

A REVIEW OF LIBERIA'S ECONOMY, FINANCIAL SECTOR & INVESTMENT OPPORTUNITIES

November 07



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BRIEF COUNTRY PROFILE

Geography

Land Area :	118.1m hectares
Forested Area:	31%

Socio-Economics

Population:	3.4m
Population Growth:	3.4%
Life Expectancy:	48 yrs
Adult Literacy:	38%
HIV Prevalence:	10%
Dependency ratio:	96%
Access to Health :	69%
Access to Educ:	40%
Poverty Rate:	76%

Economy Structure

Agriculture:	55%
Forestry:	20%
Manufacturing:	6%
Mining:	1%
Tertiary:	24%

Macroeconomics

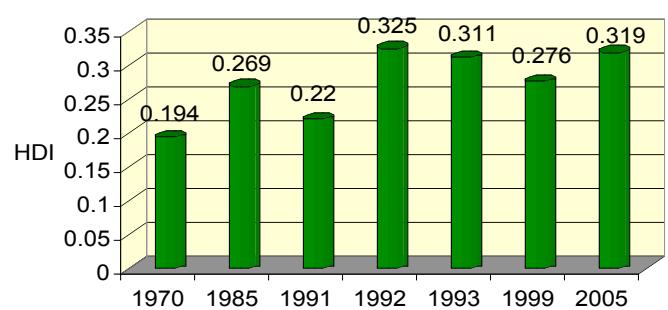
GDP:	US\$630m
Per Capita GDP	US\$185
Unemployment:	84%
Public Debt:	US\$3.8b
Debt % of GDP:	535%
Import Cover:	1.0 month
Main Exports:	Rubber, Cocoa, Timber Diamonds, Iron Ore
Main Imports:	Petroleum, Food, Machinery
Inflation:	7.8%

Politics

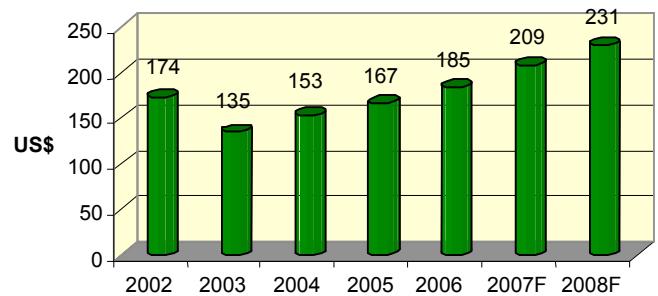
Type of Govt:	Multi-Party Democracy
Type of State:	Unitary Republic
Type of Legislature:	Bi-cameral
President:	Ellen Johnson Sirleaf
Term of Presidency:	Six years
Previous Election:	November 2005
Next Elections:	November 2011
Type of Media:	Free
Status:	Post Conflict

Human Development Index Trend

Liberia



Liberia's GDP Per Capita Trend



Control of Corruption Index

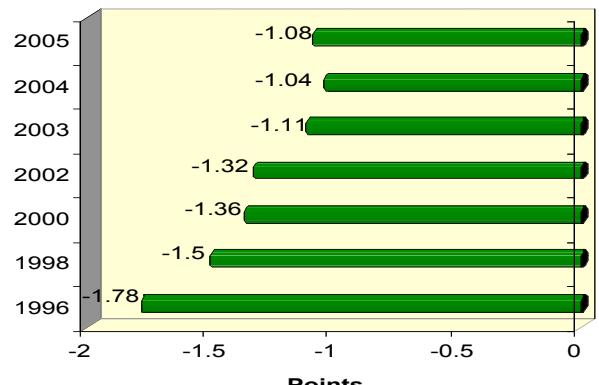


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Breaking Development: Just prior to going to press, the IMF announced that it has secured sufficient financing pledges from member countries to allow the Fund to provide debt relief to Liberia. When these pledges, amounting to more than US\$842 million are formalized, a process will be followed of arrears clearance and new Fund financing will enable the delivery of the HIPC Initiative and other debt relief to Liberia. Today's announcement does not mean that the IMF will immediately provide debt relief for Liberia, but rather that it has secured the financing necessary so that Liberia can begin the HIPC debt relief process. This is a major endorsement from the international community of Liberia's progress to date, and a substantial development for Liberia, highlighting the culmination of months of hard work by the President and her government, in particular the Ministry of Finance and its advisors.

THE POLITICAL SITUATION

Security

The political situation in Liberia has improved dramatically since President Ellen Johnson Sirleaf assumed power almost two years ago. The President has been enjoying widespread public and international support, although she has had to depend on a fragile coalition in the Legislature to support her reform program. Opposition parties are fractured and remain unlikely to present a united challenge to the President's reform agenda. However, they can, and often do, slow the rate of progress via a tortured debate over legislative technicalities. The President's stature as a well-respected politician possessing strong academic qualifications, and significant work experience with international banks, development organizations, and fund managers are important factors behind her widespread support. Additionally, at the beginning of this month she was awarded the United States Presidential Medal of Freedom, the highest civilian award presented by the US Government. This stature and her demonstrated passion to transform Liberia will continue to play a significant role in the country's recovery.

The government has been successful in spreading its authority throughout the country in large part due to delivering on key electoral promises. The security situation, though still fragile has improved significantly with the risk of political strife receding substantially. The first 2,000 people to form the nucleus of the new Armed Forces of Liberia have been recruited and trained with support from the US and Nigerian governments. The goal of achieving a 4,000 person army is being approached as another 525 recruits began training in July of 2007. A program to integrate ex-combatants into the economy and reduce the proliferation of small arms is steadily progressing while the national police force has been expanded by the recruitment of an additional 300 policemen. However, the security situation continues to depend largely on the 15,000 strong UN security forces that are likely to remain in the country through at least 2008.

While there are major hurdles, including a fractured legislature, an alleged coup attempt and minor clashes at the port of Monrovia, the biggest threats to stability have begun to subside as the political situations in neighbouring Ivory Coast and Guinea are starting to be resolved. High unemployment and the remaining proliferation of small arms continue to be obstacles to ensuring long-term peace and the reduction of crime. Yet, regionally the situation is increasingly optimistic, partially due to the peaceful presidential elections in Sierra Leone that resulted in another pro-business candidate, Ernest Bai Koromah, being elected. The progression of the trial of Charles Taylor at the International Criminal Court in The Hague, which is set to resume in January of 2008 after a brief postponement, is also aiding to the sense of security in the region.

Good Governance

The government is patiently committed to engendering good governance in Liberia. The President's reform program has given a big push to improved public financial management and donors have lauded the progress made so far, although challenges remain, particularly at the state and municipal level. These initiatives will continue to improve international relations and help Liberia secure additional donor assistance. In part due to the recognition of the progress made to date on improved governance, the IMF has begun the long-awaited HIPC debt relief process, which should culminate in the clearing of up to \$842 million of arrears.

Cases of corruption against past officials, including the transitional government of former interim Chairman, Gyude Bryant, are being tried in the courts. The government signed the AU and UN international conventions on corruption in 2006, paving the way for the setting up of an Anti-Corruption Agency by the end of this year. Earlier this year, Liberia was removed from the US Treasury's OFAC (Office of Foreign Assets Control) list, clearing up a previous misperception, which will hopefully help Liberian banks re-establish correspondent relationships with US banks. A Code of Conduct for Public Officials and Anti-Corruption legislation has also become law. Over 17,000 ghost names on the government's payroll have been discovered and removed while leakages in revenues from state enterprises have been cut down substantially. Media freedom is also being promoted, alongside increasing journalistic accountability and standards.

Recently, the Auditor General for Liberia, John Morlu publicly criticized the government of Ellen Johnson Sirleaf as being more corrupt than her predecessor, Gyude Bryant. The casual charge set off a firestorm in the Liberian media and political arena. The overall opinion is that Mr. Morlu spoke from the hip, was simply looking for a moment in the spotlight, and had no concrete data to back up his claims. The controversy has since subsided, but the situation demonstrates the ability of a few persons to spark lively debates on the quality of governance, especially when the issue is corruption.

The government is well on its way to reforming the civil service and the justice system, while order is being restored to plantations and mines that were once occupied by combatants. Certainly, challenges remain, but the progress to date is praiseworthy and provides hope for Liberia's future.

Social Programs

On the social front, public utilities and water have been restored in some areas and compulsory primary education has been enforced leading to an 80% rise in primary school enrolment over the past year. The country's dilapidated road infrastructure is being repaired with activity picking up significantly following the rainy season, secondary schools are being reopened, and displaced persons are returning to their farms and villages.

International Relations

Significant progress has also been made in strengthening relations with Liberia's key development partners, multilateral agencies, ECOWAS and the Africa Union, thanks to President Sirleaf's highly respected credentials at home and abroad. The government's role in sending rebel leader Charles Taylor to trial, while initially difficult as it relates to other key African leaders, has softened key international relations that should pave the way for increasing and improving international assistance to Liberia.

THE ECONOMIC SITUATION

Overview

The war did unimaginable damage to the country's economy. The size of the economy shrunk from US\$1.1bn in 1989 to just US\$548mn in 2005 largely due to the poor security situation. Consequently, per capita income fell from US\$502 in 1989 to a mere US\$168 in 2005. The war also eroded the country's human capital and destroyed its economic infrastructure. Positively, the continued return of the Liberian Diaspora, many of whom return with western educations and work experience bodes well for the future.

Key Economic Indicators

Indicator	2002	2003	2004	2005	2006	2007E	2008F
GDP at Market Prices (US\$m)	559	435	497	548	698	731	833
Per Capita GDP (US\$)	174	135	153	168	185	209	231
Real GDP Growth	31.8	-33.9	-5.3	9.5	7.8	9.2	10.1
Population (m)	3.21	3.22	3.24	3.28	3.4	3.5	3.6
Overall Fiscal Balance % of GDP	-1.3	0.6	-0.1	0.3	0.7	-0.5	-1.1
Inflation %	14.2	5.0	16.6	7.4	7.5	8.1	7.9
Broad Money Growth %	36.8	8.3	49.3	35.7	34.4	22.4	23.1
Lending Rate %	na	na	17.53	15.13	15.5	18.0	18.0
Deposit Rate %	na	na	4.23	3.03	3.45	3.75	4.1
Exports (US\$m)	167	109	104	131	158	307.5	400
Imports (US\$m)	145	140	268	273	467	504.9	606
Trade Balance	22	-31	-164	-142	-164	-197	-206
Current Account Balance (US\$m)	-19	-109	-134	-40	-50	-70	-84
Foreign Reserves (US\$m)	3.3	7.4	18.7	25.4	86.5	99	109
Import Cover (months)	0.2	0.4	0.3	0.4	1.0	1.3	1.5
External Debt (US\$m)	3051	3164	3735	3659	3370	3081	2792
External Debt % of GDP	546	727	752	668	535	421	335
Exchange Rate	61.8	59.4	54.9	57.1	59	62	65

Source: Central Bank of Liberia

These statistics notwithstanding, the prospects for sustained economic recovery are bright given the improving sustainable security situation that is beginning to attract investors back to Liberia. GDP grew by 9.5% in 2005 and an estimated 7% in 2006. The economy is expected to continue to recover at a growth rate of 8.1% in 2007 and 9.5% in 2008 led by reconstruction spending, investments in the resource sector, and increasing food production as displaced persons are returning to their farms.

The government has made significant progress in economic policy management. For the first time in many years, a national budget was prepared (and approved by Legislature) and the Central Bank has been re-established to help rebuild the weakened financial sector. Leaks in revenue collection have been cut substantially which has helped to increase public revenue by 40% to US\$74m in the first year of the new government. Institutional capacity building and

cash-based budgeting system to ensure better expenditure management have also been put in place.

The government has also succeeded in renegotiating the iron ore concession contract with Mittal Steel entered into by previous governments, and is in discussions with Firestone regarding their long-term concessions. The new contracts will ensure that Liberia derives more equitable benefits from its natural resources.

Economic policy is focusing on rehabilitating economic infrastructure, rebuilding schools, revamping agriculture and attracting investors to the resource sector.

Fiscal Policy Outlook

Public revenue is expected to see substantial growth over the medium term. The expected recovery of the economy should improve tax revenues, which will prove useful while the government is running a cash budget. The government has developed a Poverty Reduction Strategy Paper (PRSP) which paved the way for instituting a Poverty Reduction and Growth Facility (PRGF). With this in place the government received budgetary support from the IMF that has opened the doors to improved donor support directly to the budget. Liberia has now reached the point where it qualifies for debt relief through the Highly Indebted Poor Countries (HIPC) program, and can expect meaningful debt relief in the near-term if it remains on-course. Currently, donors are implementing their own programs outside the budget through a donor driven program established during the interim government called GEMAP. With the advent of the government-driven budget and PRSP, the government will have an increased ability to lead the reconstruction of the country.

The need for reconstruction spending and the expected rise in public revenues should underpin an expansionary fiscal policy in the medium-term, however, restrictions on government debt will limit spending beyond government revenue and donor financing.

Monetary Policy Outlook

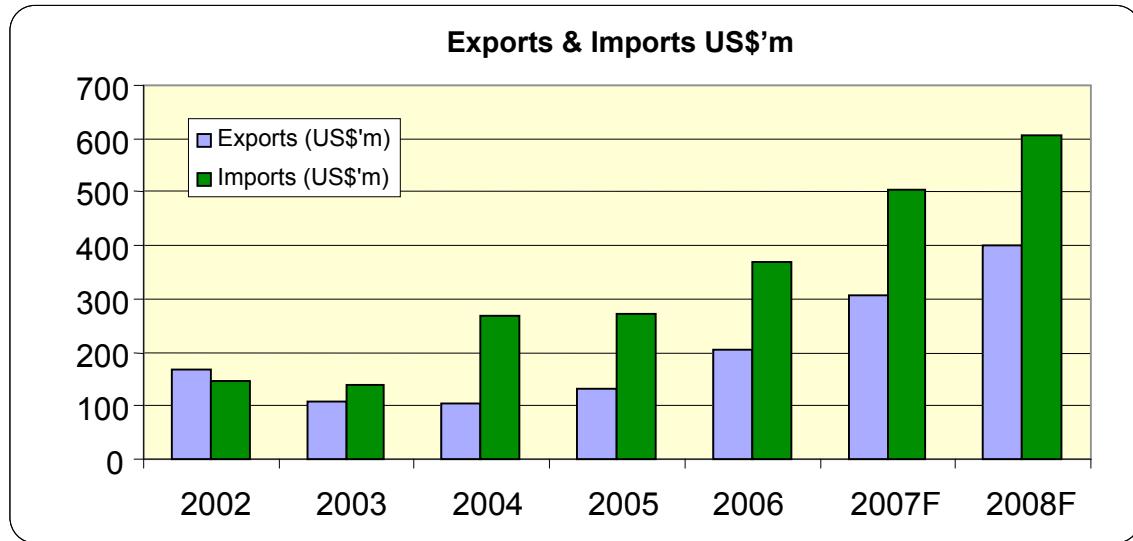
Given that Liberia is a de-facto dollarized economy, with 60% of transactions being made in USD, local monetary policy tools are quite impotent in controlling the movement in monetary aggregates. However, the Central Bank is expected to continue strengthening under the leadership of a strong Governor, in collaboration with technical assistance from the multi-lateral financial institutions, thereby increasing its chances of achieving and maintaining single-digit inflation. So far the Central Bank's role has been restricted to banking sector supervision, building foreign reserves and running periodic foreign exchange auctions. The Central Bank is considering introducing monetary policy tools including domestic treasury securities but these may have marginal effectiveness unless the debt burden is first addressed and de-dollarization is explored.

External Sector Outlook

With the lifting of sanctions on timber exports last year, exports should resume once the government approves concession agreements. Diamond exports resumed this year, but have yet to contribute significantly to state coffers. Rubber prices should remain bullish for the foreseeable future given strong demand growth from Asia and production is also expected to expand significantly in the medium term. Investments in iron-ore mining and palm plantations are likely to take longer to begin to generate significant export earnings. The government must

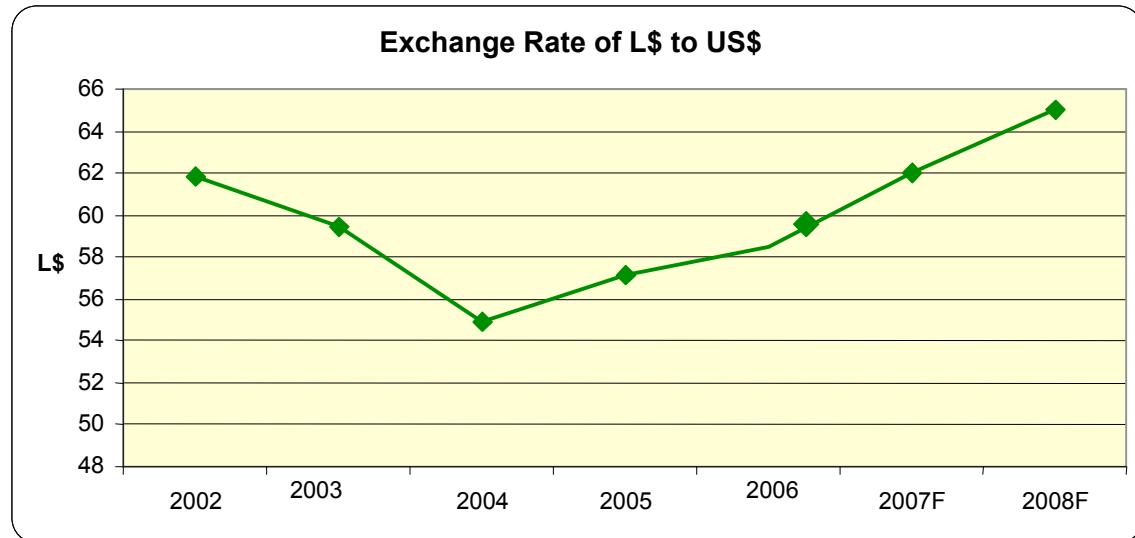
redouble its efforts to release all available economic drivers in order to stimulate and rebuild the economy. In all, export earnings should see strong growth over the medium-term.

Despite the expected buoyant growth in exports, the current account deficit should widen over the medium term. The need for reconstruction goods and strong economic recovery should drive strong import growth though rising oil prices (Liberia's highest import item is oil) will have some dampening effect. Imports for the UN security operations will be significant. Donor flows and remittances from Liberians abroad, especially from the United States, are likely to remain very high especially with the 18 month extension given to Liberian refugees in the US.



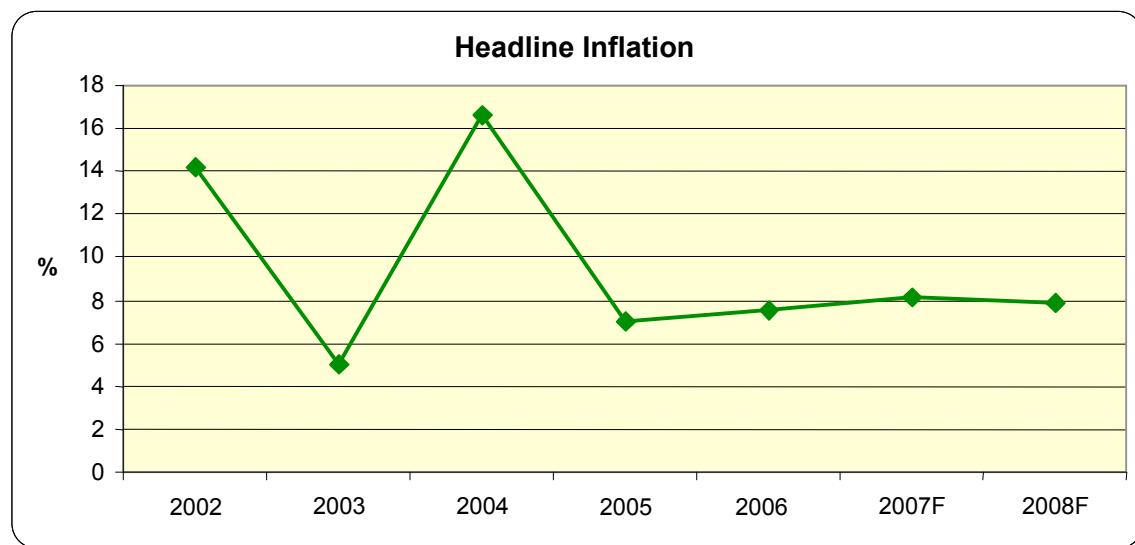
Exchange Rate Outlook

The Liberian dollar has seen some gradual depreciation over the past few years driven by strong growth in imports and paltry foreign exchange reserves. However, given the high level of dollarization in the economy, the impact of depreciation on inflation has been largely muted. The expected widening in the current account deficit should see the Liberian dollar depreciating further. Should the Central Bank go ahead to introduce Liberian dollar denominated treasury securities, this will likely lead to additional downward pressure on the currency.



Inflation Outlook

Latest inflation data available puts headline inflation at 7.4% as of September 2006. We estimate inflation at the end of 2006 would not have exceeded 7.5% due to relatively stable exchange rate movements. Looking forward, improving food production and the de-facto fixed exchange rate system operating in Liberia will help keep inflation in the single digits over the medium term.



Public Debt Outlook

Liberia's public debt burden estimated at US\$3.8bn or 535% of GDP is clearly unsustainable and highlights the need for the pending debt relief. A debt burden of less than 150% of GDP is what is generally regarded as sustainable. Much of the debt was accumulated by past corrupt

governments and during the civil war when repayments were skipped. The country has now qualified for an HIPC multi-lateral debt relief package upwards of US\$1.5b coordinated by the IMF. Now that the IMF, World Bank and African Development Bank have pledged to write-off these debts, further bilateral debt relief may also be forthcoming. The United States, Germany, and China have already cancelled portions of Liberia's bilateral debt obligations, aiding to the overall momentum to get even more bilateral debt cancellations from other countries. Liberia is currently making goodwill payments of just \$50,000 a year to the multilateral financial institutions. Consequently, in the near term, debt repayments are not expected to exert significant pressure on fiscal balances.

It is widely expected that the government may seek a reduction of up to 85% of its domestic debt obligations and reschedule the remainder. The risk remains of so-called vulture funds acquiring Liberian debt and holding out for a larger payout if these negotiations are not successfully concluded.

Profile of Liberia's Public Debt **US\$ Millions (Sept-06)**

Type of Debt	US\$'m	% of Total
Multilateral Debt	1560.5	41%
Bilateral Debt	1019.3	27%
External Banks	744.6	19%
Suppliers Credit	48.1	1%
<i>Total External Debt</i>	<i>3372.5</i>	<i>88%</i>
Domestic Debt	457.8	12%
Total Debt	3830.3	100%

Source: IMF (Note that these debts remain outstanding, but with the recent developments concerning HIPC debt relief by the IMF, they will be significantly reduced in the near future).

Bilateral Relations Outlook

Key bilateral relations have blossomed since President Johnson Sirleaf assumed power. Relations with African countries such as Guinea, Sierra Leone, Ghana, Nigeria, Libya and South Africa are paying political dividends. The USA is providing essential support towards rebuilding Liberia's security forces and in November 2006, approved US\$150m towards strengthening internal security, infrastructure development and investments in education. Part of the funds has also been marked for the rehabilitation of the Roberts Field International Airport. The President's three meetings with US President Bush have produced significant results, and may also lead to the US considering Liberia as a location for its United States African Command (AFRICOM) bases on the African continent. The Chinese government is actively competing with others to rebuild the Mt. Coffee hydro-power electric dam and the ports of Liberia. The President of China, the Chancellor of Germany, the Queen of Jordan, George Soros, and the

President of the International Finance Corporation (IFC), have all visited in order to explore ways to invest in the country's rebuilding efforts.

Several projects to improve the road network and rebuild bridges in and around Monrovia are also being undertaken with funding from bilateral and multinational sources.

Direct Foreign Investment Outlook

While the government has made great strides in regulating existing natural resource concessions to create a platform for growth, there is increasing interest from new investors. There is considerable activity in the financial markets with regional and international investors exploring potential investments in the banking and financial services sector. International Bank (Liberia) Limited was recently acquired by a consortium of American, Ghanaian and Gambian investors, providing a strong signal of confidence in the potential for the financial services sector. The government is in the process of ratifying offshore oil exploration contracts and preparing for an upcoming bidding round. The tendering process for new concessions is nearly complete. Furthermore, US, Chinese, European and West African trade delegations have all visited Liberia recently to explore potential areas of investment.

Doing Business Survey

Liberia was included in the World Bank Doing Business Survey for the first time this year. Although it was an achievement to be included in the Survey, the results demonstrated that Liberia has much room for improvement. Already, the Government of Liberia is looking at policy changes that will increase its rank for next year's results. This includes increasing the ease of starting a business by lowering the number of procedures, the time required to complete these procedures, and lowering the cost of starting a business to acceptable levels. Liberia is also working on increasing the ease of importing and exporting, paying taxes, getting credit, and enforcing contracts. These initiatives will go a long way towards making Liberia attractive for investors.

FINANCIAL SECTOR POLICY ISSUES

The government has made progress on stabilizing the financial sector, but overall the sector remains fragile. As the policy discourse moves from short-term stabilization, which is largely complete, to medium-term initiatives designed to create and support a sustainable financial sector that can support economic growth, a number of outstanding policy issues, many of which are interlinked, require consideration by regulatory and legislative bodies. In our opinion, the more pressing medium-term issues include, but are not limited to, the creation of government debt market, de-dollarization, and the creation of a credit referencing agency.

Is the Creation of a Government Debt Market a Viable Proposition?

As part of its ongoing efforts to build a vibrant financial market, the Central Bank of Liberia (CBL) may want to eventually consider issuing domestic debt instruments of varying tenors. This would create a yield curve in Liberia and set benchmarks for the pricing of risk in the financial sector, whereas currently banks do not adequately differentiate pricing for credit risk.

More importantly, it would be an avenue for the government to raise capital in the domestic market and also serve as a monetary policy instrument. However, it is important to observe that these benefits, in our opinion, are unlikely to be realized unless the current unsustainable public debt burden is resolved and the economy is de-dollarized.

With the current public debt burden of 535% of GDP (without taking into consideration multilateral and bilateral debt relief pledges), it would be virtually impossible for the government to take on additional debt. The government is reportedly negotiating its domestic debt with lenders which may result in a significant reduction of up to 85% of the existing stock of domestic debt of about US\$458m. This is unlikely to significantly impact the banking sector as banks have either fully or significantly provisioned for loan losses stemming from the existing stock of government debt.

The potential of quick recovery in commodity exports such as rubber, diamonds, and iron offers an additional avenue for the government to issue long-term commodity bonds (backed by revenues from exports such as rubber) that could raise long-term capital for investment in the key sectors of education, health and infrastructure rehabilitation.

Using government debt instruments as a monetary policy tool is unlikely to succeed in our opinion unless the economy is de-dollarized. Given that with the existing dual currency regime, transactions using the greenback are dominant, the effectiveness of local monetary policy tools would be muted. In reality, imported US monetary policy is likely to be more influential.

With the current dual currency regime, there is a strong incentive for banks to keep a significant portion of their liquidity invested in off-shore dollar denominated investments especially given that there is no market for risk free assets in Liberia at the moment.

The introduction of Liberian dollar denominated government debt instruments in such a dual currency regime could potentially be detrimental to macroeconomic stability as it would likely lead to greater volatility in interest rate and exchange rate movements. However, government debt instruments may be employed as a tool to de-dollarize the economy by requiring financial institutions to purchase local currency denominated debt instruments using US dollars over a defined timeframe.

Dollarize or De-Dollarize?

Whether Liberia retains the dual currency regime or dollarizes fully, the banking sector would be forced to continue to tie significant resources in hard currency reserves rather than use them to generate funded income as the economy expands. The switch to the Liberian dollar would, however, expose the economy to immediate foreign exchange risk but would also allow for the introduction of a more effective government debt market in the future that would create a relatively low risk investment market for banks. Both of these would help improve liquidity management and reduce the cost of intermediation over time.

While some persuasive arguments have been advanced for dollarization, we are of the view that the country is better served to fully adopt the Liberian dollar over the medium-term as the only national currency for several reasons.

Liberia's past experience when it dollarized in the 1980s was not exemplary. The dollarized regime failed to impose the fiscal discipline that it was designed to do, but rather led to a massive accumulation of financial arrears that eventually helped bring the economy to its knees.

The argument that dollarization and the country's liberal capital controls would once again turn Liberia into a hub for re-export trade is far from convincing in our opinion. There are a number of relatively stable countries in the sub-region with benign macroeconomic environments and more stable political regimes, such as Ghana and The Gambia, which are either moving towards the removal of capital controls or have already removed them, thereby making them more attractive as hubs for re-export trade.

Given the fragile state of the economy, the country needs to have significant flexibility in managing monetary and fiscal policy to steer the economy and manage the consequences of external shocks. The rigidities that a dollarized regime would impose (given that this is tantamount to a fixed exchange rate regime when the world is generally moving towards currency flexibility) would make it difficult to achieve this.

Liberia is also primarily a commodity export based economy and is therefore highly vulnerable to external shocks associated with the volatility of commodity prices on the world market. If the country should keep the current dual currency regime or dollarize fully, the only tool that it would be left with to manage external shocks would be to cut wages that are already unrealistically low. Thus, the country may be left to again resort to the accumulation of arrears, which would create an unstable macroeconomic environment and make it difficult for the government to invest in economic infrastructure to propel growth. Evidence suggests that the countries that have been able to successfully dollarize are those whose economies are dependent on sectors that are less vulnerable to external shocks that can quickly affect terms of trade.

Furthermore, given Liberia's low external reserves and the generally fragile state of the economy it cannot afford the cost of replacing Liberian dollars with US dollars at this crucial juncture when significant resources are required for reconstruction. It would probably cost the state around US\$50m to dollarize fully. This is very significant if considered against the fact that the national budget for 2007 is based on a revenue target of only US\$129m.

Credit Referencing May be a Way Forward

The banking sector in Liberia is awash with liquidity despite the imposition of a reserve requirement of 22%. This is the result of a combination of factors including the lack of alternative avenues to invest cash, poor capacity to assess credit risk, high default risk given the damage the war has done to the economy and the lack of credit history on potential borrowers.

Given the state of the economy, it is crucial to recapitalize businesses, especially small and micro-enterprises that hold the key to effective job creation and the resuscitation of the economy. One way to achieve this is the creation and maintenance of borrower credit records by an independent credit referencing agency that are shared with all creditors. This would support lending based on creditworthiness rather than solely on the ability to provide collateral, most of which has been damaged by the war. Credit referencing clearly has the potential to revolutionize the credit market and bring more people and businesses into the formal financial sector, which would be a significant step forward towards formalizing Liberia's large informal economy.

At this moment it is not clear if the regulatory framework to address issues such as data protection and credit reporting are in place to create confidence in such a system but it appears there are no legal factors that would prevent the creation of a credit referencing agency. It is also not yet clear if credit referencing at this point is viable as an entirely private sector run entity. However, development partners such as UNDP and IFC may be able to play some role with financial and technical assistance in establishing a credit referencing agency.

BANKING SECTOR REVIEW

Overview

The significant economic meltdown during the years of conflict weakened the country's banks and the financial sector in general, rendering financial institutions under capitalized and saddled with huge non-performing assets. The security situation also meant that banks were exposed to sudden and large withdrawals of deposits thereby forcing them to commit huge resources in cash to meet potential withdrawals. Thus, banks became reluctant to extend credit not only because of default risk generated by the security and economic situation but also because of the need to be liquid in order to meet sporadic withdrawals anytime the security situation worsened.

The de-facto dollarization of the economy as a result of the war also meant banks needed to tie more resources up in hard currency reserves.

The US Patriot Act, and the misclassification of Liberia as an OFAC blacklist country, has also made it difficult for Liberian banks to open and operate corresponding banking relationships with US-domiciled banks and given Liberia's historical ties with the US, this has been a significant drawback for the local banking industry. International Bank, in coordination with the Central Bank of Liberia and US Government Agencies, led the way for the removal of Liberia from the US Treasury's OFAC (Office of Foreign Asset Controls) list of sanctioned countries.

The absence of a local government debt market due to the significant dollarization of the economy and huge non-performing debts held by the state have also translated into lack of local alternative investment avenues for the banking industry. Consequently investment and interest income for banks for many years has been paltry.

As a result of these factors, non-funded income has become the main source of revenue for banks especially from fees charged on remittances principally through Western Union and Moneygram franchises. Non funded income has accounted for over 80% of revenues in the past 5 years. This has not been enough to cover operational costs. Consequently, the industry has been registering poor results over the years.

With the return to constitutional rule and the steadily improving security situation, the economy is expected to continue the recovery that commenced during the rule of the transitional government. With the lifting of international sanctions on timber and diamond exports, and the expected increase in rubber export revenues, the new government has now asserted control over plantations in the hands of former rebel fighters, the banking industry is likely to benefit from improved trade financing and credit extension facilities in the foreseeable future.

The recovering economy, the recent recapitalization of some banks and the improving security situation are expected to help turn around the industry in the medium term. Already, the signs are showing with the industry reporting its first profit in several years for FY2005 though unaudited results for 2006 suggests the industry has made a loss of US\$2.52m in 2006 due to huge loan loss provisions (figures for 2007 are not currently available from the CBL).

The proportion of non-performing loans to total loans have also been declining steadily owing to the recovering economy and aggressive loan loss provisioning over the past few years.

There are five banks operating in Liberia, and with the exception of LBDI which has 20% public sector ownership, all the banks are more or less wholly owned by foreign investors.

	2003	2004	2005	2006
Number of Banks	3	3	5	5
Assets	L\$bn	2.88	4.51	6.32
	US\$mn Equivalent	48.56	75.33	109.74
Loans	L\$bn	0.49	0.83	1.02
	US\$mn Equivalent	8.24	13.88	17.66
Deposits	L\$	1.59	3.6	4.74
	US\$mn Equivalent	26.76	60.33	82.29
Revenues	L\$	0.37	0.59	0.78
	US\$mn Equivalent	6.3	9.84	13.56
Assets/GDP		11%	15%	20%
				19%

Financial Soundness of Liberia's Banking Industry

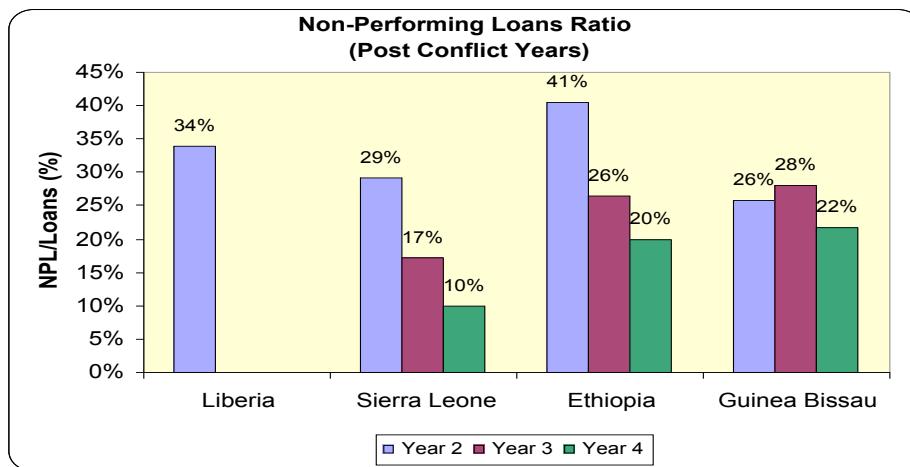
Liberian banks have registered improvements in loan portfolio quality since the end of the conflict in 2003. With the exception of Ecobank, the other operating banks have reduced the proportion of non-performing loans consistently on their balance sheets since 2003. Despite a 30% spike in non-performing loans ratio for Ecobank which is the biggest bank in the country, the average non-performing loans ratio has dropped consistently from 36% in 2003 to 25% in 2005. The industry's weighted average non-performing loans ratio has also fallen from 41% in 2003 to 34% in 2005 though it hit a low of 13% in 2004 (although this in part likely reflected the misclassification of non-performing or poorly restructured loans as current).

Non-Performing Loans to Total Loans	2003	2004	2005
FIB			4%
LBDI	27.7%	14.6%	15.2%
Ecobank	61.7%	6.2%	36.3%
IB	17.8%	84.0%	45.7%
Average	36%	35%	25%
Weighted Average	41%	13%	34%

The improvement in loan portfolio quality is a result of the combined effect of a recovering economy and huge loan write offs. High provisions were made for potential defaults in 2003 and 2004 averaging 49% and 168% of loans, respectively. This has dropped to 27% in 2005. These have helped to improve the quality of the industry's balance sheet. The industry's provisioning as a proportion of loans declined from 10% in 2003 and 22% in 2004 to 5% in 2005.

Provisions/Non-Performing Loans	2003	2004	2005
IB	133.1%	192.8%	0.0%
LBDI	7.6%	129.4%	11.8%
Ecobank	5.7%	80.3%	23.6%
FIB	na	na	73.2%
Average	49%	168%	27%
Weighted Average	10%	22%	5%

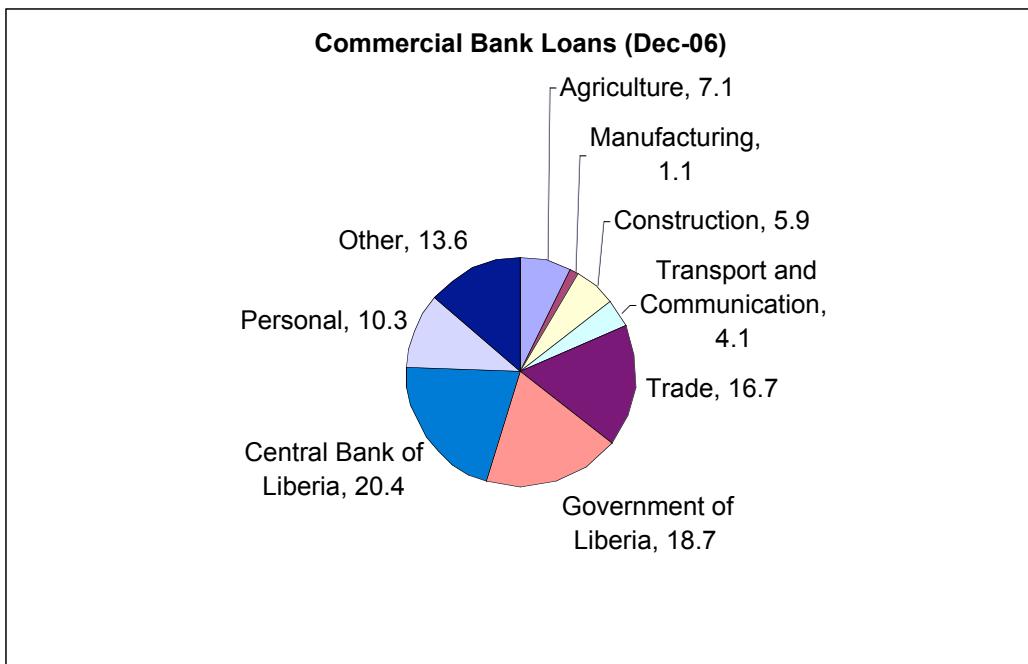
Notwithstanding the improvements registered, loan portfolio quality is still generally very poor even when compared to those of other post conflict countries in the sub-region. However, significant improvements are expected to be registered in the next few years. Experiences from other post conflict countries such as Sierra Leone, Ethiopia and Guinea Bissau shows that loan portfolio quality can improve very rapidly a few years after peace is restored.



The industry's loan portfolio is highly concentrated in public sector related areas. Public sector related credit accounted for 45% of banks loan portfolio as of September 2006. This is understandable given the security situation that made banks shy away from higher risk private sector lending.

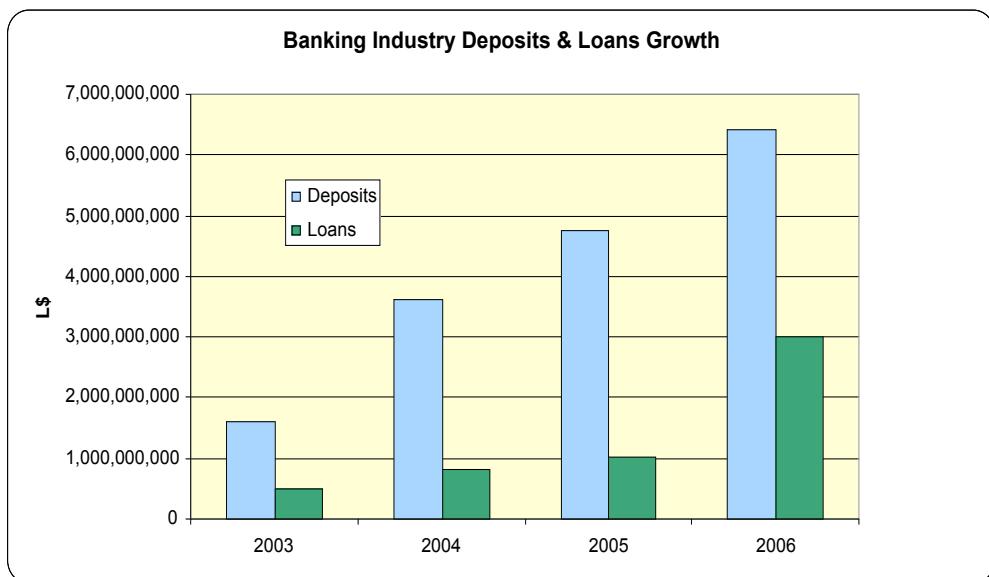
We expect the mining, construction, trade, and agricultural sectors share of credit to grow significantly in the medium to long-term while the public sector share falls. This will reflect the reconvening of activities in those sectors as international trade sanctions are lifted and reconstruction efforts get a boost.

The expected improvement in the diversification of the industry's loan book should also reflect in improved loan portfolio quality in the future.



(CBL Report February 2007)

The industry's loan book has been growing, reflecting an upward growth in deposits and confidence in the economy. We expect the loan book and the share of funded income to continue to grow for banks looking forward. The growth will be driven in part by the recovering economy and also by the expected injection of fresh capital into the industry that should make more resources available for lending.



Liberian banks are poorly capitalized and remain in a semi-fragile state. This is the result of years of low profitability. The Central Bank has tabled the idea of raising the required share capital for banks in the country from US\$2m to US\$5m or higher. With the expected injection of fresh capital in the near term, we expect the balance sheet of banks to see significant improvement over the medium term.

Notwithstanding the poor capitalization of banks, liquidity of the industry is quite healthy. The industry's liquid asset ratio was as high as 55% last year. This is largely because of the need to tie huge resources in cash and reserves due to the dual currency regime and the risk of facing sporadic withdrawals should the security situation deteriorate.

Reserve and Liquid Assets Ratios-December 2006

	Reserve Ratio	Liquid Assets Ratio
FIB	27%	93%
Global	25%	48%
IB	23%	68%
LBDI	21%	48%
Ecobank	21%	52%

The income structure of the industry is poor. Non-funded income accounts for 78% of revenue with the main source of income being fees on money transfers and foreign exchange operations. As the economy recovers, a more diversified income structure is expected to evolve.

	2003	2004	2005	2006
Liquid Assets Ratio	51.0%	40.0%	58.2%	54.5%
Effective Reserve Ratio	na	na	na	21.0%
Equity to Total Assets	23.1%	13.9%	14.8%	12.4%
Equity to Deposits	42.0%	17.4%	19.7%	17.8%
Loans/Deposits	30.8%	23.0%	21.5%	46.7%
Non Funded Income/Revenues	79.0%	82.1%	80.3%	78.2%

Profitability

Provisional results for 2006 indicate the industry has made a loss of US\$2.52m after making its first post-conflict profit in 2005. The loss comes on the heel of huge provisioning for loan losses. However, this paves the way for the industry as a whole to begin 2007 with a much cleaner balance sheet that will help deliver better quality earnings looking forward.

Ecobank is clearly the most profitable bank in Liberia largely because it has been able to leverage its regional strength to build its balance sheet. International Bank (IB), widely regarded as Liberia's corporate bank has seen additional capital injection over the past two years that has strengthened its balance sheet and has now placed it firmly on the path to sustainable profitability. The bank has also received a substantial capital investment from a group of American, Ghanaian and Gambian investors. IB is now in a strong position to become the leading business bank in Liberia. The cleaning up of IB's balance sheet of non-performing loans has also improved the quality of its earnings. Liberia Bank for Development and Investment (LBDI) has the most extensive retail distribution network in Liberia. The bank has for many

years been the most profitable bank in Liberia. However, provisional results for 2006 sourced from the Central Bank shows a loss of US\$113,00 mainly due to huge provisions made for non-performing loans.

Profits (L\$'000)	2003	2004	2005	2006*
Ecobank	1,106	3,178	556	45,465
IB	(82,848)	(62,313)	34,283	20,693
FIB			(10,413)	(5,839)
LBDI	94	12,377	42,605	(69,356)
Global			(977)	(143,815)
Total	(81,647)	(46,758)	66,054	(152,852)

Return on Average Equity	2003	2004	2005	2006*
IB	-174.0%	-227.9%	205.4%	27.5%
Ecobank	1.9%	2.7%	0.4%	20.3%
FIB			-18.2%	-5.1%
LBDI	0.0%	2.2%	7.2%	-11.3%
Global				-1398.1%
Average	-57.4%	-74.3%	48.7%	-273.3%
Weighted Average	-11.6%	-7.2%	8.6%	-14.7%

Return On Average Assets	2003	2004	2005	2006*
IB	-10.5%	-7.6%	3.1%	1.5%
Ecobank	0.2%	0.2%	0.0%	1.3%
FIB			-18.2%	-2.4%
LBDI	0.0%	1.1%	2.9%	-2.8%
Global				-71.6%
Average	-3.4%	-2.1%	-3.0%	-14.8%
Weighted Average	-3.2%	-1.3%	1.3%	-2.0%

Assets L\$'m	2003	2004	2005	2006
IB	762.4	887.1	1,313.5	1,532.3
LBDI	1,186.4	974.7	1,932.0	3,001.8
Ecobank	935.4	2,650.4	2,841.8	3,911.1
FIB			114.6	365.1
Global				401.5
Total	2,884	4,512	6,202	9,212

*based on provisional unaudited 2006 financial statements sourced from CBL

Equity L\$'m	2003	2004	2005	2006
IB	11.4	-66.1	32.7	117.7
LBDI	540.3	575.4	610.1	618.6
Ecobank	115.6	118.8	175.3	272.2
FIB	0.0	0.0	114.6	112.9
Global	0.0	0.0	0.0	20.6
Total	667.2	628.1	932.6	1,141.9

Net Profit Margin	2003	2004	2005	2006*
IB	-87.4%	-43.4%	18.6%	10.2%
Ecobank	0.9%	1.3%	0.2%	9.0%
FIB			-44.3%	-14.2%
LBDI	0.1%	6.1%	17.4%	-22.7%
Global				-400.1%
Average	-28.8%	-12.0%	-2.0%	-83.6%
Weighted Average	-22.0%	-7.9%	8.6%	-14.0%

*based on provisional unaudited 2006 financial statements sourced from CBL

The banks in Liberia have been very successful in reducing their cost to income ratio consistently over the past 5 years. However, this has not translated into profitability because of the poor quality of earning assets which has resulted in huge provisions against earnings over the years. Nevertheless, the declining trend in the cost to income ratio from over 100% in 2003 to 63% in 2006 indicates that the industry can return to sustainable profitability in the next couple of years should the security situation continue to improve paving the way for sustainable economic recovery.

Cost to Income Ratio	2003	2004	2005	2006*
Ecobank	85.9%	74.4%	86.8%	49.3%
IB	146.7%	88.9%	79.5%	61.8%
LBDI	98.6%	71.5%	81.4%	65.3%
FIB			139.8%	68.4%
Global				247.9%
Average	110.4%	78.3%	96.9%	98.5%
Weighted Average	106.6%	76.9%	85.0%	63.4%

*based on provisional unaudited 2006 financial statements sourced from CBL

Competition

The earlier decision of the Central Bank of Liberia to not license any new banks in Liberia was intended to protect the market for existing banks, helping the sector to recover in an improving political and economic climate. However, with the expected entry next year of the United Bank of Africa, competition between the banks will likely intensify. Yet, the market should be able to bear this additional entrant, given that smaller economies in the sub-region such as The Gambia (GDP \$350mn) have a higher number of banking institutions than Liberia (GDP US\$549mn). There remains a lot of room for substantial growth in this sector as confidence grows in the country's security and economy.

The RLJ Foundation, OPIC, CHF International, and ADF are also planning the launch of the Liberian Enterprise Development Finance Company (LEDFC) in order to provide longer-term (1-5 years) financing for SMEs, although LEDFC will not compete with banks for deposits. A number of development finance institutions such the IFC, OPIC, PROPARCO, and others have been very active in the ongoing rehabilitation of the financial sector.

LBDI is the biggest bank by equity value (book value) but Ecobank leads the industry in terms of assets. LBDI accounts for 54% of equity in the industry while Ecobank has a 42% share of

industry assets. Both LBDI and Ecobank lost shares in these segments in 2006 largely due to the return to profitability by IB in 2005 and 2006 after a long period in the red. We expect IB to gain shares in these segments in 2007, and 2008 due to improvements in profitability and a re-capitalization.

Ecobank is the largest in terms of deposits with 47% of the total, compared to 29% for LBDI and 18% for IB. Ecobank and IB lost market share in 2006 to LBDI, FIB and new entrant Global Bank. Ecobank is also the largest in terms of loans, with 44%, although it is losing market share.

Deposits Market Share	2003	2004	2005	2006*
Ecobank	45%	55%	50%	47%
LBDI	27%	22%	24%	29%
IB	28%	24%	25%	18%
Global	0%	0%	0%	4%
FIB	0%	0%	1%	2%
Total	100%	100%	100%	100%

* All 2006 statistics are based on provisional un-audited 2006 financial statements sourced from CBL

Assets Market Share	2003	2004	2005	2006*
Ecobank	32%	59%	46%	42%
LBDI	41%	22%	31%	33%
IB	26%	20%	21%	17%
FIB	0%	0%	2%	4%
Global	0%	0%	0%	4%
Total	100%	100%	100%	100%

Loans Market Share	2003	2004	2005	2006*
Ecobank	50%	64%	49%	44%
LBDI	19%	30%	29%	40%
IB	32%	6%	18%	9%
FIB	0%	0%	4%	4%
Global	0%	0%	0%	4%
Total	100%	100%	100%	100%

Non Funded Income Share	2003	2004	2005	2006*
Ecobank	33%	41%	42%	44%
LBDI	43%	32%	30%	28%
IB	24%	27%	25%	22%
Global	0%	0%	0%	4%
FIB	0%	0%	3%	2%
Total	100%	100%	100%	100%

Equity Share	2003	2004	2005	2006*
LBDI	81%	92%	65%	54%
Ecobank	17%	19%	19%	24%
IB	2%	-11%	4%	10%
FIB	0%	0%	12%	10%
Global	0%	0%	0%	2%
Total	100%	100%	100%	100%

Outlook

We expect the security situation in Liberia to improve due to the heavy presence of UN Security Forces (UNMIL), war fatigue, and international goodwill towards the current government led by the widely respected President, Ellen Johnson Sirleaf. And also because of a developing democratic environment that has allowed for the growth of institutions. This has allowed a strong Minister of Finance to implement and enforce tax structures and collect importation duties for the new government, which was not the scenario in years past. Yet the government must continue to be bold in its support of the private sector, pushing through measures that encourage and help private entrepreneurs who will do the most to move the country forward financially. Measures to clampdown on corruption, donor support, the possible lifting of international trade sanctions, reconstruction spending and the probable cancellation of some of the country's unsustainable external debt will also help the economy recover with strength over the medium term.

These coupled with the expected recapitalization of banks will help the banking industry to recover in the years ahead. We expect the industry to begin to report profits consistently over the medium term now that its balance sheet is cleaner.

MICROFINANCE IN LIBERIA

The Central Bank of Liberia (CBL) is giving the development of the microfinance industry in Liberia significant attention. In early 2006, a senior staff was appointed to coordinate all microfinance and microfinance related activities. This was followed by the establishment of a Microfinance Section, reflecting the desire of the bank to promote microfinance in Liberia.

The CBL is collaborating with UNDP on a project entitled “An Inclusive Financial Sector in Liberia”. The project is being integrated into the work of the CBL, with the Country Resident Technical Advisor and Program Officer working out of offices at the CBL. The CBL chairs the National Task Force which is charged with developing a microfinance strategy for Liberia. The Task Force comprises the CBL, the Ministry of Finance, the Ministry of Planning and Economic Affairs, the Liberian Bank for Development & Investment, the Local Enterprise Assistance Program (LEAP), Liberty Finance and Liberia Credit Union National Association. The UNDP and UNCDF serve as facilitators while the CBL also chairs the Investment Committee of the project.

The Investment Committee approved a total grant of US\$830,000 in 2006 for two local microfinance institutions (US\$530,000.00 to Liberty Finance and US\$300,000.00 to the Local Enterprise Assistance Program). Liberty Finance now has 3,342 clients in Montserrado, Margibi and Bong counties and LEAP has 3,495 clients in Montserrado and Bomi counties.

CBL’s Senior Advisor on Special and Multilateral Projects paid fact-finding visits to the Central Banks of Sierra Leone and The Gambia during the year to see how microfinance projects are being implemented in these countries and if any lesson could be learned to help organize and improve microfinance activities in Liberia. A stakeholders’ workshop involving the CBL, microfinance institutions, Government, the academic community was conducted in 2007. The “Inclusive Financial Sector in Liberia” Project was also launched in January of 2007.

The CBL has also been engaged with other international partners interested in the development of the microfinance industry, including the International Finance Corporation (IFC) and Pro-Credit Holding. The two institutions conducted a pre-feasibility study on establishing a microfinance bank in Liberia and the IFC funded a team of consultants from Pro-Credit to formulate a business plan of the project. The CBL is keen to see the establishment of a microfinance bank in Liberia.

The IFC has agreed to provide funding to support a microfinance advisor to work with the CBL in regulatory reform for Liberia’s microfinance sector. Also, the CBL held discussions with the World Council of Credit Unions (WOCCU) on designing microfinance training programs to build capacity and foster the growth of the sector in Liberia.

INVESTMENT OPPORTUNITIES IN LIBERIA

Financial Sector

There are ample opportunities for investing in the leasing sector. As the economy picks up the demand for equipment leasing especially from the mining, forestry and construction sectors will grow. Currently, there are no companies offering leasing services in Liberia. The current environment in Liberia has the potential to generate high margins for leasing companies given the level of interest rate spreads in the economy. Commercial banks are also not providing long-term credit and government is keen to involve the private sector in the reconstruction process. It is estimated that about \$80m worth of roads are currently in construction process.

Real Estate & Construction

Activity in the real estate sector is expected to pick up because of improving security. Initial demand will be driven mostly by Liberians abroad many of whom have experience with mortgages abroad. They are expected to seek easy, hassle-free ways to purchase second homes in Liberia. This will lead to a large market in Liberia for quality homes that have all the required amenities. These sorts of planned communities have been very popular in other countries in Africa. For instance in Ghana, Regimmanuel Gray Ltd. has had particular success building high-end communities that cater to wealthy Ghanaians and those in the Diaspora seeking a residence in country. From the Liberian perspective, it is estimated that there are 450,000 expatriate Liberians in the US alone. It is estimated that 10% of them visit Liberia regularly and about 1% will be interested in buying homes back at home. That translates to an initial demand of 4,500 homes from just the US market.

As new foreign investments are made in the forest and mining sectors, it is expected that this will also provide a big boost to housing needs for expatriates. Currently there is no single institutionalized large real estate developer operating in Liberia.

The reconstruction of the country's battered infrastructure is creating opportunities for investors. Potential areas of investment include, quarrying, asphalt production and the production of building materials such as pipe and iron rod manufacturing.

Forestry

Liberia has the second highest rainfall in the world. This combined with rich soils and the absence of predatory fungi has endowed the country with very rich forest resources. Half of Liberia's land area of 9.7m ha is made up of tropical forest. Prior to the war, timber production reached a peak of 3 million cubic meters. With the lifting of sanctions on timber exports, opportunities for logging, sawing and wood processing are extensive. The government is very keen to promote value-added processes rather than simply exporting the logs. There is strong demand internationally and domestically (reconstruction needs) for Liberia's timber resources.

The Forest Development Agency has completed a preliminary survey of Liberia's timber assets and is in the process of organizing a more comprehensive study. The data indicates that there are about 2.3 million hectares of commercial forest available for concessions. In addition, there are 1.4 million hectares of protected areas (national parks, nature areas, etc.) that may also be available for logging at some point. Of the 2.3 million hectares the anticipated yield will be 750,000 m³ / year over the next 50-60 years. This level is considered sustainable with just natural

regeneration. The intact forest is divided into two main areas – in the southeast is very wet evergreen forest and in the northwest is moist evergreen and semi-deciduous forest.

Liberia also has significant competitive advantage in rubber production. Liberia's rubber market is estimated at US\$42m a year. The industry needs reinvestment in replanting to stem its declining world market share currently estimated at 4%. The presence of rubber provides significant opportunities for investment in related industries such as the production of plastics, construction materials, condoms etc.

Mining

Liberia is rich in iron ore resources and was one of the world's major producers of iron ore prior to the conflict. Revenues for iron ore mines accounted for about half of the country's revenues prior to the conflict. All the iron ore mines were closed during the conflict. The main challenge facing iron ore mining is the need to rehabilitate destroyed railway and port facilities. The railway link between Bong mines and Monrovia has been rehabilitated but significant investments to link other mines are required. Mittal Steel is already making significant investments in roads, port facilities and railways in order to capitalize on its concession agreement with the Liberian government.

Liberia is also very rich in alluvial and kimberlite diamonds. Opportunities for Kimberlite mining which requires very heavy investments do exist. Since the ban on Liberian diamonds was lifted in July and shipments began in September, Liberia successfully exported US\$ 1.54 million worth of diamonds. This industry is expected to grow significantly as Liberia becomes acclimated to the Kimberly Process and the world feels comfortable with Liberian diamonds.

Oil Sector

The Liberian authorities have recently refuted rumors that oil has been discovered in Liberia. The authorities have indicated that significant investments in exploration will need to be carried to prove if there is oil in the country.

There are two primary government entities that manage the country's petroleum program. The National Oil Company of Liberia (NOCAL) is responsible for upstream operations and the Liberian Petroleum Refinery Corporation (LPRC) is responsible for downstream operations. Though both programs are effectively "open for business", very little has been done, particularly on the upstream side, to promote the value inherent in these assets.

NOCAL is currently facing a severe cash flow crunch. Under the transitional administration, 8 of Liberia's 17 offshore concessions were awarded to five companies – Regal, Oronto, Broadway, Woodside and Repsol. This was done in an extremely opaque manner and none of them have been ratified by the Legislature. So far there has been little movement to examine those contracts and, in fact, there are indications that they will be "fast-tracked" through a modified government review process. The management of NOCAL and the entire operating structure needs significant attention for Liberia's upstream program to gain any credibility.

LPRC is in considerably better shape from a management perspective than NOCAL. Effectively the LPRC functions as an importer and storage company. However, the storage capacity is insufficient and considerable capital upgrades to LPRC's facilities will need to be undertaken as demand increases in the Liberian economy. The refinery in Liberia is defunct (with no future

prospects except for scrap), and as such there is an important opportunity for a strategic investor(s) to build and possibly operate a new refinery.

Hospitality

There are good opportunities in the hospitality sector. Currently, the demand for hotel rooms outstrips supply as a result of the activities of donor agencies, international NGOs, the UN and increasing business visitors. As the security situation improves, tourism is also expected to pick up. The country is endowed with very beautiful beaches and exotic wildlife ideal for the promotion of Liberia as a vacation destination.

INCENTIVES & INFRASTRUCTURE FOR INVESTMENT

Capital Controls

Liberia economy has a long history of liberalism and is arguably the most liberalized economy in West Africa. There are absolutely no capital controls in Liberia and as such investors can transfer funds including dividends in and out of the country without any restrictions. Although this current legal structure is being reviewed, legislative results will most likely be tailored so as not to hinder private sector investment.

Nationalization

Liberia's Investment Incentive Code of 1973 which is implemented by the National Investment Commission prohibits the nationalization of private enterprises. This is designed to attract foreign investment into the country. Other incentives implemented by the commission include the granting of up to 100% duty exemption on imported machinery, equipment, spare parts, construction materials and raw materials. There are also tax exemptions on profits reinvested in fixed assets. Enterprises are also allowed to apply for preferential rates for the lease of land for manufacturing plants in the free zone.

Duties on imported goods range from 2.5% to 25%

Trade Zones & Free Ports

In 1976, in the attempt to promote industrial growth, the government created the Liberia Industrial Free Zone Authority. Several areas have been designated as free trade zones and industries operating in these zones are exempt from import duties and taxes on income. The only free zone still operating is the Free Port of Monrovia as other zones were looted during the war. The government aims to revamp these zones to aid economic recovery

Property Rights

In 1997, the government enacted the New Copyright Law of Liberia. This provides the legal and administrative framework for the protection of property rights in Liberia. The framework is implemented by The Copyright and Industrial Property Right Offices. It is a criminal offence to copy willfully from the works of others for the purpose of making profit. Liberia also belongs to the World Intellectual Property Organization and is also a signatory to several other international conventions on property rights.

Infrastructure

Liberia's fixed telephone network has been destroyed during the war. The Liberia Telecommunications Corporation, a para-statal is the only organization allowed by law to operate fixed telecommunication services. LTC is currently concluding negotiations with an American company for the construction and management of an international telecommunications facility and services that will greatly enhance the Liberian economy's potential for growth.

There are four licensed mobile phone companies including Cellcom, Lonestar, Comium and Libercell. This has largely alleviated the communications problems caused by the destruction of fixed telephone facilities. The total number of mobile phone subscribers is estimated at around 325,000-375,000, signaling that the opportunity for growth is huge.

Internet service facilities are also improving and competition is increasing that is helping to bring down prices. Internet service is offered by Cellcom, Libercell and Comium. Libercell currently offers a GPRS internet service platform.

Liberia has four shipping ports including Monrovia, Buchanan, Greenville and Harper. The Port of Monrovia is the largest port and handles most of the international traffic. All the ports need significant investment in rehabilitation. Traffic at Buchanan, Greenville and Harper are growing significantly as timber exports have resumed. The Port of Buchanan will also be the primary exit for Mittal Steel's export of iron ore.

Roberts Field International Airport is the only international airport in Liberia. The war has done significant damage to the airport but rehabilitation of the runway and air traffic control systems are under way but still require significant investment. Air traffic was significantly diminished due to the conflict and SN Brussels is the only airline that has a direct service from Monrovia to Europe. James Spriggs Payne in Monrovia is the only other airfield with a paved runway, though several gravel-surfaced airstrips exist throughout the country.

The road network is currently poor due to years of neglect during the conflict. Currently, there are a limited number of passable roads in the country. The government has made it a priority to rehabilitate the most important roads in the country, and progress is being made towards this goal. It is estimated that Liberia will need close to 2,000 km of roads and bridges to be built in order to have an efficient, functioning infrastructure that will provide access to all areas of the country. Costs for these projects may run as high as US\$ 200mn and will be funded by both the public and private sectors.

Electricity and water supply remain significant problems in Liberia though the new government has been able to restore services to some areas. The Mount Coffee Hydro-electric Dam once supplied a bulk of the country's electricity needs but has been damaged by the war and requires heavy investment. Once these initiatives have been completed the necessary infrastructure will be in place to propel Liberia towards regaining its position as a powerful economic actor on the West African seaboard.