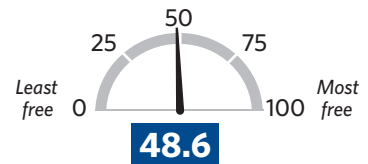


LIBERIA

Economic Freedom Score



World Rank: **154** Regional Rank: **35**

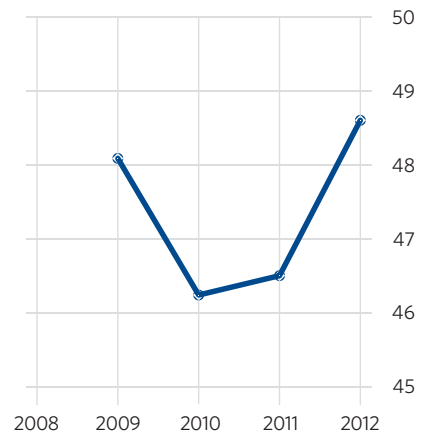
Liberia's economic freedom score is 48.6, making its economy the 154th freest in the 2012 *Index*. Its score has increased 2.1 points from last year, with higher scores in six of the 10 economic freedoms including freedom from corruption, business freedom, monetary freedom, and the management of government spending. The economy recorded one of the 10 largest score improvements in the 2012 *Index*. Liberia is ranked 35th out of 46 countries in the Sub-Saharan Africa region, and its overall rating remains significantly below the world and regional averages.

Despite the difficult global economic environment, Liberia's economy has expanded at an average rate of over 6 percent during the past five years. Foreign direct investment has picked up over the same period. Much-needed regulatory reforms have been undertaken in various sectors of the economy, enhancing the efficiency of the business environment. The corporate tax rate has been reduced, and licensing requirements have become less costly.

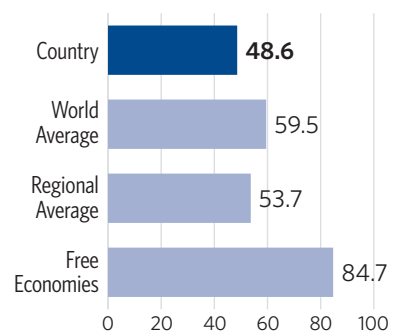
Liberia faces significant challenges in furthering its transition to a modern, open, market-based system. The foundations of economic freedom are fragile, and while the security situation has become more stable, the absence of a well-functioning legal system undermines protection of property rights and holds back efforts to eradicate corruption.

BACKGROUND: Founded in 1820 by freed American and Caribbean slaves, Liberia is Africa's oldest republic and one of the world's poorest countries. In 1997, after an eight-year civil war, rebel leader Charles Taylor was elected president. He was forced to resign in 2003. In 2005, Ellen Johnson Sirleaf became Africa's first democratically elected female president. Despite progress in recent years, corruption remains endemic. Unemployment and illiteracy are high, and instability, conflict, and international sanctions have destroyed most large businesses and driven out many foreign investors and enterprises. Rubber exports and the world's second-largest maritime registry generate major income, and private and public creditors have forgiven billions of dollars of loans to reduce Liberia's substantial public debt.

Freedom Trend



Country Comparisons



Quick Facts

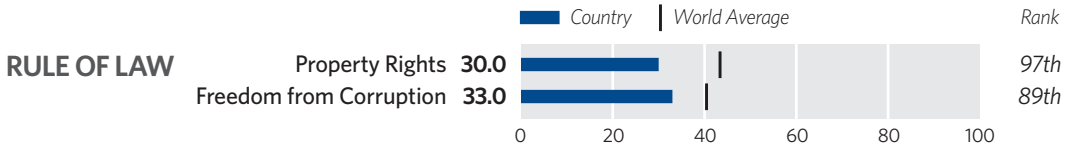
- Population:** 4.3 million
- GDP (PPP):** \$1.7 billion
- 5.1% growth in 2010
- 5-year compound annual growth 6.8%
- \$392 per capita
- Unemployment:** 85.0%
- Inflation (CPI):** 7.3%
- FDI Inflow:** \$248.0 million
- Public Debt:** 13.4 % of GDP

2010 data unless otherwise noted.
Data compiled as of September 2011.

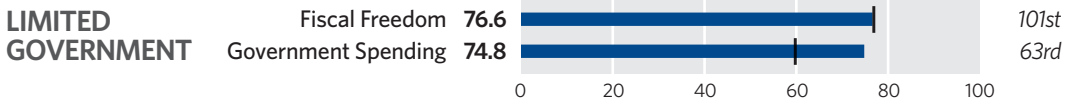
How Do We Measure Economic Freedom?

See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

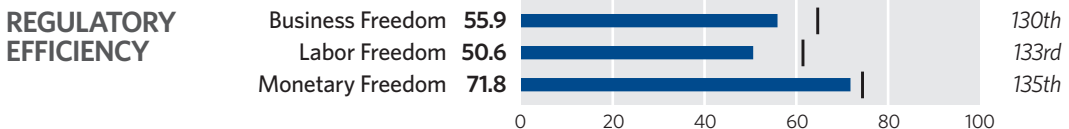
THE TEN ECONOMIC FREEDOMS



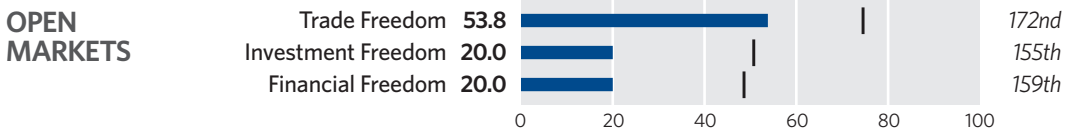
Property rights are not strongly protected, and the rule of law remains uneven across the country. A lack of adequate facilities for judicial officers degrades enforcement efforts. Although corruption has been endemic, the president and other high-level government officials have demonstrated a strong commitment to greater efforts to reduce bribery, control violence, and establish political stability.



The top income tax rate is 35 percent, and the top corporate tax rate is 25 percent. Other taxes include a property tax and a goods and services tax (GST), with the overall tax burden amounting to 22.1 percent of total domestic income. Government spending is equivalent to 29 percent of GDP. The budget balance has been in deficit, but the burden of public debt has decreased considerably in recent years.



Considerable efforts have been made to modernize the regulatory framework. The business start-up process is now more straightforward, with no minimum capital required. Fees related to completing licensing requirements, though still high, have been reduced considerably. The labor market is underdeveloped, and about 80 percent of the workforce is engaged in informal activity. Inflation has moderated, but monetary stability remains weak.



The trade weighted average tariff rate is prohibitively high at 15.6 percent, and complex non-tariff barriers further restrict freedom to trade. Foreign investment is permitted, but inadequate administrative infrastructure and a lack of transparency inhibit investment. The high cost of credit and scarce access to financing hold back development of the private sector. A large part of the population remains outside of the formal banking sector.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+3.3	Business Freedom	+4.1	Trade Freedom	0
Freedom from Corruption	+2.0	Government Spending	+8.3	Labor Freedom	+1.7	Investment Freedom	0
				Monetary Freedom	+2.3	Financial Freedom	0