IMF Country Report No. 25/148

LIBYA

June 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Libya, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on April 14, 2025, with the officials of Libya on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 30, 2025.
- An **Informational Annex** prepared by the IMF staff.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes the 2025 Article IV Consultation with Libya

FOR IMMEDIATE RELEASE

- *The continued political division and widespread fragilities have hindered the authorities' capacity to control public expenditure and enact necessary reforms*
- *The outlook is dominated by developments in the oil sector, and the country remains exposed to global downside risks*
- *Controlling expenditure will be key to ensure sustainability and to achieving intergenerational equity*

Washington, DC – June 25, 2025: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV Consultation with Libya.[1] The Executive Board's decision was taken on a lapse-of-time basis.

Real GDP growth is estimated to have declined to around 2 percent in 2024 from 10 percent in 2023, driven by a contraction in the hydrocarbon sector. At the same time, non-hydrocarbon growth remained robust on the back of sustained government spending. Both the current and the fiscal accounts have swung from a surplus in 2023 to a deficit in 2024. Reported inflation remained low.

The outlook continues to be dominated by developments in the oil sector. Real GDP growth is projected to rebound in 2025, primarily driven by an expansion of oil production, before moderating to about 2 percent over the medium term. Non-hydrocarbon growth is set to remain between 5 and 6 percent in the medium term, supported by sustained government spending. The current account is slated to post a small surplus in 2025 (0.7 percent of GDP) before turning into a small deficit over the medium term, as oil prices remain subdued. The fiscal balance is projected to remain in deficit—albeit at a much lower level than in 2024—under the weight of continued large government spending.

Risks are tilted to the downside. Domestic risks stem from political instability, potentially evolving into active conflict, disrupting oil production and exports, and preventing progress on

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

much-needed economic reforms. The economy is exposed to global downside risks through its heavy dependence on oil exports and a large import bill.

Executive Board Assessment[2]

Economic activity and fiscal and external accounts are poised to remain heavily dependent on developments in the oil sector and subject to downside risks. Following a rebound in oil production, economic growth is expected to be in double digits in 2025, before moderating over the medium term. Despite the expected increase in oil exports, the current account and fiscal balances are set to remain in deficit over most of the forecast horizon, weighed down by the projected softening of oil prices and large fiscal spending. The outlook is subject to downside risks, including the potential intensification of domestic political tensions, which could disrupt oil production and exports, and adverse global economic and geopolitical developments, which would put additional downward pressure on oil prices. To mitigate these risks, accelerating reforms aimed at restraining fiscal spending and diversifying the economy away from oil will be crucial.

Controlling expenditure will be key to ensure sustainability and to achieve intergenerational equity. The authorities should remain steadfast in their efforts to agree on a unified budget that outlines priority spending and enhances the transparency and credibility of government fiscal operations. Until such an agreement is reached, pressures to increase spending on salaries and subsidies should be resisted. Over the medium term, a sizable adjustment will be required to set the fiscal position on a sustainable trajectory and preserve intergenerational equity. The adjustment should be carefully designed to rationalize current spending, particularly wages and energy subsidies, and mobilize non-oil revenues, while maintaining capital expenditures at levels that support economic diversification.

A well-designed monetary and exchange rate policy framework will be essential to help manage economic cycles and mitigate the depreciation pressures. Introducing a well-defined policy rate will enhance the CBL's capacity in smoothing the economic cycle and alleviating pressures on the dinar and provide a benchmark for the pricing of credit by both conventional and Islamic banks. Phasing out the foreign exchange tax alongside other exchange restrictions in line with Libya's Article VIII obligations will reduce distortions, lower economic agents' need to resort to the parallel market and help unify the exchange rate.

Reforms are needed to reinforce the banking sector's contribution to economic activity. Impediments to a more active role by banks in the economy remain pervasive. Introducing well-designed savings plans will help to reduce cash hoarding, expand banks' deposit base, establish bank-customer relationships, and support the provision of credit to the private sector. Enhancing transparency and accountability within the banking sector and promoting financial literacy among the public would foster confidence in banks and increase their footprint in

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[2] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

Libya's economy. Strengthening the AML/CFT framework, including by aligning it with international standards, will be paramount to support the stability of correspondent banking relationships and to ensure that Libyan banks' operations remain uninterrupted.

Structural and governance reforms would foster the emergence of a diversified, sustainable, and private sector-led economy. Forging a comprehensive reform program aimed at reducing dependence on oil revenues should be at the top of the authorities' agenda. Key elements of the reform program should promote a more active engagement of the private sector in economic activity, including by enhancing the business environment and access to finance and introducing labor market measures that encourage private sector employment. Taking decisive actions to tackle corruption, strengthen governance, and enhance the rule of law will support economic diversification further.

There is a need to enhance data provision and statistical capacity. Data gaps continue to significantly hamper staff's ability to conduct analysis and provide policy advice. There is a need for the authorities to implement the technical assistance recommendations in the areas of national accounts and external sector statistics, and monetary and financial statistics, and improve data collection and reporting.

Libya: Selected Economic and Financial Indicators, 2021-2030

(Main Export: Crude Oil)

				Est.	Proj.					
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
(Annual percentage change, unless otherwise indicated)										
National income and prices										
Real GDP (at market price)	28.3	-8.3	10.2	1.9	16.1	4.4	1.6	1.7	1.9	2.2
Nonhydrocarbon	5.9	7.9	-0.6	14.3	2.9	5.9	4.2	4.4	4.8	5.3
Hydrocarbon	45.0	-17.0	17.8	-5.5	25.6	3.6	0.0	0.0	0.0	0.0
Nominal GDP in billions of Libyan dinars 1/	159.0	208.2	211.9	234.3	251.2	254.2	265.5	277.9	292.0	306.6
Nominal GDP in billions of U.S. dollars 1/	35.2	43.3	44.0	48.4	47.2	47.7	49.8	52.2	54.8	57.6
Per capita GDP in thousands of U.S. dollars	5.2	6.4	6.4	7.0	6.8	6.8	7.0	7.3	7.5	7.8
GDP deflator	90.4	42.7	-7.6	3.6	-3.3	-3.1	2.8	2.9	3.1	2.8
CPI inflation										
Period average	2.9	4.5	2.4	2.1	2.3	2.3	2.3	2.3	2.3	2.3
End of period	3.7	4.1	1.8	2.3	2.3	2.3	2.3	2.3	2.3	2.3
(In percent of GDP)										
Central government finances										
Revenues	79.5	85.8	73.6	69.8	67.9	61.1	58.5	56.6	54.5	52.4
Of which: Hydrocarbon	78.1	83.9	71.6	55.4	62.1	59.2	56.7	54.7	52.6	50.4
Expenditure and net lending	64.7	62.2	65.4	94.8	73.2	64.6	61.8	59.5	57.1	54.8
Of which: Capital expenditures	10.9	8.4	8.7	34.6	20.1	12.8	12.1	11.4	11.0	10.9
Overall balance	14.8	23.6	8.2	-25.1	-5.3	-3.5	-3.3	-2.9	-2.7	-2.5
Overall balance (in billions of U.S. dollars)	5.2	10.2	3.6	-12.1	-2.5	-1.7	-1.6	-1.5	-1.5	-1.4
Nonhydrocarbon balance	-63.3	-60.3	-63.4	-80.5	-67.5	-62.7	-60.0	-57.6	-55.2	-52.9
(Annual percentage change unless otherwise indicated)										
Money and credit										
Base Money	2.8	-16.9	47.9	6.6	36.8	9.0	9.2	10.0	10.2	16.7
Currency in circulation	-20.0	-1.4	37.6	13.3	10.5	2.2	1.5	5.0	5.0	5.0
Money and quasi-money	-20.3	12.0	28.3	12.2	4.0	4.5	4.5	5.0	5.0	5.0
Net credit to the government (Libyan Dinar, billion)	-94.1	-114.9	-110.9	-128.8	-130.4	-121.4	-112.7	-104.6	-96.8	-89.3
Credit to the economy (% of GDP)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
(In billions of U.S. dollars, unless otherwise indicated)										

Balance of payments										
Exports	25.9	32.1	30.9	28.4	32.0	31.3	31.6	32.0	32.5	32.9
Of which: Hydrocarbon	24.5	30.0	28.8	26.3	29.9	29.1	29.2	29.7	30.3	29.9
Imports	17.0	17.2	17.7	21.6	21.9	20.5	20.6	20.8	21.0	21.2
Current account balance	5.7	10.0	8.0	-2.0	0.3	-0.3	-0.2	-0.2	-0.1	-0.1
(As percent of GDP)	16.1	23.2	18.3	-4.2	0.7	-0.5	-0.4	-0.3	-0.3	-0.1
Capital Account (including E&O)	-7.0	-5.3	-3.8	6.5	-2.8	-1.4	-1.4	-1.4	-1.3	-1.3
Overall balance 2/	1.1	4.7	4.3	4.5	-2.5	-1.7	-1.6	-1.5	-1.5	-1.4
Reserves										
Gross official reserves	69.4	74.1	78.4	82.9	81.1	79.4	77.8	76.3	74.8	73.4
In months of next year's imports	32.2	32.8	34.2	29.6	31.0	32.3	31.5	30.5	29.6	28.8
Gross official reserves in percentage of Broad Money	317.0	318.2	261.3	250.3	262.9	246.4	230.9	215.6	201.4	188.2
Total foreign assets	79.7	84.2	88.5	93.6	91.6	89.7	87.9	86.2	84.5	82.9
Exchange rate										
Official exchange rate (LD/US$, period average)	4.5	4.8	4.8	4.8	…	…	…	…	…	…
Parallel market exchange rate (LD/US$, period average)	5.1	5.1	5.2	6.9	…	…	…	…	…	…
Parallel market exchange rate (LD/US$, end of period)	5.0	5.2	6.1	6.4	…	…	…	…	…	…
Crude oil production (millions of barrels per day - mbd)	1.2	1.0	1.2	1.1	1.4	1.5	1.5	1.5	1.5	1.5
Of which: Exports	1.0	0.8	1.0	0.9	1.1	1.2	1.2	1.2	1.2	1.2
Crude oil price (US$/bbl) 3/	64.4	89.6	75.0	73.6	66.9	62.4	62.7	63.6	64.3	64.9

Sources: Libyan authorities; and IMF staff estimates and projections.
1/ Nominal GDP data are at market prices.
2/ Includes revaluation of gold holdings of U$10.5 billion in 2024.
3/ The crude oil price was adjusted for Libya up to 2024.

INTERNATIONAL MONETARY FUND

LIBYA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

May 30, 2025

KEY ISSUES

Context. The continued political division and widespread fragilities have hindered the authorities' capacity to control public expenditure and enact necessary reforms. Unless spending is contained, the fiscal and external accounts would remain under pressure. Given the heavy dependence on oil exports and a large import bill, the country remains exposed to global downside risks.

Recommendations. The establishment of a unified government budget remains the top priority. Even though the recent devaluation of the dinar could help align the exchange rate with underlying macroeconomic fundmentals, it does not address the underlying issue of unrestrained fiscal spending. The foreign exchange tax should be phased out and the exchange rate unified to eliminate the distortions associated with the parallel market. Furthermore, the introduction of a policy rate would help the central bank react to changing macroeconomic conditions by adjusting liquidity conditions. Strengthening the banking sector's contribution to economic activity while improving the AML/CFT framework is crucial. In the medium term, reinforcing the anticorruption frameworks and expanding the role of the private sector to reduce the dependence on hydrocarbons and create jobs will be important for higher sustained growth.

Past advice. The authorities recognize the challenges facing the country and agree with staff on reform priorities. They concur that Libya needs to manage public expenditures consistent with its macroeconomic constraints. There has been welcome progress in the areas of financial inclusion, central bank governance, and addressing data gaps. The pace of reform, however, remains slow owing to the challenging political environment.

Approved By
Subir Lall (MCD) and Jacques Miniane (SPR)

Discussions took place in Tunis, Tunisia during April 6–14, 2025. The mission comprised Messrs. Gershenson (head) Apostolou, and Belkhir, Ms. ElShazly (all MCD), and Mr. Enciso (LEG). Ms. Rupavatharam contributed to the preparatory work and Mmes. Rafii, Graça, and Cerna Rubinstein (all MCD) assisted the team with data analysis and editorial support. Mr. Sassanpour (OED) participated in the meetings. The mission met with Central Bank Governor Issa, Deputy Governor Al-Barasi, and other officials of the Central Bank of Libya, Ministry of Finance, the National Oil Corporation, the Libyan Audit Bureau, the Ministry of Economy, the Ministry of Labor, the Ministry of Planning, the Ministry of Education, the Ministry of Health, the Ministry of Justice, the Bureau of Statistics and Census, the General Electricity Company, and the Administrative Control Authority.

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TABLES

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CONTEXT

1. **Fundamental political disputes have not been resolved.** Libya remains *de facto* divided between the internationally-recognized government in the West and a competing regime in the East. In addition, various independent militias control different parts of the country. The resulting tensions have complicated policymaking and led to occasional outbreaks of open conflict.

2. **The recent escalation of violence in Libya has highlighted the country's ongoing fragility.** Armed clashes erupted in Tripoli in May 2025, leading to casualties, closures of businesses and schools, and an attack on the central bank premises. The UN Support Mission in Libya (UNSMIL) together with other stakeholders is working to deescalate the situation. As noted in previous reports, Libya remains a fragile state, with engagement guided by the *IMF Strategy for Fragile and Conflict Affected States* and the country engagement strategy.[1]

3. **In the summer of 2024, a disagreement over spending morphed into a confrontation over the leadership of the Central Bank of Libya (CBL).** The ensuing standoff lasted six weeks, causing disruptions in the CBL's operations and the partial shutdown of oil production and exports. With the active involvement of the UNSMIL and other international partners, an agreement to resume normal central bank operations and oil production was reached in late September 2024.[2]

4. **Political economy constraints and inadequate capacity undermine the authorities' ability to implement reforms.** The competition over resources has prevented the adoption of a unified budget and has put pressure on the exchange rate, which was eventually devalued in April 2025. The continuing political stalemate impedes progress on governance reforms and exacerbates corruption, which is a major concern in Libya. The IMF has provided substantial technical assistance, but severe data limitations continue to hamper staff's ability to conduct analysis and provide policy advice (see Annex V).

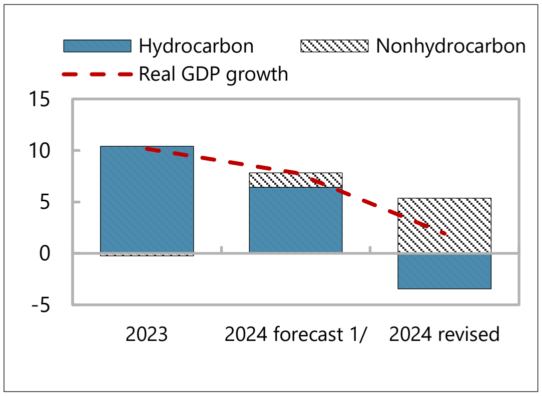
RECENT ECONOMIC DEVELOPMENTS

5. **The CBL dispute and the associated disruption in oil production weighed on growth in 2024.** Real GDP growth is estimated to have declined to around 2 percent in 2024 from 10 percent in 2023, driven by the forced contraction in the hydrocarbon sector. At the same time, non-hydrocarbon growth remained robust on the back of sustained government spending. Following the resolution of the CBL dispute, oil production has rebounded, approaching 1.4 million barrels per day in recent months.

[1] See *IMF Policy Paper No. 22/4* and *IMF Country Report No. 24/206*, respectively.

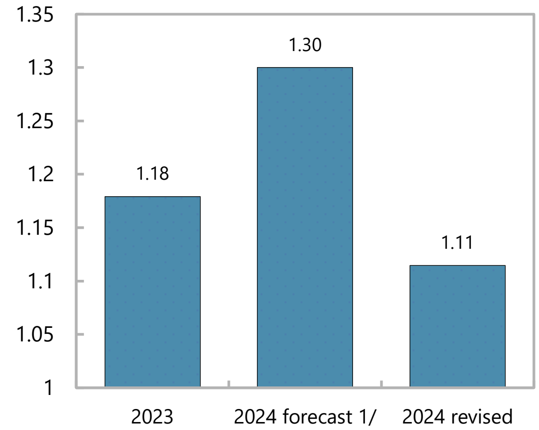
[2] The agreement led to the appointment of a new CBL Governor and the reestablishment of the CBL's previously dormant Board of Directors.

Contribution to GDP Growth
(Percent)



Sources: Libyan authorities; IMF Staff Calculations.
1/ Forecast from the 2024 IMF Article IV staff report.

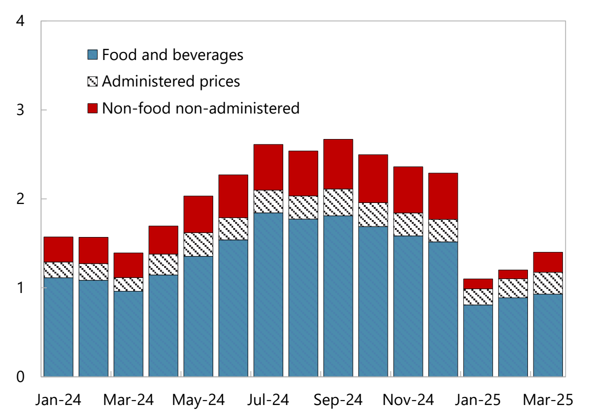
Oil Production
(Million barrels per day)



Sources: Libyan authorities; IMF Staff Calculations.
1/ Forecast from the 2024 IMF Article IV staff

6. Reported inflation remains low even after the introduction of the new CPI series. Inflation stood at around 2 percent in 2024 based on the CPI derived from an outdated consumption basket that covered only Tripoli. The Bureau of Statistics and Census (BSC) has recently introduced a new CPI—based on the new household spending survey—that covers the entire country. The reported inflation from the new series stood at 1.2 percent in 2025 Q1. However, the new index could have a significant downward bias due to methodological deficiencies.[3]

Contribution to Inflation
(Percent)



Sources: Libyan Bureau of Statistics and Census; IMF Staff calculations.

[3] The BSC set the entire year 2024 (instead of a particular month) as the base for the new series. Accordingly, the inflation rate for, say, January 2025 is calculated as a ratio between (i) the index for January 2025 and (ii) the index for the entire year 2024. After adjusting for this issue, the inflation rate becomes 2.4 percent for 2025 Q1.

7. **The revised 2024 fiscal outturn shows a large deficit.** The authorities reported that spending by the East-based authorities in 2024 was around LYD 60 billion, which had not been incorporated in the official end-of-year fiscal statement. This higher spending, coupled with the dispute-induced shutdown of oil fields, have led to the revision in the 2024 fiscal outturn from the previously-projected small surplus to a large deficit (Text Table 1). As a result, public debt increased (see Annex IV).[4]

8. **The current account posted a deficit as well.** The current account balance is estimated to have swung from a surplus of 18 percent in 2023 to a deficit of 4 percent of GDP in 2024 due to the reduction in hydrocarbon exports and the increase in imports driven by the surge in fiscal spending. Nonetheless, international reserves increased by nearly US$5 billion, bolstered by the revaluation of gold holdings. Libya's external position was substantially weaker than the level implied by medium-term fundamentals and desirable policies (see Annex III).

Text Table 1. Fiscal Revenues and Expenditures

LYD billion	2024 forecast 1/	2024 revised
Revenues 2/	**143.4**	**163.5**
Oil	139.7	129.8
Non-oil	3.8	33.7
of which FX tax	-	*22.5*
Expenditures	**140.1**	**222.2**
Salaries	62.4	67.6
Goods and Services	9.9	7.7
Subsidies 2/	55.8	56.1
Development	12.0	22.0
of which NOC & Electricity Comp.	2.4	*10.0*
Extra-budgetary current expenditure	-	*9.8*
Extra-budgetary capital expenditure	-	*59.0*
Balance	**3.4**	**-58.7**
Balance (in USD billion)	**0.7**	**-12.1**
Balance (in percent of GDP)	**1.5**	**-25.1**

Sources: Central Bank of Libya; IMF Staff Calculations.
1/ Forecast from the 2024 IMF Article IV staff report.
2/ Revenues and subsidies include the fuel swap.

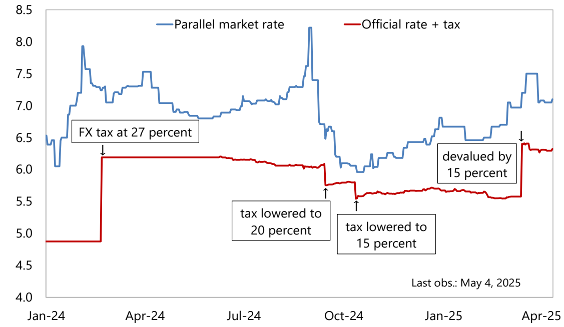
9. **The CBL devalued the dinar and further tightened foreign exchange restrictions.** In April, the lack of agreement on a unified budget and the surge in public spending led the CBL to devalue the dinar by around 15 percent *vis-a-vis* the US dollar. The foreign exchange tax remained at 15 percent and the CBL added further restrictions on the access to foreign exchange.[5] Currently, there is no firm deadline to eliminate the tax. In April, the gap between the official (plus tax) and the parallel exchange rates stood at 17 percent.

[4] In Libya, public debt is not debt in the standard sense. It is denominated in domestic currency, held entirely by the central bank, carries no interest, has no repayment schedule, and can be forgiven using administrative procedures without any economic implications.

[5] A tax of 27 percent was introduced in March 2024 and identified as a multiple currency practice and an exchange restriction, as well as an outflow capital flow measure. The IMF Board approved the measure for retention given that it had a sunset date of end-2024, and the authorities committed to ease all exchange restrictions as soon as conditions allow. The tax was reduced to 15 percent in November 2024. The Board approval would lapse after a period of twelve months from July 1, 2024 or the conclusion of this 2025 Article IV consultation with Libya, whichever is sooner. For the relevant discussion, see *IMF Country Report 24/206*. In addition to the foreign exchange tax, Libya also maintains four other exchange restrictions for which the authorities have not requested Fund approval. Please see the Informational Annex for a summary of these measures.

10. The banking sector has successfully increased capital and enhanced financial soundness metrics, but important challenges remain. In late 2022, the CBL instructed banks to increase their capital to meet Basel II regulatory requirements, and the majority of banks met their targets in 2024, resulting in a doubling of paid-in capital. Additionally, banks' financial soundness indicators have strengthened, with significant improvements in nonperforming loan ratios (see Figure 3 and Table 5). Private sector credit growth was strong in 2024, primarily in the form of Murabaha financing to retail customers and salary advances to public employees, whereas corporate loans were limited.[6] Notwithstanding these advances, the underlying issues of cash hoarding and low confidence in the banking system remain.

Exchange Rates
(Daily)



Sources: Central Bank of Libya; and Libya Observer.

11. The oil swap—an arrangement to barter crude oil for refined petroleum products, in place since 2021—was cancelled in April. While the swap helped alleviate the persistent shortages of refined oil products, it also created governance concerns. These concerns, together with the doubling of the expenditure on the refined products, were behind the cancellation, which in turn should enable the central bank to regain full control over the country's oil export revenues.

12. The economy faces additional challenges due to high corruption vulnerabilities, which are intertwined with Libya's overall fragility. In 2024, Libya scored 13 out of 100 in the Corruption Perception Index.[7] Corruption remains widespread, with significant vulnerabilities in tax, customs, trade of fuel, education, health, and procurement areas, with related illegal activities further contributing to the overall fragility. Weaknesses in the AML/CFT framework pose additional risks. The authorities have been taking steps to address these issues, including the publication of annual reports of the Libyan Audit Bureau (LAB), the adoption of 2025-30 national anticorruption strategy, and the establishment of follow-up instruments for its timely and effective implementation, including a dedicated inter-agency anticorruption committee and periodic reports of progress presented by the Administrative Control Authority (ACA) which should reflect input from the National Anticorruption Commission (NACC).

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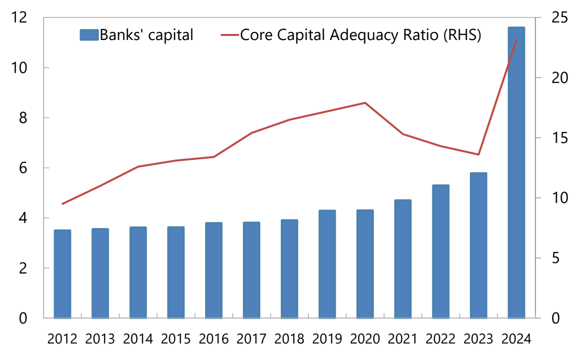
[6] Murabaha is an Islamic asset-backed financing structure that involves two transactions: (i) the purchase of an asset by a bank; and (ii) its resale on a deferred-payment basis to a customer for a profit.

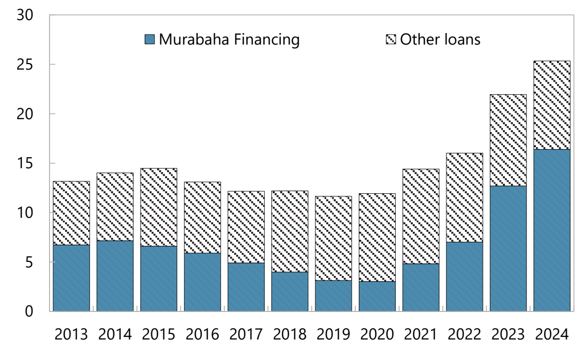
[7] See Corruption Perceptions Index 2024 - Transparency.org, with the methodology explained in https://images.transparencycdn.org/images/CPI-2024-Methodology.zip

Banks' Paid-In Capital and Adequacy Ratio
(Billions of Libyan Dinar, percent)



Source: Central Bank of Libya.

Private Sector Credit
(Billions of Libyan Dinar)



Source: Central Bank of Libya.

OUTLOOK AND RISKS

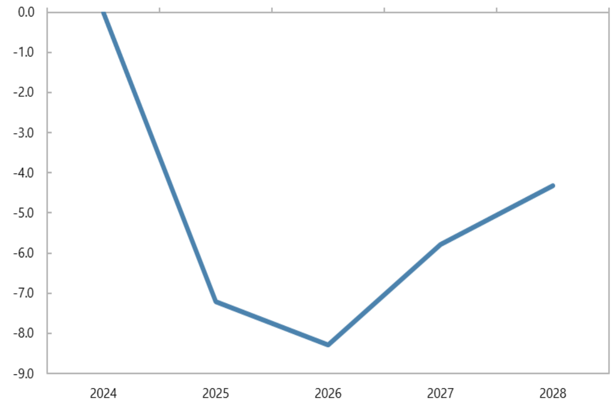
13. The outlook continues to be dominated by developments in the oil sector. Real GDP growth is projected to rebound in 2025, primarily driven by an expansion of oil production, before moderating to about 2 percent over the medium term. Non-hydrocarbon growth is set to remain between 5 and 6 percent throughout the forecast horizon, supported by sustained government spending. The current account is slated to post a small surplus in 2025 (0.7 percent of GDP) before turning into a small deficit over the medium term, as oil prices remain subdued. The fiscal balance is projected to remain in deficit—albeit at a much lower level than in 2024—under the weight of continued large government spending.

14. Risks are tilted to the downside (Annex II). Domestic risks stem from political instability potentially evolving into active conflict, disrupting oil production and exports, and preventing progress on much-needed economic reforms. The economy is exposed to global downside risks through its heavy dependence on oil exports and a large import bill. A global economic slowdown would lead to a decline in oil prices, adversely affecting fiscal and external accounts and putting downward pressure on international reserves. Escalating trade measures, prolonged trade policy uncertainty, the intensification of regional conflicts, and deepening geoeconomic fragmentation could result in supply disruptions, upward price pressures for Libya's imports, and weakening of the country's external and fiscal positions. For a discussion of an adverse scenario see Box 1.

Box 1. Calibrating Policy in an Adverse Scenario for Libya

Amid heightened uncertainty and downside risks to global growth, Libya faces significant challenges. Acknowledging the high level of prevailing uncertainty, the April 2025 WEO (Box 1.1—Scenario A), outlined a potential adverse scenario involving additional trade, fiscal, and structural policies as well as other plausible shocks.[1] With limited direct trade with the U.S. and an export sector dominated by hydrocarbon exports that are not subject to tariffs, Libya is relatively shielded. As a result, Libya would be affected primarily by the weakening of global activity and associated lower oil prices.[2]

Libya Adverse Scenario: Impact on Real GDP
(Percent deviation from baseline Real GDP level)



Sources: WEO and IMF staff calculations

Lower oil prices would reduce revenues, leading to lower fiscal spending and lower GDP growth. Given the already loose fiscal stance, staff would recommend maintaining the overall fiscal balance as in the baseline (in other words, reducing expenditure in line with lower revenues). Lower fiscal spending would reduce non-hydrocarbon growth, and real GDP level in 2026 in Libya could be about 8 percent lower than staff's baseline. Reducing expenditure would also help address any pressures on the exchange rate. Since prices of most goods and services are either subsidized or administered, the impact on reported inflation would be small.

Libya Adverse Scenario: Selected Economic Indicators, 2024–2028

	2024	2025	2026	2027	2028
(Percent, year-over-year, unless otherwise indicated)					
Real GDP growth	1.9	7.7	3.2	4.4	3.3
CPI inflation (end of Period)	2.3	2.3	2.3	2.3	2.3
Fiscal balance (percent of GDP)	-25.1	-5.3	-3.5	-3.3	-2.9
(percentage point, deviation from the baseline)					
Real GDP growth	0.0	-8.4	-1.2	2.8	1.6
CPI inflation (end of Period)	0.0	0.0	0.0	0.0	0.0
Fiscal balance (percent of GDP)	0.0	0.0	0.0	0.0	0.0

1/ The combined effect of these shocks is a decrease in global GDP relative to the baseline forecast.
2/ The specific scenario assumes a decrease in the oil price faced by Libya of between 8 to 14 percent, with production volumes unaffected.

POLICY DISCUSSIONS

Discussions focused on Libya's fiscal, monetary, labor market and governance challenges, with an emphasis on measures that can be implemented in the current environment.

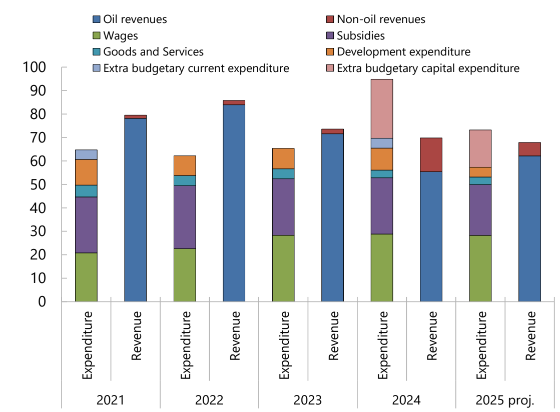
A. Fiscal Reforms

15. Libya is facing a unique fiscal challenge. Political instability and institutional fragmentation have prevented the adoption of a unified national budget, causing the government to rely on *ad hoc* financial agreements to manage public expenditures. In this context, the central bank—without a formal mandate—sets the *de facto* expenditure envelope by limiting the use of foreign exchange. While striving to safeguard foreign currency reserves, the CBL is under constant pressure to increase the allocations. The authorities are aware that the current pace of government spending is unsustainable and are considering measures to enforce fiscal discipline.

16. Establishing a unified government budget remains a priority. The authorities should strive to agree on a unified budget that follows a well-structured and transparent process of preparation, approval, and execution. This will help identify priority spending and enhance fiscal credibility. In parallel with these efforts and building on a recent IMF technical assistance, the authorities are encouraged to move ahead with easy-to-implement measures that can enhance fiscal transparency, such as the production and online publication of audited final fiscal accounts and annual oil revenue reports.

Government Revenues and Expenditures, 2021-2025

(Percent of GDP)



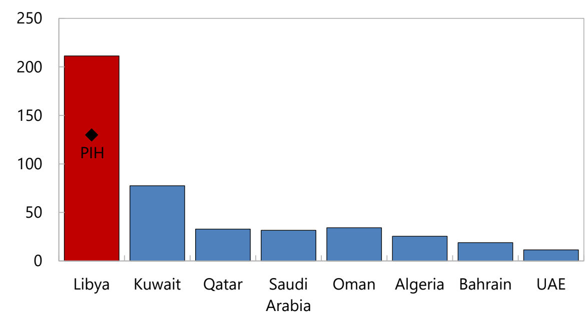
Sources: Country authorities; IMF staff calculations.

17. In the absence of a budget, the authorities should resist the pressure to increase current spending. The resumption of oil production is projected to increase oil revenues by nearly 20 percent in 2025 relative to the 2024 levels, likely leading to pressures to spend the additional proceeds. The authorities should avoid further increases in spending, particularly on salaries and subsidies, to delink the expenditure from volatile oil revenues. Recent announcements regarding plans to downsize diplomatic missions, rein in spending on official events, and rationalize state-funded overseas scholarships may yield some fiscal savings, but more decisive actions are needed to preserve the country's resources.

18. Building capacity for more effective public financial management (PFM) is key. While undertaking substantial PFM reforms may be challenging in the absence of political unification, the authorities can still implement measures that enhance understanding of the current fiscal situation and lay the groundwork for a more effective budgetary process once a unified budget is agreed upon. The Macroeconomic Unit (MU) within the Ministry of Finance could be strengthened by ensuring an appropriate staffing level and enhancing its macro-fiscal expertise, including through specialized training programs and technical assistance.[8]

19. Substantial fiscal efforts are needed in the medium term to preserve sustainability and achieve intergenerational equity. Libya's nonhydrocarbon primary deficit is significantly higher than that of other petroleum exporters in the Middle East and North Africa region.[9] This reflects a large mismatch between the government's limited non-oil revenues and its sizable expenditure envelope. Staff estimates that to preserve the government's wealth across generations, the authorities should target a nonhydrocarbon primary deficit of no more than US$15 billion, well below the US$39 billion deficit of 2024.[10] While the transition to the wealth-preserving level of deficit needs to be gradual and orderly to minimize adverse economic and social effects, early action is essential.

Non-hydrocarbon Primary Deficit
(Percent of non-hydrocarbon GDP)



Sources: Country authorities; IMF staff calculations.

Note: The chart represents countries' average nonhydrocarbon primary deficits during 2021-24 in percent of non-hydrocarbon GDP (NHPD) and the NHPD target based on the Permanent Income Hypothesis (PIH) for Libya in 2024. The 2024 data are estimates.

20. Medium-term fiscal efforts should entail a combination of the rationalization of current expenditures and mobilization of non-oil revenues, while maintaining capital spending at a level that fosters economic diversification.

- **Wages.** The government wage bill in 2024 stood at 30 percent of GDP (50 percent of current expenditures), making it one of the highest in the world. While acknowledging the role of public sector employment in Libya's social compact, staff recommended a comprehensive review to pave the way—over the medium term—for a reform that (i) ensures that the desired public services are delivered in a cost-effective and fiscally sustainable manner, and (ii) fosters private sector employment.

[8] Recent capacity development engagement with the IMF's Fiscal Affairs Department and Middle East Technical Assistance Center is a step in the right direction, which should be leveraged to empower the MU and expand its capacity to produce fiscal and economic analyses and develop a medium-term fiscal framework.

[9] Libya's nonhydrocarbon primary deficit equals its nonhydrocarbon overall fiscal deficit, since there are currently no interest payments by the government.

[10] This approach utilizes the permanent income hypothesis (PIH), which aims to maintain the government's wealth constant in real per capita terms. The PIH for Libya is estimated based on the assumptions of: (i) oil production and exports continuing through 2100 but decreasing at the rate of 1 percent annually starting form 2050; (ii) oil prices in line with April 2025 World Economic Outlook assumptions through 2030 and declining by 0.5 percent afterward; (iii) real rate of return on financial assets of 5 percent; and (iv) population growth of 1.1 percent. The 2024 PIH-consistent nonhydrocarbon primary deficit of $15 billion can be increased annually in line with inflation to stay constant in real terms.

- **Energy subsidies.** Energy subsidies account for 25 percent of GDP (43 percent of current expenditure). This enduring burden on the country's budget diverts resources away from more productive spending and leads to excessive dependence on cheap energy and widespread smuggling. With the substantial increase in fuel and electricity expenditures over the past three years, reforming energy subsidies should become a priority. By reforming the subsidy system and redistributing the savings in a more targeted manner, the authorities could ensure that the oil wealth is equitably shared and that much-needed investments in human and physical capital are undertaken (see the forthcoming Selected Issues paper).

- **Capital spending**. Additional resources should be dedicated for non-oil capital spending, while strengthening public investment management, including by ensuring that the necessary safeguards, such as legislative oversight and competitive procurement processes, are in place for a proper and efficient use of the allocated budget. A reallocation of savings that could potentially result from subsidy and wage reforms would be a suitable way to increase the capital spending envelope.

- **Non-oil revenues.** Excluding the tax on foreign exchange transactions, Libya's tax-to-GDP ratio is low (one percent in 2021-2024). The bulk of these revenues stems from taxes on income and profits, with a small share from customs taxes and none from taxes on goods and services. This suggests that there is an untapped tax potential. The authorities are encouraged to initiate a comprehensive review of the tax system, while the IMF stands ready to provide technical assistance focused on modernizing tax and customs administrations and on tax policy design.

B. Monetary and Exchange Rate Framework

21. Libya needs an effective domestic monetary policy framework with a well-defined policy rate to serve as a reference for both conventional and Islamic banks.[11] Such a framework would allow the CBL to react to changing macroeconomic conditions, resist the depreciation pressures, and provide a benchmark for the pricing of credit by banks and other financial institutions.[12] Without an effective monetary policy framework and with fiscal expenditure not properly controlled, the dinar is likely to be under continuous depreciation pressure.

22. Given the lack of political consensus on reducing fiscal expenditures, the authorities should phase out the foreign exchange tax and other exchange restrictions as well as unify the exchange rate. The existing arrangement—characterized by the authorities' attempt to reduce the use of foreign currency coupled with a foreign exchange tax—creates distortions and forces economic agents to resort to the parallel market. Controlling fiscal expenditure is still the preferred policy response consistent with Libya's macroeconomic framework (see *IMF Country Report No.*

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[11] The CBL would need technical assistance to calibrate an appropriate policy rate to defend the peg, pay interest rates on bank reserves, or charge interest rates to banks.

[12] Given that the 2013 law prohibiting the charging of interest has been effectively rescinded in the East but not in the West, reforming the regulatory framework governing Islamic finance to facilitate the issuance of Sharia-compliant instruments is needed (see *IMF Country Report No. 23/202*).

24/206). However, given Libya's institutional fragmentation, addressing expenditure pressures may not be feasible in the short term. Therefore, the authorities should phase out the foreign exchange tax alongside the other exchange restrictions, unify the exchange rate, and eliminate the gap between the official and the parallel market exchange rates, thereby also adhering to Libya's Article VIII obligations.

C. Banking Sector

23. The authorities need to foster public confidence in the banking sector. Political instability and weak institutions have lowered trust in banks and generated cash shortages due to persistent hoarding of banknotes. In the past, the CBL was reluctant to meet the increased demand on cash in order to curb outflows to the parallel market. The CBL's new management decided to address the shortages and injected new low-denomination banknotes worth LYD 15 billion (7 percent of GDP). This is a welcome step, but it does not resolve the core issue of cash hoarding. The CBL has made significant efforts to promote electronic payments, and cashless transactions have grown substantially over the past year. Improving transparency, accountability and financial literacy would help restore confidence and enhance the role of the financial sector in the economy.

24. The CBL needs to encourage the development of financial instruments to mobilize deposits and reduce cash hoarding. The absence of attractive saving plans and the high degree of informality in the private sector explain the public's reluctance to deposit money in the banking system. Since the shift to Islamic finance, banks have been mainly operating on commissions generated from providing foreign currency. In this regard, in addition to developing the appropriate monetary policy tools discussed above, the CBL should direct banks to introduce saving plans to attract excess cash and eliminate the current impediments to provision of credit to the private sector.

25. The authorities should strengthen the AML/CFT framework to support the stability of correspondent banking relationships and the economic stability more broadly. The legal framework should be aligned with international standards, the understanding of money laundering and terrorism financing risks should be developed, and mitigation measures should be properly coordinated and risk-focused. A more effective AML/CFT supervision by the CBL would improve the implementation of preventive measures by banks and address the concerns of correspondent banks.

D. Structural Reforms and Governance

26. To foster economic diversification in Libya, it is critical to address the challenges facing the private sector. These include the high level of informality, the absence of a regulatory framework for businesses, and limited access to finance and to foreign currency.[13] The authorities should initiate comprehensive economic reforms that focus on developing regulatory frameworks,

[13] The complicated procedures involved in sourcing foreign currency through the official channels have led most companies to resort to the parallel market.

enhancing access to finance, and improving the security situation. By creating a conducive environment for private sector activity, Libya can leverage its extensive economic potential beyond the hydrocarbon sector, including agriculture, fishery, manufacturing, and tourism. It should be noted however that some of the deep structural reforms advocated here will require political normalization and longer-term planning.

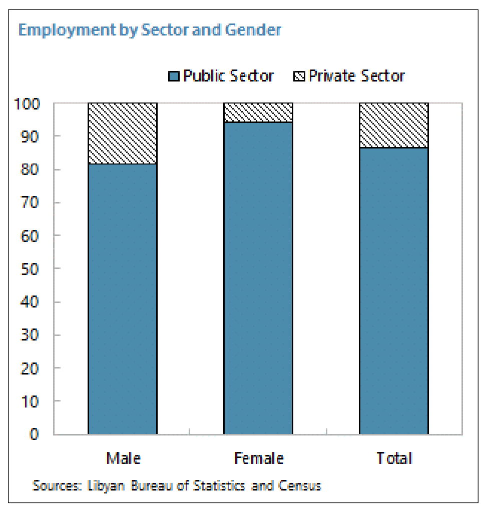
27. Data gaps remain, and the IMF will continue to provide capacity development support. Significant data gaps affect staff's ability to conduct analysis and provide policy advice (Annex V). Staff will work with the authorities to address the most pressing capacity development needs, including in the areas of national accounts and the external sector.

28. Labor market reforms are essential. Key challenges include the dominance of the public sector, reliance on foreign labor, significant skills mismatches, gender disparities, and political instability (see Box 2). In the short term, limiting the expansion of public sector employment can be the first step. In the medium term, promoting investment in industries outside of oil and gas will absorb excess labor. Addressing skills mismatches and education gaps through enhancing the quality of education and vocational training may help align market needs with available skills and reduce unemployment. Establishing a framework for foreign workers would guarantee legal protection for migrants, who play a vital role in various sectors. The steps already taken in this regard are welcome, but more effort is needed.[14]

Box 2. Labor Market in Libya

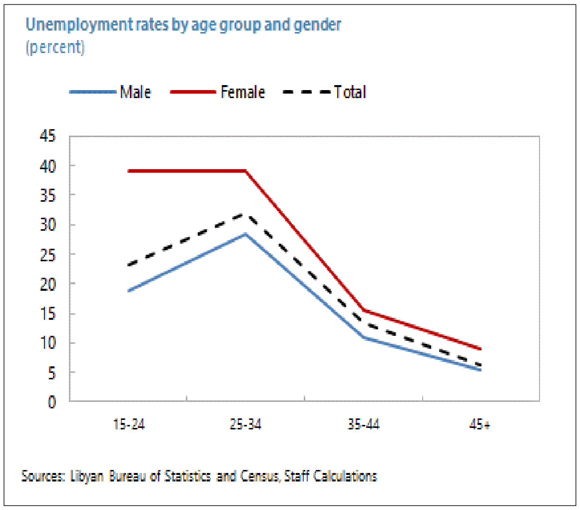
The economy has been dependent on public sector employment for years. About 86 percent of Libya's official labor force works in the public sector and this share reaches 95 percent for women. Elevated public wages and generous benefits, along with the expansion in public employment, have constrained the private sector's capacity to attract skilled labor at competitive wages.

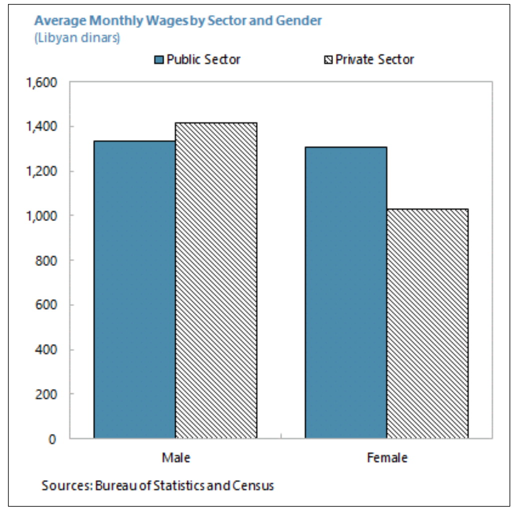
For most Libyans, the private sector is not the preferred employer. Young people in particular tend to wait for government positions that offer stability and more favorable working hours, instead of seeking employment in the private sector. In addition, the high level of informality of the private sector reduces its attractiveness as an employer. The skills mismatches exacerbate this problem further.

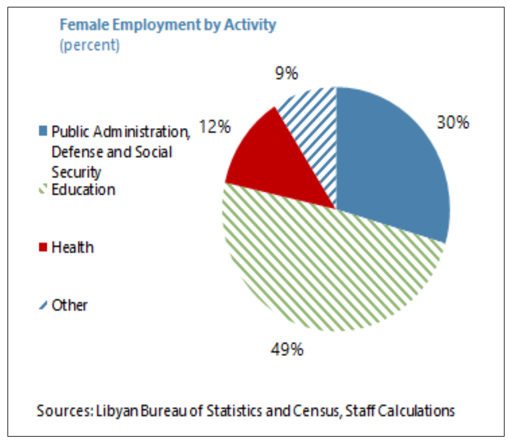


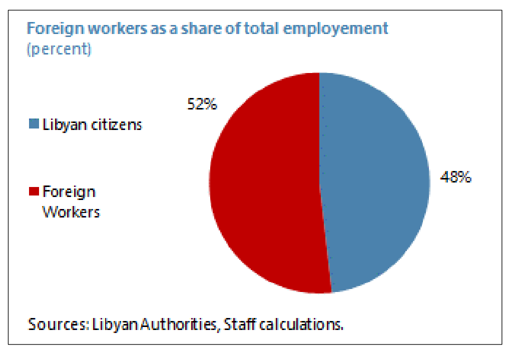
[14] The authorities introduced an online platform for the registration of foreign workers. The new process aims to legalize the status of foreign workers, who are now required to have an official employment contract and the necessary health certificates.

Box 2. Labor Market in Libya (concluded)









As a result, private firms have to rely on migrant labor, which is cheaper and more flexible. There are no official statistics on foreign workers in Libya, but their number is estimated between 2 and 3 million, which is comparable to the size of the formal labor force. Migrant labor supplies essential skills to the market (mainly in the construction sectors), but it is beset by concerns regarding legal rights and working conditions.

Female labor participation rates remain low in the private sector. Even though education attainment for women in Libya is relatively high, it has not translated into higher participation in the labor market. Female employment is mainly concentrated in the education sector, as women continue to face barriers to economic empowerment. In the private sector, female participation is almost non-existent primarily due to social and cultural norms, discrimination, and less favorable working conditions compared with the public sector. Women are underrepresented in public leadership positions and in the decision-making process. In this regard, creating a more inclusive labor market with equal opportunities for women in Libya must be prioritized. More efforts should be directed towards enhancing the skills of women in order to enable them to participate more effectively in the labor market.

29. **Corruption vulnerabilities remain high across key state functions, specially affecting fiscal governance, the rule of law, and financial sector oversight and AML efforts.** Tax and customs offices and state-owned enterprises are common sources of resource leakages. Lack of fiscal transparency and vulnerabilities in the banking sector facilitate corruption and hamper access to credit. Furthermore, Libya's anti-corruption legal and institutional framework has significant gaps

which undermine effective detection and punishment of corrupt behavior. Libya lacks legislation on transparency and access to information, and the asset declaration regime is weak and poorly enforced. The rule of law is weakened by instability and the influence of non-state actors, affecting contract enforcement and property rights.[15]

30. Mitigating corruption vulnerabilities and governance weaknesses is critical for the country's economic prospects. Key reforms include creating a centralized digital portal for procurement tenders, which should be competitive and transparent, and publish beneficial ownership information on successful bidders and improving internal controls in tax and customs. Adhering to the Extractive Industries Transparency Initiative and reforming the governance of the NOC and its subsidiaries are essential. Reinforcing the independence and mandate of anticorruption bodies and ensuring judicial independence will further reinforce institutional effectiveness and the rule of law (Annex VI).

31. Reforming the AML/CFT framework will require efforts to mitigate challenges posed by the political environment and corruption. The legal framework remains outdated, as political division prevents the amendment of key AML/CFT legislation. Owing to the limited capacity and coordination among relevant authorities, the understanding of ML/TF risks is insufficient, which prevents the development and implementation of risk focused measures. Weaknesses of CBL supervision exacerbate compliance of banks with AML/CFT rules and affect correspondent banking relationships. Strengthening the AML/CFT framework would support efforts to improve governance and counter corruption.

AUTHORITIES' VIEWS

32. The authorities broadly agreed with staff's assessment of Libya's macroeconomic situation. They concurred that the economic outlook continues to be dominated by developments in the oil sector. The main risks include political instability, potential disruptions to oil production and exports, and falling oil prices, which would further exacerbate fiscal and external imbalances.

33. The authorities expressed concern about the recent surge in public spending. The unrestrained spending by the East and the West, coupled with the lower oil revenues, led to the outflows of international reserves, US$6 billion in 2024 and another US$5 billion in the first quarter of 2025. To avoid further depletion of reserves, the authorities devalued the Libyan dinar. The authorities recognized the risks arising from the vicious circle of overspending and currency depreciation and emphasized that bringing public expenditure under control is essential. A substantial fiscal effort is required to achieve sustainability and preserve the value of the dinar.

34. At this juncture, the authorities intend to maintain the foreign exchange tax and the regulations on access to foreign currency. They concurred that the tax was distortionary and should eventually be cancelled. The authorities, nevertheless, viewed it as necessary in the short

[15] Owing to security challenges, the registration of property was suspended in 2011.

term in order to limit the pressure on foreign exchange reserves. They considered the foreign exchange regulations key to curb money laundering, financing of terrorism, and smuggling.

35. Fuel subsidy reform is on the agenda. The authorities underscored the need to reform the current subsidy system and to redistribute the resulting savings. In an attempt to limit smuggling, the authorities cancelled the fuel swap. The authorities appreciated the analysis and recommendations in the forthcoming Selected Issues paper.

36. In the authorities' opinion, banking sector reforms are progressing well. The CBL introduced a number of key reforms in the past year to address the issues of counterfeit currency, cash shortages, capital adequacy, and financial inclusion. Banks are currently well capitalized and electronic payments are expanding, and cash shortages have been successfully resolved. However, difficulties remain, including the outdated banking law, AML/CFT challenges, lack of monetary policy instruments, and absence of an Islamic finance framework.

37. The authorities recognize the profound impact of corruption on Libya and the significant governance challenges facing the country. They welcomed the governance candid discussions undertaken during this Article IV cycle. The authorities are well aware of governance vulnerabilities and aim to address them within their current capabilities.

38. Libya needs an economic vision. The authorities pointed out that the current political and institutional division leads to conflicting policies and decisions, rendering ambitious reforms next to impossible. They agreed that the country needs a unified vision that addresses the important issues of fiscal spending, employment, private sector growth, governance and long-term sustainability, while ensuring equitable resource distribution.

STAFF APPRAISAL

39. Economic activity and fiscal and external accounts are poised to remain heavily dependent on developments in the oil sector and subject to downside risks. Following a rebound in oil production, economic growth is expected to be in double digits in 2025, before moderating over the medium term. Despite the expected increase in oil exports, the current account and fiscal balances are set to remain in deficit over most of the forecast horizon, weighed down by the projected softening of oil prices and large fiscal spending. The outlook is subject to downside risks, including the potential intensification of domestic political tensions, which could disrupt oil production and exports, and adverse global economic and geopolitical developments, which would put additional downward pressure on oil prices. To mitigate these risks, accelerating reforms aimed at restraining fiscal spending and diversifying the economy away from oil will be crucial.

40. Controlling expenditure will be key to ensure sustainability and to achieve intergenerational equity. The authorities should remain steadfast in their efforts to agree on a unified budget that outlines priority spending and enhances the transparency and credibility of government fiscal operations. Until such an agreement is reached, pressures to increase spending on salaries and subsidies should be resisted. Over the medium term, a sizable adjustment will be required to set the fiscal position on a sustainable trajectory and preserve intergenerational equity. The adjustment should be carefully designed to rationalize current spending, particularly wages and energy subsidies, and mobilize non-oil revenues, while maintaining capital expenditures at levels that support economic diversification.

41. A well-designed monetary and exchange rate policy framework will be essential to help manage economic cycles and mitigate the depreciation pressures. Introducing a well-defined policy rate will enhance the CBL's capacity in smoothing the economic cycle and alleviating pressures on the dinar and provide a benchmark for the pricing of credit by both conventional and Islamic banks. Phasing out the foreign exchange tax alongside other exchange restrictions in line with Libya's Article VIII obligations will reduce distortions, lower economic agents' need to resort to the parallel market and help unify the exchange rate.

42. Reforms are needed to reinforce the banking sector's contribution to economic activity. Impediments to a more active role by banks in the economy remain pervasive. Introducing well-designed savings plans will help to reduce cash hoarding, expand banks' deposit base, establish bank-customer relationships, and support the provision of credit to the private sector. Enhancing transparency and accountability within the banking sector and promoting financial literacy among the public would foster confidence in banks and increase their footprint in Libya's economy. Strengthening the AML/CFT framework, including by aligning it with international standards, will be paramount to support the stability of correspondent banking relationships and to ensure that Libyan banks' operations remain uninterrupted.

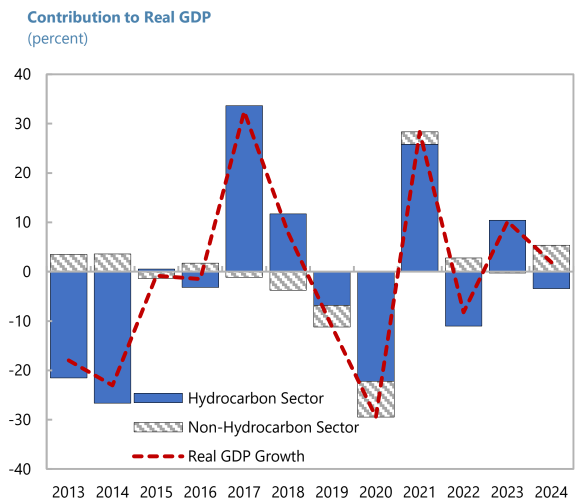
43. Structural and governance reforms would foster the emergence of a diversified, sustainable, and private sector-led economy. Forging a comprehensive reform program aimed at reducing dependence on oil revenues should be at the top of the authorities' agenda. Key elements of the reform program should promote a more active engagement of the private sector in economic activity, including by enhancing the business environment and access to finance and introducing labor market measures that encourage private sector employment. Taking decisive actions to tackle corruption, strengthen governance, and enhance the rule of law will support economic diversification further.

44. There is a need to enhance data provision and statistical capacity. Data gaps continue to significantly hamper staff's ability to conduct analysis and provide policy advice. There is a need for the authorities to implement the technical assistance recommendations in the areas of national accounts and external sector statistics, and monetary and financial statistics, and improve data collection and reporting.

45. Staff recommends that the next Article IV consultation be held on the standard 12-month cycle.

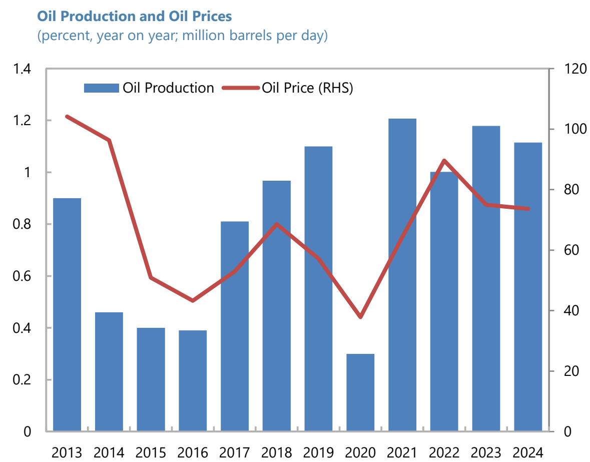
Figure 1. Libya: Key Trends

Economic activity is dominated by oil….



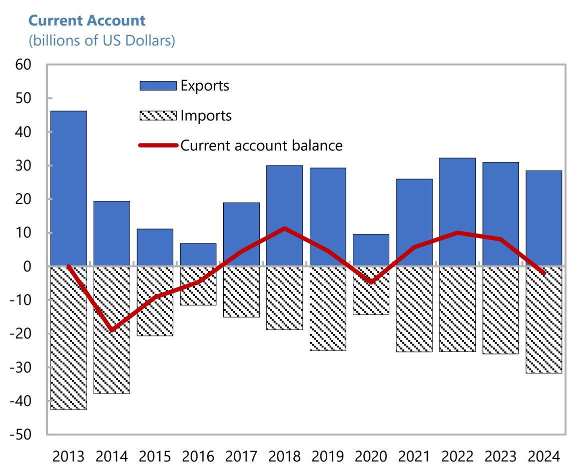
Sources: Libyan Authorities.

…and oil production declined in 2024.



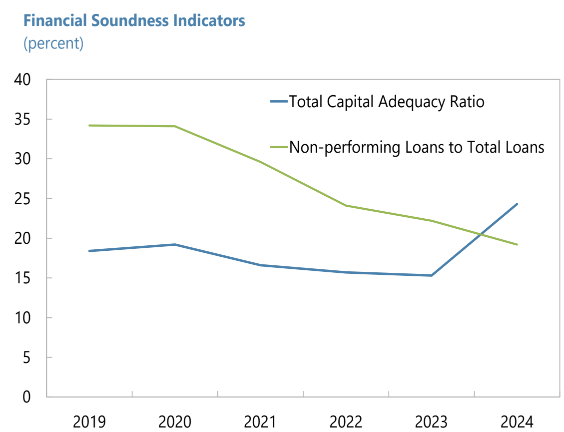
Sources: Libyan Authorities, OPEC.

Current account shifted to a deficit.



Sources: Central Bank of Libya; IMF Staff Estimates.

Banks' financial soundness indicators have improved.

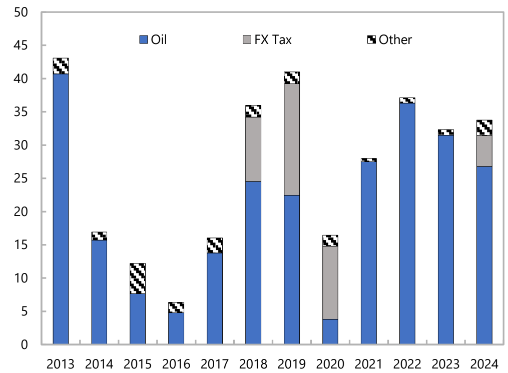


Sources: Central Bank of Libya.

Figure 2. Libya: Fiscal Sector

Fiscal revenues increased in 2024…

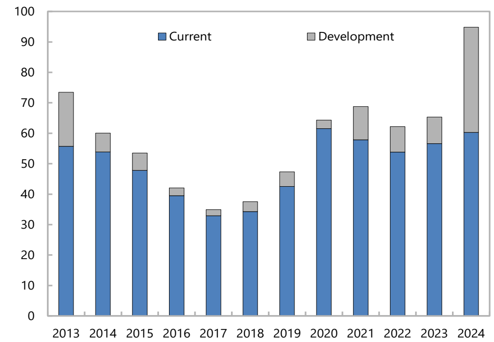
Central Government Revenue
(billions of US Dollar)



Sources: Central Bank of Libya; IMF Staff Estimates.

…along with a significant increase in expenditures.

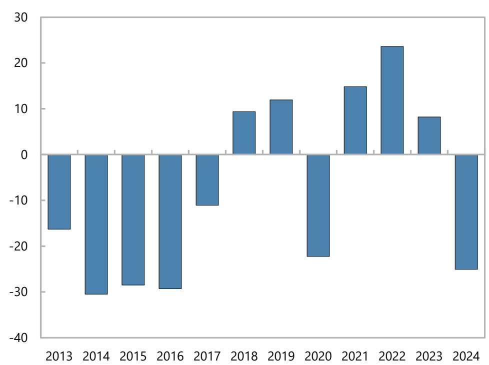
Central Government Expenditure
(percent of GDP)



Sources: Central Bank of Libya; IMF Staff Estimates.

The fiscal balance turned into a deficit…

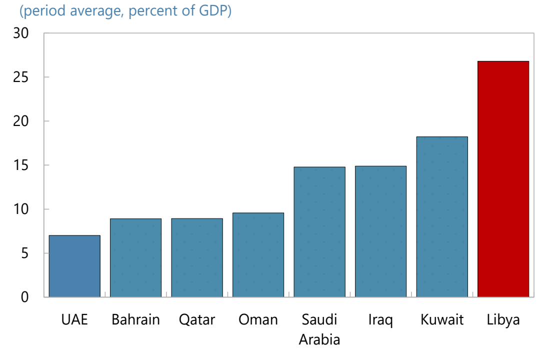
Fiscal Balance
(percent of GDP)



Sources: Central Bank of Libya; Ministry of Finance; IMF Staff Estimates.

…amid a high wage bill.

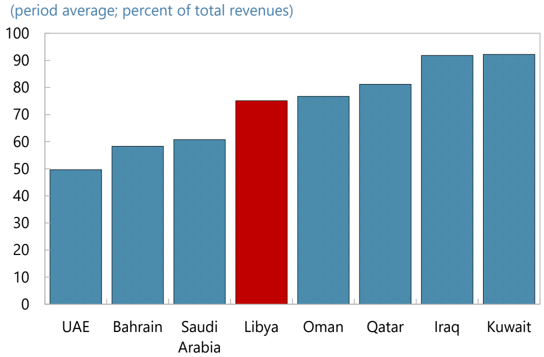
Compensation of Government Employees, 2019-2024
(period average, percent of GDP)



Sources: Country authorities; IMF staff calculations.

Fiscal revenues are dominated by hydrocarbon receipts.

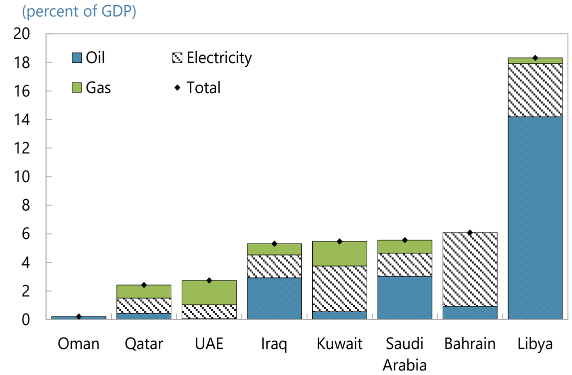
Hydrocarbon Revenues, 2019-2024
(period average; percent of total revenues)



Sources: Country Authorities; IMF Staff Calculations.

Energy subsidies are high, even relative to other oil exporters.

Hydrocarbon Consumption Subsidies, 2023
(percent of GDP)



Sources: IEA Fossil Fuel Subsidies database; IMF staff calculations.

Table 1. Libya: Selected Economic Indicators, 2021–2030

	2021	2022	2023	Est. 2024	Proj. 2025	2026	2027	2028	2029	2030
(Annual percentage change, unless otherwise indicated)										
National income and prices										
Real GDP (at market price)	28.3	-8.3	10.2	1.9	16.1	4.4	1.6	1.7	1.9	2.2
Nonhydrocarbon	5.9	7.9	-0.6	14.3	2.9	5.9	4.2	4.4	4.8	5.3
Hydrocarbon	45.0	-17.0	17.8	-5.5	25.6	3.6	0.0	0.0	0.0	0.0
Nominal GDP in billions of Libyan dinars 1/	159.0	208.2	211.9	234.3	251.2	254.2	265.5	277.9	292.0	306.6
Nominal GDP in billions of U.S. dollars 1/	35.2	43.3	44.0	48.4	47.2	47.7	49.8	52.2	54.8	57.6
Per capita GDP in thousands of U.S. dollars	5.2	6.4	6.4	7.0	6.8	6.8	7.0	7.3	7.5	7.8
GDP deflator	90.4	42.7	-7.6	3.6	-3.3	-3.1	2.8	2.9	3.1	2.8
CPI inflation										
Period average	2.9	4.5	2.4	2.1	2.3	2.3	2.3	2.3	2.3	2.3
End of period	3.7	4.1	1.8	2.3	2.3	2.3	2.3	2.3	2.3	2.3
(In percent of GDP)										
Central government finances										
Revenues	79.5	85.8	73.6	69.8	67.9	61.1	58.5	56.6	54.5	52.4
Of which: Hydrocarbon	78.1	83.9	71.6	55.4	62.1	59.2	56.7	54.7	52.6	50.4
Expenditure and net lending	64.7	62.2	65.4	94.8	73.2	64.6	61.8	59.5	57.1	54.8
Of which: Capital expenditures	10.9	8.4	8.7	34.6	20.1	12.8	12.1	11.4	11.0	10.9
Overall balance	14.8	23.6	8.2	-25.1	-5.3	-3.5	-3.3	-2.9	-2.7	-2.5
Overall balance (in billions of U.S. dollars)	5.2	10.2	3.6	-12.1	-2.5	-1.7	-1.6	-1.5	-1.5	-1.4
Nonhydrocarbon balance	-63.3	-60.3	-63.4	-80.5	-67.5	-62.7	-60.0	-57.6	-55.2	-52.9
(Annual percentage change unless otherwise indicated)										
Money and credit										
Base Money	2.8	-16.9	47.9	6.6	36.8	9.0	9.2	10.0	10.2	16.7
Currency in circulation	-20.0	-1.4	37.6	13.3	10.5	2.2	1.5	5.0	5.0	5.0
Money and quasi-money	-20.3	12.0	28.3	12.2	4.0	4.5	4.5	5.0	5.0	5.0
Net credit to the government (Libyan Dinar, billion)	-94.1	-114.9	-110.9	-128.8	-130.4	-121.4	-112.7	-104.6	-96.8	-89.3
Credit to the economy (% of GDP)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
(In billions of U.S. dollars; unless otherwise indicated)										
Balance of payments										
Exports	25.9	32.1	30.9	28.4	32.0	31.3	31.6	32.0	32.5	32.9
Of which : Hydrocarbon	24.5	30.0	28.8	26.3	29.9	29.1	29.2	29.7	30.3	29.9
Imports	17.0	17.2	17.7	21.6	21.9	20.5	20.6	20.8	21.0	21.2
Current account balance	5.7	10.0	8.0	-2.0	0.3	-0.3	-0.2	-0.2	-0.1	-0.1
(As percent of GDP)	16.1	23.2	18.3	-4.2	0.7	-0.5	-0.4	-0.3	-0.3	-0.1
Capital Account (including E&O)	-7.0	-5.3	-3.8	6.5	-2.8	-1.4	-1.4	-1.4	-1.3	-1.3
Overall balance 2/	1.1	4.7	4.3	4.5	-2.5	-1.7	-1.6	-1.5	-1.5	-1.4
Reserves										
Gross official reserves	69.4	74.1	78.4	82.9	81.1	79.4	77.8	76.3	74.8	73.4
In months of next year's imports	32.2	32.8	34.2	29.6	31.0	32.3	31.5	30.5	29.6	28.8
Gross official reserves in percentage of Broad Money	317.0	318.2	261.3	250.3	262.9	246.4	230.9	215.6	201.4	188.2
Total foreign assets	79.7	84.2	88.5	93.6	91.6	89.7	87.9	86.2	84.5	82.9
Exchange rate										
Official exchange rate (LD/US$, period average)	4.5	4.8	4.8	4.8	…	…	…	…	…	…
Parallel market exchange rate (LD/US$, period average)	5.1	5.1	5.2	6.9	…	…	…	…	…	…
Parallel market exchange rate (LD/US$, end of period)	5.0	5.2	6.1	6.4	…	…	…	…	…	…
Crude oil production (millions of barrels per day - mbd)	1.2	1.0	1.2	1.1	1.4	1.5	1.5	1.5	1.5	1.5
Of which: Exports	1.0	0.8	1.0	0.9	1.1	1.2	1.2	1.2	1.2	1.2
Crude oil price (US$/bbl) 3/	64.4	89.6	75.0	73.6	66.9	62.4	62.7	63.6	64.3	64.9

Sources: Libyan authorities; and IMF staff estimates and projections.

1/ Nominal GDP data are at market prices.

2/ Includes revaluation of gold holdings of U$10.5 billion in 2024.

3/ The crude oil price was adjusted for Libya up to 2024.

Table 2. Libya: Fiscal Sector, 2021–2030

				Est.	Proj.					
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	(In millions of Libyan dinars)									
Total Revenue and Grants	126,451	178,561	155,911	163,510	170,556	155,239	155,433	157,168	159,009	160,601
Hydrocarbon Revenue	124,200	174,720	151,700	129,800	156,089	150,540	150,471	151,914	153,430	154,656
Nonhydrocarbon Revenue	2,251	3,841	4,211	33,710	14,467	4,699	4,962	5,254	5,578	5,944
Total expenditure and net lending	102,876	129,448	138,500	222,200	183,973	164,163	164,135	165,334	166,752	168,169
Total Expenditure	102,876	129,448	138,500	222,200	183,973	164,163	164,135	165,334	166,752	168,169
Current expenditure, *of which:*	85,485	111,948	120,000	141,200	133,482	131,728	132,084	133,753	134,717	134,806
Wages	33,065	47,100	60,000	67,600	70,980	71,690	74,557	77,540	80,641	83,867
Goods and services	7,999	9,000	9,000	7,700	8,085	8,166	8,248	8,412	8,665	7,798
Subsidies and transfers	37,930	55,848	51,000	56,100	54,417	51,873	49,279	47,801	45,411	43,140
Capital expenditure	17,390	17,500	18,500	81,000	50,491	32,434	32,051	31,581	32,035	33,364
Overall balance	23,576	49,113	17,411	-58,690	-13,417	-8,923	-8,702	-8,166	-7,743	-7,569
	(In percent of nominal GDP)									
Total Revenue	79.5	85.8	73.6	69.8	67.9	61.1	58.5	56.6	54.5	52.4
Hydrocarbon	78.1	83.9	71.6	55.4	62.1	59.2	56.7	54.7	52.6	50.4
Nonhydrocarbon	1.4	1.8	2.0	14.4	5.8	1.8	1.9	1.9	1.9	1.9
Total expenditure and net lending	64.7	62.2	65.4	94.8	73.2	64.6	61.8	59.5	57.1	54.8
Total Expenditure	64.7	62.2	65.4	94.8	73.2	64.6	61.8	59.5	57.1	54.8
Current expenditure, *of which:*	53.8	53.8	56.6	60.3	53.1	51.8	49.8	48.1	46.1	44.0
Wages	20.8	22.6	28.3	28.9	28.3	28.2	28.1	27.9	27.6	27.3
Goods and services	5.0	4.3	4.2	3.3	3.2	3.2	3.1	3.0	3.0	2.5
Subsidies and transfers	23.9	26.8	24.1	23.9	21.7	20.4	18.6	17.2	15.6	14.1
Capital expenditure	10.9	8.4	8.7	34.6	20.1	12.8	12.1	11.4	11.0	10.9
Overall balance	14.8	23.6	8.2	-25.1	-5.3	-3.5	-3.3	-2.9	-2.7	-2.5
Memo item:										
Nominal GDP (in millions of Libyan dinars)	158,989	208,152	211,911	234,284	251,229	254,229	265,478	277,919	291,964	306,648
Nonhydrocarbon nominal GDP (in millions of Libyan dinars)	39,888	61,661	67,273	99,338	102,607	109,268	116,814	125,242	134,667	145,357

Sources: Ministry of Finance; and IMF staff estimates and projections.

Table 3. Libya: Monetary Sector, 2018–2024

	2018	2019	2020	2021	2022	2023	2024
	(In millions of Libyan dinars)						
Broad money	111,566	108,889	126,271	100,656	112,714	144,577	162,247
Money	108,246	105,569	122,950	97,335	109,393	141,255	158,923
Quasi-money	3,320	3,320	3,320	3,320	3,321	3,322	3,323
Net claims on government	-8,352	-20,389	-1,374	-94,087	-114,914	-110,858	-128,831
Claims on the rest of the economy	17,405	18,173	18,289	21,138	49,881	52,127	56,947
Claims on nonfinancial public enterprise	5,244	6,104	5,931	6,692	9,235	8,178	7,928
Claims on the private sector	11,648	11,304	11,633	13,717	22,311	25,890	30,557
Net foreign assets	116,256	114,306	101,088	359,934	374,804	394,182	422,802
Domestic credit	9,053	-2,216	16,915	-72,949	-65,033	-58,731	-71,885
Net claims on government	-8,352	-20,389	-1,374	-94,087	-114,914	-110,858	-128,831
	(Change in percent)						
Broad money	-0.8	-2.4	16.0	-20.3	12.0	28.3	12.2
Money	-0.8	-2.5	16.5	-20.8	12.4	29.1	12.5
Quasi-money	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net claims on government	305.8	-144.1	93.3	-6746.9	-22.1	3.5	-16.2
Claims on the economy	-4.7	4.4	0.6	15.6	136.0	4.5	9.2
Claims on nonfinancial public enterprises	-6.0	16.4	-2.8	12.8	38.0	-11.4	-3.1
Claims on the private sector	-4.2	-2.9	2.9	17.9	62.6	16.0	18.0
	(Percent change over beginning broad money stock)						
Net foreign assets	9.4	-1.7	-12.1	205.0	14.8	17.2	19.8
Domestic credit	-11.8	-10.1	17.6	-71.2	7.9	5.6	-9.1
Net claims on government	-11.0	-10.8	17.5	-73.4	-20.7	3.6	-12.4
Claims on the economy	-0.8	0.7	0.1	2.3	28.6	2.0	3.3
Claims on nonfinancial public enterprises	-0.3	0.8	-0.2	0.6	2.5	-0.9	-0.2
Claims on the private sector	-0.5	-0.3	0.3	1.7	8.5	3.2	3.2

Sources: Central Bank of Libya; and IMF staff estimates and projections.

Table 4. Libya: External Sector, 2021–2030

	2021	2022	2023	Est. 2024	Proj. 2025	2026	2027	2028	2029	2030
					(In millions of U.S. dollars)					
Current account	5,682	10,031	8,031	-2,022	329	-253	-185	-170	-142	-86
Goods and services	551	6,839	4,951	-3,251	45	1,305	1,426	1,538	1,716	1,852
Goods	8,927	14,961	13,146	6,749	10,155	10,801	11,045	11,255	11,531	11,752
Exports (f.o.b)	25,905	32,134	30,859	28,364	32,006	31,323	31,617	32,037	32,522	32,927
Hydrocarbon	24,538	30,032	28,840	26,263	29,884	29,111	29,248	29,719	30,253	29,934
Others	1,367	2,102	2,019	2,101	2,122	2,212	2,369	2,318	2,269	2,993
Imports (f.o.b)	-16,977	-17,173	-17,713	-21,614	-21,851	-20,523	-20,573	-20,782	-20,992	-21,175
Services	-8,376	-8,122	-8,195	-10,001	-10,110	-9,496	-9,619	-9,717	-9,815	-9,900
Receipts	83	84	87	106	107	100	101	102	103	104
Payments	-8,459	-8,206	-8,282	-10,106	-10,217	-9,596	-9,719	-9,818	-9,917	-10,004
Income, *of which:*	-537	5,668	5,811	3,959	3,884	1,643	1,698	1,756	1,818	1,883
Direct investment income	-1,419	-1,422	-1,581	-1,461	-1,689	-1,689	-1,689	-1,689	-1,689	-1,689
Other investment income	747	6,327	6,609	4,591	4,696	2,405	2,405	2,405	2,405	2,405
Current transfers	-762	-2,477	-2,731	-2,730	-3,600	-3,201	-3,309	-3,464	-3,676	-3,822
Capital and financial account	-6,427	-5,112	-2,378	-3,988	-2,848	-1,422	-1,448	-1,362	-1,311	-1,334
Direct investment (net)	378	-285	-795	1,113	962	1,058	1,164	1,280	1,408	1,549
Portfolio investment (net)	-914	-394	-959	3,563	3,741	3,928	4,125	4,331	4,547	4,775
Other investment (net)	-5,891	-1,630	-422	-1,847	-7,551	-6,408	-6,737	-6,974	-7,267	-7,658
Errors and omissions	1,843	-173	-1,396	10,511	0	0	0	0	0	0
Overall balance	1,098	4,746	4,257	4,501	-2,518	-1,675	-1,633	-1,533	-1,453	-1,421
Memorandum items										
Total foreign assets (in billions of U.S. dollars) 1\	79.7	84.2	88.5	93.6	91.6	89.7	87.9	86.2	84.5	82.9
Gross official reserves (in billions of U.S. dollars) 2\	69.4	74.1	78.4	82.9	81.1	79.4	77.8	76.3	74.8	73.4

Sources: Central Bank of Libya; and IMF staff estimates and projections.
1/ Total foreign assets exclude Libyan Investment Authority (LIA) assets.
2/ Gross official reserves include LIA deposits at the CBL of about USD 20 billion.

Table 5. Libya: Financial Soundness Indicators, 2018–2024

	2018	2019	2020	2021	2022	2023	2024
Core Set:							
Regulatory capital to risk-weighted assets	17.8	18.4	19.2	16.6	15.7	15.3	24.3
Nonperforming loans net of provisions to capital	5.1	0.8	0	n.a.	n.a.	n.a.	n.a.
Nonperforming loans to gross loans	21.00	34.2	34.1	29.6	24.1	22.2	19.2
Return on assets	1.00	0.7	0.5	0.9	0.6	0.7	1.2
Return on equity	20.9	12.3	9.8	18.5	10.7	12.1	18.6
Liquid assets to total assets	74.3	71.9	72.1	68.4	66.7	66.9	66.9
Liquid assets to short-term liabilities	108.6	83.7	86.4	91.2	83.2	70.8	95.9
Net open position in foreign exchange to capital and reserves	103.4	99.2	51.7	n.a.	n.a.	n.a.	n.a.
Encouraged Set:							
Capital to assets	4.6	5.5	4.9	4.7	5.2	6.1	6.6
Average lending rate	0.0	0.0	0.0	n.a.	n.a.	n.a.	n.a.
Average deposits rate	0.0	0.0	0.0	n.a.	n.a.	n.a.	n.a.
Spread over 3-month deposit rate	0.0	0.0	0.0	n.a.	n.a.	n.a.	n.a.
Foreign-currency-denominated assets to total assets	6.2	5.5	3.1	n.a.	n.a.	n.a.	n.a.
Foreign-currency-denominated liabilities to total assets	0.5	0.1	0.2	n.a.	n.a.	n.a.	n.a.
Loan provisions to nonperforming loans	90.4	98.6	99.4	89.2	84.1	n.a.	n.a.
Ratio of banks' lending to banks' capital	254.1	276.8	272.5	309.3	270.2	n.a.	n.a.

Source: Central Bank of Libya.

Annex I. Implementation of Past Fund Policy Advice

2024 Article IV Staff Recommendations	Implementation
Improving Policy Coordination Through Proper Budgeting	
Avoid procyclical spending bias and follow a proper budgeting process.	Continued political division prevented progress in this area.
Streamline state-owned enterprises (SOEs) ownership structures and tighter control, especially of state-owned public banks.	There has been no progress.
Completing Central Bank Reunification and Maintaining Financial Stability	
Complete central bank reunification through integration of the payment system and unification of the accounting procedures.	The payment system has not been fully integration yet and progress hinges on further political reconciliation.
Address the underlying pressures on the exchange rate.	The fiscal spending was not restrained, but the exchange rate was devalued to help alleviate pressure on international reserves.
Maintain the integrity of the means of payment.	The compromised 50-dinar notes are no longer accepted as means of payment. The central bank injected new banknotes worth LYD 15 billion to replace the withdrawn ones.
Strengthen the banking sector.	The majority of banks met their capital increase targets in 2024, resulting in a doubling of paid-in capital. Banks' financial soundness indicators have strengthened and nonperforming loan ratios have improved.
Strengthening Institutions and Building Capacity	
Improve governance, the rule of law, anticorruption institutions and the legal framework.	The LAB has published detailed annual reports, the country adopted a 2025-30 national anticorruption strategy, and follow-up instruments for its timely and effective implementation were put in place.
Develop capacity and improve data quality.	CD activities continue but are hampered by the staff's inability to travel to Libya.
Policies for Diversifying Away from Hydrocarbon and Private Sector Development	
Foster stronger and more inclusive private sector-led growth.	Continued fragility prevented long-term planning.

Annex II. Risk Assessment Matrix[1]

Risk	Likelihood	Expected Impact if Risk Materializes	Policy Response and Recommendations
Global Risks			
Regional conflicts. Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	**Medium**	**Low-Medium** Rising food prices increase fiscal expenditures necessitating subsidies or causing social discontent if inflation rises. Higher energy prices would lower fiscal and external vulnerabilities.	Implement focused assistance for the most at-risk households to shield them from increasing food costs. Meet foreign exchange demand and supply domestic liquidity, including physical cash as needed.
Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	**Medium**	**Medium** Increased food prices contribute to higher fiscal spending through higher indirect subsidies. Lower energy prices would substantially decrease oil revenues and weaken the external position.	Substitute untargeted subsidies, with targeted support for the most at-risk households by introducing subsidy reform. Substitute untargeted fiscal spending with well-designed social support programs aimed at the most vulnerable.
Tighter financial conditions and systemic instability. Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.	**Medium**	**Medium** Higher-for-longer interest rates and further US dollar appreciation widen the gap between official and parallel exchange rates, leading to increased inflation and a loss of foreign exchange reserves.	Control fiscal expenditure to reduce the use of foreign exchange and alleviate pressure on foreign reserves. Establish an effective domestic monetary policy framework, including a well-defined domestic monetary policy rate to implement more robust policy responses to changes in macroeconomic conditions.
Deepening geoeconomic fragmentation. Persistent conflicts, inward-oriented	**High**	**Medium** Deepening geoeconomic fragmentation could lower trade	Expedite fiscal and structural reforms to enhance potential growth, by promoting the

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Risk	Likelihood	Expected Impact if Risk Materializes	Policy Response and Recommendations
policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.		and weaken international cooperation, disrupting Libya's access to payments systems. Libya could nevertheless, benefit in the short-term if green transition slows downs and there is, an increase in hydrocarbon prices.	diversification of the export base beyond oil and improving the business environment and the competitiveness of the non-oil export sector. Preserve existing correspondent banking relationships and strengthen the AML/CFT framework.
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	**Medium**	**High** Libya is highly vulnerable to extreme climate events, experiencing deadly floods. Beyond the devastating impact on lives and livelihoods, these shocks could impose significant fiscal costs and exacerbate inflationary pressures	Invest in climate-resilient infrastructure and agriculture, as well as the maintenance of existing infrastructure. Formulate a clear plan for adapting to the green transition and diversifying the economy away from hydrocarbons.
Social discontent. Real income loss, spillovers from conflicts, dissatisfaction with migration, and worsening inequality ignite social unrest, populism, polarization, and resistance to reforms or suboptimal policies. This weakens growth and leads to policy uncertainty and market repricing.	**Medium**	**High** The political fragmentation could lead to conflict and shutdown of oil production and exports and the disruptions in the central bank operations. This would endanger fiscal and external sustainability.	Implement comprehensive governance and anti-corruption reforms, build sufficient fiscal and FX reserve buffers, adopt a unified national budget, and transparently communicate fiscal objectives to the public.
Domestic Risks			
Political instability turns into active conflict. Political fragmentation could lead to broader conflict or shutdown of oil production and exports and the disruptions in the central bank operations.	**High**	**High** Fiscal and external positions deteriorate leading to loss of FX reserves and leading to macrofinancial instability.	Implement reforms to better target subsidies and ensure a more equitable distribution of across the country.
Increase fiscal spending to garner popular support. In the absence of a political consensus, political rivals may engage in inefficient and unaffordable current expenditures, such as grants and allowances to bolster their support base.	**High**	**High** An increase in expenditure will put the fiscal position on an unsustainable trajectory, eroding the available fiscal space rendering the country vulnerable to future economic shocks.	Gradually eliminate broad-based allowances and grants and, if necessary, replace them with targeted social support measures aimed at the vulnerable. Increase capital expenditure to rebuild essential infrastructure, and implement structural reforms to strengthen the private sector and generate employment opportunities.

Annex III. External Sector Assessment

Overall Assessment: *The external position was substantially weaker than the level implied by medium-term fundamentals and desirable policies in 2024. Nevertheless, Libya's net foreign asset position remains strong thanks to high oil export revenues that have generated large current account surpluses in the past.*

Potential Policy Responses: *Rationalizing fiscal spending and pursuing exchange rate reforms will help unify the exchange rate, remove distortions and preserve Libya's accumulated foreign currency reserves.[1] Structural reforms that foster diversification away from hydrocarbons, promote private sector-led growth, and enhance competitiveness will be key to ensure long-term external sustainability, considering the risk of a sustained decline in oil prices.*

Current Account

Libya: EBA-lite Model Results, 2024

	CA model 1/ (in percent of GDP)
CA-Actual	**-4.2**
Cyclical contributions (from model) (-)	1.4
Additional temporary/statistical factors (-) 2/	-9.5
Natural disasters and conflicts (-)	1.1
Adjusted CA	**2.8**
CA Norm (from model) 3/	**12.9**
Adjustments to the norm (+)	0.0
Adjusted CA Norm	**12.9**
CA Gap	**-10.1**
o/w Relative policy gap	2.2
Elasticity	-0.3
REER Gap (in percent)	**30.7**

1/ Based on the EBA-lite 3.0 methodology

2/ The additional adjustment (10.9 percent of GDP) is included to account for two temporary factors: (i) the impact on the CA of the decline in hydrocarbon exports (5.2 percent of GDP) due to oil production disruptions that occurred in 2024, and (ii) the more-than-usual increase in imports due to excessive spending in 2024 (4.3 percent of GDP).

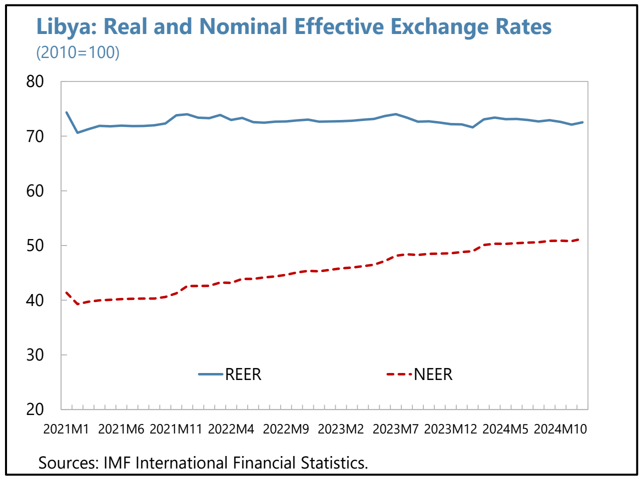
3/ Cyclically adjusted, including multilateral consistency adjustments.

Background. The current account (CA) turned into a deficit of 4.2 percent of GDP in 2024, from a surplus of 18.3 percent of GDP in 2023, weighed down by disruptions in oil production and a surge in imports driven by large fiscal spending. These disruptions, together with larger-than-usual imports, resulted in a temporary loss of 9.5 percent of GDP in the current account. Apart from 2025 where it benefits from a rebound in oil production and exports, the CA balance is set to remain in deficit throughout the forecast horizon, weighed down by softening oil prices. With oil exports representing the bulk of exports (more than 90 percent), CA projections are subject to risks stemming from oil price volatility and potential disruptions in oil production.

Assessment. The EBA-lite current account model estimates a negative CA gap of -10.1 percent of GDP, larger than the 2023 assessment of -1 percent of GDP. Policy gaps, namely large government spending, are one of the drivers of the CA gap in 2024. Using the estimated elasticity of -0.3, the results point to an overvaluation of Libya's real effective exchange rate by nearly 31 percent, suggesting that the external position for the country in 2024 was substantially weaker than the level implied by fundamentals and desirable policy settings. The recent devaluation of the dinar by 13 percent is expected to help correct the current account imbalance.

[1] On April 6, 2025, the Central Bank of Libya devalued the dinar by about 13 percent.

Real Exchange Rate
Background. The Libyan Dinar (LYD) is pegged to the SDR. In January 2021, the Central Bank of Libya (CBL) fixed the official rate at SDR 0.1555 per LYD 1, effectively pricing the Dinar at 4.5 to the US dollar. In April 2025, the authorities effected another devaluation of the dinar by 13.3 percent to 0.1349 SDR, setting the new exchange rate at 5.57 dinars per US dollar. A tax on foreign currency of 27 percent was imposed by the authorities in March 2024 before being reduced it to 15 percent in November of the same year. The Nominal Effective Exchange Rate (NEER) appreciated by about 6 percent in 2024, reflecting a stronger US dollar, whereas the Real Effective Exchange Rate remained broadly stable, driven by a favorable inflation differential.

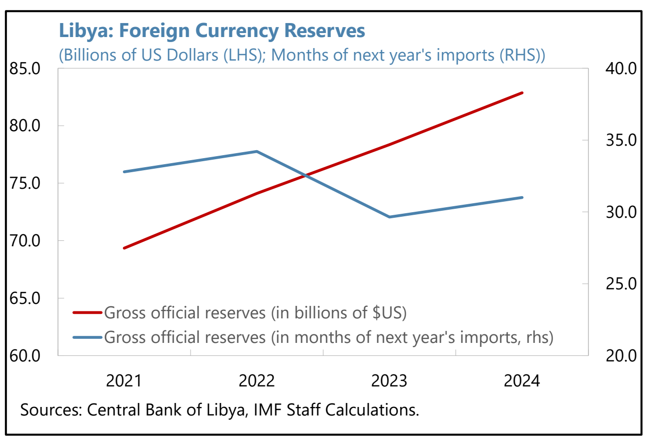


Sources: IMF International Financial Statistics.

Assessment. The CA gap estimated from the CA model and an elasticity of -0.3 indicate that the REER is overvalued by 31 percent. The authorities have taken a first step towards correcting this overvaluation by devaluing the dinar by about 13 percent in April 2025. Exchange rate movements have a limited impact on Libya's competitiveness in the short term, as most of its exports are heavily concentrated in crude oil and priced in dollars, and there is limited substitutability between imports and domestically produced products.

Capital and Financial Accounts: Flows and Policy Measures
Assessment. A lack of detailed information on the nature of financial flows in Libya complicates the analysis of its financial account. The strong reserve position limits risks and vulnerabilities to capital flows in the near term. Efforts to enhance political stability and implement structural reforms that support economic diversification and promote the private sector would help attract foreign direct investment into sectors beyond hydrocarbons.

FX Intervention and Reserves Level
Background. Libya's gross official reserves remain very high by any metric. They stood at $83 billion at the end of 2024—up by $4.5 billion relative to 2023—representing almost 200 percent of GDP and covering more than 2 years of prospective imports. Assuming fiscal spending remains high, reserves are projected to decline gradually over the medium-term by about $10 billion, but still remain ample.



Sources: Central Bank of Libya, IMF Staff Calculations.

Assessment. Reserves play a dual role of providing buffers for precautionary motives and savings for future generations. Against the backdrop of heightened political and security risks, Libya's reserves are adequate for these purposes.

Annex IV. Debt Sustainability Analysis

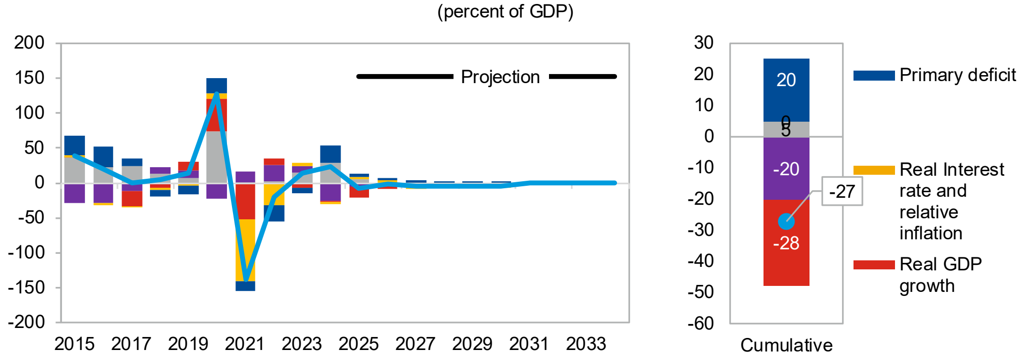
Libya: Baseline Scenario

(Percent of GDP, unless indicated otherwise)

	Actual	Medium-term projection					
	2024	2025	2026	2027	2028	2029	2030
Public debt	115.2	107.5	106.2	101.7	97.2	92.5	88.0
Change in public debt	23.6	-7.8	-1.3	-4.5	-4.6	-4.7	-4.4
Contribution of identified flows	-4.9	-12.6	-1.3	-4.5	-4.6	-4.7	-4.4
Primary deficit	25.1	5.3	3.5	3.3	2.9	2.7	2.5
Noninterest revenues	69.8	67.9	61.1	58.5	56.6	54.5	52.4
Noninterest expenditures	94.8	73.2	64.6	61.8	59.5	57.1	54.8
Automatic debt dynamics	-4.9	-12.6	-1.3	-4.5	-4.6	-4.7	-4.4
Real interest rate and relative inflation	-3.1	3.4	3.3	-2.8	-2.9	-2.9	-2.5
Real interest rate	-3.1	3.4	3.3	-2.8	-2.9	-2.9	-2.5
Relative inflation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real growth rate	-1.7	-16.0	-4.6	-1.7	-1.7	-1.8	-2.0
Real exchange rate	0.0	…	…	…	…	…	…
Other identified flows	-25.1	-5.3	-3.5	-3.3	-2.9	-2.7	-2.5
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-25.1	-5.3	-3.5	-3.3	-2.9	-2.7	-2.5
Contribution of residual	28.5	4.8	0.0	0.0	0.0	0.0	0.0
Gross financing needs	25.1	5.3	3.5	3.3	2.9	2.7	2.5
of which: debt service	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memo:							
Real GDP growth (percent)	1.9	16.1	4.4	1.6	1.7	1.9	2.2
Inflation (GDP deflator; percent)	3.6	-3.3	-3.1	2.8	2.9	3.1	2.8
Nominal GDP growth (percent)	10.6	7.2	1.2	4.4	4.7	5.1	5.0
Effective interest rate (percent)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Contribution to change in public debt

(percent of GDP)



Staff commentary: Under budget law, the central bank can provide advances to the government up to one fifth of estimated revenues in the budget, and the advances should be repaid at the end of the fiscal year. However, over recent years the government has resorted to monetary financing to cover deficits in years where oil revenues have fallen short of expenditures. This is not debt in the standard sense. It is denominated in domestic currency, carries no interest, has no repayment schedule, and can be forgiven using administrative procedures without any economic implications.

Annex V. Data Issues

Table 1. Libya: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/

D							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	D	B	D	D	C	D	D
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	D	B	D	D	C		
Granularity 3/	D		D	D	C		
			NA		C		
Consistency			D	D		D	
Frequency and Timeliness	D	A	D	D	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).

3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund is adequate for surveillance.
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data quality, coverage and timeliness, and significant gaps, impact staff's ability to conduct analysis and provide policy advice. Key economic data are published with significant delays and inconsistencies. Most surveys for national accounts stopped in 2011, the last establishment census was conducted in 2012, the last industry survey was conducted in 2012 (2016 for large establishments); and the last agricultural census in 2007. There is an urgent need to resume periodic surveys, and the authorities should adopt the System of National Accounts 2008. The rating for Government Finance Statistics reflects the gaps in the compilation of fiscal expenditures attributable to the weak institutional setting, caused by the political fragmentation. The rating for Monetary and Financial Statistics reflects the gaps in the reporting of reserves and other monetary data. The rating for External Sector Statistics (ESS) reflects gaps in the compilation of balance of payments statistics attributable to the weak institutional setting, caused by the political uncertainties and the sizeable informal economic activities. The lack of reliable data sources on unregistered informal transactions hampers the quality of balance of payments statistics and affects the External Sector Assessment (ESA). However, some improvements should be noted. Following the recommendations from the last TA mission (Nov. 2023), the authorities started reporting major components for BOP and IIP, including quarterly frequency, and net errors and omissions have decreased although ongoing CD is needed to close outstanding gaps. Regarding the National Account Statistics (NAS), the authorities have conducted more recent establishment and household surveys (both with reference period 2022), but recent TA missions (Dec 2024 and Jan 2025) noted that the establishment survey was not representative and excluded the construction sector. NAS gaps are being addressed though ongoing CD support. The CPI was improved in 2025 through consumption basket updates and expanded coverage to the entire country.

Changes since the last Article IV consultation. Previously identified data weaknesses remain broadly in place.

Corrective actions and capacity development priorities. To improve on ESS, actions taken included an IMF Technical Assistance Mission (November 2023), which identified key areas, requiring development and prepared a roadmap for addressing those gaps. Ongoing CD on NAS includes technical assistance and increasing staff capacities for improving GDP compilation, rebasing GDP (current base year of 2013), implementing the supply and use (SUT) framework, and implementing the 2008 SNA in the Libyan national accounts. Meanwhile, ongoing CD on prices (CPI and PPI) will focus on closing data gaps identified in the previous TA missions and existing gaps. Further capacity development is needed for compiling national accounts and an expanded list of financial soundness indicators. PFM framework reforms, including strengthening macro-fiscal and budget preparation functions, are needed to improve cash management controls and oversight.

Use of data and/or estimates different from official statistics in the Article IV consultation. Staff do not use data and/or estimates different from official statistics.
Other data gaps. Additional statistics that could be compiled include import and export price indices, industrial production indices, construction activity, and national disposable income.

Table 2. Libya: Data Standards Initiatives

Libya participates in the Enhanced General Data Dissemination System (e-GDDS) and first posted its metadata in December 2009 but is yet to disseminate the data recommended under the e-GDDS.

Table 3. Libya: Table of Common Indicators Required for Surveillance

As of May 15, 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Libya[8]	Expected Timeliness[6,7]	Libya[8]
Exchange Rates	15-May-25	15-May-25	D	D	D	D	...	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Mar-25	Apr-25	M	M	M	M	1M	2M
Reserve/Base Money	Mar-25	Apr-25	M	M	M	M	2M	5D
Broad Money	Mar-25	Apr-25	M	M	M	M	1Q	2M
Central Bank Balance Sheet	Mar-25	Apr-25	M	M	M	M	2M	5D
Consolidated Balance Sheet of the Banking System	Mar-25	Apr-25	M	M	M	M	1Q	2M
Interest Rates[2]	NA	NA	NA	NA	M	...	...	...
Consumer Price Index	Dec-24	Mar-25	M	M	M	M	2M	1W
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	Mar-24	Apr-24	M	M	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Mar-24	Apr-24	M	M	Q	Q	1Q	1Y
Stocks of Central Government and Central Government-Guaranteed Debt[5]	NA	NA	NA	NA	Q	...	2Q	...
External Current Account Balance	Dec-23	May-24	Q	I	Q	A	1Q	6M
Exports and Imports of Goods and Services	Dec-23	May-24	Q	I	M	A	12W	4M
GDP/GNP	Dec-23	Dec-24	A	I	Q	A	1Q	1Y
Gross External Debt	Dec-21	Mar-22	A	I	Q	...	2Q	...
International Investment Position	Dec-23	May-24	A	I	A	...	3Q	...

1/ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
2/ Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
3/ Foreign, domestic bank, and domestic nonbank financing.
4/ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
5/ Including currency and maturity composition.
6/ Frequency and timeliness: (“D”) daily; (“W”) weekly or with a lag of no more than one week after the reference date; (“M”) monthly or with lag of no more than one month after the reference date; (“Q”) quarterly or with lag of no more than one quarter after the reference date; (“A”) annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.
7/ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.
8/ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

Annex VI. Governance and Anticorruption

A. Introduction

1. Libya faces systemic governance and corruption challenges that are undermining economic stability, contributing to conflict dynamics, and eroding public trust.[1] These vulnerabilities are particularly acute in extractive sectors and in state-owned enterprises, where opaque practices, weak oversight, and the influence of non-state actors generate large-scale resource misappropriation and theft of public resources. Political fragmentation and entrenched patronage networks further weaken institutions, while overlapping mandates and limited enforcement capacity hinder effective anticorruption efforts. Despite these challenges, increasing transparency (especially in extractive sectors), public financial management, and rule of law—alongside enhancing the independence and capacity of oversight bodies—can help build a stronger governance framework.

B. Nature and Severity of Corruption

2. Libya faces systemic corruption, deeply intertwined with the country's instability.[2] In 2024, Libya scored 13 out of 100 on the Corruption Perception Index, a decline from its score of 18 in 2023.[3] In the Worldwide Governance Indicators, Libya scores below the MENA region average: -1.5 for Control of Corruption, -2.3 for Rule of Law, and -1.7 for Governance Effectiveness.[4] According to Arab Barometer, 21 percent of respondents think that corruption is the most important challenge facing the country and 89 percent believe it is prevalent in state institutions.[5] Governance vulnerabilities contribute to conflict dynamics and undermine prospects for inclusive growth.[6]

3. Corruption risks are exacerbated by the interplay of political fragmentation, patronage-based governance, and the influence of armed actors across institutional structures.[7] The NOC and its subsidiaries face challenges related to transparency and governance, with efforts to control oil infrastructure complicated by smuggling risks and political rivalries.[8]

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[1] National Anticorruption Strategy for Libya, 2025-2030. pp.13-14.

[2] Ibid. pp.13-16.

[3] Corruption Perceptions Index 2024 - Transparency.org And: https://images.transparencycdn.org/images/CPI-2024-Methodology.zip Methodology explaining the confidence intervals of 90 percent.

[4] Home | Worldwide Governance Indicators For a detailed methodology, see: The Worldwide Governance Indicators : Methodology and 2024 Update

[5] ABVII_Libya_Report-EN.pdf p.12.

[6] Final report of the Panel of Experts established pursuant to resolution 1973 (2011) S/2024/914 concerning Libya.

[7] Illicit Financial Flows and Asset Recovery in the State of Libya, Research Paper, 2021. United Nations Interregional Crime and Justice Research Institute (UNICRI). p.19.

[8] Ibid. pp.11-16.

Armed groups present obstacles to anti-corruption efforts, with some embedded within official structures and exercising *de facto* control over certain zones. [9]

C. Corruption Vulnerabilities

4. Libya faces significant governance weaknesses across key state functions.[10] The operation of the oil and gas sector and of state-owned enterprises is affected by corruption risks with macroeconomic implications. Corruption also affects the banking sector, public financial management and public service.[11] The recruitment of ghost workers aggravates fiscal challenges.[12] Informal payments, deficient procurement processes, and falsified service delivery are persistent problems. Procurement processes are often opaque and fragmented across agencies, with frequent use of non-competitive methods and limited public disclosure of procurement plans, contract awards, and implementation results. The lack of a unified digital platform exacerbates risks of favoritism and inefficient public spending.

5. Ineffective oversight mechanisms, lack of transparency in budget allocations and tax collection, have facilitated rent-seeking, favoritism, and waste of public resources. There is a strong need to strengthen audit functions and make budgetary and tax and customs information and processes publicly available.[13] The lack of standardized valuations of goods and customs enables fraud. Last, manual processes in the public financial management cycle are prevalent, creating opportunities for manipulation and side payments.[14]

6. Inadequate oversight over the extractive industries and the electricity sector further facilitates corruption.[15] Libya's fuel subsidy policy, coupled with corruption and the resulting high risk of diversion of oil products has led to widespread fuel smuggling, market distortions, exacerbating macro-critical governance vulnerabilities.[16] Despite limited population and industrial growth, electricity and fuel demand has surged—driven largely by inflated claims and systemic leakage.[17] Governance failures at the NOC include politicized appointments, lack of accountability, absence of compliance and risk management units, and opaque procurement processes, all

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[9] UN-Strategic-Framework-for-Libya-2019-2022.pdf p.11. And Illicit Financial Flows and Asset Recovery in The State of Libya, Research Paper, 2021. United Nations Interregional Crime and Justice Research Institute (UNICRI). Libya EN.pdf p.18. Also: National Anticorruption Strategy for Libya, 2025-2030. p.13.

[10] National Anticorruption Strategy for Libya, 2025-2030

[11] Ibid. p.16.

[12] IMF Country Report 24/206.

[13] National Anticorruption Strategy for Libya, 2025-2030, p.20. Also: Interview with Bureau of Supreme Audit of Libya, April 2025.

[14] The Long Road to Inclusive Institutions in Libya A Sourcebook of Challenges and Needs, Hend R. Irhiam, Michael G. Schaeffer, and Kanae Watanabe, Editors, p.64.

[15] Final report of the Panel of Experts established pursuant to resolution 1973 (2011). S/2024/914 concerning Libya.

[16] Idem. Also: UN-Startegic-Framework-for-Libya-2019-2022.pdf p.2,3,14 (para.3)

[17] UN-Startegic-Framework-for-Libya-2019-2022.pdf p.14.

exacerbated by a weakened legal department and lack of internal safeguards.[18] Although some anti-corruption clauses exist in contracts, enforcement is weak.[19]

D. Anticorruption

7. **Libya's anti-corruption legal framework remains fragmented and not in line with international standards.**[20] The Penal Code of 1953 criminalizes bribery, embezzlement, and abuse of office, but definitions overlap (e.g., extortion and bribery), and sanctions—such as the five-year maximum penalty for bribery—lack sufficient deterrence. Gaps persist, including the absence of criminalization for bribery of foreign public officials and undue influence, limited whistleblower protection, and incomplete asset disclosure obligations.[21] A dedicated anticorruption law has not been enacted.[22] Legislation on transparency and access to information is missing and legal protections for witnesses and reporting persons is absent.[23] Financial disclosure provisions under Law 13-2013 are weak and poorly enforced, with coverage limited to senior officials associated with the former regime. Judges and family members of obligated subjects to declare are excluded. Declarations are not published and focus on only a few assets without requiring comprehensive disclosure of income, liabilities and interests.[24]

8. **Efforts to investigate and prosecute corruption remain constrained by coordination gaps and weaknesses in the criminal justice system.** Anticorruption institutions suffer from fragmentation, overlapping mandates and lack of independence, including the LAB, the ACA, the NACC, and the Prosecutor's Office.[25] The political division between the East and West has led to parallel structures and inconsistent priorities. Although formally autonomous, LAB, ACA, and NACC report to Parliament, with deficient follow-up to the implementation of their recommendations by the legislative body. Political interference in leadership appointments and operational decisions undermines their credibility. Appointment and dismissals of senior officials in oversight bodies are influenced by political or personal affiliations.[26] Further, recent legal reforms have constrained the

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[18] Interview with Legal Department of NOC in the context of April 2025 AIV mission in Tunis.

[19] Ibid.

[20] National Anticorruption Strategy for Libya, 2025-2023. p. 21.

[21] Penal Code. Chapter 1, Part 2. For more detail on the asset disclosure regime: 2016_AssetDeclarationsInLibya_EN.pdf

[22] National Anticorruption Strategy for Libya, 2025-2023. p.19.

[23] Ibid p. 20.

[24] Asset Declarations in Libya Illicit Enrichment and Conflicts of Interest of Public Officials. 2016. 2016_AssetDeclarationsInLibya_EN.pdf. Also: 2016_AssetDeclarationsInLibya_EN.pdf p.12. Also: Article 14 of Law 13 of 2013.

[25] Illicit Financial Flows and Asset Recovery in The State of Libya, Research Paper, 2021. United Nations Interregional Crime and Justice Research Institute. *Libya EN.pdf p.24.

[26] National Anticorruption Strategy for Libya, 2025-2023. pp.14,19,33.

scope of LAB work and eroded effective oversight over state-owned enterprises and their subsidiaries.[27]

9. Efforts to investigate and prosecute corruption remain constrained by coordination gaps and weaknesses in the criminal justice system.[28] Financial investigations should be conducted in parallel with corruption cases, and should be supported by effective access, as necessary, to information from domestic and foreign sources. While the Office of the Attorney General has extensive powers, it faces political pressures and resource constraints.[29] Strengthening prosecutorial independence and providing adequate resources would support more effective enforcement.[30]

E. Rule of Law

10. Libya faces severe challenges in upholding the rule of law, with judicial independence compromised by pressure of political and armed actors.[31] The independence of judges has also been perceived as being influenced by other members of the judiciary and politicians and suffers from limited resources. Despite the existence of commercial courts, delays in contract enforcement remain common.[32] According to BTI, Libya scored 2 out of 10 on separation of powers, 2 on the independence of the judiciary, and 2 on the protection on private property.[33] In the 2025 Heritage Foundation Index of Economic Freedom, it scored 5.7 over out of 100 in property rights.[34] However, according to Arab Barometer, judicial institutions have improved in public trust from 37 percent in 2019 to 55 percent in 2022.[35]

11. Several shortcomings affect property rights. Although the Land Registry formally remains operational—maintaining and providing copies of existing records—it has been under a moratorium on new registrations since 2011, limiting ownership claims and creating a risky environment for investors. Efforts to modernize the legal framework and improve trust in the property registration mechanisms remain hampered by the broader political and security crisis.[36] Zoning regulations exist

[27] AIV 2025 mission interviews with LAB officials.

[28] National Anticorruption Strategy for Libya, 2025-2023. p.16.

[29] Ibid. pp.16,20.

[30] Ibid. p.17.

[31] Ibid. p.16.

[32] Interview with Ministry of Justice in the context of the AIV Mission in April 2025.

[33] BTI Scores for Libya on Rule of Law and Economy Status for 2024. Transformation Atlas 2024 on scores on judiciary independence, and Transformation Atlas 2024 on the protection of private property.

[34] Index of Economic Freedom: Libya | The Heritage Foundation Although Libya is not ranked in the 2025 *Index of Economic Freedom* because of the lack of reliable data, some indicators, including property rights, are available.

[35] ABVII_Libya_Report-EN.pdf

[36] Assessment of Commercial Law and Practice in Libya, November 2016, American Bar Association. p.12

but are rarely applied. Addressing these issues will require the resumption of property registration services and legislative reforms.[37]

12. Libya's dysfunctional property rights framework has impacted access to credit. Without a functioning land registry and clear, enforceable property titles, real estate cannot reliably serve as collateral for loans. Thus, access to finance remains limited. Strengthening property rights and restoring a trustworthy registration system would be critical steps to stimulate economic recovery.[38]

F. Recommendations

#	Type of Recommendation	Recommendation	Implementation Agency
1	Public Financial Management Corruption Risks	1. Publish an annual budget law, mid-year review, and end-year financial statement. 2. Assign an agency with powers to improve the procurement system. 3. Modernize the procurement legal framework. 4. Establish a centralized digital procurement portal, capable of collecting beneficial ownership data. 5. Adopt a risk-based protocol to customs inspections.	MOF ACA ACA ACA MOF
3	Transparency	6. Adopt a Law on Transparency and Access to Information aligned with Articles 10 and 13 of UNCAC and with the 2017 OECD Recommendation of the Council on Open Government.[39]	ACA
4	Institutions	7. Enhance operational independence and technical capacity of the LAB by ensuring secure, multi-year budgetary allocations and adopting measures to shield its leadership from political interference. 8. Develop a performance monitoring framework for audits and expand LAB's access to information, including from SOEs and subsidiaries. 9. Streamline mandates of enforcement agencies.	LAB LAB ACA, LAB, NACC
6	Enforcement	10. Introduce transparent, merit-based procedures for appointment of anticorruption prosecutors	MOJ
7	Extractives/Fuels	11. Adhere to the EITI, prioritizing the production of accurate data on production and exports of oil. 12. Strengthen NOC's governance framework, by adopting:	NOC

[37] Ibid.

[38] Ibid. pp. 71-74. Also: Land Administration And Land Rights For Peace And Development In Libya Analysis And Recommendations, 2023. pp.17 and 31.

[39] OECD Legal Instruments

		i. Clear separation of board's supervisory role from management; ii. Transparent and merit-based selection criteria of Executive Director; iii. Improve rules to ensure qualifications and independence of board members; iv. Adopt system of performance evaluations for both the board and management. 13. Strengthen NOC's control function by adopting: i. A Risk Audit Department reporting to the board; ii. A Compliance Department to oversee procurement, ethics, and operational policies; iii. A state-of-the-art Ethics Code.	
8	Rule of Law	14. Reactivate the registration function of the National Registry of Property.	MOJ / Judiciary

LIBYA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

May 30, 2025

Prepared By | Middle East and Central Asia Department (In consultation with other departments)

CONTENTS

FUND RELATIONS

(As of May 21, 2025)

Membership Status: Joined 09/17/58; Article VIII

General Resources Account	**SDR Million**	**Percent Quota**
Quota	1,573.20	100.00
Fund holdings of currency (Exchange Rate)	1,165.00	74.05
Reserve tranche position	408.21	25.95

SDR Department	**SDR Million**	**Percent Allocation**
Net cumulative allocation	2,580.54	100.00
Holdings	3,275.34	126.92

Outstanding Purchases and Loans: None

Latest Financial Arrangements: None

Projected Payments to Fund[1]

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2025	**2026**	**2027**	**2028**	**2029**
Principal					
Charges/Interest		0.01	0.01	0.01	0.01
Total		**0.01**	**0.01**	**0.01**	**0.01**

[1] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not Applicable
Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable
Implementation of Catastrophe Containment and Relief (CCR): Not Applicable
Safeguards Assessments: Not Applicable

Exchange Rate Arrangements

The de jure and de facto exchange rate arrangements are a conventional peg vis-à-vis the SDR. In June 2003, the Central Bank of Libya (CBL) adopted a conventional fixed peg to the SDR at a rate of LD 1 = SDR 0.5175 and Libya accepted its obligations under Article VIII, Sections 2(a), 3, and 4 of the Articles of Agreement. On April 30, 2015, controls were imposed on foreign currency, that required the CBL approval for import letters of credit (LCs) and limited the amount of foreign currency for personal use. On January 3, 2021, the CBL devalued the LD to the rate of LD 1= SDR 0.1555 and relaxed currency controls by increasing the limits available for LCs. In early 2024, the authorities imposed a temporary 27 percent tax on all foreign exchange purchases, which was reduced to 15 percent in November, while announcing the relaxation of some of the previously enacted restrictions on imports of non-essential goods and services. Accordingly, Libya maintains a multiple currency practice (MCP) and an exchange restriction arising from the imposition of a 27 (recently reduced to 15) percent tax on all foreign exchange transactions. This measure was also assessed as an outflow capital flow measure. In addition to the MCP and exchange restriction arising from the foreign exchange tax, Libya also maintains four other exchange restrictions subject to approval under Article VIII, Section 2(a), arising from: (i) removal of normal short-term banking and credit facilities which were hitherto available to importers for the purpose of funding their documentary credits, given that documentary credits are required to import certain goods and services in Libya; (ii) the requirement to provide a tax clearance certificate and a certificate of payment of social security obligations, unrelated to the underlying transactions, in support of requests for documentary credits for imports; (iii) limitations on the availability of foreign exchange for invisible transactions (personal purposes, studies abroad and medical treatment abroad); and (iv) limitations on the transferable percentage of the salaries of expatriate workers that can be remitted. On April 6, 2025, the CBL devalued the LD to the rate of LD 1= SDR 0.135.

Article IV Consultations

The last Article IV staff report (24/216) was discussed by the Executive Board on July 1, 2024. Libya is now on a 12-month consultation cycle.

Technical Assistance

Since the Article IV in 2024, engagement with the authorities has continued through a Staff Visit in December 2024 and providing technical assistance. The missions fielded mainly in Tunis and covered the areas of Public Financial Management (PFM), revenue administration, national accounts, balance of payments and price statistics, reserve and liquidity management, financial regulation, and supervision. The following TA missions took place in 2021, 2022, 2023, 2024 and first half of 2025.

1. May 2025: METAC TA – Domestic Liquidity Management Under an Exchange Rate Peg
2. February 2025: METAC TA – Libyan Tax Authority Capacity Development
3. January 2025: METAC TA –Tax Office Organizational Structure Redesign
4. January 2025: METAC TA – Consumer Price Index Development
5. January 2025: METAC TA – Annual National Accounts Statistics
6. November 2024: METAC TA – Producer Price Index Development
7. October 2024: METAC TA – Training on MTFF and Macro-Fiscal Functions in Budget
8. June 2024: METAC TA – Foreign Reserve Management
9. June 2024: METAC TA – Supporting the rebuilding of Core PFM functions in Libya

10. May 2024: MCM TA – Islamic Banking Supervision and Regulation
11. 2023: STA mission TA – External Sector Statistics
12. 2023: FAD mission to review functioning of core revenue administration processes
13. 2023: FAD mission on restoring core Public Financial Management (PFM) functions
14. 2023: ICD TA on Macroeconomic frameworks – Ministry of Finance
15. 2023: STA mission – Financial Institutions
16. February 2023: METAC mission on the compilation of Producer Price Indices (PPIs).
17. January 2023: METAC mission on the digitalization of the tax administration (Second mission).
18. December 2022: FAD/METAC mission on reviewing public financial management framework and identifying reform priorities and further CD needs.
19. November 2022–February 2023: FAD Peripatetic advisor for ASYCUDA functionalities development.
20. November 2022: METAC mission on the digitalization of the tax administration (first mission).
21. August 2022: METAC/FAD mission on the implementation of core custom functions in ASYCUDA World (AW) IT management system.
22. August 2022: METAC study tour of Port in Jordan by Libyan officials about the use of customs automated system
23. July 2022: STA mission on compiling the monetary and financial statistics for the central bank and depository corporations.
24. January 2022: METAC mission on the methodology to update the CPI and developing an indicative roadmap.
25. June 2022: METAC mission on good practices of taxpayer register.
26. January 2022: METAC mission on budget preparation process and draft budget circular.
27. January 2022: METAC mission on the compilation of annual national accounts.
28. January 2022: FAD mission on Review of revenue administration reform plan and priorities.
29. November 2021: METAC mission to restore core Public Financial Management functions.
30. September 2021: METAC follow-up mission on cash forecasting.
31. April 2021: METAC mission on cash management

FSAP Participation, ROSCs, and OFC Assessments N/A

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

(As of May 21, 2025)

Information about Libya's relations with the World Bank Group and other international financial institutions can be obtained from the following webpages.

World Bank Group:

- Country page: https://www.worldbank.org/en/country/libya
- Overview of Word Bank Group lending: https://financesapp.worldbank.org/countries/libya/