydrocarbons—accounting for over 90 percent of government revenues—leaves Libya vulnerable to global oil market fluctuations and internal disputes over resource management. While 2023 saw economic growth of 12.6 percent, the outlook for 2025 remains uncertain due to governance disputes and oil sector instability.

Libya's monetary and fiscal policies remain constrained by excessive government expenditure on salaries and subsidies, which consume over 70 percent of public revenues. Inflationary pressures persist, fuelled by currency depreciation and weak financial sector confidence. Despite the announced reunification process of the Central Bank of Libya (CBL) in 2023, fiscal imbalances and political interference continue to undermine macroeconomic stability.

International trade is dominated by hydrocarbons, with key export markets including Italy, China, and Spain. The country's import profile—marked by a heavy reliance on consumer goods and essential commodities—underscores the urgency for economic diversification. Although Libya possesses substantial potential in sectors such as renewable energy (with abundant solar resources), modern agriculture, telecommunications, and tourism, political instability and inadequate infrastructure continue to deter both domestic and foreign investment. Reforms aimed at diversifying the economy, strengthening the private sector, and modernising infrastructure are imperative for reducing vulnerabilities and fostering sustainable development.

Achieving long-term stability and prosperity in Libya hinges on a multifaceted reform agenda that addresses political, economic, and social challenges. Political reconciliation is crucial to overcoming institutional fragmentation and restoring public trust through the establishment of a unified, accountable government. Economic diversification is equally vital, as shifting away from excessive dependence on oil by nurturing alternative sectors—such as agriculture, manufacturing, renewable energy, and digital services—can help stabilise growth and reduce vulnerability to external shocks. Fiscal and monetary reforms must be pursued, including the implementation of a balanced budget law, the rationalisation of subsidies, and enhanced coordination between fiscal and monetary authorities to ensure macroeconomic stability. Social investment is necessary to tackle high unemployment, especially among youth and women, by reforming education and vocational training systems, improving urban infrastructure, and expanding social protection mechanisms to support the most vulnerable populations. Additionally, strengthening international and regional engagement can bring much-needed technical assistance, boost investment, and facilitate post-conflict recovery.

1. POLITICAL LANDSCAPE AND GOVERNANCE

1.1 POLITICAL DEVELOPMENTS AND CONFLICT LANDSCAPE

Libya's political landscape remains deeply fragmented and polarised, struggling to achieve stability since the fall of Muammar Gaddafi in 2011. Today, institutions —most notably the Tripoli-based Government of National Unity (GNU), the Benghazi-based House of Representatives (HoR), the Presidential Council (PC) and the High Council of State (HCS) —continue to vie for legitimacy, each advancing conflicting agendas. Adding to the complexity, the HoR designated a rival government in the east, while the Libyan National Army (LNA) wields significant influence, dominating political and security dynamics in the east while expanding its footprint in the south.

Unresolved disputes over oil revenues and resource allocation remain central to the Libyan conflict, driving political instability and deepening existing tensions. Control over Libya's substantial oil wealth, the country's primary source of revenue, has become a highly contentious issue among rival factions, fuelling mistrust and competition between eastern and western authorities. Meanwhile, the proliferation of illicit activities, such as commodity smuggling and human trafficking, has become endemic, further undermining state authority and governance. Foreign interference, with competing international and regional interests backing rival factions, has deepened the political divisions and prolonged instability. These unresolved issues stall progress towards sustainable socio-economic development and the implementation of critical economic reforms.

1.2 RECENT KEY EVENTS AND THEIR IMPACT ON GOVERNANCE

Following the formation of the GNU on 10 March 2021, national elections were scheduled to take place on 24 December 2021 as part of the LPDF roadmap. Despite 2.8 million Libyans registering to vote, disputes over the electoral framework and security concerns prompted the High National Election Commission (HNEC) to invoke force majeure on 22 December 2021, resulting in the postponement of the elections. This failure deepened political divisions, with the HoR appointing a rival government in the east in February 2022. This move heightened tensions and triggered a series of new oil blockades.

In 2023, Constitutional Amendment No. 13 revived efforts to agree on electoral laws, with the HoR and HCS forming the "6+6" committee. However, the draft laws produced were politically and technically contentious, stalling progress. Meanwhile, Storm Daniel in September 2023 exposed governance failures, with rival administrations using the crisis for political gain. Reconstruction efforts were fragmented, further consolidating the divisions between eastern and western authorities.

In 2024, uncoordinated parallel initiatives to address election issues further undermined progress, and a leadership crisis in the HCS worsened political stagnation. Despite this, HNEC held the first round of municipal elections in December 2024, marking peaceful power transfers and the election of Libya's first female mayor. Preparations for the second round of municipal council elections began in January 2025.

Without a national budget since 2014, both the GNU and the HoR-designated government have accessed public funds via prescribed financial arrangements —the so-called 1/12 rule[1] —which are vulnerable to abuse. However, disputes especially over development expenditures, among other budget chapters, remain unresolved.

In an effort to address escalating tensions over this issue, several Libyan-led inclusive initiatives were launched in 2023 to facilitate agreements on spending modalities, which eventually proved unsuccessful. The PC formed the High Financial Committee (HFC) in July to unify financial oversight, but progress stalled due to eastern boycotts. As the HFC waned, the HoR established in December an inclusive technical committee to prepare a unified budget. The draft unified budget was ultimately disregarded in favour of a "supplementary allocation" endorsed by the HoR in July 2024, which was rejected by the PC, GNU, and parts of the HCS.

[1] The 1/12 rule in Libya allows the government to spend one-twelfth of the previous year's budget each month until a new budget is approved. This approach ensures that essential expenditures, such as salaries and public services, continue without interruption. The rule is a temporary measure to maintain financial stability and prevent overspending during periods when the national budget has not been finalized.

Cooperation between the Central Bank of Libya (CBL) western and eastern branches resumed in November 2022, culminating in an announcement of a unification process in August 2023. However, disputes over resource access led to a CBL leadership crisis by August 2024. In October 2024, a new CBL governor was appointed, along with the re-establishment of a Board of Directors after a decade-long absence.

Although the nationwide ceasefire holds, Libya's security remains fragile. In the northwest, divisions among armed groups contribute to instability and sporadic violence, particularly in Tripoli. In the east, the LNA dominates, while the south faces challenges from mercenaries, extremist groups, and porous borders that fuel human trafficking and smuggling.

Despite local governance advancements, political and economic instability, coupled with fragmented security structures, continue to hinder Libya's path towards national elections and lasting stability.

1.3 IMPLICATIONS FOR ECONOMIC AND FINANCIAL STABILITY

Libya's prolonged political instability and institutional divisions have gravely undermined its economic and financial stability. The economy remains dependent on a Qaddafi-era framework marked by an oversized public sector, weak private sector development, and reliance on hydrocarbon revenues. These structural flaws, exacerbated since 2014, have been entrenched by harmful economic practices favouring a small group of political and military elites, incentivising the preservation of the status quo at the expense of broader population welfare.

The absence of accountability and transparency in resource distribution with proper oversight, has fuelled corruption, mismanagement, and exploitation by competing factions. Rival authorities' interference in public funds and failure to agree on a national budget have obstructed fiscal discipline, stability, and sustainable economic growth. Repeated disruptions to oil and gas production —used as political leverage by various actors — have interrupted vital revenue streams, further destabilising the economy.

Efforts by political and armed elites to exploit public offices for personal gain have weakened state institutions, amplified local grievances, and deepened societal divisions. Competition for control over Libya's oil resources remains a key driver of conflict, hindering necessary economic reforms. These persistent challenges, rooted in Libya's complex politico-economic dysfunction, continue to obstruct the country's recovery and prospects for sustainable development. Without systemic reform and equitable resource governance, Libya's economic future remains precarious.

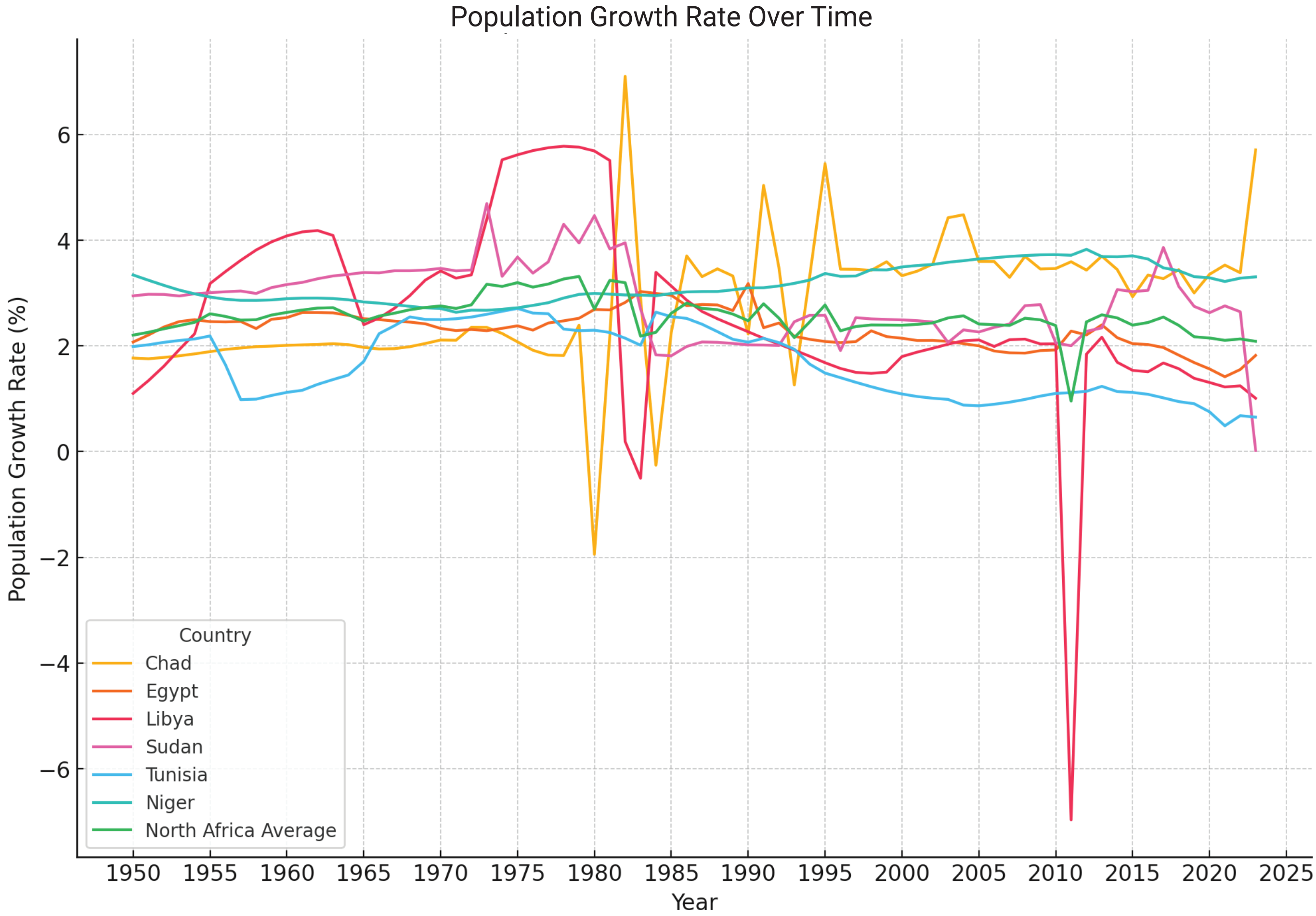
2. SOCIAL AND DEMOGRAPHIC CONTEXT

2.1 SOCIAL CONTEXT AND DEMOGRAPHIC TRENDS

Libya has experienced significant demographic shifts, shaped by a complex mix of political instability, migration patterns, and changing age structures. As of 2023, Libya's population is approximately 7.2 million, which represents a steady but modest growth compared to many of its regional counterparts[2] . From 1990 to 2020, Libya's population grew at an average rate of 2.4 percent, higher than the global average of 1.1 percent.[3] Despite ongoing challenges like conflict and political instability, Libya has managed to sustain population growth, though recent years have seen a slight slowdown, primarily due to migration, internal displacement, and a gradually declining fertility rate. The fertility rate, as of 2021, was 2.1 children per woman, reflecting a sharp decline from 8.1 children per woman in the 1970s.[4]

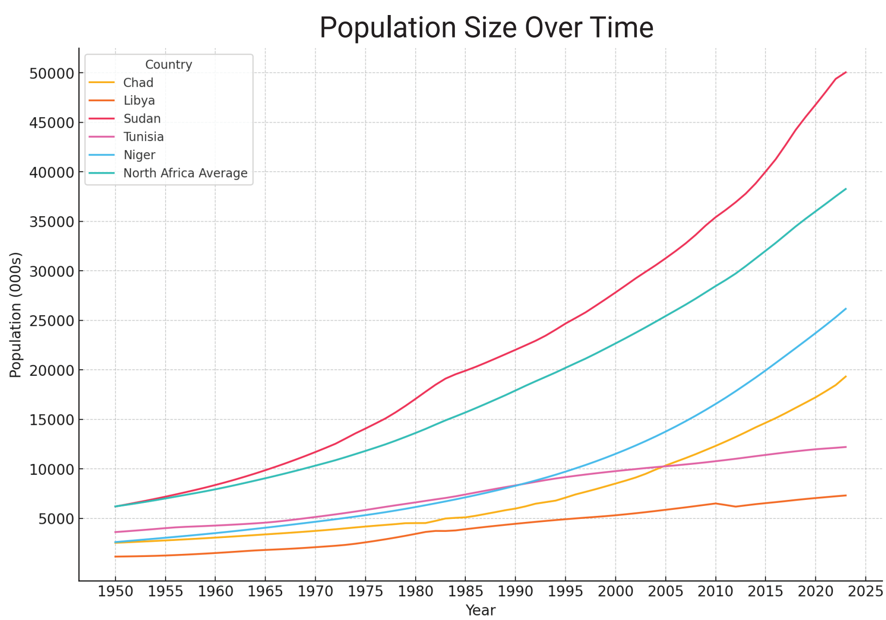
[2]United Nations Population Division. "World Population Prospects 2024." UN.
[3]The last census in Libya was conducted in 2006. Since then, there hasn't been another official population census.
[4]United Nations Population Division. "World Population Prospects 2024." UN.

Libya's age structure is evolving. The share of the population aged 0–14 years has decreased over time, now accounting for approximately 27 percent of the population, while the proportion of the working-age population (15–64 years) now makes up around 66 percent. This demographic feature presents a significant opportunity for economic growth, as a large working-age population can drive productivity and contribute to the country's economic development.



Source: United Nations Department of Economic and Social Affairs Population Division. "World Population Prospects 2024,

However, this potential is threatened by structural barriers, including political instability, limited employment opportunities, and a mismatch between educational outcomes and labour market needs. The elderly population (65 years and over) is relatively small at 5 percent, which provides further scope for leveraging a young, active workforce. The country's demographic profile suggests that, if managed effectively with the right policies, Libya could experience a demographic dividend that accelerates its economic growth.[5]



Source: United Nations Department of Economic and Social Affairs Population Division. "World Population Prospects 2024,

[5]World Bank Group Data https://data.worldbank.org/country/libya

2.2 LABOR MARKET AND EMPLOYMENT CHALLENGES

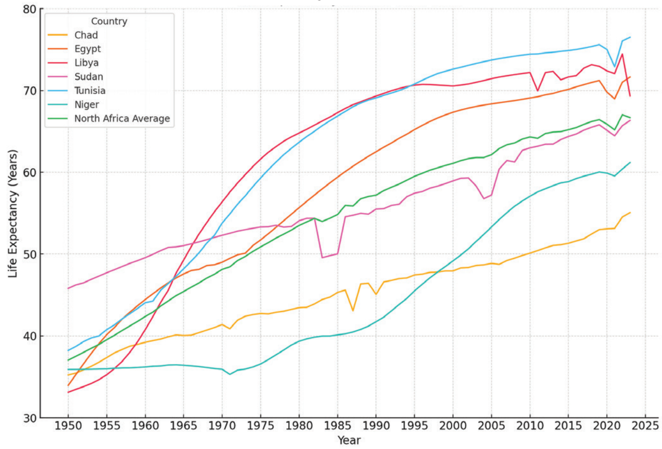
Despite these promising demographic trends, Libya's labour market faces several pressing challenges. Youth unemployment, in particular, is a significant issue. The unemployment rate is estimated at about 15 percent, and youth unemployment for individuals aged 15–35 is estimated at around 48 percent.[6] This issue is exacerbated by a skills mismatch, where young graduates often possess qualifications that are not aligned with market demands. The gender disparity in labour force participation is another major obstacle, with fewer women engaged in the labour force, compared to men. However, it is worth mentioning that Female Labor Force Participation rate in Libya exceeds MENA's average and that of many stable countries in the region. This might be explained by several factors: 1) ghost workers in the education sector; 2) in conflict areas, FLFP is usually higher (extra income) to provide basic necessities. The gender gap not only limits women's economic contributions but also restricts the country's overall economic potential. Increasing female participation in the workforce could significantly improve household incomes and contribute to overall economic development.

2.3 URBANIZATION, MIGRATION, AND CLIMATE CHANGE

Libya's urbanisation rate has been rising steadily, with about 82 percent of the population living in urban areas in 2023.[7] This growth is largely driven by migration from rural areas and the effects of conflict, which have relocated many people into major cities. However, this internal movement has placed immense pressure on urban infrastructure, housing, and social services, which were already stretched due to rapid urban growth. The internal movement of people from conflict zones, especially in the east and south, has added layers of complexity to the country's demographic landscape, as urban areas are increasingly burdened with providing resources for more people. Libya also continues to serve as a transit hub for migrants from sub-Saharan Africa attempting to reach Europe. Currently, there are around 824,131 migrants in Libya, many of whom face poor living conditions, exploitation, and abuse.[8]

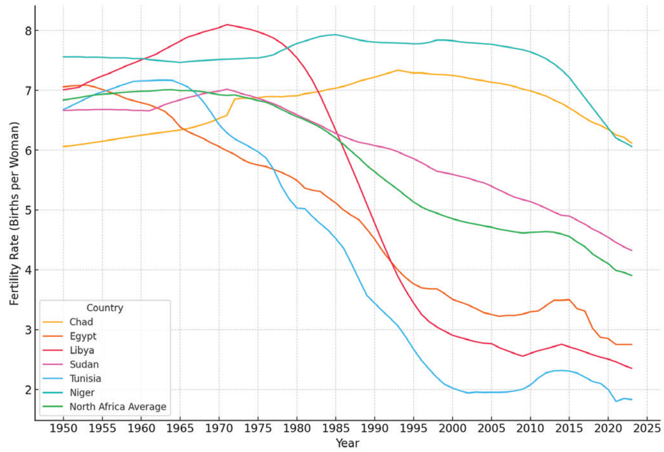
The dependency ratio in Libya, which measures the number of dependents (children and elderly) compared to the working-age population, stood at around 50 percent over the past five years.[9] This relatively favourable ratio, compared to other African countries, suggests that Libya has a growing working-age population capable of driving economic growth. However, the economic benefits of this demographic structure will only be realised if the country can overcome significant challenges, such as high unemployment, limited private sector growth, and a lack of investment in education and skills development. The slow pace of economic diversification, coupled with continued reliance on the oil sector, has hindered job creation outside of oil and gas, preventing Libya from fully capitalising on its demographic advantages. Libya's labour market faces several key challenges, including political ones, which hamper policy implementation and industry development due to ongoing conflict and the absence of a unified government.

Life Expectancy at Birth Over Time



Source: United Nations Department of Economic and Social Affairs Population Division. "World Population Prospects

Total Fertility Rate Over Time



Source: United Nations Department of Economic and Social Affairs Population Division. "World Population Prospects 2024, authors calculations.

[6]Office of Statistics, Libya Labor Force Survey 2022
[7]World Bank Group Data https://data.worldbank.org/country/libya
[8]International Organization for Migration (IOM), Dec 2024. DTM Libya — Migrant Report Round 55
[9]United Nations Data

The education system struggles to meet the evolving demands of the labour market, resulting in a skills mismatch that contributes to high levels of youth unemployment and underemployment, mainly due to the conflict. Additionally, the limited growth of industries outside of oil and gas has restricted job opportunities, particularly for the youth. Gender inequality further exacerbates the situation, as cultural and societal norms limit women's participation in the formal workforce, preventing the economy from fully benefiting from their potential contribution.

Climate change has significantly impacted Libya, with extreme weather events such as flash floods and heatwaves becoming more frequent and severe. A notable example is Storm Daniel in September 2023, which caused catastrophic flooding in eastern Libya, particularly in the city of Derna. The storm resulted in over 4,000 deaths, thousands of missing persons, and extensive damage to infrastructure, including the collapse of two major dams. This event highlighted the vulnerability of Libya's infrastructure and the severe socio-economic consequences of climate change, such as soil degradation and loss of agricultural land. Additionally, the increasing frequency of heatwaves poses significant health risks and exacerbates water scarcity issues, further straining the country's resources. Water scarcity remains a critical issue in Libya, with profound socio-economic impacts. The combined effects of economic challenges, conflict, and environmental degradation are driving internal migration and influencing decisions to migrate from neighbouring countries. The lack of a national water strategy and deteriorating infrastructure, such as the Great Man-Made River, exacerbate the situation. As climate change continues to intensify, addressing these challenges is crucial for Libya's socio-economic stability and resilience.

2.4 HEALTH AND SOCIAL PROTECTION

Libya has made some strides in improving health outcomes. Life expectancy, for example, is now 77 years, which is above the average for North Africa and the Middle East.[10] The increase can be attributed to improvements in healthcare infrastructure, especially in urban centres, and better access to essential medical services. The maternal mortality rate stands at 12 per 100,000 live births, while the infant mortality rate is 12.8 per 1,000 live births, which is lower than the regional average for the Middle East and North Africa.[11] Despite these positive health outcomes, access to healthcare services remains inequitable, with major disparities between urban and rural areas, and conflicts have further exacerbated these issues.

These gains are overshadowed by the significant challenges the healthcare system faces due to years of ineffective governance structures. Many healthcare facilities have been damaged or destroyed, and access to medical care— especially in rural and conflict-affected regions—remains limited. These challenges are exacerbated by political instability, which has fragmented healthcare services and created unequal access to care. The damage to infrastructure from ongoing conflict has left hospitals and clinics in conflict areas severely damaged or destroyed, complicating service delivery. Additionally, there are shortages of skilled healthcare professionals, particularly in specialised fields. The abuse and mismanagement of subsidized medicines have fuelled systemic corruption in Libya's pharmaceutical supply chain, undermining public access to essential healthcare. However, there are opportunities for improvement, such as international partnerships to help rebuild and strengthen the healthcare system, and health system reforms, which the government could prioritise, especially in conflict-affected areas, to restore and enhance healthcare infrastructure.

Poverty is another critical issue in Libya, exacerbated by years of conflict and economic disruption. According to a recent study, approximately 30 percent of Libya's population lives below the national poverty line, a sharp increase from pre-2011 levels.[12] Youth unemployment is a key driver of poverty. The country also faces significant multidimensional poverty, with a significant number of the population lacking access to basic services such as education, healthcare, and sanitation.[13] Rural and conflict-affected areas are especially hard hit by poverty, where many families depend on subsistence agriculture or informal work, and access to services is severely limited. There is a huge disparity between the south and the rest of the country in terms of social services.

Libya's social protection systems are struggling to cope with the increasing demands for support,

[11]United Nations Population Division. "World Population Prospects 2024." UN.
[12]Libya Review 2024
[13]World Bank (2022)

particularly in light of political instability and a fragmented governance structure. While the government spends approximately 15 percent of GDP on subsidies for fuel and electricity,[14] these programmes have been criticised for their inefficiency and poor targeting, often benefiting wealthier urban populations over the most vulnerable. The social safety net for vulnerable groups such as internally displaced people (IDPs), the elderly, and people with disabilities remains fragmented and inefficient. Additionally, the healthcare and education systems, while nominally free, are severely constrained by infrastructure damage, shortages of medical supplies, and a lack of investment.

EXISTING SOCIAL PROTECTION PROGRAMMES AND COVERAGES

PROGRAMME	DESCRIPTION	COVERAGE	LEGAL FRAMEWORK	RESPONSIBLE GOVERNMENT ENTITIES
Universal Subsidies	Subsidies on food items and energy (hydrocarbon subsidies)	General population	Various decrees and regulations	Ministry of Finance
Social Solidarity Fund	Provides various benefits including basic pension, disaster compensation, and social assistance	Vulnerable groups, low-income households	Law No. 13 on Social Security (1980)	Ministry of Social Affairs (MOSA), Social Solidarity Fund (SSF)
Health Assistance Benefit	Financial assistance for healthcare expenses	Vulnerable groups, low- income households	Law No. 13 on Social Security (1980)	Ministry of Social Affairs (MOSA), Social Solidarity Fund (SSF)
Housing Benefit	Assistance for housing-related expenses	Vulnerable groups, low-income households	Law No. 13 on Social Security (1980)	Ministry of Social Affairs (MOSA), Social Solidarity Fund (SSF)
Education Benefit	Financial support for educational expenses	Vulnerable groups, low-income households	Law No. 13 on Social Security (1980)	Ministry of Social Affairs (MOSA), Social Solidarity Fund (SSF)
Wives' and Children's Grant	Financial support for wives and children of deceased or disabled individuals	Families of deceased or disabled individuals	Law No. 13 on Social Security (1980)	Ministry of Social Affairs (MOSA), Social Solidarity Fund (SSF)
Marriage Grant	Financial assistance for marriage expenses	Young couples	Law No. 13 on Social Security (1980)	Ministry of Social Affairs (MOSA), Social Solidarity Fund (SSF)
Zakat Fund	Provides financial assistance based on Islamic principles	Vulnerable groups, low-income households	Specific Zakat regulations	Ministry of Social Affairs (MOSA), Zakat Fund
Unemployment Benefits	Provision of monthly allowance	Formal sector workers who lose jobs	No formal law; efforts for unemployment benefits are ongoing in fragmented sectors.	Ministry of Labour, Ministry of Social Affairs

[14] Central Bank of Libya

3. GDP DEVELOPMENT TRENDS AND OUTLOOK

3.1 TREND IN GDP

The 20-year historical GDP trend of Libya is characterised by extreme instability due to both endogenous and exogenous factors. Its overdependence on oil has led to intense GDP volatility due to domestic civil unrest and its strong reliance on the global commodity market. Real GDP Growth. Annual Percentage Change.

The 2000s was a period of steady growth of 5-10 percent per year, fuelled by oil exports. From 2011 onwards, economic growth was fragile and volatile due to the armed conflict that ensued following the overthrow of Muammar Gaddafi. In comparison to Algeria, North Africa, and the world economy, the growth trajectory of Libya is highly volatile, with the country experiencing strong periods of negative and positive growth. In 2024, the economy was expected to contract by 2.7 percent due to an 8.5 percent contraction in oil production in the first ten months of the year.[15]

Real GDP Growth. Annual Percentage Change.

Source: IMF 2025, authors calculations. Libya on the right axis.

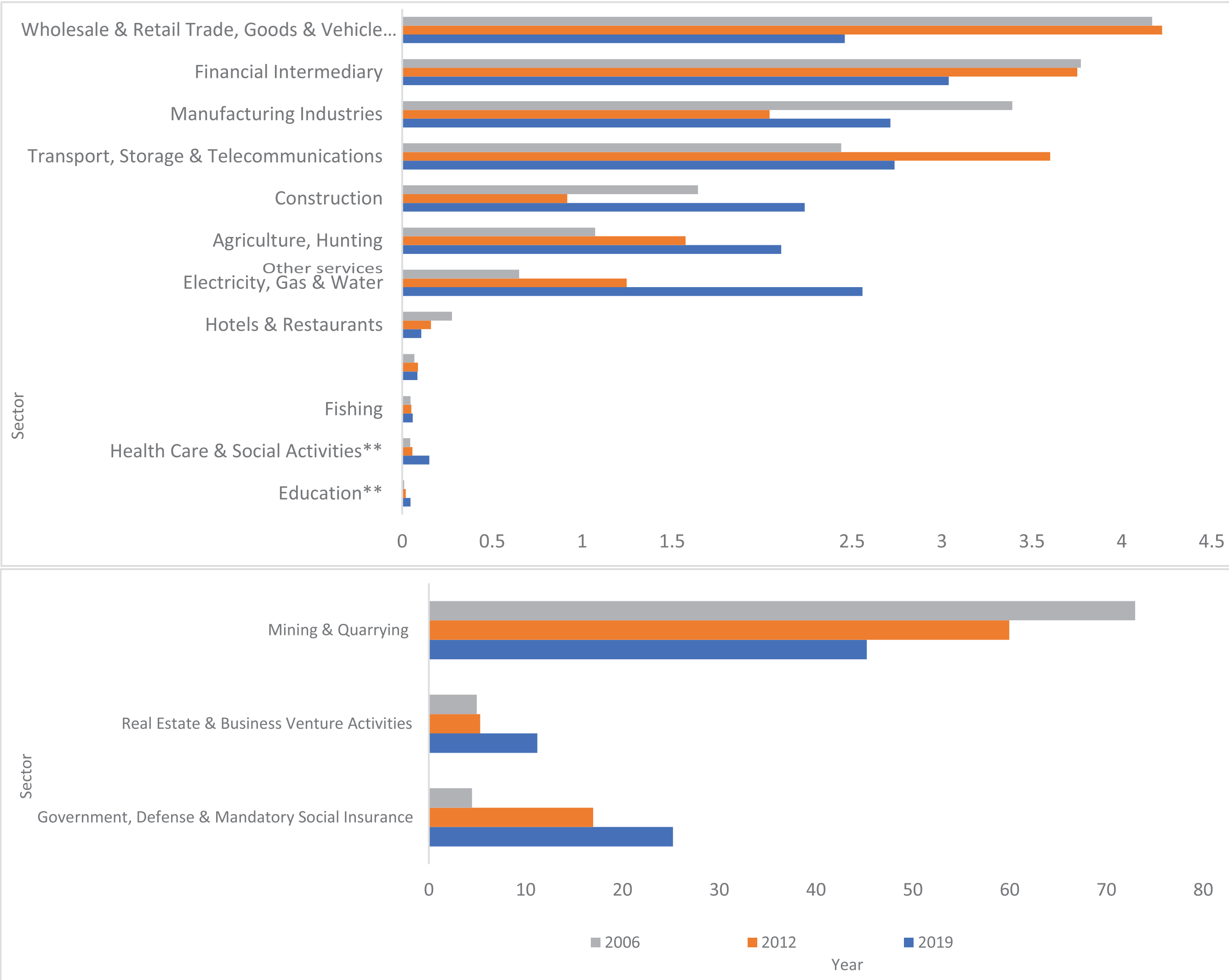
3.2 SECTORAL CONTRIBUTION TO GDP

Mining and quarrying, although the largest contributor, has been decreasing, due to disruptions to oil production. The contribution to GDP in 2006 was 72 percent, and by 2019, it was only 45 percent. Government, defence and mandatory social insurance, and real estate and business ventures have increased to 25 and 11 percent respectively in 2019. This was driven by the need to finance defence and post-conflict rebuilding. All other sectors contribute less than 5 percent. The contribution of education and healthcare is negligible and close to zero.

Evidently, the Government of Libya allocates only 3.7 percent of its expenditure to the Ministry of Health and its affiliates, and 1.7 percent to the Ministry of Higher Education and Scientific Research and affiliates.[16] It allocates 0.5 percent to the Ministry of Education and its affiliates . In contrast to the public sector, private sector growth is stifled by the political instability, unstable macroeconomic conditions, liquidity constraints, and a non-unified legal system.[17]

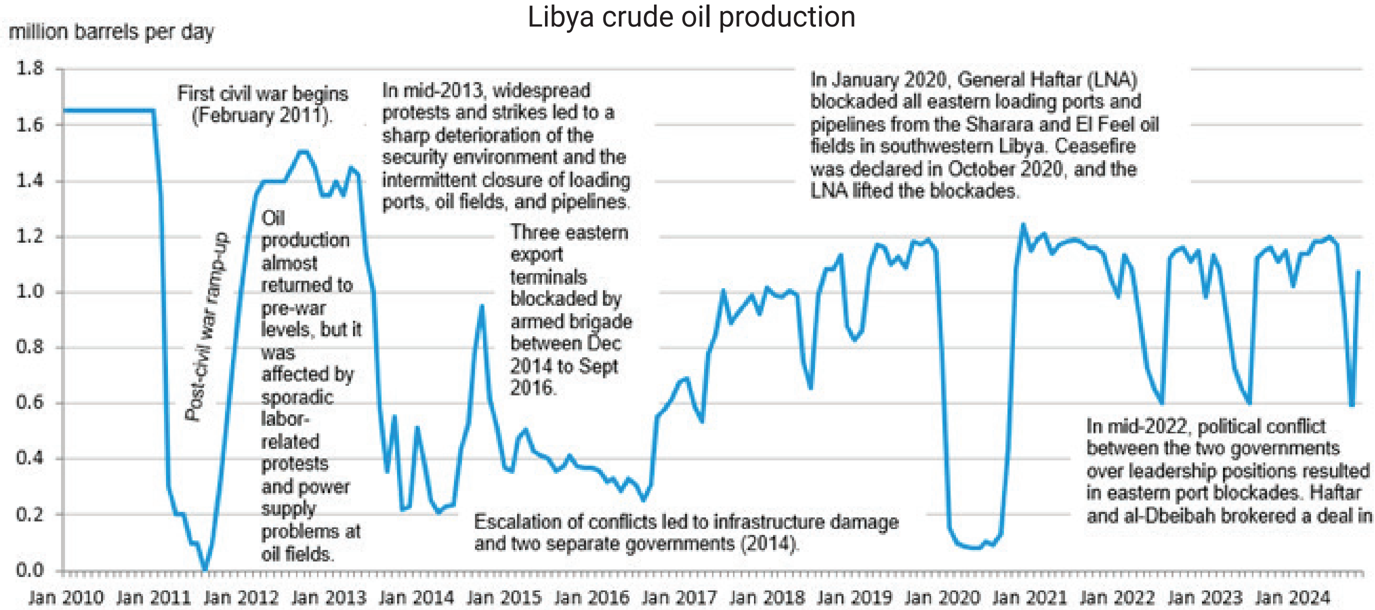
[15] World Bank, 2024. Libya Economic Monitor: Fall 2024—Stabilizing growth and boosting productivity. World Bank. Available at: https://documents1.worldbank.org/curated/en/099140012122442510/pdf/IDU13d87be7a1b0ad14a82193fc16a5f1106fc61.pdf. [Accessed 13 January 2025].
[16] CBL in: United Nations. (2023). 2023 Financing Landscape Analysis. [pdf] Available at: https://libya.un.org/sites/default/files/2023-08/2023_Financing_Landscape_Analysis_final%20%281%29.pdf [Accessed 28 Dec. 2024]
[17] United Nations. (2023). 2023 Financing Landscape Analysis. [pdf] Available at: https://libya.un.org/sites/default/files/2023-08/2023_Financing_Landscape_Analysis_final%20%281%29.pdf [Accessed 28 Dec. 2024].

Sector contribution as a percentage GDP.



Source: National Statistics of Libya, authors calculations.

Libya crude oil production



Source: U.S. Energy Information Administration, International Energy Statistics.

This includes the state's efforts to maintain control of key industries by limiting private sector size.[18] The private sector accounts for approximately 5 percent of Libya's GDP and 14 percent of employment[19].

[18] UNDP 2021: in United Nations. (2023). 2023 Financing Landscape Analysis. [pdf]
Available at: https://libya.un.org/sites/default/files/2023-08/2023_Financing_Landscape_Analysis_final%20%281%29.pdf [Accessed 28 Dec. 2024].

[19] International Organization for Migration. (2024) Final report: PSE – February 2024.
Available at: https://libya.iom.int/sites/g/files/tmzbdl931/files/documents/2024-02/20240221_iom-pse_final-report_fvlogos21.pdf (Accessed: 15 January 2025

3.3 OIL AND GAS SECTOR

The oil and gas sector of Libya has played a dual role as a catalyst for economic growth and as a source of vulnerability and economic volatility. This is because oil has been used as a political weapon for blockades. In 2023, Libya was the third-largest producer in Africa, after Nigeria and Algeria, and the seventh-largest crude oil producer in OPEC[20]. Libya holds 3 percent of world reserves and 41 percent of Africa's reserves[21].

Oil has allowed the country to attain its upper middle-income status[22], regardless of the civil unrest that impedes investment and large-scale exploration[23]. Despite this, the country is still highly dependent on the sector and benefits from its resources, which it utilises to fund its import consumption requirements. The sector constitutes more than 97 percent of exports and 90 percent of fiscal revenues[24].

3.4 NON-OIL SECTORS (AGRICULTURE, MANUFACTURING, SERVICES)

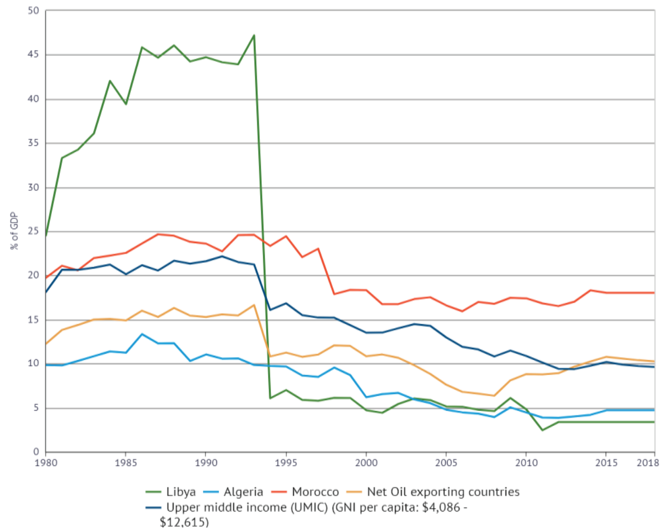
The agriculture, manufacturing, and service sectors of Libya have played important roles in the country, albeit limited in terms of diversification.

Manufacturing Sector. At present, manufacturing as a percentage of GDP plays a very small role in comparison to other sectors. In 1980, Libya's manufacturing sector accounted for 25 percent of GDP. It was higher in contrast to Algeria (10 percent), Morocco (19 percent), net oil-exporting countries (13 percent) and upper middle- income countries (18 percent). By 1994, the sector's contribution to GDP was more than 45 percent. In 2022, however, the contribution of the sector is reported at only 4 percent[25]. The sector's significance shrank due to its neglect and the country's focus on oil and gas.

Agriculture Sector. The agriculture, forestry, and fishing value added as a percentage of Libya's GDP has been small and primarily under 5 percent over the past two decades (See below figure). It has been smaller than its North African counterparts, such as Morocco, and fellow oil-rich country Algeria, which also experienced the Arab spring. It is also smaller than Sudan, another oil-producing country that is undergoing civil war and instability.

Agriculture production in Libya is limited by the availability of arable land, which constitutes only 12 percent of the 15.4 million hectares of agriculture land. The main cereals are wheat and barley, produced along the coast and arid southern areas. The country predominantly relies on groundwater as a source of fresh water, which, however, suffers from climate change and overexploitation. The central and southern regions fully utilise irrigation from non-renewable groundwater basins. Despite wheat and barley being the primary cereal harvest in the country, production is not sufficient for national needs. Up to 90 percent of wheat for human consumption and barley for feed are imported, funded by the country's hydrocarbon and oil revenues[26].

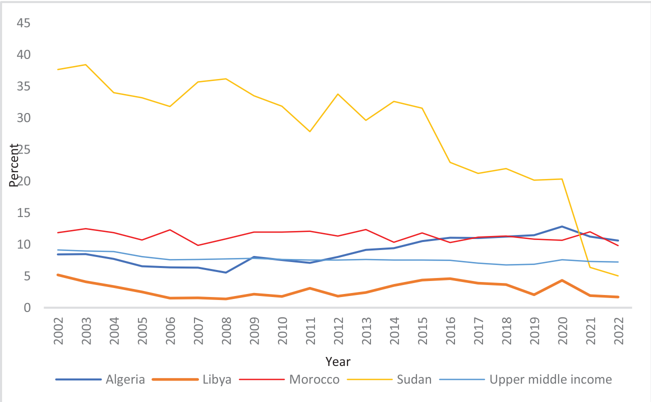
Manufacturing Value Add as a percentage of GDP.



Source: COMSTATS Data Hub[27]

[20]U.S. Energy Information Administration, 2023. Libya - Country Analysis Brief. [online] Available at: https://www.eia.gov/international/analysis/country/LBY [Accessed 12 December 2024].
[21]Oil and Gas Journal in U.S. Energy Information Administration, 2023. Libya - Country Analysis Brief. [online] Available at: https://www.eia.gov/international/analysis/country/LBY [Accessed 12 December 2024].
[22]Oil and Gas Journal in U.S. Energy Information Administration, 2023. Libya - Country Analysis Brief. [online] Available at: https://www.eia.gov/international/analysis/country/LBY [Accessed 12 December 2024].
[23]U.S. Energy Information Administration, 2023. Libya - Country Analysis Brief. [online] Available at: https://www.eia.gov/international/analysis/country/LBY [Accessed 22 December 2024].
[24]African Development Bank (AfDB), 2024. African Economic Outlook 2024: Country Notes. African Development Bank. Available at: https://www.afdb.org/sites/default/files/2024/06/06/aeo_2024_-_country_notes.pdf [Accessed 17 December 2024].
[25]African Development Bank (2025) Libya - Economic Outlook. Available at: https://www.afdb.org/en/countries/north-africa/libya/libya-economic-outlook (Accessed: 29 December 2024).
[26]Food and Agriculture Organization (FAO). (2024) Libya - Country Brief. Available at: https://www.fao.org/giews/countrybrief/country/LBY/pdf/LBY.pdf (Accessed 22 December 2024)
[27]COMESA. (n.d.). AfDB socio-economic database 1960-2019 [Data set]. Open Data for Africa. https://comesa.opendataforafrica.org/wiqcbkg/afdb-socio-economic-database-1960-2019?indicator=1008120

Agriculture, forestry, and fishing, value added (% of GDP)

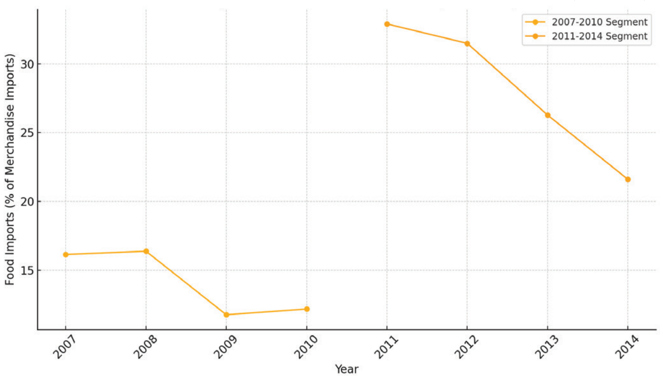


Source: *World Bank, authors calculations.*

The political situation has exacerbated pre-existing agricultural production challenges of Libya, including water scarcity, animal and plant disease, labour shortages, and desertification. Although agriculture contributes very little to GDP, a relatively large proportion of Libyans take part in agricultural production (22 percent). This proportion constitutes of small-scale producers of crops and livestock, which creates a significant source of food security[28]. Libya has not given agriculture priority due to its oil abundance, as well as its growing service and construction sectors.

Even before 2011, the country imported 80 percent of its consumption needs, primarily consisting of wheat, oil, maize, and milk[29]. Despite this, the sector has the potential to increase its efficiency, given that about 85 percent of its agricultural land is in the form of pasture. Additionally, more than 12 percent of arable land receives rainfall[30]. In 2022, the employment share of the agriculture sector was 9.2 percent, higher than its output share, which illustrates low productivity[31].

Food Imports as % of Merchandise Imports (Libya)

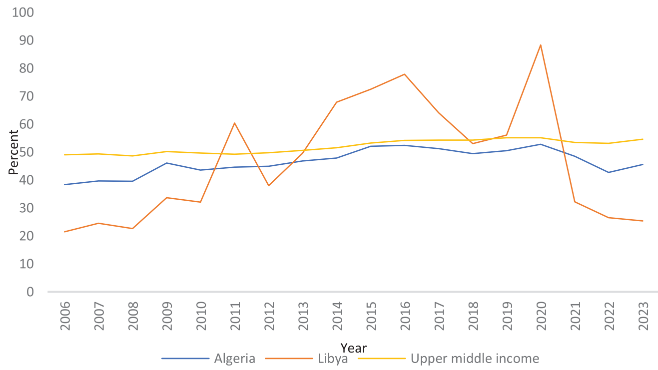


Source: World Bank, authors calculations.

Service Sector. The percentage contribution to GDP of the service sector of Libya is volatile much like its GDP volatility. Its trend is a strong contrast to the trend of Algeria and upper middle-income countries grouping. The sector, particularly in the areas of finance, telecommunications, and transportation, has shown resilience and has increased in importance given oil revenues fluctuations and decline.

In 2022, the employment share of the service sector was 70 percent, which is much higher than its output share, thereby illustrating low productivity[32]. In contrast to the upper-middle-income Africa average, Libya's service sector contribution to GDP is smaller—8 percentage points below[33].

Service Sector as a percentage of GDP.



Source: World Bank, authors calculations.

3.5 GDP GROWTH RATES AND PROJECTIONS

GDP growth rates and projections are tied to domestic oil production stability and the global and regional oil markets outlook due to Libya's strong reliance on the sector. In 2025, GDP growth is projected at 9.6 percent, and 8.4 percent in 2026. This is as a result of an expected output recovery to 1.2 million barrels per day (Mbpd) in 2025 and 1.3 Mbpd in 2026. A continuation of the recovery to 1.3 Mbpd was experienced in October 2024, following the contraction to 0.54 Mbpd in September 2024. Non-oil GDP, on the other hand is projected at 1.8 percent in 2024 and 9 percent in both 2025 and 2026 due to increased consumption[34].

Libya's long-term growth stability is dependent on political stability, economic diversification, and investment in the underfunded human capital.

[28] Food and Agriculture Organization (FAO) Libya. (2019) The impact of the crisis on agriculture: Key findings from the 2018 Multi-sector Needs Assessment. Food and Agriculture Organization of the United Nations. Available at: https://openknowledge.fao.org/server/api/core/bitstreams/6dd8ee4b-40eb-4aee-8698-b91c82eb1463/content (Accessed: 20 December 2024).
[29] Food and Agriculture Organization (FAO) Libya. (2019) The impact of the crisis on agriculture: Key findings from the 2018 Multi-sector Needs Assessment. Food and Agriculture Organization of the United Nations. Available at: https://openknowledge.fao.org/server/api/core/bitstreams/6dd8ee4b-40eb-4aee-8698-b91c82eb1463/content (Accessed: 20 December 2024).
[30] Food and Agriculture Organization (FAO) Libya. (2019) The impact of the crisis on agriculture: Key findings from the 2018 Multi-sector Needs Assessment. Food and Agriculture Organization of the United Nations. Available at: https://openknowledge.fao.org/server/api/core/bitstreams/6dd8ee4b-40eb-4aee-8698-b91c82eb1463/content (Accessed: 20 December 2024).
[31] African Development Bank. (2024) Libya - Economic Outlook. Available at: https://www.afdb.org/en/countries/north-africa/libya/libya-economic-outlook (Accessed: 15 January 2025)
[32] African Development Bank. (2024) Libya - Economic Outlook. Available at: https://www.afdb.org/en/countries/north-africa/libya/libya-economic-outlook (Accessed: 15 January 2025)
[33] Institute for Security Studies. (n.d.) Libya. Available at: https://futures.issafrica.org/geographic/countries/libya/ (Accessed: 15 January 2025).
[34] World Bank. (2024). Libya Economic Monitor: Fall 2024—Stabilizing growth and boosting productivity. World Bank. https://documents1.worldbank.org/curated/en/099140012122442510/pdf/IDU13d87be7a1b0ad14a82193fc16a5f1106fc61.pdf. Accessed January 6, 2025.

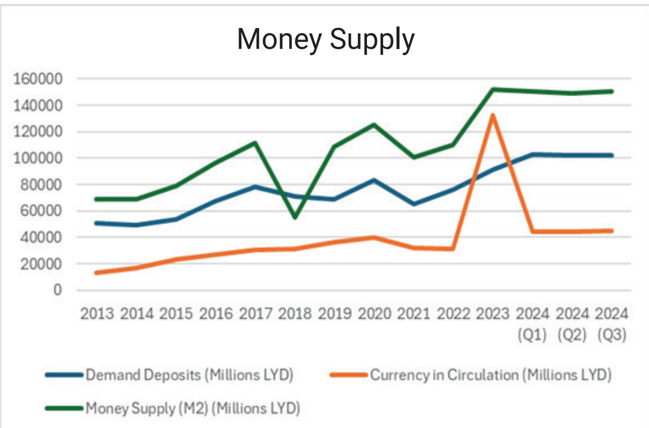
4. MONETARY AND FISCAL SPACE

4.1 MONETARY POLICY AND INFLATION TRENDS

Libya's monetary policy aims to maintain liquidity, contain inflation, and stabilise the currency, but systemic imbalances—particularly reliance on oil revenues and the absence of a comprehensive economic strategy—have hindered these objectives. Over the past decade, excessive fiscal expansion has eroded the Libyan dinar's value, increasing inflation and economic uncertainty. In 2024, 1 USD traded at approximately 4.8 LYD, while the parallel market exchange rate was higher, trading at about 6.8 LYD, reflecting persistent economic challenges.

The Central Bank of Libya (CBL) has faced challenges in fulfilling its monetary role due to fiscal mismanagement and political fragmentation. While its announced reunification process in 2023 was a step forward, the lack of fiscal discipline of parallel governments continues to undermine monetary stability. Inflation remains high, confidence in the dinar has weakened, and foreign currency reserves are under pressure due to growing demand. Despite regulatory attempts, exchange rate volatility persists, driven by expansionary fiscal policies, increased public spending, and rising trade deficits.

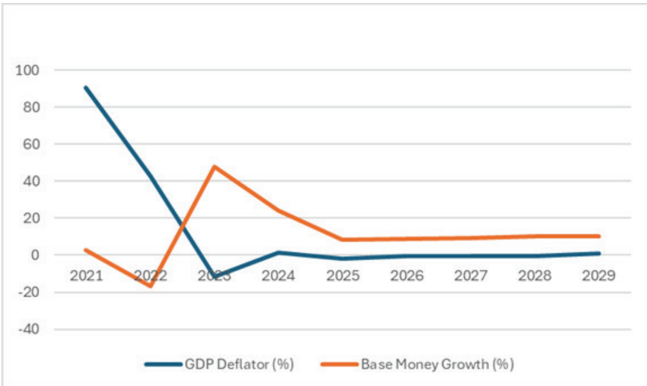
Broad money supply (M2) has expanded significantly, from LYD 69 billion in 2013 to LYD 152.1 billion in 2023, primarily due to increased government expenditure on wages and subsidies. Demand deposits grew from LYD 50.9 billion to LYD 91.2 billion, reflecting the continued expansion of the money supply, which has fuelled inflation and import costs. By Q1 2024, M2 had reached LYD 150.4 billion, intensifying inflationary pressures.



(Source: CBL economic bulletin 3rd quarter 2024, authors calculations

Despite this monetary expansion, liquidity shortages persist due to public mistrust in the banking system. Many prefer holding cash or foreign currency, further straining liquidity. Speculative activity in the foreign exchange market, coupled with weak banking sector confidence, exacerbates the dinar's depreciation. The financial system's instability has limited credit availability, hindering economic growth. Without structural reforms, the expansion of the money supply will continue to drive inflation, making household cost management increasingly difficult.

Quantity of money and inflation



(Source: CBL economic bulletin 3rd quarter 2024, authors calculations

The core challenge in monetary policy implementation is the lack of coordination between fiscal and monetary authorities. Expansionary fiscal policies, including increased public spending in the absence of a balanced budget law since 2014, contradict stabilisation efforts, while political instability further weakens policy execution. Attempts to regulate liquidity and stabilise the exchange rate have been undermined by conflicting economic strategies.

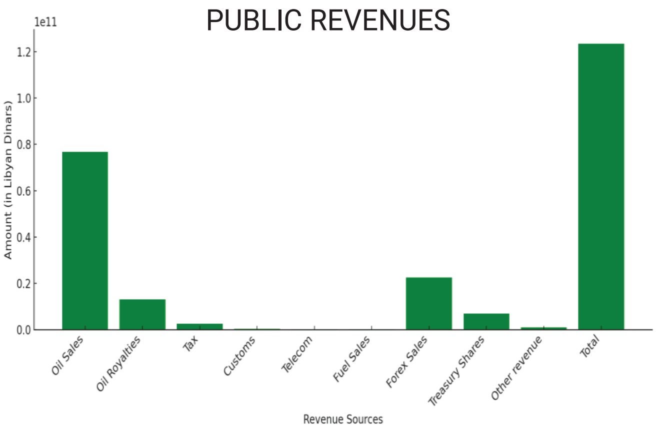
Efforts to reform monetary policy, such as liquidity management and banking sector adjustments, have been largely ineffective due to fiscal imbalances. Full CBL reunification and stronger coordination with fiscal authorities are critical for monetary stabilisation. Additionally, reducing the trade deficit through fiscal reform is essential to ease pressure on foreign reserves and mitigate the dinar's depreciation. Recent foreign exchange regulations (surcharge)[35] have failed to restore currency confidence, instead widening the gap between official and parallel exchange rates.

[35] Libya implemented a surcharge on foreign exchange transactions on March 15, 2024. On November 20, 2024, the CBL revised this surcharge, reducing it from 20% to 15%. This reduction aims to ease the financial burden on businesses and individuals while ensuring that foreign currency transactions remain regulated and transparent.

4.2 FISCAL POLICY AND PUBLIC EXPENDITURE

Libya's fiscal space remains heavily influenced by oil revenue, with government spending primarily directed towards salaries, subsidies, and operational costs. Political instability and governance fragmentation further complicate fiscal management, limiting investment in infrastructure and development.

In 2024, total government revenue stood at LYD 123.5 billion, with over 72 percent coming from hydrocarbons. Oil sales contributed LYD 76.7 billion (62 percent), and oil royalties LYD 13.1 billion (10.6 percent), underscoring Libya's dependency on hydrocarbons. Foreign exchange sales fees added LYD 22.5 billion[36] (18.2 percent), reflecting the role of exchange rate management in public finance. However, tax and customs revenues remained low at LYD 2.8 billion, highlighting limited progress in expanding the non-oil revenue base.



(Source: CBL Expenditures and revenues report, January 2025, authors calculations)

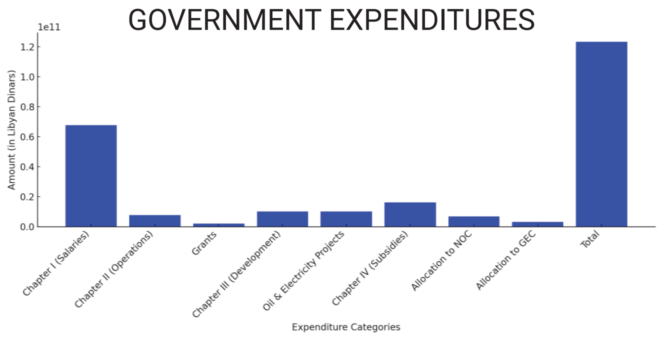
Total government expenditures in 2024 reached LYD 123.2 billion, with recurrent spending dominating. Salaries accounted for LYD 67.6 billion (54.9 percent), reflecting an overgrown public sector. Subsidies consumed LYD 16.1 billion (13.1 percent) on food, feed, and medicines, despite inefficiencies and smuggling-related losses. Operational expenses stood at LYD 7.7 billion (6.3 percent), while development and infrastructure projects received LYD 10 billion, though much of this was suspended due to fiscal constraints. Oil and electricity projects faced similar funding suspensions, delaying essential energy infrastructure. Despite a modest fiscal surplus in 2024, Libya's long-term fiscal sustainability remains fragile due to high public spending and oil dependency. While public debt is relatively low, economic resilience is weak and non-oil revenues remain insufficient. Political fragmentation continues to delay budget approvals and infrastructure projects, further straining economic stability. Oil price volatility exposes fiscal planning to external risks, while an inefficient subsidy system drains public finances.

However, fuel subsidies are not included in the official data of expenditures, as they are covered by the National Oil Corporation (NOC) crude-for-fuel transactions. According to the National Audit Bureau 2023 report, 25 percent of Libya's oil production was allocated to the exchange of crude oil for refined products, 13 percent went to local refineries, and 2 percent was supplied to GECOL. The report criticised the ongoing practice of exchanging crude oil for refined fuel without proper oversight, leading to additional expenditures of LYD 41.3 billion. These costs, which are expected to have increased further in 2024, represent a significant loss of hard currency revenue available to the Treasury. Furthermore, the systemic and exorbitant smuggling of fuel has exacerbated financial losses, further straining public resources and undermining economic stability.

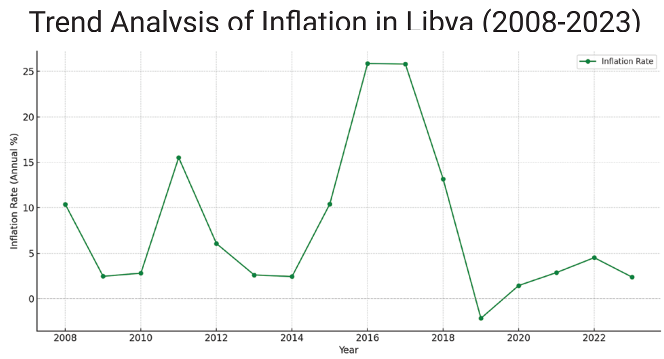
Furthermore, fluctuations in oil prices directly impact Libya's fiscal space, affecting its ability to maintain expenditures. The 2024 decline in global oil prices strained fiscal resources, forcing capital expenditure reductions without addressing underlying inefficiencies. Stabilising public spending has proven insufficient to shield the economy from broader challenges, underscoring the need for comprehensive structural reforms. To ensure fiscal stability, Libya must diversify revenue sources, strengthen tax collection, improve foreign exchange management, and enhance fiscal discipline through a balanced unified budget law. Reforming the subsidy system by phasing out fuel subsidies in favour of targeted cash transfers for those in need would ease fiscal pressure and allow resources to be redirected to productive investments. Strengthening governance institutions, particularly the Ministry of Finance and CBL, is critical for improved fiscal oversight, transparency, and accountability.

Libya's economic future depends on reducing its dependence on oil and diversifying the economy, enhancing budgetary efficiency, and implementing structural reforms. Without significant changes, fiscal vulnerabilities will persist, hindering long-term economic growth and stability.

[36] The reported surcharge revenue of LYD 22.5 billion contradicts the LYD 27.2 billion cited in the end notes of the 2024 CBL



*(**Source:** CBL Expenditures and revenues report, authors calculations)*



(Source: World bank data, authors calculations)

5. TRADE AND INVESTMENT LANDSCAPE

5.1 TRADE OVERVIEW AND BALANCE TRENDS

Libya's international trade is highly dependent on oil and gas. The country has historically had a trade surplus which has provided the needed foreign exchange to fund imports. This positive characteristic, however, quickly weakens during periods of political instability and oil blockades. The surplus turns into a deficit in an environment where the non-oil export sector and its contribution to GDP are limited.

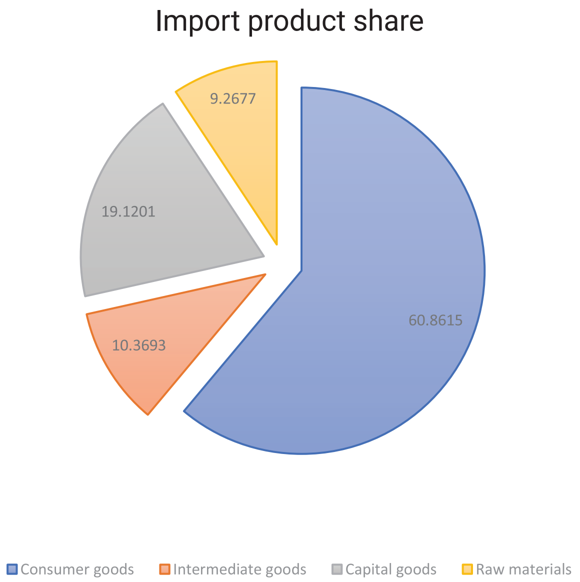
Libya particularly experienced a trade deficit in 2015, 2016, and in 2020, which was driven by the COVID-19 pandemic and the resultant lockdowns. Although, on average, Libya continues to experience a positive trade balance, the historical total merchandise exports exhibits a slight negative trend, and the total merchandise imports exhibit a slight positive trend[37]. This menaces the country's long-term trade surplus characteristics and outlook. Concerning trade in services, however, Libya runs a deficit. In 2019, the country incurred a trade deficit in services of USD 7 billion[38].

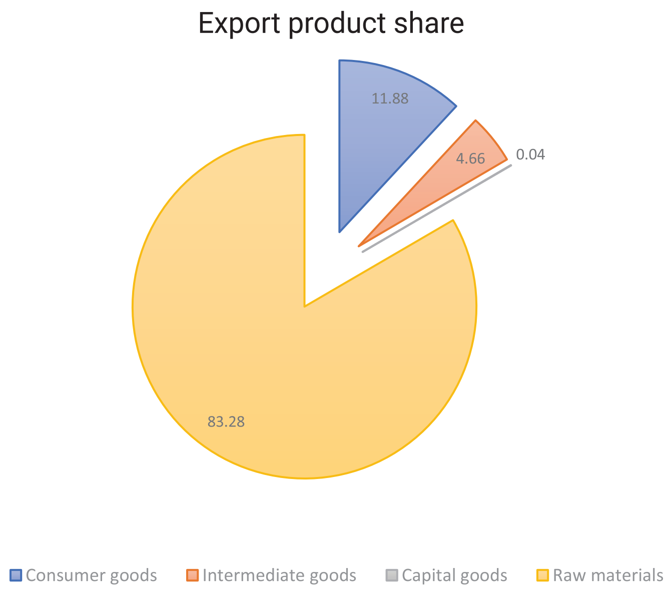
5.2 KEY IMPORTS AND EXPORTS

Libya is highly reliant on imports. It primarily relies on the importation of consumer goods, given the underdevelopment of the non-oil sector. Consumer goods constitute 60.8 percent of its product import share, followed by capital goods (19.1 percent), intermediary goods (10.36 percent) and raw materials (9.26 percent). The exports are predominantly composed of raw materials—evidently, primarily oil and gas. In 2019, Libya exported 83.3 percent of raw materials, 11.88 percent of consumer goods, 4.66 percent of intermediary goods and 0.04 percent of capital goods given the small non-oil sector.

Source: World Integrated Solutions, authors calculations.

[37]Illustrated by exponential trend lines.
[38]United Nations. (2022). Comtrade 2022: International trade statistics -Volume I [PDF file]. United Nations. https://comtradeapi.un.org/files/v1/app/publicationfiles/2022/VolI2022.pdf.





Source: World Integrated Solutions, authors calculations.

Included in its top ten products and sectors imported in 2022 is manufacturing (USD 14.74 billion), and fuel and mining products (USD 9.51 billion). Libya imports petroleum products due to limited capacity of its oil refineries[39]. Libya also has strong import demand for agricultural products, machinery and transport equipment, and food, among others. Imports of these products have also increased since 2016.

TOP 10 PRODUCT/SECTOR IMPORTED.

Product/Sector	2016	2017	2018	2019	2020	2021	2022
Manufactures	3.965	4.552	6.862	9.819	7.590	10.020	14.737
Fuels and mining products	1.194	1.694	2.378	2.330	2.189	3.551	9.513
Fuels	1.095	1.573	2.202	2.059	2.100	3.314	9.122
Agricultural products	3.506	2.963	3.587	3.453	3.112	3.836	5.341
Machinery and transport equipment	2.339	1.672	3.185	4.152	2.768	3.787	5.290
Food	3438	2914	3541	3384	3044	3743	5201
Chemicals	875	814	1230	1263	1194	1641	2382
Transport equipment	838	411	845	1535	959	1213	1666
Automotive products	370	368	785	1444	879	1136	1572
Clothing	415	362	489	644	572	561	950

Source: World Integrated Solutions, authors calculations.

The top ten export products and sectors exported by Libya include fuel and mining products (USD 36.85 billion) and fuels (USD 33.26 billion) in 2022. Manufacturing consists of USD 204 million. The exports of all other products and sectors are remarkably smaller in contrast, due to the small non-oil sector.

[39]U.S. Energy Information Administration. (2020, September). Libya country analysis brief. U.S. Energy Information Administration. https://www.eia.gov/international/content/analysis/countries_long/Libya/pdf/libya.pdf

TOP 10 PRODUCTS/SECTORS EXPORTED.

Product/Sector	2017	2018	2019	2020	2021	2022
Fuels and mining products	18.183	28858	27.507	7.585	32.835	36.854
Fuels	15.536	25386	24.197	5.724	27.485	33.255
Manufactures	204	295	186	225	439	631
Chemicals	91	112	47	15	200	313
Iron and steel	76	138	103	158	212	239
Machinery and transport equipment	30	29	25	48	22	64
Agricultural products	63	60	38	31	37	63
Transport equipment	15	2	28	19	4	59
Food	49	46	30	25	29	50
Pharmaceuticals	0	0	0	0	0	0

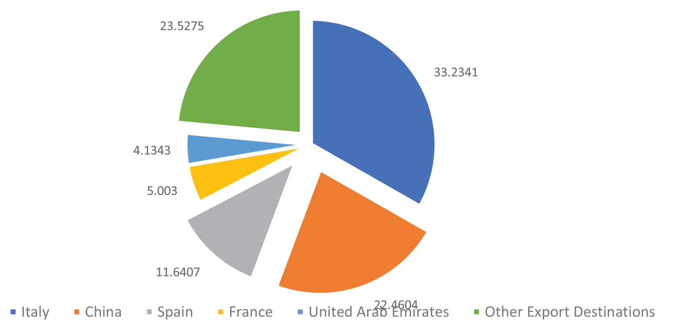
Source: World Integrated Solutions, authors calculations.

5.3 KEY TRADING PARTNERS AND RELATIONSHIPS

Trade with its North African region and African continent is limited. Libya's key trade partners are European countries due to their strong reliance on hydrocarbon and their strategic location. Including their need for high quality oil. Italy (33.2 percent) is the largest export destination for Libya, followed by China (22.49 percent) and Spain (11 percent). Italy acquires about 30 percent of its oil needs from Libya[40].

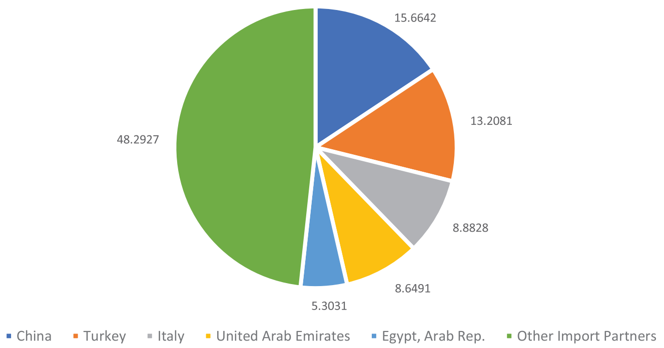
Libya primarily relies on China (15.67 percent), Türkiye (13.2 percent), Italy (8.88 percent) and United Arab Emirates (8.6 percent) for essential imports. Egypt is the only North African and African country that forms part of the top five main import partners. Libya's high dependence on food imports is primarily sustained by Russia for wheat, followed by Türkiye and Romania[41]. From China, Libya imports consumer goods, machinery electronics, capital goods, and textiles and clothing[42].

Main Export Destinations



Source: World Integrated Solutions, authors calculations.

Main Import Partners

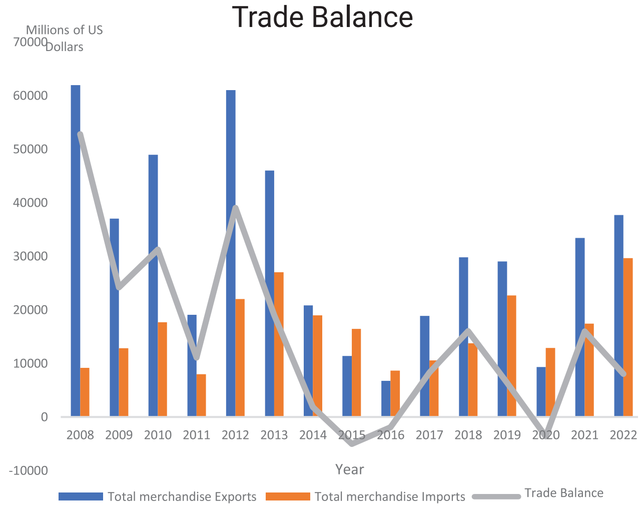


Source: World Integrated Solutions, authors calculations.

5.4 TRADE BALANCE TRENDS

The Libyan trade balance trend has traditionally been positive due to strong oil revenues that provide the needed foreign exchange for imports. However, the heavy reliance on the oil sector renders the county vulnerable to oil production and price fluctuations, which can swiftly turns the surplus into a deficit.

Trade Balance



(Source: World Bank, authors calculations)

[40] Elbeydi, K. R. M., Hamuda, A. M., & Gazda, V. (2010). The relationship between export and economic growth in Libya Arab Jamahiriya. Theoretical and Applied Economics, 17(1), 69-76. https://www.store.ectap.ro/articole/437.pdf

[41] Food and Agriculture Organization of the United Nations. (Year). Libya country brief. Food and Agriculture Organization of the United Nations. https://www.fao.org/giews/countrybrief/country/LBY/pdf/LBY.pdf

[42] World Bank. (2019). Libya trade profile: Imports from China. World Bank. https://wits.worldbank.org/CountryProfile/en/Country/LBY/Year/2019/TradeFlow/Import/Partner/CHN/Product/all-groups

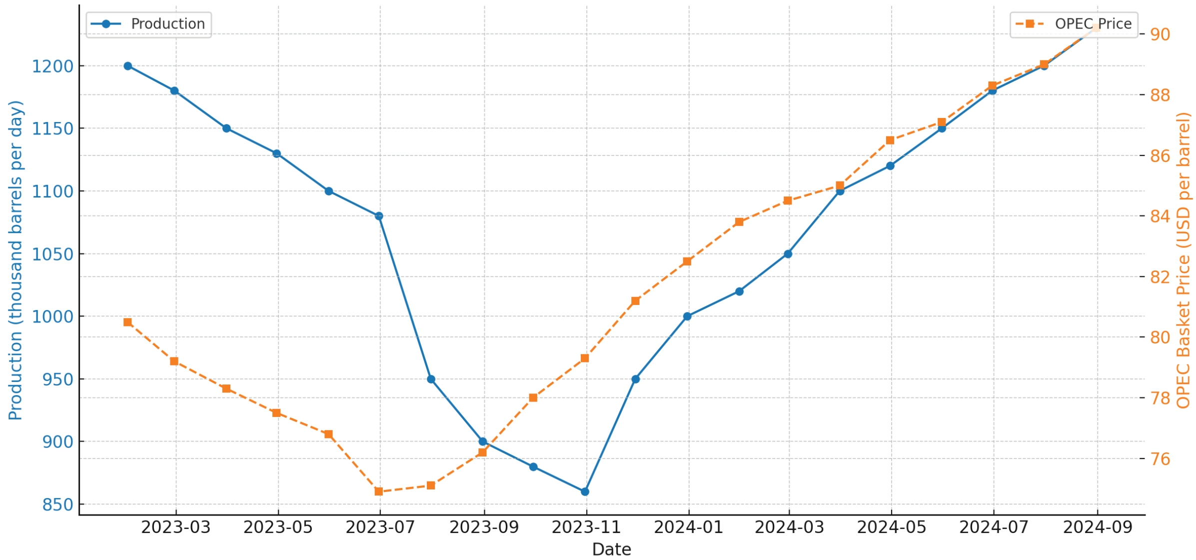
The country's strong reliance on one commodity and its small non-oil sector put it at risk due to the endogenous and exogenous factors that affect the oil and gas sector. Together with the strong need for imports and consumer goods, and the call to diversify away from fossil fuels puts the long-term trade surplus at risk.

5.5 INVESTMENT

The country has faced significant political and economic challenges that have constrained investment. Despite these hurdles, the country holds substantial potential, particularly in oil and gas, infrastructure, renewable energy, and agriculture. With proven reserves of 48 billion barrels,[43] the oil sector attracts both domestic and foreign investors.

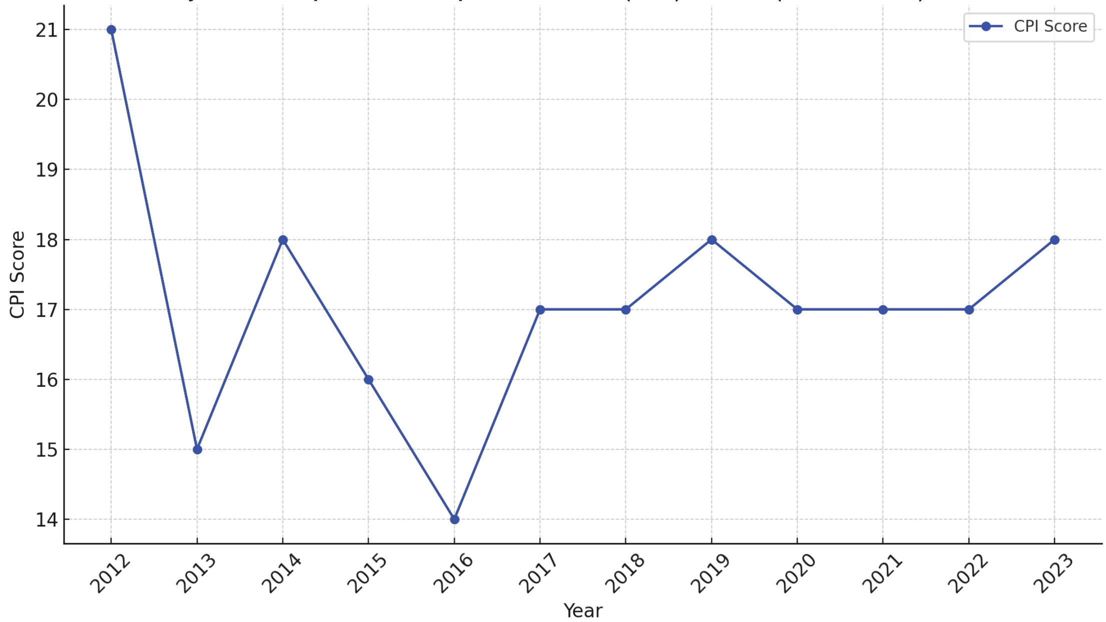
Political instability since 2011 has disrupted production and exports. In 2022, oil production recovered to 1.2 million barrels per day (bpd) from under 100,000 bpd in 2020 and reached 1.4 million bpd in 2024.[44] However, Foreign Direct Investment (FDI) has declined, with inflows dropping from USD 1.7 billion in 2010 to negative figures in 2020.[45] Domestic investment faces obstacles such as weak financial systems, limited credit, and widespread corruption, with Libya ranked 173rd out of 180 on Transparency International's Corruption Perceptions Index of 2024.[46] Additionally, limited diversification stifles sustainable growth.

Trend Analysis: Libya's Crude Oil Production and OPEC Basket Prices (Jan 2023-Aug 2024)



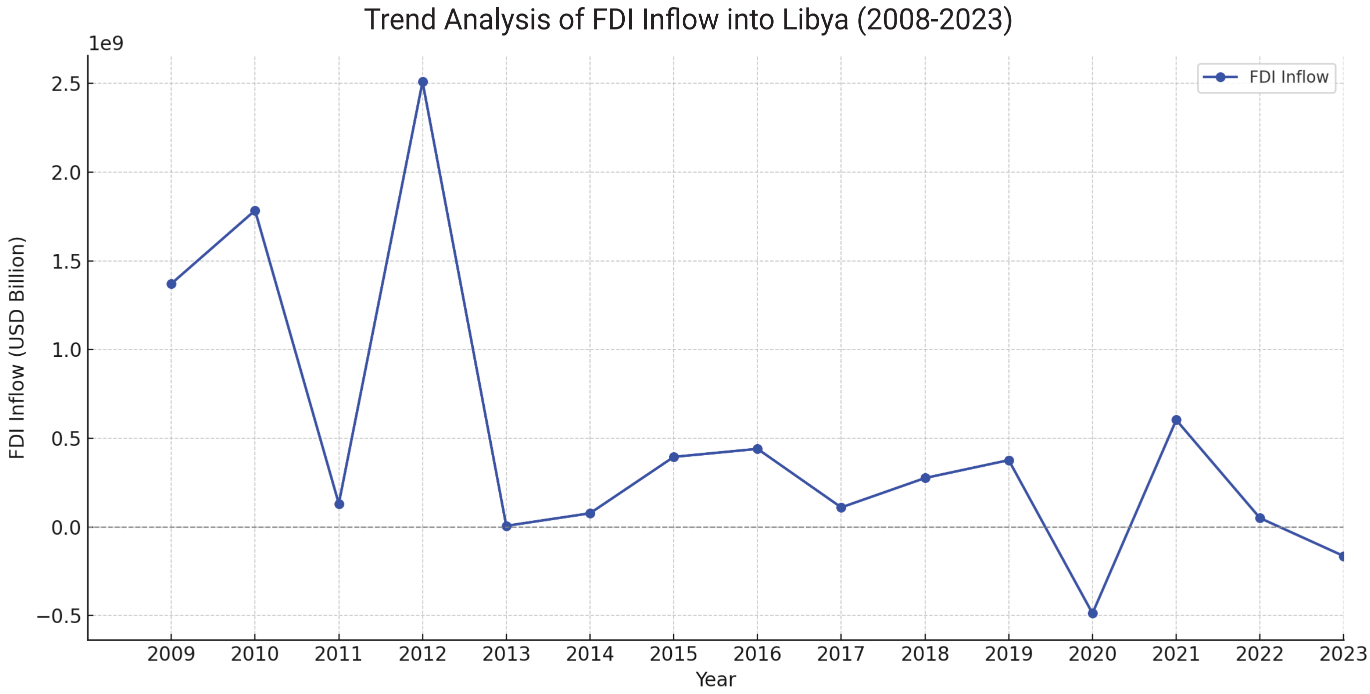
Source: EIA and OPEC, authors calculations

Libya's Corruption Perceptions Index (CPI) Trend (2012-2023)



Source: Transparency International's Corruption Perceptions Index report, authors calculations

[43]U.S. Energy Information Administration, 2021
[44]Liban National Oil Company
[45]UNCTAD, 2021
[46]Transparency International 2024

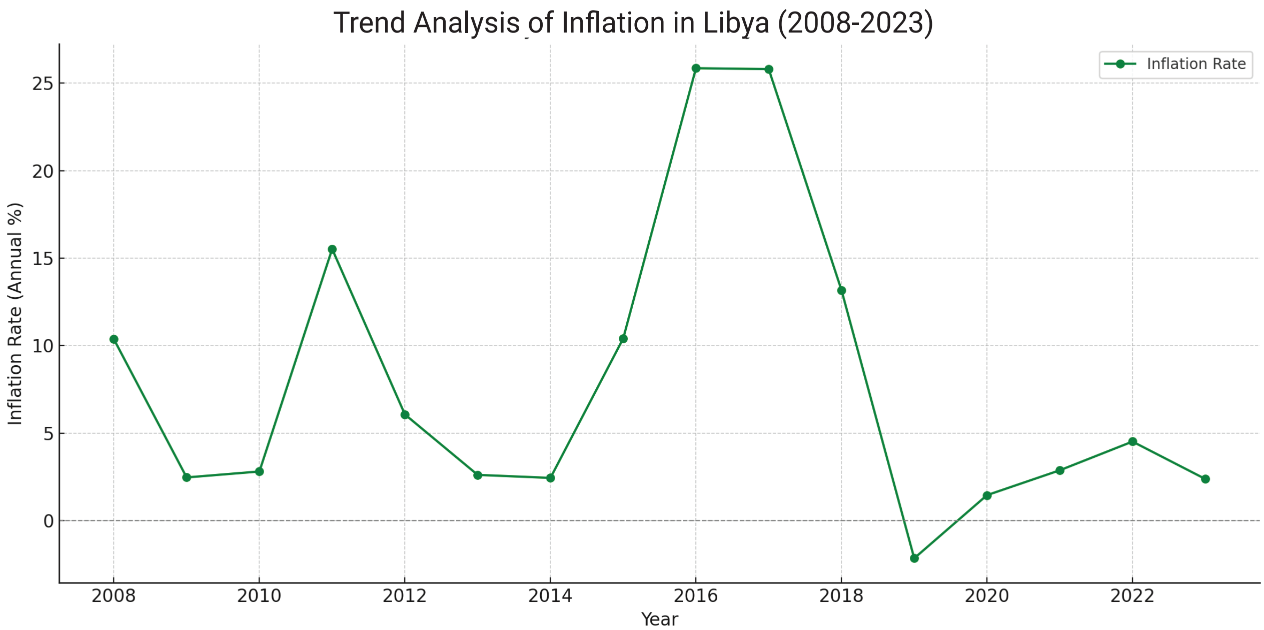


Source: Transparency International's Corruption Perceptions Index report, authors calculations

Renewable energy holds immense potential, particularly solar power, leveraging over 3,000 annual sunshine hours,[47] as outlined in the Libyan Vision 2030's focus on energy diversification.

Agriculture presents opportunities to reduce food import dependence—currently 80 percent of its food[48]—through modern irrigation and farming techniques. Telecommunications and digital services, driven by a young and tech-savvy population, can modernise Libya's economy with investments in broadband and e-commerce. Similarly, tourism offers untapped potential, with Libya's Roman ruins and Mediterranean coastline positioned to attract international visitors through targeted infrastructure and marketing investments.

Infrastructure deficits further impede investment. Electricity shortages and deteriorating transport networks inflate operational costs and restrict trade. Libya's low Logistics Performance Index underscores these challenges, highlighting inefficiencies compared to regional peers.[49] Addressing these systemic hurdles requires coordinated reforms to stabilise governance, modernise infrastructure, and diversify the economy.



Source: World Bank, authors calculations

[47]IRENA, 2021
[48]United Nations, Food and Agricultural Organization, 2021
[49]World Bank, 2024

6. CONCLUSION AND KEY RECOMMENDATIONS

Libya's socio-economic landscape is a mix of immense potential and persistent challenges. The country possesses abundant natural resources, a youthful workforce, and a strategic geographical location, all of which could serve as pillars for sustainable development. However, political instability, economic mismanagement, and deep-rooted social vulnerabilities continue to obstruct meaningful progress. Without targeted reforms and strong governance structures, Libya risks prolonged stagnation and deepening inequalities.

The political and governance crisis remains the primary obstacle to economic stability and growth. Institutional fragmentation, ongoing disputes over oil revenues, and a lack of policy coordination have paralysed essential reforms. The absence of a unified government and the failure to implement fiscal oversight mechanisms have led to inefficient public spending, corruption, and delays in critical infrastructure projects. Political reconciliation and governance reforms are therefore fundamental in unlocking Libya's full economic and social potential.

Economic revitalisation must be driven by diversification beyond the hydrocarbon sector. Overreliance on oil revenues has made Libya highly vulnerable to price fluctuations and production disruptions. To build a resilient economy, the government should prioritise investments in agriculture, renewable energy, and manufacturing. Strengthening private sector development through regulatory reforms and financial incentives will be essential in expanding employment opportunities and fostering sustainable growth. Regional trade integration through the African Continental Free Trade Area (AfCFTA) and bilateral agreements could also open new economic avenues and reduce Libya's dependence on oil exports.

The labour market remains a critical concern, with high unemployment rates, particularly among youth and women. Education and vocational training systems must be reformed to bridge the gap between academic qualifications and labour market demands. Investing in skill development programmes tailored to the needs of Libya's evolving economy will increase workforce participation and economic productivity. Additionally, expanding financial inclusion and entrepreneurial initiatives can create alternative employment opportunities, particularly for marginalised groups.

Infrastructure and social protection systems require urgent improvements to support Libya's long-term development goals. Investments in healthcare and education will enhance human capital and improve overall quality of life. Urban planning strategies should address the pressures of internal displacement and migration, ensuring equitable access to essential services. Furthermore, Libya's existing subsidy system must be reformed, and its opaque crude-for-fuel transactions discontinued to ensure that financial assistance is effectively targeted at the most vulnerable populations, reducing inefficiencies and unnecessary fiscal burdens.

Monetary and fiscal policies must also be strengthened to support macroeconomic stability. A medium-term fiscal strategy should be introduced to curb excessive public spending and improve revenue collection. Monetary policies should aim to stabilise inflation, support financial sector development, and restore confidence in the Libyan dinar. Greater transparency and accountability in public finances will be essential to reduce corruption and enhance government efficiency. This must be accompanied by efforts to curb the interference in and capture of key economic sectors and oversight institutions in Libya by political elites and armed groups, who exploit public offices for personal gain.

Finally, Libya's path to recovery and sustainable development will require active international cooperation. Engagement with international financial institutions such as the International Monetary Fund (IMF), World Bank, and bilateral partners can help secure technical assistance and investment. Partnerships, particularly in non-oil sectors, will provide opportunities for economic diversification and infrastructure development aligned with the Sustainable Development Goals (SDGs), as well as enhancing transparency and accountability. Strengthening coordination with UNSMIL and regional stakeholders will be essential in advancing peacebuilding efforts and ensuring long-term political and economic stability.

Libya stands at a crossroads. By implementing comprehensive policy reforms, foremost through constructive engagement in the economic track of the UNSMIL-facilitated, Libyan-led political process, the country can transition from a fragile, post-conflict economy to a sustainable, inclusive, and diversified economic model. However, achieving this vision will require committed and coordinated efforts from national leaders, international partners, and civil society actors. Addressing governance fragmentation, fostering economic opportunities, and enhancing social resilience will be fundamental in shaping Libya's future and ensuring a path towards lasting stability and prosperity for all people in Libya.

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