ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25apr243

The Role of the Ministry of Commerce and Industry in Promoting Inclusive Growth through Medium, Small and Micro Enterprises (MSMEs) in Liberia

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Publication Date: 2025/04/19

Abstract: This research paper seeks to articulate how Liberia as a post-conflict nation and a nation visited upon by two global pandemics: Ebola Virus Disease and Covid-19 has demonstrated its resilience and commitment to economic development which has positioned her on the trajectory for enabling a private sector-led development and inclusive growth through medium, small, and micro enterprises (MSMEs) development. As a corollary of the strengthening of the capacity of the Ministry of Commerce and Industry and other related institutions and working in tandem with its international development partners, Liberia has recorded milestone achievements in its private sector development, especially MSMEs. These achievements encompass the development of a policy framework for MSMEs in Liberia, the provision of grants for MSMEs development with aid from donors, the establishment of the Liberia Business Registry and its imminent digitalization to facilitate doing business in Liberia, the enactment of the Small Business Empowerment Act which requires the government to award 25% of public procurement to SMEs, the creation of Special Economic Free Zones, Liberia's accession to the World Trade Organization, and the ratification of the Africa Continental Free Trade Area Agreement. On the flipside, this paper uncovers that access to markets, access to training and access to finance remain the major challenges to the development of MSMEs in Liberia which are the engine for the country's private sector growth and development. To remediate these constraints, this paper recommends the development of specialized training programs to hone the managerial, technical and financial management capacity of the owners and operators of MSMEs, the use of public-private partnerships (PPPs) to boost the growth of MSMEs to optimize the delivery of goods and services, the establishment of development finance institutions (DFIs) to offer specialist financing mechanisms for MSMEs, investment in infrastructural development to build more farm-to-market roads across the country, and improve as well as harness agricultural value chains to promote the growth of agricultural MSMEs in Liberia.

Keywords: *Food Insecurity, Inclusive Growth, Medium, Small, and Micro Enterprises, Private Sector-led development, Public-Private Partnerships, Public Sector development, Special Economic Free Zones.*

How to Cite: Andy Saye Gbatu. (2025). The Role of the Ministry of Commerce and Industry in Promoting Inclusive Growth through Medium, Small and Micro Enterprises (MSMEs) in Liberia. *International Journal of Innovative Science and Research Technology*, 10(4), 623-639. https://doi.org/10.38124/ijisrt/25apr243.

I. INTRODUCTION

According to Di Belle et al. (2013) and Lin et al. (2011), private sector development denotes an array of strategies designed to support the private sector to enhance economic growth, sustainability, employment opportunities, and improving people's welfare. Cook (2006) noted that private sector development is aligned with the doctrine of economic liberalization which rose in the 1980s. Private sector development is fundamentally driven by the popular development policy of the 1970s which sought to oppose the Keynesian theory known as the "Keynesianism". Accordingly, Keynesianism gained much prominence during the Great Depression; it is a macroeconomic theory developed by John Maynard Keynes. This theory states "aggregate demand represented by total spending is the primary driver of economic activity and employment, and that government intervention can stabilize the economy".

As a key driver of economic activity, private sector continues to promote the expansion of production of goods and services including welfare programs. Evidently, the International Corporation and Development 2019 report indicates that private sector contributed 84% to gross domestic product (GDP) and 90% to job creation in developing countries. Inarguably, private sector development drives inclusive growth as well as job creation. Henceforth, the impact of private sector development on economic growth

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25apr243

and social well-fare is consequential and well-grounded in the literature of economic growth and development.

With much facticity, Liberia is a low-income country situated on the West Coast of Africa with over 178 years of existence; and has been characterized by fragility stemming from virtually two decades of civil war that decimated over 250,000 lives with a humongous adverse impact on its economy and people. The country's fragility is also being underpinned by ubiquitous corruption, weak governance structure, intermittent political instability, a growing food insecurity, and its susceptibility to global economic shocks. These situations are further compounded by its low human development index of 0.32 and an unemployment rate that is anticipated to attain 3.50% at the end of 2024 (The Trading Economics {n.d.}). Traditionally, Liberia's economy has been dominated by the extractive industries which are dependent on volatile commodity prices, with these industries being characterized by capital intensive operations which cannot create the kinds of jobs that will transform the economy and promote the innovative environment for inclusive growth (International Trade Centre {n.d.}). These binding constraints continue to contribute to the development quagmire of Liberia for several decades now, thus posing challenges to spurring the needed economic growth and development in the public and private sectors.

As a post-conflict state, despite of these development constraints, Liberia has shown its resilience and commitment to the outside world by demonstrating its pursuit of critical reforms aimed at bolstering sustainable economic development with key focus on cultivating a progressive growth in its private sector through the development of SMEs. The Ministry of Commerce and Industry continues to coordinate efforts and resources as well as champion the cause for engendering a conducive business climate in Liberia that favors overall private sector-led development and inclusive growth. As a remarkable step toward private sector development, through the effort of the Ministry, Liberia acceded to the World Trade Organization on July 14, 2016, becoming the 163rd member of the World Trade Organization (WTO-Liberia News Archive {n.d.}). Similarly, the Ministry led Liberia's ratification of the Africa Continental Free Trade Area Agreement which commits the country to support trade and capacity building initiatives in Liberia (Ministry of Commerce and Industry, Report, July 2024). Moreover, the ministry is fully implementing its SMEs policy framework which was developed years ago to provide strategic direction for SMEs growth and development in Liberia. Ideally, the Government of Liberia enacted The Small Business Empowerment Act (SBEA) in December of 2014 which requires the government of award 25% of public procurement to SMEs with the goal to encourage SMEs to register, become taxpayers and become part of the formal sector (International Trade Centre {n.d.}).

The purpose of this article is to shed light on how public institutions development has enabled the private sector through a private sector-led development and inclusive growth in Liberia through small, micro and medium-sized enterprises. It aims to identify the binding constraints to private sector development in Liberia; and posit policy recommendations to improve the private sector to provide employment opportunities and reduce poverty amongst households in Liberia. The rest of this policy research paper is structured into six (6) sections which include highlights of private sector development in Liberia, research method, results and discussion, conclusion, acknowledgment, and references.

➢ *Problem Statement*

Despite efforts from the Liberian Government and international partners to promote private sector development and inclusive growth in Liberia, there remain significant barriers to MSME growth, such as limited access to finance, inadequate market access, and capacity-building challenges (Final MSME Policy Liberia 2011-2016). These barriers prevent MSMEs from optimally fulfilling their potential in creating jobs and reducing poverty, which is crucial for Liberia's economic development.

➢ *Objective of the Study*

The objective of this study is to explore the role of the Liberian Ministry of Commerce and Industry in promoting private sector development and inclusive growth through the development of medium, small, and micro enterprises (MSMEs) in Liberia.

➢ *Research Questions*

The study seeks to answer the below research questions in an attempt to fulfill the objective of this study:

- Has the Liberian Ministry of Commerce and Industry achieved reasonable progress in promoting private sector development and inclusive growth through the development of MSMEs in Liberia?
- What are the major challenges facing the growth and development of MSMEs in Liberia?

II. KEY HIGHLIGHTS OF PRIVATE SECTOR DEVELOPMENT IN LIBERIA

Ultimately, Liberia's transformation and modernization as well as its economic revitalization hinge on the development of the public sector to drive a long-term development through a private sector-led development approach, especially the development of medium, small, and micro enterprises in Liberia. The development of Liberia's public sector requires strengthening institutional capacity, development and advancement of human capacity building programs, development and institutionalization of policy reforms, adoption of appropriate technologies to reduce business processing time, improve customer service, strengthen governance mechanisms, decentralize political, administrative and economic activities, massively fight against corruption, waste and abuse, promote the culture of merit-based system, and institutional discipline. These interventions working together will inevitably boost the optimization of service delivery across the public sector and ensure that everyone has equitable access to basic social services in an effective and efficient manner over a sustainably predictable period of time.

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25apr243

Interestingly, in the context of economic growth, there is a strong correlation that subsists between the public and private sectors. This correlation explicitly lies in their nexus characterized by complexity and interdependence. It remains an incontestable assertion that in every given economy, the private sector remains the cardinally fundamental engine that propels economic growth through the strategic direction and environment being engendered by the public sector. The role of the public sector is to generally ensure macroeconomic stability or environment and appropriate policy frameworks that support private sector growth through the expansion of private investment and entrepreneurial innovation which culminate in job creation, income base expansion and lead to poverty reduction at an exponential level. With the realization that public sector development is critical for enabling the private sector to drive economic growth and development, the Government of Liberia has begun working in tandem with its international development partners such as the World Bank, African Development Bank, the United States Agency for International Development (USAID), European Union, United Nations Development Programme (UNDP), Economic Community of West African States (ECOWAS), African Union and more to strengthen private sector institutions in Liberia with great emphasis on the Ministry of Commerce and Industry (MoCI) to spearhead and champion the cause for private sector-led development through business growth and development. These concerted efforts have begun to transform the private sector development landscape of Liberia with some notable gains which the government is endeavoring to consolidate, sustain and improve upon.

As part of Government of Liberia's effort to develop the capacity of the Ministry of Commerce and Industry capacity to promote private sector-led development, the Government strategically took deliberate action by creating a small business department within the ministry with a mandate to support the growth and development of small businesses in Liberia to achieve poverty reduction and wealth creation. In furtherance of its mandate, the ministry established a policy for small, medium and micro enterprises in Liberia at the conclusion of a wide range of consultations with several public sector institutions across Liberia (Final MSME Policy Liberia 2011-2016). The government and its development partners view MSMEs as the pillar of Liberia's corporate private sector, and that these SMEs have the potential to immensely contribute to national growth, job creation and exports. In this regard, the policy articulates the necessity and provides framework for the deployment of public resources to strengthen small businesses in Liberia which are the major source of income generation for approximately 80 percent or more of the Liberian population. This policy identified four key pillars of the investment climate in Liberia such as legal/regulatory reforms, access to markets, access to finance, and building skills and knowledge which are essential for the flourishing of MSMEs in Liberia. The policy seeks to increase the flow of capital to MSMEs, enhance the skills of small business owners/managers, build the productivity of MSMEs, increase underserved groups' access to economic opportunities, and broaden underserved groups' access to needed resources to respond to economic opportunities. The development of this policy framework document for MSMEs in Liberia is recorded as a milestone achievable and is indicative of the commitment of the Liberian Government in advancing the development of MSMEs in Liberia.

With the effectuation of this policy, between 2019 and 2023, the World Bank and International Fund for Agricultural Development (IFAD) infused US$218 million into the Liberian economy to support SMEs through two major projects; namely, Smallholder Agriculture Transformation and Agribusiness Revitalization Project (STAR-P) valued at $25 million launched on January 15, 2019, which is expected to end on November 28, 29024 with additional $55 million which was approved on June 4, 2021; and the Rural Economic Transformation Project (RETRAP) valued at $30 million meant to stimulate domestic food supply as way of addressing food insecurity through emergency production. This project was later scaled up in December 2023 with additional financing of $85 million to support investment in road connectivity, strengthening of livelihood, social inclusion, fostering resilience and ensuring economic competition in Liberia (World Bank Report).

Moreover, with this policy, the European Union has strengthened the capacity of the Ministry of Commerce and Industry in supporting the improvement of the business and investment climate in Liberia and has committed to provide twenty-five million Euros to the Ministry to support industrialization activities earmarked by the special economic zones which were established in 2017 (Front Page Africa News, July 2, 2024).

As a critical step toward public sector development for enabling private sector-led development and inclusive growth through the development and growth of businesses in Liberia, USAID Liberia has strengthened several civil society organizations and public sector institutions including the Ministry of Commerce and Industry through policy reform and capacity-building interventions in identifying and mitigating key barriers to economic expansion in Liberia (Economic Fact Sheet, July 2022). Working in tandem with West Africa Trade and Investment Hub, USAID Liberia continues to support specific agribusiness and eco-tourism investments in Liberia (Economic Fact Sheet, July 2022). In similar context, USAID Liberia is partnering with Development Finance Corporation to provide access to capital for small firms and businesses to sustain their operations and create employment opportunities in Liberia (Economic Fact Sheet, July 2022). With the high costs of borrowing from commercial banks in Liberia including collateral value due to high default risks, USAID Liberia has been instrumental in supporting SMEs through a credit guarantee with Access Bank loans for agricultural, health and educational SMEs (Economic Fact Sheet, July 2022).

With the fast pace of globalization and the wake of the African Continental Free Trade Agreement established in 2018, Liberia has recorded a major progress with its adoption and implementation through the strengthening of the Ministry of Commerce and Industry. With support from the United Nations Economic Commission for Africa (UNECA), the ministry has completed the validation of its national

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implementation strategy which is aligned with regional and continental frameworks. This will tremendously catalyze sustainable economic growth, industrialization, and development in Liberia through a private sector-led development approach (Ministry of Commerce and Industry, Report, July 19, 2024).

III. RESEARCH METHODOLOGY

The research design adopted for this study is the hybrid of qualitative and quantitative study designs. The data for this study is purely primary data which were collected through the administration of a closed-ended survey questionnaire as well as key informant interviews and observations. A random sampling technique was used to draw out a sample size of five hundred (500) respondents from medium, small, and micro enterprises in Mount Barclay and Johnsonville Township in Montserrado that are covered in survey. Data collected were analyzed using Excel and were presented in tables and charts from which discussion of results followed. To ensure the validity and reliability of the data for this study, the data were triangulated. For the literature review which underpins this study, several relevant development reports on Liberia's public sector development for private sector-led development and inclusive growth as well as other previous related research or studies were assessed and reviewed.

IV. LITERATURE REVIEW

The conceptual framework for this study is premised on the concepts of public-private partnerships (PPPs), special economic zones (SEZs), agricultural value chains, and development finance institutions (DFIs). To facilitate the fundamental understanding of these concepts, the below definitions are provided as follow:

According to World Bank's definition, public-private partnership is "a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance". It is simply the combination of the deployment of public and private sectors' capital to improve public services with major focus on infrastructural development.

SEZs definitions are diverse. However, the most basic definition is that SEZ is an area where national rules and regulations of making business differ from the remainder of the country. In order words, it is a geographically bound areas in which governments facilitate industrialization by attracting foreign direct investments (FDIs) to stimulate economic growth.

DFIs are publicly owned financial institutions that invest in the private sector of developing countries (Anginer et al., 2014). DFIs are pivotal tools in catalyzing resources to support sustainable economic development projects in low-income countries.

Agricultural value chain is a full range of activities that are required to bring a product or service from its inception to its end use, including all the market channels available to firms (United States Agency for International Development definition). This widely used concept is also viewed as the people and activities that bring a basic agricultural product like maize or vegetables or cotton from obtaining inputs and production in the field to the consumer, through stages such as processing, packaging, and distribution. The key stages of agricultural value chains include inputs, production, processing & packaging, storage & distribution, and end markets. The below diagram depicts the agricultural value chains.

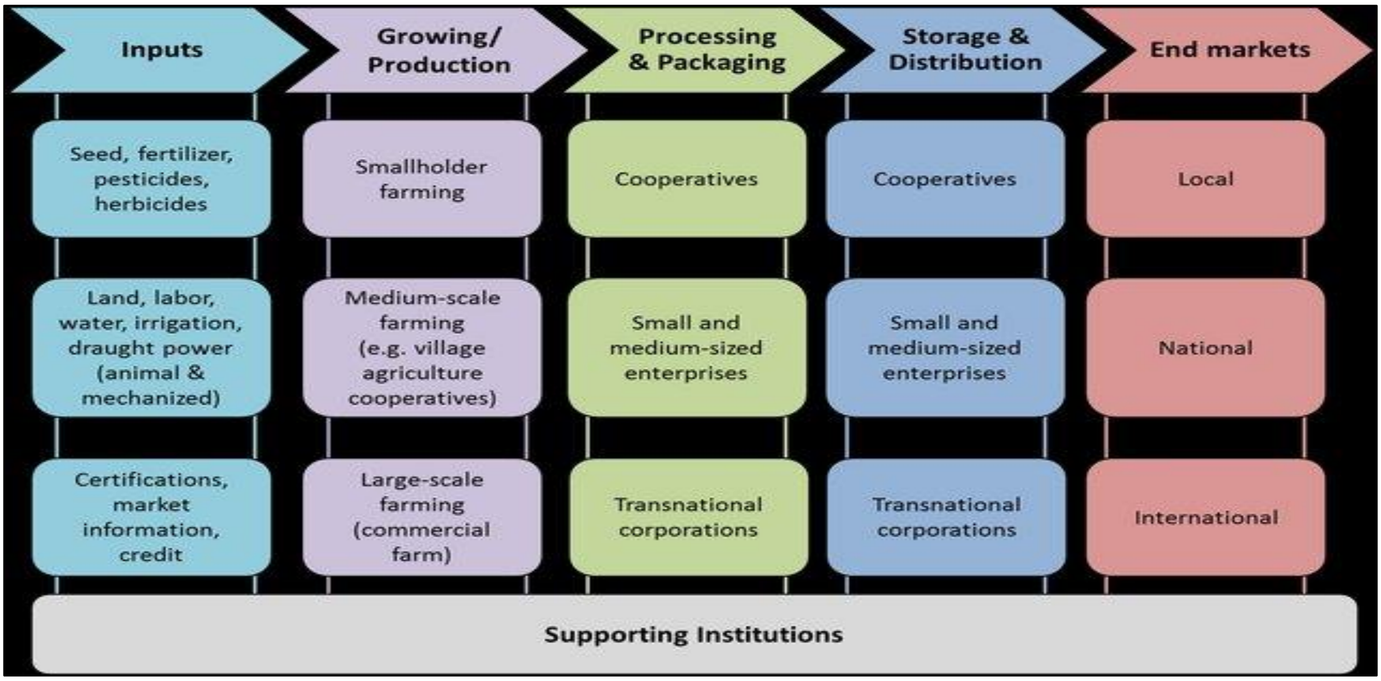

Fig 1: Conceptual Framework
Source: The Author

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25apr243

The history of private sector development is wrapped in the theories that advance the objectives of privatization. According to Kay and Thompson (1986) and Mohan (2001), the drives and rationale that support privatization are likely linked to one or more of the below:

- Promoting increased efficiency or improving economic performance;
- Expansion of revenue for the government;
- Reduction of the government's role in the economy by limiting the interventions and promoting more private initiatives; and
- Advancing capital market development through broader share ownership.

The underlying theories of private sector development provide rationale that underpins privatization. The intervention of the government in economy may be reduced by privatization as privatization increases government's spending with no service production (Mikesell, 2013). It is inferred that the privatization of state-owned enterprises (SOEs) yields more revenue to the government (Mikesell, 2013). Similarly, Brown et al. (2019) asserted that that firms that are completely privatized are more productive in comparison to those that partially privatized.

Notwithstanding, the emergence and development of private sector were challenged by the Asian financial crisis of 2017 and the global financial crisis of 2008. These notable financial crises posed significant hurdle to economic growth. Johnson et al. (2000) noted that the Asian financial crisis culminated in the loss of private investors' confidence in the financial systems of many economies around the world.

Evidently, several studies point to private sector being the engine of economic growth. This has greatly attracted the attention of many governments around the world and their development partners in tailoring policies and resources to harness the private sector to boost economic development and inclusive growth. Achieving inclusive growth is only realizable when the government takes appropriate measures in bolstering the necessary eminence, creating ideal regulatory framework and ensuring stable macroeconomic conditions exist (Zulkhibri, 2018). Economic literature on private sector development pinpoints the interplay of some variables that are cardinal in driving private sector development. These key variables encompass the effective and efficient utilization of public-private partnership, the creation of special economic zones, strategic investment in infrastructure, the harnessing of agricultural value chains and the establishment of development finance intuitions (DFIs).

One of the core functions of all governments around the world is to provide basic social services for its citizenry or ensure the delivery of goods and services to its people in an effective and efficient manner. In order to maximize such function, it has been proven that public-private partnerships (PPPs) as long-term mechanism have employed by many governments to effect said function. Public-private partnerships is defined as the collaboration between a government agency and a private sector company that can be used to finance, build and operate projects. This concept and practice have been of great interest to many researchers in the fields of Economics, Management and Public Administration (Spielman, Hartwich, and Grebmer, 2010). The intriguing nature of PPP has led economists to conduct multifarious studies on this subject and attribute it to the optimization of the bundling of the various tasks such as design, tender, and operations instead of on how each task can be completed by a single partner (Ross and Yan, 2015). As a cooperative and institutional arrangements between the public and private sectors, this term is extensively referenced in several disciplines such infrastructure and public services including water, environmental protection, sewage, transportation, energy, public health, and more for several decades. The use of public-private partnerships is highly beneficial in pooling together resources, risk identification, risk sharing or mitigation, cost savings, ensuring quality, innovation, garnering of expertise, faster development, timely project completion, building synergy/networking, value creation, and job creation. These beneficial aspects of PPPs have culminated in the surge of PPPs in China, the United Kingdom, Portugal, Australia, Spain, and many other developed countries. In fact, many developing countries have shifted to the use of PPPs for their infrastructural development as well as operation. The impressive growth of PPPs has made it to be considered as a governance novelty model (Osborne, 2000).

Interestingly, the recession of the 1980s greatly shaped the rise and development of PPPs. According to (Shaoul, 2011), the emergence of PPPs preceded by the introduction of private finance initiatives (PFIs) in 1992 by the then Conservative Government of Great Britain, which sought to harness the private sector's efficiency, managerial and commercial expertise. This major development took place at the height of the recession that followed the property speculation bubble of the 1980s. The recession's origins were associated with planning and urban development problems, where shortfalls in finance were considered to be too great (Sedjari, 2004). With the emergence of the Labor government in 1997, the PFI policy gained traction. During this period, the PFI 'name' was re-branded as PPP and the use of PPPs became a bipartisan policy. Consequently, other countries and governments like the USA, European Commission, and several Asian countries as well as international organizations also began to argue for the greater use of PPP to unlock the badly needed infrastructure, develop local economics, deliver public services, and renew urban areas. It is argued that the achievement of an inclusive growth will remain elusive in the absence of the use of public-private partnerships which provide better initiatives and support for creating productive jobs (Zulkhibri, 2018, p.48).

The concept of public-private partnerships is supported by important theories which analyzed it from the economics background, the public management and policy backgrounds, and organizational management background. From the economics background, the transaction cost theory perceives it as the optimal governance structure of transactions. The property rights theory considers the incompleteness of PPP contracts, and the principal-agent theory looks at it from the

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25apr243

perspective of the incentive problems triggered by the existence of information asymmetry between the public and private sectors. From the public management and policy background, the network and governance theories view PPPs from the angle of the cooperation between the public and the private sectors, whereas the public choice theory and the new public management theory sees PPPs as the competition mechanisms for the provision of infrastructure and public service. Lastly from the lens of organizational management, the stakeholder theory views PPPs as the need to ensure an equilibrium in stakeholders' benefits, and the intuitional theory ascribes an institutional status to PPP and contend that acquiring the legitimacy of an institution is equally significant as efficiency.

Notably, as Liberia endeavors to promote a private sector-led development, it has begun making steady progress in the utilization of public-private partnerships in its infrastructural development. The continuous binding constraints to Liberia's development, especially limited financial resources evident by inadequate budgetary allocations to private sector development and inclusive growth, these conditions present a unique opportunity for Liberia to tap into public-private partnerships to unlock its private sector growth. Energy being one of very crucial elements to fostering a conductive business climate, the International Finance Corporation (IFC) has supported the Liberia Government through a coordination with other development partners in bringing private sector participation into the power sector in Liberia by structuring a partnership between the Government of Liberia and a private sector partner. In April 2010, IFC concluded the design and tendering of a five-year management contract for the Liberia Electricity Corporation (LEC). The private company, Manitoba Hydro International (MHI) of Canada was awarded the management contract and subsequently took over the LEC on July 1, 2010. For the purpose of sustainability and expansion of the electricity services to serve the business community in Monrovia and its environs from 2010-2015, the European Union, Norway, USAID and the World Bank provided US$50 million in donor funds for the operator (World Bank Report, Public-Private Partnerships). Over time, the management contract was renewed with funding from US Government through the Millennium Challenge Corporation and the Millennium Challenge Compact respectively. Sadly, the Millennium Challenge Corporation and Millennium Challenge Compact support has ended in Liberia due to the country's failure to meet some performance indicators. Since then, there have been couple of public-private partnerships for electricity services expansion across the country. These include the mixture of foreign and local partners. One of the outstanding local partners is Jungle Power Enterprise, a subsidiary of Jungle Water Group of Companies that is supply electrical power to residents and businesses in Nimba County, the Republic of Liberia. Moreover, one of the areas where the country has leveraged public-private partnerships is road connectivity. In a bid to ensure road connectivity for private sector development through SMEs, the Government of Liberia has partnered with several local and international construction companies as well as the African Development Bank (AfDB) in carrying out road construction projects across the country (The Economist). However, the challenges are still enormous to ensure proper road connectivity.

Unprecedentedly, Liberia through its Ministry of Commerce and Industry has made a major boost in its effort to achieve private sector development by delineating special economic zones to provide incentives that will spur the development of businesses in Liberia by attracting foreign direct investment (FDI) and promote value chains that will maximize exports. Many studies reveal that industrialization and economic transformation have significantly been propelled in many developing countries around the world by special economic zones (SEZs) as a policy instrument. Many countries continue to gravitate towards the adoption and utilization of this policy tool due to its key elements such as strategic location, alignment of their strategy with overall national development strategy, comprehending the market and utilizing comparative advantage, and their uniqueness with respect to business friendly environment which is supported by appropriate legal and regulatory framework, and the consideration in designing SEZs to reflect sustainability and resilience to external shocks (Zeng, 2021). SEZs are likely considered as mechanisms to smoothen global value chain process (The World Development Report, 2020).

The evolution of SEZs took many forms and stages. Particularly, by 1959, the first modern special economic zone was created in Shannon, Ireland (Farole, 2011). Dating from the 1970s, several SEZs were established in East Asis and Latin American regions in the forms of export processing zones (EPZs) to attract foreign direct investment (FDI) in the manufacturing sectors catalyze exports ((Farole, 2011). The adoption of SEZs as a policy tool has proven to be successful in countries including China, Maylasia, United Arab Emirates, Mexico, Dominican Republic, as well as the Middle East and North Africa and more in boosting export (Zeng, 2021).

With these histories of SEZs being transformative in advancing private sector growth and development through exports creation and maximization, Liberia stands to boost export-oriented activities in the private sector by the creation of these special economic zones. Interestingly, Liberia has had 21 years of uninterrupted peace which depicts a relatively stable democratic environment. This points to the decline in political risks which favors business development. Moreover, one of the instruments which will buttress the rationale behind the special economic zones in attracting foreign direct investment (FDI) to Liberia is tax incentives provision. Though the rates are relatively high in Liberia, the 2000 Revenue Code/Tax Law of Liberia as amended in 2011, provides tax incentives to attract businesses and concessions in economically deprived regions in Liberia. This is meant to spur economic growth and development in areas with little or no economic growth and development. In addition to that, Liberia espouses a voluntary declaratory tax regime which creates flexibility for business establishments. Another important aspect of the tax law which is worth mentioning in terms of supporting a business-friendly environment for businesses to thrive in Liberia is that the tax law allows

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businesses to carry over losses for up to five years. With businesses being critical to the overall economic growth and sustainable development of Liberia, the Government of Liberia has taken practical steps to insulate businesses against unfair tax treatment by tax authorities. These steps culminated in the setting up of the Board of Tax Appeal which is an independent body which primarily hears and adjudicates tax controversies between taxpayers and tax authorities. This creates a framework for taxpayers in this case, businesses to take an appeal for any dis-satisfaction arising from tax disputes. Beyond these frameworks, there is a tax court that exclusively adjudicates tax matters in Liberia. For tax matters that are beyond the jurisdiction of the Board of Tax Appeal and the Tax Court, they are referred to the Supreme Court of Liberia for final settlement.

Incontrovertibly, infrastructural development including mainly roads and energy remains a key pillar that supports private sector development. Its cruciality is reflected in cost reduction, creation of viable access to markets, enabling an unhindered flow of goods and services, people/labor and technology across the world especially in the wake of globalization. Up to present, international development partners, the Chinese Government and multilateral institutions such as the World Bank and the African Development have significantly financed infrastructural and capacity building projects in Liberia, considering that this sector is crucial to growth take-off (Prizzon, 2017). Despite these huge infrastructural financing, the projects were not strategic from the incipiency in terms of deliberately prioritizing major access to markets especially export markets. For example, placing strategic emphasis on the pavement of major trade corridors like connecting agricultural points to agricultural value chain centers such as processing sites as well as export points such as sea and airports.

However, with many calls for strategic infrastructural development to promote agricultural activities, the Government of Liberia has shifted much priority in linking major trade corridors across the country. As a demonstration of this change in priority, the Government has paved the Ganta-to- Monrovia highway and the Ganta to the Ivorian border, thus facilitating trade and commerce between Liberia and its nearing country, La Cote D'Ivoire (Economic Stabilisation and Recovery Plan Report, 2015). By the same token, the Karweaken-to- Fish Town-to Harper highway has been paved which is impacting businesses in the Southeastern part of Liberia. With the current national development plan styled as the "ARREST Agenda" deciphered as Agriculture, Road, Rule of Law, Education, Sanitation and Tourism which was officially launched in November 2024, the Government is making frantic efforts to prioritize infrastructural development that will promote agriculture and business activities in Liberia. Though some of the road corridors are currently deplorable due to the rainy season which makes some parts to be impassable by vehicles, different financing agreements and mechanisms for infrastructural development are being pursued and a deal to secure yellow machines to boost road construction and maintenance is underway; and major construction works have begun across some corridors in Liberia.

On the energy/power side, the government is making some strides in this direction to supply businesses and residential places with affordable electricity irrespective of the enormous challenges in this sector. Since the destruction of the country's hydro during its virtually two decades of civil strife, Liberia has not fully recovered from this setback. The Liberia's Mt. Coffee Hydro Plant, which was dedicated in 1966, was destroyed during the peak of the country's civil war through bombing and looting. With the coming into effect of the Millennium Challenge Corporation (MCC), major partnership work began with international development partners and the Government of Liberia for the renovation of the hydro plant between November 2016 and September 2018 leading to the generation of 75 megawatts of low costs, renewable electricity (Mathematica, June 28, 2024). Since then, electricity connection has expanded from 35,000 users to 150,000 users by 2022 (Mathematica, June 28, 2024). The government through its electricity corporation, continues to forge strategic partnership agreements with transnational governments and private companies to supply electricity. Energy transmission lines have been built between Monrovia and Tubmanburg and Monrovia to Firestone. The West African Power Pool electricity project from La Cote D'Ivoire has been one of the key sources of power since 2019. As a strategic plan to ensure the uninterrupted supply of electricity in Liberia during the dry season which is expected to run between this November 2024 and April 2025, the government of Liberia is endeavoring to consummate a deal with the Government of Ghana for the transmission of electricity to Liberia to keep businesses running and meet the electricity needs of residential areas.

Energy being very pivotal to industrialization and societal wellbeing, the Government of Liberia has continued to de-monopolize the supply of electricity by creating power purchase arrangements with private companies. Companies with the financial and technical capabilities are allowed to enter into a power purchasing agreements with the Government of Liberia. Jungle Energy Power (JEP) owned and operated by Mr. Tomah Seh Floyd of Nimba County, the Republic of Liberia is one of the leading companies involved with this power purchase agreement. JEP has been very effective in supplying electricity throughout Nimba County, Republic of Liberia. Another energy company is carrying out similar operations in Maryland County, Republic of Liberia; and there is another one that is at its formative stage in Grand Bassa County, Republic of Liberia. When completed, it will generate and transmit electrical power to homes and proliferating businesses in that part of the country which is an ideal business and touristic destination due to its proximity to the sea and the existence of an operational seaport. Additionally, the US Government through its international development agency, USAID has installed a functional power grid in Gbarnga, Bong County, Republic of Liberia. This development is helping to address the energy needs of businesses and residential areas in that county. USAID has been piloting similar project in Totota, Bong County through a private company. That has proven very instrumental in

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25apr243

generating and transmitting energy in that rural part of Liberia.

In an effort to fulfill its commitment to the Paris Accord, Liberia has been harnessing its renewable energy generation capacity from solar and hydro. Liberia has been exerting frantic efforts to garner national and international investments in renewable electricity to attain its 30% target by 2030 and carbon neutrality by 2050 (Green Climate Fund, Report). Liberia has established its renewable energy agency which is leading its drive to transition to clean energy to support businesses and communities in Liberia. This agency continues to raise awareness about clean energy and enabling the use of solar energy in Liberia. With the outcomes of these paradigm shifts in the energy sector, Liberia is gradually on the path to overcome its energy constraints in the long run.

It has been proven for decades that Liberia has not fully harnessed its comparative advantage in agriculture to drive its development optimally. Without a doubt, Liberia typifies a fragile state and low-income state. Its heavy reliance on the extractive industry for fiscal revenues and exports as well as heavy concentration of its GDP in low agricultural productivity and informal employment driven by poor infrastructure and inadequate financing continues to constrain its transition to a middle-income state (E. Tyson, 2017). Igniting a structural change in Liberia's economic outlook is necessary to address its impediments to escape its poverty trap and transition to a middle-income state. One of the best options that is available to Liberia to transform its economic structure is harnessing its agricultural value chains to enhance economic growth and development in the private sector. As Liberia strives to build an effective infrastructure, greater focus must be concurrently placed on improving the few existing agricultural values chains and innovatively explore new ones to produce more goods and services and increase employment activities. The Government of Liberia should deliberately support all agricultural MSMEs in Liberia to improve their production capabilities, processing/packaging processes and technologies, storage facilities, marketing skills with appropriate technologies including e-marketing/e-commerce, enhance distribution channels through targeted approach to infrastructural development with emphasis on roads that connect rural agricultural production sites to markets /export facilities. The under-development and under-utilization of the value chains of agricultural MSMEs in Liberia are limiting their growth potential, constraining their roles in promoting exports, job creation, poverty alleviation and wealth creation.

Intriguingly, Liberia's development partners such as the World Bank, UNDP, and USAID have been very intentional in promoting private-sector-led development and inclusive growth in Liberia with sustainable impact. In an effort to promote Liberia's agricultural MSMEs, these development partners have provided more grants to these businesses. For example, through UNPD business incubator and USAID business pitching programs, over forty agri-businesses received US$40,000 to expand their investment portfolios and improve their value chains. Particularly, the World Bank Group has given the highest grants mainly to smallholder farmers as a means of specifically addressing Liberia's rising food insecurity. With Liberia's vast tourism sector being a key factor to stimulate a viable private sector development, USAID has begun making huge investment in this sector through its economic growth portfolio. USAID has established two famously ideal eco-lodges in Liberia with one located in Grand Cape Mount County and the other in Eastern Nimba County. These two eco-lodges have begun to greatly attract tourists and ordinary people at an increasing rate. These eco-lodges have now become sources of employment and income generation.

One of the key catalysts that is greatly missing in Liberia's post-war economic recovery and drive for public sector development is the conspicuous absence of major development finance institutions (DFIs) in Liberia. Development studies point to the crucial role that DFIs play in mobilizing and supplying specialist financing mechanisms to propel economic growth and development exponentially. The literature on development finance institutions in Liberia shows that there is only one institution in Liberia known as the Liberian Development Finance Enterprise Company that is positioning itself as a DFI. From all indications, technically this institution does not meet the criteria that define a DFI. This leaves Liberia's development endeavor with no strategic funding source and direction which is adversely impacting the country's development outcomes.

It is worth mentioning that the Government of Liberia through its Central Bank has provided a credit/loan facility specifically for agricultural MSMEs in Liberia. However, this intervention is inadequate and inappropriate to meet the needs of these key sectorial growth institutions. It has been proven that commercial banks are risk-averse and are not willing to adequately fund projects such as agriculture with seasonal risks and infrastructural projects with long gestation periods. Since commercial banks are not willing in most cases to absorb more risks, the risk premiums for their lending are normally high. Commercial banks are noted for charging high interest rates and requesting high dollar-valued collaterals and shorter repayment periods to hedge against potential risks of default that could increase their risk exposure in terms of non-performing/default loans that would lead to financial losses.

Unlike commercial banks, DFIs have more risk appetite and have in place appropriate risk mitigation measures and are willing to offer lending at attractive rates with a reasonably longer time frame for repayment. DFIs are reputed for possessing the requisite technical competence to design a sundry of specialist financing mechanisms that offer diverse development financing portfolios to meet a country's strategic development needs and properly control and manage their risk exposures. Ideally, DFIs can employ their technical capabilities to transfer technical skills to lenders to improve their capacity for the effective and efficient management of borrowed funds to optimize project outcomes and mitigate the risks of any potential default.

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V. DATA PRESENTATION AND DISCUSSION OF FINDINGS

Table 1: Gender distribution of respondents surveyed

Options	Frequency	Percentage
Male	194	61%
Female	306	39%
Total	500	100%

Source: Survey Questionnaire Received from Respondents

Table 1 indicates that of the total number of respondents surveyed, 194 representing 39% are males, while 306 representing 61% are females. This implies that the owners and operators of medium, small and micro enterprises (MSMEs) in Liberia are predominantly females. This further suggests that more females find this sector as a source of self-employment to generate income to support their livelihoods in Liberia, which leads to the inference that this sector is pivotal to reducing inequality between men and females in Liberia and is helping to address poverty reduction on the overall.

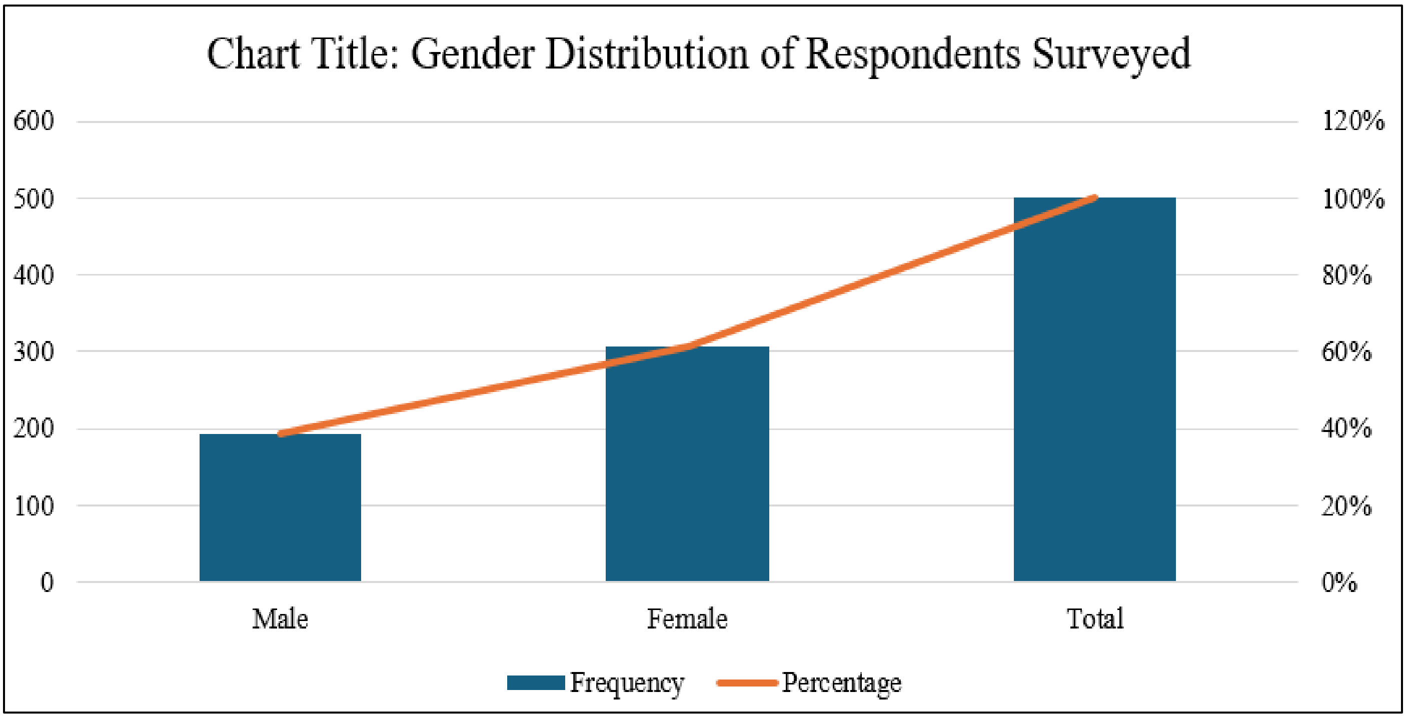

Fig 2: Gender Distribution of Respondents Surveyed
Source: Table 1

Table 2: Age Distribution of Respondents Surveyed

Age Range	Frequency			Total Percentage
	Males	Females	Total	
20-26 yrs.	20	35	55	11%
27-33 yrs.	31	60	91	18%
34-40 yrs.	60	73	133	27%
41-47 yrs.	75	105	180	36%
48-54 yrs.	6	18	24	5%
55-61 yrs. & above	2	15	17	3%
Total	194	306	500	100%

Source: Survey Questionnaire

Table 2 portrays that of the total number of respondents surveyed, 35 respondents comprising of 20 males and 35 females constituting 11% are ages ranges between 20026 years, 91 respondents comprising of 31 males and 60 females constituting 18% ages range between 27-33 years, 133 respondents comprising of 60 males and 75 females constituting 27% ages range between 34-40 years, 180 respondents comprising of 75 males and 105 females constituting 36% ages range between 41-47 years, 24 respondents comprising of 6 males and 18 females constituting 5% ages range between 48-54 years, and 17 respondents comprising of 2 males and 15 females constituting 3$ ages range between 55-61 years and above. These findings indicate that the owners and operators of MSMEs in Liberia are dominated by adults.

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25apr243

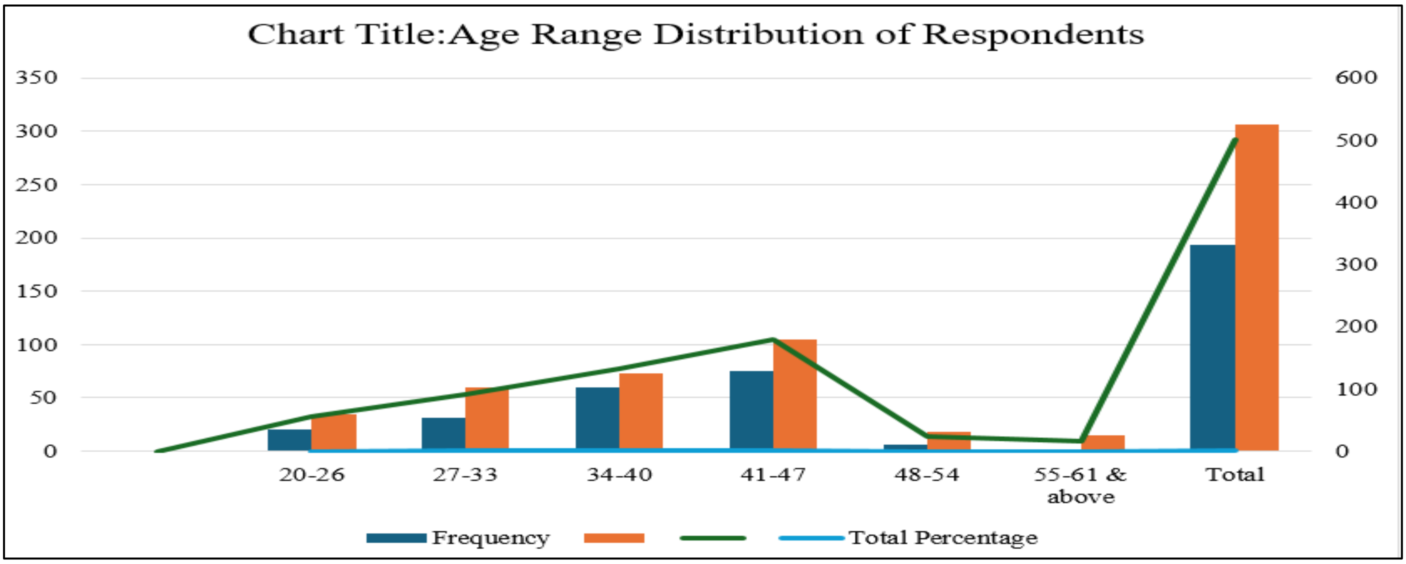

Fig 3: Age Distribution of Respondents Surveyed
Source: Table 2

Table 3: Marital Status Distribution of Respondents Surveyed

Marital status of respondents	Frequency	Percentage
Single	116	23%
Married	98	20%
Divorced	11	2%
Cohabiting	275	55%
Total	500	100%

Source: Survey Questionnaire

Table 3 indicates the total number of respondents surveyed, 116 respondents translating to 23% are single, 98 respondents translating to 20% are married, 11 respondents translating to 2% are divorced, and 275 respondents translating to 55% are cohabiting. These findings point to the fact that majority of the owners and operators of MSMEs in Liberia are cohabiting with their sexual partners.

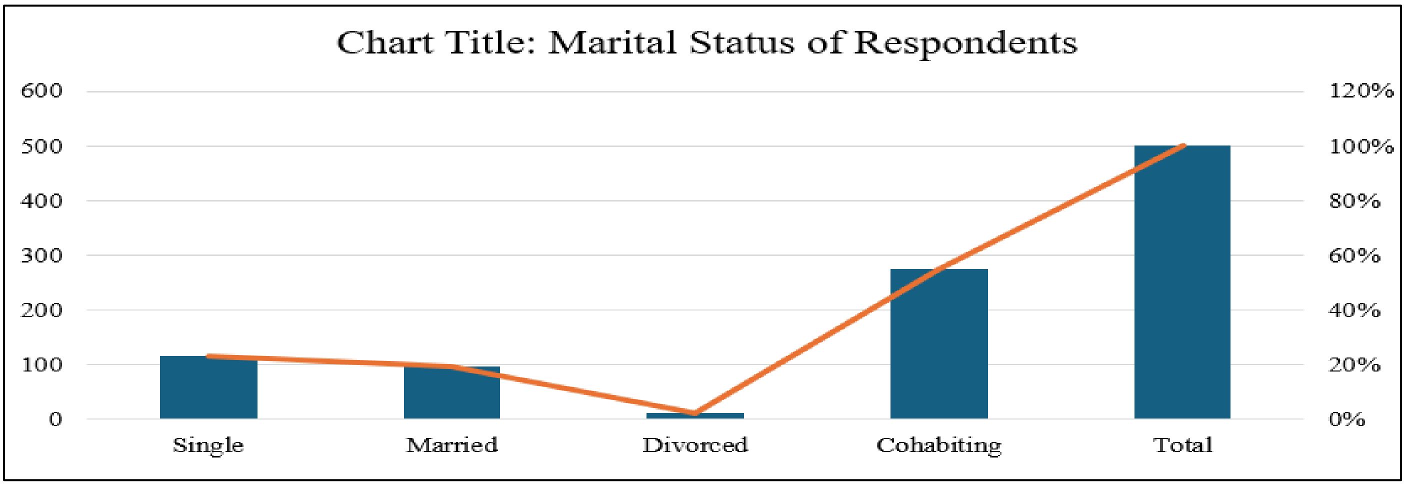

Fig 4: Marital Status Distribution of Respondents Surveyed
Source: Table 3

Table 4: Do you Believe that the Government of Liberia through the Ministry of Commerce and Industry's Interventions Including Policies are Expanding MSMEs in Liberia?

Responses	Frequency	Percentage
Yes	418	84%
No	82	16%
Total	500	100%

Source: Survey Questionnaire

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Table 4 portrays that 418 respondents representing 84% of the respondents believe that the government interventions including policies through the Ministry of Commerce and Industry is positively impacting the growth and development of MSMEs in Liberia, while 82 respondents representing 16% of the total respondents hold contrary view. This suggests that despite the prevailing constraints in the MSMEs sector in Liberia, MSMEs are being expanded across the country as a result of interventions including policy frameworks that the government has put in place to boost private sector-led development and inclusive growth in Liberia. Also, this implies that in the medium to long term, there could be more MSMEs operating and thriving in Liberia.

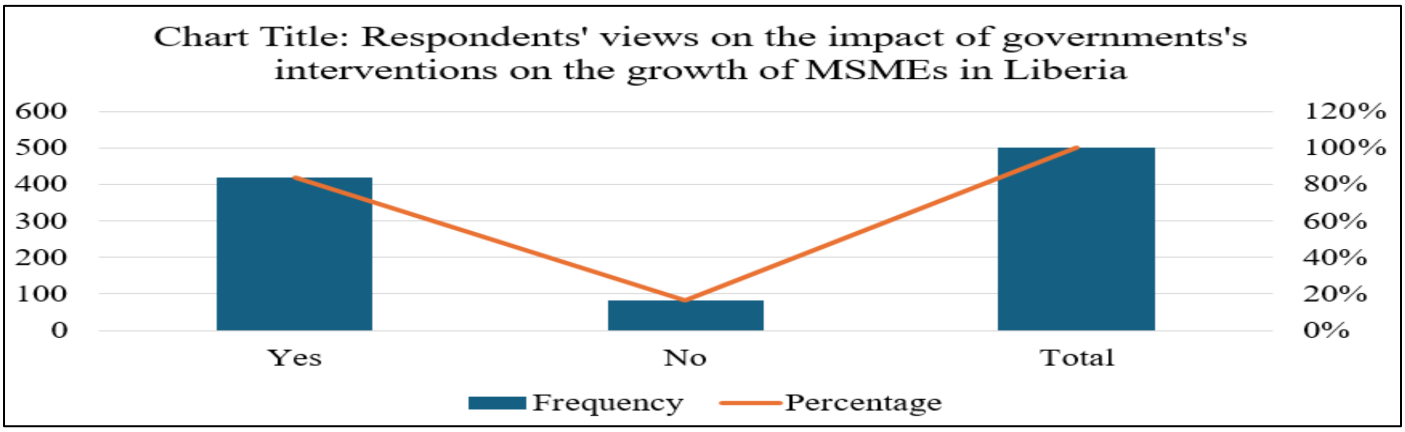

Fig 5: Respondents' Views on the Impact of Governments' Interventions on the Growth of MSMEs in Liberia
Source: Table 4

Table 5: Do you Agree that MSMEs in Liberia are Gainful or Profitable Businesses for Livelihood Support and Business Continuity?

Responses	**Frequency**	**Percentage**
Yes	384	77%
No	116	23%
Total	500	100%

Source: Survey Questionnaire

Table 5 indicates that 384 respondents surveyed constituting 77% of the respondents agreed that MSMEs are profitable businesses in Liberia which are supporting the livelihoods of owners and operators, and their profit margins are good and stable to ensure their continuity, while 116 respondents constituting 23% held contrary view to this. These findings show that MSMEs in Liberia generating profitability to sustain and support the livelihoods of families and provide savings which serve as cushion to ensure business continuity. This is further interpreted as MSMEs being reliable and sustainable source of job creation, and income generation to alleviate poverty amongst households in Liberia.

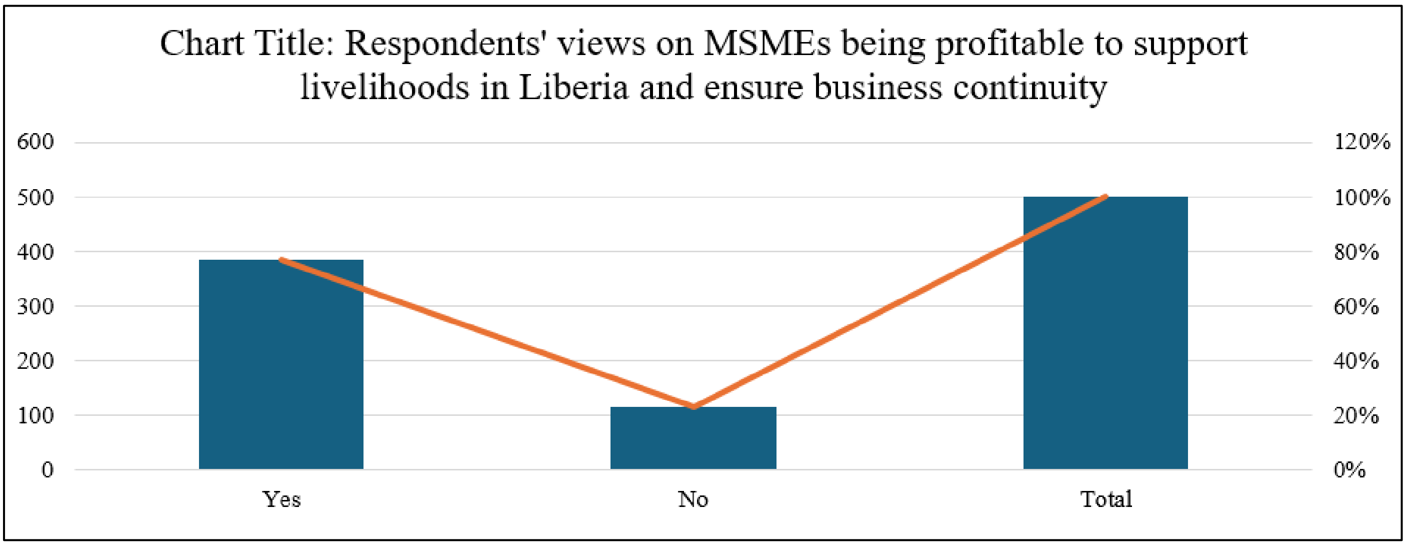

Fig 6: Respondents' Views on MSMEs being Profitable to Support Livelihoods in Liberia and Ensure Business Continuity
Source: Table 5

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Table 6: Do you Agree that MSMEs are Some of the Key Drivers of Private Sector Development and Inclusive Growth in Liberia through Innovation, Job Creation and Business Competition?

Responses	Frequency	Percentage
Yes	388	78%
No	112	22%
Total	500	100%

Source: Survey Questionnaire

Table 6 displays that 388 respondents amounting to 78% of the total respondents noted that MSMEs are some of the key drivers of private sector development and inclusive growth in Liberia, while 112 respondents amounting to 22% of the overall respondents held opposite view to this. These findings suggest that MSMEs are vital to propelling the desired private sector development and inclusive growth in Liberia due to their leading innovation, their ability to create employment opportunities and driving business competition.

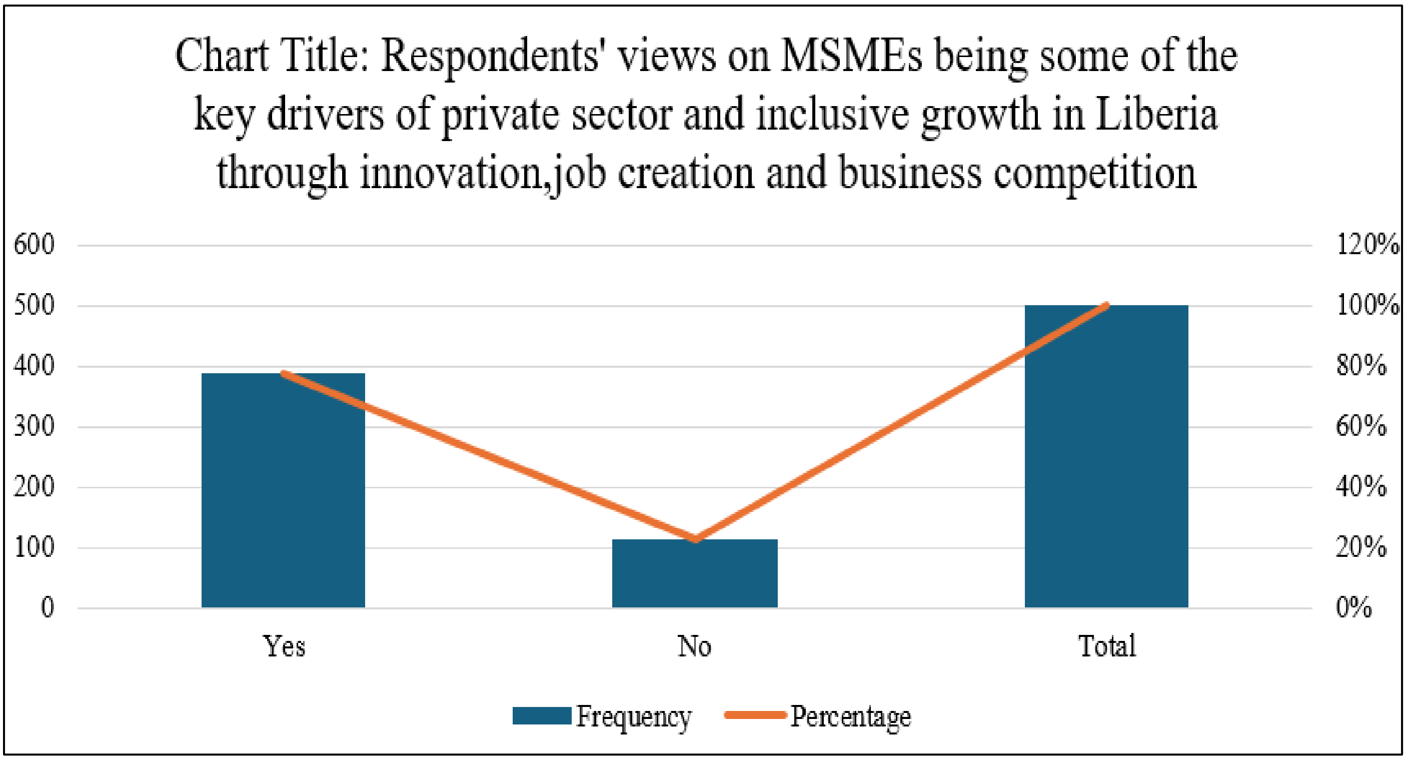

Fig 7: Respondents' Views on MSMEs being some of the Key Drivers of Private Sector and Inclusive Growth in Liberia through Innovation, Job Creation and Business Competition
Source: Table 6

Table 7: What are the Major Challenges Inhibiting the Optimal Growth Potential of MSMEs in Liberia?

Options	Frequency	Percentage
Access to training	230	46%
Access to markets	150	30%
Access to finance	120	24%
Total	500	100%

Source: Survey Questionnaire

Table 7 indicates that 230 respondents representing 46% of the overall respondents said that access to training is the major challenge to the optimal growth of MSMEs in Liberia, followed by 150 respondents representing 30% of the total respondents who cited access to markets due to limited road infrastructures, and 120 respondents representing 24% pointed to access to finance being the major challenge to the growth of MSMEs in Liberia. These findings mean that the optimal growth potential of MSMEs in Liberia has been inhibited as a result of the presence of these factors facing MSMEs in Liberia.

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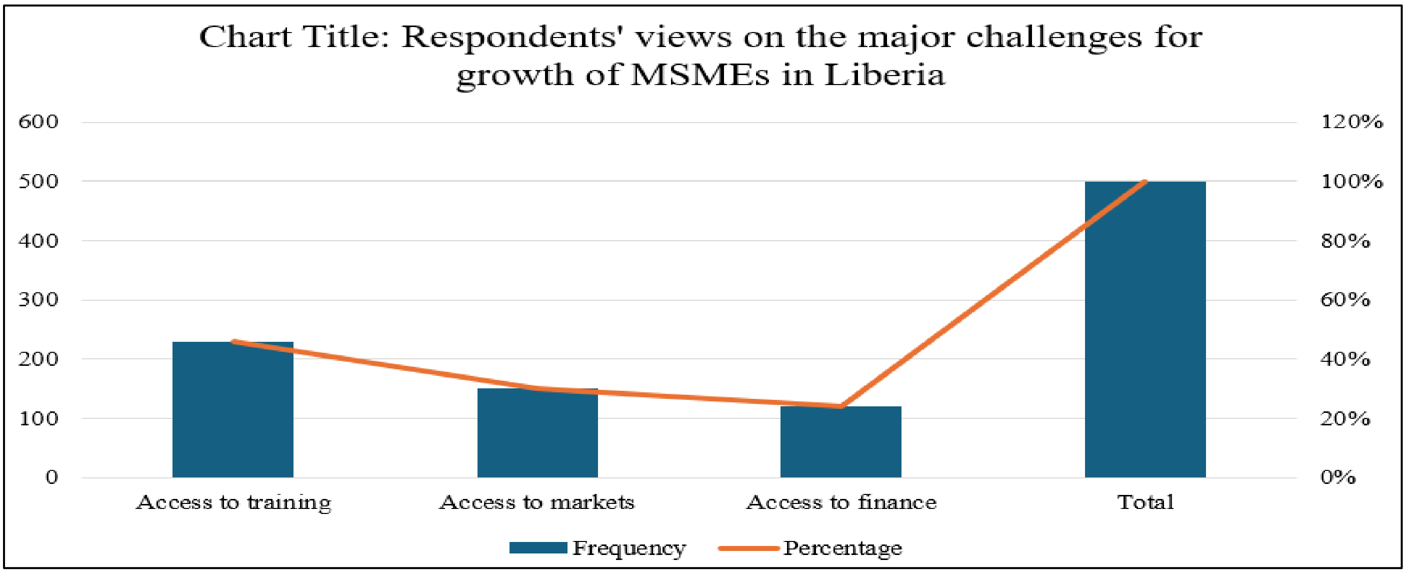

Fig 8: Respondents' Views on the Major Challenges for Growth of MSMEs in Liberia
Source: Table 7

Table 8: Do you Believe that the Value Chains of Agricultural MSMEs in Liberia are Being Adequately Harnessed to Increase Job Opportunities, and Produce More Goods and Services for Export?

Responses	Frequency	Percentage
Yes	0	0%
No	500	100%
Total	500	100%

Source: Survey Questionnaire

Table 8 portrays that none of the respondents agreed that the value chains of agricultural MSMEs in Liberia are being adequately harnessed to maximize the creation of job opportunities, goods and service and increase export. This implies that while MSMEs are noted for possessing ideal value chains increases job creation, production of goods and services and export, these value chains of Liberian MSMEs are underdeveloped and under-utilized which limit their outputs.

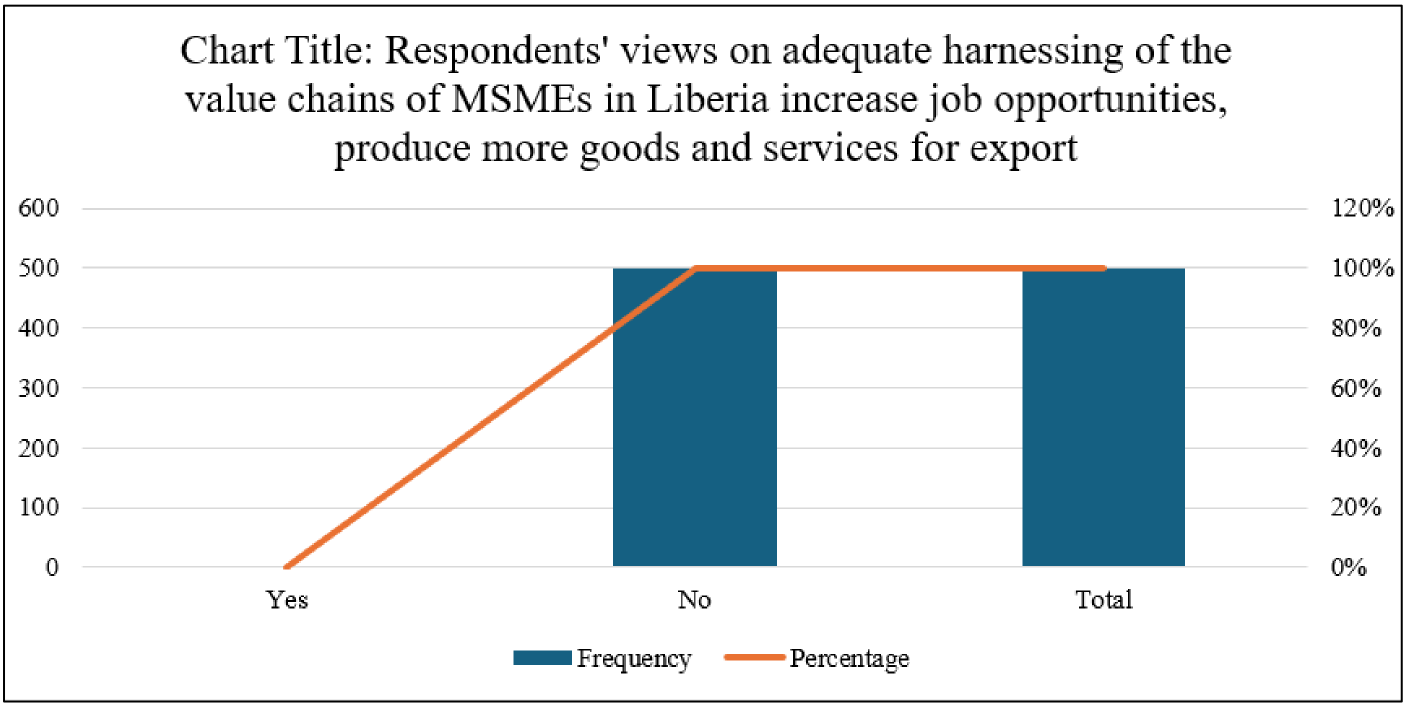

Fig 9: Respondents' Views on Adequate Harnessing of the Value Chains of MSMEs in Liberia Increase Job Opportunities, Produce More Goods and Services for Expoert
Source: Table 8

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Table 9: Are There Adequate Development Finance Institutions (DFIs) in Liberia that are Providing Specialist Financing Mechanisms for MSMEs Development in Liberia?

Responses	**Frequency**	**Percentage**
Yes	0	0%
No	500	100%
Total	500	100%

Survey Questionnaire

Table 9 indicates that none of the respondents constituting 0% agreed that there are adequate development finance institutions in Liberia that are providing specialist financing mechanisms for the development of MSMEs in Liberia. This suggests overwhelming that Liberia is in a dire need for DFIs to provide specialist financing mechanisms to significantly address the financing needs of MSMEs to unlock their optimal growth and development potential for a viable private sector-led development and inclusive growth.

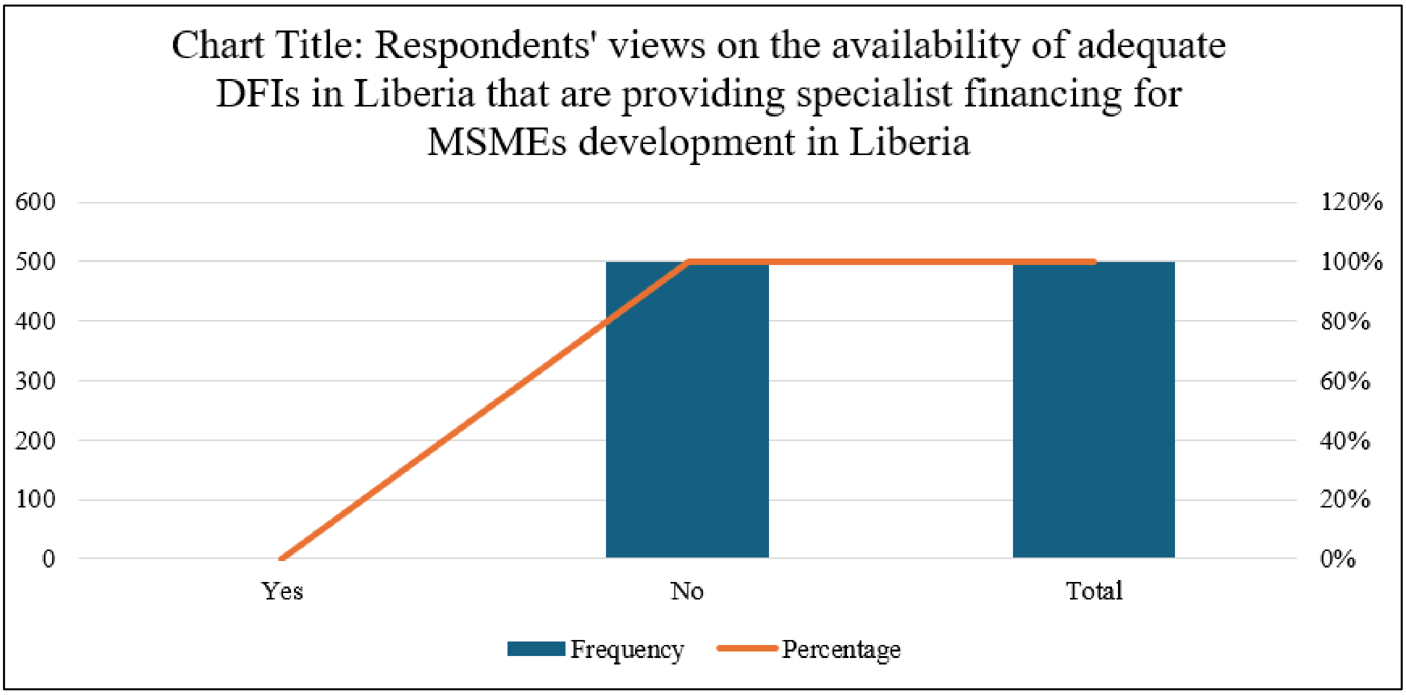

Fig 10: Respondents' Views on the Availability of Adequate DFIs in Liberia that are Providing Specialist Financing for MSMEs Development in Libreria
Source: Table 9

Table 10: Do you Believe that the Interventions from Liberia's International Development Partners (World Bank, UNDP& USAID) by Providing Grants for Agricultural MSMEs and Creating Eco-Lodges in Liberia will Enhance Private Sector-Led Development and Inclusive Growth in Liberia?

Responses	**Frequency**	**Percentage**
Yes	0	0%
No	500	100%
Total	500	100%

Survey Questionnaire

Table 10 indicates that all of the respondents constituting 100% believed that the provision of grants for agricultural MSMEs in Liberia by the World Bank, UNDP and USAID through their business pitching/incubation programs and the establishment of eco-lodges in Liberia by USAID will significantly enhance private sector-led development and inclusive growth in Liberia. Firstly, this implies that these grants will empower agri-business owners to expand their investment portfolios in agri-businesses which have viable value chains to create more employment, generate income for livelihood support for poverty alleviation amongst households, enhance and fiscal mobilization. Secondly, given that Liberia is an ideal eco-touristic destination, these eco-lodges will greatly attract tourists which will inevitably boost foreign direct investment in Liberia that will culminate into increase in the country's GDP through job creation and increased domestic revenues.

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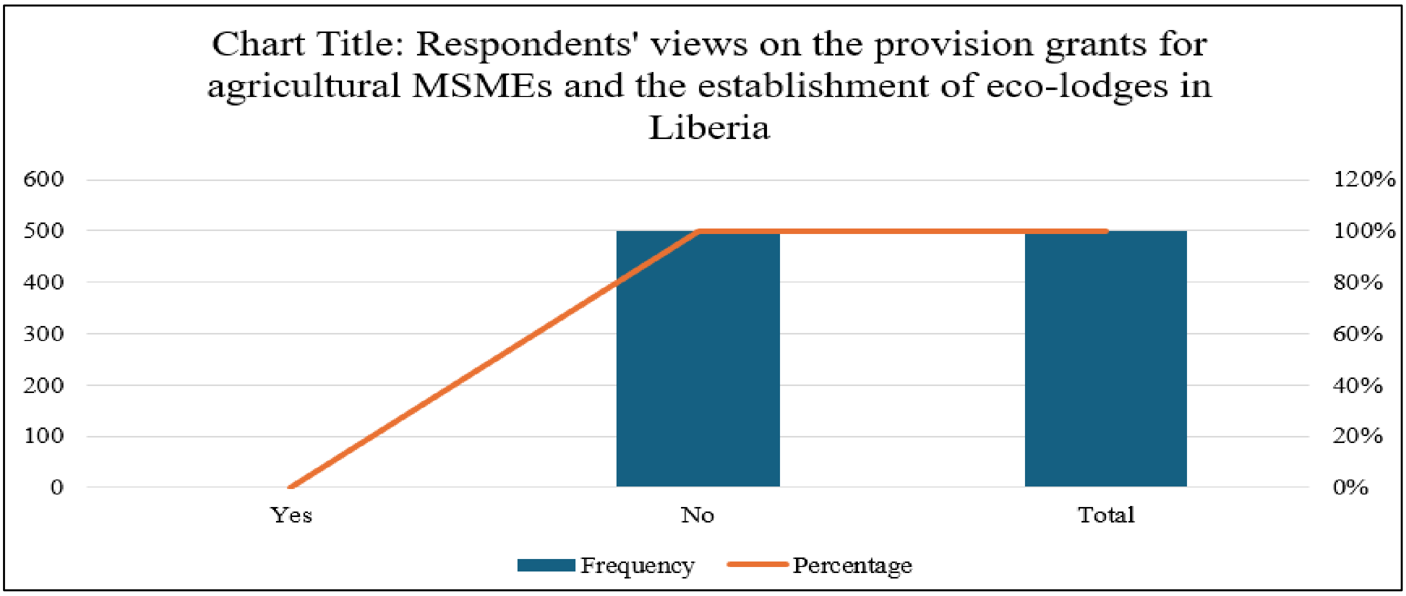

Fig 11: Respondents' Views on the Provision Grants for Agricultural MSMEs and the Establishment of Eco-Lodges in Liberia
Source: Table 10

VI. CONCLUSION /POLICY RECOMMENDATIONS

Liberia is a mineral-rich country with great comparative advantage in agriculture which makes the country a viable destination for foreign direct investment that ideally promotes a private sector led development. Additionally, Liberia has a great prospect for local business growth and expansion by supporting medium, small, and micro enterprises (MSMEs) development which are also critical to achieving a private sector-led development and inclusive growth in Liberia. Though the pace of the country's economic growth and development was stalled as a consequence of a virtually two decades of fratricidal conflict and two global pandemics in recent years, notable strides have been made in revitalizing its economic outlook through a demonstrated resilience and commitment to public sector development that continues to impact its private sector-led development and inclusive growth initiatives with strategic focus on the growth and development of MSMEs as key engine of economic growth.

Findings from the study show that 84% of the respondents surveyed noted that the interventions of the Government of Liberia such as the development of key policy framework for MSMEs, the establishment of the Liberia Business Registry and the passage and ratification of major trade agreements and instruments through the strengthening of the Ministry of Commerce and Industry are significantly enabling a private sector development through the growth and development of MSMEs in Liberia. This means that these strategic interventions by the Liberian Government are contributing to the creation of a conducive business climate in Liberia for MSMEs to thrive. This further suggests that the growth of MSMEs is driving the overall private sector development in Liberia since these businesses are the engine of private sector-led development and inclusive growth. Interestingly, the study found that 77% of the respondents asserted that MSMEs are gainful or profitable businesses in Liberia that are supporting the livelihoods of many households. This implies that MSMEs are contributing tools to poverty alleviation amongst households in Liberia. Similarly, the study uncovers that 78% of the respondents rated MSMEs as being some of the key drivers of private sector-led development and inclusive growth in Liberia. The implication is that these MSMEs serve as the major source of innovation, job creation and drives business competition in Liberia.

Of great interest to note, the findings from the study show that 100% of the respondents believed that the provision of grants for agri-businesses by the World, UNDP and USAID and the establishment of eco-lodges in Liberia by USAID will impact Liberia's private sector development and inclusive growth in two notable ways: Firstly, this implies that these grants will empower agri-business owners to expand their investment portfolios in agri-businesses which have viable value chains to create more employment, generate income for livelihood support for poverty alleviation amongst households and enhance fiscal mobilization. Secondly, given that Liberia is an ideal eco-touristic destination, these eco-lodges will greatly attract tourists which will inevitably boost foreign direct investment in Liberia that will give rise to increase in GDP evidence by increase in the production of goods and service.

While the Ministry of Commerce and Industry continues to make and consolidate gains in enabling a private sector-led development and inclusive growth in Liberia mainly through MSMEs growth and expansion, this paper found that 46%, 30% and 24% of the respondents respectively indicated that access to training, access to markets and access to finance are the major challenges to the optimal growth and development of MSMEs in Liberia. Moreover, 100% of the respondents indicated that there are no development finance institutions in Liberia to adequately provide specialist financing mechanisms for MSMEs development, while 100% of the respondents believed that the value chains of agricultural MSMEs in Liberia are not

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25apr243

harnessed to unlock their potential in providing more employment opportunities, goods and services as well as increasing exports.

As a way of mitigating these challenges, this paper recommends the provision of specialized training programs for the owners and operators of MSMEs in Liberia in order to hone their managerial, technical and financial management capacity. This paper also recommends the establishment of DFIs to adequately provide different specialist financing mechanisms for MSMEs in Liberia. The paper further recommends that public-private partnerships should be leveraged to unlock the optimal growth and development of MSMEs in Liberia to boost their productive output in terms of goods and service delivery.

ACKNOWLEDGMENT

I would love to acknowledge the Almighty God by whose courage and wisdom this research work was undertaken. I could not have developed this paper without God’s involvement for which I remain highly grateful.

CONFLICT OF INTEREST

The researcher declares no conflict of interest with the editor or publisher paper.

ETHICAL CONSIDERATION

All research ethics were followed in the development of this research paper. Participants/ respondents’ consent was sought and confidentiality of all information including any proprietary information was maintained throughout the development of this paper.

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