

Unlocking investment constraints through Special Economic Zones in Liberia

Improved Business and Investment Climate in West Africa Project

Context

The *Improved Business and Investment Climate in West Africa Project* is a four-year initiative that was launched in November 2014. The Project is funded by the European Union and seeks to eliminate or reduce investment climate (IC) and investment policy (IP) constraints, including investment-entry (IE) barriers, that impede national, intra-regional, and extra-regional investments in the ECOWAS common market.

The Project is implemented by the World Bank Group, which is providing technical assistance to the ECOWAS Member States at the national level and to the ECOWAS Commission at the regional level.



Photo: Monrovia © Shoanna Soloman / World Bank

In Liberia, like elsewhere in Sub-Saharan Africa, the government is actively working to attract investment. As a targeted way to generate investment, the country is focusing on the development of special economic zones (SEZ) - designated areas subject to unique economic regulations. The zones are located within a country's national borders, and their aims include: increased trade, increased investment, job creation and effective administration.

The Government of Liberia started work on an SEZ law back in 2008, but required external advisory legal support in 2017 to complete the drafting of the law. At the request of the government, the Project introduced an innovative approach to support the legal enactment of the national SEZ law and/or regulations that focus on eliminating IE and IC barriers that impede national, intra-regional and extraregional investments/investors. The removal of these barriers is expected to generate increased investments in Liberia and elsewhere in the region.

Objectives

- Increase foreign direct investment at the national level (in the ECOWAS member states) and the region in West Africa
- Eliminate investment entry barriers and investment climate constraints in West Africa

Results

The SEZ Law in Liberia was enacted in October 2017. The law is expected to bring a number of benefits for investors:

- Motivate them to make initial investments well before any SEZ has been licensed. In particular, international SEZ developers/operators that engage in the design, financing, construction, development, operation, maintenance, and promotion of SEZs on a worldwide basis often establish a subsidiary in the new jurisdiction as a direct result of a new SEZ Law.
- Favorable preliminary feasibility study results can then prompt international SEZ developers and operators to make aggressive private land purchases in the host country in anticipation of seeking an SEZ developer/operator license from the institutional authority. These land purchases constitute further "investments generated" well before the licensing of the SEZ.

The enactment of the new SEZ Law in Liberia has already triggered the preparation of a detailed feasibility study to be undertaken at an SEZ site in Buchanan – Liberia's third largest city. This feasibility study is being financed by the international donor community, including USAID and the African Development Bank, given the attractiveness of Buchanan as an investment and trade hub due to its location on the coast. The Buchanan SEZ site is expected to generate investment and employment opportunities for critical agribusiness ventures.

The work in Liberia also has led to the ECOWAS Commission requesting the Project's support to develop a regional SEZ law and policy.

Furthermore, other ECOWAS member states have made requests to the Project for similar assistance as a targeted way to generate investment at the national level. The Project is responding to this demand by replicating the approach in Nigeria and Mali. Draft SEZ laws have been developed for both countries and are currently awaiting adoption.

Facts & figures

- **Project objective:** Deepen regional integration in West Africa to the benefit of the private sector
- **Focus:** Remove constraints on the regional expansion of cross-border investments and their taxation
- **Timeframe:** 2014–2018 **Donor:** European Union (EU)
- **Beneficiary Institutions:** Economic Community of West African States (ECOWAS), in collaboration with the West African Economic and Monetary Union (WAEMU), member states (representatives of national governments, and private sector associations)
- **Technical Assistance Partner:** World Bank Group (WBG)

Testimonial

“The SEZ Law will serve as a platform to strengthen the competitiveness of the nation's economy, create new employment opportunities, improve Liberians skills, upgrade the country's infrastructure, and economic private sector development, among others,” said the former President of Liberia, Ellen Johnson Sirleaf¹

¹ <https://allafrica.com/stories/201707050730.html>