

Libya Herald

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EDITORIAL

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FROM THE EDITOR

Whatever the international perceptions of Libya, as the country approaches the second anniversary of its revolution, we see an economy that is on the move. Across the country, not just in Tripoli, new businesses and shops are opening, companies are actively planning and private sector money is being ploughed into new projects.

We know many Libyans and business people around the world are keen to keep up to date with what is happening in Libya, with increasing numbers reading the Libya Herald online. As we approach our first birthday on 17 February 2013, we have had over 68.5 million hits reading more than 3,500 articles.

Based on the success of the Libya Herald's Investment Supplement published last November, we felt there was a need for a regular business magazine. This is it. Each edition of Libya Herald: Business Eye will have a focus on a particular topic – in this edition it is Misrata. There will be general business features on various areas, as well as interviews with ministers, officials and leading members of the business community in Libya. In this issue there are several – notably with the Ministers of Planning, Transport and Electricity. We plan to include business and company news, along with information about upcoming events, such as trade fairs. If your company is opening a new branch in, say, Benghazi, or has just appointed a senior official, tell us. We want to know. So does the rest of the business community.

The world knows of Misrata's epic siege during the revolution. What far fewer people know of is its equally remarkable entrepreneurial spirit. It does, while others talk. That entrepreneurial spirit was made all the stronger during the siege. Today, continued close coordination between politicians, the military, businessmen and civil society is working to make Misrata flourish. Business-friendly Misrata is Libya's 'Can Do' city and it is why, increasingly, foreign investors are looking to base their operations there.

We feel, as Misrata is part of Libya's growth, so in a small way, are we. Our online newspaper www.libyaherald.com first appeared on the first anniversary of the revolution, and Libya Herald Business Eye, our second venture, is making its debut as new Libya approaches its second anniversary. Our goal is to keep our readers in Libya and around the world, informed of that national growth and the opportunities that go with it.

Michel Cousins
Editor-in-Chief

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The views expressed in this supplement are not necessarily those of the Libya Herald.

MISRATA: THE CAN-DO CITY RISING LIKE A PHOENIX

By Chris Stephens who reported for The Guardian from Misrata during the 2011 siege.



□ New shops open in Misrata

It sits in one corner of Misrata's Martyr's Museum, looking for all the world like a piece of conceptual art that has been misplaced; but the chunky heavy machine gun welded to a blue wheelbarrow is no piece of art.

Conceived in the city's eight-month siege, when revolutionaries captured the gun and needed the means to move it, it is an example of the "Can Do" spirit that epitomises Libya's third city, on show again now as it rebuilds.

A flair for both improvisation and organization characterized Misrata's response to the siege by Qaddafi's forces. When militias needed transport, they helped themselves to hundreds of Mitsubishi pickup trucks stored at the port, using local workshops to fit them with armour plate.

These black-painted battle wagons became the symbol of the revolutionaries or *thumar*. When hospitals ran out of specialised medical plastic containers, doctors improvised with sterilised cut-down water bottles. When the front lines moved outside the city, the women of each brigade formed cooking groups, supplying daily meals to their menfolk.

Now, the main avenue, Tripoli Street, left a smashed ruin by the fighting, is being transformed, with sparkling new shops opening amid the rubble. At the far end, a huge hole dug by excavators in the war as a tank trap has

been filled and tarmacked so expertly it is hard to believe the hole was ever there. The power company, without waiting for government cash, has repaired or replaced giant lighting gantries. New traffic lights have been installed — and drivers obey them.

"This is a traditional trading city, it has a long history. For decades this place has always been good for business," says Abdulsalam Alseadawi, manager of the sparkling new Toyota showroom, one of three the company has opened in Libya.

"How did we do it?" Says Ashraf Swaab, manager of the street's gleaming Assada Riyadi sports shop, where footballs and replica shirts from Barcelona, Manchester United and Chelsea are on sale. "Hard work," he says with a smile. He is confident for the future. "I can't really put my finger on it, but in Misrata people work. We have to. There are no government jobs here so we have to make private business."

It is the same story at the airport, now taking international flights, and at the thriving seaport, which claims to account for 65 percent

of Libya's total sea exports, up ten percent from the pre-war level. Private donors supplied much of the equipment and fittings for the airport, its proud boast is that, although a battlefield in the war, it was back in action with commercial flights before the conflict ended.

"I always say, the airport and sea port are Misrata's lungs, the left and the right," says Nasser El Khesheef, manager of Beirut photographic shop. "If they work well, don't worry about other things." He created a TV commercial for the airport, free of charge, "because it's something I can do. Because everything in this city depends on our airport and sea port".

"This is a traditional trading city, it has a long history. For decades this place has always been good for business," says Abdulsalam Alseadawi, manager of the sparkling new Toyota showroom, one of three the company has opened in Libya.

Hussein Al Matardi, a medical student who divides his time between his studies and the family car importer, Al Matardi Cars, agrees. "This is a good place to do business. If we have a shipment coming in, three or four thousand cars to be unloaded in four days, the guys at the port will work through the night."

Al Matardi says they shift 20,000 Hyundai cars a month for customers across Libya, and are awaiting approval from the firm to become its official distributor for Libya. He thinks there is another reason why business is booming in the city. "We have security."

Misrata is home to the largest militia forces in Libya, with 230 separate militias running a rota system for policing duties. All entrances to the city have "gates", checkpoints where each vehicle is inspected.

The gates, combined with stringent local laws banning firearms on the streets on pain of confiscation, means the city is refreshingly free of the sporadic gunfire that marks the night sky in many other parts of the country.

Although in the past few weeks there have been four significant killings, including one of a city council member, security is still seen as far better than anywhere else in the country.

Mohamed Raied, a leading member of Misrata's Chamber of Commerce and chairman of the city's Al Naseem dairy, Libya's largest single private employer, says security impacts investors strongly: A crackdown on corruption has speeded deliveries at the port, and, he hopes, will give investors the confidence to set up in the city.

"What helps for business is that Misrata is one community," says Abdulfatah Alghannai, a

medical student who worked in intensive care in the improvised casualty hospital, Al Hikma, during the war. "There is that saying, that everyone in the world is linked to everyone else through no more than six people. In Misrata, that link is just one."

As to what kind of foreign investors are needed, Misratans emphasise the hunger for expertise of all kinds, from medicine and warehousing to stock management and traffic planning. "We need the world here," says El Khesheef.

And the world may come. Misrata sits at one end of what is best called the "corridor", a strip of coastal highway exactly 200 kilometres long between Tripoli and Misrata. With more than half of all Libyan households within two or three hours drive, this strip of highway is likely to become the country's place of choice for distributors.

"Misrata is very special and unique in terms of its potential, there are so many people here keen to get the city up and running," says local Congressman Hussein El Amin, an independent who returned home in the war after 28 years political exile in the UK.

Misrata has been a port city dating back into the mists of time, and one with a thirst for independence. During the Italian occupation, Mussolini's most feared general, Rudolfo Graziani, wrote that Libya was a snake, and "Misrata is the head". The city's most famous resistance leader, Ramadan Swehli, whose former home is now a museum, was one of the four founders of the Tripolitanian Republic, the first ever Arab republic in 1919, in a brief raid against Italian occupation.

In February last year, the city made history again, holding one of the first elections in Libya for more than 40 years for a local council. The vote was supervised by Mohamed Berween, a Misratan who quit a professorship in Texas to oversee the vote.

But city pride comes with a price, and the price is a fear of being seen as different by the rest of Libya. Drinking coffee near the small gold souk at the junction of Tripoli and Benghazi streets, traders mutter about the perception elsewhere that Misratans regard themselves as separate,

"Misrata is very special and unique in terms of its potential, there are so many people here keen to get the city up and running"

not least with the "gates" that deter some customers from visiting the city.

Conscious of this problem, the Martyrs Museum, which carries the photographs of more than 1,000 people slain in the war, is building a new section, planning to include photographs of martyrs from across Libya.

"Some people say we want to be independent. It's not true. We are Libyans. We fought the revolution for Libya," says Alghannai. "Our prosperity lies with the prosperity of Libya. We have ten thousand truck drivers, and that is ten thousand families who depend on them, and those jobs depend on other cities being tolerant of Misrata. In the end, we succeed if Libya succeeds."

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FREE TRADE ZONE LOOKS TO BECOME A MEDITERRANEAN JEBEL ALI

By Chris Stephen

Misrata Free Zone, Libya's largest free port, exudes confidence and optimism - with a dash of anxiety on the side.

The optimism stems from a simple calculation: After forty years of despotic rule, Libya is in need of everything, from trains and buses to power plants and housing. With Africa's largest oil reserves and \$168 billion in overseas assets, the country also has the money to pay for it.

Much of the equipment needed to rebuild and expand the country's infrastructure will be imported by ship, and the Free Zone, the only Libyan port authority independent of central government, is well-placed to do the business.

Sitting at the eastern tip of Misrata, the Zone is home to Libya's biggest, deepest and most efficient container terminal. The port has 3,200 metres of quays pace, and construction of a further 800 metres is nearly complete.

The Free Zone is vast, stretching away across flat empty terrain. Zone A which includes the port covers 3,539 hectares. A further 3,000 hectares in zone B, at the moment is undeveloped but is scheduled for downstream petrochemical and other heavy industries.

"We would like Misrata to become the hub in the area for the southern Mediterranean," says the port's general manager, Jamal El Ghirani. Other official speak of it becoming the North African equivalent of Jebel Ali, the massive, and massively successful, free trade zone in Dubai.

The container port is already winning plaudits for its efficiency. It is the only Libyan port open 24 hours a day, seven days a week, the value of which shippers have been swift to recognise. The port, which was handling 52 percent of the country's container traffic

(some 290,000 TEUs) before the revolution, says this has now increased to 65 percent.

Shipping agent Nuri Almatardi, of Al Foulk Al Mashhoun Shipping, says he channels most of his imports through Misrata. He explains that a shake-up of customs, formerly a principal cause of excessive delays, now means the paperwork is often finished in a day. "The people who work in the port are working well," he says. "The attitude in Misrata is that everyone wants to make it work."

Keen to show transparency, the port has also set up a website detailing ships queueing to enter. This move came after suggestions were made that some captains offered bribes to jump the line. The website makes the queueing and berthing system transparent.

With tax-free sites for manufacturing and storage, the Free Zone offers a base for importers, with access not just to Libya but also transshipment to sub-Saharan Africa. This is a cost-efficient option for Turkey and countries in the EU, with a short sea journey across the Mediterranean. Another advantage is that Misrata is just a two-hour drive from Tripoli, making the port a few hours away from more than half of all Libyan households.

As a centre of engineering and business, the city also has a reservoir of expertise for new investors to employ. Among a flock of foreign businesses setting up in the Zone is Indian textiles importer Yaseen Jamaluddin. He is attracted both by security at the port, provided through a contract with Misrata police rather than a private company, and by regulations allowing 100-percent foreign ownership of any company in the Free Zone. This contrasts with normal Libyan requirements for companies to be joint ventures. "It is a good site," Jamaluddin says, "we have buyers in Libya."

But with the good news comes the anxiety. While Misrata itself is fast becoming a secure cocoon, other parts of the country remain less so. And port officials are uneasily aware that Misrata's Free Zone will really start

growing only when Libya as a whole starts to work. That will depend on the new government reforming security, the law and its own administration. Likewise, the financial benefits of transshipment across Africa will only be possible if the government can deal with smuggling across the country's borders.

For now, however, the Free Zone is doing its part, seeing its work as contributing to Libya's stability. "It's all about confidence," says El Ghirani, who worked for twenty years in the US pharmaceutical industry before returning to his home city for a career change. "We need stability. We need to build that confidence."

"We would like Misrata to become the hub in the area for the southern Mediterranean," says the port's general manager, Jamal El Ghirani. Other official speak of it becoming the North African equivalent of Jebel Ali, the massive, and massively successful, free trade zone in Dubai.

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DEVELOPING LIBYA'S PORTS

Michel Casals, President of the Franco-Libyan Chamber of Commerce, says that ports need to expand and that Misrata is best placed to do so.

Libya has two types of port terminals: "liquid bulk" terminals to export oil and gas-related products and container and "general cargo" terminals for the importation and exportation of agricultural products and manufactured goods.

The country's main ports for general cargo and containers are Tripoli, Misrata and Benghazi. The first two serve the west of the country, mostly the region of Tripoli, while the last serves mostly its eastern part. Regions of the south are served by any one of the three, depending on the cost and ease of land transportation.

So far, Libyan ports have been able to deliver the necessary efficiency and capacity to match the growth of the import volumes required for national reconstruction. However, as international direct investments are now resuming, the pressure on ports suffering from limited capacity is increasing.

Ports located in city centres, such as Tripoli, have only limited capacity for expansion. Libya needs to prevent its ports from becoming bottlenecks that would restrain import and export activities or cause extra transport costs. This would limit economic growth and might deter foreign investors.

Misrata, however, is ideal for expansion. The port is within a convenient distance of the main consumer and industrial areas of western Libya. It enjoys more than

sufficient capacity for extension on both its "sea side" (quay and surroundings) and "dry side" (on land areas to develop logistics and industrial facilities).

The Public Private Partnership (PPP) with Turkish construction company TML and French port operator specialist Bolloré is an opportunity for development of the container terminal, complying with the highest international standards of quality and efficiency.

A number of berth with gantry cranes have already been constructed and five more are being built. The port operator is expected to bring expertise and port-handling technologies to Libya. The project is a joint venture with Misrata Free Zone as a partner. It is seen as a cornerstone of the industrial development of the city and its surrounding region.

This programme has raised expectations among Libyan industrial players. They are impatient to see the resumption of the civil works on the new quay and are looking forward to the modernisation of the port operations that will come from this PPP.

Sources from the port operator and the construction company indicate that they are ready to complete the implementation process of the Misrata container terminal. This would be excellent news for Libya's development.



□ Misrata Free Trade Zone Port

LISCO FORGING MISRATA'S PHOENIX

By Chris Steven

The managers of state-owned LISCO, Misrata's giant steel plant, took a bold decision at the end of Libya's Arab Spring revolution in 2011; deciding to use cash reserves to re-activate production and pay salaries rather than wait for the government to step-in.

"We did not wait for the government to say OK or not OK," explains Nagi Abunaama, general manager of LISCO's maintenance division. "You don't just wait for the government."

It proved a smart decision, given the turmoil that Libya's new revolutionary government found itself in for much of last year. It allowed the plant to start making and selling its steel early.

While engineers made repairs to a plant pummeled by artillery and rocket fire during the city's six-month siege, the company re-activated links with customers, principally in Germany, Italy, Britain and Switzerland. Last year LISCO reached 50 percent of planned production, bringing in much-needed revenues that would not have arrived if the plant had waited for a hard-pressed government to provide finance.

The problems of re-activation were immense: Misrata's siege saw 60 plant employees killed, many fighting on the front lines, with a further 200 wounded. The upheavals of Libya also saw another 500 of the 7,000 workforce find other jobs or move to other parts of the country.

The plant itself, a gigantic site that sits adjacent to Misrata's port at Qasr Ahmed, needed work to fix it, and the power plant had to be reconnected, after it was used during the war to supply electricity to Misrata, its own power plants put out of action.

This year, LISCO expects to produce 1.3 million tons of molten steel from three production plants: raw iron, wire and rod and sheet steel. The war came as work was nearing completion on a major new rolling mill, a massive struc-

ture sheathed in blue corrugated iron built by Italy's Danieli Group, which is expected to take production to 2.5 million tons. When expansion plans are complete, the plant should be producing four million tons a year.

But problems remain, including buying spare parts, training new staff and convincing some foreign contractors that Libya remains a safe location in which to work. Plant managers are heartened by the return of Italian, Japanese and German technicians, with Misrata considered one of the most secure cities in Libya.

LISCO, short for Libyan Iron and Steel Company, was created in 1979, as the state-owned Misrata Steel Complex, being given its present name in 1991.

Both its feedstock suppliers and much of its market are abroad, with Libyan iron ore of inferior quality, though the company does buy its lime domestically. The secret of its success is its source of fuel, which comes via Libya's natural gas reserves, piped from the south-west of the country. The government, in setting the price of the gas, can ensure LISCO's steel is competitive in a tight world market.

LISCO sales have oscillated in the past decade, with exports hitting a high of 1.4 million tonnes in 2007. In 2010, domestic sales matched exports, with 800,000 tonnes each. LISCO hopes that an expected building boom in Libya, which has a chronic housing shortage, will see the domestic market grow.

Unresolved is the question of privatization. The former Qaddafi regime considered the idea, but never took it forward. With its own deep water port, desalination plant and a thriving business in melting down scrap iron, LISCO would represent a solid investment in a country with a booming internal market. This would assume that the government was locked into a deal to keep the price of natural gas low enough for the plant to be competitive. Moreover, as Misrata's



□ LISCO Markets



LISCO

LISCO, short for Libyan Iron and Steel Company, was created in 1979, as the state-owned Misrata Steel Complex, being given its present name in 1991.

biggest employer, citizens will be keen to be reassured that privatisation will not see job cuts.

Abunaama said that any privatization decision rests with the government, but that the company is already run as an independent concern. "For a long time we have been doing our job by ourselves, we act like a private company," he said, adding that LISCO normally provides a healthy profit for government revenues.

Asked if the work of reactivating a steel process of great complexity after the disruption of war is hard, he smiles. "In the war we had to create many things."

He says of the siege: "We had to do everything by ourselves. When liberation came, it was very easy for us to do our job."

Portrait of a Misrata Businessman: MOHAMED RAEID



□ Al Naseem Dairy: production line

Chairman of Al Naseem dairy company, the largest private employer in Libya, has made a fortune from Libyans' love of ice cream.

Ask any Misratan, indeed probably many Libyans: "Who is the most famous businessman in the city?" They will invariably answer Mohammed Raeid.

Chairman of Al Naseem dairy company, the largest private employer in Libya, he has made a fortune from Libyans' love of ice cream.

The family were not well off. His first job was as a farm labourer to avoid conscription. He saved enough money to buy a tractor, then hired himself out for work. That made him enough money to buy a combine harvester, which again was hired out — he and his brother taking it in turns, one in the morning the other in the afternoon.

He also worked as carpenter and builder and is proud that, with his father and brothers, he built his own house. At university he built another house every year, to earn money. On graduating he took an engineering job with steel company LISCO, but didn't like working for others.

Raeid typifies the "Can Do" entrepreneurial spirit of Misrata. In 1987, after the nightmare seizure of businesses, Qaddafi allowed small private shops to start again. The family opened a tiny shop, outside LISCO's gates, selling oranges, biscuits and ice cream to workers. Things might have continued that way, had there not been a dispute with the ice cream supplier. It was a dispute that made Raeid's fortune.

The customers wanted ice cream so it had to be found. Raeid's solution was to go direct to the factory a 1,000 kilometres away in Tunisia. He took a month's leave from LISCO, bought a truck and in three months made twenty 34-hour round trips. He was earning LD 5,000 profit every time. But, when he asked for more leave, LISCO refused. So he quit.

Very quickly he became a successful distributor and in 1993, he became a partner with a Tunisian ice cream firm, selling 500 cartons a day and taking two-thirds of the profits. Five years later, he bought out his partner and started new lines — yogurt and laban. In

2003 he built an ice cream plant in Misrata, which has expanded every year since. Al Naseem was the first Libyan company to win an ISO assurance mark

During the siege of Misrata, Al Naseem's production continued, despite the destruction of 15 million packaging units in a bombardment. Raeid hired a ship to ferry dairy products to Benghazi, thus providing regular supplies of ice cream for frontline fighters. Though costing €28,000 a day, the ship maintained a crucial link to Benghazi, shipping out wounded and bringing in 3,000 tonnes of flour and 1,000 containers of goods. Thus the city never ran out of bread, fuel, cooking gas or other products. Qaddafi forces regularly tried to hit the vessel but failed.

Now the business is back to normal and a new production line is about to start up. To see Raeid driving his modest car and eating in the staff canteen, no one would believe this is a man who founded one of Libya's outstanding businesses. For all his extraordinary success, he is a remarkably modest man.

□ Al Naseem Dairy equipment



Misrata opens one-stop shop for investors....

Part of Libya's drive to attract foreign investors includes the creation of 'Invest In Libya' one-stop shops with local powers to sort out new projects. Misrata has become the second city, after Tripoli to establish such an office. Louai Ben Sasi, the local director of the Privatisation and Investment Board (Central Region) tells Libya Herald that "The Misrata office was set up in 2008. But we had nothing to give foreign investors. Now we can make the decisions. We can give licences. We can do everything." Ben Sasi says that there were three projects in the pipeline. "Corinthia Hotels from Malta are working on a beach resort called 'The Waterfront', Saudi investors are looking at building a shopping mall and a Turkish concern wants to build a factory near the LISCO iron and steel works."



□ Misrata: Burned-out cars

In a lot in the Free Trade Zone, Misrata businessman Omar Swehli points to the hundreds of burned-out cars and the containers once full of tyres that were destroyed as a result of a direct hit from Qaddafi forces on 26 April 2011, during the siege of Misrata. Four hundred cars in all, and 30,000 tyres. The heat was so intense that the containers melted like butter. It was 45 days before the inferno finally burned itself out. It cost him \$25 million but Swehli is stoic about the loss. After all, he points out, others in Misrata lost their lives in the epic siege.

The name Swehli is well known to most Libyans and for them is almost synonymous with Misrata. Ramadan Swehli, a leading Misrata figure at the beginning of the 20th century, was one of the four founders of the Tripolitanian Republic in 1919, the first republic in the Arab world. For Misratans, there is great pride in the fact that the city played such an early role in standing against Italian occupation and trying to establish the country's independence.

Omar is one of the most successful business members of the family today, not just in Misrata. His company Mafaza imports Bridgestone tyres, seen on so many Libyan vehicles. It also imports industrial equipment and vehicles

from leading international manufacturers Cummins, Komatsu, Tata, Airman and Atlas Copco.

He started business in Tripoli in the 1970's, importing tyres. It prospered. Unfortunately by the 1980's, Qaddafi decided he hated private business. Swehli's was seized and the offices destroyed. Like so many other Libyans in the same situation, he left the country. He went to London where he ran a successful business in office development and estate agency. However, in 1993, he had to come back when his father fell ill and then died. He then had to look after his mother but she did not want to leave, he says, so he had to stay. He started to rebuild his business, again in tyres with Bridgestone. Again it prospered, but once more, in 1996, Qaddafi launched out against the business community, accusing them of earning too much. It was immoral and therefore criminal, said Qaddafi. Swehli's offices were seized. So was his passport. But then his mother fell seriously ill and

he managed to get the authorities to allow him to take her to London for treatment. Six months later, they returned and once again he restarted his tyre business, this time importing via Misrata. "It was less complicated" than using Tripoli port, he says.

Again the business grew and prospered. When the Free Trade Zone started in 2006, he was the first to move in; he now has 2.5 hectares there as well as warehousing in Malta. Then came the revolution and with it the strike on the Free Trade Zone. Among the burned out vehicles Swehli picks up a small piece of steel, melted in the inferno. It is heart shaped. "From Qaddafi with love", he comments wryly,

putting it in his pocket.

A lesser man might have decided to give up after losing so much. Not Swehli. A quiet man, he is also resilient. It comes from his strong faith in God, he says. He is confident for the future — Mafaza's, Misrata's and Libya's.

“
Among the burned out vehicles Swehli picks up a small piece of steel, melted in the inferno. It is heart shaped. “From Qaddafi with love.”

Misrata Airport Set for takeoff

By Michel Cousins

During the struggle to overthrow the Qaddafi regime in 2011, when Misrata stood defiant but blockaded, the city's airport was bitterly fought over between the revolutionaries and the dictator's forces. When it was finally liberated in May 2011, the international media reported that it was “damaged beyond repair”

The assessment probably seemed reasonable at the time. The arrivals terminal was completely destroyed by rockets from Qaddafi forces. There was massive damage elsewhere.

But the view did not take into account Misrata's “Can Do” attitude. Of the destroyed terminal, there is no sign today. Just as the ever-efficient Misratans are busy rebuilding the damaged city and getting on with life, the site was quickly cleared up. It is now a temporary parking lot.

More telling is the fact Misrata airport is now processing 1,000 passengers a day and 84 flights a week. Destinations include Benghazi, Istanbul, Amman and Tunis. International airlines such as Turkish, Royal Jordanian and Tunis Express are flying in, as well as Libyan carriers Afriqiyah Airways and Libyan Airlines.

And as Misrata asserts itself as the country's commercial centre, the number of destinations is set to expand. There are hopes that Air Malta, Emirates and Alitalia will also soon be flying in. “So many are planning to come”, said the airport's technical services manager, Kamal Al-Garwash. Future flights to Alexandria, Malta and Labraq near Derna are being discussed, airport officials say.

Those running the airport, which started life in the 1930s as an Italian military airfield, have startling ambitions for it. For them the future is not just about destinations. It is about making the airport an industrial and commercial centre in its own right — the centre of a Libyan aviation industry.

The talk is of an “Aviation City”. There are plans to set up an aviation academy which would involve all aspects of the industry — flight training, training for aircraft engineers, for flight attendants, for flight controllers and any-

one involved in airline management.

In addition, there is to be an air freeport which would be linked to Misrata's growing Free Trade Zone which has its own sea port. Goods would move between the two locations in customs-sealed containers.

With that in mind, cargo is viewed as an important early plank of the airport's development. It is already dealing with 1,200 tonnes a month, with flights coming from Turkey, the UAE and Malta amongst other places.

There is the space. The site, which served purely as an air force base until 1980, when civil aircraft were allowed in, covers 123 hectares. And there is the 3,340 metres runway, more than enough for a 747 taking off with a full payload.

But there is clearly much to do. Facilities need to be developed, particularly at the terminal building which was used as an Intensive Care Unit during the revolution. On the walls of the departure lounge hang a series of fascinating photos showing Misrata buildings destroyed or damaged during the siege of the city. Other than that, the building is extremely basic. The special WC facility reserved for Qaddafi when he flew in or out and now used by the airport employees (and which officials are keen to show to visiting journalists) is no more than a Portakabin unit attached to the building — an outside toilet, in effect.

So basic are the passenger processing facilities at the moment that two departures cannot be done, one immediately after the other. It requires 45 minutes between flights. Airport management say that the cost of expanding and developing the airport is between LD 5 and LD 6 billion (\$6.25 - \$7.5 billion). They say they are looking to funding from international and Islamic banks. The hope is to create thousands of jobs, direct and indirect. So far, the money for improvements has come from



□ Cargo plane at Misrata Airport

the same Misrata business community that has bankrolled everything else in the city.

Among the airport management there is both optimistic enthusiasm that the airport is on its own runway, set for takeoff, and frustration because a glass ceiling has been hit. The business community cannot be expected to pay for everything. They have not created a private Investment Bank of Misrata — not yet, although it is on the cards. The funding the airport needs — and the green light for the Aviation City and the Freeport — has to come from the govern-

ment in the form of the Ministry of Transport. Although Misrata has just appointed a new airport manager, that is still awaited.

But help appears to be at hand. The Minister of Transport told the *Libya Herald* the development of the airport has his support, in particular in

acquiring more space from the military with which it shares the site. “We will start by making a general plan for the new Misrata airport, it will involve the implementation of a large project because, frankly the airport's prospects are very promising”, he said.

“Misrata airport is now working well but the buildings are rather small”, he admitted. “After completing the acquisition of ground [from the military], a plan for a new passenger terminal, services and cargo facilities will be prepared — which means a newly integrated airport will be constructed.”

Providing the Ministry does what it promises, a major state-of-the-art airport is going to be built that complements the city's visions becoming if not Libya's business capital then certainly a major business hub.

Misrata airport is now processing 1,000 passengers a day and 84 flights a week. International airlines are flying in, as well as Libyan carriers Afriqiyah Airways and Libyan Airlines



Libya Herald Interview: The Planning Minister

THE PRIORITY IS WATER, ELECTRICITY AND ROADS

By Michel Cousins and Sami Zaptia

The rebuilding of the economy requires a high degree of planning and organisation, with proper co-ordination between ministries and the encouragement of a private sector largely neutralised under Qaddafi. The challenges are many, but Planning Minister Dr. Almhdi A. Agnaia believes they can be tackled.



□ Tripoli road scene

A thick document sits on Dr Mehdi Agnaia's desk. It is his ministry's new 30-year economic development plan, which is still under review and must be submitted to the GNC before it is published.

Agnaia, however, outlines the contents. The immediate concern, he says, for the 18-month term of the interim government, "is water, electricity and roads. These services have been given priority and allocated up to 60 percent of the 2013 capital expenditure in the draft budget." Thereafter the government will look to other areas including housing, sanitation, primary health care and schools.

Agnaia says that the private sector will be encouraged to play a role through Public Private Partnerships.

"In the past the private sector was," he says, "to a very large extent, neutralised, excluded or even made redundant. The new government wants to restore its place in the Libyan economy. This of course, may need a long time but we will open many doors for the private sector in investments, tourism, health and education." One initiative will be building business and industrial parks, one of which is planned for Benghazi.

The government has inherited some 12,000 contracts worth around \$140 billion, which are, says Agnaia, to be reviewed by committees, with the help of international consultants. If alleged corruption over works at Tripoli and Benghazi airports, is found, then the contracts will be scrapped. "Some 80 percent of projects will continue," says Agnaia, "Where the work is two-thirds complete, companies will be invited

back, provided the cost of the project does not require recalculation."

Agnaia, who gained his PhD from UMIST in the UK, recognises that for his ministry to play a proper role, setting the agenda within which other ministries will work, it will need to be supported by strong data.

The Statistics and Census Directorate, once hived off from the ministry, is now returned, but, he says, has considerable work ahead of it, to produce reliable data on which solid planning can be based. The minister speaks of the preparation of a Planning Guide which will assist other departments of government, before they submit their schemes to the Planning Ministry for advice and confirmation.

"We will try to make specific plans on the basis of environmental conditions, economic, social and political variables," says the minister, "because these variables will affect us and will determine the success or failure of our plan, which we can say is based on long-term development".

Agnaia continues: "Because all other ministries and other state institutions interconnect with the Ministry of Planning, communication with them, giving and receiving information is of critical importance".

He speaks of a values-based work system: "In-

"Water, electricity and roads have been given priority and allocated up to 60 percent of the 2013 capital expenditure in the draft budget."

tegrity, transparency, creativity, taking the initiative, along with team work are all key. We want to focus on consolidating a culture of achievement." He says close analysis of work processes "will give us a lot of indicators, on our internal environment, including our own ministry, because there is no doubt that all institutions have points of strength and weaknesses.

"We will develop personnel capable of completing and achieving their work in total confidence, not randomly, but done precisely, as we all know that formerly, all business, programmes and projects were conducted randomly". A major focus should be on project management.

One of the ministry's big tasks is to work on laws sorting out the issue of property rights. "We need to encourage foreigners to invest and the government is committed to seeing the private sector grow. We particularly want to see prosperous agri-industries, so the land issue is important. We are forming a legal team to look at the social, economic and legal aspects of land ownership."

Agnaia talks of recruiting the right people with the right skills. "The state is now suffering from the over-accumulation of manpower within the public sector, which means paying too many salaries". He is eager to recruit former revolutionaries with the right specialised skills, but feels that ministries such as Defence and the Interior are the more obvious choices for demobilized *thumar*.

However he cautions: "The revolutionaries are but part of the unemployment within Libya. Investors are ready to enter the business and private sectors. This will, in turn, open job opportunities both for revolutionaries and other citizens. I don't think integrating revolutionaries means they get jobs only at the Interior or Defence Ministries or within the public sector, because it will not be a good idea.

Benghazi: PLANNING ITS ECONOMIC FUTURE

By Ahmad Ruhayem

Despite four decades of systematic marginalisation, in February 2011 Benghazi's unarmed youths surprised the world by defeating the regime's armed forces inside their fortified barracks. Eastern Libya moved with impressive speed to form its Transitional Council and executive office, which coordinated efforts to keep banks and telecommunications lines open, as well as maintain utilities and services.

The day after the barracks fell, business leaders quickly set up an operations room within the Chamber of Commerce. Their self-appointed task was to guarantee the availability of food supplies, medicines and baby milk, and some of them made available large sums of money.

Today these businessmen are forming associations to facilitate cooperation and advance their common interests, as well as pushing for standards and controls to protect their firms. Abdelhamed Elarbi, the executive board president of the Libyan Manufacturers & Food Traders Council is optimistic about the future: "Hundreds of new businesses are being established. The marketplace is a lot more transparent and obstacles are non-existent."

The private sector in Benghazi is looking to lead a construction boom in retail outlets, shopping centres, beach-front tower complexes and private homes. There are also ambitious plans to construct a convention centre to rival Tripoli's International Trade Fair ground. There is a lot of private money being invested, an indicator of confidence.

Recent trends show shifts away from importing food products towards planning investments in food manufacturing plants. Elarbi expects the number of these small factories to increase significantly within the next couple of years.

Business associations are in constant talks with officials in Tripoli, demanding that the government meet its obligations towards Benghazi. Business leaders view government statements about "Benghazi Economic Capital" as simply propaganda. They want to see the completion of existing infrastructure projects. These include the Benghazi International Airport, the Free Zone, the Benghazi Seaport, as

well as the Benghazi water and sewage treatment infrastructure schemes. They also expect these projects to meet international standards, in order to encourage future Foreign Direct Investment.

There is agreement within the Benghazi business community that the government should focus on infrastructure, education and health projects, become more transparent and operate a fair and efficient bureaucracy. They want to see a government that works in partnership with local businesses. The fact that little has changed since February 2011 has disillusioned the business community. The government continues to have a centralised decision-making process. It is the majority stakeholder in most Libyan banks and none of the infrastructure projects have been restarted.

The government is lagging on its other key priorities, businessmen say. Husni Bey, head of HB Group, believes that investments in infrastructure are not sufficient to generate sustainable economic development. "The government needs to focus on education and health," he says, "not compete with private business in commercial projects, such as hotels and resorts. Many businesses in Libya are finding it difficult to recruit Libyans with the required know-how, skills and work ethic. We are already lagging behind the rest of the world in many areas."

Local business leaders say Benghazi has the potential to become a significant North African economic centre. Its location provides opportunities for the economies-of-scale necessary for business sustainability. Within its geographic reach are the rich agricultural plains which produce a significant share of Libya's livestock and crops, the abundant fishing stocks of the Mediterranean and the oil fields and offshore reserves of the Sirte basin.

The beaches, pristine mountain ranges and ancient archaeological sites scattered across the region could also allow for a flourishing tourism industry.

But local business warns that while Benghazi has the potential to become a significant economic centre in the near future,

Benghazi, the city that sparked the revolution, looks to become a North African economic powerhouse



□ Dawat Islamiya Building, Benghazi

it will only happen if there is collaboration amongst its stakeholders, business leaders, training institutions, local and central governments and young people.

Clearly, where construction is concerned the private sector is on board. Unfortunately, because the authorities are not issuing building permits, numerous regulatory violations are taking place. These are creating realities on the ground that are unlikely to be undone, making it probable that future infrastructure projects will be difficult to implement.

Some businessmen question the government's ability to meet its responsibilities. If it is unable to do so, it should sit down with all stakeholders and develop a strategy that will accommodate all of Benghazi's economic priorities. These include better training and skills for young people, easier access to credit for business start-ups, better-organised urban planning with strict zoning and long-term utility and infrastructure schemes, firm action against commercial and building code violators and the resumption of stalled infrastructure projects.

On 21 January, there was the first of two key events in helping promote Benghazi as a commercial centre — the conference "Benghazi Economic Capital – Reality & Ambition" sponsored by the Benghazi Chamber of Commerce.

Libya Herald Interview: The Transport Minister

THE NEW TRANSPORT VISION - MAKING IT A REALITY

By Ashraf Abdul Wahab

It goes without saying that Libya's economy will not prosper without an efficient transport infrastructure. Years of neglect and under-investment mean that this is precisely what it does not have at present. Libyan Transport Minister Abdel-Qader Mohamed Ahmed explains how the government is going to tackle the challenge.

The new 2013 budget will pave the way for some ambitious projects that aim to address the country's pressing transport issues according to the Minister of Transport. "The Ministry of Transport's plan for 2013 is now waiting for the approval of the General National Congress," Ahmed says, "and it includes both short-term and long-term plans."

"There will be a lot of maintenance work," Ahmed explains. "Some is already underway and more will start soon, such as improvements to the [transnational] highway from Ras Jadir to Musaid." He adds that more general maintenance programmes are planned for air and sea transport, as well as the entire network of public roads.

The ministry's long-term strategic plan is more detailed. The first step, Ahmed explains, is "to resume major projects, such as the construction of Tripoli, Benghazi and Sebha airports." These contracts are currently under review by the "Twenty Committee," which is checking paperwork for legal or financial irregularities.

Ahmed says a coastline study should be completed this year to prospect new ports or see where existing ports can be expanded to solve congestion. Moreover, he explains: "Libyan air freight is almost completely disabled, due to lack of technical capabilities and manpower.

The whole issue is currently being examined by everyone involved and the Ministry of Transport will see a study in the next two weeks, before submitting it to the Prime Ministry."

Public transport is another of his ministry's priorities. "We all witness huge traffic congestion everywhere, especially in Tripoli, which is of course due to the under-development of existing road networks in and around the city."

He explains that although inner-city problems are the responsibility of the Housing and Utilities Ministry, the Transport Ministry would contribute to improvements. "We now have plans to build some bridges at Tripoli entrance points, such as the Airport Road, which is notorious for its congestion. This is currently under tender and we hope that work on this project will start soon." A second bridge is also planned at the eastern entrance of Tripoli, in the Al-Bivi area.

The Ministry of Transport wants to establish a proper bus network to replace the commonly-used Iveco minibuses. "There will be a LD 30 million injection of funds to purchase new vehicles and establish public transport services," Ahmed explains, "We also want to create inter-city bus links."

The Tripoli Metro project, considered by the former regime in 1985, 1990, and again in 2009, is once more in view. Ahmed says the underground city train project will be adopted, because it will solve Tripoli's traffic gridlocks.

Work should also soon restart on the \$12 billion railway project that will eventually link the east, west and south of Libya. Much of the ground-work for the railway was completed before 2011 but, Ahmed explains, some of this has been damaged, so there will be a budget allocation to reinstate the works.

Referring to the railway projects, which were

being shared between Russian and Chinese companies and their subcontractors, Ahmed says: "They have asked to be allowed to return and they were granted permission to do so, after the adoption of the programme to reactivate the project by the Prime Ministry." He added that a meeting was to take place "between us and the contracting companies to resume work on the project". That meeting took place 5 February.

Damage caused to construction projects during the revolution and subsequent deterioration of abandoned sites and equipment will cost the government. "Some contractors have already returned but are waiting to have their debts paid before resuming work." He adds that "other companies are still using the security situation as an excuse, and these could be penalised or compelled to restart abandoned work." Ahmed says, however, that "companies will be given a deadline after the budget has been adopted, of two or three months to restart operations." After the deadline, projects would be withdrawn and assigned to other companies.

"The Prime Ministry has developed a proposal, relating to outstanding debts only," Ahmed explains, "thus we have agreed to give companies that commit to resuming work about 50 percent of their outstanding debts before they restart and then divide the remaining outstanding amounts into two or three subsequent payments." He adds that "in respect of compensation and damages, this will require further negotiation."

Funds for all these improvements to the country's transport, Ahmed says, will be part of the general state budget, which could be adopted in the next few days. "This is estimated at LD 60 billion, and the Ministry of Transport's portion of the budget will be LD 2 billion, an amount that will be sufficient to cover all these planned projects."

"There will be a lot of maintenance work," Ahmed explains, "some is already underway and more will start soon, such as improvements to the road from Ras Jadir to Musaid."



Medavia: Air Charter

By Nigel Ash

When the revolution began, air charter companies serving the oil industry were overwhelmed with work evacuating foreign personnel. Then for a year, there was virtually no new work. Maltese air charter business Medavia, with a turbo-prop fleet of three Dash-8s, three Casa C-212s and two Beechcraft 1900s, was in the same predicament as its competitors, explains Mark Shaw, Head of Operations.

business, which Shaw says is highly competitive, has begun to pick up, but growth has been patchy. Competitors include Benghazi-based Air Libya, Petro Air and Libyan Airlines.

"We have about ten-percent market share, which has been fairly constant, whatever the state of demand" says Shaw. "All charterers are experiencing quite a drop at the moment. We depend on how much drilling and exploration is going on. Once a field is producing, demand drops because bigger aircraft are required". However, while the exploration is under way, a fifth of a drilling crew of 50 might need to be rotated every week via regular flights.



"We lost a major market overnight. Then we discovered a new business, flying International Committee of the Red Cross and United Nations people into Libya. We are still flying them, but now to Sudan and Mauritania". At the height of the fighting, Medavia also did pro bono work, ferrying in medical supplies and personnel. Since the revolution, the Libyan air charter

A lot of the work is last minute and ad hoc. "You can get a week's notice. But then today I have accepted bookings for flights tomorrow. Sometimes you get a medivac flight request and that really is last minute". At some point most charterers find themselves with insufficient aircraft or available pilots to handle all flight requests. Priority is then given to oil companies that have regular or contracted business. Medavia has 28 pilots, seven of whom are Libyan.

Medavia, which is part-owned by LAFICO and LAFITRADE, does line maintenance on its aircraft in Tripoli and basic maintenance at its Luqa headquarters in Malta. All its Short Take Off and Landing (STOL) fleet can work with unpaved desert strips prepared to regulatory standards by oil companies, who also truck in aviation fuel. The biggest hazard, says Shaw, is when pilots have to fly in sandstorms. "It is always easy to predict a sand storm when there is low pressure and a south wind. The thing you can never know is the intensity of the storm, which can make all the difference."



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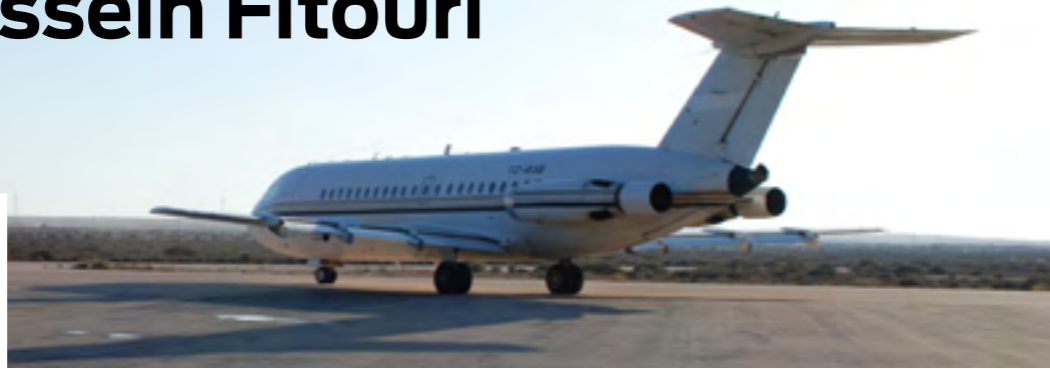
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Libya Herald Interview: Captain Hussein Fitouri

In the cool dawn of August 27, 2011, the first of a group of 35 Libyan airline pilots, along with a handful of engineers, set off in a militia-escorted convoy. They were heading for Tripoli airport, captured by the Zintan Brigade six days before.



□ Airplane at Tripoli International Airport

hazi, these aircraft began to ferry wounded out of the country. Fitouri recalls it was only some weeks later, when one of the planes finally went to Cairo for maintenance, that a serious wing crack was discovered that could have split at any moment.

Fitouri is deeply critical of the Qaddafi regime's management of Libyan Airlines and the preferential treatment given to Afriqiyah Airways, set up in 2002, as part of the dictator's pan-African ambitions. This imbalance, he maintains still exists, with Afriqiya pilots earning some LD 9,000 a month against the LD 3,500 paid by Libyan Airlines. This is a nonsense, given that both companies are still controlled by the same holding company. He believes the bias is also reflected in the allocation of new aircraft funding, with Afriqiya receiving a \$1.8 billion loan for four of the ten new Airbuses it has on order. Unlike its rival, he adds, Libyan Airlines has been unable to upgrade its own order for eight of the French airliners.

After the revolution, a steering committee was established to run Libyan Airlines under Capt. Khaled Tinaz. It doubled staff salaries and looked to restore the supply, maintenance and handling services, hived off from the carrier. However, says Fitouri, the Al-Kib government intervened, reduced the salary increase to 50 percent, promising to pay the other half within a few months, an assurance, he adds, that has

Fitouri questions the strength, competence and efficiency of Libyan Airlines' current board of directors and their belief in the carrier's future. He considers the airline should be made independent and come under direct state supervision.

yet to be honoured. Worse, from his point of view, the old management structures based on a single holding company for both carriers, was reintroduced.

Fitouri questions the strength, competence and efficiency of Libyan Airlines' current board of directors and their belief in the carrier's future. He considers the airline should be made independent and come under direct state supervision.

"We must return to being the national flag carrier and receive support from the state. We have many plans. We have received many offers from large companies, including Airbus, for the restructuring and development of Libyan Airlines. But this cannot be done without state help."

One scheme, which Fitouri says is being put to the GNC, is an international aircraft maintenance centre, along with a flight training school. At present Libyans go to Tunisia or Jordan for aircraft type training.

There is much he says in the way Libyan Airlines is run that must be improved. Flight schedules are still prepared by hand, while electronic ticketing, though announced, will have to wait the arrival of a proper web site. Nor, he points out, are there any marketing discounts nor a loyalty programme for frequent fliers. He also condemns the reality that many flights appear to be fully booked but turn out to have free seats.

"This happens because travel agents get allocated a number of seats and they then start manipulating the system, by adding fake names. They do not cancel these bookings until the flight departure time. In other countries, if an agency behaves this way, it is penalised."

AIRPORT EXPANSION WILL HELP LIBYA TAKE OFF

By Ashraf Abdul Wahab and Tom Westcott

The head of the Libyan Airports Authority, Milad Mohamed Matoug, explains how resuming work on the expansion of Libya's airports will help the country, providing jobs for former revolutionaries and attracting foreign business.

Libya has 11 main airports. As well as those in the cities of Benghazi, Misrata and Tripoli, there are eight others, including at Sebha, Labraq, Tobruk and Ghat. Tripoli, Benghazi Misrata, Sebha and soon Labraq handle international flights; the others fly only domestic.

There are also airports that even many Libyans are not familiar with, such as Sarir and Martouba, which were added to the Libyan Airports Authority list between 2009 and 2010. Others include old military airbases that have been converted for civilian use, such as Hun and Zuara. There are, additionally, many improvised runways in the desert serving the oil field industry.

Libya's airports, along with the entire transport sector, have suffered years of neglect. Some also sustained significant damage during the revolution. These airfields are critical to the rebuilding of the country and, although many improvements and upgrades were underway prior to the revolution, these stalled in 2011 and all the contracts are currently under review.

"Airports such as Tripoli, Benghazi and Sebha have new airport construction projects," says Matoug, "Misrata has an expansion project and there are temporary terminal schemes at Benghazi and Labraq."

The east terminal of Tripoli airport was about 40 percent complete and the west terminal

around 15 to 20 percent when the revolution struck. Matoug says: "The resumption of work requires a decision from the government's 'Twenty Committee,' formed in January 2012.

"This committee is entrusted by the government to study and evaluate all contracts within the development programme." However, it has thousands of contracts to consider, relating to all aspects of the country's infrastructure, including housing, utilities and roads.

"The problem is that there are some 17,000 contracts with a total value of LD140 billion," Matoug explains, "and the overall completion rate of these projects, most of which were signed between 2008 and 2011, does not exceed 25 percent".

"Only around five percent of this work is being done by foreign companies and the rest by national companies," Matoug says, "however, the contracts with foreign companies are worth half of the total value". Large-scale projects were usually awarded to foreign companies and these include airport construction.

Matoug says he had hoped that every institution would be able to review its own contracts, to relieve some of the committee's burden. This has not happened, although he hopes that sub-committees might be established in various sectors to accelerate the work.

"What is important to me, representing the Libyan Airports Authority, is the resumption of work, because I think restarting it will activate the economy," he says. "People want to see the cranes returning to worksites, because then they will really know that the state has returned to the right path." Meanwhile, as half-finished projects lie abandoned, they are also deteriorating, with expensive construction materials exposed to the elements.

The Airports Authority has submitted a request to the government to speed up the process of resuming work on Tripoli airport, pointing out that this will provide jobs for more than a thousand Libyans. Once work is completed, further jobs will be created by businesses in the airport, including catering, service and transport companies.

Matoug points out that the jobs generated by Tripoli airport's expansion would give citizens and revolutionaries an opportunity to give up their weapons and return to normal life. He adds that it would also contribute to the return of foreign investors. "When they see that projects have been activated, it will motivate other companies and encourage them to complete their own projects. It will also open new business horizons."

Libya is a vast country, with poor road systems, so air transport is extremely important, especially for investors and businessmen. Matoug is convinced that making swift improvements to the airport infrastructure is the key to attracting investors. He points out that air transport is the safest way to travel, particularly true in Libya, where the roads are amongst the most dangerous in the world.

"I do hope that our government and our people help bring back the companies and help get the projects moving again," says Matoug: "This will give a positive message to the world about Libya. We have wasted enough time."

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Libya Herald Interview: LTT Chairman Saad Ksheer

By Tom Westcott

IMPROVING LIBYA'S INTERNET ACCESS

Libya is awash with complaints about the inadequacy of current telecoms services. For the country to take off economically, reliable and fast information and communications technology are essential. In a world increasingly moving towards online dependency, improving mobile telephone networks and internet access is a priority.

One of the country's key players in the communications market is Libya Telecom and Technology (LTT), Libya's main internet service provider (ISP). Its chairman Saad Ksheer, tells the *Libya Herald* about the opportunities and challenges facing both the company and the country.

LTT, he explains, was set up as a private company in 1997 and was sold to the Libyan government a few years later. It remains state-owned and today employs around 500 people. As well as being the main ISP, in 2010 LTT also entered the mobile network market, with Libya Phone, to offer an alternative to Libyana and Al Madar's dual-network monopoly.

Years of neglect by the former regime meant that little investment was made in ICT infrastructure, leaving LTT a legacy of outdated and ineffective technologies in the face of unprecedented demand for fast and reliable internet access.

"The current situation is pretty challenging," Ksheer admits, "however, LTT has a solid strategy in place to build a very robust infrastructure within a reasonable period of time." The basis of this is a two-year plan of improvements. Enhancing the internet access services, with the aim of being the best network provider in the country is, he asserts, LTT's most immediate priority. The longer-term goal is, Ksheer says, "to provide world-class internet access across Libya through world-class networks and services."

To fulfil this ambition much work is needed. Libya has very poor internet connectivity, rated as the slowest in the world in a 2011 report by American web services provider Akamai. This research showed that over half the population with internet access had such slow upload and download speeds that many web applications were impossible to use.

The internet penetration rate across the country is also poor. "Due to the state of the telecom infrastructure inherited by the current administration, only around 4.5 to 5.5 percent of the country has internet access," Ksheer said.

There are also relatively few landlines nationwide and these are of poor quality, which is in part responsible for the low connectivity figures.

Around 80 percent of what internet access there is in Libya is covered by a Worldwide Interoperability for Microwave Access (WiMax) network. The remaining 20 percent is delivered through fixed telephone lines, with 17 to 18 percent via copper wire and 2 to 3 percent through fibre optics.

"Libya does not have a modern infrastructure that would provide the capacity and coverage needed," Ksheer explains, adding that even some 70 percent of Tripoli is not covered by the current WiMax system. Congestion and cyber-jams also plague the wireless segment. The system is overloaded with thousands of people trying to connect at any one time, so maintaining a high-quality connection through Libya's existing WiMax network also poses a challenge. The coverage provided by just 346 towers covering only limited areas of 18 towns and cities is inadequate.

WiMax is one of the fastest ways to achieve wider coverage, which is why improving and updating Libya's WiMax wireless communication system is one of LTT's most immediate projects.

Ksheer hopes that this congestion and network overload will be eased by LTT's imminent scheme to extend the WiMax network. The first step is to start replacing the existing towers, which were installed in 2009, with more up-to-date technology. This should "provide an incremental improvement of coverage and increase of capabilities." Thereafter, it will start installing some 588 new towers to bring wireless access to additional towns across the country. In a further move to expand capacity, LTT is looking at creating WiFi hotspots in the

country's main cities, which will provide fast internet access whilst easing traffic and pressure on the WiMax network.

LTT is also considering enhancing fixed-line access, via the asymmetric digital subscriber line (ADSL) network. This project will see 59,000 new lines laid across the country along with the installation of a fibre-optic Next Generation Broadband Network (NGNBN). "The idea is to link 171 towns and cities using fibre-optic networks," Ksheer says. "The network will be a huge capacity one, which will solve the current congestion problems." LTT's aim is to commission this in the middle of this year.

NGNBN will take Libya forward into 21st-century technologies. "Using such infrastructure, LTT will reduce operational costs and provide great core networking, built on Internet Protocol Multi-protocol label switching (IP/MPLS) networks which would be the platform for cloud computing in Libya," Ksheer explains.

Ensuring Libya has quality internet and telecommunications will not be cheap. Ksheer says that the country "requires a major investment to rebuild the telecom infrastructure to fuel growth and to fulfil the current needs by all sectors." Foreign companies could have a role to play here. "Although the telecoms sector may have sufficient funds to cover the strategic projects," Ksheer explains, "foreign direct investment (FDI) is always an option to ignite various strategic projects to leap-frog Libya forward."

There are three "key pillars" of LTT's strategy, says Ksheer. The first is "to build a service delivery platform based on cloud architecture, shared infrastructure, services and applications." The second is to improve the staff and skills required to deliver its advanced services. The third is "to build and operate a LTT national backbone provider, reducing operational complexity and operational cost."

"The current situation is pretty challenging," Ksheer admits, "however, LTT has a solid strategy in place to build a very robust infrastructure within a reasonable period of time."

THE MEN BEHIND HIGH-SPEED BUSINESS CONNECTIVITY

By Tom Westcott



□ Alwadi Communication engineers

A Libyan SME has beaten international competition to win a prestigious contract to bring the infrastructure for high-speed internet and reliable mobile coverage to 57 government buildings and hotels.

Alwadi Communications, a service and solutions company, went up against ten international competitors, including Chinese firms ZTE and Huawei, for the LD 5-million contract from the country's principal mobile phone operator, Libyana.

"Our technical proposal was incredibly detailed," says Aimen Abuaisha, business development officer for AlwadiComs. "Because we were local, we had the resources and expertise to analyse each hotel and building. We had the tools, the partners and competitive pricing," he explains, "and in the planning phase we even submitted a software simulation of the proposed coverage key performance indicators (KPI)."

Already working with Libya's main network providers, AlwadiComs, unlike the foreign firms, had some of the best knowledge of the country's existing infrastructure and its problems.

They are also highly-respected in the industry here. "All the telecoms companies in Libya as well as the communications ministry know who we are. They know we are a private company that is hard-working and sticks to deadlines," Abuaisha says. "We work to international standards and offer post-sales support, we are a client-orientated organisation."

The Libyana project had gone out to tender

twice before. The first time, AlwadiComs were shortlisted, the second, at the evaluation stage, they thought they would get the contract jointly with Huawei. But then the revolution stalled the whole project.

"In May 2012, they opened another tender and we had one month to submit a new proposal," Abuaisha explains, "but they changed the project scope, adding more buildings and technical requirements, so we had to do a lot of extra work." AlwadiComs had ten people working on the new proposal, including technical survey engineers. "Thanks to the hardworking team it was a complete success for us," Abuaisha says. "We were declared very technically and commercially competitive."

The project will provide high-priority structures with in-building solutions (IBS) to give improved mobile network reception and reliable high-speed internet connectivity. "It is a complete change of infrastructure inside buildings for telecoms operators," Abuaisha explains, "high-rise buildings and hotels normally have bad telephone reception and connectivity, because radio signals cannot penetrate them".

The IBS system involves routing copper feeder cable through the entire building and fitting antennae at strategic points, following very strict criteria. "We guarantee that 95 percent of the building will be covered," Abuaisha says.

The company, started in 2005 by three engineers, Aimen Abuaisha, Aladdin Abuaysha and Abdel Rahman Bagegni, is still relatively small, with 52 staff. AlwadiComs are now, however, increasing the number of their employees to 114, to support their ongoing projects.

The contract is being finalised and work is expected to begin in 45 days, when the first shipment of parts will arrive. "We get the active equipment from America and the passive parts from factories in China and Europe," Abuaisha explains, "most will be delivered by ship, including some 95 km of copper cable, but some parts will be sent by air to speed up the process".

The eight-phase project will take nine months to complete. Nine buildings owned by the General Electricity Company of Libya (GECOL) alone will be fitted with AlwadiCom's IBS systems, as well as other priority structures, including Tripoli, Benina and Sebha airports and Tripoli Tower. Among hotels due to be fitted with IBS are the RadissonBlu, the Rixos and the Corinthia. There are also 13 sites in Benghazi, including the National Oil Corporation and the Al Daawa al-Islamiyah building.

Abuaisha says: "I think this is the biggest single IBS project in North Africa."

Libya's oil sector: Challenging times ahead

By John Hamilton

The terrorist attack on BP's and Statoil's In Amenas facility in Algeria on 16 January and the warning to leave Benghazi issued by a number of western governments to their citizens just over a week later have set back developments and investments across the region – especially in Libya's hydrocarbons sector.

Production from Akakus's Es-Sharara field of about 350,000 b/d oil was halted for several days in the first week of the year following protests in the area of Awbari.

□ Wintershall - Libyan desert

□ Petro Techna Heater Treater during commissioning in Majid Field, AGOCO, Libya

The year 2013 was already shaping up to be a tough year for Libya's energy sector with a combination of managerial and operational challenges threatening to impede the good progress achieved in 2012. The popular credit which the authorities gained for returning production to pre-revolution levels has now expired and the difficulties in maintaining, let alone increasing production, are mounting. Lack of security was already close to the top of a list of concerns for all international oil companies and service providers.

BP's decision to review its plan to start onshore drilling in May this year is an inevitable result of the bloody events across the border at its In Amenas site, less than 200km from where it plans to drill in Area B immediately south of the town of Ghadames. The apparent intention of militant Islamist groups to hit similar targets elsewhere, and the possibility that the In Amenas attackers might have entered Algeria from Libya will have sent shockwaves through the international industry. Other companies

consulted by the *Libya Herald* have said that they too have put potential exploration plans on hold for the time being.

Even before these new threats became apparent, National Oil Corporation (NOC) and the Ministry of Defence were already having difficulty in proving that the security arrangements in place were good enough to allow service providers, including large international drilling contractors, to send teams back into the desert.

The threat in Benghazi comes at a particularly difficult time for the city. One Libyan political observer notes that many business people from the city had already started opening offices in Tripoli. The spate of assassinations in the city, combined with the failure to promote any kind of economic development had forced private enterprise to relocate to survive. The new security warnings confirm this trend.

Another problem is the disruption to production by protests. According to one Tripoli-based commentator, "protest has turned

out to be a hugely successful way of getting what you want", meaning that oil installation protection forces can expect to be dealing with many more blockades and protests over the coming months. Protest against sector policies and even national political developments had already increased substantially in the latter part of 2012. They amounted to a problem of sufficient magnitude to be recognised during the annual meeting of several of the main producing joint ventures.

The official reports of the annual meetings of both Zueitina Oil Company and Akakus Oil Company used identical wording to describe "problems and difficulties" encountered by the companies during 2012, including "the phenomenon of sit-ins and security breaches,



instability of labour contractors and delays in foreign companies returning to work". Production from Akakus's Es-Sharara field of about 350,000 b/d oil was halted for several days in the first week of the year following protests in the area of Awbari. This caused a substantial, although temporary dip in exports. The Zueitina terminal has also been shut since the beginning of the year as a result of popular protests. In December, a strike at the Ras Lanuf terminal threatened exports of the As-Sarir blend of crude produced by Arabian Gulf Oil Company (Agoco). There have again been stoppages at Ras Lanouf.

The Zueitina protest was sufficiently serious that the Ministry of Oil and Gas was obliged to reach a new agreement to secure the terminal with Chief of Staff Yousef Mangoush, Defence Minister Mohamed Al-Bargati and Interior Minister Ashur Shuwail. In comments to Reuters, Oil and Gas Minister Abdulbari Ali Al-Arousi said "the army has sent a force to the port". Responsibility for security at the port nominal-

ly belongs to deputy defence minister As-Sadiq al-Mabrouk who is in charge of the Borders and Vital Facilities and Targets Protection Force. The safety of oil facilities has been further delegated to the Oil Installations Protection Force under the command of Colonel Ali Elaharsh. Although part of the Ministry of Defence, it is paid for by NOC.

Other threats to the sector stem from failure to maintain infrastructure properly and a broader dysfunction in the approval and payment of budgets to subsidiaries and joint ventures. According to one Tripoli-based industry expert "maintenance in a lot of oil fields is months behind". He said that production would be threatened "unless they do some serious maintenance fairly soon". He added that subsidiaries and joint ventures under NOC had "not got the budgets that they expected" further contributing to lethargy within the sector.

John Hamilton is a contributing editor at African Energy (www.africa-energy.com) and a director of Cross-border Information (www.crossborderinformation.com)

PETROL SHORTAGES IN LIBYA

People around the world are aware that Libya is a major crude oil exporter. However, very few know that Libya buys 60 percent of its petrol from abroad. This became apparent to all Libyans when, during the revolution, Qaddafi's regime was banned from importing petrol. Thus cars formed long queues, reaching in some cases several kilometres, as motorists awaited their turn to fill-up.

Soon after the revolution, the petrol shortages ended. However, strikes and protests became widespread throughout the country over the transitional government's policies. Since protesters realised the importance of oil as the country's main source of income, they were determined to close down the most vital oil installations, in order to pressure the state to give in to their demands.

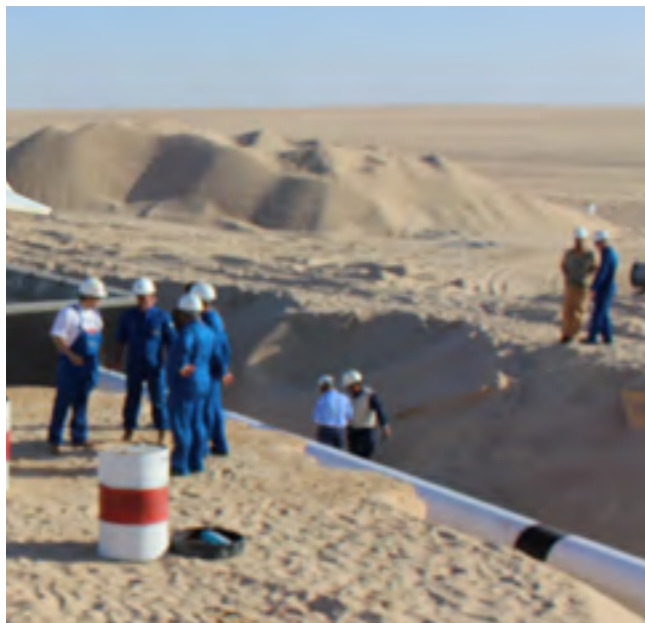
Libya has three main oil refineries, at Zawia, Brega and Tobruk. Zawia is the largest. Its executive manager, Ali Ahmed explained: "Our refinery here at Zawia produces about 80,000 cubic litres of petrol per month. It is pumped to the Brega Oil Company, which is in charge of petrol market supplies in Libya. We also import four tanker-loads of petrol every month, providing us with about 135,000 cubic litres, to make-up the shortage in our own output."

Libya has four petrol marketing companies: Alrahila Oil Services Company, Sharara Oil Services Company, Oil Libya Company and the Highways Services Company. The Highways Services Company, spokesman, Fathi Almaamari, said: "Our company receives about 65,000 cubic litres of petrol from Brega per month, which we then distribute between 73 petrol stations throughout Libya. The only problem we face is the drivers' strikes that occur from time to time."

Recent disruptions in refining and distribution have once more caused queuing at petrol stations. One motorist complained: "The state must bear the responsibility for this. Officials are under obligation when a strike or any disturbance occurs, to come out and talk to workers and reassure them. At the moment, many people still feel anxious that petrol will again become scarce."

According to one Tripoli-based industry expert "maintenance in a lot of oil fields is months behind". He said that production would be threatened "unless they do some serious maintenance fairly soon".





□ Wintershall-AGOCO new pipeline

Oil: The Heartbeat of New Libya

By Mirco Keilberth

In record time, Germany's Wintershall and state-owned Libyan AGOCO have renewed a pipeline in the Libyan desert south of Ajdabiya. The work on the new connection between the oilfields Nafoora and Amal was more than just another pipeline construction; it was a symbol of the rebuilding of war-torn Libya.

Amal lies 300 kilometres south of the Mediterranean coast. From above it looks like a forgotten piece of civilisation, a few houses and a pumping station.

In fact it is a hub for oil pipelines from the whole southeast. Some 52 kilometres of brand new pipeline from Nafoora to Amal were built in six months, the biggest infrastructure project so far in post-war Libya.

Two engineers are watching the pig trap on the connection pipeline in the Amal station. For Jens Balmer and Hisham Shah, the German and Libyan heads of the project, this is more than just 4,000 pieces of pipe. "I think, with this project we wrote history," says Shah, a Tripolitanian in his mid-thirties.

"While other companies hesitated to come back to still-insecure Libya, we managed to build a piece of the future Libyan economy, in record time. I myself would not have believed that some months ago."

The new pipeline was necessary because, when production stopped during the fighting in 2011, dangerous water corrosion led to many leaks in the old piping.

Agoco, the pipeline owner found after restart, they could pump only half of the regular pressure and oil through it; oil mostly from the Wintershall concessions.

In the face of constant repairs, Agoco and Wintershall decided last spring, when embassies were advising their nationals not to go to the Sahara, to meet regularly and analyse all possible scenarios. Wintershall's head of all above ground construction sites, Jens Balmer recalls

"Our company has been in Libya for so long, we knew more details about the situation on the ground than others. Even during the revolution, we were in close contact with our employees in the three oases, Jalu, Ochila and Jakira".

"At the end we decided to implement the most unfeasible solution. To build a new pipeline single-handedly", he laughs. "For me, as an engineer the whole idea was a special challenge and joy. Our colleagues at NOC agreed immediately that it was a necessary investment for everyone and a project for Libya."

Wintershall financed all the costs to shorten the time, since NOC still had to reorganise itself. Also all responsibility for the work on the ground rested with Wintershall in Kassel, Germany, although it had never built a whole pipeline before.

Recalls Shah: "Don't forget the situation in Libya in March 2012 was still very difficult. At the end one factor made the deal happen, which always makes things work in Libya: trust. Both parties knew each other for a long time." Wintershall's Libya boss Uwe Salge and NOC's chairman Nuri Berruieu shook on the deal at the end of March.

Just a few days later Shah flew to Tripoli, where he ran into geodesist, Ali El Haludi from Jadu. A courageous man was needed to calibrate the route. The independent engineer from the Nafusa mountains was so excited about Shah's determination, that he jumped into his car and drove his surveying and alignment equipment alone through war-torn Libya. "I shared with Hisham the wish to rebuild my country. Now, not later", smiles Haludi, when he remembers his risky work.

To build a pipeline in a desert is a headache; to build it in a post-war situation, nearly impossible. But work started, because a major hole in the steel of the old pipeline would have been a catastrophe.

In Hamm in Germany 4,000 pipes were produced by Salzgitter Stahl, each 14 meters long. Brought by ship to Misrata, 600 trucks of the Al Juf company transported them into the desert. There was still turmoil in the area between Misrata and the Sahara.

"The teamwork of all players in such an extraordinary situation impressed me", says the Balmer. "It shows that such projects can be done in Libya, if there is enough will."

The steel piping was welded together and then lowered into the Sahara sand. Engineers discuss technical drawings. Metal dust and a dull pumping noise come out of the pipe system. A so-called "pig" is being pumped through it, a rubber balloon to test the knittlines. Engineers seem satisfied with the technical readings.

The pipeline test in December left happy faces in Amal. Soon Wintershall would get a reliable oil flow and Libya would have more revenue restored. But Shah doesn't smile. He wants more projects like this: "New Libya can't be built by guns or discussions on TV. Only by hard work and cooperation."

He puts his ear on the pipeline, as the next balloon is pumped through it and the dull rumbling tone comes nearer. "Listen to that noise", he says, "that is the heartbeat of the New Libya."

PIB - Investment opportunities in solar energy

By Sami Zaptia

Libya, says Dr. Mgeg, could become a major solar and wind power generator for export to Europe as well as a key producer of iron ore, through the building of its long-planned railway network. This in turn could also make Libya a communications hub between Europe and sub-Saharan Africa.

For him one of the biggest projects is renewable power. "In about three months" he explains, "we will be producing draft legislation to launch the renewable energy sector in Libya. It will cover the purchase, rental or leasing of land for renewables and the breakdown of ownership in this sector. It will also set the generation target we are looking for. We even want to encourage the general public to generate renewables on their rooftops." But there is, he admits, a snag. At some point a government has to reduce energy subsidies and so raise prices to consumers.

"The problem facing Libya currently is the dis-incentivising price of electricity. It does not encourage us to consider renewables. Domestic consumers pay LD 0.03 per kW for power that costs Libya around LD 0.30 per kW to generate. The international average cost of generation is about €0.17/kW (LD 0.29).

"Government must take this difficult political decision. We don't know what will happen in ten years' time in the hydrocarbon industry, either from the demand or supply side. Renewable energy supply on a larger scale is inevitable, therefore we must have a long-term strategy. Libya should be at the heart of renewable energy.

"The world needs clean power. Our geographical neighbour Europe needs about 600 gigawatts of clean energy by 2020-30. Libya only consumes between 5-6 gigawatts."

Mgeg believes Libya could produce up to ten percent of Europe's renewable energy requirement, generating an income equivalent to around 22 percent of current GNP. This would be done by joining MedRing, the electric grid that links North African states to one another and then linking to the Euro-Med grid of 22 countries around the Mediterranean basin. Indeed he talks of "branding" Libya as a renewables centre, the same way, he says, as Dubai is noted for its shopping.

Mgeg believes that beside renewables, Libya should be productive in other sectors. "Our economy is about 95 percent, hydrocarbon-based. There is virtually no diversification except for some very simple activities. But I believe that Libya can also be productive in sectors such as marine resources, minerals and as a transport hub."

While Mgeg cautions that tourism will be valuable, even if it were developed to Turkish or Egyptian levels, it will only at best create 5-10 percent of GDP. "However tourism will enrich the

Libya has been talking about diversifying its economy away from hydrocarbons for decades, but with little tangible results. Dr. Abdelkarin Mgeg, Director of Energy Investment and Strategic Projects at Libya's Privatisation and Investment Board looks at the opportunities.

Libyan environment, which will help other investments and sectors, so it is important in that respect."

Mgeg also cites fisheries and desalination as growth sectors. However he says his long-term vision is for the country to become "a transport hub, feeding both Europe northwards with railroads running to the south, connecting Africa. This would have broader strategic economic effects and create diversification spin-offs beneficial to the Libyan economy on a large scale."

Then, says Mgeg, there are Libya's mineral resources. Besides phosphates, gypsum and gold, there are Wadi ash-Shatti's 1.6 billion tons of iron ore deposits, among the world's largest. The LISCO iron and steel plant in Misrata should expand to concentrate on higher-value semi-finished product, which would reduce imports and encourage local industry.

Mgeg says he is not interested in the foreign companies who come to him with short-term business deals. "Libya wants long-term strategic partners who share our vision. We are not after quick deals and projects. We want vision and strategies that will leave residual know-how and technology in Libya for Libyans."

□ Solar panel on hotel in central Tripoli



"The world needs clean power. Our geographical neighbour Europe needs about 600 gigawatts of clean energy by 2020-30. Libya only consumes between 5-6 gigawatts."

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Libya Herald Interview: The Electricity Minister

In the wake of the liberation, damaged power lines were repaired relatively quickly and few homes and business suffered serious outages. However in recent months power blackouts have been on the rise. Electricity Minister Dr Ali Mohammed Muhairiq explains the challenges.



□ Electricity pylons outside Tripoli

Strikes, foreign contractor delays and the security situation have all combined to exacerbate the problems of generating uninterrupted power. "One of the main reasons", says Dr Muhairiq, "has been that foreign companies contracted to carry out power station repairs and maintenance have not yet returned, because of concerns over the security situation".

Industrial unrest has meanwhile compromised gas supplies to power stations. "These continual protests have contributed indirectly to the power cuts. For example protests by people in Ajdabiya and the closing down by workers of the Zuweitina oil plant, led to the interruption of gas supplies. This in turn starved the power plants of Zweitina and North Benghazi of fuel and they had to be stopped." The subsequent loss of supply hit the national grid and the outages began.

Organising emergency work to have generating sets and transformers overhauled has been a priority. The government, says the minister, has awarded French company Alstom contracts to complete the overhauls and renew and develop equipment at electricity plants in Tripoli, Benghazi, Zawia, Khoms and Zuetina. "We have also contracted with GEC to undertake some of the work at

these plants" adds Muhairiq.

Libya currently has a generation capacity of about 5,000MW, but demand at present is reaching as high as 5,100-5,200MW. Five new power plants were planned or under construction before the revolution, in north Benghazi, Misrata, Obari, the Gulf of Sirte and west Tripoli. The majority of work, said Muhairiq, was completed on the Benghazi, Misrata and Sirte plants, but the plants at Obari and Tripoli have much further to go.

The LD 620 million 640MW Obari project in southern Libya is being built by Turkish firms, while the LD 1.7 billion west Tripoli power plant in being constructed by Hyundai.

The minister declined to comment on the 2013 budget allocation to the General Electric Company of Libya (GECOL), saying that while the government has signed it off, it is awaiting final approval by the GNC.

Muhairiq said that GECOL has formed a committee with the Warriors Commission to try and include a good number of revolutionaries to work in the company, which was also keen to recruit new Libyan graduates to limit the problem of unemployment.



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Libya's Insurance Market looks ahead

The insurance market in Libya is underdeveloped, with negligible premium income, a major reliance on offshore reinsurance for larger risks and a still small appetite, both among business and the general public, for any insurance products apart from the compulsory third-party motor cover.

By Nigel Ash

Within five years, believes Abdulhakim Zagalal, chief executive officer of Sahara Insurance Company, the annual insurance premium income will be in the range of LD 1 billion. "Libyan GDP was around LD 110 billion in 2009. The total premium income for that year was LD 387 million, thus the penetration rate of insurance was less than 0.5 percent. If we take North African economies similar to Libya, their figure is between 2 and 2.5 percent. Now if we targeted up to just 1.5 percent of GDP, we would be talking of over a billion dinars of premium income. That is the challenge our industry faces."

The market suffers from a lack of public awareness, combined with religious reservations about the use of any risk cover. The industry is therefore planning a media campaign to boost the understanding of insurance products, while seeking to dispel doubts among the religious.

"Some of the insurance companies are establishing Takaful windows, the Islamic version of insurance," he explains, "and there is thought of establishing a fully-blown Takaful company".

However, as with Sharia-compliant banking, there is no enabling legislation. "I strongly believe in traditional insurance," says Zagalal "and am trying to find ways to convince people that there is little difference between insurance products, whether they are Takaful or traditional commercial insurance. But still you have to tackle the deep religious feelings that people have." Zagalal anticipates that in time, Takaful and traditional insurance companies will be working side by side.

The emerging insurance market will be dominated by health and fire risks. Law 20 of 2010, not implemented until March 2012, obliged companies to provide health cover for employees. "We went into a partnership agreement with BUPA" says Zagalal, "to provide

their products in Libya. We are providing other health insurance cover, lower in class than the worldwide BUPA plan. Such local insurance offers treatment in Libyan private hospitals or in Tunisia, Egypt Jordan and Turkey."

Sahara is also looking to develop its fire products, normally only bought for large risks. SMEs and households do not take out cover. Indeed, in his estimation, 95 percent of businesses have no insurance cover of any kind.

The majority of the 13 insurance companies in Libya are newly established. The market, is led by three players, Libyan Insurance Company (LIC), (the former monopoly), United Insurance and Sahara Insurance, all of which are quoted on the Libyan Stock Exchange.

According to one market professional, LIC paid dearly for monopolising the obligatory third-party vehicle insurance. Legislation in the 1960s fixed this premium at LD 10, then a reasonable figure, since raised to just LD 28. A loophole in the law meant that from 2005 each bereaved relative of a third party was able to make a separate claim against LIC. Judges backed relatives and LIC was paying out many claims.

Comprehensive cover is something that Sahara is now trying to sell to motorists, whenever they purchase the obligatory third-party insurance from it. Meanwhile, says Zagalal: "We are campaigning that while car insurance has to be compulsory, it should be left to insurance companies to sell whatever product they have. For just LD28, the obligatory cover is hardly worth selling."

Even though premium income may be relatively small, there are few local investment opportunities, save property. The government issues no paper and the bond and stock market are neither deep nor liquid. The result is that most major risks are reinsured offshore, though, says Zagalal, the local market does have the



□ Abdulhakim Zagalal, CEO Sahara Insurance Company

capacity to bear risk of up to LD 25 million. Between 50 percent (for fire and marine) and 90 percent (for health insurance) of large risks are laid off abroad, either through treaty insurance, if up to LD 40 million, or thereafter in the facultative market.

John Brooke, insurance partner with the international law firm Clyde & Co, which has an office in Tripoli, agrees the Libyan insurance market is still very underdeveloped. While accepting there are limitations for outside investors, not least Decree 207, normally limiting foreign partners to 49 percent of any joint venture, he says: "This is an exciting opportunity and people should come and see for themselves."

A handful of insurance companies and brokers has already established representative offices in Libya, which Brooke points out are licensed for two years, with a single option to roll the licence for a further two years.

"We are getting a lot of enquiries from insurance companies and brokers," he says, "and the message we have for them, loud and clear, is that if you want to do business in Libya, then you have to be here; you have to meet people, to be seen to be here and to be seen to support the country in its development".

The majority of the 13 insurance companies in Libya are newly established. The market, is led by three players, Libyan Insurance Company, (the former monopoly), United Insurance and Sahara Insurance, all of which are quoted on the Libyan Stock Exchange.

Islamic Banking in Libya: The name of the game

By Amr O. Farkash -
Director at OEA Capital
(Libyan Investment and
Corporate Advisory Firm)

The Libyan banking map is about to change radically, with the GNC approval of a law prohibiting riba (usury). The real consequence of this legislation is to prohibit conventional banking activities, replacing them with Sharia compliant Islamic banking processes. Already some banks, such as Aljomhoria and Al-Wahda, have responded quickly to the change and begun introducing motor and retail loans for their customers.

Indeed Islamic loans to buy motor vehicles are picking up fast. This in turn has accelerated the need for vehicle importers to access finance which has had them heading to the Islamic banking debt markets.

What is Riba then? In Islam it is identified with the following:

- Premium, Increase or Increment paid, over the principle amount lent in advance, or the time offered in exchange for a premium.
- Money to money exchange.

So how would banks start their activities, if the principle of the time value of money is abolished? The answer lies in the definition of "Return" in Islam. It is seen as the yield that occurs through investment, trade or any commercial activity which is considered Halal (Lawful in Islamic terms). For instance, an investment in a brewery is considered Haram (unlawful).

When implementing Islamic banking, the legal structure of the loan is crucial. In conventional banking, legal contracts are bilateral, while in Islamic banking the contracts must be trilateral. Thus for example, a client wants to buy a car with an Islamic auto loan. The bank then needs to purchase this vehicle from the motor dealer and own it, at least for a day. It then sells it to the client, with an Islamic Sharia compliant Instrument.

The clear distinction between conventional and Islamic banks is the existence of a separate, independent Sharia compliance board, which ensures that the bank's activities and operations comply with Sharia law.

When it comes to deposits, Islamic banks offer, in a simplistic form, two kinds of depository accounts with their derivations: current accounts (demand deposits) and investment accounts (Saving and Investment deposits).

The fundamental difference here is that Islamic banks do not offer interest on the Investment accounts, but rather a return, which depends on how well the bank's investment portfolio and fee-based transactions are doing, in addition to the normal (Sharia compliant) services

such as cards, corporate credit lines, trade finance facilities and so forth. The key here is that these services have to be approved by the Sharia supervisory board before they are offered to the public.

The Islamic Banking Instruments that are used vary from transactional financing contracts to equity based contracts. For instance Murabaha (Cost plus contract) is considered a transactional financing instrument, while Musharakah Mutanaqisa (Diminishing Partnership) is considered an equity Instrument.

Typical Instruments used by Islamic banks include:

- Murabaha
- Musharakah Mutanaqisa
- Ijara WaIqtina (a lease contract where a financial institution is asked by a client to buy an asset and then lease it to the client.)
- Mudaraba (a trust financing contract)
- Istisna (a transaction for a commodity before it comes into existence)
- Muzara (assigning land to another party in return for a fixed proportion of its product)

All these instruments are used and applied internationally in Islamic banks and their development in the Libyan banking system is therefore to be expected. Interestingly for the corporate debt markets in Libya, Sukuk offerings (the Islamic version of bonds) would help corporates in need of funding, if applied in the markets with the right structure and financial advice.

The Central Bank of Libya will have a significant responsibility for the success of the changes. It has to supervise and ensure that Sharia compliance is enforced in all activities in the market, as well as ensuring that proper governance is in place.

I believe however that there are some questions that the Central Bank needs to consider and clarify, in order for the Islamic system to be enforced effectively. For instance, will the banks in the local market deposit funds with the Central Bank? Will the Central Bank offer Interest on these deposits or alternatively, will

the Central Bank invest those funds, using the Islamic structures?

How will the Central Bank deal with inflation rates and how will it control and monitor them? Will the Libyan government and specifically the Ministry of Finance, shy away from acquiring debt from International markets? If not, will they offer governmental Islamic Sukuk to acquire debt internationally?

The financial services industry is about to be transformed and with new Islamic structures, the Libyan model might end up being unique or similar to the Saudi or Malaysian counterparts. Only time will tell.

KOONOOZ TO LIST LIBYA'S FIRST ISLAMIC FUND

Koonooz Investment Holding Company has announced it has obtained an initial permit from the Libyan Stock Market, to establish the first Islamic investment fund in Libya, with a capital of LD 500 million.

The company is now awaiting the final approval from the Libyan Central Bank to launch the fund, which aims to make investments in urban real estate throughout Libya, but especially in Benghazi, which, it says is in desperate need of developments such as markets and hotels.

The fund is to be open to all Libyans and foreigners residing in Libya, as well as Libyan and overseas banks, though foreign holdings will be limited to LD 245 million, 49 percent of the fund's total value.

A black market or the economic engine?

By Mehdi Abdulatif

Walking around Tripoli's old market I bumped into Ramzy, a very old friend. We drank coffee in a café in the old city's square and I learned that Ramzy owned one of the many gold shops nearby. However whilst we were catching up, I noticed many people walking past, holding bags, all of different sizes.

I turned to my old friend and asked: "Why are so many people carrying bags with them? He replied "Money." "What are they doing with it?" I asked. "They transfer it abroad to import goods and equipment. It's the black market my friend!"

The old city in Tripoli is full of beautiful gold shops. Ramzy explained many of these shops trade in undeclared currency, which is sometimes transferred abroad.

I asked him why these people didn't use banks to send their money overseas. "With the banks, you can't transfer any amount of money you want, at any time. This is because most banks don't have enough foreign currency and in any case, many traders prefer not to declare themselves to government-run institutions."

Ramzy offered to introduce me to one of the black market money traders, a man named Omar.

After Omar welcomed me, I wasted no time in asking him how long he had been in this trade. "For many, many years!" he replied. I then asked him where he usually transfers the money. "China, Dubai and anywhere else in the world." I asked him how he did that.

"We have agents in most countries around the world. For example if a customer wants a million US dollars, we receive the amount, call our agent in China and he submits the money to the customer or customer's agent."

I then asked: "What is the total amount you transfer every day?" To which he answered "Millions."

A minute or so later a customer entered with a bag of money. I asked him why he prefers to transfer his funds through the black market instead of using his bank. He said using the black market is much faster than going through a bank. Moreover with a bank, he would need to follow specific credit procedures and pay money to customs. This is not needed when transacting via the black market.

Later I went to the Libyan Central Bank to find out the official attitude to the black market. A Mr. Abdullah from the Research and Studies Department told me: "There are many reasons for its existence, but the main one is a high demand for foreign currency. This may be due to the Libyan market being made up to a significant extent of individual consumers."

He also said that the Central Bank had in the past limited money transfers to \$5,000 per month. In addition, buying or selling foreign currency is a long and time-consuming procedure. Knowing this, many foreign workers in Libya, who carry out a lot of foreign exchange transactions, find the unofficial market ideal.

"We cannot possibly know the size of the currency black market, said Abdullah, "as it is beyond the law. We only know the quantity of foreign currency that the Central Bank emits to commercial banks. Our aim however is to try to shrink, if not eliminate, the black market altogether, inshallah."

He also explained that as of 14 January this year, the Central Bank had raised the new transfer limit for companies to \$100,000 per transfer, per month, but set an annual limit of \$250,000. He added that it will also be mandatory for importers to declare any goods to customs. Meanwhile the bank had raised the transfer limit set for an individual to \$15,000 a month.

Abdullah continued: "As a second step, we are in the process of announcing the issuing of licences to exchange companies, as there are sure to be many new currency exchange firms opening soon all over Libya."

As I left the bank I wondered. The black market sprang up because of the financial and administrative corruption of the



□ Entrance to Tripoli Souq

Qaddafi decades. If foreign currency transfer limits are not raised in line with demand, borders not controlled and an effective internal revenue system not introduced, the currency black market seems sure to grow and prosper further. Then maybe "bag trading" will become a symbol of the new Libyan economy.



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CBL Eases Foreign Currency Transfers - partially

By Sami Zaptia

The Central Bank of Libya (CBL) has partially eased foreign currency transfer restrictions for importers on certain goods.

The CBL Governor's decision No.1 of 2013 has allowed the transfer of foreign currency for the import of agricultural supplies and equipment, ITC equipment, computer supplies, medicines and medical supplies for commercial use by specialized companies.

There is still a raft of conditions that importers and their banks must adhere to in order to be able to make a bank transfer abroad in payment for imports.

1. Application form ARMN 3/2008 must be filled
2. A Pro-Forma invoice showing prices, varieties and quantities.
3. It must be approved by the local importer.
4. The equivalent dinar amount will be deducted in full direct from the company's local account.
5. The company must have a valid trade licence relevant to the goods to be imported.
6. The company must have a valid statistics code card issued by the Customs Department.
7. A maximum of US\$ 100,000 can be transferred in any one transfer or US\$ 250,000 per annum.
8. For transfers above US\$ 250,000 companies must open letters of credit.
9. The importing company must provide customs documentation as proof that goods

had entered Libya.

10. The importing company upon transfer signs an undertaking that the goods are destined for Libya.
11. The banks must adhere to any instructions by the CBL or any other official organ barring any company from overseas transfers.

The CBL had for months stopped all foreign currency transfers by local companies through their official company bank accounts.

This has understandably irked the local business community. Two weeks ago at a gathering in Tripoli of the business community organized by the Libyan Business Council (LBC) the CBL Governor came in for a rough ride.

Business leaders could not understand why transfers were stopped in view of Libya's stable oil production and exports as well as the stable international price for crude.

And although the Governor, in response, waved a thick black file at the business leaders, claiming it was a long list of companies that had transferred money abroad without furnishing evidence that it was imported into

Libya, they were still unconvinced. Business leaders felt that there were contradictions in the Governor's claims that he was in support of the private sector, whilst enforcing transfer restrictions. They felt he was draconian in his approach by punishing the whole business sector for the misdeeds of a few errant companies.

Restricting official bank to bank foreign currency transfers only encourages further the very active currency transfer black market – a market the authorities are trying to limit.

Furthermore, business leaders also felt it went against the government's desire to activate the local economy and encourage the unemployed and the former fighters back into civilian and commercial life.

It seems that this partial easing is an attempt by the CBL

to meet those demands. However, the restrictions still only cover some specific sectors and goods, and it will be interesting to see what the reaction of the business community will be.

It will also be interesting to see if restrictions are eased further after the announcement of the 2013 budget.

Business leaders could not understand why transfers were stopped in view of Libya's stable oil production and exports as well as the stable international price for crude.

Legal Insight for Foreign Entrepreneurs

Libya is a very worthwhile business location with extensive opportunities in all sectors. However, foreign participation is hindered by the current rules and regulations, which can be off-putting to prospective entrepreneurs.

By Ms. Fairuz Smew, Legal Counsel, Tumi Law Firm

Foreign companies wanting a presence in Libya are subject to the Minister of Economy and Trade's 2012 decree, number 207. This outlines the three different options for international businesses: a joint venture (JV), a branch office or a representative office.

The JV gives more scope to the company's activities, although this comes at a cost. Foreign companies or individuals looking to set up a JV need to do this with a Libyan business or national. Many businesses find this slightly hard to swallow, as the Libyan partner in the joint stock company (JSC) is entitled to a larger share of 51 percent.

Before this new regulation, the foreign partner was entitled to a maximum of 65 percent, potentially leaving the Libyan partner as the minority shareholder. The new regulation ensures that the Libyan business community develops and does not become the underdog.

The foreign business provides expertise and the Libyan partner provides contacts and local knowledge. Profit-sharing, however, can be in favour of the foreign company and measures can be taken to safeguard the minority shareholder's interests.

Recent interpretation of the decree means that the Department of Economy and Trade now stipulates that a limited liability company abroad can only obtain up to a ten percent share in the 49 percent available to the foreign party. This is the same share allocation that an individual can have, whether foreign or Libyan.

This interpretation needs reconsidering. For a company to take the full 49 percent, it needs to be registered as a JSC abroad, which is rarely the case. The majority of companies looking to enter into a JV are limited liability. The JV bank account also needs to hold LD 1 million although, once the JV is established, the partners have immediate access to the funds.

Certain activities can only be undertaken by Libyan nationals or 100 percent Libyan companies. These include retail and wholesale trade, importing, catering services, legal and financial auditing, and any sort of commercial agency activity, including distribution. Recently, more companies not established in the country have expressed interest in commercial activity. In these cases the foreign entity must enter into a commercial agency arrangement with a Libyan entity or individual. This includes distribution agents.

Another option would be opening a branch office in Libya, more favourable as the foreign business has complete ownership and does not require outside involvement. The branch can trade in accordance with the permit obtained from the relevant authority, in one of 11 exclusive fields. These are in the commercial and industrial sectors, including oil & gas, construction and communications. A company wanting to work in different fields must get ministerial approval for each of these, and may have to

open further branch offices.

For a foreign company to get a permit to register itself in Libya, the branch activity needs to correspond with the scope of work outlined in the constitutional documents of the parent company. Certificates illustrating this proficiency must be obtained from previous clients. With the recent decree the seed capital has been increased to LD 250,000 but this is considerably less than a JV requires. Again, the company will have immediate access to these funds once the permit is granted. The general or deputy manager must also be a Libyan national.

An alternative is a representative office, giving a company a presence in Libya. A representative office can study the market, gather information and facilitate future business activities. The representative office cannot sign contracts and any commercial activity will need to be completed by the parent company abroad.

This is a powerful tool comparable to attending events and handing out business cards. The representative office is registered for two years, a period that some companies like to use to test the market. After this, opening a branch office or entering into a JV can be considered. Capital of LD 150,000 is needed to set up a representative office.

Tumi Law Firm has seen a lot of interest in business opportunities in Libya over the last year, despite the rigid governing regulations. Libya needs serious foreign participation to provide essential knowledge and expertise in different sectors. Investment will not go unrewarded as the country is full of opportunities.

Tumi Law Firm hopes to see changes to the current regulations in the coming months, including different options with more favourable conditions for foreign businesses in order to entice them to come to Libya. Even with the current options, Libya is still an encouraging prospect for businesses.



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A Canadian oil executive's advice on dealing with Libya

By Ali Malik, Vice President of Petro Techna International

As an executive with a Canadian oil and gas engineering company, I have travelled to Libya possibly over 30 times in the past 12 years. I have worked with different operators under the umbrella of the National Oil Corporation, such as Arabian Gulf Oil Company, Waha Oil Company or Harouge Oil Company.

There is a simple common denominator to working in Libya, which is trust. I remember the first time I travelled there in fall of 2000. We hired a taxi from the airport to the Grand Hotel (Alkabar) in Tripoli. We asked the driver to come back the next day to take us to our appointments. At the time, there was no cellular service in Libya, therefore, we agreed on a time for the driver to pick us up. He left without asking for any deposit. This was very interesting to me. Having travelled to many Middle Eastern cities, I had never seen such a level of trust.

Since then, I have seen trust helping our business grow in Libya. There is a need for mutual trust. Our company Petro Techna International, designs and fabricates oil field production equipment. We have extended credit term to our clients in Libya and over the years we have not had a single payment default. We often travel to Libya, sometimes just to have a short five-minute meeting with our clients, to show them we are there for them. At times, this short visit has to take place in the oil fields in the middle of the Libyan Desert. This means a 13-hour journey from Canada to talk to them in person, to show them we are capable of delivering the services they require and to find out about their problems and suggest solutions. We do not set any preconditions to doing business with Libyan companies.

This is very important for businesses entering or re-entering the market. At each point, one has to think about gaining the trust of your counter-party. Once that trust is gained, it will help companies to succeed in Libya.

In every step of doing business and interacting with Libyan counterparts, I always remind myself that they have invested a lot of trust in dealing with our company. I think of what we can do to show them

we are vesting trust in them. This mutual respect is the building stone of business in Libya. How can foreign governments, companies and individuals show mutual trust in dealing with their Libyan counterparts? Foreign governments should trust Libyans requesting visas to travel to their respective countries, since Libyans generally do not intend to migrate. They are genuine tourists or businessmen looking for a short stay.

As per our experience with the Libyan oil and gas sector, foreign companies can trust major Libyan operators. These companies have money to spend. Once an agreed service is delivered, the promised payment will be made. Companies need to extend credit to their Libyan client, enabling them to engage in business transactions with them.

Individuals need to trust the Libyans. I always like to tell people about my experience with my first taxi driver in Tripoli. In fact, Issa, the taxi driver I got to know during my second trip to the capital, has become a great friend over the years. I have relied on his assistance with many tasks I had to do during my stays in Tripoli. During the revolution of 2011, I was really worried for Issa and many other friends I had made in the country. I did try to stay in touch as much as possible and was happy to be back in February 2012 to see their smiling faces again.

In these next few years I think it is imperative to show Libyans that we are there to assist them with rebuilding and modernising their facilities. This is the best way to gain their trust. In our own case, Petro Techna International has registered a local representative office to expand its on-ground presence in Libya. In addition, together with other key executives of major Canadian companies operating in Libya, we have established the Canada Libya Trade Alliance; a not-for-profit organisation with the main objective of promoting bilateral business between Canada and Libya. All this is done to build on the trust created over the past 12 years.

Ali Malek, P.Eng is Vice President of Petro Techna International, a Canadian Engineering company. He is also president of Canada Libya Trade Alliance.



□ Upper Corniche

LIBYA ON THE MOVE

Libya's continued economic growth is expected to average 9.9% annually over the next three years, over all sectors.

The key ingredients for any foreign business entrant are patience, a reliable partner and a deep knowledge of the political and business landscape.

As Libya navigates a complex political roadmap, foreign investors will inevitably run into some of the same challenges many Libyans have dealt with for years. These include, bureaucracy, frequent power outages, an antiquated banking system and one of the world's lowest Internet connection speeds. From an operational perspective, these factors regularly sabotage the best project management efforts.

Libya's long-neglected infrastructure desperately needs repair. Large sums have been allocated to reconstruction and development projects. With retail, rising salaries and relaxed import restrictions have boosted demand for consumer goods among a youthful population. Libya's GDP, expected to hit \$18,420 by 2016, is North Africa's highest. Exchange rate stability comes from the Central Bank of Libya's dinar peg to the IMF's special drawing rights basket for the next three years.

Rosy economic indicators aside, Libya is still very much in post-conflict recovery mode. It has faced many setbacks, yet appears determined to move forward. Companies willing to invest, despite the uncertainty, can expect to capitalise on one of the more lucrative emerging markets in the world, assuming they have the right partner, a good understanding of the environment, and a whole lot of patience.

By Robert O'Hanlon
Partner in charge for Audit Services, Deloitte
Middle East



□ US Chargé d'Affaires Roebuck with some Roundtable participants

FDI Libya Focus: Roundtable with the American Chargé d'Affaires, William V. Roebuck

By Omayma El Ella, Lead Researcher at Pace Group

A roundtable discussion on foreign investment in Libya was held on the 21 January in the offices of Dar al Arab with the American Chargé d'Affaires, William V. Roebuck, the Director of Energy Investment and Strategic Projects at the General Board of Privatisation & Investment, Dr Adbelkarim Milad Mgeg, former Deputy Prime Minister, Dr. Mustafa Abushagur, the US Commercial Attaché Nate Mason, Commercial Specialists Mohamed S. Shwehdi & Fathi Hamdan, and Director of Projects at Pace Group, Tariq Muhammad. This roundtable was held in the lead up to the FDI Libya conference taking place this year, at the end of May in London.

The discussion was dynamic and one in which Dr Mgeg stressed the importance of developing Libya's economy, through strategically creating projects that were part and parcel of a wider business hub, that would include infrastructure, health, finance and transportation. Dr Mgeg insisted that merely inviting foreign companies to come and "solve problems" through short-term, profit-driven projects would perpetuate the economic stagnation that the country was facing. Sustainable economic development would not take place. "There is a need for foreign companies to come and invest in long-term projects that include the transfer of skills", he stated.

Nate Mason argued there needed to be "Ameri-

can champions" in the Libyan business arena, in the sense that many companies in the US were waiting to see successful contracts taking place. Until that happened, there would be a "wait and see game". The debate then veered into a discussion about what was hindering successful new contracts. There was a lively debate on Decree 207 and the Foreign Investment Law Number 9 passed in 2010, and the discrepancies that existed between the two. The commercial specialists rightly stated that companies are being discouraged from doing business in Libya because of these unstable and unclear legislative policies. Decree 207 puts foreign shareholders in a position where they own less yet have to commit the capital, an extremely unattractive prospect in an arena where political stability has not yet been established and laws could be changed at any time as demonstrated by the abrupt announcement of Decree 207.

Dr Mgeg stressed that the decree was merely a decree, and it held no legislative enforceable power, whereas Law 9 did and therefore should be treated as such, as it ensures the economic integrity of foreign investors. Dr Mustafa Abushagur then argued that investment guarantees had to take centre stage, as well as the creation of a bureaucracy that did not hinder investors.

This lively roundtable came days before the UN Conference on Trade and Development,

"There is a need for foreign companies to come and invest in long-term projects that include the transfer of skills"

UNCTAD, published its report 'Global Investment Trends Monitor' showing FDI had dropped significantly in 2012 linked to "macroeconomic fragility and policy uncertainty for investors", leading to a 18% decline in FDI globally. Nonetheless, though FDI may have fallen in Europe and the United States, FDI in developing economics has been promising, with Africa seeing positive growth. Up to \$680 billion was invested in developing markets globally. With the current recession hitting European and American markets hard, Libya would do well to capitalise on this and ensure that its market is not only potentially attractive, as is clear to everyone, but is definitely so, in terms of clear and attractive investment laws. Similar round tables are promised by FDI Libya in Dubai and the UK.

www.fdilbya.com

Libya's Investment Needs

By Waddah Barkawi, Office Managing Partner, Ernst & Young, Libya

Economic growth and development in Libya hinges on expanding, upgrading and modernising the country's infrastructure. Before the revolution it had already embarked on a development programme of over \$120 billion, and new spending is expected to run into billions of dollars. It is an undeniably attractive opportunity for investors to participate in the transformation of North Africa's wealthiest nation.

Ensuring that standards are established and maintained and that strategic management plans are in place, may be a challenge. The public sector needs to set out a framework for infrastructure development to both guide and protect investors. There is likely to be scope for partnership between public and private sectors. Rewards will include stimulation of the economy and boosted morale through rapid creation of local employment. It is a time of opportunity made easier by the prospect of exploiting low construction costs while other countries in the region remain in an economic slump.

The infrastructure needs of Libya were clear before 2011. Decades of sanctions and under investment had left it in disrepair. The revolution dealt further blows, leaving facilities damaged, services disrupted and a dearth of expatriate expertise and skills.

While there is still room for investment in the hydrocarbon economy in Libya, such investments will not yield their full return without reliable roads, airports and ports to support expansion. Experts have proposed that Libya's economic growth strategy should diversify to reduce reliance on hydrocarbons.

The healthcare sector has significant potential for investment, most urgently in rural areas. A deficit of qualified professionals across the sector, including doctors, nurses and pharmacists, means that the country's 1,500 primary care facilities are underserved. The health sector could provide synergies with information technology, telecoms and communications. It is currently a blank slate ready for investment and development.

Libya has an enviable geography of 1,700 km of Mediterranean coastline and five UNESCO world heritage sites. Its proximity to Europe and relative financial stability make it an attractive tourist destination. This sector is ripe for investment, especially in developing the coastline. Already a port of call for Mediterranean cruises, Libya could capitalise on

projected growth with further investment in ports, tourism sites and internal transportation networks.

Confidence in public financial management is a basic requirement for investors. Some important measures have already been outlined by international financial institutions. They include macro-economic management and a transparent rules-based approach to budget planning and expenditures in the public sector. In particular, integrated procurement and development systems are required to identify projects, evaluate bids and begin project management. Transparency, accountability and results-based performance measurement are the foundations upon which investor confidence will rest. To attract the best foreign investment it is essential that procurement systems are transparent and payments reliable and timely.

Regulation and enforcement of standards are equally vital to investor confidence. While an adequate legal system supporting private sector activity has been in place since before the revolution, confidence needs to be regained in fair judicial processes for everyone in project investment, development and management. An independent, efficient and reliable judiciary is key to building confidence among investors.

In the coming months, infrastructure will be the sector to watch in Libya's economy. In-



□ Borg Boulaha, Tripoli

formed by national priorities, underpinned by the rule of law, and executed with transparency, there will be no barriers to confidence among investors in this vast and dynamic sector. The resulting economic development will benefit the country, its people and the wider Middle East and North Africa region.

DECREE 22 AND FOREIGN INVESTORS

Foreign joint venture companies that were registered before Decree 207 of 2012, which compelled the reduction of their equity holding to a maximum of 49 percent by January 2013, have been given more time to comply.

Under Decree 22 issued by the Ministry of Economy on 22 January this year, an extension was granted for joint venture companies that were set up before July 2012, when Decree 207 came into force. This will allow them more time to amend their share structure.

The Tripoli office of international law firm Clyde and Co. commented: "It is stated that the extension expires when all laws and decrees relating to business activities have been reviewed. At this stage, however, no time frame has been set for commencement or completion of such a review".

The law firm also pointed out that the key change in Decree 22 is a ban on forming limited liability companies. Partner Adrian Creed noted: "Arguably, this means that the default option for a foreign partner to set up a company in Libya appears to be through forming a joint stock company. In this respect it should be noted that under existing regulations, a joint stock company must have a minimum of ten shareholders and the minimum capital required is LD 1 million."

Clyde further noted that both Decree 207 and the amendments in Decree 22 have to be read in conjunction with other legacy decrees and laws because "There are currently considerable uncertainties as to the scope of the application of the recent decrees and what has to be done by companies set up under various laws, in order to comply with them."

Libyan Business Council elections

By Sami Zaptia

The Libyan Business Council elections got off to a false start when insufficient members turned up. LBC rules state that a quorum is unnecessary if the annual general meeting is reconvened on another day. In the event, more members turned up to the rescheduled AGM for the second LBC election since the Revolution. The organisation claims to have 550 members but only 200 have renewed their subscriptions.

The initial election process is always chaired by the most senior member, who on this occasion was former LBC president, Ibrahim Hafed, since the 1960s one of the most well-known businessmen in Libya. The first jobs to be filled were those of chairman and deputy. Only two people stood, Abdullah Fallah, himself a former president, who was voted chairman with Jamal Alweheshy as his deputy.

Choosing the six LBC directors was a more heated affair, with 12 candidates and much lobbying in evidence with clear supporter groups. There were numerous challenges to the procedures, as well as an accusation of irregularities. The meeting was only brought to order after the LBC's legal councillor threatened legal action against those making unfounded accusations.



□ Mr. Abdunaser Benafa, Libyan Business Council President

The six directors elected were: Abdalrauf Khamis (50 votes); Khalid Ben Kura (49); Adel Al-Mahashash (45); Ahmed Meteeg (39); Abdunaser Akak (38) and Shaban Al-Muntaser (36). The other candidates were: Salem Abiad; Sherief Aburawi, Hassan Bey, Atalla Atalla, Faraj Abujaful and Mansur Ben Halim.

Two candidates, Abdunaser Benafa and Aladdin Wefati, stood in the final election, which was for the president's job. Both candidates were allowed to make a 10 minute presentation, starting with Benafa, a member of the National Transitional Council (NTC) for Tripoli who heads Al-Saham Company for Heavy Goods Transport, Al-Zawaia Engineering Company as well as a canning and food company. If elected he promised to form a committee to liaise with the General National Congress (GNC) and the government. He wished to improve the LBC's image and the services it offered to businessmen. He also promised to

put forward anti-monopoly and anti-corruption policies saying: "There can be no development with corruption. We have to play a more proactive role in anti-corruption efforts."

Aladdin Wefati made a longer presentation. Wefati, who has an MSc in transport, worked for the Rail Authority and Libya's biggest maritime companies. He is the owner of the Nour Alhait Fishery Company. He promised to create a new vision for the LBC, with a new code of ethics to combat corruption and its causes. He also proposed restructuring the LBC to bring in the other business councils formed during the 17 February Revolution, in Benghazi and Misrata. He also vowed to revitalise the LBC's specialist committees and to open LBC branches in other Libyan cities. Highlighting business success stories and recruiting members from foreign companies were also part of his platform.

The election was very close with Benafa winning by 38 votes to 35.



Launch of Libyan Women in Business Committee

The Libyan Women in Business Committee was launched in Tripoli on 16 January. It offers new and established businesswomen the chance to exchange advice and experience.

The event at Tripoli Chamber of Commerce was attended by 25 women from a range of business backgrounds. Ibtisam Ben Amer, a businesswoman of 17 years' standing, who imports and sells Belgium chocolate, chaired the meeting. Ben Amer's aim is to help and encourage women, especially younger women, to start their own businesses. She said her goal had long been "to train younger citizens and teach them how to start a business and make it succeed."

Ben Amer was optimistic about the future of Libyan women in business. "My hope for 2013 is that business in Libya will boom", she said.

□ One businesswoman, who preferred to remain



Ben Amer was optimistic about the future of Libyan women in business. "My hope for 2013 is that business in Libya will boom"

anonymous, runs a dental clinic and imports medical materials and equipment. Her main concern, like many other women who attended the meeting, was the need for the government to improve security. "With good security, we can work on other projects," she said, "but without security it is very difficult to get people to invest back into Libya."

Rabia Ben Barka, credited as one of the first fashion designers in Libya, said that female entrepreneurs in Libya should help one another. "Women in business are very prominent," she said. "There is no competition between men and women, as women can be really strong in business if given the chance. In the new Libya, this is what we want".

"We would like to succeed worldwide and show that we Libyan women are capable of many things."

New GM for Tripoli's RadissonBlu

The RadissonBlu Al Mahary Hotel in Tripoli has announced the appointment of Volkan Vural as its new General Manager.

Vural joins the Carlson Rezidor Hotel Group from Doubletree by Hilton, where for the last two years, he has been General Manager of Doubletree by Hilton Istanbul Old Town. Before joining Doubletree, he held a variety of operational positions in international hotels in Tashkent, Uzbekistan and Almaty, Kazakhstan, where he was Residence Manager of the Intercontinental Hotel. Vural has more than 16 years experience in the hospitality business, which is a perfect foundation for his new role as General Manager of the 351-room Radisson Blu Al Mahary Hotel, Tripoli.

Vural, who is Turkish, is married and has one child. He says he is pleased to be in Tripoli and looking forward to working with the team and the people of Libya.

EXHIBITIONS IN LIBYA

5-7
March

Airport Technologies & Infrastructure Development Exhibition

Tripoli International Fair | www.atid-libya.com

22-25
April

Oil & Gas Libya 2013

Tripoli International Fair | www.oilandgaslibya.com

22-25
April

Infrastructure Libya 2013

Tripoli International Fair | www.infrastructurelibya.com

6-9
May

Agro Libya Food & Fishing 2013

Tripoli International Fair | www.agro-libya.com

19-23
May

International Electrical and Mechanical Show

Tripoli Sport City | www.emex.ly

19-23
May

Libya Build 2013

Tripoli Sport City | www.libyabuild.com

6th Business Convention to showcase Tunisian construction

Some 80 companies are expected to exhibit at the Baltimaghreb Business Convention on 25 to 27 February at Tripoli's Corinthia Hotel. Organised by Tunisia Market Place and MEDI (Société Méditerranéenne pour le Développement et l'Investissement) it is the 6th such event. Started last year in Tunisia, the conventions, although designed to promote the exchange between the five North African countries, act mainly as a showcase for the Tunisian building industry.

The overwhelming majority of the exhibitors will be Tunisian. Some 60 Tunisian business-

men are expected to attend, including architects and civil engineers. Goods and services on show will include air conditioning and refrigeration, sanitary equipment, construction materials, doors, windows, floor and wall coverings, elevators and escalators, electrical installations and lighting.

The organisers say they expect around 5,000 visitors and that these will include property developers, building contractors and tradesmen, manufacturers of construction products and machinery, public administrators and government officials.

Taqnya 2013: The 7th Annual Telecommunication and Information Technology Exhibition

By Nadia El-Ahmar

Tripoli's seventh annual IT exhibition took place on 21-24 January, attracting considerable interest from both business and individuals. It brought together the biggest names in Libyan telecommunications as well as foreign and local companies.

State-owned firms, including Libya Post, Libya Telecom and Technology (LTT), Al Madar and Libyana, had a large presence. Alaa Elsharif, from LTT, Libya's main internet service provider, told the *Libya Herald*: "There has been a boom since the revolution which we find refreshing and exciting. Before the revolution, there wasn't the same demand for internet services like there is now. Everyone wants to get online, be on Facebook, everybody wants to tweet."

Chinese competitors ZTE and Huawei had stalls opposite one another, displaying their latest in innovative technologies. Both are now resuming pre-revolution projects.

ZTE has been working in Libya since signing its first deal, worth \$40 million, in 2004. It has since completed more than 50 contracts here. Malik Shaban, the deputy CEO of ZTE in Libya, said they were one of the first companies to return after the revolution, in September 2011,

using local staff to repair communication systems damaged during fighting.

Tripoli-based Al Manteq, a technology firm partnered with a German-based offshoot of Fujitsu, exhibited high-technology products, including virtual desktop infrastructure (VDI), in which it anticipates major interest. Yahya Rayes, Fujitsu enterprise product manager, told the *Libya Herald*: "High demand is expected for new technologies and dynamic infrastructure." He added: "Part of the challenge we face is from the decision-makers who don't really understand the world of technology. They want to work the same way they were working before."



□ Visitors to Taqnya 2013

Commitment to Libya

Total is committed to developing the Libyan oil and gas sector to help in realising new Libya's ambitions and goals



Total, one of the world's largest oil and gas companies, has been present in Libya since the early 50's. Over the past 60 years, Total has been proud to contribute to the development of Libya's natural resources and the advancement of the country's most valuable asset - its people. In the energy sector, Total has established various partnerships in the Mabruk, Al Jurf and Akakus Fields. Total is equally proud to participate in the improvement of standards in education and the environment within the community. Total's responsibility is to meet the increasing energy demand with safe and sustainable energy sources.



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Former Prime Minister
Abdurrahim Al-Kib
Reads the
Libya Herald

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