



# Building Markets

Connecting **Entrepreneurs**. Creating **Jobs**. Sustaining **Peace**.



## Seizing Potential An overview of the Liberian marketplace

April 2012

Frank Alexander and Lucy Heady



**BUY LOCAL.  
BUILD LIBERIA.**

### Cover photograph caption:

**A view over Sinkor**, looking down Tubman Boulevard at 15th Street towards Central Monrovia.

**Photo Credit:** Matthew Jones ©2012

### Preface photograph caption:

**A view over Central Monrovia** from Snapper Hill. Broad Street, the capital's main commercial thoroughfare, is at right.

**Photo Credit:** Matthew Jones ©2008

### Supplier Profile photograph captions (in order of appearance):

**David Tamba**, Owner of Africa Stationery Store serves a client.

**Photo Credit:** Building Markets. 2012

**L. Moya Welding and Metal Workshop**, Employee applying second coat of paint to iron gate.

**Photo Credit:** Building Markets. 2012

**Approved Wear Fashion House** Employees of Approved Wear Fashion House preparing garments.

**Photo Credit:** Building Markets. 2012

**Security Equipment and Logistics (SEAL)** A security guard posted outside of Saksouk Shopping Center, Monrovia.

**Photo Credit:** Building Markets. 2012

### Monrovia scenes photograph captions:

**Page 3: Capitol Hill** seen from Mamba Point, showing, from left to right, the Executive Mansion, Ministry of Foreign Affairs, and Pan-African Plaza.

**Photo Credit:** Matthew Jones ©2011

**Page 18: A view down to Waterside**, for hundreds of years Liberia's principal market district. The industrial zone of Bushrod Island and the Freeport of Monrovia can be seen in the distance.

**Photo Credit:** Matthew Jones ©2011

**Page 19: Tubman Boulevard, Sinkor**, looking toward Pan-African Plaza, the headquarters of UNMIL.

**Photo Credit:** Matthew Jones ©2011

**Page 26: ELWA Junction**, Paynesville.

**Photo Credit:** Matthew Jones ©2012

**Page 31: Red Light Market**, in Paynesville, is Liberia's largest and busiest street market district.

**Photo Credit:** Matthew Jones ©2012

**Page 37: Central Sinkor**, at the intersection of 15th Street & Tubman Boulevard, showing new construction.

**Photo Credit:** Matthew Jones ©2012

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Building Markets is a non-profit social enterprise that builds markets, creates jobs and sustains peace in developing countries by championing local entrepreneurs and connecting them to new business opportunities.



## PREFACE AND ACKNOWLEDGEMENTS

The findings presented in this report offer the most comprehensive and current overview of the Liberian Marketplace. It is the first research product of the Sustainable Marketplace Initiative, a Building Markets project that connects entrepreneurs to international buyers in Liberia, thereby creating jobs and ultimately sustaining peace and stability. The report aims to facilitate the flow of information between international buyers and local businesses about the landscape of the local market and the obstacles to local procurement.

This report was researched and written by Frank Alexander and Lucy Heady and edited by Jenna Slotin and Matthew Jones. Data was collected and checked by Building Markets' intrepid verification team, who diligently and energetically interviewed hundreds of local businesses and transcribed and uploaded data.

This report is made possible by the generous support of the American people through the United States Agency for International Development (USAID). Building Markets also wishes to acknowledge the generosity of Humanity United and BHP Billiton for supporting the Sustainable Marketplace Initiative in Liberia and making this report possible. Building Markets is undertaken in partnership with the the National Investment Commission and the Ministry of Commerce and Industry of the Government of Liberia.

Building Markets also extends our appreciation to those procurement officers, business-owners and managers who took the time to speak to us. This analysis would not have been possible without their contributions. The contents herein are the responsibility of Building Markets and do not necessarily reflect the views of USAID, the United States Government, or Building Markets' other donors and partners.

# FOREWORD

USAID Liberia is proud to be able to support the development and operation of the Sustainable Marketplace Initiative Liberia (SMI-L), which is a key activity designed to link international buyers with Liberian entrepreneurs to generate growth. The SMI-L approach combines several innovative and meritorious mechanisms, reflected in the Building Markets Portal and its related suite of complementary activities driven by the concrete process of matching local demand with local businesses to increase local business activity, expand investment, while building capacity and creating jobs.

Based on Peace Dividend Trust/Building Markets proven track record of successfully implementing similar programs in two other conflict and post-conflict countries (Afghanistan and Timor-Leste), we are convinced that the overall technical and socioeconomic merits of the proposal are significant in terms of its proposed results for creating lasting business relationships, expanding employment through job creation, raising incomes, and increasing the level of domestic investment.

The SMI-L project directly addresses the development challenge in Liberia of strengthening the SME sector by increasing the amount international assistance actors spend on local procurement. A strengthened SME sector provides for increased employment opportunities and business-skills capacity building.

To achieve these ambitious targets will not be easy and there are a number of risks that SMI-L will face in its work to build long-lasting business relations for local Liberia producers. While these risks are real and significant, they can be addressed through a range of coordinated efforts by the Government of Liberia (GoL), the private sector, and donors. The current GoL strategy for SME development provides an excellent framework for these joint efforts and USAID/Liberia support to the SMI-L is just one part of our overall commitment to help move this agenda forward and build a stronger, more productive Liberian private sector.

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# EXECUTIVE SUMMARY

As Liberia makes the transition from post-conflict stability to sustained development, multinational corporations increasingly turn their attention to the country's vast natural resource wealth. Foreign direct investment has risen considerably, from US\$108 million in 2006 to an estimated US\$378 million in 2009. Meanwhile, international organisations continue to implement numerous reconstruction and development projects.

Incorporating local enterprises into the supply chains of multinational corporations and international organisations holds great potential for Liberia's development. It can strengthen small and medium enterprises by improving business capability, increasing access to capital, and transferring skills and knowledge. Local firms stimulate growth by reinvesting their earnings on domestic goods and services and creating jobs. Purchasing from local firms also benefits buyers by minimising logistics and stock costs, reducing lead times, increasing the security of their supply, and maximising their positive impact on Liberia's economy.

In a market recovering from years of war, there are numerous obstacles to incorporating Liberia's businesses community into supply chains and ensuring that the benefits from foreign direct investment (FDI) to the local private sector are realised. Accurate and reliable information about the local market is scarce. Buyers frequently do not have explicit 'buy local' policies. They are often not satisfied with the calibre of bids received from local companies, and when they do purchase locally they are sometimes disappointed with the quality of goods delivered. Local businesses are unaware of contracting opportunities, are not familiar with formal tendering and contracting processes and do not know where to find information about the needs and expectations of international buyers and are often intimidated to approach them.

Building Markets seeks to help close the gap between international buyers and local businesses. This Market Overview contributes to that effort by examining the landscape of the Liberian market, concentrating on Greater Monrovia, as well as the nature and scope of the obstacles to local procurement. The report contains the most up-to-date and comprehensive data available on the business community. The Building Markets team surveyed 758 local firms from across the Monrovia region, and nine major international buyers. In addition to making the findings available through this report, the data will be used to support the suite of services offered by Building Markets' Sustainable Marketplace Initiative to promote local procurement in Liberia. These services include building an online local supplier directory, facilitating business matchmaking and tender distribution, providing training, conducting market research and advocacy.<sup>1</sup>

## KEY FINDINGS:

**Local businesses demonstrate great potential to meet the needs of international buyers, despite being relatively small.**

- Fifty-eight per cent of firms in the sample employ fewer than five people, and 57% of those that disclosed their annual turnover had a turnover of less than US\$20,000.
- One quarter of businesses surveyed have supplied an international buyer in the last six months and over one fifth can provide references from previous clients.

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<sup>1</sup> For more details on Building Markets' services, see Annex 1 or [liberia.buildingmarkets.org](http://liberia.buildingmarkets.org).



- Many suppliers deliver goods and services in high demand from international buyers including food, construction and office needs (furniture, equipment, small supplies and telecommunications services).
- Buyers report that they prefer procuring from a small group of trusted businesses, but will consider any new vendors that can provide similar or better quality at a reasonable price.

**Both buyers and suppliers identify capacity gaps that must be addressed to increase local procurement.**

- Local businesses reported that training in management and procurement would be most helpful in enabling them to win contracts with international clients.
- While buyers identified procurement and management as important training needs, they placed an even greater emphasis on quality and customer service.
- Suppliers reporting training experience were more likely to have been trained with a focus on sector-specific, specialised skills rather than general business skills.

**Access to tender opportunities and knowledge of what makes a winning bid are major obstacles to local businesses' participation and success.**

- Over half of firms that are interested in bidding for tenders report that they cannot find them.
- While only a small proportion of suppliers have submitted bids in the last six months, those that did bid had a 75% success rate in winning at least one contract.
- A majority of buyers reported that the quality of a good or service is the most important factor in evaluating whether or not a firm wins a contract. In contrast, suppliers believe that the most common reason they do not win contracts is due to price.

**The multiplier effect of local purchasing demonstrates strong potential impact on the Liberian economy.**

- On average 71 cents of every dollar spent on local procurement will be re-spent within the Liberian economy through wages paid to staff or goods and services sourced from other local businesses.

**There are several structural factors that hinder local enterprise development.**

- The challenges most frequently cited by local firms are lack of access to finance, lack of access to information and marketing, poor infrastructure and low business capacity.
- Local enterprises at the extremes of the income spectrum are most likely to have received loans, suggesting that a shortage in the credit market exists just above the level of micro-finance.
- There is a clear 'digital divide'. Thirty-one per cent of suppliers report using the Internet daily for business purposes, while 51% report that they seldom or never used the Internet. Just four per cent of suppliers have a website.

Despite the challenges to conducting business in Liberia, the potential for local suppliers to meet the needs and standards of international organisations exists. The procurement officers interviewed for this research are open to contracting with new local suppliers and see the many benefits of doing so. Local businesses that responded to our survey are overwhelmingly optimistic about the future: 78% said they expect to employ more people in the next six months and 96% expect profits to rise in the same period. However, more effort is required by all parties to level the playing field for local businesses and increase local procurement.

**Buyers** must be willing to circulate their tenders more widely and provide feedback to help suppliers learn how to strengthen proposals and meet their quality expectations. They should also consider unbundling large contracts to give smaller local firms a chance to qualify.

**Local enterprises** must respond to the feedback provided by buyers and seek out training opportunities wherever possible. They may need to invest in capital, human resource development or improved business processes if they wish to meet the standards of international buyers.

**Business development service providers** should consider offering training and support in the areas where international buyers identify weaknesses among local enterprises.

**The Government of Liberia** should continue to improve the business climate by investing in infrastructure and continuing to improve the ease of doing business.

Over the course of 2012, Building Markets will launch each of its services and reach beyond Monrovia where there is buyer demand for local purchasing. In spring 2013 Building Markets will publish an update to this report, showing how the market has evolved over the year 2012/2013 and sharing the insights gained from working closely with buyers and suppliers to increase local procurement.



# 1. Introduction

Liberia is a country in transition. Nine years after the end of civil war, post-conflict stability is evolving into sustained development. It has in the last few years recorded one of the world's fastest economic growth rates and November 2011 saw the first election administered by the national government since its years of civil war.<sup>2</sup> Increased stability has heralded a steep rise in foreign direct investment and enabled the expected drawdown of peacekeeping troops under the mandate of the United Nations Mission in Liberia (UNMIL).<sup>3</sup>

The economic impact of the international community in Liberia continues to grow due to multinational corporations' increased interest in the country's vast natural resource wealth, and the continuing development work of a wide range of international organisations. An improved business climate, as well as increased incentives and protections for firms,<sup>4</sup> have attracted increasing levels of foreign direct investment (FDI). From a reported value of US\$108 million in 2006, FDI had risen to an estimated US\$378 million by 2009.<sup>5</sup>

Concession agreements negotiated since 2006 between the Government of Liberia and various multinational companies have an announced value of more than US\$20 billion and, if ambitious targets for levels of local spending are met, could directly create up to 108,000 jobs.<sup>6</sup>

Incorporating local small- and medium-sized enterprises (SMEs) into the supply chains of these international organisations and multinational corporations can directly contribute to private sector growth. A study of local procurement by extractive companies in West Africa reveals benefits such as improvement in business capability, increased access to capital, greater skills development, as well as technology and knowledge transfer to local enterprises.<sup>7</sup> These local firms subsequently stimulate growth by re-spending their earnings on domestic goods and services, also known as the 'multiplier' effect.<sup>8,9</sup> This capital injection provides additional tax revenue for the government, promotes new business opportunities and creates jobs. The added stability and diversity in the marketplace spurs increased levels of domestic and foreign investment.<sup>10</sup>

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<sup>2</sup> The Economist Intelligence Unit forecasts GDP growth of 7.0% in 2012 and 7.5% in 2013. Economist Intelligence Unit, 'Liberia', [country.eiu.com/Liberia](http://country.eiu.com/Liberia).

<sup>3</sup> UNMIL's peacekeeping mandate is scheduled to end on September 30, 2012. For more information see [www.un.org/News/Press/docs/2011/sc10388.doc.htm](http://www.un.org/News/Press/docs/2011/sc10388.doc.htm).

<sup>4</sup> While the World Bank's *Doing Business Report* ranks Liberia as 151 in ease of doing business, the report acknowledges that the country was one of only thirty that implemented three pro-business reforms in 2010/11: registering a business, getting credit, and trading across borders. World Bank, *Doing Business 2012: Doing Business in a More Transparent World*, 2012.

<sup>5</sup> National Investment Commission. *Liberia: Invest, Grow, Succeed, An Investor's Guide to Liberia*. 2012.

<sup>6</sup> Burger, A., *Report to the Liberian National Investment Committee: A Strategy for the Promotion of Business Linkages in Liberia*, 2011.

<sup>7</sup> World Bank, *Increasing Local Procurement by the Mining Industry in West Africa (Road-test version)*, Report No. 66585-AFR, January 2012.

<sup>8</sup> Also known as the 'Keynesian multiplier', this refers to the number of times each dollar is re-spent within an economy. Previous work on fragile states has estimated this multiplier to be roughly 1.5, i.e. every \$1 that is spent in the local economy, consumption and investment will increase by \$1.50. See Carnahan, M., Gilmore, S., Durch, W. *The Economic Impact of Peacekeeping*, 2006.

<sup>9</sup> Heady, L., *A Methodology for Assessing the Impact of Local Hiring and Local Procurement by Development Partners*, Peace Dividend Trust, October 2011.

<sup>10</sup> World Bank, January 2012.

Increased local procurement also benefits multinational corporations and international organisations: it can strengthen their supply chains by minimising logistics and stock costs, reducing lead times, and increasing the security of their supply.<sup>11,12</sup>

In Liberia, a report published by the National Investment Commission found strong potential for local businesses to benefit from the presence of multinational investors: “[b]uilding business linkages, particularly between host country suppliers of goods and services and concessionaires, is one major strategy to ensure that large foreign-owned projects create local economic growth.”<sup>13</sup> The Government of Liberia’s growth and development strategy recognises the key role that the private sector will play in future development and job creation.<sup>14</sup> Such concerns are pressing in a country that is ranked 182 out of 187 countries for poverty by the UN and that has the majority of its labour force engaged in vulnerable and informal employment.<sup>15,16,17,18</sup>

Notwithstanding the strong potential, there are obstacles to incorporating local businesses into supply chains and ensuring that the benefits to the local private sector are realised. As the results presented in this report show, buyers often lack information about the local market and they frequently do not have explicit ‘buy local’ policies. Local suppliers are largely unaware of contracting opportunities and do not know where to find information about international buyers’ needs. Buyers report receiving poor quality bids and suppliers acknowledge their need for training in this area.

The Sustainable Marketplace Initiative (SMI) (previously known as the Peace Dividend Marketplace, or PDM) is a project implemented by Building Markets (previously known as Peace Dividend Trust) that works with local businesses and international buyers to overcome the obstacles to local procurement. This Market Overview will contribute to this objective by improving the flow of business information in Liberia.<sup>19</sup> The report contains the most up-to-date and comprehensive data available on the business community in Greater Monrovia. The Building Markets team surveyed 758 local firms from across the Monrovia region, and nine major international buyers. In addition to making the findings available through this report, the data will be used to support the suite of services<sup>20</sup> offered by Building Markets to promote local procurement in Liberia.

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<sup>11</sup> World Bank, January 2012.

<sup>12</sup> Engineers Against Poverty and the International Finance Corporation, *A Guide to Getting Started in Local procurement: For Companies seeking the benefit of linkages with local SMEs*, June 2011.

<sup>13</sup> World Bank, January 2012.

<sup>14</sup> The National Investment Commission reports that two of the Government of Liberia’s key priorities are strengthening the environment for private-sector growth and creating jobs. National Investment Commission. *Liberia: Invest, Grow, Succeed, An Investor’s Guide to Liberia*. 2012.

<sup>15</sup> UNDP’s Human Development Report rates Liberia as one of the poorest nations in the world (182 out of 187). UNDP, *Human Development Report 2011: Sustainability and Equity: A Better Future for All*, 2011.

<sup>16</sup> Forbes Magazine ranks Liberia as the second poorest country with GDP (PPP) per capita of \$386. Beth Greenfield, “The World’s Richest Countries,” *Forbes Magazine*, 22 February, 2012.

<sup>17</sup> The European Commission estimates that 76 per cent of the population lives below the poverty line of US\$1 a day, and 52 per cent lives in extreme poverty of under US\$0.50 a day ([ec.europa.eu/europeaid/where/acp/country-cooperation/liberia/liberia\\_en.htm](http://ec.europa.eu/europeaid/where/acp/country-cooperation/liberia/liberia_en.htm)).

<sup>18</sup> The International Labour Organisation estimates Liberia’s unemployment rate at three per cent, stating that the 78% vulnerable employment rate and 68% informal employment rate were far better indicators of the overall employment situation in Liberia. People in vulnerable employment “are less likely to have formal work arrangements or access to benefits or social protection programmes, which puts them at risk when there is a downturn in the economic cycle”. Informal employment includes “persons producing goods or services for the household’s own use.” International Labour Organisation, *Report on the Liberia Labour Force Survey 2010*, 2011.

<sup>19</sup> Alex Burger cites “Improve[d] information flows between Concessionaires and Liberian and domestic firms” as a key component in supporting the Improvement Sector. Burger, A, p. 24.

<sup>20</sup> See Annex 1 for a description of services provided by the SMI.

The data presented here provides valuable analysis that will better enable buyers and suppliers to do business with each other. An overview of the basic characteristics of suppliers and current demands of buyers shows the potential for local supply to meet demand. Perceptions gathered from both buyers and suppliers highlight the ability and potential of local suppliers to deliver the required goods and services. Training needs indicate areas of weakness among suppliers and the report shines a light on local firms' ability to navigate formal tendering processes. Through analysis and case studies the report also highlights the potential economic impact of local procurement and the barriers that exist in the broader business environment.

This is the first report in a series of Market Overviews that will be published each year of the project's operation. As Building Markets continues to work with buyers and suppliers, future editions will provide updates on the local marketplace and examine trends in issues related to local procurement.

## 1.1 DATA SOURCES

The evidence presented in this report comes from surveys undertaken with owners or senior managers of 758 local firms from across the Monrovia region, and nine major international buyers: foreign investors and concessionaires, as well as procurement offices from the United Nations.

Local firms are invited to participate in a two-part survey. The first part is focused on verifying basic business information in order to publish firms' details on an online business directory – one of the core services of the Sustainable Marketplace Initiative.<sup>21</sup> This process not only provides buyers with a trustworthy resource for finding local suppliers, it also generates some of the most comprehensive data on local firms and ensures that all of the SMI's services are based on in-depth knowledge of the local market.

After providing the information required for verification, the business representative is asked to complete the second portion of the survey – an optional, anonymous baseline questionnaire. Eighty-seven per cent of verified firms (or 657 total) participated in the baseline questionnaire. The analysis presented here is based on data from both the verification and baseline portions of the survey.

The major international buyers were interviewed in order to provide the SMI with baseline information about buyers' experiences with, and attitudes toward, local procurement.

For more information on the data-collection methodology please see Annex 2.

### Terminology used in this report

**SME (Small- and/or medium-sized enterprise):** A firm employing fewer than 250 employees. (The European Commission defines an SME as having fewer than 250 employees—see [ec.europa.eu/enterprise/policies/sme/files/sme\\_definition/sme\\_user\\_guide\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf))

**Buyer:** An international organisation, multinational corporation, concessionaire, or government that is looking to procure goods or services for their operations in Liberia.

**Local business:** Any active business currently registered with the Liberian Business Registry (supplier, enterprise, firm and SME also used in place of 'local business').

**Procurement officer:** Employee of a Buyer who conducts purchasing, whether or not that individual holds the title of 'Procurement Officer'.

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<sup>21</sup> Sustainable Marketplace Initiative Liberia, [liberia.buildingmarkets.org](http://liberia.buildingmarkets.org).



## SUPPLIER PROFILE: AFRICA BOOKS AND STATIONERY

John Tamba initially founded African Books and Stationery Store in 1980 as a way of re-selling his friends' unwanted goods to customers. Over time, Tamba reinvested his earnings and built up his business selling stationery and office supplies. In 1990, Tamba officially passed the management of the enterprise to his son, David Tamba. As war devastated Liberia, it also devastated their livelihoods. During the 1990 crisis, thieves broke into the African Books and Stationery Store, stealing every last item of inventory. The following year, David decided to take what little money he had in his personal savings and revive the family business. He reinvested his money into the business throughout the years of continued conflict.



Since 2003, things have improved for Tamba, and the African Books and Stationery Store now employs five people. The store sells a variety of high quality stationeries, office chairs, laptops and laptop accessories, photocopiers, books, and educational materials, much of which is imported from the United States and China. *“Our business looks small from the outside, but we are only using the front of the store as a showroom,”* says Tamba. *“We have a warehouse in the back of the store where we keep most of the goods we sell.”* Tamba thinks that major buyers overlook the store because it looks small, preferring instead to do business with larger suppliers. Several times he has had larger competitors stop by his store to purchase goods that they in turn sold to major buyers.

Nonetheless, Tamba strives to find new business. He regularly visits procurement offices of NGOs and government organisations to introduce his store and line of products. He is encouraged that Building Markets' Matchmaking service can potentially link his business with a whole range of buyers with specific stationery and office supplies needs. He currently has a regular contract with a Government Ministry and several one-time contracts with local NGOs. Tamba says that he is interested in bidding on tenders but has never been able to find any that are suitable for him to bid on. Building Markets' Tender Distribution Service will help to ensure that he is informed of tenders that are relevant to his business. Tamba is eager to seize these opportunities and grow his business.



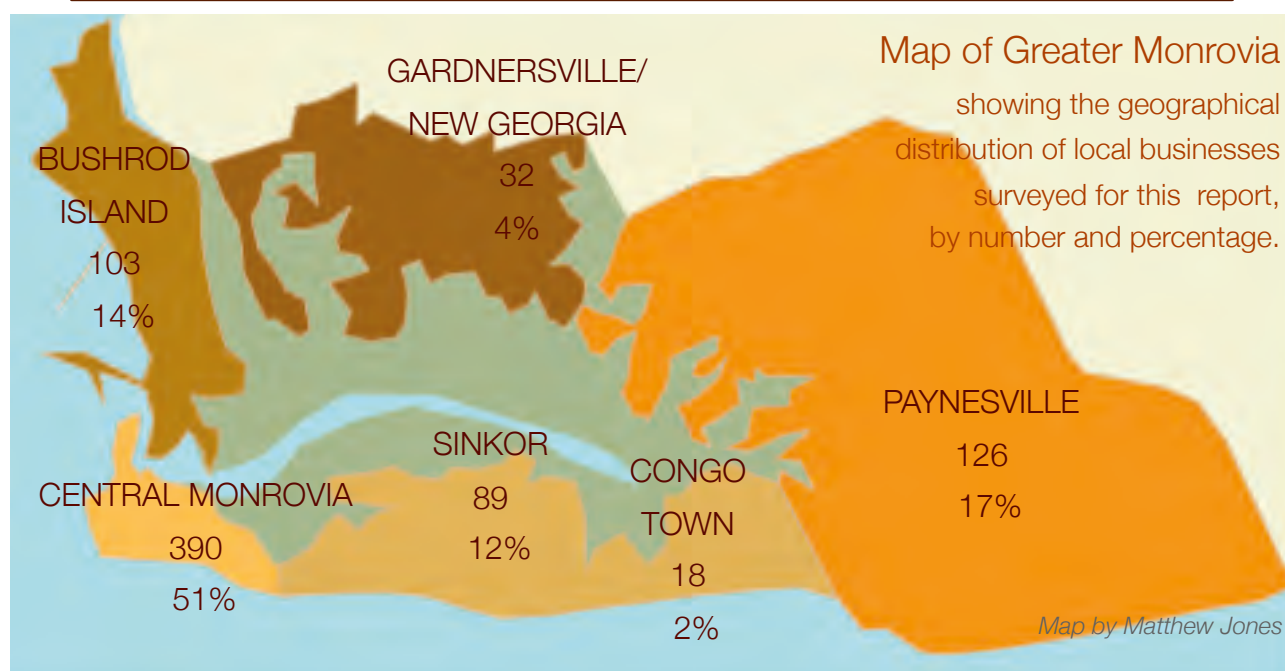
## 2. Key Statistics

The first step in understanding the local market is getting a sense of the basic characteristics of local suppliers. This informs procurement officers of the type of businesses they are likely to encounter, their importance as buyers in the market and helps identify opportunities for local procurement. Suppliers can use this information to see how they compare to their peers and take advantage of the opportunity to meet the unmet demands of international buyers.

This section presents key statistics on the local businesses in the survey sample: their sectors of operation, their size, levels of female participation, and experience with international buyers. Later sections will examine the relationship between these characteristics and the capacity of local businesses and the challenges they face. This section also includes responses from international buyers on what goods and services they have procured locally in the past and where they see future opportunities for expanding local procurement.

Key findings in this section include:

- Local businesses are extremely small. The majority of firms employ fewer than five people (58%) and have an annual turnover of less than US\$20,000 (57%).
- Women manage 30% of SMEs in the sample, well above the average for sub-Saharan Africa (15%) and the world (19%).
- One quarter of firms in the sample have had an international client in the last six months (39% reported having had at least one international client at some point).
- Buyers report that they prefer procuring from a small group of trusted businesses, but will consider any new vendors that can provide similar or better quality at a reasonable price.

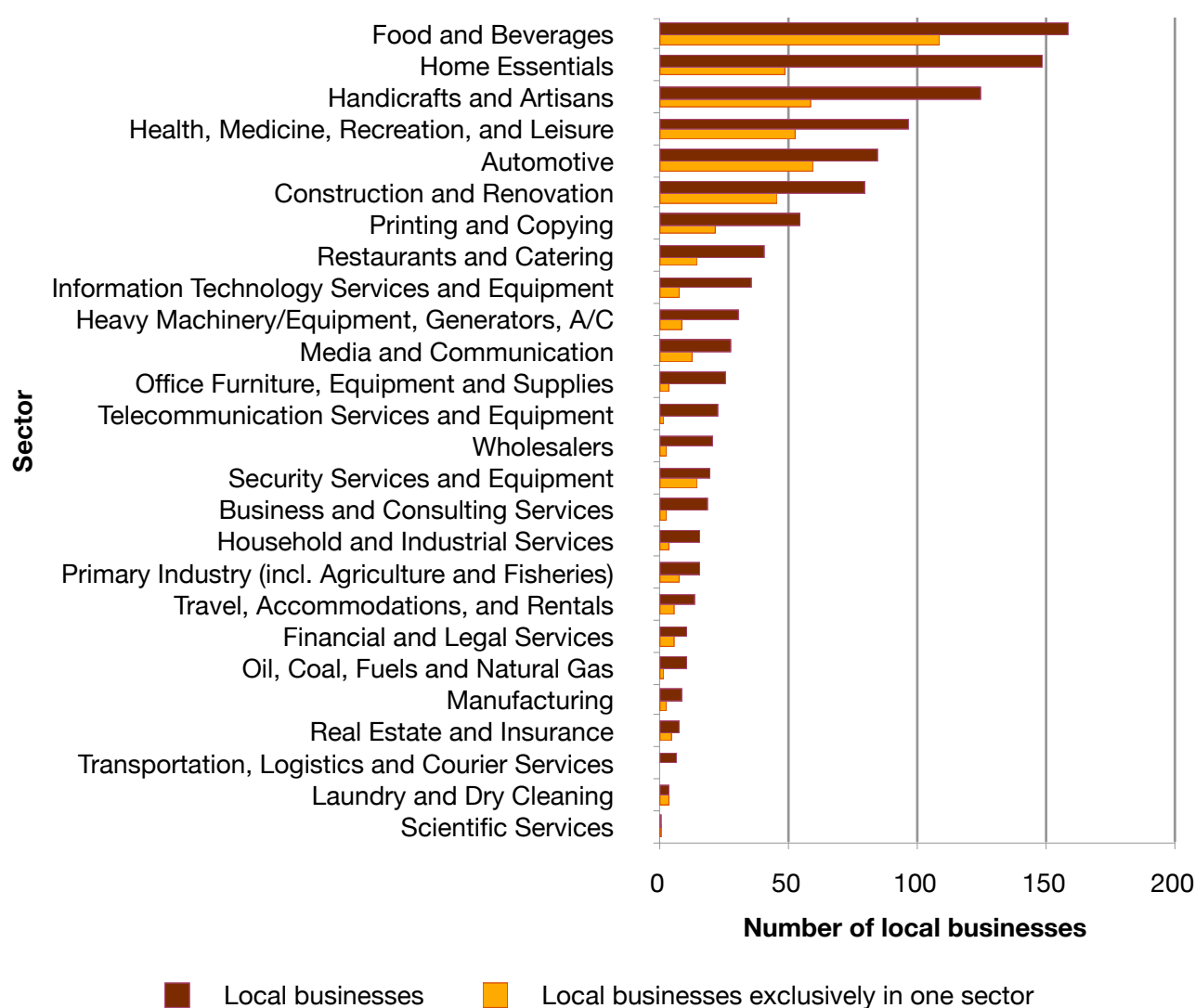


## 2.1 SECTORS

The sector with the largest number of local businesses verified so far is *Food and Beverages* (21% of all suppliers in the sample of 758 suppliers), closely followed by the *Home Essentials* sector (20%).<sup>22</sup> Figure 1 shows the breakdown of firms in the sample by sector of operation.

It is common for entrepreneurs in Liberia to provide goods and services in multiple sectors. **Thirty-eight per cent of SMEs in our survey sample work in more than one sector.** While firms might be seeking to diversify in order to get as much business as possible, **excess diversification or lacking a clear speciality may count against them when competing for contracts with international buyers.** Many procurement officers reported a preference for contracting with suppliers that specialise in a given area (see Box 7). Sectors where suppliers were most likely to operate in only one sector include *Security Services and Equipment* (75% just in that sector), *Automotive* (71%), and *Food and Beverages* (69%).

Figure 1: Number of enterprises by sector of operation



<sup>22</sup> The Home Essentials sector includes SMEs selling home accessories and appliances, electronic equipment, and other items for the home—a more detailed description of each sector can be found in Annex 6.

## 2.2 SIZE OF LOCAL BUSINESSES

One indicator of a business's ability to fulfil contracts is its size. SMI's verification data provides two measures of size: number of employees and annual turnover. On both of these measures, the majority of local firms surveyed are extremely small. Fifty-eight per cent of firms employ fewer than five people (see Figure 2)<sup>23</sup> and the median number of employees across all local business is just four. The majority of SMEs disclosing their annual turnover earn less than US\$20,000 (see Figure 3).<sup>24</sup>

### Those businesses with the greatest number of employees are often not those with high turnover.

Firms reporting over \$1,000,000 in annual turnover are concentrated in sectors that use or sell expensive goods; *Automotive, Construction and Renovation*, and *Office Furniture, Equipment, and Supplies*. Those firms with 50 or more employees are concentrated in two labour-intensive sectors: *Security Services and Equipment* and *Construction and Renovation*.

Businesses with large numbers of employees also have a high proportion of temporary employees. Suppliers in the *Security Services and Equipment* and *Construction and Renovation* employ the greatest proportion of temporary workers (79% and 78% respectively).<sup>25</sup> The *Automotive* and *Health, Medicine, Recreation, and Leisure* sectors have the greatest percentage of permanent employees (92%), but have the lowest median number of employees, just two workers per firm.

Figure 2: Number of employees in local businesses

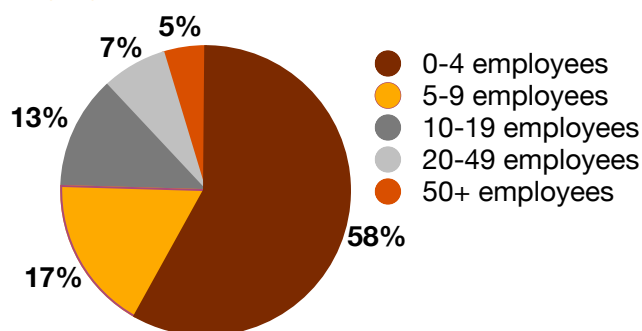
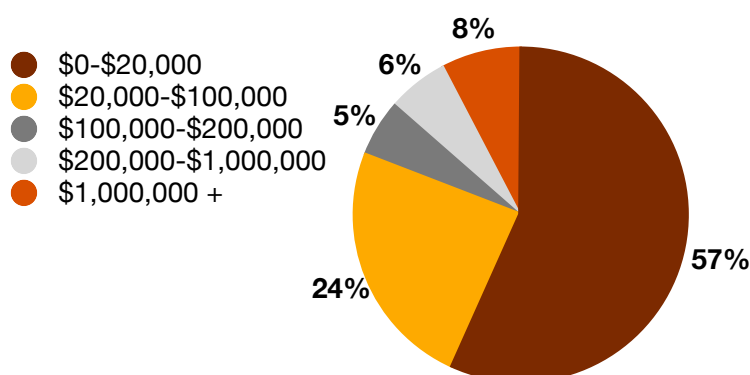


Figure 3: Annual turnover of local businesses



<sup>23</sup> SMEs with zero employees are those that are entirely operated by non-salaried owners and/or managers.

<sup>24</sup> Just 29% of SMEs in the sample provided their annual turnover figures for the year 2010. This low response rate means that figures presented here could be unrepresentative of the sample as a whole. The *Automotive* sector had the lowest proportion of firms reporting annual turnover (16%), *Printing and Copying* had the highest proportion (51%).

<sup>25</sup> The SMI considers both permanent and temporary employees only if they are full-time. A temporary employee is distinguished from a permanent employee in the duration of their contract. For example, a temporary employee could be seasonally employed or work for the duration of a single project.

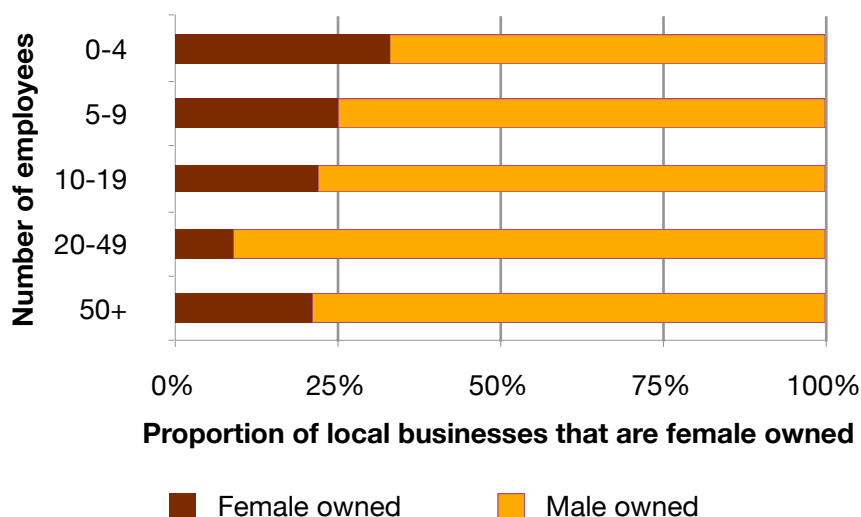
## 2.3 FEMALE PARTICIPATION

Across the whole sample, just 17% of employees are female. This is slightly lower than the average of 24% for sub-Saharan Africa and just over half of the world average of 31% as reported by the World Bank Enterprise Survey.<sup>26</sup> Despite their low level of representation in the labour force, **female employees are far more likely to be in permanent positions**—72% are in permanent roles compared to 45% of male employees. Indeed, the *Construction and Renovation* and *Security Services and Equipment* sectors have by far the highest proportion of temporary workers and have among the lowest proportion of female employees (13% and 7% respectively). Female employment levels are highest in *Restaurants and Catering* (49%), and *Health, Medicine, Recreation, and Leisure* (40%).

Women are more highly represented as owners and/or managers of enterprises than as regular employees, following the trend throughout sub-Saharan Africa for women to be more highly represented as owners than as employees of businesses. In our sample, 28% of suppliers have some level of female ownership, much lower than the 53% found by the World Bank Enterprise Survey in 2009.<sup>27</sup> This could be due to the geographical bias in the SMI's survey, the small sample size in the World Bank Enterprise Survey (150 businesses), or changes in the business landscape since 2009. As verification moves beyond the Greater Monrovia region, Building Markets will closely monitor levels of female ownership.

Women manage 30% of firms in the sample. This matches exactly findings from the World Bank Enterprise Survey in Liberia and is well above the average for sub-Saharan Africa (15%) and the world (19%). Women-owned businesses are smaller than the rest of the sample by number of employees (see Figure 4). Female ownership decreases as the number of employees increases, with the notable exception of an increase in female ownership of businesses with over fifty employees.<sup>28</sup>

Figure 4: Female owned local businesses by number of employees



<sup>26</sup> Enterprise Surveys ([www.enterprisesurveys.org/](http://www.enterprisesurveys.org/)), The World Bank.

<sup>27</sup> Of SMEs owned by women, 18% are co-owned with men.

<sup>28</sup> There were seven firms that were female owned and had at least 50 employees. Four of these firms were minority owned by women, two businesses were owned equally between men and women, and one business was majority owned by women.

### Box 1: SMI service—Supplier Directory and Business Verification

The supplier directory provides buyers with information on local businesses. The directory is searchable by sector and location. It is accessible through the Liberia Business Portal ([liberia.buildingmarkets.org](http://liberia.buildingmarkets.org)).

Several of the characteristics in this section are listed on the portal, including employment figures, female ownership, and client references. Additional information on ownership, turnover, and international experience are available for buyers who create a username and password to log-in to the portal.

Each supplier profiled in the directory is verified by SMI staff through onsite interviews. Businesses are re-verified every six months to maintain the integrity and the utility of the data.

### Box 2: The buyer perspective—Finding a local business

The most common way for procurement officers to receive information about local businesses is by word-of-mouth. Buyers often hire Liberian national staff to work in procurement roles because they have the best knowledge of the capacity of Liberian businesses and general availability of goods and services. Two buyers said in interviews with SMI that they also learn about new businesses by asking already trusted suppliers for recommendations on businesses with good reputations.

Whether formalised or not, buyers often have a group of specific vendors with whom they work and will consider again for future procurement needs. Six buyers report that they prefer procuring from a small group of trusted businesses, but are generally open to considering any new vendors that can legitimately compete by providing similar or better quality at a reasonable price.

Many procurement officers emphasised the need to meet vendors face-to-face and see the goods they are considering for purchase to ensure the supplier really stocks the items they say they do. The SMI's online Business Directory will allow buyers to procure locally with less effort as the SMI's verification officers interview owners and senior managers at the supplier's place of business and can see the firm's inventory. One procurement officer comments, *"I am so happy that this business directory exists. It is going to make my life so much easier."*

### Box 3: The buyer perspective—Goods and services buyers have procured from the local market.

Amongst the buyers surveyed, the most common goods and services procured locally were:

Catering	Computers	Construction services
Foodstuffs	Mobile handsets	Construction suppliers
Printing and stationery	Gasoline	Equipment rental
Office furniture	Vehicles and parts	Security services
Office supplies (including air conditioners, generators)		

These goods and services are all well represented in the sample of businesses verified so far, with the exception of suppliers of gasoline.

## 2.4 EXPERIENCE WITH BUYERS

One quarter of all firms reported having had an international client in the last six months<sup>29</sup> and 39% had had an international client at some point. Experience with international buyers is highest in the *Security Services and Equipment* and *Office Furniture, Equipment, and Supplies* sectors with 84% of businesses in each sector reporting having had an international client (see Figure 5).

Once a business has provided goods or services to a buyer, they can increase their chances of winning future contracts if that buyer is willing to provide a reference. References give some insight into the track records of these suppliers and are an indicator of their professionalism. In total, 20% of businesses surveyed provided client references. As can be seen from Figure 6 those sectors with higher levels of experience with international buyers such as the *Security Services and Equipment* sector and the *Office Furniture, Equipment, and Supplies* sector are more likely to provide references.

Figure 5: Local businesses reporting that they have had international clients and can provide client references, by sector

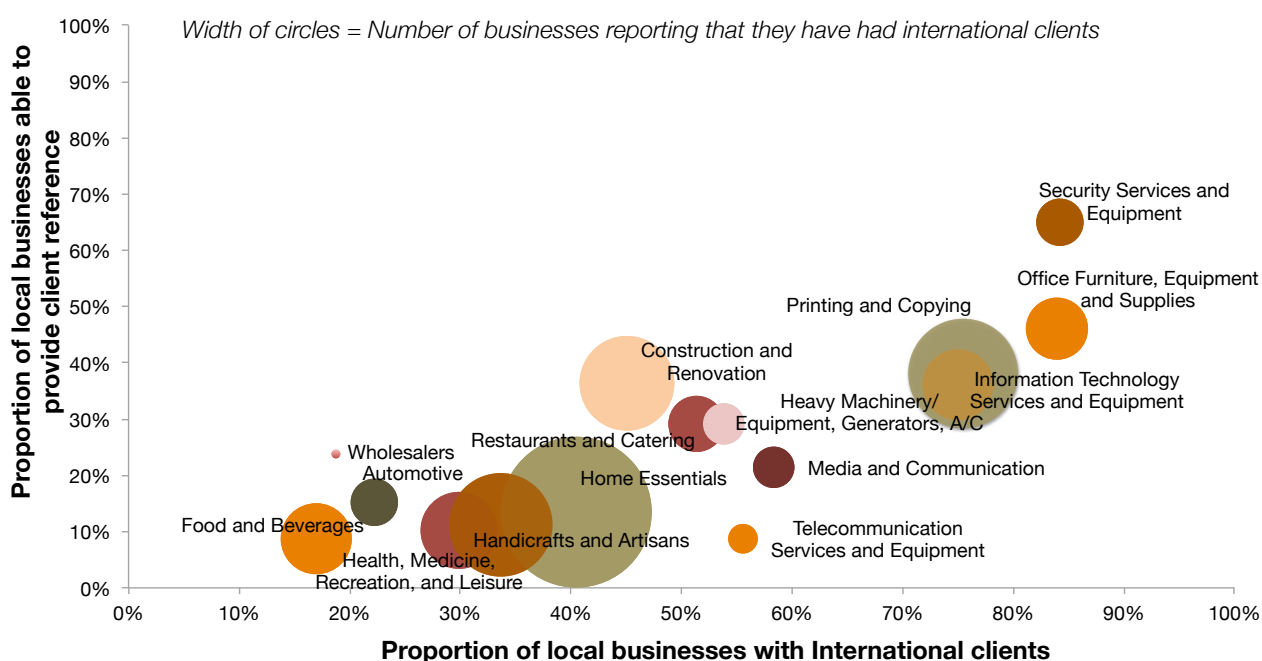
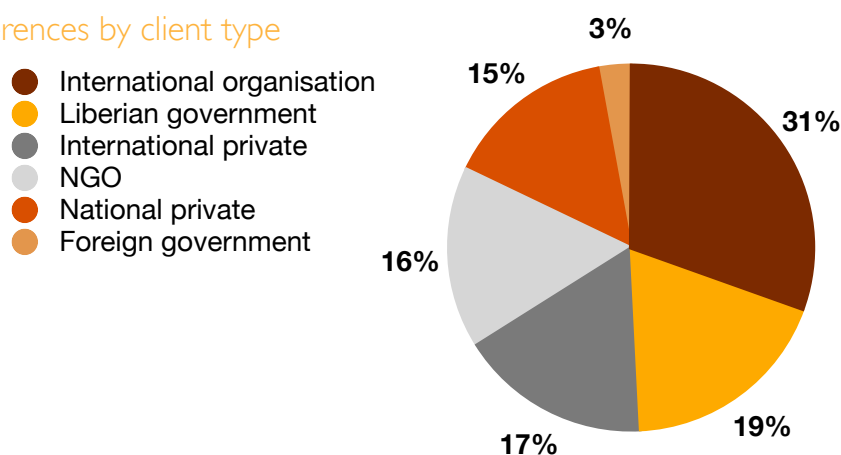


Figure 6: Client references by client type



<sup>29</sup> We use the word 'client' to refer to buyers who have purchased goods and/or services from the supplier above US\$1,000.



#### Box 4: The buyer perspective—Future procurement plans

In order to understand future demand for local goods and services, the SMI asked buyers about their future procurement plans. Eight of the nine buyers surveyed conduct their local procurement in an unplanned, or *ad hoc* manner. There are two primary reasons for this. First, procurement is often driven by immediate, operational demands e.g. replacing faulty equipment. Second, many buyers have not been operating in Liberia for long enough to establish any formalised plan. Several buyers indicated that they will devise plans as they gain experience with and understanding of local businesses.

Buyers identified the following goods and services that they currently think can be delivered locally to the required quality standards and noted that they would be interested in procuring from local firms that could supply these:

- Agriculture commodities – cocoa, coffee, timber, bamboo
- Catering that meets health and safety regulations
- Hotels and restaurants catering to international customers, particularly in the cities of Buchanan and Greenville and in Nimba County
- Consulting firms
- Foodstuffs – including fruit, vegetables
- Geological supplies and technical specialists which meet international safety and quality standards
- Larger-sized travel agents
- Medical supplies
- Technology firms providing office solutions
- Vehicle leasing
- Waste management, including environmentally-sound industrial waste disposal.
- Water tanks

#### Box 5: SMI service—Matchmaking

SMI staff will facilitate business linkages to make it easier for international buyers to find capable suppliers that meet their specific needs for goods and services.

Matches are made based on specific requests from buyers, and sector and regional assessments of supply and demand. This includes the creation of matchmaking reports for buyers, networking events, vendor days and other outreach events.

This service is based on the detailed knowledge accumulated by SMI staff, gained through site visits to local businesses and in-depth discussions with the owner or senior manager.

## SUPPLIER PROFILE: L. MOYE WELDING AND METAL WORKSHOP

Levi Moya started his business in 2006 immediately after completing his training in welding from the Monrovia Vocational Training Center (MUTC). His brother bought him a second-hand welding machine, which enabled him to set up his own workshop. After six months the machine broke down, forcing him to temporarily leave his workshop and find work at another welding shop. In 2008, he took his savings and purchased a new welding machine. This meant he could move back to his workshop, re-start his business and employ other trained welders.

L. Moya Welding and Metal Workshop currently has ten employees and has purchased three new welding machines since 2008. The workshop primarily welds iron doors, window bars, and other metal materials. In 2011 the workshop won its first contract with a Government agency. Moya needed money to pre-finance the contract and he was denied a loan from the bank. Fortunately, his wife was able to loan him the money to ensure that Moya could guarantee the work.

Moya's business has relied on word of mouth to get new customers. *"Recommendations are the most important things,"* says Moya. Moya believes that his business can benefit from the services of Building Markets. In particular, he expects that the online directory will give wider exposure to his business. *"The SMI can help the shop get more contracts because right now people don't really know about our business,"* he explains. Moya says that tenders are typically distributed only to friends or close associates of buyers and so he hopes that the SMI's Tender Distribution Service will give his shop greater access to tenders.



# 3. Meeting demand: Capacity and training of local businesses

This section moves from basic statistics about local businesses to assessing their training needs and capacity to deliver the goods and services required by international buyers. Buyers will only procure goods and services from suppliers that can meet their requirements. For buyers, this section highlights the areas where SMEs have received training and where they would like to receive more. For suppliers, it highlights priorities for improving operations. Bridging this information gap helps to ensure that the training provided to, and demanded by, suppliers will increase their ability to win contracts with international buyers.

Key findings in this section include:

- Most buyers report that the greatest challenge to local procurement is the difficulty of finding goods and services in the local market that meet their quality standards.
- Suppliers reporting training experience were more likely to have training with a focus on sector-specific, specialised skills rather than general business skills.
- Businesses with international clients were nearly twice as likely to have received training (54%) than the sample as a whole.
- Local SMEs reported that training in management and procurement would be most helpful in enabling them to win contracts with international clients. While buyers also identified these areas as important training needs, they placed an even greater emphasis on quality and customer service.

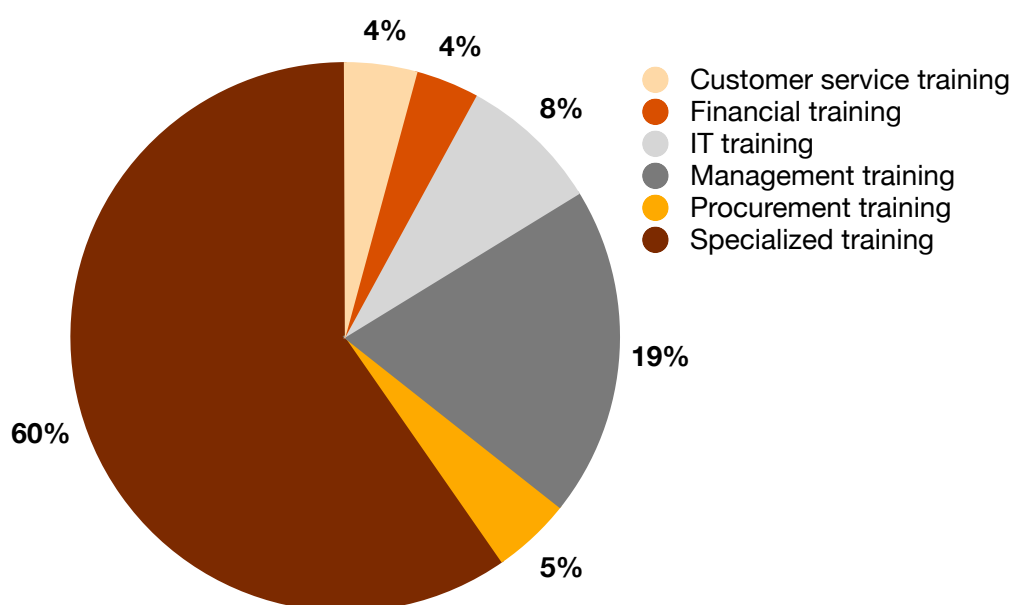
## 3.1 TRAINING RECEIVED BY BUSINESSES

Participation in training can indicate that a supplier will provide goods and services to a higher standard. However, this is clearly dependent on the quality and relevance of the training. Thirty-one per cent of firms in the sample report that they have had at least one training session, and sixty per cent of training sessions were sector-specific, specialised training. The latter includes electrical engineering, health and safety, food refrigeration practices and cosmetology (see Figure 7). The remaining 40% were focused on general business skills such as finance and marketing.

Sectors where businesses have higher rates of training tend to have greater reported experience with international clients. Suppliers with international clients were nearly twice as likely to have received training (54%) than the sample as a whole. This could be because training is useful for winning work with international organisations or because businesses working with international organisations are more likely to seek out training opportunities.

Many buyers surveyed are looking to procure from suppliers that are specialists in their particular sector and so the high proportion of specialised training is a welcome sign (see Box 7). Sectors with the highest rate of businesses receiving specialised training were *Security Services and Equipment* (50%) and *Media and Communication* (32%).

Figure 7: Training received by local suppliers



#### Box 6: SMI services—Procurement training

As the findings from this section demonstrate, both suppliers and buyers have identified a need to train suppliers in procurement processes.

SMI staff will provide targeted training to local suppliers in order to increase their understanding of procurement processes and enable them to successfully bid for, and win, contracts.

SMI staff can also facilitate seminars and other information-sharing events aimed at international procurement teams that cover the business practices, capacity and environment of the Liberian private sector, as well as provide training on the use of SMI resources such as the Business Directory, Tender Distribution Services and Business Matchmaking.

### Box 7: The buyer perspective—Strengths and weaknesses of local suppliers

Availability of basic goods is high but quality is hard to find

Four procurement officers remarked on the wide range of goods and services available on the market: “the Liberian market is good at going to any length to get goods and services,” explains one procurement officer.

However, these goods and services are often not of sufficient quality.

**Six procurement officers noted that finding quality goods and services is the biggest challenge to local procurement.** “It is possible to get basic goods in the Liberian market,” reports one procurement officer, “but very difficult when it comes to finding more sophisticated goods.”

Three buyers stated that they wanted to do work with suppliers that are specialists with a technical knowledge of the goods or services they provide. These buyers all said that they much preferred a supplier with a speciality to one that can sell a wide variety or large quantity of sub-standard goods.

Goods and services do not come with guarantees

**Another barrier to local procurement is the lack of guarantees for the goods and services that local businesses provide.** Six buyers report that the goods they purchase often break or do not operate to the standards that business had promised. If buyers cannot get refunds or repairs, they are discouraged from doing repeat business with those suppliers. Two procurement officers said they sometimes terminate contracts when businesses do a poor job or do not deliver goods or services to their full obligation.

Capacity is gradually improving due to increased opportunity and competition

Three procurement officers with several years of experience in Liberia have noticed an improvement in the marketplace since the early post-war years. Local businesses have become more confident and are generally able to provide better quality goods and services. These buyers also thought that increased competition had resulted in a greater variety of goods or services, lower prices, and more favourable terms and conditions.

Two buyers believe that the return of Liberians from the diaspora has also contributed to growth in market capacity in both Monrovia and Buchanan.

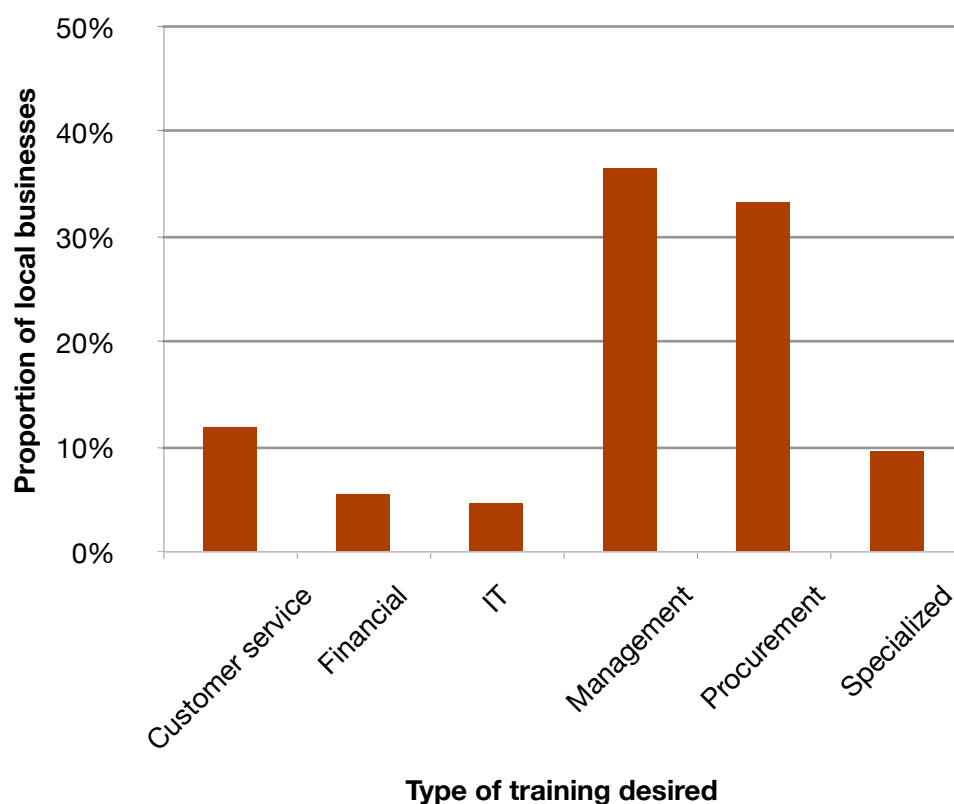




## 3.2 DEMAND FOR TRAINING

Suppliers reported that training in management and procurement would be most helpful in enabling them to win contracts with international buyers (see Figure 8). Less than ten per cent of local businesses said that specialised training would help them to win these same contracts. This may be due in part to the fact that they are far more likely to have already received specialised training than management or procurement training (see previous section) or because they do not understand the technical specifications and quality standards required of them.

Figure 8: Types of training desired by local suppliers





#### Box 8: The buyer perspective—Training needed by Liberian businesses

Procurement officers identified several areas in which local businesses would benefit from training. These can be broadly split into general business skills and technical skills:

##### Business skills

**Proposals and bids:** This training should focus on how local businesses package professional and compliant proposals and bids and attentive ‘after-care’.

**Customer service:** This training should focus on developing strong customer relationships through punctual and courteous interaction with buyers.

**Financial management:** This training should provide SMEs with a sufficient understanding of finances, accounting, and bookkeeping.

**Product management:** This training should enable SMEs to improve their supply chain planning and quality control with a strong focus on the standards expected by international buyers.

**IT literacy:** This training should emphasise the need for local businesses to use email, gain basic Internet skills, and understanding of other technological applications. The data from suppliers also reflects this training need (see Section 6.3 of this report).

**Entrepreneurship:** This training should assist current or potential enterprise-owners to start or expand their business to respond to the burgeoning opportunities.

##### Technical skills

**Industrial and vocational skills:** This training should be sector-specific for local businesses to improve upon the quality or expand the spectrum of higher-skill services that they could provide. Numerous buyers have suggested such training would be particularly relevant in the *Construction and Renovation* sector.

**Certification:** Numerous buyers, particularly in the mining and oil/gas sectors, require that many of the goods they purchase be certified by an international entity. This training should enable SMEs to provide a specific good or service at the required international quality standard, as required by buyers.

## SUPPLIER PROFILE: APPROVED WEAR FASHION HOUSE

Geneva Carr came back to Liberia in 2008 with an entrepreneurial vision: Carr realised that very few Liberians were involved in fashion and that she could use her training and experience to build a fashion design business. Carr had spent 18 years in Ghana as a refugee. While there, Carr had the opportunity to attend a fashion design school. Soon after her graduation in 2005, Carr bought her first used sewing machine for \$40, paying the first \$20 at the time of purchase and the remaining \$20 after earning the money two weeks later. Six months later, she opened her first shop to design and sell clothes for customers in her Liberian refugee camp. *“It was very hard work, but I was motivated by people in the community who told others to patronise my shop,”* said Carr.

With her earnings from Ghana, she moved permanently back to Monrovia, rented a home, bought two sewing machines, and began sewing for individual customers on her front porch. As Carr’s reputation grew, so did her client base. She began to sew uniforms for larger clients, including private and government clients. In 2011, Carr used these earnings to officially launch her business, Approved Wear Fashion House. In 2012, she won a full scholarship to the *10,000 Women* business development program for female entrepreneurs, funded by Goldman Sachs and implemented in Liberia by CHF International. Carr currently employs 12 workers and owns 13 sewing machines, which can operate with electricity or manually via pedal-power. *“We spend a lot of money on our generator for our energy, and access to reliable city electricity would allow us to make many more uniforms every day,”* says Carr.

Approved Wear Fashion House was recently awarded a contract to sew uniforms from her first international client. This buyer found Approved Wear Fashion through a personal recommendation—in future, Carr would like to respond more systematically to tenders from international clients, building on her business’s success. However, Carr has never submitted a bid and has limited knowledge of the tender process. *“Building Markets can help to publicise the shop, and support us on getting training for international tenders,”* explains Carr. She believes that the SMI’s training on procurement could make the difference to her ability to find, bid for and win more contracts. At the prospect of winning more contracts, Carr says she would knock out the walls of her shop and expand it to fit a workspace of 50 employees with 50 sewing machines.



## 4. Tendering: Finding opportunities, submitting bids, winning contracts<sup>30</sup>

In order to win contracts of significant size with international buyers, local businesses will typically be required to participate in a formal competitive tendering process.<sup>31</sup> This process is often public and open to all businesses that want to compete, however it is also common for buyers to invite only businesses on a pre-approved list to compete. To win a contract through the tendering process, suppliers must find the tender early so that a high-quality bid can be submitted before the deadline.

This section takes an in-depth look at the tendering process, demonstrating the extent to which SMEs find and bid on tenders, and win contracts as a result, along with challenges faced at each step of the process. It also gives the perspective of procurement officers, on how they search for suppliers, the procurement processes they use, and key criteria for winning bids.

Key findings in this section include:

- Over half of firms that are interested in bidding for tenders report that the most common reason for not bidding is that they cannot find them.
- While only a small proportion of businesses have submitted bids in the last six months, those that did bid had a 75% success rate in winning at least one contract.
- A majority of buyers reported that the quality of a good or service is the most important factor in evaluating whether or not a firm wins a contract. In contrast, suppliers believe that the most common reason they do not win contracts is due to price.

### 4.1 FINDING TENDERS

The first step in submitting a winning bid is finding out about the tender and accessing the information required to bid.

There is a clear divide between suppliers when it comes to looking for tenders. While one third of business owners and managers who claim that tenders are applicable to their enterprise report checking for tenders

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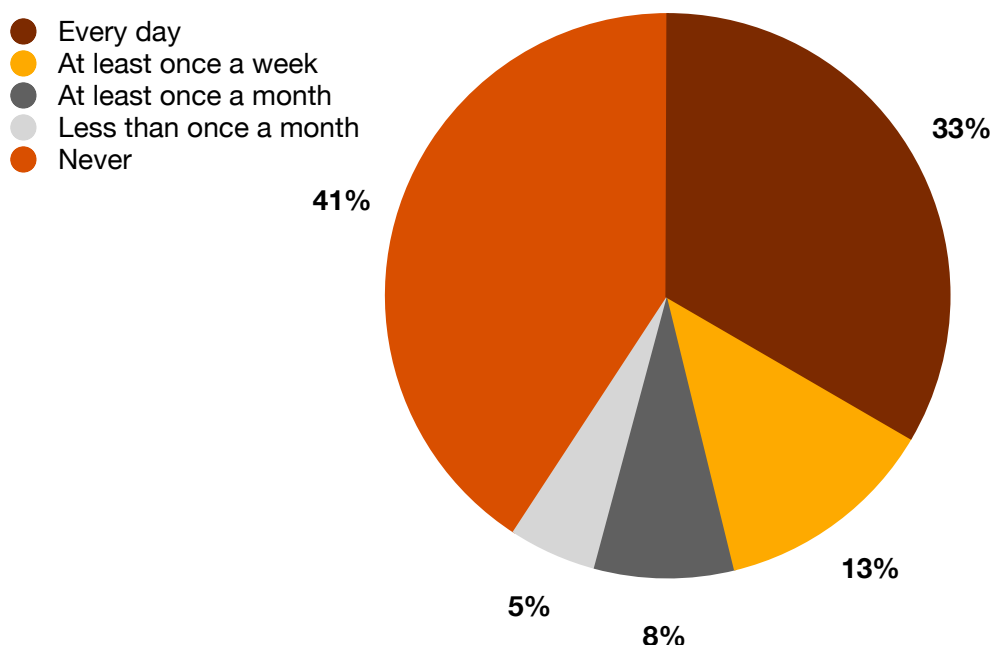
<sup>30</sup> Tender refers to a formal, structured invitation to suppliers for the supply of goods or services. Buyers may use different terminology or processes such as Expression of Interest (EOI), Request for Proposals (RFP), Request for Quotation (RFQ), among others. For the purposes of this report, 'tender' is used to refer to all of these processes.

<sup>31</sup> This is the process by which an organisation requests proposals from the external market for the supply of goods and services for that organisation. For more information on tender processes please see [www.cipfa.org.uk](http://www.cipfa.org.uk).

on a daily basis, 41% report never searching for tenders at all (see Figure 9).<sup>32,33</sup> Indeed, the most common reason suppliers give for not bidding on more tenders is simply that they cannot find them (see Figure 10).

Firms with a larger number of employees tended to find it easier to access information on tenders (see Figure 11). In addition, suppliers that had already won contracts with international clients reported a greater ability to access tenders. This suggests that unless access to tenders is widened, international buyers may find larger, more experienced enterprises monopolise their contracting opportunities.

Figure 9: Frequency with which local businesses check for tenders



#### Box 9: SMI services—Tender distribution service (TDS)

The findings in this section show that local suppliers are struggling to find tenders and that this is holding them back from bidding for, and ultimately winning, contracts with international buyers.

SMI staff will collect tender announcements and other business opportunities and distribute them to local companies. Each day SMI staff will gather a robust listing of available tenders. To reach the maximum number of businesses, TDS will disseminate information on its online tender directory ([liberia.buildingmarkets.org/tenders](http://liberia.buildingmarkets.org/tenders)) by email, text (SMS), and onsite at the SMI office.

<sup>32</sup> 338 businesses answered this baseline question on finding tenders (51% of the baseline sample).

<sup>33</sup> Newspapers are the most common source of tender information for businesses in Liberia. Additional sources include buyer websites, radio announcements, and word-of-mouth.

Figure 10: Reasons reported by local businesses for not bidding on tenders<sup>34</sup>

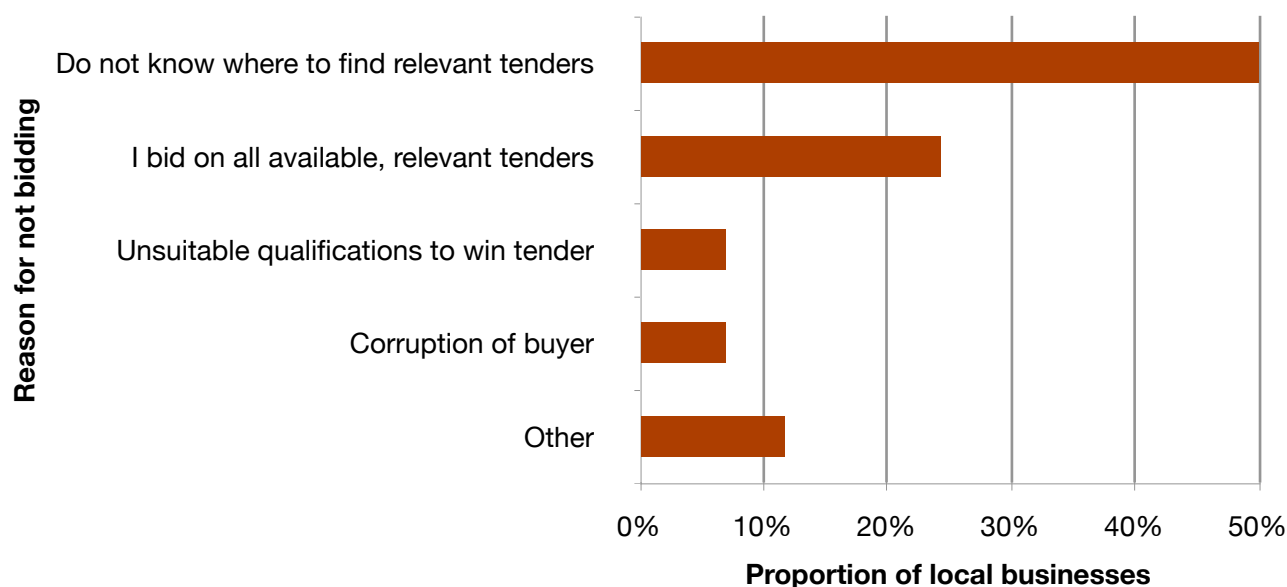
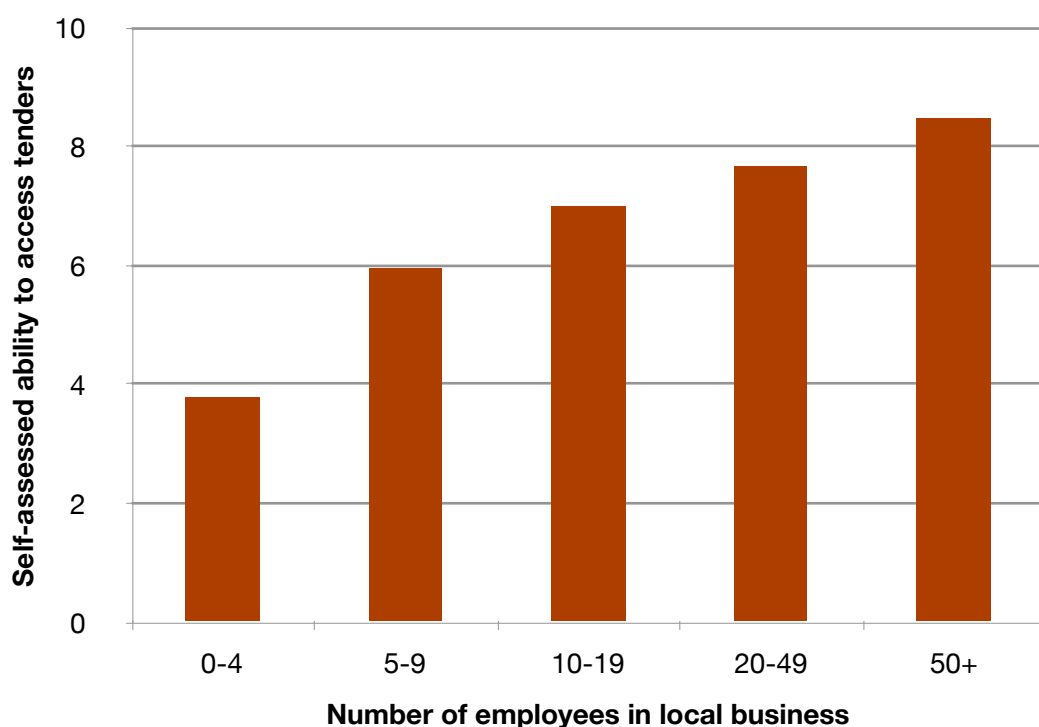


Figure 11: Ease with which businesses are able to access tenders<sup>35</sup>



<sup>34</sup> Other reasons for not bidding include that the business has just recently opened and is not yet ready to bid and lack of understanding of the bidding process.

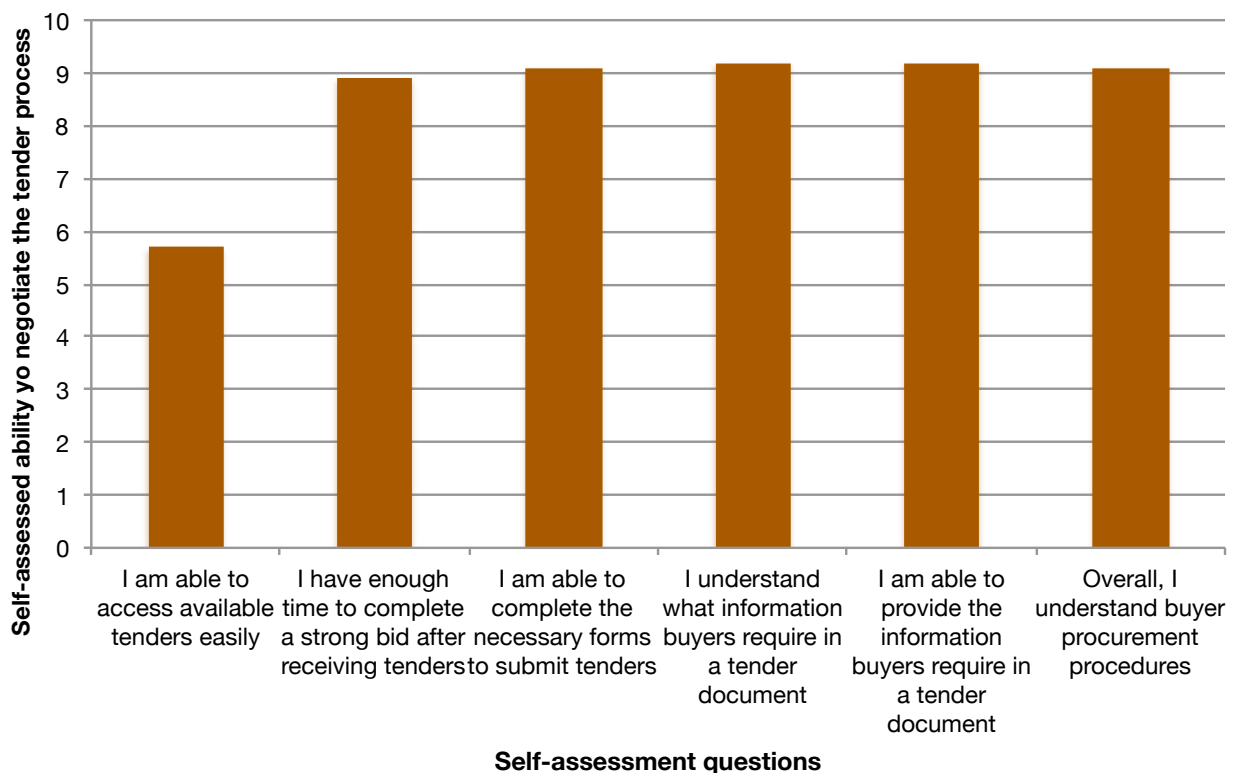
<sup>35</sup> Businesses were asked to rate their capability for this series of statements on a scale from 1 to 10 (1=strongly disagree; 10=strongly agree). The first statement, "I am able to access available tenders easily", was put to all businesses that reported that tenders were applicable to their business (sample size = 334).

## 4.2 BIDDING ON TENDERS

Half of the SMEs that said tenders were relevant to their business have actually bid on tenders. The sectors with the highest proportion of suppliers that have experience bidding are also those that have higher levels of experience with international clients: *Security Services and Equipment*, *Office Furniture, Equipment and Supplies* and *Printing and Copying*. **Firms with more employees also reported higher rates of experience with tenders: 81% of enterprises with more than 50 employees reported experience with tenders.**

All SMEs that say tenders are relevant to their business report a relatively high understanding of the tender process (see Figure 12). The high level of confidence amongst surveyed firms is somewhat surprising given that all buyers interviewed for this research felt that businesses needed training in procurement processes and, indeed, businesses themselves ranked procurement training at the top of their list of training needs (see Box 6 and Figure 8).

Figure 12: Local suppliers' self-assessed understanding of and experience with tenders<sup>36</sup>



<sup>36</sup> SMEs were asked to rate their ability on the following: "I am able to access available tenders easily" (1 = strongly disagree, 10 = strongly agree). The statements were asked only to those businesses that had experience submitting a bid or responding to a tender (sample size = 175).



### Box 10: The buyer perspective—Buyer procurement processes

The procurement officers interviewed often apply their organisationally- or corporately-mandated international procurement procedures to their local operations. These procedures frequently stipulate that a buyer must receive at least three bids or quotes from vendors before purchasing a particular good or service.

Buyers vary in terms of their use of tenders. Two buyers reported regularly using tenders for the procurement of goods and services. These tenders most commonly appear in newspapers, but sometimes can be found on tender-specific websites or broadcast on the radio. Three buyers reported publishing tenders to a limited number of businesses from their formal or limited vendor list. This was more often the case for larger and longer-term services such as construction, insurance, and security. Finally, **four buyers reported not using tenders at all, performing all of their procurement by contacting businesses directly.** However, several of these buyers are considering issuing tenders in the future and are keen to use the SMI's tender distribution service to disseminate their tenders to a wider pool of suppliers.

Putting tenders out to a broad range of businesses helps to increase diversity in the number of bids received by suppliers and can also help reduce collusion among a small group of suppliers.

One procurement officer described their experience using a tender for the first time as positive overall — *“We invited six businesses, four businesses responded with proposals, of which two were competitive. We chose one of the businesses for that particular contract, but ended up hiring the second competitive business for a later contract. We knew this second company could perform the task required because of the detail in their original proposal.”*

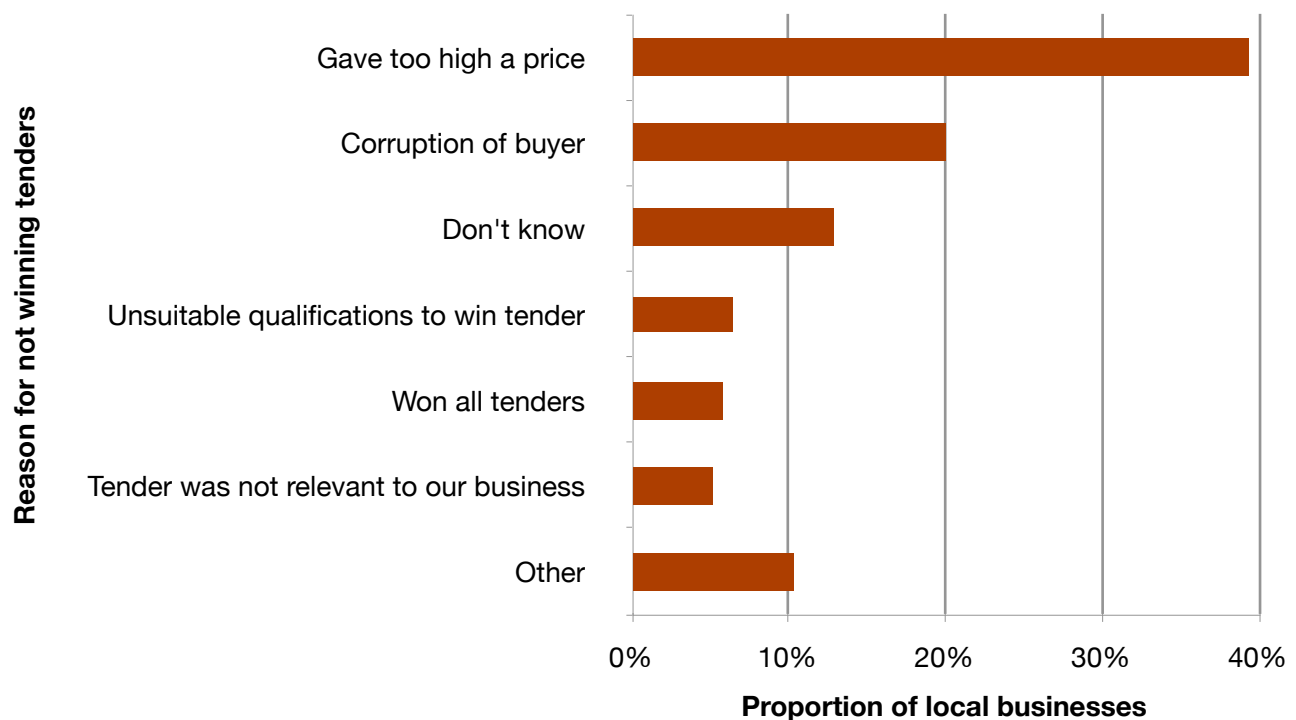


## 4.3 WINNING CONTRACTS

While only a small proportion of firms bid on tenders in the last six months (23%), the large majority of these firms won at least one contract (75%). This implies that **there is potential to widen the pool of suppliers that are responding to tenders and thus increase competition.**

Enterprises most commonly report that the primary reason they do not win those contracts that they bid on is because they give too high a price (see Figure 13). The second most common reason given by local businesses is perceived corruption on the part of buyers. While buyers agree that price is often too high, that is a secondary concern. Their top concern is quality.

Figure 13: Local suppliers' perceptions of why they do not win contracts



## Box 11: The buyer perspective—What makes a winning bid?

### Quality

Six buyers reported that the quality of a good or service proposed was the most important factor in evaluating whether or not a firm wins a contract. When a business can provide a high quality good or service with specifications that match the exact request of the buyer, they are most likely to win the contract. One procurement officer explains, *“Quality is paramount – we will not buy from local businesses that provide cheap, inferior products.”*

### Price

Price was the next most important factor in winning a contract. **Three buyers mentioned that local businesses are notorious for making high quotes on their proposals.** This might be because businesses see a contract as a singular opportunity for revenue and consequently overcharge to make as much money as possible immediately, rather than looking for the long-term opportunity to win repeat contracts. Another explanation is that businesses sometimes do not realise that they are supposed to give their most competitive price in the proposal. With experienced Liberian staff in the procurement office, buyers can often gauge the appropriateness of a proposed price. One procurement officer tells of a proposal received for services in the amount of \$1,000,000. The buyer awarded the same contract to a local supplier that was able to provide the exact same services at a price of \$60,000.

### Availability and delivery

Buyers want businesses to have a good or service available and deliver it as expediently as possible. This varies in importance according to the type of buyer and is most important for procurement officers interviewed working in the extractive industries. **If a specific part of a machine or vehicle breaks down, then operations can be suspended until the replacement part becomes available.**

### Warranties, maintenance, and ‘aftercare’

Buyers often require some type of guarantee or assurance that the good or service they procure will remain fully functional. If there are problems with a specific good, then buyers highly value the ability to return the item or have trained professionals perform maintenance.

### Professionalism

*“The way a business lays out its proposal speaks a lot about the business itself,”* remarks one procurement officer. The ability for a business to create a proposal of professional quality and retain a professional relationship with the buyer has a direct impact on their ability to secure a contract. **SMI emphasises the need for suppliers to maintain a professional relationship with their clients** during procurement training. This includes training on how to assemble proposals as well as how to interact with buyers throughout the procurement process.

### Access to the Internet

Three buyers reported that they prefer to use email to send out tenders and maintain correspondence with potential suppliers. One buyer noted that this was a particular challenge in Buchanan, where few suppliers had access to the Internet.

# 5. The economic impact of local procurement

When a buyer procures locally, a proportion of that money is re-spent locally on salaries and on purchases from other local businesses. **Building Markets believes that this injection of money into the local private sector creates jobs and stimulates the economy in the short term, while building skills and market linkages that will help to sustain the economy in the long term.** This section looks at how an increase in local procurement is likely to affect the Liberian economy. It analyses the labour-intensity and levels of local expenditure within specific sectors and across the sample as a whole.

Key findings in this section include:

- On average 71 cents of every dollar spent on local procurement will be re-spent within the local economy through wages paid to staff or goods and services sourced from other local businesses.
- Security Services and Equipment is the most labour-intensive sector measured by proportion of expenditure on salaries.
- The sectors purchasing the most domestically produced and sourced goods are *Food and Beverages, Restaurants and Catering, and Construction and Renovation.*

## 5.1 IMPACT ON EMPLOYMENT

In order to understand the impact of procurement on employment, it is necessary to look at the labour-intensity of the goods and services procured, i.e. how much employment is created for each dollar spent in that sector. Here, we analyse labour-intensity by looking at the proportion of each business's expenditure that is spending on salaries.<sup>37</sup> **Overall, 11% of expenditure goes on salaries, meaning that for every \$1 of local procurement, approximately 11 cents goes to supporting a job in Liberia** (see Figure 14). This value varies from sector to sector. As Figure 15 illustrates, 29 cents of every dollar spent by firms in the Security Services and Equipment sector goes towards salaries.

<sup>37</sup> The number of employees divided by turnover provides another measure of labour-intensity, however due to the low response rate for turnover, we concentrate here on proportion of expenditure spent on salary. The *Security Services and Equipment* sector is the most labour-intensive sector as measured on both scales.

## 5.2 IMPACT ON OTHER LOCAL BUSINESSES

The more a business spends in purchases from other local business or on salaries, the higher the ‘multiplier’ effect of spending by that business.<sup>38</sup> As with salary expenditure there is great variation in levels of expenditure on imported goods and domestically produced and sourced goods between sectors (see Figure 15). Those industries with the greatest proportion of expenditure on local goods are the Food and Beverages sector at 70%, the Restaurant and Catering sector at 53% and the Health, Medicine, Recreation, and Leisure and Construction and Renovation sectors, both at 50%.

## 5.3 OVERALL IMPACT

Taking expenditure on salaries and local goods and service together, the ‘multiplier’ for the average business in this sample is 1.71—this means that every \$1 spent on local procurement results in additional spending in the local economy of 71 cents.

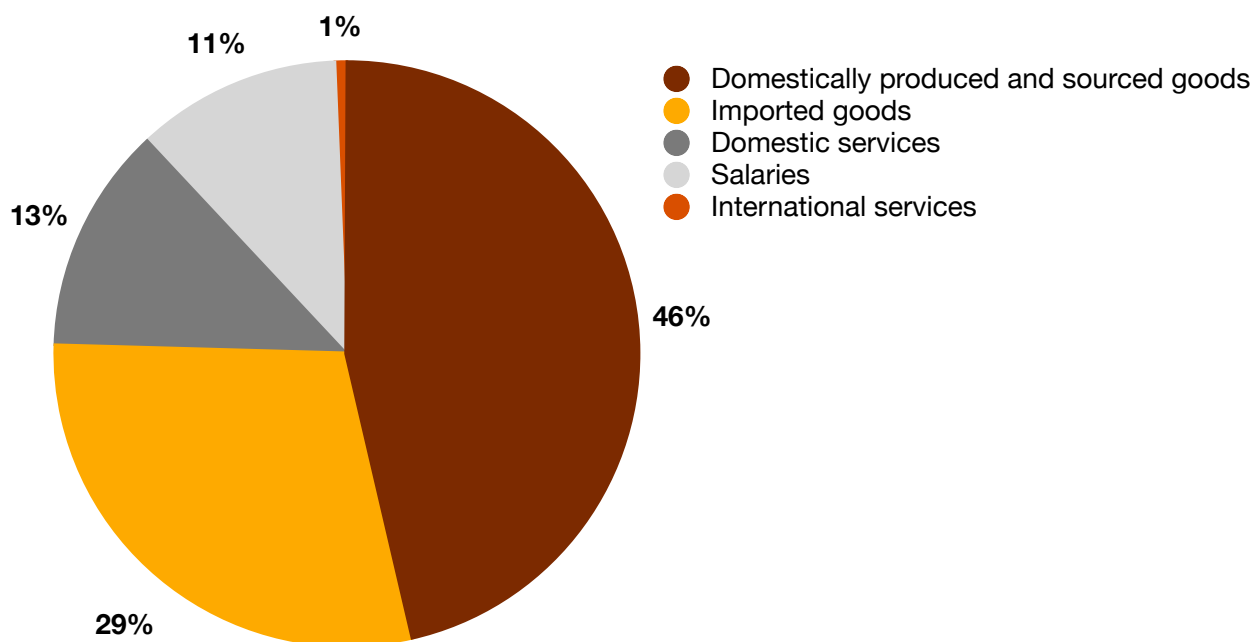
These numbers give a rough estimate of the likely immediate impact of local procurement. However they do not express how this translates into jobs, increased capacity and sustainability. Over the course of the SMI project, the market research team will collect data that will demonstrate the longer-term impact of local procurement on the Liberian economy.

### Box 12: SMI services—Communications and Advocacy

In every country in which Building Markets works, it advocates for increased local procurement by international organisations and companies in order to stimulate the economy and create jobs.

The SMI will promote the Liberian economy via a "Buy Local, Build Liberia" campaign. This will be accomplished by working with government and international organizations to promote local procurement through a change in policy, procedure or approach, promotional events, and other marketing opportunities.

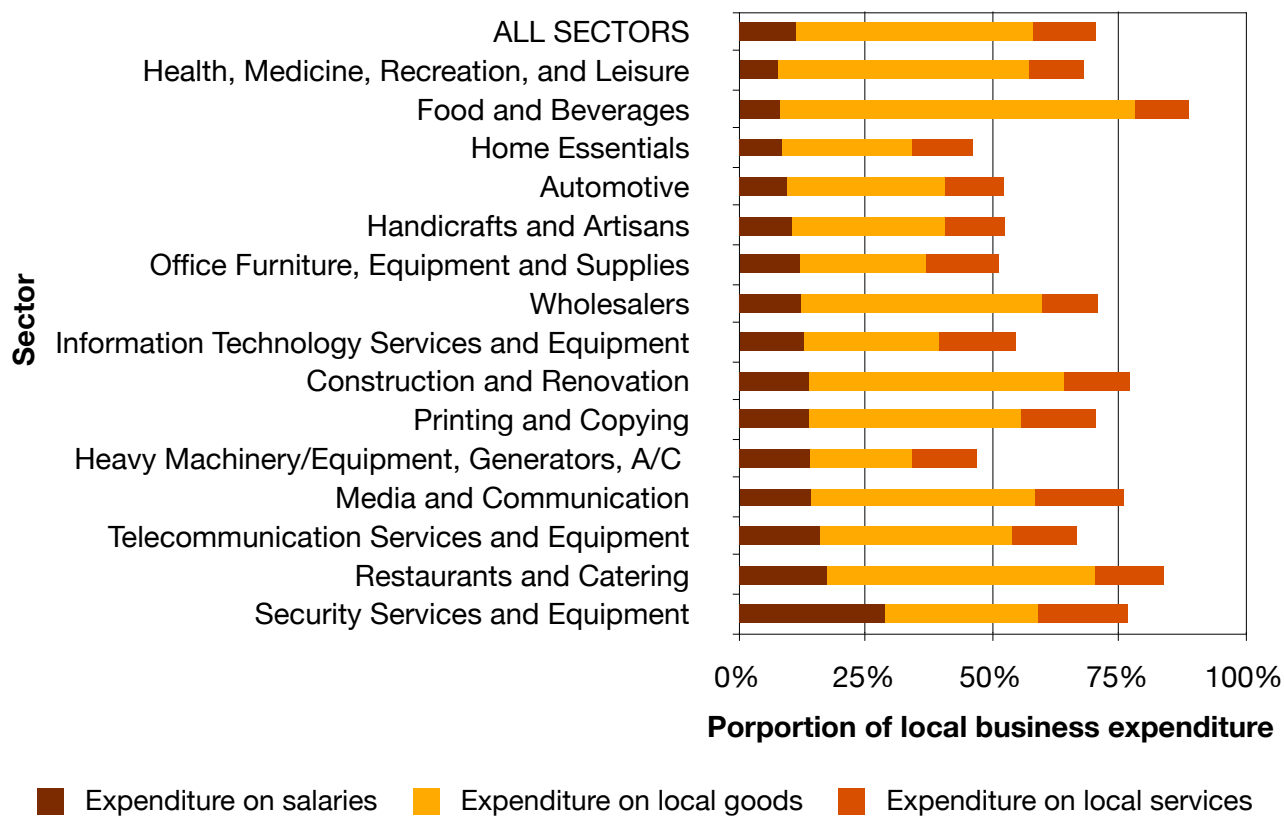
Figure 14: Breakdown of local businesses' expenditure: whole sample



<sup>38</sup> Also known as the 'Keynesian multiplier' this refers to the number of times each dollar re-spent within the local economy.



Figure 15: Breakdown of local businesses' expenditure by sector



## SUPPLIER PROFILE: SECURITY EQUIPMENT AND LOGISTICS, INC.

In 2006 Cedric Ketter returned to Liberia from the United States, bringing with him years of training and experience in the fields of Electronic Security and Private Investigation. Ketter immediately saw the demand for protection due to incidences of armed robberies and burglaries. Within one year, he founded the security firm, Security Equipment and Logistics, Inc. (SEAL).

SEAL prides itself on its stock of security equipment for sale, such as stun batons, handcuffs, and pepper spray. *"We are the first business of our kind to have access to genuine law enforcement supplies as well as personal protection gear,"* explains Ketter. *"Other businesses can bring in counterfeit and sub-standard goods,"* he adds. SEAL trains and posts its 36 security guards at commercial and residential sites around Greater Monrovia and also provides services such as security consulting, and the sale and installation of surveillance cameras.

Currently SEAL has five contracts with domestic, commercial clients. Ketter hopes to win international clients as well, but worries that SEAL is not well-known amongst these potential buyers. Ketter understands the basic concepts behind tenders but would like to attend Building Markets' trainings on procurement to better understand the procurement process and how to put forth strong bids to specific buyers. He unsuccessfully bid for one tender nine months ago and is eager for Building Markets to automatically send him instant information on tenders via the Tender Distribution Service. Ketter explains, *"With the help of Building Markets linking our business with international and other large buyers, I believe it will give us an opportunity to win contracts that will enable the business to expand our services in Liberia and maybe even in other countries in West Africa."*



# 6. Business Environment

The ability of SMEs to win contracts with international organisations depends not only on their abilities and demand for their goods and services, but also on the environment in which they operate. While the challenges inherent in operating a business in this climate will affect all local firms, they will be felt most by the smallest firms and will deter new entrants to the market. Addressing these challenges would enable smaller local suppliers to develop their capacity and lead to greater competition.

This section examines some of the critical challenges faced by buyers and suppliers, including the availability of loans and access to the Internet—both of which are crucial for doing business.

Key findings in this section include:

- The challenges most frequently cited by local firms are lack of access to finance, lack of access to information and marketing, competition from other businesses and poor infrastructure.
- Local businesses at the extremes of the income spectrum are most likely to have received loans, suggesting that a shortage in the credit market exists just above the level of micro-finance.
- There is a clear ‘digital divide’. Thirty-one per cent of local businesses report using the Internet daily for business purposes while 51% of businesses report that they seldom or never used the Internet. Just four per cent of suppliers have a website.
- Buyers report that they have encountered corruption in dealing with the local marketplace—if they are cheated by a business, they will never work with them again.

## 6.1 CHALLENGES

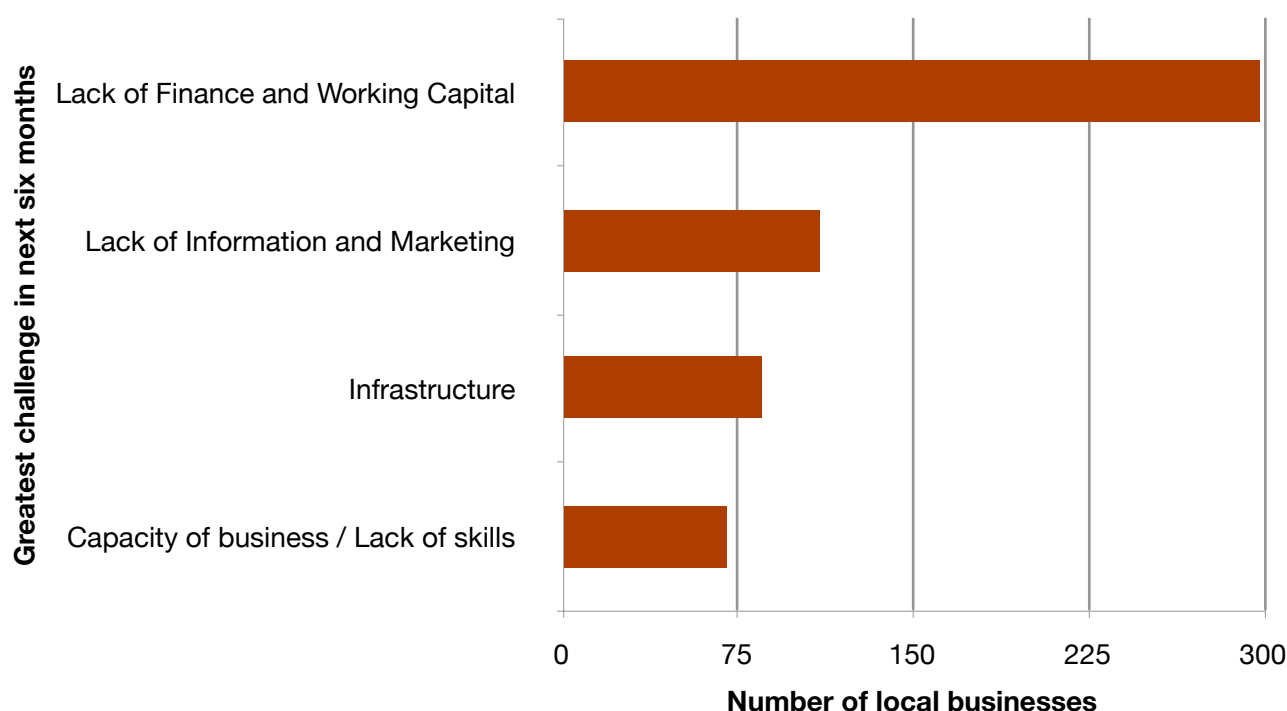
As can be seen from Figure 16, **lack of access to finance is by far the most prominent concern for local suppliers with 38% ranking it as their most serious challenge. Other prominent challenges include poor access to information and marketing, poor infrastructure and low business capacity** (the subject of business capacity and skills is discussed in detail in Section 3).

This is consistent with findings from the World Bank Enterprise Survey, which found 35% of businesses reporting access to finance as a major challenge. Access to finance is a common problem for SMEs across the world and the level of concern in Liberia is similar to that for the worldwide average (32%) and lower than that for sub-Saharan Africa (46%).<sup>39</sup>

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<sup>39</sup> Enterprise Surveys ([www.enterprisesurveys.org](http://www.enterprisesurveys.org)), The World Bank.

Figure 16: Local suppliers' greatest challenge in next six months



## 6.2 LOANS

One quarter of businesses answering loan-related questions reported having taken out a loan.<sup>40</sup> Figure 17 illustrates that experience with loans is much higher for suppliers with over 20 employees. On the other hand, **the demand for loans is highest amongst those suppliers that have fewer employees**. Fifty-nine per cent of SMEs in our sample had loans worth US\$5,000 or less. The most common providers of these loans were microfinance lenders. As can be seen from Figure 18, loans are most commonly received by SMEs at the extremes of the turnover spectrum. This suggests that there is a gap in the credit market to provide loans just above the level of microfinance, however this finding is tentative due to the low number of businesses reporting their turnover.

Demand for loans is high across all sectors, however **there is lower demand for loans in business with more than twenty employees**. Seventy six per cent of SMEs with between one and nine employees reported that they wanted to take out loans. This decreased to 53% of businesses with 50 or more employees. Suppliers reported that they would use these loans to expand their business, purchase more goods, purchase equipment or relocate.

SMEs that had already taken out loans were less likely to want to take out another loan (52%) than the entire sample average (74%). This could be interpreted in a number of ways: the SME might now have sufficient capital since the original loan, the SME found another way to access capital besides loans, or the SME had a poor experience with the loan(s).

<sup>40</sup> 418 businesses were asked these loans questions (55% of respondents). Loan questions were introduced to the survey midway through the business verification process.

Figure 17: Experience with and demand for loans by number of employees

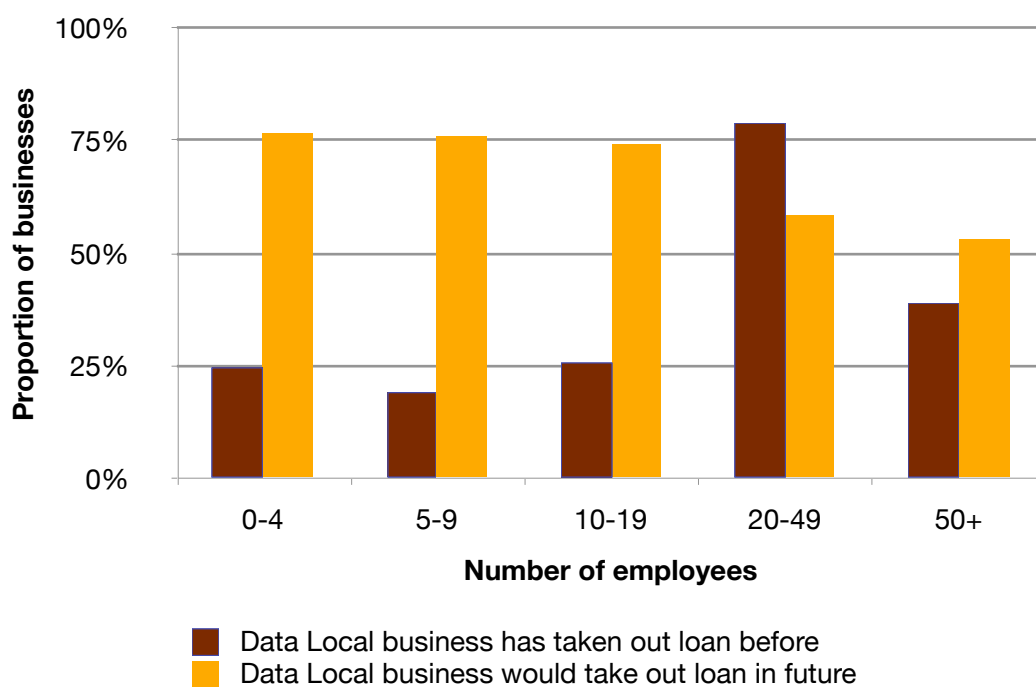
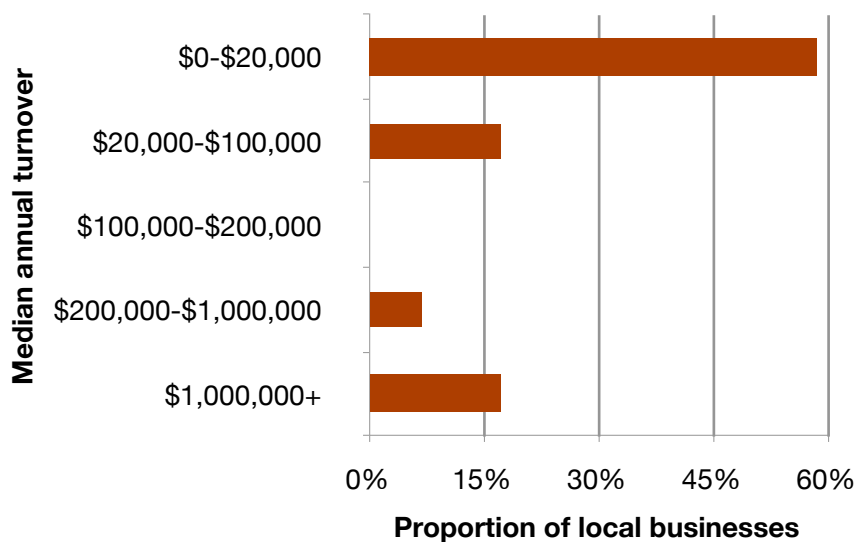


Figure 18: Local businesses taking out loans by annual turnover



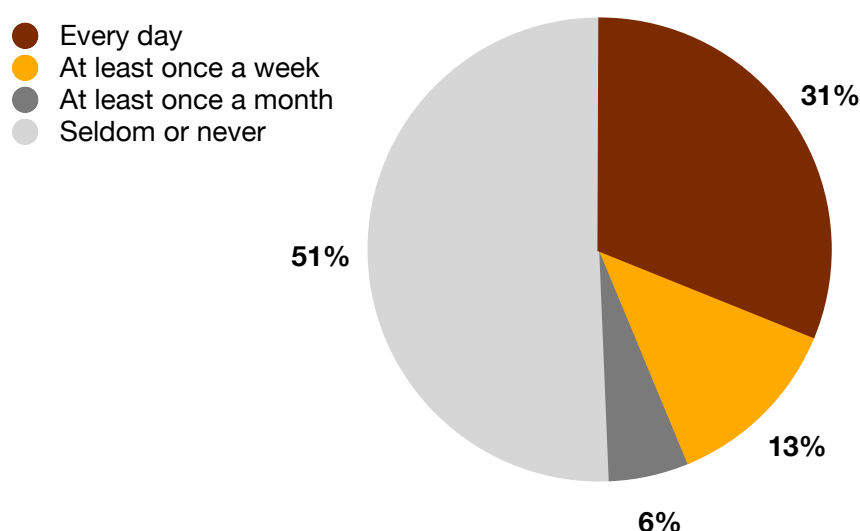
## 6.3 CONNECTIVITY AND THE DIGITAL DIVIDE

**There is a sharp divide in the frequency with which SMEs use the Internet:** 51% of suppliers report seldom or never using the Internet, while only 31% report using the Internet daily for business purposes (see Figure 19). Having access to the Internet is important for finding out about tenders and other business opportunities. Also, some buyers expressed a preference for being able to communicate with suppliers via email and to learn more about their businesses by visiting their websites (see Box 10).

More than half of firms surveyed report having an email address, however this is no indicator of how often they actually use their email for work purposes. SMEs that use the Internet more frequently search for tenders more frequently as well. Conversely, the vast majority of suppliers that report seldom or never checking the Internet also never check for tenders (84%).

**Just four per cent of businesses surveyed have a website.** These businesses were always larger with more employees and often more willing to share turnover information. Suppliers in the *Business and Consulting* sector are most likely to have a website (32%).

Figure 19: Frequency with which local suppliers access the Internet for business purposes



### Box 13: SMI services—Market Research

Over the lifetime of the project, the SMI team will research and publish information on the local market to increase the knowledge of a range of stakeholders, including buyers and suppliers, about the local private sector.

SMI staff will use information gathered through verification and other services to analyze the composition of the local SME sector including the size, age, sectors, strengths and weaknesses of suppliers. They also undertake regular surveys with local suppliers to monitor how they are being affected by, and adapting to, the changing business environment. Through this research and analysis, Building Markets hopes to contribute to an improvement of the business environment in Liberia.



## Box 14: The Buyer Perspective—Challenges to buying locally

### Corruption

Five of the procurement officers interviewed say that they have encountered corruption amongst local businesses. **Bribery was cited as the dominant type of corruption.** Four buyers said that if they are cheated by a business, they will never work with them again. One buyer explains, *“I see corruption all the time. People don’t understand that just because money is coming from our company, rather than my own personal money, that I still need to treat it as if it were my own.”*

Two buyers report that they conduct anonymous spot checks of the goods that they normally procure. If they find that the price of a good is cheaper than the price they were quoted, then they either cancel the contract or reprimand the business and demand that the price be lowered.

Three buyers also suggest there is **a tendency amongst some businesses in specialised sectors to collude and set prices artificially high.** In these instances, it is often cheaper for buyers to import goods as opposed to buy them locally.

In the 2009 World Bank Enterprise Survey, 31% of Liberians identified corruption as a major constraint. Interestingly this did not come through in Building Markets’ survey of suppliers, however many businesses blame corruption for failed bids (see Section 4.3).

### Pre-financing

Three of the procurement officers interviewed noted that many businesses do not have the capacity to fully finance their work. Businesses will often ask buyers to provide a portion of the value of the contract upfront or in the middle of a contract, also known as ‘pre-financing’. Buyers are hesitant, if not completely unwilling, to provide financing to businesses—one buyer cites an instance where they provided pre-financing in the past and the business was still unable to fulfill their contractual obligations. Procurement officers are often mandated to follow a corporate directive to only offer post-payment terms.

While some buyers are understandably wary, providing pre-financing would open up contracts to a broader range of businesses and therefore has the potential to increase competition, avoid collusion and diversify a buyers’ supplier-base.



# 7. Conclusion

Understanding the basic characteristics of the local market is crucial for effective local procurement. Perhaps the most striking finding is that **local suppliers in Liberia are very small, but they demonstrate great potential to meet the needs of international buyers**. Fifty-eight per cent of firms in the sample employ fewer than five people, and 57% of those that disclosed their annual turnover had a turnover of less than US\$20,000. Yet, one quarter of businesses surveyed have supplied an international buyer in the last six months and over one fifth can provide references from previous clients. In addition, many suppliers deliver goods and services in high demand from international buyers including food, construction and car rental.

Despite their potential, **suppliers will need to improve the quality of their goods and services, as well as their customer service**, if they are to win more business from international clients.

Section 3 highlighted a variety of training needs recognised by both buyers and suppliers. Buyers emphasised the need for goods and services of high quality and report that their levels of local procurement are held back by low capacity among suppliers in technical areas, in customer service and in responding to tenders. Disseminating this information will help to ensure that the training provided to, and demanded by, suppliers will increase their ability to win contracts.

Buyers often use a formal tendering process to procure the goods and services they need. Currently, suppliers are struggling to find information about opportunities to tender and just 23% of businesses have bid on tenders in the last six months. Those that do bid do well, however, with 75% of businesses that have bid on tenders winning a contract in the last six months. This suggests that there are benefits to both buyers and suppliers in widening access to tender information.

The survey data suggests that local procurement has an immediate multiplier effect: **71 cents is re-spent in the Liberian economy for every \$1 spent on goods and services from a local business**. This stimulus will create immediate employment as workers are hired to fulfil contracts and additional supplies and services are procured from local businesses. Over the course of the SMI project, the team will collect evidence on the longer-term impacts of buyers' local spending, particularly measuring job creation and capital re-investment.

## Top 5 tips for buyers to increase local purchasing and build the market:

1. **Give feedback on failed bids:** suppliers need to have a better understanding of buyers' expectations to improve quality.
2. **Increase publicity for tenders:** low numbers of suppliers are bidding because they can't find tenders.
3. **Where possible, 'unbundle' contracts:** purchasing in smaller quantities and increments will enable smaller businesses to participate and deliver.
4. **Expand supplier lists:** as more information on the local market comes available, add to supplier lists to open up the market and increase competition.
5. **Where possible, consider more flexible payment terms for suppliers:** lack of access to credit is preventing suppliers from bidding on tenders.

The impact of local procurement is unlikely to reach its full potential while the commercial environment in Liberia continues to constrain private sector growth. Many of these challenges, such as lack of access to finance and poor infrastructure cannot be addressed by individual procurement officers or suppliers; it is important for the Government of Liberia and its partners to continue their work to push forward on improvements in these areas.

Despite the challenges to doing business in Liberia, **the potential for local enterprises to meet the needs and standards of international organisations exists.** The procurement officers interviewed for this research are open to contracting with new local suppliers and see the many benefits of doing so. Suppliers that responded to our survey are overwhelmingly optimistic about the future: 78% said they expect to employ more people in the next six months and 96% expect profits to rise in the same period. However, more effort is required by all parties to level the playing field for local businesses and increase local procurement.

**Buyers** must be willing to circulate their tenders more widely and provide feedback to help suppliers learn how to strengthen proposals and meet their quality expectations. They should also consider unbundling large contracts to give smaller local firms a chance to qualify.

**Local enterprises** must respond to the feedback provided by buyers and seek out training opportunities wherever possible. They may need to invest in capital, human resource development or improved business processes if they wish to meet the standards of international buyers.

**Business development service providers** should consider offering training and support in the areas where international buyers identify weaknesses among local enterprises.

**The Government of Liberia** should continue to improve the business climate by investing in infrastructure and continuing to improve the ease of doing business.

The SMI team is excited about the role it will play in coordination with its partners to facilitate linkages between buyers and local suppliers. Its services will help to make it easier for procurement officers to find local businesses that can fulfil their needs and enable more suppliers to access contract opportunities. Increasing knowledge about the Liberian market will be a crucial element of this. Over the next year, the SMI will launch each of its services and reach beyond Monrovia where there is buyer demand for local purchasing. In Spring 2013 the SMI will publish an update to this report, showing how the market has evolved over the year 2012/2013 and sharing insights from the team's work with local buyers and suppliers. In the dynamic market that is Liberia, we are confident there will be much to report.

### Top 5 tips for suppliers to win more contracts with international buyers:

1. **Emphasise quality:** quality is buyers' primary concern when purchasing from the local market. Specialising in a chosen area will give buyers confidence in your goods and services.
2. **Provide guarantees:** buyers place a premium on being able to return faulty goods or get them repaired.
3. **Give your best price first:** giving a higher price makes the buyer feel cheated. When planning the budget, make sure to allow for standard payment terms.
4. **Concentrate on customer service:** communicating and showing courtesy is crucial for maintain long-term relationships and winning future contracts.
5. **Set up an email account and use it regularly:** this will improve communication with buyers and make it easier to find out about contracting opportunities.

# ANNEXES

## ANNEX I: BUILDING MARKETS SMI SERVICES

### Online Business Directory and Business Verification

The supplier directory provides buyers based in Liberia with information on local businesses. The Directory is searchable by sector and location. It is accessible through the Liberia Business Portal ([liberia.buildingmarkets.org](http://liberia.buildingmarkets.org)). Each business profiled in the directory is verified by SMI staff through onsite interviews. Firms are re-verified every six months to maintain the integrity and utility of the data.

### Matchmaking

SMI staff will facilitate linkages between local suppliers and buyers through specific requests, sector and regional assessments, and matching supply and demand. This includes the creation of matchmaking reports for buyers, networking events, vendor days and other outreach.

### Tender Distribution Services

SMI staff will collect tender announcements and other business opportunities and distribute them to local companies. Each day SMI staff will gather a robust listing of available tenders. To reach the maximum number of businesses, TDS will disseminate information on its online tender directory ([liberia.buildingmarkets.org/tenders](http://liberia.buildingmarkets.org/tenders)), by email, short message service (SMS), and onsite at the SMI office.

### Training

SMI staff will provide targeted training to local businesses with the intention of increasing their understanding of procurement processes and thus improving local business capacity to successfully bid for, and win tenders. Training sessions may also provide information to international procurement team on the business practices, capacity and environment of the Liberian private sector, as well as provide training on the use of SMI resources such as the Business Directory, TDS and Business Matchmaking. SMI staff will also facilitate seminars, technical training and other information sharing events.

### Market Research

SMI staff will use information gathered through verification and other services to analyze the composition of the local SME sector including the size, age, sectors, strengths and weaknesses of local businesses. SMI staff also undertake regular surveys with local businesses to monitor how they are being affected by, and adapting to, the changing business environment. Over time, more in-depth research may include, for example, pricing surveys in particular sectors, job creation analyses and analysis of the types of spending being redirected into the local economy.

### Communications and Advocacy

The SMI will promote the Liberian economy via a "Buy Local, Build Liberia" campaign. This will be accomplished by working with government and international organizations to promote local procurement through a change in policy or procedure, promotional events, and other marketing opportunities.

## ANNEX 2. METHODOLOGY

The data presented in this report is based on two surveys: one to 758 local businesses operating in Monrovia, and one to procurement officers in nine (9) international organisations.

### A2.1 Survey to businesses

#### A2.1.1 Administering the survey

The SMI is conducting a comprehensive survey of businesses registered with the Liberian Ministry of Commerce and Industry (MOCI) in order to populate an online directory of local businesses. The verification team systematically walked into every business and asked if they would be interested in participating in the survey and having their profile posted on the Business Directory.

Businesses are required to complete a verification questionnaire to be on the online directory. The completed verification questionnaire must then be signed in order to confirm that the information provided is accurate and that they agree to publish it on the online directory.

Businesses are also asked to complete a baseline survey; this survey is optional and the information given remains anonymous. The baseline survey focuses on a business's experience with contracts, international clients, tender experience, and trends in the Liberian market. The purpose of this survey is to give the Marketplace project a baseline against which to measure its success.

Finally, businesses are asked to provide client references and branch office information.

Each survey was conducted face-to-face by a member of the SMI's business verification team with the owner, senior-level manager, or another staff member with approval of the owner or manager. The structured survey includes 63 questions and typically takes 45 minutes.

#### A2.1.2 Sample size and response rate

As of March 30, 2012 the SMI had surveyed 1,032 businesses. This report takes aggregated data from the first 758 verified businesses. This represents over 12% of the 6,218 for-profit local businesses that are registered with the Liberian Ministry of Commerce and Industry as of February 2012.<sup>41</sup> In order to verify these first 758 businesses, the business verification team visited 1,167 businesses in total. This means that the survey response rate was 65%.

Of these 758 businesses, 657 participated in the baseline survey (87% of the total). All of these businesses are situated in the Greater Monrovia area.

Analysis of variation in characteristics of suppliers by sector focuses on those sectors where the sample contains 20 or more local businesses,<sup>42</sup> so that the results are not skewed by outliers dominating a small sample.

#### A2.1.3 Sources of Error

##### *Smaller response rate on sensitive and technical questions*

The verification questionnaire contained a mixture of required and non-required questions. Required questions must be completed for the business to be included on the online directory. On several of the non-required questions, the survey yielded a lower response rate. Twenty-nine per cent of verified businesses reported turnover from the previous year and 32% reported turnover from the previous month. All other questions were answered by over 80% of respondents.

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<sup>41</sup> These businesses are listed on the Liberian Business Registry's 'List of Enterprises/Companies (April 20, 2011 to Feb 17, 2012)'. There are 7,203 businesses listed in this document. However, for its own purposes the SMI includes 6,171 of these businesses. It excludes the following categories in its total business count: Non-Governmental Organisations (NGOs), Branch/Subsidiaries, Foreign Corporations, and Foundations. To have a complete one-year window of registered businesses, the SMI included an additional 47 businesses that were registered from February 18, 2011 – April 19, 2011. These 47 businesses were listed in the '2011 Business Registration Database'.

<sup>42</sup> The SMI categorises business activity into 26 sectors. In the survey sample, 15 of these sectors had 20 or more local businesses.



Some businesses declined to answer particular questions because they preferred to keep this information confidential. Other businesses were not able to answer because they had no exact record and could not estimate. Some businesses could not answer because they were newly established enterprises and did not have enough experience.

#### *Lack of formal business records*

Often businesses do not keep formal business records of past transactions and respondents were unable to estimate certain figures. This was particularly the case when asking businesses to allocate their expenditures, distribution of contracts, and typical value of contracts. The accuracy of the responses to these questions is likely to be lower than for other questions.

#### *Addition of loan-related questions*

Questions related to loans were included in the survey in early December, two months after the survey had started (see Annex 3). As such, there is less data available from this section of the survey: 55% of businesses were asked loan-related questions on the verification questionnaire and 52% of businesses taking the baseline survey answered loan-related questions on the baseline.

#### *Geographic coverage restricted to Monrovia*

All of the surveys conducted for this report were based in the greater Monrovia area.<sup>43</sup> The business verification team has focused on this area to meet the greatest range of vendors in the shortest amount of time. Therefore, the data from this survey is based on the political and economic centre of the country and is not representative of the country's business community as a whole.

It is the aim of the SMI to verify all registered businesses in Liberia that want to be on the directory. The business verification team will move outside of Monrovia later in 2012, with particular focus on Buchanan and business communities close to concession areas.

#### *More successful businesses less willing to be verified or hesitant to provide client reference information*

Members of Building Market's business verification team reported that managers and owners of larger businesses were often reluctant to participate. These businesses often stated that they were established, successful, or had experience with international clients already and did not have any need for the SMI's services. This means that key indicators such as annual turnover, number of employees, and international experience could be skewed towards smaller businesses.

Some of the larger businesses by number of employees and annual turnover were also unwilling to provide client references because they did not want this information available to their competitors.

## A2.2 Survey to buyers

### A2.2.1 Administering the survey

The SMI is conducting baseline surveys with major international buyers in Liberia in order to shed light on the experiences of buyers in Liberia and their perspectives on the capacity of the Liberian marketplace. The survey is designed to learn about the experience of procurement officers in Liberia, the organisational policy towards local and international procurement, and perceptions of the country's business environment (for full survey see Annex 3).

The Liberia-based Market Researcher conducted the interviews with the procurement staff of international organisations.<sup>44</sup> The survey is semi-structured and qualitative to enable the interviewers to probe beyond the initial 28 questions and elicit particular experiences and perspectives relevant to Building Markets' work in Liberia. The survey typically lasted one hour. Surveys took place in both Monrovia and Buchanan.

### A2.2.2 Sample size

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<sup>43</sup> This geographic area includes Bushrod Island, Congo Town, Sinkor, Somalia Drive, and the city of Paynesville. See map on Page 20.

<sup>44</sup> In some interviews the SMI Country Manager and Building Markets' Economist has also been present.



As of February 2011, procurement officers from nine major buyers had participated in this on-going survey, sometimes providing us with multiple contacts to interview. As the SMI meets new buyers, it will continue to perform the baseline survey.

#### A2.2.3 Sources of error

##### *Small sample size*

The survey includes nine major buyers in Liberia. As this sample is small the results should be interpreted as highlighting the experiences of particular buyers, rather than as a generalisation to all buyers in Liberia. However, the procurement officers interviewed represent some of the most significant buyers within the Liberian Marketplace (see Annex 4 for a list of organisations interviewed).

##### *Reporting bias*

The responses from procurement officers are likely to have a bias in favour of local procurement. Building Markets openly advocates for increased local procurement and so those willing to take part in a survey with the SMI are more likely to support local procurement themselves. There is also a risk that procurement officers exaggerated their support for local procurement in their responses.

## ANNEX 3: SURVEY TO BUSINESSES

Local Business Verification Questionnaire (number of businesses responding)
*denotes information that is only available to Business Portal users with buyer log-in and password
Trade name (758)
Registered name (758)
Description of goods/services (758)
Does the bank statement name match the business registration name? (758)
Complete head office address (758)
Office phone and/or mobile (758)
Office fax (6)
Website (33)
E-mail Address (400)
Office hours (758)
Sectors (758)
Sub-sector(s) (758)
*Structure of business (758)
*Primary owner(s) (758)
*Ownership (nationality, gender, percentage of ownership) (758)
Operating Since (758)
Registered Since (514)
*Previous company name(s) (23)
Female owned? (758)
Female managed? (758)
What is the primary challenge that prevents your business from importing more? (738)
Exact number of employees (758)
*Percentage breakdown of staff by gender (758)
*Percentage breakdown of staff by nationality (758)
Languages spoken (758)
*Is this business a wholly-owned subsidiary of another business? (637)
*Is this business the sole owner of any subsidiaries? (575)
*Mode of payment accepted (758)
*Can You Provide A Bank Guarantee? (758)
Business registration with what government entity? (758)
Business registration number (758)
Licenses held (66)
Certifications held (49)

Association memberships (134)
Specialised training completed (206)
Counties company can operate in? (758)
*Have you ever received a formal loan (not from family or friends)? (418)
*Loans (From who? How much? How did you spend it?) (103)
*Do you import? (758)
*What Percentage of your expenditure is on imported goods? (758)
*Percentage of Local production? (758)
*What do you import, and where do you import it from? (366)
*Turn-over (sales) last year? (220)
Branch Office contact details (22)
Client Reference details (151)

## Local Business Baseline Questionnaire (number of businesses responding)

*All responses to this questionnaire are anonymous and not available on the Business Portal*

How do you usually secure work with international clients? (244)
What is the biggest problem with finding tenders? (185)
What is the biggest obstacle to doing business with international entities? (521)
How often do you access the internet for business purposes? (629)
Would you like more international clients? (657)
What is the typical value of these contracts over the last six months? (164)
Have you ever responded to a tender or submitted a bid? (635)
Have you ever had an international client? (657)
How often do you check for available tenders? (338)
In the next six months do you expect the number of people you employ to... Increase, Decrease, Stay the same, Don't know? (628)
If your business could get a loan from a bank, would you want one? (343)
Loan (What would you spend it on? How much?) (343)
Are you bidding on tenders now or planning to bid on tenders in the future? (619)
Why do you think you do not get more international clients? (527)
Where do you find tenders? How do you locate them? (189)
What type of training would most help your business win contracts with international businesses, NGOs, or government? (344)
Have you received any services from organisations trying to help enterprises? (98)
In the next six months do you expect your profits to... Increase, Decrease, Stay the same, Don't know? (627)
How many training sessions to improve your business have you attended? (606)
How many larger clients or contracts have you had in the last six months? (National, International, Export) (221)
How many tenders have you bid on in the last six months? (149)
Do you think international entities represent a good business opportunity for Liberian businesses? (624)
How many tenders from national or international buyers have you won in the last six months? (175)
What percent of your contracts are... new national clients, repeat national clients, new international clients, repeat international clients? (213)
What is the primary reason that you do not bid on all relevant tenders? (615)
If you have attempted to bid on tenders but not won the contract, what is the primary reason for this? (175)
What are the biggest challenges facing your business in the next six months? (Rate top three choices) (619)
Please rate the extent to which you agree or disagree with the following statements about your understanding of the procurement process. (1=strongly disagree, 10=strongly agree)
a. I am able to access available tenders easily (334)
b. The ability to quickly access tenders is crucial to the success of my business (162)
c. I have enough time to complete a strong bid after receiving tenders (162)
d. I am able to complete the necessary forms to submit tenders (162)
e. I understand what information buyers require in a tender document (162)
f. I am able to provide the information buyers require in a tender document (162)
g. Overall, I understand buyer procurement procedures (162)

## ANNEX 4: SURVEY TO BUYERS

Buyer Baseline Survey
What are the principle goods & services that you procure for your organization? What are their country(ies) of origin?
Does your operation work from a supply chain plan? Do you work off a formal procurement plan?
Can you describe any positive experiences that you have had procuring with local suppliers?
Can you describe any negative experiences that you have had procuring from local suppliers?
Do you have a preferred vendor list?
How do suppliers get added to this list?
Do you have a blacklist for poorly-performing vendors?
How do suppliers get added to this list?
What goods and services do you think could be provided locally that you are not currently procuring?
Are you familiar with SMI? If yes, how did you learn about SMI?
Does your organization have any commitments to buy locally? If so, please explain.
Are you able to give price preference to local vendors because it shortens your supply chain?
What type of training would enable suppliers in Liberia to win more of your tenders?
What business or technical skills do the companies you work with need improvement?
In general, do suppliers in Liberia have any advantage over foreign competitors?
Generally, do you think you receive competitively priced proposals from local businesses? If no, why not?
Generally, do you think that you receive sufficient and honest information from local businesses?
What procurement policy do you follow? What requirements, guidelines, or restrictions govern your procurement? [Can SMI have a copy of this policy?]
In general, what weaknesses do suppliers in Liberia have compared to foreign competitors?
Has your organization had to deal with issues of corruption when procuring from local suppliers?
If yes, how has your organization responded to perceived or actual cases of supplier corruption?
How often do you publish tender notifications? Which newspapers or other outlets do you use? How much time prior to the proposal deadline do you generally post a tender?
What is the minimum number of responses you need for a tender? How many responses do you typically get?
How do you go about finding information about local businesses?
How do you find local businesses to supply your procurement needs?
What are the principle goods and services that you buy locally?
(Ask if business has sufficient experience in Liberia) Have you noticed a change in the capabilities of local companies that you have worked with? If so, what do you think brought about this change?
Do you think that you have a good idea about the capacity of local businesses?
What are the key factors in determining whether or not a firm wins a proposal?
How often do you undertake 'ad hoc' purchases or unanticipated/unplanned procurement of goods and services?
Can you describe any positive experiences that you have had procuring with local suppliers?

## ANNEX 5: BUYERS PARTICIPATING IN THE SURVEY

Arcelor Mittal (Liberia)

Odebrecht International (Liberia)

BHP Billiton Liberia Iron Ore

TOTAL Liberia, Inc.

Chevron Liberia Limited

United Nations Development Programme (UNDP)

Equatorial Palm Oil

United Nations Mission in Liberia (UNMIL)

Golden Veroleum Liberia

# ANNEX 6: BRIEF LISTING OF SECTORS AND SUBSECTORS

**Primary Industry (Including Agriculture and Fisheries):** Agricultural Machinery and Equipment; Animal Feed; Cocoa; Coffee; Cold Storage and Related Equipment; Crop Protection Products (Pesticides); Fertilizers and Soil Nutrients; Food Processors and Related Equipment; Garden, Planting or Maintenance Services; Growers; Leather Products, Hides and Skins; Livestock and Poultry; Other Natural Resource Development or Extraction; Palm Oil; Rubber; Seeds, Seedlings and Nurseries; Timber/Bamboo; Wool and Processing and Weaving Equipment; Vaccines and Animal Medicines

**Automotive:** Bicycle and Motorcycle Sales, Rental and repair; Car Sales and Rentals; Parts and Supplies (Cars and Trucks); Repair and Maintenance (Cars and Trucks); Trucks and Other Heavy Vehicles

**Business and Consulting Services:** Advertising; Business Development and Support Services; Consulting; Education and Training; Employment Agencies; Events Planning; Finance and Administration Services; Human Resource and Recruitment; Marketing and Public Relations; Management Advisory Services

**Construction and Renovation:** Architecture & Design; Bathroom, Kitchen Fittings and Pipes; Building Construction; Canalization, Bridge, Culvert; Cement, Concrete, Bricks and Wood; Construction Equipment, Rental and Sale; Containerized, Portable and Temporary Housing; Demolition; Electrical Components and Supplies; Electrical Installation; Foundations and Excavations; General Supply; Glass; Gravel, Sand, Earth, Stone; Hardware; Iron and Ironworks; Marble, Ceramic, Tiles and Mosaics; Material Testing; Metal Materials; Paint and Wallpaper; Painting; Plumbing and Piping; PVC Pipes; Renovations and Repairs; Road Construction; Sand, Gravel, Asphalt and Stone; Signage & Graphic Design; Steel; Water Supply and Irrigation; Welding; Windows, Doors and Insulation Materials; Wood and Timber

**Financial and Legal Services:** Accounting; Banks; Currency Exchange; Legal Services; Money Transfer Services; Other Financial Institutions

**Food and Beverages:** Alcohol; Beverages and Ice; Bread, Biscuits and Cereals; Canned Food (incl. preserves); Containers and Storage; Dairy Products and eggs; Dried Fruits and nuts; Fresh Fruits; Frozen and Refrigerated Foods; Grain Products; Ice Cream; Meat and Fish; Oil; Salt and Spices; Store and Packaging Materials; Sweets and Sugar; Tea and Coffee; Tobacco; Vegetables and Fruits; Wheat and Flour

**Handicrafts and Artisans:** Art Gallery; Artistic Metalwork; Arts, Crafts and Supplies; Bags & Purses; Carpets; Ceramics & Sculpture; Embroidery; Handmade Home Furnishings; Jewelry; Mats and Basketry; Non-industrial Apparel Manufacturing, Clothing and Accessories; Painting, Portraiture, & Murals; Screen Printing; Souvenirs; Textiles and Embroidery; Woodwork and Carving

**Health, Medicine, Recreation and Leisure:** Books, Newspapers, Magazines, CDs, & DVDs (Retail); Dental Services and Supplies; Gymnasiums, Fitness Centers, Health Clubs; Health Spas, Salons and Barbers; Hospitals, Health Care Clinics, & Medical Practices; Medical Equipment; Medical Practices and Laboratory Services; Musical Equipment and Musical Recording Services; Oxygen and Nitrogen; Pharmaceuticals; Sport Equipment; Toys and Games

**Heavy Machinery/Equipment, Generators, A/C and Solar Panels:** Air Conditioners and Maintenance; Generators and Parts; Mining and Quarrying Machinery; Oil and Gas Drilling and Exploration Equipment; Oil and Gas Operating and Production Equipment; Other Machinery; Repair and Maintenance (Generators); Solar Panels and Alternative Energy Solutions; Water Pumps

**Home Essentials:** Apparel, Luggage, and Personal Care Products; Electronic Equipment and Appliances; Garden, Planting or Maintenance Services; Home Accessories; Home Furnishings and Furniture; Household Appliances; Housewares; Kitchen & Bathroom Supplies; Mattresses, Bedding, Blankets; Tents and Camping Accessories

**Household and Industrial Services:** Cleaning Supplies and Equipment; Household and Industrial Cleaning; Pest Control; Plumbing; Water and Waste Collection, Treatment, and Management

**Information Technology Services and Equipment:** Information Technology Equipment & Supplies; Information Technology Services & Repair; IT Training

**Laundry and Dry Cleaning:** Laundry and Dry Cleaning Equipment and Supplies; Laundry and Dry Cleaning Services

**Manufacturing:** Apparel, Uniform and Textile Manufacturing (Industrial); Construction Materials Manufacturing; De-mining Materials Manufacturing; Furniture Manufacturing (Non-artisan); Glass and Bottle Manufacturing; Machine Manufacturing; Manufacturing Support Services; Metal and Mineral Processing; Military and Police Equipment Manufacturing; Paper Materi-

als and Products; Rubber and Plastic Processing Machinery, Equipment and Supplies; Solvents or Glycols or Detergent Production Services; Wood and Paper Manufacturing

**Media and Communication:** Audio/Video Presentation Equipment and Services; Newspapers/Magazines; Photographic Services; Production, Recording, & Distribution Services; Radio; Television; Website Design & Internet Hosting

**Office Furniture, Equipment and Supplies:** Office Equipment; Office Furniture; Office Supplies; School Supplies

**Oil, Coal, Fuels and Natural Gas:** Chemicals; Gases; Heating Equipment and Installation; Mining Services; Petrol, Diesel, Kerosene and Other Liquid Fuels; Refining Products and By-Products; Well Drilling; Wood and Coal

**Printing and Copying:** Design; Printing Copying and Publishing Equipment; Printing Copying and Publishing Services; Stationery

**Real Estate and Insurance:** Insurance; Real Estate

**Restaurants and Catering:** Bakeries; Catering; Restaurant and Catering Equipment; Restaurants

**Security Services and Equipment:** Mine Clearance Services; Security Personnel and Services; Security Equipment

**Telecommunication Services and Equipment:** Equipment; Internet Services; Internet Related Services (Cybercafé's); Land Line and Mobile Services; Sale and Installation of Radio Equipment

**Scientific Services:** Scientific Research

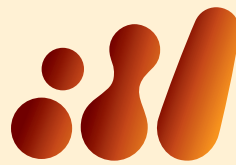
**Transportation, Logistics and Courier Services:** Air Transportation; Container Sales and Services; Courier Services; Customs Brokers and Import/Export Agents; Freight Forwarding and Shipping Agents; Mail and Cargo Shipping; Passenger Transportation; Storage; Taxi Services; Warehouse Rental

**Travel, Accommodations and Rentals:** Hotel and Guest Houses; Portable Housing Supply and Rental; Tour Operators; Travel Agencies; Venue Rental (Workshops, Conference Events)

**Wholesalers**



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