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IDDA NATIONAL WORKSHOPS ON INDUSTRIAL STRATEGY

National workshop on industrial strategies and policies within the framework of the Industrial Development Decade for Africa (IDDA)

Monrovia, Liberia, 19-23 September 1988

Background paper*

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* This document has not been edited.

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INTRODUCTION

A NOTE ON THE INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA (IDDA)

1. This national Workshop/Seminar is being held under the framework of the Industrial Development Decade for Africa (IDDA which itself is the concrete expression of the implementation strategy of the Lagos Plan of Action and the Final Act of Lagos. Two years to the end of IDDA, many African countries are yet to take the necessary action for its implementation at the national level. One of the major objectives of this seminar/workshop is to draw attention once again to the objectives, strategies and programmes of IDDA and the action that must be taken at the national level. To put this background paper in context, it is therefore necessary to do a quick recapitulation of what the Industrial Development Decade for Africa is all about.

2. By the end of the 1970's it had been noticed that none of the African economies had achieved any significant growth rate. Worse still in the area of manufacturing, the share of that sector's contribution to GDP fell far below that of other developing parts of the world. The poor performance of primary products on world markets meant persistent balance of payment deficits for most countries in the region. As a result there was hardly enough funds to increase the infrastructural base of the economy.

Although many African economies are endowed with abundant natural resources, it became apparent that these were not being harnessed in the best possible ways to benefit the populace.

3. It was in this context that the Heads of State and Government of the Organisation of African Unity OAU adopted the Monrovia Declaration of Commitment aimed at bringing about a basic restructuring of the region's economic base, by pursuing a comprehensive regional approach to development based on the principles of regional cooperation and collective self-reliance. Later they adopted the Lagos Plan of Action and the Final Act of Lagos to provide the policy guidelines and political framework for accelerated economic development of Africa.

4. It will be recalled that the two top-most priorities in the Lagos Plan of Action are : self sufficiency in food production and industrial development as necessary conditions for the economic freedom of Africa from the shackles of poverty, disease and dearth of basic necessities of life. At the third General Conference of UNIDO, it was proposed that the UN General Assembly proclaim the 1980s as the Decade of industrialisation in Africa, and the Secretariat of UNIDO was called upon to formulate, in cooperation with the Secretariats of the OAU and ECA, proposals to implement the programmes for IDDA.

5. Objectives : The objective of the IDDA derive directly from those of the Lagos Plan of Action which broadly stated, were to promote self reliant and self sustaining integrated development at national, regional and multi-national levels in order to satisfy the basic needs of the people of Africa. Such self reliant and self sustaining growth it was noted, could only happen when stimulated by internally generated demand which is met by harnessing locally available resources - both human and material in satisfying basic needs. Equally important, wasthe emphasis placed on economic cooperation at the subregioral and regional levels to the extent that this contributes to the achievement of the overall objectives.

6. On the industrial front therefore, the objective is to develop industries that are required for further economic development eg those that contribute to increased productivity of agriculture, or storage and preservation of agricultural produce; those that contribute to transport and communications or to maintenance of existing facilities; mineral extraction and processing; and to foster the development and utilization of indigenous energy resources. In quantitative terms, the objectives were stated as the achievement by 1990 of at least 1.4% of World industrial production as against the present 1% level of just over 1%.

7. With these objectives in view, the National Workshops held under the auspices of the Industrial Development Decade for Africa provided a means of focussing attention on, as well as mobilising national opinion about the need to re-orientate industrial development in each of our countries. While each nation is to take necessary action towards the achievement of these goals, foreign aid or technical assistance from outside can then be directed to areas of real need according to the plan already drawn up by each country.

The main objectives of this national workshop can be summarized as follows :

- To present, and draw attention to, IDDA by explaining its objectives and programmes to national personnel involved in industrial development - policy formulation, legitimation, implementation and monitoring.

- To prepare a body of recommendations on the best national strategy for industrialisation, and on the suitable policies and incentives to back it up.

- To identify the priority industrial development sectors which are best suited to Liberia's resources and opportunities open to it.

- To provide a forum for exchange of ideas between the various actors in the system - government ministries, parastatal organisations, the private sector and other professional bodies involved in industrialisation.

- To provide guidelines and a basic framework for industrial planning and the drawing up of industrial policies.

This background paper is an attempt to look at the antecedents, from the stand point of an outsider. There will be three other papers prepared by people who have first hand knowledge of the problems and issues to be discussed at the Workshop.

CHAPTER 1

1. ECONOMIC ENVIRONMENT FOR INDUSTRIAL DEVELOPMENT

1.1 An Overview of the Economy

> "At Monrovia one finds all sorts of mechanics. The inhabitants have imported with them that Yankee mechanical genius which characterises Americans in general ....their former masters. With the assistance of a few carpenters, sawyers, and blacksmiths, in four months I built a small craft of 25 tons and which I called Termagant in honour of the English war vessel that had supported me in my troubles. I have mentioned the construction of this vessel only to prove what can be done in that colony, as when the barque was launched, the only article of foreign manufacture were chains, her copper, and sails. The riggings were made there, the pindles and gudgeons were cast there, the leather for her use was tanned there, and her pumps and masts also the product of the country and of their mechanical genius as well as her anchors." (From a Slaver's Log Book or Twenty-years Residence in Africa by Theophilus Conneau 1841) (1)

The above quotation is taken from a diary 147 years old. It has been quoted at some length to show that contrary to conventional wisdom on the poverty of Liberia, Liberia is richly endowed with mineral and forest resources, abundant opportunities with excellent potentials exist also in agriculture and agro-allied industries. But so far these have not been fully harnessed in a way that would satisfy even the basic needs of its 2.2 million people.

Liberia presents a good example of the dual economy characterised by enclaves of economic activity which have little or no trickle-down effect on the surrounding peasant economy. The economic activities in these enclaves, and the supporting commercial and financial institutions constitute what is now regarded as the "modern sector" of the economy, while the rest is regarded as "traditional sector." The former which is responsible for 70% of the nations export earnings and 50% of the GDP is so outwardly oriented that it is vulnerable to even the slightest changes in the international economy. More than two thirds of the population live on subsistence farming in the rural areas or petty trading in the outskirts of the urban areas.

Since 1980, the economy has been under strain as can be seen by the poor performance of virtually every sector of the economy. In the last five years GDP has declined consistently at an annual average rate of 2 per cent. In fact between 1986 and 1987, the GDP declined by 4 per cent.

Table 1.1 TRENDS IN NOMINAL & REAL GDP
1981-1985

(In $ Million)

	1981	1982	1983	1984	1985
Monetary Economy:					
GDP at Current Factor cost	764.6	771.3	727.6	732.4	715.2
GDP at Constant 1971 Factor cost	349.3	342.6	331.3	321.3	318.5
GDP Deflator	218.8	225.1	219.7	227.9	224.6
Annual Change (%)					
GDP at Current Factor cost	-4.5	0.9	-5.6	0.6	-2.3
GDP at Constant 1971 Factor cost	-4.6	-1.9	-3.3	-3.0	-0.9
Deflator	0.1	2.8	-2.4	3.7	1.4

Source : Ministry of Planning and Economic Affairs

A similar strain was noticeable in the export sector. From about 1982 the price of major exports fell in international markets and the minor increases in production did not offset the lower prices. Iron ore which accounts for about 60% of the export by value, was the most hit. As a result of this, export earnings have been very low. Shortage of foreign exchange coupled with the rising prices of imported goods, meant that economic activities such as manufacturing which are heavily dependent on imported inputs will be in trouble. (see Table 1.2).

Table 1.2 : TREND IN THE UNIT PRICE OF MAJOR EXPORT, 1982-85

Export	1982	1983	1984	1985
Iron Ore (per ton)	18.97	17.03	16.51	17.24
Rubber (per kilo)	0.89	0.99	1.03	0.88
Diamond (per 10000 carat)	60.7	52.1	46.0	34.15
Logs (per '000 cubic meter)	153.6	141.7	123.2	121.8
Coffee (per mil. kg)	2.28	2.46	2.80	1.46
Cocoa (per kilo)	1.91	2.02	2.51	2.24

Source : MPEA

Poor performance of the export sector meant also balance of payments problems, especially in the face of increased government expenditure, without a corresponding increase in revenue. The balance of payments situation is further aggravated by growing outflows of funds in the form of company and personal remittances and debt servicing. Total external debt stood at about $874 million in 1984. Of this only 5% are short-term debts guaranteed by the government. The balance of payments problems and the debt crisis led the government in 1980 to establish a comprehensive Economic Recovery Programme. In it the government undertook to reduce government spending by 5% in 1986 and the budget deficit wiped out by 1988/89 fiscal year.(2)

1.2 Infrastructural Facilities

Of importance to industrial development is the availability of infrastructural support : Here we shall only consider - Energy supply, Transport facilities and Communications network.

1.2.1 The Energy situation is very critical. Electricity is generated by the Liberia Electricity Corporation which has two hydroelectric plants, six diesel and two gas turbine units.

These are located in various parts of the country. The major companies also generate their own electricity and it is estimated that private generation of power accounts for a little less than 50% of total. The cost of electricity is high because of the high cost of petroleum products which has to be imported. Of recent the quality of service provided by LEC has been less than desirable, extensive load shedding during the dry season is now very frequent.

1.2.2 The transport sector is dominated by road haulage. The road network covers a little over 5200 miles (1985). Road construction projects have had their set-backs due to delays and cost over-runs - which left the government with hugh debts and poorly maintained roads. The actual carriers who use these roads are private haulage companies - whose costs and charges are only matched by the risk of plying such roads. The result, as one would expect, is that industries, as well as other economic activities, tend to congregate around ports, or near the few paved roads around the capital city.

There are two ports - the port of Monrovia and port of Harper. Both are managed by the National Ports Authority. There is also an International Airport at Robertsville.

1.2.3 Telecommunications is provided by two companies, the government owned Liberian Telecommunications Corporation and a privately owned outfit - French Cables - which offers only international services. It was estimated that there are now about 10,000 telephone lines with direct-dialing to overseas. Postal service is probably the surest means of communications around the country. There are quite a number of postal facilities in most villages.

Overall, the level of physical infrastructural support available to industry is very low and may need to be beefed up for further development.

1.3 Resources for Industry

1.3.1 The Human Resource Potential : Development cannot take place unless there are human beings to carry it through. It has been mentioned earlier that the "enclave" economies were outward oriented. They also depended to a large extent on foreign skills and labour which exacerbated the drain on foreign exchange. A recent survey of all establishments employing five or more persons shows a total workforce of 114143 in the monetized sector. Out of this total, foreigners accounted for about 9000. The distribution of employment by major industrial sectors show that the "services" sector dominated with 44553, followed by agriculture and related activities - 25941 while trading activities had 18935. It is instructive to note that manufacturing accounted for only 8001.

A number of people interviewed pointed out the fact of a shortage of skilled manpower as well as middle and high-level manpower among Liberians. As a result jobs requiring skills tend to go to foreigners - other Africans and non Africans.

Table 1.3 shows the sectoral breakdown by economic activity. No one knows for sure what the labour force in the subsistence economy is. But estimates vary from 900,000 to 1 million. Skilled labour is trained locally and indications are that not enough is being trained. There are a number of privately run vocational schools offering courses ranging from accounting and book-keeping to masonry and carpentary. The fact that a number of establishments still complain about getting skilled Liberians, indicate that much of the training is not directly geared to the needs of industry. It would appear that closer rationalisation of training programmes and certification of skills will be needed.

TABLE 1 . 3

NUMBER OF EMPLOYEES BY NATIONALITY, EMPLOYMENT STATUS AND ECONOMIC ACTIVITY, 1985

ECONOMIC ACTIVITY	LIBERIANS PAID	LIBERIANS UNPAID	OTHER AFRICAN PAID	OTHER AFRICAN UNPAID	NON AFRICAN PAID	NON AFRICAN UNPAID	TOTAL
AGRICULTURE	25380	37	401	4	118	1	25941
MINING	4890	161	5		401		5457
MANUFACTURING	5527	1106	952	177	225	14	8001
UTILITIES	2167	7	7		1		2182
CONSTRUCTION	1013	8	44	1	112		1178
TRADE	12029	3090	1336	600	1728	152	18935
TRANSPORTATION	4700	82	60	20	47	2	4911
OTHERS	2857	18	37	1	69	3	2985
SERVICES	38387	3659	1436	147	714	210	44553
GRAND TOTAL	96950	8168	4273	950	3415	382	114143

1.3.2 Agricultural and Forest Resources : Liberia lies in the tropical rain forest and known to have a lot of products that can serve as raw material for industrial development. Among the best known are cassava, rice, oil palm, coffee, cocoa, sugar-cane and rubber which are presently grown in the country and whose production can easily be expanded. What this means is that if the current drive for a "green revolution" succeeds it may yield surpluses for industry over and above the food needs of the country. Liberia is the largest producer of natural rubber in Africa, followed only by Nigeria. Apart from Firestone which has the largest rubber plantation in the world situated in Liberia, there are over 5000 small-holder producers too. So far their products are exported with very elementary processing. Apart from the fact that further processing can fetch more in world market, a number of industries based on rubber and aimed at the world market is quite realisable. Similarly other cash crops like palm oil and kernel, cocoa, cassava and sugar cane can easily become raw materials for small and medium scale industries.

The other major forest resource is wood. Production figures of round log range between 900,000 and 1,200,000 cub.metres annually. Again this will form a good base for a number of industries ranging from plywood and chipboards to furniture and boat building. In Ghana and Nigeria, artisanal fishing is based on large fishing boats built out of wood. It has been shown that 13m long wood trawlers are possible. The contintental shelf has not been fully explored. Apart from sea life - fish and shrimps, there are indications that there may be minerals such as hydrocarborns. It is understood that there had been some premilinary explorations but more work is needed to confirm this.

1.3.3 Mineral Resources : What rubber is to the Agricultural sector, iron ore is to the mining sector. With production figures averaging 25 million tons per annum, Liberia would easily have been a major steel producer in West Africa. In fact such a project was proposed by a UNIDO sponsored study in 1976 under the MANO River Union Industry Studies. (3)

Besides Iron ore, bauxite is said also to exist in economic quantities, and so is Silica sand good for glass making. It should also not be forgotten that clay and kaolin are raw materials for building products.

1.3.4 Technological Resources : Whatever happened to what the slaver - Theo Conneau called the "mechanical genius" of the founding fathers of Monrovia ? It can be assumed that the level of technology of those early days of Monrovia and those of the USA may not have been far apart. But today the difference between the two can be summed up in one phrase - technological advance. Over the years, Liberia like other African countries, has been an importer of embodied technology which she was unable to dis- assemble or understand let alone modify and adapt. The result has been technological dependence and the concomitant effect of constraining further development. If there is any one resource that is not available in Liberia, it is technological resource. We shall return to a discussion of it later.

Suffice it therefore, to say that, there is no lack of the basic resources on which to build a modest industrial sector. What is required is careful planning and the provision of the right policy atmosphere.

CHAPTER 2

2. STRUCTURE AND PERFORMANCE OF THE INDUSTRIAL SECTOR

2.1 Industrial Developments under the First and Second Development Plans - An Overview

In the two decades up to 1980, industrial development in Liberia responded to first "Open door policy" and then "import substitution" strategies of the Government. The "Open door" policy permitted and encouraged foreign investment through a free enterprise system. There was an unfettered movement of capital, a liberal tax regime and generous fiscal and other incentives for investors. Added to this was the fact that there was unrestricted convertibility of the Liberian currency. In fact the note in circulation was the US dollar. As a result all that a government had to worry about was balancing its budget rather than external debts which may arise out of a balance of payments problem. It was therefore reasoned that under the open door policy, balance of trade and balance of payments could be best improved by ensuring a larger volume of exports and the replacement of imports with local manufacture. Thus one policy led to another.

Like in most other developing countries, import substituting industries created a bias in favour of consumer - goods oriented industries.

In Liberia most of the industries of this period were established to cater only for the domestic market. The Investment Incentive Code of 1966 gave varying degrees of exemption from income tax, duty free privileges for imported inputs but without tariff protection or imports quotas. The result as was to be expected, was the development of industries that were dependent on imports for raw material, machinery and spare parts, with very low local value added, and virtually no link with the other sectors of the economy.

However, during the 1970's the manufacturing sector grew at an average rate of 7% per annum in terms of goods output. The share of manufacturing in GDP increased from 6.3% to 10% between 1970 and 1979 and then started declining. A World Bank study at the end of 1979 noted that Liberian industry was characterized by the following features : "(a) - high capital intensity (b) low net value added ratio (c) high dependence on external supply sources, especially imports (d) insignificant intersectoral linkages, (e) production primarily consumer goods for the domestic market (f) low rates of capacity utilization and (g) satifactory profit rates." (4)

Thus the import substitution policy led to the establishment of mainly consumer oriented industries with capital intensive techniques and catering to the tastes of the high income groups.

Since the 1980 and with the onset of balance of payments problems and the external debt crisis, industries have suffered greatly due to their vulnerability to such exogenous factors. Output, employment and manufacturing value-added (MVA) have all been on the decline. The contraction of MVA between 1981 and 1985 were estimated at 4% per annum by UNIDO (5). In spite of what appears to be a very generous incentive regime, there is reluctance to make or attract new investments into industry. Even the establishment of an Industrial Free Zone has not made much difference. It therefore seems necessary that a re-thinking of the whole approach to industrialisation be undertaken at this stage.

Employment generation is one of the cardinal objectives of industrialisation. The manufacturing sector employs only 8001 out of a total workforce of 114143 or 7% (6). Well over fifty per cent of these are in the tailoring and wood-working trades.

Although total employment has been contracting in in the last five years as a result of the recession, it had never been high enough to make any appreciable impact on the unemployment situation.

Input/output structure of Liberian industry is exemplified by the following tables (2.1 and 2.2).

TABLE 2.1 Composition of Exports (Value & Share) : 1981 and 1984

	Value ($'000)		Share (per cent)	
	1981	1984	1981	1984
Agriculture	152,375	145,645	29.1	32.1
- Coffee	19,351	13,744	3.7	3.1
- Cocoa	13,771	15,297	2.6	3.4
- Crude Rubber	86,742	91,296	16.6	20.3
- Wood	36,618	23,484	7.0	5.2
Mining Quarry	349,258	290,996	66.7	64.8
- Iron Ore	325,916	279,900	62.2	62.3
- Industrial Diamonds	23,434	10,923	4.5	2.4
Manufacturing	21,993	13,921	4.2	3.1
- Vegetable Oil : Fat	3,381	6,837	0.6	1.5
- Wood Products	4,085	915	0.8	0.2
- Transport Equipment	5,067	1,151	1.0	0.3
- Other Non-Classified Manufacturing	5,535	3,306	1.1	0.7
TOTAL	523,625	449,068	100.0	100.0

Source: United Nations : 1985 International Trade Satistics Year Book * Vol.1 : 1987

TABLE 2.2 Composition of Imports (Value & Share), 1981 and 1984

	Value ($'000)		Share (per cent)	
	1981	1984	1981	1984
Food, Bevearages & Tobacco	102,811	86,119	21.5	23.7
Crude Materials	6,432	4,934	1.4	1.4
Fuels	129,598	71,748	27.1	19.7
Manufacturing	238,587	200,408	50.0	55.2
- Animal & Vegetable Oil	3,461	4,655	0.7	1.3
- Chemicals	33,088	24,206	6.9	6.7
- Basic Manufactures	61,253	50,242	12.8	13.8
- Machinery : Transport Equipment	118,652	97,174	24.9	26.8
- Other Manufactured Goods	22,133	24,131	4.7	6.6
TOTAL	477,429	363,209	100.0	100.0

Source : United Nations : 1985 International Trade Statistics Year Book * Vol.1 : 1987

Composition of Exports (Value & Share) 1981 & 84

Whereas the manufacturing sector accounts for more than 50 per cent of imports - raw materials, chemicals, machinery and spares, that sector contributes only 3% to 4% of the total value of exports. Certainly this is an area where there is room for a lot of improvement. Further degrees of local processing of say rubber, iron ore, diamond and wood products will increase the value of these exports. Another aspect which may be well worth considering is to plan in such a way that products of one industry becomes the input of another. As mentioned earlier, apart from the low-level of inter-sectoral linkage, there is equally low-level of intra-sectoral linkage. This only shows that import substitution is not being pushed to its logical conclusion. A re-thinking of the strategy of industrialisation can still include studying current import structure to see those intermediate goods that can conveniently be substituted in the next phase of industrial development.

2.2 Problems and Constraints of the Industrial Sector

Problems and constraints facing industries fall into two main categories - (1) those arising from the general recession in the economy and (2) those arising from the operation of the policy and regulatory environment. From the earlier discussion above, it would have become apparent that the over dependence of Liberian industry on imported inputs made it vulnerable to any adverse movements on the balance of payments. The foreign exchange crunch which resulted from low world demand for Liberia's major exports, the fall in the price of iron ore, the mounting external debt and the need to service these debts - all meant that not enough foreign exchange would be available for importers. Starved of foreign exchange, import of needed raw materials and other inputs became difficult; capacity utilisation fell and similarly, output and employment. Such a blow could have been cushioned off, had there been resource based industrialisation. This may even lead one to ask the more fundamental question of whether some of these so-called import substitution industries - making cosmetics, cubing sugar, blending soft drink essences with water - really constitute industries that should be allocated scarce foreign exchange.

If these recession-induced problems were the only ones, a restructuring of industry to assist the economy expand its export base would be the answer. But that is not all.

Problems and constraints arising from the operation of the policy and regulatory environment are even more worrisome and vexatious to manufacturers. They point out that instability in the political and social arena, constant movement or high turnover of government functionaries; inconsistency in policy statements and actual policy implementation; all tend to shake the confidence of investors. During this survey one did not meet anybody that seriously quarrelled with the content of policies towards industrialisation, nor of the investment incentives, much of the comments were on the selective, and discriminatory way, administrators interpreted and applied the policies. As one commentator recently put it,

> "one of the primary reasons for the negative growth in our economy in the last few years is the lack of confidence which the private sector have in the policy making ability of the public sector . . .
> First of all to have a viable private sector we must have an educated and well trained public sector . . . .
> a disciplined and efficient public sector. The decision making process in this sector must be effective, fair and well thought out . . . " (7)

Investible funds, especially if they are foreign, are shy. They tend to flow not necessarily to where the yield is highest, but where it is considered safe and the climate for business is attractive. These policy failures should be addressed in any reappraisal of industrial policy and strategy.

CHAPTER 3

3. POLICY FRAMEWORK FOR INDUSTRIAL DEVELOPMENT

3.1 Economic Policy Objectives and Strategies

Successive governments of Liberia have always espoused policies supporting industrial development. During the era of "open door" it was just expected that foreign capital would flow in to develop industries - taking advantage of the very generous and open free enterprise system. However, investments went into "concessions" for the exploitation of minerals and forest resources which were exported for processing abroad. By 1966, the Taubman administration enacted the first Investment Incentive Code which was more or less the industrial counterpart of the 'concessions' in mining and agriculture. Under the Investment Incentive Code a prospective investor so to say, entered into contractual arrangement with the government whereby he is given a set of incentives, and he in return invests in a particular line in industry. Although these industrial concessions followed a pattern, it however created a situation where there could be differential treatment for different investors even in one line of activity.

The Tolbert administration revised and amended the Investment Incentive Code, ostensibly to bring in some uniformity in its administration and to further liberalise its provision to protect import substitution industries. This 1973 Code which is still in effect (although being revised) provided for :

- exemptions from import duty on machinery, equipment, spare parts, raw materials and building materials;

- exemptions from the payment of income tax on re-investment;

- exemptions from payment of corporate tax;

- exemptions from the payment of land lease for plant site;

- credit guarantee schemes;

- simplification of customs import duties by eliminating all fees, except user fees.

During the negotiation for an investment contract, each company is then given the 'appropriate' percentage and duration of exemptions depending on the location of the industry, employment generation, level of local value added and such other criteria. In return, the investor is obligated to :

- implement the project substantially as described and approved in his project proposal and in compliance with the investment incentive contract.

- employ Liberian manpower and to select and train Liberians on a systematic basis in skills required in the operation of the approved investment.

- maintain an equity to debt ratio of at least 1:3.

- permit audits that are necessary to ensure compliance.

- to file tax returns and other relevant documents relating to the operation of the investment.

However certain anomalies crept into its administration. It has already been mentioned that because the administering authority - the National Investment Commission - dealt with each case on its merits, there was always the possibility of discriminatory administration. But more importantly, because fiscal policies (MOF) and trade policies (Commerce & Industries) were made elsewhere, it was not uncommon to see policies announced in the budget being in conflict or undercutting the terms agreed with particular investor.

However this incentive regime did favour import substitution industries; foreign as opposed to Liberian investment and created monopolies protected by tariff walls against competition. Soon industrial enclaves started appearing. The NIC has a monitoring and supervision department. Indications are, however, that it was not in a position (due probably to shortage of trained manpower,) to monitor the performance of the companies and hence compliance with their contractual obligations. In the early days of the present administration, there was an attempt to re-order priorities, and shift emphasis in order to favour Liberians more and to diffuse the benefits of indistrialisation from the monetized to the traditional sectors of the economy. Many of the investment contracts were either abrogated, or the companies "nationalised." This caused panic in the private sector and resulted in capital flight. In the meantime, the capacity to manage these "nationalised" industries was not there. The spurt of growth witnessed in the manufacturing sector up to 1980 suddenly vanished. Coupled with the adverse external environment, it became apparent that the policy stance of the new administration had to be modified.

3.2 Industrial Policies Under the Economic Recovery Programme (ERP)

The Economic Recovery programme which was put in place in 1986 recognises these short-comings. The objectives for industry as enunciated include the following :

"(a) To arrest the decline in the rate of development of the private sector and to broaden the range of goods produced.

(b) To improve balance of payments and thus develop an appropriate mix of import substitution and export oriented industrial production;

(c) To promote greater Liberian participation in and a wider spread of ownership of the enterprises, as well as to ensure development of experienced entrepreneurs;

(d) To develop linkages of the small scale sector with the large scale enterprises;

and

(e) To generate employment opportunities throughout the country with particular emphasis on the rural areas."

In pursuance of these objectives, the Government of Liberia is giving an undertaking to ensure that:

"(a) existing policies governing remittance of profits and investments will continue in line with the liberal policies of the government.

(b) the legal system and applicable labour laws will protect the legitimate interest of investors, as well as encourage the expeditious disposal of labour disputes.

(c) agreements and contracts between the government and private enterprises will be strictly adhered to and implemented in a manner promotive of the effective operation of private enterprises; and

(d) the effective implementation of the Investment Incentive Code will not be short circuited and that bureaucratic red tapes in the approval of projects will be reduced in order to reduce delays to investors."

These raise a number of strategic policy issues which are currently being discussed and ought to be addressed by this workshop, namely:

- the respective roles of the state and the private sector in industrial development

- the development and role of small and medium scale enterprises.

- industrialization and the basic needs of the generality of the people.

- dispersal of industries.

- indigenisation of ownership, management and technology.

- inward/outward orientation - the need for balanced approache.

It is already apparent from work already being done by the Government of Liberia in collaboration with UNDP and other bilateral donor agencies, the direction to go, but what is of crucial importance is the policy process - formulation and implementation of industrial and indeed other ancillary policies.

3.3 Policy Instruments and Institutions

This discussion will be incomplete without an analysis of the institutions and instruments for operating the policies. It is one thing to state objectives and policies, it is quite another to implement them in the spirit in which they were made. Any disjunction between the two invariably create problems. Galvanising the government machinery to implement policies start with proper articulation and coordination between and among implementing agencies as well as informing officials properly of the rationale behind the policies that they are called upon to implement. It may sound surprising that eighteen months into the implementation of the Economic Recovery Programme, there are some middle managers in the system who have not even seen the ERP document, let alone read and understand it. Several government agencies are involved in the formulation and implementation of industrial policy. These include :

- Ministry of Planning & Economic Affairs, for matters relating to the preparation of plans, policies and programmes of industrial development.

- Ministry of Commerce & Industry, responsible for trade policies, review of applications for industrial concessions; surveys, inventory and evaluation of the nation's resources potential and recommend plans and programmes for their development and exploitation, general industrial policies in support of manufacturing.

- Ministry of Finance, fiscal policies and matters relating to sources of finance for investment and control.

- Ministry of Agriculture, responsible for efficient utilisation of agricultural resources.

- National Investment Commission (NIC) promotion of industrial growth and provision of technical and financial assistance to investors.
  It is the body that administers the Investment Incentive Code. A SME Department has been created under it to assist in development of small and medium enterprises among Liberians, entrepreneur-ship development and industrial extension services.

- Banking Institutions, namely National Bank of Liberia which gives credit guidelines, Small Enterprises Financing Organisation, and the the Liberian Bank for Development and Investment, both SEFO and LBDI are development banking institutions. Being largely private sector institutions, and although supportive of government policies in their operation, they still apply strict banking criteria in the appraisal and funding of projects. The Agricultural & Cooperative Development Bank (ACDB) is government owned and does finance some industrial ventures.

- Liberian Industrial Free Zone Authority (LIFZA), is responsible for administering the Liberian Free Zone and generally promoting establishment of export-oriented industries.

However, in actual operation, there are areas of overlapping resulting in jurisdictional conflicts eg. When Ministry of Finance overrides the decisions of the National Investment Commission over allowable exemptions from custom duty and corporate taxes. There is need to streamline the policy framework and implementing institution's role relationships.

3.4 Support Systems for Industrial Promotion

Apart from formulating and enacting policies, there is need to develop institutional support systems to promote industrial development. As matters now stand, this may take the form of mechanisms for stimulating indigenous entrepreneurship, mobilisation of small savings and channeling these into investment activities, provision of pre-investment and post-investment advice and guidance, ancillarization or developing core and satellite industries. Presently, the only institution moving towards providing such service is the National Investment Commission as it is currently being re-organised. The banking institutions have lots of cash but are unwilling to extend credit due to the default rate of inexperienced borrowers.

On the engineering and management services front, there is hardly any institution to assist the entrepreneur in either selection of technology or production technique. There has been talk of establishing common services facilities either in the industrial park of Monrovia or in the Liberian Free Zone. Neither has really taken off. Industrial skills are in short supply and there is need to review the whole training programme of the Monrovia Vocational Training Centre.

There is urgent need to rationalize curriculum in technical schools and colleges with the needs of industry in mind.

CHAPTER 4

4. CURRENT ISSUES IN INDUSTRIAL DEVELOPMENT POLICY

4.1 The present administration has expressed certain concerns about the overall development of the country. In the industrial sector, these have been expressed in terms of objectives for the industrial sector in the Economic Recovery Programme. (see para 3.2 above). Any reappraisal of industrial policies and strategies, must of necessity consider these issues. These concerns resolve into the following issues :

- How to arrest the decline in the rate of development of the private sector, or in other words what to do about the ailing industries and to rehabilitate the erstwhile confiscated industries;

- Manufacturing for export or manufacturing to satisfy the basic needs of the generality of Liberians;

- Issues relating to indigenisation - of ownership, management and technology - of Liberian industry;

- How to create growth poles and linkages within industry by developing small and medium scale industries.

Most of these issues are already being discussed, some have been the subject of technical assistance programmes which are on-going. It is only appropriate in the background paper to mention briefly what the issues are and what if any is already being done about them.

4.2 Rehabilitation of Ailing Industries

The serious difficulties facing Liberian industry as a result of the economic recession of the 80's have already been noted. Since 1985 many establishments have closed down; those still in operation are working at a low level of capacity utilization. At the request of the Government of Liberia, UNIDO fielded a mission in early

1985 to identify establishments which could benefit from a rehabilitation programme. That survey covered 42 industrial establishments and identified eleven for rehabilitation assistance. This is not to say that those eleven are the only ones needing assistance. What is important, and what the report recommended is that assistance ought to be provided within a framework of a comprehensive rehabilitation programme which :

(a) establishes criteria for the extension of rehabilitation assistance;

(b) identifies the level of rehabilitation required over the short- and medium-term, its composition (technical assistance, import financing, access to credit etc) and the domestic and foreign components of this assistance;

(c) establishes appropriate channels for the selection of manufacturing units considered worthy of rehabilitation;

(d) sets up an institutional network for the delivery of rehabilitation assistance and for monitoring its use; and

(e) considers the early establishment of a technical unit with the National Investment Commission (NIC)[8]

While reviewing industrial strategies and policies, it is important to ensure that existing ones survive and the sooner the strategies for rehabilitating dying industries, are put in place the better.

4.3 The Need for a New Approach to Industrialisation

It has already been noted that import substitution catering only to domestic demand has built in biases which make it an inappropriate approach to industrial development.

The objectives of the ERP therefore call for novel approaches that have greater impact on other socio- economic needs of the country. A combination of two approaches is suggested by the above quoted objectives.

4.3.1 Basic needs approach to industrialisation: There are some basic needs of people everywhere - food and shelter, health, education and employment. The study of these needs indicate the nature of the demand - in terms of housing construction, food production and processing and preservation, medicaments and medical supplies - drugs, dressings, bandages, etc; in what children need at school - school bags, exercise books, pencils, chalk, blackboards; in transport - bicycle tyres - these can give rise to a number of industries, sometimes small and medium scale industries that can locate even in rural areas.

4.3.2 Resource-Based Industrialization: In this approach, one does a detailed study of resources available that can become raw material for industry.

Earlier, some of these resources were mentioned, what is needed is to harness them locally, add more value to them by processing them as far as possible before exporting them.

4.3.3 Market Orientation of Industrialization: Under an import substitution strategy, many-an-industry can be rejected on the ground that the economic size unit will be too large for the domestic market. This inward looking approach has inhibited development. Experience has now shown that the rapidly industrialising LDC are those that are manufacturing for export. If Liberians can buy tyres made in USA, Japan, Korea, France, and nearly all West African countries get their tyres from the same sources, why cannot Liberia, the largest producer of rubber in Africa, be also the largest producer of tyres, if not for motor cars, at least for bicycles, motorcycles, toys etc ? So long as each ECOWAS country is looking only at the internal market, there will be no real industrialization. But think of a market of 150 million consumers and the orientation towards assessing viability and feasibility will be seen in different lights.

What this boils down to is that for industrialization to be successful it has to cater to the basic needs of the people, be based primarily on resources which are available in the environment, and oriented to both domestic and external markets.

4.4 Indigenisation Issues:

When the present administration took office: it was alarmed at the relative marginalisation of a majority of Liberians in development. The issue of "Growth Without Development" is now proverbial. Attempts to redress the imbalance led to confiscation of some industries. But the issues go beyond mere ownership in name, it involves being able to take control and manage an industrial enterprise. This also pre-supposes the existence of the requisite operational skills and knowledge necessary to keep the production system going at a reasonable level of efficiency. Beyond this is the question of indigenous technology - how to acquire, adapt and domesticate technology to serve ones needs. These are issues which have to be addressed in any discussion of industrial strategies.

So far the programme for indigenisation is being subsumed under the programme for developing small and medium enterprises which will be discussed presently. Earlier attempts to handover undertakings to people who were ill-prepared to run them proved disastrous, hence the approach now is cautious - first to promote indigenous entrepreneurs by providing them with financial and technical assistance with a view to helping them develop the capability to manage enterprises. Some of the programmes that are being planned by the NIC for the SMEs will assist in developing Liberians with requisite ability to manage their own industries.

4.5 Programme for Small - & Medium - Scale Manufacturing Enterprises

In advanced industrial economies, small and medium scale industries are the sinews of industry. This is because, there is usually a close link between the big industries and ancillary or satellite enterprises which supply most of its needs.

For example a motorcycle assembly plant has over 270 discrete parts out of which no less tha 50% are manufactured by independent small industries - things like chains, mud-guard, tyres, cables and harnesses, some plastic mouldings, chrome plating, motors and gearboxes are often manufactured indepen- dently and supplied to the main plant. In some countries this kind of relationship has developed haphazardly, but in a newly industrialising country, this can be planned as a matter of deliberate policy approach.

Presently SMEs in Liberia, or what goes by that name appear to be independent artisans and businessmen and women plying their trade to earn a living. For example a survey of SMEs in the South-East region as well as Greater Monrovia, show a preponderance of tailors, retail traders and repair garages, Only the rice-mills, saw-mills, woodwork/furniture, block making, came near what could be regarded as small scale industries. Admittedly, this can be the training ground for entrepreneurship, skills aquisi- tion and management. It is therefore an accepted fact that SME in the industrial sector will have an important role to play in the development of Liberia. Studies done so far have shown that SMEs are faced with a number of problems such as :

- limited access to institutional credit.

- lack of patronage by large scale enterprises and even government agencies.

- uncertain markets due to absence of effective procedures for quality control and product standardisation.

- serious shortage of infrastructural facilities such as roads, electricity and water supply in the areas where these SMEs can afford to locate.

- inadequate repair facilities and lack of spare parts especially for those using imported machinery eg. sewing machines.

- operations were too informal so much so that record keeping and accounting skills were virtually lacking.

In spite of these, the number and spread of SMEs show that, properly directed and assisted, they could become the resevoiur for entrepreneurial talent and skill building in the country.

4.5.1 Government Assistance to SMEs

Because of the orientation of the present administration, government has since 1981 undertaken a number of initiatives to foster the growth of the SME sector as an adjunct to its Green Revolution.

Two major multilateral cooperation initiatives have also been focused in this field. In 1981 the government obtained an IDA credit line (No 1071 - LBR) worth SDR 3.2 million for institutional credit and technical assistance to SME sector. In the same year a UNIDO/UNDP project (LIB/80/007) was also initiated in the area of institution building and technical assistance. In 1984 both projects were merged to achieve greater coordination.

At the initial stages, the IDA loans were fraught with a number of problems arising from the attitude of Liberian financial institutions towards SMEs. Where the IDA credit line required only 10% equity participation, the banks were insisting on 75%, sometimes, 100%. Secondly, the ability of local institutions to process applications was very weak and this caused a lot of delays. The Commercial Banks, traditionally not concerned with long-term finance, could not be drawn in to assist.

In the area of institution building, a SME Department has been formed within the NIC and special assistance being given to SEFO and the Project Appraisal Dept of National Bank of Liberia.

The SME Department of NIC is developing the capability to offer extension services to small and medium scale enterprises. Assistance offered include project evaluation, market identification, selection of appropriate technology, plant location and design, product standardisation and training of the workforce.

There are three Project Financing Institutions (PFIs) involved in lending to the SMEs. The Liberian Bank for Development and Investment (LBDI) caters to large enterprises while the Agricultural and Cooperative Development Bank (ACDB) takes care of financing related to agriculture; the Small Enterprises Finance Organisation (SEFO) is meant to finance small scale enterprises. SEFO is a quasi-private sector development bank with equity contributed by LBDI, the Netherlands Finance Company for Developing Countries (FMO), the Liberia Finance and Trust Company (LFTC), Partners for Productivity Foundation of Liberia (PFP) and the National Investment Commission (NIC). The main objectives of the SEFO are :

- to contribute to the development of the Liberian economy by promoting the spread of economic activities through the participation of indigenous entrepreneurs;

- to reduce Liberia's dependence on imported technical knowledge and entre- preneurial skills;

- to create employment within the country at the lowest possible cost.

Its financing activities cover industry, agriculture, transportation and retail trade and services. Its services include short, medium and long term lending; equipment leasing, risk capital equity investment and guarantees to suppliers of credit. A UNDP/UNIDO project for strengthening the institutional capacity of SEFO and NBL for the provision of these services to SMEs has been extended so that further assistance can be provided to SME department of NIC and to SEFO.

4.5.2 Achievements and Future Potential

A lot of work has been done in restructuring the NIC and especially its SME Department in the area of :

(i) Sub-sector and area studies, identification of potential investment opportunities, project preparations, appraisal and supervision techniques, provision of industrial extension services to wood working and metal working enterprises.

(ii) Programme infrastructure has also been established for developing seven counties and 15 growth centres, mostly in the wood working and ready-made garments industry. The programme for "ancillarisation", that is, creating linkages with existing large scale enterprises is also being tried.

(iii) A number of policy proposals have been prepared waiting for government decisions. This includes a comprehensive revision of the Invest- ment Incentive Code to provide specifically for Liberian SMEs.

However, there is still a lot of room for improvement as some of these new developments in NIC, SEFO and NBL take root and gain experience. Such areas would include further simplification of procedures for the provision of financial and technical assistance; further strengthening of institutional infrastructure for determining the viability of projects; ability to administer rehabilitation programmes (as suggested above); conducting entrepreneurship development courses; establishing and running of common services facilities and advisory service on technology selection.

There is no doubt that the government has pinned very high hopes on development of SMEs in the overall recovery programme. It allocated \$5.1 million for direct benefit to the SME sector and expected \$14 million from foreign aid/loan sources. This represents 64.5% of the total investment resources allocated to industry.

It is important therefore to stress that effective utilisation of these resources by SMEs will depend to a large extent on the existence of adequate institutional mechanism for monitoring the financial performance of SMEs that receive these funds. Secondly, there is need also to plan a close link between the type of projects supported by the loans and the achievement of other socio-economic objectives of the ERP. Thus, the provision of finance might be linked with rehabilitation programmes, revival of the cooperative, structure of ownership, foreign exchange saving enterprises etc.

CHAPTER 5

5. GUIDELINES FOR THE REFORMULATION OF INDUSTRIAL STRATEGIES AND POLICIES

5.1 Summary Review of Past Strategies

In the discussion in the earlier chapters, it would have become apparent that past strategies and policies had their advantages and short comings, and as can be seen led to the development of an economy that was too vulnerable to external economic forces. The "open door" policy led to the so called "Growth Without Development" type of economy in which the monetised economy was so out- ward oriented that it contributed little or nothing to the rural economy which harboured majority of the population. The enclaves sapped the economy rather than contribute to self-sustenance.

The Import substitution policy also led to the establishment of some light, low technology capital intensive industries, producing consumer goods to satisfy the acquired tastes of the well to do. Majority of Liberians basic needs were affected only peripherally by the home based industries.

Both the "open door"and Import substitution Strategies failed even to integrate the industrial monetised economy with the monetised agricultural sector into the growth process. The latter continued exporting crepe rubber, round timbers and crude palm oil when there are a number of industries that could have resulted downstream from them.

5.2 Need for Re-orientation

The recession in the economy following the slump in demand and prices ofthe country's major exports, and the problems these created point to the need to now re-orient the major economic policies. Already the Economic Recovery Programme has started the process in that direction. But looking at the section on Private

Sector - Manufacturing (P39 41) it would appear that the immediate objective is a return to the status quo ante. In fact objective No 2 speaks of developing "an appropriate mix of import substitution and export oriented industrial production." The ERP is due to run till 1988/89 fiscal year coinciding roughly with the end of the Industrial Development Decade for Africa (less one year).

Similarly, the Green Revolution which is close to the heart of the present administration has as its major objective - self sufficiency in food production and to earn foreign exchange. Under it, the Government expects to establish a number of farm estates in various parts of the country. The input into each estate is a big challenge to manufacturing industry. It would appear that, for effective and self-sustaining revolution in agriculture, industrial development has to be integrated into it. Development along such lines would be in consonance with the objectives of IDDA. It will be recalled that the Lagos Plan of Action and the Final Act of Lagos called for collective industrialisation of Africa based on the twin principles of self-sustained and self-reliant industrialisation. The principle of self-reliance calls for the maximum utilization of indigenous resources - human and material before resorting to foreign sources. Likewise self-sustained development implies, or should derive its driving force from internally generated stimuli for growth. When one moves outside the national border - self reliance and self sustainance in the context of IDDA - presupposes the institutionalization and intensification of integration and cooperation schemes within say the MANO River Union and ECOWAS. It is against this background experience that a reformulation of an industrial strategy and policies should take place.

5.3 A strategy of self reliance and self-sustaining growth

A strategy of national self reliance and self sustaining growth is based on a number of premises:

- the use of indigenous raw materials, indigenous labour and management and aiming at domestic and regional markets;

- self sustained growth implies creating conditions where growth stimuli come from within the system, this means attending to basic needs of the population using local resources, as well as creating secondary and tertiary demand in industry and agriculture.

- selective acceptance of foreign input - technical, managerial, financial or other- wise.

- a thorough knowledge and inventory of the natural resources of the country and their potential use as industrial raw materials.

- developing a research and development capability to adapt fruits of research else- where for ones own use:

- building an industrial structure capable of meeting new challenges in the economy by developing new products to meet new needs;

- developing intra-industry and inter-sectoral linkages within the national economy and secondary within the sub region;

- provision of core production facilities.

Self reliant and self sustaining industrialisation will also help each African country to redress the usual imbalance in the distribution of benefits between host country and external suppliers and investors. There are many ways of losing the benefits of industrialisation to outsiders - high cost of imported capital goods, high cost of imported raw materials and spare parts, payment of royalties, technical fees for project design, feasibility studies, management fees, repatriation of fees, dividends, salaries and the like. All these can be avoided, or at least reduced to the bearest essential under a strategy of self reliant and self sustaining industrialisation.

5.4 The Concept of Core Industries

The Lagos Plan of Action and the programme for the Industrial Development Decade for Africa also developed the concept of core industries as an approach to implementing the strategy of self reliance and self sustenance.

The core industries were described as "priority among priorities", these are industries which have the following characteristics :-

- provide wide links with other industries and economic sectors, particularly agriculture, mining, transport, building and construction and energy;
- reduce dependence on external factor inputs;
- earn foreign exchange for use in developing other sectors.

Two categories of core industries were identified because of their catalytic effect in the economy and which can also serve as useful guide in Liberia's search for a viable, self reliant, self-sustaining growth.

1 Engineering-Based Core Industry - defined as the minimum set of engineering industries that should enable the country make optimum use of her resources, e.g. foundry, forging machine shop, fabrication shop etc that can make hand tools and agricultural implements and equipments, spare parts for transporters and industry.

2 Resource-Based Core Industry - those that utilise domestic resources to constitute a nucleus that provides inputs into other industries, agriculture, mining etc.

The task for policy planners is to identify such core projects. The question that is bound to arise is - given the constraints and apportunities in Liberia, what kind of core industries should be establised - where ?

5.5 Guidelines for the Identification of Priority Industrial Sectors

Given the acceptance of an industrial strategy of self reliance and self sustaining growth, there are steps that must be taken to identify priority industrial sectors which will make the maximum impact on other sectors of the economy, as well as provide the necessary linkage to other industries within the sub-region. In considering this, there are on-going projects that have to be taken into consideration. Steps that have to be taken include :

i Reviewing the structure of industry in the country - investment, employment, spread, concentration of ownership, input and output structure - with a view to determining the preferred scenario.

ii Assessing the resources of the country - raw material, energy, labour, finance etc, existing and potential of each. Developing each of them may be a pre-condition of the contribution to be expected from them.

iii Assess the structure of demands and supply of the products that can be manufactured using the local resources. The assessment can extend to demand and supply within the sub region.

iv Reviewing existing production facilities, particularly those suffering from excess capacity with a view to determining their capability with the objectives and programmes of the country and their linkage with the planned core industries. Can any one of them be so rehabilitated as to become one of the core industries ? It is important to critically assess existing industries that could serve as the basis for core industries - their requirements for spare parts, additional investments etc (especially if they will have an impact on the green revolution).

v Identifying new projects that may form bridges between existing facilities, thus creating the needed linkage.

vi Classifying identified projects into those that are primarily national and those that need collective action at the sub regional or multinational level.

vii Re-examine the projects approved by the NIC to ensure that they are consistent with the new orientation. Where they are not, to see how they can be modified and integrated into a master plan.

In doing this, the efficiency of the government machinery for making and implementing policies, allocating resources and regulating industrial production must be assured. The necessary feedback mechanism to and from the Ministry of Planning and Economic Affairs, and between it and the other economic ministries and parastatals that have to do with industrialisation, have to be assessed and strengthened for effectiveness. In the final analysis, the will to self reliance has to be matched with operational efficiency at all levels of society - public and private sectors combined.

5.6 The Technological Dimension

Modern industrialism is science-based and the acquisition of scientific and technical knowledge is an essential ingredient in any scheme of industriali- sation, therefore, there ought to be put in place, a science and technology policy that is linked to the achievement of the economic and social policies of the country. Such a policy has several dimensions :

- policies and programmes to accelerate the development of a national scientific base by improving the facilities for learning, teaching and basic research of all branches of science.

- integrating science and technology with industrial (and agricultural) development.

- formulating programmes for the development of technological capabilities as a pre-requisite to defining policies on, or developing extension assistance for the selection, acquisition, absorption or adaptation of technology.

- developing a reference centre for technology choice, technological information and assistance. This is an area where sub-regional cooperation can be important. Such a centre can also assist in upgrading indigenous technology as well as regulate the acquisition of foreign technologies.

It should also be borne in mind that self reliance implies having the requisite indigenous personnel with the techno-managerial ability to concretise socio-economic objectives and goals. This means having programmes of technical/industrial training for various categories of personnel.

- industrial leaders, entrepreneurs, policy makers and planners who will conceive, implement and monitor industrial and technological programmes to achieve national goals.

- Project designers who prepare, evaluate and select projects for implementation.

- Technologists and technicians who manage the construction and operational aspects of projects including industrial R & D, quality control, repair and maintenance engineering etc.

- Other managers, accountants, financial analysts, corporate lawyers and other professionals needed to ensure the absorbtive capacity of the economy.

- Artisans - with requisite operational skills needed at every stage of industrial process from construction, installation to commissioning, operation and maintenance.

In this regard it is important to work out ways and means of making full use of institution already existing within the sub region - African Regional Centre for Engineering Design and Manufacturing (ARCEDEM) in Ibadan, Nigeria and African Regional Centre for Technology at Dakar, Senegal. If the Common Services facility which is being proposed is set up at the Monrovia Industrial Park, such a facility should work out special relationship with the two regional institutions mentioned above.

5.7 Financial Implication

No planning succeeds without finance. A strategy of self reliance and self sustaining growth implies first mobilising local financial resources before looking for foreign sources. In this regard, there are also steps which must be taken as part of the overall planning :

1 Government should endeavour to mobilise their internal financial resources through effective and efficient tax or revenue earning measues. The ERP already put much emphasis on this hence the emphasis on reducing, and eventually eliminating budget deficits, fiscal discipline on all the operations of the public sector and improved foreign exchange earning capacity of the monetised economy.

2 Streamline the financial institutions to ensure proper financial intermediation to industry. Here again the ERP has initiated some reforms to maximise the utilisation of foreign assistance from various donor agencies and sources. It will be necessary to elaborate in some more detail the role relationships of the following :

- National Bank of Liberia
- Commercial Banks
- Various PFIs - eg LBDI, ACDB & SEFO
- What roles can be assigned to Apex Cooperative Societies ?

3 In the absence of a Stock Exchange market, some thought may be given to establishing a Unit Trust as a means of mobilising the savings of the small saver. There is need also to conduct in depth study of local savings institutions eg thrift societies to see how this could be used to mobilise local resources.

CONCLUSION

As stated earlier, this background paper is only intended to raise issue rather than provide answers it could not anyway, even if some statements appear suggestive. The objective of this national workshop/seminar is to provide the major actors in the economy opportunity to discuss and think together on the future of industrialisation in Liberia, that is why we have brought together, Government, private industrialists, leaders of major public agencies having anything to do or contribute to industrialisaton - Banks, the Energy sector, Communications, Agriculture, Forestry - so that each can see where they fit into the whole scheme of things. If by the end of the workshop, we are able to chart a course, adopt a strategy, develop the policy framework, work out a role-relationship that can minimise jurisdictional conflicts and frictions, we will have taken the first steps in promoting a consistent industrialisation programme.

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Footnotes

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6 See Table 3 above.

7 Keynote address delivered by James Holder
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