Liberia’s economic freedom score is 49.0, making its economy the 165th freest in the 2020 Index. Its overall score has decreased by 0.7 point, primarily because of a drop in the fiscal health score. Liberia is ranked 40th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

The Liberian economy has fallen further into the repressed category this year. GDP growth has also recorded a weak performance over the past five years.

The government’s desires to reduce poverty, create new jobs, meet critical infrastructure needs, and develop the agricultural sector to increase food production are not likely to be fulfilled without significant steps to improve the business and investment climates. The rule of law is not enforced effectively, and weak property rights and the judicial system’s lack of transparency seriously impede private-sector development. Sustained economic revitalization will depend on diversification, strengthened institutions, action to combat corruption, and political stability.

BACKGROUND: Settled in the 18th century by freed slaves, predominantly from the United States, Liberia enjoyed relative peace until a long and bloody civil war that ended in 1995. Rebel leader Charles Taylor was forced to step down as president in 2003 and was later convicted of war crimes. Ellen Johnson Sirleaf became president in 2006 and stabilized the country during her two terms. U.N. peacekeepers departed in 2016. Former soccer star George Weah defeated Vice President Joseph Boakai in the 2017 presidential election following delays while allegations of fraud were being investigated. Liberia is rich in natural resources, including rubber, mineral resources, and iron ore, but suffers from widespread poverty.

HISTORICAL INDEX SCORE CHANGE (SINCE 2009): +0.9

POPULATION: 4.5 million
GDP (PPP): $6.3 billion
1.2% growth in 2018
5-year compound annual growth 0.6%
$1,418 per capita

UNEMPLOYMENT: 2.0%
INFLATION (CPI): 23.4%
FDI INFLOW: $122.2 million
PUBLIC DEBT: 40.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019
In September 2018, the government passed the Land Rights Act, which guarantees legal certainty for every category of land ownership and provides the legal basis for resolving historical land problems that have caused conflicts over the years. Enforcement of contracts is a lengthy process. The judiciary is independent but weak and inadequately resourced. Some officials engage in corrupt practices with impunity.

Liberia’s top individual income and corporate tax rates are 25 percent. Other taxes include property taxes and goods and services taxes. The overall tax burden equals 11.9 percent of total domestic income. Government spending has amounted to 33.9 percent of the country’s output (GDP) over the past three years, and budget deficits have averaged 4.8 percent of GDP. Public debt is equivalent to 40.5 percent of GDP.

The government recently launched a Business Climate Working Group involving three branches of government and some business representatives. Access to electricity is increasing. Reliable labor force statistics do not exist. Most formal employment is with the government. The Liberian government influences the prices of many basic goods, and there are no plans for privatization of state-owned enterprises.

The total value of exports and imports of goods and services equals 120.9 percent of GDP. The average applied tariff rate is 12.2 percent, and nontariff barriers further restrict the freedom to trade. Foreign investment is permitted, but inadequate administrative infrastructure and a lack of transparency are deterrents. The high cost of credit and scarce access to financing hold back development of the private sector.