

Liberia. Exports by Destination
(Annual average during 1980-2000)

	In millions of USD	Share (in percent)
United States	47.7	8.7
Europe	401.8	73.7
Asia	76.9	14.1
Africa	8.4	1.5
Middle East	2.9	0.5
Western Hemisphere	7.6	1.4
Total	545.3	100.0

Source: Liberian authorities; and IMF staff estimates

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III. SIMPLIFYING LIBERIA'S TIMBER TAX STRUCTURE— A CONTRIBUTION TO ENHANCE REVENUE TRANSPARENCY¹⁸

A. Introduction

49. **Liberia is well-endowed with valuable forest resources, and the sector has made an important contribution to GDP over the past few decades.** However, the diversion of revenue from the sector to fund Liberia's civil war through 2003 led the UN Security Council to impose a ban of timber exports since mid-2003. Taking into account the sector's revenue potential, but also concerns of sustainable logging, the Security Council has imposed a number of pre-conditions for the lifting of its sanctions. One important condition is the establishment of a transparent system of revenue collection.

50. **To establish transparency of the sector's financial flows, a number of actions are under way, with external assistance.** As a contribution to this end, this paper discusses a radical simplification of Liberia's current timber tax structure. The paper proceeds as follows: After a description of the evolution of Liberia's timber sector and of its tax structure, it provides an overview of the theory of timber taxation. The concluding section presents a proposal to simplify the sector's current tax system to two instruments, an area tax and an export tax.

B. Evolution of Liberia's Timber Sector

51. **Liberia's forest resources are significant.** About half of the country's area are covered by high forests, compared to less than 10 percent of arable land. Liberia's forests are equivalent to about 45 percent of the remaining Upper Guinea Forest, which spans ten West African countries from Guinea to Cameroon. They contain a number of valuable species—such as African mahogany—that are in high demand on world markets.

52. **Timber activity began in the late 1960s, driven by low stumpage fees and the establishment of basic road infrastructure that opened access to forest areas.** Through the mid-1970s, it was the fastest-growing sector of the economy, increasing its contribution to GDP from less than 5 percent to about 20 percent. Logging activity was largely carried out by foreign concessionaries. During the second half of 1970s, world demand for timber products dropped in response to global recessions, and the number of concessions declined from 49 in 1974 to less than 30 by 1980, also owing to the depletion of easily accessible logging areas.

53. **During the first half of the 1980s, the timber sector remained stagnant due to weak global demand in key markets but also related to Liberia's political instability.** The sector recovered somewhat until the late 1980s, but the outbreak of civil strife led to a cessation of the sector's formal activities until peace was restored in 1997. Thereafter, logging activity recovered

¹⁸ This chapter was prepared by Arnim Schwidrowski and Saji Thomas.

very rapidly, also driven by the demand for charcoal and firewood, reflecting the breakdown of the country's regular electricity supply.

54. **The surge in logging activity soon raised concerns about its sustainability.** In addition, international non-governmental organizations began to point at possible links between Liberia's timber sector and support to the civil war in Sierra Leone. A comparison between export data reported by the Liberian authorities and from importing countries indicates that an important share of exports may have taken place at the margin of official channels.

Liberia: Timber Exports, 1997-2002
(In thousands of U.S. Dollars, f.o.b. basis)

	1997	1998	1999	2000	2001	2002
Official exports ^{1/}	7,526	12,288	23,419	67,505	79,884	146,473
Exports registered by importing countries	8,541	25,194	31,573	93,987	88,389	183,163
Difference	1,015	12,906	8,154	26,482	8,505	36,690
Memorandum item:						
Main importing countries						
France	6,535	16,013	15,754	29,189	23,728	25,635
Italy	134	3,558	7,308	13,295	15,008	42,057
Turkey	851	1,825	3,507	3,847	4,975	45,409
Portugal	861	402	1,856	2,826	1,239	323
Spain	...	1,222	1,227	2,548	3,375	3,623
Germany	58	1,209	1,162	1,850	4,541	3,002
Greece	...	966	556	4,086	4,648	6,478
Netherlands	...	...	192	1,307	1,594	807
Tunisia	...	...	...	528	454	149
United States	...	...	11	...	...	...
China	...	...	...	31,401	25,614	49,462
Indonesia	...	...	...	1,841	1,404	4,021
India	102	...	...	209	...	698
Senegal	...	...	...	1,061	1,809	1,499

Source: United Nations COMTRADE database (commodity 4403, rough/squared wood).

1/ U.N. Secretary General's report to the Security Council (S/2003/793, August 5, 2003).

55. **Reflecting these developments, the UN Security Council began to pay increasing attention to the possible link between Liberia's timber activities and the civil war in Sierra Leone and the re-emergence of internal hostilities in Liberia.** Following the imposition of sanctions related to the connection between trading in diamonds and the civil war in Sierra Leone in 2001, the Security Council's panel of experts highlighted in its reports the existence of

extra budgetary transactions associated with timber activities and the involvement of timber companies in violating UN sanctions.¹⁹

56. **To address these issues, the UN Security Council requested in 2002 that the government should take steps**, including the establishment of a transparent audit regime, to ensure that revenue from timber and other activities be used for legitimate social, humanitarian, and development purposes. It was expected that independent audits sponsored by the European Union (EU) would provide the necessary assurances, but the external auditor hired by the EU withdrew from the audit in late 2002. Subsequently, the government of Liberia hired a local auditor to undertake a systems audit. However, the UN Security Council determined in May 2003 that such an audit did not provide the required assurances and, in light of the intensifying internal conflict, decided to impose a ban on exports of all timber products, which went into effect in July 2003.

57. **Despite the National Transitional Government of Liberia taking office in October 2003, the Security Council decided against lifting the sanctions**, citing the lack of the NTGL's control over the logging areas, the continued lack of transparency of the revenue flow, and the need to establish effective oversight over the sector's activities.²⁰ Sanctions were again extended for 12 month at end-2004.

C. Liberia's Timber Revenue System

58. **Over time, there has been a proliferation of taxes, charges and fees on forestry activity**, particularly driven by the introduction of new taxes for specific purposes during the 1980s (see Attachment I for all current taxes, fees, and changes in timber activity). There are four different charges levied on the volume of trees (not specified by species) at the felling stage, two schedules of export taxes, differentiated by 28 species and, in the case of processed wood, additionally by three stages of processing. In addition, 8 administrative fees are levied on forestry activity and 6 on port services. Finally, there is an area tax. In sum, a tree can easily be subject to about 20 taxes, fees, and charges, based to varying degrees on volume, the species and the degree of processing, and administrative actions required.

59. **In addition, concessions envisage further financial commitments by the timber companies** such as the construction of schools, clinics, or roads. Furthermore, it became practice that timber companies undertook certain tasks that were originally the responsibility of government, such as road construction, and were granted tax credits for those activities.

¹⁹ See UN Security Council resolutions and reports S/RES/1343 (2001), S/2001/1015, S/2002/470, S/RES/1408 (2002), S/2002/1183, S/2002/1115, S/2003/466, S/2003/498, S/RES/1478 (2003).

²⁰ S/RES/1521 (2003).

60. **It is doubtful whether the existing revenue system is effective in achieving any clear objective.** Also, the presumed earmarking of certain revenue for specific purposes has been ineffective, given the revenue-sharing agreement between the Forestry Development Authority (FDA) and Ministry of Finance that does not refer to such earmarking at all, and the lack of any signs that the FDA had directed collected revenue to the intended purposes. However, the multiplicity of processes to assess these different charges has created a lack of transparency and significant opportunities for misappropriation of revenue.

61. **These concerns are compounded by the weakening of the FDA over time.** Founded in 1976 to establish effective oversight over the sector and collect revenue, its functions were severely curtailed when a law was passed in 2000 to transfer the administration of contracts concerning so-called “strategic commodities” (including timber) to Liberia’s president, and when the FDA’s Board of Directors was suspended for administrative reasons. Furthermore, the hostilities in 2003 completely destroyed the FDA’s facilities, car park, and files. Therefore, the FDA will require substantial technical and financial support to rebuild its structure before it will be able to resume any role in the oversight of the forestry sector. A decision on the institutional arrangements for collecting revenue and granting concessions will also need to be made—the FDA’s supervisory role over the sector stands in conflict with its function as tax collector and administrator of concessions.

D. Principles of Forestry Taxation

62. **In general terms, taxes on the forestry sector are geared toward the twin objectives of revenue maximization and sustainability of logging levels.** Two features distinguish the taxation of forestry from regular taxes: First, government plays a dual role as sovereign tax authority but also as the owner of the natural resource (forests); second, tax instruments in the forestry sector aim at determining a price for the right to extract, compared to the goal of traditional taxes to raise a given amount of revenue while minimizing economic distortions, achieve equity, and keep administrative costs low.

63. **The literature recognizes that in the ideal world of perfect markets and information, auctions would be the best instrument to determine the price for extraction rights.**²¹ However, a number of factors—including lack of information on the forest resources under consideration, uncertainties as to the stability of property rights over time, and lack of access to credit—have limited the use of auctions so far, particularly in low-income countries. Therefore, a number of tax instruments are customarily in use at the pre-harvest, harvest, and post-harvest stage (Box 6). Each of these instruments has its own advantages and disadvantages vis-à-vis the

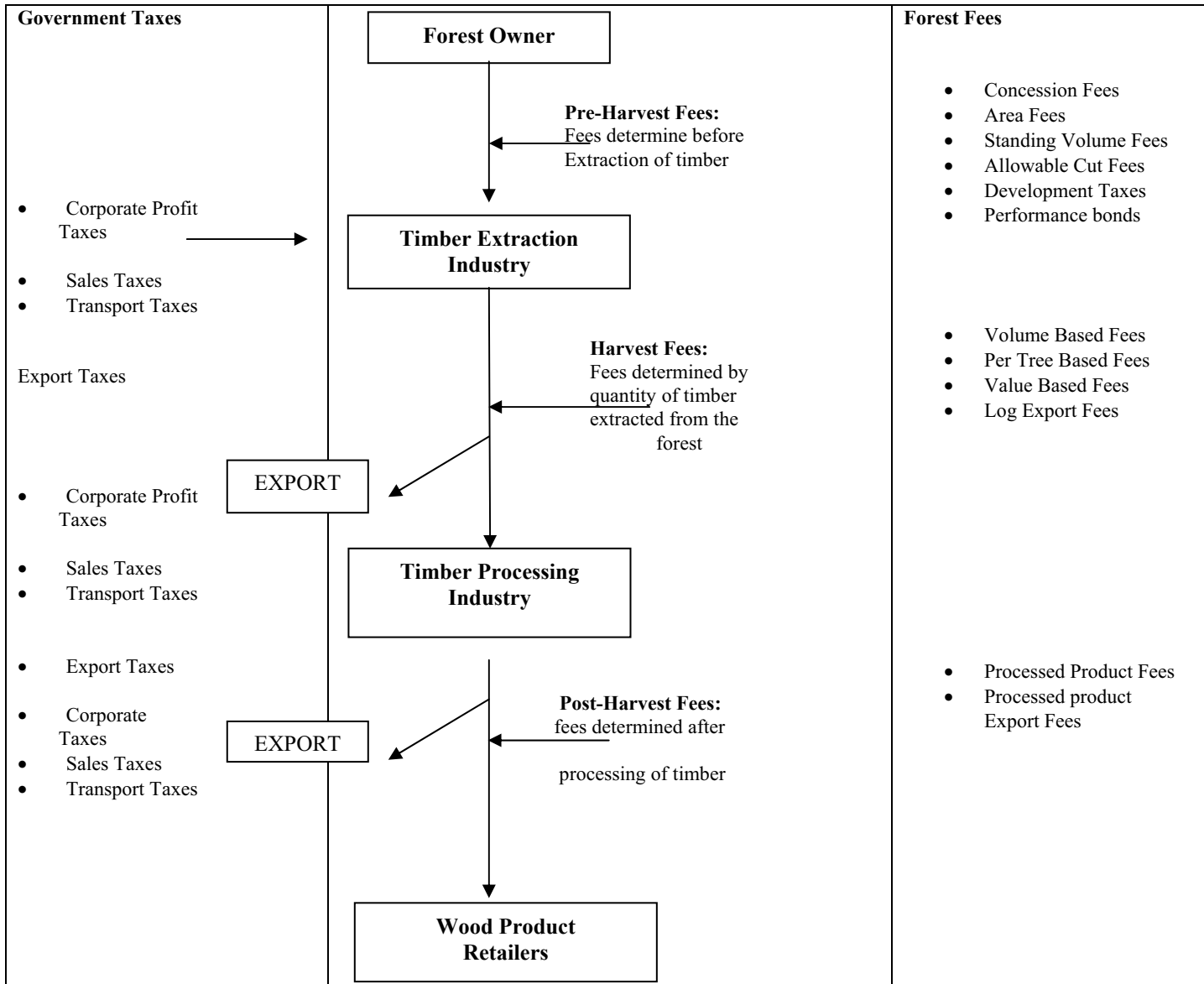
²¹ See for example Gillis (1990).

mentioned objectives of revenue maximization, administrative ease, and sustainability. For example:²²

- The widely used **stumpage fees** are based on the amount of timber harvested. However, using only the quantity of timber may lead to selective extraction of the most valuable tree species, leading to sustainability concerns. Therefore, more sophisticated stumpage fees, differentiating between species and reflecting current market prices, would be preferable—at the disadvantage of requiring a complex and costly oversight mechanism.
- Similarly, **area fees** have advantages and disadvantages: On the positive side, they are easy to administer as the area of a concession is known. They also encourage the intensive use of the forest, with high recovery rates from all valuable species—which may be positive from an efficiency viewpoint but at times questionable regarding sustainability considerations. On the negative side, flat fees per area are unable to differentiate between the value of forest resources across regions.
- **Profit taxes** on timber companies could provide a solution as they would tax net returns and leave decisions on the volume and intensity of logging to the profit-maximizing entrepreneur. In practice, however, such taxes are difficult to enforce, taking into account the global characteristics of many timber firms and the potential for transfer pricing practices. Such concerns are compounded if tax administration in a given timber-producing country is weak.
- **Export taxes** are generally not favored as an instrument as logging for domestic uses would not be captured, and because they create an anti-export bias. However, the export stage is a moment where taxes can be levied easily.

²² For a more comprehensive analysis of the incidence of various taxes, see Schwidrowski and Thomas (2005).

Box 6: Flow of Timber Through the Forest Sector and Application of Taxes



Source: Schwidrowski and Thomas (2005)

E. Simplifying Liberia’s Timber Tax Structure

64. The above discussion has shown the trade-off between the simplicity of certain timber tax instruments and their ability to achieve the goals of revenue collection and sustainability. This said, simple instruments are still capable of generating revenue and take into account longer-term considerations, while more complex tools may not achieve their desired outcomes of transparent administration of taxes, particularly when the timber sector is weak.

65. **Given the current lack of effective controls over Liberia's forestry sector, the use of a few simple tax instruments is required.** Ease of administration is a paramount consideration, taking into account the degradation of the FDA and general tax administration. The number of taxes and fees also needs to be reduced from its current high level.

66. **The authorities have therefore decided to accept a proposal to radically simplify the current tax structure.** In the short term, taxes will be reduced to two, an area tax and an export tax on the f.o.b. value of timber. Both taxes have the advantage of easy administration, but offer additional benefits in Liberia's current situation:

- The area tax is also capable of reducing the practice of underusage of concession areas; an increase of the current rate would help achieve more efficient logging levels.
- The export tax will be levied by the international pre-shipment agent BIVAC, thereby minimizing the short-term need to rely on local tax agents. BIVAC has up-to-date access to world market prices per timber species, which will permit taxation of the accurate value of exported timber.

67. **Looking forward, the authorities intend to replace export taxes by production taxes.** This will require rebuilding the local capacity to collect taxes, and the establishment of effective controls to ensure that accurate valuations are being carried out at the harvest stage. In addition, considerations are under way to introduce a system to ensure competitive allocation of new concessions, possibly through the use of auctions, as soon as possible.

Liberia – Volume-Based and Area-Based Charges on Forestry Activities

Fees/Charges	Amount	Purpose
Volume-Based Charges		
1. Severance charge	US\$1.50/m ³	
2. Reforestation charge	US\$5.00/m ³	Revenue generated to be used solely for funding reforestation (artificial plantation) projects and programs.
3. Conservation charge		
Class A	US\$4.00/m ³	Revenue collected is for implementation of conservation activities.
Class B	US\$2.50/m ³	
4. Forest research charge	US\$1.00/m ³	Revenue generated is for research and development activities.
Area-Based Charges		
Land rental fee	US\$0.50/acre/ per year	

Source: Doe (2004).

Liberia - Fees and Charges by Tree Species
(In US\$ per m3)

Species	Industrialization Incentive Fee	Forest Product Fee		
		STT 1/	SEU 2/	SED 3/
Sipo/Utile	58.56	30.6	9.0	1.2
Makore	24.96	13.8	6.0	1.2
Sapele	21.84	12.2	6.0	1.2
Kosipo	15.72	7.5	4.0	0.8
Tiama/Edinam	15.72	7.5	4.0	0.8
Acajou/Khaja	15.72	7.5	4.0	0.8
Dibetou/Lovoa	15.72	7.5	4.0	0.8
Niangon	15.72	7.5	4.0	0.8
Bosse/Guarea	7.68	3.4	2.0	0.4
Iroko	7.68	3.4	2.0	0.4
Bete/Mansonina	7.68	3.4	2.0	0.4
Amazakoue	6.72	3.1	2.0	0.4
Wawa/Obeche	6.72	3.1	2.0	0.4
Framire	6.72	3.1	2.0	0.4
Amingre	6.72	3.1	2.0	0.4
Frake	2.76			
Tali	2.76			
Danta/Kotibe	2.76			
Naga	2.16			
Illomba	2.16			
Doussie	2.16			
Sikon	2.16			
Movingue	2.16			
Koto	2.16			
Kusta/Builinga	2.16			
Aiele	1.44			
Azobe/Ekki	1.44			
All other species	1.44			

Source: Doe (2004).

1/ STT = sawn through and through.

2/ SEU = squared edged four sides (undressed in the rough).

3/ SED = squared edged dressed four sides.

Liberia – Administrative Fees and Port Charges on Forestry Activities

Type of fee	Amount	Units
Administrative Fees		
Annual registration fee	500.00	US\$ per year
Survey Permit fee	2,000.00	US\$ per permit
Hammer fee	600.00	US\$ as and when required
Forest map fee	300.00	US\$ as and when required
Waybill (local and export) fee	150.00	US\$ as when required
Annual coupe/block cutting fee	25/coupe	US\$ as and when required
Performance Bond 1/	150,000.00	US\$ per agreement
Forest Resource Utilization Contract fee	5,000.00	US\$ per contract
Port charges		
1) Using port equipment (delivered products at port yard)	10.00	US\$ per m3
2) Delivery to ship hook	10.00	US\$ per m3
3) Using shippers' equipment	5.00	US\$ per m3
4) Custom inspection fee	7.50	Percent of FOB value
5) Storage fee	6.00	US\$ per m3
6) Marking and grading fees 2/	1.25	Percent of FOB value

Source: Doe (2004).

1/ The performance bond is paid prior to operation by the concessionaire is and refundable upon satisfactory performance. The amount of the Performance Bond was set in the Act creating the FDA on December 20, 1976.

2/ The marking and grading fees are charged for the inspection and grading of exports and are collected by BIVAC, a subsidiary of a foreign inspection company.

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Table 1. Liberia: Sectoral Gross Domestic Product, 2000-04

	2000	2001	2002	2003	2004
		Estimations			
(Annual percentage change, unless otherwise indicated)					
GDP at 1992 constant prices	25.7	2.9	3.7	-31.3	2.4
Agriculture and fisheries	6.2	6.4	-4.3	-38.2	15.6
Forestry	70.6	5.0	22.4	-36.8	-38.2
Mining and panning	49.8	-74.9	-12.8	56.7	49.5
Manufacturing	127.5	-22.0	-17.4	-11.8	54.0
Services	15.0	3.2	7.0	-8.3	13.5
(Millions of U.S. dollars)					
GDP at current prices	560.9	543.0	559.3	435.3	492.1
Agriculture and fisheries	286.8	277.1	288.5	199.0	255.4
Forestry	117.1	120.9	133.9	94.9	58.2
Mining and panning	1.0	0.2	0.2	0.3	0.4
Manufacturing	53.2	38.5	31.8	29.9	46.3
Services	102.7	106.2	104.9	111.2	131.8
(Percentage shares)					
GDP at current prices	100.0	100.0	100.0	100.0	100.0
Agriculture and fisheries	51.1	51.0	51.6	45.7	51.9
Forestry	20.9	22.3	23.9	21.8	11.8
Mining and panning	0.2	0.0	0.0	0.1	0.1
Manufacturing	9.5	7.1	5.7	6.9	9.4
Services	18.3	19.6	18.8	25.5	26.8
Memorandum items:					
Real GDP per capita (1992 constant U.S. dollars)	163.8	163.2	163.1	116.2	116.1
Nominal GDP per capita (U.S. dollars)	180.9	169.7	168.4	136.0	150.0
Population (millions)	3.1	3.2	3.3	3.2	3.3
GDP deflator in U.S. dollars	1.0	-5.9	-0.7	13.3	10.4

Sources: Liberian authorities; and IMF staff estimates.

Table 2. Liberia: Sectoral Origin of GDP
At 1992 Constant Prices, 2000-04

	2000	2001	2002	2003	2004
(In millions of US dollars)					
Real GDP	507.7	522.3	541.5	372.0	380.9
Agriculture and fisheries	250.7	266.8	255.3	157.8	182.4
Rubber	36.7	37.5	31.1	18.2	28.2
Coffee	0.5	0.3	0.2	0.1	0.1
Cocoa	0.7	0.5	0.8	0.6	1.3
Rice	68.3	73.2	62.5	31.3	34.4
Cassava	49.2	52.8	54.6	36.6	40.3
Other	95.5	102.5	106.0	71.0	78.2
Forestry	129.8	136.3	166.8	105.5	65.2
Logs and timber	66.3	69.5	96.7	38.9	1.9
Charcoal and wood	63.6	66.7	70.1	66.6	63.2
Mining and panning	1.6	0.4	0.4	0.6	0.8
Iron ore	0.0	0.0	0.0	0.0	0.0
Other	1.6	0.4	0.4	0.6	0.8
Manufacturing	42.5	33.2	27.4	24.2	37.2
Cement	5.0	5.8	4.9	3.8	7.9
Beverages and beer	34.9	24.4	19.4	17.2	26.1
Other	2.6	3.0	3.1	3.1	3.2
Services	83.0	85.6	91.6	84.0	95.3
Electricity and water	2.4	2.5	2.6	2.6	2.8
Construction	6.5	7.5	7.6	7.2	8.3
Trade, hotels, etc	17.1	18.1	18.7	17.7	22.2
Transportation and communication	19.8	20.8	26.0	25.7	29.6
Financial institutions	12.2	12.5	12.8	9.6	9.6
Government services	13.7	12.1	11.3	8.5	9.8
Other services	11.3	12.2	12.6	12.6	13.1
Population (millions)	3.100	3.200	3.321	3.200	3.280
Real GDP per capita	163.8	163.2	163.1	116.2	116.1
Real GDP Growth		2.9	3.7	-31.3	2.4

Sources: Liberian authorities; and IMF staff estimates.

Table 3. Liberia: Sectoral Origin of GDP
At Current Prices, 2000-04

	2000	2001	2002	2003	2004
		Estimates			
	(In Millions of U.S. Dollars)				
GDP	560.9	543.0	559.3	435.3	492.1
Agriculture and fisheries	286.8	277.1	288.5	199.0	255.4
Rubber	57.0	50.3	55.4	46.0	84.0
Coffee	0.5	0.1	0.1	0.0	0.0
Cocoa	0.7	0.4	0.6	0.7	1.3
Rice	61.7	56.1	53.2	27.7	29.5
Cassava	56.7	57.9	60.9	42.4	45.2
Other	110.1	112.3	118.3	82.2	95.3
Forestry	117.1	120.9	133.9	94.9	58.2
Logs and timber	61.8	70.3	86.7	40.2	2.1
Charcoal and wood	55.3	50.6	47.2	54.8	56.1
Mining and panning	1.0	0.2	0.2	0.3	0.4
Iron ore	0.0	0.0	0.0	0.0	0.0
Other	1.0	0.2	0.2	0.3	0.4
Manufacturing	53.2	38.5	31.8	29.9	46.3
Cement	6.2	7.7	6.5	5.2	10.3
Beverages and beer	43.8	27.1	21.9	20.5	31.3
Other	3.2	3.8	3.4	4.2	4.7
Services	102.7	106.2	104.9	111.2	131.8
Electricity & water	3.0	3.2	2.9	3.5	4.0
Construction	8.0	10.0	10.1	9.9	10.9
Trade, hotels, etc	21.1	22.8	20.8	24.1	32.5
Transportation and communication	24.8	24.2	30.2	31.9	36.8
Financial institutions	15.1	15.7	14.3	13.1	14.1
Government services	16.9	15.1	12.6	11.6	14.3
Other services	13.9	15.3	14.0	17.1	19.2

Sources: Liberian authorities; and IMF staff estimates.

Table 4. Liberia: Consumer Price Index, 1999–2004

(Weight)	Overall Index		Food (34.4)	Drinks and Tobacco (5.7)	Fuel and Light (5.0)	Clothing (13.8)	Household Goods and Furniture (6.1)	Personal Care and Services (11.4)	Rent (14.9)	Miscellaneous (8.7)
	Index (100.0)	Annual percentage change								
(May 1998=100, unless otherwise indicated)										
1999 ^{1/}	105.6	...	103.1	106.7	109.9	104.8	114.3	107.7	109.0	98.4
2000 ^{1/}	111.1	5.3	101.7	102.6	122.7	104.8	119.1	129.0	126.2	102.9
2001 ^{1/}	124.6	12.1	97.7	121.9	135.3	112.2	136.6	209.5	130.2	117.7
2002 ^{1/}	142.3	14.2	111.0	140.1	155.5	119.1	158.8	258.5	131.2	152.2
January	133.5	19.5	101.6	127.1	148.8	114.0	158.7	243.1	130.3	129.9
February	136.1	22.3	102.5	127.8	152.3	115.1	158.2	255.2	130.3	137.0
March	138.5	23.8	107.3	132.5	155.9	117.1	157.4	254.0	130.3	139.6
April	139.3	17.9	105.2	133.9	155.5	118.1	157.3	255.7	131.5	150.5
May	140.4	18.7	107.8	134.6	153.2	118.4	157.8	256.2	131.5	151.8
June	141.3	14.1	110.0	135.2	154.2	118.6	158.0	256.5	131.5	152.1
July	143.3	9.3	107.2	148.1	159.4	120.5	158.0	259.1	131.5	168.3
August	145.2	8.7	110.8	154.0	159.4	121.7	159.5	261.5	131.5	165.8
September	146.3	8.8	116.1	145.2	161.6	121.2	160.1	265.0	131.5	157.1
October	146.8	8.5	118.7	142.4	159.4	121.8	161.0	264.3	131.5	155.8
November	148.0	11.9	120.6	150.5	153.0	121.6	161.0	265.2	131.5	158.9
December	148.9	11.1	123.8	149.4	153.0	121.6	158.5	266.0	131.5	159.0
2003 ^{1/}	157.0	10.3	140.9	160.0	154.4	121.2	161.9	266.8	131.8	173.3
January	150.6	12.8	123.7	149.4	154.1	121.5	158.5	266.0	131.5	177.9
February	151.1	11.0	126.4	154.2	155.7	121.5	158.5	266.0	131.5	168.5
March	152.6	10.2	130.6	154.2	155.7	121.4	159.6	266.0	131.5	168.6
April	152.8	9.7	130.8	154.2	154.4	121.2	161.6	266.8	131.5	168.6
May	152.9	8.9	130.9	154.2	154.4	121.2	164.1	267.4	131.5	168.6
June	161.6	14.4	147.1	176.3	160.0	121.2	162.8	267.1	131.5	186.7
July	161.6	12.8	147.1	176.3	160.0	121.2	162.8	267.1	131.5	186.7
August	165.9	14.3	156.7	188.0	170.5	121.2	162.8	267.1	135.1	184.2
September	160.9	10.0	154.1	154.2	154.4	121.2	162.8	267.1	131.5	168.6
October	159.0	8.3	148.6	154.2	154.4	121.2	162.8	267.1	131.5	168.6
November	158.6	7.2	148.0	151.8	154.4	120.8	163.3	267.1	131.5	168.8
December	156.4	5.0	146.6	153.3	125.2	120.8	163.3	266.9	131.5	164.1
2004 ^{1/}	169.3	7.8	153.8	180.3	217.6	128.7	174.1	247.7	156.1	176.4
January	157.0	4.2	147.4	155.1	128.3	121.5	163.3	267.0	131.5	164.1
February	157.0	3.9	146.4	158.5	128.3	121.8	165.5	267.0	131.5	164.1
March	157.3	3.1	146.1	158.2	132.1	122.0	167.9	267.1	131.5	164.1
April	157.4	3.0	146.5	159.3	132.1	121.3	167.9	267.2	131.5	163.6
May	157.5	3.0	146.3	161.4	132.1	122.1	168.9	267.0	131.5	163.5
June	159.9	-1.1	150.6	168.0	142.3	122.2	168.7	266.9	131.5	163.7
July	179.3	11.0	161.2	201.5	272.7	132.8	181.4	228.0	180.6	188.9
August	181.0	9.1	164.7	202.7	278.7	133.8	182.2	227.7	180.6	188.9
September	181.6	12.9	162.2	202.7	295.6	137.2	181.7	229.1	180.6	188.9
October	179.6	13.0	157.6	200.0	290.0	137.4	182.0	229.1	180.6	188.9
November	182.5	15.1	159.2	198.9	339.7	136.1	180.5	228.3	180.6	188.9
December	181.6	16.1	157.6	197.3	339.7	136.1	179.7	228.1	180.6	188.9

Source: Department of Statistics, Ministry of Planning and Economic Affairs.

1/ Annual average

Table 5. Liberia: Central Government Revenue, 2000-04

	2000	2001	2002	2003	2004
(In millions of U.S. dollars)					
Tax revenue	74.3	60.7	70.3	42.1	62.5
Taxes on income and profits	15.9	11.5	14.4	6.4	18.0
<i>Of which: corporate and partnership</i>	4.8	4.2	7.2	2.0	7.4
<i>Of which: individual income tax</i>	9.3	6.1	6.7	4.1	9.9
Taxes on goods and services	17.3	19.7	25.5	10.5	8.0
Goods and service tax	0.0	2.0	3.5	4.3	6.9
Stumpage fees and land rental 1/	6.7	8.4	13.0	2.6	0.1
Petroleum sales tax	7.2	6.1	6.0	3.0	0.9
Other taxes	3.4	3.3	3.0	0.6	0.2
Maritime revenue	17.9	11.0	13.4	11.2	13.5
Taxes on international trade	23.2	18.6	17.0	18.0	23.1
Taxes on imports	22.9	18.4	16.8	18.0	23.0
<i>Of which: petroleum</i>	3.3	4.2	4.1	1.0	0.4
Taxes on exports	0.3	0.1	0.2	0.0	0.1
Other taxes	0.0	0.0	0.0	0.0	0.0
Nontax revenue	4.6	4.1	2.4	2.8	5.6
Grants	6.3	4.6	0.0	3.0	1.0
Total revenue and grants	85.2	69.5	72.7	47.9	69.2

Sources: Liberian authorities; and IMF staff estimates.

1/ Fund staff estimates.

Table 6. Liberia: Central Government Expenditure, 2000-04

	2000	2001	2002	2003	2004
	(In millions of U.S. dollars)				
Current expenditure	47.8	40.7	26.0	24.5	59.8
Wages and salaries	18.4	17.6	13.4	11.1	24.4
Goods and services	21.3	18.2	5.9	6.8	25.7
<i>Of which:</i> education	...	...	...	1.2	4.8
travel expenses	...	3.8	1.5	1.5	3.7
Subsidies and grants	3.0	0.9	0.4	0.5	5.7
Interest	5.1	4.0	6.3	6.0	2.6
External	0.4	0.6	0.6	0.2	0.4
Domestic	4.7	3.4	5.7	5.8	2.2
Domestic arrears clearance	...	...	...	...	1.5
Capital expenditure 1/	35.7	32.6	54.1	20.4	9.8
Internally financed	29.4	28.0	54.1	20.4	9.8
Externally financed	6.3	4.6	0.0	0.0	0.0
Total	83.6	73.3	80.1	45.0	69.7

Sources: Liberian authorities; and IMF staff estimates.

1/ Includes expenditure related to national security.

Table 7. Liberia: Monetary Survey, 2002-04

	2002	2003		2004	
	Dec.	Jun.	Dec.	Jun.	Dec.
	(In millions of Liberian dollars, unless otherwise indicated)				
Net foreign assets	-36,812	-50,692	-30,335	-44,834	-44,606
<i>Of which</i> : Fund credit and overdue charges	-36,607	-50,105	-30,579	-45,224	-45,957
<i>Of which</i> : CBL's gross foreign reserves	214	42	370	670	1,019
Assets corresponding to government U.S. dollars-denominated deposits at CBL	9	16	242	27	67
Assets corresponding to commercial banks' U.S. dollar deposits at CBL	178	247	235	575	739
CBL's net foreign reserves	28	-221	-106	67	213
Net domestic assets	39,711	53,395	33,661	48,513	49,364
Net domestic credit	53,622	70,216	44,878	62,047	62,311
Net claims on government	52,261	68,407	43,597	60,240	60,303
<i>Of which</i> : Fund credit and overdue charges	36,607	50,105	30,579	45,224	45,957
Claims on private sector	1,171	1,591	1,136	1,567	1,651
Claims on public enterprises	86	103	59	77	106
Claims on nonbank financial institutions	105	115	86	163	251
Other items, net	-13,911	-16,821	-11,218	-13,533	-12,947
Monetary aggregates					
Currency outside banks (Liberian banknotes and coins only)	1,045	1,138	1,304	1,390	1,755
Commercial banks' reserves at CBL 1/	203	151	132	183	111
<i>Of which</i> : required reserves	136	105	118	145	69
Money and banking (stocks, in billions of Liberian dollars) 2/	1,248	1,289	1,436	1,573	1,866
Commercial bank deposits 3/ 4/	1,854	1,564	2,022	2,289	3,004
Total demand deposits	1,319	945	1,513	1,466	1,973
Liberian dollar-denominated deposits	168	120	137	161	184
U.S. dollar-denominated deposits	1,150	825	1,376	1,305	1,790
Time, savings, and other deposits	535	620	510	824	1,030
Liberian dollar-denominated deposits	104	89	99	130	128
U.S. dollar-denominated deposits	431	530	411	694	903
Broad money (M2)	2,899	2,703	3,326	3,680	4,759
Liberian dollar component	1,318	1,348	1,539	1,681	2,066
U.S. dollar component 5/	1,581	1,355	1,787	1,999	2,692
Memorandum items:					
U.S. dollar component broad money (excluding banknotes, in millions of U.S. dollars)	24.3	18.6	35.2	34.8	52.8
U.S. dollar-denominated demand deposits	17.7	11.3	27.1	22.7	35.1
U.S. dollar-denominated time, savings, and other deposits	6.6	7.3	8.1	12.1	17.7
Broad money (annual changes in percent; in Liberian dollars)	...	3.9	14.7	36.2	43.1
Liberian dollar component broad money (in Liberian dollars)	...	11.8	16.8	24.7	34.2
U.S. dollar component broad money (excluding banknotes, in U.S. dollars)	...	-6.8	13.0	47.5	50.7
CBL's net foreign reserves (in millions of U.S. dollars)	0.4	-3.0	-2.1	1.2	4.2
Velocity (GDP relative to broad money)	12.5	8.2	6.6	7.4	5.7
Currency/deposits (in percent; Liberian dollars only)	383	543	554	478	564
Nominal GDP (millions of Liberian dollars; annualized basis)	36,353	22,070	22,070	27,068	27,068
Money multiplier	1.1	1.0	1.1	1.1	1.1

Sources: CBL; and IMF staff estimates.

1/ Derived from commercial banks' balance sheets denominated in Liberian dollars.

2/ Liberian dollar currency outside banks and commercial banks reserves denominated in Liberian dollars held at central bank.

3/ One bank has been excluded from the deposit since May 2003.

4/ Including the deposits of public entities (other than the central government) at the CBL.

5/ Excluding U.S. dollars in circulation.

Table 8. Liberia: Analytical Balance Sheet of the Central Bank of Liberia, 2002-04

	2002	2003		2004	
	Dec.	Jun.	Dec.	Jun.	Dec.
	(In millions of Liberian Dollars)				
Net foreign assets	-36,858	-50,585	-30,570	-44,967	-45,325
<i>Of which</i> : Fund credit and overdue charges	-36,607	-50,105	-30,579	-45,224	-45,957
CBL's gross foreign reserves	214	42	370	670	1,019
assets corresponding to the government	9	16	242	27	67
assets corresponding to commercial banks	178	247	235	575	739
CBL's net foreign reserves	28	-221	-106	67	213
Net domestic assets	38,107	51,875	32,006	46,540	47,191
Net domestic credit	51,307	67,584	42,757	59,223	59,025
Net claims on central government	51,542	67,747	43,035	59,666	59,726
<i>Of which</i> Fund credit and overdue charges	36,607	50,105	30,579	45,224	45,957
Net claims on deposit money banks	-279	-329	-343	-512	-800
Net claims on others	45	166	65	70	100
Other net domestic assets	-13,200	-15,709	-10,750	-12,683	-11,835
Reserve money	1,248	1,289	1,436	1,573	1,866
Currency outside banks	1,045	1,138	1,304	1,390	1,755
Bankers' reserves	203	151	132	183	111

Source: CBL

Table 9. Liberia. Analytical Balance Sheet of Commercial Banks, 2002-04

	2002	2003		2004	
	Dec.	Jun.	Dec.	Jun.	Dec.
(In millions of Liberian dollars)					
Net foreign assets	46	-107	236	133	719
Net domestic assets	1,808	1,577	1,661	2,081	2,215
Net claims on central government	719	661	501	574	577
Net claims on other public entities (excluding central government)	85	102	58	76	106
Net claims on the CBL	1,611	1,486	1,374	1,806	2,217
Net claims on the private sector (including NBFIs)	1,231	1,540	1,158	1,660	1,802
Other items, net	-1,837	-2,212	-1,430	-2,036	-2,487
Deposits	1,854	1,470	1,897	2,214	2,934
Demand deposits	1,319	942	1,510	1,463	1,971
Of which U.S. dollar denominated deposits	1,150	825	1,376	1,305	1,790
Other deposits	535	528	387	751	963
Of which U.S. dollar denominated deposits	431	438	288	621	835

Source: CBL.

Table 10. Liberia: Balance of Payments, 2000-04

	2000	2001	2002	2003	2004
	Estimates				
(In millions of U.S. dollars, unless otherwise indicated)					
Trade balance	-25.5	-27.1	21.1	-31.1	-164.2
Exports, f.o.b.	120.3	127.9	166.5	108.9	103.8
<i>Of which:</i> rubber	57.1	54.0	59.2	43.9	93.4
timber	61.0	69.2	100.4	54.6	0.0
Imports, f.o.b.	-145.8	-155.0	-145.3	-140.0	-268.1
Petroleum	-28.6	-30.1	-48.4	-29.7	-66.2
Rice	-22.0	-22.0	-30.5	-39.2	-27.5
Donor + foreign direct investment (FDI) related	-40.3	-15.2	-19.5	-19.0	-106.1
Other	-54.9	-87.6	-46.9	-51.9	-68.2
Services (net)	0.1	-8.2	2.8	-17.1	-45.6
Income (net)	-172.4	-140.2	-106.5	-77.6	-98.3
<i>Of which:</i> public interest payments due	-141.4	-95.7	-62.9	-52.7	-63.7
Current transfers (net)	67.2	42.3	63.4	46.6	242.6
Donor transfers (net)	54.4	32.1	42.6	19.5	189.2
Private transfers (net)	12.8	10.2	20.8	27.1	53.5
Current account balance	-130.6	-133.2	-19.2	-79.2	-65.5
Current account balance, excluding grants	-185.1	-165.3	-61.8	-98.7	-254.7
Capital and financial account	0.3	-10.1	-14.2	-26.1	-29.4
Official financing	-24.5	-22.4	-21.6	-20.2	-20.4
Disbursements	0.0	0.0	0.0	0.0	0.0
Amortization	-24.5	-22.4	-21.6	-20.2	-20.4
Private financing	24.8	12.3	7.4	-5.9	-9.0
FDI	20.8	8.3	2.8	0.0	0.0
Other investment (incl. trade credit)	3.9	4.0	4.6	-5.9	-9.0
Errors and omissions	-35.1	26.0	-47.4	36.4	22.2
Overall balance	-165.4	-117.2	-80.8	-68.9	-72.8
Financing	165.4	117.2	80.8	68.9	72.8
Change in official reserves (increases, -)	0.2	-0.2	-3.1	-4.0	-11.4
Arrears (accrual, +)	165.3	117.5	83.8	72.9	84.1
Use of Fund credit (net change in arrears)	13.7	15.4	8.7	7.9	10.1
Increase in non-Fund arrears	151.5	102.0	75.2	65.0	74.1
Memorandum items:					
Current account balance (in percent of GDP)					
Including grants	-23.3	-24.5	-3.4	-18.2	-13.3
Excluding grants	-33.0	-30.4	-11.0	-22.7	-51.8
Excluding grants and public interest payments due	-7.8	-12.8	0.2	-10.6	-38.8
Trade balance (in percent of GDP)	-4.5	-5.0	3.8	-7.1	-33.4
Public sector external debt (medium and long term)					
Debt outstanding, including arrears	3,165.9	3,239.2	3,363.8	3,620.9	3,771.0
(in percent of GDP)	551.8	582.0	586.8	806.5	743.9
Debt service charges	165.9	118.1	84.4	72.9	84.1
(in percent of GDP)	29.6	21.7	15.1	16.7	17.1
Terms of trade (1997=100)	113.6	89.4	107.5	130.2	136.7
Net official reserves	...	...	0.4	-2.1	4.2
Net official reserves (in months of imports)	...	...	0.0	-0.2	0.2
Net official reserves (in months of nondonor imports)	...	...	0.0	-0.2	0.3
GDP at current prices	560.9	543.0	559.3	435.3	492.1

Sources: Liberian authorities; and IMF staff estimates.

Table 11. Liberia: Major Exports, 2000-04

	2000	2001	2002	2003	2004
			Estimates		
(In millions of U.S. dollars)					
Total exports	120.3	127.9	166.5	108.9	103.8
Rubber	57.1	54.0	59.2	43.9	93.4
Timber	61.0	69.2	100.4	54.6	0.0
Cocoa	0.6	0.5	0.4	0.9	3.5
Coffee	0.5	0.0	0.2	0.1	0.0
Other	1.1	4.3	6.3	9.5	7.0
(Annual percentage changes)					
Total exports	104.3	6.4	30.1	-34.5	-4.7
Rubber	72.6	-5.4	9.6	-25.7	112.6
Timber	160.3	13.5	45.2	-45.6	-100.0
Cocoa	-51.8	-26.2	-9.3	122.7	279.3
Coffee	-28.1	-94.8	676.9	-75.0	-48.8
Other	180.7	285.5	46.8	50.4	-26.2
(In percent of total)					
Total exports	100.0	100.0	100.0	100.0	100.0
Rubber	47.4	42.2	35.5	40.3	89.9
Timber	50.7	54.1	60.3	50.1	0.0
Cocoa	0.5	0.4	0.2	0.8	3.3
Coffee	0.4	0.0	0.1	0.0	0.0
Other	0.9	3.4	3.8	8.7	6.7

Sources: Liberian authorities; and IMF staff estimates.

Table 12. Liberia: Merchandise Trade - Imports, 2000-04

	2000	2001	2002	2003	2004
	Estimates				
(In millions of U.S. dollars)					
Total	145.8	155.0	145.3	140.0	268.1
Food and live animals	43.1	49.0	40.9	40.6	61.9
<i>Of which: rice</i>	22.0	22.0	30.5	39.2	27.5
Beverages and tobacco	5.0	4.9	4.5	4.4	9.2
Crude materials inedible excluding. fuel	5.2	3.1	1.6	2.9	2.3
Mineral fuels, lubricants	30.2	31.9	49.7	30.7	70.6
<i>Of which: petroleum</i>	28.6	30.1	48.4	29.7	66.2
Animal, vegetable oil	2.7	2.0	2.3	2.0	2.7
Chemicals and related products	11.5	7.0	6.0	5.5	7.1
Manufactured goods	16.6	14.7	9.7	11.9	25.4
Machinery and transport equipment	24.0	28.3	11.5	11.9	50.6
Miscellaneous manufactured	7.5	14.1	19.2	30.3	38.3
(Annual percentage change)					
Total	-1.0	6.4	-6.3	-7.1	84.5
Food and live animals	-0.2	13.7	-16.6	25.4	51.3
<i>Of which: rice</i>	22.5	0.3	38.1	34.6	-9.7
Beverages and tobacco	-18.8	-2.2	-9.5	7.2	107.1
Crude materials inedible excluding fuel	-41.8	-41.5	-48.9	7.2	46.3
Mineral fuels, lubricants	49.4	5.4	56.0	-31.7	42.0
<i>Of which: petroleum</i>	63.6	5.4	60.7	-33.8	36.7
Animal, vegetable oil	-7.8	-23.6	12.3	-22.0	19.3
Chemicals and related products	-3.4	-38.9	-13.7	-28.9	17.8
Manufactured goods	22.0	-11.4	-34.5	-12.8	162.8
Machinery and transport equipment	-23.0	18.1	-59.2	-17.7	338.9
Miscellaneous manufactured	-19.0	89.1	36.1	-30.0	99.4
(In percent of total)					
Total	100.0	100.0	100.0	100.0	100.0
Food and live animals	29.6	31.6	28.2	29.0	23.1
<i>Of which: rice</i>	15.1	14.2	21.0	28.0	10.3
Beverages and tobacco	3.4	3.2	3.1	3.1	3.4
Crude materials inedible excl. fuel	3.6	2.0	1.1	2.1	0.9
Mineral fuels, lubricants	20.7	20.5	34.2	21.9	26.3
<i>Of which: petroleum</i>	19.6	19.4	33.3	21.2	24.7
Animal, vegetable oil	1.8	1.3	1.6	1.4	1.0
Chemicals and related products	7.9	4.5	4.2	3.9	2.7
Manufactured goods	11.4	9.5	6.6	8.5	9.5
Machinery and transport equipment	16.4	18.3	7.9	8.5	18.9
Miscellaneous manufactured	5.1	9.1	13.2	21.6	14.3

Sources: Liberian authorities; and IMF staff estimates.

Table 13. Liberia: External Public Debt, 2000-04 ^{1/}

	2000	2001	2002	2003	2004
	(In millions of U.S. dollars)				
Total stock outstanding	3,166	3,239	3,364	3,621	3,771
Multilateral institutions	1,309	1,305	1,378	1,567	1,669
IMF	623	621	668	739	784
World Bank	406	402	414	499	539
ADB	207	206	220	250	264
IFAD	19	20	20	20	21
OPEC Fund	21	21	22	22	23
BADEA	18	18	18	18	18
EIB	9	9	11	13	14
ECOWAS Fund	5	4	4	4	4
European Union	1	2	2	2	2
Bilateral	727	740	775	780	783
Paris Club	672	683	712	717	720
United States	309	314	324	325	327
Germany	183	184	184	185	185
United Kingdom	56	61	75	77	80
Japan	61	62	62	62	62
Denmark	18	18	18	18	18
France	16	16	16	16	16
Italy	5	6	8	9	9
Norway	9	9	9	9	9
Sweden	9	9	9	9	9
Belgium	1	1	1	1	1
Canada	4	4	6	6	4
Non-Paris Club	55	57	63	63	63
China	10	10	10	10	10
Kuwait	9	9	10	10	10
Saudi Arabia	19	21	26	26	26
Taiwan Province of China	17	17	17	17	17
Commercial	1,075	1,139	1,154	1,217	1,260
Suppliers' credit	54	56	57	57	58

Sources: Liberian authorities; and IMF staff estimates.

1/ Data include estimates of interest arrears and late interest charges due to commercial creditors.

Table 14. Liberia: Medium-Term Slower-Growth Scenario, 2002-09

	2002	2003	2004	2005	2006	2007	2008	2009
	Estimates			Projections				
(Annual percentage change, unless otherwise indicated)								
National income and prices								
Real GDP	3.7	-31.3	2.4	8.5	4.9	7.7	4.1	3.2
Consumer prices (annual average)	14.2	10.3	7.8	5.0	6.0	5.5	5.0	4.0
External sector (in U.S. dollar terms)								
Exports of goods, f.o.b.	30.1	-34.5	-4.7	0.3	8.9	44.7	6.8	3.2
Imports of goods, f.o.b.	-6.3	-3.6	91.4	-1.2	-14.2	5.6	3.5	2.6
Central government operations								
Total revenue and grants	4.7	-34.1	44.3	37.4	16.9	11.5	17.9	14.7
<i>Of which</i> : tax revenue	15.8	-40.2	48.6	13.6	12.8	8.7	5.5	4.4
Total expenditure and net lending	9.2	-43.8	55.0	36.4	16.9	11.5	17.9	14.7
<i>Of which</i> : current expenditure	-36.2	-5.6	144.1	40.8	6.4	6.4	6.0	6.8
capital expenditure	65.7	-62.2	-51.9	9.3	98.5	32.8	58.0	32.5
Money and banking								
Broad money 1/	...	14.7	43.1	20.1	10.5	12.6	9.8	7.6
Velocity (GDP relative to broad money)	12.5	6.6	5.7	5.3	5.2	5.2	5.2	5.1
(In percent of GDP)								
Central government operations (January-December)								
Total revenue and grants	13.0	11.0	14.1	17.7	19.6	20.2	22.6	24.8
Tax revenue	12.6	9.7	12.7	13.2	14.1	14.2	14.2	14.2
Non-tax revenue	0.4	0.7	1.1	4.5	2.8	2.0	3.0	4.0
Grant	0.0	0.7	0.2	0.0	2.6	4.0	5.3	6.6
Total expenditure and net lending	14.3	10.3	14.2	17.7	19.6	20.2	22.6	24.8
<i>Of which</i> : current expenditure	4.6	5.6	12.2	15.7	15.8	15.5	15.6	16.0
capital expenditure	9.7	4.7	2.0	2.0	3.8	4.6	6.9	8.8
Overall fiscal balance (cash basis)	-1.3	0.7	-0.1	0.0	0.0	0.0	0.0	0.0
External sector								
Current account balance, including grants (deficit, -)	-3.4	-18.2	-13.3	-19.9	-20.8	-17.5	-14.9	-17.5
<i>Of which</i> : grants	7.6	4.5	38.4	26.6	14.5	13.6	12.9	10.2
public interest payments due	-11.2	-12.1	-13.0	-15.5	-16.8	-17.4	-18.3	-19.1
Current account balance, excluding grants (deficit, -)	-11.0	-22.7	-51.8	-46.5	-35.3	-31.2	-27.9	-27.7
Trade balance (deficit, -)	3.8	-7.1	-33.4	-29.9	-20.0	-12.3	-11.3	-11.0
Exports, f.o.b.	29.8	25.0	21.1	19.4	20.0	26.8	27.2	26.8
Imports, f.o.b.	-26.0	-32.2	-54.5	-49.2	-40.0	-39.1	-38.5	-37.8
Public sector external debt outstanding (total)								
In millions of U.S. dollars	3,364	3,621	3,771	3,836	3,931	4,037	4,155	4,284
In percent of GDP	602	832	766	713	693	658	643	634
(In millions of U.S. dollars, unless otherwise indicated)								
Nominal GDP	559	435	492	538	568	614	646	675
Current account balance including grants (deficit, -)	-19.2	-79.2	-65.5	-107.0	-118.2	-107.6	-96.5	-118.5
Net official reserves	0.4	-2.1	4.2	8.7	13.4	17.4	21.0	24.5
(in months of imports of goods and services)	0.0	-0.2	0.2	0.4	0.7	0.9	1.0	1.2

Sources: Liberian authorities; and IMF staff estimates and projections.

1/ Defined as Liberian currency outside banks plus demand, time, and savings deposits in Liberian and U.S. dollars.

Table 15. Liberia: Medium-Term Optimistic Scenario, 2002-09

	2002	2003	2004	2005	2006	2007	2008	2009
	Estimates			Projections				
(Annual percentage change, unless otherwise indicated)								
National income and prices								
Real GDP	3.7	-31.3	2.4	8.5	17.2	9.7	9.1	9.0
Consumer prices (annual average)	14.2	10.3	7.8	5.0	6.0	5.5	5.0	4.0
External sector (in U.S. dollar terms)								
Exports of goods, f.o.b.	30.1	-34.5	-4.7	0.3	70.6	10.4	8.6	7.9
Imports of goods, f.o.b.	-6.3	-3.6	91.4	-1.2	23.3	4.7	5.1	5.4
Central government operations								
Total revenue and grants	4.7	-34.1	44.3	38.2	56.6	16.6	21.0	18.0
<i>Of which</i> : tax revenue	15.8	-40.2	48.6	14.2	34.3	16.7	11.6	10.6
Total expenditure and net lending	9.2	-43.8	55.0	37.2	56.6	16.5	21.0	18.0
<i>Of which</i> : current expenditure	-36.2	-5.6	144.1	40.9	18.7	14.9	10.0	18.8
capital expenditure	65.7	-62.2	-51.9	14.8	339.1	19.8	42.2	16.8
Money and banking								
Broad money 1/	...	14.7	43.1	20.5	14.7	16.7	15.2	9.6
Velocity (GDP relative to broad money)	12.5	6.6	5.7	5.3	5.0	5.0	4.9	4.8
(In percent of GDP)								
Central government operations (January-December)								
Total revenue and grants	13.0	11.0	14.1	17.7	23.7	25.0	27.3	29.1
Tax revenue	12.6	9.7	12.7	13.3	15.2	16.0	16.2	16.1
Non-tax revenue	0.4	0.7	1.1	4.5	2.6	1.9	3.0	4.0
Grant	0.0	0.7	0.2	0.0	5.9	7.0	8.1	9.0
Total expenditure and net lending	14.3	10.3	14.2	17.8	23.7	25.0	27.3	29.1
<i>Of which</i> : current expenditure	4.6	5.6	12.2	15.7	15.9	16.5	16.3	17.6
capital expenditure	9.7	4.7	2.0	2.1	7.9	8.5	10.9	11.5
Overall fiscal balance (cash basis)	-1.3	0.7	-0.1	0.0	0.0	0.0	0.0	0.0
External sector								
Current account balance, including grants (deficit, -)	-3.4	-18.2	-13.3	-19.9	-20.3	-18.0	-16.0	-16.3
<i>Of which</i> : grants	7.6	4.5	38.4	26.6	21.8	21.6	21.2	20.9
public interest payments due	-11.2	-12.1	-13.0	-15.5	-15.1	-15.3	-15.3	-15.0
Current account balance, excluding grants (deficit, -)	-11.0	-22.7	-51.8	-46.5	-42.0	-39.6	-37.2	-37.3
Trade balance (deficit, -)	3.8	-7.1	-33.4	-29.9	-19.2	-17.0	-18.9	-17.4
Exports, f.o.b.	29.8	25.0	21.1	19.4	18.0	23.5	22.7	21.2
Imports, f.o.b.	-26.0	-32.2	-54.5	-49.2	-37.2	-40.5	-41.6	-38.6
Public sector external debt outstanding (total)								
In millions of U.S. dollars	3,364	3,621	3,771	3,836	3,931	4,037	4,155	4,284
In percent of GDP	602	832	766	713	623	579	537	501
(In millions of U.S. dollars, unless otherwise indicated)								
Nominal GDP	559	435	492	538	631	698	773	856
Current account balance including grants (deficit, -)	-19.2	-79.2	-65.5	-106.9	-128.0	-125.9	-123.7	-139.7
Net official reserves	0.4	-2.1	4.2	11.7	19.3	26.8	34.1	41.3
(in months of imports of goods and services)	0.0	-0.2	0.2	0.5	0.7	0.9	1.1	1.3

Sources: Liberian authorities; and IMF staff estimates and projections.

1/ Defined as Liberian currency outside banks plus demand, time, and savings deposits in Liberian and U.S. dollars.

Table 16. Liberia: Summary of Tax System
(As of February 28, 2005)

Tax	Nature of Tax	Exemptions and Deductions	Rates
A. Central government			
1. Taxes on income and profits		Registered charities are exempted from income and profit taxes	
1.1 Taxes on companies			
1.11 Taxes on company income	Annual tax on net profits received by Liberian and foreign companies. Liberian companies are taxed on income derived from their operations within Liberia. Companies with tax liability of L\$500 or more are required to make payments on a current payment basis.	Income derived from sources outside Liberia is exempt, if the majority of the voting power of a domestic company is held by foreigners or nonresidents. Also exempt are earnings from the operation of vessels if not derived exclusively from coastwide operation by resident corporations. Under the Investment Code, companies with qualifying Liberian personnel are exempted from all income taxes for a period of five years or until their accumulated profits exceed 150 percent of their initial investment. This tax holiday may be extended to ten years in certain cases. Donations to approved organizations are deductible, subject to a limit of 15 percent of net income.	35 percent.
1.12 Tax on partnership income	Payable on all net profits received by partnerships. When the tax liability exceeds L\$500, payments must be made on a current payment basis.	Partnerships are granted the same deductions on corporations. No deductions may be made for personal or family expenses of any partner.	35 percent. Creditable against income tax of individual partners.
1.12 Turnover tax	Payable in lieu of income tax by partnerships and companies with a gross income not exceeding L\$5,000,000. For partnerships and companies with gross income higher than L\$5,000,000, the turnover tax is creditable against income tax.		4 percent of gross income.

1.2 Taxes on individuals

1.21 Income tax	<p>The tax is payable annually by all citizens and residents of Liberia on net income received from all sources, including capital gains. Partners must file individual returns of distributive income of all partnership(s) together with income from other sources. Employees' taxes are withheld from salaries or wages (for wages and salaries over L\$84 a month) and self-employed individuals with tax liability of L\$500 or more are required to make payments on a current payment basis. There are established estimates for taxpayers who do not keep records of their income.</p>	<p>Proceeds of life and health insurance, as well as sickness, disability, and death benefits, gifts, bequests, and interest on certain government obligations are excluded from the income of the recipient.</p> <p>Noncash benefits up to L\$100,000 are excluded from the taxable income.</p> <p>Donations to approved organizations are deductible within the limit of 15 percent of net income.</p> <p>Medical expenses and insurance premiums up to a specified limit.</p> <p>Partnership taxes and, where applicable, turnover taxes paid by an individual are credited against the income tax due.</p>	<table border="0"> <thead> <tr> <th style="text-align: left;">Income (in L\$)</th> <th style="text-align: left;">Rate</th> </tr> </thead> <tbody> <tr> <td>Up to \$ 12,000</td> <td>2 percent</td> </tr> <tr> <td>12,001 to 50,000</td> <td>240 plus 5 percent of excess over 12,000</td> </tr> <tr> <td>50,001 to 100,000</td> <td>2,140 plus 10 percent of excess over 50,000</td> </tr> <tr> <td>100,001 to 200,000</td> <td>7,140 plus 15 percent of excess over 100,000</td> </tr> <tr> <td>200,001 to 400,000</td> <td>22,140 plus 20 percent of excess over 200,000</td> </tr> <tr> <td>400,001 to 800,000</td> <td>62,140 plus 25 percent of excess over 400,000</td> </tr> <tr> <td>800,001 to 1200,000</td> <td>162,140 plus 30 percent of excess over 800,000</td> </tr> <tr> <td>1200,001 and over</td> <td>282,140 plus 35 percent of excess over 1200,000</td> </tr> </tbody> </table>	Income (in L\$)	Rate	Up to \$ 12,000	2 percent	12,001 to 50,000	240 plus 5 percent of excess over 12,000	50,001 to 100,000	2,140 plus 10 percent of excess over 50,000	100,001 to 200,000	7,140 plus 15 percent of excess over 100,000	200,001 to 400,000	22,140 plus 20 percent of excess over 200,000	400,001 to 800,000	62,140 plus 25 percent of excess over 400,000	800,001 to 1200,000	162,140 plus 30 percent of excess over 800,000	1200,001 and over	282,140 plus 35 percent of excess over 1200,000
Income (in L\$)	Rate																				
Up to \$ 12,000	2 percent																				
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1200,001 and over	282,140 plus 35 percent of excess over 1200,000																				
1.22 National reconstruction tax (suspended as of July 1, 2001)	<p>The tax is levied on every self-employed, salaried, or wage-earning citizen and foreign resident in Liberia over 16 years of age on gross income for each month of employment or fraction thereof.</p>	<table border="0"> <thead> <tr> <th style="text-align: left;">Payable on monthly income as follows: (In Liberian dollars)</th> <th style="text-align: left;">(In percent)</th> </tr> </thead> <tbody> <tr> <td>1 to 200</td> <td>1.0</td> </tr> <tr> <td>201 to 500</td> <td>4.5</td> </tr> <tr> <td>501 to 1,000</td> <td>7.5</td> </tr> <tr> <td>1,001 and above</td> <td>8.0</td> </tr> </tbody> </table>	Payable on monthly income as follows: (In Liberian dollars)	(In percent)	1 to 200	1.0	201 to 500	4.5	501 to 1,000	7.5	1,001 and above	8.0									
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1 to 200	1.0																				
201 to 500	4.5																				
501 to 1,000	7.5																				
1,001 and above	8.0																				
1.23 Turnover tax	<p>Payable in lieu of income tax by individuals with a gross income not exceeding L\$5,000,000. For individuals with gross income higher than L\$5,000,000, the turnover tax is creditable against income tax.</p>	<p>4% of turnover.</p>																			
1.23 Petty trader tax	<p>Payable in lieu of income tax and turnover tax by individuals with gross income of less than L\$200,000</p>	<p>L\$400 for traders using a portable business structure,</p> <p>L\$1,000 for traders using a fixed open structure with roof,</p> <p>L\$2,000 for traders using a fixed structure,</p> <p>L\$200 for traders falling under the categories above, who do business exclusively outside Montserrado county.</p>																			

1.5 Other withholding on payments to nonresidents	Levied on the gross amount of interest, dividends, royalties, rents, compensations, and other fixed or determinable incomes earned in Liberia by nonresident foreigners. Under certain conditions, taxpayers may be granted appropriate relief at the discretion of the minister in cases of inequity in tax burden, for example, double taxation.	Exemption from taxation are: (a) interest: earned on deposits with banks in Liberia; (b) interests, commissions, and other charges levied on short-term commercial transactions; and (c) items of income specifically listed in concession agreements	
1.6 Insurance premium tax—insurance companies	Annual tax on all gross premium received from policy by insurer on direct risks written in Liberia and also if a domestic insurer on direct risks is situated in any other country or countries.		4 percent.
2. Payroll taxes	None.		
3. Taxes on property			
3.1 Real estate tax			
3.11 Real estate tax	Levied on land located in a city, township or commonwealth district and the assessed value of any improvement thereon. Valuation of the property is determined by the tax administration.	Exemption from taxation are: (a) government properties; (b) properties of churches or other religious societies held for educational, charitable, or fraternal purposes; (c) buildings and other properties owned by the University of Liberia; and (d) properties held by foreign governments not owned by private individuals.	5 percent on unimproved and in owns and cities, and 5 cents per acre on rural land, including farmland, with a minimum of L\$5,000. 2 percent on improved land in commercial use. 1 percent on improved land for industrial use. 2 of 1 percent on residential property.
3.12 Withholding tax on rental income	Annual tax on rent or lease payments of realty. The tax is withheld by the lessor at the time of rent payment.		10 percent of the rent or lease. Creditable against income tax.
3.2 Net wealth taxes	None.		
3.3 Death and gift taxes	None.		
3.4 Property transfer taxes	None.		

4. Taxes on domestic goods and services

4.1 Goods and Services tax

4.1.1 Goods tax
(in force since July 1, 2001)

Ad valorem tax paid by the manufacturer or the importer. For local manufacturers, the taxable amount is the ex-factory price of the respective goods. For importers, the taxable amount includes the CIF value, import-related services, and import duties. Payable monthly.

The goods tax on locally produced cement, and imported rice has been suspended until Dec 31, 2001, and is expected to remain suspended for the near future.

7 percent

Exempt goods include

- (1) Goods destined for export,
- (2) capital goods and raw materials or other inputs for use directly in manufacturing,
- (3) goods incidental to a supply of taxable services
- (4) food products purchased by educational and philanthropic institutions,
- (5) various medical and educational goods, as specified by regulation by the Minister of Finance, and
- (6) supply of goods for the relief of distressed persons in the case of natural disasters or other humanitarian emergencies.

4.1.2 Services tax
(in force since July 1, 2001)

Add valorem tax on taxable services, including electricity services, telecommunications services, the provision of water for a fee, hotel accommodation, meals in restaurants, gambling services, sale of tickets by international transport services (air, sea, and land) services of a travel agency, and sporting services (including ticket sales). Payable monthly.

7 percent

4.2 Excise taxes

Ad valorem tax paid by the importer on the CIF price plus import taxes, or by the manufacturer on the cost price value.

	Rate(In percent)
(1) Stones and asbestos	30.0
(2) Metallic ores and coal products	7.0
(3) Petroleum products	7.0
(4) Rubber and latex	20.0
(5) Roofing and building materials	30.0
(6) Diamonds and precious metals	20.0
(7) Alcoholic beverages (imported)	15.0
(8) Alcoholic beverages (local)	5.0
(9) Non-alcoholic beverages	5.0-10.0
(10) Tobacco products	11.0
(11) Gambling equipment	30.0
(12) Cosmetic products	7.0
(13) Luxury goods (preserved fruits, jams, leather products, jewelry, electric household appliances, motor cars exceeding 2,500 cc, cameras, and others)	20.0
(14) Monosodium glutamate	30.0
(15) Revolvers, pistols, ammunition	50.0

4.3 Taxes on timber production

Taxes on the production of logs, lumber, planks, and other partly manufactured timber products, and a land rental fee for concession holders.

Exemption from reforestation fee is permissible under certain circumstances where reforestation is undertaken.

- (a) Severance fee U.S.\$1.50 per cu. meter.
- (b) Industrial incentive fee on all unprocessed round logs for export varies according to species (from US\$1.44 to 58.56 per cu. meter).
- (c) Forest products fee for sawn timber from U.S.\$ 0.40 to 30.60 per cu. meter.
- (d) Reforestation fee: US\$3.00 per cu. meter
- (e) Conservation fee: US\$1.50-2.50 per cu. meter
- (f) Forest research tax: US\$1.00 per cu. meter
- (g) Land rental fee: US\$0.50 per acre

4.4 Rubber sales tax

(suspended as of July 1, 2001)

Levied on the sale of domestically produced rubber.

US\$0.01 per pound if the world market price exceeds US\$0.25 per pound.

5. Taxes on international trade

5.1 Taxes on imports

5.1.1 Customs duties

Most import duties are levied as ad valorem duties on the c.i.f. value of import.

Exempt from duties are (a) imports by Liberian government, diplomats, and missionary organizations; (b) intermediate goods used in agriculture and some medical and fire-fighting supplies; (c) imports granted by special contracts to the large concessionaires operating in Liberia; and (d) imports granted under the Investment Incentive Code to stimulate industrial activities in Liberia.

NGOs and others NGOs and others who benefit from the exemption from the payment of customs duty are liable for a clearing and documentation fee of 3% of the CIF value of imports.

For manufacturers in essential industries, a customs duty on raw materials capital equipment, and machinery of 5 percent applies. For non-essential industries, the respective rate may not exceed 15 percent.

A. Ad valorem

Ad valorem tariff rates range from 2.5 to 25 percent, a higher tariff rate (50 percent) applies to firearms and military equipment. The list below gives a few examples only.

(In percent)

- | | |
|----------------------------|----------|
| (1) Wheat and other grains | 5.0 |
| (2) Plantains | 7.5 |
| (3) Coffee and tea | 15.0 |
| (4) Petroleum products | 10.0 |
| (5) Rubber and latex | 25.0 |
| (6) Wood products | 20.0 |
| (7) Motor cars | 5.0-20.0 |
- (according to engine size)

B. Specific (In units indicated)

- | | |
|------------------------|-------------------------------|
| (1) Rice (bulk) | US\$0.50 per 100
pound bag |
| (2) Beer | US\$2.00 per liter |
| (3) Paint | US\$1.50 per liter |
| (4) Spirits | US\$6.50 – 7.10
per liter |
| Unmanufactured tobacco | US\$1.45 per kg |
| Manufactured tobacco | US\$3.00 per kg |

US\$1.00 per 100 pound bag

5.1.2 Rice stabilization fee

5.2 Taxes on exports- Export duties

Export duties are levied on a variety of exports, including rubber and other agricultural products.

Logs and some timber are exempt when cut on privately owned land. Export duties are creditable against income tax.

2.5 percent on unprocessed exportables
0 percent on processed exportables
4 percent on diamonds and precious metals