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**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



LIBERIA

**COUNTRY DEVELOPMENT
STRATEGY STATEMENT**

FY 82

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COUNTRY DEVELOPMENT STRATEGY STATEMENT: 1982-1986

January 1980

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Republic of Liberia
COUNTY MAP



PART I. ANALYSIS

A. Analytical Description of the Poor^{1/}

1. Overview: Of the estimated 1,800,000 inhabitants of Liberia,^{2/} the poor majority constitute 1,440,000 or 80%.^{3/} This group has a per capita income of less than \$150, a high infant mortality rate (155 per 1,000), a low life expectancy at birth (44 years) and a low literacy rate (15%). The Physical Quality of Life Index (PQLI) for this group on a scale from 0 to 100 amounts to only 25.0 while the national average stands at 30.8. Of the 1,440,000 counted as poor, 67% or 964,800 are rural poor.^{4/} The poorest 20% of Liberia's population receives 6% of the national income while the highest 20% receives 48%.^{5/} Geographically, the poorest, most stagnant and least developed area is the South-eastern portion of the country.^{6/} Other pockets of poverty are the low-income and squatter communities in and around Monrovia, as well as squatter quarters in most up-country towns.

The rural poor eke out a marginal living on small farms supplemented by an occasional unskilled seasonal job, which places them on the fringes of the money economy. Few have adequate sanitation facilities while the source of drinking water is usually polluted surface water or contaminated wells. Schools and clinics are either non-existent or far away and usually of poor quality when they do have access to them.

The urban poor earn more money than their rural counterparts but must pay to live in an "expensive" urban environment. They are employed in unskilled or semi-skilled jobs. Almost 40% of them have no regular employment at all.^{7/} Those who are unable to find work exist on handouts from relatives and fellow tribesmen with whom they usually live in close proximity. Their physical environment is one of filth and squalor with lack of sanitation, inadequate water supplies, unpaved, crowded pathways filled with refuse.

^{1/} See notes at the end of the report describing data sources.

2. The Subsistence Farmer: It is estimated that about 66% of all Liberians live in a traditional tribal setting;^{8/} current population estimates put this number at 1,188,000. This group contains the subsistence farming population. These people are formed into 16 ethnic groupings, each having their own language/dialect and to a lesser extent socio-cultural distinctions. The largest ethnic group is the Kpelle which inhabit central and north central Liberia. The second largest ethnic grouping are the Bassa who inhabit the south central/coastal area.

All but two tribes are predominantly agricultural: the Mandingo are traders and to an extent proselytizers of Islam, while the coastal Kru are seamen and fishermen. The concern with and dependence on agriculture varies. Kwa-speaking people rely more on hunting, fishing and gathering forest products while the other groups have traditionally been rice farmers.^{9/}

Faced with difficult physical and climatic conditions, poor soils and inadequate infrastructure, the subsistence farmer relies upon a bush fallow system of shifting agriculture. This system, while capable of maintaining a farm family for most of the year, results in extremely low per capita annual returns per acre.^{10/} Because of the limited resources, technology and infrastructure at his disposal the subsistence farmer is kept largely outside of the monetary sector except for an occasional job and a small cash crop which enable him to pay his taxes and provide for things he cannot grow or produce himself. Per capita annual income for the subsistence farmer ranges from \$100 to \$160 a year.

According to the 1974 census, 80% of the rural population live in villages inhabited by 200 or less persons. There are 1,002 localities with less than 100 inhabitants. Obviously, the great majority of the small villages have

to do without schools, clinics, safe water, proper sanitation and are often connected to the outside world only by footpaths, all factors which tend to keep the subsistence farmer in ignorance and isolation.

3. The Coastal Inhabitants

a. Settler Communities. A 30-miles wide strip of coastland, characterized by heavy seasonal rains (up to 200 inches per annum), poor soils, and virtually impossible land communication, was the area colonized and settled by a combination of free North American blacks and recaptured Africans rescued from slaving vessels in West African waters. Between 1822 and 1867 almost 19,000 "free persons of color" landed on the Liberian coastline. They found agriculture along the inhospitable Liberian coastline difficult. Torrential rains washed away most of their crops, while pests ate much of what remained. The rapidly leaching soils lead to serious drops in productivity on settler farmer land.

Even today these small settler communities are cut off from the rest of Liberia by either a lack of roads or by poor quality trails and roads, and are dying a slow death. Since they have low productivity, the people live on occasional government largesse and on remittances from relatives elsewhere. Part of the year they may go hungry as food supplies from Monrovia and upcountry fail to reach them because roads and bridges have washed out.

b. Fishing Communities. Coastal fishing villages are largely inhabited by two distinct ethnic groups: the Liberian native Kru and the Fantis, who are of Ghanaian origin.

Kru men have traditionally found their calling in the sea, either as fishermen or as ship crews. However, traditional fishing is a marginal existence and constitutes hard physical labor. It is therefore not surprising

that the outmigration rate from Kru Coast is the second highest of all administrative units in Liberia. Forty-two percent of those claiming to have been born in Kru Coast now live elsewhere in Liberia.

c. The Urban Poor.^{11/} Most of the country's urban poor are concentrated in Monrovia. It is estimated that close to 11,400 persons migrate to Monrovia every year. The bulk of these are Liberians, although between 10-15% of this number come from neighboring countries, principally Guinea and Sierra Leone. 90% are uneducated, unskilled and either illiterate or semi-literate. The majority of urban poor have migrated to the cities for a variety of reasons. Although economics figures prominently in this migration, a recent survey, conducted by the Demographic Unit of the University of Liberia, shows that 59% migrate for social reasons, e.g. schooling, "bright lights" and to join relatives.

Monrovia's poor constitute close to 65% of the city's total population, or 180,000 persons. Median family income for 1979 as determined by the Ministry of Planning and Economic Affairs was \$320 annual per capita. However, in low income areas and slums, the per capita income is \$100 or more below the median. Unemployment among Monrovia's poor majority is estimated to be near 40% of the potential labor force as compared with 21% nationally.

The housing of the urban poor compares unfavorably with the rest of the urban dwellers: 64% have corrugated zinc walls in their houses; 82% of the houses have zinc roofs; 76% have no inside water; 82% have no inside kitchen or bath, while almost 90% have no inside toilet facilities.

Although their per capita income is well above that of those living in the rural areas, they must buy all their food and pay rent and transportation costs, resulting sometimes in an even lower quality of life than exists in rural areas. While essential social services, such as schools and health facilities, are available in the urban areas, the low income of the people makes it difficult for them to utilize these facilities.

B. Causes of Poverty and Constraints on Improvement of the Wellbeing of the Poor

1. Physical Causes Contributing to Rural Poverty

The physical characteristic which features most prominently on the Liberian landscape is its undulation; its ridges and valleys with gradients up to 37° make the land difficult to farm. Soils tend to become more fertile as one moves into the interior and rainfall become less. At least 90% of the land will support some sort of food crop (rice, cassava, greens) as well as plantation crops (rubber, oil palm, coffee, and cocoa). However, a high degree of leaching has left Liberian soils strongly acidic and deficient in plant nutrients, while in certain areas iron toxicity adds to soil problems. Erosion is not yet a serious problem although some of it is occurring on sloping land which has been deprived of tree cover. Erosion could become serious if population pressure on land resulted in clearing more and more farmland and more intensive use were made of that which has been cleared, or by uncontrolled tree felling by the timber concessions.

Slightly over 40% of the country is devoted to cultivation of traditional crops but because of the fallow rotation system only about 5% of this land, or 2% of the total land area, is planted with such crops at any one time. The amount of land under cultivation per farm family varies little from one part of the country to another and averages less than 3.5 acres. Under the present system of shifting cultivation, which requires an area to lie fallow for eight years, the average family of six needs between 30 and 40 acres for its exclusive use for subsistence. In areas around Monrovia, along the main North-South Highway and in certain areas of Bong and Lofa Counties, increased population density has reduced the average fallow time below that needed to restore fertility to the soil resulting in a reduction of the average yield.^{12/}

Liberia's twelve rivers run perpendicular to the coast. River basins are narrow and the major streams are spaced at regular intervals across the country. There are no well-developed valleys or flood plains. Except close to the coast, gradients are fairly steep and irregular, which make rivers of little use for transportation. On the whole, the country's rivers are obstacles to travel.

Accessibility and surface communications remain a major problem and are the root cause of keeping the bulk of Liberia's population in relative isolation. In large part, Liberia's road network has been built since the 1950's but physical characteristics of the land with its ridges and valleys make road construction difficult and expensive. It costs almost \$250,000 to construct one mile of hard-surface road. The total highway network is estimated at 6,400 miles of which 350 are paved. This renders a ratio of 281 persons per mile of road, one of the highest in the region. The main roads are unusable during the heavy rains and make major portions of the country completely inaccessible by surface transport. This contributes significantly to the hardships people regularly experience when staple foodstuffs in upcountry towns periodically become unavailable for weeks on end.

In terms of energy resources, the only indigenous sources are firewood and hydro-electric generating potential. All fossil fuels are imported in crude form and refined in Monrovia. As is the case with most developing countries, Liberia's fuel import bill is large and rising. Hydro-electric generation potential has not been developed outside the Monrovia area. Although many rivers and streams and their fairly steep gradients lend themselves to mini hydro-electric schemes and rural electrification, the Government has thus far lacked both the finances and the technical capability to exploit this resource. Major upcountry

towns continue to depend on diesel generated energy which is both expensive and unreliable because of the age of the generators, the lack of spare parts and irregular fuel deliveries.

2. Land Tenure: Land tenure will be an important issue in the 80s. As new roads penetrate into the interior, tribal lands in the surrounding area are being acquired by those outside of the tribe. No one knows the extent of this acquisition, but the practice is thought to be widespread and growing.

The Ministry of Agriculture and other decision-makers in Liberia are concerned over the role of existing land tenure arrangements and their relationship to agricultural development. They realize that agricultural modernization will only happen by changing the present technological and socio-economic system for making use of the country's soil resources. There is a growing demand for reforms and a recognition that the existing confusion over land ownership and the lack of adequate documentation identifying which pieces of the nation's land are held in various types of tenure arrangements, can result in insecurity and inequities which will become disincentives to development.

The Ministry believes that if they act now there is still time to correct the situation before the problems become intractable. One immediate problem facing the Government is that there is no clear documentation indicating how much land is being held under each type of tenure and where.

At present there is no way of assembling data on either the amount or location of land held in freehold or under traditional tenure. In addition, information on concessions is not being processed in a coordinated fashion. The pace of development in Liberia is accelerating at such a rate that there is the danger of significant problems developing if no way emerges to view land tenure in a comprehensive manner. Also the vulnerability of the traditional system must be addressed. Presently tribal areas still largely contain adequate lands for the practice of shifting agriculture. However, the increasing pressures for land from internal population growth and continuing expansion of the freehold sector for speculation and commercial agriculture, will reduce the ability of tribal people to effectively maintain their viability.

The Government has recognized that it needs to proceed with caution and deliberateness in introducing change in the tribal areas. What is needed initially is protection for existing tribal land units. Also there is a need to identify those aspects of tribal land tenure systems that are most compatible with development objectives and most easily adapted to the transition to modern agriculture.

3. Other Causes and Constraints Contributing to Poverty

a. Human Resources: Although considerable improvement has occurred in recent years, the educational system of Liberia is still generally of low quality and the output of educational institutions has not closely matched the requirements of the Liberian economy. This disequilibrium gives rise to a paradoxical situation where there is a shortage of adequately qualified personnel in certain categories and excess supply in other more general fields.

The 1974 population census shows that 78% of school age children between the ages of 5 and 14 did not attend school. Another quantitative disproportion emerges when one realizes that of the 22% who did attend some school or other, 60% are male. Qualitatively, literacy levels are low at 21% nationally, with male literacy 2.5 times as high as female. Rural literacy is only 12% with male literacy again dominating at a ratio of more than 3:1, while urban literacy is 43% with a male-female ratio of 2:1.

The physical facilities of most schools are substandard, many lacking toilets, a safe water supply, and electricity.

Of 1,088 elementary schools only 62% offer a full six-year curriculum. Repetition and wastage rates are high at all levels. Part of this is due to the lack of qualified and trained staff. Of total teachers nation-wide, only 29% are trained to Government standards. There is also a great shortage of textbooks, teaching materials and school supplies.

Technical-vocational education available is inadequate for the developmental needs of the country. Secondary school vocational training as a percentage of total secondary enrollment currently stands at only 6.1%.

The lack of trained manpower is one of the greatest constraints hindering Liberia's development. This more than any other factor limits Government's ability to provide essential services to the poor majority.

b. Socio-Cultural Constraints: The fact that out of a total population of 1,800,000 more than 1,700,000 citizens identify themselves with sixteen different socio-linguistic ethnic groups, in addition to those who claim not to have any tribal affiliation (descendants of the original settlers), gives an initial idea of how socially fragmented Liberian society is. Only three tribes are found solely in Liberia. The other thirteen are divided by international boundaries and have kinfolk in Sierra Leone, Guinea and Ivory Coast. There is little oral tradition, which locates ancient kingdoms in Liberia such as those found elsewhere in Africa. Liberia tribes therefore show a lack of political and administrative organization or hierarchical structures. In addition, most of the tribes are comparatively recent arrivals to the country.^{13/}

Recent tribal political history is one of forming and eroding alliances of small clans and chiefdoms, often depending on the status and transitional power of a local leader. The most striking feature of tribal society has been the highly parochial character of social, economic and political activity. The process of political and social fragmentation of authority was most severe among the Kwa-speaking Krus, Grebo, Sapo and Krahn of the Southeast.^{14/}

The Gola, Mende, Vai, Lorma and Kpelle in the Northwest were organized into larger units under chiefs, but the tribes are broken into a number of relatively autonomous units. This geographical division roughly parallels the existence of the Poro (men) and Sande (women) societies which have a social, religious, educational and ritual function. The Northwestern tribes have such societies while the Southeastern tribes do not. Knowledgeable observers have drawn parallels between the existence of such societies and the relatively better agricultural and organizational talents of the tribes who have them. As a result of this fragmentation, most Liberians find it difficult to work together toward common objectives. It is difficult to generate "team spirit", and interpersonal

and intergroup intrigues, quarrels and personality clashes are common. To establish modern organizational structures and development at the local level therefore requires an enormous effort.

c. Administrative Constraints. The historical concentration of power in the upper echelons of the bureaucracy stationed in Monrovia has resulted in two disadvantages. First, the non-political civil servants (below the level of Assistant Ministers) are reluctant to make decisions and exercise authority. The Ministers are unable to devote sufficient time and attention to the major problems and policy issues because they usually lack the confidence in their staff and therefore do not readily delegate authority even for routine tasks. Executive Order No. 1 addresses the present system's non-responsiveness to the felt needs of the rural population. The current concern in Liberia with decentralization of Ministry operations is laudable. However, meaningful decentralization to the county levels will only come when confidence between Monrovia (Ministries) and the county and district improve to the point where the Ministries will delegate adequate authority to allow local officials to respond to local demands and priorities; the Rural Development Task Force's main concern,

d. Health and Nutrition Constraints.

Health: In Liberia the highest incidence of ill health is found in children under 5 years of age and women of reproductive age. Children under 5 account for 73% of the patient population while 15% come from among the women of reproductive age. Infant deaths constitute 30% of total deaths, while 44% pertain to children under 5. The major diseases are: respiratory diseases, gastroenteritis, anemia and pneumonia. Among children, malnutrition, measles and diarrhea are most common. An unhealthy environment is a principal cause for high infant and child morbidity and mortality rates in Liberia. 15/

Only 35% of Liberia's people have access to any type of modern health care. This care is provided through a series of Government and private facilities. At the top of the Government health structure is the JFK Hospital in Monrovia which also serves as the county hospital for Montserrado County. Then come the county hospitals located in the other counties. The next level is the health centers which are located in some of the more populated towns throughout the country. Finally, there are the health posts or clinics (the terms are used interchangeably here) staffed with paramedics and designed to serve the more remote areas. The village health worker concept which aims at extending health care and education to the village level is being tried on a limited basis in six of the nine counties.

The private sector includes concession hospitals and clinics and a number of religious mission facilities which together serve about 15% of the population. Concession and mission hospitals and clinics have skilled expatriate physicians and technical and managerial staff which provide a higher standard of health care than the Government facilities whose staff is not as well trained or supported. At present, there are 33 hospitals, 24 health centers and 267 health posts (clinics). Of these, 12 hospitals and 46 clinics are operated by concessions and 6 hospitals and 15 clinics are operated by missions. ^{16/}

There is a chronic shortage of physician assistants and this shortage is not evenly distributed. Most of the physician assistant positions in the less developed counties remain unfilled. Although the population/hospital beds ratio of 635 is better than in some neighboring countries, the hospital beds are unevenly distributed among the regions. Half of the health personnel are employed in the Monrovia area. The situation in respect of highly qualified

professionals, surgeons, physicians, dentists - is even worse, with 84% working in Montserrado County.

Not only is there a quantitative imbalance in the distribution of health services, but the quality of the services is far from satisfactory outside the capital and the concession towns. The disparity in the health sector between rural and urban Liberia is illustrated by basic health indicators. Expenditure on health services and its breakdown among preventive and curative services shows that for the 1979/80 fiscal year curative services accounted for \$18.5 million (of which JFK Hospital claimed \$9.3 million), while preventive services were only allocated \$2.7 million.

Nutrition: Inadequate food availability, frequent pregnancies of young mothers, low purchasing power and inappropriate food habits are considered to be the main determinants of malnutrition in Liberia. Information about the overall nutritional status is inadequate. However the limited research that has been done in different parts of the country is mutually supportive in findings.^{17/} These studies found that at least 60% of all children aged 6-59 months were anemic and 16% of children 6-11 months old were not receiving food apart from milk. Acute protein-caloric malnutrition (PCM) did not appear to be a problem but milder degree malnutrition was found in the rural areas, especially during the second year of life, where approximately 10% were affected. This fact suggested that the problem of acute PCM in this age group lay under the surface and any deterioration due to poor environment, such as the hungry season (the three months before harvest) or the onset of diarrhea, might be sufficient to tip the balance. Prevalence of PCM is greater in marginal farming areas and in the environs of the capital city. Poor nutritional status is significantly associated with

low income, poor socio-economic status, polluted drinking water and birth delivery in the bush or house.

Protein deficiencies are more pronounced in areas which tend to rely more on cassava and plantains as their staple food. This is especially so in coastal counties which have poor soils for rice production. Riboflavins are inadequate in Liberian diets generally and in rural diets specifically.

e. Population: The population of Liberia grows at an annual rate of 3.3%. High fertility, a young age distribution, high infant mortality and low life expectancy characterize the country's population dynamics. The crude birth rate is about 50 per 1,000 population, the crude death rate is 18 per 1,000, the infant mortality rate is 160 per 1,000 births, and life expectancy is about 44 years for urban dwellers and 46 for rural. Females of reproductive age constitute 48% of the total female population. The total fertility rate is estimated to be 6.9 per 1,000. The average population density is low (39 persons per square mile) even by African standards. The proportion of the population below age 15 is 47% and consequently the dependency ratio is very high (83 dependents per 100 persons in the working age).^{18/}

. A young population structure, high fertility, declining death rates and high dependency ratios create a situation which is beginning to offset the favorable man-land ratios and is creating a demand for services that the country cannot afford to provide. Given the present ratio of total fertility and gross reproduction, the trend for high population growth is likely to continue unless deliberate policy action is taken to reduce it.

At present, Liberia has not promulgated an official population policy aimed at reducing population growth, although the President and other national leaders have suggested that child spacing would be in the interest of improving

maternal and child health. There is a belief that Liberia needs more people rather than limit its population growth. The belief that the family should be large in order to provide security of the parents in their later years, as well as social pressures to avoid the stigma associated with female barrenness, all foster higher fertility rates. In addition, the male "macho" syndrome which encourages him to have as many children as he can, both inside and outside of marriage, is further supported by a lack of concern with "illegitimacy" in the context of the extended family structure. Historically, in Liberia, a chief's stature was enhanced by many wives and considerable offspring; in modern-day Liberia this is translated in the idea that any successful man is expected to have girlfriends by whom he fathers many children. There are private family planning organizations which are encouraged and supported by the Government, USAID and Peace Corps and a section within the Ministry of Health which deals with family planning matters, but they are underfunded and only minimally effective. The need to have a national family planning policy is recognized by a number of people in the Ministries of Health, Finance and Planning but no formal steps have so far been taken to develop one.

4. Macro-Economic Constraints

a. Domestic Savings and Foreign Borrowing. The lack of adequate domestic savings, caused by high consumption and capital flight, has limited Liberia's domestic investment program and has resulted in recent heavy borrowing by the Government to implement its current four-year public sector Development Plan. Revenues contributed 97% to the financing of total expenditures in fiscal year 1975, but this source has declined over the years and now constitutes only 56% of total expenditure. Dependence on external borrowing is becoming very visible. The GOL has registered a budget deficit every

year since 1974 and the size of the deficit is on the increase (from \$7.8 million in 1975 to \$90.6 million in 1978). The budgetary deficit is financed through external borrowing. The reasons for resorting to increased external financing are: decline in iron ore profit sharing revenue due to a prolonged slump in the world steel industry; expenditures in connection with preparations for and the hosting of the 1979 OAU Conference; decline in maritime and non-tax revenues; increases in wages and salaries for public servants; rise in the cost of goods and services for GOL consumption; extra budgetary and non-budgeted expenditures increases in the cost of oil; increased transfers to poorly performing public corporations; decline in the purchasing power of the US dollar (Liberian currency), given the country's heavy dependence on imports.

The 1979/80 budget of \$315.3 million represents a reduction of \$25 million over that of the previous year. Future revenue prospects look promising and the Government is committed to a reduction over time of the budgetary deficit by means of the following: (1) strengthening of the tax administration to widen the tax base; (2) reviewing and rationalizing the import duty exemptions available to businesses and concessions; (3) widening the scope of domestic indirect taxes, especially the excise and sales taxes; (4) revising and restructuring of the various fees and non-tax receipts; (5) maintaining recurrent expenditures at the lowest level possible; (6) effectively curbing all non-budgeted expenditure; (7) divesting certain public corporations; and (8) encouraging private investment.

As of March 31, 1979, currently active external loans amounted to \$626 million of which \$305 million was disbursed and outstanding, \$200 million had not yet been drawn and about \$120 million was already repaid. Four years ago the outstanding external debt was only \$152 million. The composition of the

external debt structure has undergone a change over time, with a decline in the percentage of bilateral and multilateral debt and an increase in private banks and suppliers credits as a percentage of external outstanding debt. Liberia's present debt servicing can be considered on purely quantitative term as manageable. Debt servicing at present requires 16.5% of Government revenues and 10% of export earnings. But the trend is upward and the IMF and the World Bank have hoisted warning signals.

b. Recurrent Costs: Recurrent GOL budget outlays have increased from \$97.3 million in 1975 to \$156.1 million in 1978, an average annual increase of 18%. As a percentage of budget, however, recurrent costs declined from 79.4% in 1975 to 66.1% in 1978, although overall budgetary outlays increased by 92.7% over the same time period. While demonstrating an increasing commitment to development it also causes concern over the steadily increasing recurrent expenditures. At no time during the period 1970-1978/79 have recurrent costs ever exceeded total Government revenues, although the annual average growth of revenues over this period has been somewhat less than the average annual growth in recurrent expenditures. However, the increasing costs of goods and services consumed by the Government is such that GOL has had to resort to recurrent budget freezes and cuts in the 1979/80 budget in order not to narrow the margin between revenues and recurrent expenditures, which was only \$10 million in 1978/79.

Any major assistance over the next five years that results in a substantial increase in recurrent costs may have to be accompanied by some form of budget support to tide the Government over this financially difficult period.

The forecast margin for the fiscal year 1979/80 is \$19 million. Part of AID's special housing grant in 1979 was used for budget support for the National Housing Authority and the Housing & Savings Bank. In this regard the proceeds from any PL-480 sales could be an extremely important adjunct to the assistance program.

c. Balance of Payments: Liberia has been one of the few African countries which enjoyed a continuous surplus balance of trade. This situation changed in 1977 when a deficit of \$16.1 million was recorded. Estimates for 1978 indicate that the trade balance again had a small surplus of \$6 million. This performance presents a sharp contrast to the early 1970's when the annual merchandise exports exceeded imports by more than \$80 million. While exports have grown by 5% per annum between 1974-1978, the annual rate of growth of imports was 13.6%. Exports which accounted for 65% of GDP in 1974 were down to 54% in 1978. The main determinant of the export sector's performance, of course, is the decline in iron ore revenue in response to the conditions in the world steel market. The substantial rise in imports can be attributed to food imports, increased oil prices, larger inflow of machinery and equipment in support of development and construction projects, and the post-1973 hike in the world prices of all goods.

An analysis of data for the most recent year, 1978, shows that current account deficits, due largely to payments for services and outstanding financial transfers, is estimated at \$131 million. Official capital inflows of \$70 million was the highest recorded so far and helped offset the lower direct private investment. Mining companies' gross investment in 1978 was only \$13 million, compared with \$48 million in 1973. However, recent investment forecasts indicate that over the next five years, private investment is likely to be greater than during

1975-1979. Liberia's terms of trade, which had improved until 1976, worsened in 1977 and 1978. Currency fluctuations have also contributed to this worsening situation. Liberia is a member of the dollar currency area, but 75% of its imports originate from countries other than the U.S. The biggest item on the import list for consumption goods (economic end-use) since 1972 has been food. Government is trying to reduce the domestic demand for imports by imposing high taxes on luxury items, increasing food production, and substituting locally made goods for imports. The long-term solution probably will depend on the success the GOL has in reducing its food import bill and increasing its exports of tree crops. This underscores the necessity of increased investment in the agricultural sector, a fact well recognized by the Government. Finding alternative sources of energy is the other obvious area that can improve the balance of payment position.

d. Absorptive Capacity: Liberia's absorptive capacity is a function of the stage of its overall development. Still required is a greater build-up of public sector managerial capacity in order to more fully utilize the resources committed to its development by foreign donors. The ability to plan, execute and monitor programs and projects is a limiting factor. Although substantial progress has been made since 1972 in establishing a civil service structure, major improvements are still needed to make the public sector more responsive to the needs of the population, particularly in the rural areas and especially through decentralization of Government functions. Decentralization has been spearheaded by the Rural Development Task Force (RDTF). It has thus far undertaken a Government-wide assessment on institutional ability to decentralize functions; it has designed an institutional framework within which decentralization is to take place which was approved by the National Planning Council; and it has identified groups of persons to be trained to help implement decentralization.

e. Employment/Unemployment: Employment problems are steadily worsening. A combination of factors have lead to the problem: (1) rural development has only

recently been given priority. In the absence of any productive activities in many rural areas, the rural exodus, especially younger working age males, continues; (2) the output of educational institutions and their skills mix is out of phase with the current requirements of the economy; (3) the concession sector, which contributes one third to the value added in the economy, is capital intensive, employing relatively few people (except as rubber tappers). The linkages of the concessions to the general economy are limited: they make few purchases from local firms, import machinery from abroad and export their commodities in crude or semi-crude form, thus minimizing multiplier effects; (4) distortion in exchange rates in neighboring countries, the Government's "open door" policy, and the relatively easy availability of imported consumer goods in Liberia, cause a large inflow of migrants into an already surplus labor market in Monrovia; (5) many professional and managerial positions in the private sector are occupied by expatriates. In short, Liberia shows a marked lack of trained, skilled and semiskilled manpower in important sectors of the labor market and a large surplus of unskilled manpower at the bottom.

f. Income Distribution: Nearly three quarters of the population earns an average of \$135 per capita per annum. A 1977 study by a consultant to the Ministry of Finance found that 50% of total household income in Liberia is claimed by the top 5% families, while the remaining 95% of the household share the other 50% of total income. On a regional basis, the 1974 census shows that the lowest per capita income is earned in Maryland, Grand Gedeh, Lofa and Sinoe, while Montserrado (including Monrovia) is highest at more than twice the average.

C. Progress and Commitment

1. Overview: Between 1970 and 1978 Liberia's GDP at current prices increased from \$378.4 million to \$810.0 million, or a growth rate of 14.3% per

annum. In real terms, however, (1971 prices), the economy grew only at an average annual rate of 1.9% per annum. Since the population growth rate over that same period averaged 3.3% per annum, real per capita GDP deteriorated. However, in the past decade GOL has spent a total of \$327.6 million on development programs from domestic revenues of \$1.3 billion. Development expenditures over this period increased 915% in constant dollars.

In 1976 Liberia launched its first four year Development Plan which aims at redressing the imbalance between the urban and rural sectors through the following objectives: (1) diversification of production; (2) geographic dispersion of sustainable socio-economic activities; (3) greater popular participation in development efforts; and (4) equitable distribution of the benefits of economic growth and diversification. As a result of GOL's commitment to development some noteworthy improvements in the standard of living and the physical quality of life of the Liberian population have been registered (see Section 102/d report).

2. Summary of Programs and Commitment by Sector

a. Agriculture and Rural Development: Liberia's economy, based on exportation of iron, rubber, coffee, cocoa and timber, is very vulnerable to the terms of international trade. Stagflation in the industrialized nations leads to a drop in demand for Liberia's export products accompanied by increasing prices for imported finished goods. The GOL has placed increasing importance on its agricultural development program. Its economic policy is summarized in the slogan, "Minerals Today, Agriculture Tomorrow." Liberia's commitment to agricultural development and support to the small farmer is substantiated by the budgetary allocations to agriculture and forestry which accounted for 9.4% of GOL's expenditures from the 1979 budget. Additionally, the Public Works Program emphasizing road building, especially farm-to-market roads,

accounted for another 11.5%. During 1971 and 1972, the two years preceeding the present administration, agriculture and forestry received only 1.3% of the budgeted expenditures.

The main objective of the GOL's 1976-1980 Socio-Economic Development Plan was to achieve higher standards of living for all Liberians. The agriculture sector with its extensive traditional farmer group received considerable attention in the Development Plan. In keeping with the overall Development Plan, the Ministry of Agriculture had adopted five goals: diversify Liberia's agricultural economy; increase the participation of citizens in modern agricultural production; increase farmer's income, create purchasing power and develop a market for consumer goods; maximize national income through agricultural and forestry pursuits; and provide rural and urban consumers with more nutritional diets at lower cost.

The means adopted to attain these objectives are import substitution and export promotion, involving food and tree crops. Thus, to implement its agricultural development program, the GOL follows a dual agricultural strategy of expanding tree crop production on plantations and small farms and improving food crop farming techniques.

Rice: Rice is the staple food of the Liberian diet and the mainstay of the subsistence economy. Between 1974 and 1978 rice acreage expanded by 6%, as did production, because the average yield per acre has remained stagnant (92% of rice acreage is upland rice). As more area comes under swamp and irrigated rice, or improved cultural practices are adopted for upland conditions, the average yield per acre is likely to improve. Rice imports have been filling the gap between domestic production and consumption and have averaged about 45,000 - 50,000 tons annually in recent years. Per capita

availability of rice has decreased since 1974. As surplus domestic rice available for the market amounts to only about 20% of imported rice, the importation of rice is not expected to lower the demand for domestically produced rice.

Rubber: Production of rubber by Liberian farmers has been declining over the past five years. In 1974, one third of the country's total output originated from the Liberian producers but by 1978 this share had declined to one quarter. The total output of rubber is also lower than the level attained in the early 70's. The rubber exports had maintained a fairly steady level between 170 and 180 million pounds annually or about 14% of the total export receipts but the latest estimates for 1978 indicate exports of only 163 million pounds. This downturn has resulted from a reduction in producing acreage and lower yields. The Liberian farms are using a high proportion of overaged trees which account for low and decreasing yields. The downward trend in the case of concessions can be attributed to on-going replanting schemes which remove lower yielding but still productive trees. For the past three years the GOL has actively promoted rubber development but the time lag between increased planted acreage and increased production is considerable. We understand, however, that rubber production figures for 1979 will show a dramatic upswing.

Forestry: The main source of high agricultural growth in the recent years has been the forestry sector. Production of logs increased by 90% in the last four years, from 406,000 cubic meters to 774,000 cubic meters in 1978. The average annual rate of growth of forestry value added over this period was 30%. Its share in the GDP doubled from 2.5% to 5%. The Government policy to encourage exports of sawn timber rather than logs paid dividends as the volume of sawn timber exports has recorded an appreciable increase in the recent years. The total forecast revenues in FY 1978 were \$9.0 million.

Coffee and Cocoa: Coffee production reached a peak level of 10,566 tons in 1977 - a threefold increase since 1974. The number of households planting coffee increased by 15% and the acreage planted rose by 32% between 1974-77. Cocoa production did not show such phenomenal changes although the acreage planted rose by 25% and the number of households growing cocoa went up by 18%.

b. Education and Training: There has been significant progress in recent years in expanding access to education and establishing education and training programs to meet priority manpower requirements. From 1968 to 1978, for example, enrollment in pre-primary and primary education grew from about 120,000 to 190,000 and enrollment in secondary education increased from about 13,000 to 46,000. In addition, the Government raised the annual output of trained primary teachers from about 100 to 250, established agricultural education and training programs at the lower levels, and established vocational education and training programs at every level. Whereas ten years ago the education and training system could not meet any of Liberia's basic manpower requirements, by the late 1980's the system is expected to produce sufficient numbers of graduates to meet the country's basic requirements for secondary school graduates, skilled industrial and agricultural workers. Expenditure of \$6 million on education constituted 9% of total Government outlays in 1970. This has risen to \$47.5 million in 1978/79, or 14% of total Government expenditures. Compared with other West African average of 20%, 14% of total expenditures for education is low. Not only is the education sector expenditure low, it is also heavily skewed in favor of post-primary education and is not used efficiently.

There are three areas in which expenditures on education are not being used efficiently. The unit costs of education programs are

relatively high, compared with similar programs in other West African countries. These costs result primarily from high administrative costs, coupled with low pupil/teacher ratios. There is scope for improving the efficiency of expenditure on primary and secondary education because of existing favorable pupil/teacher ratios. The GOL's foreign scholarship program in 1977/78 used about 5.5% of the recurrent budget of the Ministry of Education for fellowships, which averaged about \$20,000 each. These fellowships were not awarded based on uniform selection criteria, nor did they take account of manpower priorities. 15% of the MOE's recurrent budget in 1977/78 was used to subsidize, at widely varying rates, private primary and secondary schools. This raises questions of equity as well as efficiency. Some schools, for example, received subsidies that were 6 to 8 times the average unit cost of education for each public primary student. The use and distribution of public expenditures has not been sufficient to promote high-quality public education. Instead, 90% of the funds for primary and secondary education have been used to pay the salaries of the largely unqualified teaching force. There has not been adequate funding for textbooks, equipment and teaching materials.

The internal efficiency of the formal education system is low. For each group of 1,000 students who start pre-primary school, only 600 reach grade 1, 250 reach grade 6, 175 reach grade 9 and 90 receive a diploma from senior secondary school.^{20/} The low efficiency of the system is reflected not only in wastage but also in the extent to which remedial programs are offered at every level. This is particularly true in the mathematics and science fields.

Despite considerable improvement in recent years in the planning and management of manpower development, the formal education system and the agricultural sector remain constrained by failure to address training requirements for development of the rural sector.

Vocational training efforts are currently inadequate to satisfy market demand for technically trained and skilled labor. However, the current increase in focus on these areas is expected to increase substantially the number of skilled workers on the market by 1985. Since there are insufficient numbers of qualified Liberians to teach vocational/technical subjects and there is no ongoing program to train them in Liberia, expatriate teachers are still needed to teach such subjects at all levels.

c. Population, Health and Nutrition

Population/Family Planning: In 1976 the President endorsed family planning as an integral part of the country's development plan. The Ministry of Health followed suit by announcing that family planning (to which there are no legal constraints) was to be integrated into overall health services. In 1976, the Government of Liberia stated that its natural increase and fertility were too high. Unfortunately Government action has not matched its rhetoric; less than 0.1 percent of the health budget is allocated to family planning.

Although the Family Planning Association of Liberia has worked in the country since 1956, it operates only 8 clinics (3 part-time), has limited referral services and has no presence in Government health clinics. Other PVO activity, including the AID-supported Pathfinder Fund, is limited and grants for family planning services are small. The Government of Liberia's family planning capability is rated medium, but is not matched by commitment and performance. The likelihood of rapid population growth acting as an impediment to economic and social development in the long run, is very strong unless GOL seriously comes to grips with its population growth problem.

There are strong indications that the Ministry of Planning will indeed include a population policy statement in the next plan (1980-1984) and that

the Government will give greater attention to population growth implications in the design of future projects and programs. In this regard the Government requested AID support for a Rapid Analysis, which is currently in progress.

Health and Nutrition: In 1978/79 the total amount allocated to health programs was \$24.6 million or 7.2% of total Government expenditures. The Ministry and USAID agree that this is too low, especially when one considers that support of JFK Medical Center accounts for nearly half of total health costs.

Although basic health indicators are steadily improving, Liberia lags behind African averages. Today, Liberia has about 150 physicians (70% expatriate) or one physician for every 12,000 persons. Assuming the present health structure and population growth rate, in 10 years Liberia will need an additional 74 physicians and 1,820 new hospital beds to service an additional 800,000 persons at high health risk. An integrated health structure providing low-cost services such as child immunization and nutritional information, and including greater utilization of community and extension health workers could service the population at less cost than a more traditional western approach to medical care. The Ministry of Health is developing such a system. The inclusion of family planning services in maternal and child health care would help ensure the proper spacing of children, thereby decreasing child morbidity and mortality, and eliminate at least one important factor in the perceived need for numerous children - high infant death rates.

d. Housing: In the past, Government and private sector financial institutions limited themselves to extending housing and home improvement financing to middle and upper income groups. Housing estates were designed for lower-middle income segments of the urban society. Partly in response to the forcefully stated demands of the urban poor during the 1979 Easter riots and as a result of support by USAID technical assistance grants and housing investment

guarantees, priority programs to provide for adequate shelter for low income Liberians have been launched. Home improvement loans channeled through the National Housing and Savings Bank, and sites-and-services schemes developed and administered by the National Housing Authority are the means being used to partially meet the need for low cost housing. The latter agency, assisted by USAID technical assistance, is drafting a National Housing Policy to be included in the shelter sector of the next plan.

e. Human Rights. Liberia's commitment to and respect for human rights has been quite good. There are no known political prisoners, nor is arbitrary arrest and imprisonment practiced. While there were mass arrests during the April 14-15 riot, all so arrested were subsequently released, and those criminally charged were amnestied by Presidential decree. All have access to fair, public trial, and access to the legal system.

Freedom of speech, press, religion and assembly are constitutionally guaranteed and observed in practice. While suffrage is constitutionally limited to land holders, and citizenship (and land ownership) is limited to those of "Negro descent", there is active discussion of revision of these two problem areas, and the question of the franchise is likely to be resolved shortly with a major alteration in the current restrictive practice. Liberia is currently a two party state, although the second party has only recently been legally registered and consequently has not yet contested an election.

The Government of Liberia has been very active on the international scene in the fostering of a human rights consciousness in Africa and the Third World.

D. Analysis of the Plan

1. The 1976-1980 Plan: The first Development Plan of Liberia came into operation in July 1976. This represented the first major policy document by

the Government on the development efforts of the country. It was drafted in 1975 when iron ore incomes and trade surpluses ran high and no one foresaw the effects of the continuing series of OPEC oil price increases. The plan dealt with public sector investment only. As a public sector investment plan, it lacked a clear and consistent presentation of either inter or intra-sectoral priorities and failed to provide the important link between proposed investments and the attainment of plan objectives. Despite these shortcomings it signified a welcome step in initiating a more systematic effort in the planning process.

The original plan envisaged an outlay of \$415 million during 1976-80. Of this amount, \$164 million was proposed to be provided by public savings and \$251 million from the external sources. The plan was revised in March 1978 and the target was increased to \$585 million. The latest review shows that by the end of FY 1979 an amount of \$410 million had been spent on the plan. It is estimated that an additional amount of \$120 million will be spent during 1979-80. The total plan expenditure would thus approximate 91% of the revised target. However, a considerable portion of this has gone for cost overruns..

An analysis of total development expenditure for the first three years of the plan indicates that 25% of the expenditure has been incurred on general and miscellaneous projects whose links to specific economic and financial benefits are not obvious. 39% of the expenditure went into infrastructure including public utilities, social services received 15% of the plan funds, and 20% was expended on productive sectors, of which 16% was in agriculture.

One of the objectives outlined in the first Development Plan was to achieve equitable distribution of the benefits of economic growth so as to

ensure an acceptable standard of living to people throughout the country. The plan further stated that the cornerstone of the diversification strategy was integrated rural development to raise agricultural productivity and provide social and physical infrastructure in the villages where most Liberians live. The World Bank recently tested this proposition by looking at the distribution of public investment (undertaken between 1976/79) among the urban and rural areas. They found that the total expenditure of \$410 million thus far, was distributed in the proportion of 63% urban and 31% rural (6% being unallocable). This meant that the per capita investment in the urban areas during these three years was about \$500 while the rural areas got \$100 per capita. The average per capita investment for the whole country was \$230. The differential investment pattern in the first plan period resulted mainly from the large expenditures and cost overruns incurred on speeded-up infrastructure, utilities and public building projects, valued at \$90 million, in and around Monrovia in connection with the hosting of the 1979 OAU Conference. Expenditure on such activities is easy to undertake compared to the complex meshing of institutions, innovations, administrative skills and attitudes required to implement rural development programs.

The effect of the first five year Development Plan on growth, income distribution and employment is not readily apparent but the long overdue process of planning and economic diversification has commenced.

2. The 1980/84 Plan: The Ministry of Planning is currently drafting the next plan which is scheduled to be published in July 1980. The objectives of the first plan remain valid since further progress needs to be made toward these goals. The first major task facing the planners is to clearly identify the real benefits and achievements which have resulted from the first

plan and then evaluate ongoing projects according to two criteria: (a) those projects which are likely to have a positive impact on GDP growth, diversification of production, better income distribution, exports, employment and GOL revenues; (b) those projects whose contribution to basic objectives are more problematical or uncertain. After stringent cost-benefit analyses are applied in accordance with established criteria, those projects which fail the tests may be slowed down or phased out.

2. The 1980-1984 Plan

In terms of new investment, the plan will address the appropriate mix of cash and food production, small holder or plantation production, export potential, and appropriate changes in the existing land tenure system. The GOL will also focus upon the proper share of public investment in infrastructure as compared to agriculture or social services in order to support expected increases in agricultural production. In this connection the appropriate mix of primary and secondary roads, and the appropriateness and economics of alternative modes of transportation will require policy positions. In the area of social infrastructure the GOL will decide the proper level of support for secondary and higher education vis-a-vis technical and primary. The design of policy measures needed to relate the output of schools to growth in employment opportunities is also required. As to the size, because of limited growth, and corresponding public sector revenues and savings prospects, it is likely that GOL has to hold the investment program to no more than the level achieved in the first Plan.

E. Other Donors

1. Major Sources: Traditionally, the major sources of development assistance to Liberia in rank-order of magnitude, have been: the U.S., World Bank, West Germany, UNDP, EEC, and the African Development Bank. Recently, the OPEC

countries, Japan and the People's Republic of China have joined the donor list, all predominantly providers of loan funds. This pattern is not expected to change much in the immediate future.

In 1978 external assistance commitments to Liberia totalled \$167 million, of which \$145 million were loans and \$22 million grants. However, this was a special case because of the need to speed up certain projects in connection with the 1979 OAU Conference. An average year's external assistance would not surpass \$100 million. The size of the next plan is estimated to be \$600 million of which \$400 million is expected to be made available from foreign sources. This expectation is not unrealistic. Low interest rates on loans are charged mainly by the U.S., China, the Saudi Fund, Germany, and IDA, while high interest rates are charged by the World Bank, Arab Bank for African Development, the Commonwealth Development Corporation and the African Development Bank.

2. Donor Emphasis: The World Bank is providing funds for physical infrastructure, power generation, education, housing and tree crop development. USAID provides support to all major non-commercial sectors, but with an emphasis on rural development. West Germany also provides assistance across the board, but recently has emphasized public utilities, vocational training and integrated rural development.

The United Nations Specialized Agencies emphasize agriculture/rural development, social services and economic development planning.

PART II. STRATEGY

A. Introduction

The Presidential Commission which is expected to visit Liberia in February 1980 is coming to examine the "special relationship" that exists between the U.S. and Liberia and make recommendations as to how it can be enriched. Because the CDSS is being prepared before the visit, the Mission is faced with a dilemma. On the one hand it is necessary to develop a strategy based on an Indicative Planning Allocation that obviously does not take account of the Commission's recommendations; on the other hand it must be assumed that its recommendations will influence U.S. development strategy in Liberia over the five-year time frame covered in this document.

We have presented a U.S. assistance strategy which the Mission considers both desirable and practical. How soon the objectives can be achieved will depend on the levels of assistance that are made available. Under the current Indicative Planning Allocation (IPA) level progress would be slow. Under an assumption that the Presidential Commission's recommendations would result in higher assistance levels, the recommended strategy could be implemented much faster and development would proceed at a pace more commensurate with Liberia's own targets and aspirations.

B. Objectives

1. Liberian Objectives: Liberia's first development plan (1976-1980) set forth a series of goals which are still valid and are expected to be incorporated in the second development plan (1980-1984). These are diversification of production, dispersion of sustainable socio-economic activities throughout the country, greater involvement of the entire population in the development effort and the equitable distribution of the benefits of growth, development and diversification to ensure a higher standard of living for all Liberians.

Presidential Executive Order No. 1 establishing the Rural Task Force, reinforces these objectives in stating that the policy of the Government during the second plan is to give the highest priority to the rural poor. Further, it mandates all ministries and public agencies to redirect their efforts to this end and to work towards decentralization.

Diversification of production is needed to lessen the economy's heavy dependence on iron ore and rubber which are basically enclave activities having few links to the rest of the economy. The program of diversification is largely agriculture-based, emphasizing tree crops, forestry, food crop production and more recently livestock production, with some stress on establishing new employment-generating agro-industries and import substitution manufacturing. The objectives of diversification and the stress on decentralization are mutually reinforcing in that they both are aimed at generating more economic activities outside of Monrovia in an effort to distribute the benefits of growth and development, such as increased employment, increased income, and improved government services more proportionately among the rural population.

While the policy is clear and there is no question that the plan will have a distinct rural bias, the planners are caught in a dilemma of balancing the needs for accelerated rural development, addressing the problems of basic human needs, and at the same time attending to some of the pressing needs for infrastructure investment. This investment is considered necessary to open up the interior as well as to sustain Monrovia as a functioning capital and principal metropolitan commercial center. The resolution of the final allocation of resources in the plan will be heavily dependent on the composition and amounts of external assistance and the areas in which the Government is able to attract foreign investment. It is known that the World Bank plans to make substantial

amounts available for the construction of rural roads; it is also known that the Government is seeking investments in additional basic utilities and services in Monrovia to keep up with the expanding demand. With the city's annual population growth rate of 8%, a danger exists that some of the essential services such as sewers, power and water will be overloaded.

2. U.S. Objectives: Continuing the strategy that has been pursued during the past several years, the U.S. objectives over the next five years are to assist Liberia to:

- a. Increase rural incomes through greater agricultural productivity, improved health and education;
- b. Accelerate the process of decentralization and improve the efficiency of services to the rural areas;
- c. Provide skills training for rural and urban poor and stimulate off-farm employment opportunities in rural communities; and
- d. Address the shelter needs of the urban and rural poor.

The rate of progress towards realizing U.S. objectives is dependent upon whether the current IPA level is sustained or changed by the recommendations of the Presidential Commission. Under the current IPA the majority of resources through 1983 are required to maintain on-going programs, leaving little to start new initiatives now being planned with the Government. This approach maintains a presence but does not allow the U.S. to accelerate the process of change.

C. Assistance Strategy

1. Overview: AID strategy in carrying out U.S. objectives seeks to develop and implement programs which lead to policy changes within the Government. What the strategy seeks is the increased flow of Government resources to the rural

areas; what it hopes to accomplish is a greater share of the benefit from development reaching the poor.

Another element of the strategy is to look at our past projects and programs, in order to assess their overall development impact, to find out what worked or did not work and why. These assessments will serve as a guide for future program design.

We are constructing a profile of rural women to furnish the data necessary in planning effective programs which advance their development in the society.

To increase AID's effectiveness in implementing its strategy, we see a gradually evolving trend of fewer but larger projects which will probably be more heavily loan funded. These projects will address those constraints identified in Part I affecting the rural poor. They will support activities involving training, appropriate technology transfer, and the improved delivery of Government service. These efforts should result in increased small farm income, advance off-farm employment and small business opportunities in the rural areas. Some attention will also be directed at developing more rural infrastructure.

In the last thirty years development in Liberia has advanced in all sectors. The next five years should register continued advances. However, Liberia had a comparatively late start in its development, with most of the gains coming in the last two decades. Although its neighbors received sizeable colonial investments and inherited a great deal of infrastructure and administrative machinery from their former rulers, Liberia had to build from scratch and without the benefit of the Western tutelage as a by-product of colonialism. To continue the catching up process, it needs large additional amounts of training and capital investments largely financed from external assistance, as

domestic revenues are simply not adequate yet to maintain or accelerate the developmental pace. Because of longstanding historical, economic and cultural ties, Liberia sees the U.S. as the principal source of this assistance.

By the mid 1980s we look for measurable progress in the pace of decentralization with more and better trained Government field personnel working in the rural areas and more resources flowing to the county and district levels. How much progress is made will depend partly on political factors and partly on the assistance strategies of donors, in which that of the U.S. will figure prominently. In this context, the land tenure program is a key factor as more orderly and rational registration procedures are being established. More practical information on a wide range of rural development concerns will reach larger numbers of rural inhabitants, while growing numbers of subsistence farmers will be moving into the money economy because of increased production as well as off-farm employment opportunities.

The countryside should become more liveable as some of the modern amenities such as rural electrification, safe water, better communications and improved housing are made available. Greater access to basic services such as primary health care, and expanding economic opportunities also will make the rural areas more attractive; this may begin to slow down the rural-to-urban migration trend.

Liberianization policies of Government will be achieving increased success as more skilled Liberians, sufficiently well-trained and motivated, reduce the need for large numbers of expatriate workers. However, it is unlikely that the current target to Liberianize 70% of expatriate employment by 1985 can be accomplished. The results and the replication costs of the experimental programmed teaching/learning project will be known and the decision made whether to expand it on a national scale or to continue the more conventional teacher training and standard textbook approaches.

Both the National Housing Authority and the Housing and Savings Bank will be more viable, experienced institutions and low-income shelter projects will demonstrate the economic and social viability of this type of infrastructure investment. With additional resources, it should be possible to improve the housing and living conditions of up to five thousand low-income urban families per year in Monrovia and in some of the rural towns.

Government revenues should continue to increase but at considerably less than the rate needed to finance development wholly from domestic sources. The strains on Government to service its external debt will be greatest between 1984 and 1988 but should begin to ease up thereafter. It will be important during this period to obtain as much development financing as possible in the form of grants or loans on concessionary terms. As part of future loan projects, where appropriate, USAID will consider financing recurring cost related to the projects.

Continued forward movement in the infrastructure sector will be a direct function of funding availability, as absorptive capacity here tends to be quite elastic, but it may be assumed that sizeable investments will have been made in road construction, including feeder roads, public utilities, telecommunications, and in low-income housing.

By 1985, Liberia's population will be approximately 2.3 million while Monrovia's population will have swelled to almost half a million inhabitants, with unemployment/underemployment at an uncomfortably high forecast of 40% of the potential labor force; as more farmers move into the money economy and more off-farm employment opportunities become available, however, unemployment in rural areas should be reduced from 1979 levels.

The average annual increase in agricultural production is expected to improve from the 1974-1979 average of 5% to 7% by 1985, while the average

annual increase in food production is expected to move from 4% to 6%. The big question mark, however, is oil imports. Liberia has some proven offshore oil deposits. However, little is known about their size and estimates on production costs are lacking. Assuming, however, that Liberia's deposit will not be developed during the next five years and that oil imports will increase in volume at 5% per annum and the price per barrel continues to rise between 1980 and 1985, Liberia's annual oil import bill could conceivably reach \$550 million.

2. Agriculture: The Ministry of Agriculture letter head bears the motto "Getting Agriculture Moving." Borrowing and somewhat expanding upon it, USAID's strategy can be summarized as "Getting Rural Liberia Moving". This means supporting the Government's policy of decentralization; it also means working directly with the county, district and village leaders; and finally it means helping to strengthen the institutions which support the decentralization effort.

The success of our activities will lead to the reduction of the constraints identified in Part I. This will be achieved by selectively undertaking projects to change existing behavior and alter the present ways of doing things when these procedures retard rather than stimulate development. Training is the key to success of the strategy. In-country, in-service programs will be conducted to sensitize more Government personnel to the needs of the small farmers and teach them more effective ways of responding. Training is envisaged for the county and district level officials to help upgrade their administrative and technical skills. Part of the plan to strengthen the county administrations is to create a position described as "rural facilitator". This function will be to improve communications between the rural areas and the central Ministries and to expedite actions that are needed to get projects moving. Through a series of programs, villages and local leaders will be shown the advantages of working together to

overcome some of the social and tribal barriers described in Part I. They will learn how to go about getting Government programs to work better in their areas. We intend to use a combination of available mechanisms to achieve this training and information transfer including improved research and extension, special radio programs, training through agricultural coops, and expansion of the Rural Development Institute at Cuttington to include special programs for villagers as well as the regular agricultural workers, and a series of workshops to improve the rural-based skills and motivation of the field workers. These workshops will be conducted by the Liberian Institute of Public Administration under the Improved Rural Services Project. In addition to providing rural training this project will stress better staff utilization and the introduction of a number of measures to increase motivation. This is all part of an effort to get things to work better in the rural areas. In order to attack the problems of poor health and low productivity, a number of these mechanisms will also be used to disseminate more information on health, nutrition and family planning as well as the teaching of basic life skills. As the decentralization process continues, we plan to increase our assistance to the local level and help generate more off-farm employment and small enterprises and provide some of the rural infrastructure needed to stimulate new markets and the businesses to serve them. Our activities in these areas will also be principally undertaken through the Improved Rural Services Project.

In two counties the MOA, USAID and the World Bank have already adopted more of a saturation-type approach by introducing integrated rural development in specific project areas with the anticipation that production will not only be increased in these regions, but success will have a spread effect elsewhere. We plan to expand this approach in the future.

Although there are now a number of active projects in the agriculture sector, by 1982 most of the smaller activities will have either been completed or merged into larger efforts. Most of the future planned AID-supported programs in this sector will be large, loan-funded or loan and grant mix; and a number will be collaboratively designed and implemented with other donors. The strategy being pursued amounts to a sector approach even though it is being implemented through several projects. A positive response to the PL 480 request would result in our overall effort taking on an even greater character of a sector support program. In order to strengthen its own efforts and bring more resources and skills to bear on the problems, the Mission plans to employ a variety of means and mechanisms available. These include:

a. Private Voluntary Agencies: The use of intermediaries (PVOs) figures prominently in the implementation of the strategy being followed in this sector. There are currently two large PVO projects, one to stimulate the growth of small rural businesses and another to train agricultural workers. The Rural Entrepreneurial Program with Partners for Productivity (PPF) was expanded this year and may, if funds are available, be broadened to include alternative energy and rural infrastructure activities. The Rural Development Institute at Cuttington College may also be expanded to train multi-sectoral teams and village level workers in connection with the decentralization program. The possibility of establishing special programs to focus on greater participation of women in rural development is also under consideration. To be able to more effectively use small PVOs and reduce the design and management time involved in this type of activity, we plan to increase their participation through the loan/grant Improved Rural Services Project. This is also the kind of undertaking in which the Peace Corps can play a significant role as an implementing and monitoring agency.

Another approach being considered, in order to consolidate management of PVO activities, is to fold a number of new proposals into an on-going activity. There are currently three PVO proposals under review that may, if they turn out to be viable projects, be added to the extension side of the on-going Agricultural Research and Extension Project. The management and monitoring responsibility would then be shared with the Title XII Contractor, Louisiana State University. Another way in which project management can be streamlined is by designing second phases of small successful activities into new larger integrated programs; such as the merging of an expanded Peace Corps/USAID Hand-Dug Wells activity into the Improved Rural Services Project.

b. Collaboration: Since rural development is such a prominent and published part of the Government's development strategy and other donors have, in a manner similar to AID, expressed a preference to direct their assistance to the rural areas, there are increasing opportunities to join forces with other donors to bring larger amounts of resources to bear on rural problems and accelerate the change process. USAID is advocating more collaboration in an attempt both to realize economies of scale and avoid the proliferation of small projects. The World Bank will be our most prominent partner in these joint efforts. This will have the added advantage of increasing leverage and building on past success. In Phase I of the Lofa IRD Project, USAID and the Bank worked together to phase out the expatriate management unit and succeeded in Liberianizing the project in three years. We now plan to collaborate in the design of the second phase building on the Phase I model. Lofa II will have Liberian management from the outset, with expatriate advisors being called in for special short-term assignments as needed. Additional possibilities exist for further joint integrated rural development projects in the three southeastern counties where the Bank has already expressed interest, as well as in

Nimba County where the Germans are cooperating with PFP in the initial stages of their work. While the Government favors regional development, it is unlikely that it wants to trade-off national for regional approaches, since Government is committed to the idea that rural development is an integral part of overall development.

Other joint efforts are underway with the EEC and the UNDP in agricultural research, where each organization is working on specific areas under a single Government project. Discussions are underway to explore other areas of common interest, particularly in rural health care and in connection with the implementation of decentralization.

c. Use of Local Experts: In our work with Liberians outside the context of the USAID Mission, we are increasingly using in-country expertise, especially in research and evaluation and in project design. Current joint work tasks involve USAID with experts from the University of Liberia, LIPA, the Civil Service Agency, the Ministry of Education, and COKASKO, Inc., the first private Liberian owned and operated management consulting and research firm. Such joint efforts will be expanded.

d. PL 480: The PL 480 Program, if approved, would provide a number of advantages to the implementation of this strategy. One highly desirable result of such a program would be the budget support that could be provided from the sales proceeds. The approximately \$3 million annually that would be generated immediately would help sustain Liberia's development drive and carry it through its current budgetary crunch until export earnings recover. The availability of these funds would be an important adjunct to our rural development strategy and should result in acceleration of the program since the largest portion of the funds generated would be used for programs and projects to expand rice production and other crops, and provide local currency support for a number of

USAID-supported rural activities. The availability of an additional 10,000 M/T of U.S. rice would, in the view of the MOA and the Mission, not serve as a disincentive to local producers. There is a distinct consumer preference, especially in the rural areas, for "country rice" which is usually in short supply. This relatively small amount of additional imported rice would not be sufficient to interrupt normal markets or influence local production.

3. Health Sector: As a result of a number of experimental and pilot projects carried out over the past few years, the Government of Liberia has developed a long term (20 year) national health program. The goal of this program is to provide 90 percent of the country's population with access to adequate primary health care by the year 2000. To achieve this goal, Government plans to establish throughout the country a pyramidal system of village health workers supervised by para-professionals who in turn are supervised by health professionals. The USAID agrees with both the goal of this program, directed primarily towards the rural population, and the means chosen to reach this goal. To assist the Government to implement the program, we are collaborating on the development of a multi-phase, multi-donor primary health care project employing the skills and resources of a number of donors, PVOs and the Peace Corps. This strategy envisages focusing initially on the development of the systems and facilities required to support the health workers in actually delivering services to the rural people. Subsequently, the geographic expansion of the program would be opened before the Ministry of Health and Social Welfare had the capability to staff and support it. Due to the long lead time for training paraprofessional health workers (up to three years), it is possible to define our support to this program so that success in an earlier phase would be a condition precedent for continued AID assistance.

Thus, by a series of limited commitments extending over a 10 to 12 year period, we will be able to provide support to the Government of Liberia's Health Care Program as the program shows both the need for, and ability to use such support.

4. Education: Over the next four to five years our focus will be on vocational training and primary education. In vocational education there are three active projects designed for the purpose of helping Liberia develop the capability to put more skilled and employable people on the market and overcome its current dependence on expatriate workers in vocational/technical positions. In primary education work will continue on the Improved Efficiency of Learning Project, and innovative approach currently being tested for its applicability to all of Liberia. The project, which uses programmed instructional materials and paraprofessional primary school teachers, is designed to improve the quality of primary education by attacking the dual problem of a shortage of qualified teachers and a general lack of textbooks and teaching materials. If successful, it would provide a cost-effective model and an alternative approach in pursuing the national goal of providing adequate, practical and effective learning opportunities for all who want to learn at a cost commensurable with available resources. When Government decides to replicate the model nationally, USAID would collaborate with the Ministry of Education to install the system. However, it was not possible to program funds for this second phase within the IPA level.

Projects currently in the design stage for work in the non-formal sector transcend "education" and are viewed by USAID as an important part of its overall rural development approach, since they aim at helping the subsistence farmers and their families improve their income, health and well-being. However, the two projects will continue to be monitored by and receive their technical guidance from EHR division personnel.

5. Housing: Our approach in the housing assistance strategy is to help the Government formulate a national housing policy and win general acceptance of the concepts of sites-and-services and neighborhood upgrading for low-income groups. In addition, we plan on leaving behind a self-sustaining low-income home financing system wherein finance charges are at "market" rates, with collection mechanisms sufficiently effective to allow recovery and relending of NHSB funds to future low-income housing projects; we also plan to develop experienced implementing agencies with skilled staff capable of replicating sites-and-services and neighborhood upgrading projects, as well as small-scale lending for property acquisition and home-improvement loans. USAID is implementing this strategy with grant and loan (HIG) funds. The \$15 million U.S. investment in low-income housing made in 1979 is expected to be spent or fully lent out by 1984. By this time the work of the technical assistance and training teams should also be completed, and the institutional capacity of the National Housing Authority and the National Housing and Savings Bank will be such that they should be capable of developing 1,500 - 2,000 sites-and-services plots and upgrading 2,000 - 2,500 existing units each year, providing sufficient funds are available. This represents approximately 30% of projected yearly requirements for Monrovia through 1990. A concurrent benefit of this increased "intensity" in home construction and improvement is the increased number of jobs available in direct construction and construction-related business.

Along with strengthening the lending and implementing agencies' technical competence, we are also trying to strengthen their ability to attract and obtain more resources to solve the shelter needs of the low-income groups. In this regard the New Krutown and New Georgia projects can be viewed as demonstrations of what the Housing Authority and the Savings and Loan Bank can do, once they

have the funds in hand. Establishing a good track record may induce the Government to allocate a larger share of its budgeted funds to low-income housing. It may also encourage the World Bank, Germany and other donors to provide additional loans on concessional terms for housing. As local institutions gain more competence and experience, there may be possibilities of tapping other sources of funding such as the Social Security Fund. The proposed strategy is designed not only to help the poor who are beneficiaries of a specific project, but, equally important, to use these projects and their technical assistance to establish the credibility of the implementing agencies so they can stimulate more investment in the shelter sector and improve the living conditions of larger numbers of low-income families in Monrovia as well as those living in the secondary cities throughout rural Liberia. We have made provision in 1983 for a secondary city low-income housing loan.

D. U.S. Policies Which Impact on Liberia's Development

1. Trade: Beginning in 1975, the U.S. share of Liberia's imports has slipped from 32% to 25% of total value. Liberia uses the U.S. dollar as its currency, and as the international value of the dollar has been declining over this period, its balance of trade has suffered. In 1977 Liberia registered its first trade deficit in many years. Liberia's exports to the United States remained constant over this same period in terms of percentage of total export value. Both to improve Liberia's terms of trade and increase the U.S. market share of Liberia's imports, greater emphasis should be placed on strengthening bilateral trade relations.

2. Investment: Since the first major foreign private investment was undertaken in Liberia in the 1920s, Liberia has reaped developmental benefits in terms of employment opportunities, government revenues, transportation infrastructure, health care and education. Over \$350 million has been invested in

Liberia by private American corporations, although most of it went to the enclave sector, some was invested in agriculture as opposed to resource extraction operations. Private investment in Liberia should continue to be encouraged by both countries. Establishing and maintaining a favorable investment climate is a prerequisite for attracting new investment, a fact recognized by Government in its recent creation of an Investment Commission, to replace the previous Concessions Secretariat, which had considerably less scope and a different emphasis.

3. Monetary Policy: As Liberia does not have its own currency nor a government securities market, it has no independent monetary policy, but has to follow that of the U.S. This may not always be in the interest of Liberia because U.S. monetary policy is set in response to American rather than Liberian needs. The establishment of a Liberian Government securities market could give Liberia greater control over its money supply. However, sudden curtailment of the present inflow and outflow of capital could undermine business and investor confidence in Liberia which in turn could negatively affect its economic development. A carefully phased approach over time would seem most beneficial to both Liberia and foreign companies operating here.

4. U.S. Assistance Through International Banks: The second largest provider of development finance to Liberia is the World Bank. Even though IDA loans are long-term and bear low interest rates and are therefore beneficial to Liberia because of their sizeable grant component, the Bank itself, as well as the African Development Bank (ADB) charge comparatively higher interest rates. Given Liberia's approaching debt service squeeze, bilateral U.S. lending would be preferable to channeling funds through development banks.

5. Economic Support Funds (ESF): Liberia's current and proposed development investments imply a considerable additional recurrent cost burden, which Government will find increasingly difficult to accommodate, given the slim margin between total revenues and recurrent expenditures, despite Government's valiant efforts to freeze certain categories of recurrent expenditures. ESF assistance over the next five years may mean the difference between true economic development and relative stagnation for Liberia. To date, Liberia has supported U.S. foreign policies and initiatives on almost all issues vital to U.S. interests. In recognition of this special relationship the Presidential Commission is likely to recommend increased U.S. assistance. The use of ESF funds might be an appropriate way of doing this.

PART III. ASSISTANCE PLANNING LEVEL

A. Proposed Assistance Planning Level (PAPL)

	Fiscal Years			Table I	
	1982	1983	1984	(\$000) 1985	1986
Agriculture	3,700	5,400	5,300	7,000	9,000
Health	1,400	1,200	4,300	2,400	2,000
Education	2,700	-	-	-	-
Housing	200	3,400	400	600	-
TOTAL	8,000	10,000	10,000	10,000	11,000
PL 480 Title I	3,000	3,000	3,000		

HIG

B. Explanation of the PAPL Table

We developed the PAPL table based on the Indicative Planning Allocation we were provided (IPA). We did not submit a higher level which we feel is justified and consistent with the recommended strategy, because we did not want to preempt the Presidential Commission report.

In preparing the table we first took account of the annual funding need to maintain the current program and then attempted to use the remaining funds to begin new initiatives which are either in the pipeline or under discussion with the Government. Under the current IPA level it is not possible to provide any life-of-project funding until 1984 since the majority of available resources would be absorbed by the current programs. It is only in the final two years of the planning period that any latitude exists for forward funding and this would mean limiting the program to one or two new starts. While the strategy is designed to achieve more sector concentration, a program designed to stay within the IPA level with a preference to forward fund most projects would result in only a minimal achievement of the CDSS objectives.

C. PL 480

In July 1978, the Government of Liberia through the Foreign Ministry and Ministry of Agriculture requested 10,000 metric tons (M/T) of rice annually for five years to be imported under Title I or Title III. They requested that the first tranche of 10,000 M/T arrive during their "hungry season" July-September 1979.

USAID, cooperating with the Regional Agricultural Attache and representatives of the American Embassy, Monrovia, reviewed the total rice situation in Liberia from 1950 to 1978. As a result of that study and review, Airgram No. TOAID A-01 dated January 4, 1979 was sent to AID/Washington in support of the Government of Liberia's request. USAID suggested that 10,000 M/T of rice per year be imported for four years (rather than five years) and the proceeds of the sales support joint GOL/USAID projects for other selected developmental projects as well as those specifically directed at increasing rice production.

A response to the request was received from Washington on November 9, 1979. Essentially, it stated that Liberia's chances of getting Title I were not good because of increased commodity costs and a restrictive PL 480 Budget. The "usual marketing requirements" would have to be met or waived. If these difficulties were overcome, any Title I for Liberia still would have to be financed from global Title I/II reserves. There is strong competition for this limited supply. AID/Washington however decided to delay a final decision until it receives the recommendations of the Presidential Commission on this matter. The Mission continues to support the Government's request, feeling such a program would be particularly helpful to the overall assistance strategy at this time, as it would allow development expenditures to continue at a reasonable rate until export earnings recovered sufficiently to enable the Government to pick up and expand its own development investment.

D. Staffing Implications

The numbers of people needed to implement successfully the program in part reflect the difficulty in doing business in Liberia and in part results from the lack in the past of an effective training program for local staff. The Mission staff now has a more technical bias that should lead to a greater volume of project activity and create a staff to program ratio that is consistent with the ICDA guidelines.

A management improvement plan is now in effect aimed at reducing the direct hire numbers and increasing the efficiency of the Liberian staff. The mix of the direct hire (DH) staff has already been changed and the total number will be reduced by the end of the fiscal year. Implementation of this plan will take time and money - Mission Operating Budget money.

The first element of the plan is an extensive training program for the Liberian staff to give it a more professional as opposed to service orientation.

At least one professional Liberian has been assigned to each Division; so far two have been sent to AID/W for specific training programs, and an in-house skills upgrading program has been introduced. The plan calls for a renewed and conscious effort on the part of the U.S. DH personnel working with Liberians to train them to assume more responsibility.

A second element of the plan calls for the establishment of a core professional FNDH by transferring some of the more non-professional and purely service type functions such as carpenters, masons, plumbers and drivers, off the FNDH rolls and contracting for these services on an as-needed basis.

Although some progress has occurred during the past year, because of the time needed to train, the objectives cannot be immediately achieved. Also, this goal cannot be obtained if the budget remains austere and the U.S. DH staff is not given adequate time to properly train and motivate the Liberians to play a greater management role. The volume of activity implied by following the proposed strategy should be compatible with the staff levels that are planned. This may of course have to be reexamined pending the results of the visit of the Presidential Commission.

FOOTNOTES

- 1/ Part of the data contained in the section on Analytical Description of the Poor and Causes of Poverty and Constraints on the Wellbeing of the Poor are based on findings of a computer assisted "Socio-economic Analysis of the Poor Majority" currently being completed by USAID. Selected raw data were derived from the 1976/77 household expenditure Survey conducted by the Ministry of Planning and Economic Affairs (MPEA). Data sources were supplemented by selected Ministry of Planning documents, World Bank and Population Council sources and USAID-generated data from the Agriculture Sector Analysis.
- 2/ Based on a 1974 census total of 1,500,000 and a 3.3% annual population growth rate.
- 3/ Estimates of the Population Council confirmed by the University of Liberia Demographic Unit. Average life expectancy for Liberia as a whole is 48, infant mortality is 148 per 1,000, literacy rate is 21%. The PQLI is based on the OCD formula.
- 4/ Extrapolated from Census and Household Expenditure Survey data.
- 5/ World Bank Social Indicators for Liberia Data Sheet, 1979. However, this is disputed by a recent Ministry of Finance study which reports an even more heavily skewed distribution (see section 4. Macro-Economic Constraints, f. Income Distribution).
- 6/ 1974 Census analysis by County and District.
- 7/ Ministry of Planning and Economic Affairs paper on "Manpower and Employment", 1978.
- 8/ 1974 Census analysis.
- 9/ Handbook on Liberia, 1972
- 10/ Net return per day worked equals about \$1 for traditional rice, \$1.50 for swamp rice, versus \$3.80 for coffee and cocoa. Ag. Sector Survey, USAID/Liberia, 1979.

- 11/ Data furnished by the National Housing Authority, 1979.
- 12/ K.H. Hasselman, Liberia: Geographical Mosaics of the Land and People, MICAT, Liberia, 1979.
- 13/ Liebenow The Evolution of Privilege, 1974
- 14/ Ibid.
- 15/ World Bank country report: Liberia, 1979
- 16/ Ministry of Health and Social Welfare Annual Report, 1978
- 17/ Juno-Ann Clarke, Nutritional Status of Children in Rural and Urban Liberia. Lutheran Church of Liberia, 1978; and Heather Goldman, Child Nutrition in Southwestern Liberia, PhD dissertation, Cornell, 1979.
- 18/ Demographic Unit, University of Liberia, 1979
- 19/ Data sources: Ministry of Finance, Ministry of Planning, World Bank country reports.
- 20/ Data supplied by the Ministry of Education.