

Table of Contents

1	An Introduction to Libya.....	1
1.1	The Geography of Libya	1
1.2	Independent Libya.....	3
1.3	Problems of Historical Perspective	4
1.4	Early Libyan History.....	6
1.4.1	Key Developments in Recent Libyan History.....	12
1.5	Libya's Political System.....	16
1.5.1	How the Libyan Political System Functions	19
1.6	Macroeconomic Framework.....	21
1.7	Reappraising Libya	25
2	Libya's Foreign Policy and External Relations.....	29
2.1	Libya's Regional Identity	29
2.2	Libya's Relations with Arab States	30
2.3	Libya and the Middle East Conflict.....	32
2.3.1	Libya and Palestine	36
2.3.2	Libyan-Israeli Tension	36
2.4	Relations with the European Union.....	40
2.5	US/UN Sanctions and Their Impact on Libyan Foreign Policy	42
2.5.1	Reassessing Lockerbie	51
2.6	Libya and the African Continent.....	53
2.6.1	Libya and Sub-Saharan Africa.....	53
2.6.2	Libya and CEN-SAD	55
2.6.3	Libya and COMESA	56
2.6.4	Libya and the African Union.....	58
2.6.5	Libya, South Africa and NEPAD.....	59
2.7	The Post-sanctions Period and Globalization.....	60
3	The Libyan Legal System and Key Recent Legislation	63
3.1	Foundations of the Libyan Legal System.....	63
3.1.1	The Constitutional Base	64
3.1.2	The Legislative System.....	65
3.1.3	The Judicial System	66
3.2	Key Legislation Regarding Foreign Investment.....	68
3.2.1	Law No. 5 for the year 1997 Concerning Encouragement of Foreign Capital Investment.....	68

3.2.2	Decision No. 21 of 2002 Regarding Encouragement of Foreign Capital Investment.....	70
3.2.3	Approved Activities for FDI: Decision No. 13, 2005	72
3.2.4	New Libyan Taxation Law: Income and Corporate Tax.....	74
3.2.5	Company Law and Incorporation	76
3.2.6	Law No. 7, 2004, and the Future of the Libyan Tourist Sector.....	78
3.2.7	Administrative Contracts Regulations 2000	80
3.2.8	Practice of Economic Activities: Recent Executive Regulations.....	82
3.3	Present Needs and Future Direction of Libyan FDI Legislation	85
3.3.1	Protection of Intellectual Property Rights.....	86
4	Social Policy and Trends.....	87
4.1	Libyan Demographic Trends.....	87
4.1.1	Population Growth	87
4.1.2	Trends in Population Growth, 1954–1995	87
4.1.3	Population Distribution.....	89
4.1.4	Trends in Population Growth, 1995–2006.....	90
4.1.5	Age Structure of Population.....	91
4.1.6	Ratio of the Sexes	92
4.1.7	Trends in Illegal Immigration	94
4.2	The Evolution of the Libyan Education System.....	97
4.2.1	Libyan Educational Philosophy – “Education for All”	100
4.2.2	Trends in Expenditure on Education.....	106
4.2.3	Libyan Education and the Future	107
4.2.4	The Importance of English.....	110
4.2.5	Accelerating Technical Education and IT.....	110
4.3	Housing in Libya.....	111
4.3.1	Trends in Development Expenditure on Housing	112
4.3.2	Libyan Housing in the Future	117
4.4	The Libyan Healthcare System	119
4.4.1	Evolution of the Libyan Healthcare System	119
4.4.2	Structure of the Libyan Healthcare System.....	120
4.4.3	Primary Health Care	121
4.4.4	Libyan Healthcare in a Regional Perspective	121
4.4.5	Trends in Health and Social Security Expenditure	122
4.4.6	The Future Direction of Libyan Healthcare.....	123
4.5	The Growing Role of Women in Libyan Society.....	124
4.5.1	Women’s Education and Its Impact on Libyan Society	127
4.5.2	Is There a Glass Ceiling for Women in Libya?.....	127
4.5.3	Women in Libyan Politics.....	128
4.6	Social Security, Health and Safety and Employment Issues	131
4.6.1	Employment Law and Social Security.....	131
4.6.2	Law No. 15 of 1981, Covering Wages and Salaries in the State Sector	132
4.6.3	Key Provisions of Labour Law No. 58 of 1970	132

4.6.4	Social Security Concerns	134
4.6.5	Financial Resources and Expenditure of the Social Security Fund	136
4.6.6	Health and Safety Legislation	137
4.6.7	Libyan and Foreign Employees/Work Permits	138
4.6.8	Non-nationals in the Libyan Work Force/Legal and Illegal Immigration.....	139
4.6.9	Average Income Trends	139
4.6.10	Sectoral Employment	140
4.6.11	Unemployment Issues	141
4.6.12	The Great Debate in Libya: Public Sector Wage Increases vs. Subsidies	142
4.7	Impact of Social Trends on Economic Reform	146
5	Infrastructure in Libya.....	151
5.1	Historical Background.....	151
5.2	The Development of the Libyan Communications Sector	151
5.3	Libya's Physical Infrastructure.....	156
5.3.1	Roads	156
5.3.2	The Aviation Sector	156
5.3.3	Seaports and Harbours	159
5.3.4	Proposed New High Speed Railway System.....	159
5.3.5	The Rapidly Emerging Telecommunications Sector.....	161
5.4	The Great Man-Made River Project	163
5.4.1	The GMRP and Water Utilization Authorities	165
5.4.2	The GMRP and Libyan Agricultural Diversification.....	167
5.5	Overcoming Libya's Infrastructure Deficit Through Public-Private Partnerships.....	168
5.5.1	Service Contracts	169
5.5.2	Management Support	169
5.5.3	Operation and Management (O&M)	170
5.5.4	Delegated Management Contracts	170
5.5.5	Construction Support	170
5.5.6	Build-Design-Operate (BDO)	170
5.5.7	Build-Operate-Transfer (BOT)	171
5.5.8	Build-Own-Operate (BOO).....	171
5.6	Final Remarks	171
6	The Rationale for Libyan Privatization	173
6.1	Approaches to Privatization	173
6.1.1	Privatization in Theory.....	173
6.1.2	Mechanisms for Privatization	176
6.2	Privatization: International Perspectives	183
6.2.1	The Latin American Experience	183
6.2.2	Malaysian Privatization Policy and Results	185
6.3	Privatization in MENA Countries	193
6.3.1	Tunisia and Egypt: Different Means, Different Ends.....	194

	6.3.2 Privatization in Morocco.....	204
	6.3.3 The Algerian Case.....	209
	6.3.4 Jordan: A Pragmatic Approach.....	211
6.4	The Libyan Experience	217
	6.4.1 Nationalization and Privatization, Untying the Knot	217
	6.4.2 Early Attempts at Privatization in Libya.....	218
	6.4.3 Recent Privatization Policy in Libya.....	222
	6.4.4 Framework and Evolution of Key Legislation.....	224
	6.4.5 Implementation of the Privatization Programme	226
	6.4.6 Employees Made Redundant by the Privatization Process	228
	6.4.7 The Legality of Privatization in Libya.....	228
	6.4.8 Details of the Current Status of the Privatization Process in Libyan SOEs Identified for Privatization.....	229
	6.4.9 Results of the First Year of Privatization.....	230
	6.4.10 The Privatization Record, January 2005–August 2006.....	230
	6.4.11 Lessons from Privatization.....	232
	6.4.12 Privatization in Libya – Quo Vadis?.....	239
7	Libya’s Investment Potential and Trade Blocs	247
	7.1 The FDI Debate and Libya.....	247
	7.2 Lack of Depth in Libya’s Financial Sector.....	251
	7.3 The Libyan Foreign Investment Board	252
	7.4 FDI Projects Approved, August 2006.....	253
	7.4.1 Status of FDI Project Implementation, August 2006.....	254
	7.4.2 Major FDI Source Countries, 2006.....	255
	7.5 FDI and Free Trade Zones in Libya.....	257
	7.5.1 The Permitted Fields of Investment and Economic Activities in the Free Zones	258
	7.5.2 Privileges and Exemptions of the Free Zones.....	258
	7.5.3 Misuratah Free Zone.....	259
	7.6 FDI: Important Lessons for Libya.....	259
	7.6.1 The Underfunding of the LFIB	259
	7.6.2 Expedite and Simplify Immigration Formalities for FDI... 260	
	7.6.3 Accelerate Financial Reform	260
	7.6.4 Publicize Libya’s Competitiveness.....	261
	7.6.5 LFIB Needs More Focus.....	262
	7.7 Libya and Regional Trade and Global Organizations	264
	7.7.1 Libya and the Arab Free Trade Area (AFTA).....	264
	7.7.2 Libya Trade Potential with the Maghreb Arab Union.....	267
	7.7.3 Libya Trade Potential with CEN-SAD	268
	7.7.4 Libya Trade Potential with COMESA	269
	7.7.5 Libya and the African Union: Economic Integration?	271
	7.7.6 Libya and the Barcelona Process	272
	7.7.7 Libya and the World Trade Organization	274

	7.7.8	WTO and Its International Agreements	275
	7.7.9	Objectives of WTO	276
7.8		Libya's Future Trade Options: Striking the Right Balance	278
8		Economic Reform and Diversification	281
	8.1	Modernizing Libya's Financial Sector	281
	8.2	The Need for Reform of the Banking Sector	281
	8.2.1	The Evolution of the Libyan Banking Sector	282
	8.2.2	Regulating Libya's Banking Sector: Towards a Modern System	285
	8.2.3	Financial Governance and Legislative/Executive Tensions	289
	8.2.4	Privatization of Domestic Banks	290
	8.2.5	The Libyan Dinar's International Exchange Rate	292
	8.3	Liberalizing of the Libyan Insurance Market	293
	8.4	Urgent Priority for a Libyan Stock Market	296
	8.5	Libya's Major Contribution Towards Combating Global Money Laundering	297
	8.6	The Libyan Tourist Sector, 2006	299
	8.6.1	Tourism and Economic Development	301
	8.6.2	Restructuring Libya's Tourist Policies	302
	8.6.3	Libya's Tourist Credentials	302
	8.6.4	Libya and Ecotourism	303
	8.6.5	Recent Tourist Investment	305
	8.6.6	Creating a Libyan Tourist Identity	307
	8.7	Libyan Agriculture Sector	308
	8.7.1	The Rise and Fall of the Sector	308
	8.7.2	Reasons Underlying the Declining Agriculture Labour Force	310
	8.7.3	Libya as a Food Importer	311
	8.7.4	Future Trends in Agriculture	311
	8.8	Potential in the Fishing Industry	313
	8.8.1	Legislation and Decisions Relating to the Fishing Industry	313
	8.8.2	Key Indicators Related to Fishing Industry	314
	8.8.3	Structure and Characteristics of the Fishing Industry	315
	8.8.4	Fisheries Research	317
	8.8.5	COPEMED Project, 1996–2004	318
	8.8.6	Enhancing Catch Utilization	318
	8.8.7	Current and Future Status of the Fishing Industry	319
9		The Libyan Energy and Mining Sector	321
	9.1	The Libyan Electricity Sector	321
	9.1.1	The Electricity Sector: The Early Stages	321
	9.1.2	The Electricity Sector: 1970–1980	322
	9.1.3	The Electricity Sector, 1981–Present	324
	9.1.4	Electricity Sector Reform: Corporatization, Deregulation, and Privatization	325

9.2	The Marketing and Consumption of Petroleum Products.....	327
9.2.1	The Private Sector: 1951–1971.....	327
9.2.2	Nationalization and the Establishment of Brega Oil Marketing Company (BOMC).....	332
9.2.3	Subsequent Development of BOMC.....	334
9.2.4	BOMC: The Deteriorating Financial Picture.....	338
9.2.5	BOMC: The Privatization Option.....	340
9.2.6	BOMC, Fuel Subsidies, and Debt Collection.....	345
9.3	The Libyan Mining Sector.....	349
9.3.1	Establishment of Libyan Mining Company (LMC).....	350
9.3.2	Objectives of the Libyan Mining Company.....	351
9.3.3	Mining Opportunities Initially Targeted by the LMC.....	351
9.3.4	Libyan Mining – A Sleeping Giant.....	351
10	Libyan Environmental Law and Issues.....	353
10.1	Future Environmental Challenges.....	353
10.2	Libyan Environmental Legislation.....	354
10.3	The Role of the Law No. 7 of 1982.....	355
10.3.1	Substantive Provisions.....	356
10.3.2	Exclusions not Covered in Previous Legislation.....	356
10.3.3	Organizational Provisions.....	357
10.4	Resolution of the General People’s Committee No. 263 of 1999 Establishing the Environment General Authority.....	358
10.5	Legislation Covering Water Resources.....	358
10.6	Environmental Impact Assessment in Libya.....	360
10.7	Libya and Integrated Coastal Zone Management.....	366
10.8	The Environment and Desertification in Libya.....	370
10.9	Water Desalination and Its Environmental Impacts.....	371
10.10	Libya’s Declining Air Quality.....	372
10.11	Solid Waste Management.....	373
10.12	Environmental and Sustainability Issues – Need for New Legislation.....	374
11	The Forces Shaping Libya’s Future.....	377
11.1	Demographic Pressures and Unemployment Issues.....	377
11.2	The New Economic Realities.....	379
11.3	e-Government and e-Inclusion.....	381
11.4	Transparency and Corruption.....	383
11.5	A Proliferation of Funds, 2005–2006.....	391
11.5.1	The National Development Fund.....	392
11.5.2	Libya Africa Investment Fund.....	394
11.5.3	Economic and Social Development Fund.....	395
11.5.4	Libyan Investment Corporation.....	396
11.6	Non-sustainability in the Oil and Gas Industry.....	398

12	Assessing Libya's Post-sanctions Initiatives.....	403
12.1	The Journey Towards Economic Transformation	403
12.2	Appraising Libya's International Realignment	407
12.3	Consolidating Libya's Repositioning – The Need for a 30-Year Plan	410
	Appendices.....	415
	References	453
	List of Tables.....	467
	List of Figures	471
	List of Appendices.....	473