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LIBERIA - A FINANCIAL SECTOR STUDY

Focus:

A Money/Capital Market System

PACIFIC CONSULTANTS

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INTRODUCTION

The purpose of this report is to analyze the environment within which a money/capital market system for the Government of Liberia would be initiated and the forces that would affect it. In an effort to assess the feasibility of the establishment of a money/capital market system for Liberia, this report focuses on the economic and financial histories of Liberia as the fundamental bases upon which any successful money/capital market system could be established. The structure of the economy, its growth dynamics, the problems of the economy, and the management history of that economy will be briefly analyzed. In addition, the legislative framework, manpower availabilities, and the fiscal and monetary situations will also be analyzed.

The report will begin with an analysis of the economy and its dynamics, followed by a brief overview of the first National Development Plan for the country of Liberia, following which the financial sector will be explored. Subsequently, the proposed money/capital market system for the Government of Liberia will be analyzed, followed by a brief description of a proposed next step in this evolutionary process.

Limitation: To conduct a comprehensive financial sector survey of a developing country, an in-depth analysis of the following forces is required: the nature, structure, and dynamics of the economy over a secular period; the structure, growth dynamics, and magnitudes of savings and investments of each component sector of the economy; an analysis of the laws and regulations which govern both the public and private institutions and individuals that function within the financial and economic system, especially as relates to taxes, financial instruments, interest on savings, rates charged on loans, and attitudes towards saving; some documentation of savings flows both in and out of the country; the distribution of economic assets over the population; the manpower that is available for managing such a system; the fundamental quality of the country's economic management; and the political stability of the government. While time and manpower constraints preclude an in-depth analysis such as suggested above, the information included herein does attempt to capture the essence of the problems and prospects of a money/capital market system for the country of Liberia. Further in-depth analysis would require additional time and manpower.

It must be emphasized that creating a money/capital market system by a government is a public function that is analogous to an entrepreneural project in the private sector, i.e., while there, of necessity, must be certain fundamentals present for potential success of the venture, there is no definitive way to predict unequivocal success, no matter how solid the fundamentals may be. Moreover, given the elusiveness of some of

the determinants of success in the money/capital market system in a developing country such as Liberia, there clearly is room for differing opinions as to the feasibility of proceeding with such a project. Accordingly, the views set forth herein are solely those of the author and are not meant to reflect the views of any company or governmental agency.

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

An overview of the Liberian economy reveals the following conditions:

Its population, according to the most recent census (1974) was approximately 1.5 million people. In recent years it has been growing at the rate of 3.3% annually. Its Gross National Product reached $548 million in 1977, in constant 1971 prices. From 1964 to 1972 Gross Domestic Product grew at an annual rate of 5.2%, and from 1972 to 1976 at 10.7%, at 1971 constant prices.

Based on the foregoing, the author's definite conclusions follow.

1. Economic Concentration--The Liberian economy is dominated by what is commonly known as the Enclave Sector, comprised of three major industrial sub-sectors, namely, iron ore, rubber production, and forestry products. Collectively, these sub-sectors account for 38% of the Gross Domestic Product of Liberia and approximately ninety percent of its export earnings. While the government is aware of the weakness in its economy as a result of concentration on these commodities, its efforts toward diversification of the economy have not yet yielded sufficient results to significantly change the impact of the Enclave

Sector on the economy, currently or in the predicatable future.

2. Currency--The advent of the use of the U.S. dollar as its currency by the country of Liberia tends to facilitate international transactions; however, the use of this currency precludes any effective monetary policy by the Government of Liberia.

3. Fiscal Policy--Given the dominance of the commodity-oriented Enclave Sector with its attendant cyclicality, which generates the major portion of the country's foreign reserves, the Government of Liberia is faced with an environment within which it cannot exercise rational fiscal policy in the development of its economy.

4. Savings and Investment--Savings and investment in the Liberian economy can only be measured in the most general terms. This is especially true for liquid savings--which would be the prime source of investment for any securities program. Nonetheless, it is significant to note that the ratio of Gross Domestic Investment as a percentage of Gross Domestic Product has been quite erratic during the last ten to fifteen years, ranging from 17% to 24%. Almost two-thirds of capital expenditures are undertaken by the private sector, and this expenditure is heavily concentrated in the importation of heavy mining equipment by the Enclave Sector. While obviously inconclusive, some evidence of the growth of liquidity in the population of Liberia can be gleaned from the fact that savings and times deposits increased from $28 million in 1972 to $53 million in 1977,

almost a 12% annual increase during that six-year period. Finally, there is some evidence of severe investment restraint by government bureaucracies in the private sector, as pointed out in a report by a Presidential Commission [1/] regarding this issue.

5. Distribution of Income--One of the determinants of the success of a money/capital market system is a measurement of the liquidity of the various sectors in the economy that would serve as a market for these securities. Some evidence of the distribution of income among the various sectors is important. However, this distribution can be measured only in imprecise terms, given the current statistics on this data. In this regard, the Liberian economy--for purposes of income distribution measurement--can be divided into two major classes: 1) the traditional economy, and 2) the monetized economy. The monetized economy can be further divided between the foreign Enclave Sector and the non-Enclave sector. In 1974, for example, the per capita GDP was $420; however, the Enclave Sector's per capita GDP was six times that amount. The dispersion is shown even more dramatically when one looks at the traditional sector as compared to the Enclave Sector. The Enclave Sector earned 20 times as much as the traditional sector.

While there are no statistics to support this point, it is generally held that even in the non-Enclave monetized

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[1/] This is a conclusion that was recently (1978) presented to the president in a report by the Commission of Business Leaders, under the chairmanship of Clarence Parker, a prominent business leader.

economy there is wide disparity between the income classes. Apart from civil servants, there exists little or no middle-class population among the Liberian people. This distribution pattern would obviously need to be changed for optimum long-term success of the securities distribution system.

6. Credit Availability--The credit terms of financial institutions in Liberia appear to be quite restrictive. This applies equally to commercial banks, business establishments, and the Liberian Bank for Investment and Development. These stringencies tend to inhibit the dynamics of economic development. Liberia enjoys a good rating in international credit markets; in fact, it has managed to live within its relatively erratic income and to pay its debts on schedule during the last twelve to fifteen years.

7. Political Stability--One of the most important determinants of success in the money/capital market is political stability. Liberia enjoys one of the most stable governments among Sub-Saharan African countries. The current president, William R. Tolbert, Jr., appears to be highly respected, both within Liberia and throughout West Africa. There is also considerable evidence that the president is striving to raise the general level of efficiency of government servants and to distribute the benefits of economic development more equitably throughout the population.

8. Current Fiscal Problems--For the first time in its history the Liberian Government created a national development

plan to be carried out over a four-year period, beginning in 1976. This plan envisaged an investment of $1.9 billion during the plan period for development purposes, of which the Liberian Government planned to generate $415 million. Unfortunately, two factors have converged to cause a disruption of the development plan. They are (a) the diminution in iron ore revenues (which comprise about one-third of tax revenues), and (b) the costs associated with Liberia's decision to host the OAU. The impact of these two factors has caused the planned investment in development to be decreased from $1.9 billion to $585 million, with prospects for a further decrease to $500 million. Clearly, the government is exercising a prudent austerity program to adjust to the change in its revenue. This situation is dramatic evidence of the nature and severity of the problem Liberia faces with its revenues largely dependent upon two major commodities, iron ore and rubber.

9. Constraints to Economic Development--The Liberian economy suffers from a number of constraints. Its 1.5 million population is basically too small to attract major foreign investment for the indigenous market, even for import substitution. The fact is that neighboring and other African countries with investment incentives similar to Liberia's have larger indigenous markets, a wider cadre of trained manpower, and are more centrally located, at least for the African market. In addition to these general constraints, there are four fundamental constraints mitigating against rapid and rational economic development of the country of Liberia.

First, the country is still heavily dependent upon the Enclave Sector, which produces 70% of the country's export earnings. In addition, the country must live with the potential cyclicality of the two basic commodities cited above and the consequences of this cyclicality to economic planning and development.

Second, the productivity yields of the agricultural sector are generally low. As a consequence, the country still imports heavily for food commodities such as rice, meat, and dairy products.

Third, there is a shortage of indigenous technical and professional manpower at all levels, which manpower is necessary for planning and implementation of economic development.

Fourth, the transport infrastructure is one of the least developed in West Africa. This obviously has a depressant effect upon the mobilization of the total population throughout the country in the economic development process and the concomitant distribution of the benefits of economic development throughout the country.

In addition to the above, there is a popular belief that foreign investment is a function of the utilization of the U.S. dollar as the currency. The fact is that there has been little or no foreign industrial investment in the basic economy beyond the extractive enclave. The Enclave Sector is wholly export-oriented, and it repatriates approximately eighty-five percent of its profits and surplus annually. In addition, its capital-intensive nature does not require it to interact

significantly with the basic Liberian economy. Since historically there has been little or no foreign investment beyond the extractive industries, there is little reason to believe that continued use of the dollar as a currency will attract foreign manufacturers, which is where the Liberian economy is most deficient. Finally, in the opinion of this writer, the economy will continue to lag behind most other developing countries until it (1) streamlines its investment climate (In the process, it must initiate a vigorous manufacturing sector development program, including import substitution, but more importantly, for export. In this regard, while there clearly are differences in the two countries, Liberia might seek to model its development program after that of Singapore's, a small country whose "manufacturing-for-export" sector has been largely responsible for its viable economy, especially in consumer goods.); and (2) gains more effective control of its monetary and fiscal structures.

10. Confidence--Obviously, any securities market, in the final analysis, is based upon the confidence of potential investors. In this respect there appears to be a high level of domestic confidence in the fiscal management of the economy, with the exception of the current year's problems associated with preparation for the OAU meeting and the iron ore revenue shortfall. Liberia also appears to enjoy the confidence of multinational financial institutions because of its prudence in the management of its fiscal affairs in the last dozen or more years.

RECOMMENDATIONS

A government money/capital market system is a mechanism which provides a government with financial instruments and channels through which it can borrow money for liquidity management, economic development, and economic stabilization purposes. The proposed money/capital market system is designed to provide Liberia with an alternative to international borrowing sources, to provide residents of Liberia with investment opportunities in their own country, and to provide the government with a system that would enable it to mobilize the savings which are now being channeled outside the country. In concept then, the proposed money/capital market may be--but need not necessarily be--incremental in terms of the magnitude of funds raised, but rather it would facilitate the substitution of foreign sources of funds for local sources. Accordingly, it is recommended that:

1. the Liberian Government proceed with a plan to institute a money/capital market system;

2. the money/capital market system be initiated with the money market component, with the capital market instrument to come later (In this context, "capital market" does not refer to private sector capital market instruments, but rather to long- or intermediate-term government securities. The private money/capital market system is not a part of the consideration of this project.);

3. the government consider, intially, a security which is guaranteed as to principal and interest at any time an investor wishes to liquify his investment, rather than permitting the security to fluctuate at free market rates (This approach does not create a free market money market instrument in the literal sense, but rather a quasi-money instrument. However, this approach will assist in the building of confidence in the investing public. This guarantee should be eliminated, however, at such time as the government feels that the public confidence in the securities market has stabilized.);

4. both public and private financial institutions should be required to invest a certain amount of their assets in government paper (In the implementation of such a regulation, two factors should be taken under consideration to enhance the palatability of this move on the part of the financial institutions involved: (a) At a minimum, the interest rate should be competitive with international money markets; and (b) the amounts required to be invested in government paper could be scaled so as to require a modest investment initially and then increase gradually over a period of several years, to some optimum required level. This will minimize the trauma of foreign-controlled financial institutions, thus giving them an opportunity to see how the government will manage its debt.);

5. the money market instrument be priced at a minimum of $5,000 each (This would be give times the amount of the

average savings account, and would thus prevent disintermediation of savings deposits.);

6. as a means of mobilizing savings outside Monrovia, the government consider a "mutual fund" type trust that would permit smaller savers to purchase portions of securities (Such a trust should not operate in the Monrovia market area so as to avoid disintermediation of the depository institutions in Monrovia.);

7. in the early stages of the money/market system, proceeds be used only to level out revenue swings of the government rather than being invested in long-term development projects;

8. appropriate legislation and definitive regulation be established to guarantee that proceeds from the short duration securities not be invested in development projects--that initially the proceeds be used only for liquidity management purposes rather than investment or development purposes (At such time as the "roll-over" component of the aggregate amount of securities issued begins to stabilize at a given level, it may be appropriate to begin to invest a portion of the "roll-over" funds into longer-term projects. However, this should be done very cautiously to avoid the prospects of a liquidity crunch on the part of the government.);

9. the U.S. Government consider assisting the Liberian Government in the initiation of the money/market system in (a) financing of a technical assistance component to assist with the reviewing and drafting of final regulations, the

development of a set of procedures, and the management of the securities function itself in its early stages, (b) providing a training component, in order to develop indigenous management personnel, (c) assisting with the development of the market (In this regard, the U.S. may wish to provide an incentive for Liberians to bring back their money from foreign countries to the Liberian market by agreeing to buy, perhaps $2 worth of securities for every dollar of Liberian investment. In addition, this U.S. involvement would enhance the confidence factor of the public. The U.S. could make this investment without cost to itself, since it would be repaid at world money market rates. The obvious risks, however, would be in the potential for government mismanagement of the proceeds of the securities.);

10. consideration be given to the deemphasis of the stringent collateral requirements of the Liberian Bank for Investment and Development in the execution of its investment program. This would have the effect of extending the benefits of this institution beyond the current well-established class of Liberian residents. This would also contribute to a broadening of the economic base, thus creating a larger market for securities investment and savings potential. <u>It must be emphasized that the restructuring of the credit and investment terms does not connote or advocate a lowering of the standards of quality of projects under consideration</u>. On the contrary, many industries in the United States get off the gorund when the entrepreneur has no money, but rather is able to put

together sound economic, financial, and management components. Those three factors, taken together, are the key determinants of the success of any venture. Thus, to broaden the development scope of the Bank the greatest amount of emphasis in the credit analysis function would be better placed on these components, rather than on the ability of the applicant to collateralize the project in a significant way. Since this is a diversion from the current credit criteria of LBDI, the Bank may want to consider allocating perhaps 20% of its investment capital to this type of investment risk. The decision process is somewhat more difficult, given this type of system, but the potential for expansionary economic development is infinitely greater than under the current system.

While the following statement is not the focus of this report, it is integrally related and therefore deserves some attention. For long-term rationalization of the Liberian economy, Liberia, of necessity, must give serious consideration to the initiation of its own currency. Obviously, there are pros and cons on this issue. The issue should be extensively debated before any such move is undertaken. However, under the current system the Liberian Government can only react to the economic dynamics of the country, since the energy for the Liberian economy is largely at the discretion of the private foreign Enclave Sector. Under these conditions it cannot plan in any definitive manner the structure or the rate of growth of its economy, nor can it have an effective monetary policy.

One school of thought advanced by some Liberians in this regard holds that the Liberian economy should be diversified and developed before the initiation of its own currency. This approach, however, raises the question, "How long will this process of development take, given the empirical experience of the Liberian economy over its development history, especially in relation to other Sub-Saharan African countries?" The other school of thought holds that the economy will not develop until the government creates the institutional framework which will permit it to plan and direct the development process. This writer supports the latter approach.

I. THE ECONOMY

The environment within which a money/capital market system operates is the economy. The production and marketing of goods and services, as well as the financial system that energizes this process, are interrelated. Accordingly, a brief overview of the Liberian economy will be set forth in the following paragraphs.

By the end of 1976 the Gross Domestic Product (GDP) of Liberia had reached $508.0 million in constant 1971 prices. In current prices, it had reached approximately $923.0 million (see Appendices I and II). From a structural point of view, the Liberian economy is divided into two classes: (1) the modern, or monetized, sector; and (2) the traditional economy. Approximately seventy percent of the Liberian population lives and functions in the traditional economy, which is primarily subsistence agriculture. Significantly, this sector produces only 15% of the Gross Domestic Product, while the monetized sector produces approximately 85%.

Not only is the modern economy larger in absolute terms, but it is also growing faster than the traditional economy. During the ten-year period ending in 1974 the modern sector grew at a 3.6% annual rate (see Table I). Both the modern and the traditional economies experienced negative growth of approximately one percent in 1975; however, each recovered in 1976 to grow at the rate of 2.4% and 2.9%, respectively.

TABLE 1

Growth of GDP (%)

	Annual Average 1964-67	1967-70	1970-74	Annual 1975	1976 /1
1. Agriculture	4.3	4.6	4.7	-7.0	10.9
- Rubber	4.4	4.1	3.1	-7.0	-
- Forestry	4.0	65.0	16.7	-	40.8
- Other	9.5	15.5	2.4	-13.0	14.9
2. Mining	10.1	7.0	2.2	-12.8	-4.4
- Iron-ore	8.4	6.7	2.9	-11.0	-3.7
- Other	38.0	10.2	-5.5	-35.8	-8.0
3. Manufacturing	6.4	16.3	6.5	-1.0	-
4. Construction	8.0	-6.8	-	33.3	3.0
5. Government Services	6.5	6.7	1.8	7.4	5.2
6. Other Services	3.4	5.7	6.2	6.4	5.1
MONETARY GDP (f.c.)	7.1	6.7	3.9	-1.1	2.4
7. Traditional Economy	3.1	4.2	5.6	-1.2	2.9
TOTAL GDP (f.c.)	6.4	6.3	4.2	-1.1	2.5

Source: World Bank Report No. 1642a-LBR, Current Economic position and prospects of Liberia, Feb. 28, 1978
(p. 6) (p. 6)

/1 Preliminary.

The negative GDP growth rate in 1975 stemmed primarily from the diminution of income from the rubber and mining sectors. Historically, the mining sector has dominated the Liberian economy, accounting for 24.0% of GDP in 1976. Agriculture was second to mining, at 10.0% in 1976. Significantly, manufacturing comprised only 4.4% of the Liberian economy in 1976 (see Table II). This is a critical weakness in the Liberian economy and accounts for the dependency of Liberia on numerous imports and the concomitant outflow of foreign exchange. In this regard, the government would do well to devote considerable energies to the development of this sector.

One approach regarding this problem worth considering is the provision of creative incentives to stimulate the private sector to import "turnkey" factories. This approach is a package approach which provides for the planning and development of the physical plant and equipment, provides management and key technical personnel, and provides the necessary expertise for development of the system. This strategy might well be used to produce consumer goods, primarily for export markets. This has been successfully done in many parts of the developing world, and it could be highly beneficial for the development of Liberia.

In addition to the lack of a viable manufacturing sector in the Liberian economy, its agricultural sector needs a comprehensive management and technical assistance program to serve the needs of Liberian farmers. This is evidenced in

TABLE II

Structure of GDP (%)

	1964-66 Average	1968-70 Average	1972-74 Average	1975	1976 /1
1. Agriculture	7.5	8.9	10.0	9.1	9.9
- Rubber	5.3	5.8	5.8	5.5	5.3
- Forestry	0.3	0.9	1.8	1.7	2.4
- Other	1.9	2.2	2.4	2.0	2.2
2. Mining	30.4	31.6	30.6	26.0	24.2
- Iron-ore	28.9	28.3	27.9	24.6	23.1
- Other	1.5	3.3	2.7	1.4	1.1
3. Manufacturing	3.0	3.7	4.6	4.5	4.4
4. Construction	4.7	3.9	3.3	4.5	4.5
5. Government Services	6.6	6.7	5.9	6.6	6.7
6. Other Services	31.1	30.2	31.0	34.0	34.8
MONETARY GDP (f.c.)	83.3	85.0	85.4	84.7	84.6
7. Traditional Economy	16.7	15.0	14.6	15.3	15.4
TOTAL GDP (f.c.)	100.0	100.0	100.0	100.0	100.0
GNP (f.c.)	73.8	77.7	77.6	77.8	80.3

Source: Tables 2.1 and 2.2, Statistical Appendix.

/1 Preliminary.

the productivity statistics regarding the yields per acre of the various commodities. For example, the Enclave, or concession sector, produces an average of ten times more per acre than the traditional sector, and more than 40%, on an average, than the commercial farming sector, which is comprised primarily of large Liberian farms. Given the agricultural base of the majority of the population of Liberia, it is clear from the above statistics that even small improvements in productivity and efficiency on the farms would add significantly to the Gross Domestic Product and the standard of living of the people of Liberia.

Since productivity figures are directly related to investment, it may be advisable to examine briefly the savings and investment behavior of Liberia. While definitive statistics are not available regarding the liquidity of the various sectors of the Liberian economy, a brief analysis of Gross Domestic Investment may be of some value. Gross Domestic Investment as a percentage of Gross Domestic Product in real terms has been somewaht erratic during the last ten to fifteen years, ranging from 17% to 24%. In 1964 GDI to GDP was 24%, falling to 17% in the early 70s and recovering to 23% in 1975 and 1976 (see Table III).

While precise data does not exist for sectoral breakdown of capital investment, an examination of import data suggests that approximately two-thirds of capital expenditures are undertaken by the private sector, and this investment is primarily for mining equipment and related activities. From a

TABLE III

Gross Domestic Investment

	$ Million (current prices)			
	1973	1974	1975	1976 /1
I. PUBLIC SECTOR	36.8	26.6	48.7	79.4
- Central Government	16.0	14.1	29.5	39.0
- Public Corporations	20.8	12.5	19.2	40.4
II. PRIVATE SECTOR	63.7	101.2	143.4	135.6
TOTAL	100.5	127.8	192.0	215.0

Source: Current Economic Position and Prospects of Liberia. World Bank.

/1 Preliminary.

liquidity point of view, it is significant that time and savings deposits in commercial banks increased from $28 million in 1972 to $53 million in 1977, or approximately twelve percent annual growth rate (see Table IV).

A critical factor in the evaluation of the Liberian economy is an examination of its price movement. During the seven-year period ended 1977 the Consumer Price Index had reached 238.4, with 1964 as the base year. The index experiencing the highest increase was health, personal care, and services, at 325.4, followed by clothing at 294.5. In third position was food, at 226.1 (see Table V). Since Liberia imports most of its manufactured goods and services, its inflation is largely imported. It therefore has little control over this type inflation, except to create tariffs that prevent such commodities from being imported. Unfortunately, many of the imports are necessity or near-necessity type commodities, an obvious dilemma between the desire to meet the needs of the people and the need to curb inflation.

One criterion for the assessment of the nature and magnitude of the demand for securities is the distribution of income among the population. Currently there is insufficient data to analyze the distribution of income among the population in a definitive manner. However, as an approximation, in 1974 the per capita GDP was $420 for the nation as a whole. The per capita GDP of the foreign concessions, however, was $2,390, almost <u>six times</u> the national average, while the national average was <u>3-1/2 times</u> that of the per capita GDP for the traditional economy (see Table VI).

LIBERIA: TABLE IV: Deposits in the Commercial Banks
(U.S. $ Million)

	1972	1973	1974	1975	1976	1977
Personal Deposits	22.81	20.40	25.10	30.11	36.30	47.80
-Demand	5.93	5.69	7.43	7.83	7.90	6.40
-Time	(16.88	14.71	3.48	4.37	5.30	10.50
-Savings	(		14.19	17.91	23.10	30.90
Corporate Deposits	21.88	33.13	37.29	27.08	47.50	40.20
-Demand	15.22	33.13	37.29	27.08	39.40	35.90
-Time	(5.20	6.21	5.60	4.25	6.90	3.10
-Savings	(		4.26	4.04	1.20	1.20
Public Cor. Deposits	6.21	7.01	6.54	8.66	12.50	11.10
-Demand	1.01	0.80	1.57	3.77	5.60	3.90
-Time	(5.20	6.21	4.26	4.04	6.70	6.90
-Savings	(		0.71	0.85	0.20	0.30
Total Resident Deposits	50.60	60.54	68.93	65.85	96.30	99.10
-Demand	22.16	28.69	36.78	33.31	52.90	46.20
-Time	(28.44	31.85	13.34	12.66	18.90	20.50
-Savings	(		16.81	19.88	24.50	32.40
Government Deposits	11.94	5.59	2.86	4.20	1.00	0.80
Non-resident Deposits	5.40	1.69	1.25	3.98	3.00	3.00
TOTAL DEPOSITS	68.24	67.82	73.04	74.03	100.30	102.90

Source: MPEA and The National Bank of Liberia

TABLE V

COMPARABLE ANNUAL AVERAGE INDEXES

1971-1977

1964=100

Major Groups	1971	1972	1973	1974	1975	1976	1977
ALL GROUPS	126.1	131.0	156.6	187.1	212.5	225.3	238.4
Food	109.0	109.0	141.9	179.4	207.0	205.8	226.1
Drinks & Tobacco	131.5	130.5	135.0	146.4	163.9	182.5	191.6
Fuel & Light	106.6	103.0	115.6	151.3	160.7	183.5	203.2
Clothing	135.4	146.3	164.7	200.6	241.7	280.1	294.5
Household Gds. & Furniture	122.8	130.8	150.8	167.5	195.2	209.7	216.9
Health, Pers. Care & Svcs.	193.4	211.6	223.8	279.0	300.7	317.2	325.4
Rent	116.8	127.7	162.5	163.1	176.5	188.2	200.7
Miscellaneous	112.0	109.9	147.1	178.6	206.1	212.6	215.1

SOURCE: Price and Miscellaneous Statistics Section
Bureau of Statistics
Ministry of Planning and Economic Affairs
Monrovia, Liberia

TABLE VI

Income Distribution (1974)

	Current Prices		
	GDP ($ Million)	Population (Thousand)	Per Capita GDP ($)
1. Traditional Economy	111.4	930	119.8
2. Monetized Economy	539.7	620	870.5
- Foreign Concessions	260.5	109	2390.0
- Non-Concessions	279.2	511	546.4
TOTAL	651.1	1550	420.1

Source: Current Economic Position and Prospects of Liberia. World Bank.

The dispersions around these averages obviously are wide and obscure the true magnitude of the potential market for securities. Some evidence of the magnitude of the dispersion around these averages can be gleaned from the fact that the iron ore industry, which employs 2% of the nation's employed population, generates 30% of the GDP, or 15 times its population ratio. By contrast, the traditional agricultural economy employs 57% of the nation's employed, while producing approximately fifteen percent of GDP (see Appendix III and Table II). Thus, the wide disparity between the income classes is dramatically clear.

Unlike family holdings, the finances of the government sector are quite definitive. In fact, during the last twelve to fifteen years the Government of Liberia has had a very sound fiscal management experience in terms of living within its revenues. While it is to the credit of the Liberian Government for having lived within its budget throughout most of its recent history, as this analysis will show Liberia has never had sufficient development income to create the necessary infrastructure from which to develop in a rational manner. The fact that Liberia has spent less than other Sub-Saharan African countries on such fundamentals as roads, communications, education, financial institution development, and other economic development activities appears to be more a function of not having had the funds, rather than not having had the desire to make such rational expenditures.

In short, Liberia has lived within its means, but it hasn't developed at the same rate of other Sub-Saharan African countries, and the prospects are that the development gap between Liberia and its African counterpart countries will widen unless the Government of Liberia is successful in attracting development funds in substantially greater amounts than in the past and at very soft terms.

In addition, Liberia's current monetary and fiscal systems leave much to be desired in terms of rationalizing the development process. In this regard, Liberia is one of less than a dozen countries in the world whose medium of exchange is a foreign currency. The U.S. dollar, the Liberian currency, serves not only as the international reserve account, but also the major portion of the domestic money suuply. Not only is its currency reserve not under government control in a monetary sense, but also any change in the money supply for the country of Liberia, for all practical purposes, is a function of the export changes of the Enclave Sector, with the government playing absolutely no role in these changes.

In this regard, the National Bank of Liberia was created in 1974 to develop the institutional framework for the administration of monetary policy; however, its role to date has been limited to the administration of a usury law rather than broad supervision of the banking industry or managing monetary policy. Under the current regulations the central bank has little administrative supervision over the banking industry, nor does it have at this stage sufficient resources to serve as a major

discount operation during credit crunches, or to buy and sell securities of sufficient volume to change the direction of growth of the money supply when the need exists.

In summary, the management of the economy of Liberia, under its current structure, cannot be rationalized, since its revenue is a function largely of the vagaries of the major commodities which are exported from the country by the Enclave Sector--and the cyclicality of these basic commodities has limited the Liberian Government to development by ad hoc projects rather than through soundly based, long-range strategies.

Similarly, the lack of control of its own currency limits the government's ability to influence the direction of the growth of the economy through the use of stimulative and contra-cyclical fiscal and monetary policy. It therefore is the view of this writer that the Liberian economy will continue to lag in its development until these basic defects in its economic and monetary systems are corrected.

There are obvious risks associated with initiation of local currency in a small, developing country such as Liberia. The key risks are: imprudent management of the money supply (thus risking rampant inflation); potentially restrictive currency controls; restrictive repatriation of investment profits; and the lack of acceptance of the currency in world markets. These potential problems can become investment and development deterrents. A number of developing countries have fallen victim to one or more of the

foregoing problems. Several West African countries, e.g., Sierra Leone, Ghana, are cited as prime examples.

In this regard, however, it must be emphasized that most developing countries who have initiated their own currencies have gone through a learning process, during which mistakes were made, and finally the problems corrected. Predictably, some have fared better than others. Under any condition, it might be worth examining the experiences of several African countries that are within the population and per capita GDP ranges of Liberia and who have initiated their local currencies within the last five years, and who currently are doing quite well in their management of those currencies. They are: Botswana, Malawi, Swaziland, Lesotho, and Gambia.

In any eventuality, any such conversion would be better executed if Liberia had the cooperation of the U.S. Government in the transition. The U.S. could allow Liberia to peg its local currency to par of the U.S. dollar in the early years, with the U.S. standing behind this "peg" in the same way that France does with the CFA Franc in the Francophone countries. This idea clearly presents some monetary risks to the U.S., but when the magnitudes are examined the amounts are quite marginal. If one proceeds under the assumption that the Liberian Government will be prudent in the management of its currency, the risk would be even less.

In summary, the fundamental problems of the Liberian economy can be summarized in the following four areas:

1. the undue dependence upon the Encalve Sector;
2. the low productivity of the non-Enclave agricultural sector and the consequent need to import significant amounts of food;
3. the shortage of a cadre of indigenous, well-trained professional and technical manpower; and
4. the absence of adequate transport and other infrastructural support as a basis of economic development.

In discussions with representatives of the Ministry of Economics and Planning, it was evident that they were aware of these deficiencies and that they were seeking to do something about them; however, <u>the basic problem historically has been, and continues to be, the lack of adequate, long-term infrastructural funds on terms which will give the country time to generate income from the infrastructural base before payments are required</u>.

II. THE NATIONAL DEVELOPMENT PLAN

In recognition of the fundamental defects in the structure of its economy and the concomitant development rate, the Government of Liberia in 1976 initiated its first national socio-economic development plan to cover a four-year period, July 1976-June 1980. There were four key objectives of this development plan:

- diversification of production structures;
- dispersion of sustainable socio-economic activities throughout the country;
- involvement of the entire population in the development process; and
- equitable distribution of the benefits of economic growth to assure acceptable living standards to all Liberians.

The development plan called for the investment of $1.9 billion, of which $415 million was to have been generated from the public sector. Of the $415 million, $251 million was to have been raised from foreign sources. Unfortunately, just as the plan was being launched the revenue from the iron ore sector (the largest in the government's budget) began to diminish. At the same time the government's decision to host the OAU in 1979 required development expenditures that were extraordinary, although nonrecurrent. This confluence of two factors which exert a negative impact on the budget has made it necessary for the government to postpone a significant portion of its planned development strategy. In this

regard, in a meeting held Monday, June 5, 1978 with the Budget Committee, the President of Liberia made the following decisions with respect to the administration of the current budget and the development plan:

1. The current budget growth rate will be negative in real terms in comparison with the 1977-1978 budget.

2. The planned budgetary deficit originally estimated at $110 million will be reduced to less than $50 million in line with estimates of possible capital inflow and debt capacity.

3. The budgetary deficit will be financed by institutional borrowings, and, failing that, further reductions will be made in the current investment programs.

4. The Minister of Finance will seek to increase revenues through tax collections at a level not less than $15 million.

5. The $611 million originally budgeted for investment in the 1978-1979 budget will be reduced to $500 million if necessary.

Thus, the problems of undue reliance on the vagaries of the Enclave Sector are dramatically clear in the government's efforts to plan and execute its first rational economic development strategy.

III. THE FINANCIAL SECTOR

In general, countries with a strong financial sector tend to experience faster real GNP growth than do other countries in similar circumstances but with weaker financial sectors. Thus, without a viable financial institutional infrastructure any economy will be inhibited in its development. The first stage of developing this financial institution infrastructure should begin with development of depository institutions, followed by contractual savings institutions, then government securities markets, and finally, the private financial market sector.

At this stage of development, Liberia is in the early stages of development of its financial system. In this regard, by the end of 1977 Liberia had five commercial banks, exclusive of the National Bank of Liberia which serve as a central bank. Of the five banks, four are branches, or wholly-owned subsidiaries of foreign banks. Supervision of these banks is limited to the setting of reserve requirements for demand and time and savings deposits and the setting of usury rate ceilings. By the end of 1977 these banks had total assets of $188.7 million. This represented a 13% annual growth rate since 1974. The loan/asset ratio ranged between 50% and 60% during the last year, 1977. The reserve requirement, as set by the National Bank of Liberia, currently is 3% each on demand and time and savings deposits, respectively.

The ceiling on lending rates for commercial banks as of November, 1976 was 10%. The commercial banks devote the major portion of their lending, or credit, to trade or retail stores, having devoted 46% of their loan portfolios to that sector in 1977, averaging approximately $77,000 per loan. Next in order of importance was agricultural loans, primarily rubber tree and other forestry, at 21.5%, averaging $500,000 per loan; followed by manufacturing at 10.2%, averaging $200,000 per loan; and finally, devoting 10.0% to personal loans, at an average of $2,400 each, the assumption being that these loans were primarily for automobiles.

In addition to the commercial banks there are 11 insurance firms operating in Liberia, most being agents of foreign companies. There are no records of the assets of the insurance industry available at this time; therefore no analysis is possible.

Liberia has three additional financial intermediaries. They are the Liberian Bank for Development and Investment (LBDI), the National Housing and Savings Bank (NHSB), and a bank for agricultural loans which has been created, but has not become operational at this time.

The available data on the housing corporation is too new to make any kind of definitive analysis; however, the operation has gotten off to a modest start. For reasons which were undiscernable to this writer, the demand for the loans from this relatively small institution has been less

than the supply of funds, which defies rational explanation at this point, given the need for housing in Liberia. On the other hand, Liberia has clearly emerged as an ultra-conservative institution, investing only in highly collateralized projects. In this respect, however, its credit practices are little different from the credit practices of commercial banks. Given the role of a development bank, there appears to be a need for re-evaluation of the investment policies of the bank, giving more emphasis to the economic, financial, and management components of projects rather than to the collateral criterion. Under LBDI's current investment policies the economic base of the country is not likely to be broadened, since only a handful of people can collateralize the types of projects which are required for significant impacts on the dynamics of the economy. It is not advocated here that the quality of the projects in which LBDI proposes to invest be lowered. On the contrary, given a sound feasibility study setting forth the economic, financial, and management aspects of a project, the success of the project is not contingent upon the collateral supporting it. There clearly is a role for collateral in investments such as those in which LBDI engages. Collateral can be used to motivate the entrepreneur to give his best to the project and to stick with it "come hell or high water," thereby enhancing its potential success. However, a personal guarantee by an entrepreneur with modest collateral, even though it does

not fully collateralize the project, accomplishes the same level of motivation that a fully collateralized project does, assuming the project is sound in all other respects. Accordingly, LBDI may wish to devote perhaps 20% of its investment capital to this type of project in order to broaden the base of investment beyond the existing small class of investors who are capable of fully collateralizing their investments under current LBDI policies.

IV. A PROPOSED LIBERIAN GOVERNMENT MONEY/ CAPITAL MARKET SYSTEM

For several years the country of Liberia has been considering the initiation of a money/capital market system as a part of the development of its financial sector. In the process it has sought assistance and advice from a number of sources, including the current effort on behalf of the U.S. Agency for International Development. In the process of assessing the feasibility of the establishment of the money/capital system for the Government of Liberia, this section will explore the following issues:

- the objectives of a financial system in the development process;
- implementation strategy;
- requirement for the conduct of a comprehensive financial sector survey;
- the success determinants of a financial system;
- the constraints to a money/capital market system.

The fundamental objective of strengthening the financial system of a given country is to increase the efficiency with which the nation's resources are mobilized and utilized in the development process in order to enhance the overall development process. Specifically, the objectives of a financial system are to:

A. increase domestic savings toward a view to supplementing or supplanting foreign borrowings;

B. improve the efficiencies with which savings are allocated to the private and public sectors;

C. broaden the base of ownership of real and financial assets;

D. indirectly to improve the distribution of income to widen the range of financial services available through the financial institutions;

E. improve the effectiveness of the financial institutions.

The stragegy for developing a financial system includes the following steps:

1. Analysis of the present strengths and weaknesses of the existing financial system;

2. Development of medium- and long-term strategies for the implementation of financial system reform in light of the national economic, social, and political objectives;

3. Creation of legislative and policy frameworks, especially fiscal and monetary policies conducive to the development objectives;

4. Creation of a system of governmental overview and regulation of financial institutions and markets in the interests of efficient intermediation and saver and investor protection;

5. Provision of an adequate supply of trained manpower in both public and private sectors to operate the system;

6. Development of a system of public and private accounting and auditing, including rules of financial disclosure for public and private entitites;

7. Creation of an appropriate range of public and private financial institutions and instruments designed to serve that market.

It should be emphasized that the Government of Liberia has conducted considerable research and done considerable planning in its efforts to initiate a money/capital market system. In this regard, in September 1976 a committee headed by The Honorable Charles A. Green, Governor of the central bank, submitted to The Honorable James T. Phillips, Jr., Minister of Finance, a study recommending the creation of a money/capital market system, to be effective in February of 1977. This document includes a draft law which would govern the issuance of government securities, as well as a delineation of the types of securities which would be issued, and the types of controls necessary to assure effective implementation of the system. In discussions with the Deputy Minister of Finance, The Honorable Ellen A. Sirleaf, it was learned that while this legislative act has not been passed by the Liberian Congress, it could be passed before the end of 1978, given proper and timely technical assistance from appropriate sources.

As for management manpower, Governor Green of the central bank indicated that while he has one specialist whom he imported from Sri Lanka who could serve as a nucleus for the management of the system, he felt the need to augment his management manpower complement. According to the plans submitted, the management of the system would be comprised of a committee of individuals representing the Ministry of Planning and Economics, the Ministry of Finance, the governor of the central bank, and representatives from the commercial banking sector, who would

serve as the Policy Board. This board would decide both long-range strategy and terms, amounts, and timing of sales to be carried out under the program. The central bank would be the bank of issue.

As for potential money flows and prospective demand, as was pointed out in Section I, "The Economy," statistics are not available to assess definitive demands. However, a cursory examination of the financial position of the commercial banks of Liberia reveals that over the last four years the amount of deposits which these banks held in foreign banks ranged from $13 million to $32 million, with a mean of approximately $21 million. These are the funds that a developed country banking system would have invested in government bonds. While it would be imprudent to require the banks initially to invest 100% of these funds in Liberian Government paper, it does not seem unreasonable to suggest that they should invest an equal amount of those funds in Liberian paper as they have in foreign banks. In addition, the country of Liberia is initiating a social security system which will become a source of funds.

The public sector corporations--especially the Housing Development Bank, the LBDI, and the agricultural bank, as well as the insurance agencies--would be sources of investment funds. In addition, there is evidence that the Enclave Sector invests some of its funds in foreign securities--both the Lebanese business community and the Liberian business community have historically invested their funds outside of Liberia. A reasonable composite of these institutions and individuals

conceivably could generate a range of between $15 million and $30 million at the outset, in the opinion of the writer. This possibility would be significantly enhanced if the U.S. Government would agree to deposit perhaps $2 of investment for every $1 of Liberian investment that was brought in from a foreign source. This would have the effect of testing the commitment of the Liberians to this program, while at the same time enhancing the confidence of the public in the securities program at only marginal risk to the U.S. Government. Liberia might also make this proposal to several of its other major trading partners, such as the Bonn Government, the United Kingdom, and perhaps Japan.

The advantages of the money/capital market system were set forth in Section IV, "A Proposed Liberian Government Money/Capital Market System," and need no further analysis here.

Similarly, the implications of the dollar currency for not only the money/capital market system--but more importantly, for the economy as a whole--were set forth in Section I and apply equally here, and need no further analysis.

In summary, the success determinants of a money/capital market system for the country of Liberia are as follows:

A. A set of regulations governing the issuance and redemption of the securities;

B. A set of regulations requiring the financial institutions sector to invest in the government's securities;

C. A private business sector with liquidity to invest;

D. International investors--primarily government--who might consider investing;

E. A competitive interest rate, accompanied by a system that does not cause significant disintermediation from the depository institutions when the government securities are issued;

F. Judicious management of those funds by the Government of Liberia; and finally,

G. A confidence by each of these sectors of the economy that the governmenb can and will manage the proceeds of the securities in a prudent manner, calculated to assure the investors that the securities will be redeemed in accordance with the terms of the issue.

The potential constraints should also be considered. The constraints which should be considered in the process of developing a money/capital market system for the country of Liberia are:

1. The number of individual investors may be so small so as to comprise such a thin market that a secondary market would be difficult to develop. A viable secondary market is important in providing liquidity to the market. It is for this reason, among others, that the economic base of the Liberian economy must be broadened to include a greater percentage of the population.

2. There may be some apprehension on the part of the private sector financial institutions and businesses to invest in the government paper, especially given the current governmental financial problems.

3. There may be other alternative investments which may produce higher returns.

4. The relatively low literacy rate may make the education process for the Liberian investors a difficult one.

In summary, however, it would seem that the weight of the evidence suggests that not only can Liberia create its own

government securities market, it should do that in order to improve its economic development infrastructure. Given the fiscal prudence which the Liberian Government has evidenced over the last twelve to fifteen years, it can be reasonably argued that this government can make this securities market operate without undue risk to the investors.

To improve the chances of its potential success, however, the Liberian Government may be wise to begin with the money market instruments rather than the long-term securities at the outset--and to continue this process for two or more years while the confidence of the investing public is being nurtured. As each series of securities is redeemed, a certain level of "roll-over" securities will become evident. After this level of investment roll-over becomes stable, the government may wish to begin phasing in intermediate-term securities, and thus invest in some development projects, followed still later with long-term securities. In the initial stages, however, none of the proceeds should be invested in economic development projects, thus creating an illiquid situation.

V. THE NEXT STAGE

While this study is not as comprehensive as it might otherwise appropriately have been, it is the opinion of this writer that another purely study stage is not required. Instead, a combination of further study with implementation steps could appropriately be pursued. Accordingly, it is recommended that persons be employed to perform the following functions:

- review of the legislative framework prior to its passage;
- devise structure for financial institution regulation within the government;
- survey mechanics of issuance and redemption of securities, including the recordkeeping and other procedural functions;
- draft debt management policies.

Such a team could be comprised of three people, who might--but need not necessarily--travel as a team.

The approximate time could range from between four to six weeks, with two to three weeks in Liberia and two to three weeks in the United States. It must be emphasized that the estimated timeframe should be viewed as a guideline, with room for flexibility, rather than a rigid, unvarying timeframe. The complexity of the issues, the unpredictability of scheduling meetings with relevant persons, and the importance of the end product warrant an approach which requires flexibility in all respects. The absence of flexibility in a project such as this could result in "forced" conclusions and ill-conceived strategies.

To capture the momentum generated by the Liberian Government, such a team should begin within 30 to 60 days from the submission of this report.

Finally, it is the judgment of this writer that Liberia not only can--but also, Liberia should--develop its money/capital market system under the strategy set forth above. The risks are marginal and the potential benefits are significant to the economic development process of Liberia.

Finally, in the opinion of this writer, the challenge of serving as an important catalyst in the economic development process of Liberia could render significant long-run benefits to the U.S. Government as it shapes its foreign policy with respect to Sub-Saharan Africa. Moreover, the potential investment would appear to be relatively small when compared with the potentially beneficial influence on that continent that may accrue to The United States in the process.

APPENDIX I

LIBERIA'S NATIONAL ACCOUNTS 1972-80
(1971 Constant Prices) $ million

	Actual					Prelim.	Projected			Growth 1974-80 (%)
	1972	1973	1974	1975	1976	1977	1978	1979	1980	
Gross Domestic Product	429.9	452.3	474.7	500.7	507.8	548.4	572.9	598.5	628.1	4.8
+ Terms of Trade Adjustment	-11.4	-40.2	-68.2	-88.3	-66.9	-48.8	-33.8	-29.2	-26.2	-
Gross Domestic Income	418.5	412.1	406.5	412.3	440.9	499.6	539.1	569.2	601.8	6.8
Imports	175.7	170.7	144.6	151.5	172.4	200.9	216.3	232.1	251.1	9.6
Exports	-269.4	-288.8	-294.9	-299.2	-281.4	-294.8	-299.1	-303.4	-307.8	0.9
Exports adjusted for Terms of Trade	-258.0	-248.6	-226.8	-210.9	-214.5	-246.0	-265.3	-274.2	-281.6	3.7
Resource Gap	82.3	- 77.9	- 82.2	- 59.4	- 42.1	- 45.1	- 49.0	- 42.1	- 30.5	-
Consumption	264.9	263.7	257.9	273.8	287.6	305.7	321.4	338.6	355.7	5.5
Investment	71.3	70.6	66.4	79.2	111.2	148.8	168.7	188.6	215.7	4.7
Resource Availability	336.2	334.3	324.4	353.0	398.8	454.4	490.1	527.2	571.4	9.9
Gross Domestic Saving	153.6	148.5	148.6	130.5	153.4	193.9	217.6	230.6	246.1	8.8
Factor Service Income	- 96.5	- 71.9	- 46.2	- 37.5	- 35.3	- 34.9	- 33.6	- 32.3	- 31.5	-
Net Current Transfers	15.2	10.5	7.0	6.0	6.2	6.4	6.6	6.7	6.8	-
Gross National Saving	72.3	87.1	109.5	107.0	124.3	165.4	190.6	205.0	221.5	12.5
Gross National Product	333.4	380.5	428.5	463.1	472.5	513.5	539.3	566.1	596.6	5.7
Gross National Income	322.0	340.3	360.4	374.8	405.6	464.6	505.5	536.9	570.4	8.0

Sources : Min. of Finance Annual Report 1976

APPENDIX II

GROSS DOMESTIC PRODUCT BY SECTORAL ORIGIN

($ Million - Current Prices)

Economic Activity	1967	1968	1969	1970	1971	1972	1973	1974	1975 1/	1976 1/
1. Agriculture, Forestry & Fishing	27.3	27.8	38.8	40.4	40.2	38.2	62.6	80.1	71.2	94.2
- Rubber	20.0	19.3	26.3	26.8	24.0	22.2	37.1	50.0	35.8	44.3
- Forestry	2.0	2.1	5.3	4.8	6.4	6.5	14.5	15.5	22.0	34.8
- Other	5.3	6.4	7.2	8.8	9.8	9.5	11.0	14.6	13.4	15.1
2. Mining & Quarrying	95.7	105.3	112.9	115.6	124.8	142.1	152.7	195.0	285.6	275.1
- Iron Ore	85.1	89.9	95.3	104.6	113.7	129.7	133.8	183.5	280.0	270.0
- Other	10.6	15.4	17.6	11.0	11.1	12.4	18.9	11.5	5.6	5.1
3. Manufacturing	8.9	9.3	13.0	15.2	17.1	18.0	22.6	29.3	32.5	38.0
4. Electricity & Water	4.2	4.3	5.3	5.6	5.8	7.1	5.8	6.9	*	*
5. Construction	17.5	12.4	13.9	16.2	14.4	17.6	15.0	18.0	24.0	26.4
6. Wholesale & Retail Trade, Hotels and Restaurants	33.0	37.2	39.0	42.6	45.6	49.4	53.3	70.6	*	*
7. Transport, Storage and Communication	26.7	29.6	31.6	31.8	34.7	36.3	39.3	53.2	*	*
8. Financial Institutions, Real Estate & Business Services	17.8	19.7	22.8	23.7	24.7	27.3	34.7	38.3	*	*
9. Community, Social & Personal Services	9.3	10.5	11.1	12.4	11.6	13.0	14.3	17.4	*	*
10. Producers of Government Services	21.0	22.8	24.9	23.0	27.0	26.7	31.2	36.0	43.5	51.0
11. Imputed Bank Charges	-2.0	-2.6	-3.5	-3.4	-3.4	-3.5	-4.2	-5.1	*	*
12. Monetary GDP (at factor cost)	259.4	276.9	309.8	323.1	342.5	372.2	427.3	539.7	662.0	732.7
13. Traditional Economy	46.3	47.3	49.7	56.2	57.5	60.1	78.2	111.4	125.4	130.0
14. Total GDP (F.C.)	305.7	324.2	359.5	379.3	400.0	432.3	505.5	651.1	787.4	862.7
15. Indirect Taxes (net)	23.8	27.0	27.4	28.5	30.0	33.7	39.4	47.5	49.8	60.0
16. Total GDP (m.p.)	329.5	351.2	386.9	407.8	430.0	466.0	544.9	698.6	837.2	922.7

Source: Ministry of Planning & Economic Affairs

1/ Preliminary

* Break down n.a.

APPENDIX III

Projections of Employment by Sector 1974 - 1982

SECTOR	Employment 1974	Annual Econ. Growth Rate %	Annual Employment Rate %	Projected Employment 1979	Projected Employment 1982
Total/ Agriculture and Related Traditional	450,000	-	-	509,000	549,000
Agriculture	340,000	3.6	3.0	394,000	431,000
Modern Agriculture	100,000	1.0	0.5	103,000	104,000
Forestry	5,000	8.3	4.2	6,000	7,000
Other	5,000	8.3	4.2	6,100	7,000
Total: Mining	15,000	-	-	15,000	16,000
Iron-Ore	11,740	-	-	12,000	12,000
Manufacturing	15,000	7.8	3.9	18,200	20,400
Utilities	1,200	8.8	4.4	1,500	1,700
Construction	5,000	29.5	14.8	10,000	15,000
Total: Trade	44,000	-	-	53,000	59,000
Modern	24,000	8.8	8.4	29,000	33,900
Traditional	20,000	3.6	3.0	23,000	25,300
Restaurants/ Hotels	5,000	8.8	4.4	6,000	7,100
Transport, Communications	11,800	8.8	4.4	14,600	16,700
Business Servicing	5,000	8.8	4.4	6,200	7,100
Government	26,800	4.6	2.3	30,000	32,200
Personnel Service	15,000	8.8	4.4	18,600	21,200
Industry	1,200	-	-		
Total: ALL SECTORS	595,000	-	2.8	683,000	745,000

Source : M P E A - Annual Report 1976.

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PERSONS INTERVIEWED

In an effort to get an objective perspective on the financial and economic situation in Liberia, I talked to most of the multi-national organizations that either interface with or have some information on the financial and economic situation in Liberia. Beginning in Washington, I proceeded to New York, to Abidgan, Ivory Coast, to Lome, Togo, to Monrovia, Liberia, and to London. The following is a roster of the persons to whom I talked. However, the order of the listing bears no relationship to the chronology of the discussions.

1. Mr. Rodney Mills, International Economist, Board Governors, Federal Reserve System, U.S.A.

2. Mr. Joe Saxe, Chief, International Finance Division, International Bank for Reconstruction and Development, Washington, D.C.

3. Mr. David Gill, Director of Capital Markets Division, International Finance Corporation, Washington, D.C.

4. Mr. Bradford Warner, Economist, International Finance Corporation, Washington, D.C.

5. Mr. Kuaayama, Securities and Exchange Commission, Washington, D.C.

6. Ms. Aymur Uluatam, Economist, Liberia/Sierra Leone, International Bank for Reconstruction and Development, Washington, D.C.

7. Mr. Fareed Ataban, Senior Economist, Liberia/Sierra Leone, IBRD, Washington, D.C.

8. Mr. Seung Choi, Loan Officer, Liberia, IBRD, Washington, D.C.

9. An Economist, International Monetary Fund, Washington, D.C.

10. Mr. Ted Aimsley, Vice-President, Chemical Bank, New York City.

11. Mr. Alan S. Goldey, Vice-President, Citibank, New York City.

12. Mr. Walter Mayo, Assistant Manager, International Bank, Middle East/Africa, Chemical Bank, New York.

13. Mr. Ray Van Raalte, Director of REDSO/AID/Abidjan, Ivory Coast.

14. Mr. Gordon, Program Officer, REDSO/Abidjan.

15. Mr. Biabaca N'Diaye, Director of Finance, African Development Bank, Abidjan.

16. Mr. Gademu, Director of Research and Planning, African Development Bank, Abidjan.

17. Mr. Kenneth Lussier, Director, West African Development Bank for French African Countries, Lome, Togo.

18. Mr. Romeo Horton, Director of ECOWAS, Lome, Togo.

19. Mr. G.R. Khalifa, Lebanese private business man who controls the following corporations: Younis Brothers and Co. Inc.; Liberia Cement Corporation, a cement manufacturer; Service Center Corporation, a distributor of General Motors cars, both Cadillac and Chevrolet; the National Bottling Corporation; and the General Electric outlet.

20. Mr. P.V. Mahadeva Fernanco, General Manager of the Bank of Liberia.

21. Mr. Robert Jackson, Executive Vice President, Bank of Liberia.

22. Mr. Charles A. Green, Governor, National Bank of Liberia, the Central Bank.

23. Mr. James H. Ashida, Counsellor for Economic and Commercial Affairs, Embassy of the U.S., Liberia.

24. Mr. R. Challappah, General Manager, the Liberian Bank for Development and Investment, Monrovia, Liberia.

25. Mr. Stephen Glovinsky, Assistant Resident Representative, United Nations Development Program, Monrovia, Liberia.

26. Mr. John H. Hehir, Jr., Vice President and General Manager, Chase Manhattan Bank, Monrovia.

27. Mr. Jerome Harrington, Assistant Treasurer, International Trust Co. of Liberia. This is the organization that controls the registration of ships under the Liberian flag for the Liberian government. It also runs a bank and an insurance agency.

28. Mr. Fred M. Ryan, President, Fred M. Ryan Associates Inc., an American business man of 32 years in Liberia, owning the Lone Star Shipping Corporation and a number of other major businesses in Monrovia.

29. Mrs. Ellen Johnson Sirleaf, Deputy Minister of Finance, Liberia.

30. Mr. James Phillips, Minister of Finance, Liberia.

31. Mr. Clarence Parker, private Liberian businessman. Owns a paint factory, oil palm plantation, etc.

32. Mr. Everett Santos, Attorney, IFC.

33. Mr. Christian Maxwell, Liberian attorney and businessman.