Brief on Liberia's Efforts to Improve the Doing Business Environment

As Measured by the World Bank *Doing Business* Indicators August 28, 2013

Background

The Ministry of Commerce and Industry (MoCI) has been leading a number of efforts to promote and sustain private sector development, in line with Liberia's Agenda for Transformation (AfT), particularly its second pillar, Economic Transformation. The goal of this pillar is to transform the economy so that it meets the demands of Liberians through development of the domestic private sector, using resources leveraged from FDI; providing employment for a youthful population; investing in infrastructure for economic growth; addressing fiscal and monetary issues for macroeconomic stability; and improving agriculture and forestry to expand the economy for rural participation and food security.

The private sector development reform efforts have the added benefit of making a positive impact on Liberia's performance as measured by external sources, such as the World Bank Doing Business Survey, which provides objective measures of business regulations for local firms across 185 economies. This well-known and well-respected survey looks at domestic small and medium-size companies and measures the regulations applying to them through their life cycle. It covers 10 sets of indicators:

1. Starting a Business
2. Dealing with Construction Permits
3. Getting Electricity
4. Registering Property
5. Getting Credit
6. Protecting Investors
7. Paying Taxes
8. Trading Across Borders
9. Enforcing Contracts
10. Resolving Insolvency

In the 2012 Doing Business survey, Liberia's overall ranking for Ease of Doing Business was 154 out of 185 countries. Thanks to the reforms carried out by the Government of Liberia (GoL) which positively impacted the business environment, that ranking improved to 149 in the 2013 survey (in other words, Liberia moved up by 5 points).

The GoL is committed to an ongoing process of improving the business environment, as measured by the World Bank Doing Business indicators. The two indicators for which the MoCI has played a key role are "Starting a Business" and "Trading across Borders." The following two sections of this brief look at each of these indicators in greater depth, describing the improvements and reforms the GoL is making in order to have a positive impact on the indicators.

Starting a Business

The Starting a Business indicator measures the challenges of starting a business. It includes: the number of steps entrepreneurs can expect to go through to launch, the time it takes on average, and the cost and minimum capital required as a percentage of gross national income (GNI) per capita.

Indicator	Liberia	Sub-Saharan Africa	OECD
Procedures (number)	4	8	5
Time (days)	6	34	12
Cost (% of income per capita)	52.7	67.3	4.5
Paid-in Min. Capital	0.0	116.0	13.3

http://www.doingbusiness.org/data/exploreeconomies/liberia#starting-a-business

Liberia's rank on the Starting a Business indicator went from 35 in 2012 to 38 in 2013. This is because Liberia did not register any improvement from 2012 to 2013 in the number of procedures to start a business or the time in days to start a business; both remained at 4 and 6, respectively. Liberia did show an improvement in the cost of starting a business, which fell from 68.4% of GNI in 2012 to 52.7% of GNI in 2013. The net effect of these changes was a 3-place downward movement in Liberia's rank.

The Government of Liberia anticipates an improvement to the Starting a Business indicator for 2014, due to a number of reforms which it has undertaken.

Firstly, the MoCI eliminated the business license fee of 4,200 Liberian dollars in June 2012. The business license fee had been payable at the Liberia Business Registry as part of the total business registration fee. Cancelling this fee reduced the cost of registering a business in absolute terms from 9,600 LD to 5,400 LD. This will correspondingly reduce the cost of registering a business as a percentage of Liberia's per capita GNI. Unfortunately, this improvement was not already reflected in the World Bank Doing Business survey for 2013, because it occurred after the cut-off date for the 2013 survey.

Secondly, the formal business registration procedures at the Liberia Business Registry were simplified. The number of procedures for starting a business was reduced from 4 to 2 and the number of calendar days to register a business was reduced from 6 days to 48 hours. These positive changes will also be reflected in the World Bank Doing Business Indicators for 2014.

Trading Across Borders

The Trading across Borders indicator measures the costs and procedures involved in importing and exporting a standardized shipment of goods. Documents associated with every official procedure are counted – starting from the final contractual agreement between the two parties and ending with the delivery of the goods.

Indicator	Liberia	Sub-Saharan Africa	OECD
Documents to export (number)	10	8	4
Time to export (days)	15	31	10
Cost to export (US$ per container)	1,220	1,990	1,028
Documents to import (number)	11	9	5
Time to import (days)	28	37	10
Cost to import (US$ per container)	1,320	2,567	1,080

http://www.doingbusiness.org/data/exploreeconomies/liberia#trading-across-borders

Liberia's rank on the Trading across Borders indicator went from 138 in 2012 to 137 in 2013. This is because Liberia did not register any improvement from 2012 to 2013 in the number of documents to export (or import), the time to export (or import), or the cost to export (or import). The 1-place upward movement in Liberia's rank was therefore due purely to the movement of other countries in the ranking.

The Government of Liberia anticipates a potential improvement to the Starting a Business indicator for 2014, due to a reforms which it has undertaken.

The World Bank counts Export Permit Declarations (EPDs) on the list of documents required to export, and Import Permit Declarations (IPDs) on the list of documents required to import. The MoCI has substantially reduced the number of product categories for which EPDs and IPDs are required, through the issuance of several Administrative Regulations in June 2012 and June 2013. This could positively impact the Trading across Borders indicator.

However, this cannot be guaranteed, because IPDs and EPDs are still required for a number of product categories, and so they may still be included on the World Bank's list of documents required to import/export. The other documents on the list, which comprise the majority of import/export documents, fall under the remit of the Bureau of Customs and Excise.