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Liberian Businesses: the Engines of Economic Recovery and Growth

A Market Overview Report

January 2016

This publication was produced for review by the United States Agency for International Development. It was prepared by Building Markets.

TABLE OF CONTENTS

FOREWORD.....	3
PREFACE & ACKNOWLEDGEMENTS	4
ABOUT BUILDING MARKETS	5
ACRONYMS AND ABBREVIATIONS.....	6
EXECUTIVE SUMMARY.....	8
1. INTRODUCTION	10
1.1 Liberia Economy Overview.....	10
1.2 Impact of Ebola	15
1.3 Post-Ebola Recovery	16
1.4 Political Economy Factors.....	17
2. THE LOCAL BUSINESS LANDSCAPE: KEY STATISTICS	18
2.1 Sector.....	19
2.2 Business Size.....	19
2.3 Distribution and Ownership of Businesses	20
2.4 Female Participation.....	21
2.5 Experience with Buyers	23
3. IDENTIFYING BUYER DEMAND AND LOCAL BUSINESS SUPPLY	23
3.1 Demand: Identification of needs	23
3.2 Strengths and Weaknesses of Local Suppliers.....	24
3.2 Training.....	25
4. DOING BUSINESS: SUPPLIER AND BUYER PERSPECTIVES.....	28
4.1 Suppliers.....	28
4.2 Buyers and Concessionaries	31
4.3 Marketing and Business Associations.....	33
5. ECONOMIC IMPACT OF MSMES.....	34
5.1 Jobs Created	34
5.2 Impact on the Local Economy.....	35
6. BUSINESS ENVIRONMENT IN POST-EVD LIBERIA	35

6.1 Banking	36
6.2 Access to Loans	37
6.3 Internet/Technology	38
6.4 Infrastructure.....	39
6.5 Business Registration	39
6.6 Liberian Labor Force	40
7. EMERGING TRENDS AND FUTURE DIRECTIONS.....	40
7.1 SMEs as Drivers of Recovery and Inclusive Growth.....	40
7.2 New Players and Identified Needs in the Mining Sector	41
7.3 Revised Rules and Regulations in the Forestry Sector.....	41
7.4 Mobile Phones, Internet and SMEs.....	41
7.5 Regional Integration and Domestic Growth Opportunities.....	42
8. RECOMMENDATIONS AND CONCLUSION	42
8.1 Near-term Recommendations	42
8.2 Long-term Recommendations.....	43
8.3 Conclusion	44
ANNEX I – METHODOLOGY	46
ANNEX II – SURVEY TOOLS	49
ANNEX III – LIST OF FIGURES AND TABLES.....	57

FOREWORD

Until the Ebola Virus Disease (EVD) outbreak, Liberia had been experiencing a transition from the era of stabilization and recovery towards sustained economic growth. The country averaged 7.8% economic performance growth between 2006 and 2013 with anticipated projections of 8.7% growth in 2015. The EVD outbreak erased many of the macro-economic and development gains Liberia had achieved, and the economy is once again in stabilization and recovery mode.

The USAID Sustainable Marketplace Initiative in Liberia (SMI-L), implemented by Building Markets, plays a critical role in helping the Liberian economy recover from shocks related to the EVD outbreak. Part of the effort involves market research and advocacy. The fourth annual Market Overview Report looks beyond the catastrophic macro-economic losses of the past year and focuses on Liberia's private sector, which primarily consists of micro, small and medium enterprises (MSMEs). Understanding the dynamics and trends of the private sector is critical for Liberia to once again move beyond recovery and stabilization and achieve inclusive, long-term growth.

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PREFACE & ACKNOWLEDGEMENTS

This report was researched and written by Allison Bickel, Market Research Manager for Building Markets Sustainable Marketplace Initiative in Liberia.

The report provides a snapshot of the Liberian economy at a critical turning point: post-Ebola Virus Disease (EVD) recovery. The report highlights demographic information on local businesses, the local procurement process, buyer and supplier perceptions and business environment factors to provide an in-depth understanding of the Liberian market as the country intensifies economic recovery efforts. This report is meant to be a resource for local businesses, existing concessionaires, potential investors, donors and Liberian policymakers.

Key statistics presented on local businesses in this report were calculated from a representative sample of firms located throughout 12 counties in Liberia. The main analysis is based on a sub-sample of 2,441 businesses that were verified or re-verified between April 2015 and September 2015.¹ All businesses in the sample are from Building Markets' database, which only includes businesses formally registered with the government.²

This report is made possible with the support of the American people through the United States Agency for International Development (USAID).

While Building Markets works in collaboration with the Government of Liberia's Ministry of Commerce and Industry, the Public Procurement and Concessions Commission, the Liberia Institute of Statistics & Geo-Information Services, the Liberia Chamber of Commerce, the Liberia Business Association and the National Investment Commission, the findings, interpretations and conclusions expressed in this report are entirely those of Building Markets and do not necessarily reflect the views of donors, partners or the Government of Liberia. Every effort was made to ensure the accuracy and validity of findings and conclusions; however, errors and gaps in the analysis are possible. Building Markets takes responsibility for any and all omissions or inaccuracies.

This report could not have been accomplished without the valuable contributions of many businesses, buyers, partners and stakeholders that participated in surveys, provided data and took time out of their busy schedules to share their experience and insights. In addition, various Building Markets staff provided indispensable support throughout the development of this report. This includes Shaina Bauman who provided content and editing support; Johannson Q. Dahn, Delbert Deemie and Kula Thomson-Williams, who managed internal data collection; and Shirley Dunn, Jackson Gargar, Youngorseveh Lamine, Marcus Meahway and George Smith from the call center team. Kim Loranger, Scott McCord and Jennifer Holt also provided oversight and support from Headquarters.

The author wishes to express her sincere gratitude to all individuals and organizations that contributed to the development of this publication.

Any comments or questions should be directed to Allison Bickel at bickel@buildingmarkets.org.

¹ For more information regarding survey and sampling techniques, see Annex 1.

² The Liberia Institute of Statistics and Geo-Information Services (LISGIS) published the "Report on the Liberia Labour Force Survey 2010" which states that approximately 68% of the work force is employed in the informal sector.

ABOUT BUILDING MARKETS

Building Markets is a nonprofit organization that reduces poverty in developing countries by accelerating job creation and encouraging inclusive economic growth. It does this by building the capacity and competitiveness of local small and medium-sized enterprises (SMEs) while breaking down information barriers that prevent them from accessing new opportunities. Moreover, Building Markets facilitates foreign direct investment by sharing comprehensive local market data and enabling local businesses to integrate into international supply chains. Since its launch in 2004, the organization has supported more than 20,000 SMEs and helped create more than 65,000 full-time equivalent (FTE) jobs in some of the world's poorest economies.

Building Markets Liberia

In Liberia, Building Markets implements the US Agency for International Development (USAID) Sustainable Marketplace Initiative Liberia (SMI-L). The country office receives additional program support from Humanity United. SMI-L provides the following core services:

1. **The Supplier Directory:** Contains more than 3,700 profiles of local companies searchable by sector and location at liberia.buildingmarkets.org.
2. **Tender Distribution:** Disseminates tender announcements to local suppliers via SMS, email and on the Building Markets website.
3. **Business Linkages:** Helps international buyers identify cost-competitive, high-quality domestic products and services by request and establish relationships between buyers and local businesses at business linkage events.
4. **Training:** Trains local businesses on procurement, international standards, customer service and more.
5. **Market Research & Communications:** Promotes local procurement by identifying opportunities and challenges to local sourcing.

Since April 2012, Building Markets Liberia team has supported more than 3,700 local businesses, facilitated over USD 57.6 million in contracts and helped create 2,593 FTE jobs.

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ACRONYMS AND ABBREVIATIONS

ABL	AccessBank Liberia
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
ALCC	Association of Liberian Construction Contractors
CET	Common external tariff
ECOWAS	Economic Community of West African States
EEIMA	Ebola Economic Impact and Monitoring Analysis
EOI	Expression of Interest
ESRP	Economic Stabilization and Recovery Plan
EVD	Ebola Virus Disease
FDA	Liberia Forestry Development Authority
FDI	Foreign direct investment
FTE	Full time employment
GDP	Gross domestic product
GoL	Government of Liberia
IB	International Bank
ICT	Information and Communications Technology
IMF	International Monetary Fund
LBDI	Liberian Bank for Development & Investment
LCC	Liberian Chamber of Commerce
LEC	Liberia Electricity Corporation
LIBA	Liberian Business Association
LISGIS	Liberia Institute of Statistics and Geo-Information Services
M&E	Monitoring and Evaluation
MIGA	Multilateral Guarantee Agency
MSME	Micro, Small and Medium Enterprises
MTEP	Medium Term Expenditure Plan
NEPAD	New Partnership for Africa's Development
PPCC	Public Procurement and Concessions Commission
PPP	Public-private partnerships
PSIP	Public Sector Investment Program
PUP	Private use permit
RFQ	Request for Quotations
SBA	Small Business Act
SDI	Sustainable Development Institute
SMI-L	Sustainable Marketplace Initiative-Liberia
SMS	Short message service
SOE	State-owned enterprise
TDS	Tender Directory Service
USAID	United States Agency for International Development
USD	United States dollar
VCF	Value chain finance
WASH	Water, sanitation and hygiene
WB	World Bank
WTO	World Trade Organization

KEY TERMS AND DEFINITIONS

MSME (Micro, Small, and Medium Enterprises): A firm employing between 0 and 50 employees as defined in Liberia's MSME Policy. Micro enterprises have 3 or fewer employees, small enterprises have 4 to 20 employees and medium enterprises have between 21 and 50 employees.

Buyer: An international organization, donor, multinational corporation, concessionaire, government or other business that is procuring goods or services for its operations in Liberia.

Local Business: An active business that is based in Liberia and currently registered with the Liberian Business Registry, as is required by the Government of Liberia to be a lawful business entity. The report also refers to local businesses as suppliers, vendors, MSMEs, local firms and small businesses.

Verified Business: A business whose basic enterprise and operational credentials have been collected and verified by Building Markets through onsite visits.

SMI-L Directory: A dedicated web-based database of Liberian-registered enterprises that is managed by Building Markets and contains detailed business profiles, contact details and client references.

EXECUTIVE SUMMARY

A year ago, containing Ebola Virus Disease (EVD) and reducing the escalating number of cases was the number one priority in Liberia. Though a low number of cases continue to emerge, the public health emergency has transitioned to an economic crisis. GDP growth projections hover between -1% and 3% for 2015, and the immediate fiscal impact of EVD is hundreds of millions in lost government revenue.³ While these macroeconomic figures are bleak, the fragile nature of Liberia's political and economic development since the end of the 14 year civil war are even more concerning.

In the years since the landmark election in 2005, significant political and economic progress had been made. In the past decade, Liberia had another round of democratic elections, experienced large amounts of foreign direct investment (FDI), high GDP growth rates and a return to peace. While poverty remained pervasive, the country showed signs of growth and stability. The EVD crisis rolled back many of these economic gains; moreover, it exposed pre-existing weaknesses and failures in Liberian institutions and systems, and called attention to the entrenched nature of poverty and inequality.

Micro, Small and Medium Enterprises (MSMEs) were negatively impacted by the EVD crisis as prices soared, access to finance diminished, client numbers shrank and movement was restricted. Yet, surveys and interviews administered during the peak of the outbreak showed something unexpected: widespread optimism about future profits and business prospects. Data collected throughout this post-EVD recovery period from a total of 2,441 businesses reflects the resilience, versatility and projections local businesses held during that difficult period. Liberian firms won contracts and saw their revenues increase, and they continue to seek new opportunities to expand and improve their businesses. This potential cannot be underestimated as these important market players drive employment creation, unlock opportunities for local investment and catalyze economy-wide growth.

However, MSMEs continue to face the same constraints as before the EVD outbreak: limited access to finance, insufficient capacity, poor infrastructure and low business skills. In 2015, government, private sector and development partners have renewed efforts to address these barriers to drive post-EVD recovery. MSMEs have been bolstered in the past, but in post-EVD Liberia, they are increasingly recognized as the foundation of inclusive, sustainable recovery and development.

KEY FINDINGS

1. Liberia economy overview

- 2014 GDP growth was initially projected to be 5.9%, but was revised to less than 1% following the EVD outbreak. GDP growth forecasts for 2015 were reduced by over 50%.
- Prior to the EVD outbreak, 67% of surveyed businesses reported improved revenue; during the crisis, just 15% of businesses reported increases in revenue.
- Signs of MSME recovery are already evident. Eighty percent of buyers have remarked that goods are more available and 64% state there are lower prices in post-EVD Liberia as compared to those during the outbreak.

2. The local business landscape

- Liberian businesses are generally small. Eighty-nine percent of firms employ less than 20 people and 56% reported an annual turnover of less than \$20,000 USD.
- Women own 28% and manage 31% of the 2,441 businesses in the sample.

³ GDP growth estimated from government,

- Forty percent of businesses in the sample reported they had at least one international client in the past 6 months.

3. Identifying buyer demand and local business supply

- According to buyers, advantages of locally sourcing goods and services include: easy access, lower prices, better quality goods and support for the Liberian economy. At the same time, disadvantages consist of: poor quality of goods, low volume capabilities, unstable prices and required documentation.
- Thirty-four percent of buyers identified that local businesses require training in Customer Service, while 33% of local businesses believe their greatest training need is learning the fundamentals of Procurement.
- Eighty percent of buyers responded that their local procurement is typically limited to printing, stationary and office furniture.

4. Doing business: Supplier and buyer perspectives

- Eighty-eight percent of businesses stated that tenders are easily accessible.
- Forty-nine percent of the value of contracts facilitated by Building Markets came from the Liberian government, while 50% of the number of contracts facilitated by Building Markets came from international organizations.
- Fifty-four percent of buyers think they receive competitively priced proposals from local businesses and 78% believe they receive sufficient and honest information from MSMEs.

5. Economic impact of MSMEs

- 1,796 jobs were created as a result of contracts facilitated by Building Markets between January 2015 and October 2015.
- On average, 10% of local business expenditure goes to salaries. This means that for every \$1 USD of local procurement, approximately 10 cents supports a job in Liberia.
- The multiplier effect for the average business in the sample is 1.81; every \$1 USD spent on local procurement results in additional spending in the local economy of 81 cents.
- Fifty-eight percent of local firms reinvest profits from contracts into their business in the form of employee benefits/trainings, equipment purchases and expansion.

6. Business environment in post-EVD Liberia

- While 70% of businesses said they would take a loan if they were able to obtain one from a bank, just 26% of businesses have accessed a loan in the past.
- Fifty percent of businesses rarely or never access the Internet for business purposes.
- Seventy-seven percent of registered businesses in the sample have a bank account, but 40% stated that their personal and business accounts are not separate.
- Fifty percent of loans were for less than \$5,000 USD and just 7% were greater than \$100,000 USD.

I. INTRODUCTION

This report is a publication of the Building Markets USAID Sustainable Marketplace Initiative Liberia (SMI-L). The goal of SMI-L is to support sustainable, market-driven growth and job creation through the facilitation of economic linkages between major buyers and local suppliers. SMI-L connects large international and domestic buyers with capable local suppliers to increase employment, strengthen local enterprise capacity, expand business opportunities and build confidence in the marketplace.

Liberian Businesses: Engines of Economic Recovery and Growth is the fourth edition of the Market Overview Report. It examines key market trends and detailed perspectives of suppliers and buyers as researched during the period of April 2015 to September 2015.

Information in this report is based on data collected by Building Markets through structured and semi-structured interviews with local businesses and international firms and organizations, including government and non-governmental agencies. Building Markets collected secondary data from study reports, operational reports, websites and publically available databases.

I.1 Liberia Economy Overview

Throughout the past decade of post-war reconstruction and development efforts, Liberia maintained an average annual growth rate of 7% and reduced the national poverty rate by 11%. While socioeconomic needs and gaps remained significant, the country demonstrated that it was making strides towards sustainable growth. GDP growth for 2014 was projected at 5.9%, but revised to less than 1% following the EVD outbreak.⁴ Spillover effects have continued to impact the economy in 2015. Real GDP growth projections vary between -1% and 3.8%; household incomes are expected to recover at an even slower rate.⁵

Table I - Key Economic Indicators⁶

Bordering Countries	Sierra Leone, Guinea, Côte d'Ivoire	GDP	\$2.027 billion	2014
Land size	111,369 km ²	GNI per capita (US\$)	\$370	2014
Population	4.397 million	GDP growth	.5%	2014
Population growth	2.4%	Projected GDP growth for 2016	3.8%	2015
Literacy rate	60.8%	Inflation rate	9.5%	2014
Life expectancy	61	Unemployment rate	3.7%	2010
Poverty rate	63.8%	National budget	\$559 million	FY 2014/ 2015
Urban population (% of total)	49%	Aid per capita (USD)	\$124	2013
GINI Index	38.2	Mobile penetration	73%	2014
Access to electricity	9.8%	Internet penetration	5.4%	2014
Road network	10,600 km	Trade and Economic Membership	ECOWAS, Mano River Union, AGOA, EU-Everything but Arms, China Preferential Trade Agreement with Developing Countries, Multilateral Guarantee Agency (MIGA), New Partnership for Africa's Development (NEPAD)	
Paved road network	657 km			
Road density	9.5 km/100 km ²			
Road network	10,600 km			

⁴ Government of Liberia and IMF estimates, 2014.

⁵ The -1% GDP growth rate was presented by GoL in the ESRP; the 3.8% growth rate is from the African Economic Outlook's country notes for Liberia.

⁶ Statistics for key economic indicators were compiled from the World Bank Databank and present data from the most recent year available.

1.1.1 Sectoral Overview

Agriculture, Services and Manufacturing

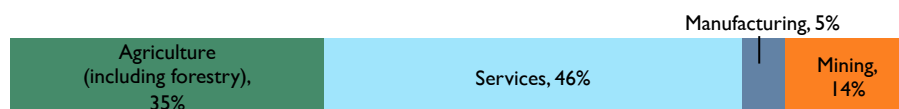
The agriculture, services and manufacturing sectors were estimated to account for 97% of Liberia's formal labor force in 2010.⁷ All of these sectors experienced significant losses and decreases in growth as a result of the EVD crisis (Table 2).

Abandoned farms, interrupted crop cycles and closed markets led to weak agricultural output during the outbreak of EVD. The production of key staples, including rice and cassava, declined in 2014 but is expected to return to normal levels in 2015.⁸

The services sector was also impacted by closed markets and transport restrictions, as well as low levels of cross border trade and very few customers.⁹ While the Government of Liberia (GoL) and development partners prioritized local procurement in crisis-related activities, the services sector suffered substantial losses.¹⁰ The resumption of regular government and investor spending, as well as the revitalization of the agriculture and mining sectors, is expected to contribute to service sector recovery in the coming years.

Prior to the EVD outbreak, manufacturing was a small contributor to overall GDP, and throughout the crisis, employment figures contracted further. Demand decreased for key manufactured products like cement, as construction sector needs declined in response to reduced mining activity. High energy costs and a lack of finance continue to deter sector growth.

Figure 1 - Sectoral Contributions to GDP



Extractive Industries

The concurrence of the EVD outbreak and slumping iron ore prices showed the importance of diversifying the economy and holding mining companies accountable to their social, economic and legal obligations.¹¹ In order to attract foreign investment in 2015, President Ellen Johnson Sirleaf announced financial reprieve to investors through reduced fuel prices and tax waivers.¹² However, Liberia already provides generous tax breaks to iron ore investors; furthermore, concession agreements often violate workers' rights and spur land-related conflicts.¹³

Within the forestry sector, a lack of stakeholder capacity and weak governance indicate an extended sectoral stagnation. While legal reforms have been developed over the past decade to reform the sector that financed the civil war, large and export-oriented logging concessionaires that fail to meet contractual obligations and violate the law remain prevalent. In 2014, Norway pledged \$150 million USD until 2020 to "improve forest governance, strengthen law enforcement and support

⁷ Government of Liberia, Economic Stabilization and Recovery Plan, 2014.

⁸ FAO and WFP, Crop and Food Security Assessment, December 2014.

⁹ Borders were intermittently closed due to EVD containment measures, but borders likely remained porous.

¹⁰ Government of Liberia. Economic Stabilization and Recovery Plan (ESRP), 2014.

¹¹ World Policy, *Reforming Liberia's Mining Sector Post-Ebola*, March 2015. <http://www.worldpolicy.org/blog/2015/03/30/reforming-liberias-mining-sector-post-ebola>

¹² Wall Street Journal, *Liberia to Offer Financial Aid to Companies Affected by Ebola Crisis*, March 2015. <http://www.wsj.com/articles/liberia-to-offer-financial-aid-to-companies-affected-by-ebola-crisis-1426250104>

¹³ World Policy, 2014. The Revenue Code requires multinationals to pay a 30% tax, but ArcelorMittal, China Union and Putu Mining only pay 25%.

efforts in reducing greenhouse gas emissions from deforestation and forest degradation.”¹⁴ This indicates a window of opportunity for sector reform to ensure inclusive, sustainable management of forests.

Table 2 - Sectoral Impact of EVD on the Liberian Economy¹⁵

	GDP Share (%, 2013)	Employment (2010)	Annual Avg Growth (2005-2013)	2014		2015	
				Initial	Revised	Initial	Revised
Aggregate GDP	100	1,092,000	7.0	5.9	.3	6.8	-1.1
Non-extractive GDP	86	1,054,000	5.3	6.1	.4	7.1	-2
Agriculture & Forestry	34.7	508,000	2.8	1.9	-2.9	3.5	-2.0
Mining	14	19,000	70.7	4.4	.1	4.8	-6.9
Manufacturing	4.7	70,000	3.6	9.1	-7	10.4	-1.1
Services	46.6	476,000	9.2	7.3	3.0	7.7	.9

1.1.2 Monetary Policy

In 2014, year-end money supply was \$33,279.6 million USD, a 38% reduction from December 2013.¹⁶ Inflation control is managed through a stable exchange rate, and the Central Bank imposed Liberian dollar circulation restrictions in 2014.¹⁷ However, 72% of broad money supply is composed of US dollars.¹⁸ The dollarization of the economy provides currency stability and risk reduction, but limits Liberia’s ability to control its monetary policy through adjustments in the money supply as demonstrated by the depreciation of the Liberian dollar in 2014.

In 2015, there was an easing of the stringent monetary policy measures put in place during the EVD outbreak.¹⁹ Monetary policy continues to aim to contain inflation and maintain a sufficient reserves buffer. There was a 7.3% decline in consumer price inflation as of March 2015, after a peak of 13.5% in September 2014. While high domestic food prices persist, the drop in international oil prices largely contributed to lower levels of inflation.²⁰

The balance of payments had a \$37.4 million USD deficit in 2014, as compared to -\$5.8 million USD in 2013.²¹ A 12.7% decline in the financial account largely contributed to the deficit, as FDI dropped in response to the EVD crisis. The current account deficit narrowed due to a fall in trade and net income deficits. Imports generally decreased, with the notable exception of rice.²² Despite the drop in iron ore prices, export earnings increased.²³

¹⁴ Global Witness, *US \$150 Million Partnership between Norway and Liberia to Stop Logging*, 2014. <https://www.globalwitness.org/archive/us150-million-partnership-between-norway-and-liberia-stop-logging-could-signal-bold-new/>

¹⁵ ESRP, 2014.

¹⁶ Central Bank of Liberia, *2014 Annual Report*, 2014. www.mfdp.lr

¹⁷ The Central Bank of Liberia issued CBL notes throughout 2014 to contain excess LD liquidity. By the end of 2014, there was an 8.8% decline in the value of Liberian dollars in circulation.

¹⁸ Central Bank of Liberia, 2014.

¹⁹ IMF, <https://www.imf.org/external/np/sec/pr/2015/pr15212.htm>.

²⁰ Ibid.

²¹ Central Bank of Liberia, 2014.

²² Rice imports increased by 10% to nearly \$100 million. This reflects the impact of EVD on the agriculture sector and Liberia’s dependency on imports for food security.

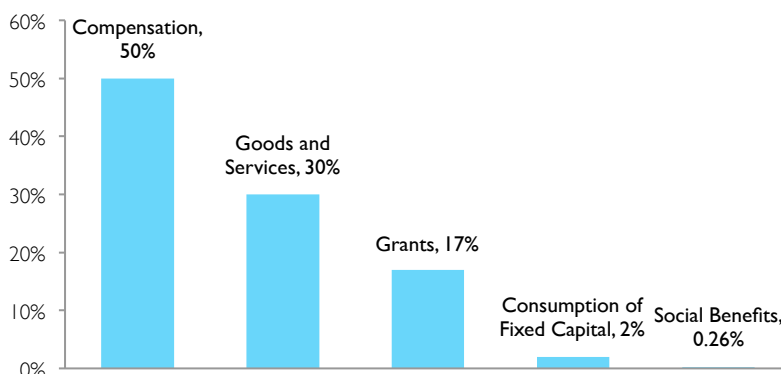
²³ The volume of iron ore increased in 2014. The combination of declining world prices and fears of a prolonged Ebola crisis contributed to a surge in iron ore production.

1.1.3 Fiscal Policy

Liberia's fiscal policy seeks to prioritize spending on social and economic programs in key sectors. It follows the guidelines outlined in the Agenda for Transformation and Liberia Rising 2030.²⁴ The government seeks to contain recurrent spending and improve tax revenue in order to increase fiscal support to public investment and inclusive growth.

Government revenue for FY 2014/15 was \$412.5 million USD.²⁵ Two-thirds of these funds came from higher than average tax revenue, which was primarily driven by international trade taxes. Multiple challenges impede sufficient government revenue generation: drops in export commodity prices and subsequent decreases in royalty payments, one-off concession payments and weak domestic demand.²⁶ The Medium Term Expenditure Plan (MTEP) links medium and long-term policy objectives with national budget constraints to determine fiscal spending for FY 2015/16. A projected budget of \$604 million USD will spend \$503.7 million USD on recurrent expenditure (Figure 2) and \$100.4 million USD on the Public Sector Investment Program (PSIP).²⁷ \$629.5 million USD of projected foreign aid is expected to complement and support fiscal spending.

Figure 2 - Breakdown of GoL Recurrent Expenditures



1.1.4 Legal, Regulatory and Policy Framework

A range of ministries and bodies, including government departments, public authorities and local authorities, has the jurisdiction to implement and administer various laws and regulations. In the wake of years of violence resulting from poor governance and hegemony, policies and laws have been implemented in multiple stages to ensure political, administrative and fiscal decentralization. The push for decentralization has been complemented by the creation of numerous policies and acts to foster a positive legal and regulatory environment for MSMEs.²⁸ While this can lead to conflicting rules and regulations, it demonstrates commitment from the government and private sector to support local businesses.

²⁴ Liberia Rising 2030 is the national adoption of Vision 2030.

²⁵ Budget Framework Paper FY 2015/16, Ministry of Finance and Development Planning, www.mfdp.gov.lr. This figure excludes \$93.5 million borrowed from the IMF and \$5 million borrowed domestically.

²⁶ Ibid.

²⁷ PSIP expenditure goes to the Economic and Stabilization Recovery Plan, Ministry of Public Works Road Work and sectoral projects.

²⁸ Decentralization policies have been implemented throughout many formerly authoritarian regimes in Sub-Saharan Africa.

Table 3 - Legal, Regulatory and Policy Frameworks

Law or Policy	Year	Purpose
Land and Property Rights	Constitution	Only Liberian citizens can own land. As a result, rights to land ownership and natural resources, including minerals and timber, are critical and volatile issues in Liberia. The Liberian Constitution states that “private property rights... shall not extend to any mineral resources on or beneath any land or to any lands under the seas and waterways of the Republic.” ²⁹ A lack of clarification between statutory and customary land rights, in addition to increased foreign investor attention, led to the renewal of a moratorium on public land sales in January 2014. Failure to address critical land rights issues, particularly around concessionaires, will likely result in costly and complex land dispute matters. Protection of private property is guaranteed in the Constitution. See Intellectual Property Act (2014).
Public Procurement and Concessions Commission (PPCC)	2006	The PPCC decentralizes the public procurement process, establishes independent oversight mechanisms and ensures transparency. ³⁰ In May 2015, the PPCC inaugurated the Vendors Registration to facilitate the implementation of the Small Business Act. The Vendors Registration enhances the efficiency of public procurement and increases the number of local MSMEs winning government contracts.
The Public Financial Management (PFM) Law	2009	There are over twenty State Owned Enterprises (SOEs) in Liberia. ³¹ Liberian SOEs have been found to have high levels of corruption, mismanagement and cronyism. The PFM Law of 2009 decrees a set of rules to govern SOEs. Proper management and oversight of SOEs is critical for a successful SME environment, as it reduces crowding out and monopolistic price inflations in areas of SOE goods and services provision. The Bureau of State Enterprises, tasked with SOE oversight, is severely underfunded and complaints regarding dubious procurement, licensing and operations are made without rectification.
Investment Act	2010	The Investment Act of 2010 governs investments in Liberia. While foreign investors generally face the same taxes and regulations as domestic investors, the act constrains foreign investment in some sectors. Although intended to increase Liberian business participation, the act has replaced a former mandate that required foreign-owned companies to employ qualified Liberians at all levels. ³²
MSME Policy	2011	The MSME Policy facilitates access to markets, finance and information, in addition to improving the legal and regulatory environment for small business growth. ³³ The policy seeks to increase registration through greater benefits and reduced registration costs, including less licensing requirements. ²⁸ It also aims to simplify tax administration and expand the dissemination of legal/regulatory information through channels that are easily accessible to MSMEs. ³⁴ The Liberia Business Registry was created through this policy to register businesses, and was recently supplemented by the Public Procurement and Concessions Commission (PPCC) to coordinate government procurement from MSMEs.
Dispute Settlement	2011	The Supreme Court and subordinate courts are structured similarly to the judicial system in the United States. However, the official legal system often contradicts indigenous and local customary laws. Moreover, judges and other officials are oftentimes inadequately trained, leading to corruption and faulty proceedings. Dispute settlement typically disadvantages foreign firms. ³⁵ A Commercial Court was established in 2011 to handle financial, contractual and commercial disputes, but most cases are unresolved.
Small Business Act (SBA)	2014	The SBA created the Department of Small Business Administration. It ensures that at least 25% of all public procurement contracts are allocated to Liberian-owned MSMEs, with at least 5% reserved for female-owned MSMEs. Additionally, it promotes Liberian-owned MSMEs, builds capacity, fosters business networks and ensures that firms have access to resources and finance.
Intellectual Property Act	2014	The Intellectual Property Act guarantees the protection of intellectual and industrial property rights.

²⁹ Liberian Constitution, Chapter III, Article 22.

³⁰ Public Procurement and Concessions Commission, www.ppcc.gov.lr

³¹ Ibid. Among the most notable are National Port Authority (NPA), Liberia Electricity Corporation (LEC), Roberts International Airport (RIA), Liberia Civil Aviation Authority (LCAA), National Oil Company of Liberia (NOCAL), Forestry Development Authority (FDA) and Liberia Maritime Authority (LMA).

³² US Department of State, *Investment Climate Statement*. 2014.

³³ Ministry of Commerce and Industrialization. Rationale, Policy and Implementation Framework for MSME Development in Liberia, 2011.

³⁴ Ibid.

³⁵ Department of State, 2014.

1.2 Impact of Ebola

The first case of EVD was reported in March 2014. Since then, Liberia has experienced 10,675 infections and 4,809 deaths.³⁶ During the peak of transmission in August and September of 2014, 300 to 400 cases were reported weekly. Measures to contain and eradicate the disease restrained the movement of people and goods both domestically and internationally. Throughout 2014 and into 2015, the EVD outbreak had significant impacts on the Liberian economy.

Resources and capital flowed into the country to finance EVD response efforts, but the local economy absorbed very little of this money. As the disease was contained towards the end of 2014, the economy failed to make a rapid rebound. Macroeconomic indicators reflected stagnation and decline: low diesel sales, a money supply contraction of 11% through 2014 and a 30% fall in imports between January and September, 2014.³⁷ GDP growth forecasts for 2015 were reduced by over 50%. The already small export base shrunk due to EVD and falling global commodity prices. Global iron ore prices decreased 50% and rubber prices dropped by 30%.³⁸ Risk aversion led to the slowdown or halting of private sector investment and development projects throughout 2014.³⁹

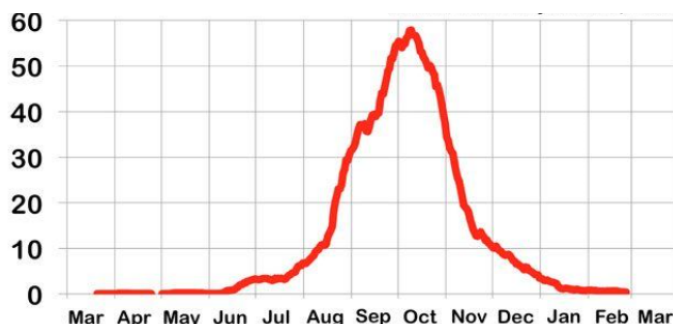


Figure 3 - New EVD Cases per day in Liberia

Between October 2014 and January 2015, Building Markets conducted four rounds of the Ebola Economic Impact and Monitoring and Analysis (EEIMA) survey for a sample of MSMEs registered in its SMI-L business directory. Prior to the EVD outbreak, 67% of surveyed businesses reported that revenues had increased or stayed the same over the past six months. During the peak of EVD cases in October and November 2014, businesses across all sectors reported significant declines in revenue (Figure 4). As the disease was contained, reported rises in revenue increased. Throughout the October 2014 to January 2015 data collection, optimism regarding future profits was prevalent (Figure 4). This could correspond in part with the containment and subsequent ebbing of new cases that began in October 2014 (Figure 3)⁴⁰.

Eighty-five percent of buyers reported that goods were less available and more expensive during the EVD outbreak, compared to the period before the EVD outbreak. The other 15% of buyers reported that the availability and price of goods remained the same prior to and during the epidemic.

³⁶ As of November 24, 2015. Weekly situation reports with the updated number of cases and deaths can be accessed from the World Health Organization at <http://apps.who.int/gho/data/node.ebola-sitrep.ebola-country-LBR?lang=en>.

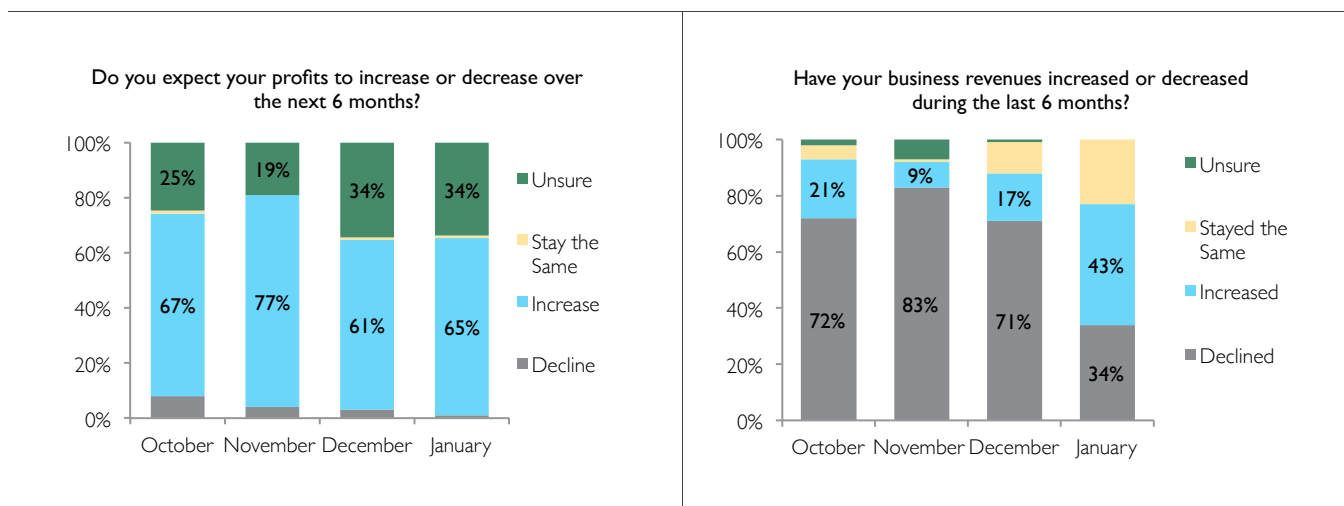
³⁷ World Bank, The Economic Impact of Ebola on Sub-Saharan Africa: Updated Estimates for 2015, January 2015.

³⁸ Ibid.

³⁹ The drop in global prices was accompanied by the slowdown of the mining sector: Arcelor Mittal continued production but cut a planned 10 million ton expansion by the end of 2015 was delayed. China Union temporarily halted iron ore mining operations. Agricultural production of palm oil and rubber was reduced.

⁴⁰ Ministry of Health, 2014.

Figure 4 - Impact of EVD on Local Business Revenues and Profits (Oct 2014 - Jan 2015)



1.3 Post-Ebola Recovery

The socioeconomic impacts of the EVD outbreak continue to heavily affect the Liberian population and economy. Additionally, the crippling nature of external shocks exposed Liberia’s economic vulnerability and weak system of service delivery. Post-EVD recovery is spearheaded by the Economic and Stabilization Recovery Plan (ESRP), a multi-year strategy that targets key sectors and the delivery of public services across multiple strategic objectives (Table 4). Between 2015 and 2017, \$812 million USD in financing is needed to implement the ESRP. GoL requires this amount, in addition to \$1.6 billion USD that has already been committed to priority projects but not yet disbursed. It also requires \$1.2 billion USD in new commitments for infrastructure projects to meet objectives outlined in the country’s development strategy, Liberia Rising 2030.

Table 4 - Economic and Stabilization Recovery Plan

Economic and Stabilization Recovery Plan ⁴¹	
Strategic Objective One: Recovering output and growth through private sector growth in key value chain sectors	<ul style="list-style-type: none"> • Improve access to finance for farmers, MSMEs and priority value chains; recapitalize Savings and Loans Associations • Promote diversification of Liberia’s economy • Increase support to targeted labor and supplier development programs • Finance costs of delay and overrun of critical infrastructure projects from EVD crisis
Strategic Objective Two: Strengthening resilience and reducing vulnerability	<ul style="list-style-type: none"> • Implement 7 year Health Investment Plan • Meet education investment priorities • Increase access to gender-friendly WASH services and revise Water and Sanitation Expansion Plan • Strengthen response program to expand cash transfers to at least 50,000 EVD affected households • Ensure adequate investment in Liberia’s security sector
Strategic Objective Three: Strengthening public finances and ensuring service delivery	<ul style="list-style-type: none"> • Secure ongoing budget support financing • De-concentrate public service delivery across Liberia • Continue to drive civil service reform priorities

⁴¹ Government of Liberia, Economic and Stabilization Recovery Plan, April 2015.

The first strategic objective specifies government support to MSMEs. This priority recognizes the ability of local businesses to lead recovery efforts and support the development agenda. Signs of MSME recovery are already evident. Eighty percent of buyers have remarked that goods are more available and 64% state there are lower prices in post-EVD Liberia as compared to those during the outbreak. Ensuring that MSMEs have access to resources and are able to do business in an open, competitive market is critical for Liberia to achieve its post-EVD and longer-term development goals.

1.4 Political Economy Factors

Liberia's complex political economy has significant impact on local MSMEs. The following factors contextualize the progress made and challenges faced by local businesses and buyers in the Liberian market, both pre- and post-EVD. Politically viable interventions to bolster private sector growth and foster a more conducive business environment should consider these aspects of the political economy.

Table 5 - Political Economy Analysis

Political Economy Factor	Impact
Divided national identity	National identity was among the issues that fueled the fourteen years of civil war. Liberian society remains polarized and historical enmities persist. ⁴² These divides are exacerbated by a culture of impunity. Recommendations from the Truth and Reconciliation Commission and the president's national peace and conciliation initiative exist, but implementation has lagged.
Democratic elections	Free and fair presidential elections have been held in 2005 and 2011. The brutal suppression of sporadic violence leading up to the 2011 elections and the 2014 senatorial election, when just 2 of 12 senators running for reelection were voted into another term, demonstrate deep political divisions and citizen frustrations. Consolidation of democracy necessitates increased citizen participation and voter confidence in the lead up to the 2017 general elections. ⁴³
Resource rents	Historically, concessionaires have functioned as enclaves with minimal impact on job creation and limited linkages with the rest of the economy. Natural resources have led to rent-seeking that fueled patronage and corruption. Dutch disease threatens macroeconomic distortions. ⁴⁴ Greater transparency and revision of laws/policies around mining need to incorporate domestic value chains and capture resource rent, ensuring efficient, equitable use of profits in achieving Liberia's development objectives.
Patronage, corruption, and nepotism	Decentralization, oversight mechanisms and systems of checks and balances have sought to address endemic corruption and patronage, but these factors continue to undermine human rights and development. Police misconduct and corruption compromise justice and establishment of the law. Accountability remains low.
Unemployed youth	A third of the population is between 15-35 years old. Unemployment and vulnerable employment are widespread across this age group, and there is a dearth of skilled workers. Large numbers of young adults without schooling or proper training are a potentially destabilizing force and a serious concern for Liberia.
Monopolistic state owned enterprises	Twenty SOEs operate in Liberia. The monopolistic provision of various service/utilities can lead to artificially high prices. They may also crowd out private sector development in their sectors of operation.
Import dependency	Two thirds of food is imported. ⁴⁵ Food import dependency threatens food security and increases vulnerability, as demonstrated by high levels of household-level food insecurity during the EVD crisis.
Weak healthcare system	The weak healthcare system was exposed during the EVD epidemic; it also exemplifies the insufficient provision and delivery of basic services. GoL developed a seven-year Health Investment Plan to rebuild the sector and increase its resilience.

⁴² International Crisis Group. Liberia: Time for Much Delayed Reconciliation and Reform, 2012.

⁴³ National Democratic Institute, Liberia country profile. <https://www.ndi.org/liberia>.

⁴⁴ Dutch disease is a causal relationship between the increase in the economic development of the natural resource sector and the decline in other sectors.

⁴⁵ WFP and FAO, 2014.

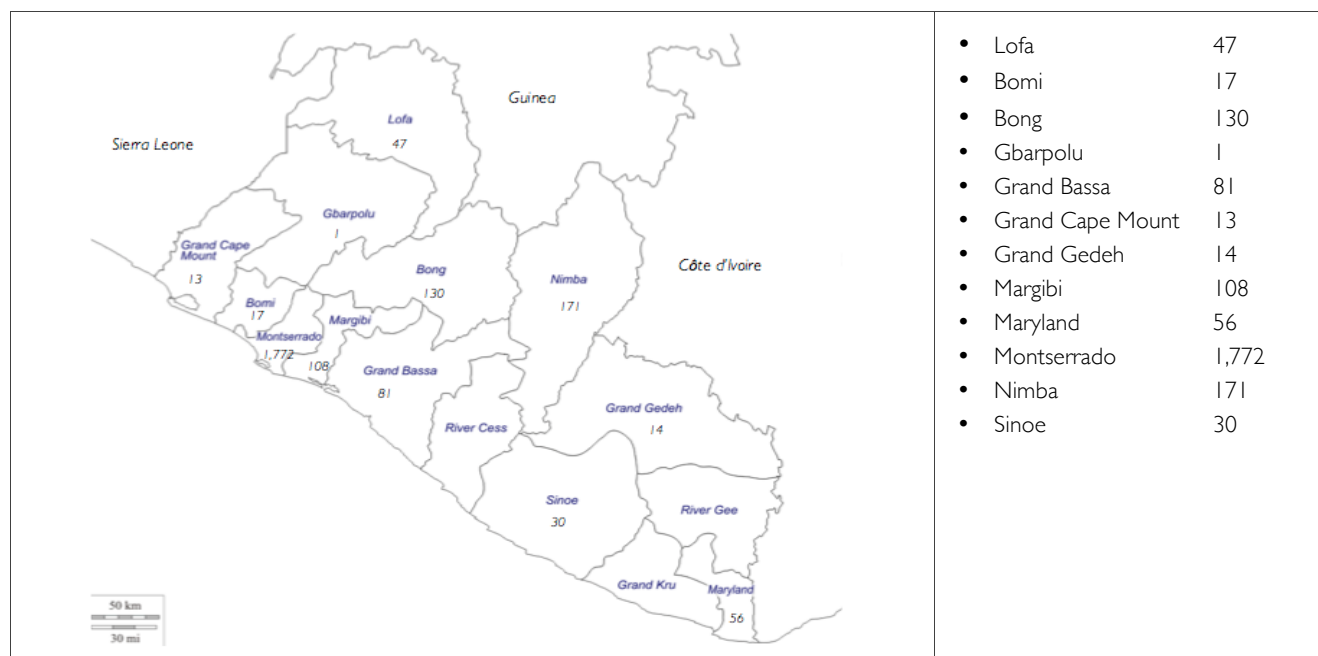
Large informal economy	The informal economy accounts for nearly 70% of employment in Liberia. On the one hand, informal businesses have the advantage of not paying taxes; on the other hand, they lack legal rights, access to formal credit and public services.
Conflicting legal systems	Statutory and customary legal systems and laws co-exist in Liberia. They are oftentimes contradictory, and varying interpretations are a source of conflict. This is particularly evident around land rights in concessionaire agreements.
Dependency on foreign aid	In 2011, OECD data showed that Liberia received \$765 million in foreign aid, accounting for 73% of gross national income. The UN spends over \$500 million per year on its peacekeeping force. ⁴⁶ This increases vulnerability to external shocks and results in an accountability issue: the government is oriented to international community demands rather than its citizens' voices.

2. THE LOCAL BUSINESS LANDSCAPE: KEY STATISTICS

The basic characteristics of local suppliers provide the foundation in understanding the local market for both buyers and suppliers. Buyers can identify opportunities for local procurement, and suppliers can understand how they compare to competitors and take advantage of areas of unmet demand.

This section presents key statistics on the local businesses in the survey sample: their sectors of operation, size, ownership composition, levels of female participation and experience with international buyers. Statistics were calculated from a representative sample of businesses located throughout 12 counties in Liberia. The main analysis is based on a sub-sample of 2,441 businesses that were verified or re-verified between April 2015 and September 2015.⁴⁷ All businesses in the sample are from Building Markets' database, which only includes businesses formally registered with the government.⁴⁸

Figure 5 - Geographic Distribution of Businesses in the Survey Sample by County



⁴⁶ Devex, *A decade of aid dependence in Liberia*, 2013. <https://www.devex.com/news/a-decade-of-aid-dependence-in-liberia-81634>. This amount will likely reduce with the planned withdrawal of UNMIL in 2016.

⁴⁷ For more information regarding survey and sampling techniques, see Annex 1.

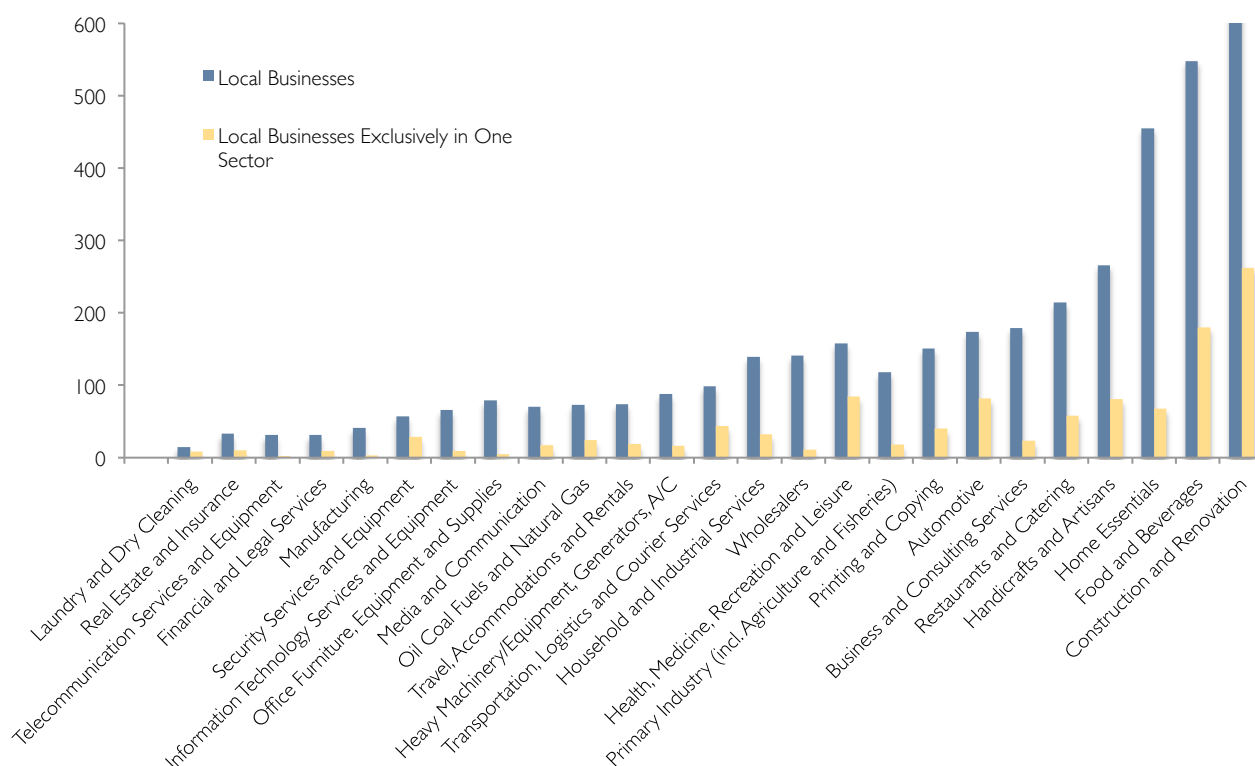
⁴⁸ The Liberia Institute of Statistics and Geo-Information Services (LISGIS) published the "Report on the Liberia Labour Force Survey 2010," which states that approximately 68% of the work force is employed in the informal sector.

2.1 Sector

The *Construction and Renovation*, *Food and Beverages* and *Home Essentials* sectors account for 40% of all surveyed suppliers. Figure 6 shows the breakdown of firms in the sample by sector of operation.

It is common for local firms to provide goods and services across multiple sectors. Sixty-nine percent of surveyed businesses operate in more than one sector. Diversification can lead to more business opportunities, but can also signal weak overall capacity, particularly in more technical sectors. *Construction and Renovation* (61%), *Health, Medicine, Recreation and Leisure* (53%), *Automotive* (53%) and *Security Services and Equipment* (50%) tend to operate in a single sector. Ninety-eight percent of *Wholesalers* work across multiple sectors.

Figure 6 - Number of Local Businesses Across Sectors



2.2 Business Size

Firms in Liberia are typically small in size. Building Markets' data considers two measurements of size: the number of employees and annual turnover. Eighty-nine percent of firms employ less than 20 people and 56% reported an annual turnover of less than \$20,000 USD.

2.2.1 Number of Employees

Fifty-two percent of large businesses are concentrated in the labor-intensive *Construction and Renovation* and *Security Services and Equipment* sectors. Forty percent of *Security Services and Equipment* businesses employ more than 50 workers. *Health, Medicine, Recreation and Leisure* (72%) and *Home Essentials* (64%) businesses are predominantly microenterprises.

Seventy-three percent of businesses employ more permanent staff than temporary staff. Businesses with the largest number of employees tend to hire the greatest proportion of temporary workers. *Construction and Renovation* employs 62% of workers on temporary contracts. There are less temporary workers in sectors that require a higher skill level and/or significant investment in training. The *Heavy Machinery/Equipment, Generators, A/C* sector has the greatest percentage of permanent employees (97%).

Figure 7 - Size of Local Businesses⁴⁹

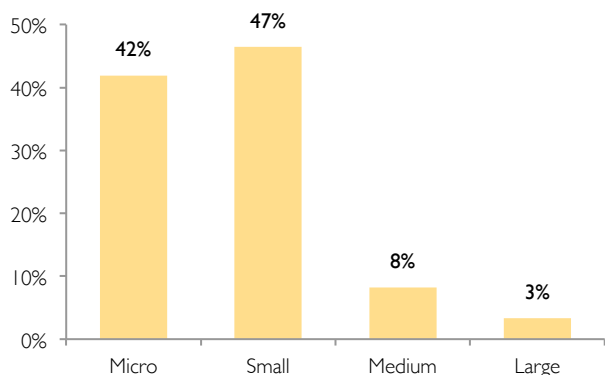
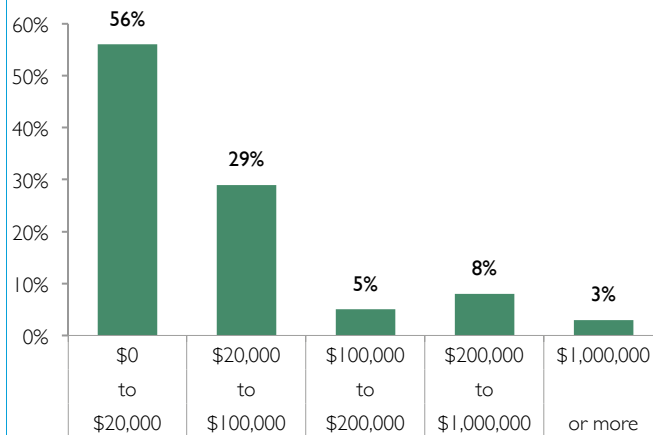


Figure 8 - Annual Turnover



2.2.2 Annual Turnover

Three hundred fifty businesses in the sample reported their annual turnover. Fifty-five percent of annual turnover greater than \$200,000 USD was in *Construction and Renovation*. There was also higher value turnover in *Home Essentials* (13%). Of businesses reporting an annual turnover greater than \$200,000 USD, 82% have less than 50 employees. More expensive goods and services, and not necessarily a large number of employees, tend to lead to higher turnover.⁵⁰

2.3 Distribution and Ownership of Businesses

Ninety-three percent of the firms in the sample are Liberian-owned.⁵¹ Of the 178 foreign businesses in the sample (Lebanese, Other African, Other), only 41% are structured as sole proprietorship businesses. When these businesses are cooperatives or shared partnerships, foreign businesses almost exclusively share ownership with the same nationality. Forty percent of foreign owned businesses employ between 0-3 workers. Only 3% are categorized as large enterprises.

The lack of mixed-nationality partnerships and small size of foreign businesses suggests limited partnerships between local and foreign entrepreneurs. In her speech at the November 2015 MSME conference, President Ellen Johnson Sirleaf stated that many ostensibly “Liberian-owned” businesses are in fact owned by foreign investors using a Liberian national to front their business.⁵² These business relationships are not mutually beneficial; rather, they are extractive and fail to fully contribute to the local economy.

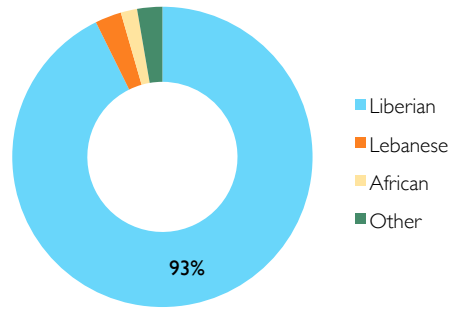
⁴⁹ According to the Liberia MSME policy, a micro business has 0 to 3 employees; a small business has 4 to 20 employees; a medium business has 21 to 50 employees and a large business has 51 employees or more.

⁵⁰ Due to small sample size, it's difficult to extrapolate from these results. Please refer to Annex 1 for more information regarding sampling challenges.

⁵¹ Owned 51%+ by Liberian nationals.

⁵² President Ellen Johnson Sirleaf, Keynote Speech to MSMEs. Monrovia City Hall, Monrovia, Liberia. November 17, 2015.

Figure 9 - Nationality of Primary Owner



2.4 Female Participation

2.4.1 Formal Sector

Female ownership is generally clustered in the *Construction and Renovation, Food and Beverages* and *Health, Medicine, Recreation and Leisure* sectors. On average, women at least partially own 28% of the businesses included in the sample. In addition, women manage 31% of surveyed businesses; however, women represent only 22% of the formal workforce.

Women are more likely to be in permanent positions (61%) as opposed to temporary positions. Men are less likely to be employed in permanent jobs (47%). The *Security Services and Equipment* sector employs a large number of temporary employees who are almost exclusively male.

Figure 10 - Female-owned Businesses by Size

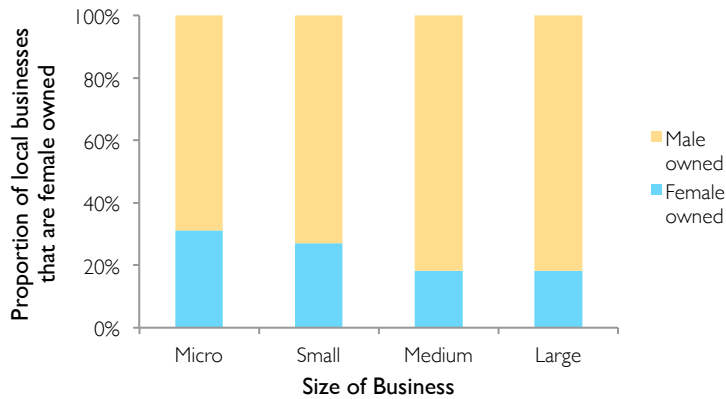
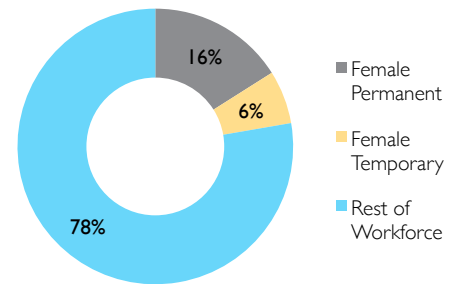


Figure 11 - Female Employment in Local Businesses



2.4.2 Informal Sector

Women make up the majority of smallholder producers in the agricultural sector in Liberia. They produce an estimated 60% of agricultural products and carry out over 80% of cross border trade in rural areas.⁵³ Furthermore, they bear the double burden of unpaid household work. This contributes to the low percentage of women in the formal workforce.

Ninety percent of women work in the informal or agricultural sectors.⁵⁴ Their disproportionate representation in the least productive sectors implies low productivity, inadequate wages and a greater risk of exploitation. In order to overcome rampant gender gaps in the workforce, as well as in education, health and safety, empowering women in the informal economy is imperative.

Ruth Coker Collins has an impressive background. She received a degree from Stella Maris Polytechnic in civil engineering and went on to work for the UN for eight years. She was serving as a UN Volunteer in East Timor when family and financial challenges prompted her to return to Liberia and start a revenue generating business. Ms. Collins founded Tabitha Renaissance Engineering & Design, Inc. in May of 2012. After navigating the challenges of starting a small business, the new company began work on its first project, constructing a house for a friend. The experience was challenging and frustrating: the project lacked a timeline, received frequent complaints and did not generate sufficient profits. Yet it was difficult to identify larger clients, and Ms. Collins faced additional barriers as a female in the field of engineering.

In early 2013, Ms. Collins contacted SMI-L. Previously, she struggled with locating relevant tenders in newspapers. Through SMI-L's Tender Distribution Service (TDS), she now receives daily updates on tenders specific to her business. Tabitha Renaissance Engineering & Design also has a profile on the SMI-L Supplier Directory, and the positive references they have received because of the high-quality and timely deliverables on past projects continue to lead to new ventures. Most recently, the company completed a series of contracts facilitated through SMI-L's services for Global Communities, worth a total of \$195,000 USD, and increased their number of permanent employees from six to eight.



⁵³ United Nations and Government of Liberia, Fact sheet on Joint Programme on Gender Equality and Empowering Women.

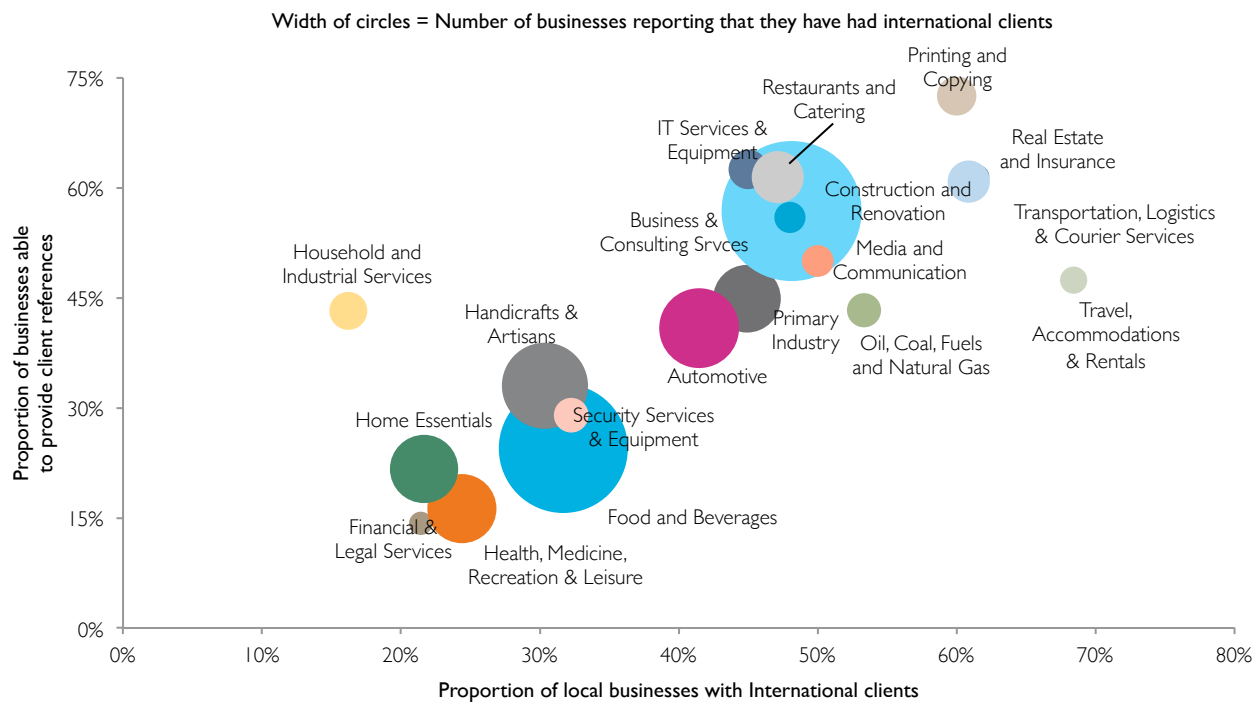
⁵⁴ Ibid.

2.5 Experience with Buyers

Once a business has provided goods or services to a buyer, they can increase their chances of winning future contracts if that buyer is willing to provide a reference. References give some insight into the track records of these suppliers and are an indicator of their professionalism.

Forty percent of businesses reported having had at least one international client in the past six months. Forty-two percent of businesses, regardless of whether they had international clients or not, were able to provide at least one client reference. In general, sectors with higher levels of experience with international clients are more likely to provide client references.

Figure 12 - Experience with International Clients and Professional References



3. IDENTIFYING BUYER DEMAND AND LOCAL BUSINESS SUPPLY

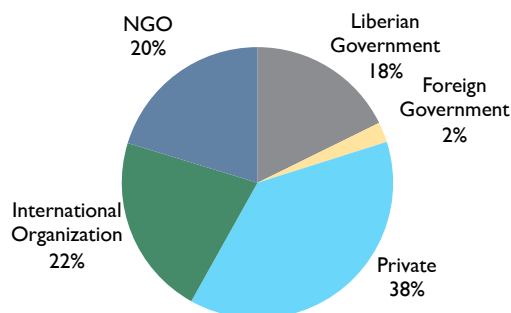
3.1 Demand: Identification of needs

A variety of buyers operate in Liberia, including those in the private sector, NGOs, international organizations, Liberian government entities and foreign governments. Twenty-nine percent of private sector contracts facilitated by Building Markets are within the *Construction and Renovation* sector. Contracts from international organizations and NGOs typically fall within the following sectors: *Construction and Renovation* (24%), *Food and Beverages* (14%) and *Primary Industry (Including agriculture and fisheries)* (9%).

Forty-six buyers participated in Building Markets' yearly Buyer Survey.⁵⁵ Eighty percent of buyers responded that their local procurement is typically limited to printing, stationary and office furniture. However, as printers, stationary and many office fixtures are imported to Liberia, there is little to no value added in country to these products.

Buyer Survey data also shows that buyers, particularly those in the private sector, would generally prefer to locally procure food, beverages and replacement parts for vehicles and heavy machinery. Private sector buyer demands include high quality fertilizers, mining equipment, construction services and fuel. Responses from the private sector indicate a greater opportunity for Liberian MSMEs to provide more value-added inputs along the supply chain.

Figure 13 - Client Structure



3.2 Strengths and Weaknesses of Local Suppliers

From the perspective of the buyer, there are advantages and disadvantages to locally sourcing goods and services. The opinions presented below are subjective and vary based on buyer needs and expectations.

Strengths

- **Easy access to local goods.** Procurement officers noted that it is easy to access local MSMEs when procuring goods and services. One procurement officer observed that this easy access “saves time and money.” Buying local goods reduces waiting times and eliminates the shipping costs and complications associated with importing goods.
- **Lower Prices and Better Quality of Local Goods.** Similarly, some local goods cost less due to the lack of import restrictions and taxes. When possible, buyers typically prefer to purchase locally as they can verify the quality of the goods in person, they do not have to coordinate transportation and logistical arrangements around the delivery of goods and they are able to negotiate prices directly with the seller. It was frequently reported that local businesses are usually willing to replace damaged or spoiled goods to ensure that buyers receive high quality merchandise, which adds more incentive to procuring locally.
- **Support for the Liberian economy.** Supporting the local economy is often cited by buyers as a motivation to purchase locally. Buyers noted they are able to establish positive relationships with Liberian businesses through local procurement.

Weaknesses

- **Quality.** While some buyers emphasize the higher quality of local goods, other buyers disclosed that suppliers sell low quality products or deliver goods and/or services that do not meet buyers' specifications. This difference in the

⁵⁵ 56% of businesses in the Buyer Survey are International NGOs; the respondents are not necessarily representative of all buyers in Liberia.

perspective of the quality of locally sourced goods and services is likely due to variation among local suppliers. Well-established MSMEs are likely to be of higher quality, while newer businesses may not have the same commercial experience, knowledge or exposure to meet the same standards.

- **Volume Capabilities.** Buyers reported that low volume capabilities and lack of diversity of goods hinder local procurement activities. Local businesses generally have limited pre-financing capacity and consequently have low stockholding levels and the inability to fund large projects upfront. Unstable supply lines and limited market access exacerbate MSMEs' limited access to goods. This can lead to failure to comply with buyers' strict delivery schedules.
- **Unstable Prices.** Regular price fluctuations discourage local procurement of goods. Several buyers noted sudden hikes in prices as a disadvantage to purchasing from local businesses. While some buyers take advantage of price negotiation, others stated that local suppliers quoted higher prices than international firms.
- **Required Documentation.** Buyers noted that the process of obtaining proper documentation with the Ministry of Finance, including Tax Clearance and Business Registration, hinders the facilitation of procuring goods and services locally.

3.2 Training

According to buyers, training initiatives for local businesses should focus primarily on customer service training, including quality assurance systems, and specialized training. Buyers that suggested training in general procurement specified that the focus should be on marketing. Many buyers expressed that it was difficult to identify potential suppliers with specific capacities and skillsets to realize larger procurement needs. A large number currently identify suppliers through recommendations, advertisements and site visits.

Suppliers, on the other hand, did not prioritize the need for training in customer service. Instead they identified management and procurement training courses as the most pressing needs. Within procurement training, an emphasis on understanding the tender/bid process is highlighted. Nearly a fifth of businesses reported that they do not desire any type of training.

Figure 14 - Training Needs Identified by Buyers

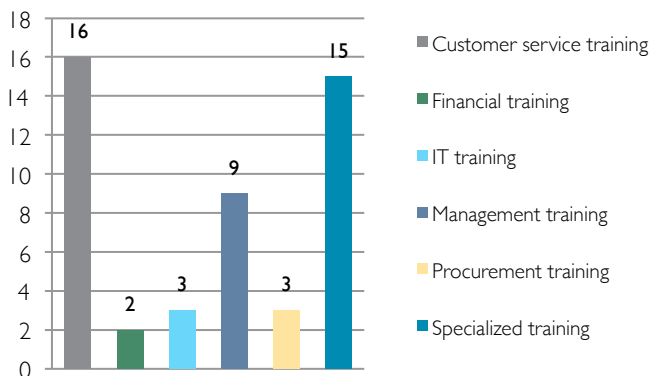
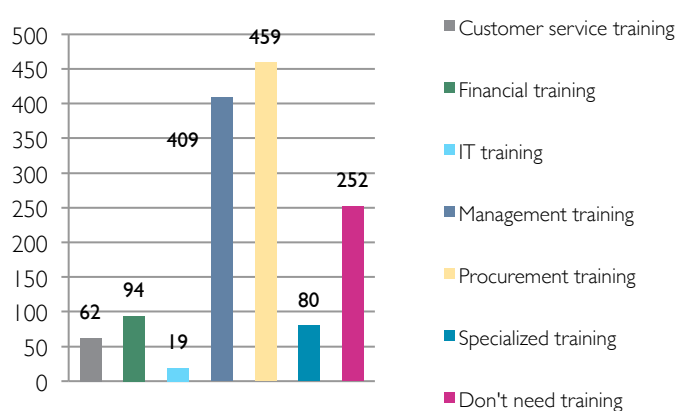


Figure 15 - Training Needs Identified by Local SMEs





One of the primary obstacles Liberian small and medium-sized enterprises (SMEs) face when competing for contracts is assembling a complete and effective bid document. Bid documents are lengthy and include a number of technical components, especially for larger buyers, and businesses must follow very specific processes when compiling and submitting their bids.

In response, SMI-L developed “Advanced Bid Compilation” training and introduced it in July 2013. Since its debut, SMI-L has delivered eight two-day sessions to 61 participants. The course simulates the entire bid compilation process, including the pre-bid, bid closing and bid opening meetings. Participants are grouped by sector and together they walk through picking up tender documents, obtaining bid security from a bank and preparing intentional questions for the pre-bid meeting.

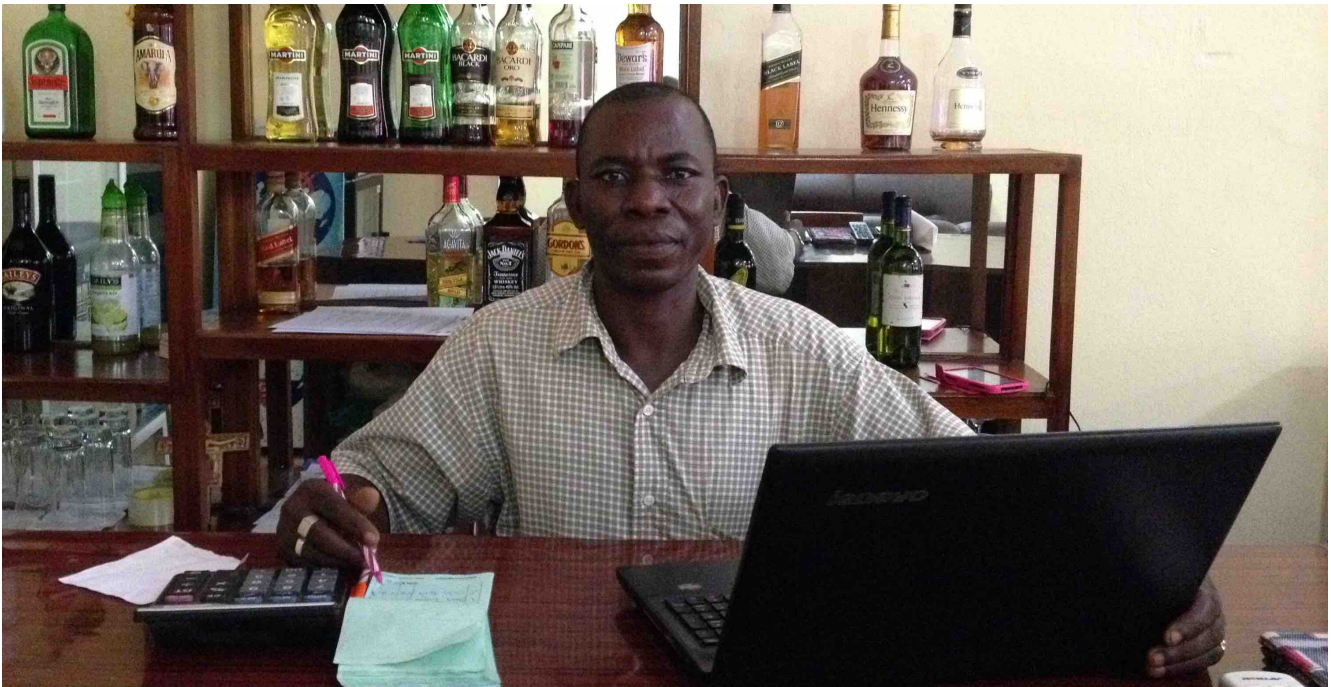
The training makes an obvious impact on SMEs’ ability to win contracts with large buyers. After participating in the training, SMEs have been awarded \$6,899,168 worth of contracts. The company Security Expert Guard Agency of Liberia (SEGAL) credits its recent success to SMI-L training, particularly the Advanced Bid Compilation course. Before taking the course, the company hired consultants to prepare their proposals and was often apprehensive about the outcome. Now, SEGAL prepares the documents in-house.

“We don’t look at the petty contracts, we look at the big ones these days,” says Frederick A. Duwor, coordinator at SEGAL.

The company won eight contracts worth over \$2 million as a result of SMI-L training. Most recently, SEGAL won a contract with the United Nations worth \$1,673,688 to provide security services to multiple agencies, including United Nations Development Programme (UNDP), United Nations Children’s Fund (UNICEF), United Nations High Commission for Refugee (UNHCR), World Food Programme (WFP) and World Health Organization (WHO). SEGAL also provides security services to government agencies, extractive firms and international private companies. These contracts enabled SEGAL to expand its business capacities and compete for larger contracts.

“When our bids are classified as ‘best responsive,’ I feel so proud,” Duwor says.

SMI-L’s Advanced Bid Compilation focuses on UN agencies or public procurement, which award larger contracts but in turn have more complicated bidding processes. The training simulation gives SMEs like SEGAL the practical and technical experience needed to reduce the anxiety around submitting bids to larger entities and, ultimately, to win contracts with them.



Athanase K. Kintig, photo above, and his wife, Augusta Davis, started their restaurant, Eden Park Cafeteria & Catering Services (Eden Park), in 2012 in Gbarnga, Bong County. Mr. Kintiga has a background in agriculture and previously provided training in animal husbandry. Ms. Davis has extensive experience in a variety of sectors, including restaurant and business management, cooking and pastry making. Together, they use their combined skill-set to run Eden Park.

After spending time consulting for NGOs and training students on agricultural processes, Mr. Kintiga decided he was more interested in the end result: food. "I felt I could combine my knowledge on agriculture with the restaurant business and do it better," he explains.

Nevertheless, they have faced challenges in building a client base, especially as the Liberian economy continues to recover from EVD. To address issues they were grappling with both before and after the crisis, Mr. Kintiga turned to Building Markets and its USAID Sustainable Marketplace Initiative Liberia (SMI-L) for support.

In 2013, the business won a one-year contract with the Ministry of Justice to cater three meals a day at its regional hub. The contract was extended to two years, with the help of SMI-L's training services. In addition to participating in courses like Advanced Bid Compilation, which walks suppliers through the bidding process, Mr. Kintiga has sought regular advice from the SMI-L training team when submitting bid documents. In 2014, Mr. Kintiga opened a second location in Monrovia. Many people who attended workshops catered by Eden Park in Gbarnga were from Monrovia, so he was confident he would have a strong customer base in the capital. Additionally, he says it is easier to win contracts with an established presence in Monrovia.

"I would like to expand the business into a hotel and produce homemade food that can be packaged for grocery stores," Mr. Kintiga adds, regarding his reasons for bringing his business to Monrovia.

Aside from scoping out strategic restaurant locations, Mr. Kintiga has been proactive in gaining the skills necessary to advance his business and improve his ability to win contracts. He and his staff members often attend SMI-L training courses, including General Procurement, Buyer Specific Training (e.g. for UNICEF) and Customer Service, among others. Of customer service, Mr. Kintiga cites an oft-heard refrain in Liberia—this is an area of weakness for most businesses. Mr. Kintiga hopes that by continuing to send his employees to customer service training, his business will thrive and he will attract the repeat customers he needs to continue to expand.

4. DOING BUSINESS: SUPPLIER AND BUYER PERSPECTIVES

In order to win contracts of significant size with international buyers, local businesses will typically be required to participate in a formal competitive tendering process. This process is often public and open to all businesses that want to compete; however, it is also common for buyers to only invite businesses on a pre-approved list.

This section takes an in-depth look at the tender process from the supplier and buyer perspectives.

4.1 Suppliers

Finding Tenders

While the tendering process is a common method of procurement, not all sectors utilize tenders at the same rate. Seventy-two percent of businesses in the *Security Service and Equipment* and 46% of *Construction and Renovation* sectors check tenders on at least a weekly basis. However, just 8% of the *Food and Beverages* industry and 13% of the *Heavy Machinery/Equipment, Generators, A/C* sector report checking tenders at least once a week.

Tender Distribution Service (TDS)

Buyers submit tenders to Building Markets and the organization's staff actively collect tender announcements and other business opportunities and distribute them to local companies on a daily basis. In order to reach the maximum number of businesses, TDS disseminates information on its online tender directory (<http://liberia.buildingmarkets.org/tenders>) by email, SMS and in hard copies at the Building Markets SMI-L office.

Nearly 88% of businesses that state that tenders are crucial to the success of their business responded they either *Somewhat Agree* or *Strongly Agree* that tenders are easily accessible. It is important to note that these businesses are all registered with Building Markets' SMI-L program and therefore have access to the SMI-L Tender Distribution Service (TDS). Only 15% of newly verified businesses without prior access to TDS strongly agree they are able to easily access tenders. This indicates that without the TDS as an intermediary service between buyers and local suppliers, the tender process lacks transparency and ease of access for the majority of local firms.

Since 2011, mobile phone access has jumped from 50% to 73% coverage in Liberia.⁵⁶ Building Markets distributes relevant tender notifications through text messages to businesses on its portal and by email.⁵⁷ Local businesses prefer to learn about tenders via SMS (49%) and SMI-L's TDS (31%).⁵⁸ The supplier preference for tender notifications via SMS indicates a growing use of mobile technology in business and the integral role that mobile communication plays in facilitating business transactions.

⁵⁶ WB Data bank. Mobile Cellular Subscriptions per 100 people, 2011-2015.

⁵⁷ See: <http://liberia.buildingmarkets.org/tenders>

⁵⁸ SMI-L is the only distributor of tenders via SMS; therefore, 80% of local businesses primarily learn about tenders through SMI-L.

Figure 16 - Perception Among Local Firms that Tenders are Easily Accessible

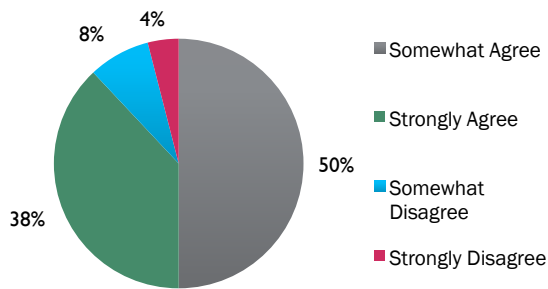
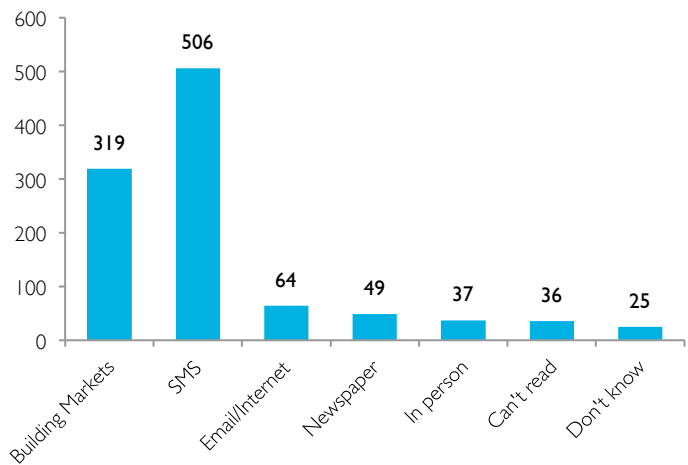


Figure 17 - Best Way to Receive Tender Notifications

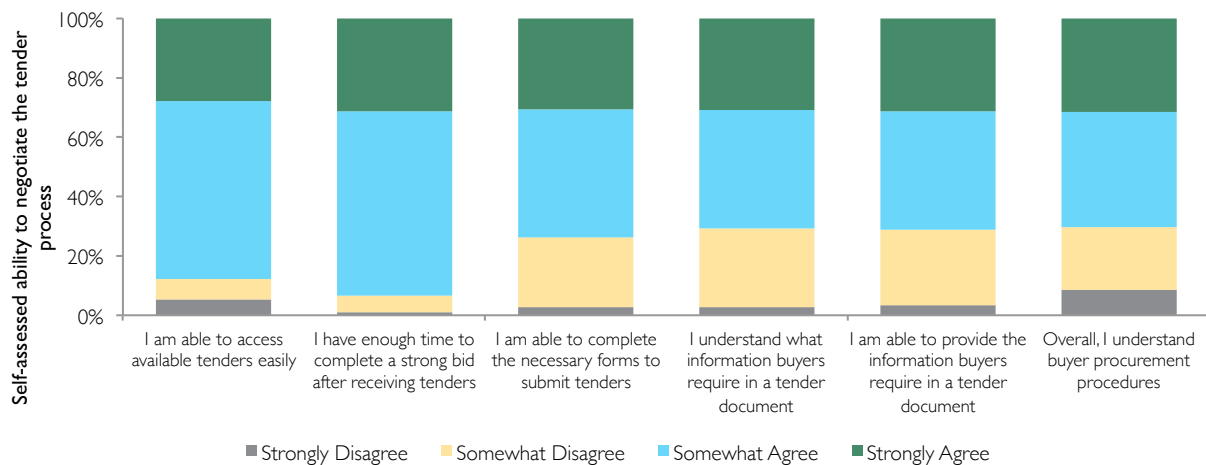


Bidding on Tenders

Not all MSMEs bid on tenders; however, 86% of the businesses surveyed are interested in or are currently bidding on tenders.⁵⁹ Across the self-assessment categories, local businesses report a relatively strong understanding of the procurement process. The continued interest in procurement training among MSMEs (Figure 15) reflects the desire to increase the number of both national and international clients and ultimately grow their businesses.⁶⁰

Seventy-eight percent of firms with more than 50 employees have experience with tenders. Sectors with the greatest proportion of businesses reporting experience with the bidding process include: *Construction and Renovation, Security Services and Equipment, Business and Consulting Services and Real Estate and Insurance.*

Figure 18 - Self-assessment of Capacity to Negotiate Tender Process



⁵⁹ Because of SMI-L's Tender Directory Services, there is likely an over representation of businesses interested in bidding on tenders in our sample.

⁶⁰ Among the firms that bid on tenders, nearly 100% of businesses foresee their profits and number of employees increasing over the next 6 months.

While local businesses sometimes attempt to bid for tenders that are not relevant to their area of expertise, they highlighted several other factors that prevent them from successfully participating in the bidding process. These include:

- Multiple documentations and registrations are required;
- Corruption of the buyer and unfair bidding processes;
- Process is too long and complicated;
- Unsuitable business qualifications;
- Competition from other businesses;
- Time and financial constraints;
- Lack of interest.

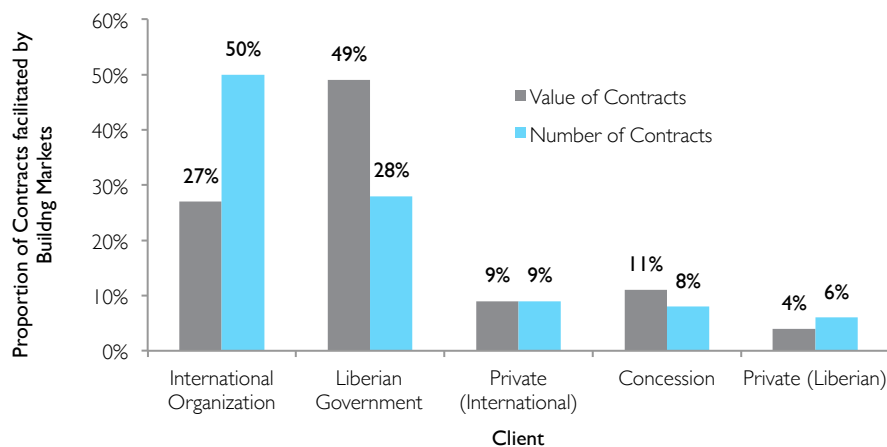
Winning Contracts

Of the firms reporting the number of tenders they had bid on in the past six months (18%), 41% reported winning at least one contract during that timeframe.⁶¹ Surveyed local businesses won 28% of all contracts that they bid on during the past six months.

Thirty-eight percent of contracts facilitated by SMI-L were in *Construction and Renovation* and 37% were in *Transportation, Logistics and Courier Services*. Contracts predominantly came from GoL and international organizations, both in terms of value and number. The lower proportion of private sector and concession contracts reflects the ebbing foreign investment during the EVD crisis. As corporations and concessionaires return to Liberia to resume and scale up investments and projects, the number and value of contracts from the private sector are expected to increase.

When asked the primary reason they did not win contracts, businesses stated that they gave too high of a price and there was too much competition or there was corruption on the part of the buyer. Businesses reported that corruption can take the form of favoritism and kickbacks.

Figure 19 - Distribution of Contracts by Number and Value



⁶¹ Contracts reported as "in progress" were counted as 0.

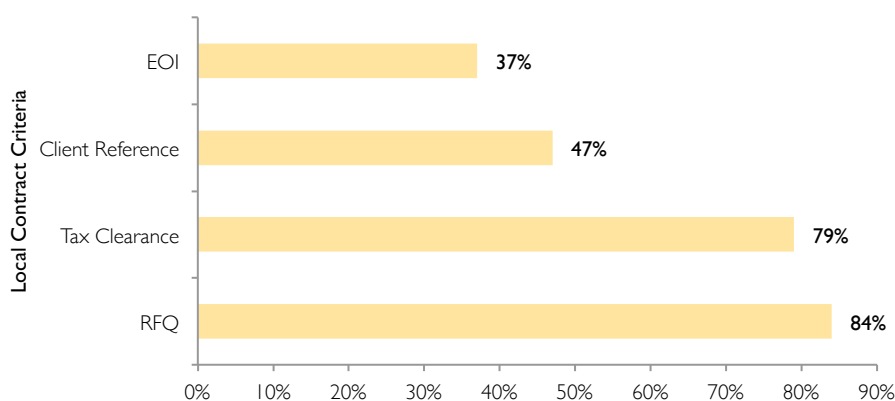
4.2 Buyers and Concessionaries

Procurement Process

Two-thirds of surveyed buyers have commitments to buy locally. The majority of reporting buyers stated a 20-30% local purchase commitment. Eighty-three percent of buyers from the sample use a formal procurement plan. The formal procurement plan varies depending on the buyer, but the general requirements include the following documentation: Expression of Interest (EOI), Request for Quotations (RFQ), verification of official business registration, tax clearance documents and client references.⁶²

The use of tenders in the procurement process also varies among buyers. Thirty-two percent of buyers report publishing tenders on a monthly basis, and 46% publish tenders every six months. Seventeen percent of tenders distributed by SMI-L are in the *Construction and Renovation* sector; the other sectors that make up a significant proportion of tenders are the *Automotive* (11%) and *Printing and Copying* (10%) sectors. Tenders are published through the SMI-L TDS, newspapers and other local media outlets. Some buyers have a closed list of vendors, which is primarily based on recommendations from other partners and/or the SMI-L Supplier Directory.

Figure 20 - Requirements for Local Businesses in the Procurement Process

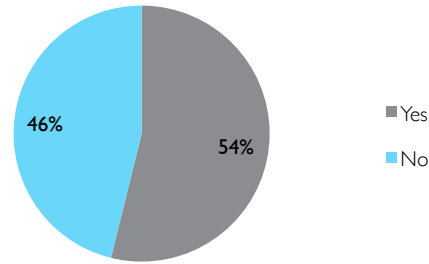


Winning Bids

Buyers were asked the minimum number of responses needed for a tender and how many responses they typically get. Procurement officers usually receive 50-100% more responses than the minimum number required. This signals a competitive bid process that allows buyers to choose from a wide range of options. Moreover, the process reduces collusion among potentially small groups of suppliers. Buyers often cited high prices as a deterrent to procuring locally, but with an increasingly competitive bid process, suppliers are incentivized to provide goods and services at a competitive price in order to win contracts.

⁶² An EOI is used to identify potential suppliers before seeking more detailed bids from shortlisted suppliers. A RFQ is a request to provide pricing on a good or service.

Figure 21 – Price Competitiveness of local business proposals: Are proposals from local businesses competitively priced?



L. Swansey Fallah, pictured below, founded Kingdom Business, Inc., a general construction business, in 2007. Mr. Fallah says that between 2007 and 2013 his company struggled. With only three employees and no experience with the procurement process, the barriers to sustaining the business seemed insurmountable.

In 2013, Kingdom Business contacted SMI-L about training opportunities. Soon after, employees completed a comprehensive training program through SMI-L that built capacity in the procurement process, business management and financial management. The Tender Distribution Service (TDS) and business linkages events enabled Kingdom Business to identify buyers and submit bids; as a result, the company quickly won contracts worth \$560,000 USD, \$175,000 USD and \$150,000 USD, respectively. Kingdom Business now employs nine permanent staff members and 37 contractors to complete projects throughout Liberia's counties.

Sitting in the spacious conference room of Kingdom Business's headquarters in Paynesville, Monrovia, Mr. Fallah reflected on the success his business has realized in recent years. "Prior to 2013, we couldn't fulfill a contract for a \$50,000 USD project," he said. "Now, we work on multiple contracts worth hundreds of thousands of dollars at one time, and buyers consistently tell us that we submit the most credible bids."

His focus is no longer on how to save a struggling business; rather, it is on growing Kingdom Business and ensuring that it continues to provide high quality construction services well into the future.

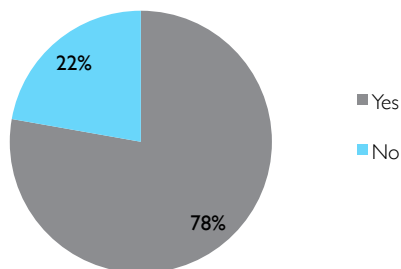


Client Satisfaction

Positive and mutually beneficial local procurement experiences increase buyer confidence in local supply capacity and encourage increased future procurement from local businesses. Buyers reported a variety of positive experiences with local procurement, including the timely delivery of goods and suppliers' willingness to replace damaged/broken goods. Three procurement officers noted that positive experiences were with businesses that were willing to pre-finance goods and services. Multiple buyers noted that they experienced good customer service, and that procuring goods from local suppliers allowed them to establish positive relationships with Liberian business owners.

While these positive experiences with local suppliers showcase successful instances of local procurement, negative experiences hinder local procurement and provide justification to some buyers to bypass the local market. High, fluctuating prices and substandard quality of goods and services were frequently cited as negative factors associated with local procurement. Poor customer service, specifically suppliers' refusal to respond to emails, was also commonly noted. Nineteen percent of buyers have a blacklist of vendors with whom they will not do business due to a prior negative experience. Eighteen percent indicated that they have had issues with corruption when dealing with local suppliers. As a result, some buyers have increased due diligence with suppliers throughout the implementation of a contract. One buyer said they no longer procure locally due to the poor quality of goods, and they now import what they previously procured in Liberia.

Figure 22 – Buyer perception of local suppliers: Do you receive sufficient and honest information from local businesses?



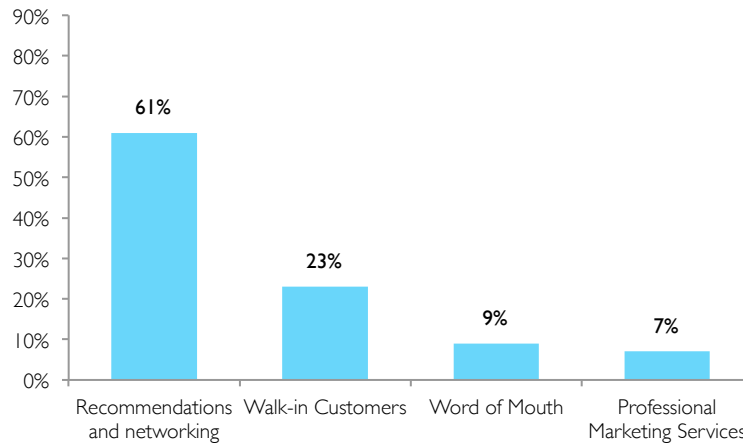
4.3 Marketing and Business Associations

All of the businesses in the sample are formally registered and published on Building Markets' SMI-L Supplier Directory. Many of these businesses compete for contracts through the bidding process. Outside of official and SMI-L registration and the bidding process, marketing and coordination among Liberian businesses represent additional opportunities for buyers to identify local suppliers.

Marketing

Forty-eight percent of businesses reported using a method outside of bidding to increase the number of clients. These methods include: (1) Recommendations from past clients and professional contacts; (2) Word of mouth based on quality of goods and/or services; (3) Walk-in customers; and (4) Professional marketing services. Just 7% of businesses that use marketing to win clients and contracts use advertisements, billboards, websites and other professional marketing strategies.

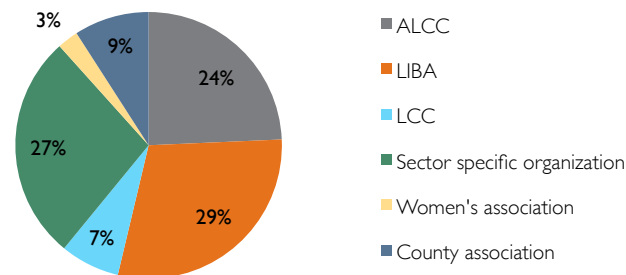
Figure 23 - Marketing Strategies



Business Coordination and Business Associations

Business associations present an opportunity for SMEs to collaborate and share lessons learned within and across sectors. Twenty-eight percent of businesses surveyed belong to a business association. The Liberian Business Association (LIBA) and the Liberian Chamber of Commerce (LCC) are general business associations to which many businesses belong. Sector, geographic and gender specific associations also exist. Over 50% belong to a sectoral association, the most prominent being the Association of Liberian Construction Contractors (ALCC).

Figure 24 - Business Association Membership



5. ECONOMIC IMPACT OF MSMES

5.1 Jobs Created

While it is extremely difficult to quantify the direct and indirect impacts that MSMEs have on job creation, Building Markets analyzes contracts facilitated to calculate the number of full time equivalent (FTE) jobs generated through local procurement. The nearly \$13 million USD of contracts facilitated by Building Markets' SMI-L program this year created 1,493 jobs and sustained 303 jobs, for a total FTE job impact of 1,796 employment opportunities. Overall, 10% of expenditure goes to salaries, meaning that for every \$1 USD of local procurement, approximately 10 cents goes to supporting a job in Liberia.

The *Construction and Renovation* sector accounted for 53% of the contracts facilitated in 2015 and over a third of FTE jobs created. Forecasted spending for 2016 predicts local procurement of \$530 million USD in construction services.⁶³ In order for the local economy to absorb this spending, firms need to meet buyers' needs, as well as provide value-added goods and services along the supply chain.

5.2 Impact on the Local Economy

MSMEs are local businesses: they hire their workforce from the community, they source goods from domestic suppliers and they rely on Liberian buyers to do business. Beyond direct job creation, local firms have ripple effects on the economy.

The more a business spends in purchases from other local businesses or on salaries, the higher the multiplier effect of spending by that business.⁶⁴ Taking expenditure on salaries and local goods and services together, the 'multiplier' for the average business in the sample is 1.81—this means that every \$1 USD spent on local procurement results in additional spending in the local economy of 81 cents.

Nearly two-thirds of contracts result in subsequent contracts with the same buyer. Because of this, successful and positive experiences with local procurement can lead to further contract opportunities for Liberian MSMEs. Furthermore, 58% of local firms reinvest profits from contracts into their business in the form of employee benefits/trainings, equipment purchases and expansion, which demonstrates their goal of improving their business' sustainability.

Figure 25 - Expenditure Patterns of Local Firms



6. BUSINESS ENVIRONMENT IN POST-EVD LIBERIA

During the EVD outbreak, local MSME owners regularly reported that the decline in clients was one of the greatest challenges they faced. Yet, they noted with equal frequency and emphasis that the inability to access capital and goods and move between regional countries was just as prohibitive to doing business.⁶⁵ Overcoming these barriers depends not only on MSME capacity and demand for their goods and services, but also on the business environment in which they operate.

Liberia continues to fall in the bottom decile of global business environment rankings. The World Bank ranks Liberia 179 out of 189 countries in its annual *Doing Business* report.⁶⁶ This report notes that there is improved access to credit as a result of new laws on secured transactions that establish a modern, unified and notice-based collateral registry. However, paying taxes

⁶³ Building Markets, *Leaving a Trace*, 2014.

⁶⁴ Also known as the Keynesian multiplier, this refers to the number of times each dollar is re-spent within the local economy.

⁶⁵ EEIMA data.

⁶⁶ Liberia ranked 180 out of 189 countries in 2015.

became more complicated with the introduction of a minimum corporate income tax.⁶⁷ The World Economic Forum's Global Competitiveness Index corroborates the World Bank assessment: Liberia ranks 129 out of 140 countries.

This chapter examines some of the critical business environment challenges faced by suppliers and buyers in post-EVD Liberia. A favorable business environment must complement the direct support received by Liberian MSMEs through Tender Distribution Service, business linkages and training. Addressing the challenges that continue to hinder MSMEs and the overall economy is necessary for post-EVD recovery efforts and, ultimately, sustained economic growth.

Table 6 - World Bank Doing Business Rankings for Liberia, 2016

World Bank <i>Doing Business</i> Rankings 2016 ⁶⁸	
Topic	Ranking
Starting a Business	37
Dealing with Construction Permits	174
Getting Electricity	180
Registering Property	178
Getting Credit	109
Protecting Minority Investors	182
Paying Taxes	118
Trading Across Borders	183
Enforcing Contracts	176
Resolving Insolvency	168

6.1 Banking

The banking sector has grown and strengthened significantly over the past decade. Seventy-seven percent of registered businesses in the sample have a bank account. There are currently nine commercial banks operating in Liberia, six of which were established after 2005.⁶⁹ As of 2015, there are 85 commercial bank branches in the country.⁷⁰ Measures to strengthen the banking sector include higher minimum capital requirements (\$10 million USD as of 2010), a limit on the investment of foreign currency assets abroad and semiannual on-site examinations and audits of all commercial banks.⁷¹

While progress has been made in access to banking for businesses, it is important to note that 40% of businesses that said they have a bank account do not have separate personal and business accounts. Fifty-nine percent of businesses reported that they are able to provide a bank guarantee, which facilitates their ability to participate in many bidding processes, enter into contracts and perform other financial and business transactions.

⁶⁷ World Bank, *Doing Business* 2016 Rankings.

⁶⁸ Ibid.

⁶⁹ Central Bank of Liberia *Annual Report*, 2014

⁷⁰ Ibid.

⁷¹ Ibid.

6.2 Access to Loans

A lack of access to finance continues to be a prominent concern among local suppliers in Liberia. Loans tend to be short-term (less than 18 months) and have high interest rates (12-20%).⁷² These constraints deter capital investment in businesses and present challenges to new MSMEs.⁷³ While 70% of businesses say they would take a loan if they were able to obtain one from a bank, just 26% of businesses in the sample have accessed a loan in the past. The 2009 World Bank enterprise survey found that only 14% of firms have accessed a bank loan or line of credit. While significant gaps remain, this is a noteworthy improvement in financial inclusion. AccessBank Liberia (ABL) has become an increasingly important player in microfinance, and local suppliers in the sample demonstrate that MSMEs are able to access loans to improve and expand their businesses.

AccessBank Liberia

MSMEs have consistently listed a lack of access to finance among the top barriers to doing business in Liberia. Since January 2009, AccessBank Liberia (ABL) has been working with local firms to facilitate loans that allow suppliers to make strategic investments to grow their businesses. As Building Markets data in Liberia indicates, ABL is now the country's leading microfinance institution that provides short and medium-term lending to SMEs. At the end of 2014, AccessBank had 18,367 borrowers, a gross loan portfolio of \$16,215,195 and six operational branches.

ABL takes an innovative approach to risk management, which enables them to lend to borrowers without formal business records, past lines of credit or collateral. Credit decisions are made through an in-depth analysis of the local firms' capacity and willingness to pay off debt. Loan officers collect and crosscheck all available data provided by MSMEs by visiting applicants' businesses and households. Loan officers are motivated to provide accurate and truthful information through a pay scale based on loan performance.

As ABL continues to work in Liberia, the products and services it offers MSMEs will expand and improve as long-term relationships develop between loan officers and clients. Their innovative approach to improving access to finance is a critical step in creating a positive business environment.

The sub-sample of businesses taking loans primarily consists of micro and small enterprises; there is lower demand for loans in businesses with more than twenty employees. Fifty percent of loans were for less than \$5,000 USD and just 7% were greater than \$100,000 USD. Forty percent of these businesses received loans from ABL, and 65% of loans less than \$5,000 USD came from ABL.

Local businesses are increasing their capacity to fulfill requirements and mitigate risk in order to access loans. Over a quarter of all businesses have a business plan, financial statements, balance sheets and cash statements. Nearly half have documented their profit margins, and 55% are able to list real estate or other assets that can be used as collateral in accessing a loan.

Data collected from October 2014 to January 2015 during the EVD crisis showed a steep drop in the proportion of businesses taking a loan. During this time period, just 10% of businesses reported taking a loan; however, 45% of businesses still said they would want a loan if they were able to get one. The optimistic outlook corresponds to the curbing of the EVD outbreak during this time.

⁷² Department of State, 2014 Investment Climate Statement.

⁷³ 47% of surveyed businesses have been operating for 5 or less years.

Figure 26 - Size of Businesses Accessing Loans

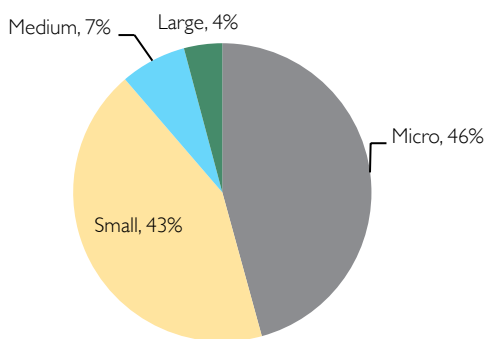
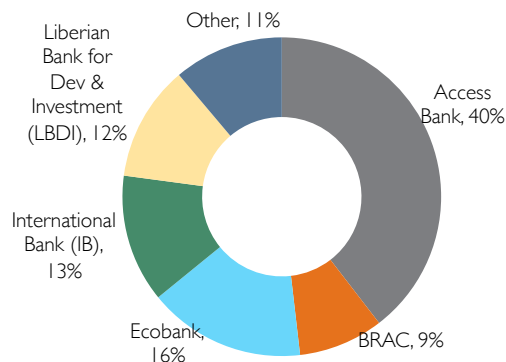


Figure 27 - Banks Providing Loans to SMEs



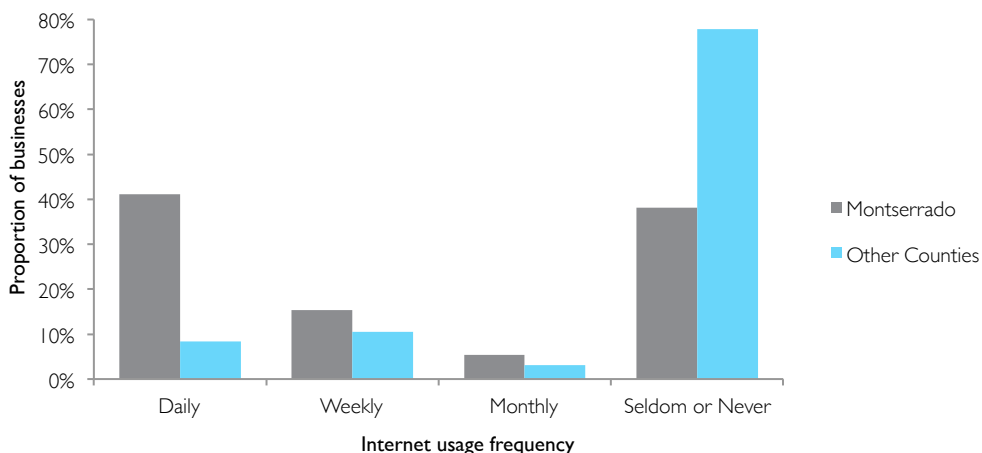
6.3 Internet/Technology

Access to the Internet has increased from 2.5% of Liberians in 2011 to 5.3% of the population in 2014. Overall, 50% of businesses rarely or never access the Internet for business purposes. There is significantly less access in counties outside of Montserrado, demonstrating a more enabling ICT environment for businesses in Monrovia, Liberia’s capital (Figure 29).

Fifty-two percent of businesses reported having an email address; however, this does not indicate how often they use their email for work purposes. Buyers continue to express a preference for communicating with suppliers through email. In 2012, there was a strong correlation between access to Internet and checking for tenders; 84% of suppliers that reported seldom or never checking the Internet also never checked for tenders. The SMS Tender Distribution Service provided by SMI-L has made tenders widely available for businesses regardless of Internet access, sharply reducing the dependency on the Internet to compete in the bidding process.

Just 5% of businesses surveyed have a website. These businesses tend to have more than twenty employees, are located in Monrovia, and include the majority of businesses that reported an annual turnover greater than \$200,000 USD.

Figure 28 - Internet Usage Disaggregated by County



6.4 Infrastructure

Liberian infrastructure suffers from underinvestment, the destruction of functioning systems and installations during the 14-year civil war and insufficient maintenance of existing structures. While the government, corporations and foreign donors have pushed for the rehabilitation and development of infrastructure, much work remains to be done. Infrastructure development and an enabling business environment are inextricably intertwined. Well-functioning infrastructure reduces risk, cuts costs and increases the competitiveness of MSMEs.

The majority of Liberia's roads are unpaved and impassable during the rainy season, severely limiting businesses' ability to access markets. Just 45% of all households have access to an all-season road within 5 kilometers.⁷⁴ Sixty-two percent of firms stated that using transportation to move goods and materials is necessary for their businesses. Fifty-two percent of these businesses used public transportation rather than a privately- or business-owned vehicle.⁷⁵ Twenty percent of responding businesses noted a restriction in movement during the EVD outbreak from October 2014 through January 2015, which was due to bad roads, the closing of borders and imposed curfews.

The Liberia Electricity Corporation (LEC) monopolizes electric utility provision in Liberia, although it is only available in Monrovia. Acquiring electricity through LEC can take upwards of a year and has associated installation costs of \$15,600 USD.⁷⁶ The price of electricity is 56 cents per kWh. The time and cost barriers, as well as poor quality, lead to the use of expensive, high-speed diesel generators. Speaking at a conference in April 2015 during the IMF-World Bank Spring Meeting, Liberia's Finance Minister, Amara Konneh, said, "We have commodities, but we cannot add value to the commodities because we don't have electricity."⁷⁷

The lack of affordable and efficient infrastructure perpetuates horizontal inequity within the private sector. Foreign and domestic elites are able to access power and transportation at high costs, making their business operations efficient and of higher quality. This marginalizes many local businesses by rendering their goods and services less cost-competitive. The development of new roads to Buchanan and Ganta since 2013, in addition to the continual rollout of new road and electricity projects, indicates an effort to improve access to infrastructure.

6.5 Business Registration

All businesses included in the sample are formally registered.⁷⁸ The World Bank ranks Liberia 37 out of 180 countries for ease of registering a business. The four-day registration process is completed exclusively through the Liberia Business Registry. The business registration model shows the efficiency and effectiveness of consolidating procedures within a single institution.

While just 22% of firms state that competition from the informal sector is a major constraint, it is estimated that over 80% of Liberian businesses are unregistered and operate in the informal economy.⁷⁹ These business owners and workers are excluded from formal, regular wages and social benefits. In addition to increasing poverty, marginalization and unstable employment, the large informal sector also highlights institutional weaknesses in taxation, regulation and private property rights.⁸⁰ Although business registration processes are accessible and efficient, addressing the failures and flaws of other relevant institutions is necessary to ensure inclusive growth and better jobs.

⁷⁴ Core Welfare Indicators Questionnaire (CWIQ) Survey, 2010.

⁷⁵ Public transportation includes shared taxis, buses and pickup trucks.

⁷⁶ World Bank Doing Business Report, 2016.

⁷⁷ IMF, 2015. www.imf.org/external/pubs/ft/survey/so/2015/NEW042115A.htm

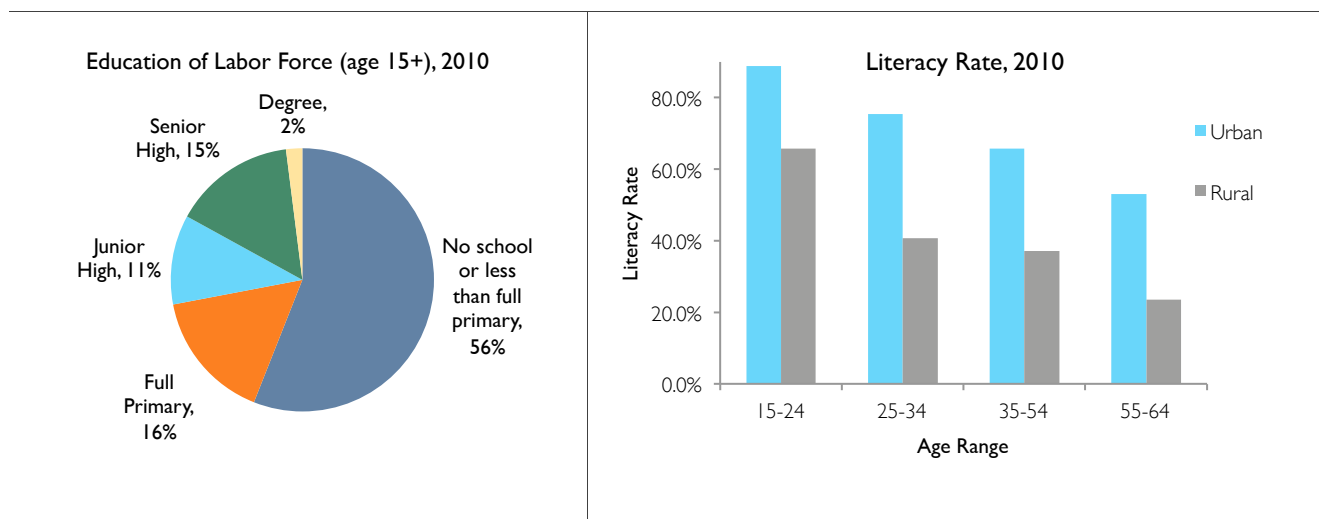
⁷⁸ Formal registration is a requirement for inclusion on Building Markets' online portal.

⁷⁹ World Bank Enterprise Surveys, 2009

⁸⁰ African Development Bank, *Recognizing Africa's Informal Sector*, 2013. <http://www.afdb.org/en/blogs/afdb-championing-inclusive-growth-across-africa/post/recognizing-africas-informal-sector-11645/>.

6.6 Liberian Labor Force

The 2010 Liberia Labor Force Survey showed that just 17% of the population has completed secondary level education. Forty-eight percent of FTE opportunities generated through contracts facilitated by SMI-L are for skilled new hires. As concessionaire projects transition from construction to production phases, there will be an increasing demand for skilled labor along the supply chain. Moreover, for Liberia to be able to move beyond a factor-driven economy, a skilled workforce with the capacity to develop efficient production processes and high-quality goods is necessary. While the workforce currently has a dearth of skilled workers, the increasing literacy and school attendance rates indicate positive trends in the development of an educated and skilled domestic workforce.



7. EMERGING TRENDS AND FUTURE DIRECTIONS

In 2014, the EVD outbreak brought the private sector to a halt; in 2015, post-EVD recovery ushered in a window of opportunity for re-examining buyer demands, local supplier capacity and the Liberian business environment. This section considers the emerging trends and future directions of the Liberian economy in 2015, and outlines both specific and general recommendations to support MSMEs and reinvigorate private sector growth.

7.1 SMEs as Drivers of Recovery and Inclusive Growth

Private sector development is enshrined in the first strategic objective of the ESRP. While the \$225 million USD allocated to achieving the plan's numerous and lofty goals may seem inadequate, the prioritization of key sectors as drivers of recovery and growth indicates a government-level awareness of the potential that MSMEs can have if they are provided access to resources, information and favorable business conditions. The Public Procurement and Concessions Commission (PPCC) and the Small Business Empowerment Act ensure simplified registration processes and preferential treatment of MSMEs in public procurement.

The multiple acts and agendas developed in 2014 and 2015 targeting MSMEs are in line with the overarching MSME policy. Harmonization across policies is important for effective implementation that actually benefits local businesses.

7.2 New Players and Identified Needs in the Mining Sector

While some companies in the mining sector scaled down due to the EVD crisis, others continued expanding. Mining sector GDP expanded by 40% in 2013. While this rapid growth was severely impacted by the EVD outbreak, explorations and operations have resumed. As projects shift from exploration to construction and production, annual demand for goods and services is projected to increase to \$2 billion USD in 2016.⁸¹ Identified concessionaire supply demands, particularly in the *Construction and Renovation, Primary Industry (including agriculture)* and *Heavy Machinery* sectors, demonstrate the need to address the reoccurring gaps and constraints within and across these key sectors to facilitate local businesses' ability to supply goods and services along the extractive industries supply chain. Targeted and sector-specific interventions are critical in ensuring that local businesses are able to achieve gains from the resumption of extractive industries activities in Liberia.

In November 2015, ArcelorMittal announced its plan to cut up to 450 jobs in Liberia and decrease iron ore exports in efforts to reduce costs. The company will only operate during the dry season in order to produce three million tons of iron ore for the European market. Pre-EVD expansion plans projected up to 15 million tons of iron ore production per year by the end of 2015.

Aureus Mining has started operations at the New Liberty Gold Mine, which is expected to enter into commercial production in January 2016. The company recently purchased three of Sarama Company's mineral exploration licenses, increasing its presence in Liberia. Tawana Resources received an environmental audit to advance its development of Mofe Creek and continues to negotiate on a port infrastructure cooperation agreement. Cavalla Resources recently acquired the iron-ore interests and exclusive exploration rights of BHP Billiton.

7.3 Revised Rules and Regulations in the Forestry Sector

In 2014, the former head of the Liberia Forestry Development Authority (FDA) and seven others were arrested for fraud amounting to \$12-15 million USD through the issuance of more than 60 fake Private Use Permits (PUPs).⁸² Later that year, Liberia signed an agreement with Norway to protect 30% of forests and halt the issuance of new logging licenses. While Norway has offered to pay \$150 million USD for verified follow-through on the agreement, similar arrangements have not been effective in other countries.⁸³ The Norway agreement builds on the 2013 Voluntary Partnership Agreement with the EU.

Support for forest-based MSMEs (SMFEs) should be incorporated in the revisions of the forestry sector's legal and regulatory framework. Globally, SMFEs generate a gross value added of \$130 billion per year and employ approximately 20 million people.⁸⁴ Awareness of the potential for MSMEs to contribute to the sustainable management of the forestry sector is needed in Liberia. Increased research around small-scale forestry, wood processing and other supply chain activities for SMEs should be considered.

7.4 Mobile Phones, Internet and SMEs

Increasingly widespread use of mobile phones and the Internet is diffusing the former concentration of information among the elite. Building Markets' data shows a growing use of mobile phones by local businesses and a preference to receive information via SMS. This trend is not only observed among MSMEs. During the EVD outbreak, a Liberian non-profit organization, iLab, demonstrated the importance of technology in bolstering the health sector response through electronic mapping of the

⁸¹ Continually falling global commodity prices may alter initial projections.

⁸² African Economic Outlook, 2015. Foreign companies exploited approximately 23% of forested land in Liberia through the PUPs between 2006 and 2012.

⁸³ Ibid.

⁸⁴ World Bank, Engaging the Private Sector in Forest Development,

disease.⁸⁵ The Red Cross sent two million text messages about EVD each month, and phone records facilitated tracking individuals who had contact with EVD patients.

It is important to consider that the majority of the population still does not have access to the Internet.⁸⁶ However, accessible and affordable technology can increase the number of citizens able to obtain information, encourage innovation and serve to mitigate escalating crisis situations.

7.5 Regional Integration and Domestic Growth Opportunities

In 2014, West African governments closed their countries' borders in response to EVD. With EVD largely eradicated by the end of 2015, West African regional integration is now moving forward. ECOWAS launched the common external tariff (CET) in January 2015 with the goal of fostering a common market without obstacles to trade. The increased tax on imports, particularly rice, could have negative ramifications for Liberia; however, implementation of the CET is weak and inconsistent across the region.

The Mano River Union, an intergovernmental body that represents Liberia, Guinea, Sierra Leone and Côte d'Ivoire, aims to strengthen the capacity of member states through integration and coordinated development programs. Liberia is the last country in West Africa to join the World Trade Organization (WTO), a process that was finalized in December 2015.

While Liberia may initially face high costs in regional integration efforts, the long-term benefits of free trade, regional value-chain development and domestic growth opportunities could lead to significant long-term benefits. Moreover, the stability and peace associated with economic integration is crucial for Liberia and the entire region.

8. RECOMMENDATIONS AND CONCLUSION

8.1 Near-term Recommendations

In the near-term, core interventions and enabling activities should focus on specific industries in Liberia. These recommendations seek to improve the potential of MSMEs in strategic sectors to provide goods and services along the supply chains of key buyers. The following recommendations are intended to guide interventions in the near-term to produce “easy wins.” The strategy behind these recommendations ensures 1) that selected businesses have proper incentives for capacity building; 2) infrastructure development is prioritized to meet the needs of key sectors; and 3) that clusters of successful businesses can develop around Liberia's comparative advantages.

It is important to note that the targeted strategy adopted by the government and development partners must be coordinated and continuously adapted to changes in Liberia's factor endowments. Through careful monitoring and evaluation, an effective and expanded reach of these interventions can be implemented in the long-term to encourage broad-based growth.

8.1.1 Targeted and Tailored Training to Build Local Businesses' Capacity to Meet Market Demands

Building Markets' SMI-L program and development partners currently implement a variety of training courses to increase the capacity of local businesses. While these courses have led to positive outcomes in the form of more contracts won, expanded business and increased technical capacity, significant gaps remain in local businesses' capacity to fulfill market demands. The

⁸⁵ Al Jazeera, *Fighting Ebola in Liberia with Technology*, 16 November 2014.

⁸⁶ 2014 World Bank data states that Internet penetration rate is 5.4%.

mining, forestry and agriculture sectors offer vast potential for linkages with global value chains, and Liberian MSMEs are poised to take advantage of these opportunities. Regular access to in-depth and comprehensive training opportunities that are tailored to the specific needs of businesses' internal operations will build on efforts from international partners to increase the capacity of local businesses. This will ensure that initiatives to link local MSMEs with market opportunities will reach businesses with appropriate systems and capacity, and result in positive and sustainable impacts for Liberia's economy.

8.1.2 Value Chain Financing

Local firms' typical barrier to doing business is a lack of access to credit. Oftentimes, MSMEs are unable to pre-finance projects or stock the necessary quantities of goods. While improving general access to credit through traditional mechanisms is important, value chain financing (VCF) is an innovative approach based on interdependent relationships between value chain actors that enables investments and increases returns along a value chain. It is a strategy that complements the capacity building intervention by providing finance to targeted MSMEs. VCF involves value chain actors, banks, MFIs, non-bank financial institutions, or any combination of these actors, to provide financing along value chains. The stronger the relationships between these actors, the easier it is to facilitate access to finance for MSMEs. Value chain actors can do this in several ways: 1) screening MSMEs looking to borrow; 2) acting as an intermediary between the financial institution and MSME through the disbursement and repayment of loans; and 3) providing formal or informal collateral to mitigate risk. Corresponding banking mechanisms to support VCF should be developed in formal and informal financial institutions. VCF not only ensures that targeted MSMEs have the necessary liquidity to meet demand, but can also reduce transaction costs and more fully integrate local businesses in global value chains.

8.1.3 Value chain Clustering and Alliances

The small size and limited capacity of Liberian MSMEs are barriers to meeting supply chain demands; however, value chain clusters, alliances and networking can reduce constraints in local procurement efforts and increase the competitiveness of domestically produced goods and services. Clusters can informally or formally exist among the stakeholders of a value-chain industry concentrated in a geographic area. Alliances are formal contractual arrangements between firms. These relationships can promote production efficiency, facilitate the strategic provision of infrastructure and ultimately enhance the integration of MSMEs with large corporations.

While business associations do exist in Liberia, creating the space to strengthen and formalize these networks can foster more productive clusters and alliances. This allows local businesses to work together through informal or formal mechanisms to supply value-added goods and services along supply chains. Additionally, foreign-domestic partnerships offer potential for MSMEs to learn best practices and take advantage of business opportunities through joint ventures.

8.1.4 Coordinated Monitoring & Evaluation and Information Sharing

A robust and coordinated Monitoring and Evaluation (M&E) framework should be established prior to the implementation of any intervention. Standardized baseline evaluations and regular assessments will generate valuable lessons learned. Information sharing and knowledge management across businesses, buyers, GoL and development partners is a critical foundation to achieve broad-based growth.

8.2 Long-term Recommendations

Long-term recommendations focus on policy changes and long-term investments in MSMEs. The following recommendations are neither exhaustive nor prescriptive; rather, they serve as a conversation starter to be continued and acted upon by GoL, private sector and development partners to prioritize and encourage MSME growth.

8.2.1 Strategic Incentives for Agribusiness

To effectively cope with unpredictable trends in mining sector activity, reduce vulnerability to external shocks and avoid the perils of a rentier state, strategic incentives for agribusiness are critical to strengthening and expanding Liberia's agriculture sector. The overarching goals should aim to remove barriers and create incentives for private sector investment in agriculture. Sectoral interventions should focus on commercial farmers, or farmers with the potential to produce a marketable surplus of goods, to foster supply chain integration and niche market profitability. Associations and networks should be encouraged and fostered among farmers to leverage economies of scale and specialization.

8.2.2 Improve Access to Finance

Broader measures to improve access to finance should complement the core intervention to provide targeted VCF. There are users and non-users of financial services. Policies and programs need to alleviate price and non-price barriers to those who are voluntarily or involuntarily excluded from access to finance. Innovative approaches, such as the adaptation of mobile technology to facilitate and broaden access to banking and lending, should be encouraged. Technology will allow financial institutions to provide services on a broader scale and at lower costs than through traditional mechanisms, which can translate into improved access to finance for MSMEs.

8.2.3 Ensure That Policies Lead to Concrete Actions

The SBA, PPCC and ESRP contain strong language around MSME prioritization and promotion. It is critical that actions are taken to support the goals outlined in national policies and development strategies. Harmonized language and goals across these acts should be accompanied by coordinated interventions and programs. Capacity building and business environment improvements must complement policies that set out requirements for local procurement to ensure that local businesses are able to meet the policy targets.

8.2.4 Business Development Interventions That Target Youth

Liberian youth make up two-thirds of the population. It is imperative that this demographic is aware of employment prospects and properly trained to take advantage of these opportunities. Engaging the youth population in agriculture through farming and non-farming jobs will build the sector, generate employment and catalyze innovation. Curricula in all schools should integrate and streamline business and entrepreneurship skills with a specific focus on agriculture and technology.

8.3 Conclusion

The impacts of EVD continue to emerge and affect the Liberian marketplace. While the full extent of EVD-related economic losses remains unknown and unquantifiable, the country has shifted efforts from disease eradication to economic recovery. MSMEs are the key drivers of economic recovery, sustainable growth and inclusive development for Liberia.

Small businesses in Liberia suffered from drops in revenue, shrinking clientele numbers and restricted transportation during the EVD crisis. Barriers to doing business that existed prior to the outbreak were exacerbated throughout the public health emergency. Despite business owners' optimistic outlook during the worst of the disease that business would soon pick up, MSMEs were severely and negatively impacted by the EVD crisis.

This snapshot of the economy in 2015 demonstrates the resilience of Liberian MSMEs and their potential to meet the needs of domestic and international buyers. Eighty-nine percent of businesses have less than 20 employees and 56% have an annual turnover of less than \$20,000 USD. Yet 40% of businesses surveyed have supplied an international client in the past six months and nearly half can provide references from previous clients.

Despite their demonstrated successes and potential, suppliers need to continue to improve the quality of goods and services offered, as well as their customer service, if they are to win more business from buyers. Tailored and sector-specific interventions are needed in key sectors to build the capacity of local business so they can take advantage of emerging opportunities.

The survey data suggests that local procurement has an immediate and significant multiplier effect: 81 cents is re-spent in the Liberian economy for every \$1 spent on goods and services from a local business. Therefore, increasing the direct impact of international expenditure by purchasing goods and services from the local market can also increase the positive distributional effect of the international presence in Liberia. This reduces poverty, generates skills and creates employment opportunities as workers are hired to fulfill contracts.

Now there is a critical window of opportunity to create an enabling business environment to support the growth and development of MSMEs. The government has recently taken several key steps: the passage of the Small Business Act, local purchasing requirements for public procurement and the prioritization of MSMEs in national development and recovery strategies. Coordinated efforts by development partners and the private sector in conjunction with the government can level the playing field for local businesses, increase local procurement and catalyze much needed economic opportunity and growth.

ANNEX I – METHODOLOGY

This report is based on a broad sample of 3,706 Liberian-registered businesses that have been verified and included on the USAID Sustainable Marketplace Initiative Liberia supplier directory. Multi-dimensional data was collected through a combination of key informant interviews, semi-structured surveys and systematic collection of local business contract information.

The main analysis is based on a sub-sample of 2,441 businesses that were verified or re-verified between April 2015 and September 2015.

Local Business Verification and Baseline Survey

Survey Data Collection

This is a dual survey that combines a set of mandatory verification questions and an optional baseline component. The purpose of the verification component is to collect key business demographic and operational information. The baseline component of the survey contains questions on enterprise specific practices, experiences, challenges and perceptions. The survey is administered through a detailed semi-structured questionnaire. The verification component allows businesses to be profiled in the online Supplier Directory. The completed verification questionnaire must then be signed in order to confirm that the information provided is accurate and that there is agreement that the information can be published on the online directory.

The baseline survey focuses on the experiences a business has with contracts, international clients, tenders and trends in the Liberian market. The purpose of this survey is to give SMI-L a baseline against which to measure its success and to analyze changes in the local market over time. Finally, businesses are asked to provide client references and branch office information. A member of the SMI-L Business Verification team personally administers each survey with the owner or another management figure from the respondent business.

Data collected in the initial verification and baseline survey is updated semi-annually through a process of re-verification. Re-verification is administered through telephone interviews; SMI-L staff members call previously verified businesses to update information listed on the online directory and ask about changes in the business over the past six months. Re-verification is a mandatory process for a business stay on the Supplier Directory. However, questions asked during re-verification are not mandatory and suppliers can opt out of answering any of the questions. Responses given to the baseline-type questions during re-verification constitute a baseline follow-up survey.

Sample Size and Response Rate

SMI-L has verified over 3,700 businesses in Liberia. The local business landscaper analysis is based on a sub-sample of 2,441 businesses drawn from 12 counties. 73% were drawn from Montserrado County and 27% are distributed across the 11 other counties. The Liberia Business Registry estimates that 70% of all businesses are headquartered in Monrovia, making the sub-sample geographically representative. The counties represented in the sample include: Bomi (17), Bong (130), Gbarpolu (1), Grand Bassa (81), Grand Cape Mount (13), Grand Gedeh (14), Lofa (47), Margibi (108), Maryland (56), Montserrado (1,772), Nimba (172) and Sinoe (30).

Sources of Error

Lack of Formal Business Records

Many businesses do not systematically keep formal business records of past transactions and respondents are oftentimes unable to estimate certain figures. This is particularly evident when businesses are asked to estimate annual revenue, expenditure allocation and contract distribution and value. While these responses reflect the perceptions of local businesses, the level of accuracy may be lower than for other questions.

Disruption of data collection due to EVD

EVD disrupted regular SMI-L data collection activities between August 2014 and March 2015. Business verification resumed in January 2015, and regular re-verification data collection started up in March 2015. During this time, Building Markets Staff collected Ebola Economic Impact Monitoring and Analysis data from verified SMEs.

Buyer Survey

Survey Data Collection

SMI-L buyer surveys are conducted with major international and local buyers in Liberia to understand their practices, experiences, challenges and perspectives on local procurement in Liberia. These surveys are personally administered by members of the SMI-L Market Research team and the respondents are senior procurement officials of buyer entities. The survey also measures the level of progress that the buyers are making in sourcing locally and evaluates the extent to which they use SMI-L services. All surveys are either conducted at the buying entity's head office or field-based site office.

Sources of Error

Medium Sample Size

The follow-on buyer survey includes responses from 46 major buyers in Liberia; this sample is much smaller compared to the size of the business to business and institutional buyer market in the country. The type of buying entities surveyed includes multinational corporations, local private businesses, government entities, local NGOs and international development organizations.

Reporting Bias

Survey respondents are likely to have a bias in favor of local procurement. SMI-L openly advocates for increased local procurement and so those willing to take part in surveys for SMI-L are mostly drawn from the network of organizations already cooperating with SMI-L to promote local procurement.

Job Creation and Business Impact Survey

Survey Data Collection

The SMI-L Market Research team conducts follow-up surveys on suppliers that win contracts to assess the job creation and other impacts resulting from the contracts. Surveys are done on a contract basis and measure if the contracts created temporary jobs, resulted in a follow-on contract and/or led the supplier to invest in the business as a result of the contract. The survey is done in-person as a structured interview and contains open and close-ended questions. The survey contains questions and sub-questions that are only asked if the interviewee has answered the questions in a particular way (e.g., for the question "As a result of this contract, have you expanded any departments or services?" the sub-question "Which departments/services have expanded?" is asked if the respondent says yes to the initial question.) A total of 111 contracts worth \$10.5 million were surveyed for this report.

Sources of Error

Representativeness

The contracts surveyed are heavily dominated by the *Construction and Renovation* and *Logistics* sectors, and different results could be obtained if the set of surveyed contracts is otherwise composed.

Contracts Facilitated Data

Survey Data Collection

SMI-L collected data on contracts awarded to local suppliers by large buyers. Contract data includes the value of contract, type of buyer and description of goods and services.

Sources of Error

Representativeness

The survey only considers contracts facilitated through SMI-L and, therefore, excludes all contract transactions that directly take place between buyers and sellers. 90% of contracts facilitated by SMI-L are tender-based and therefore there is an over-representation of buying entities that use tender procurement systems. It is very likely that the value of contracts for the multinational private sector is under-represented because this buyer category mainly uses closed vendor lists. They are not representative of all the contracts that have been facilitated. Since the sample is smaller and unrepresentative, the results should be interpreted as highlighting the experiences of particular suppliers when winning a contract and not as a generalization of all contracts won in Liberia.

Ebola Economic Impact and Monitoring and Analysis (EEIMA) Data

Survey Data Collection

SMI-L designed the EEIMA survey to track the impact of the EVD outbreak on Liberian businesses. SMI-L conducted the first round of EEIMA surveys in October 2014, and subsequently in November, December and January, using a sample of businesses drawn from the SMI-L database. The EEIMA survey collected data on employment, revenue performance, profit expectations and client numbers. The survey also had questions on transportation and the challenges facing SMEs.

All surveys were conducted over the telephone from Building Markets headquarters in Monrovia. Enumerators contacted each business in the sample and administered the questionnaire. Each questionnaire took approximately 12 to 20 minutes. If a business did not answer, the enumerator tried the same number up to five times over the course of that particular data collection period, before classifying the business as a non-response.

Sources of Error

Non-probability sampling

Businesses were selected based on sector, geography and size (defined by the number of full-time employees). Furthermore, the sampling framework was limited to businesses from the SMI-L database. Therefore, the dataset may not be fully representative of the entire population of businesses.

ANNEX II – SURVEY TOOLS

Local Business Verification Questionnaire (number of businesses responding)	
Trade name	2,441
Registered name	2,441
Head Office Address - Street Address	2,429
Head Office Address - Community and Building	2,376
Head Office Address - City	2,439
Head Office Address - County	2,440
Office Phone	2,431
Office Fax	833
E-mail Address(es)	2,140
Website	1,398
Office Hours	2,437
Description of Goods/Services	2,420
Sector	2,180
Operating Since	2,387
Previous company name(s)	1,976
Structure of business	2,438
Is this business a wholly-owned subsidiary of another business?	2,377
What is the name of the holding company?	96
Is this business the sole owner of any subsidiaries?	2,343
What are the names of these subsidiaries?	67
Primary owner I – Name	2,434
39. Primary owner I - % Ownership	2,054
40. Primary owner I – Nationality	2,054
41. Primary owner I – Gender	2,055
Female Owned	2,392
Co-owned by women and men	663
Female managed	2,377
Business registration	2,360
Licenses held	1,501
Certifications held	1,565
Association memberships	1,137
Specialized training in last 6 months	1,667
Languages spoken within business	2,439
Counties company can operate in	2,304
Permanent, full-time employees - Male	2,424
Permanent, full-time employees - Female	2,424
Permanent, full-time employees - Expats	2,424
Temporary, full-time employees – Male	2,336
Temporary, full-time employees – Female	2,336
Temporary, full-time employees – Expats	2,336
Total Employees	2,424
Of the total employees, how many are family members?	1,468
Is the manager the same person as the owner?	1,566
Turn-over (sales) last year?	2,022
USD Revenue (sales) last 6 months?	1,406

Has your business improved its revenue over the last 6 months?	1,768
USD Revenue (sales) last month?	1,925
Do you have a bank account?	1,785
Bank statement name matches the registration name?	2,055
Do you have separate business and personal accounts?	1,419
Mode of payment accepted	2,440
Can you provide a bank guarantee?	2,392
Have you ever received a formal loan?	2,419
If yes, from whom?	1,339
If yes, how much?	1,333
If yes, how did you spend it?	1,328
Did you pay it back?	1,137
Do you have insurance?	1,343
Do you import?	2,420
Of the goods you sell, what % of this value are imports?	2,225
% Expenditure - Imported Goods	2,231
% Expenditure - Domestically produced and sourced goods	2,255
% Expenditure - Services from domestic suppliers	2,246
% Expenditure - Services from international suppliers	2,155
% Expenditure – Salaries	2,242
Primary challenge that prevents your business from importing more?	2,380
Why do you think you do not get more international clients?	2,219
How do you usually secure work with international clients?	2,129
Clients or customers in the last 6 months? – National	2,065
Clients or customers in the last 6 months? – International	2,030
What is the typical value of contracts over last 6 months?	2,028
% of your Contracts - New National clients	1,943
% of your Contracts - Repeat National clients	1,945
% of your Contracts - New International clients	1,926
% of your Contracts - Repeat International clients	1,912
Have you ever responded to a tender or submitted a bid?	2,193
Tenders from national or international buyers won in last 6 months	1,517
If you have attempted to bid on tenders but not won the contract, what is the primary reason?	1,492
Are you interested in bidding for tenders presently or in the future?	2,354
What is primary reason that you do not bid on tenders?	2,316
What kind of corruption?	211
I am able to access available tenders easily	2,287
The ability to quickly access tenders is crucial to the success of my business	1,948
I have enough time to complete a strong bid after receiving tenders	1,942
I am able to complete the necessary forms to submit tenders	1,942
I understand what information buyers require in a tender document	1,941
I am able to provide the information buyers require in a tender document	1,939
Overall, I understand buyer procurement procedures	1,951
How often do you check for available tenders?	2,357
What is the biggest problem with finding tenders?	1,421
Where do you find tenders? How do you locate them?	1,453
What is the biggest obstacle to doing business with international entities?	2,024
How many training sessions to improve your business have you attended?	2,362
What type of training would most help your business win contracts with int'l businesses, NGOs, or governments?	2,391

Have you received any services from organizations trying to help enterprises in Liberia?	2,244
How often do you access the internet for business purposes?	2,408
In the next 6 months do you expect your profits to increase?	2,410
In the next 6 months do you expect the number of people you employ to...	2,410
If your business could get a loan from a bank would you want one?	2,366
If yes, what would you spend it on?	1,465
If yes, for how much?	1,384

Local Business Supplemental Re-Verification Questions (number of businesses responding)	
Do you have a prepared business plan?	1,539
Do you have financial statements prepared?	1,522
Do you have profit and loss financial statements?	1,487
Do you have balance sheets?	1,489
Do you have cash statements?	1,480
Do you know what your profit margins are?	1,504
Do you own any real estate or other assets that may be used as collateral for credit?	1,494
Has your business being published on the Supplier Directory helped you to win any contracts?	1,699
Have you ever received a text message or email about a tender from Building Markets?	1,709
Do you find tenders on the TDS that you would not find elsewhere?	1,292
Is the TDS easy to use?	1,235
Does the TDS have tenders that are relevant to your business?	1,281
How could Building Markets make the TDS easier to use?	1,142
The best thing about TDS is:	1,171
The best way to find out about tenders is:	1,181
The best way to receive tender documentation is:	1,174
Have you ever responded to a tender or submitted a bid that you learned about from Building Markets?	1,346
If no, why do you think that was?	1,105
Did you win a tender on the TDS website?	1,195
If no, why do you think this was?	1,115
Has your number of clients increased or decreased over the last six months?	1,651
Have you ever won any contracts that lasted 6 months or longer?	1,618
If yes, how many?	1,190
If yes, what is the value of the contracts?	1,269
How many tenders have you bid on in the last 6 months?	1,390
How many tenders have you bid on in the last six months that you learned about from Building Markets?	1,259
How many bids have you won in the last six months that you learned about from Building Markets?	1,259
What equipment, building renovation, or other activities have you invested in to improve your business in the last six months?	1,623

Buyer Survey (number of businesses responding)	
Organization	45
How long has your organization been operating in Liberia?	39
In general, what is the advantage of procuring from the local market over foreign suppliers?	45
In general what are the challenges of procuring from the local market over foreign suppliers?	45
Do you have any experience procuring in other developing countries?	45

If yes, how does Liberia compare?	38
Do you work from a supply chain plan?	44
Do you work off a formal procurement plan?	44
How often do you undertake "ad hoc" purchases or unanticipated/ unplanned procurement of goods and services?	38
What procurement policy do you follow? What requirements, guidelines, or restrictions govern your procurement?	44
In which sectors do you procure?	45
What principle international goods/services do you procure for your organization?	37
Do you separate local and international procurement?	42
What are your criteria for international contracts?	36
What is your criterion for local contracts?	36
What are the principle goods and services that you buy locally?	44
What goods/services do you think could be provided locally that you are not currently procuring?	45
How do you go about finding information about local businesses?	45
Does your organization have any commitments to buy locally?	44
If yes, are there any set targets?	42
Has your organization had to deal with issues of corruption when dealing with local suppliers?	42
If yes, how has your organization responded to perceived or actual cases of supplier corruption?	37
Please describe any positive experiences you have had procuring with local suppliers.	42
If there is a positive experience, how has it changed the way you conducted local procurement?	41
Please describe any negative experiences that you have had procuring from local suppliers?	44
If there is a negative experience, how has it changed the way you conduct local procurement?	41
What business or technical skills do the companies you work with need improvement?	44
Have you noticed a change in the capabilities of local companies that you have worked with?	37
Are you familiar with Building Markets and the Sustainable Marketplace Initiative?	44
If yes, how did you learn about Building Markets?	43
Do you use SMI services as a standard part of your procurement procedure?	37
Have you ever used any SMI service?	26
Have SMI services increased your local procurement?	33
Have you changed your organization's policy or practice in regard to local procurement since working with Building Markets?	10
Have SMI services made your procurement more efficient?	35
Have SMI services helped you save money on procurement?	35
Have SMI services helped you reach organizational targets?	34
Have you ever accessed the business portal?	39
Have you ever contacted a business that you found on the portal?	20
If yes, did it lead to a contract?	20
How accurate do you find the information on the supplier directory?	22
Did the supplier directory help you source your goods and services locally?	20
Do you think you would have undertaken less local procurement without the Supplier Directory as a resource?	18
Have you ever used SMI's Matchmaking service? (this includes matchmaking events and reports)	36
Have you ever attended a Matchmaking event?	26
Did you find the Matchmaking event you attended useful?	19
Did it lead to a contract with a local business?	18
Did the event you attend help you learn about businesses or products you didn't know about before?	18
Generally, do you think you receive competitively priced proposals from local businesses?	39
Generally, do you think you receive sufficient and honest information from local businesses?	42
How frequently do you publish tender notifications anywhere?	33
What other outlets do you use to publish tender notifications?	37
How much time prior to the proposal deadline do you generally post a tender?	38
What is the minimum number of responses you need for a tender?	38
How many responses do you typically get?	36
Do you have a preferred vendor list?	41
Do you have a blacklist for poorly-performing vendors?	42
Have you been sending us tenders through our Tender Distribution Service?	36
How many times has sending tenders to SMI-L led to a contract with a local business?	23

Did businesses who bid tell you they found the tender through SMI-L?	21
Do you think you would have undertaken less local procurement without TDS as a resource?	17
In general, what type of training would enable suppliers in Liberia to win more of your tenders?	43
Are you aware of our training events?	35
Have you worked with any businesses that have been trained by SMI-L?	13
Do you refer businesses to SMI-L training?	31
Have you worked with any business that has received another type of training that you think is useful?	26
If yes, which training(s)?	15
Do you know of our market research products, such as the Market Overview Report or the Buyer tip sheet?	41
Did these help you learn more about the Liberian marketplace?	35
Did these help improve your local procurement?	34
How do you compare the availability of good/services during EVD outbreak compared to the period before the outbreak	41
Now that Liberia is declared by WHO to be Ebola transmission free, how do you compare the availability of good/services you buy now compared to the period during EVD outbreak?	41
How do you compare the cost of good/services you buy during EVD outbreak compared to the period before the outbreak?	39
Now that Liberia has been declared by WHO to be Ebola transmission free, how do you compare the cost of good/services you buy now compared to the period during EVD outbreak?	40
How do you compare the overall cost of transportation for both goods and people during EVD outbreak?	39
Now that Liberia has been declared by WHO to be Ebola transmission free, how do you compare the cost of transportation for both goods and people now compared to the period during EVD outbreak?	39
How do you compare the overall number of people employed by your organization during EVD outbreak compared to the period before the outbreak?	39
Now that Liberia has been declared by WHO to be Ebola transmission free, how do you rate the overall number of people employed by your organization now compare period during EVD outbreak?	39

Buyer Survey Participants			
PSI-Liberia	Samaritan's Purse	DRC	Partners in Health (PIH)
LISGIS	Right to Play	Business Start-Up Center	ICCO Cooperation
IBEX	GROW	Medical Team International	OSIWA
LTAWARCIP	USAID/LTTP	Global Communities	USAID/FED
Equip Liberia	L-MEP	UN Women	Jonah Capital
World Health Organization	Hummingbird Resources	Alvino Hotel	Ministry of Foreign Affairs
AEL – Tear Fund	Grand Bassa Community College	Grand Royal Hotel	Welt Hunger Hilife
Ministry of International Affairs	Equatorial Palm Oil	UNESCO	Golden Veroleum
ACDI-VOCA	LAC	Jackie Hotel	Libery Aviation, Inc.
Aureus Mining	Phebe Hospital	LICC	National Investment Commission
Nimba County Community College	Public Procurement & Concessions Commission	USAID	

Job Creation Survey (number of businesses responding)	
Company Name	38
Contract Code Number	38
Method that business won the contract	38
Date SMI-L learned of the contract	38
Estimated contract value (\$USD)	38
Contract confirmed by	38
Female owned or managed?	38

Buyer Name	38
Brief description of contract	38
Sector of contract	38
Actual date contract was awarded	38
Start date of contract	38
End date of contract (if finished). If not finished, type in "Not finished".	38
Length of contract in days	38
Contract classification	38
Type of contract	38
How essential was Building Markets in helping you win this contract?	38
Clarifying comments if necessary	38
Did this contract lead to another contract with the same buyer?	38
How many employees did you have before winning the contract?	37
How many employees worked full time on this contract for the entire duration of the contract?	38
How many of these were new hires?	37
How many of these were already employed by you?	37
How many of the new hires were skilled labor? (I.e. graduated from university or specialized training program)	37
How many of the new hires were unskilled labor? (I.e. no university education, no specialized training)	37
How many of the new hires were male?	37
How many of the new hires were female?	37
How many of the new hires were from Monrovia greater area?	38
How many of the new hires were from rural areas (outside greater Monrovia)?	38
How many employees worked only on part of the contract or part time throughout the contract?	37
What was the average number of full days that each of these employees worked for the duration of the contract?	38
How many of these were new hires?	37
How many of these were already employed by you?	37
How many new hires were skilled labor? (I.e. graduated from university or specialized training program)	38
How many of the new hires were unskilled labor? (I.e. no university education, no specialized training)	37
How many of the new hires were male?	38
How many of the new hires were female?	38
How many of the new hires were from Urban areas	38
How many of the new hires were from Rural areas	38
If the contract has finished, how many of full time new-hires did you keep on after the contract ended?	38
How many of these are skilled labor? (I.e. graduated from a university or specialized training program)	38
How many of these are unskilled labor? (I.e. no university education, no specialized training)	38
How many of these are male?	38
How many of these are female?	37
How many new full time hires did you have after the contract ended (not including employees retained)? Explain.	5
As a result of the contract, have you purchased anything for your business, or do you plan to in the future?	38
If yes, what is it?	38
As a result of the contract, have you offered training or benefits to staff?	37
If yes, what kind?	38
As a result of the contract, have you expanded departments or services?	37
If so, what kind of service / department?	37
How much of your contract was spent on salaries?	38
Would Building Markets be able to contact you again to talk about the effect the contract has had on your business?	37

Contract Verification Form (number of businesses responding)	
Code #	143
Buyer name	141
Supplier name	143
Brief description of the contract	143
Learned about the contract from Buyer or Supplier?	143
Buyer Contact Name	143
Buyer Contact Position	142
Buyer Phone(s)	143
Buyer Email(s)	141
Supplier Contact Name	142
Supplier Contact Position	140
Supplier Phone(s)	143
Supplier Email(s)	143
Node	143
Female-owned?	143
Date learned of contract	143
Method that business won contract	143
Estimated value	143
Confirmed date	143
Do we have a copy of the contract?	143
Describe evidence of contract	143
Received training before winning contract	29
Is or will have Follow-up repeat contracts?	112
Buyer Category	140
County of implementation	85
Sector	104

Ebola Economic Impact Monitoring and Analysis Questionnaire (number of businesses responding)	
Date	1611
Business Name	1611
County	1611
Interviewee name and title	1611
What is your main activity?	1611
How many employees did you have on payroll last month?	1611
How many permanent, full-time employees were male?	1611
How many permanent, full-time employees were female?	1610
How many permanent, full-time employees were expats?	1610
How many temporary, full-time employees were male?	1610
How many temporary, full-time employees were female?	1610
How many temporary, full-time employees were expats?	1610
Of the total employees, how many are family members?	1611
In the next 6 months do you expect the number of people you employ to...	1611
Has your business improved its revenues over the last 6 months?	1611
What was your USD Turn-over (sales) last month?	1611
In the next 6 months do you expect your profits to increase?	1611
Do you have a bank account?	1595

Do you have a separate business and personal accounts?	1606
What year did you open your bank account?	1594
Can you provide a bank guarantee?	1589
Have you received a formal loan for your business in the past 1 month?	1606
When did you receive the loan?	1606
From which entity?	1600
How much did you receive?	1581
Have you repaid the loan?	1588
Do you have access to finance?	1580
If your business could get a loan from a bank would you want one?	1578
For how much?	1592
What would you use it for?	1568
Do you have Insurance for your business?	1606
If yes, what type of insurance	1605
Do you import goods?	1606
Of the goods you sell, what percent of this value are imports?	417
What is the percentage of expenditures on imported goods?	412
What is the percentage of expenditure on domestically produced and sourced goods?	361
What is the percentage of expenditure on services from domestic suppliers?	401
What is the percentage of expenditure on salaries?	1608
How many National clients or customers have you had in the last month?	161
How many International clients or customers have you had in the last month?	110
Has the number of clients increased decreased or stayed the same this month?	112
What is the approximate value of contracts over the last month?	112
How often you do you access internet for business purposes?	416
Do you use transport goods or materials for your business?	415
Are your movements restricted?	191
What did you pay for transportation this month?	194
Have transportation costs increased, decreased or stayed the same this month?	194
If transportation costs have increased, approximately by what percentage have they increased over previous months?	49
What are the biggest challenges facing your businesses in the next 6 months?	822
If other, describe	1611
What type of transportation do you use?	937

ANNEX III – LIST OF FIGURES AND TABLES

Figure 1 - Sectoral Contributions to GDP.....	11
Figure 2 - Breakdown of GoL Recurrent Expenditures.....	13
Figure 4 - Impact of EVD on Local Business Revenues and Profits (Oct 2014 - Jan 2015).....	16
Figure 5 - Geographic Distribution of Businesses in the Survey Sample by County.....	18
Figure 6 - Number of Local Businesses Across Sectors.....	19
Figure 7 - Size of Local Businesses.....	20
Figure 8 - Annual Turnover.....	20
Figure 9 - Nationality of Primary Owner.....	21
Figure 10 - Female-owned Businesses by Size.....	21
Figure 11 - Female Employment in Local Businesses.....	21
Figure 12 - Experience with International Clients and Professional References.....	23
Figure 13 - Client Structure.....	24
Figure 14 - Training Needs Identified by Buyers.....	25
Figure 15 - Training Needs Identified by Local SMEs.....	25
Figure 16 - Perception Among Local Firms that Tenders are Easily Accessible.....	29
Figure 17 - Best Way to Receive Tender Notifications.....	29
Figure 18 - Self-assessment of Capacity to Negotiate Tender Process.....	29
Figure 19 - Distribution of Contracts by Number and Value.....	30
Figure 20 - Requirements for Local Businesses in the Procurement Process.....	31
Figure 21 – Price Competitiveness of local business proposals: Are proposals from local businesses competitively priced?.....	32
Figure 22 – Buyer perception of local suppliers: Do you receive sufficient and honest information from local businesses?.....	33
Figure 23 - Marketing Strategies.....	34
Figure 24 - Business Association Membership.....	34
Figure 25 - Expenditure Patterns of Local Firms.....	35
Figure 26 - Size of Businesses Accessing Loans.....	38
Figure 27 - Banks Providing Loans to SMEs.....	38
Figure 28 - Internet Usage Disaggregated by County.....	38
Table 1 - Key Economic Indicators.....	10
Table 2 - Sectoral Impact of EVD on the Liberian Economy.....	12
Table 3 - Legal, Regulatory and Policy Frameworks.....	14
Table 4 - Economic and Stabilization Recovery Plan.....	16
Table 5 - Political Economy Analysis.....	17
Table 6 - World Bank Doing Business Rankings for Liberia, 2016.....	36