

**State of Libya**

Libyan Embassy – Paris



Briefing by His Excellency the Libyan Ambassador:

**Dr. Khaled Kagigi**

About:

# **Libya's promising prospects and opportunities**

Presented to:

**Arab-French Chamber of Commerce**



## Overview of Libyan French Economic Relations

### 1 Libyan-French Trade Relations:

France moved from Libya's third trading partner in 2010, whose trade constituted (9.7% of Libyan trade) to eighth place in 2022, which constituted (3% of Libyan trade).

France is Libya's third trading partner in 2011



France is Libya's eighth trading partner in 2022





## 1 Overview of Libyan French Economic Relations

### 2 Libyan-French Financial Relations:

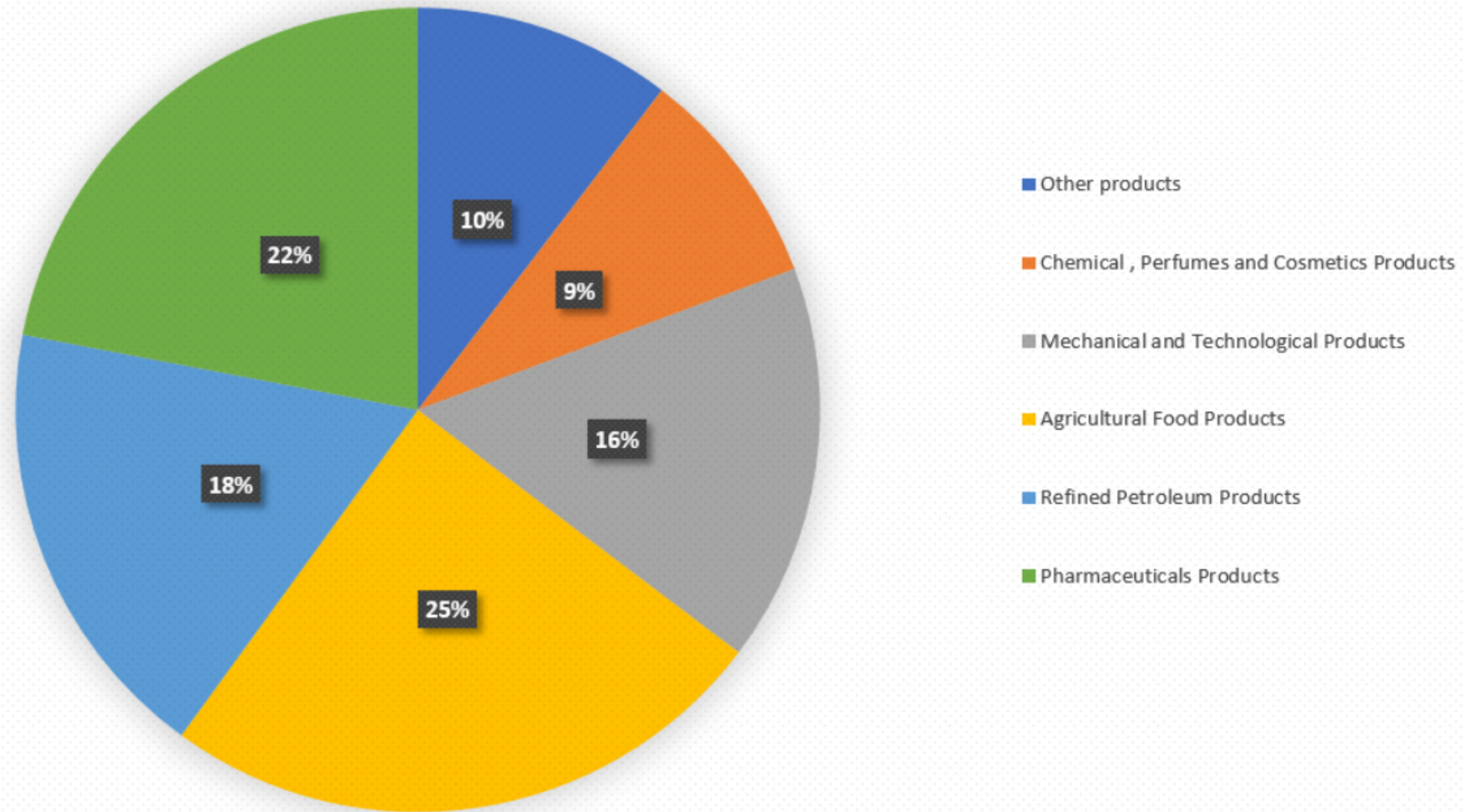
France accounted for the third largest stock of foreign direct investment in Libya in 2011  
(€414 million)



Year 2022  
(€254 million)



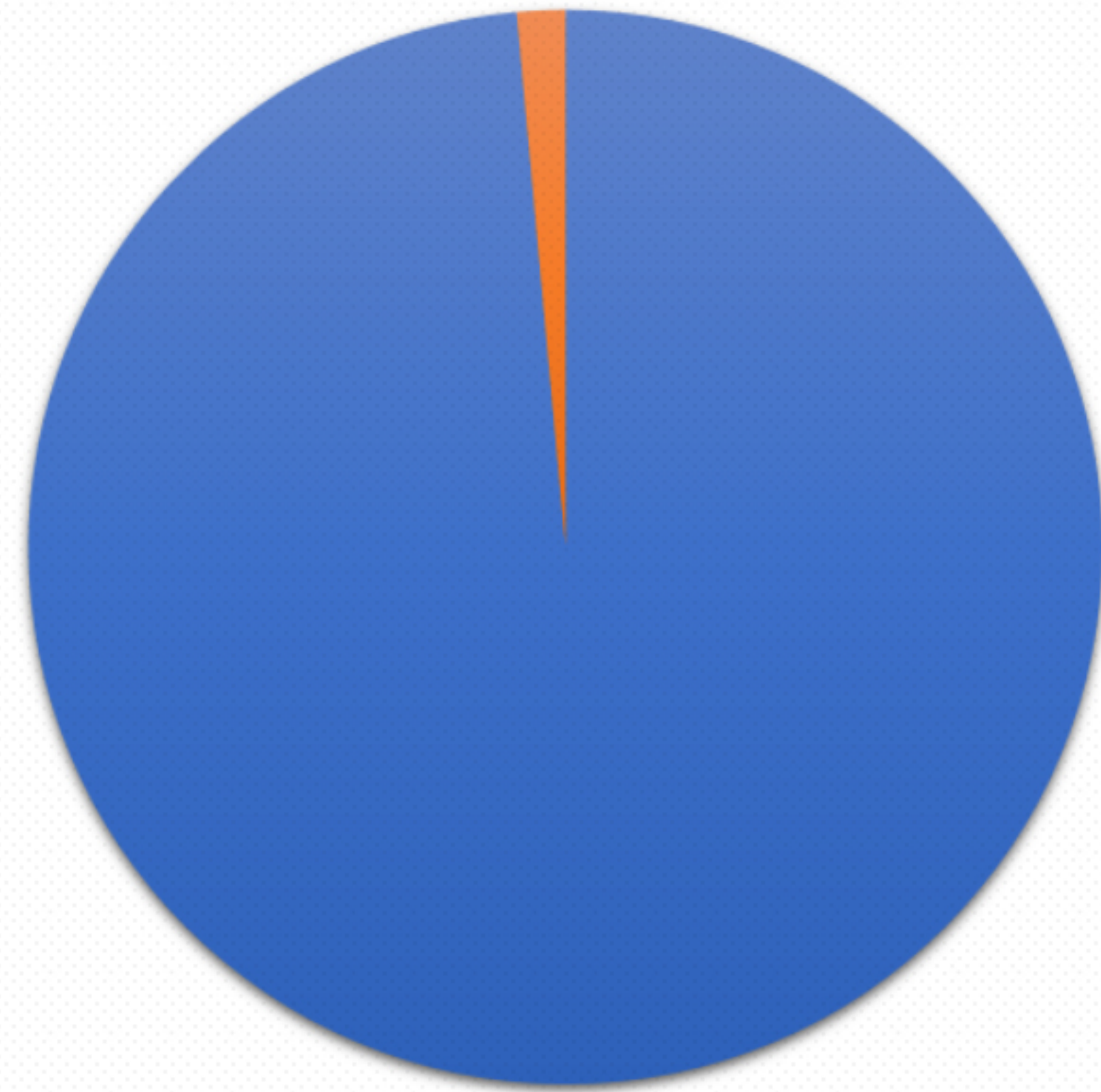
Figure No. (1) The commodity structure of Libyan imports from France during the year 2022







**Figure No. (2) The commodity structure of Libyan exports to France during the year 2022**



■ Hydrocarbon and Petroleum Products    ■ Other Products



■ **Table No. (1) Libyan exports and imports to France during the period 2018-2021**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Export value/Thousand dollars</b>	2,697,978	1,595,339	529,215	2,159,187
<b>Import value/Thousand dollars</b>	233,077	210,048	171,319	208,178

Source/Central Bank of Libya, Research and Statistics Department, Foreign Trade Statistics, First Quarter 2022, Appendices to the Foreign Trade Table (2018-2021)





Figure No. (3) Libyan exports and imports to France during the period 2018-2021

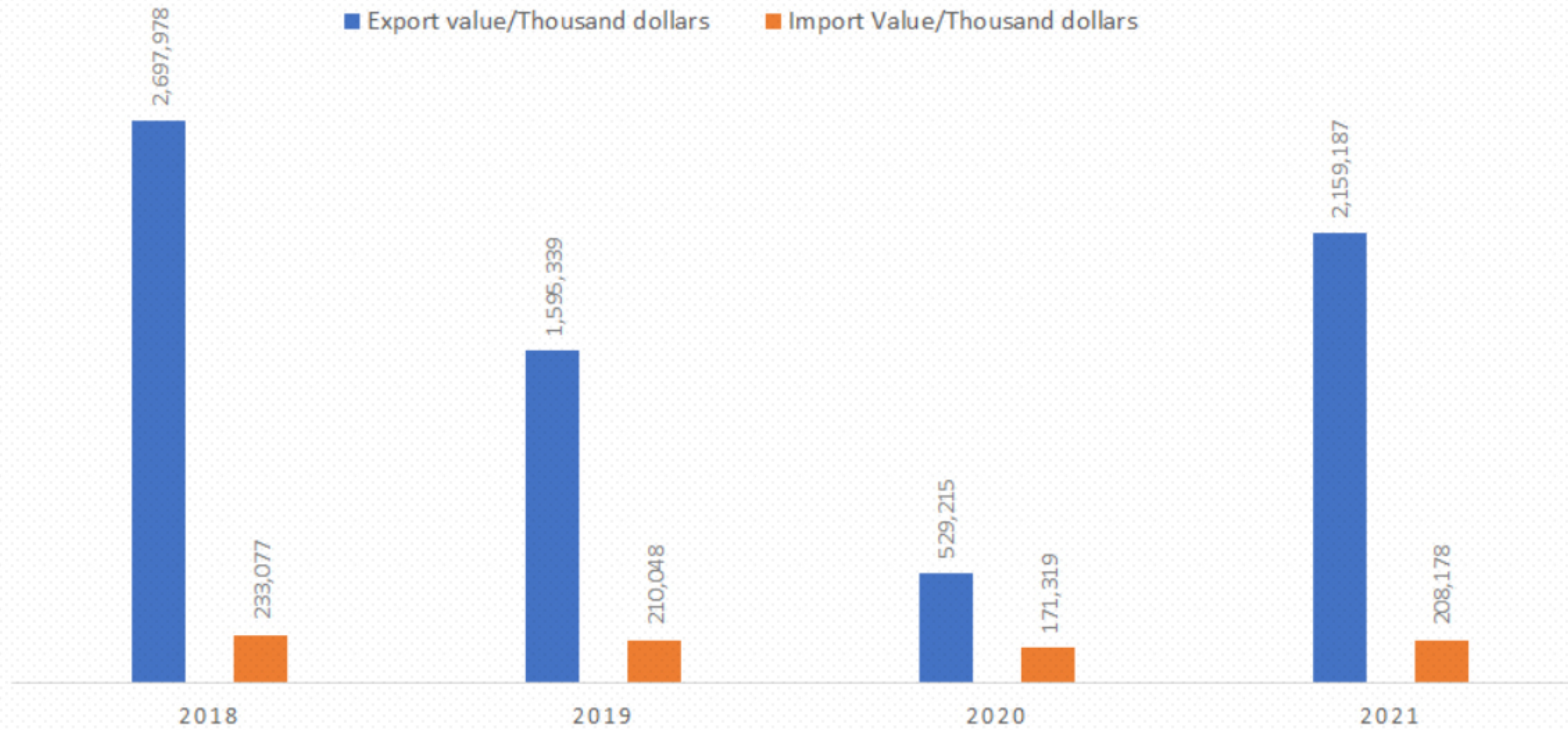
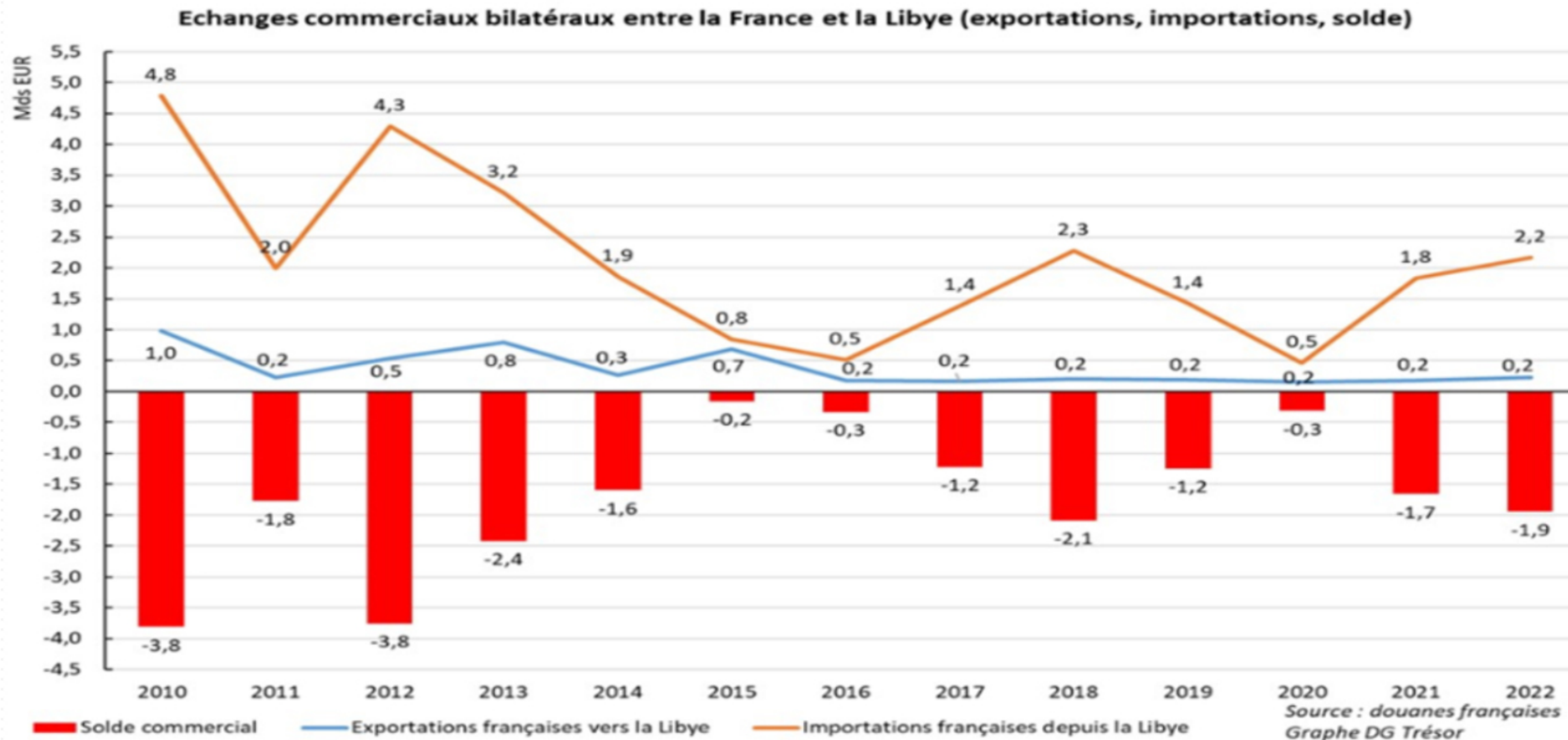




Figure No. (4) Libyan-French foreign trade (exports, imports and trade balance)





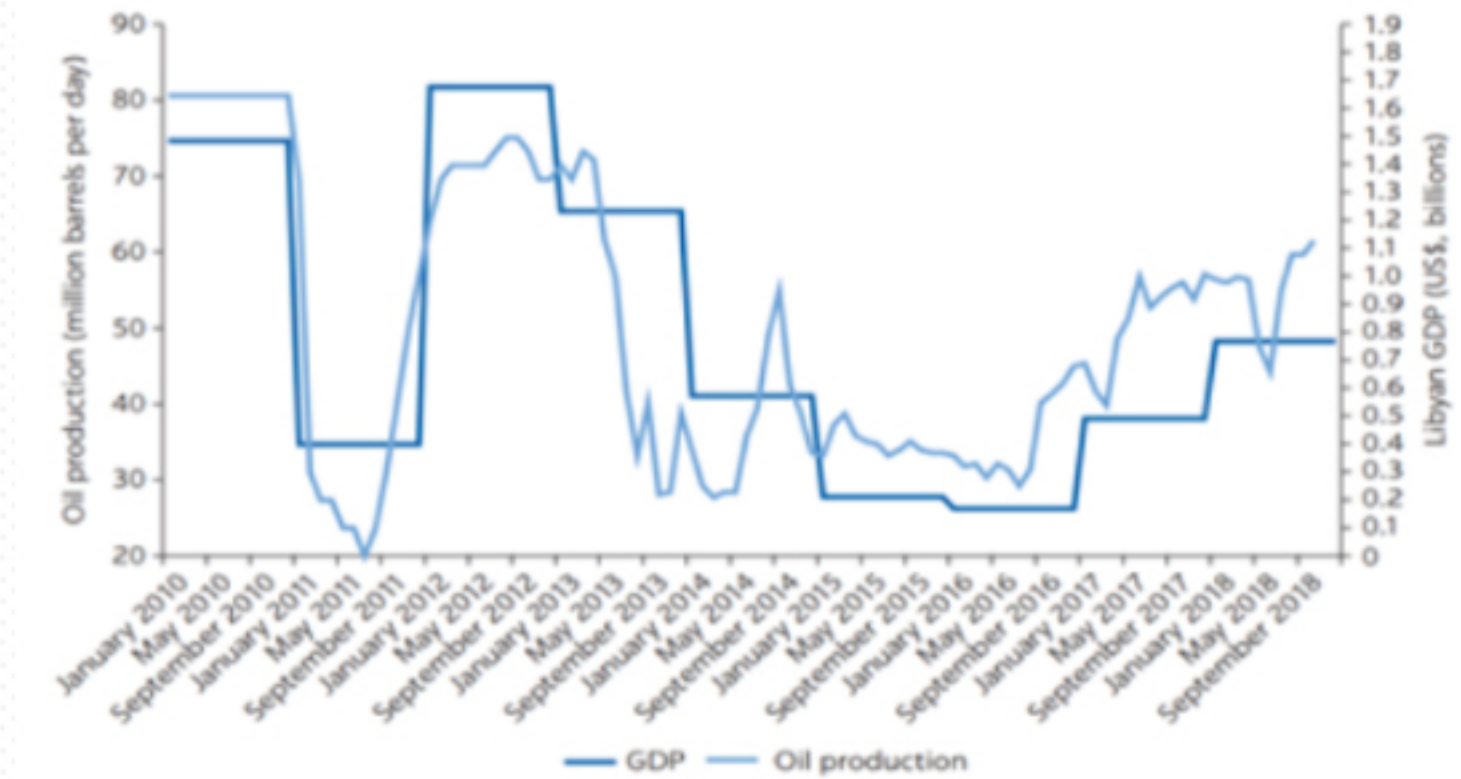


# The Fundamentals of the Libyan Economy

**Libya has the largest oil reserves in Africa and hydrocarbons have long constituted its main source of revenue.**

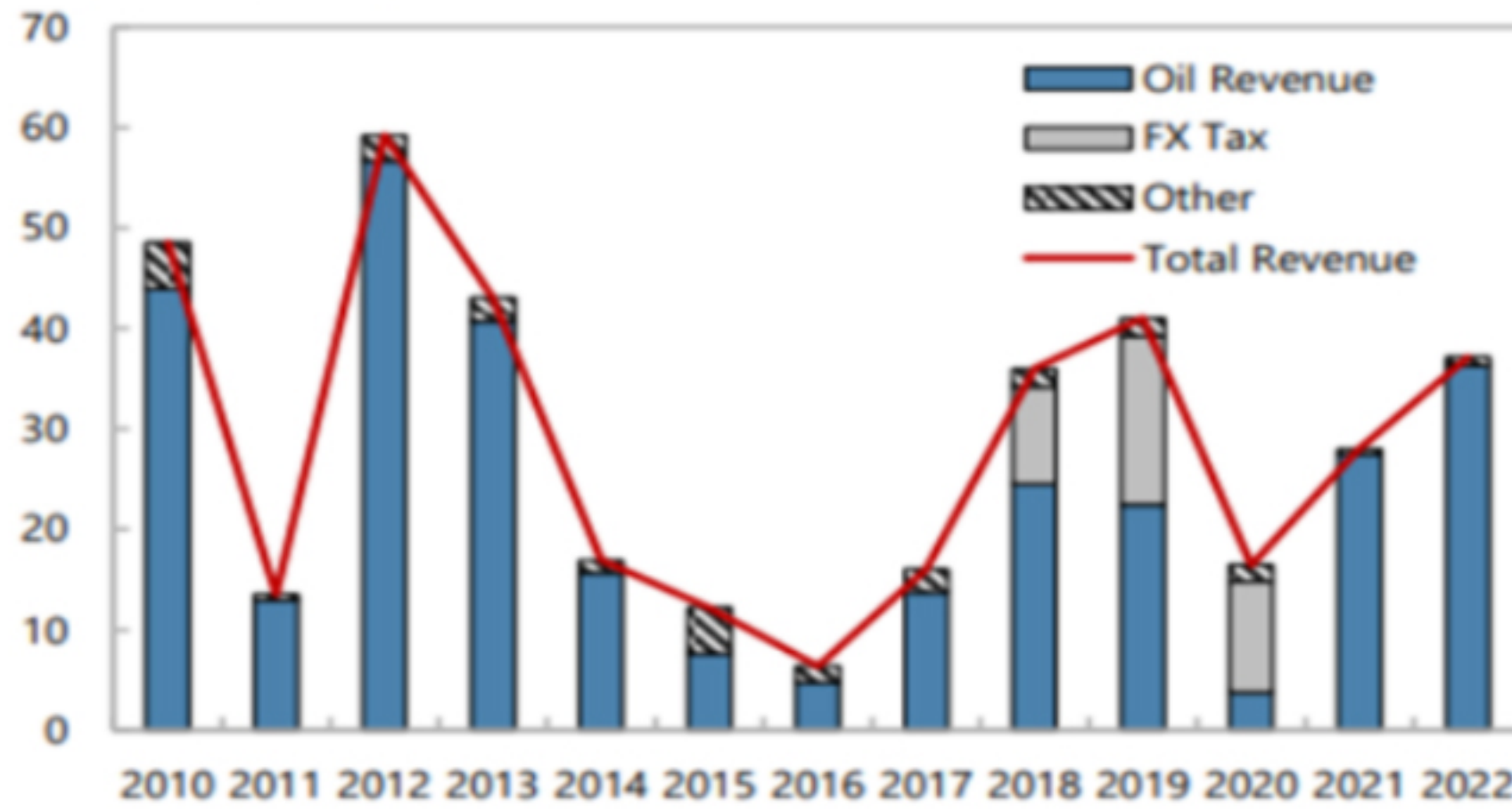
- ▶ Oil revenues are the fundamental and crucial source of income and wealth.
- ▶ The Hydrocarbons make up around 95% of export and government revenue
- ▶ A rebound in oil prices and the resumption of oil production resulted in budget surpluses in both 2021 and 2022.

Libya GDP and oil production



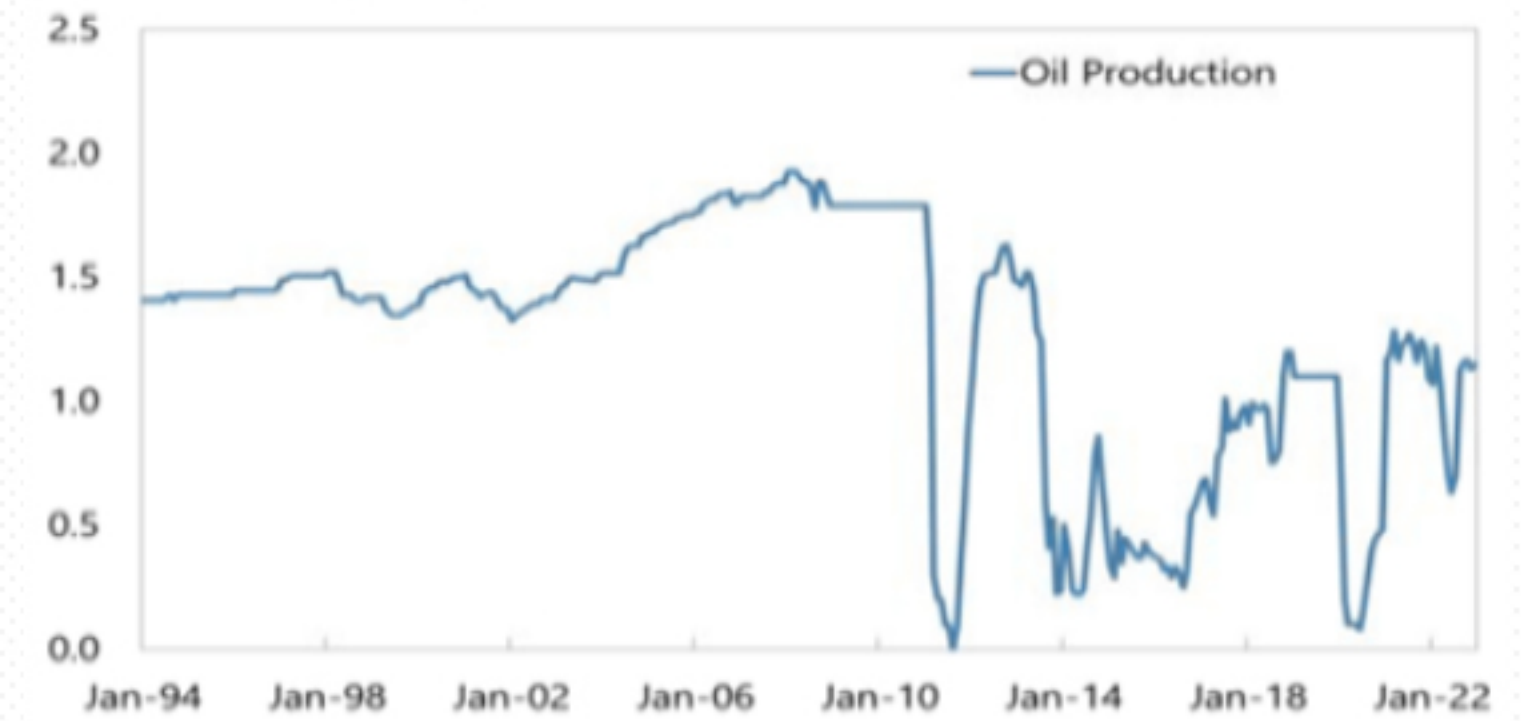
Sources: World Bank economic indicators, <https://data.worldbank.org/indicator>; US Energy Information Administration, Short-Term Energy Outlook Data Browser, <https://www.eia.gov/outlooks/steofdata/browser>.  
Note: GDP = gross domestic product; US\$ = US dollar.

Central Government Revenue (Billions, USD)



Sources: Central Bank of Libya; and IMF Staff Estimates.

Oil Production (Million barrels per day)



Sources: National Authorities.





## The Main Challenge for the Libyan Economy

### ■ Reliance on Fossil Fuels

Libya is a wealthy but fragile state that is heavily reliant on oil and gas production.

- ▶ The World Bank estimates a 1.2 percent contraction in Libya's economy for 2022, primarily attributed to a decline in oil production during the first quarter of the year.
- ▶ The oil and gas sector accounts for around 60 per cent of Libya's gross domestic product (GDP). Global market prices for these resources therefore have a direct impact on the country's economic development and on the public budget.
- ▶ Libya has lagged behind in terms of diversifying its economy, and the conflict has certainly not helped, and that made the economy very vulnerable to external shocks
- ▶ Economic development has therefore been inconsistent and linked to the oil production and prices.





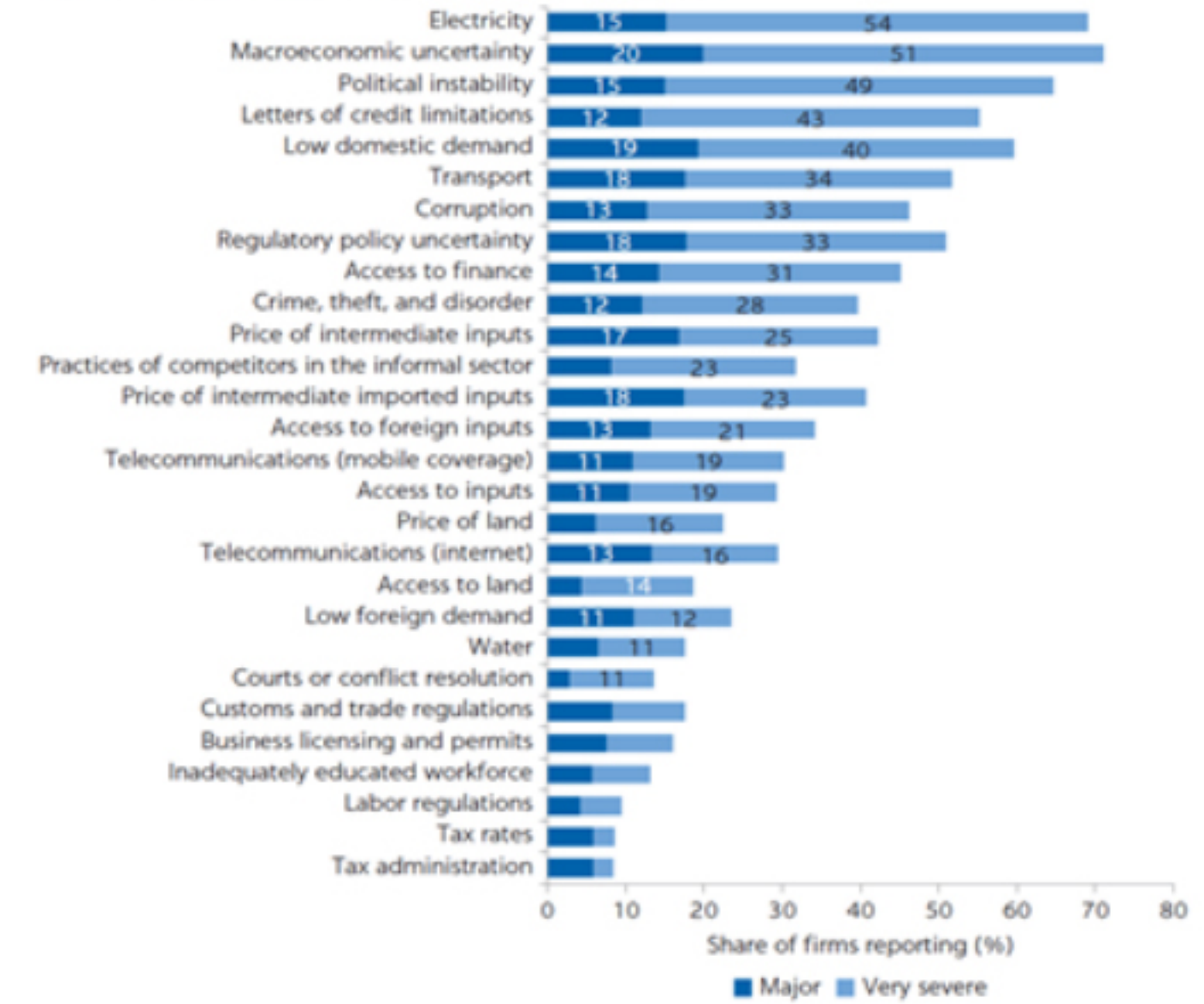


# The Main Challenge for the Libyan Economy

## Private Sector Challenges and Operational Risks

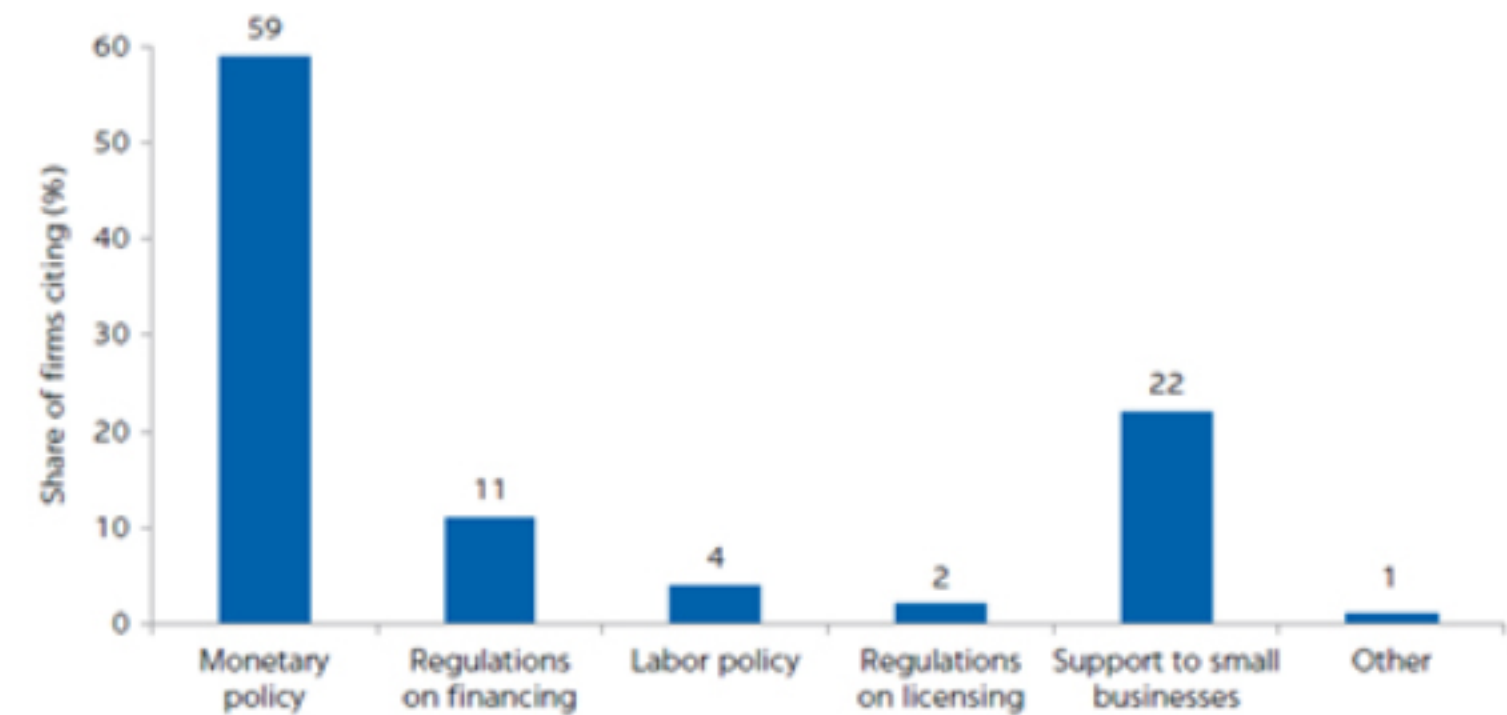
- ▶ The Libyan economy is largely dominated by large public sector, with a small restrained private sector.
  - There are many factors that restrain the emergence of a dynamic private sector that could compete by improving productivity and creating wealth and jobs.
  - These factors are:
    - Dominance of state-owned enterprises (SOEs)
    - Lack of competition.
    - Policy unpredictability.
    - Bureaucratic red tape.
    - Poor governance,
    - Lack of access to finance, skills, and quality infrastructure
- ▶ Diversifying the economy away from oil requires enabling the private sector to play a full role in driving the economy and in creating added value services, competition and employment.

Key constraints to private companies' growth, 2018



Source: World Bank Libya Enterprise Survey.

Regulatory and institutional issues that urgently need to be addressed, 2018



Source: World Bank Libya Enterprise Survey.





# The Main Challenge for the Libyan Economy

## Current Performance of the Private Sector

- ▶ The private sector has performed quite well, given the challenges it faces.

However, there is still huge potential for the private sector to dominate economic activities, if the government continues to pursue the Public-private dialogue.

Such the recent set up of the Libyan Public Private Partnership Company (LPPPC)

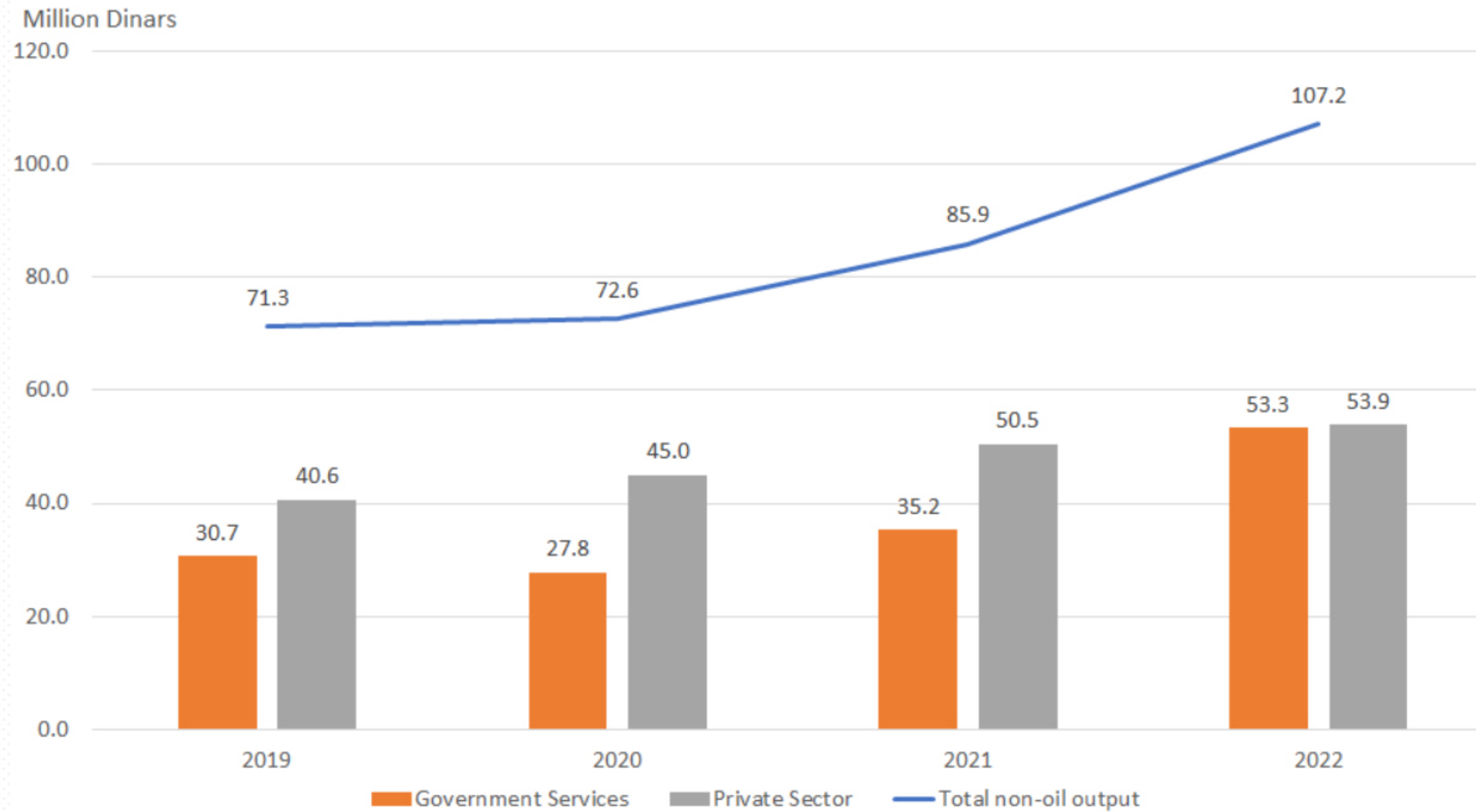
LPPPC is one of the largest is development and investment funds in Libya, that aims to actively invest and enhance public-private partnership opportunities, working to achieve long-term financial returns and tangible social and economic benefits through infrastructure projects in Libya





# Current Performance of the Private Sector

The total non-oil output divided into the private sector services and the government services sector







# Future and Needs for the Libyan Economy

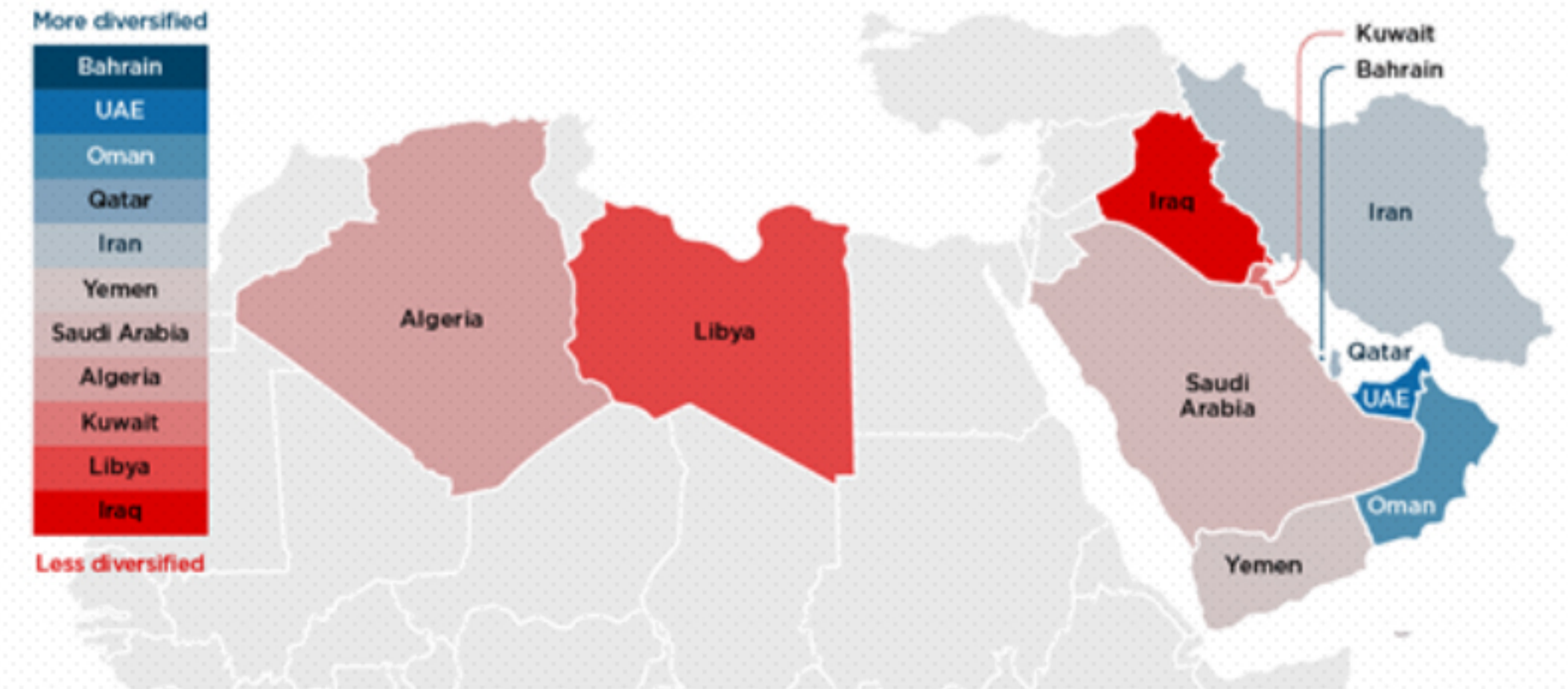
## Diversifying Away from Fossil Fuels

- Economic diversification remains a key challenge in Libya, however it is a key element of economic development in which a country moves to a more diverse production and trade structure.
- Key challenge will be to diversify away from oil and gas while fostering stronger and more inclusive private sector growth.

### How can Libya diversify ?

- Reducing dependence on hydrocarbons demands placing a diversification process at the heart of economic reconstruction.
- Exploring Natural Gas and Renewable Energy Resources.
- Moving away from the rentier state model towards a more sustainable economy.
- Promoting a level playing field for the private sector.

Level of diversification of goods exports (2010–14)



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Learn more at [pile.com/research/pile-charts](http://pile.com/research/pile-charts)



UAE = United Arab Emirates

Source: Adnan Mazarei, based on data from the International Monetary Fund, *The Diversification Toolkit: Export Diversification and Quality Databases*, 2018.





# Libya Vision 2040



■ **Libya's 2040 Vision** criticized oil dependence and weak investments in non-oil sectors which resulted in low economic performance, misuse of resources and high production costs with low product quality.

■ **Libya's Vision 2040** highlights new role for the state which includes :

01 Moving away from dominating economic activities.

02 Setting Macro policies that lead to liberalising the economy.

03 Forming creditable legal systems.

04 Guaranteeing and protecting individual property rights.

05 Simplifying and removing unnecessary bureaucratic procedures.





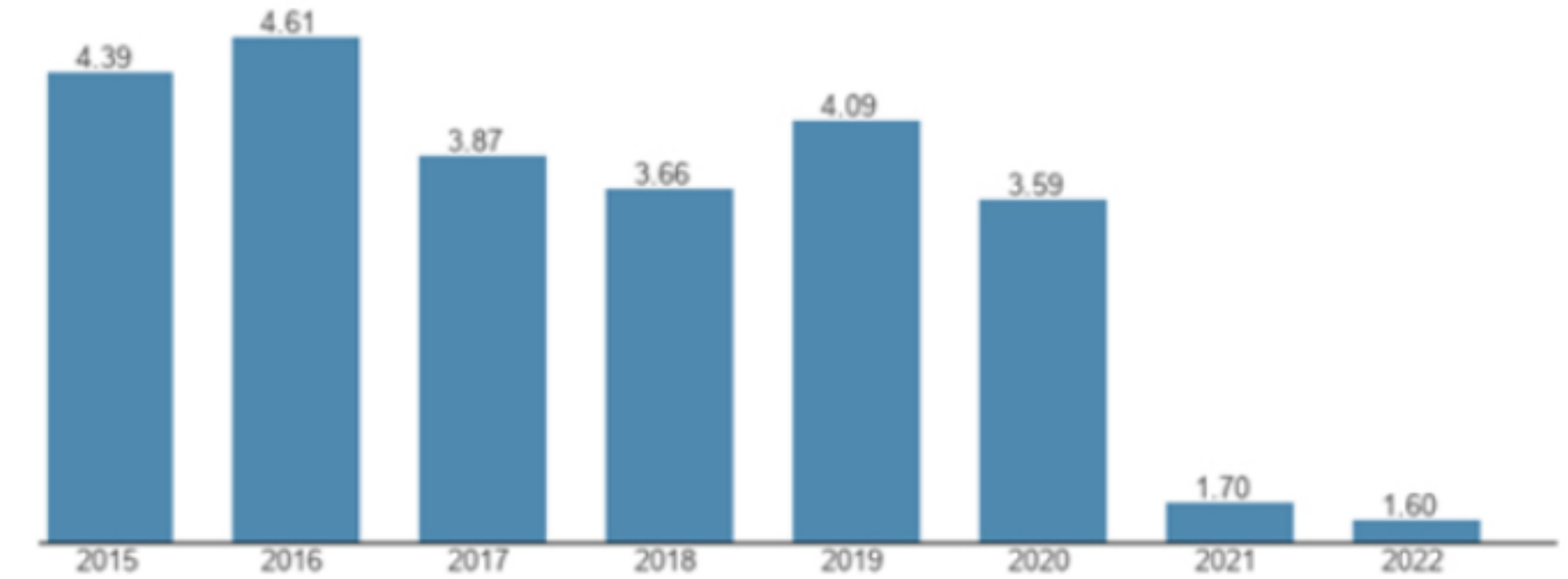


# Development and Investment opportunities for French companies in Libya

## 1 Libya – Agricultural sector: Some Potential Business opportunities

- ▶ Libya’s agriculture sector represents the second largest in the country and despite activities being limited to ‘green areas’ in the north, investment in and development of large-scale projects in the country have significantly expanded the sector.
  - However, the Agricultural production is limited by the country’s small amount of arable land leading to imports of a large share of consumption needs, due to lack of knowledge and experience.

Agriculture Percentage share of GDP



## Wheat/Grains – for bread flour:

Libya consumes a high proportion of wheat-based foods such as flour for bread, couscous, pasta etc, and is one of the stable food in the Libyan diet.

The country is also a high consumer of bread. Therefore, wheat is a very strategic commodity.

Yet 80% of the country’s wheat is imported. Increasing production with better efficiency and productivity to reduce import-dependency and the creation of a strategic reserve is important.







# Development and Investment opportunities for French companies in Libya

## 1 Libya – Agricultural sector: Potential Business opportunities

### Dairy products / production:

Consumption of dairy products in Libya is forecast to grow substantially.

The commercial market is not based on the local production of fresh milk but is dependent nearly exclusively on recombining imported raw materials.

There are currently three Libyan producers of milk/yoghurt/ ice cream – using imported raw materials. Most products on the market are imports.

There are several state-owned factories that are willing to be operated on PPP basis, to improve efficiency and productivity.







# Development and Investment opportunities for French companies in Libya

## 1 Libya – Agricultural sector: Potential Business opportunities

### Other agricultural areas:

#### Fishing / Aquacultures.

Despite the richness of its waters in exportable fish (e.g., tuna and sardines), low investments in fishing boats, ports, and processing facilities are major obstacles to its growth. Fishing contributes only 2% to total agricultural GDP and employs about 1% of the workforce.

The Libyan Export Promotion Centre has identified the fishing sector as a potential sector for development.



#### Olive Oil:

Libya has the potential to continue to expand its olive oil production capacity by utilizing water irrigations projects.

The Libyan Export Promotion Centre has identified this sector for possible export potential.

Currently, Libyan olive oil is exported to Tunisia where it is blended in with local oil and exported to Europe as Tunisian oil. Libya loses the export premium to Tunisia because of its inability to export directly to Europe.







## Development and Investment opportunities for French companies in Libya

### 2 Libya – Healthcare sector: Some Potential Business opportunities

- Libya needs to upgrade every aspect of its existing public sector healthcare facilities with investments in better medical equipment, technology, training, and medicines.

01

Despite years of allocating sizeable amounts of public sector funds to spending on the health care sector, most Libyans continue to suffer from years of low-quality care, low education and training, shortages of medical supplies.

02

The sector needs to build hospitals and laboratories, manufacture medicines and medical supplies, and provide specialized medical training and education

- Upgrade existing Private Sector Clinics & Medical Laboratories:

There are about 100 existing private sector mini-sized clinics and polyclinics offering inpatient and outpatient health services with about 2,000 beds.

Many are owned and operated by leading Libyan doctors.

- The sector is desperately looking at expanding their size and the level of healthcare services they can offer. Some are willing to partner with foreign companies.





# Development and Investment opportunities for French companies in Libya

## 2 Libya – Healthcare sector: Some Potential Business opportunities

### The State-owned Maya & Rabta Medicine Factories

- ▶ There is the possibility of reactivating these two factories that have been closed for over a decade to produce medicine for the African market. In the past they have produced paracetamol, Aspirin, folic acid, ferrous tablets, multi-vitamins.
  - Most of which now is imported from abroad at relatively higher cost than producing them locally.
  - It is considered an ideal opportunity for a joint venture with international private sector partners.





# Development and Investment opportunities for French companies in Libya

## 3 Libya – Energy sector: Some Potential Business opportunities

### Renewable Energy

Libya is currently interested in utilising its renewable energy resources to reduce the financial and energy dependency on oil reserves

### Solar Panels:

01

Due to its location in the heart of the sun belt, one year of solar radiation on each kilometre of land produces energy equivalent to 1.5 million barrels of crude oil.

02

The Libyan lands are fertile farms to produce solar energy, as the rate of solar radiation in Libya reaches 5 to 7 kilowatts per day per square meter in promising areas, and it receives between 3,000 to 3,500 hours of sunlight annually.

Some predicting that the country could generate even more energy from the sun than from oil (Al-Habaibeh et al., 2013).

03

There is a high reward for this investment since Libya could sell its surplus solar energy to the European market, which is looking for renewable energy. Under ideal circumstances.

04

Libya could potentially supply 12,000 megawatts of electricity to European clients. Achieving these conditions could be very profitable for investors and the Libyan government.







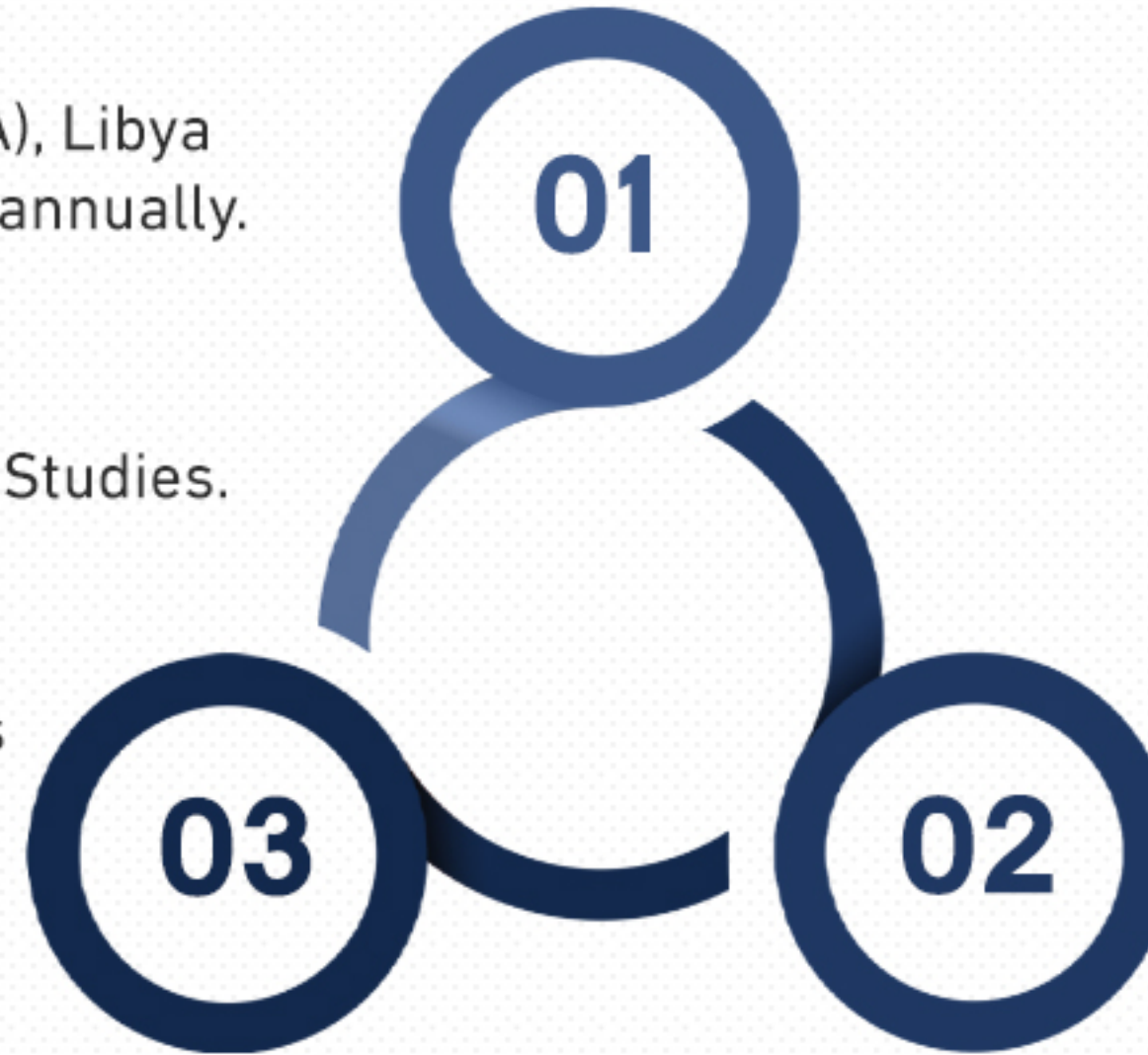
# Development and Investment opportunities for French companies in Libya

## 3 Libya – Energy sector: Some Potential Business opportunities

### Wind Turbine:

Libya has a reasonable wind potential that should be harnessed and exploited to contribute, partly, to the total electric energy demand.

- 01 According to the International Renewable Energy Agency (IRENA), Libya has the potential to of solar energy and 2.9 TWh of wind energy annually.
- 02 Several sites has been identified by the Centre for Solar Energy Studies.
- 03 However, the industry lacks experience and the government has opened the doors for foreign companies to explore this attractive source of energy.



The potential sites for wind farms in Libya







# Trade and Foreign Investment Regulations in Libya

## 3 Libya – Energy sector: Some Potential Business opportunities

### Manufacturing

Industry such as cement, building materials, iron and steel, sanitary materials, electrical, food, mechanical and chemical industries, machinery, equipment, spare parts, household goods, school supplies, plastics, leather, fodder, marine fishing equipment and waste recycling.

### Tourism

Establishing hotels, resorts, and tourist villages, managing tourist and entertainment facilities, and constructing tourist buildings and homes.

### Public facilities

Public facilities for the construction of residential buildings, the establishment of home gas networks, water desalination plants, purification and sewage plants, and other fields.

### Education

To establish universities, higher institutes, training centres, schools, and international institutes, training, education, and scientific research, and linking research centres.





# Trade and Foreign Investment Regulations in Libya

## Libya's wants to encourage foreign investment.

- Foreign investors are welcomed where they contribute and add value to the economy in ways which local companies cannot, for example, bringing new technology and know-how.
  - Investment is targeted in the following areas: industry, health, tourism, services, agriculture and any other sectors specified by the government

- As part of its overall reform and diversification policies to make its business environment more attractive for foreign investors, it enacted Foreign Investment Law No 9 of 2010.

## Investment Law No 9 of 2010:

- Under this law investors can establish investment enterprises for activities in all major industry sectors, other than upstream oil and gas. The investment project can be wholly owned by the foreign investor, provided that the foreign investment exceeds LYD 5 million.





# Trade and Foreign Investment Regulations in Libya

## Investment Law No 9 of 2010:

**An investment project, subject to the provisions of Law No.9 for 2010 includes the following privileges:**

- Exemption from customs duties, import fees, and other fees and taxes of a similar nature for the machinery, equipment and tools necessary for the execution of the project

- Exemptions on any profits arising from the projects activity when such profits are reinvested

- Exemptions on return on investment including dividends, interests, shares equities, and equity release from merger, sale of a division or a change of the legal form of the project and any other returns arising from the investment projects, during the period of exemption.

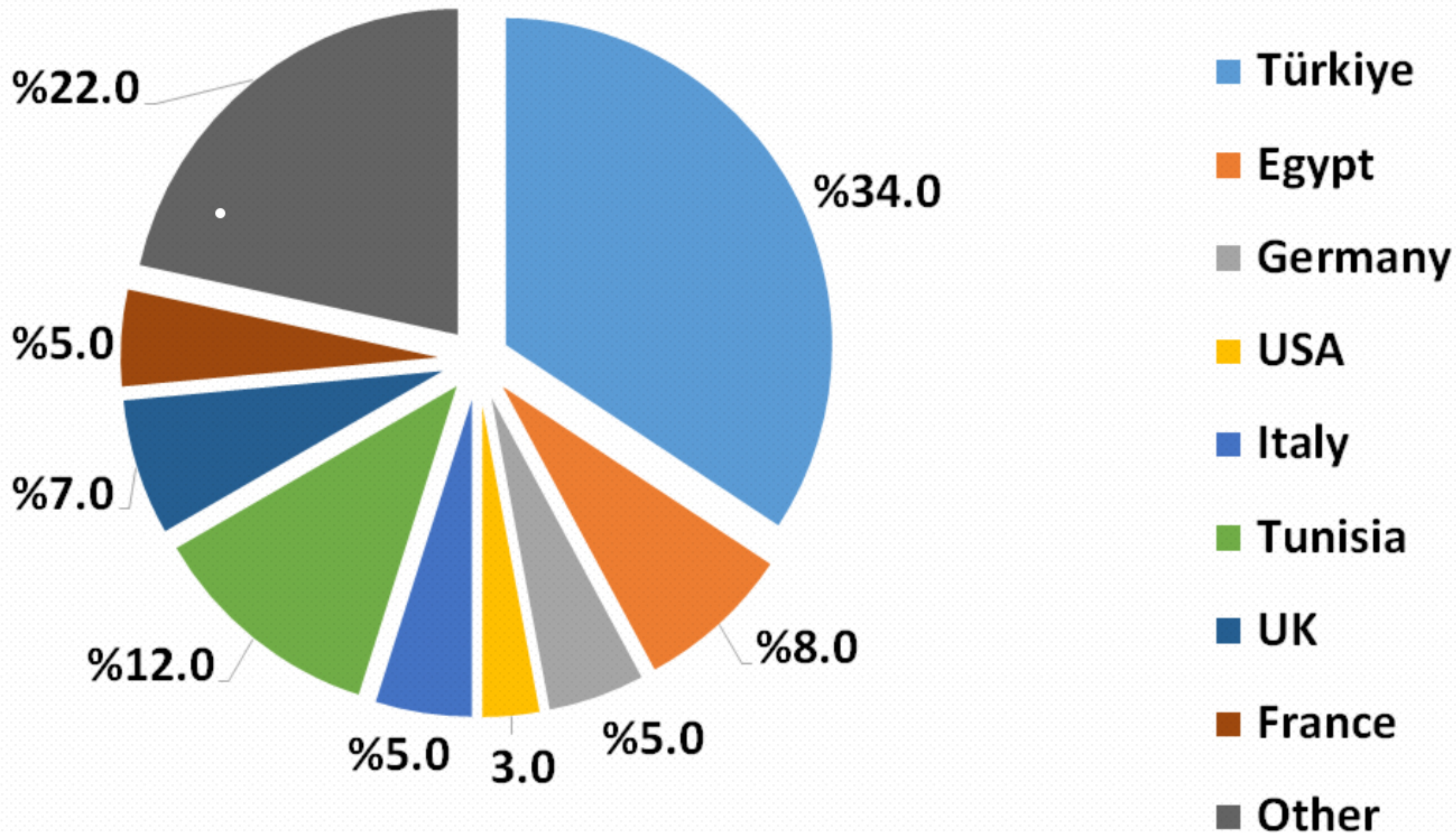
- Exemption from all fees and taxes for all supplies, raw materials, spare parts, transport means, fixtures and fittings, publicity and advertising material and any other requirements related to the operation and management of the project for a period of 5 years

- The investment project is exempt from income tax for a period of 5 years





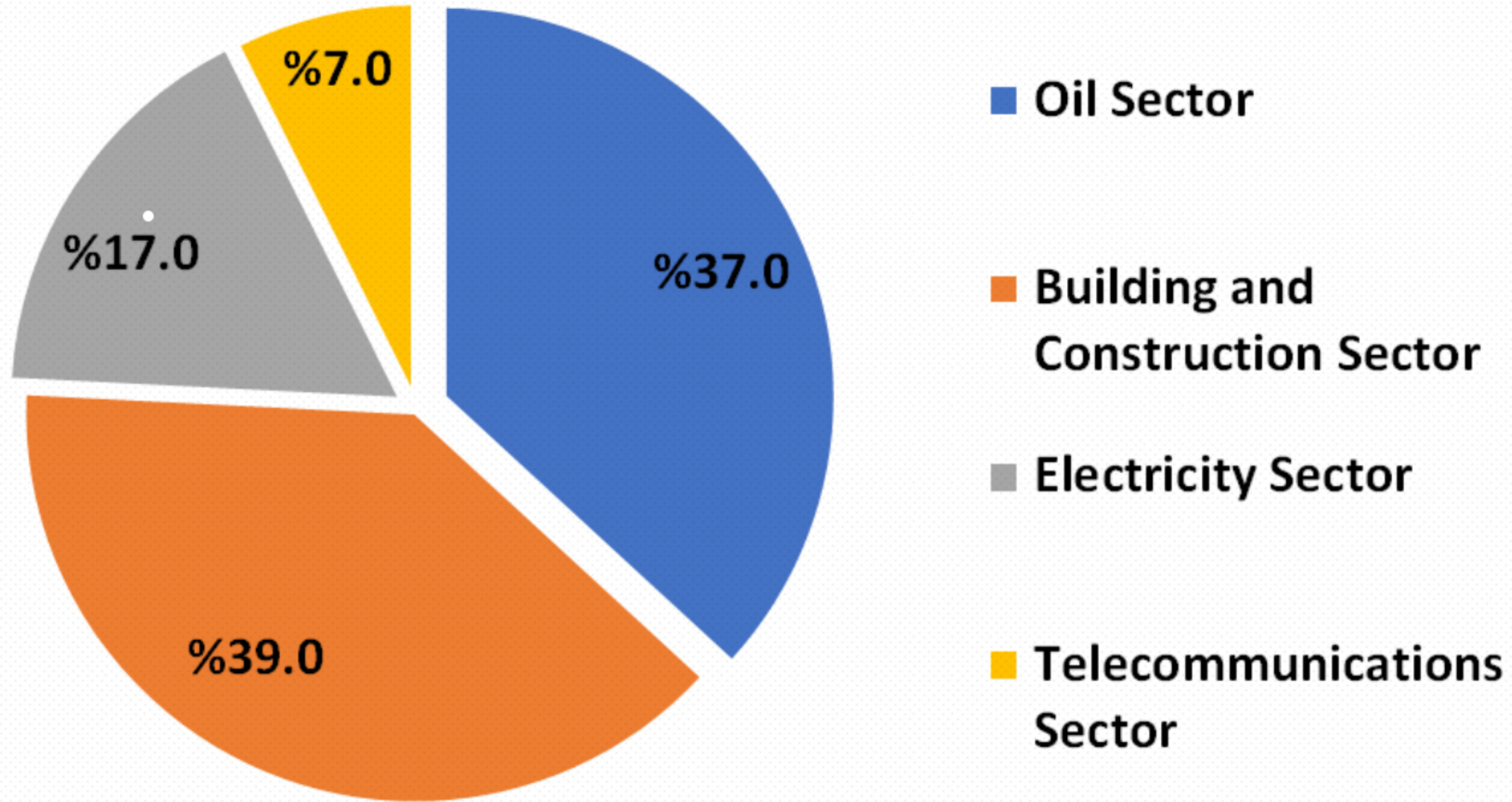
# Nationalities of Foreign Investment for the year 2022







## Investment Areas of Foreign Companies







We look forward to building complementary and cooperative relations based on the foundations of mutual respect and protection of the rights of all parties; we say:

**“ Investment legislation in Libya encourages and prepares investment in broad areas and does not restrict foreign direct investment ”**



**Finally,**  
Thank you  
for Listening

***State of Libya***

***Libyan Embassy – Paris***

