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May 22, 2023

**Statement by Mr. Zhang and Mr. Lam on Libya
(Preliminary)
Executive Board Meeting
May 24, 2023**

We thank staff for the comprehensive reports, and Messrs. Bijani and Sassanpour for the helpful Buff statement. We welcome the Libyan authorities' re-engagement with the Fund for an Article IV consultation after a decade. This is an important signal towards rebuilding the country after years of political conflicts and civil war. We encourage the authorities to seize the opportunity to engage with the international community and acquire necessary assistance to go through comprehensive reform for sustainable socioeconomic development.

We agree with staff that a clear economic vision is needed for Libya. Given the heavy weight of the oil and gas industry in Libya accounting for more than 95 percent of exports and government revenue, diversification in the Libyan economy is one of the priority areas. The potential reduction in global demand for hydrocarbons in the long term, as part of the climate change response around the world, also calls for the development of economic sectors other than oil and gas. It would be important for the Libyan authorities to identify and decide on the proper direction of future economic development. That said, it should be emphasized that maintaining the stability of oil and gas production is critical for ensuring economic and external stability of Libya.

We share staff's view that Libya is in urgent need of reform in various areas, including fiscal, monetary, financial sector, data and statistics, etc. We understand that many of the issues raised by staff are somewhat related to the institutional disruptions caused by the decade-long conflicts in Libya. The reality of having two parallel governments adds further complexities towards implementing meaningful policies and reform measures. *With a lot of work needed down the road and potential limitation in resources, would staff provide insight on the prioritization of the various reform work required?* We also encourage the Libyan authorities to secure political willpower domestically such that key policies and measures, made with considerations to staff's recommendations, can be successfully implemented.

We take positive note of the strong fiscal surplus in 2021 and 2022, mainly contributed by higher oil price. With the significant fiscal and foreign reserves built up from the strong performance in the past two years, the Libyan authorities should carefully manage these reserves and make the best use when pursuing its policy goals. In particular, we agree with staff's recommendation on the enhancement of fiscal framework, including budgetary process and public financial management. *Could staff comment on any potential capacity development or technical assistance from the Fund?*

With these remarks, we wish the authorities every success in their future endeavors.