LIBYA

Libya is not ranked in the 2019 Index because of the lack of reliable comparable data on all facets of the economy. Official government compilations of economic data are inadequate, and data reported by many of the international sources upon which Index grading relies remain incomplete.

Political instability, factional clashes, and security threats from domestic and foreign followers of the Islamic State have made economic recovery and development in Libya fragile and uneven. The government faces the daunting challenges of disarming and demobilizing militias, enforcing the rule of law, and reforming the state-dominated economy. Power outages are widespread. Living conditions, including access to clean drinking water, medical services, and safe housing, have declined as more people have been internally displaced by the civil war. These problems will likely persist until a permanent government is in place. U.N.-sponsored parliamentary elections to unite rival eastern and western factions may occur in 2019.

BACKGROUND: Muammar Qadhafi seized power in 1969 and ruled as a dictator until he was overthrown and executed in 2011. Since then, the country has been engulfed in bitter factional infighting that has polarized Libyans along political, ethnic, tribal, and regional lines. In 2016, the U.N. brokered the establishment of a national unity government to replace two rival administrations, but little progress has been made in unifying the country. Oil and natural gas dominate the economy and provide almost all export revenues. Various militias, including the Islamic State in 2018, have attacked oilfields and seized oil infrastructure, threatening government control of oil and gas revenues.

ECONOMIC FREEDOM SCORE

REGIONAL AVERAGE (MIDDLE EAST/NORTH AFRICA REGION)

HISTORICAL INDEX SCORE CHANGE (SINCE 1996): 0.0

CONCERNS:
Government Spending and Investment Freedom

RELATIVE STRENGTHS:
Monetary Freedom and Labor Freedom

QUICK FACTS

POPULATION: 6.4 million
GDP (PPP): n/a
UNEMPLOYMENT: 17.7%
INFLATION (CPI): 28.0%
FDI INFLOW: n/a
PUBLIC DEBT: 4.7% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018.
Although Libyans may legally own property and start businesses, property rights are not protected, and contracts are not enforced. Property may be seized arbitrarily. Militants have confiscated businesses and homes in Benghazi and other eastern regions. The role of the judiciary remains unclear without a permanent constitution. Corruption is pervasive, and a general lack of security hinders reforms.

The top income tax rate is 10 percent, but other taxes make the top rate much higher in practice. Taxation has not been enforced effectively for years. Over the past three years, driven primarily by oil and gas revenues, government spending has amounted to 139.2 percent of the country’s output (GDP), and budget deficits have averaged 95.8 percent of GDP. Public debt is equivalent to 4.7 percent of GDP.

The existing regulatory framework is severely undermined by ongoing political uncertainty. The labor market remains destabilized, and the large informal sector is an important source of employment. Fearful of exacerbating social unrest, the central bank uses its large stock of foreign reserves to operate as a de facto ministry of finance in the absence of a unified government and prioritizes funding subsidies.

The combined value of exports and imports is equal to 108.7 percent of GDP. Political instability, exacerbated by security threats, is a significant impediment to foreign trade and investment. Libya’s financial infrastructure has been significantly degraded by unstable political and economic conditions. Limited access to financing severely impedes any meaningful private business development.