

It's the Economy Stupid: How Libya's Civil War Is Rooted in Its Economic Structures

by Jason Pack

ABSTRACT

As Libya's struggle for post-Qadhafi succession enters its ninth year, international peace-making efforts remain doomed, so long as they fail to address the root causes of the country's malaise: flawed economic institutions and the lack of a social contract. The economic structures established during the Qadhafi period deliberately incorporated inefficiencies, redundancies and a lack of transparency. Not only has this system survived unreformed, but paradoxically, the ensuing political vacuum after Qadhafi's ouster has helped it become more entrenched. Benefiting from this vacuum of oversight and ringfenced by international policymakers, various economic entities can now be considered semi-sovereign institutions, arguably more critical to resolving the drivers of conflict than even the competing political factions. The way forward, therefore, requires developing a deep understanding of these structures. The international community should pivot towards an economic-focused approach to peace-making. The first step is to commission a mapping of Libya's economic structures.

Libya | Economic institutions | Domestic policy | Crisis management

keywords

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Introduction

Libya finds itself in a familiar position: embroiled in a low-intensity civil war, fuelled by outside actors, with no end in sight.¹ A realisation has gradually dawned on most Western policymakers concerned with Libya: the root of the country's stymied transition and its post-2014 civil war is primarily economic – not political or ideological. This perspective has long been maintained by a select group of experts for years,² but only in the past months have enough Western and Libyan policymakers adopted concrete proposals based on this perspective to establish momentum for this “economic approach” in Western capitals.

Previously, guided by the wrong advice or prevented from making bold decisions by the international powers to which they answered, UN mediators and Western countries' special envoys have tried in vain to negotiate with elected and unelected political bodies, attempting to secure the necessary compromises for a political solution. Their efforts have frequently been perceived as wrong-headed, biased, or corrupted by political pressures and monies offered by regional states, especially those in the Gulf.³ They have chalked up their Libyan interlocutors' recalcitrance to inadequate incentive structures, and responded by offering ever more valuable carrots. The carrots have frequently strengthened the intransigent actors – in particular those with unique access to the structural levers of power, such as the Tripoli-based Central Bank Governor Sadiq al-Kabir and the Speaker

¹ Jason Pack, “Kingdom of Militias. Libya's Second War of Post-Qadhafi Succession”, in *ISPI Analysis*, May 2019, <https://www.ispionline.it/en/node/23121>.

² Tim Eaton, “Libya's War Economy: Predation, Profiteering and State Weakness”, in *Chatham House Research Papers*, April 2018, <https://www.chathamhouse.org/node/36027>.

³ Jason Pack, “Liberate Libya from the UN”, in *Middle East Eye*, 16 November 2015, <https://www.middleeasteye.net/node/48523>.

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of the Tobruk-based House of Representatives Aqilah Saleh – teaching them that not compromising makes them more powerful. This slow-moving train wreck has been a lesson in #how-not-to-do-diplomacy.

However, for the most part, and with the exception of Cyrenaica's strongman and Libyan National Army's leader, General Khalifa Haftar, the Libyan interlocutors who have populated the halls of the various international peace conferences in Skhirat, Paris and Palermo, have not wielded significant real power on the ground.⁴ They remain beholden to various militias and economic actors who have not been invited to directly participate in peace-making efforts, and who could never be appeased with small carrots.⁵ The real power players, the militia leaders and the heads of Libya's economic institutions, have been absent from the peace conferences. They have also been sitting on the motherlode of carrots – literally free money – doled out either as subsidies or as preferential access to foreign exchange. This largess comes directly from Libya's budget via its semi-sovereign economic institutions. Only the leaders of Libya's semi-sovereign economic institutions working in concert with a coalition of technocrats from the more neutral international powers like Germany, the US and the UK can fix the current impasse. However, they cannot do so until the scope of the problem and the various institutional competencies are comprehensively studied and catalogued.

Future peace-making efforts, international conferences, or even direct elections are doomed to failure if they do not address the root causes of Libya's malaise: bad economic incentives and flawed institutions. The way forward requires a deep understanding of the structures of the Libyan economy and their origins. An overview of that highly complex topic, explains why a comprehensive investigation making the intricacies of Libya's economy transparent to all is an urgent international priority.⁶

⁴ Karim Mezran and Wolfgang Puztai, "Exploiting the Achievements of the Libyan Political Agreement", in *MENASource*, 10 January 2019, <https://www.atlanticcouncil.org/blogs/menasource/exploiting-the-achievements-of-the-libyan-political-agreement>.

⁵ Jason Pack, "Kingdom of Militias", cit.

⁶ A follow-up paper, *An International Financial Commission is Libya's Last Hope*, to be published by the Middle East Institute in Washington, will propose ways to put this information to good use as the basis for a new Libyan social contract and a comprehensive programme to reform the Libyan economy.

1. Libya has institutions – They are just the wrong ones

The historical literature on Libya asserts that from the late Ottoman period onward it has been the paradigmatic “stateless state”. No serious historian of Libya is immune from this rhetoric: Lisa Anderson, Dirk Vandewalle, John Wright and my earlier writings all expound the unique reasons for Libya's 20th century statelessness.⁷ And yet this scholarly axiom (Libya's statelessness) is only partially true and misses the real reason for Libya's uniqueness. Yes, the extent of Ottoman control of Libyan territory was quite limited and the *tanzimat*, the Ottoman economic and constitutional reform programme that began in 1839, reached the country only in the late 19th century and was unevenly enforced.⁸ Yes, Italian colonialism differed from its French and British cousins by tending to destroy Ottoman and tribal institutions, while avoiding building non-settler institutions.⁹ However, despite these and more modern efforts to prevent state-building or undermine existing institutions – certain institutions, notably those built from the 1950s–1970s and relating to the economy – have survived and even thrived in Libya. Before examining why that is, we must look at how Libya has frequently been a graveyard for political, governance and military institutions – leading to the myth that its proverbial statelessness and institutional void extends to the economy as well.

1.1 Deliberately partisan, but directly powerful political institutions

The statelessness argument for Libyan history ignores that the British Military Administration (1942–1951), the Sanussi monarchy (1951–1969) and the Qadhafi regime (1969–2011) all built a plethora of institutions in Libya.¹⁰ The institutions which survive are those whose partisanship and power was the most indirect. Those were usually the economic institutions whose means of delivering patronage was circuitous, whereas Libyan political and military institutions have tended to be overtly partisan. The purpose of the most powerful of these

⁷ Dirk Vandewalle, *A History of Modern Libya*, Cambridge, Cambridge University Press, 2006; Lisa Anderson, *The State and Social Transformation in Tunisia and Libya, 1830-1980*, Princeton, Princeton University Press, 1986; John Wright, *A History of Libya*, London, Hurst, 2010; Jason Pack, “Introduction: The Center and the Periphery”, in Jason Pack (ed.), *The 2011 Libyan Uprisings and the Struggle for the Post-Qadhafi Future*, New York, Palgrave Macmillan, 2013, p. 1-22.

⁸ Lisa Anderson, *The State and Social Transformation in Tunisia and Libya, 1830-1980*, cit.; Rachel Simon, *Libya between Ottomanism and Nationalism. The Ottoman Involvement in Libya during the War with Italy (1911-1919)*, Berlin, Schwarz, 1987.

⁹ Claudio G. Segrè, *Fourth Shore. The Italian Colonization of Libya*, Chicago/London, University of Chicago, 1974; Federico Cresti, *Oasi di italianità. La Libia della colonizzazione agraria tra fascismo, guerra e indipendenza (1935-1956)*, Torino, Società editrice internazionale, 1996; Dirk Vandewalle, *A History of Modern Libya*, cit.; John Wright, *A History of Libya*, cit.

¹⁰ Shukri Ghanem, “The Libyan Economy Before Independence”, in E.G.H. Joffé and K.S. McLachlan (eds), *Social & Economic Development of Libya*, Wisbech, Middle East & North African Studies Press, 1982, p. 141-159; Saul Kelly, *War & Politics in the Desert. Britain and Libya during the Second World War*, London, Silphium Press, 2010; E.A.V. De Candole, *The Life and Times of King Idriss of Libya*, private publication by Mustafa ben Ghalbon, 1990; William Roger Louis, “Libya: The Creation of a Client State”, in Prosser Gifford and William Roger Louis (eds), *Decolonization and African Independence. The Transfers of Power, 1960-1980*, New Haven/London, Yale University Press, 1988, p. 503-528.

institutions, like King Idriss al-Sanussi's Cyrenaican Defence Force (his Praetorian Guard of Eastern tribesmen founded in 1945 and deriving from the elite units that fought with the British against the Italians during WWII) or Qadhafi's Popular and Social Leadership Committee (his council of loyal tribal elders founded in the wake of an attempted coup attempt by Warfalla tribesmen in 1991) was to strengthen a social segment that already favoured the existing ruler.¹¹ Those overtly partisan governance institutions have long since faded away, overturned by waves of exculpatory violence by those who they disadvantaged.

1.2 Semi-independent vs independent economic institutions

Yet, the economic institutions that were established with essentially the same aims in mind (strengthening/rewarding a social grouping loyal to the ruler or appeasing/buying off the populace) have not disappeared the way their political counterparts have. This is because like Qadhafi's *Jamahiriyya*, the sham direct democracy system brought into being from 1973–1979,¹² the inner-workings of Libya's economic institutions were deliberately masked by the dominance of informal structures of authority over formal structures – a paradox which epitomised Qadhafi-era Libya's uniqueness.¹³ Because of this dominance of informal types of power (i.e. personal, tribal and geographic connections to Qadhafi's inner circle) rather than the formal power relationships of governance (as rooted in the official structures of the Great Socialist People's Libyan Arab Jamahiriyya), the partisan and corrupt functions of Libya's economic institutions were masked by layers of inscrutability.

To help create the complexity and opacity on which Qadhafi's Libya thrived, myriad committees, agencies, holding companies, public monopolies, and boards were established. These institutions took a few different forms: utilities like General Electricity Company of Libya (GECOL) and the Libyan Iron and Steel Company (LISCO); development/infrastructure funds like the Economic and Social Development Fund (ESDF), the Office of Development of Administrative Complexes (ODAC)¹⁴ or the Housing and Infrastructure Board (HIB); free zones and special ports like the Misrata Free Zone; and many other categories. Each institution recruited from specific communities and favoured the needs of specific geographic areas or preferred businessmen.

¹¹ Dirk Vandewalle, *Libya since Independence. Oil and State Building*, London, I.B. Tauris, 1998; Dirk Vandewalle (ed.), *Libya since 1969. Qadhafi's Revolution Revisited*, New York, Palgrave Macmillan, 2008; Dana Moss and Jason Pack, "Libya since 1969: Qadhafi's Revolution Revisited", in *The Journal of North African Studies*, Vol. 16, No. 2 (2011), p. 299-310.

¹² The system was brought into being by the publication and implementation of Qadhafi's Green Book.

¹³ Hanspeter Mattes, "Formal and Informal Authority in Libya since 1969", in Dirk Vandewalle (ed.), *Libya since 1969. Qadhafi's Revolution Revisited*, New York, Palgrave Macmillan, 2008, p. 55-81.

¹⁴ Pinset Masons, "ODAC Removed from List of Libyan Entities Subject to Financial Sanctions", in *Out-Law*, 25 January 2013, <https://www.pinsentmasons.com/out-law/news/odac-removed-from-list-of-libyan-entities-subject-to-financial-sanctions>.

In theory, Libya's alphabet soup of semi-independent economic bodies was accountable to the General People's Congress (GPC), the supposed font of all official authority in Qadhafi's Libya. In practice, the GPC held no power at all and was simply a rubber stamp for Qadhafi and his inner circle's whims. Qadhafi appointed cronies or key powerbrokers to run these semi-independent institutions, then funnelled them money, while rarely checking in on their outcomes.

Outside of the ambit of the GPC and Qadhafi's patronage networks, only two economic entities existed with a genuine degree of independence. They both trace their origins to the Sanussi monarchy period, when they were established in line with international best practices, as fully "independent" institutions.¹⁵ Before oil money flowed into Libya in the 1960s, power was quite diffuse, the surveillance capacities of the state quite limited, and genuinely independent institutions quite feasible.

The Central Bank of Libya (CBL) was formed in 1956. It derives from a UN institution, stood up during the decolonisation process – the Libyan Currency Committee, which was created as a technocratic commission with complete independence from political authority.¹⁶ The National Oil Corporation (NOC) was founded in 1970, i.e. in the highly politicised early Qadhafi years. Yet it derives its institutional structure from the Libyan Petroleum Corporation established in the late Sanussi period, which sought to allow independent technocrats to remove the then-rampant corruption from the tendering and concessions processes and rationalise Libyan participation in international exploration and production consortia.¹⁷

1.3 Attempts to modernise Libya's economy only made things worse

Given their unique histories and institutional privileges, we can think of the CBL and NOC as the gold standard for independence of Libya's economic institutions. Slightly less independent is the Libyan Investment Authority (LIA), the country's sovereign wealth fund, which owns numerous other subsidiary investment vehicles. When it was established in 2006 at the behest of Western consultants affiliated with the Monitor Group, it was intended to mirror the CBL and NOC in its independence. However, as it was initially vested with over sixty billion dollars of Libya's oil winnings, its chairman Mohamad Layas was consistently pressured to work with allies of Qadhafi's son Saif al-Islam, such as Mustafa Zarti. Under their influence, the LIA lost prodigious amounts of money and engaged in spectacularly risky and corrupt investment schemes.¹⁸ Despite their institutional

¹⁵ Stefano Ugolini, *The Evolution of Central Banking: Theory and History*, London, Palgrave Macmillan, 2017; Stefano Battilossi, Youssef Cassis and Kazuhiko Yago, *Handbook of the History of Money and Currency*, Singapore, Springer Nature, 2018.

¹⁶ Central Bank of Libya website: *History*, <https://cbl.gov.ly/en/history>.

¹⁷ National Oil Corporation website: *NOC in Brief*, <https://noc.ly/index.php/en/about-us-2>.

¹⁸ Deena Dajani, "Libya's Sovereign Wealth Scandal: Taxpayers' Billions Squandered Through Nepotism, Incompetence and Wild Gambling", in *The New Arab*, 30 November 2017, <https://www.alaraby.co.uk/english/indepth/2017/11/30/libyas-sovereign-wealth-scandal-taxpayers-billions-squandered-through-incompetence>.

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protections, the "Big Three" – CBL, NOC and LIA – have frequently been subjected to political pressure and even to corruption scandals, but their fundamental laws and institutional design largely put them outside political control other than at the moment of the appointment of their heads.

These three "independent" institutions have parallels in more normal economies, in which key functions like sovereign wealth management, oil production or setting interest rates are frequently detached from ministerial control to be run by "formally" non-partisan, yet politically-appointed technocrats. The distinction between the big three independents and the semi-independent economic entities is crucial to understanding the evolution of the Libyan economy.

The heads of the semi-independents could be changed at any moment and their institutional reporting relationships altered by new Libyan laws. When the semi-independent bodies like GECOL or the HIB were created, these behemoth economic institutions were given annual budgets of billions of dollars to be transferred to them by the CBL. They, in turn, doled out subsidised services (like free electricity) or highly inflated contracts for infrastructure projects. This system allowed key social segments to benefit from subsidised goods or preferential smuggling opportunities, while Libya's ruling class helped themselves to healthy doses of corruption carved out of inflated no-bid construction contracts. To facilitate this windfall of largess beyond the prying eyes of the Libyan citizenry, the semi-independents' relationships to Libya's ministries and between each other was deliberately obfuscated.

For example, ODAC and the HIB frequently built similar types of infrastructure such as housing, hospitals, schools and roads; they each contracted with foreign construction companies for mutually contradictory projects; blueprints were drawn, ground was broken, but no one technical authority oversaw a coherent masterplan of the Libyan economy.¹⁹ Frequently, the actors themselves lacked an understanding of what their institutions possessed in terms of liabilities and competencies, nor did they keep track of the productiveness of the goods, services or infrastructure they produced.²⁰ They were simply given money, subsidised inputs and an expansive mandate to "build stuff" or provide services. Yet, their actions were constrained by the ever-present threat of arrest or Qadhafi's sons demanding a piece of the action.

The logic of the semi-independent economic institutions was fundamentally that of a complex rentier system and not that of a market economy. Each town, tribe, or ethnic group had preferential access to certain institutions, but not others.

Transparency was the enemy of the functioning of the Qadhafian economy. For example, according to Libyan law, GECOL has the right to seize crude produced by

¹⁹ Author interviews with former US and UK embassy officials who served in Tripoli from 2008 to 2010.

²⁰ Author discussions with senior Libyan officials, Tripoli, October 2008.

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the NOC from the pipeline network, if that crude is deemed "needed" to generate electricity, which is required by the Libyan people. Thus, one state economic institution can freely interfere in the operations of another with no thought to the impact this intervention may have on NOC operations, money flowing into the Libyan treasury, or ramifications on international consortia or lifting agreements.

When international experts were brought in from 2005–2010 with the task of helping to modernise the Libyan economy, privatise state holding companies and monopolies and attract foreign direct investment, they added onto the complex alphabet soup of agencies, another layer of "reformist oversight institutions," most famously the Economic Development Board (EDB), the Privatisation and Investment Board (PIB),²¹ and the Public Projects Authority (PPA).²² Unlike their predecessors from the 1980s and 1990s, these 21st century reformist institutions were seen as sitting outside the formal Jamahiriyyan command structure (i.e. they were not answerable to the GPC). Rather they were made "independent" like the Big Three and given the task of overseeing and directing expenditures of the pre-existing semi-independent economic institutions like the HIB or ODAC as well as trying to curtail the excesses of the monopoly utilities like GECOL and LISCO. As all businessmen, diplomats and experts who worked in Libya in the last years of the Qadhafi regime experienced, the constantly evolving and highly opaque power relationships between Libya's myriad agencies made implementing projects, collecting payment for services rendered, or even knowing who held authority over a given domain or project nearly impossible.

By 2010, the chain of command of Libya's economic institutions was so complex that Libyan policymakers hired outside academics and lawyers to examine, and then advise them, on the authorities, competencies and ideological justifications of various Libyan institutional bodies.²³ The rates of subsidies, public sector employment and "dead paper" (i.e. signed contractual obligations between Libyan semi-independent economic institutions and foreign companies entailing Libyan sovereign financial liabilities that would likely never be honoured) were shockingly high. By some accounts, on contracts signed before 2010 and pertaining to the next ten years, future Libyan financial obligations to foreign construction, consulting, project management and oil field services companies would have been ten times greater than Libya's annual GNP.

²¹ Michael E. Porter, *Libyan Economic Development Board Blueprint*, Monitor Company Group, 2007, <https://www.hbs.edu/faculty/Pages/item.aspx?num=46472>.

²² The oversight institutions were themselves so complex that Libyan institutions lacked the requisite competencies to administer them. As such, AECOM had the management contract for all of HIB's construction, which required oversight by the PPA. After that contract fell void after the revolution, they sought another management contract to clarify the existing contracts issued by the HIB and ODAC, but even that discrete project was never implemented as Libyan decision-makers preferred ad-hoc solutions, none of which were acceptable to international creditors. See "AECOM Wins \$209m Housing Contract", in *Libya-Business News*, 6 December 2013, <https://wp.me/p77Sqt-4PV>.

²³ I was one such outside consultant, indirectly hired by a Western consulting firm to first study and then advise the Libyan authorities on the nature of the Qadhafian economic structures.

Seen holistically, the late Qadhafian economy combined many of the worst features of both classic rentier petrostates (e.g. Qatar or Kuwait) and ideological authoritarian autarkic regimes (e.g. Turkmenistan or North Korea). On top of that, in Qadhafi's last years, Libya also incorporated the complex privatising and oversight mechanisms, which Western consultants set up in post-socialist economies (à la Ukraine and Russia). These were thought to "simplify" complex institutional relationships bringing accountability and market forces to light. However, to the extent that they functioned at all in Libya, they actually allowed for the same outcomes that had transpired in Russia a decade before: crony privatisation of state assets at fire sale prices, the rise of a new class of oligarchs, and further opacity and inefficiency introduced by the regulatory authorities. Hence, when the Great Socialist People's Libyan Arab Jamahiriyya collapsed under the weight of civil society protests, militia uprisings and NATO bombs in 2011, the economy that Qadhafi left to his successors resembled a Maurits Escher or Salvador Dalí painting: vast, hallucinogenic, bizarrely interconnected and recursive, and truly defying the capacities of the human mind to comprehend it.

2. Enter the Libyan revolutionaries

The self-appointed, leaderless revolutionaries who participated in the diverse anti-Qadhafi uprisings of 2011 were united behind only one goal: their desire to oust Qadhafi and his henchman, and discontinue their military and governance institutions. Conversely, most of them supported the existing economic institutions with the understanding that they needed to be purged of corrupt officials and contracts, and could then support the social contract of providing goods and services free of charge to all Libyans. Qadhafi's obfuscations had worked. His opponents wanted to replace the corrupt heads of the semi-independent economic institutions and render outstanding contracts null and void, yet they failed to grasp his ruse – that the very structure of those institutions embedded inefficiency and corruption at the core of the Libyan economy.

2.1 *Inheriting an economy without a blueprint*

Most Libyans never interacted with abstract entities like the ODAC and never took the economics courses that would have helped them understand the subversive implications of subsidies on petrol, electricity and bread. Among those very few militia leaders and rebel politicians who had the requisite training or had worked in the higher echelons of the Jamahiriyyan economy, there was no consensus on which economic institutions and subsidies needed to be eliminated. In fact, many of the political class of the 2011 uprisings, most famously former interim Prime Minister Mahmoud Jibril, were the self same economic reformers of the late-Qadhafi era who publicly sought to preserve Jamahiriyyan economic institutions albeit in modified form. Others who ascended to positions of power in the wake of Qadhafi were connected to local and regional interests which were entrenched in the pre-existing forms of corrupt enrichment provided for by the subsidies and

economic opacity of the semi-independent institutions.²⁴

More naively, many felt that the economic reforms brought by outside consultants since 2005 had indirectly brought employment, opened up Libya to globalisation and created a sphere of advancement for the educated classes. Those economic reforms had coincided with increased foreign investment in Libya's oil sector. For many, the causation was unclear, and they felt that the reforms created a burgeoning middle class that had paradoxically led to the very revolution in which they were participating.²⁵ In this sense, Qadhafi's ouster was most certainly a result of leaderless multipolar uprisings rather than an ideologically-driven revolution. Libyan intellectuals who participated in the uprisings, such as Ahmed Jehani, Hamam Elfassi and Abdul Rahman al-Ageli, have argued that there was never any consensus over the future shape of the Libyan state and how resources should be divided up. They have asserted that a Libyan Economic Agreement (LEA) is needed rather than just the Libyan Political Agreement (LPA) of 2015.²⁶

2.2 After Qadhafi, the power of the semi-independents increased

This critical absence of a unifying ideology among Qadhafi's successors and disagreement about how resources should be divided have prevented the creation of a new social contract. Without such a joint vision connecting ruler and ruled, there has been nothing to anchor post-Qadhafi reform efforts – hence few reforms have been passed and even fewer implemented. As a result, the critical moments of 2013–2015 when global crude prices were high and oil was flowing were wasted. The inefficiencies of the Libyan economy could have been overhauled fairly painlessly then. Instead, money leaked out of the treasury due to increased subsidies and much needed infrastructure was not built.²⁷

During 2011, no consensus existed among either the fighters or the political leaders of the anti-Qadhafi uprisings as to the economic system that should be implemented when Qadhafi would be ousted. It should therefore come as no surprise that when Tripoli fell in August of that year and the temporary constitutional declaration was issued earlier that same month, it did not directly

²⁴ For more on how the political class and the militia leaders have used Libya's pre-existing Qadhafian economic structures to enrich themselves please consult: Jason Pack, "How Libya's Economic Structures Enrich the Militias", in *MEI Policy Analysis*, 23 September 2019, <https://www.mei.edu/publications/how-libyas-economic-structures-enrich-militias>.

²⁵ Jason Pack, "Engagement in Libya Was and Remains The Right Answer", in *The Spectator Blog*, 31 January 2013, <https://blogs.spectator.co.uk/2013/01/engagement-in-libya-was-and-remains-the-right-answer>.

²⁶ Mattia Toaldo, "If You Want Peace in Libya, Shun Partition and Embrace Power-Sharing", in *Middle East Eye*, 13 April 2017, <https://www.middleeasteye.net/node/62508>; Ahmed Jehani, *Moving Libya Post-conflict. From Economics of Chaos... to Economics of Stabilisation*, Tunis, 2 August 2017, https://archive.org/details/TheEconomicsOfChaosJehani2August2017Tunis_201803.

²⁷ Mohsin Khan and Karim Mezran, "The Libyan Economy after the Revolution: Still No Clear Vision", in *Atlantic Council Issue Briefs*, 28 August 2013, <https://www.atlanticcouncil.org/publications/issue-briefs/the-libyan-economy-after-the-revolution-still-no-clear-vision>.

address the issue of Libya's economic institutions. Similarly, the topic was not extensively discussed or legislated by post-Qadhafi Libya's first authority, the unelected National Transitional Council (NTC), or by its first elected body, the General National Congress (GNC). This behaviour was justified at the time by the fact that first the NTC, then the GNC and later the elected House of Representatives (HoR) and UN-appointed Government of National Accord (GNA) understood themselves as transitional governance authorities. None of these bodies truly possessed the attributes of unfettered sovereignty or domestic legitimacy rooted in a viable social contract.²⁸

Amidst this vacuum of legitimacy, they wished to remain in the good graces of the populace who had shed blood allowing them to come into power. Therefore, the new authorities resorted to appeasement: putting militias on the government payroll, more than doubling state-salaries, increasing subsidies on consumer goods and creating new semi-independent institutions, such as the Warriors' Affairs Committee to dispense billions of dollars in an attempt to purchase the loyalty of the most potentially disruptive segments of the population.²⁹

As alluded to above, the problem of Libya's inefficient semi-independent institutions and their competencies, interconnectedness and myriad liabilities to foreign contractors was considered an issue that only a permanent government grounded with precise constitutional powers would have the necessary legitimacy to address. Hence, to many Libyans after the fall of Qadhafi, pre-existing economic institutions whose ostensible roles were to help the Libyan populace by producing electricity or building schools had a greater degree of legitimacy than the new political bodies, which were not overseen by a constitution and whose electoral legitimacy or governance mandate was frequently challenged.

The only main consensus that existed between ruler and ruled on the future post-Qadhafian economy was that the inherited vestiges of corrupt contracts should not be honoured.

The Libyan authorities were well aware of the problems of corruption inside the semi-independents and the masses of dead paper they had issued. The new authorities of the NTC did not wish to see the sovereign wealth they inherited from the Qadhafi period disappear into the pockets of former-Qadhafi allies abroad by having a full scale restarting of corrupt Qadhafi-era contracts. However, they didn't know which contracts were clean and which were dirty.

²⁸ Jason Pack and Haley Cook, "The July 2012 Libyan Election and the Origin of Post-Qadhafi Appeasement", in *Middle East Journal*, Vol. 69, No. 2 (Spring 2015), p. 171-198.

²⁹ Jason Pack, Karim Mezran and Mohamed Eljarh, "Libya's Faustian Bargains: Breaking the Appeasement Cycle", in *Atlantic Council Issue Briefs*, 5 May 2014, <https://www.atlanticcouncil.org/publications/reports/libya-s-faustian-bargains-breaking-the-appeasement-cycle>.

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Hence, they issued a blanket freeze on implementation of construction contracts and seized upon one of the pre-existing oversight bodies, as the crucial vehicle to safeguard the country's wealth.³⁰ It was a Jamahiriyyan audit commission, whose formal name was "The People's Oversight [Committee]" (ديوان المحاسبة). Post-Qadhafi, it was renamed the Audit Bureau (الرقابة الشعبية). Thus rebranded, the Audit Bureau (AB) was progressively trotted out by post-Qadhafi politicians as the answer to corruption in Libya's semi-independent institutions.

The quintessential powers of the bureau since 2011 involve inspecting all public works contracts and approving those above a certain amount (traditionally 5 million Libyan dinars). These are essentially the same powers that the body had before 2011.³¹ Tragically, these minor attempts to empower an independent oversight institution have not prevented an outflow of Libya's billions.³² Furthermore according to US and UK embassy staff present in Libya right after the revolution, no one central office has catalogued or recorded the grand sum total of Libya's contractual obligations or the destination of ongoing financial outflows. In fact, Libya's semi-independent economic, as well as economic oversight, institutions remain roughly identical in 2019 – in terms of competencies and relationships – as when Qadhafi was still in power.

As a result of this structural stasis, the alphabet soup of Libya's economic institutions saw their degrees of sovereignty and independence, as well as their relative remove from oversight increase over the course of the post-Qadhafi period. In the Qadhafi-era, the leaders of the semi-independent and independent institutions had to toe-the-line out of fear of imprisonment and murder. Now they are subject to very little oversight as Libya's political class have neither the authority nor the competence to police their activities.

The primary reasons for this are twofold. First, in an environment where the heads of the economic institutions enjoy more legitimacy than elected and unelected politicians, the suitable government entities are unwilling to collaborate to remove them from office when their terms expire. Second, the militia leaders who dictate what elected and unelected politicians do, benefit from the current economic system presided over by the semi-sovereigns. As such, the militia leaders pressure Libya's political class to not interfere in the opacities of its economic institutions.

³⁰ Fascinatingly, for a country with one of the world's highest rates of corruption per capita, Qadhafi's Libya had no fewer than six semi-independent financial oversight bodies. See UNODC website (archived), *Libya Anti-Corruption related Authorities*, [http://193.138.94.211/LegalLibrary/LegalResources/Libya/Authorities/Libya-Anti Corruption related Authorities.pdf](http://193.138.94.211/LegalLibrary/LegalResources/Libya/Authorities/Libya-Anti%20Corruption%20related%20Authorities.pdf).

³¹ The most significant change since 2011 has been the transparent publication of the AB reports. Yet, legally the reports should be submitted to the legislative branch which then should issue them, but in practice the Audit Bureau simply drops them on its website.

³² According to a former Libyan employee of AECOM, the new Audit Bureau has not prevented the outflow of the Libya's billions, in fact it can be argued that the old People's Oversight Committee (Raqaba) was much more effective in doing so during the Qadhafi regime.

This is how these institutions acquired semi-sovereignty.

2.3 *The rise of the semi-sovereign economic institutions*

Amidst the nationwide fighting that has characterised the spring and summer of 2019, Libya's semi-independent and independent economic institutions have exerted a greater stranglehold over Libya's economic life than ever, unable to be dissolved due to the lack of a Libyan consensus over what or who should replace them. Moreover, their complex web of financial liabilities to international contractors and the lack of transparency of their assets makes dissolving them nearly impossible until a complete forensic survey of the Libyan economy is conducted.

The head of each economic institution has an incentive to simply stay in power and enjoy the wealth and power that his position grants him – and yes all of Libya's major economic institutions are headed by men. Most institutional leaders understand how to stay in power by continuing to appease the social segment to which his institution was founded to funnel money.³³ The institutional heads rightly protest that they cannot act independently for fear that their personnel will be attacked by militias, but they also block reform on the grounds that no government body has the legitimacy to carry out such reforms.³⁴

Year on year, the percentage of Libya's budget which is allocated to salaries, subsidies, or spending of semi-independent institutions has *increased independent of the overall decrease in Libya's oil revenues*.³⁵ In fact, from semi-independence in the Qadhafi era, these institutions have become genuinely semi-sovereign. They do not answer to any Libyan political institutions, and international actors including the UN and foreign countries routinely prioritise them over the political entities that notionally oversee them. US, UK and UN policy statements since 2014 have called more frequently for Libyan actors to "respect the independence" of various economic institutions than they have called for ceasefires or peace negotiations.³⁶

³³ Sami Zaptia, "British High Court confirms Serraj PC/GNA as the legitimate Libyan government as Breish asks for more money", in *The Libya Herald*, 18 February 2019, <https://www.libyaherald.com/?p=118800>.

³⁴ Jason Pack, "How Libya's Economic Structures Enrich the Militias", cit.

³⁵ Emadeddin Badi, Mohamed El-Jarh and Marwa Farid, *At a Glance: Libya's Transformation 2011-2018. Power, Legitimacy and the Economy*, Berlin, Democracy Reporting International, June 2019, <https://www.democracy-reporting.org/libya-political-transformation-timeline/assets/Libyas-Transformation-2011-2018.pdf>.

³⁶ Author's comprehensive study of official UN, US agencies and FCO statements on Libya from 2011 to present.

Figure 1 | The real rulers of the roost: post-Qadhafi Libya's semi-sovereign economic institutions



3. Sovereignty in post-Qadhafi Libya

The only tangible progress that the international community has made in mediating Libya's ongoing post-2014 war for post-Qadhafi succession is the December 2015 Libyan Political Agreement signed in Skhirat, Morocco. It was constructed as a binding piece of international law, which, depending on one's viewpoint, has either been retroactively incorporated into Libyan law by amendment of the August 2011 temporary constitutional declaration, *a priori* superseded Libyan law, or is not binding because it has not been properly ratified by the House of Representatives or because its mandate has expired. No matter one's perspective, all subsequent formal international community engagement in Libya has sought to build upon, amend, or transcend the LPA.

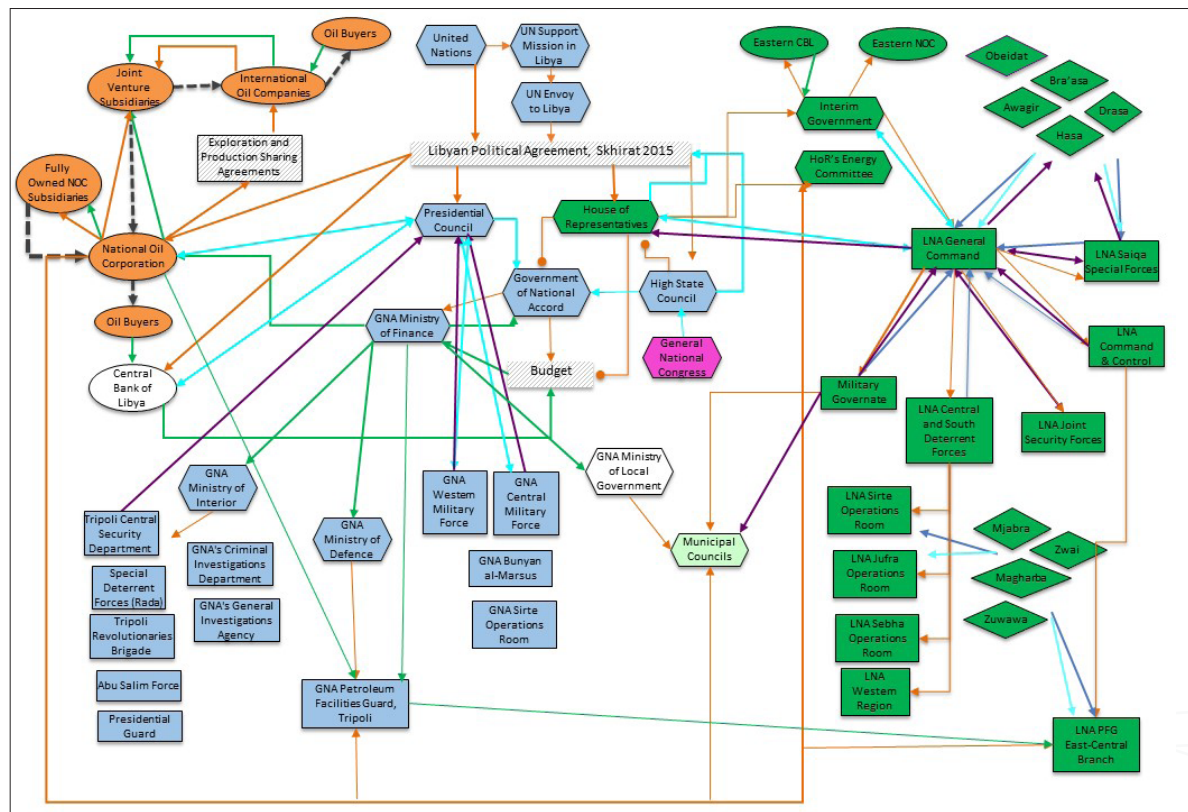
The major Western countries and the UN maintain that the Libya Political Agreement builds upon the amended temporary constitutional declaration of August 2011 determining where sovereignty, executive, legislative and constitutional drafting authority lies in Libya. It is on the basis of the LPA that all major international countries recognise the GNA as the legitimate and "nominally sovereign" government of Libya – even if they also work with the GNA's rivals. In short, even if it does not constrain their actions, legally the LPA is the international community's "last word" on Libya.³⁷

³⁷ UNSCR 2259 drafted by the UK "welcomes" its signing and endorses it as the basis of future international engagement – essentially making it a part of international law.

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And surprisingly, a large number of the LPA's clauses, articles and annexes discuss the heads of the major economic institutions, seeking to enshrine their legitimacy and delineate what protocols should be used for replacing them. These texts comprehensively attribute sovereignty to Libya's economic institutions and their heads, yet fail to clarify the relationships among them and any future Libyan governments.

Figure 2 | Stakeholder relationship mapping post-Skhirat Agreement



Infrastructure	Type of actor	Alignment	Type of influence
Oil & Gas infrastructure	Economic	Pro-NOC	Social
Infrastructure closed	Political	Jihadi	Political
Oil flows to different port	Military	Anti-LNA	Financial
Oil & gas flow/ Pipelines	Tribal	Pro-GNC	Operational/ Admin
Pipeline, but oil flows elsewhere		Pro GNA	Security
Town/area		Pro-LNA/HoR	Conflict/ Spoiler
Process e.g. Budget/EPSC		Local	Tension
		Unclear	

Source: Excerpt of Stakeholder Influence Mapping conducted by Libya-Analysis LLC and overseen by Rhiannon Smith.

3.1 Semi-sovereign not sovereign

The Skhirat Agreement unequivocally grants sovereignty to Libya's main economic institutions and vests that sovereignty in the position of Chairman of the Board.³⁸ The intentions of the drafters of the Skhirat Agreement were presumably to safeguard the Libyan oil sector and the pot of treasure contained in the LIA and in the CBL against political machinations. However, they do not appear to have understood the unintended consequences of attributing them complete sovereignty as coequals with the government.

According to Libyan law and historical precedents concerning the relationship of the heads of the independent and semi-independent economic institutions to government, the term "semi-sovereign" would have been far more accurate for the Skhirat Agreement to employ than "sovereign" to describe Libya's economic institutions and their heads. Yet, unfortunately it uses the latter. Using the correct wording (semi-sovereign) as opposed to incorrect wording (sovereign) in an internationally-binding agreement is crucial as it has the ability to obscure or rework the power relationships in a society. Given both Qadhafian and post-Qadhafian precedent, the document should have spelled out more clearly that the institutions of the Libyan state possess the ability to replace their heads *at any time* as well as to change the laws that govern them *at any time*, so long as either change is done within the relevant legal framework.

Looking back, it is clear that the semi-independent and independent economic institutions of the Qadhafi period have morphed into far more powerful creatures as Libya's power vacuum has increased and that the LPA was an attempt to codify that evolution. Determining whether they are semi-sovereign (as seems rational) or are in fact sovereign (as spelled out by the LPA) is a matter of grave international importance and tremendous uncertainty. After lengthy study, the most accurate definition is semi-sovereign economy institutions (SSEIs).³⁹

The Libyan economic institutions' "semi-sovereignty" is the key aspect that differentiates them from comparable institutions in other countries (which either lack sovereignty and independence entirely like the Abu Dhabi Investment Authority or are simply independent but not semi-sovereign like Saudi Aramco,

³⁸ This is a crucial under appreciated point which I address in: Jason Pack, "The UN Deliberately (Albeit Mistakenly) Accorded Sovereignty to Post-Gadhafi Libya's Economic Institutions", in *MEI Policy Analysis*, 26 September 2019, <https://www.mei.edu/publications/un-deliberately-albeit-mistakenly-accorded-sovereignty-post-gadhafi-libyas-economic>.

³⁹ The concept of a "semi-sovereign economy institution" is not an established term in the academic literature, nor is it established jargon of macroeconomics when dealing with rentier economies. It is a term invented by me as a result of more than ten years of doing business in and with Libya's economic institutions. Inside the Libya field my repeated usage of the term has led to its gradual diffusion to the pens of other scholars and diplomats. Jokingly, I feel it is a shame that I only latched onto the term from 2016 onwards, because had it been in broader circulation in 2015 and been heard by Bernardino Leon's team, it is possible that it would have been used in the Skhirat Agreement.

the Federal Reserve or the Bank of England). Grasping the precise attributes of Libya's economic institutions semi-sovereignty provides the key insight needed to reform them.

4. The pressing need for transparency

Transparency must be the unifying thread behind all action seeking to reform the Libyan economy. First, Libyan activists, technocrats and thought leaders must work with international experts to make transparent to the Libyan people how the institutions of their country actually function. Logically this step must precede any overhaul of the system as some Libyan actors and informed citizens will consent with various structural changes while others will oppose them. Almost all international actors and Libyans would cherish greater transparency.

The heads of the semi-sovereigns were generally quasi-meritocratically appointed. In many cases, they are the most skilled and knowledgeable technocrats in Libya. All have experience liaising with multinational institutions. Faysel al-Gergab is a shining example of the up-and-coming generation of Libya's best and brightest: he has extensive work experience with Shell and Mott McDonald and holds a PhD from a British University.⁴⁰ Yet, Gergab would be the first to tell his international interlocutors that his institution, the Libyan Post Telecommunications & Information Technology Company (LPTIC), does not deserve its monopolistic position or sovereign privileges (LPTIC is a multibillion-dollar behemoth that receives all mobile telephone revenue in Libya and owns a vast array of satellites, subsea cables and other nodes of the global telecoms industry). He believes its present form creates barriers to entry and perverse incentives and that its accumulated wealth must be used to benefit the Libyan people and spur competitiveness and reform.⁴¹

Gergab is not alone. Most of the heads of the SSEIs would happily forgo their sovereign status to see Libya's economy rationalised. Some, of course, would use the position of power that UN and Libyan law grants them to block reforms and preserve their prerogatives. If those who are blocking reform and transparency were "exposed" to the Libyan public as doing so, their legitimacy would quickly wane. Libyans as well as astute outside observers know which institutional heads are blocking progress. Of course, carrots and sticks need to be offered to incentivise adoption as transparency can only be achieved by having the buy in of the majority of the staffs and heads of the SSEIs. Now is not the time to simply abolish or dissolve the semi-sovereigns, independent of whether Libyan politicians or the international community have the legal and practical tools to do so. The priority is to focus on determining their actual functions, interrelationships and degrees of

⁴⁰ Faisel Gergab's LinkedIn profile, <https://www.linkedin.com/in/faisel-gergab-a38b1618>.

⁴¹ Discussion with Faysel al-Gergab in Tunis, October 2018.

independence or sovereignty.

The more redundant and purposeless bodies should be eliminated in the long term, with their assets and liabilities assumed by the Libyan state. The inefficient monopolies that survive on subsidies or barriers to competition will need to operate in a level playing field with insurgent players. However, as various factions are fighting to control the Libyan state and neither the Tripoli-based GNA nor the Tobruk-based HoR have a monopoly of legitimacy, dissolving the semi-sovereigns would create a free-for-all to control their balance sheets. The Big Three (CBL, NOC and LIA) remain essential to Libya's functioning now as they were during the Qadhafi era – they merely need to hire more meritocratically and conduct their affairs more transparently.

In the case of the NOC, its head Mustafa Sanallah is arguably the only living individual who has the technical knowledge, the popular legitimacy and the web of personal and international relationships, to maintain Libya's oil production and bring badly needed investment into the sector.⁴² The Big Three cannot, therefore, be dissolved at all. They need to be profoundly reformed, but will remain needed to produce, safeguard, allocate and invest Libya's wealth, until a competent government arrives with the popular legitimacy and competency to restructure them.

4.1 What is known about the semi-sovereigns?

Although the timing may be inappropriate and the legitimacy/sovereignty unclear to simply disband the semi-sovereigns, a clear mandate exists to commission studies of them, publicise the findings and encourage transparency.

What do we know so far? Most crucially we know the following. First, no study of each institution's fiefdoms and exact legal powers has ever been conducted in Arabic or English. Second, Libya's economic institutions operate in a vacuum of transparency and a void of international best practices. Third, a consensus view does not exist among Libyan civil society in either the East or West of the country about what should be done and where sovereign authority actually lies in Libya's political economy. A genuinely new social contract cannot exist until Libyans are able to take stock of their inheritance from Qadhafi and the role they want their wealth to play.

The SSEIs boil down into four distinct classes: monopoly utilities, state-sanctioned holding companies, development funds and independent state-appointed semi-sovereigns (i.e. the Big Three). Although the details differ on a case by case basis, Libyan law is clear that all of these institutions exist for the purpose of serving the Libyan people and remain accountable to them. Post-Qadhafi, they operate in

⁴² "Chief Executive of the Year: Mustafa Sanallah, NOC Libya", in *Petroleum Economist*, 23 November 2017, <https://www.petroleum-economist.com/articles/corporate/pe-award-winners/2017/chief-executive-of-the-year>.

a policy vacuum unfettered by adequate ministerial control or harmonisation of their activities with Libyan governmental priorities or those of other institutions. Since the revolution, the most important SSEI heads have in most cases overstayed their legal mandates (e.g. CBL and NOC), while in the case of the LIA, its assets have been frozen. In all three cases, their pots of money, huge staffs and legal powers remain obscured from view.

Despite this, all of Libya's major SSEIs are as deeply broken and counterproductive as they are entrenched. They employ many more people than needed, they block competition, they dole out resources according to a political – rather than an economic – logic. They sell utilities like electricity at less than one hundredth the price it costs to produce and yet only collect payment from half of commercial customers and less than one in a hundred residential consumers.⁴³ They subsidise petrol, making a litre at the pump in Libya the cheapest anywhere on Earth. As stated above, other than the NOC and CBL, whose lineal predecessors predate Qadhafi, the SSEIs were designed either by Qadhafi as complex vehicles to buy off certain segments of the population and his loyalists or by international consultants who were trying to rationalise the excesses of the existing institutions. They were Soviet-style institutions never conceived to be efficient users of resources or be subject to genuine competition. Therefore, in Qadhafi's wake these institutions remain vessels of power, and pots of money, bereft of any coherent or systematic logic. That said they do possess key competencies that are critical to safeguarding Libya's wealth, producing oil, investing funds, commissioning infrastructure, producing manufactures, facilitating business and putting Libya's wealth to use.

4.2 What is known about the economic logic of the fighting?

Libyans are fighting over preferential access to the institutions that wield economic (and therefore political and social) power. This is not a simple fight for geographic control of oil installations or the CBL's headquarters. The fight is as complex as the Libyan economy itself. Libyans are aware that their economic system is not simply a straightforward rentier system where a disenfranchised populace is paid off in subventions, salaries and welfare perks to remain quiescent. It is not a rationally constructed welfare state, like those of the Gulf monarchies where according to clearly defined rules the populace gets handouts from the government and various elites receive opportunities to enrich themselves within clear parameters.⁴⁴

⁴³ Confidential technical presentation in Washington, given by GECOL to the author, May 2017.

⁴⁴ For more on how the dysfunctionality of the Libyan economy results in the enrichment of the militias and their corresponding battles for dominance consult, see: Jason Pack, "How Libya's Economic Structures Enrich the Militias", cit.

5. What the international community can do

Ultimately, Libya needs to demobilise militias and decrease their stranglehold on the politics of the semi-sovereign institutions. The only way to do so is to weaken the incentives to be in a militia and the power that the militias exert over national life. This in turn requires the reduction/elimination of subsidies and devaluation/floatation of the dinar as the smuggling and letters of credit fraud that subsidies and the dinar gap engender are the key structural incentives that promote militia power.⁴⁵ The requisite economic reforms cannot be conceived or implemented without a comprehensive understanding of the power relationships and competencies of the various institutions of the Libyan economy. Therefore, fostering transparency and developing a comprehensive blueprint of the Libyan economy must be the first step forward. The international community and the successive post-Qadhafi Libyan governments have for too long been trying to propose and implement action plans without many of the relevant facts or access to the real levers of power.

The first step is to commission a structural, legal and historical mapping of the Libyan economy conducted by a majority Libyan team with ample oversight, input and project management from international academics, retired diplomats and subject matter experts from the business community. The research team should not be the run of the mill GIZ, DFID, or USAID exercise which is subcontracted to an implementing partner which in turn employs development contractors, NGO professionals, security personnel and translators. What is needed is the top 20–40 global and Libyan experts. Only this group have the requisite skills: bilingualism, ability to move in and out of Libya, and the background acquired from having dedicated decades of their lives to studying and working on the Libyan economy. This is a very small cadre with divergent views and loyalties: if chosen correctly the findings of the research team, will not be precooked but the outcome of genuine research, debates and compromises.

The research team should be mandated by the UN (but still sit outside that body and not be governed by its bureaucratic hiring procedures), funded by major international players, and comprised of those leading Libyan youth activists, technocrats, civil society figures, international academics, retired diplomats, active policymakers and analysts who have dedicated their lives to understanding the Libyan economy. Once the team is created, it will be politically difficult for Libyan political authorities on all sides and semi-sovereign institutional heads not to all pledge complete access and openness of their staffs, records and offices.

The research team should compile three reports: a first one on the Libyan economy as it was during the Qadhafi period, a second on how it is now, and a third based on a survey of Libyans across the nation as to how they would like it to be. In

⁴⁵ Ibid.

each case, they must compile the relevant laws and competencies that govern the interrelationships of its parts. This should then be combined with a professional forensic audit not only of the CBL, but of the all of Libya's semi-sovereign economic entities as well as all of the ministries.

This forensic audit of the CBL has been agreed as part of the LNA's price for being willing to cooperate with the NOC and CBL,⁴⁶ but the big four accounting firms (EY, Deloitte, KPMG and PwC) all refused to bid on the project.⁴⁷ It is also not known if sufficient access will be given to the successful bidder. As this paper goes to press, the forensic audit is being delayed based on the lack of a suitable international bidder. Western governments must incentivise neutral and competent firms to undertake the project and demand all of the other semi-sovereigns to pledge the openness of their institutions, and follow suit and commission forensic audits.

The multiple institutional forensic audits should be combined with the three reports of the Committee of experts. Together they can be used to create a map of how the Libyan economy works, where the money is, where the bottlenecks are, their historic origins, where the inefficiencies and corruption lies and what can be done to fix them in line with the will of the Libyan people. All this information must be published in English and Arabic on a website where Libyans and international players can access it and a moderated discussion can evolve in real time.

A skilled and multilingual communications department must promulgate this information to the Libyan people as it is being generated. Merely getting this information out there would formulate the basis for a national conversation about the future of Libya.

Conclusions and the way forward

The Libyan population is smart, curious and patriotic. Attempts at a national dialogue concerning a constitution or political power-sharing in Libya have, heretofore, failed because they do not touch the root of the problem that matters to Libyan's daily lives. Borrowing the phrase from the US 1992 presidential campaign of Bill Clinton, "it's the economy, stupid".

Without economic transparency, no high-level diplomacy or bottom-up national dialogue can fix Libya. The root-causes of the ongoing civil war are not political or military. They are economic. The time for bold, but inexpensive action, is now. Constituting a research team for a mapping exercise and commissioning forensic audits should be politically palatable to all Libyan factions and all major international players.

⁴⁶ Jason Pack, "Fight Over Oil Offers Opportunity to Protect Libya's Wealth", in *Al-Monitor*, 29 June 2018, <http://almon.co/32pe>.

⁴⁷ "UNSMIL Relaunches Central Banks Audit After Big Four Hold Off", in *Africa Intelligence*, 4 July 2019.

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After witnessing years of inaction, the UN is finally prioritising economics. The UN Support Mission in Libya (UNSMIL) has hired a chief economist. In his July speech to the UN Security Council, UN Special Envoy Ghassan Salamé said, "Robust efforts will also be required to combat the smuggling of people, fuel, weapons and drugs – sources of wealth for the armed groups and associated criminal elements. Measures must also be taken to combat the rampant corruption which has infested almost all elements of the state."⁴⁸

At present, UNSMIL lacks the requisite leverage. Partially, this is because the heads of certain semi-sovereign Libyan economic institutions remain unwilling to collaborate. UNSMIL treats them as independent sovereigns over which it has no legal authority.⁴⁹ UNSMIL should reverse this precedent and urgently declare their semi-sovereign status and work with the relevant Libyan authorities to pressure those who stand in the way of reforms, transparency, and the work of the audits and research team.

Partially, UNSMIL's lack of leverage is structural. It has a small team, with limited research capacity, limited access to finances, governed by a range of bureaucratic rules. Its employees do their best given the restrictions within which they operate. But asking the thirty core UNSMIL staff (very few of whom are true country specialists and none of whom are forensic accountants) to first categorise and then fix Libya, is unfair, especially when major Western and regional powers have the ability to deploy the technical experts and, more crucially, the money to do the job. UNSMIL needs more than the verbal support of major member states. It needs the muscle, treasure and legal power of the member states brought to bear on the Libyan quagmire. It makes sense to start small with an "easy win". The research team of experts combined with audits is such an approach.

In summation, this paper⁵⁰ has barely scratched the surface of the convoluted Libyan economy, a subject about which so little is genuinely known. It has illustrated certain salient complexities of Libya's economic structures and why they will remain an implacable impediment to peace building unless the light of transparency penetrates the dark abyss of Libya's semi-sovereign economic institutions. Given the above complexities and inefficiencies, logically, transparency must be front and centre of any international approach to mediate Libya's civil war.

⁴⁸ UNSMIL, *Remarks of SRSG Ghassan Salamé to the United Nations Security Council on the Situation in Libya*, 29 July 2019, <https://unsmil.unmissions.org/node/100042330>.

⁴⁹ This crucial point is given a detailed legal analysis in: Jason Pack, "The UN Deliberately (Albeit Mistakenly) Accorded Sovereignty to Post-Gadhafi Libya's Economic Institutions", cit.

⁵⁰ This paper is a precursor to a second paper focused on policy proposals entitled *An International Financial Commission is Libya's Last Hope*, which will be published in the fall of 2019 by the Middle East Institute. It will elaborate on concrete ways the international community can pivot towards an economic approach to peace-making, which prioritises transparency as a fundamental principle which can be used to unify the Libyan people.

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Previous international efforts have either ignored the issue or like the Skhirat Agreement have added further opacity and contradictions. This logical argument that the opacity of Libya's semi-sovereign economic institutions are at the root of Libya's civil war and that transparency is the first step of the solution constitutes a clear and holistic approach to the Libyan crisis for the international community and UNSMIL to follow.

Acknowledgements

This paper derives from a talk I gave in a committee room of the UK House of Commons on 5 September 2018 to members of the Conservative Middle East Council and the Libyan British Business Council. It is also the product of more than a decade of work experience and reflection.

Struggling to understand an opaque economy – whose deliberate complexities were created to obfuscate – requires a lot of inspiration, mentorship, fellowship, and exchange of ideas. I am particularly grateful to my colleagues and friends in the US and UK who have helped me contextualise the Libyan economy and its idiosyncrasies: Chuck Dittrich, David Mack, Karim Mezran, Jonathan Winer, Rhiannon Smith, Richard Northern, Sir Vincent Fean, Mary Fitzgerald and Peter Millett. As for my Libyan colleagues who continue to work at the upper echelons of Libya's economic institutions and have shared their experiences and perspectives, Faysal Gergab, Sadek al-Kabir, Tarik Youssef al-Magariaf and Mustafa Sanallah have all been incredibly generous with their time and insights.

Nate Mason is not only the expert on the extent and implications of the "dead paper" problem latent in the Libyan economy, but he conceptualised the distinction between Qadhafian "semi-independent", as opposed to post-Qadhafian "semi-sovereign", economic institutions. Much of the strength of my core argument rests on this distinction. This paper has been immensely improved by Jonathan Dart, Tim Eaton and Stephen MacSearraigh who each added their own clever turns of phrase, while pushing back firmly against the politically less palatable policy suggestions I initially formulated. It goes without saying that all errors in the manuscript are my responsibility alone, and when dealing with such a complex topic as the Libyan economy, I apologise in advance as I am sure there are quite a few.

Lastly, Abdul-Rahman al-Ageli first opened my eyes to the deeper structures of the Libyan economy. Ahmed Jehani explained to me the insidious way in which the weight of the Qadhafian legacy currently prevents economic reform. They have both dedicated their lives to trying to promoting a transparency-based economic solution to the problems that ail Libya. Yet it is to Hamam Elfassi that this paper is dedicated. Your insights and intellectual companionship over the years have opened up to me the inner world of the Libyan economy. Our joint struggle for truth and justice may not ultimately change the world, but at least it has brought us true friendship.

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Acronyms

AB	Audit Bureau
CBL	Central Bank of Libya
EDB	Economic Development Board
EPSA	Exploration and Production Sharing Agreement
ESDF	Economic and Social Development Fund
EY	Ernst & Young
GECOL	General Electricity Company of Libya
GNA	Government of National Accord
GNC	General National Congress
GPC	General People's Congress
HIB	Housing and Infrastructure Board
HoR	House of Representatives
LEA	Libyan Economic Agreement
LIA	Libyan Investment Authority
LISCO	Libyan Iron and Steel Company
LPA	Libyan Political Agreement
LPTIC	Libyan Post Telecommunications & Information Technology Company
ODAC	Office of Development of Administrative Complexes
NOC	National Oil Corporation
NTC	National Transitional Council
PIB	Privatisation and Investment Board
PPA	Public Projects Authority
PwC	PricewaterhouseCoopers
SSEI	semi-sovereign economy institution

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