



After the Showdown in Libya's Oil Crescent

Middle East and North Africa Report N°189 | 9 August 2018

Headquarters

International Crisis Group

Avenue Louise 149 • 1050 Brussels, Belgium

Tel: +32 2 502 90 38 • Fax: +32 2 502 50 38

brussels@crisisgroup.org

Preventing War. Shaping Peace.

Table of Contents

Executive Summary.....	i
I. Introduction	1
II. The Oil Crescent Crisis	4
A. Jedran’s Short-lived Takeover	4
B. The Libyan National Army’s Declaration	5
1. Justification and Impact	6
2. Reactions in Eastern Libya.....	9
3. Reactions in Western Libya.....	9
C. Resolution	10
III. Lingering Issues	13
A. The Standoff over Financial Management	13
B. Potential for a Wider Political Shake-up	17
IV. Avoiding Another Crisis	19
A. The Need for an Independent International Audit	19
B. The Need for the UN to Engage the East.....	21
C. The Need to Address the Security and Reconciliation Dimensions of the Crisis.....	22
V. Conclusion	23
APPENDICES	
A. Map of Libya’s Oil Crescent.....	24
B. About the International Crisis Group	25
C. Crisis Group Reports and Briefings on the Middle East and North Africa since 2015....	26
D. Crisis Group Board of Trustees	28

Principal Findings

What's new? Fighting in June in Libya's "oil crescent", a coastal area home to most of its oil export terminals, led to a brief military takeover of oil installations and, subsequently, an attempt to deepen the institutional schism between the internationally recognised government in Tripoli and its eastern rival.

Why does it matter? These scuffles halved Libya's oil exports, causing a dramatic drop in hard currency revenues and a shock to an economy heavily dependent on imports of consumer goods and already on the verge of collapse. A crisis was averted when the eastern government reversed course, but underlying grievances remain unresolved.

What should be done? The first step forward is an international review of the two rival Central Banks' operations, which should lead to the banks' reunification. Other steps include greater UN engagement with the east and addressing the question of securing petroleum facilities in future negotiations on the restructuring of the security sector.

Executive Summary

The nearly month-long standoff over crude oil export terminals in eastern Libya is over. But another could soon emerge if the underlying causes of the conflict are not addressed. On 11 July, the Libyan National Army (LNA), the force that controls the east, announced that it would resume collaboration with the National Oil Corporation (NOC) based in the western city of Tripoli, reducing the risk of deepening the country's institutional divides and worsening its already profound economic crisis. But Libyan and international stakeholders must capitalise on the LNA's decision by easing competition for control over the country's resources and financial institutions and tensions over the mismanagement of public funds. Otherwise, popular grievances will persist and renewed armed confrontation is possible.

The oil terminals crisis unfolded in three stages. It started on 14 June with an offensive led by Ibrahim Jedran, a former Petroleum Facilities Guard commander, in the so-called "oil crescent", an eastern coastal area from which more than half of Libya's crude oil is exported. Jedran's attempt to seize control was short-lived: the Libyan National Army recaptured the oil crescent within a week.

In late June, the struggle evolved into a larger feud over control of oil and gas revenues. The LNA's commander, Field Marshal Khalifa Haftar, announced that he would no longer allow the Tripoli-based NOC to manage oil sales from eastern terminals, putting in charge a previously inactive Benghazi-based NOC established when state institutions split in 2014. International condemnation was swift, as the eastern NOC has no legal authority according to UN Security Council resolutions. The result was an immediate shutdown of oil sales from eastern Libya: there were no buyers for oil sold by an illegal entity. The country's exports fell by 50 per cent, further starving the economy of hard currency.

Haftar reversed course on 11 July, under intense international pressure and encouraged by several gestures by Tripoli. Most important was the request made by the head of the Presidency Council of the internationally recognised Government of National Accord, Faiez Serraj, to the UN Security Council to establish an international committee to oversee an independent review of the disbursement of funds by Libya's Central Bank. Haftar has also demanded such a review. He and his supporters also see opportunities to push for a new "unity" government and to reopen the question of who should run the country's economic and financial institutions.

Neither a unity government nor new leadership at economic and financial institutions will be easy to achieve, given deep institutional divides, accumulated mistrust since 2014 and, most important, conflicting interests among Libyan actors jostling for positions in a new set-up. International stakeholders' strict adherence to the Libyan Political Agreement, the UN-approved governing framework in place since December 2015, will also limit efforts in this direction.

For this reason, the parties should not miss the opportunity provided by Serraj's call on the UN to review the Central Bank's disbursements. It is an essential first confidence-building step that could pave the way for unifying the country's divided institutions. The two sides have yet to agree on whether the review should include a financial audit, who should carry it out or with what precise objective. The UN Support

Mission to Libya (UNSMIL) could help them define the terms. Ideally, the review would be carried out by an international auditing firm with the support of UNSMIL, the World Bank and the International Monetary Fund.

The aim should be to produce a transparent overview of the Central Bank's financial transactions since 2014 as a basis for the government's monetary and fiscal policies rather than investigating alleged corruption or dictating who should be in charge of the institution. Such a review would be insufficient to resolve the economic crisis, root out endemic corruption or prevent a military escalation. But it would send a strong signal that stakeholders are serious about bridging the country's divides, reunifying the Central Bank and stabilising the country.

To reach these goals, UNSMIL will need to increase its footprint in eastern Libya and act as a bridge between the Tripoli-based institutions and their rivals in the east, which will have to be engaged to end the institutional divides. Additionally, it should help Libyan authorities flesh out a new consensual strategy on the composition and chain of command of forces deployed to secure hydrocarbon facilities to prevent competing claims of legitimacy from becoming a new trigger for war.

The events in the oil crescent should remind everyone that Libya's conflict has economic as well as political and military dimensions. Any strategy aimed at stabilising the country must address all three components in an integrated manner. Policy-makers – including the UN, relevant member states and Libyan authorities – recognise the conflict's many layers. Yet, over the years, they have continued to prioritise the crisis's political dimension and offered mainly political solutions – most recently, elections – to unite the country. Without more progress to heal the rifts in the country's economic and financial institutions, military and political divides are likely to become further entrenched, rendering the prospect of a political settlement all the more remote.

Tripoli/Tunis/Brussels, 9 August 2018

After the Showdown in Libya's Oil Crescent

I. Introduction

Competition for control of oil and gas export installations and revenues has emerged as a main driver of the conflict that has divided Libya since 2014. This competition has manifested itself in a military struggle over the so-called oil crescent, a strip along the eastern coast of the Gulf of Sirte where four of Libya's six hydrocarbon export terminals are located and through which more than 50 per cent of its crude oil exports leave the country.¹ The past four years have seen at least six offensives by rival forces to seize this sparsely inhabited area, the latest in June 2018. Each attack caused many deaths, widened social rifts and did extensive damage to the facilities, reducing Libya's oil export capacity and inflow of hard currency.

The competition has played out as well in an equally debilitating political battle over governance of the country's main financial institutions: the National Oil Corporation (NOC), which manages hydrocarbon production and export, and the Central Bank of Libya, which gathers revenues from oil sales.

Hydrocarbon revenues are Libya's lifeline. Prior to the 2011 war, Libya produced 1.65 million barrels per day of crude oil and 594 billion cubic feet of natural gas.² Sales generated up to 96 per cent of government revenue and accounted for 65 per cent of gross domestic product (GDP), allowing the Libyan state to amass cash reserves and run a debt-free economy until 2013, when armed groups' forced closures of wells, pipelines and export terminals, mainly in the oil crescent, caused massive shortfalls in government revenues. The shutdown of the oil crescent's terminals between 2013 and 2016 by Ibrahim Jedran, a local commander of the Petroleum Facilities Guard turned leader of a short-lived movement for the autonomy of eastern Libya, was one of the main reasons (alongside other closures in the west of the country) that Libyan oil production plummeted from 1.4 million barrels per day in

¹ See Crisis Group Middle East and North Africa Report N°165, *The Prize: Fighting for Libya's Energy Wealth*, 3 December 2015. The Sirte basin, the desert region south of the oil crescent, accounts for two thirds of the country's total crude oil production when completely up and running. Six oil companies, either fully Libyan-owned state entities or joint ventures with international oil companies, own and manage the hundreds of interconnected oil wells here. The fully Libyan-owned companies in the Sirte basin are the Sirte Oil Company and Arabian Gulf Oil Company, both NOC subsidiaries. The joint ventures are: Waha Oil Company (with U.S. companies ConocoPhillips and Hess, as well as France's Total, which bought the shares of another U.S. company, Marathon, in early 2018), Zuetina Oil Company (with U.S. company Occidental and Austria's OMV); Harouge Oil Services (with PetroCanada); and Mabruk Oil (with Total and Norway's Statoil). See "Libya Oil Almanac. An OpenOil Reference Guide", OpenOil, undated (published in 2012). Oil produced in the Sirte basin is exported through the four terminals of the oil crescent (Sidra, Ras Lanuf, Marsa al-Brega and Zwetina) and a fifth one, further east, in Tobruk (Marsa al-Hariga). All are located in eastern Libya.

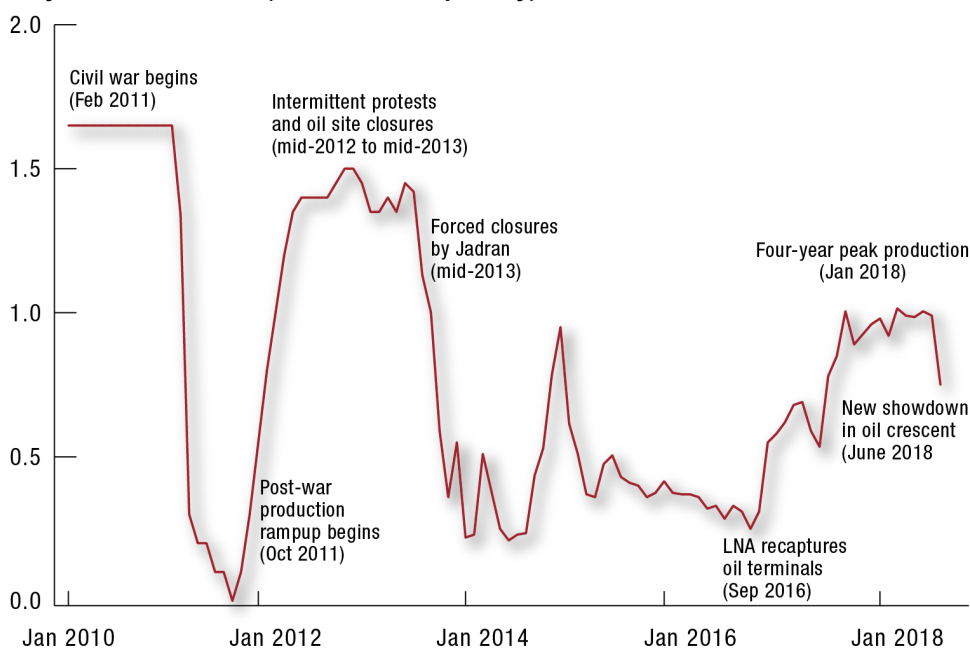
² "BP Statistical Review of World Energy", BP, 2014.

early 2013 to less than 400,000 barrels per day in early 2016, and oil sales revenues dropped from \$40 billion to a meagre \$4.6 billion over the same period.³

The drop in revenues, to which lower global crude oil prices also contributed, combined with out-of-control spending from 2011 onward, caused Libya's fiscal deficit to mushroom: it was 44 per cent of GDP in 2014, 77 per cent in 2015 and 63 per cent in 2016.⁴ Although hydrocarbon production increased throughout 2017, the budget deficit held at 26 per cent of GDP, forcing the Central Bank of Libya to draw down reserves and limit the availability of foreign currency for imports for the fourth consecutive year. In 2018, oil revenues accounted for almost 90 per cent of government income and remained the main source of foreign currency needed to pay for imported consumer goods, on which Libyans are heavily dependent in the absence of an industrial sector.⁵

Mismanagement and corruption have conspired to further drain finances. Austerity measures, cash shortages (including of foreign currency) and poor political decision-making have led to a breakdown in public services. Against this backdrop, rival political and military forces within Libya have sought to exploit popular anger at the intolerable status quo.

Libyan Oil Production (million barrels per day)



Sources: Crisis Group Analysis, U.S. Energy Information Administration

³ Crisis Group interviews, Central Bank of Libya officials, Tunis, July 2018.

⁴ “Libya’s Economic Outlook – October 2017”, World Bank, 11 October 2017; “Libya’s Economic Outlook – April 2018”, World Bank, 16 April 2018.

⁵ According to the World Bank, in 2018 hydrocarbon revenues account for 40 per cent of GDP and 86 per cent of government revenues. “Libya’s Economic Outlook – April 2018”, World Bank, 16 April 2018. In Libya’s 2018 budget, forecasted oil revenues (27 billion Libyan dinars (\$19.5 billion) make up over 60 per cent of the income meant to cover total public expenditures.

The struggle for control of the oil crescent and its wealth stands at the heart of this confrontation. Given Libya's heavy reliance on oil and gas revenues and how incendiary the debate over the management of state funds has become, the questions of who guards and administers oil production and export facilities, and how oil revenues accruing to the Central Bank are allocated, are central to the conflict and how to resolve it.

The struggle persists despite the fact that, or perhaps because, international efforts to end Libya's war have reinforced Tripoli-based institutions' monopoly on these matters. The 2015 UN-backed Libyan Political Agreement conferred international recognition upon a power-sharing body called the Presidency Council, headed by Faiez Serraj, which installed itself in Tripoli in early 2016. UN Security Council resolutions recognised the Tripoli-based Central Bank and the Tripoli-based NOC as the sole legitimate institutions of that nature.⁶ According to the 2015 pact, the Presidency Council oversees the allocation of state funds deposited in the Central Bank.⁷

The Presidency Council and the government over which it presides, the Government of National Accord, were supposed to bridge the political and military divides that split the country in 2014 when two rival administrations emerged after contested parliamentary elections: one in Tripoli and another in the east. But the Tobruk-based House of Representatives, refused to recognise the 2015 agreement or the resulting government in Tripoli, instead continuing to confer legitimacy on a rival east-based government (in al-Beyda) with its own parallel Central Bank (also located in al-Beyda) and National Oil Company (based in Benghazi).⁸ The political split also caused a rift in the security apparatus: the House and eastern government recognise the Libyan National Army, a coalition headed by Field Marshal Khalifa Haftar that controls most of eastern Libya, while the Tripoli-based government has its own chain of command over units nominally loyal to it. Overcoming these multilayered divides is paramount if there is to be a lasting negotiated solution to the Libyan conflict.

The crisis that crippled crude oil production and export in June-July 2018 reflects these political divides. The June attack on the oil crescent stemmed from rival claims of legitimacy by two parallel forces in charge of protecting the installations, each calling itself the Petroleum Facilities Guard. Historical resentment in the east of the central government's distribution of national wealth played a role; so did anti-Islamist narratives widespread in the east (often boosted by regional rivalry) that portray the Tripoli authorities as agents of the Muslim Brotherhood; and so did political leaders' personal ambitions.

This report examines what sparked this latest crisis, how it unfolded and what has happened to settle it, at least for now. It argues that unresolved underlying tensions, if not proactively managed, could ignite another crisis within months. It is based on Crisis Group's extensive reporting since 2014 on Libya's oil industry, its economic institutions and the role these play in the conflict, including in the oil crescent. It stresses the centrality of the economic dimension to Libya's civil war and the need to place oil economics at the heart of UN-mediated peacemaking efforts.

⁶ UN Security Council Resolutions 2259 (2015), 2278 (2016), and 2362 (2017).

⁷ See Crisis Group Middle East and North Africa Report N°170, *The Libyan Political Agreement: Time for a Reset*, 4 November 2016.

⁸ See Crisis Group Report, *The Prize: Fighting for Libya's Energy Wealth*, op. cit.

II. The Oil Crescent Crisis

A. *Jedran's Short-lived Takeover*

On 14 June 2018, a coalition of fighters under Ibrahim Jedran, a controversial former Petroleum Facilities Guard commander who controlled the oil crescent in 2012-2016, launched an offensive from a base near Bani Walid in western Libya. His fighters proceeded overnight through a lightly populated stretch of coast east of Sirte to seize the strategic Sidra and Ras Lanuf oil export terminals and adjoining towns. Libyan National Army fighters, including members of the Haftar-aligned guard, based there since they routed Jedran's forces in September 2016, were driven back 200km toward Brega.⁹

Jedran claimed that his offensive aimed to restore his guard as the legitimate authority in the oil crescent and allow his followers from the Magharaba tribe (one of the largest in the area) to return to the homes they had fled two years prior. He labelled the Libyan National Army (LNA) "an oppressive entity that claims to be building an army but is just another face of terrorism".¹⁰ He may have employed this rhetoric to rally anti-Haftar factions in western Libya to his cause, but none came to his aid.¹¹ Haftar's supporters were not the only ones to swiftly condemn the takeover: so did his rivals in western Libya, including the Presidency Council. The Tripoli NOC went so far as to declare force majeure (a legal clause in oil sales that frees the seller of liability in circumstances beyond its control) on crude oil loading at the Sidra and Ras Lanuf terminals, suspending exports.¹²

Nonetheless, Jedran did have support from groups in the west other than his own loyalists and tribesmen. Former members of the Benghazi Defence Brigades, a coalition of west-based anti-Haftar fighters driven from Benghazi by the LNA in 2015-2017 that had allied with Jedran in previous failed attempts to recapture the oil cres-

⁹ When Jedran was in control of the oil crescent, the Government of National Accord considered him a strategic ally and for this reason confirmed him as the guard commander for the central region, under national chief Idris Bukhamada. When the LNA pushed Jedran out in September 2016, he went abroad, then returned secretly to western Libya where he lived out of public view. He was never officially stripped of his title of guard commander. The LNA has its own guard, commanded by Brigadier Mohamed Magharief.

¹⁰ Video statement by Ibrahim Jedran, 14 June 2018, published on the Facebook page of the Petroleum Facilities Guard central region's media office, www.facebook.com/100002068812609/posts/1805875759491367/.

¹¹ The lack of support may suggest how poorly many Libyans regard Jedran for his past attempts to block legal exports and sell oil independently. Jedran's blockade of the export terminals in 2013-2016 allegedly caused billions in lost revenues due to missed sales. Crisis Group interviews, NOC and Central Bank officials, Tripoli, 2016-2018. In March 2014, Jedran attempted to sell crude oil independently, but U.S. marines intervened to block the tanker his group had contracted. Crisis Group interviews, UN, U.S. and Libyan officials, Tripoli, New York, 2014.

¹² The NOC's statement was particularly scathing: "Individuals or political groups who attempt to capture Libya's and NOC oil installations, blockade production, or attempt to make NOC a bargaining chip must be brought to justice. These are not patriotic acts; they are war crimes and should receive total condemnation from all Libyans and the international community". "National Oil Corporation declares force majeure on Ras Lanuf/Es Sider port terminals", press release, NOC, 15 June 2018. See also "Statement of the President of the Presidency Council on the escalation in the oil crescent", 14 June 2018.

cent, joined him. These Benghazi exiles are motivated primarily by the desire to weaken the LNA and return to their city.¹³ Foreign mercenaries – allegedly Chadians – also took part in the attack, and Jedran may have received financial and material support from other anti-Haftar factions, including allies in Misrata and individuals with ties to Qadhafi-era officials.¹⁴ The High State Council in Tripoli, an advisory body established under the 2015 agreement that is a hotbed of anti-Haftar sentiment, did not condemn Jedran, seeing him as more legitimate than the LNA.¹⁵ Apparently some Council members tacitly supported the offensive because they hoped it would prompt the international community to declare the oil-rich area a “demilitarised zone”, something they have lobbied for over the past year.¹⁶

Jedran's success was short-lived. By 21 June, Haftar sent reinforcements, including critical air support, forcing Jedran and his fighters to retreat westward. Overall, the initial attack and the subsequent counteroffensive caused at least 30 deaths, primarily among LNA fighters. It also destroyed two of the five operational crude oil storage tanks in Ras Lanuf and slightly damaged two others.¹⁷ Nevertheless, exports resumed immediately.

B. *The Libyan National Army's Declaration*

A few days after retaking the oil crescent, the Libyan National Army announced it would no longer work through the internationally recognised Tripoli-based NOC, and put its own Benghazi-based company in charge of the facilities' management.¹⁸ Two days later, representatives of the Benghazi NOC held a ceremony at the Sidra oil terminal to mark their takeover of the eastern terminals;¹⁹ they also prevented vessels that had been contracted by the Tripoli NOC to load crude oil from docking.²⁰

¹³ See Crisis Group Commentary, “New Libyan Militia's Oil Strike Risks Wider Conflagration”, 10 March 2017.

¹⁴ Crisis Group phone interviews, Libyan politicians, Benghazi, Misrata, 16 June 2018.

¹⁵ The High State Council did not issue a statement condemning Jedran's attack. Council insiders say there was no internal consensus on the issue, as members were divided between supporters of Jedran's attack, including President Khaled Mishri, and opponents of it led by Deputy President Naji Mukhtar. Crisis Group phone interviews, Tripoli, Paris, June 2018.

¹⁶ Crisis Group interview, Tripoli-based politician close to Benghazi fighters residing in western Libya, Tunis, July 2018.

¹⁷ The attack resulted in a 400,000-barrel reduction in the facility's storage capacity and decreased overall crude oil export capacity by approximately 200,000 barrels per day. “Catastrophic damage at Ras Lanuf terminal”, press release, NOC, 16 June 2018; and “NOC conducts Ras Lanuf damage assessment”, press release, NOC, 24 June 2018. The Ras Lanuf crude oil storage tank farm has a total of thirteen tanks, but eight of these had already been destroyed in previous fighting between rival forces, as well as Islamic State (ISIS) attacks, in 2015-2017.

¹⁸ Order of the General Command of the Libyan National Army, signed by Khalifa Haftar, to Faraj Said al-Hasi, head of the board of directors of the National Oil Corporation under the interim government, 25 June 2018; press conference by Ahmed Mismari, spokesperson of the Libyan National Army and Field Marshal Khalifa Haftar, 25 June 2018, at www.youtube.com/watch?v=dqFP4KkeFo8. The interim government based in the eastern town of al-Beyda and headed by Abdullah al-Thinni is not internationally recognised.

¹⁹ Crisis Group phone interviews, supporters of the Benghazi-based NOC, Benghazi and Ajdabiya, 29 June 2018.

²⁰ Crisis Group interview, UN official, Rome, July 2018.

1. Justification and Impact

The Libyan National Army's declaration came on the heels of its accusation that stakeholders in Tripoli, whom it did not name, had used oil revenues to fund military operations against it while the LNA itself had no access to foreign currency to pay for the treatment abroad of its injured fighters.²¹ In a 25 June televised speech, Haftar's spokesperson lamented that the LNA had "never received a single penny" for what it had done to protect the terminals during the two years it controlled them, while losing 180 of its fighters in Jedran's five attacks since 2016:

From where do these armed groups get their money? From where do they get their weapons? ... We realised that the source [of these funds] is the oil we are protecting. We secure [the ports]; we are injured; we kill and are killed in order to allow vessels to depart and money to enter. But the money goes to militias and these militias attack us again.²²

It is difficult to establish the truth of allegations that western militias or politicians provided funding to Jedran. Anti-Haftar activists claim the LNA fabricated them to justify its actions in the oil crescent.²³ The Tripoli-based Central Bank categorically denied accusations that it had provided funds to Jedran.²⁴

On 2 July, the Tripoli NOC declared force majeure on two more export terminals, Marsa al-Hariga (Tobruk) and Zuwetina, both in eastern Libya.²⁵ This action meant that operations at all export terminals under LNA control, with the exception of Marsa al-Brega, came to a standstill.²⁶ Total crude oil sales dropped from 1.1 million

²¹ The LNA's complaint referred to allegations that Tripoli-based militias had access to letters of credit from the Central Bank of Libya in Tripoli at the official rate of 1.4 Libyan dinars to \$1 that were used to acquire military equipment, while the eastern Central Bank (which has no access to foreign currency) was only able to provide the LNA with Libyan dinars, which it had to exchange at the black market rate of 7-10 dinars to \$1 to buy equipment or to cover the expenses of treating its wounded fighters abroad. Crisis Group interviews, eastern Central Bank officials, Tunis, July 2018.

²² Press conference by Mismari, op. cit. The revelation that Jedran might have paid foreign mercenaries in U.S. dollars (banknotes were allegedly found on them) prompted accusations amid a chronic hard currency shortage that groups in western Libya were using oil money to recruit foreign fighters "while the east has had no access to hard currency whatsoever". Crisis Group phone interview, non-military LNA adviser, Benghazi, 29 June 2018. Resentment about the perceived shortage of foreign currency is widespread in the east. An eastern political activist and commentator from Ajdabiya, pointing to photos circulating on social media showing Tripoli gangsters posing gleefully with millions of euros and U.S. dollars in suitcases, asked: "Why do these boys have so much cash while ordinary people here are told there is no cash, let alone hard currency?" Crisis Group phone interview, Cairo, May 2018. Haftar's forces also have used foreign fighters (reportedly Sudanese recruited from Darfuri militias), who allegedly were key to taking the oil crescent in 2016. See "Letter dated 1 June 2017 from the Panel of Experts on Libya established pursuant to Resolution 1973 (2011) addressed to the president of the Security Council", UN Security Council, 1 June 2017. The LNA has denied using foreign forces.

²³ They point to Bani Walid, where Jedran has his base, and suggest that his funding might have come from former pro-Qadhafi constituencies that have a following there. Crisis Group interview, Tripoli-based politician, Rome, July 2018.

²⁴ "Central Bank of Libya denies 'funneling money' to Jadran's forces", *Libya Observer*, 26 July 2018.

²⁵ "NOC declares force majeure at Hariga and Zuetina ports", press release, NOC, 2 July 2018.

²⁶ It remains unclear why Marsa al-Brega stayed open. An employee of a local petrochemical company suggested the reason could be that revenues from petrochemicals exported through Marsa

barrels per day in early June to just over 500,000 barrels per day, processed solely from the Zawiya export terminal in western Libya and offshore. According to the Tripoli NOC, the closures cost the country \$67 million per day in lost revenue.²⁷

Prior to these events, Haftar had given no sign of supporting the Benghazi NOC. After his forces took control of the oil crescent in 2016, they worked with the Tripoli NOC; relations with its chairman, Mustafa Sanallah, were reportedly good.²⁸ Sanallah, a fierce Jedran critic, praised the LNA when it seized the oil crescent in 2016 and insisted on working with it despite the worries of Tripoli government officials about legitimising Haftar.

Because of smooth cooperation between the NOC and Haftar's forces, crude oil exports rose from 300,000 barrels per day in September 2016 to over 1.1 million barrels per day in early 2018, allowing much-needed foreign currency to flow into the Central Bank in Tripoli.²⁹ Reports have circulated that Haftar requested payment from the NOC and Central Bank to cover the LNA's operations, but the latter never publicly challenged the arrangement during 2016-2018, receiving its funds from the east-based Central Bank.³⁰ This bank, which is recognised only by the east-based government and House of Representatives, contracted loans from local commercial banks and issued bonds to raise funds to pay the east-based government's expenses, including for its security forces, having no access to foreign currency through the Tripoli bank.³¹

Given that Haftar does not recognise the Government of National Accord, it may be counterintuitive that he allowed oil revenues to accrue to Tripoli during this period.³² Yet his position earned him much popular support. Some Western governments deemed it proof of Haftar's statesmanship and patriotism;³³ it reinforced his message that his loyalists are the country's legitimate army while all other fighting forces

al-Brega accrue to the local company's accounts and not to the Central Bank of Libya in Tripoli, which is the case for crude oil sales. From the LNA's point of view, this meant that revenues from these petrochemical sales were not being used to fund armed groups opposed to the LNA. Crisis Group phone interview, al-Brega, July 2018.

²⁷ The financial loss due to sales foregone in three weeks of closures came to almost \$1 billion. "Daily report on Gulf of Sirte and Hariga", press release, NOC, 6 July 2018.

²⁸ Crisis Group interviews, NOC officials, Tripoli and Benghazi, 2016-2018.

²⁹ Crisis Group interviews, NOC and Central Bank officials, Tripoli, 2018.

³⁰ Crisis Group phone interview, NOC official, London, June 2018. Since its creation in 2014, the Libyan National Army has received no share of oil income – at least not officially – despite persistent requests to the NOC, which claimed it had no funds to disburse, and to the Tripoli-based Central Bank, which argued that budget decisions were the prerogative of the (Tripoli-based) government. Crisis Group interviews, Libyan oil sector analysts, Libyan politicians, Central Bank officials, Tripoli, Benghazi, Tunis, 2017-2018. Some LNA officers do receive part of their salaries from the Tripoli-based Central Bank.

³¹ Crisis Group interviews, Central Bank officials, Benghazi, Tripoli, Tunis, 2016-2017.

³² The LNA considers the Government of National Accord illegitimate, since it was created by the December 2015 Libyan Political Agreement, which the eastern-based House of Representatives has not accepted.

³³ A number of Western diplomats shared this perception. Crisis Group interviews, Western diplomats, UN officials, Tripoli, Tunis, Brussels, 2017-2018.

are militias.³⁴ But Haftar endangered his international standing with his declaration empowering the Benghazi NOC: within two days, the UN secretary-general, the U.S., the EU and several of its member states, including the UK, France, Germany and Italy, issued statements recalling UN Security Council resolutions reaffirming that the Tripoli NOC is the only legitimate NOC.³⁵

Haftar's calculations were not entirely clear. It is possible that some of his advisers and government officials in the east led him to believe that the eastern NOC would be able to sell oil independently. Some observers note that the LNA leadership was surprised by the unanimous condemnation, including from foreign allies such as Egypt and the United Arab Emirates (UAE). Pressure due to alleged accrued debts could have been another factor. But it is also possible that Haftar intended to use his move as a bargaining chip to secure greater influence in Tripoli-based institutions, especially the Central Bank.³⁶ For years, the LNA and the Tobruk-based House of Representatives have sought the removal of the Tripoli-based Central Bank governor, Saddik ElKebir, demanding it most recently on 4 July;³⁷ they view him as a pawn of the Muslim Brotherhood, which they despise, and blame him for the mishandling of public funds that contributed to the economic crisis.³⁸

³⁴ The juxtaposition between Haftar's forces as the legitimate army and the Tripoli militias constantly surfaces in speeches by Haftar and his spokesperson, Mismari. See, for example, Mismari's televised remarks on 18 March 2017, at www.youtube.com/watch?v=7XcsH-fa-Ng.

³⁵ UN Security Council Resolutions 2259 (2015), 2278 (2016) and 2362 (2017) underscore that only one legitimate NOC exists, and while not explicitly referring to the NOC in Tripoli they make clear that the legitimate NOC is the one operating under the oversight of the Government of National Accord, ie, the one in Tripoli. In June, the UN secretary-general called for the "return of all natural resources, their production and revenues to the control of the recognised Libyan authorities". "Statement attributable to the spokesman for the secretary-general on the situation in Libya", UN, 27 June 2018. In a joint statement, the U.S., UK, France and Italy condemned attempts to export petroleum from Libya "by parallel institutions which are not acting under the authority of the GNA". Joint statement on Libyan oil facilities, governments of U.S., UK, France and Italy, 27 June 2018. See also, "Statement on the trade in Libyan oil", spokesperson for the EU foreign affairs and security policy/European neighbourhood policy and enlargement negotiations, 28 June 2017.

³⁶ According to the east-based Central Bank's governor, Ali al-Hibri, the rationale behind the decision to transfer the management of oil facilities to the Benghazi-based NOC was to ensure that eastern Libya had leverage over how the Tripoli Central Bank manages revenues. "Previously both production and revenues were in the hands of Tripoli. But since Tripoli is not sharing the revenues and not doing a good job of dealing with the economic problems, we thought that the east should take responsibility of production, so that ... if Tripoli continued to prevent money from reaching the east, we could leverage the closure of production to correct what Tripoli was doing". Crisis Group interview, Ali al-Hibri, Tunis, 24 July 2018. Hibri claimed that the idea had never been to request the transfer of oil sales revenues into the accounts of the eastern Central Bank, as the eastern NOC's chief had stated. See remarks by Faraj Said al-Hasi, chairman of the Benghazi NOC in a televised interview, Libya TV television channel, 26 June 2018, www.youtube.com/watch?v=UaDMmsQwmpP8&t=538s.

³⁷ Announcement of the General Command of the Libyan National Army concerning the oil terminals, 4 July 2018.

³⁸ The Muslim Brotherhood-linked organisation in Libya supported ElKebir in 2012 when the first post-Qadhafi parliament appointed him as Central Bank governor, but their relations with him became ambiguous amid reports in mid-2018 that some Brotherhood members wanted to see him replaced. ElKebir has denied supporting or depending on any political or religious faction, including the Brotherhood. Libyan anti-Islamist media often portray the Tripoli-based Central Bank as serving Brotherhood interests. Crisis Group interviews, Tripoli-based politicians, UN officials,

2. Reactions in Eastern Libya

Haftar's supporters in the east, many of whom had urged him for months to block the flow of revenue to the Tripoli-based government, hailed his declaration. The eastern government and House of Representatives members, including its president, Aghela Saleh also backed the statement. One supporter called it a "bold and courageous move".³⁹ Much of the public in the east believes that this region, Cyrenaica (known locally as Barqa), is the victim of historical injustice at the hands of central authorities, for instance getting a lesser share of oil revenues than its western counterpart, Tripolitania, despite producing over 80 per cent of the country's oil.⁴⁰ Easterners also accuse Tripoli of mismanaging public funds and failing to solve the country's economic crisis.

Yet not everyone in the east considered Haftar's move wise. Some senior LNA commanders and eastern government officials in charge of public finances saw it as rash, given the financial hardship that a stoppage in oil sales would likely provoke. Between 2014 and 2017 the eastern Central Bank had been paying the salaries of most of the east-based government employees, but in early January 2018 the Tripoli government agreed to pay public servants' salaries throughout Libya (with the exception of security personnel, eastern government ministers and members of the House of Representatives).⁴¹ They also worried about possible backlash from attempting to sell oil independently, both at home, where it could be seen as an attempt at profiteering from shared national wealth (much as Jedran was widely perceived to have done), and abroad.⁴²

3. Reactions in Western Libya

Condemnation from Tripoli came quickly. The Presidency Council, headed by Faiez Serraj, said Haftar's forces had no authority to transfer control of the oil terminals.⁴³

Tripoli and Tunis, 2018; Saddik ElKebir televised interview, Wataniya channel, 13 July 2018, www.youtube.com/watch?v=dpPZ4Ol83vw&feature=youtu.be; "Through photos, videos and documents ... this is how the Brotherhood and their supporters control the nerve centres of the Libyan Central Bank", *Al-Marsad*, 5 July 2018.

³⁹ Crisis Group phone interview, LNA supporter, Benghazi, 29 June 2018.

⁴⁰ Jedran had also played to this sentiment when he controlled the oil crescent and was allied to a then weaker Haftar. In 2013, Jedran, with the support of eastern federalists (a movement that advocates greater decentralisation for and, at times, secession of Cyrenaica), had gone as far as to announce the formation of a government of Cyrenaica. That government never materialised. See Crisis Group Report, *The Prize: Fighting for Libya's Energy Wealth*, op. cit.

⁴¹ Crisis Group phone interviews, non-military LNA advisers, officials loyal to the eastern government, Benghazi, July 2018. To date, the east-based bank continues to pay the ministers of the eastern government, members of the House of Representatives and LNA fighters recruited after 2014. Military personnel who were on the Tripoli Defence Ministry's payroll prior to the 2014 split and subsequently joined the army continued to receive part of their salaries from the Tripoli-based bank. Crisis Group interviews, Finance Ministry and Central Bank officials, Tripoli, Tunis, 2018. LNA salaries were expected to be incorporated as the next step of a three-phase approach in unifying Libya's public finance management.

⁴² Crisis Group phone interview, official loyal to the east-based government, al-Beyda, 2 July 2018.

⁴³ "Statement of the Presidency Council regarding illegal measures taken with respect to the handover of oil facilities", annex to the letter dated 26 June 2018 from the chargé d'affaires a.i. of the perma-

Mustafa Sanallah, the NOC chairman, likewise stated that the LNA “has no legal authority to determine control of oil exports from Libya”, and that by doing so it has “decided to put itself above the law”. He also drew comparisons between Haftar’s actions and those of “the criminal Ibrahim Jedran”.⁴⁴

Not everyone in western Libya opposed Haftar’s move, however. Some, who like their eastern counterparts resent Tripoli’s alleged mismanagement and misuse of public funds, hoped it would “shake things up”.⁴⁵ Fathi al-Majbari, the Tripoli-based government’s deputy prime minister who is from the east and since late 2017 has become the principal conduit between the Presidency Council and Haftar, voiced support for Haftar’s decision, only to be physically attacked by an armed group in Tripoli, and thereby forced to flee to Tunis.⁴⁶ In mid-July he resigned from the Presidency Council to protest Serraj’s failure to condemn the attack.⁴⁷ A Misratan faction that has engaged in back-channel conversations with the LNA for the past year and is critical of Serraj suggested that the oil crescent crisis could provide an opening for a political reconfiguration.⁴⁸

C. *Resolution*

Realistically, the LNA’s announcement would not have led to independent oil sales, at least in the short to medium term. The Benghazi NOC, which consists of just a handful of employees (compared to the 65,000 employees of the recognised NOC and its subsidiaries), lacks the human resources to manage the entire oil industry and has a poor track record.⁴⁹ More importantly, because it lacks international recognition, no international oil company or reputable commodity trader would be willing to deal with it.

ment mission of Libya to the United Nations addressed to the president of the Security Council, S/2018/635, Presidency Council, 26 June 2018.

⁴⁴ “NOC rejects legal authority of LNA to determine control of Gulf of Sirte ports”, press release, NOC, 25 June 2018. Many in the east were offended at Sanallah’s comparison of Haftar’s forces to Jedran’s, prompting some LNA members to vow to kill the NOC chairman for what he said. Crisis Group phone interviews, Benghazi residents, July 2018; UN official, Rome, July 2018.

⁴⁵ Crisis Group phone interview, Libyan economist, London, 29 June 2018. He added: “You have the impression on social media that there are many people, including from western Libya, who look at what Haftar did and say, ‘wow, he had the courage to do that. Good for him’”.

⁴⁶ “Statement of Presidency Council member Dr Fathi al-Majbari regarding the attack on his residence and attempted abduction”, 28 June 2018.

⁴⁷ Televised statement of Fathi al-Majbari, Libya Alhadath television channel, 18 July 2018, www.youtube.com/watch?v=VlSGIujvFV4.

⁴⁸ Crisis Group phone interviews, Misratan politicians, Tripoli-based activists, 26–29 June 2018. A Misratan politician said: “We are loving the standoff: it puts a great deal of pressure on Serraj and this will hopefully make him understand that the status quo is not tenable. At the same time, the strong international condemnations of what Haftar did will likely force him to be a bit more modest in his aspirations. This could be an opening”. Crisis Group phone interview, Misrata, 29 June 2018.

⁴⁹ The Benghazi-based NOC has allegedly signed more than a dozen contracts with foreign oil companies or commodities traders, but so far not one has materialised in a successful shipment, even in the few cases when an oil tanker was contracted to load crude oil. Employees at the export terminals, traders in the oil industry or member states have alerted the Tripoli-based NOC to planned illegal shipments. Crisis Group phone interview, UN official, July 2018.

In this situation, Haftar's choice was 1) to continue blockading the ports and risk mounting international pressure (not even his closest allies, Egypt and the UAE, supported his move); or 2) rescind the decision to hand over the ports to the unrecognised NOC while still advancing his ambition to secure access to, or at least influence over, management of Libya's hydrocarbon wealth.

On 11 July, Haftar chose to backtrack, abruptly ending the standoff. Several simultaneous factors, encouraged by discreet UN mediation efforts, contributed to his decision.⁵⁰ The first was the 10 July public request by Serraj to the UN Security Council to appoint a committee that would oversee an international "review" of the Tripoli Central Bank and its rival in al-Beyda under the oversight of the UN and international financial institutions.⁵¹ Haftar had previously requested the formation of an investigative committee to look into the Central Bank's disbursements of funds; his supporters were therefore able to interpret Serraj's request as a direct result of their pressure. Both sides have complained of a lack of transparency and clarity concerning financial transactions over the past four years, and both have made accusations of mismanagement. Both Central Bank governors appear to agree on the need for a review of Central Bank spending (in part because they both expect the findings to implicate their opponent), but they continue to differ on how this audit could take place; details need to be fleshed out.⁵² The Security Council tasked the UN Support Mission to Libya (UNSMIL) with presenting a proposal for structuring this review.⁵³

The second factor was a public speech by Sanallah, the NOC chairman, in which he attempted to make amends with the LNA by praising it for its role in allowing oil production to increase between 2016 and 2018.⁵⁴ Growing disagreements between Haftar and the head of the Benghazi NOC, Faraj Said al-Hasi, may have been a third prompt for him to resume collaboration with the Tripoli NOC.⁵⁵

International pressure spearheaded by the U.S. also had an effect. It took the form of the threat of sanctions and an explicit message from the Trump administration

⁵⁰ Crisis Group interview, UN official, Rome, 10 July 2018.

⁵¹ "Letter from the president of the Government of National Accord to the Security Council", Government of National Accord, 10 July 2018.

⁵² Crisis Group interviews, UN and Central Bank officials, Tunis, July 2018. Both appear to agree on the need for the UN to appoint an international committee to oversee the review process and on tasking one of the four main international auditing companies – Deloitte, PricewaterhouseCoopers, Ernst & Young and KPMG – to carry out the review. The east-based Central Bank's governor, Ali al-Hibri, said he wants a complete audit of how oil revenues are spent "from the beginning to the end. This means scrutinising the money trail from the first entry of funds into the Central Bank's accounts all the way to the verification of delivery of goods and services paid for". Crisis Group interview, Tunis, 24 July 2018.

⁵³ UN Security Council press statement on Libya, SC/13429, UN Security Council, 19 July 2018.

⁵⁴ Televised speech of NOC Chairman Mustafa Sanallah, 8 July 2018, www.youtube.com/watch?v=skoSpJTtoGV8&feature=youtu.be.

⁵⁵ The Libyan National Army reportedly ordered al-Hasi arrested after he contravened orders from one of Haftar's sons to allow tankers previously contracted by the Tripoli NOC to continue loading crude oil in spite of the LNA's decision to transfer control of the terminals to the eastern NOC. Haftar's forces released him after two days. Crisis Group interview, Western diplomats, Tunis, 10-12 July 2018. News of al-Hasi's arrest was denied by an LNA supporter. Crisis Group phone interview, Benghazi, July 2018.

requesting Libyan stakeholders to end their feud and resume production.⁵⁶ The U.S. called on Haftar's main regional allies, Egypt and the United Arab Emirates, as well as Italian security officials, to convey this request explicitly – not so much out of concern for the possible economic repercussions for Libya or the risk of renewed fighting over the terminals, but to boost global oil production ahead of the U.S.'s reimposition of sanctions on Iran's oil exports.⁵⁷ On 11 July, the internationally recognised NOC lifted the force majeure announcement for all eastern ports, and exports resumed.⁵⁸

⁵⁶ Crisis Group interviews, Western diplomats, Tunis, 11-12 July 2018.

⁵⁷ Crisis Group interview, Western diplomat, Tunis, 11 July 2018.

⁵⁸ "NOC lifts force majeure at oil ports", NOC statement, 11 July 2018.

III. Lingering Issues

The end of the standoff and the reopening of the terminals came as a relief to financial authorities in Tripoli and reduced the risk of another attempt by groups in western Libya to take the oil crescent. But a number of issues linger: one is the continued deterioration of living conditions and lack of economic reforms. Economic hardship is causing widespread anger, as are limits on access to foreign currency at the official exchange rate. These troubles are the backdrop to the Libyan National Army's request that the Tripoli-based Central Bank governor, Saddik ElKebir, be removed from office. A second unresolved issue is the eastern government's insistence that Benghazi be the NOC's official headquarters and that the NOC's head, Mustafa Sanallah, be replaced. A third is ongoing attempts by a number of groups in both eastern and western Libya, including Haftar supporters, to form a new government of national unity that they believe could end institutional divides.

A. *The Standoff over Financial Management*

Concerns in both eastern and western Libya about the management of the country's wealth have mounted over the past year. A May 2018 report of the Tripoli-based Audit Bureau, the government accountability watchdog, left no doubt that the Tripoli government has mismanaged funds and that some of the capital's powerful armed groups are using their influence over state institutions to enrich themselves.⁵⁹ Libyans appear increasingly angered by the concentration of power in a few armed groups in Tripoli; in eastern Libya this grievance has become part of a narrative that blames Tripoli for squandering public funds and failing to carry out urgent reforms to stabilise the economy.⁶⁰ On the other hand, the Central Bank based in al-Beyda also has been accused of a lack of transparency and embezzlement, and corruption is reportedly widespread in the east as well.⁶¹ Such accusations, often voiced in the west, tend to be overlooked in the east.

⁵⁹ Annual report for 2017, Libya Audit Bureau. Officials at the Tripoli-based Central Bank of Libya counter that some of the accusations the Audit Bureau levelled against them were exaggerated and stemmed from the bureau's lack of proper understanding of financial transactions. Written replies of the Central Bank of Libya to the 2016 and 2017 Audit Bureau reports, shared with Crisis Group, May-June 2017. As Crisis Group has highlighted in the past, Libya's anarchy enables widespread corruption, with billions of dollars of state funds siphoned off through letters of credit fraud, inflated government contracts or the smuggling of subsidised products. See Crisis Group Report, *The Prize: Fighting for Libya's Energy Wealth*, op. cit. See also Wolfram Lacher and Alaa al-Idrissi, "Capital of Militias: Tripoli's Armed Groups Capture the Libyan State", Small Arms Survey, June 2018; Tim Eaton, "Libya's War Economy: Predation, Profiteering and State Weakness", Chatham House, 12 April 2018.

⁶⁰ Such accusations often overlook the fact that the top officials of the Tripoli government in charge of overseeing finances are from eastern Libya: Finance Minister Osama Hamad comes from Zuwetina, Economy Minister Nasr Fadallah Aoun from al-Beyda and Deputy President of the Presidency Council Fathi al-Majbari, who was in charge of the government's budget allocations (prior to his 18 July resignation), from the eastern oasis town of Jalo. Majbari has lived most of his life in Benghazi.

⁶¹ Crisis Group interviews, government and Central Bank officials, Tripoli, May 2018; Western diplomat, Tunis, July 2018.

Although oil exports and government revenues have increased over the past year – in good part because the NOC has been able to export more, and at a higher price, than previously – ordinary people's living conditions have worsened.⁶² Purchasing power has fallen, due to chronic cash shortages and high inflation, and public services have eroded. Discontent has built up over the realisation that a few prosper while most households struggle to make ends meet. A tribal representative from the oil crescent said:

How can it be that international oil prices have risen, and oil production has gone up to over one million barrels per day, and yet we feel that we are poorer by the day? We don't have access to cash. Food prices are higher than ever. In our tribe we used to have a cash fund to support our tribesmen in need, but now that fund has dried up because everybody is in need and nobody has money to contribute to the fund anymore. It is the same with other tribes.⁶³

On top of these considerations, there is also anger at the consolidation of a dysfunctional status quo – an important motive for residents of oil-rich eastern areas, in particular, who saw closing the terminals as a tool to force change at both political and economic levels. As an activist from the oil crescent put it:

We see no hope at the end of the road. We were told that there would be a new government, but that did not happen. We were promised unified institutions, but things are more divided than ever. We thought there would be a new Central Bank governor who could resolve the problems, but he was not allowed to take office.⁶⁴

A primary goal of various factions in both eastern and western Libya, both during the standoff and since, is the removal of ElKebir. The Tobruk-based House of Representatives wants him replaced by Mohamed Shukri, whom it appointed as governor but who has been unable to assume his post while authorities in Tripoli dispute the appointment.⁶⁵ Neither the UN nor one of its member states has recognised the appointment. Anti-ElKebir factions in western Libya are divided between those who also support Shukri and those who would prefer a new candidate for the post.⁶⁶ But

⁶² Crude oil prices went from \$46 per barrel in mid-2017 to \$76 in mid-2017. In the same period, Libya's crude oil production went from 850,000 barrels per day to almost one million barrels per day. Data provided by a Central Bank official, Tunis, July 2018.

⁶³ Crisis Group interview, member of the Zwai tribe from Ajdabiya, Tunis, April 2018.

⁶⁴ Crisis Group phone interview, political activist from Ajdabiya, Cairo, April 2018.

⁶⁵ In November 2017, the House of Representatives voted to appoint Shukri as the Central Bank's new governor without consulting the Tripoli-based High State Council, as it should have according to the December 2015 Libyan Political Agreement. House President Aghela Saleh argued that since the House does not recognise the agreement, it could appoint a new governor without consulting the Council. Shukri was sworn in by the House in January 2018, but never took office because authorities in Tripoli did not recognise his appointment. Denied entry to the Central Bank in Tripoli, he refused to work solely as the head of the unrecognised Central Bank in the east. Key powerbrokers in Tripoli who were suspicious of Shukri for his perceived proximity to Haftar's circles also vowed to block him unless consensus on his appointment could be reached.

⁶⁶ Alignments on this issue are not clear-cut. These alignments largely depend on how supportive individuals, including businessmen and members of armed groups, are of Haftar and former Qadhafi

ElKebir, who has been Central Bank governor since 2012, continues to enjoy support among key stakeholders across the political spectrum who believe that accusations against him of mismanagement and corruption are politically driven and baseless. Some interlocutors say support for ElKebir might be dictated to a certain degree by self-interest, since they believe promises of letters of credit are known to have influenced the position of key stakeholders, including in the Tobruk House of Representatives and the High State Council, who at one point called for his removal but then backtracked.⁶⁷ Yet ElKebir continues to enjoy considerable support, especially in Tripoli, among those who view him as competent and serving the national interest.⁶⁸ There is also an ideological dynamic at work: some see him as linked to the Muslim Brotherhood, while their opponents see him as a bulwark against the encroachment of former regime elements.

In a 4 July statement, the Libyan National Army requested fulfilment of Shukri's appointment as a precondition for resolving the standoff over the oil crescent.⁶⁹ Key stakeholders in Tripoli are likely to meet this request with intransigence, viewing it as an imposition of someone who will bankroll the LNA. Some Libyans who oppose Shukri's appointment are also concerned that a candidate beholden to the House of Representatives may be inclined to increase public expenditures to appease political factions and thereby draw down on foreign currency reserves much faster, which in turn would worsen the monetary crisis.⁷⁰ Some Tripoli Islamists are willing to recognise Shukri as ElKebir's replacement on condition they be allowed to choose his deputy, a demand Shukri has refused to accept.⁷¹ Negotiations have failed thus far.⁷² A new legal battle began when politicians in Tripoli filed a legal case claiming that the House lacked a legal quorum when it appointed Shukri, thereby hoping to undermine the Tobruk-based House.⁷³

regime elements, in which case they tend to be pro-Shukri, or of Islamist or anti-Haftar currents that instead support the selection of a new candidate.

⁶⁷ Crisis Group interviews, Libyan politicians and bankers, Tripoli, Tunis, 2017-2018.

⁶⁸ Crisis Group interviews, Libyan economists and politicians, Tripoli, Tunis, London, 2017-2018.

⁶⁹ Announcement of the General Command of the Libyan National Army concerning the oil terminals, 4 July 2018, *op. cit.*

⁷⁰ Crisis Group email exchange, UN official, London, July 2018.

⁷¹ Crisis Group interview, Mohamed Shukri, Tunis, July 2018. Shukri argued that accepting a deputy as part of a deal goes against the law governing Libya's Central Bank, according to which the deputy governor should be selected in consultations between the governor and the House of Representatives, then confirmed by the House. Shukri wants Ali al-Hibri to remain as his deputy, with Hibri's apparent agreement.

⁷² An early July meeting in Cairo between a House of Representatives delegation led by its speaker, Aghela Saleh, and a High State Council delegation led by its deputy president, Ahmed al-Langhi, failed to reach an agreement. Similar efforts led by the House's deputy speaker, Fawzi Nuweiri, have also been inconclusive. Crisis Group phone interview, High State Council member, Tripoli, 1 July 2018. Western diplomats confirm that there is little support in the council for appointing Shukri as Central Bank governor. Crisis Group interviews, Western diplomats, Tunis, July 2018.

⁷³ The plaintiffs claim that only 56 House of Representatives members attended the session (with 53 voting in favour of Shukri), whereas by the terms of the Libyan Political Agreement at least two thirds of this 200-member body are needed to reach the required quorum. Crisis Group phone interview, House member who filed the claim, Tripoli, 4 July 2018. According to Mohamed Shukri, since the House has not recognised the Libyan Political Agreement, pre-2015 rules for selecting the governor apply: a simple majority of attendees is sufficient. Crisis Group interview, Mohamed

A secondary goal that some eastern constituencies champion is the removal of Mustafa Sanallah as NOC chairman and the transfer of NOC headquarters to Benghazi, which they argue is the institution's legal seat on the basis of a 2013 government decree.⁷⁴ These individuals say Sanallah should be removed because of NOC corruption, citing the Audit Bureau report as evidence.⁷⁵ Others say he crossed a red line when he compared the LNA to Ibrahim Jedran.⁷⁶ Sanallah's dismissal is allegedly also supported by Fathi al-Majbari, a Haftar ally on the Presidency Council (before his resignation in July 2018).⁷⁷

Sanallah is unlikely to be removed, however: he enjoys the support of most international oil companies, has a reputation inside the NOC for competence, and hails from the east where he enjoys support of some people, who are pressing Haftar to back off.⁷⁸ Although there have been tensions between Sanallah and the Presidency Council in the past – ironically over his pragmatic collaboration with Haftar in the oil crescent, as well as the Tripoli government's delays in providing the NOC with sufficient operational funds – it is difficult to imagine that Serraj, who has the authority to appoint the NOC chairman, would go down that road in the present circumstances.⁷⁹ When the LNA agreed to transfer management of the oil terminals back to the internationally recognised NOC, it dropped both the issue of Sanallah's removal and the request that the NOC be based in Benghazi. Some eastern Haftar supporters felt that he had "given up on some of Cyrenaica's requests too quickly".⁸⁰

Shukri, Tunis, July 2018. A politician close to the High State Council who participated in the 2015 agreement's drafting said that procedures for replacing the Central Bank governor and the heads of other state institutions were intended to block changes of the guard: "We insisted that any new appointment had to be approved with a two-thirds majority vote of the House of Representatives ... a target that we knew was going to be impossible to achieve. By putting the bar so high we were actually aiming to impede any change of leadership in these institutions until after elections". Crisis Group interview, Tripoli-based politician, Rome, June 2018.

⁷⁴ In June 2013, then Prime Minister Ali Zeidan decreed that the NOC headquarters be transferred to Benghazi. The order was not carried out but, according to the NOC chairman, the NOC took preliminary steps in subsequent years, including the purchase of land for a new headquarters in Benghazi and the commissioning of an architectural study. Crisis Group interviews, Mustafa Sanallah, 2016-2018.

⁷⁵ Crisis Group interview, pro-Haftar activist, Cairo, 26 June 2018. He claims that the Audit Bureau report highlights irregularities in over \$3 billion worth of payments. The NOC denied these allegations in a 63-page written response. Letter from the NOC to the Audit Bureau, NOC, 19 June 2018.

⁷⁶ Crisis Group interview, UN official, Rome, July 2018.

⁷⁷ Crisis Group phone interview, NOC officials, London, 26 June 2018.

⁷⁸ Crisis Group phone interview, Tripoli-based politician, Tripoli, July 2018.

⁷⁹ Serraj joined Sanallah in a visit to the offshore Bahr al-Salam gas field on 3 July 2018. Numerous photos have circulated of the two men together, an apparent sign of the prime minister's support of the NOC chairman. "Bahr Essalam Phase 2 offshore project begins production", NOC press statement, 3 July 2018.

⁸⁰ Crisis Group phone interview, LNA supporter, Benghazi, 12 July 2018. Some eastern activists are preparing to file a lawsuit in a Benghazi court to challenge the legality of Sanallah's 2014 appointment as NOC chairman.

B. *Potential for a Wider Political Shake-up*

For some in both east and west, the crisis over the oil crescent was an opportunity, beyond access to the Central Bank and NOC, to form a new unity government in Tripoli that includes Haftar representatives. House of Representatives President Aghela Saleh, Presidency Council member Ahmed Maitig and former Libyan Ambassador to the UAE Aref al-Nayed are three of the numerous personalities who appear to be working on this option outside the framework of the 2015 agreement and UN diplomatic efforts.⁸¹ There also is some support for this idea among Misratan stakeholders, who likewise appear to be attempting to forge an agreement with Haftar.⁸²

According to a member of the eastern government, speaking prior to the resolution of the oil terminal standoff, the LNA also supports the formation of a new government:

The creation of a unity government is the real aim of the LNA's announcement regarding the oil terminals. It is not about wanting to pursue independent oil sales. It is all about being able to form a new government in which they have a seat. And this makes sense. We cannot go to elections in this state of institutional division.⁸³

Some mid-ranking LNA commanders have voiced support for a new unity government that could replace the dysfunctional Government of National Accord, unify the divided institutions and lead the country to new elections.⁸⁴ Haftar made this request explicitly to the UN Special Representative Ghassan Salamé in February 2018; according to a UN official, a new unity government continues to be his objective.⁸⁵ Western diplomats who have met Haftar suggest that rather than forming a unity government, he wants the country to hold presidential elections in which he would present his candidacy. They further suggest that Haftar's main foreign ally Egypt, rather than Haftar himself, is the main backer a new unity government, and that some LNA commanders and pro-LNA politicians echo the call for that reason.⁸⁶

The main opposition to the idea of a unity government comes from Serraj. Without his buy-in it is doubtful that a unity government will come about. In a 18 July meeting with the EU and UN representatives, as well as ambassadors from key member states, he urged the international community not to heed calls for a unity government but instead to continue supporting the Government of National Accord.⁸⁷

⁸¹ Crisis Group phone interviews, members of the east-based government, Benghazi, July 2018; Crisis Group interviews members of the Presidency Council, Tripoli, May 2018; Crisis Group phone interviews, Libyan politicians, Tripoli and Misrata, June-July 2018.

⁸² Crisis Group phone interview, Misratan politician, June-July 2018.

⁸³ Crisis Group phone interview, minister in the eastern government, Benghazi, 29 June 2018.

⁸⁴ Crisis Group phone interviews, LNA commanders, Benghazi, June 2018.

⁸⁵ Crisis Group interview, UN official, Tunis, July 2018.

⁸⁶ Crisis Group interview, Western diplomat, Tunis, July 2018.

⁸⁷ Crisis Group interviews, UN and EU officials, Tunis, July 2018. At that meeting several diplomats, who over time have become disaffected by the Tripoli-based government's shortcomings, countered Serraj by saying the government is failing to deliver services, is unable to unify the country's institutions and is barely functioning as a proper government, since it never holds cabinet meetings and many ministers are not up to their appointed tasks. They urged Serraj at the very least to consider overhauling his cabinet rather than perpetuating an unsustainable status quo.

Yet Fathi al-Majbari's resignation from the Presidency Council and rumours of another member's possible resignation have raised questions about the durability of the current political set-up.⁸⁸

Many Libyans, especially in the east, criticise the international community and the UN for lack of engagement in helping resolve the political and financial crises. They also blame the rival assemblies in Tobruk and Tripoli for failing to negotiate a new unity government. Their frustration has contributed to deepening animosity and fuelled local calls to shut down the oil terminals in June. "Nobody is doing anything. So we need to do something drastic in order to force change", an advocate of this approach said.⁸⁹ The virtual absence of the UNSMIL from eastern Libya, despite promises in early March 2018 to open an office in Benghazi, indirectly helped such views to gain traction.⁹⁰

The formation of a new unity government would be welcome and could no doubt solve many institutional problems. But despite a number of Libyan politicians' optimism that this goal is within reach, the necessary preconditions are not in place. Key stakeholders' contradictory aspirations to gain positions in the Presidency Council, or even to become prime minister, coupled with the impossibility of achieving a majority vote within a divided House of Representatives, will likely scuttle these initiatives. Moreover, most of the militias and politicians in Tripoli have a vested interest in maintaining the status quo, because without a unified government they have a better chance to continue pillaging state resources through direct or indirect means.

⁸⁸ When it was created in December 2015, the power-sharing Presidency Council was composed of nine members representing Libya's three historical regions. By July 2018, Fathi al-Majbari, Ali Qatrani, Musa al-Koni and Omar al-Aswad had all either resigned or suspended their participation in the council. The remaining active members are: Faiez Serraj (president), Ahmed Maitig, Abdelsalam Kajman, Mohammed Ammari and Ahmed Hamza.

⁸⁹ Crisis Group interview, east-based advocate for the closure of the oil terminals, Tunis, April 2018. The pressure in the east for the Libyan National Army to do something was mounting before Jedran's offensive: in early June a non-military LNA adviser warned that the LNA's General Command "was under huge pressure to close the ports". Crisis Group phone interview, Benghazi, 10 June 2018.

⁹⁰ In his 21 March 2018 address to the UN Security Council, Salamé announced that UNSMIL would reopen an office in Benghazi. Yet to date UN presence in eastern Libya has been limited to occasional visits by UN staff. Crisis Group interviews, UN officials, Rome, Brussels, June-July 2018. In his 16 July address to the UN Security Council, Salamé stated that UNSMIL would open offices in Benghazi within a few weeks.

IV. Avoiding Another Crisis

The current constellation of forces provides an opening for a sustained nationwide effort to address and perhaps even resolve the Libyan conflict's financial challenges. The Serraj government and its international backers, as well as authorities in the east, should heed calls by numerous Libyan stakeholders and the general public for more transparency and accountability. One positive sign is NOC Chairman Mustafa Sanallah's decision to meet with the executive director of the Extractive Industries Transparency Initiative (EITI) in late July 2018 and discuss the NOC's possible adoption of the initiative's governance principles.⁹¹ International oil companies operating in Libya should support this project. Specific steps to open up the budgeting and spending processes could also serve as building blocks for addressing other economic problems and deciding on a security arrangement for the oil installations. Progress on these fronts, in turn, could open channels of communication between adversaries and pave the way for a broader political settlement.

Libyan stakeholders are likely to need an international push to move in this direction. The UN and member states should rally behind the call for an international review of the Central Bank and increase their engagement with eastern constituencies, including parallel institutions, to chart a reunification plan with their Tripoli counterparts. They should also urge their Libyan interlocutors to prioritise discussing security for Libya's oil and gas installations to prevent renewed fighting over these facilities.

A. *The Need for an Independent International Audit*

As a first step, rather than focusing on who controls economic institutions, the two parallel governments and Central Banks should follow up on Serraj's request for an external review of the Central Bank under international supervision. A better understanding of how the two banks have allocated money over these past four years is a precondition of any successful reform package and could be an important first step toward unifying the country's finances.⁹² A review must be carried out in a timely manner, and Libyan politicians should not use calls for the formation of an international

⁹¹ EITI, launched in 2002, is a global initiative that seeks to ensure good governance in extractive industries across the world. The initiative has overseen the disclosure of \$2.4 trillion worth of revenues to date, and 51 countries have adopted its principles. "NOC chairman meets EITI", press release, NOC, 27 July 2018.

⁹² The only precedent for an international audit of a country's Central Bank is the European Commission-funded audit of the Liberian Central Bank in 2005. This review was agreed upon by the National Transitional Government of Liberia, in consultation with a consortium of regional and international donors, in an attempt to address serious corruption and mismanagement of public finances in post-conflict Liberia. Subsequent to the audit, donors established a Governance and Economic Management Assistance Program, which (among other steps) embedded international advisers with co-signing authority in every key spending ministry, agency and state-owned enterprise, as well as the Central Bank itself. The proposal for robust external intervention in Liberia's economic governance was controversial. See Renata Dwan and Laura Bailey, "Liberia's Governance and Economic Management Assistance Programme (GEMAP): A Joint Review by the Department of Peacekeeping Operations' Peacekeeping Best Practices Section and the World Bank's Fragile States Group", UN Department of Peacekeeping Operations and World Bank, May 2016.

committee as a way to “buy time”, as some of Serraj’s critics accuse him of doing.⁹³ Yet details of how this process should unfold are still lacking. Serraj himself did not have a clear model in mind when he made the request, and all options are still on the table.⁹⁴

The UN has an important role to play as a facilitator and overseer of the review. The UN Security Council has tasked Ghassan Salamé with presenting proposals for how it should take place. But before he can do so, UNSMIL officials should engage in shuttle diplomacy between representatives of the two banks and the two Ministries of Finance to ensure a modicum of consensus on the path ahead; and they should consult with the World Bank and the International Monetary Fund (IMF) on the range of possibilities.

An overarching goal should be to use the review to establish a wider process for economic reconciliation, a fundamental element of any solution to Libya’s conflict. This will entail further consultations with other Libyan parties, such as the Presidency Council, the Audit Bureau and the House of Representatives. Although the time necessary to carry out these consultations should not lessen the momentum of the review process, it is important for creating a longer-term negotiation track for addressing economic elements of the conflict.

Salamé should follow up these initial consultations with an invitation to the two bank presidents to meet face to face – something that has not happened before – to negotiate a more concrete and detailed agreement on the exact terms and procedures of such a review, who should receive the final report, and commitments about follow-up. Only after these steps should Salamé submit a proposal to the Security Council, ideally pivoting as much as possible from the current stress on a narrow review on spending to the wider goal of having a forum in which Libyan actors can reduce institutional divides and build consensus on how to tackle the country’s economic challenge.

Most relevant Libyan and international bankers agree that a review, to be credible, should be undertaken by one of the four leading international auditing companies (KPMG, Ernst & Young, PricewaterhouseCoopers and Deloitte), which have the skills and resources to carry it out.⁹⁵ The World Bank, the IMF and UNSMIL can provide advice but none has the capacity to perform a review of government accounts itself.

Different opinions exist as to whether the review should be a proper large-scale audit or, as Serraj’s request suggested, just a “review”. What precisely he meant is unclear but the term suggests a relatively quick look into the general flow of funds, not a detailed monitoring of individual transactions performed by the two banks. A proper audit, with forensic accounting techniques to review past financial operations, will be labour- and time-intensive. A speedier process might help peace-building efforts by providing a vehicle for reunification without triggering a blame game about alleged corrupt practices. At the same time, a thorough audit would serve Libya’s long-

⁹³ Crisis Group interview, Libyan politician, Tunis, July 2018.

⁹⁴ Crisis Group interviews, UN officials, Tunis, Tripoli, July 2018.

⁹⁵ Crisis Group phone interviews, Western economists, Libyan bankers and UN officials, Tripoli, Washington, Tunis, July 2018. Some Libyans reject the idea that one of these “big four” companies be tasked with the audit, arguing that all of them are somehow connected to different Libyan personalities, and call instead for one of the “big ten” to get the assignment.

term interests by paving the way for greater transparency and oversight of financial transactions generally. UN-led consultations should define the most important and realistic objective to be achieved, and propose a format that strikes a balance between conflicting priorities. As establishing a process through which the reconciliation of the Central Bank of Libya's rival branches can be negotiated should be the overarching goal of the review, a shorter process aimed at this should be the initial focus, since a reunited bank can choose to carry out as more in-depth audit at a later point.

Some have expressed concern that an audit, or even a review, could be inflammatory if it uncovers shady financial dealings. The UN should make clear that the process is not aimed at incriminating anyone, but is a necessary first step toward fixing things – and encourage Libyan stakeholders to publicly endorse such an approach. In order to address the potential backlash of being perceived as exclusionary and dismissive of the public's demands for transparency and accountability, which risks making the UN seem complicit in covering up corruption, both international and Libyan stakeholders involved in the process should send a clear political message that the Central Bank's reunification is the priority.

While an international audit (or review) is a necessary step toward sanitising the Libyan economy, it will not be a sufficient one. Relevant Libyan stakeholders should consider broader transparency measures as well, such as publishing the budget and greater scrutiny of disbursements. All of these steps, coupled with deeper economic reforms, including a currency devaluation, will be needed to start tackling head on the feud over mismanagement of state funds.

B. The Need for the UN to Engage the East

The events in the oil crescent suggest that international stakeholders in Libya have neglected the country's internal regional dynamics. To better understand eastern grievances, UNSMIL must establish a permanent physical presence there as soon as possible, and actively engage in public debates concerning the administration and distribution of public resources – if not to counter public narratives, then at least to be seen as addressing them.

Frustration over deteriorating living conditions, the breakdown in services and widespread corruption is not limited to eastern Libya, but these problems appear to have the greatest resonance there; moreover, in the east they can be more easily manipulated to deepen opposition to Tripoli's influence. Salamé has regularly raised the challenge of what he has termed the “economy of predation”, but he and his staff will need to step up efforts to translate rhetoric into action. He should put together a larger UNSMIL team for this purpose and seek outside expertise. Salamé could then supplement the political action plan he launched in September 2017, which established steps needed to prepare the country for elections by the end of 2018, with a parallel economic analytical prism.

The UN should also reconsider its position with regard to engaging with the rival institutions. Over the past two and half years, the UN and diplomats in Libya have complied with successive UN Security Council resolutions calling on member states to stop contact with institutions not recognised by the Government of National Accord.⁹⁶

⁹⁶ UN Security Council Resolutions 2259 (2015), 2278 (2016) and 2362 (2017).

Yet ignoring these institutions has done no good. Engagement need not entail legal recognition; after all, most regional and international actors have talked to Haftar, even though the Libyan Political Agreement does not recognise the Libyan National Army. UN Security Council members and the UN Department of Political Affairs should consider instructing UNSMIL to engage with officials in eastern Libya with the purpose of charting a path toward unification of parallel institutions.

C. *The Need to Address the Security and Reconciliation Dimensions of the Crisis*

The current crisis also has highlighted the need to tackle the Petroleum Facilities Guard issue in a more concerted manner by encouraging the Tripoli government and NOC to agree with the LNA on the guard's responsibilities and chain of command and by including the guard in any negotiations on the restructuring of Libya's security sector. The rival claims as to who should command this force will only fuel conflict, as the events of June 2018 have shown. The guard's internal hierarchy needs to be negotiated, since this matter has not been dealt with in any of the forums seeking to tackle security sector reorganisation.⁹⁷ There is a window of opportunity now, while UNSMIL is outlining a strategy for engagement with armed groups and the security sector. Including the guard in such efforts is essential to minimise chances of renewed fighting over control of the oil crescent.

The fact that anti-Haftar fighters from eastern Libya displaced in the west took part in the June 2018 offensive in the oil crescent highlights the grievances caused by the Libyan National Army's alleged abuses. Participants in the offensive included members of the Magharaba tribe angered by the LNA's tactics, as well as former Benghazi-based fighters who fiercely oppose the LNA because it kicked them (and their families) out of the city and because they blame it for extrajudicial killings across eastern Libya over the past three years. These fighters have sought to make their way back to Benghazi ever since, and see control of the oil crescent as one step in this direction. But as long as nothing is done to bridge Libya's divides, especially in Benghazi, and put in place a more widely accepted security and management arrangement, including an officially recognised and agreed-upon Petroleum Facilities Guard, such attacks will likely recur.

⁹⁷ The guard's status and command was not included in the so-called Cairo talks, an Egypt-led effort to unify the country's fragmented military apparatus. This dialogue – the only security track in the peace process for the moment – has gathered officers of Haftar's forces and a few high-ranking officers from the west loyal to the Government of National Accord. It excludes many others. UNSMIL has not seriously looked into the matter. In 2017, the Tripoli NOC contracted a British firm to advise it on options for improving security at oil and gas installations, but so far there is no concrete plan.

V. Conclusion

Recent events in the oil crescent reveal three things. First, the institutional rift that has divided Libya since 2014 has reached a critical point and can no longer remain unaddressed. There is a serious need for more direct UN engagement with Libya's parallel economic and financial institutions to chart a concrete action plan to end these divisions.

Secondly, when the international community speaks loudly and clearly with one voice in Libya, it can influence the course of events. There is no doubt that the UN and key member states' swift and concerted pressure on the Libyan National Army helped resolve the July standoff over control of oil and gas installations and revenues. The international community should maintain this unity.

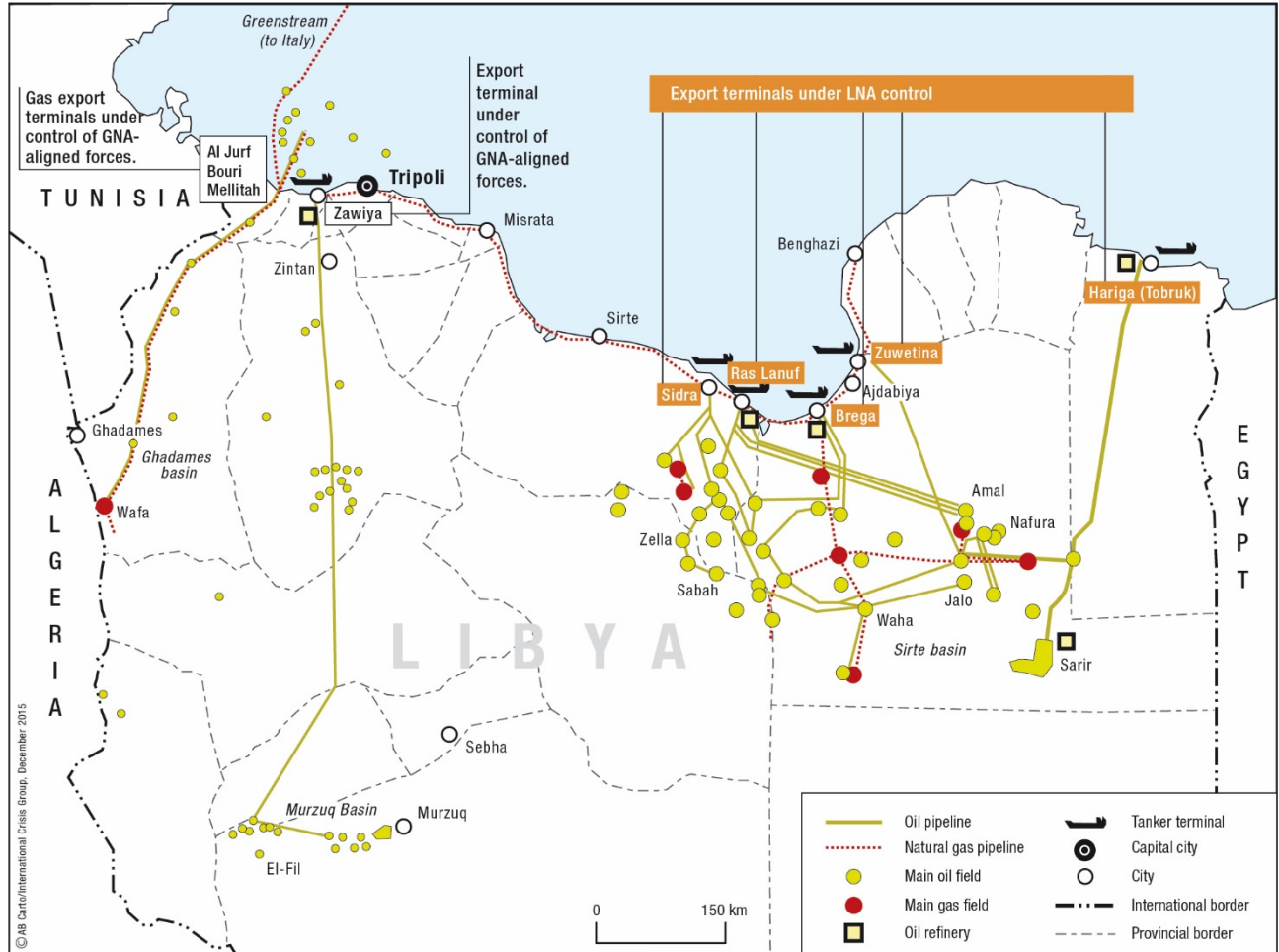
Thirdly, concrete action on the economic front and follow-up measures to address reciprocal allegations of mismanagement of public funds can help defuse tensions and, likewise, change the course of events. The request to review the Central Bank's accounts is the most tangible point of consensus among rival Libyan actors. The international community and relevant Libyan stakeholders should ensure that it is implemented.

The oil crescent crisis serves as a reminder that the Libyan conflict is multifaceted, with economic, military and political rifts feeding off one another, thus triggering further conflict, instability and grievance. Without minimum progress on the economic and security fronts, attempts to forge a political deal – the international community's primary focus – will remain stunted and may backfire.

For this reason, the focus of Libyan actors backed by international stakeholders should be to take pragmatic steps to address economic management and reunify divided institutions, and thus stabilise the country. In turn, progress on this front could be the basis for a broader political agreement and create a better environment for elections.

Tripoli/Tunis/Brussels, 9 August 2018

Appendix A: Map of Libya's Oil Crescent



Appendix B: About the International Crisis Group

The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with some 120 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries or regions at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international, regional and national decision-takers. Crisis Group also publishes *CrisisWatch*, a monthly early-warning bulletin, providing a succinct regular update on the state of play in up to 70 situations of conflict or potential conflict around the world.

Crisis Group's reports are distributed widely by email and made available simultaneously on its website, www.crisisgroup.org. Crisis Group works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The Crisis Group Board of Trustees – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring the reports and recommendations to the attention of senior policymakers around the world. Crisis Group is chaired by former UN Deputy Secretary-General and Administrator of the United Nations Development Programme (UNDP), Lord (Mark) Malloch-Brown.

Crisis Group's President & CEO, Robert Malley, took up the post on 1 January 2018. Malley was formerly Crisis Group's Middle East and North Africa Program Director and most recently was a Special Assistant to former U.S. President Barack Obama as well as Senior Adviser to the President for the Counter-ISIL Campaign, and White House Coordinator for the Middle East, North Africa and the Gulf region. Previously, he served as President Bill Clinton's Special Assistant for Israeli-Palestinian Affairs.

Crisis Group's international headquarters is in Brussels, and the organisation has offices in seven other locations: Bogotá, Dakar, Istanbul, Nairobi, London, New York, and Washington, DC. It has presences in the following locations: Abuja, Algiers, Bangkok, Beirut, Caracas, Gaza City, Guatemala City, Hong Kong, Jerusalem, Johannesburg, Juba, Mexico City, New Delhi, Rabat, Tbilisi, Toronto, Tripoli, Tunis, and Yangon.

Crisis Group receives financial support from a wide range of governments, foundations, and private sources. Currently Crisis Group holds relationships with the following governmental departments and agencies: Australian Department of Foreign Affairs and Trade, Austrian Development Agency, Danish Ministry of Foreign Affairs, Dutch Ministry of Foreign Affairs, European Union Instrument contributing to Stability and Peace, European Commission, Directorate General for Neighbourhood Enlargement Negotiations, Finnish Ministry for Foreign Affairs, French Development Agency, French Ministry of Europe and Foreign Affairs, Irish Aid, Japan International Cooperation Agency, Principality of Liechtenstein, Luxembourg Ministry of Foreign Affairs, New Zealand Ministry of Foreign Affairs and Trade, Norwegian Ministry of Foreign Affairs, Swedish Ministry of Foreign Affairs, and the Swiss Federal Department of Foreign Affairs.

Crisis Group also holds relationships with the following foundations: Carnegie Corporation of New York, Heinrich Böll Stiftung, Henry Luce Foundation, John D. and Catherine T. MacArthur Foundation, Konrad Adenauer Stiftung, Korea Foundation, Oak Foundation, Omidyar Network Fund, Open Society Foundations, Ploughshares Fund, Robert Bosch Stiftung, Rockefeller Brothers Fund, and Wellspring Philanthropic Fund.

August 2018

Appendix C: Reports and Briefings on the Middle East and North Africa since 2015

Special Reports

Exploiting Disorder: al-Qaeda and the Islamic State, Special Report N°1, 14 March 2016 (also available in Arabic and French).

Seizing the Moment: From Early Warning to Early Action, Special Report N°2, 22 June 2016.

Counter-terrorism Pitfalls: What the U.S. Fight against ISIS and al-Qaeda Should Avoid, Special Report N°3, 22 March 2017.

Israel/Palestine

The Status of the Status Quo at Jerusalem's Holy Esplanade, Middle East Report N°159, 30 June 2015 (also available in Arabic and Hebrew).

No Exit? Gaza & Israel Between Wars, Middle East Report N°162, 26 August 2015 (also available in Arabic).

How to Preserve the Fragile Calm at Jerusalem's Holy Esplanade, Middle East Briefing N°48, 7 April 2016 (also available in Arabic and Hebrew).

Israel/Palestine: Parameters for a Two-State Settlement, Middle East Report N°172, 28 November 2016 (also available in Arabic).

Israel, Hizbollah and Iran: Preventing Another War in Syria, Middle East Report N°182, 8 February 2018 (also available in Arabic).

Averting War in Gaza, Middle East Briefing N°60, 20 July 2018 (also available in Arabic).

Iraq/Syria/Lebanon

Arming Iraq's Kurds: Fighting IS, Inviting Conflict, Middle East Report N°158, 12 May 2015 (also available in Arabic).

Lebanon's Self-Defeating Survival Strategies, Middle East Report N°160, 20 July 2015 (also available in Arabic).

New Approach in Southern Syria, Middle East Report N°163, 2 September 2015 (also available in Arabic).

Arsal in the Crosshairs: The Predicament of a Small Lebanese Border Town, Middle East Briefing N°46, 23 February 2016 (also available in Arabic).

Russia's Choice in Syria, Middle East Briefing N°47, 29 March 2016 (also available in Arabic).

Steps Toward Stabilising Syria's Northern Border, Middle East Briefing N°49, 8 April 2016 (also available in Arabic).

Fight or Flight: The Desperate Plight of Iraq's "Generation 2000", Middle East Report N°169, 8 August 2016 (also available in Arabic).

Hizbollah's Syria Conundrum, Middle East Report N°175, 14 March 2017 (also available in Arabic and Farsi).

Fighting ISIS: The Road to and beyond Raqqa, Middle East Briefing N°53, 28 April 2017 (also available in Arabic).

The PKK's Fateful Choice in Northern Syria, Middle East Report N°176, 4 May 2017 (also available in Arabic).

Oil and Borders: How to Fix Iraq's Kurdish Crisis, Middle East Briefing N°55, 17 October 2017 (also available in Arabic).

Averting Disaster in Syria's Idlib Province, Middle East Briefing N°56, 9 February 2018 (also available in Arabic).

Winning the Post-ISIS Battle for Iraq in Sinjar, Middle East Report N°183, 20 February 2018 (also available in Arabic).

Saudi Arabia: Back to Baghdad, Middle East Report N°186, 22 May 2018 (also available in Arabic).

Keeping the Calm in Southern Syria, Middle East Report N°187, 21 June 2018 (also available in Arabic).

Iraq's Paramilitary Groups: The Challenge of Rebuilding a Functioning State, Middle East Report N°188, 30 July 2018 (also available in Arabic).

How to Cope with Iraq's Summer Brushfire, Middle East Briefing N°61, 31 July 2018.

North Africa

Libya: Getting Geneva Right, Middle East and North Africa Report N°157, 26 February 2015 (also available in Arabic).

Reform and Security Strategy in Tunisia, Middle East and North Africa Report N°161, 23 July 2015 (also available in French).

Algeria and Its Neighbours, Middle East and North Africa Report N°164, 12 October 2015 (also available in French and Arabic).

The Prize: Fighting for Libya's Energy Wealth, Middle East and North Africa Report N°165, 3 December 2015 (also available in Arabic).

Tunisia: Transitional Justice and the Fight Against Corruption, Middle East and North Africa Report N°168, 3 May 2016 (also available in Arabic and French).

Jihadist Violence in Tunisia: The Urgent Need for a National Strategy, Middle East and North Africa Briefing N°50, 22 June 2016 (also available in French and Arabic).

The Libyan Political Agreement: Time for a Reset, Middle East and North Africa Report N°170, 4 November 2016 (also available in Arabic).

Algeria's South: Trouble's Bellwether, Middle East and North Africa Report N°171, 21 November 2016 (also available in Arabic and French).

Blocked Transition: Corruption and Regionalism in Tunisia, Middle East and North Africa Report N°177, 10 May 2017 (only available in French and Arabic).

How the Islamic State Rose, Fell and Could Rise Again in the Maghreb, Middle East and North Africa Report N°178, 24 July 2017 (also available in Arabic and French).

How Libya's Fezzan Became Europe's New Border, Middle East and North Africa Report N°179, 31 July 2017 (also available in Arabic).

Stemming Tunisia's Authoritarian Drift, Middle East and North Africa Report N°180, 11 January 2018 (also available in French and Arabic).

Libya's Unhealthy Focus on Personalities, Middle East and North Africa Briefing N°57, 8 May 2018.

Making the Best of France's Libya Summit, Middle East and North Africa Briefing N°58, 28 May 2018 (also available in French).

Restoring Public Confidence in Tunisia's Political System, Middle East and North Africa Briefing N°62, 2 August 2018 (also available in French).

Iran/Yemen/Gulf

Yemen at War, Middle East Briefing N°45, 27 March 2015 (also available in Arabic).

Iran After the Nuclear Deal, Middle East Report N°166, 15 December 2015 (also available in Arabic).

Yemen: Is Peace Possible?, Middle East Report N°167, 9 February 2016 (also available in Arabic).

Turkey and Iran: Bitter Friends, Bosom Rivals, Middle East Briefing N°51, 13 December 2016 (also available in Farsi).

Implementing the Iran Nuclear Deal: A Status Report, Middle East Report N°173, 16 January 2017 (also available in Farsi).

Yemen's al-Qaeda: Expanding the Base, Middle East Report N°174, 2 February 2017 (also available in Arabic).

Instruments of Pain (I): Conflict and Famine in Yemen, Middle East Briefing N°52, 13 April 2017 (also available in Arabic).

Discord in Yemen's North Could Be a Chance for Peace, Middle East Briefing N°54, 11 October 2017 (also available in Arabic).

The Iran Nuclear Deal at Two: A Status Report, Middle East Report N°181, 16 January 2018 (also available in Arabic and Farsi).

Iran's Priorities in a Turbulent Middle East, Middle East Report N°184, 13 April 2018 (also available in Arabic).

How Europe Can Save the Iran Nuclear Deal, Middle East Report N°185, 2 May 2018 (also available in Persian and Arabic).

Yemen: Averting a Destructive Battle for Hodeida, Middle East Briefing N°59, 11 June 2018.

Appendix D: International Crisis Group Board of Trustees

CHAIR

Lord (Mark) Malloch-Brown
Former UN Deputy Secretary-General and Administrator of the United Nations Development Programme

PRESIDENT & CEO

Robert Malley
Former White House Coordinator for the Middle East, North Africa and the Gulf region

OTHER TRUSTEES

Foia Adeola
Founder and Chairman, FATE Foundation

Hushang Ansary
Chairman, Parman Capital Group LLC; Former Iranian Ambassador to the U.S. and Minister of Finance and Economic Affairs

Carl Bildt
Former Prime Minister and Foreign Minister of Sweden

Emma Bonino
Former Foreign Minister of Italy and European Commissioner for Humanitarian Aid

Cheryl Carolus
Former South African High Commissioner to the UK and Secretary General of the African National Congress (ANC)

Maria Livanos Cattau
Former Secretary General of the International Chamber of Commerce

Wesley Clark
Former NATO Supreme Allied Commander

Nathalie Delapalme
Executive Director and Board Member at the Mo Ibrahim Foundation

Alexander Downer
Former Minister of Foreign Affairs and High Commissioner to the United Kingdom of Australia

Sigmar Gabriel
Former Minister of Foreign Affairs and Vice Chancellor of Germany

Robert Fadel
Former Member of Parliament in Lebanon; Owner and Board Member of the ABC Group

Frank Giustra
President & CEO, Fiore Group

Hu Shuli
Editor-in-chief of Caixin Media; Professor at Sun Yat-sen University

Mo Ibrahim
Founder and Chair, Mo Ibrahim Foundation; Founder, Celtel International

Ellen Johnson Sirleaf
Former President of Liberia

Yoriko Kawaguchi
Former Foreign Minister of Japan; former Environment Minister

Wadah Khanfar
Co-Founder, Al Sharq Forum; former Director General, Al Jazeera Network

Nasser al-Kidwa
Chairman of the Yasser Arafat Foundation; Former UN Deputy Mediator on Syria

Andrey Kortunov
Director General of the Russian International Affairs Council

Ivan Krastev
Chairman of the Centre for Liberal Strategies (Sofia); Founding Board Member of European Council on Foreign Relations

Ramtame Lamamra
Former Minister of Foreign Affairs of Algeria; Former Commissioner for Peace and Security, African Union

Tzipi Livni
Former Foreign Minister and Vice Prime Minister of Israel

Helge Lund
Former Chief Executive BG Group (UK) and Statoil (Norway)

Shivshankar Menon
Former Foreign Secretary of India; former National Security Adviser

Naz Modirzadeh
Director of the Harvard Law School Program on International Law and Armed Conflict

Saad Mohseni
Chairman and CEO of MOBY Group

Marty Natalegawa
Former Minister of Foreign Affairs of Indonesia, Permanent Representative to the UN, and Ambassador to the UK

Ayo Obe
Chair of the Board of the Gorée Institute (Senegal); Legal Practitioner (Nigeria)

Thomas R. Pickering
Former U.S. Under Secretary of State and Ambassador to the UN, Russia, India, Israel, Jordan, El Salvador and Nigeria

Ahmed Rashid
Author and Foreign Policy Journalist, Pakistan

Wendy Sherman
Former U.S. Under Secretary of State for Political Affairs and Lead Negotiator for the Iran Nuclear Deal

Alexander Soros
Deputy Chair of the Global Board, Open Society Foundations

George Soros
Founder, Open Society Foundations and Chair, Soros Fund Management

Pär Stenbäck

Former Minister of Foreign Affairs and of Education, Finland; Chairman of the European Cultural Parliament

Jonas Gahr Støre

Leader of the Labour Party and Labour Party Parliamentary Group; former Foreign Minister of Norway

Jake Sullivan

Former Director of Policy Planning at the U.S. Department of State, Deputy Assistant to President Obama, and National Security Advisor to Vice President Biden

Lawrence H. Summers

Former Director of the U.S. National Economic Council and Secretary of the U.S. Treasury; President Emeritus of Harvard University

Helle Thorning-Schmidt

CEO of Save the Children International; former Prime Minister of Denmark

Wang Jisi

Member, Foreign Policy Advisory Committee of the Chinese Foreign Ministry; President, Institute of International and Strategic Studies, Peking University

PRESIDENT'S COUNCIL

A distinguished group of individual and corporate donors providing essential support and expertise to Crisis Group.

CORPORATE	INDIVIDUAL	
BP	(5) Anonymous	Stephen Robert
Shearman & Sterling LLP	Scott Bessent	Luděk Sekyra
Statoil (U.K.) Ltd.	David Brown & Erika Franke	Alexander Soros
White & Case LLP	Herman De Bode	Ian R. Taylor

INTERNATIONAL ADVISORY COUNCIL

Individual and corporate supporters who play a key role in Crisis Group's efforts to prevent deadly conflict.

CORPORATE	INDIVIDUAL	
Anonymous	(3) Anonymous	Faisal Khan
APCO Worldwide Inc.	Mark Bergman	Cleopatra Kitt
Atlas Copco AB	Stanley Bergman & Edward Bergman	Michael & Jackie Lambert
Chevron	David & Katherine Bradley	Samantha Lasry
Edelman UK	Eric Christiansen	Leslie Lishon
Eni	Sam Englehardt	Malcolm Hewitt Wiener Foundation
HSBC Holdings Plc	The Edelman Family Foundation	The New York Community Trust – Lise Strickler & Mark Gallogly Charitable Fund
MetLife	Seth & Jane Ginns	The Nommontu Foundation
Noble Energy	Ronald Glickman	Brian Paes-Braga
RBC Capital Markets	David Harding	Kerry Propper
Shell	Geoffrey R. Hogue & Ana Luisa Ponti	Duco Sickinghe
	Geoffrey Hsu	Nina K. Solarz
	David Jannetti	Clayton E. Swisher
		Enzo Viscusi

AMBASSADOR COUNCIL

Rising stars from diverse fields who contribute their talents and expertise to support Crisis Group's mission.

Amy Benziger	Lindsay Iversen	Nidhi Sinha
Tripp Callan	Azim Jamal	Chloe Squires
Kivanc Cubukcu	Arohi Jain	Leeanne Su
Matthew Devlin	Christopher Louney	Bobbi Thomason
Victoria Ergolavou	Matthew Magenheimer	AJ Twombly
Noa Gafni	Madison Malloch-Brown	Dillon Twombly
Christina Bache	Megan McGill	Annie Verderosa
Lynda Hammes	Hamesh Mehta	Zachary Watling
Jason Hesse	Tara Opalinski	Grant Webster
Dali ten Hove	Perfecto Sanchez	

SENIOR ADVISERS

Former Board Members who maintain an association with Crisis Group, and whose advice and support are called on (to the extent consistent with any other office they may be holding at the time).

Martti Ahtisaari Chairman Emeritus	Christoph Bertram	Wim Kok
George Mitchell Chairman Emeritus	Lakhdar Brahimi	Aleksander Kwasniewski
Gareth Evans President Emeritus	Kim Campbell	Ricardo Lagos
Kenneth Adelman	Jorge Castañeda	Joanne Leedom-Ackerman
Adnan Abu-Odeh	Joaquim Alberto Chissano	Todung Mulya Lubis
HRH Prince Turki al-Faisal	Victor Chu	Graça Machel
Celso Amorim	Mong Joon Chung	Jessica T. Mathews
Oscar Arias	Sheila Coronel	Miklós Németh
Richard Armitage	Pat Cox	Christine Ockrent
Diego Arria	Gianfranco Dell'Alba	Timothy Ong
Zainab Bangura	Jacques Delors	Roza Otunbayeva
Nahum Barnea	Alain Destexhe	Olara Otunnu
Kim Beazley	Mou-Shih Ding	Lord (Christopher) Patten
Shlomo Ben-Ami	Uffe Ellemann-Jensen	Surin Pitsuwan
	Stanley Fischer	Fidel V. Ramos
	Carla Hills	Olympia Snowe
	Swanee Hunt	Javier Solana
	Wolfgang Ischinger	