

**INSIDE
LIBYA**

August 2021

No°13

FOREWORD

The Regional Program Political Dialogue South Mediterranean (PoDiMed) of the Konrad-Adenauer-Stiftung (KAS) in cooperation with LIBYA DESK™ is delighted to continue our monthly reports on Libya for 2021. This format examines the most important political, economic and social developments of the previous month, which are of central importance for understanding the situation in Libya. The report is based on reliable Libyan sources and provides a summary and a contextualisation of developments in the wider Libyan context. The report is usually being published every first week of each month.

While much attention has been paid to the external and geopolitical dimensions of the situation in Libya, voices from within Libya are central to understanding local developments and the evolution of the Libyan conflict as well as its impact on the wider Mediterranean region. As an inclusive Libyan-led and Libyan-owned mediation with regards to the political, economic and military tracks are without alternative, these monthly reports emphasise the most important events within Libya and aim to give a better picture of what happens “Inside Libya”.

Based on existing KAS-PoDiMed formats such as the Libya Brief and the Libya Task Force, we consider it necessary to shed light on the dynamics within Libya and to emphasise the importance of continuing and facilitating a national dialogue process in the spirit of the UN-led Berlin process.

We hope that these monthly reports will give our readers a better picture of the dynamics of the ongoing Libyan conflict, its actors and multiple dimensions.

Thomas Volk

Director
Regional Program Political Dialogue South Mediterranean
Konrad-Adenauer-Stiftung

EXECUTIVE SUMMARY

- 1.** The political situation in Libya remains tense with international and domestic stakeholders unable to make much progress on legal, budgetary and military gridlocks.
- 2.** As the Libyan Political Dialogue Forum's failsafe to establish a legal basis for elections fails, Libya finds itself with several tracks to resolve this legal quagmire but no guarantee of success to avert a return to institutional division.
- 3.** Libya's political scene has become more volatile with threats of a return to institutional division and fragmentation, and only a few pathways toward compromise for the country to avoid a return to square one.
- 4.** The voter registration process started out slowly but statements from powerful stakeholders calling upon Libyans to mobilise have intensified registration and could offset the lacklustre role of civil organisations and political parties.
- 5.** Seeing no results from the UN-backed political process, countries are increasingly likely to present unilateral initiatives to resolve parts of the current legal, military and economic stalemate.
- 6.** Amidst a contest over appointments at the Ministry of Defence and the continuing presence of foreign mercenaries, the long awaited reopening of the coastal road could bring some momentum to the military track.
- 7.** A compromise could be within reach for the 2021 budget to be adopted and the Central Bank of Libya to initiate institutional unification. Should these steps not take place, the likelihood of an oil blockade would increase substantially and threaten the whole political process.
- 8.** Over the summer months, Libya has faced overlapping crises linked to the derelict electricity infrastructure, a fourth wave of Covid-19 cases, as well as attacks on Great Man-Made River water stations and wells.
- 9.** Libyan armed groups from both eastern and western Libya represent a continued threat to the secure holding of elections, the future of transitional justice, and overall security in Libya.
- 10.** In August, Libya will find itself at a critical juncture should the stalemate over the budget and legal basis for elections continue. While a sudden return to wide scale war is unlikely, this could very well mean the final unravelling of the political roadmap.

CONTENTS

<u>Foreword</u>	02
<u>Executive Summary</u>	03
<u>Contents</u>	04
<u>Failure to establish elections' legal basis moves Libya closer to instability</u>	05
<u>Libya's deepening political fragmentation</u>	07
<u>Libyans register to vote in December elections</u>	09
<u>Countries resort to their own individual initiatives to preserve political roadmap</u>	11
<u>Joint Military Commission reopens Coastal Road</u>	12
<u>The rising risk of a renewed oil blockade in Libya</u>	13
<u>Libya faces a slew of emergencies in July</u>	16
<u>Political fragmentation is accompanied by worsening security situation</u>	18
<u>Conclusion & Forecasts</u>	20

FAILURE TO ESTABLISH ELECTIONS' LEGAL BASIS MOVES LIBYA CLOSER TO INSTABILITY

As the Libyan Political Dialogue Forum's fallback option to establish a legal basis for elections fails, Libya finds itself with several tracks to resolve this legal quagmire but no guarantee of success to avert a return to institutional division.

Despite high stakes, the Geneva meeting of the Libyan Political Dialogue Forum (LPDF) running from June 28 to July 2 failed to reach an agreement on Libya's constitutional basis and electoral law, thus effectively missing the July 1 deadline initially set by the country's High National Elections Commission (HNEC). This inability to secure a legal basis for the general elections scheduled for December 24 followed the failure of the House of Representatives (HOR) and High Council of State (HCS) to agree upon such a basis in June. Instead of being an effective failsafe for the implementation of the Libyan political roadmap devised in November 2020, the LPDF suffered from the same divisions that have made Libya's national institutions incapable of steering the country forward on several critical issues. In Geneva, LPDF members found themselves discussing new proposals, often antithetical to the roadmap, instead of building consensus and allowing the political process to lead to general elections by the end of this year. Challenging the role of the Legal Committee, the Forum's Advisory Committee brought in disputable proposals which gave spoilers an avenue to seize control of the meeting and ensure that no agreement could be reached.

Among the most contentious issues was whether military officials and dual nationals such as Khalifa Haftar could participate in elections. Advisory Committee proposals asked that candidates must only be Libyan, Muslim, and that military officers are expected to relinquish their post should they contend in elections – thus making sure that Haftar would be disqualified as he holds US citizenship and is unlikely to forego his title of Libyan National Army (LNA) Commander. In addition, the Advisory Committee recommended that Libya's legislative branch be divided in two bodies with the creation of a Senate which might sit either in Tripoli or Sebha while the HOR settles in Benghazi – a move that would further institutionalise east-west divisions and complicate the already complex political situation of Libya. Last but not least, the Advisory Committee included as a safeguard the condition that the Presidential Council (PC) must unify the military before elections could be held – a herculean task that might very well lead to the elections' postponement given the unlikely chances of military institutions being unified in under five months. In the plenary

session, these proposals were hotly debated and rejected, and the United Nations Support Mission in Libya (UNSMIL) found no other solution than to nominate yet another sub-committee made of 13 members for building consensus. This so-called Consensus Committee came up with three proposals, including one where presidential elections would be held after the adoption of a constitution sometime in the future. However, the divisions in the plenary as well as the gap between such proposals and the original roadmap led to an inconclusive outcome.

Both the LPDF and UNSMIL have come out of the Geneva meeting with tainted legitimacy. Many of the 75 LPDF members now seem to be acting against the political roadmap in the hope of ensuring a certain electoral outcome for their political factions or alliances. Accusations of corruption or cooptation have continued to be levelled against many of them. UNSMIL has also hit a difficult stage as its reliance on the concept of “national ownership” has given domestic spoilers many platforms to derail the political roadmap, in some cases with an apparent disregard for UN Security Council Resolutions that clearly call for presidential and parliamentary elections. As seen in previous Inside Libya reports, spoilers are often well-entrenched in national institutions and have now built influence within the LPDF, so much so that UNSMIL is struggling to make sense of various members’ positions and to offer something greater than just logistical support to deliver the roadmap. Now that the fallback option has been impaired in its attempt to reach a legal basis for elections, several actors have called for new alternatives, including the dissolution of the LPDF and the formation of a new process which would centre around Libya’s current four main powerbrokers: Prime Minister Abdulhamid Dabaiba, HOR Speaker Agila Saleh, HCS Chairman Khaled al-Mishri, and LNA Commander Khalifa Haftar. The current situation opens the way for more closed-doors meetings and secretive bargaining, and is likely to hurt efforts towards transparency should UNSMIL fail to maintain such discussions in the political roadmap’s framework.

By the end of July, the onus has now moved to the PC, whose Deputy Moussa al-Koni has announced it could issue a constitutional basis, and to the HOR, which has formed an eight-member parliamentary committee that jointly discussed the electoral law in Rome with representatives of HNEC between 26-29 July. However, much doubt remains as to whether the two institutions can deliver as the PC has so far lacked assertiveness whilst the HOR is locked in a contest with the HCS. The latter has already denounced the Rome meeting and stated that, per the 2015 Libyan Political Agreement’s Article 23, the HCS is also competent to approve the electoral

law and should not be sidelined. In response, the HOR Speaker has argued that the political roadmap designed by the LPDF in November 2020 only requires the HOR's assent for such a law and therefore sees the HCS' role as superfluous. This potentially sets the foundations for another crisis in legitimacy should the HOR and HCS fail to reconcile their differences and provide unanimous support for the path towards elections on December 24. Considering that HNEC has also proposed electoral districts to be raised from 13 to 32 and HOR seats from 200 to 234 – with nearly 60% of new seats reportedly going for eastern districts – the Rome meeting is likely to be met with strong opposition from western factions.

On August 2, the proposal reached by HOR/HNEC in Rome and the 2021 budget were discussed in Tobruk, but MPs missed the extended deadline of August 1 for a legal basis and the PM required additional time to make changes to the controversial budget draft. In parallel, UNSMIL has viewed the Rome meeting with skepticism due to the sidelining of the HCS and it is adamant on having the Consensus Committee vote on final proposals for the elections' legal basis at some point in August. However, the result is unlikely to be different from previous LPDF sessions as long as issues of conflict of interest within the Forum aren't addressed. Consequently, Libya now finds itself with different tracks for the establishment of a legal basis to elections with no guarantee that any will succeed. This is a great cause of concern as the likelihood of the LNA utilising this stalemate to position itself on a populist platform is growing, which in turn could see a return to warlike rhetoric and actions such as oil blockades – if not a rebound of armed hostilities.

LIBYA'S DEEPENING POLITICAL FRAGMENTATION

Libya's political scene has become more volatile with threats of a return to institutional division and fragmentation, and only a few pathways toward compromise for the country to avoid coming back to square one.

The political situation in Libya has become more fragmented and tense over the last month. Notwithstanding potential pathways for bargaining and compromise, the stalemate over files such as the 2021 budget and military unification seems to have entrenched two opposing blocs: an eastern bloc composed of Agila Saleh and Khalifa Haftar, and a western bloc made up of Abdulhamid Dabaiba, Khaled al-Mishri, and Central Bank of Libya (CBL) Governor Sadiq al-Kabir. Rather than being based on political ideology, these are mostly alliances of circumstance that reflect each of the main

political actors' contingency plans following the unraveling of the political roadmap outlined in the previous section. Benefitting from the Government of National Unity's (GNU) powerful media arm controlled by Walid al-Lafi, PM Dabaiba and PC Deputy Abdullah al-Lafi have been carefully wording their statements to support the political roadmap, portraying an image of actively pursuing the resolution of critical issues such as the electricity crisis and putting the blame on other bodies such as the HOR for current governmental shortcomings.

On the other side, Agila Saleh has become more confrontational and drafted a letter to the PM reminding him that he should not let his allies interfere in the work of cabinet members not affiliated with his faction. This can be interpreted as a clear warning for the Dabaiba camp to steer away from undermining Foreign Minister Najla al-Mangoush and an encouragement to cabinet members to gain greater autonomy from the PM's overarching authority. Despite obvious disagreements between them, Saleh and Haftar met again in July in a highly publicised meeting to boost coordination between the two eastern powerbrokers. Haftar wants to ensure that the HOR does not adopt the 2021 budget so long as the LNA's share is not included. Overall, Saleh has agreed to draw closer to the mercurial LNA Commander in the hopes of gaining a greater platform for his own political manoeuvres and to temper Haftar, who has already threatened to resort to force should the HOR not adopt a legal basis for elections by August 1. Notably, the LNA critically needs funds from the budget and has been increasingly involved in the informal economy to collect additional revenue as it is currently unable to pay soldiers and has to deliver on ambitious promises made, such as the building of the Al Karama Hospital in Benghazi's 17th February camp. Haftar and Saleh are now using pressure tactics on the GNU by issuing statements warning that Libya could revert to square one if elections are not held in December. Indeed, Saleh has warned that another parallel government could take office in the east to compete with the GNU, which he has accused of becoming a "Tripoli government" unable to carry out its institutional unification mandate.

The political climate is therefore volatile but the PM has shown openness to compromise with some overtures to his rivals but also lobbying efforts to gain the backing of other political actors, particularly MPs, so that he can push through the budget draft. Regarding political overtures, the PM has raised the possibility of the headquarters of national air carrier Libyan Airlines, National Oil Company (NOC), and the stock market to be moved to Benghazi in an effort to further distribute economic management across the country. He has also promised 500m LYD (€94m) for municipalities. More

significantly, there have been rumours that Egypt is negotiating an agreement between the GNU PM and LNA Commander for the budget adoption. If Dabaiba finally gets hold of a budget in August, this could prove to be one major pathway out of the current stalemate, at least for the economic track as it would avert the PM from further siding with Khalid al-Mishri and Sadiq al-Kabir in devising financial arrangements independent of the HOR. Freeing funds for the LNA could also build a better rapport between Haftar and Dabaiba, and potentially accelerate the unification of the military. Nonetheless, such compromise would remain circumstantial and temporary, and it has already been made clear that Dabaiba has so far sought to get around Haftar by contacting other eastern figures instead of talking directly to him.

In the current context, the PC falls further in the background as its President Mohamed al-Menfi struggles to build his own networks in western Libya whilst losing political capital in his native Cyrenaica – a situation that is also faced by his Deputy Mousa al-Koni in his native Fezzan region. In July, few initiatives for national reconciliation were recorded. The GNU made an important visit to the southern city of Sebha, where the PM promised improved living conditions and economic development. However, the natives of Fezzan continue to be skeptical toward Tripoli politicians and many still see such visits as self-serving photo opportunities for the PM. On another note, much coordination was made between the Ministry of Justice and other relevant bodies to get moving with transitional justice and the respect of human rights. However, despite recurrent calls by the National Human Rights Committee for the PC to release arbitrarily detained citizens, there have only been 179 prisoners released between April and July 2021 – a relatively small number considering the PC’s mandate for national reconciliation and the fact that around 3,000 prisoners were freed between the politically unstable period of 2018-2020.

LIBYANS REGISTER TO VOTE IN DECEMBER ELECTIONS

The voter registration process started out slowly but statements from powerful stakeholders calling upon Libyans to mobilise have intensified registration and could offset the lacklustre role of civil society organisations and political parties.

On July 4, HNEC opened the registration process for voters. On the initial deadline of July 31, 348,998 Libyans had registered in this process, thus bringing the full number of registered voters to 2,689,094 or 55% of total eligible voters. Whilst those who registered in 2018 do not need to register

again, HNEC has also decided to extend the registration process for another 20 days as registration picked up following several calls by influential figures for Libyans to do so. In fact, over the last few days of July more than 130,000 Libyans registered in a process that had been rather sluggish in the beginning, considering what the Commission's Chairman Emad al-Sayeh has said about civil associations not having enough capacity to raise voter awareness and political parties not filling their role of multipliers. Interestingly, the process of new voters' registration is done by text message and the Libyan Telecommunications Holding Company has lent its call centres for people to call in case registration fails or should they want to switch polling stations. On another note, consultations have also been made in regards to elections' security, with Minister of Interior Khaled al-Mazen meeting Agila Saleh. The HOR's Committee in Charge of Support and Implementation of the Electoral Process also reviewed the Ministry of Interior's security plan.

Whilst political actors are already in campaigning mode, the heavy delays in adopting the constitutional basis and electoral law have somehow frustrated political campaigns. In fact, many potential candidates are unclear on whether they should invest time and money campaigning for elections, or rather wait to see whether such elections actually happen as scheduled. Nonetheless, the nationalist platform of future candidates is becoming more prevalent as seen with the creation of a new political party by former PM Ali Zeidan. Equally, Khalifa Haftar and Saif al-Islam al-Gaddafi have called on Libyans to register to vote en masse to restore Libyan sovereignty and defeat spoiling attempts by "enemies of the nation." Gaddafi also gave the first interview in almost a decade, speaking to The New York Times to tease a potential presidential bid and berate Libyan politicians who took over the country since 2011. He even stated it was time to "return to the past", a statement that does not augur well for Libya's fledgling democracy and will likely raise concerns amongst pro-revolutionary factions in the country. Nonetheless, Gaddafi's appearance is likely to galvanise some of his support base to get more involved in the political process. The electoral environment is also overshadowed by the continuing bickering between Emad al-Sayeh and Khalid al-Mishri, with the former indirectly accusing the latter of smearing HNEC's reputation and impeding its efforts to spread the culture of democracy. Meanwhile, Mishri has claimed that the HNEC is conspiring with the international community to ensure that military officials like Khalifa Haftar can become candidates in elections. Finally, there are also growing concerns about the impact of social media and fake news on elections, as well as potential electoral fraud using the status of the currently 224,000 internally displaced people.

COUNTRIES RESORT TO THEIR OWN INDIVIDUAL INITIATIVES TO PRESERVE POLITICAL ROADMAP

Seeing no results from the UN-backed political process, countries are individually presenting their initiatives to resolve parts of the current legal, military and economic stalemate.

The Second Berlin Conference held in June 2021 was meant to magnify international unity on Libya and strengthen the political roadmap so as to find solutions to unresolved legal, economic and military issues. A month later, the international community does not seem to have found any of those prescribed solutions. In turn, individual countries have taken upon themselves to mediate between Libyan actors. The risks tied to this development have already been laid out in the [twelfth issue of Inside Libya](#), when we argued that Libyan political actors were likely to hunt for the initiative that best fits their interests and that several overlapping and contradicting mediation attempts could lead to a further fragmentation of the political process. Nonetheless, the situation is tense enough to give credence to efforts by the likes of Italy in seeking a resolution to the legal quagmire before threats of use of force from the LNA come into action. In fact, Rome is now the European country at the forefront of the Libyan dossier and has invested multiple efforts to ensure the implementation of the roadmap, the continuation of stability, and the eventual awarding of stalled contracts to Italian firms with Foreign Minister Luigi Di Maio visiting Libya five times this year. By convening Agila Saleh and Emad al-Sayeh in Rome, Italy may have opened the way for a partial resolution of the legal quagmire, but it has also opened the way for criticisms against Saleh from within Libya as international conferences are often frowned upon and considered political machinations from foreign powers.

On the military track, Russia seems to have been involved in mediation efforts which might have accelerated the full reopening of the coastal road. In fact, Moscow hosted at short intervals the General Chief of Staff of the Libyan Army (former GNA) Mohammed al-Haddad and the LNA's Lieutenant General Khairi al-Tamimi, who is also part of the Joint Military Commission, to discuss various issues and potentially bring the views of the LNA and GNU military leaders closer. Russia's Deputy Foreign Minister Sergey Vershinin has also reiterated Moscow's view that no real settlement to Libya's conflict would be reached without the removal of foreign mercenaries and that coordination with the US on the North African country was welcome. Whilst Russia might not be any more in control of the situation than other countries, it continues to portray itself as talking to all sides of Libya's political spectrum and has issued statements in defence of the country's

sovereignty as seen with Government Spokeswoman Maria Zakharova, who berated UK banks for withholding billions of dollars of Libyan assets. So far, it remains unclear whether Russia is steering its own path or already coordinating with Washington and Ankara to bring progress to the military track.

As aforementioned, Egypt with American backing has also allegedly spearheaded mediation between the PM's Office and the LNA to find a resolution to the budget quagmire which has slowed down the economic track and frustrated the GNU's efforts to rule over all of Libya. Accordingly, the LNA would change its stance on the budget and call upon its affiliated MPs to adopt the 2021 draft should the PM agree to first send 1bn LYD (€188m) to the LNA's treasury and a further 2bn LYD (€377m) in later installments to cover parts of the LNA's debt. This potential agreement remains elusive for the moment and would require Dabaiba and Haftar to put aside personal differences and finally meet in Benghazi. Finally, the international community has not yet followed through on its promises to slam sanctions against spoilers who now abound in Libya and risk derailing the political roadmap for good.

JOINT MILITARY COMMISSION REOPENS COASTAL ROAD

Amidst a contest over appointments at the Ministry of Defence and the continuing presence of foreign mercenaries, the long awaited reopening of the coastal road could bring some momentum to the military track.

With the various sessions meant to deal with the legal basis for elections and the 2021 draft budget, the issue of foreign mercenaries has somewhat faded in the background as neither Russia nor Turkey have made advances to remove their mercenaries and armed forces from Libya. Instead, several military movements have been recorded in July, with Turkish officers installing air defence and jamming systems inside a military manufacturing factory near Bani Walid and allegations have been levelled that regular Russian forces have been identified around al-Jufra airbase. Equally, the rhetoric regarding foreign forces remains aggressive with LNA troops stepping on Turkish flags laid out in Tobruk during the PM's visit to the HOR's budget session on July 6. On another occasion, the visit of a high-level Emirati business delegation to the Libyan General Union of Commerce Chambers in Tripoli was met with great criticism in western Libya due to the UAE's direct involvement in backing Khalifa Haftar's assault on Tripoli in April 2019.

On another note, the issue of the Ministry of Defence has resurfaced in late June with several LNA-affiliated MPs pushing the HOR to call upon Dabaiba to appoint someone else than himself to the Ministry alongside two deputies. These calls were repeated by the PC, which warned it would make its own picks should the PM fail to do so. The issue of the Ministry of Defence is another key topic opposing the LNA and the GNU in that Khalifa Haftar has wanted to have a close affiliate there since the establishment of the executive authority in February 2021. According to the Director of Moral Guidance of the LNA, Major General Khaled al-Mahjoub, the lack of appointments to this Ministry has had a negative impact on the army's standing and further slowed down the process of unification between the LNA and the western-based Libyan Army. It is likely that Haftar will expect the PM to not only deliver funds to the LNA but also go forward with appointments at the Ministry of Defence. So far, Dabaiba only seems to be willing to appoint two deputies while remaining at the helm of the Ministry.

Overall, the lack of progress with the military track over the past year has made the situation volatile as the LNA's Commander is growing increasingly frustrated for a number of reasons. In fact, the military institution has not yet been unified, military spending in the budget has not been detailed and is delayed, the Ministry of Defence is ineffectual, while much needed Disarmament, Demobilisation and Reintegration (DDR) and Security Sector Reform (SSR) policies have not been pursued. Albeit in a difficult financial position and equally facing security issues in Cyrenaica, Haftar is likely to pursue policies that will strengthen the LNA's image as Libya's only professional "military institution" to further put the blame on Dabaiba and western military officers. Nonetheless, on July 30 Haftar agreed to reopen the LNA's side of the Coastal Road. The western-based force, which had partially opened its side of the road in June, had issued an ultimatum ending on July 31 for the LNA to do so. It remains to be seen whether this reopening will be permanent as this policy can easily be reverted should either side want to apply pressure on the other. Yet, it is a promising movement in a generally discouraging situation where the threat of hostilities is gaining ground. The Joint Military Commission (JMC) may now make progress in presenting measures to remove foreign mercenaries over the next months.

THE RISING RISK OF A RENEWED OIL BLOCKADE IN LIBYA

A compromise could be within reach for the 2021 budget to be adopted and the Central Bank of Libya to initiate institutional unification. Should these steps not take place, the likelihood of an oil blockade would increase substantially and threaten the whole political process.

Since March 2020, the HOR has held up to seven sessions to pass the 2021 draft budget in vain. On July 6, the PM himself travelled to Tobruk to discuss the budget with MPs and seek to convince them to adopt the budget in return for a greater say in the appointment of future ambassadors. Notwithstanding his approach, Dabaiba was met with heavy criticism by MPs regarding his government's management of the electricity and Covid-19 crises, the lack of an appointment at the Ministry of Defence, as well as Chapters 2, 3, and 5 of the budget which respectively consist of operational, developmental, and emergency expenditure. In the following session, gunshots were reportedly heard near the HOR's Tobruk headquarters with some MPs claiming to have received threats should they adopt the budget. As aforementioned, the main spoilers in this process have been LNA-affiliated MPs who have gained the backing of Agila Saleh in requesting proper funds for the LNA, appointments to the Ministry of Defence, as well as the replacement of officials heading several sovereign institutions, in particular the Central Bank of Libya (CBL).

As a result of this stalemate, the PM seems willing to pursue alternative financial arrangements which would see him bypassing the HOR by securing the HCS's support to pass the budget and the CBL to manage the whole disbursement process. In this view, the PM has liaised with Khaled al-Mishri, Sadiq al-Kabir, Audit Bureau Head Khaled Shakshak, Administrative Control Authority Head Suleiman al-Shanti, as well as National Anti-Corruption Authority Head Noman al-Sheikh to discuss the HOR's failure and find ways to finance the energy and electricity sectors as well as fund the electoral process and the Covid-19 response. Equally, the PM informed UNSMIL and the Economic Working Group of the International Follow-Up Committee on Libya (IFCL) of his desire to use interim financial arrangements, although such procedures are likely to face international opposition due to their consequences. In fact, such interim financial arrangements could see the reimposition of the oil blockade by the LNA as it would mean that all financial decisions would be taken from Tripoli, thus leaving no oversight from other power centres in Libya. There still remains the hope that, with Egypt's intermediation and a potential deal between Haftar and Dabaiba, the HOR will pass the 2021 draft budget alongside the electoral law on August 2. By all means, the issue of debt held by eastern institutions such as the LNA is likely to prove problematic. It is believed that the LNA has at least 6bn LYD (€1.1bn) of debt and eastern institutions have incurred up to 71bn LYD (€13.3bn) in debt since Libya's fragmentation in 2014.

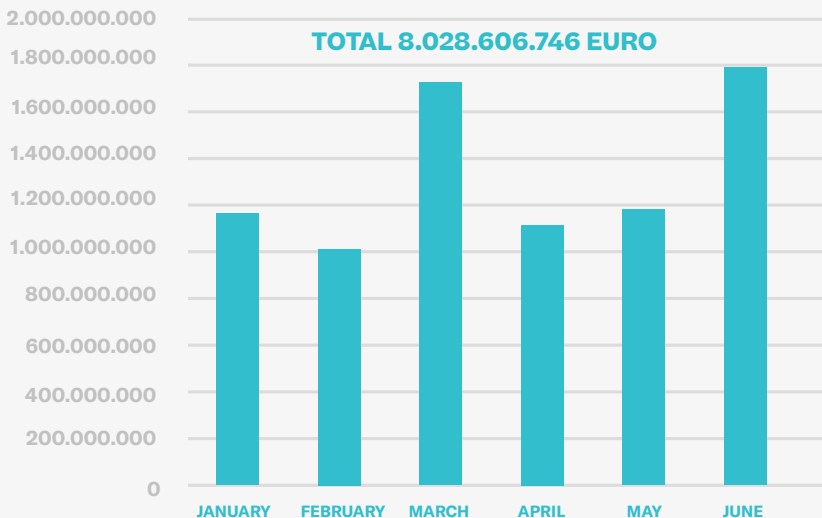
The issue of debt, which this month UNSMIL's head Ján Kubiš has warned could become the source of the Libyan banking system's collapse, will need to be tackled alongside the unification of the CBL. This month, the inde-

pendent audit report on the Tripoli and al-Bayda branches of the CBL carried out by Deloitte was finally delivered with several important recommendations to increase transparency, manage the impact of currency devaluation, establish effective governance and internal controls as well as improve the issuance process of letters of credits through various reforms. This report is meant to be the building block for the unification of the CBL's two branches as it should increase trust and offer a unique roadmap for CBL senior management to follow over the next years. Nonetheless, this technical document is unlikely to transcend political and personal differences between al-Kabir and the CBL Eastern branch's head Ali al-Hibri. In fact, the two met in Tripoli during the delivery of the audit report, but al-Hibri did not see any progress whilst discussing different issues with al-Kabir, including how to link eastern banks to national credit lines. Instead, the CBL's Governor in Tripoli made a self-congratulating speech which, albeit fair in some parts, whitewashed the problem of profiteering within the institution, particularly in regards to the non-transparent issuing of letters of credit. Transparency remains one of the key economic problems for Libyan technocrats seeking to make sense of the myriad of locked funds and extra-budgetary spending that have been a recurrent characteristic of Libyan public finances. For instance, PC Head Mohamed al-Menfi requested a detailed report on where Libya's foreign investments are placed, thus showing that not even those at the helm of the state really comprehend the country's assets.

Notwithstanding, the Libyan economy is faring far better than it was a year ago thanks to the unfettered pumping of oil and gas, as well as a subdued inflation rate that is far below what was feared by many economists following the LYD devaluation in January 2021. Consultations between public and private economic stakeholders are continuing in the country, with recent meetings to promote industry in the southern cities of Sebha and Ubari. Foreign investors such as Turkey's Yildirim Group and Albayrak are also pursuing talks to establish a presence in Misrata's free economic zone, and the reopening of the 1,800km long coastal road is poised to lower transport costs between western and eastern Libya. A return to an oil blockade would therefore be critically damaging to the economy's course as the sector continues to be the country's bread and butter with €8bn of revenues for H121 – nearly twice the amount of oil revenues raised in 2020. With an anti-terror campaign in southern Libya and growing security credentials in the region, the LNA is well-positioned should it want to impose a blockade on the Sharara and el-Feel oil fields, which account for 30% of Libyan oil output.

LIBYAN HYDROCARBON REVENUES FOR 2021 (IN EURO)

Source : National Oil Corporation



LIBYA FACES A SLEW OF EMERGENCIES IN JULY

Over the summer months, Libya has faced overlapping crises linked to the derelict electricity infrastructure, a spike in Covid-19 cases, as well as attacks on Great Man-Made River water stations and wells.

As expected considering the state of the country's electricity infrastructure, the General Electric Company of Libya (GECOL) announced that the electricity shortage reached nearly 3GW in July with demand peaking at 8.1GW. Like his predecessor at the helm of the Government of National Accord, PM Dabaiba has failed to deliver on his promises to minimise power cuts over the summer but he has nonetheless applied several measures and made announcements to appear proactive. For instance, the PM publicly berated GECOL and the Attorney General Siddiq al-Sour started procedures to question or arrest any person accused of obstructing the work of GECOL. In late June, the PM abolished the eastern General Authority for Electricity and Renewable Energy (GAERE) in a bid to unify the power sector and in July he met with international businesses such as General Electric Power Services to find avenues of cooperation. In the meantime, GECOL announced short-

term measures such as the installation of 40 mobile power plants producing 600MW, the reconstruction of 57,000 telegraph poles in south Tripoli, the overhaul of steam units at the Zawiya and North Benghazi plants, and the signing of a €1.1bn contract with an Egyptian consortium to implement the Derna gas power plant project. Overall, GECOL claims to be in talks with different companies to build up to 5GW in new electricity generation capacity through power plants in Derna, Zliten and West Tripoli as well as solar energy projects in the south of Libya. Algeria's Sonelgaz is also involved in building a small power plant of 160MW in Tripoli and aims to export up to 200MW of electricity to Libya in the near future.

However, without a proper budget the aforementioned announcements by the PM and GECOL do not hold much value, especially considering that neither the developmental chapter or the emergency spending chapter of the 2021 budget have the support of MPs. Moreover, there have already been many instances of corruption and profiteering in the past with regards to procuring electricity for Libya. For instance, GAERE had requested €412m in letters of credit in 2018 for the purchase of turbines while most of the money was syphoned for other purposes. Indeed, electricity procurement often brings sub-optimal results with plenty of resources spoiled by middlemen and short-sighted politicians preferring large contracts for the building of costly power plants despite the fact that Libya is mostly in need of better transmission and distribution networks in addition to proper maintenance of existing power plants. Proposals for the delivery of floating power plants, second-hand power plants, and opaque bidding processes based on personal networks further raise the risk of public funds being spent without any long-term impact on electricity shortage.

In addition to power cuts, Libyans have faced a fourth wave of Covid-19 cases with up to 47,000 active cases and 3,400 deaths. In early July, the city of Zawiya declared a state of emergency while Misrata warned that it did not have enough beds in its only isolation centre. Thereafter, the GNU decrees 178 and 179 imposed new restrictions on workers attendance, working hours, the wearing of masks, as well as the closure of non-essential public spaces and gatherings such as cafes and weddings. A curfew from 6pm to 6am was announced in late July for the Ministry of Health to decide upon which cities it would apply after considering the situation. Likewise, the border with Tunisia, currently the worst-off country in Africa, was closed and 3,000 Libyans repatriated from there. Around half of Libya's vaccine stock was delivered in July with 600,000 Sputnik V vaccines. Currently, about 8% of the population is vaccinated and the PM has promised 500m LYD (€94m) to deal with the worsening situation, although there is no indication whether this amount can be quickly provided under the current 1/12 budgetary rule.

Finally, several wells belonging to the Man Made River Authority's (MMRA) al-Hassawna system have been sabotaged, thus bringing the number of blasted wells to 174 with 85% of them being irrevocably destroyed. Authorities have blamed these attacks on organised crime. Such attacks could bring a fatal blow to many farmers and lead to critical situations in several cities should water supplies in the summer be cut. On July 29, the pumping station 353 was blasted, which led to disruptions of water supply to Bani Walid, Misrata, Khoms and Zliten among other cities.

POLITICAL FRAGMENTATION IS ACCOMPANIED BY WORSENING SECURITY SITUATION

Far from being the threat of foreign mercenaries, it is Libyan armed groups from both eastern and western Libya which represent the greater danger to the secure holding of elections, the future of transitional justice, and overall security in Libya.

In the [eleventh issue of Inside Libya](#), efforts made by the Interior Minister Khaled Mazen to curb the influence of militias were presented. On 11 May, Mazen had issued a 1-month ultimatum to any individual carrying unlicensed weapons to deliver them to the nearest police station. More than two months after this statement, there is absolutely no sign of improvement in regards to the country's security situation, particularly in Tripolitania. On 27 May, a car with three drunk men having weapons in their possession was stopped at a Sabratha checkpoint in Western Libya and one of the passengers threw a grenade killing himself and injuring five people. Regrettably, this incident is just one example reflecting a situation where non-military individuals hold small to heavy weaponry without accountability. Additionally, no progress has been made to professionalise or disarm western militias which have increasingly come to combat one another in broad daylight or storm public buildings to capture civilians, such as student Abdelmalik al-Sayeh who was kidnapped by Mohammed Bahrun's (aka "al-Far") militia in al-Ajaylat. On another occasion, the Undersecretary for Programmes and Activities of the Ministry of Youth, Ahmed Abu Bakr Milad, was kidnapped and beaten by armed men who most likely do not tolerate any criticism against their activities.

The GNU has not yet managed to curb the influence of militias in Tripoli as seen during Eid al-Adha celebrations when a road blockade set up by RADA (aka Special Deterrence Force) near the PM's Office was attacked with medium to heavy weaponry by the Stabilisation Support Authority (SSA), causing as many as 7 casualties including civilians. RADA was affiliated with the

Interior Ministry and the SSA with the PC during the GNA era, but they now seem to have grown more autonomous. Equally, al-Far's militia clashed in late July with Muammar al-Dhawi al-Warshafani and mortar shells used during their hostilities reached neighbourhoods west of Tripoli. Another event has seen the kidnapping of four Ain Zara municipal council members by the Tripoli Revolutionary Brigade, which once again raises concerns as to whether elections can happen safely without electoral agents being threatened by militias. Overall, the most pressing issue regarding security in Libya has not been foreign mercenaries who generally remain still – with clear exceptions seen on the part of LNA-affiliated Sudanese mercenaries in Hun – while Libyan militiamen continue their turf wars.

Importantly, Khalifa Haftar knows how politically harmful insecurity and unruliness in the east have been to his image. The city of Benghazi continues to be the locus of unknown attacks by armed groups, with a man firing an RPG in celebration of a wedding in the vicinity of the Laithi neighbourhood and causing the death of an actor named Haitham Dirbaash. Surprisingly, Benghazi also saw the killing of infamous Kaniyat militia leader Mohammed al-Kani in late July. This case resembles the killing of Mahmoud al-Werfalli in March 2021, also known for his problematic behaviour. In fact, al-Kani was a thorn in the side of Khalifa Haftar in that his militia, a key ally to the LNA during the war for Tripoli, had carried out egregious human rights abuses in Tarhuna in the period between 2014 and 2020. To date, Tarhuna has become the symbol of the devastation of war and a reminder that both the LNA and prior Libyan governments who allied with the Kaniyat may have directly or indirectly participated in war crimes. One of the key perpetrators of these war crimes has now been killed extra-judicially in a move that does not bode well for the implementation of transitional justice in Libya. As aforementioned, the LNA Commander is likely to utilise this event to further draw differences between his so-called “military institution” and the unruly western militias by glossing over the fact that his armed forces have also been allies to criminal groups and foreign mercenaries.

CONCLUSION & FORECASTS

The political situation in Libya continues to be tense with the stakes around several stalemates heightening over the month of July. These include the legal basis for elections, the adoption of the 2021 budget, and the pursuit of the military track with the unification of the institution and the removal of foreign mercenaries. The electoral law and constitutional basis have still not been voted on despite two deadlines being set, and Libya now finds itself with parallel tracks to solve the stalemate over the legal and budget quagmires. On the one hand, the HOR could bring a definitive solution to the issue of the electoral law and the 2021 budget in a future plenary session in August, should the HCS refrain from rejecting the electoral proposals drafted in Rome and should both Dabaiba and Haftar agree on set terms to divide the budget as well as the Ministry of Defence. For now, it remains to be seen whether the HCS will relinquish its role in drafting the electoral law and whether the PM and the LNA Commander will set aside personal antagonism. In fact, if the PM gives in to what is perceived as pressure tactics from eastern actors such as Saleh and Haftar, he is likely to face vehement opposition by western hardliners. On the other hand, UNSMIL could still succeed in having the Constitutional Committee agree upon a proposal for the elections' legal basis and Dabaiba could once and for all bypass the HOR by requesting interim financial arrangements from the CBL. While the former remains so far unlikely due to the persisting divisions and spoiling attempts within the LPDF, the latter is likely to happen if HoR fails to pass the budget.

Should Libya be in a position where no legal basis is agreed upon in August and PM Dabaiba finally gets access to state funds without parliamentary oversight, this could very well be the final straw for the LNA which would impose a new oil blockade instead of resorting to warfare so as to make its discontent heard and bring key stakeholders to the negotiating table. Whilst a return of hostilities remains far too great a threat, there remains a sense that Libyans themselves will not allow politicians to bring the country back to square one. This popular sentiment is important considering that the LNA and HOR Speaker would likely not be seen under a positive light should they adopt policies that bring war and recession back. As a result, there remains ground for optimism in a highly volatile and disappointing situation: key stakeholders like Haftar, Dabaiba, Mishri and Saleh might be more prone to bargaining this time as none really has the financial or social capital to wage war. Instead, political forces which have put their weight behind the holding of general elections by 24 December, LNA included, are increasingly likely to stir national sentiment and popular anger toward spoilers should their attempts to postpone or restrict the scope of elections be successful.

In the current context, as UNSMIL Head Ján Kubiš has rightly pointed, Libyan actors say all the right words but do not follow through. As such, PM Dabaiba has become one of the staunchest supporters of elections whereas his own allies within the LPDF have sought to tweak the legal basis for elections so as to ensure that the PM would benefit from the results. It is therefore important for the international community to condemn double-dealing by all Libyan politicians, going as far as applying sanctions on spoilers, and to double down on a coordinated approach towards finding resolutions to the current legal, economic and military stalemates. The current trend where individual countries take it upon themselves to bring solutions will likely be counterproductive, leading to piecemeal solutions with overlapping and contradictory tracks that spoilers can manipulate to reach their objectives.

Equally, it is important to make note of the overall regional atmosphere following Tunisian President Kais Saied's controversial implementation of Article 80 of the Constitution suspending the National Assembly for 30 days. The parallels with Libya abound and this political overhaul in Tunisia, should it be successful in dragging the country out of political factionalism and arrested development, could become an example that many Libyans would seek to follow. Indeed, both Libyans and Tunisians have since 2011 experienced national institutions, particularly the legislative body, whose heads have themselves acted as some sort of executive power pursuing their own personal and political interests. Equally in both countries, reform has often been entrusted onto the same national institutions that are behind the status-quo and therefore oppose change. The view of making a clean sweep of such a political environment has therefore inevitably become popular. The pitfall, however, is that such a view could easily open the way to authoritarianism and growing military rule with concentration of power around a single strongman. This scenario would likely be followed by the political hunt against set enemies such as Islamist political parties and negate any chance for the long-term establishment of an inclusive and liberal democracy.

Libya's current political deadlock is stratified and self-fulfilling. Its persistence in the face of domestic and international attempts at achieving a breakthrough is fuelled by a Prime Minister who is keen on staying in power, a hesitant Presidential Council that grows less relevant by the day, a partisan HOR, a dysfunctional LPDF and an UNSMIL struggling to manage the political process. As things stand, if no serious progress is made in Libya's political, security and economic tracks before the end of August, the Berlin Process may hang in the balance.

Authors: Mohamed Dorda, Oliver Crowley and Daniel Moshashai from LIBYA DESK™.
Contacts: EDITOR@LIBYADESK.COM | WWW.LIBYADESK.COM | @LIBYADESK

Disclaimer: *The information and views set out in this publication are those of the authors and do not necessarily reflect the views of the Konrad-Adenauer-Stiftung or its Regional Program Political Dialogue South Mediterranean.*

Konrad-Adenauer-Stiftung e. V.

Thomas Volk
Director
Regional Program Political Dialogue South Mediterranean
www.kas.de/poldimed

Konrad-Adenauer-Stiftung e. V.
Regional Program Political Dialogue South Mediterranean
Le Prestige Business Center, No. F.0.1
Rue du lac Windermere, Les Berges du Lac
1053 Tunis, Tunisia
Telefon: +216 70 029 460
E-Mail: info.poldimed@kas.de



The text of this publication is published under a Creative Commons license: "Creative Commons Attribution- Share Alike 4.0 international" (CC BY-SA 4.0), <https://creativecommons.org/licenses/by-sa/4.0/legalcode>