

Libya's Government of National Unity: Priorities and Challenges

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(Libyan Government of National Unity - Anadolu Agency)

After seven years of division and fighting, Libya now has a unified government. This represents a significant development to support efforts towards a political settlement. However, the newly confirmed Government of National Unity (GNU) will face many obstacles dealing with its most pressing challenges. These include preparing the country for elections, establishing its authority across the country, providing for the delivery of public services, restoring security, unifying the state's key institutions and forcing foreign fighters out of the country.

Introduction

After ten years of conflict and instability, Libya now has a unified government for the first time in seven years. This should be viewed as an important step towards reconciliation, especially given the challenges and trials experienced by the Libyan people.

Since 2014, Libya has been ruled by two rival governments. In the East, Khalifa Haftar emerged as the primary force. In the West, Fayez al-Sarraj led the UN-backed Government of National Accord (GNA), established through the Libyan Political Agreement (LPA).

On March 15, Libya's Government of National Unity (GNU) [was sworn](#) in with representatives from both the eastern and western parts of the country. This new united cabinet is intended to lead the country towards the elections scheduled for this December.

On March 10, the House of Representatives (HoR) [gathered](#) in Sirte and gave its endorsement to Prime Minister Abdul Hamid Dbeibah and his lists of ministers. The parliament has been divided since 2015 and has not held an official session for years. Recently, leaders managed to organise members to convene and endorse a national unity government and a vote of confidence from rival members of the parliament, all of which represents a significant development.

The GNU offers fresh hope that a path to a more democratic and peaceful transition of power can be paved. However, the situation remains fragile, as many factors and dynamics surrounding the political settlement could still derail the process.

Libya continues to suffer from interlinked political and economic crises in the aftermath of Gaddafi's overthrow. State institutions and the economy have suffered, laying the groundwork for conflict and a war-driven economy. As a result, militias have continued to undermine the legitimacy of the GNA, trying to harm where it damages most: oil revenues. For instance, [the blockade](#) of oil terminals from January 2020 until September 2020 by militias aligned with Khalifa Haftar further deepened Libya's economic crisis. In addition to that, some regional and international actors have added to the complexities of the conflict and the difficulties of resolving it. Consequently, the GNA has struggled to implement efficient control and security throughout the country.

Given this, the GNU will likely face similar hurdles, meaning that establishing its authority across the country could prove difficult. Unifying government institutions, tackling a surge of Covid-19 cases, demilitarising and reintegrating militias, fostering national reconciliation, restoring security and preparing the country for planned elections in December, while achievable, will prove challenging.

Expected challenges

Libya has been locked in continuous civil conflict with varying intensity since the Arab uprisings in 2011. The state has struggled to establish unified national institutions in the post-Gaddafi period, a reality rooted in deep-rooted disagreements within Libyan society and complex identity politics. The complex political and security situation in Libya has presented serious challenges to the success of any substantive political agreement between rival parties. Disagreement as to what political form Libya should take has defined and fuelled the domestic turmoil over the last ten years.

Libya ranks as the largest [oil economy](#) by proven oil reserves in Africa and one of the world's wealthiest economies by the proportion of oil reserves to population size. However, years of conflict and instability have transformed oil-rich Libya into a revenue-poor country. As a result, socio-economic circumstances have deteriorated all over the country.

High inflation rates have led to spikes in food and housing prices and unequal distribution of income has led to a decline of living conditions for many Libyans. Ordinary people are frustrated over the fall in standards of living, while the country still makes billions of dollars from hydrocarbon exports, much of which has been spent on the conflict instead of the public. Given that Libya is rich in energy resources, with a relatively small population, many feel that it should be able to provide high living standards to its population, in a similar manner to wealthy Gulf states.

Restoring the devastated economy is a necessary part of the road back to normality. Therefore, the unification of fundamental institutions, including the Central Bank of Libya (CBL), and establishing a single exchange rate across the country should be an accelerated target, particularly as these economic issues obstruct any political solution to the conflict. The GNU needs to build up effective economic reforms and rebuild public confidence in the management of Libya's economy.

The lack of a central authority

Since Gaddafi was toppled in 2011, Libya has experienced a prolonged and complex inter-linkage of commercial, political, and security crises that have weakened state institutions and damaged the economy. The security situation devolved drastically in 2014; fighting between militias escalated and Libya was effectively split into two halves, each with its own government. This political crisis has resulted in two rival entities, two central banks, and two national oil companies. As a result, the new government will face many challenges in the coming months to unite these in-

stitutions. This goal requires an increased level of coordination between eastern and western Libya.

Unification of state institutions

Economic Institutions

With economic conditions having deteriorated following years of civil war, setting up an effective economy has become an urgent priority.

Libya's various factions have been unable to turn an initial post-2011 revolutionary victory into a stable and inclusive system. Political polarisation escalated into open armed conflict in 2014, contributing to the formation of parallel and rival administration structures that rendered reunification a considerable challenge. As mentioned, two central banks have been operating in the country for years. The CBL Tripoli falls under the control of the GNA. The rival central bank in Al-Bayda, Eastern Libya, is under the control of the Eastern government.

Since Gaddafi's toppling, economic activity in Libya has been paralyzed as oil export terminals, ports, and roads have faced long-term closures. This disruption of business activity has resulted in enormous economic losses. The economic cost of Libya's civil war has been estimated by the United Nations Economic and Social Commission for Western Asia ([ESCWA](#)) at around \$576 billion (783 billion Libyan dinars).

Ulf Laessing, author of *Understanding Libya Since Gaddafi* [wrote](#) that "Libya has one of the world's largest public services. Around 1.8 million adults, almost a third of Libya's population, work for the state. The country never had much of a private sector as oil production has dominated the economy since the 1960s, providing little incentive to build up alternatives when everything was so easily imported".

The oil sector is a primary source of job creation in Libya, thus the disruption of the oil sector has led to an [increase in the unemployment rate](#), especially among youth.

According to a UN [report](#), the war has massively shrunk the Libyan economy, particularly indicated in the decrease in the gross domestic product (GDP) and investment rates. Consumption has also fallen off owing to the vast return of foreign workers to their home countries and lowered earnings of Libyan nationals. Foreign trade has been disrupted by a serious reduction of exports in key products such as oil.

The political [battle over control of Libya's leading commercial](#) institutions is crucial for whoever wishes to claim authority over the country. There are two economic actors of paramount importance: Libya's National Oil Corporation (NOC), which deals with oil and gas production and exports, and the CBL, which gathers revenues from hydro-carbon sales.

According to a 2020 World Bank [report](#), the central bank's division has seriously damaged the country's financial sector. Both central banks have printed money and issued currency without coordination and lack overarching fiscal policy controls. As a result, the Libyan dinar has greatly decreased in value, which has prompted unequal foreign exchange accessibility.

Furthermore, Russian state-owned company Goznak [reportedly](#) printed Libyan dinars to support the eastern branch, which is under the control of Haftar. The arrival of Russian-printed Libyan dinars over the years has worsened Libya's economic challenges.

In 2019, the CBL in eastern Libya [sold](#) bonds worth more than \$23 billion to fund its state wages. This income also contributed to [growing funds](#) to cover the LNA's military activities. This action effectively ignored the central bank in Tripoli and led to economic hardships for the UN-backed government. Reuters [reported](#) that eastern Libya's debt compounds an estimated 65 billion dinars in existing debt, further increasing inflation and putting local banks at risk.

The unification of key institutions, including the CBL, and forming of a single exchange rate across Libya have been significant goals of the [U.N.-led process](#) to deal with the economic issues hindering any political resolution. Within this context, in December of 2020, the Board of Directors at the Central Bank of Libya met for the first time in five years and [agreed](#) to unify its exchange rate. Consequently, in January, the CBL [introduced](#) a new unified exchange rate. Given the country's financial difficulties, this step should be seen as a positive move towards stabilising the Libyan currency.

Since September of last year, the NOC has not transferred [oil revenues](#) to the CBL. The NOC stated that the revenues would be kept in its accounts at the Libyan Foreign Bank (LFB) until a final agreement is reached on wealth distribution and financial oversight. After the new government is sworn in, the NOC is set to [release](#) the revenues to the central bank.

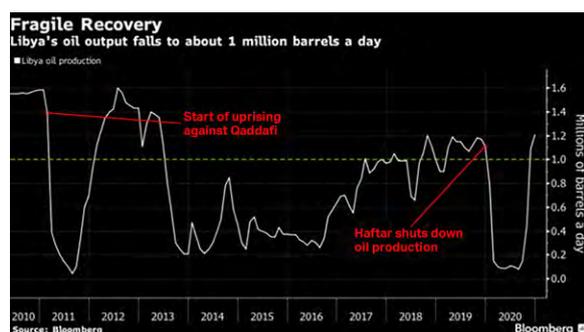
The GNU has [appointed](#) a new Minister of Oil and Gas, Ahmed Mohamed Aoun, who represented Libya at OPEC. He is a former NOC official and oil and gas adviser to the

GNA. For the first time in at least five years, Libya has an oil minister. The NOC's chairman Mustafa Sanalla [stated](#) that "he is looking forward to working with the ministry in expanding the capabilities of the Libyan oil resources."

According to the International Monetary Fund ([IMF](#)), the Libyan economy depends heavily on hydrocarbon exports, which represent over 90% of fiscal revenue. Non-oil exports of goods and services make up less than 3% of the overall GDP.

The oil sector is the main source of growth within the country; all related economic activities have been extremely impacted by the constant conflicts around oil infrastructure. For example, the [blockade](#) of oil terminals from January 2020 until September 2020 worsened Libya's economic crisis. Oil production dropped from [1.14 million barrels per day in December 2019](#) to 100,000. According to Libya's National Oil Corporation ([NOC](#)), this has resulted in roughly \$10 billion in financial losses.

The NOC [aims to increase](#) daily production to 1.45 million barrels this year and 1.6 million within two years.



To return to pre-2011 oil production levels, Libya's unified government needs to repair infrastructure and boost its production capacity. Illustrating the challenges that lay ahead, in January production from Libya's Waha oil fields [dropped](#) by about 200,000 barrels a day for a week due to a pipeline leak, underlining how difficult it is for the country to maintain high production levels with the current state of its infrastructure.

Security Challenges

Providing security is a key priority for the new government along with efforts to improve political and socioeconomic conditions. To this end, Libya's new Prime Minister, Abdul Hamid Dbeibeh, has [said](#) that he plans on unifying Libya's state institutions, including the military.

Security threats have arisen directly from several militia groups in western and eastern Libya, but have been especially concentrated in eastern Libya, where Haftar



(The Prime Minister of Government of National Unity, Abdul Hamid Dbeibeh meets delegates of the 5+5 Joint Military Commission in Sirte, Libya on March 15, 2021. (Libyan Government of National Unity - Anadolu Agency)

commands the self-styled Libyan National Army (LNA), a compilation of different militias and mercenary groups. As part of [the ceasefire agreement](#), foreign fighters and mercenaries were supposed to leave the country within three months. According [to the UN, however, there were 20,000 foreign forces](#) and mercenaries in Libya at the end of 2020, and no departures have been observed since.

The UN is facilitating talks where the Joint Military Committee (JMC)5+5 brings together military officials from the internationally recognised government in Tripoli and forces aligned with Khalifa Haftar. This aims to ensure the continuation of a ceasefire agreement and the re-establishment of a unified military. However, neither of these goals will be easy as long as there no clear sign of improvement on the military side of the conflict. For example, as part of the [agreement](#) made in October of 2020, roads between Misrata and Sirte were expected to be opened to connect the population centres in the east and west. This has yet to take place.

The present absence of an efficient national army leaves Libya open to exploitation from different militia groups, including radical groups and foreign fighters. Thus, there is an urgent need for an overarching security reform programme, including specific measures for the demilitarisation and reintegration of militias under one command. Assistance to the GNU in implementing security reforms designed to mitigate the risks outlined above should therefore be a key priority of the international community and other foreign partners.

Within this context, in November 2019 Turkey and Libya's internationally recognised government signed a military memorandum of understanding. The security and military cooperation agreement [allowed Turkey](#) to send military advisers to help co-ordinate the GNA's war efforts and train local forces. Since the military agreement was ratified with Libya, Turkey began sharing its military resources and experience with the GNA by training Libyan forces.

Last year, the defence ministers of Turkey and Qatar [agreed](#) with Libya's GNA to provide resources for military training and send both consultants and military personnel to the country. Turkey reportedly set up and now runs a military academy to train officers for the GNA with the aim of transforming GNA-allied militias into a standing army.

In September 2020, Libya's former Defence Minister Salah Ed- dine al-Namrush [stated](#) that both countries have begun to implement programmes, which include the restructuring of the armed forces, air defences, counterterrorism units, special operations units, and naval forces.

Turkey has played a pivotal role in Libya in early 2020 by providing significant support to the GNA in line with a memorandum of understanding. As a consequence, military and political assistance pledged to the government in Tripoli prevented Haftar - who had the support of his international backers in the United Arab Emirates, Egypt, France and Russia - from taking control of the capital. Turkey's decisive military engagement in Libya turned the tide of the conflict in favour of the internationally recognised government.

The new unity government is highly likely to enhance its cooperation with Turkey. For instance, last month Libya's new prime minister, Abdul Hamid Dbeibah, [met](#) Turkish President Erdogan in Ankara days after his election in an effort to promote ties with the Turkish government.

Dbeibah also gave his first interview to the Turkish public news agency, Anadolu, last month and [stated that](#) "Turkey has huge capabilities to help the Libyans achieve their real goals. Turkey is considered a real partner to Libya. We hope to bolster this cooperation and enhance our trade exchange to the highest level".

Dbeibah's actions and attitudes suggest that the Turkish-Libyan agreements will remain in place and Ankara will continue to support the new leadership. In this regard, recently, president Recep Tayyip Erdogan [stated](#) that "Turkey would continue its efforts for political unity, territorial integrity, stability, peace, security and prosperity in Libya, and further enhance its cooperation with Libya in the new period".

Essential Services

The conflict has contributed to [serious youth unemployment and economic inequalities](#), large-scale electricity, water and gas cuts, years of corruption, and a failure to combat the spread of Covid-19. All of this has prompted a series of [protests](#) over the last year. The unity government should pay close attention to the needs of the people as the civil war has caused enormous suffering and economic difficulty.

Covid-19

Years of violence have left the Libyan healthcare system notably vulnerable and Covid-19 has only further damaged the health care system.

The first case of Covid-19 was identified in Libya on March 24, 2020. The number of reported Covid-19 cases increased drastically from this point onward. At the time of writing, there have been 156,849 [confirmed](#) cases of COVID-19 and 2,618 confirmed deaths.

According to a 2020 World Health Organisation [report](#), the health system, already badly damaged by years of under-investment, has struggled to cope with the increasing burden caused by Covid-19. At the start of the pandemic, reports indicated that in some areas up to 90% of essential health care (PHC) centres had closed and several hospitals had been forced to postpone duties because health care staff declined to report for work without personal protective equipment (PPE). Health care employees were paid only occasionally, and many were no longer reporting for duty.

Libya urgently requires sufficient medical supplies and vaccines to prevent people from facing further devastating consequences.

Conclusion

Because the new government is transitional, it has a relatively limited mandate. However, the GNU will deal with several pressing challenges. These include preparing the country for elections, reunifying its key institutions, and forcing foreign fighters and mercenaries out of the country. Furthermore, the transitional government must strive to advance the full implementation of the ceasefire agreement, ensure the delivery of public services such as electricity and water, and address the Covid-19 pandemic.

Despite the fact that the new leadership inherits a volatile political environment with various and simultaneous challenges, there are signs of hope, including the reality of having the first unified government in seven years. Therefore, the international community should provide practical support for the GNU to address the needs of the Libyan people, end the crisis, and restore stability and security in the country before the December elections.

If the international community, as well as foreign backers who have supported different Libyan actors, commit to supporting this process not only with words but also deeds, there is a great opportunity for long-term political progress and stability.