Libya's Kleptocratic Boom

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Cover: In the wake of Derna's dam collapse, two Libyans hug during the search for survivors in the flooded city, September 2023. Photo: AP Photo/ Yousef Murad.

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Libya's Kleptocratic Boom

A rapid ongoing surge in corruption, looting, and organized crime perpetrated by Libya's current rulers threatens the survival of the country's essential institutions, including the nation's vital oil sector. Unless bolder international policies are adopted, a relapse into armed conflict is a distinct possibility. Policymakers committed to a stable and sustainable Libya should focus on curbing its kleptocratic boom. They must revise their approach toward the country and embrace a framework that prioritizes inclusive state building and ends any appeasement of corrupt leaders.

With foreign exchange reserves,[1] vast natural resources,[2] and a population of around seven million,[3] Libya has remarkable per capita wealth. Yet, despite government expenditures continuing to rise,[4] that wealth is not being sufficiently deployed in service to its population.[5, 6] The devastating loss of life and property from the September 2023 floods in Derna and other northeastern Libyan areas only confirms the current Libyan leaders' neglect of significant portions of their nation's economy and their indifference to crumbling infrastructure.[7] In 2022, the United Nations (UN) assessed that 24% of women and 30% of children in Libya required targeted humanitarian assistance,[8] and Libya ranks 171 out of 180 on the Transparency International Global Corruption Perception Index.[9] The frailty, opacity, and excessive personalization of state institutions provide Libya's political entrepreneurs, armed group leaders, and organized crime bosses with numerous ways to steal or misuse public resources. Lately, the growth in Libya's kleptocratic sector has accelerated.

This means that Libya is not heading for any new equilibrium or new order. Instead, there is a substantial risk that its current leaders might end up destroying the country's most essential institutions, including the National Oil Corporation (NOC), which is responsible for almost all of the nation's income.[10]

Consequently, while policymakers in Washington and other Western capitals see the absence of large-scale exchange of fire since June 2020 as a sign of progress, they are underestimating the costs associated with turning a blind eye to the corruption of Libya's current leadership—a small yet fractious set of mostly unelected individuals.[11] Owing to the severity of the Libyan crisis's most violent phases between 2014 and 2020, Washington and other Western capitals remain wary of a relapse into armed confrontation.[12, 13] Policymakers have therefore tended to focus their engagement on de-escalation and conflict mediation. In doing so, they have been tempted to look favorably at efforts by Libya's incumbent elite to work out informal arrangements among themselves, the hope being that such tentative deals will result in stability and peace.[14]

Kleptocracy, however, cannot be the basis upon which a functioning state is built: a corrupt bargain among Libya's incumbent leaders does not constitute sustainable peacebuilding, especially given that no progress is currently being made in security sector reform or militia disarmament.[15, 16] Although no compelling analogy exists between Libya's predicament and that of other troubled nations, lessons from Sudan, Iraq, Afghanistan, and Lebanon offer clear warnings of the dangers that Libya faces from its inability to disarm militias, combat kleptocracy, and provide for its citizens. The ongoing Sudan war, which erupted in April 2023, is partly attributable to the fact that both main warring factions were allowed to expand their kleptocratic empires in recent years.[17] Lebanon's economy has collapsed, while the leaders and technocrats who bankrupted it seek to evade responsibility.[18] In oil-rich Iraq, the informal deals that buttress the nation's current rulers fail to produce any positive outcomes: Amid weak governance, durable stability has remained elusive, armed groups' supremacy has not receded, and the nation's socioeconomic standards have continued to erode.[19] In Afghanistan, the collapse of the Western-backed government in 2021 was partly attributable to the prevalence of corruption during the years leading up to Washington's decision to withdraw and the subsequent takeover by the Taliban.[20] High levels of corruption can significantly increase the likelihood of fresh outbreaks of conflict, casting doubt on the assumption that dividing the spoils can be a sustainable solution.[21]

With regard to Libya, as long as the United States (US), United Kingdom (UK), and likeminded governments—as well as international organizations such as the UN and regional bodies such as the European Union (EU)—continue to pursue their current course, the state will remain captured by those who exploit it.[22] Transactional bargains between existing power brokers with no popular mandate are so flimsy, opaque, and devoid of political legitimacy that they can yield neither a genuine reconciliation nor a sufficient improvement in outcomes for the population. The first reflex of the ruling elite is to maintain their own positions of power and secure their ability to extract wealth from the public domain. And as Libya's kleptocratic activities swell, institutions grow weaker. New motives for violent clashes—different from those of the 2014-2020 era—develop.

Kleptocracy in Libya does not merely hurt the population, it also threatens neighboring countries and could impact Europe and the US.

While the contention among rival political authorities is well known, assessing Libya's conflict through the lens of kleptocracy also highlights the need to understand the complexities of Libya's banking sector and the growth of the black market. Libyan kleptocrats—who often enjoy the backing of foreign states—utilize Libya's commercial banks and formal state institutions as conduits for recycling their ill-gotten funds domestically or for sending them abroad without facing meaningful scrutiny. The east-west split that has affected the country's banking system since 2014 currently facilitates the maintenance of schemes for elite enrichment. Tackling these schemes in an even-handed fashion is rendered difficult by the lack of publicly available information, a problem often more pronounced in the country's east than in the west. The institutional asymmetry that prevails between eastern and western Libya thus warps many policymakers' perceptions of the nation's illegal activities.

Policymakers seeking to avoid the danger of greater instability in Libya or the relapse into armed conflict should urgently address the country's kleptocratic boom. Kleptocracy in Libya does not merely hurt the population, it also threatens neighboring countries and could impact Europe and the US. Thus, the priority must be to tackle the entrenched culture of impunity, an endeavor that should be pursued by bolstering checks and balances in Libya's economic governance system and increasing the cost of profiteering from corruption and crime.[23, 24]

Roots of Present-Day Libya's State Weakness

The roots of kleptocracy in present-day Libya trace back to the governance practices of Colonel Muammar Qadhafi's regime (1969-2011). This legacy is all the more relevant today in that no meaningful institutional reforms or legislative overhauls have been carried out since the late autocrat's fall. During its time, the Qadhafi regime redistributed wealth and privileges by concentrating control of state-run assets in the hands of regime insiders and favorites.[25, 26] The regime's pervasive security apparatus closely managed the distribution of assets and punished those who stepped out of line, but it did so beyond the confines of the law, tolerating many illegal practices.[27] Graft and corruption were rampant, particularly during the regime's last decade.[28] These Qadhafi policies formed the basis for the expansion of the illicit sector into what it is today.

The dominance of the state—and state ownership of resources—remains a defining feature of Libya's kleptocracy. By the late 1970s, Qadhafi had nationalized the country's major enterprises and thus abolished the private sector, putting the state in control of all aspects of Libyan life.[29] The Central Bank of Libya (CBL), for example, came to own much of Libya's banking sector rather than simply regulating it.[30] The CBL's monopoly over the banking sector means that the governor of the CBL wields extensive powers in the Libyan economy to this day. Critically, the country's safeguards against abuses were set aside, and officials were selected and empowered based upon their relationships with the regime's top leaders.

For decades, Qadhafi claimed to have no leadership role in the management of the Libyan economy, but he in fact went to great lengths to maximize his sway over all state funds, his top priority being supremacy and survival.[31, 32] This style of governance rendered economic institutions structurally weak, especially when it came to formal checks and balances.

A true private sector has never reemerged in Libya, given that opportunities for success in business were largely determined by insider connections to the state. At the turn of the century, a self-proclaimed liberal movement, ostensibly led by Qadhafi's son and presumed heir apparent Seif al-Islam, sought to reintroduce market-based economic reforms and pursue a process of privatization of state-owned enterprises.[33] However, the private sector that was cultivated remained dependent on access to the public sector through the provision of contracts and privileged access, while newly formed vehicles for state investment—such as the Libyan Investment Authority—remained under the de facto control of the regime.[34]

These trends contributed to weakening the state's formal institutions and partly explain why formal state institutions proved unable to fulfill an enforcement role in the post-2011 order. Qadhafi maintained his power over the system through the establishment of security battalions and other loyal militias, in conjunction with the formal police, intelligence service, and armed forces.[35, 36] Opponents of the regime faced severe consequences, often on an extrajudicial basis.[37] The consolidation of power within the security apparatus—which primarily focused on coup-proofing the regime rather than protecting the state—allowed Qadhafi to govern directly, despite having no official role within government or the state's bureaucracy.[38]

The security apparatus tolerated the existence of the illegal practices that have come to form the backbone of the illicit economy that has developed since 2011, albeit on a smaller scale. Qadhafi kept law enforcement highly selective. The regime tolerated activities such as human smuggling and fuel smuggling, using the former as a means of applying pressure to European governments and the latter as a means of coopting local elites and influencing neighboring states.[39, 40] While these activities have expanded dramatically in both size and sophistication in the post-2011 order, organized criminality existed prior to the overthrow of the regime.

Kleptocrats old and new

The overthrow of the regime and the collapse of its security apparatus in 2011 removed the few existing checks upon kleptocratic accumulation in both the state sector and the burgeoning illicit sector, establishing the patterns of competition for control of the state and its assets that are at play today. In 2023, Libya's main kleptocrats are a blend of Qadhafi-era actors who rose to prominence before 2011 and new actors—mostly in the security sector—who acquired significant means of projecting physical power on the ground after the anti-Qadhafi uprising began in February 2011. Since then, almost no substantive reform efforts have been carried out: the economy remains almost wholly reliant on hydrocarbon extraction, while the public sector payroll has continued to expand.[41, 42] A formal private sector does exist, but it is highly dependent on the state for contracts and trade financing: Well-connected entrepreneurs leverage personal contacts within the state to obtain advantageous commercial opportunities.[43]

From a legal perspective, the bulk of present-day economic activity is at best gray, as the unelected powerbrokers dominating the country's security, economic, and political sectors routinely divert—or help their associates divert—resources from the public while holding on to their positions of privilege and influence. In

A brigade affiliated with the Defense Ministry patrols a street in Tripoli after clashes broke out between other armed groups in July 2022. Periodic eruptions of violence between security actors in the Libyan capital are reminders that no proper security sector reform has yet been implemented. Source: AP Photo/Yousef Murad.

the immediate aftermath of the revolution in 2011, Libya's most impactful politicians were still disconnected from the burgeoning new generation of armed groups, but soon the two categories of players learned the value of partnering up with one another.[44] In addition, unarmed figures with access to capital—including some business magnates and state technocrats—learned how to mobilize money toward influencing existing armed groups or forming new ones loyal to them.[45] Against this backdrop, attempts to integrate informal armed groups into the state's ministries and agencies repeatedly backfired, as the shrewdest armed group leaders—or their trusted friends and relatives—captured official positions that offered privileges over state resources without being subjected to civilian oversight.[46]

The fractured character of the post-2011 security scene helps explain why illicit activities have grown significantly in both breadth and size. Armed groups, working closely with a variety of unarmed actors, have leveraged their control of territory and used a protection economy model to bolster their involvement in embezzlement, procurement fraud,[47] and smuggling and trafficking in many categories of goods, including weapons, narcotics, and humans.[48, 49]

Together, these developments have led to the militarization of Libyan politics, concentrating power among the elite and armed group leaders—a small set of individuals who now compete or negotiate with one another for wealth, power, and authority. Rivalry over markets and resources—combined with other drivers such as ideology, vengeance, and foreign interference—sparked several episodes of civil conflict between 2014 and 2020.

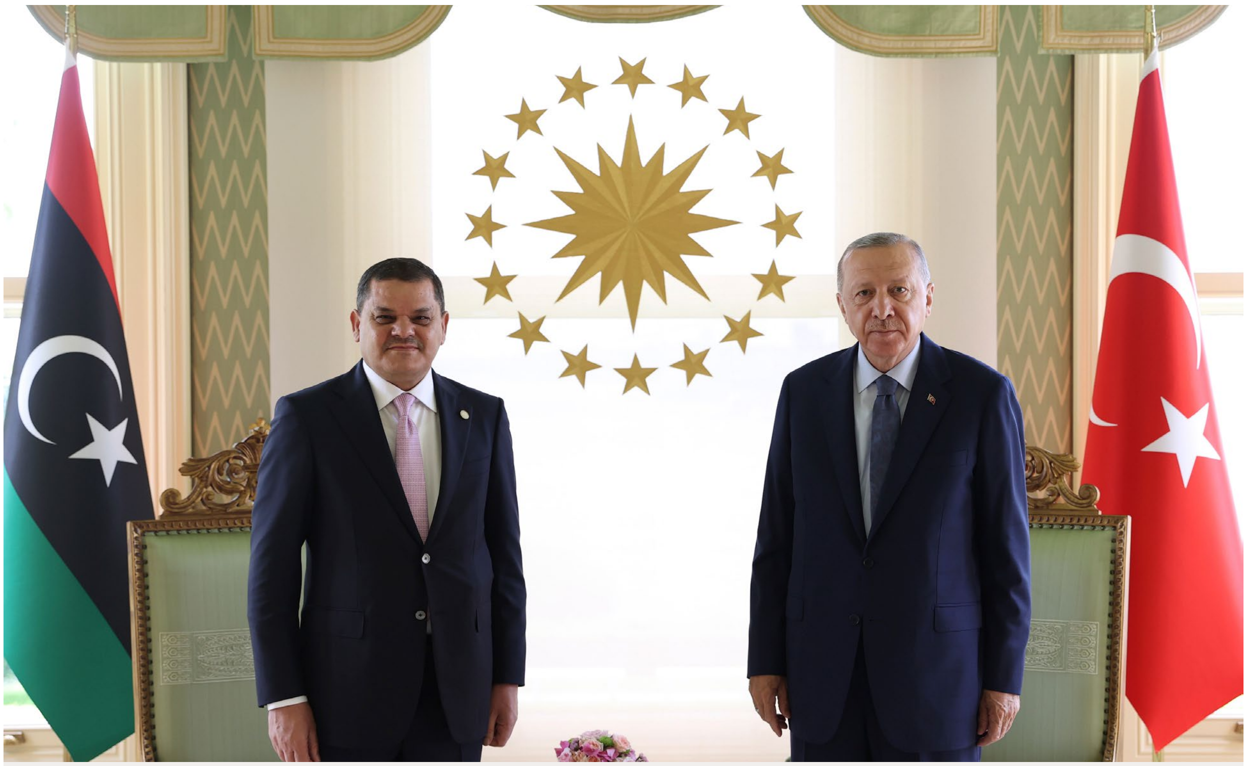
As disputes remained unresolved, rival governments existed in east and west Libya from 2014 through 2021, when the Government of National Unity (GNU) was appointed via a UN-backed designation process.[50] Given the mandate to prepare Libya for elections and to reunify divided institutions, the GNU was the first executive in Tripoli to be accepted by the east since 2014—if only for a few months.[51] The collapse of planned elections—slated for December 2021—led to the re-emergence of division as the House of Representatives appointed a rival government in February 2022.[52] The GNU did not concede and remained in office in Tripoli, though its authority does not stretch meaningfully beyond parts of northwestern Libya.[53] Opposite the GNU, enjoying a quasi-monopoly over the use of force in most of the rest of the country is the so-called Libyan Arab Armed Forces (LAAF), the armed coalition led by the eastern-based rebel commander Khalifa Haftar. Both the House of Representatives and the LAAF refuse to recognize the GNU as a legitimate, nationwide government.[54, 55]

A false sense of stability prevails as rival factions cohabitate and cut short-lived deals in a bid to maintain their interests amid the status quo. While the incumbent leaders fail to achieve any proper institutional reunification, disarmament, security sector reform, or political reconciliation, they seem to share a common interest in imposing a system through which their own patterns of self-dealing, looting of state resources, abuse of power, and other illegal practices can thrive without constraints or mechanisms of accountability.

The contribution of foreign states

Kleptocracy in Libya has both a local and an international dimension. External states have long been direct participants in the oil-rich country's ongoing crisis in the security, political, and economic realms.[56] As the US, France, and Britain—the main proponents and leaders of the 2011 intervention—became less attentive and committed to Libya, non-Western nations such as the United Arab Emirates (UAE), Turkey, Egypt, and Russia became more involved. Since 2011, the UAE, Turkey, and Jordan have routinely violated the UN

Arms Embargo, while armed groups from neighboring Sudan and Chad have been employed extensively by Libyan factions.[57, 58, 59] The role of mercenary groups such as Russia's Wagner Group and Turkey's Uluslararası Savunma Danışmanlık İnşaat Sanayi ve Ticaret A.Ş. (SADAT) expanded amid Khalifa Haftar's offensive on Tripoli from 2019 to 2020.[60, 61, 62] After being attacked by Haftar's armed coalition, the UAE, Russia, and others, the then-Tripoli-based Government of National Accord signed a defense memorandum of understanding with the Turkish government, inviting the permanent presence of Turkish military personnel and Syrian mercenaries.[63, 64] After June 2020, many of these foreign personnel remained in Libya, despite it no longer being an active war theater.[65]



Prime Minister Abdelhamid Dabaiba of Libya's internationally recognized government poses with Turkey's President Recep Tayyip Erdogan prior to their meeting in Istanbul in August 2021. Photo: Turkish Presidency via AP, Pool.

Foreign companies continue to exhibit interest in Libya, most notably in its oil and gas sector.[66, 67, 68, 69, 70] Private companies based abroad compete for contracts issued by the Libyan state in hydrocarbons and a variety of other fields including electricity generation, construction, and telecommunications.[71, 72, 73, 74] As part of their respective Libya policy, some foreign states—such as Turkey and the UAE—may be enabling and facilitating the illegal practices of Libyan kleptocrats,[75, 76] thereby helping them plunder Libya. This has been the case with Russian, Sudanese, and other actors.[77, 78 79] Similarly, various corrupt schemes and illicit activities may be flourishing in Libya partly thanks to the de facto complicity of certain foreign governments.

Navigating Libya's Persistent Fractures: A Post-2011 Timeline

The 2014 civil war brought with it an enduring east-west split, whose effect on national institutions has been persistent to this day, despite more than three years of relative peace commencing in 2020.

2011

Mar. 2011: One month after the eruption of anti-regime uprisings, a US-led coalition of Western and Arab nations initiates a military intervention against Qadhafi's forces.

Aug. 2011: Qadhafi flees Tripoli. The rebels' Council of National Transition takes over.

Oct. 2011: Soon after Qadhafi is killed by Libyan rebels in Sirte, Western nations withdraw, but Qatar and the UAE remain active in Libya's security affairs.

2012

Jul. 2012: Parliamentary elections are held with high participation rates, but armed groups proliferate.

2014

May 2014: Armed groups aligned with retired General Khalifa Haftar attack the expired parliament in Tripoli and, in Benghazi, launch a war against Islamists and other political opponents.

Jul.-Sep. 2014: Libya is embroiled in intense civil war. State institutions, including the Central Bank of Libya (CBL), split between east and west.

2015

Dec. 2015: Libyan factions sign the Libyan Political Agreement, forming the Government of National Accord (GNA) with moderate Fayez al-Sarraj as its head. The eastern-based House of Representatives refuses to recognize the GNA.

2017

Dec. 2017: Haftar prevails in the Benghazi war.

2019

Apr. 2019: Haftar's forces, backed by the UAE, assault the Libyan capital.

Sep. 2019: Russia's Wagner Group joins Haftar's Tripoli front line.

Nov. 2019: The GNA signs two strategic memoranda with Turkey, leading to a large Turkish military intervention against Haftar's armed coalition in northwestern Libya.

2020

May-Jun. 2020: Wagner's withdrawal from Tripoli results in Haftar's defeat.

Oct. 2020: A formal UN-backed ceasefire begins after fighting ended in June 2020.

Nov. 2020: The UN-backed Libyan Political Dialogue Forum holds sessions, and elections are planned for December 2021.

2021

Feb. 2021: Abdulhamid Dabaiba is selected as prime minister via a UN-backed designation process.

Mar. 2021: The House of Representatives grants Dabaiba its vote of confidence; both incumbent governments in Benghazi and Tripoli step down.

Dec. 2021: The UN-backed electoral process collapses.

2022

Mar. 2022: The House of Representatives confirms Fathi Bashagha as the new prime minister, but he fails to enter Tripoli and topple Dabaiba.

Nov. 2022: The Haftar family installs a loyal supporter as new head of the CBL's eastern branch in Benghazi.

2023

May 2023: The Haftar family and its allies pressure Bashagha to step down; Finance Minister Usama Hammad becomes the new Haftar-aligned prime minister in eastern Libya.

Oct. 2023: The House of Representatives ratifies the new electoral law for presidential elections, but the UN calls for improvements.

A Divided Banking System and Ineffective Financial Controls

Illicit activities flourish in Libya partly because of the dysfunctional character of the licit banking sector, which remains dominated by the state. Indeed, the mechanisms employed by Libya's main kleptocrats cannot be understood without looking at how they are connected to the evolving economic and financial structures of the state and the administrative divisions between east and west Libya that emerged in 2014. Because of the added opacity in eastern Libya as compared to western Libya, illicit schemes prospering in the east are often harder to detect. Policymakers' perceptions of Libyan kleptocracy are often skewed by the lack of information available. For instance, the Tripoli-based Audit Bureau's reports shed light on some of the irregularities affecting the government and several public institutions in the west, but the Audit Bureau's eastern counterpart does not report publicly on the financial practices of major structures, such as Haftar's armed coalition or its Military Investment Authority.[80]

Libya: Heaven for Money Launderers?

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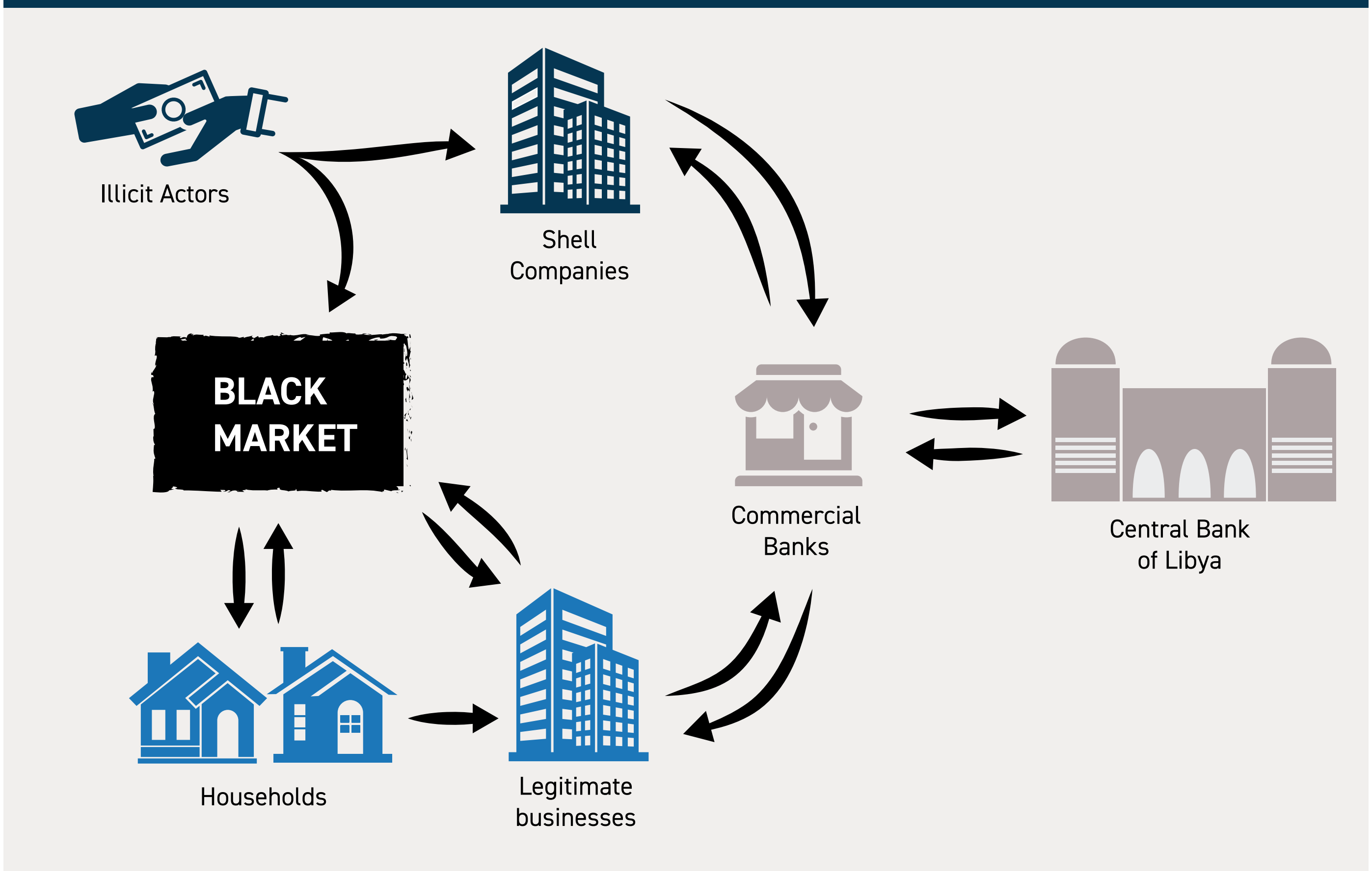
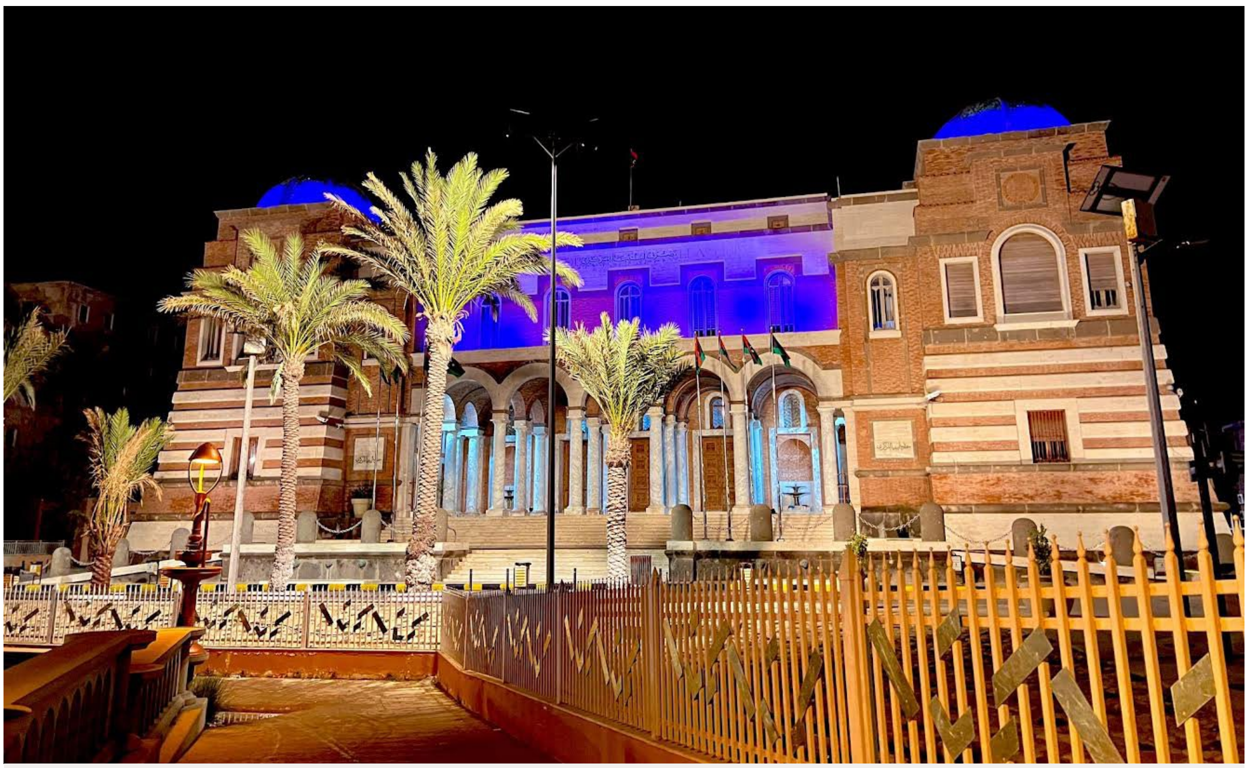
The formal banking system's persistent vulnerabilities explain the size and necessity of the black market. Large volumes of cash move between the black market and formal banks, undermining most anti-money laundering measures.



The Central Bank of Libya

Money laundering in Libya will remain difficult to combat unless the political and institutional split that has plagued the country's banking sector is addressed. Sitting at the heart of the Libyan economy, the CBL in Tripoli—responsible for regulating the nation's entire banking sector—has become a critical center of political power in its own right,[81, 82] determining who receives state funds.[83] It has both directly and indirectly conditioned the development of the economies in east and west Libya since 2011, embodying a key intersection whereby contending interests cohabitate. In several regards, the sharing of the state's economic privileges among rival political factions is tacitly adjudicated by the CBL in Tripoli, which has been spearheaded by its governor Sadiq al-Kabir since his appointment in September 2011.[84]



The Central Bank's Tripoli headquarters. Photo: The Sentry.

Since 2014, checks and balances on the management of state income and spending have degraded, and the absence of a legislatively approved budget has helped the CBL in Tripoli develop an unprecedented degree of discretionary authority while relegating the ministries of Finance, Planning, and the Economy into quasi-irrelevance.[85] From 2015 on, a handful of officials at the helm of the CBL in Tripoli have decided which expenditure items requested by the two rival governments in Tripoli and in the eastern province would be funded by the state.[86] The technocratic institution became a politically powerful arbiter between each state organ and its own funds, making it difficult for government officials to plan economic policy.[87] Libya operating without a proper voted budget for several years had turned CBL governor Kabir into the country's most powerful man, a businessman who worked for the Libyan treasury department in the 1990s under Qadhafi told The Sentry.[88]

In 2014, amid the eruption of Libya's second civil war, the CBL in Tripoli disconnected its provincial branch in the east from the rest of the banking network's national clearing system.[89, 90] The punitive move was mainly designed to prevent further disbursement of public funds to eastern-based actors, such as Khalifa Haftar's LAAF.[91, 92] The CBL in Tripoli carried on wiring the salaries meant for public sector employees in eastern Libya, including military officers aligned with Haftar, provided they were hired in 2014 or earlier,[93, 94] but the salary money for eastern-based recipients was funneled into accounts at commercial bank branches located in the west, not the east.[95, 96] Because of the east-west split introduced in the autumn of 2014, obtaining physical cash became particularly difficult for the commercial banks in the east.[97, 98]

In response, the CBL's eastern branch established its own processes,[99, 100] creating a parallel ledger system and a secondary banknote circuit. The resulting discordance with Tripoli has created profound vulnerabilities in Libya's banking system and public finances. Between 2014 and 2020, the interim government of Prime Minister Abdullah al-Thani, based in the east, borrowed approximately 71 billion Libyan dinars (LYD) (then $52 billion), mainly from the CBL's eastern branch.[101, 102] To a lesser extent, the Thani government also borrowed from the commercial banks in the east.[103] In May 2016, the eastern authorities began importing dinar banknotes from Russia, again without official authorization from Tripoli.[104] Over the subsequent four years, Kremlin-controlled printing company Goznak delivered at least 14 billion LYD (then about $10 billion) in the form of Russian-minted banknotes to Libya's eastern factions.[105] The real total was likely a few more billion, according to an eastern Libyan business owner and two banking veterans interviewed by The Sentry.[106] The eastern-based authorities distributed the Russian banknotes in a nontransparent fashion, thus impairing the ability to track their allocation.[107]

Despite rhetorical claims to the contrary, no meaningful reunification of the CBL has yet materialized. In August 2023, the CBL's Tripoli leadership and its Benghazi counterpart jointly announced their reunification, with the CBL's eastern chief agreeing to act as the nationwide institution's deputy governor under Kabir's continuing governorship.[108] Critically, however, the notion of a board of directors tasked with overseeing the work of the CBL was removed from the CBL's website—a potential violation of Libyan law.[109] Moreover, no indication exists that the longstanding issue of irregular public debts accumulated in eastern Libya was resolved, nor was the issue of two separate treasuries—one for each rival government.[110, 111] Until proven otherwise, the fault lines within the banking sector have yet to be repaired.

Divisions between governments and their rival CBL leaderships have helped undermine budget negotiations. Negotiations between CBL officials from the east and west yielded a tentative agreement on a unified budget in January 2021.[112] But these talks ceased after the March 2021 emergence of the GNU and never gave rise to a ratified, unified budget law.[113] Nonetheless, in the spring of 2021, Tripoli integrated many eastern expenditures into its own finances.[114, 115, 116, 117] In addition to that, the Tripoli CBL sent funds to the LAAF and eastern authorities, an opaque arrangement that continues today.[118] Yet, following the March 2022 emergence of a new parallel government in Sirte, the eastern factions reactivated the financing mechanisms developed in 2014-2021 for the purpose of providing a funding source for the LAAF and the House of Representatives-appointed government—without oversight and without coordination with Tripoli authorities.[119, 120]

The sway of the CBL extends into the private sector as well. The CBL has the ability to influence which actors succeed in the private sector by determining which businesses are able to access trade financing.[121] Notably, the CBL is the majority shareholder in the two overseas banks that handle a significant proportion of Libya's trade financing: the Arab Banking Corporation (Bank ABC), headquartered in Bahrain, and—via the

100% CBL-owned Libyan Foreign Bank—the British Arab Commercial Bank, headquartered in the UK.[122, 123] Sadiq al-Kabir joined the board of Bank ABC in December 2011,[124] becoming the first CBL governor to hold the position of chair of the Bank ABC Group's board of directors concurrently. Bank ABC reported that Kabir received $142,500 in 2022 in remuneration for his engagement with the board.[125]

A broken system

While many of the frailties in Libya's banking sector today arose as a result of the polarized politics of 2014, they are perpetuated because they facilitate the mechanisms employed by Libya's kleptocrats. The continued split of the banking system aids an array of illicit practices and black market businesses whose beneficiaries use their clout and influence to resist a return to normalcy. Those responsible for overseeing the banking system know that they would be easier to replace if they implemented proper systemic fixes, and so they are incentivized to merely manage the broken system rather than repair it. One clear illustration of this tendency is the constant necessity for the CBL to distribute large amounts of physical banknotes across the country.[126] Additionally, some of the banking-related abuses carried out from 2014 to 2020 are likely to be repeated.

A pro-Haftar billboard in Ajdabiya, an eastern city he controls, reads: "The road is long and many traitors will fall." Photo: The Sentry.

For instance, from 2016 to 2018, eastern Libyan bosses used the Russian-printed banknotes to buy large quantities of dollars on the black market, weakening the dinar's exchange rate and further eroding the purchasing power of ordinary households across Libya.[127, 128] Today, there is little to stop Haftar's faction from importing several more billion in Russian-printed banknotes,[129] and this may even be likely given that, in late 2022, Haftar's faction resumed borrowing from eastern commercial banks without formal authorization from Tripoli.[130]

The Haftar family has developed its sway over eastern-based economic and financial institutions, sparking fears about systemic vulnerability and potential abuses of state finances. From 2014 to 2020, Haftar's military influence helped convince commercial banks in eastern Libya to assist LAAF-aligned bodies;[131] this included the Commerce and Development Bank, which was led by Jamal Abdel Malek until May 2022.[132, 133] More recently, the Haftar family and its closest associates have gone even further in ensuring the political loyalty of key bankers and financiers in eastern Libya. Since 2022, several positions with crucial financial responsibilities have been given to individuals with close links to the Haftar family.[134, 135, 136, 137, 138]

The rise of the black market

Subject to no formal governance or state control, Libya's black market has matured into a pervasive, liquid platform through which participants can convert large quantities of Libyan dinars into dollars. In this way, substantial quantities of physical currency can change hands safely and without leaving a paper trail. Furthermore, the black market in Libya is linked to its counterparts in other countries, such as the UAE, Turkey, Syria, and Lebanon.[139]

The array of mechanisms that enable diversion and personal enrichment developed in conjunction with the enlargement of the black market over the last decade. Between 2013 and 2016, in particular, long oil blockades in the east significantly reduced Libya's dollar revenues from oil and gas, spurring a major crisis of confidence in the formal banking system.[140] The entire banking system was affected, and the dinar's dollar value fell on the black market, while the official rate of exchange was left unchanged.[141] This margin of difference, which lasted until late 2018,[142] enabled massive profits, particularly via letters of credit (LCs).[143] An adjustment of the official exchange rate in 2020 significantly reduced these opportunities.[144] Yet LCs have carried on offering vital utility to Libyan factions as the only artery of access to foreign currency within the formal banking sector.

As black market operators, tycoons, and armed group leaders worked together to profit from the situation, the population at large suffered.[145] The persistent, chronic shortage in banknotes made it difficult for Libyans

In Souq al-Moushir, Tripoli, informal operators trade dollars for dinars, influencing the black market conversion rate across Libya. Photo: The Sentry.

to withdraw cash from their accounts, establishing the black market as vital to households and businesses for their everyday activities.[146] At the height of the liquidity crisis, from 2016 to 2019, households and merchants alike were so desperate to extract physical banknotes from their accounts that they wound up doing so on the black market, even though it required them to forgo a chunk of their bank check's value.[147] Only operators linked to armed groups could render this service, given the importance of physical logistics and armed might for anyone involved in accessing and distributing banknotes.[148, 149]

Since 2014, the Central Bank of Libya's eastern branch has been cut off from the main clearing system in Tripoli. Full re-integration, which is needed to make the banking sector less vulnerable, has yet to happen.

As a result of these dynamics, distinguishing between the licit and illicit sectors in Libya has become almost impossible. Cash moves constantly between the formal sector of the economy and the black market, making it easy for illicit actors to launder their dirty money by recycling it into seemingly legitimate commercial bank accounts and then sending it abroad in the form of dollars.[150] A study by the UN's Interregional Crime and Justice Research Institute found that corruption and money laundering are cross-cutting issues that connect criminality in Libya with cross-border, international illicit financial flows.[151]

More broadly, the continued vulnerability of Libya's banking system renders its licit economy vitally reliant upon the black market for basic movements of capital between the eastern and western parts of the country. As the CBL's eastern branch remains cut off from the Tripoli payment clearing system, the nation's entire banking network remains dependent on ad hoc cash transfers coordinated by the CBL's headquarters.[152] Only a unified, digitized clearing system can close these loopholes. The UN has sought to utilize an internationally conducted financial review of the CBL as a means of supporting its reunification, but to no avail.[153] Unless and until progress is made on that front, Libya's black market will continue to play an indispensable role in the nation's licit economy, rendering efforts to combat money laundering difficult.[154]

Many Ways to Profit: A Cross-Section

The sum total of kleptocratic activities—in western and eastern Libya alike—has seen a marked acceleration over the last two years. Along with its dollar size, the illicit sector's sophistication, diversity, and institutional entrenchment have been growing. A range of illegal business models thrive, with some of the most active individuals exploiting several sectors at once. These trends have manifested in a security environment in which armed violence on Libyan soil has been subdued as a result of the entrenched presence of Russian mercenaries and Turkish forces establishing a balance of power in the aftermath of the 2019-2020 battle for Tripoli.[155] Since the GNU was formed in 2021 and plans for elections intended for the same year have receded from view, international diplomacy has been fading.[156]

Few of the most relevant Libyan kleptocrats' networks operate in an exclusively criminal or predatory manner. They often grow their illegal endeavors while also fulfilling socially constructive functions, such as day-to-day security and counterterrorism.[157] This duplicity makes it difficult for external entities to denounce some of the most prominent Libyan decision-makers whose cooperation is needed by the US and other nations.

As a result, a stubborn culture of impunity protects Libyan kleptocrats and their activities. This has developed to the extent that there now is no realistic prospect that those who divert public funds for personal gain will face criminal prosecution in Libya. Subject to almost no checks, Libya's biggest kleptocrats operate above the law. While arrests of secondary or tertiary actors are sometimes conducted on the basis of corruption charges, even these noncrucial suspects are often released once media attention moves on.[158, 159] The now familiar cycle is a reminder of the weakness of present-day Libya's court system.

White-collar schemes

While much focus has been trained on the activities of armed groups, their less violent partners in the political and business fields have garnered less attention, yet the damage they have wrought is vast. Abuse within the state's structures, in the east and west alike, has contributed to the severe deterioration of the country's infrastructure,[160, 161, 162] including the Derna dams;[163, 164] the collapse of public services; and a situation in which Libyans must pay more for less. White-collar criminality is dependent upon control of elements of the state or access to officials with the power to make decisions on behalf of state institutions. It includes a range of schemes, from contract fraud to embezzlement and illegal transfer of public goods into private ownership.

Privileged access to state-backed finance

The fortunes of private sector actors in Libya have greatly depended on access to the state's coffers. Since 2011, the principal routes for this access have come through trade financing and contract fraud. Profiteering from trade financing is less significant today, but connections to the CBL are still important for sustaining any business reliant on imports and for creating liquidity in the black market. Businesses seeking to import goods from overseas need access to LCs in order to secure trade financing, and these must be authorized by the CBL.[165, 166] Between 2016 and 2018, in particular, the significant difference between the official rate of exchange offered by the CBL and the rate available on the black market allowed those with privileged access to LCs to capture massive profits by selling goods at higher prices, illegally offshoring hard currency, or selling their foreign currency to others.[167]

Through profits made on trade financing mechanisms, armed group leaders, politicians, civil servants, and well-connected businessmen became considerably richer.[168] Armed groups were quick to gain expertise from their partners in the black market. By 2018, most had acquired the knowledge to set up their own front companies and financial channels to launder money overseas.[169] Profits captured via privileged access to trade financing facilitated the rapid rise of several business figures. For instance, some observers suspect that one such individual is Mohamed Taher Issa, who went from being a medium-sized food merchant before 2011 to amassing a significant business empire and fortune.[170] Taher Issa's newly launched airline company, Medsky Airways,[171, 172] has recently been seeking to expand its fleet of aircraft—another suggestion of privileged access to the CBL's LC program.[173]

The Role of LCs in Libya

Because the Libyan dinar is not a freely tradable currency, the CBL fulfills a crucial function when it comes to converting the dinar into US dollars and other hard currencies by providing a documentary LC program to commercial banks. The LC program is meant to let public institutions, private companies, and other bank customers convert dinars into dollars at the official exchange rate, which is fixed and published by the CBL.

Applicant companies must be registered to receive LCs from the CBL. Regulations require that companies deposit 100% of the value of the LC in Libyan dinars with the commercial bank through which they applied, although this seldom happens, according to insiders.[174] Once the relevant documentation is approved by the commercial bank, the application is assessed by a CBL committee through an electronic system. The governor himself eventually authorizes the list of LCs to be granted. The subsequent issuance of the LCs can take anywhere from a few weeks to several months, often depending upon the personal connections of the company in question.[175]

Correspondent banks are responsible for due diligence on the LCs, both of the transaction and of the partner bank. But given that so many LCs are processed by CBL-owned banks,[176] due diligence on the partner bank often equates to due diligence on the CBL and its subsidiaries.[177] Moreover, the CBL is also in charge of anti-money laundering checks in Libya on all completed transactions.[178] Thus, in many cases, the CBL is present directly or indirectly at all stages of the transaction, from the applicant bank to domestic authorization, overseas execution, and subsequent scrutiny.

In the context of the post-2011 Libyan crisis, access to LCs became strategically vital for any political or armed faction committed to prevailing over its rivals. Because payments in dinars are not accepted outside the country, Libyan-based actors deprived of access to LCs would be isolated from foreign banks, unable to purchase vehicles, supplies, or other goods abroad. And given the small size of the markets inside Libya, their dinars would be of limited utility.

However, LCs are also subject to misuse and abuse, including for money laundering purposes. For those who hold large quantities of ill-gotten dinars and have access to LCs, they can be employed as a convenient means of sending that wealth abroad, as Libya's cash-based economy makes it difficult to distinguish between licit and illicit funds. Moreover, when the black market exchange rate significantly differs from the official rate, large profits can be captured using fraudulent LCs and the complicity of willful or militarily coerced bank managers. In such instances, actors do not import the stated goods but instead present false bills of lading in order to have the CBL transfer the LC dollar amounts abroad. The foreign-based recipient of the dollars is an entity either working with or controlled by the Libyan purchaser, and the dollars thus generated are then pocketed as pure profit or sold on to black market traders at a higher rate. The black market traders subsequently sell the hard currency to Libyan actors, including merchants and households, who need to move money internationally but cannot access the CBL's formal foreign exchange program. This type of illegal arbitrage was particularly lucrative from 2015 through 2018.

The illicit scheme associated with LCs reached its height in November 2017, when the exchange rate on the black market exceeded 9 LYD to the dollar, while the official exchange rate was about 1.4 LYD to the dollar.[179] And while the spread between the black market and the official rate of exchange has since been significantly reduced,[180] the ability to obtain foreign currency still provides a key advantage for any participant in the business sector. Given the limited checks on the paperwork to determine whether LCs are used for their intended purposes, as well as the many ways of obfuscating the paper trail, part of the liquidity created by the LCs finds its way onto the black market.[181] In turn, that liquidity is often sold on for a range of purposes, some useful—such as to small, innocuous merchants unable to obtain LCs for their legitimate trade—and some more nefarious—such as to actors responsible for offshoring ill-gotten profits or procuring illicit goods.[182] A Global Witness assessment of the Libyan LCs published in 2021 concluded that the discrepancy between the flow of public money on LCs and historic patterns of imports was most plausibly explained by "ongoing abuse" of the LC system "at significant cost to Libyan public funds," though the CBL and Bank ABC strongly disputed these claims.[183, 184]

Another of the main ways that Libya's kleptocrats steal from the state is by obtaining sweetheart deals. This form of abuse happens at almost all levels. On the lower end of the spectrum, armed group leaders have secured contracts for non-security enterprises that they own or control. In just one example among many, the leader of an armed group in control of a prison in Tripoli successfully joined the prison's procurement committee, along with a relative of the then-minister of justice. A contract that the committee then authorized exhibited blatant price gouging, charging two to three times the market price for basic food commodities and 24 times the market price for a cylinder of gas.[185] In some more extreme cases, contracts are honored by the state, which pays the full amount to the provider, but not honored by the provider, who delivers nothing in return.[186] Through such forms of abuse, Libya's kleptocrats pocket millions every month.

Large-scale contracting processes have also come under scrutiny, particularly in the electricity sector. The state electricity company, the General Electricity Company of Libya (GECOL), an institution known for its dysfunctional inner workings, has been at the center of these dynamics.[187] In its 2021 report, the Audit Bureau criticized GECOL for discrepancies over its accounting, delays in executing agreements, and an inability to locate items that had been procured.[188] In 2021, the incoming GNU of Abdelhamid al-Dabaiba granted major contracts to electricity companies as part of its effort to allay a power generation crisis.[189] Among them, a contract for the development of a power station granted to Aksa Power Generation, a Turkish contractor, was criticized because the company specialized in generators rather than power stations. Moreover, Libyan commentators claimed that Ibrahim Dabaiba—the prime minister's cousin and head of the prime minister's office—acted as the Libyan representative for Aksa Power Generation.[190, 191, 192] That same year, Ibrahim Dabaiba imposed himself as a de facto overseer of almost all GECOL's new contracts, despite not being officially part of its senior management.[193, 194] In 2022, Prime Minister Dabaiba installed as GECOL's general manager Abdelhamid Ali al-Manfukh, the father of a mid-level figure closely linked to armed leader Mohammed Bahrun of the western city of Zawiyah.[195, 196] Adding personal links to armed groups and politicians alike cannot be conducive to greater transparency in technocratic institutions such as Libya's problem-ridden electricity provider.

The control of state contracts remains a significant source of power in Libya. Since the mid-2010s, the Dabaiba family's business record has been subject to significant scrutiny, including the issuing of unresolved legal proceedings in Scotland at the request of the Libyan state.[197] The prime minister's uncle, Ali Dabaiba—Ibrahim's father—is the scion of the Organization for the Development of Administrative Centers (ODAC).[198] Following its formation in 1989 under Qadhafi, ODAC was at the forefront of contracting for construction in Libya, a program that enjoyed a major surge in the 2000s.[199] While Ali Dabaiba technically left his role at ODAC after 2011, his influence is seen to endure. He has been described as having a "spiritual" relationship with the organization and is considered its greatest influencer.[200] Despite their status as civil servants, the Dabaiba family became oligarchs and acquired assets around the world.[201] Many Libyans suspect that these resources have been pivotal in helping secure Abdelhamid's accession to the prime ministership in 2021 amid allegations of bribery within the body that appointed Dabaiba's government.[202]

Institution creation and the diversion of funds

One of the most effective approaches adopted by Libya's kleptocrats has been to create new entities that are administratively independent from state institutions. Once established, these entities obtain their own trade financing and issue their own contracts, offering further means of capturing funds in exchange for subpar performance. Armed group leaders have been particularly active in this field in recent years. A former government official noted that the Ministry of Interior has struggled to curtail the activities of armed groups operating under its aegis as a result of those groups' establishment of independent—and largely autonomous—state entities.[203]

Libyan state assets abroad have proven most vulnerable to plundering. The competition among networks of kleptocrats for control of the estimated $68.4 billion in assets of the Libyan Investment Authority (LIA) offers a perfect example of these trends in action.[204] To this day, the LIA is unable to publicly produce consolidated accounts for the subsidiaries and holding companies that it owns and, at least theoretically, controls.[205] This means that the LIA's overall portfolio and its true value remain unknown. Libyan officials possessing a high level of expertise on the LIA's portfolios have quietly endeavored to take over chunks of the sovereign wealth fund's assets,[206] despite the continuing existence of a UN asset freeze instituted in 2011.[207] The asset freeze could have been an effective means of protecting Libyan state assets, but it has been inconsistently enforced and even ignored in some jurisdictions.[208]

Beyond this, a wide array of state-owned enterprises known for being cash-rich have come under significant pressure. In both the country's west and east, the Libyan Post Telecommunications and Information Technology Company (LPTIC) has been a target for the diversion of funds by armed actors.[209, 210]

Blue-collar schemes

The informal component of Libya's economy has expanded markedly since 2011.[211] A subset of that growth has unfolded in the criminal realm as actors on the ground who previously held limited social and economic standing have translated their territorial control into wealth and power. The rise of these blue-collar actors has been a salient feature of the last decade and is still transforming Libya's politics. Compared to the white-collar schemes, the blue-collar schemes of these new entrants are less reliant upon the financial resources of the state. For instance, arms trafficking continues to be a thriving activity in present-day Libya.[212, 213, 214, 215, 216, 217, 218, 219]

Diesel and gasoline

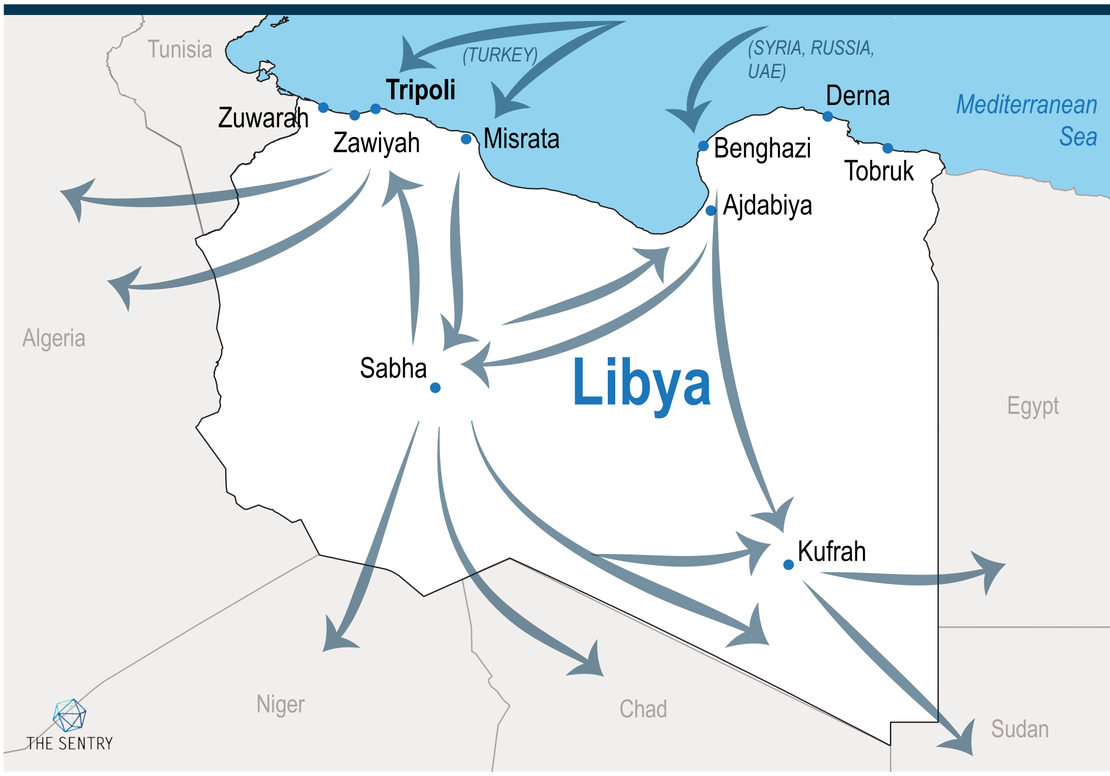
With the official domestic price of gasoline maintained at the equivalent of $.03 per liter—one of the cheapest prices in the world—Libya's fuel subsidy program is subject to widespread abuse.[220] It causes Libya's National Oil Corporation (NOC) to import immense quantities of refined products from abroad, in addition to the fuel it refines domestically.[221, 222, 223] In 2021, Libya's subsidy costs for gasoline, diesel, and other refined petroleum products amounted to about $7 billion.[224] In 2022, those fuel subsidy costs exceeded $12 billion.[225]

Fuel from Zawiyah is sold on the road to Zuwara. Photo: The Sentry.

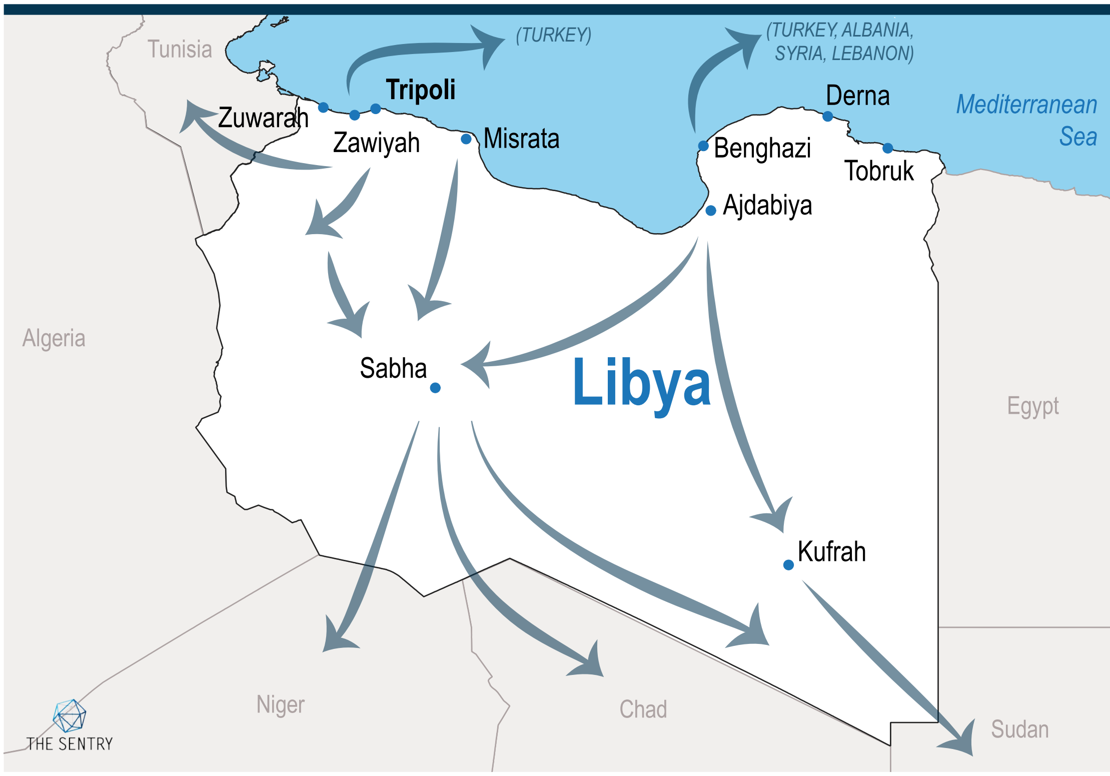
The volumes of fuel procured and distributed by the NOC far exceed the legitimate consumption within Libya.[226] The gap is attributable to fuel smuggling, which sees a large proportion of both the imported fuel and the domestically produced fuel transferred illegally to neighboring countries.[227] Several informal networks illegally divert billions of dollars' worth of the fuel imports using a variety of techniques. Fuel flows in from Italy, as well as other countries such as Greece, Turkey, and Azerbaijan,[228] through five principal points of entry: Zawiyah, Tripoli, Misrata, Benghazi, and Marsa al-Hariqa, near Egypt.[229] From there, a substantial chunk of the imported fuel is illegally rerouted into the parallel market to be sold at a much higher price than the official subsidized price of .15 LYD ($.03) per liter.[230, 231, 232] While some of the diverted fuel is sold for profit inside Libya, the rest is re-exported illegally.[233] Destination countries include Sudan,[234] Chad,[235] Niger,[236] Tunisia,[237] Albania,[238] and Turkey.[239] Depending on the geography and the circumstances, refined petroleum diverted from Libya's fuel subsidy program is taken to these foreign markets using vessels,[240, 241] tanker trucks,[242] or smaller vehicles.[243]

Libya: An Illicit Trades Hub

The arms trafficking market in Libya has maintained its steady flow, yet it is overshadowed by the fast-escalating fuel smuggling sector, which has seen significant growth over the last two years. This expansion has been particularly pronounced in eastern Libya, where the rate of growth outstrips the already well-entrenched networks in western Libya.



Arms



Diesel and gasoline

The overall financial cost of Libya's fuel trafficking industry allegedly hovered around $750 million per year for several years.[244] But a key change occurred in autumn 2021: the NOC began using fuel-for-crude swap—or barter—transactions, which have enabled it to import fuel without requiring any dollar funding from the CBL.[245, 246] Thus, in 2022, the quantity of imported refined products increased by about 19% as compared to 2021.[247] The overwhelming majority of this spike was likely attributable to illicit trade, meaning that the fuel trafficking industry's dollar size has surged.[248] It is also a significant source of concern that, since the November 2021 change, the fuel subsidy has been removed from the budget in CBL disclosures.[249, 250] Placing the entirety of the abnormally large subsidy program outside of the budget conceals a significant amount of state spending.

In 2022, Libya's fuel subsidy costs exceeded $12 billion—$5 billion more than the prior year. The leap was mostly attributable to smuggling.

Although western Libya has retained its prominent role in the country's fuel-smuggling sector,[251] indications are that the bulk of the ongoing boom is concentrated in the eastern province. In September 2022, a revealing incident saw Albanian authorities stop a vessel sailing from Benghazi carrying approximately $2.2 million in marine gasoil.[252, 253, 254] The name of the ship in question had been featured in a letter warning of increased fuel-smuggling activity in the port of Benghazi that had been leaked by an anonymous NOC official four months before the Albania seizure.[255] Another document, as well as indications from a senior Libyan official, suggest that Benghazi has indeed become the locus of more abnormal fuel movement compared to prior years.[256, 257] Amid this worrisome trend, the US government has expressed concern that the Wagner Group could tap into Libya's hydrocarbon sector, given the group's links to the Haftar family, which controls eastern Libya, including the ports of Benghazi and Marsa al-Hariqa.[258, 259, 260] A senior NOC official told The Sentry that he harbored similar concerns about Russian and other non-Libyan units potentially benefiting materially by capturing and diverting Libyan-funded fuel.[261]

The diversion of subsidized fuel should not deflect attention from several other forms of abuse likely plaguing the NOC, including rogue crude oil exports. It is likely that several billion dollars are stolen from the Libyan public every year via unreported exports of crude oil, as indicated by a knowledgeable source and a non-public watchdog report.[262, 263] Several Libyans with expertise in the matter suspect that the phenomenon of missing oil export income might be growing in east and west Libyan oil terminals alike.[264, 265, 266]

These shifts in the oil sector may result from the prevalence of opaque bargains between Libyan factions in conjunction with the interference of some foreign states. In 2022, the UAE brokered a deal between the Haftar and Dabaiba families to agree to a leadership change at the NOC.[267, 268] However, since the new chairman took the helm, some Libyan outlets have alleged that Saddam Haftar siphoned large sums from the treasuries of NOC subsidiaries.[269] There are also lingering questions as to the precise allocation of 34.3 billion LYD (about $6.8 billion) in extraordinary funding received by the NOC from the CBL in 2022.[270, 271, 272] If these concerns were to be corroborated, they would highlight how intra-elite arrangements pose an existential threat to Libya's most vital economic institution.

Scrap metal

Illicit scrap metal exports have burgeoned into a major concern for Libya, as various armed groups exploit their power, security provider status, and ostensible affiliation with the state to profit from the ransacking of public infrastructure. These activities result in significant damage to still-functioning installations such as the

Great Man-Made River,[273] telecom cables, and several agricultural projects.[274, 275] Once collected, the raw materials are shipped abroad. An eyewitness from Kufrah told The Sentry about the theft of metal components from public infrastructure in southeastern Libya. He indicated that the Military Investment Authority had declared the equipment old and broken down before Brigade 106, a large armed unit linked to Haftar, transported the metal to Benghazi Port for export.[276] The same practice has been ongoing in western Libya, as well.[277] Scrap metal stolen from public infrastructure is shipped to buyers—often based in Turkey—mainly via the ports of Misrata and Khums.[278, 279, 280, 281, 282]

Gold

Although Libya has historically produced virtually no gold, its black market has long acted as an informal gold-trading platform, while local artisanal gold mines have slowly begun to emerge in the south of the country.[283] Particularly since 2014, Libya has been used as a transit area toward places such as the UAE and, to a lesser extent, Turkey.[284, 285] Entities active in sub-Saharan Africa, including the Sahel, sometimes use Libya's transport infrastructure—including its international airports—as they export gold to destinations outside the continent.[286] The utility of using Libya's black market as an intermediary stop resides in the country's state weakness, which makes it possible to maintain opacity, evade the payment of formal taxes, and elude any level of accountability. Two crucial points of transit are used to export gold on an illicit basis: the port and airports of the Misrata-Zliten-Khums area and those of Benghazi.[287, 288, 289, 290, 291] The gold originates mainly from Chad, Niger, Burkina Faso, and Mali.[292, 293] In addition, gold mining has been slowly developing in Libya itself, both in the southwest and the southeast.[294, 295] In ongoing efforts to kick-start the clandestine extraction of gold on Libyan soil, the involvement of non-Libyan actors is suspected.[296]

Illicit gold, often in the form of nuggets or doré bars, moves through Libya every year. Photo: The Sentry.

Human smuggling and trafficking

As a key embarkation point for migrants and refugees attempting to reach Italy, Malta, and Europe at large, Libya sees thousands of people transiting through monthly. To derive various benefits from these human flows, armed groups have developed an array of operations, including detention centers, anti-migrant patrols, and ransoming rackets, often using their nominal affiliation with government bodies and with the tacit support of senior state officials. As a result, almost all of Libya's politically relevant factions participate in human smuggling and trafficking, at least indirectly.

The main motivations driving actors in the "migrant-flow management" sector are not always strictly pecuniary in nature; incentives include the opportunity to act on behalf of the state, given that Libya's formal ministries and agencies almost always outsource the running of detention centers and anti-migrant patrols to armed groups.[297] Armed group leaders are also aware that any role in the "migrant-flow management" sector leads to greater acquiescence, solicitude, and recognition from European capitals. Because Italy has often

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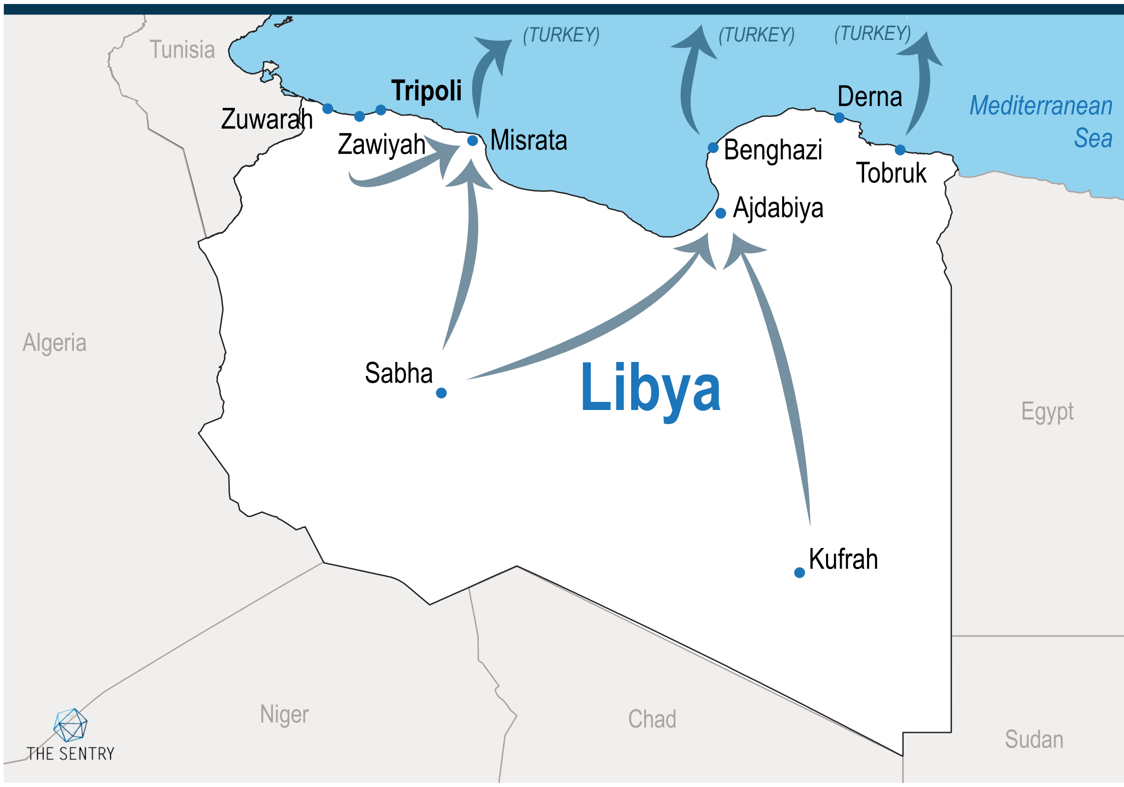
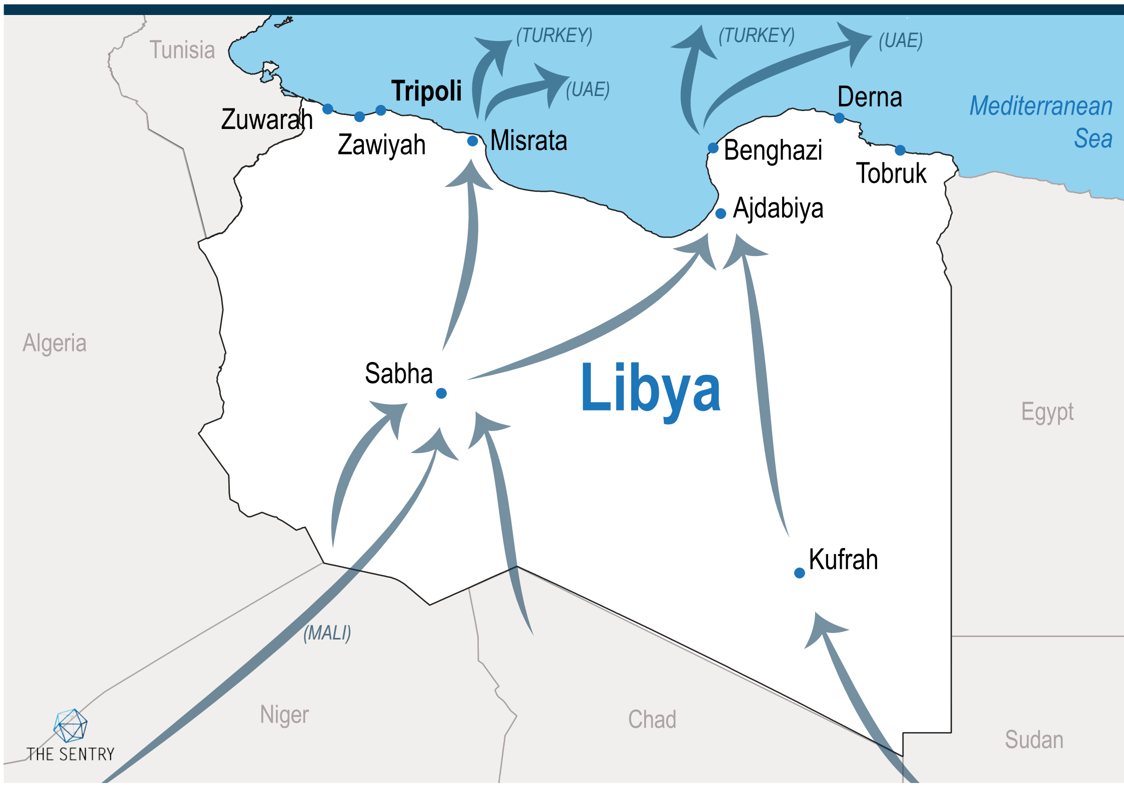
For the largest illicit actors—who often enjoy links to formal state institutions—the national territory of Libya is neither fragmented nor closed off. Principal trafficking routes across the country differ by goods, yet some key nodes are consistent across most trade categories. The gold trade and scrap metal trade — two distinct businesses — are examples of illicit activities predicated on players' ability to traverse territories and borders.



Scrap Metal



Gold

been the top EU destination for irregular arrivals,[298] Rome has been the most proactive, supporting many informal arrangements meant to reduce the outflow of irregular migrants from Libya.[299] As Italy pursues such anti-migration policies, other European states and the EU itself are generally supportive while rhetorically deploring the abuses that said policies cause on Libyan soil, including in official detention centers.[300, 301, 302, 303]

In crucial geographical locations, armed groups connected to formal state agencies and ministries oversee processes that cause irregular migrants, refugees, and asylum-seekers to be mistreated, tortured for ransom, or exploited as part of sex and labor trafficking practices. The detention center in Kufrah, run by the Haftar-aligned armed group Subul al-Salam, is infamous for human rights abuses.[304] Similarly, in Tripoli, the armed group led by Abdelghani al-Kikli, aligned with Dabaiba,[305] has under its purview the Abu Slim Detention Center, where abuses are committed against migrants.[306, 307] Furthermore, beyond the greater Tripoli area, the Zawiya-based component of the Stabilization Support Apparatus, an armed group coalition dominating parts of northwestern Libya, reportedly "intercepts refugees and migrants at sea and takes them to detention centres" where they are regularly beaten and subjected to forced labor and sexual violence.[308] Neither Dabaiba nor Haftar can easily distance themselves from these armed groups, as doing so would deprive them of strategic support in crucial territories, and so both the GNU and the LAAF refrain from carrying out genuine attempts at dismantling human smuggling networks in their respective backyards. There are also actors aligned with neither major power center—in places like the central city of Bani Walid—who specialize in extracting cash from migrants via systematic torture.[309]

Aside from a few transitory disruptions, the number of irregular migrants reaching EU nations from Libyan shores by boat remained within a relatively low range from the summer of 2017 until an increase was observed in 2021.[310] Since 2021, irregular arrival volumes recorded in southern Italy have been in an upward trend. During the first 11 months of 2022, about 48,400 irregular migrants arrived in Italy from Libya, most of them departing from western Libya.[311] Yet, the 64% increase from a nationwide total of 29,500 for the same period in 2021 stemmed almost entirely from eastern Libya, according to the Italian Ministry of the Interior.[312] The explosion in arrivals from eastern Libya's shores helps explain the fact that in 2022, more than 20,000 mainly Egyptian nationals made it by sea to Italy, up from 1,264 in 2020.[313, 314, 315] Other nationalities of migrants arriving in Italy from eastern cities such as Benghazi and Tobruk include Syrians, Bangladeshis, and Pakistanis who fly to Benghazi from Damascus via Cham Wings.[316, 317]

Against this backdrop, the first months of 2023 showed a marked acceleration in migration via Libya.[318] January through May of 2023 saw 22,662 irregular arrivals into Italy, up from 8,923 during the same period in 2022. More than half of these arrivals from Libya emanated from the country's eastern region.[319] Several analysts have noted that such a surge in departures from eastern Libya would not be possible without the deliberate knowledge and complicity of the Haftar family.[320, 321] For instance, the Libyan actors behind the June 14, 2023, tragedy, which saw hundreds of migrants die off Pylos, Greece, seem directly linked to Saddam Haftar.[322] Meanwhile, the migrant departures out of western Libya have continued,[323] despite a brief drone strike campaign ordered by Dabaiba against suspected human smuggling assets to the west of Tripoli in late May and early June 2023.[324]

Fearing that migration levels might surge toward the heights reached from 2013 to 2017, European authorities and member states—spearheaded by Italy—are seeking new arrangements with Libya's leaders that can help limit the numbers of irregular arrivals.[325] In its 2017 efforts to reduce the human outflow from Libya, largely ignoring the human suffering that such measures would cause on Libyan soil, Italy brought about arrangements in northwestern Libya that saw armed groups receive vessels from the EU, as well as public servant salaries and formal recognition from the Tripoli government.[326, 327, 328] Recently, Rome has been pursuing a similar policy with regard to armed groups in northeastern Libya. In June 2023, Italian Minister of the Interior Matteo Piantedosi declared his country's readiness to support economic development projects in northeastern Libya at Khalifa Haftar's request in exchange for a reduction in departures.[329] Cognizant of such opportunities for financial rewards, armed leaders in Libya are incentivized to allow an increase in irregular arrivals in order to bolster their political leverage and, later, extract greater concessions from Europe. These dynamics result in greater indulgence toward kleptocracy in Libya on the part of the EU amid its effort to keep irregular migration down.[330]

Narcotics

The narcotics business in Libya is dominated by the fast-growing trade in three products: cannabis, a synthetic amphetamine called captagon, and cocaine.[331] While the cocaine usually originates from Latin America, most of the cannabis comes from Morocco and most of the captagon from regime-held Syria.[332, 333, 334, 335] Some Libyan state officials abuse public mandates and public resources to participate in or assist the illicit drug trade.[336]

In 2020, partly because the UAE encouraged such proximity, the Haftar family and the Assad regime forged a political, military, logistical, and economic rapport.[337, 338] That partnership has facilitated the flow of captagon from Syria into eastern Libya, among other illicit schemes.[339, 340] The overall size of Syria's regime-sponsored captagon industry—overseen by President Bashar al-Assad's brother Maher—is currently estimated to be about $10 billion per year.[341, 342] A percentage of that output is moved into eastern Libya, often before traveling on to the rest of Libya and neighboring countries such as Algeria, Sudan, and Niger.[343, 344, 345, 346] Some of the captagon shipped from Syria to eastern Libya ends up in Europe.[347] Another portion is absorbed by Libyan society, as consumption by locals has been growing.[348]

Captagon trafficking in Libya will likely continue to expand, given the growing acceptance of the Assad regime within the Arab world, a trend that benefits from active international lobbying by the UAE and Egypt.[349, 350, 351] In contrast, the US has made some legislative efforts to combat the Assad regime's captagon trade, but those efforts have yet to result in measures capable of affecting the Libyan actors benefiting from the trade.[352] Not all the synthetic drugs circulating in Libya stem from Assad-held Syria, however. India is another point of origin,[353] and anecdotal evidence suggests that manufacturing devices might already be in use on Libyan soil.[354, 355]

Another growing trade in Libya is that of cannabis, as exemplified by recent instances of intercepted cannabis shipments.[356, 357] Control over cannabis routes has been a recurring source of tension across Libya, including in municipalities near the western coast, such as al-Ajeelat, a town that already served as a cannabis hub during the Qadhafi years.[358, 359, 360] Some of the cannabis originating from Morocco enters Libya through Algeria and the Ghat area, near the border.[361, 362] Other flows of cannabis stemming from Morocco travel through Mauritania, Mali, and Niger, making it to Libya via areas such as the Salvador Pass on Libya's southwestern borders.[363, 364]

Beyond cannabis, captagon, and cocaine, other types of drugs circulating in Libya include tramadol, pregabalin, and clonazepam.[365, 366, 367, 368] Some recent incidents reveal a flow of narcotics from EU nations into both western and eastern Libya.[369, 370] This suggests that the North African country has become a full-blown hub for transcontinental drug traffickers.

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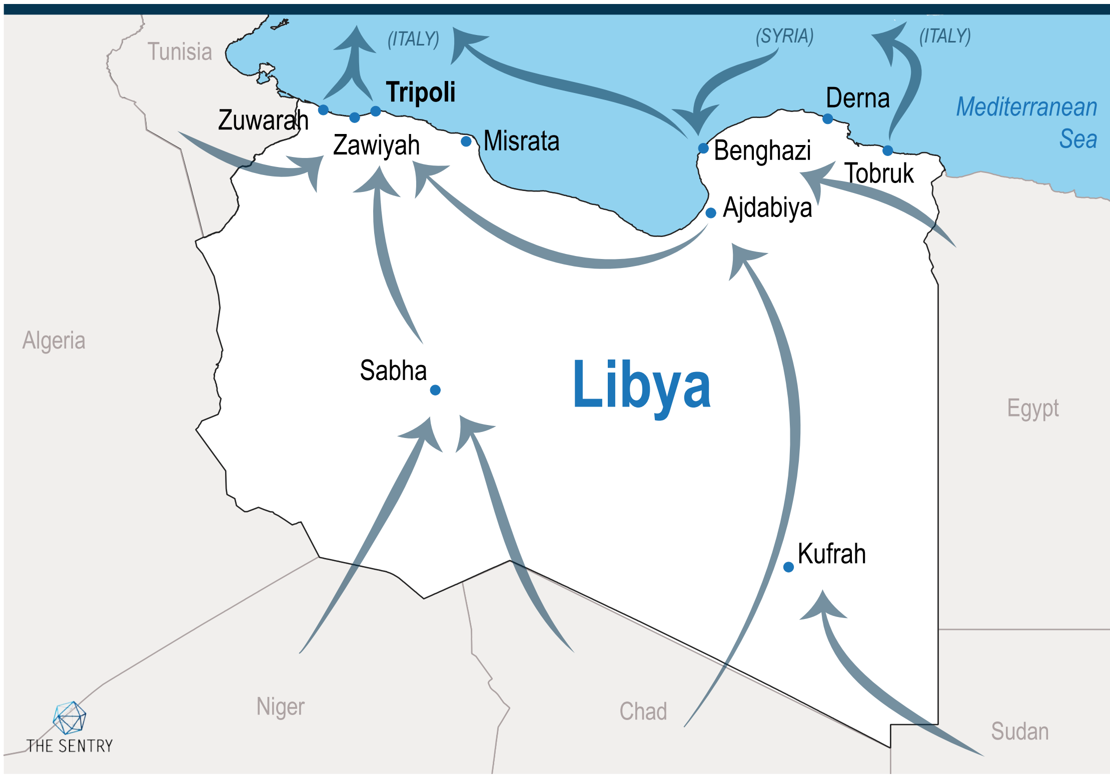
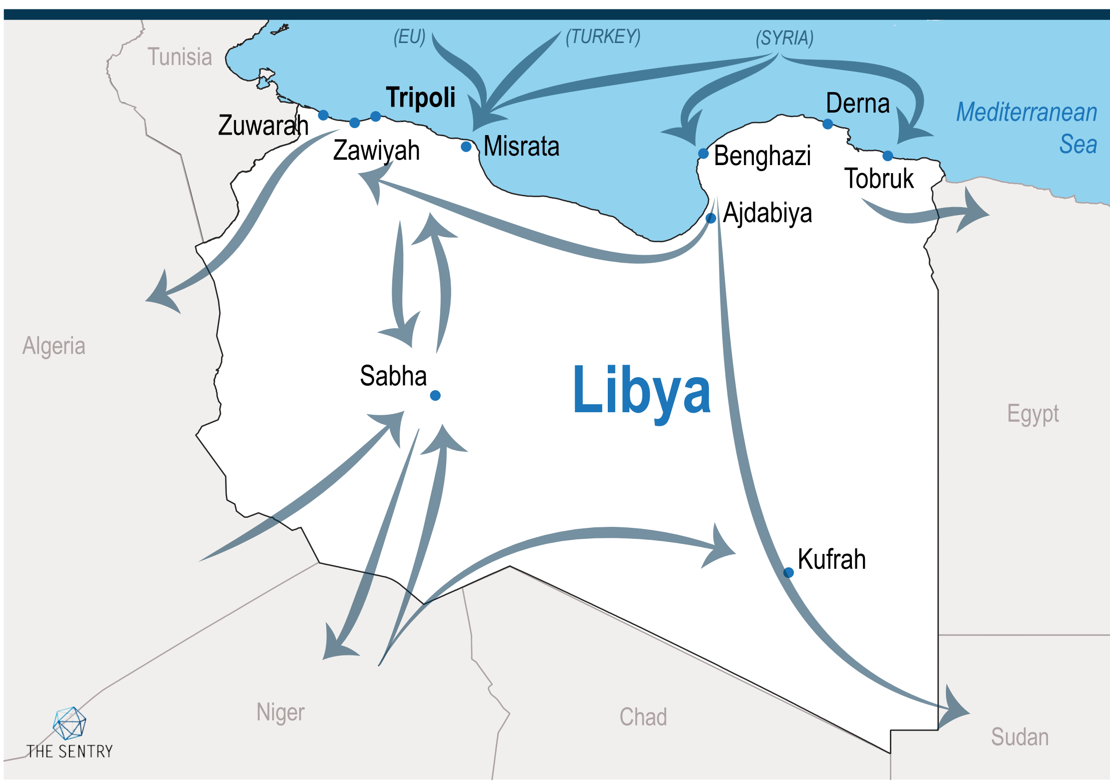
Human smuggling figures have been growing nationwide, with the eastern province even witnessing the introduction of new operational models, thanks to partnerships with entities such as Syrian airline Cham Wings. Meanwhile, the narcotics sector is broadening: alongside traditional substances like captagon and cannabis, more novel inflows like cocaine and pregabalin cement Libya's status as a global narcotics hub.

Human Smuggling



Narcotics



Turning the Tables on the Kleptocrats

While international players have been vocal in their public criticism of the corruption and criminality of Libya's ruling elite,[371] their actions have done little to ameliorate the growing trends of kleptocratic accumulation. The incumbent leaders' stranglehold on the state provides clear evidence that Libya is deteriorating rapidly and heightens the likelihood that the troubled nation will remain a volatile security environment and potential source of broader instability. A more effective international policy should result in greater resistance to kleptocrats and should not assume that political deals based on guarantees provided to Libya's self-serving elites will bring stability, credible elections, or the prospect of accountable governance. In short, foreign states committed to promoting a more stable Libya should use their policy levers to support inclusive Libyan state building rather than continuing with attempts at elite-level peacebuilding. Any international challenge to the main kleptocrats comes with some risks of renewed armed conflict, as those leaders are committed to protecting their existing interests and privileges. But given the current acceleration of theft and institutional damage, the alternative is still more dangerous to Libya's prospects. It is also more difficult to reverse.

There are opportunities within existing policy frameworks to make such shifts, such as the US's 2022 commitment to prioritizing Libya as a key country within the scope of the Global Fragility Act,[372, 373] which provides a means of developing interagency alignment over how peace and stability may be sought. This can only be achieved if the US tangibly demonstrates that its traditional focus on counterterrorism no longer overrides all other criteria, such as the fight against corruption. Opportunities such as this will also require the broader engagement of Western state agencies tasked with overseeing illicit finance policy, such as the US Department of the Treasury's Office of Foreign Assets Control (OFAC) and the Financial Crimes Enforcement Network (FinCEN), as well as the UK Foreign, Commonwealth and Development Office, the UK Treasury's Office of Financial Sanctions Implementation, and the European Commission's Directorate-General for Financial Stability, Financial Services and Capital Markets Union.

The private sector, all too often neglected in discussions of corruption and criminality in Libya, also has a role to play in increasing the costs for kleptocrats, as their proceeds and enablers in many cases reside on foreign shores. Greater focus on the banking sector, in particular, is required.

International engagement should focus on increasing the deteriorating checks and balances in the Libyan state system, thereby increasing the cost of profiteering from corruption and crime. Systemic change is required in Libya, and four key policy objectives should be at the heart of such change.

1. Lift the veil of complicity, both domestic and international.

Political leaders and state officials engage in horse-trading with their rivals, dividing public offices and access to budgets in return for claimed commitments to upholding "stability."[374] Many armed groups do provide the day-to-day security that the Libyan public needs, yet they simultaneously engage in corrupt and criminal activities, as well as human rights abuses against any Libyans who oppose those activities. Together, these kleptocrats have consolidated their control over the state's resources and risen to dominate Libya's thriving illicit markets. Increasingly, the distinction between armed groups and political leaders is harder to draw. This is illustrated by the fact that both ministers of interior of the competing governments have obtained their positions on the basis of the strength of their connections to armed formations, who are reported to have engaged in the illicit sector.[375, 376] The truth is that such actors have become the Libyan state,[377] making it extremely difficult for the Libyan public to express its concerns or effectively protest against its kleptocratic rulers.

The Libya policy of Western nations currently involves no meaningful pressure on the kleptocrats most responsible for the expansion of corruption and organized crime. When it comes to security and order, the prioritization of migration management and counterterrorism has led major Western nations to tolerate some of the kleptocrats' worst abuses. Libya's main illicit activities are disregarded in exchange for cooperation on these priorities. On a political level, the opacity of regional powers' engagement has reinforced kleptocratic accumulation by legitimizing deals among the very elite poised to benefit from potentially corrupt or illicit practices.

More broadly, it is necessary to lift the veil of complicity by exposing the kleptocrats' practices and applying pressure to change their calculus. The US, UK, EU, and other like-minded governments should be creative and proactive in considering all available tools of pressure. The issuance of advisories by the US, UK, and European governments to highlight the risk of exposure to fraudulent practices—particularly when it comes to correspondent banking—should be considered for the sectors of the Libyan economy identified in this report. Financial regulators in these jurisdictions should also ensure that the relationships of Libyan state institutions and the banking entities they own are at arm's length.

Magnitsky-style sanctions regimes,[378] as well as visa bans passed through separate legislation, should also be developed and targeted at the leaders involved in corrupt activity. To date, the international community has used sanctions against individuals and assets connected to Qadhafi, as well as against alleged human rights abusers. These sanctions have been applied via the UN and replicated at the country level in US, UK, and EU sanctions, displaying coherence within the international response. However, they have proven ineffective, in no small part due to a lack of strategic application and the unwillingness to target prominent actors.[379, 380] The effort to gain consensus over targets has played a role here: it is easier to reach agreements over the targeting of lower-level actors.

There is, however, an opportunity to build on the September 2018 UN designation of a Libyan national for "engaging in any action that may lead to or result in the misappropriation of Libyan state funds."[381, 382] Such a designation is tailor-made for the Libyan context and should be used to pursue network sanctions against prominent Libyan kleptocrats. This would send kleptocrats a message that their foreign assets will be subject to freezing, complicating their efforts to travel and spend their illicit gains on foreign shores. Importantly, it would also likely lead to enhanced due diligence by financial institutions. The optimal route to pursue such sanctions would be through the UN Security Council. However, should this not prove possible, the US, UK, and EU, along with other likeminded governments, should strongly consider developing their own sanctions. Here, the August 2023 listing of the former Lebanese Central Bank Governor for diversion of the bank's funds for personal gain by the US, UK, and Canada provides a positive precedent that state officials are not beyond the reach of punitive measures and that such sanctions can be developed at the country level.[383]

2. Shift away from the current extractive governance system.

Libya's growing kleptocracy engages—sometimes violently—in disputes over state resources via control of state institutions and competition for control of licit and illicit markets. The current structure of the state encourages and incentivizes such rent-seeking and the entrenchment of patronage-based politics. Libya must therefore reform the state's institutions to escape the cycle. However, 12 years after the overthrow of

Qadhafi, there is still no sociopolitical consensus as to how the country should be governed. International mediation has continued to pursue a bargain among the political elite presently in power rather than develop a more inclusive process that lets a larger portion of the population influence the manner in which the nation should be governed. This would involve removing the monopoly over decision-making that Libya's kleptocrats currently enjoy. This could be done by hosting town hall meetings across the country to engage and solicit support for a political process or by making a fresh attempt to hold a so-called "national conference" bringing together different societal groups to make decisions on the country's political roadmap. Support for the development of governance reform is a necessary building block in peacemaking efforts.

The ongoing governance dispute cannot be seen as a justification for inaction. International efforts to reunify institutions must continue to be supported. Direct assistance to state institutions, facilitated through multi-donor vehicles like the cross-ministry Recovery and Peace Building Assessment,[384] should be predicated on clear benchmarks for institutional reform that outline progress during specified periods. One critical benchmark of future support to the CBL could be the closure of all off-budget accounts held by state-owned entities, bringing them under a national treasury single account. This would make it harder for Libya's kleptocrats to mask their accumulation. The international community—both bilateral donor governments like the US and UK, as well as multilateral institutions such as the World Bank and the International Monetary Fund (IMF)—should work with Libyan authorities on these benchmarks and help to ensure compliance.

3. Ensure that public funds lead to public good, not private enrichment.

Preventing the privatization of public wealth should be a key focus, specifically for the short and medium term. Since 2011, the collapse of the regime's security apparatus and the fragmentation of the security sector have created many avenues for illicit personal enrichment. State institutions have, in some cases, become fiefdoms of their leaders, who utilize their control to accrue wealth, power, and influence for themselves and for their networks. Often these approaches have developed as part of a modus vivendi with the armed actors that control the territory in which the officials or other actors need to operate. It is therefore imperative that checks and balances within the Libyan state system are bolstered and that the senior management of Libyan institutions is held to account.

International consensus on the importance of these issues now appears to have been reciprocated by some Libyan authorities. The US has taken the lead in exploring the development of a temporary mechanism that can improve transparency and accountability in Libyan revenue allocation and expenditure in order to reduce tensions amid the ongoing governance dispute.[385] The broad line of effort, albeit not the specifics of the US proposal, has been endorsed by the UN Security Council.[386] While the US-led effort did not come to full fruition, in July 2023, the Libyan Presidency Council formed a "High Financial Oversight Committee" with sweeping powers to oversee oil revenues, mediate budget disputes, and distribute funds across the country. The formation of the committee provides both an opportunity to bring due process and clarity to state revenues and expenditures and a threat that the new organ will simply help legitimize extractive agreements among factions without reducing their opacity.[387] The international community should provide technical support and political encouragement to produce accountable and transparent committee procedures, conditioning international support for development projects upon satisfaction of this criteria.

International mediation efforts should be complemented by sector-specific initiatives. In the financial sector, in particular, leverage for reform should be built through banking pressure. The issuance of advisories by the US, UK, and EU member states would provide the context for this pressure, making it clear that global

To discourage Libyan officials from engaging in corruption and criminal activities, international efforts should aim to help Libya reinforce checks and balances within its state institutions.

correspondent banks are potentially exposed to the risk of being unwittingly involved in Libyan money laundering schemes. These banks should therefore engage with their Libyan counterparts in an effort to improve anti-money laundering and countering the financing of terrorism (AML/CFT) processes.

First, an audit of Libyan compliance requirements would be particularly beneficial, as there is limited public data available on the scope and status of the nation's AML/CFT regime, despite the CBL's announcement of a national strategy in 2018.[388]

Next, any gaps identified in Libya's AML/CFT regime should be addressed. A June 2023 consultation by the IMF concluded that the low volume of suspicious activity reports and the backlog in investigating them indicated continuing capacity shortages within the CBL's Financial Investigation Unit (FIU).[389] In accordance with IMF recommendations, Libyan authorities should strengthen AML/CFT supervision, augment FIU resources, and enhance domestic and international cooperation to facilitate more effective prosecutions.[390]

Additionally, in order to align with international standards on AML/CFT, Libyan authorities should require all banks—including the CBL—to carry out enhanced due diligence on foreign politically exposed persons (PEPs) and relationships with domestic PEPs deemed to represent a "higher risk business relationship."[391] Applying the provisions of the 2017 Libyan AML/CFT law on domestic PEPs would enable tighter monitoring of Libya's kleptocrats.[392] Given the centrality of state resources to many illicit practices, PEPs—who in Libya often are holders of high political office or prominent technocratic positions—present a higher risk of potential involvement in illegal activities than others. A focus on exposing PEPs' conflicts of interest would help to further reduce the potential for illegal activity. Finally, to mitigate the possibility of de-risking, major Libyan banks should ensure that their correspondent banks are aware of all the steps taken to enhance due diligence and improve their know your customer (KYC) procedures.

In the oil sector, Interpol's involvement in the September 2022 seizure of a vessel bringing a large quantity of fuel illegally diverted from Libya indicates that the international community is beginning to appreciate the extent to which the fuel smuggling industry in Libya grew in 2022.[393] EU member states should advocate for Operation EUNAVFOR MED IRINI—an EU initiative designed primarily to help enforce a UN Security Council arms embargo on Libyan combatants and their suppliers—to continue to intercept vessels suspected of carrying fuel stolen or illicitly exported from Libya.[394, 395] Based on existing UN resolutions,[396] the US, too, should contribute to disrupting the business model of fuel smuggling networks. These Western nations should also work closely with the top leadership of the NOC, Libya's attorney general, the Libyan Audit Bureau, and other Libyan watchdogs to contain and regulate oil-for-fuel swaps by instituting a more rigorous framework for financial reporting. Unless they become considerably more transparent and better regulated, these off-balance-sheet transactions will continue to offer abundant opportunities for dishonesty and fraud. The US recently hosted a roundtable to discuss ongoing issues in South Sudan's oil sector in advance of the publication of a business advisory; this combination could be replicated in Libya to great effect.[397, 398]

Beyond this, reducing the opacity of the state's financial management is an important goal. Pressure from the US led to a greater level of disclosure in state expenditures in 2022,[399] building upon the CBL's disclosure of the issuance of LCs. For its part, the Libyan Audit Bureau has published an annual report since 2011,[400] and while the disclosures are less than complete, its contributions can be built upon. The Libyan government could make a good start by publishing the findings of the audit of the CBL organized by the UN.

Additionally, there is a critical need for greater transparency in government contracting. While politically challenging, supporting a transparent public tender process—perhaps initially via joint projects between international donors and the Libyan government, like the cross-ministry Recovery and Peace Building strategy—would deal a blow to kleptocratic accumulation. Similarly, the establishment of a Financial Action Task Force-adherent public corporate registry of all corporate entities established in Libya, including shareholder and beneficial ownership information, would significantly hinder the efforts of enablers to divert government funds. Outside of Libya, the UN asset freeze on assets of the Libyan Investment Authority should remain in place unless and until the organization can provide consolidated accounts of its subsidiaries (not based on historic book values) and demonstrate full adherence to the Santiago Principles of accepted practices for sovereign wealth funds. If the LIA remains unable to meet these standards, then the release of specific assets into separate fund mechanisms serving national priorities such as the reconstruction of Derna should be considered, provided robust checks and balances are in place.

4. Tackle the culture of impunity that exists for those who systematically violate human rights.

While these points focus on accountability for financial crimes, human rights violations are widespread in Libya—and often connected.[401] The post-2011 fracturing of authority and the rapid proliferation of armed groups has led to a situation whereby formal state authorities wield limited ability to administer to the country. By implementing the suggested recommendations, the international community would go a long way toward tackling the culture of impunity enjoyed by Libya's kleptocrats. But there is more to be done on the level of promoting accountability for violations of international criminal and human rights law. Sanctions implemented by the UN Security Council have been applied to individuals who have been accused of involvement in human trafficking and other human rights abuses.[402] However, these designations have not targeted the most prominent individuals associated with widespread human rights abuses. The International Criminal Court retains jurisdiction in Libya,[403] and a UN fact-finding mission launched by the UN Human Rights Council remains an avenue for investigating and holding to account human rights abusers.[404] Meanwhile, the atmosphere for human rights defenders has become increasingly difficult, with arrests under the pretense of protecting "Libyan and Islamic values" becoming increasingly commonplace.[405] Such abuses must be clearly called out and the forces perpetrating the arrests named and shamed, even if they do cooperate with Western agencies over issues of counterterrorism and migration.

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Central Bank of Libya, "Revenue and Expenditure Statement from 01/01/2022 to 31/12/2022," January 3, 2023, available at: https://cbl.gov.ly/en/wp-content/uploads/sites/2/2023/01/Official-Statement-Dec-2022.pdf

11 A few dozen individuals hold substantial decision-making power in Libya's political affairs, technocratic institutions, foreign policy, and fragmented security sector. Although commonly seen as divided into two rival camps, this class of influential Libyans is in fact vastly more fluid and fractured: Some subgroups sabotage their peers within the same camp or pursue momentary arrangements with subgroups of the main opposing camp. These powerful individuals come from diverse categories and backgrounds and include business magnates, armed group chiefs, career politicians, religious figures, tribal notables, veteran technocrats, elected parliamentarians, justice officials, former Qadhafi loyalists, former heroes of the anti-Qadhafi rebellion, current and retired military officers, organized crime bosses, and more. This splintered and continually shifting set of influential Libyans is often referred to as Libya's current "elite."

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110 The Sentry interview with a veteran Libyan finance specialist, August 2023.

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112 In January 2021, Finance Minister Faraj Boumtari and Foreign Minister Mohammed Siyala, two allies of Tripoli’s then-Prime Minister Fayez al-Serraj, met in Brega with two key representatives of the banking infrastructure in eastern Libya: Ali al-Hibri and Mrajae al-Ghaith. See:

Bwaba al-Wasat, “Presiding Over the Brega Meeting.. Siyala: We Look Forward to Starting the Construction of a State of Reconciliation and Law,” January 12, 2021, available at: https://alwasat.ly/news/libya/307396

113 The Sentry interviews with international policymakers, Libyan government officials, and CBL officials, January 2021.

114 The Sentry discussions with officials close to the negotiations, January 2021.

115 On Tripoli’s 2021 efforts to unify the salary system and integrate hundreds of thousands of eastern-based civil servants, see:

W6NNews, “The Ministry of Finance Announces the Unification of the Salary System for All of Libya … and Reveals Important Details,” May 29, 2021, available at: https://w6nnews.com/اخبار-ليبيا/وزارة-المالية-تعلن-توحيد-نظام-الرواتب/?amp

116 Ulf Laessing, “Debts Pile Up as Rival Libyan Governments Struggle for Power,” Reuters, March 6, 2019, available at: https://www.reuters.com/article/uk-libya-economy-insight-idINKCN1QN1W3

117 Patrick Wintour, “Distribution of New Banknotes Raises Fears for Libyan Unity,” The Guardian, June 1, 2016, available at: https://amp.theguardian.com/world/2016/jun/01/distribution-of-new-banknotes-raises-fears-for-libyan-unity

118 Michael G. Schaeffer and Tarik M. Yousef, “Libyan Effort to Clean Up State Finances Sidesteps Deeper Issues,” Middle East Council on Global Affairs, August 3, 2023, available at: https://mecouncil.org/blog_posts/libyan-effort-to-clean-up-state-finances-sidesteps-deeper-issues/

119 The Sentry interview with a former official of the CBL’s eastern branch, March 2023.

120 Bureau of Economic and Business Affairs, "2023 Fiscal Transparency Report: Libya," US Department of State, June 2023, available at: https://www.state.gov/reports/2023-fiscal-transparency-report/libya

121 Global Witness, "Discredited: How Libya's Multibillion-Dollar Trade Finance Scheme Risks Defrauding the Country via London Banks," February 2021, pp. 4-28, available at: https://www.globalwitness.org/en/campaigns/natural-resource-governance/discredited/

122 A Libyan banker with close knowledge of the sector confirmed that Bank ABC and BACB process a significant proportion of Libyan LCs. See:

The Sentry interview with a Libyan banking official, January 2023.

123 In its most recent report, the British Arab Commercial Bank notes that the Libyan Foreign Bank owns an 87.65% stake in the business. It further notes that the "funding model of the Bank is concentrated and highly dependent on its principal shareholder, the Libyan Foreign Bank, and its ultimate parent the Central Bank of Libya." The Libyan Foreign Bank acknowledges that the CBL is its "sole owner." See:

British Arab Banking Corporation, "2021 Annual Report and Financial Statements," available at: https://www.bacb.co.uk/uploads/files/BACB_AnnualReportYE2021-1.pdf

Libyan Foreign Bank, "Key Shareholders," available at: https://www.lfb.ly/en/investor-relations/key-shareholders/

124 Bank ABC, "Board of Directors Biographies," 2017, available at: https://www.bank-abc.com/En/AboutABC/Media/Press/Documents/2017-AGM/8-board-bios-En.pdf

125 Bank ABC, "Accelerate. Boost. Capitalise. Bank ABC Group Annual Report 2022," available at: https://www.bank-abc.com/En/AboutABC/Investment/Annual%20Reports/Annual_Report_2022_Updated.pdf

126 In its periodic updates, the CBL acknowledges having to move large sums of physical cash across the country. See:

Central Bank of Libya, "Statement of the Central Bank of Libya on Revenue and Expenditure From 01/01/2023 to 05/31/2023," p. 6, para. 8, available at: https://cbl.gov.ly/wp-content/uploads/2023/06/بيان-الإيراد-والانفاق-لشهر-مايو-2023-1.pdf

127 The Sentry interview with a senior director of the Central Bank of Libya, January 2018.

128 The Sentry interviews with two eastern Libyan businessmen, March 2021.

129 In the autumn of 2022, the CBL in Tripoli said that new "counterfeit" 50-dinar banknotes were in circulation. Although not confirmed, such ominous comments suggest that large shipments may potentially be forthcoming from an unauthorized printer. See:

Ahmed al-Khamsi, "A 50-Dinar Bill Raises Controversy About Its Forgery in Libya… What Connection to Russia?" The New Arab, November 18, 2022, available at: https://www.alaraby.co.uk/economy/عملة-من-فئة-50-ديناراً-تثير-جدلاً-حول-تزويرها-في-ليبيا?amp

130 Jalel Harchaoui, "Libya's Fragile Deadlock," War on the Rocks, March 6, 2023, available at: https://warontherocks.com/2023/03/libyas-fragile-deadlock/

131 Three commercial banks, in particular, assisted the government in the east: Commerce and Development Bank, Wahda Bank, and National Commerce Banks. Those three banks fall under the purview of the CBL's eastern branch. See:

International Crisis Group, "Of Tanks and Banks: Stopping a Dangerous Escalation in Libya," May 20, 2019, p. 9, available at: https://www.crisisgroup.org/middle-east-north-africa/north-africa/libya/201-tanks-and-banks-stopping-dangerous-escalation-libya

World Bank Group, "Libya Financial Sector Review," February 2020, p. 7, available at: https://thedocs.worldbank.org/en/doc/288521600444837289-0280022020/original/LibyaFinancialSectorReviewEnglishFinal.pdf

132 Bwaba al-Wasat, "The Resignation of the Chairman of the Board of Directors of the Commerce and Development Bank, Days After He Was Banned From Traveling Outside the Country," May 19, 2022, available at: https://alwasat.ly/news/libya/359450

133 Sada, "A Commerce and Development Source in the Eastern Province Reveals to Sada the Election of al-Zway as Chairman of Its Board of Directors," May 25, 2022, available at: https://sada.ly/مصدر-بالتجارة-والتنمية-بالمنطقة-الشر/

134 In November 2022, the eastern authorities, without proper board approval, replaced the head of the CBL's eastern branch with Mareei al-Baraassi, a banker close to Belqacem and Saddam Haftar. See:

The Sentry interviews with an advisor to the Haftar-aligned government led by Fathi Bashagha, November 2022; a Benghazi oil executive, December 2022; and a veteran Libyan finance specialist, August 2023.

Alaa Farouk, "A Libyan Source Told 'Arabi 21': Two Members of the Central Bank's Board of Directors Have Resigned," Arabi 21, November 29, 2022, available at: https://arabi21.com/storyamp/1478008/مصدر-ليبي-لـ-عربي21-استقالة-عضوين-بمجلس-إدارة-المصرف-المركزي

135 Many of the personnel changes that have recently affected positions wielding sway over eastern Libyan finances, public and private alike, tend to favor a specific close-knit set of individuals in tight proximity to Saddam Haftar. In May 2022, Malek yielded the chairmanship of the Commerce and Development Bank to eastern Libyan businessman Wassim al-Zway, who had developed a rapport with Saddam Haftar through their informal partnership in taking over Benghazi-based airline Berniq Airways in 2019, according to three independent eastern-based sources interviewed by The Sentry. See:

The Sentry interviews with a Benghazi source familiar with the top management of the Commerce and Development Bank, December 2022; a Benghazi oil executive, December 2022; and a veteran Libyan finance specialist, August 2023.

Sada, "A Commerce and Development Source in the Eastern Province Reveals to Sada the Election of al-Zway as Chairman of Its Board of Directors," May 25, 2022, available at: https://sada.ly/مصدر-بالتجارة-والتنمية-بالمنطقة-الشر/

Sada,"Al-Zway: Berniq Has an Ambitious Plan to Achieve Success in the Field of Private Aviation," March 4, 2020, available at: https://sada.ly/الزوي-شركة-برنيق-لديها-خطة-طموحة-لتحقي/

136 In May 2023, at the Brega Petroleum Marketing Company, an NOC entity importing billions of dollars' worth of fuel every year, a loyal ally of Saddam Haftar by the name of Faraj al-Jaedi was promoted from director of eastern operations to member of the board, responsible for overseeing finances. See:

The Sentry interview with a senior Libyan official familiar with maritime-based trade in Libya's main ports, March 2023.

The Sentry interview with a Benghazi source familiar with the inner workings of the NOC, June 2023.

Africa Intelligence, "NOC Boss Bengdara Appoints Haftar Loyalists to Run Subsidiaries," June 16, 2023, available at: https://www.africaintelligence.com/north-africa/2023/06/16/noc-boss-bengdara-appoints-haftar-loyalists-to-run-subsidiaries,109994576-ar2

137 In October 2022, Muwafaq al-Zway became a director of al-Jawf Oil Company. According to an eastern Libyan oil executive interviewed by The Sentry in November 2022, the primary responsibility at Jawf of Muwafaq al-Zway, Wassim al-Zway's brother, was to oversee the company's finances. See:

Sada, "Special: Ben Qdara Addresses the President of al-Jawf Oil Company to Assign Him Muwafaq al-Zway as a Member of the Company's Board of Directors," October 25, 2022, available at: https://sada.ly/خاص-بن-قدارة-يخاطب-رئيس-الجوف-النفطية/

The Sentry interview with an eastern Libyan oil executive, November 2022.

138 For several years leading up to 2019, an associate of Abdel Malek, Fayez Bushnaf, was a pivotal figure at the helm of both the Commerce and Development Bank and Berniq Airways. Despite his loyal support to the Haftar family, Bushnaf gave up his influence over both companies and left Libya, possibly under duress. This enabled Saddam Haftar backers such as brothers Wassim and Muwafaq al-Zway, oil executive Rifaat al-Abbar, and others to take on leadership roles in the Commerce and Development Bank and in Berniq Airways. Separately, in March 2023, as NOC chief Farhat Ben Qdara implemented personnel changes at the Arabian Gulf Oil Company (Agoco), he installed Ahmed Yunis al-Zway, a cousin of Wassim and Muwafaq, as the board member overseeing finance. See:

The Sentry interviews with two independent Benghazi sources familiar with the inner workings of said companies, December 2022.

The Sentry interview with a Benghazi magnate with knowledge of his city's business scene, October 2023.

The Sentry interview with a former member of the Tripoli Public Prosecutor's team who possesses familiarity with the evolution of Berniq Airways since the company's inception in 2018, October 2023.

Internal document pertaining to Berniq Airways' equity shares, reviewed by The Sentry, December 2020.

Document pertaining to Agoco's board of directors, March 2023, publicly available at: @Sefr0LY, X (Twitter) profile, available at: https://twitter.com/sefr0ly/status/1637505255528099842 (last accessed August 2023).

Wolfram Lacher, "Libya's New Order," New Left Review, January 23, 2023, available at: https://newleftreview.org/sidecar/posts/libyas-new-order

Al-Shahed, "The Libyan Oil Corporation Reconfigures the Management Committee of the Arabian Gulf Company, Headed by Mohamed Shatwan," March 20, 2023, available at: https://lywitness.com/55864/-مؤسسة-النفط-الليبية-تعيد-تشكيل-لجنة-إد/

139 The Sentry interviews with a CBL official, a private business owner, and a Tripoli-based black market currency trader, August 2023.

140 As of January 2016, the opportunity cost associated with the oil blockade that had begun in summer 2013 amounted to about $68 billion. For the oil blockade corresponding to the period between August 2013 and September 2016, the Tripoli-based Audit Bureau arrived at a total cost of $120 billion. See:

Anjli Raval and Heba Saleh, "War and Strife Have Cost Libya $68bn in Lost Oil Revenues," Financial Times, January 24, 2016, available at: https://www.ft.com/content/4dc800de-c27a-11e5-b3b1-7b2481276e45

Libyan Audit Bureau, "2019 Libyan Audit Bureau - General Report for the Year," March 12, 2021, p. 184, available at: https://www.audit.gov.ly/ar/reports/

141 Reuters, "Libyan Dinar Drops to Record Lows on Black Market," April 10, 2017, available at: https://www.reuters.com/article/libya-currency-idUKL8N1HI486

142 In September 2018, partly because the CBL board of directors refused to meet, Tripoli adopted the UN-sponsored decision to leave the official dinar-to-dollar rate unchanged and institute a foreign exchange tax of an additional 2.50 LYD per dollar converted. This tax served two purposes. First, ensuring that each dollar now cost a total of 3.90 LYD helped tighten the gap between the official foreign exchange channels and the black market. Second, the tax was a means of forcing dinar banknotes back into the formal system as public income. See:

The Sentry interviews with two UN officials familiar with Libya's economic matters, September 2019 and May 2021.

Reuters, "Libya Imposes Fee on Hard Currency Transactions to Bridge Black Market Gap," September 19, 2018, available at: https://www.reuters.com/article/us-libya-currency-idUSKCN1LZ2PT

143 Global Initiative, "Predatory Economies in Eastern Libya: The Dominant Role of The Libyan National Army," June 2019, p. 7, available at: https://globalinitiative.net/wp-content/uploads/2019/06/GITOC-Predatory-Economies-Eastern-Libya-WEB.pdf

144 In December 2020, the CBL's board of directors met for the first time since 2014, following the application of sustained pressure from the UN and its international partners. The board implemented a full-blown devaluation of the dinar, a move that brought the dinar's conversion rate in the black market closer to the official exchange rate. As a result, it became more difficult for illicit actors to capture large gains through the traditional LC arbitrage. See:

The Sentry interview with a UN official familiar with Libya's economic matters, May 2021.

Reuters, "Libya's Divided Central Bank Agrees Exchange Rate After First Meeting in Years," December 16, 2020, available at: https://www.reuters.com/article/libya-cenbank-idAFL1N2IW0KB

Sami Zaptia, "Libya Dinar Continues to Gain Strength Against Hard Currencies in Black Market – Remaining Below LD 5 Per Dollar Over Last Week: Report and Analysis," Libya Herald, September 23, 2021, available at: https://libyaherald.com/2021/09/libya-dinar-continues-to-gain-strength-against-hard-currencies-in-black-market-remaining-below-ld-5-per-dollar-over-last-week-report-and-analysis/

145 For more on these dynamics, see:

Tim Eaton et al., "The Development of Libyan Armed Groups Since 2014: Community Dynamics and Economic Interests," Chatham House, March 17, 2020, pp. 19-20, available at: https://www.chathamhouse.org/2020/03/development-libyan-armed-groups-2014

146 The Sentry interviews with six Tripoli residents and three Benghazi residents, 2016-2022.

147 In 2021, across Libya, checks lost 15% of their value on average when sold in the black market. See:

REACH, "Libya's Currency Crisis: Analysis of Devaluation and Liquidity Shortages," June 2021, pp. 7-8, available at: https://repository.impact-initiatives.org/document/reach/65be2cf9/REACH_LBY_Brief_Libya_Currency_Crisis_and_Devaluation_June2021.pdf

148 Jalel Harchaoui, "Libya's Monetary Crisis," Lawfare, January 10, 2018, available at: https://www.lawfareblog.com/

libyas-monetary-crisis

149 Valerie Stocker, “How Armed Groups Are Plundering Libya’s Banks,” Middle East Eye, April 11, 2017, available at: https://www.middleeasteye.net/news/how-armed-groups-are-plundering-libyas-banks

150 The Sentry interview with a former member of the Tripoli Public Prosecutor’s team, October 2022.

151 United Nations Interregional Crime and Justice Research Institute, “Illicit Financial Flows and Asset Recovery: In the State of Libya,” May 2021, pp. 13-17, available at: https://unicri.it/Publications/Illicit-Financial-Flows-and-Asset-Recovery-in-Libya

152 Unless the CBL periodically takes ad hoc measures to combat that trend, a large percentage of Libya’s money supply tends to accumulate in eastern-based deposit accounts, given that the latter are still not integrated into the national clearing system. See:

International Crisis Group, “Of Tanks and Banks: Stopping a Dangerous Escalation in Libya,” Middle East and North Africa Report 201, May 20, 2019, pp. 9-10, available at: https://www.crisisgroup.org/middle-east-north-africa/north-africa/libya/201-tanks-and-banks-stopping-dangerous-escalation-libya

Sada, “Special.. A Source Within the Central Bank Reveals To Sada an Important Technical Mechanism for the Benefit of Banks.. Learn All Its Details,” January 18, 2023, available at: https://sada.ly/خاص-مصدر-بالمركزي-يفصح-لصدى-عن-آلية-فن/

153 Within its financial review, Deloitte recommended a four-stage (20-27 month) program for the reunification of the CBL. In January 2022, leaders of the rival factions agreed to pursue a four-stage plan for the reunification of the CBL, but these efforts have so far delivered little. See:

United Nations Support Mission in Libya, “Financial Review of Central Bank of Libya: Executive Summary,” July 2021, p. 34, available at: https://drive.google.com/file/d/1urRldtdenRde5AsSOzgTOXtRG7qnFmPf/view

154 The owner of a licit business operating in many Libyan cities noted in an interview with The Sentry that the black market lets him move large amounts of money more swiftly than the legal channels. Similarly, a retired resident of Tripoli, when discussing the effect of the monetary crisis on his household’s circumstances and banking habits, conveyed that in urgent situations—such as needing to send money for a family member's medical treatment—he finds the black market to be the only efficient solution, as the formal banks often prove too slow and cumbersome. See:

The Sentry interview with a Libyan business owner, March 2023.

The Sentry interview with a retired civil servant in Tripoli, March 2021.

155 Wolfram Lacher, “The Great Carve-Up: Libya’s Internationalised Conflicts After Tripoli,” Stiftung Wissenschaft und Politik, June 3, 2020, available at: https://www.swp-berlin.org/10.18449/2020C25/

156 On the low probability of elections within the foreseeable future, see:

The Economist, “Khalifa Haftar Will Use Libya’s Floods to Deepen His Control,” September 21, 2023, available at: https://www.economist.com/middle-east-and-africa/2023/09/21/khalifa-haftar-will-use-libyas-floods-to-deepen-his-control

157 For instance, the US worked on counterterrorism with the Tareq Bin Zeyad Brigade, an armed group in effect spearheaded by Field Marshal Haftar’s son Saddam. The same Tareq Bin Zeyad Brigade has been accused by Amnesty International of predatory behavior and human rights violations. Similarly, for the December 2022 arrest of a Lockerbie bombing attack suspect, the US benefited from the security assistance of a Tripoli armed group led by Abdelghani al-Kikli accused by Amnesty International of abuses and human rights violations. See:

Amnesty International, “Libya: ‘We Are Your Masters’: Rampant Crimes by the Tariq Ben Zeyad Armed Group,” December 2022, available at: https://www.amnesty.org/en/documents/mde19/6282/2022/en/

Jalel Harchaoui, “Libya’s Fragile Deadlock,” War on the Rocks, March 6, 2023, available at: https://warontherocks.com/2023/03/libyas-fragile-deadlock/

Amnesty International, “Libya: Hold Stability Support Authority Militia Leaders to Account,” May 2022, available at: https://www.amnesty.org/en/latest/news/2022/05/libya-hold-stability-support-authority-militia-leaders-to-account/

Associated Press, “Libya Militia Held Lockerbie Suspect Before Handover to U.S.,” December 18, 2022, available at: https://www.politico.com/news/2022/12/18/libya-militia-held-lockerbie-suspect-before-handover-to-u-s-00074470

158 Such dynamics have become commonplace. Examples of this include the arrest of Libyan Investment Authority

chairman and CEO Ali Mahmoud in February 2019 in connection with allegations of corruption. Mahmoud was released weeks later. See:

Tim Eaton, "Libya: Investing in the Wealth of a Nation," Chatham House, February 24, 2021, available at: https://www.chathamhouse.org/2021/02/libya-investing-wealth-nation

159 Some former officials have claimed that they were arrested on false pretenses as part of attempts to pressure them to release funds from the institutions they manage. One such example is the case of Faisal Gergab, the former chairman of the Libyan Post, Telecommunications, and Information Technology Company (LPTIC), who claimed that his months-long detention—ostensibly on grounds of corruption—was a result of his refusal to release funds to the GNU. See:

Libya Update: "Ex-CEO of LPTIC: I Was Arrested by Dbeibeh for Rejecting $47M Deal," April 17, 2022, available at: https://libyaupdate.com/ex-ceo-of-lptic-i-was-arrested-by-dbeibeh-for-rejecting-47m-deal/

160 Oxford Analytica, "Poor Basic Infrastructure Will Plague Libya for Years," Expert Briefings, November 8, 2022, available at: https://doi.org/10.1108/OXAN-DB273883

161 The Arab Weekly, "Local Councils in Libya Lack Cash to Rebuild Shattered Infrastructure," February 23, 2022, available at: https://thearabweekly.com/local-councils-libya-lack-cash-rebuild-shattered-infrastructure

162 Mohamed Elmagbri, Heba Al-Sheikh, Lamis Ben Aiyad, and Rima Hamidan, "Challenges and Steps Forward for Public Services Reforms in Libya," The Friedrich-Ebert-Stiftung, September 2022, available at: https://library.fes.de/pdf-files/bueros/libyen/19556.pdf

163 In the 2000s, systemic corruption hampered or subverted most of Libya's infrastructure-related projects, including the Derna dams, according to a former member of the Attorney General's Office investigative team, which scrutinized corruption schemes associated with infrastructure development projects of the 2000s in the wake of the 2011 revolution. See:

The Sentry interview with a former member of the Attorney General's Office team, September 2023.

Libyan Audit Bureau, "Attitude Towards the Wadi Derna and Abu Mansour Dam Projects, in Terms of Jurisdiction," September 18, 2023, reviewed by The Sentry.

164 Regarding the links between the Derna dams' September 2023 collapse and corruption practices within the state agencies and ministries in Tripoli, see:

Louisa Loveluck, Jan Ludwig, Mohamad El Chamaa, and Sarah Dadouch, "How Government Neglect, Misguided Policies Doomed Libya to Deadly Floods," The Washington Post, October 5, 2023, available at: https://www.washingtonpost.com/world/2023/10/05/libya-derna-floods-disaster-government/?utm_source=twitter&utm_medium=social&utm_campaign=wp_world

Vivien Lee, "Years of Graft Doomed 2 Dams in Libya, Leaving Thousands in Muddy Graves," The New York Times, September 27, 2023, available at: https://www.nytimes.com/2023/09/27/world/middleeast/libya-flooding-derna-corruption.html

Benoit Faucon and Jared Malsin, "Behind Libya's Dam Catastrophe Lies a Long Trail of Conflict and Corruption," The Wall Street Journal, September 24, 2023, available at: https://www.wsj.com/world/behind-libyas-dam-catastrophe-lies-a-long-trail-of-conflict-and-corruption-fa58c57

165 The CBL is regulated by Banking Law No.1 (2005). Within the provisions of this law, the CBL is mandated to "manage the government's reserves of gold and foreign exchange" and to "regulate and supervise the foreign exchange market." For an English version of this law, see:

Almontaser.com, "Banking Law No. (1) of 1373 P.D. (2005)," available at: https://www.almontaser.com/Laws/Law%20No.%20(1)%202005%20regarding%20banks.pdf

166 When it comes to LCs for state institutions and other government bodies, the CBL acts—in its own words—as "the banker of the state." When it comes to LCs granted to the private sector via commercial banks, the CBL's role is officially confined to mere processing. But beyond that technical aspect, the CBL's top leadership has widely been alleged to decide unilaterally which LCs are granted and which LCs are not. See:

Central Bank of Libya, "History," available at: https://cbl.gov.ly/en/history/

Global Witness, "Discredited: How Libya's Multibillion-Dollar Trade Finance Scheme Risks Defrauding the Country via London Banks," February 2021, p. 19, available at: https://www.globalwitness.org/en/campaigns/natural-resource-governance/discredited/

167 Tim Eaton, "Libya's War Economy," Chatham House, April 2018, pp. 27-29, available at: https://www.chathamhouse.org/sites/default/files/publications/research/2018-04-12-libyas-war-economy-eaton-final.pdf

168 Wolfram Lacher and Alaa al-Idrissi, "Capital of Militias: Tripoli's Armed Groups Capture the Libyan State," Small Arms Survey, June 6, 2018, available at: https://www.smallarmssurvey.org/resource/capital-militias-tripolis-armed-groups-capture-libyan-state

169 Tim Eaton et al., "The Development of Libyan Armed Groups Since 2014: Community Dynamics and Economic Interests," Chatham House, March 17, 2020, pp. 19-20, available at: https://www.chathamhouse.org/2020/03/development-libyan-armed-groups-2014

170 Taher Issa is known locally as "the king of LCs." See:

Wolfram Lacher, "How Libya's Central Bank Chief Survived a Decade of Conflict," New Lines Magazine, March 6, 2023, available at: https://newlinesmag.com/reportage/how-libyas-central-bank-chief-survived-a-decade-of-conflict/

The Sentry interviews with Misratan officials, September 2021.

171 The North Africa Post, "Libya: New Private Airline Launched," May 10, 2022, available at: https://northafricapost.com/57579-libya-new-private-airline-launched.html#more

172 David Kaminski-Morrow, "ITA and MedSky A320 Flights Mark Reinstatement of Italy-Libya Air Links," Flight Global, July 26, 2023, available at: https://www.flightglobal.com/air-transport/ita-and-medsky-a320-flights-mark-reinstatement-of-italy-libya-air-links/154293.article

173 The Sentry interview with a French businessperson privy to Medsky's potential purchase of several airliners, May 2023.

174 The Sentry interviews with Libyan bankers familiar with the LC system, November 2020.

175 Insiders talk of the presence of a "whitelist" of preferred businessmen who can gain expedited access. See:

The Sentry interviews with Libyan bankers familiar with the LC system, November 2020, March 2022.

176 Once opened, LCs are processed by correspondent banks, such as the Libyan state majority-owned Bank ABC and British Arab Commercial Bank. See:

African Business, "British Arab Commercial Bank Bets on Trade Finance," February 24, 2017, available at: https://african.business/2017/02/economy/british-arab-commercial-bank-bets-trade-finance

177 Global Witness, "Discredited: How Libya's Multibillion-Dollar Trade Finance Scheme Risks Defrauding the Country via London Banks," February 2021, pp. 4-28, available at: https://www.globalwitness.org/en/campaigns/natural-resource-governance/discredited/

178 In October 2017, Libya announced an updated anti-money laundering and countering financing of terrorism law and created the National Committee for Combating Money Laundering and Terrorism Financing, chaired by the CBL governor. The law follows UN guidelines on definitions and prescriptions. See:

United Nations Interregional Crime and Justice Research Institute, "Illicit Financial Flows and Asset Recovery: In the State of Libya," May 2021, p. 14, available at: https://unicri.it/Publications/Illicit-Financial-Flows-and-Asset-Recovery-in-Libya

179 Libya Express, "Libyan Dinar Sharply Drops to 9 Dinars per One Dollar in Black Market," November 5, 2017, available at: https://www.libyanexpress.com/libyan-dinar-sharply-drops-to-9-dinars-per-one-dollar-in-black-market/

180 In August 2023, the official rate of exchange sits at 4.84 LYD per US dollar, while the black market rate is approximately 5.16 LYD per US dollar. See:

Libyan Observer, "Exchange-Rates," August 18, 2023, available at: https://libyaobserver.ly/exchange-rates

Sami Zaptia, "Libya Dinar Continues to Gain Strength Against Hard Currencies in Black-Market – Remaining Below LD 5 Per Dollar Over Last Week: Report and Analysis," Libya Herald, September 23, 2021, available at: https://libyaherald.com/2021/09/libya-dinar-continues-to-gain-strength-against-hard-currencies-in-black-market-remaining-below-ld-5-per-dollar-over-last-week-report-and-analysis/

181 The Sentry interviews with Libyan businessmen and those familiar with the black market, February 2022.

182 The Sentry interviews with Libyan businessmen and those familiar with the black market, October 2021.

183 The CBL statement said: "The Global Witness report emphasizes the importance of eliminating abuses within the LC

system, a challenge the CBL has made a top priority. The report notes that this is not a problem confined to Libya and is common in other countries. However, the report also contains numerous factual errors and draws misleading conclusions. In the spirit of cooperation, the CBL provided Global Witness with accurate and objective information which has been ignored and not reflected in the report.'' See:

Sami Zaptia, "CBL Responds to Global Witness Report on LC Corruption," Libya Herald, February 20, 2021, available at https://libyaherald.com/2021/02/cbl-responds-to-global-witness-report-on-lc-corruption/

184 Global Witness made several recommendations for reform of the LC system. There is no evidence that they have been implemented to date. One of the Global Witness recommendations made in February 2021 was to "end the practice of senior CBL officials holding directorships in commercial banks overseas." In October 2020, Bank ABC restructured its European subsidiaries so that they now present their financial statements under the aegis of the group's Paris-based subsidiary, Arab Banking Corporation S.A. (ABC SA). The London-based subsidiary functions as the ABC Group's trade finance hub. As part of the restructuring—and according to a senior official with close knowledge of the organization—Kabir is no longer listed as a member of the board of directors of Bank ABC UK, though he remains the chairperson of the board of directors of Bank ABC Group, based in Bahrain. See:

Global Witness, "Discredited: How Libya's Multibillion-Dollar Trade Finance Scheme Risks Defrauding the Country via London Banks," February 2021, pp. 4-28, available at: https://www.globalwitness.org/en/campaigns/natural-resource-governance/discredited/

The Sentry interview with senior official with knowledge of the situation, April 2023.

Bank ABC, "Accelerate. Boost. Capitalise. Bank ABC Group Annual Report 2022," p. 32, available at: https://www.bank-abc.com/En/AboutABC/Investment/Annual%20Reports/Annual_Report_2022_Updated.pdf

Bank ABC, "Board of Directors," available at: https://www.bank-abc.com/en/CountrySites/Europe/AboutABC/BOD/directors-london (last accessed September 21, 2023).

185 Ministry of Justice officials published the letter where they made their allegations on December 29, 2020. See:

Libya wa Bas, Facebook post, December 29, 2020, available at: https://www.facebook.com/ليبيا-وبس-2293643954076694/photos/pcb.3600929966681413/3600929843348092 (last accessed October 13, 2023).

186 For example, in July 2023, a criminal court sentenced the director of Bir Ghanem Hospital, located to the south of Zawiyah, to 10 years in prison for stealing nearly 1 million LYD (about $200,000) by pretending to have received medical supplies that were, in fact, never delivered. A similar practice has affected other hospitals, such as those in Sabha and Benghazi. See:

The Libyan News Observatory, X (Twitter) post, July 12, 2023, available at: https://twitter.com/ObservatoryLY/status/1679127907635978241?s=20 (last accessed August 2023).

The Sentry interviews with three physicians in Zawiyah, Sabha, and Benghazi, August 2023.

187 See:

Libyan Audit Bureau, "Annual Report 2017," pp. 797-811, available at: https://www.audit.gov.ly/ar/reports/

Libyan Audit Bureau, "Annual Report 2015," pp. 291-299, available at: https://www.audit.gov.ly/ar/reports/

Sada News, "Audit Bureau Reveals Negligence of Stations and Resource Mismanagement at GECOL," October 1, 2019, available at: https://arraedlg.net/2020/06/24/ديوان-المحاسبة-يكشف-إهمال-الكهرباء-ل/

188 Libyan Audit Bureau, "Libyan Audit Bureau Report 2021," September 2022, pp. 397-412, available at: https://www.audit.gov.ly/ar/reports/

189 John Hamilton, "Who Is Building Libya's New Power Plants?" Africa Energy, February 24, 2022, available at: https://www.africa-energy.com/news-centre/article/who-building-libyas-new-power-plants

190 Enerji Ekonomis, "Turkish Company Aksa Energy Will Establish a Power Plant in Libya," April 18, 2021, available at: https://www.enerjiekonomisi.com/turkish-company-aksa-energy-will-establish-a-power-plant-in-libya/16740/

191 Libya218tv, "The Documents: What Is the Relationship of Abdul Razzaq Mukhtar and Ibrahim al-Dabaiba to the Electricity Contracts?" December 9, 2021, available at: https://www.facebook.com/plugins/video.php?href=https%3A%2F%2Fwww.facebook.com%2F218news%2Fvideos%2F1766324303934900&show_text=0&width=780 (last accessed October 13, 2023).

192 In the end, the electricity plant contract between GECOL and Aksa was not finalized. See:

The Sentry interview with a Turkish engineer working for a competitor in Libya, September 2023.

193 The Sentry interview with two former GECOL insiders, June 2021.

194 More recently, Mohammed al-Dabaiba, the prime minister's son, has reportedly played an influential role in the issuance of contracts by GECOL. See:

The Sentry interview with two former GECOL insiders, August 2023.

195 Bwaba al-Wasat, "Assigning Abdul Hameed Al-Manfoukh the Duties of General Manager of the Electricity Company," August 4, 2022, available at: https://alwasat.ly/news/libya/367461

Sada, "Al-Mashai Affirms Support for the Efforts Made by the General Administration for Electricity Protection and Overcoming All Difficulties," August 9, 2022, available at: https://sada.ly/المشاي-يؤكد-على-دعم-الجهود-التي-تقوم-ب/

196 Mohammed Bahrun, also known as al-Far or "the Mouse," became a prominent armed group leader in the city of Zawiyah following infighting among rival groups in 2017. Like many armed groups in the area, Bahrun's forces are suspected to be involved in illicit activities. From June 2022 through June 2023, Bahrun was formally recognized by the Tripoli authorities as commander of the Office for Counterterrorism and Combating Destructive Acts, an organ of the Libyan Intelligence Services. Moadh al-Manfukh, a Zawiyah native and former member of the UN-backed Libyan Political Dialogue Forum, has in effect been part of Bahrun's armed group. See:

The Sentry interviews with three independent Zawiyah inhabitants familiar with Mohammed Bahrun-controlled sites in downtown Zawiyah and the Judda'em district, December 2021.

The Sentry interviews with sources in Zawiyah and Tripoli, June 2023.

WitnessLY, "Libya: Wanted by the Public Prosecutor on Terrorism Charges, He Is Appointed Head of the Counter-Terrorism Office," June 7, 2022, available at: https://web.archive.org/web/20220607215124/https://lywitness.com/41888/ليبيا-مطلوب-لدى-النائب-العام-بتهمة-الإ/

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Margaret Coker, David Enrich, and Benoît Faucon, "Libya's Hunt for Gadhafi-Era Assets Leads It to High-End U.K. Property Firm," The Wall Street Journal, May 7, 2014, available at: https://www.wsj.com/articles/libyas-hunt-for-gadhafi-era-assets-leads-it-to-high-end-u-k-property-firm-1399514660

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Sara Farolfi and Stelios Orphanides, "Cyprus Records Shed Light on Libya's Hidden Millions,'' Organized Crime and Corruption Reporting Project, July 25, 2018, available at: https://www.occrp.org/en/investigations/8366-cyprus-records-shed-light-on-libya-s-hidden-millions

Hannes Munzinger and Frederik Obermaier, "Lost Treasure," Süddeutsche Zeitung, May 17, 2016, available at: https://panamapapers.sueddeutsche.de/articles/573aeac75632a39742ed39a0/

Rita Trichur, "How Canada Became a Money-Laundering Haven for One of Gadhafi's Inner Circle," The Globe and Mail, June 24, 2018, available at: https://www.theglobeandmail.com/canada/investigations/article-how-canada-became-a-money-laundering-haven-for-one-of-gadhafis-inner/

Samer al-Atrush and Mark Macaskill, "Scottish Companies Linked to £5bn Libya Fraud," The Times, March 14, 2021, available at: https://www.thetimes.co.uk/article/scottish-companies-linked-to-5bn-libya-fraud-kqvljgndp

198 Margaret Coker, David Enrich, and Benoît Faucon, "Libya's Hunt for Gadhafi-Era Assets Leads It to High-End U.K. Property Firm," The Wall Street Journal, May 7, 2014, available at: https://www.wsj.com/articles/libyas-hunt-for-gadhafi-era-assets-leads-it-to-high-end-u-k-property-firm-1399514660

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200 Tim Eaton, "The Post-Revolutionary Struggle for Economic and Financial Institutions," in Wolfram Lacher and Virginie Collombier (eds.), *Violence and Social Transformation in Libya*, London: Hurst, June 2023, pp. 195-206.

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shed-light-on-libya-s-hidden-millions

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Pascal Airault, "Fathi Bachagha (ex-ministre de l'Intérieur) : « La Libye a besoin d'un régime présidentiel fort »" (Fathi Bachagha, Ex-Minister of the Interior: "Libya Needs a Strong Presidential Regime"), L'Opinion, May 31, 2021, available at: https://www.lopinion.fr/international/fathi-bachagha-ex-ministre-de-linterieur-la-libye-a-besoin-dun-regime-presidentiel-fort?_amp=true

203 The Sentry interview with a former government official, March 2021.

204 Sami Zaptia, "LIA Assets Valued at US$68 Billion," Libya Herald, May 7, 2021, available at: https://libyaherald.com/2021/05/lia-assets-valued-at-us-68-billion/

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Libyan Investment Authority, X (Twitter) profile, May 5, 2021, available at: https://twitter.com/LibyanAuthority/status/1390063882690048003 (last accessed October 13, 2023).

Africa Intelligence, "Confidential EY Report Uncovers Libyan Investment Authority Shortcomings," June 15, 2023, available at: https://www.africaintelligence.com/north-africa/2023/06/15/confidential-ey-report-uncovers-libyan-investment-authority-shortcomings,109994352-art

206 The Sentry interviews with Libyan officials formerly employed by the LIA, November 2020 and March 2022.

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United Nations Security Council, "Resolution 1973 (2011) Adopted by the Security Council at its 6498th meeting, on 17 March 2011," S/RES/1973 (2011), March 17, 2011, available at: https://www.undocs.org/Home/Mobile?FinalSymbol=S%2FRES%2F1973(2011)

United Nations Security Council, "Resolution 2009 (2011) Adopted by the Security Council at its 6620th meeting, on 16 September 2011," S/RES/2009 (2011), September 16, 2011, available at: https://documents-dds-ny.un.org/doc/UNDOC/GEN/N11/502/44/PDF/N1150244.pdf?OpenElement

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Tim Eaton, "Libya: Investing in the Wealth of a Nation," Chatham House, February 24, 2021, available at: https://www.chathamhouse.org/2021/02/libya-investing-wealth-nation

Arthur Boutellis, "Africa's 'King of Kings' Is Out, Long Live His Wealth!" International Peace Institute, September 8, 2011, available at: https://www.ipinst.org/2011/09/africas-king-of-kings-is-out-long-live-his-wealth

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Tim Eaton et al., "The Development of Libyan Armed Groups Since 2014," Chatham House, March 17, 2020, p. 29, available at: https://www.chathamhouse.org/2020/03/development-libyan-armed-groups-2014

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Bwaba al-Wasat, “Talking About Their Meeting Together.. Gargab: ‘Lathron’ Is With Dabaiba’s Son,” April 18, 2022, available at: http://alwasat.ly/news/libya/356025

The Sentry interview with a Libyan official, July 2022.

211 International Monetary Fund, “2023 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for Libya,” June 2023, available at: https://www.imf.org/-/media/Files/Publications/CR/2023/English/1LBYEA2023001.ashx

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216 Jalel Harchaoui, “Too Close for Comfort: How Algeria Faces the Libyan Conflict,” Small Arms Survey, July 2018, pp. 11, 14, available at: https://www.smallarmssurvey.org/sites/default/files/resources/SAS-SANA-BP-Algeria-Libya.pdf

217 For an example of a recent UN arms embargo violation involving military vehicles, see:

Agenzia Nova, “Libya: The Irini Operation Seizes an Illegal Cargo Carrying Military Vehicles in the Mediterranean,” November 10, 2022, available at: https://www.agenzianova.com/en/news/libia-loperazione-irini-sequestra-un-carico-illegale-con-a-bordo-veicoli-militari-nel-mediterraneo/

218 North Africa Post, “Tunisia: Security Forces Bust Arms Smuggling Operation From Turkey to Libya,” January 9, 2020, available at: https://northafricapost.com/36820-tunisia-security-forces-bust-arms-smuggling-operation-from-turkey-to-libya.html

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Agenzia Nova, “Libya: The Irini Operation Seizes an Illegal Cargo Carrying Military Vehicles in the Mediterranean,” November 10, 2022, available at: https://www.agenzianova.com/en/news/libia-loperazione-irini-sequestra-un-carico-illegale-con-a-bordo-veicoli-militari-nel-mediterraneo/

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222 The Sentry interview with a former senior NOC executive, November 2022.

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224 Libyan Audit Bureau, “Libyan Audit Bureau Report 2021,” September 2022, pp. 147-148, available at: https://www.audit.gov.ly/ar/reports/

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228 Libyan Audit Bureau, Memorandum “for the attention of the Director of General Directorate of Auditing of Companies

and Banks," October 25, 2022, reviewed by The Sentry.

229 The Sentry interviews with five NOC officials, July 2019-July 2023.

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234 The Sentry interviews with five independent sources familiar with fuel smuggling operations based in Benghazi, Sabha, Murzuq, Qatrun, and Kufrah, August 2023.

235 United Nations Office on Drugs and Crime, "Fuel Trafficking in The Sahel," February 2023, pp. 17-18, available at: https://www.unodc.org/documents/data-and-analysis/tocta_sahel/TOCTA_Sahel_fuel_2023.pdf

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238 Exit News, "Albania Seizes $2.2 Million in Contraband Oil off Coast of Durres," September 14, 2022, available at: https://exit.al/en/albania-seizes-2-2-million-in-contraband-oil-off-coast-of-durres/

239 For an example of fuel illicitly exported to Turkey, see the leaked Benghazi documents published by Libyan commentator Hossam al-Gomati in June 2023. The Sentry confirmed the authenticity of these documents in an interview with a senior General National Maritime Transport Company official. The Sentry also analyzed the Piero A's itinerary around the time of its mid-June 2023 departure from Benghazi port and found patterns consistent with a voyage to Mersin, Turkey. According to two NOC officials interviewed by The Sentry, the Brega Oil Marketing Company is not mandated to export any refined product. Moreover, the fact that no refinery is located near the port of Benghazi indicates that the 2,450 metric tons of marine gasoil were likely imported—not refined locally—by the NOC. See:

Husam El Gomati, Facebook profile, available at: https://web.facebook.com/Husam.alqmati/posts/pfbid0q9bE4waMjJfbxtKgvR6zyNzqpV6Kq4wcfQkRhb1BGHJwW3bEApBpJiHmATjEm7nwl (last accessed October 13, 2023).

Brega Oil Marketing Company, "About Us," available at: https://brega.ly/about-us-2/

The Sentry interview with a senior General National Maritime Transport Company official, July 2023.

The Sentry interview with two NOC officials, July 2023.

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Bidja Abdo, Facebook profile, available at: https://www.facebook.com/100019112761242/posts/1199304210716660/?mibextid=rS40aB7S9Ucbxw6v (last accessed August 2023).

Report pertaining to the Serdar obtained through an artificial intelligence-based system, reviewed by The Sentry.

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Benoit Faucon and Summer Said, "On the Fuel Tanker's Trail: Cracking Oil Smuggling Could Help Stem Flow of Migrants and Weapons," The Wall Street Journal, March 10, 2016, available at: https://www.wsj.com/articles/smuggling-probe-focuses-on-fuel-tankers-trail-1457576358

Public Eye & TRIAL International, "Libyan Fuel Smuggling: A Swiss Trader Sailing Through Troubled Waters," March 2020, available at: https://trialinternational.org/wp-content/uploads/2020/02/Publication_DirtyOil-DIRTO_20200302_

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242 The Sentry interviews with four independent sources familiar with fuel smuggling operations based in Benghazi, Sabha, Qatrun, and Kufrah, August 2023.

243 A Ben Gardane source told The Sentry in August 2023 that small trucks carrying fuel smuggled out of Libya continue entering Tunisia, although their number had diminished somewhat during the spring of 2023. See:

The Sentry interview with a Ben Gardane source, August 2023.

244 In 2018, the annual cost of fuel smuggling across all of Libya was estimated at about $750 million by the head of the NOC. See:

Asharq al-Awsat, "Fuel Smuggling Costs Libya Over $700 Million Annually," April 19, 2018, available at: https://english.aawsat.com//home/article/1242941/fuel-smuggling-costs-libya-over-700-million-annually

245 The Sentry interview with a former senior NOC executive, November 2022.

246 CBL, "Revenue and Expenditure Statement from 01/01/2023 to 31/07/2023," August 2023, p. 7, available at: https://cbl.gov.ly/en/wp-content/uploads/sites/2/2023/08/Official-Statement-July-2023.pdf

247 Kpler data indicates that, in absolute terms, Libya imported 30.35 million barrels of gasoline and diesel in 2022, up from 25.45 million barrels in 2021. Imports of gasoline and diesel went from an average of 70 thousand barrels per day to 83 thousand barrels per day. See:

The Sentry analysis of Kpler's fuel-import statistics pertaining to Libya.

Aydin Calik, "Libya Sees Smuggling Surge as Oil Prices Rise," MEES, May 20, 2022, available at: https://www.mees.com/2022/5/20/geopolitical-risk/libya-sees-smuggling-surge-as-oil-prices-rise/74371c70-d812-11ec-9a37-6151e97eadc3

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The Sentry analysis of Kpler's fuel-import statistics pertaining to Libya.

249 Since the CBL stopped funding fuel imports in the autumn of 2021, the only recorded allocation of funds to the fuel subsidy has been 5 billion LYD ($1 billion); according to the Audit Bureau, this amount has not yet been spent. See:

Central Bank of Libya, "Revenue and Expenditure Statement from 01/01/2022 to 31/12/2022," January 4, 2023, available at: https://cbl.gov.ly/en/wp-content/uploads/sites/2/2023/01/Official-Statement-Dec-2022.pdf

Television al-Masar, "Public Affair With Mohamed Zidan in Discussion with the Chair of the Audit Bureau, Khaled Shakshak," February 1, 2023, available at: https://www.youtube.com/watch?v=S86wEwgAZT8 (1:16:00-1:17:00).

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Central Bank of Libya, "Revenue and Expenditure Statement from 01/01/2022 to 31/12/2022," January 5, 2023, pp. 5 and 7, available at: https://cbl.gov.ly/en/wp-content/uploads/sites/2/2023/01/Official-Statement-Dec-2022.pdf

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254 Investigative Network Albania, "The Court Decided: Oil Smuggled by a Group of People Who Violated the United Nations Embargo, but Justice Has Held Accountable Only the Transporters," December 15, 2022, available at: https://ina.media/?p=6732&lang=en

255 Huda al-Srari, X (Twitter) profile, May 15, 2022, available at: https://twitter.com/Elsrari/status/1525834323001319424?s=20 (last accessed October 13, 2023).

256 A letter denouncing illegal re-exports of kerosene and gasoil from Benghazi was leaked in October 2022 by a senior

NOC official. See:

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David Schenker, "Rehabilitating Assad: The Arab League Embraces a Pariah," The Washington Institute, May 4, 2021, available at: https://www.washingtoninstitute.org/policy-analysis/rehabilitating-assad-arab-league-embraces-pariah

339 Africa Intelligence, "Eastern Libya Proves Lucrative for Assad Clan," July 24, 2023, available at: https://www.africaintelligence.com/north-africa/2023/07/24/eastern-libya-proves-lucrative-for-assad-clan,110006349-ge0

340 The Jerusalem Post, "New Report Documents How Syrian Drug Trade Flowed Through Italy," July 21, 2022, available at: https://www.jpost.com/middle-east/article-712669

341 Agence France-Presse, "Captagon Connection: How Syria Became a Narco State," November 3, 2022, available at: https://amp.france24.com/en/live-news/20221103-captagon-connection-how-syria-became-a-narco-state

342 Raya Jalabi, "Syria's State Capture: The Rising Influence of Mrs Assad," The Financial Times, April 2, 2023, available at: https://www.ft.com/content/a51c6227-0c93-4fe1-aca7-25783a43708f

343 An Algerian military officer told The Sentry that some of the captagon arriving in eastern Libya from Syria makes it into eastern Algeria, including via the Libyan border city of Ghadames. He also noted that consumption of captagon has

been on the rise among some local communities, both in Libya and Algeria, as a result. See:

The Sentry interview with an Algerian military officer, February 2023.

344 The Sentry interview with a Sudanese source in northern Darfur, October 2023.

345 The Sentry interview with an independent journalist in Kufrah, October 2022.

346 The Sentry interview with a Ghat official, October 2022.

347 Mark Micallef, “Shifting Sands—Libya’s Changing Drug Trafficking Dynamics on the Coastal and Desert Borders,” European Monitoring Centre for Drugs and Drug Addiction, November 26, 2019, available at: https://www.emcdda.europa.eu/drugs-library/shifting-sands-—-libya’s-changing-drug-trafficking-dynamics-coastal-and-desert-borders_en

348 The Sentry interviews with Sabha, Zawiyah, Benghazi, and Ghat sources, October 2022.

349 On Emirati influence over the International Criminal Police Organization (Interpol) in favor of the Assad regime, see:

Caroline Rose, “Fox in the Henhouse: INTERPOL’s Counternarcotics Engagement With Syria,” New Lines Institute, July 19, 2022, available at: https://newlinesinstitute.org/power-vacuums/fox-in-the-henhouse-interpols-counternarcotics-engagement-with-syria/

350 One tangible indication of the EU’s indulgence toward the Assad regime is its 2022 decision to lift sanctions on Syrian airline company Cham Wings, run by Syrian businessman and Bashar al-Assad ally Issam Shammout. Cham Wings operates frequent flights between Damascus and Benghazi, thus facilitating several illicit businesses. It plays a central role in the uptick in irregular migrant flows via eastern Libya into the EU. See:

Kinda Makieh, “EU Lifts Sanctions on Syrian Airline Cham Wings,” Reuters, July 20, 2022, available at: https://www.reuters.com/business/aerospace-defense/eu-lifts-sanctions-syrian-airline-cham-wings-2022-07-20

Kurt Sansone, “Flight to Benghazi, Boat to Europe: A People Smuggling Network’s Brochure,” Malta Today, April 2, 2023, available at: https://www.maltatoday.com.mt/news/national/122127/flight_to_benghazi_boat_to_europe_a_people_smuggling_networks_brochure_

351 On Egypt’s policy of favoring international normalization with the Bashar al-Assad regime, see:

Alaa Al-Din Arafat, “Egyptian-Saudi Relations Between Short-Lived Honeymoon and Radical Strategic Shifts,” Journal of Global Peace and Conflict 7.1, June 2019, pp. 14-26, available at: http://jgpcnet.com/journals/jgpc/Vol_7_No_1_June_2019/2.pdf

Sarah Henkel, “The Difficult Normalisation of Relations Between Arab Countries and Bashar al-Assad: From International Journals, Think Tank Publications and Arab News Media, 2019-2020,” SWP Journal Review, Stiftung Wissenschaft und Politik, November 2020, available at: https://doi.org/10.18449/2020JR01

352 In September 2022, the US House of Representatives passed the so-called Captagon Act, a piece of legislation specifically aimed at the Syria regime’s narcotics trade. See:

Ellie Sennett, “Captagon Crisis: US Congress Moves to Crack Down on Syria-Linked Drug Trade,” The National News UAE, October 3, 2022, available at: https://www.thenationalnews.com/world/us-news/2022/10/03/captagon-crisis-us-congress-moves-to-crack-down-on-syrian-linked-drug-trade

353 Libyan News Agency, “Destruction of More Than 15 Million Hallucinogenic Pills in the Port of Benghazi,” October 5, 2023, available at: https://lana.gov.ly/post.php?lang=ar&id=289845

354 In February 2023, the authorities in the Sawani neighborhood, near Tripoli, seized a machine utilized to manufacture narcotics pills. See:

Ean Libya, “Thwarting One of the Most Dangerous Transcontinental Organized Crimes,” February 28, 2023, available at: https://www.eanlibya.com/إحباط-واحدة-من-أخطر-الجرائم-المنظمة-ال/

355 It is possible that some players inside Libya already manufacture their own captagon. A captagon tablet press capable of manufacturing thousands of tablets per hour can be imported from China for just a few thousand dollars. See:

Agence France-Presse, “Captagon Connection: How Syria Became a Narco State,” November 3, 2022, available at: https://amp.france24.com/en/live-news/20221103-captagon-connection-how-syria-became-a-narco-state

356 Reuters, “Seventeen Tonnes of Cannabis Resin Bound for Libya Seized in Niger,” March 5, 2021, available at: https://www.reuters.com/article/us-niger-drugs-idUSKBN2AX1ME

357 Bwaba al-Wasat, “More Than Seven Quintals of Hashish Seized in Tobruk — al-Sur,” July 5, 2023, available at: https://

alwasat.ly/news/libya/404065

358 The violent clashes that killed several in al-Ajeelat in June 2021 were initially sparked by a dispute between a local militia and a Zawiyah militia over a shipment of cannabis. See:

The Sentry interview with a Zawiyah source close to the city's armed leaders, December 2021.

Akhbar Libya, "Who Is 'Al-Shalfouh'? One of the Parties to the Conflict That Took Place in al-Ajeelat," June 11, 2021, available at: https://akhbarlibya24.net/2021/06/11/من-هو-الشلفوح-أحد-أطراف-النزاع-الذي-وق

359 Al-Bayan, "Libya Intercepts the Smuggling of 600 kg of Hashish," July 17, 2000, available at: https://www.albayan.ae/culture/2000-07-17-1.1037832

360 The Sentry interviews with a Zuwara source and a Zawiyah source, September 2022.

361 The Sentry interview with a Zintan source, February 2022.

362 The Sentry interview with a Ghat source, July 2023.

363 United States Department of State, Bureau of International Narcotics and Law Enforcement Affairs, "International Narcotics Control Strategy Report, Volume I: Drug and Chemical Control," March 2021, p. 184, available at: https://www.state.gov/wp-content/uploads/2021/02/International-Narcotics-Control-Strategy-Report-Volume-I-FINAL-1.pdf

364 The Sentry interview with a Qatrun source, July 2022.

365 Libyan authorities often refer to tramadol, pregabalin, and clonazepam as Ultram, Lyrica, and Rivotril, respectively, See: Fiona Mangan, "Illicit Drug Trafficking and Use in Libya," United States Institute of Peace, May 28, 2020, available at: https://www.usip.org/publications/2020/05/illicit-drug-trafficking-and-use-libya-highs-and-lows

366 The Sentry interview with a Zuwara source, March 2022.

367 Matt Herbert, Rupert Horsley, and Emadeddin Badi, "Illicit Economies and Peace and Security In Libya," Global Initiative, July 2023, pp. 13-14, available at: https://globalinitiative.net/wp-content/uploads/2023/04/Matt-Herbert-et-al-Illicit-economies-and-peace-and-security-in-Libya-GI-TOC-July-2023-1.pdf

368 Bwaba al-Wasat, "Seizure and Destruction of 15 Million Narcotic Tablets at the Port of Benghazi," October 5, 2023, available at: https://alwasat.ly/news/libya/414486

369 Bwaba al-Wasat, "One Million and 700,000 Narcotic Pills Seized in the Port of Misrata," March 13, 2023, available at: https://alwasat.ly/news/libya/392011#:~:text=كميات%20من%20الأقراص%20المخدرة%20مضبوطة,مخبأة%20داخل%20سفينة%20شحن%20سيارات

370 Akhbar Libya 24, "Destruction of 10 Million Narcotic Tablets After They Were Seized in the Port of Benghazi," April 3, 2023, available at: https://akhbarlibya24.net/2023/04/03/اتلاف-10-ملايين-قرص-مخدر-بعد-ضبطها-في-مين/amp

371 See, for example:

Patrick Wintour, "'Kleptocrats' Will Try to Block Libya Elections, Says UN Envoy," The Guardian, January 20, 2021, available at: https://www.theguardian.com/world/2021/jan/20/kleptocrats-will-try-to-block-libya-elections-says-un-envoy

372 The United States government has noted that, via the Global Fragility Act, the US would "prioritize engagement and partnership with Libya … to support Libya in breaking the cycle of instability" through the development of a "10-year strategic plan." See:

United States Embassy in Tripoli, "The U.S. Strategy to Prevent Conflict and Promote Stability 10-Year Strategic Plan for Libya," March 25, 2023, available at: https://ly.usembassy.gov/the-u-s-strategy-to-prevent-conflict-and-promote-stability-10-year-strategic-plan-for-libya/#:~:text=U.S.%20Embassy%20Libya,-Language&text=The%20strategy%20is%20a%20long,more%20peaceful%20and%20stable%20world

373 United States Congress, "H.R.2116 – Global Fragility Act," May 20, 2019, available at: https://www.congress.gov/bill/116th-congress/house-bill/2116

374 "Stability" is an oft-cited priority that is used by Libyan and international policymakers. In 2021, the Government of National Unity hosted a Libya Stabilization Conference. The following year, Fathi Bashagha named his new government the Government of National Stability. Meanwhile, one of the principal sets of armed actors in northwestern Libya is known as the Stabilization Support Apparatus. Stability is also cited as an international priority; as just one example, US Special Envoy to Libya Richard Norland wrote that "securing long-term peace and stability is the key to achieving economic prosperity for the benefit of all Libyans." See:

Abdulkader Assad, “Final Statement of Libya Stabilization Conference Reiterates ‘No More Foreign Intervention,’” October 21, 2021, available at: https://libyaobserver.ly/news/final-statement-libya-stabilization-conference-reiterates-no-more-foreign-intervention (last accessed October 13, 2023).

Sami Zaptia, “Bashagha Government of National Stability (GNS) Releases New Crest,” Libya Herald, March 2, 2022, available at:

https://libyaherald.com/2022/03/bashagha-government-of-national-stability-gns-releases-new-crest/

Stabilization Support Apparatus, Facebook post, September 9, 2023, available at: https://www.facebook.com/SSA.Gov.ly

Safaa Harathy, “Norland: Elections Are the Best Path for a Stable Libya,” Libya Observer, January 31, 2023, available at: https://libyaobserver.ly/inbrief/norland-elections-are-best-path-stable-libya

375 The interim minister of interior of the GNU, Emad al-Trabelsi, was appointed in November 2022 following his role in ensuring GNU control of Tripoli. Prior to that, Trabelsi had become a prominent armed group leader following the 2011 revolution, with his armed group’s units controlling checkpoints that charged fees along smuggling routes from the south of Zawiyah and west Tripoli to the Western Mountains from 2014 to 2018. UN Panel of Experts reports from 2018 and 2019 note the alleged involvement of Trabelsi’s forces (written as “Imad al Tarabulsi”) in fuel smuggling. See:

The Sentry interviews with local sources in Tripoli, December 2022.

United Nations Security Council, “Final report of the Panel of Experts on Libya established pursuant to resolution 1973 (2011),” S/2018/812/Corr.1, January 3, 2019, p. 42, available at: https://documents-dds-ny.un.org/doc/UNDOC/GEN/N19/001/29/PDF/N1900129.pdf?OpenElement

United Nations Security Council, “Final report of the Panel of Experts on Libya established pursuant to resolution 1973 (2011),” S/2019/914*, December 9, 2019, p. 365, available at: https://documents-dds-ny.un.org/doc/UNDOC/GEN/N19/345/94/PDF/N1934594.pdf?OpenElement

376 Since March 2022, the minister of interior in the House of Representatives-designated Government of National Stability has been Essam Buzeriba, whose younger brothers Ali and Hassan rose to prominence post-2011 by developing a key Zawiyan force sometimes called the Nasr Brigade, widely said to be involved in the coastal city’s vibrant illicit markets. Since January 2021, Hassan Buzeriba has also acted as the second in command of the Stabilization Support Apparatus (SSA), which formally reports to the UN-recognized Presidency Council in Tripoli. The SSA has been accused of committing “unlawful killings, arbitrary detentions, interception and subsequent arbitrary detention of migrants and refugees, torture, forced labour, and other shocking human rights violations and crimes under international law.” The nominal head of the Nasr Brigade, Mohammed Koshlaf, was sanctioned by the UN in 2018 for human rights violations and participation in human smuggling. See:

Amnesty International, “Libya: Hold Stability Support Authority Militia Leaders to Account,” May 4, 2022, available at: https://www.amnesty.org/en/latest/news/2022/05/libya-hold-stability-support-authority-militia-leaders-to-account/

Salim Said, “Buzeriba and al-Far: Behind the Scenes of Using the City of Zawiya Against Bashagha,” Telescope News, August 21, 2020, available at: https://telescopenews.org/بوزريبة-والفار-وكواليس-استخدام-مدينة/

United Nations, “Final report of the Panel of Experts on Libya established pursuant to resolution 1973 (2011),” S/2021/219*, March 8, 2021, p. 37, available at: https://documents-dds-ny.un.org/doc/UNDOC/GEN/N21/060/70/PDF/N2106070.pdf?OpenElement

United Nations Security Council, “Mohamed al-Amin al-Arabi Kashlaf,” June 7, 2018, available at: https://www.un.org/securitycouncil/sanctions/1970/materials/summaries/individual/mohammed-al-amin-al-arabi-kashlaf

377 Wolfram Lacher, “Libya’s Militias Have Become the State,” German Institute for International and Security Affairs, July 31, 2023, available at: https://www.swp-berlin.org/en/publication/libyas-militias-have-become-the-state

378 Although originally designed to address human rights abuses, the Global Magnitsky sanctions authority has been used more broadly in recent years to combat transnational crime, including corruption, drug trafficking, and cybercrime. This is particularly pertinent in Libya, where some of the most active kleptocrats engage in activities that fuel human rights abuses. In contrast to traditional sanctions targeted at countries, Global Magnitsky sanctions can be flexibly applied to perpetrators without affecting the nation they come from. Indeed, thematic sanctions offer greater agility and several advantages over geographical ones; they put less of a strain on bilateral relations with countries that matter as economic partners. Moreover, they can be coordinated among like-minded nations, thus adding to their momentum.

379 Individual sanctions and asset freezes applied to Libyan state entities instituted in 2011 had a significant impact, allowing the rebels to prevent the Qadhafi regime from accessing and moving funds during a critical period. However, the approach to sanctions following the overthrow of the regime has been less successful. Individual sanctions have been applied via a range of rationales since 2014: to pressure political actors into cooperating with international mediation efforts, to target individuals accused of involvement in human trafficking, to target individuals who have endangered civilians or committed violations of international human rights law, and to target those who have wrought economic damage upon the state. However, the inconsistent approach toward sanctions since 2014 has caused them to be perceived in Libya as arbitrary and politically motivated. Moreover, their implementation and enforcement have been ineffective. While the international community agrees on these flaws, there is continuing reluctance to consider high-profile figures for sanctions, and so the culture of impunity continues.

380 Several times since the autumn of 2022, US diplomats have alluded, albeit vaguely, to the possibility of Washington issuing a new series of sanctions against individual Libyan spoilers. See:

Angus Macdowall, "US Says Tunisia President Weakened Checks and Balances," Reuters, March 23, 2023, available at: https://www.reuters.com/world/africa/us-says-tunisia-president-weakened-checks-balances-2023-03-23/

Al-Ain al-Ikhbariyah, "Hint of Sanctions. Will the International Community Stop the Absurdity of the Libyan Militias?" September 25, 2022, available at: https://al-ain.com/article/libya-militias-sanctions-norland

381 United Nations Security Council, "Resolution 2213 (2015) Adopted by the Security Council at its 7420th meeting, on 27 March 2015," S/RES/2213 (2015), March 27, 2015, section 11(d), available at: https://documents-dds-ny.un.org/doc/UNDOC/GEN/N22/660/70/PDF/N2266070.pdf?OpenElement

382 The June 2018 attempts by Ibrahim Jadhran to recapture the Oil Crescent by force led to him being sanctioned by the UN under UN Security Council Resolutions 2213 (2015) and 2362 (2017). See:

United Nations Security Council, "Ibrahim Jadhran," September 11, 2018, available at: https://www.un.org/securitycouncil/node/65697

383 United Kingdom Foreign, Commonwealth and Development Office, "UK, US and Canada Sanction Lebanon's Former Central Bank Governor Riad Salameh and Close Associates," August 10, 2023, available at: https://www.gov.uk/government/news/uk-us-and-canada-sanction-lebanons-former-central-bank-governor-riad-salameh-and-close-associates

384 In 2021, the EU, the UN, and the World Bank launched the Recovery and Peacebuilding Assessment (RPBA) with participation from 13 Libyan ministries. The RPBA aims to prioritize "what is needed to strengthen core governance and institutions, enable a strong social and economic recovery, promote national reconciliation, establish a national development plan, and coordinate international assistance for Libya in these efforts." See:

World Bank, "EU, UN and World Bank Kick Off Recovery and Peacebuilding Assessment with Libyan Government," Press Release, December 8, 2021, available at: https://www.worldbank.org/en/news/press-release/2021/12/08/eu-un-and-world-bank-kick-off-recovery-and-peacebuilding-assessment-with-libyan-government

385 In spring 2022, the US put forward a "Mustafeed" proposal for a new mechanism for the oversight of state expenditures with some limited international support. The UN has indicated its support for the initiative in subsequent statements, but there has been limited appetite among Libyan rivals to participate in a mechanism that would limit their ability to distribute funds. For more details, see:

International Crisis Group, "Reuniting Libya, Divided Once More," May 25, 2022, available at: https://www.crisisgroup.org/middle-east-north-africa/north-africa/libya/reuniting-libya-divided-once-more

386 UN Security Council Resolution 2656 (October 28, 2022) reaffirms the "importance of establishing a Libyan-led mechanism bringing together stakeholders from across the country to set spending priorities and ensure oil and gas revenues are managed in a transparent, equitable and accountable manner with effective Libyan oversight, and reiterating UNSMIL's role in helping to consolidate the economic arrangements of Libyan institutions." See:

United Nations Security Council, "Resolution 2656 (2022) Adopted by the Security Council at its 9173rd meeting, on 28 October 2022," S/RES/2656 (2022), October 28, 2022, available at: https://documents-dds-ny.un.org/doc/UNDOC/GEN/N22/660/70/PDF/N2266070.pdf?OpenElement

387 Michael Schaeffer and Tarek Yousef, "Libyan Effort to Clean Up State Finances Sidesteps Deeper Issues," Middle East Council on Global Affairs, August 3, 2023, available at: https://mecouncil.org/blog_posts/libyan-effort-to-clean-up-state-

finances-sidesteps-deeper-issues/

388 United Nations Interregional Crime and Justice Research Institute, "Illicit Financial Flows and Asset Recovery: In the State of Libya," May 2021, p. 17, available at: https://unicri.it/Publications/Illicit-Financial-Flows-and-Asset-Recovery-in-Libya

389 In June 2023, the International Monetary Fund concluded that "strengthening AML/CFT supervision, increasing the resources allocated to the [Central Bank of Libya's] Financial Intelligence Unit (FIU) and enhancing its autonomy, would reduce financial crime [in Libya]." The report continued: "The AML/CFT framework should be further aligned to the Financial Action Task Force (FATF) recommendations. The low number of suspicious activities reports (SAR) submitted to the FIU indicates weak AML/CFT controls at banks, and the backlog of SARs implies inadequate resources at the FIU to investigate suspicious transactions. The CBL should take steps to ensure full implementation of the AML/CFT regulations, and address AML/CFT control failure at banks. FIU operational autonomy should be enhanced, and its resources increased to deal with SAR filings, especially once AML/CFT controls at banks improve, and the number of filings rises." See:

International Monetary Fund, "2023 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for Libya," June 2023, p. 14, available at: https://www.imf.org/-/media/Files/Publications/CR/2023/English/1LBYEA2023001.ashx

390 The IMF made high-priority recommendations to enhance AML/CFT supervision, automate FIU processes and increase FIU resources, and strengthen domestic and international cooperation for successful prosecution. See:

International Monetary Fund, "2023 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for Libya," June 2023, pp. 14-17, available at: https://www.imf.org/-/media/Files/Publications/CR/2023/English/1LBYEA2023001.ashx

391 See Recommendation 12 in:

Financial Action Task Force, "International Standards On Combating Money Laundering and the Financing of Terrorism and Proliferation: The FATF Recommendations," February 2023, p. 16, available at: https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/FATF%20Recommendations%202012.pdf.coredownload.inline.pdf

392 Domestic PEPs are described as persons who "are or have been entrusted with a prominent public function domestically, such as heads of states and governments, senior politicians, senior government, judicial and military officials, senior executives in state-owned companies and senior officials in political parties." See:

Central Bank of Libya, "Anti-Money Laundering and Combating the Financing of Terrorism Law: Mechanisms to Implement UN Security Council Resolutions," p. 20.

393 Ean Libya, "Seizing a Ship Carrying Smuggled Fuel From Benghazi to Albania," November 6, 2022, available at: https://www.eanlibya.com/ضبط-سفينة-تحمل-وقوداً-مهرباً-من-بنغازي/

394 For more on EUNAVFOR MED IRINI and its mission, see:

Operation EUNAVFOR MED IRINI, "Mission," March 2020, available at: https://www.operationirini.eu/about-us/

395 In May 2020, a French navy frigate stopped a tanker as it was on its way to load refined petroleum products from an eastern Libyan port, preventing it from reaching its destination in the UAE. In September 2020, off of eastern Libya, a German frigate and an Italian frigate stopped a vessel carrying jet fuel from the UAE. These precedents, both executed within the scope of EUNAVFOR MED IRINI, demonstrate that the EU naval operation's existing framework and mandate let EU member states intercept ships suspected of carrying illicit fuel off of Libya's coast. See:

Samer al-Atrush, "Libya-Destined Oil Tanker on UAE Contract Stopped by French Navy," Bloomberg, May 28, 2020, available at: https://www.bnnbloomberg.ca/libya-destined-oil-tanker-on-uae-contract-stopped-by-french-navy-1.1442317

Middle East Eye, "EU Detains Ship Carrying Fuel From UAE on Suspicion of Breaking Libya Arms Embargo," September 10, 2020, available at: https://www.middleeasteye.net/news/libya-uae-eu-detains-merchant-ship-jet-fuel-suspicion-arms-embargo-violation

396 Relevant UNSC resolutions include Resolution 2362 (2017), which aims at preventing "illicit exports of ... refined petroleum products." For the text of the June 2017 resolution, see:

United Nations Security Council, "Resolution 2362 (2017) Adopted by the Security

Council at its 7988th meeting," June 29, 2017, available at: https://undocs.org/Home/Mobile?FinalSymbol=S%2FRES%2F2362(2017)&Language=E&DeviceType=Desktop&LangRequested=False

397 US Department of State, "U.S. Government Issues a Business Advisory for South Sudan," Press Release, August 14, 2023, available at: https://www.state.gov/u-s-government-issues-a-business-advisory-for-south-sudan/

398 US Department of State, "Risks and Considerations for U.S. Businesses and Individuals Operating in South Sudan," August 14, 2023, available at: https://www.state.gov/south-sudan-business-advisory/

399 The CBL notes that its publication of its statement of revenues and expenditures for 2022 "comes within the framework of the CBL's efforts to achieve the highest rates of disclosure and transparency, in response to local and international requests." The CBL continues to participate in a US Agency for International Development-funded project that began in 2019 and will run until 2024 and that aims to support "the CBL in guiding monetary policies affecting the supply and circulation of money, with the aim of reducing inflation, increasing private sector access to capital, and achieving stable economic growth." See:

Central Bank of Libya, "Revenue and Expenditure Statement from 01/01/2022 to 31/12/2022," January 4, 2023, available at: https://cbl.gov.ly/en/wp-content/uploads/sites/2/2023/01/Official-Statement-Dec-2022.pdf

US Agency for International Development, "Libya Public Financial Management," August 2022, available at: https://www.usaid.gov/sites/default/files/2022-08/USAID_LIbya_LPFM_Fact_Sheet_August_2022.pdf

400 Libyan Audit Bureau website, available at: www.audit.gov.ly

401 US Department of State, Bureau of Democracy, Human Rights, and Labor, "2022 Country Reports on Human Rights Practices: Libya," March 20, 2023, available at: https://www.state.gov/reports/2022-country-reports-on-human-rights-practices/libya

402 Amanda Kadlec and Cathy Haenlein, "Libya as Prologue: The Uncertain Future of UN Sanctions in a Divided World," Royal United Services Institute, June 8, 2023, available at: https://www.rusi.org/explore-our-research/publications/commentary/libya-prologue-uncertain-future-un-sanctions-divided-world

403 On February 26, 2011, Resolution 1970 (2011) of the United Nations Security Council referred the situation in Libya since February 15, 2011, to the International Criminal Court (ICC). The resolution decided that the "Libyan authorities shall cooperate fully with and provide any necessary assistance to the Court and the Prosecutor pursuant to this resolution and, while recognizing that States not party to the Rome Statute have no obligation under the Statute, urges all States and concerned regional and other international organizations to cooperate fully with the Court and the Prosecutor." The ICC is thus able to exercise its jurisdiction "over crimes listed in the Rome Statute committed on the territory of Libya or by its nationals from February 15, 2011 onwards." See:

United Nations Security Council, "Resolution 1970 (2011) Adopted by the Security Council at its 6491st meeting, on 26 February 2011," S/RES/1970 (2011), February 26, 2011, p. 2, available at: https://www.undocs.org/Home/Mobile?FinalSymbol=S%2FRES%2F1970%2520(2011)&Language=E&DeviceType=Desktop&LangRequested=False

International Criminal Court, "Libya," available at: https://www.icc-cpi.int/libya

404 The United Nations Human Rights Council established the Independent Fact-Finding Mission on Libya by Resolution 43/39 (2020) to "investigate violations and abuses of human rights throughout Libya by all parties since the beginning of 2016, with a view to preventing further deterioration of the human rights situation, and to ensuring accountability." In July 2022, decision 50/L.23 of the Human Rights Council extended the mandate of the Fact-Finding Mission until April 2023. See:

United Nations, "Libya: Urgent Action Needed to Remedy Deteriorating Human Rights Situation, UN Fact-Finding Mission Warns in Final Report," Press Release, March 27, 2023, available at: https://www.ohchr.org/en/press-releases/2023/03/libya-urgent-action-needed-remedy-deteriorating-human-rights-situation-un

United Nations Human Rights Council, "Independent Fact-Finding Mission on Libya," available at: https://www.ohchr.org/en/hr-bodies/hrc/libya/index

405 Such arrests have happened in various locations across the country. In 2022, the Internal Security Apparatus was reported to have arrested "at least seven young men for peacefully exercising their right to freedom of expression" in Tripoli, detaining them arbitrarily. Meanwhile, in eastern Libya, the LAAF has overseen an expansion of the military justice sector, trying civilians in military courts. See:

Amnesty International, "Libya: The Internal Security Agency Intensifies Crackdown on Freedom of Expression," March

23, 2022, available at: https://www.amnesty.org/en/latest/news/2022/03/libya-the-internal-security-agency-intensifies-crackdown-on-freedom-of-expression/

Amnesty International, “Libya: Military Courts Sentence Hundreds of Civilians in Sham, Torture-Tainted Trials,” April 26, 2021, available at: https://www.amnesty.org/en/latest/press-release/2021/04/libya-military-courts-sentence-hundreds-of-civilians-in-sham-torture-tainted-trials/