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# HOUSEHOLD ENTERPRISES IN FRAGILE AND CONFLICT-AFFECTED STATES

**Results from a qualitative toolkit piloted in Liberia**

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## Acronyms

AE	Aspiring Entrepreneur
CC	Consumer/Community Member
FCS	Fragile and Conflict-affected Situations
FGD	Focus Group Discussion
GDP	Gross Domestic Product
HE	Household Enterprise
HEO	Household Enterprise Operator
KII	Key Informant Interview
NGO	Nongovernmental Organization
WDR	World Development Report

## Executive Summary

### Household Enterprises in Fragile and Conflict-affected States

**Many policy makers across Sub-Saharan Africa, including in fragile and conflict-affected situations (FCS), consider youth employment a central policy issue.** As the recent *World Development Report* (WDR) on jobs has highlighted, jobs are a key driver of development (World Bank 2012). Jobs matter for living standards, productivity, as well as social cohesion. Particularly in FCS, jobs mean more than earnings; feelings of exclusion stem from a lack of reliable, quality employment, not simply income (Rebosio and Romanova 2013).

**Household enterprises (HEs) are one of the main sources of employment in FCS.** Informal markets are the 'norm' for labor across Africa. Across Sub-Saharan Africa, 40 percent of households rely on HEs and this sector accounts for over 60 percent of nonfarm employment in low- and middle-income countries in the region. Moreover, nonagricultural HEs, in particular, are expected to continue to remain one of the main sources of employment in the foreseeable future (Filmer et al. 2014).

**Still, despite their prevalence, effective policies to raise HE productivity are not well understood; this report presents new research from Liberia to address this knowledge gap.**

This study presents results from the application of a novel qualitative toolkit in Liberia, with the objective to improve the knowledge of the constraints to entry and productivity among nonagricultural HEs. It outlines lessons learned from the application of this research and makes policy-relevant findings on how to improve productivity in the sector in Liberia. In addition, the report contains methodological lessons that can inform the application of the toolkit to other contexts. The toolkit itself is provided in Annex 1.

**The toolkit relies on a rigorous, well-defined, and structured qualitative methodology that was designed specifically for implementation in FCS.** The methodology was developed based on international best practice in qualitative research and a literature review on HEs. It was extensively field-tested in Liberia and validated with local stakeholders. Data was collected in

five urban and peri-urban communities purposively selected to capture the country's diversity. In each community, interviews with key leaders, focus group discussions (FGDs), and key informant interviews (KIIs) were conducted. The instruments sought to elicit the views of existing household enterprise operators (HEOs), aspiring entrepreneurs (AEs), and consumers/community members (CCs). The data was collected in August 2015, about 10 months after a state of emergency was declared in Liberia because of the Ebola crisis. As such, the data was collected in a particularly fragile context.

### The Liberian Context

**Despite substantial growth between the end of the 14-year conflict in 2003 and the Ebola outbreak in mid-2014, Liberia remained a fragile state at the time of the research.**

Conditions for private sector engagement and investment had improved, and gross domestic product (GDP) was growing.<sup>1</sup> Exports increased from US\$175 million in 2006 to US\$295.2 million in 2011 because of investments in forestry, rubber, and mining. However, high levels of poverty and underemployment, combined with low human capital, still remain significant challenges in the country. Around 300,000 households (48 percent) are classified as being in extreme poverty. The country is ranked 174 out of 186 countries in the international 2012 Human Development Index (UNDP 2012). Out of the total labor force, the formal sector employs only 17 percent, while the informal sector, characterized by significant underemployment, low productivity, and low wages, employs 78.5 percent. About 80 percent of Liberians and 82 percent of youth of ages 25–34 years are self-employed, either as own-account workers or contributing family members.

**The Ebola crisis has significantly affected Liberia since its outbreak in March 2014, resulting in 4,809 deaths as of March 2016.**<sup>2</sup> The disease has had a significant economic impact with

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<sup>1</sup> GDP growth had peaked in 2008/09 at over 9 percent per year. The service and commerce sectors, including construction, retailing, and hospitality, were the leading contributors to the economy, while agriculture remained the single largest source of employment in the country. Iron ore mining and other concessional sectors, such as palm and rubber production, also contributed to GDP growth. See World Bank 2013a.

<sup>2</sup> <http://apps.who.int/ebola/current-situation/ebola-situation-report-30-march-2016>.



regard to forgone output, higher fiscal deficits, rising prices, lower real household incomes, disruption to education and training activities, constraints on travel, reduction of demand for goods and services, trauma/psychosocial impacts, and escalation of tensions given increased economic vulnerability. Social impacts include the costs of health care and foregone productivity of those directly affected, as well as people’s aversion to the disease (World Bank 2014). Such is the context in which the qualitative study on youth and HEs has taken place.

### HEs in Liberia

**Overall, the report shows that there is a clear need and strong potential for investing in HEs in Liberia.** Indeed, while it appears that many HEOs get ‘stuck’—either unable to start or grow their businesses—this research revealed a common narrative of successful HEOs. Both scenarios, the successes and failures, are discussed in detail below, but the typical story of a successful HEO is a useful lens through which to view the potentials and challenges of HEs in Liberia.

**Access to capital was identified as a key element of success in starting or growing a business; however, personal savings—rather than external financing—was most common.**

Consistent with findings from other FCS, many HEOs in Liberia started their businesses with their own savings. Typically, a HEO started off as an AE, often selling for someone else, all the while saving as much money as possible, generally with the assistance of local *susu* clubs.<sup>3</sup> In some cases, an especially hardworking and trustworthy AE was provided small loans by community members, quite often a person for whom he/she has sold. In many cases, saving just a few thousand Liberian dollars<sup>4</sup> was sufficient for an AE to start engaging in his/her own petty trade selling inexpensive goods. This transition to owning his/her own business typically happened while also continuing to sell other goods for someone else. Alternatively, for AEs with access to land, savings could be accumulated through harvesting or processing goods to

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<sup>3</sup> *Susu* is the Liberian terminology for Rotating Savings and Credit Associations.

<sup>4</sup> The amount of money that HEs claim to have started out with (whether as unconditional cash grants, loans, or their own savings) ranges from as little as LRD 100 (US\$1) to as high as LRD 42,000 (US\$500), though the majority of those who reported the amount of money they started out with was around LRD 10,000 (US\$120).

sell, rather than selling on someone else's behalf. These people typically started selling inexpensive goods or goods he/she had processed himself/herself (for example, charcoal, palm wine, rice, and garden vegetables) and were able to earn and save money from that labor-intensive operation.

**Financial assistance from family members and community members was also important.** In a few cases, an AE was given a loan from a family member or community member to start an operation, and was able to purchase goods to start selling immediately. Many also purchased goods on credit from family members or community members they knew well (who trusted them), and then paid back the balance daily or weekly after selling. As is commonly reported in the literature, formal bank loans were widely not considered to be a viable option for HEs or AEs.

**Successful HEOs would reinvest in his/her business.** Successful HEOs were characterized as diversifying his/her goods, buying more expensive items to sell, and renting space in a market. As business continued to expand, more market tables were purchased and help was often needed to maintain the multiple tables and increased sales. Often, HEOs relied on family members as workers and had a hard time finding reliable help from others because of what they described to be lack of honesty and poor work ethic. As business continued to do well, profits were used to purchase additional resources for the business: shop space, properties for rental, cold storage, land for cash crops, vehicles, and so on.

**However, respondents universally agreed that capital alone was insufficient to garner success and had to be complemented by work ethic, financial responsibility, and honesty.** Those who were 'serious' about business were able to succeed, both in expanding their business through financial responsibility and attracting customers and potential future loans by displaying trustworthiness. Others, however, wasted money on material goods or 'enjoying too much', and that kept them from running a successful business, and more than that, from getting help from others in the future.

**In addition, the successful businessperson was also characterized by resilience.** According to the vast majority of participants in this study, successful HEOs stood out as those who were able to cope with a myriad of challenges by virtue of his/her dedication to hard work. These people did not avoid the common constraints, as detailed below, but rather found ways to navigate them.

**By contrast, the research also revealed multiple constraints that affected business owners throughout their operation and often left HEOs ‘stuck’ in certain phases of expanding and strengthening their business.** The most frequently mentioned are summarized here.

**Lack of trust was an issue only with regard to young people; there was no evidence of systematic distrust across community or ethnic lines.** People *did not* avoid doing business with certain groups—neither suppliers nor customers—based on such criteria. There was, however, an evident degree of lack of trust toward the young generally.

**The research revealed a challenge with demand and competition in Liberian markets, as commonly reported in other FCS.** There was limited diversification in the markets, such that HEOs and AEs nearly always reported that they had strong competition from others selling the same product, combined with inconsistent demand. At the same time, men and women tended to work in different sectors and sold different things from one another. In many cases, the competition was from larger importers/wholesalers, who had hired their own sellers to work in markets, resulting in significantly lower prices.

**At the time of the research, this challenge of low demand and high competition was exacerbated by the Ebola crisis.** While people were resilient given the Ebola outbreak—they were surviving—it sent shock waves throughout entire economies, primarily triggered by the shutdown of nongovernmental organizations (NGOs) and other international corporations, leading to a number of laid-off workers and therefore, less of a customer base for the small businesses. Border closures and reduced domestic travel also affected markets.

**Relatedly, cooperation and communication between HEOs was limited.** There was evidently not a great deal of agreement on what were the best products to sell and beyond that, organization among sellers to ensure that there was no oversupply of some products and undersupply of others. When this situation was combined with a generally risky environment, most notably during the Ebola epidemic, it was clearly having a negative effect on the market and the sellers.

**HEOs faced issues in finding space to sell outside of their home and faced harassment from market officials and the police.** Both women and men—women more often—considered market officials and the police to be corrupt or extortive. HEOs were also unclear about what the exact laws and market regulations were and what were the appropriate fines and punishments if they violated them.

**Insufficient or damaged infrastructure was considered problematic.** HEOs identified that a lack of affordable storage facilities meant that their products would spoil before they could sell them, which discouraged them from buying too much (and therefore sometimes running out of products). Informants also indicated that poor road conditions, sometimes delaying cars for days, affected their ability to transfer goods before they spoiled.

**A lack of skills, however, appeared less constraining than suggested by the policy focus on this issue; many people succeeded without basic education or more specialized training.** Basic education (reading, writing, and math) and business education skills (accounting) were viewed as helpful to succeed in business. Basic skills, in particular, could be important for certain marginalized groups, including women, who more often tend to have little to no education, but many succeeded anyway. Moreover, in this research, technical skills were often considered relatively unimportant as compared to character traits (honesty, kindness, and helpfulness), work ethic (hard work, determination, and saving money), and general management skills, which were those that people saw to be determinants of success in business. Still, many informants said that it would be helpful to have vocational/skills training in their communities to help young people's business ventures.

**Despite these challenges, a majority of HEOs and AEs genuinely preferred to be involved in HEs versus salaried employment.** Such evidence is in contrast to much-existing research on youths' livelihood aspirations. Even those young people who were not involved in business and struggling to find salaried employment saw business as a potentially better livelihood option. Many wanted to get a salaried job just so they could start their own business. Those who were already HEOs and AEs were happy doing business, energetic and determined to be successful.

**Young people considered 'success' to mean that they had their own business that was doing well and were generally optimistic about this outcome.** 'More successful' meant that their business was expanding and most youth were hugely optimistic about how well they could do with their business. This is in significant contrast to the goal of staying in business only until salaried employment was obtained. Considering the degree of economic instability, particularly as a result of the Ebola crisis, people were surprisingly resilient and optimistic about their opportunities to succeed in business.

### Recommendations

Within Liberia, the key recommendations are organized around the four thematic areas of focus:

- Within the *business environment*, potential areas of policy action include (a) building market and community networks by leveraging local leaders and capacitating market associations to provide guidance on diversification, pricing, and so on and (b) revising the urban legal environment to recognize the benefit of HEOs, including police accountability, awareness on relevant laws and fines, and investing in infrastructure.
- *Financial and human resource* needs could be supported through (a) small cash grants or loans with favorable terms and (b) facilitating intra-market lending between established HEOs and smaller HEOs and AEs.

- *Education and skills* development require formal and informal mechanisms: (a) soft skills, particularly work ethic and financial responsibility, could be modeled through diverse, real-world lessons from successful and unsuccessful businesspersons and (b) vocational training should emphasize the potential of HEs and, based on micro-level market needs, help HEOs and ARs diversify from selling goods to providing services.
- Young people's *attitudes toward work* already show HEs as preferable to, and more profitable than, salaried work. Policies therefore should (a) shift to emphasize this reality and prioritize public investment in HEs, while (a) being careful not to foster unintended consequences that discount future opportunities in formal employment and/or the importance of formal education.

Beyond these country-specific recommendations, the report illustrates that the HE qualitative toolkit's micro-level research can help inform public policy by revealing constraints perceived by actors in the informal sector. The qualitative toolkit provides market-specific granularity to other sources of data that shed light on general constraints within this sector, but does not necessarily provide the level of detail necessary to develop specific policies and programming. As such, the toolkit has the potential to be applied and expand the knowledge base in FCS more broadly.

#### *Business environment*

**Providing incentives and resources for HEOs to move toward product differentiation and diversification, entering new markets, and providing undersupplied services could improve the functionality of markets.** Many HEOs and AEs complained that they faced fierce competition from others selling the same product, including wholesalers who were able to sell goods at extremely low prices, and therefore they were often unable to make a profit with the goods they had. At the same time, other products were not available at all, though in high demand.

**Community leaders could help establish networks for HEOs and AEs to cooperate and cluster.** Research found that leaders indicated their interest in helping young people in business or had already started their own initiative. Such individuals indicated already knowing which young people would benefit in such networks, and how such a network could be efficiently structured; some had already made attempts to establish such networks but struggled to organize them effectively. Existing market associations could be involved, including to find and disseminate information about prices and product availability.

**Improving communication between market associations and HEOs could also be helpful in building more trusting relationships.** Market associations were widely viewed as unsupportive at best, corrupt, and extortive at worst. A mechanism of accountability for recording complaints and having them addressed (if the complaint cannot be resolved, then a clear explanation should be provided to those who made it) may help improve both legitimacy and efficiency of the market associations.

**Communication between HEOs and the police could be facilitated and accountability mechanisms for police corruption established.** In addition to knowing about mechanisms for reporting and redress, HEOs and AEs should be made aware of the laws and the correct fines and punishments in case they break any laws. Accountability mechanisms could help ensure that police harassment of vendors is punished and build confidence in the responsiveness of the Government to reported complaints.

**HEOs would benefit from support to access-improved places to work.** Vendors working in unregistered spaces would benefit from assistance to find a legitimate place to work. This could take the form of financial support to rent a space, or a larger amount of selling space available for such vendors. In addition, all HEOs would benefit from investment in public facilities like toilets, storage facilities, feeder and community roads, and safe water points in urban and semi-urban areas and markets. More broadly, work can be done to create an urban legal environment that recognizes the positive contribution of HEs in economic growth.

**Providing HEOs with information about the risks of doing business, particularly when confronted with a national emergency, in addition to strategies and resources available to them to deal with the risk of income shock, could be helpful.** Such risk management support should be aligned with the national Agenda for Transformation Social Protection Policy and Strategy (2012–2017).

#### *Access to financial and human resources*

**Small cash grants and/or loans with favorable conditions appear to be beneficial to both starting and expanding an HE.** A number of successful HEOs began their operation with relatively little money. The Youth Opportunities Project will be an important modality for such support along with the World Bank-funded social cash transfer activities financed under the Ebola Emergency Response Project, which provides unconditional cash transfers to extremely poor and Ebola-affected households and survivors (World Bank 2015, 2).

**Fellow community members could be involved in establishing a more formal system of granting and securing loans within their communities.** Such loans could provide a great source of help for both those who give out loans—which itself is a form of HE—and, of course, those in need of loans, with fair conditions. This is particularly important because HEOs tend not to be able to provide the type of collateral a bank requires (while community members accept various forms of collateral).

#### *Education and skills*

**Narratives highlighting the link between strong work ethic and business success can be a mechanism for teaching ‘soft skills’ to HEOs and AEs.** Existing and former HEOs could speak to young HEOs and AEs on their experiences. Highlighting the diversity of successful HEOs, including illiterate HEOs as well as college graduates, could motivate a wide range of youth. Examples from people who had lost everything in business could also help youth understand the consequences of not being serious in such an undertaking.



**Public investment in pre-employment support services could mitigate certain risks** related to poor work ethics issues, unrealistic expectations of success in operating an HE, and customer service skills.

**Basic education—reading, writing, and numeracy—is necessary for business owners.** Those who had such skills said they were indispensable and nearly all of those without these skills said that their business would be improved with them. Public policy must continue to stress the importance of basic education, particularly for future generations.

**Within the context of a specific market, vocational training can contribute to increasing the number of young people engaging in services versus selling.** The overwhelming majority of young people were involved in selling goods, with very few engaged in services. Vocational training could help capitalize on this untapped market demand. Within the national Agenda for Transformation, youth empowerment is a cross-cutting pillar and includes investments in technical and vocational education (World Bank 2015, 4). This policy and programmatic focus must include support to HEOs, not only formal sector employees.

**Training supply needs to acknowledge that men and women tend to work in different sectors and therefore may not see the possibility of taking certain types of training.** It will be important that men and women are not discouraged from and/or are offered training only related to selling and offering services that are ‘typical’ of their gender.

**Leading business owners within the community offer critical support to selected youth HEOs and AEs and could potentially constitute an important resource.** In many cases, these individuals have already made important contributions to getting young people started in business. Conversations with community members can help identify those persons who may be willing to cooperate with a potential program to support HEOs and/or AEs.

### *Attitudes toward work*

**Policies need to consider youths' strong aspirations to engage in HEs.** To many, running one's own business was preferable to a salaried job. As such, less attention needs to be given to encouraging youth to be involved in HEs in the first place, but more attention must be given to help them establish and sustain their businesses.

**Management of expectations around how successful a business can be is important.** A key component of people's positive attitudes to doing business is that they were hopeful and optimistic about the future growth and earning potential. It will be important to manage expectations about the realistic growth potential of certain businesses and mitigate potential future disenchantment with running a business.

**Similarly, it will be important not to overemphasize the importance and appeal of business at the expense of discouraging youth from engaging in salaried employment.** Indeed, the proportion of young people who wanted to do business was surprisingly high. While at the time of research the opportunities for salaried employment were very low, this may not necessarily always be the case.

**Reminders about the importance of education remain relevant.** Across all communities and all informant types, higher education had not provided the expected returns and young people were negative about education. Such attitudes should be addressed to avoid the potential unintended consequence that supporting HEs is preferable to pursuing formal education.

## Introduction

**In FCS, conflict impedes economic recovery, and lack of economic recovery increases the chance of conflict.** FCS have difficult business environments. Access to quality and productive employment can help bolster a nascent private sector by providing incomes and increasing demand for goods and services; however, fostering quality, productive employment is particularly challenging in FCS, where opportunities for formal, wage employment are limited. Youth employment is a particular internal economic challenge in fragile countries.

**There is a growing recognition that jobs are central to restoring peace and stability in postconflict settings.** The WDR 2011 on *Conflict, Security and Development* and WDR 2013 on *Jobs* both identified jobs as one of the most pressing issues for countries in and emerging from conflict. A recent regional report on *Youth Employment in Sub-Saharan Africa* highlights the pressing need for cross-cutting actions to foster more productive employment among youth in light of the demographic youth bulge in the Africa region, and in particular in FCS (Filmer and Fox 2014).

**In FCS, disengaged youth, particularly the underemployed, can contribute to increased rates of violence.** In the absence of traditional social institutions and containment by families, young people growing up in postconflict states turn to nontraditional (non-family) communities for support. Gangs can fill this void for youth who lack access to productive employment and family support (WDR 2011). In Liberia, for example, the inability to transition to adulthood due to lack of socioeconomic opportunities and perception of unjust treatment can also contribute to fragility and may drive rates of violence (World Bank 2013b, 119).

**Many policy makers across Sub-Saharan Africa, including in FCS, consider youth employment a central policy issue.** As the recent WDR on jobs has highlighted, jobs are a key driver of development (World Bank 2012). They matter for living standards, productivity, as well as social cohesion. Particularly in FCS, jobs mean more than earnings. Feelings of

exclusion stem from a lack of reliable, quality employment, not simply income (Rebosio and Romanova 2013). In FCS, interventions in response to the jobs challenge have often focused on temporary employment through public works. In many countries, this has provided critical supplementary income to poor and underemployed households; however, addressing the employment challenge requires attention to structural issues and deep-rooted constraints.

**This report aims to improve the knowledge of the constraints to entry and productivity among HEs in the informal sector by developing and testing a toolkit for qualitative analysis.** This report is part of a multi-country research effort to deepen the Bank's country-level engagement on jobs and youth employment in FCS through improved data and diagnostics, as well as policy dialogue and cross-country learning. This report presents lessons from the application of a novel qualitative toolkit piloted in Liberia. It contains policy-relevant findings on how to improve productivity in the sector in Liberia. In addition, the report contains methodological lessons that can inform the application of the toolkit to other contexts. The toolkit itself is provided in Annex 1.

**There is a growing body of evidence that 'informal is the new normal'; however, relatively little information exists documenting the dynamics of informal businesses, which are dominated by HEs.** Across Sub-Saharan Africa, 40 percent of households rely on HEs and this sector accounts for over 60 percent of nonfarm employment in low- and middle-income countries in the region (Filmer and Fox 2014). An eight-country analysis shows that HEs are generating the most new jobs outside agriculture (Fox and Sohnesen 2012). When assessing the employment challenge in FCS, not only is 'informal normal', but nonagricultural HEs are also expected to continue to remain one of the main sources of employment in the foreseeable future (Filmer et al. 2014). Despite this recognition of the importance of HEs, there are still significant knowledge gaps on how to articulate effective policies to raise productivity in the sector, particularly in FCS. National data and labor force surveys, where available, provide information on the opportunities and challenges that HEs face, as further

discussed below, but are limited to a macro-level analysis that is not necessarily helpful in designing detailed policies to meet the needs of individual HEOs.

**Existing evidence suggests that households that operate HEs benefit from higher and more stable incomes given the diversification in their enterprises.** HEs are often secondary operations that supplement other income and, by helping spread risks through diversification, can help reduce household poverty. The market needs they meet are small, their operators are risk averse, and their plurality is significant. These are not businesses that are likely to grow into larger-scale enterprises or generate spillover employment; however, evidence shows higher earnings among those who operate HEs, as compared to those who rely wholly on agriculture (Filmer and Fox 2014).

**Existing studies also suggest that HEs bypass some of the problems that formal businesses face.** As noted above, HEs are common in low-income settings, even more so in FCS, due to the absence of a modern industrial sector and the relative difficulty in establishing formal businesses. Facilitating the transition from farm to nonfarm HEs can contribute to higher earnings and lead to productivity gains. As owners look to mitigate risk, the ways in which they operate (unregistered, irregular, mobile) allows for coping with the challenging environment.

**HEs are particularly common to FCS.** In circumstances common to FCS—with high informality and underemployment, few ladders to formal employment, limited social safety nets, and a risky operating environment—HEs are flourishing and benefit those operating them. They fit into underdeveloped or recovering markets that lack a modern service sector by offering services such as hairdressing and repairs and providing a range of locally and internationally produced goods (secondhand clothing, household supplies, groceries, and so on). They also thrive in contexts with weak state capacity.

**However, operators face many constraints in setting up HEs or raising their productivity.** These constraints are magnified by the economic realities that are typically in FCS. Filmer and

Fox highlight several types of constraints that prevent HEs from flourishing and providing a more stable source of income for their operators.

- **The business environment in which HEs operate hinders productivity, with limited recognition or support by state actors.** In the informal sector, HEs may operate outside legal protections, whether provided by national or local policies, and experience harassment and extortion (Filmer and Fox 2014). In FCS, weak and inaccessible institutions can compound these challenges. Moreover, beyond constraints from urban policies, the operating environment within the local markets where HEs operate also is limiting. FCS are tense settings and HEs face mistrust, both from potential partners in business (suppliers and so on) and customers themselves (Dudwick et al. 2013).
- **FCS generally have weak financial sectors and accessing capital to start and operate HEs is especially challenging.** Background to the 2011 WDR describes credit in FCS as either coming at 'usurious rates or confined to those best-connected to officials controlling state-owned banks'. Across Africa, HEs tend to rely on support from family or friends for business start-ups, where possible; however, the vast majority of existing businesses report that they did not obtain any type of loan over the last 12 months (Filmer and Fox 2014).
- **HEs are disproportionately operated by people with a low level of education and skills.** Many HEOs lack even basic literacy and numeracy skills, which can directly affect their productivity. Functional literacy and numeracy can add as much as 40 percent to earnings (Filmer and Fox 2014; Fox and Sohnesen 2012). However, the quality of education in FCS remains weak. It can contribute to young people's disillusioned outlook toward its role in potentially improving their livelihoods (Brownlee et al. 2012; World Bank 2013c).

- **Attitudes toward HEs shape whether these businesses are seen as a productive or desirable form of employment.** Research with youth in Liberia, for example, shows a distinction about whether different income-earning opportunities are considered ‘employment’ and that feelings of self-worth and inclusion are dependent on the quality of work, not just income levels (Rebosio and Romanova 2013). Public sector wage jobs often remain most appealing given their perceived stature and security, although they are available to few (De Mar, Elder, and Vansteenkiste 2013; World Bank 2011a).

**Through micro-level research, the HE qualitative toolkit can provide a finer understanding of the extent to which these broad constraints affect youth, which of these constraints are perceived as more binding, and how interventions can be shaped to address them in FCS.**

HEs operate in localized markets and in settings that are often poorly understood. While survey-level data can shed light on the broad constraints outlined above, they are not well suited to provide a fine-grained understanding of constraints or to identify specific policy or programming solutions. The HE qualitative toolkit presented here aims to address this gap in the research and offer governments and practitioners a means through which to develop responsive interventions to promote productive HEs.

**This report presents not only an overview of the toolkit itself, designed to be applicable across FCS, but also findings from its piloting in Liberia.** The research is presented in two volumes. Volume I contains the field report itself, which includes an Executive Summary, Liberia Context, Methodology, Findings, Discussion, and Recommendations. Annexes are found in Volume II. Annex I contains the full qualitative toolkit, which includes a literature review on Household Enterprises in Fragile and Conflict-affected States (which was completed before designing the qualitative toolkit and conducting the pilot) and the detailed Research Methodology and Revised Data Collection Tools (revised based on the outcomes of the piloting in Liberia). Annex II includes notes on the development of the methodology,

followed by additional data from the field research, including the analysis of the coded qualitative data, and select full-length narratives from the field notes.

The field report (Volume I) below starts by providing a brief introduction to Liberia's economy before briefly outlining the toolkit methodology as written and as fielded in Liberia. Then, it presents the findings from the application of the toolkit in Liberia. Finally, it discusses key recommendations, both with regard to Liberia-specific take-aways and key lessons learned to apply the toolkit in other contexts.

## I. Liberia Context

Before the Ebola outbreak in mid-2014, Liberia had experienced substantial growth since the end of the 14-year conflict in 2003. Conditions for private sector engagement and investment had improved, and GDP was growing.<sup>5</sup> Exports increased from US\$175 million in 2006 to US\$295.2 million in 2011 because of investments in forestry, rubber, and mining.

However, high levels of poverty and underemployment, combined with low human capital, still remain significant challenges in the country. Around 300,000 households (48 percent) are classified as being in extreme poverty. The country is ranked 174 out of 186 countries in the international 2012 Human Development Index (UNDP 2012).

Out of the total labor force, the formal sector employs only 17 percent, while the informal sector, characterized by significant underemployment, low productivity, and low wages, employs 78.5 percent. Although the 2010 Labor Force Survey reported a national unemployment rate of 3.7 percent, about 80 percent of Liberians and 82 percent of youth of ages 25–34 years are self-employed, either as own-account workers or contributing family members. The International Labor Organization defines the sum of these two categories as 'vulnerable employment'. The high prevalence of vulnerable employment stems primarily

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<sup>5</sup> GDP growth had peaked in 2008/09 at over 9 percent per year. The service and commerce sectors, including construction, retailing, and hospitality, were the leading contributors to the economy, while agriculture remained the single largest source of employment in the country. Iron ore mining and other concessional sectors, such as palm and rubber production, also contributed to GDP growth. See World Bank 2013a.



from the fact that a large majority of Liberians in the labor force cannot afford to be unemployed and consequently work for themselves or other family members.

Liberia has been significantly affected by the Ebola crisis since March 2014. The outbreak had caused 4,809 deaths as of March 2016.<sup>6</sup> Beyond the toll on human lives and suffering, the Ebola epidemic is having an economic impact with regard to forgone output, higher fiscal deficits, rising prices, lower real household incomes, disruption to education and training activities, constraints on travel which limit the ability to work, reduction of demand for goods and services, trauma/psychosocial impacts of the crisis, and escalation of tensions given increased economic vulnerability. Economic and social impacts also include the costs of health care and foregone productivity of those directly affected and arise from the aversion that people have to the disease (World Bank 2014). Such is the context in which the qualitative research on HEs in Liberia has taken place.

**Table 1.1. Liberia: Macro Poverty Outlook Indicators (World Bank, 2016)**

	2013	2014	2015	2016	2017	2018
GDP, at constant market prices	8.7	0.7	0.3	3.9	5.3	5.6
Private consumption	8.6	3.1	21.7	-6.0	-2.3	-1.2
Government consumption	1.0	-9.2	-9.1	-7.3	19.6	21.5
Gross fixed capital investme	3.8	-27.2	-59.9	10.9	-4.7	-6.4
Change in inventories	0	0	0	0	0	0
Exports, goods & services	7.2	9.3	-32.2	34.0	15.8	15.8
Imports, goods & services	4.0	-8.1	8.2	-2.9	-3.8	-2.6
GDP, at constant factor prices	8.7	0.7	0.3	3.9	5.3	5.6
Agriculture	0.3	-3.7	-1.1	1.4	3.3	6.1
Forestry	0.5	2.2	2	2	3	4
Mining	50	3.3	-17	-0.9	9.1	1.4
Manufacturing	9.1	-0.7	6.1	11.3	10.5	10.3
Services	7.2	2.3	5	5.6	5.1	5.8
Inflation(Consumption Price Index	7.6	9.9	7.8	8	7.9	7.5
Current Account Balance, % of GDP	-28.2	-31.4	-39.2	-36.9	-34.4	-32.7
Fiscal Balance, % of GDP	1.6	-1.9	-8.1	-8.5	-5.1	-6
Poverty, \$1.25 a day PPP terms						

Sources: Central Bank of Liberia. IMF Data.

a In annual percentage change, unless otherwise stated.

<sup>6</sup> <http://apps.who.int/ebola/current-situation/ebola-situation-report-30-march-2016>.

## II. Qualitative Toolkit Methodology

### 2.1 General Approach

**The qualitative toolkit aims to fill gaps in and provide further nuance to existing research on HEs, both in the specific country under study and in FCS more broadly.**

Based on primary and secondary research, the toolkit was designed to focus on four key areas: **business environment, access to financial and human resources, lack of skills or business knowledge, and attitudes toward work.** A literature review on HEs in FCS informed the research questions and key themes to be explored by the global toolkit. The research team then refined the toolkit for its specific application in Liberia through a half-day workshop with key stakeholders in Monrovia.

**The toolkit relies on a rigorous, well-defined, and structured qualitative methodology using FGDs and KIIs across various communities and people.** The overall methodology was to conduct research in five urban and peri-urban communities purposefully selected to capture diversity across the country. Data collection took place over three days in each community. The first day was spent conducting introductory meetings and interviews with key leaders and setting up venues for research activities. The next two days in a community were spent conducting six FGDs and at least five KIIs.

**This section provides an overview of the methodology and toolkit.** The recommendations section at the end of this report will outline the field challenges in using the methodology and the modifications (and rationale for those modifications) that were made to inform the final revised global toolkit that is included in Annex 1, and has the potential to be used in other FCS contexts.

**At the time of the research, the effects of the Ebola crisis were still lingering in Liberia.** The data was collected in August 2015, about ten months after a state of emergency was declared in Liberia because of the Ebola crisis, and eight months after the state of emergency was

lifted. Ebola remained a key challenge for the country during the research and, as such, this was a particularly fragile context in which to operate.

### 2.1.1 Informant types

**Based on the literature review provided in Annex 1, it was determined that existing HEOs, AEs, and CCs would have unique perspectives on various issues related to the challenges and opportunities for HEs.** The definition of each informant type for the purpose of the study, which informed informant selection for the FGDs and KIIs, is presented below.

**A HEO was defined as an individual who had an ongoing and established enterprise (business) that he/she maintained either part or full time (and in many cases the person had multiple different ongoing operations).** The key distinctive features of an HEO were that he/she had ownership or control over the operation, whether registered formally or not, and that the main location of business activity was the household. Some HEOs worked exclusively from the house, preparing goods and selling or providing services there. Others had a market space or wheelbarrow, or sold on foot, but used their home to prepare, package, and store their goods.

**An AE was defined as an individual who indicated his/her aspirations to operate his/her own business, but did not have his/her own ongoing operation.** He/she was already involved in business at the time, but the distinguishing factor was that he/she was selling or doing services for someone else's operation (HE or larger). He/she may have tried to sell his/her own goods in spare time, but this aspect of his/her work was incidental and the majority of activity was working for someone else.

**A CC was defined as any individual who fell outside of the above two groups.** The distinction between CC and AE was somewhat unclear at times, since some CCs indicated that they would like to have their own business one day. However, CCs in this study were those who were either not participating in any income-generating activity at all (some were students) or who had some other form of income-generating activity not related to business (casual labor,

salaried job, subsistence farming). AEs, by contrast, were actively pursuing business as a livelihood strategy.

### 2.1.2 Scope of fieldwork

**A total of six FGDs were conducted in each community (30 in total across all five communities).** These included two FGDs with HEOs (male and female separated), two FGDs with AEs (male and female separated), and two FGDs with CCs (male and female separated). For FGDs, each group consisted of 6 to 12 persons and lasted no longer than two hours each, and were conducted with one facilitator, one notetaker, and (as needed) one interpreter. Basic demographic data was collected from each informant.

**KIIs included individuals who were HEOs and AEs with particularly interesting stories (for example, had been highly successful, had struggled particularly, and so on); community leaders (women’s leaders, youth leaders, chiefs, community chairpersons, and so on); Government staff; NGO staff; and other relevant individuals, for example, bank managers.** Informant data was collected from all KIIs and interviews generally lasted around 30 minutes. A minimum of five KIIs was conducted per community, ensuring that at least one type of KI was represented in each community.

### 2.1.3 Interview guides

**Questions for the global toolkit FGD and KII guides were decided by reviewing a combination of existing qualitative and quantitative toolkits dealing with related issues (youth, employment, livelihoods, and FCS-specific issues), and were also assigned to one of four thematic categories identified throughout the literature (business environment, access to financial and human resources, lack of skills or business knowledge, and attitudes toward work).** The methodology was refined to the Liberian context through a Liberia-specific literature review and in-country stakeholder workshop. Content obtained through the review and workshop primarily informed the follow-up questions used in the interview guides, while the headline questions were maintained.

**As outlined in the toolkit, all informant types in FGDs (HEOs, AEs, CCs) were asked the same core questions as a group, with additional follow-up questions specific to each group's unique perspective.** KIIs were conducted one-on-one using an interview guide that, as with FGD interview guides, had the same core questions across all groups, but also included a number of additional questions that were particular to that type of KII.

#### **2.1.4 Informant selection in the field**

**The first step in the field was for the team to meet with local leaders both as a formality and to assist in informant selection and securing safe and private venues to conduct interviews.** Local leaders included chiefs, chairpersons, community leaders, women's leaders, youth leaders, and other leaders. During these initial meetings, the team was given the names of a number of known HEOs in the community, who they then approached to invite to participate in the FGDs. Additional HEOs were identified through snowball sampling via these initial HEO contacts. During this time, efforts were made to ensure that there was as much variety as possible with regard to type of product(s) sold, age (maintaining the youth range of 18–35 years), and education level. Finally, CCs were selected by visiting nearby communities to identify individuals who were not working at all, or who had any job other than business. This method was largely one of convenience, though certainly efforts were made to select individuals from a variety of areas during different times of the day, and setting quotas on the types of persons selected (age, gender, and livelihood strategy).<sup>7</sup> As such, the informants chosen for the FGDs were not statistically representative of the population within that community, or even necessarily the individual area of that community where research was conducted. However, given that the selection criteria included targeting certain types of individuals, the key differences between these individuals will need to be

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<sup>7</sup> Though random selection is ideal for any study that intends to represent a population, this was beyond the scope of the qualitative study, given the nonexistence of a sampling frame from which to select randomly (population lists with associated job type and contact information) and not having sufficient time or resources to conduct random selection by household (which would be the only way to appropriately randomize a sample in a community, since selecting randomly from within a market or other public spaces at a given time, for example, introduces significant bias).

considered when planning interventions and possibly extrapolating findings from one type of person to another.

**KIs were conducted with various other relevant persons determined by the field team to have important perspectives and knowledge on area of interest.** These individuals who were the initial contacts for the field team (community leaders and so on) were interviewed, and then they were asked for names of other people who would have useful information for the research. For example, HEOs and AEs with interesting stories, community leaders, government officials, NGO staff, and financial institution staff were among those selected for individual interviews.

## 2.2 Community Selection

**Five communities were purposefully selected for fieldwork to ensure that the data captured the diversity of the country and were able to highlight key differences according to certain factors.** The factors that were considered were (a) population size of urban area,<sup>8</sup> (b) region within the country, (c) proximity to the capital of Liberia, Monrovia, (d) proximity to national borders, and (e) general accessibility (based on typical road conditions). The choice of communities was informed by the literature that highlighted key geographic differences on how HEs may operate, as well as further guidance by the local World Bank office and staff. Table 2.1 presents the communities that were chosen to ensure diversity based on those factors and Figure 1.1 shows the location of these communities on a map.

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<sup>8</sup> According to the 2008 Liberian census, an urban town is a town of more than 2000 people. As such, all five communities/towns selected are technically urban (versus peri-urban), but are absolutely distinct with regard to the relative size of the urban area. As such, population size is considered to be the important distinguishing factor.

**Table 2.1. Community Features**

<b>Community</b>	<b>Population (est)</b>	<b>Region</b>	<b>Relative Size of Urban Community</b>	<b>Proximity to Monrovia</b>	<b>Close to Country Border</b>	<b>General Accessibility</b>	<b>Market Activity (Observed)<sup>9</sup></b>
Redlight/Gobachop	400,000	Greater Monrovia (Capital)	Very large	<20 minutes	No	Good	High
Tubmanburg	13,576	North Western	Small	1–2 hours	Somewhat (Sierra Leone)	Good	Low
Buchanan	50, 245	South Central	Medium	3–4 hours	No	Good	Low
Sanniquellie	11,854	North Central	Small	6–8 hours	Yes (Guinea)	Poor	High
Zwedru	25,349	South Eastern A	Small/Medium	12–14 hours	Yes (Cote d'Ivoire)	Very poor	Medium

It is important to note that the two communities near national borders, Sanniquellie and Zwedru, while not densely populated, are hubs for trade/markets across their respective borders and also engage in trade to/from Monrovia. Tubmanburg and Buchanan, however, trade to/from Monrovia only. These features may help explain the relative degree of market activity observed in fieldwork, though more research on trade flows at the time of research would need to be conducted to confirm this hypothesis.

<sup>9</sup> This distinguishing feature has been added because it is an important characteristic of the communities when interpreting certain findings. This is based on observation of the markets in the field and informant reporting of relative market activity, not based on existing data.

Figure 1.1. Communities Visited



*\*Adapted from map retrieved at [www.NationsOnline.org](http://www.NationsOnline.org).*

However, it is important to stress that the sample of communities is not representative of the entire country, a common caveat to qualitative research. More than that, the individual areas within each community that were chosen to focus on fieldwork are not representative of the larger community, particularly when we consider large urban areas like Redlight, where sampling from every neighborhood would have been impractical. Still, the selection highlights key differences that will need to be taken into account when planning interventions and possibly extrapolating findings from one environment to another.



### III. Findings

#### 3.1 Overview

**This section presents the findings from the application of the qualitative toolkit in Liberia.**

The presentation of the findings is structured as follows. First, section 3.1 summarizes informant data for all of those who took part in FGDs and KIIs, highlighting key features such as education level, age, gender, and job type (including specific type of business). Then, section 3.2 presents the data collected from the qualitative assessment. At times, response distributions are presented in terms of percentages of informants based on the field-level coding, but it is important to remember that this is not based on a quantitative survey, but instead a way to provide more detail within the qualitative data.

**The results are organized thematically around the four priority areas identified in the literature review: business environment, access to financial or human resources, education and skills, and attitudes toward work.** Regarding global learning, the report focuses on key findings in each category as compared to existing knowledge about HEs in FCS. The report highlights areas in which issues are surprising, run counter to existing research, or are largely unexplored in the literature. Regarding the Liberian context, there is a specific emphasis not only in areas where the findings from Liberia provide additional nuance to the broader knowledge base about HEs in FCS, but also how this research can inform interventions in Liberia. Box 3.1 highlights the key findings from the study, which are described in greater detail in section 3.2.

### Box 3.1. Key Findings

#### Business environment

Across all communities, **HEOs had weak networks** and lacked channels to share business information.

**There was no evidence of distrust across community or ethnic lines, but youth were seen as untrustworthy.** People *did not* avoid doing business with certain groups—neither suppliers nor customers—based on such criteria. However, with regard to young men and women, informants reported that they were untrustworthy because of how they had grown up during the civil conflict.

Many HEOs and AEs offered the same products, leading to **high competition between sellers and low demand from consumers.** Although most recognized strong demand for perishable goods, the lack of proper storage facilities and subsequent risk of spoiling discouraged sellers from diversifying from dry goods to these products.

Either due to high costs or limited availability of formal selling stalls, HEOs often sold illegally—on foot, on streets, or on the outskirts of markets—and **faced the risk of fines or confiscation of goods.**

Overall, most informants reported **market officials as extortive, corrupt, or obstructive.**

#### Access to financial and human resources

**Lack of capital was the main barrier to starting or expanding a business.**

Youth relied on their **own savings** from crediting and selling goods or working in labor, while others were able to **access credit or grants from established businesspeople, friends, or family.** Young people had difficulty accessing formal loans and very few used local lending clubs; however, savings were most often kept in local savings clubs.

The majority of existing HEOs and AEs **pursued business full time and did not indicate any notable time constraints** in doing their business. Those with children relied on friends and family for help or brought children to work, where they often helped out. For those in school, some admitted to dropping out to focus on business, while others said that they worked before and after classes but made less as a result.

Although **half of the HEOs had somebody helping them with their business, about half of this support was from unpaid or low-paid family members.** Most said that they wanted more help but were constrained by finances or a lack of skilled and/or trustworthy candidates.

#### Education and skills

Across all FGDs and KIIs, **general work ethic was the most common element attributed to success.** Soft skills such as financial responsibility, honesty, and hard work far outweighed the importance of specific technical skills. Conversely, a young person's lack of success was seen to be the result of his or her not being serious and 'enjoying' too much.

**Basic skills—literacy and numeracy—were considered a minimum requirement** to be successful in business and do basic tasks like bookkeeping and record keeping. However, **many successful HEOs interviewed did not possess these skills.**

Almost **no one had been exposed to business or vocational training** and a majority were not even aware of any programs. Most, however, thought such training would be helpful for them to understand better product marketing and diversify their business offerings (including moving from selling to services).

Given the high competition and lack of product diversity, **exercising good customer service skills**, including being nice and helpful, providing credit to their clients, dropping the prices especially for the regulars, and keeping a clean and tidy selling space were considered critical.

#### Attitudes toward HEs

Contrary to what is suggested in much of the existing literature, **attitudes toward operating business—including a small household one—were extremely positive among existing household entrepreneurs and AEs**. The benefit of having one's own business included being one's own boss, making better, more reliable income, and having more security in emergency situations because they could liquidate assets.

**Those who preferred salaried jobs tended to be more highly educated.**

For most young people, **'success' meant having their own business that was doing well**. 'More successful' meant that their business was expanding. This is significant when contrasted with what the alternative ambition would be: to do business only until salaried employment was obtained.

### 3.2 Informant Data

**On average, both female and male respondents were in their late twenties, single, and had children.** Six FGDs per community—targeting male and female HEOs, AEs, and CCs—were conducted, reaching a total of 159 women and 145 men. The average age for female informants was 27.5 and for male informants was 28.4. The majority of respondents (107 women and 89 men) were single. In total, 16 women and 16 men had no children; the remainder had between one and seven children, averaging 2.4 children (median 2) for women and 2.2 children for men (median 2).

**Informants were from mixed educational backgrounds; however, across the sample, the educational attainment of informants was slightly above national averages.**<sup>10</sup> With regard to educational attainment of the informants, seven of the FGDs—two female and five male—were with groups of young people who had relatively high educational attainment compared to peers of the same age (see Annex 2 for list). Within these, the median education level for

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<sup>10</sup> The 2015 UNDP Human Development Index reports that the mean years of schooling among the adult population (defined as 25 years old and above) is 4.1. See [http://hdr.undp.org/sites/all/themes/hdr\\_theme/country-notes/LBR.pdf](http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/LBR.pdf) for more details.

the group was that they had taken some college classes or had finished college. These FGDs served as useful sources of information about the situation for HEOs, AEs, and CCs when high educational attainment was clearly not one of the barriers, and are as such analyzed separately from those that represent more of the 'norm' in Liberia. Notably, the highly educated groups consisted only of AEs and CCs; none were made up of HEOs, who tended to have completed high school or less. Also, there were no groups of highly educated individuals in Zwedru. The distribution of informants by education level for the remaining groups (not including those above) represents a more typical sample. Even excluding the highly educated groups, it is clear that the informant education level for those in this study was relatively high, where the majority (58 percent) had at least some high school education. For FGDs, female informants were overall less educated than male informants, where female informants' median education level was some high school, versus male informants' finishing high school. There were no significant differences in median educational attainment across HEO, AE, and CC groups, and there were slight differences across communities. Buchanan and Zwedru informants' median education level was some high school; in the other three communities the median was finished high school (see Annex 2 for detailed data).

**The majority of HEOs and AEs were involved in retail, with very few individuals engaged in services.** Only 7 percent of HEOs and 4 percent of AEs were involved in services (hairdressing, money changing, charging electronics, fixing cars or electronics); the remainder sold goods. Table 2.1 provides a more detailed description. Part of the selection criteria, as explained above, was for HEOs to be operating their own business (not selling for someone else) and AEs were those selling for someone else, although this distinction was not always distinct. Where individual items or services are presented, it means that it is the person's primary business; in other cases a person sells a variety of items.

**Table 3.1. Type of Business, HEOs and AEs**

	<b>AEs Working for Someone Else (n = 91) (%)</b>	<b>HEOs Working for Themselves (n = 107) (%)</b>	<b>Total (%)</b>
Selling clothing/shoes/fashion	15.4%	15.9%	15.7%
Selling mixed dry goods (food)	11.0%	18.7%	15.2%
Selling fresh produce (vegetable)	11.0%	18.7%	15.2%
Selling mixed goods (food and other)	7.7%	16.8%	12.6%
Selling soap	12.1%	1.9%	6.6%
Selling household items	7.7%	4.7%	6.1%
Selling oil	7.7%	3.7%	5.6%
Selling cosmetics	5.5%	4.7%	5.1%
Providing a service (hairdressing, charging phones, money changing)	6.6%	3.7%	5.1%
Selling cooked food	7.7%	0.0%	3.5%
Selling fresh meat or fish	1.1%	3.7%	2.5%
Selling frozen meat or fish	1.1%	3.7%	2.5%
Selling nonalcoholic drinks	1.1%	1.9%	1.5%
Selling medicine	2.2%	1.9%	2.0%
Selling fuel	1.1%	0.0%	0.5%
Selling alcoholic drinks	1.1%	0.0%	0.5%

**There were gender differences with regard to the type of business people engaged in.** Men more often than women dealt in clothes, shoes, and fashion (20 percent versus 12 percent), medicine (4 percent versus 0 percent), soap (4 percent versus 0 percent), cosmetics/bath items (8 percent versus 2 percent), and offering services (8 percent versus 0 percent). The services that men worked in were barbering (1 man), tailoring (2 men), and charging phones (1 man). Women more often than men sold dry food goods (23 percent versus 14 percent), fresh vegetable produce (21 percent versus 16 percent), mixed (varied) goods (21 percent versus 12 percent), and frozen meat or fish (7 percent versus 0 percent).

**Looking at AEs, the gender differences were even more notable.** Men more often than women sold (for someone else) clothing, shoes, and fashion (28 percent versus 6 percent) and offered services (14 percent versus 0 percent). Women more often than men sold cooked

food (12 percent versus 3 percent), fresh produce (15 percent versus 5 percent), and mixed goods (12 percent versus 3 percent). The services an AE did on behalf of another were changing money (3 men), charging phones (1 person), and washing cars (2 men).

**Just over half of all the HEOs in FGDs reported that they had no paid employees; just under a quarter had family members and close friends helping them as needed for some pay** (or purchasing of goods, payment of school fees, and so on). Only 10 percent of men and 13 percent of women had permanent employees on regular pay.

**Of the CCs, three-quarters had no job at all or claimed to be ‘doing nothing’.** Ninety-two percent of women were ‘doing nothing’, indicating that they were primarily engaged in household activities not related to business, versus 59 percent of men who claimed to be doing nothing. Only 2 percent of women versus 26 percent of men had salaried jobs, and 9 percent of men and no women were full-time students without work. No women and 4 percent of men had incidental contracting jobs, and the remainder (4 percent of women and 2 percent of men) were farmers only.

**Aside from the focus groups, a total of 25 male and 19 female key informants were interviewed one-on-one.** In total, KIIs were conducted with 10 HEs, 3 AEs, 12 community leaders, 8 NGO staff, 10 government staff, and 1 bank manager. Key informants tended to have relatively high education, not surprising since certain officials and leaders whose job depends on higher education were targeted. Seventy-one percent had graduated high school or more, though a sizeable proportion had little to no education (see Annex 2 for detailed data).

### 3.3 Business Environment

#### 3.3.1 Networks and clustering of businesses

**Evidence from the literature suggests that clustering can assist cooperation, which can contribute to or be enhanced by improved trust.** Clusters can allow fixed costs to be shared

and proximity fosters mutual knowledge and trust. Clustering in appropriate, safe areas has been shown to assist industries such as metalworking, while traders need access to foot traffic in central areas. The United Nations Industrial Development Organization's *Development of Clusters and Networks of SMEs* report (UNIDO 2001) presents evidence from developing and developed countries that cooperation and joint action are more likely when enterprises share markets for products, infrastructure needs, and other business interests.

**The evidence from Liberia shows weak networks overall and limited clustering.** Informants in general did not report that there were any formal or informal networks within which they worked, for example, involvement in farming or marketing cooperatives, unions, or meetings between sellers. The only networks that were mentioned were the market associations that, as will be shown below, were generally considered inefficient at best. No HEOs indicated that they joined together with other sellers (clustering) either at the individual or household level; instead, most households had their own operation, working independently of others.

**However, there were a number of community leaders who explained certain initiatives that they had in mind, or had begun trying to implement, to support stronger networks for young people to engage in business.** One male youth leader from Tubmanburg for example explained,

“I brought out an idea in the community...I decided that we make a community agriculture farm as large as we can each year and the product from such farm be sold and we can loan the money to some youth every year until all of our young people who will agree to engage in this undertaking are empowered. About 58 percent of the youth agreed and we are to start in October the first farm for the youth initiative.”

**Still, it is interesting that youth in the focus groups did not mention the existence of such networks at all.** Respondents rarely reported having meetings with one another to discuss their business or the market conditions; unions and formal linkages were also not mentioned. While market associates were mentioned, they were typically discussed in relation to

inadequate structural conditions and/or market fees, not in relation to coordinating selling. It is unclear whether this is because the networks as defined above did not exist or were not sufficiently formalized, or that they were somehow excluded from them. In any case, the evidence is clear that such networks were extremely weak at best and clustering was not at all evident. Rather, individuals and households tended to work independently.

### 3.3.2 Trust

**The evidence from Liberia indicates no systematic distrust across community or ethnic lines, a finding counter to the literature which often typically presents high levels of mistrust in FCS.** As reported in the literature, FCS are tense settings in which HEOs face mistrust, both from potential partners in business (suppliers and so on) and customers themselves. (Dudwick et al. 2013). However, in this research in Liberia, people did *not* avoid doing business with certain groups—neither suppliers nor customers—based on community or ethnicity. There were accordingly no evident issues with feeling safe while doing business, and no evidence that HEOs and AEs felt that they needed to avoid their environment because of tense relationships between community and/or ethnic groups. Entrepreneurs and consumers alike said that they would consider doing business with anybody, provided the business was good. Consumers, for example, would buy whatever goods were of highest quality and at best price, while entrepreneurs would sell to anybody interested in their products. In only a few situations did consumers say they would refuse to purchase from a particular person, and those cases were the result of an existing feud between individuals and nothing more systematic.

**In a few cases though, informants reported that they faced what they perceived to be unfair competition from ‘foreigners’.** Lebanese were the only specific type of ‘foreigner’ mentioned.<sup>11</sup> These ‘foreigners’ were considered as wholesaling products, driving down

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<sup>11</sup> This finding is quite surprising given evidence elsewhere the common discourse in conversations about nationalism that Mandingo and/or Fulah are ‘not Liberian’. These two ethnic groups, the latter often from Guinea, tend to be active traders. Still, it may be that in some interviews, informants were referring to these



prices, and making their business no longer profitable (detailed in the Section 3.3.3.1 below). Despite this, informants never said that they would refuse to do business with ‘foreigners’.

**Safety concerns were most apparent when informants described drug addicts or traffickers and other criminals, who they feared would rob them of money or goods.** In nearly all cases, young men were the apparent criminals. These fears did not, however, seem to restrict anyone’s movement or directly impede their business activity. In many cases, informants stressed that it was the youth, particularly men, who were perpetuating this crime and some indeed had been victims of robbery. One male government staff member from Tubmanburg said,

“Young people in this community are mainly involved in riding motor bikes, drinking, smoking narcotic drugs, and so on. I am actually disappointed in their attitude because what they are involved with will have no positive impact on their lives... Those who are taking in drugs are contributing nothing to society. They have become armed robbers and they are a serious problem to the community and even the economy. Many times armed robbers kill people whenever they attack their homes.”

A female government employee from Buchanan said, “The young men are stealing to survive; they are involved in criminal activities such as armed robbery, hijacking, duping people, and trafficking and using narcotic drugs.” One female NGO worker in Buchanan said, “Some of the young men are involved in armed robbery and daylight stealing... This is a common habit of the youth of this country. In most of the counties that I visited, I came across youth doing these activities, they will not be able to move the nation forward.”

**Young women were considered to be involved in prostitution.** While less directly related to trust, this was a widely held and negative view of young women. It was reported just as frequently as young men were linked to drugs and armed robbery. One male NGO worker in

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two ethnic groups when describing foreigners. That said, there were no cases where any person said that they would not do business with, or even be reluctant to do business with, either of these groups.

Sanniquellie said, “Our sisters are spoiling their bodies and futures for little money. They contract diseases that take them to their early graves. Some of them tell you that they are doing prostitution because of the lack of jobs in the community.” A male NGO worker in Zwedru said, “The prostitution that I highlighted is one of the worst jobs because most of our young girls and women expose themselves to many diseases, and even make their lives short.”

**In addition to the clear lack of trust of young people involved in criminal or other harmful activities, there was also an evident degree of lack of trust of young people toward other people, youth and adults, generally.** Such sentiments came from youth and adults alike, across all communities. The narratives that explain the inability to trust young people tended to refer to young men in particular; however, when speaking generally, young men and women were usually grouped together as being generally untrustworthy. In every FGD and many KIIs, informants mentioned that many—though not all—youth were not trustworthy. Many attributed this to the way youth were raised during the war—‘they want everything for free’. One female HEO in Tubmanburg said,

“It is hard to trust people. Here in Tubmanburg, the war brought about mistrust. Most of the young people are used to free things, one of the serious negative impacts the war has on us. Most of the young people are displaced and we are used to relief aid, and also the different warring factions brought about mistrust.”

**Not surprisingly, young people were quite aware of the perceptions that others had of them, and were frustrated that this negatively affected their opportunities.** One young man explained,

“We the young people are suffering a lot. Most of our friends have spoiled us [ruined our reputation] so most of the people who have money are all in fear of crediting we the young people in this country. That is our problem that [keeps us from] starting up our business.” (Male CC, Tubmanburg)

**With regard to youth being trustworthy employees, many HEOs said that the main challenge with hired workers—if they could afford them—was that they were dishonest and had a generally poor work ethic:** “Most people in this community are not honest even if they have the skills that you need. They lack trust [worthiness] in working for people. They are not hard working but they want more salary as employees” (Male HEO, Sanniquellie). One male HEO from Buchanan elaborated on the situation he had with a young male worker who had taken advantage of his trust. This led the HEO to question whether he would hire a young person again:

“It is very difficult to find people mainly young people to work for me in this market even if you train them. The major problem about them is that they are not prepared to be honest and fair to people... For example, I had a boy who was selling for me and all the money he reported after selling was very correct and I was paying him on commission. Because of his performance I used to allow him to sell and report at any time but what I noticed later was that he used to sell the clothes and used the money to buy the cheap ones to replace it and bring them back to me and tell me that they did not buy from him the whole day. One day one of my friends saw him doing it and reported the issue to me. I asked him and he told me that he had been doing that for the past few weeks. I am using this story because most of the young people in this community are not honest and trustful to people as we give them our products.” (Male HEO, Buchanan)

**Some HEOs had trained young people about work ethic and honesty but had not found this to be worthwhile.** “When you bring in people, they do not want to learn...” (Female HEO, Zwedru). One HEO attributed peer pressure for both young men and women continuing to be dishonest in business:

“As for me, it is very hard to find good people to help me in my business. All or most of our young men and women in this community or market are not honest or serious; all in their mind is to take people’s things away. If you even train some of those children,

they can try to help for some time, but when they start to get around their friends and start to listen to those wrong advices, they change.” (Male HEO, Redlight)

**Given this overarching reputation, young people who proved themselves to be trustworthy were considered notable and were rewarded accordingly.** In a number of narratives, HEOs who had positive experiences with young people working for them gave these young people additional responsibilities (and additional pay) and, in some cases, money (without asking to be paid back), credit, or loans with favorable conditions to start their own operation (if their financial status allowed for it).

**There were dozens of stories across all communities of youth—male and female—who were able to ‘make it’ as a result of their being very trustworthy with other people’s money or goods.** For example, young entrepreneurs who would travel to and from a location to purchase goods for other people and returned with the exact goods for the correct price and any additional money, were considered to be outstanding and continued to do such work for profit. As one female NGO staff member from Buchanan said,

“Most of those who are successful today in business have built for themselves trust over the years with suppliers and financial institutions, and so they have people who will serve as guarantors for them whenever they need loans or supplies; and those that have not built for themselves trust with suppliers and financial institutions do not have such an opportunity.”

**Signs of mistrust between the government and youth were only reported in one community.** A KII with a female NGO staff member in Buchanan suggested that there were indeed tensions between youth and the government:

“The young people and the local government do not work together. There is no cooperation between the two groups. The local authorities' inability to transparently operate and account to the citizens is a serious issue that the young people are angry over. They feel that they do not work for the youth in the county, so there is no reason

to provide information on what is [happening] at the county level. This situation raises doubts so much so that there is mistrust and a 'war of words' is going on in the county."

### 3.3.3 Market challenges for HEOs and AEs

**Competition, demand, and other market conditions matter significantly for the success of HEOs and AEs.** The literature suggests that HEs tend to spread the risk inherent in their business and in FCS through diversification of activities and that the market needs they meet are small. The evidence from Liberia provides more nuance to this general assertion. In particular, as will be further discussed below, in Liberia many HEOs and AEs are dealing with a lot of competition from other sellers who offer the same products. The low demand for the products results from multiple people selling the same thing.

#### 3.3.3.1 *Competition between sellers*

**Informants revealed strong competition between HEOs.** In FGDs, all men and 77 percent of women said that they always had competition from other business owners offering the same product. The remaining 23 percent of women, all of whom were in Buchanan, said there was competition sometimes. No one said they never had competition. The majority of informants said that competition came from their fellow community members and in many cases their own friends. Others said that competition came from outsiders, including 'foreigners' (Lebanese were the only 'foreigners' specified) and others who were working in wholesale. HEOs and AEs complained there was unfair competition from larger importers or wholesalers who hired people directly to sell goods at much lower prices. As a result, other HEOs would have to sell for reduced profit or in some cases a loss. In two FGDs (one with men and one with women), informants agreed that 'foreigners' were dominating their market.

**To compete, HEOs would most often drop prices of a product or offer the goods on credit; very few diversified their products.** Only in a few cases did HEOs indicate that if there was too much of the same product in the market, then they would try to sell something else that was generally less available. Some had this strategy but, as detailed below, remarked that the

goods that they knew were in high demand and not readily available were too expensive to acquire.

### **3.3.3.2 Demand - most and least-lucrative businesses**

**There was some disagreement among informants about the most and least-lucrative businesses in their communities.** Informants considered one or more factors in their assessment of what the best product(s) or services to sell were: degree to which the item was a necessity or a luxury; whether the item was perishable or not; whether the item was easily and/or cheaply obtained; whether the item was being sold by many others in the market; and whether the item required special skills to produce or offer.

**Most informants who elaborated upon what they considered to be the best businesses agreed that selling food was the most secure—people would always need food.** The risk of selling food was that so many other vendors were also selling food, which tended to bring down prices, or meant that they were not able to sell all their goods before they spoiled. However, luxury items were much more difficult to sell, especially in times of economic stress for consumers. As one female HEO in Redlight explained,

“Vegetable is a food that can be consumed, and as we all know that food is one of the basic human needs. I am also saying this because I have sold it for so many years and I understand how to sell it, many people love vegetable. The least-successful business sector in this community is the lappa.<sup>12</sup> Many people are not gainfully employed and so whenever they get little money, their first priority is to buy what is their most important and basic needs which is food. Lappa is not really a basic need, one can live without it.”

**Certain items that were not considered luxury, but also not necessities, were also seen as the least-lucrative businesses.** Used clothes were often mentioned, as in one KII:

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<sup>12</sup> A piece of decorative cloth that is used to make clothing, bags, accessories, or is used as household decoration, or is simply worn as a wrap.

“From my observation, the least-successful business sector is the sale of used clothes by retail. People aspire for their most basic human need first before going for the others. People are not really gainfully employed in this community, so they are not buying clothes that much. Those who are selling used clothes do not make much money compared to food commodities that are really in demand. The sale of used clothing is seasonal.” (Female NGO Staff, Buchanan).

**By contrast, other HEOs said, in general, that luxury items and the used clothes business were the best.** As one female community leader in Sanniquillie said, “The most successful business sector in this community is used clothes. They are making more money because the youth and residents nowadays love fashionable clothes, they always buy new fashion clothes.”

**However, many informants reported that sales of used clothes and luxury items were not good at the time of research.** Given the hardships resulting from the Ebola crisis, people only had money to buy food and basic necessities. As one female NGO staff member in Buchanan said,

“Five years ago the job situation was much better. There were NGOs and companies actively operating here... The most successful business sectors were selling lappas (clothing for women), mixed goods, electronic devices, and clothes. These sectors [had] the most successful businesses because when the companies were operating, they used to provide food for their employees. When the employees of the companies got their pay, they went to the market and bought clothes, electronic devices, and mixed goods from the market that the companies did not supply. This made the businesses in these sectors to boom.”

**Still others were more innovative and considered selling products that were not readily available in their communities, even switching their inventory when others caught on to their idea.** One female HEO from Buchanan who had her own table in the market explained,

“I started my business with LRD 100 [just over US\$1] in 1994. I bought plastic sheets, which my son cut into the shape of baby rubber sheet for diapers protection. I took it around in the community for sale and after the first sale, I generated LRD 500, which I again used to purchase some mixed goods. It was a bit easier at that time because most people did not have the idea. It was also different because I had to move from place to place to sell. It took me more than a year to get a table in this market. I had to save every small amount because I used the same money for food.” (Female HE, Buchanan)

**What is clear from the evidence is the lack of not only agreement about lucrative products but also cooperation to prevent oversupply of given products.** There was no evidence of organization among sellers to ensure that there was no oversupply of some products and undersupply of others. This lack of cooperation was having a negative effect on the market and the sellers who were often unable to sell their products at a good profit (because of oversupply/lack of demand) or were unable to acquire or afford products that were in higher demand/not easily available.

#### *3.3.3.3 High cost to supply certain goods in demand*

**In all communities, HEOs and AEs knew of goods in high demand but were too expensive to buy for sale.** As one female HEO in Redlight explained,

“If I had the cash, I would buy more bonnie [a type of fish] and even some other different kinds of fish to meet customers’ demands. I have the plan to expand my business, but am unable to do so because I have limited cash. Due to this, I am unable to meet customers’ demands.”

A male HEO in Tubmanburg said,

“For me, I think the lack of access to credit is a problem for the business in this community. The lack of access to credit is causing the goods and services provided in this market to be less. Sometime customers find it very difficult to get the kind of



commodities they need. We cannot provide those commodities because we do not have the money to buy them and bring them to the market for sale. I need financial support to expand my business.”

**Long distances, poor roads, and lack of storage facilities for perishable goods also affect the products supplied.** As one male HEO from Sanniquellie said,

“Transportation is another problem that is causing the business condition in this community to be very bad. The road that is connecting Ganta to Sanniquellie is very bad, so the transportation cost is very high and sometimes our commodities get spoil[ed] on the road if there is a rainfall. Another problem is the storage facilities for us to keep our goods.”

#### 3.3.4 Negotiating urban policies and resources

**It is clear in the global literature that national and local authorities in FCS are often biased against HEs.** HEs have been criticized at national levels for not offering the income and benefits of wage and salary employment, despite their being extremely important for households to move out of poverty.<sup>13</sup> The day-to-day business environment for HEs is generally determined by local authorities, who are responsible for zoning and other regulations which determine access to workplaces, infrastructure, and support structures. These can compound the problems of weak, inaccessible institutions, and lack of legal enforcement by police who are at times also perpetrators of harassment and extortion (Filmer and Fox 2014). The provision of roads, water, electricity, and markets is also vital. Informal businesses, including HEs, may be seen as reluctant to pay taxes and fees or obey planning regulations.<sup>14</sup> Local authorities sometimes attempt to evict informal enterprises from central business districts, especially hawkers and activities considered noisy or polluting, such as vehicle repair, metalworking, and carpentry (World Bank 2011b).

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<sup>13</sup> On Asia, see Haggblade, Hazell, and Reardon (2010); Lanjouw, Quizon, and Sparrow (2001).

<sup>14</sup> This is often compounded by illiteracy and poor record keeping among HEs.

**Evidence in the literature also suggests that regulation and planning can help, instead of hinder, HEs.** Without planning, traders and vendors crowd sidewalks and roads. This is problematic in and of itself, and is often responded to with evictions that are frequently violent, result in destruction of capital and stock, and are usually only an element in cycles of exit and return (Filmer and Fox 2014). In a survey of tailors and dressmakers in capital cities in West Africa, 43 percent of enterprises in operation for less than one year reported the lack of an adequate locality for their business as a major problem (Grimm, Knorrninga, and Lay 2012). Vetting businesses can also protect consumers—ensuring taxi drivers are qualified, kitchens are clean, and so on.

**The evidence from Liberia shows that indeed HEs faced issues regarding space.** While many did work from their homes, lack of foot traffic inhibited their ability to make profits. As such, they brought their business to more populated areas within the town markets. However, there, many were unable to afford registered space; others were willing and able to pay, but there was a lack of available space within the market (particularly in Redlight and Sanniquellie).

**As a result, many were forced to sell illegally—on the streets, on foot, or on the fringes of market areas—which resulted in their being fined or their goods being confiscated.** A number of HEOs and AEs who had experienced this considered it to be ‘corrupt’ practice. HEOs also reported limited resources to help them in their businesses, in particular storage areas and access to clean selling spaces, electricity, and bathrooms.

#### **3.3.4.1 Space to operate HEs**

**Most informants identified challenges when operating their enterprise outside of the house, most spent at least some of their time selling products in or around markets and around their communities, in addition to selling directly from their household.** With regard to market space specifically, informants across the communities were clear: the most active markets (Redlight and Sanniquellie) did not have enough space in their markets, meaning

many people who were financially ready to rent a stall were unable to do so. By contrast, the least-active markets (Tubmanburg and Buchanan) had more than enough space in their markets. Informants across all groups in Sanniquellie complained about their market structure, in particular that the roof was damaged and led to flooding of stalls, negatively affecting their business and sometimes damaging their goods. One male HEO described, “The roof of the market building is very bad. When it is raining the market can be flooded with water and people do not have a place to stand to sell and even buy.” Another male HEO similarly noted, “We are sitting in water whenever it rains in this community.” In Redlight, informants complained that the markets did not have toilet facilities, and as such were extremely dirty and unsafe: “I have found out that this market is not benefiting us. For example, there is no toilet for the marketers to use. Most of the women that sell in this market have to dig holes under their table, which they use to defecate” (Male HE, Redlight).

**Those who did not have a selling space within the market tended to work along the road near the market, often out of a wheelbarrow or walking with products on their heads.** In the more active markets, some HEOs and AEs said that they had tried to purchase space in the market—and had paid the necessary fees to do so—but that there was not enough space for them to get a spot. In the less-active markets where there was ample space, those who did not have a space could not afford it. A number of HEs and AEs also walked around the nearby communities to try to sell and market their products or services to households directly, but most of them would tend to sell near market spaces, whether they had a reserved location or not.

#### **3.3.4.2 Storage**

**HEOs and AEs reported being unable to deal in frozen foods, produce, and other perishables because of their cost or a lack of storage facilities.** This was particularly true in the less-active markets (Tubmanburg and Buchanan) where there was often weak demand and difficulty in selling all of one’s produce before it spoiled, or people would sell it for a loss just to avoid losing all their money. One female AE in Buchanan explained,

“To sell frozen food is very expensive in that I have to make sure that everything is bought daily. There is no electricity and if it is exposed to the rain or sun, it spoils. Selling it the next day means that I am selling rotten goods, so the price is decreased. I have to take it back to the cold storage and pay a small amount for storage.”

**The risk of selling perishable goods appears to have contributed to the oversupply of dry goods.** Many HEOs and AEs preferred to sell dry goods or other nonperishable merchandise. However, this seems to have led to a situation where multiple vendors were selling the same item, and there were sometimes shortages on basic perishable food items. This problem was mitigated in the more active markets of Redlight and Sanniquellie, where most informants said that selling food was highly lucrative because ‘food is one of the basic human needs, and people are compelled to eat regardless of them having money or not’ (Female HE, Sanniquellie), so they were able to sell all their produce before it would spoil.

#### 3.3.4.3 Dealing with harassment and corruption

**The findings from Liberia confirm that, as in other FCS, many HEOs, particularly women, face harassment and extortion from officials.** Overall, most informants considered market officials to be extortive/corrupt (60 percent) or obstructive (21 percent); only 13 percent considered them supportive. Interestingly, none of the female HEOs considered the officials to be supportive, versus 21 percent of male operators—most of whom were from Tubmanburg. Still, 58 percent of males and 55 percent of females considered them to be extortive/corrupt, and the remainder considered them to be obstructive/get in the way (Table 3.2). This extortion and corruption was seen as linked to the inability of HEOs and AEs to find a secured and/or registered selling space.

Table 3.2. HEO Perception of How Officials Treat Them, Male and Female

	Males (n = 52) (%)	Females (n = 44) (%)
Supportive	21	0
Obstructive/Get in the way	21	45
Extortive/Corrupt	58	55

**In general, the police were the main subject of complaints of harassment and corruption; however, it was not always clear whether the police actions were within the law or actually extortion.** For example, a number of vendors who did not have a secured selling space complained of the police confiscating their goods and charging a fee for the goods to be returned. A male HEO from Sanniquellie described, “The police come almost every day and they tell us to leave from where we are selling because it is closer to the main road...Sometimes the police take our market [goods] away and we have to pay some money to get it back from them.” A male HEO from Zwedru similarly noted, “The city police, they come and take our market and go away and we have to go after them to pay some money before the goods are given back to us. The amount that we sometimes pay is LRD 1500.00 before our goods are released.” In some cases, informants were unsure whether these fines—and their specific amounts—were actually within the law or whether it was police extortion.

**In some cases, stories of corruption were told very clearly.** For example, a number of informants explained in their narratives that they understood why their goods were confiscated—they were selling illegally—and paid the fine but found that not all of their goods were accounted for when they were returned: “They will take our goods to the police station and if we go for it some of the goods can be missing which they cannot account for and you have to pay LRD 1500.00 before getting your goods back” (Male HE, Sanniquellie).

**Market officials were usually considered ineffective or, in some cases, corrupt with regard to not spending the money as they should.** For instance, an informant declared,

“The Liberia Market Association collects money from us in the name of paying for ticket every day and the market building condition is very bad. The Tubmanburg City Corporation does not even clean the market but we are also paying money to them for cleaning the market.” (Male, HE, Tubmanburg)

Another said,

“I think the Liberia Market Association is very extortive and more corrupt than any organization in Liberia...I say they are very corrupt because we paid for ticket every day and we also pay some fees to them every month. With all this money that they collect, the market conditions are very bad.” (Male, HE, Sanniquellie)

And another said,

“The leaders in this market are very corrupt. Just imagine everyday they print tickets on which the amount of LRD 10.00 is written, but their collectors who come to our tables to collect ticket fees demand LRD 25.00 from each table.” (Male HE, Redlight)

### 3.4 Access to Financial and Human Resources

#### 3.4.1 Financial resources

**The literature is clear that entrepreneurs in FCS generally have poorer access to credit; accessing and managing capital to start and operate an HE is especially complicated.**

Background to the 2011 WDR describes credit in FCS as either coming at ‘usurious rates or confined to those best-connected to officials controlling state-owned banks’. HEs largely rely on savings or loans from family or friends. Virtually all HEs in Africa today report that their own funds or loans from friends and relatives enabled them to start their businesses. The overwhelming majority of existing businesses report that they did not obtain any type of loan over the last 12 months (Filmer and Fox 2014). Such mechanisms can allow the initiation of an HE, but they are informal, uncertain, and open to abuse.

**Young people have particular trouble getting a loan for start-up capital.** Even microfinance institutions prefer to lend to individuals with a salary so that they have a better chance of repayment. Some will lend to households based on collateral or an agreement with a salaried guarantor. An initial savings deposit is often required, which young people are unlikely to have available.

**Saving is as important as credit.** Using credit requires a borrower to put aside money regularly to service the loan, so a savings mechanism is critical. However, where financial inclusion remains poor, finding safe places to keep money is difficult (Filmer and Fox 2014). In FCS, just 15 percent of adults have an account at a formal financial institution while 26 percent report having saved in the past year (Kunt, Klapper, and Randall 2013). This problem is especially acute for youth and for women. Security of savings is especially important for women, who tend to perform more reliably with regard to repayments when they are able to find such security (Dupas and Robinson 2013). Those saving in FCS are less than half as likely as those in the rest of the developing world to use a formal financial institution. They are also 50 percent more likely to save using a community-based method (Demirguc-Kunt, Klapper, and Randall 2014).

**Grants are another means of facilitating entry to operating an HE.** Such programs are combined with business training, support services, vocational training, or financial capital. Results seem to be positive although recipients tend to be relatively wealthy (Filmer and Fox 2014). For example, grants to existing businesses in Sri Lanka helped improve sustainability, providing evidence of capital constraints both at start-up and during operation (De Mel, Mckenzie, and Woodruff 2012b). However, risk-free access to capital may not be conducive to the dedicated operation of a business.

**In Liberia, young people had difficulty accessing formal loans and, in many cases, did not even pursue because they were seen as unfavorable; instead, they relied on their own savings or support from friends or family.** Youth also tended to not have a formal savings mechanism and used community-based *susu* clubs instead. These findings are detailed below.

### 3.4.2 Start-up money

**Across all FGDs, 64 percent of HEOs said that they were able to start their business by saving money over time.** Women were more likely than men to have done so (70 percent and 58 percent, respectively). These patterns link to the earlier discussion of work ethic above, for

which financial responsibility and savings was central. Twenty-eight percent of FGD HEOs had a grant or loan from family or friends. Men slightly more often had such a loan from friends or family than women. Informants generally stressed that to make this loan or grant successful, work ethic was necessary—money alone was not sufficient. Only two informants (both women) said they had received a grant from an NGO or the government, two others (again both women) had a formal bank loan. Only four (all men) had a loan from a local loan group. See Table 3.3 below for details.

**Table 3.3. Primary Source of Money to Start Business, HEOs, Male and Female**

Group	Males (n = 52) (%)	Females (n = 57) (%)
My own savings	58	70
Loan, credit, or gift from family/friends	35	23
Formal bank loan	0	4
NGO/government grant	0	4
Local loan group	8	0
Other	0	0

Similarly, most AEs tried to get money to start their business through savings (55 percent); much of the remainder had sought out loans from family or friends (33 percent). None had used a local loan group. No men had attempted to get a formal bank loan, while four women had. Seven men and women indicated that they had looked for an NGO loan (Table 3.4).

**Table 3.4. Primary Source of Money AEs Have Sought Out, Male and Female**

	Males (n = 42) (%)	Females (n = 49) (%)
My own savings	57	53
Loan, credit or gift from family/friends	31	35
Formal bank loan	0	8
NGO/government grant	12	4
Local loan group	0	0
Other	0	0

Details around each of these sources of start-up and expansion money for HEOs and AEs are provided below.



### 3.4.3 Sources of finance - credit and loans

The majority of male (71 percent) and female (60 percent) HEOs said that the main barrier to expanding their business was lack of access to credit. Twenty-three percent of women and 8 percent of men said that the main barrier was high cost of operating. This is in contrast to the relatively few men (19 percent) and women (16 percent) who said that the main barrier was low demand, and the very few people who said that needing more skills or lack of staff were the main barriers, indicating how important cash is for both male and female Liberian entrepreneurs (Table 3.5).

Table 3.5. Main Barrier to Expanding Existing Business, HEOs, Male and Female

	Male (n = 52) (%)	Female (n = 57) (%)
I'm happy how it is now	0	0
High cost of operating	8	23
Low demand for goods (or services) I can provide	19	16
No access to credit to expand	71	60
I need more skills	2	0
Cannot find staff to help	0	2
Other	0	0

As one male explained,

“I think my business is not expanding because of the lack of access to credit in this community. Most people in this community want to expand their business but they do not have anyone to give them money as loan to enable them expand their business. Those who provide loan the interest rate on the loan is very high, so people who go for it are not able to pay back in time and sometimes they do not pay back.” (Male HE, Sanniquellie)

Similarly, another said,

“I want to expand my business by buying more goods and providing more services but I do not have the capital or money to purchase more goods. I need access to credit in this community.” (Male HE, Tubmanburg)

**AEs also identified barriers in access to credit.** The majority of male (69 percent) and female (65 percent) AEs said that the biggest challenge to starting their own business was a lack of credit (Table 3.6).

**Table 3.6. Main Barrier to Starting Own Business, AEs, Male and Female**

	<b>Male (n = 39) (%)</b>	<b>Female (n = 49) (%)</b>
I don't know where to start	0	0
High cost of operating	8	18
Low demand for goods (or services) I can provide	8	12
No access to credit to start	69	65
I need more specialized skills	0	2
Cannot find people to help	13	2
Other	3	0

One female AE from Buchanan said, “There is no credit opportunity for us. The people can't even count on us because we don't have big businesses.” A male HEO similarly said,

“I strongly believe that more young people in this county are serious in developing themselves but our major problem is there is nowhere to get a loan or credit. There are not many banks in this place to help market people and even if they are given a loan, the collateral they ask for is so big for us the young people, so they always deny us because we cannot afford it.”

**HEOs identified a number of financial resources that helped them start and expand their business; however, in nearly every success story, a good work ethic was a key component.** Additional financial resources provided a means for a faster and easier start-up of their enterprises. What is clear is that the most valuable assistance came in the form of

unconditional cash gifts (from friends or family) or loans with long-term and low-interest conditions (also from friends and family, but sometimes from local businesspeople). A number of other informants explained that they were able to save money in a process of being credited goods from an existing entrepreneur, selling for the day, and then paying back the total in full (without interest). In almost no cases did an HEO say that a bank loan or NGO loan helped his/her operation succeed.

#### **3.4.3.1 Unconditional cash grants/credits**

**A number of successful HEOs attributed their success to unconditional financial assistance from relatives**, even if the relatives did not intend the money to be for a business:

“My brother in America sent me a total of LRD 42,000.00 for my children’s school fees which he usually does every year as school is about to open for my children. I took the money in 2012 when school was about to open and invested it in a business... After I started my business, up to now, it [the profit] is increasing and I have told my brother to stop sending money because I can now take responsibility for my family and he was happy.” (Male HE, Redlight)

In other cases, family members provided general assistance that recipients chose to put in a business.

“For me, I visited my sister in Firestone in 2012 and when I was coming back home she and her husband gave me LRD 4,000.00 for transportation and buying some things for myself since school was about to open. I used LRD 1,000.00 from the money on transportation and other things as I was going back home in Tubmanburg. The balance LRD 3,000.00 that was left with me was invested in a market to sell specific rice which I started selling by cups and today my market is still functional and I am going to school and feeding my family with that money.” (Male AE, Tubmanburg)

Evident from the quotations above, the initial cash grant given to these individuals varies greatly (ranging from LRD 42,000 [US\$500] to LRD 3,000 [US\$35]), but shows that it is indeed possible for an entrepreneur to get started with even a very small amount of money.

#### **3.4.3.2 Loans and credit (cash) from friends or family**

**In many cases, relatives also provided loans.** As reported in Table 3.2 above, when asked how they were able to get the money to start their business, 27 percent of HEOs (35 percent of men and 19 percent of women) said that they got a loan, credit, or gift from family or friends.

**When discussing loans in depth, informants were clear that these loans generally had highly favorable repayment stipulations.** Under such conditions, they were able to pay back the loan and interest to their friend or family on time. This support had been integral in helping them start their business, all of which had become large enough to at least support oneself or one's family. HEOs reported receiving around LRD 8,500.00 (US\$100) in loans from family members, which they paid back within six months or less. Those who received loans with interest from friends remarked still that the conditions for repayment and the interest rates were very reasonable, and not difficult to manage. As one AE explained his method for getting his business started:

“For me I got my money from my friend as a loan with interest. He gave me the money without any difficult process because he trusted me, and he also had confidence in me. He gave me LRD 12,700.00 (US\$150) at an interest rate of LRD 1,300.00 (US\$15) for five months. I took the money and started selling on a wheelbarrow paper, and Maggi cube. I was able to pay his money back in five months with the interest of LRD 1,300.00.”  
(Male AE, Buchanan)

In some cases, family members credited HEOs money without interest and with reasonable payback conditions:

“I got my money from my mother. I was trying to start something on my own and she credited me LRD 8,500.00 to start my own business...I paid back her money in four months and I used the profit to continue my business. I am also using the resource from the business to support my family.” (Male HE, Sanniquellie)<sup>15</sup>

An AE explained how he was trying to get started with the help from credit:

“I got my money to start my own business from my family as a loan without an interest. My uncle gave me a sum of LRD 8,500.00 (US\$100) as a loan to pay back in three months without any interest. I took the money and came to Buchanan to start my business. I started selling rice on a wheelbarrow and after three months I was able to get the money and I paid him back. I used the balance to keep selling rice.” (Male AE, Buchanan)

**A few individuals received credit with long-term payback options from customers** who had noticed their hard work and reliability, and wanted to help them expand their business:

“I was selling my candy and other products in a box around this market for more than two years and one day a woman who always bought from me asked me if I wish to sell other products apart from what I am doing and I said yes. She gave me LRD 5,000.00 to start selling different products to see myself improving in my business and I later gave back her money within three years. I took the money and started selling school materials, and within the first and second years I was able to give her money back to her.” (Male HE, Buchanan)

#### **3.4.3.3 Local savings/loan club**

**Few (8 percent of men and no women) HEOs got their start-up money from local lending clubs**—all of these individuals were in one community in Sanniquellie (see Table 3.2 above). They reported receiving about LRD 15,000–LRD 25,000.00 (US\$175–US\$235) from their local

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<sup>15</sup> Similarly: “For me, I got my money from my uncle to start my own business. He gave the money to me without interest to be paid on it but to be able to pay back in six (6) months. I used the money to start my business and within six months I was able to pay back his money” (Male HE, Sanniquellie).

lending club and paying the club back within a year, but there were no specifics on the interest rates offered.

“I got my money from a local savings club to start my own business. I got the amount of LRD 25,000.00 from the club as a loan to start my business with an interest of LRD 5,000.00 payable within six months... After the six months I was able to pay back the loan in full along with the interest. The local club was very helpful to me.” (Male HE, Sanniquellie)

**Similarly:**

“For me I got my money from a local savings club of which I was a member. They gave me a loan of LRD 15,000.00 added to what I had from my own saving which was LRD 8,000.00 to start my own business. Now I am selling fish in the market and after few months I was able to pay back the club money with their interest.” (Male HE, Sanniquellie)

**In general, though, lending clubs were clearly not an often-used resource for people.** Other local financial clubs, particularly *susu*, were widely used by people as a savings mechanism (elaborated upon later).

#### **3.4.3.4 Crediting goods**

**Other HEOs and AEs credited goods from a businessperson**, spending the day or week selling the goods at a slightly higher price, and then paying the businessperson back for the value of those goods. A female HEO from Redlight explained the process: “I don't have any money to start my own business, so I take goods on account from suppliers and at the end of the day, I sell and pay back their money. Whatever interest is generated from the sale is mine.”

**Such relationships often relied on the creditor's trust of the individual**, usually earned after seeing that person exercise honesty, reliability, and good financial skills for some time. In one example:

“There is a fellow in this community who started taking goods on account from people to sell and pay and then earn a living. Due to how sincere he was, the suppliers continued to credit him until he succeeded in establishing his own business all over the country.” (Female AE, Redlight)

**Crediting goods came with significant risks.** With this relationship, there was a high degree of risk in case a vendor was unable to sell all of the goods and pay back the creditor, as a female HEO in Redlight explained, “Instability in the market is a serious problem am being faced with now. I credit from my suppliers in order to do my business, if there are no customers and I do not make much money, I am constrained to get money to pay my suppliers.”

**There were also evident limits on the amount that a vendor could credit, thus limiting overall earning and expansion potential.** While it was a means to starting and sustaining a business, it was not particularly useful for growing one, as one female HEO from Tubmanburg said, “I have tried to make my business big, but it is difficult because there is no credit facility [loans] here. People can only give you 'sell and pay' and it is not what I want.”

**Most HEOs said that they were happy to credit others with goods, provided the person was known and trustworthy.** This gave them a feeling of pride, particularly when those with education and salaried jobs had to come to them for credit. They considered this to be an important part of attracting and maintaining customers, particularly in an environment where there was much competition from others selling the same products. Some businesspeople, however, were reluctant to credit others in any situation. These tended to be HEOs who were well established and secure—it is unclear whether their refusal to credit customers contributed to their growing enterprise, or whether they stopped crediting customers because their enterprise was already growing. In any case, crediting was not a certainty for HEOs. One KII with a businesswoman who owned a number of rental properties in Buchanan (who had begun as an HEO selling lappas and school materials on the streets) said,

“For me, I don’t give goods out on credit because things are very hard here. I keep the goods and my customers pay against it 100 percent before I can release it. This is done within a fixed time. So they come and select. Right now, if I start crediting everyone, I too will run into debt, and my name will be spoiled [reputation problem].”

#### **3.4.3.5 NGO loans**

**Only two informants across all FGDs and KIIs had an experience with NGO loans.** Both loans were from BRAC and neither person was positive about this experience. The remainder said they had no idea how to get an NGO loan:

“BRAC IS the only microfinance group in Sanniquellie now that is supplying loans to market people but their interest rate is so high for us that we the young people are not able to take a loan from them. I strongly believe that they are doing it because there is no competition here in this county for other entities to provide loan or credit.” (Male AE, Sanniquellie)

**NGO loans were also difficult because, in the case of default, one’s family was considered responsible regardless of the circumstances:**

“Some of the youths are not succeeding because they are not reliable. For example, I have a friend who was given LRD 1,500.00 by BRAC as loan to do business but unfortunately he wasted the money by having a good time and when the money was spent, he ran away from Buchanan City. His family now is responsible to pay back the loan, along with interest.” (Male CC, Buchanan)

#### **3.4.3.6 Bank loans**

**Most HEOs and AEs were aware of formal bank loans, but were either unsure how to get them, did not meet the requirements, or did not want a loan because of the repayment conditions.** Many people simply did not meet the requirements: “I am afraid to take a loan



from Access Bank because I don't have a guarantor. No one wants to stand for you because if you don't pay, they are in trouble" (Female AE, Buchanan).

**Fear of even considering a formal bank loan because of the strict conditions was the most common complaint about formal bank loans.** As one male HEO in Redlight said,

"When Access Bank which is one of the major banks in Liberia that gives loan to many market women came into this market, they started giving loans to most of our market women but the interest was high and the time given to collect their money was very difficult for us to pay back" (Male HE, Redlight).

Another man in Buchanan agreed,

"There is nowhere to get a loan to invest in my business, only Access Bank is offering a loan in this county but their interest rate is very high and their repayment terms are very difficult." (Male HE, Buchanan)

Some reported that they knew individuals who had taken out loans, were unable to pay them back, and had to run away to avoid penalty:

"I have not taken a loan before, but it was given to some market women some time ago. Today, some of the women have big businesses while others do not. Some of the women have left this community because they are unable to pay back the money." (Female AE, Tubmanburg)

A young man was able to pay back his loan, but he lost his business in the ordeal:

"I tried to expand my business on an occasion where I took some money from them [Access Bank] and I moved some of my goods from the table to a shop, but the time and interest was a serious problem that caused me to fall and lose all of my goods to just pay back their money." (Male HE, Redlight)

One female took out a formal loan and was able to pay it back, but decided it was too difficult to get in the first place, and also to pay back, and did not try to get another one, though she would likely have been able to:

“I took a loan from the bank. My friend stood my bond/was my guarantor. The money was added to my business money and I bought more goods. It takes almost two–three months to get a loan because of the paper work. The interest rate is also too high. So, when I got through paying, I decided not to take a loan again. Buying is slow.” (Female, HE, Buchanan)

#### 3.4.4 Managing financial resources - savings

**HEOs used a variety of savings mechanisms.** Some put money away so as to prevent theft, while the goal for others was to make sure they themselves did not spend it. Informants most often saved money in their local *susu* club but did indicate that, if savings mechanisms were available through banks, they would take advantage of them.

##### 3.4.4.1 *Susu savings clubs*

**The research confirmed that *susu* clubs are common across Liberia and are seen as not only a safe place to keep money but also a motivational factor to save.** The pressure behind *susu* was that they had to pay a certain amount of money on particular days, which ensured that they exercised a degree of financial responsibility and also created motivation to meet a certain level of profit in their sales. As one young man explained, *susu* encouraged him one day to persevere to try to sell more:

“I remember a situation where I came to sell in this market one day and there were no customers for my market for the whole day so I was worried about my savings I had to do in the *susu* for that day. I saw a woman who wanted to buy the same product that I was also selling from my friend and when I saw her and knew that she could understand my local language, I spoke to her, telling her to come and buy from me because the

other guy is a foreigner and she did so. My friend got angry with me for that. I had to tell him sorry and call others to talk to him.” (Male HE, Redlight)

**Susu clubs have a rotating schedule when members can withdraw their savings if wanted.**

Informants reported that *susu* clubs helped ensure that, according to a preset schedule, they would be able to withdraw the amount that they had saved to use on a larger expense. Many used this relatively large amount of their saved money to start or expand their business:

“I started my business from my own savings. I was working with Mr. Flod at his Jackie’s guesthouse as cleaner, the salary he used to give me I used to put my *susu* monthly and I used the [leftover] to buy food and take care of my family and myself. After two years I left Mr. Flod’s guesthouse and decided to start my own business by using the little amount of LRD 25,400.00 from my *susu* to buy used clothes to start selling for myself. I was able to manage my business and today I am on my own.” (Male HE, Sanniquellie)

**3.4.4.2 Bank savings**

**Almost no informants said that they kept their savings in a bank.** Some did indicate that, if they were given that option and the location was convenient, then they would take full advantage of it, particularly if they were able to collect interest. Some said that they would prefer a bank because they were more trustworthy than people, as one female HEO in Sanniquellie explained, “I will take my money to the bank for safe keeping and then later decide on how to invest in it. I won't give my money to people. People are not trustworthy nowadays.”

**3.4.5 Giving loans**

**As mentioned previously, there were often incidences of local businesspeople giving loans to smaller businesses with apparently favorable conditions.** As such, some HEOs had considered giving loans out themselves, seeing it as a way to make additional money. Others were more cautious about this possibility. However, given the obviously huge demand for

loans with fair conditions from HEOs and AEs, nurturing an environment in which community members themselves are able to provide these loans could be mutually beneficial.

**Both men and women were equally cautious about loaning their money.** Given the scenario in which they suddenly won a good deal of money from a mobile phone sweepstakes, 40 percent said they would not loan to anybody under any conditions; 51 percent said they would loan only to someone who they knew could pay it back; 8 percent said they'd loan to family or close friends (Table 3.7). Men more often said that they would not loan to anybody and women slightly more often said that they'd loan to a friend or family member. HEOs were most likely to say that they wouldn't loan to anybody, but consumers and AEs were only slightly less reluctant to loan.

**Table 3.7. Response by Informant Type to:  
"If You Came Across Large Sum of Money, Would You Loan It to Someone?"**

Group	HE (%)	AE (%)	CC (%)
I would not loan to anybody	48	33	41
I would loan to someone I knew for sure could pay it back	48	56	51
I would loan to someone who is close to me (friends, family) even if it were not secure	4	11	8
I would loan to anybody, even if it wasn't secure	0	0	0

**Those who said that they would loan money nearly always said that they would do something to try to ensure their money was secure—not just give the loan and expect to be paid back.** A female HEO in Zwedru said, "I will give money to other people on loan. We will prepare the document and the community leaders, including the market superintendent, will sign." Similarly, a female AE in Redlight said that if she gave a person a loan, "I will compel you to do a statement that you will pay me back with interest and within a specified period of time." A female CC had a bit more detail about the process: "People are not trustworthy nowadays. If I should loan my money to someone, he/she should be able to present a collateral" (Female CC, Redlight).

**A sizeable proportion of men and a minority of women who said that they would be willing to give a loan were very articulate about the process that they would use to ensure the loan was secure.** This included multiple methods to protect their loan, including lawyers in most cases, though it was unclear the extent to which it was realistic for them to secure a lawyer. Consequently, they appeared to be quite confident that, in the event the grantee was unable to pay back the loan, they would be able to take action to get their money back. One male HEO explained,

“The person taking my money as loan will bring documents or property documents that are more valuable than the amount of money I am going to give them as loan. If they default to pay back my money that I gave them as loan, I can use those collateral to get my money back by selling some of that. In preparing the document to give my money out to people as loan, I will invite my lawyer, the chairman of the community, and some other people as witness. The market leaders will also be witness when we are signing the document that will qualify you to take my money as loan.” (Male HE, Sanniquellie)

**Others were quite reluctant to give loans, though, because they considered people in their community to be unreliable and saw too much risk.** Some had even had bad experiences giving loans and were not sure what actions they could take to try to get their money back:

“I will not loan my money to any one... I had an experience with one of my friends in 2000. He credited my money with an interest to be added on it and he was to pay back in six months. We did the process through a document that carries both our signatures and our parents were witness to the document. Up to today’s date he has not paid my money back and it has accumulated to LRD 50,000.00 which he and his parents cannot pay me back. Based on this experience if I have the opportunity to get money, I will invest it into my business and protect my money from being destroyed.” (Male CC, Buchanan)

Another said, “I will not give my money to anybody because I think I am the person to keep my money and develop myself... Another reason is because most people in this community do not pay people money back when they credit from them. They are not creditworthy” (Male HE, Buchanan).

### 3.4.6 Currency exchange

**Doing business in both Liberian dollars and U.S. dollars was cited as a major constraint in nearly all FGDs and KIIs.** At the time of the research, the exchange rate was particularly unfavorable to the Liberian dollar.<sup>16</sup> HEOs and AEs reported that they often were penalized twice by the exchange. First they had to buy the goods for their business in U.S. dollars (and therefore had to first exchange the Liberian dollar that they had used in transactions with nearly all of their customers) and then had to sell again in Liberian dollars. Dealing only in Liberian dollars, most said, would save them a substantial amount of money. One female HEO said,

“One of the main risks to businesses today that most people overlook is the Liberian dollars to U.S. dollars exchange rate. We pay in U.S. dollars but sell in Liberian dollars to pay back, there is always a loss. Your profit can drop. It is very difficult and has put many people out of business.” (Female HE, Buchanan)

A male HEO similarly said,

“The exchange rate is also creating a problem for us in this market. We the local traders are selling our goods in Liberian dollars but when we go to purchase new goods from the store, they demand us to purchase in U.S. dollars; the buying rate of US\$1.00 to LRD 91.5 is so high and it is causing a decline in our business.” (Male HE, Redlight)

This also made things difficult for consumers:

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<sup>16</sup> The rate was about LRD 91 to US\$1 at the time of research.

“The exchange rate is one of the major problems that is stopping us from getting some of the products we need in this market. For example, my sister told me that she sells her products in Liberian dollars but when she goes to purchase new products, she has to purchase in U.S. dollars which may not allow her to bring more or all of her goods that she wishes to sell.” (Male CC, Buchanan)

#### 3.4.7 Time constraints

**Most HEOs and AEs did not indicate any notable time constraints in doing their business—**all female AEs and 60 percent of male AEs in FGDs said they had ‘plenty’ of time. For the most part, this was because their source of livelihood was business, and there were simply no other options to earn money, so they worked full time. One male AE from Buchanan explained, “Yes, I have plenty of time to operate my business. I am not looking for a job and I am not doing anything besides my business.” A female AE from Tubmanburg said, “I got plenty of time. I can go around the community over five times a day.” A female AE from Zwedru said, “That’s the only thing I have to do. To sell around. Even on Sunday.”

**In terms of childcare, women appeared to have substantial support mechanisms for taking care of children.** Even if they did not, they brought their children with them to the market, and in some cases had the children helping out. In no cases did any person in a FGD or KII say that childcare restricted them from spending time on their business. No male respondents reported that childcare was a factor in their daily business operations.

**The only informants who said that they had time constraints were those who were also in school.** One male from Tubmanburg explained his constraint: “I have some time for my market which is not enough or very much for the business but I have to do so because I am a student at the community college. If I was not in school then I could put all of my time into my business to ensure the good result that I need from my business.” A male from Zwedru similarly said, “As for me, I can say that I have some time and not much ... I am in the 12th

grade and also doing my small business. I cannot put in all of my time in the business and forget about my school, so I have to divide the time between my school and the business.”

#### 3.4.8 Human resource constraints

**Just over half of all the HEOs in FGDs reported that they had no paid workers.** Just under a quarter had family members and close friends helping them as needed for some pay (or purchasing of goods, payment of school fees, and so on). Only 10 percent of men and 13 percent of women had permanent employees on regular pay.

**Many wanted help but were unable to hire someone either because of financial constraints or an inability to find skilled and/or trustworthy employees.** The relatively low proportion of HEs with paid workers, though, was not ideal for HEOs. As one female HEO from Redlight said, “I can't afford to pay people from my business because it still not yet mature, so am selling alone.” Lack of trust of paid employees meant that some respondents viewed it as risky to hire someone else to manage business monies.

**When asked about the potential of hiring someone else, if they could afford it, half of the HEOs indicated that it was very difficult to find good help even if they trained the person(s).** Women indicated this difficulty far more often (77 percent) than men (19 percent). Forty percent of men, by contrast, indicated that while it was difficult to find skilled workers, they could train them effectively; only 7 percent of women said this. Very few women said that there were plenty of skilled workers, while 15 percent of men indicated as such. Much of this difficulty stemmed from, as discussed previously, lack of trust of young people and also the idea that young people had a poor work ethic.

**Because of the expense and risk of hiring a paid worker, a number of HEOs and AEs had family members, often children, helping them out.** A female HEO explained that because she was unable to afford hiring someone to help her, she hired a family member who she was able to pay less: “I have a sister who helps me sell my market and I pay her at the end of the month. Am not paying her much, I only compensate her for her transportation because the



business is still not yet mature” (Female HEO, Redlight). This was beneficial to HEOs and AEs not just because they could trust the family member more, but also because they were able to pay not only in cash:

“I have close friends who help me run my business. Those people are not on permanent salaries but I can pay them a small amount every day. They are of great help to me in running my business. They help me carry the business around in the community for sales. For me my family members are also of great help to me. They help run my business every day. My nephew and my little brother take the market around in the community sometimes and they also sell from the table. They are not on permanent salary, but I give them some time every day as pocket change. They are helping me because it is from the market that I am able to pay their school fees and buy food for the house.” (Male HEO, Tubmanburg)

**Still, some HEOs said that having family workers was not always positive, because they took advantage of their personal relationship with the business owner.** One male HEO said,

“I have tried my relatives many times as workers but they were not supportive in the process. They only want my lavish money, so I believe that if I take people who are not related to me it will be more helpful to me than my family people.” (Male HEO, Buchanan)

### 3.5 Education and Skills

**The broader literature about HEs in FCS commonly shows that the informal sector is disproportionately comprised of individuals with a low level of education and skills, and many lack even basic literacy and numeracy.** Functional literacy and numeracy can add as much as 40 percent to the earnings of HE owners, compared to their illiterate peers (Filmer and Fox 2014; Fox and Sohnesen 2012). In FCS, young people already often work in the HE sector. This, generally unwaged experience can be a pathway to sustainable employment in the sector. They can receive on-the-job training without affecting other activities too much (including education and occasional waged employment).

**The literature also suggests that young people are disillusioned toward education and its role in improving livelihoods in countries where access to and quality of education, along with the school-to-work transition, is not relevant to the jobs market (World Bank 2013b, 120).** The quality of education in developing and fragile conflict settings remains extremely variable. Students can be disappointed that attaining a diploma will not have the same meaning to employers that it does for them (Brownlee et al. 2012). Lack of employment opportunities and belief that personal connections are more important for finding a job fosters apathy among youth and devalues education. Vocational training does not necessarily lead to employment, for example, especially when it does not meet market demand.

**The research in Liberia confirms that there was a degree of disillusionment with higher levels of education, but there was still a very strong demand for basic skills.** Youth who had obtained high education but were still unable to get a job were particularly disenfranchised. However, in addition to basic skills, such as literacy and numeracy, many HEOs and AEs reported wanting more specific vocational skills and business skills. That said, most informants attributed business success to hard work and responsibility; few had participated in vocational training or even as apprentices or interns in businesses.

**Lack of skills can limit diversification of HE activities highlighted earlier.** It is important to recall that of all the HEOs and AEs interviewed, very few men (11 percent) and no women worked in services. Among HEOs, a few (4 percent of men and no women) manufactured and sold their own soap (a larger proportion of each gender sold soap manufactured by someone else); no HEOs cooked and sold food, though a substantial proportion of AEs, especially women (12 percent), sold other people's cooked food. Most HEOs and AEs, instead, were involved in selling purchased goods that required no specialized skills. While these percentages of those in services versus selling cannot be confirmed as more broadly representative, it was apparent during informant selection that the great majority of young HEOs and AEs were involved in unskilled sales; it was difficult to find those in services. At the same time, these individuals were not necessarily happy just selling goods. Indeed, as

reported in the previous section on market competition, many young people were selling the same product that many others were selling or the product they were able to offer was in low demand. While work ethic was perceived to be the most important factor for success, young people were clear that they and others would be able to be more successful if they were able to acquire additional skills so that they could offer more specialized goods and/or services. Of those without basic education, it was generally agreed that it was necessary to have basic math and writing skills to better manage a business.

**HEOs with active businesses displayed a wide variety of education levels.** About equally large portions reported having at least some high school education as compared to those who reported no education at all. Interesting, when disaggregated by gender the percentages are nearly reversed. Excluding the highly educated group (see Section 3.5), nearly half of all male HEOs reported having some high school education while nearly half the women reported having no education at all. Table 3.8 provides details on this heterogeneity.

**Table 3.8. HEO Education Level, Excluding Highly Educated Group, Male and Female**

	<b>Males (%)</b>	<b>Females (%)</b>	<b>All (%)</b>
College/some college	27	6	17
High school/some HS	47	28	38
Junior/some junior	7	8	7
Primary/some primary	7	3	5
None	13	56	32

**When asked what type of education was necessary to start and sustain a business, nearly all (98 percent) AEs indicated that it was important to have some level of education.** Responses were fairly evenly distributed across those indicating that it was critical to have specialized training (31 percent) versus higher-level schooling (39 percent) or only basic reading, writing, and math skills (28 percent). Women more often said that specialized training was needed (41 percent versus 14 percent) (Table 3.9).

**Table 3.9. AE Perceptions on Importance of Various Types/Levels of Education**

	<b>Males (%)</b>	<b>Females (%)</b>
Critical to have specialized training in the area	14	41
Critical to have higher-level schooling (secondary)	45	27

Only basic education (reading, writing, math) is needed	38	31
Not important at all	2	2

However, the majority (61 percent) of informants considered 'soft skills' linked to a good work ethic as the most important determinants of success for young entrepreneurs. These skills were seen as more important than a wide range of other often-cited factors, including help with money/loan, vocational and technical skills, and social capital, including connectedness to contracts and buyers. Indeed, only 9 percent overall saw education and training achievements to be integral to a young person's success.

Various types of skills and levels of education are considered individually below.

### 3.5.1 Work ethic (soft skills)

Overall, the majority (61 percent) of informants considered certain 'soft skills' linked to a good work ethic to be the main determinants of success for young entrepreneurs.

The predominance of hard work, determination, financial responsibility, honesty, and kindness as determinants of one's success was consistent across all communities and discussions and is a notable finding. In total, 32 percent attributed success to honesty, integrity, and good attitude; 40 percent attributed success to hard work, reliability, and effort; and a sizeable proportion (23 percent) attributed success to good management and business skills (particularly financial responsibility). Men and women were very similar in their responses here. Other potential responses are summarized in Table 3.10. They include skills that have been cited in other narratives as common perceptions across Liberia, typically with respect to how a young person could successfully transition from school to work, not necessarily related to how a young person could succeed in business specifically.<sup>17</sup>

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<sup>17</sup> Interestingly, 'connections' were often brought up by NGO and government representatives to be key factors in young people's success—whether it be in business or in a salaried job—though the evidence with young people suggested otherwise. More work (quantitative) should be done on uncovering the extent to which connections are truly a factor, or are simply just assumed to be the case. The evidence from this report suggests that connections were not actually key determinants in the success of HEs' businesses, nor were

**Table 3.10. Reasons that Successful Entrepreneurs in Your Community 'Made It', by Informant Type and Gender**

	HE (%)	AE (%)	CC (%)	Males (%)	Females (%)	All (%)
Had help with money/loan	1	0	0	0	1	<1
Had connections to get contracts/buyers	6	3	5	4	5	5
Hard work/determination/saving money	35	44	41	34	45	40
Good skills in technical area/vocational	1	1	0	1	1	1
Good skills in management/running business	30	12	26	16	30	23
Honesty/kindness/helpfulness to others	29	39	28	45	19	32

**Conversely, a young person’s lack of success was seen as the result of not being serious and ‘enjoying’ too much.** One young female CC from Buchanan said, “After working [in] hair [dressing], you need to save some money to put back into the business instead of buying 'Shakira' [Fashion].” Others reported that not only were some youth irresponsible with the money that they earned, they were also not trustworthy with colleagues and clients. A male HEO said, “Some of our youth in this community or market are not succeeding because of their attitude. Many of them are not honest, when you feel like helping them, you are afraid to give them money based on those many things they had done to others. Most of the youth are not successful because they are not honest.”

**Many HEOs in FGDs and larger business owners in KIIs told stories of youth whom they had employed and trusted but then who betrayed them.** One narrative from a man in Sanniquellie who built a large business from street selling told the following story:

“I believe that those young people who are not successful are actually based upon the situation that they are not focused in life. For example, I talked to a boy who is currently selling for me to learn how to establish his own business, which he agreed because I

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connections considered to be key determinants of the success of those who were known to HEs, AEs, and CCs. Connections were rather considered to be important in getting salaried jobs.

feel that he has sold for me for four years. He is my sister's son and that is my way of helping him to come up in life. I give the boy US\$240 to find any business that he understands and after he has well established himself, he will give back my principle that I gave him. The boy took the money and established a phone charging booth in this market and started sleeping in the club drinking every night because he had money. Due to his attitude toward his business, the business declined and he ran out of money, closed down the booth, and came back to start selling for me again, which I told him that he missed a great opportunity from me that he may not get back. If he was focused on his business, it was going to take him from phone charging to another thing. I have seen, there are some serious ones who want their business to grow but there is no money."

**Participants attributed the perceived poor work ethic of youth as resulting from a lack of role models to demonstrate a strong work ethic.** This was often linked to the situation that young people faced through childhood, where families were often reliant on aid, or as one person said, "most of them [youth] are used to getting free things through the war, so this is how their lives will be forever that is why they don't want to work and earn something for themselves that is why they are not succeeding" (Male HEO, Sanniquellie); a female HEO in Tubmanburg said, "Here in Tubmanburg...most of the young people are used to free things, one of the serious negative impacts the war had on us...we are used to relief aid." Similarly, a female government official in Sanniquellie said,

"After the civil war, most of our young people in this area have serious attitude problem where they are not prepared to work for money and make good living but are always in the constant hobby of taking away people's things. These children have no respect for their older people... so no one wants to give them any money to start a business or do something, because to get back your money will be a serious problem with them."

**When asked specifically about young people's relative success, some variations were found across participant groups and locations, but overall there was agreement that work ethic**

**was critical.** Compared to other informant groups, AEs tended more often to think that youth were successful in business because of connections and/or family wealth (44 percent versus HEs 18 percent and CCs 30 percent), while HEs more often attributed it to the good work ethic qualities mentioned above (69 percent versus AEs' 52 percent and CCs' 58 percent). In Redlight, informants considered connections to be a more important factor in success, while in Sanniquellie and Zwedru, a sizeable proportion attributed success to inheritance of family wealth. Also, in Zwedru and Redlight, informants considered education to be an important factor, whereas in the other communities very few considered it important.

### 3.5.2 Reading/writing/numeracy (basic) skills

**Nearly all informants thought reading, writing, and numeracy skills were important to conduct basic business operations** like keeping track of creditors names' and amounts owed, keeping inventory, and being able to read important documents like market notices and loan documents. One female AE from Tubmanburg explained her own story, "I feel that I did too little of schooling but that was the only level I could reach. I did not have parental support, but the little reading, writing and math I know can help me to calculate my income and expenses. I can check my principal and profit before even starting to sell." Similarly, a female AE from Zwedru said, "You need education to keep records of your goods. You will need to write down the names of your customers that credit from you. The little education that I have will help me to do that." And a male HEO from Redlight said,

"It is very important to learn how to read and write, even some level of mathematics because if you don't know how to work small math to calculate your income and expenditure of your business on a daily basis your business may not succeed, many days people will try to spoil your business." (Male HEO, Redlight)

**However, a number of informants also told extended narratives about successful businesspeople in their communities who gained this success without any education.** One male AE from Tubmanburg gave one example:

“As for me, I believe that it is not important, education has nothing much to do with being a successful businessperson. I think that education is a gift from God, and not when you are educated before you can be successful. Let me share with you why I am saying this, Ma. Kumba who is one of the successful businesswomen in Tubmanburg here is not educated, you can even write a letter as big as a house and she will not tell you which letter it is but she has her business and today she is successful.” (Male AE, Tubmanburg)

**Despite this narrative, the majority of informants were clear that a basic education was the minimum necessity for successfully running a business,** particularly given that the business environment at the time of writing was full of competition from individuals who in general had at least a basic education.

### 3.5.3 Education beyond reading and writing

**While basic education was important for nearly everybody, others thought that this was not enough and higher levels of formal schooling would be useful.** Many respondents said that having higher education would help a person run a business because skills related to management, accounting, and customer relations would be acquired through so many years of education.

“It is good to have higher education like high school or college degree because you will not be cheated and fooled by other people. You will organize your business activity, keep good records, write the names of creditors, and the amounts they owe to you. You will also know how to take stock of your goods. You will be respected, too.” (Female AE, Buchanan)

**However, quite often informants, including among those who had finished high school or college, said that they needed specialized training on business skills.** This included keeping good business records and figuring out what products should be bought, when, and how much should be saved: “I need training to help me manage my business, particularly on how



to keep good business record” (Female AE, Buchanan). A male AE in Zwedru said, “Through education you can learn many issues [about] your business and how to address these issues, and even the risk involved in doing business.”

Still others said that the only way to learn about business was to do it. One female AE in Sanniquellie said, “Many years’ experience is what matters... I think what matters is the length of time you do things. Doing business for a long period of time gives you more ideas to run your business, so I need only basic reading and writing skills.” A Female AE in Tubmanburg said, “I don't think doing business needs 'big book' [high level of education] because some people here did not go to college, but their businesses are very big. They worked hard and know how to manage their money.”

#### 3.5.4 Vocational (sector-specific) training

**Across all AEs, no men and only two women had taken part in any projects or programs offering business support** (trainings, funding, job creation, and so on). The vast majority (80 percent) of AEs were not even aware of such programs. Men were less often aware (79 percent) of this support than women (65 percent). Some (just under 20 percent) knew of support but indicated that they were not able to access it. In Redlight and Sanniquellie, no informants knew about any specific vocational training programs in their area. Only a handful of HEOs specified that they had taken part in vocational training.<sup>18</sup> Those who were aware of and/or who had taken part in vocational training mainly mentioned soapmaking and tie-dye. For some, learning soapmaking was useful, but they saw a clear need for more vocational training since so many young people in the area did not have special skills:

“I have not seen NGOs with any programs in this community to help train the youth to have a chance of having knowledge and skills of doing business, or other job skills for

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<sup>18</sup> Unfortunately, data on HEOs’ exposure to vocational training was not captured through closed-ended questioning (to calculate response distributions) for the Liberia pilot, but instead was captured only through informants’ offering this information in discussions about training. The same question used with AEs has been added to the refined toolkit to see to what extent HEOs versus AEs may have had such training.

youth that have dropped out of school, to make a living. I once took part in a training on Duport Road, from one youth group training us on how to make soap and tie-dye. The cost of this program had no [negative impact] on any informant because it was actually free for everyone who attended the program. The best program that we need in this community is vocational skills to help ourselves since all of us cannot get money to establish a business.” (Male AE, Redlight)

A male HEO from Buchanan was more specific on the role of training:

“I think it is very critical to have specialization or training in the areas you want to operate. For example, someone that is operating a carpentry shop needs some technical skills and training on how to operate that business and how to be successful. Since carpentry is my area of specialization, I must have some good knowledge about the business and I must also be trained on how to do good work and how to attract customers to the business. It is very important to have specialized training that will generate more money for business.” (Male HEO, Buchanan)

**There was not often, however, much articulation across groups as to what specific type of vocational training would be most beneficial in each community** (that is, what services and specialized goods were lacking). Many informants believed more generally that vocational training in whatever form was a good thing. Only two informants—both women—specified what type of vocational training they would most like to have. Importantly, these informants identified specific services that they would like to do which, as already explained, were not common types of business. One female AE in Redlight said, “I would have love to do hairdressing” and another said, “I would love to do catering when afforded the opportunity.” Additional probing about the business environment and what services exist/do not exist would be helpful in elucidating the particular vocational opportunities in a given community.<sup>19</sup>

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<sup>19</sup> This line of questioning has been added to the revised toolkit to enable more attention to these issues.

### 3.5.5 Customer service skills

**Customer service was a commonly reported strategy to overcome competition in the market.** As previously explained, most HEOs and AEs dealt with fierce competition from those selling, in many cases, identical goods. As such, their business strategy for being competitive (beyond work ethic) tended toward exercising good customer service skills, including being nice and helpful, providing credit to their clients, dropping the prices especially for the regulars, and keeping a clean and tidy selling space. As one male HEO in Redlight explained, being polite to customers is an important component:

“Yes, I have competition in this market. They are selling the same goods I am selling. I am able to maintain my customers by talking to them in a good manner and giving some of them my products on credit. I also establish a relationship with my customers. Even if they come to buy from me and I do not have the item they want I can still encourage them by talking to them in the right manner. I always treat my customers very nicely because they are key to my success.” (Male HE, Redlight)

**In one case in Zwedru, a woman reported that she had an agreement with other sellers in the same market that they would sell goods at an agreed price.** She admitted, however, that despite this agreement, she would sometimes make exceptions for special customers, which encouraged them to continue coming to her for goods, keeping her afloat:

“We are many that sell the same product. Among ourselves, we have decided on the prices of our commodities. Everyone sells at the decided prices. However, I have established a very good relationship with my customers especially those from the gold mines. They have my number and can call me before coming to buy. I give them the best price, not as the other customers. They are my special customers. What I sometimes do is that when a person (customer) wants to buy, I adjust the price downward. I do not tell my friends. I think we all do it this way. I talk to them nicely and encourage them.” (Female HE, Zwedru)

**In many cases, crediting or offering discounts was very important.** Many HEs took full advantage of the fact that the employment situation was poor, particularly in Tubmanburg, Zwedru, and Buchanan: “My customers are mainly women. I know most of them because we have developed a good customer relationship over a long period of time. When I am not in the market, they wait for me, I can even credit them goods, which they take on sell and pay basis” (Female HE, Zwedru). Similarly, another explained, “I also offer my customers a discount on some of the goods and I also trust some of my customers by allowing them to take the goods and they pay later. I make my customers my best friends...Customer care is very important in doing business” (Male HE, Tubmanburg).

### 3.5.6 Maintaining clean selling space

**Finally, many informants remarked on the importance of a clean selling space.** This was important not just for those with tables set up in the market, but for anyone selling goods. Some people, as reported above in Section 3.3.4, were upset with the condition of the market areas generally, including other vendors, because it made the space unappealing. Their method, then, was to ensure that they kept their space stand out as particularly well-kept, and also to make sure that they (the HE) were dressed well: “My strategy is to always be the first person in the market and to always keep my selling area very clean and myself very clean and smart...I always keep my selling area very clean because it always brings customers to me and I am always smart [well-dressed] also” (Male HE, Sanniquellie)

**Consumers were clear that, particularly when buying food items, having a clean space was imperative,** not least because health was a factor: “Most of the people who sell in the market do not clean their surroundings. Most of the people who do that are those who sell food, vegetables and other materials. I do not buy from them because I am very careful about my health.” (Male CC, Sanniquellie).

### 3.6 Attitudes toward Work

**The literature is clear that young people consider HEs to be a viable and desirable livelihood strategy to seize opportunities in the sector.** The existing literature for Liberia, for example, finds that young people tend to aspire to salaried office jobs. Other types of jobs, such as farming or unskilled labor positions, are not held to the same regard and are not considered to be a "true" employment option (World Bank 2013b, 120). Recent World Bank qualitative research highlights that feelings of exclusion stem from a lack of reliable, quality employment, not just income levels. Short-term, labor-intensive works may not be considered as jobs by youth, for example, because they consist of unskilled, low-wage, short-term employment (World Bank 2013c).

**The literature also shows that young people tend to have much higher expectations for the type of employment they can get than what is realistic given the job situation in their country.** Ideas may be based on unrealized ideals, marketing, and media rather than consistent experience. However, young people may also be interested in public sector work, rather than private sector, if such jobs are seen as more stable, reliable, and with the benefits one needs for their families (De Mel, Elder, and Vansteenkiste 2013). In sum, young people may strive for reliable income over insecurity with possible high rewards; power and status over security and reliability (World Bank 2011a). Some may even be willing to be underemployed for lack of (what they consider to be) better options.

**In Liberia, attitudes toward operating business—including being a household entrepreneur with a relatively small operation—were extremely positive among existing household entrepreneurs and AEs.** Most respondents who were working in business were not doing so because of a lack of other options—although there were indeed a lack of other options—but because they preferred it for a variety of reasons. While there was some evidence that some individuals, particularly those who were highly educated, preferred to have a salaried job, the majority wanted to pursue business despite it having numerous challenges and not always being successful. People preferred having their own business *because* there were a lack of

salaried jobs for them, but that even if there were salaried jobs available, they would still prefer to have their own business. More than that, young people considered 'success' to mean that they had their own business that was doing well; 'more successful' meant that their business was expanding. This is significant when contrasted with the alternative ambition to do business only until salaried employment was obtained.

**In Liberia, this positive perception of owning a business could be the result of many years where salaried jobs were hard to find but is, nonetheless, an important policy finding for addressing the current job deficit.** This reality may have lead people first to try business out of necessity but then realize that it was in fact a viable and desirable livelihood strategy. In any case, this is a critical finding given the literature—both Liberia-specific and elsewhere—that suggests young people generally tend toward wanting a salaried job. That the job situation in general was very poor (detailed below), and that people are positive about doing business, shows the clear potential for supporting HEs in Liberia today. For them, the best help would be that which supported their existing business (for HEOs) or the business they hoped one day to own (for AEs).

The evidence is detailed below, beginning with a discussion on people's general feeling of the job situation.

### 3.6.1 The 'job situation'

**Perceptions of jobs opportunities were universally negative.** All FGDs began with the same general question about the job<sup>20</sup> situation generally in their community. The majority of FGD informants across all the communities said that it was 'very bad' (67 percent) or 'bad' (27 percent). Nobody said it was 'excellent' and only 6 people (of 298 coded responses) said it was 'good'. Women slightly more often said that the situation was only 'bad', while men more often said it was 'very bad'; however, no women said that it was better than 'bad'. Consumers

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<sup>20</sup> In the discussion, informants considered a 'job' to mean any sort of livelihood strategy.

also indicated that the situation was 'very bad' slightly more often than AEs, who tended toward only 'bad' (Table 3.11).

**Table 3.11. FGD Informant Opinions on Job Situation in Their Community, by Community (n = 298)**

	<b>Buchanan (%)</b>	<b>Redlight (%)</b>	<b>Sanniquellie (%)</b>	<b>Tubmanburg (%)</b>	<b>Zwedru (%)</b>
Excellent	0	0	0	0	0
Good	0	0	3	0	7
Okay	0	9	12	0	0
Bad	23	50	24	29	9
Very bad	77	41	61	71	84

Across all communities except Redlight, informants indicated that the job situation was particularly bad because so many NGOs and companies had been leaving over the last five years, particularly during the Ebola crisis. This led to a number of people losing their salaried jobs, which in turn led to less activity in the market because people had less to spend. As one male community leader in Sanniquellie said,

“Getting a job in this part of the economy is very much difficult. In time passed, there were so many companies operating in this part of the country... They also used to offer vacation jobs for those who were attending various high schools so as to help make life easier for the young people. Unfortunately for us, those companies have left and there has been an increase in the unemployment rate in the community. Things have not improved in the last five years.”

A similar narrative was told by a male government staff member in Zwedru: “In 2011, the employment situation was a little bit better because more NGOs were working here and they employed more people. Now unemployment is higher because most of the NGOs have left. Putu Iron Ore Mining Company has also scaled down and only have skeleton staff” and in Buchanan as reported by a female NGO staff member:

“The job situation here, if I was to rank it, I would say that it is poor. Five years ago the job situation was much better. There were NGOs and companies actively operating

here. Currently, there are very few NGOs operating in the county, and we are depending on few companies that are operating here. Many people are not working. Business is the only way out now.”

**A large share of informants declared that, if given the choice in an ‘ideal’ world, they would prefer operating an HE to holding a wage job.** It was helpful to consider what informants preferred to have—a salaried job or their own business—if the environment were conducive to both. All informants were posed the question, “Imagine you have the opportunity to have a salary job, or you have the opportunity to get a start-up grant to run your business. Which do you want to have?” Across all FGDs, a sizeable majority of informants, both male and female, said that if given the option, they would definitely choose a business (75 percent) over definitely choosing a salaried job (15 percent). The majority of the remainder (9 percent) said ‘maybe salaried job’. HEOs and AEs more often preferred business (85 percent and 75 percent, respectively) as compared to consumers (56 percent), who tended toward wanting a salaried job. This suggests that the majority of HEs and AEs were happy with their profession and, even if presented with an option for a permanent, salaried job, still wanted to stay in business. Women preferred business over salaried jobs only slightly more (77 percent) as compared to men (71 percent).

**The preference for operating HEs over wage jobs was also strong when considering the reality of the situation in their community.** Informants were asked what the best types of jobs in their community were. That is, after asking about job preferences in an ideal setting where they could choose whatever type of livelihood strategy they wanted, the discussion then moved onto the realities of the types of work actually available in the community at the time of research. In general, men and women considered the best job in their community to be owning one's own business (82 percent), followed by a permanent salaried position (11 percent), and having one's own farm (5 percent). Women far more often considered one's own business to be the best (93 percent) while a sizeable proportion of men choose a permanent, salaried position (18 percent). Household entrepreneurs chose having one's own



business only slightly more than AEs and consumers, though interestingly, slightly more household entrepreneurs selected having their own farm over a permanent, salaried position.

The specific reasons that informants gave for their choice in having one's own business versus a salaried position are revealing in understanding more about the environment in which they were pursuing their livelihood, and what in particular may encourage more people in future to consider HEs as a viable strategy. These reasons are explored below.

### 3.6.2 Salaried, permanent jobs

**In all FGDs, informants said that finding salaried, permanent work was extremely difficult.**

In all but one community, informants also mentioned that there were too few jobs available in their communities because most companies or NGOs who worked there, even before the Ebola crisis, had brought their own workers from Monrovia (Redlight was the outlier regarding this question and is located within the Greater Monrovia area). A substantial proportion of young people with advanced education (college) explained that they were unable to find a salaried job, even though they were highly qualified. The competition, they explained, was simply too intense given the limited number of openings. Many also explained that a major factor in getting a salaried job was social capital or connectedness. One female government official in Tubmanburg explained: "There is a saying that 'goat luck and sheep luck are not the same'. Some people have good social network who recommend them ... For some, their parents save money for them. They left properties and farms, so it is much easier." There were no reports that bribery was used to get a salaried job.

**While some of those who preferred a permanent, salaried job had given up and transitioned into business, particularly among the most educated, many continued to hope for the salaried job.** Not surprisingly, informants in the highly educated FGDs—when presented with the question about whether they'd prefer a salaried job or their own business—tended to prefer a salaried job as compared to the other FGDs: 32 percent of those

in the highly educated group versus the 19 percent in the non-highly educated group. It is not necessarily surprising to see that those with at least some college education would hope to attain a salaried job. For one, informants themselves explained that the whole reason they went to college was to work in a specific sector, for example accounting, social work, or public policy, but were not using those skills without having a salaried job. As one male HEO in Tubmanburg said, “I want to work because I have acquired education and I want to practice [use] it.” Another male CC said, “I want a salary job definitely because I want to work and earn for myself a salary for what I learned in school. I went to school and suffered through the 12 years and there is reason to work and pay quota [taxes] to my country and its people.”

**In addition, those with a higher education preferred a salaried job because they considered it to bring them respect from their colleagues,** particularly their former classmates.

“Salary job will also give me higher prestige in society in my community. If I am working people in my community look up to me for guidance and sometime to even support them in doing positive things in their lives. If I am working in this community I will be one of the key decision making persons in this community and I will also be more respected than other people.” (Male HE, Sanniquellie)

**Many of these individuals who desired a salaried job were working in a business to earn money to sustain themselves and their families.** While this was not ideal for some of these individuals, still a good proportion of them had accepted that doing business was a viable alternative, and had fully accepted their lives as entrepreneurs.

### 3.6.3 Entrepreneurs

**Across all communities, genders, and informant types, those who preferred managing their own business—however small or large—indicated that the best aspects to this were being one’s own boss, that business made better money and income was more reliable, and that business owners were more secure in emergency situations.** While it is important to point out again that the sample is not representative of all Liberians, and indeed entrepreneurs

were targeted and thus one might expect them to be more positive about business than those who were not in business, the evidence still shows that those involved in business chose business even when given the option of having a salaried job. In addition, those who were not engaged in business (the consumers) also saw business to be a better livelihood strategy than a salaried job. This was true even when a person's business was very small—only large enough to sustain his or her own family, for reasons elaborated upon below. That said, people's ambitions were generally that their business would grow substantially, so a part of the appeal of business was definitely that it had the potential to bring in more income, discussed later in this section.

#### **3.6.3.1 Own boss**

**Those who preferred business to a salaried job said that they would prefer to be their own boss, including making their own business decisions and setting their own hours.** Both male and female HEOs and AEs across all communities mentioned the appeal of being their own boss. One male AE in Zwedru said, "I want to do my own business because business pays a lot and I will be the boss of my business and control my own business and money when I will open every morning and when to close every evening." Even some consumers said that being their own boss was particularly appealing, as one male in Redlight said,

"I choose business definitely because if I am doing business I will make my own money and no one will have control over my income. If you are doing business you are self-employed and no one has control over you going to work at the time they want you to be at work." (Male CC, Redlight)

A female HEO in Buchanan said, "I prefer staying with my business and be my own boss" and similarly a male HEO in Sanniquellie said,

"I will choose business definitely because I do not want to work for people. I want to have my own money to be able to support my family. I want to control my own money and be my own decision maker about what to do with my money. I want to be my own

boss. I do not want to wait for people to pay me when the month ends before I support my family. I want to be an entrepreneur who will be able to create job opportunities for people... Business can make you an independent person in society who can provide everything for himself.”

### **3.6.3.2 Higher and more reliable income**

**In addition to being one’s own boss, most of those who preferred having their own business said that it was because income was higher and also more reliable.** Salaried jobs, by contrast, were only paid according to a certain pay period, could never be higher even if the workload was increased, and also was not necessarily reliable because employers didn’t always pay on time or at all. One male CC in Buchanan explained,

“I believe that if I am doing my own business, I will be at peace more than those who are working for people and who are being controlled by other people. If I am doing my own business I will be able to control my own money. For example, my oldest brother and I, we started earning income at the same time. He was working while I was doing business but after six years my oldest brother was laid off from his job and I was still in the market doing my business. He could not finish his house he was building and I was able to build two houses in those six years from the business I was doing. He can now come to me for credit and I can give it to him to pay back any time. Business pays a lot more than salary job.”

### **3.6.3.3 Access to emergency funds**

**Business owners also said that because they were in control of all the money in the business, there was usually something left over—either cash savings or goods that could be liquidated—to ensure security in an emergency situation.** Those who relied on salary paid on a certain date, by contrast, often had to borrow money—often from business owners. One female CC explained, “Business will enable me [to] solve some emergency problems because I will be able to have access to cash always. I do not need to go through any bureaucracy to

get money/cash when there is an emergency” (Female CC, Sanniquellie). Another female CC in Buchanan said, “In the office, you will wait for your salary, business can help you take care of emergency needs.”

#### 3.6.4 Expanding business

**While there was a clear ambition to own and grow one’s own business, the majority of people reported not being satisfied with the status of their current business.** Of all the HEs who participated in the FGDs, 80 percent were ‘not at all’ happy with the current size and profitability of their business, 19 percent were ‘somewhat’ happy, and none were ‘very happy’. That said, they did have very high ambitions for their businesses. All women and 98 percent of men said that they wanted their business to ‘expand a lot’ versus ‘expand a little bit’ or ‘be sustainable’. Sentiments were similar among AEs. All of the female AEs and most of the male AEs (86 percent) said that they wanted their business, once it was started, to expand a lot. Only two men said that they would be happy if it were sustainable; four men said they would be happy if it expanded just a little bit. More than that, all but one AE were ‘very confident’ that, once the enterprise was started, it would be successful.

**Certainly, people’s ambitions that the business could grow and become more profitable was an important component of people’s overwhelmingly positive attitude toward doing business.** As such, a key component of maintaining that positive attitude is for the business to continue being profitable, at a minimum, but ideally to continue expanding.

## IV. Discussion

### 4.1 Summary of Findings from Liberia

**Through its micro-level analysis, the HE qualitative toolkit has provided substantial nuance to the broad constraints highlighted in the international literature and shown a clear need and strong potential for investing in HEs in Liberia.** These findings can contribute to inform policy in Liberia, while also further informing the knowledge base on this topic in other FCS.

The report also indicates that the HE qualitative toolkit can be informative in elucidating constraints in other FCS contexts. The qualitative toolkit is complementary to other types of data such as micro surveys that, by and large, inform the general constraints outlined above but are not always well suited to identify specific constraints and solutions.

**What emerges from the interviews across Liberia is a fairly consistent narrative of a successful HEO who had overcome a variety of constraints.** This narrative of success, however, is not typical of all HEOs; indeed, many of them get ‘stuck’ at certain phases, which are explored in detail throughout this report. Still, exploring this typical narrative of success is a useful lens through which to view the potentials and challenges of HEs in Liberia.

**Access to capital was identified as a key element of success in starting or growing a business; personal savings was the most common source.** Consistent with findings from other FCS, many HEOs in Liberia started their businesses with their own savings. Typically, a HEO started off as an AE, often selling for someone else, all the while saving as much money as possible, generally with the assistance of local *susu* clubs.<sup>21</sup> In some cases, an especially hardworking and trustworthy AE was provided small loans by community members, quite often a person for whom he/she has sold. In many cases, saving just a few thousand Liberian dollars<sup>22</sup> was sufficient for an AE to start engaging in his/her own petty trade selling inexpensive goods. This transition to owning his/her own business typically happened while also continuing to sell other goods for someone else. Alternatively, for AEs with access to land, savings could be accumulated through harvesting or processing goods to sell, rather than selling on someone else’s behalf. These people typically started selling inexpensive goods or goods he/she had processed himself/herself (for example, charcoal, palm wine, rice, garden vegetables) and were able to earn and save money from that labor-intensive operation.

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<sup>21</sup> *Susu* is the Liberian terminology for Rotating Savings and Credit Associations.

<sup>22</sup> The amount of money that HEs claim to have started out with (whether as unconditional cash grants, loans, or their own savings) ranges from as little as LRD 100 (US\$1) to as high as LRD 42,000 (US\$500), though the majority of those who reported the amount of money they started out with was around LRD 10,000 (US\$120).

**Financial assistance from family members and community members was also important.** In a few cases, an AE was given a loan from a family member or community member to start an operation, and was able to purchase goods to start selling immediately. Many also purchased goods on credit from family members or community members they knew well (who trusted them), and then paid back the balance daily or weekly after selling. Of course, this presented a risk for many if they were unable to sell those goods or repay the loan but in general the conditions were favorable enough that they were able to do so.

**Bank loans were not a viable option for nearly anybody.** As is commonly reported in the literature, formal bank loans were widely not considered to be a viable option for HEOs or AEs. Most respondents were unable to get a formal loan because of lack of collateral but even those who did get a loan complained about the very high interest rates—and also the unreliability of their market particularly given the recent Ebola crisis—that made them more crippling than helpful. Most did not even seek out such loans.

**Successful HEOs would reinvest in his/her business.** Successful HEOs would be characterized as diversifying his/her goods, buying more expensive items to sell, and renting space in a market. As business continued to expand, more market tables were purchased and help was often needed to maintain the multiple tables and increased sales. Often, HEOs relied on family members as workers and had a hard time finding reliable help from others because of what they described to be lack of honesty and poor work ethic. As business continued to do well, profits were used to purchase additional resources for the business: shop space, properties for rental, cold storage, land for cash crops, vehicles, and so on.

**However, respondents universally agreed that capital alone was insufficient to garner success and had to be complemented by work ethic, financial responsibility, and honesty.** Those who were 'serious' about business were able to succeed, both in expanding their business through financial responsibility and attracting customers and potential future loans by displaying trustworthiness. Others, however, wasted money on material goods or

‘enjoying too much’, and that kept them from running a successful business, and more than that, from getting help from others in the future.

**In addition, the successful businessperson was also characterized by resilience.** According to the vast majority of participants in this study, successful HEOs stood out as those who were able to cope with a myriad of challenges by virtue of his/her dedication to hard work. These people did not avoid the common constraints, as detailed below, but rather found ways to navigate them.

**By contrast, the research also revealed multiple constraints that affected business owners throughout their operation and often kept HEOs ‘stuck’ in certain phases of expanding and strengthening their business.** The most frequently mentioned are summarized here.

**As reported above, 65 percent of HEOs said that the main barrier to expanding their business was lack of access to credit.** Despite the ability of a majority of HEOs to start and expand businesses with their own savings, lack of access to capital was identified as the constraint limiting further expansion. A similar percentage of AEs also identified lack of access to credit as the main constraint in their starting a business.

**Lack of trust was an issue only with regard to young people; there was no evidence of systematic distrust across community or ethnic lines.** People *did not* avoid doing business with certain groups—neither suppliers nor customer—based on such criteria. There was, however, an evident degree of lack of trust of toward youth, generally speaking. Many youth and adult informants saw a problem with youth, particularly with males, who were involved with drugs and crime. Male and female youth were considered to be particularly untrustworthy to customers and other HEOs when it came to business.

**The research revealed a challenge with demand and competition in Liberian markets, as commonly reported in other FCS.** There was limited diversification in the markets, such that HEOs and AEs nearly always reported that they had strong competition from others selling the same product, combined with inconsistent demand. Here, good customer service skills



were critical so that clientele were maintained despite competition. At the same time, men and women tended to work in different sectors and sold different things. In many cases, the competition was from larger importers/wholesalers, who had hired their own sellers to work in markets, resulting in significantly lower prices. In these cases, the strategy for HEOs and AEs was always to lower the price simply to sell enough to buy basic necessities for the day, in other words just to sustain themselves rather than make a profit. At the same time, CCs reported that there were not sufficient goods in the market; however, HEOs said that the more highly demanded goods were those that they could not afford to buy.

**At the time of the research, this challenge of low demand and high competition was exacerbated by the Ebola crisis.** While people were resilient given the Ebola outbreak, they were surviving—it sent shock waves throughout the entire economies, primarily triggered by the shutdown of NGOs and other international corporations, leading to a number of laid-off workers and therefore, less customer base for the small businesses. Border closures and reduced domestic travel also affected markets.

**Relatedly, cooperation and communication between HEOs was limited.** There was evidently not a great deal of agreement on what were the best products to sell and beyond that, organization among sellers to ensure that there was no oversupply of some products and an undersupply of others. When this situation was combined with a generally risky environment, most notably during the Ebola epidemic, it was clearly having a negative effect on the market and the sellers.

**HEOs faced issues finding space to sell outside of the home and faced harassment from market officials and police.** Both women and men—women more often—considered market officials and police to be corrupt or extortive. HEOs were also unclear about the exact laws and market regulations and the appropriate fines and punishments if they violated them.

**Insufficient or damaged infrastructure was considered problematic.** HEOs identified that a lack of affordable storage facilities meant that their products would spoil before they could

sell them, which discouraged them from buying too much (and therefore sometimes running out of products). Informants also indicated that poor road conditions, sometimes delaying cars for days, affected their ability to transfer goods before they spoiled.

**A reportedly major constraint for many HEOs was that they had to do business in both Liberian dollars and U.S. dollars,** for which the exchange rate was crippling (at the time of research, LRD 91 to US\$1), and contributed to a loss of profit.

**A lack of skills, however, appeared less constraining than suggested by the policy focus on this issue; many people succeeded without basic education or more specialized training.**

Basic education (reading, writing, and math) and business education skills (accounting) were viewed as helpful to succeed in business. Basic skills, in particular, could be important for certain marginalized groups, including women, who tend more often to have little to no education, but many succeeded anyway. Moreover, in this research, technical skills were often considered relatively unimportant as compared to character traits (honesty, kindness, helpfulness), work ethic (hard work, determination, saving money), and general management skills were those that people saw to be determinants of success in business. Still, many informants said that it would be helpful to have vocational/skills training in their communities to help young people's business ventures, but there was not clear articulation across groups as to what specific type of vocational training would be most beneficial (that is, what services and specialized goods were lacking). Many informants believed more generally that vocational training in whatever form was a good thing. As such, more research within each community and potential beneficiary should be done to understand more about the specific training needs.

**Despite these challenges, the great majority of HEOs and AEs genuinely preferred to be involved in HEs versus salaried employment.** Such evidence is in contrast to much existing research on youths' livelihood aspirations. Even those young people who were not involved in business and struggling to find salaried employment saw business as a potentially better livelihood option. Many wanted to get a salaried job just so they could start their own

business. Those who were already HEs and AEs were happy doing business, energetic, and determined to be successful.

**Young people considered ‘success’ to mean that they had their own business that was doing well and were generally optimistic about this outcome.** ‘More successful’ meant that their business was expanding and most youth were hugely optimistic about how well they could do with their business. This is significant contrast to the goal of only staying in business until salaried employment was obtained. Considering the degree of economic instability, particularly as a result of the Ebola crisis, people were surprisingly resilient and optimistic about their opportunities to succeed in business.

Narratives from and about one successful HEO are presented in Box 4.1 below to provide a fairly typical account of how HEOs make decisions, how they find their financing, what they see as elements of success, and associated constraints and how they might be overcome (see Annex 2 for additional extended narratives about successful HEs).

**Box 4.1. A Successful Businesswoman**

Mrs. Betty (pseudonym) in Buchanan, explained how she became a successful and happy businesswoman:

“[T]here is secret in business. Every business has a season. If you don't know this, your business will fail. It has to be balance. I can't tell you the season because it is my secret. Business like mixed goods that are sold in small pieces do not have much profit so the least mistake like the unstable exchange rate can make it to fail. Business is idea; it is depending on the individual. God has given each of us a gift. Not everyone is a businessperson but we can learn from other people.

[The way I got started] is a very long story. I was living with my aunt in Firestone. She was a businesswoman. When she died, I was take back to Lofa in the village; because I come from a very poor family, I couldn't get any support to go to school. At that tender age of 13, I started my own sugar cane and swamp rice; it came up very fine [grew well], and I harvested. My current husband came from the city for vacation and he married me. We ran away because everyone was mad that he married an uneducated poor girl. We took along with us some of the rice and cane juice. We move here in Buchanan and I wanted to start selling door hinges and staple including nails. This types of business is very common among the Kissi people. Don't overlook it because iron market is long lasting. I had US\$150.00 and my husband gave me a US\$100.00 at that time. It was around the late 1970s, in 1985, I become a businesswoman. I saw my business growing. I have never gotten money on loan from the bank.

I want help [with my business]. Many people are not serious. They are not patient and they don't want to learn. They want free things and do not want to work hard. They gossip and think it is "Juju" [witchcraft /

magic] but it is hard work and keeping focus. If I have support, I can help to teach [young people how to work]. I am a busy person and I don't know book [no education] but I can teach with advices.

I am proud of myself. My children have two (2) to three (3) college degrees. I am a mother in my church and a city council member! I am building houses for rent. I have stores being rented. I am happy and I thank God so much! But I am not yet satisfied. I am building units. I want to put it into rent. Housing is a person here too. It is a good investment instead of having your money in cash just sitting there.

Even before 10 to 20 years, I want to start supplying the whole of Grand Bassa with school supplies. I want the petty traders to stay here instead of traveling to Monrovia to buy goods; they can buy right here from me at the same price. I have a warehouse so no need to worry about storage. If I can get some money on long-term basis, I can do more. The bank loans are short term and the interest rate is very high. Right now, people trust me. They give me goods to sell. I have not taken a loan before. I do not own anyone. People trust me. So many people trust me because I pay them on time. This is what we need in this place. TRUST!!”

A local community leader said about Ms. Betty:

“One of the successful person who started their own business and today they are successful is Mrs. Betty. She has stores, real estates and she also sells wholesale commodities.” She started her business by selling building materials and other small goods around the community. After sometime, she started selling on table in the market with the same goods. She also had her children still selling around in the community while she was on the table. After two years, she started going to Monrovia to buy wholesale and bring to Buchanan to sell it at retail. Some months later, people started trusting her with their money to go and buy for them. She was very honest in the process. Mrs. Betty had some constraints, Some of which were the road condition. When the road was very bad, she lose three thousand dollars (United States dollars) because the car broke down on the road and the rain fell for three days and most of the goods got destroyed by the rain. She sometimes helps [others in the community] but not all the time because most of the people don't pay back the debt. With all those constraints, she was still determined, focused, honest and hardworking in doing her business.” (Female Community Leader, Buchanan)

## 4.2 Beneficiaries and Their Unique Needs

**The research highlighted substantial diversity in the characteristics of individual HEOs and AEs that will require distinct types of assistance tailored to maximize the productivity and chances of success of these people.** Based on the FGDs and KIIs, a clear pattern for groupings of HEOs and AEs that could benefit from different support packages, across different FCS and not only in Liberia, emerged. What is presented below is common across genders and communities in Liberia except where specified otherwise.

**Across all FGDs and KIIs, this analysis distinguished four types of current HEOs:**

- Those who started with nothing and exercised hard work and strict saving behaviors selling one item to start and grow their business and see more, and more lucrative, items;
- Those who received an unconditional cash grant from someone, often a family member or a previous employer;
- Those who received a loan with relatively favorable conditions, usually from a friend, family member, or a previous employer; and
- Those who inherited a business from a relative.

**Across all FGDs and KIIs in five communities, this analysis distinguished four types of youth who could become HEOs:**

- Youth with excellent educational background including specialized skills who were unable to find a salaried job and were therefore working in business only as a second choice; with distinctly less education than men, women were less ambitious about attaining a salaried job and therefore less likely to fall into this category.
- Youth with good business ethic, hardworking, determined, trustworthy and responsible, who were working for a businessperson;
- Youth who wanted to be or were involved in business but lacked the work ethic identified above; and
- Youth who were on the fringes of society—drug users/dealers, prostitutes, criminals (thieves), gang members—who got their money in ways considered illicit by the majority of informants. This last group were considered to have the ‘worst jobs’ and additional research is warranted to identify how best to reach them.

Clearly, each type of youth had different potentials, challenges to overcome, and attitudes related to becoming a successful HEO.

## V. Recommendations

This section first provides guidance with relation to possible policy recommendations. While, as with any research, these recommendations would need to be further assessed in light of the economic rationale for and best practices about public interventions, they provide the foundations for exploration into a range of different options. Second, this section includes a detailed discussion on how the research toolkit pilot elucidated key issues and was refined such that future research should yield even greater insights in other contexts and for the broader knowledge base.

### 5.1 Policy Recommendations

#### 5.1.1 Business environment

**Providing incentives and resources for HEOs to move toward product differentiation and diversification, entering new markets, and providing undersupplied services could improve the functionality of markets.** Many HEOs and AEs complained that they faced fierce competition from others selling the same product, including wholesalers who were able to sell goods at extremely low prices, and therefore they were often unable to make a profit with the goods they had available. At the same time, other products were not available at all, though in high demand.

**Market associations and community leaders could help establish networks for HEOs and AEs to cooperate and cluster.** One specific strategy could be to build the capacity of existing market associations to provide information on the availability and prices of products. This could help HEOs and AEs to overcome the challenge of diversification strategies as mentioned above. The research also found that leaders indicated their interest in helping young people in business or those who have already started their own initiative. Such individuals indicated

already knowing which young people would benefit in such networks, and how such a network could be efficiently structured; some had already made attempts to establish such networks but struggled to organize them effectively.

**Improving communication between market associations and HEOs could also be helpful in building more trusting relationships.** Market associations were widely viewed as unsupportive at best, corrupt, and extortionist at worst. Many HEOs and AEs reported having to pay ‘too much’ to market associations and others; however, it appeared that a number of these individuals were not aware of the regulatory practice, and misinterpreted it as corruption or extortion. Similarly, a number of HEOs and AEs reported that their market association ignored their demands. A mechanism of accountability for recording complaints, and having them addressed (if the complaint cannot be resolved, providing a clear explanation to those who made it) may help improve both the legitimacy and efficiency of the market associations.

**HEOs will benefit from awareness campaigns about proper policing as well as access to accountability mechanisms for police corruption.** In addition to knowing about mechanisms for reporting and redress, HEOs and AEs should be made aware of the laws and the correct fines and punishments. Such awareness might help improve the legitimacy of police and lessen police harassment. There were reports of ‘corruption/extortion from police’ but in many of these cases, the seller was working in an unregistered space and had his/her goods confiscated legally. In addition, further investigation of the degree to which police steal people’s goods, extort money, or give illegitimate fines is required. Accountability mechanisms could help ensure that police harassment of vendors is punished and build confidence in the responsiveness of the Government to reported complaints.

**HEOs will benefit from support to access improved places to work.** Vendors working in unregistered spaces will benefit from assistance to find a legitimate place to work. This could take the form of financial support to rent a space, or a larger amount of selling space available for such vendors. Some vendors knew of spaces to buy but could not afford to pay the price,

others simply could not find any space. In both cases, businesses were negatively impacted by reduced sales resulting from selling in less-trafficked areas or because of police fines and confiscations. In addition, all HEOs will benefit from investment in public facilities like toilets, storage facilities, feeder and community roads, safe water points in urban and semi-urban areas and in markets. These in turn may facilitate clustering. More broadly, work can be done to create an urban legal environment that recognizes the positive contribution of HEs in economic growth.

**Providing HEOs with information about the risks of doing business, particularly when confronted with a national emergency, in addition to strategies and resources available to them to deal with the risk of income shock, could be helpful.** Such risk management support should be aligned with the national Agenda for Transformation Social Protection Policy and Strategy (2012–2017).

#### 5.1.2 Access to financial or human resources

**Small cash grants and/or loans with very favorable conditions appear to be beneficial to both starting and expanding a HE.** A number of HEOs began their operation (which became productive enough to support extended family members) with relatively little money. The Youth Opportunities Project will be an important modality for such support along with the World Bank-funded social cash transfer activities financed under the Ebola Emergency Response Project which provides unconditional cash transfers to extremely poor and Ebola-affected households and survivors (World Bank 2015, 2).

**Fellow community members could be involved in establishing a more formal system of granting and securing loans within their communities.** A sizeable proportion of HEOs and AEs said that they would be happy to give a secure loan to someone whom they saw as reliable. Most of these potential lenders also articulated certain processes to guarantee the loan (that is, taking collateral, hiring lawyers, and signing papers with witnesses present). They saw that the interest that they could collect from the loan was a form of business too.



HEOs and AEs saw loans from other community members as attractive not only because the interest rates and repayment options tended to be reasonable but also that community members tended to accept collaterals that a bank would not accept (unregistered land, machinery, household items, and so on). If such processes could indeed be supported, it could prove useful for both those who give out loans and those in need of them.

### 5.1.3 Education and skills

**Narratives highlighting the link between a strong work ethic and business success can be a mechanism for teaching ‘soft skills’ to HEOs and AEs.** Honesty and trustworthiness were reported by most groups as a determinant of not only with whom they would do business but also a businessperson’s own success. Particularly in the context of relatively small markets and high competition, HEOs quickly develop a reputation around the places he/she does business—either positive or negative—so building a positive perception within one’s community/market is critical from the very beginning of operating a business.

**Young people who became successful in—and also failed at—business could provide important learning opportunities for all young people.** These role models could speak to young HEOs and AEs on their experiences. The successful HEOs could provide positive examples for young people and see that a successful business can result from a strong work ethic, not tied to personal connections or wealth. The research revealed a broad diversity in the backgrounds of successful HEOs and highlighting this—by including illiterate HEOs as well as college graduates—could motivate a wide range of youth. Examples from people who had lost everything in business could also help potential HEOs understand the realities of running a business and the consequences of not being serious in such an undertaking.

**Public investment in pre-employment support services could mitigate certain risks** related to poor work ethics issues, unrealistic expectations of success while operating an HE, and customer service skills.

**Basic education—reading, writing, and numeracy—is necessary for business owners.** Those who had such skills said they were indispensable and nearly all of those without these skills said that their business would be improved with them. Public policy must continue to stress the importance of basic education, particularly for future generations.

**Within the context of a specific market, vocational training can contribute to increasing the number of young people engaging in services versus selling.** The overwhelming majority of young people were involved in selling goods, with very few engaged in services. Across the research, therefore, diversification was seen as a potential path to increase productivity. Vocational training could help capitalize on this untapped market demand. Within the national Agenda for Transformation, youth empowerment is a cross-cutting pillar and includes investments in technical and vocational education (World Bank 2015, 4). This policy and programmatic focus must include support to HEOs, not only formal sector employees.

**Training supply needs to acknowledge that men and women tend to work in different sectors and therefore may not see the possibility of taking certain types of training.** It will be important that men and women are not discouraged from and/or are offered training only related to selling and offering services that are ‘typical’ of their gender. In particular, women should not be ignored in skills training related to services.

**Leading business owners within the community offer critical support to selected youth HEOs AEs and could potentially constitute an important resource.** In every community, there were a few well-known businesspeople who had ‘made it’, and usually were known to have done so through their own hard work and dedication, starting from ‘little’. In many cases, these individuals have already made important contributions to getting young people started in business. Conversations with community members can help identify those persons who may be willing to cooperate with a potential program to support HEOs and/or AEs, for example, to expand existing internship/apprenticeship programs for youth who have proven themselves to be good workers, which could in turn help increase their own productivity.

#### 5.1.4 Attitudes toward work

**Policies need to consider youths' strong aspirations to engage in HEs.** To many, running one's own business was preferable to a salaried job because it allowed them to set their own hours, be their own boss, and have much greater growth potential (including earnings). As such, less attention needs to be given to encouraging youth to be involved in HEs in the first place, but more attention must be given to help them establish and sustain their businesses.

**Management of expectations around how successful a business can be is important.** A key component of people's positive attitudes to doing business is that they were hopeful and optimistic about the future growth and earning potential. Some young people had very high and probably unrealistic aspirations, for example to become international traders of Chinese goods or to own properties all over Liberia. It will be important to manage expectations about the realistic growth potential of certain businesses and mitigate the negative results of disappointments that could result in future disenchantment with running a business.

**Similarly, it will be important not to overemphasize the importance and appeal of business at the expense of discouraging youth from engaging in salaried employment.** Indeed, the proportion of young people who wanted to do business was surprisingly high. While at the time of research the opportunities for salaried employment were very low, this may not necessarily always be the case. It would therefore be important to ensure that young people do not assume that for a job to be 'good', that they have to be their 'own boss' or set their 'own schedule'.

**Reminders about the importance of education remain relevant.** Across all communities and all informant types, higher education had not provided the expected returns. Many well-educated young people were out of work and doing jobs that those without education could do just as well. There was an evident risk of young people becoming increasingly negative about education. Such attitudes should be addressed appropriately to avoid the potential unintended consequence that supporting HEs is preferable to pursuing formal education.

## 5.2 Recommendations for Application of the Toolkit in Other Contexts

**Given the overall positive outcomes from the Liberia pilot, the toolkit has been largely maintained; however, additional questions, more specific methodological guidance, and an emphasis on reaching marginalized populations were added to the final version.** Overall, the methodology provided a number of important nuances and details about HEs in Liberia. The questions used in the toolkit were informative in framing the general theme of the conversations and the follow-up questions (which are to be adapted by individual country teams) provided the necessary flexibility for the toolkit's relevance in the country. As such, the broad questions that were used in the Liberia pilot have been maintained in the revised toolkit. In some cases, certain questions that were asked of only one informant type have been added to the interview guides for additional informant types to enable better comparisons across groups, particularly to compare HEOs and AEs. Also, some additional follow-up questions have been added to the broader questions to ensure that certain information is elicited. Beyond this, additional methodology guidance has been added to the toolkit, along with few significant methodology process changes. This section summarizes each change and provides the rationale. The final toolkit is included in Annex 1.

### 5.2.1 Additional questions

**For some questions, having data from both HEOs and AEs, rather than only one of those groups, would have enabled meaningful comparisons across these closely related groups.** As such, certain questions for HEOs have been added to the AE interview guides, and vice versa. These are listed below.

- AE.3 (whether a person had accessed or knew about vocational training/business training in the area) should be added to the HEO interview guide to better understand skills gaps.

**Additional lines of inquiry for follow-up questions were also added to broader questions, and were emphasized as mandatory questions to ask.**

- As a follow-up to the question on the existence of vocational training (AE.3 above), ask informants what type of vocational training would be most useful in their community with regard to whether it would be profitable operating a business with those skills. Spend a reasonable amount of time on this asking people about what services exist/do not exist to help generate the conversation.
- As a follow-up to the question on competition from other business owners (HE.4), asking informants about existing networks (formal or informal) should be mandatory, rather than suggested.
- As a follow-up to the question on ample time to operate, asking informants specifically about constraints related to childcare and other family obligations should be mandatory.
- As a follow-up question on what makes certain youth successful, ask informants why certain young people have a strong work ethic while others do not; if it seems to help young people become successful, why is it not so commonly seen? Can it be taught? Does it vary by community type?

One question's key question was revised slightly, and the answer choice types were revised as well to be clearer:

- HE.8 (Do you face any problems with having physical space to conduct your business?) should be more specific to read (Do you face any problems finding places to sell or offer services outside of your home?). Answer types have been revised to enable categorization of more specific response types (see Annex 1).

### 5.2.2 Methodology guidance

**More emphasis needs to be placed on the importance of modifying the follow-up questions to the specific country context.** Just before fieldwork was due to begin, the Ebola outbreak in Liberia intensified. While this dimension of Liberia's fragility was a new and unexpected

aspect, it was reflected in the refinement of follow-up questions for FGDs and KIIs which probed this issue. Because FCS are more vulnerable to such shocks (and usually have more dynamic contexts where the situation ‘on the ground’ is constantly changing), it is important that the toolkit have additional guidance that stresses the importance of modifying follow-up questions to the current issues that people are facing in the country and how it may differ across regions. The toolkit must be carefully reviewed prior to fielding to ensure that the existing follow-up questions are modified as needed.

**HEO, AE, and CC need to be clearly defined by each country field team, in collaboration with other key stakeholders, and those criteria need to be adhered to in informant selection.**

There was some degree of overlap between HEO, AE, and CC informant types, which made it difficult at times to determine who should be involved in a particular FGD. The reality of the situation in Liberia is that people were sometimes between two of these categories. For the most part, though, it was fairly easy to distinguish an HEO from an AE because the former had his/her own business, while the latter was only selling for someone else. In other contexts, it may be that a young person has his/her own business, but is also selling for someone else, and also going to school. The field teams should feel free to tailor the definitions provided in the toolkit itself but should remain consistent and clear from inception. The revised toolkit provides guidance on finalizing these definitions and incorporating them into the work.

**Ensure that, during informant selection for FGDs especially, there is full representation of the types of people who live in that community.** This is particularly important when it comes to putting together FGDs so that there is varied representation with regard to education level and the type of business a person owns/works in.

In Liberia, a number of highly educated individuals were part of many of the FGDs, usually because they insisted on participating or a person at the community level who was assisting in logistics selected them to take part as they were believed to have a special and important perspective. As such, some of the groups were designated as ‘highly educated’ groups and

analyzed separately from those who were more representative of education in Liberia, which proved to be a useful point of analysis. However, it will be important in future research to ensure more stringent criteria for what types of informants take part in each FGD, even if it means that there is one group of well-educated individuals and another of lesser-educated individuals being interviewed separately to avoid dominance of one group over another in a conversation. Quotas for education level have been added to the toolkit sampling procedures.

In addition to education level, it will be important to include quotas for types of business within the HEO and AE FGDs. This was done in Liberia with regard to types of items sold; however, it would have been helpful if an additional quota was added to ensure that those who worked in services were more strongly represented. Quotas for type of business have been added to the toolkit sampling procedures.

**More stringent quality assurance processes should be set up between Field Team Leader and Field Team.** The field team leader in particular should be extra vigilant in checking the informant selection done by the field team to ensure they fit into criteria for categories (HEO, AE, CC). Additional guidance for daily quality assurance processes has been added to the toolkit.

**Field forms should be prepared in bound notebooks.** The field team in Liberia decided that each field team member would have one notebook that had all the field forms for the activity in that respective community. This ensured that no pages were lost or unidentifiable because all were pre-labeled and organized according to FGD type and community. Templates for these field forms are provided in the Annex 1, with clear guidance on how they can be printed and bound most efficiently to ensure the data is maintained in the field.

**Additional time should be spent on training note takers using the notebooks.** The field team felt more comfortable writing in their standard copy books, so to ensure that the books were

used diligently, additional training was required. This additional module has been added to the toolkit.

### 5.2.3 Modifications to field methodology

**It may be worth targeting youth on the fringes of society to understand their unique challenges and potential.** The toolkit did not intend to capture the opinions of youth who were on the fringes of society—drug users/dealers, prostitutes, criminals (thieves), gang members. However, upon reviewing the findings, this was an evident gap in knowledge about these persons reported by informants to earn their money in ways considered illicit by the majority of informants. Adding a focus on these particularly marginalized group provides a more holistic overview of informal markets and it is recommended that particular attention be given to these groups in future research elsewhere. The toolkit therefore has a recommended additional KII form to use with such youth as appropriate.

**In setting up the fieldwork within each community, the methodology should involve community leaders and market officials from each target community in a workshop similar to the country-level validations.** This will help understand more about that community prior to beginning data collection and also help with the informant selection to ensure that marginalized people are included. This was not done in Liberia but would have been good to do and has therefore been added to the toolkit as an option to consider.

**More time should be allowed for fieldwork in each community.** Three days was allowed originally, but it is recommended that five be allowed. This will ensure that there is ample time for the team to get together after a day of work to discuss their notes, fill in gaps, reflect on next steps, and so on. Three days made this process too rushed; additional time was taken in some cases which ensured that the research maintained its integrity, but it was caused also an unexpected delay in the research. Five days per community is more realistic, especially since additional interviews with marginalized youth have been included into the methodology.



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