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GEOPOLITICAL RISK OBSERVATORY

# Libya

**An overview**

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## GRO Country Profile: Libya

*GRO Country Profiles are neither extensive analysis nor news updates. Instead, they offer a general perspective over areas and issues, trying to provide a series of factors and variables that organizations should monitor to anticipate risks. For in depth analysis or day to day updates you should contact the observatory at [strategicchange@luiss.it](mailto:strategicchange@luiss.it)*

### Summary

- Libya’s governmental system remains fragmented. Two rival administrations compete for legitimacy and control over territory and oil revenues. Armed groups are embedded in state structures and localized power brokers prevent the consolidation of unified governance.
- Libya is subject to a de facto proxy dynamic. Türkiye provides military and political backing to the Government of National Unity (GNU), while Russia, the UAE, and Egypt support the Libyan National Army (LNA). Systematic violation of a UN arms embargo and a stalled UN-sponsored political roadmap undermine resolution prospects.
- Key business challenges include significant security risks, pervasive corruption, and severe regulatory unpredictability. Libya is oil-dependent, exposing fiscal and external accounts to swings from production disruptions and global price movements.

### Basic Parameters

Indicator	2020	Latest value
GDP (PPP, USD bn)	77.18	132.8 (2026)
Share of income, top 10%	47.14	47.15 (2024)
Share of wealth, top 10% (%)	60.37	60.37 (2024)

Population (mn)	6.64	7.05 (2026)
Population ages 0-14 (%) <sup>1</sup>	29.46	27.41 (2024)
Population over 65 (%)	4.65	5.02 (2024)
Urban population (%)	20.49	19.72 (2024)
Unemployment rate (%)	19.7	19.1 (2024)
Youth unemployment 15-24 (%)	53.56	50.59 (2024)
CPI inflation (%)	22.3	2.4 (2024)
Ratio of government expenditure to GDP (%)	57.34	60.80 (2025)
FDI net (USD mn)	Not available	-794.7 (2023)

**Sources:** GDP PPP; Population; Ratio of government expenditure to GDP (IMF) – Share of income top 10%; share of wealth top 10% (World Inequality Database) – CPI inflation; Unemployment rate; Youth unemployment rate; Urban population; Population over 65; Population ages 0-14; FDI net (World Bank).

### Historical context

Libya achieved independence in December 1951 as a constitutional monarchy under King Idris I. The discovery of oil reserves in 1959 transformed state finances, but growing resentment over concentrated wealth and rising pan-Arab nationalism fuelled discontent. On 1 September 1969, a group of military officers led by Muammar Gheddafi overthrew the monarchy and proclaimed the Libyan Arab Republic.

Gheddafi’s regime nationalized oil assets and used hydrocarbon revenues to fund social programs and revolutionary movements abroad. Libya’s involvement in international terrorism led to US airstrikes in 1986 and UN sanctions from 1992. A partial rapprochement began in 2003, when sanctions were lifted and Western oil companies returned. The 2011 Arab Spring uprising escalated into armed conflict and a NATO-backed military intervention. Gheddafi was captured and killed on October 2011. The collapse of the centralized authority triggered the proliferation of militias and localized power brokers.

<sup>1</sup> Libya presents difficulties in obtaining reliable, up-to-date data. In particular, it was necessary to replace the unavailable data for “Population under 25” with “Population ages 0-14”. The unavailable Debt-to-GDP ratio was replaced with the “Ratio of government expenditure to GDP” and the unavailable “FDI inflows” with “FDI Net” updated to the latest available year.

From 2014, institutional rivalry hardened into a full-scale war between the Tobruk-based House of Representatives, allied with Libyan National Army, and the Tripoli-based government backed by western militias. Foreign powers backed opposing sides, turning Libya into a proxy battlefield and repeatedly violating the UN arms embargo. The January 2020 Berlin conference led to a ceasefire agreement. In March 2021 a UN-facilitated process produced the Government of National Unity under Prime Minister Abdul Hamid Dbeibeh, tasked with leading Libya to elections by December 2021. Those elections did not take place, and the country remains divided.

### **Institutional set-up and structural changes**

Libya remains de facto divided between the internationally recognized government in the west and a competing regime in the east, with militias controlling territory and penetrating formal state institutions. Governance is constrained by insecurity, coercion, and the fusion of armed-group power with official structures. Armed groups operate with impunity, repressing civil society and free speech. Arbitrary detention, extrajudicial killings, serious due-process violations, and endemic corruption are widely documented. Libya's economy is highly hydrocarbon-dependent. Oil and gas provide about 97% of export earnings, over 90% of government revenue, and two-thirds of GDP. The lack of a unified national budget both reflects and fuels the political crisis driven by competition over resources control.

The social fabric is marked by tribal, ethnic, and regional cleavages. The Berber population coexists with Toubou and Tuareg in the southern province of Fezzan. Post-2011, rivalries among tribal groups over borders, smuggling routes, and oilfields have repeatedly triggered inter-communal violence. Libya is also a major transit hub on the Central Mediterranean migration route, providing leverage dynamics that shapes both domestic politics and external relations.

Libya's conflict has been fuelled by multiple external actors. Türkiye backs the Government of National Unity (GNU) with military and political support, including drones that were decisive in halting Haftar's 2019-2020 offensive in Tripoli. Russia, via its Africa Corps (formerly Wagner), supports the Libyan National Army (LNA) and seeks a naval foothold. The United Arab Emirates (UAE) and Egypt have supplied the LNA with equipment. A layered sanctions regime is in place. The UN maintains an arms embargo, travel bans, and asset freezes. The EU adds restrictive measures and conducts Operation European Union Naval Force in the South Central Mediterranean (EUNAVFOR MED). The US maintains denial policies on defence items and OFAC sanctions against selected actors.

Forward-looking indicators point to persistent structural pressures and political deadlock. United Nations Support Mission in Libya (UNSMIL) August 2025 political roadmap implies agreeing an electoral framework, and unifying institutions under a new government. However, the structured dialogue has produced limited tangible progress. As of February 2026, UN assessments stress that technical fixes cannot substitute for the missing political consensus. US engagement has recently

intensified. US Senior Advisor Massad Boulos visited Tripoli and Benghazi in July 2025 to discuss energy, the stalemate, and Russia’s expanding footprint. Then, returned in January 2026 for the Libya Energy & Economic Summit in Tripoli and meetings in Benghazi. Boulos also helped convene a late-January 2026 Paris meeting between representatives of western and eastern factions, signalling a renewed US-French push for negotiations. On 3 February 2026, Saif al-Islam Gheddafi (son of the former leader and a registered candidate in the aborted 2021 elections) was assassinated, showcasing the persistence of targeted political violence as a core feature of Libya’s governance environment.

### **Business implications**

#### *Opportunities*

The hydrocarbons sector is the primary entry point. Crude oil production averaged approximately 1.4 million bpd in 2025 and the government targets 2 million bpd by 2030. At the Libya Energy & Economic Summit in January 2026, the GNU signed a 25-year Waha Re-Entry Agreement with TotalEnergies and ConocoPhillips, backed by over \$20 bn in investment. Decree 944/2022 allows up to 75% foreign participation, while the Investment Promotion Law permits 100% foreign ownership for licensed projects. Both regimes impose workforce localization and technology transfer obligations.

Italy is the most deeply embedded foreign economic partner. Italian energy company ENI’s integrated gas program under the Mattei Plan and recent Italian wins in highway construction and subsea services anchor a broad commercial presence. In late January, simplified visa procedures and direct flights were announced to facilitate bilateral access. Beyond energy, infrastructure opportunities are geographically bifurcated. In GNU-controlled Libya, the \$2.7 bn Misurata port PPP marks openings in port logistics, renewable energy, and telecommunications. In the east, Haftar’s Reconstruction and Development Fund is channelling Turkish and European financing into transport, desalination, and urban infrastructure. Demand across both areas is largely externally financed.

#### *Challenges*

- *Security challenges:* The security environment represents the most binding constraint on business operations. Most Western foreign ministries categorize the country as “Do Not Travel”. Armed-group competition in Tripoli is recurrent and can escalate sharply. The May 2025 clashes involved heavy weaponry in densely populated areas with civilian casualties and destruction of property. Most armed-group incidents in Tripoli are short-lived, but severe escalations can involve indirect fire in residential areas. The presence of foreign military forces sustains a latent risk of broader escalation. In the south, rivalry among tribal and ethnic armed groups over smuggling routes, borders, and resources generates additional security risks. These conditions constrain personnel mobility and supply chain operations, as well as the viability of physical presence outside secured compounds. Energy companies operating

in remote hydrocarbon fields require extensive security arrangements. Manufacturing and service sector businesses in urban areas face periodic disruption from localized clashes, roadblocks and airport closures. Supply chains relying on coastal road transport are exposed to carjacking and armed robbery.

Libya’s security is assessed as Band 5 (very high challenges)

- Regulatory challenges Fragmented political authority and competing administrations create deep uncertainty around licensing, customs, taxation, and contract enforceability. Political economy constraints and inadequate capacity undermine the authorities’ ability to implement reforms, while the absence of a unified budget means that fiscal commitments cannot be relied upon across jurisdictions. Customs duties are relatively low for most imported goods, but procedures remain opaque and subject to discretionary interpretation. Libya is subject to a multilayered international sanctions architecture encompassing arms embargoes, travel bans, asset freezes, and business restrictions that require proper screening and compliance processes. While Libya itself is not comprehensively sanctioned, the complexity of the landscape, combined with fragmented local authority creates significant compliance risk for cross-border transactions, financial transfers and contractual relationships. Businesses face extended due diligence timelines, restricted access to trade finance instruments from risk-averse European banks and the need for specialized sanctions screening on all Libyan counterparties.

Libya’s regulatory risk is assessed as Band 5 (very high challenges)

- Governance challenges: Weak rule of law and pervasive corruption represent fundamental governance constraints. Libya is among the most corrupt countries globally. Transparency International Corruption Perceptions Index 2025 ranked Libya as the 5th most corrupt country in the world. Judicial independence is severely compromised. Judges, prosecutors, and lawyers face harassment from armed groups, and military courts try civilians. The absence of impartial adjudication means businesses cannot rely on courts for contract enforcement, intellectual property protection, or commercial dispute resolution. Corruption

pervades all sectors. Bribery, cronyism and not-parent state tenders are deeply embedded. Affluent warlords and profiteers hinder potential competition. For businesses operating under strict international anti-corruption and human rights standards, the governance environment creates heightened counterparty, supply chain and reputational risk.

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