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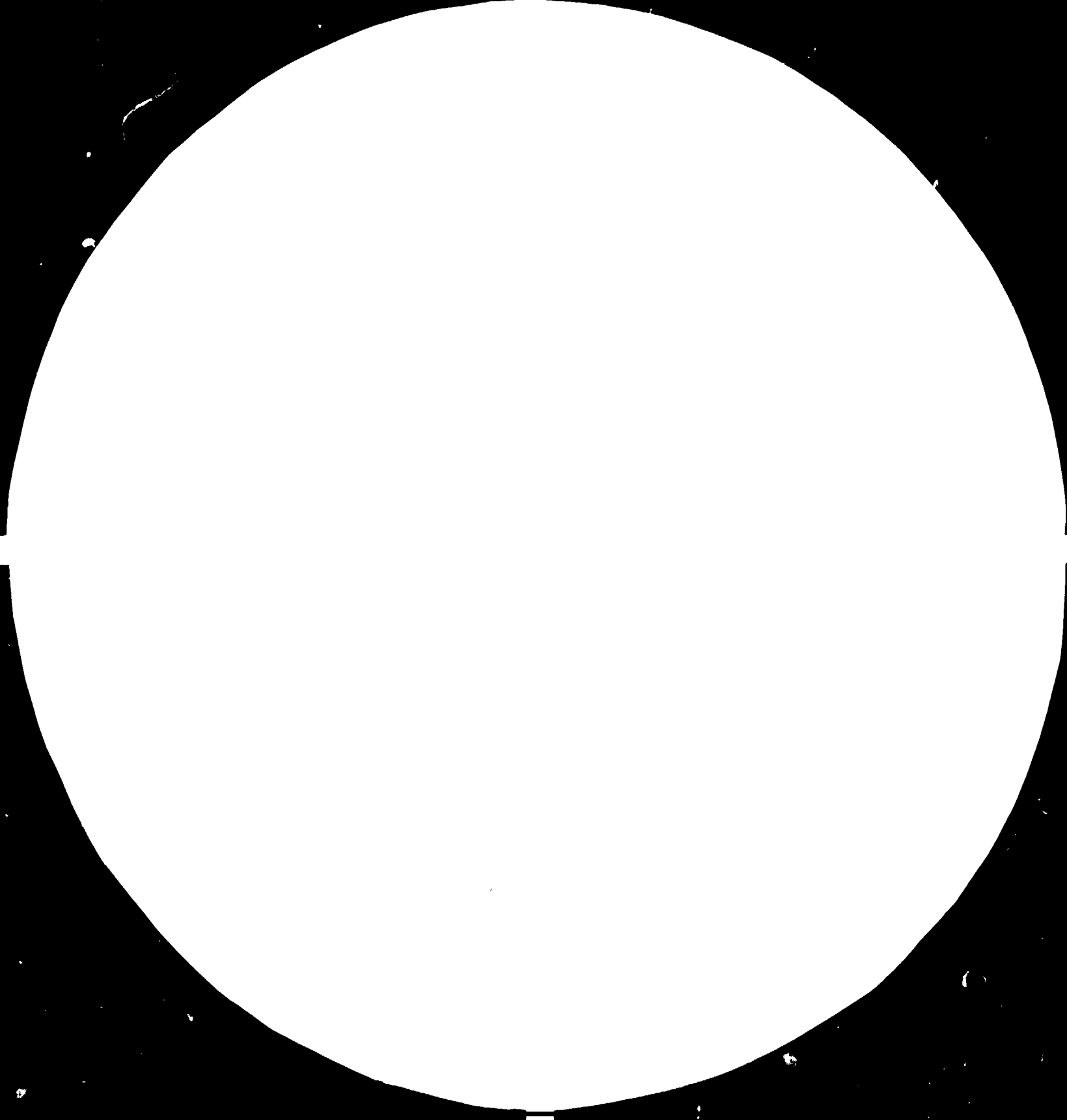
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Liberia

ASSISTANCE IN INDUSTRIAL PLANNING

DP/LIR/80/006

LIBERIA

Terminal report\*

Prepared for the Government of Liberia  
by the United Nations Industrial Development Organization,  
acting as executing agency for the United Nations Development Programme

Based on the work of J. v. Gyldenfeldt,  
senior adviser on industrial planning

United Nations Industrial Development Organization  
Vienna

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I EXPLANATORY NOTES

Local Currency is the Liberian Dollar (\$) at par with the  
US-Dollar (\$) and freely convertible.

Abbreviations used are:

GOL	Government of Liberia
MPRA	Ministry of Planning and Economic Affairs
MCIT	Ministry of Commerce, Industry and Transportation
NIC	National Investment Commission
MOP	Ministry of Finance
LIPZA	Liberia Industrial Free Zone Authority
LIBSUCG	Liberia Sugar Company
MIP	Monrovia Industrial Park
FMO	Dutch Finance Company
MRU	Manu River Union
ECOWAS	Economic Community of West Africa
LFTC	Liberia Finance and Trust Company
RDTF	Rural Development Task Force
LBDI	Liberia Bank for Development and Industry

II ABSTRACT

The project is entitled 'Assistance in Industrial Planning' (DP/LIR/80/006) and had as its main purpose to enhance the planning capacity of the Industry Section (MPEA).

For planning purposes

the Industry Section covers eight industrial sectors:

Mining

Construction

Manufacturing

Commerce

Financial Institutions

Services (non-public)

Tourism

Small and Rural Enterprises .

The objective was to establish a self-sustaining unit for preparation, application, monitoring, and evaluation of industrial policy instruments, the planning and programming frame work, which GOL uses for its industrial development.

The project is an extension of a similar project, which started in September '79. It was for a duration of 14 months and expires in early September '81. It was initially requested earlier in 1979 when it became apparent that inputs were needed into the Draft Second Socio-Economic Development Plan and that some technical assistance was required for such a draft. An extension was then requested to continue the institution building.

Technically facilities were quite adequate for the purpose and three direct counterparts were available all the time. Contacts within MPRA or with any other institution were never any problem. Although not readily available at MPRA numerous reports were found in the course of the project, some dating 10 years back but still mostly relevant. They include a conference paper by UNDP on economic development (1969), the first development plan, the Parker-Report (1978), the Sawyer-Report (1979), and several UNIDO reports (on rural industrial services, the construction industry, on industrial incentives policy).

Institutions and projects immediately relevant for planners and investors are:

- Macro-economics section, MPRA
- MCIT- chief economist; director of industries
- MOF - technical services
- NIC- investment promotion department; small enterprise development department
- National Bank - research department
- World Bank planning team.

National accounts statistics were largely available but generally the statistical base for planning was found deficient. Therefore, at the time the project extension was requested technical assistance for industrial statistics (for the Statistics Division, MPRA) was included for the purpose of building an adequate industrial information system. Initially of a short-term nature, the expert arrived in April, was then extended until mid-September and has been requested to continue on a long-term basis.



The project document was authorized by GOL in April 1980; there was one amendment in May 1981 to accommodate the extension of the industrial information expert. The project was housed in the offices of MPEA in down-town Monrovia. Its start was delayed due to a revolution in April '80 and began on 3 July 80, expiring on 2 September 81.

### III SUMMARY AND RECOMMENDATIONS

It was repeatedly stressed that wide-spread and accelerated industrialization requires a generally healthy society and flourishing economy. Both are presently suffering from low-level and continuously declining GOL revenues, partly related to a collapse of world market prices for all of Liberia's commodity exports and a recession in their main markets. GOL revenue hardly covers recurrent expenditures and unless resources (staff, money, equipment) are shifted into the development budget it will not materialize. An added benefit is that such resources would be used more productively.

Likewise, private sector resources are very restricted, in spite of Liberia's unrestricted (at least in theory) access to the American capital market, by extreme uncertainty and sluggish performances in the business sector. A memorandum outlining specific measures to re-establish confidence, revitalize the economy and increase revenue was submitted to the Minister some time ago. Some improvement in investment can nevertheless be expected to come more or less automatically with an improvement of the world economy. Such investments are likely to be -as in the past- a response to incomes of higher income groups spent locally. It appears recommendable for the GOL to be prepared for the situation: it will likely be

consumer goods oriented expansion and diversification, import-substitutive, and will not require investment incentives really, except for duty free import of machinery (which is not locally available). Similarly, the large concessions will come back with industrialized countries markets improving and it would be advisable to analyse their imports. In spite of clauses in virtually all agreements obliging them to buy locally this does not happen. Consequently, links have not developed with the Liberian economy. A list of locally available supplies and a regulation requiring duty-exempted "importers" to show course why such supplies are not acceptable could possibly help.

Another, most important, area to probably benefit is the Wologisi mining project. The concessionaire is requesting time extensions continuously. GOL bargaining position could improve enormously if an alternative would exist.

While there is good reason to believe that amended investment incentives code is quite adequate (a paper on this subject has been submitted in early 1981; also Mr. E. Hintzen, UNIDO/ MO? has submitted his findings a few months earlier; it has not produced the expected results. Basically, it is believed, because

- there was never ever any monitoring of any one of the concession or investment incentives agreements anywhere in government (investors may not have adhered to the terms of the agreement)
- import-substituting investment was heavily and expensively favored (N. Engler UNIDO/MPEA. 1976)
- provisions of the act were ignored.

It is therefore recommended that: monitoring of previous agreements is undertaken to provide GOL with a basis of assessments on which it may or may not act; incentives for import-substituting investments are reserved for Liberian small enterprises, except where they are either highly capital intensive or where their technology is highly sophisticated.

Apart from such immediate house-cleaning operations it is recommended that GOL modifies its industrial development policy, emphasizing light, export-oriented joint-venture, because

- the domestic market is too small to support any sizeable import-substitution,
- exporting industries can suitably supply the domestic market too
- they would bring a level of efficiency and technical know-how into Liberia which is presently unavailable,
- small enterprise development, although providing the base out of which some enterprises will rise up, can not, mainly due to its low levels of technology and therefore productivity, supply the unemployed urban masses with sufficiently rewarding incomes,
- resource exploitive projects show only marginal domestic value added,
- agricultural and rural development will have to be capital intensive due to the inavailability of labor up-country.

To concentrate the few available resources of GOL on making LIFZA a viable venture is very recommendable. At present about \$12m are lying idle on or in the ground and \$0,5m annual budget do not achieve any investment. However, strong technical assistance projects on technology transfer would be a pre-requisite. To supplement such efforts with an industrial fair, preferably at LIFZA, seems advisable.

The difficulties of small and rural enterprise development need to be clearly understood:

- in the rural areas are no surpluses of any products available for processing
- there is no surplus labor either for any labor-intensive agricultural expansion
- existing levels of technology are very low in agriculture as well as in crafts and any improvement will be technically and economically difficult
- so called appropriate technologies require a relatively high labor input without the related productivity and consequently income effect and there their acceptance is critical.
- experience elsewhere shows that high and very qualified consultancy/ extension inputs are a must for success.

Generally, a short paper, including a list of possibly viable industries and a list of desirable technical assistance, on industrial development has been drafted and is available from the Industry Section/MPRA. But it is believed that measures by GOL to re-establish confidence of the local and foreign business community are a vital necessity for any sizeable economic developments.

#### IV INTRODUCTION

##### Project background:

In spite of GOL's laissez-faire attitude (convertible currency, liberal incentives) industrialization remains low and even of that a substantial portion went into import substitutions, finishing imported raw materials. The only sizeable manufactured exports are explosives

(1979: \$1,5m) and plywood/veneer (1979: \$2,2m) out of total exports of \$536,6 m in 1979 (ie. 0,7% of all exports). And, although large under-utilized capacities exist in the import substituting industries, coupled with trading know-how and liberal export-incentives, no manufactured exports are forthcoming so far. Nevertheless with the enormous pressure on them from a greatly reduced market and imports, there are some indications now of growing interest in exports.

Also, the employment effect in manufacturing has been minimal. Productivity is low for many reasons (ranging from poor management and skills to lack of maintenance).

Levels of effective protection vary widely for no apparent reasons, but are generally very high and attractive. So, large numbers of applications have been received and agreements signed. Often with promoters. Only very few have materialized, none of the 4 signed in 1980.

Government proper had made industrial development efforts with sponsoring four projects

- LIPZA
- LIBSUCO
- FOYA RURAL INDUSTRIAL SERVICES
- MIP

None of these four projects came anywhere near the targeted objectives, although very substantial money was spend in each case.

It was therefore envisaged that the industrial planning would give importance to the following aspects:

- Objectives of industrialization
- path to industrialization
- choice of technology
- priorities for industrial development
- adequacy of tariff and fiscal policy, and financial institutions

- NIC and its role in small enterprise development. Accordingly, the Government considered it necessary to request assistance of UNDP/UNIDO in industrial planning.

Objectives of project

have been to assist the Industry Section/MPEA in

- establishing, monitoring, evaluating the policy framework
- determining measures needed to adapt industrial promotion institutions to their tasks
- optimizing resource utilization for industrial development
- providing through an industrial information system - an appropriate base of statistics
- and to train counterparts.

V ACTIVITIES AND FINDINGS

Duties were specified in the job description as

- to review industrial policies and incentives
- to advise on development of industrial estates and small enterprises generally
- to review the industrial information system and recommend improvements.

Analysis of activities

Activities were mainly concentrated on

- drafting the chapter INDUSTRY of the second plan
- NIC technical committee
- small enterprise development
- policies and projects
- industrial information system.

There were numerous other activities of which some are listed in an annex): e.g.

(a) The involvement in the energy policy is worth mentioning. There were two committees attended, one in MPEA and one in the Ministry of Lands and Minrs. Very basically the position arrived at is that emphasis should go on hydro-power development, that the existing scattered diesel-generating units be brought into the main grid, the replaced generators be used in areas too remote for inclusion into the system; that emphasis be given to charcoal production, both on small and industrial scale (for exports); that for rural electrification micro-hydro-power be tried, along the coast wind-generators can not be ruled out as a source of energy for rural electricity supplies. A particular problem is the GOL owned refinery. It needs urgently to be overhauled but funds are not available. To consolidate the refinery finance would solve Liberias' immediate problem. On hydro-power a number of open questions exist: is the new iron ore mine coming, is the enquiry for an aluminum smelter serious, what generating is to be kept at the power plant in Monrovia. They will determine projected demand, capacity and location of the new plant.

(b) Another is the participation in discussions with the concessionaries about opening a very large new iron ore deposit in nothern Liberia. The Minister was advised to request technical assistance to look into the market (the type of ore would be used in direct reduction and so there are only few buyers) and possibly to organize an alternative.

(c) A good deal of the activities were coordinating efforts. They were essentially with three different types of institutions:

- with other sections of MPEA, like macro-economics, agriculture, infrastructure, statistics, manpower, etc.
- with other Liberian official institutions, like MCIT, NIC, Chamber of Commerce, Ministry of Lands and Mines, Ministry of Information, Cultural Affairs and Tourism, etc.
- with other technical assistance, like UNDP experts in vocational

training, deep-well drilling, etc. JBRD, FMO, US-AID, EEC, French, Dutch, British Embassy, etc.

All activities were undertaken in close contact with the Liberian counterparts. They were always involved and informed.

Main activities are briefly outlined below:

#### Second Development Plan

A completed draft of the chapter INDUSTRY was prepared and submitted at the time the previous project expired. In between the two projects there was a revolution. On commencement of this project a new draft including the chapter on macro-economics was prepared in accordance with the political aims and objectives of the new government. This draft was submitted and accepted by the World Bank planning team, and incorporated into the draft plan. This draft was found to be too bulky and subsequently re-edited, and re-submitted to a committee set up in the meantime, which felt that a still shorter version was needed. A comprehensive draft was then prepared, copy of which is annexed. It is also intended to be given potential investors and to donor agencies for whom an annex to the draft was prepared, containing about fifty technical assistance projects. To summarize the summary:

- - emphasis is proposed to be on export-oriented industries, mainly those already existing and new ones in light-industries (from furnitures to car batteries) and those processing domestic raw materials (mainly the very early stages of collecting, cleaning, shelling, grading, etc. of rubber, cocoa, coffee; palm oil refining; rubber goods; plywood and veneer and most other wood processing; iron ore for grey-iron casting and mini-steel rolling)



- - such efforts to be supplemented by rural and small-scale enterprise development, preferably with emphasis on those processing domestic raw materials (like beach sand heavy minerals, clay for bricks and pottery, carpentry, etc.) and on technical services (like mechanical workshops) providing inputs into the manufacturing industry.
- - the strategy to achieve this is
  - for rural and small enterprises a combination of technical extension services and financial assistance (both already approved) plus a proposed reservation of certain industries and/ or sizes for Liberian small investors
  - for export-oriented industries a proposed combination of the investment promoting institutions emphasizing them, persuading already existing investors to diversify, reduce incentives for import-substitution, grant exporters favorable access to the (small) domestic market plus confidence building measures by GOL.

Both areas have, of course, particular difficulties each: Small entrepreneurs generally lack competence and their enterprises are unattractive because of very low productivity. Export-oriented industries require more or less capital in fixed assets and reliable working conditions, both heavily depending on long-term confidence.

In discussions with MRU- and ECOWAS-personnel the problems of inter-regional trade were stressed. In particular transport costs are prohibitive and communications facilities virtually non-existent; also, although quite some trading know-how exists, the commercial aspect thereof is not really known (agents, banks, customs, handling and forwarding, insurance etc.).

Technical services and parts and tools require higher skills, demand<sup>is</sup> very sensitive to quality, markets are very small (because the market for final products restricts the market for machines to make them) in Liberia. But much of the imports are fairly simple items of which many could be made locally, if imports were not duty free (mainly for the large concessions). And, skills and equipment are quite versatile and convertible from one product-line to another. Also, demand considerations are more rational in this field (lower tariffs and trade barriers) so that some exports may be possible, particularly because transport costs are less important.

#### Principals types of industries

Suitable for small-scale manufacturing:

(1) Dispersed processing, weight-losing or perishable products: e.g.

rice milling	toys (wooden)
rice bran oil	fruit and veg. canning
saw milling	hard board and straw board
wood drying	etc.
vegetable oil extraction	

(2) Bulky weight-gaining/market-oriented products:

e.g.	agric. implements
	sheet metal products
	containers
	bricks
	concrete products

steel structures  
plastic pipe and conduit  
furnitures  
truck or bus bodies  
etc. (mainly agric, constr. household

(3) Simple assembly, mixing, blending:

food  
clothing  
leather products  
pharmaceuticals  
paints & varnishes  
plastic products  
etc.

(4) Metal- working industry:

- endless number of products and  
components from versatile machining  
- for techn. oriented entrepreneurs

INDUSTRIAL INFORMATION SYSTEM:

For this activity an appropriate expert (Dr. H. Magalit) was recruited. In particular during the preparatory stage numerous discussions were held, jointly with the expert, with the Liberian staff of the Statistics Division/Industrial Statistics Section/MPEA focussing on scope, organization and quality of the Establishment Survey. Except for import/export statistics (Custom's Office) and money (National Bank) the Establishment Survey is the only primary statistics on economic matters. It had not been up-dated since the sixties and was, for lack of infrastructure, in every possible respect unreliable.

As a first step the statistical frame ( for Monrovia) was established; as a by-product a directory of establishments was produced (showing about 5000 enterprises employing nearly 50.000 people instead of the previously registered 1700 with some 20.000 people for all of Liberia). The directory shows establishments by size, ownership, branches (7) and location and is expected to be a very valuable tool for small enterprise development.

As a second step user's requirements are being discussed, in particular for national accounts calculations and a small input/output scheme. Discussions continue. Thirdly, problems of determining the sample were discussed, mostly with the expert. Basically it was agreed to keep the sample as small as possible, preferably not to exceed two hundred establishments, to keep infrastructure and quality problems manageable.

#### NIC-TECHNICAL COMMITTEE

NIC has established an inter-ministerial working group at officials level to prepare decisions of the board of commissioners with regard to concession or investment incentives contracts.

The evaluations and discussions were centered very much on technicalities of materials, management, and markets, on the one hand and on legalities of the investment incentives act on the other.

It was a common consensus that projects could be better prepared for presentation and this is likely to improve over time with the assistance of an EEC-sponsored investment analyst, with whom the subject was discussed at great length. There is also a consensus that incentives should be granted more carefully, but this consensus does not hold up to practice.

Basically, it was proposed to

- reserve some areas for small Liberian investors and grant incentives automatically,
- to establish in any other case the maximum effective protection and grant incentives according to a project proposal's benefits,

- grant duty free privileges only for an initial spare parts supply,
- generally observe the provisions of the Act, which was not always done in the past; but not to issue new legislation, because the Act is considered to be quite sufficient. Disappointment with foreign investment is more attributable to deficiencies in application and administration of Act, lack of monitoring of incentives agreements and an unfavourable investment climate.

On average there were about 1 or 2 meetings a months, say about 20, each covering 3 projects on average. Projects included proposals to make diversified items like: ice-cream, eggs, steel rods, cast iron, timber, paper bags, printed cloth, glass, furnitures, batteries of various types, farina, nails, charcoal, baking powder, candles, deoderants, alcohol beverage, etc. etc.

A substantial number of investment incentives agreements were signed, but no investment has so far materialized. Which may be attributable to insufficient enquiries into the proponents backgrounds.

SMALL AND RURAL ENTERPRISE DEVELOPMENT:

In early 1980 the principles had been worked out, initially between the Dutch Finance Company (FMO), NIC and UNDP. At a later stage the World Bank proposed its own project.

FMO sponsors small enterprise development in Monrovia (emphasis on wood working) and Yekepa. A financial institution will be established jointly with LBDI and LFTC, disbursing and controlling the loans. Technical assistance would be institutionalized at NIC/Small Enterprise Development Dept. supported by UNDP/UNIDO experts. The World Bank will also provide experts, however to be paid out of a loan. In Yekepa the project would work through PFP (Partners for Progress).

There are several reports on small and rural enterprises, their structures, problems and features, but mainly relevant reports are the Sawyer Report (GOL/World Bank), and two UNIDO reports (LIR/73/016 and LIR/77/006).

They characterize Liberian small enterprises by some or all of the following:

- - manufacturing is on order, except for black-smiths
- - no shops exist, manufacturing is at the "market"
- - manufacturing up-country is mostly part-time
- - trainers learn by doing, they have no formal training
- - mean investment per worker is about \$1000 and mean sales are of the same order (per annum)
- - managerial and technical skills are extremely low
- - competition is atomistic
- - financial records hardly exist
- - customers often supply the materials
- - main problems are
  - unavailability of materials
  - high costs of equipment, machines, tools and materials
  - inadequate housing, lack of water, electricity, telephones
  - no access to finance
  - lack of skills, low levels of efficiency
  - manufacturing and services are concentrated in larger towns
  - lacking enthusiasm for slow profits in manufacturing
  - banking facilities exist only in Monrovia
  - traditional behavior patterns
  - strong influence from the traditional hierarchy
  - industrial structure is limited (tailors, car mechanics carpenters together account for nearly 2/3 of employment)
  - wages are unattractively low.

Nevertheless, a considerable number of projects are conceivably, viable. But generally agricultural output grows with population pressure on the subsistence sector.

It does not seem that there is any sizeable surplus of any, agricultural products, nor is such surplus likely to be forthcoming without substantial inputs.

The main reason is that there is no labor. And, prevailing wage rates are not attracting surplus labor back from Monrovia. Even very high prices do not seem to stimulate production. Competition is virtually non-existent. For example: Alcohol is produced at \$8/gallon and to start-up industrial alcohol production is therefore un-attractive; one would have to produce and supply alcohol at a maximum of \$3/gallon and even the most efficient plant could not offer attractive prices for cane. Also, rural sugar production will meet the same problem.

Better chances are in the early stages of rubber, coffee, cocoa. In rubber regularly available, cheaper transport would possibly considerably increase the farm output and eventually lead to a higher share of the more valuable LATEX. But tapping is also labor-intensive and the labor may not be there; some experts argue that there is no transport because there is no regular supply of rubber.

The easiest, which does not mean easy, are probably the early stages of coffee and cocoa processing: cleaning, drying, shelling, grading, sorting, packing.

Nobody should have any illusion about the level of technology presently employed by rural and also by small enterprises. To up-grade, expand or diversify the existing little enterprises is probably the most efficient way to assist the sub-sector. It will not help the poorest though. But regardless of whether new or existing enterprises are being helped the technical assistance/extension service staff would have to have sufficient technical

craftsmanship to be able to demonstrate, to evaluate and improve design and quality, to assess machines, tools, supplies and materials suitable and to organize an efficient production process, as well as to assist preparation and presentation of project applications for financial assistance, in procurement and in marketing. Technical craftsmanship is, however, of essence. And it may be worth mentioning that neither in Monrovia nor elsewhere it is likely that industrial estates, no matter how small, or central services will work. Problems of collaboration, transport and customer contacts are most likely unsumountable. Project ideas below have not been checked with regard to their viability, but the following are believed to be worthwhile considering for rural industrial development:

- weaving of mats, fanners and climbers, basketing ware, bags and hats, furnitures from bamboo, rattan, rice straw, grasses, reeds and vines, raffia products;
- charcoal;
- weaving of fishing nets;
- thatching of roofs;
- stone crushing;
- making blocks, sand-cement blocks, pozzolanic cement (from rice husks and clay), ferro-cement bins and tanks, silicea gels and sols;
- improved agricultural tools (knives, culasses, hoes) from existing blacksmiths;
- timber drying, making trusses and planks, furnitures from planks;
- improved hand-loom; cotton spinning; clothweaving from country thread
- wooden lathes for wood-working;
- mattresses;
- transport bicycles;
- wrought-iron products;
- septic tanks;
- mangrove extracts;
- tanning skins and hides, leather products;



- Improving extending small-scale distillation (from cane or cassava) and small-scale sugar mills
- Coconut processing (coastal areas only)
- clay pots, etc.
- Soap making
- Cassava chips and flour
- Preparing palm oil (crude)
- Preservation of fish (coastal areas only)
- Hopes and hammocks
- Thread-dyeing
- Mortars and drums
- Carving arts items
- Glass-beads jewellery
- Tube-well drilling.

#### Policies and Projects

Although most of the issues have been discussed elsewhere in the report a brief will be given below on the major activities:

##### Public Enterprises- Policy Guidelines For Improved Efficiency

It was recommended to analyse the performance, identify the problems and propose a system of monitoring public enterprises. GOL needs a solid base for decisions and further actions because public enterprises are the single biggest drain on the budget: They are generally losing money. Technical assistance would be needed.

##### Industrial Development-Incentives Policy

It was proposed to consider that no incentives be granted to non-Liberians for projects characterized by any of the following:

- existing mass markets at low-income levels

- limited economies of scale
- well-established technologies and know-how
- existing skills
- output is exclusively for local market
- output replaces outputs already produced
- employment is under 25 people
- investment is under \$250,000
- only local materials are being processed.

Incentives should be granted (in accordance with the Act) only for processing, fabricating, manufacturing and not for mixing, blending, packing, assembling. Promoters should be very intensely scrutinized with regard to their background. An application should have a bank guarantee for earnest money attached.

Detailed training programs to be submitted by potential investors, which would form part of the incentives agreement. Incentives to be granted in accordance with their contribution towards development targets as specified in the Act. Duty free privileges to be confined to inputs required in the production process (eg. excluding passenger cars for business purposes).

Provisions of the Act (regarding reasonable protection, government purchases, income tax relieve, direction of incentives) be strictly adhered to.

It was proposed that MPEA urgently submits, as required by the Act, a list of priority projects; such priority projects were specified. On technology it was proposed that applicants be requested to show labor-intensive equipment and techniques in transport, handling and packaging.

Import-substituting projects be granted incentives on a sliding scale according to domestic net value added. It was suggested that to announce legally binding guarantees against expropriation, guarantee secrecy of bank accounts and free transfer of capital might help to rebuild confidence.

To abolish the existing price control system with its inflationary bias and all import licensing, to produce local manufacturers by removing tariff anomalies, to grant investors tax holidays for any immediate investment, to hand over LIPZA and MIP to private developers, to grant tax credits for manufactured exports, etc. might help to stimulate business activities.

About 30 specific measures to increase revenue and raise funds for the development budget were listed.

#### VI RECOMMENDATIONS

Over and above recommendations scattered throughout the report, the two basic principles for accelerated industrialization are recommended for observation:

- to widen bottlenecks and constraints
- to stimulate areas of comparative advantage  
(determined by a combination of factor endowment and suitable technology).

Markets are a key constraint: Investment in infrastructure (roads, transport, communications and electricity) should be designed to open-up the country, where 80% of the population with low incomes and low propensity to import are not at all or at least not easily accessible, to widen the local market, make transport of raw materials in and out possible at lower costs, and allow manufacturing in rural areas.

Investment in the commercial infrastructure ( banking, transport, communications) should be designed to facilitate exports, mainly concentrating on MRU and ECOWAS member states.

Manpower is another key constraint: Skilled labor is virtually non-existent. Unskilled labor, although in surplus in Monrovia, is not readily forthcoming at present wage/salary levels. The technology of any future investment must allow for a labor productivity, which will allow acceptable wage rates. Training should be designed to produce skills commensurate with such technologies.

Entrepreneurial and managerial talents are, however, the decisive constraint. Instead of bringing in suitcases of ladies' wear for making a quick buck there will have to be change of attitudes towards business to make the factor available for industrialization.

Finance is not a constraint on a national level. The Liberian dollar is freely convertible and Liberia has unconstrained access to the US capital market through branches of the large American banks operating in Monrovia. But the lack equity participation combined with lack of experience of the Liberian investor make financing in each individual case a constraint. It is proposed to consider making the recently issued government savings bonds available as a collateral for investment in manufacturing. This may not widen the bottleneck sufficiently. And because GOL does not have the necessary money and talent at its disposal either, the only alternative is to widen the foreign Investment Constraint.

It is strongly recommended that close contacts are established with the UNIDO Investment Promotion Service. A copy of a memorandum on the subject is annexed.

Opportunities for foreign investment exist in many areas. Balanced growth is not necessary in an open economy because most factors can be imported and the balance of payments is no constraint.

Contrarily, considerable economies of scale can be expected from accelerated investment, and new industries can be somehow each others markets and labor's purchases out of newly generated incomes can widen the small local market and the number of viable projects. This can, however, only happen if the ability to do so exists- and this ability would be much greater if resources are shifted out of the recurrent budget and social services into productive uses in the development budget.

