

Public-Private Dialogue

Business Reforms in Tax, Investment, and Trade Policies - Liberia Better Business Forum

By

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1- Background and Context

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

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

2- Partnership, Structure and Processes

The LBBF is led by a *Governing Board*, which oversees the content and operation of the forum.

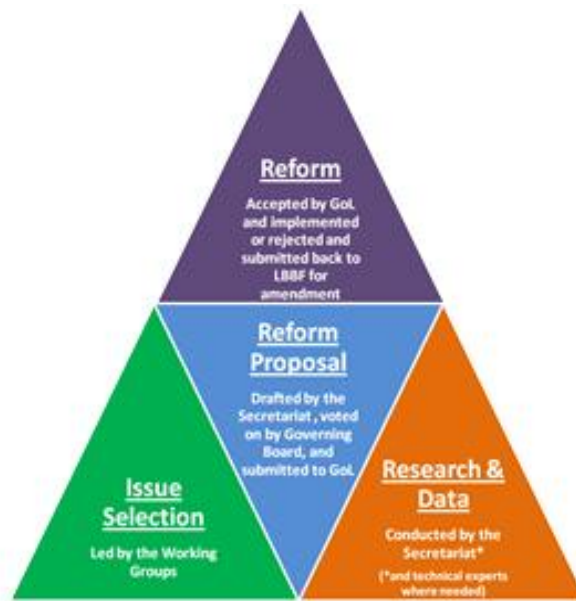
The Board is co-chaired by a public and private sector representative. The five *Working Groups* are comprised of public and private sector participants along with representatives of civil society, and academia. Each working group is co-chaired by a private and public sector representative and meets regularly (e.g. once a month). The *Secretariat* provides administrative and technical support to the dialogue process by facilitating meetings, conducting research, and implementing advocacy and communications strategies. The LBBF Project Team makes up the Secretariat branch of the forum. It consists of the LBBF Coordinator (open), Business Policy Analyst (Krystle Smith), and Administrative Assistant (Ansu Metzger).



The forum’s membership on the public sector side is held by ministers and deputy ministers of the ministries of Commerce & Industry, Finance, and National Investment Commission. The private sector membership consists primarily of medium and large business owners, representatives from the universities, and business association presidents and their respective members. As there are many business associations in Liberia representing the interests of their respective members, LBBF is the only blanket organization that brings them all together.

The public and private sectors share in the leadership and membership of all entities established within the LBBF including the Governing Board and Working Groups. Discussions are focused on issues which directly or indirectly impact the development of the private sector in Liberia, and the climate for doing business and investment. The selected issues considered are to be based on evidence and data to increase understanding of the problem, possible solutions, and their impact. Private sector representatives ensure that the issues it brings to the LBBF’s attention reflect the genuine needs of its business members. The public sector ensures that issues and reforms presented within the LBBF are raised as part of broader government discussions and reforms endorsed by the forum’s Governing Board and implemented are monitored over time. The LBBF regularly informs external audiences about its activities, recommendations, and reforms implemented. The pyramid below illustrates how the forum operates from issue selection to reform implementation.

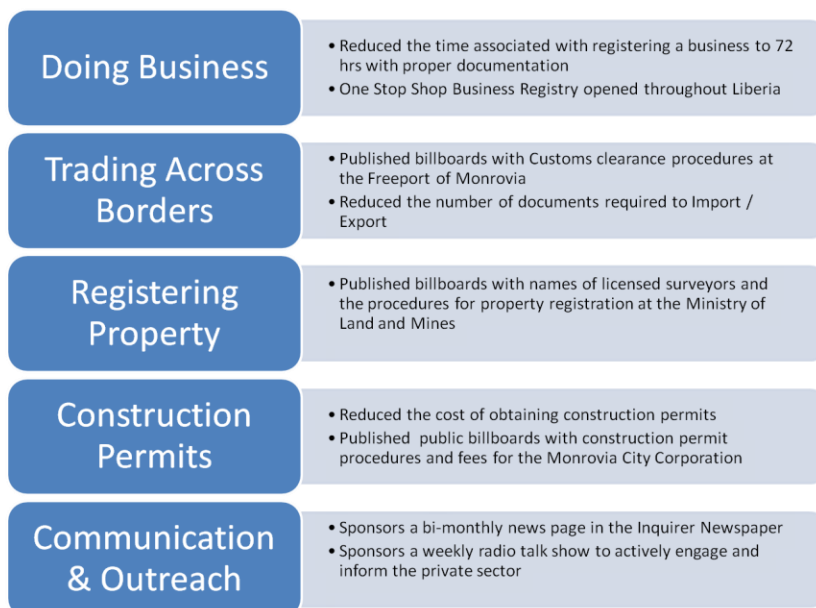
There are currently five LBBF Working Groups based on the business constraints prioritized by the forum’s membership. They include Corruption, Tax Rates & Procedures, Access to Finance, and Access to Electricity, and Customs Rates & Procedures.



3- Results so far

The LBBF has had significant impact on the business climate in Liberia since its creation. Results and impacts include: significant private sector time and cost savings totaling \$4.7 million; a 20 percent increase in business registration; the creation of 20,400 new jobs; \$13 million increase in private sector investment; regulatory reforms, including the passage of a new investment law, commercial code and court, and business registration law and process. The investment climate improvements illustrated below highlight some Doing Business indicators that were greatly improved by the work of the LBBF.

Investment Climate Improvements



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

- Preparing and delivering a 'road show' with the Ministry of Finance, the Ministry of Commerce, the Liberia Business Registry which consisted of field visits around the country to update local businesspeople on new reforms and hear businesspeople's views about enabling environment challenges. The objectives of County Road Show included explaining the MSME Policy, encouraging business formalization and tax compliance, explaining the tax clearance process, and building relationships with key stakeholders in rural communities. Key conclusions from the road show included the following:
 - Business people operating outside of Monrovia lack key information
 - Coordination among key government entities whose work affect MSMEs should be encouraged and prioritized
 - The quality of services to the local business community in rural areas needs to be improved
 - The Practice of bribes, kickbacks, "cold water" or facilitation fees are still very entrenched in rural areas

- A national Micro, Small and Medium size (MSME) Conference, the first of its kind, which resulted in new commitment of support from Government and an opportunity for a wide range of stakeholders to engage and exchange views. The conference brought together over 700 attendees including from various national and international establishments as well as public and private institutions. The President of Liberia, **H.E. Madam Ellen Johnson Sirleaf**, opened the conference with three pronouncements to facilitate the development of MSME in Liberia:
 - **The Liberian Innovation Fund for Entrepreneurship (LIFE):** The government of Liberia pledged US\$500,000.00 which is being equally matched with US\$500,000.00 from the Liberia Bank for Development and Investment (LBDI).
 - **One-time waiver of Tax Clearance:** a process through which small businesses are exempted, one time in the fiscal years, from the payment of taxes for goods and/or services.
 - **Compilation of MSME Directory:** for onward transmission to those cabinet members with core directives to ensure adherence to the Government's commitment to procure the earmarked 25% of goods and/or services from Liberian owned businesses.

- Publication of the Access to Finance Guide and its distribution to the private sector

4- Expected Results

In this last phase of the project, the LBBF expects to streamline tax administration (especially for small and medium-sized enterprises), improve trade logistics (such as automation, cross border trade, and customs codes), and improve access to finance by advocating the establishment of a credit reference bureau. Capacity building of LBBF members is also expected through a series of workshops to be held in the coming months. The Secretariat will assist members with improving: Internal Structure; Governance; Membership Development; Revenue Models; Service Delivery; Communications.

Most importantly the LBBF transition plan to transfer ownership to local stakeholders is being implemented. IFC support of the forum officially ends June 2014. During the transition will focus on the new members of the Secretariat, Governing Board and Working Groups. Operationally, the Secretariat proposes the signing of an MOU between the LBBF and IFC to allow LBBF to act as the dialogue anchor in support of the IFC Investment Climate reform initiatives continuing in Liberia. The independent LBBF will officially begin operations on July 1st 2014. A decision has been made to house the independent LBBF within the Ministry of State (MOS) beginning in July 2014. The MOS comparative advantage as host institution for the LBBF lies mainly in its proximity to the presidency. Proximity to the Presidency will signal to all stakeholders-both private and public the high priority that the President's Office has placed on the LBBF as a public-private dialogue mechanism for private sector development. The MOS also has a reputation for being a neutral broker and facilitator of other institutions and programs. The MOS is also generally considered neutral when it comes to economic policy making

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

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

Biography of Author:

Krystle Smith is the Business Policy Analyst for the LBBF. Krystle joined IFC after spending 7 years in a large B2B company handling process improvements, financial reporting, and special projects for the Global Leadership Team. Looking for a career opportunity in Africa to lend her business skills to improving the lives of those in post conflict countries she joined LBBF in 2011. Krystle is responsible for economic and policy analysis of a range of issues, and providing technical support to the LBBF and Government of Liberia on business constraints and potential reforms.