

INTRODUCTION

This is the year-end edition of the Liberian Economic Review. It covers highlights of socio-economic developments for 1999. As indicated in the previous editions, the main purpose of the Review is to provide basis information on the evolution of the economic trends and perspectives on major socio-economic policies and issues pertaining to the country's economic recovery and reconstruction. It is expected that the information and perspectives provided would give enlightening insights on the constraints, opportunities and challenges facing Liberia in its recovery endeavors after a devastating civil war. While the thrust of the Review pertains to 1999, there are allusions to events that occurred in previous years either to establish trends or to provide perspectives of issues likely to impact on future socio-economic recovery and development of the country.

This edition of the Review further provides a special section on selected historical social and economic data. This section may be particularly useful to those readers desirous of expanding the analysis on specific issues or using it to facilitate further research.

The review is organized into nine sections. After this introductory section, section two presents an overview of major socio-economic issues and developments over the 1999 period. Section two analyzes aggregate economic growth and sectoral performance. Sections four, five, six and seven discuss fiscal performance, money and banking, external debts and foreign trade respectively. Section eight reviews UNDP and Liberia cooperation and section nine provides a special statistical profile on Liberia.

OVERVIEW OF SOCIOECONOMIC ISSUES AND DEVELOPMENT

Liberia's population is currently estimated at 1.814 million with a growth rate of about 2.3 percent. This size and rate of population growth is considerably less than that of the pre-war period that were 2.317 million and 3.4 percent respectively 1987. This change in the population is attributed to the war. Notwithstanding, the current population is exerting enormous pressure on social services which were already inadequate before the war. In the light of a depressed economy, eroded governance capacity, onerous debt burden, high unemployment and inadequate opportunities for enhancing sustainable livelihoods, all dimensions of poverty and of human development in general are currently low. Table ___ in the Statistical Profile section provides indicators of the status of human development.

This low human development situation is largely due to the pre-war economic malaise, socio-political upheavals and a devastating seven-year civil war. Since the resolution of the conflict with the election of a new government in July 1997, Liberia is being faced with the daunting challenge of reconciliation, reconstruction and socio-economic recovery.

In the midst of severe financial and human resource constraints, the government has made significant efforts to improve the overall situation. Economically, it has formulated and is implementing major economic and financial reforms and other measures, intended to address macroeconomic instability and structural imbalances. These measures include: (a) the enactment of a new Financial Institutions Act which provides a more and strategic legal framework for regulating the establishment and operations of financial institutions; (b) the transformation of the National Bank of Liberia into full-fledge Central Bank thereby empowering the institution to exercise prudential management of the financial and monetary sector; (c) the printing of the new currency which is expected to be put into circulation before midyear 2000, thus resolving the problems caused by the use of both the "JJ" and "Liberty" five-dollar banknotes*, and(d) the formulation of a new investment policy called "Strategic Windows Investment Policy which is intended to reinvigorate the private sector and boost the productivity of manufacturing sub-sector. Another measure initiated was the drafting of a new Revenue and Finance Law intended to increase revenue and its elasticity and to align Liberia's tax structure more symmetrically with that of ECOWAS member countries. It is important

* The "JJ" bank note depict the initial of the first President of Liberia Joseph Jenkins Roberts, whose photo appear on the note. The "Liberty" depicts the National Seal which bears the motto: The Love of Liberty Brought us Here.

to note that these measures are critically relevant and has the potential to make a significant impact on economic recovery. However, this potential can only be realized if they are effectively and sustainably implemented.

In addition to these reform and policy measures, the government has embarked on the re-establishment of the socio-economic data base, increased civil servants' salaries and initiated a new IMF Staff Monitored Programme. Government also continues to manifest its commitment to the promotion of good governance and maintain its "government of inclusion policy" by including in the government others who are not members of the ruling party.

In the area of security, it appears that among the several military paramilitary forces the responsibilities, changing of command and interconnections and insufficiently clear not only to the public but also to individual units of these security forces. The need to address this issue as well as strengthened the capacity of the security cannot be overemphasized. Government has prepared a restructuring plan and is requesting external support over the period under review, armed incursions into Lofa County caused major problems of social displacement and disruption of economic activities. This situation tended to reinforce lingering skepticism on the sustainability of peace in Liberia. Towards the end of the year however, the peace and security situation improved to the extent, as observed by a Joint Donors Assessment Mission led by the World Bank in November 1999, that the security situation was no longer considered an impediment to the country's development. On a related security issue, the government destroyed the arms and ammunitions collected from the warring factions during the disarmament exercise and later removed almost all the security checkpoints. The government also played a major mediating role in the Sierra Leone peace process. These development had a positive impression nationally and regionally.

Overall, the above policy measures and other actions taken by the government contributed to the continued improvement in economic growth, per capita income and revenue performance. It also enhanced hope for recovery. Notwithstanding, these positive developments have yet to meaningfully affect the status of human development that remains low as stated earlier. Moreover, while efforts are being made to improve physical infrastructure, the pace of reconstruction has been disappointingly slow. The supply of electricity and pipe borne water supply remain lacking. The condition of streets, highways and some public buildings are generally poor. In the area of good governance, accountability in many government agencies is problematic. Beside pervasive corruption, it has been observed that many of these agencies lack internal control and are bedeviled by poorly inappropriate organizational structure, accounting record system, malpractice in payroll management, weak system of transparency and inadequate motivation for the staff. Moreover, while commendable efforts are being made to strengthen economic management capacity, it remains an area of major concern for enhanced improvement.

Some of these problems may be attributed to the lack of significant official development assistance from the international donor community, the trickling inflow of direct foreign investment and the level of government's commitment manifested by the

credibility gap between government's public pronouncements and concerted results-oriented actions in certain areas. Furthermore the debt burden remains a critical constraining factor.

To assist government in many of its recovery endeavors the UN System in general, including the Office of the Representative of the Secretary General (RSG), and UNDP in particular, provide support in a wide array of activities to promote peace consolidation, strengthen capacity and to improve conditions in the lives of the people by enhancing service delivery and creating new opportunities for self-initiatives in the nation rebuilding process. Considering the financial strains of these UN agencies, the current support from them is less than desirable. However, through well-focused programmes and close collaboration with the government, the UNDP, other UN agencies and the Office of the RSG have meaningfully contributed to the current level of progress made in consolidating peace in Liberia.

ECONOMIC GROWTH AND SECTORAL PERFORMANCE

In Liberia's efforts to achieve recovery and socio-economic reconstruction, the resurgence and acceleration of economic growth must be viewed as imperative. Increased level of economic growth, however must not be treated as an end in itself, but rather as a means to the ultimate goal of improved human development and consequently, to the sustained consolidation of peace. Thus, the structure and quality of economic growth are also equally critical in the recovery and reconstruction process. This section analyzes the aggregate level of economic growth and the performance of its sectoral components considered vital for human development in the recovery and reconstruction process.

3.1. Economic Growth and Human Development

Following the devastating impact of the seven-year civil war and the lack of clear policy directions during its immediate aftermath, the Liberian economy has been experiencing a resurgence of growth, albeit still being below 50 percent of the pre-war period. Over the period 1998 to 1999, gross domestic product (GDP), the aggregate measure of economic growth, increased from US\$333.0 million to US\$410.0 million in real terms. This increase constitutes a growth rate of 23 percent. As a percentage of the pre-war period in 1987, GDP has increased from 29.0 percent in 1998 to 36.0 percent in 1999. Figure 1 illustrates the resurgence of growth over the period of 1997 to 1999 relative to the post-war period in 1987.

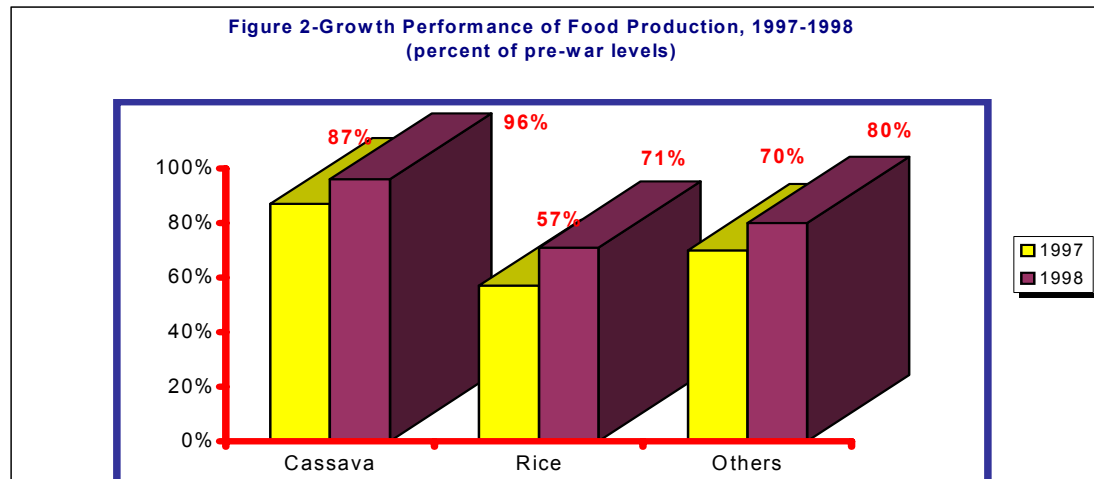
In terms of real per capita GDP, there was an increase from US\$166.5 in 1998 to US\$170.8 in 1999.

This level of per capita GDP is 34.6 percent of its pre-war level in 1987. From the perspective of a nation emerging from a devastating civil war the resurgence of aggregate and per capita GDP is encouraging. However, within the context of human development the current growth trend has not made an appreciable impact on the lives of most of the population. A measurement of human development, the Human Development Index (HDI) for Liberia is 0.276 out of a maximum of 1.000. This level ranks Liberia 174 out of 175 countries. The Human Poverty Index (HPI) also indicates a rating of 53.1. This means that over half of the Liberian population have a low standard of living. In other words, most Liberians are deprived of adequate access to long life, education, health, safe water, sanitation and nutrition. The latter is particularly true in the case of children.

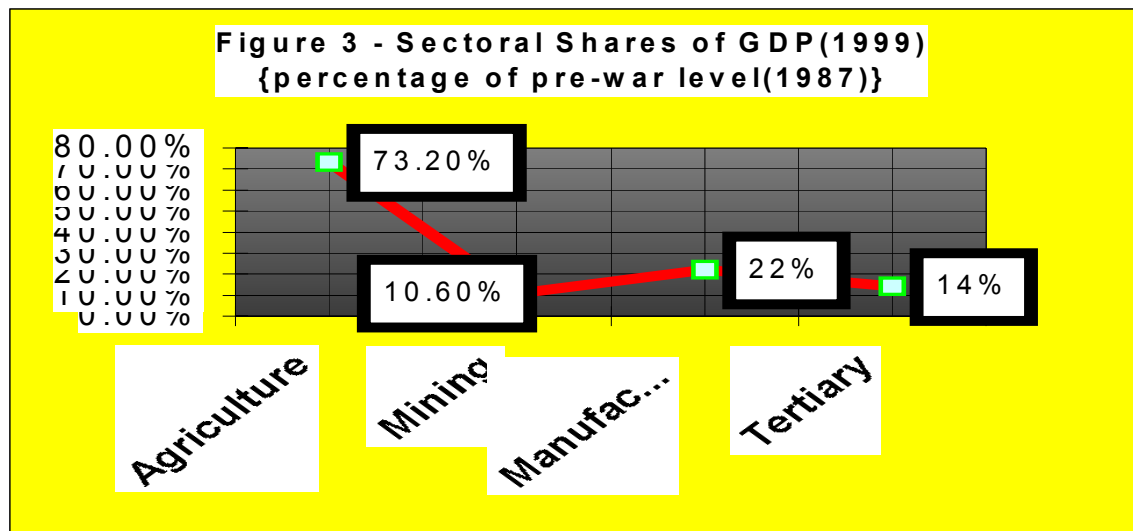
While the situation requires urgent attention, the reconstruction and socio-economic recovery process must be viewed as a medium to long term process. Notwithstanding, in the short-run, the foundation of mutually reinforcing growth and human development policies should be firmly established.

3.2. *SECTORAL PERFORMANCE*

The agriculture sector (including forestry) continues to be the dominant sector in terms of its contribution to economic growth, export earnings and domestic food supply. In 1999, this sector accounted for 76.1 percent of GDP, and over 98 percent of total export earnings. Moreover, its production of domestic food supply has increased on an average of about 82 percent of its pre-war level. Figure 2 illustrates food production as a percentage of the pre-war period for 1997 and 1998. It is projected that this trend would likely continue in 1999, but the relevant data was not available in time for the preparation of this review.



The total output of the agriculture sector now constitutes 73.2 percent of its pre-war level. (Figure 3) as compared to 47 percent in 1997 and 61 percent of 1998. This gap in food production and total agriculture output may be attributed to the slower recovery in the rubber industry which stands at about 45 percent of its pre-war level. As it may be recalled, rubber production in the pre-war period registered the highest output in agriculture sector. While it is currently surpassed by forestry production, this development has not been sufficient to significantly reduce the gap between food and non-food production.



It is important to note that while the agriculture sector's performance in terms of its recovery has been impressive, its share of GDP has remained

relatively steady at an averaged 76.9 percent over the 1997- 1999 period. In fact as seen in table 1, all sectoral shares of GDP has displayed on average, a similar trend. This is further illustrated in figure 4.

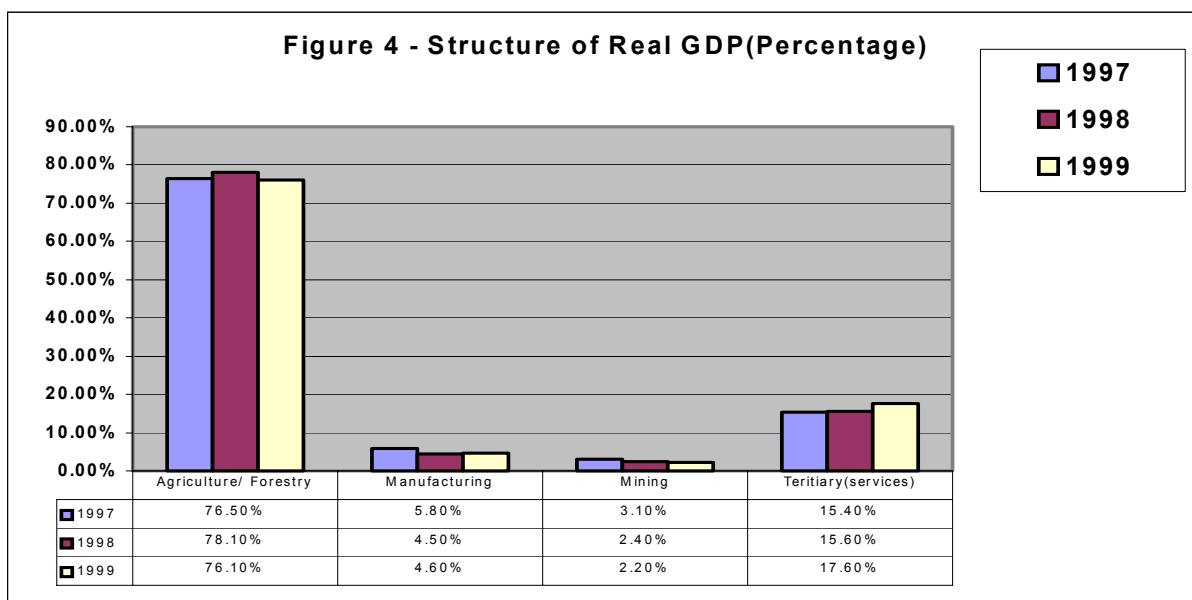


Table 1-Sectoral Shares of Real GDP

<i>Year</i>	<i>Agriculture (Including Forestry)</i>	<i>Mining</i>	<i>Manufacturing</i>	<i>Tertiary</i>
1997	76.5	3.1	5.8	15.4
1998	78.1	2.4	4.5	15.6
1999	76.1	2.2	4.6	17.6
Average	76.90	2.56	4.96	16.20

*Percentage may not add to 100 percent due to roundings

The above analysis suggests that to further increase the agriculture sector’s performance and economic growth, concerted measures and commitment must be ensured to address many of the major constraints which hamper progress. Some of these constraints are low investment, antiquated technology, lack of other modern agriculture inputs, physical labor constraints and poor marketing, credit and research facilities. Considering the vast potential of the agriculture sector for increased growth, employment and human development in general, it would be prudent to place high emphasis on the development of this sector.

The mining sector, of which iron ore mining was the single largest economic activity in the pre-war period, currently accounts for only 2.2 percent of GDP in 1999 (Table 1) as compared to 10.9 percent in 1987. Currently mining is only 10.6 percent of

its pre-war level in 1987 (Figure 3). It may be recalled that iron mining alone accounted for about 23.5 percent of GDP in the 1970s at the peak of its operation and about 12 percent in the 1980s at its lowest. Since the outbreak of the war, iron ore mining has completely ceased due to the devastated state of its infrastructure and other assets as well as the high capital investment required for its reactivation. Consequently, in the short run, there is virtually no prospect for its revival.

The manufacturing sector, as reflected in table 1, accounts for only 4.6 percent of GDP in 1999. Its output during this period was only 22 percent of the pre-war period in 1987 (Figure 3). Table ___ in the statistical profile section shows that many of the major manufacturing industries experienced a decline in their production levels over the period 1998-1999.

The manufacturing sector remains crippled due to both pre-war and post-war constraints. Prior to the war this sector was constrained by low value-added in the manufacturing process and the small size of the market which was basically domestically oriented. Moreover, as observed in the previous year's Review, the input-output relationship reflected a significant dependence on semi-finish imported commodities. Due to the devastation caused by the war the situation has worsened. Currently, the relatively low domestic and direct foreign investment, entrenched corruption and eroded confidence in the effective management of the economy are major factors which adversely effect the growth and productivity of the manufacturing sector. While confidence level is gradually being rebuilt, government has to unflinchingly continue to eschew policies which promote sound economic management and good governance in general.

The tertiary sector accounts for 17.6 percent of GDP. This is a slight increase from the 15.4 percent and 15.6 percent registered for 1997 and 1998. Nevertheless, it constitutes only 14 percent of the pre-war level as seen in figure 3. The massive destruction caused by the war to infrastructural facilities which are critical to the tertiary sector largely explain this relatively low level performance. Given the substantial capital investment required for the reconstruction of these facilities, it would be wise to do whatever is considered practical to attract and mobilize external assistance to augment government and the Liberian private sector's limited capacities in this regard.

FISCAL PERFORMANCE

4.1. Budgetary Development

The approved budget for fiscal year 1999 was L\$2.560 billion. At the prevailing exchange rate of L\$40:US\$1, this amount is equivalent to US\$64.0 million, and constitutes 55 percent increase over the previous years' budget. The total budget was

formulated on the basis of projected revenue of which customs and excise taxes constituted the largest share of 38 percent followed by maritime revenues.

Table 2-Summary of Projected Budgetary Revenue

Category of Revenue	1998 (US\$ Million)	Percent of total	1999 US\$ Million	Percent of total	Percent change 1998/199 9
Customs and Excise	10.2	24.7	24000	38.0	135
Direct Taxes	12.4	30.0	16,125	25.0	30
Indirect Taxes	1.5	3.6	5,875	9.0	302
Maritime Revenue	17.3	41.7	18000	28.0	4
Total	41.4	100	64000	100.	55

Source: Bureau of the Budget. The Budget of the Government of Liberia

Based on a zero-balance budget plan, budget expenditures were to have matched projected revenue. According to this plan, recurrent expenditure accounts for 80 percent of the budget. Table 3 indicates the structure of budgeted expenditure.

**Table 3-Structure of Expenditure
Percentage of total Budgeted Expenditure**

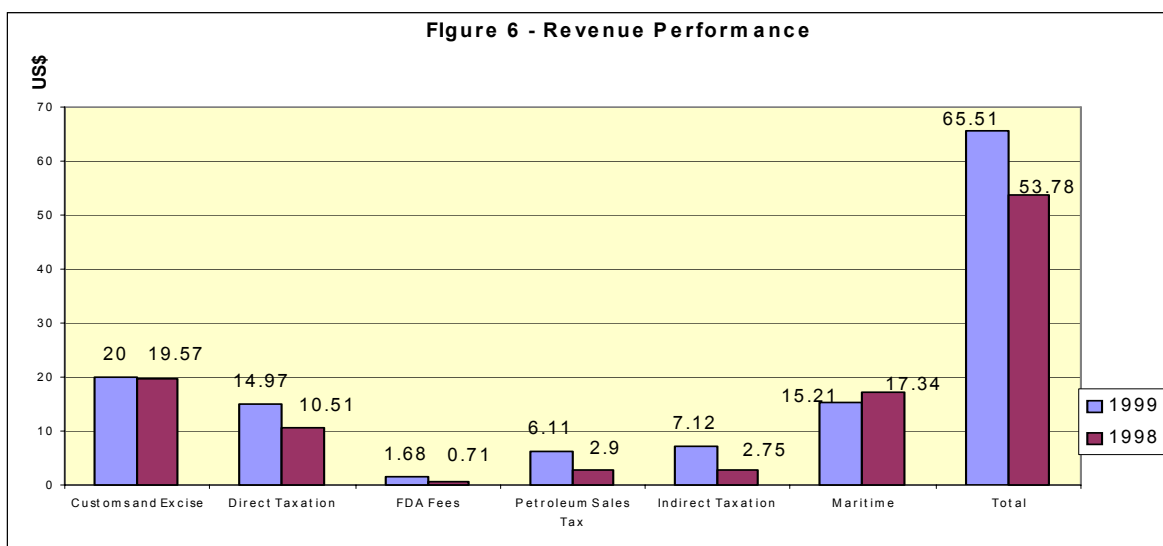
Category of Expenditure	1998	1999
Recurrent	<u>89</u>	<u>80</u>
Salary and wages	12	13
Pension and Annuities Support	1	2
Logistics	29	53
GOL Special Commitment	3	9
Debt Service	8	4
Others	36	0
Capital/Development Expenditure	<u>11</u>	<u>20</u>
Total	100	100

Source: Bureau of the Budget, The Budget of the Republic of Liberia

4.2 Revenue Performance

Actual revenue generated exceeded the budgeted revenue by US\$1.51 million or 2.36 percent. The total amount generated, US\$65.51 million, was a significant increase of 21.8 percent or US\$11.73 million over the 1998 period. According to the Ministry of Finance, this level of performance is attributed to more vigorous tax collection effort and the implementation of the Revenue Collection Act which stipulates that all revenue collection should be centralized through the Ministry of Finance.

It must also be noted, as indicated in figure 5, that all categories of actual revenue in 1999 increased relative to budgeted revenue except maritime revenue. The Ministry of Finance observes that this decline in maritime fees may be attributed to the change of management of the maritime programme which caused delays in revenue collections. The highest source of actual revenue for 1999 was customs and excise taxes constituting about 31.2 percent. This was followed by maritime, constituting 23.2 per cent. Figure 6 illustrate revenue performance over the period 1998 and 1999.



4.2. Expenditure Performance

Total budgeted expenditure was US\$64.0 million. The actual expenditure incurred on a commitment basis was US\$66.475 million, constituting a 3.86 percent increase (Table 4). The most substantial increase were in the recurrent expenditure category where salaries and wages increased by 48.9 percent, goods and services, 42.2 percent, and interest payments, 46 percent. The Ministry of Finance reports that the increases were due mainly to increased salary adjustment for public servants and unforeseen extra-budgetary expenditures on the national security situation in Lofa County and the sub-region.

In terms of the functional classification of expenditure in actual terms general public administration including public services, defense and public safety accounted for

31.4 percent of the total budget. This was followed by unclassified expenditure, 28.7 percent, social and community services, 23.1 percent and economic services 16.7 percent (figure 6).

The performance of revenue and expenditure has impacted negatively on fiscal balance. As seen in table 6 in 1999 there was a fiscal balance of negative US\$ 0.95 million. This deficit was financed largely from domestic banking sources.

From the above situation, fiscal performance was poor over the period under review. The situation should be guarded against. It sends out the signals that despite government's public pronouncement of its intent to maintain sound fiscal management, the large extra budgetary expenditure and the consequent negative fiscal balance of US\$95000 suggests that government either lacks the commitment or the capacity or both to realize significant progress in overall fiscal management.

Table 4-Expenditure Performance

	Budget 1999	Actual 1999
Recurrent Expenditure	46,894	55,543
Salaries and Wages	8,632	12,858
Contractual Services	1,140	1,763
Goods and Services	19,334	27,490
Materials and Supplies	3,500	5,007
Rental and Lease (property)	2,749	2,245
Other Services	13,085	20,238
Interests payments	2,400	3,505
External	1,200	600
Domestic	1,200	2,905
Subsidies and Transfers	9,658	6,024
Others un-allocable	5,730	3,903
Capital Expenditure	17,106	10,932
Machinery and Equipment	4,516	4,837
Development Expenditure	12,590	6,095
Total Expenditure	64,000	66,475

Table 5-Functional Classification of Expenditure

	1999 Budget	Actual 1999	Actual 1998
General Public Administration	25.57	20.87	25.34
Social and Community Services	5.49	15.38	5.61
Economic Services	14.64	11.11	5.64
Other not classified	8.30	19.11	17.34
(Special Commitment)	-	-	-
	64.00	66.47	53.93

Money and Banking

Currently, the financial sector consist of five functional commercial banks, a newly created Central Bank and several informal financial intermediaries. The Central Bank replaces the National Bank of Liberia and is expected serve as a full-fledge central bank.

The operation of the banking sector faces several constraints. As indicated in previous edition of this review. These constraints include an unconducive macro-economic environment, poor infrastructural facilities such as electricity, water supply and telecommunications. Most of these banks operate at less than full capacity. Other differencies include lack of effective supervision, undercapitalization and liquidity constraints.

The hybrid currency arrangement, consisting of the Liberian five dollar note and the US dollar remains in practice. Both currencies are legal tender but market forces are allowed to determine the exchange rate. Over the period January to November 1999 the exchange rate has been relatively stable averaging about L\$42 to 1US\$. It is expected that the single multi-denominational currency system will be introduced before mid 2000. The US\$ will remain in force. This development is expected resolve the problem caused by the use of three currencies the "Liberty" the "JJ" and the US dollar.

As seen in table 7 money supply has been quite stable. Overall liquidity decreased only slightly from L\$2.632 billion in 1998 to L\$2.350 billion. The decrease may be due largely to the withdrawal of mutilated notes form circulation.

Table 6-Fiscal Balance, 1999(US\$million)

Total Revenue	65.52
Total Expenditure	<u>66.47</u>
Recurrent	55.54
Capital	10.93
Fiscal Balance	-0.95

Table 7 Money Supply (L\$ million)

	1998 ²	1999 ³
Notes and coins circulation	565.5	561.3
Demand Deposits ¹	1,727.8	1448.6

² As at the end of December

³ As at the end of November, Data not available

Time Deposits	12.1	13.1
Savings Deposits	326.7	327.0
Overall Liquidity	2,632	2,350.0

Central Bank of Liberia Research, Policy and Planning Department, Liberia Financial Statistics vol. 1, No. 2 , Monrovia, Liberia, 1999

SECTION SIX

THE DEBT BURDEN

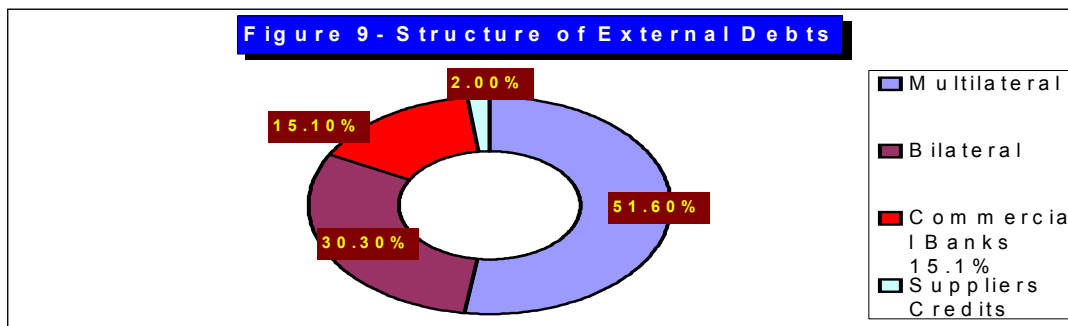
According to the Ministry of Finance revised debt profile, the total debt stock is US\$2.731 billion of which external debt constitutes US\$2.611 billion or 95.5 percent (table 8). In the external debt category, multilateral debt accounts for 51.6 percent with the IMF having the largest share of 25.5 percent of the total external debt portfolio. As seen in figure 8, the second largest component is bilateral debt which constitutes 30.3 percent. A summary of the domestic debt profile is provided in table 9.

**Table 8-Summary of the Total Debt Profile 1999
(US\$Billion)**

Source of Debt		Percent of Total
External Debt	<u>2,611</u>	95.5
	1.315	
Multilateral	.773	
Bilateral	.438	
Others		
Domestic Debt	<u>0.120</u>	4.5
Total	2.731	100

Source: Ministry of Finance, Annual Report, 1999

¹ Deposits comprise those belonging to individuals, public corporations and other companies held with commercial banks in Liberia



**Table-9 Estimated Domestic Debt, 1999
(Summary in million US\$)**

Categories of obligations	Total Amount	Percentage of Total
Current Liabilities		
Unpaid 1999 Vouchers	12.77	10.60
Unpaid 1998 Vouchers	4.54	3.77
Long Term Liabilities		
Unpaid Vouchers	21.95	18.22
Unpaid Checks	3.08	2.55
Commercial Banks Loans	24.68	20.49
Central Bank of Liberia	25.47	21.15
National Saving Bond	1.06	0.88
NPRAG's Debt	26.87	22.31

Total	120.42	100
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Source: Ministry of Finance, Annual Report, 1999

To assess the severity of the debt problem, the analysis is restricted to the external debt, considering its critical role and its large share of the total debt. At the end of 1999, it is estimated that the debt arrears constituted about 84 percent of the debt stock and reflected a protracted period of non-payment. Such large and sustained accumulation of arrears is indicative of low debt servicing capacity. Major indicators such as the debt to GDP ratio and the debt to exports ratio surpassed the critical levels of 80 percent and 200 percent respectively. This situation places Liberia in the classification of severely indebted countries. While it is recognized that the war contributed significantly to the current situation, the problem of meeting external debts obligations was observed to be sufficiently serious for the country to be given a non-accrual status before the war. This means that Liberia was ineligible to benefit from the funding resources of most international financial institutions.

From the above situation it is imperative to address the total debt issue. While several measures have been initiated by the international community to alleviate the debt burden, Liberia has not benefited. The country has either not met the criteria for such schemes or has not been afforded this generosity of debt relief by the bilateral creditors. It is therefore advisable that Liberia constantly manifests its commitment to sound macro-economic policies, social reforms and prudent management with the limited resources available. This may influence a change among the major creditor to place Liberia among the nations being granted debt relief.

FOREIGN TRADE AND BALANCE OF PAYMENTS

As noted in previous editions of this review the Liberian economy is substantially dominated by foreign trade transactions and the export sector has historically played a critical role. Over the period 1970 to 1988, export earnings averaged about 52 percent of GDP at current prices. Currently, over the past two years, this amount has fallen to an average of about ten percent. The decline is due basically to the disruption caused by the war and, most significantly, to the closure of iron ore mines and reduced operation in rubber production. The structure of exports over the 1970-1989 period was dominated by iron ore, rubber and forestry products with iron ore accounting for about 55 percent of total exports. Currently in 1999, total exports have considerably reduced from about US\$396.4 million in 1988 to about us\$42.15 million with rubber accounting for 59 percent. Figure 5 illustrates the structure of exports which consists mainly of rubber, round logs, cocoa beans and coffee.

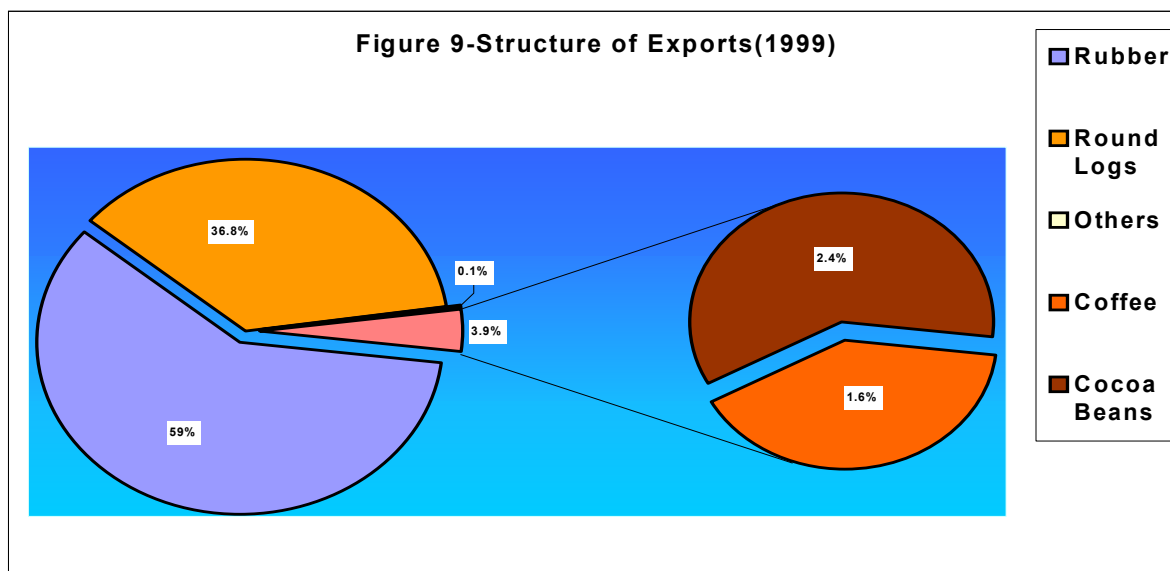


Table 10 indicates the performance of the export sector over the 1998-1999 period. As indicated, all commodities registered declines except coffee and round logs.

Table 110-Category and Value of Exports

Commodities	1998(US\$)	1999(US\$)	Percentage change
Rubber	26.931	24.929	(7.4)
Cocoa Beans	1.604	1.003	(37.4)
Coffee	0.240	0.686	185.8
Round Logs	10.839	15.490	42.9
Others	0.114	0.041	(64.0)
Total Exports	39.728	42.149	

Source: Ministry of Commerce and Industry as cited in the Central Bank of Liberia, Liberia Financial Statistics” Vol.1, NO.2 December 1999

Part of the explanation may be due to the security incidences which occurred in September 1998 and April 1999. In addition, the lingering problems of poor physical infrastructure such as road conditions which become a major impediment especially during the rainy season (April-October), coupled with lack of adequate farm inputs serve as major constraints. In other areas like rubber production, the earlier rapid growth reported over the last period was not maintained due to the slower pace or to stagnation in new investment which is critical for rebuilding capacity and restarting major ventures. The increase in logs production may be contributed to new investment and an accelerated production pattern. The latter may eventually yield a negative impact on the environment if the current trend of virtually uncontrolled deforestation continues.

Table 11-Category and value of Imports

Commodity	1998	1999
Food and live animals	48687.0	56,171,341.25
Beverages and tobacco	7306.7	7,435,484.99
Crude materials/Inedible except fuel	4566.9	7,169,190.30
Minerals fuels, lubricants	3238.0	3,431,787.76
Animal and vegetable oils, fats ,ect	1160.1	3,426,779.76
Chemicals and related products	9065.7	14,215,127.83,
Manufactured products classified by Materials	15045.4	17,084,639.52
Machinery and Transport Equipment	27907.7	37,991,839.09
Miscellaneous articles	8271.8	11m949m187
Total	125249.3	158,875,377.8

Table 12
Balance of Payments 1997-1999
(In Millions of US Dollars)

	1998	1999
Current Account Balance	41.9	-43.7
Trade balance	-118.5	-111.7
Export, f.o.b	42.7	55.7
Of which: rubber	28.5	31.7
Timber	11.7	21.8
Imports, c.I.f.	-161.2	-167.5
Of which petroleum	36.2	-17.4
Rice	30.0	-22.6
Donor	25.2	-45.9
Other	69.9	-81.6
Services (net)	1.1	3.9
Income	38.7	-44.1
Of which: equity	-8.8	-15.6
Interest on public debt	-30.0	-28.6
Current transfers of which:		
Grants	114.1	109.7
Maritime	71.8	75.8
Workers, remittances	17.3	13.9
Workers, remittances	25.0	20.0
Capital and financial Account	3.5	3.0
Direct investment	22.5	27.0
Trade credit	-1.3	0.1
Debt amortization	-25.0	-23.3
Errors and omissions	16.6	12.9
Overall Balance	-55.0	-52.1
Financing	55.0	52.1
CBL international reserve net assets, increase/decrease/decrease	0.0	0.2
Use of fund credit	0.0	0.0
Arrears	55.0	55.9
Memorandum items		
Current account balance (percent of GDP)	-11.5	-9.4
Trade balance (percent of GDP)	-32.5	-24.9

The overall performance of foreign trade and other problems such as issues related to public debts, the impact of the war and poor economic management in general discussed in other sections of this Review have contributed to a significant deterioration in the country's balance of payment. The overall balance of payment which was negative prior to the war has understandably remained negative. As seen in table 4, the overall balance of payment deficit has been virtually stagnant registering US\$55.0 million and US\$52.1 million for 1998 and 1999. The deficits were mostly financed by donors grants, foreign investments and private transfers.

UNDP/LIBERIA COOPERATION

During the period under review UNDP played a crucial role in response to the critical needs for recovery and reconstruction in Liberia. In the process, UNDP has maintained very good relationships with the Government. While the Ministry of Planning and Economic Affairs (MPEA) is the main channel of communication with the Government for operational issues, UNDP, in consultation with the MPEA, hold frequent consultative dialogue with virtually all ministries concerned with development issues and the Ministry of Foreign Affairs and the Ministry of State for Presidential Affairs. On occasions major upstream issues are also openly and frankly discussed with the President Charles Taylor.

UNDP's assistance was manifestly acknowledged by the President himself during his annual message delivered 24 January 2000 when he stated:

" Exceptionally the UNDP has initiated many rehabilitation activities to rebuildstructures of gender, low cost housing and institution-building".

During the period under review UNDP's activities focussed on two major programme areas of critical needs: (1) Governance and Economic Management; and (2) Poverty reduction and sustainable livelihoods. These major programmes are being implemented through several projects grouped under thematic areas of the Country Cooperation Framework (CCF) which was finalized during the period under review. These two programme areas provide support for strengthening key government institutions, promoting of good governance, and creating opportunities for employment and income generation through micro-grant and micro credits.

- ◆ Facilitating resettlement and reintegration through assistance to rural communities and to the internally displaced; strengthening the capabilities of
- ◆ Liberia Commission on the Environment to address Liberia's pressing environmental problems in a systematic and coordinated manner.

- ◆ Building capacity of women institutions for gender mainstreaming;
- ◆ Strengthening the Ministry of Education Capacity for assessing, planning, implementation monitoring of educational programmes;
- ◆ Training to support the reintegration and rehabilitation process; and
- ◆ The building of rural housing through self-initiative

As indicated in the previous edition of the Review these programmes are intended to assist government in the consolidation of peace in Liberia.

Other collaborative activities with the government and people of Liberia include: (a) the preparation of the Draft National Human Development Report, (b) the hosing of development for a in which issues related to the recovery, reconstruction and development of Liberia are critically analyzed and debated; and(c) the launching of the UNDP Global Human Development Report during which time major stakeholders were made aware and sensitized on the concept and dynamics of human development. In addition, UNDP launched a number of strategic studies aimed at strengthening the basis for continued support to promoting human development.

OUTLOOK: CONSTRAINTS, CHALLENGES AND PROSPECTS

Liberia is a relatively small country which is well endowed with rich natural resources and has the potential of being self-sufficient in food. The country also has a cadre of skilled human resources which compare favorably with many developing countries. For a long period of time these attributes have not been capitalized upon to significantly improve the status of human development.

The country experience several prior to the war, external and internal disequilibria which had a destabilizing impact on economic, social and political conditions. The civil war exacerbated these conditions. Currently per capita income is US\$169, unemployment is about 85 percent, and literacy rate is about 15 percent. Most of these indicators are only a fraction of the prewar level. The status of overall human development falls among the lowest ranking countries. Basic infrastructures like electricity, safe water supply, sanitation and roads are all far from adequate. Health and education facilities are generally poor in both quality and accessibility. Economic management and governance in general are below acceptable standards.

These problems are not easy to resolved. The government and people of Liberia are therefore faced with the formidable challenge of alleviating the poverty-stricken conditions caused by the depressed economy and poor social services. While the government and international community recognize this situation and are making significant efforts to address these issues, much more needs to be done. Government must continue the reform measures aimed at creating the conducive environment for economic growth, security, social justice and confidence in the political and economic management of the country.

The international community must increase their level of assistance and make it more results-oriented. The people of Liberia must desist from hostile confrontation and develop an attitude of cooperation , non-violent conflict resolution. They must develop a value system of integrity, human decency and dedicate hard work.

The prospects for achieving the above, first and foremost, depends on government commitment to consolidate the peace. It must be seeing as being honest and translating its good intentions into concrete reality. It also depends on the discontinuation of dissident groups resorting to violence, political chicanery and other unbecoming behavior to destabilize the state or undermine the government.

If the above conditions are allowed to exist, in the short run economic growth will continue to be driven by the export sector. In view of the heavy dependence on the production and export of raw materials, the growth will be influenced by conditions on the international market.

As stated in the previous year edition of the Review, concerted efforts must be made to maximize the benefits from economic growth through strategic planning and making national priorities right. Expenditures must be incurred within the appropriate mechanism to address problems in the identified areas of priorities with transparency and accountability. Employing attractive incentives to stimulate and diversify direct foreign and domestic investment would also be prudent to further accelerate growth and maximize the benefits. The debt burden must be addressed. The international community must collaborate with the government in all areas of need but special emphasis must be placed on the debt issue given its exigency and overarching impact on Liberia's reconstruction and recovery.

Trend in Business Registration January-November 1999

1997	1998	January-November 1999
2,371	3,354	3,489

IMPACT ANALYSIS ON INDUSTRIAL GROWTH

No.	Industry	Product(s)	Production 1998	Production 1999	Difference	Percent change
1	Liberia Cement Corporation	Portland Blue Star Cement	42,481 Metric tons	51,365 Metric tons	8,884 metric tons	21%
2	Monrovia Breweries (MBI)	Club Beer, Club minerals, Guinness stout and Malta Guinness	604,612 assorted crates	508,448 assorted crates	96,164 assorted crates	-16%
3	United States Trading Company (USTC)	Coca cola and Fanta products	676,914 assorted crates	1,383,278 assorted crates	706,364 assorted crates	104%
4	Mano Manufacturing Company (MANCO)	Household candles, rubbing alcohol, chlorax	43,918 ctns 10,882 12,569	52,059 ctns 12,289 8,552	8,141 ctns 1,407 ctns 4,017 ctns	19% 12% -32%
5	Royal Industrial Complex	Paint, varnish, thinner, putty and mattresses	25,320 assorted gals. 4356 pcs	57,076 assorted. Gal 5,289 pcs	28,244 assorted gals. 933 pcs	-33% 21%
6	Sun Group, Inc.	Oxygen and industrial gas	811 cylinders	361 cylinders	450 cylinders	-55%
7	Luna Nail Company, Inc	Wire nails	4,382 bags	5,638 bags	1,256 bags	29%
8	Liberia Industrial Production Corporation (LIPFOCO)	Assorted mattresses Foam sheets Foam cushions Foam pillows Foam kitchen foams Crushed foam (kgs)	51,113 assorted pcs 5,142 kgs	49,219 assorted pcs 2,385 kgs	1,894 assorted. Pcs 2,757 kgs	-4% -54%
9	Liberia Industrial Production (LIPCO)	Assorted furniture	2,235 assorted pcs	2,752 assorted 2,385 kg assorted. Pcs	517 pcs	-23%
10	Natinal Industrial Company (NICOM)	Senator Brand gin and rum, Big Ben gin, Citrus Punch, etc.	10,501 ctns	9,939 ctns	562 ctns	-5%
11	Raja International Trading Company (RITCO)	Amrum gin Commander gin and rum, pioneery brandy, London whisky	37,949 ctns	4,663 ctns	33,286 ctns	-88%

BALANCE OF TRADE POSITION IN 1999

CATEGORY	1995(US\$)	1996 (US\$)	1997(US\$)	1998(US\$)	1999(US\$)
Imports	84,437,226	83,659,640	212,640,758	113,713,758	158,975,377.87
Exports	5,703,549	10,650,000	25,319,751	38,827,213	50,291,686.09
Deficit	78,733,677	73,009,640	187,320,703	74,886,545	108,583,191.80

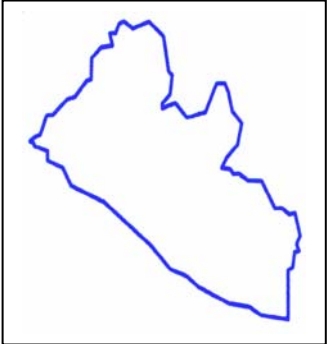
STASTICAL PROFILE	
	<p>Liberia occupies on 43,000 square miles (1,370 km²). It is located on the West Coast of Africa and bounded by Cote'Ivoire on the East, Sierra Leone on the West, Guinea on the North and Atlantic Ocean on the South.</p>

Table A
LAND AREA AND POPULATION 11999

Area Population Population Growth Rate Population Distribution Urban Rural Age
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Table B
LAND USE (1999)

<i>Land Classification</i>	Sq Km	<i>Percentage</i>
Cropland	03.730	3.9
Permanent Pasture	03.400	2.5
Forest and woodland	21.030	21.8
Other Land use	69.160	71.8
TOTAL	96,320	100

Table C

SOCIAL INDICATORS (1999)

Life Expectancy at Birth	42.3
Adult Literacy Rate	31.2.58.8
Primary, Secondary and Tertiary (Gross Enrollment)	
Population with Access to:	
Safe water	46.7
Health Services	41.2
Underweight children under five (11997-1999)	14.8
Under-Five Morality Rate (per 1000 live births)	
Public Expenditure on Education as % of GDP	1.8
Public Expenditure on Health as % of GDP	1.45

Table D

Human Development (1999)

Human Development Index	0.276 out of 1.000
Human Development Ranking	174 out of 175
Human Development Group	low
Human Poverty Index	534.058

Table E

 Sectoral Origin of GDP at 1992 Constant
 Prices 1995-1999 (In Million of US Dollars)

Sectors	1995	1996	1997	1998	1999
Agriculture	89	117	199	260	312
Forestry	21	33	38	64	77
	1	0	8	8	9
Mining	3	1	15	15	19
Manufacturing	21	8	40	52	72
Tertiary Sector					
GDP at Constant 1992 prices	112	126	260	331	410

Source: Ministry of Planning and Economic Affairs and IMF Staff estimates

Table F
Outputs as a percentage of Pre-war (1987)

Sectorss	1987	1995	1996	1997	1998	1999
Agriculture						
Forestry						
Mining						
Manufacturing						
Tertiary Sector						
GDP						
Real GDP Per Capita						

Source: Ministry of planning and Economic Affairs and IMF staff estimates

Table G
Balance of Payments 1997-1999
(In Millions of US Dollars)

Table H

Government Revenue

Table I
Government Expenditure

Table J

Money Supply (L\$ Millions)

	11998	1999
Notes and coins in circulation	565.5	561.3
Demand Deposits	1,727.8	1,448.6
Time Deposits	12.1	13.1
Savings Deposits	326.7	327.0
Overall Liquidity	2,632.1	2,350.0

Source Central Bank of Liberia, Research, Policy and planning Department. Liberia Financial Statistics, vol.1 No.2 Dec. 99

1. As at December 31
2. As at November 30

Table K
Quarterly Average Exchange Rates (L\$ per \$US)

	1997	1998	1999
1 ST Quarter	58.56	40.15	36.96
2 nd Quarter	58.89	40.31	36.16
3 rd Quarter	43.70	43.05	37.59
4 th Quarter	40.55	40.40	-
Year	50/42	40.98	-

Source : Central Bank of Liberia, Research, Policy and Planning Department, Liberia Financial Statistics Vol. 1 No.2, December 1999.

Table L
Principle Export Commodities

Commodities	1997	1998	1999
Rubber	19.386	29.931	29.429
Cocoa Beans	0.628	1.604	1.003
Coffee	0.076	0.234	0.686
Round Logs	4.972	10.839	14.490
Other Commodities	0.608	0.114	0.041
Total Exports	25.318	39.722	46.649

Table M
Principle Import Commodities
(In US \$Million)

Commodities	1997	1998	1999
Food and Live Animals			51.491
Beverages and Tobacco			6.816
Crude Materials			6.572
Minerals Fuels, Lubricants			3.157
Animal and Vegetables oils			3.141
Chemicals and Related Products			13.100
Manufactured Products			15.688
Machinery and Transport Equipment			34.851
Miscellaneous articles			1.066
Total			

Source: Ministry of Commerce and Industry

1. Includes Commodities not classified elsewhere