

LIBYA

# ECONOMIC MONITOR

Redefining the Role of  
State-Owned Enterprises  
in Libya

Spring 2025



**THE WORLD BANK**

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Middle East & North Africa



# Libya Economic Monitor

Redefining the Role  
of State-Owned Enterprises  
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Middle East and North Africa Region

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# ABBREVIATIONS

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|     |                                  |      |                                  |
|-----|----------------------------------|------|----------------------------------|
| BTI | Bertelsmann Transformation Index | ILO  | International Labor Organization |
| CBL | Central Bank of Libya            | IMF  | International Monetary Fund      |
| CPI | Consumer Price Index             | LEM  | Libya Economic Monitor           |
| EFI | Economic Fitness Index           | LYD  | Libyan Dinar                     |
| FCV | Fragile, Conflict, and Violence  | Mbpd | Million barrels per day          |
| FDI | Foreign Direct Investment        | MENA | Middle East and North Africa     |
| GDP | Gross Domestic Product           | NOC  | National Oil Corporation         |
| GNI | Gross National Income            | SCM  | Synthetic Control Method         |
| GNS | Government of National Stability | TFP  | Total Factor Productivity        |
| GNU | Government of National Unity     | USD  | United States Dollar             |
| HoR | House of Representatives         | WBG  | World Bank Group                 |



# PREFACE

**T**he Libya Economic Monitor (LEM) is the product of the Middle East and North Africa unit in the Economic Policies Global Practice at the World Bank Group. It provides an update on key economic developments and policies and presents Libya's outlook. It is intended for a wide audience, including policymakers, business leaders, financial market participants, and the community of analysts and professionals engaged in Libya. The data cut-off for this report is **May 1, 2025**.

The Macroeconomics section of the report was led by Khaled Alhmoud (Senior Economist, Task Team Lead) and co-authored by Zied Ouelhazi and Mohamed Habib Zitouna (Economists). The Special Focus section was prepared by Tania Ghossein (Senior Private Sector Specialist), and valuable contributions were received from Omar Al-Aqel (Private Sector Specialist), Anastasia Rodina (Governance Specialist), Nyandeng Verona John Gajang (Young Professional, Governance Specialist), and Zouhair El Kadhi (Private Sector Expert). The authors received invaluable com-

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# EXECUTIVE SUMMARY

**I**n 2024, Libya's economic performance reflects the persistent challenges of hydrocarbon dependency compared against nascent signs of broader recovery. The economy recorded a contraction of 0.6 percent for the year, driven primarily by a decline in oil GDP of 6 percent amid political and institutional disruptions that originated from the Central Bank of Libya (CBL) crisis in August. However, non-oil GDP growth of 7.5 percent, supported by robust private and public consumption, partially offset the decline. The weak overall performance highlights the critical reliance on the oil sector while underscores the limited capacity of non-oil sectors to fully mitigate hydrocarbon-related volatility absent deeper structural reforms.

**The Libyan economy is expected to rebound in 2025 primarily driven by the expansion of oil sector activities.** With oil production expected to average 1.3 mbpd in 2025—above its ten-year historical average and 17.4 percent higher than 2024—GDP is anticipated to rebound by 12.3 percent this year. Meanwhile, non-oil GDP growth is set to hover around 5.7 percent in 2025 supported by consumption and exports, and is projected to slow down to 4 percent in the medium term.

**The CBL's official data offers an incomplete view of Libya's fiscal health, hindering a full economic assessment.** The data published by the CBL on a monthly basis includes Government of National

Unity budgetary and extra-budgetary expenditures, including the National Oil Company and General Electricity Company, but underestimates oil revenues and fuel subsidies as a result of the oil-for-fuel swap mechanism implemented since November 2021. It also omits Government of National Stability public spending, complicating accurate fiscal position analysis. This incomplete financial picture challenges effective policymaking and risks further instability in Libya's fragile economy.

**The outlook for the Libyan economy is tilted to the downside, despite some progress.** The resolution of the Central Bank of Libya's crisis in September 2024 paved the way for a resumption of oil production but also underscored the fragility of the political environment, which had direct short-term impacts on the economy. Prospects for political stability and consensus would be a major upside for the Libyan economy and citizens. A sharper-than-expected slowdown in global growth or a full unwinding of OPEC+ voluntary supply cuts would further depress oil prices. On the contrary, global growth prospects could improve if trade barriers are rolled back, which could lead to stronger commodity demand and higher prices. Similarly, intensification of regional conflicts could disrupt trade, FDI, and financial flows but may simultaneously create revenue windfalls for Libya if oil prices rise. In the medium term, the main economic challenge remains diversify-

ing the economy and reducing dependence on hydrocarbons—a source of fragility both internally, due to political volatility, and externally, due to shifts in international markets. Additionally, extreme climate events may cause loss of human lives, severe infrastructure damage, reduced economic growth, and heightened financial instability.

**The Special Focus Section “Redefining the Role of State-Owned Enterprises in Libya” examines the State-Owned Enterprises (SOEs) landscape in Libya’s economy,** delving into their impact on fiscal sustainability and private sector growth, while drawing comparisons with structural and aspirational peers. It relies on new analysis using the World Bank’s Business of the State (BOS) database and reveals a vast network of nearly 190 Libyan SOEs spanning strategic and competitive sectors—including oil and gas, finance, utilities, transport, manufacturing, and tourism. The analysis provides, for the first time, a clearer picture of the scale, sectoral footprint, and governance structure of SOEs in Libya, confirming the outsized presence of the state across the economy. The analysis surfaces critical fiscal risks, inefficiencies, lack of transparency and market distortions.

**Key findings show data gaps related to SOEs’ financial performance.** Where available, data points to their persistent losses and widespread overstaffing, with firms like General Electric Company of Libya (GECOL) employing over 42,000 workers and

requiring LYD 2.75 billion in annual budget support to cover shortfalls. SOEs also dominate infrastructure and banking, sectors with potential for greater private sector participation, hence distorting competition, leaving the economy undiversified and highly dependent on hydrocarbons.

**Nevertheless, international experience shows reforms are possible.** Countries such as Egypt and Morocco have strengthened state oversight through ownership policies, while Azerbaijan consolidated SOEs under a sovereign holding structure to improve transparency and performance. For Libya, adopting similar reforms and repositioning the state as regulator rather than operator—while ensuring competitive neutrality—could unlock SOEs’ potential and lay the foundation for private-sector-led growth and diversification. Examples of reforms to be considered could include developing a roadmap for SOE reform, conducting a legal review to identify and amend laws that hinder competition, reactivating and empowering the Financial Resources and Corporate Accounting Department (FRCA) as a centralized SOE oversight body, liberalizing competitive sectors such as electricity and telecommunications to attract private investment along with a regulatory public-private partnership (PPP) framework, and gradually eliminating preferential treatment of SOEs could signal the Government’s strong willingness to spur a private-sector-led recovery and effectively regulate the state presence in the economy.





# RECENT ECONOMIC DEVELOPMENTS

## Conflict and Institutional Developments

**Libya continues to be engaged in efforts to overcome its political challenges; however, tangible progress remains limited.** The House of Representatives (HoR) and High Council of State (HCS) have engaged in talks to restructure the executive authority and unify governance. In late April 2025, both eastern and western branches of the Audit Bureau reached an agreement on unifying the institution, work plans, annual reports and organizational structures, putting an end to the division that dates to 2014. However, political division and unilateral actions have undermined efforts to achieve national reconciliation and reunification efforts. Leadership disputes persist within major institutions such as the High Council of State. The recent launch of the “National Rescue Plan” by the Presidential Council (PC) has triggered the call for the formation of unified government by the HoR and has raised concerns from the international community about unilateral actions that could hinder political stability.

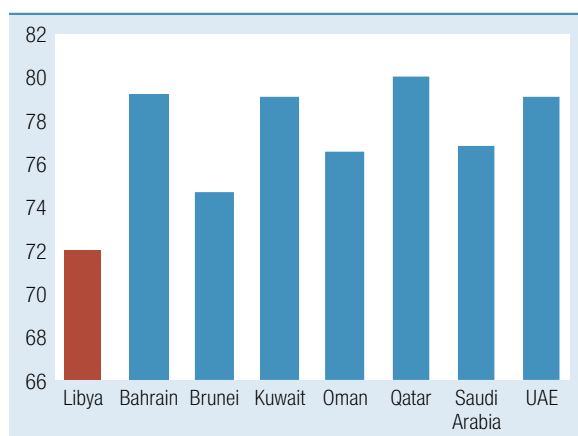
**The UN and the broader international community have launched initiatives to reform electoral laws and foster national dialogue, with the**

**aim of uniting the country and creating conditions conducive to holding elections.** With limited buy-in from Libyan factions, The African Union’s peace initiative faltered. The United Nations Support Mission in Libya (UNSMIL) has facilitated the establishment of an advisory committee of Libyan experts to address contentious political and legal issues impeding elections, while also encouraging dialogue among key stakeholders. The Presidential Council (PC) has repeatedly called for a referendum to resolve outstanding issues related to electoral laws and to hold national elections as a means of ending the ongoing crisis of legitimacy.

**Despite repeated calls from the international community and the active role of the Central Bank of Libya (CBL), the Government of National Unity (GNU), the Government of National Stability (GNS), and other stakeholders, agreement for a 2025 unified budget has not been reached.** Consequently, GNU’s spending continues on the basis of the 1/12 rule,<sup>1</sup> meanwhile GNS’s spending on

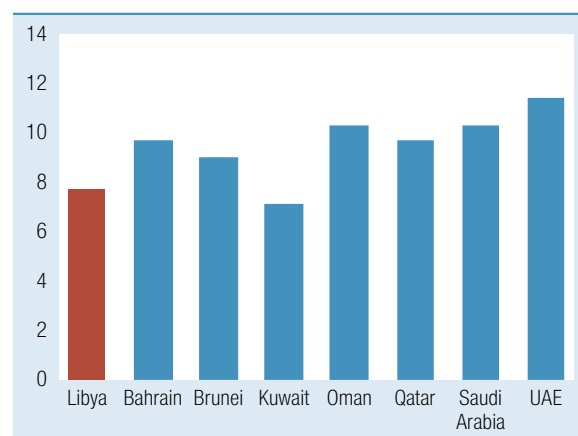
<sup>1</sup> According to the Libyan Financial Law, in the absence of an approved budget by the legislature (HoR), the government may spend on the basis of 1/12 rule of previous fiscal year actual expenditure.

**FIGURE 1 • Libya’s Life Expectancy at Birth Falls Below Peers (in Years)...**



Source: UN Human Development Index, WB Staff Calculations.  
 Note: Life Expectancy and mean years of schooling data for Libya reflect averages for 2011–2022.

**FIGURE 2 • ...with Similar Pattern in Years of Schooling (in Years)**



Source: UN Human Development Index, WB Staff Calculations.  
 Note: Life Expectancy and mean years of schooling data for Libya reflect averages for 2011–2022.

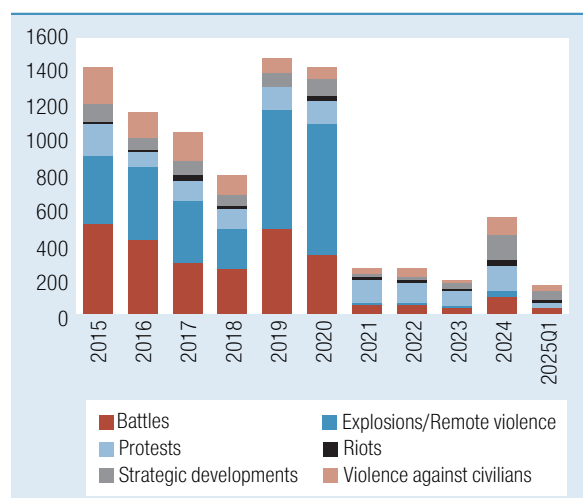
purchases of goods and services (Chapter 2 of the National Budget) and Development Projects (Chapter 3) continues to be financed through opaque channels. The GNS submitted a draft budget for FY2025, totaling LYD 174.1 billion (77 percent of GDP) to the HoR for approval covering all regions of the country. Nonetheless, it is unclear whether the additional budget of LYD 50.9 billion (compared to 2024) covers additional GNS spending, new capital spending for all regions, or a mix of these items. The lack of fiscal transparency and overall weak public investment raises concerns regarding the effectiveness of public resource allocation and the credibility of fiscal policy. Furthermore, starting in March 2025, an agreement was reached to terminate the oil-for-fuel barter system that had been in place since November 2021. The barter system will be replaced by a more transparent fuel procurement mechanism and ensure timely transfers of oil receipts to CBL. However, due to the lack of budget allocation for fuel purchases and imports at the National Oil Company (NOC), the barter system is still active to prevent fuel supply shortages in Libya.

**Institutional fragmentation and policy incoherence continue to undermine economic governance.** The absence of a unified national budget—alongside weak fiscal discipline, limited transparency, and parallel spending by rival governments—has further eroded policy coordination. A lack of shared economic vision has also constrained the

Central Bank of Libya’s (CBL) ability to implement effective monetary policy. These challenges are compounded by illicit trade, informal labor and migration, and capital flight, which the CBL estimates result in annual losses of USD 7 billion due to undocumented economic activity. In an April 6 statement, the CBL called for urgent measures to curb smuggling, currency speculation, and irregular financial flows. It urged legislative and executive authorities to adopt a coordinated economic roadmap featuring sustainable fiscal policies, a unified budget, and reforms to support macroeconomic stability and preserve foreign reserves.

**Weak economic governance hindered the capacity of Libyan authorities to deliver expected results to its citizens.** The lack of fiscal transparency erodes public trust and deters investment, leading to slower economic growth. Weak public investment spending can hinder infrastructure development and reduce the long-term productive capacity of the economy. Besides the economic losses, the conflict has also caused a severe loss of human capital (Figures 1 and 2). Restriction of spending on essential items (wages and salaries, social transfers) as per the Libya Political Agreement, has hindered the capacity of Libyan authorities to undertake the required reconstruction and maintenance projects in health, education, infrastructure and public utilities. Children in Libya are now expected to complete only 7.8 years of schooling

**FIGURE 3** • Number of Violent Events Picked Up in 2024...



Source: Armed Conflict Location and Event Data Project (ACLED).

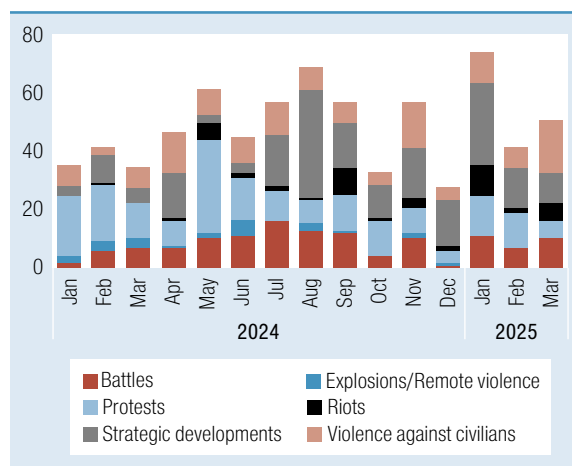
by age 18, well below the median of other peers, while life expectancy hovers around 72 years.

**Security conditions have overall improved over the past years but remain volatile and uncertain (Figure 3).** During the first quarter of 2025, the number of violent events increased by 50 percent compared to the same period in 2024 (Figure 4). The persistent volatility, characterized by intergroup armed conflicts, revolving around control of strategic assets and rival militia territories (in Az-Zawya and Ajaylat for example), has resulted in recurrent disruptions to key economic infrastructures such as Az-Zawya oil refineries. The instability in western Libya, particularly the recent clashes between armed groups in Tripoli and the escalations in Misrata and Tripoli, with military build-up, exemplifies the acute risk to economic assets, with clashes having previously inflicted considerable damage on critical oil infrastructure. Furthermore, sporadic violent events reflect widespread political and social dissatisfaction and contribute to broader instability. This environment of uncertainty not only deters foreign direct investment but also undermines domestic economic activities.

## Economic Growth and Hydrocarbon Sector

**The economy contracted by 0.6 percent in 2024, primarily driven by a decline in oil GDP amid polit-**

**FIGURE 4** • ...while the Number of Violent Events Registered Higher during Q1-2025 Compared to Q1-2024



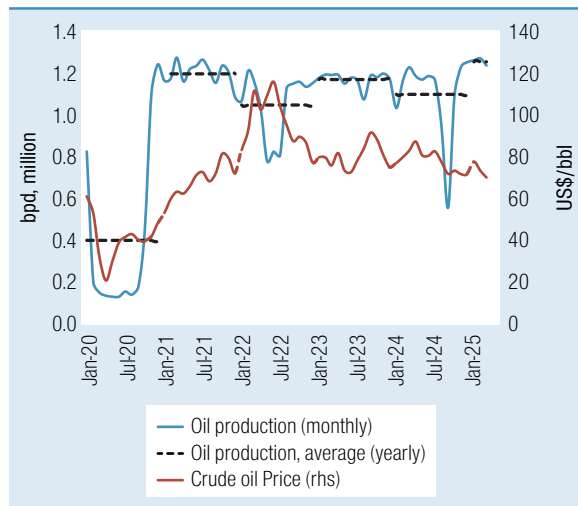
Source: Armed Conflict Location and Event Data Project (ACLED).

**ical and institutional disruptions (CBL crisis).** Oil GDP, contributing 60 percent of GDP, declined by 6 percent due to oil production disruption during the CBL crisis. Annual production averaged 1.1 million barrels per day (mbpd) for the whole year, with output recovering in Q4-2024 to reach 1.3 mbpd in December (Figure 5). However, non-oil GDP growth of 7.5 percent provided a partial offset supported by robust private consumption and sustained public expenditure. Despite the slight decrease in agricultural sector by 0.9 percent, the services activities grew by 10.2 percent and contributed to non-oil GDP robust performance.

**Authorities aim to attract major oil companies and investment to ramp up production.** NOC aims to reach 1.6 and 2 mbpd by the end of 2025 and 2027, respectively. The announcement of the 2025 bidding round, the first in 17 years, offers 22 exploration areas across key basins, such as Sirte and Murzuq, aiming to attract foreign direct investment from major international oil corporations such as Eni, BP, Shell, and ConocoPhillips. Eni's €8 billion commitment over four years signals significant potential for sector growth. However, persistent political instability remains an essential barrier to long-term investor confidence and operational steadiness, underscoring the need for a secure governance framework to underpin these ambitions.

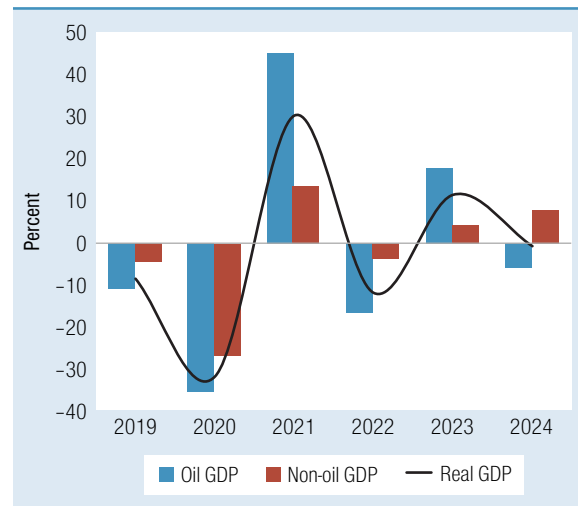
**Driven by private and public consumption, non-oil GDP expanded by 7.5 percent in 2024**

**FIGURE 5 • Libya Has Ramped Up its Oil Production Following the Resolution of the CBL Crisis**



Source: OPEC, WB Commodity Market Outlook.

**FIGURE 6 • Economic Growth Remains Heavily Dependent on Developments in the Oil Sector**



Source: Libyan Authorities, World Bank Staff Estimates.

(Figure 6) with wages and salaries in the public sector—accounting for 89 percent of total employment—increasing by 10 percent due to wage adjustments and arrears payment. While initiatives such as the Economic Diversification Strategy 2025<sup>2</sup> aim to bolster non-oil contributions through enhanced private sector engagement, structural impediments that include an oversized public sector and less attractive investment climate continue to constrain private sector-led growth leaving Libya’s economic outlook heavily tethered to oil market dynamics.

## Public Finances

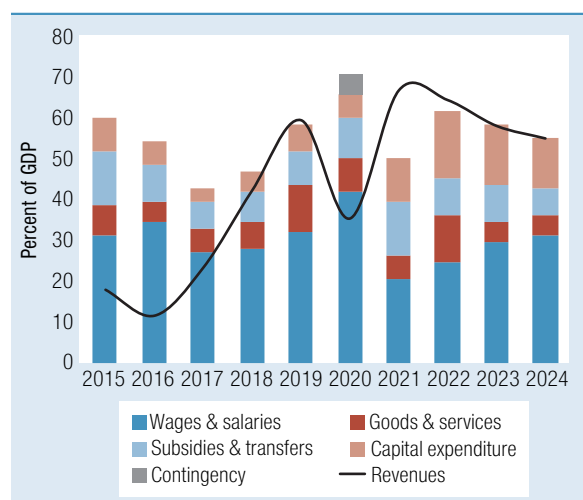
**Political gridlock impeded substantial progress in establishing a comprehensive and unified budget and restoring fiscal discipline and macroeconomic stability.** The GNU’s budget has not been approved by the HoR since 2021, yet it is funded by hydrocarbon revenues through the CBL. Conversely, the GNS budget has been approved by the HoR since 2022 but lacks access to the nation’s hydrocarbon revenues and continues to finance itself through opaque channels. This parallel fiscal management presents challenges in terms of oversight, exacerbates fiscal imbalances, undermines macroeconomic stability, and intensifies pressure on foreign reserves

and exchange rates. Furthermore, weak fiscal coordination directly hampers the level and quality of service delivery to citizens.

**According to the CBL, the fiscal position was generally balanced in 2024, with the budget registering a surplus of 0.1 percent of GDP (Figure 7).** Total revenues, standing at 54.8 percent of GDP, declined by 2 percent compared to 2023. Oil revenues dropped by 26 percent amid softening oil prices and production. The lower oil revenues were partially compensated by higher tax collections from foreign exchange sales (10 percent of GDP) and CBL dividends (3.1 percent of GDP). On the other hand, public expenditures, amounting to 54.7 percent of GDP, contracted by 2 percent compared to the previous year. The fall in total spending came from a substantial cut in capital expenditure (3 percent of GDP) and subsidies and social transfers (7.1 percent of GDP) by 77 and 20 percent, respectively, which was partially offset by a 10 percent rise in wages and salaries (31.3 percent of GDP). In December 2024, the

<sup>2</sup> Libya, through Ministry of Economy and Trade, is actively working on diversifying its economy beyond its heavy reliance on oil and gas, focusing on sectors like renewable energy, tourism, agriculture, industrial development, business process outsourcing, free zones, and digital economy.

**FIGURE 7 • The GNU Reported a Quasi-Balanced Budget in 2024**



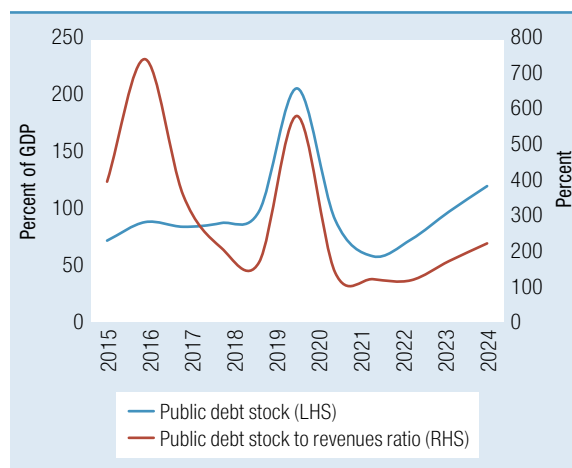
Source: Libyan Authorities (MoF, CBL), World Bank Staff Calculation.

GNU transferred LYD 20 billion from the unspent development budget allocation (Chapter 3) to a deposit account at the Ministry of Finance, for future financing of the National Oil Corporation (NOC), the General Electricity Company of Libya (GECOL), and other development projects in 2025.

**The official data from the CBL provides only a fragmented perspective on Libya’s fiscal outcomes, hindering a complete assessment of the nation’s economic health (see Box 1).** CBL data encompasses an analytical summary of the GNU budgetary and extra-budgetary expenditures, including those of the NOC and the GECOL. Yet, it significantly underestimates oil revenues and fuel subsidies due to the oil-for-fuel swap mechanism introduced by the NOC in November 2021. Moreover, it entirely omits public spending by the GNS, which results in an incomplete understanding of the overall fiscal position. The lack of comprehensive data hinders policy design, weakening economic forecasting and reduces the effectiveness of fiscal interventions—ultimately heightening risks in an already fragile economy.

**Libya’s public debt has reached unprecedented levels, posing significant threat to the country’s macroeconomic stability.** As of early 2025, the CBL estimates public debt stock at approximately LYD 270 billion, representing 120 percent of GDP and 219 percent of total revenues (Figure 8), with projections that it could surpass LYD 330 bil-

**FIGURE 8 • The Public Debt Stock Continued Growing to Finance Fiscal Imbalances**



Source: Libyan Authorities (MoF, CBL), World Bank Staff Calculation.

lion by year-end if unchecked fiscal practices persist. The surge in debt is primarily driven by persistent public overspending and the absence of a unified national budget with clear controls. Debt in Libya does not follow standard definitions: it is denominated in LYD, carries no interest, has no repayment schedule and can be administratively canceled without economic consequence (IMF, 2024). However, the authorities’ have primarily financed this debt through CBL reserves, posing risks to the exchange rate and broader macroeconomic stability.

## Monetary Sector and Inflation

**According to official CBL data, the money supply (M2) continued to grow, albeit at a slower pace, compared to 2023.** Money supply growth was primarily driven by increasing public spending. In 2024, the money supply grew by 11.8 percent, compared to 28 percent in 2023, attributed to CBL’s decisions to restrict access to foreign exchange and withdrawal of the LYD 50 banknotes. Recently, the CBL reported an additional money supply of LYD 20 billion in 2024 that is unaccounted for in the official data, because of illegal money printing. Currency outside the banks experienced a 13 percent growth in 2024, reflecting persistent lack of confidence in the banking system and heightened preference for holding cash

## BOX 1: LIBYA'S FISCAL OUTCOMES: THE FULL PICTURE

The CBL is committed to fiscal transparency by publishing monthly statements detailing government revenues and expenditures. The monthly statements include sector-specific spending and disbursements for salaries across Libya. However, these reports do not show critical elements such as parallel spending by the eastern government and oil-for-fuel swap transactions, undermining the comprehensiveness of the fiscal landscape.

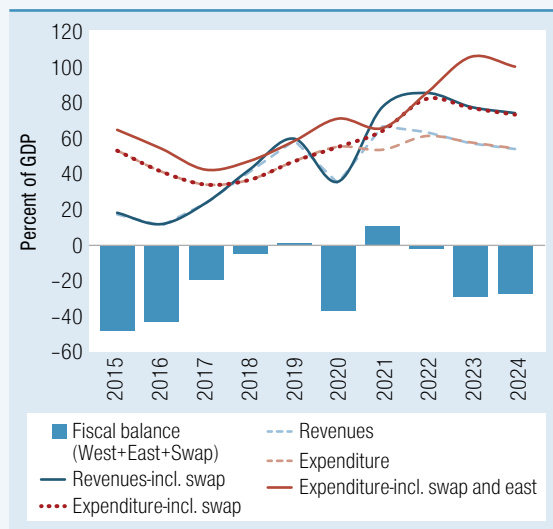
Parallel spending by eastern authorities distorts the fiscal framework and challenges budgetary coherence. Since the 2020 political agreement, the GNU budget covers wages and salaries, subsidies and social transfers nationwide, while capital expenditure was initially suspended. Meanwhile, based on the Audit Bureau's annual reports and CBL's statement, east-based authorities spent LYD 1.5 and LYD 6 billion on purchases of goods and services (Chapter 2) in 2021 and 2022, respectively. Beginning in 2023 capital expenditure escalated significantly through the Libya Development and Reconstruction Fund, reaching LYD 59.1 billion in 2024. This fragmented fiscal approach raises concerns over accountability and potential for duplicate spending and inefficient resource allocation.

The oil-for-fuel swap transactions introduce opacity and fiscal risks to Libya. Implemented by the NOC in November 2021, the oil-for-fuel swap mechanism was a temporary measure to secure fuel supplies amid delayed funding from the CBL and Ministry of Finance. This arrangement, involving crude oil exchanges with international companies for refined products, has been criticized by the Audit Bureau for lacking transparency, inflating costs, and potentially facilitating fuel smuggling. The NOC has pledged to end this mechanism by March 2025 conditional on the allocation of a dedicated fuel import budget, however at the time this report was prepared there was no such allocation.

The omission of parallel spending and swap transactions in official reports masks the true scale of Libya's fiscal imbalances. The deficit would stand at 26.1 percent of GDP in 2024 instead of 0.1 percent (Figure B1-1). This imbalance is largely attributable to the GNS's expansionary capital expenditure since 2023, particularly on infrastructure reconstruction post-Derna tragedy and development projects in eastern Libya. Recent contracts signed by the Libya Development and Reconstruction Fund for infrastructure, roads, and hospitals projects are not disclosed and included in the draft budget submitted to HoR. This lack of transparency further complicates assessments of fiscal position and prioritization of overall public investments.

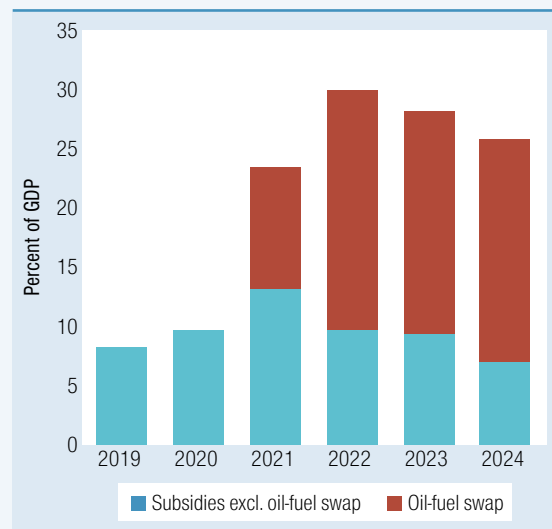
Furthermore, the oil-for-fuel swap mechanism misleads budget planning, fiscal policy design, prioritization of public spending, and delays subsidy reform in Libya. Based on the Audit Bureau's estimates of the oil-for-fuel swap costs (equivalent to fuel subsidies) and authors' calculations, spending on subsidies and social transfers would average more than 25 percent of GDP during 2021–2024, instead of less than 10 percent of GDP that is currently depicted in the budget (Figure B1-2).

**FIGURE B.1.1 • The Absence of Fiscal Discipline and Transparency Hinders Fiscal Oversight**



Source: Fiscal Data from CBL and Audit Bureau Reports.

**FIGURE B.1.2 • The Actual Level of Subsidies is Higher than those Depicted by the Budget**



Source: Fiscal Data from CBL and Audit Bureau Reports.

(Figure 9). To address liquidity pressures, the CBL injected LYD 58.2 billion into the banking system in 2024 and in March 2025 allowed banks to offer interest-free loans to their clients. Later in April 2025, in an effort to control money supply the CBL raised the mandatory reserves ratio from 20 percent to 30 percent, urged commercial banks to issue deposit certificates offering 5 and 0.5 percent returns to clients and banks, respectively. In parallel, to reduce the reliance on cash, the CBL is actively developing electronic and mobile payment systems in collaboration with local and international partners.

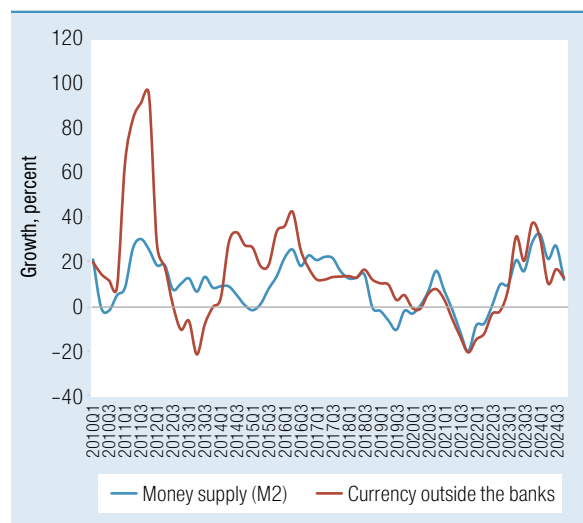
**Libya experienced heightened exchange rate volatility in 2024, driven by increased demand for foreign currency amid political and economic uncertainty.** Following the implementation of the foreign currency tax and the uncertainty associated with the CBL crisis, the gap between official and parallel exchange rates averaged 36 percent in Jan-Feb and rose sharply to 47 percent from Mar to Oct 2024. With the resolution of the CBL crisis and the reduction of the tax rate from 20 to 15 percent, the gap narrowed to 27 percent by year-end. However, declining international oil prices amid global growth uncertainties and higher consumption levels during the month of Ramadan, in early 2025, contributed to renewed pressures on the exchange rate. By the end of March 2025, the gap between official and paral-

lel market rates widened again to reach 44 percent, underscoring persistent vulnerabilities in Libya's foreign exchange market (Figure 10).

**In the absence of an interest rate-based monetary policy tool, the CBL resorted to the devaluation of LYD and implemented measures to curb foreign exchange transactions in the parallel market.** In early April, the CBL devalued the Libyan Dinar by 13.3 percent to adjust its value to 5.5677 LYD/USD to curb domestic demand originating from high public spending. In addition, the CBL authorized licensed foreign exchange offices allowing them to sell foreign currency at a 7 percent markup over the official rate. Following the devaluation, the gap has remained high, albeit narrowing from 44 percent to hover around 33 percent during the month of April, emphasizing the limited effectiveness of monetary tools amidst institutional fragmentation and the need to address fiscal lack of discipline and the diversification of revenue sources.

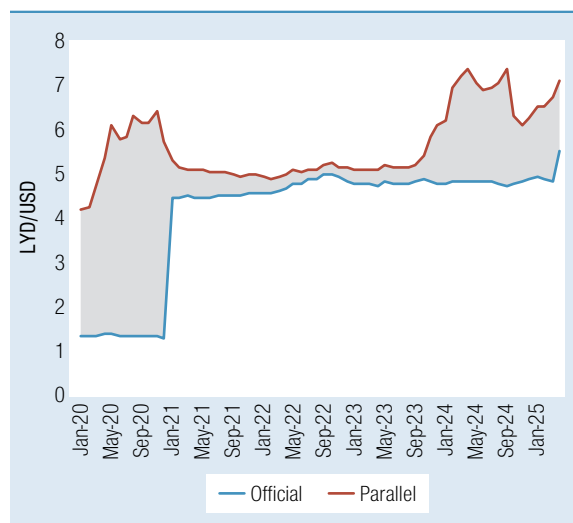
**Inflation hovered around its average of 2.1 percent in 2024 compared to 2.4 percent in 2023 (Figure 11).** Food and beverages prices, which rose by 3.3 percent compared to 2023, contributed 1.3 percent to overall inflation (Figure 12). However, due to the existence of a substantial shadow economy in Libya and limited geographical coverage to the Tripoli area, official inflation statistics fail

**FIGURE 9 • Money Supply and Cash Outside the Banks Continued their Rapid Growth**



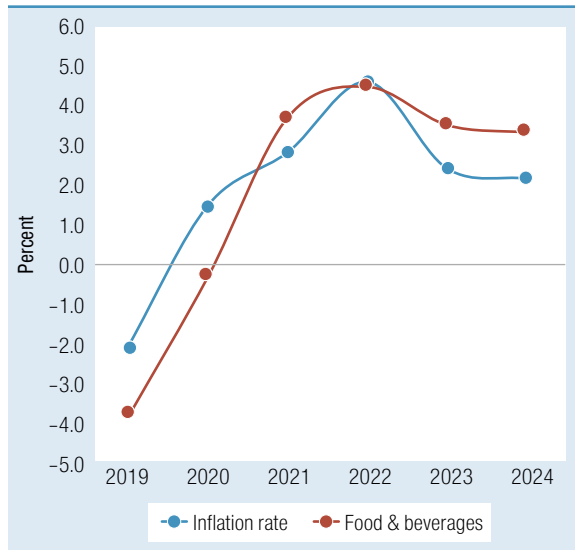
Source: CBL, World Bank Staff Calculation.

**FIGURE 10 • Official and Parallel LYD/US\$ Exchange Rates**



Source: CBL, World Bank Staff Calculation.

**FIGURE 11 • Inflation Eased in 2024**



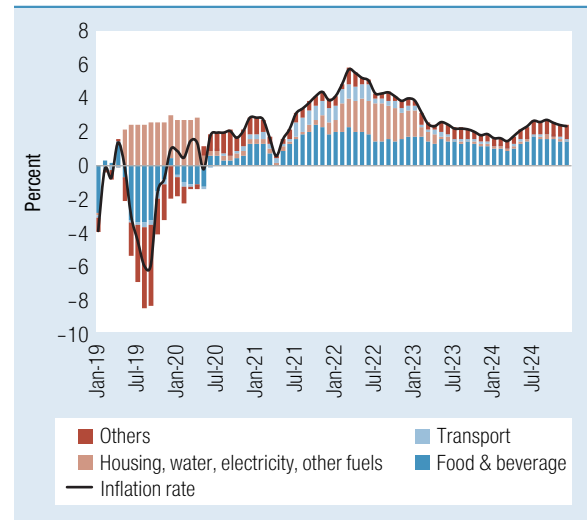
Source: BSC, CBL, World Bank Staff Calculation.

to accurately reflect the actual price increases and fluctuations experienced by households. Accordingly, since the beginning of 2025, the Bureau of Statistics and Census (BSC) updated its methodology for the compilation of the Consumer Price Index (CPI) and expanded geographical coverage to 7 regions in Libya (see Box 2).

## External Sector

**Libya's trade surplus exhibited a modest improvement in 2024 despite significant challenges, increasing by 1.1 percent of GDP compared to 2023 to reach 15.7 percent.** This improvement was primarily driven by a sharp 11.4 percent of GDP contraction in imports, which offset a 10.3 percent of GDP decline in merchandise exports caused by disruptions in oil exports (CBL crisis) compounded by falling oil prices (Figure 13). The import reduction stemmed from restricted access to foreign currency following a 27 percent tax on foreign exchange sales introduced in March 2024 and was further exacerbated by the CBL crisis and the depreciation of the local currency in the parallel market. Subsequent reductions of the tax to 20 and 15 percent, in October and November 2024, spurred a

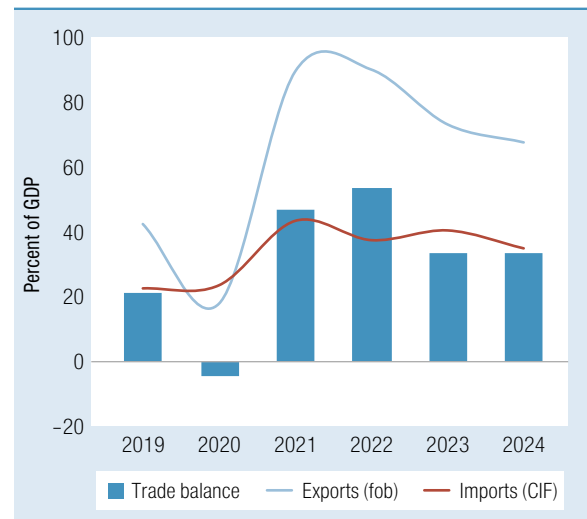
**FIGURE 12 • Inflation is Mainly Driven by Food and Beverage Prices**



Source: BSC, CBL, World Bank Staff Calculation.

partial recovery in imports, though this placed renewed pressure on foreign currency reserves. In line with the trade balance, the current account surplus improved by 1.4 percent of GDP to stand at 4.4 percent of GDP in 2024 compared to 2023 resulting from a lower primary and secondary income deficit.

**FIGURE 13 • Merchandise Trade Balance Improved Despite Falling Oil Receipts**



Source: IMF.

## BOX 2: UPDATES TO THE CPI COMPILATION METHODOLOGY

### The CPI in Libya

The CPI basket is categorized into major groups such as Food and Beverages, Housing, Water, Electricity and Other Fuels, Transport, Clothing and Footwear, Furniture and Household Equipment, Health, Education, and other categories like Recreation and Culture, Communication, Restaurants and Hotels, Tobacco, and Miscellaneous Goods and Services.

To compile the CPI, weights are assigned to each category. These are derived from the Household Budget Survey (HBS) conducted between November 2007 and October 2008 and reflect the relative importance of each category in the average consumer's budget.

The geographical coverage focused on the Tripoli region due to deteriorating security conditions amid the armed conflict. The first attempt to expand the geographical scope to cover 8 urban and rural areas across Libya, initiated in 2011, was unsuccessful.

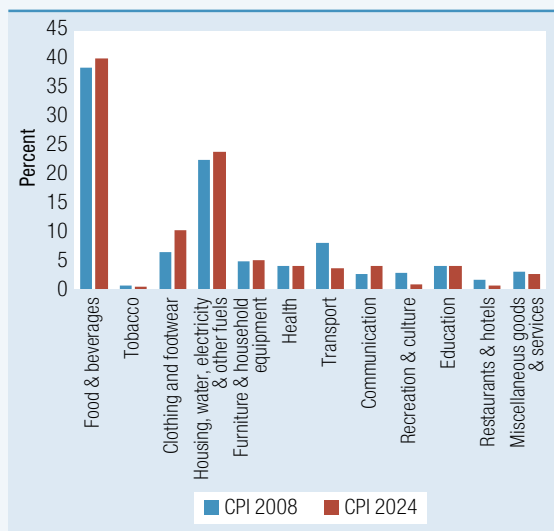
### Update to the CPI: What has changed?

In January 2025, the BSC introduced a revamped CPI methodology to enhance its accuracy and representation as an economic indicator in Libya. The basket of goods and services and their respective weights are based on the Household Income and Expenditures Survey (HIES) conducted in 2022. The calculation of the CPI uses 2024 prices as a new base year. It also expanded the geographical coverage to 7 regions across Libya.

The CPI 2024 includes 750 goods and services, compared to 1,000 in CPI 2008, grouped under the same 12 major categories and weighted based on the HIES 2022. A comparison between CPI 2024 and 2008 reveals that the weight of essential items, such as: food and beverages; clothing and footwear; and housing increased in importance in the consumption basket of the average Libyan consumer. Meanwhile, the weight of health and education remained stable to reflect the high subsidy on those two items. The weight on transportation and on recreational and cultural services dropped significantly.

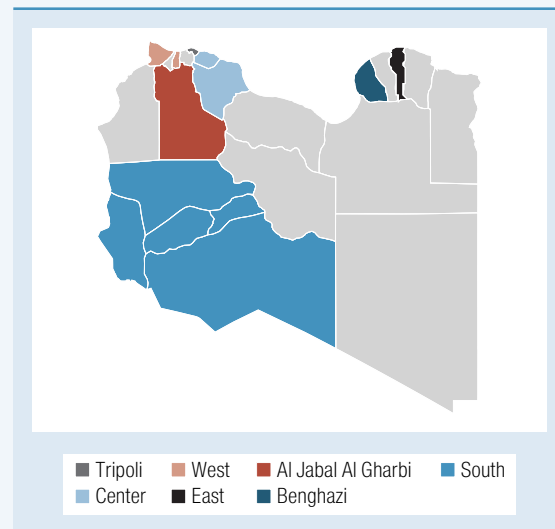
Furthermore, the new CPI 2024 expanded the geographical coverage to cover 7 regions in the west, east and south of Libya (Figure B2-2). Data on prices is collected in 14 districts and 38 locations. In addition to the nationwide CPI, the BSC plans to publish a report providing CPI at regional level.

**FIGURE B.2.1 • Comparison of the Weights of Major Categories of Goods and Services in the Average Libyan Household Consumption Basket between CPI 2024 and CPI 2008**



Source: BSC.

**FIGURE B.2.2 • Geographical Coverage of Price Data Collection for the CPI 2024**



Source: BSC.





# OUTLOOK AND RISKS

**L**ibya's economic outlook is closely linked to global oil prices and growth trends, and is further complicated by trade tensions and ongoing domestic policy uncertainty. The oil and gas sector accounts for 60 percent of GDP in Libya, 97 percent of government revenue, and 91 percent of exports. Recent global prospects suggest an economic slowdown resulting from escalating trade tensions and a high level of uncertainty. Accordingly, softening oil prices are anticipated this year (averaging \$64 per barrel) down by \$17 per barrel from 2024.

**The Libyan economy is expected to grow by 12.3 percent in 2025 driven by the expansion of oil sector activities.** With oil production expected to average 1.3 mbpd in 2025—17.4 percent higher than 2024 average of 1.1 mbpd—GDP is anticipated to grow by 12.3 percent this year (Figure 14). As oil output continues to increase in 2026 and 2027, reaching 1.4 and 1.5 mbpd, respectively, GDP is expected to continue to grow, but at a slower pace, of 6.4 and 5.5 percent respectively. Meanwhile, non-oil GDP growth is set to remain around 5.7 percent in 2025 supported by private and public consumption and average around 4 percent during 2026–2027.

**Inflation is expected to tick up in 2025 to reflect the devaluation of currency.** The devaluation of the Libyan Dinar is expected to result in a spike in inflation in 2025, reaching 3.6 percent, before moderating again to 2.6 percent in 2026–27 (Figure 15). Moderating global commodity prices and Libya's generous subsidy system should soften inflationary pressures and shield households from imported inflation.

**The fiscal position of the GNU worsens in 2025 before improving in the medium term.** The rise in oil production falls shy of compensating for the drop in oil prices resulting in lower oil revenues for the budget. Moreover, the devaluation of the Libyan Dinar—more Dinars for every USD—cushioned this fall, which is now expected to decrease by 3.1 percent in 2025. Meanwhile, spending is expected to continue its growth path, driven by wages and salaries, while tax revenues are projected to stay low during the forecast period (less than 1.5 percent of GDP). As a result, the fiscal balance is expected to register a deficit of 4.4 percent of GDP against a 0.3 percent surplus in 2024 (Figure 16). Implementing a unified budget continues to be a priority for Libya to enhance fiscal discipline and consolidation and strengthen credibility and transparency.

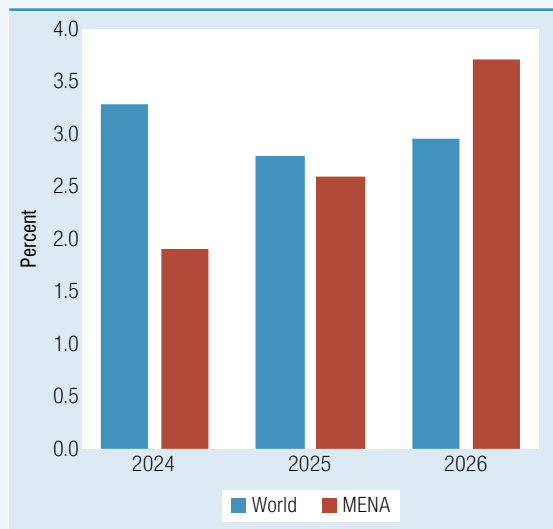
### BOX 3: GLOBAL, REGIONAL, AND OIL MARKET PROSPECTS

The swift escalation of trade tensions and extremely high levels of policy uncertainty are expected to have a significant impact on global economic activity. According to the IMF,<sup>a</sup> global growth is projected to drop to 2.8 percent in 2025 and 3 percent in 2026—down from 3.3 percent for both years in the January 2025 forecast, corresponding to a cumulative downgrade of 0.8 percentage point and much below the historical (2000–19) average of 3.7 percent.

Meanwhile, MENA regional growth is forecast to average 3.0 percent in 2025 and 3.5 percent in 2026.<sup>b</sup> The region's oil exporters are expected to benefit from a gradual increase in oil production, while oil importers may gain from strong private consumption and easing inflation. These forecasts, however, are shrouded in uncertainty. Global policy uncertainty subdued global demand, volatility in oil markets, and fragility pose risks to the projected pickup in the region's economic activity. Lower global demand may reduce oil export revenues, adding pressure on oil exporters' fiscal and external accounts. Oil importers may benefit from lower oil prices. However, falls in remittances, along with worsening consumer confidence and investor sentiment, can lead to capital outflows, thereby straining their external balances.

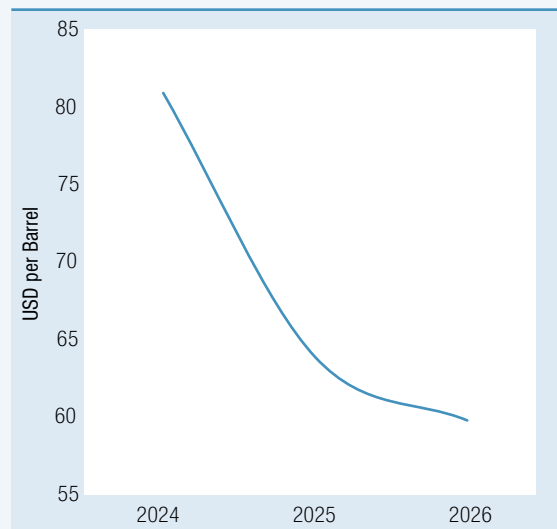
Based on the global and regional outlook, crude oil prices are expected to average \$64 per barrel in 2025—a decline of \$17 per barrel from 2024—and \$60 per barrel in 2026.<sup>c</sup> That outlook reflects expectations for weaker economic growth as well as a long-term slowdown in global oil demand. According to the International Energy Agency, in 2025, the global oil supply is expected to exceed demand by 0.7 million barrels per day. Risks to the oil price forecast are tilted to the downside triggered by sharper-than anticipated slowdown in global growth and greater-than-expected oil output for OPEC+.

**FIGURE B.3.1 • Global and Regional Outlooks are Weakening...**



Source: WEO, IMF, April 2025; MEU, WB, April 2025.

**FIGURE B.3.2 • ...Placing Downward Pressure on Oil Prices**



Source: Commodity Market Outlook, WB, April 2025.

<sup>a</sup> IMF, World Economic Outlook, April 2025.

<sup>b</sup> MENA Economic Update, World Bank, April 2025.

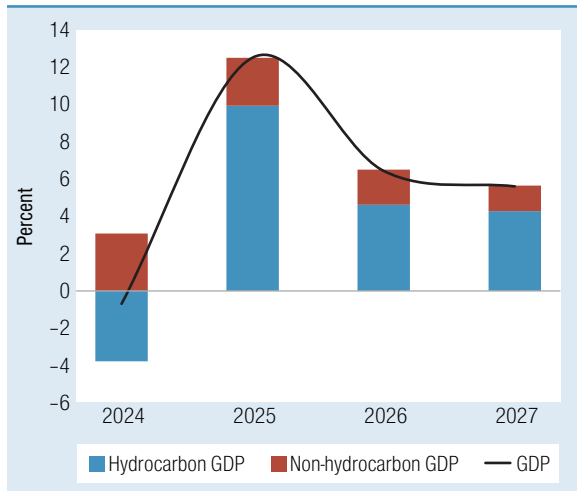
<sup>c</sup> World Bank, Commodity Markets Outlook, April 2025.

**Similarly, the current account surplus is expected to narrow to 3.1 percent of GDP in 2025 (Figure 17).** The fall in oil receipts anticipated during this year (12.4 percent) will partially be offset with a fall in merchandise imports by 10 percent to reflect tightening access to foreign currency and letters of credit. In 2026–2027, the recovery of oil exports

should improve the external balance position to 15.1 and 20.1 percent of GDP, respectively.

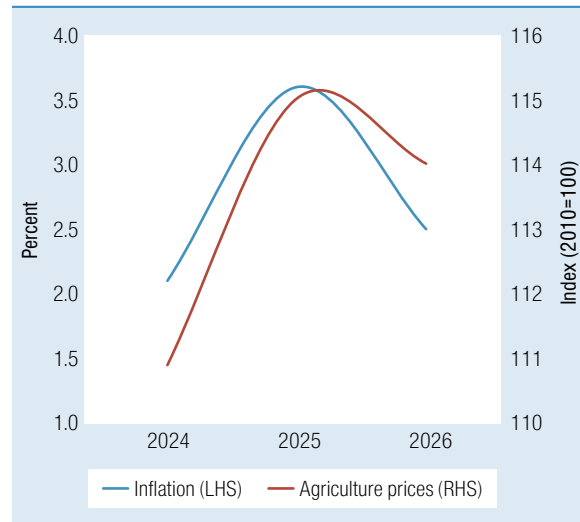
**The outlook remains subject to significant downside and upside risks.** The resolution of the Central Bank of Libya's internal crisis in September 2024 facilitated the resumption of oil production but also underscored the fragility of the political landscape,

**FIGURE 14** • GDP Growth is Anticipated to Pick Up Driven Primarily by Oil Production...



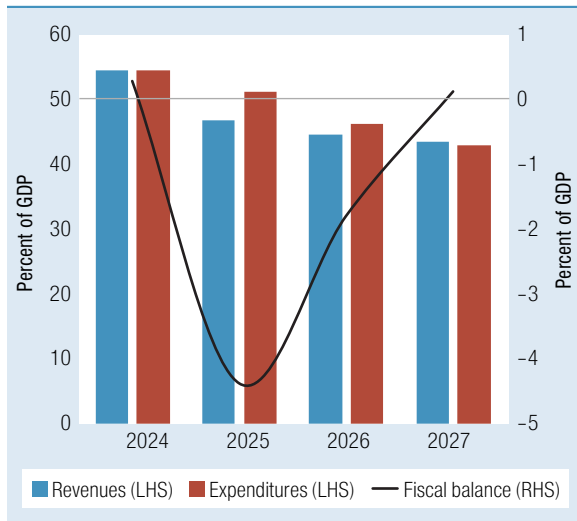
Source: WB staff calculations.

**FIGURE 15** • ...while Inflation Rate Ticks Up Due to Currency Devaluation



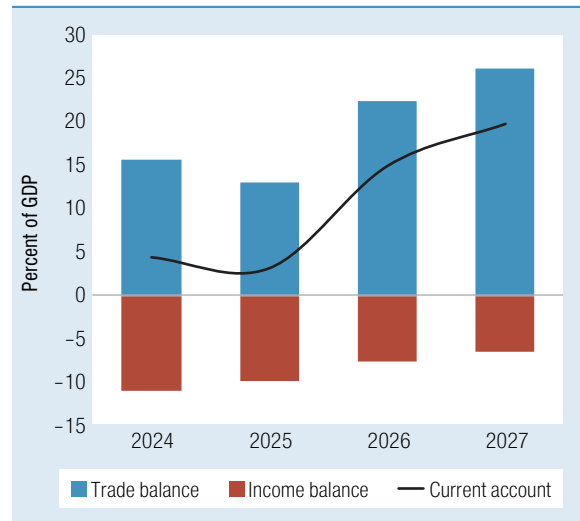
Source: WB staff calculations; Commodity Prices Outlook, April 2024.

**FIGURE 16** • Softening Oil Prices Worsen Fiscal Position in 2025...



Source: WB staff calculations.

**FIGURE 17** • ...while the Current Account Surplus is Expected to Narrow



Source: WB staff calculations.

with immediate economic repercussions. A sustain improvement in political stability and consensus would represent a major upside for the Libyan economy and the broader population. Externally, a sharper-than-expected slowdown in global growth or a full unwinding of voluntary oil supply cuts by OPEC+ could place further downward pressure on oil prices. Conversely, a recovery in global growth—potentially supported by the easing trade barriers—could boost demand for commodities and support higher oil prices. Geo-political risks also remain two sided. While intensification of

regional conflicts could disrupt trade, FDI, and financial flows, it could also drive oil prices upward, temporarily increasing Libya's revenue for Libya. In the medium term, however, the primary economic challenge remains diversifying the economy and reducing dependence on hydrocarbons—a source of both internal and external fragility. Climate related shocks present an additional layer or risk, with the potential to cause loss of life, severe infrastructure damage, reduced economic growth, and heightened financial instability.

**TABLE 1 • Key Macroeconomic Indicators, 2022-27**

|  | 2022   | 2023   | 2024   | 2025   | 2026   | 2027   |
|--|--------|--------|--------|--------|--------|--------|
| Real GDP Growth, at constant market prices | -8.3   | 10.2   | -0.6   | 12.3   | 6.4    | 5.5    |
| Agriculture                                | 10.0   | 6.8    | -0.9   | 1.3    | 2.0    | 3.0    |
| Industry                                   | -17.0  | 17.8   | -5.8   | 15.8   | 7.2    | 6.6    |
| Services                                   | -1.9   | 1.2    | 10.2   | 6.8    | 5.0    | 3.6    |
| Inflation (Consumer Price Index)           | 4.6    | 2.3    | 2.1    | 3.6    | 2.5    | 2.6    |
| Current Account Balance (percent of GDP)   | 21.2   | 3.0    | 4.4    | 3.1    | 15.1   | 20.1   |
| Fiscal Balance (percent of GDP)            | 2.7    | -0.1   | 0.1    | -4.4   | -1.8   | 0.1    |
| Oil GDP Growth                             | -17.0  | 17.8   | -6.1   | 17.4   | 7.7    | 7.1    |
| Non-Oil GDP Growth                         | -3.9   | 3.8    | 7.5    | 5.7    | 4.4    | 3.2    |
| GDP nominal in US\$ (millions)             | 43,304 | 45,079 | 46,806 | 44,938 | 48,353 | 52,887 |



# SPECIAL FOCUS: REDEFINING THE ROLE OF STATE-OWNED ENTERPRISES IN LIBYA

**T**his section examines the State-Owned Enterprises (SOEs) landscape in Libya's economy, delving into their impact on fiscal sustainability and private sector growth, while drawing comparisons with structural and aspirational peers. It is the first time such stocktaking analysis was done on the role of the state in the economy, and highlights lessons from international experience on how redefining this role can transform SOEs from a drag on the economy into engines of development. The current SOE landscape in Libya has tangible consequences: fewer private sector-led jobs, below-par public service delivery, wasted public money, and an undiversified economy. Reforming this landscape is therefore pivotal to stabilizing growth and boosting productivity in Libya in the long term.

## Introduction

**Decades of centralized policies in Libya have resulted in a legacy where public institutions and**

**state-owned enterprises (SOEs) dominate most sectors of economic activity, including competitive ones.** Starting in 2003, ambitious reforms were launched when Libya engaged with the IMF to implement a roadmap that included reducing subsidies and privatizing a substantial number of the 360 state-owned enterprises it controlled before the conflict (Rahman, Di Maio 2020). By 2010, the Libyan government announced plans to privatize up to half of the economy within a decade, aiming to attract foreign investment and diversify beyond oil. However, the 2011 revolution and subsequent political instability disrupted these initiatives, leaving many reforms incomplete and the privatization process stalled (ESCWA 2021). Today, the state remains heavily involved across sectors—including competitive ones—and the Libyan economy heavily reliant on the oil and gas sector (World Bank 2024), which is predominantly controlled by the state through the National Oil Corporation (NOC), a state-owned enterprise that

dominates Libya's oil industry. Beyond this dependence on oil, Libya's economic landscape is overwhelmingly shaped by the state, which accounts for approximately 85 percent of all economic activity (World Bank 2023, Department of State 2024).

**This section examines the role of SOEs in Libya's economy and why it matters.** The analysis leverages the World Bank's new Business of the State (BOS) database, which maps state-owned enterprises and their ownership links across countries. It begins by mapping Libya's extensive SOE footprint across various sectors, then delves into their impact on fiscal sustainability and private sector growth, drawing comparisons with both structural and aspirational peers. The analysis also highlights lessons from international experience on how redefining the state's role can transform SOEs from a drag on the economy into engines of development.

**The scale of SOEs and their weak performance and governance in Libya have led to significant burdens on public finances and fiscal risks, as well as crowding out private sector development, distorting competition, and stifling diversification (Rahman and Di Maio 2021).** Many SOEs operate in competitive sectors where private investment could thrive, distorting competitive neutrality and limiting a level playing field. This dominance—more so than in diversified emerging economies—has locked the country's economic diversification, amplifying its dependence on hydrocarbons and heightening vulnerability to shocks. Its extensive footprint includes not only government ministries but also a sprawling network of companies in sectors like oil, gas, electricity, telecoms, banking, transport, manufacturing, and agriculture.

**The presence of SOEs in the economy is not inherently problematic and can be justified for delivering public goods, but it is crucial to understand how policies governing markets with a strong SOE presence can incentivize proper governance and performance** (Department of State 2024). For that, a clear and consistent definition of SOEs is essential. This definition is crucial for analyzing the impact of SOEs on the economy and for ensuring consistent data collection and reporting.

## Defining SOEs: International vs Libyan Contexts

**Defining an SOE is both essential and complex.** Although the definition and scope of SOEs can vary across countries and contexts, they typically do share some key features, such as government ownership/control. To define SOEs, the World Bank (2014) recommends an initial categorization into: (i) commercial companies, (ii) policy-oriented companies, and (iii) budget-dependent agencies. The International Monetary Fund (IMF)'s *Government Finance Statistics Manual* further suggests that entities should be classified based on their economic nature rather than their legal form (Table 2).

**In Libya, SOEs are commonly referred to as “الشركات العامة” (public companies) and lack a unified and comprehensive definition across sectors.** They are typically distinguished from other government entities by their governance under the Law on Commercial Activities (N°23/2010) as opposed to public sector legislation. Libya's commer-

TABLE 2 • SOEs' Elements According to the WB and IMF

| The World Bank defines SOEs based on three key criteria:   | The IMF similarly describes SOEs as entities where:  |
|--|--|
| <ul style="list-style-type: none"> <li>• <b>State Control:</b> The government must exert control through ownership, voting rights, or other means.</li> <li>• <b>Legal and Financial Autonomy:</b> SOEs must have a distinct legal identity and operate with budgetary independence.</li> <li>• <b>Productive Sector Participation:</b> SOEs operate in financial and non-financial sectors such as infrastructure, utilities, and commerce (drawing on criteria of WB toolkits).</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Ownership and Control:</b> The government, at any level, maintains ownership and decision-making authority.</li> <li>• <b>Economic Interest:</b> The state has financial stake and interest in the entity's profitability and operations.</li> <li>• <b>Public Service Obligations:</b> Some SOEs are mandated to deliver essential services regardless of profitability.</li> <li>• <b>Sectoral Focus:</b> SOEs often operate in strategic sectors like utilities, transport, and natural resources where market failures exist.</li> </ul> |

Source: World Bank 2018; IMF 2020.

cial law governs various types of companies whether private-owned or state-owned, and outlines the procedures for establishing, registering, managing, dissolving, and handling bankruptcy for these entities. While state-owned companies are typically incorporated by a decision of the Head of Government as joint-stock or limited liability companies, there's no unified, comprehensive definition applicable across all sectors, nor a specific regulation that governs SOEs.

**Since the 2011 revolution, this distinction has blurred**—many loss-making public companies have been absorbed into parent ministries, losing financial autonomy despite retaining formal corporate structures. These entities are now largely treated as extensions of the government, with their budgets allocated through the national budget. Oversight and accounting practices further differentiate public companies from government agencies. While the Libyan Audit Bureau<sup>3</sup> oversees government bodies,<sup>4</sup> public companies are typically audited by private firms appointed by their parent ministry or department. When public funds are transferred to a public company, the Libyan Audit Bureau reviews their typically at the end of the fiscal year, as part of the review of the financial statements. These statements generally follow accrual-based accounting standards, in contrast to government agencies, which operate on cash basis. Libyan stock market regulations require the use of International Financial Reporting Standards (IFRSs) for all listed companies and the Libyan Banking Law requires the use of IFRSs for all commercial banks. While Libya has taken steps towards adopting international accounting standards, the overall implementation is hindered by enforcement challenges and the need for professional development within the accounting sector.

**Some public companies operate within holding structures or joint ventures.** For example, the General Electricity Company of Libya (GECOL) oversees the Libyan Electricity Holding Company, which partners with foreign firms such as General Electric and Siemens. Likewise, NOC manages joint ventures like the Western Libya Gas Project with Eni. Libya also has a sovereign wealth fund, the Libya Investment Authority (LIA),<sup>5</sup> which holds stakes in various domestic and international firms. Its structure

includes entities like the Foreign Investment Company, Libya Africa Portfolio, Long-Term Portfolio, and the Libyan Internal Investment and Development Fund,<sup>6</sup> which holds most of LIA's domestic assets. However, publicly available data on the LIA's portfolio remains limited.

## The State's Heavy Footprint and Its Consequences

**Libya's extensive SOE network is a legacy of its former command economy, underpinned by abundant oil revenues that enabled state expansion into nearly every sector.** A preliminary effort by the World Bank that aims to track the state's influence in markets by identifying SOEs and their relationships reveals an economy heavily dominated by the public sector in Libya. The Business-of-State (BOS) dataset compiled in 2025 identifies nearly 190 SOEs<sup>7</sup> spanning a broad range of industries. SOEs operate across several sectors including: oil and gas (by far the largest sector), financial services (state-owned banks and sovereign investment funds), utilities (electricity, water, and telecommunications), transportation (airlines and shipping), construction and real estate, manufacturing (e.g. petrochemicals, steel), and even tourism/hospitality.

**The oil and gas sector dominates in both number and scale.** While the BOS database highlights data gaps in sector classification, available preliminary data confirms that more than 17 percent of SOEs (for which data is publicly available) operate in the mining, extraction, and manufacture of oil and gas (including petroleum extraction, refining, and oilfield

<sup>3</sup> The Libyan Audit Bureau classifies companies in which state ownership exceeds 25 percent as SOEs.

<sup>4</sup> <https://www.iasplus.com/en/resources/ifrs-topics/>.

<sup>5</sup> LIA is largely independent and not integrated into the fiscal framework, and inflows and outflows are not clearly defined.

<sup>6</sup> LIA-Our Portfolio – Libyan Investment Authority.

<sup>7</sup> The World Bank team has applied the methodology of the BOS database to identify the extent of state presence in the Libyan economy. The BOS database examines 76,000 companies in 91 countries with more than 10 percent government ownership.

services),<sup>8</sup> reflecting Libya's concentration in extractive industries (Figure 18). This is followed by financial & insurance activities (15.4 percent), and notable shares in business, management consulting, and industrial services (10.8 percent), including in fully competitive sectors that could be served efficiently by the private sector.

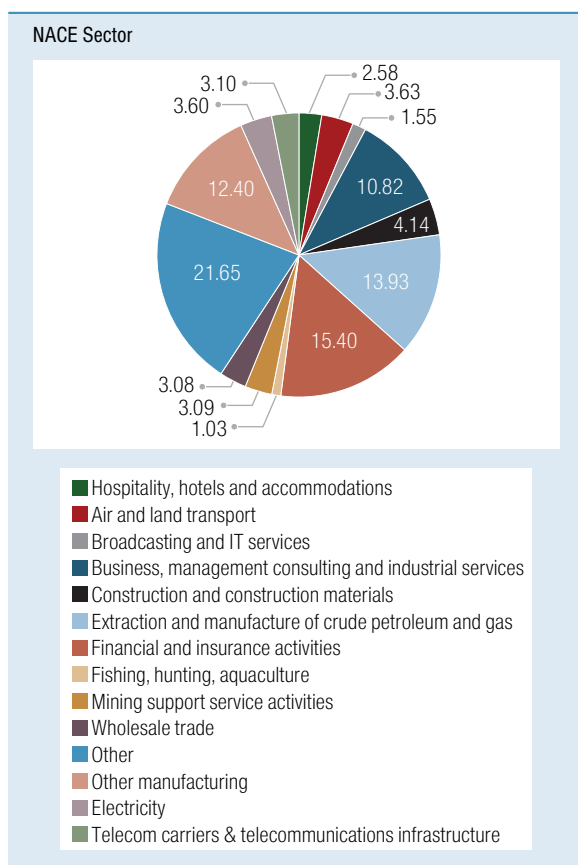
**The absence of a dedicated SOE monitoring unit in Libya makes the exact number of SOEs within each sector unknown.** This is particularly problematic to identify SOEs that operate in competitive sectors that are viable for private provision. Moreover, it creates the challenge of tracking known SOEs' financial performance. Most countries establish a dedicated SOE unit at Ministries of Finance to oversee and monitor operational and financial performance. Nonetheless, evidence suggests that many sectors such as electricity, water, and telecommuni-

cations, remain Libyan state monopolies (World Bank 2021, 2023). Today, NOC for example still dominates oil production and oversees a wide range of subsidiaries and joint ventures. GECOL holds a monopoly over power generation and distribution, while state-owned banks, under majority ownership of the Central Bank of Libya (CBL), control over 80 percent of deposits and lending. Two state-owned firms similarly monopolize the telecoms sector, and state enterprises manage airports, seaports, and public transport. Many manufacturing companies remain under public ownership. Wholesale and retail trade is the preferred and most dynamic area of the private sector, and comprises the largest number of companies, mainly micro and small enterprises.

**This pervasive state presence positions SOEs as both competitors and gatekeepers in most markets, crowding out private sector participation.** In Libya, the playing field is skewed in favor of SOEs, many of which benefit from legal monopolies or preferential policies. This limits competition, leading to economic inefficiency and leaving consumers and businesses reliant on state providers for essential services. By contrast, peer countries such as the United Arab Emirates and Bahrain have opened numerous sectors to private and foreign investment, limiting SOEs to strategic or international roles. Even in Kuwait and Qatar, where public sectors are large, private firms dominate competitive industries like retail, hospitality, and services.

**Accordingly, Libya ranked 185 out of 190 in the World Bank's Doing Business 2019 report, and 111th out of 132 on the 2023 Economic Complexity Index—reflecting a lack of diversification beyond oil (Figure 19).** Moreover, the country's export base is also narrow, with oil and refined products comprising majority of exports, while non-oil exports are negligible. This has placed it behind its peers on UNCTAD's export diversification index (Figure 20). While this model adds to the country's economic volatility, it also ties employment and income directly to the state. When oil revenues are high, the government can hire and subsidize broadly; when revenues fall, the entire economy contracts.

**FIGURE 18 • BOS Database Breakdown of SOEs by Sector<sup>a</sup>**

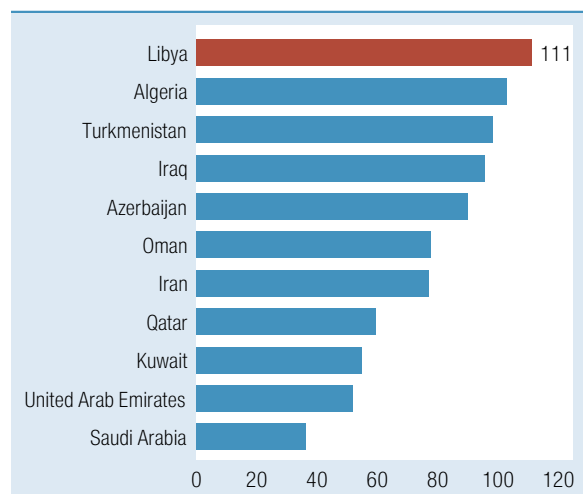


Source: WB staff compiled BOS database.

<sup>a</sup> The category "other" primarily refers to missing data on SOEs' sectoral breakdown.

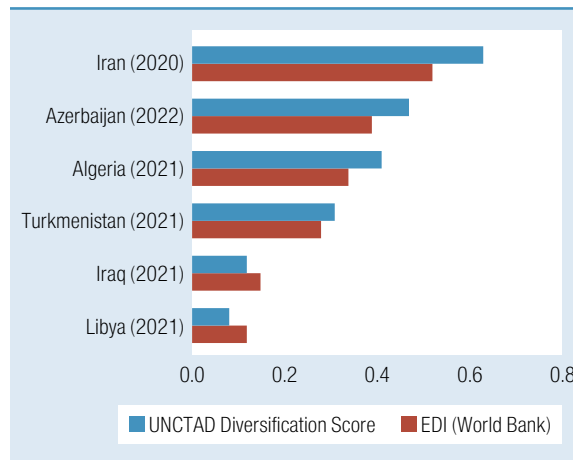
<sup>8</sup> NACE sector classification which includes oil and gas.

**FIGURE 19 • Libya’s Economic Complexity Falls Short of Peers (2023 Rank)...**



Source: Atlas of Economic Complexity.

**FIGURE 20 • ...with Exports Concentrated in Oil (UNCTAD Export Diversification Index)**



Source: World Bank and UNCTAD.

## Inefficiency, Poor Performance, and Fiscal Drain

**Globally, SOEs often underperform compared to private firms, largely due to soft budget constraints, weak profit incentives, and preferential treatment that distorts markets** (Herrera Dappe 2022, World Bank 2023). For example, a state-run electricity company operating under a below-cost tariff structure may resist connecting new business customers, knowing each new connection increases its losses. Moreover, poor SOE governance can erode public trust and weaken compliance with social contracts, particularly in sectors that are critical to citizens’ daily lives.

### SOEs in Libya illustrate these global trends.

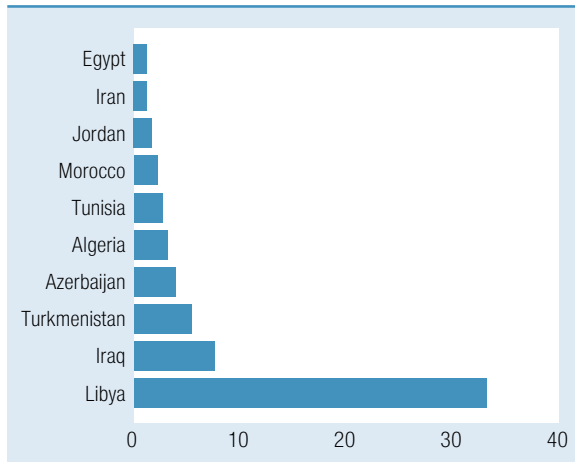
Though data is limited, available evidence points to loss-making, overstaffed, and inefficient SOEs. Based on preliminary data gathered through the BOS database, the financial performance of Libyan SOEs appears mixed to weak, with limited transparency. It confirms publicly available evidence from the Libyan Audit Bureau (LAB) which publishes annual reports that provide insights into the operations and financial management of few large SOEs such as NOC, GECOL and some state-owned banks.<sup>9</sup> Where available, revenue figures (unconsolidated) show wide disparities: a few major entities (like the NOC and the Libyan Foreign Investment Company) each generate hundreds of millions of dollars in annual revenue,

while majority of smaller SOEs are either loss-making or reporting modest revenues.

**Evidence from the LAB also indicated that by 2021, Libyan Airlines had accumulated losses amounting to LYD 1.87 billion, or 187 percent of equity capital.** The Bureau further recommended that the company be liquidated under article 248 of Commercial Law. Such financial indecision continues to undermine the payment of salaries with salary arrears mounting up to LYD 168 million by end-2023. There is also tax and social security debt to the tune of approximately LYD 29.6 million. A further illustrative example is Afriqiyah Airways, which holds an outstanding loan of LYD 576.6 million from Joumhouriya Bank (a state-owned bank) and owes around LYD 163 million to Brega Oil Marketing Company (a subsidiary of the NOC). These cross-credits between state-owned companies increase the risk of a domino effect in the event of an economic shock or crisis (Libyan Audit Bureau). Also, several subsidiaries of the Libya Africa Investment Portfolio, which manages hotel and investment ventures abroad, ran substantial losses—one country subsidiary (LAICO Chad) incurred a loss of about \$27 million in a recent year.

<sup>9</sup> These reports report on aspects such as audits, financial performance and expenditure patterns of a handful of SOEs and does not cover all companies with state ownership or control. The Audit Bureau reports have informed this analysis.

**FIGURE 21 • GECOL’s Employees to Customer Ratio vs Regional Countries (employees per 1,000 customers)**



Source: Arab Union of Electricity (AUE) and National sources.

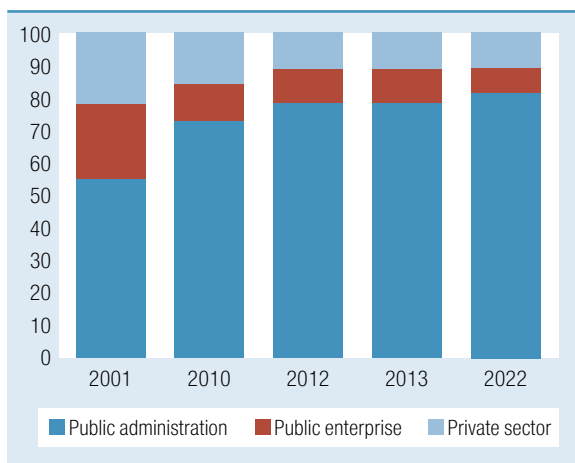
**Another striking case is GECOL, the state electricity company.** In 2022, it generated revenues of LYD 782 million against LYD 2 billion in costs—a massive shortfall (Libya Audit Bureau). GECOL received financial budget funding of around LYD 2.75 billion. Over half of these costs were wages for more than 42,000 employees, far exceeding regional norms. GECOL’s employee-to-customer ratio is 1:30, compared to 1:99 in Algeria, 1:191 in Egypt, and 1:582 in Morocco—highlighting severe overstaffing and low

productivity (Figure 21). Furthermore, the more electricity GECOL supplies, the greater its financial losses, effectively subtracting value from GDP—since under national accounting rules, loss-making enterprises generate negative value-added.

**SOEs in Libya operating below capacity and reporting financial losses span across different sectors, including commercial ones where the private sector has the potential to play a bigger role.** The Truck and Bus Corporation has posted consistent annual losses of about LYD 7 million since 2012. Public industrial firms also operate far below capacity. A study found that 250 state-owned factories, employing 47,000 workers, were running at just 18 percent capacity on average—some nearly idle (Abdussalam 2006). For instance, a refrigerator factory in Rujban operated at 2 percent, and a flour mill in Tobruk at just 1 percent. More recent accounts suggest that little has changed, with many SOEs still largely dormant while maintaining large payrolls. According to the latest Labor Force Survey (2022), only 11 percent of formal jobs are in the private sector and 89 percent in the public sector (Figure 22), far above Algeria (32 percent) or the MENA regional average, illustrating the outsized role of the state in employment (Figure 23).

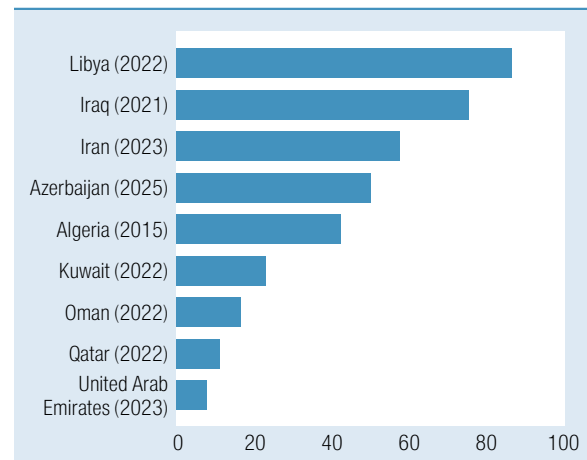
**The fiscal impact of inefficient SOEs in Libya is not limited to the substantial wage bill.** From 2010 to 2020, budgetary transfer and subsidies

**FIGURE 22 • Libya’s Public Employment Increased over the Past Two Decades...**



Source: Labor Force Survey 2022.

**FIGURE 23 • ...with Public Employment Exceeding Many Peers**



Source: Algeria (Office National des Statistiques), Azerbaijan (the State Statistical Committee) and ILO Database for other countries.

(Chapter 4 of the national budget) averaged around 10 percent of GDP annually, with the bulk allocated to fuel and electricity. While part of this reflects deliberate social policy—providing energy at below-cost prices—a significant portion covers operational losses and inefficiencies within SOEs like NOC and GECOL, both of which receive government transfers to implement subsidies and, in doing so, mask their own inefficiency (Libyan Audit Bureau). Oversight bodies have raised repeated concerns about the opaque overlap between subsidy policy and SOE finance. Typically, public service obligations (PSOs)—such as providing universal services at subsidized rates—should be clearly identified, costed, and compensated by the government to ensure transparency, commercial viability and long-term financial planning. In Libya, there is no evidence of a functional PSO framework. Even if one exists, it does not seem to fully compensate SOEs for these obligations—as GECOL’s case illustrates. This creates a vicious cycle: when oil revenues are high, subsidies flow and inefficiencies persist; when revenues fall, the government must choose between emergency bailouts or risking service failures, which results in rising public expenditure and forgone revenues.

**While Libya’s context differs, the dynamics of SOEs are similar: a group of companies shielded from market discipline and accountability, often operating under separate rules.** According to the Libyan Audit Bureau, 83 percent of Libya’s SOEs violated procurement laws in 2023, bypassing legal requirements and regulations. These practices not only foster corruption and inefficiency, but also undermine private firms, which must comply with rules that SOEs routinely ignore. This uneven playing field discourages formalization, innovation, and investment, especially when public monopolies dominate key markets, or politically connected firms can win contracts through favoritism rather than merit, which in turn reinforces Libya’s economic dependence on public institutions.

## SOEs as a Barrier for Private Sector Development

**SOEs in Libya pose a significant barrier to private sector development due to their dominance**

### **across most strategic sectors of the economy.**

The dominance of SOEs in Libya has effectively stifled what should be the main driver of sustainable growth: the private sector. A dynamic and competitive private sector is essential for economic diversification, job creation, and innovation—all areas where Libya is significantly outpaced by its peers. Even before the 2011 conflict, the government directly or indirectly controlled most economic assets through an extensive portfolio spanning industries, financial institutions, and real estate. The lack of specialized expertise and weak managerial incentives is evident in the widespread presence of persistently loss-making SOEs that fail to meet even basic public welfare objectives (Rahman and Di Maio, 2021).

**The results of the Manufacturing Business Survey, conducted by the Bureau of Statistics and Census (BSC), show that in 2022 the manufacturing sector comprised 25,754 units.** Among these, 96 percent are small enterprises, while 21 units are SOEs. Nonetheless, these SOEs account for around 30 percent of Libya’s manufacturing output (including the refining industry) and employ 12 percent of the total industrial workforce. The survey also reveals significant inefficiency in SOEs: the ratio of intermediate consumption to output (excluding the refining industry) is 61.2 percent, far above the average private sector ratio of 45 percent. This gap underscores the disproportionate resource consumption of SOEs relative to their output.

**A major barrier to private sector development is the unfair competition SOEs enjoy as a result of state support.** SOEs often benefit from direct subsidies, access to low-cost credit, exclusive licenses, and guaranteed government contracts. Many bypass standard procurement rules as documented by the Libyan Audit Bureau, whose 2023 reports details more than 142 violations—including embezzlement through fictitious contracts, unauthorized expenditures, and inflated procurement costs—underscoring widespread non-compliance with procurement regulation and undermining the principles of a level playing field. Private firms that are subject to full regulatory compliance cannot effectively compete with SOEs that operate under a different set of rules and receive implicit backing from the state.

Impact is disproportionately felt by small and medium enterprises (SMEs), which constitute most of the private sector firms operating in the country.

**The financial sector also suffers from SOE dominance.** As a result, the credit landscape is similarly skewed in favor of SOEs and politically connected actors. According to the CBL, five state-owned banks hold 80 percent of assets and 90 percent of deposits. Credit often flows to loss-making public firms sidelining viable private businesses. This mirrors Algeria’s experience, where the IMF has criticized public banks’ bias toward SOEs, warning it stifles economic dynamism and limits private sector access to credit (IMF 2023–2024). The entanglement of SOEs and state banks in Libya reinforces inefficiency, constrains competition, and blocks diversification.

**Public banks prioritize lending to state-backed entities.** In contrast, private firms, particularly SMEs and startups, struggle to access credit. As a result, private sector credit has stagnated at just 10–12 percent of GDP in recent years (Figure 24), far below the MENA average of around 30 percent and dramatically lower than in advanced economies, where it typically exceeds 100 percent of GDP. In 2023, total credit to the economy reached LYD 31.4 billion, or around 15 percent of GDP. Although this level is too low, around 30 percent is granted to SOEs and 70 percent to the private sector (households and businesses). The collateral offered to SOEs facilitates

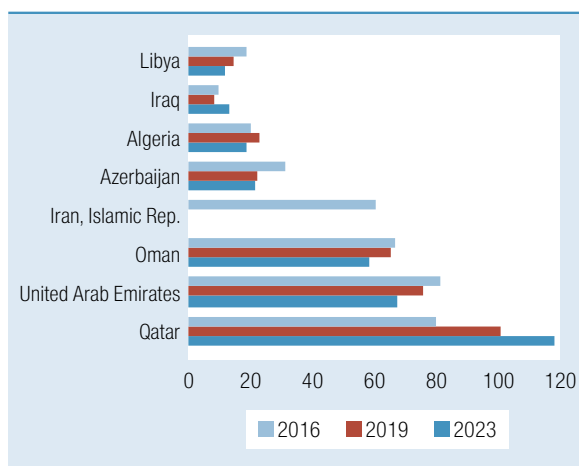
their access to financing, in contrast to the private sector. This limits the ability of the private sector to grow, innovate, and create jobs.

**The consequences of SOE dominance are reduction in investment, innovation, and lower gross capital formation.** While the exact figures for private investment in Libya are not readily available, the country context and available data on gross capital formation suggests that it is relatively low compared to peers (Figure 25). Efforts to attract private investment in Libya have been ongoing, with initiatives aimed at improving the investment climate and infrastructure. The Private Sector Forum organized in coordination with the World Bank in February 2025 in Tripoli attests to the GNU’s willingness to bring back the private sector at the heart of the economy. However, entrepreneurs face a discouraging environment where the rules are unclear, access to finance is limited, and state entities dominate sectors where private firms could potentially thrive (Figure 26). In this environment, even strong business ideas may not survive, let alone scale. That is particularly felt by SMEs (Box 4).

## Opportunities Ahead for Libya’s SOEs Reform Path

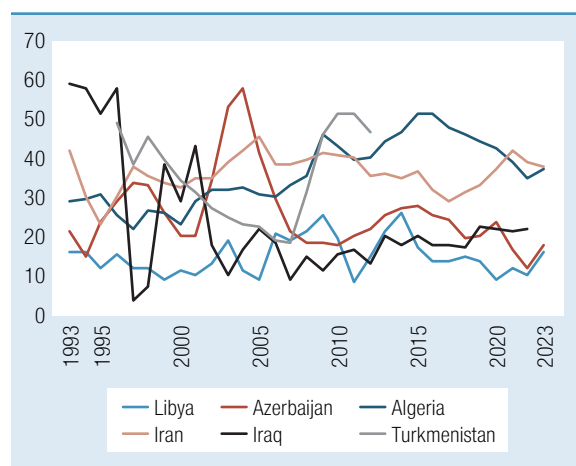
**Libya’s SOEs were intended to be instruments of national development and equity—ensuring**

**FIGURE 24 • Low Private Sector Credit to GDP Ratio in Libya...**



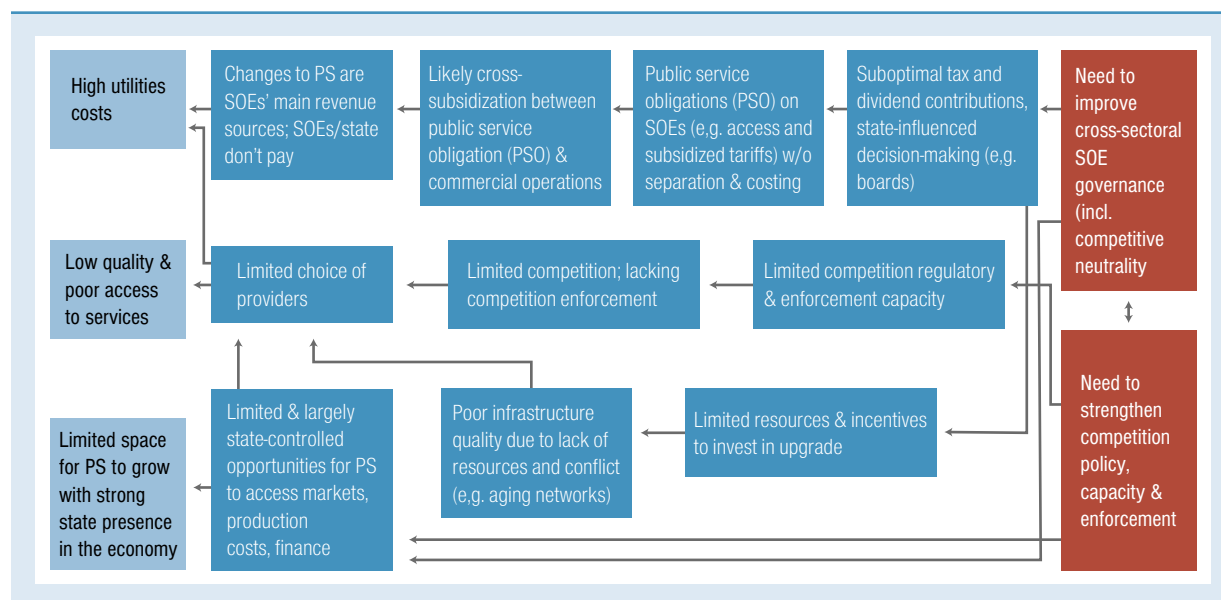
Source: WB and IMF.

**FIGURE 25 • ...Contribute to Weak Gross Capital Formation**



Source: WDI, WB staff calculations, CBL.

FIGURE 26 • SOEs and Private Sector Challenges



Source: WB and staff analysis.

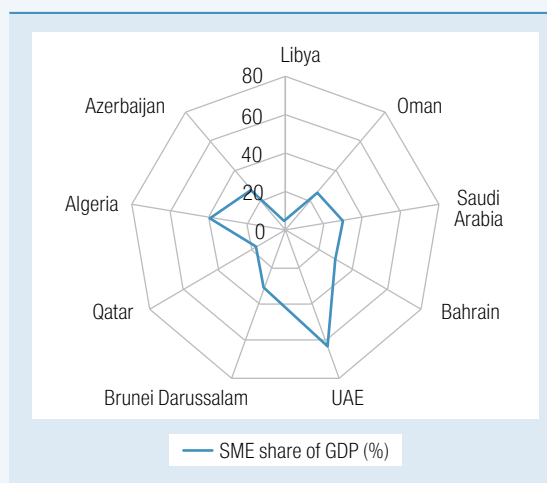
BOX 4: THE COST OF DOMINANCE: HOW SOES INHIBIT SMES' GROWTH IN LIBYA

Libya's economy and job creation are overwhelmingly dominated by the state, to a degree that is extraordinary by global standards. In developed economies, SMEs typically account for ~50 percent of GDP and the majority of jobs (OECD 2016). Even among oil exporters, Libya's private sector is an outlier (Figure B4-1) with one of the lowest SME contributions to GDP. This overwhelming dominance by SOEs comes at a high cost in terms of lost entrepreneurship and diversification (IMF 2019). Thru its control spanning across many industries, the government is effectively crowding out private business formation. As a result, Libya's SME sector is the smallest compared to its peers, with limited contribution to diversification or job creation. Even during pre-conflict era, the dominance of the state and the lack of competition were badly hindering the development of the private sector, majority of which are SMEs (Rahman, Di Maio 2021).

Cross-country data underscores the cost of SOE dominance. SMEs contribute only ~5 percent of GDP in Libya (OECD 2016), compared to 25–35 percent of GDP in regional aspirational peers like Oman and Bahrain and nearly 53 percent of GDP in the UAE. Even Saudi Arabia's ongoing reforms boosted SME output from 20 to 30 percent of GDP in just two years. Structural peers also have relatively larger private sectors—for instance, SMEs account for a little more than a quarter of Azerbaijan's non-oil GDP.

Libya falls well behind both its neighbors and Gulf economies in private sector development. This underperformance suggests that Libya's oil-rich, state-led model has come at the expense of a dynamic SME base, whereas countries with proactive SME policies (e.g., GCC) see much higher contributions. Notably, Libya's private credit and business indicators resemble those of fragile states like Iraq or Yemen, rather than its high-income aspirational peers. Only by understanding the scale of these distortions and the missed opportunities for economic growth can policymakers grasp the urgency of leveling the playing field for Libyan SMEs.

FIGURE B.4.1 • SME Share of GDP in Libya and Selected Peers



Source: OECD, IMF, World Bank, World Union of Arab Bankers.

effective management of strategic resources like oil, power, and finance that remained under national control and were meant to serve the public interest. Yet, without strong performance incentives or accountability, many SOEs have become inefficiency traps, consuming vast public resources while delivering subpar services.

**Libya needs the state to focus on what it can do best—provide a conducive business climate, regulate markets, and deliver essential public goods.** This does not necessarily mean divestment—but it does mean instituting better governance and oversight of SOEs, tracking the flow of resources through enhanced and systematic data collection, monitoring and reporting, imposing financial discipline, and introducing competition where feasible. Several regional and structural peers offer relevant reform lessons and success stories. Egypt and Morocco have driven reforms through the development of state ownership policies, while Azerbaijan has centralized SOE oversight in 2020 under sovereign investment authorities to improve performance and transparency (IMF 2023).<sup>10</sup> Positive examples of SOE transformation can be found among aspirational peers. In Saudi Arabia’s, the Public Investment Fund (PIF) has taken over development projects and select SOEs, operating them as commercial enterprises. Oman’s Investment Authority consolidated the ownership of most of SOEs, moving them out of line ministries into a sovereign investment fund<sup>11</sup> and began divesting stakes in several companies to support the budget and attract investment.<sup>12</sup> Meanwhile, Dubai has turned many of its government units into corporations that compete internationally—Emirates Airlines and DP World (ports) being prime examples of SOEs that operate successfully on a commercial basis.

**In conclusion, if Libya can pivot from a state-led model to a state-enabled model of growth, the dividends could be enormous.** The fiscal burden of SOEs would free funds for priority investments in human capital and reconstruction. SOEs that remain in state hands would be leaner and more service-oriented, perhaps even contributing dividends to the treasury. Public resources can be used wisely to build infrastructure and institutions for reconstruction from the ground up. New businesses would emerge in sec-

tors like agribusiness, logistics, tourism, construction, and services, generating jobs that do not depend on the government payroll. Foreign investors, often wary of competing with state monopolies would gain confidence as Libya signals its commitment to market-friendly reforms, which could bring technology and capital needed to revitalize key industries.

**Libya stands at a crossroads in this regard.**

The analysis above—from the fiscal drain of SOEs to their impact on private enterprise—defers to the question: *what is the state for?* The answer for Libya, as for its aspirational peers, should be to empower the economy. A renewed role for the state means stepping back where it is inefficient and stepping up as a regulator and facilitator.

**To achieve this objective, the GNU could consider concrete steps in the short and medium-long term.** First, developing a roadmap for SOE reforms would help establish a clear rationale for SOEs’ presence in different sectors, and help outline a phased approach to SOE reforms. In parallel, an in-depth legal review could be considered to identify regulations that hinder competition and private participation in select sectors. The review would start by preparing an “inventory” of horizontal and key sectoral laws and regulations related to the governance and management of SOEs to identify possible gaps, overlaps, or ambiguities.

**In the medium to long term, political context permitting, adopting a comprehensive SOE law could also be considered.** The aim of an SOE law would be to establish a dedicated legal framework that defines the objectives, roles, and responsibilities of SOEs; differentiates between commercial SOEs (which should operate based on market principles) and strategic SOEs (which provide public services); and define clear rules for enforcing competitive neutrality, financial oversight, reporting, and performance monitoring.

<sup>10</sup> [PDF] Republic of Azerbaijan: 2023 Article IV Consultation-Press Release.

<sup>11</sup> Highlights of recent SOE reforms in the Arab Region 2<sup>nd</sup> October 2023 Oman Investment Authority.

<sup>12</sup> World Bank 2023 presentation showing highlights of recent SOE reforms in the Arab Region – 2<sup>nd</sup> October 2023 Oman Investment Authority.

**To enhance transparency and performance monitoring, the government could consider strengthening the FRCA as a centralized SOE oversight unit.** Reporting to the Minister of Finance rather than the Director of Revenues within the Ministry, the FRCA should be mandated to consolidate financial and operational data from all SOEs, conduct fiscal risk assessments, and provide regular reporting to the Cabinet on the performance and liabilities of the state-owned portfolio. It could be institutionally empowered to request timely and standardized financial statements from all SOEs, monitor their compliance with performance targets, and flag underperforming entities or those posing significant fiscal risks.

**The FRCA could also work on developing Key Performance Indicators (KPIs) for assessing SOEs' financial soundness and operational efficiency.** In tandem with governance reforms, the government could consider liberalizing competitive sectors to catalyze private investment in the medium to long term. Sectors historically monopolized by state companies (e.g., electricity and telecommunications) could be opened to private providers under clear regulations. Allowing private sector independent power producers and new telecom operators will attract investment, improve service delivery, and spark innovation. Coupling such liberalization with a stronger

legal framework for PPPs and an investment promotion strategy will encourage domestic and foreign investors to enter these markets.

**Finally, Libya could consider phasing out preferential treatment of SOEs to create a level playing field for private firms.** This entails removing unjustified advantages—such as exclusive licenses, tax exemptions, and direct state bailouts—so that all firms operate under fair, transparent rules. By curbing these privileges and enforcing equal competition laws, efficient private enterprises can compete and grow instead of being crowded out by state-backed incumbents, thereby improving overall productivity.

**That said, a gradual yet steady approach to SOE reform is advisable.** Reforms must be carefully sequenced to avoid adverse shocks. Rapid privatization in the absence of appropriate regulatory frameworks risks the emergence of private monopolies or the undervaluation and misuse of public assets. Conversely, delaying reforms sustains fiscal drain and hinders opportunities for private sector-led growth. Reform implementation must also be underpinned by robust institutional arrangements and the strengthening of government capacity to design, implement, and monitor the reform process effectively. In doing so, Libya can liberate the potential of its SOEs, laying the foundation for a diversified and thriving post-conflict economy.



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