

LIBERIA BUSINESS MISSION FACT SHEET 2010-2011



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BUSINESS OPPORTUNITIES

Mining plays a significant role in the Liberian economy accounting for about 30% of gross domestic product and averaging 68% of foreign exchange earnings.

Forests cover nearly half the land in Liberia and are a critical natural resource, although their full economic potential has never been realized.

Agriculture contributes to over 70% of the GDP. Rubber is the second most exported foreign exchange earning cash crop. Processing takes place only to the extent needed for overseas transport.

Many kinds of construction activity are growing in Liberia, as reconstruction progresses. One kind of special significance to the residents of Monrovia is the construction of affordable housing.

GENERAL INTRODUCTION

Liberia is one of the countries in Africa with a unique history notably because of its relations with the United States. It is one of the few countries in African and the only in West Africa without roots in the European scramble for Africa. It founded by the Americans in 1881-1882 as a place for freed slaves in the United States into Africa.

After a military coup in 1989 led by Samuel Doe in order to end a long reign of authoritarian rule in Liberia. In December 1989, Charles TAYLOR launched a rebellion against DOE's regime that led to a prolonged civil war in which DOE himself was killed.

During the period of short peace in 1997, an election was organized and Charles Taylor won and became the president of Liberia but shortly later, civil unrest resumed in 2000. An August 2003 peace agreement ended the war and prompted the resignation of former president Charles TAYLOR, who faces war crimes charges in The Hague related to his involvement in Sierra Leone's civil war.

In the democratic elections held in 2005, Ellen JOHNSON SIRLEAF successfully won the elections against former Liberian football superstar George Weah and became the first female president in Liberia since Independence. The UN Mission in Liberia (UNMIL) maintains a strong presence throughout the country, but the security situation is still fragile and the process of rebuilding the social and economic structure of this war-torn country will take many years.

COUNTRY FACTS

Area	Total	111,369 sq km
	Land	96,320 sq km
	Water	5,500 sq km
Coastline	579 km	
Terrain	mostly flat to rolling coastal plains rising to rolling plateau and low mountains in northeast	
Land use	arable land: 3.43% permanent crops: 1.98% other: 94.59% (2005 estimate)	
Irrigated land	30 sq km (2003 estimate)	
Population	3,441,790 (July 2009 est.)	
Population growth rate	2.665% (2009 est.)	

ECONOMIC FACTS

Subject	Unit	2004	2005	2006	2007	2008	2009	2010	2014
GDP Constant Price	Annual percentage change	2.6	5.3	7.8	9.4	7.1	4.9	6.3	12.9
GDP Current Price	Billion US dollars	0.459	0.528	0.612	0.735	0.836	0.846	0.93	-
GDP per Capita, current price	US dollars	136.928	153.495	170.889	195.88	212.064	204.74	215.643	-
Inflation rate, consumer price	Annual percentage change	3.6	6.9	7.2	13.7	17.5	7.3	5.0	5.0
Current account balance	Billion US dollars	-0.097	-0.203	-0.084	-0.208	-0.22	-0.363	-	-
Current account balance	Percentage of GDP	-21.1	-38.4	-13.8	-27.9	-25.9	-41.8	-60.7	-14.6

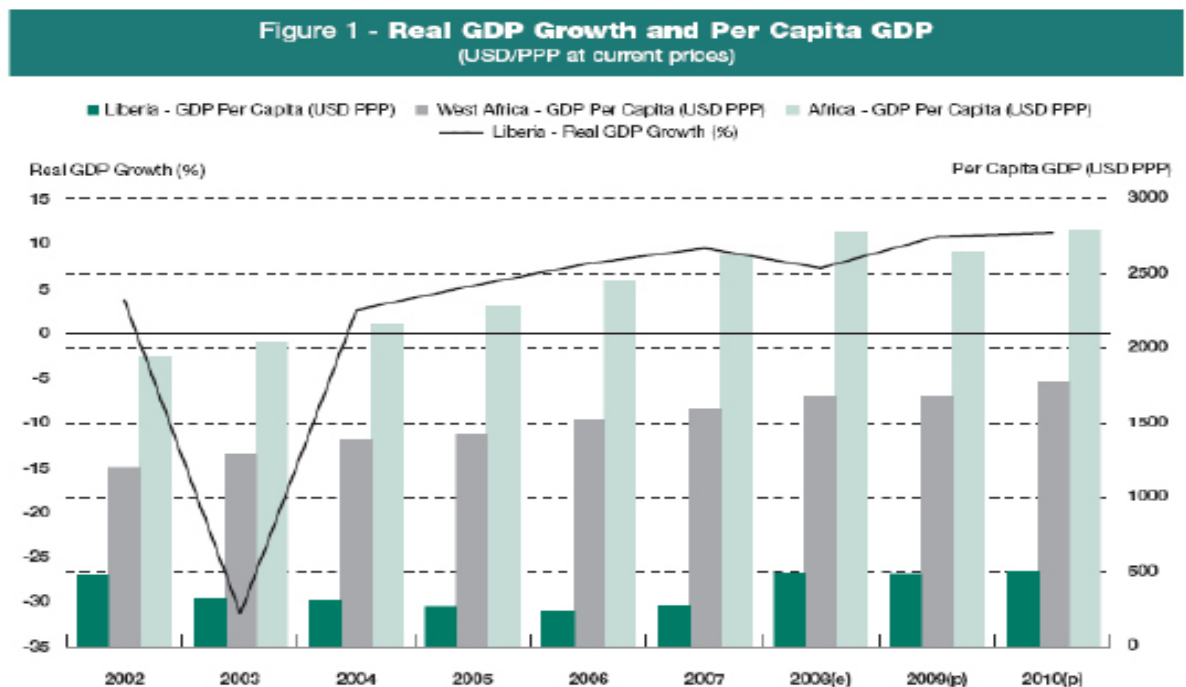
ECONOMIC SITUATION

The civil wars in the 1990's has hampered and destroyed most of Liberia's economy especially the infrastructures in and around Monrovia. This civil wars triggered most companies and business to move away from Liberia. The availability of rich natural resources such as water, mineral resources, forests, favorable climate for agriculture etc had made Liberia a producer and exporter of basic products as such as raw timber and rubber.

Agriculture accounts for 76.9 % of the country's GDP and employs 70% of the country's labor force. With a democratically elected government in place since January 2006, Liberia seeks to reconstruct its shattered economy. The Governance and Economic Management Assistance Program (GEMAP), which started under the 2003-2006 transitional government, is designed to help the Liberian Government raise and spend revenues in an efficient, transparent way.

The Liberian National Investment Commission reported \$97 million in new investment in 2007 and has set a target of \$100 million a year for future years. Investors are finding opportunities in mining, rubber, agro-forestry, light industry, and other sectors.

GDP GROWTH ANNUAL PERCENTAGE CHANGE



Source: IMF and Liberia Institute of Statistics and Geo-Information Services data; estimates (e) and projections (p) based on authors' calculations.

Political situation

Liberia has been devastated by a long civil war between 1989-2003 leading to the destruction of its economy and infrastructures especially in capital city Monrovia. The October 11, 2005 presidential and legislative elections and the subsequent November 8, 2005 presidential run-off were the most free, fair, and peaceful elections in Liberia's history. Ellen Johnson Sirleaf defeated international soccer star George Weah 59.4% to 40.6% to become Africa's first democratically elected female president. The political situation has remained stable since the 2005 elections. In order to maintain stability through the post-conflict period, Liberia's security sector reform efforts have led to the disarmament of more than 100,000 ex-combatants, the wholesale U.S.-led reconstruction of the Armed Forces of Liberia, and a UN-led effort to overhaul the Liberian National Police.

FOREIGN AID

The World Bank has US\$28 million as part of their portfolio focused on economic and good governance initiatives in Liberia. This is in support of the Governance and Economic Management Program (GEMAP) through technical assistance in: procurement and financial management reform, civil service reform, legal reform, forestry, mining, agriculture, telecom, and land sector reforms, the gender sector and statistical capacity development.

The United States is by far the largest single bilateral donor in Liberia, followed by the EU, the World Bank, the United Kingdom, Germany and Japan. Denmark, Sweden, Norway, the Netherlands, Ireland Spain, France, Italy, and the People's Republic of China, provide less funding, but are significant players in the relief sector. All the donors support the relief and reconstruction activities outlined in Liberia's Results Focused Transitional Framework.

FOREIGN INVESTMENT

Nevertheless since the assumption of power of the Johnson-Sirleaf's Administration FDI in 2007 was estimated at least \$130 million, although FDI data, like other economic data, are not yet wholly reliable in Liberia. Most of this investment went into rubber, telecommunications and manufacturing and construction with timber, agriculture and mining expected to be the next sectors to accelerate

FDI

Firestone, a central player in Liberia since 1926 continues to operate the world's largest rubber estate in the country.

The world's largest Steel Company, Arcelor Mittal announced in December 2007 that it was increasing its investment in Liberia from US \$1-billion to US \$1.5-billion dollars. The company has already begun operations in the country.

Black Entertainment Television (BET) founder Bob Johnson is building a four-star, beachfront resort near the Liberian capitol of Monrovia. It's scheduled to open in March of 2009.

Investment climate

There is growing investor interest in Liberia, particularly in agriculture, construction, the extractive industries and tourism. UN sanctions on timber exports were lifted in 2006 and on diamonds in early 2007 as Liberia became compliant with the Kimberly Process. The removal of sanctions opens the way to renewed investment activity in those sectors. The National Investment Commission announced US\$97 million in new investment in 2007, and total business registrations in 2006 increased 63% from the previous year, with indications of even greater growth in 2007.

There is tremendous demand for jobs, with employment in the formal economy estimated at about 15% of the available labor force. Most labor is unskilled, and the illiteracy rate is estimated to be between 60% and 85%. While there are no landline phones, cell phone service is widely available and coverage is being extended into rural areas. Although Internet access is available, it remains relatively expensive, especially for high-speed connections. Expanded investment in promising sectors such as agriculture, forestry, mining, or tourism, and the ability to provide affordable housing for more Liberians, depends on rapid clarification of the tangled land tenure regimes.

TRADE

Liberia belongs to ECOWAS which is an economic community for West African states. ECOWAS has the advantage of a free trade area and common external tariffs amongst member states. It should be noted that, Liberia recently adopted the ECOWAS mineral policies directive which is the harmonization of all mineral laws in the sub region. The main export partners of Liberia are Malaysia 38.2%, US 15.9%, Poland 12.3%, Germany 9%, Belgium 6%.

Below are the main export products of Liberia¹

<u>Product</u>	<u>Trade Value</u>	<u>Share</u>	<u>Growth</u>
	(thousands)	(%)	(% 5yr)
8901 - Vessels For Transport	691,284	19.46	48.90
4001 - Natural Rubber	231,010	6.50	224.53
2709 - Crude Oil	221,044	6.22	NA
2710 - Non Crude Oil	18,031	0.51	2,121.29
4002 - Synthetic Rubber	4,485	0.13	995.14
4901 - Books	2,131	0.06	9,894.65
8473 - Computer & Office Machines Parts	1,909	0.05	1,800.06
4016 - Articles of Vulcanized Rubber	1,542	0.04	21,677.36
2905 - Acyclic Alcohols	1,415	0.04	NA
7204 - Ferrous Waste & Scrap	1,339	0.04	(4.44)

Below are main import products of Liberia²

Top Products Imported by Liberia		Market Value : 17,336 (millions)	
<u>Product</u>	<u>Trade Value</u>	<u>Share</u>	<u>Growth</u>
	(thousands)	(%)	(% 5yr)
8901 - Vessels For Transport	5,156,319	29.74	49.41
2710 - Non Crude Oil	184,368	1.06	576.13
1006 - Rice	44,531	0.26	640.95
8903 - Yachts & Other Pleasure Vessels	22,443	0.13	5.09
7308 - Structures & Parts of Iron or Steel	12,418	0.07	(18.15)
8703 - Passenger Vehicles	11,030	0.06	186.50
8409 - Engine Parts	10,290	0.06	(40.82)
7326 - Articles of Iron & Steel	10,009	0.06	36.82
8704 - Trucks	8,946	0.05	338.55
3208 - Paint & Varnish	8,875	0.05	231.28

¹ <http://globaledge.msu.edu/countries/liberia/tradestats/>

² <http://globaledge.msu.edu/countries/liberia/tradestats/>

MINING

Mining plays a significant role in the Liberian economy accounting for about 30% of gross domestic product and averaging 68% of foreign exchange earnings. The major minerals are:

- GOLD
 - DIAMOND
 - IRON ORE and
 - BAUXITE
-
- All of these are mainly exported in a raw or semi-finished form. Liberia has large reserves of rich iron ore and was a major world exporter of the commodity.

The predominant position of Iron Ore mining in the economy has largely overshadowed the importance of the potential of other mineral resources, particularly in the fields of GOLD, DIAMOND and MANGANESE, amongst others.

Liberia has widespread occurrences of iron ore. Before the civil crisis (1951-1985), 613 metric tons of ore had been mined; it is estimated that there is a present reserves of 3,443 metric tons.

Opportunities

- Kimberlite pipes, the most important source of mined diamonds today, are being discovered in the western parts of Liberia
- Diamond Fields International has also discovered five kimberlites in the Camp Alpha area and further probes are being carried out to locate other occurrences of kimberlites.

Key players

- BHP Billiton
- Arcelor Mittal

AGRICULTURE

Agriculture contributes to over 70% of the GDP. Rice is one of the principal cash crops as well as staple food. Other principal crops grown in Liberia include, rubber, cocoa, coffee, oil palm, sugar cane, cassava, and to a lesser extent, a variety of fruits and vegetables. Live Stock includes cattle, pigs, goats and poultry. The country can boast of tremendous forest resources and therefore major potential for increasing agricultural production. There is a great potential for diversification efforts aimed at developing additional exports in the Agricultural and Agro-industrial sectors of the economy.

FORESTRY

Forests cover nearly half the land in Liberia and are a critical natural resource, although their full economic potential has never been realized. Until the UN sanctions on exports went on in 2003 (lifted in June 2006), Wood is Liberia's third major export commodity. Almost half of the country is covered with forest. The largest forest reserves are found in the Northwest and southeast regions of the country. Liberia's extensive tropical rain forests include mahogany, fig, rubber, ironwood, and various kinds of palms trees.

The Government is supportive, at the highest level, of increased processing of logs locally to enhance employment opportunities and generate more revenue for Government through increased value added.

Together with numerous international partners, FAO is successfully working to develop legitimate Liberian authorities equipped with the staff, skills and means to regain control over forest resources in order to manage them sustainably.

FAO is supporting the collection, analysis and dissemination of information to assist with policy-making and good governance. It will also train future forest operators in good forest harvesting practices together with the US Forest Service and finalize a Liberian forest harvesting code, the first ever in Liberia based on the FAO model code for Africa.

RUBBER

Rubber is the second most exported foreign exchange earning cash crop. Processing takes place only to the extent needed for overseas transport. Rubber is cultivated both by large foreign companies and Liberian small holders with the foreign controlling about half of the area under rubber cultivation.

There is a scope for investing in secondary processing activities within the rubber sub-sector of Liberia.

Liberian latex is exported in liquid form. With an annual production of 60,000 tons, Liberia accounts for 2 percent of the world's rubber market. If demand for condoms and latex gloves continues to grow, rubber experts here say that Liberia will expand latex production.

Opportunities

- All types of tires and tubes
- Inflatable rubber products
- Automotive and other molded rubber parts
- Medical and surgical rubber products
- Rubber-made sporting goods

Threats

- Depletion of natural resources
- competition

Weaknesses

- Illegal tapping of rubber from plantation workers
- Respect for workers conditions

Key players

Bridgestone Firestone

CONSTRUCTION

Many kinds of construction activity are growing in Liberia, as reconstruction progresses. One kind of special significance to the residents of Monrovia is the construction of affordable housing. The National Housing Authority has identified 150 acres (about 60 hectares) of land on the Robertsfield-Monrovia highway for the Gban Gbar Town project, to construct over 400 housing units at an estimated cost of USD 1.8 million. The Authority's longer-term five-year plan calls for the construction of housing estates of about 470 units each in all 16 counties of Liberia, at an estimated cost of USD 188 million. FDI is invited into both these projects.

Incentive for investment

Exemptions from trade taxes

- Machinery, equipment, raw materials, semi-finished products and other supplies to be used in the project are exempted from import duty up to 90% of their dutiable value.
- Manufactured goods exported from the production of the project are entitled to full rebate on import duties and full refund of both income tax and excise tax.

Exemptions from income tax

- Reinvested profits are exempted from income tax. However, if the reinvestment is in employee housing, the exemption is subject to prior approval from the National Investment Commission (NIC).
- Profits *not* reinvested are exempted from 50% of the income tax otherwise payable.

Other benefits

- Approved investment projects *may* receive certain additional benefits on application to the government, such as lease of land in government-owned industrial parks at a preferential rate, reasonable tariff protection, purchase of project products by government agencies, etc.

Conditions to be fulfilled

In order to be eligible for the incentives summarized above, the project must

- Fall within one or more of the areas listed in section 1 above under Priority areas,
- make a minimum investment of USD 100,000,
- employ and train Liberians at all levels and increase their numbers in case of expansion,
- use raw materials and other supplies of Liberian origin when their quality and price is roughly equal to that of imports, as determined by the government,
- produce local value added of 25% or more, and
- Leave an option open for Liberians to purchase shares or otherwise participate in the ownership of the project.

In addition to the conditions listed above, the investor needs to ensure that the investor's own risk-bearing capital is not less than one-third of the borrowed capital (if any). In granting incentives, the NIC takes into consideration the location of the project, its environmental impact and its potential for job creation.

Period of incentive grant and possible extension

The incentives summarized above are granted for a period of up to five years. Only one extension of the incentive period, for up to two additional years, is possible.

Conclusion:

Struck by prolong civil war, Liberia is becoming a very interesting country appealing to foreign investors. After the election of the new elected president Ellen JOHNSON SIRLEAF, Liberia has been pushing to enhance their economy through interesting sectors such as mining which accounts for about 30% of the GDP. Agriculture which accounts for close to 70% of the economy has investment opportunities in sectors such as rubber and forestry.

Appendix

Doing business report

Doing business	Rank 2010	Rank 2009	change
Doing Business	149	159	+10
Starting a Business	57	62	+5
Dealing with Construction Permits	135	179	+44
Employing Workers	121	118	-3
Registering Property	174	172	-2
Getting Credit	135	131	-4
Protecting Investors	147	143	-4
Paying Taxes	85	79	-6
Trading Across Borders	112	117	+5
Enforcing Contracts	166	167	+1
Closing a Business	148	148	0

Advantages for businesses investing in Liberia

- Stable environment with the assistance of over 15,000 UN Peace Keeping Troops
- Cheap labor
- Close to major markets in Europe and America
- Member of African Growth and Opportunity Act (AGOA)
- The U.S. Dollar is a legal tender
- 100% repatriation of funds and no currency exchange restrictions
- Official Language is English