



# PAN AFRICAN CAPITAL GROUP, LLC

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**Outlook Note**  
**December 29, 2008**

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## **Liberia – 2009 and Beyond**

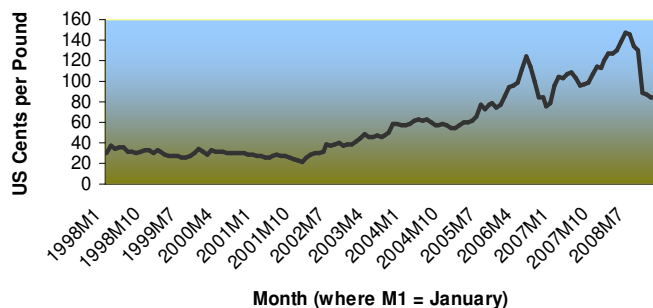
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As we approach the end of 2008 and the midpoint of the first Johnson Sirleaf Administration, Liberia has made significant strides towards achieving its goals for the year, even as the country faces difficulties due to the recent fall in commodity markets. Looking back we highlight various examples of the progress made in the second half of 2008 and demonstrate that Liberia is still moving in a positive direction. These examples provide insight into to how Liberia is approaching its reconstruction and development as it is finally leaving behind the ignominious title of “post-conflict.” It can be argued that the amount of effort made in both the public and private sectors is beginning to show significant returns in economic growth and social stability. Although there is still much to be done and continued lags between capital commitments and on the ground deployments have been a source of agitation domestically.

The President has established vast international support and this must now be translated into domestic results. Some have concerns about the progress so far, but the conditions on the ground have been strategically prepared by the government to bring in both the public and private capital inflows to rebuild the country. Roads, seaports, airport, energy production and distribution, health, education, and information and communication technology will be the key drivers in building the new Liberia. The government has facilitated significant private sector investment and complemented it with large amounts of international donor funding to create an environment of high expectations for the future of the country. Domestic politics will continue to be filled with maneuvering in the Legislature as various political parties and potential Presidential

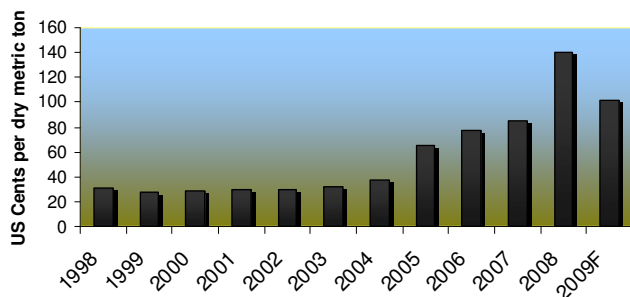
**The Forefront  
of Investment  
Banking  
Services in  
Africa**

**Prices of Rubber (Last 10 years)**



candidates jockey for position in the event that President Johnson Sirleaf decides not to run for a second term, which is a strong possibility. Recognizing all of these factors will help observers take a realistic measure of current accomplishments and future possibilities. What is now required is managing those expectations in order to give the Liberian government sufficient space to deliver to its constituents the reform and development that will keep the country on an accelerated developmental track.

**Price of Iron Ore (since 1998)**



### Transportation Infrastructure

Liberia is primarily a supplier of commodities. Transporting goods into and out of the country and onto the global markets accounts for substantial marginal costs for companies operating in Liberia. As the commodity markets return to normalcy after reaching astronomical levels,

remaining competitive versus other input-producing countries in terms of the cost of doing business will be the greatest challenge for Liberia. Bottle-necks in transport logistics is one of the largest factors increasing costs and lowering profits in commodity driven sectors, and the country must continue the rapid rehabilitation of its transport infrastructure if it is to continue the trajectory of its economic development.



**Chinese Shipments to West Africa**

There are five seaports in Liberia: the two major ones are the Free Port of Monrovia and Buchanan, while Harper, Robertsport, and Greenville are significantly smaller and less developed. Each of these ports requires an immense amount of reconstruction, upgrades, and management expertise. There is a principal agreement which will be enacted in this year to salvage some of the ships sunk in the Port of Monrovia and have it dredged so that deep-draft cargo ships will once again be able to frequent Monrovia. Further down the coast, Buchanan will be the main transit point for both Mittal Steel iron ore shipments via the railroad between the port and its concession in Nimba County, and Buchanan Renewables export of biomass woodchips. These two companies are leading the rehabilitation of the port, and their efforts will have significant knock-on effects enabling



technology available, turning Liberia into a country completely wired into the global marketplace. Implementation will face serious obstacles due to a variety of factors, but imaginative ideas combined with pragmatic solutions are turning the page on Liberia's communication barriers.

There are four licensed mobile phone companies in Liberia: Cellcom, Lonestar, Comium, and Libercell. Mobile communications has largely alleviated the problems caused by the destruction of fixed telephone networks, and it appears as if advanced wireless and mobile networks may eliminate the need for fixed telephone lines in Liberia. The total number of mobile phone subscribers is estimated between 1 to 1.8 million, the reason for the large variance is that many individuals have multiple subscriptions with competing companies because of period of service breakdowns, and for this reason it is hard to determine actual service penetration. The higher estimate represents 50% of the population, which is a jump of 500% in just two years, and there is still room for significant growth. This kind of growth has attracted large foreign investment as Lonestar is now a part of the MTN Group, and Washington, DC-based Emerging Capital Partners purchased a strategic equity stake in Cellcom.

The mobile phone companies also offer internet services, though the service is subject to satellite coverage and limited bandwidth. The possibility of blanketing the country with both cellular and wireless internet coverage is the most exciting opportunity in this sector. New telecommunications law aims to regularize operations and position the industry for growth.

## Water & Power

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Electricity and water supply remain significant problems in Liberia. The linkages between power production and GDP/capita are statistically significant. Building the production, distribution, and consumption of power and water will drive down the overhead operating costs of companies in Liberia. Currently, the water and sewage systems outside of downtown Monrovia are largely broken, and most of the city gets its power from expensive and highly polluting diesel generators.



50 MW Biomass Power Plant

An emergency power plant will soon come online which will provide 10 MW in order to bridge the time period until the Mt. Coffee Hydroelectric facility can be refurbished and other power plants built. Mt. Coffee once supplied a bulk of the country's energy needs, but was heavily damaged by the war and now requires significant investment for rehabilitation. This is in addition to the 35 MW biomass power plant planned for in Kakata (northeast of Monrovia) by Buchanan Renewables. In addition to exporting

rubber wood chips to the European markets, BR will be using a significant amount of its biomass production for domestic energy uses.

Linking the power generation facilities and the targeted consumers will require concurrent investment and construction. Electricity distribution networks must be built to supply power throughout the country, but should initially focus on the commercial centers that can make power production economically viable. With the support of a number of donors and private investors, the Liberian government is committed to resolving a way forward on the power sector front within the next quarter.

Similarly, water sanitation and distribution networks are required in the urban centers in order to promote and maintain health. The lack of access to these resources presents an opportunity for large-scale investment by public-private partnerships.

## **Education**

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Considered the silver bullet to addressing many socio-economic issues, the development of a quality system for educating the next generation of Liberians will be vital for numerous reasons. Educated populations live longer healthier lives, plan for future generations, create more stable societies, and are able to accelerate economic growth. The civil conflicts left Liberian social and economic development at least 20 years behind the curve. For domestic and international companies operating in the country, an educated workforce is an essential component to their operations.

The Liberian government along with numerous partners is revitalizing its efforts

to promote the growth and coordination of the education system. The provision of free education to all children, combined with making it illegal for children to work in the marketplace during school hours, has made school attendance grow exponentially. Now that the children are in the classroom, the proper provision of additional schools, supplies, meals, transportation, extracurricular activities, and teacher training will continue to be an issue through the medium term.

## **Healthcare**

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Much like education, the healthcare system in Liberia is still far from being considered suitable. The impact of improved healthcare on the social and economic development of the country will be vast, but getting to a sustainable system is a medium-to long-term prospect. Current initiatives are driving towards this goal and are receiving massive amounts of international assistance. The US Government recently committed US\$ 52 million to assist in the development of a nationwide health care network. This is in addition to the large amounts of commitments to the JFK Medical Center, which is the administrative center for Liberia's healthcare initiatives. What is missing are private sector initiatives that could tackle insurance and managed care issues.

With the presence of large concessionaires in the country, which depend on healthy workforces for production, providing insurance and privately managed clinics is a viable investment opportunity. Addressing the healthcare issues will require imagination on numerous fronts and should encourage private sector investment to complement international aid.

## Food Security

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A former exporter of rice, Liberia is now an importer of its staple crop. Even though commodity prices in general have declined, the major global producers of rice are stockpiling excess production, creating an artificially high price, helping to maintain food insecurity in countries like Liberia. The obvious solution is public and private investment in food production, but reaching the necessary output levels of rice and other foodstuffs is still at least 2-3 years away. The Libya Africa Investment Portfolio has committed US\$ 30 million for a commercial rice plantation, and other actors are seriously investigating where to enter this sector.



Rice Field Outside of Monrovia

Major investments will continue to be made in this sector which will lead to Liberian food security in the medium-term, but this situation will persist and must be monitored due to the destabilizing effects food shortages can have on a developing country. Agriculture and the agribusiness industry are highly dependent on surrounding transport infrastructure and a healthy,

educated workforce. Although food is of the highest importance and provides a foundation for economic and social stability, the development of this sector will be impeded without serious gains in the areas of transportation, power generation, healthcare, and education.

## Conclusion

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Liberia is poised to emerge from its post-conflict status and join the regional and global stage. The current global economic climate does pose challenges for the country due to its reliance on commodity exports for revenue, but this is being mitigated by economic diversification and a focus on value-added industries. Direct foreign investment and donor flows will continue to build the country and capitalize on the progress achieved under the current administration, which when faced with daunting circumstances, has performed admirably. Liberia will return from the lost decades an economic force, buoyed by the political and social stability that is the direct result of progress in infrastructure, technology, education, healthcare, and food security.

*Pan African Capital Group, LLC (PACG) is a US-based investment company focused exclusively on investment opportunities in Sub-Saharan Africa. PACG provides investment banking and advisory services, asset management, and private equity across the region. The firm is primarily focused on the financial services, telecommunications, manufacturing, and agribusiness sectors, and manages a diversified private equity portfolio.*

*Most recently, PACG, alongside partners Databank (Ghana) and Trust Bank Limited (The Gambia), acquired majority control of International Bank (Liberia) Limited, Liberia's oldest commercial bank and the preeminent business-focused financial institution.*

*PACG and its affiliates maintain a nexus of offices throughout West Africa and have strategic alliances in East Africa, North Africa and the United Kingdom.*

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