

## LIBYA AT A GLANCE

Libya is a Sunni Muslim dominated nation located in the Northern Africa and share borders with Algeria, Chad, Egypt, Niger, Sudan and Tunisia. It has an estimated population of 6.2 million people of which 97% of them are of the Berber and Arab ethnic groups. Arabic is the official language yet Italian and English are both widely understood in its major cities. The largest city and capital, Tripoli, is located in western Libya and populated by over one million people. The other large city is Benghazi, which is located in eastern Libya. The labor force in Libya was estimated at 1.6 million in 2013 and some of its major industries are petroleum, petrochemicals, aluminum, iron and steel, food processing, textiles, handicrafts and cement. Libya is theoretically governed by a parliament known as the House of Representatives elected in the June 2014 elections. However the parliament's control of the country is severely limited by the current civil war against an Islamist rival government, which controls the capital Tripoli.



The fall of the Gaddafi regime in 2011 marked the end of an era and some believed that the change will provide both opportunities and challenges for companies and investors targeting the Libyan market. One of the questions that are often asked by the business community regarding Libya is its security for businesses. There are some foreign companies that have returned to Libya after the revolution and there are also other foreign companies who are yet to return ever since the revolution out of concern with the security in Libya. Hence, it is commonly agreed that any company will have to seriously consider its business strategies, objectives and security plans before jumping into business or investing in Libya. Indeed, there are huge opportunities for those willing to take a risk, however, there are serious ramifications as well should they encounter a security issue.

According to BMI, the weakening central government has threatened the outlook for the construction sector, due to a lack of private sector investment outside the oil sector as well as growing opposition and violence in east Libya which is affecting unity in the nation. However, political and security challenges aside, the potential for Libya's construction sector is beginning to emerge as the reconstruction of the country gathers pace. A large number of key projects have been awarded, which will drive construction growth over the period of 2014-2017. A number of companies have demonstrated a keen interest to capitalize on reconstruction contracts in Libya. There have been a number of conferences on the topic of rebuilding Libya, with a high turnout from construction companies. Trade delegations from across the world have visited to form connections and vie for contracts; and some of the most active have been the French, British, South Korean, Turkish, Italian and Egyptian. It is important to note that foreign companies operating in Libya must set up a registered presence to operate in Libya. Under the Libyan law, it is not permissible for companies to do business in the country without a registered presence.

## SWOT ANALYSIS

### Strengths

- With the ending of Gaddafi's regime, the country should see a more market-friendly, competitive and open business environment, ending the years of arbitrary decision-making and high levels of corruption and nepotism.
- Indigenous oil supplies, which are the largest in Africa and eighth largest globally. Quality of oil is also high, meaning demand will be stronger.

### Weaknesses

- Ongoing violence is creating a high risk environment, deterring companies from reentering.
- Ongoing ministerial investigations by the Integrity Commission are preventing effective governing.
- The population is still highly militarized, despite the civil war being over.

### Opportunities

- Reconstruction will require the repair of war-torn infrastructure and the rebuilding of assets that have been neglected through years of underinvestment. Total cost is estimated at RM700 billion over 10 years.
- Reviving the oil industry is a major priority, which will demand infrastructure repairs and the securing of export routes.
- Huge need for infrastructure, given the country's population dynamics.

### Threats

- Business environment has to be completely rebuilt. Policy direction is uncertain.
- Potential for violence, as friction between various militia groups is exposed now the common enemy has been defeated.
- Confusion over the status of previous contracts and compensation for damage at sites.

## INDUSTRY FORECASTS

Construction And Infrastructure Industry Forecast Data (2014-2017)				
	2014	2015	2016	2017
<b>Construction industry value, RM billion</b>	7.35	9.45	11.2	12.6
<b>Construction Industry value, % of GDP</b>	2.0	2.4	2.7	3.0
<b>Total capital investment, RM billion</b>	29.4	35	42	46.2
<b>Total capital investment, % of GDP</b>	7.9	9.0	10.2	10.9
<b>Cement production (including imported clinker), tons</b>	6,145,154.7	6,763,461.5	7,613,731.5	8,005,838.7
<b>Cement consumption, tons</b>	3,834,606.6	5,107,919.3	6,719,349.2	7,790,052.3

Libya's business environment will be vital in determining the success of the country's construction sector over the coming years. A poor security situation will keep investors at bay, and the vital oil revenues needed for infrastructure investment have been hit by the sector's poor performance over 2013. BMI forecast Libyan economy to expand by 13.0% in 2014. However, given the presence of hundreds of militia in the country and the central government's inability to exert control over the periphery, investors will remain wary of entering the market. BMI also believed that despite the slowdown in economic growth, the Libyan economy will be one of the fastest growing in the Middle East and North Africa region over the next few years.

## KEY PROJECTS

The key projects that are likely to produce opportunities in Libya over the coming years include:

- General Electricity Company of Libya's capacity building programme in the power sector, which will see installed capacity rise from about 13,000 MW in 2012 to 19,000-20,000 MW by the year 2020;
- A RM8.75 billion upgrade of the state's busiest airports, which aims to expand capacity from an estimated 5 million passengers per year to 28 million;
- The Housing & Infrastructure Board (HIB) has been tasked to deliver 200,000 new homes, with supporting infrastructure, over the next few years. It is thought that HIB will restart the region's largest housing project, with an estimated RM350 billion cost, during 2013; and
- Plans for Libya to host the African Cup of Nations in 2017 are progressing, with the country having been given a budget of RM1.09 billion for the construction of infrastructure in 2013 alone. Projects include 11 new stadia, including a 60,000 seat stadium in Tripoli and a 23,000 seat stadium in Misrata.

## INFRASTRUCTURE AND CONSTRUCTION PLAYER

**Salini Impregilo** is a global player in the construction sector, with approximately 34,000 employees spanning over 50 countries and five continents, and is the leading global infrastructure company in the water segment. It is one of the leading global contractors and the largest among Italian builders. Salini Impregilo has won a multitude of major contracts across emerging markets, particularly in the Middle East. The group's annual turnover amounts to RM16.9 billion, while the project portfolio totals about RM82.5 billion and is diversified by segment and geographical area.

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