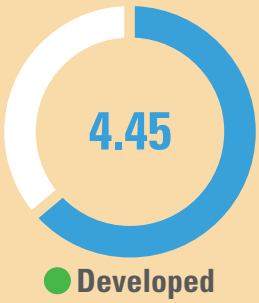
UNITED NATIONS
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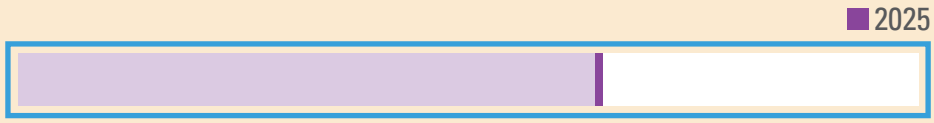
Shared Prosperity Dignified Life

Country profile
**LIBYA**

# ARAB BUSINESS LEGISLATIVE FRAMEWORKS



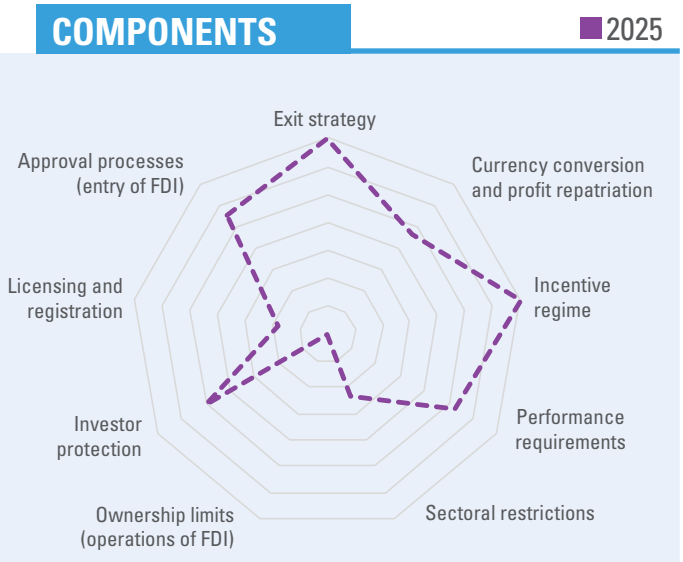

## FOREIGN DIRECT INVESTMENT



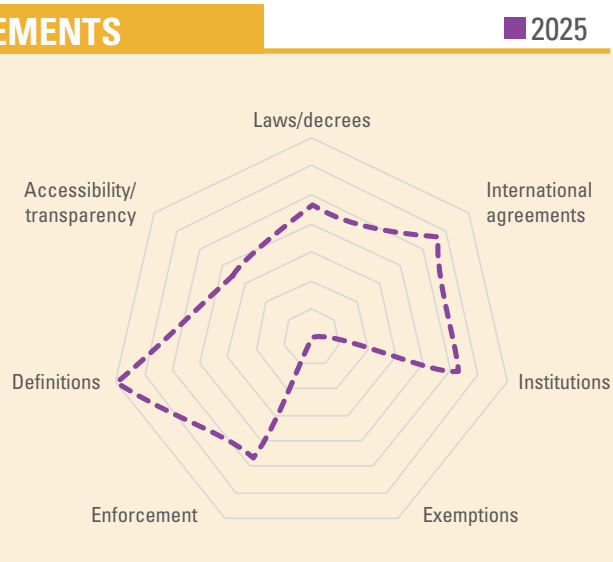

Very weak | Weak | Basic | Moderate | Developed | Strong | Very strong

| COMPONENTS | 2025 |
|---|---|
| Approval processes (entry of FDI) | 5.60 |
| Licensing and registration | 1.75 |
| Investor protection | 5.00 |
| Ownership limits (operations of FDI) | 0.00 |
| Sectoral restrictions | 2.33 |
| Performance requirements | 5.25 |
| Incentive regime | 7.00 |
| Currency conversion and profit repatriation | 4.67 |
| Exit strategy | 7.00 |

## COMPONENTS




## ELEMENTS



**Note on methodology:** The foreign direct investment (FDI) pillar was fully revised in 2023 following a legal and methodological review and first applied in the 2025 assessment. The 2020 edition assessed the macroeconomic enabling environment for investment. The revised methodology shifts to a business-conducting perspective, assessing the regulatory treatment of foreign investment.

## 2020 EDITION

Moderate

### Foreign direct investment framework assessment

**Macroeconomic enabling environment lens**

The 2020 assessment examined whether the country's **macroeconomic policies** provided a stable foundation for investment, whether the **investment regulatory framework** set clear rules of engagement, how far **incentivization schemes** attracted foreign capital, the extent to which **bilateral treaties** offered investors legal certainty, and whether **banking regulations** enabled the financial operations required for investment.



**Macroeconomic policies**



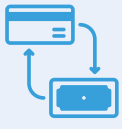
**Investment regulatory framework**



**Incentivization schemes**



**Bilateral treaties**



**Banking regulations**

**This country profile is prepared based on the legal and regulatory framework in force as at April 2025.**

This country profile assesses the foreign direct investment (FDI) framework of Libya based on the nine FDI assessment components adopted under the Arab Business Legislative Frameworks methodology. The analysis is structured to ensure that each component is examined against its specific definition and indicators, supported by relevant legal and regulatory evidence.

**The investment framework of Libya is governed by Law No. 9 of 2010 on Investment Promotion, complemented by its executive regulation, the Commercial Code, and legislation on foreign participation and land use.**



## Approval processes

**This assessment component examines the mechanisms and institutional arrangements governing the authorization of FDI, the applicable regulatory requirements, and the legal basis for international investment commitments and access to bank financing.**

Article 5 of Law No. 9 of 2010 on Investment Promotion establishes a designated administrative authority entrusted with the application of the law and the regulation of investment activities. Article 6(2) of the law assigns this administrative authority various regulatory tasks, including receiving and evaluating investment applications, determining the economic feasibility of projects, and verifying compliance with the applicable legal requirements. These requirements are further defined in article 7 of the law, which sets out conditions for investment projects and forms the legal basis for the assessment and approval of applications.

The legal framework also addresses the fees that should be paid for investment-related services. Article 25 of the Law on Investment Promotion states that a decision issued by the competent secretary, upon a proposal from the administrative authority, shall determine the fees payable by investors in return for the provision of services.

The legal framework also encompasses the regulation of bilateral and multilateral investment agreements. Libya has concluded several bilateral investment treaties and is party to 26 bilateral investment agreements currently in force, including agreements with France, Germany, Italy and Singapore. The constitutional basis for these agreements is set out in article 17 of the Libyan Constitution. It requires the State to take the necessary measures to ensure the implementation of ratified treaties and international agreements, which enjoy a legal status superior to ordinary legislation and subordinate to the Constitution.

Access to mortgage-based financing for foreign investors is affected by restrictions on foreign ownership of real estate. Article 1 of the Law Prohibiting non-Libyans from Owning Real Estate stipulates that non-Libyans, whether natural or legal persons, are prohibited from acquiring ownership of real property in Libya except by special authorization. As foreign investors do not own land, the use of conventional real estate mortgages as collateral for bank loans is, in practice, constrained.



## Licensing and registration

**This assessment component reviews the legal and regulatory framework for the licensing and registration of foreign investment projects in Libya, with particular attention to transparency and predictability in administrative procedures, land use and ownership conditions, and streamlining of registration processes.**

Minimum capital requirements for investment projects involving foreign participation are set out in the implementing regulations. Article 5 of Executive Regulation No. 499 of 2010 establishes a minimum foreign capital threshold of five million Libyan dinars, whether fully foreign-owned or in partnership with national capital.

The regulatory framework further defines the legal forms and registration requirements applicable to investment projects. Article 8 of Executive Regulation No. 499 of 2010 provides that investment projects shall operate through the legal forms recognized under the Commercial Code and shall be registered in the investment register maintained by the competent authority, in accordance with the procedures set out in the regulation, while excluding sole proprietorships, partnerships, and joint ventures without legal personality.

With regard to the streamlining of licensing and registration procedures, article 17 of Executive Regulation No. 499 of 2010 establishes a one-stop service centre to coordinate procedures with relevant authorities, including tax, customs, labour and migration authorities. While this mechanism facilitates administrative coordination, the legal framework does not provide for the establishment of an electronic portal or fully digitalized licensing and registration processes.

The legal framework governing investment does not include provisions requiring the preparation or submission of a cost-benefit analysis. Additionally, the legal framework does not establish specific provisions regulating land superficies for foreign investment projects, given the prohibition on foreign ownership of real estate.



## Investor protection

**This assessment component reviews the legal protections available to foreign investors in Libya, including statutory guarantees, access to dispute resolution mechanisms, and the role of domestic courts and arbitration frameworks in ensuring the enforcement of investor rights and investment-related obligations.**

The Libyan investment framework establishes a set of core legal guarantees aimed at protecting foreign investors.

Article 12 of the Law on Investment Promotion sets out investors' rights, including the right to open a bank account in a foreign currency, and the right to recruit foreign staff if appropriately skilled workers are not available in Libya. These provisions reflect the existence of legal mechanisms supporting the promotion of foreign direct investment.

The law also provides explicit guarantees protecting investment projects from arbitrary measures. Article 23

of the law prohibits the nationalization, expropriation, confiscation, or subjection of investment projects to measures having equivalent effect, except pursuant to a law or a judicial decision, on a non-discriminatory basis and in return for a fair compensation calculated on the basis of the project's fair market value.

At the regional level, Libya participates in frameworks that may indirectly support investment, including the Greater Arab Free Trade Area (GAFTA) and the Arab Maghreb Union. These instruments set out general rules for economic cooperation without establishing a comprehensive framework for investment protection.

Dispute settlement between foreign investors and the State is regulated under Law No. 9 of 2010 on Investment Promotion. Article 24 of the law provides for arbitration as a means of resolving disputes between the State of Libya and foreign investors, subject to the existence of a bilateral or multilateral agreement or a specific arbitration agreement between the parties. This indicates that arbitration is permitted on an agreement-based basis rather than as a general statutory right. Regarding international arbitration conventions, Libya has not ratified the New York Convention and is not a party of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID).



## Ownership limits

**This assessment component examines the extent to which Libyan legislation imposes ownership limits, foreign equity restrictions, or screening and prior approval mechanisms on foreign investment operations, including restrictions related to acquisition of real estate or participation in certain economic activities.**

The legal framework governing investment provides for the possibility of foreign participation across various sectors. Article 8 of Law No. 9 of 2010 on Investment Promotion states that investment may be carried out in all production and service activities, while granting the Executive Regulation the authority to determine the sectors excluded from the application of the law, those reserved exclusively for Libyans, or those open to joint participation between Libyans and foreign investors. This framework defines the scope of access for foreign investors, subject to sector-specific limitations established through implementing regulations.

Notwithstanding this general approach, foreign investment operations are subject, in certain cases, to equity participation restrictions. Pursuant to the Commercial Code and Decree No. 207 of 2012 (article 3) concerning the participation of foreigners in joint-venture companies, branches and representative offices of foreign companies in Libya, joint ventures are required to be majority-owned by Libyans, with foreign participation limited to a maximum of 49 per cent of the share capital. This legal framework establishes statutory limits on foreign equity participation in joint ventures.

With regard to real estate ownership, the Law on Investment Promotion does not grant foreign investors the right to acquire ownership of real property. However, it establishes an exception allowing the use of real estate for investment purposes. Pursuant to article 17, as an exception to the applicable legislation on ownership, investors are entitled to benefit from the use of real estate necessary for the establishment or operation of investment projects, whether public or private, in accordance with the conditions and modalities set out in the Executive Regulation.

These conditions are further detailed in the implementing framework. According to article 38 of Executive Regulation No. 499 of 2010, the investor's right to use real estate and land is subject to several conditions. For instance, this use should be necessary for the establishment or operation of the project or for housing its employees, the property should be suitable for its intended purpose, and its use should comply with approved urban plans and environmental requirements. The provision also requires the site to be used for the designated purpose within the specified time frame; otherwise, the allocation may be withdrawn. It also permits investors in the real estate sector to enter into usufruct or lease agreements with users, within the duration of their own right of use and in accordance with the applicable laws and regulations.

## Sectoral restrictions

**This assessment component reviews sector-specific regulations that affect foreign direct investment in Libya, focusing on market access limitations, competition-related considerations, and exceptions justified on grounds.**

The investment framework includes provisions aimed at enhancing the competitiveness of economic units, which may contribute to a favourable environment for foreign direct investment. Article 3 of Law No. 9 of 2010 on Investment Promotion states that the law aims to contribute to the establishment, development or rehabilitation of production and service units in a manner that enables them to compete and access global markets. This approach is complemented by the general framework of competition legislation in Libya, which seeks to regulate market practices and prevent anti-competitive conduct, thereby supporting the overall investment climate.

However, the scope of application of the Law on Investment Promotion is subject to explicit sectoral exclusions. Article 27 states that the provisions of the law do not apply to national or foreign capital invested, or to be invested, in oil and gas projects. This constitutes a direct legal restriction on the entry of foreign direct investment into this strategic sector.

Additional sectoral restrictions are introduced in the implementing regulations. Article 6 of Decree No. 207 of 2012 prohibits the establishment of joint ventures for the purpose of carrying out certain activities that are reserved exclusively for Libyan nationals. These activities cover selected commercial, service and professional sectors, with the possibility of extending such restrictions through applicable legislation. Article 2 of Decree No. 823 of 2013 further reinforces this by adding maritime agency activities to the list of activities prohibited to joint ventures and reserved for Libyan nationals.

These provisions demonstrate the existence of sector-specific restrictions on foreign direct investment based on regulatory and economic considerations. The Law on Investment Promotion does not explicitly characterize these restrictions as national security exceptions but establishes them through sectoral exclusions and limitations set out in the applicable legislation.

## Performance requirements

**This assessment component examines whether Libyan investment legislation or policies impose performance-related obligations on foreign investors, such as requirements related to employment, skills development, export promotion, or compliance with social and labour standards.**

The investment framework of Libya includes provisions linking foreign direct investment to human capital development and knowledge transfer objectives. Article 7 of Law No. 9 of 2010 on Investment Promotion requires investment projects to achieve one or more specified objectives, including the transfer and localization of modern technology, technical expertise or intellectual property rights. This reflects a legislative approach that links investment to capacity-building.

The legal framework also imposes labour-related requirements on investment projects. Article 7 of the law requires investment projects to provide employment opportunities for Libyan workers at a minimum rate of 30 per cent and to ensure the provision of training and skills development courses. These obligations are further detailed in article 37 of Executive Regulation No. 499 of 2010, which requires investors to employ and train national labour and progressively replace foreign labour, while allowing the recruitment of foreign technical expertise where no qualified national alternative is available, in accordance with applicable labour legislation.

Compliance with these requirements is linked to the enjoyment of investment incentives. Article 51 of Executive Regulation No. 499 of 2010 authorizes the Public Authority for Ownership Transfer and Investment administration to withdraw certain exemptions and incentives for a specified period in cases of non-

compliance with the conditions governing investment incentives or the rules relating to the employment of national and foreign labour.

With regard to export promotion, the law explicitly links investment to external trade objectives. Article 7 of the law provides that investment projects may aim to produce goods for export, contribute to increasing exports, or result in the partial or total substitution of imports, indicating a legislative focus on export-oriented investment.

However, the legislative framework does not contain explicit provisions establishing clear criteria for the assessment of opportunity costs.



## Incentive regime

**This assessment component reviews the legal framework governing investment incentives in Libya, which includes defining incentive schemes in legislation, specifying the adopted incentive regime, and identifying the competent authorities responsible for administering and implementing these incentives.**

Articles 10 and 15 of the Law on Investment Promotion define various incentives to investors, including exemptions from all taxes and customs duties for equipment and raw materials needed for the investment project. Products intended for export are also exempt from production taxes and customs duties. Additionally, investment projects benefit from income tax exemptions for a period of five years. Article 15 provides for further tax privileges and exemptions if an investment project satisfies specific conditions, such as contributions to technology transfer, job creation, or environmental sustainability. The law details the conditions under which investors qualify for tax benefits. The implementation and enforcement of these incentives are entrusted to the competent administrative authorities. In this regard, article 19 of the Law on Investment Promotion provides that, in cases where an investor is found to be in violation of the provisions of the law, the competent administrative authority shall notify the investor to remedy the violation within a specified period. In the event of non-compliance, the authority may deprive the project of certain incentives and exemptions granted under the law, withdraw the investment license, or refer the matter to the competent judicial authorities to require the investor to repay twice the amount of the exemptions received.



## Currency conversion and profit repatriation

**This assessment component examines the legal provisions governing currency conversion and the repatriation of profits by foreign investors in Libya, including guarantees for capital transfers, the role of financial and banking authorities, and applicable capital control measures.**

Article 12 of the Law on Investment Promotion grants foreign investors the right to convert currency and transfer capital and profits abroad.



## Exit strategy

**This assessment component assesses the legal framework governing the exit of foreign investors from the Libyan market, focusing on provisions related to divestment, liquidation, mergers and acquisitions.**

The investment framework includes provisions governing the exit of foreign investors from the host country. Article 12 of Law No. 9 of 2010 on Investment Promotion provides investors with the right to re-export invested foreign capital and to transfer profits upon the termination of the

investment project, thereby establishing a legal basis for winding up investments and repatriating associated funds.

The law also regulates the transfer of ownership of investment projects. Article 18 of the law allows the ownership of an investment project to be transferred to another investor, subject to the approval of the competent administrative authority. This provision enables the sale or transfer of investment projects, including transactions comparable to mergers and acquisitions, subject to approval.

The implementing regulations further detail the liquidation of investment projects. Article 54 of Executive Regulation No. 499 of 2010 authorizes the Public Authority for Ownership Transfer and Investment administration to liquidate an investment project in specified cases, including upon a request by the investor accompanied by the approval of the extraordinary general assembly for companies, where losses exceed half of the project's capital, upon expiry of the project's approved duration without extension, where implementation or continuation becomes impossible, or where the investment license is revoked. The provision also sets out liquidation procedures, including the appointment of liquidators by the investor or, where no such appointment is made, by the competent authority, with liquidation costs borne by the investor.

With respect to ownership transfers within the legal forms of the investment project, article 46 of Executive Regulation No. 499 of 2010 provides that the transfer of ownership of shares or quotas within legal entities participating in an investment project is governed by the provisions of the Commercial Activity Law and, where the entity is a branch of a foreign company, by the law of the country of incorporation, subject to notification to the competent authority. This framework regulates ownership transfers in the context of the exit or restructuring of foreign investments.

## RECOMMENDATIONS

- Introduce explicit legislative or regulatory provisions that require or define the use of cost-benefit analysis as part of the licensing or registration processes of investment projects, where deemed relevant by the competent authorities.
- Establish a clear legal framework that governs the recognition and enforcement of foreign arbitral awards, including through alignment with international arbitration standards.
- Consider reviewing and rationalizing sectoral restrictions applicable to foreign investors, with a view to limiting them to clearly justified cases.
- Provide greater legal certainty and longer-term land use or usufruct rights for foreign investors where land access is essential for carrying out economic projects.