

Liberia: Business Reform in Tax, Investment, and Trade Policies Liberia Better Business Forum (LBBF)

By

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*Presented at the Public-Private Dialogue 2015 Workshop
(Copenhagen, March 10-13, 2015)*

1- Background and Context

Once a country with weak infrastructure and a battered economy following a protracted civil conflict that lasted over a decade, Liberia has been on the road to recovery and peace since late 2003. In 2006, the Liberian government requested assistance from the World Bank Group to help fuel private sector growth and attract investment. After supporting initial administrative reforms and providing diagnostic support, the Bank Group focused on public-private dialogue as a way of providing advocacy support for the passage of key laws and reforms. The LBBF was launched in July 2007 and was officially endorsed by Liberia's government and private sector as a new mechanism to facilitate dialogue on investment climate issues. The LBBF is a structured public-private partnership that brings together the government of Liberia and the private sector to engage in constructive dialogue on identifying, prioritizing, and resolving key constraints to private sector development.

The vision of the forum is to build a vibrant domestic Private Sector that works with the Government to create employment and economic growth for all in Liberia in addition to attracting international investment. By achieving measurable enhancement of the business enabling environment for private sector activity, the forum seeks to drive the creation of quality employment, poverty alleviation, and economic growth in the country. In order to accomplish this goal the forum has a subset of objectives which include: 1) To improve the investment climate and increase Private Sector participation in economic policy-making in Liberia; 2) To ensure that the Private Sector is fully engaged as a partner with the Government to contribute evidence-based recommendations and inputs into economic planning and policy; 3) To develop issue-specific Working Groups that will focus on analyzing identified issues and barriers to doing business in Liberia and champion viable recommendations for reform; 4) To support the development of awareness creation, inclusion, consensus building, and cooperation within the Private Sector.

2- Partnership, Structure and Processes

The LBBF is led by a *Governing Board*, which oversees the content and operation of the forum and is co-chaired by a public and private sector representative. There are currently four LBBF Working Groups, Anti-Corruption, Tax Rates & Procedures, Access to Finance, and Access to Electricity, based on the business constraints prioritized by the forum's membership. These groups are comprised of public and private sector participants along with representatives of civil society, and academia. Each working group is co-chaired by a private and public sector representative and meets regularly (e.g. once a month). The *Secretariat of the forum, consisting of the LBBF Project team*, provides administrative and technical support to the dialogue process by facilitating meetings, conducting research, and implementing advocacy and communications strategies.

The public sector membership consists of the ministers and deputy ministers of the ministries of Commerce & Industry, Finance, and National Investment Commission; whilst the private sector membership comprises primarily of medium and large business owners, representatives from the universities, and business association presidents and their respective members. LBBF is the only blanket organization that brings together all business associations in Liberia.

Discussions are focused on issues which directly or indirectly impact the development of the private sector in Liberia, and the climate for doing business and investment. Private sector representatives ensure that the issues it brings to the LBBF's attention reflect the genuine needs of its business members. The public sector ensures that issues and reforms presented within the LBBF are raised as part of broader government discussions and reforms endorsed by the forum's Governing Board and implemented are monitored over time. The selected issues considered are to be based on evidence and data to increase understanding of the problem, possible solutions, and their impact. The LBBF regularly informs external audiences about its activities, recommendations, and reforms implemented.

3- Results so far

The LBBF has had significant impact on the business climate in Liberia since its creation. Results and impacts include: significant private sector time and cost savings totaling \$4.7 million; a 20 percent increase in business registration; the creation of 20,400 new jobs; \$13 million increase in private sector investment; regulatory reforms, including the passage of a new investment law, commercial code and court, and business registration law and process. The investment climate improvements illustrated in figure 1 highlight some Doing Business indicators that were greatly improved by the work of the LBBF. LBBF has also advocated the need to improve access to finance which led to the establishment of Liberia Collateral Registry, a credit reference bureau.

A number of ‘soft’ outputs from the most recent intensive year of activity were achieved and are worth noting as collectively they have helped raise the LBBF’s profile and cemented its importance among key Government decision makers. These outputs include:

- Implementation of a nationwide ‘road show’ with the Ministry of Finance, the Ministry of Commerce, and the Liberia Business Registry which informed local businesspeople on new reforms and hear business-people’s views about enabling environment challenges.
- A national Micro, Small and Medium size (MSME) Conference, the first of its kind, which resulted in new commitment of support from Government and an opportunity for a wide range of stakeholders to engage and exchange views.
- Publication of the Access to Finance Guide and its distribution to the private sector
- Board of Tax appeals Workshop on the Rules of Practice and Procedures before the Board: this workshop was held in 2014 with at least 40 (forty) participants. General consensus was that this awareness should be continuously carried out throughout the country.

Figure 1

Doing Business	<ul style="list-style-type: none"> •Reduced the time associated the registering a business to 72 hrs with proper documentation. •One Stop Shop Business Registry opened throughout Liberia
Trading Across Borders	<ul style="list-style-type: none"> •Published billboards with customs clearance procedures at the Freeport of Monrovia •Reduce the numbers of documents required to import/export
Registering Property	<ul style="list-style-type: none"> •Published billboards and names of licensed surveyors and procedure for property registration at the Ministry of Lands and Mines
Construction Permits	<ul style="list-style-type: none"> •Reduce the cost of obtaining construction permits •Published public billboards with construction permit procedures and fees for the Monrovia City Corporation
Communication & Outreach	<ul style="list-style-type: none"> •Sponsors a weekly radio talk show to actively engage and inform the private sector

4- Expected Results

In this last phase of the project, the LBBF expects to streamline tax administration (especially for small and medium-sized enterprises), and improve trade logistics (such as automation, cross border trade, and customs codes). Capacity building of LBBF members is also expected through a series of workshops to be held in the coming months. Most importantly the LBBF transition plan to transfer ownership to local stakeholders is being implemented. The transition will focus



on the new members of the Secretariat, Governing Board and Working Groups. Operationally, the Secretariat proposes the signing of an MOU between the LBBF and IFC to allow LBBF to act as the dialogue anchor in support of the IFC Investment Climate reform initiatives continuing in Liberia

The funding mechanism for supporting the LBBF shall include but shall by no means be limited to the following sources:

- Financial and in-kind contributions by each of the LBBF's public sector partners;
- Financial and in-kind contributions by each of the LBBF's private sector partners;
- Financial and in-kind contributions by Development Partners; and
- Own revenue generation/grant funding

Liberia Social Enterprise Special Economic Zone Program (SESEZ): The purpose of the program is to support the Government and people of Liberia in post-Ebola Economic recovery and revitalization through the establishment of an independently-managed Special Economic Zone, designed around a Social Enterprise approach to social and economic Development in a post-conflict/crisis context. Expected outputs, outputs, outcomes, and impact are: LBBF and Spark are currently in Phase II of a three phase program. Phase II will principally be composed of three objectives; (i) establishing a legal, institutional, and regulatory framework; (ii) conducting an in-depth market-demand assessment, and (iii) developing a master plan based on an initial site assessment. These objectives will be accompanied by extensive stakeholder consultations. The primary outputs in Phase II include: (i) a site assessment, costing, and feasibility study; (ii) an SESEZ policy agenda and legislation; (iii) SESEZ regulations; (iv) an SESEZ administrative authority; (v) a master plan for the selected pilot site; (vi) a financial and economic analysis, which will inform the selection of appropriate PPP models. Outcomes will focus on (i) the legal establishment of an SESEZ, implementing policy rules and regulations (IRR), and administrative procedures that can be adopted in legislation broader scale; (ii) selection of the SESEZ site. Impact indicators will be determined as part of Phase III.

Potential Risks and Roadblocks

Though Liberia has achieved significant progress and experienced economic growth since achieving peace in 2003, Liberia is still a fragile state; as illustrated by the current Ebola-crisis. The Government has limited capacity and the international image of Liberia does not inspire investor confidence.

Additional potential risks and roadblocks exist:

- Demand for greater consensus between government ministries: the SESEZ Program team has actively engaged stakeholders at the international, national, and municipal levels, and there is now adequate high-level engagement of key stakeholders, including at the Presidency, which should ensure strong commitment throughout the program cycle.



- Additional need for funding on at the program level: The SESEZ Program team currently relies on donor funding to coordinate stakeholder activities and obtain the technical assistance required to develop the subsequent phases of SESEZ development and implementation. Funding for the first phase as well as the transition to Phase II has been provided by Spark. With the start of Phase II, the need for additional funding has become evident, and partner organizations and potential donors/investors will need to be engaged for financial, technical, and operational support for the SESEZ Program team.

Biographies of Authors:

Beageorge Cooper is the Policy Outreach Analyst for the Trade and Competitiveness team of the IFC. Prior to joining the team, she worked in both the public sector, the Liberian House of Senate, and private sector, NGOs and managed her own company. Aiming to expand her career opportunities, she was hired by the IFC in May, 2014 and is tasked with implementing stakeholder engagement, regulatory data and mapping, and economic data mining and analysis.