

**MANAGING NATURAL RESOURCE REVENUE IN LIBERIA:
CHALLENGES TO MACROECONOMIC AND REVENUE MANAGEMENT**
March 18, 2013

PROGRAM

Liberia is set to receive large natural resource revenue inflows over the medium- to long-term, through exploitation of iron ore deposits and, potentially, petroleum. By 2015, iron ore is projected to account for around 15 percent of GDP (from around 1.1 percent of GDP or 4 percent of government revenue in 2012), as three major iron ore concessions are expected to commence production. Natural resource revenue inflows offer significant opportunities, including accelerated reconstruction, development, and poverty reduction and could help finance Liberia's transition to middle income status by 2030. However, there are also risks unless resources are properly managed, and the challenges are enormous. Macroeconomic strains include competitiveness problems stemming from appreciating real exchange rates and exposure to volatile commodity markets. Despite the large flows, extractive industries often make a relatively small contribution to budgetary revenue in resource-rich countries, and, consequently, the wealth of the state.

Ensuring sufficient returns from natural resources in Liberia, and managing potential volatility, is a primary objective of the Government's recent Draft Petroleum Policy Paper. But there remain significant challenges establishing appropriate institutional frameworks, including the revenue management and regulatory frameworks, especially when institutions are weak. It will be important to ensure that the necessary institutions and frameworks are in place in Liberia before expected revenues from the iron-ore and palm oil sectors start to pick up as well as before potential petroleum production comes on-stream.

This seminar will help to move forward some key elements of the government's agenda, by better understanding the macroeconomic risks and challenges from large and rapid increases in natural resource revenues as well as the pros and cons from the different frameworks to manage natural resource. It is expected that the seminar will help set the tone for the accompanying legal and regulatory framework, with particular focus on how to make them work in a weak institutional setting. The seminar provides an opportunity to exchange views with government policy makers, international experts in the field of natural resource management, civil society and development partners, on the key challenges that need to be considered when designing the frameworks to manage natural resources in Liberia, drawing on lessons from international best practices and cross-country experiences.