



## Aide Memoire Outcome of National Economic Forum

### ***Liberia's Transformation: Exploring Strategic Options for Inclusive Economic Growth and Sustainable Development***

#### **1. Background**

As Liberia nears the end of the implementation of its first post-war medium term development strategy under the ***Lift Liberia Poverty Reduction Strategy***, there is a need to begin the crafting of the next development strategy to fill any potential gap in development planning. In furtherance of this, the Ministry of Planning and Economic Affairs has been playing a key coordinating role in ensuring that a coherent, pragmatic, and transformational medium term (2012 – 2017) development strategy is prepared and ready for implementation at the beginning of the next fiscal year (July 1, 2012) in tandem with the medium term expenditure framework (MTEF).

There are a few noticeable differences between this new strategy and the previous one (PRS):

1. The new medium term strategy is being deliberately linked to a national vision (Liberia RISING 2030);
2. The new medium term strategy will span five (5) years rather than three (3);
3. The new strategy will be more results-focused;
4. The new strategy address the socio-political dimensions of growth and development;
5. The new strategy will be informed by empirical analysis and diagnostics.

In order to ensure that the key underlining socio-political issues are carefully considered in the development planning process, the Ministry of Planning has been partnering with the Governance Commission in crafting the Liberia RISING 2030 National Vision. To date, this visioning exercise has produced a retrospective analysis of Liberia's past.

In addition to the retrospective analysis conducted as part of the visioning exercise, a number of other diagnostics, studies, reviews, policies, and sectoral strategies and plans were developed over the last 3 - 5 years as part of the implementation of the Lift Liberia PRS. In order for the next medium term development strategy to be more transformative, coherent, complementing and pragmatic, it must be based on the gains made in the Lift Liberia PRS. Building on the gains, correcting the shortcomings, and proffering innovative and strategic interventions are the next best steps for Liberia in its development journey.

To achieve the goal of making the next medium term strategy more transformative than the previous one, there is a need for a national economic forum to review all the extant studies and diagnostics was espoused. The purpose of the forum was to bring together key policymakers, development partners, international experts, and private citizens to review all the studies and works on Liberia and to explore the strategic options for Liberia as we envision a middle income country where growth is inclusive and development is sustainable.

## **2. Forum's Organizations and Proceedings**

The forum was organized into various sessions. Each session had a presenter and slew of panelists drawn from government, development partners, business, private citizens, and international experts. The average length of each was about 1.5 hours.

Each session reviewed a number of studies and diagnostics and in most cases, the cabinet minister responsible for the thematic area served as presenter; in order cases, the author of the seminar study served as presenter. Each panelist was allowed 5 – 7 minutes to provide their perspectives (supporting or alternate). Participants from the floor were also allowed to weigh in on the subject under discussions.

### 3. Key Outcomes and Themes from the Forum

1. Liberia needs to take ownership of its development agenda and only invite partners to support, NOT lead;
2. That the achievement of middle income status (per capital GNI) by 2030 is possible but that the achievement of this status is not a panacea to Liberia's development challenges;
3. That development planning needs to be sensitive to the nexus between economic growth and socio-political issues especially considering the ugly past;
4. Issues of ***marginalization and inequality*** must be addressed upfront and not reduced to after-thoughts or by-products;
5. That a litmus test be applied to each to each strategic intervention to ensure that it contributes to inclusion and the reduction of inequality.
6. Liberia's macro-economic indicators are promising but fiscal regimes need to be strengthen;
7. The MAMS macro-economic analysis showed that growth can have a significant impact on reducing inequality; however, that effect can be amplified by taking additional policy measures more directly focused on reducing inequalities;
8. The cases of existing MICs such as South Sudan (or even HICs such as Equatorial Guinea), underscore the reality that growth does not in and of itself guarantee development of the kind that Liberia is aiming for.
9. Liberia's domestic tax base needs to be expanded;
10. Issues of dual currency need to addressed by local authorities but need to be reconcile with the emerging common currency regime being proposed by ECOWAS;
11. That Liberia should not attempt to address all the needs or remove all of the constraints at once – one or two key constraints should be identified, prioritized and removed;
12. That major investments in infrastructure (energy, roads, ICT) are necessary to unlocking growth but a conscious effort should be taken to ensure inclusiveness;
13. That investment in energy, to unlock the urban economy, has the greatest return on investment and should be prioritized;

14. Investments in Human Development (education, health & social protection) should be prioritized so as to address capacity and inclusiveness;
15. Strong policy coordination is critical if government is to have any chance of success in achieving its development goals;
16. Government needs to begin supporting small and medium enterprises (financing, policy, etc) as well as smallholder farmers (storage, roads, implements, etc);
17. Regulatory regimes need to be appropriate so that more informal sector businesses can move into the formal economy and so that local businesses can benefit from government procurement of goods and services;
18. That the concession economy will continue to be the major immediate driver of economic growth and therefore requires a different model of administration than in the past;
19. Natural resource rents MUST be managed properly to prevent “resource curse” or “Dutch disease” and to ensure that local communities benefit; and
20. Large concession companies need to be encouraged to support local businesses.

#### **4. Detailed Outcomes**

In addition to the broad, overarching themes that emerged from the forum, each session was intended to answer specific questions as means of ensuring that the outcome was achieved. Below, are the key outcomes for each of the 9 sessions that undertaken during the forum:

##### **1. Towards a new National Vision for Liberia – Liberia RISING 2030 (Retrospective Analysis)**

The study on the retrospective analysis focused on the following areas: the Liberia Economy, Governance, Society, the Liberia People, and the Environment. Key issues that emerged from the study and discussions were: (a) the impact of Liberia’s past on the future growth and development, (b) concerns from the past that must be factored in the development planning for inclusive and sustainable growth, and (c) addressing historical vices of

“marginalization and inequality”. These factors must be given serious attention in order to ensure that the aspired “middle income” status to be achieved by 2030 is inclusive and equitable. The body established that major consideration must be given to the issues of the inequality and marginalization of certain segment of the population. The decentralization of political power was placed on the power but caution should be taken so as not to over-decentralize the function of the state.

Many challenges were identified that have the propensity to impede the growth and development process, including: (a) personalization of the presidency, (b) the patronage system which is connected to the state has created a blotted bureaucracy, (c) the race factor in the Liberia body politic especially the issue of citizenship under the Liberia constitution which recognizes only people of non negro descent, (d) Liberia diplomacy which is greatly influenced by the country’s relationship with the USA, (e) militarization of the Liberian state, (f) democratization has been shrinking over the years , (g) depletion of nature resources, (h) peace and security, structure of warring factions still in place, the visible potential for violence, (i) resentment towards Liberians returning from abroad by Liberians. The matter of nation building was also highlighted in order to address issues affecting the state.

## **2. Liberia’s current macro-economic outlook**

Liberia’s economic transformation is a catalyst to attaining middle income country status. To this end, investing in infrastructure, education, and full operations of the real sector, and efforts to spur private sector-led growth, among other interventions, will transform the economy and achieve robust, sustainable growth. On the downside, the economy is plagued with multiple challenges particularly, weak infrastructure, poor road networks, dilapidated port facilities, and the eventual departure of UNMIL in the near future. The down-stream production of goods will boost significantly the macroeconomic outlook, along with the full operation of mining and other concessions activities, the expansions of financial and microfinance services.

Liberia should take into account the crucial importance of the Public Sector Investment Program (PSIP), within the context of investment in strategic public sector activities that will trigger significant economic and social benefit for Liberians. Liberia's accelerated macroeconomic growth will be grounded in the operation of mining, agricultural production, etc. On the upside, there will be acceleration of growth based on the concessions sector, over the medium term, especially in terms of iron ore extractions in the next few years; timber sector; palm oil and rubber. The downside is the external volatility affecting Liberia and the global financial sector resulting from the economic crises facing the United States and the Euro Zone.

### **3. Growth Diagnostics – identifying and removing the binding constraint to inclusive growth**

The three major binding constraints identified were:

1. Human capital formation (the people)
2. Access to finance (the money)
3. The coordination (the things)

#### **Human Capital Constraint**

Liberia's labor force is very limited as the war disrupted the process of education for many. There is high demand for technical skills; those jobs are being outsourced to foreigners. In order to address this constraint, Liberia needs an effective human capital formation policy and to improve the employability of the current labor force. Vocational and technical educations are key.

#### **Small and Medium Enterprise (SME) finance constraint**

There is a major bottleneck in accessing finances for small and medium scale businesses. Large businesses and the government have better access to finances. SMEs constitute the informal sector in Liberia. Government needs to take strong purchasing decisions to improve the position of the

informal sector and formalize SMEs to enable them access to finances allowing SME the opportunity to add to the economy.

### **Coordination constraint**

Procuring of complementary factors; human and physical capital is another constraint that must be addressed. There is a lack of coordination inside government; between the government and development partners; and between the government and the private sector. The lack of coordination has led to an uninformed populace that does not know what is profitable and an economy that is highly concentrated. The Government should know the needs of the private sector and ensure coordination within Government all sectors.

Addressing Liberia's public sector investment concentration will require a tradeoff between infrastructure and human development. To ensure inclusive and sustainable growth the Government needs to focus on institutions. Strong policy coordination is also needed to achieve Vision 2030. The Government should engage citizen from the village level up for Vision 2030.

## **4. Investing in Infrastructure for economic transformation**

The poor state of Liberia infrastructure has impeded the transformation and growth of the Liberia economy over the years. With the emerging economic activities in the areas of mining, logging and the agricultural sector, concession areas will account for significant portion of the country's infrastructure ; more than 30% of feeder roads, 80% of power, over 90% of port services, and nearly 100% of railways will be produced and consumed by concessioners.

Larger concessions (mining) are expected to be self-reliance in proving their own infrastructure while small concessions such as (Agriculture and forestry) are expected to rely on government for off-site infrastructure to support export.

With the above scenarios, how can Liberia benefit from the concession infrastructure and at the same time diversify the economy in order to break away from the concession economy? To answer these questions, the section focused on identifying areas of critical infrastructure needs, the type of infrastructure

required for national development and economic growth, and options available for infrastructure development.

On the issue of power, a National grid of CGLS was identified as a viable option for cheaper power production, for the rural road sector, concrete block will be a viable option because it offers moderate labor intensive investment, very low maintenance cost, and good surface quality and a coordinated double track rail system on high traffic corridor with multiple users, was also identified as a viable option because it reduces operational and capital cost, increases speed and ensures mixed traffic usage.

In order to diversify the economy and break away from the concession economy, it was agreed that investment in power and road infrastructure will increase economic activities. Investing in power infrastructure will reduce energy cost and thereby boost productivity and competitiveness of the urban manufacturing and service sector. While road infrastructure will reduce transport cost and expands the viability of small holders agriculture farmers

The section concluded with the following recommendations:

a) the need to explore channels for multi-stakeholder dialogue on infrastructure with the view of identifying a win-win public private partnership; b) introduce a coordination mechanism to avoid sub-optimal investment decisions for rail and energy; c) prioritize the resolution of road and port bottleneck affecting small concessioners; d) pursue Public Private Partnerships to implement this strategy; e) pursue dialogue with Guinea on win-win rail and power solution for regional mining complex; f) prioritize investment that brings high and increasing returns to the urban economy; g) give greater consideration to addressing small bridges in rural roads investment; h) ensure a competitive road construction sector to reduce cost; i) coordinate rural road development closely with agricultural development plan to boost production; k) undertake a pilot alternative technology for rural road development, preferably concrete block, and the need to reconsider the spatial allocation of investment.

## **5. Investing in Human Development for inclusive growth and equitable development**

Education is expensive, but it is a worthwhile investment because you are taking people out of the poverty cycle. To expand the middle, there has to be an economic paradigm shift from consumers to producers or a transition from importers to producers; a shift from small thinking to big thinking in our students; and there is a need to support entrepreneurship so as to create jobs in the private sector through Public-Private Partnership. We need to create a curriculum to push creativity.

Liberia must prioritize early childhood, primary and secondary education; promote library development and a reading culture. It is essential that the Government looks at past program such as the DDRR arrangement and identify the mistakes in order to tighten the grips and fill the holes when running such program for maximum impact.

Decentralization and post-basic education will be the major focus of PRSII. The tension between decentralization and equity needs to be adequately addressed, otherwise, the good intentions will be derailed. Liberia needs to focus more holistically on human development; how are households advantaged or disadvantaged in terms of education, health, water and sanitation.

Corporations and business are having difficulties recruiting locally; this is becoming a national crisis. Liberia needs to focus on the binding constraints to propel growth and become a middle income country. It's becoming clearer that human capital is a binding constraint. Liberians and the development partners need to start thinking about an education pool fund/trust fund, and raise money and invest in education from primary to tertiary as well as entrepreneurial training. As Liberians craft the medium term strategy, they need to prioritize education.

The session concluded that all the investment in infrastructure, as important as they are, will not yield the maximum benefit is the human capability (education, health, social protection, etc) does not receive the appropriate level of investment.

## **6. Leveraging Agricultural Potential for Economic Transformation and Food Security in Liberia**

One of the main constraints the agriculture sector is facing is access to markets for the farmers. Farmers also do not have incentives to produce more and the market is too small. Liberia needs to look at small-scale agro industries to support processing of crops. Land ownership also remains a challenge in accomplishing large scale production. Therefore small-holders must be empowered by the Government. Liberians need to diversify crops such as oil palm, cassava, chili pepper and cocoa which have local uses and global demand.

Agricultural inputs are very expensive. Link between agriculture and pro-poor growth needs to be addressed. Agriculture is the mechanism that will stimulate growth in the economy.

## **7. Developing the Domestic Private Sector for Inclusive Growth in Liberia: opportunities and challenges**

The Government has formulated some regulatory reform activities, with specific focused on the development of micro business and SMEs. SMEs account for 80% of the Liberian economy and contain most of the labor force in Liberia. The Government has created a competitive market environment and provided flexibility in the economy with some level of gender sensitivity.

Developing the small and medium enterprise will serve as a driving force for Liberia becoming a middle income country by 2030.

Cross –cutting issues affecting private sector growth in Liberia include the following: low export growth and diversification, standard and quality, investment incentive, lack of basic skills and training, performance of local entrepreneurs, structural development (value addition), productive capacity,

local procurement procedures, financing local companies, regulatory environment and lack of innovation.

## **8. Managing Natural Resource Endowment for Inclusive and Sustainable Growth**

To avoid the occurrence of resource curse in Liberia, GOL needs to take measures to diversify the economy, leverage the concession investment, avoid the pitfalls associated with resource management and invest in the future.

There is also a need to engage resource firms as development partners in the areas of community development, local employment and training, local procurement and SME development and building non-core infrastructure.

The following were advanced as recommendations to avoid the pitfalls:

Insulating money from politics , direct distribution of natural resource benefit, have stabilization funds for projects, establish appropriate decentralization mechanism, investing tax revenue on projects that increase the competitiveness of other export industries, substituting resource revenue for concessional borrowing and reporting resource revenue and expenditure.

## **9. Lessons of Experience**

Looking as experiences from Ghana, China, and Singapore lessons learned for Liberia:

- a. Employment is one of the biggest issues for sustainable growth and development, and it has to be the private sector, not government alone.
- b. There would be no economic development without affordable, well-functioning electricity.
- c. Focus on few and selected infrastructure such as roads, seaports, and airports.
- d. Through PPP, the private sector can support the government's efforts on other infrastructure projects.
- e. The government needs to manage expectation so that the citizenry don't expect too much too fast.
- f. Few critical constraints need to be identified and removed rather trying to remove all constraints at once

- g. The idea of identifying special zones that will basic infrastructure to support economic activities need to be seriously considered.
- h. Policy coordination inside the government should be a priority.

## 6. **Studies/Diagnostics Reviewed**

A Synthesized report of Liberia Retrospective Analysis  
Retrospective Analysis on Political Governance in Liberia  
Retrospective Analysis on the Political Economy of Liberia  
Retrospective Analysis on Environment and Land use planning in Liberia  
Retrospective Analysis on the Social Structures of Liberia  
Retrospective Analysis on the Liberian People (Demography)  
IMF Sixth Review (Liberia Country Report)  
IMF Debt Sustainability Analysis (DSA)  
MAMS Projections (WB Report)  
Liberia Budget Framework Paper 2011  
Experimental National Accounts Survey  
Africa Economic Outlook: Liberia  
Liberia Growth Diagnostics Report (WB)  
MAMS Framework for Making Strategic Policy Trade-off (WB)  
Diagnostic Trade Integration Study  
Prioritizing Infrastructure for Economic Diversification – a WB Policy Note  
Leveraging Natural Resource Concession – a WB Policy Note  
Infrastructure Coordination – an ACET Review and recommendation  
Transport Master Plan  
National Energy Policy  
National ICT Policy  
National Capacity Development Strategy  
Social Protection Diagnostics  
Education Sector Plan  
National Health Strategy  
A Case for System Transformation: 2008/9  
National School Census Report  
Liberia Agricultural Sector Investment Plan (LASIP)  
National Rice Strategies

National Cassava Strategies  
 Development Corridor Field Study Report  
 Liberia Domestic Resource Analysis  
 Liberia Strategy for Food Sufficiency  
 National Livestock Strategies  
 National Fisheries Strategies  
 Private Sector Development in Liberia – a WB Policy Note  
 Public Private Partnerships Diagnostics in Liberia  
 Development Corridor report  
 Domestic Resource Cost Analysis

**7. Participating Institutions/Individuals**

**Individual**

**Institution**

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Francis Dunbar	Burns International INC.
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Rolio Camell	CNDRA
Kenneth Y. Best	Daily Observer
Keith Morris	Daily Observer
Sam Jackson	Devine Corporation
Sam K. Drue	ELUM Radio
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