



Business Climate Working Group Meeting

**“Identifying and Removing Binding Constraints to the Ease of
Doing Business in Liberia”**

Bella Casa Hotel 3rd Street Sinkor- 18 December 2018

On Tuesday 18th December 2018, the Ministry of Finance and Development Planning with support from the International Finance Corporation, the World Bank group; hosted a one day consultative stakeholders' forum with members of the Business Community under the **Theme: Identifying and Removing Binding Constraints to the Ease of Doing Business in Liberia.**

The program which was held at the Bella Casa Hotel on 3rd street, Sinkor brought together officials of Government, the donor community, members of the business community including the Liberia Chamber of Commerce (LCC), the Liberia Business Association (LIBA), other business associations and the media.



Minister Samuel D. Tweah Jr. welcomes participants to the Forum

Speaking on behalf of the Liberian government, the Chair of the Business Climate Working Group, Finance and Development Planning Minister, Hon. Samuel D. Tweah Jr, thanked the participants for their interest in helping to formulate solutions to some of the problems inhibiting the ease of doing business in Liberia. He expressed that the President, H.E., Dr. George Manneh Weah sees the protection and expansion of the private sector as a fundamental component of fulfilling the Pro-Poor Agenda for Prosperity and Development (PAPD), especially in line with Pillar Two (Economy and Jobs). Minister Tweah noted that the forum was not one intended to vent out questions, but rather identify solutions to some of the many impediments to a conducive business environment.

The Minister used the occasion to remind the audience that the mandate of the Liberia Business Climate is to explore evolving challenges and prospects of the Liberian business environment and work out helpful plans and strategies towards improvement. He reminded participants that there was a need to improve the business climate of Liberia by ensuring that the country have a better score in the next World Bank Doing Business Report. He spoke of the need to remove some of the bureaucratic bottlenecks during the acquisition of business registrations and work permits as well as the reduction in the time, cost and procedures for registering a business in Liberia. He said that the Government of Liberia was in the process of providing financial access to small and medium enterprises. His statement was in line with the launching of the USD\$3million dollars loan to microfinance and village savings loan associations which took place on 19th December 2018 in

Redlight, Paynesville. The Minister also commented on Government support to LEC. He stressed that LEC will be able to improve its capacity in making sure that the citizens have access to electricity within their various communities. LEC now has a fast-track procurement process, sufficient meters and transformers, an improved public relations strategy, and a strong customer service with a hotline (46000). There are possibilities of reducing the tariffs in the coming months.

For her part, the Country Manager of the World Bank, Larisa Leshchenko lauded the Government of Liberia for the giant step in setting up the Business Climate Working Group. She noted that Bank's International Financial Corporation was glad to be a part of finding workable resolutions to Liberia's developmental challenges both in the public and private sectors. She emphasized the Bank's continuous engagement in several sectors that will lead to peace, economic growth and sustainable development.

She asserted that, for Liberia to have a better score in doing business, four fundamental issues must be adhered to:

1. Efficient system
2. Political commitment
3. Accountable system
4. Strong communication strategy

She concluded that the Bank is willing to invest in human capital development and other areas in the private sector. As sponsor of the one-day business community working meeting, Madam Leshchenko assured participants of the Bank's commitment to supporting more programs that are in line with international best practices.



World Bank Country Director Larisa Leshchenko makes opening remarks

The representative of the Liberia Chamber of Commerce assured the small business groups that the Chamber of Commerce will work along with the Minister of Finance during this period to help improve the business atmosphere of small and medium size businesses in the country. The President of the Small Business Association of Liberia thanked the Minister of Finance and the World Bank Country Manager for the stakeholders' forum and said that this kind of meeting will bring suggestions and ideas on how to improve the current state of small business in Liberia. In her conclusion, the LBA president informed the audience that LBA is the vehicle that drives the economy.

The Business Climate Working Group Consultant during his presentation highlighted the importance of improving the business climate in

Liberia. He noted that investor friendly environment will:

- Attract Foreign Direct Investment into the country
- Improve the Country's credit rating score and makes it more viable for international credits
- Boost private sector investment and job creations: a fundamental of the PAPD
- Contribute to economic growth and sustainable development

Based on experiences from previous meeting with the Business Community, the meeting was structured into two main sessions: a) Problems and or challenges, and b) proposition of solutions to the problems and or challenges. This brief examines some of the key issues raised and how participants believe that they should be addressed.

1.0 THE AGRICULTURE SECTOR

Members of the Agriculture Sector, especially those involved in cash crops want Officials of Government represented on their boards to attend meetings so as to give them the needed support and also to bridge the gap in the context of information dissemination. There is a need for government and the private sector to meet regularly to share common experiences on commodity prices, taxes and incentives.

They expressed concerns over the upturn in the taxes of agriculture implements such as fertilizers. With high prices and taxes, it is becoming difficult to increase production as well as keep the same



BCWG Consultant makes a presentation

number of staff. 'We are forced to lay off some of our workers due to the challenges we are facing in relations to increase taxes and prices of agriculture implements'.

Recommendation: *That the government reintroduces the tax incentive or lower taxes on importation of agricultural implement and chemicals to increase production in the sector. The Rubber Planter Association also wants access to quick and long-term loans, as well as the strengthening of value chain, research and development.*

2.0 IMPORT AND EXPORT:

There were lots of issues raised in relation to the import and export of goods. Participants noted that there was a need to move from Pre-Inspection to Direct Inspection to avoid double taxation. There is seemingly the lack of coordination between and amongst various institutions (Custom



Brokers, BIVAC, APM Terminal) at the Freeport thereby leading to too much bureaucracy. Members of the Custom Brokers Association noted that the method of evaluation on the importation of goods was in violation of Section 1500 of the Revenue Code: which talks about market value of the product imported in relations to transactional value. BIVAC inspection is also a problem in that even after their inspection, there is a reassessment by customs. If Custom is not satisfied with the information provided by BIVAC, the importer becomes subjected to another round of inspection. Custom Brokers also expressed that the lack of Bonded Warehouse to store goods was a major challenge, especially given the short period of time for clearing of goods.

Recommendation: *There is a need to move from Pre-Inspection to Direct Inspection as the reappraisal of goods lead to double taxation on a single product. Government should also ensure the provision of Bonded Warehouse so that importers can store their goods. Government of Liberia also need to publish the procedures for importing including price variations across countries.*

3.0 CUSTOMER SERVICE

Participants complained of poor customer services in the business sector with specific reference to the Liberia Electricity Corporation (LEC). According to the World Bank Doing Business Report, it

takes almost more than 482 days to register and get access to electricity. They cited poor customer service at LEC as a major setback. LEC has been making some improvements in their customer service and communication strategy. A hotline (4600, 4500) has been established. But participants complained that calling the number was one thing and LEC inability to respond to their demands was the major problem.

LEC of late has been under the spotlight for lots of reason ranging from damaged transformers, lack of meters and poor relationship with communities; something that have led to few protests around the city. LEC customer service is situated at its offices down waterside.

Recommendation: *That LEC customer service be decentralized to other parts of the city so that customers can have access to their services without trooping down waterside and waiting in long lines*

4.0 WHOLESALE VS. RETAIL

Local businesses have complained that there is a thin line between the importers of goods: wholesalers and the retailers. They noted that the process was not fair for them and that wholesalers were getting double benefits from both importing and selling at retail prices. This attitude on the part of wholesalers is grossly affecting the informal sector. Participants wanted to know whether there was a law separating Wholesale from Retail sale.

The Business Registration Law calls for monitoring investors to ensure that they are either wholesaler or importers. One way of looking at this is to use the Liberia Business Registry (LBR) to see whether the business was listed as a wholesale or retail business. It is unfair for a business to apply for tax exemption as a wholesaler and at the same time engage in retailing. It was observed that some of the businesses that are registered have a provision that says “General Merchandise” which allow them to engage in both, except for manufacturing. When importers become distributors or retailers, it becomes difficult for smaller businesses to survive; hence there is a need to ensure that there is a legal framework that draws the line between importers and distributors.

Participants also expressed concerns about ‘Fronting’: the use of Liberians to front for foreign nationals. According to the Liberia Business Registry (LBR), the law does not address fronting but that there is a threshold for setting up businesses as an international investor. The case of Shark’s Ice Cream and Nice Ice Cream was a classic example of how fronting can undermine local or small businesses with limited capital.

Recommendation: *That the Liberia Business Registry (LBR) review the business registration of non-Liberian businesses and check with the various banks to validate whether the accounts reflect Liberian or foreign ownership an investigation of the monetary size of the account is also important.*

5.0 CROSS BORDER TRADING

Liberian businesses involved in cross border trade expressed their disappointment in conducting transaction outside of the Country due to the lack of an effective electronic banking operation. Because there is no linkage between a person’s mobile money and bank account, it is difficult for cross borders traders to interact with their counterparts in other bordering countries such as Sierra Leone, La Cote D’Ivoire or Guinea.

There are indications that cross border remittances reduce the risks of carrying huge cash across borders. Even though, mobile money is bridging the gap between the banks, access to internet

connection outside of the country poses serious challenge to transaction. Representatives of Cellcom and Lonestar, the two premium mobile companies attending the meeting said that Liberia has one of the weakest internet operations in Africa and that setting up of sites are very expensive. Electricity remains one of the challenges to running these sites as the use of generators is very expensive. Participants recommended that there is a need to integrate the banking sector with mobile money. To do this, CBL will need to introduce a regulation to that effect. There is a need for a regulation such as push and pull which allows you to move money from your bank account to your mobile money.

6.0 GOVERNMENT OF LIBERIA INDEBTEDNESS TO SMALL BUSINESSES

Some members of the SMEs attending the meeting explained that they were finding it very difficult in meeting up with their loans obligations simply because the Government of Liberia is in the constant habit of delaying their payment. When we do not pay our loans on time, it accrued interest to our detriment. Because of the lack of a timely payment on the part of Government, some of the SMEs are facing insolvency and court proceedings.

Another problem in repaying loan is due to the inability of the banking sector to conduct its due diligence. Part of which is to know the customer and whether such customer might have the capacity. There is a need to do sufficient background investigation before making loan available to business people. Without thorough background checks, it will be difficult to know those that are credit worthy. However, with the level of collusion and lack of integrity by the court system, most people find it useless taking their cases to the court.

Recommendation: *That Government of Liberia should intervene on behalf of businesses, requesting the commercial banks to defer and /or extend their payment terms. The reason for this intervention by Government is that its own obligation to such businesses are delayed due to budgetary constraints. There is also a need to establish a national Credit Registry to ensure a strong credit regime, and to mitigate the risk of exposure by creditors or borrowers. There is also the need to establish a small Claims Court where Government can be sued when it defaults on its commitment to businesses.*

I. DUPLICATION OF RESPONSIBILITIES:

Participants attending the one-day meeting mentioned among other things that there is a replication of responsibilities between the Liberia Land Authority (LLA) and the National Achieve as well as the National Bureau of Concession (NBC) and the National Investment Commission (NIC). There were assurances from the organizers that the acts creating these institutions will be reviewed and findings made available.

II. ON THE ISSUANCE OF MINING LICENSES:

The Land Mines and Energy Ministry must ensure that licenses issue to artisanal or concessional mining entities should be restricted to the mineral mentioned in their registration documents. There are indications that people are mining other minerals other than what their license provides. For example, it was mentioned that people with license to mine gold are mining other minerals. Participants blamed the lack of supervision and inability on the part of the National Bureau of Concession (NBC) to post inspectors at mining sites. It was also observed that the NBC relies on field reports from investors thereby compromising their independence. Another issue was the request that all vehicles be registered before they can be released from the Freeport of Monrovia.

CONCLUSION

The meeting ended with a consensus that it was the first of its kind since the inception of the CDC led government, and that they (participants) are hopeful that progress will be made in addressing some of the concerns raised during the deliberations. Participants also urged the Government to play a pivotal role in ensuring that the private sector is strengthened economically so as to contribute to the Government national development agenda (PAPD).

The next steps is to continue holding consultative forums with all relevant stakeholders, including the Commercial Courts, the Bankers' Association, the Business Community, and donor partners. The focus will be on three of the World Bank Doing Business Indicators for which the country's ranking is very low. These include: a) Getting Credit, b) Resolving Insolvency, and c) Trading Across Borders. Thereafter, the final report will be submitted to the Chair of the Business Climate Working Group, Finance and Development Planning Minister Hon. Samuel D. Tweah Jr. for review and submission to the highest destination.

Lastly, it is proposed that a National Coordinator be hired to lead the process of holding more consultations while at the same time effectively monitoring and evaluating the performances of institutions responsible for moving Liberia to the next level in terms of simultaneously creating an investor friendly business climate and moving the country's score and ranking in a positive direction. It is recommended that the National Secretariat will be supported by the International Financial Corporation of the World Bank Group.

