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THE LEAST DEVELOPED COUNTRIES**

LIBERIA

**FIRST DRAFT OF NATIONAL PROGRAMME OF ACTION
(Summary)**

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I. INTRODUCTION

1. Liberia is a small West African country with a relatively good natural resource endowment, including a good supply of arable land and a climate suited for crops including rubber, coffee, cocoa, sugarcane, oil palm, rice, cassava, and rich tropical rain forest reserves as well as minerals. The natural resource base is one which, if appropriately harnessed, could ensure for Liberia's population, a high standard of living.

2. The country experienced strong economic growth in the 1960s and 1970s contributing to an export boom led primarily by iron ore and natural rubber. During the 1970s, growth began to decline to below the levels attained in the 1960s, after reaching a peak of 5.5% in 1971. Continuing decline in the 1980s was due largely to worsening of Liberia's external terms of trade and mounting economic mismanagement. The country also experienced growing external arrears, leading to a breakdown of relations with international creditors and donors. These problems were compounded by the outbreak of civil war in December 1989. During the eight-year civil conflict, which ended in 1997, economic activity came to a virtual standstill. There was massive displacement of the population with a large number fleeing to urban areas and to neighbouring countries. There was a further loss of 10% of the population through death during the war. Central political authority collapsed and the delivery of services, mainly education and health, came to a complete halt. Agricultural production and mining activities were substantially reduced. The economy shrank to about 60 per cent of its pre-war level.

II. LIBERIA'S ECONOMY DURING THE 1990s

3. The growth pattern in Liberia follows closely that of other African economies dominated by a foreign sector where exploitation of natural and mineral resources are carried out with little benefit flowing to the rest of the economy and where there is relative neglect of agriculture and other renewable resources. Mining sector operations came to a virtual halt in 1990 as mining facilities were largely destroyed and vandalized as a result of the conflict. Gold and diamond mining were however thought to have continued clandestinely during the war period. (No official information is available on this.) Exploration and prospecting continue for gold, uranium, and oil. The manufacturing sector remained at less than 10% of GDP during the war and activities of the sector were limited primarily to the production of cement, non-alcoholic beverages and beer. Output virtually stopped in 1996, as most companies closed down operations when the conflict spread to the capital.

Determining factors in the country's socio-economic situation

Peace and Social Stability

4. The 1990s was a period characterized by war and social instability, alongside attempts aimed at restoring normalcy. The war, which lasted for eight years, had a devastating effect on the economy and society causing heavy loss of life and massive displacement of the population, particularly in the rural areas. An estimated 50% of the entire population was displaced, either internally or externally, and over 200,000 killed. This development contributed to the growth of poverty, in human development terms, as the delivery of social services was almost impossible

despite massive support from NGOs and several other donors. Since the end of the war and despite substantial efforts to resettle internally displaced persons throughout the country, social indicators still suggest a deepening of poverty related mainly to the overcrowding of schools and inadequate health services. In addition, basic economic and social infrastructure was damaged. Local industries, roads and bridges were left in a state of disrepair, leaving many rural towns and villages completely isolated. Schools, market facilities, clinics and hospitals, water and sanitation facilities also fell into a state of disrepair. Mobility was also severely restricted due to damaged roads, culverts and bridges.

5. Following the eight years of conflict, attempts were made in the last two years of the decade of the 1990s to resettle the internally and externally displaced, reintegrate the 33,000 ex-combatants, reconcile the population, consolidate the peace and promote democracy. With the help of the international community, more than 60% of the displaced population have now been resettled in their original homes. The Government has established a National Commission on Reconciliation and a Commission on Human Rights to promote the process of peace-building and a National Commission on Good Governance to promote transparency and accountability in the public sector. A programme for reform of the Judiciary and Law Enforcement systems have also been started as part of the agenda for improving governance and internal security.

Environment for Private Sector Development

The Liberian private sector is dominated by foreign-owned business establishments engaged in the importation of economic and industrial goods, wholesale and retail trade and some light manufacturing. Mining, logging, and rubber production account for most of the large scale private enterprises. There is no linkage between them and the rest of the economy. Private sector activities were adversely affected by the war. Manufacturing and mining concerns were severely looted, forcing them to close operations. Bad and inappropriate policies have also had a negative impact on the growth of the private sector. The conditions have not been improved by corrupt bureaucratic practices, which have led to a higher cost of establishing and operating a business enterprise. Other constraints have been the unrestrained use of commercial bank loans to finance government budget deficits and extra-budgetary expenditure, crowding out small- and medium-size entrepreneurs competing for the same funds. Macroeconomic policies have also not been generally supportive of domestic productive activities.

Resource Mobilization

6. The war virtually halted all real economic activity within the country resulting in a steep fall in Government revenue. Liberia today has no external resources and owes creditors over US\$3.0 billion. The banking sector is in great need of reform. Domestic savings needed to stimulate investment is virtually non-existent. External resource mobilization is hampered by a serious debt overhang and donor scepticism about security, the rule of law and respect for human rights. Substantial external assistance was provided by the donor community for humanitarian and emergency relief during the war, but the amount of total aid to post-war Liberia has declined substantially compared to that of the pre-war years. The re-imposition of the Brooke Amendment by the Government of the United States, Liberia's single largest donor, has exacerbated the problem.

Governance

7. Analysis of the origins of the civil conflict indicates that lack of good governance and social exclusion were key contributing factors. The present Government has indicated its commitment to good governance by according it prominence in its political agenda and setting up various commissions concerned with promoting national reconciliation, human rights and good governance.

Women

8. The historically unfavourable position of women vis-à-vis men was aggravated by the war. The breakdown in social services and educational facilities has resulted in higher drop out and illiteracy rates among young girls. Females have also been deprived of opportunities to acquire skills to enable them to engage in economically gainful activities.

External Shocks

9. Like other LDCs, the Liberian economy is sensitive to external shocks especially adverse price movements against major primary export commodities such as iron ore, rubber, and logs.

III. PROGRAMME OF ACTION: 2001 - 2010

10. The post-war development problems and economic recovery needs are tremendous, and would require both short and long-term measures. Following the end of the civil war and the installation of a democratically elected government in August 1997, a national reconstruction programme has been initiated. Given the limited resource capacity of Government, the phasing and prioritization of the post-war reconstruction and economic recovery measures in the immediate to medium term are essential first steps. In this context, the government of Liberia has outlined its overall recovery objectives in the National Reconstruction Programme (NRP) launched in early 1998. The focus is short-term, but many of the activities are expected to be carried over through the current decade. The overall objectives of the NRP are to:

- ensure sustained peace, national security, and civil liberties;
- revive and reinforce government administrative institutions at both the national and local levels;
- repatriate, resettle and reintegrate the displaced population, including former combatants;
- ensure food security;
- resuscitate and expand sources of sustainable livelihoods, specifically in the informal and private sectors;
- facilitate the rehabilitation and reconstruction of essential public infrastructure in rural and urban areas;
- stimulate and sustain economic growth;
- enhance the viability of the financial sector; and
- improve economic management.

It is expected that the activities of the NRP will spill over in the Action Programme period; but the longer time frame of the latter makes it important and necessary to ascribe additional goals, objectives and strategies to that effort.

11. The ten-year Action Programme for the Development of Liberia is intended to make a significant contribution towards minimizing the socio-economic problems facing post-conflict Liberia. The programme must be seen as the initiation of a continuing process to be revised in the context of changing circumstances, as time goes by. The Action Programme will build on the country's natural advantages along the strategy outlined below:

12. While exports and greater processing of exports will be encouraged, the programme aims to progressively exploit the opportunities that exist for growth. It will attempt to:

- increase investments that would help in the diversification of the economy, with emphasis on investment in agriculture, manufacturing and small-scale industries;
- improve transportation and communications to reach the rural population;
- mobilize all communities to get involved and undertake rural self-help projects;
- expand education to reduce adult illiteracy;
- adopt primary health care programmes to reach most of the population;
- intensify education in family planning; and
- improve land tenure to encourage individual families to till and make land more productive.

13. In foreign operated activities, a policy objective will be to actively seek ways of augmenting the benefits which are retained in Liberia from such activities. There will be important changes in policy direction, including in:

- diversification of the economy;
- improved distribution of income; and
- increased Liberianization of the economy.

14. Policy changes in the above will be flexible and pragmatic so as not to lead to any disruption in confidence. The policy thrust of diversification under the Action Programme is aimed at correcting the past focus of neglect of the agriculture and agro-based industries. The manufacturing sector will also receive greater attention due to its importance in contributing to the alleviation of the unemployment problem, particularly in urban centres.

15. The land tenure system will be examined and appropriate measures taken to obtain more productive use of the land, improve access to land and encourage small scale farming. The forestry sector, which constitutes one of the most important natural resources of the country, will continue to be monitored. A major policy in this sector will be the conservation of resources in order to avoid irreplaceable depletion of valuable species.

16. There will be an effort to encourage the popular participation in relevant and feasible areas of planning, execution and monitoring of projects to help to address some of the gross imbalances in socio-economic conditions in the country. The Liberian government will also initiate a new anti-poverty rural and urban development scheme with participation at local as well as national levels. A concerted effort will also be made to tackle the unemployment problem through a strategy of raising the level of agricultural productivity in the countryside and increasing opportunities for gainful employment.

Programme Expenditure/Financing

17. The total requirement for public sector expenditure over the Action Programme period is approximately US \$ 809m or 14% of projected GDP. This relatively high public investment ratio is due to the high replacement investment of public facilities and institutions necessary in the post-conflict period. The broad structure of the programme is consistent with government's development priorities at this time, with particular emphasis on rehabilitation. A substantial portion of the planned expenditure for roads, agriculture, social and community services will directly benefit the rural areas where people have just been resettled and re-integrated. This investment is consequently designed also to stimulate agricultural productivity and to generally improve the quality of life, which is the cornerstone of the development objectives of the ten-year Action Programme.