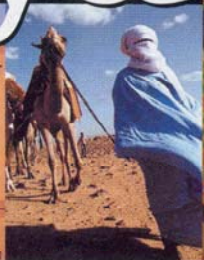


# Libya



## Tripoli - the Mediterranean's African gateway

The possibility of a visit by US Secretary of State Condoleezza Rice, the holding of UN-sponsored talks on Darfur and the positioning of the country as a force for peace and unity in the region have all brought Libya back into the international spotlight. With oil reserves estimated at 36.7 billion barrels and prices hitting an all time high, Libya's ambitions for economic development are coupled with improved diplomatic relations both regionally and internationally. Though the country's copious hydrocarbon resources remain 75% unexplored, Libya's new vision is one of sustainable development.

EU foreign ministers were earlier this week finalising a common declaration calling for quick talks on a cooperation agreement covering a broad area from trade to migration, according to Reuters news agency. After the lifting of UN sanctions in 2003, diplomatic relations were re-established and the American embassy was reopened in Libya in March 2006, coinciding with the opening of the Libyan embassy in Washington on the same date. Additionally, the World Centre for Research and Studies of the Green Book, which carries out policy analyses on political, economic, social and security issues, has recently hosted several lectures attended by American diplomats. The centre's representatives will in turn attend a Libyan-American Chamber of Commerce seminar on November 5th. Further dialogue will take place at the National Press Club in Washington on November 27th, in conjunction with the Middle East Institute under the banner 'Libyan Relations with Africa and the West.'

The government in Tripoli initiated an economic reform programme in 2004, which included the privatisation of some 70 companies by the General Board of Ownership Transfer, for a total price tag of \$750 million. "What we mean by modernisation is a process of a widening of the base of ownership," says Mohamed El Huwej, secretary of the general people's committee for finance. "This is not ex-

actly a common process of privatisation, but rather one in which all Libyans can own shares in Libyan companies." The Social Economic Development Fund represents Libya's lowest income investors, distributing the shares of privatised companies among them. Shares can then be traded on the Libyan Stock Market and these people brought into the investment fold. Change management is being carried out by the recently established Libyan Economic Development Board, which will work towards slashing bureaucracy as well as providing training and retraining for workers in both the private and public sector.

Libya is now seen as a force of integration in North Africa. "The objective," says Mr El Huwej, "is to integrate the Libyan domestic economy with economies throughout the region. This is part of our economic modernisation." Western firms still invest mainly in oil and gas, which accounts for 94% of Libya's export earnings.

As in any transitional economy, there will be ups and downs. The dilemma for Farhat Bengdara, central bank governor and a graduate of Sheffield University, is to maintain a stable inflation rate, currently at 3%, while fostering growth. Proof that his policies have gleaned official backing is the hiring of McKinsey, a business consultancy, to develop a strategy for international banks to enter the Libyan market. Sahara is the first opening of a Libyan bank to foreign investors and BNP Paribas has already assumed a management role. 120 further initiatives are underway to modernize Libya's other commercial banks. Most recently, an announcement was made by the Central Bank that in early 2008 Umma Bank, Libya's largest state-owned bank, will merge with the fifth-largest, Jomhuriya Bank, resulting in combined assets of \$6.5bn.

A latecomer, Libya is a virgin market for foreign investors. Law Number 5, issued in 2002, provides the framework and the Libyan Foreign Investment Board

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[www.cbl.gov.ly](http://www.cbl.gov.ly)

## Libya, where modernization is a reality

The Central Bank of Libya has undertaken major initiatives to restructure the banking sector and to upgrade the IT platforms in use throughout the sector. The National Payment System Project aims to provide adequate stability and long-term sustainability to the country's ongoing growth and economic development, in addition to efficiency within the banking sector.



Modelled on the highest global standards of stock markets around the world, the Libyan Stock Market is young but dynamic and thoroughly modern.



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## Embark on a successful venture

The ongoing technological modernization of our operations, a commitment to quality and our forward-thinking, private sector oriented mentality are what have made Umma Bank a historic institution in Libya, yesterday, today and tomorrow.



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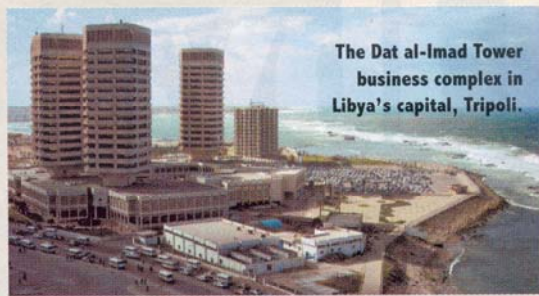
provides institutional support for foreign companies eager to participate in the Libyan economy. Apart from its ubiquitous oil and gas sector, industries such as tourism, services and trade show great potential. Only recently did western tourists learn of the ancient ruins dotting the Libyan coastline. There is a Greek-period Libya, as well as Roman, Islamic, Ottoman and an Italian colonial period. All are unspoiled and enjoy the temperate Mediterranean climate. Mr Bengdara knows that a well-functioning banking sector will help jumpstart Libya's non-oil economy. The National Payments System Reform Project, worth 70 million Libyan dinars (\$56.3 million) is an example of how IT has penetrated commercial banks. The goal is to make interbank connections entirely efficient by the end of the year.

"No economy can ever improve and develop without a parallel growth of its banking system. We have a clear vision for the sector's development and believe that in 5 years it will have grown substantially", says Mr El Huwej. The challenge is to build capacity and train employees. A bureaucracy-orientated mindset is no longer required. Instead, self-motivated employees and those with creative thinking are more likely to prosper. For years, international sanctions cut the country's aspirations short. Farhat Bengdara is eager to underline that things can't change overnight. "We are doing what we can and simply need more time. The international community has to be patient in order for Libya to transform its economy." While catching up will take time, the vision of both the public and private sectors will ensure progress.

One of the first confidence-building measures was to set up a stock market. In 2004, an office at the central bank began trading shares. Now, with locations in Tripoli and Benghazi, the Libyan Stock Market (LSM) has been in operation since mid-2006, serving two key objectives. "First, to help finance some economic activity and second, to facilitate the transfer of shares between the people, thus helping to expand the sector", explains Mr El Huwej.

According to Suliman Alshahomy, its chairman and general manager, the stock exchange has already signed several MOUs with other markets in the region. "What we have done is to choose the best aspects of world stock markets. We don't work exclusively with one vision. That enables us to be more flexible and to take an innovative approach." Recently returned from a conference at the Securities and Exchange Commission (SEC) in Washington DC, Mr Alshahomy has taken a highly cooperative outlook, learning from the experience of markets such as the Singapore, New York and London stock exchanges, in order to foment the development of Libya's capital markets.

"I believe now is the moment to ensure the development of a high quality and well-connected banking system. This is a crucial process," says Mr Alshahomy. Regional competition is important and investors will want to see concrete results. Ideally, Libyan banks will be able to bridge the gap with their western counterparts by letting more foreign investors into domestic capital markets. Mr Alshahomy says a change in man-



The Dat al-Imad Tower business complex in Libya's capital, Tripoli.

agement style is already eroding old-school thinking at financial institutions. Staff overhauls are inevitable. "The best way to do this is for foreign investors to acquire some shares in domestic banks and then to carry out training programs," he comments.

Cooperation between banks and nations is for mutual benefit, according to the general manager of Umma Bank, Abdulfattah Ghaffar. Founded in 1907 by the Italians as Banca di Roma, Umma Bank is a paradigm of adaptability. Owned by the central bank, it boasts a balance sheet of 5 billion dinars (\$4.02 billion) and has a network of 60 branches. Assets have doubled in the last couple of years. Its board of directors is now aligning bank policy with Basel II criteria. Its merger with Jounhouriya Bank will constitute one of Africa's 10 largest banks. The network of this new institution will extend to almost 150 branches.

Upgrading is one of the mandates at Umma Bank. Although state-owned, the bank has taken full advantage of Libya's new phase of economic liberalisation. Most of its banking services are dictated by the market and are service-orientated. "We want to cater to every type of customer, separating our strategies so all can benefit from the progress underway," explains Mr Ghaffar. "We have services for the average customer and special branches for our bigger customers. Aware that our customers' time is precious, we are increasingly providing more services through mobile phones, the internet and the installation of ATM machines."

As the economy shifts further away from the public sector, Mr Ghaffar sees new opportunities. His main priority is to educate his staff and invest in IT. Groups of bank employees have studied in the UK to gain proficiency in English. Mr Ghaffar has also expanded cooperation with regional banks. "This year we have allocated 600% of the amount over the past two years for training purposes," says Mr Ghaffar.

Libya is not only adding value to its resources. It is also learning how to market its stability, strategic position and cultural assets. Deepening the country's financial markets are upstarts like Tuareg Capital, a small private equity firm with bold ideas for North Africa. Chairman and CEO Adel Saudi believes that Libya is, "probably one of the last economic frontiers in the MENA region" and wishes "to provide an opportunity for investors who are not familiar with this market, but who are aware of its many opportunities." ●

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## MISURATA FREE ZONE

## Unrivalled regional facilities, unparalleled location



The first Libyan National Free Zone, Misurata Free Zone is a one-stop shop, operating at the Mediterranean gateway to the African continent.

Since 10 B.C., Misurata Port has been welcoming foreigners. Originally a Phoenician trading centre - later named Tubartis by the Romans - Ptolemy recorded her as Cape Misurata after the tribe of the same name. A supply stop for desert caravans by 7 A.D., the area derived its importance from being at the crossroads of vital trade routes.

This strategic location continues to define the port today. It is now the site of Misurata Free Zone (MFZ), North Africa's fastest growing free zone, attracting global interest to Libya's repositioning as the gateway to Africa.

MFZ's current, expanded capacity of 3539 hectares is a response to international demand that saw the site six times oversubscribed in January 2007. The simplicity of MFZ's procedures and its provision of the lowest energy and operating costs in the Mediterranean Basin and North Africa have allowed many regional operators to be more competitive by being based at MFZ.

MFZ offers warehousing, office space and land, while the current port capacity of six million tons per year is at the disposal of operators within the free zone. A second port encompassing 110 hectares has been approved, allowing for several million containers to be handled annually, and there is capacity to build further ports for MFZ's use, in line with future demand. With 20,000 hectares available for the free zone's future expansion, MFZ has an unrivalled regional advantage in both land and sea space, in addition to its status as a one-stop shop for investment-related legal requirements.

"The process is simple," states Engineer Ibrahim Sigoutri, general manager of MFZ. "When an application for the hire of space at MFZ is approved, the only remaining detail is to set the



Misurata is Africa's fastest growing free zone.

terms of international arbitration to be used and where it is to be carried out, in the case of a dispute. For us, what is important is that the procedure for operation within the free zone starts and ends with MFZ."

These unique advantages are enhanced by Libya's geographical position. "The location of Libya at the centre of North Africa is advantageous for the country in general and for MFZ in particular. The Port of Misurata has historically been used to import goods from Europe to Africa as well as for exportation from Africa to Europe," states Mr Sigoutri.

He concludes, "MFZ is especially beneficial for companies located far from Europe, such as in South East Asia or North America. Opening a branch at MFZ enables them to save on many of the expenses they would face in Europe, whilst still being very close."

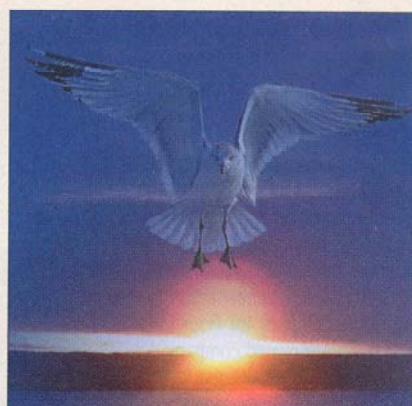
Libya intends to extend its relationship with Africa to develop trade links. Road construction is underway linking Algeria to Niger that will allow goods to be shipped into Lagos, Nigeria and points further south such as Namibia. Another axis is being developed that will cut through eastern Libya and continue into Sudan and Ethiopia. Mr Sigoutri comments, "Libya has established a good reputation and earned credibility amongst African countries. We believe that by developing our trade links, we can act as an intermediary between Africa and the rest of the world." ●

**'The African markets are coming alive and European investors are lining up to get involved'**

## TELECOM AND ICT

## Getting connected to the global village

Investment in the telecoms and information technology sector, overseen by the General Post and Telecommunications Company, is considered a priority in Libya and the key to the country's economic development. The backbone of Libya's telecoms network is an optical fibre highway which links the main cities along the coast, facilitating the transfer of telecommunications, voice, data and video - everything you would expect of a cutting-edge communications network. But for a country with large aspirations, this is merely the beginning. Libya is keen to be recognized as a leader in the telecoms field. Hopes to emulate new technology and also to pioneer new inventions exist, and are the next intended steps on the path to success. Currently, expansion of this plan is unfolding across the country, bouncing from points scattered across Libya's 1.8 million square kilometre compass. The population is not large, but the terrain must be covered. A mirror of the first optical fibre highway is almost in place, and the host of microwave, V-Sat and satellite telecommunications projects will provide Libya's citizens and the rising number of expatriates with the leading edge to support their future prosperity.



## A new outlook for a splendid future

Located on Libya's southern Mediterranean North African coastline, amid African, Mediterranean and Arab markets, the 3539 hectare Misurata Free Zone is the sole representative combining all of the services that operators require to invest in Libya.

- No need for foreign entities to register in Libya.
- Operators are subject to their international arbiters of choice.
- No restrictions on money transfers within MFZ.
- No customs duties for import and export.
- Low energy and operating costs.
- Easily extendable storage areas.
- All port services.
- Airport at 20 Km.
- Located at the historical open trade gate to Africa.

The first Libyan free zone offers its services to facilitate operations from Libya and has 20,000 hectares of expansion capacity for industrial and other commercial enterprises.



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