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Status Index	1-10	4.62	# 92 of 129	
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	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	6.2	HDI	0.769	GDP p.c.	\$	-
Pop. growth ¹	% p.a.	0.8	HDI rank of 187	64	Gini Index		-
Life expectancy	years	75.0	UN Education Index	0.707	Poverty ³	%	-
Urban population	%	77.9	Gender inequality ²	0.496	Aid per capita	\$	84.2

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

Inspired by the events in Tunisia and Egypt, Libya's own revolution broke out on 17 February 2011 (the generally accepted starting date; in fact events were underway a few days before this point). This development ended a period that had brought economic stability, international rehabilitation and slight democratic improvements (though best labeled as "facade democratization") under Muammar al-Qadhafi, who had held power for 42 years. In the beginning, the demonstrations and protests that erupted in Benghazi simply expressed discontent with al-Qadhafi's leadership. However, the political conflict quickly turned into a military one, dividing the ruling elite and the country at large. On 5 March 2011, self-declared revolutionaries founded a National Transitional Council (NTC) that served as Libya's official representative beginning on 16 September 2011, and which was located first in Benghazi, and later in Tripoli. On 3 August 2011, the NTC adopted a Constitutional Declaration that outlined the process (still ongoing today) by which a new Libyan constitution would be drafted, and continued to serve as head of the rebel government until its handover of power to the newly elected legislature a year later.

This development was made possible only by NATO air strikes, enabled by U.N. resolution 1973 (2011), which aimed at protecting Libyan citizens from the threat of large scale assaults evidently ordered by al-Qadhafi. In August 2011, Tripoli was taken by the rebel army, and on 20 October 2011, al-Qadhafi's birthplace of Sirt was captured. In the course of these actions, al-Qadhafi lost his life in circumstances that remain unclear. Libya was declared "free" on 23 October 2011. However, the start was shaky from a political perspective, and it took several attempts before a functioning government could be established. Shortly after the death of al-Qadhafi on 20 October 2011, Abdurrahim al-Keib was elected as Libya's prime minister on 31 October 2011. He introduced his interim government on 22 November 2011. Former rebel leaders held key positions in this government. After the parliamentary elections of 7 July 2012 for the new General National Congress (GNC, al-mu'tamar al-watani al-amm), which took over power from the NTC on August 8, the GNC selected Mohammed Yussef al-Magarief as its chairman, and designated Mustafa Abu

Shagur as prime minister on September 12. However, Mustafa Abu Shagur was not able to win the GNC's acceptance for his proposed cabinet, and was removed from office on October 7. On October 14, Ali Zeidan was mandated by the GNC to form a new cabinet. Zeidan succeeded and was sworn in on November 14.

Since the conclusion of the civil war, there has been a struggle for power between the revolutionary brigades and the NTC. Indeed, in many respects, the country's situation has changed for the worse. There is almost no security, women are harassed and even raped much more commonly than before, torture takes place (although it is said this happens outside official governmental prisons), life has become more expensive and weapons are omnipresent (and even affect marital relations, as women fear to criticize their husbands today for fear of being shot). With respect to the goals of establishing democracy and a market economy, the country might be seen to have improved, at least from an outside perspective. Seen from the inside, however, corruption is spreading, politicians are very much disenchanted and Libyans themselves deem their country to be unfit for democracy. Market democracy in Libya is thriving, and the main occupation of most Libyans seems to be "businessman." However, there is virtually no governmental control, and many people feel that the new government values profit more than the popular welfare.

History and Characteristics of Transformation

The four decades of revolutionary history, starting with the coup d'état of the Free Officers under the guidance of Muammar al-Qadhafi against King Idris on 1 September 1969, and definitively ending with al-Qadhafi's death on 20 October 2011, had three political phases. In the first phase (1969 – 1970), a new political and organizational model sought to overcome the shortcomings of the preceding monarchy. In the second phase (1971 – 1975), the Arab Socialist Union was established as the sole political party, based on the Egyptian Nasserite constitutional model. It was replaced in 1975 by a vertically organized system of "direct democracy," based on elected executive people's committees responsible to legislative people's congresses at the national, regional and local levels. This system, elaborated by al-Qadhafi during the 1970s in his (in)famous Green Book, was grounded in resolutions passed by "the masses," or "Jamahir" in Arabic. Thus, in Libya, the state was referred to as the "Jamahiriyya," or "state of the masses" (though this was often translated as "republic").

As leader of the so-called eternal revolution, al-Qadhafi created a "revolutionary sector" comprising of revolutionary committees controlled by him and a few handpicked confidants, afterward holding unlimited executive power, though officially being outside the political system. This led to a unique system that contained aspects of democracy and dictatorship at the same time; however, the latter aspect clearly overbalanced the former, so that al-Qadhafi's Libya was always perceived as one of the world's most undemocratic systems.

Despite al-Qadhafi's strength and the proven stability of the system, many internal transformations, tensions and external conflicts took place. The warlike border dispute with Chad (1978 – 1987), the permanent conflict with the United States (with the U.S. air strikes against Tripoli and Benghazi in 1986 and the bombing of a U.S. passenger plane over Lockerbie by Libyan agents in 1988 as the most memorable hostilities), and finally the long-lasting and significant U.N. sanctions provoked different "waves" of reform within Libya. These were particularly evident after 1992 (when U.N. sanctions were first implemented), after 1999 (after sanctions were suspended), and after 2003 (when sanctions lifted).

Reforms were initiated with the aim of restoring Libya's full scope of action, though democratization according to Western criteria was never the goal. The most visible outcomes of Libya's interest in international rehabilitation were the eventual extradition of the agents suspected in the Lockerbie case to a special international tribunal in 1999, al-Qadhafi's personal engagement in the release of a kidnapped German family in the Philippines in 2000, and the rapprochement with former colonial power Italy in the final years of al-Qadhafi's leadership. These actions brought fresh financial support and business opportunities into the country. In addition, the Qadhafi Foundation, headed by al-Qadhafi's son Saif al-Islam, who was also regarded as his father's most likely successor, was established in 1998 to provide the simulacrum of a functioning civil society in Libya.

Throughout this time, the population's only means of participation remained through the people's congresses controlled by the revolutionary committees. The only real improvement in this regard since 1999 was an increased tolerance for interest articulation. The rest was facade.

The unpredicted February 17 revolution (thawrat 17 fabrayir) brought this comparative stability to an abrupt end. Since the end of the resulting civil war in October 2011, the economy has been completely outside state control, and therefore "free" in Libyan terms. Democratic structures are developing, but have not gained a quick foothold, as many Libyans equate democracy and freedom, thinking that in a free Libya (Libya al-hurra) everything is allowed, ergo nothing is forbidden, and that this is a fundamental tenant of democracy.

While much remains flux, Libya's first democratic parliamentary elections were held on 7 July 2012, creating a General National Congress (GNC) composed of 200 members. Of these, 120 were elected as independent representatives (from multiple-member districts) and 80 were elected through party lists. With regard to the judicial situation in Libya, the current supreme law is the Libyan interim Constitutional Declaration of 3 August 2011, which was prepared by the NTC and is meant to remain in effect until a constitutional commission finalizes a constitution, which will then be subject to a referendum. The interim constitution states in Article 1 (of 37 articles in total) that Islam is the state religion and that Shari'ah is the principal source of legislation. Article 30 deals with the process of drafting a constitution, something that is envisioned as being finished by December 2013 at the latest. However, there have been several delays already, and it will not be the GNC's task to elect a constituent assembly; rather, another time-consuming general election will be held for this purpose.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Question
Score

Following the 2011 revolution, the state monopoly on the use of force vanished as the Libyan state (Jamahiriyya) collapsed. Major clashes and fights have erupted between various societal groups, though the roots of many of these conflicts stretch back to the pre-revolution period. Following a Toubou uprising in 2008, driven in large part by the former regime's persecution, al-Qadhafi stripped members of this community of their citizenship, subsequently pursuing a policy of forced eviction and demolition of Toubou homes. This helped explain Toubou support for the 2011 revolution from the beginning. Between 12,000 and 200,000 Toubous ultimately lost Libyan citizenship. However, there has been conflict between Kufra's Toubou and the Zway tribe since 1974, with the problem ultimately becoming more serious as smuggling became an issue. Some Zway are said to smuggle drugs into Libya and weapons to al-Qaeda outside Libya, and object to the Toubous' border controls.

Monopoly on the
use of force

4

In the aftermath of the February 17 revolution, several groups that had remained loyal to the al-Qadhafi regime became internally displaced persons (IDPs), including the mainly black inhabitants of the city of Tawergha (all 30,000 residents of which fled the advancing revolutionary forces after the regime's collapse), as well as individuals from the Ryana and Mashashya tribes. Tawergha is located close to Misrata, and Tawerghans are said to have committed heinous crimes during the siege of Misrata in 2011. In this case, armed groups contest the power of authorities to protect these IDPs, effectively preventing them from returning to their homes or at least home towns (as many of these individuals' homes have in fact been destroyed).

Similarly, the city of Ghadames was the place of bloody clashes between local Tuareg loyal to al-Qadhafi and other residents. The Tuareg were forced to flee the city in September 2011, and their former compatriots are resisting their return.

By the close of the review period, more than a year after the al-Qadhafi's death, the state's monopoly on the use of force had not been restored either by the National

Transitional Council or by the al-Keib or Zeidan governments. The south in particular continues to show much insecurity and unrest, enabling the smuggling of weapons, people and drugs. In December 2012, the parliament declared this area a “closed military zone” as a strategy aimed at regaining control over this vast area including the borders to Algeria, Niger, Chad and Sudan. The situation in southern Libya must also be seen in the context of the armed conflict in Mali.

Even after the February 17 revolution, the legitimacy of the Libyan nation-state is rarely questioned at a fundamental level. However, the oil-rich eastern province of Cyrenaica is seeking more influence in the western province of Tripolitania, which sets the national political guidelines. The southern province of Fezzan, although oil-rich in its own right, does not possess the power to consider independence due to its land-locked position and its lack of population.

State identity
7

Libya has been an Islamic state insofar as the state was based on Islamic principles, which included a juridical system grounded in Islamic law. In many regards, however, al-Qadhafi had a quite unorthodox way of interpreting the Quran. Consequently, an Islamic opposition developed soon after his rise to power. In the course of the 2011 revolution, the Islamic opposition gained significant influence. In October 2011, NTC head Mustafa Abdul Jalil announced that laws from the Qadhafi era that violated Shari’ah principles would be struck down. For example, the Marriage Act (Law No. 10) of 1984 was overturned when the Supreme Court Constitutional Chamber ruled in early 2013 that a husband was legally allowed to marry a second wife without the permission of his first. Previously, husbands were required to obtain the consent of any current wife before taking a new bride.

No interference of
religious dogmas
4

In the aftermath of the February 17 revolution, the basic civil functions of the state apparatus are no longer fulfilled. A judiciary exists but judgments are not always implemented. There is a prevailing state of lawlessness, and although the authorities attempt to enforce the law, the power of various militias often renders this unsuccessful.

Basic
administration
3

With respect to the administration of communications, transportation and basic infrastructure, the situation is improving. During the revolution, interruptions in electricity and water were common; a year and a half after the revolution, this remains the case. Internet speeds are among the slowest worldwide. It is been announced that Chinese telecommunications company ZTE will help rectify this problem through an expansion of coverage and capacity by August 2013.

In general, the situation seems to be improving slowly. In the transportation sector, the huge projects begun by the former regime were all stopped during the revolution. However, talks have begun with Russian Railways, which has been engaged in building a railway along the coastline since 2008.

Regarding basic infrastructure, the Millennium Development Goals report on Libya shows prerevolutionary achievements, including an increase in the primary education enrollment ratio to 97% (2006) from 90% (1995), and a decline in the infant mortality rate to 15 per 1000 children (2008) compared to 33 per 1000 in 1999. Fifty-four percent of the population had access to safe drinking water of the population (2001), and 97% had access to safe sanitation (2010). New, postrevolutionary data for the educational sector are not available; however, even prerevolutionary data were often unreliable.

2 | Political Participation

The prerevolutionary Libyan state was ostensibly a direct democratic political system. General elections were regularly conducted on the national level. However, the suffrage was compulsory, but parties with different platforms were not allowed to exist. Political posts were not filled according to elections, but rather by al-Qadhafi and his immediate circle. With the February 17 revolution, this system changed completely. On 7 July 2012, the first free nationwide elections in 42 years were conducted. Out of 2.8 million registered electors, around 1.7 million people or 63% of eligible Libyans participated in the elections to select the members of the new General National Congress (GNC).

Free and fair
elections

8

National and international observation teams deployed to polling stations across the country lauded the nationwide elections as a success and a remarkable achievement. The High National Election Commission (HNEC) was hailed for preparing the elections in a very short time starting February 2012, despite security incidents on polling day as well as at other times during the election period. For instance, in Ajdabiya, the election storage center was burned by suspected federalist supporters on 5 July 2012. Criticism was directed at the lack of accommodation for disabled voters and the widespread lack of familiarity with the election process. But overall, voter registration and polling procedures were perceived as transparent and fair. Open and equal media access was ensured for the candidates and parties, and the polling was accessible, secure and secret so as to ensure effective participation.

At least in the first half-year after its democratic election, the General National Congress (GNC) faced little in the way of veto powers. However, the influence of the clergy is strong and prompts considerable debate. However, the clergy does not have the power to veto the results of democratic decisions, but rather tries to influence the legislative body in the process of decision-making, thus putting politicians under pressure. The same applies to militias and armed groups that potentially might interfere in the democratic process. Some dissatisfied revolutionaries claim that not enough has been accomplished have sought to press their arguments by disturbing the GNC at its work, as in October 2012 when the GNC premises were stormed by armed militiamen. In securing elected decision makers' future power to govern

Effective power to
govern

3

effectively, it will be critical to rebuild the army's structures and command hierarchies. A disintegration of the army into rival units, by contrast, would bode ill for future stability.

By the close of the review period, Libya did not yet have a new constitution. While the former regime denied the population association and assembly rights, these are today unrestricted for individuals and independent political or civic groups within the basic democratic order. After al-Qadhafi's death, more than 150 political parties and several hundred NGOs were founded. However, freedom of assembly is restricted for loyalists or supporters of al-Qadhafi. The same applies to anything contrary to Islam or Shari'ah.

Association /
assembly rights
8

Law 65 (Regulating Public Protest) of 6 November 2012 stipulates that authorities must be notified of any planned protest at least 48 hours in advance, including the planned location, route and time. Libyan and Arab human rights groups have criticized this as an attempt to restrict free speech and demonstration rights, saying that "Freedom of assembly is not a privilege granted by the state that is only legitimate if approved by the authorities, but rather a fundamental right of citizens that must be protected by the government."

During the Qadhafi era, freedom of expression was de facto denied. Independent media existed but were suspended the moment they failed to please the ruling elite. Authorities detained journalists at will. In postrevolutionary or "free" Libya (Libya al-hurra), this has shifted to the other extreme: Everybody wants to express and do whatever she or he wants. By the close of the review period, no constitution able to guarantee freedom of expression had yet been put in place. However, Law 65, which regulates public protest, is conceived by human rights organizations as imposing restrictions of the freedom of speech. Reporters Without Borders has issued a statement expressing concern about the increasing number of threats or actual use of violence against journalists in Libya. These cases often but not exclusively involve semiofficial armed groups or religious groups. In its 2013 World Press Freedom Index, Reporters Without Borders ranked Libya at position 131 out of 179 countries, an improvement of 23 ranks compared to the previous 2011 – 2012 ranking.

Freedom of
expression
7

Although the state does not practice censorship, and journalists do not routinely engage in self-censorship, certain topics, for instance those addressing core Islamic themes, are handled with care. Anything that casts a positive light on al-Qadhafi or the former regime is strongly disliked. In November 2012, the General National created a new Ministry of Information, tasked with regulating a Libyan media that as of the time of writing was completely unregulated. Opponents fear the ministry could be used to stop criticism of the authorities.

3 | Rule of Law

Officially, there exists a separation of powers. De facto, however, the state institutions often fail to work properly due to the state of lawlessness in post-Qadhafi Libya. For example, court decisions in individual cases are often not enforced. However, Prime Minister-elect Abu Shagur's replacement by the General National Congress in October 2012 could be seen as an example of the existence of checks and balances.

Separation of
powers

4

The independence of the judiciary in the Qadhafi era was heavily impaired through interference by political authorities. Today, a judiciary exists but does not function reliably.

Independent
judiciary

3

As of the time of writing, General National Congress was working on reactivating the judiciary, a particularly important task due to pending trials against members of the former Qadhafi regime. The new regime has expressed a willingness to give Abdullah Senussi, Qadhafi's former intelligence chief, a fair trial. The International Criminal Court (ICC) has registered its doubts as to Libya's ability to perform this, and has asked Senussi to be handed into its custody to face charges of crimes against humanity. Libya is obliged to comply with the surrender request; if it refuses, the ICC can refer the matter to the U.N. Security Council.

The state depends in part on militias, and thus lacks the ability to put figures such as Saif al-Islam al-Qadhafi, who is imprisoned by the Zintan brigade, on trial.

Due to the political situation in the aftermath of the 2011 revolution and the descent into civil war, officeholders who break the law and engage in corruption can today do so without fear of legal consequences. Even under al-Qadhafi, institutional safeguards for financial control and corruption prevention were scarce. This situation has been exacerbated since the February 17 revolution, and large sums of public money simply disappear. In January 2013, there was a furious debate on the 2012 budget, as only 46% of the total approved budget (LYD 31.76 billion) had been spent. Some felt that given former Prime Minister al-Keib's lack of experience in government, he showed prudence in not spending the funds unwisely. Others criticized the state for failing to spend the money in such a way as to support the economy and reintegrating the revolutionary fighters (thuwwar) into society. A prevailing interpretation on social networks and within Libyan society is that the al-Keib government claims to have dispensed the complete 2012 budget. However, since no evidence of this has been shown, the public has asked whether the funds were in fact squandered or lost to corruption.

Prosecution of
office abuse

3

Law 38 of 2012 grants complete amnesty for acts deemed necessary to the success or protection of the February 17 revolution, no matter what their nature. This therefore de facto endangers the rule of law in Libya.

The state de jure protects personal liberty. De facto, the situation is different, with torture and inhumane treatment even more common today than under the Qadhafi era. The fact of civil rights violations is not denied, but no institution is effectively dealing with the issue.

Civil rights
2

During the Qadhafi era, women were not discriminated against from a legal perspective, and al-Qadhafi encouraged women to exercise their rights, although traditional gender relationships still resulted in some mistreatment. However, this changed completely in the course of the 2011 revolution. Women today fear to leave the house because of the possibility of abduction or sexual abuse. The safety provided by former regime is completely gone.

Religious discrimination was once rare in Libya, but the situation seems to be changing with respect to Christians. This problem is particularly pronounced in the Cyrenaica; in the town of Misrata, an attack on a Coptic church on 29 December 2012 left two Egyptian Copts dead. Furthermore, there are fears of Shi'i proselytism. In 2012, Iranian Red Crescent workers were abducted in Libya and accused of proselytizing.

Tensions between Arab tribes and the Libyan Toubous (an ethnic group living in southern Libya) have increased. During the period under review, the southern cities of Kufra and Sebha saw major clashes between Arabs and Toubous in which several hundred people lost their lives. Victims of these conflicts are not sufficiently protected by the state, nor are war crimes followed up and perpetrators prosecuted.

Black Africans were subject to general discrimination even under the al-Qadhafi regime. However, due to the accusation that many were al-Qadhafi loyalists and mercenaries, this discrimination has intensified, leading even to atrocities perpetrated against them. Prisoners, political opponents, women and ethnic minorities (Berbers/Amazigh and Toubou) are de facto (if not officially) denied full citizenship rights.

4 | Stability of Democratic Institutions

Although possessing democratic structures in theory, the former Libya was in fact an authoritarian regime. As "leader of the revolution," al-Qadhafi ruled the country without holding any democratically elected position. Furthermore, corruption constrained what democratic features did exist within the system to a significant degree. Following the February 17 revolution, it has often been the case that institutional names have changed, but not the institutions themselves. Corruption

Performance of
democratic
institutions
3

persists, and has prevented the national democratic institutions from working free of counterproductive friction. Regional and local governments (such as councils) also exist, but these act rather independently and lack national support. This translates at times into difficult working conditions. For example, the president of the Benghazi Local Council resigned in December 2012 for the second time due to the national government's failure to keep promises of support for Benghazi and the non-payment of local salaries. Tripoli Local Council (TLC) elections were delayed several times in 2012 for technical reasons, most recently in November 2012. Voter lists and candidates were simply not ready. The TLC blamed the lack of a local administration law and a failure to secure appropriate funding in explaining why the TLC and other local councils cannot provide essential services to their local communities. Elected and unelected local councils exist today side by side, a fact that complicates the situation.

Libya is divided in at least two faction. For the ruling faction, all democratic institutions are accepted as legitimate by all relevant actors. For the opposition faction of al-Qadhafi loyalists, the new democratic institutions do not count and are not taken seriously. Though there is no data available, inside observers report that the majority is by now "green," and therefore in the al-Qadhafi faction. People have discovered the fallibility of the so-called revolutionaries, and name and shame the corruption that is worse today than during the Qadhafi era.

Commitment to
democratic
institutions

3

5 | Political and Social Integration

Under the former regime, political parties were banned by the 1972 Prohibition of Party Politics Act. Therefore, parties are a new phenomenon in Libya. In December 2012, the GNC published Draft Law 29 on the organization of political parties, hoping to consolidate a party landscape that had to that point been rather heterogeneous.

Party system

4

To date, three major political parties have dominated the scene. The National Forces Alliance (Tahaluf al-Quwah al-Wataniyya) is a coalition of some 40 political parties under the leadership of Mahmoud Jibril, former head of the National Economic Development Board (NEDB) under al-Qadhafi and interim prime minister under the NTC during the revolution. The Justice and Construction Party (Hizb al-Adala wa al-Bina) is the political arm of the Muslim Brotherhood. The third influential group is the National Front Party (Hizb al-Jabha al-Wataniyya), headed by Mohammed Magarief.

The General National Congress elections in July 2012 were the first litmus test of the newly created parties. About 130 political parties participated in the election, putting forward 1,207 candidates for 80 seats of the GNC's total 200. The remaining 120

seats were reserved for individual directly-elected candidates. The elections were overall perceived as a success.

This system has been criticized by some in the religious sphere. In October 2012 Grand Mufti Sheikh Sadeq al-Ghariani warned that “Libyans will have to pay the price of their hypocrisy,” referring to the multiparty system he deemed unsuitable for the country.

In prerevolutionary Libya, societal interests had little representation within the political system. In accord with the Association Act of 1971, the establishment of non-governmental organizations (NGOs) was allowed as long as they conformed to the objectives of al-Qadhafi’s revolution. However, their numbers were small. Although trade unions did not exist, professional associations were integrated into the state structure by sending delegates to the parliament (General People’s Congress). Still, these groups could not present an active critique of Libya’s peculiar democratic structure, nor could they contribute to the creation of a vital civil society.

In theory, the new Libya is completely different. The spectrum of interest groups ranges from social movements and community organizations to unions and professional associations. All these groups try to incorporate wide-ranging social interests, seek to avoid dominance by a few strong interests, and try to cooperate with one another. However, the reality does not fulfill the legal potential. Although no reliable figures are available, the growing dissatisfaction with the current political situation means that an estimated 50% to 80% of the population does not support the new system (which does not necessarily mean that they wish a return of the former regime). Furthermore, many of the interest groups are run by Libyans who used to live abroad, who are unable to see things from the ordinary Libyan’s perspective. A number of strong societal currents are serving to undermine the current weak and corrupt democracy.

Under Libya’s formerly authoritarian regime, the approval of democratic performance and institutions was not able to be assessed. In the new Libya this is not much different. Oxford University, in cooperation with the University of Benghazi, conducted an opinion poll in Libya in early 2012, showing that many Libyans, despite hating al-Qadhafi, still want a strong leader to guide the country. Only 29% said they wished to live in a democracy. Accordingly, political parties draw only minimal support, with 27% of the population trusting them. The decline in the postrevolutionary political situation also undermined approval of the democratic system to a substantial extent. People are not at all satisfied with the country’s democratic performance so far, and do not trust existing democratic institutions due to widespread corruption.

In the past several years, Libya has experienced dramatic change to its societal fabric as well as in its political system. Under the former regime, there were no autonomous

Interest groups

4

Approval of
democracy

n/a

Social capital

3

cultural, environmental or societal associations, as everything was directed or supervised by the state. Although it is difficult to assess the extent of solidarity and trust among citizens today, it cannot be doubted that levels of mistrust and suspicion have sharply increased. Although self-organized groups and associations do exist, civil-war-like conditions have eroded trust among the people.

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Socioeconomic
barriers
5

Poverty and inequality are limited and has traditionally been structurally ingrained only to a small extent. But poverty is rising due to the 2011 revolution. Though there are no official figures on poverty, it is not the case that significant parts of the population are fundamentally excluded from society due to poverty and inequality. The UNDP's 2012 Human Development Index (HDI) ranked Libya at position 64 out of 187 countries with a value of 0.758, hence placing it among the countries deemed to have high human development.

The income situation is a problem insofar as most Libyans are employed in the public sector. The 2011 revolution augmented this problem, since there are now thousands of additional revolutionary fighters on the payroll. Private-sector activities have increased substantially since the revolution, though in general Libyans were not used to a market economy.

Subsistence economy practices exist only where people want to live on their own and do not want to be dependent on the state, which has historically provided its citizens with adequate welfare support. The estimated 1 million to 2 million foreign workers, mainly from Arab or African countries, are more susceptible to poverty.

There is hardly any inequality in regard to education. At 89.2%, the adult literacy rate is high (male: 82.7%, female: 95.6%; 2000 – 2011) due to the comprehensive enrollment of children in public and private schools. The gross enrollment ratio for primary schools was 114.2% over the 2000 – 2011 period, and 110.3% at the secondary level (2001 – 2009). Ratios of female to male enrollment in public and private schools (2000 – 2011) indicate that male pupils dominate in primary schools (95.9%), but that female students are more numerous in secondary (117.6%) and tertiary (108.06%) education. However, gender equality is not as pronounced in the areas of reproductive health, societal participation or the labor market. The 2011 Gender Inequality Index assigns Libya a score of 0.485 on a scale ranging from 0.000 (absolute equality) to 1.000 (absolute inequality). Exclusion based on religion or

ethnicity does not officially exist, but people with dark skin are more likely to face disadvantages than those with comparatively fair skin.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	62360.4	-	-	-
GDP growth	%	2.1	-	-	-
Inflation (CPI)	%	2.5	2.8	15.5	6.1
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	2.2	-	-	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	9380.6	16800.7	1409.9	-
Public debt	% of GDP	-	-	-	-
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	2.2	2.1	3.0	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	3.2

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

Market-based competition is comparatively new in Libya due to the theoretical basis of the system designed by al-Qadhafi. Some market competition was developed following the suspension of sanctions in 2003, and was promoted in particular by al-Qadhafi's son, Saif al-Islam. Today, there is hardly any functioning institutional

Market-based
competition

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framework for market competition, and few rules for market participants. However, some of the liberal regulations implemented under the former regime have been revoked in the new Libya. For example, as of January 2013, foreigners are no longer allowed to establish limited liability companies. On the macroeconomic level, the currency is convertible. There are no significant entry and exit barriers with respect to product and factor markets. However, the markets are not in general contestable, since administered pricing still exists, especially for staple foodstuffs. Owning private property is normal, and the real estate sector has boomed since the 2011 revolution. The freedom to launch and withdraw investments exists. Few Libyans are employed in the informal sector, but there is a huge informal sector made up of illegal foreign workers and migrants, which has a strong influence on the operations of the economy.

Currently, no antitrust or competition laws are enforced against monopolistic or cartelistic structures. Contracts entered into by state-owned entities used to be governed by Libyan law; however, the situation is completely unclear today due to the upheavals of the 2011 revolution.

Anti-monopoly
policy

3

Foreign trade was not liberalized during the Qadhafi era. However, Libya has turned toward the West following the 2011 revolution, and has expressed a willingness to open its economy to foreign investment. It achieved a remarkable score of 85 in the trade freedom section of the 2013 Index of Economic Freedom. Non-tariff trade barriers remain high, however.

Liberalization of
foreign trade

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Libya applied for WTO membership on 27 July 2004, but has not yet engaged in the negotiations necessary to complete its application. Aside from Syria, Libya is the only Mediterranean country lacking an association agreement with the European Union. Negotiations on this topic were started in 2008 but suspended in February 2011, and remain dormant. Trade between Libya and the European Union, never a primary focus for either party, collapsed in 2011 when the total trade volume to the EU was reduced from €35.9 billion (in 2010) to €12.5 billion, a decline of 65%.

Libya's banking system and capital market are not well differentiated, and regulation and supervision requirements are insufficient.

Banking system

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The country does not meet the international standards of banking systems defined by the Basel Accords. It does not disclose reliable information about economic activities, nor is information on its bank capital-to-assets ratio or bank nonperforming loan ratio available. Since Libya is almost wholly independent of the world financial system, pressure to internationalize its system has been minimal. Its access to oil money relieved it from the necessity of financial sector reforms as a reaction to the last global financial crisis.

On 7 June 2012, Saddek Elkabeer, the governor of the Central Bank of Libya (CBL), announced that a new equilibrium had been reached between bank deposits and

withdrawals, and that restrictions on cash withdrawals from banks would be lifted. The restrictions had previously been put in place for security reasons.

In January 2012, the CBL established a special committee tasked with examining best practices within the Islamic world, with the aim of introducing Shari'ah-compliant banking services within the Libyan financial sector. Interim amendments to the banking laws were formulated, which will be applied until separate legislation is enacted. In October 2012, Benghazi bank employees launched a demonstration demanding Shari'ah-compliant banking. During its period in control, the National Transitional Council (NTC) approved the previous Libyan regime's 2005 banking law, which regulated Islamic banks. Furthermore it was stated by the CBL that any new Islamic bank licenses granted to foreign Islamic banks should be associated with a partnership with the Libyan private sector, so as to gain expertise within the domestic financial sector. In November 2012, bank interest on loans granted to Libyans was eliminated. Banks were asked to ensure their loans conformed with Shari'ah principles instead. In January 2013, the General National Congress approved the Law on the Prevention of Usurious Transactions, prohibiting bank interest on transactions between state entities and Libyan citizens.

Since the revolution, banks have faced a problem with armed robbery. In May 2012, a convoy transporting LYD 2 million from Benghazi to Tobruq was raided, leaving four guards dead. In December 2012, a commercial bank in the Tripoli Dahra district was stormed by several men whose request to change Libyan dinars into U.S. dollars had been rejected. One of the security officers present called six separate security organizations, but received no response.

8 | Currency and Price Stability

Inflation control and exchange-rate policies have not been effective since the 2011 revolution. Since 2002, the Libyan dinar had been kept stable at a rate of LYD 1.2 to the U.S. dollar, although economists in Libya said the dinar was pegged to a weighted basket of currencies including the dollar (44%), the euro (34%), the British pound (11%) and the yen (11%). During 2011 and 2012, the average exchange rate remained LYD 1.2 to the U.S. dollar. However, there are restrictions on changing Libyan dinars to euros. Since there is a certain allowance per person, a black market has developed, and people earn money by systematically borrowing passports in order to engage in currency exchanges.

Libya had a negative inflation rate at the end of the 1990s, which lasted until 2004. Following the lifting of the sanctions in 2003, the demand for consumer goods grew quickly, with the country importing about 90% of its food and other supplies. In 2008, inflation peaked at 10.4% amid sharp increases in housing costs and food prices, which were due to higher imported food prices and the global credit crunch. In 2009,

Anti-inflation /
forex policy

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inflation fell to 2.5% as a result of lower food prices, which account for around a third of the inflation measure. This rate was maintained through 2010, according to the World Bank. Reliable data covering the revolutionary and postrevolutionary period are difficult to obtain; however, the Libyan central bank announced that inflation had risen to 29.6% in December 2011, then fallen steadily to a negative rate of -3.6% in December 2012.

Libya is one of the few countries that does not have significant outstanding debt. Even after the 2011 turmoil, with its massive use of military measures and associated economic decline, the country's 2012 public debt was estimated by the CIA Factbook to be just 1.9% of GDP. This is because Libya has generally promoted macroeconomic stability, supported by its substantial oil income. Hence, from a financial perspective Libya is only minimally vulnerable to external influences. The current account balance, as the sum of net exports of goods, services, net income and net current transfers, was \$16.8 billion in 2010 but fell due to the revolution to just \$1.4 billion in 2011. The general government final consumption expenditure (including all current governmental expenditures for purchases of goods and services as well as employee compensation, national defense and security expenditures) totaled 9.3% of GDP in 2008, well under the 14% average among all BTI countries. The total reserves of Libya amounted to \$140 billion in 2012. Also that year, Libyan foreign investments yielded a total of \$700 million, according to the Libyan Investment Authority. The lack of institutional safeguards, which worsened during and after the February 17 revolution, is problematic for Libya's economic planning and oversight. Only 46% (LYD 31.76 billion) of the 2012 budget was spent, and there was a furious debate in 2013 over where the money had gone. Whether due to corruption or incompetence, the disappearance of the money meant it was not used to stimulate the economy or reintegrate former revolutionaries into social life. Official sources have made assurances that the 2013 budget, which is 3.6% smaller than the 2012 budget, will be completely spent.

Macrostability

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9 | Private Property

Rights and regulations on the acquisition, benefits, use and sale of property are formally defined by law. While current data are not available due to the February 17 revolution, two procedures taking three days were necessary in 2009 (according to World Bank data) for a standard case of an entrepreneur wanting to purchase land and a building (as long as the property is registered and free of title dispute). This was surprisingly fast given the average number of procedures (six) and length of time (62 days) required worldwide, but may also have been a sign of administrative malfunction. This is particularly true given that under the former Libyan state system, property rights and related regulations were not implemented or enforced consistently, and were not provided with adequate legal safeguards against arbitrary

Property rights

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state intervention or illegal infringements. Today, many Qadhafi loyalists have fled to neighboring countries, especially Egypt and Tunisia. The property of some of these figures was illegally taken over by some of the revolutionaries. The state has expressed no concern over this situation, and these figures cannot go to court for fear of being subject to retributory political action. However, even going to court and winning a verdict does not mean claimants are able to get their houses or apartments back in today's environment.

Libya's strategic business sectors used to be dominated by state-owned companies. Private companies were able to act freely, but sometimes encountered economic, political or social barriers to development. This was due to certain aspects of the basic Libyan politico-economic system and the strong position of al-Qadhafi. According to 2009 World Bank data on starting businesses, which identify the bureaucratic and legal hurdles an entrepreneur has to overcome to incorporate and register a new firm, it required seven procedures and 26 days to launch a commercial or industrial firm with up to 50 employees. This was better than the average value for countries examined in the BTI, which was eight procedures and 32 days time. Though data for 2012 are not available, it can be assumed since the February 17 revolution procedures have become easier, not only because the private-sector economy is growing quickly and private companies mushrooms, but also because the previous bloated public administration has severely lost capacity.

Private enterprise
5

10 | Welfare Regime

Social safety nets are well developed and cover almost all risks for all strata of the population. There is no poverty prevention program, but the state regards securing the wellbeing of its citizens as a high priority. A nationwide health care system is responsible for the comparatively high life expectancy in Libya of 75 years (2011). The state typically compensates for social risks through monetary payments and food programs (e.g., subsidized food). The money for this comes from oil revenues and related investment funds. The welfare regime is thus clearly public, although a private element also exists due to the tribal and family clan system. Public health expenditure in 2010 amounted to 2.7% of GDP, representing an increase of 1.8 percentage points within four years. Public health expenditures for 2011 remain unclear due to the revolution. It must be assumed that they were extremely high in 2012, as many injured revolutionaries received medical treatment abroad. This offer for revolutionary fighters was severely abused by many Libyans who found that claiming to be an injured revolutionary earned them and their families an all-expenses-paid holiday to Jordan, Tunisia or elsewhere. This program ultimately cost the state an estimated \$3 billion, as it was badly administered by the Committee for the Care of the Injured. Former Health Minister Fatima Hamroush ultimately cracked down on

Social safety nets
7

abuse of the system. After this point, for instance, of 40,000 Libyans being looked after in Jordan, only 3,000 remained there for medical treatment.

A National Health Systems Consultation Conference was held in Tripoli in August 2012. The draft report of this conference stated that “the extra demand imposed upon the health services during and after the liberation war in 2011 led the ailing health care system in Libya to collapse.” The delegates made 21 recommendations in order to solve this problem.

Equality of opportunity was largely achieved under the prerevolutionary Libyan regime. Women and members of ethnic or religious groups had near-equal access to education, public office and employment. This changed significantly following the revolution. The situation for women worsened significantly in terms of sexual harassment and religion-based restrictions on personal freedom. Ethnic and religious tensions increased, and citizens who are not Arab or Muslim find daily life more difficult. The literacy rate is 95% for males and 82% for females (2005 – 2010). The 2012 gross enrollment ratio – the ratio of total enrollment, regardless of age, to the population of the age group that officially corresponds to the level of education shown – was 114.2% at the primary level, 110.3% at the secondary level and 54.4% at the tertiary level. The ratio of female to male enrollment in public and private primary schools is 95.9% (2012). At the secondary (117.6%) and tertiary level (108.6%), girls even outnumber boys significantly.

There are a number of legal provisions directed against discrimination, but their implementation is currently insufficient for a number of reasons, ranging from the importance of connections when applying for a job to the general disorganization of the war’s aftermath.

Equal opportunity

5

11 | Economic Performance

Due to its vast natural resources, Libya’s economic performance has been good despite sanctions. The prerevolutionary period featured high GDP growth rates, high unemployment levels (an estimated 30% overall, and 50% among youth), oscillating price stability, a balanced budget, no debts and a very good current account position. GDP per capita (PPP) grew continuously from 2006 to 2009, reaching \$16,526 in 2009. GDP at purchaser’s prices was \$62.4 billion in 2009. GDP growth in 2009 (at market prices based on constant local currency) was 2.1%. The inflation rate was 2.5% in 2010, considerably lower than 2008’s rate of 10.4%. After a peak inflation rate of 29.6% in December 2011, announcements by the Libyan central bank shortly before the end of the review period noted a deflationary rate of 3.6% in December 2012. Foreign direct investment amounted to 2.2% of GDP in 2009. The current account balance (the sum of net exports of goods, services, net income, and net current transfers) in 2011 was \$1.4 billion. Gross capital formation (outlays on

Output strength

7

additions to the fixed assets of the economy plus net changes in the level of inventories) in 2008 totaled 27.9% of GDP. No reliable newer data is available due to the revolution in 2011 and the comparatively chaotic postwar situation prevailing in 2012.

12 | Sustainability

In the 2012 Environmental Performance Index, Libya was ranked at 123rd place out of 132 countries. To the extent that the index measures the establishment and progress toward environmental goals, Libya's 37.7 points on the scale (compared to best performer Latvia's 70.4, and even the average of 50.4) is quite poor. However, in December 2010, Libya announced that it wanted to triple its power generation capacity within a decade, and set a target of supplying 10% of its energy consumption through renewable sources such as wind and solar power. The former regime tried to set incentives for environmentally sound consumption and investments, but there was little public awareness of this policy. However, the February 17 revolution did not help to direct Libyans' attention toward environmental problems. Neither tax nor energy policies take ecological goals and measures into account. The government has set no incentives for environmentally sound consumption and investment for households or companies. There is no deeply engrained awareness of the environment or nature in society. However, on 10 November 2012, the Arab Youth Climate Movement (AYCM) hosted an event called the Day of Action on Climate Change. Libyans are considered to be detached from the realities of environmental change.

Environmental
policy
3

Education policy has traditionally ensured a nationwide system of sound education and training, and the research and technology sectors were fairly advanced. However, there are no current figures on investment in education and training, or on investment in research and development. The literacy rate of 89.2% (2000 – 2011), as well as the 2012 ratio of female to male enrollment (primary education: 95.9%; secondary education: 117.6, tertiary education: 108.6%, 2012) and the 2012 gross enrollment ratio (primary education: 114.2%; secondary education: 110.3%; tertiary education: 54.4%) are all good. Prerevolutionary Libya was working to reform its higher education and scientific research systems, announcing in April 2009 that it would spend \$9 billion on a five-year national strategic plan focusing on these areas. The main aim was to set up a knowledge-based Libyan society and promote science-based industrial development. For instance, the state planned to establish a National Authority for Scientific Research as well as a Center for Quality Assurance and Accreditation. Therefore, research and development received effective support from the former government. However, there was still a mismatch between educational system output and market demands, which drew a relatively high number of well-educated, skilled expatriates from other countries such as Algeria or Egypt to work in Libya. Education policy following the revolution has not yet evidenced changes

Education policy /
R&D
5

for the better. For instance, university policies are less transparent than was the case in former times. Students in “free Libya” often no longer accept the professors as authorities. Many female students attend university courses primarily as a way to get away from home, but are not focused on studying, while students with a revolutionary record (thuwwar) sometimes demand that they be given good grades solely because of their political engagement. Faculty members often fear to refuse such demands.

Transformation Management

I. Level of Difficulty

Structural constraints on governance are relatively low, as Libya is a very rich country due to its oil revenues. However, the incidence of poverty, traditionally low (except for the migrants who often lived at the subsistence minimum), is increasing. Beggars are almost omnipresent in the postrevolutionary era. There is a lack of an educated labor force, particularly in the eastern and southern parts of the country, considered by some to be disadvantaged geographical locations. While the infrastructure was previously good, the wartime fighting affected roads and interrupted road construction; considerable work has to be done in this area. However, foreign firms have hesitated to resume their work, since they have not been reimbursed for damages resulting from the 2011 revolution and its aftermath. The country's main railway project was also interrupted, but as of the time of writing, negotiations with Russia to resume work were underway. Compensation negotiations with foreign companies that suffered severe damage or losses because of the 2011 revolution are also ongoing. Turkish companies were promised \$20 billion in compensation, which strengthens their strong position now with respect to doing business in Libya. Other structural difficulties result from the cleavage remaining from Qadhafi's political legacy, as tension remains between former supporters and revolutionary opponents; vehement disagreement on the suitable political future for the country (i.e., centralized, federal, or even state disintegration) also functions as a divide.

The country is sometimes subject to locust infestations, as was feared in spring 2012, for instance. The absence of authority during the war allowed a late-2010 outbreak of foot-and-mouth disease to spread more quickly than was the norm. The Agriculture Ministry estimates that at least 40,000 animals ultimately succumbed to the disease. Economically, the cost of the epidemic in Libya is huge, and includes a decrease in milk production, weight gain and reproductive inefficiencies. There are no pandemics extant among the Libyan population, although HIV and other disease infection rates may be higher among migrants.

Structural
constraints

5

Traditions of civil society were very weak in Libya under the prerevolutionary regime. There was no real public engagement, although the government would have argued that the political system's democratic features served as a functional equivalent. The situation changed quickly with the revolution, and civic engagement is today thriving. However, Libyans are not used to speaking out loudly on political matters, so it will take time for them to become accustomed to this way of participation in public life.

Civil society
traditions

8

Since the 2011 revolution, violent incidents based on social or religious differences have become more common. In 2011, more than 60 Sufi shrines were destroyed by Islamist brigades. The government neither protected these sites, which are holy for Libyan Sufi Muslims, nor arrested their destroyers. Grand Mufti Sheikh Sadik al-Ghariani condemned the attacks, but was not able to prevent further repetitions. Al-Ghariani also warned that Libyans might be tempted to convert to Christianity or Shi'ism. Due to the lack of security and border controls, as well as the chaos in the aftermath of the revolution, it has at least in theory been easy for Christian and Shi'i missionaries to enter the country.

Conflict intensity

7

Ethnic-driven conflict has a longer history. Skirmishes today between the Toubou and Zway tribes in Kufra date from November 2008 or even earlier. Sporadic conflict also takes place between the Tuareg and the people of Ghadames as well as between the Rigdalin, Jumail and Zuara. In addition, the Berbers (Amazigh), which constitute up to 20% of the population, are not wholly accepting of the dominant Arab influence. Arabs see acknowledgment of the Amazigh culture as a threat, while the Amazigh fear that the Arab Libyans do not value their participation in the 2011 revolution. An Amazigh cultural revival is underway, which has featured a strong demand to establish the community's cultural and linguistic in the new constitution. One school has already begun teaching in Tamazight, the Berber language.

II. Management Performance

14 | Steering Capability

Question
Score

Under the former regime, the government did act to set strategic priorities. However, these were often replaced by short-term interests associated with political bargaining and office seeking. Policy measures were rarely prioritized or organized. Although there may have been a longer-term perspective in some circles, al-Qadhafi frequently stepped in to intervene in the course of events. Therefore, it was not electoral competition that constrained the state's ability to take on a longer-term perspective, but rather the influence of the unelected leadership. However, the oil sector served as

Prioritization

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an exception to this rule, being well organized and excluded from the ordinary realm of political bargaining. Decision makers tried to manage development and transformation effectively, but resources were often not used efficiently. Abuse of office and nepotism were common, and the revolutionary sector, which operated in competition with the democratic aspects of the hybrid system, hampered efforts to improve efficiency.

The 2011 revolution shifted the system into a democratic mold. However, the attitudes and behavior of the people have changed to a much lesser extent, so there is still abuse of office, nepotism and probably even more corruption than existed before.

The current government does not seem to be interested in a longer-term perspective due to pressing demands of present-day security. The government is asked to prioritize and organize its policy measures, but finds this difficult due to most politicians' lack of governing experience and the often unrealistic expectations of the electorate.

Even before the revolution, the government was little able to pursue its own policies, due to Libya's political system. Officially, the government received objectives through the system's democratic channels, though in practice al-Qadhafi and his revolutionary system clearly interfered with and dominated the process. In the aftermath of the 2011 revolution and the 2012 elections, the National Transitional Council government and the Zeidan government were able to achieve their own strategic priorities, with security being the primary goal in both cases. Beyond this relatively short-term issue, setting strategic visions and realizing policy goals is difficult, not only because of the unstable situation and the lack of expertise, but also due to unrealistically high expectations. Some Libyans have not yet understood that democracy does not simply mean absolute freedom and inevitably rising levels of prosperity.

The former government was neither willing nor able to practice policy learning. It was not willing, because it was not requested to do so, and it was not able, since it never had to try to improve. If the government's policies failed to please al-Qadhafi, he blamed policy-makers regardless of their ability to learn. However, some tendencies able to minimize corruption and official ineffectiveness did exist. At times, though rather incidentally, the government did seem to strive toward democracy and the market economy. However, this previous pattern changed with the 2011 revolution. The new government is keen to show it has learned particularly from the failures of the former regime. Moreover, the government and General National Congress are aware that improving policy-making comes from learning. Thus, they are interested in knowledge exchange and have accepted a number of offers made by the European Union. The EU is the largest donor in Libya, and today supports a variety of projects in areas such as education, civil society, democratic transition and public administration, spending a total of about €100 million. In

Implementation

3

Policy learning

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November 2012, at least 70 new legislators began a five-week training program aimed at teaching them the process of drafting a constitution and explaining parliamentary democracy. Additional assistance has been provided in explaining constitutional affairs and in establishing a secretariat structure and other institutional arrangements. Former European prime ministers as well as active politicians from a number of European parliaments have engaged in these teaching sessions, as well as in helping to establish a future public affairs department. Academic expertise from Germany's Max Planck Institute for Comparative Public Law and International Law, among other sources, has been used to support the constitutional reform process.

Since the government is under immense pressure from its newly democratic constituency as well as from former revolutionaries, it has tried to be flexible in learning how to replace failed policies with innovative ones. To date, there is no institutionalized mechanism for this task, and policy learning happens coincidentally. However, the drive for innovation and flexibility is evident in the state's orientation toward democracy and market economy.

15 | Resource Efficiency

Due to the political situation in Libya, the government uses only some of the available human, financial and organizational resources efficiently. The governmental administrative services are vastly overstaffed, making personnel expenses relative to the services actually offered by the state too high. In 2012, LYD 11.74 billion – more than one-third of the government's total expenditures – went toward wages, according to the Libya Herald.

Recruiting procedures are no more transparent than under the former regime, and securing a position still depends very much on connections. There is neither effective and independent auditing nor transparent budget planning and implementation. However, the state budget is balanced thanks to Libya's oil revenues. The country has a very healthy balance of payments and is free of any foreign debt. Thus, there is no pressing need to prioritize an efficient administrative organization. There has been a move to establish a system of local self-government that offers municipalities a new level of autonomy; however this will take much more time to realize than was initially thought. In the aftermath of the 2011 revolution, there have been a number of attempts to reform and modernize the public administration, but as many of the same people are serving in today's renamed institutions, real change may be slow to emerge.

There are efforts underway to establish a modern and efficient public sector in Libya. However, this is taking longer than was initially expected in the aftermath of the 2011 revolution. The main problem is the low level of security within the country, as many rival militias ostensibly under public control are in practice anything but. The country

Efficient use of
assets
3

Policy
coordination
5

was and is torn between the official state sphere and the revolutionary (now: militia) sector. There have been many resignations from the General National Congress, as the difference between what is demanded and what is possible is immense. The government inaugurated on 14 November 2012 is made up of reform supporters, all of whom had to be approved by the Integrity and Patriotism Commission before taking office (screened especially for their relations to the former Qadhafi regime). Prime Minister Ali Zeidan and his 32 line ministers (among them two women) were appointed according to geographic proportion, with the aim of representing Libya's individual regions in a balanced way.

There is widespread corruption in Libya. The problem was recognized by the former regime as well as by the current government, and people are tired of it. The current government claims to be willing to address the issue, but has proven unable to contain corruption, and no effective integrity mechanisms are in place. The U.K.-based Maplecroft firm speaks in one of its risk analyses of an "absence of a domestic legal framework capable of effectively tackling corruption." Institutional arrangements able to implement an anti-corruption policy are not yet working. Al-Qadhafi's suggestion for solving the corruption issue was to abolish as much of the administrative infrastructure as possible and give the oil wealth directly to every citizen. However, in March 2009, Libya's executive and legislative bodies voted to delay al-Qadhafi's oil distribution scheme until appropriate measures were put in place. The 2011 revolution changed nothing in this regard, except for the decision to actively distribute oil revenues, though without a governing strategy in place. November 2012 marked the third time since the revolution that the authorities decided to give money directly to the population, this time in the form of LYD 1,000 to help cover costs for the Eid al-Adha holiday. However, this amount was actually disbursed considerably after the 2012 Eid al-Adha, as the funds were not ready in time (and probably also because of the lack of a working database).

While the legal and administrative framework to combat corruption is absent, the political and judicial will to do so is also questionable. Amnesty International reported in December 2012 that a journalist had been imprisoned for defamation, simply because he published a list of judges said to be involved in corruption.

Anti-corruption
policy
2

16 | Consensus-Building

Libya did not have a democratic system before the revolution, and was ruled indirectly by al-Qadhafi. The ruling elite knew that if they wanted to keep in step with other countries, they had to change Libya's pseudo-democratic structures and put market economic foundations in place. However, as long as Libya can depend on strong oil revenues, pressures for change are comparatively mild unless the people themselves demand a democracy without corruption and abuse of authority, and want a market economy able to limit the state's influence. And indeed, this is exactly what

Consensus on goals
7

is said to have happened in 2011. However, the population has since learned that the implementation of these goals is more difficult than they imagined or were told. This can be seen in the constitutional reform process taking place in the General National Congress (GNC). It took several months to figure out how this process should unfold, and through it was ultimately decided to hold elections for the constitutional assembly, it remained unclear at the time of writing when this ballot would take place. This is only one example out of many possible. The range of views within the GNC is broad in terms of how to achieve democracy and a market economy.

Under Libya's peculiar hybrid prerevolutionary political system, anti-democratic actors existed within the system. This hampered the successful implementation of reform policy as wished by economic actors and many ordinary people. Reform tendencies were usually put forward by al-Qadhafi's son Saif al-Islam. However, reformers had no control over the anti-democratic actors who actually constituted the parliament and cabinet. This changed with the 2011 revolution. The main anti-democratic veto actors are today the Islamists, who themselves are aware they require the presence of democratic structures in order to gain power. In the July 2012 parliamentary elections, Islamist parties did not poll strongly. However, their influence must not be underestimated, since there is an unknown number of Islamists among the 120 elected candidates holding non-party seats, and their influence is growing, worrying more moderate elements within the population. Indeed, it can be supposed that religious conservatives and Islamists dominate the parliament, and every politician watches his or her language in regard to Islam. For the moment, the achievement of secular democracy seems rather improbable, in part because large territories of the country remain outside the undisputed control of the government.

Defenders of the status quo (which in many senses remains civil war) and sympathizers with the old regime do not currently engage outspokenly in the debates about Libya's future, but could raise their voices when the "revolutionary mainstream" has lost its complete hold on power.

There are a number of notable cleavages within the Libyan society. Ethnic cleavages exist between Libyans of Arab decent and those of Berber descent, as well as between the Toubous and non-Toubous in the Kufra area. These cleavages were of comparatively little importance under the previous regime, but since the 2011 revolution, the civil war has lent them a new relevance. Previously, cleavages between Arab Libyans were of little salience, but today the division between "green" (Qadhafi loyalist) and "striped" (adherents of the new system) loyalists is a bitter one. However, there are also cleavages between individual revolutionary brigades fighting over territory and resources. Another division exists between Libyans and poor, colored migrants. On the religious level, cleavages used to exist between the state and Islamist groups. But since militant Islamists typically were sent to jail under Qadhafi, this was of only minor societal importance. Today, jailed militant Islamists have been freed, a fact now causing great concern and trouble. Decision makers have

Anti-democratic
actors

4

Cleavage /
conflict
management

3

been asked to prevent cleavage-based conflicts from escalating, but their lack of experience and shortage of time have undermined efforts in this area.

Civil society organizations hardly existed in Libya before the revolutions. Those that did function were closely watched, so as to prevent them from interfering with state affairs. Therefore, the political leadership clearly obstructed civil society participation. Journalists too faced problems and practiced a self-imposed censorship. In the aftermath of the February 17 revolution, many civil society organizations have emerged. However, ordinary people do not participate; rather, these groups are primarily driven by Libyans born and/or educated in Western countries, who have today returned to help build the “new Libya” (Libya al-jadida). Although journalists are no longer subject to censorship, they still have to get used to expressing their own (and not the government’s) opinions. Political decision makers try to involve civil society organizations in agenda setting, policy formulation and implementation, as well as in performance monitoring, deliberation and decision-making; however, this will take time to develop. Demonstrations as a means for expressing public interest are important in the new Libya, and should be seen as indicators of the intensity of public opinion. In the aftermath of the attack against the U.S. consulate in Benghazi on 11 September 2012 and the death of U.S. ambassador Christopher Stephens, many citizens showed their disagreement with Islamist brigades in demonstrations held by the Save Benghazi and Save Tripoli movements.

Civil society
participation
5

Under the al-Qadhafi regime, the political leadership did not address historical acts of injustice and did not initiate a process of reconciliation. On 28 January 2010, then-Justice Minister Mustafa Abdel Jalil said he wanted to resign because of his inability to achieve freedom for prisoners who had been wrongly jailed. However, it turned out that the prisoners referred to were al-Qaeda members, and al-Qadhafi dismissed the minister’s comment. After the 2011 revolution, the same Mustafa Abdel Jalil served as the de facto head of state as chairman of the National Transitional Council (NTC) from 5 March 2011, until 8 August 2012. As of the time of writing, little had yet been done with respect to national reconciliation following the 2011 revolution. On 12 and 13 December 2012, there was an international truth-seeking and reconciliation conference in Tripoli organized by the Fact-Finding and Reconciliation Commission, the United Nations Support Mission in Libya (UNSMIL), the UNDP and the Human Rights Committee of the General National Congress. The Libyan authorities and civil society organizations are eager to begin a reconciliation process, although neither the legal nor institutional framework required is clear yet. Similarly, the roles to be played by the Fact-Finding and Reconciliation Commission and tribal leaders remain unclear. Indeed, the country remains far from overcoming all the injustice that has taken place in the years since 2011 and which is still happening. The work of the Integrity and Patriotism Commission, which was set up in April 2012 as an independent body to investigate whether politicians, officers and GNC candidates are corrupt or had links to the former regime, has not helped in

Reconciliation
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this regard. Furthermore, the draft of the Political Isolation Law crafted early in 2013 stipulates that anyone who worked for or had been associated with the former regime should be excluded from public or political office. Lawyers for Justice in Libya (LFJL) fear that this policy would in fact erode the rule of law in Libya. They suggest that the exclusion should be combined with previous criminal acts, and not be limited to an association with or work for the al-Qadhafi regime.

A Supreme Court decree issued in fall 2012 stated that any person who volunteered or carried weapons for the former regime during the revolution would be sentenced to imprisonment of up to one-and-a-half years.

17 | International Cooperation

During the al-Qadhafi era, the political leadership used international assistance to achieve short-term expediencies, and maybe also for rent-seeking. The country's political structures hindered the creation of a viable long-term development strategy. Although the government did have political and economic development aims, there was no roadmap specifying specific steps toward reaching its goals. Libya did ask for international help on projects such as railway construction, which was coordinated by Italy and realized by Russians and Chinese, as well as the fight against illegal migration from Libya to Italy. In this latter case, Libya sought European support, and wanted to receive €5 billion in return for helping to secure EU borders. In the event, the European Union offered Libya €20 million in February 2009 to help cope with illegal migration, and another €50 million in October 2010. In this case, Libya might well have been rent-seeking, not solely out of a need of money but also to highlight Europe's weakness and vulnerability. The European Union negotiated with the NTC in November 2012 on the issues of further cooperation in the area of border protection, the fight against irregular migration, and cross-border crime.

Although Libya is a very rich country, the European Union had provided more than €156 million in humanitarian support by the end 2012. In December 2012, an additional €25 million package was announced for early 2013. The aim here is to support Libya's transition, with a focus on security, the rule of law, education and health care, as these sectors are relevant for stability. In the field of security, many cooperative ventures are already under way. In 2012, many foreign military organizations offered assistance in helping to rebuild Libya's armed forces; the Netherlands and France, for example, sold 50 ships to Libya in January 2013. Assistance is also needed in addressing the land mines that have been laid all over the country. Although international organizations (for instance from the United Kingdom, France and Brazil) have sent demining teams, Libya has not yet banned anti-personnel landmines, and did not sign the 1997 Mine Ban Treaty.

Effective use of
support

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For obvious reasons, the NTC favored and received international support during the 2011 revolution, particularly in terms of the NATO airstrikes. After the revolution and especially since the July 2012 elections, Libya has shown itself willing to make continuing use of international assistance. But in regard to the judiciary, and particularly the prosecutions of Saif al-Islam al-Qadhafi and Abdullah al-Senussi, Libya has rejected outside assistance, asserting its ability to give fair trials to the accused.

In general, the government has quite clear aims of political and economic development, although no detailed roadmap for reaching these aims has yet been developed. The government finds it difficult to cope with the weight of its present-day tasks, and short-term goals dominate the use of international assistance. However, Libya has sought international assistance for making improvements in many regards, especially after the revolution.

Libya under al-Qadhafi was not regarded as a credible or reliable partner, although it pretended to be one. Libya under the NTC received considerable aid from Western countries in support of its envisaged transformation to democracy and a market economy. The Libyan political elite is aware of its partial dependence on foreign governments and tries not to offend them. However, in business circles in particular, Libya still is not considered to be a credible and reliable partner. The attack against the U.S. consulate in Benghazi by extremist forces on 11 September 2012, and the resulting death of four U.S. diplomatic staff including Ambassador Christopher Stevens, undermined views of the current regime's ability to provide a secure environment.

Credibility
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Libya's wealth has traditionally allowed it to set the agenda in terms of cooperation with neighboring countries. In August 2012, then-Prime Minister al-Keib visited Egypt, where many issues related to Libya's reconstruction and security were discussed. Egyptian teachers and academics were given permission to work in Libya, and those hundreds of thousands of Egyptian workers who worked in Libya before the revolution were told they could return if they wished to do so. Electronic links between the Egyptian and Libyan human resources ministries will coordinate the recruitment of workers in Egypt. Libyan police are to be trained in Egyptian police academies, and agricultural cooperation including fisheries cooperation is planned. However, the issue of compensation for Egyptians killed in Libya during the revolution remains outstanding, as does the issue of the thousands of al-Qadhafi loyalists and prominent figures from the former regime who currently live in exile in Egypt. Most recently, the killing of Egyptian Copts in Libya increased tension in the official relations between the two countries.

Regional
cooperation
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Al-Keib also went to Morocco to discuss regional security issues with a special focus on Mali, where the security decline was fueled by drug trafficking from Libya.

Another topic was the number of Moroccans working in Libya, which is set to increase.

The last prime minister under the al-Qadhafi regime, Baghdadi al-Mahmoudi, fled to Tunisia and was held there until a financial agreement between Tunisia and Libya cleared the way for al-Mahmoudi's extradition in June 2012. Although Tunisia's justice minister denied the existence of such a deal, observers report that Tunisia was offered a millions of dollars in investment capital and cheap oil supplies. The same happened with Abdullah al-Senussi, the former regime's intelligence chief. Again the Libyan government struck a financial bargain, this time with Mauritania, where al-Senussi was caught and held in custody due to a passport issue. An amount of \$200 million was said to have been paid to Mauritania via a foreign bank in order to bring the matter to a close.

In December 2012, Prime Minister Ali Zeidan travelled to Algeria, Chad, Niger and Sudan to discuss common transborder topics such as the trafficking of weapons, people and drugs. Shortly after his visits, the General National Congress decided to close the national borders with these four states, and furthermore declared the south (Ghadames, Ghat, Awbari, al-Shati, Sabha, Murzuq and Kufra) to be a closed military zone.

The interest in the Arab Maghreb Union, created in 1989 but since that time essentially defunct, has risen since 2011. The first high-level meeting in 16 years was held in Morocco in February 2012. Independently, Libya, Tunisia and Egypt discussed the creation of a regional economic zone, though as of the time of writing, no clear outcome was evident.

During the African Union (AU) summit in Addis Ababa on 27 January 2013, Prime Minister Ali Zeidan emphasized the priority of Africa to the Libyan foreign policy. The reorientation of Libya's Africa policy is of high interest for the AU and its member states, as the AU was founded in July 2002 on the suggestion of Muammar al-Qadhafi. Nevertheless, relations between Libya and the AU were not uniformly smooth or easy in the following years.

Strategic Outlook

Libya's democratic transformation has seen a brief and asymmetrical evolution since the end of U.N. sanctions in 1999 and the resumption of reform efforts. While it was said that the (al-Qadhafi) revolutionary leadership stood in the way of any true freedom of expression, civil society development, or political participation, it is self-evident that all this has changed in post-Qadhafi Libya. It could be expected that the country's turn toward a Western orientation, in part due to NATO support in toppling al-Qadhafi, may ultimately help Libya meet democratic performance criteria, as the government becomes consistently responsible to voters. The country has indeed taken more than first steps toward liberalizing its economy and implementing market economy mechanisms. Although it has been said that internally driven transformation was unlikely thanks to the substantial revenues from crude oil sales, as well as the fragmentation of the Libyan opposition living in exile, transformation is in fact taking place.

That said, ordinary Libyans have seen little change for the better in their lives. Nor is this situation likely to change soon, due to the ongoing conditions of civil war. Shootings and other conflicts among militias are common, as are disputes between Qadhafi loyalists and the new regime. People are very unhappy with the current situation, for a myriad of reasons. Chief among these is the dire security situation, which for instance prevents people from going out at night, as there is a growing chance of being robbed, abducted or shot for monetary reasons. Politics divides families and clans. Furthermore, so many crimes including torture and killings took place on both the revolutionary and loyalist sides, for various reasons or even no reason at all, that reconciliation seems to be rather impossible. Many people consider a huge personnel change to be the only possible solution to all the extant mistrust and past injustices. It remains to be seen whether the new government has the capacity to handle all these problems. To date, almost nothing has happened, and a kind of "survival of the fittest" environment prevails. Provided that no "third" revolution takes place, it will likely take up to 15 years or longer to establish a functioning democracy and market economy in Libya. But even this scenario assumes that the state ultimately gains control over the security situation, and that Western states help to collect and destroy weapons in Libya instead of delivering new ones, especially with regard to the many land mines that today pose an uncontrollable threat.