

Leaving the past behind

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The government is preparing a medium-term growth and development strategy for 2012-17

Monrovia, Liberia's capital, is experiencing a significant increase in business activity

A decade on from the end of Liberia's devastating 14-year-long civil war, the West African nation's economy is now moving from post-conflict rebuilding and poverty reduction to medium-term development, and is forecast to register its ninth consecutive year of growth, with GDP expanding by around 8.8 per cent in 2012, and forecast to reach 7.2 per cent in 2013.

In 2011, Liberia exported its first iron ore – a traditional mainstay of the economy – since the end of the war. The government wants to expand the sector further, and signed a fifth concession agreement in August 2011 for investment in its western cluster. The mining and panning sector is expected to expand from about 1 per cent of GDP in 2011 to more than a fifth of GDP by 2015 and is planned to provide the basis for industrial development in the coming years.

Agriculture, fisheries, and forestry have made up almost three quarters of GDP in recent years, but this will decrease as iron ore exports increase, according to the government. Rubber production has been supported by high international prices over the last two years and timber production increased considerably in 2011 after new companies entered the country. The

opening of an additional port in Greenville, in the south of the country, will support forestry exports. Recent foreign investments in palm-oil production by Golden Veroleum and Sime Darby will see increased output. Rubber, timber, palm-oil, and food production will continue to support growth in the medium term.

There is also increasing interest in offshore crude oil deposits along Liberia's Atlantic Coast. In 2010, President Johnson Sirleaf signed a three-year deal with Chevron to explore for oil offshore. African Petroleum, ExxonMobil, Eni, Repsol and Tullow Oil have also commenced offshore exploration activities.

Exploitation of gold deposits, along with diamonds – the UN lifted sanctions in 2007 – should contribute to government revenues and provide employment in the coming years.

Although heavily dependent on its natural resources, the country's maritime registry programme is an important source of foreign earnings. Liberia's US-owned and operated shipping and corporate registry (LISCR) is the world's second largest (more than 3,500 ships, amounting to 113 million gross tons – more than 10 per cent of the world's oceangoing fleet). Liberian-flagged vessels now carry more than one-third of US-imported oil.

The manufacturing sector remains small, at about 7 per cent of GDP, due to limited production capacity, insufficient public electricity supply, shortage of skilled labour, and high cost of inputs. Production in this sector is mainly in beverages, cement, and consumer goods production.

The government is preparing a medium-term growth and development strategy for 2012-17 as a successor to its first Poverty Reduction Strategy that covered 2008-2011. The new five-year strategy is part of Liberia Rising 2030, a programme aimed at making Liberia a middle-income country by 2030. The primary driver of growth will continue to be foreign investment in mining, rubber, palm oil, and timber, but the government says that the returns from the extractive industries must go to the broader population and lead to employment creation.

Long-term growth will also be driven by natural-resource extraction, but to avoid the enclave-sector growth of the past that contributed to the conflict, the country must enable broad-based growth and increased employment creation.



To do this, the government plans to invest in infrastructure and address constraints in human capital, access to finance, and coordination of government policies. Small and medium enterprises have considerable potential to provide services to concessionaires, and to do this will also require investment in power and road infrastructure, improved access to credit, and further improvements in the business climate, says the government.

The government has simplified procedures for starting businesses and has improved access to credit, but the general business climate remains difficult and development is constrained by poor energy infrastructure and transport, especially in rural areas.

The country needs to increase the overall capacity of the labour pool and achieve a better match between workers' skills and private-sector demand, says the IMF, pointing out that Liberia is susceptible to external factors including global iron-ore, rubber, and rice price shocks and the potential for reductions in FDI and donor contributions. Additionally, it also imports most of its rice, the main staple food, making social conditions vulnerable to international price fluctuations. The country is also still highly vulnerable to a reduction in FDI and aid inflows, including a reduction in the UN peacekeeping force, which could result from austerity measures in advanced economies. The country will eventually replace a donor-driven agenda with revenues from resource extraction, and this will test its hard-earned improvements in economic governance.

Concession-related FDI has already increased

considerably over recent years, from US\$153 million in 2009 to US\$431 million in 2011, according to the International Monetary Fund (IMF). This increased to US\$821 million in 2012 and is forecast to grow to US\$903 million in 2013.

British companies interested in exploring the potential of Liberia should contact the annual UK-Liberia Investment Forum, which was set up in 2011 by Developing Markets Associates in collaboration with the National Investment Commission, the UK Foreign & Commonwealth Office, the Embassy of Liberia (UK), and the Royal African Society.

Ties between the UK and Liberia were further strengthened when in early 2012, the UK reopened its embassy in Liberia. UK Foreign Secretary William Hague says that the mission will provide "more systematic and effective support to British trade and investment."

Liberia has made great strides within a short period despite the difficulties and risks. Commitments to good governance, the rule of law and fiscal probity have earned the respect of the international financial institutions, which hopefully will be reflected in higher FDI, economic prosperity and better infrastructure. Speaking at the third meeting of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda in the Liberian capital of Monrovia at the beginning of February, President Johnson Sirleaf expressed confidence that the country is "moving in the right direction and that, in a few years, we'll have left the past behind for good." E

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African Petroleum staff and Maersk drillers onboard the rig Maersk Deliverer during the drilling of the Narina-1 well