

## Evaluation of initiatives of Libyan government in agricultural sector through the perspective of Policy Makers

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### تقييم مبادرات الحكومة الليبية في القطاع الزراعي من وجهة نظر صناع السياسات الزراعية

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#### المستخلص:

شهدت ليبيا تغييراً في نهج السياسة الزراعية خلال العقود الثلاثة الماضية حيث كانت هناك مجموعة من السياسات والخطط والبرامج الزراعية خلال الفترة الأولى (1973-1985) متمثلة في الخطة الثلاثية (1973-1975) وخطتين خمسينيتين (1976-1980) و(1981-1985). وقد اعتمد بعد ذلك على نهج الخطط السنوية للقطاع الزراعي، حيث استهدف البحث تقييم السياسات الزراعية من وجهة نظر صانعي السياسات خلال فترتي الدراسة وأسباب تغيير نمط السياسات وبعض التوصيات لتطوير أداء السياسات الزراعية في ليبيا وتمثلت النتائج في اتفاق صناع السياسات الزراعية على أن الدور المنخفض لقطاع الزراعة في التنمية الاقتصادية الليبية هو نتيجة انخفاض مساهمة القطاع الزراعي في الناتج المحلي الإجمالي، وكذلك السمة الغالبة على السياسات الزراعية الليبية هو ضعف التمويل وضعف البنية التحتية للتسويق. بالإضافة إلى ذلك لا يوجد اتفاق بين صانعي السياسات بشأن من يجب أن يشرف على التسويق، كما بينت النتائج أن معظم صانعي السياسات اتفقوا على أن السياسات الزراعية الحالية في ليبيا غير مناسبة للقطاع الزراعي مقارنة بفترة السبعينات والثمانينات. علاوة على ذلك، هناك اتفاق بين صانعي السياسات بشأن المعوقات الرئيسية للقطاع الزراعي، ومنها ضعف السياسات الزراعية، وانخفاض التمويل، والمشاكل المتعلقة بالتسويق، والاعتقاد بأن الأسباب الرئيسية وراء التغييرات نهج السياسات الزراعية كان نتيجة لظروف متعلقة بانخفاض عوائد الدولة من النفط نتيجة لانخفاض أسعار النفط العالمية في بداية الثمانينات بالإضافة إلى مرتبطة عوامل طبيعية. وأخيراً، أوضحت النتائج أن آلية اتخاذ القرار فيما يتعلق بالسياسات الزراعية تعتمد على البيانات المتاحة، والتي قد لا تعكس بدقة الوضع الحقيقي للقطاع الزراعي.

الكلمات المفتاحية: التنمية الاقتصادية، السياسة الزراعية، الناتج المحلي الإجمالي، الناتج المحلي الزراعي.

#### Abstract:

Libya has witnessed a change in the approach of agricultural policy during the last three decades. a set of policies including agricultural programmes and plans had applied during the period of 1973-1985, represented in three-years plan in (1973-1975) and two five-year plans in the period of 1976-1980 and 1981-1985. After that a set of annual approach of policies adopted after 1986. this study aimed evaluate agricultural policies thought the viewpoint of policy makers during the two study periods, the reasons for

changing the policy approach and some recommendations to develop the performance of agricultural policies in Libya.

The results showed that there is agreement between policy makers about the low role of agricultural sector in Libyan economic development due to the result of the low contribution of the agricultural sector to the GDP, as well as the dominant feature of Libyan agricultural policies is weak financing and marketing infrastructure. Additionally, there is no agreement among policy makers about who should control the marketing process. The results also showed that most policy makers agreed that the current agricultural policies in Libya are not suitable for the agricultural sector compared to the seventies and eighties. Moreover, there is agreement among policy makers regarding the main constraints of the agricultural sector, including weak agricultural policies, low financing, problems related to marketing

Finally, the main reasons behind changing the agricultural policy approach were the result of conditions related to the decline in the state's oil revenues as a result of the drop in international oil prices in the early eighties in addition to related natural factors. Finally, the results showed that the decision-making mechanism regarding agricultural policies depends on the available data, which may not accurately reflect the real situation of the agricultural sector.

**Keyword:** *Economic development, agricultural policy, Gross Domestic Production (GDP), Agricultural Gross Domestic Production (Ag GDP).*

### **Introduction:**

Libya is one of the four largest countries in Africa with a total area of 1,759,540 square kilometres. Over 93% of Libya's lands are covered by desert. Only 1% of the country's land supports agriculture (AOAD). Libya has been recorded as one of the most important countries in the world for producing oil: 'The huge revenues of the oil sector can lead to improve the agricultural sector in Libya' (Ham, 2002, p. 27). Notably, one of the most important implications of the low performance of the agricultural sector in Libya is the low agricultural labour force since the discovery of oil. With reference to this, prior to 1958, the agricultural sector was the most attractive sector for employment. However, since this time, the labour force has decreased from 239,000 workers to 101,000 workers as of 2000.

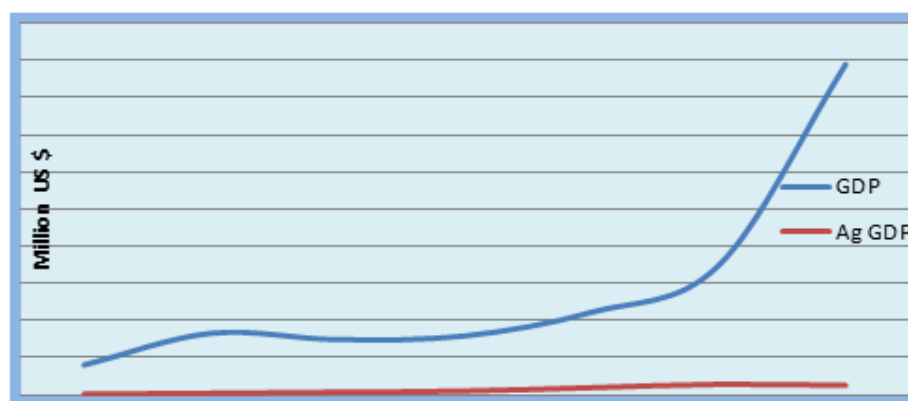
Libyan agricultural imports contribute to the total trade of balance with less than 1% of total balance whilst the exports are more than 20% of the total. These percentages show a considerable trade deficit that the agricultural exports (Laytimi, 2003). It is important to note that 80% of total imports are food commodities. The main reasons spanned beyond this and went referred to demographic growth and a lack of local resources. It is clear that, during the period 2000-2010, the average contribution of agriculture to the GDP in Libya did not exceed 4%—a percentage which is low compared with other countries located in North Africa. The figure below shows the contribution of agricultural sector in Libya and some Arabic countries (AOAD, 2000; 2010).

Table 1: Average of agriculture contribution to GDP in the countries of North Africa as the average for the period 2000-2010:

Country	Libya	Egypt	Tunisia	Algeria	Morocco
%	3.9	14.52	11.66	9	15.56

Source: AOAD (2000-2007).

The Libyan Gross domestic product (GDP) is based on oil, which is significantly impacted by global price changes. The Central Bank of Libya shows that the Libyan GDP increased from \$28.9 million in 1995 to approximately \$34 million in 1997, reaching \$43 million in 2006 owing to the increase of oil prices. Notably, the agriculture contribution reduced rapidly from 8.54% in 1998 to 7.89% in 1999, and then to less than 3 % in 2006 (AOAD, 2001; 2007).



Source: Central Bank of Libya, Economic Bulletin.

Figure 1: The development of the value of GDP and Ag GDP in Libya during the period 1973 -2007 (current prices)

The agriculture sector gained great interest within the framework of strategy and objectives of economic and social transformation, which adopted the plans and budget shift implemented since 1970, the three-year plan (1973–1975), the first five-year plan (1976–1980), and the second five-year plan (1981–1985). Notably, during recent years, Libya has made various adjustments in agricultural policies in the context of structural adjustments in national policies in an attempt to reduce the impacts of those determinants of the allocation and use of agricultural potential, as well as available allocation and acceleration of the rate of agricultural development through changing the agricultural policies' approach to annual programmes and annual allocated funds of these programmes (GPCT, 1999). With this taken into account, this study aims to assess the agriculture policies in Libya and the performance of the agricultural sector through the views of agricultural decision-makers.

### **Aims of Study**

This study aims to assess the situation of the agricultural sector in Libya, its contribution in terms of the gross domestic product through the views of agricultural decision-makers concerning the past and current agricultural policies, and to assess the overall performance of the agricultural sector. In addition, the real reasons behind the change of the approach of agricultural policies will be established in order to identify the most important proposals for decision-makers in relation to the activation of the role of current agricultural policies and to similarly ensure the achievement of the policy objectives in the future.

### **Methodology:**

The issue of agricultural policies in Libya has been avoided by many researchers for several reasons, such as the scarcity and unreliability of data, as well as the sensitivity of the relationship between agricultural policies and the public policy (Strauss & Corbin, 1990, p. 17).

Importantly, a qualitative research method is used to interpret phenomenon, and has the ability to gather information and in-depth data, which cannot be otherwise gathered through quantitative research. Moreover, qualitative research is considered to be useful in the event that the researcher wants to know what variables may be tested later on in the study, or otherwise when qualitative methods are unable to describe and interpret a particular phenomenon. Questionnaires were distributed amongst experts in the agricultural sector in order to obtain a clearer picture of the agricultural sector, future needs, gaps, and challenges associated with the agriculture sector. Qualitative data were collected from the Ministry of Agriculture sector in Libya, and also collected from 20 experts, all of whom represent policymakers of the agricultural sector. The questionnaire adopts a Likert and rating scale in order to help respondents to explain their opinions in terms of strength and direction, and also to provide them with clear options rather than neutrality or bias (Saunders *et al.*, 2009).

Notably, this study is also based on the descriptive analysis for the questionnaire in order to assess agricultural policies through the view point of policymakers in the agricultural ministry of Libya. The sample comprises twenty policymakers, all of whom fell into the 31-50 year age group. In terms of experience, all policymakers had more than 10 years' experience in the field of agriculture; 40 % of them hold a PhD in the agricultural field, whilst more than half (55%) of the sample hold a BSc degree.

### **Results:**

With consideration to the role of agriculture in terms of economic development in Libya, 30% expressed the view that agriculture in Libya plays a very important role, whilst 25% indicated that it plays an important role, whereas 45% pointed out the low role of the agricultural sector in terms of Libyan economic development. However, it is recognised that such views may come as a result of the effects of the oil sector and its vital role in relation to economic development. The ratio of the contribution of the agricultural sector to GDP decreased from approximately 10% in 1973 to approximately 2.05% in 2007, whilst the ratio of service sector increased from 7–16 % during the same period. Furthermore, the oil sector remains the dominant sector, with its contribution being more than 50% to GDP.

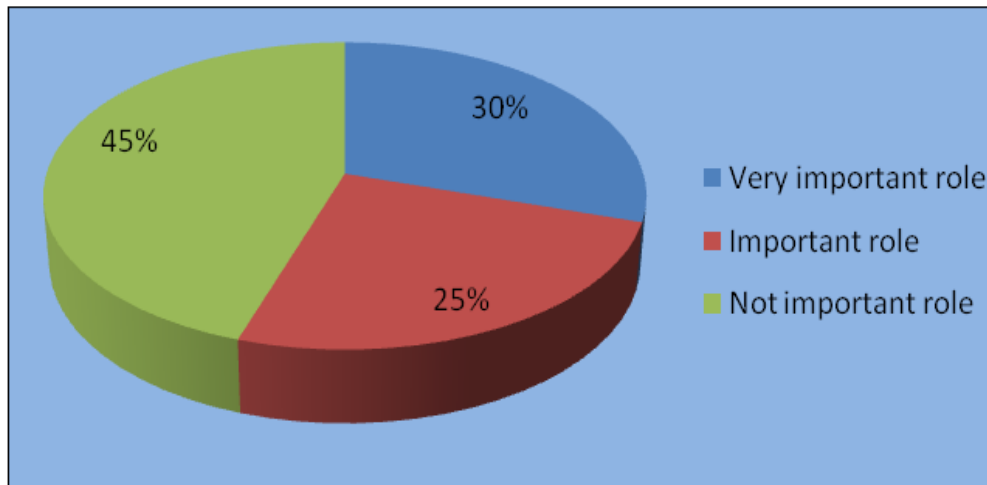


Figure 2: The role of agricultural sector in the economic development.

Undoubtedly, the weakness of agricultural policies is clear according to the difference of views relating to the evaluation of agricultural policies in Libya during the last three decades. Notably, the agricultural policies which have been applied in Libya are appropriate for the agricultural sector, which is gathered from 35% of views, with 10% suggesting that the policies were appropriate to some extent, and 55% pointing out that the policies did not support the agricultural sector. Such views reflect the situation of the agricultural sector through its low contribution to GDP and permanent deficit of agricultural trade balance. Undoubtedly, sufficient funding is an important factor for achieving policy success—either through the granting of loans for production inputs (fertilizer and seeds) or the providing of modern agricultural technology, or otherwise in terms of the funding related to the infrastructure of the agricultural sector (Diouf, 1989). Nevertheless, there was also recognition amongst many policymakers that low funding is the dominant feature in Libyan agricultural policies according to 60% of the sample, whilst 25% stated that the funding is adequate to some extent. On the other hand, however, only 15% believed that the funding was suitable for the needs of the policies.

According to a Wilton Park Conference Report (2008) published in 2008, investment was allocated as follows: tourism (48%), services (10%), real estate (10%), industry (23%), health (6%), and agriculture (3%). These figures contrast with those of the sectors' contributions to GDP which were; 'tourism (3%), services (19%), real estate (5.6%), industry (5.3%), health (8.6%) and agriculture (2.3%)'. These figures show the low level of investment allocated to the agricultural sector compared with other sectors, which may have led to the lower level of contribution to GDP. The needs for the development of the current policy have become necessary, with many of those interviewed (65%) indicating that the current agricultural policies in Libya are not adequate for the sector, whilst 20% viewed state that the policies are adequate to some extent, and only 15% agreeing that the policies are sufficient for the agricultural sector in Libya. Thus, there is the need to reconsider the agricultural policy through the selection of policies which fit the condition of the sector, as well as the need for compatibility with the macro-policy, which is critical.



Although all policymakers agree that natural constraints (climate, soil, water, etc.) are the most important obstacles facing the development of the agricultural sector in Libya, most of the policymakers (70%) state that the weaknesses of agricultural policies and the insufficient funding, as well as the environment of marketing—whether through the infrastructure of roads and storage conditions or the lack of appropriate markets—are the most common constraints facing the agricultural sector.

The study findings suggest that specific policies could be critical to overcoming existing obstacles from policymakers' views, such as giving priority to the policies of support and marketing through the provision of loans, seeds and fertilizers, in addition to providing appropriate facilities for imports and exports for small farmers. Focusing on some crops was mainly owing to the appearance of global economic competition and the opening of the markets. Therefore, the comparative advantage is of major importance when seeking to establish the extent and potential for the competition of agricultural commodities. This is also important when seeking to identify the priorities for resource allocation amongst competing crops. On this basis, the majority of policymakers' views refer to the importance of focusing on specific crops that Libya has a comparative advantage in producing compared with neighbouring and competing countries. This is a positive step to achieving the success of agricultural policies in Libya. With regards to the intervention of the state in overseeing the marketing of products and their impacts on agricultural commodity prices and the availability of the real market based on supply and demand, the result of the questionnaire indicates that the views of 45% of the decision makers stress the need to overcome oversights on marketing owing to the lack of appropriate conditions for a real market for agricultural commodities in Libya. However, some of the policymakers (30%) suggest that this intervention should be limited only to the marketing of strategic goods, such as wheat, barley, olives and dates. In contrast, some policymakers emphasised the need to leave the market to the forces of supply and demand without state intervention, as this would lead to an increase in production and productivity owing to the existence of real competition in the market.

In some Arab countries which are characterised by the high role of the agricultural sector in the economy, there is noted variety in marketing policies, such as those of Tunisia, which provide input subsidies up to approximately 50% in some cases, with quasi-governmental institutions supervising the input of agricultural fertilizers, seeds and irrigation water systems. Notably, the majority of products are marketed by the forces of demand and supply, but there are some crops which are marketed by the state (strategic commodities), such as grain, olive oil and wine. Essentially, grain prices were known before cultivation to protect farmers from the risks of doubt and uncertainty in prices (Chemingui & Thabet, 2001).

The change in the agricultural policy approach is owing to many reasons, such as small farmers not participating in this the decision due to the relationship and the complexity between agricultural policies and public policy. In Libya, there have been changes in the agricultural policy approach from programmes and plans (three- and five-year plans) to annual programmes. The results of the study indicate that 60% of policymakers consider the reason for this change as being owing to financial reasons, whereas the massive investment in the agricultural sector—especially in the 1970s and 1980s—was useless and ineffective, with the agriculture sector not contributing effectively in diversifying the

source of national income. Other policymakers (25%) pointed out that the natural conditions were the reason for the change in approach through the changes of rainfall rates, soil productivity, and crop structure, which were carried out in order to remain in-line with the changing weather conditions, whilst 10% believed that the agricultural policy was impacted by public policy in terms of giving more attention to other sectors. During the period 1970-1991, Libya allocated money amounting to 230 million dinars to the agricultural sector on an annual basis. Within this period, investments in the agricultural sector represented approximately 17.7% of the total executed investments in all economic sectors. As a result of the increased investment in the agricultural sector, the contribution of the agricultural sector to GDP increased from 4.5% 6.0% during the same period (GPC, 2003). After 2007, the situation changed: according to a Wilton Park Conference Report (2008), in 2008, investment allocated to the agriculture sector was approximately 2.3% of the total executed investments, whilst investments in services and tourism sectors reached 48% and 10% respectively. The reason behind placing more emphasis on other sectors was owing to these sectors being more effective than the agricultural sector in relation to all economic activities.

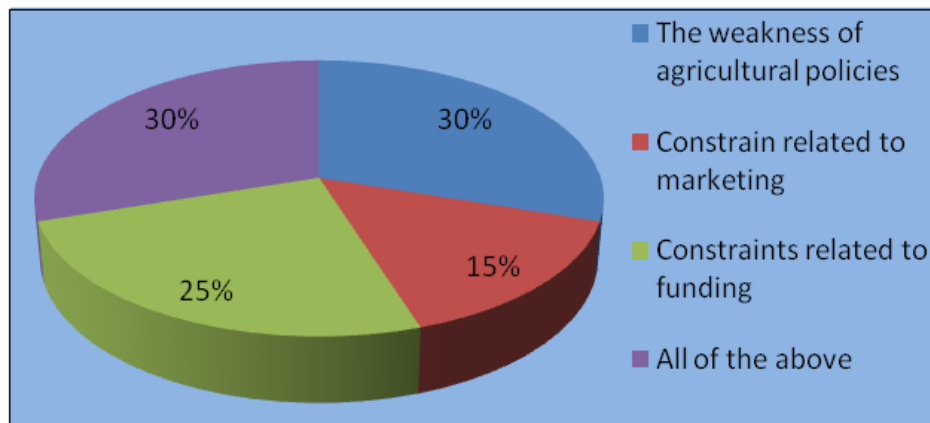


Figure 3: The most important obstacles facing the development of agricultural sector in Libya.

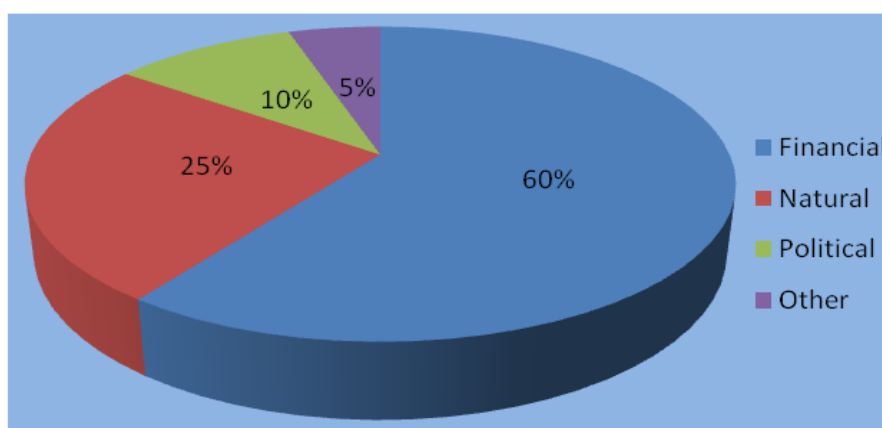


Figure 4: Reason behind the change of agricultural approach.

It is worth mentioning that the results of the study show that agricultural policies in the 1970s and 1980s (three- and five-year plans) were considered to adopt the best approach for the Libyan agricultural sector, and that such policies contributed effectively to economic development. Moreover, its role was greater than the role of annual plans in 60% of policymakers' views. This may be as a result of the increasing relative importance of the agricultural sector during the period of the 1970s and 1980s. On the other hand, however, remaining policymakers' views indicate that current policies are at the stage of processing and developing. With regards to the mechanism of making decisions, 40% of policymakers suggest that decisions are made according to the data available, whilst 35% point out that it comes following discussions with farmers, and 15% indicating that the decisions come as a result of instructions from top. Therefore, there is no clear mechanism when making decisions in the agricultural sector, which may therefore affect the success of agricultural policies, as well as reliance on the data in terms of making a decision; this could lead to negative results—particularly if these data may not reflect the real situation of the agricultural sector.

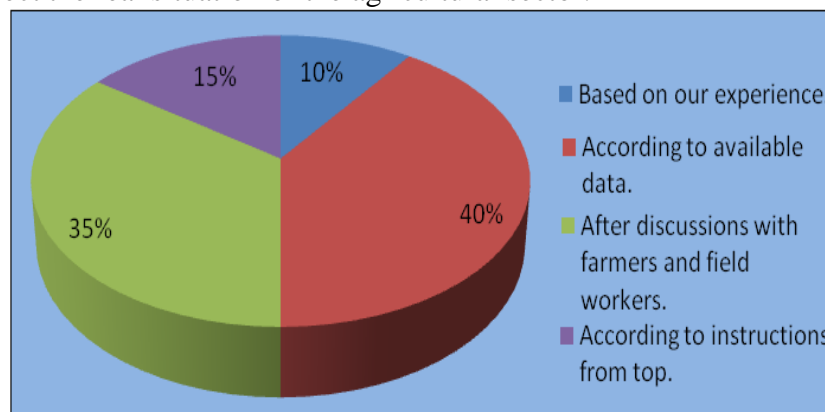


Figure 5: Mechanism of taking dicsion.

### Discussion:

The issue of sustainable development is the most important contemporary issue when seeking to address the phenomenon of underdevelopment experienced by many countries in the world. Economic development is one of the main pillars of comprehensive development, and aims to achieve a real increase in GDP and improvement at an economic and social level. Essentially, the economic and social plans are the most important means of implementing economic development policy and economic planning, simply because they are scientific methods that the State is able to recognise, and which also present the position and potential of available resources and policies in an attempt to achieve full utilisation of such resources and possibilities.

The paper concludes by providing a set of recommendations that may contribute to the success and effectiveness of agricultural policies in Libya. These are detailed as follows:

1. The adoption of sound fundamentals in the preparation of development plans within the framework commensurate with the economic various resource—particularly water resources and land resources—and also to identify future directions so as to ensure the sustainability of development.



2. The development in the agricultural policy is a dynamic process; thus, previous studies—whether economic or technical—are an urgent need for the advancement of the agricultural sector in order to achieve sustainable development.
3. The existence of a clear and deliberate mechanism in making agricultural decisions would contribute to the success of such policies, i.e. the role of small farmers in making decisions.
4. Coordination between public policies and economic policies, including agricultural policies, has a significant role in ensuring the achievement of the objectives of agricultural policies. The agricultural sector comprises a more important role than other sectors through the provision of food, which makes it imperative to give the agricultural sector more attention than other sectors—regardless of which sectors may contribute more.
5. Give greater attention to funding and marketing policies, and provide appropriate infrastructure for the agricultural sector.

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