

Libya



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.

Background

Libya's oil reserves are estimated at 47 billion barrels, the largest in Africa and the ninth-largest in the world. It produced 1.8 million barrels a day in 2010, but civil war in 2011 caused production and exports to drop by more than two-thirds. Libya is heavily dependent on oil; in 2010 hydrocarbon receipts accounted for 91 percent of government income. Under the Gadhafi regime

Libya	2000	2005	2011
Population (million)	5.23	5.77	6.42
GDP (constant 2011 international \$ billion)	43.3	49.8	64.2
GDP per capita, PPP (constant 2005 international \$)	12,623	14,015	15,361
Oil and gas revenue (% total government revenue)	...	93%	91%
Extractive exports (% total exports)

SOURCES: Oil and gas revenue as share of total government revenue from the Economist Intelligence Unit and the International Monetary Fund. All other data from the World Bank. GDP 2011 value from 2009; Oil and gas revenues 2011 data from 2010.

there was considerable mismanagement of oil and gas revenues. The new government has promised increased transparency, but significant reforms have yet to occur.

Libya's Performance on the RGI

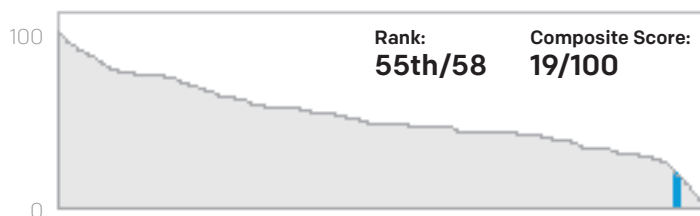
Libya received a "failing" score of 19, ranking 55th out of 58 countries. Very low scores on all components reflect decades of corruption and inefficiency.

Institutional and Legal Setting

(Rank: 57th/58 Score: 11/100)

Libya's "failing" score of 11 is the product of a near-total lack of a legal framework governing resource extraction and revenue collection.

The National Oil Corporation (NOC) acts as ministry, regulatory agency, and state-owned company. It awards production-sharing contracts to foreign companies following open bidding rounds. Under Gadhafi, it was clear that open bidding was only the beginning of the licensing process; final agreements depended on further negotiations. The extent of the



NOC's discretionary power under the new government has yet to be established.

The NOC collects payments from resource companies and transfers them to a special account held by the central bank. Some resource-related revenues are not included in government budget accounting and Libya's public sector balance is not published. Environmental impact assessments are not required, and no freedom of information law exists. With many Libyan government websites no longer functioning, the amount of information that will be available under the new government remains to be seen.

Reporting Practices

(Rank: 48th/58 Score: 29/100)

Libya received a "failing" score of 29, reflecting a lack of disclosure on most aspects of the petroleum industry.

Relevant legislation, including the Petroleum Law of 1955 and the regulations covering licensing procedures, is not available from official sources. Once the licensing process has been completed, only basic information is released about winning bids, and contracts are not published in full.

The central bank is the only institution that provides information on hydrocarbon revenues. It produced annual reports from 2005 to 2010 containing data on reserves, production volumes, prices, the value of resource exports, the government's share in production-sharing contracts, the names of companies operating in Libya, and production data by company.

Safeguards and Quality Controls

(Rank: 55th/58 Score: 15/100)

With few effective checks on the licensing process and a general lack of public access to information on petroleum revenues, Libya earned a "failing" score of 15.

By law, the General People's Committee was required to approve contracts during the Gadhafi era, limiting the discretion of the NOC. In practice, however, the committee provided little real oversight. Libya's post-revolution Transitional National Council has yet to form a parliament, and the oversight responsibilities of elected officials are unknown.

The national Audit Bureau is required to review resource revenues. Under Gadhafi, it reported to the General People's Congress, but its reports were rarely made public. In June 2012 the Audit Bureau published its first post-revolution report,

which included a critical assessment of the NOC's activities.

Enabling Environment

(Rank: 50th/58 Score: 10/100)

Libya performed particularly poorly on measurements of accountability and democracy and corruption control, leading to a "failing" score of 10.

State-Owned Companies

(Rank: 39th/45 Score: 19/100)

The NOC has a number of fully state-owned subsidiaries. It maintains a share in all production-sharing contracts and operates without ministerial oversight. In the past, the NOC provid-

ed little information on revenues, but since the revolution it has published reports containing export volumes and destinations, prices, and production volumes.

Natural Resource Funds

(Rank: 23rd/23 Score: 0/100)

The Libyan Investment Authority was created in 2006 to manage the country's oil revenues. Before the revolution it was primarily, though unofficially, under the authority of the prime minister, and many cases of mismanagement were reported. No information was published on the fund's assets or activities and its financial statements were not audited. Rules governing deposits are currently unavailable. The new prime minister has yet to appoint a board of trustees to manage the fund.

Libya's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
55	COMPOSITE SCORE	19
57	Institutional and Legal Setting	11
	Freedom of information law	0
	Comprehensive sector legislation	0
	EITI participation	0
	Independent licensing process	33
	Environmental and social impact assessments required	0
	Clarity in revenue collection	33
	Comprehensive public sector balance	33
	SOC financial reports required	0
	Fund rules defined in law	0
	Subnational transfer rules defined in law	..
48	Reporting Practices	29
	Licensing process	50
	Contracts	0
	Environmental and social impact assessments	0
	Exploration data	50
	Production volumes	100
	Production value	67
	Primary sources of revenue	25
	Secondary sources of revenue	0
	Subsidies	0
	Operating company names	100
	Comprehensive SOC reports	0
	SOC production data	19
	SOC revenue data	0
	SOC quasi fiscal activities	..
	SOC board of directors	50
	Fund rules	0

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	0
	Subnational transfer rules	..
	Comprehensive subnational transfer reports	..
	Subnational reporting of transfers	..
55	Safeguards and Quality Controls	15
	Checks on licensing process	11
	Checks on budgetary process	33
	Quality of government reports	42
	Government disclosure of conflicts of interest	..
	Quality of SOC reports	67
	SOC reports audited	17
	SOC use of international accounting standards	..
	SOC disclosure of conflicts of interest	0
	Quality of fund reports	0
	Fund reports audited	0
	Government follows fund rules	0
	Checks on fund spending	0
	Fund disclosure of conflicts of interest	0
	Quality of subnational transfer reports	..
	Government follows subnational transfer rules	..
50	Enabling Environment	10
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	7
	Open Budget (IBP Index)	..
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	4
	Government effectiveness (WGI)	10
	Rule of law (WGI)	18

 Satisfactory	 Weak
 Partial	 Failing