STUDY

ECONOMY AND FINANCE

# LIBYA'S PUBLIC EMPLOYMENT CRISIS

## The Critical Need to Shift from Patronage to Performance

**Jalel Harchaoui and Colin Powers**

October 2024

Salaries of public sector are no longer sufficient to cover average household expenses, and job creation is too weak to integrate younger generations and communities in peripheral areas

Tribal bias in public sector hiring practices has worsened in recent times. Along with the pervasiveness of ghost employment, tribal biases have undermined the quality of public services and of the commercial performance of state-owned enterprises

Outsourcing the management of key state assets, including in the oil sector, is a deeply troubling trend. Policymakers' deliberations are not subject to public scrutiny, inviting corruption and favor trading

FRIEDRICH EBERT STIFTUNG

ECONOMY AND FINANCE

# LIBYA’S PUBLIC EMPLOYMENT CRISIS

## The Critical Need to Shift from Patronage to Performance

**Jalel Harchaoui and Colin Powers**

October 2024

# Contents

# EXECUTIVE SUMMARY

The social, political, and economic trajectory of modern Libya has been determined by the manner with which the country's oil rents have been distributed. Public employment has long been key to the country's distributive schemes. This research report considers the state of public employment in the post-2011 period.

Based on field and desk research conducted during the winter and spring of 2024, the analysis advances four main claims. The first is that public employment is becoming increasingly inadequate as a welfare measure. Despite interim Prime Minister Dabaiba introducing salary hikes between 2021 and 2023, steep rises in the cost of living mean that the wages of most of those on the government's books are insufficient for meeting the needs of a family.

The second claim is that the transitional rulers' tethering of public employment to political and/or distributive concerns, a practice inherited from their predecessors, is driving a decline in the quality of public services and in the performance of state-owned enterprises (SOEs). Across sectors, from education and healthcare to infrastructure maintenance and electricity provision, the Libyan state is providing its citizenry with substandard services. Weighed down by corruption and ghost hires, SOEs show declining commercial performance.

The third claim is that the paramilitarization of politics and state—and the attendant emergence of securitized dynamics within policy deliberations—is intensifying the socially and geographically uneven distributive effects of public employment. Since the outbreak of civil war, many public sector jobs have been doled out with the aim of buying or retaining the loyalty of particular tribes or armed groups. The effect has been to exclude the groups and places that lack the political influence necessary to extract work opportunities from the state.

The fourth claim is that reversing public employment-related policy failures requires a wider resolution of the prevailing political situation and the restoration of democratic governance. As long as existing power structures remain in place, it will be difficult to conceive of how public employment might be reoriented toward social and developmental objectives.

# MAIN FINDINGS

(i) Political dysfunction in the post-2011 period worsened the performance of the Libyan public sector, which has declined across social, developmental, and commercial metrics. The public sector today is characterized by irregular hiring practices, ghost employment, and delayed salary payments. It also provides services of increasingly poor quality.

(ii) Attempts at rationalizing the public sector were launched in the summer of 2021. These efforts proved short lived, however, quickly faltering as rulers in the west and east once again succumbed to factionalism and institutional division.

(iii) Despite consuming an outsized portion of the state budget, public sector employment has diminished in its effectiveness as a redistributive mechanism. Although state-funded jobs continue to be created, the Libyan people are deriving fewer social gains than in the past.

(iv) In relative terms, younger cohorts and those from peripheral regions have access to fewer public sector opportunities. This not only deprives these populations of a potential source of income, but excludes them from the social and health security that public sector employment provides.

(v) Public sector hiring decisions are increasingly mediated by considerations of power and *wasta.* Today, jobs are doled out as spoils by the country's political and military elite. Tribal affiliation and place of residency are often the primary hiring criteria.

(vi) A new generation of private companies, controlled by Libya's political and military elite and linked with foreign firms, has emerged and inserted itself into both public procurement processes and the management of public assets such as the country's oil reserves. The firms' business operations are opaque, create relatively few jobs, and may contribute to increasing inequality by allowing large transfers of public wealth.

# INTRODUCTION

Modern Libya's trajectory has been set by the formulae determining the distribution of the country's oil rents. Since crude oil was first discovered in 1959, it is these very formulae that underlie the forms of power, state-society relations, and social organization observed. The same formulae are also responsible for drawing Libya's developmental horizon.

The fall of 2011 famously brought an end to the Qadhafi regime. Due to political disarray in the years that followed, however, many Qadhafi-era arrangements for managing the distribution of Libya's oil income were kept in place. Institutionally, pillars such as the National Oil Corporation (NOC), Central Bank of Libya (CBL), CBL-owned commercial banks, and the Ministry of Finance remain preeminent. When it comes to the tools used for distributing oil revenues across the population, public employment, public procurement and tenders, the CBL's selective extension of letters of credit to individuals and firms, and the subsidization of essential goods remain favored. Concerning the former, public sector hiring was scaled up considerably post-2011, driven by unchecked patronage networks, the influence of armed groups, and local officials' exploitation of weak central authority.[1]

This research report centers it concerns upon public employment in the post-2011 period. A mixed methods approach was adopted for conducting the research. To capture the lay of the land, authors first gathered and analyzed all available state-published quantitative data on public employment. These data were, however, insufficient for deriving high-confidence conclusions for a number of reasons. First, the open source statistics that are released by institutions responsible, namely the Central Bank of Libya and Ministry of Finance, are neither consistent nor fully reliable. In addition, documentation regarding off-budget spending, including the resources allocated to cover the compensation of militias, is not publicly unavailable. Discrepancies between the expenditures announced and those actually disbursed by the Benghazi-based Government of National Stability confuse the picture further. Disaggregating salary data at the firm or industry level for those employed by Libya's 2,000 SOEs[2]—a category of worker estimated to include 175,000 people in 2012[3]— is now not technically feasible. Last but not least, the books of quasi-state entities, such as the Libyan Arab Armed Forces' Military Investment Authority (MIA), the Haftar-family controlled Military Authority for Investment and Public Works, and the Tariq bin Ziyad Agency for Services and Production[4] are fully sealed.[5]

In view of the limitations of official statistics, quantitative analysis was combined with qualitative forms of inquiry. The latter included a comprehensive literature review covering government reports, media articles, and specialized publications related to Libya's political and economic situation. It also consisted of semi-structured interviews with a diverse sample of Libyan citizens. Mindful of the uneven geography of Libyan public sector employment, interlocutors were selected based on them living in more peripheral areas of the country: namely, Fezzan, the west coast, and the environs of Ajdabiya.

The report is organized as follows. It begins with a macro overview of public employment policy. Beyond establishing baseline empirics, this opening section considers public employment's most salient fiscal and social consequences. Situated in this way, the report then narrows the focus to examine post-2011 changes in the public employment practices. Here, analysis centers on the rise of tribalized *wasta* in hiring, the privatization of public asset management, and the enduring effects of the Libyan state's partition between east and west. The report then concludes by laying out a number of policy recommendations.

## *The Big Picture*

Establishing the facts regarding Libyan public employment is no simple undertaking. In view of the limitations in the data—the causes of which go beyond those discussed in the introduction—any investigation into public employment must proceed in the knowledge that official figures cannot be fully trusted. Approaching the data with a necessary degree of skepticism does not mean we should discard the official figures altogether, however: They can still help us create a useful sketch of the current situation.

1 Wolfram Lacher, "Public Sector without State", in Virginie Collombier and Wolfram Lacher (eds.), *Violence and Social Transformation in Libya* (2023).

2 International Monetary Fund, "Staff Report for the 2023 Article IV Consultation", report (May 2023): 13.

3 See: Dia Sadek Abuhadra and Tawfik Taher Ajaali, "Labour market and employment policy in Libya", report: European Training Foundation (2014): 7

4 Libya Akhbar, "Tariq bin Ziyad Services and Production Authority inspects the Zuwaila area to assess needs and improve services" (January 19, 2024).

5 On the MIA, see: Tim Eaton, "The Libyan Arab Armed Forces", Research Paper: Chatham House (June 2021).
Noria Research, "Predatory Economies in Eastern Libya: The Dominant Role of the Libyan National Army", report: Global Initiative Against Transnational Organized Crime (2019).

In terms of the guiding metrics, the Libyan Ministry of Finance asserted in November 2023 that the government workforce amounted to 2.1 million people. A ministerial review of the public sector salary structure conducted at a slightly earlier date put the number of people employed by the state bureaucracy at 2.2 million.[6] Set in temporal context, these (slightly divergent) numbers indicate that the government workforce has more than doubled since 2012. Set in a population context, they indicate that approximately one-third of all Libyan nationals residing in their country of citizenship are notionally employed as civil servants.[7] It is important to note that this does not account for those on the payroll of Libya's SOEs, its Social Security Fund, or its Solidarity Fund. Estimates from a credible interlocutor place the current number of salaried employees working for Libya's SOEs alone at 500,000.[8] This is roughly three times more than the figure reported in 2012, a jump driven to no small degree by the rise in "ghost" employment. At the General Electricity Company of Libya (GECOL), for instance, payroll has leapt from 18,000 to 60,000 on the back of the firm doling out jobs to individuals never expected to come to work.[9]

For a country with a total population of 7 million, where about 3.6 million are of working age and 500,000 retired, official data suggests that more than 2.6 million are employed by the state.

Paying the salaries of these millions of employees naturally translates to a sizable public sector wage bill. For the first four months of 2024, the Libyan state spent LD 20.4 billion (USD 4.2 billion) on wages. The rate of spending is broadly in line with expenditures from the previous year: Official reporting from the Central Bank presents a public sector wage bill of LD 63.9 billion for 2023, including National Oil Corporation salaries.[10] This was equivalent to approximately 25% of Libya's GDP. As with reporting on employment, it is important to be mindful that the sum in question does not factor in the salaries of those employed by all SOEs, the Social Security Fund, or the Solidarity Fund.[11]

## *The Weak Social Returns of Contemporary Public Employment*

Despite public employment's sizable fiscal footprint—most years, it represents more than 50% of state expenditures—its effects on social welfare are underwhelming. Indeed, the reality is that as grand as the budget line is, it fails to fund a decent quality of life for a large share of those collecting a state salary.

Three variables explain the underwhelming *social* return on investment of public employment in Libya.

The first is the devaluation of the Libyan dinar. As a result of fractious politics and a divided government, the interventions of dueling central banks in the post-2013 period led to significant increases in the money supply—and to significant (and not fully accounted for) increases in the volume of physical banknotes in circulation. Russia's printing of billions of unauthorized currency in 2019–2020[12] (and again in 2024[13]) is responsible for the latter. The effect has been to lower confidence in the value of the Libyan dinar and to decrease the currency's purchasing power. By extension, this has reduced the quality of life that can be sustained on a public sector salary.

The second variable is imported inflation. This was largely set in motion by the supply shocks and commodity price jumps triggered by the outbreak of the coronavirus pandemic and Russia's war on Ukraine. (The official devaluation of the currency in 2021 did not help matters, of course). Measured against the Minimum Expenditure Basket—which considers the prices of essential goods and services—inflation topped 10.5% in 2021 before jumping to 21.1% in 2022. Price increases were worst in the west, and for food products.[14]

The third variable is inherited from the Qadhafi era. Though public sector workers were entitled to significant nonwage benefits such as housing, utilities, and food allowances under the former dictator, salaries were relatively depressed by a rigid and fixed wage system.[15] By 2012, the average wage of those working in the public administration was just LD 755 per month (USD 600 at the time), and the average of those employed by SOEs was only LD 934 (USD 741).[16] In subsequent years, salary increases were implemented. Nevertheless, state wages remained relatively low. This is evidenced by the fact that it is not at all uncommon for public sector workers to either take on a *second* public sector job, operate an informal business, or borrow to cover essential expenses.[17]

6 International Monetary Fund, "Staff Report for the 2023 Article IV Consultation", report (May 2023): 4
7 Ibid.
8 The interlocutor in question is a businessman with commercial operations across Libya's three provinces.
9 Author interview with a Libyan Audit Bureau official, Tripoli, February 2024.
10 Research & Statistics Department of the Central Bank of Libya, "Economic Bulletin—Fourth Quarter 2023", Economic Bulletin no. 63 (2024).
11 Staff Writer, "Finance Ministry: 2.1 million public sector employees account for 53.8% of the Libyan budget", *Al Wasat* (December 22, 2023).
12 Malik Traina, "Fake Libyan dinars, printed in Russia, fund Haftar's military", *Al Jazeera* (July 13, 2020).
13 Maya Gebeily and Angus Mcdowall, "Illicit banknotes in east Libya, some made by Russia, hit dinar", *Reuters* (July 24, 2024).
14 World Bank, "Libya Economic Monitor: Summer 2022", report (2022): 9.
15 Abuhadra and Ajaali, "Labour market and employment policy in Libya", report: European Training Foundation (2014): 19.
16 World Bank, *Labor Market Dynamics in Libya: Reintegration for Recovery*, World Bank Study (2015): 14
17 World Bank, "Macro Poverty Outlook: Libya", brief (April 2023).

The inadequacy of the state wage for a large share of today's public workforce is illustrated by comparing public sector wages with average household spending. When it comes to earnings, official figures reported by the Central Bank in 2023 determine an average public sector wage of LD 2,272 per month and a minimum public sector wage of LD 900. At current exchange rates, these wages translate to USD 470 and USD 186, respectively. Median wages in the public sector cannot be calculated without access to the Central Bank's data. An estimate in the area of LD 1,700–2,000 per month seems generous, however. With regard to household spending, the Bureau of Statistics and Population Census—a division of the Ministry of Planning—documented average household expenditures of nearly LD 3,100 in 2023.[18] It therefore just takes a simple calculation to establish that a public sector salary is not enough to cover a family's bills at this point in time.

As such, regardless of the enormous fiscal burden generated by public employment policies, it is clear that the state's spending is not yielding a commensurate social return. This is of grave importance. Even if we ignore the implications of public employment policies for economic development—the opportunity costs of allocating such significant shares of annual budgets to public sector salaries are immense—the weakness of the social return on investment alone would justify the need for reform.

### *Public Employment's Uneven Geographic and Demographic Reach*

Making matters worse, public employment's efficacy as a social policy is also not demographically or geographically consistent, with younger people and those living in peripheral regions of the country having comparatively less access public. These social groups are therefore disproportionately excluded from one of the main systems by which oil rents have been, and continue to be, redistributed within the country.

One may question, of course, the wisdom of making public employment a social policy in the first place. That the state should be directly responsible for ensuring the welfare of the population by providing employment indeed seems a dubious proposition in this day and age. Be that as it may, the proposition in question is one that is supported by a wide segment of the Libyan population, and with good reason: The Libyan state has dominated the national economy since the Qadhafi era. It is also the case that for many decades, the Libyan state proudly accepted the responsibility of acting as an employer of first and last resort. Both of these historical facts anchor popular expectations today when it comes to public employment: According to Wave VII of the Arab Barometer—based on survey data from the spring of 2022—62% of Libyans want the government to create public sector jobs, and 69% express a preference for public sector employment.[19] The extent to which the current government is fulfilling its responsibility as employer of first and last resort—and the extent to which different segments of the population benefit from public employment—is therefore essential to understanding the contemporary social and political dynamics in Libya.

Regarding the demographic unevenness of public employment, the data establishes that public sector opportunities are disproportionately limited for younger generations. This can be seen by examining aggregate measures such as growing youth unemployment and labor force participation rates. We can rely on these non-discriminating statistics because, due to the weakness of private sector labor demand, the public sector employs an estimated 85% of salaried, formally employed people in Libya (and 75% of the national workforce). Consequently, unemployment rates of specific social groups and age cohorts is predominantly a function of access to public sector jobs.[20]

In 2021, the International Labour Organization estimated that the unemployment rate for people aged between 15 and 24 was 51.4%, and considerably higher for women in this age bracket.[21] Labor market conditions for those slightly older (26 to 30) are also poor. A 2021 survey administered by Asma Khalifa as part of a joint effort between the Friedrich-Ebert-Stiftung, Kantar Public, and the University of Leipzig found an unemployment rate of 26% for individuals in this prime age cohort.[22] Moreover, as already mentioned, the relative retreat of the state from the job market has also led to lower levels of labor force participation among younger generations. Though comprehensive labor market surveys have not recently been conducted, data released by the Libyan Bureau of Statistics revealed that a third fewer 15-to-24-year-olds were economically active in 2015 (48.6%) as compared to 2012 (72.3%).[23] In light of the subsequent deterioration of the security situation, it can be assumed that youth economic disengagement only worsened in the years that followed. In addition, interviewees from younger cohorts working or seeking work in a number of different locations and sectors testified to how the scarcity of public sector jobs has increased the salience of political connections, or *wasta,* for securing employment.[24]

Other problems exacerbating the hardship faced by young recruits in the public sector, particularly in domains such as healthcare and education, are wage theft and the non-payment of wages. Concerning the former, inter-

18 Safa al-Harathy, "Bureau of statistics releases household income, expenses for 2023", *The Libya Observer* (December 20, 2023).

19 Arab Barometer, *Arab Barometer VII: Libya Report* (2022): 17.

20 World Bank, *Labor Market Dynamics in Libya: Reintegration for Recovery*, World Bank Study (2015).

21 Matthew Kinsella, Muhammad Hamza, and Will Simon, "Youth employability skills in Libya", Final Report: UNICEF Libya (September 2023): 30

22 Asma Khalifa, "Youth in Libya: FES MENA youth study—results analysis", study (December 2022): 9.

23 UNFPA, "The Libyan youth today: opportunities and challenges", report (2016): 18.

24 This claim was made by a number of distinct interlocutors in Kufrah and Sebha. Author interviews, Fezzan Province, April–May 2024.

locutors in Sebha and Muzruq reported that it is not uncommon for a high-ranking employee to confiscate a new hire's salary for their first year of employment, conceiving this as a payment of sorts for offering the position.[25] Although this behavior is not institutionalized, the phenomenon is widespread enough to cause significant concern in peripheral areas, particularly in southern Libya. As for the non-payment of wages, multiple sources reported the experience as being fairly common, and being a function of bureaucratic inefficiencies. Put simply, many new hires begin working as soon as they receive an offer, fearing the job might be taken from them. The problem is that there are often delays in the employer issuing official employee numbers. Until these numbers are registered, which can take months, no salaries are paid.[26]

As intimated, public employment also shows geographic biases. In relative terms, new public sector job creation continues to be concentrated in privileged coastal cities such as Tripoli, Misrata, and Benghazi. The reproduction of this long-standing pattern post-2011 derives from Libya's highly centralized institutional structures. Empirically, its effects can be seen from a review of unemployment statistics, disaggregated at the regional or municipal level. Metrics like unemployment rates can be relied on because, as established, employment and unemployment in Libya are largely functions of public sector hiring, due to the enduring stunted development of the private sector. As such, geographic discrepancies in employment and labor force participation may be attributed to the state's uneven geographic reach.

Calculations based on the Libya Labor Force Survey of 2012 revealed that *before* civil war in Libya, the percentage of those unemployed in marginalized places such as Ghat, Jbel Gharbi, Wahat, and Sebha were already far above national averages, ranging from 20–29%.[27] Due to where resources were concentrated within the war economy, which subsequently consolidated, these preexisting disjunctures in labor market conditions only worsened. The effects of this have been felt most acutely by the young men and women living in the Libyan periphery, especially in the deep south.[28] In Sebha, surveys conducted in 2022 by the REACH Initiative revealed that only 44% of the municipality's 18-to-29-year-olds were economically active, and that 42% of those who were active were unemployed.[29] Put differently, a mere 18% of this cohort has a job, be that public or private sector. Just as distressingly, the survey found that 65% of Sebha's youth classified as NEET (not in employment, education, or training), a troubling forward-looking indicator if ever there was one.[30]

### *The Tribalization of Wasta*

Public employment in Libya today is not only troubled by high fiscal costs and declining social returns: It is also being compromised by tribalized forms of corruption. Indeed, the latter is increasingly seen within SOEs and the civil service alike.

When it comes to SOEs, data gathered about the oil industry near Ajdabiya in Libya's east revealed a distressing picture. Following Farhat Bengdara's appointment as Chairman of the National Oil Corporation (NOC) and Massoud Slimane's appointment to the NOC's board in July 2022, virtually all hiring decisions have been decoupled from economic considerations. Instead, they have been driven by patronage and determined on the basis of tribal affiliation. The biggest beneficiaries of the current policy in and around Ajdabiya have been Slimane's Magharba tribe as well as those affiliated with the Awaqir and Aqjilah tribes. For the NOC itself, in contrast, *wasta*-led employment policies have led to a host of issues. Non-essential, politically motivated hiring campaigns have caused liquidity shortages on a number of occasions, resulting in delayed salary payments. Higher personnel costs also led to the canceling of a continuing education program that had been provided to the workforce.

The effects of tribalized *wasta* for the civil service are every bit as pernicious. Interlocutors in Fezzan noted that the Ministry of Health under Ramadan Abu Janah's leadership has become rife with this kind of corruption. Hiring of administrative and medical personnel at the Ministry has been used to reward those from Abu Janah's Hasawna tribe in particular. Moreover, unsurprisingly, *wasta*-led hiring has been much to the detriment of public service quality. Indeed, politicized hiring decisions resulted in acute shortages of competent personnel at public hospitals.[31] Such shortages and the hiring practices which cause them have had a number of second-order effects, too. Most directly, they have forced doctors and patients to seek private alternatives for their employment and healthcare needs, respectively, and pushed up out-of-pocket healthcare expenditures for families across the south.

Further, there are grounds for thinking the link between *wasta* and declining public service quality extends well beyond the Ministry of Health. The excellent research by Mohamed Elmagbri, Heba al-Sheikh, Lamis Ben Aiyad, and Rima Hamidan established how the combination of political conflict, civil war, hierarchical bureaucracy, and corruption have undermined waste management, electricity

25 Interview with an administrator based in the southern municipality of Murzuq, May 2024.

26 Interviews in Fezzan, May 2024.

27 World Bank, *Labor Market Dynamics in Libya: Reintegration for Recovery* (2015): 20.

28 About 7.4% of Libya's total population resides in Fezzan. The country's southwestern province is vital for the nation's economy, hosting major oil wells such as al-Sharara, which account for over a third of Libya's hydrocarbon production. Additionally, Fezzan supplies the majority of the water used in Tripolitania, where over half of the country's population lives. Despite its significant contribution to the nation's resources, Fezzan has the lowest per capita income of Libya's three provinces.

29 REACH, "Labour Market Assessment: Labour Demand, Supply, and Institutional Environment in Sebha", report (July 2022): 7.

30 Ibid.

31 Author interview, Sebha, Libya, May 2024).

provision, and water supply services in recent years.[32] The tragic flooding of Derna, which cost more than 20,000 lives in 2023, revealed the degree to which corruption plagues infrastructure maintenance.[33] The extensive investigations conducted by the Bertelsmann Stiftung between 2021 and 2023 also documented how corruption has compromised the Ministry of Education and the administrative state more generally.[34] Of course, the issue of underperforming public services predates the post-2011 period in Libya, and is not something that was solely caused by *wasta.* Nevertheless, our research suggests that *wasta*'s increasing grip, itself a function of the political classes' attempts to purchase legitimacy, is today one of the key factors driving corruption and attendant declines in the commercial performance SOEs and public service quality.

### *The Privatization of Public Asset Management*

Another worrisome development in recent times has been the state's and SOEs' turn to politically connected subcontractors in oil extraction and infrastructure development. Our field investigations established that in April 2024, the National Oil Corporation assigned management of an oil field named NC4 in the Hammada area (not far from Ghadames and the Algerian border) to a private contractor called Arkenu.[35] Arkenu is reportedly linked to Saddam Haftar,[36] arguably the Field Marshal's most powerful son, and has allegedly partnered with an obscure Swiss-based firm called Pars Holding for the NC4 contract.[37] Regretfully, more privatization-type arrangements of this kind appear to be in the offing. The NOC has allegedly been lobbying major international oil services firms such as Halliburton and Honeywell to partner with another new private firm called Isnad, whose ownership is opaque, for subcontracting more field management.[38]

The changes signaled in the NOC's recent privatization-related moves are not only problematic due to the heightened potential for corruption. We also need to consider how subcontracting public asset management to firms such as Arkenu and their external partners affects job creation. The relationship with job creation derives from the fact that subcontractors such as Arkenu seek to optimize profits by keeping local staff costs low. Typically, firms like this rely on small teams of foreign experts provided by their external partner (in Arkenu's case, Pars Holding) to run the actual oil extraction, while they themselves collect rents as the gatekeeper of oil field access. For the communities near the oil fields, this translates to fewer work opportunities.

### *Changes in Public Sector Management since 2021: Challenges of Armed Actors*

Public sector management since the demise of the Qadhafi regime has never been wholly consistent.[39] Between 2011 and 2021, it was affected by war, the shifting field of power, and the vagaries of political calculation. This resulted in both lulls in hiring and times of rapid payroll expansion. For the period as a whole, the trend was one of volatile public sector growth.

Since Dabaiba's ascent to the prime ministership in 2021, underlying trends have largely been preserved, with a few notable changes. In the earliest days of Dabaiba's tenure—when relations with CBL Governor Sadiq Kabir were at their strongest and when Libya briefly had a single recognized government—the policy emphasis was on salary increases, integrating the workforce in the east, and unifying the wider public sector's payroll. Concerning the former and with a view to boosting the popularity of his governance, Dabaiba announced both universal and institution-specific pay raises on a number of occasions. Regarding the second two tenets of his policy, in June 2021, Dabaiba's government officially incorporated onto the state's payroll the approximately 400,000 individuals who had been hired by the eastern-based, Haftar-aligned government of Abdullah al-Theni over the previous seven years.[40] The Haftar-led camp had made most of these hires during 2014–2021, not only within the security sector but also for the purpose of staffing duplicate ministries and creating redundant bureaucracies from scratch in eastern Libya. In addition, Dabaiba's government agreed to honor the monthly salary increases which the Theni government had instituted for the 300,000 public sector employees in the east who had already been on the state's books prior to 2014.[41] With these moves, Tripoli regularized the employment status and benefits of nearly 700,000 people. It also, at long last, reunified the state's payroll. The effect on the lives of people in the east was palpable, especially when it came to salaries being paid on time.[42]

Unfortunately, these early steps toward public sector payroll harmonization proved short lived.

32 Mohamed Elmagbri, Heba Al-Sheikh, Lamis Ben Aiyad, and Rima Hamidan, "Challenges and steps forward for public services reforms in Libya", report: Friedrich-Ebert-Stiftung (2022).

33 Claudia Gazzini, "When the dams in Libya burst: A natural or preventable disaster", report: International Crisis Group (October 2023).

34 Bertelsmann Stiftung, "BTI 2024 Country Report—Libya", report: Bertelsmann Stiftung (2024).

35 Interview with an Audit Bureau official covering the oil and gas sector in Tripoli, April 2024. Staff Writer, "Evacuating an oil field of workers in preparation for handing it over to a Turkish company", *Libya Akhbar* (April 23, 2024).

36 Interview with a former member of the NOC in Benghazi, August 2023.

37 Review of a November 2023 executive order signed by Prime Minister Dabaiba for purposes related to the NOC.

38 Interview with a Ministry of Oil and Gas official, March 2024.

39 Wolfram Lacher, "Public Sector without State", in Virginie Collombier and Wolfram Lacher (eds.), *Violence and Social Transformation in Libya* (2023).

40 Akhbar Libya 24, "Hamouda: The government has introduced one million new jobs into the unified salary system" (June 25, 2021).

41 Interview with an official of the Ministry of Finance, Tripoli, June 2021.

42 Interview with a retired Libyan woman based in Tripoli's Hay Andalus district, December 2021.

In September 2021, the eastern parliament withdrew its confidence in Dabaiba's government. In the months that followed, the coalition of armed groups operating under the banner of Khalifa Haftar's Libyan National Army (LNA) also began alleging that Dabaiba's government in Tripoli had halted salary payments.[43,44] The claims of Haftar's men were misleading. The reality was that by requiring verification of identity and citizenship in order to issue salary payments, the Ministry of Finance in Tripoli ended up making financial transfers to the LNA that were less than Haftar et al. had expected: The latter had assumed it could bill salaries for both nonexistent and foreign fighters. Regardless, the resulting scandal ultimately forced Dabaiba to buy peace with the Haftar clan. He did so by agreeing to drop identity-related procedures and instead granting the LNA the desired lump-sum transfers for the payment of salaries. This increased Tripoli's public sector salary expenditures in the east and by extension, added to the government's fiscal strains. More significantly, it further corroded the regulatory integrity of Libya's public finances and undermined whatever progress had been made in terms of government unification during the March–September 2021 period.[45]

Things only got worse when a new alternative government was established in the east in the winter of 2022.[46] At its own discretion, the new eastern government launched hiring campaigns for the public sector and resumed issuance of public debt, which in practice meant borrowing from the eastern branch of the CBL and, to a lesser extent, commercial banks in eastern Libya.[47] In the west , Dabaiba was also spending freely, empowered to do so through his then close alignment with the CBL.[48] A few months later, the damage was done. Public sector spending was marked by opacity, off-budget transfers, and east-west divisions once again. And in an environment of political tensions, jobs and salary hikes were primarily being doled out to purchase loyalty. Examples of the latter included Speaker of the eastern-based House of Representatives Agila Saleh implementing salary increases for Ministry of Justice employees in April 2024.[49] Just as significantly, they also include Prime Minister Dabaiba's pledges of increased payouts to specific quasi-state armed groups in 2023.[50] Dabaiba made those promises without amending the annual budget law or consulting the Ministry of Finance, thereby giving the state's payroll commitments a new degree of ambiguity.

43 During a session of parliament in October 2021, Tripoli's Minister of Finance, Khaled al-Mabrouk, explained the challenges the central government faced in obtaining accurate salary data from the LNA. See: X post by @Ibrahim_Blqasm (October 10, 2021). Available at: https://x.com/Ibrahim_Blqasm/status/1447073922185302016 .

44 Libya Review, "Libyan Army: PM Dabaiba Has Suspended Army Paychecks" (January 9, 2022).

45 As *The Economist* reported in April 2022, the Haftar camp claims that the LNA comprises over 127,000 armed personnel. This implausible and clearly exaggerated figure allows the Haftar camp to treat the wage bill as an opaque fund, which can be accessed and utilized with little oversight. This deliberate resistance to transparency is particularly acute in Haftar-held Libya but is a widespread problem across Libya's security sector. Armed groups in western Libya follow a similar philosophy, especially the large and powerful ones. A typical example is the armed group led by Abdelghani al-Kikli in Abu Slim, a populous municipality just south of Tripoli. As Kikli's militia grew stronger, the transparency of his payments to numerous militia members decreased. See:
*The Economist*, "The tragedy of Benghazi, Libya's second city" (April 9, 2022).
Adam Hakan, "A Political Economy of Tripoli's Abu Salim: The Rise of the Stability Support Apparatus as Hegemon", Small Arms Survey (April 2024).

46 Agenzia Nova, "Libya: the parliament of Tobruk 'withdraws' its trust in the Dabaiba government" (September 21, 2021). Available at: https://www.agenzianova.com/en/news/libya-the-tobruk-parliament-withdraws-confidence-in-the-dabaiba-government/

47 An interview by one of the authors with the then Haftar-aligned Prime Minister Fathi Bashagha, Sirte, November 2022.

48 Jalel Harchaoui, "Libya's Fragile Deadlock", *War On The Rocks* (March 6, 2023).

49 In early April 2024, Saleh issued a law, without a parliamentary vote, raising monthly salaries for all such employees to between 6,000 and 13,600 dinars. This was significantly higher than the remuneration of most civil servants. A lawyer from al-Khums, formerly with the Ministry of Justice, explained that Aqila was not worried about the legal legitimacy or fiscal sustainability of the move; his goal was to "get all the judicial folks, especially those in Tripoli, on his side and against [his political rival] Prime Minister Dabaiba." This episode illustrates how a powerful member of the ruling class can distort and manipulate the public sector payroll without generating new employment opportunities for young citizens. In the words of a former official of the eastern-based government: "Libya's public sector has become a tool for political favors and buying loyalty. Relatively well-structured ministries with rather clear divisions, responsibilities, and staff have suddenly been split into multiple ministries, or new ones have been created from scratch without any purpose and with no intention of improving public service. These decisions are made merely to appease tribes, communities, or electoral districts, to secure local support for political entrepreneurs." Author interview with a former employee of the Ministry of Justice, Tripoli, April 2024.

50 In February 2024, several units of the Petroleum Facility Guard (PFG) based in the northwest staged a protest, demanding salary and benefit increases, by briefly closing down the Mellitah Gas Complex near Zawiyah. They also threatened to shut down the city's refinery. The PFG, which is officially part of the Ministry of Defense but was made financially dependent on the NOC by Prime Minister Dabaiba in 2021, used this arrangement to justify their demands. They sought a retirement pension plan, "inconvenience" premiums, and other concessions in line with those received by NOC technicians. To avoid an energy blockade, Dabaiba conceded to the PFG's demands. However, several weeks later, the PFG resumed their complaints on realizing that only a few of the promised benefits had been provided. See: Staff Writer, "Dabaiba approves increase in salaries of Petroleum Facilities Guard after oil closure", *Libya Update* (February 26, 2024). On the PFG's financial link to NOC, see: Matt Herbert and Emadeddin Badi, "Blessing and Curse: Petroleum Profits, Control, and Fragility in Libya", Friedrich-Ebert-Stiftung, June 2022: 1 and 11. It is interesting to note the role of the trade unions in this "protest" against Dabaiba.

# CONCLUSIONS AND RECOMMENDATIONS

Libya's public sector, since the 1970s a cornerstone of the national development model and primary channel for redistributing oil wealth, is today struggling to fulfil its historic functions. It is not only failing to deliver quality services and output growth—it also performs poorly as a distributive mechanism, excluding the young and those in peripheral areas while leaving many of those fortunate enough to have a public job unable to cover their bills.

At this stage, a holistic restructuring has become necessary. This should commence with a redefinition of mission. Rather than treat the public sector as a distributive mechanism—it has, at this stage, proven a relatively ineffective one—restructuring should prioritize commitments to performance: Enhancing the quality of public services and the commercial performance of state-owned enterprises need be elevated as primary objectives.

Amongst other things, reform will entail the adoption of meritocratic hiring and promotion practices along with the upgrading of compensation packages for public servants. By definition, it will also entail ending existing arrangements that have allowed political elites to use public sector jobs as a means for purchasing loyalty and building personal power. Success on any of these fronts will assume the advance of genuinely democratic governance. Without transparency in the conduct of government business and public control of decision making, addressing the corruption that presently corrodes Libya's public sector will be impossible. Naturally, ending state and institutional partition is sine qua non of reform, too.

So to ensure that the shift in public sector mission does not create adverse social effects, the development of alternative income and wealth distribution mechanisms will be essential. Policies like a universal basic income should be considered, and the state's role as creditor and investor to local businesses and social ventures should be scaled up. The state's presence as a service provider, creditor, and investor must be expanded in peripheral areas of the country especially. Deepening the public health and educational infrastructure in these spaces—and therefore training and hiring more doctors, teachers, social workers, and administrators—should not be foregone simply because of the bloat of the public sector. To grow demand in the labor market (and thereby reduce reliance on public sector opportunities), efforts to further develop the private sector should also be undertaken. Reforming the legal and regulatory environment will be key, as will buttressing the judicial system. Finding ways to allocate capital resources to small and medium-sized enterprises which can service local markets, particularly in peripheral areas, should be considered a priority. So too the development of large, export-oriented manufacturing firms: these firms are essential not only for driving labor demand, but for facilitating productivity gains and technological transfer. Lastly, given the recent record, all outsourcing and privatization strategies involving state-owned enterprises should be reassessed, and existing arrangements be subjected to public scrutiny.

In Libya as anywhere else, reforming the public sector and the wider economy will always be matters of politics. Any hope for change ultimately hinges on resolving state partition, challenging the dominance of armed actors and self-serving elites, enhancing transparency, and establishing a truly democratic system with regular pluralistic elections. As such, the international community clearly has a big role to play going forward: It must actively support a democratic transition, and it must be far less complacent in the face of the large-scale economic crimes committed by Libya's incumbent rulers. While the current political landscape makes enacting changes difficult, it is the only way to ensure a sustainable future for the majority of Libyans.

## ABOUT THE AUTHORS

**Jalel Harchaoui** is a political scientist specializing in North Africa, with a particular focus on Libya. Before joining the Royal United Services Institute as an Associate Fellow in 2022, he worked with the Global Initiative Against Transnational Organized Crime and the Clingendael Institute in The Hague. His research primarily centers on Libya's security sector and political economy.

**Colin Powers** is the Scientific Coordinator and Chief Editor of Noria Research's Middle East and North Africa Program. He earned his doctorate from Johns Hopkins SAIS in 2020 and was a postdoctoral researcher at Sciences Po Paris in 2022. A political economist by training, his work focuses on issues of development, distribution, finance, and power.

## IMPRINT

Publisher:
Friedrich-Ebert-Stiftung Libya Office
Economic Policies for Social Justice
4, rue Bachar Ibn Bord
2078 La Marsa
Tunisia
Email: **info.lybia@fes.de**

Responsible for content:
Dr. Salam Said l Director of The Libya Office
**salam.said@fes.de**

Design: Marc Rechdane

Review: Salam Said

# LIBYA'S PUBLIC EMPLOYMENT CRISIS

## The Critical Need to Shift from Patronage to Performance

A holistic restructuring of the Libyan public sector is essential, beginning with a redefinition of its mission. Rather than treating the public sector primarily as a distributive mechanism, the focus should shift towards enhancing performance and improving the quality of public services. Elevating the commercial performance of state-owned enterprises must be prioritized as a core objective.

Public sector reform should include the implementation of meritocratic hiring and promotion practices, as well as the upgrading of compensation packages for public servants. Furthermore, it must end the current arrangements that enable political elites to exploit public sector jobs for purchasing loyalty and consolidating personal power. A key condition for successful reform is the establishment of democratic governance and transparency. Additionally, reforming the legal and regulatory environment to support private sector employment is essential for creating decent work opportunities. In particular, small and medium-sized enterprises in peripheral areas should be actively promoted.

To ensure that the shift in the public sector's mission does not result in adverse social effects, developing alternative mechanisms for income and wealth distribution will be essential. Policies such as a universal basic income should be considered, and the state's role as a creditor and investor in local businesses and social ventures should be expanded. The state's presence as a service provider, creditor, and investor must be increased, particularly in peripheral areas of the country, as well as in public health and educational infrastructure.

For further Information on the topic can be found here:
**https://libya.fes.de/**

FRIEDRICH
EBERT
STIFTUNG