



Next Steps in Libya

Economic and Government Stabilization in
the Face of Political and Security Challenges

By William Danvers July 2016

Introduction and summary

The alarming security, economic, and political trends in Libya are currently a critical issue for the international community. Europeans are particularly concerned about Libya as a point of departure for refugees and migrants.¹ Despite recent progress, the presence of the Islamic State, or IS, in Libya is also an urgent security issue for the country, as well as for the United States, Europe, and Libya's neighbors. At the same time, Libya is struggling to unify its government. Libya's downward economic spiral further complicates the possibility of a unified government and a more stable Libya.

Libya's problems are legion, but establishing a single government and creating a more secure environment are the first orders of business. The Government of National Accord, or GNA—a body that reflects an agreement made last December with the help of the United Nations²—has begun to establish itself in Tripoli and is trying to incorporate two opposing Libyan governments, which have been fighting each other since 2014. These are the Islamist-led Libya Dawn coalition—also known as the General National Congress, or GNC, which controls Tripoli and the eastern government in Tobruk—and the House of Representatives, or HoR, backed by retired Libyan Gen. Khalifa Hiftar and Operation Dignity.³ The GNA is working to establish a new government and taking immediate steps to improve conditions. While Libya has made progress in fighting IS over the past few months, the threat remains as long as IS leadership views Libya as a way to extend its caliphate—an Islamic state led by a caliph, a successor to the Prophet Muhammad. This is particularly true in light of recent setbacks for IS in Syria and Iraq.⁴

If the international community wants to help Libya rebuild, it needs to have a plan that outlines how it will assist Libya with its economy and the development of institutions that can provide the foundation for a revitalized nation. It is clear that having a functioning, unified government and making Libya significantly more secure is necessary to implement efforts to help Libya rebuild its economy and government. Indeed, a blueprint for such efforts could be an important incentive

for the Libyan people to coalesce around a government and a unified approach to security. As President Barack Obama famously said in a press interview earlier this year, his biggest “mistake” was not having a plan to help Libya after the fall of Prime Minister Moammar Gadhafi.⁵ But it is not too late to develop plans to put Libya on a path that offers promise rather than chaos.

Libya’s most immediate need is to make its hydrocarbon sector more productive. It is the lifeblood of the Libyan economy, and its collapse would affect all that happens in the country. At the same time, if Libya is to move beyond its present state of crisis, it must address economic problems, including the need to diversify. As part of its work to achieve economic viability, Libya has to create jobs, particularly for its youth but also as part of an effort to demobilize militia members. It also must support the viability of its own institutions. Basic services such as health care and education should be provided and made more responsive to the needs of the Libyan people.

This report examines the state of the Libyan economy, looking at the hydrocarbon, or oil and gas, industry and offering suggestions for how Libya can develop a functioning private sector. It also analyzes Libya’s health care and education systems as examples of key pillars for any sustained recovery. The report concludes by offering the following recommendations:

Economy

- The GNA should immediately focus on making the Libyan hydrocarbon sector more efficient so that it can work more closely with the private sector, including encouraging foreign direct investment.
- Libya must develop a more diverse, functioning private sector over the long term. As part of this, the GNA should employ creative approaches to assist small- and medium-sized enterprises, or SMEs, as well as microenterprises.
- The GNA must focus on job creation, particularly for Libyan youth and with an aim toward demobilizing militia members by offering them alternative employment opportunities.

Institution building

- Libya must work with the international community to create a governmental structure that is responsive to its citizens.
- The new Libyan government has to include representatives from regional and local governments as part of the rebuilding effort.

Health care and education

- The new Libyan government must revitalize the health care sector and make it functional.
- It also should focus on providing skills-based education programs for workers and students that connect their skill development to jobs.

Taking these steps would allow Libya to establish institutions that can not only help with its rebuilding effort but also engender Libyans' trust, which is necessary to the nation's survival.

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