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DEPARTMENT OF PLANNING AND ECONOMIC AFFAIRS
MONROVIA, LIBERIA

CONFERENCE ON DEVELOPMENT OBJECTIVES
AND STRATEGY

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EXTERNAL ASSISTANCE FROM THE WORLD BANK
GROUP WITH SPECIAL REFERENCE FOR LIBERIA

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of Planning and Economic Affairs or the Government of Liberia.

CONFERENCE ON STRATEGY FOR DEVELOPMENT

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The potential contribution of the World Bank Group to Liberia's economic development should be seen against the background of the ongoing rapid expansion of the activities of this organization. As is well known the management of the World Bank Group has adopted the goal of doubling the volume of lending operations during 1969-73 and, in view of the particular urgency of Africa's development requirements, of tripling World Bank Group assistance to the African countries. The first year of the five year period has shown a decisive step towards the achievement of these objectives. The total volume of loans and credits made in FY 1969 (July 1968-June 1969) approached \$1800 million, an increase of 56 percent over the average of the preceding five year period. Lending to all of Africa increased during the same year by 116 percent. Evidently therefore the Bank Group is well on the way to reaching the above mentioned objectives.

At the same time the World Bank is in the process of diversifying the nature of its lending activities. In the first twenty years of its existence, the World Bank's lending was concentrated on the financing of power and transportation projects. Financing of agricultural and industrial projects occupied a less important place in our operation. In recent years, however, loans for projects in agriculture, livestock, forestry and fisheries gained in importance. We are also rapidly increasing our assistance to education, particularly technical training at the secondary level and teacher training. Meanwhile other areas of pressing need present themselves and at the recent Annual Meeting of the Governors of the Bank our President, Mr. McNamara, indicated that the Bank is trying to find approaches to tackle the baffling problems posed by urbanization and the rising unemployment levels in many less developed countries. Connected with the solution of these problems are our intensified efforts to assist industrial development with special emphasis on labor intensive production methods. It will be realized however that the financing of industrial development is not a new field of activity to us. For many years we have been financing industrial development through direct World Bank lending to industry, through the subloans of World Bank assisted development finance companies in many countries, and through the equity and lending activities of our private sector sister, the International Finance Corporation. I should finally mention the Bank Group's strong interest in the fostering of appropriate population control policies. These are needed to prevent the fruits of economic development from being absorbed by ever increasing numbers.

Having thus sketched the expansion of World Bank activities, it is perhaps useful to also point to the limitations of our role in the global flow of resources to less developed countries. Net disbursements of Bank and IDA funds amounted to around \$0.5 billion during 1964-68 as compared to a total net flow of resources to less developed countries of \$10-12 billion. The growth in our commitments will of course soon be followed by a proportionate increase in disbursements, but clearly the World Bank Group is far from being able to answer all foreign aid needs around the globe. This is of course not our objective. Many less developed countries are able to obtain aid from developed countries on a bilateral basis. Governments moreover are able to fill part of their needs for foreign assistance by credit extended by foreign private suppliers of equipment. Naturally the role of the World Bank should extend to those areas in which through accumulated experience it is in the most advantageous position to provide assistance.

The decision by the management of the World Bank to expand and diversify its assistance resulted from an increased awareness on the part of the Bank of the size and nature of total development requirements of the less developed world. This awareness is leading our organization to an attempt to integrate the Bank's activities in the development efforts made by all concerned: the governments of less developed countries themselves, the other international agencies in the aid field, the various governments of developed countries providing aid on a bilateral basis, and the international flow of private investments. A result of this approach is a more conscious effort to size up the total development problem of each country and all the means available for its solution.

In order to obtain a picture of our task in this respect, the Bank sends out economic missions to the countries to which it is providing assistance. The purpose of these missions is to analyze the country's current economic situation and prospects and to evaluate the development strategy which the government follows within the set of national priorities adopted by the country. These missions attempt to assess the priority of development action in the major sectors of the economy, review ongoing pre-investment studies and technical assistance programs and make recommendations for further action in this area. On the basis of its assessment of feasible development goals, the mission then attempts to size up the financial problem of the country. It estimates the potential domestic contribution to development financing, the outlook for official and private assistance from external sources and the contribution the Bank Group could make to development. The report of the mission is the foundation for further action by the Bank Group in the country.

The implementation of the action suggested by the economic report requires efforts on our part to help governments identifying and preparing projects. For this purpose joint cooperative programs were established several years ago with FAO and UNESCO. We also maintain close ties with other international agencies, in particular with UNDP. In response to the need for assistance in project preparation the Bank has moreover established Permanent Missions in West Africa (Abidjan) and East Africa (Nairobi).

For a variety of reasons, Bank Group assistance to many of its African member countries, including Liberia, has been more or less accidental to the aid supplied, in a number of cases plentifully, by other aid sources. In recent years however we have moved to an approach towards African development more closely corresponding to the one outlined above. First tangible evidence of this redirection of effort is the sharp increase in our lending to African countries last year. The full picture however is provided by the enormously increased efforts in project preparation which are gradually resulting in an increased pipeline of projects.

The Bank's efforts to provide assistance to Liberia should be viewed against this background. Thus far we have made two Bank loans in Liberia. In 1964/65 the Bank provided \$4.25 million for the financing of road construction. In June 1969 a loan of \$3.6 million was made to help finance the dredging of the Monrovia port. The International Finance Corporation has made an equity investment of \$248,950 in the Liberian Bank for Industrial Development and Investment. Meanwhile however a number of other projects is in varying stages of preparation.

Our efforts to formulate and implement a lending program for Liberia for the next several years find their point of departure in our latest assessment of Liberia's development prospects which was made in the economic report on Liberia completed in the beginning of this year. The tenor of the report is the divergence in development trends of the enclave sector which comprises the iron ore and rubber companies and the related infrastructure, and the rest of the economy. The enclave sector is modern and capital intensive and has grown rapidly during the last two decades. The rest of the economy is on the whole operating on the basis of traditional production methods, disposes of a small stock of capital and modern know-how, and has been more or less stagnant.

Liberia's development strategy should in our view be aimed at preserving the healthy investment climate for the enclave sector provided by the government's open door policy and providing where necessary infrastructure needed for the continued growth of these activities. The Bank's assistance to the Monrovia port project which is intended to permit larger ore carriers to use the port is in line with this principle. Increased participation of Liberian capital and labor in the enclave operation also deserves to be stimulated.

The main thrust of the government development effort should however be placed on the rest of the economy, first of all the rural sector, which comprises the overwhelming majority of the population. The development of Liberian agriculture should occupy the central place in the development endeavor and the provision of increased facilities for education, transportation and other infrastructure, should be closely related to this objective. It is by no means entirely clear, however, how effective modernization of Liberian agriculture can be brought about. This requires deeper knowledge than is at present available about growing conditions and economic and sociological factors governing production increase. As a first step from our side to increase knowledge about these matters, we intend to mount a small agricultural survey mission in the early part of next year. This mission will try to identify needs for pre-investment studies and technical assistance needs in agriculture as well as identify projects which appear suitable for early implementation. The Agricultural Census planned by the Government for 1970 should of course also help provide important information on the situation of agriculture in Liberia. The Bank's survey mission will be a continuation of earlier attempts at project identification by the staff of the Bank's Permanent Mission in West Africa, which includes an oil palm project and a smallholder rubber development project.

Closely related to the development of the rural sector is the need for improvement and expansion of the road network. The Permanent Mission has recommended to the Government to undertake a road maintenance study, possibly with the assistance of UNDP, in order to identify a program for the improvement of existing road links. A following step will be the study of the need for additional road connections. The Bank is moreover financing, as part of its loan for the Monrovia port feasibility studies of certain roads in the Monrovia area. These roads should improve access to the port and alleviate Monrovia's growing traffic difficulties.

A necessary ingredient for economic development, of the rural sector as well as of infrastructure and services sectors (power, transportation, construction, trade and finance, government administration) is the education and training of the labor force at all levels. The guiding principle is to make the entire educational system responsive to the manpower needs of the economy. This will require the restructuring of educational curricula and the provision of suitable educational facilities. The Bank has been discussing with the Government in which way it can provide assistance to this objective. A project aiming at improving the extent and quality of secondary education and upgrading vocational technical education is presently under consideration.

A further project under consideration by the Bank Group is assistance to the power sector. The consultants' report on this project is now being reviewed and an appraisal mission is scheduled to visit Liberia soon.

This brief review summarizes the current stage of our activities to assist Liberia's economic development. As studies are being completed more substance will be provided to the various project proposals and projects suitable for international financing can then perhaps be formulated. Meanwhile we intend to remain in contact with the Government to discuss new project proposals and to discuss the formulation of the overall development plan.

An important aspect of the development plan is the financial contribution provided by domestic resource mobilization. In our assessment of the financing of Liberia's prospective development effort in the economic report we have discussed the importance of this domestic contribution. Development assistance by the Bank Group cannot be a substitute for adequate domestic efforts towards resource mobilization. The global scarcity of aid funds makes this impossible. Foreign aid must of necessity be a supplement to what the country can achieve on its own strength. In the past several years the domestic contribution towards Liberia's public sector capital formation has been small, in part due to heavy debt servicing payments. The analysis in our report appears to indicate however that there is scope for a substantial increase in the domestic contribution. The realization of this increase will be an important element in the financing of a development program which corresponds to Liberia's development potential.

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