

***Contribution of Informal Businesses (IBs) To Basic Social Services in the Central Region of Liberia<sup>1</sup>: A Major Step Toward Post-Conflict Private Sectors Capacity Building and Development<sup>2</sup>***

by Alfred K Tarway-Twalla

*There has been no detailed research on the contribution of informal businesses (IBs) to private sector development (PSD) in Liberia prior to and after the 14-year civil war<sup>3</sup>. Available researches have focused on access to microfinance, as opposed to profiling the contribution of IBs to PSD and the social economic lives of the population, which is the focal point of this paper. The paper, therefore, seeks to assess the overall performance of IBs in order to determine their contribution to private sector-based economic interventions and basic services of the population in Liberia, using the CRL as a case study. Results show that almost all IBs owners or persons in informal businesses (PIBs) paid for health services of household and extended family members; 61% in-school PIBs were supported by IBs, while 90% of PIBs financed in-school children/dependents through IBs. Further, IBs provided food security for 92% of PIBs and family member. Aside from the fact IBs are job opportunities, 5% of PIBs provided employment for other job seekers; majority of PIBs supported the housing needs of households; with 39% living in their own-constructed houses through IBs; most of the PIBs who are renting pay rentage from IBs; 62% of IBs contributed to community projects; and 20% contributed to county development projects. Findings further indicated that IBs contributed to PSD because they created investment in CRL in post-conflict Liberia as compared to prior to the war. The implications of the research are indicated, limitations pin-pointed and recommendations outlined.*

***Introduction***

With independence in 1847, Liberia became the first independent Country in Africa. The economy of Liberia was one of the best in Africa, following the “Open Door” policy in early-mid 1950s, which influenced high level of formal sector investment that established multi-million dollars companies in the areas of iron ore, diamond and timber. The high level of formal sector employment, coupled with a stable political atmosphere increased the growth of the economy, although social economic development of the country was not prioritized. The situation of high per capital income with abject poverty amongst the majority of the population classified Liberia as a country that grew without Development (Clower, R W, et al, 1966).

But as the population began to increase, political militancy grew to its peak thus leading to the 1979 rice riot and the first military coup in 1980. This situation, coupled with global economic recession, triggered the initial sign of unhealthy investment environment.

In addition, the long years of poor governance and political exclusion built since independence exploded in the 14-year civil war (14 years) which approximately killed over 250 thousand persons and affected all facets of the economic life of its population. As a consequence of the civil war, the socio-economic situation of Liberians is deplorable; formal sector businesses / employment levels are far below the pre-war status.

<sup>1</sup>*The fast growth of IBs after the war is not only providing social services and filling the gap for post-conflict unemployment but is also creating an enabling environment for the achievement of the objectives of Government’s poverty reduction strategy policy by availing jobs opportunities through decentralizing of entrepreneurship.*

<sup>2</sup>*This paper originates from the DRAFT report of research sponsored by TrustAfrica/LACE in Liberia and undertaken by Mr. Alfred K Tarway-Twalla as Principal Investigator, with assistance from Mr. Geegbe A Geegbe. The research is undergoing review for approval of the ICBE Secretariat.*

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Hence, IBs are actively participating in economic activities to provide basic social services (which were destroyed by the war) for the population. The role of the IBs in the private sector seemed to be prominent because of the lack of large-scale investment due to post-war high security risk. In order to determine the extent and relevance of the contribution of informal business practices to both the private sector and national socio-economic development, it was necessary to conduct a scientific research that will measure the contribution of IBs to basic social services and PSD in post-conflict Liberia.

The multiplicity of informal business activities in post-war Liberia did not exist prior to the conflict when the average annual growth rate of gross domestic product or GDP was 5.7%; and the average per capita income was US\$750 (MPEA, 1975-80), and later dropped to less than US\$500 between 1980 and 1989 (MPEA, 1980-86). Furthermore, GDP was 9.8% of the 1988 level in 1995, and increased to 35% of the same level in 1999. During this period, GDP per capital was US\$40.4 and US\$169 in 1995 and 1999 respectively, as compared to US\$471.6 in 1988 (LDHS, 1999/2000). GDP at 1992 constant was US\$380.9 in 2004 (MPEA/LISGIS, 2004); real GDP percentage change was 9.6% while GDP per capital was US\$191.5 (MPEA/LISGIS, 2005). Currently, formal sector unemployment is 78 percent (MPEA-IPS, 2006). Also 78% of the employed are in the public sector and are in the informal economy (engaged in low productivity and meager income work), and are trading in petty production (MPEA-IPS, 2006).

In reality, prior to the war, informal business activities were minimal, particularly in the Central Region of Liberia (CRL). The increased level of IBs during and after the war seemed to draw a relationship between the impact of the civil crisis and the upward trend in informal business activities in the country, with specific reference to CRL (Margibi and Bong Counties).

#### *Available Literature*

There is no adequate literature on the contribution of IBs to basic social services of the population and PSD in Liberia because there has been no detailed research such as the IBSR

2007, which collected data, created a data base and provided research findings that profiled the contribution of IBs. Available researches have focused on access to microfinance, as opposed to measuring the contribution of IBs to PSD and the social economic lives of the population, which is the focal point of this paper. Hence, it is difficult to obtain available literature that will provide information /experiences on the contribution of IBs to PSD and the social and economic situation of the population in Liberia. In light of the above, some information has been gathered on the status of the private sector, where the situation of the formal and informal sectors was highlighted following the end of the 14-year war in 2003.

It is accepted in free market economies that private sector is the major driver of economic growth and development. With the level of high unemployment, high poverty, and limited access to both physical and financial capital, Liberian entrepreneurs and informal business owners (if assisted by commercial banks), will be the key to creating jobs and wealth in Liberia and subsequently lead to the creation of a vibrant independent business class (Nyankor, 2008).

Moreover, small businesses which are largely not diversified in their activities do not have the financial or physical asset to use as collateral, and are unable to actively participate in the banking system or even secure loans from commercial banks that would enable them to start, or expand their businesses (Nyankor, 2008). This assertion confirms the fact that PIBs do not have the means of improving their businesses above the subsistent level until they can be granted access to loans/ grants.

Following the 14-year war, Liberia requires the needed infrastructure, and regulatory framework to foster post conflict PSD, a tool for conducive investment climate. But due to lack of opportunities to rejuvenate the once flourishing economy, Liberia is suffering from disproportionately low levels of private investment in infrastructure, with only small-scale service providers or IBs likely to emerge. In addition, most Liberian entrepreneurs are predominantly trapped in the low-productivity sector or IBs, with little or no access to financing opportunities, including the ability to compete with the formal sector, or gravitate

towards the formal sector (Nyemah, 2007). A UN Capital Development Fund (UNCDF) reports mentioned that economic activities have immensely increased since the signing of the August 2003 comprehensive peace accord or CPA, and the sudden end of Liberia's civil war. However, the boom in economic activities has been largely limited to the informal sector as formal private investors are not engaged. Accordingly, UNDP and World Bank joint needs assessment put the under-employment or unemployment rate in the formal sector at 85%, while 76.2% of the population is living below the US\$1 per day poverty line. Furthermore, the UNCDF studies indicated that the informal sector accounts for at least one-third of the labor force and 37% of the urban labor force (UNCDF, 2005).

According to Tucker, the microfinance sector in post-conflict Liberia is currently at a very nascent stage, thereby making it difficult for most businesses, particularly IBs, to access financial assistance for the growth and development of the private sector. In other words, the financial sector is very exclusive, and serves the wealthy; large enterprises; and people with guaranteed salaries. This situation puts IBs in a more subsistent condition, with supply of financial services to micro and small businesses less than 8,200 in 2004 (Tucker, 2004). Tucker further explained that the policy of providing loans to exclusive businesses, in 2004, constrained microfinance industry from developing and expanding. In emphasizing the importance of enhancing post-conflict socio-economic reconstruction through private sector investment, the Liberia 2003 Millennium Development Goals (MDGs) report points at the lack of capital investment and its underlying poor environment for PSD as factors hampering the reduction of extreme poverty (GOL- MDGs, 2003).

The National Human Development Report (NHDR) of Liberia indicates that the near collapse of the formal sector gave incentives for entry into informal business activities in Liberia (including the CRL), which has implications for increasing private sector economic activities (NHDR, 2006). The major problems of IBs are the lack of sustainable sources of funds, with most of them (IBs) established with own money,

thereby forcing them (IBs) to remain at subsistent levels. The report indicated that there was also a lack of database that could be used to determine the contribution of IBs to private sector investment and overall national development. Hence, IBSR 2007 is intended to provide the data gap that is needed on the contribution of IBs to PSD and basic services of the population.

#### *Methodology and Data Source*

The research was mainly based on primary data, using structured and semi-structured questionnaires to interview 1074 persons. The CRL was purposively selected because of accessibility to motor road net-work, which automatically reduced the cost of field work for data collection. Hence, the purposive selection of the CRL was to ensure the smooth achievement of project objectives, and other terms and conditions of the research, since the rest of the regions in Liberia were not accessible for data collection during the rainy season.

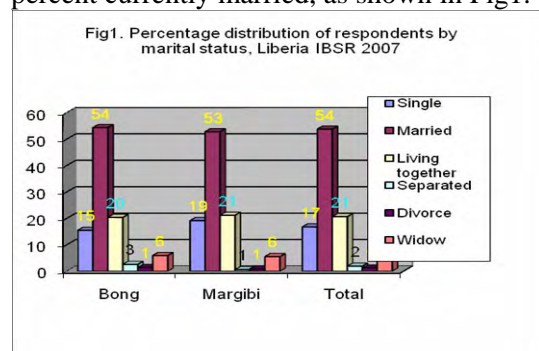
The data collected for PIBs (1004) and LGACLs (35) were programmed and processed using the Statistical Package for Social Sciences (SPSS). Two sets of questionnaires (structured and semi-structured questionnaires) were administered to the key informants (KIs), with structured questionnaire processed through SPSS. The data gathered from focus group discussions (FGDs) and semi-structured KIs were processed manually. The analytical methods employed included rates, ratios and other descriptive statistics that are used in profiling information. The data was presented using graphs and tables. The comparative analysis was used to determine the level of the activities of IBs before, during and after war periods. Descriptive statistics included frequency tables, mean and percentages and graphical presentations. These methods are used to determine the contribution of IBs to private sector development, as well as the provision of social services to the population.

The methods of dissemination will include workshops and electronic media (radio message). Both electronic and courier mailing methods will be used to make the results available to civil society groups, including women business organizations and community-

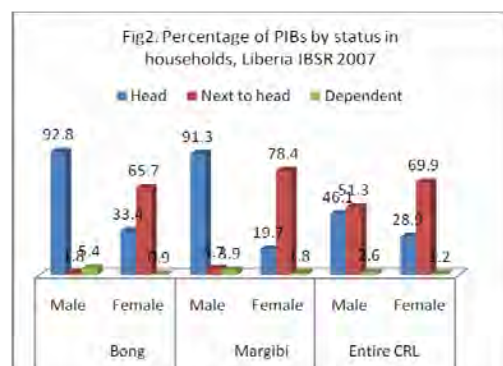
based groups; the results will be sent to popular daily newspapers, in order to increase awareness and stimulate investment opportunities in the informal sector. The results will be published on websites of stakeholder institutions, and other partners who have interest in developing the IBs as a means of stimulating private sector investment.

**Social and Demographic Status of PIBs**

The mean age of PIBs in IBs in the CRL is 36 years, which demonstrates the youthful nature of Liberia population. In essence, the average person engage in informal business activities is a young adult, with 58.4 percent females. In addition, 85 percent of the IBs were ever married (i.e., married, living together, separated, divorced and widowed), with 54 percent currently married, as shown in Fig1.



Status in household is one major way of determining responsibilities of each member of a household. Further analysis shows that 46.1 percent of the PIBs were female heads of households, with 2.6 percent dependents. The high level of female headed households has positive implications for the contribution of IBs to the social and economic empowerment process of the population (see Fig2).



The overall economic dependency ratio in the CRL was 91 dependents per 100 PIBs, which demonstrates their contribution to the basic needs of the population.

The research shows that 17 out of every 50 PIBs had no education, while 1 out of every 50 had university level education.

Educational level	Bong		Margibi		Entire CRL	
	#	%	#	%	#	%
None	237	36	105	30	342	34
Elementary	170	26	93	27	263	26
Junior High	113	17	48	14	161	16
Senior High	129	20	92	27	221	22
University	10	2	7	2	17	2
Entire CRL	659	100	345	100	1004	100

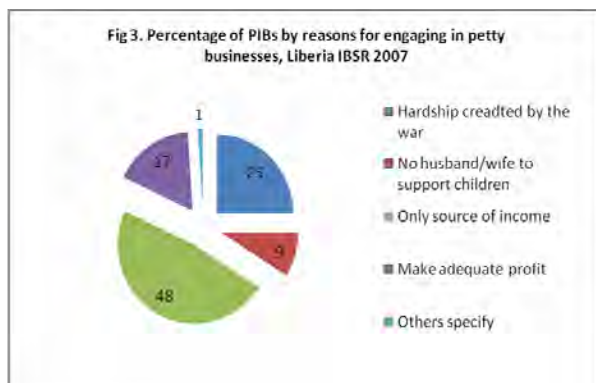
The data also shows that a little over a quarter of PIBs were at the elementary level. In reality, 66 percent of the PIBs have had some level of education.

**Selected Profile and Characteristics of IBs Ownership Status of IBs**

The percentage distribution of the overall population of IBs by ownership of business is very high in CRL, with 99.8 percent of the PIBs managing their own business as compared to 0.2 percent who were next to owners businesses but were fully participating in the operation and management process. The data further shows 99.8 percent of female and 99.5 percent of male respondents owned IBs in Bong County. It can be said that technically, both sexes in Margibi are on par in terms of ownership of IBs.

**Reasons for Engaging in Informal Businesses**

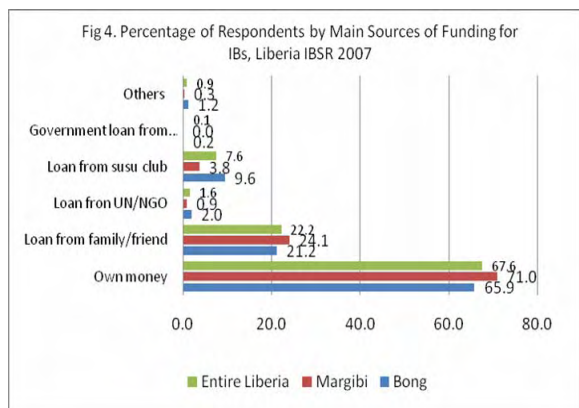
The research indicates that while a quarter of the respondent engaged in IBs because of the hardship created by the war, 48 percent did so because saw them as the only available sources of income for survival. The research also revealed that 53 percent and 39 percent of respondents in Bong and Margibi Counties respectively engaged in IBs because it was the only means of income, as indicated in Fig3.



**Main Source of Funding for IBs**

The source of funding is one of the factors that influence the growth and development of informal sector businesses. This is so because many businesses that have external support are more likely to grow faster than those businesses that are established from the meagre resources of the owner or proprietor of the business.

The data also shows that 7.6 percent of the overall respondents established businesses through Susu clubs; 22.2 percent through loans from families/friends; and 67.5 percent through personal or own money. Susu club is an indigenous saving scheme where individuals collect money over a specified period of time and give to each member of the group in a circular form. In order to accrue profit for the Susu Club, non-members, who are recommended by members of the club obtain credit for a specified period, with interest, and repay. Susu serves as source money for both IBs and other people that are in urgent need of money for livelihood, business and other important projects, as shown in Fig 4.



**Willingness to Pay Taxes if Given Loans**

The payment of taxes is a key element in the formalization of the informal sector of any economy. The study indicates that only 2 percent of the respondents in Bong County are not willing to pay taxes if given loan to expand business in the entire CRL. At the county level, 99 percent of the respondents were willing to pay taxes if given loans to improve their businesses.

**Local Level Perception on IBs' Tax Payment**

Further, 14 percent of the overall data from Local Government Authority and Community Leaders (LGACLs) shows that IBs should pay taxes. In addition, 9 of 10 LGACLs in Margibi believe that IBs should not pay taxes as compared to 21 out of 25 in Bong County. The LGACLs also feel that IBs should only pay taxes if provided loans by the Government of Liberia.

**Types of IBs**

The types of IBs were sub-divided into 16 different groups in order to make a realistic analysis of petty businesses. According to the analysis, 35 percent and 29 percent of the IBs in Bong and Margibi Counties are engaged in the selling of industrial and agricultural food stuff respectively. The second most popular type of business activities is table /waiter market, constituting 30 percent of IBs in Bong and 31 percent in Margibi.

**Records of Daily Sales**

The keeping of financial records is important for the sustenance of any business activities. Although most of PIBs interviewed indicated that they depend on the business for their social economic life, including food security, 64 percent of them do not keep records, as mentioned in Table 2.

County	Keep records		Don't keep records		Total	
	#	%	#	%	#	%
Bong	219	33	440	67	659	100
Margibi	142	41	203	59	345	100
CRL	361	36	643	64	1004	100

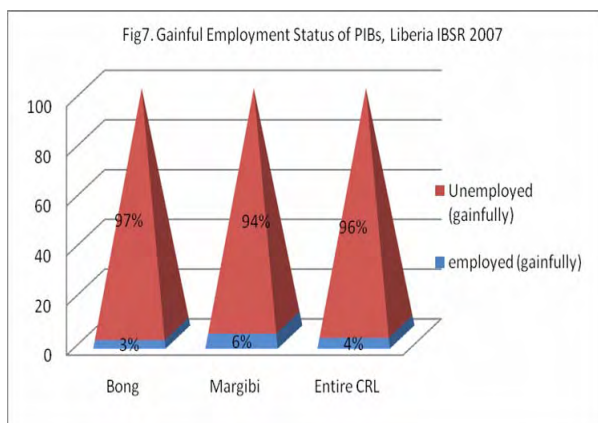
*Apprenticeship Status of IBs*

The research shows that nearly a third of the PIBs have had apprenticeship training in petty business management, which emphasizes the need for training in order to improve their skills. The percentage differential of PIBs by apprenticeship training shows that a quarter of IBs in Bong County benefited from some apprenticeship training while 38 percent did so in Margibi County, as illustrated in Fig6.



*Gainful Employment Status of PIBs*

The IBSR data shows that of the 1004 PIBs, only 4 percent were gainfully employed. The high level of formal sector unemployment (96%) could be the influential factor that increased the activities of IBs in the CRL during and after the 14-year war, as illustrated in Fig7.



*Business and Establishment Period*

The analysis indicates that most of the IBs in the entire CRL were established between 2002 and 2007, accounting for 62 percent of the population interviewed. The data also shows that

there were lesser IBs before the war as compared to during and after the war. This further proves that there is a positive relationship between war and the establishment of petty businesses. This could be so because of the adverse consequences of the war (i.e. increment in widowhood, high former sector unemployment and other hardships arising from the war). Furthermore, 11 percent of the IBs were established in the pre-war period (before 1990), which demonstrates that Liberians were less engaged in petty businesses before the war, as depicted in Table3.

Time	Bong		Margibi		Entire CRL	
	#	%	#	%	#	%
Before 1990	72	11	38	11	110	11
1990-1995	61	9	36	10	97	10
1996-2001	114	17	60	17	174	17
2002-2007	412	63	211	61	623	62
Total	659	100	345	100	1004	100

As peace accords provided breathing spaces, the percentage increased to 17 between 1996 and 2001. The period 1990-2001 experienced the heaviest fighting, in the history of the civil war due to the multiplicity of warring factions (i.e. ULIMO-K, ULIMO-J, LPC, NPFL, LDF, etc).

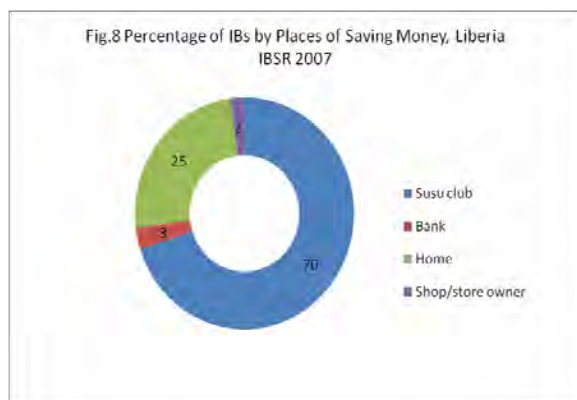
*Business Money Management*

The majority (83%) of PIBs in the CRL save money/profit from their businesses. Further analysis of the data revealed that 19 percent and 13 percent of the PIBs in Bong and Margibi Counties respectively do not save money. Although the number of persons (166 or 17 %) that do not save money in the entire CRL is small, it shows that the businesses in question (17%) are highly subsistence. The management of money from IBs in the CRL is entirely a traditional method referred to as *susu*, constituting 70 percent of the 836 persons that save money from IBs. Table 4 shows more details of how IBs manage their business income.

Table 4. Distribution of Respondents by Whether They Save Money or Not, Liberia IBSR 2007

County	Save money		Don't save money		Entire CRL	
	#	%	#	%	#	%
Bong	537	81	122	19	659	100
Margibi	299	87	46	13	345	100
Total	836	83	168	17	1004	100

Susu clubs are the most popular places of saving money among PIBs because it serves as sources of seed money for IBs. The IBSR data indicates that 1 out of every 4 persons that were engaged in IBs save money at home, with 3 percent saving money in Banks (See Fig8)).



The low percentage of PIBs saving money in bank could be due to the centralized nature of banking technology in Liberia, except in 2007, when few banks were established in some parts of Liberia. Prior to the establishment of these banks, all persons dealing with banks had to travel to Monrovia to transact business, which is very expensive for IBs in the CRL. One of the reasons for the low rate of persons saving money in banks could be the losses sustained by the destruction of banks during the war, which make many persons to be afraid of saving money in banks.

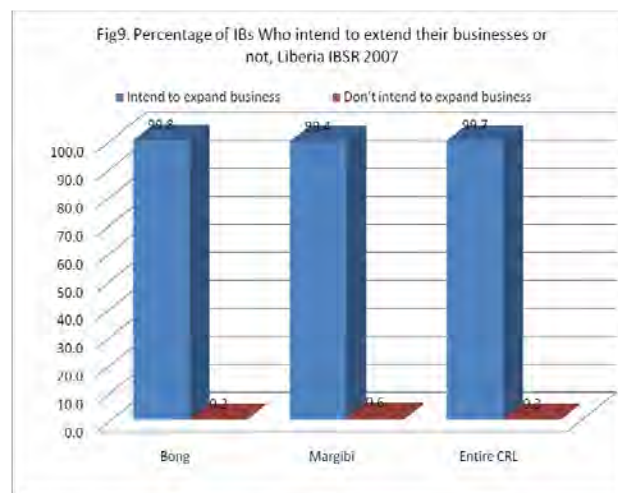
*Additional Informal Sector Businesses*

On the question of whether PIBs engage in more than one type of businesses, 93 percent of the respondents indicated that they are not engaged in other businesses. At the county level, 94 percent and 91 percent of the respondents in Bong and Margibi Counties were not engaged in

other businesses besides the ones captured by the study.

*Intention for Business Expansion*

Of the 1004 PIBs, 99.7 percent intends to expand their businesses if they had the opportunity to do so. There was a differential among PIBs at the county level, where 99.8 percent of the respondents in Bong and 99.4 percent in Margibi Counties wanted to expand their businesses if they had the opportunity of investing more capital. In reality, almost all of the respondents believed that IBs can be extended to grow to a mid-level income generating businesses, while 0.3 percent thinks that their businesses are just to keep head above water level (i.e., a minute percentage of the PIBs feel that IBs are not sustainable).



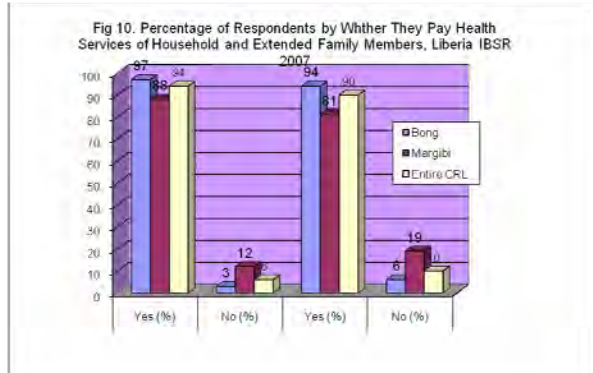
**Results**

This section measure the contribution of IBs to the social and economic development activities of the population in the CRL, which is the main objective of the study. The social and economic activities referred to in this section of the report are health, education, food security, job creation and housing.

*Contribution of IBs to Health Services*

The distribution of PIBs by type of health facilities they and household members attend during illness shows that 60 percent visit clinics; 37.8 percent for hospitals and 0.5 percent for herbalist. Contribution to the health needs of population shows that 94 percent of respondents

pay the health services of family members. At the county level, 88 percent of the respondents in Margibi paid for health services as compared to 97 percent for in Bong County, as shown in Fig10.



The payment for health services of PIBs is one of the major contributions of the informal business sectors not only to the social and economic development process of CRL but also to the growth and sustainability of private sector investment in post-conflict Liberia. Accordingly, 97 percent of PIBs pay for health services of household members while 94 percent pay for the health services of their extended families. The differential among respondents at the county level shows that respondents cater to their household members more than their extended families.

The assistance to both household and extended family members further justifies the importance of IBs in meeting the post-war social and economic needs of the population in the CRL. At the county level, 97 percent of IBs pay for health services of their household members as compared to 88 percent for Margibi County. The support to health services of extended family members was 94 percent for PIBs in Bong County as compared to 81 percent for Margibi.

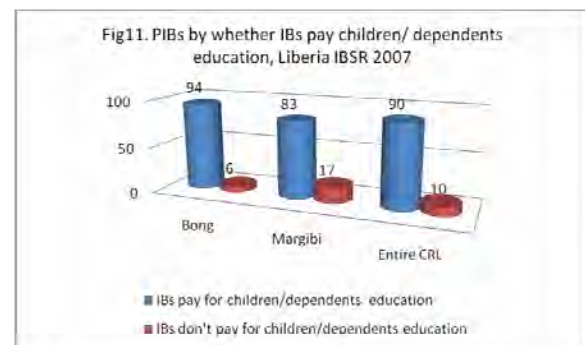
*Contribution of IBs to Educational Services*

The ability of a country or its region to contribute to the educational needs of its population is not only important in terms of increasing literacy level but it helps to accelerate the level of socio-economic development at all levels of society. In the CRL IBs make a significant contribution not only to the educational level of the PIBs themselves but also

to their household and extended families. The data also shows that IBs contributed to the educational needs of 3 out of 10 PIBs in the CRL. The analysis of the contributions of IBs to PIBs is limited to the number (66%) of informal business owners that have had some level of education. A further analysis of the data shows that 73 percent of the IBs did not support the educational services of informal business owners or PIBs in Margibi County while that of Bong County was 68 percent.

The current school attendance level of PIBs in the CRL indicates that a little over one-fifth is presently in school. This is a further indication that PIBs are determined not only to increase private sector investment but also to improve their educational levels. Of the 144 PIBs that were still in school, 61 percent were supported by IBs in the entire CRL. The high level of educational support of PIBs from their IBs is a clear manifestation that the informal business sector is making enormous contribution to the educational needs of the population. The data from Bong county shows that IBs supported 62 percent of in-school PIBs, as compared to 56 percent for Margibi County.

The analysis of the data by whether respondents have children/dependents in school shows that of the 1004 PIBs in the entire CRL, 83 percent had children/dependents that were currently in school during the survey. Moreover, the contribution of IBs to the educational needs of the children/ dependents of PIBs is very high, with 90 percent of PIBs supporting their children/dependents' education through IBs. The data shows that 94 percent of PIBs in Bong County supported the educational of their children/dependents through IBs, while that of Margibi was 83 percent, as indicated in Fig11.



The high level of support through IBs to the education of PIBs and their children/dependents is one of the most significant contributions to the social economic needs of the population and PSD in the CRL. In addition to supporting PIBs and their children/dependents at the household level, the distribution of respondents further shows that IBs provided an enabling financial environment for PIBs to provide the educational needs of extended family members. The data shows that a little over 2/5 of PIBs contributed to the educational needs of extended family members in the CRL.

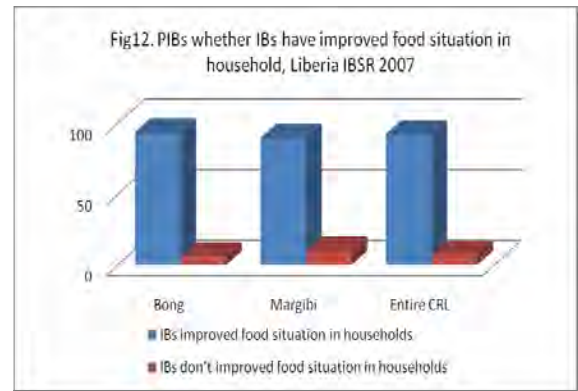
At the county level, PIBs in Bong County supported more extended family members in school (48%) as compared to those in Margibi County (28) percent. The differential in educational support to extended families by county could be due to the fact that extended family system seems to reduce as one goes towards the urban areas. In essence, the low support to extended family members in Margibi could be due to its proximity to Monrovia. However, there is a need for more detailed study to prove that population movement towards urban centers decreases educational support to extended family system.

*Contribution of IBs to Food Security*

The ability of PIBs to provide food for their families (household and extended family members) determine the extent that IBs contribute to the social economic life of the population of the CRL. It is also indicated that of the 1004 PIBs interviewed, only 8 percent did not depend on IBs to meet the food security needs of their households and extended family members. The data further shows that while 96 percent of the PIBs in Bong County depended on IBs to feed their households and extended family members, that of Margibi was 85 percent.

The data on food security shows that PIBs met the food requirement needs of their extended family members. The results of the interview with 1004 IBs shows that 45 percent of the PIBs fed their extended family members from the income of the IBs. At the County level while 30 percent of the PIBs in Bong County catered to the food security needs of their extended family members, that of Margibi was 45 percent.

The overall contributions of IBs to the food security of household members in the CRL was more than that of extended family. Further analysis of food security data indicates that IBs improved food situation in the households of PIBs in the CRL (See Fig12).

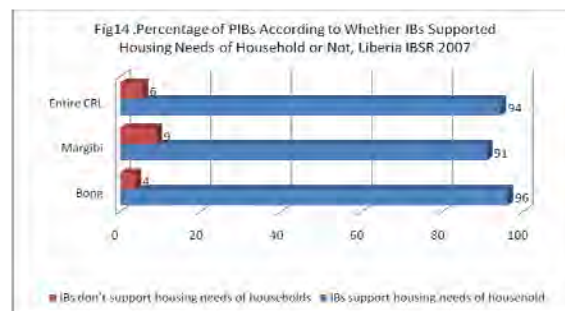
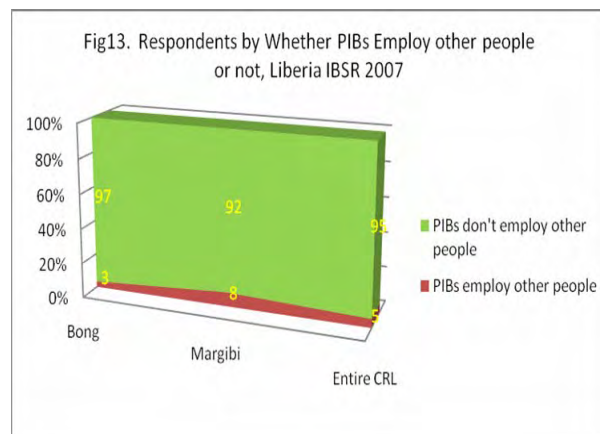


In the entire CRL, IBs improved food situation in 93 percent of the households of the 1004 PIBs interviewed during the study. The data shows that 1 out of 10 IBs did not improve the food situation in the households of PIBs in Margibi while that of Bong was 6 percent.

The distribution of respondents by whether they fed households by other means than IBs show that the most popular sources of food security was IBs. In addition, 63 percent of the PIBs in the CRL sourced household food supply from their businesses. In reality 8 out of 25 PIBs in Bong did not feed their household solely from IBs. In Margibi, the ratio of persons providing household food needs through other means order than IBs was 12 out of 25 PIBs.

*Contribution of IBs to Job Creation*

In addition to the owners of the petty businesses, the research shows that IBs serve as sources of employment for other job seekers. The research revealed that five (5) percent of the 1004 PIBs created jobs for other people. The data also indicated that at the county level, 3 percent of IBs in Bong and 8 percent in Margibi employed other job seekers (See Fig 13).



The creation of jobs for both PIBs and other job seekers (by IBs), which helps in meeting the goals of the Government PRS efforts and at the same time promotes private sector investment, is also meeting the social and economic needs of the population. The results on job creation are indications that if the economic situation of IBs is improved to include provision of substantial loans, they (IBs) can be formalized to build a viable private sector that will resuscitate Liberia's economy from recession.

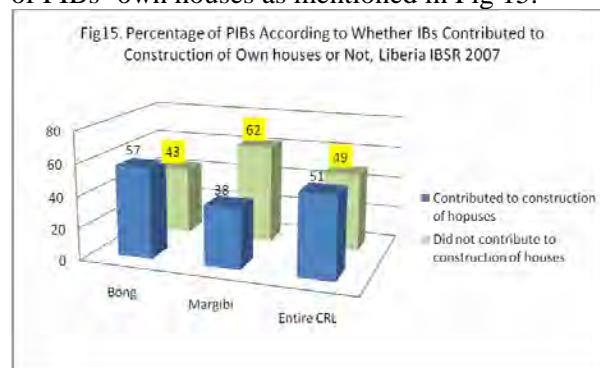
Of the 5 percent of IBs (or 50 out of 1004 IBs) who employed people in their business entities, 4 percent employed seven persons and above; 78 percent employed one-to-three persons; and 18 percent employed between four-to-six persons in the CRL. From the employment data, it is implied that IBs could resuscitate the private sector economy from recession if provided adequate support to increase their investment level and improve develop their businesses to mid-level firms.

### Contribution of IBs to Housing

The contribution of IBs to housing needs of their household and extended family members is critical to the improvement of the social economic situation of the population in the CRL. The IBSR 2007 data shows that 94 percent of IBs supported the housing needs of households. At the county level, only 1 of out 25 IBs did not support the housing needs of their family members in Bong County. In Margibi County, only 9 percent of IBs did not support the housing needs of their households, as reflected in Fig14.

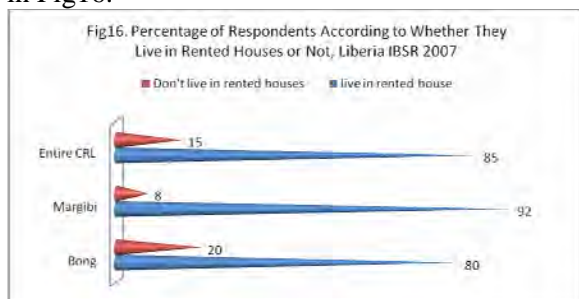
The percentage of respondents who live in their own houses proved that IBs are viable private sector economic activities that, if supported, can contribute to a substantial aspect of the achievement of Government's PRS efforts, while at the same time rejuvenating post-conflict social and economic development programmes not only in the CRL but in the entire country.

The study shows that of the 1004 PIBs interviewed a significant proportion (39%) live in their own houses. Accordingly, in Margibi 35 percent of PIBs live in their own houses while that of Bong was 42 percent. The distribution of respondents according to whether IBs contributed to the construction of their own houses signifies that, 51 percent of the 396 PIBs who live in their own houses revealed that IBs contributed to the construction of their houses. In Margibi and Bong Counties, 57 percent and 38 percent of IBs contributed to the construction of PIBs' own houses as mentioned in Fig 15.



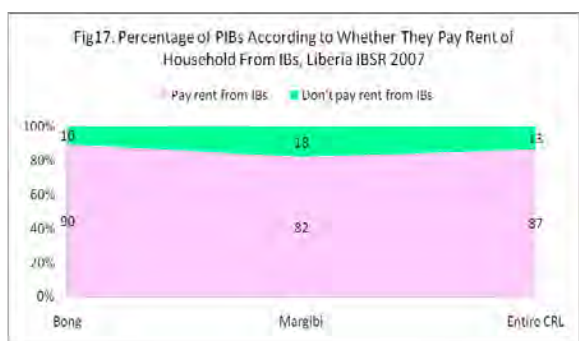
The overall percentage of IBs that contributed to the construction of their own houses in the CRL is an indication that the informal business sector is making tremendous efforts in meeting the socio-economic needs of the population; and therefore requires serious attention if Liberia is to achieve the objectives of the PRS and rejuvenate private sector development.

The distribution of respondents by whether or not they live in rented houses shows that 85 percent of the 608 PIBs who did not live in their own houses were renting. The differential at county level shows that 1 out of 5 PIBs in Bong did not live in owned houses nor rented, while that of Margibi was 2 out of 25 PIBs, as shown in Fig16.



In essence, 92 percent of the respondents who did not live in their own houses were renting in Margibi. The ability of PIBs to rent demonstrates that IBs are viable and reliable PRS strategies that could expedite the rejuvenation of the economy from its current slum level.

The data shows that of the 514 PIBs that live in rented houses, 87 percent pay rent from IBs in the CRL. At the county level, 90 percent of PIBs pay rent from IBs in Bong while 82 percent pay rent from IBs in Margibi (See Fig 17).



The usage of income from IBs to pay rent is another significant contribution that IBs make to improve the social and economic conditions of the population in the CRL. In reality, of the 514 persons that live in rented houses, 13 percent pay rent from other sources. At the county level, while 10 percent of the PIBs in Bong did not pay rent from IBs, that of Margibi was 18 percent.

In addition to paying rent for their households, the data shows that PIBs also pay rent for extended family members, which is a manifestation of the viable contributions of IBs. The IBSR data shows that 11 percent of the 1004 PIBs interviewed pay rent for extended family members. The support to the housing needs of extended family members is provided by all of the IBs irrespective of whether they live in own houses or not.

The distribution of respondents by whether or not businesses contributed to community project by types of social and economic development programme shows that 23 percent of the PIBs supported water and sanitation (WATSAN), health and educational programmes while another 23 percent supported all of the community development in the CRL using income from IBs.

The data also indicates that 62 percent of the 1004 PIBs interviewed support community development programmes with funds earned from IBs. In reality, the community development programme activities to which PIBs contribute are quite important for both the PRS and the overall development paradigm of Liberia's post-conflict reconstruction process. With 62 percent of PIBs contributing to community development programme activities, it is implied that IBs are making significant efforts in not only kick-starting the post-conflict reconstruction process but are also making enormous contributions to private sector investment in a decentralized manner.

The analysis of the contribution of IBs to county level development programme activities shows that most of the IBs (80%) do not make contribution to county development. The IBSR 2007 data shows that only 20 percent of the IBs contribute to county development programme, with WATSAN, health, educational and religious activities accounting for 13 percent.

One of the factors that make IBs to be an appropriate method of poverty reduction in the CRL is their high level of profit making. In the entire CRL, 82 percent of the 1004 PIBs were earning enough profit, which implies that IBs are profitable and could contribute immensely to private sector economic development if provided loans. The level of profit adequacy from IBs in

the CRL is also high. For example, a little over 70 percent of the PIBs in Bong made very adequate (10%) and adequate profit (61%), as well as in Margibi County. The high level of profit among PIBs has positive implications for reforming IBs to serve as mechanisms for the reduction of poverty and a subsequent upward trend in PSD.

*Contribution to Renting of Business Place/ Spot*

The rental of business spot/place by PIBs is not only a significant step in providing income for shop and land owners in the CRL but is also contributing to the growth of private sector businesses on one hand and national economic development on the other hand. The IBSR 2007 data shows that 82 percent PIBs in the CRL pay rent for their business spots/places.

There is a serious differential at the county level, where 92 percent of PIBs pay rent for their business spot/ place in Margibi as compared to 77 percent for Bong. The differential in rent payment at the county level suggests a decrease in payment as one goes further away from the primate city of Liberia, Monrovia. This is so because Margibi is closer to Monrovia as compared to Bong.

*Level of IBs Support to Households*

Nearly a third of the respondents in Bong County did not support their entire households through IBs alone, while that of Margibi was 44 percent. At the national level, the data shows that 64 percent of the PIBs supported their homes with funds from IBs alone. The huge percentage of PIBs that support their households through IBs alone signifies that informal sector business activities contribute not only to the socio-economic needs of household members, but are also contributing to PSD in Liberia.

*Other Means of Support to Household*

The study has shown that 67 percent of respondents in the CRL have no other means of supporting their households besides the IBs, which further justifies that IBs are very important in sustaining many families in the CRL. At the county level 52 percent and 62 percent of the respondents depend solely on IBs for the survival of their extended and nuclear families in Margibi and Bong respectively.

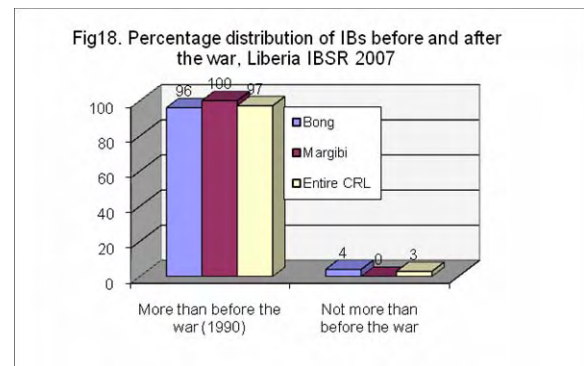
Further analysis of research data proved that 24 percent of the PIBs in the CRL receive spousal support as an additional assistance for the upkeep of their household. In addition, remittances and other means of support for households contributed 6 percent and 3 percent respectively in the entire CRL. In essence, most of the PIBs rely on IBs for the survival of their household and extended families.

***Local level Perception of IBs' Contribution to Social Economic Development***

In addition to the 1004 PIBs interviewed, 35 local government authority and community leaders (LGACLs) expressed their views on the relevance and contribution of IBs to PSD. The interview with the LGACLs covered the two counties, including the selected urban and rural localities the entire CRL.

*The State of IBs Before the War*

The analysis of the state of IBs before the war is essential in this study because it further clarifies as to whether there is a relationship between war and the increased number of businesses in the CRL. The views of LGACLs reflects a positive relations between the occurrence of the war and increase in IBs as mentioned in Fig18.



In essence, the increase in the number of IBs from 1990-2007 suggests a positive relationship between war and the upward trend in IBs. The low level of IBs before the war could be attributed to the high level of investment, which resulted from the open door policy of the GOL in the early-to-mid 1950s that led to the establishment of multi-million dollars investment through iron ore, rubber, timber, gold, diamond and other natural resources in

Liberia. During the period of economic boom up to 1989, the average income of a bread winner was enough to cater to the household and extended family. This high level of income may have impacted on the low level of IBs before the war. This is so because 97 percent of the 35 LGACLs mentioned that the number of IBs in the town/cities were more than before the war.

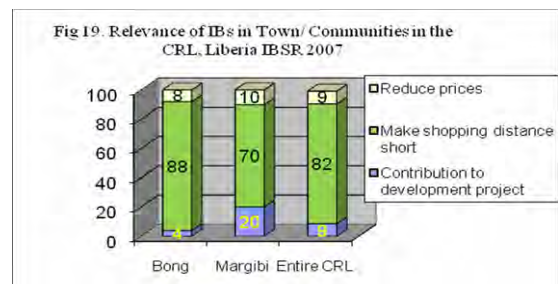
*Relevance of IBs in Communities*

The LGACLs viewed IBs as important intervention in their communities. This is confirmed by the fact that only 3 percent of LGACLs had bad impression about IBs, with 54 percent considering them (IBs) as good economic intervention for the improvement of their communities (See Table 5).

Table 5. Perception of LGACLs on the Importance of IBs, Liberia IBSR 2007

Perception	Bong		Margibi		Entire CRL	
	no	%	no	%	no	%
Good	15	60	4	40	19	54
Very good	9	36	6	60	15	43
Bad	1	4	0	0	1	3
Entire CRL	25	100	10	100	35	100

LGACLs interviewed considered Informal Businesses activities as very relevant in towns/communities in the CRL. Accordingly, 82 percent of the LGACLs revealed that IBs made shopping easy in their communities while 1/3 each confirmed that IBs reduced prices and contributed to development programmes. In other words, the positive results of the evaluation proves that IBs make enormous contribution to the development of communities, with most (82%) of its activities geared towards the creation of business enterprises by reducing shopping distances for inhabitants, who are far away from formal business (shopping areas) in the CRL, as illustrated in Fig 19.



*Contribution of IBs to the Growth and Development of Communities*

The contribution of IBs to the growth and development of communities is further confirmed by the LGACLs with 97 percent revealing that IBs contributed to the growth and development of their communities. The contribution of IBs is further justified by the ability of PIBs to provide health, food security and shelter, education, job opportunities and other assistance to their family members, including extended relations.

The research report indicated that PIBs made significant contributions in their communities because, of the of the 34 LGACLs who confirmed the contribution of IBs to the growth and development of communities, 77 percent classified the assistance of IBs to communities as very adequate (18%) and adequate (59%), as mentioned in Table 6.

Table 6. LGACLs by Adequacy of the Contribution of IBs to Communities, Liberia IBSR 2007

Adequacy level/County	Bong		Margibi		Entire CRL	
	no.	%	no.	%	no.	%
Very adequate contribution	2	8	4	40	6	18
Adequate contribution	15	63	5	50	20	59
Inadequate contribution	5	21	1	10	6	18

*Summary of Gbarnga and Kakata FGDs*

On the question of whether IBs are contributing to the social economic needs of the population in the CRL, all of the FGD respondents in Gbarnga (7) and Kakata (22) agreed that IBs were contributing to the provision of basic services such as health, education, housing, job creation, and food security. According to the participants, people in the informal sector were making contribution towards their respective community development projects “whenever they are requested to do so by local authorities”, in addition to paying their legitimate fees to the marketing associations and other local and central government entities. They also declared that they send their children to school through IBs; pay medical expenses for families and relatives; while some were able to build homes (houses) for themselves. According to LGACLs,

some of the IBs with bigger businesses have been providing job opportunities for other people. Additionally, those in the agricultural sector were instrumental in providing food for those in both rural and urban areas.

Finally, about ninety percent of the respondents in Gbarnga and all of those in Kakata agreed that there were more people in the informal sector now than prior to the civil conflicts. In their view, if government can (with the help of international partners) provide micro-credit loan with less interest and reasonable payment conditions, then the capacity of IBs will be built. This easy access to loans situation will ultimately lead to the upward trend of their businesses and a corresponding growth and development of the national economy.

**Summary of Key informant Interview**

All of the 13 KII participating institutions agreed that IBs are contributing to the growth and development of Liberia through the provision of social economic needs of their households (such as health, education, food security, employment, etc). On the adequacy of the contribution of IBs to PSD, 10 of the 13 institutions described the contribution of IBs as very adequate, while MPEA and NAWOUL considered the contribution as adequate. On the contrary, CUC feels that the contribution of IBs was inadequate. The overall perception of KII on the adequacy of the contributions of IBs to PSD was very good, and similar to that of PIBs and FGDs, as shown in Table7.

Remarks/ Institution	How do you think the status of informal businesses can be improved/enhanced?	How do you think informal businesses are contributing to government's post-war job creation efforts, including poverty reduction strategies (PRS)?	What role can your institution play in enhancing the activities of informal businesses in Liberia?
1. CUC	Provide subsidies	providing self-employment	provide technical skill and education
2. LCC	provide training	providing self-employment	Provide training and loan
3. MOL	IBs should be given support	Reducing dependency syndrome	Identify and provide short term employment & provide training
4. LMA	Put in place Liberianization policy	providing self-employment	provide training services and loan opportunities
5. NAWOUL	GOL and NGOs should help IBs with loan	providing self-employment	Provide transportation facilities
6. MPEA	IBs be given loan and be trained	Reduces unemployment	Raise awareness, monitor, observe feedback & evaluate
7. UL/	IBs be given loan and be trained	providing self-employment	Provide technical skill and education
8. MOA	Proving skills training and credit facilities	providing services	technical advice, provide farming tools and making recommendations for IBs to be funded
9. LBDI	Re-locate IBs from	Reduces unemployment	Introduce entrepreneur

	street		programs and provide loan
10. FRTUL	Provide skill training and credit facilities	providing self- employment	Provide transportation facilities
11. MIA	organize themselves into cooperatives	providing self- employment	Introduce entrepreneur programs and provide loan
12. MCI	Encourage IBs to formalize	providing self- employment	improve information flow, capacity building & linkage program
13. MGD	IBs be given support	provide employment & serve as training ground for IBs	Provide training and loan

### ***Implications, Recommendations and Way forward***

#### ***Implications***

The paper is creating awareness to major stakeholders such as national Governments, NGOs, and other development partners in progress that IBs are making significant contributions aimed at meeting the basic needs of Liberia's post-war population while at the same time, trying to resuscitate private sector investment following the destruction of the economy by the civil crisis. In other words, the increased activities of IBs and the progress made in catering to basic social services of the population serve as basic information that could influence donor support in the form of loans or grants to improve IBs and at the same time improve investment climate in in the CRL.

#### ***Recommendations***

The research reveals that IBs contributed to the basic needs of the households and extended families of PIBs, while at the same time building a foundation for the growth of the private sector in the CRL. These results are re-enforcing the need to strengthen capacity for PIBs through the establishment of a viable training mechanism (e.g tailor-made training programmes at the Economics Department of the University of Liberia) that will focus on the management IBs. This recommendation is necessary because only 29% of PIBs have had some apprenticeship training, with 36 percent capable of keeping records of their daily sales. The aforementioned programme will build the

literacy skills and develop the managerial capacity of PIBs. Moreover, the provision of such capacity building programme will enhance the contribution of IBs to PSD and social services, and sustain policy recommendations for the growth and improvement of IBs. There is also an overwhelming need for capacity building of PIBs in the area of capital investment that will provide short and term loans. This is an important recommendation because 67.5 percent of IBs had no access to investment capital or start-up funds, and were therefore obliged to use own money to establish their businesses; with another 22 percent obtaining start-up money from family loans. In other words, although IBs are contributing to private sector development, the lack of investment capital (aside from own money or family/friends loans) make the informal business sector subsistent. Hence, donor support through micro-credit loans will assist in providing seed-money-loans for IBs as a way of achieving the objectives of Government's post-war PRS programme. This effort will also promote and empower Liberia's middle level business investment climate and enhance the social economic conditions of the majority of population.

It is essential that GOL and its development partners ensure access to contract for small and medium businesses as a continuation of capacity building since the lack of contract market affect the growth and development of IBs in Liberia. Moreover, the GOL needs to establish a 'patronage' system that will prioritize informal business activities in order to enhance Liberia's private sector business climate. This situation, in

addition, to improving skills and initial capital investment will enhance the overall informal business environment, and also strengthen IBs' contribution to private sector development, as well as provide basic social services for the population.

The GOL needs to intensify its ongoing rehabilitation and construction of market buildings and road network development projects in order to enhance the movement of both industrial and agricultural goods, if the activities of IBs are to substantially impact PSD and provide basic social services for the population. The acquisition of land (particularly in urban centers) is a priority in promoting activities of IBs in the CRL because their concentration in one part of urban center creates setbacks that affects their (IBs) growth and successful development.

### ***Research Limitations and Way Forward***

#### *Limitations*

The research focused on the CRL, with concentration in the accessible parts of the region only, which is a limitation. In addition, the total sample size of the survey data (1004 IBs, 35 LGACLs, 13 KIs and 22 FGDs) is small as compared to the population of the IBs in the CRL. In other words, although the total number of respondents interviewed in the research was also small as compared to the control population, it however, has no impact on the results because it satisfied the purpose of the study.

The structured interview was expected to cover primarily 1004 owners of IBs, but instead it covered 1002 (99.8 %) of the owners of IBs, with an insignificant 0.2 percent representing next-to-owners of IBs. While 16 KIIs were planned, 13 institutions or 81 percent responded for interview. Also, of the 20 persons planned for the two FGDs in Kakata and Gbarnga, 22 persons participated, representing 10 percent increment in sample size. In reality, these

limitations do not necessarily affect the validity of the findings and generalization in terms of recommendations derived from the sample survey.

#### *The Way Forward*

Although the studies revealed that IBs are making contribution to PSD and at the same providing basic social services for the post-conflict population of Liberia, there is a need to increase support for a more decentralized research that will profile the contributions of IBs in most, if not all, of the regions of Liberia. Major development oriented donors should assist Liberia with loans that will make the contributions of IBs, to PSD and the social services of population, to grow above the subsistence level and create a middle level business sectors.

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