Overview

Libya has been divided since 2014 between the interests of two competing governments and military forces: one recognised by the United Nations and the west; the other based on military rule in Tabruk in the east. As a result, local economic institutions such as the National Oil Corporation and the Central Bank have been hamstrung. The Government of National Accord (GNA) in Tripoli is under the leadership of the Prime Minister Fayez al Saraj, while leadership in the east is under Field Marshal Khalifa Haftar, the commander of Libyan National Army (LNA), in Benghazi. The ongoing conflict between these two groups continues to destroy the source of the country’s main revenue – the production and export of oil – as competing forces raid and blockade production facilities. Although the international community has deployed peacebuilding efforts, the interference of foreign countries and subsequent failure of political rivals to reach a sustained peace deal has devastated the economy.

In 2019, the country had a population of 6.7 million, mostly composed of young people. Just over 28 percent are under the age of 15 and 67.4 percent are under age 65, while the urban population of Libya is large, up to 80 percent. Gross domestic product (GDP) growth slowed to an estimated four percent due to lower oil prices in 2019. After declining from 12.9 percent in 2017 to 10.1 percent in 2018, inflation bounced back to an average of above 10 percent in 2019 as the result of intensified conflict in Tripoli. In 2019, the fiscal deficit worsened to 10.9 percent from 7.4 percent in 2018 as a result of lower oil prices. This deficit occurred despite a higher rate of oil production of 1.15 million barrels a day in the second quarter of 2019, up from 0.97 in 2018.

According to the World Bank, the wage bill for government employees in Libya is high, and this reflects an overall increase in state spending on salaries and additional public posts. This is linked to the use of the public payroll as a tool for political stability during the multifactional conflict. Concerns that the state payroll is used for funding private militias in Libya has prompted calls for an audit of the two central banks, the Central Bank of Libya in Tripoli and the Central Bank of Libya in Tabruk. This audit, which has been delayed since 2018, will probably take place in 2020, as announced by the Libyan mission of the United Nations.

According to Bloomberg, the delayed audit is now contributing to a deterioration of political conditions and accusations of corruption levelled against the central bank in Tripoli. The latest is a devastating oil blockade by the Libyan military commander Khalifa Haftar in January 2020, directed against the GNA in Tripoli. To lift the blockade, Haftar’s forces are demanding an audit of the central bank which they accuse of misappropriating funds and unequal distribution of state revenues.

Libya today is classified as fragile country, and ranks 110 out of 189 countries worldwide in the Human Development Index. Capital expenditure increased to 5.3 percent in 2019, up from 4.8 in 2018, but is still much lower than the 43.5 percent previously in 2010. This has left significant gaps within the social fabric and economic infrastructure.
The ongoing war has placed severe pressure on economic livelihoods. Essential services have been compromised, and healthcare in particular has deteriorated, with only 17.5 percent of hospitals being functional in 2018. Given that Libya is a water-scarce country, access to potable water is a problem. During 2018, an estimated 43 percent of the population was reliant on trucked-in water for drinking, whereas prior to 2011, most towns and villages had access to piped water.13 Moreover, at least 18 schools have been damaged since the beginning of 2020, affecting around 15,890 children.16

Housing in Libya is badly affected by continuous attacks on infrastructure and the forced displacement of residents. The number of Internally Displaced Persons (IDPs) identified in Libya increased from 401,836 in May 2000 to 425,714 in June 2020.15 This is worsened by inadequate capital spending by the government and general insecurity, which has blocked implementation of housing projects and residential building since 2011.

Prior to COVID 19, oil prices were trading at US$18 per barrel, but by mid-April the value had dropped to US$38—the first time crude oil price had fallen below zero.16 Given that the majority of revenue in Libya is derived from oil, the impact of COVID 19 has taken a high toll on the already weak economy. The fall in oil prices, coupled with the ongoing armed conflict, has definitely had a negative impact on Libya’s revenue and the overall living conditions of the population. The effect of COVID 19 is compounded by the fact that Libya has a higher risk factor of infection due to widespread population displacement and an increase in informal settlements. With the absence of adequate housing, water and health facilities, the country remains vulnerable to COVID 19.

Access to finance
The relapse of armed conflict in Libya in 2019 and 2020 has aggravated all economic sectors, including banking. All sectors of the population struggle to access to basic needs and therefore access to housing finance is almost impossible. This is complicated by the competing national political authorities as well as competing central banks: Libya Central Bank in Tripoli and Libya Central Bank in Tabruk. The international community is attempting to rectify this with an audit of the central banks, as it is widely held that the competition around control of revenue is generally responsible for fueling the civil war.

Although commercial banks constitute the majority of formal commercial activity in Libya, informal financial activities and alternative exchange rates are nevertheless in operation. This information, however, is limited, as it is difficult to access data on financial activity in Libya.

According to the Union of Arab Bank there are 16 local commercial banks in Libya, including the Libyan Foreign Bank and Al Wahada; 14 Arab banks, including Bahrain Banking Corporation and the Egyptian Piraeus Bank, and eight foreign banks, among them the British HSBC Bank.17

Prior to Libya’s conflict, there were no microfinance institutions in existence. Namaw Tamweel,18 the first microfinance institution in Libya, was created in October 2019. The institution’s mission is to finance micro-entrepreneurs. The advent of COVID 19 in 2020, coupled with ongoing armed conflict, has definitely eroded the purchasing power of average Libyans. The need for housing rentals in urban areas has risen given the increase in the number of inadequate settlements, especially in Tripoli, where most housing has been destroyed. Moreover, the banking sector is still in crisis and lack of liquidity persists.

Current prices of rentals are accelerating well beyond the affordability of an average household. The average monthly rent for a one-bedroom unit in the city-centre of Tripoli costs LD700.90 (US$99.60), while rentals outside the city are on average LD408.25 (US$59.21) a month. Rentals for three-bedroom units in the city centre are estimated at LD1,324.35 (US$944) month and LD773.01 (US$55.1) a month outside the city. Libya’s minimum wage in 2020 is LD450 (US$320). In 2012, overall unemployment was estimated at 17.7 percent.22 Owing to the political state of affairs and a disruption in business, the unemployment rate has remained high and poverty is on the rise.

The gap between production and demand of housing is not only a result of population growth but is also influenced by other factors, including legislation, as well as Libya’s isolation from the world economy. Government laws prohibited private initiatives when socialism was adopted as a political and economic system. Today the decrease in oil revenue and persistent armed conflict has contributed to a further deterioration of housing deficits.

Housing supply
Following the lift of sanctions in 2003, the then government tried to resolve the housing deficit with an ambitious infrastructure and housing project. The project consisted of a planned 200,000 housing units estimated at US$40 billion, with contracts awarded to renowned foreign companies such as AECOM.23 The programme under implementation was halted in 2011 by the new Libyan authorities.

The AECOM programme was re-evaluated in 2013 at US$100 billion US dollars and was to be relaunched by the transitional government. However, the entire programme has been on hold since then and the housing deficit has been aggravated by the political conflict and insecurity. According to Mr Mahmood Babir-Ajaj, the chairman of the Housing and Infrastructure Board, the total deficit is projected to be 500,000 units by 2020.

COVID-19 response
Given that Libya is a high-risk country due to population displacement and the presence of informal settlements, the World Health Organization revised Libya status from “cluster of cases” to “community transmission”. The Libyan National Centre for Disease Control does offer testing to COVID-19 patients.

The responses of the GNA of Libya to curb COVID-19 are mainly preventive. These include social distancing, curfews, partial lockdowns of high-risk places, school closures, and the closure of some non-essential businesses. A total curfew was imposed in July and August 2020.34 The authorities of the eastern region of the country also declared a dawn to dusk curfew.

The Central Bank of Libya in Tripoli and Tabruk did not implement any measures to reduce or address the housing interest rate, nor were any measures implemented to prohibit evictions from rented property. The GNA, however, announced a package of LD500 million (approximately US$356 million, one percent of GDP) as an emergency COVID-19 fund. As the use of these funds was not specified, it was assumed that this was aimed at supporting the health system.35 Likewise, there was no specific government response to the conditions within informal settlements during the COVID-19 lockdown. However, there was a decision to convert schools to house IDPs during the April/May 2020 GNA offensive to occupy Tripoli. This resulted in the withdrawal of the Libyan National Army away from the frontlines and the displacement of about 28,000 people from Tarhuna to Benghazi.
Property markets

The GNA in Tripoli has initiated various programmes to attract foreign investors in real estate development and restructuring. This is particularly within the Departments of Finance and Planning, the Housing and Infrastructure Board (HIB), the Economic and Social Development Fund, the Organization for the Development of Administrative Centres (ODAC), the Mayors of Tripoli and Benghazi, the Land Registry, Jumhouria Bank, and the Real Estate Savings and Development Bank. These are the main bodies involved in housing development and finance. In this respect, two international forums were held to promote the housing sector; one in 2017 and the latest in Tunisia on 5-6 February 2020. At these forums, recommendations were formulated to revise legislation, modernise the banking sector, activate the suspended land registry, and promote private sector participation in real estate development.

These recent forums were meant to complement the state reforms of the housing sector initiated by the Gaddafi government in 2006. Known as Decree 21, this new ruling attempted to open the real estate sector for international investment into local housing development. As a result, the HIB contracted private and foreign developers for property development. However, despite Decree 21 and the efforts of subsequent governments, the Libyan real estate property market is still negatively influenced by Law No 4 of 1978. This law prevented housing construction and development for profit purposes, stopped housing rents, and banned the private sector from building houses for leasing purposes.26

Ongoing armed conflict makes running a business in Libya a high risk and this is highly unfavourable for property development. Consequently, Libya is ranked 186 out of 190 economies in the World Bank Doing Business 2020 report.27 There are currently no procedures in place for obtaining a construction permit, registering a property or resolving insolvency, giving Libya a ranking of 186 for dealing with construction permits and 187 out 190 countries for efficiency in registering property, according to the World Bank Doing Business 2020 report.27 Since 2011, the ambiguity around property rights persists and banks remain reluctant to register property as collateral. In addition, the Libyan business environment is plagued by corruption: the country ranks 170 out of 180 countries in Transparency International’s 2018 Corruption Perceptions Index.28

Policy and legislation

Current Libyan housing policies and regulations are dominated by grievances and debate about Law No. 4 of 1978. Successive governments since 2011 have been criticised for their inability to update the rules and regulations of the real estate sector to reflect the new political philosophy, which gives priority to the private sector. The General National Congress, which governed legislature at the time introduced two laws in late 2015, Law 16 retrospectively abolished Law 4 and Law 20 addressed the consequences thereof.29 To date the Libyan National Planning Council’s vision 2040 to improve urban planning30 simply has not been implemented. Efforts to improve real estate legislation have failed owing to insecurity and conflict.

Infrastructure and business development in Libya is still characterised by uncertainty due to the ongoing war and COVID 19. There is no special legislation regarding the pandemic. Once the rule of law is restored, infrastructure and housing should be top priorities, in addition to putting in place policies and regulation that encourage the creation of wealth.

Opportunities

Libya is an oil-rich country with great potential in the real estate and hospitality industries. However, more than LD140 billion (US$100 billion) for housing development has been withheld due to ongoing war. Other sectors of property development are also of interest, particularly hospitality outlets such as hotels, chalets, and inns for the (yet to be developed) tourist industry. A land of multiple civilizations, Libya hosts five United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage sites, very favourable for the development of educational and cultural tourism. Libya is also blessed with natural resources and a relatively young population.

Once the country achieves peace and stability, the chronic housing shortage and the needs of internally-displaced persons should be addressed as a matter of urgency. The World Bank estimated in 2006 that restoring Libya’s infrastructure will cost LD281 billion (US$200 billion) over the next 10 years.32 A peace settlement in Libya could certainly lead to an increase in oil outputs and exports, which would improve the fiscal deficit and allow Libya to improve housing shortages and economic development.

Availability of data on housing finance

Due to a lack of reliable and comparable data in the economy, Libya is not ranked or even mentioned in global data statistics. Official data compilation is inadequate, and the information compiled by many international and index grading sources is incomplete.33 State entities that should be producing country data are the Ministries of Finance, Economy, Commerce and Industry and Planning. Others include the Central Bank of Libya, HIB, ODAC, the land registry, Jumhouria Bank, the Real Estate Savings and Development Bank and the Bureau of Census and Statistics (BCS). However, of these, only the national body in charge of the entire country’s statistics – the BCS – and the Central Bank of Libya, in Tripoli produce socioeconomic and monetary reports, despite difficult conditions.

The Chamber of Commerce, various banking associations, housing developers’ associations and trade unions should also be producing information, which is not forthcoming. In a failed country, accessing information is practically impossible.
Websites:

Banque Sahélo-Saharienne pour l’Investissement et le Commerce https://www.bsbicbank.com
Daily Sabah https://www.dailysabah.com
Displacement Tracking Matrix https://www.globaldtm.info
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