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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

Report*

Based on a study of Mr. Uma O. Eleazu,
Consultant in industrial strategies and policies

*This document has not been edited.

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INTRODUCTION

BACKGROUND

Since 1980 Liberia, like most other countries in the ECOWAS sub-region has been undergoing a period of crisis in her economic development. In the industrial field, she had experienced a short period of growth in the 70ies, but again, like in other countries, this growth was based on import substitution industries depending largely on imported inputs. So with the debt crunch consequent on the fall in prices of their major exports - rubber, iron ore and wood, - financing these imports became difficult.

Coupled with this external factor were internal changes during the early 1980ies, which brought in their wake substantial changes in the implementation of economic policies.

The Government of Liberia (GOL) was so concerned, that, when the UNIDO Project Formulation mission visited the country in October 1987, it was agreed among other things, that a National Workshop under the Programme of the Industrial Development Decade for Africa should be held in order to afford both government and private sector an opportunity to analyse and reassess the whole process of industrial development in Liberia, and secondly, to formulate a long-term strategy for a self-reliant, self-sustaining industrialization of Liberia as proposed in the Lagos Plan of Action and in the programme for the Industrial Development Decade for Africa.

ORGANISATION OF THE WORKSHOP

A consultant was sent to Liberia to help organise the workshop in conjunction with the Ministry of Planning and Economic Affairs as the host institution. A National Coordinator in the person of Mrs. Estelle K. Liberty, Assistant Minister in the Ministry of Planning and Economic Affairs was appointed. Also three national consultants were identified and later appointed to prepare background papers on various aspects of the industrial development of Liberia (See Aide Memoire CLT 88/090). The date for the workshop was fixed for September 19-23 1988. During the preparatory phase it transpired that the government's contribution would be in the form of secretarial support facilities and transportation to the venue of the workshop which was at the Unity Conference Centre, Maryland County.

Prior to the opening date, 46 participants representing 38 institutions had registered representing a cross section of the industrial sector (large, medium and small scale) as well as the government institutions and agencies that have anything to do with industrialisation. However on the opening day 55 registered out of which 42 stayed till the end. See Annexes 1A - C

PROGRAMME OF THE WORKSHOP:

The programme of the workshop was divided into two parts. The first part consisted of plenary sessions. There were six plenary sessions, the first was taken up by the opening ceremony, the second saw the presentation of the IDDA programme and the background paper prepared by the UNIDO consultant. The next three sessions were taken up by the three papers prepared by the National Consultants. At the end of each presentation, there were questions and answers, discussions and comments. Each session was quite lively and there were equally lively exchanges. These sessions were recorded to assist in the preparation of these reports.

The second part of the workshop consisted of brainstorming exercises. Participants were divided into three groups corresponding with the topics of the three national papers. Each group was required to deal with the issues raised in their respective papers as well as any other points they thought relevant to the issues at hand. Part of Tuesday

and the whole of Wednesday were taken up by this group exercise. During the sixth plenary session, on Thursday, each of the groups reported out their findings and recommendations. The group leaders, national consultants and the UNIDO representatives then put together a summary of issues and recommendations (Annex II) which was read and submitted to the closing session as the preliminary report of the workshop.

There is no doubt that both government and participants took the workshop seriously and worked hard to make it a success. During the discussions one recurring theme was the fact that there had been similar seminars and workshops in the past whose reports, findings and recommendations were simply put aside to gather dust somewhere in the recesses of government cupboards. Many highlevel officials responded to this by suggesting that short and up to the point recommendations should immediately be produced for Government to be looking at while the full report was being prepared. Annex II satisfied this need and will substantially form part of the final recommendations.

LAYOUT OF THE REPORT:

The second part of this report will summarise the proceedings of the Workshop, that is, the major issues arising from the keynote address, the background papers and the discussions on them. This will then be followed by the report of the committees and their recommendations. In part three we present the summary of recommendations that emerged from discussions both at plenary and brainstorming (group) sessions. This will be followed by the annexes.

PART TWO

PROCEEDINGS OF THE WORKSHOP

MAJOR ISSUES ARISING FROM THE KEYNOTE ADDRESS AND BACKGROUND PAPER:

- 1.1 During the opening ceremony, the Honourable Minister of Planning and Economic Affairs drew attention to the failure of past policies. Noting that the country was endowed with vast resources which could form the essential ingredients for industrial development, he said that inability to acquire, adapt or develop technology has made it impossible to harness these resources. In the earlier approaches to industrialisation he said

"we adopted policies that have largely attracted import substitution industries based on costly inputs, the establishment of high capital intensive industries which utilize low capacities and produce high cost low quality products, and foreign capital investments and know-how. Apparently, these policies hardly provided any opportunities for the meaningful participation and development of indigenous capabilitiesalso the concentration of industrial activities in our capital city Monrovia is largely responsible for the large rural-urban migration."

- 1.2 He then charged the workshop to look into and discuss the following problem areas among others

- the development of appropriate technology
- developing indigenous capabilities
- increasing the role of small and medium scale enterprises
- decentralising industrial activities throughout the country
- a shift from export of primary products to processing them as industrial raw materials
- review of the promotional/incentive environment.

- 1.3 He hit the nail right on target when he stated

"This workshop marks the very beginning of our drive to formulate a clearly defined and implementable national industrial policies and strategies. This task can only be successfully achieved by incorporating the views, ideas, talents, knowledge and experiences of all those involved in the industrialisation process."

- 1.4 In his own opening speech, the UNDP Resident Representative reminded the audience that the whole idea of the Lagos Plan of Action started in the same venue as the workshop when the Heads of State and Government of OAU adopted the Monrovia Strategy for the Development of Africa in 1979. He also pointed out that the UNDP assisted, and UNIDO executed project on extension services to small and medium scale enterprises (SME) and the on-going seminars on Private Sector Participation in Development were all attempts to assist the Government of Liberia (GOL) articulate and adopt realistic policies that will help it fall into the mainstream of development efforts in Africa. However getting the strategy and priorities right was even more important hence the present workshop. The workshop was the first in the long journey towards a self reliant and self sustaining growth for Liberia. He was happy that this first step was being taken now.
2. The first plenary session following the opening ceremony was taken up by a paper on the IDDA programme presented by Mr. Eric Attiapeng from UNIDO's IDDA Unit. This was then followed by the back-ground paper which was prepared by the UNIDO consultant Dr. Uma O. Eleazu.
- 2.1 The objective of the paper on IDDA was to draw attention to the programmes and objectives of IDDA and also put the workshop in context. In his presentation the IDDA representative drew attention to the precarious condition in which most African Countries were. Of the 36 least developed countries of the world, 26 were in Africa. The paradox of development in Africa was one of having the resources and yet not making the most of them. Hence the Lagos Plan of Action and later the objectives of IDDA were geared to self-reliance and self-sustaining growth.

He contrasted Africa's development profile with that of developed economies where at least 90% of all the factor inputs (i.e. entrepreneurship, management, skilled and semi skilled manpower, equipments, raw materials, technology, energy etc) are all of domestic origin. Those like Japan with little natural resources have learnt to add high local value to their imports before re-export. He thus pointed out that the drive to use local inputs,

apart from helping to alleviate problems arising from the foreign exchange, has the effect of helping to internalise the employment and income multiplier effects which would have accrued to those countries from where we import.

He emphasized the need to create this "internalised engine of growth" by formulating industrial programmes that

- satisfy basic needs of the population,
- efficiently use local resources,
- create jobs,
- establish a base for developing other sectors eg. agriculture, education, health and social welfare and
- assimilate technology and modernise our society.

He also pointed out that this national workshop was to help the GOL review and reassess its policies and strategies in the light of the objectives of the Lagos Plan of Action which Liberia is a signatory. This action should have been taken in the preparatory phase (1982-84). The report of this workshop when finalised will be presented to the GOL for action. UNIDO, UNDP or other donor agencies can only give assistance when the Government and people of Liberia have identified their objectives and priorities, and also identified areas of need and assistance. UNIDO is always ready to assist to the extent that its budget allows. He therefore hoped that the workshop will result in a plan of action for the industrialisation of Liberia.

2.2 The UNIDO Consultant, Dr. Eleazu then presented the background paper which had been circulated together with the papers by the National consultants, one week before the workshop/seminar opened. He drew attention to the various sections of the paper.

The introduction dealt with IDDA which was well covered by the paper from Mr. Appiateng. Chapters 2 and 3 dealt with the structure and performance of the industrial sector, as well as the policy framework within which industrialists had to operate. Chapter 4 dealt with current issues affecting industrialisation in Liberia while the last chapter - 5 dealt with guidelines for the formulation of industrial strategies and policies.

2.3 Substantively, he drew attention to objectives of the workshop, which among others was to present the objectives and programmes of IDDA to Liberians involved in industrial development - whether as policy formulators, implementators or actors within the economy;

- to assist the participants to prepare a body of recommendations on the best national strategy for industrialisation
- to identify the priority industrial sectors which are best suited to Liberia's resources and opportunities
- and to provide guidelines for industrial planning and the drawing up of industrial policies.

He drew the attention of the workshop to the various economic indicators and the conclusions that can be drawn from them - falling prices of primary commodity exports, low foreign exchange earning, balance of payments problems, budget deficits, inflation and unemployment. The effect on industry has been under-utilization of capacity. Coupled with these deteriorating economic variables was the policy environment which did not encourage further investments. Because of low earnings on the part of the government, it had not been possible to maintain the infrastructure at an efficient operating level. This factor further worsened the investment climate.

After reviewing past and present policies, he suggested a number of strategic policy issues which should be addressed by the workshop.

These include

- the respective roles of the state and the private sector in industrial development
- the development and role of small and medium scale enterprises
- industrialisation and the basic needs of Liberians
- dispersal of industries
- indigenization of ownership, management and technology
- the need for a balanced approach to inward/outward orientation for industrial policy.

2.4 In dealing with policy issues, he drew attention of the workshop to the following terms used in the paper: Policy framework: which refers to the institutional framework for policy formulation, legitimation, implementation, promotion and monitoring; Policy Instruments: which refer to the specific tools of policy such as tariffs, fiscal policy, incentives, monetary and credit policies; and Policy Environment/Regulatory environment which are less tangible, involving attitude to work of officials, general operational efficiency of government machinery in handling the policy instruments, banking and other infrastructural services. He called on the workshop to examine these various aspects of industrial policy and its environment.

2.5 The paper then drew attention to possible guidelines for selecting an industrial strategy. A detailed examination of the IDDA objective of self reliance and self sustaining growth was given as well as its implication for Liberia. The workshop was called upon to refer to this issue in chapter 5 of the paper when discussing the other papers presented by the national consultants.

The discussion which followed the presentation focussed more on the policy process. It was pointed out that there was now no clear-cut process of decision making. Sometimes an institution such as National Investment Commission would make a decision based on how it understands its functions and powers, only to be overridden by another agency - Ministry of Finance, Ministry of Industry or even the Executive Mansion. Private sector participants pointed out that often -times the problem is not so much on the substantive content of a policy, as on not knowing whether what the law says is going to be upheld by the law enforcement agents. This lack of confidence in the impartial working of the government machinery was to recur several times in other sessions.

3.0 STRATEGIES FOR INDUSTRIALIZATION BY THE YEAR 2000:

The third plenary session was taken up by the paper on strategies for industrialization presented by one of the national consultants, Mr. Clifford Flemister (Annex III). His paper started with a historical Sketch of what Liberia was able to achieve 'industrially' when it

was just a young republic 147 years ago. From this he drew the following conclusions: (1) that most of the prerequisites for industrial development - human skills, raw materials and entrepreneurs - were all available in Liberia except perhaps capital;

(2) This lack of capital led to the 'concession' approach to development, but these concessions went into mainly extractive industries with little or no processing done in Liberia. Whether it was rubber, Iron Ore or wood, the story was the same. So gradually Liberia, like other African Countries developed as net exporter of mainly primary products.

(3) Liberian entrepreneurship entered the scene again in the early sixties - the arch-typical of them being the Mesurado Group of Companies. This new class of entrepreneurs started setting up industries where the foreign concessionaries were only interested in exporting primary products.

(4) During the early 1980ies, the new administration attempted to overcome certain imbalances in the distribution of political and economic power.

(5) The result was a general decline in economic activities; the discouragement of the emergent national entrepreneur class and the intimidation of others; increased conservatism among bankers resulting in capital flight as well as loss of skilled labour and high-level manpower.

His recommendations include:

- a strategy of industrialization based on locally available primary products. Products such as rubber, iron ore and logs should be processed at least one stage beyond their natural state to increase their export values
- agro-based industries to process and preserve food or turn them into other intermediate inputs
- linking up with other ECOWAS Countries in areas where Liberia can become a major supplier of some intermediate input e.g. pig.. iron for Nigeria
- Institutional and structural reforms - especially of the educational institutions so that they can address themselves to the needs of an industrialising society
- an infusion of sense of patriotism and national pride in every aspect of life of the nation. On this last point, he stressed

the fact that so much had happened in the last few years to shake the confidence of a lot of citizens in themselves collectively to set goals and achieve them. He called for a spirit of commitment and dedication on the part of the citizenry and the will to change on the part of leaders.

3.1 In the discussion that followed, many spoke on this idea of commitment. Some felt that without commitment and the political will to change, no amount of workshop recommendations can change anything. On the strategy for industrialisation, there was a general consensus that the right way to go would be local resource based industrialisation, producing the needs of every day life of Liberians. Later, this can be extended to Mano River Union and ECOWAS markets.

One of the interesting interventions came from the Liberian Union of Tailors which was a good example of small scale industries ruined by import of ready made goods from imported fabrics. Similarly, the local textile industry suffered the same fate.

A number of participants commented on the issue of lack of capital for development. While some felt that there was enough money floating around waiting for the right kind of investment environment, others were more concerned about excessive importation of foreign capital which only creates its own problem of debt management. In this respect, one participant lamented the fact that since the demise of the Bank of Liberia (a wholly indigenous banking institution) there has been none other with the same kind of vision for building up Liberian businessmen. All the recommendations were referred to the committee stage for consideration.

4.0 POLICY ENVIRONMENT

The next paper, presented by Mr. James Holder, dealt with the problems associated with the policy environment. Looking back in the two decades preceding 1980, he felt that though the so called open door strategy of economic development and all that it entailed, was not the best, progress made during that period far outshines those of the 80s. This he said was because the policy environment of the 60s and 70s was conducive to foreign investments. Nevertheless some enterprising Liberians also took advantage of the favourable investment climate. However, he argued that development geared to foreign investors proved to be fickle as when the going got tough, they bolted away with their money. He listed problems of the current policy environment as follows:

- There is no clear procedure for policy formulation, authorization, implementation and monitoring
- Policy making is fragmented - each ministry or agency making its own policy without caring about the cross-impact of such policies on those from other agencies.
- A blatant lack of coordination, with duplication of efforts and overlapping jurisdictions resulting in jurisdictional conflicts, with no clear point for the resultant conflict resolution;
- personalisation of decision making leading to partiality and capricious application of rules and regulations;
- lack of confidence in the machinery of government to deliver even policy promises and intentions;

The confusion, inconsistency and the blatant disregard of existing laws led one to the harsh reality that there is really no coherent national industrialisation policy - as such; there are only fragments of what if brought into coherence with one another might become an industrial policy.

4.1 His presentation in sum stated that there is a near collapse of the policy framework, scattered and fragmented policy instruments and confused implementation process. What was needed he suggested therefore were

- (1) A sense of national awareness even at the highest level of government that all is not well with the policy environment - not just for industrialisation but all aspects of government policy;
- (2) Public education with a view to addressing certain attitudinal problems of public sector officials and private sector operators
- (3) Popularising the role of the industrial sector, emphasising especially the need to develop indigenous entrepreneurs to play a major role in the economy. This in turn will require infusing a sense of commitment and pride in Liberian products (see Flemister's paper)
- (4) Financial institutions, especially, those specifically established to assist Liberia's industrial development, should change their attitudes and adopt a more developmental cum promotional approach to financial intermediation. They should

nurture rising entrepreneurs rather than ignore them as bad risks.

- (5) Special incentives should be worked out to encourage manufacturing for exports. In this regard, there is need to review the law establishing the Liberia Industrial Free Zone Authority, to give it power to run the zone without interference from ministries or other agencies.
- (6) Above all, there must be the political will to pursue whatever agreed on policies rigorously. This will involve government in strengthening its own decision making apparatus, making the implementation process more effective in a positive sense, that is being promotional in attitude rather than punitive, assisting rather than harassing private entrepreneurs whether foreign or indigenous.

4.2. DISCUSSION

In the discussion that followed, a number of issues raised more comments than others. The salient ones had to do with:

- (a) Incentive regime and the implementing agency - the National Investment Commission (NIC). The NIC came in for quite a battering and ably defended by the representatives from NIC. What transpired may be summarised as follows: NIC ostensibly was established as a one-stop shopping agency for investors rather than having to deal with one ministry after another. Hence representation on its board was intended to be Ministers representing each of those agencies that are crucial to investment - Finance, Commerce and Industries, Planning and Economic Affairs etc. So investors would expect that once cleared by NIC, all the other ministries will nod their assent since they were part of the NIC decision. However, it has not worked quite like that because the birth of NIC was a political compromise. The major members did not intend that it should work as stated above.

The effect has been confusion worse confounded and typifies all that is retrograde in policy process in Liberia. In spite of efforts to reorganize, reorient and restructure, the political problem is still there and must be resolved.

How - scrap it ? retain, but change its functions ? depoliticise and relocate it ? This was left to the committee stage.

(b) Tariffs and taxes versus incentives:

Proponents of incentives argued that government has not always kept its word. It gives with one hand and takes away with the other. The structure of tariffs do not support the policies hence what are supposed to be generous incentives turn out to be a Trojan horse. However, others argued that taxes and tariffs distort prices and do not make for free reign of market forces. When they have to be introduced, this must be specific to particular objectives. It was generally agreed that Government needs revenue. This can come from tariffs, taxes on profit, personal income tax, excise etc. Where incentives have to be given in order to achieve other socio-economic objectives, e.g. promote export, dispersal of industries, increase local value added etc., these objectives have to be clearly stated and the incentives to encourage them also clearly stated and seen to be effective in those regards.

(c) Financial institutions and policy environment:

Comments here were directed to the view from the paper that the Financial institutions had no faith in Liberians. Whereas a foreigner can walk into a bank and get a loan, the indigenous entrepreneur is discriminated against. Representatives of banks made the point that what they lend is other people's money and they have a duty to ensure its repayment. Another contributor suggested that certain attitudes to loan from a public institution needs to be corrected and that is that loans from a government bank need to be paid !). There was already dialogue as to whether National Bank of Liberia (NBL) was a Central Bank. While some maintained that since it was not a bank of issue, it was therefore not a central bank, others argued that the functions of a central bank is situational; and that the context of Liberia which for a long time operated on the US-dollar as its legal tender, does not detract from the other functions of NBL in making monetary

and credit policy, and in advising the President on the management of the economy. People of this persuasion felt that the NBL had a duty to direct banks on their credit policies for national development. But what if the commercial banks refuse to obey, what sanctions has NBL ? It appeared something had to be looked into by the committee.

On the availability of loanable funds, the representative of the credit unions urged the adoption of the thrift Coop approach to mobilize local capital and lend to members - or better still to set up a cooperative bank.

(d) Privatisations:

The comment arose partly from Mr. Flemister's paper and partly from the paper under discussions. The government had said it wants to privatize - either out of disillusionment with public sector projects that failed or work erratically or partly out of a realization that the executive capacity to manage them in the public sector, is not there. Whichever, the questions being asked are - how to privatize ? Which ones to privatize ? Privatizing what - ownership ? Management or both ? Neither the government nor the private enterprise representatives had a clear answer. It was given as a good example of a bad policy making - giving indication that the problem has not been properly thought through. A participant suggested that maybe the government can start by returning to Liberians those industries that were confiscated from them - to own and manage once again. This will breed confidence and remove the fears some Liberians (who have money) still have about the intentions of government. On the whole, the general tone of the discussion tended to agree with Mr. Holder's thesis that a major overhaul of the policy process and machinery, coupled with a lot of public education were necessary if a major short in emphasis is to be expected.

(e) Arbitrariness and extortion by petty public officials:

Matched against certain foreign nationals in Liberia who help to corrupt officials by tempting them with bribes. The general

census was that in a situation where the rules and regulations are clear and unambiguous, and the implementors do their job quickly and efficiently, and if they reject an application based on their interpretation of the rules, they will not be overruled by a political boss on grounds other than the specified rules, foreigners will then be afraid to give bribes. It was also noted that selfish interest, desire to "jump the queue" lead to giving and taking of gratifications. Answer: public education.

5.0 POLICY INSTRUMENTS AND THE PROMOTIONAL ENVIRONMENT

The third paper dealt with the Policy instruments and the promotional environment. Mr. Smith's approach to the topic was to state the ideal conditions, and drawing from examples of other countries, especially Korea to chart the course for Liberia.

In his presentation, he emphasized the pervasive role of the government in modern societies. Industrialization, being the essence of modernity in any society, governments of necessity cannot leave it to develop haphazardly. Like the other two papers, this one referred back to the 60's when the government started taking an active interest in industrial development. A lot of debate and campaigns on the best approach took place then. The government planned some big projects - iron and steel, tyre and glass which were to be publicly owned but so far has not been successful in establishing them. A sugar factory did take off but also flopped.

On the policy front the government accepted a combination of import substitutions and export oriented industrial activities. However the former flourished while export industries did not, largely because tariffs and other policy measures had the tendency of penalising export oriented activities. Similarly on the institutional side, the Ministry of Commerce and Industries was created in 1962, with one of its main duties as the formulation and administration of the country's industrial policy.

Ancillary to this were other developmental institutions - the National Investment Commission, the Liberian Bank for Development and Investment, The Liberian Free Zone Authority and the Liberian Opportunities Industrialization Centre. The Liberian Chamber of Commerce and Manufacturers' Association also sprang up as special private sector interest groups. However, despite this recognition, industrial activities did not have much impact on the economy, which was still dominated by the forest and mining extractive

activities. To buttress his point, he looked at the following indices of the manufacturing sector:

- employment contribution - 5% of total workforce,
- G.D.P. - 5% contribution
- Technology transfer and/or acquisition - nil, nor was much done to upgrade human skills
- improved standard of living - minimal, in fact there was negative growth rate of per capita income between 1965-1985.

His conclusion up to this point is that policies are not always pursued as intended, not enough commitment to the pursuit of industrial development; and the institutions are not functioning as they should. Therefore, industrial development needs re-orientation. His agenda would include a recognition of

- first imperative, "the genius of the market place must be allowed to unfold freely without undue intervention and strangulation; and
- secondly, the authorities must avoid substantial deviations or distortions of set objectives, and targets for the country."

5.1 He used the example of Korea to show how a well orchestrated national campaign backed by committed leadership and systematic pursuance of objectives can lead to a high level of growth and development. The Korean example was characterised by

- well articulated objectives, limited in number
- a limited number of support services and institutions
- flexible credit, trade and monetary policies designed to achieve the objectives of export - led growth
- willingness and commitment of the financial institutions to back the set objectives in their intermediation and operation
- setting of quantitative targets
- regular meetings monitor performance, assess progress, remove difficulties, and review targets where necessary
- to show that this was THE nation's business and the seriousness of the leadership, these meeting were chaired by the President himself. Ministers attend personally. Ambassadors in target countries attend.

These and more, made the Korean story a success worthy of emulation. It is this kind of commitment and public awareness that he would recommend. He then expatiated on the other direct and indirect support/promotional instruments:

- Financing;
- Physical facilities, common facilities, industrial estates or industrial free zones;
- Advisory services - technical, market conditions, economic and legal especially to small and medium scale enterprises that cannot afford to pay for such services;
- Indirect promotional activities which include ensuring that the necessary legal framework for doing business is clear and unambiguous; enunciating a strategy and a plan; adopting the right economic policies that will not endanger industrial development eg. monetary and fiscal policies, foreign exchange policies, and policies on research and development.

His approach to creating the right policy framework and the necessary instruments of policy will move in three steps -

1. Sensitization and reorientation of the entire population and especially the national leaders;
2. Survey of Industrial opportunities based on available resources, markets etc. thus establishing areas where Liberia can easily develop competitive edge within the sub region and internationally, and
3. thirdly formulation (or reformulation) of plans and policies; assigning specific functions and areas of responsibility to a limited number of agencies.

On institutional creation, he recommended a high powered National Planning Council with the President of the Republic as Chairman, with a broad based membership comprising Ministers of the Government, representatives of various economic interest groups and area representatives. The Ministry of Planning and Economic Affairs will serve as its secretariat and coordinating agency for all planning.

(Functions of various Ministries are in the paper). Below this NPC will be a number of technical and advisory groups. On the whole he favoured a bottom to top type of planning in order to engender the needed awareness and support for whatever plan emerges.

5.1 DISCUSSION:

During the discussion that followed, a number of speakers combined their comments on the three papers that had been presented so far. But on the whole a number of points relating to policy environment were again discussed exhaustively since they were now amplified by the paper from Mr. Smith which appeared to put everything into a framework. The following issues are particularly relevant

- (a) Role of the State in Industrialization: A number of speakers agreed with the view of the paper on the pervasive role of the state in modern economies. Given the conditions of Liberia, many felt the government ought to be a catalyst and guide in industrial development. This it could do by ensuring an educated populace, with the requisite human skills; providing conditions for the exercise of human initiatives and generally to ensure that infrastructures for industry exist and work efficiently.
- (b) Exchange rate policy: This was again discussed in the context of the role of the central bank. It was noted that since the minting of the \$5.00 coins, there has developed a parallel market, and the Liberian dollar is no longer at par with the US dollar in the parallel market. The view was expressed that government should look into the advantages or otherwise of adopting an exchange rate policy.
- (c) Attracting foreign direct investment: The bankers were of the view that unless and until the policy environment improved as discussed earlier, it would be difficult to attract new money. Some banks like the Liberian Bank for Development and Investment had lent heavily to industries that were confiscated later. Because of non performance by the latter owners LBDI is now carrying a heavy bad debt, which in turn means that they cannot meet their obligations to their own creditors or depositors. As financiers, banks are scared and now wary about investing when there is the risk of capital destruction.

(d) Institutional reforms: Few people commented on the recommended reform. MPEA indicated that a recommendation to resuscitate the National Planning Council had been made to the legislature with no response yet. It was suggested that at committee stage, the structure of the National Planning Council as recommended by the MPEA should be considered along with those of Mr. Smith. However, the recommendations were all left to be discussed at the committee brain storming.

6.0 POLICIES FOR THE PROMOTION OF SMALL AND MEDIUM SCALE INDUSTRIES:

Mr. Khosla, a UNDP/UNIDO expert attached to the National Investment Commission was given some time to speak about what was already being done in this area of SME.

In his brief presentation he said that it was apparent from government pronouncement and action that the development of small and medium scale enterprises was high on its agenda. What was necessary now, was to adopt a coherent set of policies for the development of SMEs in the industrial sector. Such a policy should develop first a plan, then a programme of action which will include setting up of institutional framework for identifying, training and assisting Liberian entrepreneurs.

The advantages of developing SMEs are not far to seek

- they assist in employment creation
- dispersal to rural areas
- utilise low level technology and thus become training grounds for industrial skills
- training ground in industrial management etc.

So far the policy proposals had been worked out and submitted to government awaiting ratification. In the meantime a full fledged SME Department has been created in the NIC.A Project Analysis Department has been established in the LBDI. Similarly analysts have been trained for Small Enterprises Finance Organization (SEFO). In the context of this workshop, it will be necessary to make recommendations on the following areas:

- a workable definition of small or medium scale industrial enterprise
- need for special promotional facilities
- development of and subsidy to trade associations of SMEs
- whether SME should be restricted to Liberians only and how to avoid the problem of 'frontage'
- special incentives to project financing institutions that lead to SMEs.
- the need for a high powered advisory body on SME (eg. one of the advisory bodies recommended by Mr. Smith could deal solely with issues relating to SMEs)

These suggestions were well received, and it was decided that the issues would be taken up by the appropriate committees.

GROUP REPORTS

GROUP I

STRATEGIES FOR INDUSTRIALIZATION

A. WHAT STRATEGY FOR INDUSTRIAL DEVELOPMENT

Although the manufacturing sector of Liberia experienced rapid growth during the late 1950's to the mid 1970's this sector began to record a fall in its rate of growth and level of performance thereafter. The Government vigorously pursued an import substitution strategy and to a certain extent an export promotion strategy aimed at producing in particular a limited number of light consumer goods to replace imports. The structure of industry which emerged depend overwhelmingly on imported raw materials, technology, technical and managerial skills. Both strategies however failed to integrate the agricultural sector and create the necessary impact on employment and economic development in general.

The country's First and Second Five Year Development Plans outlined certain measures to stimulate industrial growth including inter alia increased emphasis on industrial production based on the utilization of domestic raw materials, efficient utilization of existing industrial facilities and infrastructure, industrial manpower development and training, the enhancement of private sector initiatives, etc. Regrettably these measures were not adequately pursued and as a result the country slowly drifted into a critical economic situation characterized by an industrial and liquidity crisis.

It is now apparent that in accordance with the Lagos Plan of Action there is a need to :

- I. Adopt an industrial strategy that is based on the utilization of the country's raw material resources, labour and management skills so as to create a solid basis for a more self-reliant and self sustained industrialization and gradually reduce Liberia's dependence on external sources for critical factor inputs.

- II. Pursue an import substitution strategy aimed at processing the country's agricultural, forest and mineral resources to produce not only light consumer goods but intermediate goods such as spare parts, components and ancillaries. In this regard, particular encouragement and incentives should be given to indigenous private industrial enterprises.
- III. In the medium term, a strategy of export promotion should be implemented to produce for the markets in neighbouring countries in the Mano River Union and ECOWAS. In particular, the Liberian Industrial Free Zone Authority should be strengthened to improve zonal administration, provide basic utilities thereby making the Free Zone area more attractive.
- IV. In adopting both the import substitution and export orientation strategies, emphasis should be put on the need for an integrated approach and priority should be given to the production of basic needs such as food, clothing, housing, energy, transport and communications, health care and education.
- V. The implementation of this self-reliant industrial strategy would invariably require an industrial development plan.
- VI. The overall objectives of the above mentioned strategy are to promote private sector development, increase industrial output and manufacture value added, rehabilitate existing industrial enterprises and promote and develop small and medium scale industries and where feasible large-scale industries to meet national and subregional needs.

B. WHAT DOES IT TAKE TO INDUSTRIALIZE? SOME CONSTRAINTS TO INDUSTRIAL DEVELOPMENT AND MEASURES FOR ACCELERATED INDUSTRIALIZATION

1. Raw Materials

One important requirement for industrial development in Liberia is knowledge of the nation's resource endowment especially agricultural, forest and mineral resources which could be utilized as raw materials for industrialization. The country produces rubber, coffee, cocoa, cassava, fisheries, forest products and iron ore, which could all be processed. However knowledge of the natural resource endowment is scanty and inaccurate.

It therefore seems necessary that:

- a. A detailed assessment study of raw materials should be undertaken to determine the country's potential for industrial processing;
- b. Procurement of raw materials for industry should be inward looking and based on the natural resource of the country, particularly the agricultural and forest based resources.
- c. Measures should be initiated to gradually reduce the level of imported raw materials in existing industries, and future industries to be established should be structured so as to ensure maximum utilization of domestic raw materials.
- d. R & D activities in raw material should be encouraged and financially supported and their results should be widely publicized and industrial information adequately disseminated.
- e. The Government should play a leading role in the collection and dissemination of information. In this regard it is recommended that a National Data Bank/Industrial Data Bank be established by the year 1992 to provide on a continuous basis relevant industrial and technological information to existing industries or potential users.

2. Human Resources Development

One of the major constraints to industrialization is the inadequacy of critical manpower input for industrialization. This includes Inter alia entrepreneurial resources, engineers including design engineers, managers, technologists, middle-level manpower. This trend of development stems from the educational system which puts emphasis on the arts and humanities and has failed to recognize the importance of the natural and physical sciences for industrial development.

In the circumstances it is felt that there is a need to:

- a. carry out a manpower assessment study and projection of manpower needs for Liberia including assessment of the educational system so that the system will be better geared towards industrialization and with a view to designing an effective manpower policy for industrialization. This should be done by 1990.
- b. Upgrade the social status of industrial and technical personnel with a view to reducing the brain drain;
- c. introduce adequate policies and mechanisms for the utilization of existing manpower resources including in particular the utilization of national consultancy firms, for industrial project designing, promotion and construction.
- d. improve wage structure and working conditions including security of tenure for industrial labour and manpower in the public sector;
- e. strengthen the capacity and capabilities of existing training institutions to meet the needs of industry.
- f. introduce well established mechanisms to ensure that training is a natural and continuing process for industrial establishments and should in particular be an integral part of any industrial package of foreign origin.

- g. introduce favourable conditions for the development of an indigenous entrepreneurial class. This relates specifically to the policy environment and policy instruments.

3. Technology

Liberia like other developing countries continues to rely on imported foreign technology and the country has not developed its capacity or capabilities to acquire, adopt, diffuse and effectively absorb such technologies for industrialization. A self-reliant and self-sustaining industrialization strategy implies that the country should have adequate control over any science and technological activities that are being carried out within its borders. In the circumstances, technological policies and planning should be an integral part of national industrial planning and programming. In particular the following measures should be undertaken:

- a. technology assessment to determine type of technology for both rural and urban industrialization (by 1990)
- b. R & D activities should be encouraged particularly in relation to food processing, technology, agro-based technologies, engineering and design;
- c. in the area of R & D, efforts should be made to establish closer links between national institutions and sub-regional and regional organizations such as; the African Regional Centre for Engineering Design and Manufacturing (ARCEDEM), the African Regional Centre for Technology (ARCT) and the African Regional Standards Organization (ARSO).
- d. the commercialization of R & D results particularly indigenous technologies should be encouraged and promoted by both the Government and the private sector. This promotional activity should also cover the neighbouring markets of Guinea and Sierra Leone.

- e. industrial and technological information should be made available to both the public sector (decisions makers) and the private sector.
- f. a definite and direct linkage should be established between the private sector and donor Agencies. In particular industry related institutions such as the Chamber of Commerce and the Manufacturers' Association should be put on the mailing list of donor agencies.
- g. adequate and practicable purchasing and procurement policies and mechanisms should be established
- h. appropriate science and technology institutions including the university should be strengthened to play a more effective role in development, transfer and adaptation of technology for industrial development.

4. Infrastructure

(a) Energy

Industry is a large consumer of energy in Liberia.

The bulk of energy consumed is imported and the high cost of energy is one of the major constraints to industrialization. Knowledge of the country's energy resource potential is inadequate and there are no concrete energy policies and planning in spite of the huge foreign exchange that is being spent to import energy. It is therefore being recommended that:

- a. a thorough assessment be carried out of the country's energy resources with a view to determining energy requirements for industry (by 1991):
- b. R & D activities be encouraged/intensified to produce energy from non-conventional and renewable sources such as solar energy for both rural and urban industrialization, biomass and gasohol.
- c. The commercialization and marketing of energy R & D results should be promoted by the Government not only at the national level but also at the subregional level.
- d. measures to conserve energy including manpower training for effective energy auditing should be introduced for both the public and private sector;

(b) Transport and Communications

As the bulk of the agricultural and mineral raw materials are located in the interior parts of the country, it is necessary to adequately link rural production centres to the industrial centre(s) by:

- a. construction of feeder roads to ensure a proper road network throughout the country;
- b. improve the road network by constructing coastal roads covering major coastal producing areas and establishing a more direct linkage with the main industrial growth centres
- c. Adequate provisions should be made for the continuous maintenance of roads
- d. Improve the domestic and subregional/telecommunication and postal network
- e. The government should investigate the possibilities of strengthening water transportation system in the countries and assist the private sector in the development of a boat building industry utilising the available local raw materials.

(c) The Environment

A major hazard of industrialization is the pollution of the environment. In the past very little attempt was made to introduce properly designed and environmentally sound industrial technologies to Liberia.

An environmental legislation incorporating environment management operations, health standards, pollution, toxicity of products and recycling of waste among other things should be initiated.

5. Mobilization of Financial Resources and Capital Formation

Industrialization implies considerable investment capital which could be mobilized and redeployed from both domestic and foreign sources.

The following measures should be implemented as early as possible:

- I. The National Bank of Liberia should be fully operational as a central bank with controlling influence over the country's monetary policy and banking system;
- II. The National Bank of Liberia should establish financing schemes aimed specifically at providing funds for the development of small and medium indigenous industrial enterprises;
- III. The government of Liberia should devise a mechanism whereby they could assist private enterprises in negotiating foreign loans;
- IV. The lending policies of the commercial banks should be reviewed so as to accommodate the needs of the indigenous industrial entrepreneur;
- V. Institutional Credit facilities to SMEs should be increased and be made available throughout the country; In particular rural banking should be encouraged with the NBL as the lead agency.
- VI. Banks should play a more effective role in establishing an industrial financial market not only for Liberia but for the development of multinational or intercountry industrial projects, and joint venture at the enterprise to enterprise level.
- VII. Consideration should be given to the establishment of special financial institutions to provide funds at subsidized interest rates on loans for industrial purposes;
- VIII. A Unit Trust should be established to mobilize the savings of small savers and such funds; which are mobilized should be reinvested.
- IX. A review of the existing "ESUSU" cooperative societies should be undertaken with a view to determining how they can best be incorporated in the monetary system.
- X. The Banks should utilize national consultants to undertake pre-investment activities and monitor the activities of borrowers.

6. Development of Indigenous Entrepreneurial Capabilities and the Small Scale Entrepreneurs

- I. Policy measures should be introduced to reserve a number of products which could only be manufactured by the indigenous Liberian enterprises;
- II. Establishment of physical support systems such as Central Investment Promotion mechanism to provide consultancy services, and technical advisory services, common service facilities for testing quality control and maintenance and repairs and preferably to industry Associations wherever possible.
- III. SMEs should be provided facilities for the supply of raw materials and spare parts at reasonable prices and machinery on liberal terms
- IV. Review of investment code with a view to designing a package of incentives to promote the development of indigenous industrial enterprises
- V. A proper review of the definition of the small-scale industries so as to ensure that only Liberian nationals can qualify for small and medium scale enterprises.
- VI. Ancillary linkage of SMEs to large scale industrial enterprises and other related facilities should be promoted
- VII. The procedure and regulations for the establishment and functioning of enterprises should be reviewed and simplified to facilitate the growth of a healthy industrial sector
- VIII. The government purchase programme procedures, terms and conditions should be reviewed to permit legitimate participation by SMEs and thus act on an instrument to promote indigenous enterprises.

The Role of the Public Sector

It is the general view that the Government should not be involved in direct productive industrial activities as existing public enterprises have shown weaknesses in production planning and management. Rather the Government should concentrate its efforts in providing overall guidance and support to other agents of industrial development. This does not mean that the Government should not participate in joint venture activities.

- a. Thorough analytical studies of public enterprises to be privatized should be undertaken by the Government with technical assistance from the appropriate local and international organizations including recommendation for managerial and technological improvements, production organization, market and marketing aspects.
- b. The Government of Liberia has already contemplated and promulgated laws in the liberianization of certain sectors (33 in number) which require modest technology applications. The existing rules if enforced would go far in establishing and protecting Liberians.
- c. The creation of capital for industrial development should be enhanced through directing existing foreign traders into manufacturing. Foreign traders should be encouraged to channel their economic activities away from retail trade basis towards investments in productive sectors.
- d. Efforts should be made to improve existing industrial legislation to be in line with the proposed trends, patterns, objectives and goals of industrial developments and to minimize conflict between policy making organs.
- e. The Government should provide support to and utilize the services of national consultancy firms and entrepreneurs in their efforts to acquire technology and negotiating finance from foreign sources
- f. Government should establish mechanisms to assist the industrial entrepreneurs in project selection preparation of project profiles and providing information and facilities for potential investors.
- g. Mechanisms should be established for consultations between the public sector and private sector on the status, progress and potential problems of industrialization.

Rehabilitation of Existing Industries

In Liberia there are a large number of ailing industries with considerable unutilised manufacturing capacities and high running cost turning out poor quality products. There are many reasons for this low level of performance including among others acute shortage of raw materials, inadequate financial resources, particularly foreign exchange, small markets, lack of proper maintenance and repairs facilities, poor management and organization of production structures. Short term measures should therefore be initiated to assist these industries.

- a. Diagnostic studies to determine rehabilitation needs
- b. Analysis and definition of managerial and technology improvements
- c. Raw materials assessment studies including inventory control and product design should be undertaken
- d. The Government should assist existing industries in obtaining technical assistance from international organizations for the implementation of the above mentioned activities
- e. The possibility of mergers among industries producing similar commodities should be examined and where feasible investigate the possible restructuring of such industries for subregional production (e.g. to meet the needs of the Member States of the Mano River Union).

GROUP II
POLICY ENVIRONMENT

The discussion of the Group centered around the creation of an Environment conducive to the development of a vibrant industrialization program supported by effective policies promulgated with the national goals and objectives in the forefront.

Emphases were placed on the review of existing laws as they relate to the acquisition of wealth for domestic and foreign investors, the protection of rights of employers and employees and corporate entities. It was felt that a group of competent lawyers should review the statutes and recommend changes to enhance the development of ideal policy environment.

The group highlighted the need for a trained and trainable work force to facilitate the growth of industrialization in the Country. It viewed the need for an educated and motivated public sector as complimentary to the overall growth program.

Since the environment encompasses the entire spectrum of activities in the country, the group stressed the importance of intersectoral coordination and interaction to foster concise implementation of defined policies; and that the functions of the National Planning Council be resuscitated to provide guidance in the area of policy formulation.

The group expressed concern over the apparent stalemate of many profound proposals and reports which are pertinent to the national interest and suggest that priority be given to expediting action on these proposals and reports e.g. the Report of the Cabinet Committee on Tariff and the revised Investment Incentive Code.

Concerning the National Investment Commission the group took the view that the organization should function as a secretariat. The operational mode of the NIC is currently confused with that of a full Ministry.

The discussions of the group were concluded with the following recommendations:

1. That the relevant agencies whose responsibility it is to formulate and implement policies be streamlined and be made more effective. And that these agencies should interact to achieve greater coordination amongst themselves.
2. That a national campaign be launched on radio and television to sharpen the public awareness, educate and reshape the thinking towards industrial development.
3. That the revised Investment Incentive Code be adopted and implemented as soon as possible.
4. That the entire tariff structure be scrutinized with the view of making it more internationally compatible, using the assistance of UNCTAD or any other competent donor agency.
5. That adequate allocation be made available for the improvement of physical infrastructure such as, roads, telecommunications, electricity and water.
6. That regular fora for dialogues be encouraged between heads of government agencies and the private sector.
7. That a transparent and independent judicial system be encouraged by the national leadership.
8. That the national leadership demonstrate the political good will to foster the ideal policy environment for industrial development.
9. That the Secretariat of the NIC should not function as the Commission. At the same time the Commissioners of the National Investment Commission should become more active and involved in the activities of the Commission.
10. That a group of competent lawyers should review existing statutes and recommend changes to enhance the development of an ideal policy environment.

GROUP III

POLICY INSTRUMENTS: INSTITUTIONAL/PROMOTIONAL
ENVIRONMENT FOR INDUSTRIALIZATION

As a follow-up on the presentation and discussion of the above-mentioned topical paper, Group III met to focus on matters arising from the presentation and to formulate appropriate recommendations for consideration by this body. An agenda was presented and endorsed by the Group, embracing:

- (a) The framework for industrial policies to be put into effect; and
- (b) Consideration of various policy instruments, and consideration of submissions from the floor.

- 1.0. The proposed revitalization of the National Planning Council (NPC) was overwhelmingly endorsed by the Group, but observed that the size and composition of the Council should be reviewed and, if appropriate, revised to meet the intent of the seminar and the aspirations of Government. Consequently, the following recommendations were made for considerations by the workshop:
 - 1.1. Below the N.P.C. will be a Technical Serving Committee to be known as the General Coordinating Committee and will be chaired by the Ministry of Planning and Economic Affairs, and will serve as the Secretariat.
 - 1.2. Below the General Coordinating Committee, there will be a number of sectoral sub-committees, one of which will be the Industrial Coordinating Committee. The ICC will consist of two section committees, namely the Policy and Planning Section and the Small and Medium-Scale Enterprises Section, which will be chaired by the NIC.

The Industrial Coordinating Committee will serve as an advisory body and will assist the General Coordinating Committee with the formulation, implementation and monitoring of programs for industrial development in Liberia.

The Industrial Coordinating Committee will ensure the overall direction and guidance for the translation of national objectives as it relates to industrial development in Liberia.

The SME Committee will perform similar functions in relation to SMEs.

1.3 Membership of the Industrial Coordinating Committee will consist of the following:

1. Ministry of Commerce and Industry - Chairman
2. National Investment Commission
3. General Services Agency
4. National Bank of Liberia
5. Liberia Woodwork Industries and Company Association
6. Liberian Manufacturing Association
7. Ministry of Agriculture
8. Liberia Free Zone Authority
9. Liberia Bankers Association
(to be represented by a competent Liberian) Member
10. Liberian Chamber of Commerce.

All sectoral committees will have the option to call on the expertise of other interest groups from time to time.

1.4 Group III adopted the composition of membership of the National Planning Council as proposed by Mr. Smith's paper but included new members among them are the Chief Justice of Liberia, the Presidents of Cuttington University College, and the William V.S. Tubman College of Science and Technology.

1.5 Proposed Schedule for Regular Meetings

- The National Planning Council at least once every quarter
- The General Coordinating Committee - at least once every month
- The sectoral Committees - at least once bi-monthly
- Sub-Committees - at least once a month

2.0 Session Two of Group III's deliberations focused on policy instruments as elaborated in the topical paper, as well as an proposal submitted to it from the floor for consideration

2.1 On the issue of ensuring commitment to and/or continuity in policy measures, the Group observed the high rate of administrative turnover.

2.2 In order to minimize the effects of this high turnover on the operational efficiency, the Group recommends that the Civil Service structure should be reviewed to limit political appointees to the rank of Ministers and Deputy Ministers. By implications, the posts up to the rank of Asst. Ministers should be the responsibility of the Civil Service Agency.

2.3 The Group recognized that there should be concerted efforts to sensitize and re-orientate the entire populace, especially the national leadership, even at the highest level of Government, with particular emphasis on the informal and export-oriented activities. In view of the foregoing, the Group recommends that:

Government should conduct surveys to identify potential industrial growth centers, and establish incentives for the establishment of industries in these areas;

A vigorous public education and information campaign should be launched to address attitudinal problem (including consumption patterns) of the populace through the instrumentality of the Ministry of Information, broadcasting and other media institutions.

3.0 In pursuance of these recommendations to ensure proper coordination among all policy formulation and policy implementation ministries and agencies, Group III recommends the following:

- 3.1 Government should seek technical assistance from UNIDO to find ways of eliminating conflicts and overlapping of functions;
- 3.2 Government, through the MPEA, should formulate plans and policies by interfacing with the appropriate and identifiable agents to test formulated policies.

4.0 Other Recommendations

The Group recognizes that, given the size of the domestic market, Government should seek technical assistance to study regional and sub-regional markets to identify the potentialities and opportunities that exist in these regions and sub-regions for the development of industries in Liberia. It is further recommended that:

- 4.1 Government seek the assistance of UNIDO to explore the possibility of setting up industrial and technological information service.
- 4.2 Government should seek outside assistance to study the establishment of a Unit Trust in the country to assist economic development.
- 4.3 Government should upgrade the Monrovia Industrial Park and explore the possibility of opening similar parks in industrial growth centers throughout the country
- 4.4 Government should examine the criteria for granting investment incentives especially in respect of exclusivity.

* SUMMARY OF ISSUES AND RECOMMENDATIONS
Presented at the
Closing Session of the Workshop

*For purposes of implementation, the
summaries should be read in conjunction
with the Groups' reports.

INTRODUCTION

A. Strategies for Industrialisation: An Overview:

Industrialisation is only a means to an end. It is simply a matter of adding value to materials in order to satisfy the needs of many. A self-reliant approach to it would suggest adding value to materials available in ones own environment to satisfy human needs within and outside ones own environment. Import substitution based on imported inputs only leads to more imports, and is susceptible to the vagaries of the external environment. Therefore it is the considered view of this Workshop that our new approach to industrialisation should be - "Use what you've got (local resources) to produce what you need (basic needs) and where possible what others need too (export)".

Recommendation: Liberia's new strategy for industrialisation should be both inward and outward oriented - inward in terms of factor inputs and internal demand as the major engine of growth; and outward in terms of finding market outlets for the products of Liberian industry.

or to put it another way

Liberia's new strategy for industrialisation should be based on using local resources to produce goods and services to satisfy the basic needs of Liberians, and in the longer term to penetrate regional and world markets with such goods.

A1. Development and Use of Factor Inputs

Adopting such a strategy presupposes that the inputs needed in the industrialisation process are available. The Workshop considered and noted that a lot of potentials existed for developing industrial raw materials, human resources, local or appropriate technology and mobilizing local capital for industrialisation.

a. Local Raw Materials could be developed from:

- forest resources in the wild, e.g. wood
- forest resources in plantations, e.g. rubber
- agricultural resources, e.g. processing food crops; preservation industries, etc.
- mineral resources - first stage processing (extraction and beneficiation)
- marine and aquatic resources - fisheries: canning, feed stock, etc.

b. Human Resources was discussed under two headings:

- Human resources as workers and managers
- Human resources as entrepreneurs

It was felt that for a self reliant industrialisation to take place in Liberia, there was need to have facilities for the development of both aspects.

c. Technology: This has to do with the application of human ingenuity in the production process. We can either develop our own ingenuity or copy what others have. The ability to copy is a function of the level and type of education one has, as well as having the necessary facilities and exposure to technology. The workshop noted that Liberia was deficient in both respects.

d. Capital: One endemic problem in Liberia's development has been the inability to mobilize capital for capital formation. In the past this led to the belief that capital must come in from outside to develop Liberia (foreign investment). But wisdom of hindsight shows that this has its drawbacks. The workshop is therefore of the considered view that as part of the self reliant and self sustaining approach we have to start by first mobilizing domestic capital as well as develop a strategy of domiciling foreign capital once it comes in.

Recommendations: Arising from all these considerations are the following recommendations:

- i. GOL should immediately undertake a detailed assessment of potential for developing industrial raw materials from the forest, agricultural, mineral and marine resources of the country;

- ii. GOL should also commission industrial opportunity studies including project profiles of the types of industries that can be based on locally available resources;
- iii. In the longer term, the GOL should mount a study of the sub-regional and regional markets for intermediate products with a view to creating home based industries (to supply such markets) where Liberia has competitive advantage.
- iv. The government should undertake a manpower survey with a view to determining the manpower needs of the country in the industrial sector. Having assessed the manpower needs, to develop and/or upgrade the facilities for human resource development to serve those needs;
- v. GOL should create and introduce necessary legislation to improve industrial relations, wage structure and working conditions to make it attractive for young persons to take to industrial skills as a vocation, and reverse the brain drain;
- vi. GOL should also introduce favourable conditions for the development of an indigenous entrepreneurial class;
- vii. Government should undertake an assessment of technology already existing in the country and create a centre for the acquisition and dissemination of information on innovations, know-how or research and development activities that might be of use to Liberia. Such a centre should seek affiliation to, or develop relationship with the African Regional Centre for Engineering Design and Manufacturing (ARCEDEM), the African Regional Centre for Technology (ARCT) and the African Regional Standards Organisation (ARSO).
- viii. The GOL should adopt policies and measures for mobilising domestic savings for investment. In this regard the workshop recommends that the GOL explore the potentialities of institutions such as Unit Trusts, Cooperative Thrift Societies and Savings and Loan Associations.
- ix. The National Bank of Liberia, through appropriate enabling legislation, should be encouraged to undertake the full functions of a central bank to include among others the issue of credit guidelines to commercial banks.

- x. GOL should also encourage commercial banks through appropriate incentives, to establish rural branches so as to bring their service closer to the people.

A2. Infrastructural Support for Industry

The country appears to be totally dependent on (directly and indirectly) imported energy. The Workshop recommends that the GOL undertake a thorough assessment of the country's energy resources - hydro, solar, biomass, hydrocarbon - and decide which ones have potential for development to augment energy needs in the rural, urban, domestic and industrial uses.

- a. GOL should ensure that existing road networks are all season roads and are regularly maintained. As soon as government revenue improves, to undertake the construction of feeder roads and to identify sources of raw materials
- b. The Government should investigate the possibilities of strengthening the water transportation system and assist the private sector in the development of a boat building industry.
- c. Improve the domestic and subregional telecommunications and postal facilities.

A3. The Role of the Public Sector

The Workshop noted that most public corporations established in the past have performed unsatisfactorily due in part to lack of competitiveness. Thus the government incurred debt instead of profits. Consequently, a large number of ailing industries have emerged, with considerable unutilised capacity and high running cost.

Recommendation:

- a. The Workshop recommends that the Government of Liberia initiate diagnostic studies to determine rehabilitation needs and where possible to restructure such industries for sub-regional participation.

- b. It is further recommended that, for the short and medium term, Government restrict its involvement in production activities to only strategic sectors where private initiatives are not allowed.
- c. That the Government should intensify its efforts at providing/upgrading physical infrastructure and creating the necessary environment for private investment.
- d. Government should assist ailing industries obtain technical assistance from international organisations.
- e. The workshop re-emphasizes the very important role of the state in relation to the laws for the protection of domestic and foreign businesses as well as employees' rights. It is recommended that a group of competent lawyers be requested to review the statutes governing business activities in Liberia and recommend appropriate changes.

A4. Role of the Private Sector in the Industrialization Process

The role of the private sector, which includes the informal sector is to undertake investment in the productive sectors of the economy. It will be expected to respond positively to the signals coming from the public sector and to grasp the opportunities identified by the government. It should also cooperate with the Government by promptly arming it with the necessary planning data generated in the private sector; pay its taxes on time so as to provide the government with necessary resources to carry out its functions.

Recommendations:

Companies, large and small, should be good corporate citizens, meeting their obligations under the law as and when due.

A5. Small and Medium Enterprises

Policy measures should be introduced to encourage Liberians to engage in SME industries as training grounds for entrepreneurship and management of larger and more sophisticated enterprises. It came to the knowledge of the Workshop that a UNDP/UNIDO project has recently produced policy guidelines for the development of SMEs in Liberia.

Recommendation:

It is recommended that GOL should examine this Report in the light of the strategy expressed above and take appropriate action.

A6. Environmental Issues

Industrialisation can easily become a mixed blessing. Apart from occupational hazards with certain types of industrialisation, e.g. making of cement and asbestos, industrial wastes can become a major pollutant of the environment.

Recommendation:

1. GOL should promulgate necessary legislation to guide industrial establishments on the disposal of industrial wastes, as well as provide incentives for recycling recyclable wastes.
2. GOL should encourage the private sector to develop industrial estates in areas where pollutants cannot affect human habitat.

A7. Indigenisation Issues:

The GOL should examine the advisability or otherwise of reserving certain lines of industry for Liberians without prejudice to enabling legislation to engage in joint ventures with foreigners. It is however recommended that small scale industries (capital outlay not exceeding \$50,000) be reserved only for Liberians.

B. Policy Issues

- B1. The Workshop observed that policies pertaining to industry suffer from weak implementation due largely to different interpretations by different ministries or agencies of the policy in force. It notes that the situation derives mainly from the lack of coordination among the actors as well as the lack of mechanism to educate the business community as to the provisions of government policies.

To align Government's policies in accordance with the new industrial strategies, the workshop's recommendations were grouped under three headings:

A. Regulatory environment:

1. That the relevant agencies whose responsibilities it is to formulate and implement policies be streamlined and their areas of jurisdiction clearly delineated. There should also be a formalised mode of interaction to make coordination easier.
2. There should be mounted a national campaign on radio and television to educate the public, and sharpen awareness on the need for national commitment to industrial development.
3. That GOL study the Revised Investment Code and take appropriate action. In this regard, it should also review the functions and powers of the National Investment Commission with a view to making it a central investment promotion agency rather than the grantor of incentives.
4. That a regular forum be created for dialogue between the government and the private sector.
5. That the national leadership should demonstrate the political will to foster an impartial policy environment and an impartial judicial system.
6. That a group of competent lawyers should review existing statutes guiding business activities and recommend appropriate changes or modifications.

- B. Policy instruments:** The workshop noted that the policy instruments have been adopted at various times, for various reasons. It was therefore necessary, in the context of industrial development, to state specifically the industrial objectives and the policy instruments for achieving them:

Recommendations:

Tariffs, taxes and incentives.

- Government should study the tariff structure with a view to bringing it in line with the objectives of self-reliance and self sustaining growth.
- Government should give the granting of incentives or tax rebates to specific measurable or practical objective, and only companies that meet specific criteria should be entitled to the incentives.

- The system of granting incentives as concession should be reviewed.
- flexible monetary and credit policies should be adopted to encourage Liberian businesses.

Promotional institutions: The workshop further examined the institution set up to promote investment in industry and recommend as follows:

- Project financing institutions (LBDI, SEFO and NBL) should be strengthened in their project appraisal and project development roles so that they can assist in developing young entrepreneurs.
- The NBL in its capacity as a Central Bank should be empowered to give necessary guidelines to commercial banks in their intermediation to local industries.
- The role of the various ministries and agencies that promote industrial development should be well spelt out to avoid conflicts.

Policy Framework: The workshop noted that the national policy making framework was fuzzy and faulty. It also noted that for a new strategy and policy to take root, there must be a national strategic group to manage and steer industrial development in the context of total national planning. It therefore recommends that:

- There should be a National Planning Council whose membership will include

The President of Liberia
The Vice President
The Speaker
The President Pro Tempore
The Chief Justice of Liberia
The Ministers of:
Planning and Economic Affairs
Agriculture
Finance
Commerce and Industry
Transport
Local Government
Lands, mines and Energy

Education

State for Presidential Affairs

The Director General of Budget

The President of Federation of-Liberia Trade Unions

President of the Bankers Association

President of the Chamber of Commerce

President of the Manufacturers Association

President of the Rubber Planters Association

President of the University of Liberia

President of Cuttington University College

Williams V.S. Tubman College of Science and Technology

The Superintendents of Counties and a full time vice
Chairman.

The above Council will be for the whole economy but below it will be the Technical Management Committee to be known as the General Coordinating Committee. The Chairman of the Committee will be the Minister of Planning and Economic Affairs, while MPEA will serve as the Secretariat both for the NPC and the GCC.

Below the General Coordinating Committee will be a number of sectoral committees, one of which will be the Industrial Coordinating Committee. This committee (ICC) will serve as the strategic management group for industrial development. Membership of this ICC will consist of the following:

- Ministry of Commerce and Industry as Chairman;
- National Investment Commission (as Secretariat)
- General Services Agency - member
- National Bank of Liberia - "
- Liberia Woodwork Industries Association- Member
- Liberia Manufacturers Association "
- Liberia Industrial Free Zone Authority "
- Ministry of Agriculture "
- Liberia Bankers Association "
- Liberian Chamber of Commerce "

Further the ICC will be divided into two sub-committees - Industrial Policy and Planning Sub-committee (IPPC) and the Small and Medium Scale Enterprises (SME) sub committee.

Regularity of Meetings: The workshop further recommends that these bodies should meet regularly to examine issues of policy, set achievable targets, monitor progress and resolve conflicts: It was suggested that they meet as follows:

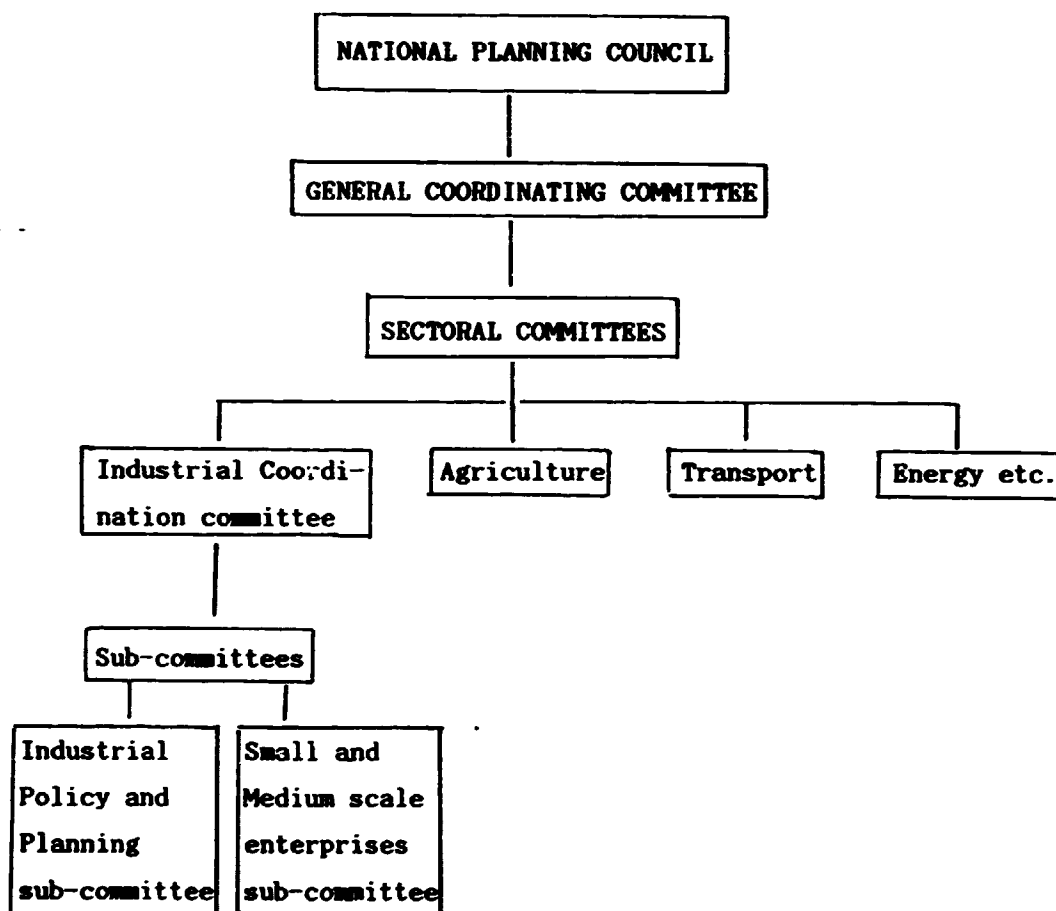
National Planning Council - at least one a quarter
General Coordinating Committee - Monthly
Industrial Coordinating Committee - bi-monthly
Sub committees (IPPC - SME) - monthly.

The Workshop also considered the problem of high turnover among top policy makers, and the tendency of the incoming officer to abandon what the predecessors had started. This does not make for consistency in policies, or commitment to national goals.

Recommendation:

Politically appointed officers should be limited to the top echelon - Minister, Deputy Minister and Assistant Minister leaving the operational level to the Civil Service Commission. Moreover newly appointed political officers should take time to familiarise themselves with the background of policies in their agencies before embarking on major changes.

STRUCTURE OF THE NATIONAL PLANNING COUNCIL
IN RELATION TO INDUSTRIAL PLANNING



LIST OF PARTICIPANTS
NATIONAL WORKSHOP ON INDUSTRIAL STRATEGY AND POLICIES

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40. E.K. Sherman	Training Officer	Institute of Public Administration
41. Victore Ward	Chairman, Chemistry Department	University of Liberia
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4. Thomas G. Koon
5. K.B.K. Sando
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11. Anthony B. Taweh
12. Jaiyah M. Jalarue
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14. Krishan Khosla
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5. Joseph W.S. Wilson, Sr.
6. Uma O. Eleazu
7. Marbue Richards
8. Annie-Musu Benson
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11. Benjamin Freeman
12. William McKav
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2. Roland P. Sambola
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