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 Travel briefs, Liberia

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LIBERIA

64-68	\$ 4m
69-73	31
74-78	150
78-82	141m (85/36)
76	40
77	40
78	33
79	24
80	18

Liberia

MR. MCNAMARA'S STOPOVER IN ROBERTSFIELD/MONROVIA

Tuesday, November 8

- 10:30 arrival from Abidjan by Ivorian government plane.
Mr. and Mrs. McNamara will be met at the airport by the Minister of Finance and some of his associates. Brief discussion at the airport.
- 12:00 departure for Conakry by Guinean government plane.
Lunch on the plane.
Mr. Thahane is corresponding with Minister Phillips about the organization of the meeting.

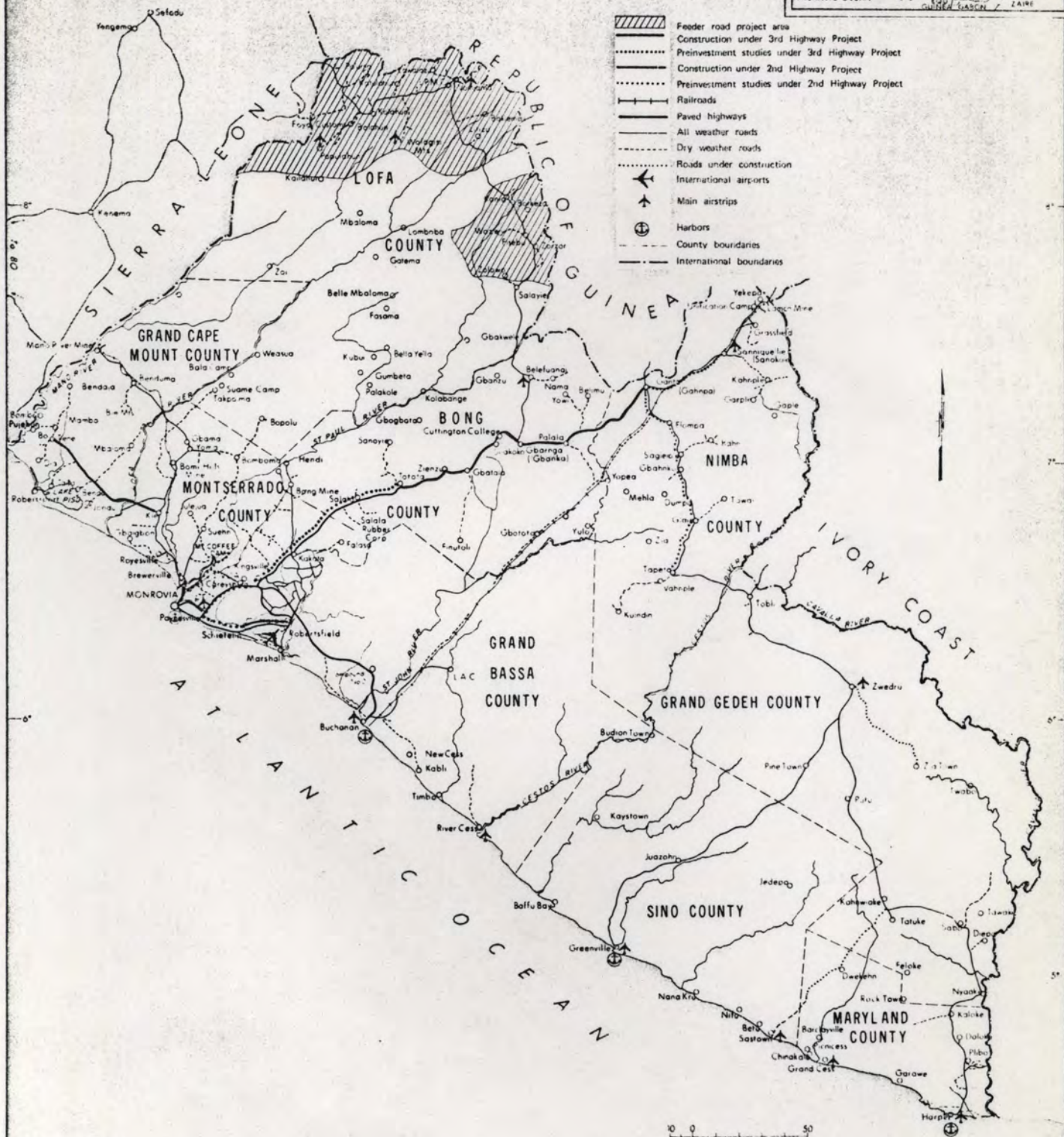
October 20, 1977

I 76-80 plan: GDP 6.8% pa
75-76-77 -1.2%²
will the plan be revised (FRK
proj 3.5%+2)

II Request one in down also
improve eff of pub sec
inc. concession rate
support letter
include
in order to limit FRK debt

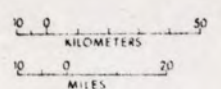
III What prog. or structural change
i.e. showing traditional sector
Zofa of 84% from FRK help
Rising "900"
Lobby 637 small

LIBERIA TRANSPORTATION NETWORK



- Feeder road project area
- Construction under 3rd Highway Project
- Preinvestment studies under 3rd Highway Project
- Construction under 2nd Highway Project
- Preinvestment studies under 2nd Highway Project
- Railroads
- Paved highways
- All weather roads
- Dry weather roads
- Roads under construction
- International airports
- Main airstrips
- Harbors
- County boundaries
- International boundaries

The boundaries shown on this map are based on the latest available information and are not necessarily final. No responsibility is assumed by the Bank for any errors or omissions.



Background NOTES

Liberia

department of state * may 1977

OFFICIAL NAME: Republic of Liberia

PEOPLE

The population of Liberia includes 16 distinct ethnic groups and about 45,000 descendants of emancipated slaves from the United States. About 5,000 foreigners, some of whom are U.S. citizens employed by various U.S. business enterprises and the Liberian Government, reside in Liberia. Approximately 90 percent of the population retain their tribal customs.

Traditional African religious beliefs and practices are widespread despite intensive Christian missionary efforts.

Christians are principally of Protestant denominations. Islam has been making slow but steady progress among some tribes in recent years.

Education is mandatory between ages 6 and 16, although the percentage of students completing their education is low, because of the country's limited resources. Efforts are being made to overcome these obstacles, however. Liberia has two major 4-year schools: the University of Liberia and Cuttington College near Suakoko. The latter is reputed to be the only private college in Africa. Many Liberian

students are educated abroad, particularly in the United States.

HISTORY

It is believed that the forebears of many present-day Liberians migrated into the area from the north and east between the 12th and 16th centuries. None of the sub-Saharan Empires of that period 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 history of present-day Liberia dates from 1816 when the American

PROFILE

People

POPULATION: 1,554,000 (Jan. 1977). ANNUAL GROWTH RATE: 2.9%. ETHNIC GROUPS: 5% descendants of immigrant Negroes; 95% indigenous Negroid African tribes, the largest of which are Kpelle, Bassa, Gio, Kru, Grebo, and Mano. RELIGIONS: tribal religions 75%; Muslim 15%; Christian 10%. LANGUAGES: English is official; over 20 local languages and dialects of the Mande, West Atlantic, and Kwa subgroups of the Niger-Congo language group. LITERACY: 24%. LIFE EXPECTANCY: 46 years.

Geography

AREA: 43,000 sq. mi. (111,369 sq. km.); about the size of Ohio. CAPITAL: Monrovia (pop. 204,000). OTHER CITIES: Harbel and Harbel Plantation (60,000), Buchanan (25,000), Yekepa (16,000), Harper (14,000), Greenville (10,000).

Government

TYPE: Republic. INDEPENDENCE: 1847. DATE OF CONSTITUTION: July 26, 1847.

BRANCHES: Executive—President (Chief of State and Head of Government), Vice President, Cabinet. Legislative—Bicameral (Senate, House of Representatives). Judicial—Supreme Court, circuit courts.

POLITICAL PARTY: True Whig Party. SUFFRAGE: Universal over 18. ADMINISTRATIVE SUBDIVISIONS: 9 Counties.

FLAG: Eleven 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 Negro State in Africa. The stripes stand for the signers of the country's Declaration of Independence.

Economy

GDP: \$863 million (current 1976 prices). ANNUAL GROWTH RATE: 4%. PER CAPITA GDP: \$536.

AGRICULTURE: Land—20% cultivated,

30% jungle, 40% forested, 10% unclassified. Labor—75%. Products—rubber, rice, oil palm, cassava, coffee, cocoa.

INDUSTRY: Labor—25% (including government workers). Products—iron ore and diamonds, processed rubber, processed food, construction materials.

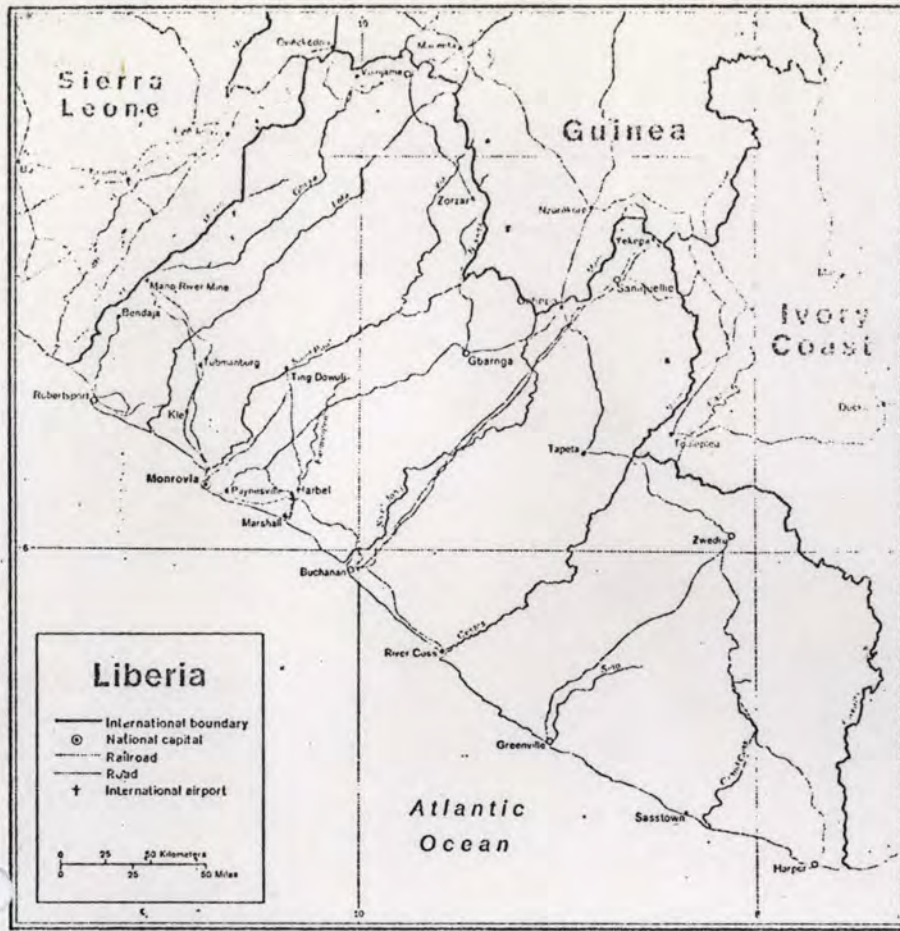
NATURAL RESOURCES: Iron ore, rubber, timber, diamonds.

TRADE (1976): Exports—\$460.9 million: iron ore, rubber, diamonds, timber. Imports—\$399.2 million: machinery, petroleum products, transportation equipment, foodstuffs. Major partners—US, FRG, Netherlands, Italy, Belgium.

OFFICIAL EXCHANGE RATE: Liberia uses US dollars.

US ECONOMIC AID RECEIVED: \$233.6 million (1946-75); AID \$183.4 million (loans \$85.1 million, grants \$98.3 million), Peace Corps \$29 million, Food for Peace \$12.6 million. Eximbank loans \$111.3 million.

MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS: UN and most of its specialized agencies, Organization of African Unity (OAU), Economic Community of West African States (ECDWAS).



Colonization Society, a private U.S. organization, was given a charter by the U.S. Congress to send freed slaves to the west coast of Africa. The U.S. Government, under President James Monroe, furnished funds and assisted in negotiations with native chiefs for the cessation of land for the purpose. The first settlers landed at the site of present-day Monrovia in 1822. In 1838 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 of Liberia in 1848, as did France in 1852. The United States did not grant recognition until 1862. The Republic's first 100 years have been characterized by one as a "century of survival" because of attempts by neighboring powers (French and British) to encroach on Liberia.

William R. Tolbert, Jr., 19th President of Liberia, acceded to office in July 1971, upon the death of his predecessor, William V.S. Tubman, who had served as President since 1944. In January 1976 President Tolbert was inaugurated for an 8-year term of office as President in his own right.

GEOGRAPHY

Liberia lies at the southwestern extremity of the western bulge of Africa and is bordered by Sierra Leone, Guinea, and the Ivory Coast. It has a 370-mile (595 km.)-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 are found intermittently throughout the country but rarely reach more than 3,000 feet (914 m.) in elevation except for the Nimba and Wologisi Mountains, which exceed 4,500 feet

(1,371 m.). Six principal rivers flow into the Atlantic Ocean.

Liberia lies within the tropical rain forest belt and has distinct wet and dry seasons. Rainfall, which largely occurs between April and November, averages 150-170 inches (380-430 cm.) annually. Along the coast it may exceed 200 inches (500 cm.). The average annual daily temperature is about 80°F (27°C).

GOVERNMENT

Liberia's government, which is modeled after that of the United States, is based on its original 1847 Constitution as amended. Under recent legislation the President and Vice President are elected by popular vote for a single term of 8 years. The President is assisted by a Cabinet of 18 members whom he appoints.

The Senate is presided over by the Vice President and has 18 Members (two from each county) elected to 6-year terms. The House of Representatives has approximately 70 Members elected on the basis of proportional representation. They serve 4-year terms.

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.

A Superintendent appointed by the President heads each County.

Principal Government Officials

President—William R. Tolbert, Jr.
Vice President—James E. Greene

Ministers

Foreign Affairs—C. Cecil Dennis, Jr.
Finance—James T. Phillips, Jr.
Justice—Oliver Bright, Jr.
Postal Affairs—Mrs. Abeodu C. Bowen-Jones
National Defense—Harry A. Greaves
Local Government, Rural Development and Urban Reconstruction—Samuel D. Hill
Education—Advertus A. Hoff
Public Works—Gabriel J. Tucker
Agriculture—Louis A. Russ

Health and Social Welfare—Estrada Bernard

Commerce, Industry and Transportation—William E. Dennis, Jr.

Information, Cultural Affairs, and Tourism—Edward B. Kesselly

Planning and Economic Affairs—D. Franklin Neal

Minister of State for Presidential Affairs—E. Reginald Townsend

Lands and Mines—Aaron J. Holmes

Labor and Youth—J. Jenkins Peal

Action for Development and Progress—J.K. Levee Moulton

Minister of State Without Portfolio—Charles A. Clarke

Speaker of the House—Richard A. Henries

Chief Justice—James A.A. Pierre

Ambassador to the U.S.—Francis A. Dennis

Ambassador to the U.N.—David M. Thomas

Liberia maintains an Embassy in the United States at 5201 16th St., NW., Washington, D.C. 20011 (tel. 202-723-0437).

POLITICAL CONDITIONS

The Liberian Government is highly centralized under the leadership of President Tolbert. Public schools, hospitals, roads, and police are operated by the central government. According to the Liberian Constitution as amended in 1907, only "persons 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 national political party exists—the True Whig Party, which was formed in 1869 and has been in continuous power since 1878.

President Tolbert has continued the "unification" and "open door" policies established by his predecessor. The former endeavors to integrate culturally the indigenous tribal peoples and the descendants of the freedmen who settled Liberia. Much progress has been made in assimilating the tribal peoples of the interior into the mainstream of modern national life. The "open door" policy was set down to

attract private foreign investment in order to help stimulate the country's development.

President Tolbert, a Baptist minister and former President of the Baptist World Alliance (1965-70), is impatient with the pace of his country's development and has attempted to motivate his fellow countrymen to work harder through his example of enthusiasm and hard work along with speeches and other incentive programs.

ECONOMY

Liberia's economy is based on exploitation of three natural resources—iron ore, rubber, and timber. The iron and rubber industries are well developed. Rubber production was first introduced to Liberia in 1926 by Firestone, which presently manages the world's largest single plantation, at Harbel. Since World War II it has been joined in Liberia by Goodrich and UniRoyal. These large concessions along with numerous private Liberian growers make the labor-intensive rubber growing industry the largest employer in the country.

More important to Liberia from a foreign exchange standpoint is iron ore, which in 1976 constituted 72 percent of Liberia's total exports. Iron ore was first mined in Liberia in 1951, and there are presently four concession mining areas, the largest being LAMCO in Nimba County and Bong Mines in Bong County. The Liberia Mining Company (LMC), the first to mine iron ore in the country, is expected to terminate operations in 1977. It is expected, however, that agreement will be reached between the Liberian Government and a group of private investors by the end of 1977 to develop a new mining operation in the Wologisi Mountains in Lofa County.

Liberia's timber resources are extensive but are only beginning to be developed. In 1976 lumber and log production almost tripled over the previous year. Other products which may prove increasingly important include diamonds, gold, coffee, cocoa, and palm oil.

Liberia's economy, which was somewhat stagnant in 1975, partly due to low commodity prices for its primary exports, experienced a recovery

TRAVEL NOTES

Clothing—Lightweight, loose-fitting, washable clothing is recommended.

Customs—All Americans entering Liberia must have visas, which are not issued at the airport. Inoculations against smallpox and yellow fever are required.

Health—Medical facilities and supplies are adequate in Monrovia and at a number of the concessions. Drink only boiled water. Take malaria suppressants. Do not swim in untreated fresh water, particularly in the interior.

Telecommunications—Long-distance telephone service and cable service are available.

Transportation—International flights are available to and from Robertsfield International Airport, about 36 miles (57 km.) from Monrovia. No regularly scheduled airport bus or tax service exists. Limited schedule airline service is available to a few points within the country from Spriggs-Payne Airport in Monrovia.

Taxi service in Monrovia is available and reasonably priced. Tipping is not customary. Agree on a price in advance when traveling outside the metropolitan area.

Touring—Tourist facilities are limited. Unpaved interior roads are difficult to travel in the rainy season and dusty in the dry season.

in 1976 which is projected to expand in 1977. Increased commodity prices combined with successful renegotiation of a number of concession agreements has resulted in a substantial increase in government revenues. Liberia began to implement \$73.1 million worth of development projects in 1976 as part of its 4-year (1976-80) socio-economic development plan. The United States, for many years Liberia's preeminent trading partner, is expected to continue as a leading source of capital and technical assistance.

In recent years, notable gains have been made in the development of Liberia's infrastructure, partly as a result of U.S. assistance. Projects completed with the help of U.S. grants or loans include the Free Port of Monrovia, Robertsfield International Airport, major segments of the interior

and system, Monrovia's water supply sewage disposal systems, a hydroelectric dam at Mt. Coffee near Monrovia, elementary and secondary schools, and the National Medical Center in Monrovia which includes the 271-bed John F. Kennedy hospital and training center.

Consistent with the high priority which Liberia places on rural development, A.I.D. now directs more of its resources toward agriculture, health, and human resources development projects. In addition, more than 200 Peace Corps volunteers assist Liberia's development efforts by providing needed skills in education, public health, agriculture, and other fields.

Political stability, continued support for the "open door" investment policy, and acceptance of the free market system, in addition to the Liberian Government's generally conservative fiscal policies have attracted substantial private investment for economic development within the country. In addition to the rubber companies mentioned above, other significant U.S. investors include Bethlehem Steel, Getty Enterprises, First National City Bank, Chase Manhattan Bank, Chemical Bank, and the International Bank of Washington.

FOREIGN RELATIONS

One of the basic tenets of Liberia's international policy is the belief that the future of small nations can best be served by cooperative efforts. For this reason Liberia 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.

Liberia is also interested in the development of regional economic organizations and was a driving force behind the creation of the Economic Community of West African States.

The Liberian leadership supports peaceful settlement of disputes and frequently has used its good offices to encourage moderation.

U.S.-LIBERIA RELATIONS

Relations between the United States and Liberia have been friendly since the Republic of Liberia became independent in 1847. Official U.S. policy toward Liberia is based on the desire to maintain and strengthen those close ties.

The United States continues to give assistance and support to Liberia's efforts to improve the welfare of its people and strengthen its representative government. The United States has had substantive and longstanding A.I.D., Peace Corps, and military assistance programs in Liberia. Additional U.S. support for Liberian efforts has come from private business, missionary, and educational organizations.

Liberia is the site of important U.S. telecommunications facilities; located near Monrovia are VOA transmitters, which transmit to the entire African Continent, and an Omega navigational station, one of seven such installations in the world. The Omega transmission tower rises 1,400 feet (427 m.), the tallest structure in Africa.

In September 1976 President Tolbert made a state visit to the United States and was the only African Chief of State to be so honored during the U.S. Bicentennial. On his first visit to sub-Saharan Africa, then-Secretary of State Kissinger visited Monrovia in April 1976.

Principal U.S. Officials

Ambassador—W. Beverly Carter, Jr.
Deputy Chief of Mission—Harold E. Horan

Director, U.S. A.I.D. Mission—Stanley J. Siegel

Chief, U.S. Military Mission—Col. Horace L. Hunter, Jr.

Public Affairs Officer, USIS—Charles M. Magee

Director, Peace Corps—Dennis M. Lucey

The U.S. Embassy in Liberia is located on United Nations Drive in Monrovia (tel. 22991/5).

READING LIST

These titles are provided as a general indication of the material published on Liberia. The Department of State does not endorse unofficial publications.

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LIBERIA

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MINISTER OF FOREIGN AFFAIRS

The Honorable James T. Phillips, Jr.
MINISTER OF FINANCE

The Honorable Oliver Bright
MINISTER OF JUSTICE

The Honorable Samuel Hill
MINISTER OF LOCAL GOVERNMENT, RURAL DEVELOPMENT AND URBAN RECONSTRUCTION

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The Honorable Charles Clarke
MINISTER OF STATE WITHOUT PORTFOLIO

The Honorable Saba Kla-Williams
DIRECTOR OF THE CABINET

BIOGRAPHICAL NOTE

James T. Phillips, Jr., Minister of Finance

James T. Phillips, Jr., 49, a leading private agriculturalist and prominent businessman, was appointed Minister of Finance in January 1976. He began his public career in 1952 as an agronomist at the Government-operated Agricultural Experiment Station; in 1954 he was appointed the Station Director; in 1960, Co-ordinator of Technical Programs in the Ministry of Agriculture; in 1962 Assistant Secretary, Ministry of Agriculture; and in 1969 Minister of Agriculture.

Born in Monrovia, Phillips attended College of West Africa, Monrovia for his primary and secondary education. He undertook undergraduate and graduate studies in the U.S., earning a B.S. degree from the Tuskegee Institute and an M.S. degree from Rutgers University. He has traveled extensively. He is the Governor of the World Bank and IDA.

Phillips owns a large commercial pineapple farm and is head of the J. Phillips Company, which operates the Monrovia Cold Storage Company and other retail outlets. He is married to the former Ruth Hooper Richardson. They have two children. Phillips' hobbies are bridge, swimming and tennis. He is a Methodist and a member of YMCA.

David Franklin Neal, Minister of Planning and Economic Affairs

A good administrator and economist, Neal, 47, started his career in 1958 as an economist in the Ministry of Finance; served in various senior research and planning positions in the National Planning Agency between 1960 and 1966; became Undersecretary for Planning in 1967 and Minister of Planning and Economic Affairs in 1972.

Neal was born in the town of Harper, located in the southern end of the Republic. He obtained a B.A. degree from University of Liberia, a M.A. degree from the University of Michigan. He also studied economics at the University of Manitoba, Canada, as well as postgraduate work in industrial financing at the London School of Economics.

Neal has represented his country at sessions of the United Nations General Assembly and at other international conferences. An astute man, Neal has a sharp, logical mind. He is a Protestant. Neal is married to the former Anna Anderson and has four children. His hobbies include classical music and literature.

LIBERIA

Topics for Discussions

1. We expect that Mr. McNamara will be met at the airport by Mr. J. T. Phillips, Minister of Finance, and Mr. Neal, Minister of Planning and Economic Affairs (Biographical Data: Section B). They may be accompanied by Mrs. Johnson-Sirleaf, Deputy Minister of Finance ^{1/}. There are no special issues which we would recommend Mr. McNamara to raise; the following paragraphs, however, provide possible topics for discussions.

Recent Economic Developments

2. Liberia's economic performance up till recently has been good mainly as a result of the growth of iron ore and rubber production. Between 1964 and 1970 the economy grew at an annual average of about 6.4 percent declining in the early 1970s to about 4.2 percent. However, in the face of the world recession and the increase in oil prices, Liberia has been unable to sustain a rate of growth comparable to that experienced in the latter part of the 1960s and the earlier part of the 1970s. The growth performance of the economy has been particularly disappointing in 1975 as GDP registered a decline in real terms of about 1.1 percent mainly in response to a significant decline in the production and exports of iron ore, rubber, forestry products and diamonds. Preliminary estimates for 1976 indicate that economic performance might improve marginally; but prospects for 1977 may not be much better than for 1976 in view of the uncertain world market demand for iron ore.

3. As regards the medium term prospects for economic growth, the country's Socio Economic Development Plan 1976-80 published about a year ago, anticipated a 6.8 percent annual real rate of growth in GDP over the plan period. This assumed that (a) iron production will be sustained at existing maximum capacity and (b) investments in new mines, particularly Wologisi, would start in 1977 with Bie Mountain following close behind. In view of the existence of excess capacity in the iron ore industry resulting from the sluggish world demand and delays in decisions to proceed with Wologisi (paragraph 20 below), the Bank's draft Economic Report (Section D2) on Liberia projects a real rate of growth in GDP of between 3.5 to 4.0 percent up to 1980, compared with the 6.8 percent rate envisaged in the plan. ^{2/} We understand that the Development Plan is currently being revised to take account of these less favorable prospects.

*wollogisi
Plan to
revised*

Public Finances

4. One area of concern is the current position of public finances. Through the past decade public sector finances did not come under serious pressure mainly because of the passive role assigned to the public sector

1/ Mrs. Johnson-Sirleaf was until last year a Loan Officer in the Brazil Program Division at the Bank.

2/ A Bank mission (Mr. Atabani) will be in Liberia from November 6 to 11 to discuss the draft report with government officials.

in the process of economic development. However, with the inauguration of the Development Plan with its relatively high investment targets, public finances have come under increasing pressure and this may be expected to increase in future years. The Plan aims at a public sector investment target of US\$415 million over the period 1976-80. Domestic funding resources are estimated at US\$164 million with the remaining US\$251 million to come from external sources. This implies a relatively high dependence on foreign sources and the need for foreign borrowing is estimated to have increased from \$18 million in 1975 to \$45 million in 1976. Liberia contracted a \$30 million Eurodollar loan in November 1976, on relatively hard terms, for budgetary support. Furthermore, an IMF mission is scheduled to visit Liberia in early November to negotiate a possible Standby Arrangement of up to about US\$20 million. Although Liberia is creditworthy for sizeable further external borrowing it would be advisable for the country to limit the growth of its external debt. Debt service as a proportion of exports of goods and services was estimated at only 5.4 percent in 1976; however, as a percentage of budgetary revenues (a more meaningful ratio in the context of Liberia which uses the US dollar) debt service at 17.3 percent in 1975 was relatively high - although this ratio is expected to decline through 1980.

5. To reduce the need for undue reliance on foreign borrowing and/or a reduction in the public sector investment program, a more intensive revenue effort on the part of the government is needed as well as attempts at improving the efficiency of the public sector enterprises so that they may be able to finance a larger part of their own expenditure (both current and capital). There may be opportunities for government to increase revenues from the concession sector and from import duties, property taxes, and income taxes via readjustment of tax privileges and tax rates as well as by increasing the efficiency of tax administration. Improvements in the budgeting of expenditures are also necessary to try to eliminate the practice of "extra-budgetary expenditures".

stress need to increase revenues

Mr. McNamara might refer to government's achievement in publishing its development plan and note that it presents an ambitious public investment program which will require mobilization of substantial foreign and domestic financing resources; whilst the Bank Group stands ready to continue to assist Liberia, a concerted effort by government and the public sector to increase public savings will be required.

Income Distribution and Structural Change

6. The Liberian economy is dominated by the concession sector - iron-ore, mining, forestry and rubber. The mining sector alone contributes about 29 percent (1974) of GDP. There are only limited linkages between the enclaves and the rest of the economy. Annual repatriation by foreigners of profits and savings is equivalent to 25 percent of GDP. Another dimension of the structural imbalance is the disparity between the traditional agriculture and the modern sector, contributing to a skewed income distribution pattern.

What progress in administering traditional sector + what progress

How can FRK help re →

For example, based on rather tenuous statistics, it appears that about 62 percent of national income goes to 5 percent of households while 40 percent of households receive only 11 percent of national income. A key issue in Liberia's future development strategy would be a gradual change in the economic structure: (a) to expand and diversify the productive capacity of the non-enclave sector; (b) to raise income levels in the traditional sector, thereby reducing the inequality of the income distribution; and (c) to expand linkages between the enclave and the rest of the economy and to ensure that a reasonable share of enclave income is retained in Liberia and made available for development of the non-enclave sector. The government's Socio-Economic Development Plan signifies a shift towards a more active promotion by government of the economic development of the country, and demonstrates its determination to diversify the country's productive base, and disperse economic activity more widely throughout Liberia so as to achieve a more equitable distribution of the benefits of economic growth.

7. During the Annual Meeting discussions Bank staff expressed the hope that (a) the Bank Group's lending program can be developed so as to assist government in achieving the Plan's aims and (b) in particular, that it will prove possible to design projects which will ensure Liberia a proper share of the benefits of its natural resources (e.g. forestry, rubber projects) and at the same time achieve income distribution/social objectives (e.g. power, water supply projects) - project details are provided in Section E3 on Prospective Projects). The government endorsed this approach. (Note of Meeting with Liberian Delegation to the Annual Meeting - Section E4).

Mr. McNamara may wish to indicate that the Bank Group supports the development objectives outlined in the Development Plan and that we hope to be able to assist government in carrying these objectives through in terms of specific sector policies and project design.

Planning Assistance Project

8. This project involves the services of a team of four experts attached to the Ministry of Planning and Economic Affairs over a period of about three years. The project has been financed jointly by the Bank (with a technical assistance grant of US\$200,000), UNDP and USAID as well as the government. The Bank served as Executing Agency for the project and provided Mr. Euric Bobb, a staff member, as Project Manager. The project began effectively in September 1974, when the Project Manager assumed duty at the Ministry of Planning and Economic Affairs. Implementation of the project has been quite satisfactory; however, the training component was slightly compromised because the team was engaged by the government, as a matter of priority, in the preparation of a Four-Year Development Plan (FY1976-1980).

9. An extension of the project possibly for another three-year period has been proposed by the government. The main objective would be to train Liberians and to strengthen the country's planning capability. We understand

that the government would like the Bank to continue serving as Executing Agency (even though the Bank would find it difficult to provide any further financial assistance), and the Bank has indicated its agreement in principle to this.

10. UNDP has agreed to provide financing for the extension of the contracts of two members of the planning team for one year, at the end of which a review will take place to examine the need for further extension. The EEC has also agreed to finance the services of a third team member who may also serve as Team Leader. USAID has indicated a willingness to consider providing consultancy service to formulate a training program. We plan to finalize the Project Document with government at the end of October 1977. Minister Phillips wrote to Mr. McNamara in August (to which Mr. McNamara replied) expressing the government's appreciation for the services rendered by Mr. Bobb.

Mr. McNamara may wish to express his pleasure that the project proved satisfactory to government and express the hope that the second phase project will prove successful in completing the training task.

AAC Task Force on Rural Development

11. Liberia was selected as one of the six countries to participate in the UN inter-agency exercise on rural development. The exercise flows from the recommendation of the inter-agency Rural Development Task Force to UN Administrative Committee on Coordination (ACC) and to ECOSOC that the UN System should adopt a "poverty-orientation" in its approaches to rural development and that a pilot program to improve the effectiveness and coordination of UN System assistance in rural development should be launched in a few selected countries. A UN-ACC rural development mission (led by a Bank Staff Member, Mr. Christoffersen) visited Liberia in May this year and progress was made both in defining the rural poverty target group (the income ceiling was set at \$125 per capita) and in planning coordination mechanisms for multisectoral approaches to rural development in Liberia.

12. The Bank Group has been in the forefront in getting rural development ideas translated into practice in Liberia through the Lofa County and Bong County Agricultural Development Projects. The Bank Group will also participate in a technical workshop on rural development, sponsored by government, and scheduled for February/March 1978, as a follow-up to the recent UN/ACC mission.

Bank Group Lending Program

13. To date the Bank Group has made 14 loans (including one Third Window loan) totalling US\$77.5 million, and 4 IDA credits totalling US\$17.0 million, and one technical assistance grant of US\$200,000 for development planning. In addition, an IDA credit of US\$7.0 million (for Bong County Agricultural Development Project) has been approved but not yet signed. IFC has made two equity investments totalling about US\$550,000 in the DFC. The Bank Group assistance has been for roads (37%); power (17%); education (17%); agriculture (14%); LBDI (12%) and ports (3%). (Details of Existing Projects are given in Section E2).

Bank Group Lending

14. The objectives of Bank Group operations are: (a) to assist in expanding and diversifying the production base; (b) to support more equitable income distribution; (c) to help increase absorptive capacity; (d) to encourage greater involvement of Liberians in managing and exploiting their economic resources; and (e) to assist in mobilizing external development resources.

15. The proposed Bank Group lending program to Liberia for FY78-82 is attached to this memorandum. At the Annual Meeting, Minister Phillips raised the possibility of expanding Bank Group assistance to Liberia, especially for agriculture (paragraphs 3 and 4 of the Note on the Meeting with the Liberian Delegation refer).

16. Liberia has a population of 1.6 million and a 1976 GNP per capita of \$450. Bank Group lending to Liberia over the five year period FY73-FY77 totalled \$72.1 million of which \$15.6 million were IDA credits. This represents a rather hard blend of 78/22 Bank/IDA resources. Per capita Bank Group lending amounts to \$9.0 of which IBRD is \$7.0 and IDA \$2.0. According to P & B Tables relating to the period covered by IDA IV, per capitalending to Liberia amounted to \$14.0 per annum, of which \$2.9 were from IDA resources. Bank Group lending to Liberia during the period was the highest in per capita terms for any blend country.

17. For the current fiscal year our lending program shows a total allocation of \$33.0 million (\$27.0 IBRD and \$6.0 IDA) which means per capita lending of \$22.0 (\$18.0 IBRD and \$4.0 IDA). Our proposed five year lending program FY78-82 shows a total Bank Group lending of \$121 million of which \$36 million are from IDA and \$85 million in Bank. If we can successfully carry out our lending program, it would mean a slight softening of the blend to 70/30 by FY82, and indicates a per capita Bank Group lending of \$16.1 per year over the period made up of \$11.3 in Bank funds and \$4.8 in IDA credits. In terms of global comparison this continues to place Liberia among the top 20 percent of all countries with an active lending program.

If this question is raised Mr. McNamara may wish to point out that Liberia already enjoys a high level of Bank Group lending in per capita relative to other countries. However, we do anticipate that a higher proportion of our lending will in future be directed towards the agricultural sector. In the immediate future we plan the proposed rubber project (FY78) and the proposed forestry project (FY79).

Tree Crop Development

18. As a part of the economic diversification strategy, the government is trying to expand tree crops (e.g. coffee, cocoa, oil palm, coconut) through establishment of large-scale plantations with smallholder participation along the patterns which have been developed successfully in the neighboring Ivory Coast. The Bank Group is currently assisting in the expansion of smallholder coffee and cocoa through the integrated rural development projects in Lofa and

Bong County (see "Existing Projects"). The government is particularly keen to develop palm oil production. However, any large-scale expansion of production is likely to be resisted by other producing countries as these crops are grown essentially for export market. For instance, the development of export-oriented oil palm is likely to provoke resistance from the U.S. Recently during the Annual Meetings the Liberian delegation reiterated the importance the government attached to its tree crop programs and in particular palm oil, and requested the Bank Group's assistance. (See "Note on Annual Meeting Discussion"). A Bank Group staff member was recently in Liberia to review the country's potential for oil palm development; in the light of the mission's recommendation the Bank Group will need to consider whether it can go forward to assist in developing an oil palm project.

Mano River Union: Hydro-Power and Highways Projects.

19. The Mano River Union, named after an international river between Liberia and Sierra Leone, was established in 1974 as a bilateral institution for joint economic, social and cultural cooperation between the two countries. The Union aims at developing itself into a full-fledged customs union between the two countries and some progress has already been made in liberalizing trade. The Union has also adopted a series of resolutions calling for bilateral cooperations in such fields as training, research, agriculture, transportation, power and industry and a number of union projects in these fields are currently being prepared. The organs of the Union are the Union Ministerial Council consisting of various Ministers of the two governments and the Union Secretariat. The Bank's Third Education Project for Liberia is financing inter-ali training of forest rangers for both Liberia and Sierra Leone under the auspices of the Mano River Union. Similarly, the involvement of the Union is envisaged for training of forestry industry workers of the two countries under the proposed forestry project for Liberia. The Bank is also assisting the Union in reviewing the pre-feasibility studies for the Mano River Hydro-power Project, and for the Freetown to Monrovia Road.

If asked about the Bank Group's possible interest in financing either of these projects Mr. McNamara may wish to say that whilst the Bank is in principle interested in supporting regional projects, we would need (a) to establish the feasibility of the projects and (b) consider the relative priority of these projects against other possible projects for Bank Group financing in Sierra Leone and Liberia before adopting a position on possible Bank Group financing.

Wolosigi Iron Ore Project

20. For some time government has been trying to interest overseas private investors and the Bank in possible financial participation in the Wologisi iron ore project. The project comprises a mine at Wologisi, a 140 mile slurry pipeline to the coast, a pelletizing plant, marine terminal and associated power and other infrastructure estimated to cost about US\$1.4 billion in 1976 prices.

21. We have pointed out to government that the project appears to be a high cost operation (the iron ore content of the deposit is low) and that the preliminary financial analysis undertaken by Bechtel shows an unacceptably low financial rate of return. We have further explained that before the Bank can indicate any serious interest in financial participation, we would need to have evidence that the project appeared economically and financially viable. Our understanding is that further technical work is being undertaken by the potential private investors (AMAX and a group of Japanese investors) and by the government to see whether the project might be re-shaped to improve its viability. Because of our present doubts about the viability of the project in its present form, no loan amount has been included in our future lending program to Liberia.

22. There are no major issues on Existing Projects or Prospective Operations (Section E).

LIBERIA

LENDING PROGRAM FY78-82

		<u>US\$ million</u>	
		<u>Bank</u>	<u>IDA</u>
FY78	Rubber	7.0	6.0
	Highway IV	10.0	
	Power IV	10.0	
FY79	Water Supply		8.0
	Feeder Road	10.0	
	Forestry		6.0
FY80	DFC	8.0	
	Agricultural Development	10.0	
FY81	Education	5.0	6.0
	Urban		10.0
	Forestry Industry	10.0	
FY82	Agricultural Development	15.0	

DRAFT BANK ECONOMIC REPORT

SUMMARY AND CONCLUSIONS

i. According to the National Population and Housing census conducted in February 1974, the total population of Liberia at that date was 1,503 million with an average annual growth rate of 3.3 percent. 41 percent of the population is under 15 years of age. The average population density is estimated at 14 persons per km²; the majority of the population is engaged in traditional shifting agriculture. 29 percent of the total population live in urban areas which registered an annual growth rate of 7.9 percent. The population shift towards the cities is evident in every single county irrespective of its individual population growth rate.

ii. Liberia has a dualistic economy where production techniques, production and consumption patterns as well as income distribution differ considerably between the monetary and the traditional sectors as well as between foreign owned concessions and the national economy. The monetary economy generates almost 85 percent of GDP while 60 percent of the total population still live in the traditional economy and produce predominantly for subsistence. In 1974 per capita GDP in the traditional economy was less than \$120 in current prices as against almost \$900 for the monetary economy, while per capita income in the concessions sector was about \$2400. The economy is dominated by the mining sector - mainly iron ore mining - whose contribution to GDP was about 29 percent. At present, the country has an iron ore production capacity of 25 million tons which places it as the eleventh largest producer in the world. However, iron ore mining is a highly capital intensive activity and has little impact on local employment. Agriculture is the second largest productive sector in the economy accounting for one fourth of GDP. Traditional agriculture accounts for about 60 percent of total agricultural output but has minimal infrastructure and little or no access to capital and the modern agricultural inputs. On the other hand modern agriculture is dominated by foreign-owned rubber plantations and logging companies. Rubber is the largest single commodity and provides more than half of the sector's net output. Other commodity producing sectors - mainly manufacturing and energy - are relatively small and contribute about 5 percent of GDP. Because of the dominant role foreign investment plays in the economy, it is estimated that in any single year about one fourth of GDP is repatriated abroad as factor payments, implying that GNP is consistently less than 80 percent of the total value added in the economy.

iii. The pattern of overall economic growth between 1964 and 1974 was mainly a reflection of the growth of iron ore and rubber output. Up to 1970 the economy grew at an annual average real rate of about 6.4 percent. However, between 1970 and 1974 the real rate of growth of the economy declined to about 4.2 percent partly as a reflection of the decline in the rate of growth of iron ore production as full capacity levels were reached and partly due to the stagnation in rubber production. The growth performance of the economy was particularly disappointing in 1975 as GDP registered a decline in real terms of -1.1, mainly in response to a significant decline in iron ore production brought about by the economic recession in Western Europe and

the United States. The weak world demand also adversely affected the production of export oriented commodities such as rubber, forestry products, and diamonds. Preliminary estimates for 1976 indicate that economic performance might marginally improve and the economy may achieve a growth rate of about 2.5 percent in spite of the continued decline in iron ore production. Prospects for 1977 may not be much better than for 1976 in view of the uncertain world market demand for iron ore.

iv. Throughout the past decade, public sector finances in Liberia did not come under serious pressure mainly because of the passive role assigned to the public sector in the process of economic development of the country. With the inauguration of the first Socio-Economic Development Plan 1976-1980, the role of the public sector has dramatically changed and is expected to spearhead the country's economic development effort. However, with the relatively high investment targets, public sector finances came under some pressure during the first year of the Plan's implementation. Although the growth of Central Government current expenditure has been kept around the average for 1970-75 and public revenues have improved to some extent, the ambitious investment program and the growing financing requirements of the public corporations have added significantly to total expenditures. As a result the need for foreign borrowing is estimated to have increased from US\$18 million in 1975 to US\$45 million in 1976. The pressure on public finances is likely to increase in 1977 leading to higher levels of foreign borrowing.

v. To reduce the need for undue reliance on foreign borrowing and/or a reduction in the public investment program, a more intensive revenue effort on the part of the Government is needed as well as attempts to improve the efficiency of public sector corporations so that they may be able to finance a larger proportion of their own expenditures. Improvements in budgeting of expenditures are also necessary.

vi. Balance of payments estimates for Liberia are particularly difficult to make in view of the open nature of the economy, the use of the US dollar as the predominant medium of exchange, and the incomplete data on some service and capital transactions. Available information on the external balances of the economy need to be interpreted with great caution. However, it is clear that the Liberian economy is "export oriented" and is dominated by the large volume of foreign trade. The country's external accounts are characterized by a relatively large surplus on trade balance, but due to substantial factor payments abroad, Liberia has traditionally had a deficit on the current account. Recently, the surplus on the trade accounts has been declining while the deficit on the current account has been increasing. This is mainly a reflection of the sharp increase in oil and other import prices and the effect of the world recession on Liberia's exports - particularly iron ore and rubber. However, the Liberian authorities expect a significant reduction in the current account deficit for 1976 and the following years. This might be too optimistic an expectation in view of the uncertainties of the market prospects in Western Europe and the United States particularly for iron ore, on the one hand and the import requirements for the substantial investment program on the other.

vii. Liberia's external outstanding and disbursed public debt was estimated at US\$170 million at the end of December 1975. The debt service as a proportion of exports of goods and services was estimated at 5.4 percent in 1975 and 5.3 percent in 1976. However, as a percentage of budgetary revenues (a more meaningful ratio in the context of Liberia which uses the U.S. dollar) debt service was 21.1 and 17.3 percent for 1974 and 1975 respectively. Although relatively high, these ratios are expected to decline until 1980. Given continued satisfactory economic performance Liberia remains creditworthy for sizeable external borrowing; however, in order to minimize its future external debt liability, Liberia should intensify its public sector savings efforts so as to contribute from domestic resources as large a share as possible of its rapidly expanding public investment program. In view also of the structural weaknesses of the economy and the relatively low per capita income, conventional borrowing should be blended with concessionary funds. In recognition of this, a number of aid donors have in the past provided substantial assistance in grant form averaging around US\$14.0 million per year between 1972-75.

viii. Medium-term prospects for the Liberian economy have to be viewed in the context of the country's first Socio-Economic Development Plan 1976-1980. The Plan, whose main objective is to achieve higher standards of living for all Liberians, is the most important economic policy document produced by the Government so far. The Plan, more than anything else, signifies the concern of the Government for the economic development of the country and the leading role it wishes to assign to the public sector in widening the productive base of the economy. The plan anticipates a 6.8 percent annual real rate of growth in GDP between 1976-1980. Development expenditure by the public sector over the next four years is expected to reach US\$415 million of which US\$251 million is projected to come from foreign sources and US\$164 million from domestic resources. The majority of planned investments are allocated to long gestation projects - mostly in infrastructure and agriculture. The Plan's growth targets are more closely linked to the developments in the iron ore sector rather than to the planned investment activities. The projected 6.8 percent growth rate assumes that (a) iron ore production will be sustained at existing maximum capacity and (b) that investments in new mines, particularly Wologisi, will start in 1977 with Bie mountain following close behind. However, soon after the publication of the Plan it became apparent that neither assumption will hold true during the Plan period. In view of the existence of excess capacity in the iron ore industry resulting from the decline in world demand and the uncertain path of economic recovery in industrialized countries coupled with the delays in the decision to go ahead with the Wologisi mine, it seems more appropriate to project a real rate of growth of GDP of between 3.5 to 4.0 percent per annum up to 1980.

ix. These recent developments have necessitated a substantial revision of the Plan which is currently being undertaken. It is hoped that the Plan revision will concentrate more on domestic resource mobilization rather than a reduction of investment targets. Although financial, technical and manpower aspects may constrain plan implementation, more serious bottlenecks may arise from the lack of adequate micro-economic work - particularly sector and

project analysis, project identification and preparation. Almost half of the projects in the Plan are ongoing and may be completed by the end of 1978. If the remainder of the projects are not fully identified and prepared by that date, projected investment may substantially decline with resulting serious shortfalls in development objectives. The ongoing plan revision can fruitfully address this problem and recommend the creation of appropriate bodies that will ensure that project identification and preparation is an ongoing exercise.

x. The Plan accords a high priority to the agricultural sector and views agricultural development as the vehicle for diversification of the economy, broadening its productive base and leading to a more even distribution of income between classes and geographical regions. However, a reorientation of agricultural policies is needed before the sector can contribute to the future growth of the economy. Past agricultural development efforts in Liberia were characterized by a succession of ad hoc projects and crash programs (e.g., programs for upland rice production, swamp rice production, special projects, etc.) derived mostly from the urgent desire of the Government to achieve faster progress in rural areas. The limited success of these programs is mainly due to inadequate planning without farmer involvement on the one hand and the lack of support services on the other. Future development efforts in the agricultural sector should take these lessons into account and lay appropriate emphasis on the strengthening of the agricultural support services. Thus agricultural development in Liberia requires a consolidation phase where emphasis would be on institution building with long-term objectives and policies focusing on the farmer as the center of the decision making.

xi. The mining industry is the single most important sector in Liberian economy as evidenced by its contribution to GDP (23 percent), export earnings (67 percent) and government revenues (20 percent), though its contribution to employment is relatively unimportant. Despite the quantitative importance of the mining sector in the Liberian economy, the significance of this sector to the development of the rest of the economy has been relatively small because of the enclave character of the activity and the limited linkages with the rest of the economy.

xii. The growth of iron ore mining in Liberia in the post war period has been spectacular as annual shipments rose from 3 million tons in the early 1960s to a capacity peak of 25.4 million tons in 1973/74. Since then, shipments have declined to 21 million tons in 1976 in response to the slump experienced in the iron ore markets as a result of the downturn in the world economy during 1975/76. However, sales revenues have continued to grow because of price increases. Prospects for increased production and exports of iron ore are encouraging particularly in view of the recovery of the economies of the industrialized countries and the demand for iron and steel products. It is likely that exports of iron ore may increase by about 3 percent per year between 1976 and 1980 while prices may increase by about 5 percent per annum during the same period. By 1980 Liberia's exports of iron ore may reach close to 24 million tons a year.

xiii. Liberia could be well placed to maintain or improve its share of the international iron ore market in the 1980s, if decisions are taken soon to bring one or more of the Wologisi, Bie mountain and Putu deposits into production. Liberia's annual output could be increased from 21 million tons in 1976 to 32 million tons in 1984 provided the decision to implement the three new projects is taken by the end of 1977.

xiv. Given the size and importance of the iron ore industry, the Liberian Government has been seriously considering different policy options towards the mining sector. The available alternative policies range from maintaining the status quo to the introduction of a mining code and/or creating a separate state mining enterprise. Without in any way attempting to minimize the difficulties of establishing a state mining enterprise, such an enterprise is one of the policy options which could be considered by the Government. The Bie Mountain deposit is a possible project for the State's enterprise first mining venture. This proposal is based on the premise that through direct participation in exploiting its own resources, Liberia can fully take advantage of the "spin off" in technology, management, sales and marketing that is available in operating a mining company. In the meantime, the Concession Secretariate - the arm of the Liberian Government that controls the mining industry - should be strengthened through the direct recruitment of appropriate staff.

xv. The development of the transport infrastructure in Liberia followed the activities of the enclave economy. At present the transport system is barely adequate to support non mining activities and will require major investments for extension and modernization, particularly in view of the Government's objective of creating a more diversified, agricultural based economy. To this end the development Plan lays adequate emphasis on the extension and improvement of the present transport network. The Plan allocates 42 percent (about \$153 million) for investment in the transport sector. This is seen as an attempt to redress the imbalance that resulted from years of neglect of investment in the transport sector. Other than the inadequacy of the transport system, the major problem in the sector is the lack of satisfactory planning, coordination of different modes of transport and management. With the Government's increased emphasis on expanding the transport infrastructure to support and serve a more diversified economy, integrated transport planning and policy formulation has become indispensable. A reorganization of the present structure is therefore essential for achieving the Government's sectoral policy objective.

xvi. Perhaps one of the most important shortcomings of the Development Plan is the lack of appropriate analysis of manpower issues. The lack of adequately trained manpower, at all levels, is perhaps the single most important constraint to the economic development and diversification of the Liberian economy. Given the lead time necessary to produce the appropriate cadres in the required numbers and in the important sectors, it is likely that manpower will continue to constrain economic development for some time to come. Similarly the treatment of employment issues is fragmentary. Unlike the shortcomings in these areas, the problems of the educational system are treated in depth in the Plan, although the consequences of the educational

deficiencies on the growth of the economy and Plan implementation are not given sufficient weight. More emphasis would have to be placed on the need for an increased share of the Government's expenditures to be devoted to coping with problems of education and training. The need for manpower planning at the national level, its integration into the planning process in each sector and the generation of the necessary data base, are issues that the Government is taking seriously and which could have been treated more conspicuously throughout the Plan.

xvii. In spite of its shortcomings, the Plan demonstrates the determination of the government to play a more active role in the development of the country's resources for the benefit of Liberians. The Plan's objectives to broaden the country's productive base, disperse economic activity more widely throughout Liberia and to achieve an equitable distribution of the benefits of growth seem an appropriate strategy to meet the country's development needs. The emphasis on the agricultural sector should provide the opportunity to develop the country's renewable natural resources, e.g., rubber and forestry, and, through increased support to the small farmer, at the same time help government achieve its income distribution objectives. The need to develop the country's productive potential indicates that the large investment planned in the transport sector should be critically examined to ensure that it is properly directed towards creating the infrastructure for a more diversified and agriculturally based economy.

xviii. The Plan envisages an ambitious public investment program which will require skillful financial management on the part of government. Whilst Liberia is clearly creditworthy for continued sizeable external borrowing, the government would be advised to limit its debt servicing liability through a more concerted effort to raise revenues from domestic resources. This will require a close review of existing tax concessions and privileges as well as an examination of the scope for introducing new taxes and for improving tax collections.

COUNTRY DATA - LIBERIA

GROSS NATIONAL PRODUCT IN 1975

	GROSS NATIONAL PRODUCT IN 1975		ANNUAL RATE OF GROWTH (% constant 1971 prices)		
	US\$ Mln.	%	1967 -70	1970 -74	1975
GNP at Market Prices	662.8	100.0	7.0	6.3	-4.3
Gross Domestic Investment	192.0	29.0	0.2	2.5	27.9
Gross National Saving	97.0	14.6	21.5	17.2	-52.4
Current Account Balance	-95.0	14.4			
Exports of Goods, NFS	403.7	60.9	9.7	2.2	-30.5
Imports of Goods, NFS	354.9	53.5	3.6	-2.6	3.5

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1975

	Value Added		Labor Force ^{1/}		V. A. Per Worker	
	US\$ Mln.	%	Mln.	%	US\$	%
Agriculture	196.6	25.0	0.470	79.0	418.3	31.6
Industry ^{2/}	349.1	44.3	0.018	3.0	19,394.4	1,465.2
Services	241.7	30.7	0.023	4.9	3,098.7	234.1
Unallocated	.	.	0.078	13.1	.	.
Total/Average	787.4	100.0	0.595	100.0	1,323.4	100.0

GOVERNMENT FINANCE

	General Government			Central Government		
	(Mln.)	% of GDP		(US\$ Mln.)	% of GDP	
	197	197	196-7	1975	1975	1970-74
Current Receipts	125.3	15.9	17.4
Current Expenditure	78.1	9.9	12.1
Current Surplus	47.2	6.0	5.3
Capital Expenditures	29.5	3.7	2.9
External Assistance (net)	12.5	1.6	1.0

MONEY, CREDIT and PRICES

	1972	-1973	1974	1975
	(Million \$ outstanding end period)			
Money and Quasi Money	.	.	.	.
Bank credit to Public Sector	17.5	9.1	4.8	4.0
Bank Credit to Private Sector	47.4	54.2	71.8	76.8

(Percentages or Index Numbers)

Money and Quasi Money as % of GDP	.	.	.	.
General Price Index (1963 = 100) ^{3/}	131.0	156.0	187.0	212.5
Annual percentage changes in:				
General Price Index	3.9	19.5	19.5	13.5
Bank credit to Public Sector	..	-48.0	-47.3	-16.7
Bank credit to Private Sector	..	14.3	32.5	7.0

NOTE: All conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

Total labor force; unemployed are allocated to sector of their normal occupation. "Unallocated" consists mainly of unemployed workers seeking their first job.

^{2/} Over 80% is accounted for by iron ore

^{3/} Consumer Price Index (Sept. Nov. 1964 = 100) .. not available
.. not applicable

COUNTRY DATA - LIBERIA

BALANCE OF PAYMENTS

	1973	1974	1975
	(Millions US \$)		
Exports of Goods, NFS	329.9	407.2	403.7
Imports of Goods, NFS	-226.7	-316.1	-354.9
Resource Gap (deficit = -)	103.2	91.1	48.8
Interest Payments (net)	-4.7	-4.3	-4.9
Workers' Remittances	-20.0	-22.0	-24.5
Other Factor Payments (net)	-92.0	-120.0	-145.0
Net Transfers	22.3	24.8	30.6
Balance on Current Account	8.8	-30.4	-95.0
Direct Foreign Investment	49.0	45.0	20.4
Net MLT Borrowing	-4.6	-12.3	1.7
Disbursements	8.2	5.1	18.0
Amortization	-12.8	-17.4	-16.3
Subtotal	44.4	32.7	22.1
Capital Grants	..	..	..
Other Capital (net)	-2.8	-1.0	-0.5
Other items n.e.i	..	..	..
Increase in Reserves (+)	50.4	-1.2	-73.4
Gross Reserves (end year)	.	.	.
Net Reserves (end year)	.	.	.
Fuel and Related Materials			
Imports	14.7	56.4	48.3
of which: Petroleum	11.6	53.2	44.4
Exports	-	-	-
of which: Petroleum	-	-	-

RATE OF EXCHANGE

Through - 1971	Since - 1971
US \$ 1.00 = 1.00	US \$ 1.00 = 1.00
1.00 = US \$	1.00 = US \$

MERCHANDISE EXPORTS (AVERAGE 1973-75)

	US \$ Mln	%
Iron Ore	250.8	67.3
Rubber	51.2	13.7
Diamonds	32.5	8.7
Logs and Lumber	15.7	4.2
Coffee	4.5	1.2
Cocoa	3.5	0.9
All other commodities	14.4	4.0
Total	372.8	100.0

EXTERNAL DEBT, DECEMBER 31, 1975

	US \$ Mln
Public Debt, incl. guaranteed	170.0
Non-Guaranteed Private Debt	..
Total outstanding & Disbursed	170.0

DEBT SERVICE RATIO for 1975^{1/}

	%
Public Debt, incl. guaranteed	5.4
Non-Guaranteed Private Debt	..
Total outstanding & Disbursed	5.4

IBRD/IDA LENDING, (December 31, 1976) (Million US \$):

	IBRD	IDA
Outstanding & Disbursed	28.8	6.5
Undisbursed	37.6	10.5
Outstanding incl. Undisbursed	66.4	17.0

^{1/} Ratio of Debt Service to Exports of Goods and Non-Factor Services.

.. not available

. not applicable

March 4, 1977.

LIBERIAEXISTING OPERATIONS

First Education Project (US\$7.2 Million Credit of May 17, 1972; Closing Date: March 1, 1978): The credit financed mainly construction of two high schools, College of Agriculture and Forestry, extension of teacher training institute, and technical assistance for manpower and education planning. Implementation is proceeding satisfactorily. All construction contracts have been awarded and all project facilities should be in operation by February 1978.

Second Education Project (US\$4.0 Million Third Window Loan of June 7, 1976; Closing Date: October 31, 1980): The loan is financing mainly construction of about 100 community schools; expansion of rural teacher training institute; and technical assistance and fellowships. The construction of the community schools has begun but has been delayed due to extended rainy season and shortage of cement. Progress is being made in recruitment of technical assistance personnel and candidates for fellowships.

Third Education Project (US\$6.3 Million Loan of May 26, 1977; Closing Date: December 31, 1981): The project consists of: construction of a vocational training center, a forest ranger training school and the science and technology centers; and related technical assistance and fellowships. The loan became effective on July 13, 1977 and project implementation has just begun.

Agricultural Development and Technical Assistance Project (US\$1.2 Million Credit of May 17, 1972; Closing Date: December 31, 1977): The credit financed feasibility studies of three agricultural projects and the reorganization of the Ministry of Agriculture; a pilot rubber scheme; and improvements to central rice research program. In spite of an initial delay due to financial and managerial problems, all project objectives have been achieved except that the acreage covered under the pilot rubber scheme would be about 35% below appraisal estimates. The pilot rubber scheme will, however, be incorporated into a proposed rubber development project which has been appraised. (see "Prospective Operations").

Lofa County Agricultural Development Project (US\$6.0 Million Credit of August 1, 1975; Closing Date: December 31, 1981): The credit is financing an integrated agricultural development in Lofa County designed to assist about 8,000 subsistence farmers to increase income through development of upland rice, swamp rice, coffee and cocoa and to strengthen agricultural support services and infrastructural facilities. While the difficulty in recruiting key project staff had caused an initial delay in project implementation, the problem has been overcome and the project is in its first year of implementation. Progress to date has been very encouraging.

The project has received necessary cooperation and support from the Government agencies and there has been a positive response from the project farmers.

Bong County Agricultural Development Project (US\$7.0 Million Credit; Approved: April 19, 1977): The project is designed to increase income of about 9,000 subsistence farmers in Bong County through provision of farm support services and infrastructural improvements similar to those of Lofa Project. Originally the Project Manager and Financial Controller positions were to be filled prior to Board presentation. Subsequent to Board approval of the credit, the Government withdrew the appointment of the Project Manager and the Financial Controller decided not to join the project. A new Project Manager candidate has now been selected and a Financial Controller candidate identified. The credit has not yet been signed pending finalization of their appointments.

Second Highway Project (US\$3.0 Million Loan and US\$2.6 Million Credit of June 12, 1973; Closing Date: December 31, 1977): The project financed three main components: (a) the design and reconstruction of the Monrovia By-Pass: This is now substantially completed; (b) feasibility studies for the improvement of three roads in the vicinity of Monrovia: all are now completed; on two of the roads which are important links in the main highway network, strengthening and rehabilitation has been demonstrated as amply justified; final design was completed in June 1977; additional engineering tests will be completed by November 1977; and (c) technical assistance in the Government's four-year maintenance program: this is already showing benefits in improved running surfaces on earth and gravel roads and plans are now being made to consolidate the gains and develop them still further by closer attention to the organization and planning of road maintenance.

Third Highway Project (US\$27.5 Million Loan of August 28, 1975; Closing Date: December 31, 1979): The project financed four elements; (a) the design and construction of a major bridge and of an urban main road (5.4 mi.) in Monrovia and of a main road (83 mile from Totota to Ganta): construction has started on all three and is proceeding somewhat hampered by an unusually protracted rainy season in 1976; (b) consultant services for feasibility studies of rural main roads and for an urban transport study in Monrovia: Consultants were selected and studies are underway; (c) establishing a feeder road construction unit: equipment was delivered in January 1977; technical advisors provided by the U.K. are in post; and the unit is operational and has made a good start; and (d) technical assistance in building up the planning department of the Ministry of Public Works: a Transport Planner is in post.

Third Power Project (US\$1.8 Million Loan of August 1, 1975; Closing Date: June 30, 1979): The project finances technical assistance for establishing a long-range development plan and detailed investment program as well as for strengthening the management of the Liberia Electricity Corporation (LEC) and training its staff. The planning part of the project is proceeding satisfactorily. The eight expatriate individuals recruited about two years ago for the senior management positions have

either left or are about to leave Liberia. LEC is in the process of finding a management assistance team, preferably from a utility to manage LEC and train local staff for assuming management role as soon as possible. The financial performance has deteriorated. Measures to improve management and finances are under discussions with the Government in connection with the proposed fourth power project. (See "Prospective Operations").

Second DFC Project (US\$4.0 Million Loan of December 3, 1974; Closing Date: June 30, 1979): The loan helped Liberia Bank for Development and Investment (LBDI) meet its financial requirements through 1976. LBDI's loan approval during 1976 amounted to US\$4.3 million as compared to US\$3.1 million in 1975 and surpassed projections. Disbursement of Bank funds has been faster than projected. The loan is fully committed and 80 percent disbursed as of September 30, 1977.

Third DFC Project (US\$7.0 Million Loan of October 7, 1976; Closing Date: December 31, 1981): The loan, together with recently secured loan from the African Development Bank, is expected to cover LBDI's foreign resource gap for the period 1977 to 1979.

LIBERIAProspective OperationsFourth Power Project (US\$10 Million Loan, FY78)

The main project components are : (a) a 28 MW diesel electric extension of the existing power station on Bushrod Island (about 8 Km north of Monrovia) to help meet projected increase in demand of the Monrovia system to 1985; (b) management assistance and staff training for Liberia Electricity Corporation (LEC); (c) extension of electricity to about 5,000 low-income households in Monrovia; (d) feasibility and engineering studies on possible transmission lines from Monrovia system to Gbarnga and surrounding rural areas. The total project cost is estimated at US\$31.6 million including foreign costs of US\$29.6 million. The project is proposed to be co-financed with BADEA, Kuwait Fund and EIB. The project was appraised in May 1977 and Board presentation is scheduled for February 1978.

An important aspect of the project would be to strengthen the management and financial viability of LEC which, in spite of three previous projects, remain unsatisfactory; specific measures to achieve these objectives have already been discussed with the government and LEC. For example, conditions for negotiating the proposed Bank loan (tentatively scheduled for December) would include (a) signing a contract with a foreign public utility to provide a management team to support LEC, and (b) a tariff increase and infusion of government equity into LEC to ensure its financial viability and an acceptable financial rate of return. LEC is already discussing with the Irish Electricity Authority and the U.K. Central Electricity Generating Board the possibility of management assistance. On tariffs we had recommended to government an increase in non-mine tariffs with effect July 1, 1977, to raise revenues by 23 percent. government has delayed implementing any tariff increase but indicated during the Annual Meeting discussions in Washington that in effect it would be prepared to increase tariffs (including mines) by December. This should result in increased revenues sufficient to achieve a 9 percent financial rate of return in 1978. Because of the delay in implementing the tariff increase this year government will also need to put additional equity into LEC (over and above the US\$4 million already agreed) to ensure a reasonable cash position for LEC during 1977. We understand that government is willing to take the necessary action before negotiations.

Rubber Development Project (US\$7 Million Loan and US\$6 Million Credit, FY78)

Extension service and credit would be provided to about 6,300 small and medium-size farms to replant about 40,000 acres and rehabilitate 23,000 acres of rubber over a five-year development period. The project would also assist the long-term development of Liberian-owned rubber industry through provision of the necessary institutional support (i.e. establishment of Rubber Development Unit). The project is designed to increase the productivity of Liberian-owned rubber farms (at present rubber production is dominated by

Firestone who effectively sets the producer price), and at the same time ensures that project benefits accrue largely to small-holder rubber farmers. To ensure these objectives, we have proposed to government the following special features in the project:

- (i) The eligibility for project credit would be limited to persons owning less than 100 acres of rubber land;
- (ii) The project credit would be limited to a maximum of 30 acres per farmer; and
- (iii) In allocating project credit, priority would be given to resident owner-operator farms so as to ensure that the majority of project credit is given to such farmers.

In addition, we have proposed that within two years of loan/credit signing the Government complete a rubber pricing policy study (which would involve examining accounts of Firestone) and agree with the Bank Group on a formula for fixing producer price and the arrangements for annual review. The total project cost is estimated at US\$29.6 million including foreign cost of US\$13 million. The U.K. Ministry of Overseas Development and Commonwealth Development have expressed interest in co-financing the project. The project was appraised in May 1977 and the Board presentation is scheduled for April 1978. There are no major outstanding issues.

Fourth Highway Project (US\$10 Million Loan, FY78)

The project consists of (a) reconstruction of the Paynesville-Totota road (a 71-mile section of the only primary road linking Monrovia to the interior of the country); (b) reconstruction of the Paynesville-Robertsfield road (a 28-mile link between Monrovia and the international airport); and (c) extension of technical assistance to road maintenance and Planning Division in the Ministry of Public Works. The total project cost is about US\$20 million including a foreign cost component of about US\$15 million. Following project appraisal in July 1977 we suggested to Government that the Paynesville-Robertsfield road be dropped from the project. This was because of the limited amount available in the lending program and the lower development priority to be accorded to this road compared with others. However, Government have requested that the Paynesville-Robertsfield road be reinstated into the project; since the road has an acceptable economic rate of return (about 20 percent) we have agreed in principle to this provided parallel financing can be obtained in time. Japanese or German bilateral aid have been tentatively suggested to Government as possible co-financing agencies. Board presentation is scheduled for April 1978. There are no major outstanding issues.

Integrated Forestry Development Project (US\$6 Million Credit, FY79)

The project consists of (a) strengthening the capacity of the government's forest service agency, the Forestry Development Authority (FDA); (b) establishment of a 5,000 ha plantation of fast-growing pine species as a

first phase of a long-term industrial plantation, ultimately for a possible pulp industry in Liberia; (c) establishment of logging and sawmill units as a commercial-cum-training scheme, and (d) technical assistance. Exploitation of Liberia's forestry resources is mainly carried out by private foreign companies under concession agreements. The project is viewed as a first step to enable government to become more involved in the development and exploitation of one of the country's most important natural resources. The project should also assist government in gaining greater revenues from the sector and in developing a more rational forestry management program. The total project cost is approximately US\$25 million which includes foreign cost of about US\$12.5 million. German bi-lateral aid and the African Development Bank have expressed interest in possible co-financing. The project is currently being appraised and the Board presentation is scheduled for June 1978. No major issues have so far been encountered.

Monrovia Water Supply Project (US\$8 Million Credit, FY79)

The main components of the project are: (a) construction of raw water pipeline from Mount Coffee reservoir to treatment works; (b) rehabilitation and expansion of treatment works; (c) extension of transmission mains; (d) extension of water supply to low income areas by installing public stand-pipes; and (e) related studies and technical assistance. The total project cost is estimated at about US\$12 million including foreign cost of about US\$8 million. The African Development Bank has expressed interest in financial participation. The project is being appraised (October 1977) and Board presentation is scheduled for June 1978. There do not appear to be any major issues at this stage, although action will have to be taken to strengthen both the management and finances of the Water and Sewerage Corporation.

Feeder Roads Project (US\$10 Million Loan, FY79)

The project is being prepared by the government and tentatively includes: rehabilitation of about 1,000 miles of priority feeder roads; assistance for domestic construction industry; feasibility and engineering studies on further road development; and technical assistance for road and transport planning. The project is scheduled for appraisal in March 1978 with Board presentation in December 1978.

OFFICE MEMORANDUM

TO: Files

FROM: S.H. Choi, Loan Officer, WALDB

SUBJECT: Annual Meeting 1977 - Meeting with Liberia Delegation

DATE: October 12, 1977

1. A meeting was held at the Sheraton Park Hotel on September 27, 1977 between the Liberia delegation to the Annual Meeting and staff of the West Africa Region. The Liberia delegation was led by Mr. James T. Phillips, Jr., and the Bank staff by Mr. Chauffournier. Messrs. Madinga, Alternate Executive Director, and Alpha-Kpetewama, Technical Assistant were also present. A second meeting was held on September 30 to continue discussions on operational matters.

General Discussions

2. Mr. Chauffournier, welcoming the delegation, congratulated Minister Phillips on the successful implementation of the Government's development programs, pointed to the close cooperation between the Bank Group and the Government as reflected in the active Bank Group operations in Liberia, and expressed Bank Group's continuing support to Liberia's efforts to develop a self-sustaining and broadly-based economy.

Bank Group Lending Program

3. Mr. Phillips stated that, while the short-term growth prospects for the economy were reasonably good, Liberia needed increased external capital assistance to help develop its rural and agricultural sector which had potential to supplement, and eventually substitute, income from iron-ore. He hoped that Bank Group lending for the agricultural sector would be expanded, especially to help Liberia develop tree crops which showed the greatest long-term development potential on the basis of the country's ecology. With respect to infrastructure, Mr. Phillips noted that for historical reasons Liberia was far behind other countries in the Region and hoped continued assistance from the Bank Group, especially in the power sector.

4. Mr. Chauffournier mentioned that the overall level of Bank Group lending to Liberia was high and on a per capita basis Liberia ranked among the highest category of borrowers. He indicated that a substantial expansion of the lending program would be difficult to justify, although the Bank Group was aware that at present creditworthiness was not a major problem for Liberia. Mr. Chauffournier added however that, in view of the difficult transition period that lay ahead of Liberia, the Bank might be able to accommodate Government wishes to a certain extent in terms of a somewhat softer blend of Bank Group lending than in the past; but he cautioned that

cc: Messrs. Chauffournier, Gue, Thalwitz, Dyck, Clift, Salazar,
Wadsworth, Grimshaw, Brandreth, Kaden, Raphaeli, Atabani,
Abdi, Ms. Uluatam.

S.H. CHOI:msiw

the limited IDA resources continued to be a major constraint. Mr. Gue added that, while there was no dollar ceiling on Bank Group lending to Liberia, the size of Bank Group program for Liberia would obviously have to be considered relative to other countries in view of the overall resource limitation.

Tree Crop Programs

5. With respect to the question of tree crop development and, in particular, oil palm, Mr. Chaufournier mentioned that there had been resistance from certain member countries to Bank's involvement in export-oriented oil palm development and hoped that the Government appreciated the problem. While this question still remained to be sorted out, the Bank was not necessarily ruling out oil palm projects which were supported by comparative economic advantage and a satisfactory economic rate of return. The Liberia delegation was informed that a Bank tree crop specialist would visit Liberia in mid-October 1977 to discuss the Government's tree crop programs.

Beneficiaries of Bank-financed Projects

6. Mr. Clift said that, in designing projects particularly in the agricultural sector, the Bank would increasingly like to ensure that the benefits of the projects would accrue to Liberians (as opposed to foreign concessionaires) and to lower income groups. Asked whether the approach had the Government's support, Mr. Phillips stated that the Government was also concerned about these problems and would endorse such an approach.

Disbursement

7. Asked whether the Government felt the pace of disbursement of Bank loans and credits was satisfactory, Mrs. Johnson-Sirleaf, Deputy Minister of Finance, indicated that no unusual problem had been encountered. She added, however, that, in implementing a large number of on-going and new projects, the Government was increasingly facing staff and manpower constraints.

Wologisi Iron-Ore Development

8. Mr. Phillips explained that the discussions were still proceeding on the Wologisi iron-ore scheme and the project was being reshaped. It had become clear that the commencement of mining operations would be delayed by another two years from 1982 to 1984. With respect to the Bie Mountain iron-ore project, Mr. Phillips confirmed that no agreement had been reached with foreign investors and it was conceivable to implement the project through a company partly owned by the Government. He would welcome Bank's assistance for this project.

Economic Report

9. It was agreed to hold a meeting in Monrovia early November 1977 to review the draft Bank economic report which had just been dispatched to Government.

Discussions on Bank Group Operations

10. Fourth Power Project - The Bank representatives emphasized the importance of certain actions to be taken by the Government before loan negotiations scheduled for December 19, 1977. These included: contracting an LEC management support team from a public utility, tariff adjustment, additional equity payment, and introduction of fuel adjustment clause. Assurances were given by the delegation that the Government would move as quickly as possible to take these actions and in any event prior to loan negotiations. With respect to tariff adjustment, Mrs. Johnson-Sirleaf indicated that Government intended to introduce 23% increase in tariff which would apply to all consumers (mine as well as non-mine) but the increase would not be retroactive. She added that the Government would provide additional cash payment to LEC to offset any cash shortfalls (resulting from delayed implementation of tariff adjustments and the difference between the tariff increase and the required increase in revenue during the current fiscal year.)

11. Fourth Highway Project - With respect to the Paynesville-Robertsfield road, Mr. Clift explained that the Bank had proposed excluding this road from the project on the grounds of its limited developmental impact and the constraints upon Bank financial resources. The Liberia delegation said that the Government attached a high priority to this road which was the only link between the capital city and the international airport, noting that a high rate of return was estimated for this part of the project, the delegation requested that the Bank reconsider its position. 1/

12. Monrovia Water Supply Project - It was agreed in principle that the project could be co-financed with ADB, who had expressed interest in financing the new water pipe-line from Mount Coffee Dam to the treatment works. Mrs. Johnson-Sirleaf indicated that the Government would welcome

1/ Following an internal review within the Bank, it was agreed with Government that this part of the project should be reinstated and that the Bank Group would assist Government in obtaining co-financing.

the Bank's proposal for including a component in the project which would rationalize and expand water supply to low income groups. She suggested that there should be coordination between this project and the proposed USAID-financed sites-and-services project which was specifically designed for certain low income areas in Monrovia. It was further agreed that the upcoming appraisal mission should review the management assistance requirement of LWSC with a view to including such component in the project. Mrs. Johnson-Sirleaf indicated that such assistance was of a higher priority than the management study currently contemplated by the Bank.

13. Forestry Development Project - Mr. Clift explained that an important objective of Bank's assistance for the Liberia's forestry sector was to encourage a greater participation of Liberians in the exploitation of their own forest resources. In this connection, he inquired about the status of a proposed Swedish pulpwood project in lower Bong County. Mrs. Johnson-Sirleaf indicated that, to the best of her knowledge, no concession agreement had been concluded and promised to provide further information after checking with the Ministry. She also indicated that the Government was conscious of the need to introduce uniformity in forest concession agreements and would envisage FDA (rather than the Concession Secretariat) assuming an increasing role in this regard. She agreed to furnish the upcoming appraisal mission with copies of all existing forest concession agreements.

14. Planning Assistance Project - Mrs. Johnson-Sirleaf stressed that the second phase project should focus on training Liberians in planning skills. It was agreed that Mr. Raphaeli would visit Liberia towards the latter part of October 1977 to help the Government in designing the second phase. Mrs. Johnson-Sirleaf fully understood that the Bank Group would find it difficult to participate financially in the second phase project, although she welcomed the Bank continuing as the Executing Agent.

15. Monrovia Port Dredging Project - Mrs. Johnson-Sirleaf agreed that a small balance remaining in the loan account should be cancelled since the current closing date (March 31, 1977) was long expired without extension.

BANK GROUP MISSIONS CURRENTLY VISITING LIBERIA

<u>Type of Missions</u>	<u>Mission Members</u>	<u>Period</u>
Forestry Project - Appraisal	van de Poll Fishwick Bolduc Choi	October 18 - November 11
Rubber Project - Post-appraisal	Spall	November 5 - 12
Discussions on Economic Report	Atabani	November 7 - 13