

LIBYA

ECONOMIC MONITOR

Stabilizing
Growth and Boosting
Productivity

Fall 2024



THE WORLD BANK

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Middle East & North Africa

Libya Economic Monitor

Stabilizing Growth and Boosting Productivity

Fall 2024



Middle East and North Africa Region

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ABBREVIATIONS

BTI	Bertelsmann Transformation Index	ILO	International Labor Organization
CBL	Central Bank of Libya	IMF	International Monetary Fund
CPI	Consumer Price Index	LEM	Libya Economic Monitor
EFI	Economic Fitness Index	LYD	Libyan Dinar
FCV	Fragile, Conflict, and Violence	Mbpd	Million barrels per day
FDI	Foreign Direct Investment	MENA	Middle East and North Africa
GDP	Gross Domestic Product	NOC	National Oil Corporation
GNI	Gross National Income	SCM	Synthetic Control Method
GNS	Government of National Stability	TFP	Total Factor Productivity
GNU	Government of National Unity	USD	United States Dollar
HoR	House of Representatives	WBG	World Bank Group

PREFACE

The Libya Economic Monitor (LEM) is the product of the Middle East and North Africa unit in the Economic Policies Global Practice at the World Bank Group. It provides an update on key economic developments and policies and presents Libya's outlook. It is intended for a wide audience, including policymakers, business leaders, financial market participants, and the community of analysts and professionals engaged in Libya. The data cut-off for this report is Oct 31, 2024.

The report was led by Khaled Alhmoud (Senior Economist) and co-authored by Luan Zhao (Senior Economist), Zied Ouelhazi, Natsuko Obayashi, and Habib Zitouna (Economists). The authors are grateful to Weijian Li and Yahui Zhao (Research Analysts) for their inputs and contributions, and to Ekaterina Georgieva Stefanova (Senior Program Assistant) for administrative support. The authors received

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EXECUTIVE SUMMARY

The recent crisis at the Central Bank of Libya (CBL) over its leadership, which began in August and ended in late September of this year, severely impacted the country's oil production and overall economy.

The crisis was triggered by a power struggle between rival governments and factions vying for control over the CBL's management of hydrocarbon wealth and fiscal policies. The situation was eventually resolved with the appointment of a new Governor, Deputy Governor, and Board of Directors, but the CBL remains a central point of political tension. The crisis underscored the fragility of Libya's political landscape and its profound impact on economic stability, highlighting the urgent need for a more unified and stable governance framework to manage the country's critical financial and natural resources effectively.

Precipitated by the CBL crisis, oil production contracted by 8.5 percent during the first 10 months of 2024. With the closure of major oil fields announced by the Benghazi based authorities late August, average oil production fell from 1.17 mbpd before the crisis to 0.95 and 0.54 mbpd in August and September, respectively. With the resolution of the CBL crisis, oil production ramped up to reach 1.3 mbpd towards end of October. Oil prices hovered around its 2023 level of \$80 per barrel during the first 10 months of 2024 with noticeable fall in recent months to reflect

faltering global oil demand, mostly from China, despite increasing regional geopolitical risks.

Libya's economic outlook relies heavily on the oil and gas sector, which constitutes a significant portion of its GDP, government revenue, and exports. With oil production expected to average 1.1 mbpd in 2024, GDP is anticipated to shrink by 2.7 percent this year. As oil output recovers in 2025 and 2026, reaching 1.2 and 1.3 mbpd, respectively; GDP growth is expected to rebound to 9.6 percent and 8.4 percent in 2026. Meanwhile, non-oil GDP growth is estimated to grow by 1.8 percent in 2024 supported by private and public consumption, and average around 9 percent during 2025–2026 to reflect strong recovery in oil exports. Despite the fall in oil revenues in 2024, both the fiscal and external balances surpluses are expected to widen to 1.7 and 4.1 percent of GDP, respectively, due to contractionary public and capital spending and falling imports.

The outlook is subject to significant downside, as well as upside risks. The recent CBL crisis highlights the fragility of the political situation which had a direct short-term impact on the economy. Prospects for political stability and consensus would be a major upside for the Libyan economy and citizens. In the medium term, the main challenge remains economic diversification and reducing dependence on hydrocarbons. Lower oil prices not only reduce government revenues but would also

add fiscal burden through higher cost of subsidies. Intensification of regional conflicts in the Middle East may disrupt trade, FDI, and financial flows but may also create revenue windfalls for Libya through higher oil prices. Extreme climate events may cause loss of human lives, severe damage to infrastructure, lower growth, and financial instability.

The Special Focus Section “Stabilizing Growth and Boosting Productivity” provides an overview of Libya’s past drivers of economic growth and productivity trends. For over a decade now, the conflictual transition has had a devastating impact on the Libyan economy, estimated at US\$600 billion in constant 2015 dollars. In 2023, Libya’s GDP absent the conflict is estimated to be 74 percent higher

than the realized GDP. The high reliance on the oil sector, weak diversification, low and falling productivity owing to inefficient allocation of labor and capital, and deteriorating health and education quality are some of the key challenges that are holding back Libya’s long-term prosperity. In the short-term, priorities should be enhanced security, governance and stability. With GNI per capita at \$7,570 (2023), Libya is classified as an upper-middle-income country, however, it falls behind its peers on most development indicators. With the global transition to cleaner and greener energy, Libya’s growth strategy should focus on promoting non-oil sectors with high value-added job opportunities to maintain its upper-middle-income status. This could be achieved by promoting private sector-led growth.



RECENT ECONOMIC DEVELOPMENTS

Conflict and Institutional Developments

The recent CBL crisis ended with the appointment of a new Governor and Deputy Governor and Board of Directors. The crisis, which started in August 2024, over the appointment of CBL Governor and Board of Directors resulted in a politically motivated halt of oil flows across Libyan oilfields. The oil blockade lasted a month, with daily output falling to about 0.45 mbpd at the peak of the blockade.

The CBL has been at the center of a power struggle between the country's rival governments and factions due to its holdings of hydrocarbon revenue and fiscal management role. Officially, the CBL is the recipient of Libya's oil money, that is channeled by the National Oil Company (NOC). It disburses these funds to finance the Government of National Unity (GNU) as well as the wages and salaries of Libyans across the country. As a result, the CBL played a role that is bigger than the role assumed by typical central banks in other countries and emerged as an economic power center within the Libyan context. Over the past year, important progress was made to reunify the CBL, but criticism

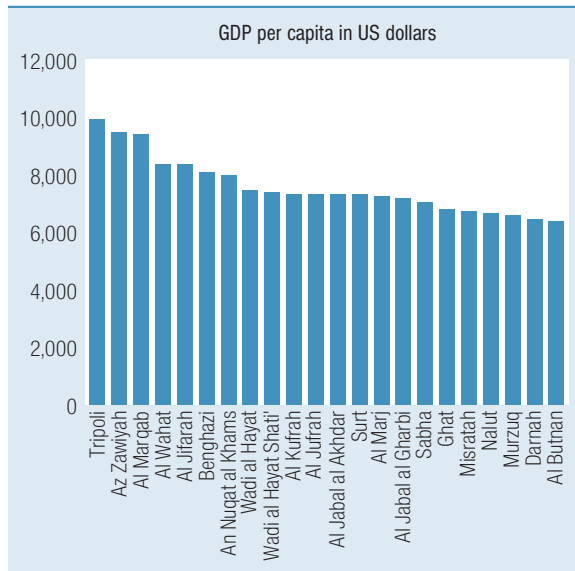
remained about the absence of a functioning Board of Directors.

Establishing a unified government framework that recognizes the CBL as an independent institution could help eliminate the pervasive influence of political agendas on monetary policy. Fostering dialogue among stakeholders, including civil society, private sector, and local authorities, is essential to create a consensus on economic governance. Implementing measures to enhance transparency and accountability within the CBL will also be crucial in rebuilding public confidence and ensuring that monetary policies effectively support economic recovery and stability in Libya.

Despite the approval of a unified 2024 budget by the House of Representatives (HoR), disputes rose between political factions over its implementation.¹ This year the CBL and other actors

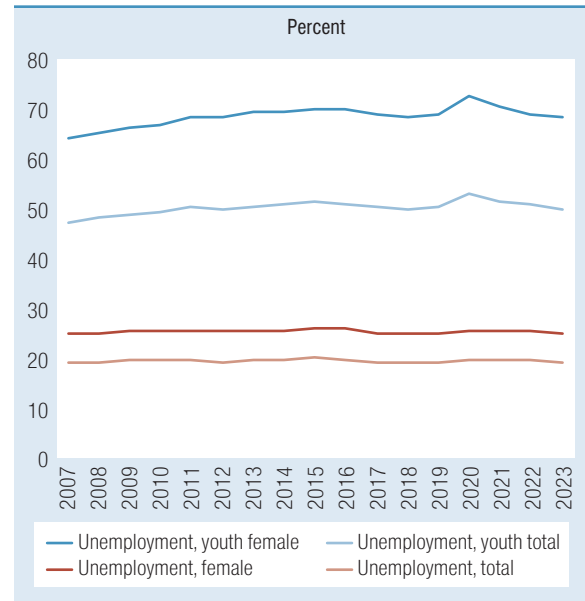
¹ The GNU's Budget has not been approved by the HoR since 2021 but is financed by the hydrocarbon revenues through the CBL, while the Government of National Stability's (GNS) Budget has been approved by the HoR since 2022 but lacks access to the country's hydrocarbon revenues. None of the budgets follow

FIGURE 1 • Spatial Disparities Among Regions (GDP per Capita)



Source: World Bank estimation based on RDNA methodology.

FIGURE 2 • Unemployment Rates



Source: modeled ILO estimate.

called for the negotiation of a unified budget which was supported by the international community. In July 2024, the House of Representatives (HoR) approved a LYD 179 billion (US\$ 37 billion) unified budget which included development projects for all regions of the country. However, the Budget was disputed by political factions on specific implementation arrangements, especially, on revenues and public investment. Discussions are currently underway for the preparation of the 2025 unified budget.

Large disparities among regions and segments of the society exist in Libya. In 2023, the gap between the richest governorate, Tripoli, and the poorest ones, Derna and Al Butnan, was about 35 percent² (Figure 1). Furthermore, the national unemployment rate in 2023 is 18.7 percent, with a higher rate of 24.7 percent for women (Figure 2). However, it is estimated that 49.4 percent of youth is unemployed, and the rate reaches 68 percent for female youth. Unemployment has remained relatively stable since the revolution, as 89 percent of the Libyan labor force is employed in the public sector (Labor Force Survey 2022), but exceeds Arab States of 24.5 percent.³

Public governance has been at the core of the division. Libya's institutional legacy has been

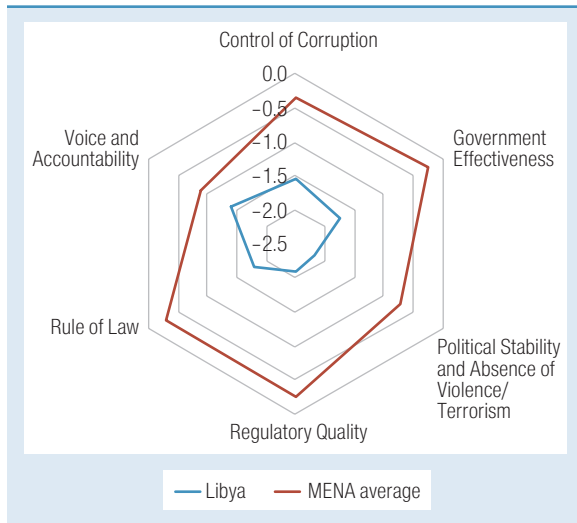
historically characterized by centralized decision-making, regulatory opacity, and an extensive and unwieldy public sector. The state's historical economic dominance gave rise to numerous committees, agencies, holding companies, and monopolies. Despite initial privatization and liberalization efforts in 2003, the public sector continues to grapple with inefficiency, a lack of transparency, and inadequate coordination. After the 2011 revolution, the situation further deteriorated with the multiplication of redundant political and administrative authorities and ambiguous mandates for state-owned entities worsened by the country's division. This entrenched legacy continues to pose significant challenges to the country's institutional governance and capacity. Libya scored well below the MENA average in all the 2022 Worldwide Governance indicators, particularly

regular budget processes that provide for accountability and transparency. The GNU covers salaries and subsidies for the whole country, while none of these entities have long-term public investment plans, and infrastructure development and maintenance have largely been on hold with dramatic consequences such as the Derna tragedy in 2023.

² Libya Economic Monitor, Fall 2023, World Bank.

³ ILO estimates, June 2024.

FIGURE 3 • Worldwide Governance Indicators

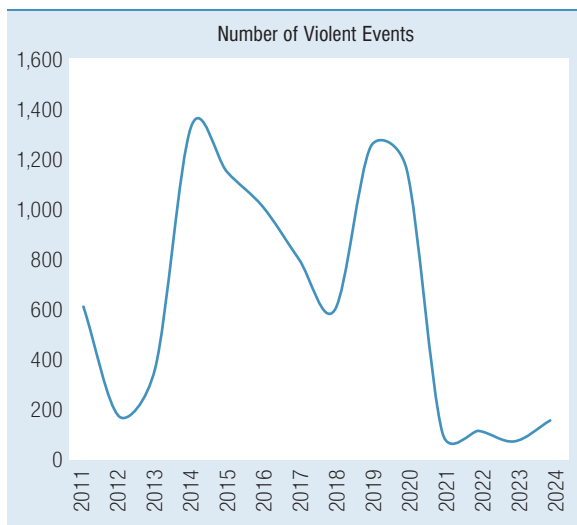


Source: World Bank, 2022

in “political stability and violence” (-2.2), “regulatory quality” (-2.1), “rule of Law” (-1.8) and “Government effectiveness” (-1.8) (Figure 3). Institutional dysfunction related to the divided authorities, and continuous conflict over a decade, impacted public infrastructure and services availability and safety in all economic and social areas.

Despite improvement in recent years, the overall security situation has deteriorated over the course of this year (Figure 4). The number of

FIGURE 4 • Number of Violent Events in Libya (2011-Oct 2024)



Source: Armed Conflict Location & Event Data Project (ACLED).

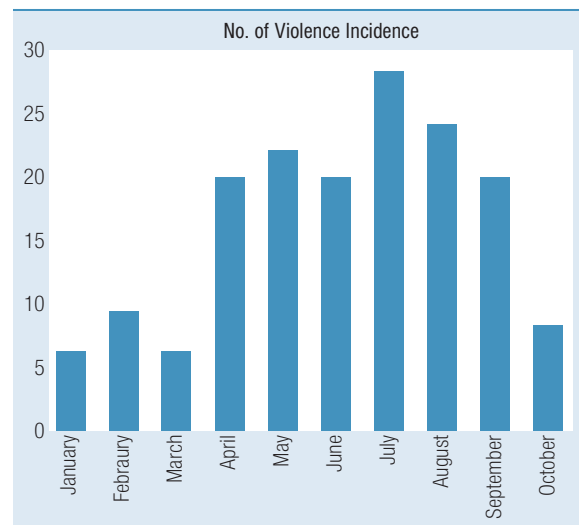
violent incidents more than doubled this year rising from 73 in 2023 to 157 incidents until Oct 2024. The peak occurred in July and August (Figure 5) indicating a possible connection to the CBL crisis.

Economic Growth and Hydrocarbon Sector

In the aftermath of the CBL crisis, oil production contracted by 8.5 percent during the first 10 months of 2024. When Benghazi-based authorities closed major oil fields in late August in the wake of the CBL crisis, average oil production fell from 1.17 mbpd before the crisis to 0.95 and 0.54 mbpd in August and September, respectively. Following the resolution of the CBL crisis, oil production ramped up and reached 1.3 mbpd by the end of October, with an average of 1.09 mbpd during the first 10 months 2024. Meanwhile, oil prices remained close to their 2023 level of \$80 per barrel during the first 10 months of 2024. However, there was a noticeable decline in August, September, and October 2024, reflecting a slowdown in global oil demand, particularly from China, despite increasing geopolitical risks (Figure 6).

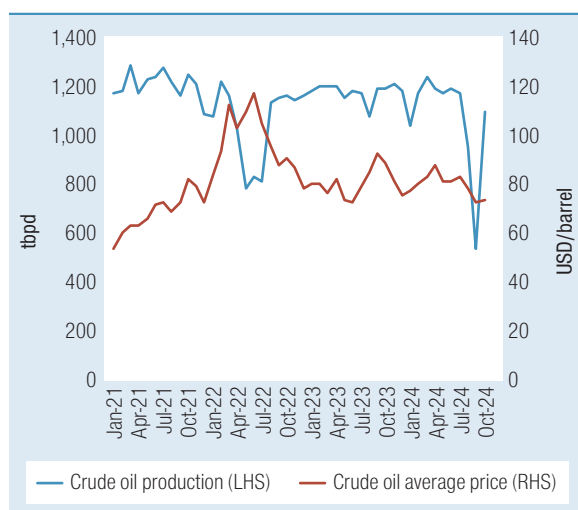
Meanwhile, government spending on wages suggests that private consumption stayed robust

FIGURE 5 • Number of Violent Events in Libya (monthly 2024)



Source: Armed Conflict Location & Event Data Project (ACLED).

FIGURE 6 • Monthly Average Oil Production and Price Developments



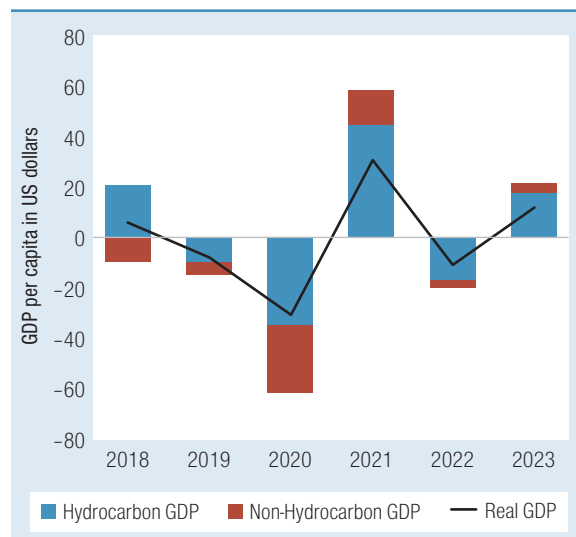
Source: EIA, OPEC.

during the first 10 months of 2024. About 89 percent of the Libyans are employed in the public sector (Labor Force Survey 2022). Wages and salaries item in the budget reported an increase of 15 percent during the first three quarters of 2024⁴ to reflect higher wages and payments of arrears. This increase in spending suggests that private consumption stayed robust during this period. Government current spending increased by 3.6 percent which also plays a significant role in determining the performance of non-oil activities.

Despite the Derna tragedy, economic performance stayed strong in 2023 driven mainly by oil production and the recovery in non-oil activities.⁵

GDP growth reached 10.2 percent in 2023, a result of increasing oil production, which grew by 17 percent, to reflect the relative security and stability during that year (Figure 7). Oil production reached an average of 1.2 mbpd, up from 1.05 mbpd in 2022, but well below its pre-conflict level of 1.7 mbpd in 2010. The National Oil Company (NOC) aims to produce 2 mbpd by the end-2025. Accordingly, the GNU has been allocating higher budgets to the NOC, about LYD 34 billion in 2022, LYD 17.5 billion in 2023, and LYD 6.7 billion during the first 10 months of 2024. Three major oil firms were called to resume operations in August 2023 after a ten-year shutdown due to force majeure. In addition, large projects were signed in 2023, including a US\$8 billion offshore gas field project, which was

FIGURE 7 • GDP Growth Performance



Source: Ministry of Planning and World Bank calculations.

the largest investment in the hydrocarbon sector since the 2011 revolution. The non-hydrocarbon sector also rebounded by 3.8 percent in 2023, against a contraction of 3.7 percent in 2022, driven by the recovery in services (1.2 percent) and agriculture (6.8 percent).

Public Finances

Despite the drop in oil receipts, the fiscal balance registered a surplus as a result of falling government spending.⁶

According to the authorities' data for the first 10 months of 2024 (Figure 8), non-hydrocarbon revenues increased from 0.9 percent to 1.2 percent of GDP supported by higher income and profit taxes. However, its marginal share in the revenues did not compensate for the significant drop in hydrocarbon revenues which fell by more than 16 percent during the same period to reflect lower oil production (from 43 percent to 37 percent of GDP). Meanwhile, overall public spending contracted by 7.5 percent compared to the same period last year with capital spending bearing the brunt of the cut (falling by 62 percent) while current spending grew

⁴ Source: CBL website.

⁵ IMF, Article IV Consultations (2024).

⁶ Budget spending include budgetary and extra-budgetary (NOC ad GECOL) spending.

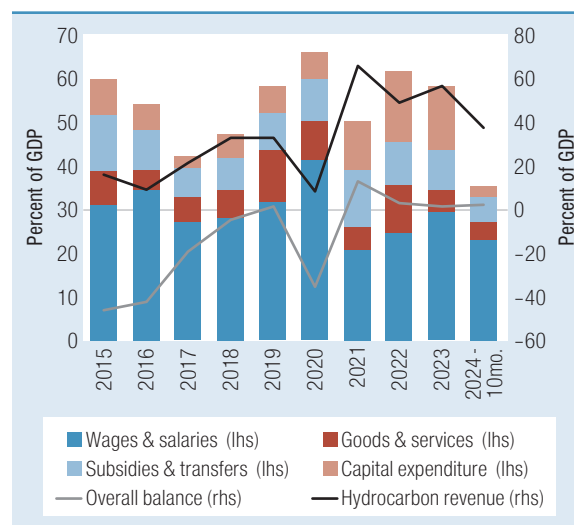
by 3.6 percent driven by higher wages. Based on these developments, the fiscal surplus stood at LYD 4.6 billion (2 percent of GDP).

This marks a slight improvement in the fiscal position, with GNU's final accounts reporting an almost balanced budget in 2023—the fiscal deficit stood at 0.1 percent of GDP. Total expenditures contracted by 1.7 percent in 2023, reaching LYD 125.7 billion, which was sufficient to close the drop of total revenues, which dropped by 5.9 percent to reach LYD 125.5 billion. The fall in revenues came as a result of falling oil prices despite the increased in production levels, while total spending fell to reflect lower capital spending of 6.4 percent. Meanwhile, subsidies, which account for 16 percent of total spending, remained stable (Box 1).

External Sector

During the first half of 2024, the trade surplus slightly narrowed by 1.8 percent compared to the

FIGURE 8 • Government Operations (GNU)



Source: Libyan Authorities (MoF, CBL), World Bank Staff Estimates.

same period of 2023 (Figure 9). The fall in oil export receipts, which fell by 6 percent (y-o-y), was more than compensated for by the fall in merchandise imports,

BOX 1: SUBSIDIES SYSTEM IN LIBYA

Libya's subsidy program was introduced in 1971 for essential food and energy products, as well as public services (water, sanitation, education and garbage collection), medicines and animal feed. Prices of essential consumption items are administered at affordable prices and protect consumers from global price shocks. An attempt to reform the system was initiated during 2005–2010 but was reversed before the 2011 revolution to respond to the social discontent. The system continues to weigh on the state budget.

In addition to the public sector employment, subsidies and administered prices in Libya are part of the social contract and accounted for 9.3 percent of GDP on average during 2015–2023 according to the GNU budget. The Libyan subsidies system is highly inefficient, as a large part of the subsidized fuel is smuggled to neighboring countries. Fuel smuggling from Libya is estimated to be at least US\$5 billion per year.^a Since Libya has limited refinery capacity, it imports or “swaps” fuel and sells to the public for subsidized prices. Fuel import from Russia^b (mainly through “oil swap”) has been increasing since February 2023 following the EU embargo on Russian oil products. Libya is the world's third largest buyer of Russian diesel and the largest in the Arab world. Moreover, fuel smuggling from Benghazi port is estimated to have significantly increased since the war in Ukraine.

In addition to the high fiscal cost, subsidized fuel smuggling contributes to the fuel shortages domestically. With a subsidized price of LYD 0.15 per liter, Libya is ranked as the second cheapest fuel in the world after Iran. Contradictorily, fuel shortages are frequent in the South and prices can reach up to LYD 7 per liter in the parallel market when available. There are regular talks of reforming the subsidy system, most recently in January 2024, where the GNU announced replacing the fuel subsidy with cash transfer. However, reforming social rent and redistribution system is challenging for a government which faces political instability and limited mandate and representativeness.

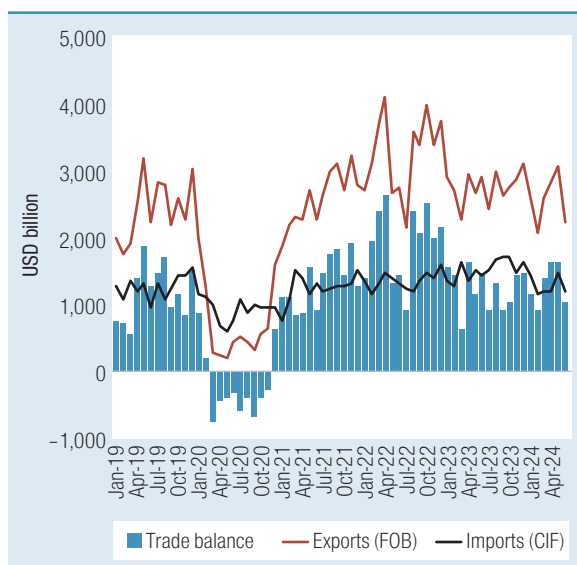
Subsidy reforms in Libya should be accompanied with adequate cash transfers. A World Bank study on subsidy reforms^c suggests that gasoline and electricity subsidies, which take up more than 90 percent of household energy consumption and, correspondingly, the same share of government spending on subsidies, are highly regressive in absolute terms. An individual in the upper quintile benefits 3.5 times more from subsidies for electricity and gasoline than an individual in the bottom quintile.

^a Financial Times, Agenzia Nova.

^b Financial Times, Agenzia Nova.

^c The World Bank, *The Quest for Subsidy Reforms in Libya*, 2015.

FIGURE 9 • Monthly Trade Balance

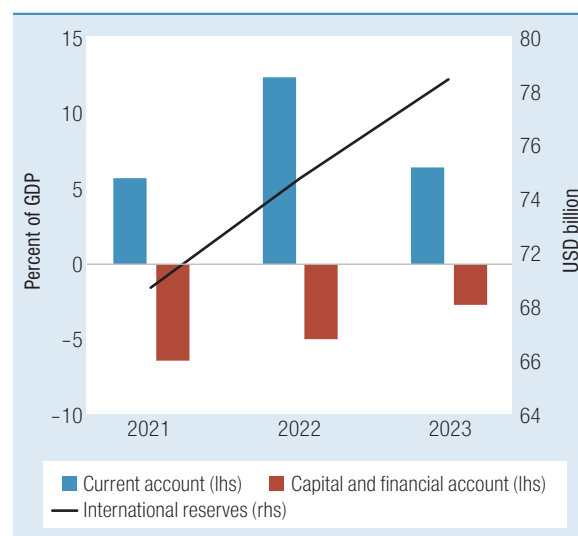


Sources: DOTS, IMF.

a y-o-y decrease of 10 percent. The contraction in imports during the first half of 2024 came as a result of the February 2024 introduction of tighter access to foreign currencies, the implementation of foreign currency transaction fees in early March 2024, and the depreciation of Libyan dinar in the parallel market. Import recovery is anticipated after the October 2024 relaxation of access to foreign currencies and lowered foreign currency transaction fees. Recent resumption of onshore exploration activities in Libya by large oil companies (Eni, BP, Repsol, and OMV) mark promising developments for oil exports and FDI inflows into the country.

In 2023, the current account surplus narrowed to 6.4 percent GDP against 12 percent of GDP in 2022. Despite a rebound in hydrocarbon production, the in 2023 the export bill fell by 16 percent due to softening global oil prices.⁷ At the same time, renewed investment spending in the hydrocarbon sector boosted imports by 2 percent. The reserves have nevertheless increased from US\$74.1 billion at end-2022 to US\$78.3 billion at end-2023 (Figure 10) and have remained high, equivalent to about three years of imports, thanks to growing FDI in the hydrocarbon sector. The return of three major oil firms after a decade's absence and signing of big hydrocarbon contracts led to the FDI net inflow increase by 260 percent in 2023. However, although

FIGURE 10 • Balance of Payments & International Reserves



Sources: IMF.

decreasing, Libya faces structural capital outflow, due to security and political instability, the weak financial sector, limited monetary and exchange rate management, and more importantly to deep-rooted governance issues.

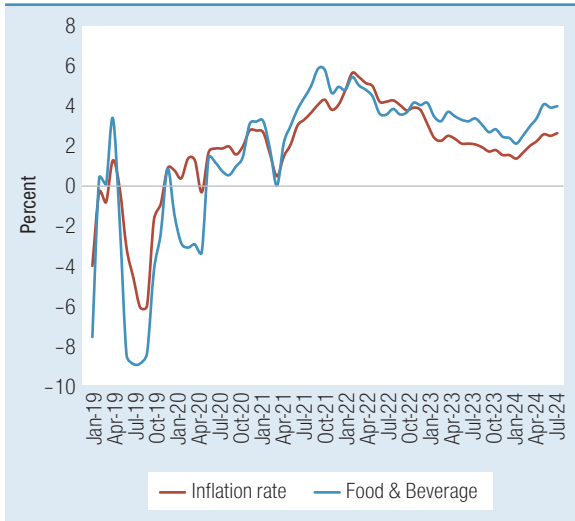
Inflation and Monetary Sector

According to official statistics, inflation slowed to an average of 2 percent during the first nine months of 2024, down from 2.6 percent at the same period in 2023 and 5.7 percent in March 2022, following a currency devaluation (Figure 11). Food prices, which rose by 4.1 percent on average in September 2024, were the main driver, due to tight access to foreign currency for imports (Figure 12). However, the official CPI covers primarily the Tripoli area, which helps explain the low inflation rate despite LYD's depreciation on parallel market during this period.

In a response to lower global oil prices and to preserve foreign reserves, the CBL tightened access to foreign currencies in early 2024, by limiting issuance of letters of credit and individuals'

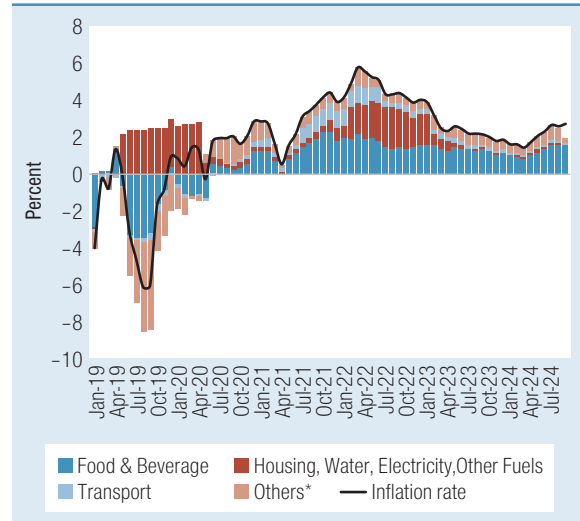
⁷ The OPEC+ countries have been implementing oil production cuts since April 2023 to sustain oil price.

FIGURE 11 • CPI Inflation Rate



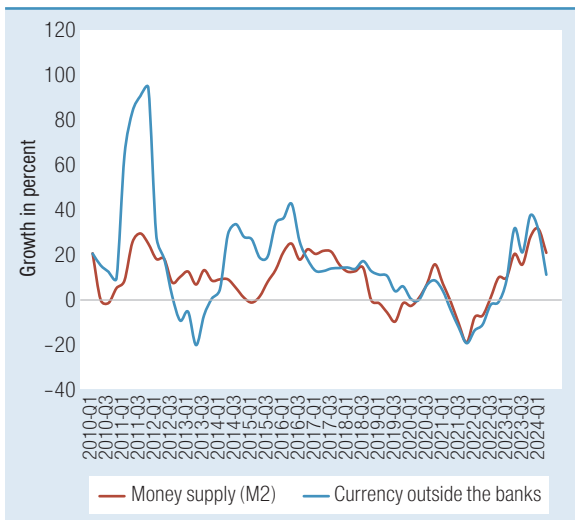
Source: BSC, CBL.

FIGURE 12 • Contribution to CPI Inflation Rate



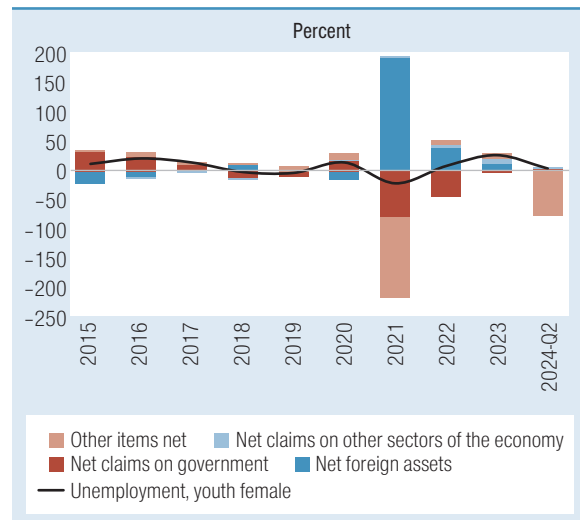
Source: BSC, CBL.

FIGURE 13 • Liquidity Pressure



Source: CBL.

FIGURE 14 • Money Supply and Components



Source: CBL, World Bank staff calculation.

purchases (Circular No. 2, February 2024).⁸ Similarly, a temporary 27 percent tax on all foreign exchange purchases was introduced in March 2024 to limit access to foreign exchange and increase the state revenue until end 2024.⁹ Money supply (M2) and currency outside banks continued to grow, reaching 31.8 percent y-o-y during the first quarter 2024 and 37.6 percent in the fourth quarter 2023. However, following CBL's foreign exchange decisions, this growth has slowed, with rates dropping to 20.9 percent and 10.9 percent respectively in June 2024

(Figures 13–14). Additionally, the CBL extended the period for withdrawing the LYD 50 banknote to March 2025.

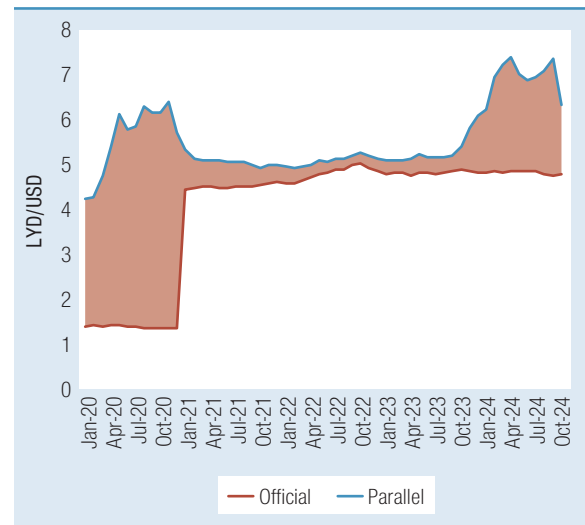
⁸ Only the Tripoli branch of the CBL could provide foreign exchange through letters of credit.

⁹ In August, the same decision was published in the Official Gazette for the second time since last March, while three courts ruled the decision illegal. The HoR decided early October 2024 to reduce the forex tax to 20 percent.

This led to a growing gap between official and parallel foreign exchange rates (Figure 15) and increased liquidity pressure, reversing the trend of monetary easing since the 2021 devaluation.¹⁰ The gap between the official and parallel markets widened, driven by a higher demand for foreign exchange fueled by high public spending, the reported money printing in the East to finance reconstruction projects, and higher fuel imports and smuggling. At the peak of the blockade and the CBL crisis, the parallel market rate was 69 percent higher than on official market,¹¹ against 3.9 percent at the lowest level after the devaluation in September 2022. The resolution of the CBL crisis and HoR's decision to reduce the tax on foreign exchange from 27 to 20 percent in early October narrowed the gap between official and parallel exchange rates to 32 percent.

This cycle shows that as long as there are no consistent macroeconomic, fiscal, and monetary policies, the depreciation trend and liquidity pressure will continue as the economy remains vulnerable to shocks. Although the 2021 devaluation combined with the CBL reunification process had helped monetary easing and growth (attenuated the liquidity pressure and leading to inflation in 2022, and a narrower gap between the official and informal foreign exchange rates), the Libyan economy has been in structural under-liquidity, especially in the eastern part of the country, due to the conflict and

FIGURE 15 • Monthly Official and Parallel LYD/USD Exchange Rate (period Average)



Source: CBL, FX Black Market Facebook Page.

limited access to the foreign currency and LYD cash.¹² However, large cash printing by the Benghazi based authorities has been regularly reported.

¹⁰ Libya uses a fixed exchange rate linked to IMF Special Drawing Rights as the key nominal anchor.

¹¹ Rate on the September 19, 2024.

¹² During the 10 months of 2024, the CBL disbursed LYD 52.8 billion to commercial banks located in all cities.



OUTLOOK AND RISKS

Libya's economic outlook is intricately tied to the global oil market due to its heavy reliance on the oil and gas sector, which constitutes approximately 60 percent of its GDP, 97 percent of government revenue, and 94 percent of exports. Accordingly, Libya's economic prospects are highly dependent on the stability of its oil production and global oil markets developments. The former is often determined by the domestic security and stability situation whereas the latter is dependent on global and regional outlooks (Box 2).

As a result of global and regional market stabilizations, and the affects of the oil market in general, Libyan economy is expected to contract by 2.7 percent in 2024 driven by lower oil sector activities. With oil production expected to average 1.1 mbpd in 2024, which is 6.1 percent lower than 2023 average of 1.2 mbpd, GDP is anticipated to shrink by 2.7 percent this year (Figure 16). As oil output recovers in 2025 and 2026, reaching 1.2 and 1.3 mbpd, respectively; GDP growth is expected to rebound to 9.6 percent and 8.4 percent in 2026. Meanwhile, non-oil GDP growth is estimated to grow by 1.8 percent in 2024 supported by private and public consumption,

and average around 9 percent during 2025–2026 to reflect strong recovery of oil exports.

Inflation in Tripoli will remain muted over the medium term.¹¹ With the resolution of the CBL crisis and relaxing the access to foreign currency through issuance of letters of credit and lowering transaction fees, inflation is expected to stay contained and relatively low at around 2.6 percent during the forecast period (Figure 17). This is also supported by moderating global commodity prices, and the generous subsidy system and limited access to foreign currencies in Libya that shields households and businesses from imported inflationary pressures.

The fiscal position is expected to improve in 2024 before strengthening further in 2025 and 2026 (Figure 18). With the contraction of public spending as a result of the significant fall in capital expenditures, the fiscal balance is expected to register a surplus of 1.7 percent of GDP despite the fall in oil revenues. On the other hand, current spending is expected to continue on its growth path, driven by

¹¹ Inflation forecasts are based on the official CPI which covers primarily Tripoli area.

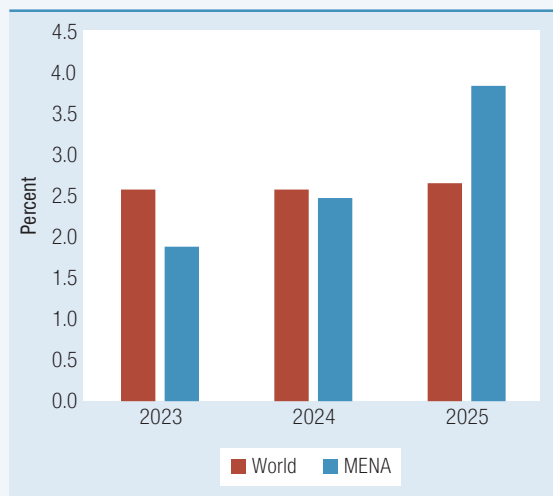
BOX 2: GLOBAL, REGIONAL, AND OIL MARKET PROSPECTS

The global economy is stabilizing, following several years of negative shocks. Global growth is projected to hold steady at 2.6 percent this year,^a despite flaring geopolitical tensions and high interest rates, before edging up to 2.7 percent in 2025–26 (Figure B.1) alongside modest expansions of trade and investment. Global inflation is expected to moderate at a slower clip than previously assumed, averaging 3.5 percent this year. Central banks in both advanced economies and emerging market and developing economies (EMDEs) are likely to remain cautious in easing policy. As such, markedly higher interest rates than prior to the pandemic are set to sustain for an extended period. Despite some improvement, the outlook remains subdued. Global growth over the forecast horizon is expected to be nearly half a percentage point below its 2010–19 average, with a slower pace of expansion in economies comprising over 80 percent of the global population. EMDE growth is projected to moderate from 4.2 percent in 2023 to 4 percent in 2024.

Economic activity in the Middle East and North Africa (MENA) is expected to rise to 2.5 percent in 2024, after slowing to 1.9 percent in 2023. This pickup in growth in 2024 masks important disparities within the region. For the Gulf Cooperation Council (GCC) countries, the expected phase-out of additional oil production cuts starting from October 2024 is anticipated to help pick up growth from 0.7 percent in 2023 to 2 percent in 2024. Growth is expected to decelerate in both developing oil exporters, with a slight decline from 3.3 percent in 2023 to 3.1 percent in 2024, and developing oil importers, with a decrease from 3.1 percent in 2023 to 2.7 percent in 2024. The latter's decline reflects the conflict's impact on these economies, exacerbating their pre-existing vulnerabilities.

Oil price is projected to average \$80/bbl in 2024, about \$3/bbl lower than last year, with prices expected to hover around \$75 for the rest of the year before drifting lower to \$73/bbl in 2025 and \$72/bbl in 2026 (Figure B.2). This projection is predicated on no prolonged escalation in ongoing armed conflicts, a slowdown in oil demand growth, and a well-supplied oil market. Indeed, under these baseline assumptions, global oil supply next year is expected to exceed demand by an average of 1.2 mb/d—a degree of oversupply only surpassed during COVID-19-related shutdowns in 2020 and the 1998 oil price collapse.

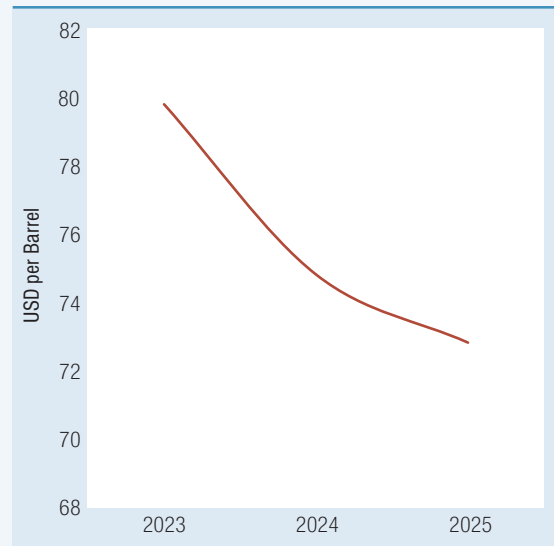
FIGURE B.1 • Global and MENA GDP Growth Prospects



Source: Global Economic Prospects, June 2024; MENA Economics Update, Oct 2024.

^a GEP, June 2024.

FIGURE B.2 • Oil Price Outlook



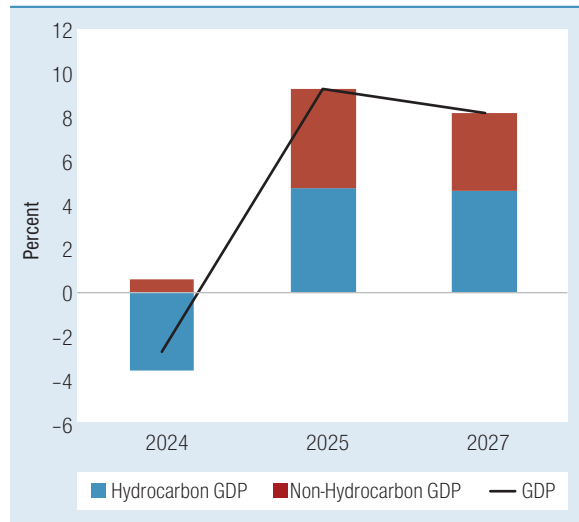
Source: Commodity Market Outlook, October 2024.

wages and salaries, while tax revenues are projected to stay low during the forecast period (less than 2 percent of GDP). Implementing a unified budget in 2025 will improve fiscal consolidation efforts and enhance credibility and transparency measures.

Similarly, the current account surplus is expected to widen to 4.1 percent of GDP in 2024

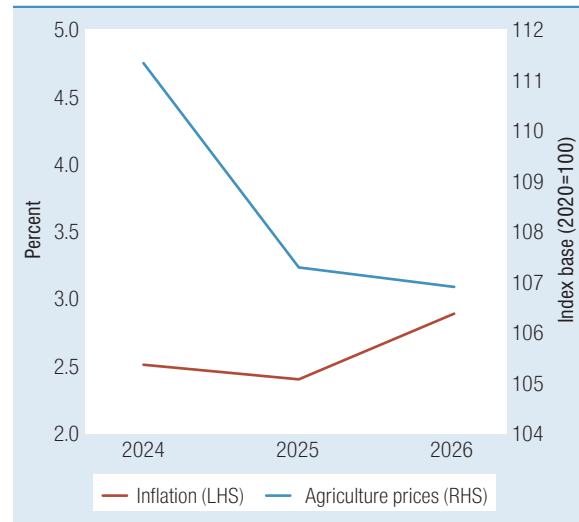
driven by the decline in imports (Figure 19). Merchandise imports are expected to fall by 10 percent, reflecting the tight access to foreign currency and letters of credit for most of the year. This decrease in the imports bill will overcompensate for the drop in exports receipts which is expected to fall by 8 percent. In 2025–2026, the recovery of oil exports is expected

FIGURE 16 • GDP Growth Forecast and Contributions



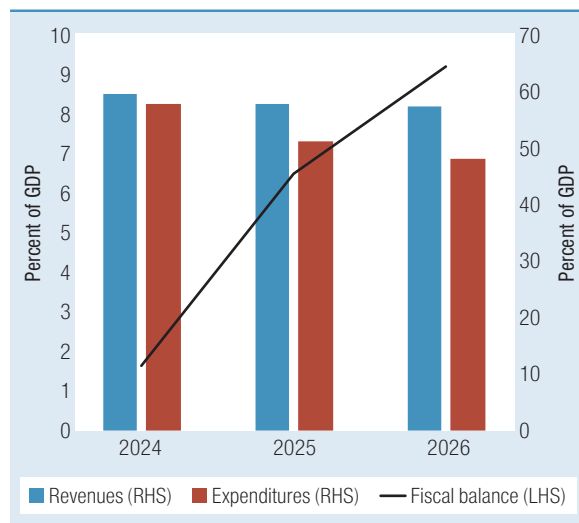
Source: WB staff calculations.

FIGURE 17 • Inflation Rates and Global Commodity Prices



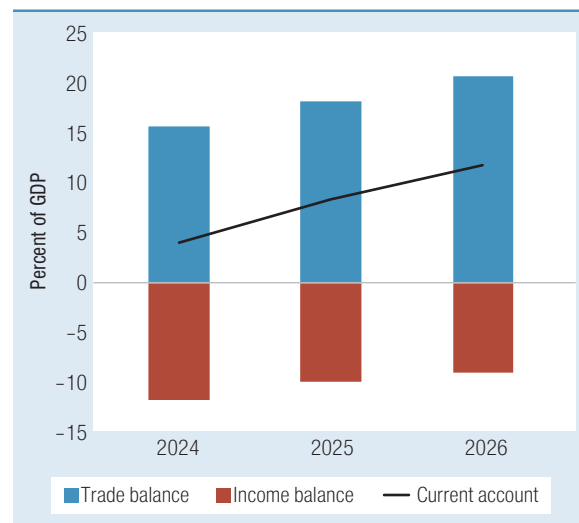
Source: WB staff calculations; Commodity Prices Outlook, Oct 2024.

FIGURE 18 • Fiscal Balance (2024-2026)



Source: WB staff calculations.

FIGURE 19 • External Balance (2024-2026)



Source: WB staff calculations.

to improve the external balance position to 8.3 and 11.7 percent of GDP, respectively.

The outlook is subject to significant downside as well as upside risks. The recent CBL-related events highlight the fragility of the political situation, which had a direct short-term impact on the economy. Prospects for political stability and consensus would be a major upside for the Libyan economy and citizens. In the medium term, the main economic challenge remains diversification and reducing dependence on hydrocarbons, which is a source of fragility both

internally (dependence on the political situation) and externally (developments in international markets). Lower oil prices not only reduce government revenues but also increase fiscal pressures due to higher subsidies cost. On the other hand, intensification of regional conflicts could disrupt trade, FDI and financial flows but may simultaneously create revenue windfalls for Libya if oil prices rise. Additionally, extreme climate events may cause loss of human lives, severe infrastructure damage, reduced economic growth, and heightened financial instability.

TABLE 1 • Key Macroeconomic Indicators, 2021-26

	2021	2022	2023	2024	2025	2026
Real GDP Growth, at constant market prices	28.3	-8.3	10.2	-2.7	9.6	8.4
Agriculture	6.0	10.0	6.8	-1.2	1.3	1.2
Industry	45.0	-17.0	17.8	-5.9	8.0	8.0
Services	9.2	-1.9	1.2	3.2	12.9	9.7
Inflation (Consumer Price Index)	2.8	4.6	2.3	2.5	2.4	2.9
Current Account Balance (% of GDP)	16.1	21.2	3.0	4.1	8.4	11.7
Fiscal Balance (% of GDP)	12.5	2.7	-0.1	1.7	6.5	9.2
Oil GDP Growth	45.0	-17.0	17.8	-6.1	8.4	8.3
Non-Oil GDP Growth	13.7	-3.9	3.8	1.8	11.1	8.5
GDP Nominal in US\$ (millions)	34,447	43,304	45,079	42,913	50,329	55,565



SPECIAL FOCUS: STABILIZING GROWTH AND BOOSTING PRODUCTIVITY

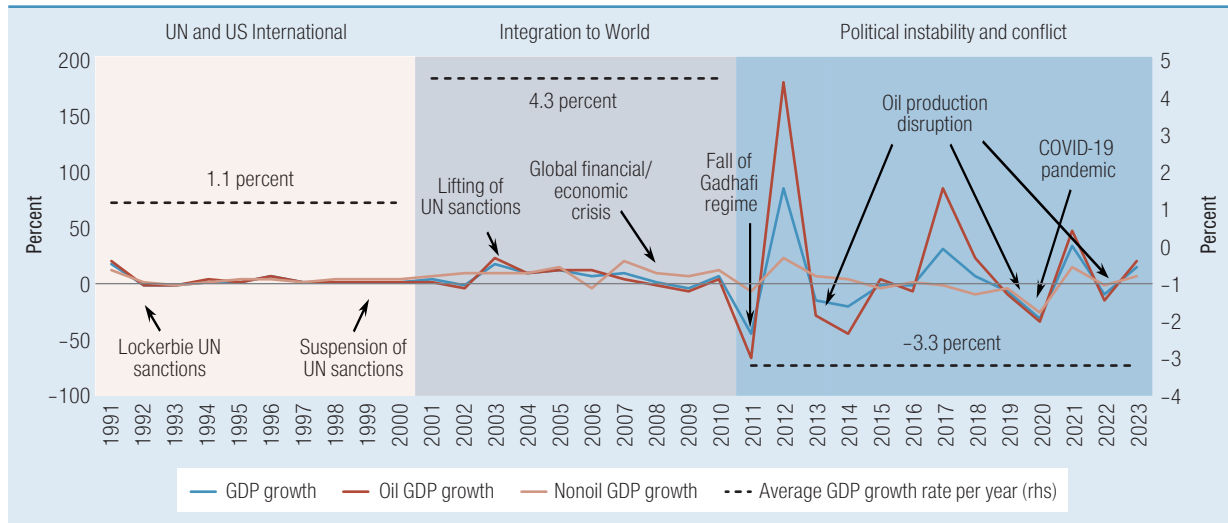
This section provides an overview of Libya's past drivers of economic growth and productivity trends. For over a decade now, the conflict has had a devastating impact on the Libyan economy, estimated at US\$600 billion in constant 2015 dollars. In 2023, Libya's GDP absent the conflict is estimated to be 74 percent higher than the realized GDP. Heavy reliance on the oil sector, weak diversification, low and falling productivity due to inefficient allocation of labor and capital, and deteriorating education quality are some of the key challenges that are holding Libya back from long-term prosperity. In the short-term, priority should be channeled to security and enhanced stability. With GNI per capita at \$7,570 (2023), Libya is classified as an upper-middle-income country, however, it falls behind its peers on many development indicators. With the global transition to cleaner and greener energy, Libya's growth strategy should focus on

promoting non-oil sectors with high value-added job opportunities to maintain its upper-middle-income status. This could be achieved by promoting private sector-led growth.

Stages of Development

Libya's economic trajectory over the past three decades has been heavily affected by international sanctions, political dynamics, and oil market fluctuations (Figure 20). During the 1990s, GDP growth averaged only 1.1 percent, partly affected by the sanctions that froze Libyan assets and imposed an embargo on oil equipment and spare parts. With the lifting of sanctions in the early 2000s, GDP growth improved to an average of 4.3 percent between 2000 and 2010, supported by increased oil production, exports, and revenues. Following the fall

FIGURE 20 • Decades of International Sanctions, Political Instability and Oil Prices Volatility



Source: UN, World Bank staff estimates and calculations.

of the Gadhafi regime in 2011, political instability in Libya has led to institutional fragmentation and conflict over oil resources. Despite international mediation efforts, economic performance was hindered by reduced oil production due in part to the blockades and seizures of key oil terminals by rival factions, and external shocks such as the COVID-19 pandemic and the crisis caused by the war in Ukraine, leading to an average annual GDP contraction of 3.3 percent between 2011 and 2023.

A decade of conflict has taken a severe toll on the Libyan economy. Since 2011, real GDP and real GDP per capita in Libya has diverged significantly from the growth trends of other Middle East and North Africa countries, as well as fragile and conflict-affected (FCV) nations and those with similar income level (Figures 21 and 22). The World Bank’s estimates reveal that in 2023, Libya’s GDP would have been 74 percent higher in the absence of conflict, equating to US\$118 billion instead of the realized US\$68 billion (in 2015 constant prices). Cumulative economic losses over the 2011–2023 period are estimated at US\$600 billion in constant 2015 dollars—around 7 times the pre-conflict GDP of 2010 (see Box 3).

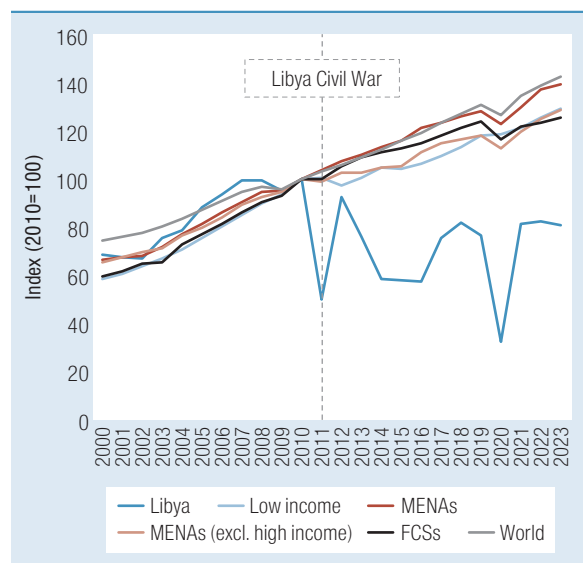
Libya’s GDP has also become more volatile due to blockades and conflict events. Growth volatility, measured using the standard deviation¹² of the

GDP growth rate, surged by 465 percent, increasing from 6 percent during 2000–2010 to 34 percent over 2011–2023. Between 2011 and 2023, the standard deviation of Libya’s output growth was about 926 percent higher than the median value for its structural and aspirational peers, while non-oil GDP growth was 257 percent more volatile (Figure 23). (Annex 1 provides details on the selection of structural and aspirational peers).

While Libya’s oil wealth has sustained the country’s classification as an upper-middle-income nation since the onset of the conflict, its development in many ways resembles that of a low-income and fragile state. Between 2011 and 2023, Libya’s performance in terms of institutional capacity and business environment, encompassing key indicators such as corruption control, political stability, rule of law, and electricity access, lagged significantly behind the average for its income group (Figure 24). Additionally, Libya performed worse than the average of FCV countries in most indicators, with the exceptions of life expectancy and access to electricity (Figure 25).

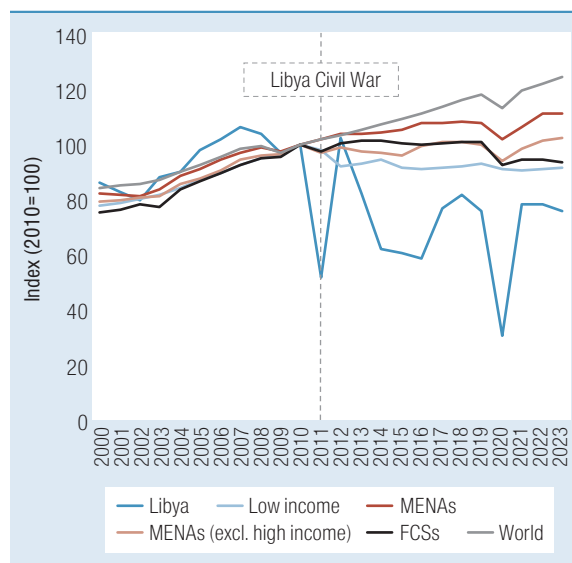
¹⁴ The standard deviation measures the spread and variability of output growth around its mean over the period of analysis.

FIGURE 21 • Real GDP in Libya and other Country Groups (2010=100)



Source: World Bank Indicator, World Bank staff estimates and calculations.

FIGURE 22 • Real GDP Per Capita in Libya and other Country Groups (2010=100)



Source: World Bank Indicator, World Bank staff estimates and calculations.

Predominance of Oil and Public Sector

For decades, Libya's economic growth and government budget have been heavily dependent on oil production and exports. From 1990 to 2023, oil contributed, on average, over 64 percent

of GDP, financed more than 78 percent of the fiscal revenues, and represented 92 percent of exports (Figure 26). Relative to its peers, which are also oil-dependent, Libya has a much smaller manufacturing sector as a share in GDP (Figures 27 and 28). This is largely due to economic policy orientations

BOX 3: ESTIMATING THE ECONOMIC COST OF CONFLICT ON THE LIBYAN ECONOMY

The Synthetic Control Method (SCM), developed by Abadie and Gardeazabal (2003) and extended by Abadie et al. (2010, 2015), is employed to estimate a counterfactual GDP for Libya, providing a good understanding of the economic impact in the absence of conflict. Admittedly, this is a partial, indicative picture of the massive destruction brought by the conflict, including the plight of the refugees, the loss of physical and social infrastructure, housing stock, institutions, human capital, and the impact on the mental and physical health of the affected communities.

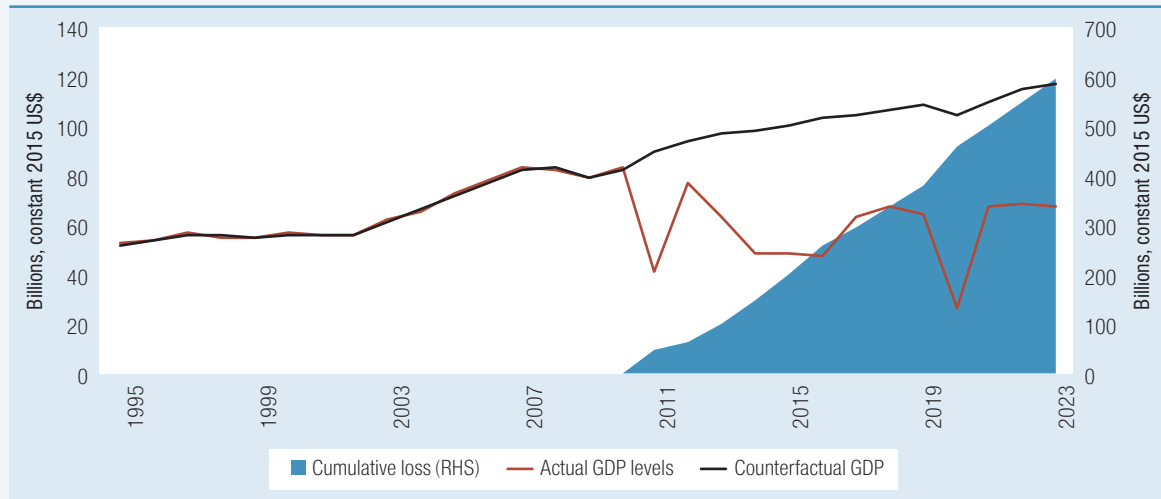
The SCM approach consists of searching for a weighted combination of countries that resemble as closely as possible the economic characteristics of the country during the pre-conflict period to create a synthetic economy to predict what the country would likely perform in the absence of conflict.^a Based on analysis of a cross-country panel data set for the period between 1995 and 2010, synthetic Libya is made of 8 countries, with the weights in parentheses: Kuwait (0.35), Zimbabwe (0.219), Congo, Dem. Rep. (0.212), Estonia (0.118), Ukraine (0.043), Argentina (0.025), Indonesia (0.017), and Turkey (0.015).

Libya's GDP experienced a substantial decline following the onset of the Libyan crisis in 2011, with actual GDP dropping to US\$42 billion while the counterfactual GDP, had the conflict not occurred, was estimated at US\$90 billion (Figure B.1). Reflecting the prolonged economic strain resulting from the conflict, the gap between actual and counterfactual GDP levels widened in the following years. In 2023, Libya's GDP absent the conflict (the counterfactual) would have been 74 percent higher than the realized GDP (i.e., US\$ 118 billion, compared to US\$ 68 billion, in 2015 constant prices).

Aggregating the differences between counterfactual and actual GDP between 2011 and 2023 shows that cumulative economic losses amount to US\$600 billion in 2015 constant prices, equivalent to about 7 times the pre-conflict Libyan GDP recorded in 2010, underscoring the devastating impact of the conflict on Libyan economic activity.

BOX 3: ESTIMATING THE ECONOMIC COST OF CONFLICT ON THE LIBYAN ECONOMY (continued)

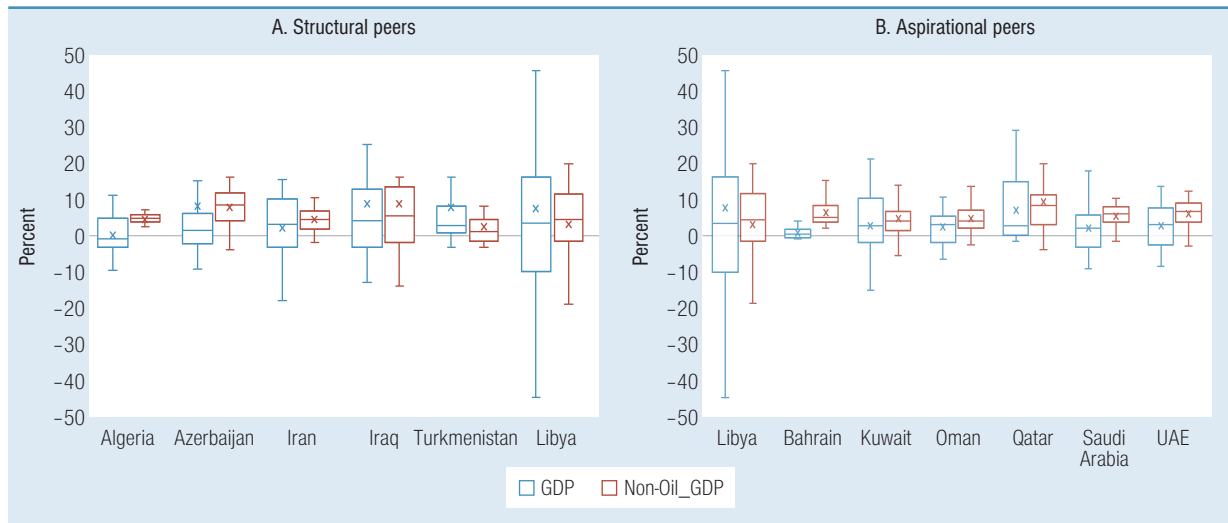
FIGURE B.3 • Actual GDP, Counterfactual GDP, and Economic Loss



Source: World Development Indicators, Center for Systemic Peace, International Monetary Fund, World Bank staff estimates

^a The list of variables identifying a country's economic characteristics captures, in a broad sense, the structure of the economy (e.g., shares of industry, services, and agriculture, along with trade openness), the status of institutions and demography, in addition to traditional growth accounting indicators such as the stock of physical and human capital.

FIGURE 23 • GDP and Non-Oil GDP Volatility in Libya and Structural and Aspirational Peers (2000-2023)



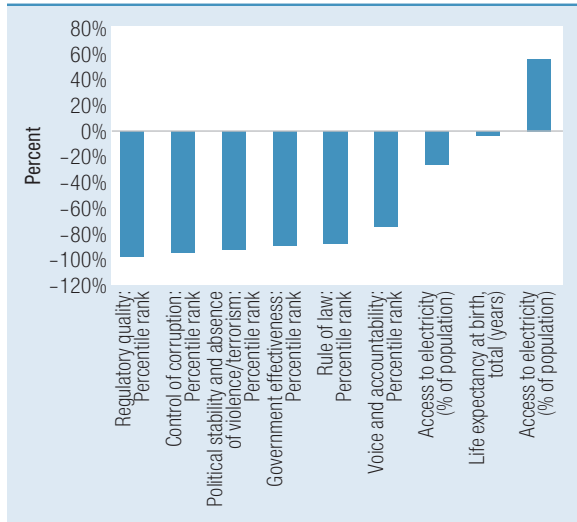
Source: IMF, World Bank staff calculations.

under the Gadhafi regime inhibiting private sector development. Additionally, the development of the manufacturing sector has been constrained by the sanctions in the 1990s and the conflict since 2011, leading to shortages of spare parts, limited access

to raw materials, and challenges in adopting new technologies.

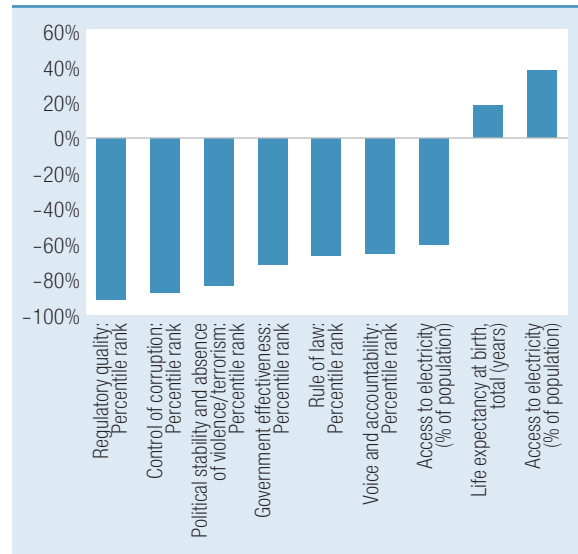
The public sector is large and has been growing since the start of the conflict in 2011. In 2022, public administration and public enterprises

FIGURE 24 • Libya’s Development Indicator Scores Compared to the Upper-Middle-Income Country Average (2011 to 2022)



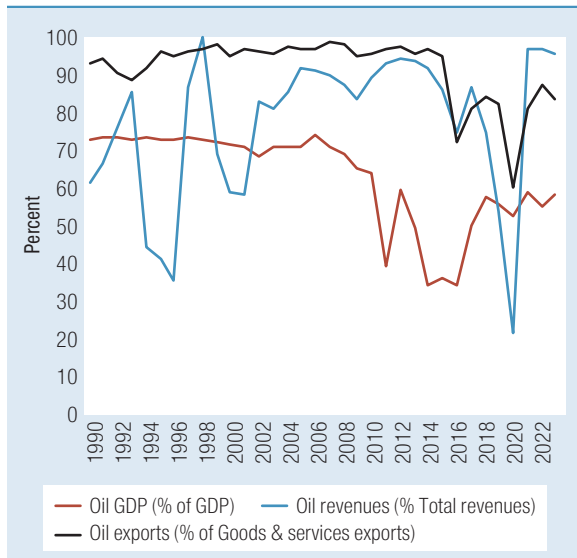
Source: World Development Indicators; United Nations Development Program Human Development Index; World Bank staff estimates and calculations.

FIGURE 25 • Libya’s Development Indicator Scores Compared to the FCV Country Average (2011 to 2022)



Source: World Development Indicators; United Nations Development Program Human Development Index; World Bank staff estimates and calculations.

FIGURE 26 • Libyan Economy Heavily Dependent on Oil



Source: Libyan authorities, OPEC, World Bank, World Bank staff estimates and calculations.

employed 89 percent of the workforce, up from 76 percent in 2001 (Figure 29). Public employment is particularly concentrated in productive sectors such as mining, manufacturing, and communication and financial intermediation services (Figure 30). Reflecting this expansion, public sector wages and

salaries have more than doubled compared to the 1990s, rising from an average of 12.8 percent of GDP to 28.6 percent during the period from 2011 to 2023.

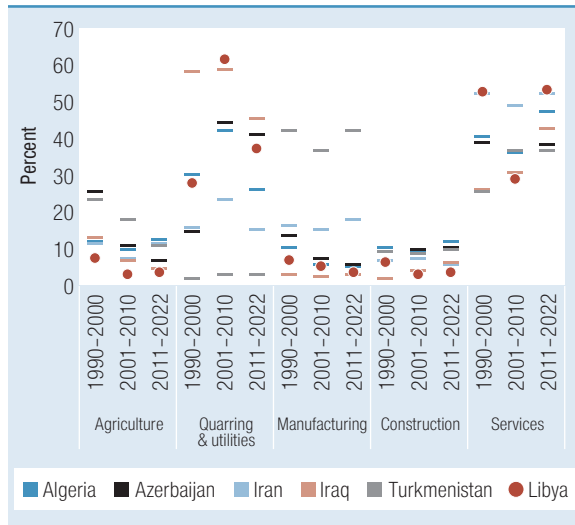
Limited Diversification

Libya’s limited economic diversification is reflected in its low score on the World Bank’s Economic Fitness Index (EFI). This score, which measures the complexity of a country’s exports, underscores the significant gap between Libya and its peers in terms of diversification in international trade.¹³ A worrisome trend is Libya’s 10-place drop in the EFI ranking between 2011 and 2019, indicating a further deterioration in its ability to diversify the economy in recent years (Figure 31).

Several factors have hindered economic diversification and the development of a dynamic private sector. Decades of state-owned

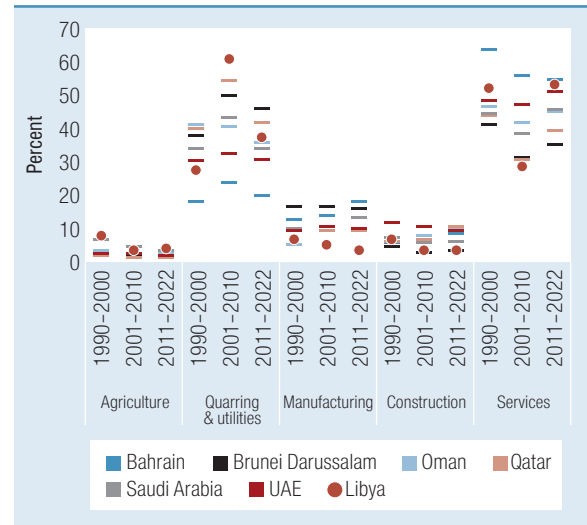
¹³ Countries with high EFI scores typically have the capabilities to produce a diverse portfolio of products, to transition into increasingly complex industries, and to achieve sustained, predictable long-term growth and competitive standing.

FIGURE 27 • Proportion of Value Added among Sectors of Libya and its Structural Peers (%)



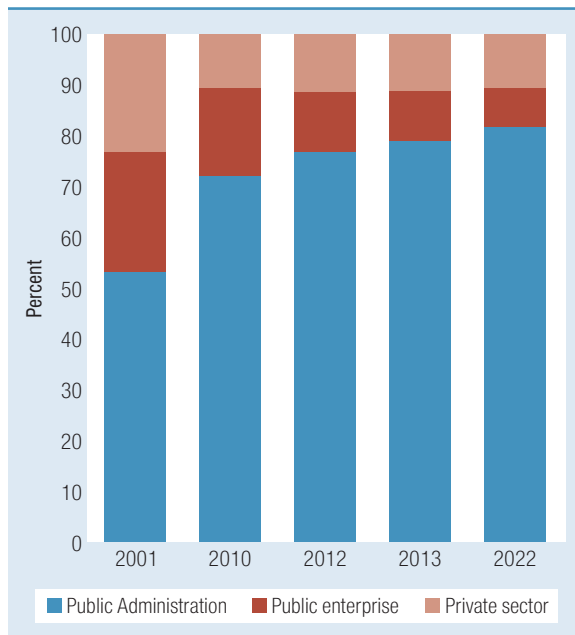
Source: United Nations – National Accounts Main Aggregates Database
 Note: The average sectoral proportions are calculated for the periods 1990–2000, 2001–2010 and 2011–2022.

FIGURE 28 • Proportion of Value Added among Sectors of Libya and its Aspirational Peers (%)



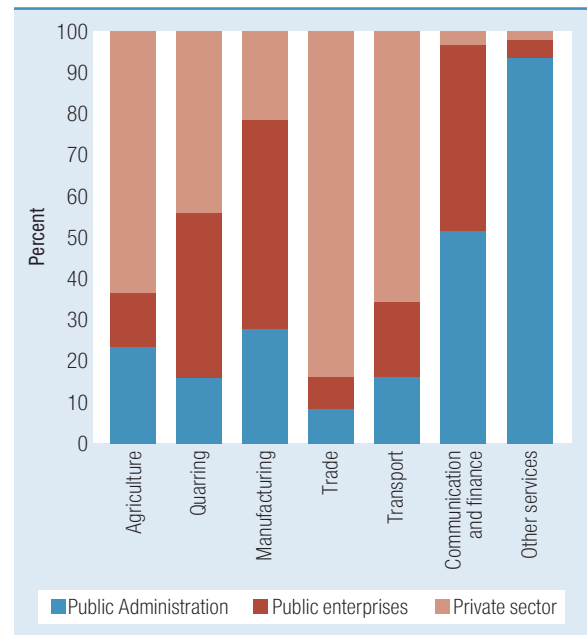
Source: United Nations – National Accounts Main Aggregates Database
 Note: The average sectoral proportions are calculated for the periods 1990–2000, 2001–2010 and 2011–2022.

FIGURE 29 • Employment by Public and Private Sector



Source: Bureau of Statistics and Census Libya.

FIGURE 30 • Employment by Economic Activity and Sector in 2012

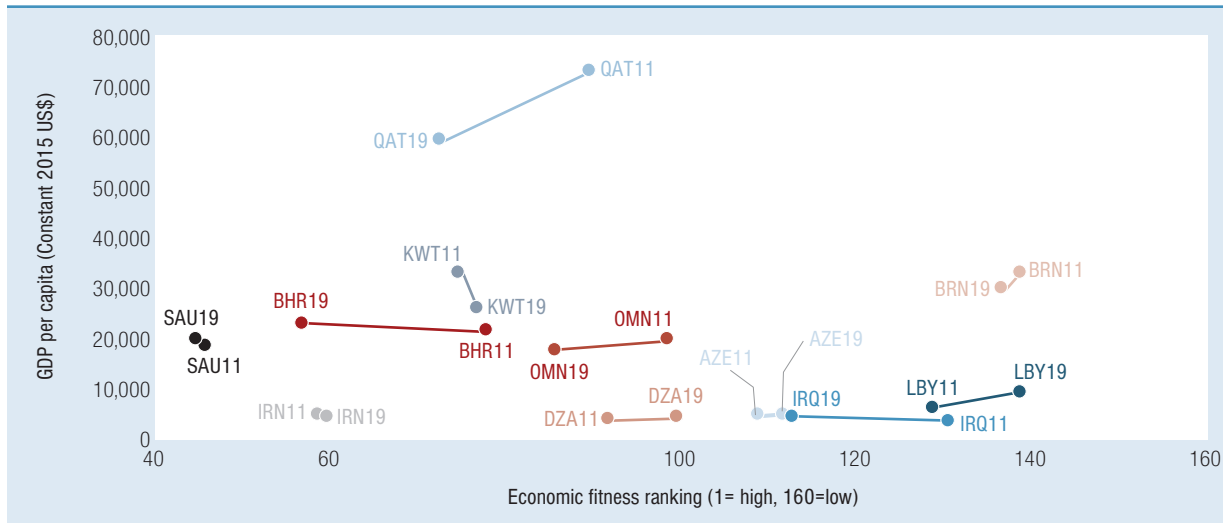


Source: Bureau of Statistics and Census Libya.

enterprises dominating production and distribution, coupled with a lack of competition, created high entry barriers for both foreign and domestic firms, particularly in accessing skilled labor and finance. Policy unpredictability, poor governance, and

infrastructure deficiencies further distorted business environment and discouraged private investment, with the trends worsening further since the onset of the conflict in 2011. As evidenced by the Bertelsmann Transformation Index (BTI), Libya performs poorly

FIGURE 31 • GDP Per Capita and Fitness Trajectory, 2011-2019



Source: World Bank Indicators, World Bank Economic Fitness Database

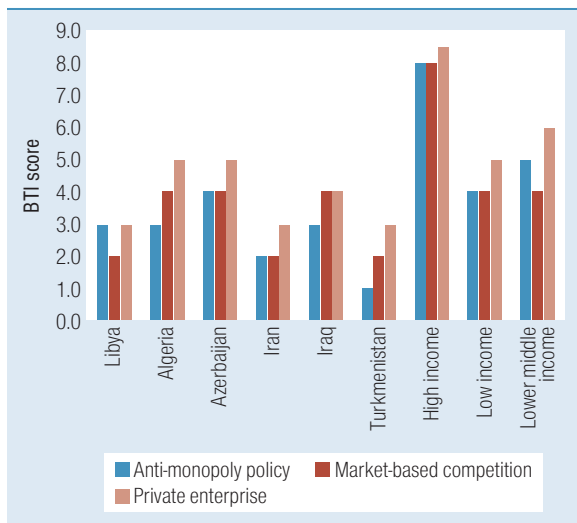
Note: The Economic Fitness Index measures the complexity of a country's industries in international trade. Higher complexity is indicated by a country's involvement in a wider range of global products, more balanced exports, and the presence of unique products that are primarily produced within that country. The data presents values for Libya and its structural and aspirational peers in 2011 and 2019 (e.g., LBY11 represents Libya's value in 2011). LBY = Libya; AZE = Azerbaijan; DZA = Algeria; IRQ = Iraq; IRN = Iran; BHR = Bahrain; BRN = Brunei; KWT = Kuwait; OMN = Oman; QAT = Qatar; SAU = Saudi Arabia. Turkmenistan and the United Arab Emirates are not included in the WBG Economic Fitness database.

compared to its structural and aspirational peers in areas such as anti-monopoly policies, competition rules, and the protection of private enterprises (Figure 32 and 33).

Low Productivity

Since the 1990s, Libya's labor productivity has steadily declined. Although the oil sector remains highly

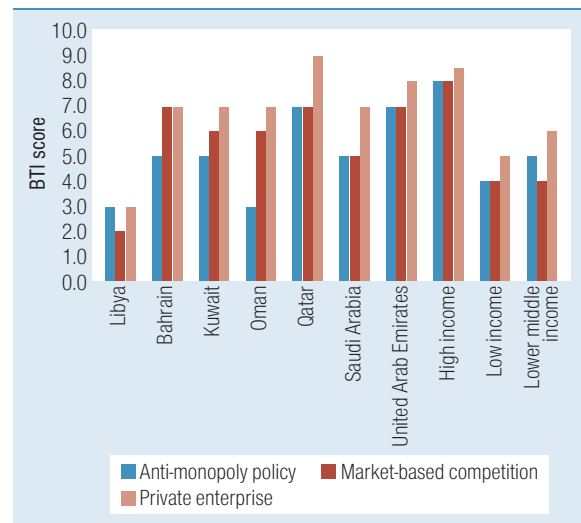
FIGURE 32 • Bertelsmann Transformation Index (BTI), 2024 (Libya vs. Structural Peers)



Source: BTI.

Note: The Bertelsmann Stiftung's Transformation Index (BTI) analyzes and evaluates whether and how developing countries and countries in transition are steering social change toward democracy and a market economy. Higher BTI indicates greater levels of transformation. All indicators ranged from 0 to 10, the higher the better.

FIGURE 33 • Bertelsmann Transformation Index (BTI), 2024 (Libya vs. Aspirational Peers)



Source: BTI.

Note: The Bertelsmann Stiftung's Transformation Index (BTI) analyzes and evaluates whether and how developing countries and countries in transition are steering social change toward democracy and a market economy. Higher BTI indicates greater levels of transformation. All indicators ranged from 0 to 10, the higher the better.

FIGURE 34 • Labor Productivity by Sector

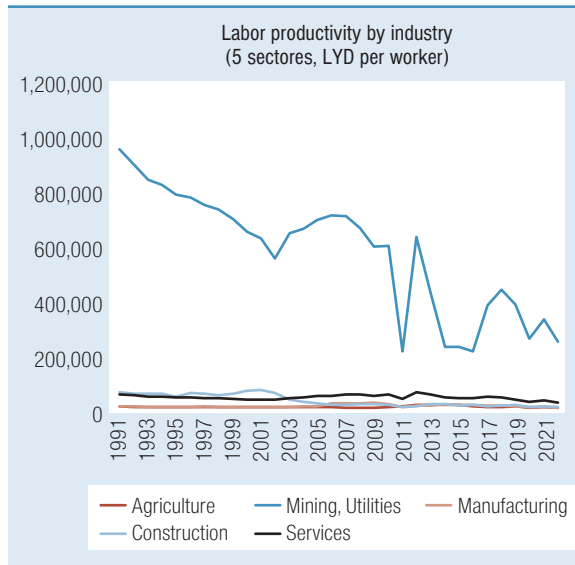


FIGURE 35 • Share of Employment and Level of Productivity in Different Sectors

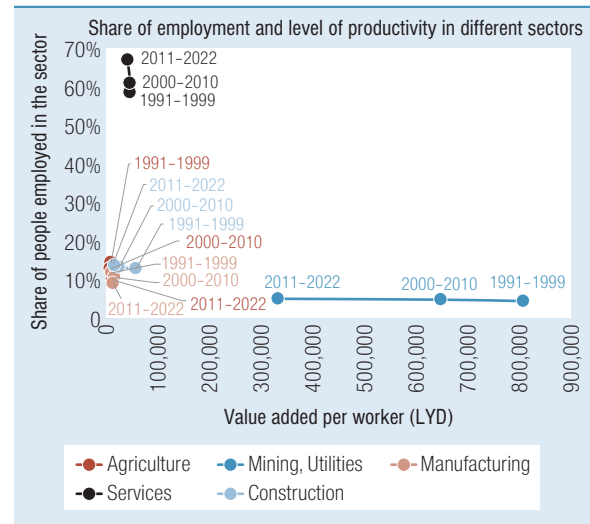
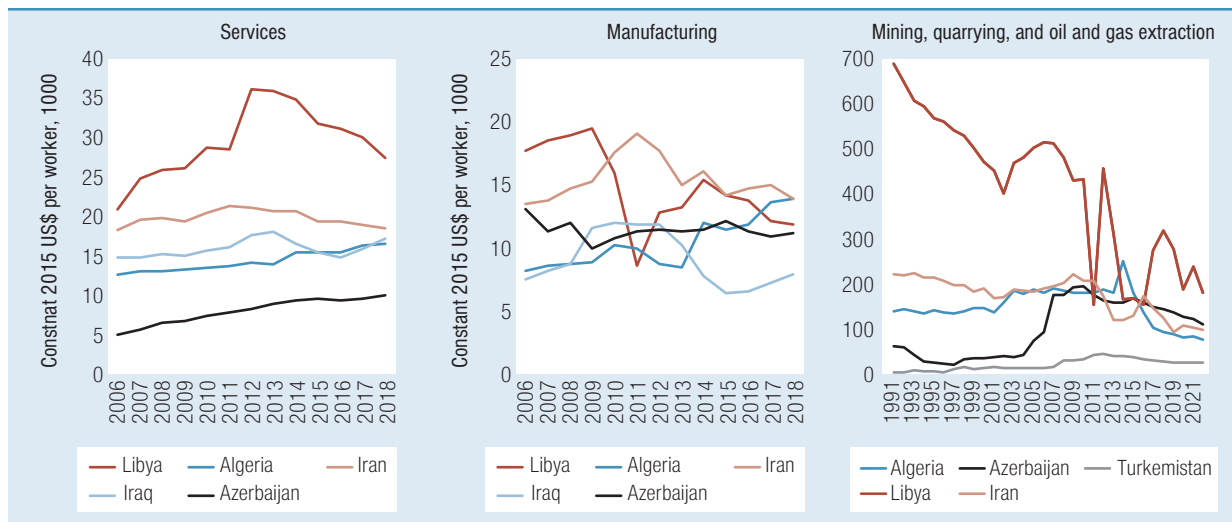


FIGURE 36 • Labor Productivity of Libya and its Structural Peers (Constant 2015 USD Per Worker)

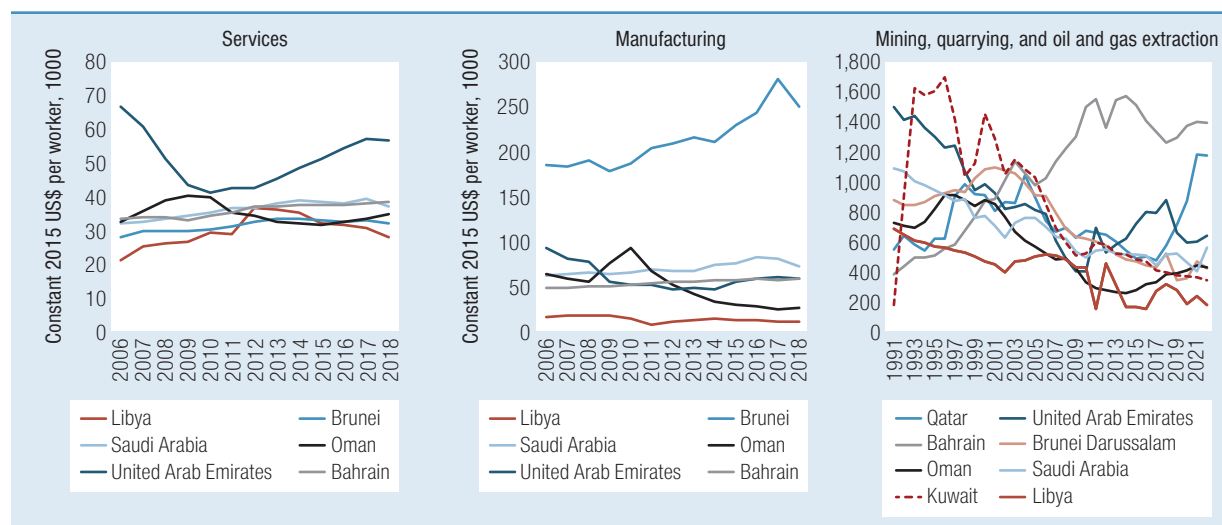


Source: World bank Indicator, ILO Database.

capital-intensive and continues to exhibit the highest labor productivity, it too has experienced a decrease in productivity over time (Figure 34). In addition, the oil sector has only absorbed roughly 5 percent of employment in Libya, with the vast majority of workers in lower-productivity sectors (Figure 35). Labor productivity in manufacturing and services, while comparable to Libya’s structural peers, has been declining over the past decades and remains weaker than that of its aspirational peers (Figures 36 and 37).

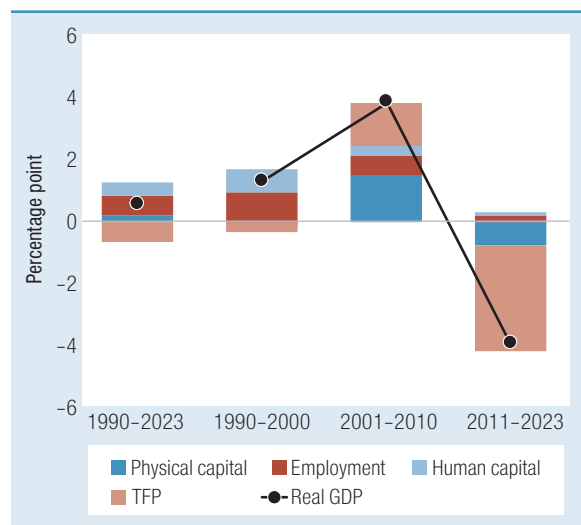
A decomposition of GDP growth into productivity and factors of production reveals that Libya’s growth has not been driven by productivity gains. From 1990 to 2023, Total Factor Productivity (TFP) was a drag on GDP growth (Figure 38), in contrast to most of Libya’s structural peers, where TFP positively contributed to growth (Figure 39). Notably, TFP only made a positive contribution to Libya’s GDP growth from 2001 to 2010, following the implementation of market-based

FIGURE 37 • Labor Productivity of Libya and its Aspirational Peers (Constant 2015 USD Per Worker)



Source: World bank Indicator, ILO Database.

FIGURE 38 • Libya's Growth Attributable to TFP, Physical and Human Capital

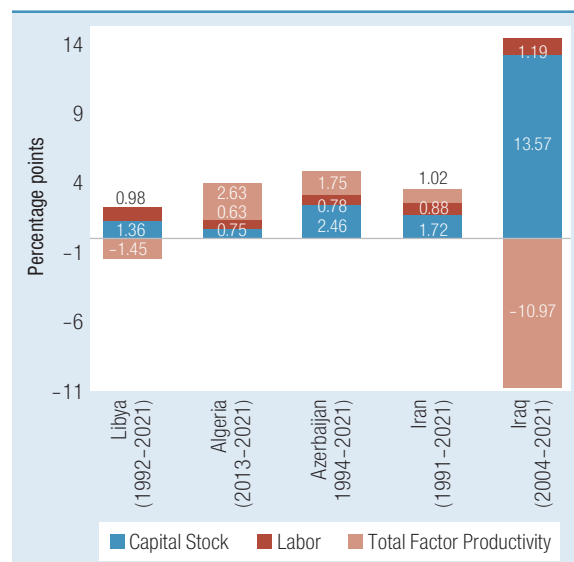


Source: United Nations, World Bank, CEM2.0, International Labor Organization, World Bank staff estimates and calculations.

Note: The stock of physical capital is estimated using the perpetual inventory method based on the assumption of a capital-to-output ratio of 1.5 in 1970 and a depreciation rate of 5 percent per year. Human capital (h_t) is a function of S (average years of schooling in year t) and j (return on education): $h_t = \exp(\phi S_t)$.

reforms.¹⁴ During the period of international sanctions period between 1990 and 2000, restrictions on technology and equipment significantly limited efficiency improvements in Libya's productive sectors. Since the 2011, TFP growth has turned negative once again, driven by political divisions, conflict and

FIGURE 39 • Growth Decomposition of Libya's Structural Peers

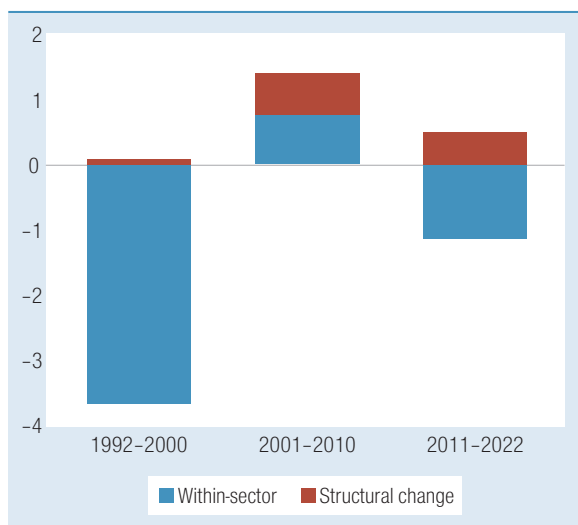


Source: United Nations, World Bank, CEM2.0, International Labor Organization, World Bank staff estimates and calculations.

Note: The stock of physical capital is estimated using the perpetual inventory method based on the assumption of a capital-to-output ratio of 1.5 in 1970 and a depreciation rate of 5 percent per year. Human capital (h_t) is a function of S (average years of schooling in year t) and j (return on education): $h_t = \exp(\phi S_t)$.

¹⁶ In 2003, Libya signed an agreement with the International Monetary Fund to implement reforms liberalizing trade, reducing the size of the public sector through privatization, and developing the financial sector. The implementation of these reforms has boosted productivity by fostering competition and private sector growth.

FIGURE 40 • Within-Sector Productivity Growth Versus Structural Change in Libya (Annual Average Contributions to Growth in Labor Productivity, Percentage Points)



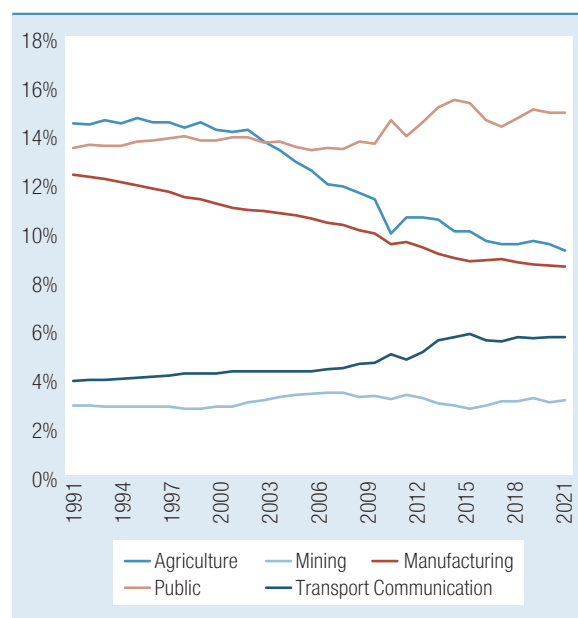
Source: ILO Database, United Nations, World Bank staff calculations.
 Note: Y-axis: annual average contributions to growth in labor productivity, percentage point.

insecurity, fragmented public institutions, reduced oil revenues, and macroeconomic instability. Rival governments hampered effective economic policymaking, while the split in public institutions, especially within the CBL undermined monetary policy implementation and oversight of the financial sector and resulted in significant losses in efficiency.

Constraints to Productivity Growth

Productivity growth in Libya has been hampered by inefficient allocation of labor. In recent decades, workers have shifted from agriculture and manufacturing to services, which has had a positive impact on productivity growth, as value added per worker in services is higher than in agriculture or manufacturing (Figures 40 and 41). However, within the services sector, job creation has been limited in higher-productivity areas, such as transport and communication, while a significant portion of employment remains in lower-productivity sectors like public administration. Notably, labor productivity in Libya's manufacturing sector has now fallen below

FIGURE 41 • Share of Employment by Sector in Libya



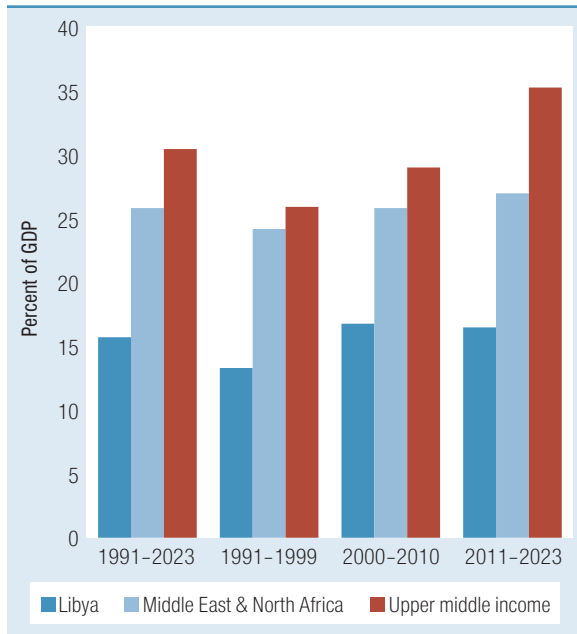
Source: ILO Database, United Nations, World Bank staff calculations.
 Note: Y-axis: annual average contributions to growth in labor productivity, percentage point.

that of services, a trend that diverges from most other economies. Today, only about 9 percent of Libya's labor force is employed in manufacturing—a sector traditionally associated with high-quality, productive jobs.

Weak investment has limited the contribution of capital deepening in driving productivity growth. This is partly due to a lack of private sector investment and a shift from public capital expenditure—historically a major investment driver under the Gadhafi regime to recurrent expenditures. Following the lift of the UN and US sanctions in the early 2000s, along with rising foreign exchange revenues, investment temporarily increased. However, even before the conflict began in 2011, Libya's investment-to-GDP ratio lagged behind other MENA and upper-middle-income countries and its structural peers (Figures 42 and 43).

The low and falling productivity growth in Libya is also associated with deteriorating education quality and outflows of talents. Prior to the conflict in 2011, migrants were a major source of labor in Libya. According to IOM, there were an estimated two million foreign workers in 2011, most of whom were illegal; a majority fled the country after 2011 and

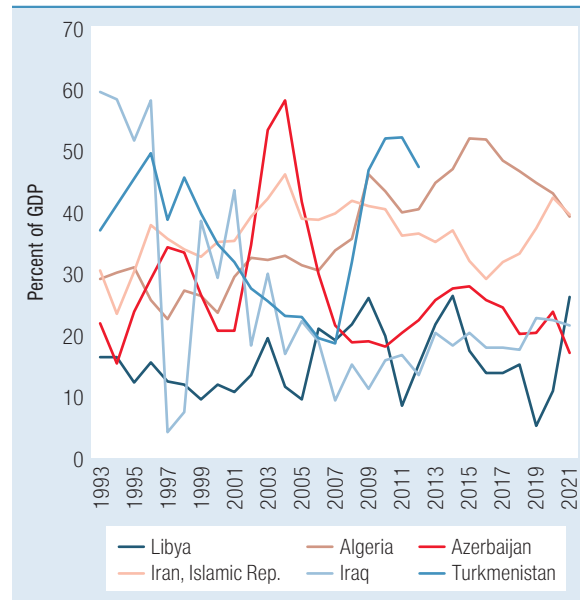
FIGURE 42 • Gross Capital Formation (% of GDP)



Source: World Development Indicators, World Bank, World Bank staff estimates and calculations.

about 700,000 were estimated to remain.¹⁵ As security conditions deteriorated since the start of the conflict in 2011, expatriate skilled and hard-manual workers left the country, which continued through 2022. Meanwhile, school closures, delayed rehabilitation of damaged schools, limited teacher training, reduced public investment in education, and the COVID-19 pandemic have all undermined access to quality education. According to REACH (multiple MSNAs), deteriorating livelihood conditions have led children to drop out of school to help support their households

FIGURE 43 • Gross Capital Formation, Libya and its Peers (% of GDP)



Source: World Development Indicators, World Bank, World Bank staff estimates and calculations.

financially.¹⁶ Consistent with the concerning trend of low and deteriorating education quality, in 2015 the Global Competitiveness Index ranked the quality of the Libyan education system as the worst worldwide.

¹⁷ European Union, United Nations and the World Bank Group (2019) Supporting Peace and Stability in Libya. A Compilation of Existing Analysis on Challenges and Needs.

¹⁸ REACH Initiative. Multi-Sectors Needs Assessment – Libyan Population.

ANNEX 1.

SELECTION OF LIBYA'S

STRUCTURAL AND

ASPIRATIONAL PEERS

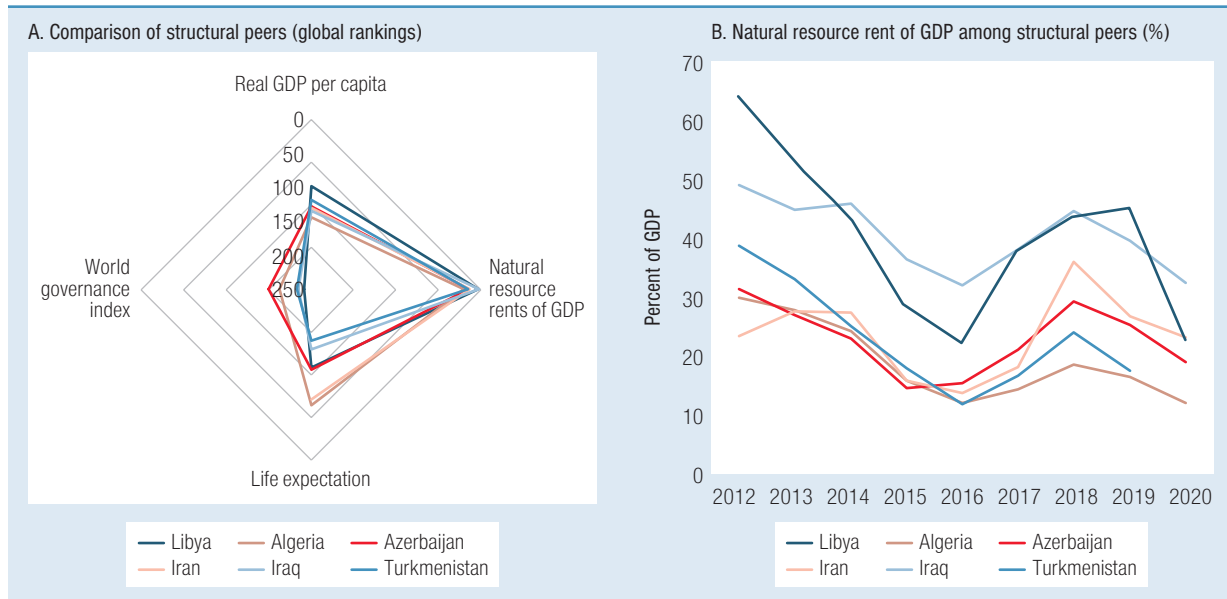
The World Bank's Dynamic Benchmark Model 2.0 is utilized to identify Libya's structural peers. This tool helps identify statistical similarities between countries globally, allowing for easy comparison of macroeconomic, fiscal, debt, and human development outcomes with relevant counterparts.

The structural peers identified for Libya include Algeria, Azerbaijan, Iran, Iraq, and Turkmenistan. These countries were selected based on their similarities to Libya post 2011, in terms of economic level, institutional capacity, and human well-being (Figure A.1.A). Specifically, the absolute differences in global rankings for the following indicators, when compared to Libya's rankings, were all less than 50: (a) real GDP per capita, (b) the ratio of natural resource rent to real GDP, (c) scores of the Worldwide Governance Index of the World Bank, and (d) life

expectancy. Besides, all these peer countries are rich in natural resources and serve as commodity exporters, much like Libya (Figure A.1.B).

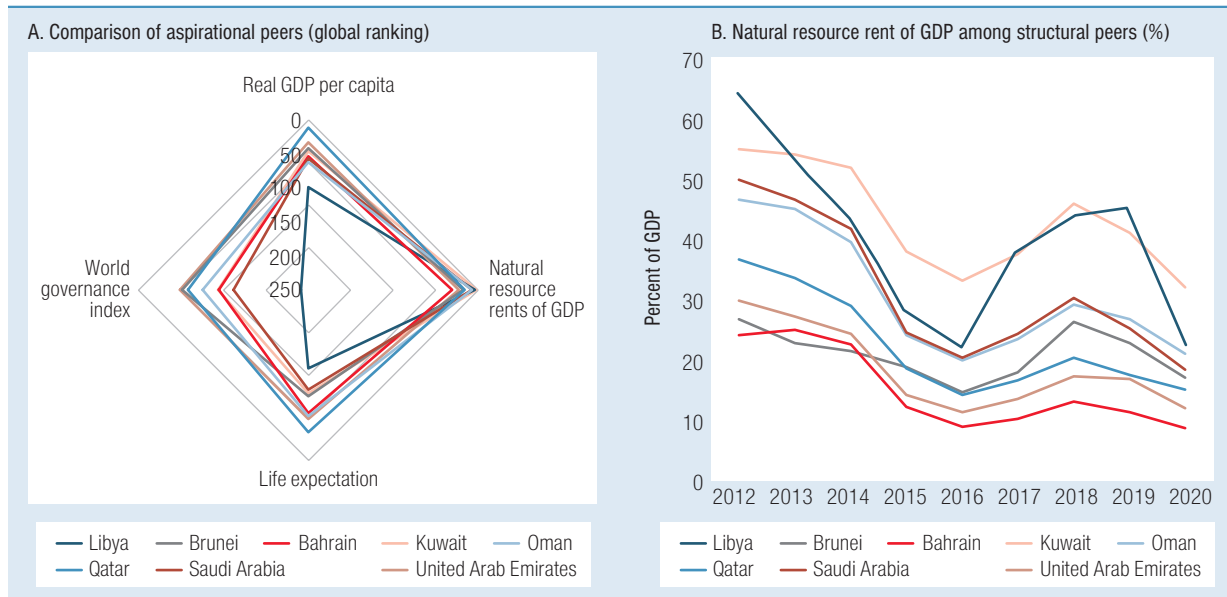
The aspirational peers identified for Libya include Brunei, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, with the last six being GCC countries. These countries were selected for their similar structural characteristics as commodity exporters, but they outperform Libya in terms of economic level, institutional capacity, and human well-being (Figure A.2.A). Specially, each aspirational peer had the global ranking that exceeds Libya's by at least 20 in the following indicators: (a) real GDP per capita, (c) scores of the Worldwide Governance Index of the World Bank, and (d) life expectancy. The aspirational peers also heavily rely on natural resources, but they have diversified their economies to a greater extent compared to Libya (Figure A.2.B).

FIGURE A.1 • Comparison of Structural Peers



Note: (a) In Figure A, the numbers by the axis represent the average ranking of indicators from 2012 to 2020 or 2021, depending on data availability. A lower ranking number indicates a higher ranking for a country. (b) In Figure B, the numbers along the axis reflect the annual estimate of the ratio of natural resource rents to GDP published in the World Development Indicator.

FIGURE A.2 • Comparison of Aspirational Peers



Note: (a) In Figure A, the numbers by the axis represent the average ranking of indicators from 2012 to 2020 or 2021, depending on data availability. A lower ranking number indicates a higher ranking for a country. (b) In Figure B, the numbers along the axis reflect the annual estimate of the ratio of natural resource rents to GDP published in the World Development Indicator.



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