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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

AND INTERNATIONAL FINANCE CORPORATION

AND MULTILATERAL INVESTMENT GUARANTEE AGENCY

COUNTRY ENGAGEMENT NOTE

FOR

THE STATE OF LIBYA

FOR THE PERIOD JANUARY 2023–DECEMBER 2024

January 9th, 2023

Maghreb Country Management Unit
Middle East and North Africa Region

International Bank for Reconstruction and Development
International Finance Corporation

Multilateral Investment Guarantee Agency

CURRENCY EQUIVALENTS
(Exchange Rate as of December 2022)
Currency Unit= Libyan Dinar (LYD)
US$1 = LYD 4.8

Government Fiscal Year
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ASA	Advisory Services and Analytics
BB	World Bank Budget
CBL	Central Bank of Libya
CEN	Country Engagement Note
CMU	Country Management Unit
CSO	Civil Society Organization
EU	European Union
FCV	Fragility, Conflict, and Violence
GDP	Gross Domestic Product
GNS	Government of National Stability
GNU	Government of National Unity
HoR	House of Representatives
IBRD	International Bank for Reconstruction and Development
IDP	Internally Displaced Person
IFC	International Finance Corporation
LIA	Libyan Investment Authority
LPDF	Libyan Political Dialogue Forum
MDF	Municipal Development Fund
MDTF	Multi-Donor Trust Fund
MENA	Middle East and North Africa
MIC	Middle Income Country
MIGA	Multilateral Investment Guarantee Agency
MOF	Ministry of Finance
OCHA	Office of the Coordination of Humanitarian Affairs
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PFM	Public Financial Management
PPP	Public-Private Partnership Libya
RAMP	Reserve Advisory and Management Program
RAS	Reimbursable Advisory Services
RPBA	Recovery and Peace Building Assessment
RRA	Risk and Resilience Assessment
RTA	Reimbursable Technical Assistance
SPF	State and Peace Building Fund
TA	Technical Assistance
TF	Trust Fund
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
UNSC	United Nations Security Council
WBG	World Bank Group

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INTRODUCTION AND EXECUTIVE SUMMARY

1. **Libya has been a member of the World Bank Group (WBG) since 1958.** There have been no International Bank for Reconstruction and Development (IBRD) loans to Libya as it is among the surplus oil producing countries, and relations during most of the Gaddafi era (1969-2011) were restricted by the United Nations (UN) sanctions. The United Nations' Security Council (UNSC) imposed sanctions in 1992 to press the Libyan government to hand over suspects involved in the 1988 Lockerbie bombing, and to stop the country from producing chemical weapons. The sanctions were lifted in 2003 after the Libyan government accepted responsibility for the Lockerbie bombing and committed to end efforts to produce nuclear weapons. Following these developments, the WBG started engaging through analytical and advisory services in 2003. On February 25, 2011, UNSC resolution 13566 imposed a new set of sanctions on Libya, which include a "freeze" of the Libyan Investment Authority's (LIA) assets, the sanctions regime continues to be in place.[1]

2. **The Board discussed the first Country Engagement Note (CEN) for Libya in February 2019.** The CEN framed a three-year engagement for 2019–2021 that aimed to address selected urgent priorities for recovery, while building the foundation for a new social contract and for longer-term transformation. However, an escalation of violence later that year led to a scale-down of the Bank's physical footprint and a re-prioritization of activities. A ceasefire mediated by the UN in October 2020 paved the way for the appointment of a transitional Government of National Unity (GNU) in March 2021.

3. **Elections, meant to mark the end of the transitional government period, were postponed and the continuing absence of a political settlement has increased insecurity and fragmentation.** The GNU remains in control of Tripoli, whereas the Government of National Stability (GNS) – appointed by the House of Representatives (HoR) in February 2022 – has taken up seat in the eastern city of Benghazi. Libya remains in a political stalemate with competing centers of power claiming legitimacy over control of the country and its natural resources. The absence of an agreed constitutional framework for national elections makes prospects for the restoration of a democratic process uncertain. Transition processes are not linear, and Libya's protracted state of fragility and instability might well continue in the forthcoming years.

4. **One of the overarching experiences gained over the last decade of WBG engagement in Libya is that even under difficult circumstances, there is a core of institutions and people in government who continue to serve.** This has opened opportunities to engage with and support parts of the Libyan government that are willing to work on strengthening the processes and services for which they are responsible and to try to implement a more unified approach, despite all challenges. The institutional basis and willingness to collaborate provides an indication of the possibility of reforms and improvements once a unified government is in place and effective.

5. **In this context, this CEN for FY2023-2025 (January 2023 to December 2024) lays out areas for the engagement of the WBG in support of Libya's challenging transition process towards a**

[1] The Libyan Investment Authority, the state's sovereign wealth fund, was formed in 2006. A 2010 law consolidated the Libyan state's other overseas investment vehicles – the Libyan African Investment Portfolio, the Libyan Foreign Investment Company, the Long-Term Portfolio, and the Libyan Local Investment Development Fund – under the LIA, which had an estimated value of US$65 billion at that time.

sustainable future. It builds upon the previous CEN, a Risk and Resilience Assessment (RRA), an ongoing Reconstruction and Peace Building Assessment (RPBA), as well as a review of lessons learned from the WBG's engagement in Libya over the last ten years. While the country continues to experience a high degree of uncertainty, the persistent engagement of the WBG is critical to support a medium to long-term development horizon in an environment focused on recurrent crisis response.

6. **The WBG has an important position to fill among the international stakeholders and partners involved in Libya's transition process.** As a multi-lateral technical institution, it brings appreciated neutrality and technical knowledge to national stakeholders (both public and private) and international partners. While it is true that the lack of financing options limits the WBG's direct impact, the strategic use of its convening power, technical know-how, and partnership arrangements does enable the WBG to contribute meaningfully to the country's future.

7. **The objective of this CEN is to support the development of Libya's medium to long-term socio-economic vision.** Fostering dialog about challenges and choices while supporting some of the necessary preconditions for moving forward (data, institutional capacity, cooperation between local and national authorities, international coordination, etc.) is at the heart of the strategy. The proposed WBG engagement is meant to help shape the processes by which Libyans determine for themselves the future of their society and economy. The WBG interventions are geared towards helping Libya address its fragility challenges and move towards peace and political settlements over time.

8. **The political economy of Libya's institutions is complex and requires a good grasp of associated dynamics to avoid doing harm and to achieve desired results.** The institutional legacy of the country's past and a decade of instability have resulted in development indicators and institutional capacity that do not align with Libya's status as a middle-income country (MIC). An understanding of sectoral and institutional political economy dynamics will need to underpin the World Bank Group (WBG) engagement. Knowing the legal mandate, actual application, political incentives, citizens' perceptions, and inter-institutional relationships will help avoid approaches that may appear technically sound but turn out to be unfit for the purpose.

9. **The CEN objective will be pursued through activities that relate to the drivers of conflict and factors of resilience identified in the RRA.** Activities are articulated around two pillars, pillar 1: *Setting the Foundation for Reform and Evidence-based Policy Decisions*, and pillar 2: *Strengthening the Social Contract Through Equitable and Accountable Local Service Delivery*. The objective and approach are mindful of the WBG Fragility, Conflict and Violence (FCV) Strategy 2020-25, the WBG Middle East and North Africa regional strategy, the 2011 World Development Report Conflict, Security, and Development, and the Engagement in Situations of Conflict - An Evaluation of FY10–20 Experience by the WBG's Independent Evaluation Group. The CEN aligns with pillar 3 'Strengthening Resilience' of the Global Crisis Response Framework, as outlined in the WBG's Global Crisis Response Framework paper, *Navigating Multiple Crises, Staying the Course on Long-Term Development: The World Bank Group's Response to the Crises Affecting Developing Countries.*

10. **While risks are undeniably high, the rationale for continued engagement in Libya is compelling.** Operating in Libya presents multiple challenges that demand continuous monitoring, but inaction would have significant downsides from a strategic, developmental, institutional, and human point of view. Remaining engaged will allow the WBG to make important – and potentially unique — contributions to the development of a shared vision for the country, to the definition of a medium to long-term development agenda, and to the alignment of international support toward common

objectives. Staying engaged to help sustain local institutions and service delivery is critical to preserve human capital and institutional capacity during the crisis and is an investment for future recovery and reconstruction.

11. **Libya is an example of a MIC facing high levels of fragility, conflict, and violence (FCV) in which the WBG has an important role to play.** FCV in MICs represents one of the major development challenges of today. With development agencies contributing relatively small amounts of financing compared to national budgets, the leverage for encouraging necessary but contentious peace-promoting reforms (primarily through dialogue and advice) is often limited. The WBG has increasingly recognized the urgency of addressing FCV in MICs and is in the process of developing a suitable approach on how to engage. The experiences of our work in Libya will be an important contribution to defining the WBG approach and instrument choices for these countries.

12. **Operating in Libya, as in all FCV environments, comes with high operational costs.** Without lending operations, the implementation of the CEN is heavily contingent on contributions from the WBG's development partners to trust funds that can support the Libya program such as a potential multi-donor *Libya Development Trust Fund*. IBRD also builds on its experiences with Reimbursable Advisory Services (RAS) in a MIC-FCV context to further support activities.

13. **The proposed CEN highlights the WBG's commitment to being a long-term partner for Libya.** Building accountable systems and the capacity that underpins well-performing institutions takes time. Whatever results we can achieve in the next two years builds on the WBG's work over the last decade and will be a further stepping-stone towards our future contributions. The WBG seeks to support Libya on its path towards a sustainable and peaceful future in which the country enjoys equitable and accountable management of resources, strong social cohesion, quality of service standards corresponding to its income-level, and justice is based on the rule of law. The WBG's support to Libya is a long-term commitment.

II. COUNTRY CONTEXT

A. Political, Governance and Security Context

14. **Following an inconclusive transitional period Libya remains in a political stalemate with competing centers of power claiming legitimacy over control of the country**. The GNU with its Prime Minister (PM) Abdul Hamid Dbeibah, appointed by the Libyan Political Dialogue Forum (LPDF) in Berlin in March 2021, remains in control of Tripoli. However, some consider its mandate expired as elections did not take place and a unified government was not formed by the target date articulated during the Berlin process (see Box 1). The GNS led by PM Fathi Bashagha, appointed by the HoR in February 2022, has taken up seat in Benghazi and its legitimacy is disputed by the GNU. At the same time, legislative and executive institutions have also outlived their mandates. Negotiations have yet to reach an agreement on a constitutional framework that could pave the way to elections and therefore allow for the restoration of a unitary government. The contested legitimacy of political institutions and leadership contributes significantly to insecurity, economic loss, and social fragmentation.

Box 1 The Berlin Process

The Berlin Process was facilitated by Germany with the encouragement of the UN Support Mission in Libya (UNSMIL). UNSMIL's political roadmap envisioned the organization of a "National Conference" in 2019, which would bring together a broad range of Libyan constituencies to seek agreement on a roadmap towards unified government and political stability. The National Conference never took place, however, as a new round of civil conflict broke out in Libya in April 2019. Given the role played by external states in these developments, UNSMIL concluded that it should pivot to an approach that would seek consensus among the international community prior to seeking consensus among Libyan rivals, as opposed to its previous approach of seeking intra-Libyan agreement first. The first Berlin conference was held in January 2020, bringing together representatives from 12 states and three multilateral institutions, affirming that there could be "no military solution" in Libya and declaring support for UNSMIL. Following the appointment of the Government of National Unity in March 2021 via the UN-formulated Libyan Political Dialogue Forum (LPDF), a second Berlin conference was held in June 2021. The second conference declared support for the LPDF roadmap that scheduled parliamentary and presidential elections for December 2021. That process soon broke down, however, and the elections did not take place. The Berlin process successfully convened international players engaged in Libya. It aligned them behind the UN-led political process and put in place follow-up committees to structure the implementation of the agreed outcomes of the Berlin conference. However, the commitment of the international players to these outcomes was under scrutiny from the outset as violations of the arms embargo continued. Once the UN's roadmap broke down following the collapse of the elections, the follow-up committees had no clear roadmap to support. This has led to questions over the continuing relevance of the Berlin Process.

15. **Libyan state institutions are not passive bystanders to conflict in the country.** Rivalry for control of the country has manifested itself in direct competition for control of the state's institutions, particularly those that govern the oil sector, banking sector and investment sector. The collapse of political authority and international support that could insulate institutions from warring factions has led to state bodies becoming power centers in their own right. This has placed these institutions at the heart of the conflict, both as a source of funding to armed actors, and as part of the legal contestation among rivals for control.[2]

16. **Mediation efforts have had little success.** The UN have been leading mediation efforts in support of the transition process but limited international cohesiveness and will for collective action hinder these efforts. Some international actors have supported a crisis-management approach with the goal of preventing economic and political collapse, while others have highlighted the need to go beyond the short-term focus and address structural drivers of conflict.

17. **External actors are direct participants in Libya's ongoing conflict in the security, economic and political realms**. On the security front, consistent violations of the UN Arms Embargo have been reported since 2011 and some armed groups from neighboring Sudan and Chad have been employed by Libyan factions to bolster their military efforts.[3] The role of mercenary factions, such as the Wagner group, expanded amid its support to Khalifa Haftar's offensive on Tripoli in 2019.[4] In response, the then-ruling Government of National Accord (GNA) signed agreements with the Turkish government which led to a permanent presence of Turkish military personnel. Moreover, foreign governments continue to have significant interests in the Libyan economy, most notably in the oil and gas sector.

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[2] Tim Eaton (2023) 'The Post-Revolutionary Struggle for Economic and Financial Institutions' in Wolfram Lacher and Virginie Collombier (eds) 'Violence and Social Transformation in Libya' (forthcoming).

[3] UN Security Council. 2021. Letter dated 8 March 2021 from the Panel of Experts on Libya established pursuant to resolution 1973 (2011) addressed to the President of the Security Council. Available at https://undocs.org/Home/Mobile?FinalSymbol=S%2F2021%2F229&Language=E&DeviceType=Desktop&LangRequested=False

[4] Ibid

18. **Societal fragmentation and regional grievances are at the heart of Libya's instability.** Libya has a history of exclusionary institutions that enabled networks of patronage and elite capture both nationally and internationally, and excluded the most vulnerable segments of the population especially women and youth. In the period following the fall of Muammar Gaddafi's government, an institutional vacuum created space for further consolidation of these mechanisms. With forces of decentralization and centralization competing over the state model it has proven challenging to arrive at a consensus on a common governance system and a vision for the future Libyan state. In this debate, the aspirations and grievances of different regions remain a point of contestation.

19. **The fragmentation of Libya's institutions needs to be understood in their historical context.** Under the reign of Muammar Gaddafi, the Libyan state was subject to a series of radical—and contradictory—experiments with administrative reorganization. The policies of the 1970s and 1980s saw the private sector abolished in favor of state-run business, and foreign ownership was nationalized. State dominance of the economy translated into the creation of many committees, agencies, holding companies, and monopolies. In the 2000s, liberal reforms created a new raft of institutions that co-existed uncomfortably with the established socialist institutions. Temporary informal institutions were created to implement policy, while many formal institutions became vehicles to distribute oil wealth to the citizens through employment in the public sector. This conflated employment with welfare and has left a hard-to-reform legacy.

20. **Today, as political fractions continue to compete for power, the resulting vacuum has fostered the development of a war economy.** Networks of armed groups, political elites and corrupt businessmen control smuggling routes of migrants, goods, and weapons, as well as key profitable assets such as oil, gas, and the control of entry points, such as ports. This war economy has created a system of incentives that undermines reforms needed to transition towards peace, as such a transition would undermine the ability to profit from the security vacuum.[5] Additionally, this power vacuum has negative social, political, and economic spillovers on countries in the region and beyond.

21. **Competing centers of power, entrenched networks of patronage, and internal divisions continue to hamper progress, feeding on a deeply embedded culture of corruption.** According to Transparency International's 2021 Corruption Perception Index, Libya is among the most corrupt countries in the world, ranking 172 out of 180. This endemic corruption, dating back to Gaddafi's government, has contributed to the current political stalemate, as the elite's unmonitored access to state resources continues to create disincentives for peace and better governance.

22. **Civil society organizations (CSOs) were practically non-existent during Gaddafi's time, which saw political parties and independent associations outlawed in the 1970s. CSOs emerged and proliferated with the 2011 revolution, then declined.** The conflict has led to the politicization of many CSOs, with some being accused of failing to be neutral actors. A growing number of arrests of civil society figures illustrates a narrowing space for freedom of expression. Registration requirements, prohibition on fundraising domestically and internationally, and the government's significant oversight powers over the operations of CSOs have been significantly shackling these organizations. Some of these limitations are less stringent in the east of the country.

[5] Eaton, T. April 2018. Libya's War Economy – Predation, Profiteering and State Weakness. Chatham House Middle East and North Africa Programme.

23. **After a relatively stable period, violent clashes among armed groups intensified at the end of 2020 and early 2021.** These culminated in heavy fighting in Tripoli in August 2022 as armed groups aligned with rival governments fought for control of the city. Incidents of violence against civilians declined again by mid-2022, following a steady increase since early 2021. In early 2023, Libya's security sector remains dominated by armed groups that are affiliated to the state but not accountable to it.

24. **Libya has become both a destination and a transit port for migrants and refugees.** According to the United Nations High Commissioner for Refugees (UNHCR), up to 90 percent of people attempting to reach Europe through the Mediterranean Sea depart from Libya.[6] Libya's security crisis, power vacuum and vast spaces especially in the south have led to the proliferation of networks of cross-border smugglers of fuel, drugs, arms, and humans. With that, Libya's security crisis has a destabilizing effect on both the wider Sahel region and on Europe.

25. **A stable and secure Libya would have positive regional spillovers for two continents, given its strategic location at the gateways between Europe, Africa, and the Middle East.** At the end of 2021, Libya ranked in the top 10 countries of globally proven oil and natural gas reserves, holding nearly 3 percent of these. In 2020, nearly 63 percent of Libya's crude oil and condensate exports were imported by Europe (specifically Italy, Germany, and Spain). However, due to the protracted conflict, Libya's oil production is significantly lower than its capacity. A stable and secure Libya could help the country achieve its plans to nearly double oil production by 2025 with an impact on global oil supply. Stability in Libya could also help absorb economic migrants from neighboring countries, such as Tunisia and Egypt, as well as sub-Saharan Africa. Such developments would reduce pressure on Europe's border management. It is likely that a peaceful Libya would see a reduction in arms and human trafficking, potentially leading to more stability in the Sahel region.

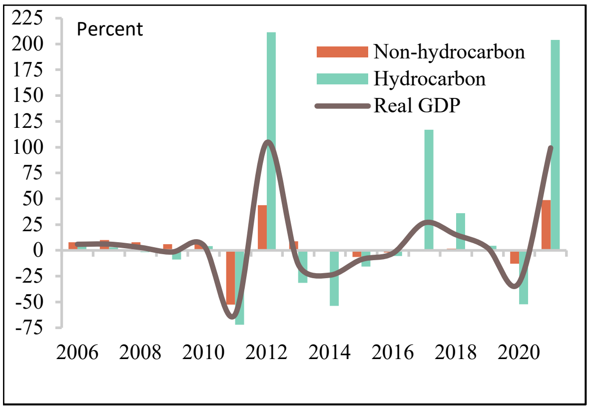
B. Economic Context and Outlook

26. **The Libyan economy has been battered by the conflict, the COVID-19 pandemic, and Russia's invasion of Ukraine.** Heavily dependent on hydrocarbons, GDP growth has experienced significant volatility owing to the conflict and its impact on oil production and exports, recording estimated high double-digit contractions and expansions in most conflict years. Volatility aside, Libya's real GDP has sharply declined since 2011. Despite recovering somewhat in 2021, real GDP for that year is estimated at about half of the pre-conflict GDP in 2010. GDP per capita in 2021 stood at about half of its value in 2010 before the start of the conflict.

27. **Regional and global economic dynamics have compounded effects on the Libyan economy, contributing to an uncertain economic outlook.** The looming threat of a global recession could compound the existing downwards trends for Libya's economy. Libya, along with several other Arab countries including Tunisia and Morocco, imports around 75 percent of its wheat from either Ukraine or Russia and disrupted supply chains force its government to pay a premium for alternate suppliers. Since the Libyan government subsidizes a portion of wheat imports and sets the official prices for bread, Russia's invasion of Ukraine has forced numerous bakeries to close and may lead to further disruption in supply chain networks and the availability of critical agricultural products. While Libya should stand to benefit from the increasing oil prices, the projected recession and global decrease of demand for oil over the next decades threaten the country's main source of revenue.

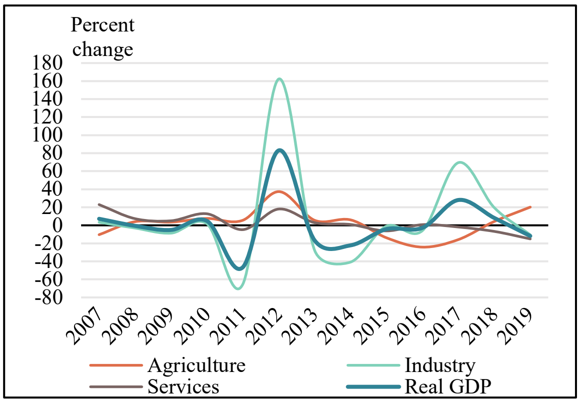
[6] In the first quarter of 2022, more than 18,000 refugees and migrants crossed the sea to Europe, mostly through Libya and Tunisia (UNHCR, June 2022).

Figure 1 Real GDP Growth (% change)



Source: Libyan authorities and World Bank staff estimates

Figure 2 Real GDP and Sectoral growth rate (Percent change, annual)



Source: Ministry of Planning, World Bank staff calculation

28. **The distortive presence of the State in the economy, the heavy dependence on oil, and the conflict have restrained the development of a dynamic private sector.** The dominance of state-owned enterprises (SOEs), the lack of competition, the unpredictability of policy, poor governance, and lack of access to finance, skills, and good-quality infrastructure restrained the emergence of a dynamic private sector. Macroeconomic uncertainty, political instability, low domestic demand, corruption, regulatory policy uncertainty, high intermediate input prices, inadequate access to finance, inadequate availability of electricity, and deteriorating security are among the top constraints to the development of the private sector reported by firms in the Libya enterprise survey (2018). Libya's uncertain business environment and policy instability has weakened the confidence of foreign and national investors.

29. **Fiscal revenues are largely dominated and driven by volatile international oil prices.** Hydrocarbon revenues represent on average 85 percent of total government revenues or 34 percent of GDP during the 2015-2021 period. Political instability and deteriorating security conditions during 2013-2016, as well as the war over Tripoli in 2019-2020 led to recurrent attacks and blockades of oil fields and export terminals by armed militias, more than halving oil production in 2014, 2015 and 2019 compared to its potential level of 1.2 million barrels per day. The cease fire agreement in late 2020 and the improvement of security conditions boosted oil production and exports; significantly increasing hydrocarbon revenues from 14 percent to 55 percent of GDP amid the devaluation of the Libyan Dinar in 2021. Decreasing international oil prices from US$ 68 to US$ 41 per barrel over the 2018-2020 put additional pressure on government revenues. Tax and non-tax revenues represented a small share of total revenues reflecting weak diversification of government revenues and limited capacity of revenue collection of the tax and custom administrations.

30. **Government spending is dominated by a high wage bill and untargeted subsidies.** Total government expenditure represents 94 percent of GDP on average during the period 2015-2020 mainly driven by increasing wages and salaries and spending on subsidies and social transfers representing, respectively, 56 and 15 percent of GDP on average over the same period. The rising wage bill reflects both salary and hiring increases with public salaries used as a safety net and stabilization instrument across society. Subsidies are inefficient and distorting with 66 percent on average being allocated to fuel, leading to overconsumption and smuggling activities with neighboring countries. In addition,

subsidies in Libya are not targeted, benefitting higher income consumers more than others. Capital expenditure represents only 9 percent of GDP on average during 2015-2021 period.

31. **The combination of high and rigid spending, volatile oil revenues and fragmented politics complicates sound and prudent fiscal management.** The fiscal balance registered a double-digit deficit during four years over the period 2015-2020. The fiscal balance witnessed a massive reversal to a 10.6 percent of GDP surplus in 2021 compared to the 64 percent deficit in 2020; resulting from the jump in oil production and prices and the 70 percent exchange rate devaluation in the beginning of 2021.

32. **Higher global oil prices are helping reduce external imbalances.** In 2021, Libya's exports more than tripled as global oil prices soared and oil export volumes recovered following the removal of the 2020 blockade on oil export terminals. Consequently, despite doubling goods imports compared to 2020, the trade balance is estimated to have recorded a surplus of 21.7 percent of GDP (compared to a deficit of 14.7 percent in 2020).

33. **The financial sector is underdeveloped and dominated by public banks.** Decades of central planning and the dominance of oil revenues led to a highly centralized economy, with the banks, predominantly state owned (with the main shareholder the Central Bank), essentially acting as intermediaries to finance government projects with depositors' funds. Today, the five state banks hold over 90 percent of Libya's deposits, due to them handling most of government salary transfers and implicit deposit guarantees.

34. **Since the imposition of UN sanctions in 2011, LIA assets have been "frozen".** The LIA has been highlighting their assets have been losing value due to LIA's inability to reinvest proceeds received from coupon payments, dividends, and maturing bonds, or to sell any of its holdings. The amounts at stake are not small: LIA's total assets under sanctions are estimated at over US$60 billion.

C. Social Context, Service Delivery and Vulnerable Groups

35. **The developments of the last decade have come at a high cost for the country and certain groups are especially vulnerable.** The protracted conflict has led to destruction of human capital, livelihoods, basic services and infrastructure, eventually leading to the country's decline to lower-middle-income status. The global Fragile States Index ranks Libya as the most deteriorated country between 2010 and 2020. The most recent round of the data collected by the WBG and the World Food Programme in 2020 show that 10 percent of Libyans had inadequate food consumption. Women, girls, migrants and youth have been particularly affected.

36. **Libyans' standard of living has declined considerably over the last decade.** For example, before the 2011 revolution, Libya had reportedly achieved an almost 100 percent electricity access rate. However, a combination of insecurity, insufficient maintenance and investments, and conflict-related damage have led to regular electricity blackouts, with the total minutes of power loss growing 80-fold between 2010 and 2016. The water sector is affected by the limited supply of electricity, especially in urban centers like Tripoli and Benghazi. The duration of water supply services has decreased from 24 hours a day to 8 hours or less per day in 2020. Additionally, access to sanitation has dropped significantly in both rural and urban areas. Finally, the functionality of the health sector has been severely affected by the conflict, including through it limiting secure supply of electricity and water.

This deterioration of basic services highlights the cascading effects of the protracted conflict, and the negative externalities each sector has on other services.

37. **The deterioration in the post-revolutionary era has affected the perceptions and confidence in public institutions.** Public perception surveys suggest low levels of trust in government performance and satisfaction with service delivery. Unequal access to basic services has contributed to sub-national grievances and impacted trust between citizens and the state. A perception survey conducted in 2019 showed that 26 percent of Libyans feel that their most significant loss since the beginning of the conflict was the hope for their children's future and 20 percent mentioned the loss of personal security.

38. **Despite high tertiary education rates, women often remain excluded from the political and economic spheres**. Some progress was made with the formation of the GNU and the appointment of five women ministers, putting the ratio of female ministers at 14 percent. However, in the 2014 elections for the HoR, the seat quota reserved to women was lowered from 16 to 15 percent (30 seats out of 200) and the laws guaranteeing women representations in politics included in the 2017 draft Constitution have not yet materialized. Women have been significantly underrepresented in the constitution-making process, with only 6 of the 60 seats of the Constitution Writing Assembly assigned to women. Female politicians, activists, and journalists have experienced a drastic rise in violent attacks since 2014, including assassinations, forced disappearances, and online gendered attacks. Despite high tertiary education rates, reaching 64 percent of women in 2003 (the latest data available), many women are neither economically active nor looking for work and, since 2006, their labor force participation rate has plateaued at 34 percent, and is mostly focused in the public sector. Although women graduates outnumber their male colleagues in major fields of study such as medicine and architecture, they face limited employment opportunities due to social conditions that place higher burdens on women given family obligations, lack of daycare services, poor transportation and inadequate support from husbands and family. Those employed are mostly in the public service sector (education, health and social work), and earn nearly three times less than men.[7] In fact, in a high-frequency phone survey conducted by the World Bank and the Arab Research and Analytics Associates, restrictions on women's movement were reflected by how they reported being less affected than men by every type of violence – nearly 23 percent of women were never allowed to use public transportation, and 34 percent had to be accompanied if they wanted to commute by public transportation[8].

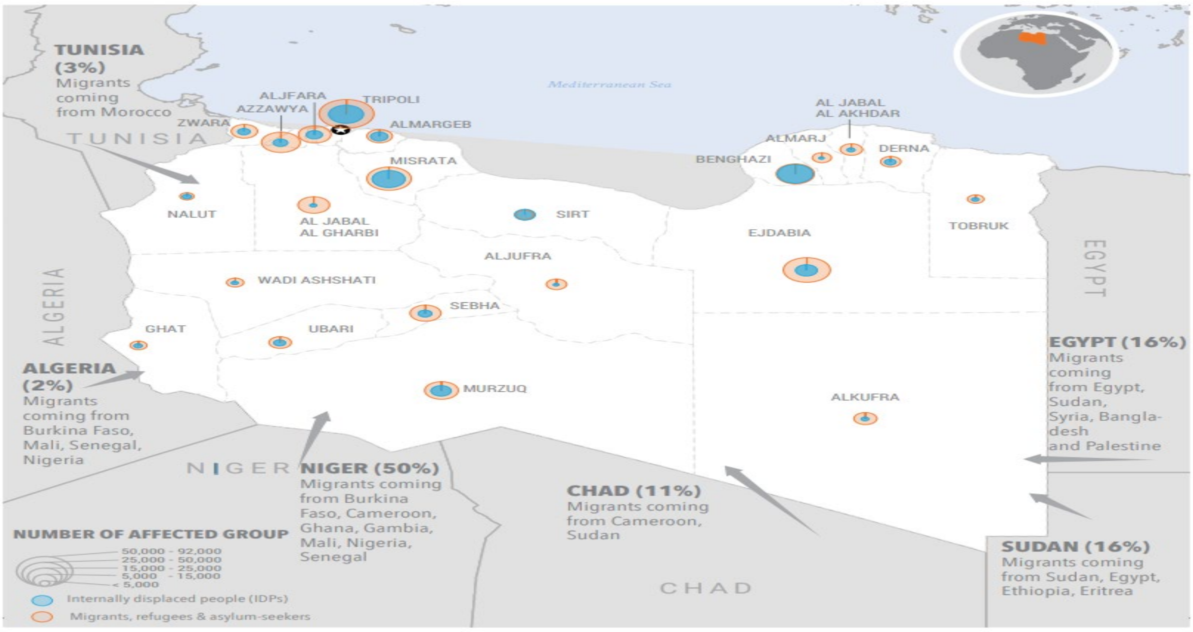
39. **Youth have also been largely disappointed by the post-revolutionary era, and their transition into adulthood has been marred by instability.** While the 2011 uprisings represented a political awakening for many, the subsequent descent into war impacted their perception and levels of trust in politics, politicians, the future of the Libyan state and their own wellbeing. The destructions caused by the war affected education pathways, the possibility to develop entrepreneurial skills, and the ability to find meaningful ways to gain a livelihood and participate in shaping the future of their country. Data collected by the German Agency for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit) in the second half of 2020 show that total youth (defined as the labor force aged between 15-24) unemployment rates has reached 65 percent in urban areas in the north, 20 percent in rural areas in the north, 75 percent in the West and nearly 100 percent in the South.

40. **With protracted conflict and the absence of an effective state, there has been a surge in illegal trade as well as irregular and undocumented migration seeking to reach Europe.** As of October 2022,

[7] In 2015, 97 % of the active female labor force were employed in the public sector compared to 79 % of employed males.
[8] World Bank, 2023 (forthcoming). The Long Road to Inclusive Institutions in Libya: A Sourcebook of Challenges and Needs.

there were almost 43,000 registered refugees and asylum seekers in Libya as the country's geostrategic location serves as a key transit hub for migrants and refugees fleeing conflict and economic hardship across the Middle East and Africa, attempting to reach Europe (map 1).[9] Transnational illicit smuggling of fuel, weapons, drugs, soldiers and human trafficking across Libya's porous borders have become a lucrative source of revenue for rival armed groups and community members, especially those operating and living in the South and in the periphery. These illicit activities have become a main source of livelihoods for those communities, estimated to generate around US$ 1 billion in annual revenues by the International Crisis Group. Additionally, with the attempts to increase coastal security and local law enforcement, prices for smuggling activities have increased, along with the risk for abuse faced by migrants, including different forms of extortion and arbitrary detentions. Smuggling networks active across the country, further undermine local governments and shrink the space for the licit economy. The web of incentives of the different actors involved in this illicit trade can further undermine attempts to restore stability and the rule of law across Libya.

Map 1 Libya As A Key Transit Hub For Migration



Source: UNOCHA, 2022

D. Climate Change and the Environment

41. **Libya is considered one of the most water scarce countries globally, with renewable water reserves of just 103m^3 per person per year.** The climate is extremely dry with 95 percent of the territory covered with desert, and an arid coastal strip with agriculture heavily dependent on irrigation. The country has no rivers, and it is estimated that over 97 percent of freshwater is sourced from groundwater. The Great Man-Made River Project, Libya's engineered water line to the coastal areas, fails to reach key water scarce areas resulting in recurring water shortages. Water scarcity has been leveraged by armed groups and local communities to exert concessions; for example, since 2018, over 176 wells were sabotaged, lowering the volume of water flowing to the north-west and creating freshwater shortages. Libya's water crisis is further compounded by an overuse of groundwater and by the infiltration of seawater into coastal aquifers. Increasingly, Libya will be grappling with worsening

[9] UNOCHA and UNHCR, October 2022.

climate-change induced droughts. In this context, reliance on non-renewable water sources is projected to increase exponentially, while the availability of water will be further reduced due to droughts.

42. **Several Maghreb countries, including Libya, have been identified as particularly at-risk populations affected by sea-level rise.** Any significant rise of the Mediterranean Sea due to climate change will negatively affect Libya's largest population centers, which are located on the coast. An estimated 5.4 percent of Libya's urban areas would be lost to one meter of sea-level rise, the most vulnerable being low-lying cities, such as Misrata, Benghazi and the Bay of Sirte. Increased flooding will affect connectivity as critical infrastructure, such as the coastal road which links the east to the west would likely be impacted.

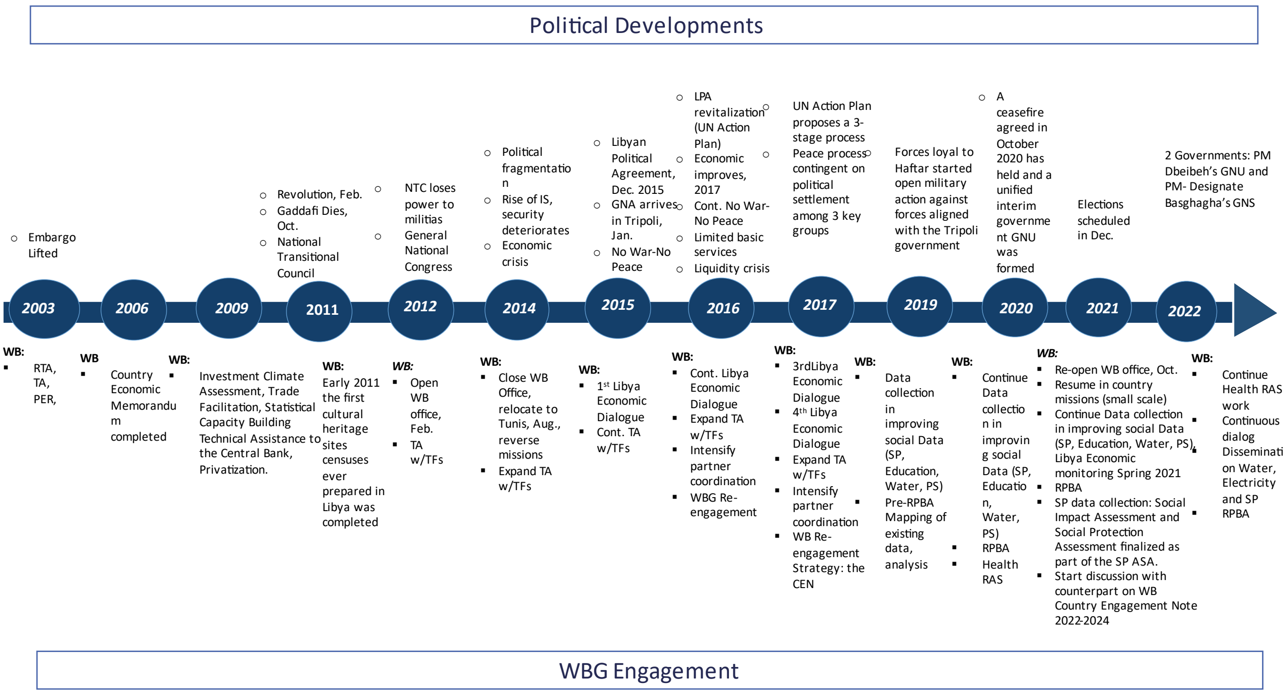
III. World Bank Group Country Engagement Strategy

A. The World Bank Group in Libya

43. **The relationship between the World Bank Group (WBG) and Libya evolved as Libya went through different transition periods.** IBRD became active in Libya in 2003 for several years through analytical and advisory services delivered mostly through Reimbursable Technical Assistance (RTA). After the outbreak of conflict in February 2011, the IBRD suspended its program and limited its activities to joint watching-briefs with the UN and the EU to monitor the situation. Following the establishment of the first interim government in November 2011, the WBG engaged with the Libyan authorities and established a presence in Tripoli. To deepen the understanding of the evolving situation, a post-conflict needs assessment was conducted together with partners in late 2011. From 2012 to 2014, the WBG focused on analytical work and technical assistance (TA) to help build institutions and capacity (for a detailed timeline of WBG engagement in Libya see figure 3).

44. **The World Bank's Reserve Advisory and Management Program (RAMP) provided asset management and capacity building services to the Central Bank of Libya (CBL) over the period of 2008-2011.** The terms of the investment management and consulting agreement (IMA) provided for an investment mandate of approximately EUR 700 million to be managed by RAMP on behalf of CBL. As a result of the UNSC sanctions imposed in 2011, RAMP no longer had the ability to manage the investment mandate in accordance with the IMA. The termination of the IMA coincided with the original expiration date of the agreement, consistent with a standard 3-year RAMP engagement. In November 2011 a RAMP team (jointly with the IMF) was deployed to assist the newly formed Steering Committee for the Governance Improvement Project, set up by LIA as a part of the National Transitional Council. The purpose of the mission was to evaluate the governance and operating framework of LIA against international good practices as outlined in the Santiago Principles. A work-plan was elaborated, which covered the legal framework, governance structures, investment and risk management, financial reporting and transparency, and human resources. Unfortunately, this work did not proceed after the initial diagnostic because of civil conflict unravelling and multiple claims by conflicting Libyan factions of ownership of LIA and its resources.

Figure 3 Evolution of the World Bank Group's Engagements in Libya (2003-2022)



Source: Developed by World Bank Staff

45. **In 2014, IBRD's Libya program introduced Reimbursable Advisory Services (RAS)** A RAS framework agreement was signed by the Libyan authorities in early April 2014 and paved the way for the first RAS-agreement for the Bank to assist Libya in the Information, Communication and Technology sector. The World Bank was also preparing a RAS to assist the Libyan Investment Authority and to assist the Ministry of Finance on statistics and national accounts. However, with the outbreak of fighting in Tripoli in 2014, the WBG suspended such activities and focused on strengthening the capacity of select public institutions with which strong working relations had been established before the political crisis materialized. A RAS to support Libya's health system was signed in March 2019 with a funding envelope of US$10 million. An advance of US$2.5 million was released to the World Bank in October 2019. While progress for the first two years was slow due to the dynamic political environment and COVID-19, 2022 saw steady progress in the RAS implementation which is now on track.

46. **In 2018, Libya's Governor requested the WBG to initiate proceedings for Libya to join the RAMP program for the management of part of LIA's frozen assets.** However, any such engagement can only proceed if the UNSC amends the sanctions regime to authorize the World Bank Treasury to act as an agent on behalf of LIA to manage a portion of the assets under the auspices of RAMP. An amendment of the sanction regime requires the endorsement of the five UNSC permanent members and the support of all 15 members of the UN Libyan Sanctions Committee. Initial discussions in 2018 did not result in such endorsement.

47. **The first Libya CEN, developed for 2019-2021, adopted a flexible and agile approach to strengthen the relationship between the WBG and Libya.** In 2019, the WBG's approach was consolidated in the first Libya CEN, which provided a framework for strategic TA and capacity building efforts and laid out areas of engagement in support of peace and stability with activities that promoted transparency and accountability. Following the escalation of violence in 2019, the WBG activities

focused on data collection and TA. Work with the EU and the UN on a Recovery and Peace Building Assessment (RPBA) that had commenced in 2018 were not completed due to changing country circumstances. In light of security challenges and the pandemic, mission travel ceased, and TA activities moved online. In 2021, the World Bank Country Management Unit (CMU) stepped up its field presence through monthly missions to Libya and deepened the dialog with the newly appointed GNU. TA and analytics continued as illustrated in Box 2 and Annex A. At present, the World Bank is engaging the government, together with the UN and the EU, in a re-launched RPBA to inform the country's reconstruction agenda.

48. **Efforts to increase outreach to the Libyan private sector are ongoing.** The International Finance Cooperation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) have been focusing efforts on increasing outreach to the Libyan private sector to identify private sector opportunities to support socio-economic development. IFC conducted a diagnostic and scoping exercise, which consisted of a series of events, including (i) the first webinar in April 2021 on innovative digital financial services in the financial sector; (ii) a webinar focused on Public-Private Partnerships (PPPs) that targeted representatives from PPP Libya, a government-owned company that has the mandate of managing the government's PPP program to rebuild and improve infrastructure in the country; and (iii) a Manufacturing, Agribusiness, and Services focused workshop, which took place in Tunis in November 2021, and was designed for Libyan business groups. IFC also engaged with international firms (notably form Egypt) to discuss projects aimed to rebuild Libya's infrastructure. MIGA guarantees can play an important role in rebuilding the infrastructure once the political situation stabilizes. MIGA's political risk insurance against expropriation, breach of contract, currency transfer and convertibility restrictions, and asset damage due to war and civil disturbances can serve as an important de-risking tool for future cross-border investors.

B. Counterpart Requests and Partners

49. **During the Spring and the Annual Meetings of 2022, the GNU Minister of Finance, who is Libya's Governor to the World Bank, requested the WBG to pivot from analytics and TA to activities that yield tangible results.** The Minister stressed the need to find ways to move towards impact on the ground. In particular, the Government requested the WBG to support municipal development, including support to the four Municipal Reconstruction Funds that were established in 2021 to aid the reconstruction of the cities most affected by conflict. The Minister also highlighted the importance of continued assistance to the health sector, and of support to private sector development.

50. **Among multilateral partners, the UN and the EU have the largest presence and volume, respectively.** The UN 2022 Sustainable Development Cooperation Framework with Libya has four priorities (1) Peace and Governance; (2) Sustainable Economic Development; (3) Social and Human Capital Development; and (4) Climate Change, Environment, and Water. The EU concentrates on governance (strengthening civil society, human rights, free media, democratic processes), health services, entrepreneurship, youth empowerment, and gender equality. The EU is also active on protection and assistance of migrants and refugees, including support for border management and help to Libyan communities that host a high number of migrants. The African Development Bank and the Islamic Development Bank provide TA working out of Tunis and Rabat, respectively. There are no multilateral financing operations.

51. **Official Development Assistance (ODA) is limited, and partner coordination can be further strengthened.** ODA is small and government spending dominates the financing landscape (see Figure

4). That said, there has been limited public investment in development activities over the last years. Libya used to be a donor to African countries during the Gaddafi area and has limited experience working with the support of the international community on domestic issues. Wariness of outside interference can underpin a degree of concern about the purpose of foreign-financed activities. Development partners have bilateral interactions with the Government, but opportunities for structured multi-partner exchanges with Government are not as frequent, resulting in possibly missed synergies. The lack of a national development plan and development partners forums hamper the ability of international development partners to align with national priorities. A new national development plan could be prepared in 2023/2024 based on the outcomes of the ongoing RPBA, provided an inclusive process can be completed.

Box 2 WBG Select Analytical Products completed during 2019-2023

Economic Monitors (ongoing). The Bank produces semi-annual in-depth analyses on economic developments and their impact on the country.

Libya Financial Sector Review (2020). The Libya Financial Sector Review represents a snapshot of the Libyan financial sector. The main objectives of the report were to take stock of developments in the financial sector, provide recommendations on strengthening key areas of the financial sector, and develop a structured approach to the World Bank financial sector support program.

The Long Road to Inclusive Institutions in Libya: A Sourcebook of Challenges and Needs (2023). *The Long Road to Inclusive Institutions* is a comprehensive sourcebook authored in partnership with fifty-seven contributors that contributes to the collective understanding of challenges and needs in Libya. The books twenty-one chapters address institutional transformation, reflect on the conflict’s impact on the economy, and outlines consequences on services and people. The book provides a unique contribution to the discussion on Libya’s medium-to-long-term challenges for audiences among government, civil society, and academia.

Migration in Libya: A Spatial Network Analysis (2020). This report provides the first systematic analysis of migration to, within, and from Libya. The data used in the analysis are from the Displacement Tracking Matrix data set of the International Organization for Migration. The findings show that migration within Libya can be characterized as forced migration, because conflict intensity is the main determinant of the decision to relocate across provinces. The paper also describes the direction, composition, and evolution of international migration flows passing through Libya

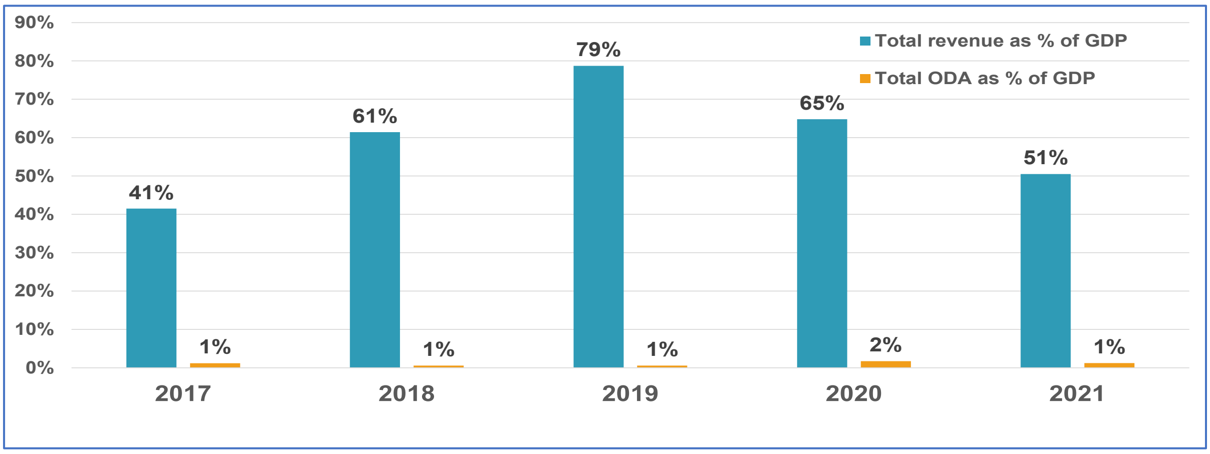
Water Sector Resilience in Libya (2021). The analysis provides a summary of Libya’s water sector. It assesses the database system used to track technical and commercial data at the General Company for Water and wastewater, identifies procurement needs, assesses sector financial status and the damages that occurred during the conflict.

The Private Sector Amid Conflict: The Case of Libya (2020). The analysis shows how the private sector coped with the conflict and examines sector resilience. The results presented offer suggestions for policy actions to address private sector constraints amid conflict and in the post conflict era.

Risk and Resilience Assessment (RRA) (2022). The RRA analyzes the diverse contextual and structural factors that contribute to the country’s fragility landscape as well as resilience, including issues related to governance and security, economic and private sector dynamics, marginalization and exclusion, regional and cross-border dynamics, and compounding risks. A portfolio analysis to which extend the WBG has addressed drivers of FCV and sources of resilience in the past and offers lessons learned and best practices from the last decade. The internal document RRA has contributed to the development of this new Country Engagement Note.

Social Protection and Vulnerability Assessments (2022). This report provides an assessment of the social protection system. The report identifies strengths and weaknesses of the system in the wake of years of conflict and offers recommendations on strengthening the social protection system in Libya. The assessment was conducted in collaboration with World Food Programme.

Figure 4 Official Development Assistance in Libya (2017-2021)



Source: Organisation for Economic Co-operation and Development (OECD)- UN Joint Mission Report 2021. Authors' calculations based on: i) revenue and GDP figures from the World Bank Libya Economic Monitor (World Bank, 2021[2]) ; ii) ODA figures from the OECD CRS for 2017-2019 (OECD, 2021[3]), iii) and ODA estimates calculated using humanitarian data for 2020-21 exported from the UN humanitarian Financial Tracking Service (UN OCHA, 2021[4]), development partner reporting to an ad hoc mapping exercise conducted in October 2021 and data collected in 2020 by another development partner.

C. Proposed WBG Country Engagement

Informing our Engagement

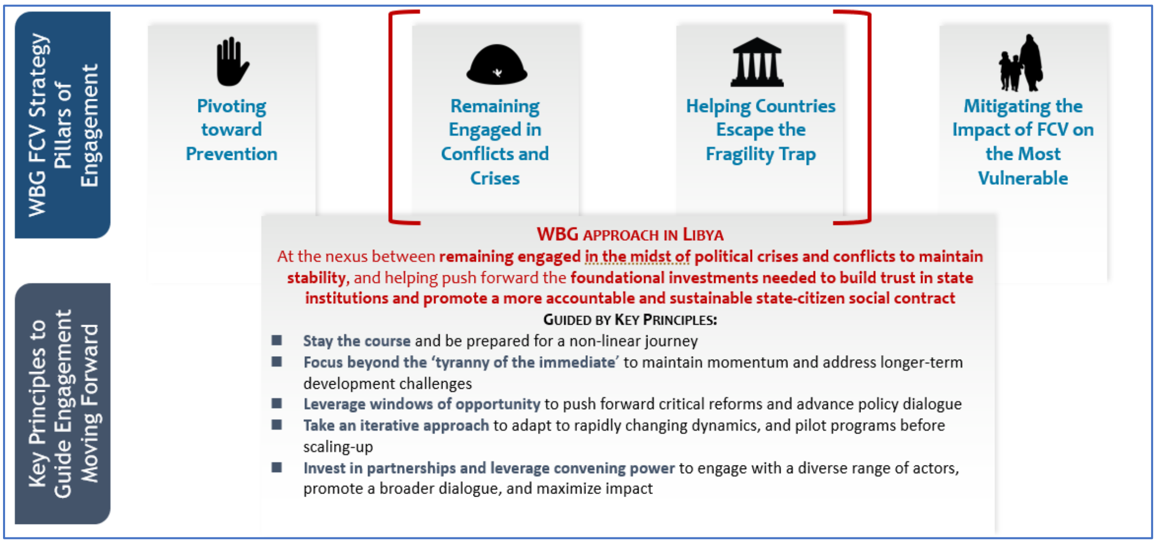
52. **Global knowledge, Libya-specific experience, and tailored analytics underpin the new Libya strategy.** The WBG's engagement builds on the lessons learned from the CEN for 2019-2021, as well as the WBG's experience in other FCV countries. Two internal strategy workshops brought together WBG staff and international country and thematic experts to discuss the value proposition of the WBG in Libya's fragile environment. The RRA provided analysis and recommendations with an FCV filter. Initial consultations with international partners and Libyan stakeholders helped shape the focus of the new CEN and further consultations with government are planned.

53. **The World Bank's FCV Strategy highlights the need of sustaining engagement in crises.** Pillar two of the FCV strategy points to the importance of protecting human capital and preserving development gains, laying the groundwork for post-crisis recovery. This is fully in line with the WBG's engagement in Libya since 2011. Pillar Three of the FCV strategy focuses on helping countries escape the fragility trap through investments in institution-building, pushing forward inclusive economic reforms, and enhancing trust and accountability between citizens and the state. This has been at the core of the WBG's approach in Libya over the past decade. While the FCV strategy is tailored towards low-income country environments, its applicability in Libya shows the relevance for these principles to guide engagement in middle-income countries. The FCV strategy also highlights the importance of the private sector and its key role for sustainable development.

54. **The RRA offers a framework to conceptualize the complex FCV dynamics in Libya.** Based on extensive analysis, the RRA identifies five main drivers of fragility, as well as five main sources of resilience that are closely intertwined and grouped under three thematic areas: (1) state legitimacy and the social contract; (2) power and the competition for state resources; and (3) geopolitical dynamics.

55. **The RRA provides guiding principles and recommendations to strengthen the effectiveness of the WBG's engagement moving forward.** In addition, the RRA highlights the WBG's critical role in contributing to the international community's broader efforts of promoting peace and stability through a more integrated approach that bridges the political, economic, and security spheres (see Figure 5).

Figure 5 WBG Approach and Guidance Principles for Engagement in Libya



56. **A survey captured the experience of 31 current and previous TTLs working on Libya.** Their recommendations can be summarized as follows: (1) continuous dialogue and engagement with the client is important to maintain momentum in program implementation as well as broader policy dialogue, particularly in the context of renewed conflict, frequent changes in government administrations/counterparts, and capacity constraints; (2) it is critical to invest in trust-building and partnerships with government, local on-the-ground actors, and external partners to move forward policy dialogue and technical assistance in a challenging political economy context; and (3) in the absence of financing, convening power and analytical work are useful tools to generate and disseminate reliable information that can elevate the public discourse on critical issues, develop unified approaches, and leverage the comparative advantages of diverse actors (reflections on experience with the Health RAS are capture in Box 3).

57. **IFC and MIGA can also draw on lessons learned from engagements in FCV context.** This includes the importance of long-term engagement and flexible funding, the importance of good market intelligence on business opportunities, reliable information on firms and sponsor background and leveraging partnerships with banks, donors and Development Financial Institutions (DFIs). This also includes the importance of having sufficient dedicated staff to provide on the ground support to IFC Investment Services and Advisory Services teams. MIGA's approach to Libya over the CEN period will also be informed by lessons learned from projects in FCV countries, including the key role of on-the-ground intelligence and an understanding of drivers of fragility at the local level.

Box 3 Lessons Learned from the Health RAS

The Health RAS engagement started in March 2019 with a funding envelope of US$10 million of which an advance of US$2.5 million was released to the World Bank in October 2019. The objective of the RAS, at the outset, was support to country specific data collection, and development of strategies and planning documentation in the areas of (a) health financing and economics, (b) human health resources, (c) digital health and COVID-19; and (d) primary health care and service delivery reform. Progress for the first two years, when conflict, the dynamic political environment, and COVID-19 made it challenging to engage the Government, was slow. Since mid-2021 the team has been able to deepen the dialogue, and the past year has seen steady progress.

Some important lessons emerged:

(i) Given the Libyan context in which governance structures can be fluid, regular, frequent and on-the-ground interactions with main counterparts is crucial. This is especially the case of an infrequently used instrument like the RAS.

(ii) With Libya's health sector requiring significant investments, the Government's immediate priority is on the provision of basic services and on implementation and service delivery support, and less on the RAS analytical and advisory activities. Communicating the benefits of a RAS required working closely with our counterparts to jointly identify priority short term analytical and advisory work, capacity building and knowledge exchange opportunities, as a pre-requisite to the provision of quality care and the achievement of Libya's long-term health care vision Supporting the Ministry of Health in building a strong evidence-based case for mobilizing domestic and external financing for implementing recommendations emerging from the analytical and advisory work will contribute to the success of the RAS.

(iii) Leadership and counterpart changes can prolong billing procedures. Advance payments are an effective way to deal with such challenges.

(iv) The Ministry of Finance (MoF) is a crucial partner in the implementation of the RAS. The MOF plays an important role in clarifying to Libyan institutions how the World Bank works and how it can be leveraged.

Principles of Engagement and Selection Criteria

58. **Defining the underlying principles of our engagement provides for consistency in a program that will change as the environment evolves.** Libya's dynamic and fragile environment requires an iterative and flexible approach that is underpinned by political-economy analyses and conflict-sensitivity. A broad multi-stakeholder dialog helps prevent capture and preserve engagement when power relations change. A consistent focus on capacity-building and equity, accountability and transparency can support the building of trusted institutions and thus pave the way for improving Libya's social contract. Purpose-driven ASA that combine narrowly targeted analytical work with multi-stakeholder dialog increases impact – indeed, dialog needs to be a core objective of ASA to be pursued with the same effort as knowledge generation. In this vein, maintaining a focus on the gradual rebuilding of the social contract, with a special focus on increasing women's inclusion and building hope for the young generation is important. Finally, strategic and operational partnerships based on common objectives and complementary roles will be crucial given the WBG's limited presence.

59. **Libya's needs are multifold and remaining selective is essential to ensure a degree of impact. Eight questions have been applied to determine whether proposed activities respond to the CEN objective.** The CMU will periodically assess activities based on these questions to determine if they still 'fit' in changing circumstances. This constant reflection, adaptation and flexibility is crucial in an environment as dynamic as Libya.

i. Does the activity relate to the drivers of conflict and sources of resilience?
ii. Does the activity build on past engagement experiences (good and bad)?

iii. Does the activity allow engagement with stakeholder groups in addition to the government counterpart (e.g.: academics, CSOs, women and youth)?
iv. Does the activity deliver results that can orient action or directly contribute to concrete deliverables (tangibility)?
v. Does the activity leverage partnerships?
vi. Can the activity be realistically implemented given the WBG's limited presence on the ground?
vii. Could the activity pose a risk for the existing or future Bank engagement or for the relationship with the counterparts?
viii. If the WBG doesn't do it, will someone else with adequate capacity step in?

Box 4 Lessons Learned from the Previous CEN (2019-2021)

The Bank's Country Engagement Note 2019-21 sought to contribute to peace and stability in Libya. It delivered TA in the areas of governance, private sector development, decentralization, and service delivery. The principles of engagement included: (i) developing a highly flexible and modular approach to adapt to changing circumstances; (ii) deepening the WBG's knowledge base; (iii) supporting public administration civil servants from across Libya (both the Tripoli and eastern-based administrations) in fostering the reintegration of institutions; and (iv) strengthening capacity building. The program was designed to reinforce peace and stability through activities that strengthen citizens' trust in the state. In the initial period the World Bank office in Tripoli enabled daily field presence and short-term missions. With the escalation of violence in 2019 the Libya office located to Tunis and teams engaged through reverse missions.

Some Lessons learned

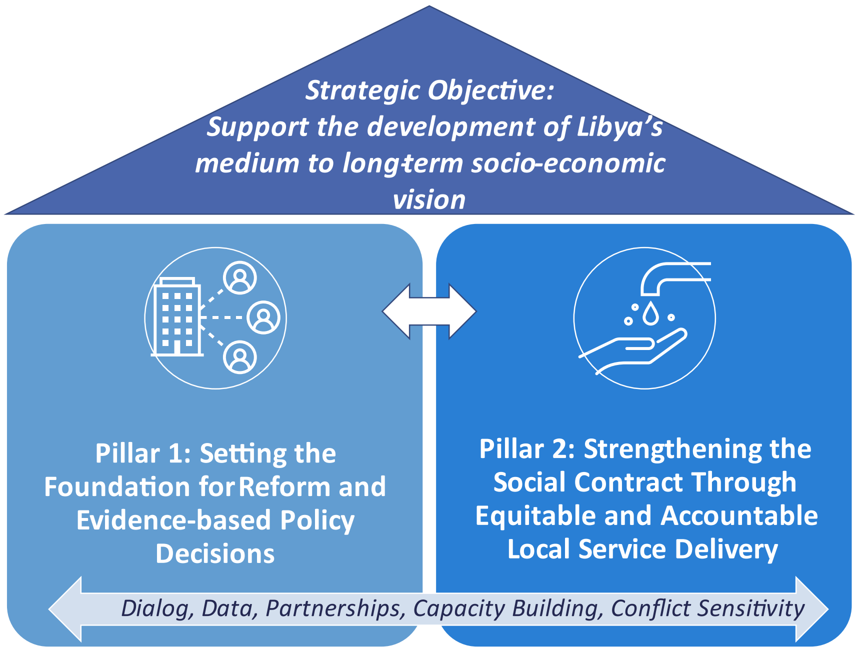
(i) Technical dialog can help to bridge political divides. In a context of deepening fragmentation, the Bank brought counterparts from the east, the west, and the south to participate in technical-level trainings and workshops. The Bank's approach demonstrates that technical dialog can be a useful bridge in a politically divided environment.
(ii) Activities are transaction-intensive and not always visible. The cost and logistical challenges of operating are high. Resources, management recognition of efforts, and visibility of teams is critical to sustain teams in the challenging operating environment.
(iii) Investing in data is paramount. Data scarcity creates policy limitations. Libya's scarce data environment has been a critical impediment to the design of longer-term programs and policy dialogue.
(iv) Partnerships ensure synergies and complementarities with humanitarian, development, peacebuilding, and diplomatic actors. Partnering with UN Agencies with ground presence was crucial to implementation during conflict and throughout the pandemic.
(v) Analytics need to be narrow and be broadly disseminated. Teams delivered high quality analytics despite constraints. The recipient Libyan institutions did not always have the capacity to absorb the technical advice and implement recommendations and reports were shelved. For ASA to have impact, analytical products need to be narrow to allow for absorption and moved towards a broader dialog for impact.
(vi) Exposure and capacity-building is a key ingredient to improve institutional performance. Relative international isolation during the Gaddafi period and over a decade of turmoil have diminished international exposure, contacts and knowledge of public servants. Technical capacity building and providing a bridge to international experience is an important contribution to Libya.

CEN Objective and Strategy

60. **The objective of the CEN FY 2023-2025 is to support the development of Libya's medium to long-term socio-economic vision.** This aims to help build the conditions to move towards peace and political settlements over time. This will be a further building block in the WBG's long-standing

commitment to support Libya's path towards a sustainable and peaceful future. The CEN objective will be pursued through activities that relate to the drivers of conflict and factors of resilience identified in the RRA. Proposed activities are organized around two interrelated pillars. Pillar 1: Setting the Foundation for Reform and Evidence-based Policy Decisions, and Pillar 2: Strengthening the Social Contract Through Equitable and Accountable Local Service Delivery (see Figure 6). These pillars are interrelated, with activities in one pillar complementing activities in another, and some activities spanning across pillars (e.g., institution building may require several instruments encompassing elements belonging to the two pillars). Without investment operations, the pathway to change is through analytical products and technical assistance centered on institution-building, rebuilding trust in public institutions, data generation and dialog, leveraging WBG technical know-how and convening power. Working with partners across the diplomatic-security-development spectrum the WBG seeks to contribute to the country's transition towards stability.

Figure 6 CEN Objective and Pillars



61. **Building on the lessons from our previous engagement, the approach moves toward more tangible results and a wider-ranging outreach.** Amidst continued political uncertainty, the tenets of the WBG 2019 CEN remain valid. The following adaptions are proposed: (i) increased hands-on support for institution-building, including at the municipal level, (ii) engagement with a broader base of stakeholders across the country, including universities, the HoR, and civil society, (3) increased attention to disseminating knowledge for and using it to nourish stakeholder dialogues. These adaptations would be gradual and within the confines of the limited resources of a non-lending portfolio. The new CEN seeks to leverage the knowledge and convening power of the WBG with the understanding that impact will depend as much on the *what* as on the *how*. The political and security situation will be a significant determinant in how far the activities under the CEN can progress and achieve results.

62. **The suggested program is one of both continuation and innovation.** Planned activities in Social Protection, Health, Water, Poverty, and Public Financial Management (PFM) build on the Bank's

previous work. Finalizing the Chart of Accounts will bring to fruition several years of PFM TA. Support to the National Audit Bureau capitalizes on trust developed over years of collaboration. Continuing TA to the Bureau of Statistics will be critical to develop Libya's data-ecosystem. The continuation of the RAS in the health sector will provide continuity and further contribute to strengthening the health system. And our continued support to the water sector reflects the urgency of the issue. At the same time, new directions are proposed building on the above-mentioned selection criteria: System-strengthening towards municipal development aims to support the provision of more equitable and accountable services to the population and contribute towards civic trust. Capacity building of civil servants needs to complement such system efforts. Supporting the institutional design and processes of the four municipal reconstruction funds can facilitate the use of government assistance to areas across the country most affected by the last conflict. Developing data and convening inclusive dialog is essential for improved policy making and aligned international support. Public goods analytics are an important contribution to inform thinking across the development-diplomatic nexus.

63. **Supporting municipal development is a step towards addressing drivers of conflict and will not be without challenges.** The suggested assistance to the design of a Municipal Development mechanism will need to be carried out incrementally and accompanied by capacity building at the local and national level to improve delivery of basic services such as garbage collection, street cleaning, public lightning, and water and electricity provision. Strengthening of capacity for service delivery and for citizen engagement at the municipal level can contribute to state-building from below. The seeds of a social contract through the creation of basic relationships between citizens and their representatives built on trust and accountability. This engagement will help build partnerships with more stakeholders and local actors and contribute to concrete deliverables to citizens across Libya. Support to municipal development will need to be connected to building effective citizen engagement and oversight and accountability mechanism to avoid feeding the further growth of patronage systems on the local level.

64. **A good grasp of the complex political economy of Libya's institutions is essential to avoid doing harm and to achieve desired results.** Towards this end, sectoral and institutional political economy assessments should underpin WBG activities. Understanding the legal mandate, actual application, political incentives, citizens' perceptions, and inter-institutional relationships will help avoid approaches that may appear technically sound but turn out to be unfit for the purpose.

D. Pillar 1: Setting the Foundation for Reform and Evidence-based Policy Decisions

65. **This pillar seeks to strengthen the reform readiness of state institutions and support evidence-based inclusive policy dialog through data production, sector-support, and system-building.** The pillar comprises activities that seek to foster dialog about Libya's medium to long-term development challenges. All activities - continued and new - reflect the selection criteria that guide the WBG's engagement in the country. The activities support each other, statistical data and sector analysis will inform dialog on development challenges, and the dialog will highlight data gaps in return. Strengthening the private and public sector in parallel is important for functioning private-public dialog in support of the country's future reconstruction process.

66. Activities can be grouped in four outcome areas:

- **Strengthened core government functions and statistical data.** Building on the work conducted through the Governance program, this area includes capacity-building in public financial management, macro-fiscal policy making, and in data development.

- **Increased institutional capacity for basic service provision.** Building on ongoing engagements, this includes support to the health-sector towards an integrated model of delivery, support to a new Social Protection Strategy, and TA to address critical water shortages and ensure resilience to climate shocks – thus contributing to tangible results and addressing some of the grievances that fuel the conflict.
- **Strengthened financial and private sector.** Starting with a series of diagnostics, activities include improving access to finance with a focus on women and medium and small enterprises, support to the country's credit infrastructure; exploration of the microfinance sector and of a Private Public Partnership capacity building program (incl. awareness building of political risk guarantees), as well as support to Public-Private Dialogue.
- **Engaged multi-stakeholder dialog on medium-to long-term development challenges and opportunities.** The outcome builds on leveraging partnerships and the WBG's convening power. The inclusion of women in these dialog processes is vital. Activity includes (a) the Development Partner Forum Libya which brings together international development partners and national counterparts quarterly in Tripoli; (b) the Libya Economic Recovery Dialogue which convenes diverse Libyan stakeholders and international partners to discuss economic, governance and reforms in Tunis and c) the Libya Recovery and Peacebuilding Assessment (RPBA) which is a GNU led, and EU, World Bank, UN supported, initiative to develop a prioritized and sequenced recovery and peacebuilding plan. The process pays particular attention to the addressing the needs of women and youth and seeks to cumulate in a National Development Plan; (d) a Global Public Goods Analytical Series with products that can provide input to international mediation efforts, in line with the World Bank's mandate and expertise.

E. Pillar 2: Strengthening the Social Contract Through Equitable and Accountable Local Service Delivery.

67. **A decade of conflict has led to a significant deterioration in the quality and quantity of service-delivery.** This, in turn, has fed grievances and contributed to a trust deficit towards government. While impact on service delivery without financing is limited, activities under the second pillar seek to contribute to more accountable resource distribution and improved services at the local level, thus providing citizens with tangible results and helping address some of the causes of the protracted conflict. The Bank's main counterpart for this pillar is the Ministry of Local Government (MoLG) which spearheads the implementation of the country's decentralization strategy, involving all 143 municipalities across Libya. Improving equitable and accountable local service delivery can be an important contribution to trust and citizen-state relations, the inclusion of women and youth throughout all activities will be critical in this regard.

68. The pillar focuses on the three related outcome areas:

- **More equitable and accountable service delivery at the local level.** The activities will aim to support this goal by assisting the institutional set-up of a Municipal Development mechanism, in partnership with both the central and local governments. The mechanism will channel financing to local governments through a transparent and incentive-based allocation mechanism in an equitable, accountable, and transparent manner. While the Bank would support the design of the vehicle, the Fund would be financed through government resources. This engagement will allow the WBG to build partnerships at the local level across all of Libya and help address some of the regional disparities in access to service and funds.
- **Municipalities most affected by conflict engage in reconstruction efforts.** This goal would be pursued through support to the operationalization of the four reconstruction funds set up for that purpose, starting with a pilot in Benghazi/Derna. The WBG will provide TA focusing on

institutional setup and operational procedures. The experience of the Benghazi/Derna engagement will inform WBG support to the other three funds.

- **Increased accountability, transparency, and citizen engagement on the municipal level.** A proposed program for civil servants from across relevant ministries on the central and the municipal level will help develop capacity to engage with citizens and to manage funds and service provision in a transparent and accountable fashion. Joined trainings, which offer favorable conditions to maximize women's participation, will also facilitate improved relationships between ministries and among municipalities towards greater collaboration and effectiveness. The program could be implemented in partnership with the MoLG's *Support to Municipalities and Decentralization Training Center*.

Box 5 Municipal Funds as Vehicle for Local Development

Municipal Development Funds (MDF) are vehicles for channeling financing to local governments through transparent and incentive-based fund allocation mechanisms. They aim to support sector development by strengthening the technical, financial, and administrative capacity of local governments to provide basic services in a more effective, predictable, transparent, and sustainable manner and constitute an innovative approach to municipal management. Especially in FCV contexts where corruption erodes trust and hampers economic development, MDFs can be effective tools for closing development gaps between local governments by providing targeted capacity building and financial incentives to poorly performing municipalities. Through this process, they often contribute to improve basic service delivery while also deepening accountability, transparency, and overall effectiveness of the municipal finance system.

Several FCV countries have made positive experiences with establishing MDFs. For example, in Westbank and Gaza, the Municipal Lending and Development Fund (MDLF), established in 2005 with support from the World Bank, has supported 159 municipalities with an overall grant volume of US$ 657.9 million, primarily financed from international donors. The MDLF aligns its interventions with the national reform agenda for local government sector development. As a result of its operations between 2007 and 2021, the percentage of municipalities with updated electricity networks increased from 48 percent to 83 percent, and solid waste disposal collection rose from 50 percent to 83 percent. The MDLF holds local authorities accountable and provides them with TA in the process towards more creditworthiness.

IV. Implementation of the CEN

A. Engagement Scenarios

69. **In the context of a likely non-linear transition process involving a wide range of actors domestically, regionally, and internationally, the WBG will aim to stay engaged across all possible scenarios.** The most likely scenario is a protracted status quo, with no solution to the stalled political negotiations and prevailing uncertainty. Under this scenario, WBG activities will continue to be implemented with limited financing from World Bank budget (BB) and trust funds, as well as with government funding through RAS. Should the security situation deteriorate and the country slide toward a civil war, a low scenario would apply whereby WBG engagement would be reduced, and any RAS paused. In the event of a political agreement and the subsequent formation of a unified government, the WBG would be ready to step up its contribution to Libya's stability with increased technical assistance and capacity building, support to reconstruction activities for quick peace dividends, and possibly preparation for future IBRD borrowing under a new country partnership framework, if Libya is assessed as creditworthy.

70. **Several indicators can be used to determine which scenario applies.** These include government unification (Y/N), number of reported casualties, and number of displaced people. Measurement of these triggers will be based mostly on international unbiased reporting. The trigger

points proposed for the numerical indicators are based on trends since 2011 and take into consideration the fact that 2021 and 2022 have seen a considerable decrease in violence. A qualitative analysis of the politico-military situation and the risks of deterioration –or the chances of improvements– will help determine the appropriate WBG engagement. Operational flexibility and agility within a non-linear process will be key to ensure the Bank program can quickly respond to the evolution of the situation on the ground, by seizing any window of opportunity for peace, or scaling up or down to address emerging crises. Table 1 below summarizes the three scenarios and their implications for the WBG's engagement. The Bank will assess these triggers within its mandate as a development institution.

Table 1 Possible Scenarios for Libya and their Implications for the WBG

	Worst Case Scenario	**Status Quo Scenario**	**Best Case Scenario**
Situation	• Breakdown of cease-fire • Increased military action and casualties • Political deadlock • Increased displacement • Humanitarian needs	• Ceasefire in effect • Frictions between militias • Deterioration of service delivery standards • International mediation efforts • Divided institutions	• Ceasefire in effect • Political roadmap and consensus on power sharing • Endorsement of the roadmap and recognition of unitary government
Triggers	• Increased clashes between competing political centers • >1200 Reported Casualties[10] • >200K IDPs • GNU MoF is unable to liaise with other ministries • Tripoli Mitiga Airport and Palm City security compound are deemed unsafe for World Bank missions	• Competing governments • 100-1200 reported Casualties • <200k IDPs • GNU MoF remains WB Governor and main interlocuter • "Do no Harm" principle for the WBG's engagement can be maintained	• Unified government and institutions • <100 Reported Casualties • <200k IDPs • Unified government able to reinstate the rule of law, especially in peripheral areas • A unified government's budget is approved by parliament
Impact on the WBG's engagement	• RAS paused • TA modalities re-assessed • Stronger focus on analytics • Missions to Tripoli suspended • Select reverse missions in Tunis	• Options for new RAS and a new Libya MDTF are explored • Frequent Missions to Tripoli and Benghazi to maximize field presence • Exploratory missions to other parts of the country • Implementation of the CEN's pillars	• IBRD lending could be envisaged, if Libya is considered creditworthy • Expand on Trust Funds and RAS with government executed modalities • WBG permanent ground presence • Expansion of WBG's strategy through a Country Partnership Framework (CPF)

B. Financing and Instruments

71. **The Libya program is largely Trust Fund dependent and requires a fit-for-purpose instrument to support the new engagement strategy**. The World Bank's Strengthening Governance Practices and Building Technical Capacity in Libya Multi-Donor Trust Fund, established in 2016, is a stand-alone

[10] Data on reported casualties and violent events to be obtained from the Armed Conflict Location & Event Data Project. Data on IDPs to be obtained from OCHA Humanitarian Bulletin. Both these data bases are updated at least quarterly.

mechanism managed by the Governance Global Practice. Contributors are the UK (US$2.8 million), the EU (US$3.3 million), and the Netherlands (US$2.3 million). The Fund has been a key enabler for the program allowing for BE activities. The resources have been used to 95 percent and it will close in June 2023.

72. **Donor support will be essential to enable the implementation of the new country strategy.** The World Bank is in dialogue with key partners and is exploring possible Trust Fund (TF) arrangements, such as a dedicated Libya Umbrella TF and using the MENA regional Umbrella as a potential future financing instrument. Complementary funding from other sources, such as the State and Peacebuilding Fund (SPF), the Southern Neighborhood Trust Fund, and global thematic TFs will be explored. It is expected that all TF financed activities will be executed by the World Bank or a third-party, such as the UN, during the duration of this CEN.

73. **Libya's middle-income status limits the availability of donor financing, and complementary financing instruments would enable CEN implementation**. The experience gained under the Health RAS shows the importance of making this instrument fit for FCV environments. Establishing upfront clarity on the principles and process of the instrument with the counterpart; agreeing on advance payments; and closely involving the Ministry of Finance to address bottlenecks are lessons that will be applied. A RAS arrangement will be considered for activities that can inform government spending and build capacity in critical areas. Within this framework, IBRD will explore RAS arrangements for (i) a capacity building program with the MoF to strengthen core government functions and increase accountability and transparency; and (ii) for activities that inform the country's new social protection policy and build data capacity. The CMU will approach the SPF for support to municipal development activities. All RAS options require further consultations with the client and within the WBG. [11]

C. Partnerships

74. **Engaging a wide net of Libyan partners will enable the WBG to work with stakeholders across the country.** Initial outreach has indicated interests among academics/ universities to collaborate with the Bank on analytical work. The Economic Work Group of the Foreign Affairs Committee of the HoR seeks to work with the World Bank on *The Future Identity of the Libyan Economy*, an initiative aimed at informing Members of Parliament about economic options and issues. Civil society, including think tanks, are viable partners for collaboration focused on dialog and analytics.

75. **Future dialog and collaboration will be facilitated by the trust gained by the WBG over the years.** The WBG has supported Libya in the past, and, more relevantly, after the 2011 revolution. This ongoing presence has led to the establishment of working relationships based on trust and respect with some of the counterparts and puts the Bank is in a good position to support Libya's transition. In Libya's volatile environment, the existence of such well-established relations will make it easier to overcome obstacles to the CEN implementation.

76. **Mediation efforts will seek to address the divided national situation.** The World Bank's analytical work on economic consequences and drivers of conflict, and modeling of resource-sharing formulas and other planned macro and fiscal analysis can provide important input to international

[11] IBRD will engage the government in discussions to explore the provision of Reimbursable Advisory Services (RAS) to support activities based on a case-by-case analysis of the applicable legal framework, the proposed client for the relevant services and the type of engagement.

mediation efforts, in line with the World Bank's mandate and expertise The WBG will work with the IMF in areas of mutual interest.

77. **Continuing partnerships with UN Agencies with ground presence.** Activities might require close collaboration with UN agencies such as the United Nations International Children's Fund, the World Health Organization, World Food Programme, and the Food and Agriculture Organization. Engaging on municipal issues will benefit from close cooperation with multilateral and bilateral partners. Especially with the German Gesellschaft fuer International Zusammenarbeit which has been providing engaged support to the MoLG, and with the United Nations Development Programme who has been supporting the Benghazi/Derna Reconstruction Fund. Collaboration with the EU and the UN will continue in pursuit of the RPBA. The WBG will continue organizing quarterly coordination meetings with the African Development Bank and the Islamic Development Bank to identify areas of common interests and alignment. The WBG will engage with multi- and bilateral partners across the political-security-development nexus towards a common understanding of economic drivers of conflict, while collaboration with regional DFIs will explore feasible and bankable investment projects.

V. MANAGING RISKS TO THE CEN

78. **This section reflects on the risks linked more broadly to achieving CEN implementation and objectives, which relate the country context in general**. Except for the possibility of a third-party execution of trust fund financed activities (such as a UN agency), the CEN does not foresee recipient-executed financing operations during its time span. With a portfolio consisting of capacity building TA and ASA, the WBG faces limited exposure to fiduciary, environmental and social risks, which are therefore ranked Low. On the other hand, as suggested by the three scenarios presented above, the security and political/governance situation will determine the nature and extent of the WBG activities, and therefore its ability to work towards the CEN objective of supporting the development of Libya's medium to long-term socio-economic vision. The risk section therefore focuses on those contextual elements and the mitigation strategy envisaged.

79. **While risks are undeniably high, the rationale for continued engagement in Libya is compelling.** Operating in Libya presents multiple challenges that demand continuous monitoring, but a gradual scale-back of the WBG's portfolio or a suspension of engagement would be costlier from a strategic, developmental, institutional, and human point of view. Remaining engaged and responding to the GNU's ask for a partnership that yields more tangible results will allow the WBG to make important contributions to the development of a shared vision for the country, to the definition of a medium to long-term development agenda, and to the alignment of international support toward common goals, all of which are key elements of the objective of this proposed CEN. Staying engaged would also contribute to preserving human capital and institutional capacity during the current stalemate as an investment for future recovery and reconstruction. Should the WBG decide to scale back or terminate its country program, future reengagement would come at a higher cost for a lower level of effectiveness, as it will take time and resources to reestablish a presence and to restart collaboration with different stakeholders.

Table 2 Standardized Operations Risk-Rating Tool (SORT)

Risk Categories	Risk Ratings (H, S, M or L)
Political and Governance	H
Macroeconomic	M
Sector Strategies and Policies	S
Technical Design of Program	L
Institutional Capacity for Implementation	H
Fiduciary	L
Environmental and Social	L
Stakeholders	H
Other (Security and external support)	H
Overall	*H*

Security, Political and Governance Risks

80. **With the political impasse, insecurity and renewed tensions are high sources of risks to the activities proposed in this CEN.** Flexibility is a mitigating factor that allows the WBG to operate under a changing country context, and the three scenarios outline how the work program would adapt in case security and political risks materialize or are considerably reduced. Involvement with a variety of stakeholders across Libya, including municipal and non-governmental actors, will allow the WBG to continue a broad-based dialog regardless of the political landscape. Throughout its engagement under the CEN, the WBG will ensure that the implementation of activities is consistent with the institution's legal and policy framework, including its rules regarding relationships with de facto governments.

81. **The lack of government monopoly over the use of force and a fragmented security environment contribute to Libya's fragility and could affect the achievement of the CEN's objective.** A return to full-blown conflict would impact the ability of the WBG to deliver activities foreseen in the CEN, and to achieve a meaningful development of a medium to long-term vision for Libya. While such a deterioration does not seem likely, it cannot be discounted. To mitigate this risk, the CEN proposes a scenario-based approach, where the situation on the ground will be carefully and regularly monitored to adjust the WBG's activities based on the developing situation. Additionally, a background analysis of the interests of different stakeholders vis-à-vis the proposed activities will be carried out systematically to identify and mitigate potential spoilers or implementation obstacles.

Macroeconomic Risks

82. **Macro-economic risks are moderate.** Libya continues to experience the triple shock of its ongoing conflict, the COVID-19 pandemic, and the global food crisis. That said, as a net oil net exporter the country is profiting from the high crude oil market prices. Should oil prices decline it could affect availability of government financing of RAS, it could also reduce municipal spending and private sector investments.

Sector Strategies and Policies Risks

83. **Sector strategies and policies risks are considered substantial.** While this risk was rated as high for the previous CEN, the WBG's engagement and dialogue with the Libyan counterparts have allowed task teams to better identify the priorities for Libyan stakeholders and build on the authorities' recognition of the urgent need for some reforms. With this trust-relation in a better place, especially since the resumption of more regular missions to Tripoli, the substantial risk of inaction on the much needed reforms can be mitigated through (i) applying the recommendations from the recently

concluded RRA on planning activities in Libya; (ii) the broad-based dialog initiated with diverse stakeholders from across the country; and (iii) the series of proposed ASAs and TAs that seek to strengthen state capacity to recognize reform priorities and work toward their implementation.

84. **Stakeholder risks are rated as high.** The WBG faces a potential reputational risk by being perceived as solely engaging with the GNU in Tripoli – a risk that can be mitigated by expanding the Bank's interlocuters to a wider range of stakeholders, where possible, especially those that the World Bank does not usually engage with.

Institutional Capacity for implementation risks

85. **Risks linked to institutional capacity for implementation and sustainability are considered high.** Due to the legacy of the Gaddafi era and the erosion of the already limited institutional capacity since the 2011 uprisings, weak state performance threatens the implementation of WBG activities. Libya continues to suffer from political fragmentation, administrative bifurcation, and lack of accountability and transparency. The experience with the last CEN has revealed a political vacuum in key central institutions which may prevent decision makers from launching reforms that have medium to longer-term goals. The main mitigating measure is remaining engaged and continue building the capacity of central actors alongside extended outreach and TA to the municipal level. The fluid governance situation, weak institutional capacity, and frequent change of leadership impact Libya's ability to take full advantage of the advice and capacity building offered by the WBG and limits the ability of the WBG to deliver such services. The experience with the Health RAS highlight the challenges of this instrument in a low-capacity FCV context. Entering a new RAS, therefore, might face implementation risks that would need to be carefully managed, including through processing of advance payments and close involvement of the MoF to tackle bottlenecks. Another significant risk to the implementation of the Libya program is the availability of funding. The envisaged program is largely dependent on external funding and donors might not be providing the required resources for an ambitious program. To mitigate this risk, a fundraising effort will be launched to achieve a suitably funded country umbrella trust fund for Libya. Additionally, complimentary global thematic trust funds will be explored to finance activities.

Other risks (security and external support)

86. **Security risks remain high.** While more frequent WBG missions have resumed to Tripoli, Libya is classified as a country with "institutional and social fragility" on the WBG Fragile and Conflict-affected Situations list.[12] Challenges to accessing other parts of Libya remain in place, a particular challenge to the implementation of activities under Pillar 2. Nevertheless, a recent WBG mission to Benghazi, preceded by a security scoping mission, was a welcomed step by the Libyan stakeholders in the east. In addition to security scoping missions to further geographical areas, mitigation measures include regular meetings and coordination with international actors that have more presence on the ground, such as UN agencies, bilateral donors and the EU. This has already begun with the launch of the *Development Partners Forum Libya,* a quarterly exchange forum between government and development partners. Moreover, a careful and constant monitoring of the situation on the ground will allow the CMU to determine which scenario applies so that task teams can adjust activities accordingly. Finally, a conflict-sensitivity lens will be adopted throughout the engagement, building on the findings and recommendations of the RRA, and the emerging lessons of the planned RPBA, to ensure that the WBG's engagement respects the "do no-harm" principle and does not aggravate the drivers of conflict.

[12] FY23 list of Fragile and Conflict-affected Situations can be found here https://thedocs.worldbank.org/en/doc/69b1d088e3c48ebe2cdf451e30284f04-0090082022/original/FCSList-FY23.pdf

ANNEX A WORLD BANK ANALYTICAL ACTIVITIES IN LIBYA BETWEEN 2014 AND-2022

Inventory of Reports

No.	TITLE	DOCUMENT DATE
1	The Long Road to Inclusive Institutions in Libya: A Sourcebook of Challenges and Needs	03/31/2023
2	Risk and Resilience Assessment (RRA)	06/29/2022
3	Social Protection and Vulnerability Assessments	09/12/2022
4	Water Sector Resilience in Libya	7/09/2021
5	Libya Economic Monitor - Spring 2021	22/4/2021
6	Proceedings of the Libya Local Government Forum	01/01/2021
7	Libya Financial Sector Review	12/2/2020
8	The Private Sector amid Conflict: The Case of Libya	24/11/2020
9	Libya Economic Monitor, July 2020	30/07/2020
10	Migration in Libya: A Spatial Network Analysis	14/01/2020
11	Supporting Peace and Stability in Libya: A Compilation of Existing Analysis on Challenges and Needs	01/01/2020
12	Libya - Country Engagement Note for the Period 2019-2021	19/2/2019
13	Proceedings of the Libya Local Government Forum	19/9/2019
14	Libya Economic Outlook - Spring 2018	01/04/2018
15	LNG import options study report	19/12/2017
16	Libya - **<u>Supporting electricity sector reform:</u>** strategic plan for renewable energy development - Private sector participation (PSP)	18/12/2017
17	Libya - Supporting electricity sector reform: **task D** strategic plan for renewable energy development - feasibility study for a PV plant at Jadu site	18/12/2017
18	Libya - Supporting electricity sector reform: **task B -** consultancy services: final report - fuel availability and opportunities for cost reduction	18/12/2017
19	**Task C:** supporting electricity sector reform - deliverable 2.3: manpower and organizational rationalization review	15/12/2017
20	Supporting electricity sector reform in Libya: **task C** - institutional development and performance improvement of GECOL: report 4.2 – improving GECOL technical performance	14/12/2017
21	**Task C:** supporting electricity sector reform: Deliverable 2.2: process mapping and identification gaps of staff skills and performance	14/12/2017
22	Libya - Supporting electricity sector reform: **task D** - strategic plan for renewable energy development: grid code for renewable sources	12/12/2017
23	**Task C** -GECOL institutional dev. and perform improvement - deliverable five- final report	01/11/2017
24	**Task A:** sector performance and structural sector reform - deliverable five: final report	01/11/2017
25	**Task C:** supporting electricity sector reform - deliverable 2.4: ERP system review	29/10/2017
26	**Task A**: sector performance and structural sector reform - deliverable 3.2: electricity act and sector restructuring	01/10/2017
27	**Task A**: sector performance and structural sector reform - deliverable 4.2: detailed roadmap for establishing LEMRA	01/10/2017
28	Legacy Project Criteria (Arabic and English)	12/09/2017
29	Public investment Management Workshop- Libya: The Legacy Projects	12/09/2017
30	Libya: Public Investment Management Legacy Project Review (2017)	12/09/2017
31	Libya - Supporting electricity sector reform**: task A** - sector performance and structural sector reform: deliverable 4.1 - options study for GECOL restructuring report	01/09/2017
32	**Task C:** GECOL Institutional dev and perform improvement - tariff framework review: tariff structure set-up and reform pathway	01/07/2017
33	Libya - Supporting electricity sector reform: **Task A** - sector performance and structural sector reform: deliverable 2 - rapid assessment of the sector performance	01/04/2017
34	Tunisia - Impact of the Libya crisis on the Tunisian economy	01/02/2017
35	Simplified enterprise survey and private sector mapping: Libya 2015	09/09/2015
36	Labor market dynamics in Libya: reintegration for recovery	03/06/2015
37	Libya - Managing public investment after the revolution: background, activities, results and proposals	30/06/2014

ANNEX B: CURENT LIBYA PORTFOLIO

Proj. ID	Grant Name	Lead GP/Global Themes	Source of Funding	Completion Date
P152187	Management of public financial resources in Libya	Governance	Libya MDTF	June, 2023
	Management of information and human resources in Libya	Governance	Libya MDTF	June, 2023
	Coordination and collaboration among government institutions in Libya	Governance	Libya MDTF	June, 2023
	Statistics and Capacity Building	MTI	Libya MDTF	June, 2023
	Social Protection Mapping	SP	Libya MDTF	June, 2023
IO	Economic Monitoring	MTI	BB	June, 2023
P169678	Libya Health System Support	Health, Nutrition & Population	RAS	February, 2024
P176612	Recovery and Peace Building Assessment	FCV	SPF + BB	June, 2024

ANNEX C. MACROECONOMIC INDICATORS

Key Macroeconomic Indicators, 2009-2022[13]

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	(Annual percentage change, unless otherwise indicated)													
National income and prices														
Real GDP	-5.1	5.0	-46.5	83.3	-16.9	-22.2	-4.0	-2.7	28.5	8.2	-11.9	-29.8	31.4	-1.2
Nonhydrocarbon	5.2	10.6	-9.3	20.4	4.8	1.3	-7.0	0.2	-2.3	-5.3	-13.1	-22.0	15.9	15.0
Hydrocarbon	-9.6	2.2	-66.7	176.1	-30.8	-45.2	1.3	-7.5	83.7	21.0	-10.9	-35.5	45.0	-12.7
Nominal GDP in billions of Libyan Dinars	76.2	95.5	59.0	116.8	95.8	73.0	67.3	69.4	93.6	104.7	96.8	64.8	179.2	185.0
Nominal GDP in billions of U.S. dollars	61.0	75.2	48.3	92.7	75.5	57.5	48.8	49.9	67.8	77.0	69.2	46.3	40.0	38.5
Per capita GDP in thousands of U.S. dollars	9.941	12.132	7.736	14.742	11.938	9.035	7.597	7.690	10.307	11.524	10.206	6.740	5.749	5.470
CPI inflation (average)	2.5	2.5	15.9	6.1	2.6	2.4	10.0	25.9	25.8	13.2	-2.2	1.4	2.8	4.5
Real GDP per capita (in LYD)	19.5	20.3	10.0	18.6	15.2	11.6	11.4	11.1	14.5	15.4	13.5	8.8	23.3	22.8
	(In percent of GDP)													
Central government finances														
Revenue	59.3	64.9	39.6	67.9	65.7	41.2	18.1	11.8	23.4	42.2	59.2	35.5	59.0	66.5
Of which: Hydrocarbon	52.8	58.8	37.3	64.8	62.2	38.2	15.7	8.9	20.5	32.0	32.4	8.1	57.7	64.4
Expenditure and net lending	52.3	61.4	65.7	44.5	69.8	84.4	64.3	53.8	42.1	47.0	58.0	70.8	47.9	69.1
Of which: capital expenditure	27.9	30.9	8.2	4.6	10.5	8.6	7.9	-46.2	2.6	5.3	6.2	6.0	9.7	18.2
Overall balance	**7**	**3.6**	**-26.1**	**23.4**	**-4**	**-43.3**	**-46.2**	**-42.6**	**-19.4**	**-4.8**	**1.2**	**-35.3**	**11.1**	**-2.6**
Nonhydrocarbon balance	-45.8	-55.3	-63.4	-41.4	-66.3	-81.4	-62.0	-51.0	-39.2	-36.8	-31.2	-43.5	-46.7	-67.0
Nonhydrocarbon balance (percent of NHGDP)	-140.5	-211.9	-161.4	-182.2	-191.2	-152.2	-71.3	-55.5	-51.1	-56.2	-46.1	-43.8	-112.7	-93.4
	(In percent of GDP; unless otherwise indicated)													
Balance of payments														

[13] Note: The World Bank does not conduct extensive macro-fiscal forecasts in FCV countries such as Libya)

Exports	61.4	65.1	54.7	58.3	52.4	28.7	20.1	12.6	26.4	37.0	39.0	18.5	74.0	..
Of which: hydrocarbons	59.1	63.2	53.6	57.2	50.7	26.8	18.6	11.6	25.0	34.3	36.8	14.8	70.8	..
Imports	36.4	33.6	32.2	24.5	38.8	45.2	30.5	16.1	14.7	16.2	23.8	18.2	40.0	..
Services balance	-7.7	-7.9	-12.5	-6.5	-9.4	-11.0	-7.7	-5.2	-6.2	-5.8	-9.9	-9.9	-17.9	..
Net factor income				-1.8	-0.5	0.9	2.3	1.4	1.8	1.2	2.5	1.7	-1.5	..
Net current transfers				-2.7	-3.7	-1.7	-1.6	-1.4	-1.0	-1.4	-1.3	-1.6	-1.9	..
Current account balance	**16**	**21**	**9**	**22.8**	**0.0**	**-28.3**	**-17.3**	**-8.8**	**6.2**	**14.6**	**6.5**	**-9.5**	**12.7**	..
	Billions of US$													
Reserves														
Total foreign assets (including LIA investments)	137	171	174	176	173	149	137	130	132	139	143	138	135	..
Net official reserves, billion US$	103	106	110	123	120	94	78	69	78	82	86	80	78	..
In months of next year's imports of goods	49	114	51	43	47	68	108	79	68	52	72	53	44	..
Exchange rate														
Official exchange rate (LD/US$, period average)	1.25	1.27	1.22	1.26	1.27	1.27	1.38	1.39	1.38	1.36	1.4	1.4	4.48	4.81
Real effective exchange rate (change in percent)	5.4	-0.3	6.4	-6.68	38.4	..	..	..	..	..	..	..	..	..
	-7.9	5.4	-71.6	195	-31.7	-45.8	-12.4	-4.2	97.5	17	13.8	-65.3	171.5	
Crude oil production (millions of barrels per day)	1.623	1.71	0.49	1.43	0.98	0.53	0.46	0.45	0.88	1.03	1.169	0.41	1206.7	1046.5
Of which: Exports	1.31	1710.0	490.0	1431.7	980.8	529.0	463.8	444.6	877.1	1027.5	1167.5	405.1	1206.7	1046.5
Crude oil price (US$/bbl)	62	79	104	105	104	96	51	43	53	68	61	41	44	100

ANNEX D. MAP OF LIBYA