Libya

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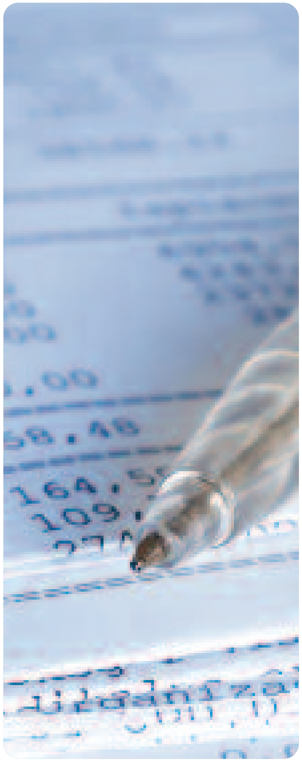


Libya - Land of opportunity

Having successfully emerged from its Revolution in 2011, Libya offers multiple opportunities for British business, but there are still significant challenges. The country's infrastructure is poor and badly in need of the huge scale of investment planned by the Government, but turning plans into reality will take patience and determination.

One unlikely driver of this process is the country's hosting of the 2017 Africa Cup of Nations football tournament, which was postponed from 2013, due to the aftermath of the Revolution. This will require significant and urgent investment not only in six new stadia, but also in hotel accommodation and in transport infrastructure such as roads and public transport.

Libya is now a young country, 65% of the population being under the aged of 35, and is a nation that has to start anew. The current Libyan regime recognises that putting its economy back on track is the only way out of the difficult times which it is facing, according to Mahmoud Gsais, Commercial Attache at the Libyan Embassy in London.

"It is a country with huge potential", according to Bob Philips of Mott McDonald. "Libya has a very small population for its land mass and has significant natural resources, which if harnessed and used as a means to diversify the economy should make it one of the power houses of North Africa and perhaps even Africa as a whole," he adds.

English is the language of business in Libya and there is a huge desire to improve its standard throughout the education system. The Libyans are very pro-British, they would like to see more British companies and can't quite understand why we are not involved in the same way as the French and the Germans are.

There are two main areas of opportunities for British companies. Firstly, there are a number of large projects which were started pre-Revolution and still pending, a number of them need to be finished, regardless of the original thinking behind them. Then there are a number of newer initiatives which were deferred, and are now being reviewed.

"I would encourage British business to watch out for opportunities in the Libyan market", said the Libyan Ambassador to London, HE Mahmud Nacua:

"The Libyan Embassy in London will facilitate visas to support British businesses in their efforts to enter the Libyan market" he told a recent meeting of the Middle East Association, "we are optimistic and appreciate British Government support during the building of the new Libya. We are a rich country, with a small population, but one with huge resources".

A Government committee is working on a new constitution - if that can be in place before the end of 2014 that would be very good, according to the Ambassador.

Among challenges faced by the Libyan authorities is reintegrating into society the vast army of 165,000 revolutionary fighters. To that end, The Warrior Affairs Commission (WAC), expected to be rebranded as

the Libyan Programme for Reintegration and Development, was established at Benghazi in October 2011 with a remit to register, rehabilitate and reintegrate revolutionary fighters.

Key issues for the WAC are disarming of the former fighters, identification of issues such as post-traumatic stress disorder and initiating education and training programmes. A notable step was taken in August 2013, when a deal was signed with the Ministry of Higher Education to send 5,000 warriors abroad to study, of whom around one third will be sent to the UK or US, where they will spend a year studying English and ICT.

History

Libya became independent in 1951 after 40 years of occupation by European powers. The country had been an Italian colony until the defeat of the Axis forces in North Africa in 1942. From 1942 until 1951 it was under temporary British military rule. Then under the Monarchy (1951-1969), all Libyans were guaranteed the right to education.

The Socialist People's Republic of Libyan Arab Jamahiriya was founded on principles of political decentralisation, after Muammar Gaddafi and a group of military officers seized power in September 1969. Over the ensuing 35 years, Gaddafi developed his idiosyncratic political vision for the Jamahiriya, loosely translated as 'state of masses,' which essentially requires the total decentralisation of all decision making to the citizens themselves through direct democracy.

The Revolution and NATO-led military intervention in 2011, resulted in the ousting and death of Muammar Gaddafi, and the collapse of his 42 year "First of September 'Al Fateh' Revolution" and 34 year old Jamahiriya state. As a result, Libya is now in the throes of political reconstruction, and is governed under an interim constitution drawn up by the National Transitional Council (NTC).

Elections to a General National Congress (GNC) were held in July 2012, and the NTC handed power to the newly-elected GNC in the following month. The GNC has the responsibility of forming a constituent assembly to draft a permanent constitution for Libya, which will then be put to a referendum.

> Substantial revenues from the energy sector, coupled with a small population, gives Libya one of the highest per capita GDPs in Africa.

Geography

The State of Libya is a country in the Maghreb region of North Africa. Libya extends over 1,759,540 square kilometres, making it the 17th largest nation in the world by area, according to the Central Intelligence Agency (CIA) factbook on Libya. It is bounded to the north by the Mediterranean Sea, the west by Tunisia and Algeria, the southwest by Niger, the south by Chad and Sudan and to the east by Egypt. The three traditional parts of the country are Tripolitania, Fezzan and Cyrenaica.

At 1,770 kilometres, Libya's coastline is the longest of any African country bordering the Mediterranean. The portion of the Mediterranean Sea north of Libya is often called the Libyan Sea. The climate is mostly dry and desert like in nature. However, the northern regions enjoy a milder Mediterranean climate.

Libya has the tenth largest proven oil reserves of any country in the world and the 17th highest petroleum production.

The largest city and capital, Tripoli, is home to 1.7 million of Libya's 6.2 million people.

Tripoli is one of the two main centres in Libya, the other being Benghazi, with an estimated population of around 1.1 million. Those familiar with these cities describe both as “absolutely creaking”, there is no municipal public transport and travel within the city can be painfully slow, there are problems with power, particularly in summer, and there is a real need for wholesale improvements to the urban infrastructure.

This issue is being addressed, and a range of international consultants are currently bidding for the creation of integrated infrastructure masterplans, for both cities. These encompass in addition to property development and zoning, water, power, communications and each of them represent potentially 20-30 year programmes.

Government in Libya

The legislature of Libya is the unicameral GNC, which has 200 seats. On 7 July 2012, Libyans voted in parliamentary elections, the first free elections in almost 40 years. Some 30 women were elected to become Members of Parliament. Early results of the vote showed the National

Forces Alliance, led by former interim Prime Minister, Mahmoud Jibril, as front runner.

The Justice and Construction Party, affiliated to the Muslim Brotherhood, has done less well than similar parties in Egypt and Tunisia. It won 17 out of 80 seats that were contested by parties, but about 60 independents have since joined its caucus. As of January 2013, there was mounting public pressure on the National Congress to set up a drafting body to create a new constitution. Congress had not yet decided whether the members of this body would be elected or appointed.

Following the 2012 elections, Freedom House, the independent watchdog organisation dedicated to the expansion of freedom around the world, improved Libya's rating from Not Free to Partly Free, and now considers the country to be an Electoral Democracy.

Security

The Libyan National Army comprises a ground army, an air force and a navy. It is currently being re-established by the Libyan Government, because Libya's previous National Army was defeated in the Revolution and disbanded. As of May 2012, an estimated 35,000 personnel have enlisted.

As of November 2012, it was deemed to be still in the embryonic stage of development. President Mohammed el-Megarif promised that empowering the Army and Police Force is the Government's biggest priority. President el-Megarif also ordered that all of the country's militias must come under Government authority or disband.

Militias have so far refused to be integrated into a central security force. Many of these militias are disciplined, but the most powerful of

them answer only to the executive councils of various Libyan cities. These militias make up the so called Libyan Shield, a parallel national force, which operates at the request, rather than at the order, of the defence ministry.

Economy

The Libyan economy depends primarily upon revenues from the oil sector, which accounts for 65% of GDP and 95% of foreign export earnings, according to figures from UK Trade & Investment (UKTI). Libya holds the largest proven oil reserves in Africa and is an important contributor to the global supply of light, sweet crude. Apart from petroleum, the other natural resources are natural gas and gypsum. The International Monetary Fund (IMF) estimated Libya's real GDP growth at 122% in 2012, and 16.7% in 2013, after a 60% plunge in 2011.

The World Bank defines Libya as an 'Upper Middle Income Economy', along with only seven other African countries. Substantial revenues from the energy sector, coupled with a small population, gives Libya one of the highest per capita GDPs in Africa. This allowed the Libyan Arab Jamahiriya State to provide an extensive level of social security, particularly in the fields of housing and education.

Libya faces many structural problems including a lack of institutions, weak governance, and chronic structural unemployment. The economy displays a lack of economic diversification and significant reliance on immigrant labour. Libya has traditionally relied on unsustainably high levels of public sector hiring to create employment. In the mid-2000s, the Government employed about 70% of all national employees. Unemployment is the highest in the region at 21%, according to the latest census figures.

According to an Arab League report, based on data from 2010, unemployment for women stands at 18% while for the figure for men is 21%, making Libya the only Arab country where there are more unemployed men than women. Libya has high levels of social inequality, high rates of youth unemployment and regional economic disparities. Libya is also one of the driest countries in the world, with only the narrow coastal region (less than 5% of the country) getting more than 100 mm of rain a year, according to a report by The Economist.

Libya imports up to 90% of its cereal consumption requirements, and imports of wheat in 2012/13 were estimated at about one million tonnes. The 2012, wheat production was estimated at about 200,000 tonnes. The Government hopes to increase food production to 800,000 tonnes of cereals by 2020.

However, natural and environmental conditions limit Libya’s agricultural production potential. Before 1958, agriculture was the country’s main source of revenue, making up about 30% of GDP. With the discovery of oil in 1958, the size of the agriculture sector declined rapidly, comprising less than 5% GDP by 2005.

In August 2011, it was estimated that it would take at least ten years to rebuild Libya's infrastructure. Even before the 2011 Revolution, this infrastructure was in a poor condition due to "utter neglect" by Gaddafi's administration, according to the NTC. By October 2012, the economy had recovered from the 2011 conflict, with oil production returning to near normal levels.

Seizing the opportunity

The advice from British companies who are already present in Libya is that potential new entrants do need an element of investment in this speculative time, in meeting people to establish a profile. This can be done remotely but regular presence is required to ensure high visibility.

There is no shortage of Libyan companies wanting to partner those from the UK and elsewhere. Alternatively, you can register an international branch office in Libya, and there are companies such as Ernst & Young that can help to facilitate that.

In terms of the structure of a typical contract, it is likely to specify an 80/20 revenue split, so 80% of revenues are in a hard currency such as Pounds, Euros or Dollars and the balance is in non-transferable Libyan currency. In that way a British or other overseas company will cover its in-country costs in Libyan Dinar and be able to repatriate the balance.

Summing up the opportunities in Libya, the advice from Bob Philips, Libya country representative at Civil Engineering Consultants, Mott MacDonald, is that British companies need to commit for the long term to be considered in their approach to doing business in Libya.

“Now is the time to be getting more involved, despite the political uncertainty, because the Ministries will have to get things moving”, he says, “they have an almost missionary zeal about transparency and that certainly very much helps attract British investment, if they can continue to apply that enthusiasm in a balanced way then I remain very positive”.

HE Mahmud Nacua:
Libyan Ambassador to the UK and Northern Ireland


HE Mahmud Nacua

It is such a pleasure to be writing a foreword to the 2014 edition of Discovering Business in Libya.

Three years ago, Libya embarked on a historical transformation, started by overthrowing a tyranny that ruled the country for four, rather grim, decades.

However, once the Dictator was ousted, Libyan people found themselves confronting the next important and challenging stage of transformation i.e. building the new Libya.

I say building, rather than reforming, because the old regime left the country no valuable assets, save for its natural resources such as oil & gas, to depend upon in improving the country. Libya has to be built from scratch.

Some may say this is not exactly an encouraging forecast of Libya's future; I deeply believe in the contrary.

Libya and its business partners should see this as an opportunity to start new State Institutions, which is vital for Libya to honour the pledge of true, positive change.

I identified six important areas that our business partners in the United Kingdom and other countries can focus on when exploring opportunities in Libya: infrastructure, education, human and institutional capacity building, healthcare, transportation and financial services.

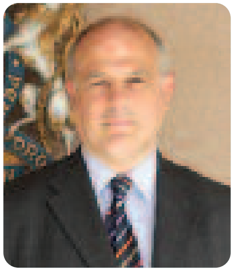
All six areas are interconnected in one way or another, but the most important factor connecting them is the lack of an appropriate education system and material. One cannot build capacities of Government Institutions employees, healthcare personnel, nor the financial services of a country, without implementing a strong education system which empowers and equips Libyan Nationals with the necessary skills for the task at hand, creating a new and stable Libya with a strong economy matching its full potential.

British companies are already pursuing a variety of business opportunities in Libya, including the six sectors mentioned above and I do strongly encourage more companies to come forward with business proposals, due to the fact that British investment in Libya will be of mutual benefit for both countries. It will increasingly lead to more job creation and the potential for market based economy. Thereby, maximising local Libyan participation and the employment of Libyan Nationals, is certainly a key factor in attracting the support of the Government and the people.

I would also advise avoiding indirect third party dealings, when tenders and business opportunities with the Government are announced. It is vital that all business relationships are formed with transparency.

I hope you will find this guide useful. This comes with my best wishes for your endeavours in Libya.

HMA Michael Aron:
British Ambassador to Libya


HMA Michael Aron

Following the 2011 Revolution, Libya is beginning its journey to become a secure, prosperous and democratic country. It faces many challenges following 42 years of Qadhafi misrule. Effecting long term change after a revolution takes time, so we must not lose sight of the progress made over the last three years. The Libyan Government has made clear its determination to tackle these challenges.

Libya has made significant progress but, it will take time for the Libyan people to rebuild their country, based on a new political system and to overhaul their institutions, build security, and to reform the economy. The UK's overall objective in Libya is to support a peaceful post-Revolution transition, resulting in a stable, open and democratic government, contributing to wider regional stability and security.

Since the overthrow of the Qadhafi regime, Libya is still very much in a state of political and economic transition. The Interim Government continues to focus on restoring security and building the capacity of public institutions. However, heightened uncertainty and insecurity continues to stall the process. The Government's immediate priorities are, to restore national security, reconciliation, disband armed militias, promote economic recovery, and to decentralise and improve basic services. The major long term economic challenge facing the Libyan economy, however, will be to reduce its dependency on oil revenues and to diversify its economic base.

Libya faces many challenges, but through a single inclusive national dialogue, problems can be worked through. The UK has a leading role to play in rebuilding a stable, democratic and prosperous Libya that contributes to stability and security in the region. The UK's relationship with Libya has changed beyond all recognition. We fully support the people of Libya and their ambitions for a democratic future. We support the General National Congress as the democratically elected representatives of the Libyan people and the Libyan Government and the Prime Minister in their efforts to achieve these ambitions. As Her Majesty's Ambassador I shall continue to work with our international partners to support the people of Libya.

The challenges are manifold, and are not just political and security related. The economy has been a major part of the recovery. Libya was a primary market for many British companies before 2011. Following the Revolution, however, the economy contracted sharply which affected bilateral trade. Exports of UK goods fell from £274 million in 2010 to £82 million in 2011, but exports in 2013 increased by 43% over the corresponding period in 2012. Our export target to Libya by 2020 remains at £750 million, which would represent a doubling of the UK's market share.

There is business to be done in post-Revolution Libya. This is not a straightforward market, but opportunities do exist for those companies willing to devote time, effort and resources. When the political and security situation stabilises, companies who have invested time and established local relationships will stand to benefit. UK companies are already well-placed to win contracts in Libya, but I would like to see more. Considerable local goodwill exists, reflecting gratitude for the UK's support during and after the 2011 conflict. English is widely spoken and large numbers of Libyan nationals have studied, worked and lived in the UK. In many sectors, the UK is looked upon as the partner of choice.

The combination of the need to rebuild and modernise Libya's infrastructure, develop the provision of public services, guarantee better security and train the Libyan population in the range of skills needed in a modern economy, offer opportunities for British companies prepared to deal with the challenges of doing business here.

Libya is now at a critical stage in its transition. The British Government will continue to work with, and through, international partners to achieve a durable transition, but any settlement must be worked out by the Libyans themselves. Key to Libya's future prosperity and security will be a solid foundation that protects and promotes human rights for all.

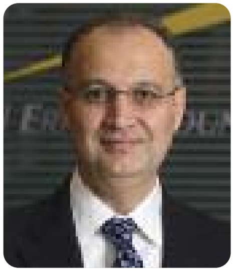
The British Government is committed to supporting all Libyans as they seek to build their future. The British Government's continuing assistance to promote participation, strengthen security, justice and defence and expand the economy is a testament to this.

British companies new to the Libyan market, and those already trading here, can benefit from assistance and support from excellent UK trade associations such as the Arab-British Chamber of Commerce, the Middle East Association (MEA) and the Libya British Business Council (LBBC) as well as the British Business Group in Tripoli. I would encourage British firms to contact these organisations and also my UKTI team at the British Embassy in Tripoli who are ready to assist and advise you.

There is every reason to be positive about Libya's future. I remain optimistic that our investment for the country's long term, to ensure a more stable, democratic and prosperous Libya will benefit our two countries.

Libya - Emerging opportunities

Waddah Barkawi: EY Office Managing Partner for Libya



Waddah Barkawi

Located at strategic crossroads between Europe and Africa, Libya enjoys a substantial, untapped wealth of natural resources and history. With historic roots from the Romans, Greeks, Islamic Ottomans and Italians, Libya has a number of World Heritage Sites, such as the ancient Arch of Septimius Severus at Leptis Magna. The patronage of Roman Emperor Septimus Severus allowed the city to become one of the most prominent in Roman Africa, making it an attractive new investment market.

Political environment

Libya is currently undergoing major transition where it is creating a new form of Government and working on restructuring its economy to increase its diversification and attractiveness to foreign investors both, regionally and globally. As part of the political reform structure, so far, three cabinets have been changed, and one transparent, successful national election took place. Despite this however, security issues continue to be a concern to foreign investors targeting the lucrative Libyan market.

Economic statistics

As of 2012, Libya's GDP was US$81.9 billion, with an expected 10% growth rate in 2014 (according to the IMF). This has allowed Libya to have one of the highest per capita GDP in Africa at US$12,800 in 2012. Inflation moderated from 16% in 2011 to 6.1% in 2012.

Sectors driving the economy

Being the third largest producer of oil across Africa, Libya's economy remains dependent on revenues from the oil sector, which provides 95% of export earnings and 65% of GDP. The non-oil manufacturing sectors, which account for more than 20% of GDP, have expanded from processing mostly agricultural products, to include the production of petrochemicals, iron, steel and aluminum.

Libya's post revolution strategy is to diversify its economic base. The needed political and economic structural reform brings exciting opportunities for businesses, as the country opens up to global trade despite all the uncertainties.

Investment Laws in Libya

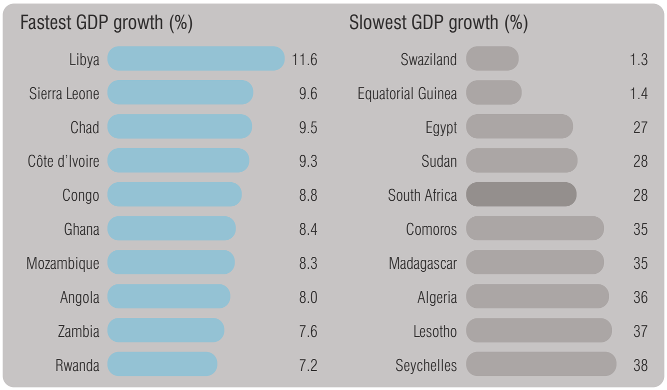
Libya's latest Foreign Investment Law 9/2010, opens up new sectors that were previously closed to the private sector and to foreign investments. It offers exemption from corporate tax, customs duties, and various stamp duties for a five year period which, subject to conditions, may be extended for a further three years. It includes not only pure foreign investment, but Libyan private capital abroad as well.

Although this law takes a conservative approach, the list of sectors which may benefit from it is growing and suggestions continue to be made and viewed favourably. The sectors set to benefit include healthcare, tourism, telecoms, education, manufacturing, agriculture, oil related services and any other sectors specified by the Government upon recommendation by the Minister of Planning.

Tax systems

Libya's tax system offers rates comparable to others in the region and the effective rate on corporate profits is 24%. Tax is assessable on the usual add-back basis, but the deemed profit basis (percentage of turnover) is frequently applied in practice. The Libyan Tax Authorities now frequently attend regional tax conferences and are involved in discussions with their counterparts in the MENA region.

Africa's Winners and Losers



Source: African Development Bank

Customs duties apply to all items at a flat rate of 5% of imported value, with an additional 5% assessed on vehicles and a further 5% on luxury items.

Opportunities for growth

Libya's future growth is closely tied to the development of its

> Libya is financially capable of transforming itself into a stable middle income country with a high growth potential.

hydrocarbon sector. The country's hydrocarbon production and exports have been negatively impacted over the past year by the closure of export terminals by militia demanding more accountability and an equitable sharing of oil wealth between the east and the west of the country. Libya holds the largest proven oil reserves in Africa and requires substantial investment to fully utilise the potential of this major sector.

Another opportunity for investment can be found in the renewable energy sector. Libya has minimal rainfall and is 90% desert, making it an attractive location for solar power investment. If Libya covered just 0.1% of its land mass with solar panels, it could generate around five times the amount of energy from solar power that it currently produces from crude oil. Experts have calculated that every square kilometre of desert receives solar energy, equivalent to 1.5 million barrels of oil per year, giving Libya the opportunity to become a renewable energy giant, with established links to both the European and African markets.

Increasing electricity demand is creating significant opportunities in the utilities sector. The General Electric Company of Libya (GECOL), is responsible for the electricity supply and generation industry where power generation capacity is currently approximately 5GW. Most stations are oil-fired, though some have been converted to gas. Libya's power demand is growing rapidly (around 6%-8% annually), and is expected to reach 8GW in 2020. GECOL plans to spend US$3.5 billion before then, by building multiple combined cycle and steam cycle power plants.

GDP by sector	Agriculture: 1.6% Industry: 43.6% Services: 54.8%
Major industries	Petroleum, petrochemicals, aluminium, iron and steel, textiles, handicrafts and cement
Key exports	Crude oil, refined petroleum products, natural gas, chemicals
Key imports	Machinery, food, transport equipment, consumer products
Major export destinations	Italy 23.3%, Germany 12.4%, China 11.2%, France 9.7%
Major import sources	China13%, Turkey 11.6%, Italy 8.2%, Egypt 7.7%

*Based on World Bank figures

There is also an immediate need for building additional infrastructure and reconstruction in Libya. The country's recent conflict and historical sanctions have had a great impact on Libya's infrastructure, with an estimated need of US$200 billion worth of investment. The Libyan economy has the capacity to absorb such investments over multiple years, and is expected to spend more than US$140 billion in infrastructure and housing projects over the next decade, as the country embarks on building a sustainable future.

Tourism could become a growing sector as well, due to Libya's rich and diverse history, with numerous Roman heritage sites and over 1,600 kilometres of Mediterranean coastline which remains largely undeveloped. The Government has also planned a US$2.5 billion upgrade of the country's airports, aimed at expanding capacity to approximately 28 million passengers a year, from an estimated five million today.

Challenges

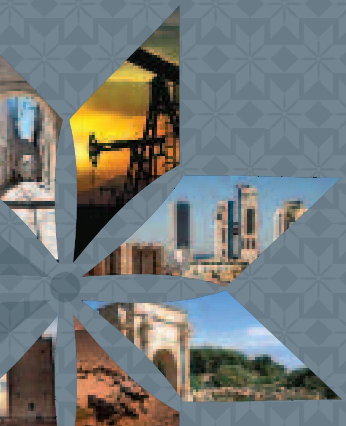
As the country promotes a more diversified economy, the Government of Libya still faces major challenges to meet its people's expectations and aspirations. These challenges range from building a reliable National Army and Police Force, to providing advanced education and health services.

Reforming education, developing entrepreneurship, promoting transparency, opening new marketing channels, and funding transactional activity and infrastructure development are a few of the many opportunities Libya needs to consider in order to ensure prosperity. Libya is financially capable of transforming itself into a stable middle income country with a high growth potential.

What is EY doing for Libya?

In 2007, EY demonstrated a consistent commitment to Libya by opening an office in Tripoli with over 40 professional staff and was the first to reopen its doors in September 2011. The Tripoli office is fully integrated with the global operations of EY in terms of methodology, training and quality control. The office has a diverse range of clients, operating in a variety of business fields. The office is licenced and has substantial experience of conducting audits for local and international clients. In addition to assurance services, the office also provides advisory services, business risk services, business advisory solutions and tax services.

EY Libya is an integral part of the EY MENA practice area and is subject to the global standards expected of EY International. Our financial, management and IT Advisory Services, in addition to Islamic banking and insurance are the largest among the Big Four consultancy and financial advisory firms in Libya. We work collaboratively with our clients to develop practical methodologies and tools, backed by leading practices and industry expertise.



Libya Holdings promotes exciting opportunities

Libya Holdings Group Ltd. ("Libya Holdings") was established by a diverse group of Libyan and non-Libyan investment and management professionals with expertise in a number of sectors. Libya Holdings' investor base is primarily merchant families from the GCC region and selected global investment institutions. Its aim is to help British and other leading international companies identify and develop opportunities in the Libyan market, by offering advice, partnerships and investment capital and focusing on three core values: professionalism, transparency and pursuit of excellence.

A central focus for Libya Holdings is to provide its commercial partners with local knowledge, a network of contacts, operational support and the seed capital for joint investments that will be required to create and grow successful new enterprises in the country. Libya Holdings' sectors of focus include oil & gas, financial services and infrastructure.

Libya represents an exciting opportunity for foreign investment as it emerges from the political turmoil that has been a feature of life post the 2011 Revolution. It is the fourth largest country in Africa with a land mass equal to Europe, has massive oil reserves and a long Mediterranean coastline, yet it has a tiny population, a negligible private sector and a huge need for major infrastructure investment.

The breadth of opportunities in Libya is enormous. Its all-important oil sector accounts for roughly 95% of export earnings but only 25% of the country has been explored to date. Despite its importance, the oil sector is under developed and has been in decline for the past four decades, without advanced production techniques being employed.

For new market entrants there is little competition. The previous totalitarian regime meant that the public sector was the dominant employer, so the business community and merchant classes' growth was stunted and denied the opportunity to flourish. This has resulted in there being few competitors locally who are capable of capturing the range of opportunities that are now accessible. At the same time, the new Government is expected to favour international investment, skills and expertise as it seeks to modernise and upgrade the country's infrastructure.

The country now has huge infrastructure needs, ranging from new residential, commercial and office space, through education and healthcare improvements, to new transport and power generating capacity.

Over recent years the Libyan infrastructure sector has been dominated by Turkish and Chinese construction companies, while British and other European companies have often lagged behind. However, there is a lot of goodwill in Libya towards Great Britain, with English being the preferred language for business and many thousands of Libyans currently being educated in the UK, so now is the time to form partnerships and identify opportunities in Libya.

Present day Libya has many parallels with the GCC countries of the 1960s, UAE, Kuwait and Saudi Arabia, for example, in that it is an oil rich state badly in need of foreign investment. However, for overseas investors, Libya is a challenging market to enter, not only due to the rules on foreign ownership and investment, but also due to its economic and political landscape.

“The Libyan economy is moving steadily through a stabilisation phase” explains Ahmed Ben Halim, Chief Executive Officer of Libya Holdings. “The country has vast natural resources and, during this first phase of its emergence, we believe that it will need to invest particularly in its oil & gas sector and in its housing, power and transportation infrastructure. Foreign investment and international partners will be essential in providing expertise to help the country and Libya Holdings is working closely with such partners to invest in Libya”.

Stabilisation is the first of three phases in the country’s economic recovery identified by Libya Holdings, encompassing not only the oil & gas sector, but also retail distribution and operations and emergency power generation, transport and logistics. A second phase will be rebuilding, where the focus will widen to include such sectors as healthcare, telecommunications and power generation. The third and final phase will comprise growth.

Each of these three phases will present a different set of opportunities and challenges that Libya Holdings is well placed locally to identify and capitalise on. The team is spread across offices in Tripoli, London and Dubai. This gives Libya Holdings the geographical coverage required to support its multinational investment and operational partners and provide the local, legal and operational expertise that British companies may need to establish partnerships or joint ventures.

International companies considering opportunities in Libya need to devote time to identifying opportunities and building local relationships. Given the restrictions on foreign ownership they will also need the support of a trusted local partner to give them guidance on business protocol and to establish the requisite joint venture undertakings. It is also key to join forces with a local partner where your interests are aligned with one another.

Companies that are willing to devote the time and energy to building relationships in Libya will be getting a foothold in a market that is still in an emerging state, that is founded on huge natural resource wealth and one where there is a huge amount to be done to meet the aspirations of the Libyan people and develop the country to international standards.

Options available for foreign companies to do business in Libya

Bahloul M. Kelbash, Partner at MKE Lawyers

Joint Ventures (JV) with Libyans

According to the applicable laws and regulations, foreign companies may do business in Libya through a joint venture with Libyans or through establishing a Libyan branch. As per the last amendments to the previous regulations:-

- JV by and between Libyans and foreign entities, should take the form of a joint stock company (a limited liability company of shares). The minimum paid up capital of this JV should be US$810,000.

- JV by and between foreign and Libyan individuals may take the form of a limited liability company with a minimum of US$40,650.

- Foreign shareholding or participation in a JV cannot exceed 49% (reduced from 65%).

Branches of foreign companies

Branches of foreign companies in Libya are not allowed to carry out the following activities:-

1 Retail and wholesale trading.

2 Importation activities.

3 Catering services.

4 Commercial agencies work of all types and fields.

5 Land transportation services.

6 Inspection of all imported or exported goods and commodities.

7 Activity of handling, loading and unloading in airports.

8 Auditing, legal, financial and economic consultancy.

9 Rock crushing (Crushing Plants).

10 Recruitment of normal and trained employees, intermediate and high level personnel as per the conditions and rules laid down by the Ministry of Labour.

11 Contracts of construction and civil engineering works, including building for contracts less than US$24 million.

12 Any other restricted activities exclusive for Libyans in accordance with the law.

Branches of foreign companies in Libya are allowed to carry out the following activities:-

1 Construction and Civil Engineering Work Field.
2 Electricity Field.
3 Petroleum Field.
4 Telecommunication Field.
5 Industrial Field.
6 Survey and Planning Field.
7 Environmental Protection Field.
8 Computer Field.
9 Consultancy, Technical Studies and Training Field.
10 Health Field.
11 Air Transport Field.

Documents required for opening a branch of a foreign company in Libya

A branch of a foreign company is established when the Ministry of the Economy has approved the application submitted by the foreign company (referred to below as the 'Company') to establish the branch, and when the branch has been registered in the Commercial Register. The procedure is as follows:

1 Resolution of Board of Directors of the Company approving to open a Branch of the Company in Libya include:

   a) Specifying the activity it wishes to practice in Libya. Such activities have to be compatible with the purposes of the Company, and should be among the activities allowed for branches of foreign companies in Libya.

   b) The amount for establishing the branch in Libya, should not be less than US$200,000.

   c) The name of the Company's Branch Manager, and his Deputy Branch Manager, provided that one of them should be of Libyan nationality.

   d) The Headquarters of the Company's Branch in Libya.

2 True copy of the Certificate of Incorporation and the Articles of Association of the Company.

3 An original up to date commercial extract from the competent body where the Company is registered.

4 Undertaking by Board of Directors of the Company, for preparing a balance sheet and profit and loss account of the Branch in Libya.

5 Undertaking by Board of Directors of the Company, for non interference in political affairs of Libya.

> Projects coming within the ambit of the Investment Law enjoy various advantages, including customs and tax exemptions.

6 Proof certificates of the Company's experience in the areas of activities as those intended to be conducted in Libya.

7 Last approved budget of the Mother Company.

Procedures required for opening a branch of a foreign company in Libya

- The required documents should be submitted with an official transmittal letter addressed to the Ministry of Economy.

- All documents submitted should be originals.

- All foreign originated documents should be attested by the Libyan Embassy in the Mother Company's country.

- Translation of the documents should be made in Libya, by a legal translator.

- A statement from one of the Banks working in Libya proving that an amount equal to US$203,000 has been transferred.

- The Decision will authorise the establishment of the branch for an initial period of three to five years, renewable for subsequent periods.

- Once the decision granting authorisation has been received, the Company will need to lodge that decision, together with another set of almost all of the documents listed above, with the Commercial Register for registration.

- Once the Company has completed registration with the Commercial Register, the branch acquires full legal status and becomes formally eligible to conduct business in Libya.

Management

The management of a Libyan branch of a foreign company is fully vested in the Branch's General Manager, who is considered the Company's representative vis-à-vis the public authorities and third parties. The General Manager can delegate some of his power and authority to the executive staff of the branch or to advisers and lawyers.

Establishing a representative office

It is possible for foreign companies to open representative offices. To open such an office, foreign companies may apply to the Ministry of Economy for authorisation. The representative office must not engage in trading or doing business in Libya, and its only permissible activities are to promote the company name, acquire market information and facilitate contacts between the company and potential contracting parties. It is required to maintain an account with a bank operating in Libya.

Libyan investment legislation

Ahmed M. Abdulaziz, Partner at MKE Lawyers

Investment Law

Investment in the oil & gas sector is governed by Petroleum Law No. 25 of 1955, as amended, and various decrees, regulations and ordinances issued thereunder and Decree No. 10 of 1979 which reorganised the National Oil Corporation of Libya.

Since 1997 Libya has opened its doors for investment in sectors other than oil & gas, by the enactment of Foreign Capital Investment Encouragement Law No. 5/1997 and the related executive regulation, of which the aim, is to attract foreign capital to investment projects within the framework of the general policy of the state and the objectives of economic and social development. Law No. 5/1997 has been superseded by the Encouragement of Investment Law No. 9/2010 (the "Investment Law") which included local investors to benefit from incentives granted thereunder. In addition, further incentives to investment are to be found in certain other legislation on specific subjects, such as Law No. 9/2000 on Transit Trade and Free Zones.

Areas of investment

Sectors such as agriculture, manufacturing, refining of oil and petrochemicals, education, health, real estate investment and infrastructure projects as well as tourism are subject to the Investment Law. Detailed information on areas of investment may be found in the website of the Privatization and Investment Board http://www.investinlibya.ly/index.php/en/

Article 27 of the Investment Law expressly states that it shall not apply to capital invested in oil & gas projects. This is because it is believed that the oil & gas sector already has an established regime that provides all necessary incentives. Nonetheless, companies that are involved in industrial activities related to the oil & gas sector, such as

the manufacturing of drilling rigs, might be considered as belonging to the industrial sector rather than to the oil sector, and thus be eligible for the incentives provided for, by the Investment Law.

Incentives

Projects coming within the ambit of the Investment Law enjoy various advantages, including customs and tax exemptions, as follows:

a) Exemption from customs duties, fees or taxes on the importation of everything required for the project, including machinery, instruments, materials, spare parts and raw materials.

b) Free export of all products involved with the project.

c) Exemption from stamp duty on all documents.

d) A five year exemption from income tax.

All of the above advantages are also enjoyed with respect to any reinvested profits.

e) Repatriation of profits.

f) Ownership and/or leasing of real estate as required for the construction and operation of the project.

g) Repatriation of the invested capital upon expiry of the specified duration of the project, the liquidation or sale of the project, or after a lapse of at least five years from the date of granting the licence.

h) Repatriation of the un-invested capital after a lapse of at least six months from the date it has been transferred to Libya if the investor can prove that it was unable to invest because it was unable to obtain a licence, or where circumstances beyond its control have prevented the investment.

i) Exemption, during the five year exemption period, from taxes and fees on share dividends and profits earned from merger, sale or change of the project's legal structure.

j) The investor is entitled to renewable five year resident re-entry visa and to employ foreign manpower in the unavailability of nationals.

Applications

Applications for investment projects falling within the ambit of the Investment Law can be submitted directly to the Privatization and Investment Board, or to any Libyan Embassies. The applications are then referred by the Privatization and Investment Board, along with its recommendations, to the Ministry of Economy for approval, which is required before the Privatization and Investment Board can issue authorisation for the investment project.

Transit trade and Free Zones Law

Law No. 9 of 2000 for the Transit Trade and Free Zones, provide that free zones are established by a decision of the GPC and are managed by the Administration for Free Zones.

According to Law No. 9/2000 the following activities may be exercised in free zones:

1 Storing of transit goods and goods ready for export;

2 Sorting, cleaning, mixing and repackaging of goods as required for trading;

3 Any manufacturing, assembly and commissioning of goods as required by free zone operations; and

4 Such professions as are required by activities and services in free zones. These include banking, insurance and other services. In addition, terminals and airports may be established.

All licenced activities and investments within a free zone, enjoy the same benefits and exemptions as provided for by the Investment Law except that such benefits are not limited to a certain period of time but will extend for the life of the licenced project or activity.

The first free zone has been created adjacent to Misrata port, 220 kilometres east of Tripoli, and procedures for establishing companies in this zone have now been issued by the Misrata Free Zone Authority.

Overview of the legal regime of the oil & gas industry in Libya

Mahmud R. Mukhtar, Partner at MKE Lawyers

A) Regulators

Currently the oil & gas industry in Libya is under the supervision and control of the following authorities:

- The Council of Ministers.

- The Ministry of Oil & Gas as reorganised by Decision 32/2012 of the Council of Ministers issued on and made effective from 6 February 2012.

- The National Oil Corporation (NOC).

The NOC was initially established as the "Libyan Public Petroleum Corporation" by Law No. 13 of 1968. Law No. 24 of 1970 amended its statute and changed its name to the "Libyan National Oil Corporation". In 1970 the NOC was granted exclusive rights for the exploration and exploitation of hydrocarbons, in all areas which were not then subject to oil exploitation contracts, calling them "open areas".

Subsequently, Decree No. 10 of 1979 of the Secretariat of the General People's Congress (equivalent to Parliament) reorganised the Corporation and gave it its current name.

By virtue of these successive pieces of legislation, and subject to the approval of the Council of Ministers, the NOC became empowered to enter into new forms of petroleum exploitation agreements, other than the form of concession that had been introduced by the Petroleum Law.

Article 5 of Law No. 24 of 1970, authorised the NOC to exploit the areas granted to it, either directly or through contractors or joint ventures.

Decree No. 10 of 1979 widened the scope of authority granted to NOC and added more flexibility to enable the NOC to keep up with the changes in the international oil industry. Article 1 of that Decree states that the NOC shall be active in the exploration for, and production and marketing of, oil & gas inside and outside Libya, through wholly owned subsidiaries or through participation with others by way of work contracts or any other form of investment contracts concerning oil. The general guideline is for the NOC to "comply with the best methods of maintaining oil wealth and to exploit it in the best way possible".

B) The Legal Framework of the Oil & Gas Sector

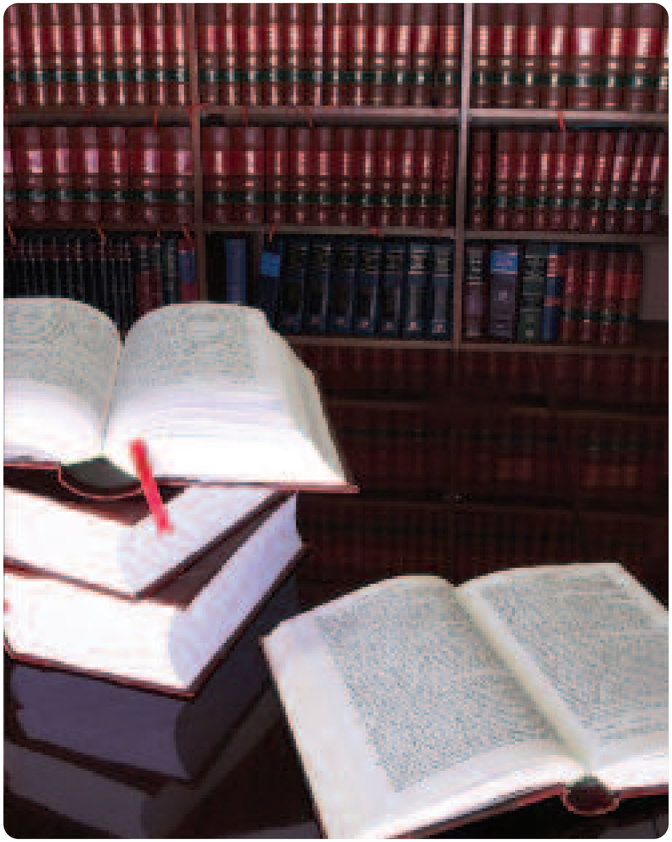
The legal framework of the Libyan petroleum industry consists of both legislative and contractual sources. The main and most important legislative sources are the Petroleum Law No. 25 of 1955, the Petroleum Regulations issued thereunder, and Decree No. 10 of 1979 reorganising NOC.

• The Petroleum Law

The Petroleum Law No. 25 of 1955 remains today the most comprehensive piece of legislation regulating the petroleum industry in Libya. It was issued in April 1955, when Libya's oil potential was unknown. Since its promulgation, it has undergone several changes and amendments, the last of which was enacted in 1983.

• The Petroleum Regulations

Under the authority granted to him by Article 24 of the Petroleum Law to issue the regulations necessary for the implementation of the Law, the Minister of Petroleum issued nine Regulations. Some of these



Regulations have now been incorporated into the Law through various amendments, and there are currently only three Regulations in force, namely Regulations 1, 8 and 9.

- Regulation No. 1 issued the official map of Libya for purposes of applying the Petroleum Law 25/1955.

- Regulation No. 8 deals with conservation of the Petroleum resources.

- Regulation No. 9 relates to the financial, administrative and technical control for the preservation of the oil wealth.

C)The contractual framework

The contractual framework prevailing in the Libyan oil & gas industry consists of the Deeds of Concession and the Exploration and Production Sharing Agreement (EPSA).

1 The Deed of Concession

Over 130 Deeds of Concession were entered into after the enactment of the Petroleum Law. It can be said that these concessions have allowed major onshore oil reserves to be discovered and developed.

Although the model Deed of Concession attached to the Petroleum Law laid down the main general features of this type of oil exploitation contract, variations were introduced into some individual concessions in order to accommodate specific circumstances. Nevertheless, the main characteristics of the concession agreement remain the same.

2 Exploration and Production Sharing Agreement

The Exploration and Production Sharing Agreement, known as EPSA, represented the first serious engagement of the NOC in oil exploitation contracts, combining direct NOC involvement in management and financing with a shift of the exploration risk to the foreign partner. Four successive generations of EPSAs have now been developed.

The first known as EPSA I, was introduced in 1974; EPSA II dated from early 1980; and EPSA III was introduced in the late 1980s. These three types of EPSA were concluded on the basis of direct negotiations between the NOC and the interested companies. In 2004, however, the NOC introduced the EPSA IV model and also launched a regulated bidding system.

In 2012, the Minister of Oil & Gas appointed a committee of experts in various aspects of the oil & gas industry, which was entrusted with the task of writing a new Petroleum Law. The committee prepared a draft new law which is being carefully reviewed. The procedure for issuing the new law has yet to start.

Reforming and privatising the financial services sector

In common with the country's inadequate built infrastructure, Libya's financial services sector is badly in need of new investment to move it away from its current status as one of the most underdeveloped banking sectors in North Africa.

While efforts have been made to encourage the entry of foreign banks, 90% of the country's banking assets remain in the hands of state-owned entities, with the banking sector beset by issues of staffing and bureaucracy, while inadequate IT infrastructure means there is an almost complete absence of ATMs.

A key feature of Libyan life since its independence in 1951 has been the dominance of the state in all aspects of economic life. While dependency on oil revenues is certain to remain a key feature of the economy, there is a clear wish among the Government and people for economic diversification and for a gradual transition to a more private sector led economy, with improved access to inclusive financial services being a high priority.

In the past, the banking and finance sector was very limited, and was dominated by a few state-owned banks. The country was primarily a cash-based society, with people generally wary of the banking system. As a result, financial services have largely been limited to basic cash deposits and withdrawals.

The interim National Transitional Council (NTC), recognised that the country would need to have confidence in the banking sector to facilitate its future redevelopment. In order to help realise this objective, Mustafa Abdul Jalil, the head of the NTC, declared that Libya's banks would begin offering Shariah compliant financial services.

This initial announcement about the future role of Islamic financing made to the crowds in Kesh Square in Benghazi has now been followed by concrete steps; in particular, the Central Bank of Libya (CBL) obtained approval from the NTC to promulgate Law No. 46 of 2012, which formally introduced Islamic banking and finance to Libya for the first time.

The introduction and development of an Islamic banking and finance market took another major step forward on 7 January 2013, when the General National Congress (GNC) promulgated Decree No. 1 of 2013, banning the charging of interest on loans granted to individuals.

At the same time, it was further announced by the GNC that the same principles will start to apply to corporate loans, as from 1 January 2015. Additionally, under this law, a special fund was established to provide interest free loans. This fund is to be under the supervision of the CBL.

Despite a series of structural "reforms" attempted by the Central Bank of Libya (CBL) since 2005, aiming at modernising and liberalising the financial sector, it remains far from being so, and the sector is still not in any position to contribute to strong private sector economic growth, which is key to creating the jobs, which are desperately needed by Libya's majority youth population.

Libya recognises that the success of its multibillion dollar, national reconstruction programme, hinges on Foreign Direct Investment (FDI), as well as a healthy, transparent, well regulated and fully functioning financial services sector. The Government sees the UK industry as the right model for its own development, so giving UK plc a distinct competitive advantage when it comes to seeking opportunities in Libya.

A functioning private banking sector is crucial to the economic growth of states in transition. States in the midst of radical change, even states which are engulfed in violent conflict, such as Iraq and Afghanistan, are capable of developing working banks and financial institutions. So, even in the current state of constitutional predicament, reforms to the financial services industry can take place.

The CBL has declared that all financial institutions in Libya must become Shariah compliant by 2015. This decision is likely to have some impact on investment and economic growth, because few Libyan banks or agencies have the capacity to operate solely as Islamic institutions and it will be an inevitable challenge for them to make the conversion by 2015.

Banking business in Libya is governed by a statute known as Banking Law No. 1 of 2005, together with regulations and guidance issued by the CBL. Subject to approval of the CBL, foreign participation in a Libyan financial institution is permitted, although foreign ownership is normally restricted to 49% and all banks must be structured as joint stock companies.

Libya's financial sector is dominated by state-owned banks, although a series of partial privatisations occurred in 2007. Since then, however, these have ceased lending, despite having strong balance sheets. This

> Libya recognises that the success of its multibillion dollar, national reconstruction programme, hinges on Foreign Direct Investment (FDI).

situation has been attributed to three principal reasons, the lack of a Libyan land registry; the lack of a Libyan credit bureau; and inadequate central bank regulation.

A study of Libya's financial services sector by the Legatum Institute, an independent public policy organisation, highlighted a number of key short term measures which the country's financial authorities needed to address in order to successfully modernise:

- To avoid conflicts of interest, the CBL should divest its ownership of public banks, by transferring its shares to the private sector or to a Government fund, demonstrating strong corporate governance practices;
- Since the court system offers very little recovery prospects to creditors, lenders remain excessively risk averse, at the expense of borrowers who have insufficient collateral. Libya needs to develop a strong and fair insolvency and creditor's rights regime;
- Regulatory and supervisory standards need raising throughout the sector. Spreading best practices within the banking and the non banking institutions would improve financial efficiency and stability;
- Governance and risk management: Fundamental to any modernisation of the sector, will improve corporate governance.

Implementing these new governance structures will drive a successful transformation, while at the same time better representing Libya's improved and more democratic political climate. These new structures will also support the growing role of the private sector and greater competition and so must be set up within appropriate risk management frameworks, to ensure continued financial stability.

Like its banks, the insurance market in Libya is also relatively underdeveloped, although there are signs of change. Companies are now obliged to provide health cover for their employees and a number of new insurance companies have been established, of which three, Libya Insurance Company, United Insurance and Sahara Insurance are quoted on the Libyan Stock Exchange.

Libya hopes to have its first three dedicated Islamic banks operating in 2014, to satisfy unmet demand for Shariah compliant financial services, a senior Central Bank official has said. Authorities have decided to issue three Islamic banking licences and the Central Bank has received five applications from local investors, which are currently being evaluated, according to Abdulmajeed Almaguri, Deputy Director of the CBL's supervision department.

He did not name the potential investors but said the evaluation process would be completed later in 2014. Currently the 16 banks operating in

Libya, including seven foreign banks, offer mainly conventional banking services with some providing interest free Islamic banking.

In a move to help finance planned investment of US$60 billion in its oil refining and chemical production industries, Bloomberg reported that Libya is considering issuing bonds to finance these projects. Mohamed Alloub, Chairman of the state run Libyan Petroleum Institute, told the news agency in September 2013 that Islamic debt is one of the options being considered.

Libya may have to pay more than 6% to raise the funds, which compares to 2.3% (185 basis points over Libor) for a similar venture in Saudi Arabia. The country is planning to boost refining capacity to one million barrels per day (bpd), from a current level of 380,000 bpd, to meet growing domestic fuel demand.

Central Bank Governor, Saddek El Kaber, says the Government is progressing toward seeking a credit rating from Standard & Poor's, and has appointed a company to assist in the process. Giyas Gokkent, Chief Economist of National Bank of Abu Dhabi, says Libya would qualify for a rating of BBB, or S&P's second lowest investment grade, provided security conditions improve.

Libya is now in an ideal position to establish the foundations of a world class financial infrastructure, and persue a comprehensive review of its regulatory framework, aligning it to best international practices. The political transition that Libya is currently going through can provide an ideal opportunity to achieve a clean break from the past and recognise all financial losses still embedded in the balance sheets of its financial institutions.

The Libyan Government should, say analysts, revisit its wealth distribution policies and the channels that are used to implement them. In particular, the roles of the specialised credit and lending institutions and the wealth management funds have to be overhauled in order to restore equality in the banking sector.

In the medium to longer term, the Government could consider how to finance more of its public investments through sovereign and/or project bonds. Although more costly than funding such investments directly from the Government's oil receipts, the development of a sovereign security market would encourage private sector bond financing in the future and help establish an efficient monetary policy.

Given the challenges facing the Libyan monetary and financial authorities, including lack of technical expertise, a development plan for the financial services sector would be a way forward. With no one entity having responsibility for reform of the sector, establishment of a national steering committee, made up of the main financial sector stakeholders would be one obvious route to keep reform efforts on track, and to serve as a catalyst for establishing a strong financial services sector.

Being at the forefront of Libya's financial sector

Assaray Trade and Investment Bank

More than two years after the overthrow of Muammar Gaddafi, the political and economic transition of Libya continues to struggle to find a foothold. Yet it is a transition that local and international agencies are determined must succeed.

The immediate optimism and high expectations, which followed the tide of regime change, which flowed across the region have been tempered in Libya to the same degree as in other states. However, the optimistic and considered outlook is now that Libya stands on the brink of a return to its short lived boom of 2012.

At that time the economy bounced, overwhelmingly so, on the strength of a far quicker than expected return to pre-overthrow levels of oil production.

Significantly, nominal GDP for the year exceeded 2010's level by a full 8%. Without doubt, 2012 delivered a clear indication of the underlying economic strength within a harmonious Libya.

Yet as 2013 dawned, the country witnessed an almost equally rapid decline in its fortune, as labour organisations and militia targeted the oil sector, effectively smothering 2012's positivity.

It is likely that Libya's economy will continue its rollercoaster ride for some time to come. Whilst workers are negotiated with and militia potentially assuaged, there remains the additional ongoing challenge, of establishing a strong legal and regulatory financial framework, one that will support sustainable economic growth.

Given this context, today more than ever before, success in the Libyan corporate world is driven by connections and partnerships cemented through proven trust and unrivalled local expertise.

It is within this environment that Assaray Bank has undertaken its own significant transition. What was once a small bank with local focus is today one positioned to attract regional and international talent, and to support the emerging shoots of corporate Libya's economic growth.

Established in 1997 and licenced and regulated by the Central Bank of Libya, Assaray Bank provides tailored corporate, retail and investment banking products, services and solutions including deposits, overdrafts, short and long term loans, trade financing and working capital loans, fund transfers, brokerage services, and crucially is soon to add fully-fledged Islamic banking services.

CEO, Basem Tantush says "we have built up a business model that can demonstrate its resilience in a risky market context and one that can deliver a competitive advantage in this challenging environment". He continued, "we are now focusing on four major strategic priorities led

by a focus on client services. Alongside this we are implementing business development initiatives, improving our organisation and our processes, in order to improve efficiency, and adapting the bank to the economic and regulatory environment".

Prudently, it has not embarked on this transformation alone. Itself aware of the benefits of selecting proven partners, Assaray Bank engaged Ernst & Young to provide an analysis on the existing structure of the bank, and to deliver a roadmap for the way forward.

As part of Ernst & Young's market study, strategic and business plan, the London based firm established a target operating model for the bank. They are advising on the future shape of the bank, its people and how best to manage change. They have also focused on implementing processes and policies as part of creating a new Core Banking System to support new services.

IT Manager, Kais Belkhouja, said: "Implementing information technology to meet business strategy and clients needs through secured, reliable and realtime application layers, accessible via internet and mobile banking, ATMs and Management Information System (MIS) resources, Business Continuity Plan (BCP) and connectivity are key success factors".

Again reaching out to acknowledged leaders in their sector, Assaray Bank have embarked on a joint venture with Germany's Wirecard AG to build and operate a world class electronic payments infrastructure in Libya. Based on the Wirecard technology platform, it will provide core products including pre-paid cards (for example Internet and travel cards), mobile top-up and bill payment at POS terminals (for internet, fixed line, electricity accounts), custom payments solutions (salary and fuel payment cards), and also to allow for the issuance of debit cards.

Their field of focus is centred upon the segments that will form the four pillars on which the country's resurgent economy will be built: hydrocarbons, real estate, trading and manufacturing.

Farouk Laabidi, CFO, commented "we have implemented the roles and responsibilities for each department within the bank in order to speed up the decision making process and to reinforce control within our organisation. At the same time we are improving our operating efficiency to the benefit of our cost to income ratio".

As a clear sign of its commitment to the future growth of the country, Assaray Bank has established Libya's first private real estate fund. The fund will invest in real estate development across the country in urban centres, including Benghazi, Misrata and Tripoli as well as in prime international locations such as airports, ports, compounds and hotels.

> The Bank's focus is direct and precise; to be the leading corporate bank in Libya, while contributing to the development of the nation.

Assets under management by the fund amount to US$125 million, and Assaray Bank's stake stands at 10% of total assets.

Shariah compliant, it seeks to tap into the burgeoning global demand for Islamic financing, as well as falling in line with the Central Bank of Libya's ambitious requirement for banks to convert to Islamic lending structures by 2015.

With an expected return of 20%, roadshows for fund marketing will commence in April 2014. Fund Manager, Tadawul Financial Services and Brokerage, expects it to be heavily oversubscribed.

To enhance and maximise these returns, Assaray Bank and Tadawul Financial Services and Brokerage have appointed a team of advisors including Sharia Solutions of the UK, PwC and Hogan Lovells.

The unique key to the realisation of Assaray Bank's roadmap is a combination of local knowledge of customs and culture, combined with international best practices. Transparent branches and electronic branches will be open 24 hours a day, seven days a week, guaranteeing their availability to meet customer needs.

Across their product range the bank offers bespoke accounts, products and services unique to their clients within the Libyan market. An in-home service will allow client's the option of opening a Letter of Credit from their own office.

Project financing is a strong area of focus and optimism for Assaray Bank. The Government looks set to increase spending in order to prop up the economy, even at the expense of its dwindling foreign reserves.

Currently the majority of Government banking is undertaken through Libya's large state-owned banks, but there is increasing pressure for Government agencies to start utilising the facilities and services of the country's smaller, yet thriving and privately owned banks.

The effect of this would be to invigorate the private banking sector, increase competition within it, and also exert pressure and movement towards tighter regulatory controls. A stance fully supported and encouraged by the bank's management.

The Bank's Head of Risk, Mahmoud Jarbou, said: "Our credit portfolio is growing without any default. We ensure that the banking related services are delivered in a professional and proactive manner".

The winners in the nation's finance and investment sector, will be those with the skills and knowledge to trade and act locally, but to also think globally.

Assaray Bank is ahead of the game already, and with its clear agenda of providing modern, dynamic and adaptive services, it looks set to ride the Libyan economic rollercoaster with confidence. Such is their confidence in planning for Libya's new future, and their strategy of bringing on fresh talent, that they are effectively creating an ad-hoc school of banking.

As Libya grows again, so will Assaray Bank. This is a mutually advantageous relationship. The Bank's focus is direct and precise; to be the leading corporate bank in Libya, while contributing to the development of the nation.

UK Trade & Investment (UKTI) in Libya

The UK has longstanding historic ties with Libya, from its involvement in the North African campaign during the Second World War, and its engagement in Libya's transition to independence in 1951. During Gaddafi's regime, the relationship between Libya and the UK was strained for decades. That has now changed. Since the 2011 Revolution, the public and official sentiment towards Britain is positive, as demand for government and private sector engagement with the UK continues to grow. There has been no shortage of high level UK political engagement since the overthrow of Gaddafi, with a focus on maintaining a positive, political and economic context for UK business success.

Libya was and still remains one of the most hydrocarbon dependant states in the world. It has about 3.5% of proven world oil reserves, the largest deposits in Africa, and tenth largest in the world. At current production levels, it can sustain output until 2090. Libya also has significant natural gas reserves (third largest reserve in Africa). The hydrocarbons sector accounts for 95% of Libya's foreign export earnings and 80% of Government revenue.

Diversification of the economy is needed, in order to address the long term financial and economic stability and Libya's unemployment challenge. Despite its large contribution to the GDP (90%), the oil & gas sector contributes only 3% of total employment. Diversification, trade and entrepreneurship will therefore continue to remain high priorities for the Libyan Government.

The opportunities for British business are not only in the energy sector. Libya's post-conflict reconstruction needs, offer significant opportunities to those UK companies wanting to participate in the rebuilding the country. Libya's post-conflict reconstruction programme and longer term needs are huge. The reconstruction and development requirement over the next ten years is estimated to be £200 billion. Opportunities exist for the right British companies to be part of the rebuilding.

Business is on the increase and British firms are achieving successes. Continued security concerns and political fragility, however, have without doubt hindered the re-engagement of many international companies, particularly on major infrastructure development projects.

Security is a real concern. Recent political and security issues have resulted in short term market access issues, and required changes to the FCO travel advice. This has presented issues to existing and potential future exporters. But it has also narrowed the field of

competition, creating opportunity for ambitious businesses. The assessment of risk management consultants active in the market, shows that providing business visitors coming to Tripoli take sensible precautions, and seek independent security advice, there was no reason why they should not conduct their business safely. The security profile and risks of visiting Benghazi and the east, however, are far greater and we recommend no British National visits the east of Libya.

Before the Arab Spring, the EU was an important trading partner for Libya, accounting for 70% of the country's total trade. EU imports from Libya are dominated by energy, in particular petroleum and petroleum products. Exports consisted mainly of energy and mining goods and services, machinery, transportation equipment, and agricultural products. The UK's market share was between 2%-3%. Encouragingly, UK exports to Libya have been returning to pre-Revolution levels.

Doing business in Libya today is not straightforward. There are undoubtedly many barriers and challenges but despite this, opportunities do exist for those companies willing to devote time, effort and resources. Patience and persistence are key. Do not expect success overnight. It takes time. Many foreign firms are not currently doing business at the moment, but they have retained a presence in the market. When the political and security situation eventually stabilises, the companies that have established local relationships and have a presence in the market will stand to benefit.

Libyans like the UK and like doing business with British companies. Considerable local goodwill exists, reflecting gratitude for the UK's support during and after the 2011 conflict. English is widely spoken and large numbers of Libyan nationals have studied, worked and lived in the UK. Contracts are being won, with many in the pipeline. In many sectors, the UK is looked upon as the partner of choice. The UK's health system is highly regarded. The UK's clinical standards are rightly seen as an example of international best practice. The reputation of our education and skills sector is also strong, and the same is true of UK oil & gas sector expertise.

In summary there are many challenges, but there is every reason to be positive about the future. Libya's developmental and reconstruction needs remain enormous. We remain optimistic about the UK's capability to be part of the substantial reconstruction opportunities, as Libya builds a modern diversified state. Libya's needs are great and so is the UK's capability.

My team look forward to seeing you in Tripoli and helping your business succeed.

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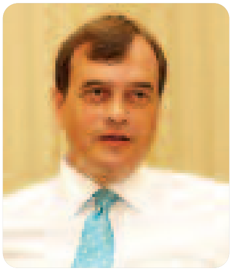
Libyan British Business Council

Sir Dominic Asquith KCMG, Chairman, LBBC



Sir Dominic Asquith KCMG

The overthrow of Gaddafi's regime in 2011 liberated the Libyan people from 42 years of oppression. However, as the new leadership so often expressed it to me, the process of rebuilding started, not at zero but at minus zero. The institutions, capabilities and indeed cohesion of the state had been dismembered. With ready access to weapons, armed militias and competing political leaders defended local or regional interests at the expense of a common national programme. Reconstructing Libya's economy after Gaddafi's record of corruption, underinvestment and neglect remains a huge challenge. However, with five Prime Ministers in three years, that task was further complicated.

Libya nevertheless enjoys several fundamental strengths. These include the largest oil reserves in Africa, a strategic location on the Mediterranean and a population keen to re-engage with the outside world and acquire the skills needed by a modern economy. In spite of political disruption, therefore, British firms discovered that there were opportunities to do business and by 2013, British exports to Libya were 44% higher than the year before. As a member of the Libyan British Business Council (LBBC) who had just won a contract reported, there was business to be won if the UK firm was willing to put in the effort to build local relationships and their firms' reputation and looked to the long term.

Formed in 2004, the LBBC provides a unique service to its members, as the only UK trade association exclusively focused on promoting British business in Libya. It has developed the experience, expertise and in-country connections to ensure that its members' trade and investment plans have the best possible chance of success. Its members range from innovative start-up companies and small and medium sized enterprises to blue chip multinationals. They represent the key strengths of the LBBC alongside its Directors, with their professional strengths, experience and networks in business, law, international diplomacy and the Libyan business scene. These strengths are underpinned by a professional executive team and the services they provide, including market analysis, briefing events, business delegations to Libya, advice on the market and practical help, such as with visa applications.

The LBBC works closely with both the British and Libyan Governments and we have strong working ties with a number of public and private sector organisations including UK Trade & Investment, the British Embassy in Tripoli, the British Business Group there and the Libyan Businessmen Council. I am determined that the LBBC should play a major role in developing the business partnerships between the two countries. I encourage you to work with us in developing the trade and investment opportunities, which will benefit the British and Libyan peoples alike.

Middle East Association

Peter Meyer, Chief Executive, MEA

Peter Meyer

With a variety of prospects available, Libya holds a great deal of business potential; many opportunities are still emerging despite developing political and economic circumstances. It must be underlined that the security situation requires preparation, but the MEA has led four successful Trade Missions to Libya since April 2013, introducing British businesses to a range of key decision makers. The productive meetings which were conducted have fostered a deepened interest in the Libyan market in the UK, with a commitment to investment in infrastructure and capacity building underlining British commercial interests.

Despite the challenges, the forecast for Libyan economic growth is expected to be at an annual average rate of 9.3% over the period 2013-2017. Open tenders are becoming a more accepted method of securing business, and attempts are being made to diversify the economy. The participation of British companies would build economic confidence, and there are significant contracts to be made. Support is available to help SMEs and larger British companies establish themselves in the market. UK Export Finance runs a scheme to assist with cash-flow, which has seen some marked successes. Capacity building and technology transfer are traditional areas of British expertise, and the scope for development is key to long term interests, and welcomed by Libya.

The Libyan Ambassador to the UK was our Guest of Honour at a MEA VIP Lunch in January 2014, and he encouraged the strengthening of links between British and Libyan business interests, particularly in the fields of security training and leadership education, which are important to drive the long term infrastructure and human development of the country. To do business in Libya, it is crucial to visit the country itself, and gain some on-the-ground experience of the market; establish contact with key counterparts, visit the trade shows, and actively demonstrate involvement to build good foundations.

Organisations must continue to navigate the highly changeable security situation, but there is valuable business to be done, and some interesting success stories are emerging. Tilden International, which is a key provider of high-tech security, has an established presence in the country, working in areas including aerial photogrammetry, remedial war work, and international airport certification. Clyde and Co has a team of lawyers on the ground in Tripoli and continues to manage legal services for Government entities and international clients. It is by no means a straightforward or easy arena in which to conduct business, but the potential is vast, and the MEA has an ongoing commitment to business in Libya.

British Expertise

British Expertise has played a leading role in establishing and developing British business relations with Libya for many years. After the 2011 Revolution, British Expertise took the first British trade mission to Libya with the support of the UK Government. In the interests of its members, British Expertise continues to explore the substantial opportunities and potential for British companies in Libya through our programme of events and missions.

British Expertise is the leading organisation supporting British companies working to offer professional services internationally. Our members range from major international multidisciplinary consultancies to individual specialists. Our members are involved in the development of social and physical infrastructure worldwide.

We provide members with a regular programme of informative events and networking sessions. We receive overseas delegations, often at a Ministerial level, and host events looking at pertinent international business issues and new markets for UK companies. We also regularly host briefing sessions with returning UK Ambassadors and senior officials from the Foreign and Commonwealth Office (FCO), UK Trade & Investment (UKTI), the Department for International Development (DFID) and other international agencies.

Our trade missions visit markets across Asia, Europe, Africa and Oceania. These may take the form of missions run on behalf of UKTI or the FCO, private missions or more focused scoping missions. Missions involve programmes of meetings with local officials and businesses, workshops and seminars to help companies gain an understanding of the market and present UK expertise to local clients.

We disseminate targeted leads for potential business from all over the world to our members and across a wide variety of sectors and disciplines. We provide advice and support on how best to approach overseas markets and can provide more substantial support on countries and regions in which we have a current focus.

We raise issues with Government on the regional, UK and European levels, should it be deemed necessary for our organisation to act as a group to seek policy changes. We also have strong links with the international development agencies and banks.

British Expertise is also home to UKTI's Aid-Funded Business service which raises the awareness of UK companies about multilateral aid-funded business opportunities, and provides training and advice. Additionally, we run the Secretariat of the UK Anti-Corruption forum, a key alliance of business associations, professional institutions, civil society organisations and companies with interests in the domestic and international infrastructure, construction and engineering sectors.

Business development and risk management

Robert Mills CBE: Country Manager, Salamanca Group

Robert Mills CBE

Introduction

Salamanca Group, a London headquartered Merchant Banking and Operational Risk business, has maintained a permanent presence in Libya since March 2011, enabling our clients' operations by protecting their personnel, assets and reputation. Our Head Office in Tripoli comprises a mixed expat and Libyan management team, and provides a full range of research, due diligence, risk management, security and training services to clients across the oil & gas, power, construction, defence, legal, education, management services, health and NGO sectors. Notably, Salamanca Group has been involved in developing the Libyan Diplomatic Protection Unit under the UK DFID funded, Security, Justice and Defence Programme. Salamanca Group maintains a presence in Tripoli, Benghazi, Khoms, Misrata and Sabha and operates in an Unincorporated Joint Venture with a Libyan Risk Management partner.

The overall business context

The condition of Libyan post-Revolution society is in many respects similar to that of the country's roads. The general fabric is good and direction of travel discernible; however, with faded white lines and few clear signposts, many Libyans are unsure about the general rules and some seem disinclined to observe standard conventions. The traffic police lack the confidence or power to impose the rules. Traffic gridlock is frequent, but often resolved by impromptu public effort. The accident rate is high, however, not if sensible precautions are taken. Despite these challenges, traffic flows, goods move and local businesses grow. Much like its roads, to a mis-informed observer, Libyan society looks to be chaotic and failing; this perception is inaccurate, and ignores the widespread public confidence in its future, even after two years of a perceived lack of political and economic progress.

Libyans have good reason to feel confident. The country enjoys enviable advantages in comparison with its near neighbours. It is blessed with progressive attitudes, a lack of sectarianism, hydrocarbons, water, a benign coastal climate, and is strategically located as the natural north-south gateway between Europe and Africa. Libyans have trade and commerce deeply embedded in their culture. As a result, there is a general awareness among Libyans that their country has the potential to develop rapidly, well beyond the narrow hydrocarbon sector. This has a positive effect on the security environment, deterring violence, moderating ideological differences and assisting traditional tribal conflict resolution. Confidence was

dented as a result of the political infighting in late 2013 and early 2014 which led to the removal of Prime Minister Ali Zeidan, however, it is likely to improve significantly in late 2014, after the National Elections.

The main challenges are the shattered state of Government institutions and their incapacity to conduct basic administrative functions - these truly are the most pervasive and pernicious impacts of Gaddafi's legacy. Notwithstanding notable efforts by Ministers and advisors at senior level, institutional bureaucracy and inertia, especially at management level, is discouraging in the extreme. Transforming this through restructuring and education is likely to take a number of years; the priority being management leadership training and work based mentoring. As Government institutions fail to provide avenues for political parties and interest groups, relationships with the militias have been maintained to tip the balance of power. A key question facing the Government is how to build Libya's state security institutions, either by integrating militia brigades into the Army and Police units or by integrating the Army and Police units into the militia brigades.

Establishing businesses

Despite these challenges, there are a growing number of businesses that have successfully established themselves in Libya. Relationship building is key, as is the development of a deep understanding of the wider business and security environment. These can only be achieved through patience, commitment and a persistent presence. However, a number of international organisations have withdrawn their operations in reaction to security concerns, but the commitment shown by the companies who have stayed, has resulted in a stronger relationship with their Libyan hosts, particularly within the Government sector.

Establishing a business footprint in Libya is not difficult, the broad options being Representative Office, Branch Office or Joint Venture. Finding the right partner is essential. Due diligence is more problematic than in jurisdictions with open access to properly maintained public records, due to the dearth of legal and corporate records as well as legacy sensitivities about investigations; research requires closer involvement on the ground. Undertaking enhanced due diligence and establishing policies and procedures to manage relationships with partners and suppliers will be a priority.

Companies should make allowances in start-up plans for staff training. There is a good pool of young English speaking graduates, home-grown or trained locally or abroad, in particular in the fields of IT and technical services, although practical management experience is limited. Company drivers must be trained to accredited standards to reduce risks to expatriate staff.

An early decision will be where to base company personnel. Top quality hotels, such as, the Corinthia and Radisson in Tripoli offer excellent

> Relationship building is key, as is the development of a deep understanding of the wider business and security environment.

business facilities and levels of security. A variety of other hotels are suitable for long and short stays; to some extent their lower profile balances deficiencies in physical security measures. Most major coastal cities have a variety of suitable hotels; however, accommodation elsewhere can be problematic. Many companies are comfortable with moving into villa/office accommodation once their business plans have taken shape, there being excellent options in Tripoli centre or on the outskirts. Companies should aim to minimise the daily travel between accommodation and primary work areas; traffic congestion can cut into work hours, and the risk of traffic accidents is high.

The security context

'Where you stand depends on where you sit' - Miles' Law is particularly applicable to the international perception of security in Libya. Social network rumour, inaccurate reporting by the international media and shallow assessments of headline events by security commentators combine to create perceptions of insecurity that are not supported by the facts or the context.

One common mistake is for events in Benghazi to be directly linked to the security environment in Tripoli (1,000 kilometres to the west), and for incidents such as the bombing of the French Embassy in February 2013, to be viewed as indicative of a breakdown in the broader security environment. This leads to perceptions that security in Tripoli is on a par with that in Iraq and Afghanistan; nothing could be further from the truth, although parts of the east remain problematic. A key headline fact, as at April 2014, is that there has been no politically motivated attack against the international business community in Tripoli for over two years (although there have been some minor attacks against diplomatic premises).

Such misperceptions either deter international companies from engaging in Libya or lead them to adopt inappropriate, costly, and excessive risk mitigation measures. The FCO travel advisory service offers companies a useful starting point for assessing the general risks of entering the Libyan market. However, to gain an accurate picture of ground truth and how risk mitigation measures can enable business safety and resilience, in-country risk management providers should be consulted before travel Go/No Go decisions are made.

The security environment is uncertain and unpredictable; however, in Tripoli and the northwest, the threats from road accidents and crime significantly exceed those from militancy and terrorism. Although crime levels are rising, in particular carjacking, this is from a very low baseline; Tripoli is significantly safer than many other African, or indeed European cities. The overall security environment in the northwest is relatively permissive. This is not currently the case with cities like Benghazi and Derna, although many areas in the east, including desert oil locations, are permissive and continue to host expat businesses. The southern region is prone to periodic inter-ethnic tensions and violence, though again it has an expat presence.

The indirect risks from inter-militia fighting in Tripoli remain low, contrary to the image portrayed in the international press of Tripoli being 'overrun by uncontrollable militia groups'. When outbreaks of violence do occur, they tend to be localised and of short duration, rarely spreading far beyond the point of origin. This makes it feasible to ride out short periods of tension in hotels or compound accommodation. Although there may be tribal animosity at the soldier-level between the major militia groups (Zintan, Misrata, Souq al Juma'a etc), at the higher level there is a more rational approach; the leadership wishes to be part of the future in Libya, and recognises the rough parity in respective combat strengths would make direct confrontation illogical. Sadly, the same cannot be said for groups in the east, where there are greater ideological differences.

Risk mitigation

Companies adopt a wide variety of risk mitigation strategies according to their risk tolerance, understanding and experience. Embedded risk management/business resilience managers may be suitable for high-profile, expat heavy companies with dynamic transportation needs, and/or for companies during a bedding-in period.

Joint expat/Libyan teams work best, in particular given the understandable sensitivities of expats conducting security activities and current legislation barring foreigners from being involved in security in Libya. Expats are not allowed to be armed, nor is it advisable to employ armed Libyan escorts unless under formal arrangements with the MOI, MOD or an alternative authorised unit; few, if any, armed private security providers are internationally accredited and armed escort in Tripoli is likely to exacerbate incidents.

At the lighter end of the scale, companies may want no more than retained services which can be called upon in the event of an emergency. This works well for businesses which have gained a good understanding of the security environment, have adopted suitable risk mitigation measures, and, are comfortable with their surroundings. A pre-requisite for retained services is a detailed briefing on the

prevailing political/security situation and risk mitigation, either before travel or immediately on arrival in Libya.

Conclusion

Business potential in Libya is significant and political developments in 2014 are likely to see a marked increase in domestic and international confidence. There will remain numerous challenges to setting up businesses, though in Tripoli and the northwest, these will relate more to institutional bureaucracy and political turbulence than to security. Those companies which have the resilience to establish and maintain a permanent presence in Tripoli are most likely to succeed. As are those who put the successful development of Libya foremost in their business models.

Perhaps the question that international commentators should be asking about Libya is: 'what makes Libya as safe as it is?'.

Oil & gas sector set for major expansion

Expansion and modernisation of its oil & gas sector are cornerstones of Libyan economic development, which are backed by plans to invest some US$140 billion in the country's infrastructure over the next 25 years, according to Libya Herald magazine.

This reflects confidence in the long term future of Libya's oil & gas sector, with the state-owned National Oil Corporation (NOC's) oil production target set at 2.2 million barrels per day (bpd) by 2020 (from a 2012 total of 1.6 million bpd) and gas output set to increase from its current level of 12 billion cubic metres (bcm) to 15 bcm.

But in the short term, a blockade of oil terminals in the Sirte Basin by Cyrenaican federalists has caused major disruption, and had cost central Government an estimated US$20 billion by early 2014.

To achieve its longer term strategic ambitions, Libya is looking to the international export community for much needed technology and expertise to revitalise its energy sector by backing exploration, production, pipelines, refining and petrochemicals, health and safety and training.

That means opportunities for international exporters of technology and expertise in a wide range of sectors including building and construction, power and electricity, transport and communications and water and environment.

Libya has proven oil reserves of 48 billion barrels (2011), representing 3.2% of total world reserves, sufficient to last for 85 years at current rates of production. Its natural gas reserves are relatively smaller, at 0.8% of the world's total. In terms of the domestic economy, the hydrocarbon sector represents 80% of GDP. It generated 95% of total fiscal revenue and 98% of export receipts in 2011-2012.

Following the 2011 Revolution, which saw the economy contract by more than 60%, in 2012 there was a doubling of real GDP and production returned to near pre-Revolution levels of 1.6 million bpd. But the strong oil driven recovery in 2012 stalled in 2013, following severe disruptions in the oil sector and the impact of political uncertainty on the rest of the economy.

Around 80% of Libya's reserves are located in the Sirte basin, which also accounts for a vast majority of the country's oil output. Libya has six large sedimentary basins: Sirte, Murzuk, Ghadames, Cyrenaica, Kufra, and offshore, which the Government believes has substantial undiscovered potential. Libya could significantly increase its reserves because much of the country remains unexplored and it

shares similar hydrocarbon bearing geological structures as Egypt, Algeria, and Tunisia.

Exploration and development

Prior to the 2013 oil crisis, the Government had made several announcements that it planned to increase crude oil production capacity to 1.7 million bpd by the end of 2013 and two million bpd in the next few years, according to the Middle East Economic Survey (MEES).

In the past, the NOC emphasised investing in Enhanced Oil Recovery (EOR) methods, to counter depletion of reserves and expand production capacity at existing fields. In 2009, the NOC announced a programme that entailed the development and rehabilitation of 24 oil and natural gas fields.

The NOC's development programme identified several oil producing fields where capacity could be expanded. The largest capacity additions were planned for the Waha (Oasis) field, the Nafoura/Augila complex, and the El Feel (Elephant) field.

The programme aimed to boost total capacity by 775,000 bpd from existing fields. According to MEES, Libyan officials have continued to encourage foreign companies to invest in EOR techniques to avoid a fall in production, but oil companies have said, given the capital intensive nature of EOR projects, that a stable political situation and sound regulatory framework are prerequisite, conditions which are currently absent in Libya.

Reserve recovery rates in Libya are very low by international standards, according to the Arab Oil & Gas Journal, because of sanctions imposed by the US and the UN, which prevented the import of certain oil production equipment and new technology from the 1980s to 2004.

After the sanctions ended, many foreign companies returned to reclaim rights to their assets, including US companies Occidental Petroleum and consortium partners in the Waha (Oasis) Oil Company (ConocoPhillips, Marathon, and Hess). In 2012, Waha, announced a field development plan to increase capacity at their fields to a total of 500,000 bpd. However, as of early October 2013, Waha's production, which is typically around 330,000 bpd of crude oil, had been almost completely halted as a result of protests at the Es Sider port.

> Libya is looking to the international export community for much needed technology and expertise to revitalise its energy sector.

Managing Libya's oil & gas industry

Before the 2011 Revolution, Libya's oil industry was run by the NOC, which was responsible for implementing Exploration and Production Sharing Agreements (EPSA) with International Oil Companies (IOCs), as well as its own field development and downstream activities.

Its subsidiaries include the Sirte Oil Company and the Arabian Gulf Oil Company (Agoco), the profile of which was elevated by its relatively independent action during and after the conflict between Gaddafi and the opposition. After Gaddafi's removal, the NOC and the Energy Ministry, with a new leadership, became the main decision makers in the oil and natural gas sectors.

In the short term, IOC involvement in Libya will depend on resolution of the current political issues, operational security, and new regulatory legislation that is enacted in the future. Since 2011, Libyan officials have often attempted to reassure IOCs that they would honour the sanctity of existing contracts, while also reserving the right to review and revise those contracts that were secured through corrupt practices.

Oil production

In 2012, Libya produced 1.37 million bpd of crude oil, up from an average of 500,000 bpd in 2011. Prior to the onset of the Revolution in 2011, Libya had been producing an estimated 1.65 million bpd of mostly high quality light, sweet crude oil. Production had increased for most of the previous decade, from 1.4 million bpd in 2000, to 1.74 million bpd in 2008, but remained well below peak levels of more than three million bpd achieved in the late 1960s.

The US Energy Information Administration (EIA) estimates that Libya's current effective production capacity is slightly below 1.6 million bpd. Effective production capacity is defined as the amount of production that could come back to markets within a year. It takes into account permanent or prolonged production loss due to the degradation of oil fields and damage to operational components that would take longer

Committed to our partnership with Libya.

bp

than a year to repair, which is dependent on the financial, security, and political situation.

Some production was compromised from the prolonged closure of fields during 2011, but a vast majority of production was restarted and restored quicker than most industry analysts expected.

In early 2014, Libya went through another crisis that crippled its oil sector. What began as labour related protests for higher salaries and better work conditions, evolved into more politicised issues such as regional autonomy and allegations of corruption. Protests at major oil loading ports during July and August 2013, in the central and eastern regions of Libya, forced the complete or partial closure of oil fields linked to the ports.

Exporting Libya’s oil

During the Revolution, crude oil exports plummeted to average below 400,000 bpd for the year, based on trade data from Global Trade Atlas and APEX Tanker Data. Exports recovered in 2012, to average roughly 1.25 million bpd. For the first half of 2013, crude oil exports averaged around 1.1 million bpd, but when production outages escalated, exports fell to 830,000 bpd in July and 445,000 bpd in August.

Typically, the vast majority of Libya's crude oil is sold to Europe, with Italy being the leading recipient. In 2012, roughly 71% of Libya's crude exports were sent to Europe; the leading single recipients were Italy, Germany, France, and Spain. The US restarted imports in 2004, after sanctions were lifted. The US imported 56,000 bpd in 2012, which was only about 0.6% of total US oil imports during that year.

Oil refining

There are currently five domestic refineries in Libya, with a combined crude oil distillation capacity of 378,000 bpd. By far the largest of these is Ras Lanuf, with a 220,000 bpd located on the Gulf of Sirte in the central eastern region, which opened in 1984, and is fuelled by output from the Sarir and Messla fields, operated by Agoco. This is operated by the Libyan Emirati Refining Company (LERCO), a joint venture between the NOC and a Dubai based business conglomerate, Al-Ghurair.

Libya’s second largest refinery is at Zawiya producing 120,000 bpd, close to Tripoli. It is operated by Zawiya Oil Refining Co., a subsidiary of NOC, and principally refines production from fields located in the southwest of the country. As part of its planned US$60 billion investment in expansion of downstream activities, the NOC plans to upgrade the refinery's capacity to 380,000 bpd.

The three smaller refineries are Tobruk, in the east of the country, which has a capacity of 20,000 bpd and is operated by an affiliate of Agoco; Sarir producing 10,000 bpd, which is also operated by an affiliate of Agoco; and Marsa al-Brega, the oldest refinery in Libya producing 8,000 bpd, which is operated by Sirte Oil Company.

Natural gas

As with its oil sector, the natural gas industry recovered in 2012, but production still remained below pre-2011 levels. Libya's rank as a producer and reserve holder is less significant for natural gas than it is for oil. Most of its natural gas production is exported to Italy via pipeline.

As of 1 January 2013, Oil & Gas Journal estimated that Libya's proven natural gas reserves were 1.56 trillion cubic metres, making it the fourth largest natural gas reserve holder in Africa.

The natural gas sector is mostly state run, by the NOC and its Sirte Oil Company subsidiary. IOCs are less involved in natural gas production than they are in oil production, although Eni, the major Italian oil & gas producer, is a notable exception due to its stake in the large Western Libya Gas Project (WLGP).

Libya's natural gas production and exports increased considerably after 2003, with the development of the WLGP and the opening of the Greenstream pipeline to Italy. The WLGP is operated by Eni and NOC through the Mellitah Oil & Gas joint venture, and accounted for most of Libya's natural gas production growth after 2003.

Greenstream

Libya's capacity to export natural gas increased dramatically after October 2004, when the 590 kilometre Greenstream pipeline came online. The pipeline starts in Mellitah, where natural gas, piped from the onshore Wafa and offshore Bahr Es Salam fields, is treated for export. It runs underwater to Gela, on the island of Sicily, and flows onward to the Italian mainland.

The Greenstream pipeline is operated by Eni in partnership with NOC. According to PFC Energy, a global oil & gas consultancy, total capacity is 11 billion cubic metres per year, since the most recent capacity expansion. Natural gas exports via Greenstream were completely suspended for nearly eight months from March to mid October 2011. Exports partially recovered to 6.46 billion cubic metres in 2012, albeit lower than the 2010 level of 9.4 billion cubic metres, according to the BP 2013 Statistical Review.

Regulating Libya’s oil & gas sector

The licencing authority is the Secretariat of Petroleum Affairs. Since 1973, petroleum rights have been granted under a series of production sharing agreements. Decision number 10 of 1979, allowed the NOC to enter into agreements with foreign companies. There have been three exploration and production sharing agreements issued.

Libya is considering changing the 40 year old hydrocarbon legislation to improve terms for foreign investment. The amendments which it is considering include: access to exploration acreage, small field development, large field incremental production opportunities, increased transparency, and adoption of international competitive bidding practices.

Infrastructure renewal creates huge opportunities

Infrastructure improvements on a huge scale represent an outstanding opportunity for British business, as Libya seeks to use its expanding oil revenues to diversify its economy, provide basic health and education services, and upgrade transport, water and security infrastructure.

Rebuilding Libya's infrastructure will take at least ten years, according to the Head of the Libyan Stabilisation Team at the country's National Transitional Council (NTC). Libya's infrastructure was in a poor state even before the Revolution due to "utter neglect", the Head of the team, Ahmed Jehani, told the BBC in a recent interview. The first priority must be to unfreeze Libyan assets held abroad, which total more than US$100 billion, he added.

Many international companies have already secured large infrastructure contracts, amongst which are construction projects worth more than US$50 billion over the next three years. In the utilities sector in particular, international companies are currently delivering multimillion dollar contracts for drinking water networks, sewerage systems, desalination plants and power transmission lines.

The UK Government is eager to increase the involvement of British companies in Libya, and aims to double the UK's share of Libyan trade from 5% to 10%. There are a number of factors favouring British involvement, foremost of which is the UK's role in the military intervention during 2011, which has generated political goodwill between the two countries.

In addition, the UK and Libya have enjoyed strong informal and cultural ties, with a large number of Libyans coming to the UK for higher education. Another advantage is that unlike many North African states, Libya is not Francophone and the language of business is English.

Among opportunities identified, public housing is a top priority. There is a housing shortage of some 900,000 units (exacerbated by high levels of homelessness following the 2011 conflict). Electricity

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Parsons Brinckerhoff is a leader in developing and operating infrastructure around the world, with approximately 14,000 employees in 150 offices dedicated to meeting the needs of clients and communities in the Middle East, Europe, Africa, Americas, Asia and Australia-Pacific regions. With over 50 years in Libya, Parsons Brinckerhoff offers skills and resources in strategic consulting, planning, engineering, programme/construction management and operations for all modes of infrastructure including transportation, rail, highways, power, buildings, water and the environment.

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distribution is another priority area, together with a wide range of hospital and education projects. In addition to that, only about half of the country's 80,000 kilometres of roads are currently paved.

There are a number of major challenges and risks, however, which face British companies eager to embrace the opportunity, with both contract frustration and regulatory instability representing difficulties. Libya currently lacks expertise in developing proposals and the tendering process which could complicate business relationships, although UKTI is working with Libyan partners to develop these capacities.

In terms of security, Libya has managed well, in view of only recently having emerged from a ruinous civil conflict. However, security infrastructure remains weak and autonomous militias continue to compete with security forces for control in some urban centres. In addition, there is a danger of traffic accidents, as a sense of new found freedom among Libyans translates into a disregard for the rules of road.

Libya has been going through a great redevelopment in terms of rebuilding activities since the 2011 Revolution. With an average GDP growth rate of 6.2% per annum since 2003, Libya is among the fastest growing economies in North Africa and its GDP of US$92.62 billion, equating to US$14,100 per head (2011), is by far the highest in North Africa, reflecting the relative wealth of the country.

This strong economic performance primarily results from the all important oil & gas sector, which regularly accounts for over 30% of GDP. Profits from this strong economic growth are, and will be, mostly invested in infrastructure, domestic construction, health and tourism.

After years of the UN embargo, diplomatic ties between the West and Libya have been fully restored and Libya is once again today an attractive country for international trade and investment. The favourable conditions include the tax and tariff exemption granted to foreign investors under certain circumstances.

Investment opportunities are abundant: as the Government aims to invest about US$50 billion a year in infrastructure projects over the next few years. Even if only a fraction of this spending is achieved, it still represents huge opportunities for civil engineering projects in the general infrastructure sector.

> Investment is focused on large urban hubs in the country, with the capital, Tripoli, remaining the key centre for investment.

Additionally, the growing population, of which 50% is under the age of 20 years and the booming economy, guarantee high growth rates in the construction sector in the coming years. Investment is focused on large urban hubs in the country, with the capital, Tripoli, remaining the key centre for investment. However, the Government has turned its attention to two other cities, Benghazi and Misrata.

Within the construction sector, Libya is currently viewed as the number one growth market in Africa and the GCC region. Years of international isolation have left the country underdeveloped in all aspects of its infrastructure.

As a result of this problem, the Libyan Government plans to invest around US$100 billion in infrastructure, under the National Development Plan, comprising comprehensive improvement to public housing, roads, rails, ports, hospitals, schools, and the utility infrastructure. The size of the construction market is expected to grow from US$3.8 billion in 2010 to US$6.12 billion in 2014.

Among recently announced projects has been the development of a new five star Corinthia hotel in Benghazi, along with related office, retail and leisure space. International Hotel Investments plc. (IHI) has entered into an agreement with the Libyan Foreign Investment Company (LFICO) to set up a joint stock company which will own the mixed use development.

This project, located on a prime seafront site in Libya's second largest city and due for completion in mid 2017, will comprise the 259 room hotel, together with 10,000 square metres of office space, 2,000 square metres of retail space, two restaurants, meeting rooms, banqueting halls, a spa and a business centre. Benghazi is home to an extensive petrochemical sector and this project is part of plans to enhance and expand the city's facilities.

In another example, a US$31 million contract to improve and upgrade infrastructure and utilities in the eastern town of Cyrene is being extended by the local authority, with its value set to more than double. Italian contractor Ravanelli anticipates the project having a final value in excess of US$78 million. This contract, with the Cyrene Housing and Infrastructure Board (HIB), is for a range of projects including drainage systems, telephone ducting, roads, pavements and street lighting.

Ravanelli has been working in Libya since 2008, after winning a US$158 million contract for similar work in Tobruk. One of the first

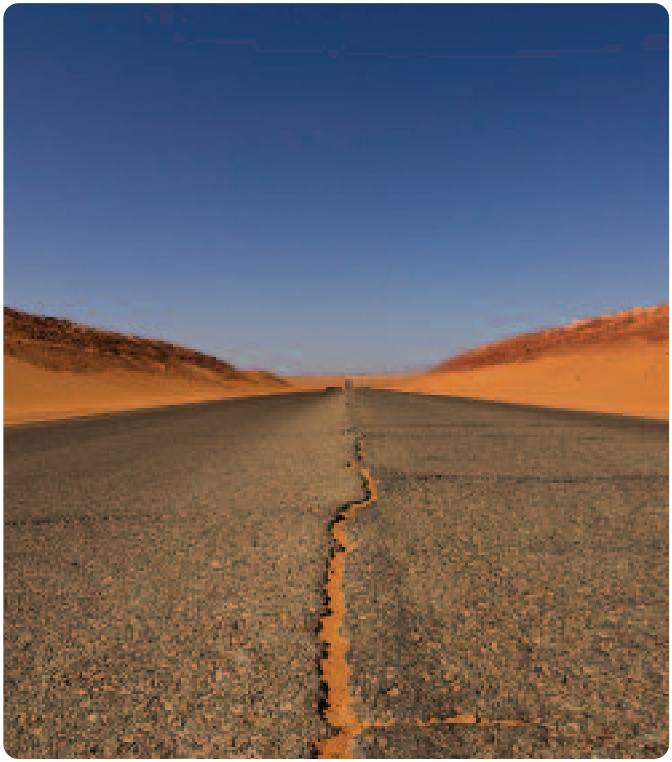
Italian companies to return to work after the Revolution, Ravanelli restarted its activities in August 2012. In October 2012, Ravanelli signed the US$32 million contract for works in Cyrene and, more recently, has acquired two further contracts in Tobruk, for US$3.6 million. On a larger scale, AECOM, the US based engineering consultancy, announced in December 2013, that it had signed an agreement with the HIB, authorising work valued at US$209 million over a 25 month period. This agreement establishes AECOM as the lead programme manager for the HIB, for all urban areas throughout the country.

AECOM, which led the HIB's housing and infrastructure programme from 2007, until it was suspended in 2011, becomes overall programme manager of the HIB capital budget, a comprehensive housing and infrastructure development programme aimed at creating an enhanced environment for its citizens and visitors and currently valued of more than US$36 billion.

As the programme expands and will become fully re-established, the HIB capital budget programme is expected to exceed US$100 billion, as it addresses critical needs throughout the country. In addition, AECOM will become the main advisor to the Ministry of Housing and Utilities (MHU), which oversees the HIB and other agencies, with responsibility for ensuring that common systems and standards are applied to similar projects in other MHU agencies.

Priority sectors for the National Development Plan include, building and construction; transport and communications; water and environment; power and electricity; and safety and security. These sectors are benefitting from huge budget allocations and are providing wide ranging opportunities to the international export community capable of delivering technology and expertise to this challenging market.

- Housing - 70,000 units a year are needed to keep pace with the growing population.
- Road and bridge building - including 2,000 kilometres of road improvements.
- Power and electricity - the power sector is set to double in terms of output from 4,700MW to 9,700MW within the next five years at a projected cost of US$7.5 billion.
- Water and sewerage projects - US$6 billion has been allocated to waste water systems and management.
- Social services sector - the construction and equipping of schools and hospitals.
- Seaports renovation - there are ambitious development plans to bring the ports and logistics network up to international standards in terms of design, equipment and efficiency.



- Airports construction – a new terminal at Tripoli International Airport is under construction, and new airports in Benghazi and Misrata are a priority.
- Safety and security – integral to all new projects are industrial and commercial safety and security issues. Equipment and technology for general health and safety; CCTV, access control, perimeter security, fire safety and security, are fundamental to all new project development.
- Tourism – dramatic growth in hotel construction is forecast to increase the number of beds to 10,000 as part of a US$7 billion tourist development plan.

As evidence of the progress being made, Libyan Transport Minister, Abdel Qader Mohamed Ahmed Al-Ayib, said in a recent interview that 12 major roads and 85 access roads are currently under construction across the country, while an agreement has also been reached with a French firm to start the construction of a new international airport in Tripoli.

"We have also signed agreements to begin four projects for the maintenance and development of the sea ports at Zawarat, Sirte, Tripoli and Derna," he added.

"In the air transport sector, work has started on the development of the airports of Benina and Benghazi and five other airports at Tobruk, Martouba, Kufra, Al-Abrik and Ghat.

Libya offers excellent business opportunities in private infrastructure projects, most importantly in the construction of numerous industry and tourism projects, and office space, which is in substantial undersupply, particularly in the international A-grade sector. International companies are especially well positioned to profit from the construction market, due to the increasing need of specialist skills in sustainability.

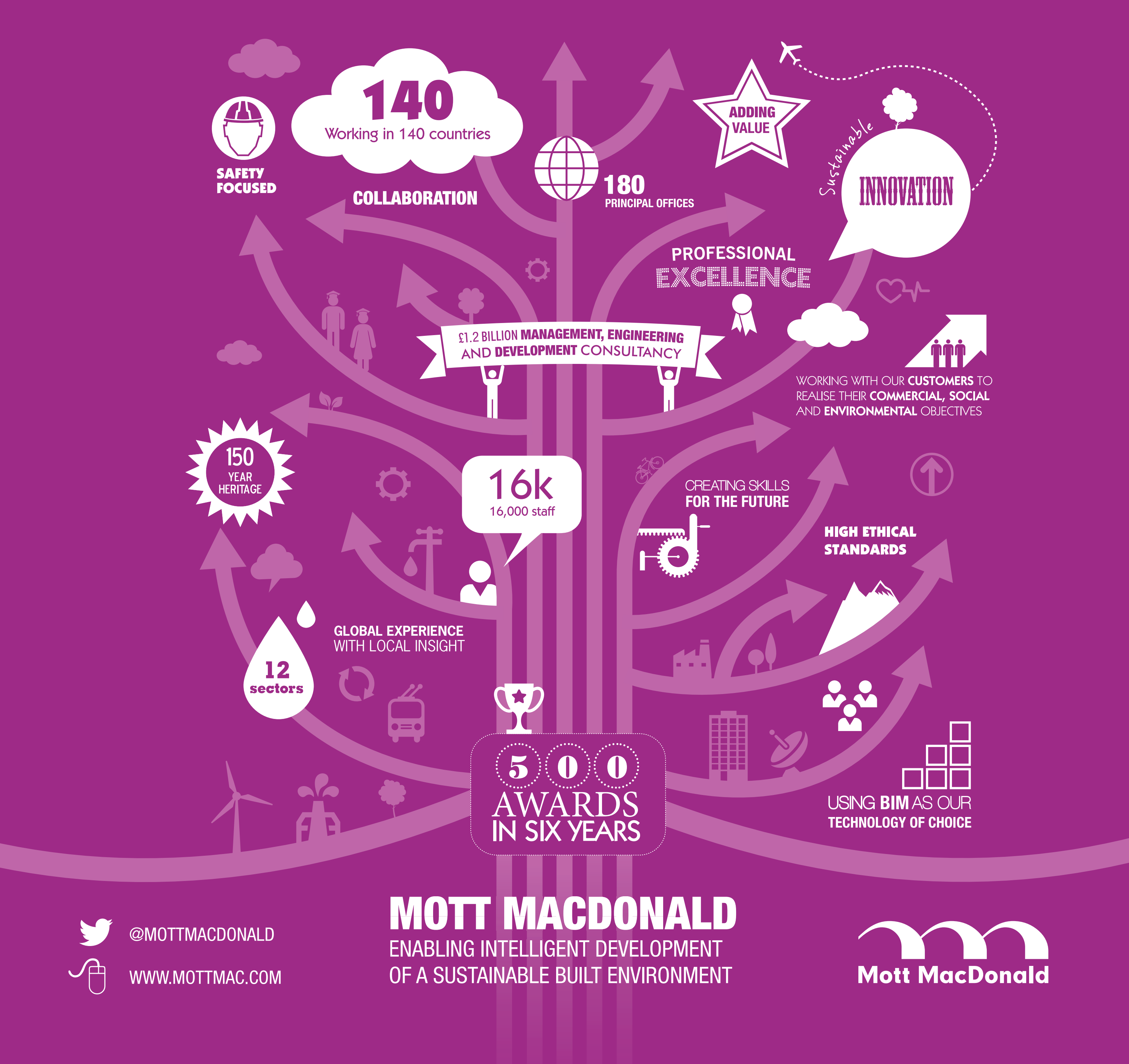
Mott MacDonald Group: delivering solutions worldwide

Mott MacDonald Group is a diverse management, engineering and sustainable development consultancy adding value for public and private clients on agenda-setting, next-generation projects worldwide. We use our ingenuity to save our customers money and time, reduce risks, increase efficiency, maximise sustainable outcomes and advance best practice.

With a strong tradition and legacy of providing consultancy services in northern Africa, our roots go back 120 years to projects undertaken by Sir M MacDonald & Partners. More recently in Libya we have been helping deliver projects in the transportation (ports and airports), water, buildings, power, telecommunications and oil and gas sectors. We're providing pre-feasibility studies, commercial due diligence and technical support to mainly public sector clients to assist in the restart and development of key infrastructure initiatives to rebuild Libya. These include our appointment by the Ministry of Planning to undertake technical due diligence of three airport projects in Tripoli, Benghazi and Sabha. We're using our experience and knowledge in a broad range of engineering disciplines and technologies, combined with our contractual and commercial awareness and understanding of operational requirements to establish what is needed to complete redevelopment.

Our broad service offering and global expertise is recognised by a wide range of public and private clients and has led to us providing technical and contractual advice across the north African region. We evaluate the various aspects of our projects and draw these together to identify critical issues and solutions. We work collaboratively with project partners and government organisations in order to enable successful delivery.

Recent commissions in Libya have involved feasibility assessments, masterplanning, infrastructure assessment and design. Mott MacDonald has also been supporting government agencies and utilities companies in building up the necessary skills to operate infrastructure sustainably. We aid capacity building, working closely with clients and other delivery partners to train municipal and private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Our global vision, mission and values guide and underpin everything we do. Our staff operate by our PRIDE values – Progress, Respect, Integrity, Drive and Excellence – a rigorous ethical code that is a condition of employment for all who work for us. This governs our collective approach to customers and stakeholders, underpins the technical quality of our work and makes explicit our opposition to unethical behaviour.

We're committed to helping Libya achieve its ambitions and see a long term future for Mott MacDonald in the country. Huge investment across all core sectors is required and we believe that through our broad range of skills and with international inward investment, we can play an important role in improving the quality of life for people across the country.

In Libya we trade as Mott Hay & Anderson International Ltd, a wholly owned subsidiary of Mott MacDonald. We have a fully registered international office in Tripoli which is managed by both local and international staff. As we continue to re-establish and grow our presence in country we will continue to pursue our policy of employing Libyan nationals and sub consultants, providing local opportunities for local people. Combined with the support of the global company and the depth and breadth of skills and services this offers, we can offer clients comprehensive multidisciplinary services.

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Managing construction risk

Hill International

Hill International, with 4,100 professionals in 100 offices worldwide, provides programme management, project management, construction management, construction claims and other consulting services, primarily to the building, transportation, environmental, energy and industrial markets.

Engineering News-Record magazine recently ranked Hill as the ninth largest construction management firm in the US. Construction is one of the world's most difficult and challenging endeavours, and big projects carry big risks. One mistake in any of the thousands of different tasks on a project can cause serious problems and result in serious schedule delays and overrunning costs. With the financial stakes so high, it is critical that every step of the project be managed carefully.

Hill is one of the premier firms in the world, helping clients manage their projects and programmes more effectively, so that they are finished on time, within budget and with as few claims as possible. Whether the project is a high speed rail line or a high rise office building, we provide our clients with a full spectrum of services, including programme management, project management, construction management, project management oversight, troubled project turnaround, staff augmentation, project labour agreement consulting, and estimating and cost management services.

Having participated in over 10,000 project assignments with a total value of over US$500 billion, Hill has managed all phases of the construction process, from concept to completion. Hill is proud to be active in Libya and part of its university development initiative, assisting with the construction of the new Tripoli University (1.66 million square metres), which, will be the largest and most respected institute of higher education in Libya.

Expansion of the university include new facilities, extensions to existing facilities and general infrastructure improvements to support the facilities upgrade. Hill has also assisted with the construction of 25 new university campuses throughout Libya. These facilities are to accommodate from 2,500 to 13,500 students in various regions of the country. The design of each campus is unique and reflects each region's inherent history, culture and environment. The programme's total construction cost was estimated to be between US$3 billion and US$5 billion.

25 New University Campuses
Libya

Libya commits to upgrading its transport infrastructure

Overview

Libya badly needs major improvements to its transport infrastructure, and Government officials recognise the overriding need to establish good quality road, rail and air links as part of the country's economic transformation post the 2011 Revolution.

In a recent interview, Abdel-Qader Mohamed Ahmed Al-Ayib, Minister of Transportation, spoke of his Ministry's vision and an investment road map that called for spending of US$40 billion. He acknowledged that some projects had stalled, but spoke of a renewed sense of optimism.

"Some companies have already restarted their projects," he explained."Some of them are waiting to renegotiate their contracts according to the new conditions. We have Aeroports de Paris (ADPI) that has started its project for the Tripoli International Airport. We also have the Canadian company, SNC Lavalin, which will build the new Benina International Airport in Benghazi".

The Minister estimates that to upgrade the infrastructure and the transportation sector in the country at least US$40 billion will have to be spent. At the end of his term of office Mr Al-Ayib wants to see "the railway up and running and also the main three airports in Tripoli, Benghazi and Sabha established. I would also like to see the underground projects in Tripoli and Benghazi at least in the Budget for 2014".

Opportunities

Given that Libya has the largest oil reserves in Africa and that oil production is back to its pre-Revolution levels, it has the necessary funds to translate the vision of a modern infrastructure into reality, thus presenting potential opportunities for foreign specialised contractors and consultants. Given the UK's early support of the Revolution, there is an element of goodwill towards UK companies doing business in Libya (both generally and in respect of infrastructure projects).

Even though UK companies are very well placed to get involved in infrastructure and railway projects, there are a number of challenges that companies wishing to do business are likely to face such as:

- Uncertainty in respect of continuance of historic contracts
- Uncertainty as to Libya's budget
- Uncertainty as to when actual decisions relating to infrastructure projects will be made
- Evolving and very fluid and hence uncertain legal environment
- Security

Historically, Russian and Chinese contractors have profited from infrastructure contracts, but as a result of the Revolution, the majority of contractors utilised force majeure provisions and the fate of contracts that are currently suspended remains uncertain.

> Officials recognise the overriding need to establish good quality road, rail and air links as part of the country's economic transformation post the 2011 Revolution.

There are reports estimating that a total of 11,000 contracts are currently under review by the authorities, to assess whether these were duly awarded at the time. It is unknown to what extent infrastructure contracts fall within this figure and the timeline for completing this review is equally uncertain.

In a review of transport activities during 2013, the Transport Minister said that more than 400 projects had been started or restarted. Among these were a dozen major road projects, as well as scores of maintenance projects and new bridges, four port maintenance projects, at Zuwarah, Sirte, Tripoli and Benghazi, with tenders planned for further work in Tripoli and Sirte and maintenance tenders for the ports of Benghazi and Derna.

Roads

The principal road is the 1,700 kilometre national coastal highway between the borders of Tunisia and Egypt. The Sabha road runs from the coastal highway at Abu Qurayn, midway between Misrata and Sirte, south and southwest to Ghat near the Algerian border. Other national roads run from Tripoli to Ghat and Sabha and from Ajdabiya to Kufra.

There are about 83,200 kilometres of roads in Libya, 47,590 kilometres of which are surfaced. There are 234 out of 1,000 Libyans with cars, which is the highest rate in Africa. The best roads run along the coast between Tripoli and Tunis in Tunisia; also between Benghazi and Tobruk, connecting with Alexandria in Egypt.

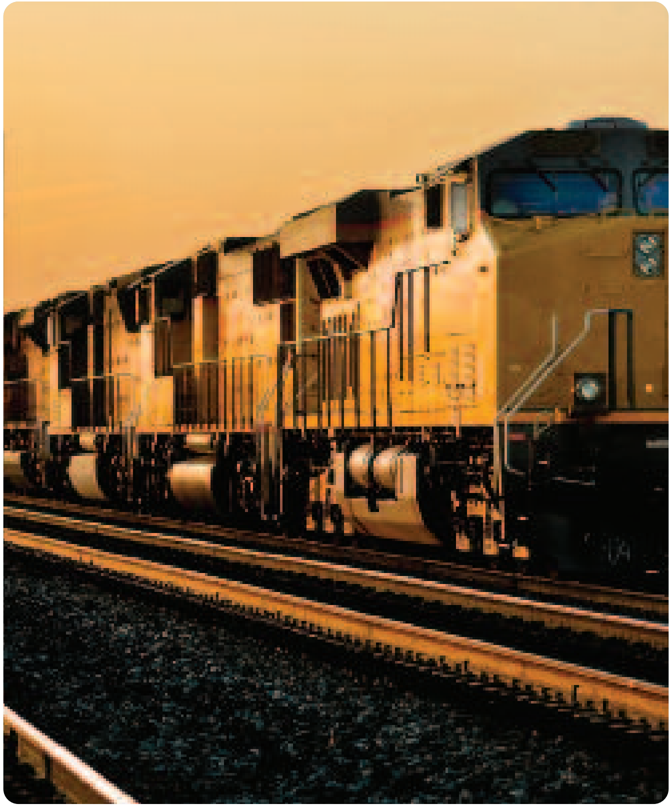
Buses

A fairly efficient bus service operates along these major routes, with direct services linking Libya with Tunisia and Egypt. Bus fares in Libya are low and the standard of comfort, particularly on these international routes is good, with air conditioned vehicles and good service.

Within urban areas, however, there have not been any public bus services since the 1970s. But with Libya hosting the 2017 African Cup of Nations, the Ministry of Transport recognises the urgent need for organised urban public transport and is now looking at a nationwide bus network, to be established as a private sector venture or on a Public Private Partnership (PPP) basis.

Railways

Libya has had no railway in operation since 1965, all previous narrow gauge lines having been dismantled, so the country lags behind neighbouring countries such as Tunisia and Egypt. Libya had plans for a 3,170 kilometre national rail network. This was shelved following the Revolution but recent reports in the Libyan press refer to the potential



resumption of the US$4.5 billion project to link Benghazi and Sirte with a 554 kilometre line.

Plans for a new network have been under development for some time (earthworks were begun between Sirte and Ras Ajdir, Tunisian border, in 2001-2005). In 2008 and 2009 various contracts were placed and construction work started on a 1,435mm standard gauge railway, parallel to the coast from the Tunisian border at Ras Ajdir to Tripoli, and on to Misrata, Sirte, Benghazi and Bayda. Another line will run inland from Misrata to Sabha at the centre of a mineral-rich area.

In June 2013, the Libya Rail Implementation Authority met the China Railway Construction Corporation (CRCC) to discuss ways in which to reactivate stalled projects. The Chinese company has contracts to build various lengths of the railway from Tripoli to the Tunisian border of Ras Ajdir and Tripoli to Khoms, Sirte and Sabha. Transport Minister, Abdel-Qader Mohamed Ahmed Al-Ayib, has also held talks with the Russians about restarting contracts previously awarded.

Libya's US$12 billion railway scheme was split between Russian Railways (RZhD), tasked with building the line between Sirte and Benghazi, and the CRCC. The Chinese were awarded a contract in 2008 to build the line from Sirte to Khoms and then on to the Tunisian border at Ras Ajdir. The Chinese also won the contract to build the 800 kilometre line between Misrata and Wadi al Shatii near Sabha.

The railways project, which was thought to have been stalled after the Revolution, is now also being actively supported by Congress. In February 2013, General National Congress (GNC) spokesman, Omar Hemidan, said that it had tasked its Communications and Transportation Committee to choose a President and Vice President for the railways implementation project.

Ports

Tripoli is the main port, and Tripoli and Benghazi together, handle most of the country's maritime trade. Tripoli handles the bulk of the imports, particularly those associated with the oil industry and the booming trade in consumer goods. There is also an important port located at

Tobruk, whilst others include Abu Kammash Port, Bouri Oil Terminal, Derna Port, Marsa El Brega, Khoms Port, Marsa al-Hariga Oil Terminal, Misrata, Ras Lanuf Oil Terminal, Ras Lanuf Port, As Sidrah Port, Zawiya Port, Zwitina Port and Zuwarah.

The port of Tripoli covers an area of almost three square kilometres and is on the western shores of Libya, about 170 kilometres from the Tunisian border. It is protected by two breakwaters, and handles around 600 vessels a year. To the east of the country, the port of Libya's city, Benghazi, handles bulk cargo, general cargo and container traffic, while 250 kilometres east of Tripoli, the port of Misrata sees around 200 vessels a year and handles petroleum and container traffic in addition to general cargo.

A significant issue, common to all major ports, is they are public sector managed, working a seven hour day, five or six days a week, while most other ports in the world are 24 hours a day, seven days a week operations. This is principally a labour issue, but is something which needs to be addressed.

Airports

The vast majority of international flights into Libya arrive at its two international airports, Tripoli International Airport or Benghazi Benina Airport. A small number of flights also use Tripoli's Metiga Airport and Sabha's airport. The Libyan Arab Airlines and foreign airlines, operate domestic flights and services to countries in the Middle East and North Africa and to several countries in Europe. There are also domestic flights operated by the oil companies.

A range of projects are underway to upgrade the country's airport infrastructure, including work on a new terminal building and new runway lighting at Benina Airport. Work has also been taking place at a number of smaller airports, including those at Tobruk, Martouba, Kufra and Ghat. Meanwhile, ADPIs subsidiary has resumed its work on upgrading Tripoli Airport and Libya should soon be able to boast a modern radar system for use by air traffic control, operated jointly by the Transport Ministry and the Air Force.

Outlook

As in other emerging markets, carrying out business in Libya and mobilising the necessary manpower to complete large infrastructure projects is not straightforward. Recent changes in the law have made it more difficult for foreign companies to enter the Libyan market by, for example, introducing foreign ownership restrictions which do not allow foreign companies to hold more than 49% of the shares in a local Libyan company.

However, Libya has the vision and funds to create modern transportation infrastructure and certainly needs foreign expertise to implement it, so there are a wealth of potential opportunities for British companies with the right skills and experience, along with an appreciation of the local market conditions, to secure work.

Targeting new standards in healthcare

Levels of healthcare in Libya are poor by international standards and badly in need of substantial new investment. Following the Revolution in 2011, expectations of Libyans in regards to the standard of living that they require and the kind of health service they should enjoy have risen immensely. And there is great pressure on the Government to improve the health sector.

Four decades of poor management, corruption and neglect, together with an exodus of good doctors overseas, has left Libya with a third world system of public healthcare where centralised rather that localised planning has led to waste and inefficiencies.

Healthcare in Libya has not always been in such a parlous state. Before the Revolution, the country could boast the highest Human Development Index (HDI) in Africa. Discovery of oil & gas in the late 1950s had transformed the country from one of the world's poorest, dependent on foreign aid, into one of the richest in the region, while on a per capita basis it was the third richest country in Africa.

Since the discovery of its hydrocarbon wealth, Libya has shown continual progress in healthcare, with key achievements being, near universal coverage in its childhood immunisation programme and its achievement of close to 100% rate of attended births in hospital. World Health Organisation (WHO) figures show that Libya also has the highest number of hospital beds per capita in the region.

While all Libyan citizens enjoyed an all encompassing healthcare package that was technically free at the point of use, there has been concern about the quality of services provided.

Together with a general distrust of public facilities, this meant that a multimillion dollar medical tourism industry developed into neighbouring countries, wealthy Libyans will always go to Tunisia for treatment, for example. As a result, out of pocket expenditure on healthcare is thought to be closer to 20% than the Government figure of 12%.

Symptomatic of poor management and allocation of resources was the procurement by the Libyan Ministry of Health (MOH) of a Positron Emission Tomography (PET) scanner, a medical research and diagnostic tool used mainly in the field of oncology. The grand opening for the multimillion dollar scanner was broadcast on Libyan state television, to much fanfare but, since that day, it has remained locked in a room unused due to a lack of technical expertise to operate the machine.

"Existing hospitals and health facilities need urgent solutions and renovation - that is what we are doing", said Health Minister Nureddin Dughman in an interview with the Libya Herald. There has been much invisible work done in maintenance and renovation", said the Minister explaining that US$80 million has been spent recently. "We are also building health centres where none had existed before. This all contributes to the improvement of basic healthcare in Libya".

On the one hand, the state is expected to invest hugely, in the billions, in order to upgrade the old dilapidated system and provide healthcare that is appropriate for a country of Libya's GDP in 2013. In 2012, US$1.87 billion was spent on the war wounded and healthcare for Libyans abroad, according to Ministry of Health figures published by the Libya Herald, and the 2013 total was expected to be about US$800 million.

"We have signed an agreement with the EU to establish a Health Service System a few months ago. This will be a four year programme aimed at establishing a Libyan Health System. There will be a workshop held for the medical sector to discuss the various contending approaches and hopefully come out with what will best work for Libya", Dughman explained.

"This will include topics such as medical ethics and training and the workshop will hopefully come up with a framework for the future to present to the General National Congress (GNC)", the Minister added. Equally, under the new Libya, the private sector is expected to expand at great speed now that it is free to play its full role in the new Libyan economy.

With regard to private sector healthcare in Libya, Minister Dughman hoped "that the private health sector in Libya will develop like that in Tunisia and Jordan and be able to compete with them. I hope that it can launch health tourism in Libya, attracting visitors from neighbouring countries".

Opportunities

Libya's healthcare sector has suffered from neglect and mismanagement for over 40 years, despite many Libyans earning degrees in medicine and healthcare in universities around the world.

> Expectations of Libyans in regards to the standard of living that they require and the kind of health service they should enjoy have risen immensely.

The sector has not been able to keep pace with the demand and needs of the Libyan people, or with other countries in the region.

Since the Revolution ended, however, Libya is keen to rebuild this vital sector as quickly as possible, and to show the Libyan people that progress is being made quickly. Healthcare is one of the key pillars of effectiveness for any Government, and expectations of the people are already high.

As a result of the Revolution, many qualified Libyan doctors left the country. This has led to many unqualified people entering the medical field, and has even allowed some health providers to practice without licences, creating obvious attendant dangers.

The absence of a governing body to protect patients, doctors, or health service employees has significantly damaged the healthcare system in Libya, further necessitating its urgent reform. Libya faces a critical shortage of the well trained healthcare technical specialists and experienced managers, who can administer and supervise the effective delivery of services, as well as a fundamental deficiency of devoted doctors, nurses, and technicians.

Only a very few people have an MBA or other advanced degree or formal training in health service management. This wholly inadequate pool of qualified managers who could spearhead healthcare sector administration improvement, is consequently unable to meet the country's vital needs.

Another crucial problem is that too many hospitals in Libya are old, badly equipped and maintained, and have too many critical staffing issues. All of these problems are a result of the lack of effective policies and of efficient management, which played a major role in the current deterioration and deficiency of Libya's health system, and the limitations of the MOH itself.

The American Libyan Chamber of Commerce and Industry (ALCCI) is one organisation focused on finding American companies which can help rebuild the sector, and quickly assure availability of world class services in Libya. Its aim is to eliminate existing gaps in healthcare services, and to restore the necessary infrastructure.

ALCCI believes the US's innovative world class medical and healthcare companies can help the Libyan Government (and the MOH) develop a partnership with the private sector to identify and implement the vital improvements needed for its healthcare sector.

To promote opportunities for investors in the Libyan healthcare market, a Government delegation visited the United States in December 2013, led by Deputy Minister of Health, Emhamed Elhemmali. They attended the Annual Meeting of the Radiological Society of North America in Chicago, and met with US companies, State Department officials and members of the US Congress in Washington DC.

The Minister said Libya was seeking US expertise to move beyond a system of what he described as "scattered hospitals and primary care without good coordination". Libyan needs, sought in the US, focused on public health administration, training, pharmaceuticals, tele-medicine, IT and hospital construction. Another member of the delegation, Dr Taher Ali Ahmed Abdussalam, Head of the Medical Supplies Organisation at the MOH, highlighted the need to devise a central system for hospitals to communicate with the Ministry on their procurement needs.

The way forward

Moez Zeiton, Director for Health Research at the Sadeq Institute, a non-profit, non-governmental think tank based in Libya, believes international help is needed to re-establish quality healthcare provision in the country: "A phased approach to rebuilding the capacity of Libya's public health structures will require technical expertise from international bodies such as the WHO," he explains.

"The best way forward is a holistic, pragmatic and evidence based approach. To do this, the MOH first needs to assess the condition of Libya's current healthcare sector by conducting a comprehensive Coordinated Needs Assessment. This will allow elected policymakers to make strategic medium and long term evidence based policy decisions.

"There are many challenges facing the Libyan healthcare sector after such a devastating conflict. However, the current situation represents an unprecedented opportunity to redefine the basis of the entire system. With its strategic location, temperate climate and strong fiscal position, there is no reason why the current trend of medical tourism to Libya's neighbours should not be reversed".

Signs are emerging that UK providers are seizing the initiative. International Hospitals Group (IHG) has won a contract to design a dozen hospitals throughout Libya and is expected to build and operate them for a five year period. Meantime, the National Association of Primary Care has signed a deal with the MOH to train healthcare workers in the country and there are moves being made by other UK providers.

Improving standards in the education sector

Libya boasts a high literacy rate of 86% and basic education has been kept free for all citizens, but its education system is badly in need of change and of investment. Restructuring the education system in Libya, all the way from primary schooling to higher education and research, represents one of the major challenges in the transformation process post the 2011 Revolution.

It also represents a major opportunity for UK business, given the desire of Libyans to learn English and the fact that a great many Libyans in business and in Government studied in the UK.

Prior to 2011, the Libyan state had been investing a significant part of its oil & gas revenues in education, yet its younger generation was not being prepared for modern day demands from employment, a factor reflected in 30% youth unemployment, at a time when five million foreign workers were employed in the country's various services sectors.

In a recent interview, Libyan Education Minister, Ali Muftah Ebaid, acknowledged a range of problems within the Libyan education system, and warned that the blockade of oil terminals could delay much needed reform of the system, as well as overdue maintenance work on around 1,500 schools.

Problems facing Libya's Education Authority extend beyond infrastructure maintenance into other key areas, such as administration and critically, the supply of good quality teachers, in a country where corruption has led to the recruitment of badly paid and only temporary Libyan teachers.

There have even been instances where a new school has opened, but recruitment of staff has not been possible due to its geographic location. "We built a new school in Tahala, which is 60 kilometres from Ghat," Mr Ebaid told the Libya Herald, "but it has not been able to take any pupils because we have been unable to find teachers prepared to commute 120 kilometres every day to and from the school".

Recruitment has been a particular issue in the case of language teachers, with a shortage of French teachers currently being addressed. While there is also a demand for teachers of the Tamazight language, to reflect the demands of the Amazigh community.

Although Libya can claim to achieve 100% success in giving nine years of basic schooling to all children in the country, there is a pressing need for substantial investment in education reform, in order to strengthen and promote key subjects such as mathematics, natural sciences, IT and foreign languages. That in turn calls for changes to

> Since the establishment of its first University in 1955, just four years after independence, Libya has fostered a strong culture of education.

teacher training at all levels of the country's education system, according to Siegfried Leffler, one of the authors of a major report into education in Libya, undertaken by a German consultancy firm, GIZ International.

The report noted that, whilst access to schooling in Libya was above the average of MENA, literacy rates were the highest in North Africa and female students were typically better educated than their male counterparts, the deficient quality of education in Libya was such that it threatened the country's future competitiveness.

"Apart from expanding access to education and deepening the skill base of the economy, Libya must address deep concerns about the quality of educational output and competency mismatches because they affect the labour market," says the GIZ report.

"Graduates, entrepreneurs and human resource managers regularly cite the lack of competencies as an important constraint to hiring Libyan graduates. An important gap exists between what kind of skills and competencies the Libyan education system currently produces and what the country needs to achieve for its development objectives".

Among key recommendations of the GIZ Report, were a change in the system from a predominantly certificate orientation to a competency orientation, exposure of students to international learning and achievement standards, for example, by introducing foreign languages from an early age, and providing a clear mechanism for cooperation between business and educational institutions to improve and ensure the adequate quality of human resource development.

At present, some 92% of Libya's annual US$3.2 billion education budget is being spent on salaries and training, which does not leave much available to be spent on infrastructure maintenance and upgrading, on books and on other classroom equipment.

For school age children, primary education is free and compulsory. Children in Libya between the ages of 6 and 15 attend primary school and then can attend secondary school for three additional years (15-18 year olds). Figures reported for the year 2000 showed 766,807 students attended primary school, while approximately 717,000 students were enrolled in secondary, technical, and vocational schools.

Private education plays a part in the Libyan education system, with around 100,000 children currently in private education, compared to some one million in the public system. The Education Minister sees a role for the private sector but is concerned that teachers in the private sector are not always paid as well as those working in the public sector.

Education Minister, Ali Muftah Ebaid recognises the short term challenges posed by the financial consequences of the oil blockade but is more hopeful for the long term, when his vision is to prepare students for life with a broader curriculum and the development of craft skills, as well as academic disciplines.

Higher Education

Since the establishment of its first University in 1955, just four years after independence, Libya has fostered a strong culture of education. In those early days, the Faculty of Arts in the city of Benghazi was the centre of the Libyan university system, but during the mid-1960s, faculties of economics & commerce, law, sciences, agriculture, engineering and education were successively opened in Benghazi and Tripoli. By the start of 2012, higher education in Libya comprised 12 universities, with a total of 160 faculties. In addition to this, there were 16 technical faculties, 81 higher technical and vocational centres and five private universities. Figures for the previous academic year (2010/11) showed some 342,000 students enrolled in Libya's universities, of whom 59% were female.

Higher education in Libya is governed by the Ministry of Higher Education and Scientific Research (MHE&SR), within which are three bodies responsible for overseeing higher education: administration for universities; the National Foundation for Technical & Vocational Education; and Administration of Private Education. Additionally, the National Centre for Quality Assurance and Accreditation of Educational and Training Institutes has responsibility for quality assurance in both public and private higher education institutions.

Funding for higher education in Libya comes entirely from the State, except at the private universities. The MHE&SR gives each university an annual budget and also allocates annual budgets to technical colleges. These budgets are agreed with each educational institution on the basis of a set of criteria including student head count, infrastructure requirements and facilities. Student fees are very low.

Libyan universities and higher education institutions maintain contact and cooperate with Arab, African and European institutions. MHE&SR gives full scholarships to some of the country's best students for them to study abroad for Masters and PhD degrees.

At present there are over 10,000 Libyan students studying abroad, in subjects ranging from medicine to engineering and economics, across more than 30 countries. In addition there are agreements between many Libyan universities and institutions abroad for joint degree programmes and for exchanges of students and staff.

Another recent report, produced by the European Commission's Education, Audio-visual and Culture Executive Agency (EACEA), noted that cooperation between higher education institutions and business and industry was very weak: "One major criticism of higher education is the failure to meet the needs of the job market and to respond to the changes of the economy in the country".

A significant step in recognising the needs of education in Libya came in September 2013 when US Ambassador to Libya, Deborah Jones, and Libya's Minister of Higher Education and Scientific Research, Mohamed Hassan Abubaker, signed a task force agreement at the campus of the University of Tripoli.

Under its terms, The US and Libya agreed to set up a higher education task force that will work to strengthen Libya's educational capacity, provide information about study abroad to Libyan students, and expand scholarships and exchange opportunities.

This new US-Libya body comprises staff of both Governments who have knowledge of bilateral affairs and/or higher education. Two working groups have been formed to address higher education partnerships and capacity building. They will also promote best practices and academic and student exchange, along with increasing scholarships and facilitating education advice, testing, English language education and visa applications.

The task force is due to operate for one year from the date of the agreement, but could have its terms of reference extended for another year at the discretion of both Governments. The first task of the working groups is to assess Libya's higher education needs and the priorities of its universities. It intends to produce recommendations and an action plan for reforming the higher education sector.

As part of the agreement, the US has started a full range of people-to-people programming and exchanges, to include scholarships, fellowships, education advice and short term visits and training in the United States. In addition, Libyan students who were scheduled to participate in the Fulbright Scholar Programme prior to the 2011 Revolution have had their candidacies restored, so Libya is sending 14 Fulbright scholars to the US.

Links with the UK are even stronger than those with the US. The Libyan Ministry of Education & Scientific Research spends more than US$215 million a year in awarding more than 3,500 scholarships a year for Libyan students to study at UK universities and there are now reckoned to be more Libyan postgraduates studying in the UK than from any other Arab country.

Key Facts

Situated on the southern shore of the Mediterranean Sea, Libya has a coastline of almost 1,800 kilometres, which extends from its border with Tunisia in the west to Egypt in the east. To the west of the country there is also a long border with Algeria, while to the south lie borders with Sudan, Chad and Niger.

Libya is a huge but sparsely populated country, with its 6.4 million inhabitants occupying 1.8 million square kilometres, which is seven times larger than the United Kingdom. It is the fourth largest country in Africa and much of its land is desert, with a contrasting climate of hot dry summers in the desert interior and cyclonic storms and rain in the north from October to March.

Around a quarter of the total population live in the capital, Tripoli, with other major population centres being the cities of Benghazi, Misrata, Banda, Zawiya and Khoms. Oil & gas exploration and production are by far the most important contributors to the Libyan economy, with Libya boasting the tenth largest proven oil reserves in the world and being the 17th largest global petroleum producing nation.

Since the Revolution in 2011, Libya has been through a turbulent phase of trying to establish a democracy and at the same time restarting and embarking on a wide range of much needed infrastructure projects to improve the country's transport links, its education and health services and the provision of services such as power and water.

The country is governed by a 200 seat General National Congress (GNC), whose President is Nouri Abusahmain. Members of the GNC were elected in July 2012, after the first free elections in the country for almost 40 years. Besides re-establishing a democratic government and restoring law and order, one of its key challenges is the establishment of a new constitution.

A central feature of the Libyan economy has been the predominance of the State, which currently employs more than two thirds of the working population. As part of the country's rebuilding, there is a real need for economic diversification and a reduced dependence on immigrant labour.

Links between Libya and the United Kingdom are strong – English is the principal language of business, large numbers of Libyans are studying in the UK and there are significant opportunities for British business to participate in the massive infrastructure renewal programme, as well as in areas such as education and healthcare.

LIBYA

Area: 1.8 million square kilometres

Coastline: Mediterranean Sea (1,770 kilometres)

Border countries: Algeria, Tunisia, Egypt, Sudan, Chad, Niger

Provinces: Tripolitania, Cyrenaica, Fezzan

Capital: Tripoli

Total Population: 6.4 million

Population of capital: 1.7 million

Main cities: Tripoli, Benghazi, Misrata, Banda, Zawiya, Khoms

Climate: Hot and dry in the summer months with cyclonic storms and rain in the north from October to March

Languages: Arabic, Berber, Tuareg

Religions: Islam 97%, (Sunni) Other 3%

Ethnic groups: Arab, Berber, Tuaregs, Tebou

Monetary unit: Libyan Dinar (LYD)

Natural resources: Oil, gas, gypsum

Major exports: Oil & gas

Major industries: Oil & gas exploration, iron and steel processing, textiles, cement

Major export trading countries: Italy, Germany, China, France, Spain, UK

Major imports: Cereals, machinery, transport equipment, consumer products

Major import trading countries: Italy, Germany, Spain, Turkey, France, China, Tunisia, Egypt

Internet domain: .ly

International dialling code: 218

Source: CIA Factbook, UN

Featured Contacts

A

AECOM: www.aecom.com

Africa Equipment Company: www.africaequipment.net

Afriqiyah Airways: www.afriqiyah.aero

Al-Ghurair: www.alghurair.com

Alhi United Bank plc: www.ahliunited.com

Allurentis Limited: www.allurentis.com

American Libyan Chamber of Commerce and Industry: www.alcci.org

Arabian Gulf Oil Company (Agoco): www.agoco.com.ly

Argan Group The: www.theargangroup.com

Arup: www.arup.com

Assaray Trade & Investment Bank: www.assaraybank.com

B

BP Exploration: www.bp.com

British Airways: www.ba.com

British Expertise: www.britishexpertise.org

C

Central Bank of Libya: cbl.gov.ly

China Railway Construction Corporation (CRCC): english.crcc.cn

ConocoPhillips: www.conocophillips.com

Corinthia Hotel: www.corinthia.com

E

Energy Information Administration: www.eia.gov

Energy Ministry: www.mbendi.comEni: www.eni.com

Ernst & Young: www.ey.com

F

Four Points Sheraton: wwwfourpointstripoli.com

G

GardaWorld: www.garda-world.com

GIZ International: www.giz.de/en/

Global Trade Atlas: globaltradeatlas.com

H

Hawki: www.hawki.co

Hess: www.hess.com

Hill International: www.hillintl.com

I

International Hospitals Group: www.ihg.co.uk

International Hotel Investments plc: www.ihiplc.com

J

JW Marriott Hotel: www.marriott.com

L

Legatum Institute: www.li.com

Libyan Airlines: www.libyanairlines.co.uk

Libya Business News: www.libya-businessnews.com

Libya Holdings Group: www.libyaholdings.com
Libya Insurance Company: www.libtamin.com
Libyan Emirati Refining Company: www.lercorefinery.com
Libyan Ministry of Health: www.health.gov.ly/web/
Libyan Petroleum Institute: www.lpilibya.com
Libyan Stock Exchange: www.lsm.ly

M

Marathon: www.marathonoil.com
Middle East Association: the-mea.co.uk
Ministry of Higher Education and Scientific Research: www.mohesr.gov.ae
Ministry of Housing and Utilities: www.hib.ly
MKE Lawyers: mkelawyers.com
Mott MacDonald: www.mottmac.com

N

National Association of Primary Care: www.napc.co.uk
National Bank of Abu Dhabi: www.nbad.com
National Foundation for Technical & Vocational Education: www.nive.gov.ae
National Oil Corporation: www.en.noclibya.com.ly

O

Occidental Petroleum: www.oxy.com

P

Petrofac: www.petrofac.com
PFC Energy: www.pfcenergy.com
PricewaterhouseCoopers: www.pwc.com

R

Radisson Blu Tripoli: www.radissonblu.com
Rixos Hotel: www.rixos.com

Russian Railways: eng.rzd.ru

S

Sahara Insurance: insurancesahara.com
Salamanca Group: www.salamanca-group.com
Sirte Oil Company: sirteoil.com.ly
SNC Lavalin: www.snclavalin.com
Standard & Poor's: www.standardandpoors.com

T

Tilden International: www.tildeninternational.com

U

UK Trade & Investment: www.ukti.gov.uk

W

Waha Oil Company: www.petroalwaha.com

Z

Zawiya Oil Refining Company: www.arc.com.ly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