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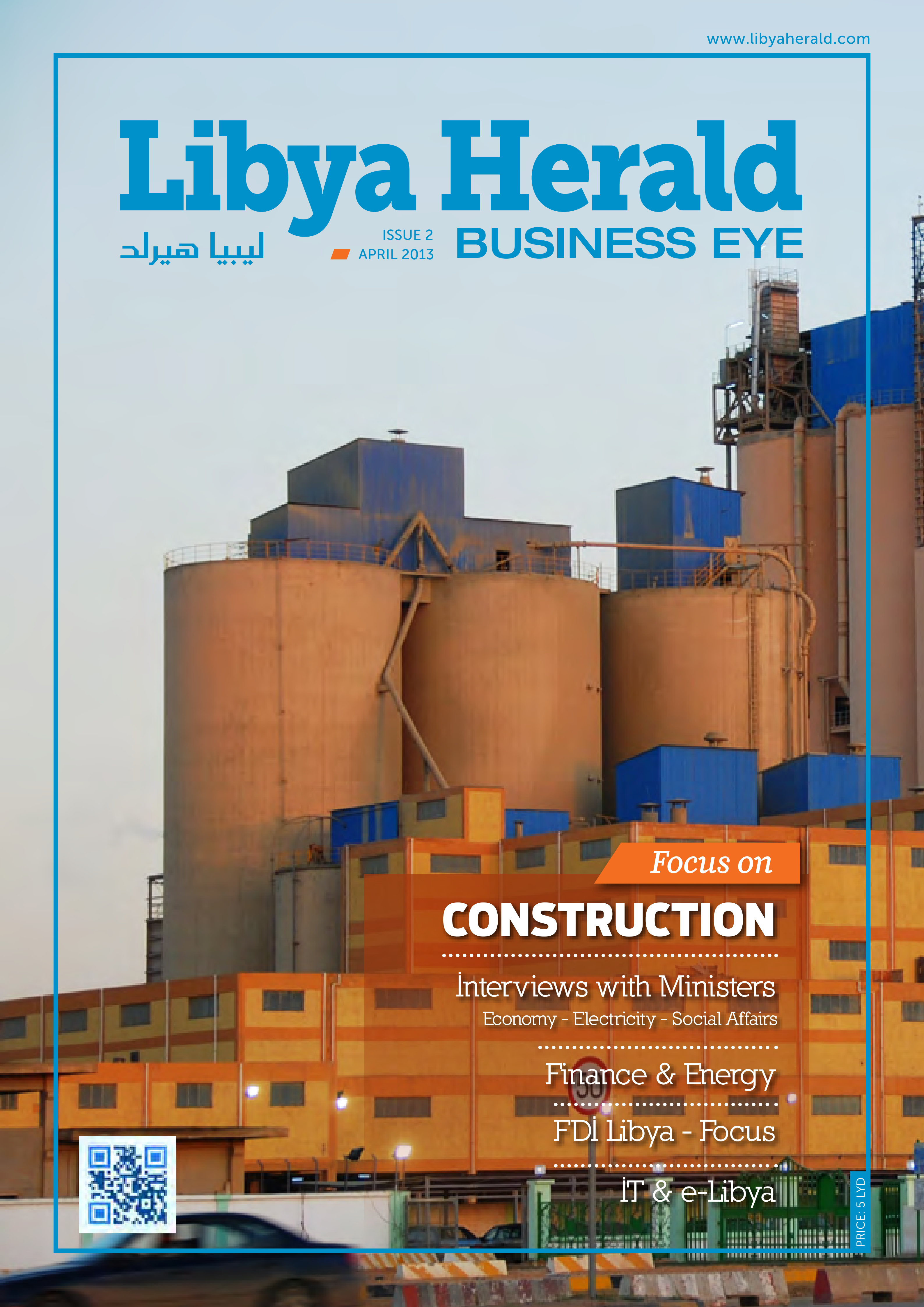
BUSINESS EYE



Focus on

CONSTRUCTION

Interviews with Ministers

Economy - Electricity - Social Affairs

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IT & e-Libya

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From the Editor

It was noticeable that as soon as the second anniversary of the 17 February Revolution was passed and fears about security proved to be widely off the mark, foreign companies and organisations again started making a bee-line for Libya.

Security is an issue, but concerns about it have been massively exaggerated, especially in the international media, and especially in relation to Benghazi and the east of Libya. As elsewhere in the world, there is crime but it has to be put into perspective.

Now that the February scare is seen to have been based on misinformation, international companies should now feel assured that Libya is a safe place to come and do business. There is a great deal to do, now that the LD 66-billion budget has been approved by the General National Congress.

What Libya is looking first and foremost for at this point in time is for work on existing contracts to be restarted. Already that is happening. The other need that Libya is going to pursue voraciously is know-how, not just technical skills but administrative ones in scores of disciplines.

However, while it is government spending that it going to drive development in the medium term, it is the private sector that in the longer term is going to drive economic growth and prosperity. The Libyan revolution was about giving Libyans the freedom to be in charge of their own lives as well as of the country. That includes being free to run their own businesses if that is what they want.

The country is moving irrevocably from a centralised economy to a free market — albeit one where,because of the oil income, the state remains in the driving seat as far as major development projects are concerned. The government and Congress are committed to it.

It is the private sector that international companies need to particularly focus on. Last year's growth figures, estimated by the IMF at over 100 percent, were largely a case of restarting economic activities curtailed during the revolution. More interesting is its prediction that non-hydrocarbon growth will average 15 per cent a year for the next five years. Much of that will be private sector growth.

Michel Cousins
Editor-in-Chief

Government spending drives construction – but what about the private sector?

By Michel Cousins

That Libya has a mountain of projects needing to be undertaken is obvious to Libyans and foreign visitors alike. The country's infrastructure is appalling even by Third World standards. It is not just what was damaged or destroyed during the revolution. So much was left to rot during the Qaddafi decades or was poor quality in the first place or never built.

Even the former regime finally realised the extent to which Libya had been left behind. But the rush to develop and catch up was also a rush by Qaddafi family and friends to line their own pockets.

Most of the projects – the housing, the railways, roads, airports, power and water projects, hospitals colleges and universities and so much more — however, make sense and there is today a strong push by the government to "get the cranes moving again".

Minister after minister says that Libya needs to get foreign companies to come back and complete projects stalled by the revolution.

GOVERNMENT READY TO SPEND

Last month, the General National Congress approved the 2013 LD 66-billion budget, opening the door both to reactivating previous contracts and allowing new ones. The priority is on completing the tens of thousands of housing units across the country that stand unfinished, in various stages of construction. LD 3.5 billion has been allocated to housing projects, the biggest single allocation in the development budget.

Oil and gas projects come next, with LD 1.99 billion, followed by electricity projects at LD 1.88 billion. Hospital and heath projects are allocated LD 1.01 billion as are communications and information projects.

> There is today a strong pushbythe government to "get the cranes moving again".

Education projects, including new schools, universities and technology institutes, get LD 947 million while defence projects (as opposed to defence equipment and training) are given LD 800 million. Water and water desalination projects get LD 263 million. Interestingly, the development budget for transport projects is set at LD 365 million (including LD 85 million on the railway project) but transport officials say they intend to spend more this year – LD 500 million.

The lowest allocation – just LD 1 million – is for tourist infrastructure projects, which says a great deal about how both the government and Congress view the sector, despite the fact that it could generate a massive number of jobs.

However, rebuilding Libya is going to cost not tens but hundreds of billions. In November 2011, just before he resigned as interim prime minister, Mahmoud Jibril estimated that rebuilding Libya was going to cost $400 billion (LD 500 billion). No one disputes that figure — and it did not take into account long overdue new projects needed.

NEED TO CHANGE LAWS

But, as Libyan businessmen have increasingly been pointing out this year, the major challenge in getting the cranes moving again and the economy to grow is not about money and government spending. It is about the law. Government spending is the motor that drives the economy at present, but the new Libya is committed to the private sector. The challenge is remove the mass of Qaddafi-regime regulations that were designed to block a free market.

The biggest issue is land registration. Until it is sorted out, the mega projects will remain stalled while former owners claim title. Similarly, individuals will not be able to use property as collateral to raise funds for projects.

The government and Congress appear to understand the urgency. In the 2013 budget, LD 334 million has been set aside for legal projects, specifically land registration. It is potentially one of the most crucial investments in getting the economy moving.

Tripoli building site

Turkish contractors remain bullish

More than a hundred Turkish companies are doing business in Libya. Most of them are members of the TCA. The total worth of their projects in Libya is $19.1 billion.

By Nigel Ash

Libya was one of the first overseas markets that Turkish contractors entered in the 1970s, as they went abroad to grow their businesses. Thus, though Turkish firms have now more than 7,000 projects in 100 countries, Haluk Buyukbas, secretary-general of the Turkish Contractors Association (TCA) says Libya has a special meaning and significance for his members.

Tripoli skyline

"Deep-rooted relations based on common history, social and cultural affinities, economic cooperation and friendship," says Buyukbas, "have existed between Turkey and Libya throughout history. The governments and businessmen of both countries have spared no effort to improve both political and economic relations."

GOOD RELATIONS

These good relations have reportedly paid off in intensive trade negotiations between Tripoli and Ankara. During a visit to Turkey last month by Prime Minister Ali Zeidan, he offered to pay any contractors returning to their stalled Libyan projects 50 percent of their outstanding contracts immediately and the rest thereafter.

At a private dinner party in Ankara with Turkish Prime Minister Erdogan and the Economy Minister Zafer Caglayan, Zeidan reminded his hosts that Libya was still emerging from a war and he asked that Turkish contractors to "have patience." He said he could not give a clear road map for the payments.

More than a hundred Turkish companies are doing business in Libya. Most of them are members of the TCA. The total worth of their projects in Libya is $19.1 billion. The outstanding progress payments add another $1 billion; volume of performance and advance payment bonds $1.8 billion; and the estimated total amount of losses and damages $1.3 billion.

Since they were obliged to evacuate their nationals quickly, Turkish contractors, says Buyukbas, "have been suffering from substantial amounts of losses and damages. Many construction sites have been damaged, the equipment, materials, offices and camps looted or destroyed. In addition to all this, they have failed to receive the payments for the projects they had completed prior to the civil unrest."

Buyukbas points out that immediately after the fighting ended, Turkish contractors visited their construction sites and expressed their willingness to resume the projects. "They have also realised the maintenance and construction of some public buildings such as police stations, schools, health centres, and airport terminals as a donation with respect to the good relations with the National Transition Council (NTC) and strong historical ties with the Libyan people."

He continues: However, "although two years have passed after the civil unrest, construction companies still have not received their progress payments. Similarly they have also not received compensation for their damages and losses."

"In order to swiftly resume their construction activities in the country, Turkish contractors expect that the damages and losses suffered within the process to be detected or at least a proper method of compensation to be determined."

This he insists is important: "Although the Libyan government gave priority to the unpaid progress payments in their statements, the damages and losses are also substantially important for the companies."

CONSTRUCTIVE DIALOGUE

"As from February 2011, Turkish contractors have paid huge amounts for insurance, commissions for the bank guarantee letters, construction site security costs and similar claims. In this process, they have constantly attempted to remain in a constructive dialogue with the Libyan authorities and have done their best to create the necessary working conditions to resume their business in the country. Although significant progress has been made, so far there is still much to be done as far as security and political stability is concerned."

But the key issue remains when promised payments will be made. This is more important than the inability to collect progress payments. "The ambiguity regarding the time frame and method of compensation for damages and losses is a bigger issue."

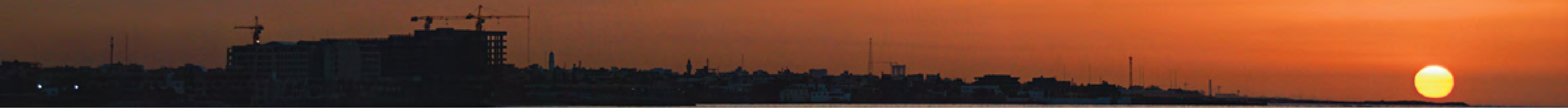
Buyukbas says that in their 40 years of working in Libya, Turkish companies have acquired a wide knowledge of local conditions and good local relationships.

He remains bullish about his members' prospects in Libya. "Even though they have been going through a difficult financial phase, Turkish companies are willing to resume unfinished projects and to continue to undertake new opportunities in Libya in the coming period."

Bureaucracy threatens **Libya's rebuilding**

Inexplicable bureaucratic delays are jeopardising the completion of works for which Libya has already paid.

By Nigel Ash



Hotel building site in Tripoli

It is not simply questions over outstanding payment and compensation that are holding back the return of foreign contractors to projects they abandoned at the start of the revolution. Inexplicable bureaucratic delays are jeopardising the completion of works for which Libya has already paid.

A case in point is Labraq's new airport, almost finished but still needing a vast array of goods and equipment, including its state-of-the-art baggage handling systems. These have been sitting for months in containers on the docks at Benghazi, awaiting release and collection.

The hold-up is nothing to do with the port authorities, who are anxious to free up the valuable storage space, nor indeed customs. Sources close to the docks say that the delay has everything to do with the Ministry of Transport's Transportation Projects Board (TPB). Because the goods are shipped to the name of TPB, they are the only people who can authorise their release and nobody seems to know why this is not happening.

For Hakan Hazneci, Senior Vice President, Business Development at Renaissance Construction, having the material stuck in Benghazi port is frustrating: "We are at an advanced stage with Labraq airport, which is a project we were paid for several months ago. But we cannot finish because materials and equipment, everything from paint, marble and wood to the luggage handling and security systems, are stuck in containers in the port at Benghazi."

"So everyone is waiting. But some of these materials are delicate. It is getting hotter and hotter in Benghazi. It is going to be 50 degrees in those containers and some of the goods are going to be damaged permanently. For example, the luggage system has these plastic palettes. They are going to be bent by the heat. I don't know what is going to happen if this occurs, who is going to pay for it, the customs penalties, the container charges to the shipping companies. There are lots of unknowns."

SOME PROJECTS RESUMED

Yet Hazneci and Renaissance are highly optimistic about their work in Libya. The firm was he says,the first to return to Libya. It now has 500 workers back in the country, as against a peak of 3,000 before the revolution. Besides Labraq airport, it is contracted to build new terminals at Tobruk, Murtuba, Ghat and Kufra. Work, he says, has resumed on all but Kufra, where the government has been unable to supply the requested security, and flying in all the construction material is too expensive an option.

Renaissance has also half-finished Tripoli University's new engineering facility. Hazneci says that since the government has said it will give priority to the completion of healthcare and education projects, he is hopeful his firm will receive clearance to resume the work. Less clear is the future of the Tripoli stadium project, where Renaissance has begun the ground works. However there are now moves to build the stadium elsewhere. Notes Hazneci: "The fact that Libya is anxious about the Africa Cup 2017, it is crucial to resume work at Tripoli Stadium - which is a state-of-the-art structure, ASAP"

CONFIDENT LIBYA WILL PAY

Hazneci points out that Renaissance recommitted to its government projects in Libya without insisting first on agreed compensation, unlike some European contractors who said they would not move until they were recompensed for losses suffered as a result of the revolution. Renaissance has projects valued at $1 billion.

"At Renaissance, in principle, we have not made compensation a reason not to come back," says Hazneci. "We did not make it a condition. We came back and we are confident that Libya will pay us eventually. We had the financial strength to be able to return and start again and we know we will be compensated. Libya and Turkey have very close ties. We understand they have been through a lot. We are thankful for the jobs they awarded to us and are at their service."

However he notes sadly that one result of so many stalled construction projects is that Libya is a mass of idle cranes, on which only the warning lights are still working. Two such Renaissance projects are the renovation of Tripoli's Al Kabir Hotel and the Bab Trablus mall, offices and five-star hotel on the Airport Road.

SEBHA CHAMBER OF COMMERCE SIGNS AGREEMENT WITH IZMIR CHAMBER

The Sebha Chamber of Commerce signed an agreement with Izmir Chamber of Commerce. The agreement was concluded during the Izmir Furniture and Carpets show held from 27 February to 3 March in the Turkish city of Izmir.

The agreement, signed by Sebha Chamber's Chairman Mohamed Wanis and by the head of operations on the Turkish side, is to provide for the mutual exchange of market information and to expand commercial visits aimed at increasing trade between the two nations.

Painting a bright business picture: Jotun Libya

By Tom Westcott

New Jotun factory in Zawia

Jotun is the leading paint company in Libya, selling around eight million litres of paint per year to Libyan businesses and homes.

A Norwegian company founded in 1926, Jotun first came to Libya in 1962. Oil had been discovered here three years earlier and, recognising the country's market potential, Jotun established its first foreign factory in Libya, later setting up the Libyan Norwegian Industrial Company (LINOCO). Qaddafi decided to take over the factory in the early 1980s and substituted cheaper, substandard materials. Rather than be associated with poor quality paints, Jotun pulled out of the country.

The company was brought back into Libya by Abdulmenem Abdulaziz who worked in the oil and gas sector and noticed the deterioration of equipment in desert conditions. He recognised the need for good-quality protective coatings and started importing Jotun paints. When Libya's difficult market conditions were eased, Abdulaziz established a business, Al Mumtaz, working as the sole distributing agent in the country.

MULTICOLOUR INTERIOR DESIGN

In 2000 Jotun Libya opened its first "multicolour centre," selling not only colourful domestic paints but also the concept of interior design. "At the time, you could only buy white or cream interior paint from hardware shops," explains Abdulaziz: "White for the ceilings and cream for the walls. We had an original concept, but we needed to create a demand for colours and patterns."

Today, customers can go to any Jotun outlet in Libya and leave with one of 64,000 shades, mixed on demand by computerised machines. Country-wide there are 80 multicolour centres, exclusively selling Jotun paint. "Effectively, we have an ambassador in every town," Abdulaziz says and, in a country with limited communications and transport infrastructure, he explains: "Our network is our infrastructure."

Creating its own market for interior design, based around a wide choice of colours for home decor, has been lucrative. Jotun Libya is now the industry leader in a country where the paint sector is worth in excess of LD 100 million per year. It sells to three main markets: household paints (which make up 75 percent of its sales), protective exterior coatings for the oil and gas industry, and marine coatings for ships and offshore installations.

> In 2010 Jotun Libya started work on a factory in Zawia, designed to make 15 million litres of paint per year.

Part of its success seems to have been its devotion to a single product. "We have always just focused on paint and developing this, which means we have kept ahead of our competitors," Abdulaziz says. "But we don't see ourselves as a company that sells paint; we see ourselves as more as selling an interior design concept, putting our multicolour centres on the high street rather than in industrial areas."

Jotun Libya Staff

OVERCOMING SUPPLY CHAIN CHALLENGES

With a high demand in the country at present because, as Abdulaziz says, "everybody needs paint for rebuilding," Jotun's biggest problem is the supply chain. Paint supplies are being ordered from factories around the world. "Our supply has to come from more than one source in case they can't supply enough," Abdulaziz explains.

Jotun Paints

> Jotun Libya is now the industry leader in a country where the paint sector is worth in excess of LD 100 million per year.

To address this, in 2010 Jotun Libya started work on a factory in Zawia, designed to make 15 million litres of paint per year. Interrupted by the revolution, the project is still on hold, waiting for the return of the Italian contractors. "We are being patient," Abdulaziz says, "but it will be a lot easier for us when we can manufacture our own products."

Once work restarts, he estimates that the new factory will be producing paint within 12 months. It is also expected to bring jobs to the area, employing 150 people, 95 percent of whom, including senior staff, will be Libyan.

There is also a strong commitment to the factory being environmentally responsible. "100 percent of the waste from the factory will be recycled," Abdulaziz says. "This is an investment of millions but we are pleased to be implementing Scandinavian requirements and we won't be economising at all."

LIBYA TO IMPORT PREFABRICATED HOUSING

The Housing and Infrastructure Board (HIB) has issued a tender for 2,300 prefabricated housing units. It is the first call for such units to date although at the end of last year, the Deputy Prime Minister, Abdussalam Al-Qadi, told the General National Congress that the Ministry of Housing and Utilities planned to erect a total of 6,500 prefabricated units throughout the country as a temporary solution to the persistent housing problem.

It is not clear if this will be the first in a succession of tenders for prefabricated units or if the government has had to cut the number it was planning to install this year. Last month, the Assistant Deputy Minister Housing and Utilities said that that 20 percent of the 2013 Budget would be set aside for the ministry. This would have given it over LD 13 billion. In the event, it received less than a third, LD 4 billion, of which LD 3.3 billion is allocated for housing and utilities projects. This includes, however, standard housing as well as the wide-scale renovation of homes damaged during the revolution and the cleaning of public spaces, water and sewage infrastructure.

The tender, which closes on 21 April, 2013, says the units are for 11 different sites across the country but does not say where or mention specifications.

One major destination for such units will be Sirte. A year ago, the local council approved the construction of 2,500 units in the town where a large number of homes was destroyed or badly damaged during the revolution. A 50-hectare site was set aside to locate them.

Prefabricated building

Asamer – concrete commitment to Libya

By Nigel Ash

Asamer cement factory in Benghazi

When the hundreds of stalled construction projects throughout the country finally restart, there is going to be a massive demand for cement and concrete. Two Libyan joint ventures with the Austrian company Asamer will play an important role.

The Libyan Cement Company (LCC) has factories in Benghazi, Hawari and Al-Fataiah, near Derna. With more than 2,500 workers, Asamer and its 49.6 percent Libyan partners, the Economic and Social Development Fund (ESDF) together with LCC employees, have one of the largest corporate workforces in eastern Libya. In another joint venture with ESDF, the Joint Libyan Building Materials Company (JLBM), Asamer also runs the Tajoura concrete operation in Tripoli.

At the start of the revolution, Asamer sent two humanitarian aid convoys with 30 tons of food and medical supplies to Benghazi. Almost exactly a year ago, it sent a third convoy with medical aid and Austrian doctors, who helped out in hospitals in Benghazi and Gharyan.

Asamer also paid its employees for the whole time that work was suspended during the revolution. It was also one of the first non-oil companies to send its expatriate employees back to Libya to restart work in January 2012.

BACK TO WORK

Unfortunately for LCC, not all its employees were impressed by the support Asamer had given to Libya during and after the revolution. Last May, 68 strikers, calling themselves the Workers' Solidarity Group, partially blockaded the Benghazi plant. Employees in Derna refused to join in the industrial action and the majority of staff in Benghazi also continued to work. They mounted angry counter-demonstrations against the strikers, some of whom were allegedly armed. However, because of security concerns, the 33 expatriate employees at the plant were told to stay away. As a result the business idled.

> "Despite all the challenges and problems of a country in the process of stabilization, Asamer is still trying to maintain the production and delivery of cement to the Libyan market, which is important for the reconstruction of the country."

In TV interviews, members of the Workers' Solidarity Group demanded the reinstatement of sacked workers, the firing of Qaddafi-era managers, a pay rise, the introduction of medical insurance, improved plant safety and the expulsion of all foreign executives. LCC management responded saying that no workers had been sacked. When the strikers alleged corruption at the joint venture, ESDF head, Dr Mahmoud Baadi met them and offered to open up the company's books for an independent audit. The industrial action fizzled out after a few weeks.

INVESTING IN PRODUCTION

Asamer acquired its majority stake in the holding company that controls LCC and JLBM in 2009 by paying LD200 million to ESDF. The deal gave it management control. Asamer then began an extensive upgrading of the plants to boost production and cut environmental pollution by 95 percent. So far, said the Austrian company in a statement to the *Libya Herald*, it has invested in excess of €100 million to improve production processes and increase efficiency, as well as addressing pollution with the use of filters and increasing health and safety provisions. Asamer maintains that in terms of both pollution and health and safety, the Libyan operations are now on par with similar plants it runs elsewhere in the world. Asamer is present in eleven other countries.

> Libyan operations are now on par with similar plants it runs elsewhere in the world.

Asamer is clearly proud that it paid its workers for all of 2011, despite the shutdown of its operations. "With this act the company expressed their support directly to the workers and their families and," it says, "in a broader sense, to the community of Benghazi and the new government."

"Despite all the challenges and problems of a country in the process of stabilization, Asamer is still trying to maintain the production and delivery of cement to the Libyan market, which is important for the reconstruction of the country." It concludes: "Being one of the most experienced foreign investors in Libya, Asamer maintains positive expectations for the country, its future stabilisation and development. We expect to have a strong role in its reconstruction cycle."

South Korea's active agenda in Libya

By Brigitte Scheffer

South Korea is becoming one of the most active foreign missions in Libya as it announces one initiative after another.

RESUMING WORK

In February, Hyundai Engineering and Construction agreed to resume work on projects in Libya after receiving assurances on compensation and security from the government.

The Counsellor at the South Korean embassy in Tripoli Kyung-han Kim, said he had "asked the Libyan government to expedite the process of re-evaluating all existing contracts and to resolve the compensation, non-payment, bond call and escalation fees for resuming the projects."

All together 19 South Korean construction companies have 25 projects worth a total of $10.6 billion in Libya. These were halted by the 2011 revolution. Companies have since been cautious about resuming their operations in an uncertain situation.

Nonetheless, South Korean Ambassador Lee Jong-kook has said his country's companies will return to Libya, especially those involved in construction. He expressed, too, Korea's desire to take part in the other industrial projects.

For his part, the Minister of Oil, Abdulbari Al-Arusi, wants South Korean companies in the oil sector to finish their projects. He encouraged them to speed up their return so they can have a better chance to participate in the rebuilding of Libya. He has also invited Korean companies to bid for developing oil ports in Libya.

BUILDING AIRPORTS

South Korean construction companies are also engaged in the construction of airport terminals. Nemo Partners has been put in charge of building a new passenger terminal at Benghazi airport. The project is expected to take 12-18 months to complete, and will alleviate demands on Benghazi's small airport with its inadequate and poorly serviced facilities.

In spite of its huge cost, this new terminal at Benghazi is being billed as temporary, meaning that it could be superseded should the larger pre-existing terminal expansion project be resumed. "The Libyan side need these new passenger terminals and want to make headway as soon as possible", explained Kyung-han Kim. "That's why they are proceeding with these temporary terminals now."

A new passenger terminal at Misrata airport is also being described as temporary, and comes in the midst of contractual difficulties on other projects at the airport described as "extremely complicated".

> 19 South Korean construction companies have 25 projects worth a total of $10.6 billion in Libya.

These new passenger terminals at Benghazi and Misrata airports will cost an estimated LD 60 million.

Korean contractor's building site in Tripoli

Improving workplace productivity through sustainable design

The existing structure had been diagnosed as a "sick building," meaning that the working conditions were unhealthy and inefficient.

By Sarah Elmusrati

In September 2012 the Office of Sustainable Design (OSD) was commissioned by the Libyan Civil Status Authority to redesign its IT building in Janzour to improve efficiency. It was the first project of its kind in Tripoli. The existing structure had been diagnosed as a "sick building," meaning that the working conditions were unhealthy and inefficient. Mould, mildew, cigarette smoke and poor ventilation led to toxic indoor air quality. Tinted window glass blocked out 50 percent of the sunlight, so artificial light was used during the day. About 70 percent of the building plan was inefficiently used or wasted.

The goal was to redesign the building with minimal changes and waste of material. Through simple alterations, the designers were able to maximise daylight in offices whilst reducing total heat gain from the sun by 15 percent, thus reducing air conditioning use in summer. Lost space was re-allocated to flexible workstations, increasing the building occupancy by 40 percent. A new outdoor area for work breaks and handicap accessibility was created to boost staff morale and encourage community-building.

> The sustainability factors that contribute to employee productivity are indoor air quality, natural lighting, thermal comfort, and links to nature.

Upon completion of the project in May 2013, OSD plans to carry out a Post Occupancy Evaluation (POE) to determine the outcome of design with regards to productivity.

It is hard to quantify the impacts of design on productivity, particularly in Libya. Other factors, such as management structures, work incentives, individual job satisfaction, also have to be considered. Also, sustainable office buildings are not on the wish-list of Libyan public officials and business owners. Cheap subsidised utilities, notably electricity, make the savings of operating green buildings less significant. The economic benefits of improving employee productivity through good design are often neglected, though this is an area where a big return on investment can be made. Moreover, with electricity generation operating significantly below demand in summer when air conditioners are on full blast, it is in the country's interests to reduce consumption.

Over the lifecycle of a typical office building, construction costs amount to only 1-2 percent of the total cost. Rent and operational costs consume 6-10 percent, while the bulk of the total costs, 80-90 percent,goes to employee salaries and benefits. It is believed that productivity can be increased up to 20 percent through efficient workspaces, which would be up to nine times more than savings made elsewhere in the organisation. The sustainability factors that contribute to employee productivity are indoor air quality, natural lighting, thermal comfort, and links to nature.

Central Tripoli and Benghazi have a remarkable heritage of stunning art deco and Italianate buildings that needs to be given a new lease of life. Elsewhere there are more modern buildings that are as drab and soulless on the outside as the inside. Then there are apartment buildings used as offices. They are almost all inefficient in terms of running costs, workspace layout and design. They need to be changed.

Design strategies that enrich user experiences should be considered as investments that enhance an organisation's overall success, and can be implemented in new or renovated office buildings in all sectors.

Sarah Elmusrati is Co-Founder, of Office of Sustainable Design www.osd.ly

Before. Original building exterior

After. Artist image of new design

SELECTION OF EXHIBITIONS & CONFERENCES IN LIBYA

12th Arab Structural Engineering Conference - Tripoli

The 12th Arab Structural Engineering Conference and exhibition is being organised by the Civil Engineering Department of the Faculty of Engineering in the Dat Al–Imad complex –Tripoli, 16–18 December 2013.

This event is a continuation of the successful series of Arab Structural Engineering Conferences held every two years in several Arab countries since 1985. Saudi Arabia hosted the last event in 2009 and Libya, which was due to host the event in 2011, is hosting it in December 2013.

The conference in Tripoli will bring together internationally recognised specialists, researchers and engineers from Arab countries to share their expertise on recent research and technical developments in the fields of Structural Engineering. In particular expertise will be shared in the areas of construction design, materials, techniques, technology,management and environmental impact. www.asec12.ly/en Email: info@asec12.ly

International Building Materials exhibition for Misrata in September

Misrata was one of the places most damaged in the vicious fighting during the revolution. It is therefore perhaps surprising that the city has not hosted any sort of rebuilding event; until now that is. The Build Expo Libya will be opening its doors at Misrata International Fairground between 9 and 12 of September this year.

Turkel Fair Organisers, which is staging this International Building Materials exhibition, point out that since the revolution most such events have tended to focus on Tripoli. However, combining Misrata's own population, which is in excess of 281,000, with those of neighbouring towns – Khoms, Ajdabia. Zliten and Sirte – gives the Build Expo show a catchment area approaching three quarters of a million people and many thousands of businesses. Turkel says that the Misrata fair is to be given the full support of the Libya Businessmen's Council.
www.buildexpolibya.com

Infrastructure Libya 2013

Infrastructure Libya 2013, the 5th event in this series, is set for 22–25 April 2013 at the Tripoli International Fairground, organised under the patronage of Libya's Ministry of Planning. The event which is an international showcase for infrastructure planning, and civil engineering, will showcase technology and expertise from around the world, of major relevance to Libya's infrastructure rebuilding priorities. www.infrastructurelibya.com

Infrastructure & Construction Libya Summit 2013

Following the success of the first Summit, held in November 2012, the Infrastructure & Construction Libya Summit 2013, is taking place on 29–30 April 2013 in Istanbul. As in 2012, participants are expected to include representatives from Libyan Ministries, housing authorities, transportation infrastructure operators, as well as Libyan and international construction firms and their service providers. The event will cover key areas such as utilities, power, water, housing, social infrastructure, transportation, airports, railway, and roads. www.libyaconstruction2013.com

EXHIBITIONS & CONFERENCES IN LIBYA (APRIL – JULY 2013)

Date	Title	Location	Contact
2–12 April	41st Tripoli International Fair 2013	Tripoli International Fair	General Board of Fairs
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
22–25 April	Mobtex Furniture Show	Tripoli International Fair	www.mobtextripoli.com
29–30 April	Infrastructure & Construction Libya Summit	Istanbul, Turkey	www.libyaconstruction2013.com/
6–9 May	Agro Libya Food & Fishing 2013	Tripoli International Fair	www.eagro–libya.com
6–9 May	Libya ITEX– Technology	Tripoli International Fair	www.elibyaitex.com/en
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
23–24 May	New Libya Oil & Gas Forum	Istanbul, Turkey	www.libyaoilgas.com
29–30 May	FDI Libya Conference	London, UK	www.fdilibya.com
2–5 June	MEED Libya Projects 2013 Conference	Corinthia Hotel, Tripoli	www.MEEDLibyaProjects.com
3–6 June	Machinery & Food Pack Show	Tripoli International Fair	www.tripolifoodpack.com
16–19 June	Libya Food Expo	Tripoli International Fair	www.libyafoodexpo.ly
1–4 July	Libya Sport Show	Tripoli International Fair	www.alkhalanexpo.com/ Libyansportshow

Libya Build moves on

By Hadi Fornaji

Libya's largest trade show, *Libya Build*, is getting bigger. So much so that this year it has decided that it is too big for the Tripoli International Fairground it has used in the past.

So this year's show, the ninth International Building & Construction Exhibition, from 19th to 23rd May, is being held at the Sports City stadium grounds, on the west side of the capital.

It is not so much a case of lots of extra companies wanting to showcase products and services. It is more about demands for extra space. "International companies want a bigger space," explains Maged Mahfoud, Managing Director of ATEX, the organiser of Libya Build. "So we've increased the area by 15 percent."

Some exhibitors, he said, had doubled their space. The indoor Italian display area, the biggest national showing, has at 1,300 square metres, nearly double its previous area.

The show will transform Sports City's parking area, an area of over 30,000 square metres, into the largest ever exhibition centre in Libya. It sends "a clear and unequivocal message" that the country is ready to do business, say the organisers. That is seen in the simple fact that two months before the opening, it was already 90 percent sold out. This year 636 exhibitors are expected, much the same as last year.

"It's a big challenge to move from a venue that is well known," said Mafoud. But making the move from the Tripoli International Fairground (TIF) was more or less an obvious and necessary choice. The facilities there have declined, parking is not easy and the streets around are congested. In comparison, the new location is accessible from east and west, via the motorway.

Neptunus Tent structures of Holland has been awarded the contract to set up over 20,000 square metres of specialised tent structures for exhibitors coming from Austria, Malta, China, the Czech Republic, Egypt, France, Italy, Korea, Malaysia, Turkey, Tunisia and, of course, Libya. They will be exhibiting the latest projects, services and equipment vital for rebuilding Libya, where the construction of new airports, roads, housing units, hospitals, schools and hotels are all priorities.

For the first time ever, there will be official participation from Belgium and Spain.

"I wanted to do everything excellently," explained Mahfoud – and he predicts that will be the case. "It will be a better business environment. All will be in one hall. Everything under one roof. There will be no small pavilions. And it will have the best air conditioning, not so at the TIF buildings."

Pan Libya for Exhibitions and Events, the recent joint venture between ATEX and Casapinta Design Group of Malta will oversee the project management of the venue, while providing all exhibition services for setting up of stands at this international event.

Further details on Libya Build Exhibition can be obtained from www.libyabuild.com

> The show will transform Sports City's parking area, an area of over 30,000 square metres, into the largest ever exhibition centre in Libya. It sends "a clear and unequivocal message" that the country is ready to do business. ”

ATEX HAS AMBITIOUS PLANS TO DEVELOP ITS OWN EXHIBITION AND CONFERENCE CENTRE.

"It makes sense," said Managing Director Maged Mahfoud. "The Tripoli International Fairground has reached the end of its life." He pointed out that the site is hemmed in by the city and that not only can it not expand, it has lost a third of its space – the outdoor industrial area. A court handed it over to a family who claimed that it had been taken from them. ATEX has drawn up plans to build a new, state–of–the–art centre which will be used for its own events and will be hired out to others. It is inviting businessmen "with vision" to invest in the project, which will be built on a site as yet undecided. Details of the project and the new holding company are to be announced during the *Libya Build* exhibition.

Can British firms help with Libya's water needs?

By Thom Westcott

Fountain near Al-Kabir Hotel

British Water, the trade association for the UK's water industry, is leading its first trade visit to Libya, 20 to 23 April.

"This is a fact-finding visit, so British Water and the majority of delegates will use the visit to learn about the most pressing needs in Libya," says British Water's international director Lila Thompson. "Our aim is to help UK supply chain companies identify projects and potential business partners for future water, wastewater and desalination projects in the country."

Thompson says that British Water understands "Around 100 sewage pumping stations will be refurbished this year and ten new treatment plants will be built." She explained that Libya's waste services, which are limited at present, also need to be expanded and extended to other parts of the country, offering further opportunities for collaboration.

"The UK water industry has more than 150 years' experience in managing water supplies and providing wastewater treatment," says Thompson. "Skills have been shared and developed with countries across the world in areas such as water and wastewater treatment, regulation, project delivery and operational efficiency."

Administrative areas, including risk and asset management and legal and contractual negotiations are further areas where, she says, British companies could bring expertise. They could also offer specialist training for those working in the water and wastewater sectors in Libya.

The visit, supported by UK Trade and Investment (UKTI), will enable delegates to learn about Libya's plans, and offer guidance on how they can partner up with Libyan ministries, organisations and businesses.

Zulal Water awarded contract for 3 water plants by Waha Oil

By Michel Cousins

Waha Oil Company has awarded a contract to Zulal Water Technology (ZWT) for three turnkey reverse osmosis water plants for the company's Gialo, Waha and Essider oil camps. The total capacity of the three plants, to replace Waha's existing GE–Ionics EDR plants, exceeds 4,000 cubic metres a day.

"Our existing GE–Ionics EDR plants are in poor condition and in urgent need of replacement," said the Engineering Manager of Waha Oil. "We selected ZWT based on the strength of their technical proposal and their ability to install high quality water plants in a short time frame, which they demonstrated when installing an emergency water plant for us recently at Waha site."

The multi–million dinar project is to be completed during the fourth quarter of the year, according to ZWT.

Iftikhar–ul–Haq, Managing Director of ZWT, commented: "This contract award reflects ZWT's strong reputation and execution track record within the Libyan market. We very much look forward to working with Waha Oil again and are confident of completing the project on time and to the client's satisfaction."

Libya Herald Interview with the

Minister of Electricity, Ali Mohamed Muhairiq

By Ashraf Abdul-Wahab

Minister of Electricity, Ali Mohamed Muhairiq

With a limited budget for 2013, the Electricity Ministry is focusing its attention on addressing the country's energy deficit, to ensure that there will be enough power to see Libya through its peak-use summer season.

The Ministry's budget for 2013 is $1.89 billion - less than half of the $4.8 billion it requested - which will not meet the needs of the electricity sector, Muhairiq says. With this constraint, major new projects are not an option in this financial year. Instead, much of the budget is being directed towards the construction of a new power plant in Sirte and acquiring mobile power turbines to ensure that the recent power cuts experienced by much of the country will be a thing of the past.

DEALING WITH THE POWER DEFICIT

"The power deficit is expected to be 500-600 MW with total demand in the summer, which is peak time, reaching 6,700 MW," says Muhairiq. "However, with the mobile power turbines we are purchasing, we will have close to 500 MW so we do not think that there will be further shortages of electricity."

Libya has awarded US-based APR Energy a contract to supply the country with 250 MW of portable power generation. This is thought to be one of the largest interim power projects ever signed with a public utility. These diesel-fuelled mobile power turbines, which can be transported via road freight, will be employed from July to give regional coverage wherever it is most needed.

"There will be no black-outs or disconnections, unless we have an unforeseen maintenance problem, such as a short circuit in one of the transmission lines," says Muhairiq.

One of the problems faced by the Ministry is a lack of electricity reserves so, at present, it is just trying to meet the country's current energy demands.

Muhairiq points out that the fuel needed to run the country's power stations is under the control of the Ministry of Oil and Gas and the oil companies, and that problems with fuel supplies are beyond its control. "We do, of course, have reservoirs in every station," explains Muhairiq, "but these are limited and, if the supply is cut off, we can only run the station for a few days."

> "One of my major aims in this Ministry is to shift the focus from conventional power stations that use gas and light-fuel to renewables,"

The power plant being built in Sirte will boost the country's electricity generation. Muhairiq says that construction work, led by the Turkish firm Gama Industrial Plants, is going well. The revolution set the project back a year but, with the contractors now back at work, the Ministry expects the first 350 MW unit to enter into the grid in April or May 2014. When completed, the plant's total power output will be 14000 MW.

"Looking to 2014 and beyond, we will probably have an excess of electricity," Muhairiq says.

SHIFT TOWARDS RENEWABLE ENERGY

Renewable energy is another priority for the Ministry. "One of my major aims in this Ministry is to shift the focus from conventional power stations that use gas and light-fuel to renewables," says Muhairiq, "and we do already have some in the 2013 budget." There are now 40 MW solar power plants in Hun and Sebha and a 60 MW wind farm near Derna. Another wind turbine project is being planned.

"We are shifting towards renewable energy and maybe the budget of 2014 will see even bigger projects for solar and wind power," says Muhairiq. "We did not get what we wanted this year and that has limited our plans but hopefully next year's budget is going to be better."

APOLOGY:
In the last issue, we interviewed the Deputy Minister of Electricity, Mohamed Al-Hadi Khlat. This, however, was inadvertently presented as an interview with the Minister of Electricity, Ali Mohammed Muhairiq, We apologise to both.

Mobile power turbines

By Tom Westcott

Libya's fast–track solution for its expected electricity deficit of 500–600 MW this summer is to deploy mobile power generators.

APR Energy, a US–headquartered company specialising in temporary power solutions, is to supply 250 MW of mobile power to the country. The highly–portable, wheel–mounted units each comprise two modular customised trailers, specially designed for swift mobilisation and installation.

With turbine engines similar to those that power large commercial aircraft, each unit can produce 25 MW of power with high–power density, and with a modest carbon footprint. They are increasingly being chosen as a temporary power solution, especially in countries across Africa and South America.

Libya's mobile turbines will be diesel–powered but are fuel–flexible and can also be altered to run on natural gas. The turbines, which can be installed in just three days, will start generating power in July.

Transport projects resume

By Michel Cousins

Transport projects planned to get underway this year are worth LD 8.4 billion: LD 4.38 billion for roads, LD 3.46 billion for airports and LD 0.57 billion for ports.

Reparing Nageza bridge

Even before the GNC passed the 2013 budget in March, transport projects were being authorised, but few were new. "Works are now restarting again," says Bashir Dow Boragta, Manager of Transport Projects. "Companies are coming back to Libya."

Transport projects planned to get underway this year are worth LD 8.4 billion: LD 4.38 billion for roads, LD 3.46 billion for airports and LD 0.57 billion for ports. Yet the money to be spent this year is almost minuscule in comparison – LD 500 million. "It's not a lot," admits Salim Gazzah, the Follow-Up and Information Manager at the ministry. But he points out that it is only half the funds allocated to the ministry in the budget.

Like most other ministries, it had wanted more but that is all it was given. So the ministry is now effectively rationing the money to try and get as much started as possible.

ROADS

Road projects that have been given the green light are largely maintenance work. These are the Idiri-Brak, Brak-Sebha (with a four-lane highway at the entry to Brak), Taraghin-Murzuk, Qatrun-Tajari and Ghadames-Aziziya roads.

The last is in two sections. Work on the Ghadames-Nalut stretch, which was started by the Croatian construction company Viadukt in mid-2009 and then stopped, has resumed. The Nalut-Aziziya stretch, undertaken by local company Saraya, involves the construction of two more lanes to create a highway. There is also maintenance work on the main coastal highway from the Tunisian border at Ras Jedir to Garabulli.

So far there are only three genuinely new projects. All are deemed urgent, in particular the Nageza bridge on the Garabulli-Khoms road. Work on the LD 2.7-million contract, was given to the Italian company Con.I.Cos, started on 18 January and is expected to be complete by October.

PORTS

Maintenance is the main focus, too, of work resuming at various ports: Tripoli (the LD 280 million breakwater contractor: Archirodon, Greece), Sirte (J&P, Cyprus), Khoms, Derna and at Tobruk (the harbour's perimeter security walls). At Benghazi, the second phase of the harbour project involves work on the breakwaters, quay paving and storage buildings. Turkey's STFA had originally been due to complete the works in July 2011.

A major "new" project is the construction of a new quay at Zuara - new in the sense that the project, worth LD 62 million, was awarded to Italian company Piacentini but never begun. It gets underway this month. Boragta says the long-term aim is to transform Zuara from a small commercial harbour to one of Libya's major ports.

> Cash is not the only issue for the stalled projects. There are investigations into questions of cost and corruption at some of the large pre-existing projects

AIRPORTS

Airports where projects have been reinitiated are Labraq, Tobruk, Ghat and Martuba (which serves Derna). The Ghat project, worth LD 45 million, has also been awarded to Con.I.Cos and involves the complete repaving of the airport.

Two new projects are the passenger terminal for Benghazi's Benina Airport to replace the present ramshackle buildings, and the airport building at Misrata. Worth LD 36 million and LD 24 million respectively, work on them by Korea's Nemo Partners is due to last a year. Deputy Prime Minister Awad Barasi laid the foundation stone of the Benina terminal in December.

PROBLEMS AND PROSPECTS

Cash is not the only issue for the stalled projects. There are investigations into questions of cost and whether there was any corruption at some of the large pre-existing projects, such as the new terminal building at Tripoli International Airport and the new airport at Benghazi. The investigations, previously in the hands of a body called the Committee of 20, have been taken over by the Planning Ministry.

But problems of cash shortages and investigations have not stopped the Ministry looking beyond simply getting stalled projects restarted. Boragta reports that a brand new study is looking into the coordinated development of ports along the entire coastline. But that will probably require funding the size of the entire 2013 national budget.

British companies target Libyan airport sector

By Sami Zaptia

Artist impression of new Tripoli International Airport

Libya could become a major North African air hub, according to the leader of a British team of airport experts that visited the country in March.

Peter Budd, Chairman of the UKTI Airports Advisory Council told the *Libya Herald*: "Libya has the potential to be a huge North African hub operation. You have a southern hub in South Africa. As air traffic into Africa is growing, there will be a need for a north African hub as well. Egypt, Tunisia and Algeria are all trying to put this in place. But in my opinion, Tripoli is more well placed, if they can secure first mover advantage."

Budd, whose organisation advises the British Government on matters relating to airport trade policy, headed the British Airports Group, a ten-company Airport Sector Mission to Libya

"Libya and the UK have had long-term relationships over many years in this sector," says Budd, "Many Libyans have trained in the UK. We want to refresh that relationship and support the Libyan Civil Aviation Authority in its development plans and projects."

He continues: "The UK was the first to privatise its airports industry and therefore we have the skills developed over many years. About 60 percent of the airports' revenue in the UK is earned from the non-airline activities. This is one of the highest in the world. Therefore we feel we have many specialist skills in the areas of financing, design, master planning, construction, equipment supply, operations and legal. The top 60 airports in the world are supplied by UK expertise".

Budd points out that all Libya's airports need development. "There is a lot to do if Libya decides to go for tourism by exploiting its many assets such as its history, culture and beaches. If Libya develops its airports, these assets could generate significant passenger numbers, which would in turn generate revenue and create jobs."

Budd and his group met both the Libyan Civil Aviation Authority and the Airports Authority, when discussion included the prospects of Tripoli establishing itself as the northern hub, to complement South Africa's role in the south of the continent.

However he cautions: "Creating that hub in Tripoli is not just about airport development. Libya also needs a convergent airline strategy, as demonstrated in Dubai with the UAE carrier Emirates."

The Knowledge Sharing Programme

Can Libya learn from Korea's experience of going from conflict to development?

By Sami Zaptia

"From a hopeless country to a modern industrial state" is how Professor Chun, President of the Korean Institute for Development Strategy described Korea's history. ”

Professor Chun, President of the Korean Institute for Development Strategy

The Korean Institute for Development Strategy organised a workshop at the Corinthia Hotel in Tripoli on 11 March as part of its 2012 Knowledge Sharing Programme with Libya.

"From a hopeless country to a modern industrial state" is how Professor Chun, President of the Korean Institute for Development Strategy described Korea's history of colonialism, division into two states, outside military occupation, civil war and military coups, before democracy and development turned South Korea into a leading industrial and technological nation.

South Korea transformed its economy from exporting fish, plywood and fabrics in the 1950s to producing steel, automobiles, semiconductors, white goods, electronics etc. today. It went from a balance of payments deficit to a balance of payments surplus and a member of the G-20 in 60 years, Chun reported.

This was achieved through various means including setting strategic objectives for state-building and economic development. Without first deciding on a vision and a strategic long-term plan – the short-term and medium-term plans would have been meaningless.

It was no surprise that the strong enforcement of the rule of law ranked high as a strategic objective. But this had to go hand in hand with meeting basic everyday human needs, including creating jobs and building an industrial base. In South Korea's case, this involved strengthening the police forces, building an efficient and transparent bureaucratic system, encouraging foreign capital, and having a mid-term economic development plan.

It is not hard to find some parallels between the Korean and Libyan experiences, in the challenges they have faced and overcome.

POOR SKILLS AND LOW MORALE

Korea's situation was similar to Libya's today in that the workforce was frustrated, lacked confidence, and suffered from a skills deficit due to the lack of technically demanding job opportunities and low morale. To help improve technical skills, the state built improved facilities, the curricula were upgraded, faculty were recruited from Japan and some schools were moved from the Education Ministry to the Industry Ministry helping to improve work ethics and attitudes.

Libya is starting with a blank sheet of paper, so it has an opportunity to design its future.

STRATEGIC SUPPORT TO SMEs

To help encourage entrepreneurs, South Korea launched its "Step-wise economic construction strategy"in the early 1960s, which lasted for nearly two decades. The first step was for South Korea to establish a market economy, to help mobilise capital and establish large corporations. Next it gave strategic support to small and medium-sized enterprises (SMEs), followed by a national drive to develop a skilled workforce. A rural modernisation programme was also launched to rebalance the growth gap between urban and regional areas.

In supporting SMEs, the government set criteria to define them and indicate the support they would receive. It then ensured that there was linkage in the market between SMEs and large corporations. SMEs were also offered financial support in the form of preferential rates and credit guarantees.

LIBYA AT A CROSSROADS

Libya is starting with a blank sheet of paper, so it has an opportunity to design its future. It is at a crossroads: either - national prosperity or the trap of fragility. Chun added that historically few countries had a smooth transition out of a fragile state, witness Korea's civil war and partition.

Libya must deal with the challenge of conflicting interest groups. Chun advised that it needs to stay on track with sustained development, public security which instil public trust in the system. This has to be done while struggling with weak economic institutions inherited from the former regime and a simple economic structure based on hydrocarbons.

SEARCH FOR VISION

But Libya must also search for its vision and strategy. It must assess where it can be competitive and where it can create a niche for itself in the world market. And Libyans must be prepared to sacrifice short-term wants, if necessary, to achieve a better long-term future. This is the challenge. A challenge that is easier said than done in Libya's present circumstances.

Libya plans to invest in women

Libya Herald Interview: Social Affairs Minister

By Michel Cousins

Social Affairs Minister Kamla Al-Mazini

"I believe these families must support themselves financially and not rely on the government." ”

"I'm working, I'm racing, to help people on limited income – but we've a limited time."

Social Affairs Minister Kamla Al-Mazini speaks calmly about people's expectations but is well aware that people want instant answers to Libya's social and economic problems and that she had no magic wand.

"It's very sad. The situation is still a mess," she says. "Solving the problems of 42 years is not easy and cannot be done quickly."

LARGE NUMBERS ARE IN NEED

She points to those her department is there for. "We are dealing with large numbers of divorced women, widows, orphans as well as families of prisoners, the war-wounded and those injured in other ways, and large families on low incomes. There are those unable to work because of illness, the old and the very large number of people who had to leave their homes."

All these have put intense pressure on social services since the revolution, but social welfare does not appear to be high on the list of the government's priorities in Libya at the moment. That is symbolised powerfully by her exceptionally modest office in a small nondescript building (apart from its two ugly neo-classical porticos) in Tripoli's Asseba District, south of Suq Al-Juma, so far from the centre of central Tripoli that one could be misled into believing that the much vaunted decentralisation of government was already in place. The area - most of which was not there 20 years ago - is largely unplanned and certainly unlovely, a place you would least expect to find any ministry, let alone one that in Europe would be a leading government department.

Mazini has a radical idea for helping those on low incomes. Her plan is to help people help themselves.

"I believe these families must support themselves financially and not rely on the government." Dependence on the state, which the Qaddafi regime fostered, has to end. "Oil will end one day. Citizens must help themselves in future."

Mazini is speaking the economic language of Mrs Thatcher and Angela Merkel. Like them and other members of the government, she is also in favour of reducing subsidies and allowing salaries to be determined by the market.

Handicrafts made by Libyan women for sale.

EMPOWERING WOMEN

To achieve this, she is concentrating on economically empowering women because, she says, they are the ones who so often have the responsibility of making sure the family is fed, clothed and healthy. "We are considering training women, especially those in big families, so they can help their husbands financially."

Once they are trained, the aim is to create women's cooperatives in different towns and cities, based on the skills and interests of the women themselves. "Those who want to sew will be able to work in clothes manufacturing," Mazini explains. Others may want to be part of a catering cooperative or manufacturing cosmetics or carpets and traditional goods.

WOMEN COOPERATIVES

"They must have training before they start their projects," she insists, stressing that it is key to building the new Libya. "We have to re-educate people. We will face difficulties." Everyone, she said, wanted to work in an office. That has to change.

Apart from training women, the ministry "will support them with equipment". The initial aim is to create between ten and twenty cooperatives, each with as many as a hundred women, "before the end of the year".

There will be funding too. How much is another matter. It would certainly run into "tens of millions of dinars." The financial details are still being worked out, the minister explained. "But we will re-activate women" in the economy, she insisted.

Ministry of Economy Mustafa Abofanas

Libya Herald Interview: Minister of Economy

Government looks to the private sector as motor of economic growth: LD 1 billion to be invested

By Michel Cousins

We are working to rebuild the Libyan economy and find sources of income other than oil and gas," declares the Ministry of Economy Mustafa Abofanas. But to do that, he says, the government is looking to the private sector for help. To make it happen, it is planning to invest around LD 1 billion.

"We are studying support for private projects as a priority," he explains. "We are starting a new fund to support and finance SMEs (small and medium enterprises); this is very important for the Libyan economy," he told the *Libya Herald.*

Funding will not go to just any proposal: "We will support projects that help the Libyan economy." Those that the ministry believes should be supported will be in sectors such as agri-industries and fisheries. "We're looking for products where we have a competitive advantage in exports, such as olive oil and fishing," he said.

Libya once had a flourishing olive oil industry, with hundreds of thousands of olive trees, mostly planted during the Italian colonial period. Although of high quality, the industry was left to die during the Qaddafi years. Likewise, the citrus industry. Before oil's discovery, oranges were Libya's biggest export. Again, the business was left to rot, like so many of the oranges. Now it is largely individuals selling their oranges by the side of the road.

GETTING RID OF RED TAPE

Abofanas knows about business. He chaired Misrata's Chamber of Commerce from 2007 to 2010, it was largely responsible for its remarkable economic story during the revolution when, despite the siege, food and other products remained in plentiful supply without any price hikes.

He agrees financial support for the private sector is only part of what is needed. Freeing business from the mass of red tape and Qaddafi-era bureaucracy is just as important. "A legal committee has been set up to look into simplifying procedures," he explains.

As to complaints about the damaging effects for investment created by the rule that foreign companies can only own up to 49 percent of a joint venture, the committee had looked at corporate law in 20 countries and promised changes to company law will be made.

The joint venture percentages "could be changed," he says. Size could be a factor. "We welcome large foreign companies. They have the capital and the technical experience." There is a possibility of even having wholly-owned foreign manufacturing and trading companies in Libya, he says. "But we are not encouraging small foreign companies to set up in Libya. We want to give a chance to local companies."

CURRENCY CONTROLS TO STAY – FOR THE MOMENT

Abofanas insists there will be no immediate change to currency controls, a major gripe with the business community "For the time being, we need currency controls." For the private sector abolition of currency controls has become a major test of the government's understanding of what a free economy means. Businessmen point out that, quite apart from the fact that Libya has plentiful supplies of foreign exchange thanks to oil, far more money would flow into Libya without controls than would flow out.

> Abofanas insists money supply will not be limited. "We have to spend large amounts of money. We're not in a normal situation."

NO PRICE CONTROLS

As to rising prices and fears continued large-scale mass grants will fuel inflation, Abofanas insists money supply will not be limited. "We have to spend large amounts of money. We're not in a normal situation." Besides, he does not believe inflation is an issue. "This year government salaries will be LD 21 billion, compared to LD 8 billion in 2010 (an increase of 163 percent). Prices have not increased by the same percentage."

But if there were inflation – and he agrees property and meat prices are rising – the government would not intervene to stop it. "We will not set prices."

Libya's low salaries are a major issue. The average is around LD 800 a month (US$615). They have to increase. Abofanas says: "We're working on studies to increase them."

MARKETING THE SUN – AND LOCATION

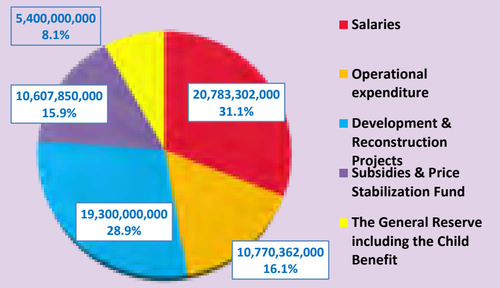
The other economic advantages Libya can exploit are sun and location. "Tourism is an important area", Abofanas says, pointing to Libya's wealth of Roman and Greek remains. But he knows many potential tourists just want a short stay to relax and are not interested in the past. "We also have the beaches, we have the desert. We have asked the tourism minister to plan for projects for local and international investment." It will be ready "very soon" and will constitute a "very large investment plan".

The country is also looking to harness the heat of Libya's sun to produce energy, the minister says. "In the future we will have to use solar power."

BENGHAZI: ECONOMIC CAPITAL?

"Libya is a very big country," he says, "Benghazi has the qualifications to be a very important economic city." If it became the economic capital it would not mean that it took control of all the economic sectors in Libya. "We are trying to devolve different sectors to many places. But he points to what is planed for the city, in particular a Benghazi Free Zone and a Benghazi Exhibition and Fair Centre." I'm going to Benghazi shortly. Whether these will satisfy Benghazi's demands for greater economic commitment, which include returning the NOC to the city, remains to be seen.

LIBYA'S 2013 BUDGET TOTALS LD 66.86 BILLION



By Sami Zaptia

Libya's 2013 budget was approved on 21 March 2013. *Libya Herald* has learnt that the GNC has put in place nine conditions attached to the Budget: These include that the government activates the new National ID Number and Local Government Act, and pays child benefit.

In addition, the GNC has requested that the government present the final accounts for the previous budget by 31 December 2013 and that at the end of each month the Central Bank of Libya provide each of the Ministries of Planning and Finance, the Audit Bureau and the GNC with accounts that show the activity of the general budget. The transfer of allocated money from one section to another can only occur after prior approval from the GNC.

Observers are waiting to see if the Zeidan government is capable of spending most of the 2013 budget and how effective this spending will be in activating the economy and positively affecting the security situation. Moreover, the section in the budget allocated for development and reconstruction projects is only LD 19.3 billion or 28 percent, which suggests that if the government has agreed to pay some of the debts of foreign contractors it will be done piecemeal and over a number of years

APPOINTMENTS

Dr. Abdulkarim Mgeg, Director of the Energy Investment and Strategy Projects Department at the Privatization and Investment Board (PIB) has been appointed a Deputy Minister of Economy.

Dr. Mgeg was featured in an interview on renewable energy in the February 2013 edition of the *Libya Herald* Business Eye.

Newly appointed Deputy Minister, Abdulkarim Mgeg reading the February edition of Libya Herald's Business Eye.

Total risks millions in oil exploration

By Michel Cousins

After a two-year break because of the revolution, Libyan offshore exploration starts again in April with the arrival some 85 kilometres north of Zuara of a floating rig from Croatia. It will be drilling just east of the Libyan-Tunisian offshore territorial line in the Pelagian Basin, an area known to be rich in gas and oil reserves, and looking specifically for gas.

FRENCH DESIGN

The French-designed rig, named Zagreb 1, was due to leave Trogir on the Adriatic on 7 April and arrive at the concession, A1-16/3, on 20 April It is being brought in by French oil and gas giant Total.

Total already has the distinction of being the first foreign oil company to resume operations in Libya after the revolution – in December 2011. Its aim now is to start exploratory drilling at the first of two new offshore sites as early as the end of April.

FOUR WELLS

The drilling at A1-16/3 is planned to last 130 days. "If there is a discovery, the rig could stay another month for production tests," says Bernard Avignon, head of Total's Libyan branch, Total E&P Libye. It will then move to the second well A1-16/1, 30 kilometres northeast of Zuara for an estimated 146 days. Again, if there is a discovery it could remain in place for another month for tests.

Total's contract includes an option for two further wells. Whether these go ahead will depend on the results from the first two.

AL–JURF

The Al-Jurf well code named BD1 is just 20 kilometres northwest of the new site. Operated by Mabruk Oil, an NOC-Total-Wintershall joint venture, it is already producing 41,000 barrels of oil a day.

The cost of the exploration for the two new wells is put at around $120-130 million. Further tests could cost another $15 million.

The drilling – to 12,000 feet in the first well and 17,000 in the second – "will not be easy," says Avignon. "The geology is quite complex." It is "a risky operation" in terms of its potential success, he notes.

The area around the first concession has already been explored for both oil and gas and finds have been made. On the other hand, the second well, Avignon points out, is in a zone that has never been explored.

COMMERCIAL FIND

It is not just a question of finding gas or oil. "We need to find enough to justify the investment."

At the moment, no one can know what the figures will be, he says. "We don't know what we're going to discover. We don't know the amount. We don't even know whether we're going to discover anything at all."

PROBABILITY OF SUCCESS

But Total and its minority partner in the concession exploration, Germany's Wintershall, would not be spending on this project without good reason to believe that gas is going to be found. There is "a probability of success," Avignon says. The calculations have been made and gas is expected. However, "if we find nothing, then we've lost $125 million."

Failure, though, is not expected.

> Total already has the distinction of being the first foreign oil company to resume operations in Libya after the revolution – in December 2011.

Libyan oil production expected to reach 1.7 million by end 2013

By Sami Zaptia

NOC Chairman Dr. Nouri Berouin & Oil Minister Abdulbari Al-Arusi

Libya's Oil Minister Abdul bari Al-Arusi announced that he expects Libya's current oil production to rise from the current 1.4 million barrels per day (mbd) to 1.7 mbd by the end of this year.

Earlier this month Libya's National Oil Corporation (NOC) had revealed that oil exports reached 485 million barrels in 2012.

NEW EPSA?

Arusi also confirmed his earlier announcement that Libya would be inviting foreign companies to bid for the right to explore in Libya for oil or gas. However, Arusi thought that this was now more likely going to be at the end of the current year, as opposed to summer, as he had earlier predicted.

INCREASED OPEC QUOTA

With regards to Libya's increase in production, the Oil Minister further added that Libya would formally request that OPEC officially increases its production quota to 1.7 mbd.

He felt that Libya needed the increased production to finance its post-revolution reconstruction and development drive.

PETROCHEMICALS

Moreover, the minister repeated the government's desire to diversify its income, retain more added-value locally, reduce imports and create jobs by increasing Libya's oil refining capacity and developing the petrochemical sector.

To this end, he reconfirmed that a new petrochemical company would be established in Benghazi to build a new refinery in Sebha, to modernise the Zawia, Sarir and Tobruk refineries, and to construct a new $45-billion industrial zone at Ras Lanuf.

> Oil exports reached 485 million barrels in 2012

LIBYA OIL & GAS TRADE AND INVESTMENT EVENTS 2013

Oil & Gas Libya 2013

Following the success of Oil & Gas Libya 2012, the 5th event in this series, Oil & Gas Libya 2013, is scheduled for 22/25 April 2013 at the Tripoli International Fairground, with the support of NOC Libya and the Libyan Ministry of Oil & Gas.
www.oilandgaslibya.com

New Libya Oil & Gas Forum 2013

The Second New Libya Oil and Gas Forum is being organised on the 23rd–24th May 2013, in Istanbul

The event will have the involvement of the NOC Libya, Government Officials, International Oil Companies and Service Providers already in or looking to get involved in Libya and the latest developments in this sector. www.libyaoilgas.com

2013 licensing round is not Libya's top priority

By John Hamilton

In comments made to various international news agencies, Oil and Gas Minister Abdulbari Al-Arusi has suggested that Libya could hold an international upstream licensing round by the end of this year. This raises a number of vital questions for the sector.

Oil companies considering participating in any such round will want to know whether the terms on offer will be improved; whether any other changes will be made to the EPSA-IV contract model; will the areas on offer be more prospective than those in the four rounds since 2005; will a new hydrocarbons law be in place and, if not, how will the round deal with potentially gas-prone blocks?

Arusi has said that international oil companies (IOCs) would benefit from improved terms in what would effectively be EPSA-V licensing. Without fundamental changes it is unlikely that a new round would be effective in helping Libya achieve its objective of increasing production to 2m b/d in the next few years.

According to the National Oil Company (NOC), the impact of the previous four rounds was extremely modest. Fifty-four exploration licences were awarded to 29 IOCs (including 15 consortia). To date these explorations have added to the hydrocarbons in place 3.2bn barrels (bbl) of oil and 8.99 trillion cubic feet of gas. This amounts to just 37

☐ Ministry of Oil & NOC headquarters Tripoli

percent of the additional oil and 46 percent of the additional gas in place discovered during the 2007-2011 period. The remaining additional resources were added via NOC's own discoveries or those of IOCs with exploration agreed under previous EPSA models.

IMPACT OF THE FIRST FOUR ROUNDS

From the IOCs' perspective as well, the first four rounds failed. The NOC licensed 15 and 23 areas in the first two rounds in 2005, then ten out of 14 areas offered in 2006, and finally five out of the 12 areas offered in 2007. But this massive effort with combined investments amounting to hundreds of millions of dollars is likely to result in the development of just half a dozen new fields.

Interest in Libyan assets waned over the period not only because of the trend of overly competitive production shares, but also because the assets on offer were not attractive enough. If the authorities are willing to offer prospective Sirte and Ghadames Basin areas in the next round, rather than massive frontier blocks in Kufra, Cyrenaica and the western part of the offshore, then interest will certainly be higher.

The level of production share which companies offered in past rounds was to a large extent their own responsibility. In recent years, NOC officials and other analysts have frequently pointed out that IOCs themselves choose to make extraordinarily competitive offers which means that it is impossible for them to develop discoveries profitably.

Last September, the then Oil and Gas Minister Abdel Rahman Ben Yezza said: "If there is a bid round, the conditions are clearly stated. It is up to the investors to decide whether to come into Libya. There is some homework to be done by people who want to come in."

IOCS' COMPETITIVE BIDS

The extent to which IOCs saddled themselves with what are now uncommercial production shares was further highlighted in a presentation by NOC exploration manager

> Without fundamental changes it is unlikely that a new round would be effective in helping Libya achieve its objective of increasing production to 2m b/d in the next few years.

Bashir Garea last year.

In the second EPSA IV bid round in December 2005, the maximum share allowed to IOCs under the model contract varied from 20 percent in the proven Sirte Basin to 35 percent in the Bourma offshore area and the Cyrenaica platform, and 40 percent for the frontier Kufra basin. However, in Bourma, IOCs bid an average of 18.2 percent, in Cyrenaica 26.4 percent, and in Kufra 17.6 percent. In the Ghadames and Murzuq Basins, where NOC was prepared to allow IOC shares of 25 percent, companies bid 9.3 percent and 8.3 percent respectively. This set a trend for the subsequent two rounds.

> Do the NOC and the new Oil and Gas Ministry have the capacity not only to successfully hold such a round, but also to then successfully negotiate the fine details of EPSAs and supervise new IOC operations?

Many analysts considered that it was never possible for Nippon to make a profit on the 8 percent share it bid for offshore Area 2 in the December 2005 round or for Gazprom to make a profit on the 9.8 percent production share it bid for the gas-prone Area 64 in the 2007 round. Many other companies placed themselves in similar positions. The average production share bid by companies across all four rounds was approximately 12 percent.

But while companies are not obliged to submit overly competitive bids, the licensing round system as it currently stands offers no other mechanism for evaluating IOC offers. There is currently no way that the NOC can, for instance, make allowance for the superior technical ability of some companies. NOC officials have over the past year considered possible revisions to the rules to get around this problem.

WAYS TO IMPROVE

NOC chairman Dr Nouri Berouin has suggested in interviews that different levels of prequalification could be set. This raises the possibility that some blocks could be restricted to the majors, while frontier blocks or those likely to result in small marginal discoveries could be made available to independent and junior IOCs which until now have played only a minor role. Any change of this sort would represent a radical departure from the way the country has handled its potential resources until now.

Another change likely to improve outcomes would be to extend the length of the initial exploration period from five to seven or even ten years which would alleviate the time pressure experienced by IOCs prior to the revolution.

Under the previous regime, it sometimes took years for companies to get seismic crews or rigs in place and NOC joint committees regularly took months to approve exploration plans and sanction new wells. This was just one of the reasons why the costs of running exploration programmes in Libya turned out to be much higher than expected. The NOC made this problem worse by scrutinising the fine detail of cost recovery claims for even trivial items, building in further delays.

IS LIBYA READY?

Finally, there is the question of whether Libya is really ready for another licensing round. Do the NOC and the new Oil and Gas Ministry have the capacity not only to successfully hold such a round, but also to then successfully negotiate the fine details of EPSAs and supervise new IOC operations?

Politically and bureaucratically, both institutions are already stretched. Senior officials have to handle the sensitive questions surrounding the location of the NOC's headquarters, and the increasingly frequent labour protests at fields and facilities. After two years in which many of the most qualified and experienced cadres from the NOC have left the company or been forced out, industry experts are already questioning where the expertise can be found to manage ongoing projects.

Other priorities, such as the drafting of the new hydrocarbons law, establishing a strategy for the development of gas resources and tackling the politically sensitive issue of enhanced oil recovery, also demand the participation of the sector's most qualified officials.

For all these reasons, the question of a new licensing round, while of dominant interest to the international media and IOCs looking for potential new opportunities, may well not be the first priority for Libya itself.

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

Small is Beautiful vs Bigger is Better

An alternative approach to banking in Libya

Central Bank of Libya

After the 2008 recession, the Obama administration argued that the idea of "too big to fail" had to be rejected in the banking industry. In Britain, both the Prime Minister and the Chancellor of the Exchequer expressed their dismay at the fact that banks globally had to receive bailouts from governments. How does this relate to Libya?

CURRENT SITUATION

Libya's banking industry is currently experiencing mergers and acquisitions promoted by international players (mainly GCC banks) anxious to own a part of the Libyan banking pie. Two such institutions are the Al-Rayan Islamic Bank of Qatar and ABC Bank of Bahrain.

The Central Bank of Libya (CBL) has promoted the entry of foreign banks into the Libyan market in order to enhance performance and to promote competition, ultimately for the benefit of industry and the Libyan consumer. However, when one assesses the Libyan banking sector, one finds that approximately 87 percent of the asset base is in the hands of four banks: Al Gumhouria Bank, National Commercial Bank (NCB), Sahara/BNP Paribas, and Wahda/Arab Bank. These are all essentially state-owned banks, are far from efficient and do not effectively perform their core intermediary activity which is lending (their average loan to asset ratio is 18 percent).

RESTRUCTURING ATTEMPTS

In recent years there have been a number of attempts to restructure, improve and introduce efficiency into the public sector banking industry. With this in mind, the CBL privatised stakes in some public sector banks. BNP Paribas (France) and Arab Bank (Jordan) purchased stakes in Sahara Bank and Wahda Bank respectively. A number of private-sector banks sold stakes to international banking partners. Most post-acquisition experiences have illustrated the challenges of investing in existing Libyan banks, and it is widely rumoured that BNP Paribas is looking to exit from its investment in Sahara Bank.

ALTERNATIVE APPROACHES

There are a number of alternatives through which the Libyan banking industry could be improved:
(1) Privatise banks;
(2) Restructure banks using international consultants;
(3) Merge banks and restructure them;
(4) Split banks and restructure them; and
(5) Offer new banking licences. Space does not allow a detailed analysis of each option.

Suffice it to say, a combination of the above is probably required.

The theory that small is beautiful essentially states that smaller institutions empower people. Hence, breaking up the four giants into eight medium-sized banks perhaps makes sense. By creating four more banks and supplementing that with may be five new licences, the banking sector would then have 13 banks. This is below the region's average, though measured in per capita terms, it is higher.

> Small to medium-sized banks are better positioned to serve the needs of SMEs and Libyan entrepreneurs

The essence of the issue is: Will this lead to more efficiency and better quality services?

There is reason to believe it will, primarily because it is easier to deal with and restructure smaller institutions. In the process of splitting, new management teams can be installed in the newly created entities along with an updated operational framework to incorporate new credit analysis and approval systems. Furthermore, the CBL could perhaps designate a number of the new banks to be 'SME-focused' institutions, with a view to creating in-house expertise which can help support SMEs during their lifetimes.

The banking industry would certainly be disrupted if new entities are created through the division of existing banks. So the second natural step to this process would be to restrict any sale of such banks for a minimum of three years and, given their less cumbersome size, to improve them operationally and introduce policies and frameworks for efficiency and transparency. Naturally, Libyan consumers and companies would benefit and the Libyan treasury would own assets that should have a higher valuation than before the split.

The concept here should not preclude the entry of foreign banks. Indeed, the opportunities presented by smaller banks in Libya are far superior to those offered by the giants — largely because of the natural resistance to change that the large banks and so many other large corporations exhibit. Also, smaller banks should be easier to restructure, particularly newly created ones.

ADVICE FOR NEW ENTRANTS

What do the new (mainly foreign) entrants seeking to capitalise on the underdeveloped Libyan market need to know?

First, if they hope to avoid the resistance to change of existing banks, new entrants need to understand that the Libyan banking industry lags behind in terms of infrastructure, and thus they need to help in modernising the sector and introducing technologies into a much slower market, and to less sophisticated and experienced human resources.

Second, they must engage in capacity building, which should focus on technical training as well as the important leadership training, in order to build a cadre that can serve the industry in the future. A mistake that will not serve the new entrants well is to bring expatriate management teams that are unused to the local ecosystem, and thus suffer a culture and local understanding gap when dealing with local staff. Of course, some expats add considerable value, but not necessarily an entire management team. This may indeed have a detrimental impact on a bank's performance.

Finally, they need to know that the Libyan private sector is small and the country now needs, more than ever, a special focus on the SME sector. Small to medium-sized banks are better positioned to serve the needs of SMEs and Libyan entrepreneurs. The bigger banks are unlikely to consider such smaller SME-related transactions because, from a cost and time perspective, it is often more profitable to deal with larger clients and opportunities. The bank break-up would, in turn, create greater competition in the market and the wise banker will understand that he or she needs to pay ever more attention to their smaller clients to create value for their shareholders.

For detailed sector analysis, visit: www.oeacapital.com

The Libya African Investment Portfolio (LAP) participates in Brussels forum on Africa

By Sami Zaptia

LAP Managing Director, Ahmed Kashadah

The Libya African Investment Portfolio (LAP) took part in an international forum on Africa in March during which it gave assurances that its sovereign wealth fund (SWF) arm will now concentrate on investments and not politics.

LAP is part of the Libyan Investment Authority (LIA), Libya's sovereign wealth fund organisation,which was created in 2006. It controls about $5.2 billion of wide-ranging investments and assets including Oil Libya, Afriqiyah Airways, Sahel-Saharan Investment and Trade Bank (BISC), LAP Green Network, Libyan African Investment Trade Company and Libyan African Portfolio (Suisse) SA

The Seventh Crans Montana Forum on Africa and South-South Cooperation is an annual event dedicated to new African economies and Africa's global integration. The 2013 forum held in Brussels 6-9 March was entitled "Africa in 2013 – Upheavals and Changes" and was attended by numerous African ministers, current and former heads of states, international investors and leaders of some of the largest companies in the world.
At the plenary session, in the section entitled "African countries: new and key partners of South-South Cooperation," LAP Managing Director, Ahmed Kashadah gave a presentation in which he gave a brief outline of LAP and its future plans. Kashadah also paid tribute to the "hard work done by the LAP's management to improve its image" and confirmed that the portfolio is "now working with full professionalism and for investment purposes only. It will not be the service arm of political or private interests."

> We invest in different sectors in Africa and we are present throughout Africa: North, south, east and west. We are in property, oil and gas, mining and agriculture."

"We see the African region as an important part of the future generation of Libya. Our main strategy is to invest in private equity with capital growth. We invest in different sectors in Africa and we are present throughout Africa: North, south, east and west. We are in property, oil and gas, mining and agriculture."

"We believe in this continent and believe in its people. We believe that with more civility and more democracy throughout the region, there will be unlimited potential and we believe in the region."

"Africa is a growing force in the international community. Africa has great ambition and we believe that with its people, friends and allies, it will reach its ambitions."

For more details go to: www.lap.ly

Bank licensing

By Sami Zaptia

The Central Bank of Libya has denied a number of stories being reported by various media outlets that it had issued licenses to foreign banks to operate independently in Libya. In its statement, the bank stressed that any licenses issued to any foreign banks to operate in Libya had to be in partnership with a Libyan bank.

The Central Bank, the sole authority responsible for issuing licenses to foreign banks to operate in the country, also denied media rumours that it plans to sell the National Commercial Bank (NCB) to Bahrain based Arab Banking Corporation (ABC) or that it has made a decision to specifically bar any Egyptian banks temporarily from bidding for operating licenses in Libya.

LOCAL OPPOSITION

In February, three organisations – the National Labor Organisation for the Protection of the Revolution and the Fight against Corruption, the Supreme Commission of Labour for Libya and the NCB branch of the 17 February Revolutionaries Association — issued a joint statement saying they rejected a decision made by the Central Bank to sell 74 percent of NCB's shares to ABC. Calling the sale a "betrayal and abandonment of Libya's sovereign economic potential", they claimed that the NCB was "one of the most successful Libyan banks" and not in any financial difficulties.

The three called on the General National Congress and the Prime Minister to put a stop to the sale and prevent "one of the largest Libyan banks from being lost, in the same manner as Wahda and Aman banks".

Claiming they welcome the reform of the banking sector, they demanded that the shares not be sold to non-Libyan entities. Cooperation with international banks was welcome, they said, but should only go as far as technology exchange.

GUMHOURIA BANK OPENS ISLAMIC BANKING BRANCHES IN MARCH

As part of the development of its strategic plan to upgrade its operations and efficiency, Gumhouria Bank announced the opening of three Islamic banking branches in different parts of the country during March.

The first Islamic banking branch was opened on 16 March in Derna. The branch is to have a training centre attached which will provide training for staff elsewhere in Libya as the bank seeks to improve its nationwide services.

In the Nefusa Mountains, the bank opened a branch in Timzine and an "Islamic Window" in the town of Tandamira on the 23 March. An Islamic branch was to open to open in Zintan on 30 March.

E-commerce: the future of online retail in Libya

The future of e-commerce in Libya has only just begun

By AbdulMagid Bensaid, General Manager, Computer Libya

Increased internet use has opened new doors for businesses worldwide in the form of e-commerce. When it comes to online shopping, Libya is lagging behind many countries, not least because much of the population struggles to maintain a reliable internet connection. However, with the country's first e-business showing how online business in Libya can be done, this could be about to change.

Electronic business, also known as electronic commerce or e-commerce, is a sector that now counts as a driving force for the national economy in much of the developed world. Statistics show that in the United States, one of the countries with the most internet users, e-commerce is the key driver of its economy.

NEW CONCEPT FOR LIBYA

In Libya, e-commerce is not yet a well-known concept. The adoption of e-commerce compared to internet use is also lagging and not following the worldwide trend. Sooner or later, however, e-commerce will find its way in Libya, as the adoption of technologies, including satellite dishes and mobile devices, means that Libyans are steadily getting online.

> The number of internet users worldwide has grown to 1.78 billion with the e-commerce turnover reaching $10 trillion

There is little doubt that the internet and e-commerce are now an integral part of global business. The internet is becoming the preferred marketplace for both businesses selling direct to the consumer - business-to-consumer (B2C) - and trade between businesses -business-to-business (B2B) - especially in countries where the internet is widely-used.

Computer Libya is one of the pioneers in B2C trade in Libya. Selling computers, printers, software and accessories, the company is running the country's first fully-functional and exclusively online store, www.computer.ly, with a broader vision of "building a promising future for e-commerce in Libya." After some six months of research and preparation, the store went online in January.

OVERCOMING LOCAL CHALLENGES TO E-COMMERCE

The company uses its own drivers and, at present, only delivers to Tripoli, although even in the capital this is a challenge, as there is no formal address system. Most Libyans do not use mail and those who do, have a post office box, so Computer Libya takes down details of the exact location when orders are placed, to enable delivery.

Another problem with e-commerce in Libya is that most Libyans do not have credit cards. Computer Libya offers a cash on delivery service, which most of its customers use. Home delivery from online shopping is a completely new concept for Libya. With all items delivered either the same or next day, the response has been so positive that the firm is now looking at expanding its coverage of the country.

Using international standards for e-commerce, it has also adopted various technologies to enhance consumers' trust in shopping over the internet, as people new to the online marketplace can be wary.

Computer Libya encrypts its customers' personal data and communications, to protect their privacy. The company is also working with financial institutions in the UK to process credit card transactions and, to enable this, Computer Libya has to comply with EU regulations.

BUSINESS BENEFITS

The number of internet users worldwide has grown to 1.78 billion with the e-commerce turnover reaching $10 trillion. Therefore, if a business can succeed with e-commerce, this will result in more income and wider marketing options. Online marketing has become an important aspect of business since it can easily translate into direct sales, with 'clickable' advertisements which allow consumers to buy goods then and there.

Online trading also enables businesses to reach much wider audiences while cutting the costs of traditional retail, such as shop rentals. Likewise, consumers can save time and money by shopping in the comfort of their own homes. In 2013, the future of e-commerce in Libya has only just begun.

MINISTRY OF INDUSTRY MAKES STEPS TOWARDS E-GOVERNMENT

The Ministry of Industry has reported that it is making steady progress in its aim to achieve e–government. The Ministry has said that it has already noted a marked improvement in increased efficiency and productivity as well as quality of work.

It reported that it has been developing its website and communications network and that it is currently working on its financial and administrative system. It is also planning for the implementation of its e–communications and e–legal systems.

LTNET Libya Trade Network for e-trade

An efficient e-commerce system would also support Libya's plans to diversify from hydrocarbons by helping establish a transit trade industry.

By Sami Zaptia

Minister of Economy Mustafa Abofanas & Korean Ambassador Lee Jomg-kook

The Libya Trade Network (LTNET) is the new electronic "Unified Window" portal that the Ministry of Economy is setting up with help from South Korea, in an effort to streamline the process of importing and exporting goods.

The objective of LTNET is to organise and develop the external trade sector in Libya by improving efficiency, by reducing the number of different documents and departments involved in processing trade transactions.

EASIER WITH E-TRADE

In his opening remarks at the LTNET workshop in Tripoli, on 11 March, attended by Korean Ambassador Lee Jomg-kook, Economy Minister Mustafa Abofanas said Libya was "depending a lot on this system in improving the process of import and export. The system is to ease the process of trade, documentation and banking, improve the quality of processes, exploit Libya's ports capacity, improve trade regionally and internationally, and improve e-commerce."

The Korean delegation highlighted that the country's unified trade window has been instrumental in Korea's high ranking as a trade nation and that Korea it ranked top out of 190 countries in e-government.

The head of Libya's LTNET, Emhemed Al-Dirweesh, said that customs, customs clearers, ports, banks and chambers of commerce would all be part of the LTNET system, helping bring Libya closer to paperless commerce, trade procedures and processes.

MANY POTENTIAL BENEFITS

Ultimately these reductions in procedures could mean that imports to Libya are processed within one day and the cost will fall to about 0.8 percent instead of the current 3-4 percent of invoice value. Tunisia is already processing goods within one day and in Korea the process takes about 12 hours.

In addition the new system is forecast to make savings of up to $1 billion after three years of operation based on 2010 trade statistics – with savings coming from new customs duties that are otherwise lost, time saved and increased volumes of trade.

An efficient e-commerce system would also support Libya's plans to diversify from hydrocarbons by helping establish a transit trade industry.

To help activate the new LTNET system across all areas and sectors connected to external trade, the Ministry of Economy is to reform current laws and enact appropriate new legislation.

Libyan cyber security mission **to US later this month**

By Nigel Ash

The United States is hosting a group of ten Libyan officials at the end of April on a trip to see what American cyber security firms have to offer to protect Libyan computer systems.

The visit comes at a time when the government is looking towards e-government and planning to enhance its information and communications technology infrastructure, to modernise its overall operations.

SUPPORTING E–LIBYA

According to the US Trade and Development Agency (USTDA), "The new Libyan government recognises that the success of national reform depends on a robust information structure that can deliver modern e-services. A high-profile 'e-Libya' strategy is being developed to transform government operations, improve transparency and political participation and provide a suite of digital services for citizens." USTDA add that among the list of ICT initiatives, the government intends to establish is a new National Cyber Security Agency.

The agency notes: "Currently Libya ranks below many countries in the indices most often used to determine ICT and networked readiness". However the agency expects ICT usage to rise rapidly, with the expansion of telecommunications across the country serving as a catalyst to boost economic opportunities and improve public services.

> The ten-day mission will involve a trip to Silicon Valley, at which the Libyan delegation will give a presentation on current cyber security infrastructure developments in the country.

SILICON VALLEY EXPERTISE

The visit, says USTDA, will give delegation members, headed by Communications and Informatics Deputy Minister Ali Abdouallah, the opportunity to quiz leaders in the US cyber security industry as well as government officials and to learn about American technologies and best practice.

Other members of the Libyan team will include representatives of the National Information Security and Safety Authority, the Central Bank of Libya, the General Information Authority and Libya Post, Telecommunication and Information Technology.

The ten-day mission will involve a trip to Silicon Valley, at which the Libyan delegation will give a presentation on current cyber security infrastructure developments in the country. It will be attended by American technology and service providers and consulting firms, as well as US government representatives.

Indian company wins Almadar **business support contract**

Almadar exhibition stand

Libyan mobile operator Almadar has awarded a contract to Indian financial software company Subex to provide it with a revenue assurance and fraud management system.

The Bangalore–based company, which provides business support systems (BSSs) for communications service providers (CSPs), says it won the bid to provide its Revenue Operations Center (ROC) system in a competitive tendering process.

The system helps sustain profitable growth and sound financial health through a series of operations including revenue assurance, fraud management, credit risk management and inter-party settlement.

"We are taking a fresh approach to our business proposition and it was important to build the right ecosystem. As a first step, we have chosen the ROC Revenue Assurance and Fraud Management solutions from Subex", said Jamal Hegag, chairman of Almadar. "Subex's experience in the global revenue and fraud management space is unparalleled and we are confident that this engagement will enable us do our business in a more effective manner".

"Libya is an interesting telecom market with a lot of potential," said Vinod Kumar, Chief Operating Officer, Subex. "Our market leadership and strong domain capabilities in the area of Revenue Assurance and Fraud Management help us enable our customers to realise operational efficiencies and improve profits."

Subex's customers include 33 of the world's 50 biggest telecommunications service providers worldwide.

> "Libya is an interesting telecom market with a lot of potential,"

RLTT to revolutionise Libyan telecoms sector

At the *Libya Summit* investment conference held in November, the ITC sector was highlighted as a vital 'enabler' of the rest of the Libyan economy

By Sami Zaptia

IT users in IT exhibition Tripoli

After decades of state-controlled monopoly in the telecoms sector, a new private company was launched in 2012 – revolutionising the Libyan telecoms sector.

Rawafed Libya for Technology and Telecommunications (RLTT) has secured an exclusive contract with Skylogic, Eutelsat's 100-percent-owned operator of the Ka beam used for satellite internet services. RLTT has now secured all the capacity supplied by Skylogic/Eutelsat for beams 79 and 80 which were previously shared by a variety of distributors.

COVERAGE IN EAST AND WEST LIBYA

Beam 79 covers the greater Tripoli area from the eastern suburb of Tajoura to as far south as Gharian in the Nafusa Mountains and up to the Tunisian border. This beam is already active and has been used by existing satellite-dish-based internet service providers. On the other hand, beam 80 covers the Jebel Akhdar mountains from the Egyptian border to the south of Ajdabiya including Benghazi. This beam had been inactive and began service on 1 March 2013.

As of January 2013, the Ka beams used to transmit existing services became the exclusive rights of RLTT under its new agreement. It is expected that RLTT will honour existing agreements granted by previous license holders to Libyan customers.

PRIVATE SECTOR SERVICE STANDARDS

RLTT is confident that through modern technology and management, and as a private sector company, it will be able to offer a very high quality of service and customer satisfaction in a sector which suffers from a lack of competition and customer care. It has identified a great real need in this rapidly expanding sector which has great potential for long-term growth.

This news will no doubt come as great relief to Libyan internet users who had to endure very poor internet services from the state-owned monopoly LTT. Its monopolistic position and ultimate control by one of Qaddafi's sons meant that consumers never had any choice. Now it is expected that all state-monopolies will be opened up to private sector competition, allowing the consumer a choice which will hopefully be more responsive to customer demand.

ENABLING ECONOMIC DEVELOPMENT

The ITC sector is expected to be in the forefront of the development of the new competitive Libyan economy. At the Libya Summit investment conference held in November, the ITC sector was highlighted as a vital 'enabler' of the rest of the Libyan economy as well as being an important candidate for Libya's diversification away from hydrocarbons. RLTT's early move into the sector should place it in a strong position, ahead of other competitors expected to enter this sector.

Tripoli's International Fair at the end of an era

Salaheddin Hamza, head of the Libyan Fairs Organisation.

By Michel Cousins

The 41st Tripoli International Fair (TIF) will take place on 2–12 April with participants from at least 11 countries, as well as five Libyan ministries and some 20 state and private organisations and companies.

"It going to be better than before," declared Salaheddin Hamza, head of the Libyan Fairs Organisation. Part of the Ministry of the Economy, it is responsible not just for TIF but for planned international fairs in Benghazi, Misrata and Sebha.

In fact, this year has seen one of the lowest turnouts in the fair's history. National pavilions include France, Turkey, China, Tunisia and Egypt, as well as Algeria and Iran and Sudan. He was optimistic nonetheless. "More than 250 companies have sent applications," he said, speaking less than three weeks before the Fair was due to open.

LONG HISTORY

It is a far cry from the fair's former glory. The Tripoli fair is the oldest international fair in both Africa and the Arab world. Launched by the city of Rome in 1927, it was intended as the top Italian trade fair and, until the Second World War, it was, with representatives in 17 countries, including France, the UK, Turkey and Germany, enticing companies to exhibit.

It flourished again during the period of the Kingdom (1951-1969), especially after the discovery of oil when its impressive entrance buildings were 'decolonised' and 'Arabised' to reflect the country's independence. The massive statue of Minerva on top of the main building and other Roman statues such as that the she-wolf suckling Romulus and Remus, the legendary founders of Rome, were removed and sent to a depository where they still remain.

Even during the Qaddafi era, it was extremely active, apart from the sanctions period when there were no fairs. In 2010, at the last of the Qaddafi-era TIFs, there were 1,000 local and international exhibitors from 29 countries.

NEW CHALLENGES

Despite Hamaza's optimism, the revolution has finally stripped the old lady of her leading role. The government wants to decentralise and share the activity with the fairs in Benghazi, Misrata and Sebha. Also, Tripoli itself is now awash with privately-organised exhibitions and conferences. TIF is just one among many — and the competition is dynamic and professional.

> The Tripoli fair is the oldest international fair in both Africa and the Arab world

This year's relatively low turnout is a consequence of all that but it also reflects concerns about security in the country and whether the government is moving quickly enough to open up the economy.

NEW SITE NEEDED

But there are other, more particular, issues for TIF. At the centre of Tripoli, there is no room for parking and no room to grow. "TIF's capacity does not match up to participants' requirements," said Hamza. "We're in contact with the government about this. They're considering it. We have to move to another, bigger site."

Moving has become all the more urgent because of the loss of the outdoor industrial exhibition area. Last year, a court handed it back to the family from whom it had been taken decades ago. "We can use it this year," said Hamza, but that after that, nothing is certain. Other exhibitors who hire the TIF grounds are already looking for alternatives as a result.

And so, after 85 years, this year's fair could be the last on the iconic site. But even before the revolution, the decision to relocate had been made. The talk was of a site near the Swani Road, in south Tripoli.

According to the Minister of the Economy, Mustafa Abofanas, two potential sites are being studied. "It is very important for Tripoli International Fair to have a new and larger location, which includes hotels and restaurants," he told the *Libya Herald*. An announcement would be made shortly, he said.

The present site is expected to be handed over to the Ministry of Culture to develop into a cultural centre.

Focusing on Libya's future

FDI Libya to be held in London on May 29th and 30th

Marcus Aurelius arch Tripoli

Libyan celebrating the 2011 revolution

Michael Thomas – former Director General of the Middle East Association, now Chairman of Pace Group

The Libyan economy is recovering. Oil production is now nearing its pre-revolution output after being shut down during the war and the Libyan economy has more than doubled in size since last year. This was the report of Ralph Chami who led a recent two-week-long IMF mission to Tripoli. According to him, the latest indicators are pointing to a restoration of hydrocarbon output later this year and a full recovery of growth in the non-hydrocarbon sector in 2014.

Accordingly, Michael Thomas, the former Director General of the UK's Middle East Association and now Chairman of Pace Group, and a Director of the Arab British Chamber of Commerce, says that businesses should now be preparing themselves for what is likely to be the fastest developing market in the MENA region for the next four to five years, with the added attraction for investors that the Libya market is on the doorstep of Europe.

Fastest developing market in the MENA region for the next four to five years, with the added attraction for investors that the Libya market is on the doorstep of Europe.

INVESTORS AND DECISION MAKERS TO MEET

With this in mind, Pace Group is co-sponsoring a major international conference on foreign direct investment in Libya, *FDI Libya,* to be held in London on 29 and 30 May. Participants will include high-level delegations from Libya, London and the EU, Washington and Istanbul and the GCC. This will provide a major opportunity for investors to learn, first hand, the priorities of the Libyan government and meet decision makers.

Michael Thomas says: "We must all work with the government of Libya and follow their drumbeat to support them." With this in mind a key priority after oil and gas is employment for the citizens of Libya; in short, "to get the cranes working". The government of Libya not only has to grapple with creating a new constitution as well as developing the levers of government; at the same time, it must also deal with the neglected and in some cases destroyed infrastructure. Libya cannot possibly be rebuilt in a day but Libyan talent is now returning to the country from overseas. The Libyan private sector is fast emerging and it will develop much of the infrastructural growth in the future.

Stability and security are priorities for foreign investors so it was extremely good to see the anniversary of the revolution pass without any major incidents. That the government is giving priority to education and training and the creation of a new police force is also reassuring.

OPPORTUNITIES FOR FDI

"Companies should also be looking to the future with FDI, and planning now," Michael Thomas advised."The opportunities in Libya will be on-going and immense" and he highlighted the following for future consideration by investors.

The financial services sector is a key area for FDI and an opportunity for development, particularly in the fields of legal services, banking services and insurance as well as to increase and develop some of the current institutional capacity constraints.

The development of renewable energy both solar and wind power, and Libya's fishing industry would look to Europe as a major market. *FDI Libya* will be addressing all these opportunities and more. Foreign investment could enable Libya to develop its position as a key supplier to Europe, as well as a gateway to Africa.

Investors need not worry

Pace Group Interview with GNC Member, Muhammad Ali Abdullah

By Omayma El Ella - North Africa Analyst, Pace Group

After a roundtable meeting at the House of Lords in London on 13 March to discuss the upcoming *FDI Libya* conference, GNC member Muhammad Ali Abdullah, a member of the Finance and Planning and the Telecom and Transportation committees, talked to the Pace Group team about what this conference might be able to deliver. He also reflected on where the GNC was currently as a political unit in developing the Libyan economy and how investors could work with the new government to foster business and partnerships.

CONFIDENCE–BUILDING

To begin with, Abdullah argued that the primary issue right now in Libya-investor relations was "confidence building," assuring investors that the value of engaging economically with Libya outweighs the problem of risk. This is closely tied to the fact that Libya is still in a stagnant "pre-constitution" phase and the "solidity of any legislation today will last only as long as the constitution remains un-ratified." Ambiguity about current legislation is a natural consequence.

Despite this ambiguity, however, Abdullah emphasised that companies and partners had to be willing to adapt to the new business environment and be dynamic. He stressed that there would be no legislation that would prevent or hinder businesses from coming in.

All laws would be reviewed after the constitution was ratified, including trade laws, he said, but there was no need for foreign investors to worry as it was in fact the pre-revolution legislative system that was a hindrance. New laws would be much more business-friendly.

He cited the financial reform law as being one piece of legislation currently under review by the GNC to optimise the business procurement and financial transaction process. Transparency, corruption and bureaucratic delay were key issues that the GNC were working to address in these reformulations.

As to the existing investment laws that continue to be a source of worry for many foreign investors, Abdullah stressed that the percentages of ownership should not be a cause for concern and that investors and Libyans were missing the point on the objective of partnerships. The value of what was being put on the table was the crucial determining factor, and if both partners, regardless of who was the majority shareholder, bring that value, than both partners would profit.

NEED TO ENGAGE ALL STAKEHOLDERS

When asked about what he would like to see the UK doing in terms of engagement with Libya in the business environment, he said that the "UK needs to step up its ground engagement and lessen its risk assessment works and in fact take more risks in Libya." This assertion reflects the desire of many Libyans for meaningful investor engagement that will lead to job creation.

Abdullah wants this FDI conference to be a forum where a bridge will be built between expectations and needs, bringing all the stakeholders together to talk directly to each other about Libyan expectations and what resources foreign investors can bring. The conference should provide a platform to manage those expectations in terms of timelines, priorities and "tangible short term goals with strategic vision."

The value of engaging economically with Libya outweighs the problem of risk.

BRITAIN & LIBYA, OLD FRIENDS

By Robin Lamb, Libyan British Business Council (LBBC)

The Libyan British Business Council (LBBC) brought its first business delegation to the new Libya in September 2011 and since then it has been back several times. It will be back again in the week beginning 11 May 2013, following up on our mission in January this year.

As well as arranging business delegations to Libya, the LBBC arranges or attends events in the UK to brief British businesses on Libya. One of these will be the FDI Libya event in London 29–30 May.

One thing that invariably comes out of these events is how well individual British people and Libyans get on. The two seem to share a common–sense approach to the world which makes for a meeting of minds. They certainly share a lot of history. Going way back, both were once colonies of the same empire, ancient Rome, whose one emperor of Libyan origin, Septimius Severus, ended his life in Britain, in York. The UK is now home to the largest community of Libyans outside Libya, supplemented over the years by thousands of Libyan students studying at British universities and thousands of Libyan doctors working in the National Health Service (NHS).

All of this means that Britain's institutions, its language, its education and its people are familiar to Libyans who know what they're getting when they do business with it.

www.lbbc.org.uk

FDI Libya roundtable meeting at the House of Lords in London - March 2013

Forging a PARTNERSHIP

for economic growth through international investment

By Chuck Dittrich, Executive Director, US-Libya Business Association

On March 12, 2013, Libyan Prime Minister Ali Zeidan participated in a discussion in Washington with members of the US-Libya Business Association (USLBA) and other business leaders.

Among the topics discussed was Libya's strategy to welcome international investment in order to increase job creation, greatly expand and modernise the nation's infrastructure and fully integrate Libya's economy into the rules-based global trading and investment system and the regional Maghreb economy.

The following day, US Secretary of State John Kerry, in a joint press conference with Prime Minister Zeidan, expressed a desire for "an economic environment in Libya that will spur outside investment and foster entrepreneurship, and to work to promote the kind of stability that will make investment in Libya even more attractive."

OPEN INVESTMENT CLIMATES

Open investment climates have fuelled US and European growth for centuries. Almost a year ago, the US and the EU articulated a shared commitment to seven principles for international investment that can serve as a roadmap as Libya develops the legal and regulatory environment to attract foreign investment.

They include:

1. Open and Non-Discriminatory Investment Climates;
2. A Level Playing Field;
3. Strong Protection for Investors and Investments;
4. Fair and Binding Dispute Settlement;
5. Robust Transparency and Public Participation Rules;
6. Responsible Business Conduct;
7. Narrowly-Tailored Reviews of National Security Considerations.

This deceptively simple short list is remarkably difficult to translate into law and, in fact, represents decades of political, legal and regulatory development in both the United States and Europe. However, adherence to these core values has resulted in the world's largest bilateral economic relationship which accounts for half of global economic output and nearly $1 trillion in trade, supporting millions of jobs on both sides of the Atlantic.

AIMING FOR GLOBAL BUSINESS STANDARDS

In the Libyan context, maximising investment will require political courage and the support of the Libyan business community. For example, Article 3 of Economy Ministry Decision 207 of 2012 limits foreign investors to a 49-percent equity stake in Libyan joint ventures companies.

Increasing the maximum allotted percentage would enable investors to partner with small Libyan entrepreneurs, thereby helping to diversify the Libyan economy. An increase of the percentage would allow foreign investors to move away from local agency agreements that Hafed al-Ghwell of the World Bank and Abdullah Boulsien of OEA Capital have characterised as fostering rent-seeking instead of real value addition.

Additionally, under Article 3, "for special considerations regarding nature of activity or its location or technical or technological requirements," the Economy Ministry may allow the foreign partner to own 60 percent of a Libyan company.

Clarifying the criteria would symbolise the government's commitment to global business standards of transparency and impartiality. Also, allowing the creation of limited liability companies and the participation of foreign limited liability companies, according to the ownership percentages of Decision 207, would stimulate the Libyan private sector.

Taking such bold steps requires deep confidence in the future. Only then will all parties begin to envision the full potential of Libya joining the world economy on an equal footing.

On May 29-30, 2013, USLBA, the Libyan British Business Council, the Libyan private sector, international investors and the governments of Libya, the UK and the US will meet in London at *FDI Libya* to explore concrete steps to achieve common goals for economic growth, job creation, entrepreneurship and innovation. *www.us-lba.org*

Almost a year ago, the US and the EU articulated a shared commitment to seven principles for international investment that can serve as a roadmap as Libya develops the legal and regulatory environment to attract foreign investment. ”

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