

Reuniting Libya, Divided Once More

The progress Libya made toward stability in 2021 has all but vanished. Then, an interim leader unified two competing cabinets, and rival factions agreed to schedule parliamentary and presidential elections that would eventually lead to the formation of a new elected government. But the elections were cancelled at the last minute and now the country is once again stuck in a standoff between two rival executives, one based in the western city of Tripoli and the other currently operating from the coastal city of Sirt in central Libya, with no consensus on the way forward.

The feud has not relapsed into an outright conflict, as thus far both camps and their respective foreign sponsors (some of whom have recently achieved their own rapprochements) appear reluctant to resume fighting. But the rekindled dispute over who leads Libya is eroding stability on many other levels. Economically, it has triggered new disputes over oil revenues, which account for almost the entirety of the government budget and remain for now in the hands of the Tripoli-based interim government led by Abdelhamid Dabaiba. The crisis has also prompted constituencies backing Dabaiba's Tobruk-based rival, Fathi Bashagha, to shut down a significant portion of Libyan oil production in an attempt to stop the flow of receipts to Tripoli. Militarily, the showdown has undermined already faltering efforts to unify parallel security factions and in Tripoli it has triggered occasional fighting between loyalists of the rival governments. Politically, the factions' rival claims to legitimacy and conflicting roadmaps for finding a way out of the crisis are hindering UN-backed mediation efforts.

This crisis implicates important EU and member states energy and security interests. An unstable Libya risks harming European attempts to diversify hydrocarbon imports, and reduce dependence on Russian oil and gas. Disputes over the oil and gas sector undermine supply stability in the short term and jeopardise the availability of additional resources in the long term. Another concern relates to the Wagner Group, a Russian private military contractor partnering with the Bashagha government and the aligned forces of Field Marshal Khalifa Haftar. Wagner personnel are operating in Libya's eastern and southern regions. Although the company appears to have withdrawn some of its fighters since Russia's Ukraine invasion, leaving fewer than a thousand in Libya, European capitals fear that growing confrontation with Russia could lead Moscow to use Wagner to make trouble in Libya, on NATO's southern flank. Finally, institutional divisions put at risk Europe's desire for a functioning Libyan partner to stem irregular northward migration and the spread of jihadist groups in the region.

Despite their limited leverage, the EU and its member states could still contribute to stabilising Libya:

- They should arrange for a member state to host consultations among foreign governments engaged in Libya to chart a way out of the crisis, using the model of the successful Berlin conferences in 2020-2021. If Brussels and Washington exclude Moscow from such talks, they should still keep communication channels open, even if through a third party, and in the meantime secure the participation of other influential parties, such as Egypt, Turkey, Qatar, the UAE and Algeria.

- They should urge the UN Security Council to appoint a new special representative to replace UN Special Adviser Stephanie Williams, who is set to leave at the end of June. They should encourage her successor to lay out a comprehensive plan for resolving the dispute between the two rival governments and paving the way for fresh elections. While there are many roadmap proposals, the most logical sequence would be to seek, as a first step to negotiate, a new unity government and a roadmap that prioritises parliamentary elections and leave the contentious issue of the election of a head of state to a later date. The EU and EU member states should encourage the UN to support this sequencing.
- As a member of the Economic Working Group on Libya, which also comprises the U.S., Egypt, the UN, the World Bank, the IMF and Libyan stakeholders, and is tasked with addressing economic and financial disputes, the EU should encourage the opposing factions to reach agreement on a unified state budget and create interim financial arrangements that would put state funds in a lock-box pending the achievement of a clear political objective – reunification of the executive branch. Without this step, which is missing from a U.S. proposal now under consideration, establishing temporary financial arrangements could be futile.

International Consultations

Since March, Libya has found itself once again caught in a feud between two parallel governments, each of which claims legitimacy. One is the Tripoli-based executive led by Dabaiba, who became interim prime minister following UN-mediated talks in March 2021. The other is a rival executive led from the country's east by former Interior Minister Bashagha, who received a vote of confidence from the Tobruk-based House of Representatives on 1 March. Except for Russia, which recognises Bashagha, the Dabaiba government continues to enjoy international recognition, due mainly to procedural concerns relating to the 1 March confidence vote. (UN Secretary-General António Guterres was among the most prominent voices to express [reservations](#) about the vote.) Yet the House of Representatives, Haftar – the east-based commander of the forces that laid siege to Tripoli in 2019 – and other Bashagha supporters [insist](#) that the poll was sound and that Dabaiba's continued rule is illegitimate.

Libyan factions are at odds on how to exit the [crisis](#). Bashagha demands that Dabaiba step aside. Since being appointed, Bashagha has tried to instal himself in the capital twice, but on both occasions, forces loyal to Dabaiba were able to push him out. He continues to vow to enter Tripoli peacefully, but until that moment comes, the former interior minister has proposed to base his government in the central Libyan city of Sirt. He [promises](#) to support a parliament-backed roadmap which prioritises amending a draft constitution, followed by simultaneous legislative and presidential elections in 2023. Dabaiba, on the other hand, [is committed](#) to staying in power until legislative elections, which he says he will begin to hold in the areas under his government's control in the coming months, even in the absence of an approved constitution. Other factions have started to call for a "third way", an-

other interim unity government at the helm of which would be someone other than Bashagha or Dabaiba. They consider such a “third way” a first step out of the crisis, yet they have not laid out who would be involved in negotiations over the search for a new premier or what the election roadmap to follow a new government’s creation would look like.

Against this backdrop, Libya is unlikely to find a path out of its political crisis without more vigorous international engagement, but for that engagement to be effective, there will need to be a greater level of consensus about which path to choose. That consensus could be difficult to forge. Notwithstanding wide international recognition of Dabaiba government’s legitimacy, key outside actors diverge on the steps needed to complete the transition from his interim administration to an elected government.

One group of countries, which includes [Algeria](#), Turkey and the UAE, supports Dabaiba and his declared intent to hold parliamentary elections before a presidential contest, mainly because they doubt that Bashagha will manage to gain broad international recognition or succeed in establishing his government in Tripoli, as he has publicly promised. Some may also have reservations about Bashagha or qualms about whether he could bring his preferred parliament-backed roadmap – which puts amending the draft constitution prior to simultaneous parliamentary and presidential elections – to fruition.

A second group, comprising Egypt, France and the U.S., officially recognises the Dabaiba government but tacitly supports Bashagha. Although they profess to be neutral in the feud, according to some Libyan stakeholders and foreign diplomats, these states would prefer to see the latter’s government assume power. They believe Libya would benefit from an alliance between Bashagha and Haftar, who are former enemies. For now, they still appear to think that Bashagha could take power in Tripoli, and probably for that reason, they have not actively supported the idea that the rival governments need to negotiate their unification. Whether or not Bashagha succeeds, these countries generally back the House of Representatives’ roadmap out of the impasse, which, as noted, calls for amending the draft constitution prior to simultaneous presidential and parliamentary elections. They do so largely in deference to Cairo’s opposition to stand-alone parliamentary elections, which it believes would give Islamist political factions an unacceptable leg up.

A third group, consisting of Germany, Italy and the United Kingdom, recognises the Dabaiba government and has given a more wary reception to the Bashagha-Haftar alliance, in part because they are concerned about Haftar’s reliance on Russia’s Wagner Group. This group is also sceptical about holding a presidential election in view of the insurmountable legal disputes that led authorities to cancel polls at one point slated for December 2021, but they do not have a set-in-stone preference on the path ahead. While they remain committed to supporting a UN-led political process, they appear more open than others to accepting negotiations for a new interim government and prioritising legislative elections, both over presidential ones and over amending the draft constitution.

Finally, Moscow – the sole foreign capital to officially recognise the Bashagha government – is an outlier. Its position on the steps required to complete the transition remains unclear.

Fortunately, foreign actors that have been active in Libya have thus far been unwilling to push their respective proxies into a new war, largely because former regional foes, such as Egypt and Turkey, or the UAE and Qatar, have to some degree set aside their animosities, at least for the time being. Nor, within Libya, do the rival camps themselves seem eager for renewed conflict. But in the tense geopolitical environment created by the war in Ukraine, the situation could deteriorate rapidly. Moscow could, for example, direct Haftar-aligned Russian mercenaries with the Wagner Group to stir up trouble in the country's east and south.

The best way to heal the rift that has reopened in Libya is for outside actors to arrive at a consensus on how to navigate out of the crisis and apply concerted pressure on domestic actors to steer in that direction. The EU and individual member states, like Germany, Italy and France, should immediately resume international consultations aimed at building such a consensus. As they do so, the Ukraine crisis will present diplomatic challenges relating to engagement with Russia. On one hand, Moscow's attendance at these meetings would be most useful given its informal military ties to the Haftar-led coalition. On the other hand, the EU and member states may be loath to invite Russia given the strains created by its war in Ukraine. Even if Russia does not attend, Brussels and national governments should seek to keep communication channels with the Kremlin open concerning Libya or ask a third country to convey messages – both to ensure that Moscow's viewpoint is not ignored and to guard against the possibility that it could be a spoiler, should a path forward be decided.

UN-backed Peace Process

The framework for talks that UN Special Adviser Williams has proposed for bringing together representatives of the two opposing factions is foundering. Part of the problem is that the UN-backed talks aim to reach agreement on a “constitutional basis” that would enable elections to proceed. This approach has at least two flaws. First, it does not tackle head on the problem of the rival governments but assumes that, by proposing talks aimed at creating a legal basis for elections and eventually holding such elections, the problem of the rival executives will be automatically resolved. The problem with this approach is that with rival executives in power the chances of elections taking place are slim at best.

Secondly, the talks are based on a parliament-backed approach centred around a twelfth amendment to the constitution. The Libyan parliament, which is based in Tobruk and backs the Bashagha government currently based in Sirt, adopted this [roadmap](#) in February and considers it legitimate. This plan proposes to create an expert committee to review the draft constitution and put it to a referendum prior to moving ahead with elections. But the plan is fraught with problems. It was never officially published and is rejected by the majority of the Tripoli-based rival assembly. Moreover, the approach it sets out is politically and legally controversial and, as

Crisis Group has previously [explained](#), will most likely lead to a dead end rather than constitutional reform.

The appointment of a new UN special representative to Libya could be an opportunity to rethink the UN's approach to the crisis. The EU and member states, especially UN Security Council member Ireland and permanent member France, could help in two ways. First, they should call on the Security Council to swiftly appoint a special representative who enjoys support both on the Council and among the two main Libyan factions, so as to ensure a smooth handover and avoid a gap in UN mediation. Secondly, they should make clear that the EU and member states consider the current UN approach insufficient to resolve the impasse and in need of an overhaul.

Assuming the new special representative can bring the parties back to the table (neither wishes to negotiate with the other at present), he or she will also have to grapple with whether the UN should launch a new diplomatic track to negotiate the executive branch's reunification or whether, instead, talks should continue to focus exclusively on elections. There are legitimate arguments for both options. On one hand, a government deal bringing rival factions together could provide stability, unify the country and lessen the chance of a return to violence. On the other hand, holding elections first could restore legitimacy to state institutions and precipitate a clean break from years of bad governance. On balance, however, the better approach – and the one that the EU and member states should support – is to encourage consultations between the rival factions to forge a deal on a unified executive; without such a deal, any electoral process would be contentious, especially if carried out without the other side's buy-in.

Financial Track

The feud over access to government funds is a central feature of the political crisis, and thus needs to be resolved as a matter of urgency. Both the Dabaiba and Bashagha camps argue that they are legally entitled to control this money and Bashagha has curtailed oil production in areas under his control in order to prevent revenues from flowing to Tripoli. Given the state's dependency on these income streams, the economic implications could be severe if the parties do not find at least a modus vivendi that allows them to resume.

Lately, the idea that an [interim financial arrangement](#) should be put in place has been gaining ground, especially among U.S. diplomats who back the creation of what they label a Mechanism for Short-Term Financial, Economic and Energy Dependability. (In acronym form, the term resembles the Arabic word *mustafeed*, meaning beneficiary.) Under this proposal, all oil revenues would sit in the National Oil Corporation's accounts at the Libyan Foreign Bank for an interim period. Only those funds necessary to cover public sector salaries and subsidies would be available to the Central Bank each month. The proposal provides that ad hoc emergency transfers from this account to the Central Bank can occur, but only with the written agreement of the Central Bank, the National Oil Corporation and the Dabaiba government.

The U.S. supported a similar mechanism in 2020, when Haftar and his backers demanded that oil revenues be kept from the Tripoli-based Central Bank in exchange for restarting oil production, and the Tripoli-based government accordingly requested that the National Oil Corporation withhold oil revenues in its accounts and release only the bare minimum to cover salaries and state subsidies. At the time, this arrangement helped stop the war between Haftar-led forces and Tripoli-based armed groups. It also added momentum to political talks that led to the formation of a unity government in 2021, when all parties realised that oil revenues would be released only after a unity government came about.

The problem with the U.S.-backed proposal is that it does not create the same incentive structure. It fails to link the temporary withholding of the oil sales revenues to a specific political objective, such that, if the parties were to take the right steps toward greater unity, the temporary withholding would cease. U.S. diplomats have suggested that they will back the freezing of oil revenues “[until there is an agreement on a revenue management mechanism](#)”, but this objective is unhelpfully vague; it is not clear what the revenue management mechanism must achieve to satisfy Washington’s criteria and who needs to agree to it. Absent this kind of specificity, the U.S. approach could yield a new financial mechanism that is aimed mainly at ensuring that Libyan hydrocarbons are put back on the market (benefiting Western buyers), but that does little to resolve the country’s political crisis. The EU should use its presence in the Economic Working Group on Libya to avoid such an outcome. It should call for an interim arrangement that would last until the parties reach agreement on a unity government – one that would put a stop to the competition between Dabaiba and Bashagha for power.