



**TOGETHER**  
*for a sustainable future*

## OCCASION

This publication has been made available to the public on the occasion of the 50<sup>th</sup> anniversary of the United Nations Industrial Development Organisation.



**TOGETHER**  
*for a sustainable future*

## DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

## FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

## CONTACT

Please contact [publications@unido.org](mailto:publications@unido.org) for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at [www.unido.org](http://www.unido.org)



DE4482



Distr.  
LIMITED

ID/ WG.119/CR.5b  
15 November 1972

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Seminar on Industrial Information  
(for English Speaking African Countries)

Addis Ababa, Ethiopia, 6-15 November 1972

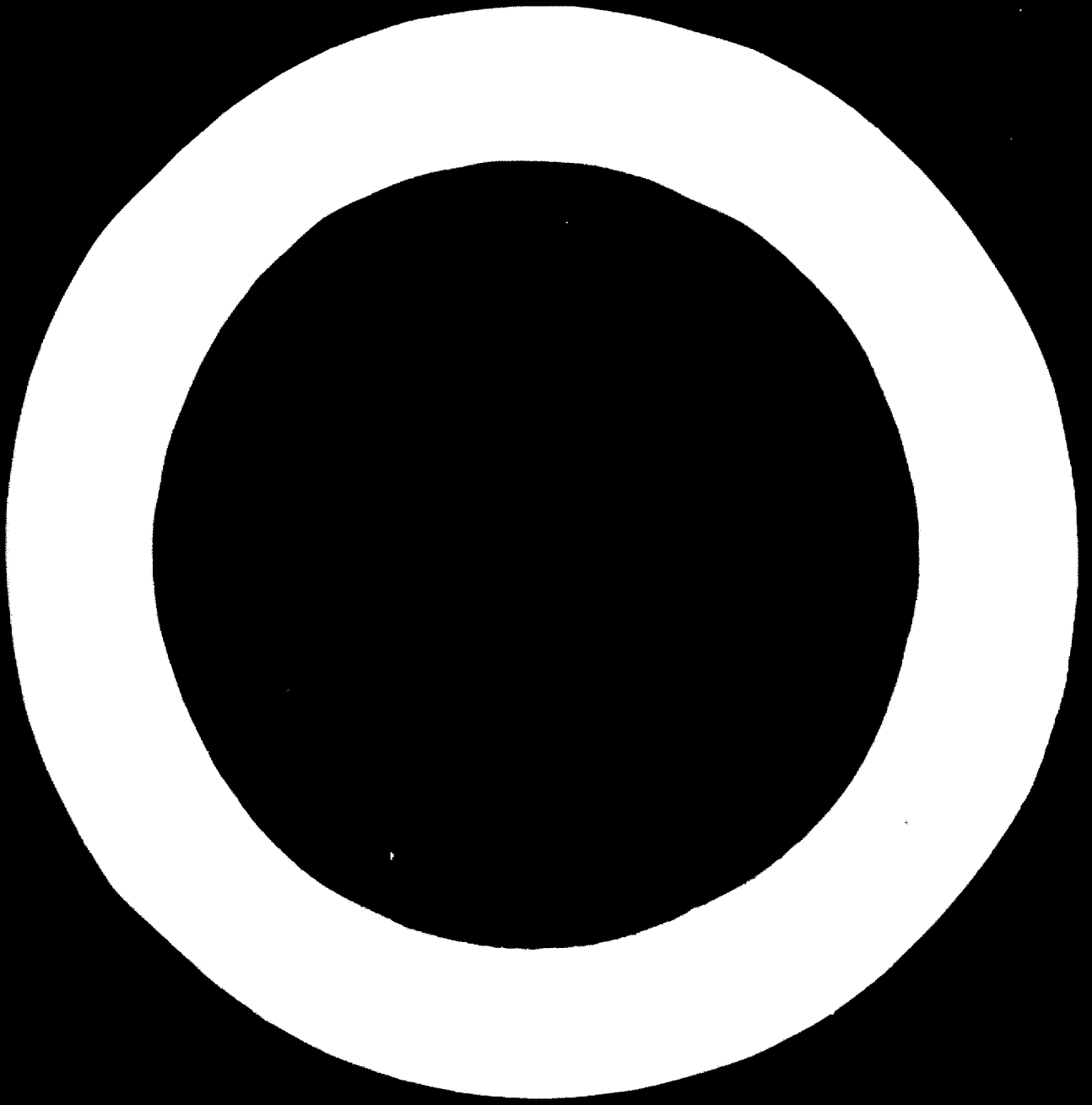
THE ROLE OF THE LIBERIAN DEVELOPMENT CORPORATION  
IN THE INDUSTRIALIZATION OF LIBERIA

by

Mr. L. Kwia Johnson, Jr.,  
Liberian Development Corporation

1/ The views and opinions expressed in this document are those of the author and do not necessarily reflect the views of the secretariat of UNIDO.

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.



## INTRODUCTION

### The State of Liberia Business Enterprise

There is initially no information available on the number, distribution and volume of business of private Liberian entrepreneurs active in the non-agricultural sector. In Liberia, the participation of Liberians in business enterprise is as yet very limited. Aside from agriculture and government, Liberians are predominantly engaged in rubber-farming in the rural areas and small towns and in small transport and similar undertakings. There is no indigenous trading tradition. Asians and Lebanese have been entrenched in retail and wholesale trade, and continue to dominate retail trade in all cities and towns. Expatriate companies handle all import - export trade and the distribution of technical goods. In building and contracting European concerns handle the large contracts and Lebanese firms those of medium size. In the face of competition from entrenched and more experienced local Lebanese businessmen and expatriate firms, Liberians have been able to make only slow progress.

### Projected foreseeable program

The Government is keenly conscious of the need to develop more Liberian private enterprise without, however, impairing the useful role that foreign business can continue to play in the economy. In order to implement such a dynamic program a comprehensive program needs to be prepared providing for (1) Re-organization of a public corporation for the promotion of small and medium Liberian Enterprise (Liberian Development Corporation), (2) creation of a new financial institution, or the strengthening of the existing LDDI, to provide medium and long term loans to Liberian businesses, (3) Constitution of a special fund to guaranty credits to such business, and (4) special

facilities under which the LDC can provide supplementary equity or quasi-equity capital to Liberian enterprises in such a way as to enable them to qualify for low-interest loans.

#### Liberian Development Corporation

In general, it is to make all studies and take all measures essential for the promotion of small and medium scale business enterprise. More specifically, it is to provide technical assistance and extension services (including training in collaboration with the UN Aid), make technical studies of projects, assist entrepreneurs in the preparation of applications for finance and tax concessions, establish and manage industrial estate, and co-ordinate, within the government, measures relating to the promotion of Liberian enterprise.

Proper manpower/staff is indispensable to this organisation. The staff of the LDC should consist of seconded civil servants, contractual employees and experts provided under bi-lateral and multi-lateral technical assistance. It should also absorb some of the existing technical experts that are already engaged in the promotion of Liberian enterprise attached to government offices. A tentative table of organization should envisage at least three departments - Artisanal Enterprise, with a technical training and management training division, Industry, with a division for extension and another for project evaluation, and a General Services Department also consisting of two divisions concerned with supplies and marketing, questions of taxation and credit, legal matters, expositions, industrial estates and organisation of entrepreneurs.

### The need for co-ordination

The multiplicity of organizations already concerned with the promotion and development of small and medium-scale enterprise creates a considerable problem. LDC's operations should be kept more independent (autonomous), since they are concerned entirely with the launching of industrial ventures. Part of the overlapping of existing organizations is undoubtedly due to the dispersion of responsibility for the promotion of enterprise among a number of ministries including, Commerce, Industry and Transportation, and Planning. The first step in the direction of more effective coordination should be to consider how responsibility in this field could be centralized within the Government itself.

### Problems of Financing

Efforts to identify potentially good entrepreneurs and to provide them with managerial and technical assistance and training must be effectively articulated with measures to provide financing for new and expanding enterprises. Up to the present, little attention has been paid to developing more effective means of financing.

Existing small and medium enterprises find it almost impossible to get financing. They seldom own their own premises and land and thus have little or no tangible property to put up as security. Banking institutions have almost no means to become personally acquainted with these proprietors and to assess their qualifications as entrepreneurs. Under existing conditions, auto-financing is about the only method of financing available to small enterprises. To some extent this could be aided in Liberia, as in some other countries of Africa, by the existence of mutual savings associations. They usually have a small number of members who know each other and have confidence in each other. Each member makes a regular contribution to the

association and every month one of the members, in regular rotation, receives the entire product of the group's savings which he can then utilize for any purpose including investment.

Institutional financing is not available to Liberia private enterprise on a significant scale. The development of an effective organization to identify, train, and assist viable entrepreneurs is undoubtedly the key to any successful system for financing of Liberian enterprise. However, if existing financing institutions are to play an effective role, some sort of guaranty fund will need to be established.

Any system of financing covered by a guaranty fund should meet certain requirements. The first is that any request for financing should be sponsored by an accredited promotional agency such as the LDC and accompanied by an assurance that this agency will continue to supply the requisite technical assistance. The second is that the method of financing should be as simple as possible for the entrepreneur. The latter should preferably be able to deal with a single institution which could examine his requirements for the financing of both working capital and investment in relation to his prospective capacity to serve both types of loans. In principle, the original loan request could go either to a commercial bank or to the LBIDI. If a commercial bank found that part of the financing was needed on longer term that it could provide, it could undertake to arrange such financing by the LBIDI. Conversely, the latter, if it received an application for long term financing, might arrange with a commercial bank any supplementary short term financing needed. It would, of course, be still simpler if the LBIDI were made the "chosen instrumentality" for providing all finance.



The proposed guaranty fund could be available to guaranty credit from the resources of both the LBIDI and the commercial banks. In that event, its administration would have to be independent of both. However, it would also be possible to entrust to the LBIDI the administration of a special fund which would be used both to make long and medium term loans to Liberian enterprise and to guaranty shorter term credit extended by the commercial banks. Such a fund would have to be constituted from public resources if it is to assume the risks involved. Part of it could come from the Government budget and part, perhaps, from government borrowings on concessional terms abroad. To the extent that losses might be incurred, these would, of course, have to be covered by the Government, although the latter could recoup itself in part from the difference between the rate of interest at which it might borrow abroad and the rate of interest charged to borrowers from the fund. The establishment of a single fund of which part would be used to guaranty commercial bank credit and part for making direct loans would greatly simplify the financing mechanism. The LBIDI itself could be asked to subscribe a small portion of the fund in order to ensure that it has a stake in its efficient management.

#### PROMOTION OF LIBERIAN COMMERCE

##### Development of retailers and wholesalers

In recognition of the fact that Liberian participation in retail and wholesale trade has been very small, special efforts will have to be made to promote Liberian commercial enterprise. The elaboration and execution of the program must be the responsibility of the LDC. The LDC could train, install, and advise retailers and wholesalers. A special school could be opened to train retailers and wholesalers and also "Moniteurs de Commerce" who are to constitute a commercial extension service. The teaching in this school could be done by "Peace Corps".

They should have attended commercial schools; but in any event, should receive supplementary training by LDC personnel. Retailers, who must as a minimum, have an elementary education, should be given a two-month's course supplemented by a month of practical training either in a shop operated by a foreign company or in the shops of the first distribution chain to be set up by the program. The course for wholesalers should last for at least a year. The idea is to group about 15 retailers around one wholesaler. Over the period considered, 52 of these distribution "Chains" should be developed, comprising 52 wholesalers and 500 retailers. Each "Chain" will be continuously advised by two "moniteurs," who in turn will be supervised by inspectors provided by LDC. The cost of such extension program should be borne by the government. Government should provide the LDC with a special fund to finance the necessary initial equipment and stocks, but should have no role in determining the credit recipients. At a later stage, retailers should be organized into "mutuelles" or mutual societies which would guaranty credit from suppliers. Wholesalers are to form a group for joint purchasing and transport of supplies. The whole effort is to be directed by a management company provided by the LDC. Both retailers and wholesalers are to handle general merchandise for which there is a ready market. The eventual establishment of specialty shops must be envisaged in cooperation, or as a joint enterprise, with foreign commercial houses. A type of franchising operation is contemplated in this field.

### THE LIBERIANIZATION OF TRADE

#### Licensing as an Instrument of Liberianization

A novel Trade Licensing Act could be the principal instrument for the Liberianization of trade. It should make all trading subject to licensing, reserve all trading in non-scheduled areas (all areas outside of the main

shopping centres of certain large cities, counties) to citizens and also restrict to citizens all trade in designated articles including rice, palm kernels, cocoa, coffee, fresh vegetables, lentils, coconut, cigarettes, meat, blankets, milk, shoes, saddles, etc. The non-scheduled areas could be progressively extended as more local retailers and wholesalers are trained by the LDC, and non-citizen traders in the scheduled areas should be required to obtain a renewal of their trading license annually. By these means the number of Lebanese and Asian traders would be drastically reduced. Based on the assistance of the LDC's continued supervision of these operations, the LRIDI should grant loans enabling Liberians to purchase shops from Lebanese and Asians. Import licensing could enable some Liberians to establish themselves in the import trade.

#### Management and Technical Training Facilities

Management training and advisory services are indispensable to fostering the growth of local enterprises. The LDC should launch this program as a UNDP financed project for which the ILO could be made the executing agency and furnish the expert foreign personnel. The largest portion of its expenditures could be put on various training courses, and the remaining on consulting services. Its activities should focus on the needs of enterprises which are engaged in Liberianizing their personnel. For their management and supervisory personnel it should give a large variety of courses (generally) lasting from three days to several weeks and covering such subjects as planning techniques, organization and methods, management accounting, sales management and salesmanship, costing and cost control, purchasing management, industrial relations and personnel management. These courses should not be too sophisticated and too costly for the average Liberian entrepreneur. Similarly, the consulting services to small Liberian businessmen should be free of charge as they might not be able to afford it.

To assist the small Liberian businessman, a number of special evening courses should be started. One - "How to start and manage a retail/wholesale business". A complementary course on "How to start and manage a small manufacturing business" should also be organized. In this course, the participants will be led through the whole series of steps necessary in the establishment of a "model factory" and some consultation should be provided on the site for those actually setting up a factory. Other courses on management for Liberian retailers, on small business management and on supervision should be held from time to time. In addition, the LDC should set aside an hour in the late afternoon of every business day during which businessmen can come in for advice on their problems.

If this service is to inspire confidence among Liberian businessmen, it will have to be staffed with personnel of practical competence. The LDC will have to request UNDP to finance the following foreign staff: a project manager experienced in general management and the development of small scale enterprises; a management consultant; an industrial engineer competent in the promotion of small enterprises; an expert on entrepreneurial development; an expert in personnel management and supervisory training; an accounting expert with experience in the management and administration of credit facilities; and an expert on marketing and distribution. This proposed staffing pattern should make provision for experienced technicians capable of providing practical advice at the workshop or factory level. Must put sufficient emphasis on people with practical business training.

While the LDC should undoubtedly develop close relations with financing institutions, it is doubtful that it should itself engage in financing. It is desirable to separate the task of business promotion and that of financing. The LEIDI should be able to provide the necessary medium- and long-term loans,

and the commercial banks the required shorter-term financing particularly if these banks can be insured against part of the lending risk through the creation and operation of a credit guaranty fund.

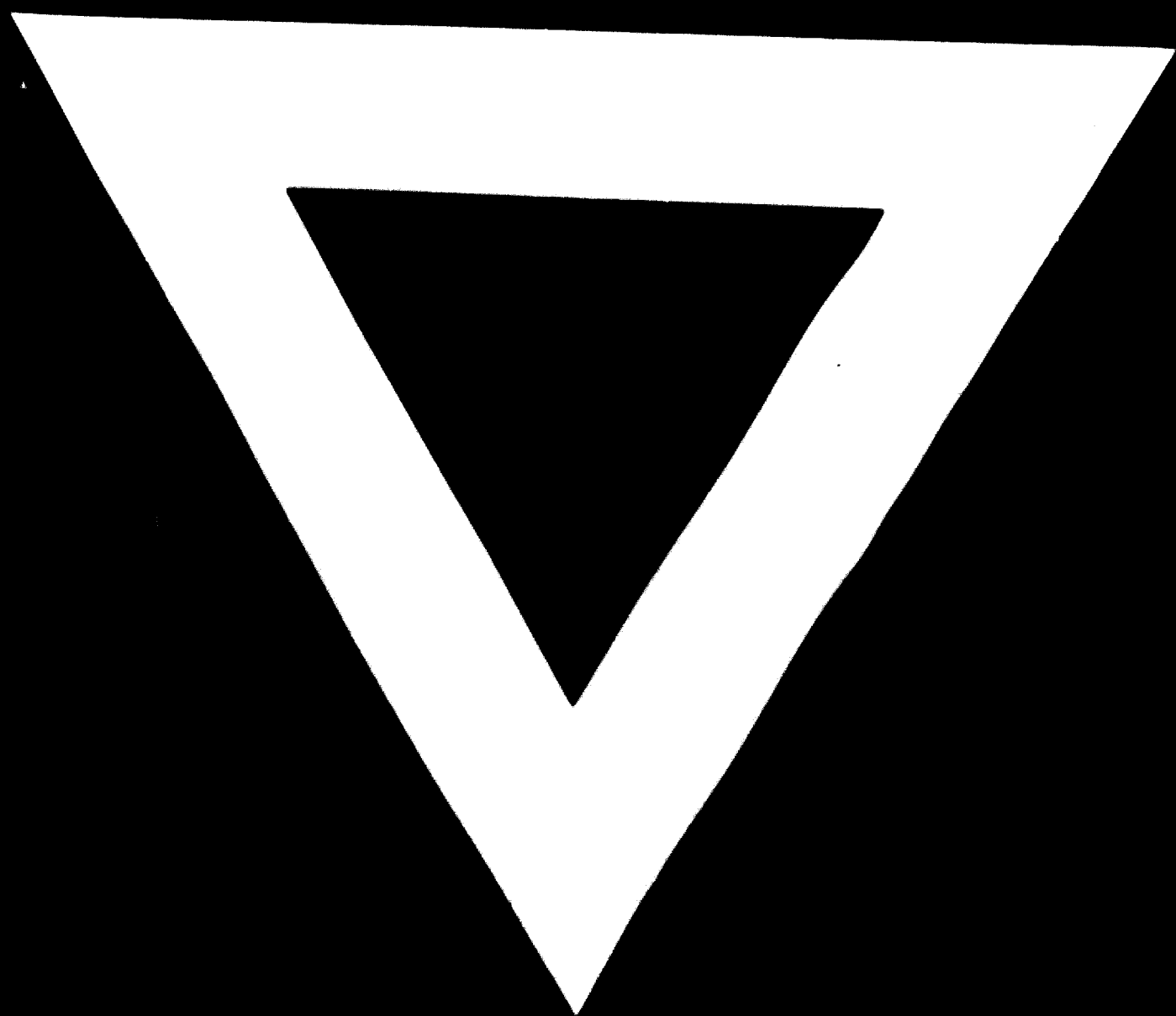
#### Feasibility studies

Feasibility studies are among the principal concern of the LDC. A loan proposal should not be considered without a preliminary feasibility study. This will help not only to improve the viability of the project, but also to protect the LDC and LEIDI from political pressures to make loans to unqualified applicants. These studies should assess the capacity of the entrepreneur, determine the capital investment and working capital required, project production and sales in the light of the market and make a financial analysis with a view of establishing at what level of production and sales enterprises are likely to break-even after allowing for loan repayments and a profit on the investment. The LDC should recognize that as more and more projects are financed in various branches of industry there may well be an increasing danger of duplicating facilities and of over production for what is, after all, only a slowly growing market. The preoccupation of the LDC with individual projects should, therefore, focus on the over-all examination of the output and market for each branch of industry in order to determine what branches offer the greatest opportunities for expansion. In order to do this adequately it is necessary to develop much more information on the production facilities which already exist in relation to the market.

Concluding Remarks

The extremely limited Liberian private participation in the non-agricultural sector of the economy has created a particularly urgent need to promote Liberian enterprise. Conscious of this need the government should authorize the complete autonomy and strengthening of the LDC to foster indigenous business.

The Government is in principle committed to foster the development of Liberian private enterprise. In practice, however, it has not even begun to develop a comprehensive program to this end. The Liberianization of trade and commerce may do more harm than good unless such action is effectively complemented by constructive steps that would put more adequate training, technical assistance and financing facilities at the disposal of struggling entrepreneurs. In the future the effective promotion of Liberian business enterprise will thus depend largely on the way in which the LDC will be able to develop its activities.



**3 . 9 . 74**