



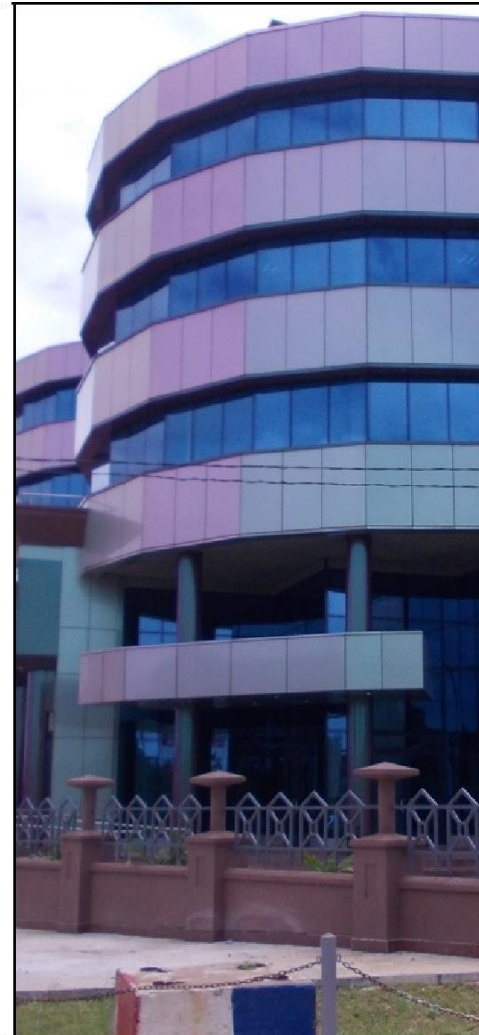
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**Building Markets**

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

# Gathering Competitive Momentum: Overview of the Liberian Economy



Written by Earnest Musinamwana & Daniel F. Togba  
November 2014



Australian Government

Department of Foreign Affairs and Trade



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## About Building Markets

Building Markets is a nonprofit organization that creates jobs and sustains peace by championing local entrepreneurs and connecting them to new business opportunities. Operating in over a dozen post-conflict and developing countries, Building Markets addresses the gaps between economic potential and access to opportunity by building the capacity of small and medium-sized enterprises (SMEs) and breaking down information barriers preventing local suppliers from accessing business opportunities. Moreover, Building Markets facilitates foreign direct investment by sharing comprehensive local market data and enabling SMEs to integrate into international supply chains.

In addition, Building Markets offers a variety of consultancy services designed to build broad-based, inclusive economic growth, whether through supply chain linkages, value chain development or data collection and analysis. These services are underpinned by inclusive business growth, partnership and capacity building. To this end, Building Markets promotes mutual reinforcing partnerships between SME suppliers, the financial sector, private companies and business development agencies. In Liberia, some of our most popular services include market research and sector-specific reports, business support services, market-focused monitoring and evaluation, demand analysis, and supplier capacity diagnosis and development.

## Building Markets in Liberia

In Liberia, Building Markets implements the US Agency for International Development (USAID) Sustainable Marketplace Initiative Liberia (SMI-L) with additional support from the Australian government, Humanity United and BHP Billiton. SMI-L provides the following services:

1. **The Supplier Directory:** Contains more than 3,300 profiles of local companies searchable by sector and location at [Liberia.buildingmarkets.org](http://Liberia.buildingmarkets.org).
2. **Tender Distribution:** Disseminates tender announcements to local suppliers via SMS, email and on the Building Markets' Web site.
3. **Business Matchmaking:** Helps international buyers identify cost-competitive and high-quality domestic products and services by request and establishes relationships between buyers and local businesses at networking events.
4. **Training:** Trains local businesses on contracting requirements, international standards, customer service and more.
5. **Market Research & Communications:** Promotes local procurement by identifying opportunities and challenges to local sourcing.

Since April 2012, SMI-L supported local businesses to win over USD 33.9 million in contracts and create 1,149 full-time equivalent (FTE) jobs.

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## Acronyms and Abbreviations

AFT	Agenda for Transformation
AGOA	African Growth and Opportunity Act
ALCC	Association of Liberian Construction Contractors
AML	ArcelorMittal Liberia
CBL	Central Bank of Liberia
CRSI	Corporate Resource Specialists International
EBA	Everything But Arms
ECOWAS	Economic Community of West African States
EDP	Enterprise Development Partners
EMEPLL	ExxonMobil Exploration and Production Liberia Limited
EEIMA	Ebola Economic Impact and Monitoring Assessment
EU	European Union
EVD	Ebola Virus Disease
FBAL	Fula Business Association in Liberia
GBA	Grand Bassa Business Association
GDP	Gross Domestic Product
GNI	Gross National Income
GoL	Government of Liberia
ICT	Information and Communication Technology
IDO	International Development Organizations
INGOs	International Non-governmental Organizations
ITC	International Trade Center
LBR	Liberia Business Registry
LCC	Liberia Chamber of Commerce
LIBA	Liberia Business Association
LIFCADA	Liberia Furniture and Carpentry Development Association
LNES	Liberia National Export Strategy
LNTP	Liberia National Trade Policy
LTA	Liberia Telecommunications Authority
MDA	Mineral Development Agreement
MIGA	Multilateral Guarantee Agency
MOCI	Ministry of Commerce and Industry
MSME	Micro, Small and Medium Enterprises
NEPAD	The New Partnership for Africa's Development
NIC	National Investment Commission
NGO	Non-Governmental Organization
SBEA	Small Business Empowerment Act
SEGAL	Security Expert Guard Company of Liberia
SMI-L	Sustainable Marketplace Initiative Liberia
UN	United Nations
USAID	United States Agency for International Development
USD	United States Dollar
WARCIP	West Africa Regional Communication Infrastructure Program

## Foreword

Historically, most Liberians have been unable to participate in the country's economic growth, leading analysts to describe Liberia's economic experience as "growth without development." To avoid a return to conflict, meet basic human needs, and sustain development progress over time, all Liberians must be able to share in the benefits of inclusive economic growth.

The USAID Sustainable Marketplace Initiative in Liberia (SMI-L), implemented by Building Markets, plays an important role in helping to reshape Liberia's economic experience (from "growth without development" to "growth *with* development"). By improving the process through which buyers find and use local vendors, SMI-L boosts local spending and expands opportunities for Liberian businesses and entrepreneurs.

Part of that effort involves market research and advocacy, as reflected in this third annual Market Overview Report. The report is being released at a critical juncture for Liberia. With the economy reeling from the worst Ebola outbreak in history, there is no better time to take stock of the local business landscape and think about regaining the "competitive momentum" of the pre-Ebola era.

The United States is the largest bilateral donor in Liberia and USAID provides about \$170 million in official development assistance each year. One of USAID's core development objectives is sustained, market-driven economic growth to reduce poverty. USAID is also the lead U.S. Government Agency charged with supporting the Government of Liberia in efforts to contain the Ebola outbreak and mitigate any second-order impacts of the crisis. Building Markets continues to prove a valued partner in meeting these objectives on behalf of the American people and to the benefit of Liberia and Liberians.

Rod Thompson  
Office of Economic Growth  
USAID/Liberia

Monrovia, Liberia  
October 2014

## **Preface and Acknowledgements**

This report provides an overview of the Liberian economy focusing on economic trends and local business developments in the review period stretching from May 2013 to November 2014. The report highlights demographic information on local businesses, practices and perceptions of buyers and explores opportunities and challenges related to local procurement. This report is meant to be a resource for existing concessionaires, potential investors, donors, local businesses and Liberian policymakers.

This report is made possible with the support of the American people through the United States Agency for International Development (USAID), as well as the Australian Government and Humanity United. The contents herein are the responsibility of Building Markets and do not necessarily reflect the views of USAID, the United States' Government, the Australian Government, Humanity United or any other donors and partners. Building Markets works in collaboration with the Government of Liberia's Ministry of Commerce and Industry, the Public Procurement and Concessions Commission, the Liberia Institute of Statistics & Geo-Information Services, the Liberia Chamber of Commerce, the Liberia Business Association and the National Investment Commission.

Building Markets wishes to extend its appreciation to various people for their valuable support in the drafting of this report. Several businesses participated and provided valuable data; especially the buyers and suppliers, as well as participants in the training long-term and job creation and impact surveys.

Building Markets appreciates the opportunity to meet with those professionals, business leaders, government departments, stakeholders and partners who took time out of their busy schedules to share their experiences and insights which formed the basis of this Market Overview Report. Their input provided valuable insight for this report.

The findings, interpretations, and conclusions expressed in this report are entirely those of the authors. Every effort was made to ensure the accuracy and validity of the findings and conclusions contained in this report. However, errors and gaps in the analysis are possible. We take responsibility for any and all such omissions or inaccuracies.

Earnest Musinamwana and Daniel F. Togba researched and wrote this report. Various contributions were made by several Building Markets staff including the data collection of market information and analysis by Kayla Casavant, research assistance by Liam Parker and editing and review by Timothy Melvin, Tawedzegwa Musitini and Morgan Ashenfelter.

## Executive Summary

Liberia is at an economic turning point. Although the nation is progressively gearing up for competitiveness, the outbreak of Ebola Virus Disease (EVD) is slowing economic outputs and potentially leaving Liberia in an economically precarious situation. Most recently, the World Bank warned that the epidemic could result in an 11.7% decrease of the country's GDP.<sup>1</sup> As Ebola continues to ravage Liberia, the economic outlook is rapidly changing from the buoyant optimism of the pre-outbreak period to pessimism.

Prior to the outbreak, aid-driven recovery and growth was giving way to private sector-driven economic growth led by mining, agriculture and other resource sectors.<sup>2</sup> The economic focus was quickly shifting to the harnessing of private sector potential to ramp up production in the extractive sector while integrating the economy to bridge the divide between small local businesses and large corporates.<sup>3</sup> Employment creation and local business linkages constituted top government priorities as the country pursued broad-based economic growth in line with its Agenda for Transformation (AFT) strategy.<sup>4</sup>

Although EVD poses the most formidable threat to Liberia's economic growth momentum, the local marketplace is growing in capability and diversity and, with adequate support, can bounce back quickly once EVD is contained. The number of local and foreign-owned enterprises registering with the Liberia Business Registry increased throughout 2013.<sup>5</sup> The range of goods and services supplied locally is growing and the quality is improving. This improvement is due to local businesses learning from interactions with large buyers, and a general improvement in the business support environment.<sup>6</sup> Local businesses' improvements resulted in increased buyer confidence and stronger commitment to local procurement. Supply chain collaboration between local and international firms is increasing as international firms operating in the country heed the government's call to build local business linkages to stimulate broad-based economic growth. Partnerships between local and international firms are speeding up local businesses' capacity development and learning due to knowledge and technology transfer.

Meanwhile, surveys conducted by Building Markets' USAID Sustainable Marketplace Initiative Liberia (SMI-L) show that local procurement drives local employment creation, boosts local reinvestment and catalyzes economy-wide growth through spending multiplier effects. Local businesses are highly labor-intensive and job impact surveys show that every \$12,500 in contracts awarded to a local business results in the creation of one full-time equivalent job. Local procurement is also enabling local businesses to gain valuable experience serving international clients and to grow in capability and competitiveness. Local businesses are investing in new equipment, staff training and new technology as they seek to upgrade their capacity to meet exacting needs of the growing private sector.

This Market Overview Report uses data collected through a combination of secondary source reviews and surveys to share highlights on the status and outlook of the Liberian marketplace. Primary data

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<sup>1</sup>[http://af.reuters.com/article/topNews/idAFKBN0HC1IU20140917?feedType=RSS&feedName=topNews&utm\\_content=buffer898f3&utm\\_medium=social&utm\\_source=twitter.com&utm\\_campaign=buffer](http://af.reuters.com/article/topNews/idAFKBN0HC1IU20140917?feedType=RSS&feedName=topNews&utm_content=buffer898f3&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer)

<sup>2</sup> Natural resources investments are targeted at mining, forestry, concession farming, oil and gas; over 16 billion in investments have been received over the past ten years

<sup>3</sup> Large corporates consists of multinationals operating in the natural resource extraction sector

<sup>4</sup> AFT is the Government of Liberia's Medium Term Economic Growth and Development Strategy (2012-2017)

<sup>5</sup> A total of 11,357 local businesses and 1,285 foreign owned businesses registered with the Liberia Business Registry between January and December 2013

<sup>6</sup> Business support environment broadly refers to government policy environment and availability of business development services such as training and market facilitation



used in the report is based on a survey of 1,044 local businesses, an analysis of 111 contracts won by local businesses, 49 buyer interviews and in-depth interviews with selected buyers and suppliers.

## Main Findings

### *Local Procurement Impact*

- For every dollar spent with a local business, 86 cents is re-spent on local goods and services creating a multiplier effect of 1.86.<sup>7</sup>
- Every \$12,500 of contract value awarded to a local business leads to the creation of one full-time equivalent job.<sup>8</sup>
- Profits realized by local businesses lead to investment in new equipment, staff development and business expansion. 62% of the contracts analyzed led to business re-investments.

### *Macro-economic Situation*

- The country's GDP expanded 8.1% on the back of a 40% growth performance from the mining and panning sector.<sup>9</sup>
- The trade deficit widened despite stronger export performance.<sup>10</sup>
- Liberia's ranking on the World Bank's *Ease of Doing Business* improved by 5 positions from 149 in 2012 to 144 in 2013.<sup>11</sup>
- The country's Global Competitiveness Index ranking dropped from 111 out of 144 countries in the 2012-2013 period to 128 out of 148 countries in the 2013-2014 period due to slow progress in physical infrastructure development and an under-skilled workforce.

### *Local Business Landscape*

- Almost 80% of registered businesses remain concentrated in Montserrado County.
- Ninety-six percent of businesses fall under the MSME category but 19% report annual revenues in excess of \$100,000.<sup>12</sup>
- Access to Internet remains critical with an access rate of 48% in Montserrado and 19% for the rest of the country.
- A huge mismatch persists in demand and supply of financial credit; only 20% of businesses report having access to finance.
- Women participation in business ownership and management remains high at 34% and 33%, respectively.
- Only 19% of businesses utilized some form of business development service in the past.

### *Local Procurement Situation*

- Access to tender information is still limited at 72% of the polled businesses.
- Client referrals and competitive bidding are the most common ways used by businesses to win contracts.
- Interest in bidding for tenders is high at 95% of total businesses surveyed.
- The government of Liberia is the largest client to local businesses with 70% of total contract value.

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<sup>7</sup> Multiplier effect refers to the increase in final demand arising from new injection of spending. In this report, the multiplier ratio is computed by adding the proportion of revenue that is spent on local goods, local services, and local salaries. The calculation is made on a per dollar basis to track the portion of a dollar that is re-spent locally. The calculation only considers spending by the first-level local enterprise and so figure one in the ratio represents the first dollar spent. The ratio maxes out at 2 in a case where an enterprise's spending is all local.

<sup>8</sup> This figure is based on a survey of 65 contracts awarded to local businesses through SMI-L facilitation. A full time equivalent job is a job that lasts the equivalent of 264 working days. One working day is 8 hours long.

<sup>9</sup> Panning covers all small-scale and artisanal mining activities

<sup>10</sup> Exports grew by 17% and imports grew by 12.5% in 2013

<sup>11</sup> The World Bank Doing Business Report ranks 189 economies.

<sup>12</sup> The MSME category is made up of businesses with 50 employs and below

- Supply relationships between concessionaires and local businesses are on the rise; concessions account for 8% of contract volume and 5% of contract value.

#### *Buyer Perspective on Local Procurement*

- Buyer confidence in local suppliers is increasing. Eighty percent of buyers reported seeing an improvement in capabilities of local suppliers since last year. The proportion of buyers reporting formal commitments to source locally increased 5 percentage points to 46%.
- 62% of buyers use tender adverts to solicit local goods and services while the number of buyers with preferred vendor lists increased from 57% to 63% between 2013 and 2014.
- The quality of interactions between buyers and suppliers is mixed with a slight inclination to the positive side. 67% of buyers report having a positive experience, and, separately, 63% report having a negative experience with local suppliers.

#### *Effects of EVD on the Liberian Economy*

- As of November 6, 2014, the three most affected West African countries (Liberia, Sierra Leone, and Guinea) recorded some 13, 015 suspected Ebola Cases of which 6,525 representing slightly more than 50% were recorded in Liberia
- The three most affected countries recorded some 4,808 deaths of which 2,766 or 57.5% were recorded in Liberia.
- 10% of businesses surveyed were closed in relation to the Ebola crisis.
- Overall employment has decreased by 33% for businesses in this sample.
- Female employment decreased by over 50% due to low activity in the Restaurants and Hotels sector.
- In “least affected” counties 39% report their movements are restricted.
- 32% of businesses that use transportation report that costs have increased on average by 15%.
- Businesses are optimistic that employment and revenues will increase in the next 6 months.

## Liberia Country Overview

Liberia is located in West Africa bordered by Sierra Leone, Guinea and Cote d'Ivoire. The country's main economic activities are agriculture, mining, forestry and fisheries.



Land size	111,369 km <sup>2</sup>	GDP (2013, millions)	US\$896.7
Population	4,190,435	GNI per capita (US\$) <sup>13</sup>	414
Population growth	2.60%	GDP Growth (2013)	8.1%
Literacy rate	57%	Projected GDP growth 2014 <sup>14</sup>	6.8%
Life Expectancy (2012) <sup>15</sup>	57.5	Inflation Rate (2013) <sup>16</sup>	7.7%
Poverty Rate <sup>17</sup>	94.9%	Unemployment rate	
Urban Population (% of total)	48.6%	National Budget (2013/14)	582.9
GINI Index	38.2	Aid per Capita (USD)	149.8
<b>Trade and Economic Membership</b> <ul style="list-style-type: none"> <li>• ECOWAS</li> <li>• Mano River Union</li> <li>• AGOA</li> <li>• EU – Everything but Arms</li> <li>• China Preferential Trade Agreement with Developing Countries</li> <li>• Multilateral Guarantee Agency (MIGA)</li> <li>• New Partnership for Africa's Development (NEPAD)</li> </ul>	Road Network (km) <sup>18</sup>		8,013
	Paved Road Network		9%
	Road Density <sup>19</sup>		13.9
	Access to Electricity <sup>20</sup>		≈1%
	Mobile Penetration <sup>21</sup>		43%
	Internet Penetration <sup>22</sup>		23.14%

<sup>13</sup> <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

<sup>14</sup> African Development Bank

<sup>15</sup> <http://data.un.org/CountryProfile.aspx?crName=LIBERIA>

<sup>16</sup> Ibid

<sup>17</sup> Percentage of people leaving on less than \$2 per day

<sup>18</sup> <http://www.gnnliberia.com/articles/2014/06/14/liberia-public-works-official-says-%E2%80%98no-money-feeder-roads%E2%80%99>

<sup>19</sup> Road density (km of road per 100 sq. km of land area)

<sup>20</sup> [http://siteresources.worldbank.org/EXTAFRRREGTOPENERGY/Resources/717305-1266613906108/Liberia\\_Energy\\_ESW\\_11-4-11web.pdf](http://siteresources.worldbank.org/EXTAFRRREGTOPENERGY/Resources/717305-1266613906108/Liberia_Energy_ESW_11-4-11web.pdf)

<sup>21</sup> <http://www.telecompaper.com/news/liberia-mobile-penetration-rises-to-42--959989>

<sup>22</sup> West Africa Regional Communications Infrastructure Programme, November 2013, M&E Report

# 1. Introduction

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

Following on two previous editions, this report examines key market trends and detailed perspectives of both buyers and suppliers as researched during the period extending from May 2013 to May 2014. The first edition of this report provided a baseline in terms of the organization and key characteristics of local businesses and the second edition tracked the evolution of the business environment and local business improvements between 2012 and 2013.<sup>23</sup> This report builds on the previous edition to highlight impacts and challenges around local procurement. Information in this report is based on data collected by Building Markets through structured and semi-structured interviews with local businesses and international firms and organizations, including government and non-governmental agencies. Building Markets collected secondary data from study reports, operational reports, websites, and databases.

## Definition of Key Terms:

- *MSME (Micro, Small, and Medium Enterprises)*: A firm employing between 0 and 50 employees as defined in Liberia's MSME Policy. Micro enterprises have less than four employees, small enterprises have four to twenty employees and medium enterprises have 21 to 50 employees.
- *Buyer*: An international organization, donor, Multinational Corporation, concessionaire, government or other business that is procuring goods or services for its operations within Liberia.
- *Local business*: An active business that is based in Liberia and currently registered with the Liberian Business Registry, as is required by the Government of Liberia to be a lawful business entity. The report also refers to local businesses as supplier, vendors, MSMEs and small businesses.
- *Verified Businesses*: These are businesses whose basic enterprise and operational credentials have been collected and verified by SMI-L through onsite visits.
- *SMI-Directory*: A dedicated web-based database of Liberian-registered enterprises containing detailed business profiles, contact details and client references.

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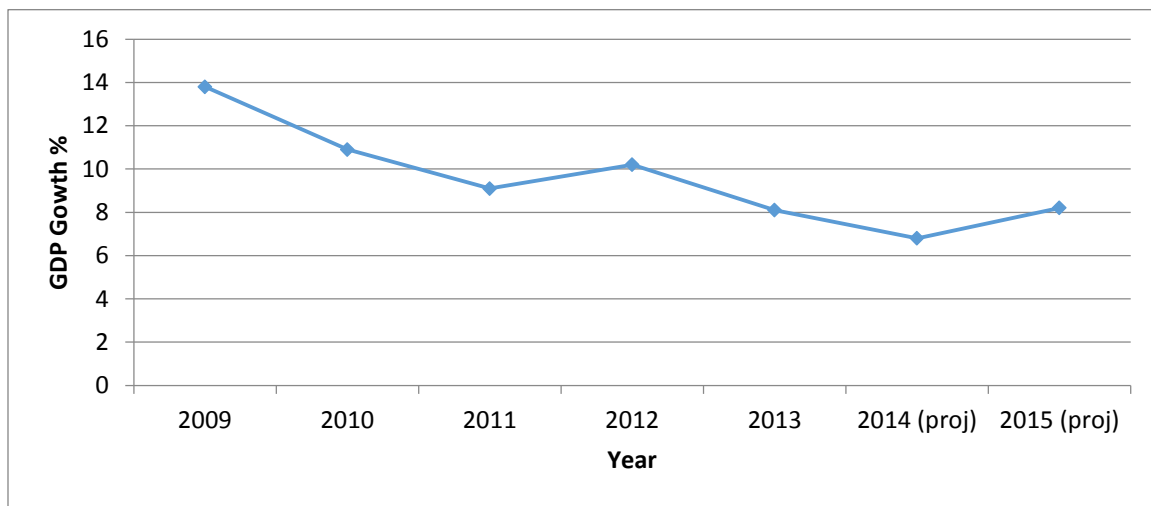
<sup>23</sup>First Edition of the Market Overview Report was published in April 2012 and the second edition was published in July 2013.

## 2. Overview of Liberia's Economic Performance

### Economic Synopsis

In 2013, the Liberian economy maintained its growth momentum and expanded by 8.1% to beat the Sub-Saharan Africa average growth by 2.5 percentage points. This growth came on the back of strong performance by the mining and panning sector, which grew by 40% during the year.<sup>24</sup> The construction and services sector maintained its upward trend and registered 8.7% growth. Manufacturing also rose by 8.9%, albeit from a low base. The Liberian economic outlook is positive with an economic growth projection of 6.8% in 2014 and 8.2% in 2015.<sup>25</sup> Mining sector activities will drive future growth due to projected increases in iron ore and gold exports. The construction sector also remains buoyant with prospects for knock-on demand effects on manufacturing sector activities, such as cement production.

*Figure 1: Liberia GDP Growth Trends (Percentage)*



Source: World Bank Databank

Both exports and imports expanded but a larger import base saw the current account deficit, as a percentage of GDP, worsen from 33.6% in 2012 to 48% in 2013.<sup>26</sup> The resultant balance of payments pressure contributed to 13% depreciation in the value of the Liberian dollar in 2013.<sup>27</sup> Consumer price inflation also increased by 0.7% to 7.6% from 6.9% in 2012; a greater part of this increase was due to the rise in prices of imported food items. In 2014, inflation is expected to moderate to around 6.6%.

During the review period, the government stepped up efforts to promote linkages between foreign direct investors and local businesses. Local content clauses are embedded in the draft new mining law and the National Investment Commission is developing a national local content policy. The Ministry of Commerce and Industry also drafted a Small Business Empowerment Act, which, among other things, seeks to increase micro, small and medium business access to government procurement.<sup>28</sup>

<sup>24</sup> The mining and panning sector consists of formal large and small scale mining of metal and non-metal minerals

<sup>25</sup> African Economic Outlook, 2014

<sup>26</sup> <http://www.worldbank.org/en/country/liberia/overview>

<sup>27</sup> The local currency depreciation is measured against the USD value

<sup>28</sup> <http://www.moci.gov.lr/doc/MoCI.2014.MSME.Conference.MinisterAxelMAddyFinalRemarks2014.pdf>

Despite the positive economic performance, the Liberian economy continues to face significant structural challenges and risk factors. The majority of local businesses are still constrained by a lack of management capacity, undercapitalization, poor service delivery and a limited skilled workforce.<sup>29</sup> The domestic private sector remains hampered by weak infrastructure, a lack of affordable financing and relatively weak domestic demand. Energy, communication and transportation infrastructure remains inadequate to spur local business growth and improvement. Liberia is also vulnerable to global commodity price fluctuations. Rubber and iron ore jointly constitute more than 80% of the country's exports, and both commodities experienced price instability over the review period.

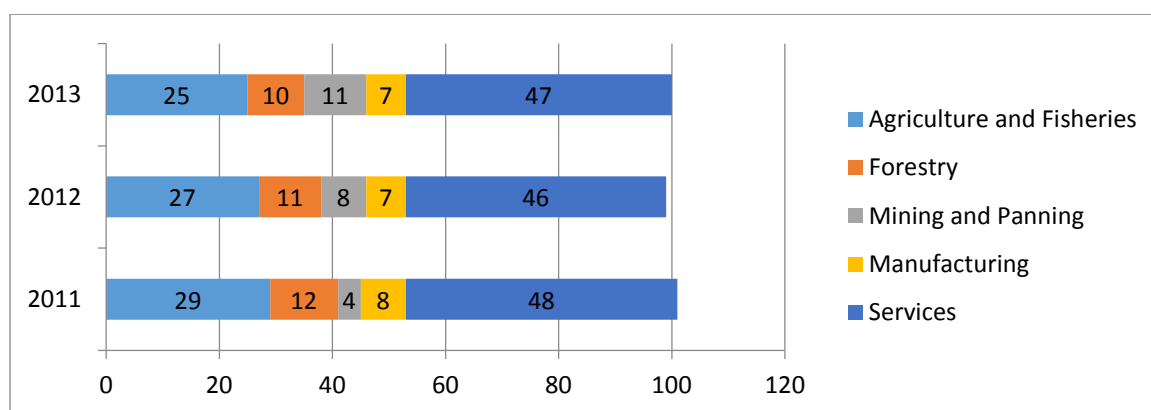
### Business Enabling Environment

Liberia's business enabling environment continued to improve through 2013. The country's overall ranking on the World Bank's *Doing Business 2014* improved to 144<sup>th</sup>, five positions better than the 149<sup>th</sup> position achieved in 2013.<sup>30</sup> The country's improved rating is due to progress on the dimensions of starting a business, paying taxes and accessing credit. The number of procedures to register businesses was reduced from four to two, thereby reducing the number of days it takes to register a business from six to two. Liberia's ranking on starting a business improved from 37<sup>th</sup> position in 2013 to 31<sup>st</sup> position in 2014.<sup>31</sup> In spite of the overall improvement, significant challenges remain. Less than 1% of the country's population has access to grid electricity and less than 10% of the national road network is paved.<sup>32</sup> The constraints render local goods and services more expensive and uncompetitive on the international market. Completion of rehabilitation works currently underway at Mt Coffee Hydropower Plant is expected to reduce the energy constraint when the plant comes on board in 2015. Similarly, investments in road infrastructure are set to lower transportation costs and boost the level of internal trade.

### Sectoral Analysis

The sectoral composition of the Liberian economy is dominated by services, though mining and panning activities significantly expanded over the past two years.<sup>33</sup> While agriculture remains the largest employer, particularly among women, its contribution to GDP is shrinking due to perennially low productivity in smallholder agriculture which is mainly of subsistence nature.<sup>34</sup>

Figure 2: GDP Composition (% Contribution)



<sup>29</sup> National Investment Commission 2013 Annual Report

<sup>30</sup> The Liberia Business Registration 'one-stop shop' can process business registration in 48 hours and has reduced fees and increased transparency, leading to a ranking of 31st on starting a business.

<sup>31</sup> Liberia Ministry of Commerce and Industry 2013 Annual Report

<sup>32</sup> Liberia has a total road network of 8,013 km and only 721 km is paved

<sup>33</sup> The service sector is mostly made up of construction, trade and government services

<sup>34</sup> Agriculture employs over 50% of the population in Liberia

In 2013, Liberia's real GDP was estimated at US \$896.7 million.<sup>35</sup> Production of rubber, round logs and gold declined, but iron ore, beverages, diamonds, cocoa and cement experienced positive growth. The manufacturing sector grew by 8.9% and the services and forestry sectors grew by 8.7% and 2.6%, respectively. In 2014, manufacturing is projected to record the highest growth of 9.6% followed by services at 8.1%. Agriculture and forestry will be the lagging subsectors with growth projections of 3.5% and 2% respectively. Manufacturing growth is in line with the government goal of structurally transforming the economy; however, the sector's high growth is from a low base, making up less than 7% of the country's GDP in 2007.

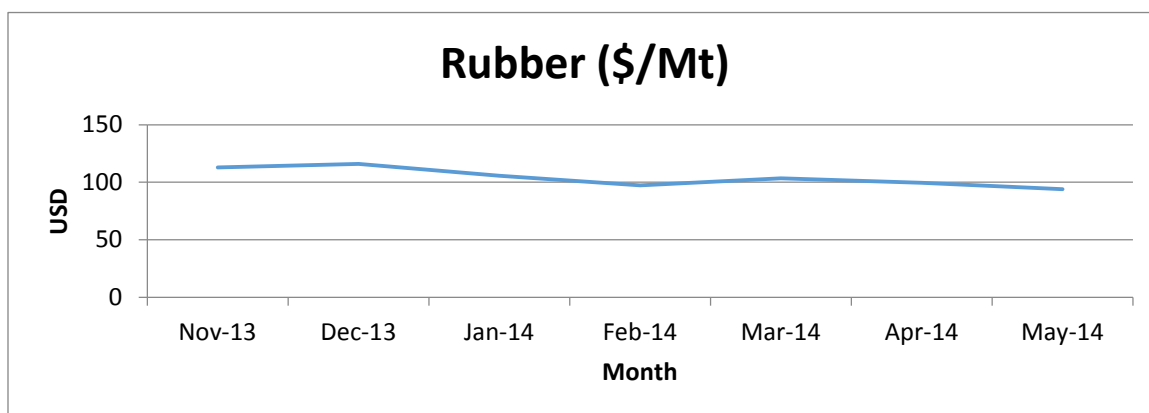
### *Manufacturing*

The manufacturing sector is mainly made up of cement, beverages, woodwork, printing, and light manufacturing. The sector has experienced modest growth just enough to maintain its share in the GDP. The sector benefited mostly from the construction boom which led to increased cement demand. The entrance of a regional cement producer is expected to spur growth in the next two years. Growth in this sector is curtailed by high energy costs and undercapitalization.

### *Agriculture*

The agriculture sector is dominated by rubber and palm oil production; ten concession agreements are currently active for these two commodities. Rubber dwarfs all other agricultural commodities and accounts for over 30% of total agricultural output.<sup>36</sup> Cocoa and coffee registered some marginal output gains between 2012 and 2013 but their impact on the sectors' performance is negligible. Round logs production declined by 51.1% in 2013 relative to 2012. Prolonged weakness in the international price of rubber also affected agricultural output.

*Figure 3: Prices of Rubber between November 2013 and May 2014*



### *Mining, Quarrying and Oil and Gas*

The mining sector's contribution to GDP for 2013 stood at 10% and is projected to rise. Currently, 55 companies hold 108 mineral rights for commercial exploration or mining. The majority of companies (47) are in the exploration phase while eight have signed agreements with the government to begin mining. Of the eight, only ArcelorMittal and China Union began iron ore production. The mining sector is expected to promote economy-wide growth through linkages with local businesses. A study conducted for the World Bank shows that the mining sector's annual procurement expenditure will reach \$2 billion by 2016.<sup>37</sup> Weak iron ore and gold prices currently threaten this sector. As for oil, five

<sup>35</sup> Central Bank of Liberia, Annual Report for 2013

<sup>36</sup> According to the Central Bank of Liberia 2009 Annual Report, rubber constituted 34% of agricultural GDP

<sup>37</sup> Kaiser EDP study

international companies have signed ten production sharing agreements with the government of Liberia but all the projects are still in exploratory phase.<sup>38</sup>

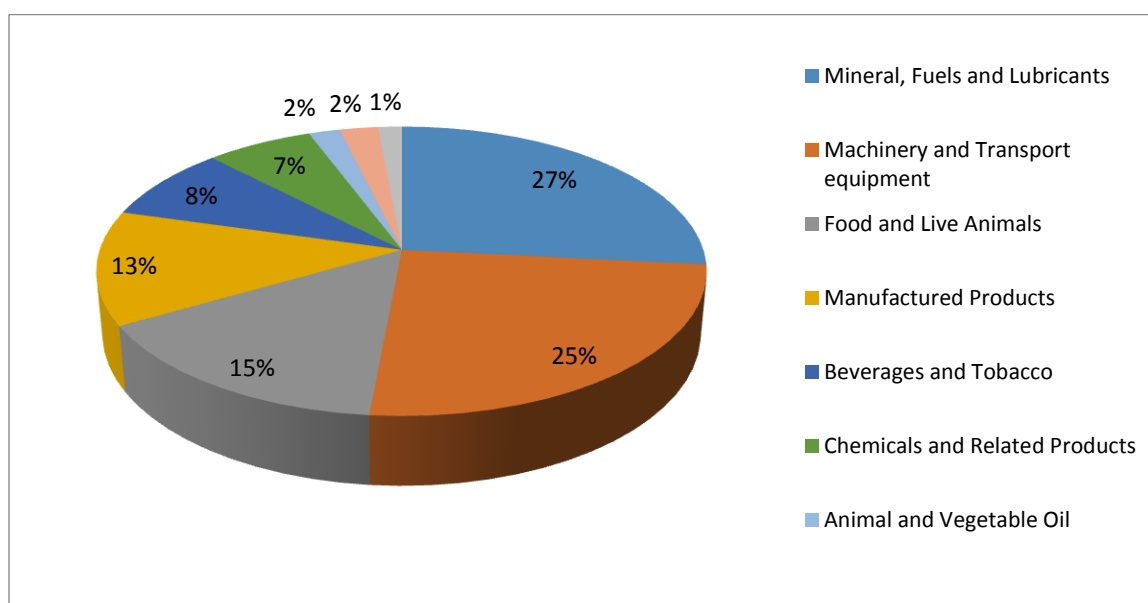
### Services

The services sector experienced around 9% growth in 2013 and contributed to around 42% of GDP, up from 22% in 2006. Component activities of this sector include trade and hotels, government services, real estate, transportation, communication and construction. Services sector growth is projected to continue as the sector revs up its capacity to meet the service needs of concessionaires in the extractive sectors.

### Export and Import Performance

Heavily dependent on imports, Liberia imports over 90% of domestic food needs. In 2013, the current account deficit widened despite a 17% increase in exports. Food imports and the imports of capital goods by concessions who receive tax breaks on imported goods kept the level of imports higher than exports. Machinery and equipment purchases accounted for 25% of the 2013 import bill, representing a 6% decline from the previous year. An increase of 13% was recorded in merchandise imports and was mostly driven by beverages and tobacco, chemical and related products, and petroleum products. Minerals, fuels and lubricants account for a commanding 26% of the country's imports. The trade deficit is projected to widen in 2014 due to growing import demand to support industrial activities and consumption.<sup>39</sup> Major trade partners are the United States, European Union and China. Liberia's trade with the rest of West Africa is still negligible due to poor transport and communication infrastructure.

Figure 4: Liberia Imports for 2013



Source: Ministry of Finance, Liberia

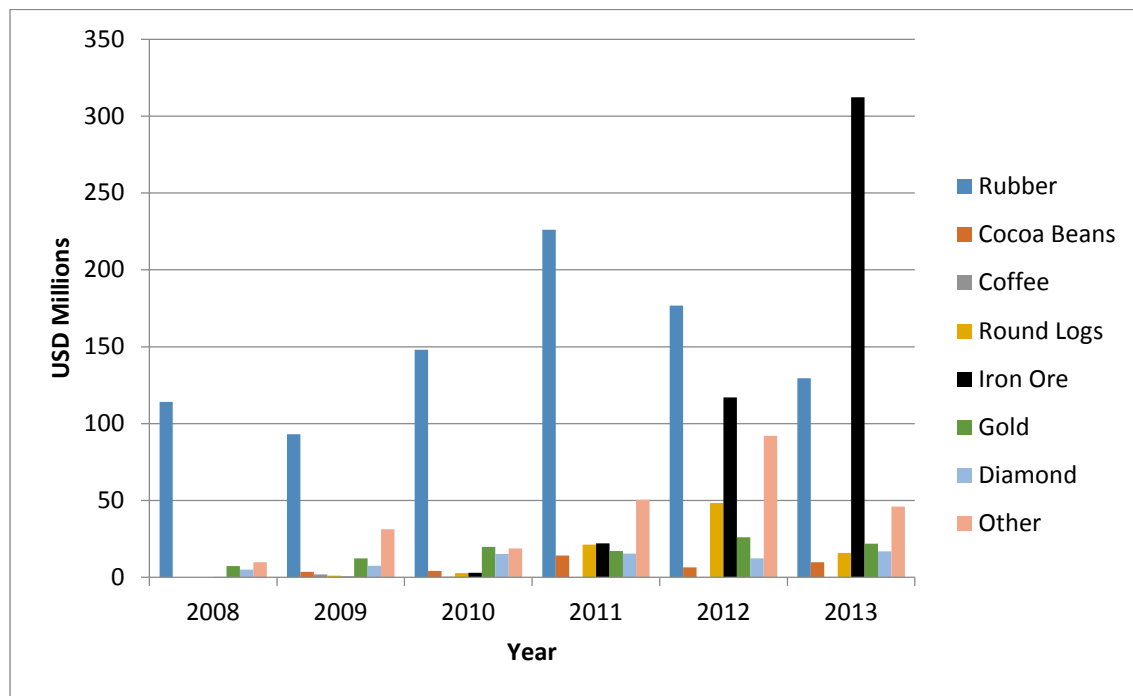
Iron ore, rubber and timber dominated exports; these three commodities make up more than 80% of the export trade. Exports as a percentage of GDP were estimated at 28.7% in 2013 and are projected to be slightly lower, at 28% in 2014. Imports were 58.9% of GDP in 2013 and are projected to be 65.8% of GDP in 2014. With an import-export ratio of 2.4 in 2013, Liberia is highly exposed to import-related risks and pressures.

<sup>38</sup> The Khana Group (TKG) Oil and Gas Infographic

<sup>39</sup> <http://www.moci.gov.lr/2content.php?sub=75&related=18&third=75&pg=sp>



Figure 5: Composition of Major Liberian Exports between 2008 and 2013



Source: Ministry of Finance, Liberia

#### Financial Access Situation

Globally, Liberia is ranked 86 out of 189 economies on the ease of getting credit; this represents an improvement of 19 points from a rank of 105 in 2012.<sup>40</sup> The improvement comes on the back of a range of initiatives from the Central Bank of Liberia through the bank's financial inclusion strategy.<sup>41</sup> Under this strategy the Central Bank set up a US \$5 million facility which was disbursed to local commercial banks in the form of 3-year term placements meant to support medium-term lending to Liberian-owned businesses. The implementation of this strategy extended credit to 93 businesses spanning 10 sectors, including fisheries, transportation, woodwork, agriculture, hospitality and manufacturing.

The country has a total of nine banks, which have a network of 82 branches spread across 11 of 15 counties. In 2013, the Central Bank of Liberia qualified and licensed 18 insurance companies. The informal sector financing landscape is made up of 350 credit unions and the Village Savings and Lending Association, which is active in all 15 counties with a total of 400 associations. Interventions targeted at the banking sector resulted in a decrease of non-performing loans from 22.5% in 2012 to 15.3% in April 2014.<sup>42</sup>

Despite an annual credit growth of 43% in 2013, access to credit remains a constraint for most micro, small and medium businesses in Liberia. As seen in Figure 6, credit is currently concentrated in the trade sector and remains low in production-oriented sectors, such as agriculture. The lending rates in Liberia, at 13.7% in November 2013, are among the lowest in the region. However, the major

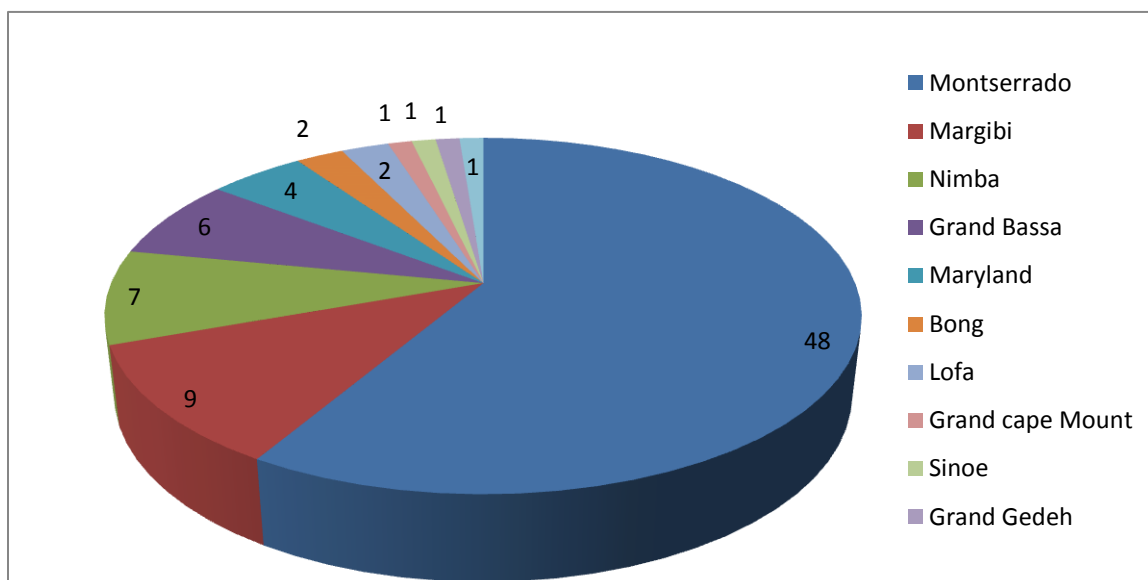
<sup>40</sup> This is a rated dimension which is part of the World Bank's Ease of Doing Business for 189 countries

<sup>41</sup> The CBL implemented the SME Credit Stimulus Initiative geared towards providing funds to Liberian-owned businesses at lower interest rates and flexible repayment period (CBL 2013 Annual Report).

<sup>42</sup> [http://www.cbl.org.lr/major\\_indicator.php?sub=major](http://www.cbl.org.lr/major_indicator.php?sub=major)

challenge is a lack of access to loans, indicating credit information gaps which undermine the financial sector's confidence to lend to MSMEs.

*Figure 6: Distribution of Bank Branches by County*



*Source: CBL 2014 Quarter One Report*

### *Policy Developments*

During the review period, the government implemented a number of policy initiatives aimed at achieving broad-based economic growth and transformation. The Ministry of Lands, Mines and Energy initiated the revision of the Mineral Law to provide clarity on land rights issues and to incorporate provisions for local content and business linkage promotion. To further promote increased linkages between local businesses and large foreign investments, the Government of Liberia, through the National Investment Commission, is developing a national local content policy which will provide an overarching framework for local content promotion. To enhance the participation of Liberian businesses in public procurement, the Ministry of Commerce and Industry presented the Small Business Empowerment Act (SBEA) which establishes a preference system for Liberian firms and obligates government entities to set aside 25% of their spending on goods and services for small Liberian businesses.

From a trade perspective, 2013 saw Liberia maintain its drive to deeply integrate into the world economy. The country continued with negotiations to accede to the World Trade Organization. The Economic Community of West African States (ECOWAS) led negotiations for an Economic Partnership Agreement with the EU. With assistance from the International Trade Centre (ITC), Liberia developed and launched a National Export Strategy (L-NES) and a National Trade Policy.<sup>43</sup> The country's export strategy identifies core sectors as oil palm, rubber, fish and crustaceans, and cocoa. Cross-cutting sectors include access to finance, trade logistics, and quality and packaging.

<sup>43</sup> <http://www.intracen.org/uploadedFiles/Liberia-Export-National-Strategy.pdf>,  
<http://www.intracen.org/uploadedFiles/Liberia%20National%20Trade%20Policy-fin.pdf>

### *Impact of Ebola Epidemic on the Liberian Economic Outlook*

The Ebola epidemic has depressed Liberia's economic growth prospects. With reported cases in excess of 3,900 and a death toll of over 2,200, Liberia is the country worst affected by the crisis.<sup>44</sup> Meanwhile, the Government of Liberia instituted control measures, including border closures, shut-down of schools and markets, restriction of human movement, which have impacted the nation's economy and severely restricted trade within Liberia and with neighboring countries. International movement is restricted with the number of weekly flights reduced from 27, in the pre-crisis period, to only six in September. Food prices have increased, and some projects have been put on hold. With both mining and agricultural concession activities decreased, the World Bank projects that Liberia's gross domestic output will slide by 11.7 percentage points in 2015. Such a drop reduces economic growth projections for the year, from 6.8% to a negative 4.95%.<sup>45</sup> ArcelorMittal, the largest mining company in the country, is continuing production but expansion from 5 to 15 million tons by the end of 2015 is delayed as its major contractors evacuated their employees as a health pre-caution. China Union, which was expected to produce 500,000 tons of iron ore this year, temporarily halted operations, following reports of suspected Ebola cases at its company-run hospital.<sup>46</sup>

Due to Ebola-related economic disruptions, the Government of Liberia projects a \$30m loss in revenues and a 2% shrink of annual economic growth to give a net 3.5% growth rate for the current year.<sup>47</sup> The World Bank estimates put the short-term fiscal impacts of Ebola at a significant \$93 million, equivalent to 4.7% of GDP, resulting in a worsening of the government budget deficit, which stood at 2.6% in the 2013 fiscal period.<sup>48</sup> Using scenario-modeling techniques, the World Bank analysis of the impact of Ebola highlighted that "the largest economic effects of the crisis are not as a result of the direct costs (mortality, morbidity, caregiving and the associated losses to working days) but rather those resulting from aversion behavior driven by fear of contagion. This in turn leads to a fear of association with others and reduces labor force participation, closes places of employment, disrupts transportation and motivates some government and private decision-makers to close sea ports and airports."<sup>49</sup> In a Building Markets survey conducted in August, 66% of local businesses reported their movements are restricted (due primarily to the curfew) and the cost of travel has increased by an average of 56% between the 28<sup>th</sup> of July and the 28<sup>th</sup> of August.<sup>50</sup> In the same survey, 67% of surveyed business owners reported a drop in business volume and 83% indicated they were living in a state of fear or worry due to the outbreak. Sixty-two percent of businesses shed at least one job in response to the declining level of business activity. This assessment confirms the impact of Ebola is multi-dimensional and permeates both social and economic layers of Liberian society. As Ebola continues to ravage Liberia, the economic outlook is rapidly changing from the buoyant optimism of the pre-outbreak period to pessimism. Local businesses are becoming increasingly isolated from the international business network, and the slow-down in aggregate economic activity is hurting the slow momentum built up since the end of the war.

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<sup>44</sup> <http://www.cdc.gov/vhf/ebola/outbreaks/liberia/>

<sup>45</sup> <http://www.worldbank.org/en/topic/health/brief/world-bank-group-ebola-fact-sheet>

<sup>46</sup> <http://www.afdb.org/en/blogs/measuring-the-pulse-of-economic-transformation-in-west-africa/post/beyond-the-health-crisis-ebola-hits-liberias-economy-hard-13431/>

<sup>47</sup> <http://www.businessweek.com/articles/2014-08-21/ebola-outbreak-west-african-economies-face-devastation>

<sup>48</sup> <http://www.tradingeconomics.com/liberia/government-budget>

<sup>49</sup> <http://www.worldbank.org/en/news/press-release/2014/09/17/ebola-economic-impact-serious-catastrophic-swift-response-countries-international-community-world-bank>

<sup>50</sup> The Ebola Economic Impact survey was conducted between 22 and 28 August

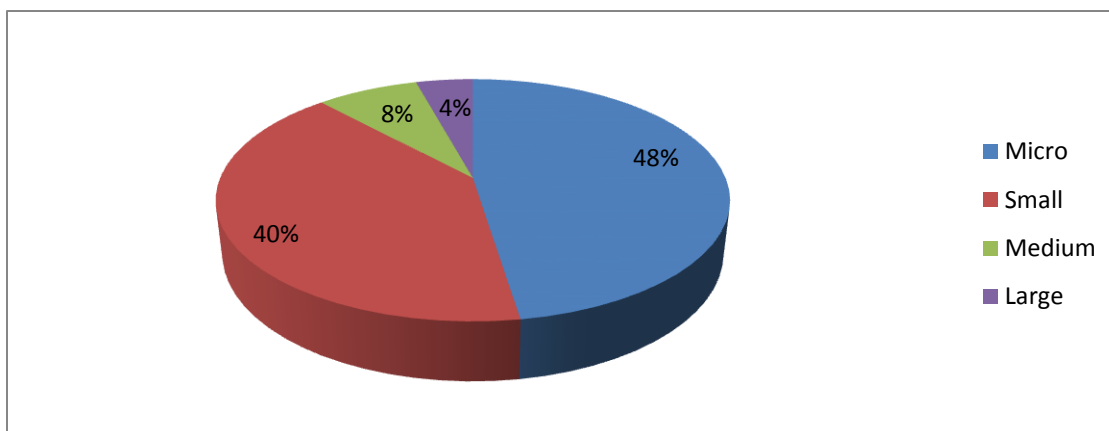
### 3. Local Business Landscape

The local business landscape evolved significantly during the review period. From a demographic standpoint, business registration records show an increase in the number of mining and oil and gas related firms that are registering for the first time in Liberia.<sup>51</sup> This includes local, regional and international businesses which are legally registered in Liberia. Liberia Business Registry data shows that a total of 6,282 enterprises registered with the Liberia Business Registry for the first time between June 2013 and June 2014. A total of 758 new branches were registered during the same period. Business verification and contracts facilitated data collected by Building Markets shows that local businesses are increasing in capability and are slowly making inroads in servicing the needs of concessionaires and other private clients. Feedback from buyers also confirms that local businesses are improving in business capacity and contract performance capabilities.

#### *Business Size, Age and Structure*

The majority of businesses remain young and small. Seventy-two percent of businesses have been in operation for less than ten years, and 88% are classified as micro and small enterprises.<sup>52</sup> The proportion of businesses in the small (4 to 20 employees) category marginally increased from 31% in 2012 to 40%, while the proportion of micro-enterprises fell from 57% to 48%. This suggests that Liberian businesses are growing and employing more people in the process. Meanwhile, the proportion of medium and large businesses remains unchanged at 8% and 4% respectively. The small size of local businesses is a constraint to business linkages as existing capacity is fragmented and uncoordinated. The most prevalent form of business structure remains the sole proprietorship, which accounts for 67% of the total number of businesses on the SMI-L database. The number of business corporations increased from just over 18% in 2012 to 25% in 2013.

*Figure 7: Distribution of Local Businesses by Number of Employees*



<sup>51</sup> Liberia Business Registry Data, April 30, 2014

<sup>52</sup> According to the Liberia MSME policy, a micro business has 0 to 3 employees; a small business has 4 to 20 employees; a medium business has 21 to 50 employees and a large business has 51 employees and above.

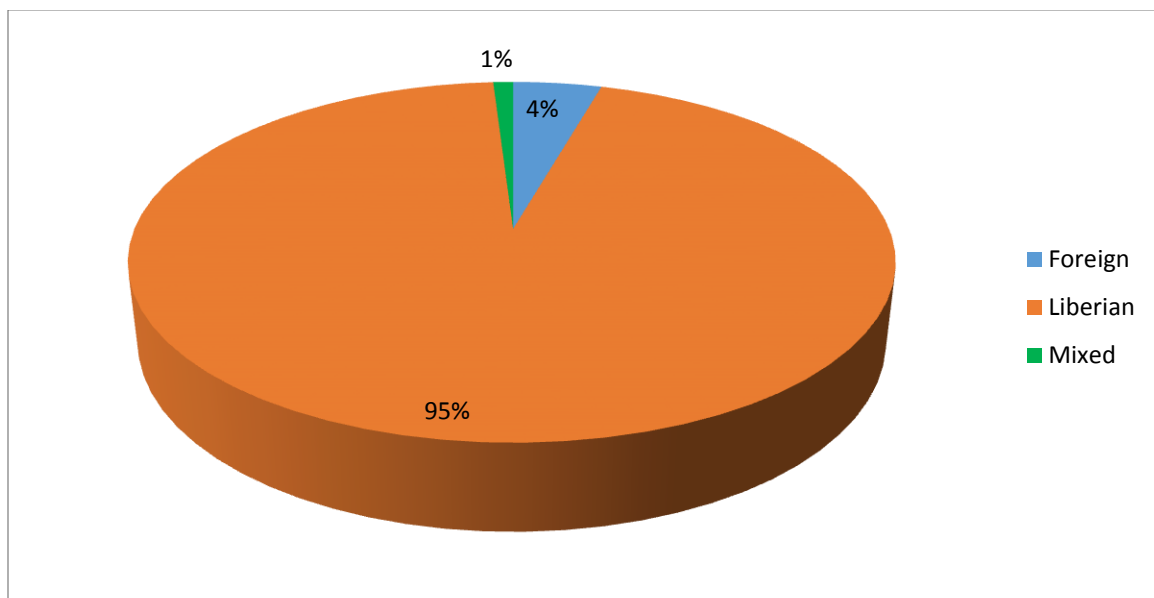
### *Geographical Distribution of Businesses*

The number of formally registered businesses in Liberia is on the increase with a total of 12,642 businesses registering with the Liberia Business Registry during 2013. Businesses are concentrated in Montserrado County, which hosts close to 80% of all registered businesses; the other 20% is spread across the rest of the counties with sizable concentrations in Grand Bassa, Margibi and Nimba. The high number of businesses in Montserrado reflects the attraction of improved infrastructure and the lure of a market provided by the growing Monrovia population. Monrovia is often the entry point for most foreign-owned businesses, which often maintain a sizeable presence in the capital and expand across the country through branch locations.

### *Business Ownership*

In terms of ownership structure, Liberian-owned businesses are an overwhelming majority with a 95% proportion of all verified businesses.<sup>53</sup> Businesses with mixed ownership constitute less than 1%, suggesting limited partnership between local and foreign entrepreneurs. These statistics are in line with the Liberia Business Registry data which shows that 94% of registered businesses are locally-owned.<sup>54</sup>

*Figure 8: Distribution of Local Businesses by Ownership*



### *Women Participation in Formal Business Activities*

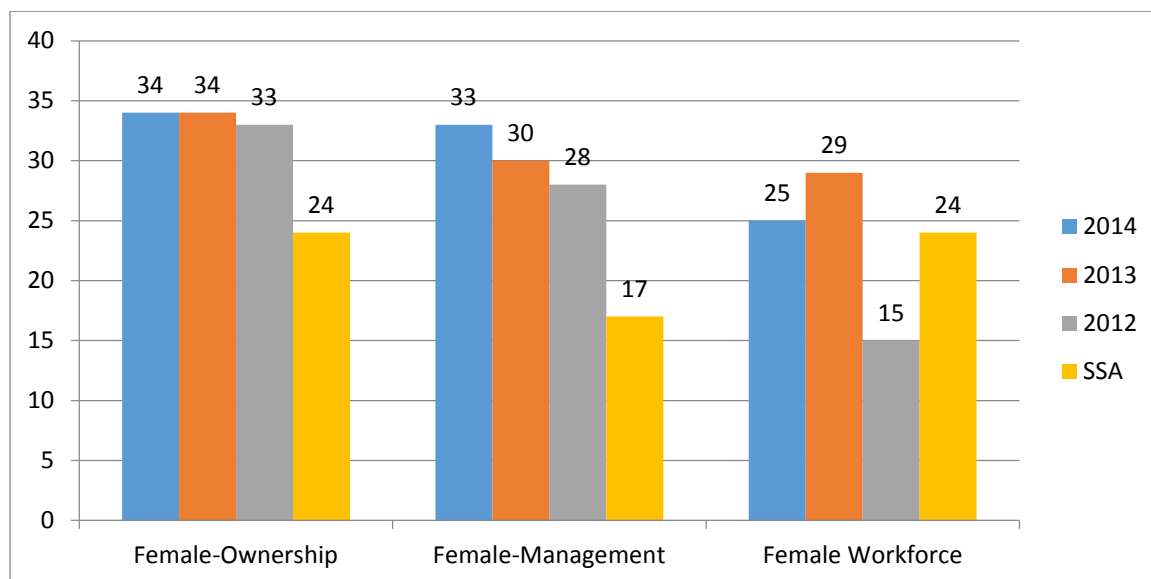
Women ownership of business enterprises remains constant at 34%, but women participation in management increased by 3% to 33% over the review period. However, the proportion of female employees dropped to 25% in 2013 from 29% in 2012. The increase of women in management positions is likely due to increased targeting of women for management and training programs such as the Goldman Sachs 10,000 Women Initiative. On the other hand, the decline in women employment could be due to the dominance of male-dominated sectors, such as construction, that tend to employ

<sup>53</sup> A Liberian business has at least 51% of its shares owned by a Liberian citizen

<sup>54</sup> MOCI 2013 Annual Report

more men than women. On aggregate, Liberian women's participation in business activities is much higher than the Sub-Saharan Africa regional average, as seen in Figure 9.

*Figure 9: Female Representation in Business Ownership, Management and Workforce (Percentage of Total)*

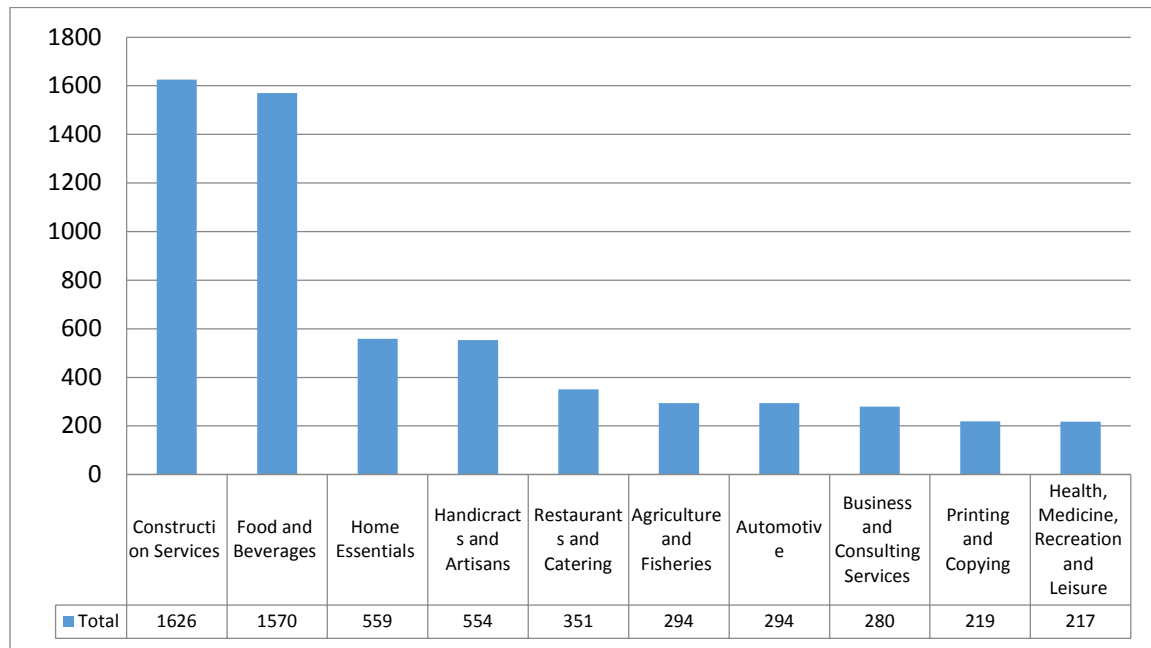


#### *Sector Participation*

The retail and wholesale trade sector holds the highest concentration of registered business at approximately 45% of all business registered with the Liberian Business Registry. According to data analyzed through the SMI-L database, the construction and renovation sector has the highest concentration of local suppliers, with a total of 1,626 businesses.<sup>55</sup> There is very limited specialization by local businesses, and businesses tend to spread across a wide range of sectors. An average business operates in at least three sectors.

<sup>55</sup> 1,626 represents the number of businesses which indicated they conduct activities in the sector.

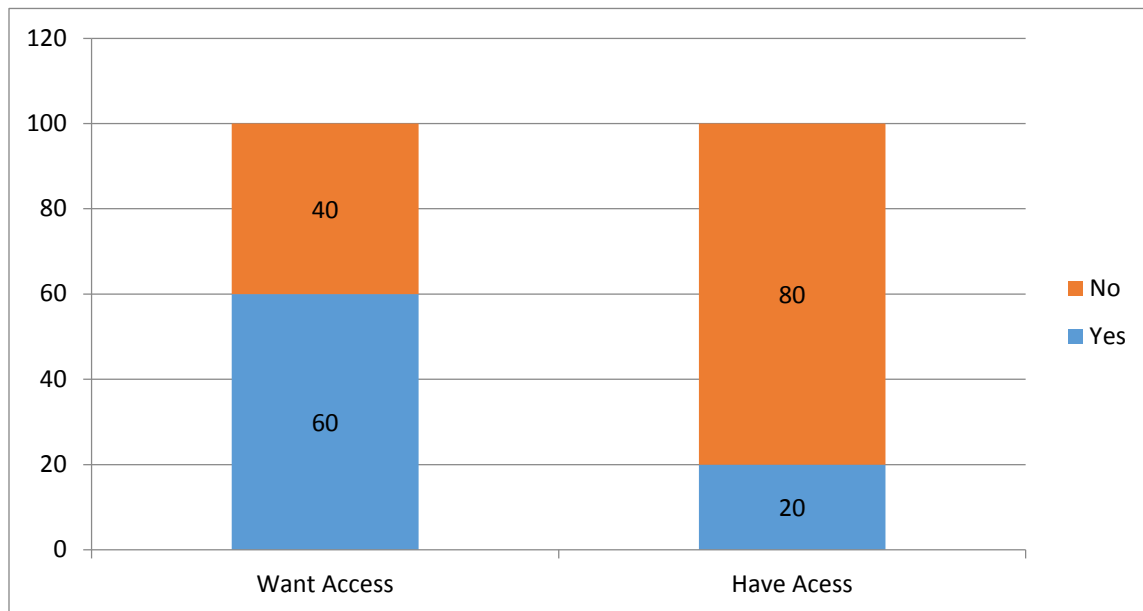
Figure 10: Top 10 Sectors by Number of Suppliers



#### Access to Finance

The need for credit among local businesses is high but access is limited. Sixty percent of surveyed businesses indicated a need for credit but only 20% of this number accessed a formal loan in the past. Demand for loans is driven by both short and long-term needs. The most frequently cited reasons for seeking financial credit include working capital financing (34%) equipment and machinery purchases (24%), funding business expansion (17%) and for contract pre-financing (16%). Sixty-four percent of surveyed businesses have dedicated business bank accounts, but only 39% are able to get a bank guarantee, which is often a pre-requisite for participation in bidding for large private sector tenders. High collateral demands, at 150% of loan value, constitute the most pressing obstacle to local businesses accessing formal credit. When available, credit tends to be short term in nature and, therefore, unsuited to the long-term capital investment needs of local businesses.

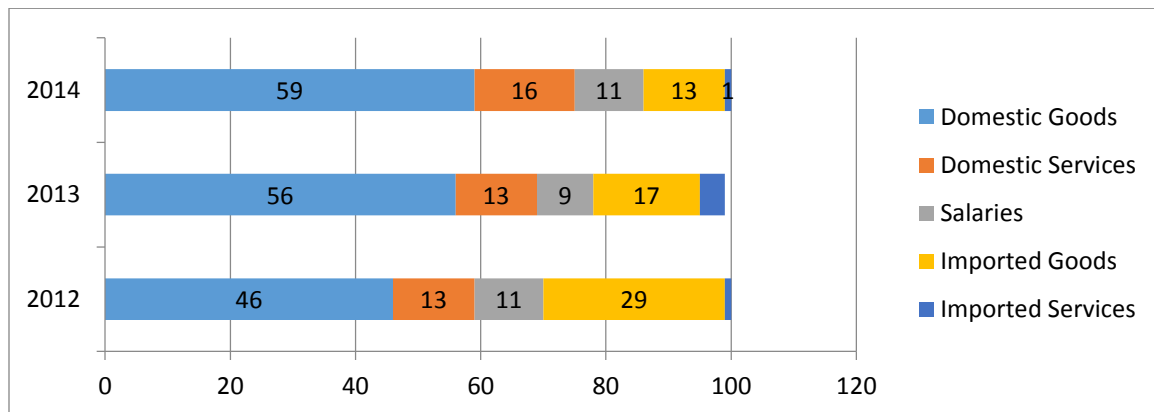
*Figure 11: Local Businesses' Desired and Actual Access to Credit*



#### *Expenditure Patterns of Local Businesses*

During 2013, local businesses' expenditures on local goods, services and salaries rose to 86% from the 78% reported in the previous edition of this report. The expenditure on domestic goods went up three percentage points from 56% in 2013 to 59% this year. While this signals an improvement in the supply of local goods, it still masks indirect imports that businesses buy from primary importers but report as local purchases. Expenditure on imported services also went down three percentage points while expenditure on domestic services went up by the same margin. This suggests improved local service capabilities and reduced dependence on external service providers. Similarly, the use of expatriate manpower is low at an average of 2% of total enterprise labor force. With a heavy concentration of expenditure on local goods and services, local businesses are central to local economic growth and local resource utilization.

*Figure 12: Local Business Expenditure on Goods and Services*





### *Local Business Contract Execution Capabilities*

Local businesses' ability to win and execute business contracts is mainly constrained by a lack of appropriate modern equipment, shortage of qualified staff and weak financial capacity to pre-finance large contracts. Local vendors often rely on old and inefficient equipment which makes it expensive and slow to deliver on projects in such areas as construction and mining excavation. The lack of appropriate material and human resources affects local businesses' abilities to satisfy large buyer performance expectations on product quality, delivery schedules, volume requirements and customer service. The average size of a contract for a local business is \$89,212.<sup>56</sup> The size of contract varies widely with the size of business; the average size of a contract for a small-sized business is \$35,348.15 while the contract size for a large-sized business is \$175,118.19. This disparity is reflective of large businesses' superior financial and technical capacity which makes it possible for them to win and execute bigger contracts. Local businesses' participation in large-scale contracts can be incrementally developed through sub-contracting arrangements.

### *Information and Communication Technology and Internet Usage*

Communication, visibility and connectivity remain limited for local businesses. The situation is dire for businesses outside Montserrado where 79% of businesses report that they seldom or never have access to Internet. In Montserrado County, the number of businesses that seldom or never have access to Internet declined to 34% from 42% last year. This is reflective of improvements in Internet connectivity due to the World Bank supported West Africa Regional Communication Infrastructure Program (WARCIP). The proportion of businesses having daily access to Internet in Montserrado is fairly high at 57% compared to 9% for the rest of the country. According to a study conducted by Liberia Telecommunications Authority (LTA), mobile phone penetration reached 42% in 2012.<sup>57</sup> Internet penetration, while rising, remains low with only 23.14% of the population having access.<sup>58</sup> As of 2012, the country has 13 licensed Internet service providers and 159,444 registered users.<sup>59</sup> Low Internet usage limits marketing options for local businesses and could further constrain local businesses' access to opportunities as both government and other large buyers are trending towards electronic procurement. Limited Internet access also affects communication between suppliers and buyers; local suppliers are generally rated as less responsive and poor in customer service. Internet penetration and usage is already impacting local businesses' ability to access tender opportunities that are announced through web platforms, such as buyer organization websites.

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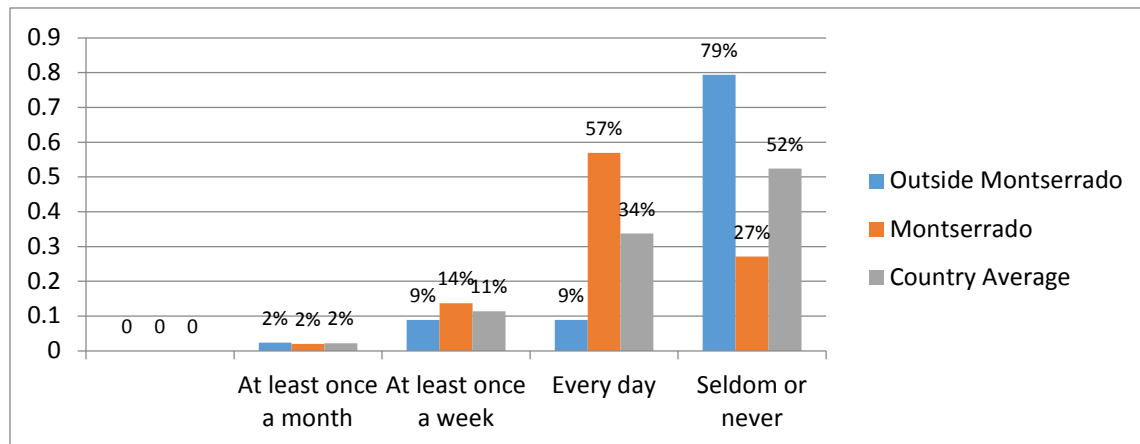
<sup>56</sup> This value is based on contracts facilitated data which the SMI-L program tracks for all local businesses within its network

<sup>57</sup> <http://www.telecompaper.com/news/liberia-mobile-penetration-rises-to-42--959989>

<sup>58</sup> Ibid

<sup>59</sup> <http://www.lta.gov.lr/doc/LTA%20Annual%20Report%202012.pdf>

Figure 13: Local Business Access to Internet for Montserrado and the Rest of the Country

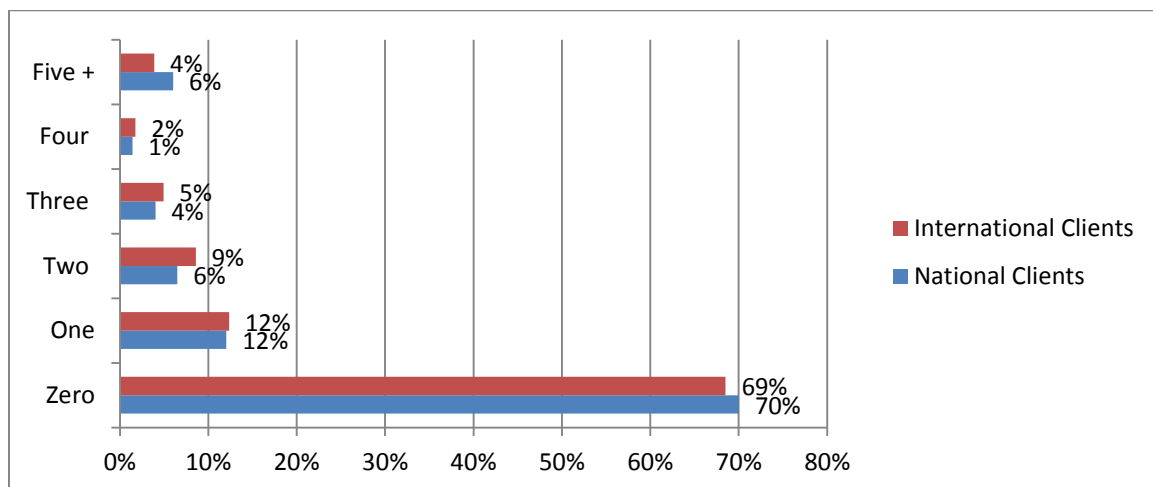


The number of local businesses with an email address increased from 48% in 2012 to 52% in 2013. Similarly, the number reporting having a website slightly increased from 5% in 2012 to 7% in 2013. This change suggests an improvement in the level of sophistication of local businesses.

#### Local Business Access to Business Clients

Local businesses' access to national and international business clients remained limited through the review period. Seventy percent and 68% of the businesses reported having no national and international business clients, respectively. This finding is reflective of the pre-dominance of micro and small businesses oriented to servicing end consumers through retail. A business-to-business orientation is lacking on the Liberian marketplace as most businesses maintain a retail focus. It is noteworthy that this trend is beginning to reverse as local suppliers seek more business and institutional clients to grow their market base. SMI-L engagement and consultations with large buyers indicate international private sector firms and organizations are more inclined to do business with local businesses despite the latter's weak capacity to meet procurement needs. However, supply linkages between local businesses themselves are weak due to an excessive import orientation. Encouraging local businesses to buy from each other would increase the exchange of local goods and services.

Figure 14: Distribution of Local Businesses by Number of Clients



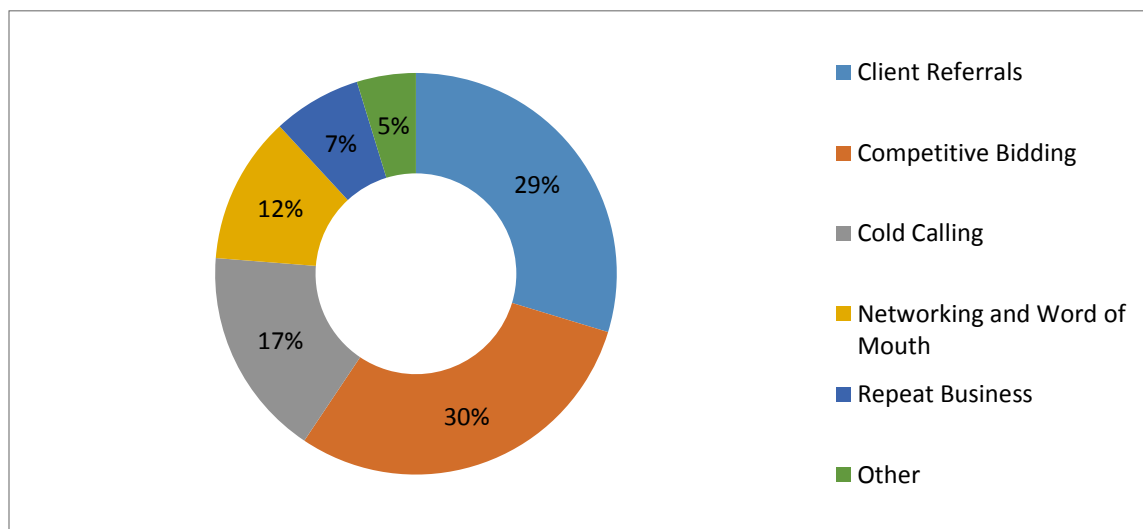
### *Access to Tenders and Bidding Behavior*

Local businesses' access to tenders and bid participation remained low between May 2013 and May 2014.<sup>60</sup> Of the businesses that participated in the baseline survey, only 29% participated in a bid before and 72% indicated that it was not easy for them to find tender information. Only 26% of the businesses checked for tenders at least once a week while 72% never check for tenders at all. Interest in participating in bids is high, and 95% of polled businesses are interested in bidding for tenders in the future. Over 40% of surveyed businesses indicate they do not know where to find tender information and have limited access to newspapers. The low access and participation largely reflects the limited access for businesses located outside Monrovia where Internet and other communication media are limited.<sup>61</sup>

### *Marketing Practices*

Historically, Liberian businesses are consumer-focused with a limited orientation to serving other businesses, institutions or government. As businesses seek to diversify and re-orient towards private sector companies and government customers, a lack of suitable marketing systems is emerging as a major challenge. Most local businesses cannot afford traditional advertising, which is considered too expensive; on average, a quarter page newspaper advertisement costs \$125 and a 60-second radio spot costs \$12. Survey findings show that local businesses largely rely on client referrals and competitive bidding to secure new business. Businesses are also growing more proactive in their marketing approaches; cold calling and networking account for close to 30% of new business. There is a limited use of the Internet to generate new opportunities, and only 7% of surveyed businesses have an online presence.<sup>62</sup>

*Figure 15: Main Ways of Winning Business for Local Suppliers*



### *Business Coordination and Business Membership Networks*

Liberia has a diversity of business membership and support organizations but the level of affiliation to these business groups is limited. The mandate of business membership organizations varies in scope to cover national, sectoral, geographical, and other special interests. SMI-L business verification data shows association membership to be low at 22% of the total number of businesses; this leaves 78% of businesses with no affiliation to any membership or support organization. The Association of Liberian

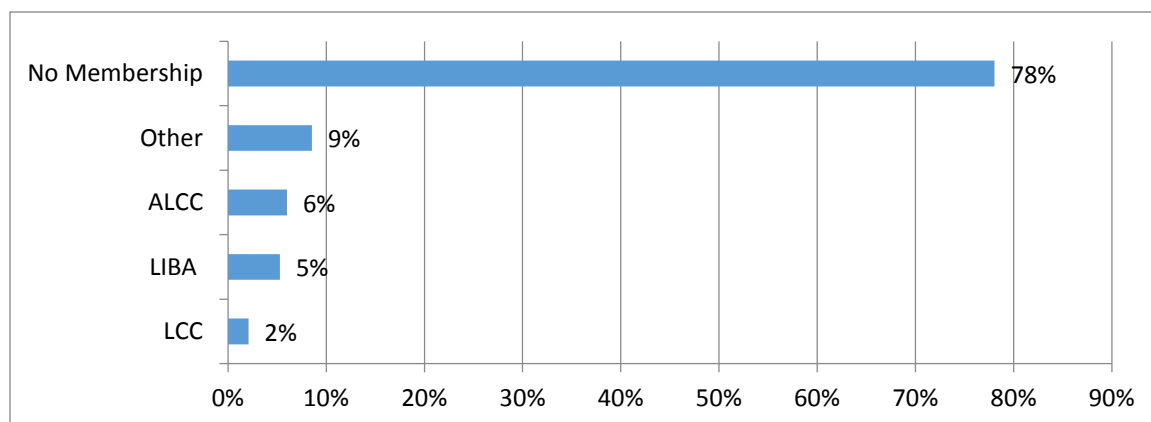
<sup>60</sup> The inclusion of more businesses from outside Montserrado in the sample size lowered the average access

<sup>61</sup> This year's sample included 48% business from outside Montserrado County

<sup>62</sup> Online presence refers to possession of a website or social network account dedicated to the business.

Construction Contractors (ALCC), Liberia Chamber of Commerce (LCC) and the Liberia Business Association (LIBA) account for 61% of the membership of surveyed businesses that belong to associations. LCC has a membership of over 300 top companies and business associations. LIBA represents Liberian-owned businesses and had a membership of close to 500 enterprises as of May 2014.<sup>63</sup> The other businesses are spread across smaller sectoral and County-level associations such as the Grand Bassa Business Association (GBA), Fula Business Association in Liberia (FBAL) and the Liberia Carpentry and Furniture Association (LIFCADA).<sup>64</sup>

*Figure 16: Distribution of SMI-L-verified Businesses by Association Affiliation*



## 4. Local Procurement: Progress and Perspectives

The level of local procurement by the government, the private sector and other institutional buyers is increasing in volume and value but challenges persist. Local businesses are refocusing their activities and growing their capabilities to align with demands from national and international buyers operating in the country. Dialogue between local and international businesses is improving though information gaps remain.

### *Type of Organizations Buying from Local Businesses*

Of contracts won through SMI-L services, the government is, by far, the largest buyer for local businesses with 44% of the contract volume and 70% of the contract value. While this may not be representative of the overall country situation, it still underscores the importance of leveraging public procurement to promote local industrial capabilities. International development organizations constitute the second largest buyer group with 32% of contract volume but in terms of value contributed a negligible 13%. Thus, while such organizations tend to buy from local businesses, the size of their contract transactions is typically small as most major items, such as vehicles, are imported. UN agencies come next with 9% of contract count and 10% of contract value. Concessions account for 8% of the number of contracts and 5% of the value of contracts awarded to local businesses. The figure for concessions is mostly likely understated as concessions rely on preferred vendor lists and the value of such transactions is not reflected in this analysis. Nevertheless, the value of contracts that concessions awarded to local businesses went up by more than 20 times between May 2013 and May 2014. A World Bank study showed that, between 2010 and 2013, local suppliers received annual procurement contracts averaging \$21 million from five mining companies alone.<sup>65</sup>

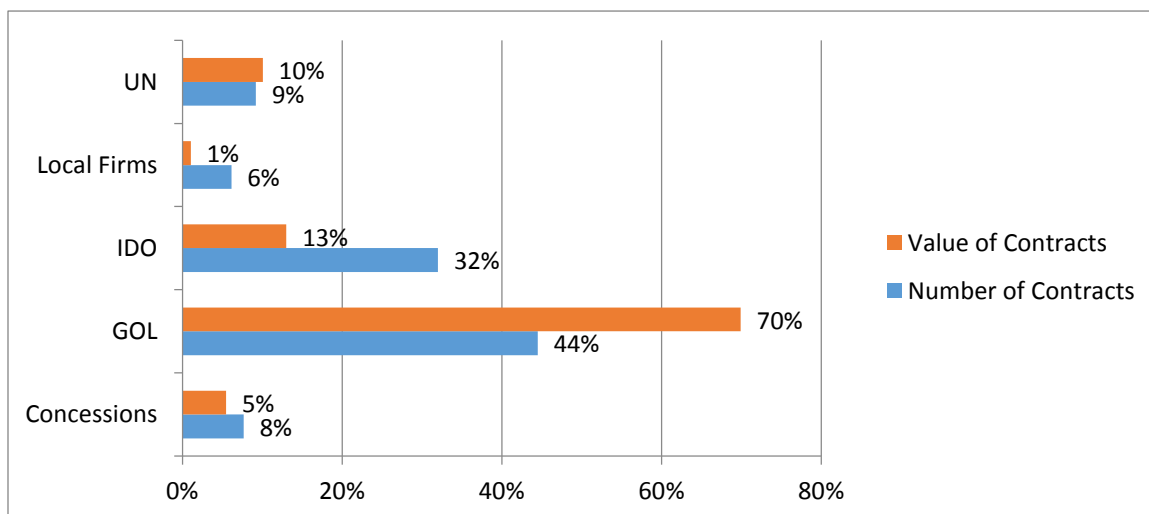
<sup>63</sup> <http://www.liberianobserver.com/business/%E2%80%98gov%E2%80%99t-needs-encourage-private-sector-economic-growth%E2%80%99>

<sup>64</sup> LIBA had more than 490 members as of May 2014, <http://www.liberianobserver.com/business/%E2%80%98gov%E2%80%99t-needs-encourage-private-sector-economic-growth%E2%80%99>

<sup>65</sup> Kaiser EDP for World Bank. (2014) : Liberia Mining Expenditure and Demand Data Analysis

The share of local procurement is expected to increase as mining demand for goods and services and local supplier capabilities improve.

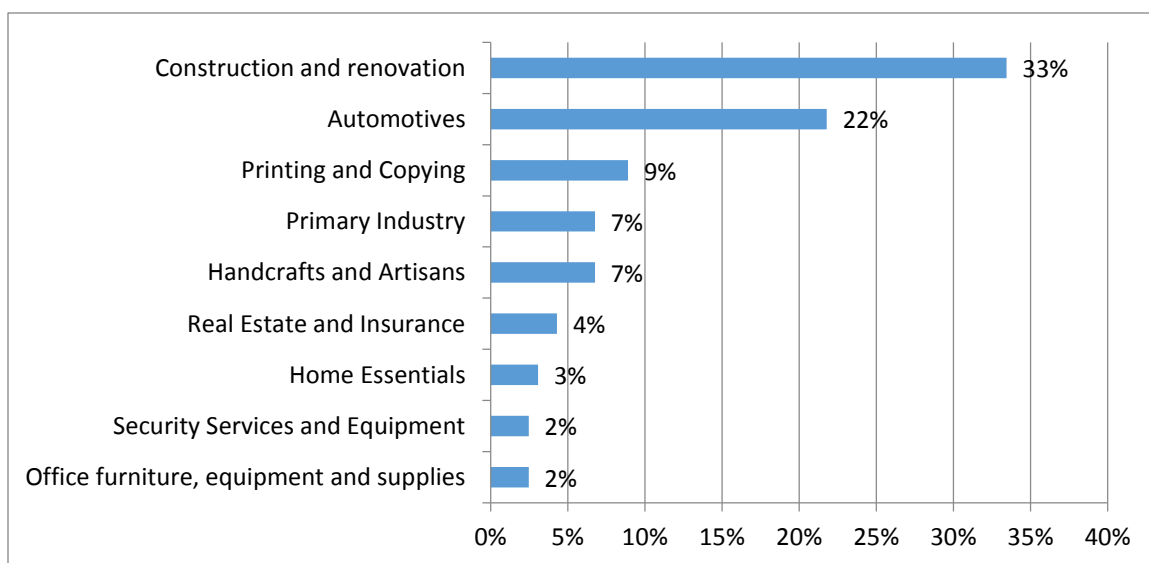
*Figure 17: Number and Value of Contracts by Buyer Type*



#### *Nature of Goods and Services Provided by Local Businesses*

The range of goods and services supplied by local businesses increased during the review period. As seen in Figure 18, construction and renovation consolidated its position as the top sector for local businesses. Construction and renovation contracts account for 33% of the total number of contracts awarded to local businesses over the year. In contract value terms, the same category leads with 55% of the total value of contracts awarded to date. Automotive supply and service comes a close second with 22% of the total contract volume and 25% of overall contract value. Contribution of agriculture and fishery sector is slowly picking up and accounts for 7% of contracts and 2% of total contract value.

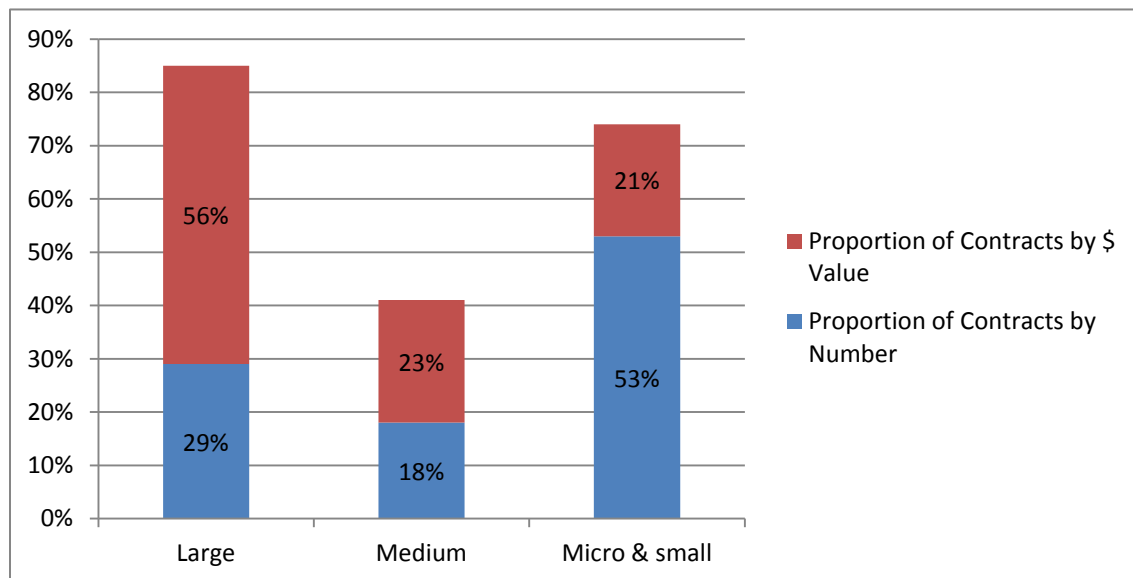
*Figure 18: Distribution of SMI-L-facilitated Business Contracts by Sector*



## Characteristics of Local Businesses Winning Contracts

Businesses winning contracts exhibit different characteristics in terms of size, structure and sectors of operation. On average, small<sup>66</sup> businesses account for the greatest proportion of businesses winning contracts with institutional and private sector buyers. Micro and small business account for 53% of total contract volume but only 21% of total contract value. Large businesses tend to win fewer but bigger contracts while their smaller counterparts tend to win many but smaller contracts. In terms of business structure, business corporations account for 56% of all contracts though they only make up 24% of businesses on the database. On the contrary, sole proprietorships, which constitute 67% of businesses on the database, only account for 28% of contracts confirmed; sole proprietorships are typically small with a consumer marketing orientation. The number of female-owned businesses winning contracts is 32% and more in line with the 34% female-owned business representation on the SMI-L database. These findings attest to the superior technical and financial strength of larger businesses which often operate as business corporations. Given that business corporation-type businesses have more than one owner, their business capital tends to be larger compared to sole-proprietorships which have a single owner.

*Figure 19: Proportion of Contract Volume and Value by Business Size*



## Buyer Practices and Perspectives on Local Procurement

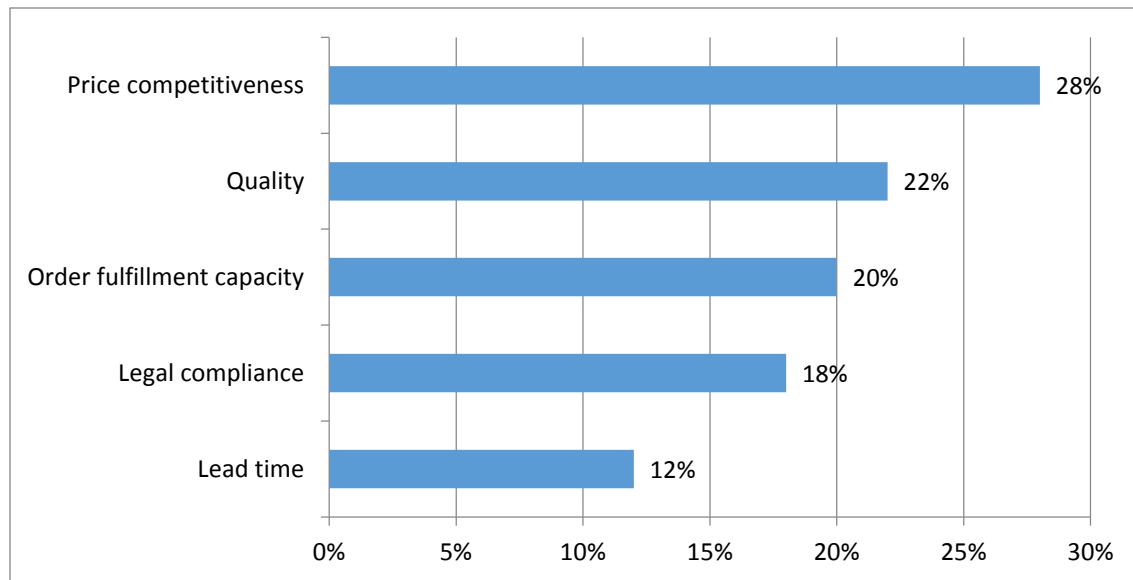
Buyer confidence in local market supply capabilities marginally improved in 2013. Buyers reported improvements in local suppliers' quality of work, level of professionalism and tender responsiveness. This improvement is attributed to on-going feedback by buyers, training by different organizations and knowledge transfer from local businesses' interactions with large buyers and partnerships with international supplier companies. Buyer commitment to sourcing from local businesses is rising as firms diversify their supply base in response to emerging local supply capabilities. Commitment to local sourcing is also arising as part of a broad response to government's call for inclusive business practices.

<sup>66</sup> Small businesses are defined as having 4 to 20 employees.

### *Buyer Purchase Criteria*

As seen in Figure 20, price competitiveness is the most frequently cited evaluation criterion considered by buyers in evaluating local supplier bids. Buyers seek to maximize value for money by ensuring the price quoted is in line with the quality of goods supplied. Another important consideration is the local supplier's capacity to fulfill orders in a timely manner and in the right quantities. Compliance with formal registration requirements is often treated as a pre-requisite for doing business.

*Figure 20: Buyer Purchase Criteria for Local Contracts*



### *Local Procurement Commitment and Targets*

There is a growing buyer commitment to procure goods and services from local suppliers. The number of buyers with a commitment to procure locally improved slightly from 41% in 2012 to 46% in 2013. However, the majority, 87%, of the buyers do not have set targets for local procurement. Voluntary procurement targets set by individual buyers vary widely depending on the nature of goods and services. One iron ore mining firm indicated a target of 60% for locally procured goods and services, but it is not tied to specific products and services. Though expressed targets range from 10% to 100%, these tend to be aspirational as none of the buyers surveyed reached set targets in the past. The majority of buyers turn to local suppliers in anticipation of short delivery lead times, competitive prices and to by-pass inconveniences associated with importing. For the mining sector, Mineral Development Agreements (MDA) commit to local procurement to the extent that provided local goods and services are equal to or better than comparable goods and services obtainable from outside sources, taking into account price, quality, safety standards, quantity, delivery schedules, availability and other terms. This condition implies that local suppliers of goods and services need to be internationally competitive to get preferential treatment.

### *Purchasing practices and policies*

The majority of buyers formally plan and execute their procurement activities. The proportion of buyers who work according to a formal procurement plan, however, decreased from 86% reported last year to 78%. This drop can be explained by the inclusion of some mining companies that are currently in between exploration and construction phases, and, therefore, do not have approved plans for the next phase. Seventy-three percent of buyers reported making ad hoc purchases at least once per month; this ratio is up from 56% reported last year. Fifty-eight percent of surveyed buyers separate

international from national contracts; this enables buyers to customize their terms and requirements to suit local supplier conditions while maintaining more rigorous criteria for international purchases.

#### *Composition of Buyer Imports and Local Purchases*

Principal products imported by buyers include vehicles, vehicle spare parts and IT equipment. Forty-six percent of the surveyed buyers indicate they import vehicles and spare parts, and 10% import IT equipment including computers. The commonly cited reasons for importing include lack of local availability, poor back-up services locally and better prices on the international market. Buyers tend to engage in global sourcing practices with the aim of getting the best deal available. The most cited source country for imports is the USA with 21% of total responses, followed by South Africa with 15%. South Africa is a leading supplier for concessions in the mining sector.

#### *Tendering Practices*

Buyers are increasingly opening procurement opportunities to local suppliers. Sixty-two percent of buyers use tender postings to solicit for suppliers. Of those that use tenders, 62% post a tender at least once per month. This number is a significant improvement from the 34% reported last year. The number of responses received for each tender posting ranges from three to 50. Tender responses are highest for the construction and renovation category and lowest for consultancy services. Time allowed for tender responses varies with the size and complexity of the tender, ranging from one week to one month. Eighty-six percent of buyers advertise their tenders in the press and 18% advertise on their websites. The proportion of buyers with a preferred vendor list went up from 57% to 63% during the review period.

#### *Quality of tenders*

The competitiveness of local bids improved marginally. The proportion of buyers reporting they receive accurate and honest information went up from 54% last year to 56% this year. The proportion of buyers finding local bids to be competitively priced went up from 54% to 58%. Common forms of dishonesty include overstating technical and lead time capabilities. The result of these misrepresentations is failure to fulfill orders and late delivery.

#### *Experiences with Local Suppliers*

Buyers have mixed experiences with local suppliers. 63% of surveyed buyers reported having positive experiences with some local vendors while the number of buyers reporting negative experiences went up from 59% in the last report to 67%. Positive experiences were triggered by high levels of responsiveness, timely deliveries, and professionalism of vendor staff, honesty and provision of high quality goods and services. On the other hand, negative experiences often resulted from poor customer service, dishonesty, late deliveries and failure to honor promises.

### **Local Procurement Impact**

Procurement of local goods and services contributes to local business sustainability, job creation and induced economy-wide growth. A survey of business contracts awarded to local suppliers through SMI-L facilitation reveals that local procurement enables local business to create jobs, re-invest in their businesses and build the capacity of their employees. Local business expenditure demonstrates that for every dollar spent with a local business, 86 cents remains in the local economy in the form of payment for local goods and services; thus, local procurement triggers cycles of local spending, business growth and job creation as overall demand rises.

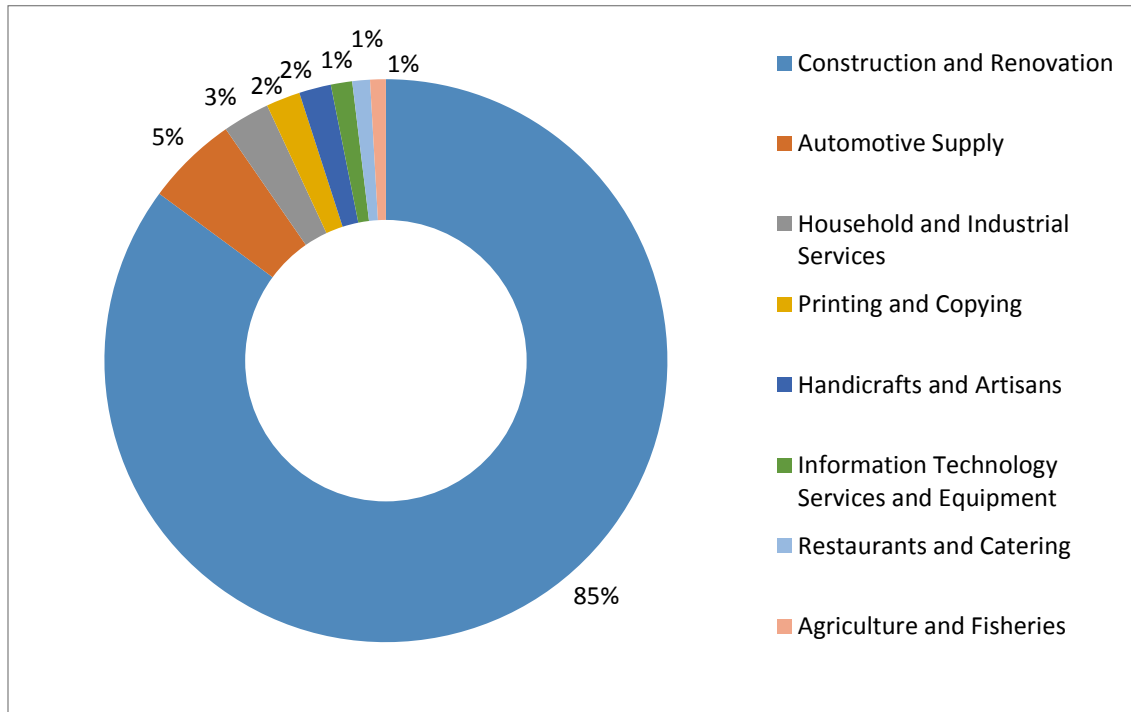
#### *Job Creation and Sustenance*

Eighty-five percent of the contracts analyzed led to the creation of at least one full-time equivalent (FTE) job. The US \$10.5 million worth of contracts facilitated by SMI-L this year created 834 and sustained 223 jobs for a total FTE job impact of 1,057. This translates to a ratio of one full-time



equivalent job<sup>67</sup> for every US \$12,500 of contract value awarded to a local business. As seen in Figure 21, construction and renovation accounts for the majority of jobs created, at 86% of the total. Use of unskilled and semi-skilled manpower in construction jobs reduces the contract value to job ratio to one job for every \$12,000 worth of contract. Seventy-two percent of the total jobs are in the unskilled category and 24% are rural jobs.<sup>68</sup>

*Figure 21: Distribution of Jobs Created by Sector*



#### *Re-investment Effects and Business Growth*

Sixty-two percent of the contracts analyzed led to business re-investments. Re-investments take the form of business equipment and machinery (45%), vehicle purchases (23%), office equipment purchases (12%) and acquisition of land and office business premises (10%). Collectively, equipment and machinery purchases and maintenance account for 55% of total re-investments. Thus, local procurement plays an important role in developing local businesses' technical capacities and consolidating their business position. Only 12.5% of the contracts reportedly led to business expansion because local businesses prioritize addressing existing capacity weaknesses ahead of growth and expansion.

#### *Local Business Learning and Upgrading*

Local procurement and the interactions that take place between suppliers and buyers assist local suppliers to learn about industry standards and upgrade their own business practices. Fifty percent of buyers cite past experience, buyer feedback and coaching as reasons for improvements observed in local supplier performance.

<sup>67</sup> A full time equivalent job is a job that lasts the equivalent of 264 working days. One working day is 8 hours long.

<sup>68</sup> A rural job is a job created outside of Monrovia.

## Learning to Make the Grade with Concessions: The Case of SEGAL

The Security Expert Guard Agency of Liberia (SEGAL) is one of the leading local security companies. Since 2008, the company has been providing security services to ArcelorMittal Liberia (AML). The relationship began when the company won a bid to provide security services at the mining giant's Yekepa site in Nimba County. At the time, the site was mostly jungle and under construction, and SEGAL guards patrolled the site on bikes. The first contract proved a challenge for SEGAL because the client had so many safety requirements. "Safety is number one for ArcelorMittal," says Manager Momo Cyrus. "Each guard is required to have a helmet, a jacket, boots, goggles, nose protector. This was a challenge because all of this is costly, and we had to do this for each of our 45 guards." Guards also went through a safety and leadership training run by AML and were also put through the Liberia National Police's one-month, intensive training course.



**Momo Cyrus General Manager of SEGAL Security Firm.**

SEGAL's satisfactory performance led the engagement to grow from the initial 45 security personnel to over 720 at the Yekepa site. SEGAL also provides security services to AML's sub-contractors. "Work with AML has given us a good profile and experience for other international companies," Cyrus said. Besides AML, SEGAL's biggest clients include the largest bank in Liberia, Ecobank, and NGOs. In addition to safety standards, the company's experience with AML and their sub-contractors teaches SEGAL a variety of ways to do its work, such as monthly reports, logging visitors or invoicing. "It's always a learning experience," Cyrus says. "We can now adapt and use this experience for other vendors."

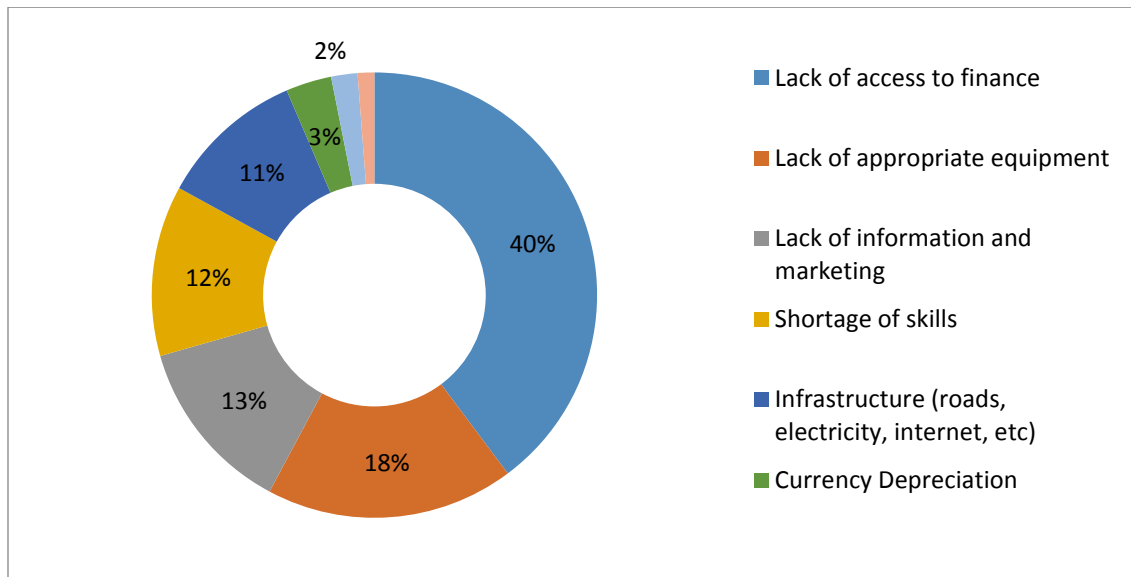
### *Staff Capacity Development and Business Sustainability*

Winning contracts with large buyers enables local businesses to invest in staff capacity development. Forty-six percent of the contracts analyzed enabled businesses to provide training to staff in a variety of areas including specialized technical (43%), procurement (20%) and customer service (20%). This training assists local businesses to improve their technical, managerial and service capabilities. Local procurement is also contributing to local business sustainability through follow-on business. Of the total contracts 47% led to follow-on contracts from the same buyer.

## Constraints and Challenges to Local Procurement

The growth and participation of local businesses in emerging opportunities continues to face serious setbacks despite the progress made in reforming the business environment and improvements in infrastructure. As seen in Figure 22, local businesses identified a lack of access to finance as their greatest challenge with a 40% tally. This is followed by lack of appropriate business equipment and lack of market information at 18% and 13%, respectively. Shortage of qualified personnel also remains a significant challenge.

*Figure 22: Challenges Reported by Local Businesses*



### *Lack of Access to Finance*

A huge mismatch exists in the demand and supply of business finance. Whereas 60% of businesses report a need for financing, only 20% indicate they were able to access finance in the past. The lack of access to finance makes it difficult for businesses to undertake the short and long-term investments necessary to improve overall business competitiveness. Local businesses mostly seek credit in order to address working capital challenges (34%), purchase business equipment (24%), fund expansion (17%) and pre-finance contracts (15%). The challenge of local businesses' access to finance is compounded by the country's stained credit culture, which is marked by high rates of delinquency. At the end of 2012, the non-performing loan rate in Liberia was approximately 25%. This breeds distrust between lenders and borrowers. Similarly, low levels of financial literacy complicate the interaction between banks and businesses.

### *Undercapitalization and Manpower Skill Deficiencies*

Local businesses' capacity is undermined by a lack of appropriate equipment and skilled manpower. With only 20% of the labor force completing high school or a university program, local businesses face difficulties in finding and retaining qualified and experienced staff.<sup>69</sup> Local businesses also lack appropriate equipment required to undertake large-scale projects on a timely basis. Buyers report that local vendors lack sufficient technical expertise and product knowledge to provide aftersales support to their clients. Lack of skilled personnel in construction makes subcontracting to local businesses risky.

<sup>69</sup> Liberia Local Labor force Survey, 2010

### *Lack of Market Information and Inadequate Understanding of Procurement and Bidding Processes*

Market information gaps still pose a major challenge to local procurement. Thirteen percent of surveyed businesses indicated they lack information about procurement needs and lack understanding of procurement processes of large private sector buyers. This lack of information is consistent with large buyers' reluctance to share information regarding their procurement plans and reliance on a closed network of vendors.

### *Limited Business Development Services*

Access to business development services is restricted for most local businesses. The majority (81%) of local businesses interviewed in the baseline survey have not accessed any type of business development service before. This low utilization of business development services suggests that current business development interventions are either limited in their reach or more biased towards the informal sector, which is not included in the survey. Businesses that have accessed business development services mainly benefited from training programs conducted by NGOs, financial institutions and local business associations. Meanwhile, both suppliers and buyers concur that there is a need for training to develop and strengthen the capacity of local suppliers. Local businesses cite a need for training on procurement and bidding processes of both concessions and government buyers. Buyers, however, perceive a need for local business training on customer service and bidding capabilities, including bid compilation. Training needs emphasized by buyers align with their concerns on the quality of service and support provided by the local supplier community.

### *Government Procurement Challenges*

Despite the government's dominant position as a main client to local businesses, participation is still constrained by a number of challenges. The government procurement process is reported to be onerously long and the cost of bidding documents is prohibitive for SME vendors operating on tight budgets. GoL requires all tenders are received and bids submitted in Monrovia, resulting in a costly and time-consuming disadvantage for businesses outside of the capital. The government has a reputation for late payments and the payment process is fraught with red tape, adding to the cost of doing business with government agencies. Late payments by government are making it tough for contract-winning SMEs to raise project financing from local banks as the latter cite uncertain payment schedules as an added risk factor. Moreover, inconsistent funding of approved projects by government also disrupts implementation by vendors leading to cost overruns, failure to service project-related loans and loss of skills as work-breaks lead to forced retrenchment. Local vendors also cite lack of transparency and feedback on the procurement process as a factor which undermines their confidence in tendering for government contracts. Procurement entities' failure to provide feedback on failed bids leaves vendors in limbo and unsure of their shortfalls.

To address the above challenges, government should buttress its commitment to buy from local suppliers with clear guidelines on how payment for goods and services is provided. Through the Ministry of Finance, the government should work with financial institutions to devise suitable pre-financing mechanisms for government contracts and commit to paying vendors in a timely manner. In the spirit of local supplier development, government need to lead by example in providing comprehensive feedback to all local vendors bidding on government tenders.

### *Concession-related Challenges*

The number of transactions between concessions and local businesses recently increased but some ingrained challenges persist. Local vendors still report difficulties in accessing information on concession procurement needs and performance expectations. Accessing procurement information is a challenge as concession entities, especially in mining, do not often use open tendering processes to

seek suppliers but use preferred vendor networks instead. Aside from the matchmaking events organized by SMI-L and the National Investment Commission, there are rarely any platforms for local suppliers and local entities to meet and exchange information. Weak networking among local SMEs also makes it difficult for information to filter to aspiring suppliers. The nascent Liberia Chamber of Mines should be considered as a platform for strengthening information sharing between mining firms and the local supplier community.

Local vendors' challenges in working in the mining sector are compounded by the industry's reliance on an international network of subcontractors who also tend to have their own extended network of suppliers. Whereas concession firms are often committed to local procurement, their subcontractors often work against tight schedules and budgets which may be compromised when less capable local suppliers are integrated. Not being signatories to key investment agreements, such as mineral development agreements, subcontractors often have no commitments to prioritize local procurement in their operations. To resolve this conflict, local procurement commitments must be cascaded to subcontractors and written into overall contract performance evaluation criteria.

While some mining concessions are providing contract pre-financing support, local vendors find pre-financing requirements to be a major deterrent to participation in mining supply opportunities. Similarly, lack of relevant performance experience in sectors such as mining tends to preclude bidding for work. To get around these challenges some local businesses are forging partnerships with more experienced and financially stronger suppliers from around the world.

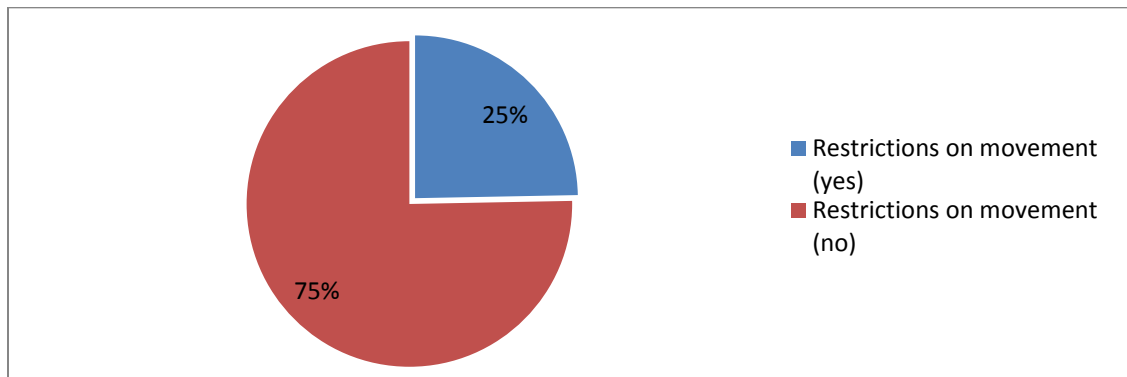
## 5. Effects of EVD on Liberian Businesses

Since the outbreak of the Ebola Virus Disease (EVD) in March 2014, SMI-L leveraged its current services, including a Call Center that normally collects data on contracts won by local suppliers, to track the economic impact of EVD on business. This intervention evolved into a structured Ebola Economic Impact Monitoring and Analysis (EEIMA) initiative that collects data on business indicators, such as the functioning of labor markets, access to credit and employment figures; in order to assess the economic impact of EVD and the measures to contain it.

### *Impact on movements and transportation costs*

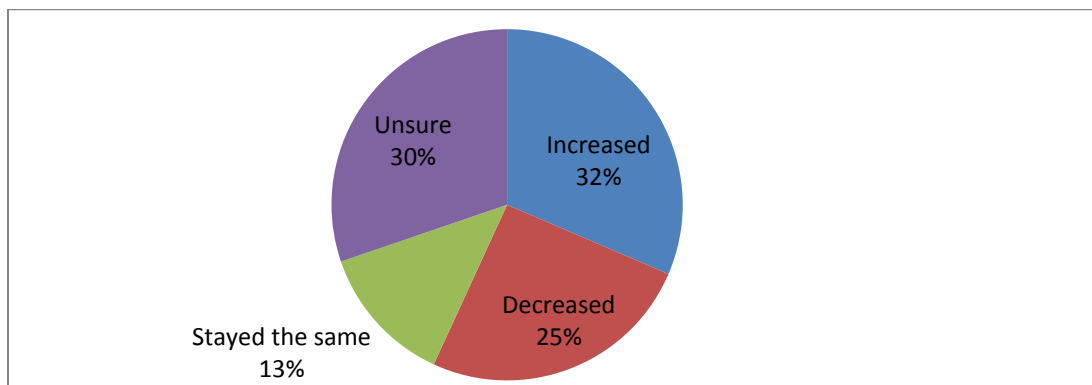
Businesses that rely on transportation to move goods and services from the market to their shop, or from the shop to their customers, have experienced some difficulties due to restricted movement or increased transportation costs. Survey responses indicate that most restrictions and increased cost of transportation are localized in areas outside of Montserrado, specifically in “Least affected counties” located far from the capital. As is seen in the figures below, 25% of those surveyed reported that their movements are restricted and “least affected” counties had the highest percentage of respondents claiming that transportation costs increased in the last 6 months.

*Figure 23: Business Reporting Restrictions on Movement due to EVD*



Of the businesses that regularly use transportation, 78 (32%) reported an increase in transportation costs and reported their monthly spend on transportation increased on average by 15%. The majority (54%) of those that cited an increase in transport costs also responded that they use commercial trucks or taxis. Only a small percentage of those using private transportation reported an increase in transportation cost.

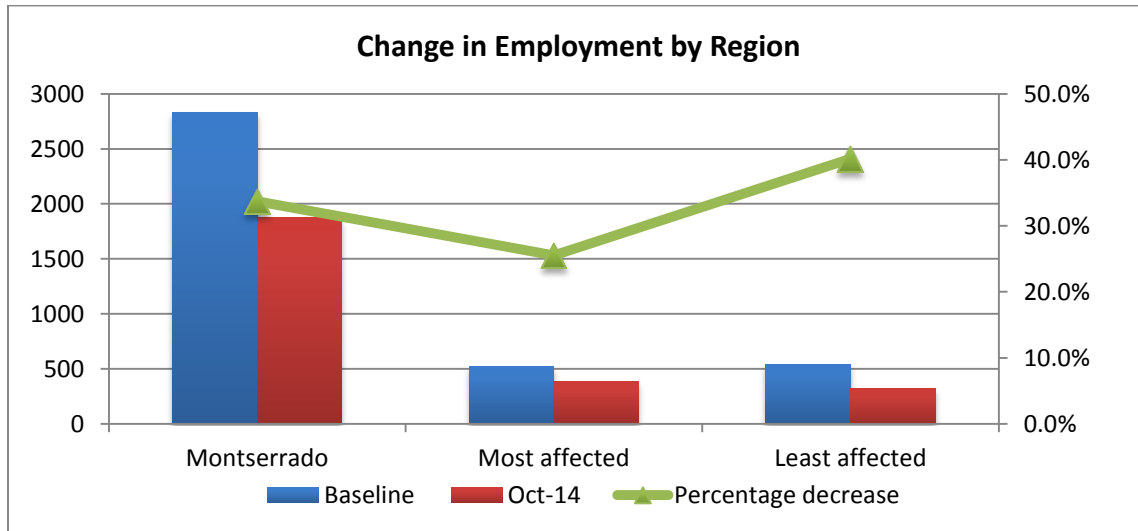
*Figure 24: Businesses Perceptions of Transport Costs since the Escalation of EVD in July 2014*



### Decreased employment across regions and sectors

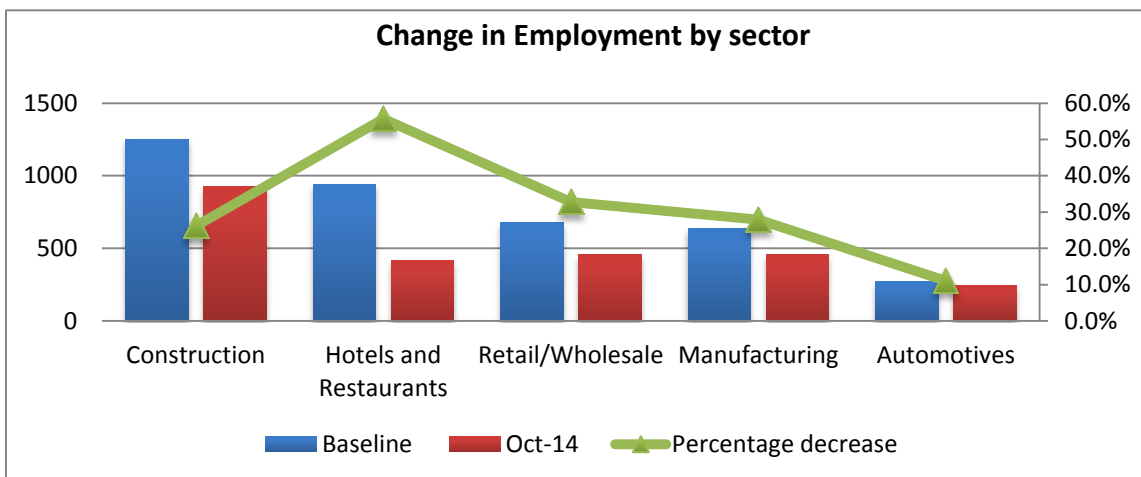
Comparative analysis of current employment data to data collected in the past year, revealed an overall decrease in employment by 33% (1,305 jobs). This is consistent with data collected in the initial findings report. Broken down by region, the largest percentage decrease in “least affected” counties (40.1%), followed by Montserrado (33.7%) and “most affected” counties (25.5%).

Figure 25: Reported EVD-induced Changes in Employment by Regions



Of the sectors surveyed, “Hotels and Restaurants” experienced the greatest decrease in employment, a 55.7% decrease compared to the baseline. Construction and Automotives experienced relatively low decreases in employment (26.1% and 11% respectively).

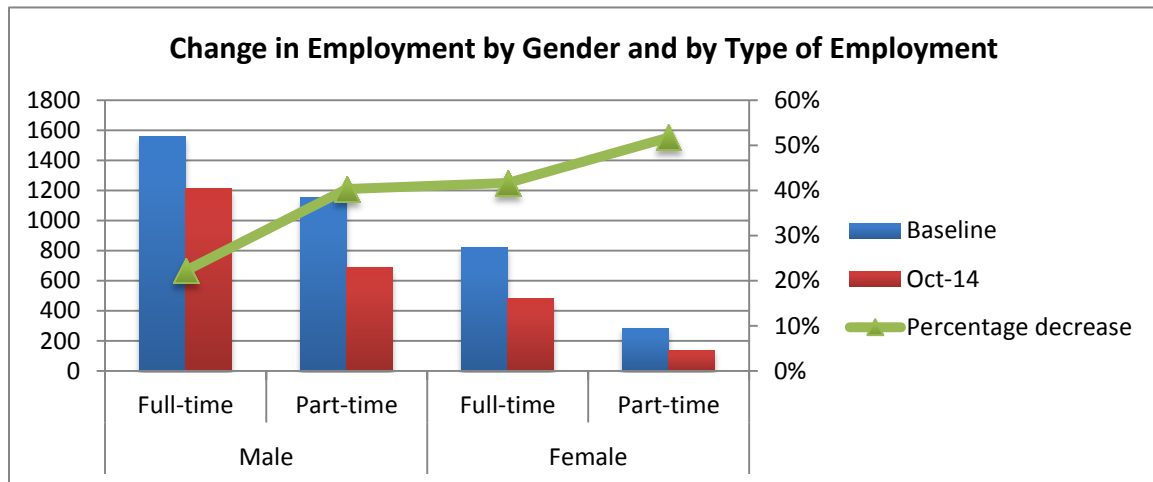
Figure 26: Reported EVD-induced Changes in Employment by Sector



Overall, part-time employment decreased by a greater percentage than full-time employment (40%) and female employment was more affected than male employment. Female part-time employment decreased by 50%, though the number of employees in this category represent a relatively small proportion of jobs (only 148 jobs). This can be attributed to the large decrease in employment in the

Hotel and Restaurant sector, which is dominated by female employees (59% according to the baseline data).

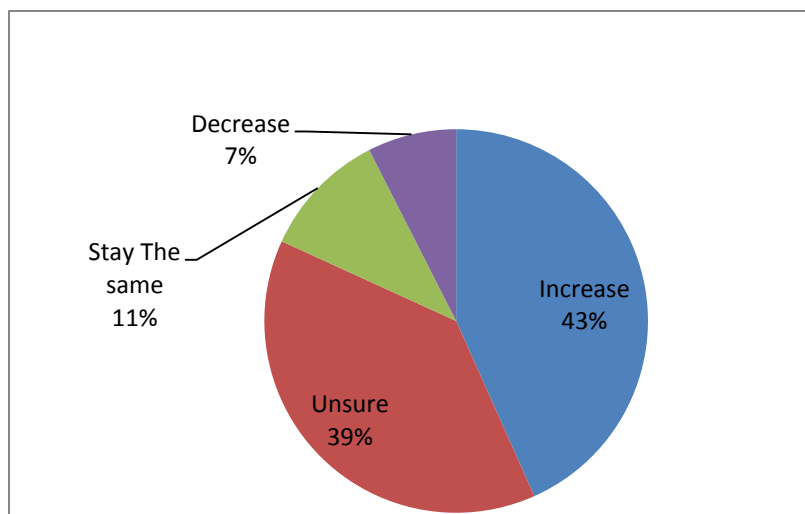
*Figure 27: Reported EVD-Induced Changes in Employment by Gender and Employment Type*



The greatest number of jobs lost was in the category of male part-time employment, which accounted for the loss of 464 jobs out of a total of 1,305 (35.5% of jobs lost).

Despite the 33% decreases in employment, businesses express their positive outlook for the next six months when asked if they expect the number of people they employ will increase, decrease or stay the same. Only 7% expected employment to decrease, while 43% predict an increase.

*Figure 28: Business Projections of the Trends in the Number of People Employed over the Next Six Months*



This positivity is mixed with uncertainty as is seen by the 39% who responded that they were “unsure” about future employment. This is even more significant when compared with responses from the baseline data where 94% of those surveyed responded that they expected an increase over the next six months.



## 6. Emerging Trends and Future Directions

The Liberian marketplace is on a sustained positive transformation path. Local businesses continue to exhibit dynamism and flexibility in responding to challenges and opportunities in the business environment. The range and quality of goods and services provided is increasing, but deep-rooted challenges remain in the form of limited access to finance, weak technical capacity and a generally high business cost structure. This report notes the following main trends related to local procurement and local supplier capabilities.

### *Buyer confidence and commitment to local suppliers is increasing*

Buyers are developing confidence in local suppliers due to improved service quality and growing professionalism among local businesses. Among a variety of stakeholders, there is increasing awareness and commitment to undertake local procurement and strengthen local supplier capacity. Private sector companies are increasingly taking a proactive stance in assisting their local suppliers. Concessions' share of contracts to local businesses is rising, though dependence on foreign goods and services remains high. The surge in concession contracts awarded to local businesses is indicative of growing commitments to local procurement.

### **ExxonMobil Exploration and Production Liberia: Leveraging International Supply Networks to Develop Local Vendor Capacity**

ExxonMobil is the latest oil and gas company to enter Liberia. The good news for local content advocates is that the company is fully committed to local sourcing and building the capacity of local suppliers. One way the oil company does this is by creating partnerships between local suppliers and ExxonMobil's global contractors. The partnership between Orion and Corporate Resource Specialists International (CRSI) is one such example.

Jennifer Roberts officially launched the job placement service, CRSI, in February 2014. After an introduction by Building Markets, ExxonMobil invited CRSI to become their national staff human resources provider with one caveat: they partner with the U.K. manpower supply firm, Orion.

ExxonMobil orchestrates such partnerships to integrate local suppliers into its supply chain under the tutelage of a vendor with a proven performance record. In this case, CRSI benefits from the use of Orion's systems and procedures, such as database systems and financial processes. This shortens the local company's learning curve and ensures that the client gets a service that meets global standards. Though Roberts feels the pressure of having to deal with a major multinational client for the first time, the company's partnership with Orion breeds confidence and assurance of a long-lasting relationship with ExxonMobil.

### *Local suppliers are expanding into new goods and services lines*

Local suppliers are expanding their range of goods and services in response to emerging opportunities in mining, oil and gas and light manufacturing. Over the past year, local businesses have won a growing number of contracts in new areas, including logistics and courier services, laboratory equipment supplies, heavy equipment rentals, business consultancy services and information technology equipment supply and services.

### *Partnerships between local and international suppliers harnessed to expedite learning*

Local suppliers are increasingly partnering with established international suppliers to make up for the lack of experience and to shorten the learning curve. This approach is assisting local businesses to

leverage the reputation, resources and experience of their international partners to fast-track the growth of their fledgling enterprises.

### **Global Logistics, Inc: Getting Up to Speed through Global Partnerships**

When he started Global Logistics, Inc., Chief Executive Officer, Peter Malcolm King, had his mind set on doing business with multi-national corporates and concessionaires operating in Liberia. He took finding an international partner seriously. “We needed a partnership with a global company with the right profile to compete for multinationals’ [contracts],” King said. “We needed experience, presence, expertise and more importantly...a network.”

GLS launched in Liberia in 2011 and mid-way through 2012, GLS signed with the international logistics company Panalpina. With a network of more than 20,000 employees in 155 countries and partnerships with major multinational companies operating around the world, Panalpina was exactly what GLS needed to hit the ground running. From the partnership, GLS immediately gained visibility, access to a large client base and help developing their business in terms of corporate compliance and international standards. Additionally, Panalpina gave them the edge to compete for contracts with other global logistics companies operating in Liberia.

The result has been rapid growth. The company won the last four contracts they applied for and maintains 80% of the international development market, including clients such as the World Food Programme, UNICEF, the United Nations Development Programme and the International Committee for the Red Cross. Multinational clients include Monurent, Caterpillar (Liberia Equipment), Chinese Power Giant (ZGPT) and ArcelorMittal.

Additionally, GLS is rapidly expanding in terms of staff and locations. GLS began with five employees in 2011 and now have 50. The company opened a second office in Buchanan, where a major port exists and will soon open an office by the country’s international airport. In early 2013, GLS opened an office in Sierra Leone in partnership with Panalpina. King sees services, including logistics, as the most important sector of the Liberian economy for local companies, especially if the local content law is strengthened. This will enable the right-minded businesses to build even more capacity and enhance their attractiveness to the brightest young talents in Liberia and the diaspora.

### *Procurement expenditure growth in the mining sector creates additional opportunities*

Procurement expenditure for mining companies in Liberia is projected to reach \$2 billion in 2016 with ample room for local businesses to tap into this opportunity by supplying goods and services to this sector.<sup>70</sup> The sector’s largest demand lines include food and beverages, construction services, corporate services, site supplies, office supplies and equipment, safety and protective clothing, personnel related services and general maintenance. A demand assessment study done by Building Markets, called “Leaving A Trace: A Report on the Potential Economic Impacts of Mining in Liberia,” identified a number of local procurement opportunities for the mining sector in Liberia, as outlined in Box 1.<sup>71</sup>

<sup>70</sup> Liberia Mining Demand Assessment Survey conducted by Kaiser EDP, 2014

<sup>71</sup> “Leaving a Trace: A Report on the Potential Economic Impacts of the Mining Sector in Liberia” Building Markets, 2014

### *Box 1: Local Procurement Opportunities for the Mining Sector*

1. Corporate wear and uniforms	10. Safety / personal protective equipment
2. Camp management, catering & security services	11. Internet and communication services
3. Food products, in particular, rice, vegetables, and fish	12. Lab testing, analysis, geotechnical lab, standards, sampling/testing
4. Crushed rock	13. Stevedoring, clearing and forwarding, logistics
5. Construction services	14. Explosives /ANFO (ammonium nitrate/fuel oil)
6. Cement	15. Labor broking and other human resources services
7. Conveyor splicing	16. Steel balls
8. Drilling and mining equipment rental, hiring, services and spares	17. Lubricants and petroleum products
9. Carpentry, joinery and furniture products	18. Rubber products

#### *Business capacity development support is continuing to take a narrow soft-skills development approach<sup>72</sup>*

Current local supplier development interventions are limited in their reach and scope. The majority of interventions are focused on addressing soft skill deficiencies but technical bottlenecks remain unaddressed. The government's initiative to buy 25% of its needs from local suppliers has not been realized partially because local suppliers are not technically ready to supply at the required quality and price levels. In order to create a more capable and competitive local supply environment, a range of capacity development interventions need to be undertaken to include the following:

#### *Leverage public procurement to develop local supplier capabilities*

The government needs to leverage its public procurement expenditure to promote local supplier development in areas where Liberia enjoys a comparative advantage. These areas include furniture manufacturing, food processing and fisheries. Public procurement can be harnessed to develop local supplier capabilities. The margin of preference policy and the Small Business Empowerment Act (SBEA) create a framework for leveraging government-related procurement to further the outcomes of inclusive growth and nurturing local firms.<sup>73</sup> The huge public infrastructure deficit creates a significant market opportunity in the short and medium-term.

#### *Strengthen information sharing between suppliers and buyers*

There is a need to strengthen information sharing between buyers and suppliers. To promote constant dialogue and action, industry and sector associations should integrate supplier development and information sharing within their regular activities.

#### *Increase support for targeted supplier development*

Government and private sector commitment to procure from local businesses needs to be supported with appropriate technical interventions to upgrade the quality and volume standards to meet buyer

<sup>72</sup> Business development support is largely focused at improving business literacy and fostering relationships

<sup>73</sup> "Margin of Preference" is defined as an opportunity provided under the Public Procurement and Concessions Act (PPCA) for Liberian and Domestic Businesses to have preferential treatment/consideration in bidding for works, goods and services **in the public sector economy**, particularly in priority sectors, such as construction, health, consultancy and supply of goods associated with job creation and poverty reduction

expectations. Supplier development should segment and target supply categories that have a comparative advantage and can generate jobs; these include construction, furniture and wood products, food processing and supply, and fisheries.

*Promote and encourage blending of international experience and local participation at supplier level*

Partnerships and alliances between local and international businesses should be encouraged to facilitate a quick take-off for local suppliers and mobilize international finance to boost local supplier capacity. Taking the form of distributorships, franchising arrangements, joint ventures and alliances, the government should encourage and incentivize these business arrangements as part of its investment promotion strategy.

*Strengthen and utilize available business coordination platforms to provide supplier support*

Structured capacity development is needed to upgrade the technical capabilities of local construction companies and to ensure the availability of appropriate skills. Support should be availed to sector associations, such as the Association of Liberian Construction Contractors, to enable them to train their members and enforce standards.

*Broaden the scope and emphasis of linkages to include local-to-local business transactions*

The local private sector needs to be mobilized to prioritize local procurement. Current efforts have tended to emphasize local procurement by international firms while overlooking the latent potential existing in the growing mass of local businesses, which tend to be external-focused in their sourcing approaches.

## 7.0 Conclusion

The Ebola epidemic currently ravaging Liberia is depressing the nation's economic growth prospects. With 6525 suspected cases and 2,700 deaths, government measures restricting the movement and access of people and goods, and concession activities stalled, the Government of Liberia projects a \$30m loss in revenues and a 2% shrink of annual economic growth to give a net 3.5% growth rate for the current year.<sup>74</sup> The World Bank projects Liberia's gross domestic output to slide by 11.7 percentage points in 2015. The economic outlook is rapidly changing from the buoyant optimism of the pre-outbreak period to overwhelming pessimism, and the slow-down in aggregate economic activity is hurting the gradual momentum built up since the end of the war.

Despite this pessimistic outlook, Liberia's high economic growth and collaboration between international and local companies prior to the outbreak will enable local suppliers to take advantage of the economic upswing once the virus is contained and concession activities come back online. Local suppliers must remain committed to improving their capacity, which will heighten the buyer community's confidence and commitment to local procurement. Prior to the outbreak, supply categories in which local suppliers were progressively demonstrating supply capabilities include supply chain services, construction services, security services, business services and ICT.<sup>75</sup> Partnerships between local and international supply firms, which were growing prior to the outbreak, must continue to be established after the outbreak to bridge local supplier capacity gaps and shorten the learning curve to international competitiveness.

Meanwhile, local procurement is proving to be a strong driver of local business growth and job creation. Through local procurement, public and private sector organizations are, indirectly, creating and sustaining jobs, enabling re-investment by local businesses and fuelling demand for Liberian goods and services.

On the other hand, the full potential of the economy is still constrained by infrastructure deficiencies in energy, transportation and communication. Participation of local businesses in the economy remains limited by weak supplier capacity which is a result of poor access to finance, inadequate business support services, an under-skilled workforce and high business fragmentation.<sup>76</sup> Deficient financial capacity hinders local businesses from getting large-scale contracts, and the high cost of credit renders local prices uncompetitive vis-à-vis international counterparts.

As Liberia strives to create a more integrated and competitive economy, it is imperative to intensify capacity development support for local suppliers, incentivize collaboration between national and international suppliers and leverage public procurement to develop the capacity of suppliers in promising sectors such as furniture manufacturing and construction.

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<sup>74</sup> <http://www.businessweek.com/articles/2014-08-21/ebola-outbreak-west-african-economies-face-devastation>

<sup>75</sup> This refers to information and communication technology including hardware supply, internet services and equipment servicing. Business services includes accounting and tax services, legal services and consultancy services

<sup>76</sup> The economy has a preponderance of micro and small businesses which means that available capacity is not pulled together making it difficult to participate in large-scale projects

## Annex 1: Methodology

This report is based on a broad sample of 3,063 Liberian-registered businesses that have been verified and included on the USAID Sustainable Marketplace Initiative Liberia supplier directory. Multi-dimensional data was collected through a combination of key informant interviews, semi-structured surveys and systematic collection of local business contract information.

The main analysis is based on a subsample of 1,044 businesses that were verified and baselined between May 2013 and May 2014. This sub-sample provided comparison data which provided a basis for tracking changes in local business conditions in the period between this report and the preceding edition. A follow-up survey of 48 buyers provided insights into evolving buyer perspectives on local procurement. Comparison buyer data was based on the 2013 survey of 39 buyers. Data on 326 contracts facilitated and tracked by SMI-L was analyzed to gain insights into local procurement patterns and trends. A Contract Job Creation and Impact survey was conducted for 65 contracts won by local businesses and the resultant data was used to gauge the impact of local procurement. Conclusions and data regarding the local sourcing demands of the mining sector are drawn from an assessment study done by Building Markets in 2014, which informed a Building Markets report called “Leaving a Trace: A Report on the Potential Economic Impacts of Mining in Liberia.” This report also incorporates supplier data collected in tandem with Kaiser EDP, a World Bank consultancy.

The report also draws from publicly available reports and databases. The Liberian Business Registry (LBR) business registered data for the period April 2013 to April 2014 was used to assess the characteristics and distribution of validly registered businesses in Liberia. The variables covered by LBR data include entity type, primary sector, location, and employees. A special data extraction was also made focusing on newly registered business for the period June 30 2013 to June 30 2014.

### *Local Business Verification and Baseline Survey*

#### **Survey Data Collection**

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

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

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

#### **Sample Size and Response Rate**

As of May, 2013, SMI-L had verified 3,063 businesses. This represents 24% of the 12,642 businesses that were validly registered with the Liberia Business Registry for during the period January to December 2013.

Local business landscape analysis is based on a sub-sample of 1,044 businesses drawn from 11 counties. Fifty-two percent of these businesses were drawn from Montserrado County and 48% are distributed across the other 10 Counties. The Liberia Business Registry shows that 70% of all formally registered businesses are headquartered in Montserrado County and, so, this sample over-represents formally businesses based located outside Montserrado County. The counties represented in the analysis include Bomi (12), Bong (57), Grand Bassa (75), Grand Cape Mount (22), Grand Gedeh (61), Lofa (58), Margibi (19), Maryland (63), Nimba (114) and Sinoe (24).

## **Sources of Error**

### **Lack of Formal Business Records**

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

### **Businesses Outside Montserrado are Over-represented**

The sub-sample that was used for this year's analysis is significantly different from the sample used for the previous edition of the report. The representation of businesses from outside Montserrado County was only 17% in the last report sample but this increased to 48% in the sample used for this report. Some changes observed may, therefore, be due to differences in business conditions between Montserrado and the rest of the country.

### *Buyer Survey*

#### **Survey Data Collection**

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

## **Sources of Error**

### **Medium Sample Size**

The follow-on buyer survey includes responses from 48 major buyers in Liberia; this sample is much smaller compared to the size of the business to business and institutional buyer market in the country. The sample, however, represents the main sectors of the economy such as agriculture, mining and hospitality. The type of buying entities surveyed includes multinational corporations, local private businesses, government entities, local NGOs and international development organizations.

### **Reporting Bias**

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

## *Job Creation and Business Impact Survey*

### **Survey Data Collection**

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

### **Sources of Error**

#### **Sample Size and Representativeness**

The survey covered 35% (111) of total facilitated was contracts and 33% (\$10.5 million) of the total value of contracts facilitated was surveyed. The contracts surveyed are heavily dominated by construction services and different results could be obtained if the set of surveyed contracts is composed otherwise.

#### *Contracts Facilitated Data*

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

#### **Sources of Error**

#### **Representativeness**

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



## Annex 2: Survey to Local Businesses

Local Business Verification Questionnaire (number of businesses responding)
Trade name (1,044)
Registered name (1,044)
Description of goods/services (1,044)
Does the bank statement name match the business registration name? (1,040)
Complete head office address (1,044)
Office phone and/or mobile (1,044)
Office fax (90)
Website (151)
E-mail Address (944)
Office hours (1,044)
Sectors/Sub-sectors (1,044)
Structure of business (1,040)
Primary owner(s) (1,044)
Ownership (nationality, gender, percentage of ownership) (1,044)
Operating Since (1,041)
Registered Since (1,002)
Previous company name(s) (1,044)
Female-Owned (1,044)
Female-Managed (1,044)
What is the primary challenge that prevents your business from importing more? (245)
Exact number of employees (1,044)
Percentage breakdown of staff by gender (1,044)
Percentage breakdown of staff by nationality (1,044)
Languages spoken (1,044)
Is this business a wholly-owned subsidiary of another business? (1,042)
Is this business the sole owner of any subsidiaries? (1,040)
Mode of payment accepted (1,044)
Can you provide a bank guarantee? (1,034)
Business registration with what government entity? (1,044)
Business registration number (1,044)
Licenses held (864)
Certifications held (850)
Association memberships (1,044)
Specialized training completed (919)
Counties company can operate in? (1,044)
Have you ever received a formal loan (not from family or friends)? (1,041)
Loans (From whom? How much? How did you spend it?) (164)
Do you import? (1,042)
What percentage of your expenditure is on imported goods? (384)
Percentage of local production? (944)
What do you import, and where do you import it from? (285)
Turn-over (sales) last year? (1,038)
Branch office contact details (1,044)
Client reference details (1,044)

Local Business Baseline Questionnaire (number of businesses responding)
How do you usually secure work with international clients? (1,021)
What is the biggest problem with finding tenders? (286)
What is the biggest obstacle to doing business with international entities? (1,039)
How often do you access the Internet for business purpose? (1,041)
Would you like more international clients? (1,041)
What is the typical value of these contracts over the last six months? (895)
Have you ever responded to a tender or submitted a bid? (1,043)
Have you ever had an international client? (1,043)
How often do you check for available tenders? (997)
In the next six months do you expect the number of people you employ to... Increase, Decrease, Stay the same, Don't know? (1,031)
If your business could get a loan from a bank, would you want one? (1,040)
Loan (What would you spend it on? How much?) (1,033)
Are you bidding on tenders now or planning to bid on tenders in the future? (1,039)
Why do you think you do not get more international clients? (1,038)
Where do you find tenders? How do you locate them? (997)
What type of training would most help your business win contracts with international businesses, NGOs or government? (1,033)
Have you received any services from organizations trying to help enterprises? (1,031)
In the next six months do you expect your profits to... Increase, Decrease, Stay the same, Don't know? (1,031)
How many training sessions to improve your business have you attended? (1,044)
How many larger clients or contracts have you had in the last six months? (National, International, Export) (461)
How many tenders have you bid on in the last six months? (1,006)
Do you think international entities represent a good business opportunity for local businesses? (1,041)
How many tenders from national or international buyers have you won in the last six months? (968)
What percent of your contracts are... New national clients, Repeat national clients, New international clients, Repeat international clients? (388)
What is the primary reason that you do not bid on all relevant tenders? (1,034)
If you have attempted to bid on tenders but not won the contract, what is the primary reason for this? (289)
What are the biggest challenges facing your business in the next six months? (Rate top three choices) (811)
Please rate the extent to which you agree or disagree with the following statements about your understanding of the procurement process. (991)
<ul style="list-style-type: none"> <li>a. I am able to access available tenders easily</li> <li>b. The ability to quickly access tenders is crucial to the success of my business</li> <li>c. I have enough time to complete a strong bid after receiving tenders</li> <li>d. I am able to complete the necessary forms to submit tenders</li> <li>e. I understand what information buyers require in a tender document</li> <li>f. I am able to provide the information buyers require in a tender document</li> <li>g. Overall, I understand buyer procurement procedures</li> </ul>

## Annex 3: Buyer Baseline Survey 2011-2012

Buyer Baseline Survey 2011-2012
1. What are the principle goods and services that you procure for your organization? What is their country (ies) of origin?
2. Does your operation work from a supply chain plan? Do you work off a formal procurement plan?
3. Can you describe any positive experiences that you have had procuring with local suppliers?
4. Can you describe any negative experiences that you have had procuring from local suppliers?
5. Do you have a preferred vendor list?
6. How do suppliers get added to this list?
7. Do you have a blacklist for poorly performing vendors?
8. How do suppliers get added to this list?
9. What goods and services do you think could be provided locally that you are not currently procuring?
10. Are you familiar with SMI-L? If yes, how did you learn about SMI-L?
11. Does your organization have any commitments to buy locally? If so, please explain.
12. Are you able to give price preference to local vendors because it shortens your supply chain?
13. What type of training would enable suppliers in Liberia to win more of your tenders?
14. What business or technical skills do the companies you work with need improvement?
15. In general, do suppliers in Liberia have any advantage over foreign competitors?
16. Generally, do you think you receive competitively priced proposals from local businesses? If no, why not?
17. Generally, do you think that you receive sufficient and honest information from local businesses?
18. What procurement policy do you follow? What requirements, guidelines or restrictions govern your procurement? [Can SMI-L have a copy of this policy?]
19. In general, what weaknesses do suppliers in Liberia have compared to foreign competitors?
20. Has your organization had to deal with issues of corruption when procuring from local suppliers?
21. If yes, how has your organization responded to perceived or actual cases of supplier corruption?
22. 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?
23. What is the minimum number of responses you need for a tender? How many responses do you typically get?
24. How do you go about finding information about local businesses?
25. How do you find local businesses to supply your procurement needs?
26. What are the principle goods and services that you buy locally?
27. (Only ask if buyer 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?
28. Do you think that you have a good idea about the capacity of local businesses?
29. What are the key factors in determining whether or not a firm wins a proposal?
30. How often do you undertake ad hoc purchases or unanticipated/unplanned procurement of goods and services?
31. Can you describe any positive experiences that you have had procuring with local suppliers?

## **Annex 4: Buyers Participating in the Baseline Survey 2011 -2012**

Arcelor Mittal – Liberia  
BHP Billiton Liberia Iron Ore  
Chevron Liberia Limited  
Equatorial Palm Oil  
Golden Veroleum

Odebrecht International - Liberia  
TOTAL Liberia, Inc.  
United Nations Development Programme (UNDP)  
United Nations Mission in Liberia (UNMIL)

## **Annex 5: Buyers Participating in the Baseline Survey 2012-2013**

ACDI-VOCA  
Adventist Development and Relief Agency  
Aureus Mining, Inc.  
Association of Evangelicals – Tearfund  
BHP Billiton Liberia Iron Ore  
Business Start-up Centre Monrovia  
The Cape Hotel  
Global Communities  
Liberia Coca Cola and Bottling Company (LCCBC)  
Cocopa Rubber Plantation  
Concern Worldwide  
Ecohomes  
EQUIP – Liberia  
Hummingbird Resources  
Liberty Aviation Group, Inc.  
Mamba Point Hotel  
Medical Team International  
Mercy Corps  
Ministry of Internal Affairs  
Ministry of Public Works  
National Commission on Disabilities

Oxfam International  
Peace Corps – Liberia  
Project Concern International  
Public Procurement and Concessions Commission  
Putu Iron Ore Mining  
RIGHT TO PLAY  
The Grand Royal Hotel  
Samaritan's Purse  
Save the Children  
United Nations International Children Emergency Fund (UNICEF)  
United Nations Mission in Liberia (UNMIL)  
United States Agency for International Development (USAID)  
USAID/Food and Enterprise Development Program  
Visions in Action  
Welt hunger hilfe  
Winrock International  
World Health Organization  
World Food Programme

## Annex 6: Follow-on Buyer Survey 2014

Follow-On Buyer Survey 2013 (number of businesses responding)
How long has your organization been operating in Liberia? (33)
In general, what weaknesses and challenges do suppliers have compared to foreign competitors? (49)
Do you have any experience procuring in other developing countries? How does Liberia compare? (49)
In general, do suppliers in Liberia provide you with any advantage over foreign suppliers? What are the advantages? (49)
Do you work from a supply chain plan? (49)
Do you work off a formal procurement plan? (47)
How often do you undertake ad hoc purchases or unplanned/unanticipated procurement of goods and services? (46)
What procurement policy do you follow and what requirements, guidelines or restrictions govern your procurement? (46)
In which sectors do you procure? (49)
What are the principle procured international goods and services that you procure and their country (ies) of origin? (45)
Do you separate local and international procurement? What are your criteria for international contracts? What are your criteria for local contracts? (42)
What are the principle goods and services that you buy locally? What are the benefits to buying these goods and services locally? What are the greatest challenges to buying these goods and services locally? (49)
What goods and services do you think could be provided locally that you are not currently procuring? (47)
Why would you select an international supplier over a local supplier? (49)
Do you think you have a good idea about the capacity of local businesses? (49)
How do you go about finding information about local businesses? (49)
Does your organization have any commitments to buy locally? What are they? How do you find local businesses to supply your procurement needs? (49)
Are you able to give price preferences to local vendors because it shortens your supply chain? (49)
Has your organization had to deal with issues of corruption when procuring from local suppliers? How has your organization responded to perceived or actual cases of supplier corruption? (47)
Please describe any positive experiences you have had procuring with local suppliers. How has it changed the way you conducted local procurement? (33)
Please describe any negative experiences you have had procuring with local suppliers. How has it changed the way you conducted local procurement? (35)
What business or technical skills do local companies with which you work need for improvement? (49)
Have you noticed a change in the capabilities of local companies with whom you have worked? What do you think brought about this change? (44)
Are you familiar with the Building Markets' SMI-L? How did you learn about Building Markets? (47)
Do you use SMI-L services as a standard part of your procurement procedure? Which service(s)? (36)
Have you ever used any SMI-L service? (27)
Have SMI-L services increased your local procurement? (25)
Have you changed your organization's policy or practice in regard to local procurement since working with SMI-L services? (19)
Have SMI-L services made your procurement more efficient? (25)
Have SMI-L services helped you save money on procurement? (24)
Have SMI-L services helped you reach organizational targets? (25)
Have you ever accessed the business portal? How frequently? Have you ever contacted a business that you

found on the portal? Did it lead to a contract? How many contracts? What are the names of these suppliers and how much were the contracts? (45)
Have you incorporated the supplier directory as part of your procurement process? (14)
How accurate do you find the information on the supplier directory? (17)
Did the supplier directory help you source your goods and services locally? (20)
Do you think you would have had less local procurement without the supplier directory? (16)
Do you have any suggestions for improving the supplier directory or have any examples of how the directory has helped you? (19)
Have you ever used SMI-L's matchmaking service? (38)
How many times have you received a matchmaking report? Were the reports provided in a timely fashion? Were the businesses recommended relevant to your request? How many times have reports led to a contract with one of the recommended suppliers? Have you ever not used a recommended supplier? Why not? Have you awarded a contract through our matchmaking services? Which suppliers won a contract through matchmaking services and what were the amounts of the contracts? (15)
Have you ever attended a matchmaking event? Would you be willing to attend a matchmaking event? Did you find the matchmaking event you attended useful? Did it lead to a contract with a local business? Which supplier(s) won a contract(s) through the matchmaking event and how much was the contract(s)? Did the event you attended help you learn about businesses or products you didn't know about before? (15)
Would you have done less local procurement without matchmaking as a resource? (13)
Do you have suggestions for improving matchmaking or examples of any examples of how it has helped you? (14)
Generally, do you think you receive competitively priced proposals from local businesses? (35)
Generally, do you think you receive sufficient and honest information from local businesses? (35)
How frequently do you publish tender notifications? (33)
What outlets do you use to publish tender notifications? (33)
How much time prior to the proposal deadline do you generally post a tender? (30)
What is the minimum number of responses you need for a tender? (30)
How many responses do you typically get? (30)
Do you have a preferred vendor list? How do suppliers get added to the list? (30)
Do you have a blacklist for poorly performing vendors? How do suppliers get added to the list? (34)
Have you been sending us tenders through our Tender Distribution Service (TDS)? (28)
How many times have sending tenders to SMI-L led to a contract with a local business? (10)
Did businesses who bid tell you they found the tender through SMI-L? What is the name of the supplier(s) and contract amount(s) they won? (9)
Do you receive more local bids when you post tenders through SMI-L? (10)
Are those bids of higher quality when you post tenders through SMI-L? (10)
Are those bids better priced? (9)
Do you think you would have done less local procurement without TDS as a resource? (9)
Do you have suggestions for improving the TDS or have any examples of how the TDS helped you? (8)
In general, what types of training would enable suppliers in Liberia to win more of your tenders? (39)
Are you aware of SMI-L training events? (34)
Have you worked with any businesses that have been trained by SMI-L? (17)
Do you refer businesses to SMI-L training? (18)
Have you worked with any business that has received another type of useful training? (14)
Do you have suggestions for improving SMI-L training events or examples of how SMI-L training has helped you? (14)
Have you heard about Building Markets and the "Buy Local, Build Liberia" campaign? (44)

Do you know of our market research products, such as the Market Overview Report or the Buyer Tip Sheet? Did these help you learn more about the local marketplace? Did these help improve your local procurement? (24)
Are there any research products that you'd like to see implemented that would benefit your organization? (22)
Do you have suggestions for improving our market research or examples of how our market research has helped you? (15)
Do you use any other services that are similar to Building Markets? What are they? How do they compare? (37)
Is there anything else SMI-L could do in Liberia that it doesn't do currently? (34)

## **Annex 7: Buyers Participating in the Follow-on Survey 2014**

ACDI/VOCA	Mercy Corps
Association of Evangelicals - Tearfund	Ministry of Commerce and Industry
African Development Corps	Ministry of Internal Affairs
American Institute of Research (AIR)	National Commission on Disabilities
AmLib	Nimba Community College
Aureus Mining, Inc.	Nimba Rubber Incorporated
BHP Billiton Liberia Iron ore	Open Society Initiatives for West Africa (OSIWA)
Business Start-Up Center Monrovia	Oxfam International
The Cape Hotel	Palm Catering Services Inc
Liberia Coca Cola and Bottling Company (LCCBC)	Plan Liberia
Concern Worldwide	Project New Outlook (PNO)
EQUIP - Liberia	Population Services International (PSI)
ExxonMobil Exploration & Production Liberia	Putu Iron Ore Mining
USAID/Food Enterprise Development Program	RIGHT TO PLAY
Global Communities	The Grand Royal Hotel
Golden Veroleum	Samaritan's Purse
Hummingbird Resources	United Nations International Children Emergency Fund (UNICEF)
JONAHCAPITAL	United Nations Mission in Liberia (UNMIL)
Krystal Ocean View Hotel	United States Agency for International Development (USAID)
Liberia Agriculture Company (LAC)	Welt hunger hilfe
Liberia Agency for Community Empowerment (LACE)	West Africa Regional Communications Infrastructure Program (WARCIP)
Liberty Aviation Group, Inc.	WINROCK SHOP
Liberia International Christian College (LICC)	World Food Programme
USAID/Liberia Teacher Training Program (LTTP)	World Health Organization
Mary's Meal	



## Annex 8: Supplier Job Creation and Impact Survey

Supplier Job Creation and Impact Survey (number of businesses responding)
Company name: (65)
Contract code number: (65)
Business node number: (63)
Method that business won the contract: (65)
Date SMI-L learned of the contract: (65)
Estimated contract value (in USD): (65)
Female owned or managed? (65)
Buyer name: (65)
Brief description of the contract (what was the good or service provided?): (65)
Sector of contract: (65)
Date contact confirmed: (65)
Contract confirmed by: (buyer and/or supplier)? (65)
Actual date the contract was awarded: (65)
Start date of the contract: (65)
End date of the contract (if finished): (65)
Length of contract in days: (65)
Contract classification (e.g., fixed-term, instant purchase, long-term contract): (65)
Type of contract (initial contract between buyer and supplier, repeat contract and initial contract was facilitated by Building Markets, repeat contract and initial contract was not facilitated by Building Markets)? (65)
How essential was Building Markets in helping you win this contract? (65)
Did this contract lead to another contract with the same buyer? (65)
How many employees did you have before winning the contract? How many of those employees were new hires? Already employed by you? How many employees were male? Female? Skilled laborers? Unskilled laborers? (65)
How many employees worked only on part of the contract or part-time throughout the contract? What was the average number of full days that each of these employees worked for the duration of the contract? How many were new hires? Already employed by you? How many were male? Female? Skilled laborers? Unskilled laborers? (65)
If the contract has finished, how many full-time new hires did you keep on after the contract? How many were female? Female? How many were skilled laborers? How many were unskilled laborers? (65)
How many new full-time employees did you have after the contract ended (not including employees retained) includes comments to explain? (65)
As a result of this contract, have you purchased anything for your business, or do you plan to in the future? What have you purchased or what do you intend on purchasing? (65)
As a result of this contract, have you offered training or benefits to staff? If so what kind (65)
As a result of this contract, have you expanded any departments or services? If so, what kind of services/department? (65)
How much of the contract was spent on salaries? (65)
Would Building Markets be able to contact you again to talk about the effect the contract has had on your business? (65)

## **Annex 9: Suppliers Participating in the Job Creation and Impact Survey**

A.K.N. Restaurant & Catering	Professional Tower Builder
Aaronlyn Inc.	Proprint Media
Advance Construction and Engineering Corporation	Saar Insurance
Akasi Holdings	Safety Plus-Soap
ALISA Group of Company	Scott's Industrial Construction Inc.
Approved Wear Fashion	Solid Rock Investment
Augustine Furniture Center	Soso Construction
Bedrock Construction Company	Standard Metal Garage
BESCO Woodwork and Construction	Sunney Guest House
Bioma Folley Sport Center	That's Jesus Again
Business System Solution	Tohnlo Women Palm Oil Production
C.K Business Center	Try & See Business Center
Cactus Motors	United Motor Company
Chinie Sanitation Inc.	Virtue Humanitarian Construction
Crown Graphics	West Construction Liberia Inc.
Daar Moe Guest House	Wonder Inc.
Diamond Communication Group	Yei Gwarkolo Business Center
Diamond Enterprise	
DOFAMCO	
Dokdan Farmers	
Eden Park Cafeteria	
Efficient Logistic Services	
Environment Services	
Five Stars company	
Friendship International Corporation	
Greenfield Liberia Inc.	
Gumpa Wood Association	
Kpandu International Construction Company	
Liberia Engineering & Trade Corporation	
MAT Enterprise	
MENKAR Construction, Inc	
Modern Construction & Humanitarian Construction	
Morlu & Son Inc.	
Neiama Engineering Construction Inc.	
One+One Business Center	
Professional Services Incorporated	

## Annex 10: Listing of Sectors and Subsectors

**Automotive:** Bicycle and Motorcycle Sales, Rental and Repair; Car Sales, Maintenance, Parts, Repair and Rentals (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 and 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; Plumbing and Piping; PVC Pipes; Renovations and Repairs; Road Construction; Sand, Gravel, Asphalt and Stone; Signage and 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; Containers and Storage; Dairy Products and Eggs; Dried Fruits and Nuts; Frozen and Refrigerated Foods; Grain Products; Ice Cream; Meat and Fish; Oil; Salt and Spices; Storage 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 and Purses; Carpets; Ceramics and Sculpture; Embroidery; Handmade Home Furnishings; Jewelry; Mats and Basketry; Non-Industrial Apparel Manufacturing, Clothing and Accessories; Painting, Portraiture and Murals; Screen Printing; Souvenirs; Textiles and Embroidery; Woodwork and Carving.

**Health, Medicine, Recreation and Leisure:** Books, Newspapers, Magazines, CDs and DVDs (Retail); Dental Services and Supplies; Gymnasiums, Fitness Centers and Health Clubs; Health Spas, Salons and Barbers; Hospitals, Health Care Clinics and 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; Extractive and Natural Resources 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 and Bathroom Supplies; Mattresses, Bedding and 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 and Supplies; Information Technology Services and Repair; IT Training.

**Laundry and Dry Cleaning:** Laundry and Dry Cleaning Equipment, Services and Supplies.

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

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

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

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

**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.

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

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

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

**Scientific Services:** Scientific Research.

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

**Telecommunication Services and Equipment:** Equipment; Internet Services; Internet Related Services (Cybercafés); Land Line and Mobile Services; Sale and Installation of Radio Equipment.

**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; 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:** Bulk purchasing and reselling of goods to someone other than the end customer