

BTI 2012 | Libya Country Report

Status Index	1-10	4.48	# 96 of 128	
Political Transformation	1-10	3.10	# 117 of 128	➔
Economic Transformation	1-10	5.86	# 58 of 128	➔
Management Index	1-10	2.90	# 115 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

More on the BTI at <http://www.bti-project.org>

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Key Indicators

Population	mn.	6.4	HDI	0.760	GDP p.c.	\$	-
Pop. growth ¹	% p.a.	1.5	HDI rank of 187	64	Gini Index		-
Life expectancy	years	75	UN Education Index	0.731	Poverty ³	%	-
Urban population	%	77.9	Gender inequality ²	0.314	Aid per capita	\$	6.1

Sources: The World Bank, World Development Indicators 2011 | UNDP, Human Development Report 2011. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

Since the revolution on 1 September 1969, Libya's authoritarian political system has shown considerable stability despite institutional changes, tensions with foreign nations, including a war with Chad and various conflicts with the United States, as well as a prolonged period of United Nations sanctions (1992-1999). As in the past, Libya's political evolution is currently dominated by revolutionary leader Muammar al-Qadhafi, who determines the main direction of government policy. It should be noted, however, that in doing so he must take into account the interests of the country's largest families and tribes. Al-Qadhafi has determined the country's political and economic direction since 1969. This includes reforms instituted between 1987 and 1992, after 1993 (when U.N. sanctions began), after 1999 (suspension of U.N. sanctions), as well as after 2003 (lifting of U.N. sanctions). Reforms were initiated with the objective of restoring Libya's full scope of action. At no time did political reform aim at the democratization of the political system in accordance with Western criteria. The population's only means of participating in decision-making remains the People's Congresses, which are controlled by the Revolutionary Committees. The only improvement since 1999 has been an increased tolerance for interest articulation. The state has softened its handling of political dissent, though this is often attributed to the absence of political challengers and could be reversed at any time. According to official discourse, the trend toward a free market economy, first witnessed in the late 1990s, has become irreversible. The desire for foreign investment and the subsequent impulse toward further economic reforms are poised to improve the economic framework. In August 2009, Britain decided to release the former Libyan agent convicted of the 1988 Lockerbie bombing on compassionate grounds, which turned out to be mostly based on fear as Britain was concerned the detainee would die while in a British prison and al-Qadhafi would halt all trade deals with Britain. The European Union, and especially Italy, has intensified collaboration due to the growing number of Libyan migrants fleeing to Italy. The United States normalized relations with Libya in 2008; however, in January 2011 the U.S. ambassador was called back to Washington, D.C. following revelations by the whistleblowing website WikiLeaks. During the period under

review there were also rumors about a power struggle between some of al-Qadhafi's sons. Although Saif al-Islam al-Qadhafi used to be seen as the heir apparent, he announced in December 2010 that his foundation would cease involvement in political and human rights reforms issues. After almost two years, finally Switzerland and Libya ended their diplomatic row which started with the arrest of al-Qadhafi's son Hannibal and his wife in Geneva in July 2008.

History and Characteristics of Transformation

The four decades of revolutionary history in Libya should not be viewed as representing one monolithic period, but rather as several stages of political and economic development. According to one widely accepted analysis, there have been three recognizable political phases. In the first phase (1969 –1970), a new political and organizational model was 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 Nasserite constitutional model. In the final phase toward the end of 1975, the Nasserite model was replaced with an officially sanctioned, 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. In this last phase, the Nasserite model was abandoned because of problems such as a parallel bureaucracy in the form of the Arab Socialist Union.

This third system, which has been in place for more than three decades, is grounded in resolutions passed by “the masses,” or “Jamahir” in Arabic. Thus, in Libya, the state is referred to as the “Jamahiriya,” or “state of the masses,” though it should be noted that the word is often translated into English as “republic.” The Jamahiriya has itself been through various phases, albeit without significant change to its central mechanism of governance, marked by al-Qadhafi's control of the system through “revolutionary leadership.”

The significant events and measures marking the period from 1975 to 2010 are:

- In 1975, Part I of the Green Book was put forward as the ideological basis of the new political system, which was then established in 1976.
- On 2 March 1977, the “Proclamation of Rule by the Masses” was issued, functioning as a written constitution.
- In 1977, al-Qadhafi's loyal followers formed the Revolutionary Committees, which remain active to this day. The original task of the committees was to establish the political system, but members have increasingly controlled the system and shut out political opposition, effectively dissolving it.

- In 1979, al-Qadhafi declared himself “Leader of the Revolution.” Structurally, this designation made him a political and ideological figurehead who operates outside the People’s Congress/Committee system, influencing it through the Revolutionary Committees, which he controls.

- In 1987, following military losses in Chad, the international oil crisis of 1986 and a generally deplorable state of domestic affairs, political and economic reforms were instituted. These reforms included limiting the authority of the Revolutionary Committees, lifting travel restrictions, and reinstating private enterprises nationalized in 1979.

- By the early 1990s, political reforms were abandoned or discontinued in response to increased Islamist violence toward the secularist-oriented Jamahiriya government, as well as to the imposition of U.N. sanctions in response to Libya’s implication in the 1992 Lockerbie bombing.

- Reforms were cautiously re-instituted in 1999, following the state’s repression of militant Islamist groups and the de facto lifting of U.N. sanctions.

Libya’s relationship with the West has clearly improved since, with the visible effects including the official lifting of U.N. sanctions in September 2003, Libya’s cooperation with the United States in its “war on terrorism,” and the official renunciation of weapons of mass destruction. In December 2008, the first U.S. ambassador to Libya in 36 years arrived in Tripoli. However, due to the revelation of some secret cables the ambassador, Gene Cretz, was called back to Washington, D.C. in January 2011.

On 2 March 2009, Libya ratified the Friendship, Cooperation and Partnership Treaty with Italy, which was signed in August 2008. The agreement includes the battle against illegal migration and compensation to Libya for more than 30 years of colonial rule. Most of the \$5 billion earmarked in the treaty will be realized through Italian-built infrastructure projects, including a coastal highway. Part of the agreement was an official apology by Prime Minister Silvio Berlusconi for Italy’s colonial past. Since then, business ties have flourished, and in 10-12 June 2009, al-Qadhafi made his first visit to Italy since 1969.

The diplomatic row with Switzerland was solved after two years of negotiations, when Libya released on 10 June 2010 a Swiss businessman who was detained and convicted with another Swiss citizen (released in February 2010), after Swiss police had arrested al-Qadhafi’s son Hannibal and his wife in summer 2008 in Geneva for allegedly beating their servants. Libya took measures in arresting the two Swiss businessmen for tax and immigration irregularities, generally suspending visas for Swiss citizens, stopping crude oil shipments and withdrawing funds from Swiss banks.

In regard to world politics, African heads of state met in Libya for the 13th summit of the African Union from 1-3 July 2009 and called for greater cooperation to boost peace and development efforts. On 23 September 2009, al-Qadhafi used the opportunity of speaking to

world leaders at the U.N. General Assembly to criticize the U.N.'s double standards. However, on 13 May 2010, Libya was elected by the U.N. General Assembly to serve a three-year term in the U.N. Human Rights Council. Nonetheless Libya ordered the U.N. refugee agency UNHCR to close its operations in Libya in June 2010, leaving refugees and asylum seekers at risk, since Libya did not sign the 1951 convention on refugees and does not have a domestic asylum system. The European Commission offered Libya \$70 million in aid to stop the flow of illegal migrants to Europe, which is much less than the € billion Libya asked for.

On 15 October 2009, 45 members of the Libyan Islamic Fighting Group (LIFG) were released, most of whom had been imprisoned since the mid-1990s after being convicted of an attempted coup against al-Qadhafi. In March 2010, Libya freed more than 200 Islamist prisoners (34 of them being members of the LIFG) as part of its program of rehabilitation of militant groups and followed by the recantation publication "Corrective Studies in Understanding Jihad" written by imprisoned top leaders of the LIFG in 2009. There has been a noticeable push forward in political reforms during the period under review, although they still remain secondary to economic reforms. They aim at corruption and also at a transformation of the civil service, for instance.

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

Transformation Status

I. Political Transformation

1 | Stateness

There have not been any problems regarding stateness since Libya gained independence in 1951. The state has an unrestricted monopoly on the use of force, challenged only in the 1990s by Islamist groups, for example the Libyan Islamic Fighting Group, a group with close ties to al-Qaeda. Domestic opposition is not allowed, and the existing exiled opposition does not affect the state's monopoly on the use of force. Libya has even invited its opponents to return from exile. The Libyan External Security Service, under guidance of Abu Zaid Durda who operates under orders from Libyan leader Muammar al-Qadhafi, said in July 2009 that dissidents could register with Libyan embassies abroad to facilitate their return to Libya, since they had been deceived into joining a party that used them for their own purposes.

All citizens have the same formally defined civic rights, and the nation-state is widely accepted as legitimate. Definitions of and qualifications for citizenship are politically irrelevant. It should be noted that the Amazigh (Berbers), which constitute approximately 20% of the population, though this figure is contested, have expressed reservations about the dominant Arabic emphasis in language and tribal lineage and the discrimination against the Berber language. The small group of Toubou in southeastern Libya has the same reservations. In January 2011, two Libyan Berber activists and two prominent Moroccan Amazigh researchers disappeared upon their arrival in Libya, and the World Amazigh Congress criticized al-Qadhafi's way in dealing with Amazigh affairs and sees Libya as usurped Amazigh homeland. Persons who are denied full citizenship rights are, although as not official policy, prisoners, political opponents and women. However, there was a major change concerning women's rights on 28 January 2010, when the General People's Committee adopted a new law on the Provisions of Libyan Nationality (Law No. 24 of 2010). The law grants Libyan women married to foreign spouses the right to pass their own nationality to their children. Nevertheless, the

Question
Score

Monopoly on the
use of force

9

State identity

7

interpretation of the provisions is left to implementing regulations which have not been issued yet.

The political process is secularized, though the state and official state religion (Islam) do occasionally overlap. The government is legitimized by Islam in the sense that the People's Congresses are said to be an implementation of the Islamic principle of consultation, as prescribed by the Quran (Sura 42, verse 38). In many regards, however, al-Qadhafi as the Libyan leader has a different way of interpreting the Quran from the point of view of other Muslims. The formation of an Islamic opposition ever since al-Qadhafi came to power used this divergence in Quranic interpretation as one of its main issues; and al-Qadhafi has been fighting against this opposition ever since.

No interference of religious dogmas

7

The nationwide administrative system has extremely bureaucratic tendencies and is involved in jurisdictional disputes. However, it suffers from widespread corruption and low technical skill levels. The introduction of a regional administrative level, the Sha'biyat, in 1995 (and eventually reformed in 2007 with the creation of 22 administrative districts) has not improved the efficiency of the administration. Public safety and rule of law are largely guaranteed. Criminal activities are said to have increased mainly due to migrants from sub-Saharan Africa. In March 2010, al-Qadhafi again proposed that the only way to overcome corruption would be to make a clean sweep of almost all ministries, but this was opposed by Libya's executive and legislative bodies and therefore not realized.

Basic administration

7

2 | Political Participation

In Libya, suffrage is compulsory. However, parties are not allowed and political posts are generally established and determined by al-Qadhafi and his companions. Official election procedures follow as such: Every four years the Local People's Congresses elect by acclamation their own leadership, who make up the People's Congress (the parliament) at the next level and who are provided with an imperative mandate. These representatives elect by acclamation the cabinet ("General People's Committee"). In every regard, the government depends on the revolutionary leadership and follows its directives, irrespective of the "rule of the people" proclaimed by al-Qadhafi.

Free and fair elections

1

The Libyan governing structure consists of two parts. One is the so-called Jamahiriya sector and the other is the revolutionary sector. The former is made up by Local People's Congresses in 1,500 urban wards, by (since 2007) 22 regional Sha'biyat People's Congresses and finally by the parliament (the General People's Congress) for the legislative branch and by Local People's Committees, Sha'biyat People's Committees and the cabinet (General People's Committee) for the executive branch. The revolutionary sector was established in 1969 when al-

Effective power to govern

1

Qadhafi assumed power and established the Revolutionary Command Council, composed of 12 persons. The members of this sector are not elected and therefore cannot be voted out of office. It is this sector that directs the other sector. However, due to the particularities of the Libyan political system, which is perceived by its leaders to be a “basic democratic” system, political decision makers are not democratically elected according to international standards. The “leader of the revolution,” al-Qadhafi, therefore is the top veto-power in the country. He also influences state action in many different regards. Concerning the fight against corruption, it was al-Qadhafi’s idea to hand over the oil revenues directly to the people and to remove almost all state structures. However, organizing bodies asked for a delay of this project in March 2009 and it has yet to be realized.

Political parties were banned by the Prohibition of Party Politics Act Number 71 of 1972. However, the establishment of non-governmental organizations (NGOs) is not prohibited according to the Association Act of 1971. Nonetheless, there are not many NGOs working in Libya compared to neighboring countries, since NGOs have to agree to the revolutionary goals of the Libyan leadership. Unions exist in a uniquely Libyan fashion, and are called instead professional associations. Unions do not have the right to strike, but have delegates with a representative mandate in parliament (General People’s Congress).

Association /
assembly rights
2

Individuals can neither form nor join independent political or civic groups, nor can said groups operate or assemble freely. The penal code sanctions capital punishment for all individuals who create, join, support or finance organizations prohibited by law. Civil associations are considered as not benefiting the ideals of the Libyan revolution and are therefore illegal.

However, in January 2009 the al-Qadhafi International Charity and Development Foundation (registered in Geneva) was accredited as a United Nations non-governmental organization. It is the first Libyan organization with such a status. The foundation is run by Saif al-Islam al-Qadhafi, the second-eldest son of Muammar al-Qadhafi, and tries to project a positive image of Libya.

In November 2009 Libya’s laws were about to be changed to allow the formation of non-governmental organizations. This would include the right to create apolitical civil associations. A “law of associations” is being drafted and clauses forbidding the creation and outlawing membership of NGOs were to be removed from the penal code. It still does not exist though, since the session of the General People’s Congress for January 2011 was postponed.

The government controls the media, no matter if it is state-run media or “autonomous media,” which in fact is not much more than semi-autonomous. However, the revolutionary leadership uses its power of media control for initiating reforms via placing publications criticizing current politics. The violation of

Freedom of
expression
1

“taboos” (writing on topics not tolerated by the leadership) is highly unusual and Libya’s journalists practice a distinctive self-censorship. If a taboo is violated, it is done so, for the most part, with the state’s blessing. De facto the freedom of expression is denied. Independent media exist but are suspended as soon as they do something to irritate the ruling elite. Authorities detain journalists at will. In 2010, two newspapers which are part of a media group founded by al-Qadhafi’s son Saif al-Islam were suspended for half a year. This is a sign that the reformist camp is losing influence due to a turf war with the conservative camp. The group Reporters without Borders ranks Libya in its 2010 World Press Freedom Index as a “country under surveillance” at rank 160 (out of 178).

3 | Rule of Law

Despite significant improvement since the 1980s regarding the rule of law, Libya still shows considerable shortcomings, as exhibited by instances of imprisonment without trial, torture and insufficient separation of powers. Nonetheless, Libyan tribes are powerful insofar as al-Qadhafi’s Qadhhadfa tribe is small and relies on a confederation with the other tribes in order to remain in power. This fact evokes compromises. Although officially separation of powers exists, de facto the “leader of the revolution” al-Qadhafi is above the law. At the end of 2009, for instance, according to new regulations, Tunisians visiting Libya were required to pay a tax (€78) to enter Libya and carry at least \$1,000, while Libyans were allowed to enter Tunisia freely. One year later, al-Qadhafi issued instructions to the Libyan “cabinet” (General People’s Committee) to immediately remove administrative barriers and taxes for Tunisian citizens traveling to Libya.

Separation of powers
2

While a separation of powers between the legislative and executive branches exists to some degree, the judiciary is not independent, as it is still subject to “revolutionary control.” Whereas common criminal proceedings such as those for murder, robbery, larceny or traffic violations, and proceedings relating to matters of personnel statutes are not subject to political influence, this does not apply to court proceedings on political issues. The independence of the judiciary is heavily impaired by political authorities, as witnessed in the case of two Swiss citizens detained in Libya after the arrest of Hannibal, one of the sons of Libyan leader al-Qadhafi, in Switzerland in July 2008. The two Swiss citizens were convicted on 30 November 2009 for violation of residency laws. Their cases went to the Court of Appeals in January 2010 as they had received guarantees from the al-Qadhafi Foundation run by al-Qadhafi’s son, Saif al-Islam. Eventually one of the accused had his charges cleared, while the jail sentence for the other was reduced to four months from 16 months by a Libyan appeal court. Their case had been at the center of a tense diplomatic dispute between Libya and Switzerland.

Independent judiciary
2

Al-Qadhafi as revolutionary leader does not have a direct legislative role and does not sign executive orders. However, the revolutionary leadership can intervene in the legislative, executive and judicial arenas. When certain procedures and regulations are in play, the relevant body will take suitable action or will issue appropriate communications such as laws or decrees. No formal controls are placed on the revolutionary leadership, however, and the desire to maintain power governs its activities. Corruption is a serious problem that, while denounced at the highest levels, is tolerated to a certain degree because the most corrupt people – the members of the revolutionary committee movement – are the regime’s biggest supporters. As such, although anti-corruption laws do exist, they are not enforced. Journalists who in their reporting have revealed corrupt activities have then been detained, and newspapers similarly suspended for their coverage of state corruption. However, al-Qadhafi wants to rid the state of corruption and has encouraged Libyans to directly take the country’s oil money and the responsibility to create better government structures. In March 2009 only 64 out of 468 Basic People’s Congresses (municipalities) voted for al-Qadhafi’s plan to hand out oil money to fight corruption. Some 251 accepted the idea in principle but found the moment too early for such a complex proposition. Since 2007, the Libyan government has been keen to reform its public sector, with the goals of improving efficiency and eliminating corruption, with the help of the executive education arm of the London School of Economics and Political Science (LSE), in an attempt to increase Libya’s international profile.

Prosecution of
office abuse

4

Civil liberties are respected only in principle. De facto, the judiciary is state-controlled. The right to a fair public trial is denied. Citizens also lack the right to any input in the government. There is no freedom of religion, speech, press, assembly and association, or at least these freedoms are restricted. Independent human rights organizations are prohibited, and Libya continues to have a poor record in the realm of human rights, although on 12 June 1988 the Great Green Human Rights Charta was declared. But in reality this declaration has not helped improve poor prison conditions as well curb arbitrary arrests and detentions, or assist political prisoners held without trial or prisoners held incommunicado. Although violations of civil rights are denied and therefore no institution addresses the alleged violations, there are only a very limited number of cases where the judiciary has had to concede that civil rights had been violated by the authorities. In April 2010, for instance, Libya released dissident Jamal al-Haggi who was detained for insulting judicial officials for claiming that he was tortured in jail.

Civil rights

3

Though there are no independent human rights organizations in Libya, the human rights organization inside the al-Qadhafi International Charity and Development Foundation plays a significant role in limiting human rights violations (the liberation of Islamists 2010 was due to their intervention).

Uncounted are the number of cases of migrants and foreign workers who are tortured and maltreated on a daily basis. By law women are not discriminated against, and al-Qadhafi encourages especially women to exercise their rights. If they fail to use their rights or get maltreated this is usually due to tradition, and the problem is concerned mainly with the state's insufficient protection of women and girls against violence, including rape, and spousal abuse, which seems to be widespread. Ethnic or religious discrimination scarcely happens in Libya except against the Libyan Toubous (an ethnic group living in southern Libya) as well as against African and Asian migrants and workers, as non-Libyans and non-Muslims. In such cases, discrimination is the rule.

4 | Stability of Democratic Institutions

The institutions established in 1976 as part of the Jamahiriya government have functioned as was envisioned at the time. The Basic People's Congresses meet three times per year (one time for national issues), and a National General People's Congress is held annually, most recently in Sirte for its 34th orderly session in March 2010. Suffrage is universal but also compulsory, meaning that all Libyan men and women over the age of 18 are required to participate. Manipulative intervention by the General Secretary of the General People's Congress and the Revolutionary Committee's control of discussions have, so far, prevented the system of direct democracy from truly functioning. Nevertheless, the revolutionary leadership prefers not to issue resolutions in a blatantly authoritarian manner, but would prefer to make it appear that resolutions are made as a result of the direct democratic process. This means that Libya has, in practice, an authoritarian regime that is nonetheless organized along the lines of a "basic democracy" (as al-Qadhafi defined the political sector in the Green Book). But al-Qadhafi as the "leader of the revolution" has ruled the country without holding any democratically elected position. Furthermore, corruption has constrained the "basic democratic" system to such an extent that in March 2010, al-Qadhafi asked citizens if they agreed to reduce the civil service, have oil revenues handed over directly to individuals and disband government ministries. However, most actors opted to postpone this far-reaching idea.

There is no modification of the political system in sight. In January 2005, al-Qadhafi urged the United States to adopt the Jamahiriya model of direct democracy for itself. Libya's is an authoritarian regime. However, there are signs that Libya might take further steps toward democracy, including the discussion to introduce a constitution, which continued in 2010 and 2011. Al-Qadhafi's second-eldest son, Saif al-Islam, widely perceived as reform-minded, was the driving force behind the country's international rehabilitation starting in 2003. He presented himself as

Performance of
democratic
institutions

2

Commitment to
democratic
institutions

2

committed to human rights through the al-Qadhafi Development Foundation, but faced increasing challenges by conservatives and his brothers Mutassim Billah and Khamis. In December 2010 the al-Qadhafi Development Foundation bowed out of politics and turned solely to charitable missions, which was seen as a setback for reform in Libya. However, Saif al-Islam denied that there was a power struggle within his family, especially with his brothers, who were backed by Saif al-Islam's conservative opponents.

5 | Political and Social Integration

Political parties were banned by the 1972 Prohibition of Party Politics Act Number 71 which states that “establishing a party equals an act of treason against the unity of the people.”

Party system

1

Outside the government-sponsored system of political participation, representation of special interests is minimal. Associations are exceptions to this rule, particularly those that operate nationally, such as the General Administration for Drug Control or the General Union for Youth. Because of the prevailing tribal system, there is little need for socially oriented self-help organizations. By contrast, there are well-established organizations for professionals, for high school and college students, and for women, including numerous local women's organizations that are members of the National Women's Union. Professional organizations vary widely and regulate matters specific to their areas of concern. They represent profession-specific views at the General People's Congress, but are also used, as needed, as instrumental bodies by the revolutionary leadership. This results in an asymmetrical relationship between revolutionary leadership and professional organizations.

Interest groups

3

There are hardly any NGOs working in Libya due to the 1971 Association Act which only allows organizations that conform to Libyan revolutionary goals.

The penal code is used to sanction capital punishment for anyone who creates, joins or supports organizations forbidden by law, since statutes and rules of civil associations are considered as not promoting the ideals of the Libyan revolution and therefore illegal. However, in 2009 these clauses were said to have been removed from the penal code and Libyans would be allowed to create civil associations in the future, provided that they are apolitical. Al-Qadhafi's son's Al-Qadhafi International Charity and Development Foundation even received U.N.-status in January 2009. Until December 2010, this foundation was active in the humanitarian field as encouraging the release of political prisoners (in August 2010, an ex-Guantanamo detainee and 36 other militant Islamists) or issuing a report on human rights (12 December 2010). However, in December 2010 the Al-Qadhafi

International Charity and Development Foundation announced abruptly an end to its advocacy of human rights and political reform.

No information is available regarding popular political opinion or positions on individual issues. This is due to a lack of public opinion polls, a lack of freely operating NGOs, the Local People's Congresses' restricted ability to articulate political will as well as the 1972 ban on political parties. Insofar as opposition can be articulated in the form of poor attendance at the Local People's Congresses, it can be assumed that the level of political indifference and even opposition reaches between 50% and 80%. That said, strong family and tribal ties – still very important as a cornerstone of individual action – see to it that Libyans take advantage of the resources of the rent-seeking state to the greatest extent possible through a presence in the system's institutions and bodies, among others through the Social People's Leadership Committees, established in 1994.

Approval of
democracy
n/a

As there are no public opinion surveys in Libya, it is difficult to assess the extent of a sense of solidarity and trust among citizens. Also, there are no autonomous organizations of cultural, environmental or social associations, since everything is directed or supervised by the state. The family, as well as the tribe, represents the core for the individual. However, Libyans do take advantage of the resources of the oil-rich state and participate in the system's institutions and bodies. The “wathiqat al-sharaf” of 9 March 1997 commits the clans and tribes to loyalty to the revolutionary system and imposes a collective punishment on clans or tribes who perpetuate (armed) oppositional activities. However, the last incident that reportedly happened was in 1998, when the issuing of passports for tribe members was temporarily restricted.

Social capital
2

II. Economic Transformation

6 | Level of Socioeconomic Development

The United Nations Development Program's 2010 Human Development Index (HDI) ranks Libya 53th of 169 countries. As such, the country is on the top in its classification “High Human Development,” particularly when compared with other countries in North Africa and the Middle East (excluding the Gulf States). Social exclusion due to poverty and lack of access to education is nearly nonexistent as health care, education and social equality are high priorities. The adult literacy rate is high with 88.4% (male: 94.9%, female: 81.3%, 2005 – 2008) due to the comprehensive enrollment of children in schools, which would be for primary school 95.2% (2001 – 2009). The gross enrollment ratio shows an over-average

Question
Score

Socioeconomic
barriers
6

ratio of total enrollment as high as 110.3% (2001 – 2009). Income is a problem in that most Libyans are employed in the public sector and are not used to a market economy; furthermore, corruption is widespread. There is no east-west disparity within Libya, despite the country's uneven population distribution, where people are concentrated in the greater Tripoli area in the west. However, the east feels subjectively neglected. If any disparity exists, it is between north and south, as goods are often in short supply in the vast desert regions of the south. Legal immigrant workers and especially the over 1 million illegal immigrants from sub-Saharan Africa living in the country since the end of the 1990s face a relative disadvantage when compared to the permanent residents of Libya. Amnesty International found that 50% of the 506 prisoners on death row (2009) were foreigners. However, figures are not good when it comes to gender equality. Libya scores a 0.504 (rank 52) in UNDP's 2008 Gender Inequality Index and 0.61 in the 2006 Gender Empowerment Measure Index, meaning that the country can claim 61% on a scale of complete gender equality, in terms of political participation and decision-making power, economic participation and power over economic resources. A subsistence economy only exists where people want to live on their own and do not want to be dependent on the state, which as an institution, cares greatly about its citizens' welfare.

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	71803.3	93167.7	62360.4	-
GDP growth	%	6.0	3.8	2.1	-
Inflation (CPI)	%	6.3	10.4	2.5	-
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	6.5	4.4	2.7	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ mn.	28510.3	35701.7	9380.6	16800.7
Public debt	% of GDP	0.0	0.0	0.0	0.0
External debt	\$ mn.	-	-	-	-
Total debt service	\$ mn.	-	-	-	-

Economic indicators		2007	2008	2009	2010
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	11.6	9.3	-	-
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	2.8	3.0	3.9	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.9	1.2	-	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

7 | Organization of the Market and Competition

Despite being ideologically prone to market intervention, the Libyan government, thanks in large part to high oil profits, has facilitated a free market framework with a well-developed infrastructure and diversified petrochemical industry. Efforts at industrial reform outside the petrochemical sector have so far yielded little progress. Although detailed concepts exist, they are often blocked due to bureaucratic mechanisms and turf battles between the agencies involved. These cause delays in decision-making and can result in poor decisions (sometimes by necessity) at the highest levels. Despite current reforms in economic policy, only al-Qadhafi has the authority to decree reforms and to order their implementation. But even he cannot pursue the correction of existing problems single-mindedly, since he must take into consideration the political and social consequences of reform. While Libya continues to have a centralized economy, the revolutionary leadership has advocated more productive investments and greater efficiency in the past five years, and private enterprise has spread into an increasing number of sectors. The state encourages collective/co-operative private property, or companies owned by the workforce, which fits ideologically to al-Qadhafi's version of socialism. Bureaucratic regulations and the lack of a legal framework often hinder quick implementation. As such, the Heritage Foundation/Wall Street Journal Index of Economic Freedom 2011 categorizes Libya as "repressed," and ranked it 173th out of 179 countries. It is important to note, however, that al-Qadhafi's ideological positioning is becoming increasingly flexible. For instance, al-Qadhafi now mentions the concept of "tashakuriyat," or the acquisition of companies by employees, not only in the context of people's socialism but also in the context of people's capitalism. On the macroeconomic level, the currency is convertible and there are no significant entry and exit barriers in product and factor markets.

Market-based
competition
4

However, the markets are not in general contestable since administered pricing exists, especially for staple foods and sometimes, for instance, cars. In a certain regard the freedom to launch and withdraw investments is given. But it is never predictable how and when the government will intervene in sectors that are strategically important for Libya. A Libyan informal sector hardly exists, but there is a huge informal sector made up of illegal foreign workers and migrants, which influences the country's economics greatly.

Progress has only been made to the degree that the revolutionary leadership has broken up monopolies (by revoking the exclusive privileges of state-owned companies and banks) and tolerated private business activity. Numerous industries, including crude oil production, aviation and energy production, remain state-owned. In fact, the Libyan state is not keen on the implementation of privatizations and reforms, although these are formally underway. According to the Economist Intelligence Unit's Libya Country Report of February 2011, 10 laws were introduced in 2010 to advance the business and investment environment but they are still far from being realized. A similar cautious development can be discerned following the privatization process of Libya's two telecommunications companies, Libyana and Al Madar. Libyan officials are afraid of the country being flooded by foreign investors and have reduced the previously given figure of the amount floated in privatizations from 30% to up to 5%.

It must be noted that there have been a number of decisions aimed at promoting market structures and competition during the period under consideration. Former "prime minister" Shukri Ghanem introduced a privatization program on behalf of the government, which represents a shift toward less state control over the economy. Foreign trade was not liberalized due to the economic system prevalent in Libya. However, with the lifting of the sanctions in 2003 Libya turned west and opened its economy to foreign investment. Nonetheless, Libya is not a member of the World Trade Organization and it is difficult to find reliable figures. Quoted by the Economist Intelligence Unit's February 2011 Libya Country Report, Libya's net foreign assets grew by 3.3% in 2009 and by 5.8% from January to October 2010, due to accumulating oil revenues. However, this is a comparatively slow growth of assets since the average growth between 2005 and 2008 was 39.2%.

Libya's financial system is outdated and highly centralized. In 1970, the government nationalized all banks and private ownership of financial institutions was not officially permitted until 1993. Libya's first small private bank since 1969 was allowed in 1996. An active central bank and eight other government-owned financial institutions dominate the banking sector. However, Libya is now reforming its banking system, since the highly centralized banking system is widely seen as the main obstacle to growth, as well as to attract more private investment outside the oil sector. According to Order Number 19 of 2009, Libya's commercial banks should seek partnerships with foreign banks for this reason. Nevertheless, the

Anti-monopoly
policy
4

Liberalization of
foreign trade
5

Banking system
3

banking system and also the capital market are hardly differentiated; moreover, regulation and supervision requirements are insufficient. Libya does not meet, for instance, the international standards of banking systems defined by the Basel Accords. Libya does neither disclose information about its economic activities, nor can one find information on its bank capital-to-assets ratio or its bank nonperforming loans. Since Libya is financially completely independent of the world financial system, it does not feel the need to internationalize its system and it does not have to elaborate on reforms in the financial sector as a reaction to the recent global financial crisis, due to its oil revenues.

However, the high foreign capital investments outside Libya made through the Libyan Foreign Bank and the Libyan Investment Authority made it necessary to adapt international banking procedures. All the same, there have been some privatizations and reforms. Italian finance giant UniCredit was issued a preliminary banking license and the Arab Banking Corporation (Bahrain) purchased a 49% stake in Libya's Mediterranean Bank. Due to technical support from international organizations, the banking sector is said to be speedily modernizing. Furthermore, there has been a significant increase in lending to the private sector, which will promote its growth; this trend is said to continue, as expected by the February 2011 Libya Country Report from the Economist Intelligence Unit.

8 | Currency and Price Stability

Inflation control as well as exchange-rate policies are in accordance with the government's economic policy. However, inflation controls might be subordinated to other goals and might also be used for political purposes. Since 2002, the Libyan dinar has been kept stable at a rate of LYD 1.2 to the dollar, although economists in Libya say that the dinar is actually pegged at 44% to the dollar, 34% to the euro, 11% to the pound sterling and 11% to the Japanese yen. In December 2009 a central bank official said that Libya will keep its exchange rate unchanged, contradicting a Libyan Internet site that reported Libya intended to strengthen the currency's value to LYD 0.6 to the dollar. Concerning inflation, Libya had a negative inflation rate at the end of the 1990s well until 2004. Following the lifting of sanctions in 2003, the demand for consumer goods grew quickly, as Libya imports about 90% of its food and other supplies. In 2008, inflation peaked at 10.4%, amid sharp increases in housing costs and food prices, and economist say that this was due to higher imported food prices and the global credit crunch. In 2009, inflation fell on lower food prices, which account for around third of the inflation gauge, to 2.5%. Most prices are determined by the government, through price controls and state-owned enterprises and utilities.

Anti-inflation /
forex policy

5

Libya is one of the few countries which are not indebted. Libya's fiscal policy generally promotes macroeconomic stability, since it is a very rich country. Given the high price of crude oil in 2003 and 2004 (Libya's 2009 GDP was \$60.4 billion), Libya's foreign currency situation is still considered excellent. Furthermore, Libya has a huge stabilization reserve due to its oil income and is financially not externally vulnerable. The current account balance as a sum of net exports of goods, services, net income and net current transfers for 2008 was \$35.7 billion. The general government final consumption expenditure (which includes all government current expenditures for purchases of goods and services, as well as compensation of employees, national defense and security expenditures) was 9.3% of GDP in 2008 and much under the average 13.8%. Libya's total reserves amount to \$396.1 billion, although different figures exist, evaluating the total reserves of foreign currency for January 2011 at \$100 billion. As it is typical for Libya, there is a lack of institutional safeguards, and the fiscal policy is prone to populist, or rather al-Qadhafi's, policy changes.

Macrostability
7

9 | Private Property

Attacks on private property in the early 1980s, legitimized by the publication of Part II of the Green Book in 1978, have ceased and have even been reversed to some extent following reform initiatives introduced in the 1990s, which include the return of homes to previous owners. The current politically motivated support of private enterprise offers additional protection for rehabilitated owners. Following modifications to the estate property law in 2004, private ownership of more than one accommodation unit is allowed, which was a modification which came about due to an urgent need for 200,000 homes to "rent" to Libyan as well as foreign residents. Property rights and regulations on acquisition, benefits, use and sale are defined formally in law. According to World Bank data from 2009 on registering property, two procedures, which require a total of three days, are necessary in a standardized example of an entrepreneur wishing to purchase land and a building (which are registered and free of title dispute). Compared to the average number of procedures (six) and length of time (62 days), this is amazingly fast. However, property rights and related regulations are not implemented and enforced consistently, nor safeguarded adequately by law against arbitrary state intervention or illegal infringements.

Property rights
5

The state subsidizes the purchase of a company by their workforce (private collective ownership) through an extension of credits. Act Number 21/2001 has been modified correspondingly. Foreign private investment in Libya was made possible by modifications to Investment Act Number 5/1997. The strategic business sectors are dominated by state companies. Private companies can act freely but encounter sometimes economic, political or social barriers to development. This is

Private enterprise
4

due to the particularities of the Libyan “basic democratic” system and the strong position of the leader al-Qadhafi. According to World Bank data from 2009, which identifies the bureaucratic and legal hurdles an entrepreneur must overcome to incorporate and register a new firm, it takes seven procedures and 26 days to launch a commercial or industrial firm with up to 50 employees. This is below the average time (eight procedures in 32 days).

10 | Welfare Regime

The Libyan population has recourse to two types of social security. Citizens are protected by largely-intact family relationships or by membership in a tribe, as well as by an extensive social security net and subsidy policy that has remained a high priority for the revolutionary regime since 1969. Free education, health insurance, pensions and subsidies for basic foodstuffs and fuel are part of the government’s welfare policy, and every Libyan citizen has access to these benefits. There is a nationwide, nearly free, health care system which is also responsible for the comparatively high life expectancy in Libya of 74 years (in 2008; meanwhile, the global average life expectancy is 66 years). However, the public health expenditure in 2007 amounted to 1.9% of GDP and was low when compared to the average 3% of GDP. According to United Nations definitions, poverty does not exist in Libya as no Libyan must subsist on less than \$1 per day. Usually the state compensates for those on the social periphery, paying out money and offering food programs (e.g., subsidized food). The money for such programs comes from oil revenues and oil investment funds.

Social safety nets
8

Equality of opportunity is largely achieved. Women and members of ethnic or religious groups have near-equal access to education, public office and employment. The literacy rate is 94.9% for men and 81.3% for women. The ratio of female-to-male enrollment as a percentage of girls to boys enrolled in public and private primary schools is 95.2% (2009), in secondary schooling (117.1%) and in the tertiary level (109.5%) girls outnumber boys significantly. However, family relations can restrict a woman’s access to the job market, and traditional social behavior and values result in gender-based discrimination. This is less true in the political sphere, where the revolutionary leadership has strongly supported women’s participation. There are a number of legal provisions against discrimination, but their implementation is at times insufficient; clan, family or other nepotistic connections are often called upon, for instance, when applying for a job.

Equal opportunity
7

11 | Economic Performance

In macroeconomic terms, Libya's economy has suffered from a financial crisis, resulting from a hike in the price of raw materials in the 1980s and from U.N. sanctions throughout the 1990s. A rigid austerity policy that restricted imports and cut expenses reversed the negative GDP growth trend in 1999. Nevertheless, growth remained too low to provide competitive salaries in a number of important sectors. This was particularly true in the non-crude oil sectors, where annual growth was less than 3%. Corruption and mismanagement obstruct performance. Economic decision-making can and does result in more positive results, albeit mostly when the government is under duress. Once the economic costs of a certain item become too high, decision makers bow to the central bank's advice and realign economic policy, often revising the interventionist practices of the past.

However, with regard to figures Libya's economic performance is good. Positive macroeconomic data include relatively high GDP growth rates (despite high unemployment levels, with an estimated 30% to even 50% of youth), changing price stability, a balanced budget, no debt and a very good current account position. The GDP per capita based on purchasing power parity for 2006 – 2009 grew continuously and was at \$16,526 in 2009. The GDP at purchaser's prices reached \$62.3 billion in the same year. The annual growth rate of GDP at market prices based on constant local currency amounted to 2.1% in 2009. Inflation was at 2.5% in 2009 and very low in comparison to 2008 (10.4%). Foreign direct investment as the net inflow of investment to acquire a lasting management interest is the sum of equity capital, reinvestment of earnings, other long-term capital and short-term capital as shown in the balance of payments. In 2009 it was at 4.3% of GDP. The current account balance (the sum of net exports of goods, services, net income and net current transfers) in 2009 was \$35.7 billion. The gross capital formation (outlays on additions to the fixed assets of the economy plus net changes in the level of inventories) in 2009 was 27.9% of GDP.

12 | Sustainability

The Libyan revolutionary leadership is aware of the finite nature of its crude oil reserves and, as a result, has been trying since the 1980s to improve the country's agro-industrial basis. In particular, the "Great Manmade River" (GMR) project, which accesses fossil water reserves for use in large-scale agricultural colonies in western Libya, is of major significance in terms of sustainability. Despite environmental protection laws passed in the 1990s, there are still considerable legislative shortcomings in the industrial sector, as well as in waste disposal and recycling. International environmental agreements have, until now, been signed only selectively. For instance, the Convention on Biological Diversity was approved

Output strength
8

Environmental
policy
4

and also the Kyoto Protocol. However, in 2010 al-Qadhafi's son, Saif al-Islam, promoted a so-called Green Investment Project in the Jabal al-Akhdar region in the Cyrenaica, calling it a concrete implementation of environmental policy.

In the 2010 Environmental Performance Index, Libya ranks 117 out of 163 countries. Provided that the underlying indicators allow the conclusion in how far a country establishes environmental policy goals, the situation in Libya with 50.1% is not good. However, in December 2010, Libya announced that it wants to triple its power generation capacity within a decade and set a target of supplying 10% of its energy consumption from renewable sources like wind and solar power. Libya sees itself as a source for clean energy and would like to export energy to all of Europe. Domestically, however, the government tries to set incentives for environmentally sound consumption and investments but there is no public awareness for this. In contrast, the "Great Manmade River" project, for instance, is seen as environmental vandalism.

A sophisticated, nationwide education and healthcare infrastructure is in place and ranks among the best in all of Africa, with numerous clinics and 15 universities. The quality of education and medical treatment, however, lags behind the status of the infrastructure. The education policy ensures a nationwide system of sound education and training, and the research and technology sector is fairly advanced. However, there are no figures on the investment in education and training or on investment in research and development. The numbers concerning the literacy rate (95.2%), the ratio of female-to-male enrollment (primary education: 95.2%, secondary education: 117.1%, tertiary education: 109.5%, in 2009) as well as the gross enrollment ratio (primary education: 110.3%, secondary education: 93.5%, tertiary education: 55.7%, in 2009) are good. Few forward-looking technical or industrial research facilities have been established. Existing facilities are state-run, with a few exceptions such as the Academy for Higher Studies in Tripoli. However, Libya is working to reform its higher education and scientific research systems and will spend \$9 billion through a five-year national strategic plan as stated in April 2009. The main aim is to set up a knowledge-based Libyan society and promote science-based industrial development. For instance, a National Authority for Scientific Research as well as a Center for Quality Assurance and Accreditation is in the planning stages. Therefore, research and development receive effective support from the government. After all, there is still a mismatch of the educational system with market demand, which in turn fuels the continuing need for better educated and more productive expatriates working in Libya.

Education policy /
R&D
6

Transformation Management

I. Level of Difficulty

The structural constraints on governance are fairly low, because, thanks to its oil revenues, Libya is a very wealthy country. There is no real poverty to speak of (except among migrants), the country has an educated labor force (though in practice, it is neither sufficient nor effective), it is not disadvantaged by its geographical location, it enjoys a good and continuously improving infrastructure is good (e.g., a railway is being built along the coastline), natural disasters are rare (though there are occasional locust) and health pandemics have not been an issue among the Libyan population (though this is not the case among migrants, who suffer, for example, from HIV infections).

Structural
constraints

4

Traditions of civil society are very weak in Libya. There is no real public engagement, although the government would say there is, since political representatives in Libya perceive their county to be basically democratically organized. The situation is changing very slowly and Saif al-Islam, al-Qadhafi's second eldest son, has achieved a lot during the period of review to convince Libyans of the need for expressing interest in civic engagement. However, Libyans are not used to speaking out, so it will take time for them to become accustomed to participation in public life.

Civil society
traditions

9

There are no violent incidents based on social or religious differences. On ethnic grounds, though, there have been skirmishes between youths from the Toubou and Zawia tribes in November 2008 in Kufrah. But since then, there have been on reports on further disputes. The Amazigh (Berbers), which constitute about 20% of the population, have reservations about the dominant Arab influence. However, there is still subtle discrimination against guest workers of a different race or ethnicity (e.g., black Africans).

Conflict intensity

2

II. Management Performance

14 | Steering Capability

Question
Score

Since assuming power, the revolutionary leadership has formulated specific goals and pursued them consistently. In addition to social equality, these goals predominantly relate to national and economic self-determination and the effort to efficiently achieve self-sufficiency in food needs. These goals explain the high priority given to the “Great Manmade River” project and the slogan “power, wealth and arms in the hands of the people.” In principal, al-Qadhafi’s oft-stated goal of promoting Libyan development must be taken seriously. The revolutionary leadership sets strategic priorities and attempts to integrate them into its ideology. This is demonstrated in the support of a people’s socialism compatible with the Jamahiriya model, which, at the same time, remains pragmatic and willing to repeal politically motivated measures when necessary. Therefore it is not electoral competition that constrains the government’s ability to pursue long-term objectives. One area is exempted, though. The oil sector is well-organized and does not underlie political bargaining.

Prioritization
3

The political leadership tries to manage development and transformation effectively, but abuse of office, nepotism and also the revolutionary sector, which is in competition with the democratically structured political system, hamper their efforts. Thus resources often are not used efficiently and there is no consensus on reform from official actors. Furthermore, the generous welfare system has made people politically silent, that is, they show little civic commitment in the face of continued advances.

The political leadership is not prepared to carry out all measures “optimally,” that is, to formulate objectives on the basis of pragmatic considerations. The government barely has its own policies due to Libya’s political system. If they have objectives, the government receives them officially via the basic democratic system, and then unofficially, but nonetheless very outspoken, via al-Qadhafi and his revolutionary system. Although there is a reformist camp gathered around al-Qadhafi’s son Saif al-Islam, currently (early 2011) their position is getting weaker and the conservative camp, with al-Qadhafi’s sons Mutassim Billah and Khamis, is gaining ground.

Implementation
3

However, the implementation of strategic priorities corresponds only rudimentarily with the normative BTI framework of democracy and market economy. This is unlikely to change as long as the government structures are divided between a

political and a revolutionary sector, which provides perfect grounds for corruption and abuse of office.

It is not always easy for outside analysts to determine the motives behind individual decisions, though most contain a “revolutionary” rationale. In light of the political situation, decisions are largely predictable. As such, the homogeneity that characterizes decision makers and the hierarchical structure with al-Qadhafi at the top ensures that inefficiencies, such as conflicting measures taken by various sub-centers, occur seldom or not at all. Furthermore, the political role played by the People’s Congress/Committee system must not be overlooked. The government is neither willing nor able to practice policy learning. It is not willing, because it is not requested, and it is not able, since it is not allowed to. In case its policies do not please al-Qadhafi, he will blame the bodies anyway. However, there are some tendencies to minimize corruption and official ineffectiveness. In 2009, for instance, Libya started to subject its civil service to radical transformation. And notwithstanding all trenchant rhetoric, Libya is wise enough to seek assistance from outside if necessary, such as in the area of education reform. In 2007, Libya’s National Economic Development Board asked for proposals for modernization of their civil service at the London School of Economics and Political Science, aiming at reducing corruption and the ineffectiveness of the civil service. This came in part from the desire to establish a better international profile in order to foster international business and investment in Libya. So sometimes, but still incidentally, the government seems to strive for more popular participation and a market economy.

Policy learning
3

15 | Resource Efficiency

Due to the political situation in Libya, the government uses efficiently only some of its available human, financial and organizational resources. There is far too much administrative staff, and personnel expenses compared to services offered by the state are way too high. Dismissals and new appointments of public servants, at least in the highest ranks, depend on al-Qadhafi. Competitive recruiting procedures are not at all protected against political influences, but an appointment depends on the connections one has.

Efficient use of
assets
3

There is neither effective and independent auditing, nor transparent budget planning and implementation. However, in case budget expenditures exceed planned figures, Libya taps its foreign currency reserves, which stood officially at \$97.9 billion at the end of March 2010 (but are estimated to be as high as \$150 billion). Also, Libyan foreign investments in Europe and especially in Africa (through the Libyan Arab African Investment Company) are evaluated by international analysts as being highly profitable.

Libya has a very healthy balance of payment and is free from any foreign debt. Thus there is no real need to be concerned about efficient administrative organization, and no desire to establish local self-government with legal and financial autonomy.

Thus, the continuing lack of transparency during the period under consideration means that only conditional statements can be made about the effective use of financial resources and budget funds, the majority of which are earned from the export of crude oil.

Furthermore, a large portion of Libya's financial resources go toward political or politically motivated expenditures with no immediate effect on economic growth, such as, among others, the Islamic mission, defense and support of liberation movements, global diffusion of ideology, the International Revolutionary Committee Movement, and the regional organization Community of Sahel-Saharan States (CEN-SAD), including financing its general secretariat. It remains to be seen if the allocation of \$33 billion (2009) to the "Great Manmade River" (GMR) project was a wise economic investment.

Despite explicit planning and reform objectives, the unwieldy nature of the People's Congress/Committee system produces considerable inefficiency in practice. While acknowledged by the state auditing authority, attempts to mitigate this inefficiency have generally fallen short. Libya's competing political and revolutionary sector, but also its rampant corruption, means that the government mostly fails to coordinate between conflicting objectives. It is more the rule than the exception that policies have counterproductive effects on other policies and that different parts of the government tend to compete among each other. However, there is the leader al-Qadhafi, who again and again intervenes and lets his civil servants know what they should do; he tells his people when to defend themselves against any abuse of authority. There are official efforts to free Libya from corruption and to establish a modernized and efficient public sector.

Policy
coordination
5

The problem of corruption is well-defined and citizens are generally tired of it. However, the government is only partly willing and rather unable to contain corruption, and effective integrity mechanisms are not existent. Institutional arrangements to implement anti-corruption policies are not working. As an example, the Anti-Corruption Committee (established in 1994) has not produced any significant results. The ineffective activities of the "lijan al-tathir" committees represent a powerful example of the general tendency to fight corruption only selectively and according to temporary political interests. Besides insufficient governmental efforts, the patronage-oriented tribal social structure and the need for material goods prevent noteworthy progress in this area. Al-Qadhafi's suggestion to solve the corruption problem was simply to abolish as many administrative bodies as possible and to give the oil-based income directly to every citizen. However, in

Anti-corruption
policy
3

March 2009, Libya's executive and legislative bodies voted to delay al-Qadhafi's oil distribution scheme until appropriate measures were put in place.

16 | Consensus-Building

There is no general consensus among the population about the continued political and economic evolution of the Jamahiriya system because some, including members of the Revolutionary Committees, remain committed to a state-run economy or oppose initiatives aimed at further opening foreign policy, and feel that permitting foreign investment is damaging to national sovereignty interests. However, the ruling elite know that if they want to keep step with other countries they have to change Libya's democratic structures and push toward a market economy. Nevertheless, as long as Libya subsists on its oil there is no real need for change, unless the people themselves start demanding democracy and a market economy, both which would significantly limit the state's influence. Yet even within the al-Qadhafi clan any proclaimed consensus on goals is rudimentary; Saif al-Islam's cautious reform efforts have been undermined by the conservative camp, which is close to his brothers Mutassim Billah and Khamis.

Consensus on goals
3

Those remaining who are committed to a state-run economy and the Jamahiriya system do not constitute "veto actors" as such. But the fact that the revolutionary leadership must consider these positions in policy-making prolongs the reform process. Despite dissenting voices, however, much of the public is genuinely committed to reform. Reform tendencies were usually introduced and put forward by al-Qadhafi's son, Saif al-Islam. However, the Qadhafi Development Foundation run by him published a decision in December 2010 that the foundation would bow out of politics, including human rights issues. Analysts see that as a setback for reform in Libya, and reformers have no control over anti-democratic actors who actually constitute the parliament and cabinet.

Anti-democratic
actors
1

There are two irreconcilable positions taken by would-be veto actors in the political arena. The first is in the religious sphere, where Islamic groups label al-Qadhafi a heretic. Since the end of the 1980s, they have demanded that Shari'ah law be adopted, replacing secular governmental structures. While there is no doubt that the secular governmental model will remain, the revolutionary leadership has reacted to this position with widespread repression, branding Islamic groups as heretics or the "new charlatans." But this is not of any importance anymore, since most of the militant Islamists have been arrested and were in jail until the revision of their strategy (release of most Islamists until February 2011). The second point of contention relates to democratic transformation and is found between the revolutionary leadership, which supports the existing system, and the opposition, which demands basic freedoms such as the right to form parties and freedom of

Cleavage /
conflict
management
4

speech. For decades, the opposition has been forced to give in and has either withdrawn into exile or been neutralized by repression.

Ethnic cleavages may be in existence between the Libyans of Arab decent and those of Berber decent and also between the Toubous (in the Kufrah area) and non-Toubous, but again they are of minor relevance. However, with regard to the expatriate workers, a cleavage exists between Libyans and the poor, non-Libyan migrants. But here, the political leadership is not really interested in preventing cleavage-based conflicts from escalating.

The few existing civil society organizations are closely watched so that they cannot interfere with state affairs. Therefore the political leadership clearly obstructs civil society participation. However, there is the al-Qadhafi International Charity and Development Foundation which was fully committed to human rights issues and was reform-oriented besides its charitable work. Due to unknown reasons this foundation, which is led by al-Qadhafi's son Saif al-Islam, renounced its political activities in December 2010. It had been the driving force for change in Libya since the end of the sanctions period, and especially younger Libyans who are oriented toward the West were left without much hope regarding the political system and progress toward a market economy. Journalists also face problems and practice self-censorship, although there are sometimes signs of an easement of suppressive policies. For instance, in July 2010 the newspapers Quryna and Oea, which were suspended in January 2010 for "abusing" the Libyan press freedom by writing on corruption, were able to publish again. This was probably due to Saif al-Islam's influence, since the two newspapers are allied to him.

Civil society
participation
2

In general, the political leadership has not addressed historical acts of injustice and has not initiated any processes of reconciliation. Yet there have been sporadic instances of flexibility. Jamal al-Haggi, a Libyan dissident who was imprisoned for claiming he was tortured in jail, was acquitted in April 2010 of charges that he had insulted judicial officials, and was released. On 28 January 2010, Libyan Justice Minister Mustafa Abdeljalil said that he wanted to resign because of his inability to free prisoners who had been jailed despite their innocence. However, it turned out that the prisoners referred to were members of al-Qaeda, and al-Qadhafi classified the minister's comment as inappropriate. However, despite some improvement with respect to the treatment of political prisoners and the opening of prisons to outside inspection, a substantial change to a better reconciliation policy cannot be attested.

Reconciliation
3

17 | International Cooperation

External advice in general is considered as undesired political interference. Libya is very skeptical of integrating international assistance into the domestic agenda of reforms, but is quite aware of the advantage of international know-how and seeks out external analyses of domestic issues. Due to Libya's excellent financial situation, it is not dependent on international donors. The government does not refuse advice in instances where it considers this necessary. So the political leadership uses international assistance for short-term expediencies, and maybe also for rent-seeking. There is no viable long-term development strategy due to the country's political structure. Although the government has aims of political and economic development, there is no roadmap specifying steps to reach these aims. There have been several projects for which Libya has asked for international help, for example technical advice for its railway project, which is coordinated by the Italians and realized by the Russians and Chinese; or formulating an anti-corruption program, designed by experts at the London School of Economics and Social Politics. So Libya does seek international help for making improvements in many regards. Concerning the Libyan constitution, Italians were part of the juridical committee which carried out work in February 2009. The new 45-hectare university campus in Tripoli will be built by French architects. In regard to the fighting of illegal migration from Libya to Italy, Libya has sought European support, and the Libyan government minister on 13 December 2010 requested € billion per year to shoulder the burden of defending the EU's borders. In February 2009, the EU offered Libya €20 million to help cope with illegal migration and in October 2010, €50 million in aid to stop the flow of illegal migrants. However, Libya knows exactly that it has the whip hand and will make Europe pay for Libya's help.

Effective use of support
3

Libya is not a credible and reliable partner although it pretends to be one. Therefore Libya is not trusted by Western countries in the international community. Since international organizations are hardly represented in Libya and bilateral as well as multilateral donors are not needed, foreign governments and investors have made it common practice not to trust the Libyan government. In 2008, one of al-Qadhafi's sons, Hannibal, was arrested in Switzerland. Notwithstanding the cause of the arrest, two Swiss citizens were then detained in Libya and convicted of violating residency laws. This case dragged on through June 2010, when the Swiss foreign minister signed a deal in Tripoli to end the diplomatic row. In many other cases Libya tends to react very aggressively to supposed offenses. However, the visible trend which started in the mid-1990s of a moderate Libyan foreign policy has opened the door to increased international economic cooperation.

Credibility
4

Libya is one of the richest African countries and does not need to cooperate with neighboring countries, from which many of its foreign workers come. The political leadership cooperates selectively or sporadically with individual neighboring states and is reluctant to accept rules set by regional and international organizations, since it is used to acting as it desires. However, in December 2010, al-Qadhafi instructed the Libyan government to take immediate steps to remove administrative and financial barriers and taxes which were imposed on Tunisian citizens entering in Libya and who did not benefit from the same treatment as did their Libyan counterparts. Nevertheless Libya occasionally grants amnesty for undocumented foreign workers, if they obtain a visa, and this is also applicable to Libya's neighboring states. The government does not do this on humanitarian grounds, but because Libya needs the foreign workers. There is also a different kind of mutual help with regard to technical issues, and in October 2010, for instance, Libya offered its help to Tunisia in building an oil refinery at a Tunisian oil terminal as a joint business project. Concerning stability and wealth in Africa, al-Qadhafi saw the African Union (AU) as a failure and promoted during his AU chairmanship (2 February 2009 to 31 January 2010) his plan to create the United States of Africa with a pan-African government. However, the proposed federation did not come into existence due to the strong opposition of other African heads of state. Concerning the neighboring Sahel states, relations are excellent. Therefore, Libya was able to play a significant positive role in the reconciliation process between Tuareg rebels and the governments in Niger and Mali.

With regard to Europe, Libya decided to suspend issuing visas for European citizens apart from the British in 2010, since Libyan citizens had been denied European visas following the diplomatic row over al-Qadhafi's son Hannibal and his wife who were arrested in Geneva in 2008.

Regional
cooperation

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Strategic Outlook

Libya's democratic transformation has seen a brief and asymmetrical evolution since the end of United Nations sanctions in 1999 and the resumption of reform efforts. Until the end of the period under review, little had changed in the political arena and, as in the past, the revolutionary leadership stood in the way of any true freedom of expression, civil society development or political participation. Though the regime under Muammar al-Qadhafi had taken some first steps toward liberalizing the economy and implementing market economy mechanisms, democratization initiatives inspired especially by Saif al-Islam turned out to be almost cosmetic, as proven by al-Qadhafi's relentless reaction to the evolving mass demonstrations and uprisings in February/March 2011. In contrast to Tunisian President Zine el-Abdine Ben Ali and Egyptian President Hosni Mubarak, al-Qadhafi has chosen to not leave the stage "voluntarily" but instead decided to send in airplanes and tanks to exercise force against his own people.

Notwithstanding al-Qadhafi's unique power position in Libya's two-sphere state structure, some "veto players" (such as tribes) were so strong that even the revolutionary leadership had to take them into account. As such, it could not initiate radical changes even if it wanted to. Observers agreed that no progress toward democratic transformation is possible in Libya as long as the dual structure of revolutionary and governmental sectors remain in place, with the revolutionary sector dominant and free of any formal checks and balances. Furthermore, Libya was seen to be able to meet performance criteria only when political institutions with democratic instead of revolutionary legitimacy were created, and the government was consistently responsible to voters. Until early 2011, however, only rudimentary reforms in the rule of law, the balance of power and the implementation of a private enterprise system had been enacted.

Possible transformation pressure from within was perceived as small, as the necessary actors were not in place. The substantial revenues from crude oil sales, and the welfare state's subsequent ability to buffer economic problems also reduced the pressure on the government to operate efficiently. The means available for promoting the process of democratic transformation from abroad are limited. Since U.N. sanctions were lifted in 2003, and the prospects for economic cooperation between Libya and Western businesses (including the return of U.S. oil companies) have improved, neither the United States nor Europe possess suitable means of applying political pressure. To the contrary, following its return to the international community in 2003 – 2004, Libya was now seen as a guarantor of stability, especially given the difficult circumstances in the broader Middle East. This calculus includes Libya's key position with regard to illegal immigration into the European Union. In October 2010, the European Commission offered Libya up to €50 million in aid to combat irregular migration to Europe. However, this sum was far below Libya's original appeal for €5 billion. Libya is taking advantage of the fact that Europe depends on it to curb illegal immigration into Italy and Malta. 2009 was a lean year for irregular immigration, and there seems to be a connection between the drop in illegal migration across the Mediterranean and the lack of jobs caused by the

international recession. Italy has been repatriating to Libya all migrants rescued in international waters, leading to a drastic drop in migrant arrivals in Italy and Malta in 2010. Furthermore, in December 2010, Italy and Libya signed a technical and operational protocol to combat illegal migration by sea.

In regard to the unpredictable succession of al-Qadhafi, Saif al-Islam, the liberal-leaning second-eldest son of al-Qadhafi, seemed to have asserted himself against two of his brothers, Mutassim Billah and Khamis. Saif al-Islam lacked any official role, but had the highest profile among al-Qadhafi's sons yet was not supported by the army. Mutassim Billah and Khamis had both military backing, and especially Mutassim Billah was close to the old guard which did not support many reforms initiated by Saif al-Islam. Concerning internal politics, there was little reason to expect that the Libyan opposition living in exile would be able to exercise any influence, as it was fragmented and enjoyed little support inside Libya itself. It had also lost support among Western third-party entities that have resumed contact with the Libyan government, including the United States and the European Union.

With the advent of citizen demonstrations and the government's violent attempts to suppress them in spring 2011, al-Qadhafi has clearly disqualified himself as a legitimate leader for most Libyans. The international military reaction, which began on 18 March 2011, was highly appreciated by opposition forces which had temporarily brought several Libyan cities under their control. It remains to be seen how Libya will further develop; but it appears unlikely that al-Qadhafi or one of his sons could ever regain the trust or support of the central political, economic and military actors in Libya.