A Home-Grown Approach to the Post-Conflict Economic Future of Libya

Dr. Ali Irhuma Abubrig

Azzaytuna University

bub_nan@yahoo.com

مستخلص البحث

تسهم هذه الورقة في إثراء النقاش حول المستقبل الاقتصادي المحلي لليبيا في مرحلة مابعد النزاع، حيث تطرقت لعدة مسائل إقتصادية مهمة مرت بها البلاد منذ فترة ماقبل اكتشاف النفط، وبناء عليه فإنها قامت بإعطاء نبذة عامة عن الوضع الاقتصادي للبلاد في فترة ماقبل اكتشاف النفط والذي اعتمد على المساعدات الدولية دون وجود نشاط اقتصادي فعال، باستثناء النشاط الزراعي والرعوي الذي كان يعتمد عليه أغلب السكان، كما أنها تطرقت إلى الطفرة الاقتصادية التي حدثت في البلاد بعد اكتشاف النفط ، إضافة إلى اعطاء نبذة كافية عن الوضع الاقتصادي في مرحلة النظام السابق الذي نهج المنهج الإشتراكي المكرس للقطاع العام دون اعطاء المجال والحرية لبروز القطاع الخاص، مما زاد في ركود الاقتصاد المحلي، كما تطرقت الورقة إلى الإزدهار النسبي في الإقتصاد المحلي بعد فترة رفع الحصار سنة (1999) و الإرتفاع في نسبة عائدات النفط. كما قدمت الورقة مقترحات لتطوير الإقتصاد الوطني في فترة ما بعد التحرير (بعد ثورة 17 فبراير) والذي يجب أن يعتمد على اقتصاد السوق و القطاع الخاص، والتركيز على المشروعات الصغيرة والمتوسطة للتغلب على البطالة التي وصلت إلى مايقرب من 30%، والعمل على التنوع في البنوك حتى تستطيع الصمود والمنافسة كما هو الحال في الكثير من دول العالم، بالإضافة إلى الإتجاه إلى خصخصة القطاعات الخدمية مع الإحتفاظ للحكومة بالإشراف على الأسعار.

Keywords: oil, Libya, economy, a home grown approach, post-conflict, sustainability

1. Introduction

Libya is not a poor country. As at 2012, it has the largest proven oil reserves of 48.5 billion barrels in Africa ahead of Nigeria and Algeria (OPEC, 2013). The oil and gas sector is the major source of foreign exchange and represents over 90 per cent of total export and revenue (Edwik, 2007:67). Pre-conflict estimate put oil production at 1.6 million barrels of oil a day. The Libyan uprising that evolved in 2011 can be adequately understood in terms of the tribal and regional cleavages that have beset Libya historically, but were exacerbated by Muammar Gaddafi’s 42-year regime. Again, in spite of Libya’s oil wealth, only a small elite has benefited disproportionately from the economic boom of the past decade (Lacher, 2011), while the majority lived on a combination of badly paid public-sector jobs and subsidies, with young people being particularly affected by widespread unemployment rate of between 14-20.7 per cent in 2009 (Reuters, 2009:5; Chami et al., 2012:2). In contrast to the events in Tunisia and Egypt that preceded and triggered the Libyan uprising, the protests in Libya were driven by unemployed young people, well-educated members of an expanding middle class, a handful of women, lawyers and university professors, did initiate the first small protests in Benghazi (Lacher, 2011). Generally, deteriorating economic conditions, social inequality and political injustice by the ruling class are the main reasons behind the unrest and revolutions in the Middle East and North Africa (MENA) region.

As countries that are emerging from the 2011 Arab Spring are setting their feet on the road to economic recovery and to deliver opportunities for the majority of the citizens, a number of writers and experts in different fields have proposed pathways to post-conflict transition. The proposed concepts revolve overwhelmingly around sustainability, peace-building, security and political resolutions. Attention was also paid to the concepts of the ordinary city (Robinson, 2006), and the city as a whole (Le Corbusier in Fishman, 2006). For example, on the one hand, the ‘whole city’ ideals, promulgated by Fairbanks (1998), advocates a planning paradigm that is sensitive to the rights and needs of individuals (irrespective of their nationality or racial/ethnic groups), and the environment that would provide serenity for healthy human well-being. This concept incorporates all planning paradigms but focuses more on the place as a city. On the other hand, the ordinary city (e.g. Robinson, 2006) view would offer both a comprehensive and an alternative perspective of the city for local policy makers. The majority of these submissions have further confirmed the argument made by del Castillo (2008:20) that their proposal for the adoption of a particular theory tend to "address economic issues as an afterthought, and with little economic rigor, specificity, or comprehensiveness". Instead of throwing these alternative theories to the bin, their understanding has helped in a great way to understanding the many local issues and peculiarities that are completely different when compared to some of post-conflict reconstruction in the North/South or even in some that have experienced the Arab Spring. By so doing, this paper seek to contribute to ongoing post-conflict policy debates aimed at addressing the socio-cultural, political and economic problems that have ravaged the country through the analysis of published and empirical materials. It is hoped that this paper, drawing from the literature, will assist the new government in looking into long-term development policies and priorities that are suitable to, and balance between modernisation and peculiar Libya's conditions with emphasis on aspects of the economy. As Tzifakis argued (2007:1):

> "The economic dimension of post-conflict reconstruction usually involves tasks such as distribution of relief assistance, restoration of physical infrastructure and facilities, reestablishment of social services, creation of appropriate conditions for the private sector development, and implementation of essential structural reforms for macroeconomic stability and sustainable growth."

The paper is structured into six sections. The next section presents the historical development of Libyan economy. Section 3 specifically targeted the impact of oil on the Libyan economy. The next section provides alternatives to oil-dependency. In section 5, I advocated for a home-grown economic policy and planning that is in tangent to Libya's complex geography. In the second part of this section I narrate my vision for Libya's freedom that will promote economic growth and development in the short to long-term, as against the current notion of freedom which is perceived as carrying guns and intimidating each other. This is followed by the conclusion of this paper which spelt out the unlikely consequences in the event that status quo ante continues.

2.0 Brief Historical Account of the Libyan Economy

The historical transformation of the Libyan economy has passed several phases, which are divided, into three arguments. The first phase was prior to 1962, when Libya was classified as one of the world's poorest countries, and its economy relied on agriculture and foreign assistance (Ghanem, 1982:141; Higgins, 1957:26). During this period about two-third of the population was involved in agriculture and the urban centres were still in their traditional setting. Industries were limited, due to a lack of raw materials. Furthermore, the country was suffering from severe shortage of human resources, housing and a lack of facilities. Maktoff (1997) and later on Amer, (2007:29) have noted that housing conditions were very poor, as most of the people lived in tents and huts made of zinc sheets or palm tree leaves and wood. The second phase began with the discovery of oil, a period (1961-1969) when the economy was transferring from a primitive agricultural societyinto an oil-basedeconomy. The economy shifted from capital deficits and low productivity to capital surpluses due to thewealth accruing from oil exports(El-Mallakh, 1996:308). In addition, the second phase also included the oil boom period (1970-1983).This period also witnessed accelerated social and political change, such as government's growing intervention and control of the economy and the re-orientation of the country from a capitalist into a nationalist/socialist state(Abbas, 1997:112). The third phase consists of the dissolution of private ownership and the public sector expansion financed by the booming oil revenues of the late 1980s to early 1990s, and the effect of the UNsanctions period. When the sanctions were lifted in 1999, at a time when oil prices were rising, the Libyan ideology slightly changed to a more relaxed attitude to global capitalism.

At the time of independence, income per capita was less than US$50; it rose toUS$100 per year in 1960 and up to US$14,884 in 2010 (World Bank, 2011). The 1955 GDP was LYD15 million; by 1958 the figure had increased to LYD52 million (Aburroush, 1996). In 2010, the GDP had risen sharply to about US$98.68 billion growing at 10.6

per year (see Heitmann (1969) for a narrative about the early changes brought by oil production in Libya). As a result of the 2011 unrest, the GDPhas decreased by 6.2 per cent (World Bank, 2011). However, the neighbouring countries of Egypt, Algeria and Morocco have higher GDP because their economies are more developed, diversified and liberalised. For example, Egypt has a developed energy market where larger proportion of government revenues come but the tourism industry also attracts over 12.8 million people, which generates up to US$11 billion and employs about 12 per cent of the population in 2009 (Reuters Africa, 2009). If the aftermath of the revolution provides stability, Libya can expect to see both a better distribution of its oil wealth and a significant investment and diversification of resources.Sections 4 and 5 have charted how that can be achieved

2.1 Oil production phase

In this period, the Libyan economy changed from dependence on foreign aid into an oil-based economy. Libyan oil exploration began in 1955, with the first oil well dug in 1956 and the first oil struck in 1957 (Edwik, 2007). The first exploitation of oil in commercial quantity was made by Esso (subsequently Exxon) in 1959. Since the early 1960s, the development of the oil industry was remarkable in terms of its rapid proliferation and dominance of the Libyan economy. By 1969 Libya was the second largest producer of oil in the Middle East (Giurnaz, 1985). The national income witnessed an exponential increase from LYD131 million in 1962 at the point of oil discovery to LYD 798 million in 1968, when production had begun (Fisher, 1990:644). Similarly, per capita income and the GDP increased with increase in royalties and taxes from oil operations. The Libyan revenues from oil climbed to US$32.43 billion in 2010 up from US$20 billion in 2009 (Central Bank of Libya, 2011). Prior tothe civil unrest, Libya pumps 2.4 million barrels of oil per day, after Nigeria and Angola.

Various economic development plans have been implemented since oil discovery. The first was a five year plan for economic and social development based on oil revenue forecast (1963-1968). The objectives were: (1) to improve the standard of living, (2) to revitalise and modernise agriculture, (3) to provide education, health, communication and housing (Omar, 2003). About LYD169 million was budgeted to fund the first development plan, but this was increased to LYD625 million due to oil revenue that surpassed forecasts (Ghanem, 1985). However, I would argue in this instant that the development policy mainly concentrated on the urban areas. Tripoli and Benghazi for example, benefited from economic developments more than any part of Libya. Most of the developments were targeted at linking the rest of the cities, villages and towns to Tripoli and Benghazi.

The revolutionary government pursued the application of a state ownership through nationalisation programme that prohibited private enterprises in all economic endeavours. In what appears to be state-socialism principle, it came without any form of participatory democracy. It was characterised by the appointment of a General People's Committee (GPC) that served as the intermediary between the masses and government leadership. Accordingly, no individual had the right to engage in private investment in the new economy. In this economic system, all kinds of services, administrative affairs and commercial activities became public – government controlled affairs but largely dominated by privileged few. During this time the price of oil increased from US$2-3 per barrel to US$25 per barrel in 1979 (Abbas, 1987:75). Nationalrevenue subsequently increased from LYD2.4 billion in 1970 to about LYD6.5 billion in 1980. This growth in revenues made government abandon the first development plan and initiate a plan (1973-1975) that gave emphasis to housing, agriculture, water and industrial development. The second socio-economic plan (1976-1980)gave priority attention to investment in industries (21 percent of national budget), followed by transport and communication sectors with 18 per cent and agriculture as the third with 15 per cent (see Thomas Friedman's first law of petropolitics, 2006).Following the sharp decline in global oil prices in the early 1980s, government's revenue reduced and unable to finance ambitious surplus spending thus caused serious economic decline.

2.2 Dissolution of private ownership

Ambitious public sector and investment development programmes reached about US$2 billion from 1990-1993. The increase of developmental and current expenditures against petroleum revenues, in the 1980s, resulted in a deficit budget funded by the state through debt facilities from the Central Bank of Libya, as well as from other commercial banks owned by the government. Khader and El-Wifati (1987) and Bruce St. John (2006) reported that decreasing revenues called for a major revision of the 1981-1985 development plans. In response to the new economic reality, public sector spending on roads, mass housing and water projects faced severe cuts. Accordingly, Ghanem (1985) cited in Abbas (1987:85) states that: "the value of projects signed in Libya as part of the five year plan which was started before the sudden fall in oil resources was US$1.827 billion in 1981, the value of projects signed in 1982 went to US$1.374 billion". The decline in public spending reduced the import of goods essential to improving the standard of living. From 1980 to 1986, GDP also declined from US$35.5 billion to US$24 billion and per capita income fell to US$6.404 in 1986 from over US$10,000 in 1980 (Abbas, 1987:85).

However, The crisis in the economy compelled the government to review its public policies due to its inability to fund and manage them, and the failure of the public sector to meet national goals (Abubrig, 2013; Alafi and Bruijn, 2009). As a consequence, the public sector went through a gradual process of privatisation after 1988, when more than 360 companies belonging to the public sector were privatised and the rest private enterprises were encouraged to re-open. With allowing private sector to invest in economic activities,, the Libyan economy witnessed greater openness to the external world both in terms of export and import (Fisher, 1990). After the lifting of the UN Sanctions on Libya in 1999, the Libyan economy has been improving rapidly, mainly due to oil exports and the import of consumable commodities and by-products or raw materials for investment projects. By 2001, Western investments in Libya had more than doubled as compared to less than 50 per cent during the sanction period (National Authority for Information and Documentation, 2003).

3.0 Impact of Oil on the Libyan Economy

Oil played a key role in developing Libya from a poor aid-dependent nation to a rich surplus country, where poverty is being eliminated and the country's health and educational infrastructure were improved, but other productive sectors remain stagnant. Soon as oil production began, all budgetary provisions went into building oil installations, with less emphasis on agriculture, manufacturing/construction, and services. As the following figures indicate, there was a sharp decline in the contribution of agriculture, forestry and fisheries in GDP from 1962 to1977. Agriculture, which used to be the mainstay of the economy, fell from around 10 per cent to just above two per cent. Expenditures on agriculture did not exceed LYD29.275 million for the period 1963-1968. However, agriculture expenditures topped the spending list after the 1969 revolution, but there was not any significant economic result despite this huge spending, probably due

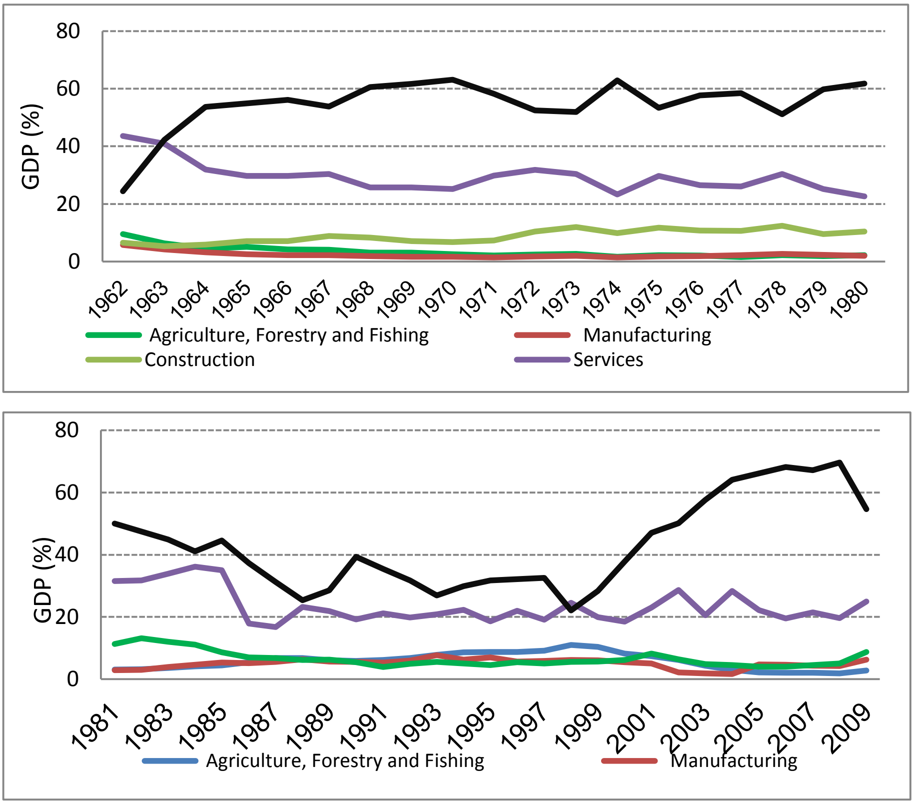

Figure 1: Contributions of sectors to GDP, from 1962 to2009. Various sources (e.g. Ghanem, 1987; Sheibani, 2008; Mazar, 2012; Combaz, 2014).

to initial investment in infrastructure. The government was accused of inflating spending on the agricultural sector strikingly: it reached

LYD586 million for the period 1973-1975 and then rose to LYD1.7 billion for the period 1976-1980 (Ghanem, 1987).

The above figure show an increasing dominance of oil production in Libya, rising from around 60 per cent in 1980s to 70 per cent at the onset of the recession where it was at its lowest of 50 per cent.Investments of the 1980s in agriculture paid-off less significantly as agriculture, forestry and fishing sectors to GDP still remain less than 10 per cent, in fact worse-off than they were at the onset of petroleum production. The services sector is increasing due to increase in per capital income and social spending. In general, the flow of oil revenue clearly had a negative impact on agriculture and manufacturing industries and the state failed to make these sectors effectively productive. Libya gradually turned into a 'rentier state' because most of the country's revenue comes from internal oil market. Similar to Libya, Kuwait and Saudi Arabia, Nigeria, Angola and Venezuela for example, derive more than three-quarter of their income from oil (Ross, 1999). These simple graphsin figure 1 show the adverse effects of the burgeoning oil sector on the rest of the sectors contributions to the national economy. It is clear that the domination of the oil sector as the highest contributor to GDP took place at the expense of other sectors; they were not developed because of easy money from oil.

Libya's economic fortune changed in 2005 as a result of a sharp rise in oil prices. In December 2004, the price of WTI crude oil on the spot market was US$33.05; a year later it shot up to US$58.12, thereby creating a surplusbudget balance. Nonetheless, Libya's economic objectives and its desire for significant structural reforms caused the government to make huge spending on infrastructure. For example, in 2007, the Libyan government planned to spend LYD 150 billion (approximately US$123.4 billion) on infrastructure and housing within the span of five years, 2008-2013 (Global Observer, 2012). These large projects were intended to create jobs and increase economic prosperity; nonetheless these can only be achieved in a stable polity.

With the onset of world economic crisis that reached its peak in mid-to-late 2008, Libya's economy once again felt the heat of the bubblebust. The price of oil plummeted from around US$140 to US$35.99 in December 2008, but it was precisely that economic collapse that proved, yet again, the link between Libyan surplus budget and the price of oil. The drop in oil price was detrimental in the short-term to the Libyan economy and public spending. It is important to stress that the impact of the recession on Libya's economy was mainly on oil revenue reduction without significantly affecting other sectors such as banking. The reason, according to the IMF (2009:2) was:

> due to the lack of exposure of domestic banks to the global financial system. In addition, Libya's foreign assets consist mainly of foreign reserves, which are highly liquid, and the portfolio of the Libyan Investment Authority (LIA). The LIA started operations in June 2007 and a large part of its assets consists of bank deposits.

Whilst the financial markets have slightly declined during the global financial crisis, the real economy so far has remained relatively stable, in large part due to what Behrendt (2009:29)identified as: "mass surplus liquidity from the oil boom… and low market capitalisation." Prior to the civil conflict, it was widely believed that Libya had no external debt. Libya was a creditor and donor, mostly to poor African countries, who instead of paying showed allegiance and solidarity to immediate pastregime. At the onset of the 2011 civil unrest, Libya's total sovereign assets, estimated at around US$160 billionwere frozen: two-thirds of those sums are held in the US, Britain and Germany (Defterious, 2011). Paradoxically, Libyan GDP per capita isamong the poorest in the MENA region (Nube et al., 2014).

From 2008-2012, Libya's annual budget was only general without specific emphasis on developing certain key sectors of the economy, as was pronounced in the first to the third development plans. Edwik (2007:97) had earlier summarised the problems with all the national development plans thus: "they do not suggest how, or at what pace, these objectives can be met These plans are also missing the essentials capital information, the structure and characteristics of the economy, important development data, and designation of responsibilities." However, huge investment continued with increasing income and the partial liberalisation of the economy.

One of the sectors that has benefitted from oil revenue is education. Libya invests more in education as other countries in MENA and the Arab world. Incomes coming from oil were invested in infrastructure through the construction of houses, schools, universities, ports, roads and others. For example, schools from primary to tertiary level are designed similar to those in Europe. Libya, like most modern economies, has public and private sector schools and higher education. Indeed, investment in education has been steadily increasing: the annual education budget allocation is about LYD 1 billion (500 million Pounds). As a result of the provision of infrastructure, and the promulgation of an education policy that encourages free and compulsory education, the number of school-going children grew from a little above 30,000 in the 1970s to a little below 100,000 by the end of 2003 (Social and Economic Survey, 2002:45) and the value for school enrolment, primary (% gross) in Libya was 114.20 as of 2006 (UNESCO, 2006). As in the neighbouring Egypt, education spending has brought an increase in the number of university graduates and a decrease in illiteracy. According to WHO (2006), Libya is the country with the highest literacy and educational enrolment rates (for both male and female) in North Africa. Despite these achievements in providing infrastructure and budgetary allocation, I strongly argue that the provision of schools and hospitals was only used as a tool for propaganda inIn a similar manner to those used in commercial advertisements. In reality, the standardof education and health is very low when compared to neighbouring countries of Egypt and Tunisia. there are frequent cases of improper medical diagnosis, and a lack of confidence by ordinary people towards the health sector, as to all other sectors, most Libyans would prefer to travel to Tunisia to obtain suitable medical services. It is time to rely less on oil and make other sectors more productive as can be seen in the following section.

4.0 Alternatives to Dependence on Oil Revenues

As indicated in the previous sections, there is an excessive dependence on the oilsector to finance development projects.The question is: Is the oil industry alone able to sustain all these development indices in the long-term? Certainly, Libya's overwhelming dependence on oil revenue is dangerous; particularly at bust periods and particularly now that oil is diving towards the US$20 mark. In the light of increasing demand, price volatility, depletion of global oil resources, competition from other unconventional sources and countries strategies to develop alternative and renewable sources of energy that are sustainable and have lower carbon footprints, many resource-rich countries, like Saudi Arabia and the UAE, are making efforts to tackle the un-sustainability of oil-based production and consumption by diversifying their economy. This prediction of the future of oil cannot be positive for Libya at all, whose budgetary provision squarely relies on petroleum revenue. Most recently, the seizure of key facilities in the summer of 2013 by various armed groups has undermined post-conflict reconstruction financed by oil.

A search for a solution to Libya's peace and economic problems is inevitable. This is vital in reducing the vulnerability of the economy to oil price shocks, and for sustaining the country's economic future (see Auty, 1993, 2001; Sandbakken, 2006). According to the IMF (2005:5), "Libya is implementing reforms and opening its economy since the freezing of the UN Sanctions in 1999"; however, the report concluded that: "Libya is generously endowed with energy resources, but has one of the less diversified economies in the Maghreb (Libya, Tunisia, Algeria and Morocco) region and even among the oil producing countries." Edwik (2007:118) supported that: "Libya's economic diversification has been a constant element in the past development plans for a non-oil future." However, at least until recent years, as confirmed by the IMF (2005), the development plans paid little attention to such objectives. Past experience has proven Libya to be limited in its ability to diversify. Government's attempts at developing other sectors (not necessarily to diversify its economy) resulted in only very partial results due to a lack of vision for long-term economic sustainability, technical inability and low educated manpower, a welfare program that discouraged people to work, and a relatively small population.

The downstream operations of the petroleum industry (which is a by-product of the oil industry), has experienced significant development in recent years, but has been identified as part of economic diversification. This is because Libya's definition of diversification centred on hydrocarbon activities, an indication of the government's struggle in developing new industrial and services sector. Even with the oil crises of the mid-1980s and the UN Sanctions of the 1990s, instead of Libya to develop other productive sectors, it cut investment in key infrastructure spending and went back to nurturing the oil sector value chain. In this period of post-conflict reconstruction, Libya needs strong government and virile institutions that would generate the extra sources of income to deal with high unemployment, estimated at 15-20 per cent in 2014, coupled with increasing population, and rising demands from all sections of Libyan society (The World Bank, 2014:17).

Libya can enjoy comparative and competitive advantage based on its geographical location and resources in diversifying and sustaining the economy. The service sector, including information, marine, telecommunication, transportation, administrative and support services, securities, commodities and other financial investment services, among others, may also be investment-attractive. These sectors may be most appropriate for the absorption of local labour force and youth unemployment. It is also important to note that: 1) Libya’s rich cultural heritage is an important asset for the tourism industry and an economic resource that would complement oil revenues. 2) Intensifying agriculture for food security and to provide employment may not be possible because of geo-physical factors outside the control of government. The land in Libya may not be suitable for rain-fed agriculture because it is mountainous, Saharan or urban. To meet the growing demand for food, increased agricultural production (including fishing and animal husbandry) might be possible with increased availability of irrigation water and the provision of incentives to farmers in particular areas such as Jabal Al Akhadar, the Benghazi plain, the Jefarah plain and Jabal El Garbi (JabalNaffusah). The amount of water coming as sewage from urban areas can be treated and utilised for irrigation and other industrial production processes. 3) Tourism has competitive economic advantages, is sustainable and can complement the revenues from oil. Libya’s tourism potential can create long-term, sustainable growth – and in so doing, helps to ensure stability, provide employment and protect the environment. For example, Kalesar (2010) reported that the tourism industry in Egypt has employed about one million people directly, and a further five million indirectly, in the last two decades.

Achieving the Egyptian success is possible as long as tourism policy is practised in conjunction and collaboration with all stakeholders but in a secure environment.

5.0 Home-grown Post-Conflict Economic Solutions

Apart fromthe above general solutions to oil rich countries that suffer from resource curse, this section contains some specific propositions suggesting the way forward for Libya. In this instance, I would argue and as I have advocated for in my PhD thesis, rapid transformation of Libyan society can be remedied by developing and applying ‘Holistic Islamic Urbanism Approach’ (HIUA). There are attributes that allow holistic planning for a sustainable city. These include a diversity of economic, political, cultural and social relations that are able to assist in bringing the city as a whole back into view – e.g. the provision of jobs and livelihood, social justice and a living environment for all. The absence of these factors has resulted in inequality and disparities emerging between Libyan regions. Under HIUA, economic framework is designed holistically, based on Islamic principles and socio-cultural conditions, changes are implemented harmoniously, decision-making and responsibility are shared with the empowered citizenry, and the environment is respected (see Abubrig, 2013). It is important to note that these issues were not addressed before or after the 17th February 2011 revolution, but they have significant implications for Libya’s future as a whole.

When conflict broke out, Libya’s economic activities did not stop, but rather changed from a formal economy to an informal economy, thereby reshaping the pattern of exchange and distribution. As the war is over, economic issues are gaining attention. This is because of Libya’s role in the world oil market and the need for reconstruction of the economy. But first, building and sustaining peace should be top on the agenda. This is against the current situation where politics remains contentious, turbulent, and marked by violence and distrust from various tribes and regions. Furthermore, since 2013, the problem of insecurity and crime perpetrated by criminals and jihadist in Cyrenaica has is frustrating any attempt at rebuilding Libya’s administrative structures and political institutions. Thus, any development and policy agenda of subsequent governments has to be conflict-sensitive and, at the very least, not aggravate the risk of relapse into violent conflict by replicating the non-holistic approach to development that got Libya into conflict.

Secondly, realising sustainable development goals in a post-conflict situation requires identification and understanding of the political context upon which reforms and reconstruction can be built (UNDP, 2010). This is because of the huge uncertainties surrounding the lack of an all-inclusive government based on wide consensus may impede speedy post-conflict reconstruction (Rivlin, 2011).This means that Libya must identify an acceptable political system that suites their diversity as opposed to borrowing foreign political system not suitable to the Libyan society. For example, Abubrig (2013) strongly argue that a holistic model of planning should be institute. Holistic planning in the instance of Libya means seeking numerous paths to shape the future of the country by creating the situations that encourage synergy and establish relationships among the various entities. Holistic approach is a planning model that is acceptable to all; promote justice and equitable distribution of wealth among the different geographic regions and ethnic groups. A sustainable society is one where social coherence is entrenched as against social exclusion and marginalisation.

Thirdly, continued liberalisation of the economy without the need to maintain the interests of few individuals will inevitably encourage foreign investment and the local private sector. Fourthly and importantly, it is not only the transition or the economic future of Libya that is at stake in present circumstance, it is also about bringing back women and family rights and integrating them into the governance process: Libyan women are educated and are half of the population. Women still took part in various aspects of society and in the revolution; their inclusion in public policy and political activities ameliorates gender polarisation.

Whilst the HIUA has dwelled on all aspects of Libyan life, I have tried to focus on the economic aspect of developing Libya of the future. As Libyans have liberated themselves from tyranny, they now claim to be free. There is the chant of freedom everywhere!!! However, in my opinion, freedom should be such that allows the wealth derived from oil translate into a diversified economy and middle-class entrepreneurship, and not that freedom that breeds political chaos, economic inequality, and regional segregation. My proposition is presented in the next section.

5.1 Freedom is not fighting!

The demand for democracy and political freedom has been the most visible cause of the Libyan conflict because of perceived political and economic exclusion, while a few family members, ethnic tribesmen and political allies are gradually empowered to rule the country forever. It is hoped that the new Libya will create the kind of change that is desirable to different Libyan players – individuals, families, tribes, regions and provinces – to pursue their own interests in a society free from molestation. For the sake of simplicity I have categorised economic freedom under the following: corruption freedom, monetary freedom, financial freedom, labour freedom, business and trade freedom and employment freedom through SMEs (Small and Medium Enterprises).

Corruption Freedom - With Libya's small population in relation to its tremendous oil wealth, corruption and waste in the government-controlled oil sector have prevented that revenue from reaching the people. As such the people are becoming poorer by the day. A government estimate put the poverty rate at 7.2 per cent. Unemployment rates in the last decade reached an all-time high, believed to be around 25-30 per cent. The immediate past regime is guilty of financial and administrative corruption. The regime was recently accused by the Transition National Council (TNC) of embezzling the country's oil revenues and diverting the sovereign wealth fund for private use. Transparency in Libya's oil revenues will be crucial to post-revolution recovery and development. O'Donnell and Palmer (2011:1) testified that Libyans will "require public disclosure of how Libya manages its oil sector, and disclosure of all revenues associated with it". They further argue that the terms of existing oil contracts should be transparent and accountable – details of agreements made by the TNC with governments and companies involving sovereign funds or the exchange of cash should be made public – and open to scrutiny. They added: "a transparently managed oil sector could prove the catalyst for much-needed development and stability in the country". Zero tolerance to corruption should be imbibed in all aspects of Libyan economy and governance and those found guilty of corruption should be prosecuted. However, the current law must be revised to prescribe for stringent punishment as a deterrent.

Monetary Freedom -I would advocate for a prudent fiscal and monetary policies to help tighten the instabilities that comes with oil revenues. The tightening of monetary policies ensures stable growth and employment and maintains a cap on inflation. As public services - railways, telecommunications, and electricity - are still under the control of government, regulatory agencies must ensure good value for money and when they are eventually privatised, if at all, it is government's responsibility to oversee prices. It should be noted that monetary freedom has helped countries avoid the worst of the global financial crisis. I would also suggest for a special participation tax in the oil sector in addition to royalties. This tax protects the government from underpayment by companies. Example can be drawn from Brazil.

Financial Freedom -Libya's financial institutions are growing rapidly and expanding. The banking sector appears well regulated and supervised by the Libyan Central Bank. The banks are becoming diversified and more competitive; however, the role of the government is overwhelming. The insurance sector, unlike commercial banks, is not well developed. The insurance sector needs to open for private investment and competition. The capital market needs to be opened as national economy expands and the middle class merging. One important aspect of financial freedom is to grow the middle class and reduce unemployment of particularly the youth. One way of success is through entrepreneurship. Libya must reverse inadequate mechanisms for long-term financing to the private sector and make available financing to small and medium scale entrepreneurs, just as it was done for housing. Considering the socio-cultural and religious nature of Libya, I would advocate for the choice of Islamic finance. According to Abdul-Gafoor (1999) and Pollard and Sammers (2007), the salient features of Islamic finance that provide some contrast with the Western financial system are: 1) there is the prohibition of fixed or floating interest rates on deposits to rule out unearned profit, but capital is guaranteed; 2) the issues of lending and investing are treated differently: loans are interest-free but carry administrative charge, while investment is on a profit-and-loss-sharing (mudaraba) formula; and 3) the depreciation of capital due to rising inflation is compensated in the tenure of the loan. Detailed discussions about Islamic finance and its rising significance can be seen in Pollard and Sammers (2007). Therefore, an Islamic approach to finance, social services and welfare is all-inclusive and participatory, regardless of tribe, region or any social group; unlike the way in which past regime sectionalised its welfare packages.

Labour Freedom - Because of the relatively small population of indigenous or Libyan citizens, the country and indeed the city has relied on a significant migrant labour force to provide manpower for various construction projects and manufacturing. Some 30 per cent of Libya's population are foreigners, of which more than 50 per cent are residing in Tripoli (United Nations Department of Economic and Social Affairs (UNDES), 2011; Chami*et al*., 2012). The so-called law that prohibited the employment of Libyan workers by individual Libyan citizens should be abolished as it undermines employment and productivity growth.

Business and Trade Freedom - The UN sanctions that lasted for over a decade (1990 – 2002) resulted in the suspension of trade, commodity exchange, food and many vital projects. After the lifting of the United Nations Libyan Sanctions in 1999, the Libyan economy has been improving rapidly, mainly due to oil exports and the import of consumable commodities and by-products or raw materials for investment projects. By 2001, Western investments in Libya had more than doubled as compared to less than 50 per cent during the sanction period (National Authority for Information and Documentation, 2003). By trade freedom, I mean removing or reviewing all factors that add to the cost of doing business in Libya. These includes: import and export bans and restrictions, subsidies, border taxes and fees, market access barriers in services, permits and licensing laws and regulations and complex customs procedures. To become more globally competitive, particularly in areas of competitive and comparative advantages (such as fishing and tourism), all barriers to investment or establishing business should be removed, for example, reducing the cost, time and procedures or bureaucracies involved (see *Doing Business 2015*data for Libya).

Unemployment Freedom through Small and Medium Enterprises (SMEs) - The emergence of Libya from conflict coupled with fallen oil prices, brings new opportunities for the country's economic growth and development (Chami*et al*., 2012). Prior to the conflict that has grounded the country to a halt, Libya has seen a steady economic growth over the past four decades, despite fragile macro-economic environment and dictatorial leadership. One critical factor for accelerating recovery, freedom from poverty, employment for young people as opposed to joining armed groups, and in reviving the private sector development is the development of the moribund Small-Medium Enterprises (SMEs) (Chatham House, 2013). SMEs create employment opportunities, contribute to GDP, diversify the economy, promote innovation and technology transfer and stimulate other economic activities. The SMEs promotes entrepreneurship and opportunity for all citizens, and dismantles the rentier system where few politically connected individuals are favoured and money hand-out shared to appease citizens. However, providing access to adequate and timely financing and modern technology is especially critical at this time. Without finance and technology, obtaining loan from banks becomes more expensive, output becomes less efficient and profit margins reduces, thus restrain the establishment of new enterprises, especially in rural areas, and the consequent increase in job creation. National strategy would be to first, focus on policy and capacity enhancement of the existing and new SMEs, and second, to provide a risk sharing mechanism where partial credits are guaranteed by the government so as to reduce bank's risk exposure in financing SMEs. In this instance, banks can access funds from the government for disbursement to SMEs using modern lending and risk management procedures. Thirdly, infrastructure can be expanded to support SMEs development such as power.Since the beginning of 2016 oil prices continue to slide below US$40 per barrel mark and prices have fallen nearly every day to less than US$30 per barrel. The consequences are that budget pressures continue and peace talks and efforts to export Libya's oil to pre-conflict figures may not be achievable.

6.0 Conclusion

Oil played a key role in developing Libya from a poor aid-dependent nation into a rich surplus country, where poverty is being eliminated and the country's infrastructures were improved. However, oil price fluctuations had and are currently impacting on economic growth and the performance of the Libyan economy. It has been shown that this endowment remained a paradox and has led to rent-seeking behaviour and bad governance, while preventing the development of other sectors of the national economy – manufacturing, services, construction and agriculture in particular – and precluding certain sections of the population from a share of the wealth from oil for the past 50 years. For Libya's economy to reduce its volatility and achieve sustainability, it has to develop other sectors that have competitive economic advantages, and are sustainable, to complement the revenues from oil. One such area that Libya can develop is SMEs. Taking economic strategies creates long-term, sustainable growth – and in so doing, helps to ensure stability, provide employment and protect the environment. To ameliorate or eliminate the curse in a post-conflict reconstruction era, democratisation is instrumental, followed by sound economic freedom – (financial, business and trade, labour, monetary, corruption and political freedom) - broker peace between rivals armed groups and militias across the different tribes and clans, and ensures justice, equity, sustainability, women liberation, gender inclusion and participation in governance. If political and economic and political freedom generates certain conditions that are necessary to overcome the curse and conflict ravaging the country fouryears after the Libyan uprising, then the country will emerge as a prosperous nation in tangent with its human and natural resource wealth. Those elected to govern the state or saddled with public responsibility will be more accountable to the people and one can hope for significantly greater transparency and accountability in the use of revenue from natural resources for the people in accordance with their needs. But if those conditions are not realised [as currently is], then a vicious spiral of bad politics and bad economics will condemn the country to situations much worse than the pre-civil war era where a new phase of poverty, autocracy, and possibly violent chaos will manifest. Therefore, a holistic approach advocated for in this paper is required to promote home-grown economic and socio-political policies that are in line with cultural and religious sensitivities of Libya. A final warning note is that as Libya is most likely to witness an influx of international financial institutions and corporations engaged in policy consultations and technical assistance, aiming to maintain macroeconomic stability and develop an institutional infrastructure that would promote post-conflict economic recovery. Whatever this assistance, it must be in line with the principles of a new Libya. This is to oppose the application of growth theories or planning paradigms that are inappropriate to the socio-cultural, religious and physical conditions of Libya.

References

Abbas, H., 1997. *Industrial Development and Migrant in Libya: Study of Migrant Workers from the Village of Solug at the Cement Factory in Benghazi*. Unpublished PhD thesis, University of Manchester, UK.

Abbas, H., 1997. *Industrial Development and Migrant in Libya: Study of Migrant Workers from the Village of Solug at the Cement Factory in Benghazi*. Unpublished PhD thesis, University of Manchester, UK.

Abdul-Gafoor, A., 1999.*Islamic Banking and finance: Another approach Islamic Hinterland Conference on Critical Debates among Canadian Muslims Toronto*. Canada.

Abubrig, I. A., 2013.Towards A Holistic Islamic Urbanism: Planning For Tripoli In The New Libya. Unpublished PhD Thesis, University of Leicester, UK.

Aburroush, M., 1996.*A Cross-Cultural Study of Locus of Control and Self-Esteem as Related to Socio cultural Factors Among Libyan and British Postgraduate Student*. Unpublished PhD Thesis, University of Manchester, UK.

Alafi, A., &Bruijn, E. J., 2010. A change in the Libyan economy: towards a more market-oriented economy. *Management of Change conference 2010 (CREP), Lueneburg 26th – 27th of November 2009*

Amer, A.A., 2007. *Comparison study of traditional and contemporary housing design with reference to Tripoli, Libya*. Unpublished Ph.D. Thesis, University of Salford, Salford, UK.

Attwairi, A. M., 2015. Analyzing Urban Growth and Management for the City of Tripoli, Libya. Unpublished PhD Thesis.University of Kansas.

Auty, R.M., 1993. *Sustaining development in minerals economics: the resource curse thesis*. London: Routledge.

Auty, R.M., 2001. The political state and the management of mineral rents in capital-surplus economies: Botswana and Saudi Arabia. *Resource Policy*, 27, pp. 77-86.

Behrendt, C., Haq, T., &Kamel, N. (2009). The impact of the financial and economic crisis on Arab States: Considerations on employment and social protection policy responses. *Available at SSRN 1478323*.

Bruce St John, R., 2006.*Historical Dictionary of Libya*. Oxford: Scarecrow Press, Inc.

Central Bank of Libya, 2011.*Economic Bulletin for the fourth quarter of the year 2010* Available at: http://goo.gl/6CrNeC [Accessed 20 July 2011].

Chami, R., Al-Darwish, A., Cevik, S., Charap, J., George, S., Gracia, B., Gray, S. and Pattanayak, S., 2012. *Libya beyond the Revolution: Challenges and Opportunities*. Middle East and Central Asia Department. Washington, D.C.: International Monetary Fund, 2012.

Chami, R., Al-Darwish, A., Cevik, S., Charap, J., George, S., Gracia, B., Gray, S. and Pattanayak, S., 2012. *Libya beyond the Revolution: Challenges and Opportunities*. Middle East and Central Asia Department. Washington, D.C.: International Monetary Fund, 2012.

Chatham House, 2013.*Local Conflicts, National Stability: Managing Conflict in Libya as a Platform for Successful Transition*. London: Chatham House.

Combaz, E., 2014.Political economy of Libya after the Qadhafi regime. Applied Knowledge Services: GSDRC Helpdesk Research Report.

Defterious, J., 2011. Thawing Libya's frozen assets. *CNN*, August 26, 2011. Available at:

http://edition.cnn.com/2011/BUSINESS/08/25/libya.assets/index.html [Accessed 26 September 2011].

Del Castillo, G., 2008.*Rebuilding War-Torn States: The Challenge of Post-Conflict Economic Reconstruction*. Oxford: Oxford University Press.

Edwik, A.A., 2007. *Oil dependency, economic diversification and development: a case study of Libya*. Unpublished PhD Thesis. UK: University of Salford.

El-Fathaly, O. and Pamer, M., 1980.*Political Development and Social Changes in Libya*. Lexington USA: D. C Heath and Company.

El-Mallalkh, R., 1996.The Economics of Rapid Growth.*Middle East Journal*, Summer, p.308.

Fisher, B., 1990.*Libya the Middle East and North Africa.World Information Report*, 36th Edition. London: Europe Publications Limited.

Friedman, T., 2006.The first law of petropolitics.*Foreign policy*, May/June 2006, p.29.

Ghanem, S., 1982. The Libyan economy before independence. In: Joffe, E and Mclachlan, K (Ed.). Social and Economic Development of Libya.*Cardiganshire, Middle East and North African Studies*. Menas Press Ltd.

Ghanem, S., 1985. Changing Planning Policies in Libya, In Buru, M., Ghanem, S. and Mclachlan, S. (Eds). *Planning and development in modern Libya*. The Society for Libyan studies and Middle East and North African studies press Ltd, Kent Menus press, London.

Ghanem, S., 1987. The Oil Industry and the Libyan Economy: The Past, the Present and the Likely Future. The Economic Development of Libya.

Giurnaz, A., 1985.*Economics of oil: A case of Libya*. Unpublished PhD Thesis, University of Keel, UK.

Global Observer., 2012. *Libya Economy Profile 2012*. Available at: http://www.globserver.cn/en/libya/economy [Accessed 20 July 2012].

Heitmann, G. (1969). Libya: An Analysis of the Oil Economy. *The Journal of Modern African Studies*, *7*(02), 249-263.

Higgins, B., 1957.*Economic Development: Principles, Problems and Policies*. New York: W. Norton.

IMF (International Monetary Fund), 2005. Socialist People's Libyan Arab Jamahiriya 2004 Article IV Consultation-Staff Report; Staff Statement; and Public Information Notice on the Executive Board Discussion. Washington D.C.: International Monetary Fund.

IMF, 2009.The Socialist People’s Libyan Arab Jamahiriya —2009 Article IV Consultation Preliminary Conclusions of the IMF Mission. Available at:

https://www.imf.org/external/np/ms/2009/060109a.htm [accessed 29 July 2014]

Kalesar, M.I., 2010. Developing Arab-Islamic Tourism in the Middle East: An Economic Benefit or a Cultural Seclusion? *International Politics*, 3(V), pp. 105-136.

Khader, B. and El-Wifati, B., 1986. *The Economic Development of Libya*. Beckenham: Croom Helm.

Lacher, W., 2011.Families, tribes and cities in the Libyan revolution.*Middle East Policy*, XVIII (4), pp. 140-154.

Maktoff, M., 1997.The impact of urban growth on agriculture in Zawia Libya.Unpublished PhD Thesis, Elzawia University, Libya.

National Authority for Information and Documentation., 2003. *Statistical yearbook 2003*. Tripoli, Libya.

Ncube, M., Anyanwu, J. C., and Hausken, K., 2014.Inequality, Economic Growth and Poverty in the Middle East and North Africa (MENA).*African Development Review*, *26*(3), 435-453.

Nyang, S., 1997. Scriptural Faith and Ethnicity: Some Lessons from the Islamic Experience. In: Paul Peachy, George McLean and John Kromkowski (eds.), Abrahamic Faiths, *Ethnicity and Ethnic Conflicts*. Washington, D.C.: The Council for Research in Values and Philosophy, 1997), pp. 237-252.

O'Donnell, B. and Palmer, R., 2011. Libya's oil must now be used to drive development and foster peace. *Global Witness*, 24 August 2011. Available at: http://goo.gl/OcN4pA [Accessed 29 September 2011].

OPEC (Organization of the Petroleum Exporting Countries), 2013.*OPEC Annual Statistical Bulletin 2013*. Vienna, Austria: Organization of the Petroleum Exporting Countries.

Pollard, J. and Samers, M., 2007. Islamic banking and finance: Postcolonial political economy and the decentring of economic geography. *Transactions of the Institute of British Geographers*, 32(3), pp.313-330.

Reuters Africa., 2009. Libya's jobless rate at 20.7 percent: report. *Reuters*, 2 Mar.

Rivlin., 2011. The Libyan Economy and Oil Prospects as the War Ends. In: Rivlin, P. and Gal, Y. (eds). *Middle East Economy*. Available at: http://goo.gl/1cxPMw [accessed 07 June 2012].

Ross, M., 1999.The political economy of the resource curse.*World Politics*, 51 (2), pp. 297-322.

Sandbakken, C. (2006). The limits to democracy posed by oil rentier states: The cases of Algeria, Nigeria and Libya. *Democratisation*, *13*(1), 135-152.

Sheibani, G. N. E. T., 2008. *How to attract foreign direct investment to invest in housing in Libya*.Unpublished PhD Thesis. UK: University of Salford.

Social and Economic Survey Tripoli., 2002. *The Libyan Government*.

The World Bank, 2014.*MENA Quarterly Economic Brief*, 2, p. 1-18.

Tzifakis, N, 2007. Post-Conflict Economic Reconstruction. Encyclopedia Princetoniensis: *The Princeton Encyclopedia of Self-*

Deterniination, Princeton: Princeton University. Woodrow Wilson School of Public and International Affairs. Liechtenstein Institute on Self-Determination.

UNDESA (United Nations Department of Economic and Social Affairs), 2011. Population Distribution, Urbanization, Internal Migration and Development: An International Perspective. Available at: http://goo.gl/4dEs40 [accessed 27 July 2012].

UNDP (United Nations Development Programme), 2010. Programme on Governance in the Arab. *Arab Human Development Report 2006*. UNDP: New York.

UNESCO (United Nations Educational, Scientific, and Cultural Organization), 2006.School enrolment, primary (% gross). UNESCO Institute for Statistics.

Urban Planning Agency., 2005. *National Spatial Policy, 2006-2030*. Libya: Urban Planning Agency and UN HABITAT.

WHO (World Health Organization), 2006.*Country Cooperation Strategy for WHO and the Libyan Arab Jamahiriya 2005–2009*. Cairo: World Health Organization Regional Office for the Eastern Mediterranean.

World Bank., 2011. *World development indicators*. Available at: http://data.worldbank.org/data-catalog/world-development-indicators [Accessed 25 Sep 2011].