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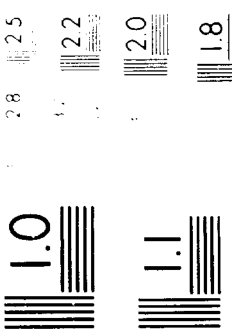

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INDUSTRIAL DEVELOPMENT BRIEF:

THE REPUBLIC OF LIBERIA*

Prepared by the

Division for Industrial Studies

Regional and Country Studies Branch

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PREFACE

The Division for Industrial Studies, Regional and Country Studies Branch, has undertaken under its work programme the preparation of a series of Country Industrial Development Briefs. These Briefs are desk studies, providing statistical and economic analysis of the industry sector, its growth, present status and future prospects. It is hoped that this Brief will provide information of use to programming technical assistance, industrial re-deployment and investment co-operation activities.

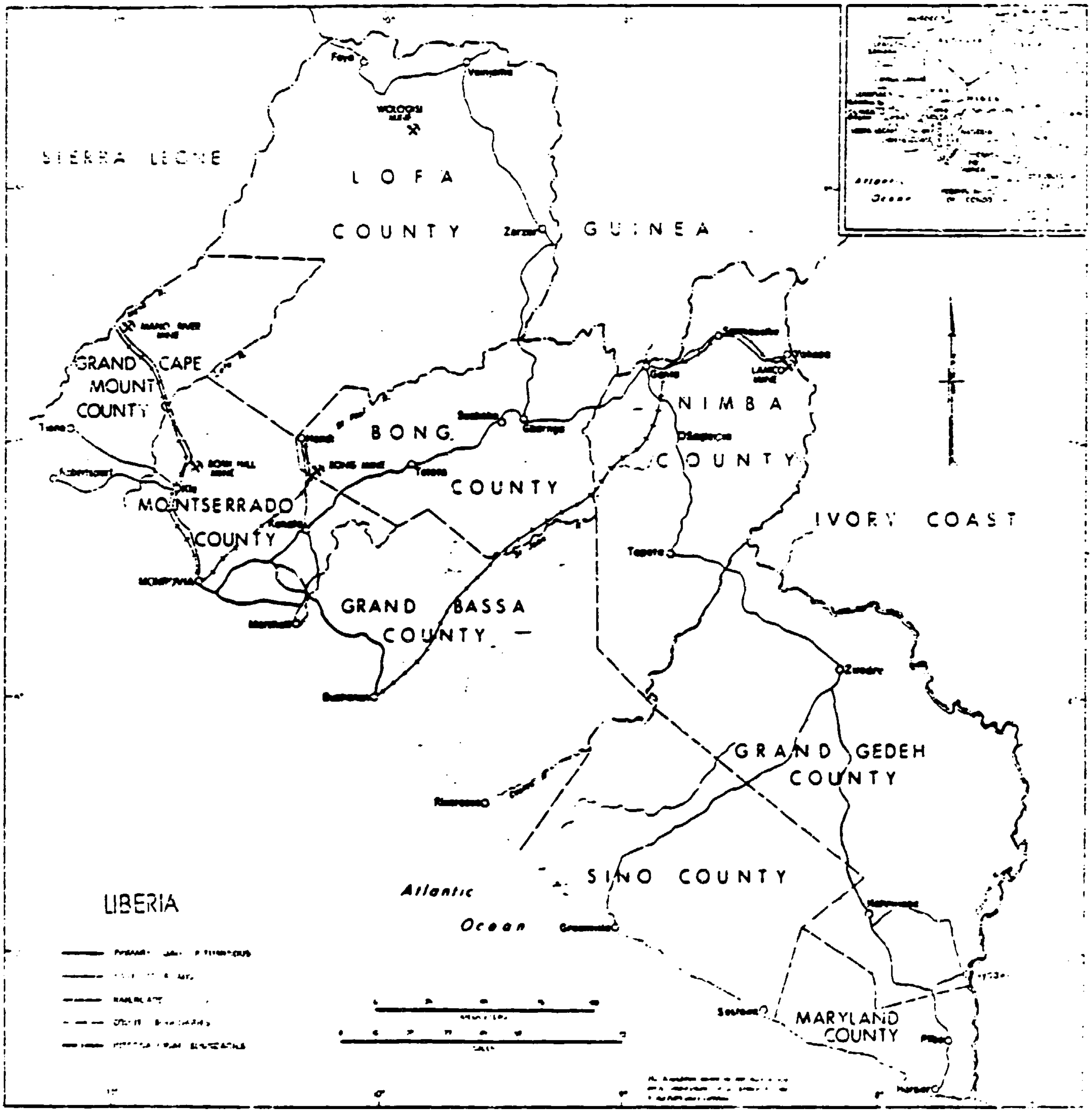
The Brief of the Republic of Liberia is based on documents, studies and reports available at UNIDO Headquarters. No field survey has been undertaken and some of the data on industry are either incomplete or not up-to-date.

The views and comments contained in this document do not reflect those of the Government of the Republic of Liberia, nor do they officially commit the United Nations Industrial Development Organization to any particular course of action.

C O N T E N T S

EXPLANATORY NOTE

The National Currency of Liberia is the United States of America Dollar. References to dollars ($) are to the United States Dollar. Comparison between tables may not be possible because the sources on which they are based are different. Figures may not add up because of rounding.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GRAND BASSA
COUNTY
IVORY COAST
GRAND GEDEH
COUNTY
SINO COUNTY
MARYLAND
COUNTY
LIBERIA
Atlantic
Ocean

SUMMARY AND CONCLUSIONS

With a population density of about 39 persons per square mile, Liberia is a small but sparsely populated country. The total population of about 1.7 million persons and an average annual per capita income of about US$470 (1978) constitute a relatively low purchasing power and a small domestic market.

Total employment was 417,046 persons in 1978, of whom 75.6 were employed in the agricultural sector. The manufacturing sector provided only 1.6 per cent of the employment. An analysis of the modern sector employment by occupational level shows that 13 per cent of those employed were occupying managerial, professional, technical and teaching positions, and 11 per cent belonged to the skilled workers category.

The manufacturing secto is very small in terms of employment, contribution to value added and export earnings. The share of manufacturing in the value added grew from 3.82 per cent in 1968 to 9.29 per cent in 1977. Mining and quarrying was, with 47.9 per cent of the value added in 1969, the largest sector; but its contribution to value added has been declining and it stood at 33.[illegible] per cent in 1977. Overall, the year 1969-1970 registered the highest growth rates for all sectors and GDP.

While the value of exports was growing at a rate of about 5 per cent per annum since 1970, that of imports have been growing at a rate of about 13.6 per cent per annum. The substantial increase in the value of imports has been due to doubling of food imports, from US$30.2 million in 1973 to US$66.0 million in 1978; steep rise in oil prices from $14.7 million, or 7.6 per cent of total imports in 1973, to US$84.6 million or 18 per cent of total imports in 1978; increase in the price of imported machinery and equipment from US$68.8 million in 1973 to US$156.6 million in 1978; and the post 1973 world inflation.

The decline in the main exports, iron ore and rubber, which was due to lack of demand as a result of the recession in the industrialized countries, has adversely affected GDP, balance of trade, public finance and the external debt situation. There was a trade deficit of US$16.1 million in 1978. The outstanding and undisbursed external debt was US$341.5 million, i.e. 53 per cent of current monetary GDP (at factor cost) in 1978.

Liberia is endowed with good soil and climate which led to the availability of extensive tropical forest resources and grasslands. There are mineral resources of which iron ore is the most important. Thus there are plenty of opportunities for the promotion of agro-based and allied industries and mineral based industries, all things being equal.

There is a host of constraints to the industrial development of Liberia. These include: shortage of qualified personnel, weakness of the institutional infra-structure, shortage of funds, small size of the domestic market, etc. The manufacturing sector is characterized by; high capital intensity, low net value added, high dependence on imported inputs, absence of intersectoral linkages, production of mainly import substitution consumer goods, and under utilized installed capacity.

Of the 47 manufacturing establishments in 1977, food products and wood products industries had each 11 establishments, or 23.4 per cent; these two had the largest number of establshments. With 40.4 per cent of the total employment in the manufacturing sector, the wood products subsector was the largest employer.

By and large, the potentials for industrial development in Liberia would depend upon the elimination of the constraints. Given export markets, opportunities for resource-based industries are envisaged in: agro-based and allied industries, forestry-based industries and small and medium scale industries. Many more industrial potentials could be created through the expansion and diversification of the agricultural sector with a view to producing more materials for local processing.

For the removal of the constriants so as to take full advantage of the industrialization potentials, it is evident that Liberia will require assistance in the following broad fields: industrial planning and feasibility stidies; industrial manpower development and training; acquisition and development of industrial technology and research; rationalization of the institutional infrastructure for industrial development; assistance to individual institutions; promotion of small and medium scale industries; undertaking surveys for the identification of projects in the sectors which were accorded high priority by the Conferences of the African Ministers of Industry; establishment of industrial co-operative arrangements and schemes; formulation of nations industrial plans, programmes policies and strategies for the implementation of the Lagos Plan of Action at the country level and in relation to the Industrial Development Decade for Africa.

GENERAL BACKGROUND

Area and population

Area. Liberia has a total area of 111.400 square kilometers of which two-thirds of the forests are in the south-east of the country, one-third in the north-west, and only 2 per cent in the north.

Population. The estimated total population in 1979 was 1,778,725 persons, with an estimate aggregate growth rate of 3.3 per cent per annum and an average annual per capita income of US$470.

Labour force and employment

Table 1 shows the labour force estimates for 1974 and 1979 by sex, and the rate of employment. The total labour force was estimated at 508,000 in 1979. The proportion of economically active males and females to total population was 41.5 percent and 15.3 percent respectively in 1979. The total labour force increased by 78,768 persons (or by about 18.27 percent) from 429,836 persons in 1974 to 508,604 persons in 1979.

Table 2 provides information on employment by occupation groups for 1977 and 1978. An analysis of the modern sector employment by occupation level shows that 13 percent of those employed were occupying managerial, professional, technical and teaching positions, and 11 percent belonged to the skilled workers category.

Table 1 . Labour force estimates 1974 and 1979

	1974			1979	Labour force participation rate[a]		
	Total	Male	Female	Total	Total	Male	Female
Bong	58,589	41,080	17,509	68,981	30.2	42.1	17.7
Grand Bassa	42,171	31,339	10,832	44,539	27.9	41.2	14.4
Grand Capé	20,999	14,360	6,639	26,548	37.1	48.5	24.6
Grand Gedeh	20,920	12,766	8,154	22,739	29.1	37.7	21.5
Maryland	22,641	15,350	7,291	26,502	24.7	33.8	15.7
Lofa	62,211	39,279	22,932	72,778	34.4	45.4	24.3
Montserrado	113,945	97,974	15,971	142,013	25.9	41.5	7.8
Nimba	71,602	49,954	21,648	86,355	28.7	40.9	17.0
Sinoe	16,758	13,514	3,244	18,149	24.8	39.5	9.7
Liberia	429,836	315,616	114,220	508,604	28.5	41.5	15.3

Source: 1974 Census of Population and IBRD Staff Estimates.

a/ The labour force participation rate is defined as the proportion of economically active population to total population.

Table 2. Employment in Liberia by occupation groups 1977-1978

	1977	1978
Managing owners, manager of large enterprises	220	256
Owners of small business establishment	3,950	4,227
Professional workers, decision-making, senior level	1,945	2,126
Professional and technical workers, other levels non-teaching	6,400	6,728
Professional workers other levels, teaching	6,430	6,800
Clerical workers	10,005	10,468
Sales workers	38,830	39,540
Service workers	7,060	7,255
Agricultural workers	276,025	280,476
Production workers	57,385	59,170
Of 9 and 10:		
Skilled workers	15,000	16,982
Semi-skilled workers	44,000	44,154
Unskilled workers	274,415	278,510
Total	408,250	417,046

Source: Ministry of Planning and Economic Affairs

General economic performance

Table 3 shows value added and percentage share by economic sector, GDP, and population for Liberia from 1968-1977, while Table 4 shows growth rates. Similar information is provided in Table 5 and 6 for all the Developing Countries of Africa. Table 3 shows that the share of agriculture in Liberia fluctuated within limits of 10.3 per cent in 1968 and 11.9 per cent in 1976 and 11.3 in 1977. Table 3 shows that the share of manufacturing has been growing from 3.8 per cent in 1968 to 9.3 per cent in 1977. In 1977, the share of manufacturing was 9.3 per cent for Liberia compared with 10.20 per cent for all African Developing Countries.

As can be seen from Table 4 the year 1969-70 registered the highest growth rates for all sectors and GDP in Liberia. Since then there has been a general fluctuating downward trend. In 1974-75 there was negative growth in all sectors, except in agriculture, services and GDP. In 1977, agriculture and mining registered negative growth rates of 4.7 per cent and 9.9 per cent respectively. Manufacturing recovered in the same year to record a growth rate of 22.9 per cent, compared with 1.8 per cent for all African Countries, as shown in Table 6.

External trade and balance of payments

Table 7 shows the value of the main exports for the years 1970 to 1978. Iron ore dominated exports in 1970, it accounted for 63.9 per cent of total exports; and after declining to 60.7 per cent in 1973, it recovered to its peak of 74.4 per cent in 1975. Since then it has

Table 3. Value added by economic sector for Liberia, 1968-1977

(Millions of US dollars[a/], at constant 1975 prices)

Year	Agriculture	Mining and quarrying	Manufacturing	Utilities	Construction	Services	GDP	Population (in millions)
1968	46.7 (10.3)	208.4 (46.0)	17.3 (3.8)	4.9 (1.1)	26.0 (5.7)	149.7 (33.1)	453.0 (100.0)	1.46
1969	48.7 (10.2)	226.1 (47.5)	20.9 (4.4)	5.6 (1.2)	26.6 (5.6)	148.2 (31.1)	476.1 (100.0)	1.49
1970	59.1 (10.4)	268.5 (47.2)	27.7 (4.9)	7.1 (1.2)	32.8 (5.8)	173.7 (30.5)	569.0 (100.0)	1.52
1971	60.6 (10.6)	265.3 (46.5)	29.0 (5.1)	8.0 (1.4)	30.3 (5.3)	177.8 (31.1)	571.1 (100.0)	1.56
1972	64.8 (10.4)	293.6 (47.0)	32.6 (5.2)	9.3 (1.5)	33.1 (5.3)	192.1 (30.7)	625.5 (100.0)	1.59
1973	67.6 (10.8)	286.1 (45.9)	36.1 (5.8)	9.5 (1.5)	28.7 (4.6)	195.8 (31.4)	623.8 (100.0)	1.63
1974	66.6 (10.0)	299.[illegible] (45.0)	45.7 (6.9)	10.0 (1.5)	35.9 (5.4)	207.6 (31.2)	665.1 (100.0)	1.67
1975	68.3 (11.2)	252.7 (41.5)	39.6 (6.5)	9.3 (1.5)	31.4 (5.2)	208.4 (34.2)	609.6 (100.0)	1.71
1976	74.4 (11.9)	232.8 (37.3)	47.4 (7.6)	11.8 (1.9)	38.9 (6.2)	218.9 (35.1)	624.1 (100.0)	1.75
1977	70.9 (11.3)	209.8 (33.5)	58.2 (9.3)	12.1 (1.9)	39.4 (6.3)	236.3 (37.7)	626.6 (100.0)	1.80

Source: Industrial Data Base, Regional and Country Studies Branch, UNIDO.

a/ Figures in parentheses are percentages.

Table 4. Growth rates of economic sectors and GDP and population, 1968-1977

(Percentage)

Year	Agriculture	Mining and quarrying	Manufacturing	Utilities	Construction	Services	GDP	Population
1967-68	3.9	0.7	3.3	12.7	-29.5	6.9	0.7	2.0
1968-69	4.2	8.5	20.9	14.6	2.2	-1.0	5.1	2.1
1969-70	21.4	18.8	32.6	25.1	23.7	17.2	19.5	2.1
1970-71	2.6	-1.2	4.6	13.7	-7.8	2.4	0.4	2.2
1971-72	6.8	10.7	12.3	16.4	9.3	8.0	9.5	2.2
1972-73	4.3	-2.6	10.7	1.4	-13.2	2.0	-0.3	2.3
1973-74	-1.4	4.6	26.8	4.9	25.0	6.0	6.6	2.3
1974-75	2.5	-15.6	-13.5	-6.9	-12.5	0.4	-8.3	2.5
1975-76	9.0	-7.9	19.7	27.2	24.0	5.0	2.4	2.5
1976-77	-4.7	-9.9	22.9	2.9	1.1	8.0	0.4	2.6

Source: Industrial Data Base, Regional and Country Studies Branch, UNIDO.

Table 5. Value added by economic sector for developing countries in Africa[a/] 1968-1977

(Millions of US dollars[b/], at constant 1975 prices)

Year	Agriculture	Mining and quarrying	Manufacturing	Utilities	Construction	Services	GDP	Population (in millions)
1968	32,696.2 (31.7)	20,081.2 (19.5)	9,278.7 (9.0)	1,024.6 (1.0)	4,858.2 (4.7)	35,064.1 (34.0)	103,003.0 (100.0)	312.77
1969	33,770.0 (30.9)	24,582.9 (22.0)	10,147.5 (9.1)	1,124.4 (1.0)	5,158.0 (4.6)	36,985.7 (33.1)	111,768.5 (100.0)	320.84
1970	35,151.9 (28.9)	27.097.5 (22.3)	11,491.5 (9.5)	1,091.5 (0.9)	5,557.3 (4.6)	41,268.6 (33.9)	1[illegible],658.3 (100.0)	329.16
1971	36,213.1 (29.1)	25,953.5 (20.9)	11,878.2 (9.5)	1,188.1 (1.0)	6,209.2 (5.0)	43,188.2 (34.7)	124,630.2 (100.0)	337.83
1972	36,057.7 (28.4)	26,213.9 (20.6)	12,348.9 (9.7)	1,256.5 (1.0)	6,945.4 (5.5)	44,264.7 (34.8)	127,087.0 (100.0)	346.74
1973	35,492.1 (26.5)	28,037.1 (20.9)	13,763.9 (10.3)	1,348.4 (1.0)	8,035.1 (6.0)	47,437.6 (35.4)	134,114.3 (100.0)	355.96
1974	37,557.3 (27.1)	26,086.9 (18.8)	14,340.5 (10.4)	1,367.0 (1.0)	8,878.9 (6.4)	50,345.4 (36.3)	138,576.0 (100.0)	365.52
1975	37,404.1 (26.7)	23,990.8 (17.1)	14,809.9 (10.6)	1,537.2 (1.1)	9,589.5 (6.9)	52,604.7 (37.6)	139,936.3 (100.0)	375.44
1976	38,783.6 (25.6)	27,741.9 (18.3)	15,933.8 (10.5)	1,658.2 (1.1)	10,864.8 (7.2)	55,712.4 (37.4)	151,694.7 (100.0)	385.75
1977	39,526.4 (24.9)	29,347.1 (18.5)	16,213.9 (10.2)	1,810.4 (1.1)	12,149.6 (7.7)	59,874.2 (37.7)	158,921.6 (100.0)	396.45

Source: Industrial Data Base, Regional and Country Studies Branch, UNIDO

a/ Countries included in aggregation: Algeria, Morocco, Tunisia, Central African Republic, Gabon, Angola, Burundi, Ivory Coast, Madagascar, Nigeria, Reunion, United Republic of Tanzania, Zaire, United Republic of Cameroon, Botswana, Kenya, Ghana, Niger, Mozambique, Mauritius, Mali, Malawi, Libyan Arab Republic, Liberia, Togo, Zimbabwe, Somalia, Senegal, Rwanda, Lesotho, Gambia, Ethiopia, Zambia, Upper Volta, Egypt, Congo, Uganda, Sudan, Guineabissau, Swaziland, Sierra Leone, Comoro Islands, Mauritania, Guinea, Cape Verde Islands, Benin, Equatorial Guinea, Chad.

b/ Figures in parentheses are percentages.

Table 6. Growth rates of economic sectors and GDP for developing countries in Africa, 1968-1977

(Percentage)

Year	Agriculture	Mining and quarrying	Manufacturing	Utilities	Construction	Services	GDP	Population (in millions)
1967–68	5.4	26.5	10.6	9.4	10.5	9.0	11.0	2.6
1968–69	3.3	22.4	9.4	9.7	6.2	5.5	8.5	2.6
1969–70	4.1	10.2	13.2	-2.9	7.7	11.6	8.8	2.6
1970–71	3.0	-4.2	3.4	8.8	11.7	4.7	2.4	2.6
1971–72	-0.4	1.0	4.0	5.8	11.9	2.5	2.0	2.6
1972–73	-1.6	7.0	11.5	7.3	15.7	7.2	5.5	2.7
1973–74	5.8	-7.0	4.2	1.4	10.5	6.1	3.3	2.7
1974–75	-0.4	-8.0	3.3	12.4	8.0	4.5	1.0	2.7
1975–76	3.7	15.6	7.6	7.9	13.3	7.8	8.4	2.7
1976–77	1.9	5.8	1.8	9.2	11.8	5.6	4.8	2.8

Source: Industrial Data Base, Regional and Country Studies Branch, UNIDO.

continued to decline until 1978 when it was 56.4 per cent. Rubber, the second largest foreign exchange earner, dropped from 16.1 per cent in 1974 to 11.7 per cent for both 1975 and 1976; after which there was a recovery in 1977 and 1978 when it contributed 14.2 per cent. Exports were estimated to grow at a rate of 5 per cent per annum. The main reason for the decline was recession in the European and Japanese iron and steel industry which reduced the demand for iron ore; and there was also a decrease in the world demand for natural rubber.

In Table 8 the main imports are shown by value. Since 1970, the imports bill has been increasing tremendously. The substantial rise is attributable to a doubling of food imports, steep rise in oil prices, large imports of machinery and equipment for development construction projects and the post 1973 world inflation. The value of oil imports jumped from $14.7 million, or 7.6 per cent of total imports in 1973, to $84.6 million, or 18 per cent of total imports in 1978. The value of food imports doubled from $30.2 million in 1973 to $66.9 million in 1978. Machinery and equipment constitute one-third of the total imports, but they rose in value from $68.8 million in 1973 to $156.6 million in 1978. Between 1973 and 1978, imports grew at a rate of 13.6 per cent per annum compared with 5 per cent for exports during the same period. Forty nine per cent of imports in recent years was crude oil and 25 per cent was in respect of investment goods.

Liberia has been enjoying a balance of trade surplus over the years until 1977 when there was a trade deficit of $16.1 million. Table 9 summarizes the balance of payments situation for the years 1974-1978.

Table 7. Value of exports, 1970-1978
(in millions of US dollars)

Exports items	1970	1971	1972	1973	1974	1975	1976	1977	1978
Iron-ore	150.7	160.6	182.7	196.7	262.2	293.6	328.7	273.5	274.4
Lump	(53.8)	(40.3)	(46.7)	(54.0)	(68.8)	(56.0)	(58.5)	(23.6)	(14.4)
Fines	(40.8)	(54.8)	(53.4)	(52.2)	(74.8)	(86.8)	(100.5)	(115.8)	(127.2)
Pellets	(19.7)	(35.3)	(54.8)	(53.1)	(75.6)	(94.8)	(112.7)	(81.5)	(76.5)
Concentrates	(36.4)	(30.2)	(27.8)	(37.4)	(43.0)	(56.0)	(56.2)	(52.6)	(56.3)
Rubber	36.2	32.5	29.0	42.9	64.5	46.2	53.3	59.1	69.2
Latex	(18.7)	(16.1)	(15.7)	(15.8)	(28.9)	(20.1)	(21.7)	(24.3)	(31.9)
Crepe	(17.5)	(16.4)	(13.3)	(27.1)	(35.6)	(26.1)	(31.6)	(34.8)	(37.3)
Diamonds	27.9	28.2	31.7	49.3	29.9	18.4	16.6	21.4	30.3
Logs and lumber	5.8	8.0	8.2	16.6	17.6	12.8	32.4	25.9	54.9
Coffee	3.3	4.0	4.6	5.1	4.0	4.5	6.6	43.0	25.3
Cocoa	1.0	1.3	1.5	1.9	4.3	4.4	4.1	6.1	14.4
Palm products	2.0	2.2	1.5	2.6	8.5	3.2	2.7	3.8	3.6
Palm kernels	(2.0)	(2.2)	(0.4)	(0.2)	(0.1)	(-)	(-)	(-)	(-)
Palm kernel oil	(-)	(-)	(0.8)	(1.7)	(6.9)	(2.3)	(1.4)	(1.8)	(2.3)
Expeller cake	(-)	(-)	(0.3)	(0.6)	(1.2)	(0.5)	(0.7)	(0.6)	(0.7)
Palm oil	(-)	(-)	(-)	(0.1)	(0.3)	(0.4)	(0.6)	(1.4)	(0.6)
Sawn timber	0.1	0.1	-	-	-	1.8	2.2	1.4	-
Other domestic exports	3.1	2.7	4.5	3.4	3.6	3.6	4.5	4.2	5.4
Re-exports	5.8	7.0	6.1	5.5	5.6	5.9	6.0	7.0	8.8
Total exports, f.o.b.	235.9	246.6	269.8	324.0	400.0	394.4	457.1	447.4	486.3

Source: IBRD Report no.2662-LBR, 28 December 1979.

Table 8. Value of imports, 1970-1978

(in millions of US dollars)

	1970	1971	1972	1973	1974	1975	1976	1977	1978
Food and live animals	21.4	24.4	25.5	30.2	38.4	38.6	41.9	56.8	66.9
Beverages and tobacco	3.2	4.5	3.8	4.1	4.7	6.2	7.3	10.3	11.7
Crude materials, inedible	1.8	1.7	1.7	1.6	2.1	3.0	4.8	4.8	4.4
Mineral fuels, lubricants, etc.	9.5	11.8	12.0	14.7	56.4	48.3	59.5	68.8	84.6
Animal and vegetable oils	0.7	0.9	1.1	1.2	2.4	1.0	1.8	2.1	2.9
Chemicals and related materials	9.7	11.6	9.9	12.8	18.5	22.0	24.5	29.6	31.1
Manufactured goods, by material	37.9	35.2	40.6	39.0	54.4	70.2	79.5	97.0	91.9
Machinery and transport equipment	50.1	54.2	63.4	68.8	85.4	115.7	152.1	156.5	156.6
Miscellaneous manufactured articles	12.7	15.4	18.3	18.6	23.4	22.0	24.4	34.0	26.7
Miscellaneous commodities and transactions, n.e.s.	2.7	2.6	2.4	2.4	2.8	4.1	3.4	3.4	4.0
Total imports, c.i.f.	149.7	162.4	178.7	193.5	288.4	331.2	399.2	463.5	480.4

Source: IBRD Report no.2662-LBR, 20 December 1979.

Table 9: Balance of payments
(In US$ million)

	1974	1975	1976	1977	1978 1/
Exports of goods & NFS	407.2	403.7	467.1	459.0	500.0
Goods	400.3	394.4	457.1	447.4	486.4
Non-factor services	6.9	9.3	10.0	10.6	13.7
Imports of goods & NFS	-316.1	-354.9	-446.2	521.9	-544.6
Goods	-289.4	331.2	-399.2	-463.5	480.8
Non-factor services	-26.7	-23.7	-47.0	-58.4	-64.8
Trade balance	110.9	63.2	57.9	-16.1	5.6
Resource balance	91.1	48.8	20.9	-62.9	-44.6
Factor service					
Factor payments	-120.0	-122.9	-86.0	-80.0	-79.0
Workers' remittances	-22.0	-24.5	-25.0	-27.5	-32.5
Interest payments	-4.3	-4.9	-4.6	-7.8	-10.8
Unrequited transfers					
Grants to public sector	12.3	11.3	16.0	14.0	16.0
Grants to private sector	2.6	2.8	2.6	2.6	2.6
Maritime revenues	9.9	16.5	16.3	12.8	13.6
Current account balance	-30.4	-77.4	-59.8	-148.8	-134.7
Direct foreign investment		45.0	91.4	51.3	13.3
Government borrowing		18.0	32.6	57.5	76.8
Debt amortization		-15.8	-15.1	-19.9	-13.5
Errors and omissions		29.0	-11.1	51.1	30.0
Capital account	32.7	76.2	97.8	140.0	106.6
Surplus/Deficit	2.3	-1.2	38.0	-8.8	-28.1
Financing					
-Govt. with bank abroad	0.1	-0.1	0.7	-2.0	2.3
-Deposit money banks	1.4		-32.5	19.2	19.4
-Monetary authorities	1.0	1.3	-6.2	-8.4	6.4

1/ Preliminary estimates

Source: IBRD Report No. 2662. LBR, December 28, 1979

External debt

The external debt situation for years 1974 to 1978 is shown in Table 10. The outstanding and disbursed external debt of Liberia at the end of 1978 was $241.5 million; i.e. 52 per cent of current monetary GDP (at factor cost). As of December 31, 1975, suppliers credic and private bank credits accounted for only 7.5 per cent of the total outstanding debt, while 92.5 per cent originated from bilateral and multilateral sources. By the end of 1978 the share of bilateral and multilateral institutions had declined to 75 per cent, while private banks and suppliers were owed the remaining 25 per cent of external outstanding debt. The grant element in the external debt committed in 1974 was 36.1 per cent, with 5 year grace period. The average interest rate was 4.5 per cent and the maturity period was 19.2 years. By 1978 the grant element was reduced to 21.1 per cent and the grace period was 4.9 years.

Of the total new borrowings, 45 per cent were for physical infrastructure projects - roads, power, water supply, and 20 per cent for non-development purposes - such as expenditure on OAU Conference etc,. Only 35 per cent of the borrowings are directly related to projects aimed at increasing production, GDP and exports.

Table 10: Summary - External debt and debt servicing situation (US$ M)

	1974	1975	1976	1977	1978
Total debt outstanding (including undisbursed	211.3	276.2	348.4	399.5	656.6
Total debt outstanding (disbursed only)	152.0	169.3	201.2	215.2	341.5
- As percentage of monetary GDP	33.6	30.2	35.4	34.6	52.3
Debt servicing obligation	19.3	20.7	20.1	24.5	30.7
- As percentage of monetary GDP	4.2	3.7	3.5	3.9	4.8
- As percentage of govt. revenues	17.8	16.5	13.4	14.7	16.1
- As percentage of exports of goods and NFS	4.8	5.2	4.4	5.1	6.7

Source: IBRD Report 2662. LBR, December 28, 1979

The five year period up to 1978 was also characterized by a large increase in the amount of new borrowings - $232 million ($262 million minus $30 million loan for refinancing) which was 36 per cent of 1978 monetary GDP and equal to 68 per cent of the cumulative outstanding debt. It exceeded the total current government revenues by 22 per cent.

THE MANUFACTURING SECTOR OVERVIEW

Endowment for industrialization

Physical infrastructure

Transport and communications

The road system was made up of 4,542 miles in 1974, of which 3,148 miles were public roads. Of the public roads 208 miles were asphalt surfaced; 1675 miles laterite and 1265 miles dry weather.

The railway lines have a total length of just over 300 miles. There are four lines owned by mining companies. There are no passenger trains; the 165 miles Nimba - Buchanan railway is under contract to carry general freight and luggage.

The ports handled some 545,167 tons of general cargo in 1975 plus about 18 million tons of iron ore. The four main seaports are: Monrovia, Buchanan, Greenville and Cape Palmas. These four handle the country's entire foreign trade and some trans-shipment to other countries. There were 2,667 vessels in 1977 which constituted 80 million tons of commercial fleet sailing under the Liberian flag. Some 10 per cent of government revenue is derived from vessel registration fees.

Air transport focuses on two major local airports, namely; Robertsfield and Spriggs Payne. There are 15 small airports and air strips for internal air services. The country is served by about 14 international airlines.

There are over 8400 telephones in use, two radio stations and a television station which is partially privately owned.

Energy

In 1977 the public power supply capacity was 399.0 million kwt, of which 67.6 per cent was hydro-electric power from the Mount Coffee Plant. Half of the total generating capacity is in the private sector. An expansion programme for Monrovia is being undertaken; projects for rural electrification and a hydro-electric scheme on the Cavalla River, near Nyaake, in co-operation with the Ivory Coast, are being studied.

Natural resources, agriculture and other raw materials

Liberia is endowed with good soil and enjoys heavy rainfall which enables the country to have rich tropical forests and grassland. Consequently, this offers opportunities for the development of diversified agriculture, animal husbandary and forest resources. These resources would provide prospects for the establishment of industries based on, or allied to them.

Agriculture

Agriculture contributed about 31.8 per cent GDP in 1978, of which 18 per cent was from the traditional sector. Three fourths of the value added in agriculture emanates from farms owned by local people. Almost about 90 per cent of agricultural households grow rice, the acreage of which is estimated to have increased from 497,000 acres in 1974 to 525,000 acres in 1978, an increase of 6 per cent. The main pattern has been the growth of rice and tree crops. Important cash crops include: rubber, coffee, cocoa and palm oil. Coffee production increased threefold from 1974 and it reached 10,566 tons in 1977. This was due to the expansion in acreage by 32 per cent between 1974 and 1977; the increase in the households growing coffee was 15 per cent during the same period. Despite the increase of 25 per cent in the cocoa acreage and 18 per cent of the number of households growing cocoa, production did not increase remarkably because of tree disease.

Forestry

The forest reserves are considerable; the sustained yield is between 2-3 million cubic metres. In 1978, there were 48 concessions operating in an area of 9.4 million acres of forest land (78 per cent of the total forest area). The average annual growth rate of forestry value added was 30 per cent for the four previous years up to and including 1978, and its share in the GDP doubled from 2.5 per cent to 5 per cent; export earnings also increased from $17.6 million to US$ 54.9 million, or from 4.4 per cent of total export earnings to 11.3 per cent. The Government has established "processing rules" under which concessionaires are obliged to process locally 40 per cent of the logs rather than export all of them unprocessed.

Minerals

Iron ore deposits dominate the mineral resources of the country. The other important minerals are diamond and gold. Diamond exports in 1978 fetched $30 million, or represented 6 per cent of the total merchandise export earnings. Consideration is being given to a gold exploration programme covering 9,000 square kilometres in eastern Liberia. In 1975, Liberia ranked eleventh largest iron ore producer in the World. Since

1974, there has been a decline in iron ore production due to the recession in the iron and steel industry of Europe and Japan. Production capacity of the existing mines in operation was 22.8 million ton per annum, but actual production was about 17.8 million tons in 1977 and 1978. All three mining companies incurred a total loss of US$ 30 million in 1978 due to lower production and increased cost of imported equipment. Studies are being undertaken with a view to opening new iron ore mines. Other minerals which exist include: copper, lead, zinc, heavy mineral sands (rutile. ilmenite, zircon, monazite). barite and kyanite.

Main constraints

Shortage of qualified personnel

Like most African countries, shortage of qualified and competent personnel in managerial technical, engineering and scientific cadres is a severe constraint on the industrial development of Liberia. This constraint manifests itself in weaknesses in business administration, incapabilities in technical operations of industrial plants, inability to establish effective co-ordination of operations of financial institutions and industrial corporations, lack of continuous project identifications, formulation evaluation and implementation, etc.

Weakness of the institutional infrastructure

Apart from major weaknesses in the organization, management and operations of individual institutions, there is nothing like a well co-ordinated and self-sustaining institutional infrastructure to provide harmonized and mutually reinforcing services. Consequently, there are conflicts, contradictions rivalries and duplications in the activities and operations of the institutions. This is partly attributable to lack of staff with the necessary capabilities, and partly to lack of clearly defined objectives, policies, strategies, and demarcation of responsibilities among individual institutions. Consquently, public corporations have not established sound financial management, effective and profitable operations. Many of them look to the State treasury for subsidies and this has further weakened the public finances of Liberia.

Shortage of funds

There is a number of factors which have been having an adverse effect directly or indirectly, on the availability of funds for industry. Since the Government has been experiencing growing overall deficit, its ability to provide adequate capital to its parastatal industrial and financial institutions, which have displayed very low levels of profitability in recent years, has decreased. Public corporations, through lack of profits to be ploughed back, are borrowing so heavily from commercial banks that little credit is left for the private sector interprises. To a great extent, the failure of the Liberia Development Corporation to achieve its objectives is partly attributed to lack of financial support. Credit to small-scale entrepreneur from commercial banks has been inadequate. This has been due to the fact that banks were convinced that the managerial capacity of small enterprises was too weak, their projects were poorly prepared, and they lacked adequate collateral.

Small size of the domestic market

Like most African countries the domestic market of Liberia is so small that it cannot support certain industries, the minimum economic scales of which require a larger market for their viability, other things being equal. This severely limits the policy of establishing import substitution industries, which has dominated industrialization in the past. The establishment of the Mano River Union provides one of the ways for enlarging the market for Liberian and Sierra Leonian industries. But still the two countries do not constitute a market which is large enough for some large scale industries; nor does the manufacturing of almost identical goods in both countries create much trade in manufactures. Export markets must be sought if Liberia is to establish fairly large-scale manufacturing enterprises.

STRUCTURE, PERFORMANCE AND POTENTIALS OF THE MANUFACTURING SECTOR

Structure

Broadly, the manufacturing sector is made up of:

- About 40 large mainly import substition enterprises, each employing 50-200 persons, with an annual turnover of US$1-3 million per firm. They are owned by foreigners and prominant Liberians.
- Medium-scale enterprises, each with assets up to US$250,000 and a turnover of about US$500,000 and employing between 10-20 persons. These enterprises mainly process food and related items, household furniture and wood work, block making and motor vehicle repairs. Most of them are either wholly foreign owned or have some Liberian participation.
- Small-scale enterprises - defined as having assets up to US$55,000. Each employ 1-10 persons; they cover all economic activities.

The manufacturing sector is characterised by:

- high capital intensity;
- low net value added ratio ;
- high dependence on inports;
- insignificant intersectoral linkages;
- mainly producing consumer goods for domestic market;
- low rates of capacity utilization.

Gross Output, 1972 - 1977

Table 11 shows gross output for the years 1972 to 1977, by manufacturing subsectors, in current prices. With a share of 28.2 per cent in 1977, chemicals other than industrial was the largest subsector, then in second place was beverages with 25.3 per cent, leaving food products in third place with 19.7 per cent. During the years up to 1975, the petroleum refining subsector was the dominant contributor to the gross output; in 1975 it contributed 60.5 per cent of the total.

Number and share of establishments

The total number of establishments grew from 27 in 1972 to 47 in 1977 as shown in table 12. Of the 47 establishments, food products and wood products had each 11 or 23.4 per cent. This made them the manufacturing sub-sectors with the largest number of establishments in 1977.

It is noticed from table 13 that the total number of employees in the manufacturing sector increased from 2,554 persons in 1972 to 5,164 persons in 1978. With 954 employees (37.4 per cent) in 1972 and 2,084 persons (40.4 per cent) in 1978, the wood products sub-sector was the largest single employer. This sub-sector reached the highest employment figure of 2,374 persons or 58.2 per cent of total employment in the manufacturing sector in 1974. The second largest employer has been beverages with 13.0 per cent of the total manufacturing labour force in 1978, followed in third place by food products at 12.8 per cent in the same year. The share of beverages, however, dropped dramatically from 26.4 per cent in 1972 to 13.0 per cent in 1978, a drop of more than 50 per cent.

Table 11. Gross output, 1972-1977

(in thousands of US dollars, in current prices)

	1972		1973		1974		1975		1976		1977	
	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent
Food products	5,093	16.3	5,170	12.7	5,591	9.6	7,376	8.2	8,113	19.1	9,300	19.7
Beverages	4,756	15.2	5,869	14.4	7,478	12.9	8,832	9.8	10,891	25.7	11,980	25.3
Tobacco	1,068	3.4	1,090	2.7	605	1.0	440	0.5	63	0.1	68	0.1
Footwear	392	1.3	513	1.3	296	0.5	352	0.4	366	0.9	715	1.5
Wood products	409	1.3	694	1.7	1,435	2.5	2,650	2.9	3,176	7.5	3,658	7.7
Furniture and fixtures	624	2.0	564	1.4	710	1.2	696	0.8	797	1.9	876	1.9
Chemicals other than industrial	2,958	9.4	3,814	9.3	4,064	7.0	9,632	10.7	12,180	28.7	13,330	28.2
Petroleum refineries	13,285	42.4	20,293	49.7	33,188	57.2	54,629	60.5	-	-	-	-
Plastic products	153	0.5	168	0.4	232	0.4	193	0.2	526	1.2	773	1.6
Non-metallic mineral products	2,397	7.7	2,425	5.9	4,078	7.0	5,097	5.6	5,806	13.7	6,087	12.9
Metal products	193	0.6	251	0.6	382	0.7	442	0.5	486	1.1	502	1.1
Total	31,328	100.0	40,851	100.0	58,059	100.0	90,339	100.0	42,404	100.0	47,289	100.0

Source: Industrial Data Base, Regional and Country Studies Branch, UNIDO.

Table 12. Number and share of establishments in Liberia, 1972-1977

(in units and percentage)

	1972		1973		1974		1975		1976		1977	
	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Food products	8	29.6	11	26.8	11	25.0	11	24.4	11	22.9	11	23.4
Beverages	3	11.1	4	9.8	4	9.1	6	13.3	6	12.5	6	12.8
Tobacco	1	3.7	1	2.4	1	2.3	1	2.2	1	2.1	1	2.1
Wearing apparel	-		-		-		-		1	2.1	1	2.1
Footwear	1	3.7	1	2.4	1	2.3	1	2.2	1	2.1	1	2.1
Wood products	4	14.8	9	22.0	14	31.8	14	31.1	14	29.2	11	23.4
Furniture and fixtures	4	14.8	5	12.2	4	9.1	4	8.9	5	10.4	6	12.8
Printing and publishing	1	3.7	1	2.4	1	2.3	1	2.2	1	2.1	1	2.1
Industrial chemicals	3	11.1	4	9.8	3	6.8	2	4.4	3	6.3	3	6.4
Plastic products	1	3.7	1	2.4	1	2.3	1	2.2	1	2.1	1	2.1
Other non-metallic mineral products	1	3.7	4	9.8	4	9.1	4	8.9	4	8.3	5	10.6
Total	27	100.0	41	100.0	44	100.0	45	100.0	48	100.0	47	100.0

Source: Industrial Data Base, Regional and Country Studies Branch, UNIDO.

Table 13. Average number and share of employees in Liberia, 1972-1978

(in units and percentage)

	1972		1973		1974		1975		1976		1977		1978	
	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Food products	209	8.2	493	14.2	417	10.2	410	10.5	441	14.1	441	10.8	660	12.8
Beverages	674	26.4	562	16.2	427	10.5	569	14.6	610	19.5	615	15.1	671	13.0
Tobacco	-	-	-	-	-	-	35	0.9	35	1.1	35	0.9	46	0.9
Wearing apparel	-	-	-	-	-	-	-	-	-	-	-	-	82	1.6
Footwear	130	5.1	128	3.7	128	3.1	-	-	-	-	90	2.2	128	2.5
Wood products	954	37.4	1,525	43.9	2,374	58.2	2,181	55.9	1,058	33.8	1,895	46.5	2,084	40.4
Furniture and fixtures	289	11.3	317	9.1	261	6.4	240	6.2	426	13.6	416	10.2	428	8.3
Printing and publishing	-	-	30	0.9	42	1.0	45	1.2	33	1.1	45	1.1	67	1.3
Chemicals other than industrial	199	7.8	236	6.8	187	4.6	180	4.6	273	8.7	281	6.9	424	8.2
Petroleum refineries	-	-	-	-	-	-	-	-	-	-	-	-	302	5.8
Plastic products	24	0.9	17	0.5	21	0.5	21	0.5	18	0.6	20	0.5	21	0.4
Other non-metallic mineral products	75	2.9	166	4.8	219	5.4	219	5.6	233	7.5	233	5.7	251	4.9
Total	2,554	100.0	3,474	100.0	4,076	100.0	3,900	100.0	3,127	100.0	4,071	100.0	5,164	100.0

Source: Industrial Data Base, Regional and Country Studies Branch, UNIDO.

Table 14 shows the compound interest growth rates of average number of employees for the years 1972-1978. The compound interest growth rate of the total number of employees dropped from 36.0 per cent in 1972/73 to -4.2 per cent and -19.7 per cent in 1974/75 and 1975/76 respectively. In 1976/77 there was a spectacular increase in the rate of growth to 30.2 per cent. Thereafter, the rate slightly declined to 26.8 per cent in 1977/78. All manufacturing sub-sectors registered very widely fluctuating rates during the period 1972-1978.

Potentials for industrialization

The industrialization potentials of Liberia would, by and large, depend on the elimination of the main constraints. These include the very small domestic market which impose severe limitations even on the implementation of the import substitution policies. It is envisaged that given export markets, resource-based industries could be established in the following sectors or fields.

(a) Agro-based industries

The expansion and diversification of the agricultural sector offers opportunities for the introduction of processing industries. In a country such as Liberia with fertile soil and adequate rainfall, there is a variety of tropical cash and food crops which could be introduced or expanded in order to provide raw materials for a number of food processing and other industries to cater for domestic and export markets. At present rice is one of the major food crops; it is envisaged that the expansion and diversification of agricultural

Table 14. Compound interest growth rates of average number of employees, 1972-1978

(Percentage)

	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78
Food products	135.9	-15.3	-1.6	7.6	0.0	49.7
Beverages	-16.5	-23.9	33.3	7.2	0.8	9.1
Tobacco	(0)	(0)	(0)	0.0	0.0	31.4
Wearing apparel	(0)	(0)	(0)	(0)	(0)	(0)
Footwear	-1.4	0.0	(0)	(0)	(0)	42.2
Wood products	59.9	55.7	-8.0	-51.4	79.1	10.0
Furniture and fixtures	9.7	-17.6	-7.9	77.5	-2.2	2.9
Printing and publishing	(0)	40.0	7.1	-26.6	36.4	48.9
Industrial chemicals	18.6	-20.7	-3.6	51.7	2.9	50.9
Petroleum refineries	(0)	(0)	(0)	(0)	(0)	(0)
Plastic products	-29.1	23.5	0.0	-14.2	11.1	5.0
Other non-metallic mineral products	121.3	31.9	0.0	6.4	0.0	7.7
Total	36.0	17.3	-4.2	-19.7	30.2	26.8

Source: Industrial Data Base, Regional and Country Studies Branch, UNIDO.

production would stimulate the establishment, where viable, agro-allied industries.

A study should be undertaken to identify new cash and food crops as well as agricultural resource-based industries which could be established. In addition, the development of livestock and fisheries, to permit the establishment of livestock and fisheries based and allied industries, deserve thorough investigations. The availability of rubber and palm oil could attract a variety of industries based on those two products, other things being equal. The bulk of Liberian rubber is exported in crude form (smoked sheets, latex, crepe, etc.). Only less than 1 per cent is exported as semi-processed. Since semi-processed rubber products have a much higher value added, a rubber processing industry should be considered. In addition to semi-processed products, the manufacture of light rubber products for export is feasible. These could include: foam rubber, deep rubber products, rubberized materials, cast products - rubber gum and paste and wall paste.

(b) Forestry-based industries

Wood-based industries to cater for both domestic and export markets could be established or expanded in the form of sawwood, plywood and veneer. The increasing demand in Western Europe for tropical processed wood, points to the feasibility of a fairly large-scale wood processing plant in Liberia. Attention has been drawn to the possibilities of establishing local manufacturing facilities of components of varying types of timber-based products for export. These include: furniture, building materials such as window and door frames, parquets, prefabricated wooden houses, standardized wooden containers, etc.

Small and medium scale industries[1/]

There are potentials for small-scale and medium scale industries which would supply either domestic or export markets or both. This would entail careful selection of products, entrepreneurs and credit facilities. The rubber and wood products provide many opportunities for small scale industry development either for import substitution or for export purposes. In this connection, the feasibility of establishing at least one industrial estate should be studied. Much of the success in this area would depend upon the provision of adequate extension services credit facilities and marketing avenues for the small scale industrialists.

1/ The World Bank is considering a US$4.0 million IDA Credit to provide: credit for small and medium scale enterprises, and technical assistance worth US$0.6 million to the Small and Medium Scale Enterprises Department of the National Investment Commission.

PLAN, INDUSTRIAL POLICIES, STRATEGIES AND INSTITUTIONS

Objectives of the 1976-1980 Development Plan

The main objectives of the 1976-80 plan, which will continue to be persued were:

- diversification of production;
- dispersion of sustainable socio-economic activities throughout the country;
- total involvement of the entire population in the development effort; and
- equitable distribution of the benefits of economic growth and diversification so as to ensure an acceptable standard of living to all the people.

The attainment of these objectives would entail careful choice and implementation of a variety of industrial, economic and social policies and strategies, which would bring about a radical transformation of the country. The main criticism is that the plan implementation could not go a long way in persuit of the objectives partly because it dealt with public sector investment only. Even within the public sector, the plan did not define inter-sectoral priorities, nor did it identify specific policy measures and how those policies could lead to the attainment of the goals set in the plan.

The total expenditure target of the plan was US$585.0 million of which US$16.0 million was allocated to manufacturing. Of the total targeted expenditure of US$585, US$164 million would be financed from domestic revenue, US$326 million from external sources; thereby leaving a financial gap of US$95 million. A revision later projected that total plan expenditure would be US$510 million of which US$170 million would come from domestic revenue, and US$340 million from external assistance (including commercial borrowing). In the end, only 33 per cent of the total plan investment would be financed from domestic resources, and 67 per cent from external sources.

Industrial policies and incentives

The industrial policies incorportated in the 1976-1980 Development Plan emphasize the development of large-scale industries through the facilities of the Monrovia Industrial Park, the Liberian Industrial Free Zone Authority, and Government investment in large-scale export oriented activities with high local raw material content. Projects of high priority for government participation include activities which: (a) process local raw materials (logs, rubber, sugarcane); and (b) have an export-orientation (wood products, sugar) and (c) have an import substitution element but with production on an efficient scale (building materials). The development of small-sclae enterprises is also part of the industrial policy.

In general, Liberia persues an "open door" policy to attract foreign investment. The main policy instruments in this respect have been: The Development Plan, Investment Code, The Mano River Union, The Liberian Industrial Free Zone and the Monrovia Industrial Park - all promoting industrialization by broadening markets.

Incentives

The following incentives are available under Liberia's Investment Code of March 21, 1966 as amended in March 1973:

- a 90 percent duty exemption on imported machinery, equipment and input;
- complete tax exemption on reinvested profits, and 50 per cent exemption on the remaining profits;
- rebates on export duty income and excise taxes on manufactured exports;
- "reasonable tariff protection";
- other miscellaneous benefits such as accelerated depreciation, lease of land in the Monrovia Industrial Park, etc.

Incentives cover a period of five years, with a possibility of a two year extension. To qualify for incentives the investment must fall within the priorities of the National Planning Council, and in particular, they must ensure employment of Liberians, provide training for nationals, leave option for Liberian ownership, and produce local value added of at least 25 per cent of the value of gross output and use local material and inputs as much as feasible. The Investment Code is being examined with a view to introducing changes in its provisions.

It is observed that, although the Investment Code specifies the generation of employment, expansion and diversification of production, contribution to economic growth and improvement of bal^nce of payments as its objectives, yet the results have been contrary to those objectives. There has been increased imports and lack of export capacity in manufactures; the establishment of capital intensive industries have created few employment opportunities; tariff protection and oligopolistic/monopolistic market structures have conferred large "non-economic" profits to owners of large firms which have not been reinvested in the country to generate employment and production. Hence, the advisability of revising the Code and its incentives structure to make it more consistent with the objectives spelled out in the code itself.

Institutional infrastructure for industry

Liberia has established various institutions to support and promote industrial development. The following are some of the most important ones.

T .nistry of Commerce, Industry and Transport:(MCIT)

The Ministry of Commerce. Industry and Transport (MCIT) is one of the main institutional organs involved in intiating and implementing industrial policies in Liberia. The other institutions are the Ministries of Finance, Planning and Economic Affairs, and Agriculture; the National Investment Commission and the Liberia Bank for Investment and Development (LBIDI).

For operational purposes the Ministry of Commerce, Industry and Transport (MCIT) consists of three Divisions; Bureau of Trade and Commerce, Bureau of Industrial and Resource Development, and the Bureau of Transportation. The Bureau of Trade and Commerce has the responsibility for regulating and controlling commodity and trade standards, as well as promoting overall development of foreign commerce. The Bureau of Industrial and Resource Development is responsible for promoting and administering the development of local industries. It is also the responsibility of this Division to follow up commitments made under the concession agreements and to induce concessionaires to broaden their commitments to the Liberian economy. These two Divisions (the Bureau of Trade and Commerce, and the Industrial and Resource Development) are under the management of an Assistant Minister.

The Investment Incentives Committee

The Ministries of Finance, Planning and Economic Affairs, and Agriculture, together with the Ministry of Commerce, Industry and Transport are members of the Investment Incentive Committee. The Committee examines all applications for incentives. Under the current Investment Incentive Code, where the total fixed capital required for a new project exceeds $150,000 the Secretary of Commerce and Industry or the Secretary of Agriculuture, as the case may be, is required to submit the appllication for an Investment Incentives Contract to the National Planning Council for approval. If the total fixed capital is less than US$150,000 the Investment Incentives Committee can approve or disapprove the application. Under the proposed new code, the limit was raised from US$150,000 to US$2,000,000

Liberian Bank for Industrial Development and Investment (LBIDI)

The LBIDI was set up as a statutory corporation in 1961 but started operations in November 1965. The purpose of establishing LBIDI was to:

- assist in the establishment, expansion and modernization of private productive business and industrial enterprises in Liberia; mobilize internal and external capital for financing industrial and other enterprises;

- encourage, sponsor, and facilitate private establishment, acquisition or ownership of productive business and industrial investment, share and securities.

To be able to achieve these objectives, LBIDI was empowered to make medium or long-term loans, subscribe to equity capital, act as guarantor, underwrite, supply technical assistance and undertake promotional activities. Approvals of loans and equity investments rose from $576,000 for 23 projects in 1972 to $1.3 million for 34 projects in 1973. Another $1.5 million for 12 projects was approved during the first four months of 1974. Commitments rose from $289,000 in 1972 to $885,000 in 1973. Disbursements were $477,000 in 1973 compared to $141,000 in 1972. LBDI has experienced a low rate of cancellation of projects after Board approval.

LBDI faces a number of challenges in developing its future business and impact. These include: (1) limited investment opportunities and capable, interested project sponsors; (2) low earnings which allow the Bank little room in its budget for costly promotional efforts; (3) LBDI's own equity, which limits the size of project it can finance with acceptable risk; and (4) limitations in the number and abilities of its staff.

In spite of these difficulties LBDI has made good progress in the past year or so and the strategy it is presently following is to expand the scope and volume of its financing, to improve its stance in the community as an active development agent, and to improve its profitability. The Bank is seeking a change in its Act to enable it to finance public projects. It will limit such financing to 30 per cent of its portfolio. This is a constructive development since it will enable LBDI to contribute its advice regarding the formulation of such projects.

The National Investment Commission (NIC)

The National Investment Commission (NIC) was created in September 1979 with the broad mandate of co-ordinating the investment policies of Liberia and encouraging the development of the free enterprise system. NIC has absorbed two existing agencies - the Liberia Development Corporation (LDC) and the Concession and Investment Commission. LDC was established in 1974 as an autonomous public corporation in charge of coordinating the "execution of the total national development strategy in all areas of human and economic profitability". Its numerous responsibilities included promotion of SMEs and also various and sometimes unrelated tasks such as the management of the tourist office, the ownership and management of a number of Government enterprrises, mostly unprofitable, the supervision of the OAU Conference Centre and the management of the Monrovia Industrial Park.

The lack of precise objectives for LDC coupled with a lack of coordination between agencies engaged in related activities, and a lack of financial support and adequate staffing were the main causes of its poor performance, particularly, in the field of promoting and assisting small and medium industries (SMEs). This led the Government to dissolve LDC and to create within NIC a department in charge of small and medium industries. The chairman of NIC is appointed by the President of the Republic. NIC is organised into three main departments: the Investment Promotion Department, in charge of reviewing and recommending approval of applications for large new investments; the Finance and Administration Department, and the Small- and Medium-Scale Enterprise Department.

The Small- and Medium-Scale Enterprises Department of NIC

In its policy statement the SME Department of NIC has established two major objectives: (1) strengthening the capabilities of existing SMEs so as to increase their growth, enhance their linkage with Government and large industries and develop their employment capabilities; (2) increasing the rate of new enterprise formation, the rate of employment generation and the share of GNP originating in the SME sector. To accomoplish these objectives, the Department undertakes (a) the promotion of new enterprises by preparing investment dossiers to be presented for credit to financial insitutions and by conducting sectoral studies to identify project opportunities; (b) assistance to the promoters in the implementation of their projects; (c) technical and managerial assistance to new and existing enterprises.

Financial Institutions

Central Bank and Credit Policy

The National Bank of Liberia (NBL) was established with the assistance of the International Monetary Fund (IMF) in 1973 to supervise overall banking activities, perform clearing house operations, extend credit to the Governement and banks and regulate the supply of currency. However, the scope of the National Bank's monetary policy has been so far restricted by the use of the US dollar as the national currency and by the fact that international capital flows freely in and out of the country. In 1978, the National Bank introduced a number of measures designed to absorb excess liquidity of commercial banks, encourage savings and reduce demand for credit. The legal minimum reserve requirements on deposits of commercial banks were raised from 6 to 9 per cent on demand deposits and from 3 to 6 per cent on time and savings deposits. In addition, commercial banks are now required to maintain with the National Bank the entire amount of the required reserves, instead of 80 per cent previously. To increase the mobilization of savings by the banking system, minimum interest rates payable on savings and time deposits were raised from 5 to 8 per cent and from 5.65 to 8.75 per cent respectively. The National Bank has also decided that the initial deposits required by the commercial banks, other than those engaged exclusively in corporate or wholesale banking, to open a savings account, should not exceed $200 and that the minimum balance required at all times should not exceed US$25. In an effort to encourage commercial banks to lend to Liberian Entrepreneurs, the Central Bank created in 1978 a Credit Guarantee Scheme.

The Commercial Banks

The seven commercial banks currently operating in Liberia are in order of size:

- Bank of Liberia jointly owned by Liberian interests (51 per cent) and the Chemical Bank of New York. The Bank of Liberia engages mainly in retail lending. It operates a branch in Grand Bassa Country.

- Chase Manhattan Bank is a branch of Chase Manhattan New York and is predominantly engaged in retail financing. It has a branch in Marshall Territory.

- Bank of Monrovia, a branch of Citibank New York, specializes in corporate lending. It has a branch in Yekepa (Nimba County).

- International Trust Company is full service bank owned by the International Bank of Washington, D.C. with a Liberian minority participation. It operates a branch in Yekepa (Nimba County).

- The Liberian Trading and Development Bank is a subsidiary of Mediobanca, Italy mainly involved in trade financing.

- The Bank of Credit and Commerce International (BCCI), an affiliate of BCCI Holdings, Luxembourg, engages in trade financing.

- The Liberian Finance and Trust Company (LFTC) is 100 per cent Liberian owned and deals mainly in personal loans and loans to small businesses.

The commercial banks are the most important source of funds in Liberia. Except for the Bank of Liberia and LFTC, the top and middle management of these banks is expatriate. Total commercial bank loans and overdrafts to the private and public sector have grown from US$75 million in December 1974 to US$185 million in September 1979, of which US$14 million went to the private sector. The bulk of commercial bank lending has been directed to trade financing (43 per cent), credit to public corporations (22.4 per cent) and agriculture (rubber and forest plantations). The share of manufacturing in total credit is only 5.7 per cent. Commercial Banks have been reluctant to lend to small and medium industrial enterprises because they consider them to be credit risks.

National Housing and Savings Bank (NHSB)

This institution started its operations in 1976 with a subscribed capital of $5.0 million held by the Government of Liberia. Although it deals mainly in residential mortgages and personal loans, NHSB's charter authorizes it to offer all normal commercial banking services. At the end of 1978, NHSB's assets amounted to $31.5 million and total loans outstanding stood at $26.4 million. A total of 359 mortgage loans had been approved, the number of deposit accounts was over 15,000 and deposits amounted to $16.5 million. A minimum balance of $25 is required to open an account and interest of 8 per cent is paid on all accounts with balances of $100 or more. NHSB lends exclusively to Liberian nationals. Besides its mortgage activities, NHSB has arranged credit facilities for the Liberia Petroleum Refining Company and has participated in a loan syndication for the Republic of Liberia. It has also extended time and term loans to public corporations.

Agricultural and Cooperative Development Bank (ACDB)

This Bank was established in November 1976: (a) to provide short-, medium- and long-term credit to individual farmers, either directly or through cooperatives, (b) to promote the development of agricultural enterprises, and rural industries and (c) to provide technical advice and assistance to individual farmers and cooperatives. Its initial subscribed capital of $2.25 million, held by the Government (95 per cent)and the Liberian Produce Marketing Corporation (5 per cent), is expected to increase to $5.0 million by 1982. As of December 1978, ACDB's outstanding loan portfolio amounted to $514,000, and demand and savings deposits stood at $401,000. Because of its presence in rural areas, the Bank is important for the development of rural industries.

Liberian Bank for Development and Investment (LBDI)

It was established in 1965 with the assistance of International Finance Corporation (IFC) which subscribed 25 per cent of the initial US$1.00 million share capital. LBDI's capital was increased from $1.0 million to $5.0 million in 1976, of which $3.6 million was paid in as of December 1978. The Liberian Government, IFC and a number of private

Liberians together own 50.4 per cent of LBDI's shares, the remaining being held by a number of private foreign companies and financial institutions. Under its charter, LBDI finances productive enterprises in manufacturing, agriculture, transportation, tourism and services. It can make loans, take equity participations, issue guarantees and underwrite stock issues. Since 1972 the World Bank has extended three lines of credit to LBDI totaling US$12 million.

Liberian Industrial Free Zone Authority (LIFZA)

The Liberian Industrial Free Zone Authority (LIFZA) was established in mid-1975 in order to attract foreign investment in export-oriented industries. The project is on a 113 acre site. Firms which qualify for the Free Zone receive import duty and corporate income tax exemptions for five years with a maximum rate thereafter equal to 50 per cent of those of other firms. There is ample space for some 70 firms. So far, there is no manufacturing firm in operation, but several applications for sites have been submitted.

Monrovia Industrial Park (MIP)

The park was established in 1974 on an area of 1,100 acres located in Gardenersville. The site is approximately 3.5 miles from the Freeport of Monrovia and about 6 miles from the centre of the city of Monrovia. The purpose of the park is:

- to assist potential industrialists with solving such initial problems as buying and preparing a site for putting up industrial buildings and securing the essential utilities and services required to keep production going;

- to offer the Liberian entrepreneurs in particular an opportunity to benefit from a variety of technical services which would be available at the park;

- to reduce cost by providing the utilities and infrastructure facilities to an industrial park.

- to increase employment and income through the activities of the park which could lead to the liberalization of loans for building purposes, thus, resultinng in the solution of housing shortage and in the improvement of sanitation.

- the park to accommodate all types of industries - small-scale industries, light industries, and heavy industries - and to also provide facilities for an administration and operation centre, house workers, provide a traffic and transportation system, utilities and bonded warehouses.

Only a part of the Phase I of the park, involving a number of engineering surveys and studies to enable the preparation of detailed plans has been completed. The cost of completing Phase I f the project covering only 115 acres out of the 1,100 acres was estimated at $1.88 million, of which 66.8 per cent would be contributed by the Liberian Government and 33.2 per cent by UNIDO/UNDP. So far, there are only 13 firms in the Park. They are engaged in the manufacture of: petroleum products, matches, biscuits, plastic products, rubber,shoes, sugar, as well as construction and distribution activities. These firms have incurred high costs on infrastructural development due to lack of sufficient funds from the Government to develop the proposed industrial estate.

Mano River Union (MRU)[1/]

This is an organisation between Sierra Leone and Liberia, the objective of which is to promote economic co-operation and trade between the two member countries. Since its establishment in 1975, the Union has concentrated in the harmonization of tarriffs and excise duties and the allocations of industries to each country. Because of the small size of the combined two markets, transportation constraints, identical industrial base and products, there is very little trade between Liberia and Sierra Leone. Guinea is considering joining the Union. The organisation offers more opportunities which would otherwise be unavailable they were to be supported by one national market.

1/ Guinea is now a member of the Mano River Union.

SOME OF THE INDUSTRIAL FIELDS REQUIRING ASSISTANCE AND CO-OPERATION

By and large, technical and financial assistance will continue to be required for the implementation of such measures as will remove or alleviate the constraints on industrialization, as well as those which aim at maximum utilization of all resources in which Liberia has comparative advantages. The Lagos Plan of Action, which seeks, inter alia, to bring about a process of self-reliant and self-sustaining industrialization in Africa, entails major policies, targets and strategies, which have to be translated into practical national actions, programmes and projects. It is against this general observation that attention is drawn here below to broad industrial areas where technical and financial assistance and industrial co-operation should be carefully considered.

Industrial planning and feasibility studies

The scarcity of financial resources and the debt serving burden point to the need for careful planning, allocation and utilization of resources. Simulteneously, the allocation of resources to specific industrial projects and programmes has to be supported by detailed feasibility studies and evaluation of their major aspects. This is more so at present when most of the industrial enterprises in Liberia are operating far below their installed capacity. The successful attraction of increasing domestic and external financial resources into industrial investment depends upon the availability of viable projects and well conceived and formulated industrial programmes.

It is therefore, evident that more technical and financial assistance will be required for the establishment or strengthening of facilities of more efficient industrial planning, and for the identification, formulation, evaluation and implementation of industrial projects or programmes. The establishmeut of a unit in the Ministry responsible for industrial matters, or a separate autonomonous institution, responsible to that Ministry, may be suitable alternatives for consideration. Otherwise care should be exercised to avoid duplication with the Ministry of Planning and other Institutions which may be interested in similar activities. The supply of technical assistance personnel funds and equipment for this purpose could be envisaged.

Industrial manpower development and training

Every industrial activity is being adversely affected by the critical shortage of managerial, scientific and technical skills. The highly paid professional and managerial personnel in the private industry, financial institutions and concessions are expatriates. There has been a criticism to the effect that the educational system has not been geared to meeting the manpower requirements of industry and the economy as a whole. These and other considerations call for a thorough review of plans, policies and strategies for the development and training of industrial manpower to meet the present and future requirements.

Technical and financial assistance is envisaged in the field of industrial manpower planning, programming and training and in the actual implementation of the plans and programmes. This would necessitate consultation with the Liberian interested institutions in order to formulate long term programmes, syllabi and types of training (i.e. formal and in-service training and training under fellowships). The formulation of programmes or proposals for co-operation with other countries in training and manpower development is also envisaged.

Industrial technology and research

The transfer, acquisition and development of technology is a subject of great importance deserving close attention in the industrialization process. It is so broad a subject that its aspects and facets involves various institutions and activities. The acquisition of technology which is appropriate and well suited to local industrial conditions would call for the formulation of well defined national technology plans, policies and strategies, the establishment and management of suitable national institutions, training and research in various fields and at different levels, etc,. Technical and financial assistance is envisiaged for the formulation and implementation of long-term programmes, policies and strategies covering these and other aspects and facets of the transfer, acquisition and development of appropriate technology. Consultations with the appropriate Liberian authorities to agree on the course of action would be necessary.

Rationalization of the institutional infrastructure[1/]

There is evidence to prove that there are rivalries, duplications, and even contradictions in the functions, activities and operations of public industrial corporations and financial institutions. This situation may be attributed to lack of clear definition of the mandates and functions of each institution or corporation; absence of strong machinery for co-ordinating the operations and activities of individual institutions in such a way as to shape them into one unified and self-reinforcing service, and lack of co-operation and communication among individual institutions and among the parent ministries themselves. Assistance might be required in undertaking a study aimed at making such recommendations as would facilitate a restructuring and rationlization of the institutional infrastructure so as to enable it to provide a mutually reinforcing, co-ordinated and unified service for industrial development.

Assistance to Individual Institutions and Corporations

The organisation, management and operations of individual institutions are so weak that most of them cannot accomplish the

1/ The IBRD was considering a mission in December 1979 to examine the existing relationship between Ministeries and corporations, the composition, powers and functions of the Boards, and the internal procedures of the corporations. (IBRD Report No.2662 LBR of 28 December, 1979, paras 97-99).

functions for which they were established. In the main, the weaknesses emanate from lack of personnel with the necessary capabilities and shortage of funds. Technical and financial assistance to individual institutions is envisaged. Efforts should be directed to identifying the needs of instutions for funds, technical assistance personnel, training, ultilization of excess capacity, etc. It is suggested that Liberian authorities should be approached with a view to establishing their requirements.

Promotion of small-scale industries

At present the responsibility of the promotion of small and medium enterprises rests with the Small- and Medium-Scale Enterprises Department of the National Investment Commission. The functions are so many and extensive that more financial and human resources are required for the efficient accomplishment of the promotional activities and the provision of extension services. Another area in which assistance might be required is the establishment, management and operation of an industrial estate.

The IBRD is already interested in the Small- and Medium-Scale Enterprises Project which cover a wide range of enterprises.[1/] USAID is interested in a project at Yemepa in the Nimba county; while UNDP and

1/ In IBRD Project Report No. 2869a - LBR of 20 October, 1980, it is indicated that the primary objectives of the IBRD Project are to develop an approriate institution that would provide assistance to entrepreneurs in planning and managing their investments; and to encourage local financial institutions to increase their support for local business.

the Dutch Development Financing Agency are interested in a united programme of technical and financial assistance to the wood-working industry. Whatever additional technical and financial assistance to be offered should be co-ordinated in order to avoid duplications. The National Investment Commission should be contacted with a view to identifying its needs in the promotion of small-scale industries and industrial estates, bearing in mind the IBRD interests in the same field.

Sectoral Surveys

Conferences of African Ministers of Industry recommended the following as priority industrial sectors for development in the African Region:

- food and agro-industries;
- building material and construction industries;
- metal and metal products industries;
- engineering and engineering products industries;
- chemical industries;
- forest-based industries.

The promotion of industrial enterprises in these sectors will depend upon success in the identification and formulation of specific industrial projects. For that purpose, it will be necessary to undertake in-depth sectoral surveys. Technical and financial assistance is envisaged in this respect. It is suggested that Liberia should be approached with a view to agreeing on the best approach to be adopted.

Integrated Rural Development[1/]

There is already a government policy relating to integrated rural development schemes and approaches which would ensure the complementarity of the activities and operations of various agencies. The establishment of industries in rural areas, especially small and medium sclae industries, will be one of the important aspects of an integrated approach to rural development. This is an area in which technical and financial assistance needs should be ascertained through contacts with the Government of Liberia.

Establishment of industrial co-operative arrangements or schemes

The sectoral surveys proposed above are very likely to identify projects which could only be economically viable if they were to be supported by a market larger than the Liberian one. It is foreseen that co-operation in the promotion of industrial projects would require co-operating countries to pool resources, share markets, specialize in complementary projects, joint financing of projects and programmes, etc. All these will entail research, studies, negotiations, etc. Technical and financial assistance needs are, therefore, envisaged in the field of

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1/ THe UNDP Country Programme for Liberia provided for $400,000 for the Rural Industrial Services project. There is additional provision for UNDP participation in such rural development projects as may be identified and recommended by the Rural Development Task Force. See Document DP/GC/LIR/R.2 of 8 March 1979, paras 34-38, 52-54 and 56.

industrial co-operation. including the strenghening and enlargement of those under the Mano River Union.[1/]

National Measures Relating to the Industrial Development Decade for Africa

The implementation of the Lagos Plan of Action will entail the formulation of industrial plans, programmes, policies and strategies at the national level and covering a wide spectrum. It is envisaged that assistance of a general or specific nature may be required for specific industrial projects, fields or services during the 1980s. The exact financial and technical assistance needs should be discussed with the Liberian authorities.

1/ UNDP has been assisting the Economic Co-operation Unit of the Ministry of Planning and Economic Affairs since 1976 under project LIR/76/001. Under project LIR/78/001, UNDP and EEC have provided advisers since 1978.

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