INVESTMENT CLIMATE IN AFRICA PROGRAM

FOUR-COUNTRY IMPACT ASSESSMENT

LIBERIA COUNTRY REPORT

Submitted by

Economisti Associati srl (Italy)

In association with

Center for Economic and Social Research (Poland)

The Africa Group LLC (USA)

March 25, 2011

Table of Contents

	Page
Abbreviations and Acronyms	2
Executive Summary	**3**
Main Text	**9**
1 Introduction	10
2 Program Overview	12
3 Program Activities	16
4 Program Evaluation	21
5 Program Impact	36
6 Conclusions and Recommendations	44
Annexes	**47**
A Documentary Sources	48
B Persons and Institutions Interviewed	51
C Impact Assessment – Private Sector Cost Savings	52
D Impact Assessment – Other Impacts	62

ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
AoI	Articles of Incorporation
BRC	Business Reform Committee
CBL	Central Bank of Liberia
CNDRA	Center for National Documents & Records Agency
DB	Doing Business
DFID	Department for International Development
DTIS	Diagnostic Trade Integration Study
EU	European Union
GoL	Government of Liberia
IC	Investment Climate
ICF	Investment Climate Facility for Africa
IFC	International Finance Corporation
IMF	International Monetary Fund
IPA	Investment Promotion Agency
IPD	Import Permit Declaration
IS	Informality Survey
LBBF	Liberia Better Business Forum
LEJA	Liberian Economic Journalists Association
LISGIS	Liberia Institute of Statistic and Geo-Information Services
MCA	Millennium Challenge Account
MCC	Monrovia City Corporation
MMC	Millennium Challenge Corporation
MoC	Ministry of Commerce
MoFA	Ministry of Foreign Affairs
MoPW	Ministry of Public Works
NEC	National Establishment Census
NIC	National Investment Commission
PCR	Project Completion Reports
PPD	Public-Private Dialogue
PR	Progress Reports
PRS	Final Liberia's Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PSCS	Private Sector Cost Savings
PSI	Pre-Shipment Inspection
PSIG	Private Sector Investment Generated
SC	Steering Committee
SCM	Standard Cost Model
SEZ	Special Economic Zone
SMP	Staff-Monitor Program
SR	Supervision Reports
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WB	World Bank

Currency
Liberian Dollar (L$)

Exchange Rates
2007 US$ 1.00 = L$ 60.77
2008 US$ 1.00 = L$ 63.29
2009 US$ 1.00 = L$ 67.81

EXECUTIVE SUMMARY

Introduction

The purpose of the Report is to provide an evaluation of the ***Liberia Private Sector Development in Post Conflict Program*** (the "Program") implemented by the IFC over the 2006 – 2010 period. In line with the Terms of Reference (TOR), the analysis is aimed at assessing "*both the efficacy of [the] program in achieving its initial objectives; and the quantitative impacts generated from program achievements*" (pages 2 and 3). In particular, the exercise involves (i) a ***qualitative part***, focusing on the relevance, effectiveness (outputs and outcomes) and efficiency of the IFC intervention, and (ii) a ***quantitative part***, aimed at quantifying the impacts achieved both by the Program as a whole ('cross cutting' impacts) and by specific interventions ('product or component-specific' impacts).

Program Overview

Objective and Overall Approach. The Program's ***overall objective*** is "*to reshape the business climate to allow for investors (foreign and domestic) to operate in Liberia. To achieve these aims, this initial project will have three main work streams: one to reduce barriers to formalization, one to improve the investment policy framework, legislation and institutions, and one to improve public-private dialogue to underpin the PSD reform process*". During implementation, the range of Program activities was expanded to incorporate doing business reforms, as well as support to both the creation of special economic zones (SEZ) and the improvement of the trade logistics system.

Timeline and Budget. The first phase of Program became operational on October 10, 2006. Phase 2 was launched in September 2007. Overall, the Program duration was set at 45 months, with the expected completion date on June 30, 2010. During implementation, the Program completion date was extended to December 2010, bringing the total duration to ***51 months***. Upon approval of phase 2, the Program had an estimated budget of US$ 4,685,000. As a result of the addition of two components, the total amount of funds managed by the Program is currently set at ***US$ 6,150,925***. When in-kind contribution from the GoL and funds provided by the Investment Climate Facility for Africa are included, the total Program size reaches a value of ***US$ 8,880,925.***

Components. Initially, the Program was structured in three components (or work streams) targeting: (i) barriers to formalization, (ii) investment promotion, and (iii) a cross-cutting component, mainly including support to public-private dialogue (PPD) and communication activities. Following the expansion of the cross-cutting component to incorporate doing business reforms and the addition of the two components dealing with SEZ and trade logistics, the Program achieved its actual configuration, including ***six components***, whose objectives are summarized in the table below.

Program Components

Component	Objective
#1 – Business Registration	Reducing informality by streamlining the business registration process
#2 – Investment Promotion	Enhancing the capacity of the Government of Liberia to attract and promote quality investment
#3 – PPD and Communication	Supporting all the other components and seeking to further strengthen the business climate through: (i) improving public-private dialogue and (ii) providing a robust communications program to anchor awareness of the overall reform program
#4 – Doing Business Reforms	Supporting efforts deployed by the government's Business Reform Committee to improve the investment climate
#5 - Trade Logistics	Reducing time and cost of import and export transactions and supporting an efficiently functioning trade logistics system through targeted reforms
#6 – SEZ	Assisting the Government of Liberia in the creation of special economic zones

Program Environment. The Program was implemented in a country that had just emerged form a long armed conflict, and at a time when all other donors were focused on the provision of peace-keeping and reconstruction assistance. Therefore, the Program had to confront with an extremely difficult operating environment, characterized by largely dysfunctional government institutions, lack of knowledgeable local counterparts, and a weak, mostly informal private sector. In particular, weaknesses at the institutional level were particularly severe, and this inevitably affected Program activities, by making it unusually difficult to translate the advice provided into concrete actions. This has obvious implications from an evaluation perspective, as the results measured based on standard evaluation metrics and criteria have to be interpreted considering the pioneering nature of the Program.

Evaluation

Strategic Relevance. All Program components timely addressed key Country priorities, as demonstrated by ***their full alignment with the National development strategy***, as defined in the Poverty Reduction Strategy. The Program design is characterized by a ***more than adequate balance between quick-wins and structural reforms,*** and many reform areas have been comprehensively addressed, combining the achievement of administrative reforms, technological changes, and legal reviews. In most cases, adequate institutional arrangements were set-up and productive relationships established with local counterparts. ***Operational cooperation was revealed to be more complex than initially envisaged with a single institution (the NIC)***, whose lack of commitment was not anticipated. ***Collaboration with other donors has been largely maximized*** to raise Program leverage vis-à-vis governmental authorities.

Delivery of Outputs. The Program ***timely delivered a fair number of high quality outputs***. In accordance with the implemented practical approach, a limited number of action plans for DB-reforms were delivered on schedule, providing specific recommendations, with numerical examples, demonstrating the likely impact of the proposed reforms (comparatively less structured action plans were formulated with reference to reforms aimed at simplifying existing import/export procedures). A ***comparatively less positive performance was recorded with reference to the delivery of outputs aimed at introducing legislative changes***, largely due to overly optimistic initial targets. As for ***other delivered outputs the assessment is positive***, as (i) high quality reports paving the way to the introduction of important structural reforms, such as the Five-Year Business Plan for the National Investment Commission or the pre-feasibility study for the establishment of SEZ in Liberia, were developed and largely praised by Clients, and (ii) a small number of training initiatives, such as training on DB indicators for local economic journalists or risk management workshops for custom staff, were implemented and greatly appreciated by participants. ***All interviewed beneficiaries declared to be satisfied or very satisfied with the assistance received by the Program***.

Achievement of Development Outcomes. Overall, the degree of acceptance and implementation of recommendations formulated under the Program is fairly high, although there are differences depending upon the nature of the actions. The ***success rate was particularly high in the case of administrative reforms***, with almost 40 improvements implemented over a 2-year period, significantly contributing to increasing Liberia's ranking from 177 to 149 (***Liberia was recognized as a Top 10 Global Reformer in 2010***). As a result of these administrative improvements, a significant reduction in both time and costs of procedures to comply with business regulation has been achieved, particularly in the following areas: business registration, trade logistics and construction permits. The introduction of ***legislative changes was more problematic***. The passage of a landmark piece of legislation such as the new investment law required wholehearted, multifaceted efforts from the Program Team. The lobbying and advocacy process took about two years, far longer than initially forecast, but, given the fact that the operating context was a country in the aftermath of a conflict, and the importance of achieved outcome, this time span appears to be reasonable and more than justified. As for ***other structural reforms, a mixed picture emerges***: the Five-Year Business Plan aimed at transforming the National Investment Commission into a more traditional and effective investment promotion agency has not been implemented, while elements of the model concessions agreement have been used by the Ministry of Agriculture in negotiating some new concessions.

Efficiency. A fully fledged assessment of Program efficiency is limited by conceptual and practical considerations, given the heterogeneous nature of the outputs (which makes comparison difficult or misleading) and the lack of detailed data at the product/component level. Overall, ***budget composition looks adequate*** and no major deviation between actual and budgeted expenditures exists (with the exclusion of SEZ, whose funds remained blocked for about one year). On the positive side, a ***strong local team was recruited*** and ***efficiency gains in the management of financial resources were sought*** by combining experts' missions with a similar ongoing project in Sierra Leone as well as by maximizing synergies with other funds (namely, the ICF). On the negative side, problems encountered with the provision of institutional support to the National Investment Commission and the finalization of the SEZ law negatively affected cost-effectiveness.

Impact Assessment

Introduction. The impact assessment exercise focused on five types of impact, namely:

- two ***overall impacts***, relevant for all components or product areas, including: (i) the aggregate private sector cost savings, and (ii) the private sector investment generated;
- three ***product-specific impacts***, including: (i) the number of new businesses registered, (ii) the new jobs created, and (iii) the increase in trade flows[1].

Three methodological issues must be highlighted at the outset. First, the exercise required the use of a variety of data, both of a micro and macro-economic nature, collected from a variety of sources. Unfortunately, in a number of cases, the quality of data is less than ideal and, therefore, ***sometimes only rough estimates could be produced***. Second, the notion of 'product-specific' impact (i.e. related to work carried out in a specific area of intervention) is at times diminutive, as some impacts are in fact the result of more than one strand of activities or components (as well as by other external factors). Therefore, ***whenever feasible, the analysis was extended to consider all the main contributing factors***. Third, the impact assessment exercise covers the period until end 2010. It is well known that in many cases investment climate reforms take time to produce effects, which become visible only in the medium term. This is particularly the case for impacts on investment and employment, as economic agents tend to respond with a time lag to the opportunities created by changes in the legislative and regulatory framework. Therefore, it is important to stress that the quantitative estimates provided in this Report refer only to ***the initial impacts of the IFC intervention, and do not consider the effects that could materialize in the future***.

Private Sector Cost Savings. Private sector cost savings (PSCS) are defined as the savings accruing to private economic agents as a result of reforms in the investment climate. They include: (i) ***cost savings***, associated with the reduction in <u>out-of-pocket expenses</u> incurred by private enterprises thanks to the elimination/reduction of certain fees (stamp duties, service fees, etc.) and/or the need to rely on service providers for certain formalities (e.g. legal advice). A particular category of cost savings refers to the elimination/reduction of 'unofficial/facilitation costs', i.e.

[1] The TOR also indicated two additional product-specific impacts, namely (i) the number of new businesses complying with tax regime, and (ii) the tax revenue generated. However, the assessment of these two impacts was not carried out, due to the lack of Program components specifically targeting tax policy and administrative issues.

bribes paid to facilitate/fasten administrative procedures or to maintain informal status. These kinds of costs emerged as significant and fairly well documented in Liberia; (ii) ***time savings***, referring to the gains in terms of <u>opportunity cost of labor</u> resulting from regulatory simplification and/or from the adoption of improved organizational models for certain services[2]. Over the 2008 – 2010 period, the PSCS generated by the reforms supported by the Program can be estimated at ***about US$ 4.7 million***. Overall, about two thirds of total PSCS are connected with one single reform, i.e. the reduction of the pre-shipment inspection (PSI) fee from 1.5% to 1.2%. Another 15% of benefits are linked to the streamlining of business registration procedures for corporations and the reduction of facilitation costs associated with the increase in the number of businesses shifting from informal to formal status.

Private Sector Investment Generated. As stated before, the implementation of the institutional capacity building program for the NIC was discontinued due to a lack of commitment from the beneficiary. On the contrary, the model concession agreement developed within the framework of the assistance provide to the Ministry of Agriculture certainly constitutes an important tool for attracting or retaining foreign investment. However, as the values of concession deals also depend on a variety of other factors, no quantification of the impact achieved by the Program under the investment promotion component could be made. On the other hand, the impact on private investment linked to the enterprise formation process was assessed (see below). Based on average investment parameters in newly formed enterprises, the value of incremental private sector investment associated with the reforms promoted by the Program can be estimated in the region of ***US$ 11 to 13 million for the 2008 – 2010 period***.

Number of New Businesses Registered. The pace of business registration accelerated considerably in connection with the introduction of reforms supported by the Program, with the number of newly registered enterprises growing from about 5,200-5,300 (in 2006 and 2007) to more than 7,000 in 2008 and 2009. Extrapolating the data for the first nine months to the whole year, the number of new business registrations is expected to be in the order of 9,700 for 2010. When allowances are made for firms previously operating informally, the number of newly established businesses linked to the Program can be estimated at ***3,300 – 4,100 for the 2008 – 2010 period***.

Number of Jobs Created. The increase in the number of new businesses also affected employment levels. Based on average parameters for employment levels in newly established enterprises, the number of jobs associated with the reforms supported by the Program can be estimated at ***16,300 to 20,400 for the entire 2008 – 2010 period***.

Increase in trade flows. No quantification of the Program impact is possible, due to a variety of factors, including the ongoing status of many activities implemented under the trade logistic component, the lack of data required to make use of econometric techniques and the impossibility of distinguishing the Program impact from that of macroeconomic developments.

Recommendations

The Program is expected to be followed up by another initiative currently in the drafting stage. Evaluation results provide elements which may be considered in the design of the new initiatives. In particular:

[2] A third type of PSCS is typically estimated as: the financial savings related to the reduction in the financial burden shouldered by private operators as a result of changes in the payment modalities for a certain fee or tax, with ensuing cash flow advantages. However, no similar reforms have been facilitated by the Program, and, therefore, this type of PSCS has not been addressed by the Report.

- in order to improve effectiveness, an ***enhanced assessment of risks*** potentially arising from a lack of either commitment or understanding on the client side must be preliminary conducted, and relevant mitigation measures planned;
- an improvement of efficiency could be achieved by ***defining exit strategies during the initial stage***. This could help to reduce the size of operational expenditures incurred for the implementation of activities which do not deliver expected results;
- as pertains to monitoring, an effort should be made to ***increase the clarity and information content of project reporting*** and ***improve the M&E system***. The information basis available for the M&E could be improved by establishing a stronger relationship with the national bureau of statistics.

MAIN TEXT

1 INTRODUCTION

This Liberia Country Report (the "Report") is the fourth deliverable to be submitted to the International Finance Corporation (IFC) within the framework of the "Investment Climate in Africa Program - Four-Country Impact Assessment" (hereinafter referred to as "the Assignment" or "the Study"). The Report was prepared by *Economisti Associati*, in collaboration with the *Center for Economic and Social Research* and *The Africa Group*, collectively referred to as "the Consultant".

The purpose of the Report is to provide an evaluation of the ***Liberia Private Sector Development in Post Conflict Program*** (the "Program")[3] implemented by the IFC over the 2006 – 2010 period. In line with the Terms of Reference (TOR), the analysis is aimed at assessing "*both the efficacy of [the] program in achieving its initial objectives; and the quantitative impacts generated from program achievements*" (pages 2 and 3). In particular, the exercise involves (i) a ***qualitative part***, focusing on the relevance, effectiveness (outputs and outcomes), and efficiency of the IFC intervention, and (ii) a ***quantitative part***, aimed at quantifying the impacts achieved by the Program as a whole ('cross cutting' impacts) and by specific interventions ('product or component-specific' impacts).

The Report is based on a combination of primary and secondary sources. Secondary sources consist of a variety of ***project documents***, including approval documents, supervision reports (SR), progress reports to donors (PR) as well as ***substantive reports*** on various topics produced by IFC staff or consultants during implementation. Primary information was collected during a ***field mission*** carried out in July 2010 as well as on subsequent fact finding project carried out by the local consultant from July to October 2010. Throughout the implementation of the Assignment, the Consultant enjoyed the ***full support of the relevant IFC staff***, which kindly supplied background documents and, most importantly, provided clarifications and contributed their views on various aspects of Project activities. In this respect, special thanks goes to Ms. Maria Miller (Program Coordinator), who was instrumental in the organization of the field mission and, more generally, provided valuable support in collecting data on various aspects and, most importantly, interpreting these data.

An earlier version of this Report, submitted in October 2010[4], was subsequently extensively commented by IFC staff. In some cases, comments were accompanied by the provision of additional documentation, which had not been made available at earlier stages. As a result, several parts of the Report were extensively reworked.

The Report is structured as follows:

- Section 2 provides an overall presentation of the Program (timeline, budget, components, etc.);
- Section 3 provides detailed analysis of Program activities, focusing on individual components;
- Section 4 provides a qualitative evaluation of the Program, focusing on issues related to relevance, effectiveness and efficiency;
- Section 5 provides a quantification of Program's impacts, focusing on 'cross cutting' impacts as well as some component specific impacts;
- Section 6 provides concluding remarks.

The Report also includes four Annexes. In particular:

- Annex A, listing the documentary sources used;

[3] Three interrelated projects are collectively implemented under the Liberia Investment Climate Program, and namely: (i) the Business Enabling Environment (BEE) – Phase 2 project (#550945), (ii) the Trade Logistic project (#562147), and (iii) the Special Economic Zone project (#562248).
[4] Report #4 - Liberia Country Report, October 24, 2010.

- Annex B, listing the persons and entities interviewed during fieldwork;
- Annex C, providing a detailed analysis of one of the impacts, the so called private sector cost savings;
- Annex D, providing a detailed analysis of the other impacts.

The Report was written by Enrico Giannotti (Senior Evaluator) with substantial support from Roberto Zavatta (Team Leader) and research assistance from Tommaso Grassi (Senior Evaluator) and Elena Esposito (Research Assistant). Fact finding work in Liberia was carried out by Enrico Giannotti, with the assistance of Alex Cuffy (Local Consultant). As indicated above, the Consultant greatly benefited from inputs provided by IFC staff involved in various capacities in the Program. However, as is customary for consulting reports, especially in the case of independent evaluation assignments, the views expressed in this Report are those of the authors only and should not be attributed in any way to the IFC, its staff and, in general, the World Bank Group.

2 PROGRAM OVERVIEW

2.1 Objective, Timeline and Scope

Objective. The Liberia Private Sector Development in the Post-Conflict Program is one of the initiatives of the Investment Climate Advisory Services (IC) program of the World Bank Group, which provides technical assistance and advice to countries seeking to improve their investment climate. This multi-year initiative, implemented in two subsequent phases, aims at the dual objectives of (i) supporting the Government of Liberia in regulatory reforms, and (ii) attracting and promoting quality investment. As stated in approval document for the first Phase, the Program's ***overall objective*** is "*to reshape the business climate to allow for investors (foreign and domestic) to operate in Liberia. To achieve these aims, this initial project will have three main work streams: one to reduce barriers to formalization, one to improve the investment policy framework, legislation and institutions, and one to improve public-private dialogue to underpin the PSD reform process*". ***Intended outcomes*** become more specific in the second Phase and reflected Liberia's inclusion in the Doing Business Survey, starting in 2007[5]. Additional activities which further contributed to the achievement of the overall objective were added in due course. These initiatives, specifically aimed at supporting the creation of special economic zones and the improvement of the trade logistics system, were managed as stand-alone projects. However, in practice, all activities were collectively implemented as a single program.

Timeline. After a pre-implementation phase running between February and September 2006, the Program became operational on October 10, 2006. ***Phase 1*** of the Program, conducting preliminary activities and laying analytical foundations, was completed by July 2007. After two months of pre-implementation activities, ***Phase 2*** was launched in September, 2007. Overall, the Program duration was set at 45 months, with the expected completion date on June 30, 2010. During implementation, the Program completion date was extended to December 2010, bringing the total duration to ***51 months***. Two subsequently added projects jointly implemented under the Program have different completion dates. In particular, the deadline of the trade logistics project, initially set on December 1, 2010, was later extended to June 30, 2011. The completion date for the SEZ project was repeatedly extended, and the project was officially closed on November 30, 2010.

Components. Initially, the Program was structured in three components (or work streams): (i) one addressing barriers to formalization, (ii) one dealing with investment promotion, and (iii) a cross-cutting component, primarily including support for public-private dialogue (PPD) and a communication program. As stated above, during implementation, the cross-cutting component was expanded to incorporate doing business reforms, and two components dealing with Special Economic Zones (SEZ) and trade logistics were added. As a result, at the time of writing, the Program includes ***six components***, whose objectives are summarized in Table 2.1 below.

Table 2.1 Program Components

Component	Objective
#1 – Business Registration	Reducing informality by streamlining the business registration process
#2 – Investment Promotion	Enhancing the capacity of the Government of Liberia to attract and promote quality investment

[5] PDS Approval, October 13, 2009: "*Intended outcomes are: (1) an increase in new business registration numbers (reduction in informality), (2) promoting investment generation by strengthening the investment intermediaries, addressing sector-specific reforms, and reaching out to attract increased investments in Liberia's leading industries; (3) establishment of an effective public private dialogue and business reform committee, reinforced by widescale communications to develop an improved business climate (including in ways measured by Doing Business)*".

#3 – PPD and Communication	Supporting all the other components and seeking to further strengthen the business climate through: (i) improving public-private dialogue and (ii) providing a robust communications program to anchor awareness of the overall reform program
#4 – DB Reforms	Supporting efforts deployed by the government's Business Reform Committee to improve the investment climate
#5 – Trade Logistics	Reducing time and cost of import and export transactions and supporting an efficiently functioning trade logistics system through targeted reforms
#6 – SEZ	Assisting the Government of Liberia in the creation of special economic zones

2.2 Organization and Budget

Program Counterparts. In Phase 1, Project documents indicate the Ministry of Commerce & Industry as the '***Lead Client***'. In Phase 2, in unison with the expansion of the activities and the increased complexity of the Program, the Government of Liberia (GoL) is referred to as the ***'Client'***. Indeed, in line with its broadened scope, the Program interacted with a variety of other government counterparts. Key counterparts (and the related Program component), include:

- the Office of the President/Minister of State without Portfolio (overall Program, DB reforms and SEZ);
- the National Investment Commission (investment promotion, DB reforms and SEZ);
- the Ministry of Commerce & Industry (business licensing reform and PPD);
- the Ministry of Finance (trade logistics);
- the Minister of Agriculture (investment promotion).

Program Organization. During Phase 1, Project activities were coordinated by a Task Team Leader (TTL) based in Johannesburg. Actually, four different TTLs alternated between 2006 and 2008. Starting from November 2006, a locally based Program Coordinator was hired and by the end of 2008 the recruitment of a local team in Monrovia was completed, including, in addition to the Program Coordinator, a coordinator for the public-private dialogue forum (LBBF), a program economist (supporting both LBBF and the entire program), a communications assistant, a program assistant and an LBBF short-term assistant. The local team has been directly managing many activities as well as coordinating the activities of various missions/teams visiting the country to work on different work streams.

Budget. Funds initially allocated to the Program (Phase 1) had an estimated budget of US$ 635,016. Following the development of Phase 2, the budget was expanded to US$ 4,685,000 on February 1, 2008, and subsequently revised downward to US$ 4,600,925. Budget sources include primary various IFC funds or IFC-managed facilities (FIAS, PEP-Africa, CASA, FMTAAS, etc.) and, to a lesser extent, directly donors (SIDA - US$ 930,000, and The Netherlands - US$ 100,000). During 2008, the total budget was raised by US$ 1.2 million, to include funding for the newly added trade logistics (US$ 850,000) and SEZ (US$ 350,000) components. The budget allocated to the latter component was repeatedly revised upward, to reach the sum of US$ 700,000 in the first half of 2009. All in all, the total amount of funds managed by the Program is currently set at ***US$ 6,150,925***. When in-kind contributions from GoL[6] (US$ 230,000) and funds provided by the Investment Climate Facility for Africa (ICF) to design and implement the new business registry

[6] The value is the sum of US$ 100,000 to cover business registry staff costs, US$ 100,000 to account for GoL financing of the SEZ joint steering committee, and US$ 30,000 to account for the Ministry of Finance staff time.

(US$ 2.5 million) are included, the total Program size reaches the ***US$ 8,880,925*** value. The estimated breakdown of funds by component is provided in Table 2.2.

Table 2.2 Program Budget

Component	IFC-managed Budget	Additional Contributions	Total Budget
#1 – Business Registration	450,000	2,600,000	3,050,000
#2 – Investment Promotion	1,700,000	0	1,700,000
#3& #4 – PPD, Communication & DB Reforms	2,450,000	0	2,450,000
#5 – Trade Logistics	850,000	30,000	880,000
#6 – SEZ	700,000	100,000	800,000
Total	**6,150,000**	**2,730,000**	**8,880,000**

2.3 Project Environment/Parallel Initiatives

Many of the themes dealt with and the reforms supported by the Program have seen the active involvement of other donors and institutions. In particular:

- the ***Investment Climate Facility for Africa (ICF)*** has been providing financial support for the establishment of both the business registry (Component #1) and the computerization of manual paperwork systems in the Custom House and the clearance agencies in the port of Monrovia (Component #5) [7];
- through targeted programs to create jobs, ***UNDP, ILO*** and the ***World Bank*** have provided support to the Government's efforts to reduce informality;
- in addition to the above, the implementation of the initiatives foreseen under Component #5 benefited from the concomitant support provided: (i) the ***African Development Bank,*** financially sustaining, through direct budgetary support, the realization of the ASYCUDA World project; (ii) the ***European Commission***, assisting to the Ministry of Finance towards the modernization of the Liberian custom code, and (iii) ***USAID***, providing assistance to support the Bureau of Customs and Excise in the development of the single-stop building at the Port of Monrovia;
- through the US$ 37 million Agriculture and Infrastructure Development Project, the ***World Bank*** has favored the introduction of policy reforms, provided institutional support and favored investments in the infrastructure and agriculture sectors since 2007. Some of the activities undertaken under Component #2 have been closely linked with this project. Other aspects of the team's work under Component #4 were also supported by ongoing World Bank support for the Government on land reform and support for the City of Monrovia;
- a key role has been played by the ***IMF***, first under the Staff-monitor program (SMP) and more recently, under the 3-year PRGF-supported program, providing technical assistance and advisory services to the Ministry of Finance on fiscal policy, including tax and customs administration.

The existence of several donors and institutions addressing the same reform areas is commonly deemed to be beneficial to spur the reform pace. However, this may also originate ***difficulties in coordination***. Indeed, whenever different players hold different views on the required solutions and/or on the approaches to be adopted to tackle similar issues, this may well lead to conflicting signals to Government counterparts, and, in turn, slow down the implementation of reforms. Furthermore, for the purposes of this exercise, the presence of several actors pointing in the same

[7] The US$ 300,000 grant provided by ICF to computerize the clearance agencies in the port of Monrovia is not included in the Program budget as these funds have not been directly managed by the IFC and, indeed, were not recorded as an additional contribution in the project documents for the trade logistics component.

direction poses an ***attribution problem***, as it is difficult to disentangle the contribution of the Program from that of concomitant initiatives. However, both the operational and the analytical issues appear to be of rather limited importance in the case of the Program under evaluation, mainly due (i) to the pioneering role of the Program in private sector development, while other actors started addressing this theme only in late 2008, and (ii) the collaborative relationships established by the Program with other actors, which minimized the risk of overlapping. An example of this coordination is provided by activities in customs reform, with the IMF and WB programs targeted at governance and infrastructure, and the Program focussing primarily on trade logistics aspects.

3 PROGRAM ACTIVITIES

3.1 Component #1 – Business Registration

Phase 1. During February – March 2007, an ***Informality Survey*** was conducted aimed at providing a better understanding of existing barriers to formalization[8]. The survey covered over 1,000 totally informal, partially/completely formal businesses and community leaders in six regions of Liberia, and highlighted the importance of streamlining and reducing the costs of the business registration process, raising awareness in the business community about start-up procedures and reducing taxes as key measures to promote business formalization.

Phase 2. A comprehensive approach was adopted by the Program to assist the GoL in easing business registration, addressing technical, administrative and legislative obstacles. In particular, the Program Investment Climate Team (the 'IC Team') provided useful support to:

- ***the launching of a computerized business registry*** in Monrovia, to be followed by at least two satellite locations, enabling decentralized business registration. Starting from initial assistance to secure a US$ 2.5 million grant from the ICF for funding the design and implementation of the system, the IC Team has been constantly assisting local authorities, and, in particular, the Joint Steering Committee (JSC), through the various steps of the new registry set-up[9];
- ***the streamlining and decreasing of time for business registration***, by eliminating and/or combining existing procedures (e.g. co-location of the agencies involved in the process, introduction of standardized forms for articles of incorporation) and setting a fixed time for approval of documentation by relevant governmental authorities (i.e. the Ministry of Commerce and the Ministry of Foreign Affairs). Technical assistance for the introduction of these improvements is actually provided under Component #4 (see below);
- ***the review of the legal foundations of business registration***, namely the Associations Law.

Some delays have occurred with reference to the launching of the new registry and the drafting of the amended Associations Law. In the former case, limited availability of local counterparts was the main cause. In the latter case, the request to postpone the revision of the legislation came as a result of a GoL shift in priorities. Indeed, given the breadth of the addressed law, covering far more than business start-up, the effort that would be required to gain consensus would further delay the launch of the registry. Therefore, the Government made a strategic decision to table the revision in favor of a joint set of regulations governing the business registry. The achievement of both outcomes is currently forecast for the end of this year.

3.2 Component #2 – Investment Promotion

Phase 1. Program activities under Component #2 focused on two, interrelated areas:

- ***the review of the investment regulatory framework.*** A technical review of Liberia's investment law and related legislation[10] was completed in December 2006 and ensuing recommendations formulated based on international best practice.[11] Subsequently, the IC Team provided

---

[8] FIAS, *Liberia – Removing Barriers to Enterprise Formalization*, June 2007.

[9] This assistance included: (i) identification of, definition of the contractual relationship with, and supervision of the activities implemented by the service provider (Norway Registers Development AS), (ii) capacity building activities aimed strengthening of JSC capacities (organization of a study tour of the Norwegian Business Registry), and (iii) assistance to locate and finalize the procurement of the facility (and necessary hardware and furnishings) that will house the registry.

[10] It includes the legal investment regime dictated by the Constitution, the Investment Incentives Code of 1973 and the 1979 constitutive statute of the National Investment Commission.

[11] Liberia, *Summary Review of Investment Law of Liberia and Initial Proposals on Considerations for Reform*, December 2006.

assistance to a working group from the NIC to complete a technical drafting of a new investment law. This involved the review of all other relevant pieces of legislation defining the investment climate, such as the Companies Law, the immigration laws and the labor law, to ensure consistency between the revised investment code and the supporting legal framework;

- ***institutional strengthening of the National Investment Promotion Agency***. Initially, preliminary activities aimed at developing a full-fledged capacity building program for the NIC were carried out, including: (i) an institutional needs assessment[12], which highlighted the need for corporate restructuring to reduce the regulatory role and focus more on investment promotion; and (ii) a 3-year corporate plan, to assist the institution in this transformation[13].

Phase 2. Based on the corporate plan designed in Phase 1, a comprehensive ***institutional capacity building program for the NIC*** (including staff training, acquisition of adequate IT tools and investor tracking systems, development of promotional materials, etc.) was planned. However, only a training seminar[14] was organized in the first half of 2008, as the NIC did not engage in the restructuring process and continued operating without a dedicated investment promotion division, thereby minimizing the effectiveness of capacity building activities. A second business plan for the NIC was developed, addressing the Commission's concerns over the release of its regulatory function[15]. Despite its formal endorsement, the NIC did not take actual steps towards its implementation, and as a result, this element of the Program was discontinued. On the positive side, the ***new investment law was finalized and recently enacted***, despite strong opposition to the law from a section of the business community, against the elimination/reduction of reserved business sectors for Liberians[16]. The achievement of this outstanding result required constant efforts by the IC Team, including many lobbying efforts, repeated consultative activities to agree on revisions to be introduced (including the organization of a public policy forum and research support to review investment codes from other countries in the region[17], see Component #3) and subsequent support for redrafting of the law.

Assistance originally dedicated to NIC was redirected towards the Ministry of Agriculture, which required support to attract and retain foreign investors in the tree crop sector. Initial assistance focused on: (i) the development of a ***concession policy and model concession agreement***, to guide the granting of concessions of existing plantations and new land for plantations, and (ii) the provision of support to identify attractive sites, to package investment opportunities and assist in negotiations with investors, through the ***operational services*** of an ad-hoc recruited oil palm industry expert. In accordance with the recommendations included in the consultation report[18], the GoL requested further support to design a sustainable framework and policies for a ***small-holder/out-grower scheme***. A draft options paper is currently being finalized by the retained

---

[12] The Institutional Needs Assessment of National Investment Commission of Liberia was undertaken in January 2007.
[13] A draft of the 3-year corporate plan for the NIC (*Rebuilding Liberia through Investment Attraction, Retention, and Reform),* was prepared by *Dexis Consulting Group* under the supervision of FIAS and delivered in August 2007. This plan highlighted the lack of a governance structure at the NIC and the need to refocus activities, excessively biased towards screening and approving applications requesting incentives and monitoring incentives contracts. Promotional activities were largely carried out by the Chairman.
[14] Effective Investment Promotion Seminar to NIC staff held on February 26-29, 2008.
[15] Five-Year Business Plan for the National Investment Commission (NIC) of Liberia, 2008- 2013, Draft, April 4, 2008, prepared by Louis T. Wells and Etienne Kechichian. This document suggests that NIC will continue awarding incentives, at least for projects of more than US$ 20 million, but under a new organizational structure, better matching the needs for investment promotion.
[16] In 1975, the government promulgated a "*Liberianization* Policy", an Act amending the General Business Law to set aside 12 business activities exclusively for Liberians. An amendment in 1998 increased the number of business areas reserved for Liberians to 26.
[17] Report on regulatory regime comparative analysis to inform investment code revision, conducted by Thomas Doe Nah, April 2, 2008.
[18] IFC, *Model Concession Framework Project, Consultation Report*, September 2008.

consulting firm (*Cardno Agrisystems*). However, the viability of the proposed scheme may be questioned by the comprehensive smallholder tree crop revitalization support project, currently being designed by the IBRD. In order to ensure coherence between the two projects and to use synergies to their full advantage, IBRD staff and the IC Team are in regular contact at a working level.

3.3 Component #3 – PPD and Communication

Phase 1. Activities largely focused on setting-up the basis for a structured dialogue on reforms. Consultations with key stakeholders were carried out to reach consensus on the ***structure and design of a public-private partnership forum*** as well as on key issues to be addressed to promote private sector development[19]. Five thematic areas were selected, namely: (i) enhancement of the legal and regulatory framework; (ii) facilitating the improvement of physical and social infrastructure; (iii) streamlining of administrative processes; (iv) institutional enhancement, including capacity building; (v) trade and export promotion.

Phase 2. The ***Liberia Better Business Forum (LBBF)*** was officially launched on July 11, 2007 as a *"structured partnership that brings together the Government of Liberia and the private sector for the purpose of engaging in constructive dialogue aimed at identifying, prioritizing and resolving key constraints to private sector development."* From an operational point of view, the LBBF created five working groups, specifically addressing the thematic areas identified during Phase 1. After defining the operational framework and governance structure, the Program ensured the effective functioning of the LBBF by managing its independent Secretariat and conducting policy research and analysis. Areas of activity have included: (i) advocacy for legislative reforms, namely for the passage of the contentiously debated investment law, the review of the Association and General business law, and the development of a commercial code; (ii) PPD initiatives, such as the facilitation of private sector input at the Cabinet level Business Reform Committee (see below) and the organization of the annual private sector day and (iii) communication activities, such as the provision of support to the establishment and training for the *Liberian Economic Journalists Association* (LEJA) and the implementation of a multimedia strategy, including the sponsorship of a twice weekly radio program ("Business World"), and an LBBF page every 2 weeks in the most widely read Monrovia newspaper.

3.4 Component #4 – DB-Reforms

In November 2007, following Liberia's inclusion into the World Bank Group's Doing Business Survey, the ***Business Reform Committee (BRC)*** was created by the President of Liberia and mandated with the task of identifying and supporting the implementation of short-term administrative and legislative reforms aimed at improving the investment climate and its performance as measured by Doing Business indicators. Within the BRC a total of four Technical Working Groups (TWG), chaired by line ministries, were established to focus on four DB areas, namely: (i) 'starting a business', (ii) 'construction permits', (iii) 'trading across borders', and (iv) 'property registration'. The IC Team and the DB Reform Team jointly provided technical and operational assistance to all the TWG, including ***analytical support***, with the formulation of recommendations on administrative reforms to be undertaken and the sharing of best practice analyses and key lessons learned, as well as ***local logistics support*** for all BRC and TWG meetings. As aforementioned, a key factor in the successful demarche of the BRC was provided by the LBBF, facilitating the ***participation of the private sector at the TWG, and conducting outreach/communications activities***. Thanks to the comprehensive support provided by the

[19] Two focus group meetings organized in January and May 2007.

Program, a large number of administrative reforms were introduced, falling under all four targeted DB areas, as illustrated in the next section.

3.5 Component #5 – Trade Logistics

This component was not specifically addressed under Phase 1. It was introduced into Phase 2 and is managed as a separate project from a financial point of view. In addition, it should be reiterated that its timeline slightly differs from that of the overall Program: its completion date, initially set at the end of 2010, has been recently moved six months forward (i.e. June 2011). Therefore, this component has still one year to go, with the expectation of achieving many positive outputs and outcomes.

Work under this component has thus far concentrated on three areas:

- ***the implementation of a customs risk management regime***. This has involved: (i) a review of the existing regime and the development of a strategy plan to reduce the need for 100% inspection of all imported goods, (ii) facilitation of set-up of a Risk Management Unit within the Bureau of Customs & Excise, (iii) development of a risk management database to facilitate collection, storage and retrieval of data, and (iv) implementation of training/workshops to officers involved at different stages of the border clearance process (e.g. operational officers at the Freeport of Monrovia, senior officers of the Bureau of Customs and Excise);
- ***the simplification of import and export procedures,*** through streamlining and/or elimination of unnecessary steps and documents (e.g. elimination of the Ministry of Commerce permit previously required to conduct a destination inspection), and the reduction of trade-related costs (e.g. reduction in the pre-shipment inspection fees, removal of the requirement for shipping companies to pay customs overtime). Progress in this area benefited from activities undertaken under the cross-cutting Component #4;
- ***the assistance to the implementation of electronic automation***, which includes (i) assistance to secure a US$ 300,000 grant from the ICF for funding the procurement of the computer for back office functions of key border control agencies at the Monrovia Freeport, and (ii) the provision of IT training, which, in turn, should facilitate the launching of ASYCUDA Customs software system. A pilot version of this automated customs clearance system was launched in November 2009, with financial support from the African Development Bank. The IC Team has secured close collaboration with the in-country ASYCUDA team, in particular for the development of risk profiles and targets to be entered into the system.

Additional support has also been provided to the GoL for the re-drafting of the ***Customs code***.

3.6 Component #6 – SEZ

As in the case of trade logistics, this component was added as a separate Program component in March 2008, following a request for assistance from the President's Office to properly address a proposal received by a Chinese group to establish a SEZ in Buchanan. This component was initially structured in three, sequential phases and forecast for completion by October 2009, but the completion date had to be extended to November 2010. In ***Phase 1***, (i) key concepts of SEZ developments to build consensus among policy makers and sensitize private sector representatives were introduced, and (ii) the creation of a SEZ steering committee, to lead the implementation of a national zone program, was facilitated. Subsequently, a ***pre-feasibility study***[20] was prepared by the Global SEZ Team. The main findings of this study, together with policy recommendations to move forward, were summarized in a brief for the President's review.

[20] Establishment of Special Economic Zones in Liberia: A Pre-Feasibility Study, Final Report, February 2009.

Following a request from the SEZ Steering Committee dated November 25, 2008, the Global SEZ Team continued providing assistance during ***Phase 2*** to develop "*a sound and legal institutional framework for establishing SEZs*". A ***SEZ Law*** was timely drafted, but following waning interest from the Chinese investor and the shift from a site specific to a national regime (as recommended in the pre-feasibility study), the SEZ steering committee was disbanded and the NIC entrusted with the management of the initiative. Despite repeated efforts, the Global SEZ Team could not secure the second-round of consolidated comments from different Governmental entities, and, therefore, finalize the draft text of the Law. This obviously prevented the implementation of other activities foreseen under Phase 2 and under ***Phase 3***[21]. After remaining in stalemate for about one year, this component was officially terminated on November 2010.

[21] Under Phase 3, the possibility of providing assistance to conduct the actual transaction/concession was planned.

4 PROGRAM EVALUATION

4.1 Introduction

This section is devoted to the 'qualitative' part of the assignment, i.e. the evaluation of the Program in terms of ***four evaluation criteria***: (i) strategic relevance, (ii) delivery of outputs, (iii) achievement of development outcomes and (iv) efficiency. The aspects to be analyzed for each evaluation criterion (the so called "evaluation questions") are listed in Box 4.1 below.

Box 4.1 Evaluation Questions[22]

Strategic Relevance:
- Did the intervention fit each country's political and economic conditions? Was the right timing selected for the program's start?
- Did the program address the most acute problems in business environment or has selected "low-hanging fruits"?
- What was the demand for this program? Were the right partners selected given program objectives?

Delivery of Outputs:
- Were key outputs of the appropriate quality achieved and timely delivered?
- To what extent were clients satisfied with the assistance received?

Achievement of Outcomes:
- Did the various government agencies implement the recommendations provided? Did the government pass new laws/regulations recommended by/drafted with the assistance of the project?
- How did the recommendations implemented/new laws adopted translate into effective improvements in the investment climate and/or in other relevant variables (e.g. increased capability of entities receiving support)?

Efficiency:
- How reasonable were costs vs. benefits?
- How economically were funds, expertise, time, etc., used?
- Were there less costly ways to achieve objectives?

The aspects relevant to the above evaluation criteria are analyzed in the following four sections, while a fifth section summarizes the key results. Three aspects are worth highlighting at the outset. ***Firstly***, the Program was implemented in a country that had just emerged form a long armed conflict, and at a time when all other donors were focused on the provision of peace-keeping and reconstruction assistance. Therefore, the Program had to confront with an extremely difficult operating environment, characterized by largely dysfunctional government institutions, lack of knowledgeable local counterparts, and a weak, mostly informal, private sector. In particular, weaknesses at the institutional level were particularly severe, and this inevitably affected Program activities, by making it unusually difficult to translate the advice provided into concrete actions. This has obvious implications from an evaluation perspective, as the results measured based on standard evaluation metrics and criteria have to be interpreted considering the pioneering nature of the Program. ***Secondly***, as already indicated in the previous section, the Program underwent significant changes during implementation, with the adding of new components and the

[22] A list of standard evaluation questions was provided in the TOR. The list presented here is an adaptation of what found in the TOR, to reflect the nature of the project under consideration (e.g. elimination of questions related to capital investment, addition of reference to capacity building activities, etc.).

reformulation of others (with the ensuing changes in the list of output and outcome indicators). On the one hand, the dynamic nature of the Program witnesses the ability to adjust to changing circumstances and capacities to promptly address new, emerging needs of the Client. On the other hand, it has some negative implications from an evaluation perspective, as it makes a proper 'before and after' assessment more complex and, to some extent, more exposed to subjective judgment. ***Thirdly***, given the complex nature of the Program, which encompasses a wide range of actions in several areas as warranted and feasible, general considerations regarding the Program as a whole are complemented with a more detailed analysis for specific components. The presentation of findings is accompanied by a summary assessment, inspired by the approach used by IFC in the case of Project Completion Reports, which involve the use of a four-levels rating system, ranging from "excellent" to 'unsatisfactory'[23].

4.2 Strategic Relevance

Strategic relevance refers to the overall quality of Program design at the moment of approval as well as to the ability to adjust to changing circumstances. In this context, three aspects are of particular importance: (i) the appropriateness of the Intervention to country conditions; (ii) the balance between 'quick wins' and more structural reform efforts and (iii) the appropriateness of institutional arrangements. The analysis of these themes is complemented with component-specific considerations.

Appropriateness to Country Conditions. Upon approval, the Program's objectives were consistent with the priorities of the national reconstruction and development agenda as outlined in the interim Poverty Reduction Strategy Paper (iPRSP), which guided the development management process of Liberia from July 2006 to June 2008. In particular, the Program supports achievement of the key objective of the ***iPRSP second Pillar "Revitalizing the Economy"***, i.e. "*to rapidly accelerate the pace of economic growth as the foundation of poverty eradication and sustained development*", by assisting the GoL in addressing some of the critical structural constraints hindering the recovery and development of the private sector, in particular: (i) the exceptionally large informal sector, (ii) the outdated and unattractive investment code and (iii) the variety of administrative and regulatory practices and procedures that penalize economic activities and investments. The tie between the Program and the ***Final Liberia's Poverty Reduction Strategy (PRS)***, implemented from April 1, 2008 to June 30, 2011, is even stronger, with priority interventions aimed at creating an enabling environment for private sector investment and exports in non-traditional activities, largely mirroring Program components. This almost perfect alignment is not surprising, given that the IC Team provided substantial input to the drafting of these provisions of the GoL's strategies to ensure that private sector focus was appropriately reflected, a clear sign of the Government's endorsement of the Program. The Program also played a positive role in the achievement of the objectives pursued under the ***PRS third pillar ("Strengthening governance and the rule of law")***, such as "*involving broader participation in the governance process, and reducing corruption*." In fact, by increasing transparency and businesses awareness of many administrative and regulatory procedures, and promoting an open dialogue between private and public sector, the Program has also been contributing to the promotion of a culture of accountability.

The appropriateness of the Program's actions to the country's real conditions, as well as to Government needs, is further reinforced by the initially adopted ***participatory approach***[24] and the

[23] For a summary presentation of the rating system, see Luba Shara, "How to Improve the Quality of Project Completion Reports", presentation at a PCR training workshop, Johannesburg, July 27, 2009.
[24] Between June and September 2007, the IC Team undertook a series of visit to Liberia to meet with respective line ministries, in order to agree on implementation priorities.

truly demand-driven nature of many initiatives undertaken, with detailed requests for assistance directly formulated by the beneficiaries and backed by preliminary analyses and discussions. Only a minority of specific, administrative reforms achieved under Component #1 were apparently more geared towards the improvement of Liberia's ranking in terms of DB indicators rather than addressing the most pressing needs voiced by the private sector. Some considerations in this respect are provided in Table 4.1.

Balance between 'Quick Wins' and Structural Reform Efforts. In the preliminary stage, the Program was primarily geared towards the achievement of structural reforms, such as the set-up of a business registry, the institutional strengthening of the NIC and the amendment of the drafting of a new investment code. During the preparation of the Program, following the inclusion of Liberia in the DB Survey and the ensuing request of assistance formulated by the GoL to improve DB rankings, the weight of attributed administrative reforms was raised. Nevertheless, the ***Program has maintained a more than adequate balance between quick-wins and more structural reforms***. In fact, many reform areas have been comprehensively addressed, combining the achievement of administrative reforms, technological changes, and legal reviews (as in the case of business registration and trade logistics) and other supported initiatives, such as the development of SEZ and the advisory services provided to the Ministry of Agriculture, were clearly not aimed at achieving quick wins. A similar opinion was also voiced by all interviewed beneficiaries, who simply attributed the comparatively smaller results achieved in addressing structural reforms to their more complex nature.

Appropriateness of Institutional Arrangements. ***In most cases, fruitful relationships were established with Ministries*** mandated by the Government (in some cases, the President directly) to take the lead on different initiatives. In some cases, the set-up of dedicated structures, such as the Risk-Management Unit or the Joint Steering Committee, was promoted to facilitate the implementation of the envisaged activities. Nevertheless, some problems were experienced due to lack of commitment or weak operational capabilities. For instance, the launching of the business registry was significantly delayed by lack of availability of local counterparts ("*members of the JSC have not always been able to dedicate as much time to the initiative as had been hoped*"[25]). ***In a more limited number of cases***, cooperation with GoL counterpart institutions, actually with one, single institution (the NIC), proved more problematic and ***institutional constraints revealed more important than initially foreseen***. In particular, under Component #6, the existence of significant risks linked to the limited local knowledge and the volatility of Government's dedication, largely triggered by the possibility of exploiting an actual opportunity rather than a genuine interest in developing the SEZ economic policy tool, were rightly identified in the project documents.[26] This component adopted a very prudent approach, with a phased structure, and the passage to each subsequent phase conditioned according to the display of commitment and establishment of an agreement with the beneficiary. However, no measures could be realistically foreseen to prevent the risk of the President reassigning this initiative to a different, less committed counterpart, i.e. the NIC. In the case of Component #2, a limited understanding of assistance implications, on the beneficiary side, and an underestimation of NIC reluctance to forgo its regulatory function and to adopt a more formally structured organization, on the Program side, were pinpointed as the main reasons for failure of the institutional capacity building program.

---

[25] SR#7 for the BEE Phase 2 project, page 2.

[26] PDS Approval, February 6, 2009: "*The team is facing a number of risks concerning this project. First, there is possible lack of commitment from government counterparts, especially in the case of decreased level of international investors' interest in a specific SEZs such as the potential one in Buchanan. […].Second, there is a limited number of public officials and private sector stakeholders who are well versed in SEZ issues. […] Third, in the potential later stages of this project, it would be important to attract private operators to manage SEZs in the country, and there is a risk that there would not be much interest, especially in light of current global economic circumstances.*"

Collaboration with other donors was actively sought, in order to raise Program leverage vis-à-vis governmental authorities. For instance, the successful implementation of reforms improving DB rankings was favored by the fact that their implementation helped Liberia to become eligible for the Millennium Challenge Corporation funds. In the same vein, a supportive role was played by the IMF, which included the passage of the investment code as a condition of Liberia reaching the HIPC decision point and ultimately debt relief, and setting program benchmarks fully consistent with expected outcomes of the IFC Program under the trade logistics component, such as the implementation of ASYCUDA in Monrovia Free Port, and the removal of import permit declaration (IPD). However, lately different views emerged in the case of SEZ law, whose passing was opposed by the IMF.

Component-Specific Considerations. Considerations regarding the strategic relevance of the various components are presented in Table 4.1 below.

Table 4.1 Strategic Relevance – Component-Specific Considerations

Component	Description
#1 – Business Registration	• As reported in several project documents, estimates by the World Bank suggest that 80-90 percent of the labor force operated informally in Liberia in 2006. Given the size of the informal economy and the strong negative impact it has on economic growth, as documented by the Informality Survey, the relevance of the Component's objective – the reduction of informality - is valid. • According to the Informality Survey, Liberian "*businesses decide to operate informally due to high start-up costs, lack of information and tax issues*"[27]. Therefore, ***activities implemented have been largely consistent with the stated aim of this component***. In particular, the awareness campaign efficiently addressed the lack of information issue[28], whereas the simplification of the business registration process reduced the likelihood that informal businesses trying to formalize fail to accomplish; this issue has been commonly experienced by informal businesses in the past[29]. • Nevertheless***, some minor remarks*** must be made: (i) taking into consideration that sole proprietorships and partnerships represent the vast majority of businesses, the introduction of administrative reforms primarily aimed at streamlining the process to register corporations looks somehow biased by DB ranking considerations; (ii) the reduction of taxes to stimulate business formalization has not been supported despite the fact the Informality Survey clearly highlighted its utmost importance[30]. However, it has to be mentioned that the policy reform agenda in the field of taxation was largely dictated by the conditionalities specified in the agreements with the IMF. • The combination of administrative reforms, technological changes and the review of the legal foundational documents can be regarded as an ***adequate approach, properly balancing quick-wins and more structural reforms***.
#2 – Investment Promotion	• Given the high potential to attract new FDI and to need to encourage re-entry of investors who left the Country during the conflict (800 of the 850 pre-war foreign enterprises were no longer operational in Liberia in 2007) the ***Component's***

[27] FIAS, Liberia - Removing Barriers to Enterprise Formalization, Part I: Survey Report, June 2007 (page 43).

[28] The majority of completely informal businesses are not well informed about the necessary steps to become fully formal (only 6.2% of surveyed businesses claimed to know exactly what to do).

[29] According to the Informality Survey, almost every other completely informal business has tried, and failed, to become formal (45%) due to expensive and complicated procedures and lack of information: "*steps are too expensive*" (24.9%), "*steps are too complicated*" (22.7%) and "*couldn't comply with necessary requirements*" (20.4%).

[30] Reduction of taxes was mentioned among top three formalization stimulants by over 80% of respondents and indicated as the single most important stimulant by 43% of interviewees.

	objective definitely matches Country's development priorities. • The ***initial design***, addressing both regulatory changes and complementary capacity building needs of the NIC, was ***definitely appropriate***. Likewise, a ***sensible operational approach*** was retained to reinforce the NIC, conditioning the provision of technical assistance to its internal reorganization. Nonetheless, with the benefit of hindsight, additional, preliminary initiatives aimed at raising the beneficiary understanding of the operational and financial implications of the designed institutional capacity building program would have been useful. • In spite of its addition in due course, the ***relevance of the assistance to the Ministry of Agriculture is undisputable***. First, the importance of the development of the tree crop sector to the overall economic development of Liberia can be hardly overestimated, as it is clearly highlighted in the DTIS[31]. Secondly, the requests for assistance formulated by the MoA targeted key sector needs identified in the comprehensive assessment of agricultural policy led by the Ministry, with support from FAO, the World Bank and IFAD[32].
#3 – PPD and Communication	• ***Public-private dialogue is an effective tool to promote private sector development*** and investment climate improvements to the measure it facilitates the introduction of better designed, more sensible reforms. Furthermore, it represents an ***efficient tool to promote nation building***, especially in post-conflict countries. • The ***relevance of selected thematic areas was granted by the participatory approach*** adopted for the establishment of the LBBF, with the engagement of the private sector in the reform process, thereby ensuring a better design of reforms and shared ownership of outcomes. However, during implementation, activities tended to concentrate on a few thematic areas (three of five WG, i.e. infrastructure, institutional enhancement and trade/export, have stopped functioning) due to the high LBBF's dependency on the Program.
#4 – DB Reforms	• Given the strong political will of the Government to make reforms happen and the need to achieve some quick-wins in a post-conflict country to build momentum and appetite for reforms, both the ***relevance and timeliness of this Component are positively assessed***. • The ***selection of reform areas*** was agreed with Government and looks largely consistent with (i) the existing opportunities to achieve fast improvements (Liberia ranked at the very bottom of DB rankings with reference to 'property registration' and 'construction permits' indicators), and (ii) the need to tackle the lack of transparency in administrative processes, consequentially contributing to fighting corruption (one of the biggest obstacles to doing business in Liberia, as illustrated by the World Bank Enterprise Survey).
#5 - Trade Logistics	• In the Liberia' development ***strategy trade is mentioned as a lever for growth and poverty reduction***. More specifically, trade logistics was identified as a key priority among DB areas based on the possibility of achieving immediate improvements (i.e. administrative reforms) as determined by the technical team. This selection looks somehow at odds when compared with the fairly positive ranking in terms of 'Trading across Borders' indicator in the DB Survey 2008 (Liberia ranked 98th out of 178 countries). However, this initial positive assessment performed by the DB Survey revealed largely mistaken and flawed by unduly

[31] DTIS: "*One tree crop (rubber) accounts for over 90 percent of current exports and rubber, oil palm and cocoa offer the best opportunity for widespread, direct participation by the poor in export activity*", as its development could benefit some 450,000 households, i.e. almost one-half of the rural population.

[32] Republic of Liberia, Ministry of Agriculture, Comprehensive Assessment of the Agriculture Sector (CAAS-Lib), 2007: "*To enhance the contribution of tree crops to the Liberian economy short-term priorities should include public–private sector dialogue aimed at arriving at solutions to critical issues that impinge on tree crop development, such as […] the role of the out-grower plantation scheme; developing a model concessions contract and […]. In the medium/long term the emphasis should be […] a nucleus estate-cum-smallholder strategy for oil palm (where the global demand for biofuels offers exciting opportunities) and rubber*" (Executive Summary, page xvi).

	optimistic numbers, therefore, confirming the appropriateness of the decision made the Program. • A ***comprehensive approach***, including actions aimed at rapidly addressing anomalies in the border clearance regime (quick-wins) as well as at setting up an integrated, efficient border management system (i.e. structural reforms, such as the introduction of risk-management procedures, and the computerization of customs management system) was adopted. • ***Complementarities with the vast array of donors and international organizations*** providing support to address trade logistics problems, such as UNCTAD, ADB, and the World Bank, ***were duly taken into consideration and synergies were maximized***.
#6 – Special Economic Zones	• In a post-conflict country, where mobilizing the private sector and reforming the broad regulatory framework represent daunting tasks, ***the development of a SEZ regime***, which can be used: (i) to attract investors, by reducing the high level of perceived risk and lack of confidence in the country, and (ii) as a platform for reforms that would later be extended to the rest of a country, ***can be rightly considered as an adequate tool to spur economic development***. • The launching of the initiative was determined by a request coming directly from the GoL and the ***Program provided timely, initial assistance,*** preventing the potential risk of entering into speculative transaction. In contrast, there are ***doubts about the appropriateness of subsequent actions***, once the interest of Chinese investors had largely vanished (in itself, a predictable result of the decision to avoid commitments before a comprehensive regulatory framework had been put in place).

Overall Assessment. Overall, the strategic relevance of the Program can be regarded as ***highly satisfactory***, based on positive or extremely positive performance displayed by all components.

4.3 Delivery of Outputs

This part of the evaluation is essentially concerned with the quality and timeliness of the outputs delivered by the Program. Detailed listings of outputs are provided in the Supervision Reports. However, given the extremely heterogeneous nature of the output indicators used (number of new laws/regulations/amendments/codes drafted or contributed to the drafting, number of participants in workshops, number of entities receiving advisory services, etc.), this information is of limited usefulness for an overall assessment, and therefore the analysis is carried out at the level of individual components. This is complemented by a brief discussion of client satisfaction.

Component-Specific Considerations. Considerations regarding the various components are presented in Table 4.2 below.

Table 4.2 Delivery of Outputs – Component-Specific Considerations

Component	Description
#1 – Business Registration	• ***Timely, practical and successful assistance has been provided to the set-up of a new modern business registry*** (i.e. proposal to secure funding from the ICF, request for proposal to select the service provider, review of registry design, etc.). • ***Proposals for several short, medium and long term reforms aimed at streamlining the business registration process have been timely formulated*** by the DB Reform Team and the IC Team and a large number of entities have received advisory services. • A technical review of the Association Law has been carried out by an external consultant retained by the IFC[33], while ***the drafting of the revised law was postponed*** as a result of a government shift in priorities.
#2 – Investment Promotion	• ***Most of the outputs forecast under the institutional capacity building program for the NIC were not delivered*** because the beneficiary did not take necessary steps towards corporate restructuring. Delivered outputs include: (i) two corporate plans, the second representing an improvement, including a better explanation of the rationale behind proposed reorganization and operational indications; and (ii) a tailored "Effective Investment Promotion Seminar" to NIC staff. Participant attendance and appraisal of the training were high, but the actual relevance of covered topics was limited, as the majority of trainees were not directly involved in investment promotion activities. • ***Quality outputs aimed at reviewing investment law***, such as a technical review of the legal regime and its presentation at high level meeting, ***were promptly delivered***, but needed to be modified to duly take into account local concerns. • ***Outputs concerning the development of a model concession agreement were promptly developed and appreciated by the Client***. The quality of the services provided the IFC-retained industry expert is clearly illustrated by the MoA reiterated request for his assistance. • The framework for a small-holder/out-grower strategy is currently being finalized and, given the increasing demand for assistance, with successive requests from the client, this slight delay is acceptable.
#3 – PPD and Communication	• A slight delay in the delivery of PPD-related outputs was recorded during Phase 1 (the design of a blueprint for implementing the forum was not completed on schedule), with the effective launching of the LBBF taking place at the start of Phase 2. Since then, ***many outputs have been achieved by this forum***. According to the last supervision report available, as of June 2010, the number of participants in workshops, training events and conferences was 355 (compared to a target of 300), and based on anecdotal evidence[34], the number of meetings organized and private sector participation were significantly increased over time[35]. • The LBBF provided technical and financial support to the review of the Associations Law, as well as to the drafting of the Commercial Code and the establishment of a Commercial Court, including sponsoring a study tour for principal Liberian stakeholders to Ghana. ***However, as of June 2010, the number of laws/regulations/codes drafted or contributed to drafting was lagging behind expectations, i.e. 2 compared to a target of 6***[36]. • Other relevant, delivered outputs include: (i) an outreach campaign, providing information about reforms, including a prominent display within all relevant

[33] Legal Review and Commentary. Title 5: Associations Law of the 1976 Liberian Code of Laws Revised, March 2009.

[34] The information is based on field interviews held with private sector representatives and LBBF staff, as detailed information on this indicator is not included in the supervision reports.

[35] For instance, a vast network of Parliamentarians, Government officials and private sector leaders was engaged to support the revision of Investment Law.

[36] According to comments received on the first version of the Report from the Program Manager, the situation is likely to have improved in recent times, as a result of the enactment of the Commercial Code and the Commercial Court Bill.

	Ministries of wall-size posters describing the new, simplified procedures, and (ii) the provision of training on DB indicators to about 10 members of the newly formed LEJA. According to the Interim President of the association, the training was useful to improve understanding of both DB methodology and business climate issues.
#4 - DB Reforms	• As illustrated by key outputs indicators, ***this component performed above expectations.*** In fact, 9 targeted procedures/policies/practices/standards were proposed for improvement or elimination, and the number of entities receiving advisory services doubled initial expectations (i.e. 12 vs. 6). • A limited number of action plans for reforms were delivered at the right time, providing specific recommendations, with numerical examples, showing the likely impact of the proposed reforms. • The above tangible outputs were complemented by the ***continuous, hands-on assistance*** provided by the IC Team and the DB Reform Team to the BRC to implement the agreed reforms.
#5 - Trade Logistics	• ***Many outputs were delivered with reference to the introduction of a risk management regime*** (including training workshops for customs staff, a medium-term risk management strategy action plan, hands-on, protracted assistance for the development of risk profile and database). The quality of the training was appreciated by all 30 Customs officers, who attended risk management workshops in October 2008, as documented by the positive/very positive assessments of the various workshops features included in the participants' evaluation sheets. • ***As far the automation of the customs system is concerned, useful assistance has been provided under the Program***, including assistance in securing funds from the ICF and the provision of IT Training, which was participated in by more than 92 customs officers and brokers. • ***Concerning the assistance aimed at simplifying existing import/export procedures, only a few outputs are indicated in the supervision reports***. Available, supporting documentation is rather scarce, consisting of a couple of succinct action plans, not backed by well specified analytical foundations. This was reportedly a deliberate choice of the Program, aimed at delivering measurable results in the shortest possible time and taking advantage of the dynamism of local counterparts. The reforms contained in the action plans were identified in response to consultation with a range of stakeholders and discussion with the GoL, with the final aim of implementing international best practices to improve time and cost for private sector importing and exporting. Nevertheless, given the lack of a sound information basis (as illustrated by incorrect DB trade-related indicators), the Consultant is not in the position to fully assess whether the most pressing administrative reforms were actually identified.
#6 – Special Economic Zones	• ***All outputs foreseen under Phase 1***, including sensitization and consensus-building workshops, attended by some 100 participants, and a comprehensive pre-feasibility study, ***were promptly delivered***. • Two major, positive elements on Phase 1 outputs must be highlighted: (i) the ***promptness in providing a quick response to the GoL***, which prevented the Government entering into a one-off transaction with Chinese inventors and (ii) ***the excellent quality of the pre-feasibility study***, proposing a very sensible approach to SEZ development, based on major international best practices and legal and institutional standards, addressing country-specific legal policy issues (e.g. naturalization, land tenure, amendment of the existing Industrial Free Zone Authority Act) and providing a clear, well-articulated implementation plan. • ***The key output to be delivered under Phase 2, i.e. SEZ Law draft, was drafted on schedule, but all other outputs were not delivered, pending its finalization***.

Client Satisfaction. The level of satisfaction of entities receiving support from the Program was an important theme in interviews. The overall assessment is definitely a positive one, with ***all interviewed beneficiaries declaring to be satisfied or very satisfied with the assistance received***. This very positive assessment is further corroborated by hard facts, such as formal letters expressing satisfaction with the IFC assistance and reiterated requests for assistance sent by many beneficiary institutions. Both quality and timeliness of the assistance were generally praised. In particular, very positive comments were formulated on the commitment of the IC Team and the extremely useful and constant guidance provided to implement reforms ("*the hands-on assistance provided to BRC has been instrumental to the implementation of many reforms*"). Quite surprisingly, even the Chairman of the NIC positively rated the assistance received from the Program, praising the high quality of the second corporate plan, reportedly not endorsed due to lack of funding, as well as the excellent job done on the investment code. The positive perception is also substantiated by the reiterated request for capacity building support addressed by the NIC to the Program.

Overall Assessment. The Program delivered a high number of substantial outputs, most of them of very good quality and usually submitted on schedule. Overall, also considering the views expressed by interviewees, the performance of the Program in terms of delivery of outputs can be regarded as ***highly satisfactory***.

4.4 Achievement of Development Outcomes

The evaluation of development outcomes refers to the ***achievement of the intended short and medium term effects***. In practice, the analysis focuses on (i) the level of acceptance of recommendations provided by the Program, in terms of laws passed or amended, administrative procedures reformed or eliminated, improved organizational models adopted and the like, and (ii) how the recommendations translated into concrete improvements in the investment climate (e.g. in a reduction of the time required and/or expenses incurred to complete a certain procedure). The level of acceptance of results is reviewed in general terms, while the achievement of concrete results is analyzed at the level of individual components.

Acceptance of Recommendations. The degree of acceptance of recommendations formulated under the Program is quite diversified, depending very much on the counterparts and the nature of reforms. The ***acceptance rate was extremely high in the case of administrative reforms***, with almost 40 improvements implemented over a 2-year period, significantly contributing to raising Liberia's ranking from the 177th to the 149th position (Liberia was recognized as a Top 10 Global Reformer in 2010). In contrast, ***legislative changes had much more cumbersome path***, as illustrated by long period of about 3 years required to enact the new investment law. However, this less than positive assessment requires some explanations. On the one hand, there was an initial over-optimism in setting the timeframe for goal achievement. On the other hand, the passage of such a sensible, landmark piece of legislation in a country in the aftermath of a conflict should be definitely regarded as an outstanding outcome, which could be hardly achieved in a shorter period. As for ***other structural reforms, a mixed picture emerges***, with the five-year strategic business plan aimed at transforming the NIC into a more traditional investment promotion agency (IPA) never being implemented, while elements of the model concessions agreement were used by the MoA in negotiating some new concessions.

Improvements Achieved. According to the last supervision report, a total to ***47 improvements*** were implemented in three years. As a result of several introduced administrative improvements, a significant reduction in both time and costs of procedures to comply with business regulation was achieved, especially in the ***business registration***, ***trade logistics*** and ***construction permit*** areas. However, it should be noted that not all these reforms can be entirely attributed to Program activities, especially in the case of trade logistics (for instance, the role played by the Program in the creation of a one-stop-shop at the Freeport of Monrovia can be regarded as auxiliary, since this initiative had already started when Component #5 became operational). Comparatively ***less outstanding results have been achieved in the property transfer area.***

Component-Specific Considerations. Considerations regarding the development outcomes achieved by the various components are presented in Table 4.3.

Table 4.3 Development Outcomes – Component Specific Considerations

Component	Description
#1 – Business Registration	• ***At least 10 proposals for improving the business registration process were enacted***[37]***. As a result, according to the DB survey, the number of steps, the cost and the time necessary to register a business have significantly decreased*** from 10 steps, 447.3% of income per capita and 99 days to 5 steps, 52.9% of income per capita and 20 days, respectively. • In practice, the ***actual impact of the introduced reforms is smaller***. ***Firstly,*** the actual duration of the registration process may still well exceed a one-month period due to the limited responsiveness of the Ministry of Foreign Affairs not respecting its commitment to deliver incorporation documents within 5 working days. ***Secondly***, the reduction in compliance costs actually achieved is definitely lower than that indicated by the DB reports, as many businesses still use lawyers (and pay legal fees), despite the introduction of standardized forms for articles of incorporation. • Regardless of the efforts made to assist and raise attentiveness among local counterparts (as the organization of a study tour for JSC members, largely praised by participants), ***the actual launching of the new business registry has been delayed*** and should now take place by the end of the year. • ***No legislative reform has been enacted*** due to the postponement of the revision of the Association Law.
#2 – Investment Promotion	• ***The second corporate plan developed by the Program was formally endorsed by the NIC, but the restructuring of the Commission did not actually occur***. Therefore, the achievement of related outcome indicators, such as the increase in the number of investor enquiries in targeted sectors (from 20 to 33), was not applicable. • ***The passage of the Investment Law actually took place over 2 years later than initial expectations, but it represents a major achievement*** of the Program, given the significant, countervailing interests at play and the achieved opening up of half the 26 sub-sectors until now closed to foreign investment. • The ***Client endorsement of the model concession agreement*** is confirmed by its utilization in the negotiations with foreign investors. • ***The quality of the draft small-holder strategy has been praised by the Client***, but its ***actual viability may be compromised*** by the final design of the tree crop support program currently being drafted by the IBRD.
#3 – PPD and Communication	• The LBBF provided crucial advocacy support for the final passage of the ***new Investment Law,*** as well as technical and financial support to the process recently

[37] Implemented reforms include: (i) co-location of 3 agencies involved at the MoC; (ii) standardized forms for articles of incorporation; (iii) reduction in number of signatures for business registry approvals; (iv) harmonization of tax identification numbers across Government agencies; (v) streamlining of documentation at the NASSCORP; (vi) clarification and documentation of requirements for the EPA for business requiring an EIA; (vii) elimination of an annual re-registration at the MoC; (viii) five working days period to get incorporation document from MoFA, (ix) five working days period to get signed documentation from MoC; (x) elimination of the previous practice by the MoC of physically inspecting all new business sites.

	leading to the enactment of both the Liberian ***Commercial Code*** and the ***Commercial Court Bill***[38]. • The ***LBBF also played an instrumental role in attitude change***, by raising trust between stakeholders, improving Government accountability, and increasing private sector willingness to engage in the reform process, thereby contributing to nation building, as emerged during interviews with representatives of business associations and business managers.
#4 – DB Reforms	• Aside from reforms achieved under the business registration and trade logistics components, ***some additional 10 reforms were implemented***, a figure in line with the indications about opportunities for short-term reforms formulated by the IC and DB Reform Teams. • ***In regards to property registration, nearly all (5) recommended short-term reforms were enacted, whereas long-term reforms, such as the digitization and consolidation of all property records, had not yet materialized.*** According to DB reports, the duration of the property transfer process remains at 50 days (against a targeted reduction to 8 days). However, this does not take into account the recent adoption of a standard deed form. • ***Six administrative reforms were introduced to ease the attainment of construction permits*** following the IC and DB Reform Teams' recommendations. A significant reduction of both the duration (from 398 to 77 days, largely overachieving expectations – target of 300 days) and the cost (from a share of income per capita of 65,846% to 28,296%) of the procedure is recorded by the DB reports over the analyzed period. However, these improvements were only partially induced by Program-supported short-term reforms. In fact, <u>key drivers for DB improvements consist of better access to the utilities (not supported by the Program)</u>, following (i) the reopening of the national phone company (with a reduction of the time to obtain a landline connection from 270 to 7 days) and (ii) the decrease of the cost to buy and install a generator from US$ 84,000 to US$ 46,000.
#5 - Trade Logistics	• According to Program documents, ***more than 20 administrative reforms were enacted since the launch of this component, but the link between outputs and outcomes is not always clear***. On the one hand, no specific reference is found in the action plans to some of the introduced reforms (e.g. the removal of the Ministry of Transport requirement for motor vehicle importers to obtain a permission letter to import or the elimination of Ministry of Agriculture permit for import/export). On the other hand, some of the suggested reforms have not been fully achieved (e.g. elimination of the IPD, harmonization of customs declaration forms to an international single administrative document). • As a result of the number of administrative reforms introduced, ***both time and cost to export and import have been significantly reduced***. In particular, the reduction/elimination of some trade-related fees, such as PSI fees (reduced from 1.5% to 1.2% of FOB shipment value) and the fee to obtain the IPD (eliminated), has certainly reduced costs to import. However, these positive achievements have not been properly reflected in DB reports, which, as previously stated, are flawed by severe errors and optimistic numbers as far as 'Trading Across Borders' indicators are concerned. In fact, <u>DB reports indicate an increase in the import costs per container from US$ 1,032 to US$ 1,212 between 2008 and 2010</u>. • In contrast, ***outcomes related to other, structural reforms***, i.e. the introduction of a risk-based regime and the automation of the customs system, ***are expected to be achieved during the next fiscal year***. However, some related outcomes, such as the

[38] These two pieces of legislation were not mentioned in the first version of the Report, due to their recent enactment. According to comments received by the PM on the first version of the Report, these legislative changes involved the passage of 8 laws, thereby raising the 'number of recommended laws/regulations/amendments/codes enacted' from 0 to 8, exceeding the envisaged target, set at 6.

	set-up of a risk management unit and the implementation of the ASYCUDA World software, have already materialized.
#6 – Special Economic Zones	• Following Program recommendations, a ***SEZ Steering Committee was established***, providing a reliable, local counterpart for the implementation of the envisaged activities. • This ***committee accepted all key policy recommendations*** outlined in the pre-feasibility study. In particular, ***the Government agreed to adopt a unified, national legal framework, as opposed to an ad-hoc concession-by-concession approach***, to govern Liberia's country-wide SEZ regime. This represented a significant positive outcome, in line with international best practices[39], and eliminated the high risks (and likely monopolistic tendencies) potentially associated to according exclusive rights to the Chinese investor to develop the Buchanan SEZ site[40]. • On the negative side, ***the finalization of the SEZ law and of the institutional structure for a Liberia zone program were not achieved*** as result of the lack of commitment of the NIC and difficulties encountered in collecting consolidated comments on the second draft from relevant local stakeholders.

Overall Assessment. Overall, the Program efficacy to achieve expected, development outcomes is rated as ***satisfactory***. This must be considered as an 'average' assessment, with the variations across components, with Components #1, #3, #4 and #5 displaying an excellent/good performance and less positive performances observed in the cases of Component #2 and, especially, of Component #6, primarily due to lack of commitment from the beneficiary.

4.5 Efficiency

Efficiency measures the extent to which the resources devoted to a certain initiative are reasonable in light of the results achieved. In principle, the analysis of efficiency would require the calculation of cost effectiveness ratios comparing the outputs delivered/outcomes achieved with the associated expenditures. However, in the case under consideration this type of analysis is largely precluded, due to data limitations concerning both the numerator and the denominator of the cost effectiveness ratio. In fact, Program expenditures are neither budgeted nor tracked by component or work stream and strong interrelations exist among activities carried out under different components[41]. These problems are further amplified by the heterogeneity of output/outcome indicators, reducing the comparability of cross-component considerations.

---

[39] As clearly stated in the pre-feasibility study*: "International best-practice experience teaches that a unified national legal framework, as opposed to an ad hoc concession-by-concession approach, is the preferred course of action to establish a solid legal foundation to foster a competitive country-wide SEZ regime. Such a proactive strategy allows host countries to evaluate all SEZ proposals consistently on a case-by-case basis in accordance with uniform economic development criteria clearly spelled out in the statute. Such an approach promotes consistent and coherent decision-making and outcomes, because public administrators apply the same transparent criteria on a case-by-case basis. By contrast, a reactive transaction-by-transaction strategy can lead to inconsistent host-government decision-making and result in public administrators applying a different set of criteria on a case-by-case basis. The resulting lack of uniformity, which can contradict the host country's national economic policy in a particular transaction, typically leads to zone regime failure. For these reasons, it is recommended that the GoL adopt a unified, national SEZ legal framework, as opposed to pursuing an ad hoc concession-by-concession approach"* (page 27).

[40] According to DTIS 2008: "*The Government of China has recently offered to establish a "Special Economic Zone" (SEZ), alongside the port of Buchanan, apparently to take advantage of the port rehabilitation to be undertaken by ArcelorMittal. Although, on the face of it, this offer looks attractive, there are potential pitfalls. The proposal is apparently not welcomed by Arcelor Mittal. A similar zone in Freetown, Sierra Leone, does not operate in a transparent fashion, and is currently focused on importing. It is not clear what activities the Chinese would actually wish to establish in the proposed Buchanan zone…"* (pages 25 and 26).

[41] For instance, the increased number of registered businesses should be measured against resources deployed under Component #1, but also under Component #4. Similar considerations apply to Components #4 and #5.

Budgetary Aspects. All in all, the total cost of the Program is set at US$ 6.15 million, with yearly appropriations between US$ 1.1-1.4 million. As of the end of FY 2010, 84% of the allocated budget has actually been disbursed. ***No significant deviations between budget and actual expenses have been detected***. Distribution among actual staff, operating and administrative costs account for 14%, 78% and 5% of total costs respectively, substantially aligned with one of the other technical assistance projects. Frequent recourse to short expert missions inflates travel costs, however an effort has been made to achieve savings by sharing some key consultants with the ongoing similar Program in a neighboring country, Sierra Leone.

Table 4.4 Program Budget, per cost category - as of June 31, 2010

Cost Category	Total Budget, as of June 31, 2010		Actual Expenses, as of June 31, 2010		Total Budget	
	US$	Share	US$	Share	US$	Share
Staff	711,957	14%	746,822	17%	896,557	15%
Operating costs Of which:	4,075,535	80%	3,321,341	78%	4,799,600	78%
*Consultants**	*2,650,778*	*52%*	*2,044,303*	*48%*	*3,191,722*	*52%*
*Travel Costs***	*1,131,258*	*22%*	*1,101,208*	*26%*	*1,243,379*	*20%*
Contractual Services	*293,499*	*6%*	*175,830*	*4%*	*364,499*	*6%*
Administrative Costs	279,211	5%	214,157	5%	435,797	7%
Contingency	10,000	0%	0	0%	18,971	0%
Total	**5,076,703**	**100%**	**4,282,320**	**100%**	**6,150,925**	**100%**

* Includes ET consultants and temporary
** Includes staff representation & hospitality

Organizational Aspects. As far as staff management is concerned, an ***excessive rotation at top management level was detected in the initial phase of Program***, a crucial moment for creating momentum, building strong relationships with the Client and defining Program objectives. On the positive side, once the Program became fully operational, a solid team was locally recruited. In fact, the professionalism and dedication of the ***local key staff (i.e. Program Coordinator and LBBF coordinator) was indicated by many beneficiaries*** as a key factor behind the achievement of many reforms. ***Synergies have been maximized with other funds (namely the ICF)***, providing instrumental financial support to cover for the launch of both the business registry and the automation of the border clearance system.

Component-specific considerations. A rough allocation of the budget to different components as of mid 2010 was performed based on two very simple rules: (i) administration and management expenditures was reallocated among the three separate projects, for which detailed budgets are available, based on their relative importance as measured by the share of staff and operational costs, and (ii) the budget was allocated to the first four components jointly covered by one single project based on their relative share of the total budget as indicated in the PDS approval document. In particular, the following percentages were adopted: (i) Business Registration: 10%; (ii) Investment Promotion: 37%, and (iii) PPD, DB reforms and Communications: 53%. As illustrated by Table 4.5 below, there are no major deviations between budgeted and actual expenditures for different components, with the notable exception of the SEZ component, which remained in stalemate for about one year before recently closing down.

Table 4.5 Program Budget and Expenditures, per Component - as of June 31, 2010

Component	Total Budget, as of June 31, 2010	Actual Expenses, as of June 31, 2010	Share Spent
#1 – Business Registration	353,971	315,502	*89%*
#2 – Investment Promotion	1,337,225	1,191,898	*89%*
#3& #4 – PPD, Communication & DB Reforms	1,927,177	1,717,736	*89%*
#5 – Trade Logistics	732,025	627,322	*86%*
#6 – SEZ	726,305	429,862	*59%*
Total	**5,076,703**	**4,282,320**	***84%***

Based on the above figures, some tentative considerations on the cost-effectiveness of each single component are summarized in Table 4.6.

Table 4.6 Efficiency – Component-Specific Considerations

Component	
#1 – Business Registration	This is smallest component of the Program. Useful administrative reforms were introduced and timely assistance was provided to set-up a business registry. Even if Component #4 played a key role to the achievement of the former, and some delays were experienced with the launching of the latter, the efficiency of this Component can be assessed as positive.
#2 – Investment Promotion	With a value of incurred expenditures in the order US$ 1.2 million, this is the second largest component. The passage of the new investment law and the development of concession model, utilized by the GoL in negotiating some major concessions, should definitely be regarded as major achievements. Nevertheless, the discontinuation of the institutional strengthening program for the NIC, after having deployed considerable resources, and delays experienced in delivering recommendations to the MoA on the development of a small-holder strategy, somehow off-set the positive assessment of the cost-effectiveness of this component.
#3-4 – PPD, Communication & DB Reforms	This is definitely the largest component, with a value of incurred expenditures estimated at over US$ 1.7 million. This amount positively compares with the huge number of initiatives conducted by the LBBF, including its crucial lobbying role in the final enactment of the new investment law, and the hands-on assistance provided to the BRC, which led to achievement of some 40 reforms.
#5 - Trade Logistics	Only very preliminary indications about the cost-effectiveness of this component can be formulated, as most of the outcomes will be achieved during the next fiscal year. Nevertheless, based on the high number of administrative reforms achieved and the number of outputs already delivered with reference to the introduction of a risk management regime (training workshops, risk management strategy action plan, …), an initial positive assessment can be formulated.
#6 – Special Economic Zones	Due to the limited collaboration extended by the NIC, the draft SEZ law was not finalized, and the project is now closed. Therefore, even if the importance of avoiding entering into a potentially, speculative transaction should not be underestimated, the present assessment of this component is less than satisfactory.

Overall Assessment. The lack of detailed information on expenses and cost items makes an assessment at the component level duly tentative. Subject to this caveat, Components #1, #3, #4 and #5 appear to offer a higher value for the money, while results are comparatively less satisfactory in the case of Components #2 and #6. Overall, the efficiency of the Program can be considered as ***satisfactory***.

4.6 Summing Up

A summary assessment of the Program is provided in Table 4.7. Overall, the Program can be regarded as ***satisfactory***. The rating is accompanied by some comments regarding the variance across the various components.

Table 4.7 Summary Evaluation

Evaluation Criteria	Summary Assessment	Component Specific Comments
Strategic Relevance	Highly Satisfactory	Performance was particularly positive in the case of most Components (#1, #3, #4 and #5), which could be rated as good/excellent with reference to all evaluation criteria. Comparatively less positive performances were observed in the case of Component #2 and, especially, of Component #6.
Delivery of Outputs	Highly Satisfactory	
Development Outcomes	Satisfactory	
Efficiency	Satisfactory	
Overall Assessment	Satisfactory	

5 PROGRAM IMPACT

5.1 Introduction

This Section is devoted to the 'quantitative' part of the Assignment, i.e. the assessment of the impacts achieved by the Program. In accordance with the TOR, the impact assessment exercise focuses on five types of impact, namely:

- two ***overall impacts***, relevant for all components or product areas, including: (i) the aggregate private sector cost savings and (ii) the private sector investment generated;
- three ***product-specific impacts***, including: (i) the number of new businesses registered, (ii) the new jobs created and (iii) the increase in trade flows.[42]

The two overall impacts are analyzed, respectively, in Section 5.2 and 5.3, while the remaining three impacts are discussed in Section 5.4. The approach adopted in estimating impacts builds upon the methodological work done in the earlier stages of the Assignment and presented in a separate report. This Section also takes into account the numerous studies and methodological documents developed recently by the IFC.

A few methodological and practical aspects are worth highlighting at the outset. ***First***, in principle, the analysis would require the comparison of situations 'without and with' the intervention. However, as recognized by the TOR, in the case of "*universally based interventions such as IFC's [investment climate] programs*", the recourse to control groups is generally unfeasible. Therefore, it was accepted that the exercise would rely on an assessment of "*changes in business environment before and after each project*" (TOR, page 6). ***Second***, as already mentioned in previous Sections, in some cases the reforms promoted by the Project were also supported by other donor initiatives or were influenced by other factors. Under these conditions, as again acknowledged by the TOR, "*it is difficult to determine the impact of reforms on private sector that can be attributed solely to IFC*". Again, efforts were made to isolate the effects of IFC-supported reforms from concomitant factors, but, in general, this was possible only in the case of private sector cost savings, for which the linkage between cause and effect is easier to determine. In the case of other impacts, the various donor initiatives were so intertwined that their effects could not be estimated separately. ***Third***, the analysis of impacts focuses primarily on the 2007 – 2010 period, using the year 2006 as a baseline. However, it is acknowledged that in many cases investment climate reforms take time to produce effects. An attempt was made to assess to likely medium term evolution of impacts, but in general this could be done only in qualitative terms. Therefore, it is important to stress that the quantitative estimates provided in the Report refer primarily to what could be regarded as the initial impacts of the Program, which represent only part of the total impacts. ***Fourth***, the exercise required the use of a variety of data, both of a macro and micro economic nature, collected from a variety of sources. Unfortunately, in a number of cases, the quality of data is less than ideal and, therefore, only rough estimates could be produced.

5.2 Private Sector Cost Savings

Definition. Private sector cost savings (PSCS) are defined as savings accruing to private economic agents as a result of reforms in the investment climate. These reforms may concern a wide range of themes, ranging from the simplification of procedures to obtain a certain permit or authorization to the elimination of certain fees or taxes. For the purposes of this exercise, two types of PSCS can be identified, and namely:

[42] The TOR also indicated two additional product-specific impacts, namely (i) the number of new businesses complying with tax regime, (ii) the tax revenue generated. However, the assessment of these to impacts was not carried out, due to the lack of Program components specifically targeting tax policy and administration issues.

- ***cost savings***, associated with the reduction in out of pocket expenses incurred by private enterprises thanks to the elimination/reduction of certain fees (stamp duties, service fees, etc.) and/or of the need to rely on service providers for certain formalities (e.g. legal advice). A peculiar category of cost savings refers to the elimination/reduction of 'unofficial/facilitation costs', i.e. bribes paid to facilitate/fasten administrative procedures or to maintain the informal status. This kind of costs emerged as significant and fairly well documented in Liberia;
- ***time savings***, referred to the gains in terms of opportunity cost of labor resulting from regulatory simplification and/or the adoption of improved organizational models for certain services[43].

PSCS were estimated based on a ***methodology*** inspired by the guidelines recently developed by the IFC to quantify the savings associated with investment climate operations[44]. The ***information*** required was retrieved from a variety of primary and secondary sources. In some cases, reference was made to data published in the DB Reports and/or data produced by the Program. Data retrieved from secondary sources were extensively complemented and augmented with information collected through interviews with a wide range of subjects (private firms, lawyers, accountants, public officials, etc.). The methodology and the sources used are illustrated in detail in Annex C, while a summary presentation of key aspects is provided in Box 5.1 below.

Box 5.1 - Estimating PSCS: Key Methodological Aspects

In essence, estimating PSCS involves the multiplication of a 'price element', i.e. the savings achieved in one particular case multiplied by 'quantity element', i.e. the number of relevant observations.

The nature of the ***price element*** depends upon the type of reform under consideration. In the case of cost savings, benefits can generally be measured directly (e.g. the registration fee is reduced from X to Y). In the case of time savings, the value to be considered is itself the result of the multiplication of the amount of time saved (typically, expressed in hours) multiplied by the relevant unit labor costs.

The ***quantity element*** also varies depending upon the nature of the reform considered. In some (most) cases, reference is made to the number of enterprises affected by the reform (e.g. the number of enterprises benefiting from the simplification of registration procedures). In other cases, reference is made to the number of transactions facilitated by the reform (e.g. the number of shipments not undergoing inspection at the border).

PSCS are calculated for the entire life span of the Program. As benefits may occur at different points in time, in order to properly aggregate annual values it is necessary to ***compound***, taking the terminal year of the Project as reference point. This is done using the relevant real interest rate.

Sources of PSCS. PSCS have been achieved thanks to reforms undertaken within the framework of ***three Program components***, concerning (i) business registration, (ii) Doing Business-related reforms and (iii) trade logistics. The reforms generating PSCS considered in the analysis are summarized in Table 5.1.

[43] A third type of PSCS is typically estimated: the financial savings related to the reduction in the financial burden shouldered by private operators as a result of changes in the payment modalities for a certain fee or tax, with ensuing cash flow advantages. However, no similar reforms have been facilitated by the Program. Therefore, this type of PSCS has not been addressed by the Report.
[44] IFC, *Guidelines for Aggregate Cost Savings template (basic)*, s.d. (but August 2010), hereinafter referred to as the 'IFC Guidelines'.

Table 5.1 Summary of Reforms Generating PSCS

Reform	Specific Measures Generating PSCS	Timing
Component #1 – Business Registration		
Business Registration – Corporations	• introduction of standardized forms for AoI, potentially eliminating legal service fees • elimination of the obligation of all new business sites to be physically inspected by the MoC • improvement of services through the establishment of a one-stop-shop structure	Early 2008
Business Registration – Sole Proprietorships & Partnerships	• improvement of services through the establishment of a one-stop-shop structure	Early 2008
Unofficial costs – All businesses	• reduction of bribes paid annually for maintaining an informal status	Early 2008
Component #4 – DB Reforms		
Building Permit System	• reduction of fee charged by the Ministry of Public Works for building permits • replacement of *ad valorem* fee levied by MCC for construction authorizations with a lower fee (per square foot) • introduction of a standard check-list for getting construction permits • elimination of the need to obtain a tax waiver prior to obtaining a permit • reduction of both value and incidence of bribes paid for getting a construction permit	Reforms introduced starting in early 2008, with additional measures adopted in 2009 (i.e. MCC fee replaced in May 2009)
Property Registration System	• elimination of the obligation for entrepreneurs to notify Bureau of Internal Revenue of title transfer upon registration • elimination of the US$ 10 'unofficial' fee to get a copy of seller deed	Early 2009
Component #5 – Improving Trade Logistics		
Import procedures	• removal of the fee to be paid to the MoC to obtain an Import Permit Declaration (IPD) • removal of the requirement for shipper to pay overtime for custom officers attending arrival/off-loading of ships • reduction of the pre-shipment inspection (PSI) fees from 1.5% to 1.2% of FOB value	Reforms introduced starting in mid 2008, with additional measures adopted in 2009

The aforementioned reforms represent a share of all reforms introduced during the period of Program implementation. Motivations for the exclusion of some reforms introduced can be grouped under three major categories:

- ***no/limited impact on PSCS***. This category includes many reforms that reduced the overall length of some procedures and raised efficiency on the governmental side, without generating significant cost and time savings to entrepreneurs, such as the reduction in number of signatures for business registry approvals;
- ***lack of results achieved***. This category includes few reforms that have not yet materialized, such as the elimination of the annual re-registration at the Ministry of Commerce, which is expected to become fully effective only when the Business Registry is operational, or the introduction of a standardized deed for property registration, which was only achieved recently (May 31, 2010);
- ***lack of available data***. For a limited number of reforms, mainly falling under the trade logistics component, the assessment of generated PSCS could not be estimated due to sheer lack of data. For example, this is the case of time savings associated to the elimination of destination inspection requirements for strategic imported commodities and cost savings arising from the creation of a tiered fine structure for violation of PSI requirements for imports.

Quantification of PSCS. The PSCS generated by the reforms supported by the Program were quantified using the above mentioned methodology. Overall, during the 2008 – 2010 period, PSCS attributable to the Program amount to ***about US$ 4.7 million***, expressed in 2010 value. The results of the exercise, with the breakdown by component/reform and type of savings, are summarized in Table 5.2 below.

Table 5.2 Summary of PSCS Generated (US$, 2010 Value)

Reform	Cost Savings	Time Savings	Total PSCS	Comments
Component #1 – Business Registration				
Business Registration – Corporations	239,221	204,616	***443,837***	The assessment of cost savings is somewhat hypothetical due to the lack of precise information on the actual reduction in the recourse to legal services
Business Registration – Sole Proprietorships & Partnerships	-	90,530	***90,530***	
Unofficial costs – All businesses	261,523	-	***261,523***	Results are based on the supposed increase in the number of businesses shifting from formal to informal status
Component #4 – DB Reforms				
Building Permit System	239,620	7,356	***246,976***	Parameters for the representative commercial/industrial building are derived from data provided by MCC and MoPW (not fully consistent)
Property Registration System	21,972	4,010	***25,982***	Inflated results, since the number of transactions also include property transfers by individuals for private purposes
Component #5 – Improving Trade Logistics				
Import Fees – IDP	416,927	-	***416,927***	Reliable estimation, based on actual data from the MoC
Import Fees – Overtime payments	99,788	-	***99,788***	Reliable estimation, based on actual data from MoF
Import Fees – PSI	3,105,586	-	***3,105,586***	Reliable estimation, based on actual data from BIVAC
Total	**4,384,637**	**306,512**	**4,691,149**	

Main remarks as follows:

- the total estimated value of PSCS is largely triggered by a limited number of reforms. Indeed, ***one single reform*** (i.e. the reduction of PSI fees) ***accounts for about two thirds of all PSCS***. Another 15% of benefits are linked to the streamlining of business registration procedures for corporations and the reduction of facilitation costs[45] associated with the increase in the number of businesses that shifted from informal to formal status. Finally, an additional 9% of benefits are generated by the elimination of the IPD fee. All other reforms appear to have yielded very limited benefits (accounting for 1%-2% of total impacts each). This is particularly evident in reforms dealing with the property registration and building permit systems, falling under Component #4;
- it is important to note that ***impacts of the reforms undertaken under Component #5***, cumulatively providing 77% of all estimated benefits, are largely based on actual figures and can therefore be safely ***regarded as sound estimates***. Vice versa, a higher degree of uncertainty characterizes major results achieved under Components #1 and #4. In the case of the introduction of AoI, its actual impact on the reduction of fees paid for legal services is not

[45] According to the Informality Survey, about half of the informal businesses had to annually pay a bribe of over L$ 9,000 (about US$ 150) for maintaining an informal business.

known and was estimated based on qualitative evidence. In the case of construction permits, key parameters for the representative construction building were derived from not fully consistent data provided by relevant, local institutions, and were set at significantly lower levels compared to the 'case model' used by the DB Survey. Indeed, whenever uncertainty arose, conservative assumptions were made, therefore ***actual impacts are likely to have been underestimated as opposed to overestimated***;

- finally, it is worth noting that ***time savings are rather minimal***, accounting for 7% of total PSCS only. Some measurement errors may exist as uncertainties characterize the estimation of both the reduction of time induced by reforms (due to fading memories) and the unit labor costs. However, the key variable affecting the time savings value is the number of relevant transactions, which is largely based on actual figures.

Quantification of Future PSCS. The possible value of future PSCS due to the reforms supported by the Program can only be guess estimated, due to the existence of too many variables. On the one hand, the value of PSCS is expected to increase due to (i) the increase in the time and cost savings associated with the launching of the business registry and (ii) the implementation of a customs risk management regime, which is expected to result in cost and time savings for traders with good cooperation records, who will undergo less customs interventions. No estimate is possible for the still ongoing business registration reform, but since the savings are largely attributable to time savings, they are likely to be rather modest. The impact of the trade logistics related reforms is likely to be more significant, but their precise quantification is unfeasible at the time of writing. On the other hand, following the approach adopted by the IFC Guidelines, the impacts associated with the earlier reforms should be gradually eliminated from calculations, the rationale being that, after a certain number of years, the reforms would have been implemented even without IFC support. Based on these considerations, it seems reasonable to conclude that over the 2011 – 2013 period, the total value of PSCS attributable to the Program could be assessed at value ***broadly similar to the estimated value for the 2008 – 2010 period***.

5.3 Private Investment Generated

The private sector investment generated (PSIG) is one of the so called 'overall impacts', the rationale being that the improvements achieved in the investment climate through the various components should ultimately be reflected in higher levels of private sector investment. In assessing the Program impact, two main potential determinants of PSIG were taken into account, namely the (i) acceleration in the enterprise formation process, and (ii) the activities specifically aimed at attracting foreign investors.

Enterprise Formation. The reform of the enterprise registration mechanism greatly facilitated the establishment of new enterprises and this certainly had a positive effect on investment levels. The total number of newly established businesses attributable to the Program is estimated in the 3,300 – 4,100 range (see below), whereas the average initial investment of a formal business is set at US$ 3,260, based on the data collected from different surveys[46]. Based on these parameters, the value of incremental private sector investment associated with the reforms promoted by the Program can be estimated between ***US$ 11 and US$ 13 million for the 2008 – 2010 period***, of which US$ 2.2 – 2.7 million in 2008, US$ 2.7 – 3.3 million in 2009, and US$ 5.8 – 7.2 million in 2010. The US$ 11 – 13 million can be regarded as the ***short term impact*** of the Program. In principle, the medium term impact could be estimated using the same approach, but this would require strong assumptions regarding the growth in newly formed businesses.

[46] In particular data from the National Establishment Census and the Informality Survey, both carried out in 2007 were analyzed and compared. For more information, see Annex D.

Investment Promotion. As indicated above, the provision of support to NIC was discontinued in the early stages of implementation, and therefore no tangible result can be credited to ***general investment promotion activities***. Instead, some positive results were achieved by the ***sector specific assistance*** provided to the MoA for the development of a model concession agreement in the tree crop sector. Used in negotiations for the renewal of existing concessions and for the granting of new ones, the model agreement certainly constitutes an important tool for attracting or retaining foreign investment, and in this respect the impact is definitely a positive one. However, as the values of concession deals also depend on a variety of other factors, any attempt to quantify the impact would be excessively arbitrary.

5.4 Other Impacts

Number of New Businesses Registered. This is classified by the TOR as a 'product-specific impact', primarily linked to the reform of the business registration system undertaken as part of Component #1. In reality, the process of enterprise creation and formalization depends on a variety of factors which, in turn, depend on reforms adopted under various Program components. However, the actual feasibility of adequately accounting for the existence of multiple causal linkages (and of their interactions) through the development of a model linking all the various aspects of the investment climate (and of related reform efforts) to the impact variables is prevented by the lack of data. Under these conditions, the quantification of this impact was performed focusing on the reforms supported by the Program that have the <u>strongest and most direct causal linkage with it</u>, i.e. measures specifically aimed at facilitating enterprise registration.

In fact, in Liberia, the pace of business registration accelerated considerably in connection with the introduction of reforms starting in 2008. During 2006 and 2007, the number of newly registered businesses has been fairly stable, at about 5,200 - 5,300. This value significantly increased starting from 2008, when a total number of more than 7,000 businesses were registered. A similar figure was recorded in 2009, while a second jump is recorded in 2010, when more than 7,300 businesses registered in the first nine months. Extrapolating this figure to the whole year, in 2010 the number of new business registrations is expected to be approximately 9,700. Based on the above considerations, the number of business registrations attributable to the reforms facilitated by the Program can be estimated by comparing the previous 2007 value with actual values recorded in the following years. This yields a total of ***more than 8,100 additional registrations for the 2008 – 2010 period***. However, it is important to note that the increase in business registrations does not necessarily translate in an increase in the number of new businesses in operation, as a significant share of newly registered businesses are entities that were previously operating informally. In 2007, the Informality Survey assessed this proportion to be over 60%. Once a similar proportion is subtracted, the number of new businesses whose establishment can be linked to the reforms promoted by the Program can be grossly estimated at ***3,300 – 4,100 for the 2008 – 2010 period***. These figures are likely to be somewhat inflated as they do not account for the fact that not all the newly registered entities become operational and firms' mortality rate, especially for micro and small businesses, is fairly significant in the first years of operations. However, no estimate could be made regarding the share of both non operational and 'dead' firms.

Jobs Created. The number of jobs created is regarded by the TOR as a 'product-specific impact', logically linked to the reform of labor legislation, which, by making the labor market more flexible, is expected to contribute to growth in the number of jobs. However, as discussed above, this appears to be a rather diminutive approach, as the number of jobs can also be affected by other investment climate reforms. Therefore, despite the fact that no single reform addressing labor legislation has been facilitated by the Program, the impact of job creation associated with the creation of new businesses was estimated following a logic similar to the logic used above for estimating the private investment generated, i.e. by multiplying the number of newly formed enterprises by the average employment at start-up. The average number of employees of a formal business at start-up is set at 5 people, based on the data collected from different surveys[47]. Based on these parameters, the number of jobs associated with business registration reforms promoted by the Program can be estimated in the order of ***16,300 to 20,400 for the entire 2008 – 2010 period***.

Increase in Trade Flows. This product-specific impact refers to the reforms supported by Component #5, focusing on the simplification of customs and other trade related procedures. However, ***the assessment of the impact of IFC supported reforms was prevented by a combination of practical and conceptual factors***, which would make any attempt of quantification futile. First, trade flows are affected by a variety of factors and assessing the relative importance of each requires the use of econometric techniques that are extremely data intensive. In the case of Liberia, the data required for such an approach simply do not exist. Second, even if data were available, it would be impossible to separate the contribution of the Program from that of other donor initiatives and external factors that contributed to the streamlining of customs procedures. In addition, there is no unanimity regarding the influence of customs simplification on trade flows in literature. In fact, while there is a growing body of literature acknowledging the importance of the 'time factor' in general (i.e. inclusive of transport time, customs clearance, port handling, etc.) in the determination of trade flows[48], some recent work suggests that the time required to clear customs may have a relatively modest influence compared to delays experienced in other phases on the import – export process. The problems related to the estimate of the impact on trade flows were discussed with the IFC trade logistics team, which fully concurred with the unfeasibility of the exercise at this stage.

5.4 Summing Up

A summary presentation of the Project impacts is provided in Table 5.3 below.

Table 5.3 Summary of Impacts

Type of Impact	Short Term Impact	Prospects for Medium Term Impact (3-4 years horizon)
Overall Impacts		
Private Sector Cost Savings	US$ 4.7 million	Medium term impact expected to be in the same order of magnitude
Private Investment Generated	US$ 11 – 13 million	No estimate for medium term impact is possible. Impact primarily associated to the process of business formation
Product Specific Impacts		
Number of New Businesses Registered	3,300 – 4,100	No estimate for medium term impact, although the growth rate of business formation is likely to further rise as a result of the launching of the business registry in Monrovia and in satellite locations
Number of New Jobs Created	16,300 – 20,400	No estimate for medium term impact is possible. Impact entirely associated to the process of business formation
Increase in Trade Flows	Positive but not quantifiable	No estimate for medium term impact is possible.

[47] In particular, data from the National Establishment Census and the Informality Survey, carried out in 2007, were analyzed and compared. For more information, see Annex D.

[48] In this respect, classical references are Hummels, "Time as a Trade Barrier", Purdue University, mimeo, July 2001; Simeon Djankov, Caroline Freund, Cong S. Pham, "Trading on Time", mimeo, January 26, 2006; and Portugal, Alberto and John Wilson, "Why Trade Facilitation Matters to Africa", World Bank, Policy Research Working Paper, 4719, 2009.

An indication of the Program's ability to generate impacts can be derived from the ratios between the expenses actually incurred as of mid-2010 (US$ 4.3 million) and the estimated impact values. In the case of ***PSCS***, the ratio is about 1:1.1, i.e. one dollar spent on the Program generating approximately 1.1 dollar of cost savings for private operators. In the case of ***private investments***, the ratio is in the order of 1:2.5 – 1:3, with one dollar spent generating between 2.5 and 3 dollars of investment. Regarding the ***non monetary impacts***, ratios are in the order of US$ 1,000 – 1,300 per newly created business and of US$ 210 – 260 per job created. The impacts quantified are generally linked only to a ***subset of Program activities***, whose budget was a fraction of total Program costs. If the ratios were calculated with reference to these activities, results would be much more favorable for some components and much less for others.

6 CONCLUSIONS AND RECOMMENDATIONS

6.1 Summary Assessment

The Program is widely regarded as a successful initiative and positive comments were provided by stakeholders and observers. The evidence reviewed in this Report broadly confirms this positive assessment, nevertheless with some qualifications.

Program achievements are typically symbolized by the Country's inclusion among the Top 10 Global Reformers for 2010 according to DB Survey. However, this excellent performance in terms of DB-indicators should not diminish the importance of other major results achieved (or likely to be achieved) by the Program.

The simplification of the business registration system and the awareness campaign focused on the required procedures promoted by the Program largely contributed to the acceleration of the business establishment process, consequentially exerting a positive influence on private investment and job creation. The numbers resulting from the impact assessment exercise appear fairly positive. Even if no impact can be demonstrated in terms of trade flows, the Program certainly contributed (along with other initiatives) to significantly reducing the time and costs associated with import and export procedures.

The assistance provided in the field of investment promotion was somehow less successful, as the NIC proved to be unwilling in undergoing the recommended restructuring process. Nevertheless, the Program displayed flexibility in promptly shifting support to the MoA, which demonstrated more receptivity. The passage of a new investment law required more time than initially foreseen, but it must be regarded as a great achievement, especially for a post-conflict country, and will exert a long term positive influence on the investment climate. In the same vein, the model concession agreement constitutes an important tool for attracting or retaining foreign investment.

The assessment regarding the development of SEZ is much less positive, as the draft law prepared by the Program was not finalized. In general, the Program encountered significant difficulties in the adoption of legislative reforms, which is largely a consequence of the difficult operating environment, but also an indication of the sensitive and complex nature of some the problems being addressed. In this respect, the Program's initial targets were probably over-optimistic, suggesting a less than full appreciation of the challenges to be faced.

The positive achievements were the result of a combination of factors, including the strong commitment to reform displayed by most of key government counterparts, on the one hand, and the full dedication and high professionalism displayed by the Program local team, on the other hand. The tight link between the BRC and the LBBF also definitely played a positive role in the achievement of many reforms. However, the huge dependency of the LBBF on IFC support translated into a rather unbalanced work plan, mirroring the IFC Investment Climate agenda, with all activity areas falling outside the Program mandate producing no results.

The Program is fairly expensive, and when the amount of expenses incurred thus far is compared with Program estimated impacts a mixed picture arises. Operational problems encountered with the NIC for the implementation of the institutional program and the finalization of the SEZ law as well as a purely structural aspect, i.e. the small size of the Country inevitably reducing the amount of achievable PSCS, contributed to the reduction of overall efficiency. However, this assessment has to be regarded as largely preliminary, and is likely to improve in the near future, when some significant structural reforms, such the launching of the business registry and the introduction of a customs risk-management regime, are expected to be achieved.

6.2 Recommendations

The Program is expected to be followed up by another operation currently being drafted. The findings presented in this Report suggest the formulation of recommendations which may help in the orientation of future work.

Recommendation #1 – Better assessment of risks and identification of suitable mitigation measures. In post-conflict countries at the beginning of similar projects, the lack of knowledgeable counterparts and weaknesses in implementation capacity typically represent a major threat. In this context, all relevant risks potentially arising from a lack of commitment or understanding by the client must undergo preliminary assessment and mitigation measures must be planned for. These may include: (i) conduction of several preliminary meetings and discussions with beneficiaries to increase understanding of reform implications and to ensure capacity and commitment to act in the required role; (ii) constant clear, result-based monitoring reporting (e.g. a short monthly letter to the Government), summarizing key steps, achievements, milestones and actions to be taken, useful for exerting pressure on delivery of goals and maintaining people constantly informed; (iii) identification of suitable measures aimed at reducing the potential diminishing of client's interest (for instance, in the case of SEZ components, actions aimed at attracting other investors could have been useful), and (iv) maximization of donors' coordination, based on preliminary mutual understanding about the solutions to be adopted, providing a strong, non-contradictory signal to governmental counterparts.

Recommendation #2 – Design exit strategies at the initial stage. It is necessary to better articulate exit strategies. In some cases, counterparts interest disappeared (e.g. SEZ) or was never really there (e.g. NIC restructuring). In these cases, a clear way out aimed at reducing the amount of operational expenditures incurred from the implementation of activities which do not deliver expected results should be defined. One of these lessons learned has been specifically included in the last supervision report for Component #6: "*One of the key lessons learned during this project is the need to establish upfront clear client benchmarks that will enable us to continue to provide assistance. With cleared benchmarks, we could have perhaps closed this project early or put it on hold based upon the client's changing priorities. Going forward, we will look to more clearly define and agree on deliverables due from the client. This will enable us to immediately respond by either putting the project on hold or closing it early*." However, it must be acknowledged that determining the exact moment when to stop assistance is not straightforward. For instance, repeated, enduring deployment efforts finally ensured the enactment of the new investment law, one of the Program's major achievements.

Recommendation #3 – Improve the M&E system. PDS approval documents lack many targets and baseline values. In the early stage of the Program the relevant information basis was extremely meager, nearly inexistent, as vividly stated by the Program Coordinator: "*the project started with absolutely no data*". As a result, the effectiveness and impact of some important initiatives can hardly be assessed after the fact. For instance, in the case of Component #1, the Program was initially expected to reduce the share of informal businesses from 80% to 60% within a couple of years after Program completion, but this indicator was soon abandoned due to the lack of available data. The situation only marginally improved over time. In fact, supervision reports make extensive use of DB-indicators, which are likely to inflate results achieved by the Program in terms of outcomes, and continuously add/eliminate indicators to accommodate for the activities actually implemented. Under these conditions, there appears to be significant room for improvement of the

M&E system, in particular by ensuring greater stability in the set of indicators used and by avoiding using DB-indicators, which may result in inflated numbers.

Recommandation #4 – Enhance exploitation of information sources. This recommendation is clearly linked with previous recommendation. Time and resources were devoted to conduct the Informality Survey in 2007, but data collected from this extensive survey have not been used in any Program document to set baseline and/or target values. In the same year, the Liberia Institute of Statistic and Geo-Information Services conducted a National Establishment Census, which collected useful information on several, relevant business parameters, such the value of initial investment and the workforce size for all locally operating units, including all government and business establishments (regardless whether formal or informal). As similar initiatives are likely to be repeated in the near future, better coordination should be achieved with the national bureau of statistics, allowing the retrieval of useful data, enabling to link business environment constraints to firm-level costs and productivity measures.

Recommendation #5 – Improve clarity and informative content of supervision reports. Supervision reports did not always provide a clear picture of Program developments. As they are currently structured, it is extremely difficult to get a full understanding of which different outputs and outcomes were achieved, and when. Efforts should therefore be made to enhance the clarity of these documents. In addition, detailed information on the financial resources allocated and disbursed for component should be added. This would allow for the calculation of cost ratios for different types of activities/components, thereby making it possible to assess their cost effectiveness.

ANNEXES

ANNEX A – DOCUMENTARY SOURCES

Project Files – Approval, Supervision and Progress Reports

- Liberia Private Sector Development in Post-Conflict Program - Phase 2 - Progress Report for January – June 2008 (undated)
- Liberia Private Sector Development in Post-Conflict Program - Phase 2 - Progress Report for July-December 2008 (undated)
- Liberia Private Sector Development in Post-Conflict Program - Phase 2 – Progress Report for January – June 2009 (undated)
- Liberia Private Sector Development in Post-Conflict Program - Phase 2 - Progress Report for July-December 2009 (undated)
- Liberia PSD in Post- Conflict Program - Phase 1 – TAAS-PDS Approval (version dated October 10, 2006)
- Liberia PSD in Post- Conflict Program - Phase 2 – TAAS-PDS Early Review (version dated October 19, 2007)
- Liberia PSD in Post- Conflict Program - Phase 2 – PDS Approval (version dated April 6, 2010)
- Liberia PSD in Post- Conflict Program - Phase 2 – PDS Approval (version dated October 13, 2009)
- Liberia Private Sector Development in Post-Conflict Program - Phase 1 – TAAS Supervision #1 – 2007
- Liberia Private Sector Development in Post-Conflict Program - Phase 1 – TAAS Supervision #2 – 2007
- Liberia Private Sector Development in Post-Conflict Program - Phase 2 – TAAS Supervision #3 – 2008
- Liberia Private Sector Development in Post-Conflict Program - Phase 2 – TAAS Supervision #4 – 2008
- Liberia Private Sector Development in Post-Conflict Program - Phase 2 – TAAS Supervision #5 – 2009
- Liberia Private Sector Development in Post-Conflict Program - Phase 2 – TAAS Supervision #6 - 2009
- Liberia Private Sector Development in Post-Conflict Program - Phase 2 – TAAS Supervision #7 – 2010
- Liberia Private Sector Development in Post-Conflict Program - Phase 2 – TAAS Supervision #8 – 2010
- Liberia Trade Logistics Project – TAAS Supervision #1 – 2008
- Liberia Trade Logistics Project – TAAS Supervision #2 – 2008
- Liberia Trade Logistics Project – TAAS Supervision #3 – 2009
- Liberia Trade Logistics Project – TAAS Supervision #4 – 2009
- Liberia Trade Logistics Project – TAAS Supervision #5 – 2010
- Liberia Trade Logistics Project – TAAS Supervision #6 – 2010
- Liberia Trade Logistics Project – Advisory service PDS Approval (version dated May 25, 2010)

- Liberia Trade Logistics Project – TAAS-PDS Approval (version dated January 10, 2008)
- Liberia PSD growth support through SEZs – TAAS Supervision #1 – 2008
- Liberia PSD growth support through SEZs – TAAS Supervision #2 – 2009
- Liberia PSD growth support through SEZs – TAAS Supervision #3 – 2009
- Liberia PSD growth support through SEZs – TAAS Supervision #4 – 2010
- Liberia PSD growth support through SEZs – TAAS Supervision #5 – 2010
- Liberia PSD growth support through SEZs – Advisory Services Approval (version dated June 2, 2009)
- Liberia PSD growth support through SEZs – TAAS PDS Approval (version dated April 11, 2008)

Project Files – Substantive Matters

- FIAS, Liberia, Removing Barriers to Enterprise Formalization, Survey Report, June 2007
- Liberia Better Business Forum (LBBF) Presentation
- Legal Review and Commentary - Title 5: Associations Law of the 1976 Liberian Code of Laws Revised – (version dated March 2009)
- Business Reform Committee: Outcomes and Next Steps – Presentation (November 11, 2008)
- Doing Business Reform Unit - Presentation to the Liberia Business Reform Committee Monrovia, Liberia (December 11, 2007)
- Next Steps on Reforms - Mission to Liberia, Reforms to improve the ease of doing business (December 10-14, 2007)
- Summary Review of Investment Law of Liberia – Presentation (December 12, 2006)
- Regulatory Regime Comparative Analysis Research conducted by: Thomas Doe Nah (April 2, 2008)
- Summary Review of Investment Law of Liberia and Initial Proposals on Considerations for Reform (December 2006)
- Establishment of Special Economic Zones in Liberia: A Pre-Feasibility Study - Final Report - February 2009
- IFC - Bureau of Customs & Excise, Liberia Risk Management Project – Draft Report (version dated October 2009)
- Action Plan - Reforming Liberia Trade Logistics System - 2010-10-20
- BTOR – Liberia (August-September 2009)
- BTOR – Liberia (November 9-21, 2009)
- United Nations Department of Economic and Social Affairs Statistics Division – Country Presentation – Customs-Liberia (August 30 – September 5, 2005)
- IFC Model Concession Framework Project - Consultation Report (September 2008)
- Republic of Liberia – Ministry of Agriculture – Conclusions from the Consultation Process IFC Model Concession Framework Project (October 2008)

- Five-Year Business Plan For The National Investment Commission (NIC) of Liberia 2008-2013 – Draft (April 04, 2008)
- Rebuilding Liberia through Investment Attraction, Retention, and Reform - National Investment Commission (NIC) of Liberia - Three-Year Corporate Plan (October 2007)
- Effective Investment Promotion Seminar - National Investment Commission – NIC - Monrovia, Liberia (February 26-29, 2008)
- Out grower Strategy for Liberia – Draft Options Paper (November 2009)
- Out grower Strategy for Liberia – Options Paper for the Government of Liberia (November 2009)
- Out grower Strategy for Liberia – Options Paper for the Government of Liberia (March 2010)

Other Documents

- Central Bank of Liberia, Annual Report 2009, January 20, 2010
- Poverty Reduction Strategy, Republic of Liberia, April 2008
- IMF Country Report No. 07/60, Liberia: Interim Poverty Reduction Strategy Paper, February 2007
- IMF Country Report No. 10/199, July 2010
- Liberia, Diagnostic Trade Integration Study, December 2008
- Republic of Liberia – Ministry of Agriculture – Comprehensive Assessment of the Agriculture Sector – Volume 1 – Synthesis Report (undated)

ANNEX B – PERSONS AND INSTITUTIONS INTERVIEWED

Institution	Name	Position
SIDA	Dr. Gun Skoog	Mission Director
IMF	Mr. Yuri Sobolev	Resident Representative
Ministry of Agriculture	Mr. James Logan	Deputy Minister – Planning & Development
Executive Mansion	Hon. Natty B. Davis	Minister of State without Portfolio
Ministry of Public Works	Mr. Edsel Smith	Assistant Minister
Ministry of Lands Mines and Energy	Mr. George Miller	Assistant Minister
Ministry of Commerce and Industry	Mr. Frederick Norkeh	Deputy Minister
Ministry of Commerce and Industry	Mr. Abu Kamara	Division of Domestic Trade
Ministry of Finance	Hon. Elfreida Tamba	Deputy Minister
Ministry of Finance – Bureau of Customs & Excise	Ms. Decontee T. King-Sackie	Commissioner of Customs
NIC	Richard. Tolbert	Chairman
Monrovia City Corporation	Mr. Frank A. Krah	Management Specialist
Environmental Protection Agency	Mr. David Wah	
CNDRA	Ms. P. Bloh Sayeh	Director General
Liberia Institute of Statistics & Geo-Information Services	Mr. Lawrence Varpilah	Assistant Director
BIVAC	Mr. Henry Bernard	Deputy Managing Director
Liberia Economic Journalists' Association	Mr. Zoegar Jaynes	Interim President
Liberia Chamber of Architects	Mr. F. Augusts Caesar, Jr.	President
Liberia Business Assertions (LIBA)		
Chamber of Commerce	Monie Captan Langley Kialain	Chairman Analyst
National Custom Brokers Associations of Liberia	Mr. Y. Weagba Seeboe	President
IFC	Ms. Jumoke Jagun-Dokunmu	Resident Representative
IFC	Ms. Maria Miller	ICAS Program Manager (Program Coordinator)
IFC	Mr. Kobina Daniel	Business Simplification leader
IFC	Ms. Mary Agboli*	former TTL and PPD leader
IFC	Mr. Gokhan Akinci*	SEZ leader
IFC	Mr. William Gain*	Trade Logistics leader
Private Sector (Pierre, Tweh & Associates)	Mr. N. Oswal Tweh	Counsellor-at-Law
Private Sector	Nagbale Warner	Counsellor-at-Law
Private Sector	Hilton Powo	Counsellor-at-Law
Private Sector	Sylvester Rennie	Counsellor-at-Law
Private Sector	Mr. David Vinton	Accountant
Private Sector	Mr. Theo Wiaplah Giple	Accountant
Private Sector	Mr. Joseph Nimely	Accountant

* Telephone interview

In addition to the above, during fieldwork, interviews were held with other counterparts in the private sector who asked that their name be kept confidential.

ANNEX C – IMPACT ASSESSMENT – PRIVATE SECTOR COST SAVINGS

C.1 Introduction

In this Annex, we provide detailed presentation of the data used and the approach adopted for the estimate of private sector cost savings (PSCS). The Annex is structured as follows:

- Section C.2 briefly recaps the methodological approach;
- Section C.3 presents some general parameters used in the analysis;
- Sections C.4 through C.6 deal with the calculation of PSCS in, respectively, Components #1, #4 and #5.

C.2 Methodology

Overview. The methodology adopted for estimating PSCS builds upon the preparatory work done in the earlier stages of the Assignment and presented in a separate report[49]. The approach presented here also takes into account the work done by the IFC on the refinement of M&E indicators for investment climate projects and, more specifically, the methodology developed for estimating aggregate cost savings accruing to private operators[50]. In this respect, it is worth noting that the IFC methodology is developed in an ex-ante framework, whereas this exercise adopts an ex-post perspective. As shown below, this involves some modifications in the definition of variables and in calculation procedures.

Taxonomy of PSCS. Two types of PSCS can be identified in Liberia, and namely:

- reduction in ***out of pocket expenses*** associated with the abolishment/simplification of certain procedures ("cost savings");
- reduction in the ***time spent by private operators*** in dealing with certain procedures that have been abolished/simplified ("time savings" or "savings in the opportunity cost of time").

Cost savings refer to two items, namely: (i) the elimination/reduction of certain fees (stamp duties, service fees, etc.) and (ii) the elimination/reduction of the need to rely on service providers for certain formalities (e.g. legal advice). These two effects are found for different areas of intervention, from the construction of buildings (i.e. reduction of the fee charged for construction permits) to import/export procedures (i.e. elimination of fee to obtain an Import Permit Declaration). A particular category of cost savings refers to the elimination/reduction of 'unofficial/facilitation costs', i.e. bribes and gifts paid by private entrepreneurs to facilitate/fasten administrative procedures or to maintain the informal status.

Time savings refer to the gains in terms of opportunity cost of labor resulting from regulatory simplification and/or from the adoption of different organizational models for certain services. This is, again, relevant for a wide range of areas on intervention, from business registration (e.g. as a result of the establishment of a one stop facility) to property registration (e.g. following the elimination of the obligation to notify the BIR of title transfer upon registration).

Estimating PSCS. In analytical terms, estimating PSCS is a quite straightforward exercise, as it essentially involves the multiplication of a 'price element', i.e. the cost savings achieved in one particular case, times a 'quantity element', i.e. the number of relevant observations, referred to as 'transactions'.

[49] *Report #2 – Methodological Report*, August 12, 2010.
[50] IFC, *Guidelines for Aggregate Cost Savings template (basic)*, s.d. (but August 2010), hereinafter referred to as the 'IFC Guidelines'.

The nature of the ***price element*** depends upon the reform whose PSCS are being calculated. In the case of cost savings, e.g. the elimination of a certain fee or tax, the impact can generally be directly measured. However, when the fee or tax is expressed in *ad valorem* terms (e.g. construction authorization fee equal to a certain percentage of the value of the construction project), it is necessary to make reference to the value of the good/transaction on which the fee or tax is levied. The value of time savings is the result of the multiplication of the time saved thanks to a certain reform (expressed in terms of hours) times the unit value of labor (expressed in hourly total labor costs, i.e. inclusive of benefits, social security, and taxes).

The nature of the ***quantity element***, i.e. the number of transactions, also differs depending upon the nature of the reform considered. In certain cases, e.g. the registration of newly established businesses, the number of transactions coincides with the number of economic agents affected by a certain reform. In other cases, e.g. the inspection of shipments at the border, there is no *a priori* rigid relationship between the number of economic agents and the number of procedures, and the number of transactions must be measured independently.

Two further aspects are worth highlighting:

- PSCS are calculated for the whole life of the Program. As benefits may occur at different points in time, in order to properly aggregate annual values it is necessary to ***proceed to compounding***, taking the terminal year of the Program as reference point. This is done using the relevant real interest rate[51];
- some costs incurred by private operators (e.g. fees and taxes on specific transactions) are deductible for profit tax purposes, and this reduces the burden of complying with regulations. Therefore, in order to calculate the net impact of reforms, it is necessary to ***adjust the savings considering the relevant profit tax rate***. However, this does not apply to economic agents registered under 'simplified' tax regimes, typically involving the payment of turnover taxes and/or of flat taxes, as well as to reforms involving a reduction of 'unofficial costs'. Therefore, the application of the corporate tax (set at 35% in Liberia) has been assessed on a case-by-case basis, based on the type of reform assessed and the economic agents affected[52].

Practical Issues. While the method of calculating PSCS is relatively simple, significant practical problems arise due to various reasons. This is especially evident in the case of cost savings and time savings. In particular:

- ***Cost Savings***. There are two main issues related to this typology of PSCS. Firstly, sometimes data for the baseline situation refer only to partially relevant situations. For instance, in the case of the registration of businesses, the benchmark fees provided by the DB Report refer to the case of a limited liability company. However, in Liberia the majority of newly formed enterprises are sole proprietorships and partnerships. This inevitably means that baseline data have to be reconstructed. Secondly, in certain cases savings are merely theoretical and do not actually accrue to businesses. An example is provided by the hypothetical cost savings accruing to private entrepreneurs no longer required to use legal services following the introduction of standardized forms of Articles of Incorporation, which has not yet materialized, since the majority of these still prefer to obtain legal advice. In these cases, an attempt must be made to ascertain the effective degree of application of the relevant savings, and calculations are inevitably approximate;

[51] The approach adopted here is different from the one indicated in the Guidelines, which recommend the discounting of values to baseline year. This is due to a difference in perspective. In fact, the Guidelines describe the approach to be used ex-ante, whereas this Assignment concerns the ex-post assessment of impacts.
[52] For instance, for reforms indiscriminately affecting all formal businesses, the incidence of the corporate tax rate was set at 30%, to reflect the share of corporations out of total new registered businesses.

- ***Time Savings***. In this case, baseline data are usually missing (DB Reports typically record the delays, not the time spent in performing the various tasks) and reconstructing the baseline situation after 3 to 5 years is made difficult by fading memories. Data obtained from companies and professionals are often at odds, and widely variable. This means that calculations are inevitably based on fairly rough estimates. Also, coherent data on labor costs are also difficult to gauge, given the huge differences in wage levels across the various types of businesses. In principle, there is also a conceptual problem is determining the hourly wage of an entrepreneur, who 'by definition' is not getting a wage. But this is largely a theoretical problem, because in the countries covered most of the entrepreneurs are merely 'survivalist entrepreneurs', whose income is often lower than that of employees in the formal sector.

C.3 Basic Assumptions and Key Parameters

Baseline Year and Reference Period. The baseline year is ***2007***, as the second Phase of the Program was approved on January 2008. The reference period for the calculation of PSCS is ***2008 – 2010***. No attempt was made to estimate future PSCS.

Exchange Rate and Compounding. Annual, average ***exchange rates*** to transform L$ values in US$ terms are taken from the Central Bank of Liberia Annual Report (2009). The ***real interest rates*** used for compounding purposes was calculated as the difference between the average nominal annual lending rate to businesses and the annual inflation rate. Also in this case, data are taken from the same report. However, in accordance with comments received from IFC staff on the first version of the Report, a floor of 3% was set, and used for compounding the value of PSCS in years 2007 and 2008. Data are presented in Table C.1 below.

Table C.1 Exchange Rates and Real Interest Rates

Year	Exchange Rate	Lending Rate (A)	Inflation Rate (B)	Real Interest Rate (A-B)	Real Interest Rate Used
2007	60.77	14.3%	11.4%	2.9%	3%
2008	63.29	14.3%	17.5%	-3.2%	3%
2009	67.81	14.24%	7.2%	7.04%	7.04%

Time Savings. For the calculation of time savings, reference was made to the key parameters indicated in the IFC Guidelines, namely: (i) 250 working days per year and (i) 8 working hours per day.

Unit Value of Labor. Four professional profiles were considered, namely:
- high level staff (management);
- medium level staff (office manager/secretary);
- low level staff (newly recruited clerk);
- independent small trader.

The unit value of labor is expressed in terms of hourly gross wage/earnings, inclusive of income taxes and social security contributions (when applicable). Estimates of the value of labor for ***high, medium and low level staff*** are largely based on the ***World Bank Enterprises Survey (WBES)*** carried out in 2008. The WBES collected information on employment levels, and of particular interest are the data on: (i) the 'number of permanent, fulltime employees (all employees and managers included)' (question L.1); (ii) 'the number of fulltime seasonal/temporary workers employed' (question L.6); (iii) 'the average length of employment of all fulltime temporary employees (in months)' (question L.8); and (iv) 'the value of total annual cost of labor (including wages, salaries, bonuses, social payments)' (question N.2). All data refers to fiscal year 2007.

The total level of employment per business was first calculated by summing up the number of permanent employees and the temporary workers expressed in terms of their fulltime equivalent[53]. Then, the total annual labor cost per employee was calculated for each business by dividing the total level of employment by the value of the total annual labor costs. Since the range of variation of data is extremely high, reference was made to the adjusted average, with the elimination of outliers. To account for the sample bias affecting the WBES, which covers only formal businesses with at least 5 employees, and based on locally retrieved information, the average value was increased by 50% to obtain the reference value for high level staff and decreased by the same percentage to obtain the reference value for medium level staff. Based on this procedure, the ***monthly salary for medium level staff was assessed at some US$ 115,*** which appears to be a sensible figure when confronted with minimum salary for any Liberian in the civil service, set at US$ 50 as of July 1, 2007[54]. Finally, the reference value for lower level staff was calculated as a fraction of the value retained for medium level staff (divided by 3). Given the significant variability of and the limited number of valid observations (130) for WBES data, as well as the strong assumptions made, results were compared with the GNI value for 2007 to check their logic. Data are summarized in Table C.2 below

Table C.2 Monthly Total Labor Cost, 2007 (US$)

Professional Profile	Monthly Labor Cost	Times of GNI
High Level	289	23.1
Medium Level	116	9.3
Low Level	39	3.1

In the case of ***independent small traders***, earnings were estimated based on information collected by the ***National Establishment Census*** (NEC) and the ***Informality Survey*** (IS). Based on data provided by the former source, the average annual income (i.e. value of sales minus intermediate consumption) for small businesses (less than 3 employees) operating in the trade sector could be estimated at some US$ 950. A higher value is derived from the latter source, above US$ 3,000, but this figure refers to the annual turnover and the survey sample includes medium-large large businesses. As we are interested in the value of profit, as opposed to turnover, the lower value is considered as a more appropriate estimate.

The above values refer to the year 2007. In order to estimate values for the following years, 2007 values were inflated using coefficients based on the annual average of consumer price (IMF data) for the relevant years (2008: 17.5; 2009: 7.4; 2010: 7.6). The hourly rates retained for the analysis are presented in Table C.3 below.

Table C.3 Unit Cost of Labor (US$) – Data Retained for the Analysis

Professional Profile	2008	2009	2010
High Level Staff	2.0	2.2	2.4
Medium Level Staff	0.8	0.9	0.9
Low Level Staff	0.3	0.3	0.3
Independent Trader	0.6	0.6	0.6

[53] This was simply done by dividing the product of the number of temporary workers and the average length of their employment by 12 (months).
[54] In 2010, the minimum monthly salary of civil servants is expected to rise from US$ 55 to US$ 80 per month.

C.4 Estimating PSCS for Component #1

In the case of Component #1, PSCS have been calculated with reference to following reforms, namely:

- the reform of business registration procedures, with separate calculations for corporations and for sole proprietorships/partnerships;
- the unofficial cost savings associated to the increase in the number of businesses shifting from the informal to the formal status.

Reform of Business Registration – Corporations. This is a composite reform, involving the adoption of a series of successive legal, administrative and organizational measures entailing: (i) the simplification of registration procedures, with the elimination of certain steps, the streamlining of required documentation and the concentration of responsibilities in a newly established one-stop-shop type of structure and (ii) the reduction of registration fees and other out-of-pocket costs. This part concerns only the registration of enterprises having a corporate form. The relevant number of ***transactions*** is given by the number of corporations that have registered during the reference period or to a share of them, depending upon the type of reform (see below).

PSCS relate to both cost and time savings. In particular:

- ***Cost savings*** refer to the elimination of legal fees as a result of the introduction of standardized forms for Articles of Incorporation (AoI), which, in principle, should enable businesses to register without an attorney. This results in a cost saving of US$ 500 per business registration (i.e. the average lawyer's fee), starting from 2008;
- ***Time savings*** include:
  - the reduction in the time required to go through several steps of the registration process (i.e. name search, filling of AoI and making payment) following the creation of the one stop center, with an overall saving grossly estimated at 2 full days (16 hours) from 2008;
  - the elimination of the previous practice by the MoC of physically inspecting all new business sites, with the saving of 12 hours day from 2008 (preparatory activities included).

The following points have to be highlighted:

- in regards to ***time savings***, the number of ***transactions*** simply refers to the total number of businesses that actually registered as corporations in 2008-2010 (branches excluded). As for ***cost savings***, the situation is less clear-cut. Qualitative evidence collected suggests that the impact of the introduction of standardized forms for AoI has been fairly modest so far, with most of the interviewees acknowledging a marginal decrease in the use of legal services only. Our conservative estimate set the share of relevant transactions at some 10% of the total number of businesses that actually registered;
- the analysis did not consider other aspects sometimes mentioned in Program documents and/or in DB Reports. In particular no consideration was given to: (i) reforms that shortened the overall length of the registration process, i.e. the ***reduction in number of signatures*** for business registry approvals, the ***harmonization of tax identification*** numbers across Government agencies, and the ***setting of a predefined, short time to obtain documentation from relevant ministries***, as these reforms did not generate PSCS, (ii) the ***elimination of the annual re-registration*** at the Ministry of Commerce and the ***elimination of NASSCORP requirement to produce copies of AoI***[55], as both reforms are expected to become fully effective only when the Business Registry is operational, and (iii) the clarification and documentation of ***Environmental***

[55] At present, businesses are still required to go to NASSCORP and submit Business Registration (BR) and AoI. Whether the requirement for AoI is dropped or not, businesses will still have to go to NASSCORP with their BR to complete the registration process.

Protection Agency procedures for those businesses requiring an Environmental Impact Assessment.

A summary presentation of key parameters is provided in Table C.4 below.

Table C.4 Reform of Business Registration for Companies – Parameters

Years	Cost Savings		Time Savings	
	Transactions	US$	Transactions	Hours
2008	226	500	2,258	28
2009	212	500	2,119	28
2010	260	500	*2,603**	28

*estimate

Reform of Business Registration – Sole Proprietorships/Partnerships. This concerns the registration of businesses not having a corporate form, basically partnerships and sole proprietorships. Registration procedures for these firms were reformed in parallel with those used for corporations, although the scope of reform was more limited. In fact, the only discernible impact consists of the reduction in the time required to go through some steps of the registration process (i.e. name search and payment) following the creation of the one stop center, with an overall ***time saving*** <u>of 8 hours from 2008</u>. The relevant number of ***transactions*** is again given by the number of enterprises actually registered in 2008-2010.

A summary presentation of key parameters is provided in Table C.5 below.

Table C.5 Reform of Business Registration for Sole Proprietorships/Partnerships – Parameters

Years	Time Savings	
	Transactions	Hours
2008	4,588	8
2009	5,034	8
2010	*6,356**	8

* estimate

Reform of Business Registration – Unofficial/Facilitation Costs. The Informality Survey conducted in 2007 highlighted that about half of the informal businesses claim they have paid a bribe over the previous one year for maintaining an informal business. These unofficial costs were estimated at about 10% of annual revenues, on average, i.e. a little over L$ 9,000 per year (about US$ 150). The awareness campaign carried out within the business community, together with the simplification of registration procedures, triggered the rate of formalization of the Liberian private sector. The total ***number of transactions***, i.e. the number of businesses shifting from informal to formal status as a result of Program initiatives, has been estimated as a share (55%) of the increased number of new registered companies compared to the baseline. The share was set at slightly smaller value compared to the proportion of partially/completely formal businesses that admitted operating informally before formalizing according to the Informality Survey (62.2%). Unofficial costs savings were assumed to accrue to half of these businesses.

A summary presentation of key parameters is provided in Table C.6.

Table C.6 Reform of Business Registration – Unofficial Costs

Years	Transactions	Cost Saving (US$)
2008	282	150
2009	378	150
2010	*1,029**	150

* estimate

C.5 Estimating PSCS for Component #4

In the case of Component #4, PSCS have been estimated with reference to following reforms:

- the reform of the system for the issue of building permits;
- the reform of procedures for property registration.

Reform of the Building Permit System. This reform concerns increased transparency and simplification of procedures and reduction in costs for the issuance of building permits and authorizations. PSCS relate to both cost and time savings. In particular:

- ***Cost savings*** include:
  - the reduction in the fee charged by the Ministry of Public Works (MoPW) for building permits from US$ 0.1-0.25/sq. ft. to US$ 0.05/sq. ft. per commercial building. This results in a unit cost saving of about US$ 250 in 2008 and US$ 500 in 2009 and 2010;
  - the replacement of the *ad valorem* fee (i.e. 3% of the value of the construction project) levied by the Monrovia City Corporation (MCC) for construction authorizations with a fee of US$ 0.04/sq. ft. This results in an estimated average cost saving of some US$ 800 per authorization starting from May 1, 2009;
  - the reduction in the size of the 'facilitation costs' following increased transparency in the permit issuance process. According to information provided by local key informants, the average value of the "gift" reduced from US$ 500 to US$ 50 per permit, resulting in an unofficial cost saving of US$ 450 starting from 2008;
- ***Time savings*** include:
  - the reduction of the time required to businesses to make corrections and add documents following official denial of approval, as a result of the implementation of a standard check-list, detailing all required forms, with an average savings of 2 days (16 hours), starting from 2008;
  - the elimination of the requirement to obtain a tax waiver prior to obtaining a permit, with an additional savings of 8 hours starting from 2009.

The following points must be highlighted:

- key parameters for a representative commercial/industrial building in Liberia were estimated based on data provided by the MCC and the MoPW. However, significant inconsistencies emerged from these two sources, in particular: (i) the number of authorizations yearly issued by the MCC is roughly double of the number of permits issued by the MoPW, which is in contrast with the fact that the latter apply to all construction projects within the Republic of Liberia, whereas the former are required for activities carried out within the limits of the City of Monrovia only; and (ii) the average dimensions of buildings, as inferred from data on collected fees, is much bigger in the case of MoPW compared to MCC. It is, therefore, likely that data received from MCC include, in addition to authorizations for construction, authorizations for reconstruction and renovation, for which smaller fees are charged. Based on data from the MoPW, the ***average size of a commercial/industrial building*** was estimated at 5,000 square feet in 2008 and 10,000 square feet in 2009 and 2010. The ***average value of a construction project*** was estimated, based on MCC data (the only available source), at some US$ 20,000 in

2008 and US$ 40,000 in 2009 and 2010[56]. These parameters constitute a significant deviation from the 'case model' adopted by the DB Survey, which assumes a commercial building of 14,000 square feet, with construction costs of US$ 224,000;

- as for the ***total number of transactions***, (i) the actual number of construction permits issued for commercially oriented buildings was retrieved by the MoPW, (ii) the number of authorization permits issued by MCC has been set at slightly smaller share (95%) of the number of construction permits, to account for the wider geographical scope of the latter; and (iii) the number of permits for which unofficial costs had to be paid was been set at a decreasing, but extremely high share of the number of construction permits (i.e. 70% in 2008, 65% in 2009 and 60% in 2010). In fact, interviews with private sector representatives indicate bribes and corruption as the rule rather than the exception[57], but also highlighted some positive developments in the last years.

A summary presentation of key parameters is provided in Table C.7 below.

Table C.7 Reform of Building Permit System – Parameters

Years	Construction Permits			Construction Authorizations		Unofficial Costs	
	Transactions	Cost Savings (US$)	Time Savings (hours)	Transactions	Cost Savings (US$)	Transactions	Cost Savings (US$)
2008	44	250	16	-	-	31	450
2009	66	500	24	42	800	43	450
2010	92	500	24	88	800	55	450

Reform of Property Registration. ***Cost savings*** concern the elimination of the US$ 10 'unofficial' fee charged to obtain a copy of seller deed, following the imposition to all relevant agencies to clearly post procedures for property transfer as well as to indicate relevant fees. ***Time savings*** refer to the elimination of the obligation for the entrepreneur to notify Bureau of Internal Revenue of title transfer upon registration and are estimated to be in the order of 4 hours starting with 2009. The number of ***transactions*** refers to the actual number of property transfers recorded by the Center for National Documents & Records Agency (CNDRA) in 2009 and the first six months of 2010 (extrapolated to the whole year).

The following points should be highlighted:

- data on transactions provided by the CNDRA do not distinguish between ***transactions made by individuals*** for private purposes and ***transactions made by businesses*** for industrial or commercial purposes. In principle, only the latter should be taken into consideration, as PSCS refer only to savings accruing to private businesses. As real estate deals for private purposes are believed to constitute the majority of transactions, this results in an overestimation of related PSCS;
- the analysis did not consider other aspects mentioned in Program documents and/or in DB Reports. In particular no consideration was given to: (i) the ***surveyor certification reform***, based on qualitative information collected, its net impact is likely to be null. Indeed, the benefits in

[56] In 2008, MCC reportedly earned about US$ 11,500 from issuing some 20 construction authorizations. As the fee levied before the reform was set at 3% of the value of the construction project, the average value per project could be estimated at some US$ 20,000. In accordance with doubling of the average size of the representative building, this figure was raised to US$ 40,000 in the following years.

[57] This information is largely confirmed by the World Bank Enterprise Survey 2009, setting the share of firms expected to give a gifts to get a construction permit as high as 62.9% in Liberia, significantly above the average for the Sub-Saharan African region, set at 27.3%.

terms of lower transaction costs arising for private enterprises from the eased access to the list of certified surveyors made publicly available are reportedly offset by the higher fees typically charged by certified surveyors; (ii) the introduction of a ***standardized deed***, which may enable businesses to register without an attorney, as this reform was only recently achieved (May 31, 2010), and effects have not yet materialized; and (iii) reforms that shortened the overall length of the property transfer process, i.e. the ***clarification of the notice period that must be provided by surveyors***, and the ***setting of a defined deed approval time for the Probate Court***, as these did not generate PSCS.

A summary presentation of key parameters is provided in Table C.8 below.

Table C.8 Reform of Property Registration – Parameters

Years	Transactions	Cost Savings (US$)	Time Savings (hours)
2009	1,281	10	4
2010	*826**	10	4

*estimate

C.6 Estimating PSCS for Component #5

Reform of import/export procedures. An impressive number of administrative reforms have been facilitated by the Program, involving (i) the streamlining and/or elimination of unnecessary steps and documents, and (ii) the reduction of trade-related costs and other out-of-pocket expenditures costs. However, in some cases, their actual impact in terms of PSCS appears fairly marginal[58], whereas in some other cases, their impact could not be estimated due to a sheer lack of available data.

Based on the above, ***cost savings*** have been estimated for the following major reforms:

- the removal of the fee to be paid to the Ministry of Commerce to obtain an Import Permit Declaration (IPD). This results in a cost saving of US$ 25 per IPD starting from 2009;
- the removal of the requirement for shippers to pay overtime for customs officers attending arrival/off-loading of ships. This results in a cost saving of US$ 500 per shipment starting from mid 2009;
- the reduction of the pre-shipment inspection (PSI) fees from 1.5% to 1.2% of FOB value. This results in an average cost saving of US$ 15 per shipment in the second half of 2008 and US$ 7 per shipment in 2009 and 2010.

The following points should be highlighted:

- The number of ***transactions*** refers to: (i) the number of IPD yearly issued by the MoC. This figure was steady at about 9,000 for both year 2009 and 2010, based on the data received from the MoC on the number of IPD monthly processed between October 2008 and July 2010; (ii) the number of shipments making overtime payments, based on the actual value of related fees

[58] Indeed, some of the facilitated reforms seemingly addressed very specific issues. For instance, many project documents count among support reforms "*a 50% reduction (from 3% to 1.5%) of customs clearing and administration fees*". However, according to the DTIS this vaguely defined reform turned out to refer to "a *reduction of the charge for special services provided to import shipments that require urgent processing due to specific circumstances ascribed to irregular or sensitive goods, such as emergency, perishability, unsafe packaging, etc., from 3% to 1.5% of the CIF value of the shipment*" (under lineation added to emphasize the highly peculiar nature of the reform). Detailed data on the number of relevant transaction could not be retrieved. However, the impact of this administrative reform is likely to be minimal given the particular nature of the removed fee, whose actual application seems to be extremely narrow. In contrast, several other reforms, such as the elimination of the Ministry of Transport fees and personnel in the clearance process or the elimination of various security functions and other non essential staff at the National Port Authority gate, improved efficiency on the governmental side, but did not generate PSCS.

collected by the Ministry of Finance, (iii) the actual number of shipments undergoing PSI in 2008 and 2009. Figures for 2010 was conservatively estimated at the same level as 2009;

- the requirement for shippers to make overtime payments was introduced in mid-2008, when the Program was already operational. Therefore, it does not seem appropriate to include its removal among the positive impacts of Program. On the other hand, as previously anticipated, other relevant reforms, such as the elimination of destination inspection requirements for strategic imported commodities and/or the creation of a tiered fine structure for violation of PSI requirements for imports, involving a reduction of fine for first and second-time offenders, could not be estimated due to a lack of data. All in all, the ***overall impact achieved by the Program under this component is likely to be underestimated***;
- finally, the analysis did not consider other aspects mentioned in Program documents and/or in DB Reports. In particular no consideration was given to the ***implementation of a customs risk management regime***, and ***the implementation of electronic automation*** of key border control agencies, as both reforms are still ongoing and are expected to become fully effective only in 2011.

A summary presentation of key parameters is provided in Table C.9 below.

Table C.9 Reform of Import Procedures – Parameters

Years	IPD Fee Removal		Overtime Payment Removal		PSI Fee Reduction	
	Transactions	Cost Savings (US$)	Transactions	Cost Savings (US$)	Transactions	Cost Savings (US$)
2008	-	-	-	-	70,358	14.7
2009	9,000	25	100	500	155,527	7.2
2010	9,000	25	200	500	155,527	7.2

ANNEX D – ESTIMATES OF OTHER CATEGORIES OF IMPACTS

D.1 Introduction

In this Annex, we provide a detailed presentation of the data used and the approach adopted for the estimate of impacts other than PSCS. In particular:

- Section D.2 deals with the estimate of newly established businesses;
- Section D.3 analyzes the impact of the formation of new businesses on investment;
- Section D.4 does the same with respect to job creation.

D.2 Estimate of Newly Established Businesses

Data on business registration were provided by the Ministry of Commerce and they concern the number of registrations of corporations and sole proprietorships/partnerships for the years 2006 through 2009 and for the period January 1 – September 22, 2010. Data for the whole year 2010 were estimated by extrapolating the trend recorded in the first nine months. Data are shown in Table D.1 below.

Table D.1 Data on Business Registrations

Years	Sole Proprietorships/ Partnerships	Corporations	Total
2006	3,786	1,446	5,232
2007	3,716	1,609	5,325
2008	4,600	2,429	7,029
2009	5,047	2,329	7,376
January 1 – September 22, 2010	*4,844*	*2,462*	7,306
2010 (estimate)	6,459	3,283	9,742
Total	**23,608**	**11,096**	**34,704**

As highlighted by the Informality Survey, (i) high taxes, (ii) high start-up costs, and (iii) lack of information on business registration procedures were the main obstacles faced by businesses willing to formally register a business in Liberia in early 2007. The latter two obstacles have been successfully addressed by reforms facilitated by the Program, whereas no major improvements of the tax regime have been introduced during the period of analysis. Indeed, a reduction of the income tax from 35% to 25% was foreseen in the Economic Stimulus Taxation Act of 2009, known as An Act Amending the Liberia Revenue Code of 2000. However, this legislation has never been published, and implemented. Therefore, we estimated the number of new registrations attributable to the Program by comparing the baseline, 2007 values with those actually recorded in the following three years. The results of the exercise are presented in Table D.2 below.

Table D.2 New Business Registrations – Program Impact

Years	Sole Proprietorships/ Partnerships			Corporations			Total		
	Baseline	Actual	Increase	Baseline	Actual	Increase	Baseline	Actual	Increase
2008	*3,716*	4,600	884	1,609	2,429	820	*5,325*	7,029	1,704
2009	*3,716*	5,047	1,331	1,609	2,329	720	*5,325*	7,376	2,051
2010	*3,716*	6,459	2,743	1,609	3,283	1,674	*5,325*	9,742	4,417
Total	**11,250**	**16,106**	**4,958**	**4,827**	**8,041**	**3,214**	**16,050**	**24,147**	**8,172**

Not all the newly registered businesses attributable to Program reforms involved the creation of a new business. In fact, many of newly registered businesses are entities that previously had been operating informally. According to the Informality Survey, over 60% of partially/completely formal businesses admit that, before formalizing, they operated informally. Assuming that the share of businesses formalizing is included between ***50% and 60% of total registrations,*** the total number of ***newly established businesses can be estimated at some 3,300 – 4,100*** for the 2008–2010 period. Calculations are shown in Tables D.3 below.

Table D.3 Estimate of Newly Created Businesses

Years	Newly Registered Entities (A)	Low Case		High Case	
		60% Previously Operating Informally (B)	Newly Established Businesses (A-B)	50% Previously Operating Informally (C)	Newly Established Businesses (A-C)
2008	1,704	1,022	682	852	852
2009	2,051	1,231	820	1,026	1,026
2010	4,417	2,650	1,767	2,209	2,209
Total	**8,172**	**4,903**	**3,269**	**4,086**	**4,086**

D.3 Estimate of Investment Associated with Establishment of New Businesses

The impact on private sector investment associated with the growth in business establishment was estimated on the basis of the average value of the initial investment, using data collected in 2007 by the National Establishment Census (NEC) and the IS. The former study collected data on the initial investment value in ranges. Therefore, to calculate an overall average value, the average investment was set to the mid-point range. This procedure is based on some strong assumptions, namely: (i) mid-points adequately represent average values, which may not be the case, especially for ranges further away from the middle, and (ii) the firms that not disclose their investment data (9% of the sample) are scattered randomly across the investment distribution, i.e. those that are missing are not grouped in a specific investment range. The former methodological issue is more severe for the highest range, which is defined simply as “major than L$ 5 million”. In this case, two scenarios were taken into consideration, with average investment in that group equal to L$ 7.5 million and L$ 15 million. The average value of initial investment was then estimated at L$ 123,000 and L$ 149,000, respectively (i.e. about US$ 2,000 and US$ 2,450). Calculations are shown in Tables D.4 below.

Table D.4 Estimate of Average Value of Initial Investment (in L$)

Initial Investment	# of obs	High Case	Low Case
		Investment assumption (mid-point of the range)	Investment assumption (mid-point of the range)
…< 50,000	7,802	25,000	25,000
50,000 - 100,000	2,752	75,000	75,000
100,001 - 500,000	995	300,000	300,000
500,001 - 1,000,000	276	750,000	750,000
1,000,001 - 5,000,000	85	3,000,000	3,000,000
5,000,001 +	41	7,500,000	15,000,000
Total	**11,951**		
Average Investment Value		***122,956***	***148,686***

Source: NEC 2007

Smaller average values were collected by the IS. However, these figures refer to the total value of assets at the time of the survey (not at start-up). According to IS, the average value of total assets owned by completely informal and formal/partial formal businesses was set at L$ 45,000 and L$ 85,000, respectively. Data provided by NEC better fit our purposes, but need to be corrected as we are interested in the value of initial investment made by formal businesses only. As illustrated by the IS, investments made by informal businesses tend to be significantly smaller compared to formal businesses. A ***conversion factor of 0.75*** was therefore used, based on the assumption that the value of investments made by formal businesses is double that of informal businesses and that formal businesses account for 50% of all censed establishments. As a result, ***the initial investment value has been estimated at US$ 2,700 and US$ 3,260 under the two scenarios***. As initial investments materialized in several previous years, and no correction was taken into consideration for inflation, the upper value was deemed a more adequate estimate.

Based on these parameters, the value of incremental private sector investment associated with business registration reforms promoted by the Program can be estimated in the region of ***US$ 11 to 13 million for the whole period 2008 – 2010***. Calculations are shown in Tables D.5 below.

Table D.5 Estimate of Investment in Newly Created Businesses

Years	Unit Value of Investment	Low Case		High Case	
		Number of Businesses	Estimated Investment	Number of Businesses	Estimated Investment
2008	3,260	682	2,222,016	852	2,777,520
2009	3,260	820	2,674,504	1,026	3,343,130
2010	3,260	1,767	5,759,768	2,209	7,199,710
Total		**3,269**	**10,656,288**	**4,086**	**13,320,360**

It is worth mentioning that the above figures are likely to be somewhat inflated as they do not account for the fact that (i) not all the newly registered entities become operational and (ii) firms' mortality rate, especially for micro and small businesses, is fairly significant in the first years of operations. However, no estimate could be made regarding the share of both non operational and 'dead' firms.

D.4 Estimate of Employment Associated with Establishment of New Businesses

The impact on employment creation associated with the growth in business establishment was estimated on the basis of the average number of employees per business, again using data collected by the NEC and the IS. In contrast to the situation depicted for PSIG, in this case, a punctual estimate of total workforce is provided by the NEC, with an average number of employees of 5.7 people. Vice versa, data from the IS are provided in ranges and the same procedure previously adopted to assess the average value of initial investment was used, i.e. mid-point ranges value. However, in this case the degree of uncertainty is lower, since all ranges have a lower and an upper bound. As illustrated in Table D.6 below, the work size of formal businesses only was calculated at 6.3 people, substantially aligned with the value provided by NEC (which includes both formal and informal businesses).

Table D.6 Estimate of Average Number of Employees, Formal Businesses

Number of Employees	# of obs	Employment assumption (mid-point of the range)
<3	187	1
4-10	191	7
11-20	37	16

21-35	9	28
36-50	2	43
51-100	3	75
Total	**429**	
Average Number of Employees		***6.3***

Source: Informality Survey 2007

As both sources refer to the current, not the initial number of employees, the average number retained for estimating the employment impact associated with the growth in business establishment, was set at ***5 people per formal business***. This value was then applied to the number of newly registered businesses whose creation could be attributed to the reforms supported by the Program. Based on this procedure, the incremental employment associated with the increased pace on business establishment can be estimated in the region of ***16,300 to 20,400 for the whole period 2008 – 2010***. Calculations are shown in Table D.7.

Table D.7 Estimate of Employment in Newly Created Businesses

Years	Average Employment at Start-up	Low Case		High Case	
		Number of Businesses	Estimated Employment	Number of Businesses	Estimated Employment
2008	5	682	3,408	852	4,260
2009	5	820	4,102	1,026	5,128
2010	5	1,767	8,834	2,209	11,043
Total		**3,269**	**16,344**	**4,086**	**20,430**

In order to verify if the above estimates are realistic, they were compared with data on total formal employment in the private sector reported by the Central Bank of Liberia (CBL), which indicated a significant increase of private sector employment, from 59,287 in 2008 to 90,755 in 2009[59]. The incremental employment attributable to the business registration reforms would therefore account for between 13% and 16% of total formal private employment in the country in 2009. However, these shares are likely to significantly overestimate the actual impact of the Program, as figures provided by the CBL indicate the number of new jobs created in the private sector, net of job losses. In fact, the CBL recorded a huge decrease of total employment in 2008, from 109,681 to 59,287, against our estimated increase of some 4,260 jobs.

[59] Central Bank of Liberia, *Annual Report 2009*, January 2010. Data come from the Ministry of Labor.

Economisti Associati
Via Rialto 9
40124 Bologna
ITALY

Phone	**+39 051 6569606**
Fax	**+39 051 6486838**
E-mail	**main@economistiassociati.com**