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May 22, 2023

**Statement by Mr. Anwar and Ms. Duenas on Libya
(Preliminary)
Executive Board Meeting
May 24, 2023**

We thank staff for the report and Mr. Bijani and Mr. Sassanpour for the informative Buff statement. We welcome staff reengagement with Libya through the Article IV consultation after a decade since the last published Staff Report and commend authorities for the progress in improving data collection, sharing and transparency. While recent economic performance was weak due to conflict-related disruptions in oil production, the rebound in oil prices and resumption of activity are projected to result in the economy growing by 18.8 percent in 2023. **We broadly agree with staff assessments and look forward to continuous engagement with authorities leading to Libya's exit from fragility and transition to market-led growth.**

We agree with staff on the need for a clear economic vision and to address the medium-term challenge to diversify away from hydrocarbons while fostering stronger and more inclusive private sector-led growth. Libya's economic strength rests on oil and gas production. Given calls by the international community to reduce carbon emissions and adopt clean energy technology, the country is at risk of falling behind the broader global trend. We agree with staff that structural reforms should focus on strengthening institutions and developing a purposeful economic strategy moving forward. We positively note that the authorities concur with staff views and encourage continuous discussion to aid in designing and implementing an economic strategy anchored on diversification and structural transformation.

Enhanced fiscal framework based on spending reprioritization and non-oil revenue mobilization is essential to foster stronger and inclusive growth. We concur with the staff view on the importance of an approved budget with a clear link to fiscal policy objectives and spending priorities. We note the need to scale up developmental expenditure to address infrastructure needs and boost private-sector development but remain mindful of institutional capacity constraints. A subsidy reform strategy will be essential to better target social spending and improve living standards and inclusivity. We are aware of the challenges in

pushing for these reforms and encourage the authorities to persevere with initiatives that enhance the management of its vast resources. The authorities could benefit from Fund expertise to enhance public financial management, fiscal transparency, and medium-term focus, among others.

We urge authorities to remain steadfast in reunifying the central bank to better address financial stability risks and enhance financial sector development. We positively note staff assessment on Libya's external position which is broadly in line with medium term fundamentals. While we note the authorities' commitment to maintain the currency peg to the SDR, frequent changes of the peg should be avoided to maintain macroeconomic stability in view of security and political risks. We also welcome the authorities' efforts to enhance financial sector regulation and supervision and encourage further progress towards Basel implementation. We agree with staff that the pace of reform should be gradual and dependent on implementation and monitoring capacity to ensure better traction and compliance. Efforts to address bank recapitalization, reopen the property registry, and develop Islamic finance products are steps in the right direction towards addressing liquidity concerns and facilitating the flow of credit to the economy. *In view of multiple priority areas, what are staff views on the sequencing of reform priorities, if any?*

We encourage authorities to undertake measures to enhance transparency and build statistical capacity for better surveillance and policy design. While we positively note pockets of improvements in data collection which paved the way for the resumption of the Article IV consultation, significant information gaps remain. As per staff assessment, data compilation and reporting require immediate attention as well as the establishment of a coordination mechanism among authorities responsible for the preparation and dissemination of key economic data. We welcome the authorities' commitment to continue enhancing its statistical capacity and openness to seek capacity development (CD) support from the Fund and other partners particularly on macroeconomic and financial statistics. *We welcome staff comments on whether there are CD plans in this area, and if so, what is the timeline of implementation and specific CD objectives?*