

## **(PRESS RELEASE)**

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### **CREATING AN ENABLING ENVIRONMENT FOR INVESTMENT OPPORTUNITIES IN LIBERIA**

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**Let it be known that the coalition government of Liberia is in the business of creating an enabling business environment for investment opportunities. The gains from adjustment efforts by Government need to be strengthened. To foster the environment, attention must be focused on a number of key areas:**

**FIRST**, the poor quality of local business support services prevents firms from gaining access to markets and from obtaining the technical information required to break into overseas markets. Support services include, inter alia, computer services, insurance, technical and managerial consulting, financial services, legal, courier services, business advocacy, telecommunications and information services. This issue may be addressed by supporting and strengthening Liberia's business association, training institutions and consultancy services, and transforming them into effective agents of change. The Liberian Business Association (LBA) can be effective implementing agent for private sector development projects and can offer useful inputs for policy reform. The LBA should be the implementing agents for human resource training projects, credit programs, technical assistance, export promotion, and policy dialogue.

**SECOND**, private entrepreneurs must be more systematically involved by the Government in both the design and implementation of reforms. The intended beneficiaries of private sector-oriented reforms have rarely been effectively involved in the process, a fact that limits their support of the reform process. Emerging Liberian organizations, in this new dispensation, must represent a new breed of entrepreneurs who believe in the benefits of liberalization, and are confident that under the right conditions they can compete both locally and abroad.

**THIRD**, a credible legal and judicial framework that supports private economic rights and which is enforced equitably and transparently is essential for private sector activity in Liberia. Laws relating to business contracts, commercial dispute resolution and arbitration will need to be effectively enforced. In Liberia today, it is said that, the enforcement of these laws have been inhibited by inappropriate legal institutions, procedures, and lack of qualified personnel. Effective enforcement of laws in Liberia will require revision of court procedures, streamlining of court registry and administrative systems, as well as greater investment in judicial personnel.



**FORTH**, the Government should be encouraged to develop competitive markets by eliminating monopolies, deregulating business activities, and removing barriers to entry and exit in various sectors of the economy which are essential to lowering costs. Regulatory reforms will have to be more clearly focused to promote competition, which is fundamental for efficient private sector development. Reform must focus on rationalizing tax and customs administration, and business licensing and registration requirements. Reforming labor markets is also vital to allow firms more flexibility in responding to changing competition. The LBA will have to be in the forefront.

## **OTHER KEY ISSUES OF IMPORTANCE**

### **1. Remuneration of Civil Service (Attitude)**

There is an urgent need to reorient the attitude of civil servants to the new and changed environment. Their role should be to facilitate and to nurture private enterprise. The government of Liberia and donors should organize seminars to educate civil servants on their new role. Further, for civil servants to serve the economy better, steps must be taken to improve their terms of service. Present terms make civil servants susceptible to corruption. Therefore, rationalization of these terms will not only help stem corruption, but will also improve their productivity.

### **2. Key Policy Positions Must be the Responsibility of Liberians**

In Liberia, there is a tendency for Government to rely too much on expatriates in the management of key policy areas. Due to the lack of capacity to deal with the problems, this practice has not only encouraged dependency and stifled national initiative, but has also promoted ill feeling by Liberians, who have the capacity to deal with economic policies being pursued. Emphasis, will have to be placed on recruiting qualify Liberians to key policy positions in Government, and paying them competitive salaries at market rates. In this way, Liberians would be encouraged to "own up to" the successes and failures of their economic and policy reforms.

### **3. The Liberian Public Must Be Aware of Economic Reforms**

Dissemination of information is very important. The Liberian people must know the facts. Because most Liberians are not informed of the benefits of reforms, there is considerable resistance to such reforms. Professionals and trade associations and the media (print and electronic) should therefore be encouraged to educate people about the scope of economic problems facing Liberia and the reforms being implemented by Government to address them. Both the media and the Government will have to honor their obligations as they may agree.

### **4. Government External Debt Reduction**

The Government has gone a long way in reducing Liberia's external debt and should be committed to limiting external borrowing. External debt remains a major constraint to effort to improve economic performance. There is a need to examine the ratio of the present stock of debt to exports from Liberia. If the debt service percentage is high it will take away substantial resources from supporting development. Donors could consider encouraging borrowing by Liberia, but funds received must be used to rehabilitate and expand key infrastructural facilities that support the private sector.



## **5. Government Borrowing From the Central Bank of Liberia (CBL)**

In the past, the government of Liberia made the mistake of borrowing heavily from the Central Bank of Liberia to finance its budget. Government borrowing from the central bank is limited and this should continue. Government borrowing from the CBL to finance its budget is only at the risk of causing inflation. To contain the temptation, the Government will have to implement the laws to eliminate or at least limit the level of its borrowing from the CBL.

## **6. Regional Cooperation**

The small size of Liberian domestic markets remain a major hindrance to economic development. Regional cooperation therefore, will have to be encouraged, initially on a small scale, to enlarge markets, which will serve as a springboard to enlarge cooperation.

## **7. Markets for Manufactured Goods**

Poverty in Liberia is high due to high unemployment. It is unfortunate when an individual who wants employment cannot find employment. A loss of job can mean financial insecurity and a great deal of anxiety. High rate of unemployment will increase tensions and despair. A family without income will under great suffering; as the family's saving fade, family members wonder where they are going to obtain the means to live. The economy loses some potential output of goods when some of its productive resources (human or non-human) remain idle, and potential consumption is reduced. There will be a loss in efficiency when people are willing to work and equipment able to produce remain idle. Relatively high rates of unemployment are viewed universally as undesirable. One must take note of the fact that there are effects of unemployment on the Liberian economy, namely: (1) fall in tax revenue, (2) decrease in the demand for goods and services, (3) decrease in savings, and (4) increase in social vices. Because of high unemployment in our economy, pick-pocketing, armed robbery, prostitution, gambling, etc. have increased. This has increased the expenditure of the Government because monies have to be spent on security personnel to help in the prevention of social vices.

The question to be answered is: what is the cost of high unemployment? When the Liberian economy does not generate enough jobs to employ all those who are physically, mentally, and willing to accept the wage rate and work, a valuable resource (that is labor) is lost forever. Potential goods and services that might have been enjoyed by consumers are lost.

There are also economic, psychological, and social costs to high unemployment in Liberia. The economy as a whole bears part of the economic costs of unemployment because the unemployed workers do not contribute to government revenue through tax payment. The payments to individuals who are not productive place drain on the budget of the Government and is a cost to tax payers. The families of the unemployed feel the psychological costs. Those who are unemployed for a protracted period of time have low self-esteem and suffer from depression due to the loss of control of one's life style. With limited income, the families undergo psychological stress. The social cost of unemployment in Liberia is a direct result of frustration, anger, and despair. There are crimes, domestic violence, alcoholism, and in some cases drug abuse for which the economy shares high responsibility.



To cope with current unemployment and poverty, the Government will have to export more goods with a higher domestic value now than in the past. Donors could continue to assist Liberia by encouraging developed and industrialized countries to open up their markets to manufactured goods from Liberia. Financing for manufacture goods will have to be encouraged. This is important for Liberia, as it will additionally reduce Liberia's dependence on aid.

#### **8. Positive Outlook on Liberia**

News play an important role in influencing investment decisions. Since news on Liberia has focus mostly on negative developments, investment in Liberia has been declining. The print and electronic media and multilateral organizations can change Liberia's image by disseminating more positive news about Liberia with regards to its development initiatives. Good and factual news will encourage policymakers, the general population, and potential investors.

#### **9. Good Governance**

Good governance is critical to proper management of national economic affairs. Multiparty form of government should continue to be encouraged. There is, however, a need to adopt it to reflect the social and cultural diversity of Liberia. The government of Liberia is expected to have political parties participate in the governance of the country and ensure that all ethnic groups are represented and hence reduce present ethnic conflicts.

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