

# THE REPUBLIC OF LIBERIA NATIONAL EXPORT STRATEGY

2014-2018



Republic of Liberia



International  
Trade  
Centre

The National Export Strategy of Liberia was developed on the basis of the process, methodology and technical assistance of the International Trade Centre (ITC). The views expressed herein do not reflect the official opinion of ITC. This document has not been formally edited by ITC.

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## ACKNOWLEDGEMENTS

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Five core strategies (cassava, rubber, cocoa, fish and crustaceans, and oil palm) form an integral part of Liberia's National Export Strategy (NES), an initiative of the Ministry of Commerce and Industry (MoCI). These five core strategies are complemented by the three cross-cutting strategies (access to finance, quality management, and trade logistics).

The formulation of the NES was led by the MoCI with the technical assistance of the International Trade Centre (ITC). This document represents the efforts of a number of key individuals from ministries and agencies that committed countless hours in mobilization, facilitation, analyses and reviews of documents. Thanks go to the relevant trade support institutions in Liberia that have relentlessly given their tireless effort in several consultations and deliberations on key issues and constraints in the sector and have proposed solutions aimed at addressing the hurdles.

The initial formulation of this document began under former Minister Miata Beysolow with support from key staff within the erstwhile Planning and Research and Trade Divisions. This final document brings to an end years of technical and policy actions that have seen this final product under the Honorable Minister Axel M. Addy with support from the Bureau of Trade Services.

Special thanks also go to the Ministry of Agriculture (MoA) for its cooperation including other relevant members of the Industry Coordination Committee (ICC) that participated in the validation of the NES.

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FOREWORD BY H.E.  
ELLEN JOHNSON SIRLEAF,  
PRESIDENT,  
REPUBLIC OF LIBERIA

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To support businesses, the National Export Strategy will provide support to key sectors where the best opportunities exist to generate export diversification.

Through the implementation of this Strategy, we expect to create a vibrant and diversified export basket and open new markets and opportunities for business owners.



## FOREWORD

### BY ARANCHA GONZÁLEZ, EXECUTIVE DIRECTOR, ITC

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The story of Liberia is one of overcoming challenges and charting a forward looking path. It is with this in mind that I am particularly pleased to launch this National Export Strategy (NES) of Liberia. Liberia has made significant strides in the past decade in addressing its post-conflict challenges including displacement, poverty and economic stagnation. There is much to be done, but the economy is on the right track with positive growth in the Gross Domestic Product for each of the last seven years. Forecasts indicate this trajectory will continue in the years ahead.

Liberia is now poised to engage strategically with trade and external markets in order to further its development. Liberian policymakers have signalled their commitment to inclusive growth through investment in national initiatives, such as the Government and Economic Management Assistance Program and national development plans, such as the Diagnostic Trade Integration Study, the Poverty Reduction Strategy, the National Gender Policy and the Micro, Small and Medium-sized Enterprise Strategy. ITC is proud of having worked with Liberia to contribute to its trade development strategies and welcomes the launch of Liberia's first-ever National Export Strategy.

This National Export Strategy delivers an end-to-end value chain analysis, which allows development partners to identify the most appropriate projects, in terms of timing and sectors, to support Liberia's development plans. Indeed, Liberia's National Export Strategy will serve to better coordinate Trade-related Technical Assistance and ensure that aid is coherent with the country's long-term aims and priorities. The key now is to move to implement the Plans of Action outlined in this document. Support from development partners will be of the essence.

The National Export Strategy will be a game changer. It has the potential to better democratize the country's export culture and increase diversification of economic activity to include rural areas beyond Monrovia, which has been the traditional economic hub. The five priority sectors of the strategy are: cocoa; fish and crustaceans; oil palm; rubber; and cassava. They were selected for their potential to sharply raise in-country value, distribute value more equitably, and to improve competitiveness in international markets. These are all labour-intensive sectors that offer significant potential to attract domestic and foreign investment. Trends for these sectors indicate stable or increasing demand in world markets.

The strategy also addresses cross-cutting issues that are critical to ensuring sustainable development. Improvements in access to finance, quality management and trade facilitation are overarching issues that will drive the further development of value chains and regional integration beyond the five priority sectors identified in the strategy.

The National Export Strategy is a demand-driven document which is owned and governed by Liberia for Liberians. We look forward with anticipation to the next phase-implementation. This will demand dedicated effort from Liberians and the international community. The ITC will stand firmly by the Government and the People of Liberia in this endeavour.

## FOREWORD BY THE HONORABLE AXEL M. ADDY, MINISTER OF COMMERCE AND INDUSTRY

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The National Export Strategy (NES) aims to provide a needs-based blueprint for improving the export development potential of the country thereby contributing to the socioeconomic growth of Liberia. Anchored in a strong public-private dialogue, a comprehensive analysis was undertaken at the national, institutional and sectoral levels to identify priorities for development and economic performance in Liberia.

As the document emphasizes value addition, the strategy pinpoints transformation of raw materials into finished products. Thus, value chains have been developed for all four sectors chosen which include; Cocoa, Oil Palm, Fish and Crustaceans and Rubber.

Given the political support and prioritization that the Government of Liberia has given to the NES; it has been incorporated into Liberia's development agenda, Agenda for Transformation (AfT), as one of its deliverables. This alignment, we believe, provides needed information for possible donor support.

Thanks and appreciation go to the Ministry of Agriculture for their tireless effort in providing technical and moral support during several consultations held which led to the drafting and finalization of the strategy document.

Private actors including trade support institutions, small-holder farmers, and cooperatives contributed their suggestions and comments during the consultation and the drafting process.

Once again, the MoCI welcomes all development partners to provide support to the implementation of the strategy in the best way possible, especially taking into consideration the matrix reflecting the action plans which can be converted into interventions/projects.



## FOREWORD BY THE HONORABLE FLORENCE CHENOWETH, MINISTER OF AGRICULTURE

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As indicated in the Agenda for Transformation, Agriculture is the largest source of employment and food supply for the people of Liberia. Agriculture is responsible for 60% of the country's total export revenue, and is the primary source of livelihood for two-thirds (67%) of the population. Households are engaged primarily in smallholder and subsistence farming, as well as cash crop plantations (rubber, palm oil, cocoa, sugar cane, and coffee).

Agriculture is a major contributor to the economy as it produces food and export commodities. It presently accounts directly for 26% of GDP and a further 27% of indirect GDP through other service sectors. 71% of farming households engage in rice production and 40% in cassava production (National Rice Development Strategy 2011).

The Ministry of Agriculture has developed strategies aimed at developing the capacity of farmers to improve productivity and raise the income level of smallholder farmers. As farmers increase production and add value to their produce, they will earn better and competitive market prices, thus increasing their incomes.

The Ministry of Agriculture therefore fully supports the implementation of the Liberia National Export Strategy, as it stands to increase the competitiveness of our export commodities, hence export earnings, which will on the aggregate create employment and increase revenue. Thanks to the International Trade Centre for its technical support to the Government of Liberia for developing this strategy.

## FOREWORD BY THE HONORABLE AMARA KONNEH, COORDINATOR, LIBERIA DEVELOPMENT ALLIANCE, AND MINISTER OF FINANCE

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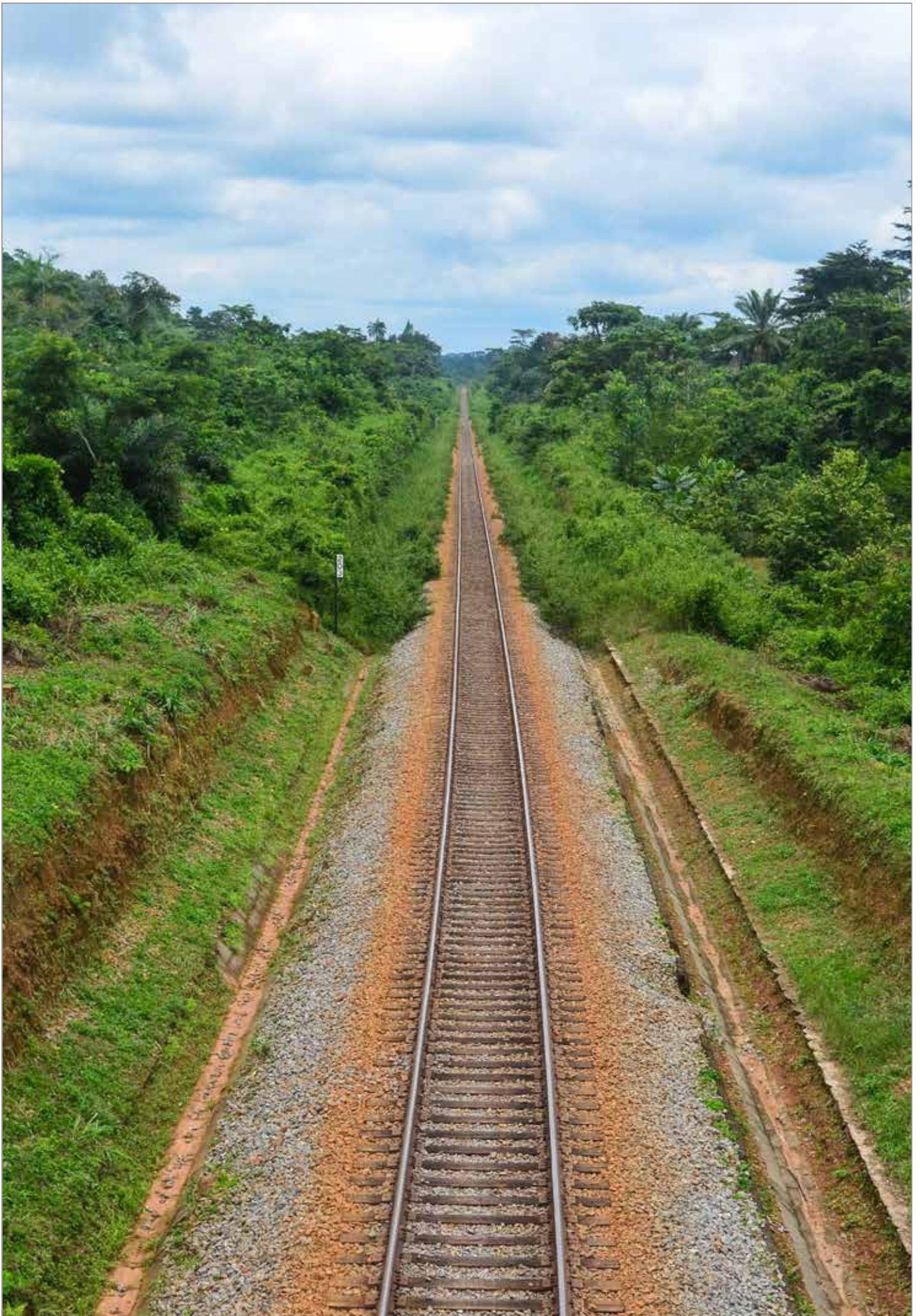
The Liberia Development Alliance (LDA), which coordinates the implementation of the national plan, the Agenda for Transformation (AfT), collaborated with the Ministry of Commerce and Industry in its effort to develop the Liberia National Export Strategy. The LDA, through the Economic Transformation pillar of the AfT, played an active role in the many stakeholders' consultations and feedback.

This participation by the LDA in the process resulted in the successful alignment of the LNES to the AfT and specifically listed in the Private Sector Development section of the Economic Transformation Pillar. This alignment reflects the priority that the Government of Liberia places on the Liberia National Export Strategy in the national development agenda. Such prioritization provides development partners the opportunity to clearly identify specific areas for support. The alignment process is further enhanced by the design of the Liberia National Export Strategy matrices as these outline intervention areas of the strategy. These priority interventions can easily be converted into projects for implementation.

The emphasis on value addition in the LNES, particularly in agriculture, is especially welcomed by the LDA considering that most of Liberia's exports are virtually raw materials with no value addition. As Liberia implements the AfT with the ultimate goal of achieving middle-income status by 2030, our export base must be expanded. This goal could be achieved by focusing on capacity building in agriculture for value chain development and export readiness which the Liberia National Export Strategy emphasizes.

The LDA therefore gives its full support to the strategy document as it complements the national goal, transforming Liberia and lifting Liberians out of poverty.







## ACRONYMS

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AGOA	African Growth and Opportunity Act	MSME	Micro, Small and Medium Enterprise
AICD	Africa Infrastructure Country Diagnostic	NCDS	National Capacity Development Strategy
CBL	Central Bank of Liberia	NES	National Export Strategy
CPO	Crude Palm Oil	NGO	Non-Governmental Organization
DTIS	Diagnostic Trade Integration Study	NSL	National Standards Lab
EC	European Commission	ODA	Official Development Assistance
ECOWAS	Economic Community of West African States	PRS	Poverty Reduction Strategy
EITI	Extractive Industries Transparency Initiative	SDR	Special Drawing Rights
EPA	Environmental Protection Agency	SME	Small and Medium-sized Enterprise
EU	European Union	SSA	Sub-Saharan Africa
FAO	Food and Agriculture Organization	SPS	Sanitary and Phytosanitary
FDI	Foreign Direct Investment	TIFA	Trade and Investment Framework Agreement
GDP	Gross Domestic Product	TPO	Trade Promotion Organization
GIEWS	Global Information and Early Warning System on Food and Agriculture	TSI	Trade Support Institution
GoL	Government of Liberia	TSN	Trade Support Network
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome	TVET	Technical and Vocational Education and Training
ICBT	Informal Cross-Border Trade	UN	United Nations
IFC	International Finance Corporation	UNCTAD	United Nations Conference on Trade and Development
IMF	International Monetary Fund	UNDP	United Nations Development Programme
ITC	International Trade Centre	UNMIL	United Nations Mission in Liberia
IUU	Illegal, Unreported and Unregulated	WFP	World Food Programme
MoA	Ministry of Agriculture	WTO	World Trade Organization
MoCI	Ministry of Commerce and Industry		

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# EXECUTIVE SUMMARY

Liberia has made considerable progress in fostering human development as well as making significant strides in the economic sphere since the end of the civil strife that caused near total destruction of the country's infrastructure, institutions, and social fabric. Since the Accra Peace Accords in 2003, Liberia's economy has begun to rebound. Gross domestic product (GDP) has robustly increased during each of the last seven years. Furthermore, growth rates are projected to remain positive into the future.

National development plans –including the Poverty Reduction Strategy (PRS), the Diagnostic Trade Integration Study (DTIS), the National Gender Policy, the Micro, Small and Medium Enterprise (MSME) Policy, and indeed the present National Export Strategy (NES)– signify the intention of Liberian policymakers to drive inclusive and holistic growth in the country. These documents emphasize increased economic and development planning. They highlight the Government's renewed impetus to foster exports and open the country to trade.

To an extent, Liberia's economic growth has been largely non-inclusive, fuelled by increased enclave-based activity in the commodity and extractive sectors, such as iron ore. Labour-intensive sectors such as agriculture, which accounts for the largest sectoral share of the country's GDP, have been often neglected. Foreign direct investment flowing into Liberia, comprising 50% of GDP in 2010 and 2011, has centred on the extractive sector and is driven by concessionary activity. Investment flows facilitate much needed technology transfer, a critical requirement for the whole economy. The influx of best practices and new technology is especially important considering the extensive destruction of infrastructure and capital equipment stocks during the civil conflict. The present strategy lays the foundation for investment to flow into sectors that generate sustainable employment and growth for the economy as a whole.

Liberia enjoys preferential access to world markets through bilateral and regional trade agreements. The country is also in the process of joining the World Trade Organization (WTO). These favourable conditions

underpin Liberian companies' efforts to expand into international markets. However, this potential remains underutilized because of a limited capacity to produce high-quality, value-added goods in sufficient volumes.

Furthermore, Liberian companies suffer from weak infrastructure in a number of areas including:

- Transport and logistics (hindering customer delivery time commitments);
- Communications (affecting access to basic information such as transport schedules);
- Technical and vocational education and training (resulting in a limited pool of qualified technical and professional personnel); and
- Finance (constraining the ability of enterprises to manage operational and investment costs)

In order to achieve inclusive and sustainable growth, Liberia's fledgling MSME sector requires wide-ranging technical, financial and human capital support. An estimated 80% of the workforce is active in the informal sector. Almost half of those with formal jobs work in the private sector. Informal employment includes former combatants not fully reintegrated into society's mainstream, which poses a potential barrier to building lasting peace.

The significant economic activity conducted within the informal economy also highlights an opportunity cost borne by the government in the form of potential tax revenue that could be channelled back to the MSME sector and initiatives aimed at Liberia's socioeconomic development. The bottom line is that a movement from the informal to the formal sector is a prerequisite for the development of export competitiveness in Liberia.

This National Export Strategy serves as a start, focusing on a few priorities that are most likely to have the highest impact on the many. It is a first blueprint for the trade sector – particularly MSMEs – to fuel inclusive development. Stakeholders have agreed on concrete steps to accelerate Liberia's socioeconomic recovery. This commitment deserves the support of the development community.

## NATIONAL EXPORT STRATEGY VISION AND STRATEGIC OBJECTIVES

Liberia's NES aims to address these considerations through the following vision:

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**“ A competitive and inclusive exporter of value added products  
that sustainably uses resources for the benefit  
of all Liberians. ”**

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The selected vision is not stand-alone, and is supported by five strategic objectives. In brief, these objectives are as follows:

### **1. Ensure inclusive and equitable sustainable production to lift Liberia out of poverty**

This strategic objective seeks to ensure that economic growth in Liberia is aligned to the country's broader developmental objectives of poverty reduction, employment generation, gender equality, environmental sustainability and regional integration.

### **2. Develop human capital to enhance productive capacity to meet local demand and enable exports**

This strategic objective recognizes that both emigration and destruction of the educational infrastructure during the conflict have impaired the capacities of Liberian institutions and enterprises. It aims to address human capital needs for MSMEs and institutions such as universities, the National Standards Laboratory and other government facilities.

### **3. Create an enabling environment to encourage investment and entrepreneurship and develop the domestic private sector, including MSMEs**

This strategic objective seeks to improve the Liberian business environment and recognizes that it must be strengthened as a prerequisite for developing export competitiveness in the country. This will occur through concerted action to: improve regulatory mechanisms; improve processes involved in importing and exporting; and reduce bribe-seeking behaviour.

### **4. Enhance the capacity of public and private trade support institutions so as to diminish the costs of doing business and improve support for businesses**

This strategic objective recognizes that trade support institutions (TSIs) –both public and private– provide vital and multi-dimensional support to enterprises across the export value chain and are essential for the development of export competitiveness in an economy. It consequently aims at building the capacity of individual TSIs, improving coordination mechanisms with the trade support network (TSN), and deploying a feedback loop to constantly feed TSIs with information related to the evolving needs of enterprises.

### **5. Improve the image of Liberia by meeting local and international standards**

This strategic objective recognizes that work needs to be done to position Liberia as a supplier of high quality and reliable products to international markets, and aims at removing infrastructure limitations that make meeting international standards difficult or impossible. It focuses on reducing the supply-side and demand-side constraints associated with quality management, and will ultimately result in a culture of quality compliance by MSMEs, supported by a strong quality infrastructure.





H. E. Ellen Johnson Sirleaf, President of Liberia.

## SELECTED PRIORITY PRODUCT SECTORS AND CROSS-SECTOR FUNCTIONS

Liberia's NES team used the following criteria to select priority NES sectors:

- Sectors that are labour-intensive;
- Sectors that produce products with a stable or increasing international demand;
- Sectors that are aligned with the existing strategic policy priorities of Liberia;
- Sectors with potential spillover effects to improve competitiveness throughout Liberia's economy;
- Sectors with high potential for value addition; and
- Sectors with the potential for attracting domestic and foreign investment.

The rubber, cocoa, oil palm, fish and crustaceans, and cassava product sectors have been selected for the NES, along with three cross-sector functions: access to finance, quality management, and trade facilitation and logistics. An additional two product sectors – furniture and tourism – will be addressed in the second phase of this NES.

## CORNERSTONE OF THE NES

The NES involves a two-pronged approach: prioritization, and creation of specific and measurable goals. First, given that resources for export development are limited,

priorities are set to ensure efficiency in use of existing resources. Priorities are set at the levels of policymakers, TSIs and enterprises on the basis of the needs which provide the best prospects for export development and competitiveness according to actual market conditions and demand. In other words, the strategy addresses the constraints and identifies the opportunities that would achieve maximum export impact in the country.

Second, the strategy does not stop at defining broad objectives. Rather, it goes into detail of what should be done to achieve the objectives in actionable steps at the operational level. Assessment and monitoring systems are established through specific targets and impact measures, which promotes accountability, transparency and understanding of what actions directly contribute to export development and competitiveness.

## CONCLUSION

This document is an initial but important step in realizing the vision stated by the NES. A sustained effort on multiple fronts, as laid out in the plans of actions of the sector and cross-sector strategies, will be required to meet the goal of export competitiveness across Liberia. This achievement will go beyond just export competitiveness, however, and will serve to raise the standard of living for Liberians and speed up the peace-building process.





Source: © lolayjpg

# ABOUT THE NES

Liberia's NES has been developed in collaboration between the International Trade Centre (ITC)<sup>1</sup> and the Ministry of Commerce and Industry (MoCI) in Liberia, as part of ITC's ongoing technical assistance programme with Liberia. The NES provides a needs-based blueprint for improving the export development potential of the country, thereby contributing to socioeconomic growth. Anchored in a strong public-private dialogue, the strategy development process has involved rigorous and comprehensive analysis at the national, institutional and sector levels aimed at identifying priorities for enhanced export performance and strengthening the linkages between export development and economic performance.

Liberia's NES addresses issues ranging from competitiveness to development and poverty reduction. Broadly, the NES addresses:

- **The policy level:** at the macroeconomic level, the NES addresses issues relating to Liberia's trade policy regime and provides options for optimizing the same with regard to export development, business environment and competitiveness aspects;
- **The institutional level:** the NES addresses the effectiveness of the trade support network TSN in Liberia, and provides solutions aimed at strengthening the network so as to foster a business-friendly environment; and
- **The enterprise level:** the NES addresses issues of concern relating to enterprises that are already engaged or will potentially engage in exports. Key points of consideration will include entrepreneurship, value addition and value retention, innovation capabilities and business competencies of Liberian enterprises.

1. The International Trade Centre (ITC), a joint agency of the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD), provides technical assistance and supporting tools in the design, implementation and management of national, sectoral and regional export strategies.

## CRITERIA FOR SELECTING PRODUCT SECTORS

The following criteria guided the selection of product sectors for the Liberia NES:

### Sectors that are labour-intensive

The selected sectors are labour-intensive. This is a plus, given the prevailing high unemployment rate and Liberia's fast growing population. The need to engage and secure opportunities for the population is also urgent in the post-conflict context in Liberia.

### Sectors that produce products with a stable or increasing international demand

There is a steady or increasing demand in international markets for products of the selected sectors. The NES places emphasis on this criterion to ensure diversification in the export basket as well as to reduce the risk profile of Liberian exports.

### Sectors that are aligned with the existing strategic policy priorities of Liberia

To leverage momentum generated from existing national and sector-specific development plans, Liberia's NES ensures that the selected sectors are aligned as far as possible with these plans.

### Sectors with potential spillover effects to improve competitiveness throughout Liberia's economy

The selected sectors hold significant potential for enhancing the quality, efficiency and productivity of sectors with value chains that are adjacent to or intersect with those of the NES product sectors. This is expected to result in positive spillover effects for these value chains and consequently increase the overall competitiveness of the Liberian export basket.



### Sectors with high potential for value-addition

The NES recognizes that products with high value-addition command relatively higher prices in international markets compared with low-value exports that are primarily commodity-based. The NES encourages increased domestic processing of raw material so as to add value and export highly differentiated products.

### Sectors with the potential for attracting domestic and foreign investment

Investment in the Liberian NES sectors is expected to increase the level of innovation, technology and access to operating and investment capital available to Liberian enterprises. In this regard, the sector selection process takes into account the level of foreign as well as domestic investment that each candidate sector holds the potential to attract.

Using the selection criteria mentioned above, the following product sectors were identified by the Liberia NES Core Team.

### SELECTED PRODUCT SECTORS AND CROSS-SECTORAL FUNCTIONS

- Rubber
- Cocoa
- Oil palm
- Fish and crustaceans
- Cassava

In addition to the identified sectors, the Liberia NES team identified the following cross-sector functions:

- Access to finance
- Quality management
- Trade facilitation and logistics

These functions are 'cross-cutting' and are critical to the growth of the product sector value chains. Improvements in these functional areas will lead to improvements in the export value chains of not only the selected product sectors but other sectors as well. In this regard, these cross-sector functions have positive spillover effects across Liberia's export basket.

**NOTE:** This document represents the first phase of the Liberian NES. It includes strategic plans for four product sectors (cocoa, oil palm, rubber, and fish and crustaceans), and three cross-sector functions (quality management, access to finance, and trade facilitation and logistics). A second phase of the NES will address an additional two sectors: furniture and tourism.

The cassava sector is part of this phase of the NES; however, the strategy document was completed in 2010, and the strategy is currently under implementation. For a review of the plan of action for the cassava strategy, please refer to the cassava sector strategy available with the Ministry of Agriculture.

# MACROECONOMIC FUNDAMENTALS

Liberia has maintained strong macroeconomic stability but remains a post-conflict country with growth prospects hinging on infrastructure reconstruction efforts and the development of the private sector. The rebuilding efforts that followed the end of civil conflict in 2003 are far from complete and, despite relatively high economic growth in recent years, per capita income remains low at US\$ 160.

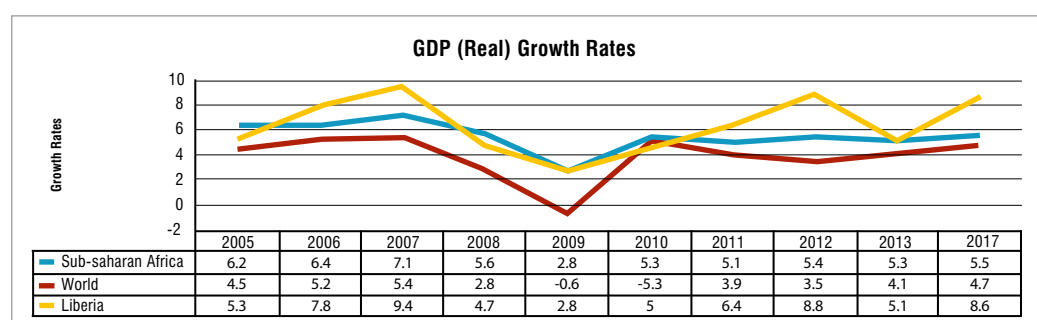
## GDP GROWTH

Since the Accra Peace Accords in 2003, GDP has been growing. As Figure 1 indicates, the peace dividend has been very large, with growth rates between 2.6% and 9.4% per year. The Liberian economy performed well during 2008-2010 with real GDP growth rates averaging 6.0%, though much reduced from the double-digit growth rates envisaged under the government's overarching poverty reduction strategy (PRS). It is projected that GDP growth rates will remain positive into the future.<sup>2</sup>

2. International Monetary Fund (2012). *World Economic Outlook Database*. Available from <http://www.imf.org/external/pubs/ft/weo/2012/02/weodata/index.aspx>

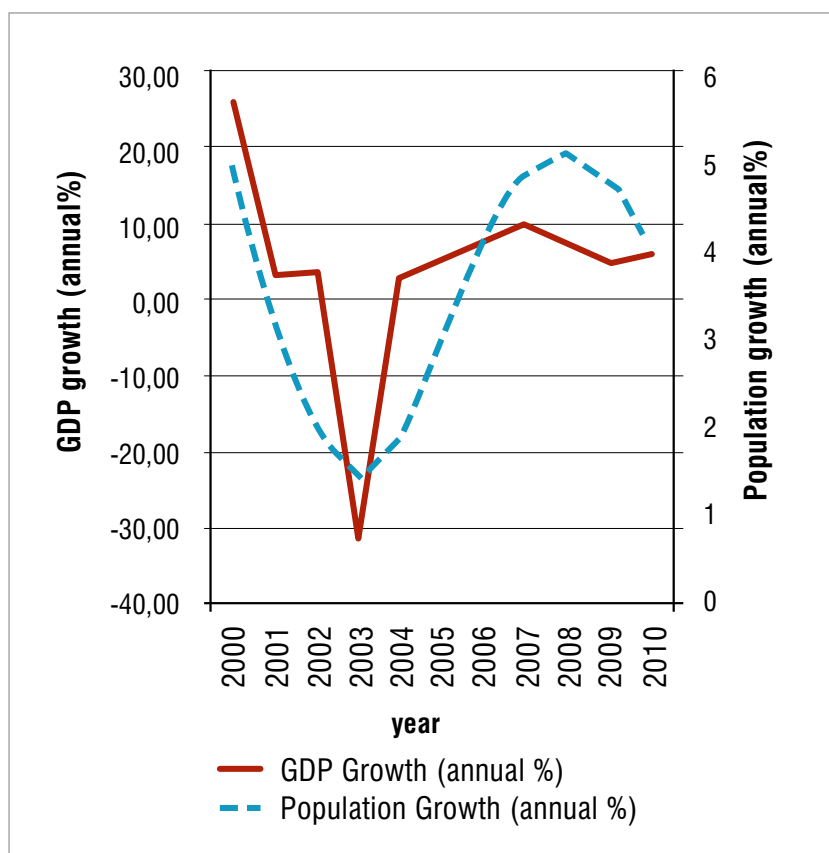
The global financial crisis adversely affected Liberia's economic performance, particularly in 2009, slowing economic growth, reducing employment in the rubber sector, and delaying investments in iron ore mining. The real GDP growth rate rebounded from 4.6% in 2009 to 6.3% in 2010, led by the rubber sector and the restart of commercial logging. Economic growth has outperformed that of sub-Saharan Africa (SSA) and other comparator countries in the region (the Mano River Union countries for instance – Sierra Leone, Côte d'Ivoire and Guinea). Liberia's short-term prospects are positive as the pace of new investment in iron ore and commercial agriculture, as well as a rebound in rubber prices, are expected to further increase real GDP growth rates. In the short to medium term, the Liberian GDP growth rate is expected to outperform both SSA and the world.

Figure 1: Real GDP growth and forecast 2005–2017



**Source:** Constructed based on International Monetary Fund (2012). *World Economic Outlook Database*. Available from <http://www.imf.org/external/pubs/ft/weo/2012/02/weodata/index.aspx>

Figure 2: GDP and growth



Source: World Bank (2013). World Development Indicators.

Available from <http://data.worldbank.org/data-catalog/world-development-indicators>. Accessed 26 October 2013.

Between 2000 and 2010 the GDP growth rate ranged from -32.23% to 19.68%, as indicated in Figure 2. The mean per capita GDP growth rate has been 2.13% since 2006 and the election of a democratic government.

## FISCAL AND MONETARY POLICY<sup>3</sup>

Government expenditure was 37.7% of GDP in 2010/11, reflecting an increase of 7.5% over the previous fiscal year. The increase was driven by increases in both current and capital expenditures, reflecting average increases of approximately 4%. The budget for fiscal year 2011/12 expands expenditure in line with Liberia's PRS with

allocations of 14% to education, 10% to health and 8% to infrastructure investment (power, ports and road sectors).

Liberia has made progress by way of growing its revenue base consistently since the end of the conflict. Government revenues and grants comprised 36.9% of GDP for the fiscal year 2010/11, up from 10% of GDP in 2003 (marking the end of the conflict), and from 27.1% of GDP as recently as 2009. Reforms include the introduction of a computerized 'flag receipt' system; cracking down on customs fraud and other forms of tax evasion; controlling expenditures through establishing a fully functioning cash management system;<sup>4</sup> and adjustment of tax policy so as to increase alignment with regional partners and with international best practices.

3. The fiscal and monetary policy section draws heavily from African Economic Outlook (2012). *Liberia Country Report*, p. 6 except where indicated. Available from [www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf).

4. Government of Liberia (2012). *Economic Revitalization*. Available from [www.emansion.gov.lr/2content.php?sub=57andrelated=25andthird=57andpg=sp](http://www.emansion.gov.lr/2content.php?sub=57andrelated=25andthird=57andpg=sp).



### Box 1: Current monetary policy

The policy stance of the Central Bank of Liberia (CBL) is to maintain broad exchange rate stability to attain low inflation. Its weekly foreign exchange auctions have maintained the exchange rate in a relatively narrow band since 2010, between 68 and 74 Liberian dollars per US dollar. Net foreign reserves increased to US\$323 million at the end of 2011, an increase from US\$288 million at the end of 2010, mostly due to the increased holdings of Special Drawing Rights (SDR) as part of the International Monetary Fund (IMF) Extended Credit Facility programme.

A high degree of dollarization limits the role of monetary policy. To increase its liquidity-management tools, CBL has completed the operational framework to issue local currency treasury bills, and it may also issue central bank bills. Additionally, CBL has undertaken efforts to increase financial intermediation, which has contributed to strong lending growth. Credit to the private sector increased by 28% between December 2010 and November 2011. As of November 2011, 41% of commercial bank loans were to the trade, hotel and restaurant sector, followed by 35% to the 'other' sector, which includes individuals and service-related institutions. The construction sector and the transport, storage, and communication sectors each comprised 9% of loans. Non-performing loans remain high, although they decreased from 25.1% in 2010 to 20.8% in 2011.

The money supply increased by 21% between December 2010 and November 2011, driven by an increase in demand deposits and currency outside banks. High dollarization continued, with the US dollar share of broad money stable at 73% in November 2011. Consumer price inflation increased from an average annual rate of 7.5% in 2010 to 8.5% in December 2011. Imported food prices averaged 8.2% inflation in 2011, while domestic food inflation increased from 6.2% in 2010 to 17.0% in 2011 due to poor road conditions. Transport inflation increased from 4.7% in 2010 to 18.2% in December 2011 due to higher prices for petroleum products. Inflation is projected to be moderate in 2012 and 2013 at 5.6 and 5.7%, respectively.

Average lending rates decreased from 14.4% in the third quarter of 2010 to 13.8% in the third quarter of 2011. Over the same period, the average personal loan rate increased slightly from 14.42% to 14.44%, while the average mortgage rate increased from 14.28% to 15%. Average time deposit rates decreased slightly between the third quarter of 2010 and 2011, from 2.9% to 2.7%.

**Source:** African Economic Outlook (2012). Liberia Country Report, pp. 6-7. Available from: [www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf).

## STRUCTURAL REFORM AND ECONOMIC GOVERNANCE

Liberia achieved significant progress in implementing critical structural reforms, particularly in the area of public financial management, budget process, tax policy and tax administration, and debt management. This includes: modernizing information systems, adopting a chart of accounts, budget preparation in accordance with a newly passed Public Financial Management Act, improved fiscal reporting, accounting, and internal audit.

The Liberian Investment Code was amended in 2010 to reduce the scope for discretionary granting of investment incentives, and work is underway to compile national accounts data. Transparency has increased through increased external audits of ministries, publishing of procurement contracts, and compliance with the

requirements of the Extractive Industries Transparency Initiative (EITI), including by forestry and commercial agriculture. In 2009, Liberia was the first African country the second country in the world to be designated as EITI compliant, and the first country to include the forestry sector in its reporting. The Anti-Corruption Commission was also established and has become operational as of 2009.

To strengthen financial control and reduce abuse, Liberia recently implemented the first steps of the Governance and Economic Management Assistance Programme by placing internationally recruited financial controllers in the Central Bank, National Port Authority, Forestry Development Authority, Roberts International Airport, and the Liberia Petroleum Refining Company.<sup>5</sup>

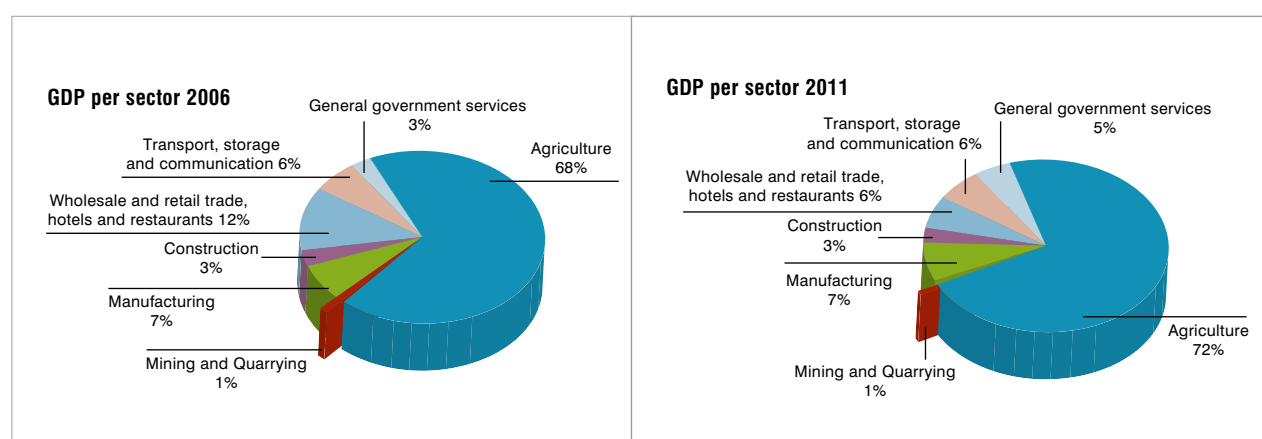
5. *Ibid.*

Table 1: Cumulative decline in GDP during conflicts

Country	Decline	Period	Country	Decline	Period
<b>Liberia</b>	<b>91%</b>	<b>1979-1996</b>	Uganda	28%	1977-1981
Rwanda	54%	1992-1994	Guinea-Bissau	28%	1997-1998
Democratic Republic of the Congo	47%	1974-2001	Gabon	27%	1977-1987
Sierra Leone	42%	1991-1999	Angola	27%	1988-1993
Zimbabwe	38%	1998-2006	Chad	26%	1977-1981
Mozambique	28%	1981-1986	Burundi	25%	1992-1997

**Source:** World Bank (2013). World Development Indicators. Available from <http://data.worldbank.org/data-catalog/world-development-indicators>. Accessed 26 October 2013. Data for Uganda is from Center for International Comparisons of Production, Income and Prices at the University of Pennsylvania (2012). Penn World Tables. Available from [https://pwt.sas.upenn.edu/php\\_site/pwt\\_index.php](https://pwt.sas.upenn.edu/php_site/pwt_index.php).

Figure 3: GDP snapshots 2006 and 2011



## SECTORAL ALLOCATION

Liberia's economy was devastated during the civil war. Between 1979 and 1996, the country's GDP dipped by 91%,<sup>6</sup> which accounts for one of the most rapid declines in SSA in recent decades. The growth rate again dipped to a low -33% in 2003 and has since recovered to an extent, although it remains significantly lower than the 32% growth rate recorded in 2002.

Growth has resumed in the last decade, fuelled by increasing revenues from extractive industry exports. African Economic Outlook estimated that Liberia's GDP growth rate will increase from the recorded 6.9% in 2011 to 8.8% in 2012, driven by the first full year of iron ore exports in the post-civil war era, higher rubber exports (assisted by an increase in international rubber prices), and

increased timber production.<sup>7</sup> The mean per capita GDP growth rate has been 2.13% since 2006, when elections for selecting the first post-civil war democratic government of the country were held.

The Liberian economy is dominated by agriculture, traditionally driven by high production levels in the rubber, timber and palm-oil sectors. As indicated in Figure 3, agriculture (including the fisheries and forestry sectors) has traditionally comprised the largest sectoral share of GDP and the share of this sector is expected to keep growing until 2015. It is expected to remain the leader in the immediate to medium term, although the relative share will decrease in coming years as iron-ore exports increase.<sup>8</sup>

6. Liberia, Ministry of Commerce and Industry (2011). *Industry for Liberia's Future*, p. 3.

7. African Economic Outlook (2012). *Liberia Country Report*. Available from: <http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf>

8. *Ibid.*, p. 4.



Source: © Michael R Perry.

Figure 4: Main economic activities 2005-2015

	(in millions of US\$)										
Current Prices	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1 Primary Activity	404.30	444.50	515.80	585.20	662.67	695.80	744.51	967.86	1258.22	1635.69	2126.40
1.1 Agriculture	298.50	329.10	391.10	456.60	530.01	556.51	595.47	774.11	1006.35	1308.25	1700.72
1.2 Livestock	3.40	1.80	1.90	2.00	2.32	2.44	2.61	3.39	4.41	5.73	7.45
1.3 Forestry	99.50	111.80	120.90	124.60	128.28	134.69	144.12	187.35	243.56	316.63	411.62
1.4 Fishing	2.90	1.80	1.90	2.00	2.06	2.16	2.31	3.01	3.91	5.08	6.61
2 Secondary Activities	56.50	72.30	84.20	100.30	106.41	111.76	119.58	155.46	202.10	262.72	341.54
2.1 Mining and Quarrying	0.30	3.60	8.20	20.20	21.92	23.02	24.63	32.01	41.62	54.10	70.33
2.2 Manufacturing	32.90	43.70	48.90	51.40	54.00	56.70	60.67	78.87	102.53	133.29	173.28
2.3 Energy (water, electricity & construction)	4.50	4.80	5.40	5.60	5.96	6.27	6.71	8.72	11.33	14.73	19.15
2.4 Construction	18.50	20.20	21.70	23.10	24.53	25.78	27.58	35.86	46.61	60.60	78.78
3 Tertiary Activities	119.90	132.00	148.30	158.40	170.33	177.28	188.43	244.96	318.45	413.99	538.19
3.1 Transport and Communication	39.00	40.50	43.50	48.30	53.44	54.07	57.86	75.21	97.78	127.11	165.24
3.2 Trade	29.20	36.00	43.40	45.00	47.60	50.38	52.65	68.45	88.98	115.67	150.37
3.3 Banking and Finance	13.40	14.40	15.80	16.20	17.25	18.13	19.40	25.22	32.78	42.62	55.40
3.4 Other Business Services	14.00	15.00	16.70	17.60	18.74	19.70	21.08	27.40	35.62	46.31	60.21
3.5 Non-Profit Services	24.30	26.10	28.90	31.30	33.30	35.00	37.45	48.68	63.29	82.28	106.96
FISIM	-648	-6.97	-7.64	-7.84	-8.34	-8.77	-9.38	-12.20	-15.86	-20.62	-26.80
GDP at Factor Cost	580.70	648.80	748.30	843.90	939.40	984.84	1052.53	1368.29	1778.77	2312.40	3006.12
Net Duties and Taxes on Products	27.34	52.90	68.80	76.00	84.60	88.69	94.79	123.23	160.19	208.25	270.73
GDP at Market Prices	608.04	701.70	817.10	919.90	1024.01	1073.54	1147.32	1491.51	1938.96	2520.65	3276.85
Grand Cape Mount	9.67	15.40	16.45	12.58	11.32	4.84	6.87	8.93	11.61	15.10	19.63
GDP Per-Capita	202.68	226.35	255.34	262.83	274.20	269.41	268.34	331.45	405.64	494.25	618.27
Population	3.00	3.10	3.20	3.48	3.63	3.78	3.98	4.50	4.78	5.10	5.30

Source: Liberian Institute of Statistics and Geo-Information Services (2011). *Statistical Bulletin 2011*, p. 55. Monrovia.

The Liberian industrial sector is poised to grow substantially in the near future. The average contributions of mining and quarrying, and manufacturing, have remained stable between 2008 and 2011, but both sectors are expected to grow significantly between now and 2015, as indicated in Figure 4.

The services sector, comprised of trade, hotels and restaurants; transport, storage and communication; and real estate and construction, contributed approximately 20% of GDP in 2011, and growth was forecast to be steady in

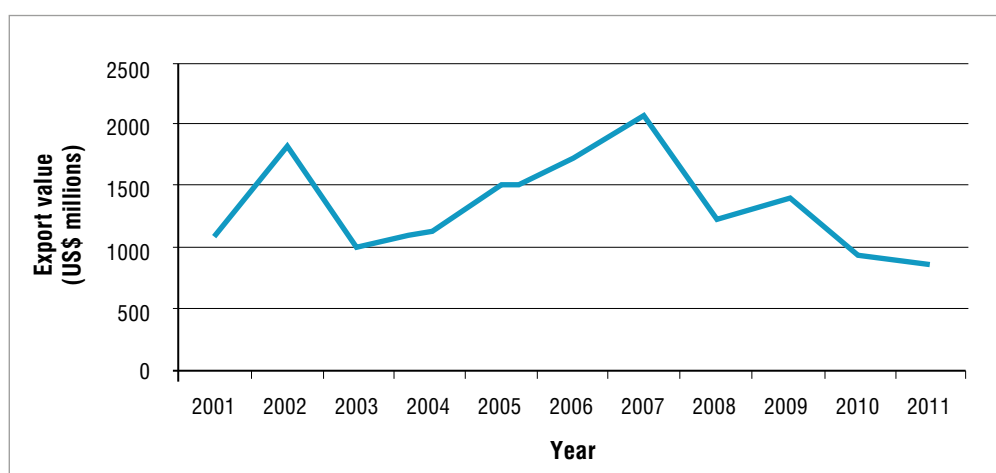
2012.<sup>9</sup> The contributions of government services went up by 2% between 2006 and 2011, while contributions from the trade, hotels and restaurants category have fallen to almost 50% of 2006 levels. The services sector benefits significantly from the presence of a large expatriate population in Liberia – comprised primarily of international aid actors including the United Nations Mission in Liberia (UNMIL).<sup>10</sup>

9. *Ibid.*, p. 5.

10. *Ibid.*, p. 5.

# EXPORT PROFILE

Figure 5: Exports by value 2001-2011



Source: ITC Trade Map data –Comtrade; mirror data– World Bank World Integrated Trade Solution.

Liberia exported US\$842 million of goods and services in 2011 (Figure 5).<sup>11</sup> In the last decade, exports have been declining steadily after peaking in 2007. Liberia's most significant exports by value in 2010, after excluding purely accounting transactions, were rubber, iron ore, diamonds, and cocoa.<sup>12</sup> Overall, the values of Liberian exports have not recovered from pre-war levels.

## Products

Liberia's trade is highly concentrated on a limited range of products. Commodities have traditionally comprised Liberia's primary exports. These include rubber, wood (timber), iron ore, and diamonds.<sup>13</sup> Exports in the rubber sector have been rising since 2001 and they currently account for more than three-quarters of Liberian exports. The wood sector has traditionally also been a very significant share of exports, although its share has been declining in recent years. Liberia has also increased exports of cocoa beans in recent years.

11. This figure includes the value of offshore transactions which artificially inflate the value of Liberian exports and deflate the importance of Liberia's actual export sectors. For instance, the export value attributed to HS 8901 (Figure Y) is an accounting anomaly. The impact of these accounting transactions can be seen in Figure B.

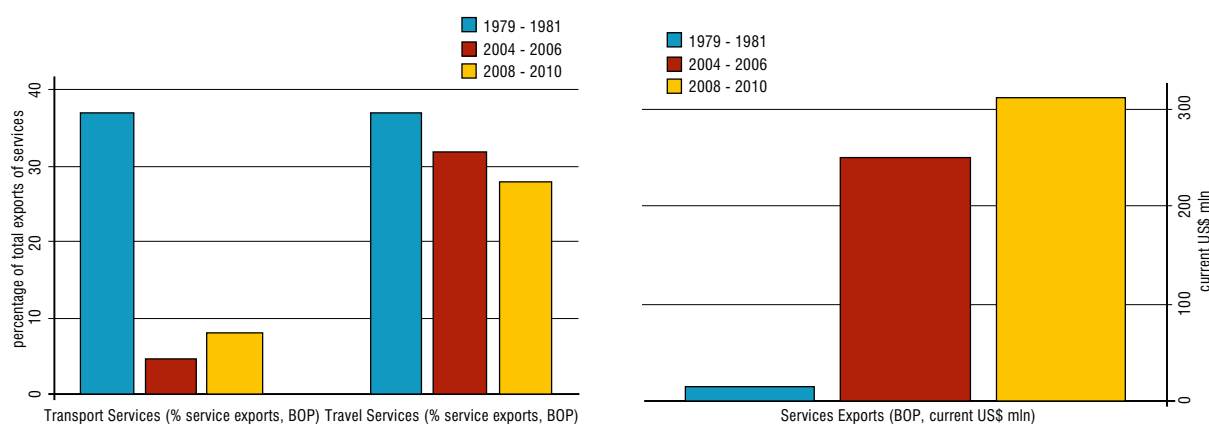
12. HS 4001 (Natural rubber, balata, gutta-percha etc.), HS 2601 (2601 - iron ores and concentrates; including roasted iron pyrites), HS 7102 (7102 - diamonds, not mounted or set), and HS 1801 (cocoa beans, whole or broken, raw or roasted).

13. See, for example: Taylor, W. C. (1956). *The Firestone Operations in Liberia*, p. 32. Washington DC: National Planning Association. As early as the 1950s rubber, iron ore and diamonds dominated Liberian exports. Other important exports in the 1950s included; palm oil, gold, cocoa, and piassava fibre.

Table 2: *Exported Liberian products 2001-2010*

		2001-2003	2004-2006	2007-2010
Product Diversification	Number of exported products	211.7	214.3	266.0
	Five most exported products by value	HS 4403 – Wood in the rough (48.5%)	HS 4001 – Natural rubber, balata, gutta-percha etc. (78.4%)	HS 4001 – Natural rubber, balata, gutta-percha etc. (75.7%)
		HS 4001 – Natural rubber, balata, gutta-percha etc. (33.8%)	HS 2601 – Iron ores and concentrates; including roasted iron pyrites (6.9%)	HS 7204 – Ferrous waste and scrap; remelting scrap ingots or iron or steel (4.3%)
		HS 4407 – Wood sawn/chipped lengthwise, sliced/peeled (2.7%)	HS 7204 – Ferrous waste and scrap; remelting scrap ingots or iron or steel (3.0%)	HS 1801 – Cocoa beans, whole or broken, raw or roasted (3.7%)
		HS 1801 – Cocoa beans, whole or broken, raw or roasted (1.2%)	HS 3102 – Mineral or chemical fertilizers, nitrogenous (2.8%)	HS 7102 – Diamonds, not mounted or set (2.7%)
		HS 7102 – Diamonds, not mounted or set (0.8%)	HS 1512 – Safflower, sunflower/cotton-seed oil and fractions (1.5%)	HS 2601 – Iron ores and concentrates; including roasted iron pyrites (2.3%)

Source: ITC Trade Map data – Comtrade; mirror data – World Bank World Integrated Trade Solution.

Figure 6: *Trends in exports of Liberian services (before and after civil unrest)*

Source: Author's calculations based on World Bank (2013). World Development Indicators. Available from <http://data.worldbank.org/data-catalog/world-development-indicators>. Accessed 26 October 2013.

Increased concessions-based activity in the mining and oil sectors, coupled with high demand and prices in international markets, hold predictions for increased export activity in the Liberian extractive industry sectors in 2012. The Economist Intelligence Unit estimated that high international prices will help keep revenue levels from rubber exports high in 2012, although lower than 2011 levels.<sup>14</sup> Iron ore exports are also slated to increase through initia-

tion of shipments by firms such as Arcelor Mittal.<sup>15</sup> Apart from iron ore exports, palm oil and timber exports are expected to exhibit gradual and increased export levels through 2013 and help Liberia diversify away from its recent reliance in rubber exports.<sup>16</sup>

15. *Ibid.*, p. 11.

16. African Economic Outlook (2012). *Liberia Country Report*, p.7. Available from [www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf).

14. Economist Intelligence Unit (2012). *Country Report Liberia 2nd Quarter 2012*, p. 11.





Source: © jbdodane. Harbelville, Grand Bassa, Liberia

Table 3: Product and market diversification

		2001-2003	2004-2006	2007-2010
Market Diversification	Number of export destinations	80 of 231 (34.5%)	87 of 231 (37.7%)	86 of 231 (37.2%)
	Five most significant export destinations	United States (21.7%)	United States (44.6%)	United States (39.6%)
		China (18.3%)	France (6.4%)	Canada (7.8%)
		France (14.5%)	Canada (4.8%)	Germany (6.8%)
		Italy (9.1%)	United Kingdom (4.7%)	Belgium (4.4%)
		Bangladesh (7.2%)	China (4.6%)	France (4.3%)
	Exports to five largest destinations	70.8%	65.2%	62.9%

Source: ITC Trade Map (Comtrade data). Excluding products HS 890190, HS 890110, HS 999999, HS 890120 and HS 890392.

## Services

Figure 6 shows the dynamics of exports of services before and after the period of civil unrest. The total value of service exports is currently much higher than pre-war levels (an annual average of US\$310 million (current US dollars) in 2008-2010, compared to US\$14 million (current US dollars) in 1979-1981). However, the composition of exports changed dramatically following the disruption of infrastructure and the deterioration of the business environment caused by the civil unrest. The share of transport services decreased from about 37% in 1979-1981 to about 8% in 2008-2010 while other subsectors, such as travel services, show a more stable performance, passing from 37% in 1979-1981 to 28% in 2008-2010.

## Liberia's export destinations

Liberia's exports are relatively diversified geographically. The number of export destinations has slightly increased since 2004. The United States, Canada, Germany,

Belgium and France make up the top five partners and accounted for almost 63% of the total exports between 2007 and 2010. The United States has traditionally been the largest importer, absorbing 37% of Liberian exports between 2007 and 2010.

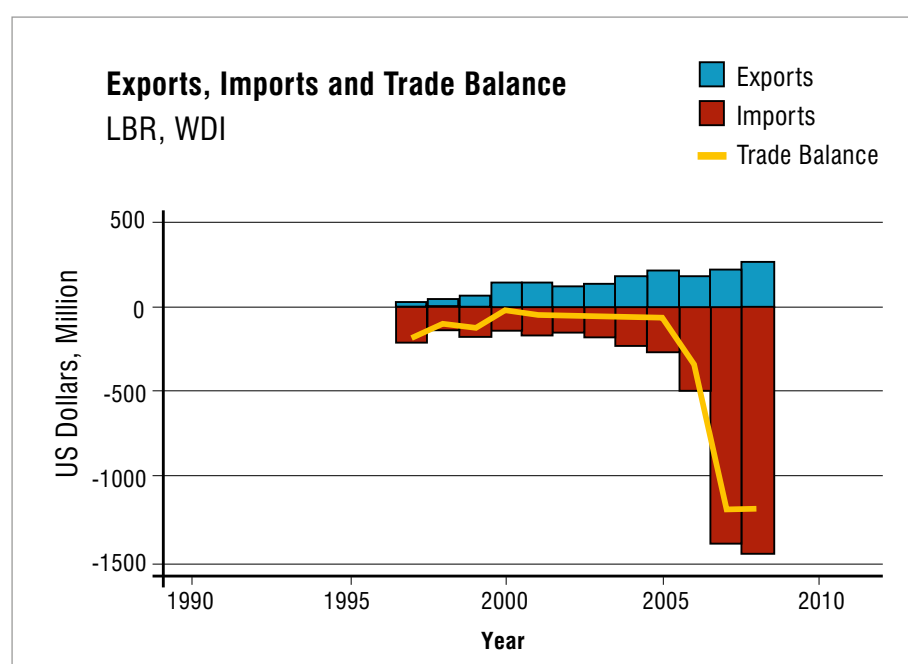
## Liberia's trade balance deficit has multiplied by seven in the past three years

As indicated in Figure 7, Liberia's trade deficit has multiplied seven times over the past three years. Driven by slow export growth and increases in imports of essential food commodities such as rice, as well as machinery and fuel, the trade balance has increasingly tilted to the negative.

Liberia's imports and exports were roughly in balance until 2005. Since then, imports have sharply increased from about US\$250 million in 2005 to almost US\$1.5 billion in 2008, while exports have been stagnating. As a result, Liberia's trade deficit has widened, reaching about US\$1.25 billion in 2008.

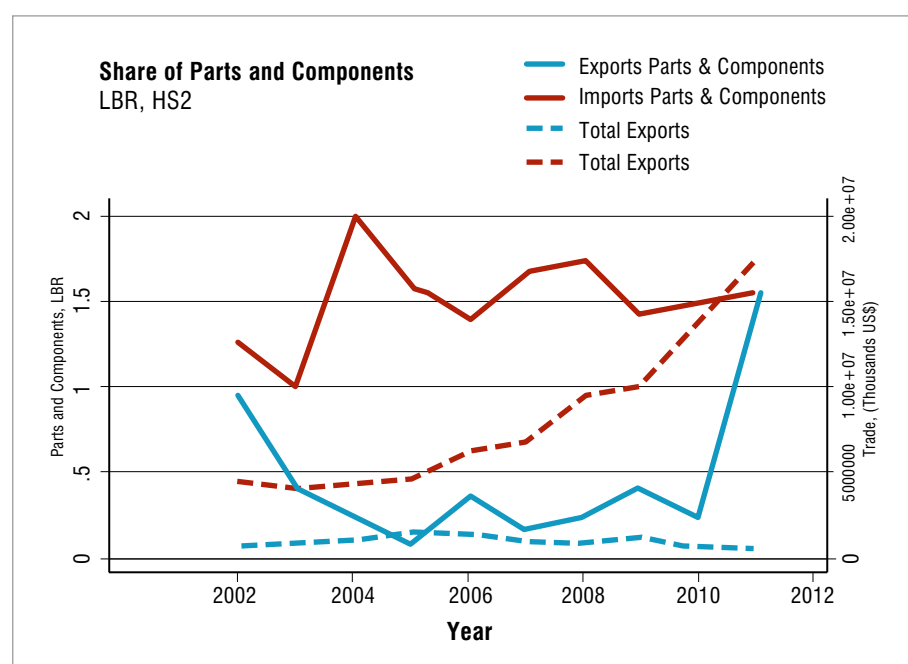


Figure 7: Liberia's trade balance



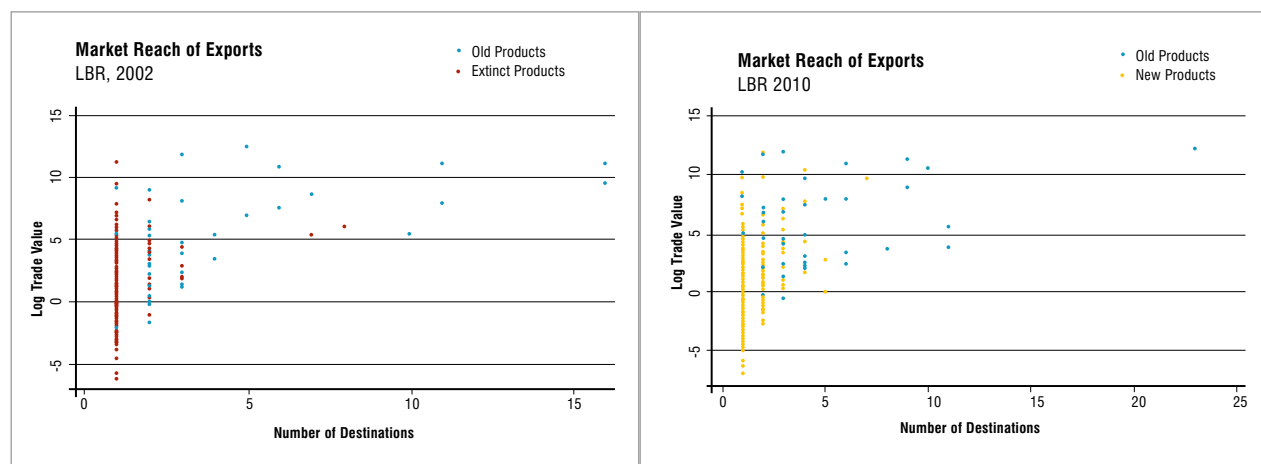
Source: United Nations, Comtrade.

Figure 8: Share of parts and components in total Liberian trade



Source: Author's calculations based on 6-Digit UN Comtrade, HS 2002 trade data.

Figure 9: Market reach of Liberian exports



Source: Author's calculations based on UN Comtrade data.

### Participation in international value chains has remained quite low

Trade in parts and components represents exchanges in international production networks.<sup>17</sup> A well-known fact of globalization over the past decades has been that the world's trade in parts and components has expanded more dynamically than conventional trade in final goods. Furthermore, the export value of parts and components tends to be more stable than other export products.<sup>18</sup> Figure 8 shows that the share of parts and components, as a percentage of GDP, has remained at a very low level over the past decade.<sup>19</sup>

### Liberia's market reach has stagnated over the past decade

The number of products exported and the number of export destinations provides useful information about a country's level of export competitiveness. Even after the end of the civil conflict, Liberia did not manage to significantly improve its market reach. Overall, Liberia exports few products to very few destination markets and, over the last decade, has experienced irregular export episodes. As shown in Figure 16, most of the products which were exported in 2002 were not so anymore in 2010; conversely, most of the products exported in 2010 were 'new

products' which were not being traded in 2002. While high export birth rates reflect entrepreneurial vitality within the national economy, equally high fatality rates signal the presence of obstacles preventing companies from successfully maintaining their export relationships.

### Liberia's exports fewer products and reaches fewer destinations than comparable countries. It has, however, conformed to world averages in number of destinations

Figure 9 depicts more precisely the evolution of Liberia's overall market reach after the end of the civil conflict and allows a comparison with peer countries (Ghana, Senegal, Côte d'Ivoire and South Africa). The average number of Liberia's exported products doubled between 2002-2004 and 2008-2010, although remaining far from the world average. On a more positive note, Liberia managed over the same period to conform to the world average number of destination markets.

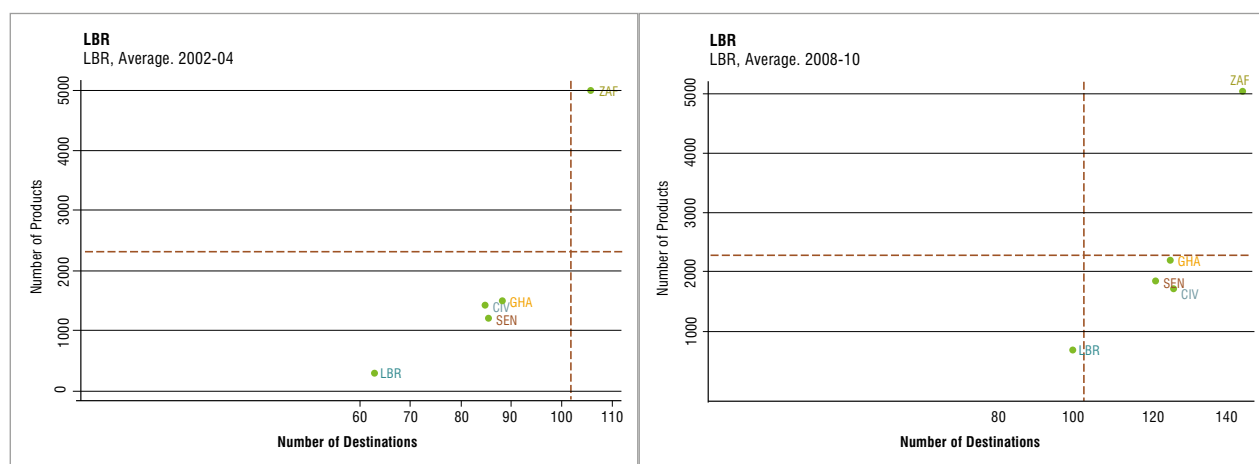
Moving from a better initial situation, comparable countries also performed very well over the last decade, maintaining untouched the gap with Liberia. In 2008–2010 Ghana, Senegal and Côte d'Ivoire conformed to world averages in number of exported products and managed to reach more destination markets than average. South Africa maintained a diversified export basket (around 5,000 different products, i.e. more than twice the world average) and increased the pool of its destination markets from around 105 to over 140 countries.

17. A country can be involved in international value chains as an importer of parts and components (assembly powerhouse) and as an exporter of parts and components to other countries (outsourcer). Both have a bearing in export competitiveness.

18. Athukorala, P., and Menon, J. (2010). Global Production Sharing, Trade Patterns, and Determinants of Trade Flows in East Asia. ADB Working Paper Series on Regional Economic Integration No. 41, Asian Development Bank: Manila.

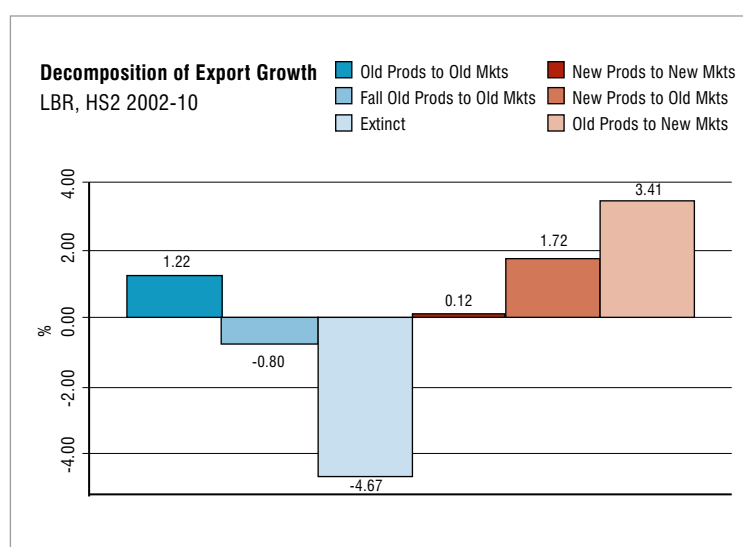
19. The chart shows the exports and imports of parts and components as a share of total exports during the past decade as well as the total amount of exports and imports in US\$.

Figure 10: Liberian export products and destinations



Source: Author's calculations based on UN Comtrade data.

Figure 11: Decomposition of Liberian export growth: export diversification and intensification 2002-2010



Source: Author's calculations based on 6-Digit UN Comtrade, HS 2002 trade data.

**Growth in exports is primarily led by increases of existing products to new markets, and to a lesser extent by growth in exports of new products to existing markets**

Figure 11 shows the decomposition of export growth during the past decade. According to a vast body of empirical trade literature, export diversification has a strong, positive impact on growth. Export growth can be decomposed between traditional products and markets –intensification (in red)– and diversification of products and markets (green).

Overall, export diversification has exceeded the growth of trade in traditional markets and products. Decomposition of export growth indicates that growth in exports is primarily led by increases of existing products to new markets, and to a lesser extent by growth in exports of new products to existing markets. New market penetration for new products has been very low. In terms of intensification, a moderate increase in export flows of existing products to existing markets was offset by exports to existing markets that fell, and a high level of products that became extinct.

Figure 12: Liberia's openness to trade



**Source:** Author's calculations using: World Bank (2013). World Development Indicators. Available from <http://data.worldbank.org/data-catalog/world-development-indicators>. Accessed 26 October 2013.

### Liberia's perceived high level of integration with the rest of the world has failed to translate into increased prosperity and well-being

The level of openness to trade primarily reflects the importance of international trade to a country's economy. But the level of openness is also a reflection of the degree of integration with the rest of the world. A high level of integration with the rest of the world is critical to attract know-how and investment capital to the country, and for the emergence of production links between national and foreign firms. All of these factors are essential for export competitiveness and to generate greater growth opportunities.

Liberia's integration into the world economy, measured by trade as a percentage of GDP, has increased over the past decade. However, this openness should not be confused with an open and efficient trading environment. After the end of the civil war in 2003 Liberia experienced an increase in international trade, which is reflected in the high jump in the degree of openness shown in Figure 12. Exports of rubber and imports of mineral fuels and other commodities sharply increased, but livelihoods in the country did not improve significantly. This contributes to the status of Liberia as an outlier in Figure 12, especially in the second period of analysis. While increasing its integration into the world economy, Liberia did not make any progress in economic development over the last decade as measured by GDP per capita. To achieve true economic development Liberia will have to spur exports in sectors that can benefit from a comparative advantage and that are characterized by high labour intensity. As can also be seen in Figure 12, the level of economic

well-being (measured by the log of GDP per capita) has barely evolved over the same period of time.

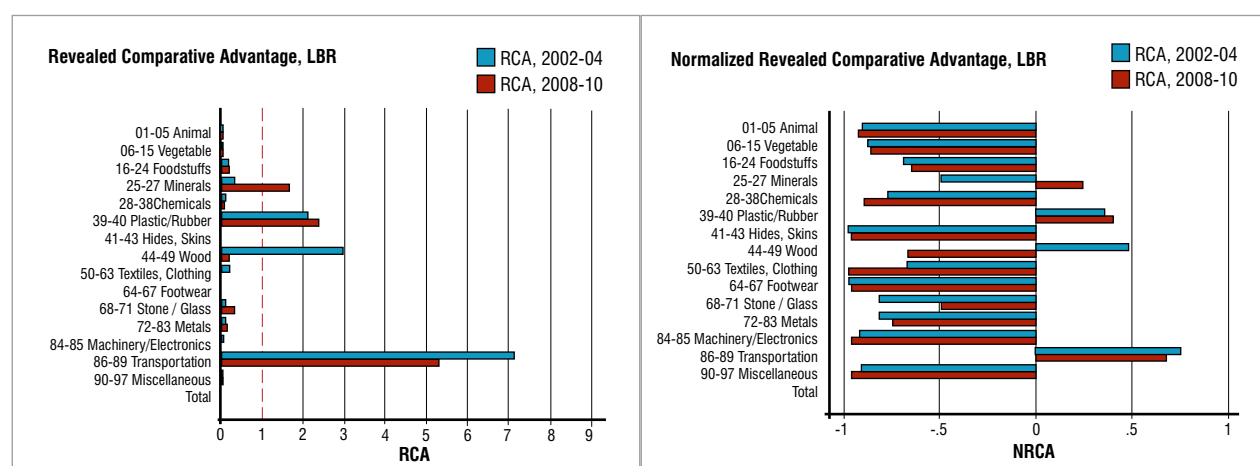
### Liberia's revealed comparative advantages lies in few sectors, focused primarily in the natural resources sector

An examination of Liberia's export basket reveals two trends regarding revealed comparative advantage<sup>20</sup> demonstrated by export sectors. First, the country's export basket has traditionally exhibited a revealed comparative advantage in very few product sectors –including wood, plastic/rubber, transportation services and minerals – and primarily focused on extractive industries. Second, between 2002-2004 and 2008-2010, Liberia's revealed comparative advantage increased in sectors such as minerals and plastic/rubber (driven by increased concessionary activity in the extractive sector), while exhibiting a pronounced decrease in the wood products sector due to a large drop in exports to leading importers including China and the EU. The high revealed comparative advantage exhibited by the transportation services sector is misleading, since it is a result of an accounting anomaly, where tankers, cruise ships and other transportation subsectors belonging to other countries but flying under the Liberian flag (under its flag of convenience policy) are included as Liberian exports.

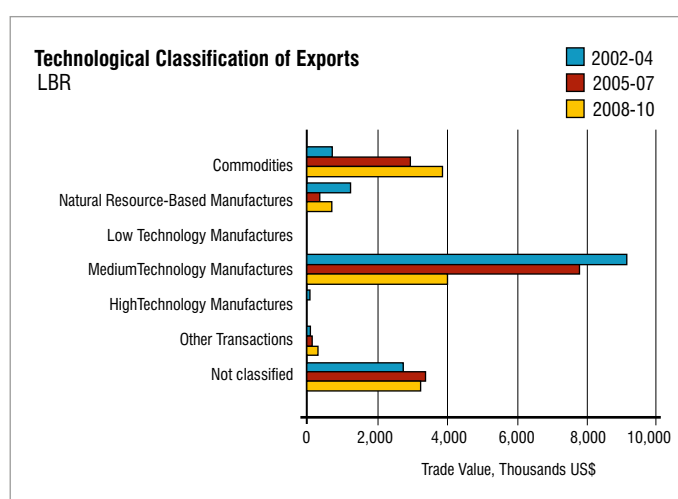
20. Revealed comparative advantage is calculated as: where  $s$  is the exporter of interest,  $w$  is the set of all countries in the world,  $i$  is the export sector,  $x$  is the commodity export flow.



Figure 13: Revealed comparative advantage



Source: Author's calculations based on UN Comtrade data.

Figure 14: Technological sophistication in exports<sup>21</sup>

Source: World Bank (2013). World Development Indicators and author's calculations using UN Comtrade data.

21. The classifications used in the figure are based on the methods used in: Lall, Sanjaya (2000). The Technological Structure and Performance of Developing Country Manufactured Exports, 1985-1998. QEH Working Paper Series – QEHWPS44.

### The level of technology used in Liberia's export products is low

The level of technology used in Liberia's export products is low. This is a result of exporting predominantly commodities and natural resource-based manufactured goods. As indicated in Figure 14, exports of commodities have increased significantly since 2002, while the level of medium technology manufactures declined more than 50% for the 2008-2010 period compared with 2002-2004. As an indication of the level of technology sophistication in the country, there have been virtually no exports of high technology based manufactured products since 2002.

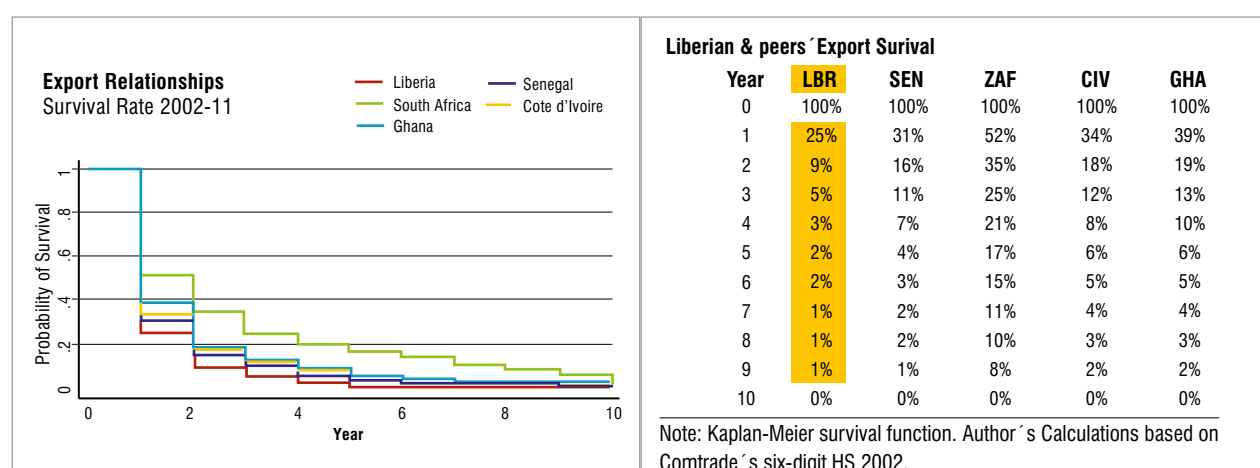
### Export relationships have very low survival rates. The probability of an export relationship surviving to the second year is 25%

Compared with its peers in Africa, Liberia's export relationships exhibit significantly low levels of survival. As indicated in Figure 15, the probability of an export relationship surviving to the second year is 25%, and that dips to 9% for year three. In the peer group indicated in Figure 15 this is the lowest survival rate. In fact, Liberia performs the worst in terms of survivability rate of the export relationships for each of the ten years in the peer group.



Source: © jbdodane. Montserrado, Liberia

Figure 15: Export relationship survival rates



Source: Author's calculations based on 5-Digit UN Comtrade, SITC Revision 3 trade data.

A low survival rate often reveals underlying issues in a country's business environment, such as problems of access to finance and quality and reliability of the products. In Liberia's case the core challenges include all of these as discussed in detail in the competitiveness constraints section.

# EXISTING NATIONAL DEVELOPMENT PLANS AND STRATEGIES

The Liberian government has been focused on economic and social growth and development since the conclusion of years of war and unrest. Improving the level of development involves overcoming numerous challenges such as poverty, the erosion of public systems, low productive capacity and weak institutions. The democratically elected government has undertaken several developmental plans to overcome these challenges and improve the country's developmental condition within the last five years.

## Poverty reduction strategy 'Lift Liberia' (2008-2011)

The rationale for developing a Poverty Reduction Strategy (PRS) for Liberia was to improve the social and economic conditions of the population of Liberia, in the context of the post-conflict environment. Developed in 2008, the strategy's immediate priority was reviving income generated from traditional sources to improve income levels. The PRS is organized based on objectives and activities planned on four pillars:<sup>22</sup>

1. **Peace and security:** the peace and security pillar aims at building the capacity of the government's military and crime prevention agencies so as to eventually take over defence and security functions from UNMIL.
2. **Economic revitalization:** the economic revitalization pillar is concerned with government economic regulation. It focuses on the role of support ministries and agencies in reviving the economy and stimulating private sector-led growth. The PRS identifies

the importance of diversifying the Liberian economy, which would reduce Liberia's reliance on extractive industries.

3. **Infrastructure and basic services:** the infrastructure and basic services pillar involves government provision of physical infrastructure and social services, mainly health and education.
4. **Governance and rule of law:** rule of law reform is critical to the peace-building process in the country. This pillar also focuses on reform of public sector agencies, other than what was covered in the other pillars, and ensuring the rule of law.

In addition to these four pillars, the PRS also included a quasi-pillar for cross-cutting issues, particularly capacity-building and gender equality. For gender issues the PRS proposes numerous measures to create an enabling environment to support and expand women's economic role in revitalizing the economy. Notable among these measures as they relate to women and trade are the following:

- Produce and implement recommendations on the issue of graduation of women-owned businesses to the formal economy, and graduation of women-owned businesses from the micro enterprise sector to the small and medium-sized enterprise (SME) sector;
- Address the needs of female producers in all rural programmes designed to enhance access to key productive assets and services in the agricultural value chain (land, capital, training, etc.);
- Implement a Rural Women Empowerment Project which creates/strengthens the institutional capacity of 300 women producers/entrepreneurs organizations and provides support services including skills and business training, access to credit, business support services and market information.

22. Pillar objectives adapted from Liberia, Ministry of Planning and Economic Affairs (2011). *Lift Liberia Poverty Reduction Strategy Final Report - A Results Focused Assessment (June 2008 – December 2011)*, p.8. Washington DC: International Monetary Fund.

Following a 'results based management' approach, the strategy included numerical projections and intended outcomes, and a matrix of actions.

The GoL is currently in the process of holding final consultations related to an updated version of the PRS (to be known as PRS II). The updated strategy will incorporate lessons learned from the PRS and will maintain the momentum generated by its predecessor. PRS II is slated to be a five-year economic growth plan and will be released in 2012.

### Vision 2030

Vision 2030 is meant to be the successor of the PRS 2008-2011. The National Visioning Exercise will lay out a set of programmes for building a reconciled and unified nation with citizens who have a strong sense of shared identity and community, a commitment to ethical governance, and a sense of ownership and partnership with government in pursuit of national development goals rather than a sense of being powerless petitioners and providential beneficiaries. Building upon current governance reforms, it will contain programmes for the consolidation of institutions of transparent, accountable, just and democratic governance.

The National Visioning Exercise will also chart Liberia's long-term growth and development trajectory, providing medium- and long-term planning frameworks to guide public investment programmes, ensuring inclusive growth with equity designed to reduce marginalization and build human, social and physical capital.

### Industrial policy: 'Industry for Liberia's Future'

Industry for Liberia's Future is the government's policy framework aimed at maximizing Liberia's productive capacities in the industrial sector, promoting diversification, and ensuring that sustained growth in the nation's productivity, skills base and income takes place. The policy capitalizes on the momentum generated in the region through initiatives like the African Productive Capacity Initiative, the African Union Action Plan for Accelerated Industrial Development, and the Economic Community of West African States (ECOWAS) West African Common Industrial Policy.<sup>23</sup>

The industrial policy serves as a response to the broad goals laid out as part of the PRS (2008-2011), and aims to 'mainstream industrialization into national development efforts'.<sup>24</sup> The policy framework is also aimed at alleviating the challenges faced by the private sector in Liberia. Efforts are focused in three priority areas –le-

gal and regulatory reforms, infrastructure development, and investment in human capital – and will also include the reorganization and revitalization of the Ministry of Commerce and Industry.

### Micro, Small and Medium Enterprise (MSME) Policy (2011-2016)

The Micro, Small and Medium Enterprise (MSME) Policy was prepared by the Ministry of Commerce and Industry in July 2011. This is a stand-alone policy designed to fit in with other Government policies including Industry for Liberia's Future, the Policy for Industrial Development, and those that are yet to come, namely the Trade Policy, the National Export Policy and the Private Sector Development Policy.

The business case for an MSME policy in Liberia is driven by the historical lack of support for the sector, the socioeconomic dependence on the sector by almost 80% of Liberians, and the potential that growth in this sector holds for Liberia's overall growth. The policy is aligned with the government's overarching goal of reducing overall poverty.

Developed through extensive consultations with Liberian public sector institutions, private sector umbrella organizations and the International Finance Corporation (IFC), the policy focuses on four areas of reforms: legal and regulatory reforms, improving access to markets, improving access to finance, and building skills and knowledge.<sup>25</sup> While The MSME division of the Ministry of Commerce and Industry is the designated implementation lead for this strategy, key stakeholders and collaborators will range from 'government offices to private sector not-for-profits and for-profits to foreign donors'.<sup>26</sup>

### Diagnostic Trade Integration Study

Exports of agricultural goods and extractive commodities are also emphasized in Liberia's 2008 Diagnostic Trade Integration Study (DTIS).<sup>27</sup> The DTIS and the PRS were designed together and are intentionally similar.<sup>28</sup> A joint workshop was held on the productive sectors in February 2008. The role of this study is therefore to reinforce the message contained in the PRS, deepen the analysis, and offer some practical next steps.

The DTIS puts particular emphasis on agricultural exports because domestic demand for agricultural products is

23. Liberia, Ministry of Commerce and Industry (2011). *Industry for Liberia's Future*, pp. 12-13.

24. *Ibid.*, p. 1.

25. Liberia, Ministry of Commerce and Industry (2011). *Poverty Alleviation and Wealth Creation through Small Enterprise Development. Rationale, Policy, and Implementation Framework for MSME Development in Liberia: 2011-2016*, p. 14.

26. *Ibid.*, p. 21.

27. Republic of Liberia (2008). *Tapping Nature's Bounty for the Benefit of All: Diagnostic Trade Integration Study*.

28. *Ibid.*, p. ix.



not expected to grow much more quickly than the population.<sup>29</sup> The DTIS is similar to the PRS because it too focuses on increasing growth through Liberia's traditional sources of income; specifically, rubber, palm oil, and cocoa. The relaunch of the forestry sector is also a priority of the DTIS. The forestry sector was a very important export sector before sanctions were placed on the industry during the Liberian conflict.<sup>30</sup> Finally, the DTIS establishes cross-sectoral priorities such as improved trade finance, macroeconomic stability and customs reform.

An update to the DTIS is underway and is expected to be launched in mid-2014.

### The Liberian Strategy for Financial Inclusion (2009–2013)

The Liberian Strategy for Financial Inclusion is the GoL strategy for developing the country's microfinance sector, and in the process creating financial inclusion and credit access opportunities for Liberian enterprises, especially MSMEs. The strategy was developed after a thorough assessment of the country's financial sector and is aligned with the overarching PRS. The main thrusts of the strategy at the macro, intermediate and micro levels are as follows:

At the macro level, the strategy focuses on creating an enabling policy and regulatory environment for the establishment of a holistic microfinance programme in Liberia. Intermediary level interventions will be aimed at establishing and strengthening of the supportive infrastructure, especially capacity-building. The strategic focus for the micro level is geared towards building the capacity of microfinance providers, and integrating microfinance service providers into the mainstream financial sector.<sup>31</sup>

The strategy includes an action plan focusing on specific interventions that will be implemented within the short, medium and long terms.

### National Cassava Sector Strategy (2010)

The importance of agriculture in Liberia's development plans is also expressed in a Food and Agriculture Strategy and industry-specific strategies for cassava.<sup>32</sup> This strategy reinforces the importance of developing a robust agricultural sector and also seeks to improve the value of



Source: © jbdodane.

exports through increased value addition. For example, the cassava sector strategy suggests increasing value addition through increasing processing and, potentially, through refinement into bio-fuels.<sup>33</sup>

### National Capacity Development Strategy

In the medium to long term, Liberia's national development plans focus increasingly on improving institutional capacity. The Liberia Rising 2030 Concept Paper and the National Capacity Development Strategy (NCDS) both identify strengthening institutional capacity as a strategic objective.<sup>34</sup> The institutional capacity of Liberia has been greatly reduced by years of conflict.<sup>35</sup> The NCDS focuses on improving education, increasing the size of the formal private sector, and improving civil society. These improvements are designed to increase the level of development and enhance the economic growth of Liberia.

29. *Ibid*, p. 42.

30. *Ibid*, p. xiv.

31. Central Bank of Liberia (2009). *The Liberian Strategy for Financial Inclusion (2009-2013)*, p. iii. Monrovia.

32. See: Republic of Liberia, Ministry of Agriculture (2008). *From Subsistence to Sufficiency: Food and Agriculture Policy and Strategy*. See also: Republic of Liberia (2010). *National Cassava Sector Strategy* and Economic Community of West African States (2011). *Strategic Orientation Document for Mango Value Chain in the Economic Community of West African States*.

33. Economic Community of West African States (2011). *Strategic Orientation Document for Mango Value Chain in the Economic Community of West African States*, p. 16.

34. See: Republic of Liberia (2011). *Liberia Rising 2030 – Concept Paper*. See also: Republic of Liberia, Ministry of Planning and Economic Affairs (2011). *Liberia National Capacity Development Strategy*.

35. Republic of Liberia, Ministry of Planning and Economic Affairs (2011). *Liberia National Capacity Development Strategy*, p. 4.



The NCDS is an important exercise filling a crucial gap across sectors in the country, namely capacity enhancement. The core strategic outcomes of the NCDS include the following and clearly will have direct and vital implications for the NES:

- Planning capacity investments for sector growth and reform: collaborating with sector partners to lay the analytical basis for prioritizing investments in human and institutional capital with an emphasis on defining human capital baselines and targets for specific industries and sectors of strategic interest for Liberia's national vision;
- Matching the supply of capacity to current and emerging demands in the economy and supporting capacity development institutions to meet demands; better aligning Liberia's education and training institutions to prepare students and trainees for jobs that are available or may be created in Liberia; and supporting schools, universities, and training institutions to scale-up their resources to provide quality learning and skills development opportunities for individuals;
- Investing in institutional capacity to deliver services to the Liberian people: working to reform institutions and optimizing internal organizational practices and workforce productivity to better serve the needs of the people, be they civil service institutions, public institutions, private businesses, or civil society/NGOs; and
- Strengthening capacities for leadership, empowerment and civic engagement: building skills for leadership, entrepreneurship, and civic participation with emphasis on youth engagement and empowerment of women and girls.

As such, the NES and the sectoral/cross-sectoral strategies build on, rather than duplicate, what Liberia has already assessed and prioritized, and ensures consistency with the Government's policy objectives.

The national development plans implemented by Liberian policymakers are intended to build capacity throughout specific value chains as well as promote socioeconomic development in the country. In this regard there is significant alignment with the goals of the NES and the momentum developed by the existing national plans is leveraged as part of the sectoral and cross-sectoral strategic plans of action. In particular, the NES is closely aligned to the PRS/Vision 2030, the DTIS, and the NCDS.

Founded in 1975, ECOWAS is a regional group comprising 15 West African countries, of which Liberia is a member. Economic integration through free trade is one of the central goals of ECOWAS. As a customs union ECOWAS promotes internal trade liberalization and a common external tariff.<sup>36</sup> Liberia has gener-

ally committed to adopting its Common External Tariff (CET) and to a phased reduction and gradual elimination of tariffs and nontariff barriers on products of community origin. It currently has tariffs ranging from 0%-25% percent, but with the adoption of the CET, the maximum tariff will be reduced to 20%.

### **Liberia Industrial Sector Development Implementation Plan (LISDIP) 2013-2017<sup>37</sup>**

The Industrial Policy provides a set of specific policy instruments and measures for structural changes from primary to secondary and tertiary activities in order to enhance productivity, efficiency and competitiveness of the manufacturing sector.

In order to achieve the objectives above, the LISDIP will apply targeted instruments across a broad spectrum of industrial policy thematic areas categorized under the following four main components:

- Legal and Regulatory Reforms;
- Infrastructure Development;
- Investment in Human Capital; and
- Cross-cutting Issues.

Although principally driven by the MoCI, the LISDIP will be coordinated through the Industry Coordination Committee (ICC), in recognition of its crosscutting nature.

Actual implementation of the Industrial Policy will be effected through the LISDIP, which includes detailed Implementation Plans with an integrated logical framework/results matrix, specifying the activities to be performed, the expected chain of results, timeframe, key indicators, targets, estimated costs/budgets, and the management and coordination responsibilities of relevant stakeholders. The LISDIP will be executed within a five-year period, recognizing that interventions in the domestic economy must be time-bound to engender rapid industrial development in Liberia.

36. Economic Community of West African States (1993). *Treaty of ECOWAS*, p. viii.

37. Extracted from Liberia Industrial Sector Development Implementation Plan (LISDIP) 2013 – 2017

# SUPPLY-SIDE PERSPECTIVE

## LAND AND NATURAL RESOURCES

Liberia is rich in land, water and natural resources. Liberia enjoys plentiful rainfall, a long coastline and significant levels of fertile land. The considerable availability of fertile land offers an opportunity to develop the agribusiness sector for crops such as rice, cassava etc. and the country's population depends heavily on resource-rich marine and inland water sources for nutrition through crops such as rice as well as fishery products.

The total land in Liberia equals 96,320 km<sup>2</sup>, of which forests comprise 45% (43,590 km<sup>2</sup>), and agricultural land comprises 27% (26,100 km<sup>2</sup>).<sup>38</sup> Agriculture production is the largest sectoral contribution to Liberia's GDP and is a critical sector from the point of view of food security. In terms of biodiversity, Liberia's forest resources are considerable and some of the most extensive to be found in West Africa.

Liberia is also well endowed in natural resources such as iron ore, gold, timber, rubber, palm etc. It is expected that natural resource-based activities – primarily mining, timber production, and rubber production<sup>39</sup> – will be the main engines of growth for the Liberian economy in the near future. Sectors including rubber and mining have been the major beneficiaries of FDI in recent years and this trend is expected to grow.

Liberia enjoys significant marine and inland water resources. The country has an Atlantic coastline of about 579 km and a continental shelf averaging 34 km in width. Inland water resources comprising rivers, lakes, lagoons, creeks and streams draining off the Atlantic coast total

15,000 km<sup>2</sup> or about 14% of Liberia's entire land area.<sup>40</sup> More than 50%<sup>41</sup> of the Liberian population lives near the coastline, predominantly engaged in fishing activities. Fish is a major source of protein for Liberians, contributing 65% of the animal protein intake.<sup>42</sup>

## HUMAN CAPITAL

It is widely acknowledged that Liberia lacks the human competencies required to accelerate post-war reconstruction and national development. Liberia's civil war resulted in the near destruction of human capital infrastructure in the country and delayed new initiatives aimed at sustaining the country's development. For well over a decade during the war the Liberian civil service was largely unable to formulate, design and implement public policies and national development plans. Consequently, by the time the war ended the civil service had become dysfunctional and disorientated.

Apart from the civil service the war also severely affected the operation of institutions responsible for human capital formation in the country. The significant displacement of population (external and internal) that occurred as a result of the conflict amounted to three-quarters of the country's citizens. By some estimates 700,000 people fled to neighbouring countries, while more than a million were displaced internally.<sup>43</sup> Apart from the obvious drain on the human capital in Liberia, this also resulted in increasing urbanization of cities like Monrovia, while depopulating rural areas – resulting in a sharp decline in agricultural

38. FAO Statistics Division (2012). Website available at <http://faostat3.fao.org/faostat-gateway/go/to/home/E>. Accessed 26 October 2013.  
39. Republic of Liberia (2008). *Poverty Reduction Strategy*, p. 67.

40. FAO Fisheries and Aquaculture Department (2005). *Fisheries and Aquaculture Country Profile*. Available from: [www.fao.org/fishery/facp/LBR/en](http://www.fao.org/fishery/facp/LBR/en).

41. *Ibid.*

42. *Ibid.*

43. Liberia, Ministry of Planning and Economic Affairs (2011). *Socioeconomic Achievements of the Government of Liberia 2006-2011*, p. 17.

production levels.<sup>44</sup> The universities, polytechnics, training colleges, secondary and primary schools, kindergartens and crèches could not operate fully and were not maintained. They thus deteriorated, suggesting a need for rehabilitation and modernization as well as improvements in governance and financing.

Current government efforts to alleviate the human capital challenge in Liberia include a gradual increase in government expenditure on education (from US\$11 million in 2006 to US\$55 million in 2011) to free and compulsory basic primary education nationwide.<sup>45</sup>

## LABOUR PARTICIPATION

Liberia has the highest population growth rate in Africa and the fourth highest population growth rate in the world.<sup>46</sup> Although the population growth rates slowed during the years of conflict they have since rebounded. Because of

this, Liberia's population is projected to grow from 4 million in 2010 to 9.7 million by 2050.<sup>47</sup>

Liberia has high rates of labour inactivity and vulnerability.<sup>48</sup> Since 2004 the labour inactivity rate in the 25-54 age bracket has fallen for men and increased for females. The result is a near constant level of labour inactivity. Both the labour inactivity and vulnerability rates are highest for the 15-24 age group. A substantial amount of inactivity in the 15-24 year age group is explained by school attendance.<sup>49</sup> Inactivity rates for the 15-24 age group are higher than for the same age group in neighbouring Côte d'Ivoire, Guinea, and Sierra Leone, and this is also the case for the 25-54 age group. The high level of labour inactivity and vulnerability, especially for the 15-24 age bracket, reflects insufficient job creation.

44. *Ibid.*

45. African Economic Outlook (2012). *Liberia Country Report*, p. 12. Available from [www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf).

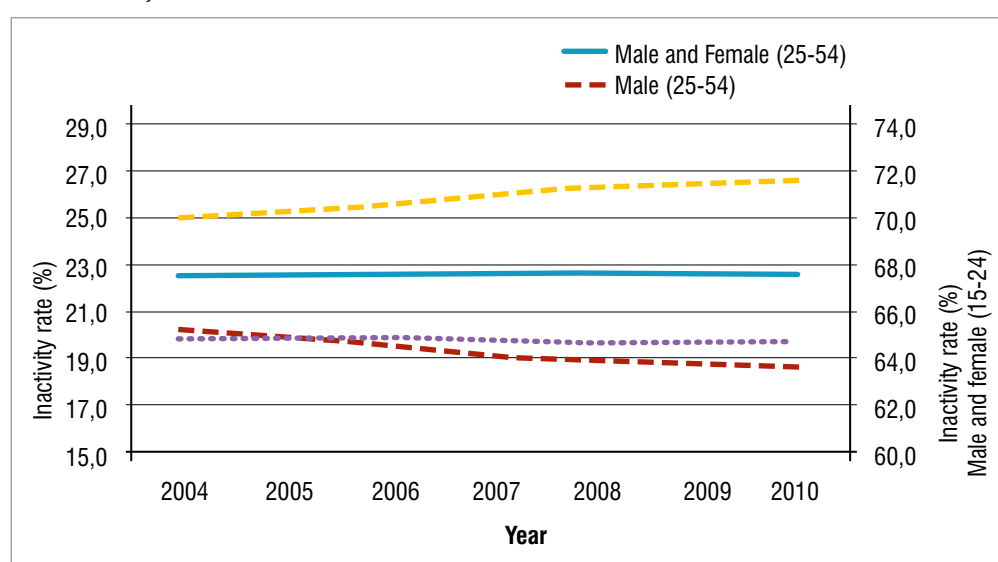
46. World Bank (2013). World Development Indicators. Available from <http://data.worldbank.org/data-catalog/world-development-indicators>. Accessed 26 October 2013.

47. United Nations Department of Economic and Social Affairs (2010). *World Population Prospects: The 2010 Revision*.

48. See Liberian Institute of Statistics and Geo-Information Services (2011). *Liberia Labour Force Survey 2010*. The *Liberia Labour Force Survey 2010* defines inactivity as the percentage of the population that is neither employed nor unemployed. The Survey also notes a variety of reasons why an individual may be inactive. These reasons include school attendance, duties at home, or sickness/disability.

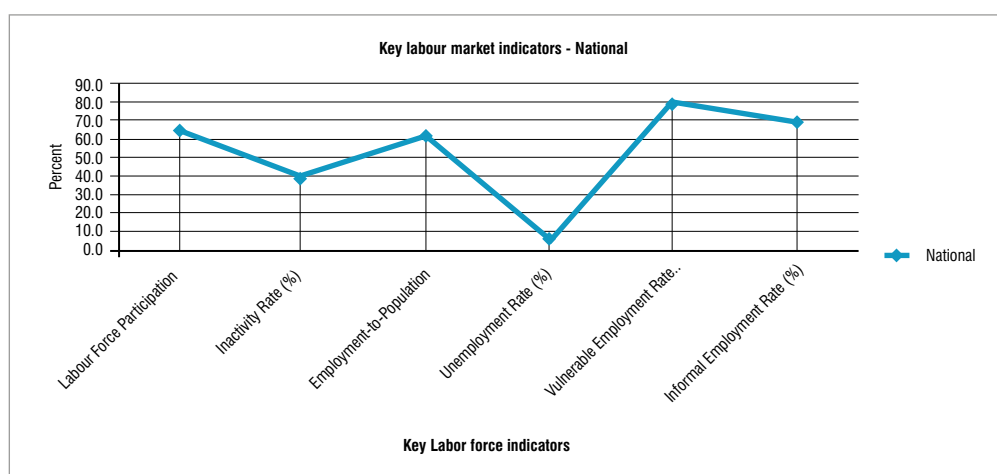
49. In the *Liberia Labour Force Survey 2010*, 72.4% of inactive urban youths between 15 and 24 cited school attendance as the reason for their inactivity. The comparable figure was 61.7% in rural areas. In both rural and urban areas, more males than females cited school attendance as the reason for their inactivity.

Figure 16: Labour inactivity rate 2004-2010



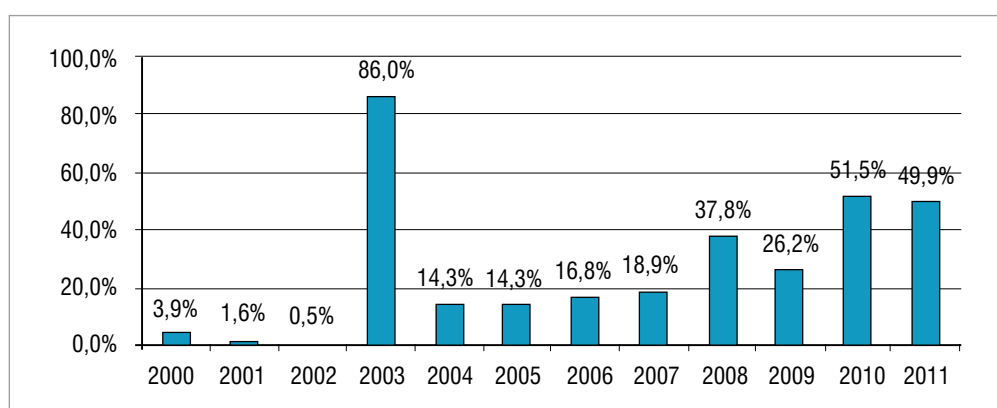
Source: International Labour Organization (2011). Key Indicators of the Labour Market. Available from <http://kilm.ilo.org/kilmnet/>. Accessed 26 October 2013.

Figure 17: Key labour indicators



**Source:** Liberian Institute of Statistics and Geo-Information Services (2011). *Liberia Labour Force Survey 2010*, p. 26.

Figure 18: FDI as a percentage of GDP 2000-2011



**Source:** World Bank (2013). World Development Indicators. Available from <http://data.worldbank.org/data-catalog/world-development-indicators>. Accessed 26 October 2013.

Figure 17 highlights key labour market indicators in Liberia. In addition to providing supplementary evidence to the labour inactivity rate and vulnerability rates discussed above, the figure also indicates the high levels of informal employment in the country.

## TRENDS IN FOREIGN DIRECT INVESTMENT (FDI) AND OFFICIAL DEVELOPMENT ASSISTANCE (ODA)

### FDI

The share of FDI in Liberia's GDP has been increasing in recent years and hovered around 50% in 2010 and 2011 (Figure 18). Driven primarily by increased investment activity in the extractive industry sectors, FDI has followed a growth trend in recent years. According to the

World Bank, FDI nearly doubled between 2005 and 2008, primarily as a result of heavy investments in the extractive and agricultural sectors, and has been concentrated in Liberia's main export industries: rubber, mining, and timber.<sup>50</sup>

As in pre-civil war days, the extractive industry is expected to comprise the majority share of FDI in Liberia going forward. Concession-related FDI rose from US\$153 million in 2010 to US\$431 million in 2011 and is further expected to increase from US\$821 million in 2012 to US\$903 million in 2013.<sup>51</sup> These figures serve as an indicator of the premium position that the extractive sector holds in Liberia's economy. As indicated in box 11, the mining sector leads the way in terms of attracting FDI, followed by the palm oil and rubber production sectors. Investment levels, especially in the mining sector, are expected to grow as companies build infrastructure related to newly signed concessions.

A recent report<sup>52</sup> notes the importance of the mining and palm oil sectors to Liberia's economy:

50. African Economic Outlook (2012). *Liberia Country Report*. Available from [www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf).

51. IMF, cited in African Economic Outlook (2012). *Liberia Country Report*. Available from [www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf).

52. Cited in Center for International Conflict Resolution: Columbia University School of International and Public Affairs (2012). *Smell-No-Taste: The Social Impact of Foreign Direct Investment in Liberia*, p. 17.

Of the large-scale concessions that have been signed in the eight years since the end of the country's civil war, those in the iron ore and palm oil sectors have been among the most significant in terms of up-front capital investment. Six iron ore concession agreements have been signed, amounting to nearly US\$13 billion dollars in projected investment value, and another four concessions have been granted to palm oil conglomerates for a projected investment value of nearly US\$3 billion dollars.

These two sectors are strategically crucial in revitalizing economic growth in Liberia; the IMF estimates that government revenue from these concessions could be as high as US\$2 billion dollars in the period up to 2020, with additional payments to follow.

An emerging trend of FDI activity in Liberia is related to the growing involvement of non-traditional partners such as India and China. This is primarily driven by the strengthening economies of these countries, in tandem with the slowdown in the EU and North America.<sup>53</sup> China has been active in financing infrastructure projects, which are implemented by Chinese companies.<sup>54</sup> Indian steel companies have been increasing their investments and operations within the iron ore sector.

53. Economist Intelligence Unit (2012). *Country Report Liberia 2nd Quarter 2012*, p. 19.

54. *Ibid.*

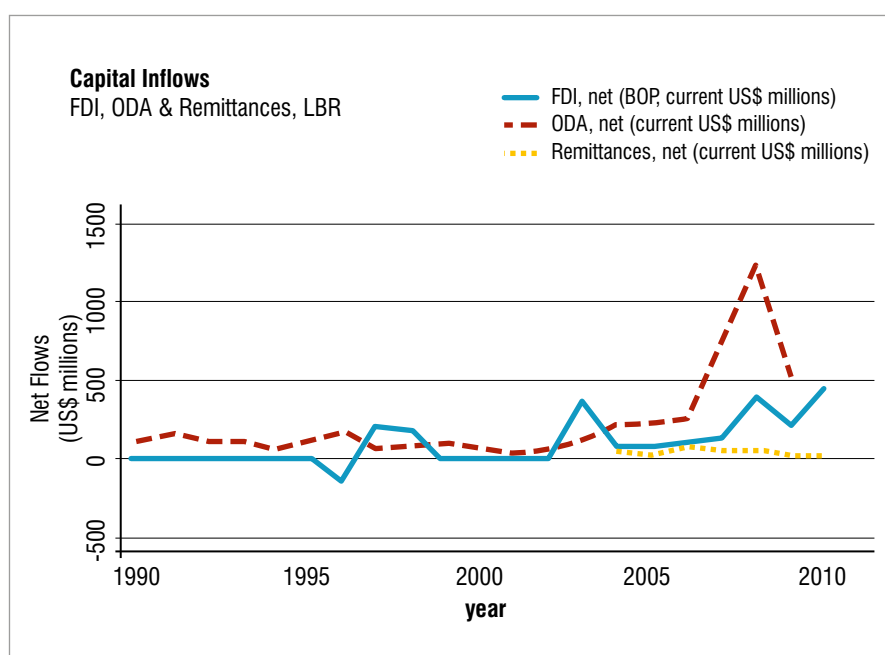
## Box 2: Selected FDI projects in Liberia with non-traditional/emerging partners.

Country	Concession type
Israel	Iron ore concession (Elinilto)
India	Iron ore interests (Sesa Goa/part of Vedanta group)
Malaysia	Palm oil (Sime Darby)
Indonesia	Palm oil (Golden Veroleum)
Brazil	Hydroelectricity plant rehabilitation (Odebrecht)
Libya	Hotel rehabilitation (Libyan African Investment Company)
Libya	Rubber processing plant (Libyan African Investment Company)
Libya	Food security project (Libya Africa Investment Portfolio)
Nigeria	Primarily banking services

**Source:** Economist Intelligence Unit (2012). *Country Report Liberia 2nd Quarter 2012*.



Figure 19: FDI, ODA and remittances



**Source:** World Bank (2013). World Development Indicators.

Available from <http://data.worldbank.org/data-catalog/world-development-indicators>.

Accessed 26 October 2013; and Organisation for Economic Co-Operation and Development, Development Assistance Committee (DAC) (2012) DAC List of ODA Recipients.

Available from <http://www.oecd.org/dac/stats/daclistofodarecipients.htm>.

## ODA

As shown in Figure 19, the inflows of ODA have far exceeded the inflows of FDI since the end of the civil unrest in 2003. The trend has been most pronounced following the institution of a democratic government in 2006. The return of peace and stability has had a more pronounced impact on ODA. Traditional bilateral donors such as the United States, European Commission (EC) and Germany typically make contributions in the form of tied aid, which is essentially aid monies that must be spent in the country making the contributions. Average annual contributions through this type of aid include US\$103 million from the United States, US\$88 million from the EC, and US\$45 million from Germany.<sup>55</sup>

55. *Ibid.*, p. 18.

In recent years non-traditional partners such as India and China have started playing an increasing role in contributing to the aid landscape in Liberia. While monetary aid contributions (such as the US\$20 million donated by China annually, on average) from emerging partners remain relatively small, these partners have made significant contributions through infrastructure development projects. For instance, projects include the rehabilitation/construction of hospitals and clinics, the rehabilitation (planned) of the Ministry of Health and Social Welfare in Monrovia and partial financing (US\$50 million) of the rehabilitation and expansion of the national university, in collaboration with the United States and the EC.<sup>56</sup>

56. *Ibid.*



Source: © oneVillage Initiative

### Box 3: Heavily Indebted Poor Countries Initiative completion point

The Government of Liberia projects total ODA (including UNMIL) at US\$ 1.03 billion in the fiscal year 2011/12, decreasing slightly to US\$923 million for the fiscal year 2012/13.\* The African Economic Outlook report notes the vulnerability of Liberia to reduction in aid inflows, which could result from austerity measures in advanced economies.\*\* This includes measures tied to UNMIL, which not only maintains security in much of the country but also contributes to revenues in the services sector.

Liberia reached the Heavily Indebted Poor Countries Initiative completion point in June 2010. Liberia qualified for debt relief of US\$ 2.7 billion, of which US\$240.2 million is from the African Development Bank. Liberia also qualifies for additional debt relief under the Multilateral Debt Relief Initiative. The African Development Fund would provide US\$ 13.23 million in nominal terms. The Heavily Indebted Poor Countries Initiative and Multilateral Debt Relief Initiative will bring the net present value of debt-to-exports in FY 2010/11 from 266% to 22.9%, well below the policy-related threshold, and the risk of future debt distress is deemed low. Sensitivity analysis indicates some vulnerability to FDI flows, lower GDP growth, and lower concessionality on new borrowing. The government's post-completion point debt strategy aims to maintain low debt vulnerabilities while providing for critical infrastructure financing needs.

The Government of Liberia has also signed a Letter of Intent with the IMF and obtained IMF Board approval for a Staff Monitored Programme – the first IMF programme in Liberia for more than 20 years – as a first step towards dealing with the country's future debt strategy.\*\*\*

\* African Economic Outlook (2012). *Liberia Country Report*.

Available from: [www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf).

\*\* *Ibid.*, p. 5.

\*\*\* Government of Liberia (2012). *Economic Revitalization*.

Available from <http://www.emansion.gov.lr/2content.php?sub=57andrelated=25andthird=57andpg=sp>.

# INFRASTRUCTURE AND BUSINESS ENVIRONMENT PERSPECTIVE

## THE MICRO, SMALL AND MEDIUM ENTERPRISE SECTOR (MSME)

The domestic private sector in Liberia is small and fragile. Roughly 80% of Liberian employment is in the informal sector, and over half of those who work in the formal sector are public sector employees, leaving only about 50,000 people employed in formal enterprises. These private companies are very few in number and even smaller in size. The Ministry of Commerce and Industry registry lists 7,062 enterprises (including non-governmental organizations (NGOs)) that registered for the first time or undertook annual 're-registration' in 2009, the last full year for which data are available. Of these, 2,174 were corporations, 237 were partnerships and 4,594 were sole proprietorships.<sup>57</sup>

## ASSESSMENT OF THE CURRENT BUSINESS ENVIRONMENT

The World Bank 2014 Doing Business Rankings indicate that Liberia has improved its performance in crucial areas for the MSME sector such as "starting a business" procedures and "dealing with construction permits". It is particularly highlighted Liberia's effort to simplify preregistration

and registration formalities (publication, notarization, inspection and other requirements). The reduction of days to reserve a company name and register a business by implementing online is an important mechanism to facilitate the process to start a business. Additionally, Liberia also made starting business easier by eliminating the business trade license fees. Furthermore, Liberia made transferring property an easier procedure by digitizing the records at the land registry<sup>58</sup>.

Moreover, Liberia has implemented about 13 reforms towards making it easier to do business since 2005. The main areas where these have been enforced are "starting a business" (3), "trading across borders" (3) "getting credit" (2) and "dealing with construction permits" (2)<sup>59</sup>. Most reforms related to business-related topics have been implemented as components of broader reform programs in the country. Among others, Liberia's efforts towards strengthening its legal institutions for secured transactions while improving credit information sharing are remarked.

The current rankings place Liberia in the bottommost quadrant, with a rank of 144 (out of 189 economies). This signifies a positive change (5 positions) in the overall rank. Liberia's highest rank is in the domain of "Starting a business", while the highest improvement in the ranking has been in the domain of "Getting credit" where Liberia advanced 19 positions.

57. Liberia, Ministry of Commerce and Industry (2011). *Poverty Alleviation and Wealth Creation through Small Enterprise Development. Rationale, Policy, and Implementation Framework for MSME Development in Liberia: 2011-2016*, p. 7.

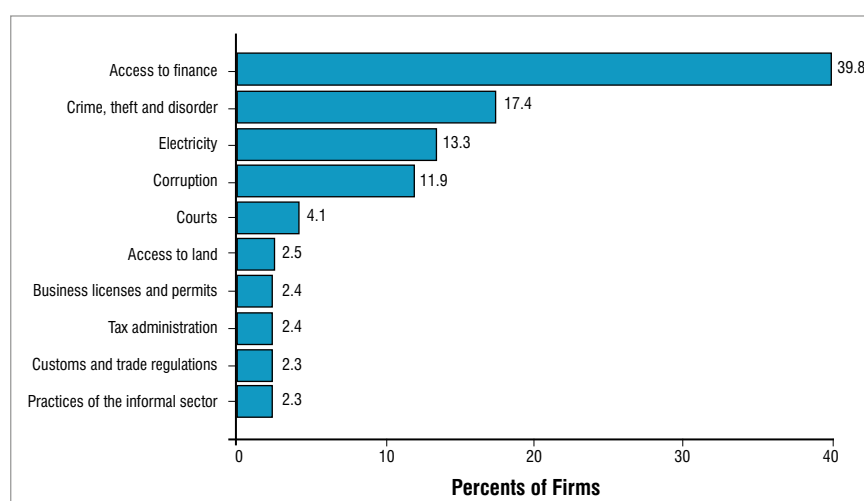
58. Doing Business (2014) Doing Business 2014. Understanding Regulations for Small and Medium-Size Enterprises

59. Doing Business (2014) Doing Business in the G+7 2013. Smarter regulations for Small and Medium-Size Enterprises

Figure 20: *Doing Business 2014 data*

Topics	DB 2014 Rank	DB 2013 Rank	Change in Rank
Overall rank	144	149	+5
Starting a Business	31	37	+6
Dealing with Construction Permits	129	129	No change
Getting Electricity	142	144	+2
Registering Property	181	180	-1
Getting Credit	86	105	+19
Protecting Investors	147	147	No change
Paying Taxes	42	44	+2
Trading Across Borders	142	143	+1
Enforcing Contracts	165	166	+1
Resolving Insolvency	161	159	-2

Source: Doing Business (2014).

Figure 21: *Enterprise survey: main business constraints*

Source: World Bank (2009). Enterprise Surveys: Liberia Country Profile 2009.

The domains where Liberia has the lowest ranks are “Registering property”, “Enforcing contracts” and “Resolving insolvency”. In regards to “Registering property”, Liberia presents a higher number of procedures legally required to register property than the Sub-Saharan countries in average. Although the implementation of computerized procedures to register property easily in the country was highlighted as an effort to reduce the time to transfer property. Moreover, in terms of “Enforcing contracts”, Liberia shows the double of time (1,280 days) to resolve a dispute than in the Sub-Saharan region in average (652 days). In regards to “Resolving Insolvency” the “average cost of bankruptcy proceedings” as a percentage of the estate’s value is almost twice (43%) as high than the average in other Sub-Saharan countries

(23%). Moreover, resolving insolvency takes 3 years on average with an average recovery rate of 8.5 cents of dollar.<sup>60</sup> Liberia has the lowest rank in comparison to other Sub-Saharan countries in this domain.

A World Bank Enterprise survey conducted in 2009 with business managers of 150 Liberian manufacturing enterprises –small, medium and large– discovered obstacles that such enterprises face while operating in Liberia’s business environment. As indicated in Figure 21, access to finance and security concerns (crime, theft and disorder), supply of reliable electricity and corruption top the list as the main constraints.

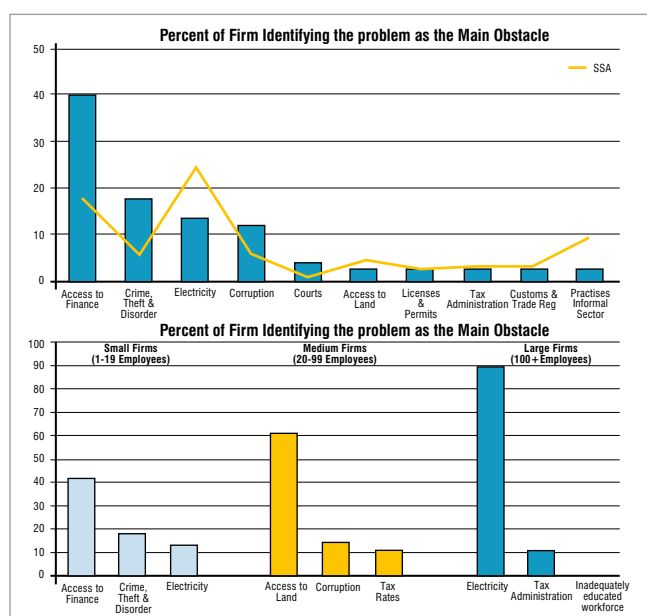
60. Doing Business (2014) Economy Profile: Liberia

The top constraints vary by company size. Small firms with 1-19 employees reported 'access to finance', 'crime, theft and disorder' and 'electricity [supply]' as the main constraints, while the main constraints for medium sized firms with 20-99 employees were 'access to land', 'corruption'

and 'tax rates'. Large firms, with 100+ employees, identified 'electricity supply', 'tax administration' and 'inadequately trained workforce' as the main challenges.<sup>61</sup>

61. World Bank (2009). *Enterprise Surveys: Liberia Country Profile 2009*.

Figure 22: Enterprise survey: breakdown of perception of main business constraints by enterprise size



Source: World Bank (2009). *Enterprise Surveys: Liberia Country Profile 2009*.

#### Box 4: Liberia and perception of corruption

Transparency International ranked Liberia 91st out of 183 countries in its 2012 Global Corruption Index rankings.\* Global Corruption Barometer measures the general perception of corruption in a country based on interviews with 100,000 people across 100 countries. The latest Global Corruption Barometer\*\* reveals the following perceptions as dominating the public mindset regarding corruption in Liberia:

- 89% reported paying a bribe in 2010;
- 66% of the participants perceived the government's efforts to fight corruption as ineffective;
- 49% of the participants felt that the government's anti-corruption efforts increased between 2007 and 2010, while 25% felt that the efforts stayed the same, and 26% felt that the efforts have decreased;

Participants perceived the following institutions to be the most corrupt (in order of decreasing perception of corruption) – police, judiciary, education, public officials and civil servants, and the parliament and legislature.\*\*\*

The enterprise survey also discovered that Liberia scores quite high on incidences of graft. More than 50% of business managers reported expectations of 'gift giving' in meetings with government and tax officials.° The bribery depth, or percentage of public transactions in which a gift or informal payment was actually requested, was calculated to be 53%.°° Of all firms, 70% reported being faced with at least one bribe payment request. For each of the abovementioned indicators, the performance of Liberia was poorer when compared to the 'Sub-Saharan Africa' and the 'World' subgroups. Corruption was also cited as the fourth biggest business constraint faced by enterprises.°°° Based on this information, it appears that the governance and accountability mechanisms in Liberia are weak and, at the very least, appear suspect to the general public.

\* Transparency International (2012). *Corruption by Country / Territory – Liberia*. Available from [www.transparency.org/country#LBR\\_DataResearch](http://www.transparency.org/country#LBR_DataResearch).

\*\* Transparency International (2012). *Global Corruption Barometer 2010/11 – Public Opinion*. Available from [www.transparency.org/country#LBR\\_PublicOpinion](http://www.transparency.org/country#LBR_PublicOpinion).

\*\*\* Last two were tied.

° World Bank (2009). *Enterprise Surveys: Liberia*. Available from [www.enterprisesurveys.org/Data/ExploreEconomies/2009/liberia/](http://www.enterprisesurveys.org/Data/ExploreEconomies/2009/liberia/).

°° Ibid. °°° Ibid.



## TRADE FACILITATION AND LOGISTICS

Infrastructure growth is closely intertwined with economic growth, even in the case of fragile post-conflict economies such as Rwanda, Sierra Leone, and Côte d'Ivoire.<sup>62</sup> In Liberia's case the pace of infrastructure growth has been gradual since the end of the conflict and is primarily led by two main actors –the Government of Liberia and multinational companies operating in Liberia through national mining, forestry and agricultural concessions.

The multinationals are mainly self-sufficient and have built their own port, rail and energy infrastructure, and also operate significant portions of the rural road network.<sup>63</sup> However, this network is not directly accessible for use by Liberian exporting enterprises given that it primarily links the concession sites directly with ports, airports and areas that serve as feeder locations.

The government has taken important steps to develop the transport and logistics infrastructure in post-conflict Liberia but, as discussed in detail throughout this document, much still needs to be done as this sector is critical to the efficacy of the export value chain. Given the high level of rural agricultural activity in Liberia, investments in the transport sector are critical to the success of MSMEs in the country. Investments in this sector will consequently help in diversifying activity to non-extractive sectors as well. Under the auspices of Liberia's first Poverty Reduction Strategy almost US\$ 77 million was invested by Liberia in the transport sector, and the level of investment is expected to ramp up to US\$ 467 million under the second Poverty Reduction Strategy.<sup>64</sup>

The government has been gradually ramping up infrastructure improvement efforts in the road, port and railway sectors, albeit the momentum is slow. The challenge on the government's end is mainly of finding funding –and this has been alleviated to some extent by the resurgence of donor activity as well as some creative mechanisms involving multinational-led infrastructure improvement efforts, with third party access built into the concession agreements so as to benefit other economic sectors.

62. For more details see Foster, V. and Pushak, N. (2010). *Liberia's Infrastructure: a Continental Perspective*. Africa Infrastructure Country Diagnostic (AICD) Country Report. Washington, DC: World Bank.

63. *Ibid.*

64. Foster, V. (2011). *Prioritizing Investments for Economic Diversification*. Republic of Liberia Infrastructure Policy Notes. Washington DC: World Bank.

## ROAD INFRASTRUCTURE

Liberia has a total area of 111,370 km<sup>2</sup> with a road system with a total length of 10,600 km (2009 figures).<sup>65</sup> The paving ratio is quite low by all accounts. According to an Africa Infrastructure Country Diagnostic report, the paving ratio as a percentage of the primary road network that is paved is 39.4%,<sup>66</sup> while the World Food Programme puts the figure at 6%, translating to a total paved network of 657 km in the country.<sup>67</sup> The primary challenges of the Liberian road network include insufficient paved and all-weather roads, restrictions on/lack of sufficient bridges for water crossings, and funding shortfall at the government end for rehabilitation and in-network maintenance spending, despite Liberia spending a relatively high 1.4%<sup>68</sup> of its gross domestic product on roads annually.

Traffic levels in Liberia are potentially artificially depressed due to the post-conflict situation. On average,<sup>69</sup> the paved road traffic is 573 vehicles a day compared to 1,408 vehicles a day for resource-rich countries and 1,287 vehicles a day for low income countries. This trend holds for unpaved roads also. Unpaved road traffic in Liberia is 17 vehicles a day compared to 54 vehicles a day for resource-rich countries and 38.5 vehicles a day for low income countries.

To service the needs of exporting enterprises, it is estimated that Liberia requires 800 km of roads to meet regional connectivity standards (linking the capital to international frontiers); 1,500 km to meet national connectivity standards (linking provincial capitals to the regional network); and a further 5,700 km to meet rural connectivity standards (linking land responsible for 80% of agricultural production value to the national network).<sup>70</sup>

65. World Food Programme (2009). *Logistics Capacity Assessment - Liberia*.

66. Foster, V. and Pushak, N. (2010). *Liberia's Infrastructure: a Continental Perspective*. Africa Infrastructure Country Diagnostic (AICD) Country Report. Washington, DC: World Bank.

67. World Food Programme. (2009). *Logistics Capacity Assessment - Liberia*.

68. Foster, V. and Pushak, N. (2010). *Liberia's Infrastructure: a Continental Perspective*. Africa Infrastructure Country Diagnostic (AICD) Country Report. Washington, DC: World Bank.

69. Cited in Foster, V. and Pushak, N. (2010). *Liberia's Infrastructure: a Continental Perspective*. Africa Infrastructure Country Diagnostic (AICD) Country Report. Washington, DC: World Bank.

70. Foster, V. and Pushak, N. (2010). *Liberia's Infrastructure: a Continental Perspective*. Africa Infrastructure Country Diagnostic (AICD) Country Report. Washington, DC: World Bank.

### Box 5: Current and potential roads/bridges concession network

Although defined by the need to provide road access to forestry and agriculture concessions, once rehabilitated the current and potential concession networks would, in addition, go a significant way towards improving accessibility to Liberia's smallholder agricultural land. It is estimated that the current concession network would provide access to about 25% of smallholder agricultural land, while the potential concession network would raise that to 37%. These concession networks thus have the dual purpose of providing access to concession sites and opening up accessibility to smallholder agriculture. In order to provide 100% accessibility to smallholder agricultural land, however, a full 8,300 km of roads are needed. These 8,300 km constitute Liberia's eventual agricultural network.

Table 4 below also identifies the number of small bridges that are to be found on each of the corridors for each network. Small bridges are defined as those where a feeder road crosses a secondary water course. Liberia has a great many of these bridges due to the abundance of its water resources. Many of these bridges are in a state of disrepair and represent critical discontinuities in the rural network as well as safety hazards. It is reported that vehicles are often obliged to stop at these bridges in order to evaluate the state of the bridge and attempt to improvise repair measures.

Table 4: *Liberian road and bridge network*

	Length of road (kms)			Number of small bridges		
	Current Concession Network	Potential Concession Network	Agricultural Network	Current Concession Network	Potential Concession Network	Agricultural Network
Monrovia to Foya	706	865	1,440	50	62	140
Monrovia to Lofa	349	458	1,574	24	38	114
Buchanan to Nimba	665	831	2,754	28	44	196
Greenville to Zwedru	376	685	1,491	14	24	62
Harper to hinterland	26	416	1,103	-	30	88
<b>Total network</b>	<b>2,123</b>	<b>3,254</b>	<b>8,362</b>	<b>116</b>	<b>198</b>	<b>600</b>

**Source:** Text and image extracted from: Foster, V. (2011). Prioritizing Investments for Economic Diversification. Republic of Liberia Infrastructure Policy Notes, pp. 11-12. Washington DC: World Bank.

## PORT INFRASTRUCTURE

Liberia enjoys significant comparative advantage through its presence on Africa's western seaboard, allowing access to markets in the United States of America, the European Union (EU) and Latin America. Consequently, the port infrastructure is quite important for the country from an exports point of view. Marine transport is predominantly relied upon through three mediums: for fishing and transporting the fish to shore; for export of general merchandise outside of the port; and for transport along the coast from coastland counties to ports and harbours. The ports infrastructure in Liberia was seriously affected during the conflict and the state of neglect that followed in the immediate aftermath of the conflict.

The Port of Monrovia (Freeport) is the main port in Liberia. Other, smaller ports with potential for development include the Port of Buchanan, Port of Greenville and Port of Harper. In recent years the government has taken considerable reforms to improve the infrastructure that have brought Freeport's performance on par<sup>71</sup> with neighbouring West African ports. In terms of capacity, there is significant room for improvement – Freeport can currently handle 50,000 containers per year, and an annual general cargo handling capacity of 700,000 tons per year. This is quite low when compared to corresponding annual figures at regional ports including Tema in Ghana (420,000 containers/8,500,000 tons), Cotonou in Benin (158,201 containers/2,500,000 tons), and Apapa in Nigeria (336,308 containers/5,000,000 tons).<sup>72</sup>

71. *Ibid.*

72. *Ibid.*

Infrastructure reforms include a concession to developing container and multipurpose facilities.<sup>73</sup> Regulatory reforms include restructuring of the National Ports Authority and governance reforms to improve the customs process and the financial control and management in the port. In 2010 the Port of Monrovia was granted International Ship and Port Facility Security certification, which is a post 9/11 certification for a port's security processes. The United Nations Mission in Liberia (UNMIL) still maintains an important role in providing port security.

The port infrastructure is one to which the multinational firms operating in the country have a vested interest in contributing. As examples, the Cavalla Rubber Corporation and Arcelor Mittal have plans to rehabilitate and make investments in the ports of Harper and Buchanan respectively.<sup>74</sup>

## RAILWAY INFRASTRUCTURE

The World Food Programme noted in a 2009 assessment that the rail network in Liberia is limited and was more or less not in operation between 1988 and 2008.<sup>75</sup> As of 2009 the railroad network comprised of 480 km of track and was mainly operated by the country's mining companies.<sup>76</sup> There are two primary track systems in place, with two lines from Monrovia (port) and one from Buchanan (also a port city). The government of Liberia retains the ownership of the railroad infrastructure but may grant rights to develop, use, operate and maintain the same to concessionaires.<sup>77</sup> The direction of the government is to enable rehabilitation of three railway lines that are currently defunct through iron ore concession arrangements that include third party access.<sup>78</sup> This ensures that when the railway lines are rehabilitated sectors such as agriculture will also be able to access the network and benefit.

## AIRPORT INFRASTRUCTURE

Liberia's main international airport is Roberts International Airport, located approximately 56 km<sup>79</sup> from Monrovia. The airport operates limited flights to Freetown (Sierra Leone), Conakry (Guinea), Abidjan (Côte d'Ivoire), and Accra (Ghana).<sup>80</sup> The airport has been managed by

73. *Ibid.*

74. *Ibid.*

75. World Food Programme (2009). *Logistics Capacity Assessment-Liberia*.

76. *Ibid.*

77. *Ibid.*

78. Foster, V. and Pushak, N. (2010). *Liberia's Infrastructure: a Continental Perspective*. Africa Infrastructure Country Diagnostic (AICD) Country Report. Washington, DC: World Bank.

79. World Food Programme (2009). *Logistics Capacity Assessment - Liberia*.

80. *Ibid.*



Source: © oneVillage Initiative

Lockheed Martin Global Services since late 2009.<sup>81</sup> There is limited information available in terms of the cargo traffic flown in and out of Liberia annually.

## INFORMATION AND COMMUNICATION TECHNOLOGIES

Liberia's fixed line telephone system has not recovered from the large scale damage done during the civil war. The mobile telephony sector by comparison is much more dynamic and competitive, with four mobile operators. Between 2003 and 2009, the country's mobile footprint grew from 18% to 32%.<sup>82</sup> Prices have fallen with increases in competition between providers and the increase in mobile penetration rates.

Internet connectivity is weak in Liberia, driven largely by a lack of connectivity to the SAT3 submarine cable running along the West African coast, or to the backbone networks of neighbouring countries.<sup>83</sup> The dependency on small VSAT systems has led to low speeds and high costs. This is expected to change in the future when efforts to connect Monrovia to a submarine cable are complete.

81. *Ibid.*

82. Foster, V. and Pushak, N. 2010. *Liberia's Infrastructure: a Continental Perspective*, p. 22. Africa Infrastructure Country Diagnostic (AICD) Country Report. Washington, DC: World Bank.

83. *Ibid.*, p. 23.

## RELEVANT DEVELOPMENT ACTIVITY RELATED TO THE FUNCTION

Project name	Description	Primary financier	Status
<b>Rural Infrastructure to Strengthen Enterprises Programme</b>	This project will support the Food and Enterprise Development Program by funding construction of specific infrastructure (feeder roads, training facilities and storage units) identified as missing in the value chain approach of the Food and Enterprise Development Program. It will be closely coordinated with the Food and Enterprise Development Program.	United States Agency for International Development (USAID)	Implementation to be determined. Currently in procurement stage
<b>Liberian Agricultural Sector Rehabilitation Project</b>	This project aims at: <ul style="list-style-type: none"> <li>• Rehabilitation of water management infrastructure covering an estimated 1,620 ha for swamp rice cultivation in Grand Kru, Grand Gedeh, River Gee and Maryland counties;</li> <li>• Conducting detailed technical studies in preparation for future investments in irrigated rice farming (7,000 ha);</li> <li>• Rehabilitation of 100 km of feeder roads; and</li> <li>• Development of community infrastructure such as storage and agro-processing facilities, including 2,400 square metres of multifunctional post-harvest/marketing facilities and 40 mechanized well sanitation facilities.</li> </ul>	African Development Bank, International Fund for Agricultural Development (fund); in partnership with the International Labour Organization, MoPW, the Ministry of Agriculture (MoA) (implementation)	Currently active
<b>German Agency for International Development (GIZ) Phase II of Transport and Infrastructure Project</b>	In its second phase the project will aim to support the implementation of the National Transport Policy; support the implementation of road maintenance by MoPW; and increase the capacity of local construction contractors in partnership with the Liberian Chamber of Commerce.	The German Government (fund); GIZ (implementer), in partnership with MoPW, Ministry of Transport (MoT), Liberian Chamber of Commerce and InWEnt	In preparation
<b>Labour Based Public Works Project</b>	This project aims to improve capacities for infrastructure maintenance and local development. The activities of the project are threefold: <ul style="list-style-type: none"> <li>• To rehabilitate certain road and social infrastructure in the underserved regions of Maryland and River Gee;</li> <li>• To build capacity inside MoPW and the local contractors' community to undertake infrastructure maintenance; and</li> <li>• To staff a capable Special Implementation Unit under MoPW to manage projects.</li> </ul>	African Development Bank (95%), Government of Liberia (5%) (fund); PIU inside MoPW, International Labour Organization, Liberia Agency for Community Empowerment (implementation)	Currently active
<b>International Finance Corporation (IFC) West Africa Venture Fund project</b>	This IFC-supported fund is seeking to channel investments (equity and debt) and human capital into the SME sector, with approximately 12–16 investments per year at US\$100,000–US\$500,000 per investment. Each investment is evaluated in a way that seeks to maximize the social and environmental contributions to the country as well as to grow the capacity of the sector overall. Interested in all sectors except oil palm, mining and logging. Currently identifying opportunities in: real estate, commodities export, food production, information and communications technology, transport and construction.	IFC (fund); West African Venture Fund LLC, Liberia (implementation)	Currently active

Project name	Description	Primary financier	Status
<b>Liberia Road Asset Management Project (LIBRAMP)</b>	<p>The objective of LIBRAMP is to support the recipient's efforts to reduce transport costs along the road corridor from Monrovia to the Guinea border and to maintain the road in good condition over a ten year period.</p> <p>There are two components to the project. The first component is design, rehabilitation and maintenance of the Monrovia (Red Light) – Ganta/Guinea border road. This component will finance a ten year Output and Performance-Based Roads Contracts contract for two road lots: Monrovia (Red Light) – Gbarnga (approximately 180 km) and Gbarnga/Ganta to the Guinea border (approximately 69 km).</p> <p>The second component is consultant services, operating costs and training: this component will finance a consultancy services firm to perform as monitoring consultants for the Output and Performance-Based Roads Contracts, and it will also finance the needed technical assistance for preparatory road feasibility studies and the development of sector institutions through hiring of skilled staff and firms, and staff training programmes including operating costs.*</p>	International Development Agency and Liberia Reconstruction Trust Fund	Currently active
<b>Liberia Agricultural Strategic Investment Programme</b>	<ul style="list-style-type: none"> <li>Links Liberian farmers and SMEs to input and output markets by roads and access to rural finance. These activities will lead a step-by-step approach to farming as a business.</li> <li>Facilitates service delivery (for farmers) by efficient and diverse extension services provided by MoA, non-governmental organizations (NGOs), the private sector and others, with a focus on transfer of improved production, value addition and marketing technologies.</li> <li>Provides a framework for moving smallholders from upland cropping systems to the lowlands for improvement in crop productivity and creating investment opportunities in agriculture for medium- to large-scale private sector investors.</li> </ul>	MoA	Currently active
<b>Urban and Rural Infrastructure Rehabilitation Project (Additional Financing)</b>	<p>The objective of the Additional Financing for the Urban and Rural Infrastructure Rehabilitation Project for Liberia is to support the government's goal of improving road access in Monrovia and in targeted rural areas, as well as improving institutional structures for technical management of the road sector. The additional grant will help finance the costs associated with scale up activities to expand rehabilitation of critical infrastructure along the entire Monrovia–Buchanan corridor.**</p>	International Development Association and Liberia Reconstruction Trust Fund	Currently active
<b>Agriculture and Infrastructure Development Project</b>	<p>The goal of the Agriculture and Infrastructure Development project is to support the Government of Liberia's efforts in re-establishing basic infrastructure and reviving agricultural activities.</p> <p>The project will support the government with a management contract for operation of the Port of Monrovia and complementary advisory services to undertake a reform of the port sector. It will also fund technical assistance to other entities of the government responsible for transport and infrastructure. The project will fund the reconstruction of the oil jetty in the Port of Monrovia, the rehabilitation and construction of several major bridges on principal road corridors – including the collapsed Vai City Bridge in Monrovia – and on a number of smaller river crossings nationwide.***</p>	World Bank	Currently active

\* World Bank (2013). Liberia Road Asset Management Project – LIBRAMP. Available from [www.worldbank.org/projects/P125574/liberia-road-asset-management-project-libramp?lang=en](http://www.worldbank.org/projects/P125574/liberia-road-asset-management-project-libramp?lang=en).

\*\* World Bank (2013). LR-Urban and Rural Infrastructure Rehabilitation Project. Available from [www.worldbank.org/projects/P113099/lr-urban-rural-infrastructure-rehabilitation-project?lang=en](http://www.worldbank.org/projects/P113099/lr-urban-rural-infrastructure-rehabilitation-project?lang=en).

\*\*\* World Bank (2007). Liberia: Agriculture and Infrastructure Development Project, 31 July. Available from <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,contentMDK:21426870~menuPK:64282137~pagePK:41367~piPK:279616~theSitePK:40941,00.html>.



## Box 6: Logistics Performance Index

The Logistics Performance Index is a weighted average score of a country's performance along six indicators (dimensions) related to logistics, and is intended to benchmark the country's performance in the trade logistics area. The six dimensions are as follows:<sup>84</sup>

- **Efficiency of the clearance process** (i.e., speed, simplicity and predictability of formalities) by border control agencies including customs;
- **Quality of trade- and transport-related infrastructure** (e.g., ports, railroads, roads, information technology);
- **Ease of arranging competitively priced shipments**;
- **Competence and quality** of logistics services (e.g., transport operators, customs brokers);
- **Ability to track and trace** consignments;
- **Timeliness of shipments** in reaching destination within the scheduled or expected delivery time.

In the 2012 Logistics Performance Index rankings, Liberia was ranked 199<sup>th</sup> globally with an overall score of 2.45 (out of 5). As Table 5 indicates, the scores in individual dimensions are approximately the same as the sub-Saharan Africa regional average.

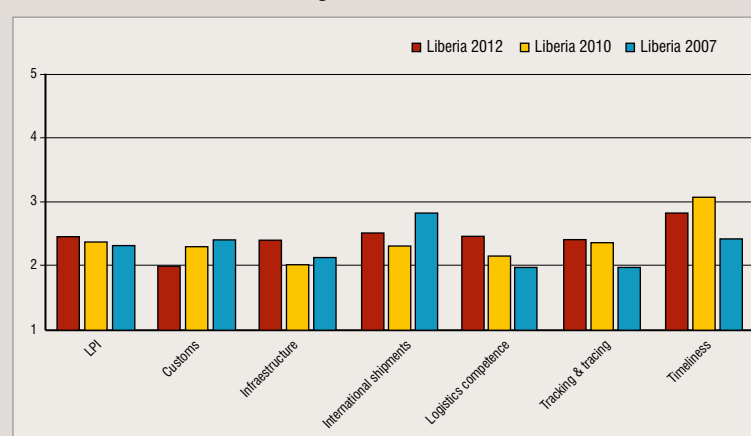
Table 5: Liberia Logistics Performance Index ranking 2012

Country	Year	LPI Rank	LPI Score ▼	Customs ?	Infrastructure ?	International shipments ?	Logistics competence ?	Training & tracing ?	Timeliness ?
Region: Sub-Saharan Africa	2012		2.46	2.27	2.29	2.47	2.43	2.41	2.85
Liberia	2012	119	2.45	2.00	2.41	2.54	2.46	2.42	2.84

**Source:** World Bank (2012). *Logistics Performance Index Country Scorecard: Liberia 2012*. Available from <http://lpi.survey.worldbank.org/international/scorecard/radar/254/C/LBR/2012#chartarea>.

Liberia has exhibited improvements in the infrastructure development, logistics competence, and tracking and tracing dimensions since 2007. Arranging competitively priced shipments, customs clearance processes and managing shipment delivery timelines have become more difficult. The overall LPI rankings improved over the same time period.

Figure 23: Liberian Logistics Performance Index rankings 2007-2012



**Source:** World Bank (2012). *Logistics Performance Index Country Scorecard: Liberia 2012*. Available from <http://lpi.survey.worldbank.org/international/scorecard/radar/254/C/LBR/2012#chartarea>.

84. World Bank (2012). *Logistics Performance Index Country Scorecard: Liberia 2012*. Available from <http://lpi.survey.worldbank.org/international/scorecard/radar/254/C/LBR/2012#chartarea>.

## ASSESSMENT OF THE INSTITUTIONAL SUPPORT FRAMEWORK

The overall trade support network (TSN) of Liberia is considered for the NES as the aggregate institutional framework in the country, bringing together those trade support institutions (TSIs) that have an interest in, or a bearing on, export development and competitiveness. Broadly, the TSN comprises the following support areas:

- Policy support network
- Trade services network
- Business services network

*Note: Due to difficulties with data collection in Liberia, the following list is a partial enumeration of different organizations and entities that comprise the country's TSN.*

### POLICY SUPPORT NETWORK

These institutions represent ministries and competent authorities responsible for influencing or implementing policies at the national level. The members comprising this group are primarily national governmental institutions that provide support by devising and implementing export strategy. They ensure that the necessary foundations are in place within the developing country to oversee and allow effective delivery of the development solutions. They are also responsible for the development and growth of key sectors.



Source: © JBDODANE

### Box 7: Liberia's policy support network

Policy support network	
Name	Function/role
<b>Ministry of Commerce and Industry (MoCI)</b>	Leads national efforts on private sector/trade development. Formulates policies in pursuance of the government's economic transformation agenda, focusing attention on priority sectors, overall MSME development, industrial development, and coordination with other ministries that have a significant role in economic development such as the Ministries of Finance, Planning, Public Works, Agriculture, Youth and Sports, Gender, and Labour, and other agencies such as the National Investment Council and the Liberia Land Commission.
<b>Ministry of Agriculture (MoA)</b>	Develops policies in the sector aimed at helping sector stakeholders develop self-sufficiency in food production, increase the country's ability to earn and generate foreign exchange, and increase farmers' incomes and purchasing power.

**Box 8: Liberia's trade services network**

Trade services network	
Name	Function/role
National Bureau of Employment	<ul style="list-style-type: none"> <li>Provides short-term employment for individuals pursuing specialized trades in vocational schools and universities.</li> </ul>
Bureau of Customs and Excise	<ul style="list-style-type: none"> <li>Offers efficient services through a streamlined documentation process for clearing and forwarding goods into and out of the country.</li> </ul>
Liberia Industrial Property Office	<ul style="list-style-type: none"> <li>Registers trademarks or service marks.</li> <li>Grants patent rights to inventors.</li> </ul>
Omega Insurance Company	<ul style="list-style-type: none"> <li>Issues insurance policies for individuals and enterprises.</li> </ul>
Enigma Shipping Company	<ul style="list-style-type: none"> <li>Shipping services.</li> <li>Stevedoring.</li> <li>Clearing/forwarding services</li> </ul>
Secure Risk Insurance Company	<ul style="list-style-type: none"> <li>Provides services to clients in both accident and shipping insurance.</li> </ul>
International Insurance Company, Ltd	<ul style="list-style-type: none"> <li>Provides insurance and risk management services.</li> </ul>
African Insurance Corporation of Liberia	<ul style="list-style-type: none"> <li>General insurance services.</li> </ul>
Maersk Liberia, Ltd	<ul style="list-style-type: none"> <li>Shipping services.</li> </ul>
Forwarders International	<ul style="list-style-type: none"> <li>Ensures effective and efficient clearing of goods from the port for the Liberian market.</li> </ul>
Liberia Shipping Center	<ul style="list-style-type: none"> <li>Ship goods for MSMEs.</li> </ul>
SGS	<ul style="list-style-type: none"> <li>Testing and verification services.</li> </ul>
The Marketplace Business Development Service	<ul style="list-style-type: none"> <li>Provides onsite business incubation service to MSMEs.</li> <li>Provides access to finance and skills training.</li> </ul>
Liberia Entrepreneurial and Economic Development	<ul style="list-style-type: none"> <li>Economically empower women and youth through business development activities to reduce poverty.</li> </ul>

**TRADE SERVICES NETWORK**

These institutions or agencies provide a wide range of trade-related services to both government and enterprises. These institutions support and promote sectors and are concerned with the actual delivery of trade and export solutions within a developing country. They are also responsible for assessing trade information, trade finance, and quality management services.

Examples of such public or private institutions are: trade promotion organizations, chambers of commerce, trade associations, sector associations, national standards organizations, vocational training centres, microfinance institutions and other sources of enterprise financing, development banks, export/ import banks and other relevant agencies.

### Box 9: Liberia's business support network

Business support network	
Name	Function/role
Fulah Business Association	To unite all Fulah speaking people of Liberia and provide business guidance.
United Workers Union of Liberia	Increase collaboration and coordination between members.
Liberia Concern Women Development Association	Provides opportunities for income generation to women and youth so as to facilitate economic empowerment.
National Customs Brokers Union	Serves as liaison between the government of Liberia and the customs clearing and forwarding companies.
General Agricultural and Allied Workers Union of Liberia	Provides trade union advocacy aimed at engaging all agricultural companies and workers in Liberia.
BAPTAWUL: Bank Professionals	Carries out advocacy of professions working in Liberian financial institutions.

## BUSINESS SERVICES NETWORK

These are associations, or major representatives, of commercial services providers used by exporters to effect international trade transactions. They have an impact on the competitiveness of certain sectors and include services such as transport and trade finance providers.

Examples include: associations of commercial banks, associations of insurance companies, associations of freight forwarders, associations of transport providers, associations of commercial information providers and associations of packaging providers.

## ANALYSIS OF LIBERIA'S TSN

TSNs are essential to the overall development of trade competitiveness in an economy. They provide vital and multi-dimensional support to enterprises across the export value chain in areas ranging from human capital development to market access support.<sup>85</sup> Enterprises succeed in the export value chain when these myriad support needs are satisfied to an extent that facilitates transformation of their comparative strengths to competitive advantages. Conversely, enterprises fail to maintain sustained export performance if they operate in isolated 'silos', or if their support needs are not met in an adequate manner.

85. These include, but are not limited to, access to finance; access to technology; business incubation and coaching support; technical and vocational education and training; quality management; transportation and logistics; market access and entry support; and access to information.

To a large extent, the overall effectiveness and efficiency of the economy's aggregate TSN influences the economy's export competitiveness. A strong TSN empowers and builds the capacity of enterprises, and a weak TSN creates bottlenecks and constrains enterprises.

A weak TSN is a natural consequence of a post-conflict context and Liberia is no exception. The constraints faced by Liberian TSIs are diverse and prevalent across the board. These institutions face significant technical and financial constraints, exacerbated by human capital challenges in the form of qualified professional staff. Information flow between the TSIs, as well as between institutions and enterprises, is uneven. Policies and mandates governing these institutions are also not well defined, leading to overlaps and coordination challenges. In a resource-constrained environment such as that existing in Liberia, redundancies further deteriorate the overall service delivery of the TSN.

From an export competitiveness viewpoint, an important challenge facing Liberia's TSN is the absence of a trade promotion organization (TPO) at the national level. A TPO would serve as the apex body mandated by the government to spearhead trade promotion for Liberia and, among other responsibilities, would also organize trainings and bilateral/multilateral exhibitions to promote Liberian products, as well as serving as a one-stop shop for potential and existing Liberian exporters seeking to enter or expand their activities in the export value chain. At the policy level, the TPO effectively serves as the primary organ of the TSN, entrusted with helping decision makers develop policies and then executing those policies through planned initiatives. To resolve this important

gap, an organizational realignment is needed within the TSN to ensure that a TPO is set up and empowered to execute its responsibilities in coordination with other TSIs.

### PERCEPTION OF LIBERIAN TSIs – INFLUENCE VS CAPABILITY

Table 6 represents this classification for Liberian TSIs. This classification is based on a partial list because compiling a comprehensive dataset of TSIs in Liberia was rendered difficult due to challenges in data collection. The classification represents the perceptions (of the stakeholders of the Liberian national export strategies process) of the level of influence and capacity to respond of each institution.

As indicated, generally:

- Policy support institutions have the highest level of influence and capacity to respond, the implication being that government ministries have to act as both policymakers and implementers until such time as institutional strength is built up;
- Trade services institutions have the highest capacity to respond and varying levels of influence. As per their capacity to respond, therefore, they will need to be supported by the Government of Liberia (GoL) and development partners;
- Overall, civil society groups (local) have the lowest capacity to respond, regardless of their level of influence. This is an area where international civil society groups will play an important role in terms of strengthening the capacity of Liberian civil society groups to represent the voices of especially the poorest, women, young individuals and the marginalized.

Table 6: *The perceived influence and capacity to respond of trade support institutions in 2011<sup>86</sup>*

Level of influence	High	<ul style="list-style-type: none"><li>• Liberia Rubber Development Authority</li><li>• Cooperative Development Authority</li><li>• Liberia Chamber of Commerce</li><li>• Liberian Enterprise Development Finance Co.</li><li>• Philanthropy Secretariat</li><li>• Liberian Education Trust</li><li>• Liberia NGO Network LINNK</li><li>• WVS Tubman University</li></ul>	<ul style="list-style-type: none"><li>• Environmental Protection Agency</li><li>• Ministry of Planning and Economic Affairs</li><li>• Ministry of Finance</li><li>• Ministry of Commerce and Industry</li><li>• Ministry of Agriculture</li><li>• BRAC</li><li>• COLINBO</li><li>• Liberia Business Registry</li><li>• Liberia Agricultural Commodities Regulatory Authority</li></ul>
	Low	<ul style="list-style-type: none"><li>• Ministry of Gender and Development</li><li>• Liberia Business Association</li><li>• WONGOSOL</li><li>• Liberia Economic Journalists Association</li><li>• Agricultural Cooperative Development Bank</li></ul>	<ul style="list-style-type: none"><li>• LIFT Liberia</li><li>• Land Commission</li><li>• SPARK</li><li>• Central Bank</li><li>• National Investment Council</li><li>• Liberian Institute of Statistics and Geo-Information Services</li><li>• National Palm Corporation</li><li>• Liberia Better Business Forum</li><li>• Booker Washington Institute</li><li>• University of Liberia</li><li>• Access Bank</li></ul>
		Low	High
	Capacity to Respond		

**Source:** First stakeholders' consultation of the Liberian NES held in Monrovia, Liberia on 5 August 2011.

86. This data is based on the impressions of at least 50 general stakeholders in Liberia representing private and public institutions within sectors and cross-sectors identified in the NES. After completing a preliminary questionnaire identifying TSIs, these institutions were mapped and categorized according to their perceived level of influence and capacity to respond to the needs of Liberian enterprises.



## ACCESS TO FINANCE

### Legal, regulatory and policy framework

Regulation/policy	Agency responsible for coordination/implementation
MFI regulation policy	CBL
National Investment Act 2010	NIC
Liberia Financial Inclusion Strategy	CBL
Liberia MFI Regulatory Framework	CBL
Liberia National Gender Policy	Ministry of Gender and Development
National Revenue Code 2011	MoF
National Public Finance Management Act 2009	MoF
National Commercial Code 2010	MoF
Central Bank of Liberia Act	MoF
Financial Rules 2007	MoF
New Financial Institutions Act	MoF

As in every other aspect of the Liberian economy, the banking system – and indeed the overall financial services industry – is both the legacy of the pre-conflict entitlement-based economic culture of Liberia and the near complete decimation of the sector during the conflict. Important steps have now been taken in Liberia that have moved the financial services infrastructure from the rudimentary to the functional level, albeit with many critical obstacles to overcome and most of the country yet to be reached.

Liberia's successful negotiation of its massive external debt, to the extent of US\$4 billion (large compared to the total size of the economy, which was roughly about US\$1 billion in 2010) and its current status as a mostly debt-free country, has given the Government of Liberia the leverage it needs to borrow from large multilaterals such as the International Bank for Reconstruction and Development. This also allows the country to put in place the larger fiscal and legal framework that will incentivize service providers and investors alike to want to bring much-needed capital into the country. This security of investment is what will drive lending at the SME level, which in turn will propel the domestic private sector, based both on growth in domestic consumption and on the export sector's ability to competitively service external demand.

The few surveys carried out by the World Bank and the IFC, and the several other diagnostic reports that have been conducted at sector-specific level and using different approaches to assessing the circumstances under which Liberians earn a livelihood – namely the livelihoods approach, the food security approach, the gender dimension to private enterprise and the human rights approach – have all consistently identified access to financing options to run successful businesses as the single biggest constraint to growth in Liberia.

This underlines two things about the Liberian economy:

1. That the need is urgent; and
2. That the need is substantial and widespread.

It is in this context that this cross-sectoral strategy is approached, i.e.:

- a. To identify the constraints that are faced by regulators, lenders and borrowers;
- b. To identify the potential solutions that will help Liberia gain some immediate results and create conditions that will build the breadth and depth of the financial services industry such that it can continue to fuel sustainable growth in the years and decades to come; and
- c. To do so in an equitable and sustainable manner.

## QUALITY MANAGEMENT

Liberia's quality infrastructure was almost completely destroyed during the country's 14 year civil war. While principles of quality management have gradually evolved at the policy level in post-conflict Liberia, implementation on the ground has stagnated due to financial, technical and human capital constraints. These constraints have consistently prevented standardization and the growth of NES sectors, and consequently Liberian enterprises cater primarily to the domestic market.

At the policy level various ministries, departments, and other bodies in Liberia have diverse roles and responsibilities related to different quality issues. MoCI is the arbiter of the standards in the country. MoA is responsible for most aspects of animal and plant health. MoCI, through UNIDO, is participating in a West Africa Quality Programme that addresses technical barriers to trade and the development of consumer associations. A number of ministries

(primarily the Ministry of Health (MoH), MoA, MoCI, and also Monrovia City Corporation) have responsibilities and activities in the area of food safety, with often overlapping functions. There have been efforts at the ministerial and policymaking levels to coordinate work in food safety – particularly in food inspection – and specific responsibilities for food control have been assigned to each ministry.

If Liberian enterprises are to become successful within the export value chains a culture of quality is urgently required.

This will involve a multipronged approach at the policy, institutional and enterprise levels. The policy and regulatory environment will need to be strengthened. New technology and best practices will need to be brought in and integrated within the policy framework. Broadly, a process of change management will need to take place across the board so that enterprises actually see a good business case for practicing proper quality management practices aligned with international standards, and at the same time are empowered through regulations and strategic initiatives.

## Legal and regulatory framework

There is currently no integrated legal framework on biosecurity/SPS in Liberia and sectoral legislations are often outdated or inadequate. There is very limited incorporation of international standards and requirements into national laws, although some efforts are being made to

adopt national standards from other countries, particularly Nigeria and likely Brazil. The following are the main sectoral legislations in place that relate to biosecurity. The agencies responsible for their coordination and/or implementation are listed in the right hand column.

Regulation	Agency responsible for coordination/implementation
National Public Health Law (1976)	MoH
Environmental Protection Act (EPA)	Environmental Protection Agency
Natural Resources Law (1956)	Bureau of National Fisheries
Draft Fisheries legislation and regulations	Bureau of National Fisheries
Agriculture Act (1950; revised in 1971)	MoA
Forestry Law (2006)	Forestry Development Authority
Draft Wildlife Law	Forestry Development Authority
Draft Biosafety Act	Environmental Protection Agency
Commerce and Industry Act (1962)	MoCI
Ministry of Finance Revenue Code (2002)	MoF
Monrovia City Corporation Ordinance on Public Health and Sanitation (1988)	Monrovia City Corporation

## Development activity related to the quality management function

The following development programmes are currently ongoing in Liberia and have a direct or indirect bearing on the quality management area across the priority sectors.

Project name	Description	Primary financier	Status
Sustainable Tree Crops Programme	Supporting economic growth in agriculture, energy, infrastructure and forestry; and distributing technology designed to halve production time and double output of palm oil for smallholders, who also receive marketing assistance.	USAID	
Rubber Science and Technology Institute and Rubber Sector Training Programme	Help develop local entrepreneurship so Liberia can end exports of raw products and instead sell processed products abroad.	Japan	
West African Quality Programme	Fosters compliance with international trade rules and regulations, in particular World Trade Organization agreements on technical barriers to trade and SPS measures, through strengthening national and regional quality infrastructure for the entire West African region.	EU	Ongoing





Source: © jbdodane.

# MARKET ENTRY PERSPECTIVE

## TRADE POLICY AND AGREEMENTS

Liberia's overall approach to trade is detailed in the 2014 Liberia National Trade Policy (LNTTP). The LNTTP lists the following as its main objectives:

- Promote export competitiveness of Liberian products by addressing supply side constraints;
- Promote domestic trade and broaden the pool of export-ready companies;
- Increase efficiency of import and export administration, customs and border control;
- Promote regional trade and integration;
- Promote global market access for Liberian goods and services;
- Make Liberia's trade enhancing institutions more effective; and
- Enhance the legal framework and good governance for trade.

As these objectives illustrate, the overall approach to trade in the country is pro-growth and simultaneously pro-development; is aimed at strengthening policymaking, institutional service delivery and enterprise competitiveness; and lays emphasis on all its demand-side opportunities –i.e. in the region, within other regions of Africa and internationally.

The National Export Strategy likewise reflects the vision of the Trade Policy. It is this broad approach that has also driven Liberia's attempts so far to take advantage of existing market access conditions with important partners such as the EU and the United States, and the post-war conclusion of bilateral trade agreements with emerging trade partners such as China. Liberia has a number of trade agreements in place or under negotiation:

Geographical scope	Agreement
<b>Sub-regional</b>	Mano River Union (MRU)
<b>Regional</b>	Economic Community of West African States (ECOWAS)
<b>Extra-regional</b>	
United States	African Growth and Opportunity Act (AGOA) Trade and Investment Framework Agreement (TIFA)
EU	Everything But Arms (EBA) agreement Economic Partnership Agreement (EPA, not yet ratified)
China and other partners	Memoranda of Understanding on preferential market access
<b>Global</b>	WTO accession (in progress)



## MANO RIVER UNION (MRU)

The MRU is Liberia's oldest regional integration scheme. It was established in 1973 in a bilateral agreement between Liberia and Sierra Leone. It has been a customs union officially since 1980, although implementation has never been completed. Today, the MRU has four members, Côte d'Ivoire, Guinea, Liberia, and Sierra Leone, all of which are also members of ECOWAS.

## ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS)

Founded in 1975, ECOWAS is a regional group comprising 15 West African countries, of which Liberia is a member. Economic integration through free trade is one of the central goals of ECOWAS. As a customs union ECOWAS promotes internal trade liberalization under the ECOWAS Trade Liberalization Scheme (ETLS) and a common external tariff (CET).<sup>87</sup> As a member of ECOWAS, Liberia has generally committed to adopting its CET and under the ETLS to a phased reduction and gradual elimination of tariffs and nontariff barriers on products of community origin.

## UNITED STATES

### AGOA

The African Growth and Opportunity Act (AGOA) was signed into law on 1 May 2000 as Title 1 of The Trade and Development Act of 2000. The Act offers tangible incentives<sup>88</sup> for African countries to continue their efforts to open their economies and build free markets. At the centre of AGOA are substantial trade preferences that, coupled with those under the Generalized System of Preferences, allow virtually all marketable goods produced in AGOA-eligible countries to enter the United States market duty free. The business case behind AGOA is that it 'reinforces African reform efforts, provides improved access to U.S. credit and technical expertise, and establishes a high-level dialogue on trade and investment in the form of a U.S.–Sub-

Saharan Africa Trade and Economic Forum'.<sup>89</sup> Liberia has duty-free access to the United States through AGOA.

## TRADE & INVESTMENT FRAMEWORK AGREEMENT

A Trade & Investment Framework Agreement (TIFA) is a trade pact which establishes a framework for expanding trade and resolving outstanding disputes between countries. Generally TIFAs are often seen as an important step towards establishing Free Trade Agreements, as they serve mainly as a forum to meet and discuss issues of mutual interest with the objective of improving cooperation and enhancing opportunities for trade and investment.

A TIFA was signed by the United States and Liberia in 2007.<sup>90</sup> The TIFA established a United States–Liberia Council on Trade and Investment, charged with promoting an attractive investment climate and expanding/diversifying trade in products and services between the two countries.<sup>91</sup> The Council is also tasked with removing impediments to trade and investment between the parties, and seeking the advice of the private sector and civil society on matters related to work of the Council.<sup>92</sup> This Council comprises members from the Office of the United States Trade Representative and the Ministry of Commerce and Industry of Liberia.<sup>93</sup>

## EUROPEAN UNION

### EVERYTHING BUT ARMS

Liberia has duty-free access to the EU through this agreement<sup>94</sup> due to its status as a least developed country. Under the terms of this agreement all imports to the EU from least developed countries are duty free and quota free, with the exception of armaments. Everything But Arms entered into force on 5 March 2001 with the aim of encouraging the development of the world's poorest countries. As part of the EU Generalized System of Preferences, Everything But Arms exempts signatories from the more general rules of the World Trade

87. Economic Community of West African States (1993). *Treaty of ECOWAS*, p. viii.

88. The Act authorizes the President (of the United States) to designate countries as eligible to receive the benefits of AGOA if they are determined to have established, or are making continual progress toward establishing, the following: market-based economies; the rule of law and political pluralism; elimination of barriers to American trade and investment; protection of intellectual property; efforts to combat corruption; policies to reduce poverty, increasing availability of health care and educational opportunities; protection of human rights and worker rights; and elimination of certain child labour practices. These criteria have been embraced overwhelmingly by the vast majority of African nations, which are striving to achieve the objectives, although none is expected to have fully implemented the entire list. Source: AGOA (2013). AGOA website. Available from <http://agoa.info>.

89. AGOA (2013). AGOA website, FAQ section. Available from <http://agoa.info/>.

90. Government of Liberia and Government of the United States (2007). Trade and Investment Framework Between the United States of America and the Republic of Liberia. Available from [www.ustr.gov/sites/default/files/uploads/agreements/tifa/asset\\_upload\\_file278\\_10544.pdf](http://www.ustr.gov/sites/default/files/uploads/agreements/tifa/asset_upload_file278_10544.pdf).

91. *Ibid.*, Article Three.

92. *Ibid.*, Article Four.

93. *Ibid.*, Article Four.

94. European Union (2001). Official Journal of the European Communities. Council Regulation (EC) No 2501/2001, Section 3, Article 9.



Organization (WTO), especially from the most favoured nation principle, for the purpose of lowering tariffs for the least developed countries.

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## ECONOMIC PARTNERSHIP AGREEMENT

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Negotiations between ECOWAS and the European Union on the Economic Partnership Agreement (EPA) have been concluded in early 2014 but has not yet been ratified or implemented. While the EPA will result in a number of advantages for Liberian businesses, such as better market access to the EU market, it also presents a number of challenges. These include the potential loss of tax revenues on imports from the EU; erosion of protection for Liberian producers selling on the domestic market; and increased competition from EU producers for Liberian exports in the ECOWAS markets. In response to these challenges, Liberia will benefit from support under the EPA development program.

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## OTHER TRADING PARTNERS

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Liberia benefits from preferential market access provided by other countries under preference schemes. For example, China allows duty-free import of 95% of goods from Liberia. Also, Liberia has signed bilateral MoUs with many other countries granting preferential access to Liberian exports.

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## WTO ACCESSION

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The Government of Liberia has identified WTO accession as a top priority and applied for membership in 2007. By submitting its application for WTO membership the Government has expressed the confidence that WTO accession negotiations will underpin and strengthen the domestic reform process for economic growth. Two sides of the same coin, Liberia's reform process and application for WTO membership intend to secure future growth by re-integrating with global value chains and trading with the rest of the world so as to achieve equitable growth for its people.

In terms of process, Liberia has yet to communicate initial offers for goods and services as a basis for negotiating with WTO members. The General Council established a Working Party to examine the application of the Republic of Liberia on 18 December 2007. Liberia's Memorandum on the Foreign Trade Regime was circulated in April 2011.

At the first Working Party Meeting (July 2012), the Government commented on its objectives pursued through applying for WTO membership, mentioning that it would help the country attain a 'balanced, diversified and equitable development' and that 'efforts to accede

to the WTO will act as a catalyst for making and locking in difficult but positive reforms'.<sup>95</sup> The government is working on its initial goods and services offers.

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## LIBERIA'S PRIVATE SECTOR AND WTO ACCESSION

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The ongoing negotiation process towards WTO membership, together with the domestic reform process, demands not only the dedication of GoL decision makers, but also the attention and commitment of the private sector and society as a whole. Stakeholder confidence, especially amongst the private sector, will be a necessary ingredient for the Government to negotiate and conclude its bid for WTO membership.

In Liberia, as in most other acceding countries at this early stage, the negotiation process has been accompanied by some negative perceptions and lack of understanding amongst some stakeholders. The prospect of accession into the multilateral trading system governed by WTO has elicited different responses from businesses and other actors alike. While there is agreement in some circles that accession will bring new opportunities in terms of better access conditions for Liberian exports, other argue that large-scale low value imports may result from accession and this is likely to adversely affect domestic enterprise. Specifically, the private sector lacks understanding and sufficient knowledge about the business implications of WTO accession.

On the one hand, this lack of understanding is limiting opportunities to accurately articulate business needs and priorities to GoL in a consolidated manner. On the other hand, in order for the private sector to anticipate and prepare for WTO membership of Liberia, a certain level of understanding of business implications – opportunities and threats – of WTO membership (and the broader trade policy agenda) is required.

WTO membership guarantees secure and predictable market access within a framework of legally enforceable rules which govern international trade. Membership also usually results in greater levels of foreign investment in a business environment that provides for the conditions of fair competition and attracts the most efficient economic operators. For these benefits to accrue to Liberian businesses, however, GoL must establish a business environment which is conducive to private investments in the economy, both foreign and domestic.

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95. See: World Trade Organization (2013). Accessions: Republic of Liberia. Available from [www.wto.org/english/thewto\\_e/acc\\_e/a1\\_liberia\\_e.htm](http://www.wto.org/english/thewto_e/acc_e/a1_liberia_e.htm).



Source: © Juan Freire

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#### WTO ACCESSION LAYS THE FOUNDATION FOR SUSTAINED DOMESTIC REFORMS

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Therefore, whether WTO accession will prove of benefit to Liberia's enterprises will depend on GoL success in implementing the domestic policy reform agenda that is a prerequisite of accession. These reforms are therefore likely to be the main source of benefits from WTO accession.

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#### TECHNICAL ASSISTANCE FOR WTO ACCESSION OF LIBERIA

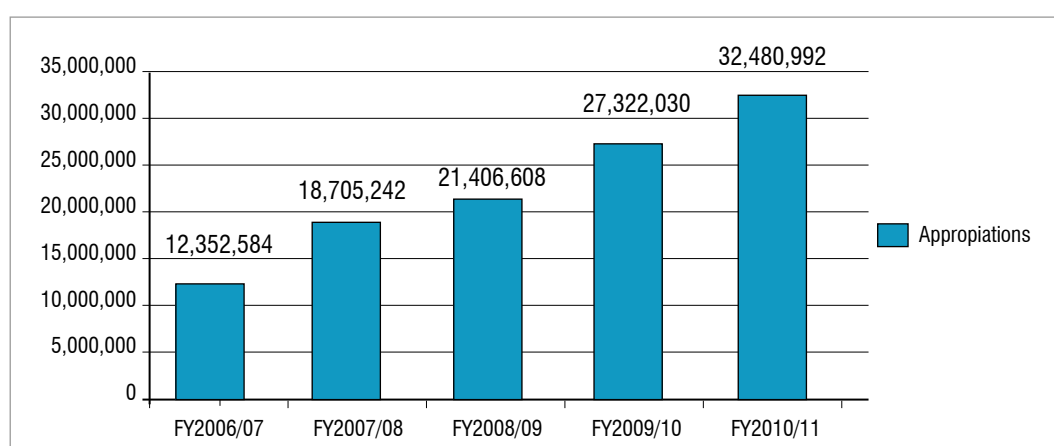
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Acting upon sentiments within the wider society, and the private sector specifically, GoL has taken a proactive approach and requested international partners to assist in bringing about the required sensitization and facilitation of a formal constructive dialogue. Engaging the business community, and broader society as a whole, in the negotiation process will be a key factor in addressing negative perceptions and creating national consensus, and thereby successfully completing the accession negotiations.

GoL requested ITC to develop a technical assistance programme aimed at building the understanding (in both the private and public sectors) of the consequences of accession, and to engage the private sector in the process. With the objective to enhance 'stakeholder confidence for WTO membership of Liberia' the programme will enable the private sector to function as a constituency that will support GoL reform efforts and position itself in the new trading environment. A first stakeholder conference, which took into account the recommendations of this NES, took place in late 2012. Following this conference, ITC has organised several awareness raising workshops to support the public private dialogue on the business implications of WTO accession. These workshops have focused on telecommunication and tourism services (2013), trade facilitation (2013), and on financial services (2014). ITC is also assisting the Ministry of Commerce and Industry in drafting the initial goods and services offers and will continue the comprehensive TA programme in Liberia to support GoL's bid for WTO accession.

# THE DEVELOPMENT GEAR PERSPECTIVE

Figure 24: Budgetary allocation for healthcare 2006/07 to 2010/11



**Source:** Liberia, Ministry of Planning and Economic Affairs (2011). *Socioeconomic Achievements of the Government of Liberia 2006-2011*, p. 28.

## HEALTH AND NUTRITION

Strong budgetary support combined with international interventions<sup>96</sup> has contributed to improvements in Liberia's health care system delivery. Driven by the national health policy directives, government expenditure on health care has been steadily growing.

Goals stated as part of Liberia's PRS in the health sector include having at least 70% of health facilities in each county providing a basic package of health services (also defined as part of the strategy), reducing child mortality by 10% to 15%, and reducing maternal mortality by 5%

to 10%.<sup>97</sup> An assessment conducted by the government (with assistance from the United Nations Development Programme (UNDP)) has concluded that two-thirds of the planned deliverables slated as part of these goals were complete.

Under-five child mortality has steadily declined from about 140 per 1,000 in 2005, to 112 in 2009 and 105 in 2010. The infant mortality rate declined from 78 per 1,000 births in 2006 to 73 in 2010, and the maternal mortality rate declined from 990 per 100,000 live births in 2006 to 89 in 2010.<sup>98</sup>

96. Liberia, Ministry of Planning and Economic Affairs (2011). *Socioeconomic Achievements of the Government of Liberia 2006-2011*, p. 28.

97. Republic of Liberia (2008). *Poverty Reduction Strategy*, p. 109.

98. Liberia, Ministry of Planning and Economic Affairs (2011). *Lift Liberia Poverty Reduction Strategy Final Report - A Results Focused Assessment (June 2008 – December 2011)*, p. 30. Washington DC: International Monetary Fund.



Source: © jbdodane

## GENDER DIMENSION

Women account for more than 50% of Liberia's population. Since reconstruction began in 2006 there has been a focus on women, their advancement and their importance in the economy. A World Bank/Ministry of Gender and Development situational assessment of 'Women in Trade' notes:

Women are major players in the agriculture sector where they constitute most smallholder producers and the majority of the agricultural labour force, producing 60% of agriculture products, both at the production phase and the processing phase of the value chain. **They carry out 80% of trading activities in the rural areas, playing a vital role in linking rural and urban markets. They predominate in small-scale trade in urban areas through their informal networks, often in the informal and microeconomic sectors, and are largely absent from the Small and Medium Enterprise (SME) and export sectors. Only 2% of Liberian women are in the formal sector.** Despite women's key role, they have limited access to essential resources, such as land, capital, education, training, and services to enhance their participation in the economy.<sup>99</sup>

Liberia's national gender strategy further notes some of these challenges:

Women and girls play a central role in Liberia's economy but face various structural constraints hindering them from effective participation in economic activities. These include limited access to inputs and services essential for carrying out productive functions;

lack of an enabling environment; absence from important key sectors and sources of employment such as public works and infrastructure rehabilitation; male dominance in timber, mining and rubber which are key sources of Liberia's economic base. Customary practices, norms and biases continue to prevent women from obtaining land, credit, productive inputs and information.

The PRS was implemented from 2008 to 2012 and, with respect to implementation, monitoring and evaluation of recommendations pertaining to 'Women in Trade' proposed in the PRS, at the time of this writing, no official document is available to inform on and measure the impact of the PRS on the condition of women. However, the observations indicated below may serve to indicate improvement in women's condition as a consequence of economic empowerment. It appears that slight progress has been registered in the past six years for women in the trade sector.

1. There appears to be an increase in the number of financial institutions providing access to capital specifically for women, i.e. The Sirleaf Market Women Fund, BRAC and ACCESSBANK are all implementing programmes and schemes catering to women's economic empowerment.
2. The institutional capacity of women in trade seems to be rising, as manifested by an increase in the number of organizations promoting economic growth, namely the Liberian Women Chamber of Commerce, Women in Cross-Border Trade, the Angie Brooks International Center, and other organizations supporting women's empowerment in the country since 2007.
3. A small number of women are now heading construction companies and have taken advantage of opportunities in the infrastructure sector.
4. Public procurement/tendering, where opportunities abound, appears to be gender blind.

99. World Bank and Liberia, Ministry of Gender and Development (2007). *Liberia – Toward Women's Economic Empowerment: A Gender Needs Assessment*. Monrovia.



**Box 10: Liberia National Gender Policy (2009)**

Liberia's National Gender Policy acknowledges the role of women in the development of the country as well as in the ongoing peace-building/post-conflict reconstruction process in Liberia. It was developed through a participatory and inclusive process that involved multiple stakeholder groups including 'government ministries and agencies, public and private institutions, women's NGOs, religious leaders, cultural leaders, persons with disabilities, HIV/AIDS afflicted individuals, the national legislature, media practitioners, other civil society organizations, youth and community based organizations nationwide'.

Key challenges, strategies and policies have been identified in the policy document. Challenges include complex and expensive requirements for business registration and public tendering; the limited capacity of technocrats to mainstream gender perspectives into macroeconomics; low literacy of women in issues of economics; unequal benefits to women in trade; low representation of women in informal employment; discrimination against women in labour markets, etc.

The gender policy encourages government ministries to apply a gender-specific lens to each policy and strategy that is developed for their constituents. In terms of implementation, the strategy does not lay out a plan of action and places emphasis on the role of government resource mobilization, launching programmes, and monitoring and evaluating progress.

In consideration of the wide scale of discrimination faced by women in Liberia – in both social and economic spheres – the gender strategy has identified nineteen policy areas (where interventions are needed). Specific recommendations include the following: increase the capacity of the Ministry of Commerce and Industry to support gender sensitive trade regimes; hold stakeholder consultations on gender and trade, i.e. a special fund for women entrepreneurs; advocate for national policy guidelines on women and trade; provide support to national women entrepreneurs' networks (including women's farmers' associations/cooperatives), cross border traders and associations; participate in international and national trade fairs; and most importantly, advocate for the integration of gender equality into ongoing land reform .

From a gender in trade perspective, Liberia's national gender policy is a holistic framework encompassing major and concrete objectives, ways and means to achieve the policy over a prescribed period. The timeframe for implementing Liberia's national gender policy is ten years (2010–2020).

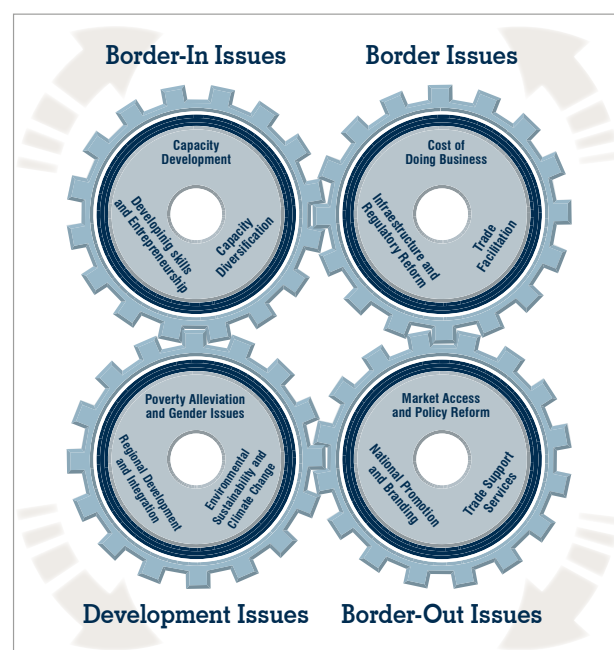




# THE COMPETITIVENESS PERSPECTIVE: THE FOUR GEARS ANALYSIS

The four gears framework presented below determines the major constraints –within the country as well as outside– to export development and ways to overcome them.

- Supply-side issues affect production capacity and include challenges in areas such as availability of appropriate skills and competencies; diversification capacity; technology and low-value addition in the sector's products. This group of issues is also referred to as the **border-in gear**.
- The quality of the business environment includes issues that influence transaction costs, such as regulatory environment; export procedures and documentation; infrastructure bottlenecks; certification costs; Internet access and cost of export credit insurance. These constraints are grouped together and classified as the **border gear**.
- Market entry issues include questions of competitiveness that are essentially external to the country (but may also be manifested internally), such as market access; market development; market diversification and export promotion. These are referred to as the **border-out gear**.



Addressing these above categories would exhaustively resolve most major competitiveness bottlenecks. However, for an export strategy to be sustainable, it out to make the greatest socioeconomic impact. Issues that have a profound impact on people's lives need to be addressed in the NES design initiative.

- Social and economic concerns include poverty reduction, gender equity, youth development, environmental sustainability and regional integration. These developmental concerns form the **development gear**.

## BORDER-IN (THE SUPPLY-SIDE)

### Supply-side constraints

#### Capacity development

- Access to credit for MSMEs to buy inputs and capital equipment is poor.
- Small unit size holdings coupled with the unorganized nature of the agricultural sector hinder collective gains.
- Overall lack of mechanization (transportation) at the farm gate level.
- The quality management sector is marked by lax compliance and monitoring as well as capacity constraints at the institutional and enterprise levels.
- Low FDI levels in non-extractive sectors limit innovation and value addition.
- Poor compliance on quality issues by enterprises.
- There is a shortage of technical inspection equipment at the enterprise level.

#### Capacity diversification

- Over-reliance on select products (with low value addition) and industries (primarily extractive).
- The agriculture sector's significant potential has not been realized due to lack of investments in the sector.
- The weak packaging sector in Liberia limits potential for capacity diversification and quality management.
- Current threshold levels on foreign and domestic investment in the transport sector constrain the rate of technological improvements and innovation in the sector.

#### Developing skills and entrepreneurship

- The human capital supply chain is weak.
- Human capital capacity constraints lead to low numbers of Liberians working on ships and vessels in the maritime sector.
- Overall lack of supply chain management expertise at the enterprise level leads to inefficiencies and increases in costs.
- There is an overall lack of awareness among Liberian MSMEs of existing quality services providers.
- Unhygienic practices involved in processing and transformation activities.

## CAPACITY DEVELOPMENT

### ACCESS TO CREDIT FOR MSMEs TO BUY INPUTS AND CAPITAL EQUIPMENT IS POOR

Due to the general unavailability of MSME financing options, Liberian companies find it challenging to buy inputs and capital equipment. During the NES consultations inadequate access to finance was repeatedly cited as a major constraint by stakeholders across sectors. In 2011 domestic credit provided by Liberia's banking sector<sup>100</sup>

was only 41% and has declined from 160% in 2007.<sup>101</sup> The supply side of this credit crunch is discussed in the business environment constraints section. While the supply side (credit institutions including commercial banks and microfinance institutions) has its issues, the demand side also has several constraints that decrease creditworthiness in the eyes of lenders. Firms often lack the records of business transactions required to apply for credit. The lack of secure land titles also hampers access to credit. Entrepreneurs across the board have weak business plan development skills, which further decreases their ability to compete for available credit.

100. According to the World Bank, domestic credit provided by the banking sector is an indication of the banking sector depth and financial sector development in terms of size in a country.

101. World Bank (2013). World Development Indicators. Available from <http://data.worldbank.org/data-catalog/world-development-indicators>. Accessed 26 October 2013.

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#### SMALL UNIT SIZE HOLDINGS COUPLED WITH THE UNORGANIZED NATURE OF THE AGRICULTURAL SECTOR HINDER COLLECTIVE GAINS

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Producers in the agriculture sectors are unable to pool their resources and get organized. The relatively small size of the land holdings combined with the unorganized nature of the Liberian agriculture sector implies that resources are not pooled, and potential for common bargaining etc. is underutilized. The small unit holdings, characterized by bush fallowing and shifting cultivation methods, also result in 'low productivity of land and labour, long fallow periods of 6-10 years and relatively short cultivation periods of one or two years'.<sup>102</sup>

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#### OVERALL LACK OF MECHANIZATION (TRANSPORTATION) AT THE FARM GATE LEVEL

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One of the main constraints affecting Liberian enterprises is an overall lack of mechanization, which necessitates manual transportation at the farm gate level (transportation to local buying stations) as well as manual lifting at farms (in the absence of equipment such as forklifts). In addition to low per load transportation volumes, and low speeds of transportation, this leads to high wastage levels of produce.

The size (in terms of number of vehicles) of the transportation and trucking fleet within the county is insufficient for the country's needs. The available transportation fleet is often inadequate to the needs and beyond the financial capability of enterprises.

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#### THE QUALITY MANAGEMENT SECTOR IS MARKED BY LAX COMPLIANCE AND MONITORING AS WELL AS CAPACITY CONSTRAINTS AT THE INSTITUTIONAL AND ENTERPRISE LEVELS

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Compliance in the quality management area is largely voluntary among Liberian MSMEs because of a lack of capacity on their end and because of official oversight and regulatory deficits. Quality regulations as they exist on paper are yet to be accepted as a way of life on a daily basis and this has a negative impact on the quality of Liberian exports. Capacity constraints of MSMEs include lack of adequate technical equipment (partly as a result of restrictive import tariffs for importing capital equipment) to monitor quality levels, as well as the lack of knowledge of best practices.

Institutions also suffer from capacity issues. The mechanism for inspection and enforcement for quality standards in Liberia, especially in the marine and agricultural sectors, is weak. More standards are required to be developed and issued in alignment with international standards. The storage and preservation (cold chains etc.) infrastructure in Liberia, especially in the harvesting, processing, and transportation stages of the export value chain, is deficient.

The national standards laboratory, which focuses on monitoring the quality of goods being imported or exported from Liberia (among other services) suffers from technical, financial and human capital constraints. It has faced non-compliance issues related to minimum infrastructure and documentation requirements and requires further capacity-building. A select few international private sector firms such as SGS are currently operating in the country to provide inspection, testing, verification and calibration services, and there is a need to increase the actors in this particular area.

When services are available (in some cases for free, such as those provided by the national standards laboratory), MSMEs are often not aware of these provisions. Hence, an information dissemination campaign is required to publicize these services.

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#### LOW FDI LEVELS IN NON-EXTRACTIVE SECTORS LIMIT INNOVATION AND VALUE ADDITION

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Increasing FDI in non-extractive sectors is critical to spurring innovation and employment and developing a technologically advanced base capable of developing value added export products. As discussed previously, concession-related FDI in Liberia rose from US\$ 153 million in 2010 to US\$ 431 million in 2011 and is further expected to increase from US\$ 821 million in 2012 to US\$ 903 million in 2013.<sup>103</sup> As indicated in box 11, the leading FDI recipients between 2006 and 2010 have been mining, palm oil and rubber.

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102. Republic of Liberia (2011). *Liberia Rising 2030 Retrospective Analysis – Land, Environment, and Natural Resource Management*, p. 24. Monrovia.

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103. IMF, cited in African Economic Outlook (2012). *Liberia Country Report*. Available from [www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf).

**Box 11: Private sector concessions in Liberia 2006 – August 2010**

Commodity	Investment (US\$ millions)
Mining	6 250
Palm oil	1 030
Rubber	1 025
Industries (wood chip, flour mills etc.)	360
Forestry	12.5

**Source:** NIC and Republic of Liberia, Ministry of Commerce and Industry (2011). *Industry for Liberia's Future*, p. 4.

FDI trends in non-extractive sectors have been quite poor and have prevented inflow of technology and best practices into the country. This trend is partially a natural by-product of Liberia's status as a relatively recent post-conflict country in which foreign investors remain wary of the potential of a relapse into conflict and other turbulences that might affect their investments. On the other hand, regulatory inflexibility in Liberia also has a part to play – the import tariff regime dissuades importation of capital equipment through the application of high import charges. For instance SGS, an international quality services provider, has cited import tariffs of almost 38% on quality testing and verification equipment that they import into Liberia. Within the transport sector, FDI is possible only above a US\$1 million threshold, while domestic investment starts at US\$300,000. This investment regime limits the number and types of transportation services available to support the export sector.

#### POOR COMPLIANCE ON QUALITY ISSUES BY ENTERPRISES

In terms of compliance, quality management is largely voluntary among Liberian MSMEs due to a lack of capacity on their end and due to official oversight and regulatory deficits. Quality regulations as they currently exist on paper are yet to be accepted as a way of life on a daily basis and this has a negative impact on the quality of Liberian exports. Consequently, enterprises are unable to compete in international markets and instead operate primarily in the domestic area.

This culture needs to be modified through a process of change management and through a structured introduction of comprehensive regulatory reforms and implementation of monitoring mechanisms on the ground. This change management process must also include information dissemination campaigns to increase awareness of quality management. On-site training programmes and the development of community radio programmes to address awareness on how to change processing and growing practices are required.

#### THERE IS A SHORTAGE OF TECHNICAL INSPECTION EQUIPMENT AT THE ENTERPRISE LEVEL

Liberian enterprises in the MSME sector possess inadequate and outdated equipment for monitoring quality levels within their organizations. In sectors like rubber quality checks are mostly visual and therefore unreliable. Given the dependence of enterprises in the agricultural and marine sectors on the domestic market, which is traditionally characterized by low quality requirements, the business case for enterprises in these sectors to make investments in capital equipment is weak. Additionally, this equipment is not available in Liberia and typically has to be imported. As previously discussed, the high costs of importing this equipment, as well as the lack of investment capital available to enterprises, makes it challenging for companies to make these capital investments.

#### CAPACITY DIVERSIFICATION

##### OVER-RELIANCE ON SELECT PRODUCTS (WITH LOW VALUE ADDITION) AND INDUSTRIES (PRIMARILY EXTRACTIVE)

Almost 95% of the country's exports in recent years have comprised three products – rubber, iron ore and diamonds. These exports primarily comprise raw materials and value is added outside the country. Other sectors have been traditionally ignored in development plans owing to heavy dependence on these three sectors. The heavy dependence of the Liberian economy on select commodity sectors carries significant risk due to price fluctuations and global economic upheavals, as was evidenced by the recent financial crisis. The drop in aggregate global demand, the significant drop in international rubber prices and the postponement of expected investments (primarily in the iron ore sector) put



considerable stress on the economy.<sup>104</sup> This also resulted in a drop in valuable inward remittances.<sup>105</sup> There is a need to diversify Liberia's export base away from commodities to one which is characterized by value addition and differentiation.

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#### THE AGRICULTURE SECTOR'S SIGNIFICANT POTENTIAL HAS NOT BEEN REALIZED DUE TO LACK OF INVESTMENTS IN THE SECTOR.

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Liberia has a considerable comparative advantage in that it is well endowed with minerals and natural wealth on one hand, and is also endowed with 'plentiful fresh water, fertile lands and large forest areas'<sup>106</sup> on the other. There is significant potential for the country to benefit on both fronts; however, the bulk of investments have historically gone towards the former. As a result, the agro food industry in Liberia is weak, and the agriculture sector is characterized primarily by subsistence farming.

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#### THE WEAK PACKAGING SECTOR IN LIBERIA LIMITS POTENTIAL FOR CAPACITY DIVERSIFICATION AND QUALITY MANAGEMENT

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Packaging is both a capacity diversification and a quality management issue. The packaging infrastructure in a country enables enterprises to diversify their product base – especially for sectors such as fish and crustaceans and cocoa – and at the same time boost the shelf life of their products, which is an essential requirement in international markets.

The packaging industry in Liberia is virtually non-existent, adversely affecting the shelf life and competitiveness of Liberian MSMEs in both domestic and international markets. For instance, availability of containers to store and extend the shelf life of fish products is very poor, as is the availability of technology such as heat sealing and vacuum packaging. As a result, the only variety of fish available apart from fresh fish is dried fish. The bulk of (low technology) packaging material is brought over into Liberia as part of the informal economy existing across borders. While this may suffice for use in domestic markets, it is not sufficient for export purposes. As a result, this deficiency greatly limits the ability of enterprises to penetrate international markets and manage export relationships.

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104. Republic of Liberia, Ministry of Planning and Economic Affairs (2011). *Socioeconomic Achievements of the Government of Liberia 2006-2011*, p. 24.

105. *Ibid.*, p. 24.

106. Republic of Liberia (2011). *Liberia Rising 2030 Retrospective Analysis – Land, Environment, and Natural Resource Management*. Monrovia.

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#### CURRENT THRESHOLD LEVELS ON FOREIGN AND DOMESTIC INVESTMENT IN THE TRANSPORT SECTOR CONSTRAIN THE RATE OF TECHNOLOGICAL IMPROVEMENTS AND INNOVATION IN THE SECTOR

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Foreign investment in the Liberian transport sector is possible only above a US\$1 million threshold, while domestic investment starts at US\$300,000. This regime limits investment and, consequently, flow of new technology in the country. Increased investment will also result in an increase in the number and types of transportation services available to support the export sector

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#### DEVELOPING SKILLS AND ENTREPRENEURSHIP

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##### THE HUMAN CAPITAL SUPPLY CHAIN IS WEAK

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The collateral damage inflicted on the technical and vocational education and training (TVET) infrastructure during the civil war, coupled with high emigration levels of skilled workers, has led to a weak and limited skills base in Liberia. According to a 2007 survey conducted by the International Labour Organization, only 15% of the labour force (comprising approximately 160,000 adults) has completed secondary education, and a further one-third of that group has pursued post-secondary education, vocational or technical training.<sup>107</sup> This highlights the low availability of semi-skilled and skilled labour in the country. The Ministry of Commerce and Industry also notes that this shortage will intensify as an older generation of Liberians retires.<sup>108</sup> Companies have reported inadequate mathematical, computer and writing skills among graduates.<sup>109</sup>

The entrepreneurship culture in Liberia has been undermined by decades of forced inaction and there is a need to impart skills to SME managers in fields such as leadership, financial statement management, and operations.

In cross-sectoral functions such as quality management, there is a need to ensure that public and private service providers such as the national standards laboratory, SGS, facilities at the Ministries of Agriculture and Health etc. are properly equipped, staffed, trained and accredited according to international standards so that they can provide industry leading services to Liberian enterprises.

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107. Cited in Republic of Liberia, Ministry of Commerce and Industry (2011). *Industry for Liberia's Future*, p. 7.

108. Republic of Liberia, Ministry of Commerce and Industry (2011). *Industry for Liberia's Future*, p. 7.

109. African Economic Outlook (2012). *Liberia Country Report*. Available from [www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Liberia%20Full%20PDF%20Country%20Note.pdf).



Source: © jbdodane. Margibi, Liberia

Training institutions must be empowered to produce qualified technical personnel in the quality sector.

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#### HUMAN CAPITAL CAPACITY CONSTRAINTS LEAD TO LOW NUMBERS OF LIBERIANS WORKING ON SHIPS AND VESSELS IN THE MARITIME SECTOR

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The logistics and transport sector is characterized by an overall absence of Liberian professional and technical support personnel. This can be attributed to both human capital deficiencies at the institutional level as well as weak regulation. Considering the need to increase the number of Liberians employed on vessels that fly the Liberian flag, a regulatory mechanism to mandate a minimum quota on ships flying under the Liberian flag is needed. However, this alone will not suffice and must be complemented by skills development initiatives involving curricula development, apprenticeship programmes etc. at the institutional level to boost human capital development.

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#### OVERALL LACK OF SUPPLY CHAIN MANAGEMENT EXPERTISE AT THE ENTERPRISE LEVEL LEADS TO INEFFICIENCIES AND INCREASES IN COSTS

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Liberian MSMEs lack expertise in supply chain management areas such as logistics, warehousing and fleet management, which leads to high levels of inefficiencies throughout the export value chain. Across the priority product sectors, the use of outdated processes has led to redundancies, cost increases and high wastage levels of product, and the overall impact has been low competitiveness and low survivability of export relationships. This is also a skills development issue since universities and other training institutions are primarily mandated with introducing these concepts and best practices through

their curricula. Improvements on the human capital front will also help increase the percentage of Liberian professional and technical support personnel in the logistics and transportation sectors.

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#### THERE IS AN OVERALL LACK OF AWARENESS AMONG LIBERIAN MSMEs OF EXISTING QUALITY SERVICES PROVIDERS

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In addition to capacity constraints there is a wide lack of awareness regarding information on services available to enterprises. For instance, even though NSL is presently not charging fees for testing and other services, its services are underutilized due to lack of public awareness about them. As previously discussed, an information dissemination campaign – launched through various media – is an important requirement to raise awareness of existing quality-related services in the sector.

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#### UNHYGIENIC PRACTICES INVOLVED IN PROCESSING AND TRANSFORMATION ACTIVITIES

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As discussed earlier, enterprises involved in the agricultural and fish and crustaceans sectors generally do not follow proper processes in the harvesting, handling and processing stages. For instance, in the cassava sector the general trend is that processors ferment the cassava for only one day, when the approved practice is for cassava to be fermented for three to four days to get rid of the high and dangerous cyanide content. In addition to this improper practice (which is followed due to the low shelf life of the product), there is no test to gauge cyanide levels during processing. Additionally, for agricultural sectors like cassava and marine sectors like fish and crustaceans there is poor hygiene around processing centres and this further depreciates the quality of the processed product.

## BORDER ISSUES (BUSINESS ENVIRONMENT)

### Business environment constraints

#### Infrastructure and regulatory reform

- Poor transportation infrastructure (road, railway and port) hampers SME sector operations and makes shipping of goods and raw materials challenging and costly.
- Business process redesign is essential to streamline port operations.
- There is a need to develop marine and river transportation to improve connectivity in the country, especially during the rainy season when the majority of roads are impassable.
- Unreliable electricity infrastructure is one of the main constraints to economic revitalization
- Weak commercial law enforcement leads to high costs and time delays in resolving disputes.
- Unclear land access and ownership rights in rural areas create an atmosphere of confusion and conflict.
- Weak cold chain infrastructure inhibits the agriculture sector.
- Limited availability of sanitary and phytosanitary (SPS) control and inspection facilities inhibit enterprises from meeting market requirements.
- The weak communication backbone in Liberia constrains the export sector.
- There is a need to improve infrastructure as well as streamline processes (loading, warehousing etc.) at ports.
- The carrying capacity of roads and bridges is not adequate.
- Truck fleets are frequently unavailable to enterprises.
- Limited processing implies low value addition and transformation.
- Low awareness about transport schedules among farmers and producers.
- Lack of planned warehousing and logistics at production and processing sites.
- Overall lack of supply chain management expertise at the enterprise level, leading to inefficiencies and increases in costs.

#### Trade facilitation issues

- The burdensome/inefficient regulatory environment increases delays for SMEs.
- The weak trade finance network in the country makes it challenging for actors across the export value chain to access credit.
- There is potential to use spare capacity in containers by pooling consignments and reduce current wastage of container space.

#### The quality of institutional support

- Government institutions lack data collection and analysis mechanisms to complete the feedback loop.
- The absence of a national trade promotion organization hampers export promotion and competitiveness development.
- Poor conditions for the harvesting, storage, processing and transportation of agricultural and marine products.
- The animal husbandry and veterinary system is weak.
- Low capacity for inspection and control of quality of marine and agricultural inputs in the country.
- NSL needs wide-ranging support.
- The import duty for quality-related capital equipment is high.
- Weak human capital talent supply chain and management in the quality sector.
- Lack of a packaging sector in the country.

#### 'Cost of doing business' issues

- Spatial spread of credit availability is a critical need for exporting enterprises/producers at MSME level.
- The absence of any formal system of maintaining and retrieving credit histories makes lending a challenge.
- Some of the lending activity in the non-profit space has created distortions and in turn exacerbated feelings of alienation among Liberian borrowers.
- Unsustainably high cost of (retail) borrowing.
- Low penetration rate of financing. Conventional financing is simply out of reach for the average borrower.
- The financial services sector has to increase efforts to offer products/services that serve specific needs such as those of smallholders, small exporters etc.
- Identity theft is a frequent occurrence.
- High costs associated with electricity tariffs (where grid access is available) and electricity generation (where enterprises have to use generators) lead to unsustainably high costs of doing business.
- Loading costs at ports are high and marked by an inflexible pricing structure
- Prevalent levels of bribe seeking behaviour associated with the public arena lead to delays and increases in business costs for enterprises.
- The proliferation of roadblocks and unofficial payments leads to increases in the cost of doing business for enterprises.

## INFRASTRUCTURE AND REGULATORY REFORM

### POOR TRANSPORTATION INFRASTRUCTURE (ROAD, RAILWAY AND PORT) HAMPERs SME SECTOR OPERATIONS AND MAKES SHIPPING OF GOODS AND RAW MATERIALS CHALLENGING AND COSTLY

The absence of adequate transportation infrastructure renders large parts of the country inaccessible during the rainy season from April to October. In 1960, Liberia had 1,150 miles of all-weather roads.<sup>110</sup> As of 2009 the amount of paved road was only 657 km, much of which remains in a severely dilapidated state.<sup>111</sup> Out of 10,600 km of roads in Liberia, less than a quarter are considered as all-weather roads.<sup>112</sup> WFP has further noted in an assessment that the roads suffer all year 'with eight months of rain every year, generally poor maintenance and overloaded trucks'.<sup>113</sup> An IMF report also notes that the road network is concentrated along mining corridors that converge on the capital city.<sup>114</sup> This may not necessarily cater to the needs to the MSME enterprises scattered across the country.

As of 2009, all of Liberia's seaports are in a serious state of disrepair owing to the damage inflicted during the civil war and the lack of maintenance that followed the conflict.<sup>115</sup> Monrovia Freeport is currently the only port in the country with the handling facilities and equipment required for loading, berthing etc. to handle large ships, but faces important constraints. For instance, the lack of large cranes at the port has resulted in high turnover times for loading and unloading. There is currently a deadlock on the issue of deploying large cranes at the port between APM (the company that was awarded a concession to run the Freeport terminals in 2010) and the government regarding the terms of the contract.

The railroad infrastructure in Liberia is currently quite weak and is in the process of being restored, primarily as part of requirements that accompany concessions. The network was mostly not operational between 1988 and 2008 and currently possesses very limited operational capability.

Liberia's national industrial policy recognizes the impediments that these constraints cause for the national export chain, from individual businesses on upwards. The lack of infrastructure increases the cost of production for businesses, affects their ability to sell competitively to outside markets, and also increases the difficulty for industry in Liberia to insert itself into global production chains.<sup>116</sup>

### BUSINESS PROCESS REDESIGN IS ESSENTIAL TO STREAMLINE PORT OPERATIONS

Liberian ports are marked by a lack of coordination and inefficiencies in processes involving scheduling, warehousing, loading/unloading etc. Export processes are cumbersome, not well laid out, time consuming, inconsistent and unpredictable, and consequently affect cost and diminish motivation to engage in exports.

The processes in place do not take into account efficiency gains. For instance, there is no framework and system in place for allowing less than container load exports to be pooled together in cases where the container is being shipped to the same destination. As a result, container space – a valuable commodity in Liberian ports – is often wasted. The pooling framework will allow for significant efficiency gains and cost savings for enterprises, and can serve to make export shipping more cost-efficient.

These deficiencies also lead to increases in operational costs and delays for enterprises. With this in mind, there is a need for overall business process redesign, infrastructural development and implementation of best practices across the main ports in Liberia.

### THERE IS A NEED TO DEVELOP MARINE AND RIVER TRANSPORTATION TO IMPROVE CONNECTIVITY IN THE COUNTRY, ESPECIALLY DURING THE RAINY SEASON WHEN THE MAJORITY OF ROADS ARE IMPASSABLE

There is an important need to improve the water-based transportation infrastructure to facilitate transportation of people and merchandise along the coast and rivers of Liberia. This mode of transportation becomes especially crucial in the rainy season when the roads are not navigable. Furthermore, developing coastal and inland transportation can serve to create an additional conduit for transportation and trade of goods and services within Liberia while also improving connections to hitherto isolated pockets of the country.

110. Clower, Robert et al. (1966). *Growth without Development: An Economic Survey of Liberia*, p. 24. Evanston, Illinois. Northwestern University Press.

111. World Food Programme (2009). *Logistics Capacity Assessment - Liberia*, p. 49.

112. *Ibid.*, p. 49.

113. *Ibid.*, p. 49.

114. International Monetary Fund (2010). *Liberia - Structural Impediments to Shared Growth*, p. 4.

115. World Food Programme (2009). *Logistics Capacity Assessment - Liberia*, p. 20.

116. Republic of Liberia, Ministry of Commerce and Industry (2011). *Industry for Liberia's Future*, p. 7.





Source: © jbdodane. Tubmanburg, Bomi, Liberia

#### UNRELIABLE ELECTRICITY INFRASTRUCTURE IS ONE OF THE MAIN CONSTRAINTS TO ECONOMIC REVITALIZATION

Liberia's energy infrastructure is underdeveloped and underwent significant damage during the conflict. 'Power plants, substation transmission lines, petrol storage tanks and depots'<sup>117</sup> were all affected and restoration of services has been slow. The Liberia Electricity Corporation, the main electricity provider in the country, has estimated a timeframe of five years (from 2009) and a cost estimate of US\$ 107 million to repair the electricity generation and distribution system in the country.<sup>118</sup> Despite improvements in the electricity sector since the end of the conflict, the power sector provides one of the starkest infrastructural challenges to overall economic revitalization.<sup>119</sup> The current power generation capacity of Liberia is one-tenth of the capacity of neighbouring countries.<sup>120</sup> The cost of generating power is significantly high at US\$0.77 per kilowatt-hour.<sup>121</sup> In the medium term, increasing the capacity of national power generation, decreasing the per kilowatt-hour production cost, and increasing national distribution will all be important priorities.

117. World Food Programme (2009). *Logistics Capacity Assessment – Liberia*, p. 77.

118. *Ibid.*, p. 77.

119. Republic of Liberia, Ministry of Planning and Economic Affairs (2011). *Lift Liberia Poverty Reduction Strategy Final Report – A Results Focused Assessment (June 2008 – December 2011)*. Washington DC: International Monetary Fund.

120. Foster, V. and Pushak, N. 2010. *Liberia's Infrastructure: a Continental Perspective*, p. 17. Africa Infrastructure Country Diagnostic (AICD) country Report. Washington, DC: World Bank.

121. *Ibid.*, p. 1.

#### WEAK COMMERCIAL LAW ENFORCEMENT LEADS TO HIGH COSTS AND TIME DELAYS IN RESOLVING DISPUTES

Enforcement of commercial law in Liberia is poor. The amount of time needed to resolve a contract dispute is nearly double the SSA average at 1,280 days and at a cost, measured as a percentage of claim, 15% higher than the OECD average.<sup>122</sup> Bankers also state that there is a need to improve the rule of law and contract enforcement in financial matters. The weak judicial system makes it difficult for financial institutions to recover bad loans in court.

#### UNCLEAR LAND ACCESS AND OWNERSHIP RIGHTS IN RURAL AREAS CREATE AN ATMOSPHERE OF CONFUSION AND CONFLICT

Land tenure arrangements and administration are not well developed outside of cities like Monrovia. A general atmosphere of confusion and conflict prevails in rural areas due to overlapping access and ownership rights, which has led to a dual land market and administration between customary and statutory land.<sup>123</sup> Conflicting clauses in the land tenure system have led to constant dual interpretation and conflict between rural communities and the state. For a post-conflict society still progressing along the reconstruction and peace-building process, this is a sticking point that maintains tension. These constraints are

122. World Bank (2012). *Doing Business: Doing Business in a More Transparent World (2012)*.

123. Republic of Liberia (2011). *Liberia Rising 2030 Retrospective Analysis – Land, Environment, and Natural Resource Management*. Monrovia.



reflected in the 2012 Doing Business rankings released by the World Bank, in which Liberia was ranked 163rd out of 183<sup>124</sup> economies for 'registering property'.

#### WEAK COLD CHAIN INFRASTRUCTURE INHIBITS THE AGRICULTURE SECTOR

Liberia's agriculture sector is primarily subsistence based. However, there is a small plantation-based/ cash crops sector that is able to reach export markets. Enterprises face major concerns related to the cold chain infrastructure in the country and there is a need to develop a broad range of services such as refrigerated logistics, cold storage facilities, handling services etc.

#### LIMITED AVAILABILITY OF SANITARY AND PHYTOSANITARY (SPS) CONTROL AND INSPECTION FACILITIES INHIBITS ENTERPRISES FROM MEETING MARKET REQUIREMENTS

Liberian enterprises, especially from the marine products and agriculture sectors, face a lack of nationwide infrastructure for quality control including laboratories, testing centres etc. This hinders their ability to satisfy national and international quality requirements. The available SPS regulations and inspection facilities are below international

124. World Bank (2012). Doing Business: Economy Rankings. Available from <http://doingbusiness.org>.

standards. The limited infrastructure is concentrated in major cities like Monrovia, which creates logistical complications for exporters given Liberia's challenging terrain and poor transportation infrastructure.

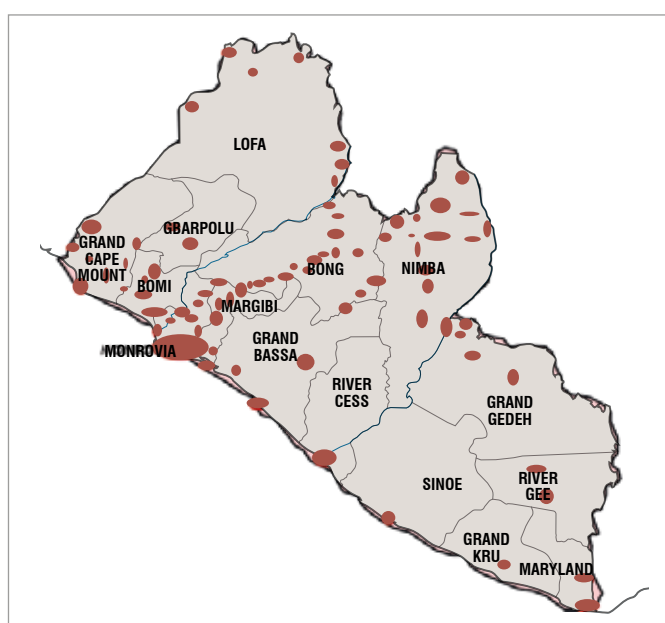
#### THE WEAK COMMUNICATION BACKBONE IN LIBERIA CONSTRAINS THE EXPORT SECTOR

Communication infrastructure – essentially the landline, Internet and mobile telephony infrastructure – is a critical parameter in developing competitiveness of enterprises in an economy. The fixed line telephone network in Liberia was essentially destroyed during the civil war and current penetration levels are estimated to be less than 0.1%.<sup>125</sup>

Mobile telephony in Liberia is characterized by an increasingly competitive market with high penetration rates mainly around Monrovia and select urban areas, growing from 18% in 2003 to 32% in 2009. A key challenge in this sector remains expanding the mobile footprint into rural areas, where the bulk of MSMEs operate. This is indicated by the recent coverage map of Lonestar (the market leader of mobile services in the country) shown in Figure 25. The areas highlighted in dark red indicate geographical areas with coverage. As is evident, the coverage is concentrated around the capital and around select rural production areas.

125. Foster, V. and Pushak, N. 2010. *Liberia's Infrastructure: a Continental Perspective*, p.21. Africa Infrastructure Country Diagnostic (AICD) country Report. Washington, DC: World Bank.

Figure 25: Lonestar mobile telephony penetration map



Source: Lonestar, 2011.



Source: © jbdodane. Crown Hill, Monrovia

Internet access in Liberia remains a crucial challenge that has affected the competitiveness of the export sector. Internet coverage is characterized by poor performance and high prices. Within the export value chain, steady and economical Internet access is essential for enhancing global communications, keeping abreast and publishing relevant information (trade information, transportation schedules) and promoting enterprises. As indicated earlier, the weak Internet connectivity in Liberia is driven largely by a lack of connectivity to the SAT3 submarine cable running along the West Africa coast, or to the backbone networks of neighbouring countries.<sup>126</sup> The weak Internet backbone in Liberia serves as a competitive disadvantage for the country's exporters, even at a regional level.

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#### THERE IS A NEED TO IMPROVE INFRASTRUCTURE AS WELL AS STREAMLINE PROCESSES (LOADING, WAREHOUSING ETC) AT PORTS

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Liberian ports are marked by a lack of coordination and inefficiencies in processes involving scheduling, warehousing, loading/unloading etc. Export processes are cumbersome, not well laid out, time consuming, inconsistent and unpredictable, and consequently impact on cost and diminish motivation to engage in exports. These deficiencies also lead to an increase in operational costs and delays for enterprises. There is thus a need for an overall business process redesign, infrastructural development and implementation of best practices across the main ports in Liberia. Additionally, employees and technical support personnel must be trained on supply chain management concepts and information technology systems such as enterprise resource planning and scheduling software.

The ports also face significant requirements for infrastructural improvements. Freeport is the only Liberian port with

the capacity (loading, berthing etc.) to handle large ships, and faces important constraints. For instance, the lack of large cranes at the port has resulted in high turnover times for loading and unloading. There is currently a deadlock on the issue of deploying large cranes at the port between APM (the company that was awarded a concession to run the Freeport terminals in 2010) and the government regarding the terms of the contract.

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#### THE CARRYING CAPACITY OF ROADS AND BRIDGES IS NOT ADEQUATE

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The transport network needed for the movement of goods and services to Monrovia is inadequate given that most of Liberia's infrastructure is designed to serve Monrovia and Montserrado County. There is a very thin spread of road networks into other counties, except for those that are near large concession activity areas. Therefore roads present a significant and widespread infrastructural constraint outside Monrovia.

In addition, the rainy season in Liberia poses challenges for the transport of goods out of non-urban counties into Monrovia for export through the Freeport of Monrovia, the largest and most active port in the country. Since most of the roads in the country are laterite roads they take in a lot of water during the rainy season, which lasts close to seven months. For instance, during the rainy season it takes close to nine days to transport goods from Maryland County to Monrovia, while the route would take three days during the dry season.

The weight-carrying capacity of roads and bridges in the country are also inadequate. Most bridges are in a state of disrepair. This makes transportation onerous as temporary bridge repairs are often made by transporters themselves,<sup>127</sup> resulting in increases in shipment delays.

126. *Ibid.*, p. 23.

127. As expressed by stakeholders during the Stakeholders Consultation held in Monrovia on 27 February 2012.

## Box 12: Port of Monrovia

The Port of Monrovia is currently the only port in Liberia which has the handling facilities and equipment necessary for humanitarian and commercial usage. The port, also known as Freeport, has received significant aid from international aid actors such as the World Bank to improve port infrastructure and operations. In 2010 a concession was awarded to APM Terminals for running the port's operations. The company is expected to invest about \$120 million as part of this concession. The following is a partial list of issues that has affected the port's operations in the recent past:\*

- No fixed shore cranes, necessitating all vessels calling on the port to operate with their own cranes;
- Both full and empty container parks are dilapidated and in need of repair;
- Unavailability of reliable tug and pilot boats to facilitate the safe docking and undocking of vessels calling at the port;
- Constraints in managing port security;
- Silted harbour basin which poses a hazard to vessels manoeuvring to dock;
- Sea floor infested with wrecks and other underwater obstacles which pose a danger to ships calling at port;
- Poor port road network which contributes to frequent breakdown of port handling equipment, thereby shortening their life span;
- Lack of navigational aids to facilitate docking and undocking operations at night;
- Bloated workforce for whom there exists no work and no money to pay;
- Inadequate water supply system for the port's own use and that of ships calling at the port.

\* Extracted from World Food Programme (2009). *Logistics Capacity Assessment – Liberia*

### TRUCK FLEETS ARE FREQUENTLY UNAVAILABLE TO ENTERPRISES

The size (in terms of number of vehicles) of the transport and trucking fleet within the county is insufficient for the country's current needs. The palm oil sector –which requires relatively specialized and unavailable oil tankers– is particularly affected.

### LIMITED PROCESSING IMPLIES LOW VALUE ADDITION AND TRANSFORMATION

There is a dearth of food processing centres for agricultural produce. When available, they are few and far between and are situated closer to areas where there is high access to energy and fuel, which in Liberia's case applies primarily to Monrovia. This applies to the processing of spices, cassava and palm oil. For the fisheries sector, cold storage and refrigerated trucking facilities are woefully inadequate and mostly unavailable. Most artisanal fishmonger women have to price (following no pre-set rules) and quickly sell their catch, with low profit margins. Fishmongers have to process quickly by primarily selling fresh fish, and pricing it to avoid spoilage due to lack of

cold storage and value addition centres, or smoking and drying the fish.

Silos, processing and value addition centres are rare and are not situated close to the ports to ease the logistics process for exportation. Processing centres, when they exist, are rudimentary, often open air facilities and not designed to address sanitary and phytosanitary (SPS) quality requirements for exports.

### LOW AWARENESS ABOUT TRANSPORT SCHEDULES AMONG FARMERS AND PRODUCERS

In addition to the problems posed by the poor transport network and services in Liberia, the lack of awareness of transportation schedules of trucks makes it even more difficult for enterprises to transport their product to their customers. This is accentuated by the ruggedness of terrain and the isolated locations of villages. There is an urgent need to develop information dissemination through radio, television and Internet for broadcasting truck transport schedules regularly to farmers and cooperatives so that they are aware and can plan in advance.

### LACK OF PLANNED WAREHOUSING AND LOGISTICS AT PRODUCTION AND PROCESSING SITES

Warehousing at production/processing sites is usually inadequate and lacking in quality. Existing warehouses mostly suffer from low maintenance and most are not climate controlled. Apart from an urgent need for rehabilitation there is also an overall lack of planning in terms of the location and the logistics involved in the actual stocking of the warehouses. Location is important so as to maintain rationalized distances between farms and feeder roads to mitigate post-harvest losses and decrease transportation costs.

### OVERALL LACK OF SUPPLY CHAIN MANAGEMENT EXPERTISE AT THE ENTERPRISE LEVEL LEADING TO INEFFICIENCIES AND INCREASES IN COSTS

Liberian MSMEs lack expertise in supply chain management areas such as logistics, warehousing and fleet management, which leads to high levels of inefficiencies throughout the export value chain. Across the priority product sectors the use of outdated processes has led to redundancies, cost increases and high wastage levels of product, and the overall impact has been on competitiveness and low survivability of export relationships. This is also a skills development issue since universities and other training institutions are primarily mandated with introducing these concepts and best practices through their curricula.

## TRADE FACILITATION ISSUES

### THE BURDENSOME/INEFFICIENT REGULATORY ENVIRONMENT INCREASES DELAYS FOR SMES

The business environment in which SMEs operate is inefficient and is burdened with excessive documentation and formalities. A variety of agencies make SMEs spend large amounts of time and resources to process export-related documents. There are duplications. Agencies act with little coordination and there is no automation of the processes.

### THE WEAK TRADE FINANCE NETWORK IN THE COUNTRY MAKES IT CHALLENGING FOR ACTORS ACROSS THE EXPORT VALUE CHAIN TO ACCESS CREDIT

Strengthening the trade finance infrastructure is critical for injecting vigour into the MSME sector in Liberia. Access to credit in Liberia is challenging for enterprises operating across the export value chain. Liberian enterprises

possess limited operation and investment capital on their own, and the absence of a robust trade finance network providing loans and export credits increases their challenges. According to the World Bank global development indicators, domestic credit provided by financial institutions (as a percentage of GDP) decreased from 160% in 2007 to a low 41% in 2011. Liberia's microfinance strategy notes that, on the supply side, there are a variety of issues affecting flow of credit:<sup>128</sup>

- There is currently very limited microfinance expertise available in the labour market;
- Banks have limited technical capacity to assess and manage the risk of micro and small entrepreneurs (many of whom do not have any sort of credit history);
- Weak governance and management capacity of credit unions further limits their capacity to deliver;
- Lack of loan capital for credit-only institutions and credit unions to increase outreach; and,
- Poor linkages between credit unions and banks and other financial providers.

### THERE IS POTENTIAL TO USE SPARE CAPACITY IN CONTAINERS BY POOLING CONSIGNMENTS AND REDUCE CURRENT WASTAGE OF CONTAINER SPACE

There is currently no framework and system in place for allowing exports of less than a full container load to be pooled together in cases where the container is being shipped to the same destination. As a result, container space – a valuable commodity in Liberian ports – is often wasted. The pooling framework will allow for significant efficiency gains and cost savings for enterprises and can serve to make export shipping more cost efficient.

## THE QUALITY OF INSTITUTIONAL SUPPORT

### GOVERNMENT INSTITUTIONS LACK DATA COLLECTION AND ANALYSIS MECHANISMS TO COMPLETE THE FEEDBACK LOOP

While Liberia gradually continues to build capacity in national institutions to collect, report and analyse data, the current information gap presents considerable challenges for the government and the private sector. Without efficient means of collecting and analysing data the government cannot to close the feedback loop on the monitoring of existing national initiatives, and is therefore unable to plan corrective measures efficiently or respond to the needs of its constituencies, including the private sector, in a timely manner. This is especially problematic as, on their end,

128. Central Bank of Liberia (2009). *The Liberian Strategy for Financial Inclusion (2009–2013)*. Monrovia.

MSMEs lack the capacity to organize themselves and advise the government on their critical needs and priorities. Forums to exchange data between the state and the business sector are infrequent and ad hoc.<sup>129</sup>

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#### THE ABSENCE OF A NATIONAL TRADE PROMOTION ORGANIZATION HAMPERS EXPORT PROMOTION AND COMPETITIVENESS DEVELOPMENT

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As noted earlier in the institutional perspective section in this document, Liberia does not have a national TPO, which typically serves as the primary organization mandated by policymakers to promote exports, provide trainings, disseminate trade-related information etc. Within a country's TSN, a TPO coordinates with other TSIs to ensure division of labour and effective resource utilization on activities geared towards export promotion and broad competitiveness development in the export sector. In Liberia, TPOs exist only at the sector level, and this has resulted in a highly fragmented and uncoordinated institutional landscape with redundancies and overlaps. Considering the limited technical and financial resources available in Liberia, the business case for setting up a TPO is very strong.

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#### POOR CONDITIONS FOR THE HARVESTING, STORAGE, PROCESSING AND TRANSPORTATION OF AGRICULTURAL AND MARINE PRODUCTS

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There is a broad deficiency of storage and preservation infrastructure in Liberia, especially in the harvesting, processing, and transportation stages of the export value chain. This has adversely affected the shelf life of products in the marine and agricultural sectors and leads to high levels of wastage. These infrastructural deficiencies do not just impact the export value chain, but also the significant level of imports of food products in the country as described in a recent report:

Because of the current low levels of production, Liberia imports large quantities of food products, including many highly perishable items such as fresh eggs and poultry products. Due to the current weak inspection system for imported food, the products are likely of inferior quality and safety upon arrival in the country, which is further exacerbated by unhygienic storage and transport conditions often occurring in the country. Storage of perishable items is particularly hampered by the extremely limited availability of electricity in the country, thus causing limited refrigeration and frozen storage capacity. Further, the imported food

items (such as fruits and vegetables) may bring disease and pests with them that could affect the same plants growing in the country.<sup>130</sup>

The implications for exporters are significant: since exporters are unable to manage and increase the shelf life of products, the potential for value addition and product differentiation remains untapped. There is thus a need to improve the processing, cold chain, packaging and overall storage infrastructure across Liberia.

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#### THE ANIMAL HUSBANDRY AND VETERINARY SYSTEM IS WEAK

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The consequence of a weak animal health management system in Liberia is that the quality of livestock and meats, including fish, that is grown and consumed in the country is poor and needs to be strengthened. There is an urgent need to strengthen the animal husbandry and veterinary services in the country at both a policy and implementation level. Quality standards (especially related to SPS and HACCP guidelines) in this regard are insufficient and need to be bolstered.

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#### LOW CAPACITY FOR INSPECTION AND CONTROL OF QUALITY OF MARINE AND AGRICULTURAL INPUTS IN LIBERIA

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The mechanism for inspection and enforcement of quality standards in Liberia, especially in the marine and agricultural sectors, is weak and has consequently led to a culture of voluntary compliance among enterprises when it comes to quality issues. This monitoring and enforcement needs to be strengthened and empowered through policy implementation and infusion of financial and technical support to national institutions responsible for these inspection and control activities.

Given the low capacity of national institutions to provide conformity assessment services for agricultural (and food) products, international companies such as SGS provide a range of services but also face barriers such as high import taxes (related to capital equipment), a challenging business environment and poor availability of qualified technical personnel in the country.

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#### NSL REQUIRES WIDE-RANGING SUPPORT

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NSL is at an advanced stage of development with assistance from UNIDO and currently offers services including food composition testing and metrology services.

129. Republic of Liberia, Ministry of Commerce and Industry (2011). *Industry for Liberia's Future*, p. 7.

130. Vanderwal, L. (2012). *Country Situation Report: Assessment of the Biosecurity/Sanitary and Phytosanitary (food safety, animal and plant health) situation in Liberia*. Standards and Trade Development Facility.



However, NSL faces significant technical and human capacity constraints. Some staff, such as a quality manager, are already in place but there is additional need to hire laboratory managers and other qualified technicians. In the recent past NSL has faced certain non-compliance issues related to infrastructure and maintenance of proper documentation. Continued capacity-building and certification as a certifying lab is needed. NSL can issue test results but cannot offer certificates for quality since it has yet to meet certain benchmarks related to minimum number of sample tests conducted. Additionally, NSL is not able to offer certain services because it is still trying to get international accreditation.

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#### THE IMPORT DUTY FOR QUALITY-RELATED CAPITAL EQUIPMENT IS HIGH

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In a post-conflict country like Liberia, technology transfer initiatives deserve special attention given the wide-ranging destruction of infrastructure. Technology not available in the country must frequently be imported and it is in this regard that the import tariffs regime plays an important part. Import costs for capital equipment are very high in Liberia, which acts as a deterrent for companies to import capital equipment required for inspection and quality.

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#### WEAK HUMAN CAPITAL TALENT SUPPLY CHAIN AND MANAGEMENT IN THE QUALITY SECTOR

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There is a crucial need in the Liberian quality sector to ensure that existing laboratories (NSL, SGS, Metrolab, other labs at MoA and MoH, private stakeholders, etc.) are properly equipped, staffed, trained and accredited according to international standards so that they can provide industry-leading services to Liberian enterprises. Institutions like NSL and the Bureau of Industry's Standards Division, as well as international private sector companies like SGS, have noted that the sector faces a severe shortage of qualified technical personnel.

The human capital deficit in the quality sector is also partially a result of the short-sightedness of policymakers. For instance, an offer by SGS to situate a mineral academy in Liberia – which would have developed a pipeline of highly trained technical expertise, as well as facilitated an influx of best processes and technology in the Liberian quality sector – was turned down by the government, and as a result the academy is now located in Ghana instead.

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#### LACK OF A PACKAGING SECTOR IN THE COUNTRY

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The packaging industry in Liberia is virtually non-existent, adversely affecting the shelf life and competitiveness of Liberian MSMEs in both domestic and international

markets. For instance, availability of containers to store and extend the shelf life of fish products is very poor, and for that reason the only variety of fish available apart from fresh fish is dried fish. This also affects the pricing of fish to the disadvantage of the fisherman or fishmonger because they have to get rid of their fish quickly and have to price it to go. In international markets product diversification and a long shelf life are important, both of which are directly related to packaging infrastructure. Therefore, a strong packaging sector has important bearing on quality.

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#### 'COST OF DOING BUSINESS' ISSUES

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##### SPATIAL SPREAD OF CREDIT AVAILABILITY IS A CRITICAL NEED FOR EXPORTING ENTERPRISES/PRODUCERS AT MSME LEVEL

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A mechanism is needed that can line up credit lines from different providers and instruments depending on growth phase, particular operational need (e.g. capital investment vs. working capital) and field presence for these producers/enterprises. There is an urgent need to pilot and scale alternative branchless banking models including possibly mobile banking (M-Pesa) products that have now been successfully piloted all over Africa and the developing world.

The information and communications technology policy framework of the Ministry of Planning and Economic Affairs and the CBL-led Financial Inclusion Strategy Framework provide for such technology-based service provision via the cellular network. Furthermore, on the human capacity side the invaluable tacit capabilities and networks in the informal economy urgently need to be mainstreamed and fully exploited for they are inherently fully customized for local conditions and have by far the greatest reach along entire value chains such as to reach communities in time and in an effective manner.

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##### THE ABSENCE OF ANY FORMAL SYSTEM OF MAINTAINING AND RETRIEVING CREDIT HISTORIES MAKES LENDING A CHALLENGE

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There is a need to immediately pilot either a credit rating agency or service (possibly outsourced to a private service provider) that would allow producers/exporters to access credit at competitive rates based on a transparent credit scoring system that is widely shared and independently verified. This goal has already been identified and targeted within different implementation frameworks but remains unachieved.

Monetization/collateralization: there is an immediate need to design and implement new approaches in monetization of non-traditional capital types such as community-owned land, indigenous knowledge, seed banks and

informal crop assurance mechanisms suited to low income, primarily informal situations.

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#### SOME OF THE LENDING ACTIVITY IN THE NON-PROFIT SPACE HAS CREATED DISTORTIONS AND IN TURN EXACERBATED FEELINGS OF ALIENATION AMONG LIBERIAN BORROWERS

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There is an underlying belief among many small business owners and many NBFC/NGO credit providers that credit has to be accessed at subsidized rates and that the poor cannot sustainably repay loans extended at commercial rates of interest. There is, however, much evidence to the contrary, including the persistent survival and consistently successful performance of Susu and other informal savings/lending groups that shows that small/micro business owners and producers need and will successfully service loans at market determined costs of borrowing.

Among those smallholders/MSMEs who have been able to access grants or soft loans, there is therefore somewhat of a distortion of capital/credit markets that are free and competitive. Many such borrowers have now become accustomed to accessing credit either at no cost or at artificially low costs. Many of these borrowers have turned delinquent when lent money at commercial rates. This in turn has made commercial lenders particularly risk averse. Commercial lenders now prefer to lend to the non-Liberian business community, which already had access to credit from community/other professional networks. This has in turn fuelled the belief among Liberian borrowers that the banks are not in Liberia to lend to Liberians, but to make the already dominant foreign business community even more powerful.

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#### UNSUSTAINABLY HIGH COST OF (RETAIL) BORROWING

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In 2011 CBL made available to local banks a US\$2.8 million credit line for onward lending to SMEs in the country. The CBL credit line was extended to retail lenders at an interest rate of 3% with the expectation that banks would lend to borrowers at a rate of between 5% and 8%, implying that banks could make a profit of up to 5% on each loan. The banks on the other hand have been unable to extend loans to SME borrowers at that rate. Retail banks, in turn, after factoring in the higher than average delinquency rates among SME borrowers and the possible need to absorb high non-performing assets (toxic assets) and to create a natural barrier to non-serious borrowers, are selling loans at rates between 15% and 17% after factoring in processing fees.

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#### CONVENTIONAL FINANCING IS SIMPLY OUT OF REACH FOR THE AVERAGE BORROWER

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As Table 11 shows, most loans made in the formal sector in Liberia simply do not reach the average borrower, especially in the agriculture sector, which forms the bulk of economic activity and accounts for over 60% of all employment in the country. The overall lending to the agriculture sector as a whole was an abysmal 2.3%.

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#### THE FINANCIAL SERVICES SECTOR HAS TO INCREASE EFFORTS TO OFFER PRODUCTS/SERVICES THAT SERVE SPECIFIC NEEDS SUCH AS THOSE OF SMALLHOLDERS, SMALL EXPORTERS ETC

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There is immediate need to extend export commodity-specific microfinance and agro-trade related products in rural Liberia, especially in commercial crop sectors such as cocoa, coffee, oil palm and other agro-based sectors such as fish and forestry products. These should include crop insurance, micro-insurance/leasing and introduction of widespread individual lending in addition to the present norm of group lending (especially in the NBFC and microfinance sectors).

**A 2007 International Bank, Bank Liberia, Databank and Pan African Capital Group report on the financial sector of Liberia states:**

The banking sector in Liberia is awash with liquidity despite the imposition of a reserve requirement of 22%. This is the result of a combination of factors including the lack of alternative avenues to invest cash, poor capacity to assess credit risk, high default risk given the damage the war has done to the economy and the lack of credit history on potential borrowers. Given the state of the economy, it is crucial to recapitalize businesses, especially small and micro-enterprises that hold the key to effective job creation and the resuscitation of the economy.

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#### IDENTITY THEFT IS A FREQUENT OCCURRENCE

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Many potential borrowers in Liberia discover that someone else has already accessed a loan in their name by using fake property documents, fake birth certificates and so on. In many cases these fake applicants also turn delinquent. In a country where there are few tamper-proof systems to protect identities and claims and counter claims can seem as authentic as the other, this has two consequences for the individual whose identity has been stolen. First, the cumbersome legal process required to prove non-involvement and second, being unable – as a result of a bad record – to access any credit themselves.

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### HIGH COSTS ASSOCIATED WITH ELECTRICITY TARIFFS (WHERE GRID ACCESS IS AVAILABLE) AND ELECTRICITY GENERATION (WHERE ENTERPRISES HAVE TO USE GENERATORS) LEAD TO UNSUSTAINABLY HIGH COSTS OF DOING BUSINESS

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In general, both transportation and energy infrastructure outside of the enclave sectors is poor and adversely affects the business climate for MSMEs who do not benefit from the mostly self-sustained environment and services existing within the enclaves. Only 2% of rural individuals have access to modern energy sources.<sup>131</sup> The figure is only 10% in urban settings.<sup>132</sup> Even when connection to the electricity grid is available, the power tariff of US\$0.43 per kilowatt-hour is about three times the average for Africa, which is itself significantly higher than the global average.<sup>133</sup>

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### LOADING COSTS AT PORTS ARE HIGH AND MARKED BY AN INFLEXIBLE PRICING STRUCTURE

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Prices for handling operations in Liberian ports are inflexible and expensive for small-scale exporters that are trying to export small loads. This increases per unit handling costs by a significant level and hurts the competitiveness of the exporters. In this regard the pricing structure has proved inadequate for small players.

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### PREVALENT LEVELS OF BRIBE SEEKING BEHAVIOUR ASSOCIATED WITH THE PUBLIC ARENA LEAD TO DELAYS AND INCREASES IN BUSINESS COSTS FOR ENTERPRISES

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As elaborated in the business environment section of the NES, incidences of graft in the official decision making flow of public offices add to the burden and costs associated with running a business. Based on the enterprise survey, almost 70%<sup>134</sup> of surveyed Liberian manufacturing firms (of all sizes) reported at least one incidence of being asked for gifts/informal payments. Corruption was cited as the fourth biggest constraint to doing business by Liberian enterprises.<sup>135</sup>

'Irregular road tariffs' are extorted at a multitude of road checkpoints being operated by the joint security forces.



Source: © jbdodane. Crown Hill, Monrovia.

In general, bribe seeking behaviour is very common and flourishes due to incidences of truckers who are not properly licensed, or are driving trucks that are not properly registered or are in a poor roadworthy condition.

Another aspect of the high proliferation of bribe seeking behaviour is the adverse impact on women, who comprise 80% of the stakeholders involved in Informal Cross Border Trade (ICBT) across Liberia. Women are continually harassed and have to make unofficial payments to have their goods transferred across the border for very short distances (in some cases as little as 50 feet).

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### THE PROLIFERATION OF ROADBLOCKS AND UNOFFICIAL PAYMENTS LEADS TO INCREASES IN THE COST OF DOING BUSINESS FOR ENTERPRISES

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It is difficult to estimate the amount of 'irregular road tariffs' that are extorted at the multitude of road checkpoints operated by the joint security forces. Bribes have to be paid in general and even more so for those truckers who are not properly licensed or are driving trucks that are not properly registered or are in a poor roadworthy condition.

The proliferation of bribe-seeking behaviour especially affects women, who comprise 80% of the stakeholders involved in Informal Cross-Border Trade (ICBT) across Liberia. Women are continually harassed and have to make unofficial payments to have their goods transferred across the border for very short distances (in some cases as little as 50 feet).

131. Republic of Liberia (2008). *Poverty Reduction Strategy*, p. 103.  
132. *Ibid.*, p. 103.

133. Foster, V. and Pushak, N. 2010. *Liberia's Infrastructure: a Continental Perspective*, p.1. Africa Infrastructure Country Diagnostic (AICD) country Report. Washington, DC: World Bank.

134. World Bank (2009). *Enterprise Surveys: Liberia*. Available from [www.enterprisesurveys.org/Data/ExploreEconomies/2009/liberia/](http://www.enterprisesurveys.org/Data/ExploreEconomies/2009/liberia/).

135. *Ibid.*

## Market entry constraints

### Market access and policy reform

- Inability of exporters to use existing preferential access mechanisms.

### Trade and business services support

- Inadequate access to market intelligence and other trade-related data leads to inefficiencies and dependence on informal information networks.
- Inadequate/lack of trade-related information sharing between transnational corporations and the SME sector.
- Inadequate information pertaining to consumer demands and market trends prevents product differentiation and value addition, while information gaps related to global packaging and handling standards prevent Liberian exporters from meeting minimum foreign buyer demands.

### National promotion and branding

- There is a need to shift the global mindset as the Liberian brand is primarily associated with civil war.

## BORDER-OUT (MARKET ENTRY)

### MARKET ACCESS AND POLICY REFORM

#### INABILITY OF EXPORTERS TO USE EXISTING PREFERENTIAL ACCESS MECHANISMS

Despite significant market access potential offered by the bilateral and multilateral trade agreements to which Liberia is a signatory (including EPA, ECOWAS programmes and AGOA), enterprises in the country have been unable to capitalize on it. The reasons are diverse and, as discussed through this section, include inadequate infrastructure and processing capability and weak quality management, among others. Poor availability of trade and market information is also an issue, as exporters are frequently unaware of information related to new opportunities and market trends. As a result, despite the significant preferential access available to exporters through trade agreements, Liberian exporters are unable to establish and sustain export relationships.

### TRADE AND BUSINESS SERVICES SUPPORT

#### INADEQUATE ACCESS TO MARKET INTELLIGENCE AND OTHER TRADE-RELATED DATA LEADS TO INEFFICIENCIES AND DEPENDENCE ON INFORMAL INFORMATION NETWORKS

Strategy teams across the NES sectors have noted the dependence of exporters on private sources within informal networks in the country for accessing this information. There are no one-stop shops –either physical or

web-based – that can serve as a dissemination mechanism. Official resources currently lack the capacity to collect and consolidate information from a variety of national and international sources, and to disseminate this information to Liberian enterprises. Symposium stakeholders noted that this lack of trade-related information leads to inefficiencies and delays, and consequently an increased cost of doing business. In the worst case, this gap prevents Liberian enterprises from entering the export value chain altogether.

#### INADEQUATE/LACK OF TRADE-RELATED INFORMATION SHARING BETWEEN TRANSNATIONAL CORPORATIONS AND THE SME SECTOR

The private sector in Liberia can be broadly separated into two categories –transnational corporations which operate mainly in the extractive and natural resources sectors, and MSMEs (the main source of income for nearly 80% of all Liberians)<sup>136</sup> that face significant financial, technical capacity challenges. The former work in mostly self-sufficient enclaves and have not traditionally shared data openly. The latter lack sufficient and timely information on business regulations, trade-related information, critical information related to tariff/non-tariff barriers, opportunity (market entry) identification, country specific export procedures, trade statistics and trends that can help support exporters in penetrating new markets, diversifying their customer/product base among other aspects. There is a lack

136. Republic of Liberia, Ministry of Commerce and Industry (2011). *Poverty Alleviation and Wealth Creation through Small Enterprise Development. Rationale, Policy, and Implementation Framework for MSME Development in Liberia: 2011-2016*, p. 6.





Source: © ITC

of export understanding in the Liberian MSME sector, which is compounded due to the lack of available trade-related information. Improved flow of information between transnational corporations and MSMEs can significantly alleviate the information challenges of the MSME sector.

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INADEQUATE INFORMATION PERTAINING TO CONSUMER DEMANDS AND MARKET TRENDS PREVENTS PRODUCT DIFFERENTIATION AND VALUE ADDITION, WHILE INFORMATION GAPS RELATED TO GLOBAL PACKAGING AND HANDLING STANDARDS PREVENT LIBERIAN EXPORTERS FROM MEETING MINIMUM FOREIGN BUYER DEMANDS

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Across the board, Liberian exporters face information gaps that prevent them from increasing value addition and differentiating their products in a particular foreign market. Reports on market trends and forecasts can allow exporters to adjust their product offerings based on consumer demands. Inadequate information on this front prevents a competitive build-up in Liberian exports.

On a related but separate front, the lack of information related to minimum handling, quality and packaging standards can result in exporters being unable to penetrate new markets, loss of market share, and in the worst case, rejected products.

## NATIONAL PROMOTION AND BRANDING

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THERE IS A NEED TO SHIFT THE GLOBAL MINDSET AS THE LIBERIAN BRAND IS PRIMARILY ASSOCIATED WITH CIVIL WAR

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One of the casualties of the Liberian civil war was the national brand. As in the case of other post-conflict societies, there is a need to rebuild the Liberian brand image –and by association the brand image associated with exported Liberian products– within the international community. The challenge is to find avenues to effectively capitalize on changing perceptions of Liberia as a symbol of post-conflict recovery and as an active contributor to growth in Africa. Considering the long duration and severity of the conflict, this is considered a difficult but important aspiration.



**Poverty alleviation and gender inclusiveness**

- Increasing operations and investments in extractive industry sectors must translate into equitable growth for all Liberians.
- There is an urgent need to spur national job creation, especially for former combatants.
- Low literacy levels for women increase challenges for gender mainstreaming.
- Women are excluded from land ownership and associated rights.
- The slow pace of the national reconciliation process is adversely affecting the peace-building process in the country.
- The natural disposition of women towards quality control and management is not being tapped.

**Environmental sustainability and climate change**

- Weak linkages between government institutions, agencies and parastatals are resulting in further damage to environmental resources that are already fragile.
- Environmental sustainability is under threat from Liberia's extractive industry operations
- Adverse environmental impacts from practices related to subsistence farming include loss of valuable tree species and loss of wildlife habitat.

## DEVELOPMENT ISSUES

### POVERTY ALLEVIATION AND GENDER INCLUSIVENESS

#### INCREASING OPERATIONS AND INVESTMENTS IN EXTRACTIVE INDUSTRY SECTORS MUST TRANSLATE INTO EQUITABLE GROWTH FOR ALL LIBERIANS

In the case of post-conflict societies such as Liberia, FDI can act as a double edged sword. On the one hand, it provides an important role in the economic development of the country by providing the much needed missing 'capital, technology, and linkage to outside markets';<sup>137</sup> on the other hand, it can result in adverse socioeconomic effects as acknowledged by the Ministry of Industry and Commerce:

The Government also recognizes that investments offer Liberia an opportunity to kick-start creation of industries through access to necessary capital, technology, and foreign markets and development of know-how and skills.

However, Liberia's current ability to absorb FDI is low – the investment climate is poor, and barriers to trade and investment are many. Institutions are weak, with transparency, poor information flows and low capacity an issue. Accessing infrastructure and services is also difficult and expensive, and the complexity of the land system (and the scarcity of appropriate industrial land) is a constraint to investment and development.<sup>138</sup>

137. Republic of Liberia, Ministry of Commerce and Industry (2011). *Industry for Liberia's Future*, 2011, p. 27.

138. *Ibid.*, pp. 26–27.

There is a need to ensure that growth in extractive industry operations is equitable and shared with the broader Liberian society, especially groups that are adversely affected due to the operations. Furthermore, there is a need to put efficient monitoring and evaluation mechanisms in place to maintain a check on operations in the sector and to ensure that companies stand by their contractual obligations.

#### THERE IS AN URGENT NEED TO SPUR NATIONAL JOB CREATION, ESPECIALLY FOR FORMER COMBATANTS

While more than 100,000<sup>139</sup> former combatants from the Liberian civil war have been disarmed through national and international-led disarmament, demobilization and reintegration efforts, there are still concerns that the lack of an alternate livelihood may tempt many former combatants to form or join militias or partake in illegal activities. Creating jobs for these individuals and in general throughout the economy is a priority.

Of Liberia's total population, 63% is under 25 years of age.<sup>140</sup> The IMF notes that Liberia is currently experiencing a youth bulge with a shortage of skilled labour and managerial expertise.<sup>141</sup> These include a population group 15-30 years old that is known as the 'lost generation' due to the fact that educational services were almost destroyed during the school years for this group, contribut-

139. Economist Intelligence Unit (2012). *Country Report Liberia 2nd Quarter 2012*.

140. Calculations based on data from: United Nations Department of Economic and Social Affairs (2010). *World Population Prospects: The 2010 Revision*.

141. International Monetary Fund (2010). *Liberia - Structural Impediments to Shared Growth*, p. 3.

ing in no small manner to Liberia's low literacy rate<sup>142</sup> (59% in 2009). Creating jobs in the formal sector for this group is extremely challenging considering the low skill and literacy levels prevailing in it. The importance of job creation is reinforced when it is considered that 68% of the labour force works in the informal sector and 78% of the labour force is considered to have vulnerable employment.<sup>143</sup>

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#### LOW LITERACY LEVELS FOR WOMEN INCREASES CHALLENGES FOR GENDER MAINSTREAMING

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Among adults in Liberia, the literacy rate is far lower for women (41%) than for men (70%). The inequality between men and women in literacy rates is greater among older generations. In the age range 45-59 only 17% of women are literate, compared with 62% of men.<sup>144</sup> This has important implications for the potential for mainstreaming the role of women in the economy. In an economy characterized by a high level of informality and relatively few formal sector jobs the low literacy levels increase the challenges of developing opportunities in the formal sector for women.

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#### WOMEN ARE EXCLUDED FROM LAND OWNERSHIP AND ASSOCIATED RIGHTS

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Women have traditionally been marginalized in terms of land tenure and ownership discussions, even though they are highly active in cultivation and other agricultural activities including 'processing of wild palm fruit into palm oil'.<sup>145</sup> A 2003 law equating the status of men and women under the two tenure systems (customary and statutory)<sup>146</sup> was a move in the right direction, but momentum has been since lost because of lack of implementation. Liberia's national gender strategy notes the following constraints faced by women in Liberia's economy.

Women are major players in the agriculture sector, providing all marketing and trading services, and linking

rural and urban markets through their informal networks. Despite women's contribution to this sector, they neither own land nor have secure tenure to the land they work on, compared to men. Furthermore, rural women have less access to credit, training, agricultural extension and information. Due to the gendered division of labour, women carry out a larger share of unpaid caring family work. Women and men are not equally distributed across the productive sectors, nor are they equally remunerated.<sup>147</sup>

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#### THE SLOW PACE OF THE NATIONAL RECONCILIATION PROCESS IS ADVERSELY AFFECTING THE PEACE-BUILDING PROCESS IN THE COUNTRY

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A national reconciliation process holds tremendous significance in a post-conflict country like Liberia which is still attempting to recover from the high human and collateral cost of the civil war. Delays and uncertainties in the collective public mindset regarding the government's incentives to move the process forward can result in slowdowns or even reversals in the peace-building process.

The government of Liberia has been criticized for the slow momentum in the process of national reconciliation. This is highlighted by the failure of the government to implement the recommendations of the country's Truth and Reconciliation Commission, which released its final report in August 2010.<sup>148</sup> Given that the recommendations include banning several high profile individuals (including President Sirleaf) from holding public office, the ensuing debate in the parliament and resulting inaction has delayed progress on the issue of implementation.

In a positive move, a commission headed by the 2011 Nobel Peace Prize laureate, Leymah Gbowee, was set up recently to provide a forum for Liberians to address their grievances and to continue a national dialogue related to the civil war and recent political election violence.

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#### THE NATURAL DISPOSITION OF WOMEN TOWARDS QUALITY CONTROL AND MANAGEMENT IS NOT BEING TAPPED

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Due to their active and direct participation in production as well as informal trade in Liberia, there is significant potential for women to contribute to the overall quality management sector in Liberia. Currently, women are involved in price comparisons, tapping and grafting work which are more quality focused tasks, whereas men for

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142. Literacy rates are defined by the World Bank as the percentage of the population age 15 and above who can, with understanding, read and write a short, simple statement on their everyday life. Literacy also encompasses numeracy, the ability to make simple arithmetic calculations. The female/male youth literacy rate is the number of females/males age 15 to 24 years who can both read and write, divided by the female/male population in that age group. There is no data available for Liberian adult literacy rates by gender.

143. Liberian Institute of Statistics and Geo-Information Services (2011). *Liberia Labour Force Survey 2010*, p. xiii.

144. World Bank (2013). World Development Indicators. Available from <http://data.worldbank.org/data-catalog/world-development-indicators>. Accessed 26 October 2013.

145. Republic of Liberia (2011). *Liberia Rising 2030 Retrospective Analysis – Land, Environment, and Natural Resource Management*. Monrovia, p. 27.

146. *Ibid.*, p. 27.

147. Republic of Liberia, Ministry of Gender and Development (2009). *Liberia National Gender Policy*, p. 8.

148. Economist Intelligence Unit (2012). *Country Report Liberia 2nd Quarter 2012*.

the most part are used for unskilled work, relying on their muscles. Tasks are assigned based on the nature of both genders and this comes into stark play in this sector. The anomaly is that women get paid less for quality work and the men get paid more for unskilled labour.

## ENVIRONMENTAL SUSTAINABILITY AND CLIMATE CHANGE

WEAK LINKAGES BETWEEN GOVERNMENT INSTITUTIONS, AGENCIES AND PARASTATALS ARE RESULTING IN FURTHER DAMAGE TO ENVIRONMENTAL RESOURCES THAT ARE ALREADY FRAGILE

Government agencies like the Environmental Protection Authority (EPA), ministries and parastatals such as the Liberia Produce Marketing Corporation, do not operate in tandem and synchronization. The end result is that land use planning is not effective and often regressive. For instance, a recent government report identified cases where concession contracts are awarded before the government agency responsible for conducting environment and social assessment (EPA) can get involved.<sup>149</sup>

### ENVIRONMENTAL SUSTAINABILITY IS UNDER THREAT FROM LIBERIA'S EXTRACTIVE INDUSTRY OPERATIONS

Liberia is home to 40% of the remaining rainforest cover in West Africa – a valuable biodiversity hotspot offering various possibilities for both sustainable exploitation and new value creation opportunities, including in tourism. However, this biodiversity is threatened by large-scale and largely unmonitored operations of extractive industries, specifically the forestry, mining and agricultural sectors.

Liberia harvests upwards of 480,000 acres of forestland annually; however, only 27,000 acres have been replanted since 1971 when a reforestation programme was instituted.<sup>150</sup> There is an urgent need to find a balance in terms of developing Liberia's export sectors in forestry/tree crops such as rubber, coffee and cocoa while protecting the country's biodiversity.

Several practices related to extractive industry operations have been blamed for the continuing loss of Liberia's biodiversity. These include logging (at a deforestation rate higher than afforestation rate), and sand and mineral



Source: © ITC

mining activities such as blasting and using heavy machinery to clear mineral-yielding gravel deposits<sup>151</sup> etc. The adverse impacts go beyond damage to the environment. Human settlements near and downstream from mining activities face constant threats including pollution and flooding.

### ADVERSE ENVIRONMENTAL IMPACTS FROM PRACTICES RELATED TO SUBSISTENCE FARMING INCLUDE LOSS OF VALUABLE TREE SPECIES, VEGETATION COVER AND WILDLIFE HABITAT<sup>152</sup>

Extractive industry operations are not the only threat to biodiversity in Liberia. Liberian subsistence farmers use a cultivation technique known as shifting cultivation in which primary forest areas containing mature trees and valuable tree species are cut and burnt to clear the ground for cultivation. This results in the loss of tree species and also poses challenges to the local wildlife.

149. Republic of Liberia (2011). *Liberia Rising 2030 Retrospective Analysis – Land, Environment, and Natural Resource Management*, p. 22. Monrovia.

150. Republic of Liberia (2010). *Liberia's National Biodiversity Strategy and Action Plan*, p. 37.

151. Republic of Liberia (2011). *Liberia Rising 2030 Retrospective Analysis – Land, Environment, and Natural Resource Management*, p. 23. Monrovia.

152. *Ibid.*, p. 24.

# WHERE WE WANT TO BE: STRATEGIC ORIENTATIONS AND PRIORITIES

## NES VISION

The following vision has been adopted for Liberia's National Export Strategy:

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“ A competitive and inclusive exporter of value added products that sustainably uses resources for the benefit of all Liberians. ”

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## STRATEGIC OBJECTIVES

The selected vision attempts to set the overall national direction for the export strategy and captures the spirit of the export strategy in a synthetic manner. However, the vision alone does not suffice to orient the strategy. It is supported by five broad national strategic objectives:

### **1. To ensure inclusive and equitable sustainable production to lift Liberia out of poverty**

This strategic objective seeks to ensure that economic growth in Liberia is aligned to the country's broader developmental objectives of poverty reduction, employment generation, gender equality, environmental sustainability, and regional integration. To achieve this objective, it

is critical that Liberia becomes a competitive and inclusive exporter of value added products that sustainably uses resources for the benefit of Liberians. Activities under this objective aim at mitigating food insecurity, unemployment, and discrimination against women and other disadvantaged elements of Liberian society such as youth and ex-combatants.

### **2. To develop the human capital to enhance productive capacity to meet local demand and enable exports**

Human capital development is a challenge that is widespread in developing and post-conflict/post-disaster countries, and Liberia is no exception. This strategic objective recognizes that emigration, and destruction of the educational infrastructure during the conflict has impaired

the capacities of Liberian institutions and enterprises. Improvements have been gradual and more impetus is needed to build the human capital infrastructure, which will ultimately lead to increase in productivity with the priority sectors and beyond.

On the supply side (institutions), the technical and financial resource needs of institutions will be evaluated and addressed through specific capacity-building initiatives and infrastructure improvements. These initiatives will be designed after evaluating the specific technical and staffing needs of enterprises in the priority sectors (that comprise the demand side).

### **3. To create an enabling environment to encourage investment, entrepreneurship and develop the domestic private sector including MSMEs**

This strategic objective recognizes that the Liberian business environment must be strengthened as a prerequisite for developing export competitiveness in the country. Despite noted improvements in the recent past, Liberia's business environment is not internationally competitive. Efforts need to be made to decrease inefficiencies. These efforts are diverse and will include reducing the steps to export (customs and documentation processes), rationalizing pricing structure for loading/unloading/handling at ports, improvements to the regulatory environment, increased access to finance etc. A concerted effort to fight the high prevalence of graft and bribe seeking behaviour – which leads to increases in costs of doing businesses for enterprises – is also essential to facilitating an enabling business environment in the country. The strategic objective will also focus on spurring foreign direct investment in Liberia, especially in non-extractive related sectors that have traditionally been sidelined. Regulatory barriers, which currently make it challenging to invest in Liberia, are also targeted.

### **4. To enhance the capacity of public and private trade support institutions so as to diminish the costs of doing business and improve support for businesses**

This strategic objective recognizes that Trade Support Institutions – both public and private – provide vital and multi-dimensional support to enterprises across the export value chain, and are essential for the development of export competitiveness in an economy. Owing to a multiplicity of changes that are constantly taking place internally in the economy and also externally, a trade support network must be dynamic, responsive and flexible. However, there also exists a requirement to ensure that there is adequate capacity development for trade support institutions, within the overall trade support network structure. In a post-conflict society such as Liberia, this requirement takes especial precedence due to the financial, technical and human capital gaps faced within the

TSN. With this in mind, this strategic objective aims at building the capacity of individual trade support institutions, improving coordination mechanisms with the TSN, and deploying a feedback loop to constantly feed the trade support institutions with information related to evolving needs of enterprises that result from various external and internal drivers.

### **5. Improving the image of Liberia by meeting local and international standards**

This strategic objective recognizes that work needs to be done to position Liberia as a supplier of high quality and reliable products to international markets, and aims at removing infrastructure limitations that make meeting international standards difficult or impossible.

In this regard, the quality management sector plays a critical role in the export value chain and will require a comprehensive infusion of technical, financial and human capital resources.

New standards based on international benchmarks must be established and strict monitoring and regulatory mechanisms will be put in place to ensure compliance. Quality based institutional infrastructure will be improved such as that of the National Standards Lab, and quality services providers in the country will be provided with incubation support to develop a more competitive landscape in this sector. Through a process of change management, implemented through trainings, information dissemination campaigns and improvements in the regulatory structure, the mindset and capabilities of Liberian enterprises related to quality management issues will move from a culture of lax and purely voluntary compliance, to strict adherence to high quality standards. In doing so, enterprises will experience success in the export value chain, and ultimately help develop a Liberian brand associated with high quality products.

## **SECTOR AND CROSS SECTOR DEVELOPMENT**

In terms of the future perspective, the individual strategy teams have identified specific objectives and sub-objectives for each product sector and cross-sectoral function, which are included below. These are further elaborated through details including activities, target measures, implementing and support partners in the roadmap section that follows later in this document and within the individual sector and cross-sector strategies.

### **SECTORS**

The following are the objectives and sub-objectives of the **Rubber** strategy:



Strategic objective	Operational objective
To spur productivity in the sector	<ul style="list-style-type: none"> <li>• Improve access to inputs for sector operators, and to strengthen business services support to the sector</li> <li>• Fill information/ statistical gap in the sector to allow for improved planning at a policy and technical level</li> <li>• Encourage the adoption of sustainable land practices</li> <li>• increase acreage under improved varieties</li> <li>• Develop an efficient extension services programme, aimed at providing stakeholders access to private sector/public sector based extension services support</li> <li>• To upgrade human capacity, in terms of availability of quality skilled and semi-skilled labor - in close collaboration with industry, across the rubber value chain</li> <li>• Improve quality levels and traceability systems in the sector</li> <li>• Improve collaboration between concessionaires and small/medium sized planters</li> </ul>
To facilitate capacity and product diversification in the sector	<ul style="list-style-type: none"> <li>• To increase value added activity, especially at Small and Medium levels, and facilitate greater coordination of processing services and facilities</li> <li>• Support efforts to improve supply chain network connecting concessionaires and small holders</li> <li>• Enable new product development/</li> <li>• Product diversification in the sector</li> <li>• Spur investment in the sector</li> <li>• Establish an integrated research programme for the sector</li> </ul>
To improve in-market support for exporters in key target markets	<ul style="list-style-type: none"> <li>• Strengthen in-market support via overseas missions and trade representations</li> <li>• Develop strong brand for Liberian Rubber</li> </ul>
To improve the business environment and institutional support in the sector	<ul style="list-style-type: none"> <li>• Improve access to finance and credit for operators in the sector</li> <li>• Improve institutional capacities of the sector</li> <li>• Streamline trade facilitation in the sector</li> </ul>
To balance human development (specifically youth and gender), and environmental considerations in line with economic growth in the sector	<ul style="list-style-type: none"> <li>• Address the environmental dimension in the sector</li> <li>• Provide support to women and youth active in the sector</li> </ul>

The following are the objectives and sub-objectives of the **Cocoa** strategy:

Strategic objective	Operational objective
To strengthen the overall trade support network in the sector	<ul style="list-style-type: none"> <li>• Undertake a comprehensive revitalization of the extension services division under MoA.</li> <li>• Strengthen the research base in the sector.</li> <li>• Ensure that the sector has access to a strong base of support service providers.</li> <li>• Improve the capacities of cooperatives and related associations of producers to cater to the needs of the sector.</li> <li>• Ensure that key pending reforms in main policymaking institutions for the sector are completed.</li> <li>• Improve quality management infrastructure.</li> <li>• Improve access to finance for operators in the sector.</li> </ul>
To improve access to infrastructure and services	<ul style="list-style-type: none"> <li>• Ensure adequate access to inputs at the production phase.</li> <li>• Improve centralized infrastructure for use by sector operators.</li> </ul>

Strategic objective	Operational objective
To comprehensively augment skills and the influx of best practices and enable product diversification in the sector.	<ul style="list-style-type: none"> <li>• Improve the quality and efficiency of Licensed Buying Agents through an overhaul of their recruitment and training mechanisms.</li> <li>• Support cooperatives and Farmer Field Schools (FFS) in the cocoa sector to impart relevant training components to their constituents.</li> <li>• Use a variety of media to disseminate information on best practices.</li> <li>• Increase the level of organization in the sector.</li> <li>• Enable product diversification in the sector, especially in certified cocoa.</li> </ul>
To facilitate increased access to, and strengthen the ability of enterprises to utilize, trade information.	<ul style="list-style-type: none"> <li>• Ensure that adequate support for exporters exists, relative to key international markets.</li> <li>• Encourage involvement of diaspora networks towards investments and sector regeneration efforts.</li> <li>• Develop a strong Liberian cocoa brand – especially leveraging the future potential for exporting certified cocoa.</li> </ul>

The following are the objectives and sub-objectives of the **Oil Palm** strategy:

Strategic objective	Operational objective
To boost productive capacity in the oil palm sector particularly at small holder level in existing and high potential product extensions	<ul style="list-style-type: none"> <li>• Establish an integrated research program in the sector</li> <li>• Augment availability of quality skilled and semi/ skilled labor for the oil palm sector - in close collaboration with industry</li> <li>• To improve business services and extension services support to the sector</li> <li>• Improve data collection capabilities in the sector to allow better policy making</li> <li>• To substantially increase the level of organization in the sector in a representative and spatially equitable manner</li> <li>• Support cooperatives and FFS in the oil-palm sector to impart relevant training components to their constituents.</li> <li>• Drive improvements in quality management at both institutional and enterprise levels</li> </ul>
To promote product and capacity diversification in the sector	<ul style="list-style-type: none"> <li>• Improve packaging capability in the sector</li> <li>• Provide support to promulgate utilization of mills</li> <li>• Encourage product diversification in the sector</li> </ul>
To improve the regulatory and business environment in the sector	<ul style="list-style-type: none"> <li>• Ensure requirements for the Oil Palm sector are met through the development of LACRA</li> <li>• Develop capacity of CDA to provide effective service delivery to cooperatives and FBOs</li> <li>• Develop dedicated infrastructure connecting non-concessionaire areas with important processing and transportation hubs</li> <li>• Improve access to credit for operators in the small/medium sized base</li> </ul>
Strengthen in-market support and branding related to the sector	<ul style="list-style-type: none"> <li>• Improve in-market support for the sector</li> <li>• Promote certification of CPO sourced from Liberia</li> </ul>
To balance human development (specifically youth and gender), and environmental considerations in line with economic growth in the sector	<ul style="list-style-type: none"> <li>• Increase information in the sector related to environmental considerations and global best practices</li> <li>• Provide incubation support to female and youth owned transportation based businesses</li> <li>• Support women operators involved in cross-border trade</li> </ul>

The following are the objectives and sub-objectives of the **Fish and Crustaceans** strategy:

Strategic objective	Operational objective
Boost productive capacity of the sector	<ul style="list-style-type: none"> <li>• Strengthen the inputs market in the fish and crustaceans sector</li> <li>• Identify needs and build initial capacities in the Liberian inland fishing and aquaculture sector</li> <li>• Assist the industrial sector in scaling up operations</li> <li>• Increase organization in the sector</li> <li>• Strengthen RandD capability and human capital development in the sector</li> </ul>
Improve infrastructure and the overall business environment in the sector	<ul style="list-style-type: none"> <li>• Strengthen infrastructures to create more efficiencies of operations, reduce costs, and improve quality of production.</li> <li>• Improve access to credit for sector operators</li> <li>• Curb IUU activity in the sector</li> <li>• Improve quality related infrastructure in the sector</li> <li>• Improve infrastructure for post-harvest and processing</li> </ul>
Improve the institutional support framework pertaining to the sector	<ul style="list-style-type: none"> <li>• Strengthen BNF through technical, human capital and financial support mechanisms</li> <li>• Provide Strengthening support to LAFA to transform its service delivery vis-à-vis all issues related to the artisanal sector</li> </ul>
Facilitate adequate access to trade information and in-market support to potential and existing operators in the sector	<ul style="list-style-type: none"> <li>• Improve in-market support in target markets</li> <li>• Develop the domestic market in line with emerging capacities of the sector</li> <li>• Improve access to trade information and market intelligence in the sector</li> </ul>
Support development based objectives for the sector in terms of gender and environmental growth and stability	<ul style="list-style-type: none"> <li>• Support decision making ability and opportunities for female actors along the value chain</li> <li>• Ensure that sector operations maintain environmental balance</li> </ul>

## CROSS-SECTORAL FUNCTIONS

The following are the objectives and sub-objectives of the **Trade Facilitation and Logistics** strategy:

Strategic objective	Operational objective
Increase efficiency at ports (including the Freeport of Monrovia) to reduce costs and administrative burdens faced by exporting enterprises and make export shipping more cost efficient.	<ul style="list-style-type: none"> <li>• Streamline administrative procedures at the Freeport to ease organizational burden for authorities and importers/exporters</li> <li>• Improve port infrastructure and facilities to facilitate smoother operations for exporters</li> <li>• Enhance human capital development in the supply chain and logistics fields, including at ports</li> </ul>
Improve and expand road transportation infrastructure throughout Liberia to facilitate increased linkages between rural enterprises, urban centers and ports.	<ul style="list-style-type: none"> <li>• Propose regulatory modifications to increase investment activity in the transportation sector</li> <li>• Increase efficiency in the movement of produce from farm gate level to central collection points</li> <li>• To facilitate wide value chain actor knowledge and reliance on transportation schedules</li> <li>• Increase capabilities of inland river transport /sea transport to carry merchandise up - down the coast and upriver especially during the rainy season when roads are not navigable</li> </ul>
Develop a planned and efficient warehousing logistical network servicing the export value chain	<ul style="list-style-type: none"> <li>• Establish a support services network of warehouses at relevant hubs</li> </ul>

The following are the objectives and sub-objectives of the **Quality Management** strategy:

Strategic objective	Operational objective
Create a culture of quality across the Liberian export value chain	<ul style="list-style-type: none"> <li>• Develop collateral related to QM best practices and launch awareness building campaign aimed at promoting a quality culture</li> <li>• Improve access to QM infrastructure in non-urban parts of the country</li> </ul>
Develop institutional capacities related to quality management in Liberia	<ul style="list-style-type: none"> <li>• Boost capacities of the NSL</li> <li>• Develop the research and TVET base related to quality management</li> <li>• Identify gaps and overlaps in mandates of institutions involved in the QM framework</li> <li>• Develop an efficient private sector support base to the function</li> </ul>
Improve the infrastructure and regulatory environment pertaining to the function	<ul style="list-style-type: none"> <li>• Reduce technology and capital equipment gaps in the QM infrastructure</li> <li>• Make infrastructure related improvements related to the function</li> <li>• Train value chain actors in food science, food technology and food packaging</li> <li>• Develop capabilities in the sector related to certification and traceability</li> </ul>

The following are the objectives and sub-objectives of the **Access to Finance** strategy:

Strategic objective	Operational objective
Develop institutional capabilities in the Liberian access to finance cross-function	<ul style="list-style-type: none"> <li>• Develop capacities of the lending sector to improve service delivery to MSME applicants</li> <li>• Strengthen coordination between institutions active in the cross-sector function to deliver targeted financial services to exporters.</li> <li>• Improve capabilities of credit seekers in the MSME sectors to demonstrate improved creditworthiness</li> <li>• Improve human capital in the access to finance sector and encourage knowledge sharing among credit providers</li> </ul>
Increase innovation in the Liberian lending environment	<ul style="list-style-type: none"> <li>• Improve credit referencing mechanisms in the sector</li> <li>• Diversify credit instruments offered to loan seekers</li> <li>• Improve awareness around existing credit instruments</li> <li>• Better engage the Diaspora to invest in projects in their home communities</li> </ul>
Improve coverage of credit providers in rural areas	<ul style="list-style-type: none"> <li>• Expand network of financial institutions in rural areas</li> <li>• Explore alternate transaction models for coverage in rural areas</li> </ul>
Increase access to finance among women and youth entrepreneurs	<ul style="list-style-type: none"> <li>• Increase the volume and quality of loan applications from women and youth in the applicants pool</li> <li>• To broaden acceptability range of collateral types for women</li> </ul>

# HOW DO WE GET THERE

## STRATEGY IMPLEMENTATION

The export development axes of Liberia - set forth in the National Export Strategy with its five priority products sector and four cross-sectoral functions - aim to achieve an overall improvement of the country's export performance. With a better understanding of what are the axes, the vision and strategic objectives of the NES and its stand alone, it is now possible to suggest key success condition elements that are considered essential for the success of the NES.

It is important to delineate these conditions as it is the sole responsibility of Liberia to implement the NES. The various stakeholders that participated in the design of the NES confirmed that many strategies exist in Liberia but that only a few are actually being implemented.

The NES is not the strategy of any specific institution rather it is the strategy of Liberia and to ensure its success it is necessary to create key conditions to enable its implementation.

If these conditions are instituted, the whole NES can have greater possibilities to achieve some level of self-sustainability, have a multiplier effect on institutions, improve the business environment, and develop Liberia's export capacity and performance.

The following section presents some of the key success conditions considered primordial for the strategy to be effectively implemented and produce tangible long lasting benefits for Liberia:

### **Sensitization of implementing institutions to build ownership**

The key implementing institutions detailed in the various plans of actions (PoAs) of the sector and cross-sector strategies need to be informed of the content of the

strategies and the implications for their 2012-2017 programming. This sensitization is essential to build further ownership, and it provides institutions with the opportunity to review the PoAs in order to confirm the activities they can implement immediately, in the medium and long term. Such a programming approach will permit better resources allocation within the responsible agencies.

### **High-level endorsement of the NES**

Endorsement by the cabinet of Ministers level is the primary most important step toward implementation of the NES. In the absence of such an official endorsement, the NES will not be able to mobilize the national and international support (financial, institutional and political) required to effectively structure and enable export development. As the NES design process ensured inclusive consultation with sector level representatives, the NES and its individual sectoral strategies and cross-sectoral functions are typically presented to the cabinet by representatives of the sector that participated in the NES elaboration process.

### **Direct budget support**

In addition to endorsement of the NES document, the cabinet of Ministers needs to validate a defined minimum budget support toward the implementation of the NES. There are two different levels of budget support that the government of Liberia should normally provide to the NES.

A first level of budget support should be in the form of general budget support to the NES. This implies a defined percentage (%) of the costs of implementation need to come from direct budget support from the government of Liberia.



The direct general budget allocations toward the implementation of Liberia's NES should cover two specific cost centres:

- Implementation, coordination and monitoring
- Direct project support

The budget support for implementation, coordination and monitoring needs to be directed at the private-public implementation management framework that should be established to serve as the official interface for the implementation of the NES. Details about this structure are elaborate below. The costs of this committee should be entirely covered by the Government of Liberia.

The direct project support for activities of the NES PoAs aims demonstrates government commitment to the initiatives. Direct budget support should normally represent a certain percentage (%) of the project. The appropriate percentage should be standardized for all projects. The remaining balance of the project expenses would normally be covered by donors or partners.

### Establish and make operational a private-public implementation management framework

A key success criterion for success of Liberia's NES is the country's ability to coordinate activities, monitor progress and mobilize resources for the implementation of the NES. It is recommended that the country establishes an independent 'committee' for public-private deliberations,

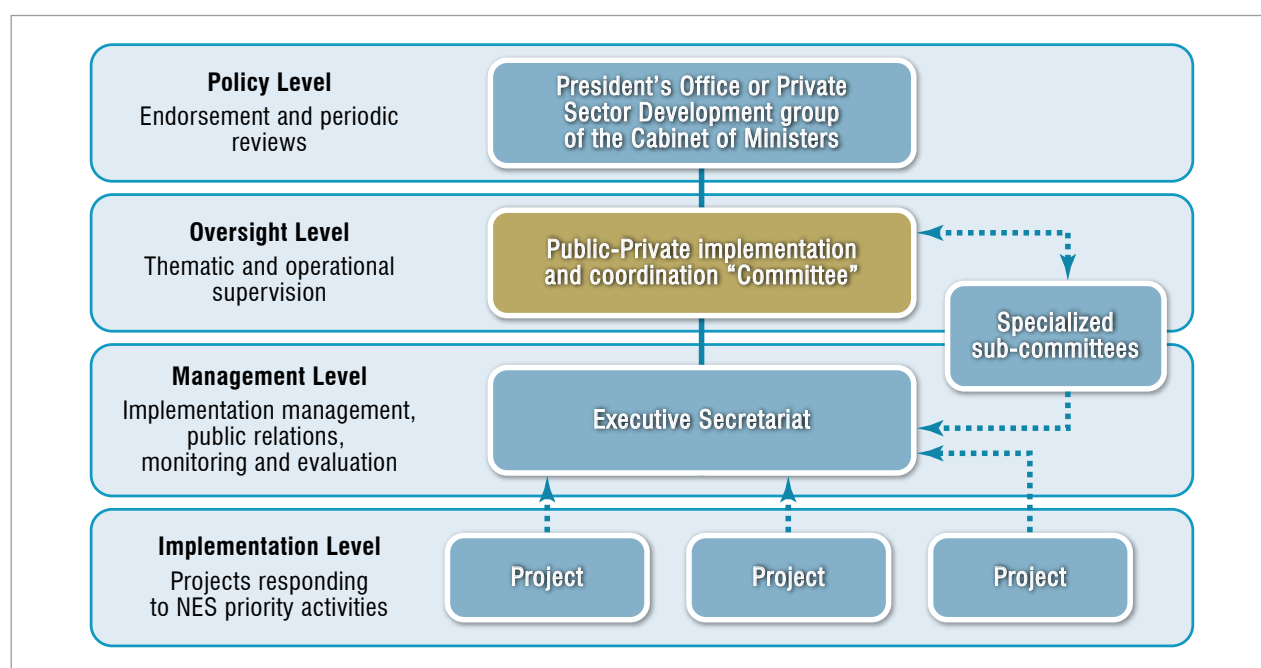
that acts in an advisory capacity to the government and the private sector over issues related to or affecting the Liberia's National Export Strategy.

It is envisioned that this 'committee' should coordinate and monitor the implementation of Liberia's Export Strategy, and other export sector development plans, by the government, its agencies and private sector organizations. Moreover, it will need to be responsible for identifying and recommending necessary resources allocations for the implementation of export development related strategies and plans. Finally, it will be tasked with assessing the effectiveness and the impact of implementation of export development related strategies and plans.

This committee should be composed of equal number of private and public representatives.

- The three main tasks of this implementation and coordination 'committee' should be:
- Coordinates and monitors the implementation of Liberia's Export Strategy, and other export sector development plans, by the government, its agencies and private sector organizations;
- Identifies and recommends allocation of resources necessary for the implementation of export development related strategies and plans;
- Assesses the effectiveness and the impact of implementation of export development related strategies and plans.

The following structure is proposed:



The implementation and coordination 'committee' should normally be supported by an executive secretariat to complete the daily operational work related to implementation management of the NES.

The core responsibilities of the executive secretariat should be to:

- Formulate projects proposals including budgets for implementation of activities of the NES;
- Prepare communication plans and material to promote the NES;
- Develop annual and bi-annual work plan for approval by the Committee;
- Collect information from project implementation and prepare regular monitoring reports to be submitted to the 'committee';
- Planning the 'committee' and specialized sub-committees NES monitoring and evaluation meetings
- Execute the secretariat work of the 'committee';
- Ensure implementation of the 'committee' resolutions;
- Collect, centralize and preserve all archives and documentation of the Committee and the NES;
- Advocate in favour of the NES to public and private partners;
- Execute any other tasks given required by the 'committee'.

### Monitoring Implementation for effective resource allocation

A key role of the implementation and coordination 'committee' and its executive secretariat is to monitor the implementation of the NES. Effective exploitation of reports and data will ensure that progress is evaluated in line with the expected results and allocated resources. Monitoring will permit effective allocations and reallocation based on expected and achieved results. This critical work will serve to enable the NES to achieve its vision, export development axes and strategic objectives. The effective implementation of the activities of the NES will contribute to its overall success.

### Resource mobilisation for implementation and donor alignment

A strategy is only as good as the paper it is printed on, if it is not implemented. Resources mobilisation is one of the most critical elements to ensure success of the NES. Resource mobilization needs to be considered a priority by the implementation and coordination 'committee'. A resource mobilisation plan should be elaborate as soon as possible.

Resource mobilisation for NES implementation should be completed at two specific levels:

- National institutions (government and institutions)
- Donors (national, regional and international).

Resource mobilisation from national institutions is additional to direct budget support elaborated above. The implementation and coordination committee needs to identify which organization is best suited to implement specific activities of the NES. This permits the definition of a partnership for resources allocation. This allocation can be planned by integrating the activity of the NES in the programme planning of the institution. While the financial dimension is often required, the human resource element is no less important.

Resource mobilisation from donors is should be done in two specific way.

- **Elaboration of a resource mobilisation plan** –Resources mobilisation involves planning the sequencing of communications with donors, project elaboration, project proposals/application and resources collection and management.
- **Alignment of donors to the NES plans of action** –The presence of a NES needs to be promoted to donors in order to demonstrate the presence of a structured roadmap to export development. The plans of action of the individual strategies should serve the implementation and coordination committee in its aligning of donors to the export development priorities of the country. In this situation, bilateral donors and multilateral agency involved in 'Aid for Trade' have a realistic guideline to structure their intervention. More importantly, the priorities defined in the plans of action of the NES have been elaborated by the private and public stakeholders of the sectors through an inclusive process.

### Communication plan

Targeted communication is required to inform and mobilize partners from the public or private sectors. Hence, a communication plan needs to be elaborated rapidly in order to promote the NES and build support for its implementation. Informing the national public and implementing agencies serves to build confidence and momentum in support for the NES. Communication is also a key building block of the NES since support for the NES is required from multiples stakeholders across value chain, public and private institutions as well as donors and international organizations.



Source: © ITC

### Private sector support and participation

In addition, to the public institutions and donors that support the NES, it is critical to involve the private sector. The private sector, mainly the individual operators in the priority sectors of the NES are its key beneficiaries. The private sector should normally benefit from the NES implementation through reduced costs of doing business, facilitated administrative procedures, enhanced access to finance, etc. However, the private sector clearly expressed during the strategy design process its willingness to contribute, directly or in partnership with public institutions, to the implementation of the NES. Their implementation efforts can range from providing inputs to producer, contributing to development projects, establishing processing and transformation units, advocacy, etc.

The private sector practical knowledge of business operations is essential to ensure that the activities of the NES are effectively targeted. As stated above, the private sector is critical in the overall success of the NES and its implementation and coordination 'committee'. Either the president or the vice-president of the committee should be from the private sector, and the committee should be composed of an equal number of private and public representatives. This will ensure effective representation, built comprehension between the public and the private sectors and ensure buy-in into the NES implementation.

### Implementation management capacities

The ability and skills of the implementation and coordination 'committee' need to be sufficient to ensure effective management of the NES implementation. The 'committee' and its executive secretariat should have knowledge of monitoring frameworks, resources mobilisation and programming, communication, advocacy, etc. Without such skills the 'committee' will not be in a strong position to assume the responsibility of ensuring the implementation of the NES. In this situation, the above described key success factors would have only limited effects toward the implementation of the NES.

It is thereafter, important to provide the 'committee' with the appropriate tools and capacities to manage efficiently the NES. Tools and training in national export strategy implementation management can, upon request, be provided by ITC's export strategy advisers. Effective support for the establishment, operationalization and management of the 'committee' and its executive secretariat can augment the chances of success of the NES.

THE REPUBLIC OF LIBERIA  
NATIONAL EXPORT STRATEGY

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APPENDIX 1:  
STRATEGIC PLANS OF ACTION

A stylized map of Liberia is shown, filled with a wavy pattern of red and blue lines. The map is set against a background of white diagonal lines on a grey field. A pink label with the word "LIBERIA" in white capital letters is positioned over the map.

LIBERIA



## STRATEGIC PLAN OF ACTION TRADE FACILITATION AND LOGISTICS

Strategic Objective 1: Increase efficiency at ports (including the Freeport of Monrovia) to reduce costs and administrative burdens faced by exporting enterprises and make export shipping more cost efficient								
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S-short term M – medium term L – Long term	Primary Beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (H, M, L)
Streamline administrative procedures at the Freeport to ease organizational burden for authorities and importers/exporters	Conduct a comprehensive mapping study to document all administrative and technical process flows at Freeport, and identify areas where processes can be simplified and made more efficient	3	S	NPA	Mapping study with recommendations completed by end-2014	NPA	Customs, MoCI, MoT, MoA	L
	Review the currently existing one-stop-shop model currently in place at Freeport with specific focus on developing a 'single window' approach in addition to the co-location model currently in place. Feasibility study to include scaling up of current model to include single-window.	2	M	NPA, exporters	Study and recommendations completed by end-2014	NPA, MoCI, Customs, MoF	MoT, MoA	L
	Rationalize pricing structure for handling and loading so as to ease cost burden for producers of low value goods	3	S	Exporters	New pricing structure developed and information widely disseminated to customers and potential customers by end-2014	APM, MoCI	Customs, MoT, MoA	L
Improve port infrastructure and facilities to facilitate smoother operations for exporters	Facilitate pooling of less-then-container loads so as to assist cooperatives to pool produce to leverage excess capacity: » Agree upon, and establish framework and system for pooling consignments (less than container load exports) together to ship container to same destinations » Freight forwarders to discuss partial loading and bundling framework in collaboration with cooperatives » Launch awareness campaign with various media - radio, newspapers – aimed at informing exporters of the revised guidelines	2	M	Exporters, processors, packagers	Payment regime Agreement approved, processes and procedures for participation and access clearly articulated and disseminated and to all by mid-2015	Freight forwarders, Shipping lines	CDA	L
	Provide support to existing efforts on maintaining ASYCUDA system and reducing downtime due to system failures.	3	S	NPA, exporters	Support measures implemented on a rolling basis	NPA, MoCI, Customs	MoF, MoA	L
	Ensure that port modernization and scaling up of operations (commiserate with trade) takes place as per terms of reference/contractual obligations agreed upon by the government and APM terminals	3	S	NPA	On a rolling basis	NPA, APM terminals	MoCI	L
	Improve port infrastructure in terms of all-weather storage facilities so as to increase the availability of cold and dry storage facilities at the port: » Given that land is at a premium at Freeport, focus will lie on rehabilitating existing port facilities, rather than building new ones. » Facilities to be rehabilitated include those of NPA as well as those belonging to other entities such as LPMC (cocoa inspection, weighing, storing facilities etc)	2	S	Freeport users	Rehabilitation to proceed on a rolling basis	NPA	MoCI, BNF, LPMC/LACRA	H
	Improve supply chain management at Liberian ports to streamline warehousing and handling processes so as to reduce unnecessary costs incurred by exporters » Commission a business process mapping and redesign study at major ports to study supply chain operations for weaknesses » Support ongoing initiatives to automate scheduling at ports	2	S	Exporters	Rolling basis	APM Terminals, NPA	MoCI, MoT, MoA	M



Strategic Objective 1 : Increase efficiency at ports (including the Freeport of Monrovia) to reduce costs and administrative burdens faced by exporting enterprises and make export shipping more cost efficient								
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S-short term M – medium L – Long term	Primary Beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (H, M, L)
Enhance human capital development in the supply chain and logistics fields, including at ports	Set up training program –in collaboration and partnership with NPA-to train port employees on Supply Chain Management/ERP system » Develop modular training program for port employees on supply chain management areas, as well as specific topics related to port operations	3	S	NPA	Training program launched by end-2014	NPA	MoCI, MoA, MoT, APM Terminals	L
	Create a scholarship scheme for university students to train in specialized supply chain management/logistics/fleet management/shipping areas at leading regional and international universities	2	S	Students interested in pursuing trade logistics/facilitation studies	Initial batch of scholars inducted by mid-2015	MoE,MoCI	MoT	M
	Undertake a comprehensive review of the TVET system in Liberia in the context of the trade facilitation and logistics field. Setup degree programs/training programs in the field at leading Liberian universities. Course content to include (partial subset): » Supply chain management, » Logistics management, » Standard trade definitions most commonly used in international sales contracts (INCOTERMS 2010), » Trade documentation used in international trade, » Customs procedures and rules of origin; » Multimode transport systems; » International conventions and agreements governing maritime transport Additional mode of training to include web based/online courses setup together with leading universities and including on site training in partnership with Liberian industry	3	S	TVET infrastructure related to trade and logistics discipline	Rolling basis	Leading universities such as (University of Liberia, Cuttington University College, Stella Maris Polytechnic), MoE, MoT	NPA, APM terminals, MoCI, MoA, MoF, Customs	H
	Create a public and private (50/50) technical group (with a formalized structure) on trade facilitation and logistics mandated to meet regularly to implement a medium to long term agenda on trade facilitation and logistics. » Public and private sector members of the group on trade facilitation and logistics to agree on a medium to long term agenda for improving trade facilitation and logistics issues. Agenda to include donor coordination on trade facilitation and logistics issues in Liberia	2	M	Entire export value chain	Group established and operational meetings at least four times a year	MoCI, MoT	MoF, NPA, MoF, MoA, LMA	L
	In collaboration with Liberia Maritime Authority, the Sea Farers Union, and international shipping lines, set up a training/placement services program to encourage hiring of Liberians to as crew members aboard registered vessels as well as employees at providers of shipping services.	2	M	Shipping lines	Training program launched in early-2015	LMA, Sea Farers Union	MoCI, MoT	L

Strategic Objective 2: Improve and expand road transportation infrastructure throughout Liberia to facilitate increased linkages between rural enterprises, urban centres and ports.								
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S-short term M – medium term L – Long term	Primary Beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (H, M, L)
Propose regulatory modifications to increase investment activity in the transportation sector	Modify current restrictive FDI regime to facilitate greater investment in the transportation sector Focus will be to enable: » Increase in the number and type of transportation services available to support the export sector » Reduction in the price of average transportation costs for operators in the export value chain » Elimination/reduction of import duties for transportation service operators providing transportation leasing services to the agriculture/export sector	3	M	Investors in the transportation sector	FDI Regime revised accordingly and approved based on a consultative process, by mid-2015	NIC, MoCI, MoT		L
	Increase efficiency in the movement of produce from farm gate level to central collection points	2	M	Motorcycle transportation operators and other traditional means of transportation and haulage	Support program rolled out by end-2014	MoCI, MoT, motorcycle unions	MoF	L
To facilitate wide value chain actor knowledge and reliance on transportation schedules	Encouraging the lease of pick up truck fleets either to cooperatives or to local trucking companies. This would be facilitated through: » Assistance and guidance provided to cooperatives/trucking firms for developing business plans to submit to lending institutions	2	S	Cooperatives, local trucking firms providing haulage services to cooperatives	Support program rolled out by end-2014	CDA, MoT	MoCI, MoT, MoA	L
	Increase mechanization levels and access to transportation technology at the farm gate level through: » Creation of a leasing scheme to facilitate purchase of forklifts at the cooperative level.	3	S	Producers, producer organizations	Fund established to procure 50 forklifts by end-2015	CDA	NIC, MoCI, MoT, MoA	M
	To address lack of information on transport schedules, especially in rural areas, improve information dissemination levels related to transportation and logistics issues such as transport schedules etc. » Conduct survey to gauge public awareness of transportation schedule » Coordinate with the truckers/other transportation unions and key radio stations to regularly broadcast truck transport schedules to farmers/cooperatives	2	M	Producers, exporters, processors, shippers	Improved availability of reliable and dependable transportation system and schedule, by end-2014	MoT, MoCI,	CDA, transportation unions	L
	In collaboration with custom agents and freight forwarders create shipping timetable dissemination service for operators in the export value chain	3	S	Farmers, exporters, processors, shippers	Shipping time table information widely disseminated to customers resulting in increase in reliability of shipping schedule predictability to allow for planning and budgeting	Customs agents/freight forwarders, associations and other FBOs	MoT, MoCI, CDA	L

Strategic Objective 2: Improve and expand road transportation infrastructure throughout Liberia to facilitate increased linkages between rural enterprises, urban centres and ports.									
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S-short term M – medium term L – Long term	Primary Beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (H, M, L)	
Increase capabilities of inland river transport/sea transport to carry merchandise up - down the coast and upriver especially during the rainy season when roads are not navigable	<p>Conduct an assessment of inland river transport needs for the country, and launch initiatives aimed at expanding the network:</p> <p>Identification of requirements related to procurement of dredgers</p> <p>Elimination/reduction of tariffs (on a short, medium term pilot basis) on sea transport vessels that will ferry cargo alongside the coast and rivers</p> <p>Provision of support to ongoing NPA initiatives to develop coastal transportation, and small river based ports</p>	2	M	Entire export value chain	<p>Assessment conducted by end-2014</p> <p>Comprehensive program aimed at streamlining tariffs, procurement of dredging equipment etc launched by mid-2015</p>	NPA	MoCI, MoF, MoI, NIC	H	
Strategic Objective 3: Develop a planned and efficient warehousing logistical network servicing the export value chain									
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S-short term M – medium term L – Long term	Primary Beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (H, M, L)	
Establish a support services network of warehouses at relevant hubs	To improve supply chain and logistics management of agricultural produce, develop network of warehouses (with provision for value added services such as refrigeration, weighing, sorting facilities, secured silos) at rationalized distances from farms and feeder roads to mitigate post harvest losses and unnecessary transport costs	3	M	Entire export value chain	<p>» Develop technical feasibility plans for locating warehouses at production/processing hubs</p> <p>» Commission the design of a site plan for each county</p> <p>» Secure funds and commission contractors to design and build production and processing sites</p>	MoCI, MoA, MoT		H	
	<p>Expand the network of fee-based shared warehouses and silos, and address current conditions of inadequate warehousing/dilapidated facilities where commercially viable:</p> <p>» Rehabilitate warehouses and silos in key production areas</p> <p>» Expand the network of fee-based shared warehouses and silos (including secured silos)</p>	3	M	Processors, exporters, shippers	<p>» Conduct assessment of number of warehouses needed by end-2014</p> <p>» Develop TOR and SOW for warehouse /silo construction by mid-2015</p> <p>» Secure funds for developing shared warehousing and silo capacity, and commission construction of warehouses and silos by end 2015</p>	MoCI, MoA, LACRA	MoA	H	

## STRATEGIC PLAN OF ACTION

### QUALITY MANAGEMENT

Strategic Objective 1 : Create a culture of quality across the Liberian export value chain							
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S=short term M=medium term L=Long term	Primary Beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners
Develop collateral related to QM best practices and launch awareness building campaign aimed at promoting a quality culture	<p>Develop a best practice compendium/ technical guide on quality management best practices related to NES priority sectors, and aligned with requirements in target markets</p> <p>Compendium will be developed in English, as well as all local relevant languages</p> <p>Disseminate compendium widely through formal and informal networks, and through a variety of relevant mediums such as radio and newspapers</p>	3	S	Entire export value chain	Compendium developed and released by end-2014	MoCI, NSL	MoA, MoH
							L
	<p>Carry out an awareness-raising campaign to communicate the importance of complying with health, safety and quality regulations and standards targeted towards the NES sectors:</p> <ul style="list-style-type: none"> <li>» Radio Programs,</li> <li>» Newspapers</li> <li>» Workshops and training programmes for the public.</li> </ul>	2	S	Entire export value chain	Campaign initiated by end-2014, resulting in improved knowledge and awareness of QMS among operators in the NES sectors	MoCI, MoA	NSL
							M
	<p>Develop a comprehensive nationwide program aimed at coaching actor across the value chain in QM best practices. Program will primarily be executed through the following model:</p> <ul style="list-style-type: none"> <li>» Identify high potential candidates within cooperatives and other farmer-based organizations who can be trained as trainers in issues related to quality management in the oil palm sector.</li> <li>» Develop curriculum related to quality management and conduct series of Training of Trainer (ToT) workshops to certify trainers</li> <li>» Launch ToT programs involving selected cooperatives and farmer based organizations</li> <li>» Selected cooperatives encompassing the breadth of the country.</li> </ul>	3	S	Entire exports value chain	Curriculum for training program developed by end-2014 Training program deployed for select cooperatives on a pilot basis by mid-2015 Program to be scaled up based on an operational plan	CDA	MoA
							S
	<p>Establish a single source of reference for all QM related information and advice, and establish a helpdesk/point of enquiry system that can be accessed in person or by phone. Dedicated support through</p> <p>Helpdesk service can be housed either in an existing line ministry such as MoCI or MoA, or a public/private institution such as LBBF or LBR.</p>	3	M	Entire export value chain	Helpdesk System setup by early-2015	NSL, MoCI	LBBF, LBR, MoCI, MoA
							M

Strategic Objective 1 : Create a culture of quality across the Liberian export value chain						
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S-short term M – medium term L – Long term	Primary Beneficiaries	Target measures	Leading implementing partners Supporting implementing partners Estimated costs (H, M, L)
Improve access to QM infrastructure in non-urban parts of the country	Contract international certification firms (who are accredited in terms of eco-labelling and other certifications) to setup/expand network of regional testing facilities for enterprises seeking to get certified.	3	M	Enterprises in non-urban hubs	Expansion plan finalized by end-2015	MoA, MoCI BIVAC, SGS and other international quality service providers M
	Develop and deploy a quality-training program designed especially for women and youth in value added processing to incorporate quality standards within their everyday work. Program to be develop in collaboration with CDA and deployed through cooperatives and existing women trader groups	2	S	Women actors in the export value chain	» Development of quality training curriculum » Allocation of funds for the training program » Program approved and key implementers signed on; » Participants identified and trained with record of trainees	CDA Association of Women in Cross Border Trade, MoCI, MoA, MOH, MOGA M

Strategic Objective 2 : Develop institutional capacities related to quality management in Liberia						
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S-short term M – medium term L – Long term	Primary Beneficiaries	Target measures	Leading implementing partners Supporting implementing partners Estimated costs (H, M, L)
Boost capacities of the NSL	Assess technical/human capital/financial constraints currently faced by NSL. Develop and implement recommendations generated through the study, as well as identified through the recently concluded study – “Strengthening NSL to meet Export section reform”	3	M	NSL	» Needs assessment study for NSL conducted by end-2014 » Implementation for key recommendations on existing study as well as needs assessment study beings mid-2015	NSL, MoA MoH, MoCI H
	On an expedited basis, complete certification to ISO standards for the NSL	3	M	NSL	» Certification to ISO standards completed asap	ISO, NSL MoCI, MoH, MoA M
	Create an awareness/education campaign to educate Liberian producers/exporters on the existence of the NSL and the services available	2	S	Entire export value chain	» Campaign launched and funding allocated by end-2014 » Information widely available and disseminated through relevant media (radio, newspapers), sector associations and informal social networks such as susu clubs	NSL, MOH, MoA, MoCI L
Develop the research and TVET base related to quality management	Setup a dedicated research institute in collaboration with national/international private sector technical bodies active in the sector. Note – such an proposal has been explored/currently being explored in collaboration with SGS	3	M	Entire export value chain	» Feasibility study and plan rolled out by mid-2015 » Work on establishing research institute begins late-2015	MoCI, MoE, MoA MoH, MoF, SGS and other partners H



Strategic Objective 2 : Develop institutional capacities related to quality management in Liberia								
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S=short term M – medium term L – Long term	Primary Beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (H, M, L)
Develop the research and TVET base related to quality management	Collaborate with key universities and technical institutes in Liberia as well as international institutes/partners to:	3	M	Training institutions active/or seeking to be active in the QM field	» Gap analysis conducted by end-2014 » Initiative launched to develop diplomas/degree programs in key universities/technical institutions, along with related financial/human capital/technical resources	MoE, MoCI, MoA,	MoH, MoF, University of Liberia, B. Cape Mount Polytechnic, Grand Bassa Community College, Tubman University, Cuttington University College, etc.	H
	» Conduct a gap analysis of the TVET infrastructure related to quality management							
	» Assess human capital, technical and financial needs of key identified institutions related to their QM based offerings							
	» Setup diplomas/degrees to facilitate specialization in the QM field.							
Identify gaps and overlaps in mandates of institutions involved in the QM framework	Develop continuing education programmes for working professionals with universities and other learning institutions in the areas of lean manufacturing, total quality management, health and safety, and Lean Six Sigma.	2	L	exporters, product manufacturers, service providers	» Introduction of continuing education programmes by end-2015	Universities, NSL	MoA, MoCI, MoH	M
	Coordinate South-South/ North South knowledge transfer seminars as well as study tours to increase knowledge transfer related to the quality management space into Liberia	2	S	Entire export value chain	» Seminars and study tours launched from early-2015, and conducted on a rolling basis	Key line ministries	NSL	M
	Carry out a standards benchmarking study to identify the relevant standards in each sector go be adopted in Liberia	3	S	Entire export value chain actors, NSL	» Study completed and report available with recommendations for implementation by end-2014 » Database and information available in electronic and hard copy brochure form	MoCI, NSL, MOH, MoA	UNIDO, ECOWAS Regional Standards Body, FAO, BIVAC, SGS	L
	In parallel, create a reference system/repository of standards from the region and other core markets, and make available to general public							
Identify gaps and overlaps in mandates of institutions involved in the QM framework	To cover the interim period until a national standards issuing body is setup:	3	S	Entire export value chain actors, NSL	» Regular meetings with tangible outcomes between the committee and line ministries » Initial list of standards released by mid-2015	NSL, MoA, MoCI, MoH, codex and SPS committee		L
	» Improve collaboration between the existing 'codex and SPS committee' and various line ministries to ensure that standards setting and related work continues in the interim period smoothly » Assist the NSL to draw up a standards regime for the NES sector basket							
	Draft the ToR for a national quality institute - together with scope of activity, mapping of resources required. The institute will be aimed at being a centre of excellence related to quality management	3	S	Entire export value chain actors	» Report available and findings widely disseminated to key stakeholders for action	MoCI, NL, MOH, MoA		L

Strategic Objective 2 : Develop institutional capacities related to quality management in Liberia							
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S=short term M – medium term L – Long term	Primary Beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners
Identify gaps and overlaps in mandates of institutions involved in the QM framework	Conduct a study to rationalize mandates of key national actors such as ministries, technical agencies in the area of quality management. Study to also focus on gaps related to technical institutions specializing in areas such as standards setting, metrology, calibration etc. Recommendations will delineate requirements for: » types of technical institutions related to QM, and other missing elements in the QM infrastructure related to aspects such as standards setting metrology, calibration etc » Transfer/rationalization of mandates from ministries to technical institutions that would work independently or under supervision of ministries	3	S	QM	» Mapping study conducted, and recommendations provided by end-2014	MoCI, MoA	NSL
	Strengthen knowledge base, inspection, systems and controls for food quality and agricultural inputs in the country by training more MoA inspectors according to best practices. -Focus will be on both increasing the number of trained inspectors at the MoA, and also the quality of training imparted to the inspectors	2	S	MoA Inspection base	» Increase in the number of certified inspectors	MoA, NSL	MoCI
	To ensure that exporters use quality service providers develop - in collaboration with leading private sector quality providers such as SGS- a national incubation program for companies in the quality testing and compliance sectors	3	S	Companies interested in providing quality testing and compliance services	» Institutional framework for a national incubation program for SMEs in testing and compliance developed. » Program launched by mid-2015	NSL, SGS (and other partners)	MoA, MoCI
Develop an efficient private sector support base to the function	Increase the level of competition among private sector quality management service providers (certifying firms, testing labs etc) by liberalizing and incentivizing well-known international/national firms to enter the sector	2	S	Entire export value chain	» Rolling basis	MoCI, MoFA	L

Strategic objective 3: Improve the infrastructure and regulatory environment pertaining to the function							
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S-short term M – medium term L – Long term	Primary Beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners
Reduce technology and capital equipment gaps in the QM infrastructure	Assist the MoCI to set up a technical committee on quality to draw up a plan for elimination/reduction of import duties on QM related capital equipment for the short- medium term	2	S	QM institutional infrastructure	» Policy clearly articulated with processes, systems and guidelines laid out for full implementation	MoCI, MoF, Customs	
	<ul style="list-style-type: none"> <li>» In collaboration with international partners, conduct a study to comprehensively identify gaps related to specific technology/equipment needs within the QM infrastructure, and recommendations delineated along short/medium/long term</li> <li>» Based on recommendations and analysis conducted above, partner with suppliers/international QM institutes to launch technology transfer initiatives.</li> <li>» Secure funding over the long term to fulfill technology/capital equipment related requirements</li> </ul>	3	M	QM institutional infrastructure	<ul style="list-style-type: none"> <li>» Study conducted by end-2014</li> <li>» Technology transfer initiatives launched starting early 2015 and conducted on a rolling basis</li> </ul>	MoA, MoCI	NSL, MoH
Make infrastructure related improvements related to the function	<ul style="list-style-type: none"> <li>» Increase the number of fish processing, cold storage and packaging facilities and supply chain operations in the country</li> <li>» Allocate funds for fish processing, cold storage, chilling, packaging, distribution and export systems in the country</li> <li>» Provide soft loans to value chain actors to purchase inputs within the sector, including packing material</li> <li>» Reduce import tariffs on fishing, processing, gadgets, packaging material, tools and inputs on the sector</li> </ul>	2	M	Fish and crustaceans export value chain	<ul style="list-style-type: none"> <li>» Improved/extended network of fish processing and packaging centers, fish smoking and curing centers</li> <li>» Increased access/network of fish cold storage facilities</li> <li>» Access to ice making machines</li> <li>» Articulated frozen trucks</li> <li>» Increased affordability of fishing boats, outboard motors, nets, gadgets, processing tools and storage facilities on boats</li> </ul>	MoA, MoCI	MoH, BNF, MoF, CBL
Train value chain actors in food science, food technology and food packaging	<ul style="list-style-type: none"> <li>» Sign Technical Assistance agreement with various countries to support modality that will bring in food technologists from countries in the region ( Nigeria, Cote D'Ivoire, Ghana, Cameroon, South Africa) and internationally ( USA, Italy, Spain, EU, Philippines, Thailand, Japan) to conduct knowledge transfer training with local counterparts involved in food processing in the country.</li> <li>» Focus will be on: <ul style="list-style-type: none"> <li>» Packaging based Infrastructure requirements</li> <li>» Technology transfer, investment requirements</li> <li>» Human capital requirements related to packaging sector</li> </ul> </li> </ul>	3	M	Processors	» Agreements in place b end-2015	MoCI, MoA, MoF	M

Strategic objective 3: Improve the infrastructure and regulatory environment pertaining to the function							
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S=short term M – medium term L – Long term	Primary Beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners
Develop capabilities in the sector related to certification and traceability	Establish a regulatory framework to enable product traceability across the NES sectors. 1. Establish a proper traceability framework. A multi-phased programme should be designed to do the following: » Assess and prioritize the needs for traceability for different sectors; » Consult with specialists in the field who will design a product traceability programme; » Work with the specialists to define an implementation plan. 2. Create a legal framework to support the system. This includes setting out new laws and policies, training workshops and awareness-raising campaigns.	3	M	Entire export value chain	» Product traceability system established by end-2015	MoCI, NSL	MoA, MoH
	In an effort to target the EU/USA markets, conduct a comprehensive study on integrating eco-labelling and other certification capabilities within the sector. » Market research on key markets, along with identification of key requirements » Development and issuance of relevant quality standards by authorities » Develop a national roadmap for developing traceability mechanisms in NES priority sectors	3	M	Exporters	» Market research on key markets, along with identification of key requirements conducted by end-2014 » Quality standards issued by NSL/BNF/MoCI and other relevant authorities by end-2015	MoA, MoCI	NSL, BNF
	Launch initiative for RSPo compliance in the palm oil sector – » Conduct a preliminary study to develop a long term sustainability plan for the sector » Conclude agreement on traceability criteria and monitoring/enforcement/ reporting mechanisms. » Commission certification bodies to engage with companies in the sector seeking to gain RSPo compliance.	3	L	Entire palm oil value chain	Programme rolled out by end- 2016	MoA, RSPo,	LBBF, MoCI, NSL

H

## STRATEGIC PLAN OF ACTION ACCESS TO FINANCE

Strategic Objective 1 : Develop institutional capabilities in the Liberian access to finance cross-function							
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S=short term M – medium term L – Long term	Primary Beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners
Develop capacities of the lending sector to improve service delivery to MSME applicants	Carry out benchmarking exercise to identify good practices in other countries with respect to lending in the agricultural sector by different lender types to guide decision makers in the banking sector	3	S	Policy makers related to the A2F sector	Benchmark completed; report compiled and made available by end-2014	CBL, MoF	MoCI, MoA, Liberian Bankers Association (LBA)
	Develop and deploy a training program for training loan officers on how to deal with specific requirements and needs of MSMEs, including providing information and coaching.	3	S	Loan applicants	Dedicated MSME focused sections created with specially trained loan officers in select banks on a pilot basis.	LBA, MoF	MoCI, MoA
Strengthen coordination between institutions active in the cross-sector function to deliver targeted financial services to exporters	» Establish a standing public-private committee to ensure constant communication and coordination of efforts to improve access to finance for export development by discussing and updating the issues list and access to finance development agenda, and present solutions	2	S	Entire export value chain	» Public-private committee on access to finance formed by end-2014. » Development agenda validated in first annual conference to be held in 2015	LBA, MoF, MoCI	MoA
	» Validate an access to finance development agenda to build synergies between the various private and public stakeholders. » Liaise on an annual basis (in a conference setting) with sector, technical and financial partners to discuss the access to finance development agenda						
	Develop a formal 'ideas exchange' platform for credit providers (banks, CBL, informal community based lending institutions such as susu clubs) to network and brainstorm on issues related to credit provision for MSMEs in the export sectors, on a regular basis. The main goal of this platform would be to develop innovative mechanisms, exchange ideas to cater to MSMEs seeking to expand operations in the export value chain, as well as to improve their service delivery to such clients.	2	S	Credit providers	Platform setup by end-2014.	LBA, MoF	CBL, MoCI, MoA,



Strategic Objective 1 : Develop institutional capabilities in the Liberian access to finance cross-function								
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S=short term M – medium term L – Long term	Primary Beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (H, M, L)
Improve capabilities of credit seekers in the MSME sectors to demonstrate improved creditworthiness	Launch an awareness campaign to increase saving rates/activity of Liberians. This initiative will be aimed at:	3	S	Lending institutions, loan applicants	Campaign launched by end-2014	Liberian Bankers Association (LBA), MoF	MoCI, CDA, MoA	L
	» Improving liquidity in banks through increased savings rates							
	» Improving ability of loan seekers to demonstrate creditworthiness through established account history in banks							
	Campaign to be launch with a wide geographical scope covering all non-urban regions, and utilizing a variety of mediums including:							
	» Radio programs							
	» Site visits at cooperatives and other farmer based organizations							
	» Newspapers and flyers							
Improve human capital in the access to finance sector and encourage knowledge sharing among credit providers	Fund a training/coaching program to strengthen the capacity of exporters to write strong business plans, sales and marketing plans and improve their capabilities in terms of operational and financial management.	2	S	Loan applicants	Coaching program operational on a pilot basis by end-2014	Liberian Bankers Association (LBA), MoF	MoCI, CDA	L
	Coaching will be provided at both bank locations, as well as in the field.							
	» Open house at banks will involve mentoring sessions by bank officials to applicants through office hours set aside (2-3 hours a week).							
	Field coaching sessions will involve trained representatives/loan officers coaching onsite at cooperatives and FBOs.							
	As an approach to improve ability of banks to identify and effectively gauge good investment opportunities through credit applications:							
	» Organize a knowledge sharing training program for loan officers in local banks, with banks in other countries that have strong entrepreneurial culture to expose them to lending opportunities in the export sector and with small loans							
	Create linkages between academic institutions and the private sector in order to introduce into the curriculum the issue of access to finance, and to produce qualified financial cadres for financial services institutions.	2	M	Financial services providers	Dialogue started on an on-going basis	MoF, Universities and technical institutions	MoCI, MoA	M

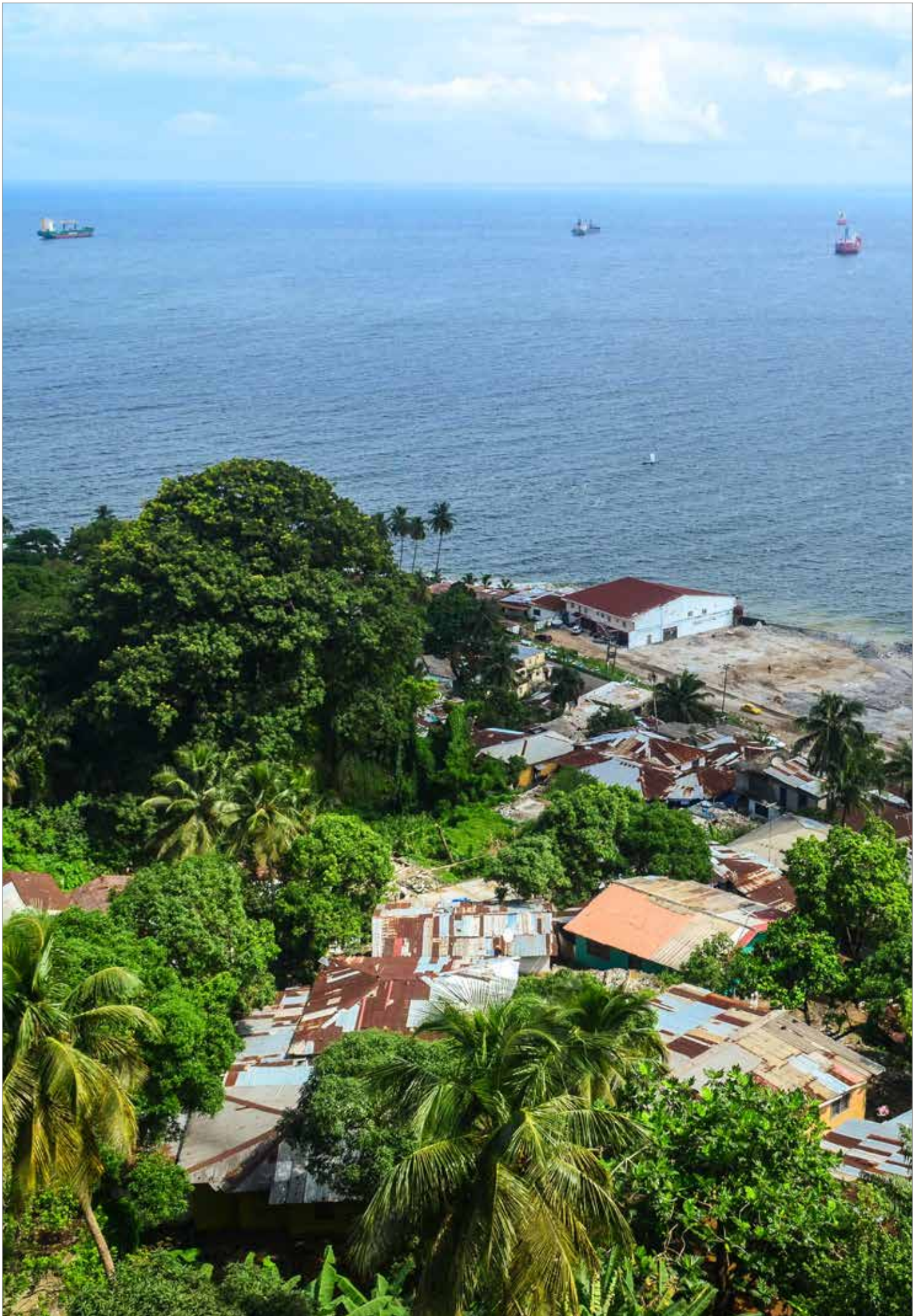
Strategic Objective 2 : Increase innovation in the Liberian lending environment						
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S-short term M – medium term L – Long term	Primary Beneficiaries	Target measures	Supporting implementing partners Leading implementing partners Estimated costs (H, M, L)
Improve credit referencing mechanisms in the sector	Ensure that the current credit referencing system residing within CBL transitions smoothly from the paper based system to the electronic format thus resulting in lower turnaround times between requests and more efficient processing of requests, and lower error rates resulting from incorrect identification.	2	S	Lending institutions, loan applicants	Credit referencing system transitions to the electronic format by mid-2014	CBL, MoF MoCI M
	Conduct a feasibility study to explore the development of a private credit bureau (in addition to the public sector credit referencing system housed in CBL). Feasibility study would include case study analysis of peer countries and include a roadmap if the option is deemed feasible)	2	M	Lending institutions, loan applicants	Feasibility study conducted by end-2014	MoF, CBL MoCI, MoCI M
Diversify credit instruments offered to loan seekers	Create export credit schemes through banks or credit institutions which would include a buyer credit facility backed by export contracts and payment instruments, and supplier credit financing facilities and loans, also based on export contracts and payment instruments. The scheme would also include project financing if the project was aimed for export; the provision of export insurance policies, bond insurance policies and overseas investment insurance; a letter of credit guarantee scheme; and a foreign exchange credit support scheme. These services are important because they involve providing credit for all aspects of the export process.	3	M	Loan applicants	Export credit schemes created and implemented	CBL, MoF MoCI, LBA M
Diversify credit instruments offered to loan seekers	Introduce 'commercial bank on-lending facility' in the Liberian economy, under which banks/other lending agencies especially from countries wishing to sell specific high investment capital equipment guarantee credit lines to local lending banks. Focus on: » Assisting commercial banks in Liberia to establish credit lines with international banks (especially in capital equipment manufacturing countries) for the acquisition of capital equipment » Reduction of import duties on capital equipment that are needed in the export value chain	2	M	Financial Institutions, medium and large sized businesses	Facility setup by end-2015	MoF CBL, NIC, MoA, MoCI M
	To increase greenfield project lending based on strength of business idea, capitalise a venture fund that business incubators can tap into to incubate applicant businesses	2	M	Exporters	Venture fund capitalized and operational by mid-2015	MoF, Incubators such as 'The Marketplace', and 'Building Markets' CBL, NIC M

Strategic Objective 2 - Increase innovation in the Liberian lending environment							
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S-short term M – medium L – Long term	Primary Beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners
Diversify credit instruments offered to loan seekers	Initiate pilot low interest agricultural fund for exporters in line with existing CBL program with banks that give better access to small holders and have experience with low income customers. Fund would essentially build upon existing CBL program that injected 'agro-lending specific' funds into select banks, and aim to scale up this program for the agro (including fish and crustaceans) sectors	3	M	Operators in the agriculture value chain seeking to develop export operations	Agricultural Fund for exporters established	CBL, MoF, MoCI, MoA, LBA	
	Make repayment terms more user friendly so as to decrease default: » Engage the CBL on an ongoing basis to improve repayment terms - to extend repayment statutory limit of loan tenure to 60 months » Create communication plan to create awareness of new lending terms , availability of credit , program	3	S	Loan applicants	» Policy created on extension of loan repayment tenures. Policy document adopted and implemented by mid-2015 » Brochures and information materials on policy and procedures clearly articulated and disseminated to customers	CBL, NIC, MoCI, MoA	
	Engage banks/other lenders to tailor moratorium periods to specific needs of businesses/sectors rather than have across -the - board terms	2	S	Loan applicants	Banks offering a customized tenure solutions for customers based on business type – with increased lending with 3-5 year or longer tenure periods	LBA, Lending institutions	L
Improve awareness around existing credit instruments	» Survey available financial instruments (regular, micro, insurance, etc.) to MSMEs and exporters in order to write a 'Liberian guide to export finance' (pre-shipment and post-shipment). This guide to be available in hardcopy, and online format » Using the 'Liberian guide to export finance', launch a targeted information campaign to MSMEs in urban as well as rural areas on disseminating guide and information on available trade finance instruments.	2	S	Loan applicants	Guide available by mid-2015	MoF, LBBF, CDA	M
Better engage the Diaspora to invest in projects in their home communities	Create a venture fund where the Diaspora can invest in specific export related projects/commercial ideas	2	L	Diaspora investors	Policy document developed, processes and systems clearly articulated along with requisite checks and balances	NIC, MoCI, MoF	MoFA
	Carry out a feasibility study to float a private funding vehicle for Diaspora to invest in commercially viable infrastructure projects in their home/other communities. The Diaspora investment fund would involve payback through interest payments.	2	S	Diaspora	Report completed and disseminated to key stakeholders by end-2014	CBL, MoF	NIC, MoCI, MoA, MoA
	Pilot a diaspora loan guarantee scheme, whereby local lending in the export value chain in Liberia can be guaranteed on the basis of soundness of the business idea and creditworthiness of the diaspora loan seekers. » Specific focus on business plans involving technology transfer initiatives and value addition	3	M	Loan seekers in the Diaspora looking to open businesses in Liberia	Policy document developed, widely disseminated and discussed, processes, procedures and systems clearly articulated by mid-2015	CBL, MoF	NIC, MoCI, MoA, LBA

Strategic Objective 3: Improve coverage of credit providers in rural areas						
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S-short term M – medium term L – Long term	Primary Beneficiaries	Target measures	Leading implementing partners Supporting implementing partners Estimated costs (H, M, L)
Expand network of financial institutions in rural areas	» Create comprehensive incentive package for banks (over the short-medium term) to increase networks of branches in the rural areas or serve rural populations via branchless banking	3	S	Entire export value chain	» Incentive package Agreement document signed with Financial Institutions	MoF Individual lending institutions, LBA M
	» Explore mechanism for formalization of susu clubs (including greater regulation), in order to facilitate greater collaboration between lending institutions and susu clubs. » On a pilot basis, identify select susu clubs and handhold them through the formalization steps, so as to develop a successful case study that can be replicated across other susu clubs	2	S	Susu clubs	» Regulations for formalization of susu clubs defined by end-2014 » Pilot program launched by mid-2015	Susu clubs, CBL, MoF CDA, MoCI L
	Improve security in rural branch locations : » Budget funds to strengthen police intelligence and communication network in the rural areas » Allocate better housing and transportation allowances for police and bank staff in the rural areas » Create community watch groups supported by security agencies to protect bank branches Additionally, carry out a feasibility study to explore the possibility to get assistance from the UIDAI to apply biometric ID project for financial inclusion in Liberia - to mitigate identity theft/related fraud	3	S	Lending institutions with presence in rural areas	» Benefits package for security staff in rural locations established by end-2014 » Community watch groups with UNMIL and local police support established on a rolling basis » Report documented with recommendations for action by end-2014	CBL, MoF, MoCI Liberia National Police, Ministry of Internal Affairs, UNMIL, LBA H
Explore alternate transaction models for coverage in rural areas	On a pilot basis, collaborate with select banks for instituting roving teams of loan officers who can be deployed to rural areas to assess collateral, coach cooperatives and other FBOs, and collect/assess loan applications.	2	M	Loan applicants in rural areas	» Pilot launched by mid-2015	Individual lending institutions CDA, MoF, MoCI M
	Leverage the wide presence of credit unions in rural areas by linking banks to credit unions, with support/empowerment by CBL. » Credit unions will reach out to the grassroots and will serve as the direct interface with communities and rural applications, with funding support by banks, and indirectly through CBL.	2	M	Loan applicants in rural areas	» Increase coverage by credit unions and banks (indirect), on a rolling basis	CBL, MoF, credit unions, banks, CDA, MoCI M
	Conduct a comprehensive study to explore the scope of electronic payment systems, such as m-banking in Liberia. Focus will be on: » Identifying mobile money transaction models that can work in the Liberian context, including study of models that have failed in the past, » Promulgating adoption of mobile money products to actors in export value chain, especially youth, market/unlettered women, » Study to include organization of a conference involving: local and international financial institutions, telecommunication firms, IT companies, Business Advisory Service Providers	2		Loan seekers	» Study completed with tangible recommendations by mid-2015	MoF, MoCI MoA, LBA, CBL, LTA, NIC M

Strategic Objective 4: Increase access to finance among women and youth entrepreneurs							
Operational objectives	Activities	Priority 1=low 2=medium 3=high	Entry Point of intervention S=short term M=medium term L=Long term	Primary Beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners
Increase the volume and quality of loan applications from women and youth in the applicants pool	Conduct a pilot training of trainers for Liberian business incubators to train women's groups/cooperatives/young entrepreneurs to write stronger business plans.	3	S	Loan seekers in cooperatives/women loan seekers	» Pilot training program launched by end-2014	LBA, MoF, CDA, Relevant women groups	CBL, MoCI, MoGA, MoA
	<p>Launch a pilot training program aimed at imparting business plan writing skills to female loan seekers/youth entrepreneurs in the export value chain:</p> <ul style="list-style-type: none"> <li>» Existing program run by CHF/Cuttingham university to be studied as case studies.</li> <li>» Program will involve trilateral relationship between donor partner/banks/universities</li> <li>» Training program will involve multiple training sessions spanning several weeks, culminating in a business plan competition which will facilitate selected business plans to get funded.</li> <li>» Sustainability will be a key aspect – pilot program to be integrated in curricula of partner academic institutions</li> <li>» Specific focus on female loan seekers/youth entrepreneurs, however program to be opened to all candidates in later iterations</li> </ul>	3	S	exporters, processors, value chain actors, Business incubators	» Training program launched by end-2014, with initial batch of trainees inducted	MoF, LBA, partner universities	CBL, MoCI, MoGA, MoA
To broaden acceptability range of collateral types for women	<p>Convene a knowledge-sharing clinic consisting seasoned and experienced experts within financial services, social development, agriculture and gender development as well as key stakeholders to brainstorm on tailored financial products for women. Focus of discussions will be on:</p> <ul style="list-style-type: none"> <li>» Identifying potential types of non-traditional collateral that women especially have access to, and that will be acceptable to lenders,</li> <li>» Soliciting consensus amongst lending institutions on acceptable forms of non-traditional collateral vis-à-vis women applicants</li> <li>» Piloting a program to accept non-traditional forms of collateral and tracking payback progress. Scaling up of program based on progress.</li> </ul>	2	S	Women loan applicants	» Pilot program operational by end-2015	CBL, MoF, MoGA,	LBA, MoCI
							L





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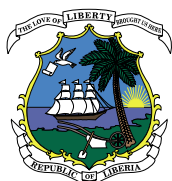
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