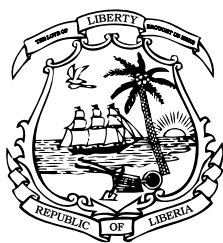


## The Investor's Guide to

# LIBERIA



NATIONAL  
INVESTMENT  
COMMISSION

THE CORPORATE COUNCIL ON  
**AFRICA**  
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# **THE INVESTOR'S GUIDE TO LIBERIA**

National Investment Commission  
Monrovia, Liberia, 2007



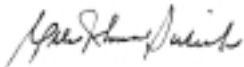
## **Message from the President**

I am pleased to release this investor's guide to Liberia.

As Liberia moves forward from the difficulties of its recent past into a phase of reconstruction and development, foreign direct investment (FDI) must play a major role in helping the country rebuild in many different ways. My government is keenly aware that FDI can bring not only new capital into the country, which we certainly need, but also the accompanying assets of new technology and access to foreign markets, which we need equally. The government is taking a number of initiatives to create a stable, secure and transparent environment for investors and we hope that investors will respond strongly to the numerous opportunities Liberia has to offer.

The basic message of this guide is simple:

*Liberia is open for business; come and help us rebuild our country.*



**Ellen Johnson-Sirleaf**  
President  
Republic of Liberia

## **Preface**

*The Investor's Guide to Liberia* is a publication of the National Investment Commission (NIC). The law establishing the NIC was passed in 1979, just as Liberia was about to enter upon a prolonged period of instability. The Commission was revitalized after the election of President Johnson-Sirleaf in late 2005 and given a fresh mandate to attract foreign direct investment (FDI) to the country.

This guide is one element, and an important one, in the NIC's new approach to its tasks, which are multiple. The Commission is in effect the gateway to Liberia for foreign investors, chief advisor to the government on investment policy, and the principal champion of investor concerns. In the first year of its rejuvenation, the NIC has established its own website ([www.niclib.com](http://www.niclib.com)), begun publishing a quarterly newsletter on business conditions for investors in Liberia, prepared an initial revision of the investment law, and now published this guide to make potential investors aware that *we are open for business*.

The present guide is a preliminary overview of Liberia as a location for investment. It provides brief accounts of the main areas of opportunity in Liberia, along with the incentives offered by the government; describes the operating environment for business; and offers an overview of the tax system and the legal framework for investors. It also highlights some of the current foreign investments in various areas, so as to give potential investors a sampling of who is here and what they are doing.

I would like to draw the attention of the reader to the fact that while the guide describes the advantages of Liberia – its development-oriented governance and its extensive and varied natural resources, from gold and diamonds and iron ore, through timber and rubber, to a coast abounding in marine life – it does not seek to hide the challenges investors face in a post-conflict environment. The reason is simple. The Commission understands that, in dealing with foreign investors, one of its key assets will be credibility.

We at the NIC urge you to read this guide, to tell others about it, and to come visit us in Liberia. We look forward to seeing you.

**Richard V. Tolbert**  
Chairman  
National Investment Commission

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## **Disclaimer**

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*LIBERIA IS ON A PATH TO REGAIN ITS STATUS  
AS A PREMIER ECONOMY OF WEST AFRICA BY FOCUSING  
EFFORTS TO REFORM AND REBUILD ITS PUBLIC POLICY  
AND PROCEDURES. WHILE THIS ROOT DEVELOPMENT  
CONTINUES TO TAKE PLACE, WE ARE NOW BEGINNING  
TO SEE THE EMERGING BRIGHT GREEN SHOOTS  
OF VIBRANT ECONOMIC GROWTH.*

*Joseph Mathews, Chief Executive Officer, Mittal Steel Liberia Ltd.*







## **Liberia in brief**

Official name:	Republic of Liberia
Capital:	Monrovia
Form of government:	Multi-party democracy
Head of state and of government:	President Ellen Johnson-Sirleaf
Location:	On the Atlantic coast of West Africa, bordering Sierra Leone, Guinea and Côte d'Ivoire
Surface area:	111,370 sq km, of which land 96,320 sq km
Climate:	Tropical. Dry season November to April; wet season May to October. Temperature range 20-30° C.
Population:	3.4 million (estimated in 2005)
Religions:	Traditional African 40%, Christian 40%, Muslim 20%
Languages:	English is the official language and is estimated to be spoken by about 90% of the population. There are also a number of other languages, spoken by the 20 or so ethnic groups.
GDP:	USD 548 million – at purchasing power parity, USD 2.6 billion (2005)
GDP per capita:	USD 160 – at purchasing power parity, USD 765 (2005)
GDP growth:	The IMF forecast (in 2006) real GDP growth of 7.7% to 10.5% over the next five years, given prudent governance.
Currency:	The Liberian dollar is the official currency. However, the US dollar is legal tender in Liberia and larger transactions are usually denominated in US dollars.
Exchange rate:	The rate was USD 1 = LD 57.50 in December 2006. The rate has been fairly stable over the past five years, around LDs 55-61 to USD 1.
Inflation:	The IMF forecast (in 2006) that inflation will decline from 7.5% to 5% over the next five years.
Time zone:	Greenwich Mean Time (GMT)



## EXECUTIVE SUMMARY

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Liberia is both an old country and a new one. It is the only country in sub-Saharan Africa never to have known colonial rule in the 160 years of its existence as a republic. It is also, on the other hand, a country newly emerging from years of conflict. The government of President Johnson-Sirleaf is determined to put these years firmly behind it and to ensure that the urgency of its efforts matches the urgency of Liberia's needs.

Among the assets of Liberia as a location for investment is thus the commitment of its development-oriented government to create an attractive environment for investors. This commitment can be seen in a number of government actions. One example is its implementation of the Governance and Economic Management Action Plan (GEMAP) which stresses transparency. Another is the priorities it has set for the period 2006-2008, which include strengthening the environment for private-sector growth, rebuilding the nation's road network and accelerating human-resource development. (See **Government plans and priorities** in chapter I for details.)

There are also assets of more direct economic relevance: Liberia's natural resources and its liberal foreign exchange regime. A rather striking testimony to the country's natural resources is the recent announcement by the world's largest steel company, Arcelor Mittal, that it will invest USD 1 billion in Liberia. But there is far more to these resources than iron ore. There are also gold, diamonds, offshore oil, huge natural forests, and soil and rainfall ideal for many sorts of agricultural products including rice, rubber and oil palms. The section on opportunities in chapter II provides details on these and other areas of potential interest to investors.

As another section in chapter II points out, the opportunities are made more appealing by the fiscal and non-fiscal incentives the government has on offer. The National Investment Commission is also working on a revision of the incentives code that will make Liberia even more attractive to foreign companies – see chapter III. As the same chapter points out, Liberia qualifies under two of the most preferential trade regimes (EBA and AGOA) for access to two of the world's richest markets: the European Union and the United States. As stability and security return to the region, the regional markets of the Mano River Union (MRU) and the Economic Community of West African States (ECOWAS) are also likely to grow in importance. (ECOWAS offers a potential market of 250 million consumers.)



To be sure, not everything is perfect in Liberia. Both infrastructure and human capital have suffered from the prolonged period of civil conflict. The difficulties related to infrastructure are of particular relevance to an area in which Liberia has some distinctive assets: tourism. In addition to its beautiful beaches, the country has some of the largest virgin rainforests remaining in West Africa, with a considerable variety of unique wildlife. But the obverse of these difficulties is the opportunities available. The government is particularly keen to develop public-private partnerships in the infrastructure field, including the generation and transmission of electricity.

In sum, with a welcoming and supportive government as partner, foreign investors have a real opportunity to do profitable business in Liberia as well as to help rebuild this small and beautiful country.



# 1. INTRODUCTION TO LIBERIA

## 1. Historical and political context

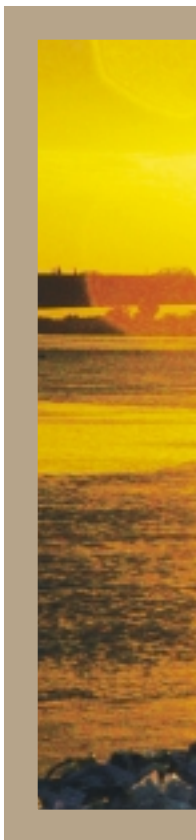
The American Colonization Society began the process of settling free black persons in what became Liberia around 1820. In 1847, the settlers proclaimed the Republic of Liberia and took over governance from the Society. Unlike most African countries, Liberia has ever since been an independent entity. The descendents of the American and Caribbean settlers, although highly influential, account for no more than 5% of the population of Liberia today. The remaining 95% is made up of some 20 different ethnic groups, the largest among them being the Kpelle (20%), the Bassa (16%), the Gio (8%) and the Kru (7%).

The establishment of the Harbel rubber plantation near Monrovia by the Firestone Tire and Rubber Company in 1926 began a period of increasing foreign direct investment in Liberia. The country became a major exporter of rubber and, in later years, of iron ore and timber. A prolonged period of stability and relative prosperity came to an end with a coup in 1980, which was followed by a period of civil conflict of varying intensity that lasted until 2003. Many tens of thousands of people were killed and hundreds of thousands turned into refugees abroad. A transitional government took over in late 2003 and was succeeded by the current government in November 2005, when Ellen Johnson-Sirleaf decisively won the presidential election.

The damage done over the past 25 years to the country's economic resources has been extensive. Education has suffered and literacy rates have dropped. Rubber plantations have been abandoned, roads damaged, power and water supply disrupted, and much capital has fled the country. There was also an exodus of professionals during the time of troubles, one of the effects of which has been a further weakening of the administrative and judicial systems.

### Recent developments

The challenges facing the government are thus very considerable but they are being met by a regime emphasizing clean and competent governance. Security has largely been established and former combatants disarmed by the United Nations Mission in Liberia (UNMIL), which has had a presence in the country since late 2003 and which has over 15,000 military personnel, over 1,000 police officers, and about 1,700 international and local civilian staff and UN volunteers. A new defence force is being trained. There remain significant numbers of refugees in the neighbouring countries of Sierra Leone, Guinea and Côte d'Ivoire, but most have returned to Liberia. A Truth and Reconciliation Commission was established in February 2006.



Economic reconstruction has begun. Power has been restored to parts of Monrovia, although this has been done with generators, as the hydroelectric plant that previously supplied the capital is yet to be rehabilitated. Selected roads are being repaired with World Bank assistance. The new USD 1 billion investment announced by Arcelor Mittal (see box II.2 below) is expected to help restore the central port at Buchanan. The international airport near Monrovia (Robertsfield) has seen some improvement and two international airlines have resumed regular flights to Monrovia (from Brussels and London). One area which has shown major improvement is telecommunication. Fixed-line telecommunication is not functional, although the government plans to restore it as soon as possible, but mobile subscriptions have risen over the past five years to stand at over 350,000.



### Government plans and priorities

The government adopted an interim Poverty Reduction Strategy in mid-2006, which will guide its actions for a two-year period. The four pillars on which the strategy rests are: i) enhancing national security, ii) revitalizing economic

growth, iii) strengthening governance and the rule of law, and iv) rehabilitating infrastructure and delivering basic services. The Government's key priorities during the iPRS period are to:

- Complete the reform of the security sector,
- Revitalize agriculture to ensure pro-poor growth,
- Rebuild the nation's road and electricity network,
- Accelerate human-resource development,
- Strengthen the environment for private-sector growth,
- Create jobs, and
- Promote good governance and the rule of law.

Beyond these general priorities, there are a number of specific issues on which the government is planning to take action. A draft Energy Policy of Liberia is under final review and is expected to be announced in the next few weeks. The policy is expected to propose major reforms in the sector, including structural changes in the management of the Liberia Electricity Corporation, a public utility company. It is also foreseen that a regulatory agency will be created to oversee all activities in the electricity sector.

A revision of the Revenue Code of 2000 is in the works. Among other things, it is expected to harmonize the rates of Liberia's corporate and other taxes with those prevailing in the West African region. (Tax rates in West Africa are generally lower than in Liberia.) Also under way is a revision of the investment law, currently the Investment Incentive Code of 1973, to bring it into conformity with best practice in the area – see box III.2 in chapter III below.

## **2. Economic context**

An IMF country report in late 2006 found much to commend in the government's recent economic performance. GDP growth was expected to be about 8%, while inflation was expected to remain in single digits. Superior revenue administration has also raised government revenue by over 60% .

As an indication of the new government's commitment to transparency, one might note its endorsement and implementation of the Governance and Economic Management Action Plan (GEMAP), which creates an independent steering committee that is chaired by the President and includes representatives of major donors as well as of government ministries. Among other things, the GEMAP requires a review of all concession agreements in natural resources signed under the preceding government and requires the counter-signature of



external financial experts placed at the Central Bank of Liberia, the National Port Authority and several other government bodies for all major transactions. (The recently announced investment of nearly USD 1 billion Arcelor Mittal was one of the agreements that had to be reviewed and reapproved – see box II. 2 below.

As table I.1 indicates, there was no significant change in the sectoral composition of GDP in Liberia in the five-year period 2000-2004 – with the exception of forestry, where UN sanctions on the export of timber were in force from late 2003 to mid-2006. Agriculture remains the dominant sector, led by rubber, followed by cassava and rice. The increase in services reflects the beginning of reconstruction and is led by transport and communication. The other most important services were trade and hotels, government services and financial services.

**Table I.1 Sectoral contribution to GDP (percentages)**

Sector	2000	2004
Agriculture and fisheries	51.1	51.9
Forestry	20.9	11.8
Mining and panning	0.2	0.1
Manufacturing	9.5	9.4
Services	18.3	26.8

Source: Adapted from IMF, May 2005.

**Table I.2 Principal imports into Liberia (in USD million)**

Category	2000	2004
Food and live animals	43.1	61.9
– of which rice	22.0	27.5
Beverages and tobacco	5.0	9.2
Mineral fuels and lubricants	30.2	70.6
– of which petroleum	28.6	66.2
Chemicals and related	11.5	7.1
Manufactured goods	16.6	25.4
Machinery and transport equipment	24.0	50.6
Miscellaneous manufactures	7.5	38.3
<b>Total imports</b>	<b>145.8</b>	<b>268.1</b>

Source: Adapted from IMF, May 2005.



## Market size & access

With a population of 3.4 million and a per capita income of USD 765 at purchasing power parity, the domestic market in Liberia is small. It is, however, of considerable interest to small and medium-sized firms, especially those familiar with the region, because the obverse of the damage caused by the conflict of the past two decades is the abundance of opportunities to be found across the board. Over time, the regional markets furnished by the Mano River Union (MRU) and the Economic Community of West African States (ECOWAS, with 250 million consumers) could also grow in importance (see chapter III, section 3 below). More immediately, Liberia has access to rich markets overseas, in particular those of the European Union and the United States, under the preferential treatment offered by the EU's Everything But Arms (EBA) initiative and the US Africa Growth and Opportunity Act (AGOA) – again, see chapter III, section 3.

For specific areas of opportunity, see chapter II, section 1 below.

## Foreign trade

Liberia's exports are dominated by rubber, which accounted for nearly 90% of export value in 2004 – USD 93 million out of a total of USD 104 million. This may change, now that UN sanctions on the export of timber have been lifted. In the early 2000s, timber significantly outstripped rubber in export value. Other export products include coffee and cocoa. Iron ore, which used to be the leading export item until the 1980s, will again increase in significance as growing stability is followed by investment.

The main export destination for Liberia has always been the United States, which accounted for nearly 74% of Liberia's exports in 2005, according to the Central Bank of Liberia. The second most important destination in 2005 was Belgium, which accounted for 22% of exports.

Liberia's imports are dominated by fuel, in particular petroleum. The next major item is food and live animals, within which category rice figures prominently. Lately, there has been a significant rise in the imports of machinery and transport equipment, reflecting the growing reconstruction effort – see table I.2 on page 11.

(Liberia derives a significant income in foreign exchange from shipping registrations, which are managed by the Liberian International Ship and Corporate Registry (LISCR), based in the United States. This income is now received directly by the Central Bank of Liberia from LISCR.)



### Foreign investment, aid and debt

Foreign Direct Investment (FDI) declined during the period of conflict and is yet to recover. FDI in 2005 was estimated at about \$20 million, although FDI data, like other economic data, are not yet wholly reliable in Liberia. Most of this investment went into rubber and mobile telecommunications.

As stability returns and reconstruction proceeds, investment is expected to grow, particularly in natural resources and cash crops: iron ore, rubber, timber, gold, diamonds, coffee and cocoa. There may also be potential for offshore oil. Companies like Broadway Consolidated plc (UK), Repsol (Spain) and Woodside (Australia) have been granted exploration licences and expect to undertake exploration activities in the near future.

Liberia is today substantially dependent on foreign aid. Donor confidence in the new government has meant that large pledges have been made, led by the United States, and much aid has actually been disbursed. In 2005, the figure stood at USD 200 million. Total foreign debt in 2004 was estimated by the IMF at almost USD 3.8 billion, of which about USD 1.3 billion was commercial and USD 1.7 billion was owed to multilateral institutions, mainly the IMF, the World Bank and the African Development Bank. It is widely recognized that this is unsustainable under any circumstances and debt relief is expected. Among the conditions for debt relief is the completion of an interim Poverty Reduction Strategy paper, which has been done – see the section on **Government plans and priorities** above. The IDA (World Bank) and IMF estimated in August 2006 that the decision point for debt relief could be reached by mid-2007 (IDA and IMF, August 2006).

EXPANDING GLOBAL DEMAND FOR EDIBLE OILS AND OPPORTUNITIES FOR IMPORT SUBSTITUTION FOR BOTH EDIBLE OILS AND BIO-FUELS CREATE A STRONG CASE FOR INVESTMENT IN OIL PALMS, FOR WHICH LIBERIA OFFERS OPTIMUM GROWING CONDITIONS. WE BELIEVE THAT THE PRIVATE SECTOR SHOULD BE THE DRIVING FORCE BEHIND ECONOMIC AND SOCIAL DEVELOPMENT IN LIBERIA AND FEEL PRIVILEGED TO WORK WITH THE GOVERNMENT AND PEOPLE OF LIBERIA TO REALISE THE OPPORTUNITIES THE COUNTRY OFFERS.

*Michael Frayne, Chairman and Chief Executive Officer, Equatorial Biofuels plc*





### 1. Opportunities

#### Priority areas

Priority areas in Liberia are those in which special incentives are available to investors. According to the Investment Incentive Code of 1973, which is still in force, these are:

- the manufacture or assembly of finished and semi-finished goods;
- agriculture, forestry and fishing;
- mining and quarrying;
- building and construction;
- electricity, gas and water;
- transport and communication;
- service sectors that provide technical services to the preceding; and
- service sectors that provide services and supplies to tourism.

Some of these areas are described briefly below. Further information may be sought from the National Investment Commission (NIC) – see box III.1 in chapter III below – or from the concerned ministry.

#### *Agriculture*

Agriculture is the dominant sector in the Liberian economy, accounting for more than half the GDP and perhaps 70% of employment. Revitalizing it is thus critical. The Ministry of Agriculture's Statement of Policy Intent of July 2006 notes the importance of private-sector development, including the rehabilitation of plantations and linkages between smallholders and commercial farming. It also estimates that land devoted to agriculture could be tripled without much difficulty. The country is blessed with ample rainfall and has the additional advantage of being relatively close to the rich markets of the European Community.

Today, Liberia imports substantial quantities of its staple food, rice, which accounted for a little over 10% of its imports in 2004. Large-scale swamp cultivation could serve both domestic and export markets. Investment is needed in production, quality assurance and processing. Coffee, cocoa, corn (maize) and sugar cane are grown in most parts of the country. Both coffee and cocoa have been significant earners of foreign exchange in the past and could be again. There are opportunities in commercial farming as well as in processing, especially in converting cocoa beans into cocoa powder, butter and liquor.

The variety of fruits grown in Liberia includes mango, banana, papaya, pineapple, melon, breadfruit and a number of citrus fruits such as orange, grape fruit, tangerine and lime. Vegetables grown include cabbage, hot pepper, cucumber and pumpkin. The international fruit and vegetable market is huge. Accessing it requires quality control, proper post-harvest handling and storage, and efficient transport – all of which offer opportunities for investors. There are also opportunities in processing fruits into jams and juices and processing cane and corn into sugar and oil, among other things.

The biggest earner of foreign exchange for Liberia is rubber. Natural rubber (*Hevea brasiliensis*) is cultivated both by large foreign companies (like Firestone, which has been in Liberia for 80 years) and by Liberian smallholders, each of them accounting for about half the area under cultivation. Processing is minimal. High-yielding varieties are Harbel, TJR-1 and PB-186. The government would like to see more FDI in this area, both for the managing and maintenance of plantations, and for greater value addition in rubber-processing. Oil palm is another tree crop with great potential in Liberia. It can yield cooking oil, animal food, and raw material for the manufacture of cosmetics, detergents and pharmaceuticals. A number of state-owned oil palm plantations are available for rehabilitation.

#### **Box II.1 Investing in rubber in Liberia**

The Liberian Agricultural Company (LAC) is the second largest rubber company in Liberia, after Firestone. LAC was established in 1959 as a US company and was bought some six years ago by Sofinco of Belgium, which owns 100% of the equity. Its plantations are in Grand Bassa County, southeast of Monrovia, and something over 200,000 acres (about 80,000 hectares) are currently in operation. The company has around 4,000 employees.

The rubber industry suffered greatly during the war years, with many plantations being abandoned and then occupied by squatters. There was also little new plantation. So in effect much of the industry has had to restart. The return of peace and stability through the efforts of first UNMIL and then the new government have been good for both the industry and the company. The rise in the price of rubber, which is now about USD 1,000 for a tonne, has also helped.

LAC grows rubber on its plantations, harvests it and processes it into large bars that are then exported. It also buys small quantities of raw rubber from independent smallholders. The company would like to expand, i.e., plant more rubber trees, which have a life of some 30 years. It believes the investment climate is now positive in Liberia, a country with a long history of being investor-friendly. What is needed is an even stronger focus on education and employment, to ensure that the climate remains positive.

**Source:** Based on information supplied by LAC.

Agricultural development in Liberia is in need of a variety of support services that also offer many investment opportunities. These include pest and disease control, extension services, cold storage, transport and marketing, and training and capacity-building.

*N. B. The Ministry of Agriculture has prepared a detailed document on investment opportunities which would be of much interest to potential investors – for contact details, see Appendix.*

### ***Fishery***

With its Atlantic coastline of 570 km and a continental shelf averaging 34 km in width, Liberia offers some 20,000 sq km of fishing ground. An old estimate of the potential yield for demersal species (snapper, grunter, sole, tuna and barracuda) was between 2,500 and 15,000 tonnes. On average, less than 2,500 tonnes are harvested annually. The potential for pelagic species is nearly double that of demersals (20,000 to 40,000 tonnes). The most abundant species are flat sardine (*Sardinella eba*) and the predators: round scad (*Decapterus punctatus*), mackerel (*Scomber japonicus*) and *Caranx* spp. There is a small stock of shrimp of relatively high value. The shrimp catch averaged 222 tonnes a year from 1996 to 1999. The total product of the fishery sector was estimated to be about 7,000 tonnes in 2005 and the sector's contribution to GDP was estimated at 12%.

The marine fishery is both industrial and artisanal, the former being more mechanized than the latter. Many pre-conflict facilities (freezers, cold storage units, processing equipment) were destroyed during the conflict. There is a need for new investment of various kinds, with opportunities to sell the product in the established markets of the European Union (Belgium, Greece, the United Kingdom) and the United States.

### ***Forestry***

Forests cover nearly half the land in Liberia and are a critical natural resource, although their full economic potential has never been realized. The industry is of special importance to Liberia because it could relieve unemployment in the neediest of rural areas. Liberian forests are part of the Upper Guinean Forest Ecosystem and contain two of the last three large remaining blocks of Upper Guinean Rainforest in West Africa. They are home to some 240 species of timber, including the highly valued African mahogany. Until the UN sanctions on exports went on in 2003 (lifted in June 2006), timber accounted for more than half of Liberia's exports.



Following the election of the present government, the President, in keeping with the provisions of GEMAP (see chapter I, section 1 above), cancelled all forestry concessions by executive order in February 2006. The Liberia Forestry Initiative (LFI), a coalition of donors, multilateral institutions and NGOs, is helping the government improve forestry management and increase the transparency of its revenue collection. An Act Adopting the National Forestry Reform Law of 2006 has recently been passed.

(Further information on Liberia's forestry legislation can be found at [www.fao.org/forestry/site/31586/en](http://www.fao.org/forestry/site/31586/en). Information about the LFI more generally can be found at [www.fao.org/forestry/site/29021/en](http://www.fao.org/forestry/site/29021/en).)



## *Mining*

Mining was once the leading export sector in Liberia, which was a major producer of iron ore. This particular sub-sector is now being revived, with the world's largest steel company, Arcelor Mittal, planning to invest USD 1 billion (see box II.2 below). But there is more to Liberia's mineral resources than iron ore. There are substantial deposits of gold, as well as of diamonds, in addition to indications of manganese, bauxite, uranium, zinc and lead. Diamond exports are currently prohibited under UN sanctions but the sanctions are expected to be lifted as Liberia complies with the Kimberly Process of origin certification.

A number of companies other than Arcelor Mittal are also currently active in the sector, including BHP Billiton, which is conducting exploration activities in the Wologisi Mountain with an option to start production in a few years. Rio Tinto's presence in Guinea means that the big three in iron ore are all present in this iron ore triangle in West Africa. Mano River Resources has a gold property in Grand Cape Mount County. Drilling results indicate a projection of gold potential in the range of 1.5 million ounces. When made fully operational, this will be a major gold mine, the first of its kind in Liberia.

Kimberlite pipes, the most important source of mined diamonds today, are being discovered in the western parts of Liberia. The latest reports from Mano River Resources and Trans Hex of South Africa indicate the discovery of seven kimberlite pipes in the Weasua area. Bulk sampling of these will shortly commence to determine their diamond content. 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.

### **Box II.2 Arcelor Mittal in Liberia**

In 2005, the transitional government in Liberia granted a 25-year iron-ore concession to Mittal Steel. The deal was reopened by the government of President Johnson-Sirleaf in keeping with the provisions of the GEMAP (see chapter I, section 1 above) and new negotiations led to a revised agreement, signed in Monrovia on 29 December 2006. The deal requires ratification by the Liberian parliament.

Arcelor Mittal, as it became following a successful offer for the Luxembourg-based company Arcelor in 2006, is the world's largest steel company, with 330,000 employees in more than 60 countries. The combined revenue of the two companies in 2005 was – 62.2 billion (USD 77.5 billion) and the combined production capacity was 113 million tonnes, which represents about 10% of the world's crude steel output.

Arcelor Mittal is taking over the old LAMCO mine in Yekepa, Nimba County, near the Guinean border, and expects to invest around USD 1 billion over the next five years. This amount will be spent mainly on restoring the Yekepa-Buchanan railway, including the rehabilitation of some 300 wagons, restoring the port at Buchanan and putting mining infrastructure in place. The investment is expected to create 3,500 direct jobs, mainly in Yekepa, and up to 20,000 indirect ones.

**Source:** Drawing on various sources, including Arcelor Mittal, NIC, et al.



## *Electricity*

The electricity sector of Liberia was extensively damaged during the period of conflict. The damage extended to diesel power plants, the hydro power station, transmission & distribution networks, and administrative support systems such as communication and metering. Following studies carried out in co-operation with the European Commission, the government has made a policy decision to liberalize the sector.

There are thus opportunities for independent power producers (IPPs) to produce electricity and connect it with the national grid. There are also opportunities in transmission & distribution, with concessionaires being sought to function as distributors in specific geographic locations. Commercial operations will be conducted by private operators who will procure power from the distribution concessionaires. In addition, studies are being carried out for the rehabilitation of the Mount Coffee Hydro Plant and the development of a reservoir dam on the St Paul River where the Mount Coffee plant is located.

### **Box II.3 Investing in telecommunication in Liberia**

In early 2007, there was no fixed-line telecom service in Liberia, although the government had plans to restore it soon. But there were four mobile telecom operators in Liberia, serving over 350,000 customers – i.e., over 10 mobile subscriptions per 100 Liberians. The companies were Cellcom, Comium, LiberCell and Lonestar. Lonestar was the first in the field and had about 40% of the market in early 2007. Cellcom and Comium had about 20-25% each and LiberCell 10-12%.

Comium Liberia Inc. is owned by Comium Africa Limited and LibanCell, which are both part of the Comium Group of Lebanon, and was established in October 2004. The company offers a variety services, including pre-paid and post-paid service, roaming service, SMS, scratch cards ranging from USD 3 to 100, etc. The initial investment was about USD 16 million; now it is over USD 20 million. The company also offers services in Sierra Leone and expects to offer them very shortly in Gambia and Côte d'Ivoire.

Comium Liberia had close to 100 employees in early 2007, of which 9 were Lebanese and the rest Liberian. It plans to expand its services in Liberia aggressively and to achieve 90% coverage by the end of 2007. The company believes that there are opportunities for foreign investors in just about every field in Liberia.

**Source:** Based on information supplied by Comium Liberia Inc.



### *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.



## *Tourism*

Liberia's potential for tourism is very considerable when one considers its remarkable natural assets. Its 570 km Atlantic coastline offers numerous beautiful beaches, a staple of tourism around the world. It has Lake Piso, an open coastal lagoon west of Monrovia that has been designated a Wetland of International Importance. The lake has a surface area of 76,091 hectares (761 sq km or 294 sq miles) and is both a nursery and spawning ground for fish and sea turtles and a feeding and roosting place for large numbers of sea and shore birds. Liberia's forests, including the Sapo National Park with its area of 1,614 sq km (about 580 sq miles), harbor some 2,000 varieties of flowering plants, 125 species of mammals, 590 species of birds, and 74 species of reptiles and amphibians. Notable fauna include the forest elephant (*Loxodonta africana cyclotis*) and the pygmy hippopotamus (*Hexaprotodon liberiensis*), as well as Jentink's Duiker (*Cephalophus jentinki*), the Zebra Duiker (*Cephalophus zebra*) and the Liberian mongoose (*Liberiictis kuhn*).



This potential is unfortunately constrained by inadequate infrastructure and lingering perceptions of insecurity. Both of these constraining factors are likely to be mitigated as reconstruction proceeds. Once that happens, it should certainly be possible to access the many rich tourist markets abroad, including the significant niche market constituted by the Liberian diaspora, particularly in the United States. There are opportunities in building hotels, providing domestic air transport and rehabilitating domestic airports, creating beach resorts, and providing hospitality training.

### *Manufacturing*

Some specific manufacturing activities are at present reserved for domestic investors (see **Restrictions and prohibitions** in chapter III, section 2 below). However, these are relatively few and manufacturing opportunities are basically available to foreign investors pretty much across the board. Competition is limited and low-cost labour is plentiful. Two areas of special interest might be food-processing (e.g., juices, jams, jellies) and the manufacture of rubber goods, given Liberia's natural assets for agriculture and its substantial production of rubber. Rubber goods with investment potential include tyres and tubes, inflatables, sporting goods and surgical products. Decorative items made of rubber wood, which is soft and is currently used only as firewood, can also find a niche market. (Firestone, the pioneer rubber company in Liberia, has just broken ground for a USD 10 million rubber-processing factory.) Other opportunities for value addition to Liberia's forestry products include sawmilling, pulp and paper production, plywood and particle board production, and manufacturing furniture.

### **Privatization opportunities**

The government is committed to a market economy in Liberia and has made a policy decision to privatize state-owned enterprises (SOEs). Potential candidates for privatization include the Liberia Electricity Corporation (LEC), the Liberia Water and Sewer Corporation (LWSC) and the Liberia Telecommunication Corporation (LTC). There are a number of other state-owned entities in various sectors, e.g., oil palm plantations, which might also be candidates for privatization. Liberia does not discriminate against foreign investors when it comes to privatization.

Privatization policies and procedures are not yet quite in place. In the meanwhile, those interested in specific opportunities should contact the National Investment Commission to start with (contact details in Appendix).

## **2. Incentives**

The incentives summarized below are available to foreign as well as domestic investors for approved investment projects in the areas listed in section 1 above under **Priority areas**. An ‘approved investment project’ is one in respect of which an investment contract has been signed between the investor and the National Investment Commission (NIC). The signing of such a contract is contingent upon the project fulfilling the conditions summarized below.

For further detail, see the Investment Incentive Act, as amended on 6 March 1973.

### **Incentives available**

#### *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.

*N.B. An investment contract with the NIC is not required of all investors, only of those who wish to profit from the incentives listed above. The conditions mentioned above also do not need to be met by those prepared to do without the benefit of incentives.*



### 3. Operating environment

#### Infrastructure

Infrastructure is a challenge all investors face in Liberia. However, the obverse of this is that it is also an area of opportunities.

The Liberia Electricity Corporation (LEC) had an installed capacity of 200 mw before the conflict period. Mining and rubber concession operators and others had installed capacities of over 250 mw. The transmission network of the LEC was over 400 km long and the distribution network was over 800 km long. Damage over the past 20 years has been extensive and very little of the network and the capacity now exists. However, the government is about to announce a new national energy policy and is seeking partnerships with private investors to reconstruct the system. (See the sections on **Government plans and priorities** and on **Opportunities** in chapters I and II respectively above.)

The Ministry of Public Works (MPW) is responsible for the primary roads (the main arteries connecting urban centres and ports). Roads have suffered less damage in the past 20 years but maintenance has been mostly missing. Efforts to repair the main network are under way with the assistance of the World Bank, the European Commission and others. A group of Chinese investors visited Liberia in October 2006 and carried out an inspection tour on the Buchanan and Robertsfield highways. The Government of China is also expected to help in the reconditioning of some damaged roads.

The railways fell into disrepair nearly 20 years ago but repair and restoration are on the way. The line connecting the port of Buchanan with the mines at Yekepa will be restored as a consequence of the Mittal investment mentioned earlier (see box II.2 above).

The state-owned National Port Authority (NPA) manages the four main ports in Liberia: Monrovia, Buchanan, Greenville and Harper. Monrovia is the largest and handles a wide range of cargo. Buchanan mainly served the mining industry before the conflict and later switched to handling timber. Although the ports are functional, they all need upgrading. (The port of Buchanan will also be restored as a consequence of the Mittal deal.)



## Land

The ownership, leasing and use of land is governed by both statutory and customary law. There are basically three kinds of land: public, private and tribal (or communal). As a consequence of the prolonged period of civil conflict, land titles are not always as clear as they might be and proof of title should be carefully examined by potential investors. For restrictions applying specifically to foreign investors, see **Restrictions and prohibitions** in chapter III, section 2, below.

## Workforce

Estimates for formal unemployment in Liberia are as high as 80%, although there is much self-employment in the informal sector (e.g., subsistence farming and petty trading). Wages are low – the official minimum wage is 25 US

cents/hour – and the demand for jobs is high. Skills are also low, however, as educational institutions were destroyed and many qualified Liberians fled the country during the years of conflict. (The diaspora is estimated at around 400,000, i.e., over 10% of the population. The government is trying to entice many of them to return.) The willingness of the workforce is high when it is well-managed and well-paid. There is much need for training, which also offers an opportunity for investors.



As explained in section 2 on **Incentives** above, foreign investors interested in incentives are required to employ and train Liberians at all levels. The requirement is rather vaguely stated, which can create difficulties. The employment of expatriates in technical and executive positions is not entirely a straightforward matter either, since Liberia has no legal provision for the

automatic issuance of a certain number of work permits for a certain level of investment. Work permits must in principle be justified by showing that qualified Liberians are unavailable. The fee for an expatriate work permit is USD 550 for non-Africans, USD 200 for non-ECOWAS Africans and US 150 for ECOWAS Africans.



## Other

The financial sector has suffered in the past from non-performing loans, made mostly to government entities. (Liberia's internal debt is estimated at USD 700 million.) Five commercial banks are in operation today, all of which have some measure of foreign equity. They are Ecobank Liberia Limited, Global Bank Liberia Limited, International Bank Liberia Limited, First International Bank Liberia Limited and the Liberian Bank for Development & Investment. The last of these has a minority shareholding by the government as well as by the International Finance Corporation (IFC), the private-sector arm of the World Bank, and provides project financing for agriculture, infrastructure and small businesses.

There is no capital market in Liberia.

## 4. Investment climate at a glance

Strengths	Opportunities
<ul style="list-style-type: none"><li>• A democratic government committed to clean and competent governance and economic reconstruction</li><li>• Considerable interest and support in the international community</li><li>• Substantial and varied natural resources</li></ul>	<ul style="list-style-type: none"><li>• Export industries: rubber, timber, iron ore, gold, diamonds, other metals</li><li>• Agricultural products for domestic and foreign markets: rice, cocoa, coffee, palm oil, fruits and vegetables</li><li>• Infrastructure construction, including housing</li><li>• Light manufacturing, including food-processing, for domestic and regional markets</li><li>• Tourism: beaches, fishing, wildlife</li></ul>
Weaknesses	Threats
<ul style="list-style-type: none"><li>• Damaged or missing infrastructure: power, ports, roads, railways</li><li>• Weak institutions and limited administrative capacity</li><li>• Low skill levels in the workforce</li></ul>	<ul style="list-style-type: none"><li>• Petty crime because of unemployment and years of civil conflict</li></ul>



### 1. Taxation in Liberia

The legal basis of taxation in Liberia is the Revenue Code of 2000.

The description of the system in this section is adapted from IMF, May 2005 (see **Sources consulted** at the end of the guide). It is intended to offer a broad picture and deals mainly with corporate, income and trade taxes. Further information is available from the Ministry of Finance.

#### Corporate taxes

##### *Tax on company income*

Annual tax on net profits received by Liberian and foreign companies on income derived from their operations within Liberia is 35%. Companies with tax liability of LD 500 (about USD 9) or more are required to make payments on a current payment basis.

Income derived from sources outside Liberia is exempt, if the majority of the voting power of a domestic company is held by foreigners or nonresidents. Also exempt are earnings from the operation of vessels, unless derived exclusively from coastwide operation by resident corporations. Under the Investment Code, companies with qualifying Liberian personnel are exempted from all income taxes for a period of five years or until their accumulated profits exceed 150% of their initial investment. This tax holiday may be extended to ten years in certain cases.

##### *Tax on partnership Income*

This is payable on all net profits received by partnerships at the rate of 35% and is creditable against the income tax of individual partners. Partnerships are granted the same deductions as corporations. No deductions may be made for personal or family expenses of any partner. When tax liability exceeds LD 500 (about USD 9), payments must be made on a current payment basis.

##### *Turnover tax*

Payable in lieu of income tax by partnerships and companies with a gross income not exceeding LD 5,000,000 (about USD 87,000) at the rate of 4% of gross income. For partnerships and companies with gross income higher than LD 5,000,000, the turnover tax is creditable against income tax.

## Personal income taxes

Income tax is payable annually by all citizens and residents of Liberia on net income received from all sources, including capital gains. Partners must file individual returns of the distributive income of all partnership(s) together with income from other sources. For employees, taxes are withheld from salaries or wages and self-employed individuals are required to make payments on a current payment basis. There are established estimates for taxpayers who do not keep records of their income.

Proceeds of life and health insurance, as well as sickness, disability, and death benefits, gifts, bequests, and interest on certain government obligations are excluded from taxable income. Non-cash benefits of up to LD 100,000 (about USD 1,750) are excluded from taxable income. Donations to approved organizations are deductible up to 15% of net income. Medical expenses and insurance premiums are deductible up to a specified limit.

Income tax rates come in eight bands, as indicated in table III.1 below.

**Table III.1 Personal income tax**

Income (in LD <sup>a</sup> )	Rate
Up to 12,000	2 %
12,001 to 50,000	240 plus 5 % of excess over 12,000
50,001 to 100,000	2,140 plus 10 % of excess over 50,000
100,001 to 200,000	7,140 plus 15 % of excess over 100,000
200,001 to 400,000	22,140 plus 20 % of excess over 200,000
400,001 to 800,000	62,140 plus 25 % of excess over 400,000
800,001 to 1,200,000	162,140 plus 30 % of excess over 800,000
1,200,001 and over	282,140 plus 35 % of excess over 1,200,000

<sup>a</sup>In December 2006, USD 1 = LD 57.50.

## Trade taxes

Most **import duties** are levied as ad valorem duties on the c.i.f. value of imports and range from 2.5% to 25%. Some items are subject to specific, rather than ad valorem, duties. Some examples follow.

### Ad valorem (in percentages)

- Wheat and other grains 5.0
- Plantains 7.5
- Coffee and tea 15.0
- Petroleum products 10.0
- Rubber and latex 25.0
- Wood products 20.0
- Motor cars 5.0-20.0 (according to engine size)

### Specific (in units indicated)

- Rice (bulk) USD 0.50 per 100-pound bag
- Beer USD 2.00 per litre
- Paint USD 1.50 per litre
- Spirits USD 6.50 – 7.10 per litre
- Unmanufactured tobacco USD 1.45 per kg
- Manufactured tobacco USD 3.00 per kg

Exemptions from import duties apply, *inter alia*, to intermediate goods used in agriculture and some medical and fire-fighting supplies; imports granted by special contracts to the large concessionaires operating in Liberia; and imports granted to investors with an investment incentives contract (see chapter II, section 2, on **Incentives** above).

For manufacturers in essential industries, the duty on raw materials, capital equipment and machinery is 5%. For non-essential industries, the rate is up to 15%.

There is also a rice stabilization fee of USD 1.00 per 100-pound bag.

**Export duties** are levied on a variety of exports, including rubber and other agricultural products. Logs and some timber are exempt when cut on privately owned land. These duties are creditable against income tax. Export duties range from 2.5% on unprocessed exports to 4% on diamonds and precious metals. There are no duties on processed exports.



#### **Box III.1 National Investment Commission (NIC)**

The NIC was established in 1979 to “encourage, promote, and co-ordinate” all investment promotion activities in Liberia with the aim of accelerating economic growth and development. The Commission has six members: the Minister of Commerce & Industry, the Minister of Finance, the Minister of Justice, the Minister of Planning & Economic Affairs, the Minister of State for Presidential Affairs, and a Chairman with cabinet status appointed by and reporting to the President.

The Chairman, currently Richard Tolbert, is also the CEO of the NIC and the head of its Secretariat – for contact details, see Appendix.

Among other things, the Commission

- provides general policy guidelines in the formulation of plans for the promotion of investment;
- reviews, evaluates and processes all investment applications and concludes investment agreements in collaboration with other relevant Ministries and Agencies of Government; and
- assists in the development of all investment concessions, including those in agriculture, mining, forestry and tourism.

The NIC is aware of the ways in which both legislation and implementation in the investment area lag behind not only international but also African best practice and is working on improving conditions for FDI in coöperation with international organizations. See box III.2 below.

**Source:** NIC.

## **Other taxes**

An **excise tax** is levied on both domestic and imported products. On the former, it is a percentage of the cost price value; on the latter, it is a percentage of the C.I.F. price plus import duties. The tax rate varies from 5% on local alcoholic beverages to 30% on roofing and building materials.

A **goods and services tax** of 7% applies across the board to both domestic and imported products. Exports are exempted, as are equipment and raw material imports meant for direct use in domestic manufacturing.

## **2. Legal framework**

Liberia has a dual legal system, with statutory laws based on Anglo-American common law for the modern sector and customary laws based on traditional tribal practices for the indigenous sector.

### **Institutional framework**

The legal framework for FDI is furnished by the Investment Incentives Code of 1973. (The incentives it offers are summarized in chapter II, section 2 above.) Also relevant are the Open Door Policy of 1944 and the Strategic Windows Investment Policy of 1997.

The implementation of the Incentive Code is primarily the responsibility of the National Investment Commission (NIC) – see box III.1 on page 32.

### **Entry and exit**

#### *Registration and related requirements*

All foreign commercial enterprises must register with the Ministry of Commerce and Industry before they commence operations. The registration process begins with a letter from the company or the individual to the Ministry that states the name, nature and location of the proposed business. The next step is completing the registration forms available from the Ministry (cost USD 100) and submitting them with the required documents and the appropriate fee. The fees are as follows: sole proprietorship USD 700, partnership USD 800 and corporation USD 900. The process is in principle simple.

In addition to registration with the Ministry of Commerce and Industry, foreign companies must meet the requirements of the particular sector or industry in which they propose to operate. For example, in the fishery industry, potential investors must register the watercraft with the Bureau of Maritime Affairs and pay an inspection fee as determined by the Bureau in order to secure a certificate of inspection. Details of the requirements of different sectors can be obtained from the NIC.

Note that foreign businesses may operate in Liberia as locally incorporated entities or as branches of foreign entities. However, they need to have a registered agent residing in Liberia or a resident office.

#### *Exit*

Winding up an investment is usually straightforward.

#### **Investment protection**

According to Chapter III, Article 22, of the Constitution, foreign investors have the right to own property other than land (on which see the next section). All mineral resources, however, belong to the state. The Investment Incentives Code mentions the Open Door Policy of 1944 as “providing for non-nationalization of private enterprises”, although there were cases of expropriation during the years of conflict and compensation claims in respect of these are still outstanding. Intellectual property rights are recognized, although enforcement is weak.

#### **Restrictions and prohibitions**

Foreign investors may not own land in Liberia, although land may be leased for periods of 21 years, with options for renewal. In the case of concessions on undeveloped land, leases of up to 99 years may be available.

There is no generally applicable minimum capital requirement, although an investment of USD 100,000 is required to be eligible for incentives (on which see section 2 in chapter II above).

There are no specific restrictions on the percentage of equity a foreign investor may own. However, the requirement that a project in receipt of incentives “leave an option open for Liberians to purchase shares or otherwise participate in the ownership” may make full foreign ownership problematic. In practice, this is not a big issue.

There are no prohibited sectors other than those reserved for local investors, on which see the next paragraph.

The General Business Law, embodying the ‘Liberianization Policy’, as amended in 1998, reserves twenty-six kinds of (typically small) business for domestic investors. They broadly fall under two categories. One category includes some highly specific manufacturing activities, such as the making of ice and ice-cream and the manufacture of cement or clay blocks. The other category is much broader, specifying a variety of services. These include retail sales of pharmaceuticals, timber, water, rice and used clothing; commercial printing and graphic and commercial arts; travel agencies; gas stations; taxi and truck services; and cinemas and entertainment centres. The complete list can be obtained from the NIC or the Ministry of Commerce.

On expatriate workers, see **Workforce** in chapter II, section 3.

#### **Box III.2 Features of the revised investment law under consideration**

The Investment Incentive Code of 1973 focuses mainly on a description of incentives for investors, along with a description of the conditions to be met by companies applying for these incentives. The proposed revision under consideration by the National Investment Commission (NIC), on which see box III.1 above, is expected to incorporate the following features among others:

- A progressive bill of rights for investors that guarantees
  - protection against expropriation,
  - protection against the abuse of intellectual property, and
  - repatriation of profits and capital;
- Non-discrimination against foreign investors;
- Openness to foreign direct investment and the removal/reduction of sectoral restrictions;
- Removal/reduction of discretionary space in the awarding of incentives; and
- Right of recourse to international dispute-resolution mechanisms like UNCITRAL.

**Sources:** FIAS and NIC.

## **Foreign exchange**

Liberia runs a liberal foreign exchange regime, with the US dollar being legal tender (along with the Liberian dollar) and circulating freely. There are no restrictions on the repatriation of profits or dividends.



### 3. Markets, treaties and related issues

#### Trade treaties and market access

##### *Mano River Union (MRU)*

The MRU is named after the Mano river and brings together Guinea, Liberia and Sierra Leone. The conflicts in the region have largely made it impossible until now to promote its objective of economic coöperation. However, the MRU has recently been reactivated and may help create a sub-regional market for goods and services.



### *Economic Community of West African States (ECOWAS)*

ECOWAS has fifteen member states: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo. Potentially, this is a market of 250 million consumers. The organization was established in 1975 and the primary objective was trade liberalization leading to economic integration – a customs union, followed by a monetary union. It has since expanded its scope to include peace monitoring, which it has done in Liberia and Sierra Leone among other countries.

Agreement was reached on an ECOWAS free-trade area in 2000, although the FTA is not actually effective. Regional trade remains limited by both tariff and non-tariff barriers. Member countries are currently considering a four-level common external tariff.

### *The Everything But Arms (EBA) initiative of the EU*

The EBA is one of five arrangements available under the Generalised System of Preferences (GSP) of the European Union, which grants trade preferences to all developing countries. The EBA is the most favourable regime available under the GSP and is meant for *least developed countries (LDCs)*, of which Liberia is one.

Roughly 2,100 products already enter the EU market duty-free. Most others are covered by the EBA and are granted duty-free access to the EU market if they fulfil the *rules of origin* requirements (see below). The exclusions are arms and ammunition and, temporarily, fresh bananas, rice and sugar. Duties on these products, except for arms and ammunition, are being gradually reduced until duty-free access will be granted for sugar in July 2009 and for rice in September 2009. In the meanwhile, there are duty-free tariff quotas for rice and sugar that increase annually.

Preferences under the EBA apply to imports into the EU of products originating in LDCs. While products wholly obtained in the exporting country are considered as originating there, products manufactured with inputs from other countries are so considered only if they have undergone sufficient processing in the exporting country. A guide on how to interpret and implement the rules of origin is available from the European Commission.



### *The African Growth and Opportunity Act of the United States (AGOA)*

AGOA was signed into law on 18 May 2000. It is meant to encourage market forces in African countries by offering these countries the most preferential access to the US market available outside of free trade agreements. The Act covers some 6,400 items, including textiles and apparel. The *AGOA Acceleration Act*, signed into law on 12 July 2004 and known as AGOA III, extends this preferential access until 30 September 2015.

Eligibility for AGOA benefits is determined annually on the basis of a review by a committee chaired by the United States Trade Representative (USTR). The criteria require that the country have established or be making progress towards establishing, *inter alia*, a market economy, the rule of law, policies to reduce poverty, and a system to combat corruption. In 2006, 37 sub-Saharan countries qualified.

In 1990, Liberia's GSP benefits were suspended by the United States because of concerns over violations of workers' rights. The positive impression made by President Johnson-Sirleaf's government led to GSP benefits being restored in February 2006. Liberia became eligible for AGOA benefits on 1 January 2007.

Ready-made garments have been of particular interest to some AGOA-eligible countries, as the Act provides duty-free and quota-free treatment for eligible apparel articles made in qualifying sub-Saharan African countries through 2015. Among the qualifying articles are apparel made of US yarns and fabrics; apparel made of sub-Saharan African (regional) yarns and fabrics, subject to a

cap; apparel made in a designated lesser-developed country of third-country yarns and fabrics, subject to a cap; and eligible hand-loomed, handmade or folklore articles and ethnic fabrics. (Most countries in Sub-Saharan Africa qualify as 'lesser-developed', allowing them to use fabric from any other – 'third-country' – source. This third-country provision is set to expire on 30 September 2012.)

### Investment treaties

**Table III.2 Liberia's bilateral investment agreements (BITs)**

Partner	Date of signature	Date of entry into force
Belgium & Luxembourg	5 June 1985	...
France	23 March 1979	22 January 1982
Germany	12 December 1961	22 October 1967
Switzerland	23 July 1963	22 September 1964

Source: UNCTAD, <http://www.unctad.org/Templates/Page.asp?intItemID=2344&lang=1>.

### Tax treaties

**Table III.3 Liberia's double taxation treaties (DTTs)<sup>a</sup>**

Partner	Date of signature
Germany	25 November 1970
Sweden	29 April 1969
United States	23 October 1987

<sup>a</sup> It is unclear whether these treaties are in force. They may have lapsed.

Source: UNCTAD, FDI in LDCs, 2006.

### Free zones

Industries that establish themselves in a free zone are entitled to waivers of import duties and corporate taxes. However, the only free zone created by the Liberia Industrial Free Zone Authority in the 1970s is currently being used by UNMIL.

The Monrovia Industrial Park (MIP), a track of land situated along Somalia Drive, Gardnersville, comprising 1,112 acres (450 hectares) of land set aside by the national legislature for industrial purpose, has several functioning factories on it, including the old refinery, but part of it is occupied by squatters. The NIC controls this asset and would like to see it redeveloped as a functioning industrial park. It welcomes FDI into a project to develop the MIP.



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## APPENDIX

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### **Pointers to further information**

National Investment Commission  
12th Street, Sinkor  
Monrovia, Liberia  
Contact: Richard Tolbert, Chairman  
Tel: 231-77-333-222  
E-mail: info@libnic.com

### *Other public sector*

Ministry of Agriculture  
19th street, Sinkor  
Monrovia, Liberia  
Contact: J. Chris Toe, Minister  
Tel: 231-6-478-077  
E-mail: jchristoe@gmail.com

Central Bank of Liberia  
P. O. Box 2048  
Warren & Carey Street  
Monrovia, Liberia  
www.cbl.org.lr

Ministry of Commerce and Industry  
P.O. Box 9041  
Ashmun & Gurley Streets  
Monrovia, Liberia

Ministry of Foreign Affairs  
P.O. Box 9002  
Capitol Hill  
Monrovia, Liberia

Bureau of Immigration and Naturalization  
Broad Street  
Monrovia, Liberia  
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### *Private sector*

Liberia Business Association  
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Tubman Boulevard  
Monrovia, Liberia  
Contact: Samuel Mitchell, President  
Tel: 231-6-514-708/6-558-008

Liberia Chamber of Commerce  
Camp Johnson Road  
Monrovia, Liberia  
Contact: Emmett Gooding, Secretary  
General  
Tel: 231- 6-513-272





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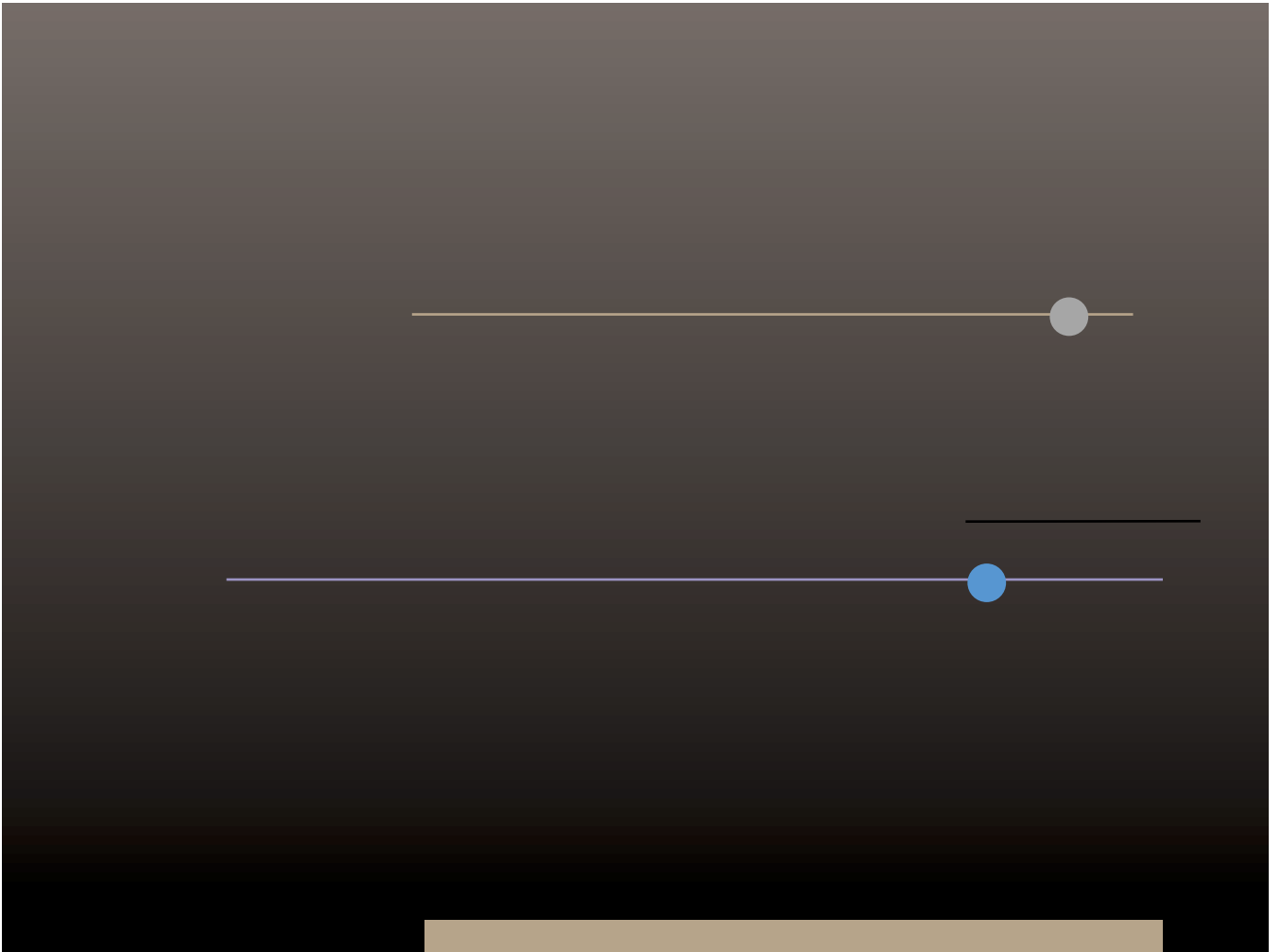
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