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Washington, D.C.

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Washington DC 20433
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McManara Papers

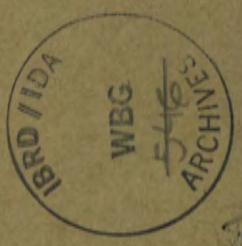
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The World Bank Group
 Travel briefs, Liberia

Folder 2

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WBG Archives



A

ITINERARY FOR MR. MCNAMARA'S VISIT TO
LIBERIA - JANUARY 16-19, 1973

| | | | <u>Tab Reference</u> |
|-----------|------------|--|--------------------------|
| TUESDAY | January 16 | | |
| | 12.15 | Arrive Robertsfield | |
| | 13.30 | Private luncheon with Minister Tolbert at Hotel Ducor | E |
| | 14.30 | Courtesy call on Minister of Foreign Affairs (with Minister Tolbert) | |
| | 15.00 | General Briefing on Liberia's Economic Problems | |
| | 16.30 | Briefing by PUA on Power and Communications | E |
| | 17.00 | Briefing by Minister of Agriculture on Rural Development Approach | E and F (v) |
| | 18.00 | Return to Hotel Ducor Evening free | |
| WEDNESDAY | January 17 | | |
| | 07.45 | Breakfast meeting with UNDP Resident Representative | H |
| | 08.30 | Depart Monrovia (Private Plane) | |
| | 09.30 | Arrive Foya, Lofa County. Inspect Foya Rural Development Project. Meeting with local officials and Paramount Chief | F (v) |
| | 11.30 | Informal luncheon at Foya | |
| | 12.30 | Depart Foya by air | |
| | 13.00 | Arrive Zorzor. Visit Teacher Training College | F (vi) |
| | 14.15 | Depart Zorzor by air | |
| | 14.45 | Arrive Sanniquellie. Visit Hospital | |
| | 15.30 | Depart Sanniquellie by road | |
| | 16.00 | Arrive Nimba (Yekepa) and proceed to Lamco's Iron Ore Mine | F (vii) |
| | 18.00 | Arrive Lamco Lodge. Overnight Stay - evening free. | |
| THURSDAY | January 18 | | |
| | 08.30 | Depart Nimba by air | |
| | 09.30 | Arrive Robertsfield | |
| | 10.00 | Field visit to Liberian rubber farmers | |
| | 12.00 | Return to hotel. Luncheon - free | |
| | 14.00 | Drive to University | |
| | 14.15 | Visit University | |
| | 16.00 | Meeting with Liberian Entrepreneurs | F (iv) |
| | 17.00 | Meeting with Liberian Bankers | F (iv) |
| | 18.00 | Meeting with leading Liberian personalities | |
| | 20.00 | Official dinner by President of Liberia | |
| FRIDAY | January 19 | | |
| | 09.30 | Meeting with President at Mansion Luncheon - free | E |
| | 16.00 | Depart Hotel for airport | |
| | 16.45 | Depart Monrovia RK 49 via Dakar | |
| | 23.05 | Arrive New York - JFK Airport | |

2:30 p.m. Meeting With University of Liberia Officials

ADVISORY COUNCIL

Dr. Advertus A. Hoff - President of University of Liberia
Dr. J. Bernard Blamo, Dean of the University of Liberia
Dr. Toye Bernard, Dean Arthur Grimes Law School
Mrs. Mary Antionette Brown-Sherman - Dean
Mr. Z.E. Zamba Liberty
Dr. McKinley DeShield
C. Wesley Armstrong, Librarian
Dr. Rudolph Togba Nah Roberts
Mr. A. Romeo Horton
Dr. Murray Barclay
Mr. Victor E. Ward, Professor
Mr. Paul C. Ma, Project Manager
Dr. Wolor Torpor, Director Institute of African
Studies
Mr. John S. Varfley
Mr. Hietha C. Brown, Comptroller
Mr. William S. Hoff, Registrar
Mr. Judson Greene, Dean of Students
Miss Vera David, Secretary of Council

3:30 p.m. Meeting with group of young Liberians

Mr. Stanton Peabody
Mr. Milt Greaves
Mr. Wesseh McClain
Mr. Vittorio A. Jesus Weeks
Mr. Harry Greaves
Mr. James Marshall

4:30 p.m. Meeting with Banking Representatives

Mr. Romeo Horton, President Bank of Liberia
Mr. Arthur Hickson,
Mr. Charles Greene
Mr. P. Clarence Parker, President, LBIDI

5:00 p.m. Meeting with the Minister of Commerce, Industry &
Transportation, Honourable William E. Dennis, Jr.

B

LIBERIA

ARRIVAL STATEMENT BY MR. McNAMARA

This is our first visit to Liberia and Mrs. McNamara and I are delighted to be here. We have been looking forward to this visit - to a country which has played such a unique role in the history of Africa and which today holds such a distinguished position in Africa and world affairs. We also look forward to our visits with President Tolbert, his Ministers, and other government officials. During our visit we are anxious to see as much of your country as time will permit.

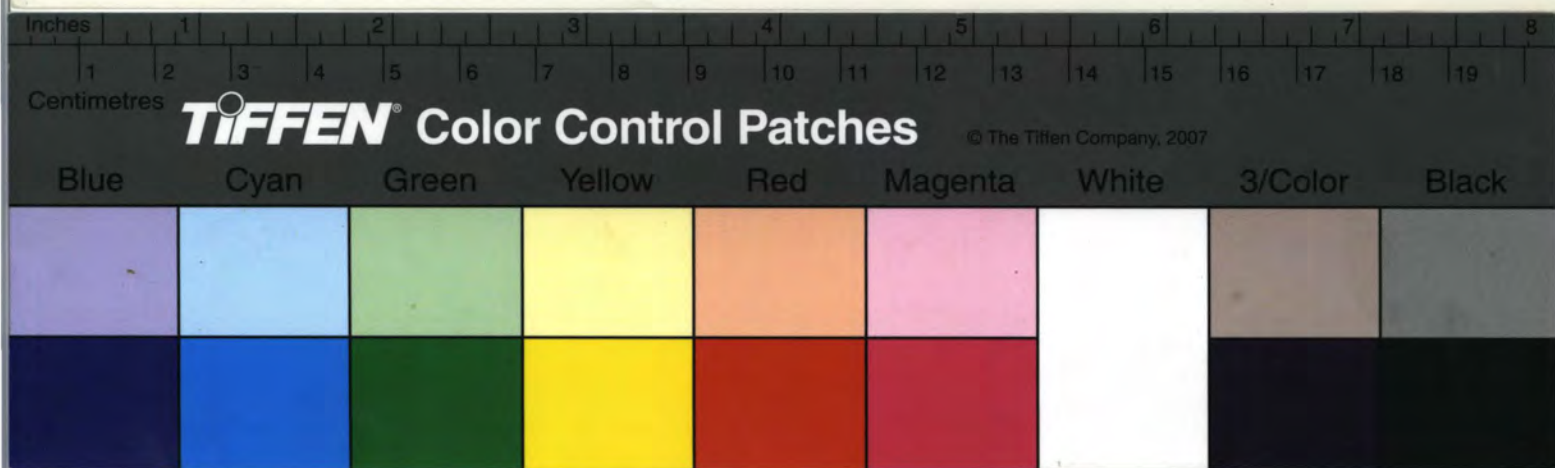
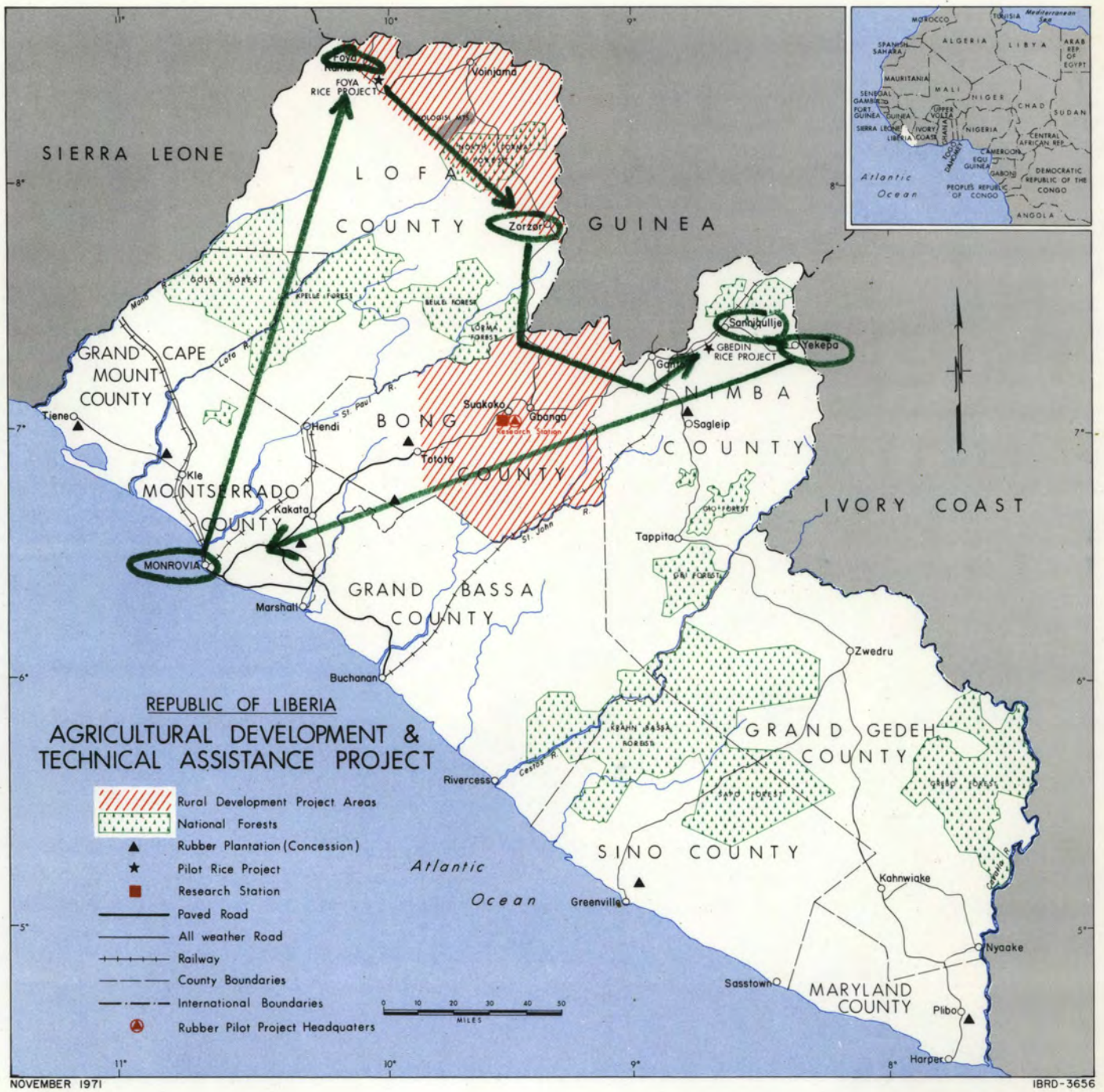
The main purpose of my visit is to obtain a better understanding of your development potentials and needs, and of your plans for the future. We in the World Bank wish to expand our assistance to Liberia and hope thereby to be able to extend the benefits of growth and development to all of Liberia's people.

I have been following with interest events in your country, particularly in the year that has passed since President Tolbert was inaugurated. It has been a momentous year, and we at the World Bank are impressed indeed with what you have accomplished. You appear to have made a vigorous start towards the objectives of reaching "higher heights" which President Tolbert so firmly has established for your nation in its quest for faster and more broadly based development.

This past year has also been a satisfying one for World Bank Group operations in Liberia. Our first lending operations in the fields of agriculture and education were approved last spring. In fact, almost a third of our total lending to Liberia since the first loan was made in 1964, was approved in the year 1972. We hope we can accomplish more in the future -- in helping you develop through priority projects in transportation, agriculture, education, port development and industry.

In Liberia, as elsewhere, our aim is to help to accelerate development, and at the same time spread the benefits of that development as widely as possible. This is a difficult task, but it is a vitally important one, for development that merely benefits the few, but ignores or overlooks the many, is no development at all.

This is the noble task which President Tolbert has set for Liberia. It is a task to which we, in the World Bank, feel honored to be able to make a contribution. Thank you.





REPUBLIC OF LIBERIA

BACKGROUND NOTES

Population: 1.5 million (1970 est.)

Capital: Monrovia

Liberia lies at the southwestern extremity of the western bulge of Africa. Its area, estimated at 43,000 square miles, is about the size of Ohio. Liberia is bordered by Sierra Leone, Guinea, and the Ivory Coast. It has a 370-mile-long coastline on the Atlantic Ocean.

From a narrow strip of level coastal land dotted with lagoons, tidal creeks, and marshes, the rolling country rises in a series of plateaus. Low mountains occur intermittently throughout the country but are rarely more than 3,000 feet in elevations except for Nimba and Wale Mountains, which reach 4,500 feet. Six principal rivers flow into the Atlantic Ocean.

Liberia lies within the tropical rain forest belt with distinct wet and dry seasons. Almost all rainfall occurs between April and November and averages 150-170 inches annually; along the coast it may exceed 200 inches. The average annual daily temperature for the country as a whole is about 80°F.

The Liberian flag is a variation of that of the United States: 11 red and white stripes with a white star on a blue field in the upper left corner. At the time of the flag's adoption in 1847, the single star represented the only free Negro state in Africa. The stripes stand for the signers of the country's Declaration of Independence.

THE PEOPLE

The population of Liberia was estimated at 1.5 million in 1970, with an annual growth rate of about 3 percent. There are approximately 33 people per square mile. Monrovia has about 100,000 inhabitants.

Liberians belong to three principal ethnological groups: Kru, Mandingo, and Gola. In addition, approximately 45,000 are descendants of emancipated slaves from the United States. There are about 5,000 foreign residents, some of whom are U.S. citizens employed by various U.S. business enterprises and the Liberian Government. Approximately 90 percent of the inhabitants still retain their tribal customs.

Although English is the official language, 28 vernacular dialects are spoken by the indigenous people. The literacy rate among English-speaking Liberians is about 9 percent.

Paganism is widespread despite intensive missionary efforts during past years. The more literate are Christians, principally of Protestant

denominations, but Islam has been making slow but steady progress among some tribes in recent years.

HISTORY

It is believed that the early inhabitants moved into the area of what is now Liberia from the north and east between the 12th and 16th centuries. Apparently none of the sub-Saharan Empires encompassed Liberia. Portuguese explorers visited Liberia's coast in 1461, and during the next 300 years European merchants and coastal Africans engaged in trade.

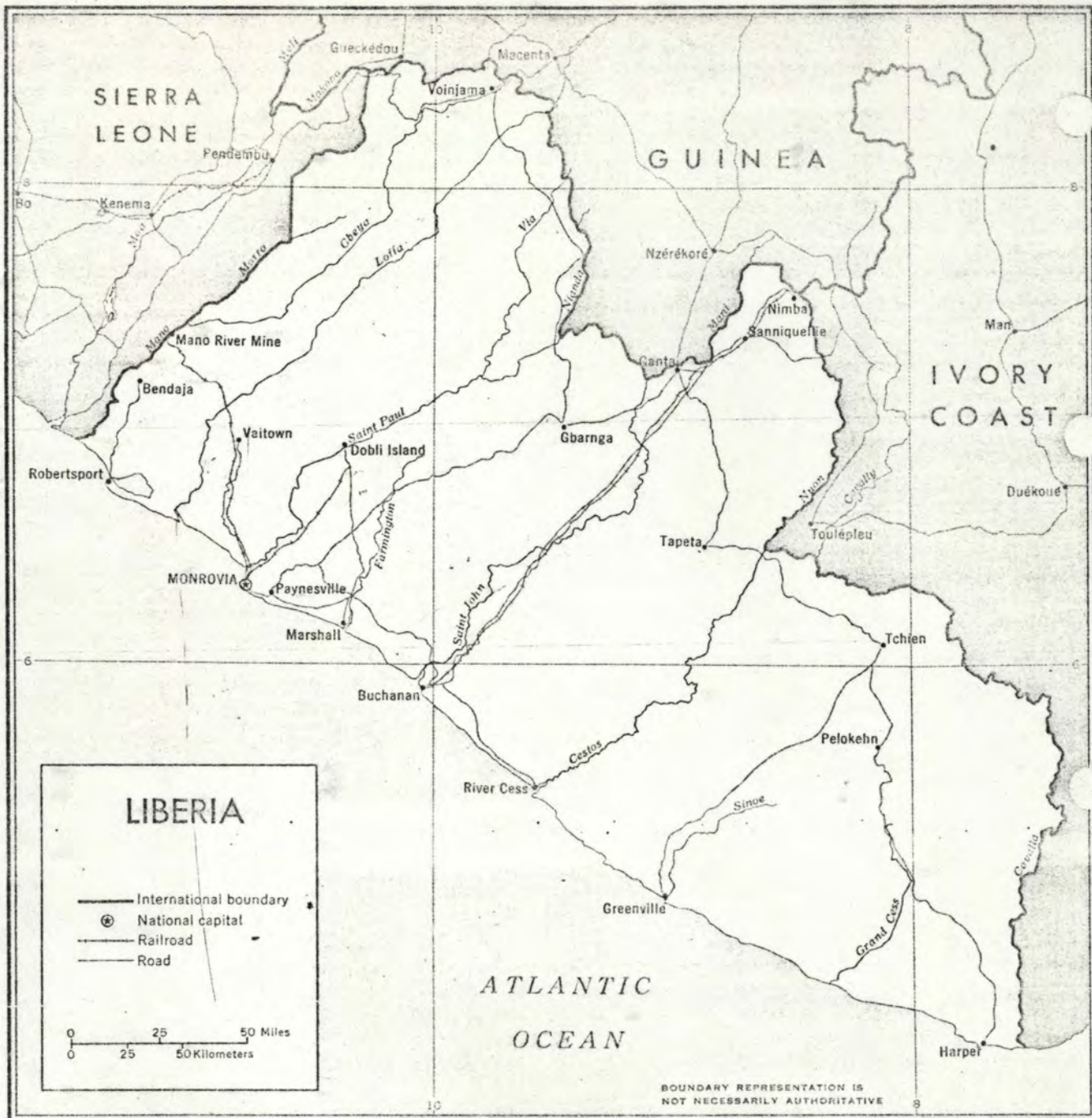
The Republic of Liberia had its origin in 1816 when the American Colonization Society was given a charter by the U.S. Congress to send freed slaves to the west coast of Africa. The country was first settled in 1822, the U.S. Government under President James Monroe furnishing funds and assisting in negotiations with native chiefs for the cession of land. In 1839 the settlers united to form the Commonwealth of Liberia under a governor appointed by the American Colonization Society. In 1847 Liberia became the first independent Republic in Africa, with a Constitution modeled after that of the United States. The United Kingdom officially recognized the Republic in 1848 as did France in 1852; not until 1862 did the United States grant recognition. The first 100 years were characterized as a "century of survival" because of attempts by neighboring powers (French and British) to encroach on Liberia.

William Tubman, who was first elected President in 1944, died in July 1971 and was succeeded by the Vice President, William R. Tolbert, Jr.

GOVERNMENT

Liberia's Government, modeled after that of the United States, is based on the Constitution of July 26, 1847. There are three independent branches: executive, legislative, and judicial.

The executive branch is headed by the President (Chief of State and Head of Government). He and the Vice President are elected by popular vote for an initial term of 8 years and may be reelected to 4-year terms. The President is assisted by a Cabinet of 16 members which he appoints.



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The legislature is bicameral. The Senate, presided over by the Vice President, has 18 members (two from each County) elected to a term of 6 years. The House of Representatives has 52 members elected to 4-year terms on the basis of proportional representation.

The judicial branch is headed by a Supreme Court consisting of a Chief Justice and four Associate Justices. Subordinate courts are established as deemed necessary by act of the legislature. All judges are appointed by the President and serve for life.

For administrative purposes, Liberia is divided into nine Counties each headed by a Superintendent appointed by the President.

POLITICAL CONDITIONS

The Government is highly centralized under the leadership of President Tolbert. Public schools, hospitals, roads, and police are operated by the Central Government. Only Negroes or people of Negro descent may become citizens of Liberia. All citizens are privileged to vote, and only citizens may own land.

Although opposition parties are not proscribed and dissident groups have formed short-lived opposition parties, only one strong political party exists—the True Whig Party which was formed in 1869 and has been in power since 1881. The most recent presidential election was held in May 1971

at which time President Tubman and Vice President Tolbert were reelected. With the President's death in July Vice President Tolbert succeeded to the 4-year presidential term; he will be inaugurated in January 1972.

The Tubman and Tolbert administrations have endeavored to integrate culturally the descendants of the freedmen who settled Liberia and the indigenous tribal peoples. Much progress has been made in assimilating the tribal peoples of the interior into the mainstream of modern national life.

ECONOMY

Liberia's gross domestic product (GDP) in 1969 was estimated at U.S. \$356 million with a per capita GDP of about \$237. As a base for its economy, Liberia has three natural resources—iron ore, rubber, and timber. The development of the first two is well in hand. The timber resources are excellent but are only beginning to be farmed. Other mineral and plantation resources may be developed as a result of surveys undertaken by the Liberian Government with the help of the U.S. Government and other external donors. The highly modern techniques employed in the extraction of ore and some of the urban aspects of the Monrovia area contrast sharply with the simple life of the interior tribes.

Notable gains have been made in the development of Liberia's infrastructure, a major area of U.S. assistance. Projects completed with the help of U.S. grants or loans include the free port of Monrovia, Roberts International Airport, part of the interior road system, Monrovia's new water supply and sewage disposal system (under construction), a hydroelectric dam at Mt. Coffee near Monrovia, and elementary and secondary schools. Also in process are further improvements to the international airport and a survey of desirable road and port development in the southeast. In June 1971 the National Medical Center was formally opened. It was built with the help of a \$7 million U.S. Agency for International Development (AID) loan.

Developing the skills of the Liberians has become the top priority of the Government. The United States is giving full support to the Government in its attempt to create the education, training, and health facilities that are urgently required. Training sufficient skilled manpower to keep pace with the development of natural resources and infrastructure is a crucial and stubborn problem. Assistance is also provided for improving Liberia's public administration.

The Peace Corps has sent volunteers to teach in Liberia's schools and to assist in public administration and rural development.

Liberia's open-door investment policy has attracted large sums of private investment for development projects, such as the Bomi Hills and Mano River iron ore projects, and additional amounts are expected in the future. In 1963 a Swedish-American group began extracting major

iron ore deposits at Nimba Mountain (the LAMCO project). West German investors have developed iron ore resources at the Bong Mountain range. A large private U.S. rubber company has long-standing major holdings in Liberia; several other private U.S. and foreign firms are in the process of developing new rubber plantations. In addition, a few oil companies have expressed interest in conducting offshore explorations.

Several U.N. specialized agencies have extended assistance which should continue in the future. For example, the Food and Agriculture Organization (FAO) has implemented a special-fund project in agricultural education, and the International Bank for Reconstruction and Development (IBRD) has lent funds for the construction of roads.

In 1969 Liberia's imports totaled \$115 million and included machinery, transportation equipment, foodstuffs, and manufactured goods. Its exports were iron ore, diamonds, rubber, coffee, and cocoa and amounted to \$196 million. Liberia's major trading partners are the United States, the Federal Republic of Germany, the Netherlands, Japan, and the United Kingdom.

Liberia encountered rather serious financial difficulties in 1963 as a result of large short-term debt obligations, a drop in world prices of rubber and iron ore, and a reduction in private and public capital investment. In 1969 the Liberian external debt was rescheduled with the assistance of the International Monetary Fund (IMF). At the same time an austerity program was adopted. The long-term economic prospects of the country now are excellent, but foreign debt will be a continuing problem for the next few years. Liberia uses the U.S. dollar as its currency.

FOREIGN RELATIONS

One of the basic tenets of Liberia's international policies is the belief that the future of small nations can be best served by cooperative efforts. For this reason it was one of the charter members of the United Nations and remains one of the staunchest supporters of its specialized agencies.

In pan-African affairs Liberia has been an active leader and plays an important role in the Organization of African Unity (OAU). The Government has been represented at all of the important conferences of African leaders and has frequently taken the initiative in encouraging such gatherings. The Liberian leadership supports peaceful settlement of disputes and frequently has used its good offices to encourage moderation.

U. S. - LIBERIA RELATIONS

The excellent relations between the United States and Liberia have been friendly since the inception of the Republic in 1847. U.S. official policies toward Liberia are based on the desire to maintain and strengthen the close ties already existing.

The United States continues to give assistance and support to the efforts of Liberia to improve the welfare of its people and strengthen its representative government. During the period 1946-70 U.S. official development assistance totaled \$170 million (\$102 million in grants and \$68 million in loans), primarily for programs of the Agency for International Development, Public Law 480 (Food for Peace), and the Peace Corps. Additional support for Liberian efforts has been given by U.S. business, missionary, and educational organizations, which have continued to be very active in the country.

The United States and Liberia have an active cultural exchange program which is administered by the U.S. Educational and Cultural Foundation at Monrovia.

In February 1970 William P. Rogers became the first Secretary of State to visit Liberia.

PRINCIPAL GOVERNMENT OFFICIALS

President—William R. Tolbert, Jr.
Vice President—
Secretary of State—J. Rudolph Grimes
Secretary of the Treasury—James Milton Weeks
Attorney General—C. L. Simpson, Jr.
Secretary of National Defense—Allen H. Williams
Postmaster General—McKinley A. DeShield
Secretary of Internal Affairs—E. Jonathan Goodridge
Secretary of Education—George Flamma Sherman
Secretary of Public Works and Utilities—Gabriel Tucker
Secretary of Agriculture—James T. Phillips, Jr.
Secretary of Commerce and Industry—William E. Dennis, Jr.
Secretary of Information and Cultural Affairs—E. Reginald Townsend
Secretary of Planning and Economic Affairs—Cyril A. Bright
Secretary of Public Utilities Authority—Taylor A. Jamor

Ambassador to the U.S.—S. Edward Peal
Ambassador to the U.N.—Nathan Barnes

Liberia maintains an Embassy in the United States at 5201 16th Street, N.W., Washington, D.C. 20011.

PRINCIPAL U. S. OFFICIALS

Ambassador—Samuel Z. Westerfield
Deputy Chief of Mission—David L. Gamon
Director, U.S. AID Mission—William C. Wild, Jr.
Chief, U.S. Army Training Mission—Col. Richard G. Miller
Public Affairs Officer (USIS)—Stepney C. Kibble

The U.S. Embassy in Liberia is located on United Nations Drive, Monrovia.

READING LIST

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Department of State. Africa: This New Dialogue. Pub. 8511. Washington, D.C.: U.S. Government Printing Office, 1970.
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Write to the Superintendent of Documents, U.S. Government Printing Office, Washington, D. C. 20402, for any item, or combination of items, from among the following material:

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- 2) One-year subscription service for approximately 75 updated or new *Background Notes* . . . \$3.50 per year, plus \$3.00 for foreign mailing.
- 3) Plasticized binder for *Background Notes* . . . \$1.50 each, plus 40 cents for foreign mailing.
- 4) Individual *Background Notes* . . . \$0.10 each, add 25 percent for foreign mailing. (Orders of 100 copies or more of the same Note sent to the same address are sold at a 25 percent discount.)

DEPARTMENT OF STATE PUBLICATION 7991, Revised December 1971
Office of Media Services, Bureau of Public Affairs

D

PRESIDENT OF LIBERIA

- Dr. Williams Richard Tolbert, Jr. *successful bus. man + farmer*

VICE PRESIDENT OF LIBERIA

- James Edward Greene

SPEAKER OF THE HOUSE OF REPRESENTATIVES

- Richard Abrom Henries

PRESIDENT PRO TEMPORE OF THE SENATE

- Frank Emmanuel Tolbert

CHIEF JUSTICE OF LIBERIA

- James A. A. Pierre

THE CABINET

Minister of Foreign Affairs

- Rocheforte L. Weeks *Howard + Cornell lawyer*

Minister of Finance

- Stephen A. Tolbert *Howard + H. G. Misk*

Minister of Justice

- Clarence L. Simpson, Jr. *former judge bus. in up-country + effort*

Minister of Postal Affairs

- McKinley A. DeShield *good*

Minister of National Defence

- Allen H. Williams *very able Postage + M. Tolbert*

Minister of Local Government, Rural Development & Urban Reconstruction

- E. Jonathan Goodridge

Minister of Education

- G. Flamma Sherman *Tobman Postage - resident*

Minister of Agriculture

- James T. Phillips, Jr. *Postage + M. Tolbert*

Minister of Public Works

- Gabriel J. Tucker *good*

Minister of Commerce, Industry and Transportation

- William E. Dennis *Not strong but has effie. dep. Wharton*

Minister of Information, Cultural Affairs and Tourism

- Edward B. Kesselly *Such + weak staff - welcomed H. G. Misk*

Minister of Planning & Economic Affairs

- Franklin Neal *able, competent*

Minister of State for Presidential Affairs

- E. Reginald Townsend

Minister of Mines and Lands

- A. E. Nyema Jones

Minister of Labour and Youth

- J. Jenkins Peal *able effie.*

Chairman, Public Utility Authority

- Taylor E. Major *Howard + Cornell Driving force behind P.U.A. board*

Minister of Health & Welfare

- Mai Padmore *at odds with Admin.*

IMPORTANT DEPUTY CABINET MINISTERS

| | | |
|--|---|-----------------|
| Deputy Minister of Foreign Affairs | - | Robert F. Okai |
| Deputy Minister of Finance | - | Edwin Williams |
| Deputy Minister of Justice | - | Roland Barnes |
| Deputy Minister of Education | - | Jackson Doe |
| Deputy Minister of Agriculture | - | Louis Russ |
| Deputy Minister of Commerce | - | Richard Morris |
| Deputy Minister of Planning | - | Henry Yaidoo |
| Deputy Minister of Economic Affairs | - | Samuel Greene |
| Deputy Minister of State for Presidential Affairs | - | Burleigh Holder |
| Executive Office, Public Utility Authority | - | Thomas Tubman |

BIOGRAPHY OF HIS EXCELLENCY
WILLIAM RICHARD TOLBERT
PRESIDENT OF THE REPUBLIC OF LIBERIA

William Richard Tolbert was sworn in as 19th President of the Republic of Liberia on July 23, 1971. He fills the unexpired term of the late President William Tubman, who died at London Clinic in London, England on July 23, 1971.

President Tolbert was born in Bensonville, Montserrado County, May 13, 1913.

His early education was obtained at the Government Elementary School in Bensonville, and later, at Crummwell Hall, a Protestant Episcopal High School in Clay-Ashland, on the St. Paul River.

Matriculating to Liberia College, (now the University of Liberia), he earned his degree in the year 1934, graduating SUMMA CUM LAUDE. In 1952, he received the degree of Doctor of Divinity, and in 1966 the degree, HONORIS CAUSA in the field of International Affairs was conferred upon him by the University of Liberia. He is also a Member Emeritus of the Institute Humaniste of France.

Dr. Tolbert is a devout Baptist. In his Church, the Zion Praise Baptist Church at Bensonville, he rose from a Deacon in 1933 to a Licentiate in 1951, and was subsequently ordained as Elder of the Baptist Church. In 1960 he was elected Vice President of the Baptist World Alliance (for Africa) and in 1965 President, being the first of his race to occupy this high post. Dr. Tolbert is given credit for being primarily responsible for the beautiful Church Building now in Bensonville.

His public service record began with his entry into the Treasury as a clerk in the Bureau of Supplies in 1935. Later he became Disbursing Officer of the Government, in which capacity he served until 1943. He was elected to the House of Representatives in 1943.

In the House, Dr. Tolbert became Chairman of two important Committees: Ways, Means and Finance, and Agriculture and Commerce. His competence in these positions won him the admiration of his colleagues, and also because of his liberal support of the policies of the Tubman Administration, he was elected Vice President in 1951 during the re-election of President Tubman. He enjoyed the distinction of being one of the youngest Vice Presidents in the history of the country.

In private life, President Tolbert is a successful businessman and farmer. He has sponsored and actively participated in many establishments including several mercantile business and religious institutions. He is a keen Freemason.

PERSONAL DATA ON
VICE PRESIDENT JAMES E. GREENE

Born: June 6, 195 - Greenville, Sinoe County, Liberia

Education: St. Paul High School, Greenville, Sinoe County;
B.A., Liberia College - 1940

Professional Experience: Teacher at Sinoe High School (1941-1949) -
Principal, Sinoe High School (1949-1952)

Superintendent of Sinoe County (1952-1961)

Senator, Sinoe County (1961-1970)

Vice National Chairman, True Whig Party (1963-1972)

National Chairman TWP (1967-1970)

Vice President of Liberia (1972-)

Religious Affiliation: Episcopalian

General: Married to Minnie Louise Frazier - 3 children

Honorary Past Grand Master of UBF,
District Past Grand Master of Odd Fellows,
33° Mason and Senior Grand Ward of Masons

STEPHEN A. TOLBERT
MINISTER OF FINANCE

Birth: February 16, 1921, Bensonville.

Education: University of Liberia 1936-41; Bachelor of Arts. Howard University, 1943-44 - special studies. University of Michigan 1944-48 (B.Sc.) Master in Forestry.

Public service: Department of State, Chief, Division of Passports 1941-43; Chief, Division of Forestry, Department of Agriculture 1948; Deputy Minister of Agriculture & Commerce, 1948-57; Former Director, School of Forestry, University of Liberia; Government Delegation to the International Labour Organization Conference, 1952; Government Delegation to the Food & Agriculture 1959; Secretary of Agriculture & Commerce 1960; 1st Minister of Finance - appointed in January, 1972.

Business activities: Member, Board of Directors, Bank of Lagos, Nigeria; Member, Board of Directors, Bank of Liberia; Founder and Managing Director, Mesurado Fishing Company; Mesurado Hotel; Mesurado Oxygen Supply Corporation and Mesurado Construction Corporation. Liberian National Shipping Company and Liberian Natural Resources Development Corporation; Director, Niger Swiss Ltd.; Lagos Nigeria; Executive Vice President Roane Plantations Co. of Africa; President, Mesurado Group of Companies.

Marriage: Neh Dukuly, daughter of Former Secretary of State Momolu Dukuly; Seven Children.

Religious affiliation: Baptist - Zion Praise Baptist Church, Bensonville.

General: Minister Tolbert is one of West Africa's most successful business men. His main business approach has been to operate a fishing trawler fleet which delivers frozen products direct to refrigerated trucks for delivery direct to consumers in towns and villages in up-country. This approach has been successful in several West African countries, including Nigeria and Sierra Leone. Lately he has had considerable success with lobster and shrimp fishing for export. His products go as far as North America and Japan. Minister Tolbert

is said to be the power behind the President, his brother, and in his dealings with other Cabinet Ministers he seems to act as a de-facto Prime Minister. Very cordial to the Bank, in whose missions he always takes a personal interest and solicits our advice.

MRS. ELLEN SIRLEAF-JOHNSON
ASSISTANT MINISTER OF FINANCE

Education: B.A. - University of Wisconsin
M.P.A. (Master's Degree in Public Administration) -
Harvard University

Work Experience: 1972 - Assistant Minister of Finance
Ministry of Finance
1967-72 - Special Assistant to the Secretary
of the Treasury
1965-67 - Accountant
Treasury Department

General: Mrs. Sirleaf-Johnson, who is in her mid-thirties, handles Budgetary Affairs in the Ministry of Finance where she has Minister Tolbert's full confidence. She is dedicated to development and is one of the most dynamic and efficient civil servants in Liberia. A frequent member of government delegations to Washington, Mrs. Sirleaf-Johnson is perhaps our most reliable and trusted contact point in the Government. She is a cool, level-headed and action-oriented manager, who, at the same time, is personable and is much respected by her colleagues. She is, however, overworked and might one day, perhaps soon, consider a position with one of the international agencies.

HONORABLE JAMES T. PHILLIPS, JR.
Minister of Agriculture

BIRTH: Born December 3, 1927, Monrovia, Liberia

EDUCATION: Educated College of West Africa, Monrovia;
Tuskegee Institute and Rutgers University, U.S.A.
B.Sc., M.Sc.

POSITIONS: Headed Agronomy Division, Agricultural Experimental
Station, Suakoko; Station Director; Co-Ordinator
of Technical Programs.

Brought in to Government as Assistant Secretary
of Agriculture by the then Minister of Agriculture,
Stephen Tolbert.

MARRIAGE: Married, two children.

COMMENT: A protege of Minister Tolbert who appears to be
generally efficient. Relations with Bank are good and
businesslike. He tends to be rather weak on the
economics of agriculture and favor capital-intensive
production technology which to him has the attraction
of achieving production results. However, he is
well-meaning and hard working, and can be won over by
good and convincing arguments. An aviator with his
own private plane, which he uses weekly to inspect
development projects all over Liberia. This has
inspired field workers and boosted their morale.

PERSONAL DATA ON WILLIAM E. DENNIS, JR.
Minister of Commerce, Industry and Transportation

BIRTH: Monrovia, August 11, 1943: Father was former Secretary of the Treasury.

EDUCATION: Elementary schools - College of West Africa and Assembly of God Mission, Monrovia.
Institute Resenberg, St. Gall, Switzerland -
High School - Millfield High School, Street - Sommerset, England, where he received his G.C.E., A and O levels.
University - Bachelor's degree from Wharton School of Finance and Commerce, University of Pennsylvania.
Postgraduate studies - Arthur D. Little, Cambridge, Massachusetts, where he did combined courses in development economics and obtained the equivalent of a Master's degree.

PROFESSIONAL EXPERIENCE:

Technical Analyst, Liberian Bank for Industrial Development and Investment;
Manager, Monrovia Port Management Company;
President Tolbert appointed him as Secretary of Commerce and Industry on September 14, 1971.

MARRIAGE: Eugenia Baker; one daughter

FRATERNAL AFFILIATION:

Chaplain, The Literary Club, Inc.,

RELIGIOUS AFFILIATION:

Providence Baptist Church, Monrovia.

GENERAL:

A protege of Minister Tolbert who is anxious to move Liberia forward on a developmental path. Very inexperienced and has weak staff below him. Welcomed warmly the Helen Hughes mission and seeks Bank advice.

HONORABLE ALLEN H. WILLIAMS
Minister of Defense

BIRTH: November 16, 1919, Harper City, Maryland County.

EDUCATION: College of West Africa, Monrovia and Cuttington
College, Harper City;

POSITIONS: Former Statistical Clerk; Assistant Revenue Agent;
Revenue Agent; District, Commissioner and Under
Secretary Department of Internal Affairs.

DECORATIONS: Decorated by governments of Sweden, Cameroons and
Yugoslavia. Member Masons, U. B. F., Odd Fellows,
Eastern Star, Crowds 13 and 16.

MARRIED: five children

RELIGION: Episcoplian

GENERAL: A very respected man by both foreigners and Liberians.
Father of Deputy Finance Minister Williams.

HONORABLE G. FLAMMA SHERMAN
MINISTER OF EDUCATION, R.L.

BIRTH: August 28, 1913, Grand Bassa County

Education: Liberia College, B. A. 1938
Fellow of the Institute of Commerce, London.

Public Service:

Teacher, Bassa High School, 1939-41
Principal, Bassa High School, 1942-44;
Supervisor of Schools, Grand Bassa County;
Superintendent, Grand Bassa County, 1952-56
Assistant Secretary of Public Works & Utilities,
1956; Consul General, London, 1956-60
Ambassador to the Republic of Ghana, 1960-70;
Secretary of Education, February 1970;
1st Minister of Education, January 1972.

Military Career:

Major, Armed Forces of Liberia, D.S.O.

Fraternal Orders:

Master Mason, Past Master - U. B. F.

Marriage: Victoria Ethel Reeves - Five children.

Religious Affiliation:

Episcopalian

General: A Tubman protege, Minister Flamma Sherman does not hold much clout in the present Administration - which loyally keeps him in to satisfy regional interests.

ROCHEFORTE L. WEEKS
Minister of Foreign Affairs

Born: August 15, 1923, in Crozierville, Liberia
Married: Eupheme Cooper-Weeks (8 children)

Religious Affiliation: Methodist;
Chairman,
* Reeves Memorial Methodist Church, Crozierville.

Education:

Protestant Episcopal Parish (Elementary) Day School,
Crozierville Central National School (Elementary) White Plains
Preparatory Department, Liberia College (High School)
(1938-1940)
Liberia College, Monrovia, Liberia, B.A. (1944)
Howard University, Washington, D.C. LL.B (1952)
Cornell University, Ithaca, New York, LL.M (1954)

Professional Experience, Legal:

Admitted to the Montserrado Bar as an Attorney-at-Law - October Term 1955.
Admitted to the Bar of the Supreme Court of Liberia as Counsellor-at-Law,
January 25, 1956.
Instructor, University of Liberia Law School, 1955-1959.

Government and Public Service:

Secretary to the Vice President of Liberia - 1944-1949
Secretary to the Delegation of Liberia, Ninth Session of the General
Assembly of the United Nations, 1954-1955.
Member, Liberian Codification Commission, New York, 1955
Member, Liberian Delegation to the United Nations Conference on the
Law of the Sea, Geneva, 1958.
Chairman, Liberian Delegation to the First Assembly, Inter-Governmental
Maritime Consultative Organization, London, 1959.
Codification Officer, Department of Justice, R.L., 1955-1956.
Assistant Attorney General of Liberia, 1956-1959.
Member of the Board of Trustees and President, University of Liberia,
April 6, 1959-January 1972.
Chief Representative of the Republic of Liberia, International Court
of Justice, Maritime Case (1960)
Minister of Foreign Affairs (1972)-

HONORABLE E. J. GOODRIDGE
Minister of Internal Affairs

BIRTH: Born May 12, 1917, Crozierville, Montserrado County.

EDUCATION: America Lutheran School, Millsberg, Liberia and
College of West Africa (C. W. A.), Monrovia, Liberia.

POSITIONS: Teacher; Counties Inspector; Administrative Assistant
to the President of Liberia; Held ranks of 2nd Lt. through
Major General, Armed Forces of Liberia; Montserrado
County Chairman; True Whig Party (TWP); 1st National
Chairman T. W. P. 1967; Member I.O.G.T., UBF., Odd
Fellows and Masons.

MARRIAGE: Married, four children.

RELIGION: Methodist

CLARENCE LORENZO SIMPSON, JR.
Minister of Justice

NAME: Clarence Lorenzo Simpson, Jr.

BIRTH: June 15, 1933, Monrovia, Liberia

WIFE: Judith Blaine

EDUCATION: College of West Africa, Liberia - 1948-1955
(Preparatory Department) 1945-1948; Williston
Academy, 1948-1954, Easthampton, Massachusetts;
The University of Massachusetts, 1951-1955, AB,
Amherst, Georgetown University, 1955-1958,
LLM, Washington, D.C.

POSITIONS: Legal Counsel, D. P. W. U. - 1958; Member Board of
Directors - Public Utilities Authority
Legal Counsel and Associate Justice of Liberia.

MEMBERSHIP: Grand Lodge of Masons, YMCA

RELIGION: Protestant (Episcopal)

INTERNATIONAL CONFERENCES:

Public Works Roads Conference - Accra - 1959;
International Atomic Energy Agency - Vienna - 1961;
World Peace Through the Rule of Law - Athens, 1963;
Electric Power Meeting for Africa - Addis Ababa, 1963.

GENERAL: A very able and respected man who is a protege of Minister
Tolbert.

HONORABLE GABRIEL J. TUCKER
Minister of Public Works

BIRTH: July 19, 1934

EDUCATION: Elementary: St. Patrick's School
High Schools: College of West Africa,
Booker Washington Institute
College: University of Liberia; Cuttington College
Others: Howard University; Indiana Institute of
Technology.

PROFESSIONAL EXPERIENCE:

Designing Engineer, Public Works Department;
Project Engineer, Monrovia-Ganta Pavement
Project; Location Engineer, Public Works Residence
Engineer, Harper Cape Palmas; Under Secretary of
Public Works & Utilities; 1st Minister of Public Works.

MARRIAGE: Married to the former Miss Williamena Tubman (daughter
of the late President); one son

GENERAL: Not very strong Minister - who relies very much on his
efficient Deputy Minister, Winston Richards.

PERSONAL DATA ON HON. J. JENKINS PEAL

Birth: March 1, 1928, Millsburg

Education: elementary school: Central High School, White Plains,
Millsburg's Boys' School
College of West Africa --cum laude
M.A. in journalism from American
College - 1956

LL.D, University of Wisconsin - 1959
Post graduate in Labour Economics
at Wisconsin University.

Professional Experiences:

One of the 2 organizers of the
Mechanical and Allied Workers
Unions now the CIO.

Elected to the House of Representa-
tives - 1963
Served as Law Professor at the
University of Liberia

Legal Counsel of the Department of
Public Works -

Commissioner of Immigration and
Naturalization and Deputy Attorney
General, R.L.

Resigned from the House of Repre-
sentatives - January 11, 1972.

Commissioned by President Tolbert
as Minister of Labour and Youth,
R.L., January 11, 1972.

Religious affiliation:

United Methodist Church

BIOGRAPHY OF
E. REGINALD TOWNSEND

TOWNSEND, Edison Reginald Minister of State for Presidential Affairs and former Secretary of Information & Cultural Affairs; (1964-1972) Press Secretary to the President of Liberia; born July 23rd, 1917; Schieffelin, Marshall Territory.

Education: Lott Carey Mission, Brewerville (1933-1936), Liberia College High School, Monrovia (1937-1939); Liberia College Monrovia (1940-1943); American University Washington, D. C., U.S.A. (1950-1952); Special Studies, Michigan State College East Lansing, Michigan (1952-1953). Profession: Journalist. Degree: B.A. (L.C.) and M.A. (A.U.).

Married: Evelyn Diggs Townsend.

Positions held: Clerical Staff, House of Representatives; Business Manager, Executive Mansion; Instructor, College of West Africa; Major, Armed Forces of Liberia.

Clubs and Societies: Triple Six, YMCA, the American Academy of Social and Political Science, United Brothers of Friendship; Grand United Order of Odd Fellows, Grand Treasurer, Grand Lodge of Masons of Liberia.

Books written: Thesis - "The Liberian Press", June 1952, compiled and annotated Speeches of President Tubman entitled "President Tubman Speaks", December, 1959 and co-edited with Dr. Abecdu Jones. "Official Papers of William V. S. Tubman", 1968. Hobbies: Sports, Soccer and Reading.

CURRICULUM VITAE OF MRS. MAI PADMORE
MINISTER OF HEALTH AND WELFARE, R.L.

Place and Date of Birth: Monrovia, August 20, 1916

Parents: (Father) - the late Honourable Richard Wiles, former
Speaker of the House of Representatives.

(Mother) - Mrs. Mai Wiles, sister of the late Chief
Justice Louis Arthur Grimes

Education: Trinity Parish School, Monrovia

Private School of Mrs. Matilda Parker, Monrovia

College of West Africa (graduated 1935)

Business Education: College of West Africa and
private lessons under Ambassador John Cox

Professional Experienced: taught at CWA for a year following gradua-
tion

Secretary to President Barclay, Executive Mansion
1936-1940

Secretary, Firestone Plantations Company,
1940 - 1950

Secretary, Executive Secretary to President
Tubman, Executive Mansion, 1951 - 1955

Accompanied husband to United States of America
upon his appointment as Ambassador of Liberia

Helped organize the Sanniquellie Conference,
1959, and Monrovia Conference, 1962, which led
to the founding of the Organization of African
Unity.

Special Assistant to President Tubman, 1963 - 1971

Married: George Arthur Padmore, April 1939; five sons: G. Arthur,
Edwin, Gerald, Ronney and Wiggie. Five grandchildren

Religious affiliation: St. Thomas Episcopal Church

McKINLEY ALFRED DeSHIELD
Postmaster General of Liberia

BIRTH: February 23, 1909 in Monrovia, Liberia

EDUCATION: Parish Day School of Trinity Memorial Church,
Monrovia; Liberia College; College of West Africa,
Graduated Class of 1931.

POSITIONS INCLUDE:

Supply Officer, Treasury Department, 1935;
Chief Clerk, Treasury Department;
Chief, Bureau of Mines, Treasury Department.

Secretary, Post Office Department, 1946;
Assistant Postmaster General, 1947;
Postmaster General, 1949 -

MARRIAGE: Twice married - Five Boys and Three Girls

RELIGION: First Methodist Church, Monrovia

PROFESSION: Attorney-at-Law.

GENERAL: A king-maker in Liberian politics, he reportedly
threw his weight to Vice President Tolbert after Tubman's
death - when others wished to nominate new candidates
for the Presidency and dissensions threatened the stability
of the political scene. Head of Freemasons in Liberia.

RICHARD ABROM HENRIES
SPEAKER OF THE HOUSE OF REPRESENTATIVES

Name: Richard Abrom Henries.

Position: Speaker of the House of Representatives.

Birth: September 16, 1908, Monrovia, Liberia.

Education: College of West Africa, graduated 1927; Liberia College, now University of Liberia, graduated 1931 with Bachelor of Arts Degree. Awarded Honorary Degrees of LL.D, D.C.L., University of Liberia.

Positions Held: Professor Mathematics, Liberia College, now University of Liberia - 1932; Chief Clerk, Commonwealth District of Monrovia, 1933-1934; Chief Clerk, Treasury Department, 1934-1938; Supervisor of Schools for Sinoe and Maryland Counties, 1938-1943; Member House of Representatives, 1943; Chairman, Committee on Foreign Affairs, Chairman, Committee on Education, House of Representatives; Secretary, Board of Trustees, Liberia College, 1946; President, Board of Trustees, University of Liberia, Charter Member, Liberian Scholastic Honor Society, 1950.

Politics: Chairman Local True Whig Party, Monrovia, 1944 up to the present; Party Leader.

Profession: Lawyer, Senior Partner, Henries' Law Firm, Monrovia, and President, National Bar Association, Legal Advisor, LAMCO in Liberia, LMC, Firestone Plantations Company, Bank of Monrovia, Inc.

Author: "Liberia, the West African Republic,"
"Realization of a Hope" and "The Dignity of the Overall."

General: An active Baptist.

HONORABLE TAYLOR E. MAJOR
Chairman of Public Utility Authority
(Cabinet rank)

BIRTH: November 24, 1918, Greenville, Sinoe County

EDUCATION: Howard University - 1944-48, B.Sc., C.E.E.
Magna Cum laude Post graduate studies,
Cornell University, Ithaca, N.Y.

MARRIAGE: Esther Wilbanks (6 children)

PROFESSION EXPERIENCES:

Enrolling clerk, Liberian Senate, 1942-43, Assistant
Commissioner of Telephone engineer, Chairman of the
Board of Public Utilities Authority - 1961; Consultant
and Advisor, Department of National Planning and Economic
Affairs, 1967; Secretary, Public Utilities Authority -
1968.

RELIGIOUS AFFILIATION:

First Presbyterian Church, Greenville, Sinoe County.

GENERAL: Former President, Y. M. C. A. and active Freemason.
Mr. Major is a very able executive - a driving force
behind past Bank loans in the public utility field.
At some odds with the Tolbert Administration he may not
last long in the Government.

FRANK E. TOLBERT, SR.

Frank E. Tolbert, Sr. is a brother of President Tolbert and Minister Tolbert. He was born February 3, 1910, at Bensonville, Montserrado County.

He received his elementary education from Monrovia College, studied at Liberia College (now University of Liberia), and graduated in 1933 with a Degree of Bachelor of Arts.

In 1935, he was appointed Chief Clerk, Office of the Financial Advisor, Republic of Liberia, where he served until the year 1946. In 1946, he was appointed Administrative Assistant to the Liberian Government Hospital; in 1949, he was appointed by President Tubman as Assistant Secretary of Public Works and Utilities; on May 5, 1953, he was elected Senator of the Republic of Liberia from Montserrado County. On December 15, 1971, he was elected President Protempore of the Liberian Senate.

General: Treasurer, Board of Trustees, University of Liberia.

UNDP RESIDENT REPRESENTATIVE

CURRICULUM VITAE

Name: Curtis Campaigne Nationality: U.S.A.
Date of Birth: July 6, 1912 Marital Status: Married
Languages: English
French (2)

Education: 1930-34 - Williams College, Williamstown, Massachusetts,
U.S.A., B.A. (philosophy)
1934-38 - Yale Law School, New Haven, Connecticut, U.S.A.
L.L.B.

Experience: 1938-42 - Associate, Townsend and Lewis, New York City,
general legal practice, corporate and securities
law
1942-53 - Associate Counsel, International Paper Company,
New York City, general corporate law
1954-61 - Secretary-General, World Veterans Federation, Paris,
France
1962-64 - United States Agency for International Development,
State Department, Washington, D.C., Mission
Director for Cambodia
1964-67 - United States Agency for International Development,
Mission Director for Guinea
1967-68 - Special Assistant for the International Year of
Human Rights, Division of Human Rights, United
Nations, New York
1968 - UNDP Resident Representative in Liberia

11

4 yrs

Changes - the members; but hasn't opened into countryside yet
to that: not Tammany type but Tubman was +; must see route

→ generally interested in opening of the countryside

Important to have foreign adv to get to address the various matters
in same way the people will take advice better than many other countries

Phay Nam sophisticated & orderly as per - one who was a promoter

→ the biggest will be whether the Pres. will make use of the Phay Nam &
Phay Council

We should join the effort - Phay of the UNDP work

TOPICS FOR DISCUSSION

(i) General

The dialogue between the Government and the Bank is excellent. The direction of your conversation with the top government officials might best be done in rather general terms. Perhaps the major point to carry across to them is that they should strive to set their goals higher--both for economic and political reasons. On the economic front, they need to formulate a long-term development strategy--away from reliance on enclave industries (particularly iron ore exports which may only last for a decade or so). Their efforts in field of agriculture and education are commendable, but without proper long-term perspective yet (although this will be improved, hopefully, as IDA-financed sectoral planning teams become fully operational in the Ministries of Agriculture and Education. One thing to watch out for in agriculture is the economics of heavily capital-intensive land clearing schemes executed and financed by the Israeli-operated AGROMECON schemes in Upper Lofa country.

On political grounds, the goals should also be set high enough to satisfy the "Young Turks"--the well-educated younger generation which was successfully brought back from Western Europe and North America by President Tolbert for upper medium level jobs in the Government. Their impatience with Tubman in the past prevented them from returning. The Tolbert regime has wet their appetite for change in Liberia--they wish lesser reliance on the U.S., more development focus for government policies, a harder line on foreign concessions and a more African orientation for Liberia. They also strongly believe a full central bank should be established to give proper economic controls to the Liberian Government.

On many of these fronts, the present Government has moved boldly in the direction they desire. But will it move fast enough to satisfy them on a continuing basis?

President Tolbert will be interested in your views on this general problem. His dilemma is that the older generation is disinclined to loosen their ties to the U.S.A.--they prefer, for example, continued use of U.S. currency in Liberia and wish to go slowly on the establishment of a Central Bank. The IMF prepared a report in 1972 on how the Central Bank should be established. The younger civil servants wish to implement this promptly, but have for the time being been told that this would only be done very gradually.

On foreign concessions the Government is moving a bit more resolutely. The Concession Secretariat has been established in the Ministry of Finance--but so far without any expatriate staff. UNDP and UN/OTC have been unable to expedite the international recruitment necessary (concession lawyer, accountant, auditor and mining and forestry economists)--a project for which UNDP offered the Bank the Executing Agency function, but which we refused to undertake. We should now express strong encouragement to the Government to go ahead in this field--so that both foreign investors and Liberia obtain equitable and fair benefits from the depletion of its natural resources.

Another general matter on which the Government should be encouraged to move ahead promptly is the restructuring of the civil service system, where archaic conditions prevail (salaries are fixed upon entry and only the President can approve salary increases, which in the past used to be done in an ad hoc manner). Salary levels are so low that it is almost impossible to live a comfortable life in Monrovia without private business income as a supplement to one's civil service income. Fortunately the Government has agreed upon reform of this system and USAID is providing assistance for this purpose. It might be of interest to explore how far the Government has progressed so far.

Two general topics which are likely to be raised by the Government will be next dealt with in some detail: aid coordination and economic planning assistance.

Division 1B
Western Africa Region
December 26, 1972

(ii) AID COORDINATION

Liberia's external aid situation has long been marked by very substantial U.S. assistance and a paucity of other donors. The level of development activity in Liberia, and its size, in the past did not seem to justify a formal aid coordination machinery under Bank auspices. Nonetheless, there have been fairly active developments in aid coordination.

In the mid-1960's, the Development Assistance Committee (DAC) established a donors group concerned with technical assistance to Liberia on an experimental basis. While very little information is available on that test, the Liberia group was dissolved apparently because of lukewarm attitudes on the part of Liberia's donors as to the merit of such an activity. In addition, the then U.N. Resident Representative apparently resented the operation which he felt should have been under his chairmanship instead of DAC's leadership. In any event, this group as well as the subsequent local committee of donors under the Representative's leadership have proven to be short-lived operations. Moreover, there is some evidence that the Liberia Government itself resented meetings of donors on assistance activities from which it was excluded.

In October 1969, the then Deputy Secretary of the Liberian Treasury approached Mr. Chaufournier to inquire whether the Bank would be prepared to organize a Consultative Group for Liberia. We took a relatively lukewarm position, largely because of weaknesses in Liberia's development situation, particularly the absence of suitable progress in project preparation, and, deficiencies in Liberia's planning effort and in its development focus. The Government was alerted, at the same time, that a CG would entail a critical examination of economic performance and yet could not a priori give any hope for significantly increased aid levels. In this dialogue, we tried to steer the Government's interest in the direction of a government-run operation with the Bank playing a supporting role, paralleling the aid coordination arrangement in Guyana. The Government then dropped its proposal, principally because of the uncertainty that a CG-type group might not bring additional assistance to Liberia.

Despite the lack of any immediate follow-up, Liberia's top officials have maintained a strong interest in diversifying the sources of external economic aid. It was a prominent theme in an international conference on Liberia's Development Objectives and Strategy held in April 1971. This meeting itself represented a new approach in international coordination of external assistance. Representatives of bilateral and international aid organizations, foreign banks, etc. met with a variety of senior government officials, university staff and private citizens to discuss the directions of future development in Liberia.

The Bank was asked to make a presentation and we delivered a paper which emphasized the measures the Government could take for itself in aid coordination at the country level. We specifically cited the possibility of sectoral meetings in which a developing country might submit its proposals in a given field to all interested donors.

In late October 1972, the Government sponsored a multi-donors' conference on a newly prepared five-year highway development program (1973-77). It attracted the participation of not only Liberia's customary aid partners, but also some new ones: The Bank, UNDP, ADB, U.S., Italy, West Germany, Israel, Sweden, U.K. and Romania. Greece, moreover, was reported as having an interest in the proceedings. The Government's initiative was to bring the continued efforts of all potential capital sources to bear on its development problems. The results were quite encouraging. The U.S. indicated an interest in parts of the program totalling \$9.4 million: the German Government, \$2.7 million; and the ADB, \$300,000. We announced the Bank's plans to appraise an estimated \$4.7 million project of highway maintenance and Monrovia port access road improvements. Together, these amounted to about 25 million of the total \$38 million program.

Much of the preparatory work for the conference can be credited to the two Bank-supervised transport studies that provided the basis for the five-year program. Bank personnel--both project and program staff--participated actively in the planning for the conference (see attached memorandum on the conference).

The Government may raise the question of future multi-donor conferences and seek assurances of comparable Bank assistance for them.

The Government should be commended for its initiative and encouraged to pursue similar meetings in other sectors, particularly agriculture. However, it should be cautioned on some points. There must be strong technical preparations for such meetings. The Bank may not be able to guarantee equivalent inputs in all sectors to that provided in the highway field, due to both staff constraints and our limited knowledge of other fields. Moreover, there is a danger of locking in Liberia's own development resources and its realistic aid availabilities disproportionate to its needs because of the absence of clear, well-formulated overall development plan or program. Accordingly, the Government's improvements in its development planning should precede such approaches. Donors, for their part, are not apt to commit greater assistance without such progress.

The attached memorandum summarizes main events of the conference.

Attachment

Division 1B
Western Africa Region
December 26, 1972

Files

November 29, 1972

Leif E. Christoffersen

LIBERIA - Multidonors' Conference on Five-Year Highway Maintenance
and Development Program (1973-77)

1. At the initiative of the Government, a highway aid-coordination meeting was held in Monrovia on October 23-25. Ten delegations represented seven actual or potential bilateral donors and three international organizations (see Attachment I). Messrs Delapierre, Gyamfi, Blinkhorn and myself represented the Bank.

Background

2. Since the Bank itself had either financed or executed UNDP-financed studies from which the proposed five-year maintenance and highway development program had been formulated, the Government had requested our assistance in preparing for the conference--the first of its kind ever held in Liberia. A mission consisting of Miss Pastor and Messrs. Wouters and Gyamfi visited Monrovia in mid-September to help Government in preparing documentation for the conference. During the Annual Meetings, government representatives discussed this matter further with us and with USAID, particularly the respective financing roles we might play.

3. The conference's basic objective was to brief potential donors about the new five-year highway program and its financing requirements; and to seek commitments and/or indications of interest in financing the program, which involves a total of about US\$38 million. While this amount seems high (about \$7.5 million annually compared with annual expenditures in previous years of about \$2.0 million), the program nonetheless appears reasonable in view of the poor condition of the road network, the emphasis the program puts on maintenance, the expected high rate of return on the projects proposed, and its importance for development in other sectors.

The Meeting

4. The agenda for the three-day meeting is attached. Upon my arrival the day before the opening of the conference, I was informed that I was expected to deliver the key-note speech. This was contrary to what we had previously discussed with the Government when we had anticipated that the major presentation would be done by Minister Bright and his associates in the Ministry of Planning and Economic Affairs.

Nonetheless, I agreed to expand my prepared brief speech, with the help of the other Bank delegates, into a more lengthy presentation (see Attachment III).

5. We announced that the Bank would appraise a project centered around the reorganization of the highway maintenance organization, and detailed engineering and construction of the Monrovia Freeway. The foreign cost component involved is \$4.7 million. Mr. Delapierre and Mr. Gyamfi, after attending the conference, began field appraisal of the proposed project immediately thereafter. USAID indicated an interest in parts of the program totaling \$9.4 million, the German Government \$2.7 million and the U.K. \$0.3 million. The African Development Bank reaffirmed its previous interest in helping to finance the Sierra Leone-Liberia road link and the Monrovia-Bomi Hills road for a total of \$8.5 million. The Italian Government announced that its recently approved \$10 million general line of credit to Liberia could be used for purposes of financing parts of the Program.

6. The Romanian participation in the meetings provided to many at the conference a surprise element. In particular the U.S. delegates and the Swedish observer seemed anxious to understand what the Romanian Government had in mind in Liberia. At the request of both the conference chairman (Minister Bright) and the head of the Romanian delegation, we met with the Romanian delegates separately on several occasions through the conference period. At one point it seemed that their main interest was to secure contract awards to their state-owned engineering firm, CONTRANSIMEX (State Company for Foreign Trade) under Bank Group-financed projects in anticipation of a successful completion of their pending membership application. Four of the Romanian delegates were from CONTRANSIMEX. We briefed them on the Bank's bidding procedures and familiarized them with our general operating practices. The idea of some type of a joint or parallel financing arrangement with the Bank was then discussed. They expressed an interest in participating in the highway maintenance portion of our proposed project. After separate consultation with Messrs. Delapierre and Gyamfi, we agreed that a self-contained part of the paved roads rehabilitation program--involving a foreign cost component of about \$1.5 million--could be suggested to the Romanians on a tentative basis, on the assumption that their Government would provide the financing needed. Mr. Rosca, who represented the Ministry of Foreign Trade, expressed appreciation for the briefings his delegation had received by us and said he would report to his Minister the interesting parallel financing possibility. He asked if I could stop by in Bucharest on my way through Europe after the conference to brief his Government further on the matters discussed. I regretted that such a visit could not be fitted in this time, but offered instead to include Bucharest on another occasion when I passed through Europe.

7. Government officials regarded the conference as a success. President Tolbert, who received the delegates, said his Government was pleased with the result and would consider similar conferences as a means of promoting multi-donor assistance for development activities in other sectors.

LEChristoffersen/TBLinkhorn:jo'd

cc: Messrs. Chaufournier

Benjenk

Wright

Thalwitz

Oursin

Soges

Delapierre

Cyamfi

Mwine

Wyss

(iii) Economic Planning Team

At the request of the then Minister of Planning and Economic Affairs, Cyril Bright, we agreed early last year to send a mission to Liberia which could examine its technical assistance needs for economic planning and which could advise them generally about how to improve planning within the Government. The mission, headed by Mr. Raphaeli of the Development Services Department, was sent out last August. Its conclusions were discussed orally when President Tolbert met privately with Mr. Christoffersen in October. The President then indicated that the weaknesses in the planning machinery were a major bottleneck in his Administration and that our conclusions coincided with those of Sir Robert Jackson, who acts as a private advisor to President Tolbert. Moreover, he stressed his strong support for economic planning and said he would give it all the political backing necessary for it to work effectively. However, he hinted that Minister Bright would be leaving soon -- the Minister was asked to resign a few weeks thereafter -- but said that in no way lessened his interest in carrying through a planning reform. The President finally asked Mr. Christoffersen to send copies of the final report directly to him. This was done on December 6.

Meanwhile the UNDP Resident Representative in Liberia has recommended to New York that UNDP try to find funds to finance an economic planning team -- and has asked that the Bank in that case become Executing Agency. We will meet with UNDP in New York on January 5 and discuss this further. If UNDP funding cannot be found, the Bank may have to explore alternative sources of finance -- including funding from our own sources.

Attached is the Raphaeli Report.

Division 1B
Western Africa Region
December 29, 1972

I. INTRODUCTION

1. The efforts of the Liberian Government to develop a strategy of economic development based on economic planning must be understood in the wider perspective of Liberia's recent economic history. Prior to 1950, its development was very limited. Government's role was restricted mainly to meeting needs of national defense and law and order. Total Government expenditure in 1950 was less than \$4 million -- barely enough to maintain a skeletal administration. During the 1950's, however, Liberia experienced an unprecedented economic expansion. The wage labor force grew from approximately 30,000 in 1950 to more than 100,000 in the middle of the 1960's. Government revenues increased approximately ten-fold during the same period. The number of pupils enrolled in schools increased approximately five-fold. The road network grew from some 250 miles to roughly 2,000 miles. This rapid growth resulted largely from two factors: an open-door policy for foreign investors and a policy of relatively unrestricted free enterprise. This strategy placed few demands on the limited administrative resources of the country, put emphasis on economic growth, and did not severely tax the policy-making machinery. However, this rapid economic growth eventually imposed great burdens on public administration. It created numerous administrative and development problems which the country was not equipped to deal with adequately.

2. In 1963, faced with the necessity of re-negotiating its external debt and providing accompanying assurances of improved economic management, the Government found it necessary to make basic revisions in its approach to economic policy and development. New attention was given to building institutions for economic management and policy formulation, and on increasing the efficiency of the Government. This was the background, therefore, for the request in 1963 to the U.N. for a Special Fund Project to assist in establishing economic planning machinery and in drawing up a development program.

Technical Assistance in the Sixties

3. During 1964-1970 a team of seven experts from the Development Advisory Services of Harvard University, financed by the UN/Special Fund, worked in the planning agency. Their job was to strengthen the central planning process through institutional support and through the training of Liberians in the planning organization. The team trained a number of planners, organized a skeleton of data gathering machinery, and finalized the first Liberian development plan for the years 1967-1970 -- a plan which was never approved by the legislature. Benefits of the assistance have been limited partly because the political climate in the country at the time was not favorable to development planning, partly because the Government was pre-occupied with the Stabilization Program, but also because the Harvard team was obliged to work on the preparation of a four-year development plan at

I. INTRODUCTION

a time when the data were deficient. For these and other reasons, members of the team had little time left to devote to training counterparts. Any future technical assistance program should place greater emphasis on training.

4. With the departure in 1970 of the Harvard team, the Ministry of Planning and Economic Affairs (MPEA) lost a major source of technical assistance. The problem was exacerbated by the transfer in 1971 of some of the most competent staff of the Ministry of Planning and Economic Affairs to other ministries. Although the staff members involved in the transfer are making important contributions in government agencies to which they have been assigned, the cost to MPEA in terms of loss of expertise appears to have been high.

II. TECHNICAL ASSISTANCE REQUIREMENTS

5. The present Government of Liberia has strongly indicated its desire to rationalize economic policy-making through improved planning machinery and processes. However, as indicated earlier, there is a scarcity of trained Liberians in several crucial areas. This shortage might frustrate government efforts unless technical assistance is provided. The Bank's mission, which visited Liberia in August 1972, identified a need for technical assistance in three principal fields: (a) planning on the national level, (b) planning on the sectoral level, and (c) statistics.

(a) Technical Assistance on the National Planning Level

6. The Ministry of Planning and Economic Affairs, has two principal functions: planning and statistics. The ministry employs a relatively large number of university graduates working on both functions, but most of them lack practical experience. At present, MPEA has one senior economic adviser who is devoting much of his time to regional development, and one export promotion adviser - both are provided under UNDP financing, and will be available for another year. We believe that the Ministry, or any other agency handling its functions in the future, will need technical assistance of three experts -- a general economist (team leader), an expert on project preparation and an expert in agricultural and rural development. This latter expert is important, not only because of the increased emphasis Government is now placing in this sector, but also because of the intricate multi-sectoral relationships involved in rural development. The team's terms of reference should include (i) assistance in drafting the overall development objectives for presentation to appropriate authorities; (ii) assistance in preparing a draft outline of plans and programs, and in suggesting appropriate strategies and policies for implementation; (iii) advising the highest levels of the planning agency on matters of economic policy and on steps to be taken to help implement plan objectives; (iv) formulating policies for

raising real as well as financial resources and evaluating the effect of any price policy on output and export; (v) participating in an in-service training program for Liberian planners, and designing an effective program for training at academic institutions at home or abroad.

7. The team should be led by a well-trained general economist with wide experience in development planning. The duties of the team leader would include:

- (i) providing advice on the entire range of analytical, procedural and organizational questions which confront the planning agency;
- (ii) overseeing the work of the other members of the team, including those working on statistics, and assuring their individual and collective effectiveness;
- (iii) proposing systems to improve coordination with technical ministries and agencies engaged in development activities; and
- (iv) organizing and developing the training activities to be undertaken as part of the project.

8. The second member of the team should be an expert on project preparation and appraisal. He should be an economist, knowledgeable in micro-economics and cost-benefit analysis and experienced in devising sector reviews, pre-investment surveys and projects. He would be responsible for:

- (i) organizing, in cooperation with the technical ministries, project preparation and pre-investment and feasibility studies;
- (ii) developing systems of follow-up, review and evaluation of projects;
- (iii) helping to develop manuals and teaching materials on project preparation by planning units; and
- (iv) helping the team leader in carrying out a training program.

9. The third member of the team should be an expert in agricultural and rural development. He should be a trained agricultural economist with wide-range experience in agricultural economics, technology and rural development. He would be responsible for:

- (i) developing, together with the Ministry of Agriculture and related agencies, an agricultural policy and a sector

- program with priorities and project possibilities;
- (ii) examining project proposals and, in consultation with other technical experts, advising on their economic justification;
 - (iii) helping train counterparts in the planning agencies concerned with his subject-matter.
 - (iv) reviewing the intersectoral relationships between agriculture and other sectors.

(b) Technical Assistance on the Sectoral Level

10. A national development plan consists of a number of programs, such as those for industrial development, education, health, transportation and communication, and housing. Each program consists of individual projects, such as the construction and maintenance of a school, a hospital, or a road. Planning provides a mechanism to facilitate the appraisal of various programs and projects, from their feasibility in terms of available resources, the contribution they are expected to make to general economic and social objectives, their urgency in relationship to other programs and projects, and their internal consistency.

11. It is important that the operating ministries first become more experienced in project preparation, execution and operation. It is counterproductive to have broad development plans prepared by a central planning agency if, at the same time, soundly conceived projects are not being identified and prepared in operating ministries. Thus, the technical assistance requirements suggested earlier (paras. 5-9) are unlikely to improve development planning in Liberia unless there is corresponding improvement in the operating agencies with respect to project formulation, provision of proper economic as well as financial analysis, estimating realistically cost and schedules of execution, training of personnel, etc. With improved, coordinated procedures at the national and sectoral levels, Liberia stands a better chance of increasing the pace and scope of development; without them the prospects are bleaker.

12. Some sectoral ministries are in the process of expanding their program planning units. Recent IDA Credits in Agriculture and Education include technical assistance for strengthening the planning and implementation capacities of the Ministries of Agriculture and Education. The Agriculture Credit includes assistance for reorganizing the Ministry, preparing a 5-year plan for staffing and training, and for training in preparing agricultural projects. The Education Credit provides for specialist services to help establish an education planning unit within the Ministry of Education and a manpower planning unit to be placed either in the Ministry of Planning or in the Ministry of Labor and Youth. The

Ministries of Public Works, and of Commerce, Industry and Transportation are two other key Ministries whose planning capacities need strengthening at an early date.

13. The Ministry of Commerce, Industry, and Transport could benefit from an industrial expert and a transportation expert. The absence of any adequate analysis requires an industrial expert to examine and review the nature of the existing industrial sector, appraise the tariff structure, assess the impact of taxes and other incentives (and disincentives) on industry, financing mechanisms, and management and policies of government corporations and allied subjects.

14. The transport expert would develop uniform investment criteria for all modes of transport. To ensure rational allocation of resources, to ensure that only economically feasible investments are made, it is important to develop practical and uniform, rather than ad hoc, investment criteria. This way, investment priorities can be established and the merits of investing in one mode versus another can be ascertained. The expert would also prepare studies of traffic flows to determine the demand for particular transport modes. The adviser should be experienced in the economics of public utilities with particular interest in communication and transport. The transport adviser, together with the industrial adviser, would help establish a planning unit in the ministry and engage in training activities.

15. This report assumes that primary responsibility for long range transport planning will be located in the Ministry of Commerce, Industry and Transportation. If this assumption is not correct, the government should consider locating the proposed adviser in the Ministry of Public Works. In any event, a strengthening of the latter ministry is also important for the effective execution of projects and programs under its jurisdiction. Provisions for assistance to aid in this strengthening are being considered under the proposed Bank Group-financed Road Maintenance and Engineering Project and therefore have not been included here.

(c) Technical Assistance for Statistical Division

16. In general, Liberian statistics at the present time are unsatisfactory. In many cases, the basic statistical series relating to the various sectors of the economy are seriously deficient. Little, if any, accurate information is available for recent years. The mission agrees with the ILO report on Liberia (1972) that first priority should be given to developing the national accounts division. ^{1/}We believe, however, that, given the present state of the Liberian national accounts, efforts should be concentrated at this stage on the compilation of major aggregates only. Unnecessary sophistication should be avoided, nor should the proposed UN accounting framework be adopted now. This would impose far too heavy a burden on the statistical bureau and would also be largely superfluous. The conventional

^{1/} ILO Report, "Total Involvement - A Strategy for Development".

national accounts framework, provided it is completed with data of acceptable reliability, should prove more than adequate for analytical, planning and policy purposes in the foreseeable future.

17. There would appear to be a clear need, therefore, for an adviser on national income accounting. Such an adviser should have solid practical experience with national income accounting in developing countries, rather than one with a mainly academic background. His primary function would be to seek out new sources of information, devise estimating techniques and generally coordinate and give impetus to the work of the National Income Division.

18. An additional expert in national sample survey is also recommended. Apart from general assistance on sampling problems, the main tasks of such an adviser would be to ensure a high standard of field work and to help plan computation and tabulation programs designed to provide a maximum of updated current statistical information for the use of planners and policy makers.

Prerequisites for Technical Assistance

19. In the final analysis, the success of technical assistance will depend to a very large extent on a number of prior conditions: (a) the terms of reference of each adviser or expert should be clearly and precisely drawn; (b) counterparts should be made available to each expert, whose principal responsibility will be to train and impart knowledge and expertise; and (c) a training program both on-the-job and at academic institutions must be designed concomitantly with the provision of technical assistance. If any of these conditions is not met, the benefits of technical assistance will be limited. Experience in many countries, including Liberia, supports this conclusion.

Duration of the Project

20. As emphasized earlier, a major objective of this technical assistance is to train qualified Liberians for crucial positions in the planning system. Although it is difficult in advance to pinpoint with certainty the time required for this technical assistance, we tentatively suggest a time span of from four to five years, which should be sufficient to complete the training objective. This requirement can be reviewed from time to time, of course, and could be revised if sufficient progress is being made.

Cost of the Project

21. The cost of the project will depend on a number of factors: (a) number of technical assistance personnel; (b) duration of the project; (c) the training component of the project, particularly the number of fellowships for short-term training; (d) equipment and supplies required; (e) executing agency and (f) government contribution in kind. Using the

standard UNDP formula of \$30,000 per man/year, the estimated cost of a 4-year project would be as follows:

| | <u>Total Costs in</u> <u>4 years</u> |
|------------------------|---|
| 7 man/year | \$ 840,000 |
| Equipment and supplies | 35,000 |
| Fellowship | <u>100,000</u> |
| Total | <u>\$ 975,000</u> |

If, however, the project is sub-contracted by UNDP, the estimated cost of man/year in salary alone would be substantially higher. The estimated total cost of the project can only be determined after consultation with the Government and the UNDP.

III. EXISTING PLANNING ORGANIZATION

22. The remainder of this report, as requested by Government, assesses the existing planning mechanism in Liberia and concludes with some recommendations on how this mechanism might be improved.

23. Strictly speaking, the Ministry of Planning and Economic Affairs is organizationally structured to perform three primary functions: (a) planning, (b) economic analysis, and (c) statistics, each of which is headed by assistant ministers (see Chart I). In addition, there is a Directorate for Aid Negotiations and Economic Cooperation which reports directly to the minister.

24. Each of three principal functions is performed by a number of divisions: 9 for planning, 3 for economic analysis, and 7 for statistics. Most of these divisions are understaffed; some divisions are staffed by a single individual and some by none. Given the constraints on the availability of professional manpower, which in all probability will continue in the foreseeable future, a greater unity of effort and, hence, centralization of administrative units, would be logical. Specifically, it is difficult to justify the need, at least at present, for three divisions dealing with secondary and tertiary sectors or four divisions for the social sectors. Nor can one justify, under the present state of

Liberian statistics, seven divisions for that purpose. The three divisions under the Assistant Minister for Economic Analysis are so lacking in professional capacity that their contribution is limited. It may be that the multiplication of administrative units within MPEA reflects the broad responsibilities formally assigned to the Ministry. Managerial logic dictates, however, that it is preferable to have a few tasks performed well than many tasks performed poorly.

25. Certain primary functions of the MPEA are essential for sound planning and must be preserved, although streamlined for greater effectiveness. Whether they should be preserved within the present organization framework is a question we consider in a later section of this report. The functions are: Planning and Economic Analysis, and Statistics, each of which should be performed within an organizational unit at the bureau level.

Bureau of Planning and Economic Analysis

26. The bureau should have overall responsibility for planning and economic analysis. It should also be responsible for technical assistance and aid coordination in order to synchronize more effectively aid resource availability and development requirements. The bureau should consist of three divisions: (a) planning, (b) economic analysis and projections, and (c) external assistance coordination.

(a) The Planning Division

27. This Division should be the principal operating arm of the planning apparatus. It would be the unit most intimately concerned with the preparation of the development budget and the economic plans (annual or multi-annual), sector and project review and evaluation, and follow-up of plan implementation. To improve functional coordination with the technical ministries, the division should be staffed with some sectoral and project experts who could review and examine proposals made by the ministries. In addition, it should provide technical assistance and guidance in project and sectoral preparation.

28. The Planning Division should be divided into six sections -- plan implementation; manpower, social planning and education; agriculture and natural resources; commerce, industry, and tourism; public works and communications; and development budget. These sections should be responsible for drawing up sectoral plans in close collaboration with operating ministries and for advising the relevant ministries. The objective should be to staff each unit with a senior planning officer and two planning officers. The team of three technical assistance experts proposed earlier (paras. 5-9) should be attached to the head of the planning division and allocated to the various units on the basis of priority needs.

(b) The Economic Analysis and Projections Division

29. This division would provide proper macro-economic analysis of the entire development effort. Such analysis is important not only for guiding the development process toward more integrated objectives but also for providing the feedback necessary for plan revisions.

30. Planned development in Liberia is severely handicapped by the lack of dependable statistics in sufficient quantity. There is need to improve both the quantity and quality of data, both for planning and for better public administration. There is also need to make better use of available data. It is hard to see how Liberia can make intelligent judgments about basic economic and social policy, or about development investments without more reliable knowledge. Therefore, an important aspect of economic analysis is the retrieval of data on past experience and from past studies in order to provide a basis for current program operation and scrutiny. The division should be initially staffed by a senior macroeconomist and assisted by 4-5 junior economists. Further staffing will be required when development activities expand.

(c) External Assistance Coordination Division

31. This unit should formulate, for approval by the government, general policies to govern the use of external sources of finance, and technical assistance, including aid. It should seek to insure that aid is compatible with plan objectives, and it should serve as a liaison with bi-lateral or multilateral lenders and donors.

32. Experience elsewhere shows that when responsibility for making foreign commitments for loans and aid is not centralized in one government agency, or where, because administrative discipline is weak, there is excessive competition among the various ministries, projects of low priority are often financed and development funds are channeled in the wrong directions. It should be noted that every investment, even when the funds used to finance it are obtained as a gift, increases future recurrent budgetary expenditures for maintenance, personnel or other requirements. Under these circumstances, a government is well advised to examine each project carefully to ascertain, first, whether it is of sufficiently high priority; secondly, what the increased recurrent requirements will be for the project; and thirdly, whether the greater budgetary burden is warranted. In other words, the division should provide a clearer appreciation of the cost and benefit of technical assistance and development expenditures generally.

The Bureau of Statistics

33. In many countries, this unit is an autonomous body; in others it is part of the Ministry of Finance or the Ministry of Planning. There are

good reasons for maintaining the autonomous status of a statistical bureau, but where the need to conserve scarce professional and supervisory talent exists, the advantages of keeping the bureau within the planning agency would seem to be greater than the disadvantages.

34. It was already pointed out that the existing number of divisions within the present MPEA statistical operation is too large to be adequately staffed by available or projected manpower. This report agrees fully with the ILO report (1972) that the number of divisions should be reduced to four: national accounts, industrial statistics, manpower and labor statistics, and documentation and information. While these divisions should be created as soon as possible, the report attaches the greatest importance to national accounts for which technical assistance has been identified.

IV. THE PLANNING MACHINERY: SOME PROPOSALS FOR REFORM

35. As already indicated, the present structure and administration of centralized development planning in Liberia has several shortcomings and is clearly inadequate. The MPEA, among its other deficiencies, has inadequate support and does not have enough competent personnel to perform the necessary functions for overall development planning.

36. Recognizing these weaknesses, the Government in 1972 initiated a reorganization based on a three-tier committee structure: (a) the National Planning Council (NPC), chaired by the President and made up of members of Cabinet and a number of senior officials; (b) the Executive Committee, chaired by the Economic Adviser to the President, and (c) the technical sub-committee headed by the Deputy Minister of Planning and Economic Affairs. Under the reorganization the MPEA was charged with continuing to prepare the "raw material" for policy-making and to serve as the Secretariat for the NPC and the Executive Committee. While the Executive Committee and the Technical Sub-Committee are new bodies, the National Planning Council has been in existence since 1962.

37. The kind of planning institutions best suitable for Liberia must, of course, be determined by realities of the present situation. Based on the experience of countries similar to Liberia in terms of data availability and institutional capability, it would appear that the country is not now capable of producing a worthwhile long range plan for the economy as a whole. This should not, however, preclude planning on a more limited basis.

38. Even planning on a limited scale requires some form of central planning agency whose principal responsibility would be the formulation of plans or programs for the judicious and effective use of available resources. To perform this function, it is not essential that such agency be called a ministry, department, board or unit. What is vitally important is the

authority base upon which agency is founded, and the expertise of the staff with which it operates. Of the two ingredients the first one, i.e., the authority base of the planning agency, is controversial because it invariably affects the preferred location of the central planning agency within the government administrative machinery.

Location of the National Planning Agency

39. The request to the mission for making proposals for improvements in the planning machinery came after the mission had completed its review of the technical assistance requirements for MPEA. Consequently, the report's recommendations draw mainly upon experiences in other developing countries rather than on an in-depth analysis of the Liberian situation, which would have been desirable.

40. As pointed out earlier, the precise requirements and functions of a sound planning system for Liberia can be fairly easily delineated. Whether such a system can be made to operate effectively is a separate issue, however, that involves factors other than internal organization and professional expertise. Perhaps the most crucial factor, as already suggested, is the authority which the Chief Executive invests in the planning system. This, in turn, is also affected by the location of the system within government. In the specific case of Liberia, it seems to us that there could be at least three alternatives for the appropriate location of the national planning agency: (a) retaining MPEA, (b) integrating MPEA with the Ministry of Finance; (c) abolishing MPEA, and transferring the planning function to the Executive Mansion. Each alternative has advantages and disadvantages -- some technical, others political. This report weighs the technical factors; the political factors can be best assessed by the Government of Liberia itself.

(a) Retaining MPEA

41. In principle there is something to be said against a wholesale reshuffling or abolition of a government agency. Changes have unsettling effects on those involved; besides, changes do not guarantee success. "Le plus ca change, le plus c'est la même chose" (the more it changes, the more it is the same thing.) Changes made for the sake of change alone can be wasteful and counterproductive. A national planning agency is staffed by civil servants who, in most cases, are no better and no worse than civil servants in the rest of government. Administrative reorganization does not necessarily unleash new energies or uncover sources of expertise hitherto unknown.

42. Planning is a specialized profession which, like any other activity of its kind, requires specially trained individuals and special expertise. The Ministry of Planning and Economic Affairs obviously has a shortage of both. Certainly, by streamlining its internal organization and with technical assistance, the Ministry might improve its performance.

43. On the other hand, Liberia is a small country with a relatively small budget. In this circumstance, it would seem that an elaborate ministry with intricate administrative apparatus may not be necessary in carrying out planning effectively. In contrast, a smaller, more compact and easily manageable agency could perform this task more efficiently, particularly if its responsibilities have been clearly defined.

(b) Integrating MPEA with the Ministry of Finance

44. Planning involves the effective use of financial and real resources, and since the Ministry of Finance has a major responsibility for controlling those resources, it could be argued that the planning functions should be transferred there. The Minister of Finance, in Liberia as well as in many other countries, is one of the most senior ministers. Through the instruments of the budget he is in a position to exert considerable influence on the programs of other ministries, and indeed, to bring about a greater measure of integration between planning and budgeting decisions. In the past, the Ministry of Finance has quite often overridden MPEA's recommendations. Thus, by integrating planning with the Ministry of Finance, a factual situation would be formally recognized. In Finance, the use of limited manpower skills would presumably be more efficiently deployed and used. Finally, the concessions policies -- which constitute an important factor in the development strategy -- are Finance's responsibility and much of the economic policies are made and administered there.

45. There are also disadvantages for such integration: (a) Liberia's demands for budgetary improvements and better expenditure control, plus the concession responsibility -- all in Finance -- already tax that Ministry. Indeed, many added responsibilities to the Ministry of Finance might overextend its management capacity; (b) the Ministry of Finance in Liberia, as in many other countries, tends to be conservative with regard to capital expenditure and the existence of a separate planning agency provides a countervailing force. If planning were to be assigned to the Ministry of Finance, it might receive too low priority to be effective and developmental matters might well be given secondary consideration.

(c) Transferring the Planning Function to the Executive Mansion

46. The establishment of the national planning agency within the Executive Mansion is perhaps not entirely without its disadvantages. Planners may interpret too liberally their proximity to the President by dictating orders to the technical ministries and hence generate considerable amount of intra-governmental conflicts. On balance, however, it appears that, after assessing the various alternatives and based on experiences in other countries, the establishment of a planning unit within the executive mansion would seem to be more suitable to Liberia.

47. Planning is, by nature, a function which cuts across the responsibilities of all government ministries and agencies. If properly carried out, the preparation and execution of development plans affect in some measure every important economic, political and social group, class and sector. Whether handled well or poorly, many people and important interests in the public and private sectors of the economy will be affected by a development plan and the way it is executed. To reconcile differences, to deal effectively with the important issues raised by planning and to bring everyone in line with a government's development policies requires basic decisions which only the highest government authority can make and enforce. In a Presidential system of government, close proximity of the planning agency to the President, who is the final arbiter, would seem to have strong advantages. It would also serve to identify the President "personally" with the development effort.

48. Experience has indicated that one major constraint on development is the inadequacy of the institutional framework within which plans are formulated and executed. Experience also indicates that the existence of a plan sets a limit on the freedom of various ministries to act independently. Unless they are committed to seeing development plans implemented, they tend to ignore them. Since planning ministers are often junior ministers, they tend to be ignored unless they are located in the office of the head of government. In addition, successful planning calls for a high level of coordination among government departments and other agencies for which the ability to reflect considerable authority and political commitment are vital.

49. Another advantage for locating the planning function in the Mansion has to do with statistics and information gathering. Statistical work in Liberia is largely centralized in the MPEA. For a centralized system to function properly, however, it is vital that close cooperation exist between the statistical unit and other ministries and agencies, which are frequently the prime source of administrative data and information. This prerequisite is far from being satisfied in Liberia, with the result that much important information contained in the files and records of other government departments is not available to the MPEA Statistical division. This is undoubtedly a major factor for the deficient state of Liberian statistics. If this can be remedied, by bringing the power of the Mansion to bear upon the task, much valuable data and information would be more easily forthcoming and at no additional expenditure.

50. The need to coordinate planning and budgeting can hardly be over-emphasized. The establishment of the planning agency within the Mansion would facilitate a greater degree of coordination between the planning agency and the Bureau of the Budget (Chart 2) than exists today. Such coordination is vital both to plan implementation and to the introduction of program budgeting, which will be implemented with the help of an IMF expert who will soon be joining the Bureau of the Budget.

51. A final advantage is the possibility of establishing close links between the Action for Development and Progress, which was recently established by the President to expedite the execution of development projects, and the national planning agency. Linking the activities of both agencies could lead to their eventual integration. In transferring the planning apparatus to the Mansion, the President would have firmer control of the planning function and he would not need to establish competing agencies for implementing his policies.

The Head of the National Planning Agency

52. The head of the National Planning Agency must be a person of high standing who can deal with ministers on an equal footing. His status must be commensurate with his responsibilities, and this requires that he become a member of Cabinet. This would insure that all cabinet papers dealing with economic matters are made available to the head of the agency, and that he has an opportunity to comment upon them and to present the planning agency's views at Cabinet meetings. But in the last analysis, formal titles or status alone do not determine the effectiveness of the planning agency. If the ministers and heads of agencies know that the head of the planning agency speaks to them with the authority of the chief executive, his title will be of secondary importance.

53. It is of the utmost importance that the head of national planning has the full confidence of the chief executive and has direct and easy access to him. The chief executive should look to the head of the national planning agency as his most important adviser on economic matters. The nature of planning is such that unless the national planning agency has a strong voice in suggesting economic policy, it is unlikely that development planning will proceed along lines laid down in national development plans. Many countries recognize that development planning and economic policy must reside in the national planning agency. The need for this in Liberia, where planning and economic expertise is very scarce, is far greater than in many other countries. Adoption of the third course of action should mean that the office of the Economic Adviser to the President and the national planning agency be combined. The amalgamation of the two offices would unify the sources of economic advice to the President.

The Economic Committee of the Council of Ministers

54. A national planning agency is a technical body and, as such, performs technical tasks. This is not to say that it is not concerned with economic and development policy. On the contrary, it must constantly take account of policy because specific policies are essential to carry out targets. For example, the policies required to achieve a rate of growth of five percent may be quite different from those which are required to raise the rate of growth to six percent. Thus, a national planning agency must always consider

economic policy. But because it is a technical body, it can do no more than prepare alternative policies for decision by the President and his Cabinet.

55. The consideration of specific policy alternatives is no easy matter, nor is it something which can be disposed of quickly and without thought of the consequences. Detailed consideration of all the possible alternatives of development policy by the Executive Committee as constituted under the 1972 reorganization is likely to be time-consuming and, at times lacking in interest for at least some Ministers. For these reasons, it would be much more effective to establish an Economic Committee of the cabinet with members drawn from the ministers most concerned with development and presided over by the President or by a senior Cabinet member. The committee can then consider in detail the various alternatives of development policy for presentation in suitable form to the full Council of Ministers or to the National Planning Council, which are basically the same. It is essential that membership in the Economic Committee be kept to a minimum so that decisions are taken with dispatch. The head of the national planning agency should be the Secretary of the Economic Committee, responsible for the preparation of its agenda, and the staff of the national planning agency should constitute the Secretariat of the Committee.

Planning Units in the Ministries

56. Establishing an effective central planning agency must be accompanied by efforts to strengthen the planning units in the technical ministries. The central planning agency must, of course, have a voice about the kind and quality of projects which are incorporated in development plans and sectoral programs, but if it lays down suitable criteria and supervises their use in the project presentation by technical agencies, it retains the necessary control without taking on tasks which are properly those of the technical ministries and other government agencies.

57. It is important that every technical ministry, particularly those which have development outlays, establish a planning unit. Liberia is now moving in this direction. These units should set standards and criteria for operating departments in preparing and carrying out projects; they should formulate the overall development program and the recurrent budget for its organization on the basis of directives from the minister; they should prepare alternative investment policies for the minister's consideration; they should set standards for technical departments and units to follow in reporting on the progress of projects; and on the basis of reports from the technical offices in the ministry, they should prepare regular, timely and reasonably complete reports and evaluations of the ministry's overall program; they should coordinate the technical assistance program for the ministry; and should act as the liaison with the central planning agency.

Primary Objectives of Reorganization

58. The success of a reorganization scheme can only be measured by the attainment of certain objectives underlying the purpose of reorganization. The objectives should ideally serve as performance indicators or benchmarks against which progress can be measured 3-5 years hence. These include:

- a. An improved capacity to prepare development projects;
- b. Adequate number of qualified Liberian planners in the national planning agency as well as in the technical ministries;
- c. Assurance of project and sector priorities fixed in accordance with economic criteria; and
- d. Demonstrated capability in operating projects efficiently and effectively.

V. PRINCIPAL FINDINGS AND RECOMMENDATIONS

59. The present structure and administration for development planning is inadequate. The MPEA lacks sufficient power and competent personnel to perform the necessary functions for overall development planning, e.g., formulation of a realistic strategy; establishment of objectives and development priorities; developing integrated programs to achieve these objectives and priorities which are keyed to available domestic and foreign resources; formulation of recommendations for mobilization of additional domestic resources; coordination of foreign assistance inputs; rigorous appraisal and evaluation of development programs; and follow-up on implementation. To improve effectiveness of planning, (a) technical assistance will be required, (b) reorganization of the internal structure of the existing planning machinery is indicated, and (c) various alternatives for locating the planning function are identified.

60. Technical assistance requirements have been identified for (a) planning on the national level, (b) planning on the sectoral level, and (c) statistics. If technical assistance is to succeed, three conditions are to be met: (a) clearly defined terms of reference, (b) availability of counterparts, and (c) in-service and academic training program.

61. The proposed internal organizational set-up should reflect the principal functions of MPEA, namely: planning, economic analysis, and statistics. It is recommended that any future planning system contain at least two bureaus: Planning and Economic Analysis, and, Statistics.

62. It is suggested that a number of changes be made in the machinery of planning, particularly with regard to the future location of the planning institutions. Three alternatives are identified: (1) retaining MPEA, structure basically unchanged, (2) integrating MPEA with the Ministry of Finance, and (c) creating a national planning agency in the Executive Mansion. Each alternative offers a number of advantages and disadvantages. The report focused principally on the technical issues involved, recognizing however, that political considerations impinge on these matters. On balance, for reasons stated in this report, the mission suggests that the third alternative would seem best suited to Liberia's needs.

63. The qualifications and responsibilities of the head of the proposed national planning agency were identified. To prevent proliferation of institutions and multiplication of effort, it is recommended that (a) the head of the planning agency and the economic adviser to the president be the same person, and (b) the functions of the Action for Progress and Development be linked with the national planning agency.

64. It is imperative for successful planning that every technical ministry, particularly those which have development outlays, establish a planning unit. These units, within their respective Ministries, should enjoy the same functional status that is given to the planning agency on a national level and both should be regarded as vital components of the national planning system.

ORGANIZATION OF THE MINISTRY OF PLANNING AND ECONOMIC AFFAIRS.

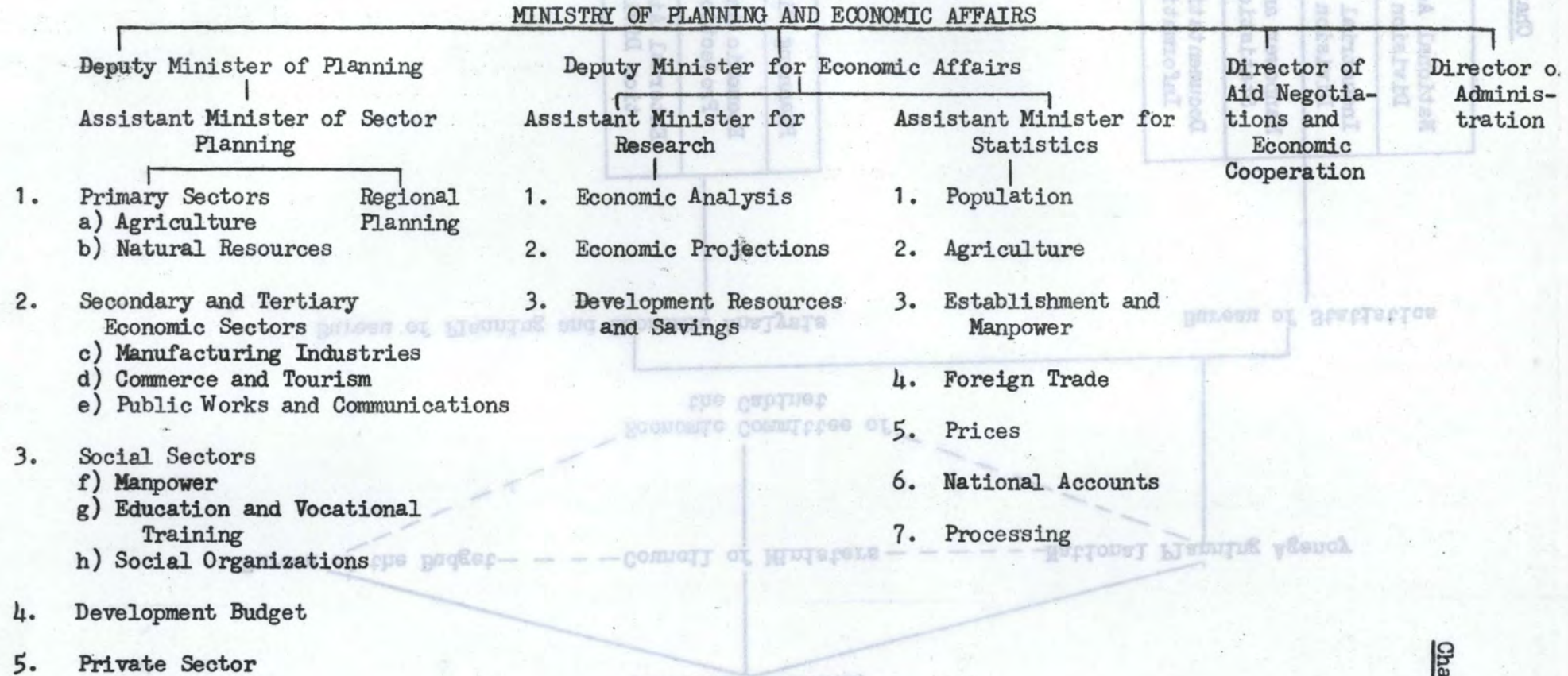


Chart I

PROPOSED ORGANIZATION FOR NATIONAL PLANNING AGENCY IN LIBERIA

PROPOSED ORGANIZATION FOR NATIONAL PLANNING AGENCY IN LIBERIA

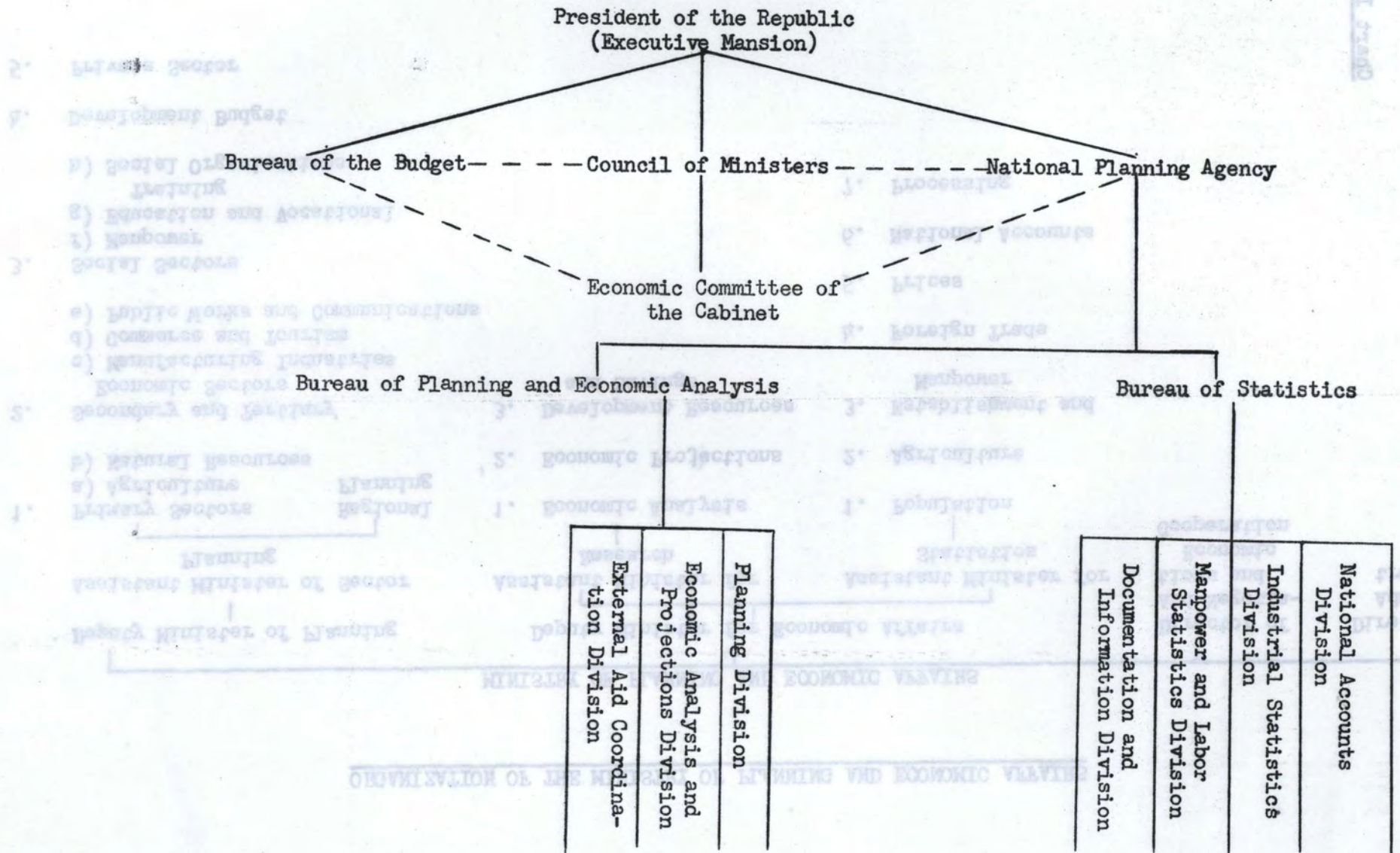


Chart II

11

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February 16, 1972

COUNTRY PROGRAM NOTE

LIBERIA

| | | <u>IBRD/IDA Lending Program</u> | | | |
|------------------------|------------------|---------------------------------------|------------------|------------------|------|
| | | (\$ million) | | | |
| | | <u>FY1964-68</u> | <u>FY1969-73</u> | <u>FY1973-77</u> | |
| 1971 Population: | 1.5 million | IBRD | 4.3 | 17.9 | 11.2 |
| 1970 Per Capita GNP: | \$233 | IDA | - | 10.7 | 14.5 |
| Current Population: | | TOTAL | 4.3 | 28.6 | 25.7 |
| Growth Rate: | 3.0 percent p.a. | | | | |
| Current Exchange Rate* | | Operations Program | - | 28.6 | 37.2 |
| | | <u>Annual Average Per Capita (\$)</u> | | | |
| | | IBRD/IDA | 0.7 | 4.8 | 3.4 |
| | | IDA | - | 1.4 | 1.9 |

I. INTRODUCTION

1. Two important developments have taken place since the last country program review. On the one hand, Liberia's economic situation has weakened somewhat because of iron ore and rubber market declines and budgetary difficulties. On the other hand, a new leadership recently assumed power following the death of former President Tubman which gives promise of more effective economic leadership. The new Government has taken encouraging steps to correct some of its predecessor's wasteful and damaging practices. President Tolbert has demonstrated a recognition of Liberia's fundamental need to improve its government management and to obtain more concrete results in pursuing its development requirements. He shows no signs of weakening the measures adopted late in the Tubman regime to obtain more revenues from the concessionaires. The new administration also appears to place a high priority on broadening and diffusing economic growth more, particularly in the rural areas. The Government also has indicated an intention to pursue

* U.S. dollar is used.

greater savings and fiscal discipline. On the basis of the improvements over the past year and the signs of favorable change, we propose a slightly larger program than in the last country program paper. This would be related to continued improvements in government management and performance. We recommend future Bank Group assistance on medium blend terms because of Liberia's poverty level, heavy debt burden, and less favorable economic prospects for the near future.

II. COUNTRY SITUATION

Recent Political Developments

2. The political situation in Liberia changed markedly in the past year. After 27 years of rule, President Tubman died last July and was succeeded by the Vice President, William R. Tolbert, Jr. Mr. Tolbert was formally inaugurated in January 1972 to fill Mr. Tubman's full four-year term. The transition was effected smoothly and without any incidents. Mr. Tolbert then made a number of decisions that have been surprising and in sharp contrast with his predecessor. Some departures from the past are evident in the:

- Sale of the yacht which the former President maintained and which cost \$250,000 annually in operating expenses;
- Abandonment of the contract to develop Port Harper on, among others, financial and economic grounds;
- Plans to abolish the past requirement that all government workers contribute a month's salary to the governing True Whig Party.
- Dismissal of the Secretary of the Treasury who had become progressively less efficient in recent years and the replacement of the Secretary of Commerce, who allegedly was involved in a commodities scandal, by a qualified economist;
- Indication of an intention to reform the patronage-laden civil service.

3. Whether these actions presage significant, lasting new departures in the Government of Liberia is still uncertain. The absence of widespread changes in the ranks of the ministers indicates the need to await further developments and time to elapse. Official declarations alone will not bring about meaningful and lasting improvements in government management. But any progress in that area requires firm resolve and determination on the part of the President himself. These ingredients were not present before but there is good reason to believe that they are now.

Recent Economic Developments

4. Liberia remains a dualistic economy with a prosperous enclave sector of iron ore mining and rubber plantations alongside a large underdeveloped and stagnating rural economy consisting primarily of subsistence agriculture. The per capita GDP of about US \$300 (per capita GNP = US \$233) obscures the real poverty of the country. Income distribution is highly skewed in favor of expatriates and Liberia's elite. The 60-70 percent of the population who are engaged in subsistence agriculture have an average per capita income of less than \$50.

5. In 1971, Liberia's economy was hampered by low prices for its main exports, thereby losing some of the buoyancy of the previous two years. There was a reduced European demand for iron ore and the rubber market suffered a sharp fall in prices. These were somewhat offset by exports of more highly-priced pelletized ore and rubber. Overall, however, the value of these exports in the first half of 1971 was no higher than those in the comparable 1970 period, in contrast with the increases of 10 percent for iron ore and 18 percent for rubber in 1970. Rubber produced on the Liberian-owned farms, which represents about 30 percent of the total, dropped as the price decline forced many small farmers to stop tapping. Meanwhile, there has been no indication of any deterioration in the balance of trade. Imports may have slackened even more than exports, partly due to the completion of a large investment project by the Bong Mining Company at the end of 1970. The preliminary figures for the first half of 1971 show a trade surplus of about \$35 million, about the same surplus as in January-June 1970. In all probability, the surplus was more than offset by sizable net factor payments abroad from the enclave sectors which amounted to about \$100 million in 1970.

6. After two years of progress, government finances deteriorated in 1971. The recession in the iron ore and rubber markets caused a levelling off in current revenues (at \$67 million), and extra-budgetary expenditures amounted to about \$4 million. Non-debt current expenditures thereby increased by 11 percent in 1971 to \$46 million, compared to average 5 percent increases in the preceding four years. Most of the extra-budgetary expenditures were for the celebrations of the late President's Diamond Jubilee, his purchase of a presidential yacht, funeral arrangements, and inauguration of the new President. With debt service payments of some \$18 million absorbing about 25 percent of current revenues, there were practically no budgetary savings left for financing development. In the previous two years, budgetary savings averaged about \$2 million, and financed about 12 percent of development expenditure. With development expenditures increased by 16 percent, the Government had an overall budgetary deficit in 1971 of about \$15 million.

7. The new administration, concerned with the budgetary situation, negotiated a standby arrangement for \$4 million with the IMF last December.

The Government's letter of intent included a commitment to introduce tax reform measures, exercise stricter expenditure control and observe a ceiling on domestic bank credit. It also involved a prohibition on contracting or guaranteeing any external loans of less than 12-year maturity. President Tolbert also decided to cancel a \$12.8 million supplier credit of 12½-year maturity which was concluded earlier last year. This credit would have financed the expansion of Port Harper, the birthplace of the late President, against the advice of many, including the Bank. No other short- and medium-term credits were concluded last year.

8. Within the total expansion of development expenditures last year, capital investment rose only slightly to about \$12 million. These expenditures continued to be dominated by infrastructure, particularly air transport, power, and water supply, with practically none in agriculture.

Economic Performance

9. There was some progress last year in the areas previously identified as major constraints to Liberia's growth and development:

- poor development planning;
- shortage of public savings; and
- inefficient public administration

and there are plans for further action.

Development Planning

10. There is no systematic development planning in Liberia and sectoral knowledge is poor. As a result, development activity consists mostly of fairly random projects prepared on an almost ad hoc basis. In 1971, the Government obtained the services of a broad-gauged economic mission under ILO's auspices which reviewed Liberia's major sectors last November. Early indications are that its forthcoming study will include some valuable development policy guidelines. This may help, if the Government's present intentions are realized, to pave the way for preparation of a future medium-term plan, contrasting with its past intentions to concentrate on sectoral programming.

11. There has been modest progress last year in the foundations for improved identification and preparation of development projects. One promising step is the Government's initiation of a pilot regional development study in Upper Lofa County. It represents an attempt to plan for the integrated development of a presently agrarian region in advance of a large prospective mining operation in the area. A similar study is planned for Bong County. In addition, the Government is seeking assistance for a comprehensive transport study and recently established an agency within the Office of the President to implement development projects in rural areas on an accelerated basis.

12. Supplementing these efforts, the Bank has developed an agricultural project that incorporates substantial planning and pre-investment assistance whose benefits should extend quite broadly in the agricultural sector. This follows the Bank's agriculture sector survey conducted last year which did not live up to either the Government's or our own expectations. In addition, the Bank's pending education project should produce important manpower data for future education planning. AID will conduct a telecommunication survey. The German Government last year financed a supplement to its past forestry study.

Public Savings

13. Little progress has been made in the past year to mobilize public savings but the statements made by the new President and the actions being planned are encouraging. The IMF standby agreement (ref. para 7) should be helpful also. In addition, a tax reform plan was prepared in 1970 to make the system more equitable, more responsive to growth, and easier to administer. It involved extending the income tax base and increasing certain income tax rates to replace the education and austerity taxes. Except for minor measures, the first package of the plan did not pass the legislature last year because of the disapproval of the late President. The new President, however, has indicated support of the reform plan with some modifications and an intention to obtain legislative approval this year.

14. Some improvement in enforcement of income taxes and custom duties in 1971 yielded an additional \$1-2 million. However, there is still considerable scope for improvement. In his Annual Message, the new President rebuked "Liberians in high position and those who are otherwise prominent in society" for tax evasion. While this indicates a political will to enforce the tax laws better, any such effort will be retarded by the acute shortage of competent staff and necessary equipment in the Department of the Treasury.

15. Expenditure control slackened in the past year, contributing to excessive extra-budgetary expenditures. The new administration's changes in the management of the Department of the Treasury should help to improve such control. No less important though is the need to cut unnecessary expenditures as reflected in the last report to the President from the Department of the Treasury. This report recommended the establishment of an ad hoc committee to review the budget in order to identify areas for economies.

16. By far, the most significant opportunities for mobilizing additional savings are in the enclave sector. Government revenues from the concessionaires amount to about 22 percent of total revenues. This is small in contrast with their contribution to the economy, e.g. 40 percent of GDP and 85 percent of merchandise exports. The limited amount of revenues is due, first, to over-generous agreements and their poor subsequent enforcement.

While the oil concession agreements concluded in 1969 should be more remunerative, the Government in the past did not vigorously enforce or improve the other older agreements for fear of marring Liberia's "open door policy".

17. Of late, however, the Government has made considerable progress and realized increased benefits from better enforcement of the principal concession agreements. An audit of the iron ore concession agreements in 1970 led to an increase of \$500,000 in government revenues. An income tax audit of Firestone conducted in 1970 produced another \$600,000.

18. In addition, the Government is continuing its efforts to renegotiate the iron ore agreements mainly to deal with the definition of net profits, the problems of deductions and allowances, the companies' debt-equity ratios and their duty-free privileges. Further, the Government has prepared models for iron ore and forestry contracts. Estimates of the additional revenues that may be obtained vary considerably but reasonably successful negotiations could yield an additional \$4-6 million a year by the mid-1970's. Negotiations will start with LAMCO probably in the first half of 1972. An agreement in principle has been reached with LAMCO to pass on to the Government 75 percent of the savings realized by the company, as a result of the 1970 treaty for the avoidance of double taxation concluded between the Liberian and Swedish Governments. This agreement by itself will add about half a million dollars to Government revenues annually and more may be expected from the overall renegotiated agreement. A similar agreement is expected to be reached with the Bong Mining Company following the ratification of a similar treaty concluded with Germany last year, from which additional government revenue of about \$200,000 annually probably will be obtained. The forestry and rubber concession agreements remain subject to renegotiation in the future.

19. To improve its enforcement machinery, the Government has decided to establish a central administration for coordinating, supervising and formulating policy on the concession agreements. UNDP has given its initial approval to the Government's request for some 15 experts over a three-year period, including a concession lawyer, accountants, auditors, and mining, rubber, and forestry economists. The project was expected to begin in mid-1972 but UNDP has had difficulties with its implementation.

Public Administration

20. The new President has criticized the inefficiency of the civil service and underscored the importance of improving public administration in Liberia. A commission has been established to undertake a complete evaluation and reorganization of the civil service which represents a considerable task. The most apparent needs are for better training of all levels of civil servants, reducing the levels of unskilled labor, re-deployment of redundant personnel, establishment of a merit system for selection and

promotion, and uniform salary and pension schemes. External technical assistance will be needed both for preparing and implementing the needed reforms. AID has been approached for assisting the newly-formed Commission and has already helped to establish a public administration institute, expected to begin this year.

Prospects

21. Overall, Liberia's GNP may be expected to grow at an average annual rate of about 4 percent in real terms in the next several years. This compares with a projected population growth rate of 3 percent, based on a recently completed population survey.

22. The recession in the iron ore market, together with the continued decline in rubber prices, clouds the immediate prospects for Liberia's growth and development. The iron ore situation is not expected to improve until after 1973. Work on the large Wologisi iron ore investment project is expected to start before the end of 1972. The mine is scheduled to start operation around 1975 and reach full capacity around 1980. The forecast production level, 10 million tons of highly-priced pelletized ore annually, is equal to about 40 percent of Liberia's present total ore production capacity. Another new mine project is expected to start soon in the Bie Mountains, and produce about 5 million tons of ore annually as of 1974. Minor expansion plans are also expected on the existing mines. Thus, Liberia's iron ore capacity is expected to increase 37 percent by 1977 and 70 percent by 1980. Much will depend, however, on the world iron ore price situation at that time. Increases in Liberian export earnings may be impaired, some projections indicate, by the emergence of large iron ore production from Australia and to a lesser extent from Brazil.

23. Natural rubber production should rise steadily in the next several years, but the likely decline in world prices due to anticipated greater competition from synthetic substitutes would reduce the benefits of this increase. Log production is expected to continue rising, but not as rapidly as projected in the last country program paper.

24. For these reasons, Liberia's exports are expected to grow at an average of about 6 percent annually in the 1972-77 period. They will probably grow at about 2 to 3 percent in the next year or two, but should rise sharply thereafter when the iron ore market recovers and the new ore from the Bie Mountains and Wologisi mines start to appear.

25. Imports will be considerably affected by the import needs of the Wologisi project. They will rise sharply in the next two to three years, and decline thereafter unless new large projects are initiated. The recent dollar devaluation will also raise the import bill, since 65 percent of Liberia's imports are from non-U.S. markets. Imports are projected to grow

L I B E R I A

MACRO - ECONOMIC INDICATORS

| | 1970 | January-June | | 1977 | Growth Rate 1972-1977 |
|--|--------|--------------------|--------------------|--------|--------------------------|
| | | 1970 | 1971 ^{d/} | | |
| A. GNP | | | | | |
| GNP at constant prices (in million US\$) | 350.0 | | | 160.0 | 4.0% |
| Population (million) | 1.5 | | | 1.8 | 3.0% |
| GNP per capita | 233.3 | | | 255.0 | 1.0% |
| B. Foreign Trade (in million US \$) | | | | | |
| Exports (f.o.b.) | 213.7 | 108.9 | 111.4 | 320.0 | 6.0% |
| Imports (c.i.f.) | 115.0 | 73.5 | 76.0 | 205.0 | 5.0% |
| Trade balance (surplus) ^{a/} | 68.7 | 35.4 | 35.4 | 115.0 | |
| Net factor payments abroad | -98.5 | | | -130.0 | 1.0% |
| "Net" export earnings ^{a/} | 115.2 | | | 190.0 | 7.5% |
| C. Public Finance (million US \$) | | | | | |
| | 1970 | 1971 ^{d/} | 1972 ^{e/} | 1977 | Ave. Annual 1972-1977 |
| Current Budgetary Revenues | 66.5 | 67.0 | 67.1 | 87.7 | 77.0 |
| Non-debt Current Expenditures | 41.4 | 46.0 | 41.7 | 52.0 | 46.7 |
| Debt Servicing Payments ^{b/} | 16.9 | 18.1 | 19.8 | 19.8 | 20.9 |
| External ^{b/} | (15.4) | (16.5) | (17.1) | (18.3) | (18.4) |
| Internal | (1.5) | (1.6) | (2.7) | (1.5) | (1.7) |
| Obligations to the IMF (Repurchases) | 5.2 | 2.2 | 1.8 | 1.5 | 1.1 |
| Budgetary Saving | 3.0 | 0.7 | 3.8 | 14.4 | 9.1 |
| Development Expenditures | 12.9 | 15.7 | 13.3 | 27.0 | 22.0 |
| of which capital formation | (10.2) | (11.7) | (10.0) | (20.0) | (17.0) |
| Overall Deficit | -9.9 | -15.0 | -9.5 | -12.6 | -12.9 |
| Financing | | | | | |
| External Financing | 7.3 | 8.1 | 6.0 | | |
| Loans | (5.7) | | | | |
| Grants | (1.6) | | | | |
| Drawings on the IMF ^{c/} | 2.0 | 1.0 | 1.5 | | |
| Use of SDR's | 2.3 | 2.1 | 2.0 | | |
| Domestic Bank credit | 0.5 | 4.8 | | | |
| Others, errors and omissions | -2.2 | -1.0 | | | |
| Total financing | 9.9 | 15.0 | 9.5 | | |
| D. Servicing External Public Debts^{b/} | | | | | |
| As % of merchandise exports | 7.2 | | | 11.1 | |
| As % of "net" export earnings ^{a/} | 13.4 | | | 10.2 | 12.1 |
| As % of Government revenues | 23.2 | 24.6 | 25.5 | 22.7 | 22.8 |

^{a/} Defined as merchandise exports minus net factor payments abroad

^{b/} Allowing for a limited increase in indebtedness between 1972 and 1977 and for an increase in the cost of debt servicing of existing obligations as a result of the devaluation of the dollar.

^{c/} Assuming new drawings of \$ 1.5 million in 1972.

^{d/} Estimates.

^{e/} Budget Estimates.

by 5 percent annually between 1971 and 1977.

26. Given the above projections, the trade surplus will rise from about \$70 million in 1970 to \$115 million in 1977. In the next two years, however, there is likely to be a slight pressure on the trade account, in view of the depressed iron ore market and the expected rise in imports as the Wologisi project starts. The trade surplus will almost surely be offset by sizable net factor payments abroad, estimated to reach some \$130 million in 1977.

27. The situation in the iron ore and rubber markets will also have a depressing effect on government revenues in the next two years, and the budget will continue to be strained by a heavy debt service burden. In addition, the devaluation of the dollar will cost Liberia about \$2 million from 1972 to 1977 due to the increased cost of debt obligations.

28. Future budgets will also face pressure for reasonable increase in normal economic, social and maintenance expenditures which are relatively small in Liberia. Civil service reforms will also entail new expenses. Some of these additional expenditures might be accommodated by cutbacks in unnecessary expenditures but the bulk will have to come from the increased revenues that should accrue from expanded tax mobilization efforts and additional income from the concessions.

29. With reasonable success in efforts to mobilize public savings on revenue and expenditure sides, taking into account the adverse export earning picture, budgetary sources should be able to finance about 20-25 percent of projected public investment between 1972 and 1977. On the basis of the present forecast of project preparation, public investment is expected to rise to an average of about \$17 million a year. While the new administration is development-oriented, its efforts will be significantly constrained by the time needed to identify and prepare projects. Given the foregoing expectation of the extent of savings available for investment, funds from external sources are needed to finance the remaining approximately \$12-13 million a year on the average.

III. EXTERNAL ASSISTANCE

30. Disbursement of external capital assistance in the past two years averaged about \$7.5 million annually, almost all for infrastructure projects. There was also an average of about \$8 million a year in grants for technical assistance, mostly from the United States. These represent a sharp drop from the annual averages of \$13 million in capital assistance and \$12 million in technical assistance from 1965 to 1969.

31. There were no new aid commitments for capital projects in 1971 unlike the average annual commitments of about \$10 million in the previous two years. IBRD loans accounted for 55 percent of these commitments, with

29 percent from the U.S. and the remainder from the African Development Bank and a Swiss supplier credit. The loans were mostly for power, air transport, and rural roads with only AID's on concessional terms.

32. The U.S. and, to a lesser extent, Germany are expected to provide approximately half of the required external capital assistance in each of the next several years. This leaves about \$6-7 million to be financed from other sources annually, including the Bank Group. The U.S. is considering financing a \$4 million low-cost housing project in 1972, a \$1-2 million project for rural roads in about 1973, and a \$4-6 million telecommunication project in approximately 1974. Overall, however, AID capital assistance is expected to decline from the past levels with no apparent new source at hand. Germany is expected to finance construction of six rural water supply schemes costing about \$3-5 million, and a \$6-7 million project for expansion of the Greenville port. U.S. and German assistance are expected on concessional terms. In technical assistance, the U.S. is expected to concentrate on public administration, agriculture and health. The level of such assistance, now totalling some \$5 million a year, is expected to taper off to about \$2-3 million a year.

IV. CREDITWORTHINESS

33. Debt service payments have absorbed 20-30 percent of government revenues in the past and are expected to exact about 25 percent in the next few years. They are also expected to absorb about 12 percent of "net" export earnings, constituting relatively less of a burden on the balance of payments. In view of the heavy debt service burden on the budget, Liberia needs to obtain the major part of its external assistance on concessional terms. Furthermore, considering Liberia's extreme poverty, (despite the existence of a prosperous enclave sector) and the need for considerable external assistance to accelerate economic development, it is highly desirable to avoid a further increase in the country's debt service burden. However, there is some margin for contracting debts on conventional terms, especially for revenue-earning projects, on the assumption of increased public savings over current levels.

34. At the same time, Liberia badly needs to increase the scope and quality of certain normal government economic and social services, especially maintenance services, and to introduce public administration and civil service reforms. These will exert heavy pressures on future budgetary resources over and above the debt service burden, limiting the generation of public savings.

35. At the CPP review last March, it was decided to confine the approved lending program to the FY 1971-73 period with the proviso that subsequent Bank Group lending would depend on better government management and performance.

36. In reviewing the events and our findings over the past year, several points are prominent. A new leadership has come to power which, albeit on fragmentary evidence, showed signs of sensible policy changes in, for example, the Port Harper reversal and the emphasis on civil service reform. President Tolbert appears to be more concerned with stepping up Liberia's development pace, particularly in the rural areas, than was his predecessor. The new administration has also demonstrated intentions of reversing the deterioration of Liberia's finances and of achieving sounder financial management.

37. Because of Liberia's historic laissez faire policy and practices, the Government's increased enforcement and preparations for curbing the overly-generous concession agreements are salutary. It is important to note that these are impeded by a certain amount of Liberian uncertainty and apprehension about the consequences of such measures, as well as inadequate information about the concessionaires' practices and sufficient experts to deal with this problem.

38. The developments over the past year constitute encouraging beginnings towards more fundamental improvements in economic performance. These, Liberia's external resource requirements, and the country's budgetary difficulties, are believed to justify larger and more concessional Bank Group assistance than in the past.

Lending Program

39. The proposed program, outlined in Attachment 1, recommends operations of \$37.2 million in 1973-77 with actual lending averaging about \$5 million annually. It would mean financing less than half of the external capital assistance required, which we feel is appropriate because of the limited availability of alternative aid resources. Given the signs that the Government has begun to improve performance and assuming that such progress will continue, we recommend that the country receive a more generous proportion of IDA assistance. A roughly 50:50 blend was approved at the last review. For the 1973-77 period, a 56:44 proportion is proposed.

40. The recommendation indicates our intention to shift the focus of Bank Group lending progressively from its past concentration on infrastructure towards agriculture and education. To this end, we will seek to interest other donors in joint or parallel financing arrangements on, for example, power projects. Liberia's budgetary savings potential means that donors will need to

meet a substantial portion of total project cost. It is proposed that Bank Group assistance in such priority sectors as agriculture, education, and road construction finance up to 75 percent of total project cost. Since the off-shore cost of projects in these sectors tends to be relatively low, this would mean financing significant local cost requirements.

41. The proposed program would depend on evidence of continued improvements in government performance in the following areas:

(a) Mobilization of Public Savings

We shall monitor Government compliance with the expenditure control, bank credit and external borrowing ceiling, and tax reform conditions of the new IMF standby agreement. We shall press the Government for a review of budget expenditures looking to the identification of areas for economies. We shall look to the Government to at least start to reallocate its expenditures in accordance with more economic criteria. On the concessions, we shall expect further progress in renegotiating the iron ore agreements and establishing the central administrative body. On the latter, we have expressed "special interest" in the project and may intervene shortly to assist the Government to overcome UNDP's delays. Our expectations, however, are qualified. There is a need for some caution in the dealings with the concessionaires and changes in this area involve long-term efforts against considerable odds.

(b) Public Administration

We shall monitor Government actions in the area of civil service reform, recognizing at the same time that this involves fundamental changes in Liberia's political system. We believe the Bank should design, press for, and help to implement changes in public administration as an integral part of our project operations, e.g., the proposed institution of a uniform salary structure for teachers within the education project and the study of reorganization of the Ministry of Agriculture planned for the agriculture project. We will seek, further, to coordinate our work here with other donors whose technical assistance is needed in this sector.

(c) Development Planning

We shall also look for Liberia to improve its development planning but regard this as a somewhat secondary criterion of Government performance. The Government should be expected to strengthen its planning institutions, staff and procedures. In this area, we shall continue to provide assistance to the Government for pre-investment work, particularly project identification and preparation and, insofar as possible, technical help for other development planning activities. We will consider extending to the transport sector the type of Bank-financed planning assistance now incorporated in the upcoming education and agriculture projects. In addition, we are

currently considering Liberia as a pilot case for assessment of possible Bank activity in rural development.

42. A comprehensive Bank economic mission, scheduled for Liberia early in 1973, will review progress in the aforementioned areas. It will also examine a number of sectors in depth including water supply, industry, and population.

43. Relating the proposed lending program to the aforementioned objectives should provide the Bank Group with considerable influence in Liberia at a particularly opportune time. It could help to guide investments into high priority sectors and enable the Government to limit recourse to supplier credit financing. This would compensate for the Bank's past difficulties in mobilizing a more adequate program in Liberia.

VI. ECONOMIC SECTORS AND SECTORAL DISTRIBUTION
OF BANK/IDA OPERATIONS

44. Despite the absence of a development program and some uncertainty about the new Government's development strategy, we are in reasonably good position to design the proposed lending program. This proposal essentially stems from our past and presently planned project identification work. The size and composition of the lending program are liable to normal change. At the same time, these proposals are directed to requirements of high priority and give promise of adequate economic justification.

45. Of the total recommended operations program for FY 1973-77 of \$37.2 million, \$14 million or 37 percent would be allocated to agriculture. Several future activities should emerge from the Agricultural Development Project, scheduled for Board presentation later this fiscal year. This activity includes provisions for the preparation of two integrated rural development projects. Two Bank Group operations of \$6 million each are forecast for these projects in Upper Lofa and Bong Counties in FYs 1974 and 1976. As another phase of this year's agricultural activity, the pilot rubber project and related studies would serve as a basis for preparing investment proposals for expansion of the Liberian-owned sector, depending on their results. On the assumption that a basis will be found for enabling that industry to expand, a \$2 million rubber production project is identified for FY 1977.

46. In the transportation sector, two important studies dealing with future transportation development in Liberia have recently become available. One, financed by UNDP, concerns highway maintenance; the other, financed under an earlier Bank loan, is a feasibility study of access roads to the port of Monrovia. The Government is anxious to implement the key recommendations of the studies and has requested that a Bank mission visit Monrovia in February to discuss how to proceed. Since Liberia's road network is rapidly deteriorating, the Government gives high priority to a

program of highway maintenance. A project for this purpose, scheduled for FY 1973, would include equipment and technical assistance for personnel training, is estimated to require \$2.5 million. A \$4 million loan is scheduled for FY 1974 to meet the Monrovia port access road requirement. For the future, the improvement of the Totota-Ganta road is estimated as a FY 1977 requirement of \$3 million.

47. Ports -- Although the Tolbert administration has abandoned plans for an expensive new port at Harper, its existing facilities do need certain repairs and it appears that some improvements would be more justified in the future. A study by the Battelle Institute has indicated that by 1980-90, 100,000 tons of logs and 10,000 tons of latex can be expected for export through this port. To handle this volume, the breakwater has to be lengthened and strengthened, the jetty reconstructed and the timber yard reshaped and surfaced. We are, therefore, contemplating the possibility of a Bank loan of about \$2.5 million to assist in this renovation in approximately FY 1975 on the assumption that a future feasibility study would confirm their justification.

48. Industry -- Last year's country program paper noted that the management of the Liberian Bank for Industrial Development and Investment (LBIDI) was weak and lacked projects for investment. Since then, a recent DFC mission found that, while LBIDI still has problems, it has made significant progress. It has improved project appraisal work, strengthened staff and management, and eased the once serious arrears situation. LBIDI needs resources, however, and the mission concluded that the situation warrants a Bank loan. For this, we have included a loan of \$1 million for FY 1973, although it conceivably could be processed in FY 1972. This proposed loan, together with a \$0.5 million loan being considered by the African Development Bank, would cover foreign exchange needs for almost two years, if annual commitments reach the forecasted \$1 million level. A second \$1 million Bank loan is contemplated for LBIDI in FY 1975.

49. In the power sector, an issue has recently arisen over the Public Utilities Authority. It involves the Liberian Government's action in adding a variety of non-power functions (radio, television, telecommunications) to the Public Utilities Authority's existing power, water and sewer responsibilities. This is contrary to the specific assurances obtained in connection with Loans 684 and 778-LBR. The matter is being discussed with the Government and the situation will be monitored closely. A supervision mission reported last December that the progress of the two existing projects (a \$7.4 million loan approved in FY 1970; a \$4.7 million loan approved in FY 1971) is satisfactory. Recently, however, as a result of currency fluctuations, the off-shore cost element for both projects has increased about 6.2 percent or \$850,000. At the same time, the project cost has increased, due to larger than originally anticipated gas turbine units. Consequently, the Public Utilities Authority will need supplementary external financing of at least \$1.2 million in FY 1973 when both loans are expected to be fully disbursed. We recommend the inclusion of this supplementary financing in the lending program, contingent on improvement of FUA's arrears position. Further, a \$3 million loan is proposed for the expansion of distribution facilities for FY 1975, which might be accelerated.

50. Education -- A proposed IDA credit of \$7.2 million to help improve the Liberian education system which needs structural reform and qualitative changes is scheduled for Board presentation in March 1972. This project is considerably smaller than the package of education improvements the Liberians had originally proposed. It nonetheless offers a realistic starting point for the Bank Group's involvement in this sector. A second credit of \$5 million would be considered for FY 1975, probably related to further expansion of the College of Agriculture and Forestry, perhaps other secondary education improvements and vocational training.

51. Population -- On the basis of aforementioned population survey, and the indications that the Government is taking an increasing interest in the question, we believe there is a reasonable possibility that Government will want to try to arrest the increases in population growth. Subject to verification of this hypothesis, we have not included any lending proposal in the program for FY 1973-77 but a project in this sector may be justified in due course.

VII. CONCLUSION

52. Liberia is starting a new era with the hope of greater economic progress. Its new leadership appears to be concerned with pursuing the kind of policies that would enhance economic growth and help to bridge the exceptionally wide gap between the elite and the masses. Much would have to be done, however, to enable this resource-rich country to move more purposefully towards achieving its considerable potential. The Bank's role could be quite important. We can help to encourage these policies and, of equal importance in Liberia, to provide the expertise and to apply the kinds of support that will help to ensure adequate implementation.

Western Africa Department
February 16, 1972

Population: 1.5 million
Per Capita GNP: \$233

LIBERIA - ACTUAL AND PROPOSED LENDING THROUGH 1977
\$ Million

| | | Fiscal Years | | | | | | | | | | | | | Total 1964-1968 | Total 1969-1973 | Total 1973-1977 | | |
|---|-------|-----------------|------|------|------|------|------|------|------|------|------|------|------|------|--------------------|--------------------|--------------------|------|--|
| | | Through 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | | | | 1977 | |
| Agriculture I (Rubber, Pre-investment) | IDA | | | | | | | | | 1.2 | | | | | | | | | |
| Agriculture, Integ. Rural Develop. I | IDA | | | | | | | | | | | 6.0 | | | | | | | |
| Agriculture, Integ. Rural Develop. II | IDA | | | | | | | | | | | | 6.0 | | | | | | |
| Agriculture, Rubber Development | IDA | | | | | | | | | | | | | 2.0 | | | | | |
| DFC I | IBRD | | | | | | | | | | 1.0 | | | | | | | | |
| DFC II | IBRD | | | | | | | | | | | 1.0 | | | | | | | |
| Education I | IDA | | | | | | | | | 7.2 | | | | | | | | | |
| Education II | IDA | | | | | | | | | | | 5.0 | | | | | | | |
| Power I | IBRD | | | | | | | 7.4 | | | | | | | | | | | |
| Power II | IBRD | | | | | | | | 4.7 | | | | | | | | | | |
| Power Supplementary | IBRD | | | | | | | | | 1.2 | | | | | | | | | |
| Power III | IBRD | | | | | | | | | | | 3.0 | | | | | | | |
| Highways I (includ. increase) | IBRD | 4.3 | | | | | | | | | | | | | | | | | |
| Highways Engineering & Maintenance | IDA | | | | | | | | | | 2.5 | | | | | | | | |
| Highways II (Monrovia Port Access Rds.) | IBRD | | | | | | | | | | 4.0 | | | | | | | | |
| Highways III (Totota-Ganta Road) | IBRD | | | | | | | | | | | | | 3.0 | | | | | |
| Port of Harper | IBRD | | | | | | | | | | | 2.5 | | | | | | | |
| Port of Monrovia | IBRD | | | | | | 3.6 | | | | | | | | | | | | |
| Operations Program | IBRD | | | | | | | | 4.7 | | 2.2 | 4.0 | 6.5 | 3.0 | | | 17.9 | 15.7 | |
| | IDA | | | | | | | | | 8.4 | 2.5 | 6.0 | 5.0 | 6.0 | 2.0 | | 10.7 | 21.5 | |
| | Total | | | | | | | | 4.7 | 8.4 | 4.7 | 10.0 | 11.5 | 6.0 | 5.0 | | 28.6 | 37.2 | |
| | No. | | | | | | | | 1 | 2 | 3 | 2 | 4 | 1 | 2 | | 8 | 12 | |
| Lending Program | IBRD | 4.3 | | | | | 3.6 | 7.4 | 4.7 | | 2.2 | 3.0 | 3.0 | | 3.0 | 4.3 | 17.9 | 11.2 | |
| | IDA | | | | | | | | 8.4 | | 2.5 | 4.0 | 4.0 | 4.0 | - | | 10.7 | 14.5 | |
| | Total | 4.3 | | | | | 3.6 | 7.4 | 4.7 | 8.4 | 4.7 | 7.0 | 7.0 | 4.0 | 3.0 | 4.3 | 28.6 | 25.7 | |
| | No. | 1 | | | | | 1 | 1 | 1 | 2 | 3 | 2 | 2 | 1 | 1 | 1 | 8 | 9 | |
| African Development Bank | | | | | | | | | 1.3 | | | | | | | | | | |
| IBRD o/s inc. undisbursed | | 3.3 | 3.3 | 4.3 | 4.0 | 4.0 | 7.6 | 14.9 | 16.9 | 19.6 | 21.8 | 23.8 | 27.3 | 30.6 | 31.9 | | | | |
| exc. undisbursed | | - | 0.2 | 1.6 | 2.9 | 3.8 | 3.9 | 5.9 | 7.5 | 9.3 | 11.4 | 11.6 | 14.1 | 17.3 | 20.1 | | | | |
| IBRD - gross disbursements | | - | 0.2 | 1.5 | 1.5 | 0.9 | 0.1 | 2.1 | 1.6 | 2.6 | 2.7 | 3.0 | 3.8 | 4.0 | 3.6 | 4.1 | 9.1 | 17.1 | |
| - net disbursements | | - | 0.2 | 1.5 | 1.5 | 0.9 | 0.1 | 2.1 | 1.5 | 2.0 | 2.4 | 2.5 | 3.2 | 2.8 | 2.3 | 4.1 | 8.1 | 13.2 | |
| - net transfer | | - | 0.2 | 1.4 | 1.4 | 0.7 | -0.1 | 1.8 | 1.1 | 1.4 | 1.6 | 1.6 | 2.0 | 1.5 | 0.7 | 3.7 | 5.8 | 7.4 | |
| IBRD/IDA - gross disbursements | | - | 0.2 | 1.5 | 1.5 | 0.9 | 0.1 | 2.1 | 1.6 | 2.6 | 2.7 | 3.1 | 4.6 | 6.6 | 9.1 | 4.1 | 9.1 | 26.1 | |
| - net disbursements | | - | 0.2 | 1.5 | 1.5 | 0.9 | 0.1 | 2.1 | 1.5 | 2.0 | 2.6 | 3.1 | 4.0 | 5.6 | 6.1 | 4.1 | 8.3 | 21.4 | |
| - net transfer | | - | 0.2 | 1.4 | 1.4 | 0.7 | -0.1 | 1.8 | 1.1 | 1.8 | 1.7 | 2.2 | 3.8 | 4.4 | 4.5 | 3.7 | 6.3 | 16.6 | |

Attachment 2

LIBERIA

LIBERIA: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

(\$ millions)

| Project & No. | Amount: - Original - Cancelled - Net | Date: - Approved - Signed - Effective | Closing Date | Forecast Date | FY'70 | FY'71 | | | | FY'72 | | | | FY'73 | FY'74 | FY'75 |
|---------------------------------------|---|--|------------------------------------|---|---------------|---------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|---------------|--------|
| | | | | | | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | | | |
| Monrovia Port Dredging IBRD 617 | 3.6 - - | 6/17/69 6/20/69 7/10/69 | Orig: 11/30/71 Rev: - Act: - | N.A. 9/30/70 (first) 3/31/71 - | - 2.9 - | - 3.0 - | - 3.1 3.0 | - 3.2 3.0 | - 3.3 3.1 | - 3.3 3.2 | - 3.4* 3.2 | - 3.3 3.3 | - 3.3 3.3 | - 3.4* - | - - | - - |
| Power Expansion IBRD 684 | 7.4 - - | 5/28/70 6/4/70 6/5/70 | Orig: 6/30/74 Rev: - Act: - | N.A. 9/30/70 (first) 9/30/71 - | - - | - .1 - | - .2 .1 | - .4 .2 | - .7 1.5 | - 1.1 1.8 | - 1.6 1.7 | - 1.6 1.7 | - 2.1 3.6 | - 4.9 7.4 | - 7.4 - | - - |
| Second Power IBRD 778 | 4.7 - - | 6/22/71 7/ 8/71 9/30/71 | Orig: 12/31/74 Rev: - Act: - | 6/ 4/71 9/30/71 - | - - | - - | - - | - - | - .2 - | - .3 .4 | - .5 .4 | - 2.4 3.7 | - 4.3 4.6 | - 4.3 4.7 | - 4.7 - | - - |

* Balance indeterminate.

Controller's
1/26/72

LIBERIA
INDICATORS OF DEVELOPMENT

| | | ANNUAL AVERAGE | | | | | |
|--|--|-------------------------------|---------|---------|----------------|----------------|------|
| | | 1951-60 | 1961-65 | 1966-70 | 1972-77 | | |
| | | Unit | | | | | |
| I. ECONOMIC & STRUCTURAL INDICATORS | | | | | | | |
| 1. | Gross Domestic Product (in constant prices) | % Change | | 4.0 | 4.0 | | |
| 2. | Gross Domestic Product (in current market prices) | % Change | 14.8 | 6.0 | 5.3 | | |
| 3. | Manufacturing Output <u>a/</u> | % Change | | | 8.0 | | |
| 4. | Agricultural Output <u>a/</u> | % Change | | | 3.6 | | |
| 5. | Mining Output <u>a/</u> | % Change | | | 5.7 | | |
| 6. | Imports of Goods and NFS <u>b/</u> | % Change | | 8.6 | 6.7 | | |
| 7. | Exports of Goods and NFS <u>b/</u> | % Change | | 10.4 | 9.5 | | |
| 8. | Domestic Price Level <u>c/</u> | % Change | | | 4.3 | | |
| | | | 1950 | 1960 | 1965 | 1970 | 1977 |
| 9. | Gross National Savings <u>d/</u> | % GDP | | | 2.0 | 12.5 | |
| 10. | Resource Gap <u>d/</u> | % GDP | | | -6.6 | -14.3 | |
| 11. | Net Factor Payments Abroad <u>d/</u> | % GDP | | | 23.3 | 22.0 | |
| 12. | Gross Domestic Investment <u>d/</u> | % GDP | | | 18.7 | 20.2 | |
| 13. | Debt Service | % Exports <u>e/</u> | | | 13.8 | 13.4 | |
| 14. | Debt Service | % Budgetary Revenues | | | | 10.3 <u>f/</u> | |
| 15. | Central Govt. Current Revenue | % GDP | | | 23.0 | 23.2 | |
| 16. | Central Govt. Current Surplus (Deficit) <u>h/</u> | % GDP | | | 12.5 <u>g/</u> | 14.8 | |
| 17. | Public Exp. on Social Services | % GDP | | | | 22.7 <u>f/</u> | |
| 18. | Central Govt. exp. on Social Services <u>i/</u> | % GDP | | | -0.6 <u>g/</u> | .1 | |
| 19. | Military Expenditure | % GDP | | | 2.7 <u>g/</u> | 2.4 | |
| 20. | Manufacturing Output <u>a/</u> | % GDP | | | .6 | .8 | |
| 21. | Energy Consumption | % GDP | | | 4.0 <u>g/</u> | 4.6 | |
| 22. | Electricity Consumption | million tons GWH | | | | 690 <u>j/</u> | |
| 23. | Fertilizer Consumption | 1000 tons | | | | | |
| II. SOCIAL INDICATORS | | | | | | | |
| 24. | Population Growth Rate | % | | | 3.0 | 3.0 | |
| 25. | Urban Population Growth | % | | | | | |
| 26. | Birth Rate | Per 1,000 popln. | | | 51.0 | | |
| 27. | Family Planning | Acceptors '000 | | | | | |
| 28. | Income of: Highest quintile | % of total income | | | | | |
| 29. | Income of: Lowest Quintile | % of total income | | | | | |
| 30. | School enrollment: Primary & Secondary | % school-age popln. <u>1/</u> | | | | 19.0 | |
| 31. | Literacy rate | % adult population | | | | 10.0 | |
| 32. | Unemployment rate | % labor force | | | | | |
| 33. | Population per hospital bed | Number | | | | 688 <u>1/</u> | |

Western Africa Department
February 4, 1972

- a/ Value added at current market prices
- b/ Goods only
- c/ Consumer price index for Monrovia only and covering households whose monthly incomes do not exceed \$250
- d/ Estimate
- e/ "net" export proceeds (merchandise exports minus net factor payments abroad).
- f/ Assuming limited new indebtedness between 1972-1977.
- g/ 1966
- h/ Accounting for interest and amortization of external debts and for IMF re-purchases.
- i/ Includes expenditure on health, education, labour and culture. 1969.
- j/ Age Group 5-20
- 1/ Excluding 250 beds in the John F. Kennedy Medical Center which began operation in 1971

LIBERIA



COUNTRY DATA - LIBERIA *

Area:

Size: 111,370 km²
 Density: 13.5 per km²

Population (1971)

Total 1.6 million
 Rural population 1.3 million (72%)
 Urban population .3 million (28%)
 Rate of growth 3%
 Crude birth rate 50 per 1000
 Crude death rate 21 per 1000
 Infant mortality 159 per 1000 live births

Health (1971)

Population per physician 1200
 Population per hospital bed 677

Education (1970)

Adult literacy rate 10% of adult population
 Primary school enrollment 50% age group 7-12

Employment

Wage Employment (excluding self-employed)

National Accounts

Per capita GDP \$300 (1970)
 Per capita GNP \$233 (1970)

| <u>GDP in market prices (US\$ mil.)</u> | <u>1969</u> | <u>1970</u> |
|---|-------------|-------------|
| GDP in market prices (US\$ mil.) | 427.6 | 450.3 |
| Net factor payments abroad (US\$ mil.) | 92.6 | 98.5 |
| GNP in market prices (US\$ mil.) | 335.0 | 351.8 |
| GNP estimated real annual growth rate (1961-1970) | | 4% |

* - The currency in use in Liberia is the United States dollar.

Industrial origin of GDP:
(at current factor cost)

Percentage Distribution
1969 1970

| | | |
|--------------------------------------|--------|--------|
| Agriculture | 26.9 | 25.6 |
| Monetary Economy | 19.4 | 18.3 |
| Rubber | (8.8) | (7.8) |
| Other | (10.6) | (10.5) |
| Subsistence Economy | 7.5 | 7.3 |
| Mining & Quarrying | 28.5 | 27.5 |
| Iron ore | (26.3) | (25.5) |
| Diamonds | (1.2) | (1.1) |
| Quarrying | (1.0) | (0.9) |
| Manufacturing | 3.8 | 5.2 |
| Construction | 4.4 | 4.2 |
| Transport & Communication | 6.2 | 5.9 |
| Wholesale & Retail Trade | 13.5 | 14.7 |
| Public Sector Agencies & Enterprises | 12.3 | 12.0 |
| Other services | 3.7 | 4.5 |

Volume of Production:

| | 1960 | 1968 | 1969 | 1970 | 1971 |
|---------------------------|--------|---------|---------|---------|---------|
| Iron ore (mil. long tons) | 2.9 | 19.2 | 21.4 | 23.4 | 23.2 |
| Rubber (mil. pounds) | 91.3 | 141.8 | 153.6 | 172.1 | 181.0 |
| Foreign Plantations | (75.2) | (101.4) | (106.2) | (118.6) | (123.4) |
| Liberian-owned Farms | (16.1) | (40.4) | (47.4) | (53.5) | (57.6) |

Government Finances (US\$ million)

| | 1968 | 1969 | 1970 | 1971 | 1972(Est.) |
|---------------------------------|--------|--------|--------|--------|------------|
| Current Revenues | 51.8 | 61.9 | 66.5 | 67.0 | 76.0 |
| Current Expenditures (non-debt) | 37.9 | 41.2 | 41.4 | 46.0 | 47.0 |
| Debt Service Payments | 13.4 | 15.0 | 16.9 | 18.3 | 19.8 |
| External | (11.4) | (13.7) | (15.4) | (16.7) | (17.1) |
| Internal | (2.0) | (1.3) | (1.5) | (1.6) | (2.7) |
| Re-purchases from the IMF | 3.4 | 4.4 | 5.2 | 2.2 | 1.8 |
| Investible Surplus | -2.9 | 1.3 | 3.0 | 0.7 | 7.4 |
| Development Expenditures | 11.5 | 11.6 | 17.9 | 15.7 | 13.3 |
| (of which: Capital Formation) | (10.6) | (10.4) | (10.2) | (12.0) | (10.0) |

Public Capital Formation (US\$ million)

| | Ave. 1965-67 | 1968 | 1969 | 1970 | 1971 |
|---------------------------|--------------|------|------|------|------|
| All sectors | 22.7 | 10.6 | 10.4 | 10.2 | 12.0 |
| Education | 1.9 | .4 | .5 | .4 | .5 |
| Health | 1.7 | 4.3 | .7 | .7 | .8 |
| Agriculture | .1 | - | .1 | .1 | .4 |
| Power | 9.6 | .7 | .2 | 1.4 | - |
| Transport & Communication | 6.3 | 2.8 | 3.8 | 3.6 | 3.4 |
| Community Development | 1.7 | .1 | 4.8 | 3.8 | 4.4 |
| Other | 1.4 | 2.3 | .3 | .2 | 2.5 |

| <u>External Trade</u> (US\$ million) | <u>1968</u> | <u>1969</u> | <u>1970</u> | <u>1971</u> | <u>1972(Est)</u> |
|--|-------------|-------------|-------------|-------------|------------------|
| Exports (f.o.b.) | 169.0 | 195.9 | 213.7 | 224.0 | 251.0 |
| Iron ore | (118.3) | (137.1) | (150.7) | (160.6) | (184.5) |
| Rubber | (25.6) | (30.8) | (36.2) | (32.5) | (30.0) |
| Imports (c.i.f.) | 108.5 | 114.6 | 145.0 | 162.4 | 174.0 |
| Trade balance | 60.5 | 81.3 | 68.7 | 61.6 | 77.0 |
| Net Factor Payments Abroad | -97.5 | -92.6 | -98.5 | | |
| | | | | | |
| <u>External Public Debt</u> (US\$ million) | <u>1968</u> | <u>1969</u> | <u>1970</u> | <u>1971</u> | <u>1972(Est)</u> |
| Public Debt Outstanding (including undisbursed) | 168.9 | 175.6 | 176.8 | 170.7 | |
| Debt Service Payments | 11.4 | 13.7 | 15.4 | 16.7 | 17.1 |
| as % of: exports | 6.7 | 7.0 | 7.2 | 7.5 | 7.0 |
| exports net of factor payments abroad | 15.9 | 13.3 | 13.4 | | |
| Government revenues | 22.0 | 22.1 | 23.2 | 24.6 | 22.5 |

Division 1B
Western Africa Region
December 29, 1972

LIBERIA: RECENT ECONOMIC DEVELOPMENTS

1. While economic growth in the second half of the 1960's was at a rate of 4% per annum in real terms, this growth rate has slowed down a little during the last two years - largely caused by a mild recession in the world market for iron ore, continued weakening of export prices for rubber, and the considerable uncertainty within the relatively large Lebanese business community as to the new Government's policy towards them, an uncertainty which has led to slow down in private investments and capital flight abroad.

2. Liberia's foreign trade position remains moderately strong; the trade balance surplus averages \$70 million annually. However, within the overall balance of payments sizeable factor payments abroad more than offset this positive trade picture. These factor payments largely represent investment income to foreign concessionaires and are estimated to amount to about \$100 million annually. Among exports iron ore continues to dominate - accounting for 72% of total export earnings. In recent years the composition of iron ore exports have changed in the direction of additional local processing of the ore. The two lowest grades of iron ore which in 1966 formed 64% of total production, accounted for only 43% in 1971. All the major iron ore concessionaires now have pelletizing and washing plants. Their production volumes have been (in millions of long tons):

| | <u>1966</u> | <u>1967</u> | <u>1968</u> | <u>1969</u> | <u>1970</u> | <u>1971</u> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| LAMCO | 8.0 | 8.5 | 9.0 | 10.8 | 11.6 | 10.6 |
| Bong Mining Co. | 3.0 | 3.5 | 4.1 | 4.4 | 5.2 | 6.5 |
| National Iron Ore Co. | 2.9 | 2.9 | 3.4 | 3.4 | 3.7 | 3.5 |
| Liberian Mining Co. | <u>2.8</u> | <u>2.6</u> | <u>2.7</u> | <u>2.8</u> | <u>2.8</u> | <u>2.6</u> |
| TOTAL | <u>16.7</u> | <u>17.5</u> | <u>19.2</u> | <u>21.4</u> | <u>23.4</u> | <u>23.2</u> |

LAMCO's production of pellets, which command a relatively high price in world markets, began in 1968 and accounted for 17% of its output in 1971.

3. Although the outlook for iron ore in the international market is moderately good, Liberia will face increased competition from such countries as Australia, Brazil, and Iran whose iron ore deposits are of high Fe-content and whose mining companies continue to implement heavy investment programs initiated in recent years. Unexploited ore deposits in Liberia, moreover, are of lower quality and the large infrastructural investments apparently necessary to mine these deposits make such projects less attractive to foreign investors. The proven reserves at Wologisi in Upper Lofa Country are about 600 million tons but the Japanese

business group which earlier indicated interest in exploiting these reserves have now cooled to this proposal. Potentially Wologisi has a production capacity of 10 million tons of pelletized ore annually - which would add about 40 percent to Liberia's present production capacity. Discussions are underway between the Government and the Liberia Mining Company (IMC) to develop the ore reserves at Bie Mountains which could add another 5 million tons annually.

4. Prospects for rubber exports are now a little better. A recent Bank study indicates that the declining trend in natural rubber prices is expected to come to a halt before 1975. Prices are likely to range between 17 and 24 US cents per pound in 1980, compared to about 18 cents at present. Large rubber acreages are yet to mature, and production may be expected to rise at an average of 3-4 percent p.a. over the next years. While the volume of rubber exports rose by 3 percent between 1970 and 1972, the general decline in world rubber prices reduced the value of these exports over the two year period from \$36 million to \$30 million. This has led to a number of small farmers being forced out of production and threaten employment prospects for 5000 Liberian farmers. Productivity on Liberian-owned farms varies considerably, with an average of about 350-400 lbs/acre, a level much below the 1200 lbs/acre achieved on the foreign-operated concession farms which account for 60% of total production. The low productivity is largely due to poor management and the absence of advisory and technical services. The problems and the prospects of the Liberian-owned rubber farms is the subject of a study to be conducted under the recent IDA agricultural Credit.

5. Exports of logs have been rising rapidly since their beginning in 1967 - to account for 3.6% of total exports in 1971 - largely caused by near depletion of forest reserves in neighboring countries, the opening of new roads, and the completion of a forest survey with German assistance in 1967. With increasing demand for wood and wood processed products in Europe there are prospects for significant increases in such exports in the future. The Government is encouraging timber companies to export timber in a processed form and has asked the companies concerned to prepare programs for phasing out the export of logs over a seven-year period.

6. Principal obstacles to Liberia's development are the lack of a clearly defined development strategy, absence of sectoral investment programs integrated into economic decision-making, weak project preparation, inadequate savings performance, and inefficient public administration. The new Administration is making serious efforts to address these problem areas.

7. Development activity consists of project proposals formed on an ad hoc basis and often ill-prepared. The planning mechanism is weak, but the President is anxious to strengthen it and has received

Bank advice on technical assistance needs for this purpose. The 1971 ILO economic mission drew up broad guidelines for development and unemployment. Its report will be the subject of a round table conference in Liberia in mid-February to be attended by Liberian and foreign experts. Until a development program can be formulated, the Bank's basic economic mission, which will visit Liberia in end February and March, may help the Government prepare a public investment program for the next 3-5 years.

8. The low levels of gross national savings and the rather modest rates of investment will have to rise to enable Liberia to achieve satisfactory rates of economic growth and development. Total Government development expenditures -- including those financed largely from foreign loans and grants have since 1970 amounted to a mere 4% of GDP.

9. The budgetary situation weakened in 1971 when a sharp increase in current expenditures occurred at a time when current revenues stagnated. This occurred parallel with a decline in foreign aid so that the combined effect upon the budget was a sharp drop in overall budgetary surplus from \$16.5 million to \$6.9 million -- before debt amortization. Budgetary developments since 1968 have been as follows: (in \$ mill.)

| <u>Current Revenues:</u> | <u>1968</u> | <u>1969</u> | <u>1970</u> | <u>1971</u> |
|----------------------------------|-------------|-------------|-------------|-------------|
| Revenue from concessions | 12.5 | 15.5 | 17.0 | 14.7 |
| Other direct levies on income | 6.6 | 9.0 | 9.5 | 11.2 |
| Taxes on international trade | 17.8 | 19.8 | 19.3 | 20.6 |
| Other taxes | 8.3 | 8.7 | 9.9 | 9.3 |
| Non-tax revenues | <u>6.6</u> | <u>8.8</u> | <u>10.8</u> | <u>11.3</u> |
| Subtotal | 51.8 | 61.8 | 66.5 | 67.0 |
| <u>Current expenditures:</u> | | | | |
| Personnel services | 18.9 | 19.9 | 21.4 | 23.5 |
| Interest on debt | 6.9 | 6.1 | 6.1 | 6.0 |
| Other | <u>16.9</u> | <u>19.2</u> | <u>20.2</u> | <u>23.3</u> |
| Subtotal | 42.7 | 45.2 | 47.7 | 52.8 |
| Current surplus | 9.1 | 16.7 | 18.8 | 14.2 |

This surplus of current revenues over current expenditures has helped finance - together with foreign aid - a very modest level of capital expenditures, but has increasingly also been required for rising foreign debt amortizations. The latter amounted to \$11.7 million in 1971 and thus more than absorbed the \$6.9 million budget surplus (before debt amortization). Domestic bank credit closed most of that gap.

10. Budget revenues improved sharply in 1972 with the new Administration and with a new Finance Minister. They reached \$76 million - about 12% above original budget estimates. In part this development was due to nonrecurrent non-tax revenues (sale of President Tubman's yacht yielded \$2.1 million), but there were also increased maritime revenues brought about by higher annual tonnage fees, and, significant improvement in tax enforcement and collection. A major portion of this growth in revenues was absorbed by a \$5 million allocation for a general salary raise for civil servants and by payment of government arrears carried over from the previous year. Yet overall public savings performance did show improvement, though at a level of 2 percent relative to GNP it is still low compared to other developing countries with similar per capita income.

11. The new Government is anxious to derive more revenues from the enclave sector. Among the rubber concessions, for example, only Firestone pays income tax - \$2.0 million in 1972 - since other companies are still benefiting from tax holidays which are usually for a period of 14-16 years. Existing concession agreements appear too generous and include loopholes and ambiguities which could give considerable leeway for increasing the enclave sector's contribution to financing Liberia's development effort. The new Concessions Secretariat in the Ministry of Finance, to be assisted by UNDP experts, is focusing its work around two major objectives: to improve administration and enforcement of existing concession agreements, and, to formulate more equitable and higher yielding arrangements for the future. Though the iron ore concessions agreements provide for a 50-50 profit sharing arrangements, the agreements and their past implementation have led to a low level of net profits and hence low contribution to government revenues. Large volumes of borrowed capital have been used to arrive at a high debt-equity ratio with resulting tax deductions and allowances; special selling prices have been set up for part of the ore shipped to parent companies, etc. It seems anomalous, for example, that the various costs and expenses charged to gross income in the case of LAMCO, the largest of the iron ore companies in Liberia account for more than 80 percent of the market price of ore. The Government's take, when all such accounting devices have been taken into account is as low as 10 percent of sale proceeds. Few, if any, agreements for the exploitation of raw materials give as low net take to the host country as this. The recent audit of iron ore agreements, highlighted some of the inequities and anomalies and the Government decided to renegotiate these agreements. Negotiations are now underway with LAMCO and their results are expected to serve as a model for negotiations with other companies.

12. The Government's strategy during negotiations was to establish certain basic principles, and contenting itself with modest additional revenues at the outset. The two basic principles which were accepted by LAMCO established: (i) the Government's sovereignty over the deposits and hence its right to collect royalties; and (ii) the Government's authority to levy taxes on the company. This is a substantial improvement

over the old agreement under which the Government, as a partner in the company, was only entitled to receive dividends, and under which the companies were exempt from taxes. In order to reduce LAMCO's debt equity ratio from its present 7:1 ratio, the company agreed to transfer certain subordinated debentures into preferred stock. The "interest" on these debentures will now become "dividend" and will, therefore, not be deductible in calculating net profits. Furthermore, the Government is requesting that duty free privileges be limited to imports of capital goods and replacement parts. The total renegotiation package is expected to yield about \$2.0-2.5 million additional annual revenues from LAMCO. Future negotiations with other iron ore companies are expected to yield a total amount of a similar magnitude.

13. Other forms of taxation can also be improved. Based on the findings of a tax study by a team of US experts, a tax reform plan was prepared in 1970. This plan, which was designed to make taxes more equitable and responsive to growth and permit easier administration, involved extending the income tax base, increasing certain income tax rates, and repealing the regressive education and austerity taxes. The main provisions of this plan were rejected by the late President Tubman who allowed only the passage of some minor taxes and fees. The new administration is reviewing the reform plan with a view to present it in a modified form to the legislature early in 1973. Officials are inclined at present to introduce the reform plan in stages rather than in one package.

14. Enforcement of both income taxes and custom duties has improved considerably under the new administration. The President in his annual message a year ago, rebuked "Liberians in high positions and those who are otherwise prominent in society" for tax evasion. Since then, the Ministry of Finance has launched a vigorous campaign for the rapid clearance of tax arrears, which has in fact caused some apprehensions within the Liberian business community. Efforts to improve public savings should also address themselves to the curtailment of unnecessary current expenditures and stronger expenditure controls. Foreign travel by government officials, and housing privileges granted to them by the former administration, are now being curtailed.

15. There is no doubt that higher public savings will be necessary to achieve higher levels of investment and more satisfactory economic growth, but it must also be recognized that the Government's propensity to save out of additional revenues cannot be high while salaries of civil servants, maintenance programs and current expenditures to support investments in the economic and social fields are still inadequate. With a major resource constraint on development there is an urgent need to take steps to formulate a savings strategy in such way that fiscal policy measures are strongly reinforced by financial policies which can generate further private savings by the financial system. This will necessitate a critical assessment of existing financial institutions, financial instruments and policies.

AIDE MEMOIRE REGARDING PROSPECTS
FOR INDUSTRIAL DEVELOPMENT IN LIBERIA

I. Introduction

1. The Government of Liberia stands at the threshold of a new phase of economic development. It has inherited a sluggish economy, dominated by highly profitable foreign enclaves, but characterized by little progress for Liberians, and extreme poverty both in Monrovia and in the countryside. The Government's desire for rapid economic development, with a particular emphasis on Liberian participation in the ownership and control of wealth and on the improvement of the living standards of the common people, has led to a re-examination of Liberia's development options. This aide memoire reviews the discussions of industrial development possibilities held in Monrovia on November 6, 1972. Firstly the strategy options before the Government are examined. This is followed by a discussion of the necessary policy changes. The implementation steps required are outlined in the final section.

II. Strategy Options

2. Liberia's economy has been dominated by iron ore for the past 15 years, and iron ore prospects still overshadow economic planning. In the light of contributions to total exports and Government revenues, and because of the very low share Liberia obtained from the exploitation of this natural resource in the past in comparison to other countries, this is not surprising. However, the international market for iron ore has changed rapidly in recent years, and the iron ore based development strategy now requires reconsideration.

3. The high iron ore prices from which the companies operating in Liberia benefited in the late 1950s and for most of the 1960s stimulated world wide iron ore exploration and technological change in iron ore processing. Between 1960 and 1971 world iron ore production rose from 455 million tons to 774 million tons. Much of the increase, and particularly the recent and most rapid growth in supply, has come from large, high quality (Fe 64 percent to 66 percent, low impurities, good physical composition), low cost deposits in Canada, Australia, Brazil, India and Venezuela. Some of these countries are still expanding production rapidly. With their major infrastructure facilities completed, this will mean even lower costs in the future. Australia, for example, anticipates exports of 100 million tons by the end of the 1970s. Major new discoveries of high grade ores are still being made. Iran is a recent example. Demand, on the other hand, is not expected to grow as rapidly as it did in the 1960s. In these circumstances only large, high grade, low impurity, ore bodies with low operating costs, will be competitive. Liberian iron ore exploitation could run into difficulties unless new high grade, large and easily accessible deposits are found. It therefore seems advisable to take new developmental steps immediately, to ensure that the Liberian economy

does not become largely dependent on tree crop products for foreign exchange earnings, new investment and additional employment. While there are some opportunities for expanding production of these crops through increased acreage, and more particularly, higher productivity, the markets for these products are inelastic, and the world outlook is far from buoyant. This would make it extremely difficult to find new revenue resources to replace iron ore revenues to maintain present budget levels, let alone to expand the budget on developmental lines.

4. Employment is also likely to become an increasing problem in the 1970s. The work force in the enclave sectors has by and large ceased growing, some decline can be expected as productivity increases, and new school leavers with much higher expectations than their parents had, are coming on to the market. They are likely to swell the 20,000 to 30,000 unemployed already in Monrovia, and to cause social problems in the enclave centers, unless they are absorbed in productive work. The lack of employment commensurate with the skills and expectations generated by tertiary education, is likely to cause even more serious social problems.

5. So much for the debit side. On the credit side, Liberia has a good land labor ratio and its mineral resources are not yet fully known. It is well endowed with high quality timber which has the advantage of being a renewable resource so that supplies need not be exhausted, but on the contrary, can be built up over the years. Timber, moreover, faces a buoyant, elastic international demand. There are other possibilities for the development of processed raw materials. There are some possibilities in export oriented manufacturing. Tourism opportunities could be created.

6. Liberia is fortunate in being a small country so that a relatively small effort in processing for exports, which would not affect world market supplies significantly, could have a marked impact on export earnings and revenues, not only replacing the prospective decline of iron ore to the economy, but providing a higher per capita level of foreign exchange and government revenues than has been hitherto available. It is reasonably well situated in relation to both the European and North American markets, and it has some prospects of acting as an entrepot for West African trade. The critical factor, is of course, the Government's commitment to development.

7. The policies followed in the past are not compatible with a vigorous development strategy. In the past Liberia has had a very permissive attitude to the foreign exploitation of its natural resources, which failed to gain a fair share of the very considerable benefits available at the height of the iron ore boom for the country. This was combined with a high cost import replacement policy in agriculture and manufacturing. In both raw material production and manufacturing the benefits offered to investors have been excessive in relation to the country's potential gain; in manufacturing the result has sometimes been a net loss of foreign exchange and a high cost in domestic resources. Industrial planning has centered on such unrealistic projects as a tire factory and a steel plant.

Motor car tire production is largely based on synthetic rubber, and requires an output of some 70,000 to 100,000 tires a year to be economic. Iron and steel plants require a demand of at least $1\frac{1}{2}$ million tons of fairly simple, uniform products to be economically viable. No such markets are in sight in West Africa, and in the world market tires and steel are sold at marginal prices. Steel production requires high quality fuel, and it has to be situated on a good, deep water harbor. Projects such as these are very capital intensive, they provide relatively little employment, and they have a long gestation period.

8. The development strategy proposed here is more prosaic but it concentrates on good business prospects. It is centered around the development and regeneration of timber, ~~on~~ timber and other raw material processing, and on other labor intensive production which will create an income not only for the country as a whole and for its business community, but also for the common people. This would in turn of course create new business opportunities.

9. The central feature would be the development of timber resources to create a strong market for Liberian timber products. This would require a new approach to forestry. Not only would the prime species be harvested, but secondary species would be cut and treated to provide a cheap, indigenous building material. This approach would raise returns from initial timber cutting, and provide a base for orderly replanting of prime and secondary timbers for future harvesting for high grade timber product exports, for pulp, and for further domestic use. Such a timber farming approach would greatly reduce the long term costs of rural infrastructure, and enable stable rural communities to be created. Primary processing would include saw mills, drying kilns, and treating plants. At a further stage there would be plywood and veneer manufacturing using a relatively labor intensive technology based on Taiwanese rather than industrialized country practices to minimize investment costs and maximize employment. Building timber, manufacturing and packaged furniture production would be initiated. The timber farming and final processing stages would be very labor intensive. It is envisaged that the joint venture form of business organization with experienced foreign firms would ensure that Liberian ownership, control and management would grow with the industry. As furniture production develops, foam rubber based upholstery, using indigenous textile patterns could be developed as a complementary labor intensive manufacturing activity.

10. A subsidiary export orientation would concentrate on improving yields of current tree crops, obtaining better returns for Liberian growers, and developing new agricultural products for exports. The possibilities of cassava chip production for feed seem considerable, and there may be some opportunities for cassava starch exports. Fresh product markets - notably for cut flowers and tropical fruit - should be explored. A market for Liberian style clothing, stimulating local tie-dyeing, could also be developed.

11. The prices of locally produced manufactured goods are generally higher than imported prices. This is not so much the result of excess profits, though there is indubitably some "fat" in manufacturing, and more particularly in distribution, but because the Liberian market is too small for an economic scale of production for most products. Equipment therefore tends to be used at less than full capacity (1 rather than 2 or 3 shift rates), capital costs per unit of production are high, and little employment is created. The tendency to high costs has been exacerbated by the Investment Code which favors capital investment over the employment of labor by making capital good imports duty free. The prospects for even such high cost industrial production are severely limited by the smallness of the market. This would not be significantly relieved by a common market with Sierra Leone. For most products even a population of some 4 million at less than \$300 income per head provides too small a market. But although cooperation with Sierra Leone cannot provide the basis of an economic domestically oriented industrialization strategy for either country, there is scope for expanding trade in agricultural and manufactured products if tariffs and import prohibitions are mutually reduced. X

12. Most of the processing and manufacturing activities can only be undertaken economically on a small scale. The encouragement of small scale industries is also necessary to develop Liberian entrepreneurship, management ability and technical skills. The emphasis in manufacturing for the domestic market should therefore be on opportunities for small Liberian entrepreneurs. The established, larger Liberian entrepreneurs should be encouraged to look to export markets where much greater profits are in any case to be made. ↗

13. High prices for essentials have already made Liberia one of the highest wage countries in West Africa, and they threaten to price it out of export markets if the present high cost import substitution policies are continued. Liberia therefore has a choice before it. If it wishes to pursue a vigorous, expansionist development policy it needs growing foreign exchange resources and rising government revenues as well as healthy private profits. This means the development of new export industries. Such an export oriented strategy is not compatible with high cost import substitution, which, though it may lead to high profits in the short run, will result in national stagnation within a decade. The policy and implementation changes discussed in the following pages are therefore those needed to re-orient the Liberian economy toward export growth and economic import substitution. ↗

III. Policy Issues

14. The incentive framework is shaped by the following policy instruments:

a. Import duties. The tariff is revenue oriented in origin, but tariff and other import duties have a protective effect. This has been heightened

by increases in duties granted to protect domestically produced import substitutes. The tariff nomenclature is outdated, and many of the tariffs are specific rather than ad valorem. This complicates customs collections unnecessarily.

b. Import restrictions. These are of recent origin, having been imposed to give additional protection to domestic producers.

c. High effective protection benefits granted under the investment code. In addition to providing for additional protection through raising tariffs and imposing import embargoes, the Investment Code has provisions for raising effective protection, that is, protection on value added in production in Liberia, through -

- i. exemptions of import duties on capital,
- ii. exemptions of import duties on raw materials. These provisions make capital equipment unduly cheap and thus stimulate capital intensive production unnecessarily. They also encourage the use of imported inputs rather than of locally produced substitutes.
- iii. exemptions from excise duties.

All these provisions erode government revenues.

d. Exemptions from income taxes. The tax holidays provided in the past have been unduly generous. There is a great deal of evidence to suggest that tax holidays do not greatly influence foreign investment. In Liberia the absence of clearly defined loss carry forward provisions and the length of tax holidays granted has meant very serious revenue losses without commensurate benefits to the economy.

e. Production licensing. The licensing of productive enterprises has, together with high effective protection, led to the establishment of highly profitable monopolies. These are a strong contributing cause to high prices and hence relatively high labor costs. In countries with comparable minimum effective wages for unskilled labor, that is, about \$1 a day, the prices of basic foods and other commodities are significantly lower than in Liberia. It is true that high costs are partly due to the nature of the import and retail trade network. High costs of production and monopoly prices in local production cannot, however, be ignored, particularly if a rapid expansion of domestic production is desired.

f. The "Open Door Policy". The absence of exchange controls has created a favorable investment climate. However, combined with the income tax holidays, it also has important negative aspects. Foreign and local investors have had little incentive to re-invest in Liberia for production for the small Liberian market, and no push from financial institutions to look for export opportunities. Income tax evasion is facilitated. A policy retaining the encouraging aspects of the "open door" attitude, but avoiding the losses of capital outflows would be much more favorable to development.

15. In addition to being conducive to capital intensive rather than labor intensive investment, the investment incentive framework serves mainly medium and large enterprises. Small enterprises tend to be neglected. They do not benefit from the monopoly of production from which large enterprises reap high profits, and their costs of establishment are disproportionately high. This has of course been recognized as a world wide problem, but it is particularly acute in Liberia, and particularly important because of Liberia's need to stimulate indigenous entrepreneurship.

16. The changes in the investment incentive framework are intended to:

a. ~~Encourage Liberian enterprise and employment~~, with a particular emphasis on creating new opportunities for both small and large entrepreneurs.

b. Stimulate the growth of competitive exports, and of efficient, low cost and low price production for the domestic market. Such industrial growth would be based on comparative advantage and specialization and it would pay attention to the development of an appropriate ownership structure and to the appropriate choice of technology. It would utilize domestic resources effectively both for domestic and export markets.

17. The following changes are required:

a. Tariffs. The present tariff structure is out of date from both the revenue and protective point of view, and requires a thorough overhaul to remove anomalies now present. Tariffs on final goods are sometimes lower than tariffs on inputs, making for negative protection for some products. This is true for example of clothing, where cloth has a higher tariff than finished clothing. For revenue and protective purposes, the tariff should be as uniform as possible, divided at most into a few categories, or bands. Widely differentiated tariffs, specifically designed to meet the needs of individual firms, should be avoided. They subsidize inefficiency, misallocate resources and discourage exports. It is assumed that a revision of the tariff which would take place in the near future, would arrive at something like 10 percent for the revenue, as distinct from a protective, component of the tariff. A protective component of - say 10 to 30 percent would be added, in two or three bands, for those products for which Liberia has a potentially economic domestic market. Industries already established would receive special consideration to enable them to become competitive within this tariff structure. A change to the Brussels nomenclature and to ad valorem tariffs now under consideration, makes the consideration of tariff reform particularly timely.

b. Dumping and import restrictions. Dumping is likely to be a problem from time to time. It is suggested that anti-dumping import restrictions be used to protect domestic manufactures where appropriate. The onus of proof of dumping taking place would be on the manufacturer, and import restrictions would be ended.

c. Import duty exemptions. Import duty exemptions are necessitated by the present structure of the tariff, and as already indicated they lead to undue revenue losses as well as to excessive effective protection, unduly capital intensive production and discrimination against local inputs. Once the tariff structure is revised, all import duty exemptions should be ended. In the meantime the Incentive Code should be amended to limit duty exemptions for raw materials and capital goods to say 10 percent for a period of five years from the first importation. The 10 percent duty payable would represent the revenue tariff. This figure can at present only be based on rough estimates and the experience of other countries, but it can serve as an interim measure which would be superior to the present total exemptions without being unduly burdensome.

d. Excise duties. Excise duties and other internal indirect taxes also have to be considered in relation to the protective structure. The need for domestic indirect taxes rises as import substitution takes place, but unless care is taken, there is a danger of creating negative protection for products on which domestic taxes on inputs are high. There is also danger in an undue "cascading" of indirect taxes which is likely to lead to uneconomic vertical integration of production and so discriminate against the small scale supplier of intermediate inputs. Indirect domestic taxes are of two types:

i. Revenue taxes, which should be kept uniform and low, and have as little cascading effect as possible.

ii. Luxury taxes such as those on alcoholic beverages and tobacco products, and on goods such as motor cars. These should be high both for revenue purposes and to discourage the consumption of luxury goods or at least penalize it, but they should be levied on both imported and locally produced goods to avoid undue losses of revenue and undue profits on domestic manufacture. As they would be added to a given tariff they would also protect manufacturers against consumers preference for imported luxury goods.

e. Incentives to exporters. It is suggested that special new incentives should be introduced to stimulate exports as follows:

i. Manufactured goods destined for exports should be entitled to drawback of all direct taxes - that is, import and export duties and excise taxes on inputs and on final goods.

ii. Exporters should be entitled to purchase inputs into export goods regardless of import bans which might otherwise apply.

iii. Exporters should be entitled to special tax holiday treatment as indicated below.

f. Income tax incentives. Foreign investors from countries which have, in effect, "double tax" agreements with Liberia, do not benefit from the

current 5 to 10 year tax holiday provisions in Liberia. There is instead a transfer of revenue from the government of Liberia to the Governments of the investors' home countries. Some Liberian entrepreneurs have in the past transferred windfall profits from income tax holidays abroad rather than reinvesting them in Liberia. A reform of the income tax system is long overdue. It should bear in mind that if corporation taxes are lower than in the principal developed countries, transfers of revenue to the governments of those countries will continue even when tax holidays expire. Well documented international experience suggests that prolonged income tax holidays are not particularly important in stimulating sound investment, and that the costs generally exceed the benefits. The following steps are therefore suggested:

- i. Liberia should adopt a corporate tax structure commensurate with that of developed countries.
- ii. Income tax holidays should be limited to profits re-invested in Liberia, and they should only be of 5 years duration.
- iii. An exception should be made for profits on processed exports, which should be entitled to a full 5 years tax holiday.
- iv. Loss carry forward provisions of limited duration, say 2 years over the 5 year tax holiday period should be allowed.
- v. All firms should submit income tax returns from their first year of operation.
- vi. Investment incentives should be industry wide. Thus all firms in an industry, regardless of size should be entitled to the limited income tax holiday.
- g. Production licensing. Licensing of entry into manufacturing should be restricted to cases in which economies of scale are important and there is therefore a danger of the fragmentation of production which could lead to high production costs, and hence pressure for protection. All other firms, say those with a capital investment of less than one million dollars, should be granted production licenses automatically and without delays on payment of the license fee. Small firms should become formally exempt from license fees following on the Ministry of Commerce's commendable practice of granting such exemptions.
- h. Foreign exchange and banking controls. Foreign investors should continue to be free to repatriate capital and dividends from their investments in Liberia, but appropriate exchange and banking control measures should be introduced to monitor such movements and ensure the proper payment of income taxes. Local investors should be encouraged to re-invest their profits in Liberia as already indicated.
- i. Training for Liberians. To encourage the training of Liberian workers and technicians, a payroll tax could be introduced for all enterprises with more than, say 50 workers. A firm with an approved training scheme would be exempted from the tax.

18. Some of the policy reforms suggested are already under consideration by the government of Liberia. Thus plans are already in hand for a reform of the income tax structure and for the introduction of foreign exchange and banking controls. The Investment Code is being re-examined. Tariff reform is being proposed. The difficulties created by the lack of co-ordination between the tariff and excise taxes have been recognized. The formulation of a detailed legislative program integrating these reforms into a cohesive policy framework is now required.

IV. Implementation

19. The adoption of an appropriate policy framework can only be the first step toward industrial development. A vigorous implementation program is essential, and it is here that Liberia has found the greatest difficulty in the past. The Liberian Development Corporation and the Liberian Bank for Industrial Development and Investment have failed to stimulate industrial growth, the provision of infrastructure has been inadequate, and the relevant Ministries have not been able to meet the demands of industrial development. The effect of inappropriate policies has thus often been exacerbated by inefficient and even arbitrary administration. This has failed to create the atmosphere of sound, orderly and forward looking government which is essential to industrial development.

20. Liberia is fortunate in having at least a small group of well trained and dedicated public officials, and a relatively large educated elite. Below the top and service level, there is however a great lack of trained and capable public servants. The various agencies which have attempted to assist Liberia's economic development in the past have failed to tackle this critical problem. It is therefore suggested that as a general principle, the emphasis in implementation should be on on-the-job training in Liberia rather than education abroad. Public servants must be exposed to the exigencies of practical situations if the level of administrative capability is to improve rapidly. Training abroad would be reserved for a high degree of specialization. Liberians currently abroad would be attracted by the possibilities of a career of public service with promotions based entirely on merit. Able public servants in responsible positions would receive appropriate remuneration so that they could concentrate on their public service careers instead of having to conduct a private business as well.

21. Within this general framework, the following steps are proposed:

a. Training of government employees. A rejuvenation of the School of Business of the University of Liberia to turn the degree course from a liberal arts to a professional orientation is urgent. It is envisaged that a one-year bridging course, concentrating principally on English and mathematics, would prepare students for three-year professional courses in economics and economic statistics or accounting and commerce. The strengthening of the faculty would be used to create a professional school whose graduates would be ready to undertake responsible professional tasks without

further training abroad, and to strengthen existing government departments by part time on-the-job training. It is suggested that the United Kingdom be approached for assistance in this respect. Such a program would of course mean that the School of Business Administration would have to continue to be situated in Monrovia to give part-time students easy access to lectures, and to enable faculty members to work with government departments.

b. Agricultural raw materials. It is envisaged that current agricultural policies would be reviewed to ensure adequate raw material supplies for processing, improved food supplies to the local market, and effective export marketing. Immediate action would be taken to improve timber prospects. This would include:

i. An improvement in the knowledge of timber resources to inform potential joint-venture investors.

ii. Improved policy and policing regarding timber concessions to ensure particularly that adequate and appropriate replanting takes place.

iii. A re-examination of stampage duties on timber and the collection of arrears.

c. Industrial promotion. Increased attention to economic analysis is required in the newly combined Bureau of Industrial Research and Development and the Liberian Development Corporation in the Ministry of Commerce to speed the preparation of appropriate legislation. In addition the Bureau would -

i. Concentrate on the preparation of timber processing projects.

ii. Take steps to explore foreign investment sources and markets by contacting the UNCTAD-GATT Trade Centre and the EEC's center for assistance to developing countries wishing to increase exports of manufactures.

iii. Find industrial land suitable for land in appropriate locations to simplify land acquisition problems for potential investors.

iv. Streamline government regulations regarding business entry and the receipt of investment benefits.

v. Continue to improve its commercial vigilance activities to ensure that Liberian products are not handicapped vis a vis imports.

d. LBIDI role in export promotion. It is proposed that LBIDI play a more vigorous role in the promotion of industry, particularly in seeking out foreign partners for export oriented projects. It is envisaged that with the introduction of exchange controls, and in the promotion of joint venture enterprises, LBIDI would have a more meaningful role to play in Liberian industrial development than it has in the past.

e. Assistance to small scale industries. It is recommended that the government assist small entrepreneurs by providing credit. Credit should be available at the same interest rates as for large enterprises, entailing a subsidy element to cover the high costs of administering small programs and the relatively high risks involved. Term finance should be made available for small entrepreneurs' productive equipment needs. It is therefore suggested that LBIDI open a second suitably subsidized "window" for small entrepreneurs in manufacturing, agriculture and service industries. Such a facility would begin to formulate plans for other technical forms of assistance to small entrepreneurs in due course.

f. Rural processing estates. An improvement in the supply of indigenous raw materials and food for processing is required to improve market supplies and reduce prices. Strong support should also be given to proposals being planned with UNIDO assistance for rural small scale agricultural processing estates in the country. The proposed LBIDI small scale program could be used as the financial intermediary.

g. Low cost housing. Construction is currently very costly in Liberia, principally because of very high mark ups. Housing is consequently inadequate with an estimated shortage of some 30,000 houses in Monrovia currently, and the market for low cost building materials is undeveloped. Strong support for the current site and service and housing program being undertaken with UNDP assistance is indicated. This requires Government action to make land available. The housing program would develop the use of indigenous construction materials, particularly secondary timber species, and bricks, and lower construction costs by enabling new, small contractors to come into business. Improved availability of local building materials and lower construction costs would facilitate a tourist program which would provide 'second homes' and other facilities at competitive prices.

h. Technical training. Liberia has a mixed and overall, inadequate training facilities. The enclave trade and technical schools should be integrated into the national system as these schools have established high technical standards; they should be expanded where appropriate into tertiary technical institutions. A rapid improvement and increase in technical training at the secondary level is also required.

i. Infrastructure. Improving the infrastructure is of course a long term process. Immediate gains could however be made from a more intensive use of existing facilities. This is for example true of the Nimba-Buchanan railway which has a capacity of some 17 million tons a year but only carries about 12 million tons. An integrated transportation plan is required. The exploitation of timber resources in the Nimba area should be begun to utilize the infrastructure already established. IAMCO has excess capacity in its drying kiln, experience in operating in Liberian conditions, and a potential unemployment problem at Nimba. The company should be encouraged to create a joint venture subsidiary to carry out timber operations.

j. The Free Port. The functioning of the free port requires improvement for entrepot purposes and to serve local manufacturing and exports. The purpose of the free port requires re-definition if short term measures to improve fiscal collections are not to damage the development role it could play. As the discussion of strategy options indicates, Liberia's development prospects are closely linked to the maintenance of an open economic outlook.

Conclusion

21. It is extremely unfortunate that Liberia failed to benefit adequately from its natural resources in the past, and that it began to proceed on a high cost import substitution path rather than to pursue export processing with its large potential returns. Unlike many other developing countries in which cost import substitution has gone a long way so that large vested interests prevent economic reorientation, Liberia can, however, still change its policies relatively easily, and it is in a good position to implement changes quickly. The Government's commitment to rapid and broadly based development is critical to such a policy.

Prepared by: Mrs. Helen Hughes
Economics of Industry Division
Development Economics Department
December 29, 1972

*when did it
Liberia*

LIBERIA - THE IRON ORE MARKET AND PROSPECTS

*Place in
Commodity*

I. The International Market for Iron Ore ^{1/}

1. The majority of industrialized countries are net importers of iron ore, with the exception of Canada, Australia, Sweden, the Republic of South Africa, and the U. S. S. R. While during the past two decades indigenous iron ore production either stagnated or declined in importing countries, new iron-rich deposits were discovered in other countries. Seven of the presently 14 largest exporting countries had little or no production and/or exports in 1950; these included Australia, Liberia, Venezuela, Peru, Mauritania, Angola and the Republic of South Africa. Developing countries are net exporters as a group and supply about 45 percent of the world import requirements, the major suppliers among them are, in descending order of importance (based on volume of exports): Brazil, Liberia, Venezuela, India, Peru, Chile, Mauritania, and Angola. In terms of their dependence on iron ore exports the countries ranked as follows in 1969 (percentage ratio of iron exports to total exports): Mauritania (87.0), Liberia (72.0), Sierra Leone (12.1), Peru (8.3), Chile (6.9), India (6.4), Brazil (6.4), and Venezuela (5.2).

2. Developing countries have done quite well in iron ore in the postwar period as evidenced by the phenomenal expansion of their exports in the last 20 years, namely, from barely \$50 million in 1950 to over \$1 billion in 1970. This favorable trend was produced by: (a) sustained, worldwide exponential growth in steel production; (b) a marked reduction in the iron ore self-sufficiency ratios of the major consuming countries; and (c) revolutionary cost-saving advances in ocean transportation, which widened the geography of economic supplies of iron ore.

3. Although the growth potential of developing countries' iron ore exports has never been in doubt, recently poignant questions have been raised concerning the scope and makeup of future opportunities and their implications for expansion strategy. These questions have been prompted by (a) a levelling off of the LDC's market share, largely as a result of Australia's growing penetration in world market for iron ore since 1965, and (b) the severe steel recession experienced in 1971. Of particularly serious concern was the fact that though Japan's crude steel output fell by only 5.1 percent in 1971, it stood 18 percent below trend level, i.e. the level on whose expectation Japan had entered into long-term iron ore purchase contracts years earlier. The Japanese industry was forced to form a government-sanctioned "recession cartel" for the purpose of curtailing output and to negotiate cutbacks in iron ore deliveries averaging 16 percent below contracted amounts and exceeding the 10 percent option allowed

^{1/} This section is based on a study entitled "The International Market for Iron Ore: Review and Outlook" by Mr. Bansion Varon, Commodity and Export Projections Division, Nov. 30, 1972.

in the majority of the contracts having such provisions. At the same time, new projects in Liberia (Wologisi Mountain) and South Africa were mothballed, and iron ore acquisitions entered an area of selective purchases. While the market situation has improved considerably in the last few months (world steel output is expected to rise by at least 6 percent in 1972), the industry has not recovered from the jolting realization that steel trends can be dislodged, at least for a while, and the long-term contracts are neither foolproof nor cost-free arrangements.

4. The justifications for the current mood of subdued optimism notwithstanding, the IBRD study concludes that iron ore provides handsome opportunities for raising the LDC's export earnings, as supported by the following figures:

- (i) World crude steel output is expected to increase at a rate of about 4 percent per annum between 1970 and 1985, iron ore requirements rising more or less commensurately with this trend. (Appendix Table 1)
- (ii) World iron ore imports (excluding intra-EEC and intra-Socialist Bloc trade) are likely to rise by 4.2 percent annually in 1970-75 and 3.7 percent per annum in 1975-80.
- (iii) Imports from the LDCs will rise at the same rate as total imports in the first half of the decade, but faster between 1975 and 1980 (4.7 percent annually).
- (iv) Developing countries' aggregate export earnings from iron ore may expand from about \$1.1 billion in 1970 to about \$2.1 billion by 1980, or at a rate of 7 percent per annum.

| | Average | Actual | | Forecast | |
|--|---------|--------|------|----------|------|
| | 1967-69 | 1970 | 1971 | 1975 | 1980 |

Market Price Indicator:

Swedish Kiruna D, c.i.f.
Rotterdam (\$/ton)

| | | | | |
|------|------|-------|-------|-------|
| 8.50 | 9.30 | 10.50 | 10.25 | 11.00 |
|------|------|-------|-------|-------|

LDC Exports

| | | | | | |
|-------------------------|------|-------|----------------------|-------|-------|
| Volume (million tons) | 111 | 141 | n.a. | 175 | 215 |
| Unit value (\$ per ton) | 7.30 | 7.50 | (7.90) ^{a/} | 8.40 | 9.70 |
| Value (thousand \$) | 812 | 1,059 | n.a. | 1,470 | 2,085 |

^{a/} Average f.o.b. unit value of Japanese imports

- Of the projected \$1.1 billion gain (increment) in the value of LDC's exports in the seventies: \$460 million will accrue due to the projected growth in the world market, \$150 million due to market-share expansion, \$200 million due to the lagged adjustment of prices to current cost conditions, \$120 million due to further cost inflation, and \$90 million due to improved grade and processing.

4. Raising LDC's iron exports to the one-billion dollar level has taken vast capital expenditures. Ensuring their further rapid expansion will require additional large scale investment. At the intergovernmental "Consultations on Iron Ore" held under the auspices of UNCTAD in February 1972, developing countries made a strong plea for investment assistance in this sector and expressed the view that "projects for expansion of iron ore mining in developing countries should receive top priority assistance from international financial institutions". The Bank has already participated in financing the mining of iron ore and more projects are presently under consideration. ^{1/}

6. It is likely that without assistance to LDC's by international financial institutions, the benefits of an expanded iron ore market, particularly beyond 1980, will accrue disproportionately to developed countries such as Australia, Canada, and the Republic of South Africa and even to the U.S.S.R. and the People's Republic of China, all of which have vast iron ore resources. However, iron ore projects should be evaluated quite discriminately, since the iron ore market is on the threshold of an era of orderly expansion - one which allows little room for unbridled optimism based, inter alia, on the hope-bound view that "Japan's demand potential has always been underestimated in the past".

7. Based on the country-by-country estimates (Tables 2 and 3), world iron ore production capacity projected for 1975 is likely to exceed the 1970 capacity by about 10 percent, and the 1970 actual output level by 26 percent) in terms of Fe content) or 23 percent in gross weight. A significant part of the projected growth in LDC export earning will accrue to Australia, Brazil and Canada, which undisputably have an expansion capacity and continue to implement the expansion programs initiated in recent years. The "firm capacity" estimates for 1980 indicate a further expansion (over the 1975 level) of 14 percent in iron-content, or 10 percent in gross weight. If all the "possible capacity" were to be built, however, the 1975-80 expansion would be in the order of 37 percent. The implications of the foregoing in terms of demand/supply balances are summarized below (all figures rounded and in Fe-content):

^{1/} The Bank Group has financed four iron ore mining projects at a cost of about \$165 million in the period 1957-71. Two more projects with a Bank-financed component of \$120 million are tentatively planned for fiscal 1973 and 1974. In addition, the Bank has been sounded out on the feasibility of financing two iron ore-related shipping and railway projects.

| | <u>1975</u> | <u>1980</u> | <u>1985</u> |
|---------------------------|----------------------------|-----------------|-------------|
| | (million tons, Fe-content) | | |
| World requirements | 330 | 410 | 493 |
| World capacity | <u>362</u> | <u>410-499*</u> | <u>n.a.</u> |
| Balance (excess) | 32 | 0-89 | |
| Net import requirements | 193 | 235 | |
| Net export availabilities | <u>225</u> | <u>235-320*</u> | |
| Balance (excess) | 32 | 0-89 | |

* Low-high figures are equivalent to "firm-possible" estimates.

II. The Iron-Ore Outlook in Liberia ^{1/}

8. Declining prospects for iron ore exports are the dominant feature of Liberia's development prospects. Two mines currently in operation are almost worked out, and a third, the Bong mine, is a marginal operation, only viable because it has a captive market in its principal investors' plants in Germany. Thus, LAMCO is the only economic mine currently in operation, but at an annual export of 12 million tons a year, it is scheduled to peter out in the mid-1980's. LAMCO's best ore body (64 to 66 percent Fe), has an unfortunate V-shaped formation going deep into Nimba mountain. Current and prospective iron ore prices -- there has been a fall from \$18 a ton to \$8 a ton with an increase in the processing required in world markets in the last 10 years -- make it questionable to what extent it will be economic to exploit this deposit fully. Stripping operations for mid-1980's will have to start shortly, so that the eventual life of the mine will be decided within two or three years.

9. Prospecting is being done in several areas. Another iron ore body has been located at Wologisi, in which Japanese interest groups had expressed an interest in 1971, but indications up to date suggest lower quality ores (below a 60 percent Fe content). This is even true of the Tokaden mine at present being brought into production by LAMCO in the Nimba area, but here the existence of all infrastructure facilities with excess capacity is making exploitation economic. This would not be so for new mines in view of the rapid expansion of competing iron ore supplies from other countries having mines with 64-66 percent Fe content, low in impurities, and in much more favorable terrain and climatic conditions.

^{1/} This section is based on the Back-to-Office Report by Mrs. Helen Hughes and Mr. A. Anyanwu who participated in the Industrial Sector Mission which visited Liberia in October/November 1972.

10. LAMCO is now the only mine which can provide an increase in income for Liberia. Current negotiations with LAMCO are likely to raise Government's revenue from iron ore by about US\$2 million. Despite this anticipated increase which would raise Government's revenue from the present level of about 10 to 11 percent of the f.o.b. price, this return compares unfavorably with that obtained by most other countries.

Estimated Revenues Obtained by Governments from Mining Operations

| <u>Mine</u> | <u>Country</u> | <u>Government Revenue in percent of f.o.b. price</u> |
|------------------------|--------------------|--|
| MBR (iron ore) | Brazil | 36 |
| BOKE (bauxite) | Guinea | 32 |
| Copper/Nickel | Botswana | 16 |
| Mifarma (iron ore) | Mauritania | 21 |
| Falcon Bridge (nickel) | Dominican Republic | 15 |
| Coomilog (manganese) | Gabon | 8 |
| Cong Potash | Congo | 9 |
| LAMCO | Liberia | 10 |

11. A number of factors contribute to the disappointing results of the renegotiations. The principal reason is the lack of continuing high level advice. This has contributed to an inherent lack of toughness on the Liberian side. The declining quality and increasing difficulty of mining have made LAMCO's case more persuasive than it might otherwise have been.

12. The Liberian Government has been deflected into negotiations regarding the terms for the ultimate disposition of the mining plant and infrastructure, and even here it has not done particularly well. Ultimately, all infrastructure is to revert to Government ownership, while plant is to be sold either at book value prices to the Government or at market prices in the open market, thus theoretically allowing the Government to make a margin of profit on the disposal of plant. Used mining and pelletizing plant is not, however, likely to be of high value, and the ownership and management of the principal infrastructure item of value - the Buchanan to Nimba railway line - requires to be tackled now. This line has a capacity of some 17 million tons a year with present siding and switching capacity. Potentially, the railway could be used to transport Guinea ore (and the Buchanan pelletizing plant could be used for processing it) but there is considerable doubt whether this will be the solution chosen by Guinea. Proposals for a separate pelletizing plant are already firm. The Government is also strongly in favor of constructing a new railway line to Conakry to open up new iron ore traffic. The capacity of the Buchanan-Nimba railway line could in any case be increased beyond 17 million tons a year without considerable additional cost. There is no reason why the line should not be used immediately as a passenger and goods line to open up the countryside.

LAMCO management might be willing to undertake such an expansion. The line is indeed already being used to ship Guinea timber to Buchanan, and a commercial passenger service is to begin on January 1, 1973. The port of Buchanan could be a bottleneck to a significant expansion of timber exports, but there is no reason why the commercial use of the railway line could not contribute immediately to a substantial expansion of agricultural production for the domestic market, and of seasoned timber for further processing on the coast at the LAMCO kiln which has excess capacity.

13. Given the poor iron ore prospects, the Liberian economy may become almost entirely dependent on tree crop exports within 10 to 15 years unless an alternative development strategy is planned now.

Division 1B
Western Africa Region
December 26, 1972

APPENDIX

TABLE 1: CRUDE STEEL PRODUCTION
(million metric tons)

| | 1970 | 1975 | 1980 | 1985 |
|---|------------|------------|------------|--------------|
| <u>Developed Market Economy Countries</u> | <u>399</u> | <u>490</u> | <u>580</u> | <u>660</u> |
| United States | 122/1 | 140 | 155 | 170 |
| Canada | 11 | 13 | 16 | 18 |
| Japan | 93 | 125 | 155 | 175 |
| United Kingdom | 28 | 30 | 34 | 38 |
| E.E.C. | 109 | 130 | 145 | 160 |
| Sweden | 7 | 8 | 9 | 10 |
| Rep. of S. Africa | 5 | 8 | 10 | 14 |
| Australia | 7 | 13 | 25 | 35 |
| Others | 17 | 23 | 31 | 40 |
| <u>Developing Countries</u> | <u>21</u> | <u>35</u> | <u>65</u> | <u>110</u> |
| Latin America | 13 | 23 | 40 | 55 |
| Africa & M. East | 1 | 2 | 5 | 10 |
| Asia | 7 | 10 | 20 | 45 |
| <u>Socialist Countries</u> | <u>176</u> | <u>215</u> | <u>265</u> | <u>310</u> |
| U.S.S.R. | 116 | 145 | 170 | 190 |
| E. Europe | 40 | 47 | 60 | 70 |
| M. China & N. Korea | 20 | 23 | 35 | 50 |
| <u>WORLD</u> | <u>596</u> | <u>740</u> | <u>910</u> | <u>1,080</u> |
| (excl. socialist countries) | (420) | (525) | (645) | (770) |

TABLE 2: IRON ORE PRODUCTION CAPACITY (Fe CONTENT)

(million metric tons)

| | 1970 | | 1975 | 1980 | |
|---|-----------------------|------------------|--------------------|--------------------|------------------------|
| | Estimated Capacity | Actual Output | "Firm" Capacity | "Firm" Capacity | "Possible" Capacity |
| <u>Developed Market Economy Countries</u> | <u>209</u> | <u>179</u> | <u>221</u> | <u>239</u> | <u>280</u> |
| United States | 70 | 53 | 54 | 58 | 62 |
| Canada | 30 | 30 | 38 | 48 | 64 |
| Sweden | 26 | 20 | 24 | 28 | 31 |
| U.K. & E.E.C. | 30 | 25 | 23 | 20 | 20 |
| Rep. of S. Africa | 6 | 6 | 9 | 9 | 17 |
| Australia | 33 | 33 | 60 | 60 | 70 |
| Others | 14 | 12 | 13 | 16 | 16 |
| <u>Developing Countries</u> | <u>123</u> | <u>107</u> | <u>141</u> | <u>172</u> | <u>219</u> |
| <u>Latin America</u> | <u>59</u> | <u>50</u> | <u>80</u> | <u>97</u> | <u>112</u> |
| Brazil | 27 | 20 | 47 | 57 | 67 |
| Venezuela | 15 | 14 | 15 | 19 | 19 |
| Chile & Peru | 14 | 13 | 13 | 16 | 21 |
| Others | 3 | 3 | 5 | 5 | 5 |
| <u>Africa & M. East</u> | <u>38</u> | <u>32</u> | <u>33</u> | <u>41</u> | <u>64</u> |
| Liberia | 18 | 16 | 16 | 19 | 23 |
| Mauritania & Angola | 12 | 10 | 9 | 13 | 15 |
| Others | 8 | 6 | 8 | 9 | 26 |
| <u>Asia</u> | <u>26</u> | <u>25</u> | <u>28</u> | <u>34</u> | <u>43</u> |
| India | 20 | 20 | 24 | 30 | 38 |
| Others | 6 | 5 | 4 | 4 | 5 |
| <u>World (excl. Socialist Countries)</u> | <u>332</u> | <u>286</u> | <u>362</u> | <u>411</u> | <u>499</u> |

TABLE 3: IRON ORE PRODUCTION CAPACITY (ACTUAL WEIGHT)

(million metric tons)

| | 1970 | 1975 | 1980 | |
|---|------------------|--------------------|--------------------|------------------------|
| | Actual Output | "Firm" Capacity | "Firm" Capacity | "Possible" Capacity |
| <u>Developed Market Economy Countries</u> | <u>343</u> | <u>398</u> | <u>417</u> | <u>477</u> |
| United States | 91 | 90 | 92 | 94 |
| Canada | 48 | 60 | 75 | 100 |
| Sweden | 32 | 38 | 44 | 49 |
| U.K. & E.E.C. | 83 | 72 | 63 | 63 |
| Rep. of S. Africa | 9 | 14 | 14 | 26 |
| Australia | 51 | 96 | 94 | 110 |
| Others | 29 | 30 | 35 | 35 |
| <u>Developing Countries</u> | <u>163</u> | <u>225</u> | <u>271</u> | <u>345</u> |
| <u>Latin America</u> | <u>73</u> | <u>123</u> | <u>151</u> | <u>174</u> |
| Brazil | 30 | 72 | 87 | 102 |
| Venezuela | 22 | 23 | 30 | 30 |
| Chile & Peru | 20 | 20 | 26 | 34 |
| Others | 5 | 8 | 8 | 8 |
| <u>Africa & N. East</u> | <u>48</u> | <u>55</u> | <u>65</u> | <u>103</u> |
| Liberia | 24 | 27 | 30 | 37 |
| Mauritania & Angola | 16 | 16 | 21 | 24 |
| Others | 8 | 12 | 14 | 42 |
| <u>Asia</u> | <u>38</u> | <u>47</u> | <u>55</u> | <u>68</u> |
| India | 31 | 40 | 48 | 60 |
| Others | 7 | 7 | 7 | 8 |
| <u>World (excl. Socialist Countries)</u> | <u>506</u> | <u>623</u> | <u>688</u> | <u>822</u> |

APPENDIX

TABLE 4: IRON ORE TRADE MATRIX, 1975

(actual weight, million metric tons)

| Exports From | Estimated Imports Into: | | | | Total | Likely Exportable Surplus | Balance (excess) |
|------------------------|-------------------------|-------|-------------------|--------|-------|---------------------------------|---------------------|
| | United States | Japan | Western Europe | Others | | | |
| Canada | 23 | 7 | 13 | - | 43 | 47 | 4 |
| Sweden | - | - | 30 | 1 | 31 | 31 | - |
| Rep. of S. Africa | - | 1 | 3 | - | 4 | 6 | 2 |
| Australia | 1 | 63 | 9 | - | 73 | 80 | 7 |
| Brazil | 2 | 25 | 24 | 6 | 57 | 60 | 3 |
| Venezuela | 16 | - | 4 | - | 20 | 22 | 2 |
| Chile & Peru | 3 | 12 | 1 | - | 16 | 19 | 3 |
| Liberia | 3 | - | 19 | 2 | 24 | 26 | 2 |
| Mauritania & Angola | - | 4 | 9 | - | 13 | 15 | 2 |
| Other Africa | - | 3 | 7 | 1 | 11 | 11 | - |
| India | - | 18 | 3 | 5 | 26 | 26 | - |
| Other Asia | - | 3 | - | 2 | 5 | 7 | 2 |
| Total | 48 | 136 | 122 | 17 | 323 | 350 | 27 |

APPENDIX

TABLE 5: IRON ORE TRADE MATRIX, 1980

(actual weight, million metric tons)

| | United States | Estimated Imports Into: | | | Total | Possible Exportable Surplus |
|---------------------|---------------|-------------------------|----------------|--------|-------|-----------------------------|
| | | Japan | Western Europe | Others | | |
| Canada | 28 | 13 | 20 | - | 61 | 85 |
| Sweden | - | - | 34 | 1 | 35 | 42 |
| Rep. of S. Africa | - | 2 | 5 | - | 3 | 16 |
| Australia | 2 | 60 | 8 | - | 70 | 83 |
| Brazil | 2 | 33 | 31 | 7 | 73 | 74 |
| Venezuela | 18 | - | 7 | - | 25 | 30 |
| Chile & Peru | 3 | 16 | 4 | 2 | 25 | 39 |
| Liberia | 4 | - | 22 | 2 | 28 | 36 |
| Mauritania & Angola | - | 7 | 9 | - | 16 | 23 |
| Other Africa | - | 9 | 5 | 1 | 14 | 38 |
| India | - | 22 | 3 | - | 30 | 39 |
| Other Asia | - | 5 | - | 1 | 6 | 6 |
| Total | 57 | 167 | 148 | 20 | 386 | 501 |

LIBERIA

APPRAISAL OF AN AGRICULTURAL DEVELOPMENT AND
TECHNICAL ASSISTANCE PROJECT

SUMMARY AND CONCLUSIONS

- i. This report appraises an agricultural project in Liberia for which an IDA Credit of US\$1.2 million equivalent is proposed. It would be the Bank Group's first agricultural lending operation in Liberia.
- ii. Most economic activity in Liberia is of an enclave character and associated with the operations of foreign owned mining, rubber plantation, and timber companies. Little has been done by Government to provide the physical and institutional infrastructure needed to permit the advancement to a cash economy of the some 60% of the population living on subsistence farming. Government now recognizes that rural services and facilities must be improved and that this will require more effective Government planning and investment in the non-enclave sector. Consequently it is giving priority to planning rural development projects and has coordinated the work of Government and technical assistance agencies to concentrate on collecting the basic data required to prepare projects in subsistence farming areas.
- iii. In spite of the overall lack of development, some progress has been achieved by a few Liberian rubber farmers, of whom there are a total of about 5,000. The majority, however, are inefficient; and in the face of declining world prices for natural rubber, their operations cannot remain viable unless production and processing costs are reduced. Lack of accurate data on Liberian rubber farmers, however, has so far precluded sound planning of the industry.
- iv. The Government does not have sufficient experienced manpower to collect and analyze data on the rubber industry or to prepare sound investment proposals for the agricultural sector and additional technical assistance is required for these purposes. The Ministry of Agriculture is very weak, due principally to poor planning and management capability, inadequate finance, and the generally low caliber of its staff. Government needs assistance to plan the reorganization of the Ministry so that it will be capable of planning and implementing development projects.
- v. The proposed project, which would be carried out over a three year period, would assist Government to implement its plans for agricultural development in three ways. First, investment proposals would be prepared for two integrated rural development projects. These proposals would be based on data collected by Government and would provide for agricultural extension and credit services, agricultural inputs, marketing and processing facilities, crop extraction and feeder roads, water supplies, and social services. Secondly, a survey and study of the rubber industry, and a small rubber pilot scheme would determine means of improving the Liberian owned

3
rubber industry. Thirdly, the Ministry of Agriculture's research services would be improved, and a study made of the Ministry to determine its staff and financial requirements, and the organizational structure needed to enable it to plan and implement future development projects.

vi. Project costs are estimated at US\$1.60 million. The proposed credit of US\$1.2 would finance 75% of project costs, covering foreign exchange costs estimated at US\$0.88 million, and 44% of local currency costs. The balance of US\$0.40 million would be met from Government budgetary allocations. Consultant services valued at US\$0.6 million would be the largest single component of project costs and would be obtained in accordance with the World Bank Group guidelines. Other goods and services, principally civil works valued at US\$0.25 million, would be obtained under local competitive bidding procedures as individual contracts would be too small to attract international bids. A sufficient number of construction and manufacturing agents exists in Liberia to ensure adequate competitive bidding.

vii. The project would be carried out by the Ministry of Agriculture, and an administrator would be appointed for the coordination of project activities. The cooperation of Government Ministries and agencies associated with the project would be effected through deputy Ministers or their equivalents.

viii. The justification for the project is that the pre-investment activities are necessary to prepare sound rural development projects, which will enable subsistence farmers to increase their cash incomes through the expanded production of food and export crops. Experience elsewhere in Africa has shown that rural development projects can be successful and the return from such investments satisfactory.

ix. In the wake of declining world prices for natural rubber, the Liberian owned rubber industry - producing about 30% of Liberia's rubber - is facing critical problems and the erosion of this key activity would have serious consequences for the economy. The rubber industry survey, study and pilot scheme would provide the basis for determining the most economic ways of ensuring a viable future for Liberian rubber farmers. Under the pilot rubber scheme the rate of return for rehabilitation would be greater than 100% and for replanting about 9%.

x. Although the project is unusual in that it is primarily limited to pre-investment activities, it represents the best course of action to develop a detailed agricultural strategy which can have a significant impact on Liberia's economy. Otherwise subsistence farming will continue to stagnate, and the contribution to the economy by rubber farmers may decrease in view of the serious problems facing the rubber industry. A project of this nature would normally qualify for UNDP financial assistance; however the pipeline of UNDP projects in Liberia already has exceeded the funds available under UNDP's Indicative Planning Figure.

xi. The project is suitable for an IDA credit of US\$1.2 million to the Government of Liberia.

ANNEX III
 Page 1
 (US\$ '000)
 Total Foreign Local
 0.000,1 0.000 0.000
 0.000 - 0.000
 0.000,1 0.000 0.000

PRESIDENT'S REPORT

CREDIT AND PROJECT SUMMARY

Borrower: Government of Liberia.

Amount: US\$ 1.2 million equivalent. The proposed credit would cover the project's estimated foreign exchange component of US\$ 0.9 million and US\$ 0.3 million of local costs.

Terms: Standard IDA terms.

Project: The project would assist Government to implement its agricultural development program in three ways. First, investment proposals would be prepared for two integrated rural development projects. Secondly, a survey and study of the rubber industry, and a pilot rubber scheme would determine means of improving the Liberian owned rubber industry. Thirdly, the Ministry of Agriculture's research services would be improved, and a study made of the Ministry to determine its staff and financial requirements, and the organizational structure needed to plan and implement future development projects.

| <u>Cost of Project:</u> | <u>Component</u> | <u>(US\$ '000)</u> | | |
|-------------------------|---|--------------------|----------------|--------------|
| | | <u>Local</u> | <u>Foreign</u> | <u>Total</u> |
| | Preinvestment Studies | 210 | 420 | 630 |
| | Rubber Pilot Scheme | 210 | 120 | 330 |
| | Ministry of Agriculture's Reorganization - Study, and Research Services | 160 | 180 | 340 |
| | Training | 40 | 30 | 70 |
| | Contingencies | <u>100</u> | <u>130</u> | <u>230</u> |
| | Total Project Cost | <u>720</u> | <u>880</u> | <u>1,600</u> |

| <u>Financing:</u> | | (US\$ '000) | | <u>Total</u> |
|-------------------|------------|--------------|----------------|--------------|
| | | <u>Local</u> | <u>Foreign</u> | |
| | IDA Credit | 320.0 | 880.0 | 1,200.0 |
| | Government | 400.0 | - | 400.0 |
| | | 720.0 | 880.0 | 1,600.0 |

Procurement Arrangements Goods and civil works would be procured by local competitive bidding and consultant's services totalling \$628,000 by standard procedures of the Association.

| <u>Estimated Disbursements:</u> | (US\$ '000) | | | |
|---------------------------------|-------------|-------------|-------------|-------------|
| | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
| | 186 | 568 | 356 | 90 |

- Consultants:
- (1) To carry out preinvestment studies for:
 - (a) two integrated agricultural development projects, and (b) the Liberian owned rubber industry;
 - (2) To plan and monitor a rice research program; and
 - (3) To determine a staff and financial plan for the Ministry of Agriculture.

Appraisal Report: Report No. PA -120a March 7, 1972. Agriculture Projects Department.

| <u>Total</u> | (US\$ '000) | | <u>Component</u> | <u>Cost of Project:</u> |
|--------------|--------------|----------------|--|-------------------------|
| | <u>Local</u> | <u>Foreign</u> | | |
| 630 | 270 | 360 | Preinvestment Studies | |
| 330 | 270 | 60 | Rubber Pilot Scheme | |
| 340 | 180 | 160 | Ministry of Agriculture's Reorganization - Study and Research Services | |
| 70 | 40 | 30 | Training | |
| 230 | 100 | 130 | Contingencies | |
| 1,600 | 720 | 880 | Total Project Cost | |

VISIT TO ZORZOR TEACHER TRAINING COLLEGE

At Zorzor you will visit one of Liberia's two elementary teacher training institutes. The other at Kakata is covered under our Education Credit (see attachment). Both are government controlled, coeducational and have residential facilities. Students receive, in addition to free tuition, books and lodging and a monthly stipend of US\$10.00. In 1970, the total enrollment in both schools was 390 (larger than their capacity of 375) and the annual output was 92 teachers. Both institutions provide a three-year post junior high school course leading to a qualification to teach in Liberia's elementary schools. Although the Zorzor institute is not immediately affected by our first education project, it will benefit from the assistance which the project is providing (e.g. new demonstration school) at its sister institution in Kakata. The Zorzor institute conceivably could be part of a future education project.

LIBERIA

APPRAISAL OF AN EDUCATION PROJECT

SUMMARY AND CONCLUSIONS

- i. This report appraises a first education project for Liberia for which an IDA Credit of US\$7.2 million is recommended. Liberian education suffers from many serious deficiencies. The education system is ill suited to the needs of the country both qualitatively and quantitatively. Although there are a number of good educational institutions, the education available to the majority of Liberians is limited and of poor quality. The system suffers from lack of planning, administrative weaknesses, under-paid and often ill-trained teachers, unsuitable physical facilities and shortage of teaching materials, academically-biased curricula, and lack of effective technical and agricultural training with practical orientation. The absence of manpower planning has hampered the development of an effective educational policy and the education system has therefore failed to supply the country's required manpower.
- ii. The proposed project, aimed at improving and expanding the education system, provides for the establishment or extension of a limited number of new and existing institutions for the purpose of meeting urgent manpower needs and introducing better curricula and methods. To remedy serious weaknesses in education and manpower planning and in school administration and teaching, the project would also provide for technical assistance in each of these fields.
- iii. Specifically the project would consist of: (a) construction of two new multilateral high schools, a new college of agriculture and forestry and extension of one elementary teacher training institute, including construction of a new demonstration school; (b) equipment for science teacher training at the University of Liberia and technical teacher training at two existing institutions; and (c) provision of technical assistance in a number of strategic areas (19 man-years of specialist services and five man-years of fellowships for the training of Liberian staff in manpower and educational planning, and 20 man-years of specialist services and two fellowships for school operation and 13 man-years of specialist services for project management).
- iv. One of the major problems inhibiting improvement of the educational system is the low status of the teaching profession. As a first contribution towards improvement the Government has agreed to establish a graduated salary structure for teachers based on a system which takes into account the requirements of the job and the qualifications and experience of the teacher and to appoint the teaching staff for the project multilateral schools on this new salary scale.

v. A project unit will be established within the Department of Education to supervise project implementation, to coordinate activities within the Government and to provide liaison with the Association. Qualified consultants would be employed for the design and supervision of construction.

vi. The total cost of the project is estimated at US\$9.6 million, of which 59% would be for buildings, furniture and equipment, 21% for technical assistance and 20% for contingencies. The proposed IDA Credit would finance 75% of the total project cost and would cover the foreign exchange component, estimated at US\$6.6 million and US\$0.6 million of the local cost. Procurement would be in conformity with Bank/IDA rules regarding international competitive bidding.

vii. Subject to the fulfillment of the conditions set forth in Chapter VII, the project is suitable for an IDA Credit of US\$7.2 million to Liberia.

The proposed project, aimed at improving and expanding the education system, provides for the establishment or extension of a limited number of new and existing institutions for the purpose of meeting urgent manpower needs and introducing better curricula and methods. To remedy serious weaknesses in education and manpower planning and in school administration and teaching, the project would also provide for technical assistance in each of these fields.

Specifically the project would consist of: (a) construction of two new multigrade high schools, a new college of agriculture and forestry and extension of one elementary teacher training institute, including construction of a new demonstration school; (b) equipment for science teacher training at the University of Liberia and technical teacher training at two existing institutions; and (c) provision of technical assistance in a number of specific areas (19 man-years of specialist services and five man-years of follow-up for the training of Liberian staff in manpower and educational planning, and 20 man-years of specialist services and two fellowships for school expansion and 18 man-years of specialist services for project management).

One of the major problems hindering improvement of the educational system is the low status of the teaching profession. As a first contribution towards improving the Government has agreed to establish a graduated salary structure for teachers based on a system which takes into account the requirements of the job and the qualifications and experience of the teacher and to appoint the teaching staff for the project multigrade schools on this new salary scale.

LIBERIA

LOAN AND PROJECT SUMMARY

- Borrower:** The Republic of Liberia
- Amount:** US\$7.2 million equivalent. The proposed credit constitutes 75 percent of the total project cost and would cover the project's estimated foreign exchange component of \$6.65 million and \$0.55 million of the local cost.
- Terms and Conditions:** Payable in 50 years with a 10-year grace period through semi-annual instalments at 1/2 of 1 percent from August 15, 1982 through February 15, 1992, and of 1 1/2 percent from August 15, 1992 through February 15, 2022, and with a service charge of 3/4 percent per annum.
- Project:**
- (a) Construction, furnishing and equipment for:
 - (i) two multilateral high schools;
 - (ii) a college of agriculture and forestry;
 - (b) Extension of an elementary teacher training institute at Kakata, including the construction of a demonstration school;
 - (c) Equipment for science and technical teacher training at Yekepa and Monrovia;
 - (d) Technical assistance in the form of specialists (57 man-years) and fellowships (7 man-years) for manpower and education planning, technical teacher training, secondary education and project implementation.
- Objectives:**
- (a) Strengthen the Government's Manpower Planning Commission to make a survey of existing manpower shortages, the role of expatriate manpower and trends in unemployment and underemployment. Integration of the projections of future demand for all levels of manpower within a general strategy for education, under an education plan. The education planning unit will also be strengthened by providing 7 man-years of specialists' services.
 - (b) To redress the imbalance between academic and vocational/technical education in favor of the latter in order to meet Liberia's manpower requirements.

- (c) To open educational and training opportunities to rural population.
- (d) To improve the quality and supply of trained teaching staff especially in sciences and technical fields; improve the salaries for teaching staff.
- (e) To improve agriculture education at both secondary and university levels.

| <u>Cost of the Project:</u> | <u>Component</u> | <u>US \$ Million</u> | | |
|---------------------------------|---|----------------------|----------------|--------------|
| | | <u>Local</u> | <u>Foreign</u> | <u>Total</u> |
| | 1. Two multilateral high schools | 1.11 | 1.97 | 3.08 |
| | 2. College of Agriculture and Forestry | 0.55 | 1.05 | 1.60 |
| | 3. Teacher Training Institute | 0.32 | 0.52 | 0.84 |
| | 4. Science and technical teachers | 0.01 | 0.07 | 0.08 |
| | 5. Technical assistance | 0.30 | 1.73 | 2.03 |
| | 6. Contingencies: (a) Physical | 0.20 | 0.33 | 0.53 |
| | (b) Price | 0.44 | 0.98 | 1.42 |
| | Total Project Cost | 2.93 | 6.65 | 9.58 |
| | Breakdown of the Cost by type of expenditures: | | | |
| | 1. Construction | 1.84 | 2.87 | 4.71 |
| | 2. Furniture | 0.09 | 0.17 | 0.26 |
| | 3. Equipment | 0.06 | 0.57 | 0.63 |
| | 4. Technical Assistance | 0.30 | 1.73 | 2.03 |
| | 5. Contingencies: (a) Physical | 0.20 | 0.33 | 0.53 |
| | (b) Price | 0.44 | 0.98 | 1.42 |
| | Total Project Cost | 2.93 | 6.65 | 9.58 |
| <u>Financing:</u> | IDA Credit | 0.55 | 6.65 | 7.20 |
| | Government | 2.38 | - | 2.38 |
| | Total Project Cost | 2.93 | 6.65 | 9.58 |
| <u>Procurement Arrangement:</u> | International competitive bidding for construction, equipment, and furniture. | | | |
| <u>Construction Period:</u> | The project would be carried out in about 5½ years (including technical assistance component) and construction would be completed in about 3 years. | | | |

| <u>Estimated Disbursements:</u> | FYs | (US \$ Million) | | | | | |
|---------------------------------|-----|-----------------|-------------|-------------|-------------|-------------|-------------|
| | | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> | <u>1977</u> |
| | | 0.07 | 0.45 | 3.81 | 2.00 | 0.68 | 0.19 |

Consultants: A firm or firms of architectural consultants to assist in school design. Specialists in manpower planning, education planning, technical teacher training, secondary education, university planning, and project implementation for a total of 57 man-years.

Appraisal Report: Report No. PE-39a dated March 9, 1972
Education Projects Department

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

Lanco pamphlet is separate

April 5, 1972

Leif E. Christoffersen

LIBERIA - Mr. McNamara's Meeting with Finance Minister Stephen Tolbert on April 3, 1972

Mr. McNamara met with the Minister of Finance of Liberia, Stephen Tolbert, on April 3, 1972, at 11:45 a.m. The Finance Minister was accompanied by Ambassador Peal. The Minister extended greetings from President Tolbert and presented to Mr. McNamara a book titled "His Challenge is Mankind - A Political Portrait of William Tolbert", by Robert A. Smith. The Minister explained that this was his first visit to the Bank. The new Government in Liberia was quite anxious to work closely with the World Bank on development matters. Mr. McNamara said he was very grateful for the gift he had received. He complimented President Tolbert for dealing more forthrightly with the fundamental problems of development in Liberia than had been done in the past. The Minister mentioned that President Tolbert and he were both aware that in the eyes of the world Liberia previously had not done as much for development as ought to have been done. He wished to stress that the new Administration agreed with this assessment of past efforts.

The Minister then went on to express his concern over the present trend in development assistance, which was toward a declining emphasis on bilateral aid, with larger channelling of aid through multilateral institutions. At present Liberia was seriously hampered by the slowdown in bilateral aid. In many ways Liberia ought to be regarded as a special case in Africa, since it had no historical ties to Europe. The increasing strength of the European Economic Community and expansion of associate membership therein by other African countries, at a time when US bilateral assistance to Liberia was declining, might leave Liberia in an unfavorable position with respect to both aid and trade matters.

Mr. McNamara mentioned that one reason why other aid donors in the past had shown little sympathy for Liberia was because it had exhibited such inability to overcome the deep divisions which existed among the various population groups there. The Bank itself had been concerned about this problem and had therefore in the past hesitated to proceed with Bank lending. This situation had changed somewhat with the evidence of changes in development policy which the new regime had initiated. He was quite pleased to note President Tolbert's emphasis on bringing the benefits of development to the broad masses of people in Liberia. With respect to the Bank Group's own resources, he wished to emphasize that IDA funds were scarce - in fact the US had not yet ratified the Third Replenishment. For years to come it was likely that IDA would be funded far short of its needs. He was quite pleased to note that the Bank Group was now working in such important sectors as agriculture and education.

April 5, 1972

The Finance Minister assured Mr. McNamara that there was now a determined political will to move ahead on the obstacles to development and to ensure that the economic benefits were being shared broadly by the people of Liberia. He had been encouraged by his initial discussions with Bank officials earlier in the morning and was quite anxious to ensure that communications between his Government and the Bank were strengthened.

The Finance Minister then urged Mr. McNamara to visit Liberia and said his Government would hope that it would be possible for Mr. McNamara to include Liberia in his next trip to Africa. Mr. McNamara said that he had just returned from a visit to that continent and could not yet say when he would be able to visit it again. In principle, he would like to visit Liberia but for the time being he could not give any definite promise.

cc: Messrs. Knapp
Chaufournier
Cheek
de Vries

LEChristoffersen:di

G

LIBERIA

Bank Group Operations: Existing and Prospective

1. Existing Operations: The Bank has made six loans for projects in Liberia totalling \$21 million and the Association has made two credits totalling \$8.4 million. IFC, which helped establish the Liberian Bank for Industrial Development and Investment (LBIDI), 1965, has subscribed 25% (\$250,000) of its share capital of \$1 million. The Bank's loans have been for roads, port expansion, power and LBIDI; the credits are for education and agriculture.

Bank Loans and IDA Credits (as at December 1, 1972)

| <u>Loans or Credit Number</u> | <u>Year</u> | <u>Borrower</u> | <u>Purpose</u> | <u>Amount (US\$ million)</u> | | |
|---------------------------------------|-------------|------------------------|---------------------|------------------------------|------------|--------------------|
| | | | | <u>Bank</u> | <u>IDA</u> | <u>Undisbursed</u> |
| 368 | 1964 | Republic of Liberia | Roads | 3.25 | | |
| 368 | 1965 | Republic of Liberia | Roads | 1.0 | | |
| 617 | 1969 | Republic of Liberia | Ports | 3.6 | | 0.4 |
| 684 | 1970 | Public Utilities Auth. | Power | 7.4 | | 2.9 |
| 778 | 1971 | Public Utilities Auth. | Power | 4.7 | | 4.6 |
| 305 | 1972 | Republic of Liberia | Education | | 7.2 | 7.2 |
| 306 | 1972 | Republic of Liberia | Agriculture | | 1.2 | 1.2 |
| 839 | 1972 | LBIDI | Development Bank | 1.0 | | 1.0 |
| T O T A L | | | | <u>20.95</u> | <u>8.4</u> | <u>17.3</u> |

IFC Investments (as at December 1, 1972)

| <u>Year</u> | <u>Obligor</u> | <u>Type of Business</u> | <u>Loan</u> | <u>Amount (US\$ million)</u> | |
|-------------|----------------|-------------------------|-------------|------------------------------|--------------|
| | | | | <u>Equity</u> | <u>Total</u> |
| 1966 | LBIDI | Development Bank | | 0.25 | 0.25 |

2. Project execution and loan disbursements have generally been satisfactory. The 1964 road project involved construction of a 48 mile penetration road from Kle to Pujehun in the extreme west of Liberia, mainly to provide access for a logging and sawmill concession operation; construction of the last 14 mile section (Schiefelin-Roberstsfield) of a short cut road (including a bridge) from Monrovia to Liberia's main airport; procurement of road maintenance equipment, spare parts and repair shop facilities. A \$1.0 million supplementary loan for this project was approved in 1965 to cover increases in construction costs.

3. The port project involved dredging the approaches and an area within the Monrovia port to accommodate bulk ore carriers and tankers; provision of two tugs and a pilot launch, as well as additional buoying and lighting of the navigable channels; consultants' services for feasibility studies for the development of road approaches to the port.

4. The power loans helped finance the expansion of the Mt. Coffee hydro electric plant; the installation of two gas turbines at the Bushrod (Monrovia) plant; procurement and erection of 42 miles of overhead lines in Monrovia and 54 miles in outlying areas; establishment of a new substation, and related facilities.

5. Some delays had been encountered in obtaining requisite expatriate staff for the project units for the education and agriculture projects; consequently, effectiveness dates had to be postponed. However, these problems have now been overcome and both projects, as well as the LBIDI loan, are now effective. All three were approved late in FY 1972. The education credit, the first for Liberia, will help finance construction of and equipment for two new multilateral high schools in the north and east, each offering a wide curriculum in agriculture, mechanics and academic subjects; construction of and equipment for a new college of agriculture and forestry; expansion of a rural teacher training institute and construction of an adjacent demonstration school; technical assistance and fellowships for manpower and education planning, technical teacher training, secondary education and project implementation. It partly builds on the experience of the SIDA (Sweden) - financed Vocational Training Center at Yekepa which you will visit in connection with your visit to the LAMCO iron ore mining area. The agriculture credit is an unusual project for the Bank Group in that it is mainly for pre-investment studies and planning. It includes feasibility studies and preparations of detailed investment proposal for two integrated rural development projects -- one in Upper Lofa county in northern Liberia; the other in Bong county in central Liberia; a physical survey and detailed study of the Liberian-owned rubber industry; a pilot scheme to provide Liberian rubber farmers with credits to rehabilitate untapped or poorly tapped rubber; improving rice research at the Suakoko central research station; reorganization of the Ministry of Agriculture and training for Liberians to prepare investment projects. Government had originally pressed hard for a smallholder rubber project because of the threatening unemployment situation facing these farmers under falling world market prices for rubber. However, our agricultural project staff found this approach uneconomical and instead agreed to finance the above project. The LBIDI loan will help finance foreign exchange costs of industrial projects to be financed by that development bank in 1972 and 1973. LBIDI has not been as an effective DFC as we would have liked to see it. As a result we sent the Helen Hughes mission to Monrovia last November to help sharpen the focus of Liberia's industrial policy direction (See Table F(iii)).

B. Prospective Operations and Strategy

6. The agriculture and education projects signified a shift in Bank Group lending strategy in Liberia. Previous lending had gone almost exclusively into infrastructure and Liberia had up to that point been a Bank-only country. While continuous support for infrastructure investment will still be required, more emphasis will be given to agriculture and education - both of which have high priority with the Government. Because of the serious scarcity of local expertise to prepare and implement development projects in these sectors, technical studies and training are important features of both projects. Furthermore, we have prepared, at government's request, a special report on development planning in Liberia, with

recommendations for strengthening it through infusions of technical assistance and suggestions for organizational reform. (Table E (iii)). This report was sent to President Tolbert in early December on a confidential basis.

7. In FY 1973 we plan a transport project involving technical assistance for highway maintenance organization, detailed engineering and construction of the Monrovia freeway and detailed engineering for certain Monrovia port access roads and one important rural road. This project will be part of a parallel financing program involving the USAID, which will provide highway maintenance equipment and spare parts, and the German aid funds, which will provide financing for training facilities. The first of the two rural development projects emerging from FY 1972 agriculture project may be appraised next fall (for Upper Lofa County). In education we see possible future involvement in teacher training, curriculum reform, additional secondary school improvement and possibly some new nonformal modes of education. Beyond this, we are considering a supplemental lending operation, possibly in FY 1973 or 1974, for the Public Utilities Authority. This need arose because the offshore costs of both power projects have increased in terms of US dollars, partly because of the devaluation of the dollar and partly because of the installation of turbine units larger, but at more economic costs per MW, than those originally planned. The Government is urging us to undertake a small lending operation for rehabilitation of Port Harper, which is badly deteriorated. This would be done in conjunction with an overall survey of Liberia's port development needs - to be financed partly through funds under the Monrovia port project. IFC has just decided to appraise a wood processing plant in Maryland county which will require use of Port Harper as export exit for its products. A condition for the economic and financial justification of this project is likely to be that the Port facilities be reconstructed and improved. A problem here is that our ports project staff is over-extended and query whether it can be done before FY 1975.

8. The proposed operations program for FY 1973-77 is set at \$37.2 million; annual lending would then average about \$5 million annually. Liberia is facing a particularly difficult aid situation - and in light of the declining USAID levels - because of the limited availability of alternative aid resources. We hope the country can receive medium blend of Bank/IDA assistance. We will expect positive evidence of improvement in development planning, public administration and mobilization of domestic resources - areas in which Liberia has been deficient in the past but in which the Tolbert administration has promised significant progress.

9. A Bank basic economic mission will visit Liberia about February 25 - March 20, 1973. It will be headed by Nick Carter, Division Chief in the Economic Analysis and Projections Department. It will consist of a general economist, a fiscal economist, a national accounts expert and an industrial economist (to review possibilities for small scale African entrepreneurship). The Government had hoped the Bank could include a rural development expert but after Bank-wide discussions it was not possible for us to make one available. (Liberia's need did not seem to have high priority compared to other more important member countries). The mission will receive support from UNDP in Liberia - whose staff will assist in the fields of pre-investments and technical assistance and in the examination of issues related to foreign concessions.

Western Africa Region
Division 1B
December 28, 1972

| Approved | Country | Description | Cost | Loan | Cr. | Rate of Return | Remarks |
|----------|---------|---|--------|-------|-------|----------------|---|
| 6/22/71 | Liberia | Installation of fourth (17 MW) hydro-generating unit at Mount Coffee; construction of new substation; expansion and rehabilitation of two existing substations; 100 miles of distribution lines; installation of 1000 transformers and 4500 service connections; conversion of distribution system in Monrovia; and consultant services. | \$6.4 | \$4.7 | -- | 21%* | Continues past Bank association with Liberia's power development. Part of 1971-74 development program of Public Utilities Authority (PUA) whose power transmission and distribution network is overloaded, requires excessive maintenance, and gives rise to high losses and frequent failures. Project should remedy these shortcomings and help meet rapidly growing power demand (increasing at 22% p.a. over past 6 years). Will also provide power to areas not previously served. |
| 1/28/72 | Liberia | Construction and equipping 2 multi-lateral high schools and a new agriculture and forestry college; expansion of Kakata Rural training Institute, construction of adjacent demonstration school; science and technical teacher training equipment; technical assistance. | \$9.6 | - | \$7.2 | n.a. | Project to help reshape education system away from academic emphasis toward practical technical and agricultural training; improve manpower and education planning; expand and improve education system; open training facilities to rural population. |
| 1/18/72 | Liberia | Preparation of investment proposals for two integrated rural development projects; carrying out a survey and detailed study of Liberia's rubber industry and implementation of a pilot rubber project; improvement of Ministry of Agriculture's research services and carrying out a study of the Ministry; training of Liberian technicians and farm managers. | \$1.6 | - | \$1.2 | * | Project will assist Government in defining its agricultural strategy and in developing subsistence farming sector; strengthen Government agencies responsible for agriculture; obtain data to determine how to improve Liberian-owned rubber farms. Pilot rubber project includes rehabilitation of 2,000 acres, replanting 500 acres. |
| 1/13/72 | Liberia | Financing to help meet foreign exchange costs of private enterprise projects assisted by Liberian Bank for Industrial Development and Investment in the 1972-73 period. | \$2.15 | \$1.0 | - | n.a. | Joint financing with AFDB, which is expected to provide loan of \$500,000. LBIDI was established in 1965 with IFC assistance and is sole Government-supported institution for financing industrialization and only source of long-term capital. |

H

UNDP IN LIBERIA 1/

Relationship between UNDP in Liberia and the Bank is very good indeed. The UNDP Resident Representative, Mr. Campaigne (U.S. citizen) is most cooperative and does his best to coordinate UNDP activities with Bank operations. He is dedicated to help Liberia's development and has provided valuable on-the-spot briefings and services to Bank missions. He should be complimented for this assistance.

Mr. Campaigne believes our upcoming Basic Economic Mission in end-February will come at an important point in time for both Liberia--which needs an in-depth look at where their development strategy should be directed--and to UNDP's Country Programming work.

The UNDP Country Program for Liberia, covering the period 1972-77, is scheduled to be presented to the June 1974 session of the Governing Council. The Indicative Planning Figure (IPF) allocated for this period is \$10 million. Of this amount, about \$7 million has already been committed for the three-year period running from 1972 through 1974; there is therefore only about \$3 million left to finance projects during the balance of the Program period 1974-77.

Due to financial constraints, it is doubtful that UNDP will be in a position to meet, to any significant extent, the technical assistance and pre-investment requirements related to Bank Group projects during this current Country Program period. UNDP is aware of its limitations, and there is no indication that additional funds will be secured from any source in the immediate future to increase UNDP resources and to help overcome or even reduce these limitations.

UNDP is planning to assist actively the work of the Basic Economic Mission. A meeting will be held in N.Y. to see whether some U.N. staff can be deputized to serve the mission's field work--particularly concentrating on Liberia's pre-investment requirements and technical assistance needs.

Furthermore, UNDP has scheduled an economic conference in Monrovia on February 12-17 to discuss the 1972 ILO Human Resources Report. The timing of this conference has been pushed up to ensure that the conference deliberations will be available for our economic mission's consideration.

Assistance for economic planning has high priority within UNDP's program. Two expatriate advisers are presently provided to the Ministry of Planning and Economic Affairs, but more extensive and better coordinated assistance is required. UNDP is waiting to have a copy of the Bank's planning report (the Raphaëli Report), which has not yet been released other than to President Tolbert. Yet, without having seen the full report, Mr. Campaigne has recommended that a larger planning team be financed by UNDP and that the Bank be made Executing Agent for this project (see attached letter from Mr. Campaigne to Mr. Christoffersen).

1/ For the Curriculum Vitae of the UNDP Resident Representative, see Tab D.

The Bank has served as Executing Agency for a Highway Organization and Maintenance project financed by UNDP. This project, completed in September 1972, helped identify the Second Highway Project which was appraised last October/November for Bank and IDA financing. The UNDP has also indicated a willingness to finance the services of the Program Coordinator needed under that project.

Finally, UNDP has agreed to finance the establishment of a Concession Secretariat (Development of National Resources Administration). The purpose of the Secretariat, which is located in the Ministry of Finance, is to help improve the dispersed administration, within various government Ministries, of foreign concessions, to assist the Government in the formulation of more development-oriented concession policies, and to regulate and coordinate the concession policy implementation. This undertaking is expected to increase the benefits the Government derives from existing and future foreign concessions. However, the project has been slow getting underway. The U.N. (Office of Technical Cooperation), which serves as Executing Agency for the project (after the Bank rejected the offer to serve as Executing Agency in 1970), is still trying to recruit the members of the planned seven-man team.

Attached is a listing of on-going UNDP projects in Liberia, approved as of June 30, 1972.

Attachments

Western Africa Region
Division 1B
December 27, 1972

*Concession
Secretariat
Team due
Feb 1.*

| Project number and title | Executing agency | Date approved | Estimated completion date | Estimated project cost (US dollar equivalent) | |
|--|------------------|---------------|---------------------------|---|-------------------------|
| | | | | UNDP | Government contribution |
| AGRICULTURE, FORESTRY AND FISHERIES | | | | | |
| LIR-70-505 DEVELOPMENT OF RICE CULTIVATION** | FAO | 01/70 | 06/74 | 1,025,950 | 1,112,630 |
| LIR-70-003 AFFORESTATION | FAO | 02/71 | 02/73 | 54,500 | |
| LIR-69-004 LAND AND WATER DEVELOPMENT | FAO | 01/69 | 01/72 | 30,250 | |
| LIR-72-002 SOIL SURVEY IN LIBERIA | FAO | 05/72 | 03/75 | 98,000 | 101,850 |
| LIR-69-506 COLLEGE OF AGRICULTURE AND FORESTRY, MONROVIA (PHASE III) | FAO | 01/69 | 07/75 | 1,449,300 | 1,718,000 |
| LIR-71-006 RADIOISOTOPES LABORATORY * | IAEA | 11/71 | 01/73 | 20,000 | |
| LIR-71-510 RURAL BASIC CRAFT TRAINING** | ILO | 01/72 | 07/75 | 667,000 | 1,081,000 |
| LIR-72-009 AGRICULTURAL EXTENSION | FAO | 05/72 | 07/74 | 65,800 | 29,700 |
| CULTURE AND SOCIAL AND HUMAN SCIENCES | | | | | |
| LIR-69-007 LIBRARY DEVELOPMENT | UNESCO | 12/68 | 07/72 | 6,100 | |
| LIR-69-001 PRINTING TECHNICIAN | UNESCO | 07/69 | 02/74 | 117,000 | |
| EDUCATION | | | | | |
| LIR-69-006 EDUCATIONAL PLANNING | UNESCO | 12/68 | 03/73 | 94,600 | |
| LIR-70-010 EDUCATION DEVELOPMENT | UNESCO | 09/71 | 01/74 | 60,000 | |
| LIR-69-002 IN-SERVICE TEACHER TRAINING AT THE ELEMENTARY LEVEL | UNESCO | 07/69 | 10/71 | 29,775 | |
| LIR-71-510 RURAL PRIMARY TEACHER TRAINING, KAKATA* | UNESCO | 01/71 | 07/74 | 1,038,458 | 1,655,000 |
| LIR-68-012 SCIENCE POLICY | UNESCO | 12/68 | 12/73 | 6,425 | |
| LIR-68-013 ADULT LITERACY | UNESCO | 12/68 | 12/72 | 29,200 | |
| LIR-71-007 ADULT LITERACY | UNESCO | 01/72 | 05/73 | 30,000 | |
| GENERAL ECONOMIC AND SOCIAL POLICY AND PLANNING | | | | | |
| LIR-64-503 ASSISTANCE TO THE DEPARTMENT OF PLANNING AND ECONOMIC AFFAIRS | UN | 06/64 | 10/72 | 1,710,553 | 481,100 |
| LIR-68-003 STATISTICS AGRICULTURAL | FAO | 12/68 | 12/72 | 146,940 | |
| LIR-69-005 AGRICULTURAL RESEARCH AND SPECIAL CROPS | FAO | 11/69 | 04/73 | 158,000 | |
| LIR-70-005 SOCIAL PLANNING | UN | 10/71 | 10/72 | 46,500 | |
| LIR-71-001 IULA COURSES DECENTRALIZATION FOR DEVELOPMENT | UN | 07/71 | 04/72 | 7,100 | |
| LIR-71-003 STATISTICS | UN | 09/71 | 09/72 | 6,400 | |
| LIR-71-014 ECONOMIC PLANNING AND DEVELOPMENT | UN | 10/71 | 10/73 | 30,000 | |
| LIR-72-001 TECHNICAL ADVICE FOR SECTOR PLANNING, MONROVIA | UN | 05/72 | 01/74 | 55,000 | 20,150 |
| LIR-70-007 GENERAL AUDITING | UN | 05/71 | 01/74 | 60,000 | |
| LIP-71-511 PUBLIC FINANCE AND ADMINISTRATION | UN | 02/72 | 09/72 | 30,500 | |
| HEALTH | | | | | |
| LIR-68-009 COMMUNICABLE DISEASES | WHO | 12/68 | 01/73 | 137,550 | |
| INDUSTRY | | | | | |
| LIR-67-509 MINERAL SURVEY IN THE CENTRAL AND WESTERN REGIONS | UN | 01/69 | 10/72 | 285,952 | 350,700 |
| LIR-69-003 VOCATIONAL TRAINING | ILO | 09/69 | 07/72 | 129,520 | |

II. COUNTRY PROJECTS
Approved as of 30 June 1972

LIBERIA (continued)

| Project number and title | Executing agency | Date approved | Estimated completion date | Estimated project cost (US dollar equivalent) | |
|--|------------------|---------------|---------------------------|---|-------------------------------------|
| | | | | UNDP | Government counterpart contribution |
| <u>INTERNATIONAL TRADE</u> | | | | | |
| LIR-70-006 TRADE PROMOTION | UNCTAD | 01/71 | 03/73 | 43,000 | |
| LIR-71-002 IN-SERVICE TRAINING FOR JUNIOR EXECUTIVES | UNCTAD | 08/71 | 02/72 | 2,000 | |
| <u>LABOUR, MANAGEMENT AND EMPLOYMENT</u> | | | | | |
| LIR-71-005 HUMAN RESOURCES DEVELOPMENT | ILO | 09/71 | 03/72 | 61,379 | |
| LIR-70-002 LABOUR ADMINISTRATION | ILO | 01/72 | 04/73 | 63,700 | |
| <u>NATURAL RESOURCES</u> | | | | | |
| LIR-71-515 DEVELOPMENT OF NATURAL RESOURCES* ADMINISTRATION | UN | 03/72 | 05/73 | 50,500 | |
| <u>SOCIAL SECURITY AND OTHER SOCIAL SERVICES</u> | | | | | |
| LIR-70-008 SOCIAL WELFARE | UN | 04/71 | 09/71 | 8,000 | |
| LIR-68-002 HOUSING, PHYSICAL PLANNING AND BUILDING | UN | 10/68 | 01/73 | 30,900 | |
| LIR-69-007 PHYSICAL PLANNING | UN | 12/69 | 01/72 | 2,350 | |
| LIR-71-507 ASSISTANCE TO THE NATIONAL HOUSING AUTHORITY | UN | 06/71 | 03/75 | 764,196 | 1,584,000 |
| <u>TRANSPORT AND COMMUNICATIONS</u> | | | | | |
| LIR-70-009 TRANSPORT AND EQUIPMENT MAINTENANCE | ILO | 08/71 | 01/74 | 60,000 | |
| LIR-69-008 CIVIL AVIATION AND AIR TRAFFIC SERVICES | ICAO | 12/68 | 09/74 | 100,126 | |
| <u>UNDP PROJECT FOR WHICH THE BANK IS EXECUTING AGENCY:</u> | | | | | |
| Highway Organization and Maintenance | IBRD | 1970 | 9/72 | 178,000 | |
| <u>UNDP PROJECTS, NOT YET APPROVED, FOR WHICH THE BANK HAS REQUESTED THE FINAL REPORT:</u> | | | | | |
| LIR-13 Establishment of an Industrial Development Park | - | - | 3 yrs. duration | 623,600 (proposed) | 1,219,055 (proposed) |

*We have expressed "special interest"
**We have requested periodic and final reports



DEVELOPMENT PROGRAMME

CABLE: UNDEVPRO MONROVIA
TELEPHONE 21384-22787

P. O. BOX 274
MONROVIA
LIBERIA

REF. RR/62/72 (Conf.) - 1-0-0

8 November 1972

CONFIDENTIAL

Dear Mr. Christoffersen,

This will confirm certain aspects of the discussions we had in Monrovia plus applications which have since occurred to me.

1. UNDP/IBRD Collaboration

The development programmes of UNDP and IBRD in Liberia have become closely inter-related. The relationships between various IBRD missions and this office have been very satisfactory. The Bank has made a special effort to keep me informed of its current developments and reports, including those of a confidential nature. This is of indispensable assistance in our preparation for the UNDP country programme (particularly IBP) reports on those activities which contain technical assistance components which relating to or supplement UNDP technical assistance inputs). For my part I have made efforts to keep you informed of UNDP developments here including reports of a confidential nature.

2. Country Programming Schedule

An outline of our UNDP projects and programmes through 1974 is contained in my so-called "Notional Country Programme" copies of which were previously sent to IBRD. An extra copy is enclosed.

The present schedule is for presentation of the country programme (CP) document to the UNDP Governing Council in June 1974. Preparations of the Background Paper will cover the period March-August 1972 and preparation of the Country Programme document will cover the period October 1972 - January 1973.

Mr. Leif E. Christoffersen,
Division Chief,
West African Department,
IBRD, Washington, D.C.

The forthcoming IBRD basic mission scheduled for February 1973 is supremely important to the CP preparations. I entirely agree with your proposal that it include pre-investment activities. I have so indicated to UNDP Headquarters and recommended a favourable response to any IBRD invitation to participate.

It is hoped that the report of the basic mission will be available before October 1973. The CP Background Paper doubtless will be influenced also by the mission to the extent information is at hand either formally or informally.

As an aid to the basic mission we hope to have available by next February the reports of mid-term evaluation missions on our Rural Teacher Training and Rice Cultivation Projects. The report of the evaluation mission on the College of Agriculture and Forestry project (made in the fall of 1971) is now available. Furthermore the Ministry of Planning is preparing, with ILO assistance, a small Conference on the ILO Human Resources Report (with participation of UN Agencies associated with the mission). Some results of this Conference should be available in February.

I shall also attempt to prepare an updating of the Notional Country Programme including, more precise projections beyond 1974, data on bilateral assistance and some preliminary analysis of development needs and constraints in principal sectors of development. Should you require other information kindly so indicate and we shall do whatever we can.

3. Major Areas of Priority Concern for the UNDP Country Programme

The three major sectors to which we are committed are:

- (a) Planning and Plan Implementation
- (b) Agriculture and agro-industries and
- (c) Education (rural oriented).

Such commitments should not, however, be viewed in a narrow sectoral setting i.e. each depends on multi-sectoral inter-ministerial support.

The Government's priority given to integrated rural development through balanced regional planning only emphasizes this fact.

A. Planning and Plan Implementation

The new planning mechanism (Part II pages 4-8 of the Notional Country Programme) must be made to work.

It provides the institutional base for policy decisions on plan formulation and coordinated implementation of development policies and plans. In my view external assistance is essential over the next six or more years. UNDP is financing (into 1974) certain planning posts in the MPEA. However further assistance is required to sectoral Ministries in addition to the education planning units provided under the IDA loan. (See pages 12-16, Notional CP). More definitive recommendations will of course, be contained in the report of the IBRD mission last summer (Rafaeli/Sukkar) which you indicated would soon be available. UNDP efforts in this field have been greatly hampered by the inability of UN/CTC and TARS to recruit in a timely fashion. I feel strongly therefore that regardless of the source of financing for these planning needs (which in principle should be UNDP), the IBRD should be asked to be Executing Agent.

Taking into account the scarce financial and manpower resources, the Government's policy of integrated and coordinated inter-sectoral approach to development is essential. Without this the agricultural (including agro-industrial) effort and the rural oriented educational effort cannot succeed. All of this, in my view, will heavily depend on support to Liberia's planning mechanism.

B. Agriculture and Agro-industries

UNDP is financing FAO assistance to two large scale projects the College of Agriculture and Forestry and the Rice Cultivation projects. Other individual small scale TA-type projects support those two larger projects. The IBRD Agriculture loan which in fact provides funds for construction of new facilities for the College at the present University Farm is based on an understanding that UNDP assistance in some form will continue.

The UNDP financed Unesco assistance to the Rural Elementary Teacher Training (and the collateral programme of school improvement/community education) is heavily dependent on improvement of the economic base around the schools through stimulation of agricultural opportunities (not to add cooperation from the Ministries of Public Health, Public Works, etc).

A principal constraint on agricultural development is the relative weakness of the Ministry of Agriculture in financial resources, trained manpower and basic organization. On the operations and implementation side it is particularly weak. It is hoped that the Project Director under the IBRD loan (who also will give advice on the reorganization of the Ministry) will have a strong beneficial effect.

For the UNDP country programme we estimate that about 40% of the available UNDP resources should be devoted to agricultural assistance. At present we are thinking of a consolidation of our existing projects (large and small scale) into two large scale projects (1) assistance to a coordinated effort

through an appropriate institutional form to the College of Agriculture and Forestry and the Ministry of Agriculture's Research Station at Suakoko (this will have to be coordinated with the research activities of WARDA) and (2) strengthening of the extension services in priority fields.

A further project is a UNIDO/FAO project under formulation for development of small agro-industrial estates for up-country primary processing of agricultural products. For this cooperation is necessary between the Ministry of Agriculture and the Ministry of Commerce, Industry and Transport.

Some difficulties with the Rice Cultivation project (and by implication in the organization of the Ministry) are shown in the attached reports of an FAO economist Mr. Reklewski - including his confidential Back-to-Office Report).

C. Education

..... The Ministry of Education is proposing that within the Planning Unit there be included a Planning Specialist in Technical and Vocational Education (job description attached) instead of the economist. There is an associate expert now working with Dr. Hartzler and I believe the idea would be to have him work as the economist. I was informally approached as to whether UNDP could finance an ILO position in the Technical and Vocational field but it would be difficult given the state of our IPF. There is, however, a need for this type of advice. In this connexion see Mr. Chauffournier's letter to Minister Sherman of 14 September.

..... As stated above we expect soon an evaluation mission on our Rural Elementary Teacher Training Programme. Several problems will have to be resolved during this mission (1) The training of the teachers will be adversely prejudiced if the collateral programme of school improvement/community education is not successfully implemented. This is entirely dependent upon the closest collaboration of various ministries. The coordination of their inputs would be very difficult even if all the ministries understood and supported the basic concept. We are presently encouraging and assisting the Government to prepare a basic policy paper for consideration by the National Planning Council so that the responsibilities of all Ministries will be confirmed on a high level. (2) There is some differences of view within Government on the curriculum for the elementary schools. We believe it should be work oriented for rural life. The Ministry is trying to formulate a curriculum for the entire system which in my view is premature before more direction is given on a national level (including decisions to be made on the ILO Human Resources Report). For example if the Government is to put a high priority on slowing urban migration this must be taken into account in forming school curricula particularly at the elementary level. Such a decision is of course not a Ministry of Education decision but a national one. Therefore the

evaluation mission on the Elementary Rural Teacher Training project may not be able to deal effectively with this though the basic IBRD mission could.

4. Your mission on the LBIDI loan is here and has already had discussions with some of our UNIDO experts. As I mentioned to you I feel they should, if possible, cover the area of agricultural credit. I mentioned to you that the Agriculture Ministry was proposing to set up an Agricultural Credit Corporation. I shall mention this to Mrs. Hughes. *

5. On the transport side Messrs. Gyamfi and Blinkhorn have sought UNDP support for a post of Transport Coordinator or Adviser which I agree is important. Minister Tolbert has also spoken to me of this. I am convinced we should do this despite our unfavorable position regarding the IPF. This brings to the fore the need for the Government to look more closely at the priority calls on the UNDP IPF. I have great difficulty in getting them to do this or even to find any single source which will concern itself with this. For example, as I mentioned, there is a large scale project for National Community Water which is quite expensive and not revenue producing. As against that there has recently been formulated two smaller projects (for a legal and fiscal cadastre) which definitely will be increasing real estate taxes. This in my view should have definite priority over the Community Water even though the latter has been in the process of formulation for some three years. Copy of four papers on the cadastral projects are enclosed as promised. I am not sending at this time the project documents themselves but would be pleased to if required.

6. I gave Mr. Blinkhorn for his perusal my copy of the confidential report on the inter-disciplinary mission (UNCTAD, UNIDO, FAO) on Liberia/Sierra Leone cooperation. The bilateral negotiations between these two countries (and with Ivory Coast and Guinea) could have an important effect on economic cooperation and the development plans of the countries in the region. I believe Mr. Blinkhorn will pick up a copy of this report in Geneva.

7. Financial Implications of Country Programme

You are aware of the financial constraints for our country programme under the existing IPF formula. The Government's case for allocation of additional funds (supplemented by my own views) is contained in pages 50-55 of the "Notional Country Programme". The net effect is that our IPF is seriously overloaded due to commitments existing assistance. The IBRD has been most sympathetic in these circumstances and has included in its various loan agreements (in consultation with us) a large segment of specialist services which otherwise would have been financed by UNDP as pre-investment activities. I am endeavoring to interest sources of bilateral or other assistance in assuming some

of these commitments after 1974 but this is proving difficult. We had already roughly staked out with the principal bilateral donors (USAID and FRG) respective areas of interest.

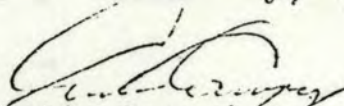
We are therefore faced with a situation where, even with the heavy specialist services component in the IBRD education and agriculture loans, successful UNDP institutional and pre-investment assistance which is providing its own momentum with serious Government support may have to be cut back or cut out when we come to the formulation of the UNDP country programme.

The only ray of hope I see came through an informal and chance contact I had in Monrovia with the Ford Foundations Representative for West Africa, Mr. W.K. Gamble. Copy of his letter to me of 17 October is attached. I had emphasized to him the importance of support to the new planning machinery through assistance to the Ministry of Planning and sectoral Ministries. (I had earlier suggested to Minister Bright an approach to Ford Foundation but he felt it better to await Mr. Rafaeli's report). It now appears that a better approach to Ford might be to seek assistance to agricultural extension or research (since they are already supporting WARDA and the IITA in Nigeria. If such an approach were successful funds would be released from our IPF and perhaps allow UNDP to provide financial assistance to development planning along the lines above indicated.

I have written at some length in the hope that this information will be of some use to your basic mission.

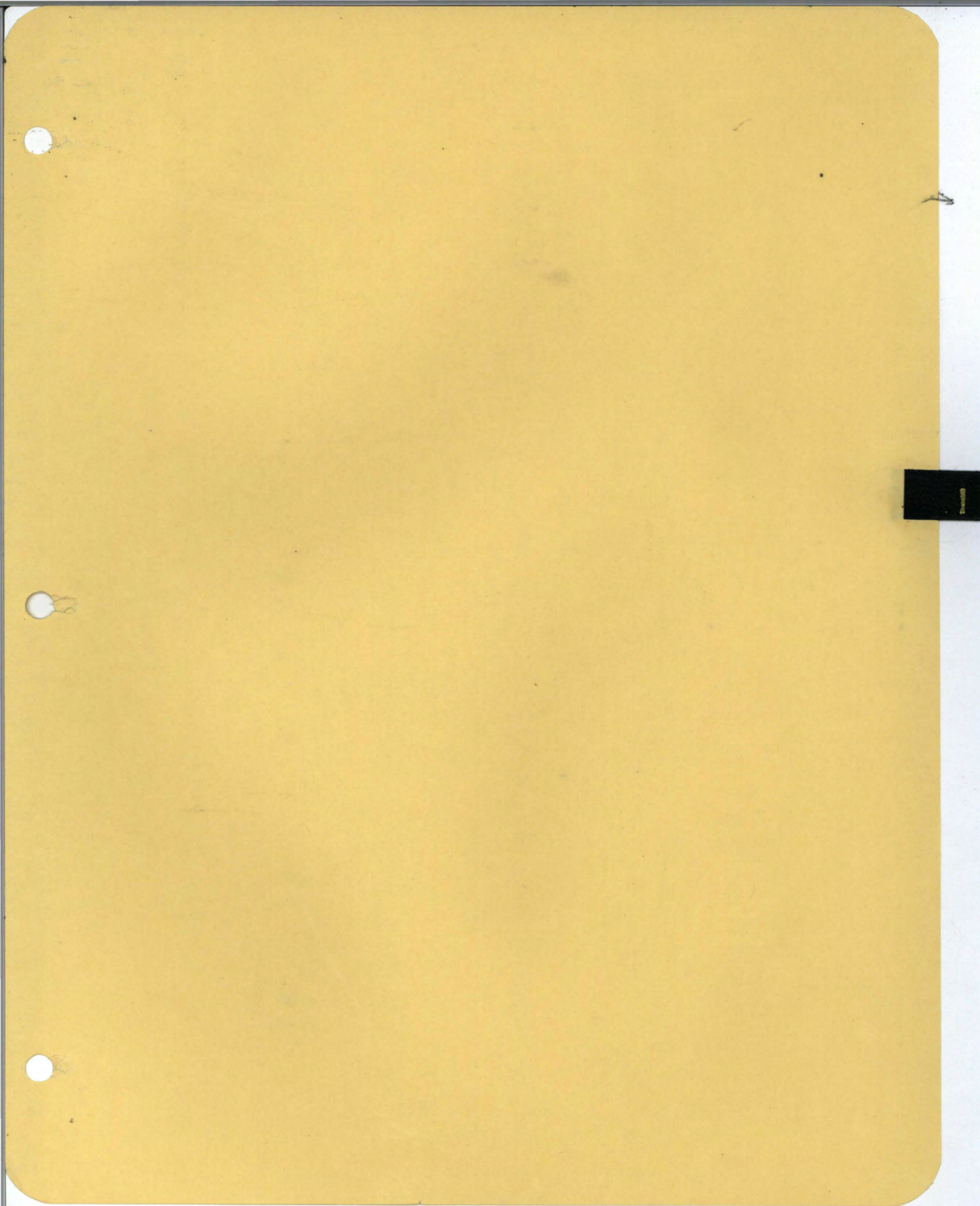
Best regards,

Yours sincerely,



Curtis Campaigne
Resident Representative

cc: Mr. John Saunders,
Officer-in-Charge,
Regional Bureau for Africa,
UNDP, New York



OFFICE MEMORANDUM

TO: Mr. William Clark

DATE: December 28, 1972

FROM: Paul Danquah *PD.*SUBJECT: Mr. McNamara's West Africa Trip -- the media in LiberiaGeneral

After the death of the "old man", it was anticipated and indeed promised that the press would and could enter into a new era of more freedom and independence. In fact, the position today is that the main newspapers are about the same as ever; the three important newspapers publish much the same thing and both press and broadcasting services reflect the centralized style of Government and attitudes which tend to exclude the regions. Four years ago this was a serious complaint against the Liberian information services. There is nothing to indicate that since the recent change in Government these attitudes are any more liberal or more daring. Everything still happens in, from and through Monrovia and what the counties outside Monrovia think and what they do remains secondary. Apart from the continuing strong influence of the big industrial organizations like Firestone, the country is run very much as it was under President Tubman.

English is the official language. Local languages are not much used in radio where one of the strongest influences are the religious stations, notably ELWA, which is most influential and is described as "a non-commercial, cultural broadcasting society."

A good deal of the radio material has come through or from or is influenced by the United States. Until recently a most influential and constant source of international news was the BBC of London. The main national service is now entirely under ELBC, the Liberian Broadcasting Corporation, which is partly owned and run by the Government through the Ministry of Information and Cultural Affairs.

The Press

Liberation Star, perhaps the most important and widely read, with a circulation of 3,500.

The Daily Listener is one of the oldest newspapers and has a circulation of about the same as the Star.

The Liberation Age has a smaller circulation but the figures for this are not available. Again, as indicated above, the newspapers are limited very much to Monrovia.

Mr. William Clark

- 2 -

December 28, 1972 .

Radio and Television

The authority for radio and television is the Ministry of Information and Cultural Affairs. A good deal of useful news coverage comes from one of the famous religious stations ELWA which is said to have greater penetration than the national ELBC. Television coverage is highly concentrated in the capital and does not reach more than the fringes of Monrovia.



PART THREE

**Nations of Africa,
independent before 1957**

LF OF ADEN
NDIAN OCEAN

Market in Monrovia



Liberia

44

Liberia, declared an independent nation on July 27, 1847, was the first self-governing Black nation in Africa, though it had been in existence since 1822. It is a republic with a democratic constitution modeled after that of the United States.

Liberia's 43,000 square miles are bounded by Sierra Leone to the northwest, Guinea to the north, and the Ivory Coast to the east. On the southwest, the Atlantic gives it around three hundred miles of coast. Monrovia (population 100,000) is its capital. The little country is the thirty-eighth largest in Africa, has a population of over 1,300,000, and ranks 30th in population density with an average of 30.2 persons per square mile.

In 1822 (after the United States outlawed slavery in 1808) the American Colonization Society brought the territory into existence as a voluntary haven for freed slaves. By the end of the American Civil War, 14,000 freed slaves, and around 6,000 Blacks from all parts of West Africa who had been taken from illegal slave ships on the seas, had settled in Liberia. The area was first governed by agents

appointed by the American Colonization Society. It was recognized as a sovereign state by European countries, but some of its original area was subsequently lost to surrounding colonies in border agreements with Britain and France.

The little country came into existence with nothing but the land itself — as its inhabitants sometime say "we were not lucky enough to be colonized." There were no paved roads, no schools, no mines producing copper or gold, no postal systems or a government set up and working, as there were in most parts of Africa when the Black people came into control.

The colony was plagued with hardships and the indigenous tribes of the interior were hostile to the colony of former slaves. There was corruption in the new free state where, ironically, members of the first Black government were accused of harboring a slave trade operation. The country's vice president was ousted and the president resigned.

Its first president, Joseph Jenkins Robert was born in Baltimore. Twelve Liberian presidents who followed him were also born in the United States.



In 1930 the little country tottered on the brink of bankruptcy and was on the verge of default on an international loan. The loan was taken over by the Firestone Tire and Rubber Company, which in 1934 began growing rubber forests on huge plantations in the area. Rubber soon became the basis of the country's economy beyond subsistence farming. (The loan was paid back by Liberia in 1952.)

In 1944, President William V. S. Tubman became chief of state and head of government. The True Whig Party quickly became the only effective political group and on its strength President Tubman was re-elected in 1963 (by universal suffrage) for his fifth four-year term. According to the constitution the president, the vice president, and members of the Legislature are elected to office. The legislative body consists of a ten-member Senate and a House of Representatives with thirty-nine members. The president appoints the district commissioners and town chiefs for unspecified tenure. Paramount chiefs, if not determined by heredity, are selected by tribes and clans.

Today, Liberia's urban inhabitants are largely descendants of the freed American slaves who founded the nation. The rest of the population is made up of around twenty indigenous tribes which fall into four ethnic groups: the Vai, the Kru, the Gola, and the Kpelle, along with a few Muslim Mandingos who are not indigenous. The official language is English, but Vai, Kru, and Kpelle are the most common languages of the people of the interior. Most of the inhabitants are Animists, though some profess Protestantism, inherited from their converted American ancestors.

The economy of the country developed slowly. The Firestone rubber plantations constituted the major industry until 1943, when the country was opened up to other foreign investment. This came largely from Israel and Lebanon, which, along with the United States, backed most of the country's enterprises. With new capital investments the economy broadened, diamonds and iron becoming important

exports enabling the small country to maintain a favorable balance of trade. Agriculture and forestry slowly developed.

The principal iron mines are at Mount Nimba, near the Ivory Coast and Guinea borders. The Nimba mines produce some of the highest quality iron ore in the world. Other mines are located in the Bombi Hills and along the Mano River near the country's western border.

The government's annual revenues rose from around \$1 million in 1945 to over \$35 million in 1963 as the "big hill" began to disgorge riches from the newly operating iron mines. Liberia's economic future looked bright, but like many potentially rich African countries, it was short of immediate cash. In 1964 it again found itself in a financial bind from overborrowing and turned to the International Monetary Fund for temporary relief. In 1967 the country's iron profits were still being eaten up by the country's debt payments, and the people were feeling little of the effect of their country's mining riches.

Although Liberia is the oldest self-governing nation in Africa, it lags politically behind many other African countries which have been self-governing for only a few years. And, like them, it finds that foreign capital will willingly plant and nourish rubber trees, mine diamonds, and dig iron ore, but the burden of roads, transportation, power and water, and communications must be financially carried to a great extent by its own government.

It also continues to have the problem of disunity between the indigenous tribal people and the descendants of the "Black colonists." The original colonizing freed slaves settled along the coast and built the little capital city of Monrovia, where they became the ruling society. Here the élite enjoyed what few rewards there were for advancement while the inland tribal people remained uneducated and with little or no representation in government.

However, the country's president who is said to have a disarming combination of Vic-

torian "grand manners" and the common touch has done much to increase integration and unification of the "Black settlers" and the indigenous tribal population.

The country's educational facilities are today among the poorest in Africa with only 5 percent of its people literate. (Around 2,000 students were at school abroad in 1968.) This, along with the lack of unification of its people, is its major problem.

President Tubman, a conservative but able administrator, has striven throughout his long tenure in office against great odds to give Liberia its place among the new independent states of Africa. It was in Monrovia that the conservative Monrovia Group was formed among newly independent African states during the peak years of the Black African Nationalist Revolution. This conservative bloc of African states proved an important balance to the radical African states that made up the Casablanca Group. Both groups were dissolved when the Organization of African Unity was formed.

In 1968, after 25 years in office, President Tubman, at the age of 72, was reelected to the presidency for the sixth time. He was Liberia's eighteenth president, and had been in power longer than any elected head of state in Africa.

In the 16 years from 1952 to 1968 around \$250 million went into the little country in American aid plus large amounts in private investments by American rubber and Swedish, West German and other European mining companies.

Liberia, it was hoped, would surely eventually become a showcase of democracy under Black independent rule. It did not. Not because President Tubman wished it not to, nor because he did not try, but for the same reasons that have held back other new independent African countries, many of which started far ahead of Liberia in development, and under much different circumstances. No other Black country had been established by people who had been uprooted and then transplanted again in African soil not knowing who they were or to what part of the vast continent

their original roots were native—and to whom the stigma of "slave" had been attached.

Liberia still lags in self-development and progress, for the same reasons other African countries lag and grope their way: its extravagances and many of its mistakes were the result of quantities of money put into the hands of inexperienced administrators without guidance and restrictions to its use. In the early years of President Tubman's regime an executive mansion was built at a cost of allegedly \$15 million, which was one-half of the government's entire annual income at that time. Such extravagances no longer exist but the resulting debts linger on. Concentration on the get-rich-quick projects has overshadowed the development of its rich agricultural land and small industries. Many of its existing small industries are in the hands of Lebanese nationals as is most of its retail trade.

Despite the iron ore discoveries and their promising riches, Liberia's burden of debt payments increased from \$10 million annually in 1967 to an estimated \$17 million in 1969, while it is deemed by financial observers to be virtually impossible for the Liberian government to meet even a much lower payment. If by some miracle the scheduled payments could be met it is estimated they would continue through 1975 at \$14 million annually.

On top of this, the little country's government came into 1968 with a budget deficit of \$4 million which continued to increase in 1969. Many government employees worked without pay during the most difficult times—which cut down on the consumer market's buying capacity.

Foreign investments total around \$750,000,000. The little country's budget for 1969 was set at \$61,000,000.

Actually the Liberian-Swedish-American Mining Company (LAMCO) did not produce the estimated output of iron in 1967-68 due to some extent to world conditions. But with new goals and added processing plants, iron production is expected to reach a leveling off of around 20 million tons annually by 1970.

Rubber production rose but consistent with

Liberia's luck and timing, rubber prices dropped due to the growing use of synthetic rubber.

Slow and steady projects that could possibly lead to self-sustaining nationhood were bypassed. Most of Liberia's debt burden was contracted from spending in areas of development of schools, hospitals, sewer system and water works in Monrovia (the capital city), highway and public buildings and a multi-million dollar hotel — the luxuries that only a "going" economy can afford no matter how desirable or justified they may be in themselves. Too little small new local industry has been established and the country's small consumer market does not attract large private investments.

Labor problems began to plague President Tubman, seriously in 1966. The president was granted emergency powers and laws for strike control were passed. At this time Liberia began to build up her small army, which in 1969 was a force estimated around 6,000, plus a police and security force of around another 1,000.

A return to the increase of its agricultural production for export is said to be the little country's surest way to a sustaining economy in the near future. However, in 1968 its per capita income was \$100, far from the lowest in Africa.

Liberia remained politically stable in 1967-1968 which were years of violence and counter-revolution in Africa. It was active in African affairs. In April of 1968, Liberia was host to a meeting of 14 invited West African states where proposals for the formation of a regional economic group were presented, and later culminated in the formation of the West African Regional Group.

Liberia has maintained good relations with all of her neighbors, some French-speaking, some English-speaking, and not all of whom are friendly to one another.

The monetary unit is the Liberian dollar, which is equal to U.S. \$1.00.

THE REPUBLIC OF SOUTH AFRICA

The Republic of South Africa was granted its independence from British colonial rule on May 31, 1910. It then became the Union of South Africa. On May 31, 1961 the Union became a republic. As the second colonial territory in Africa to become self-governing, mention is made of it here in part III. However, as South Africa does not have a government representative of the Black majority of the people who inhabit the country, the country is dealt with fully in Part II, Chapter 35, along with the other areas of Africa which are still under either colonial rule, or are ruled by a white minority government, or are still in the process of establishing self-government by Black Africans.