

Libya

Author: Shakrah Olayina Sadou



Overview

Libya is in North Africa and is bordered by Niger, Chad, Egypt, Sudan, Algeria, Tunisia and the Mediterranean Sea. In 2018, the country had a predominantly youthful population of 6.7 million.¹ Approximately three-quarters of the population lives in urban areas.² Libya's economy depends mainly on oil production. In June 2018 oil production dropped from one million barrels per day to 400 000 following an attack on the oil fields and main terminals. As a result of this turmoil, real gross domestic product (GDP) growth in 2018 dropped, but still remained considerable (estimated by African Economic Outlook to be 10.8 percent in 2019).³ The inflation rate fell from 28.5 percent in 2017 to 13.01 percent in 2018, due to increase in the supply of hard currency.

Political instability continues in Libya, and the country is listed as a fragile country. Eight years after the fall of Muammar Gaddafi's regime, Libya which was once considered an upper middle income country with the highest GDP in Africa and one of the highest Human Development Index (HDI) rankings in the world, is faced with insecurity, unstable politics, poor infrastructure and constrained government spending. Fiscal spending has not reduced economic hardship caused by the lack of goods and services. In 2018 only 4.7 percent of fiscal spending went to development.⁴ Government introduced an economic reform programme in September 2018 to eliminate fuel subsidies and devalue the dinar. This reform is expected to eliminate the important difference between the official exchange rate and the parallel market rate.

The humanitarian situation continues to worsen with about 1.1 million of people (estimated by the United Nations Support Mission in Libya) in need of assistance and protection. Living conditions, including access to clean drinking water, medical services and safe housing have declined.⁵ In June and July 2019, the number of internally displaced people (IDPs) in Libya increased from 268 629 to 301 407.⁶ Houses, schools and hospitals have been destroyed. The number of housing units to meet the deficit and satisfy the need between 2014 and 2033 is estimated at 1 164 134 units.⁷

Access to finance

All economic sectors are stagnating, including the banking sector. Access to basic needs is challenging, and access to housing finance in a country listed insecure is

KEY FIGURES

Main urban centres	Tripoli, Benghazi
Exchange rate: 1 US\$ = [a] 1 July 2019	1.39 Libyan Dinar (LYD)
1 PPP\$ = [b]	0.48 Libyan Dinar (LYD)
Inflation 2018 [c] Inflation 2019 [c]	23.1 15.0
Population [b]	6 678 567
Population growth rate [b] Urbanisation rate [b]	1.5% 1.8%
Percentage of the total population below National Poverty Line (2017) [d]	n/a
Unemployment rate (% of total labour force, national estimate) (2017) [d]	17.7%
Proportion of the adult population that borrowed formally (2017) [b]	4.7%
GDP (Current US\$) (2018) [b]	US\$48 320 million
GDP growth rate annual [b]	7.8%
GDP per capita (Current US\$) (2018) [b]	US\$7 235
Gini co-efficient (2017) [b]	n/a
HDI global ranking (2017) [d] HD country index score (2017) [d]	108 0.706
Lending interest rate (2017) [b]	3.0%
Yield on 2-year government bonds	n/a
Number of mortgages outstanding	n/a
Value of residential mortgages outstanding (US\$)	n/a
Number of mortgage providers Prevailing mortgage rate	n/a 6%
Average mortgage term in years Downpayment	30 n/a
Ratio of mortgages to GDP	n/a
What form is the deeds registry? [e]	Paper
Total number of residential properties with a title deed	n/a
Number of houses completed	n/a
Number of formal private developers/contractors	n/a
Number of formal estate agents	n/a
Cost of a standard 50kg bag of cement	14.06 LYD (US\$10.12)
Price of the cheapest, newly built house by a formal developer or contractor in an urban area (local currency units)	69 000 LYD
Size of cheapest, newly built house by a formal developer or contractor in an urban area	n/a
Average rental price for this unit in an urban area (local currency units)	723 LYD
Number of microfinance loans outstanding	n/a
Number of microfinance providers	n/a
Number of housing construction loans outstanding	n/a
Number of providers of construction finance	n/a
World Bank Ease of Doing Business Rank [e]	186
Number of procedures to register property [e]	n/a
Time (in days) from application to completion for residential units in the main urban city	n/a

NB: Figures are for 2019 unless stated otherwise.

- [a] Coinmill
- [b] World Bank World Development Indicators
- [c] IMF World Economic Outlook Database
- [d] UNDP: Human Development Reports
- [e] World Bank Doing Business 2018

really challenging. Bank activities are officially carried out by formal commercial banks, but there are many informal financial activities and alternative exchange rates in the informal market. Access to data of the country's financial activities is a challenge. There are no current statistics on the number of banks operating and the central bank that is supposed to regulate the financial activities is also in crisis. High inflation, sustained liquidity crisis⁸ and rival governments all contribute to the banking crisis of Libya. The crisis has gotten worse since April 2019 when the central bank in Tripoli started enforcing restrictions on several Eastern state-owned commercial banks, which covers 30 percent of Libya's commercial banking needs.⁹ The looming crisis is the direct consequence of the split between the central bank in Tripoli and its branches in the East since 2014.

The power struggle to control Tripoli the capital, and consequently the country, continues. The Eastern Libyan commander, Khalifa Haftar, has mobilised the biggest military campaign since 2011. The general has advanced on the UN-backed administration in Tripoli, and the Tripoli government under the leadership of Prime Minister Fayez al-Serraj has taken measures to control the country's finance via the Tripoli based central bank. Banking and business sources qualify the central bank restrictions as a means to limit access to hard currencies to Eastern banks, hence undermining Eastern authorities' ability to fund themselves.¹⁰ Although the Tripoli-based central bank, allied to the prime minister, vowed to be neutral, there is concern that the financial crisis could hinder the efforts to reunify the divided banking system. The International Crisis Group has warned that the crisis can lead to economic disaster and that in addition to a ceasefire, Libya's warring sides should reach an agreement to standardise commercial banking operations in the East and work towards the central bank reunification.¹¹

Affordability

Living conditions and access to safe housing have deteriorated in post-Gaddafi Libya. Before the political turmoil, many housing projects were under construction. To address the housing shortage, the transitional government announced the launching of a housing programme estimated at about US\$100 billion.¹² This programme has not yet been executed.

Living conditions in the country have deteriorated, with a HDI ranking of 108 in 2018.¹³ The economy suffers from high inflation. This has adversely affected Libyan households, which have lost almost 80 percent of their purchasing power.¹⁴ Unemployment at 17.3 percent has also led to inadequate housing.¹⁵ Prices of rents are accelerating well beyond the affordability of an average household. The average rent for a one-bedroom unit in city centre of Libya costs US\$514 and US\$319 outside the city per month, while rents for three-bedrooms units in the city centre are estimated at US\$947 per month and US\$565 per month outside the city.¹⁶

Housing supply

Formal housing supply has been extremely limited since 2013. The multi-billion housing programme with Libya HIB, which was meant to be relaunched by the Libyan government in 2013, is dormant, like most of the development programmes. Many of the housing contracts worth hundreds of millions of US dollars with foreign companies such as AECOM, El-Abd and Simplex have been stopped due to the political instability and violence. The housing deficit therefore continues to grow and is projected to be 500 000 units by 2020, as announced by Mahmood Baclir Ajaj, chairman of HIB.

Property markets

The political situation is not favourable for property development. The property market is static, but has potential. If the country succeeds in organising elections as programmed for 2019 (United Nations target) this would mean success for bringing the fragmented society under one central authority for the first time in years. The country could use its rich resource to reconstruct a shattered state.¹⁷ Reconstruction means a big market for housing and infrastructure industry.

The property market in Libya has been influenced by legislation which prevents ownership for leasing purposes. During Gaddafi's socialism regime, one of the most important laws regarding housing development was Law n° 4 which prevented activities for profit purposes, stopped housing rents, and prevented the private sector from building houses for leasing purposes. As a result, many changes took place which led to administrative instability; there was high turnover among civil servants, both high level decision-makers and low level implementers. The merger and separation of provinces (administrative districts) was another one of the significant causes of administrative instability, which provoked confusion in the local and national housing programmes, hence contractors could not carry out their commitments.¹⁸

The situation has further deteriorated with the political crisis. There are no procedures in place for obtaining a construction permit, registering property or resolving insolvency, giving Libya a ranking of 186 for dealing with construction permit and 187 out 190 countries in registering property of the World Bank Doing Business 2019 report.

Availability of data on housing finance

The Bureau of Census and Statistics is the national body in charge of the entire country's statistics. In spite of the political situation, the organisation continues to produce socio-economic reports to some extent. Other sources of information are essentially absent, and data is severely lacking for the housing sector. The only chamber of commerce with a functioning website is Amcham. The banking crisis has also aggravated the situation. In short, accessing statistical information is extremely difficult.

In the years before the fall of Gaddafi's regime, Libya attempted to open its real estate sector and enable foreign investment in real estate, known as Decree 21 in 2006. The decree allowed HIB to contract private and foreign developers for property development. Although foreigners can now buy real estate, a lack of clarity on property rights has prevented much uptake; and efforts to open the property and real estate markets have been significantly set back due to the sustained post-revolution instability and subsequent investor scare. Property markets have, since the revolution, been in disarray as many former owners of confiscated land returned to lobby for the reform of property laws and compensation. Draft bills on property have been brought before parliament – nevertheless, nothing has been passed due to the political fragmentation and controversy over such reforms. This is further complicated by the fact that many properties have been resold since confiscation and property registration records were destroyed in the early 1980s. It is estimated that up to three-quarters of homes in Tripoli might have been formerly confiscated properties.

Until the ambiguity of property rights is resolved, banks will remain reluctant to register property as collateral. The property market is further constrained by difficulties in doing business, and by corruption. Transparency International's 2018 Corruption Perceptions Index rated Libya 170 in the world out of 180 countries.¹⁹

Policy and regulation

Libya housing policy and regulation in the post-Gaddafi's era is dominated by grievances and debate about law 4/1978 – the law which prevented leases and restricted the right of ownership to one house, beyond which property was confiscated. Following the revolution that put an end to Gaddafi's regime, former property owners sought justice from the transitional government and reclaimed the right to their confiscated property. The General National Congress, GNC, the legislature at the time, did introduce two laws in late 2015; law 16 that retrospectively abolished law 4 and law 20 that addressed the consequences thereof.²⁰ Given the current situation, housing policy in Libya is questionable and there is no doubt that in the absence of a central government these laws can be enforced in at least half of the country.

Opportunities

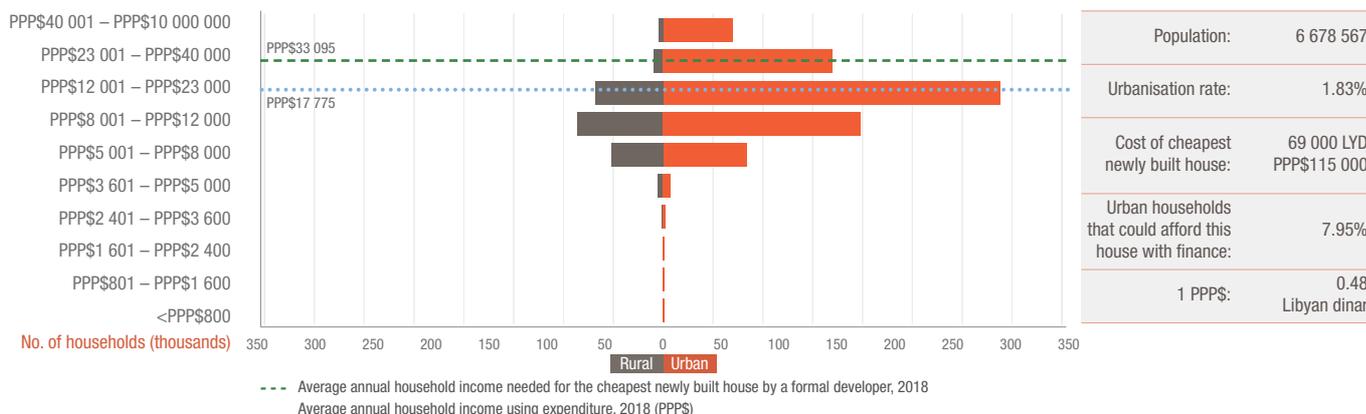
Libya is an oil-rich country with great potentials and opportunities in infrastructures and housing. More than US\$100 billion, just for housing, has been withheld due to insecurity. Other sectors of property development are also of interest, particularly upper-standard hospitality outlets, hotels, chalets, and inns for the yet to be developed tourist industry. Libya, with its rich heritage, is a land of multiple civilisations and blessed with natural resources and a young population.

Once Libya achieves peace and stability, addressing the chronic housing shortage and providing for internally-displaced persons could become a priority. It is estimated by the World Bank that restoring Libya's infrastructure will cost US\$200 billion over the next 10 years.²¹ A peace settlement in Libya could lead to a rebound in oil outputs and exports, which could improve the fiscal deficit and current account imbalances, and allow Libya to address housing shortages and economic development. However, the political situation impedes economic progress, as projected by the African Economic Outlook with GDP growth projected at only 1.4 percent in 2020.²²

Once rule of law is restored, there will be a need for reconstruction. Infrastructure and housing should be top priorities in addition to putting in place policies and regulation that encourage the creation of wealth. Regarding housing, the lawful

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Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/C-GIDD>, 2019

authorities should adopt policies that promote effective development, promote real estate development, protect the population, and empower Libyans to participate effectively in the reconstruction of their country.

Websites

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