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**LIBERIA**

**2005 COUNTRY DIALOGUE PAPER**

**COUNTRY OPERATIONS DEPARTMENT**  
**WEST REGION**

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**CURRENCY EQUIVALENTS**

(December 2004)

***Currency Unit: Liberian Dollar***

UA 1 = 1.49878 US Dollar  
 UA 1 = 1.17671 Euro  
 UA 1 = 79.1247 Liberian Dollars

**WEIGHTS AND MEASURES***Metric System***GOVERNMENT FINANCIAL YEAR**

July 1 - June 31

**ABBREVIATIONS AND ACRONYMS**

ADB	African Development Bank
ADF	African Development Fund
AFL	Armed Forces of Liberia
AIDS	Acquired Immune Deficiency Syndrome
BWI	Bretton Woods Institutions
CAP	Consolidated Appeals Process
CDP	Country Dialogue Paper
CPA	Comprehensive Peace Agreement
DDRR	Disarmament, Demobilization, Rehabilitation, Reintegration
DFID	Department for International Development (UK)
EC	European Commission
ECOMIL	ECOWAS Mission in Liberia
ECOWAS	Economic Community of West African States
GDP	Gross Domestic Product
GOL	Government of Liberia
HIPC	Highly Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDP	Internally Displaced Persons
IFAD	International Fund for Agricultural Development
IFIs	International Financial Institutions
IMF	International Monetary Fund
JNA	Joint Needs Assessment
LAC	Liberian Agricultural Company
LICUS	Low Income Countries Under Stress
LTF	Licus Trust Fund
LPRC	Liberian Petroleum Refinery Company
LURD	Liberians United for Reconciliation and Democracy
MODEL	Movement for Democracy in Liberia
MOHSW	Ministry of Health and Social Welfare
NCDDRR	National Commission on Disarmament, Demobilization, Rehabilitation, Reintegration
NGO	Non-governmental Organization
NTGL	National Transitional Government of Liberia
NTF	Nigerian Trust Fund
PCC	Post Conflict Facility
PCCF	Post Conflict Countries Facility
PHRD	Population and Human Resources Development Facility
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
RFTF	Results-Focused Transitional Framework
SMP	Staff Monitored Program (IMF)
SRF	Special Relief Fund
SGBV	Sexually and Gender-based Violence
TAF	Technical Assistance Fund
UA	Bank Unit of Account
UN	United Nations
UNDP	United Nations Development Programme
US	United States (of America)

## **EXECUTIVE SUMMARY**

### **I. Introduction**

1.1 The purpose of this Country Dialogue Paper (CDP) is to inform the Boards on the progress that continues to be made to further consolidate peace in Liberia and to start rebuilding the destroyed social, political and economic infrastructure in the country, that is just emerging from a protracted decade-long internal conflict. During the conflict, Liberians have endured human rights violations of major proportions including deliberate and arbitrary killings, disappearances, torture, gender-based and sexual violence, arbitrary detention, forced recruitment and use of child soldiers, and systematic and forced displacement.

1.2 A breakthrough in the conflict occurred in October 2003, when the warring parties agreed to the signing of the Comprehensive Peace Agreement (CPA) in Accra, Ghana, which ushered in the National Transitional Government of Liberia (NTGL), whose mandate is to deliver basic services and to prepare the country for elections in 2005. The NTGL brings together representatives of the rebel groups, government, and other political parties and community organizations. Though Liberia has seen peace agreements come and go before, the CPA has opened a real window of opportunity for consolidating peace.

### **II. Prevailing Social Economic Situation**

2.1 The extensive disruption of the economic, social and physical infrastructure caused the economy to shrink by at least 30 percent in real terms in 2003 and 2004. UN agencies estimate that there are currently 300,000 Liberian refugees in Cote d'Ivoire, Ghana, Guinea and Sierra Leone and 500,000 internally displaced people (IDPs) within the country. The displacement of people and the accompanying loss of sources of livelihood, combined with the widespread destruction of social and economic infrastructure, has contributed significantly to deterioration in the poverty situation, as reflected in the 2004 UNDP Human Development Index.

2.2 Liberia has also, inevitably, in the process, gone through a period of poor governance characterized by an over centralized system of administration, an over burdened and ineffective judicial system, weak and inefficient public and local government institutions, thriving corruption, economic and financial mismanagement, excessive spending and the on-and-off implementation of poorly conceived economic and development policies and programmes.

### **III. Domestic and External Debt**

3.1 Liberia is emerging from the decade-long civil conflict with a serious domestic and external debt problem, the country having accumulated substantial arrears of both domestic and external debt. The outstanding stock of domestic debt amounted to US\$331 million at the end of March 2003, reflecting an increase of 5.7 percent over the same period in 2002. Liberia's external debt to multilateral, bilateral and commercial creditors at December 31, 2003 stood at US\$ 2.9 billion, of which US\$ 2.63 billion are arrears. The multilateral institutions are Liberia's largest creditors, accounting for roughly 52.6 percent of total external debt, followed by the Paris Club at 27.3 percent. Addressing Liberia's debt and arrears problem is crucial, even at this early stage, in order to ensure financial stability and allow for the full resumption of Bank Group's support, as soon as the country qualifies for the post-conflict status.

#### **IV. Transitional Development Framework**

4.1 Unlike the case with other countries emerging from conflict, Liberia has prepared a comprehensive development agenda for the transitional period, 2004-2005, the Results Focused Transitional Framework. The agenda is based on the Joint Needs Assessment (JNA) undertaken in December 2003 by the NTGL in partnership with Liberia's key development partners. The RFTF has 10 clusters that could feed into the PRSP framework as stronger analysis and consultation processes are instituted to inform a medium term poverty reduction strategy. To finance the RFTF, the NTGL organized an International Reconstruction Conference in February 2004. The Conference signaled considerable donor goodwill towards Liberia and some US\$ 520 million was pledged for reconstruction and rehabilitation in 2004 and 2005. The bulk of these pledges have not been translated into actual disbursements as at end November 2004.

#### **V. Bank Group Assistance Strategy**

This CDP argues for the case of the Bank Group's re-engagement with Liberia. The re-engagement is driven by the positive developments that continue to be made in re-establishing peace and government authority countrywide, resettling the displaced population and implementing measures that focus on reviving the war-ravaged economy. The proposed Bank Group's programme of assistance to Liberia in the transitional period to December 2005 is geared towards preparing the grounds for the resumption of normal Bank Group's activities as soon as Liberia is declared a post-conflict country, settles its arrears and restores relationship with development partners to a point where an IMF Staff Monitored Programme (SMP) is negotiated with the authorities.

The programme has two main components: (i) strengthening the destroyed institutional capacity; and (ii) assisting Liberia address its twin problem of debt and arrears. Should Liberia fail to qualify for the post-conflict status, clear arrears, and restore relationship with development partners through the implementation of the SMP by December 2005, the Bank Group will intensify dialogue with the authorities until conditions on the ground improve to a point where Liberia embarks on the path to post-conflict recovery. To this end, the Bank Group will coordinate and continue to work closely with other development partners of Liberia.

#### **VI. Conclusion and Recommendations**

6.1 The NTGL inherited a largely devastated economy, dysfunctional government institutions, deeply rooted governance issues and an unsustainable external debt burden. Timely and concerted support by Liberia's development partners is crucial in pulling the country out of its current quagmire and positioning it on the irreversible path to post conflict recovery. It is in this context that this CDP for Liberia has been prepared.

6.2 The Boards are invited to consider and adopt the Country Dialogue Paper for 2005 proposed for Liberia.

## **1. INTRODUCTION**

### **1.1 Focus of the Dialogue Paper**

1.1.1 The purpose of this Country Dialogue Paper (CDP) is to inform the Boards on the progress that continues to be made in Liberia to further consolidate peace, and to start rebuilding the social, political and economic infrastructure in a country that is just emerging from a protracted civil conflict. The prevailing social, political and economic situation in war ravaged Liberia is reviewed and the challenges and constraints to medium term economic growth analyzed. In addition, the CDP analyzes the key elements, weaknesses and risks associated with the implementation of the government's transitional development agenda for 2004-2005. The CDP also reviews the debt and arrears situation of Liberia, as at end-2003, and proposes the use of the Post-Conflict Countries Facility (PCCF) to address the country's arrears. The CDP argues the case for Bank Group's re-engagement with Liberia and recommends dialogue with respect to the conditions that have to be met before Liberia qualifies for the PCCF. Finally, the proposed Bank Group Strategy and Re-engagement options are presented.

1.1.2 The CDP was prepared following a multi-disciplinary Bank Group Mission that visited Monrovia from 18 September to 03 October 2004. Following up on the discussions that were initiated by the Bank Group during the February 2004 International Reconstruction Conference on Liberia (IRCL) that was held in New York, the Mission broadly assessed the current economic situation and the progress that continues to be made by the National Transitional Government of Liberia (NTGL) to consolidate peace, revive the war-ravaged economy, and address the competing humanitarian and reconstruction needs. The mission held extensive consultations with senior officials of the NTGL and representatives of the donor community in Liberia, including: the United Nations Development Programme (UNDP), World Health Organization (WHO), European Commission (EC) in Liberia, United States Embassy and USAID. Consultations continue to be held with the World Bank and the IMF.

### **1.2 History of the Conflict In Liberia**

1.2.1 Liberia has experienced sustained and brutal conflict since 1985. During the conflict, Liberians have endured human rights violations of major proportions including deliberate and arbitrary killings; disappearances; torture; gender-based and sexual violence; arbitrary detention; forced recruitment and use of child soldiers, and systematic and forced displacement. Over 250,000 people have died, more than 300,000 are currently classified as refugees and 500,000 are internally displaced.

1.2.2 The root cause of Liberia's civil war is traced to the military coup of 1980, when Sergeant Samuel Doe took power. Doe's administration perpetuated a pattern of ethnic dominance, resulting in the marginalization of large segments of the population. This facilitated the emergence of Charles Taylor, as a "War Lord" who was able to tap into widespread disaffection, and build a network of forces with which he eventually challenged Doe.

1.2.3 The instability, culminating in full-scale civil war in 1989, lasted until 1996 when the Economic Community of West African States Monitoring Group (ECOMOG) brokered a fragile ceasefire led by Nigeria (the Abuja II peace agreement). Democratic elections were held in July 1997. A newly elected Government under former rebel leader Charles Taylor came to power and took office in August 1997, in a country where several years of conflict had incapacitated the

economy, destroyed investor confidence and drastically reduced GDP to about seventy (70) percent of its pre-war level. The elections of 1997 ushered in a period of relative calm until 2001, when hostilities resumed.

1.2.4 In the most recent phase of the conflict in 2003, government forces loyal to Charles Taylor (GoL) fought with two rebel groups: the Liberians United for Reconciliation and Democracy (LURD) and the Movement for Democracy in Liberia (MODEL). The LURD, which began fighting Taylor in 1999, grew from a Northern-based insurgent movement to a force that controlled the majority of the country in 2003. The second opposition group, the Movement for Democracy in Liberia (MODEL), based in southern Liberia, began incursions into Liberia from Cote d'Ivoire in April 2003, resulting in large-scale population displacement.

1.2.5 A breakthrough occurred in August 2003, with the departure of President Charles Taylor into exile in Nigeria and the signing of a Comprehensive Peace Agreement (CPA) on August 18, in Accra, Ghana. The peace agreement called for the deployment of a multilateral force to secure the ceasefire agreed by the warring parties and created a zone of separation between them in order to establish safe corridors for humanitarian activities. The CPA was followed closely by the establishment of the National Transitional Government of Liberia (NTGL), which is lead by businessman and church leader Gyude Bryant. After the establishment of the NTGL, the UN Security Council established the UN Mission in Liberia (UNMIL), authorizing the deployment of 15,000 peacekeepers to Liberia in September 2003.

1.2.6 The NTGL is an unwieldy mechanism, difficult to manage and consisting of representatives of rebel groups and other political parties. The transitional government has a mandate until January 2006, and democratic elections must take place no later than October 2005. Though Liberia has seen peace agreements come and go before, the CPA has opened a real window of opportunity. Many view this as a 'once in a lifetime' opportunity to secure peace in Liberia, and pin their hopes on its success.

## **II. RECENT DEVELOPMENTS**

### **2.1 Political Developments and Peace Consolidation Efforts**

2.1.1 **Political Developments:** Mr. Gyude Bryant took power in mid-October, 2003 as head of the two-year National Transitional Government of Liberia (NTGL). The NTGL brings together a range of Liberian stakeholders, including the three main warring factions, plus community-based organizations, into an unwieldy body of divergent sectional interests. The NTGL mandate is to deliver basic services and to prepare the country for elections in October 2005. The key government posts have been assigned to the previously warring parties based on a power-sharing formula, though the process has been slow and highly controversial, as the warring groups continue to jockey for positions in government. The National Elections Commission (NEC) has been reconstituted, with the mandate to ensure free and fair elections in October 2005. An Electoral Reform Bill has been submitted to the National Transitional Assembly for review and promulgation into law. There is general agreement within the Government and the donor community that effective and speedy implementation of the DDRR process is necessary to create a safe environment for free and fair elections. To this end, the strategic tasks that should be undertaken include: (i) An extensive voter registration and constituency demarcation effort; and (ii) A nation-wide education campaign and well-planned logistics for free, fair and transparent elections. An election timetable has been drawn

that includes voter registration during April to May 2005, followed by the Presidential and Legislative Elections in October 2005.

**2.1.2 Consolidation of the Peace Process:** Instability continues in areas of the country not yet occupied by UNMIL, and factionalism within the warring groups poses an ongoing risk that renegade elements could continue fighting or disrupt disarmament, despite the participation of the main factions in the NTGL. Peacekeeping, disarmament, demobilization and establishing the conditions for countrywide humanitarian assistance are therefore considered the highest immediate priorities. The United Nations Mission in Liberia (UNMIL) has now fully deployed its 15,000 peacekeepers, with a view to re-establishing security throughout the country.

**2.1.3** A key element of Liberia's Peace Agreement is the National Commission for Disarmament, Demobilization, Rehabilitation, and Reintegration (NCDDRR). Numerous parties and stakeholders, including the United Nations, the NTGL, key development partners such as the European Commission (EC) and the United States Agency for International Development (USAID), support the NCDDRR. The programme is ongoing and aims at consolidating national security through the comprehensive disarmament, demobilization and reintegration of all ex-combatants into civilian society. This process is seen as a precondition for facilitating humanitarian assistance, restoring the civil authority, promoting economic growth, poverty reduction, and development. It is hoped that the programme will be effective enough to facilitate the holding of elections in October 2005, and also enable the ex-combatants of the various warring factions to participate in the country's national development and reconciliation. The operational strategy and policy guidelines for the programme were defined in 2003 after the signing of the peace agreement and an Action Plan prepared for operationalizing the DDDR. Under the Action Plan, the National Commission on Disarmament, Demobilization, Rehabilitation, and Reintegration (NCDDRR) is providing policy guidance to a Joint Implementation Unit (JIU), which has the primary responsibility for the implementation of the DDDR programme.

**2.1.4** As of September 2004, the DDR programme had registered some success with over 71,000 ex-combatants disarmed and 96 percent of them demobilized, among them 6,000 child soldiers and 12,000 female combatants. Over 21,000 weapons, more than 5 million rounds of ammunition, and over 22,000 pieces of explosive had been collected. The success of the programme has, however, led to a dangerous concentration of unemployed ex-combatants in the over congested capital, Monrovia, posing serious potential threat to the country's security and fragile peace. A flare-up of supposedly religious tension that Monrovia abruptly experienced in November 2004 is an indication of the potential threat to the peace process.

## **2.2 Economic Context**

**2.2.1 Overall Economic Growth:** Liberian economy is estimated to have contracted by about 30 percent in real terms in 2003 and early 2004 (compared with an estimated increase of 3 percent in 2002) mainly as a result of the intensification of hostilities and the UN Sanctions on timber exports. However, following the 2003 CPA, economic activities rebounded, with the real GDP growth rate reaching 23.1 percent in 2004, owing mainly to recovery of construction, services and commerce, largely associated with donor activities and the cessation of hostilities. Liberia is expected to sustain the high growth rate of GDP on condition that progress continues to be made in consolidating peace. Inflation declined from 14 percent in August 2003 to 3.0 percent in March 2004, following improved supplies of basic foodstuff.

2.2.2 On the balance of payments, imports in the period to June 2004 increased to an estimated US\$ 171 million compared with US\$145 million in 2003. The increase in imports is mainly explained by Liberia's reconstruction and humanitarian needs following the cessation of hostilities in some parts of the country. In contrast, exports stagnated at a low level of US\$ 20.3 million in January-June 2004, down from US\$ 94.8 million in 2003, owing mainly to the continued Sanctions on timber activity.

2.2.3 **Fiscal Developments:** Fiscal developments have followed the cycle of conflict. Government revenues increased modestly in 2000/01, but then declined in 2001/02 by over US\$10 million to US\$71.9 million, largely due to the drop-off in revenue from the Liberian International Shipping and Corporate Register. Public expenditure fell from US\$82.5 million in 2000/01 to about US\$79 million in 2001/02. The decline was accompanied by a shift in the composition of expenditures, including a substantial drop in funding for social services and increases in expenditure related to national security. On a cash-basis the fiscal deficit widened significantly from 0.7 percent of GDP in 2000/01 (US\$3.9 million) to 1.3 percent of GDP in 2001/02 (US\$7.3 million).

2.2.4 **Narrow Revenue Base:** The sources of government revenue are mainly the maritime register and imports, in addition to the increased donor programs and remittances in the country. A Cash Management Committee has been set up, and its participation recently broadened to include the Ministry of Finance, Bureau of Budget, Ministry of Planning and Economic Affairs, and the Council of Economic Advisors. This committee monitors expenditures against revenues on a weekly basis in order to ensure compliance with the budget. Other measures taken to boost tax revenues include the removal of tax exemptions on petroleum products and rice. The IMF and the US Government Treasury Department Team in the Ministry of Finance are supporting the initiatives towards fiscal reforms.

2.2.5 The need to widen the revenue base and enhance the mobilization of revenue is among the immediate challenges facing the transitional government. Some progress is being made here with average revenue collection rising to US\$ 5 million per month, in the period during October 2003 to June 2004. More progress is certainly required in this area in order to close the loopholes and mobilize resources for rehabilitation and reconstruction purposes. To this end, the government is receiving technical assistance and institutional capacity building support from various development partners.

2.2.6 **Government Expenditures:** Government expenditure is primarily focused on the resumption of payment (including the arrears) of civil service salaries and rehabilitation of government premises. There is concern that the true size of the civil service is unknown. With many civil servants returning to their posts as security improves in most parts of the country, precise estimates of the wage bill has proven to be difficult. The Government has put in place new controls requiring verification of civil servants' documentation before salary payment. This is gradually helping to eliminate "ghost workers" from the payroll, though a comprehensive audit of the civil service is required prior to embarking on reforms.

2.2.7 **Monetary Developments:** During the transition period, the expansion of the monetary aggregate is mainly driven by the inflows from external assistance and the issuance of currency to accommodate further strong demand for Liberian dollars. Reflecting these developments, the

growth rate of broad money supply increased to 40 percent in the period January-June 2004, and by 20.8 percent in the July-December 2004. However, the rapid increase in broad money supply is expected to decelerate to around 15.5 percent in the period January-June 2005. Reserve money, which grew by 15.8 percent in the period to December 2003, is expected to increase by about 15.5 percent in the January-June 2005 period. A foreign exchange auction system has also been established as a first step towards the development of monetary policy instruments. Over the past, the Central Bank of Liberia (CBL) allocated foreign currency to Commercial Bank's using modalities that were neither transparent nor market based. At present commercial banks and large companies participate in the auction. Another important development on monetary policy is the liberalization of interest rates, which now allow commercial banks to determine lending rates in accordance with the perceived risks of individual clients and conditions in the market.

**2.2.8 Outlook of the Economy:** Clearly, the medium term economic prospects depend critically on the establishment of security outside Monrovia and the speedy resumption of donor activities in the country. The deployment of UNMIL peacekeepers throughout the country will certainly assist in consolidate peace and in resettling the internally displaced persons (IDPs) and ex-combatants returning to their homes. The negotiation with the IMF of a Staff Monitored Programme (SMP) and the lifting of Sanctions by the UN Security Council, expected in 2005, will help boost economic performance in the short to medium term. In addition, increased donor presence and the possibility of the start of rehabilitation and reconstruction activities could provide the significant economic stimulus for certain sectors, such as manufacturing and transportation, especially those operating from Monrovia.

## 2.3 Sectoral Development

### 2.3.1 Productive Sectors

**2.3.1.1 Agriculture:** The section reviews the main productive sectors that could greatly assist in reviving the economy and providing incomes and employment opportunities to the majority of the population in Liberia.

**2.3.1.2** The Liberian economy is based on agriculture (subsistence agriculture, rubber and timber), which accounts for nearly 60 percent of GDP. The sector is made up mostly of subsistence agriculture, and the commercial production of rubber and timber. Subsistence agriculture involves the growing of rice, cassava, cocoa, coffee and palm oil. Productivity in the sector is low. The sub sector has been severely affected by the conflict, leading to increased imports of food. Nevertheless, the sub sector has the potential to become the major source of employment and income generation for displaced farmers. Urgent supply side support (credit, inputs and extension services) is needed.

**2.3.1.3 Commercial Production of Rubber and Timber:** Prior to the onset of the conflict, the commercial production of rubber accounted for nearly 30 percent of total exports, employing about 4000 workers and generating income for a significant number of small and medium landholders. There are extensive areas with rubber plantations that belong to smallholders that cannot be put into production at present because of the security situation. In addition, some external or private sector financing arrangement may be needed in restoring rubber production to pre-war levels.

2.3.1.4 Forestry is the second most important sub-sector, with the share of the sub sector to total GDP nearing 20 percent. Commercial farming activities in forestry have attracted most of the Foreign Direct Investments (FDI) into Liberia, with logging being the largest provider of foreign currency. The World Bank estimates that there are around 25 logging companies operating in Liberia that employ more than 6,500 people. Serious concerns exist that some of these companies obtained their concessions unlawfully and do not comply with the applicable forest and fiscal regulations. Though the situation of the forestry sector is not well documented, it is known that the environment has suffered and that this sector is characterized by serious governance problems. Revenues from logging, for example, are considered to have been a principal source of finance for the war. As a result of these problems, UN sanctions have been imposed on Liberia logging exports, which has translated into reducing logging activities over the recent past, and denying the NTGL a robust source of revenue that would have significantly eased the current tight budgetary constraints.

2.3.1.5 To revive forestry and logging activities, the NTGL, with support of development partners, is aggressively trying to implement measures that could lead to the lifting of UN sanctions on timber export by early 2005. The measures include; (i) conclusion of an external review of timber concessions; (ii) establishment of transparency in associated revenue flows; and (iii) the restoration of effective oversight of the activities of the sector. The NTGL recognizes that further work will be needed in the short to medium term to develop a comprehensive strategy for sustainable logging activities.

2.3.1.6 **Mining:** Prior to the war, iron ore mining contributed 23.5 percent of GDP. During this time iron ore mining was the single largest economic activity. For several years prior to 1979, Liberia was the second largest producer of iron ore in Africa, with proven reserves of about 4 billion tons. The Liberian American Swedish Joint Venture Company (LAMCO) dominated iron mining but was closed down in 1989 because of high-energy cost and depletion of high-grade iron ore reserves. The mines were however destroyed by the war, so that future development of the sub-sector will depend on development of high-grade mining operations along the Guinea border and investment in maintenance of LAMCO's washing plant, rail and port facilities. Gold and diamonds are other minerals that are being exploited from Liberia, although official data on output are unreliable. Exploitation is on small-scale basis and reflects cross border activity. The government has recently issued two exploration licenses that may lead to full-scale commercial mining activities.

## 2.3.2 **Social Developments**

2.3.2.1 **Poverty and the Millennium Development Goals (MDGs):** Owing to the economic, social and physical destruction caused by the decade-long conflict, Liberia finds itself deeply impoverished with the result that the current status of most Millennium Development Goals (MDGS), and other socio-economic indicators, have deteriorated from their base year position in 1990. An estimated 80 percent of the population live on less than one US dollar a day, while 50 percent live in abject poverty (US\$ 0.50 per day). Life expectancy at birth is estimated at 47 years, infant and under-5 mortality rates are 114 and 187 per 1000 live births respectively, the former being almost double the average for low-income countries. Twenty percent of children under 5 suffer from malnutrition. Illiteracy rates are 33 and 66 percent respectively for males and females, which is significantly higher than the case in other sub-Saharan African countries. Liberia will therefore have to make huge strides in the years ahead in order to come close to achieving the MDGs by 2015. Progress in consolidating the peace process, restoration of relationship with

development partners, and the preparation and implementation of a medium term development strategy, in the context of an Interim Poverty Reduction Strategy Paper (I-PRSP) will certainly contribute significantly in the fight against the abject poverty and in monitoring progress towards the attainment of the MDGs.

**2.3.2.2 Displaced Population:** The war led to large-scale population displacement and severely eroded the survival and coping mechanisms of the wider population. Population movements from rural to urban centers have been considerable as people seek refuge in the relatively safer urban centers. Though pre-war figures show a high proportion of Liberia's population living in urban areas (40 percent), the population of Monrovia has further swelled dramatically during the conflict, exerting pressure on the limited available public services such as health, education, and water supply and sanitation. UN agency estimates indicate that there are currently 300,000 refugees remaining in Cote d'Ivoire, Ghana, Guinea and Sierra Leone and 500,000 Internally Displaced Persons (IDPs) within Liberia (9 percent and 15 percent respectively of a population of 3.3 million). Helping displaced persons requires immediate and effective humanitarian relief, but is also a long-term development challenge of rebuilding shattered communities.

**2.3.2.3 Delivery of Health Services:** It is estimated that less than 10 percent of the Liberian population have access to any kind of health care services. A total of 242 out of 293 public health facilities have been looted or forced to close because of lack of staff and supplies. A large proportion of the private sector health infrastructure has also been damaged or destroyed. Communication and transportation systems are limited and obsolete. Monrovia, which hosts about 40 percent of the population, is relatively well served, with two public sector hospitals supported by NGOs, three private hospitals, and a network of PHC centers and clinics. Outside of Monrovia, however, the little health care that is currently provided is concentrated in towns with relatively better security and working conditions. This implies that in the large part of the interior, no health care is available to the population.

**2.3.2.4** The health risks associated with the current situation are immense. An estimated 1.3 million people in Monrovia are exposed to outbreaks of malaria, pneumonia, cholera, measles and other diseases. Risks of infectious diseases are particularly high at the new informal IDPs sites, which suffer from overcrowding, lack of clean water and poor sanitation. At the same time, the aftermath of the conflict continue to prevent those in need of treatment for highly infectious diseases from reaching treatment sites.

**2.3.2.5** Rapid assessments made by the humanitarian agencies in Monrovia in June and July 2003 indicate that a significant proportion of children have visible signs of chronic malnutrition, vitamin deficiency, anemia, outbreaks of vaccine preventable diseases, acute respiratory infections (ARI), cholera and other diarrhea diseases. The situation of malnutrition, and vaccine-preventable diseases especially amongst under-fives, remains alarming. These children urgently require supplementary feeding, vaccination and de-worming. Sexual and gender based violence (SGBV) remains a serious problem, and also continues to exert pressure on the limited health services available.

**2.3.2.6** Based on the foregoing, the immediate policy priority of the NTGL is to restore to Liberia a Primary Health Care (PHC) system that could deliver health and nutrition services across the country, and in particular, to the under-served rural population. The strategy proposed consists

of laying the groundwork for a comprehensive reconstruction of a PHC sector that would address the most urgent needs of returnees and the rural population through the re-activation of key health facilities and the expansion of priority health programmes that target the main determinants of diseases. Among them, special attention will be given to HIV/AIDS, taking into account that population movements and the re-integration of high-risk groups into their communities could increase its spread. Action to tackle urgent health needs will be carried out in parallel with the strengthening, in the medium term, of the Ministry of Health and Social welfare (MOHSW) at the central and district levels.

**2.3.2.7 Provision of Education Services:** Liberia's educational system is currently among the weakest in sub-Saharan Africa on account of two decades of lack of adequate resources, poor infrastructure, and limited expenditures in national budgets. While there is limited reliable data for recent years, evidence indicates that violence, widespread destruction of infrastructure, displacement of large sections of the population, and the continued degradation of the institutions have had a devastating impact on virtually all components of the education sector in Liberia.

**2.3.2.8** With a Primary School Net Enrollment Rate (NER) of 46 percent, more than half of the Liberian children of school-going age are currently out of school. The immediate challenges facing the NTGL in the education sector can be grouped into three categories: (i) to rehabilitate and reconstruct at least 25 percent of the damaged primary and secondary schools in the country; (ii) to improve access to quality basic education by implementing the back-to-school type of programme; and (iii) to define and implement a new policy in education that will serve the economy for generations to come.

**2.3.2.9 Back-to-School Campaign:** With the support of development partners, such as UNICEF, the government, through the Ministry of Education, has embarked on an aggressive Back-to-School campaign, aimed at returning an estimated one million children back to their classrooms by the end of 2004. As of 30 April 2004, a total of 7, 275 School-in-a-Box kits had been distributed within eight accessible counties, providing educational supplies for a total of 582,000 children. More than 800 quick intervention kit bags had been distributed in three newly accessible counties where schools are re-opening, providing learning materials for an additional 40,000 children. Trained teams from the Ministry of Education and NGOs working with County and District Education Officers have assessed schools in nine counties, and provided critical information for the Rapid Assessment of Learning Spaces (RALS) database. The assessment continues to expand in more counties as safe access becomes possible. Planning staff at both the Ministries of Planning and Education are being trained to manage and maintain the RALS database.

**2.3.2.10** More than 7,200 teachers have also returned to their schools with knowledge acquired from orientation workshops and with skills in Rapid Education Responses with emphasize on numeracy, literacy, sports, recreation, counseling, music and drama. An estimated 13,000 teachers are still waiting to go through the 2-day orientation workshop. Girls' education remains a central priority in addressing gender disparities, which are pervasive throughout the education system.

## 2.4 Infrastructure

2.4.1 **Overview:** Liberia's transport infrastructure sector was adversely affected by the civil conflict, to the extent that it was not possible to undertake routine or periodic maintenance, rehabilitation or new construction in the past decade. This led to the current situation where the rehabilitation requirements of the sector are huge.

2.4.2 **Roads:** Roads is the dominant sub-sector. This is set to remain so as peace returns. The total network is over 14 000 km long. Primary roads make up about 1 798 km, of which 561 km is paved. There are links to all the neighbouring countries and County capitals. This sub-sector requires a major rehabilitation/maintenance investment.

2.4.3 **Rail:** The rail network of about 500 km was developed to transport iron ore from the mines in the interior to the ports of Monrovia and Buchanan. The last mine closed soon after the war started in 1986. Since then these tracks were left unattended. They are currently in a very poor condition. There is agreement that the cost of rehabilitating these rail links will form part of the cost to reopen an existing or develop a new mine when such a decision is made in future.

2.4.4 **Ports:** Liberia has four ports, which have damaged infrastructure and require the removal of wrecks and extensive dredging. The port of Monrovia handles the bulk of all cargo with Buchanan, Greenville and Harper having single-commodity uses. The priority in this sector is to rehabilitate the infrastructure in Monrovia and to reach agreements with the single-commodity users of the other ports before they are made operational again.

2.4.5 **Airport:** The only international airport is Roberts, about 45 km outside Monrovia. There are several domestic airports with gravel runways. All airports are in a poor condition and require major rehabilitation works.

2.4.6 **Liberia International Ship and Corporate Registry (LISCR):** LISCR was established more than fifty-six (56) years ago and now stands as one of the largest registries in the World. The registry has a reputation for quality, efficiency, safety, and service. The fees generated from LISCR average between US\$15-20 million per year, or an estimated 50-75 percent of the entire national revenue from legitimate sources. However, despite such a regular flow of income, there is little evidence of this revenue being used to serve the needs of the people for priority social services.

2.4.7 **Water Supply and Sanitation:** Liberia's water supply and sanitation (WATSAN) facilities are in very poor state of repair. This has been a direct result of the decade long conflict exacerbated by limited resources from the fiscal budget and the inadequate management systems that are in place. The population with access to safe drinking water and sanitation is currently estimated at 35 percent, compared to 47 percent in Sub-Saharan Africa and 74 percent for low-income countries. In addition, insecurity has led to the general migration of people from the insecure rural areas to the relatively secure urban areas. Apart from leaving rural water facilities unattended, this has resulted in increased burden being placed on the available urban water supply facilities. This has created an environment where the populations is exposed to increased susceptibility to endemic WATSAN-related illnesses. There is therefore the urgent need to improve community-based water supply and sanitation facilities.

2.4.8 **Energy:** The present power generation capacity of the electricity utility is only 1 (one) MW. Businesses have to rely on their own generators or endure prolonged blackouts, greatly increasing their production costs.

## 2.5 **Domestic and External Debt Burden and Arrears**

2.5.1 **Domestic debt:** The outstanding stock of domestic debt amounted to US\$331 million at the end of March 2003, reflecting an increase of 5.7 percent over the same period in 2002. Out of this amount, US\$248 million (75 percent of total domestic debt) is owed to the erstwhile National Bank of Liberia; the debt is now payable to the Central Bank of Liberia. The remaining 25 percent of the debt is owed to financial institutions, private sector suppliers, National Savings Bond holders and government employees, resulting in a debt overhang that has undermined the viability of the commercial banks in the country. As a result the once vibrant private sector that depended on the commercial banks as sources of financing is severely crippled. The situation has been exacerbated by a huge external debt burden.

2.5.2 **External Debt:** Liberia is emerging from the decade-long civil conflict with a serious external debt problem. By end-2003, Liberia's outstanding external debt was estimated at nearly US\$2.9 billion, of which US\$ 2.63 billion was arrears. The World Bank suspended disbursements to Liberia in December 1986, as a result of mounting arrears. Liberia's loans were placed on non-accrual status as of June 1, 1987. To that date, disbursements had totaled US\$ 141.3 million from 22 loans and US\$ 91.5 million from 17 IDA credit, of which only US\$ 42.9 million has been repaid. By July 31, 2004, Liberia's arrears to the World Bank had increased to US\$ 415.9 million from US\$ 371 million by December 2003. Liberia had an unmet obligation of US\$ 2.2 million to the World Bank, as of June 30, 2004, which had to be paid so as to fulfill the Maintenance of Value (MOV) clause in the Bank's Articles of Agreement. Liberia has been in continuous arrears to the IMF since 1984. A declaration of non-cooperation was issued in 1986, and the country's voting and related rights were suspended in March 2003. At end-August 2004, Liberia's arrears to the IMF amounted to SDR 507 million or US\$ 718 million. The Multilateral Institutions are by far the largest creditor, accounting for roughly 52.6 percent of total external debt, followed by the bilaterals with 27.3 percent of the total debt. Debt to commercial creditors accounts for 18.6 percent of the total external debt (Table 2.1).

2.5.3 **Assessment of the Debt Burden:** At 610 percent of GDP at end 2003, Liberia's external debt is unsustainable, especially when viewed in the context of the weak revenue base and the capital expenditures that have to be incurred for rehabilitating the destroyed social and economic infrastructure over the medium term. The NTGL should therefore embark on the implementation of reforms that focus on allowing the country to obtain debt relief from its creditors.

**Table 2.1: Public Debt and Arrears by December 2003 (in US\$ million)**

Creditor	Stock	% of total	Arrears	% of total
<b>Total Multilateral Institutions</b>	<b>1,508</b>	<b>52.6</b>	<b>1,358</b>	<b>51.7</b>
<i>Of which: ADB Group</i>	245	8.6	214	8.2
<i>IMF</i>	718	25.1	718	27.3
<i>World Bank Group</i>	451	15.7	373	14.2
<i>Other Multilateral</i>	92	3.2	53	2.0
<b>Official Bilateral:</b>	<b>782</b>	<b>27.3</b>	<b>694</b>	<b>26.4</b>
<b>Commercial</b>	<b>534</b>	<b>18.6</b>	<b>534</b>	<b>20.3</b>
<b>Suppliers Credit</b>	<b>41</b>	<b>1.5</b>	<b>41</b>	<b>1.6</b>
<b>Total</b>	<b>2,865</b>	<b>100</b>	<b>2,627</b>	<b>100</b>

Source: Liberian Authorities, ADB and IMF

## 2.6 Governance Situation

2.6.1 The absence of an environment that promotes and sustains transparency, justice, accountability and popular participation in the process of governing the nation has, over the years, incapacitated national institutions and compromised the implementation of programmes to deliver needed development results in Liberia. The 14-year civil conflict significantly worsened the situation. By 2004, the situation had deteriorated to the point where all systems and institutions for ensuring good governance were either non-existent or severely inadequate.

2.6.2 This unsatisfactory governance situation is characterized by an over centralized authoritarian system of administration, an over burdened and ineffective judicial system; weak and inefficient public and local government institutions, thriving corruption, economic and financial mismanagement, and ill-conceived economic development policies and programmes. Over centralization of political power in Monrovia, evident since the 1990s, led to poor governance with apparently little or no checks or accountable and transparent mechanisms of governance. The denial of social and political authority to the overwhelming majority inhibited their capacity to work towards the betterment of their lives. This created the environment for massive corruption at all levels of society, as the legal, political and economic structures and processes of the state were perverted and transformed to serve the private interests of the governing elites and their associates.

2.6.3 Corruption ranks high in the order of the list of factors that contributed to Liberia's socio-economic and political predicament including pervasive poverty. Some of the factors identified as contributing to the prevalence of corruption in the country include poor salaries and conditions of service for workers, lack of effective accountability, transparency and monitoring mechanisms and impunity and protection for privileged offenders.

2.6.4 Liberia's justice system has for a very long time operated in an environment that makes it difficult for people to access impartial and equitable dispensation of justice. The judicial system is plagued with poorly motivated and inadequate personnel, and logistical problems leading to backlog of cases, and delays in proceedings. The courts are also constrained in many ways, including limited jurisdiction over relatively minor matters, limited training in court procedures and human rights, and most importantly lack of logistics support.

2.6.5 It is on account of this unsatisfactory governance situation that the NTGL, through the Joint Needs Assessment (JNS), has called for the complete overhaul, and rebuilding of the public service, judiciary and security forces. The reforms envisioned further require the implementation of action to eliminate systemic corruption and decentralize social, political and economic systems and structures. To this end, a Governance Reform Secretariat was established through the CPA, with the mandate to promote the principles of good governance in post-war-Liberia. Specific duties to fulfill this mandate include: (i) reviewing the existing programme for the promotion of good governance in Liberia, with the objective of adjusting its scope and strategy; (ii) develop and enhance capacity building in public sector management; (iii) ensure that the principles of accountability, and transparency are observed in all government institutions; and (iv) assist in carrying out the decentralization process.

2.6.6 Added to this plethora of problems is a weak and inefficient civil service with a poor record of service delivery, especially to the poor. The civil service has consistently been highly centralized with improper internal incentives, limited human and institutional capacity and a failure to reach the poorest citizens. Favoritism and nepotism in the recruitment of civil servants, low salaries and poor conditions of service, limited training opportunities, corruption and abuse of public office, lack of effective enforcement of rules and regulations and poor service delivery still characterize the civil service. This has resulted in the formulation and implementation of inappropriate policies and consequently weak economic performance.

2.6.7 Other major governance issues identified include: (i) lack of policies to protect the vulnerable; (ii) weak and inefficient channels of communication; (iii) human rights abuses; (iv) lack of effective sound management principles; (v) lack of effective mechanisms to enforce rules and regulation; (vi) lack of political awareness, especially among the poor, of their rights and obligations. The cumulative effect of these factors has been weak and ineffective service delivery mechanisms that continue to contribute to the high levels of poverty in Liberia.

2.6.8 **Civil Society Organizations (CSOs):** On account of the prolonged civil conflict, civil society organizations have collapsed and cannot, at their current state, influence government policies and programmes in favour of the poor. The CSOs are highly unstructured and fragmented and most of them lack technical capacity and other resources to effectively carry out their advocacy functions.

2.6.9 Without a major overhaul and re-engineering of the institutions and practices that underpin the relationship between State and the civil society, the healing process that is required to address the atrocities committed during the civil conflict is likely to be seriously compromised. In addition to the urgent priority of upgrading and revitalizing the civil service, there is the challenge of aligning state practices to the norms of transparency and law-abiding governance. Without improved capacity for economic planning, coordination and delivery of essential services, combined with civil society participation in the process, the recovery efforts, particularly at the local level,

will be slow and ultimately unsustainable. Support from development partners is clearly needed to augment the efforts of the NTGL in this area.

**2.6.10 Gender issues:** Women in Liberia, under the banner of the Mano River Women's Peace Network, continue to participate actively in consolidating the peace process. Despite their efforts, however, the National Transitional Legislative Assembly (NTGL) has only four (4) women among its seventy-six (76) members and there are only three (3) women ministers in the twenty-one (21) members cabinet. A major challenge of the NTGL and the government that will be elected in the October 2005 is therefore to implement policies that focus on achieving gender justice for women and girls in the context of their continued participation in the consolidation of the peace process, the civil service and the provision of the full range of educational and training opportunities that could foster the culture that enhances the capabilities of the population regardless of sex.

**2.6.11 Environment:** Environmental concerns should be properly addressed in the transitional period in order to prepare the grounds for more sustainable development of Liberia's natural resources. Issues of special concern towards the realization of this objective include: (i) the destroyed institutional framework; (ii) land degradation and illegal deforestation; (iii) mining; and (iv) urban degradation and pollution. These issues require to be addressed with a view to preparing appropriate medium term development strategies, which could be elaborated in the context of the I-PRSP.

## **2.7 Medium Term Challenges to Consolidating Peace and Reviving the Economy**

**2.7.1** Assuming that peace will be fully restored, post-conflict Liberia has the potential to achieve and sustain much faster rates of economic growth over the long-term. However, several constraints will have to be urgently tackled over the medium term in order to revive the economy and reduce poverty in a sustainable manner. The immediate challenges include: (i) reviving the economy and maintaining fiscal discipline; (ii) addressing the social issues pertaining to resettling the displaced population; (iii) tackling unemployment; (iv) rebuilding the destroyed institutions; (v) tackling the looming HIV/AIDS Epidemic; and (vi) reintegrating child-soldiers.

**2.7.2 Reviving the Economy:** The challenge for the transition period is to lay the foundations for longer-term economic growth. More immediately, growth and economic recovery are fundamental for providing viable employment and livelihoods for Liberia's population. This is particularly critical for vulnerable groups such as ex-combatants and returnee populations. Reviving the economy will have to be tackled from several fronts. First, reviving the agriculture sector is essential since the sector accounts for around 50 percent of GDP and 75 percent of the labor force. Second, the forestry sub sector, which accounted for approximately 18 percent of GDP in 2002 and attracted a high proportion of foreign direct investment, needs to be reactivated and effectively managed in readiness for the lifting of the UN Sanctions. Thirdly, Liberia should plan even at this early stage for the rehabilitation and reconstruction of the destroyed infrastructure. Fourth, strengthening revenue management is critical to ensuring that in future Liberia's rich natural resources no longer drive a political economy of conflict, but contribute instead to economic growth. Finally, measures should be put in place to restore investor confidence and to create an enabling environment for the revival of private sector activities.

**2.7.3 Social Challenges:** Equally worrying in post conflict Liberia is the challenge of resettling the displaced population, returning refugees and other vulnerable war victims. The challenge is huge when viewed in the context of the weak economy and the difficulties that continue to be encountered in mobilizing revenues. Moreover, the reintegration effort needs to be on a massive scale, in order to manage the potentially explosive humanitarian crisis that is being fuelled by the massive influx of refugees from neighboring countries.

**2.7.4 Responding to Unemployment:** With an estimated unemployment rate of 85 percent and extremely high poverty levels, the overarching objective of the NTGL is to bring down the high rate of unemployment. Given the expectation for the peace dividend throughout post-conflict Liberia, the need to create jobs and income earning opportunities for the unemployed youth, ex-combatants and other vulnerable war-victims is paramount. The urgency of the matter is compounded by the fact that ex-combatants, apart from having very limited or no education, are being reintegrated into a society where unemployment and underemployment levels are already extremely high. Resettling the displaced population and finding gainful employment opportunities for the demobilized combatants and the war-affected population as a whole will remain the most urgent social and security concern for post-conflict Liberia in the short to medium term.

**2.7.5 Rebuilding the Destroyed Institutions:** The other critical challenge for post-conflict Liberia concerns rebuilding the destroyed institutional and human capacity in key public sector institutions and the private sector. Most government institutions are only beginning to recover from widespread looting that has severely constrained their capacity to provide even basic economic information. The delivery of essential public services has been severely reduced, resulting in overcrowding in existing institutions such as health and education and in substantial delay in the delivery of justice and other governance related functions of the public sector. The Local Government Administration has also virtually collapsed, even in Monrovia. Shortages of resources, equipment and working tools have further compounded the problem, as has the low level of salaries, which have fallen significantly below the cost of living. Substantial donor support is urgently required over the medium term to address the situation. Of particular concern will be the need to focus on rebuilding and rehabilitating the capacity of the Local Government Administration, to revive the provision of basic social services such as health, education and other community services, and to strengthen governance institutions and build confidence in the rule of law.

**2.7.6 Tackling the Looming HIV/AIDS Epidemic:** HIV/AIDS has clearly emerged as a threat to the population and to the country's long-term development. Many risk factors that have resulted in HIV/AIDS pandemic in other African countries have long been present in Liberia. The effect of these factors in advancing the HIV/AIDS pandemic has been compounded by lawlessness and breakdown in social communities following the protracted conflict. By December 2002, the prevalence rate was 8.1 percent, which has now climbed to 11-12 percent by December 2003. HIV/AIDS prevention, including the development of a national policy against HIV/AIDS, as well as the design of implementation and monitoring mechanisms, is crucial in containing the spread of the epidemic.

**2.7.7 Reintegrating Child-Soldiers:** On April 2003, the UN Office for the Coordination of Humanitarian Affairs (UN OCHA) reported that approximately 15 percent of the combatants disarmed by UNMIL were children. According to Amnesty International, there are an estimated 21,000 child-soldiers in Liberia, many in areas beyond the current reach of UNMIL deployment. As at May 2004, UNMIL had disarmed 366 boys and 72 girls in Buchanan and 195 boys and 28 girls in

Tubmanburs. Integrating the disarmed child-Soldiers into the formal and informal education system will constitute a fundamental challenge for Liberia in the years ahead. As a start, efforts should be made to strengthen the capacity of the Ministry of Education and strategies prepared to reintegrate the child-soldiers, orphans and other vulnerable war-victims into formal education and vocational training institutes, thus avoiding the possibility that they be absorbed into the worst forms of child labor. Support from development partners is clearly needed to augment the resources of the government in this area.

### **III. GOVERNMENT DEVELOPMENT AGENDA**

#### **3.1 Results-Focused Transitional Framework (RFTF), 2004-2005**

3.1.1 Unlike the case with other countries emerging from conflict, Liberia has prepared an elaborate and results-focused economic development agenda. The agenda is based on the Joint Needs Assessment (JNA) document that was prepared in December 2003. The findings of the JNA are set out in a Results Focused Transitional Framework (RFTF) for Liberia, which includes priority actions and outcomes on 10 themes (clusters). The RFTF constitutes both an NTGL strategy and a partnership agreement between Liberia and its donor partners. It provides the nucleus of the government's national development framework and could feed into the PRSP framework as stronger analysis and consultation processes are instituted to inform a medium term poverty reduction strategy. The RFTF was articulated by the NTGL at the February 2004 International Reconstruction Conference on Liberia, which was held in New York. The RFTF has credible and realistic goals, focused on sustainable outcomes, and envisages implementation mechanisms that are feasible in the current institutional climate. It encompasses systems for use by all stakeholders, to monitor implementation and results, evaluate achievements and audit the use of external resources. The strategy has at least nine (9) interrelated components.

3.1.2 The first component of the RFTF relates to maintaining peace throughout Liberia and reducing the country's destabilizing impact on other West African countries. This will be achieved through the implementation of peacekeeping actions. Relevant strategic objectives under this component include the full and effective deployment of UNMIL Peacekeeping, in order to facilitate the implementation of the transitional programme. The implementation of this component of the RFTF is progressing as planned.

3.1.3 The second component of the RFTF relates to disarming, demobilizing, rehabilitating, and reintegrating (DDRR) ex-combatants, so that they become productive members of society. The relevant strategic elements under this component include the successful disarmament and demobilization of up to 50,000 ex-combatants and the collection and destruction of 70,000 weapons by December 2004; (ii) the demobilization and full re-integration of child ex-combatants and counseling of all ex-combatants; and (iii) the integration into Liberian society of at least 50 percent of all adult ex-combatants by December 2005. The implementation of the DDRR programme has achieved some success, though considerable work still remains for reintegrating the ex-combatants, especially the child and women soldiers, and fully achieve the DDRR before the elections in October 2005.

3.1.4 The third component relates to enabling the Liberians who have taken refuge outside the country, and the internally displaced persons to return to their place of origin. Relevant strategic objectives include: (i) providing transport and food assistance to 250,000 returnees; (ii) providing 73,000 third-country nationals in Liberia and up to 500,000 IDPs with access to social protection, legal assistance and basic social services such as health and education.

3.1.5 The fourth component of the RFTF is to establish governance institutions that promote the rule of law; respect for human rights, increased public sector capacity, effective judicial, police and correction system, and re-establishing and empowering the local governments and civil society. The relevant strategic objectives of this component included the: (i) rebuilding of civil society within Liberian communities in ways that result in promotion and realization of human rights and attention to specific needs of women and children; (ii) establishment of functioning institutions that are vital to maintain the rule of law and promote democratic development, including well-vetted and managed police force, a functioning judiciary and criminal courts, and correction services.

3.1.6 The fifth component of the RFTF is to set the scene for democratic elections at the end of the 2004 - 2005 transition period, and thus launch the next phase of national development by giving Liberians an opportunity to choose a government with a clear mandate to govern. The relevant strategic objectives include: (i) extensive voter registration and constituency demarcation by mid 2005; (ii) launching of a nationwide education campaign; and (iii) finalizing the preparation of activities that could result in free, fair, and transparent elections, in October 2005.

3.1.7 The sixth component is to increase access to primary health care, education, and community water and sanitation in ways that ensure access to the minimum requirement necessary for people to meet their basic needs. To this end, the NTGL will strive to: (i) reduce the incidence of HIV/AIDS, malaria, tuberculosis, diarrhea diseases, and other health conditions that undermine economic productivity and social cohesion; (ii) increase the accessibility to effective primary and secondary schooling with rehabilitation of at least 25 percent of the destroyed school buildings; (iii) improve access to water and sanitation services in rural and urban areas; and (iv) synchronize the provision of basic services with community-based development initiatives.

3.1.8 The seventh component of the RFTF is to restore the productive capacity and livelihood, with a particular focus on the agricultural productive capacity, aquaculture and marine fisheries, community-based development activities and the creation of social safety nets for groups with specific vulnerabilities. Relevant strategic objectives include: (i) facilitating the re-integration of ex-combatants, the resettlement of both IDPs and returnees and the revitalization of communities by creating meaningful employment opportunities for all; and (ii) increasing access to the urgently needed agricultural inputs for subsistence farming and community production.

3.1.9 The eighth component pertains to laying the foundation for the rebuilding of Liberia's infrastructure, both to support community-based development and to create the environment necessary for private sector investment. Related to this component is the need to create conditions that work to increase confidence of private sector investors and the donor community. Relevant strategic objectives of this component include the implementation of policy actions to: (i) ensure proper management of Liberia's natural resources; (ii) improve public financial management, and the banking sector, coupled with the establishment of an effective audit regime over public entities.

3.1.10 The final component of the RFTF is to establish a mechanism through which the NTGL and its development partners can together oversee the 2004-2005 transition programme, manage contributions, supervise the implementation of the RFTF, monitor its progress and report regularly on RFTF-related achievements and their impact. The last report was in October 2004 at the UN in New York.

3.1.11 **Financing of the RFTF:** The RFTF was presented by the NTGL, in partnership with UN, the World Bank, and the United States of America to an International Reconstruction Conference in New York in February 2004, aimed at rallying support for Liberia's post-conflict recovery effort. The Conference signaled considerable donor goodwill towards Liberia and some US\$ 520 million was pledged for reconstruction and rehabilitation in 2004 and 2005. The pledge far exceeded the total financing requirement for the period, estimated at US\$ 487.70 million for reconstruction and US\$ 85 million for humanitarian assistance. However, the actual delivery of assistance has been far short of the strong level of pledges made in New York.

## 3.2 Assessment of the RFTF

3.2.1 The NTGL has to be commended for preparing the RFTF, though much still remains to be done in implementing it. The slow progress in implementing the RFTF is attributed mainly to the fact that government control has still not been extended to some areas that were previously under rebel control. Moreover, the limited capacities for implementation, and the short duration of time that the NTGL has been in office, have also slowed down the pace of implementation. Though the basic economic programme was successfully implemented in 2004, substantial challenges remain especially in implementing the governance agenda, resettling the displaced population, rehabilitating the destroyed institutional capacity in the public sector, reviving the productive sectors of the economy (agriculture and mining), and improving the provision of essential public services such as health and education.

3.2.2 Given the acute shortage of resources, implementation of the RFTF should also be prioritized and some areas (clusters) strengthened in order to reflect the current economic challenges facing Liberia. Some of the weak areas include the little reference given in the RFTF of promoting policies that actively seek to promote foreign direct investment, especially in the mining, forestry, rubber sub sectors and to revive the private sector. The formulation and implementation of such policies, even at this early stage, could have an immediate poverty reduction impact by generating direct and indirect employment and by increasing government revenue. A deeper analysis of the current constraints to reviving the economy could also have been undertaken, and used to inform the RFTF.

3.2.3 **Second**, though the macroeconomic framework is appropriate and supportive of the RFTF, it is extremely vulnerable given its heavy dependence on donor funding. Delays in disbursements, which are common in donor-driven budgets, could significantly derail the implementation of the RFTF. Appropriate measures should therefore be taken to ensure the progressive reduction in donor-dependency once economic recovery begins.

3.2.4 **Finally**, there are some areas in which there is scope for further improvement in strengthening ownership of the RFTF. Careful planning is certainly required to organize focus group discussions with homogeneous groups, such as internally displaced persons, refugees, ex-

combatants, women and youth, and those in the informal sector. Such targeted sampling would bring out the critical development constraints that affect the most vulnerable members of society.

### 3.3 Challenges and Risks

**3.3.1 Consolidation of Peace:** Liberia faces three main risks following the extensive economic, social and physical disruptions caused by the prolonged civil conflict. The first risk relates to concerns on security. If UNMIL deployment proceeds too slowly and /or the disarmament and demobilization process continues to face difficulties, incipient tensions could re-surface posing the real risk of renewed violence. Bringing the remaining, large parts of rebel held Liberia under UNMIL control and achieving full disarmament of armed factions is a prerequisite to effective transition and development. In addition, continuing instability in the wider region, particularly in Cote d'Ivoire, pose an ongoing risk to Liberia's security situation. UNMIL's presence under a strong Security Council mandate is critical to mitigate this risk, together with rapid action on the security, DDRR and livelihood components of the RFTF. The Bank Group and other donors are committed to support efforts to increase regional cooperation and dialogue through, for example, the envisioned Bank Group's Regional Integration Assistance Strategy for West Africa.

**3.3.2 Corruption:** The second relates to corruption, particularly the prevailing culture of mis-governance that stripped the state of its resources and its legitimacy in the past. Though the NTGL is strongly committed to bringing about a 'culture change' based on transparency and accountability in government and fundamental reforms, this commitment needs to be followed through with action, including prosecution as cases are discovered. Otherwise, implementation of the RFTF could be seriously compromised.

**3.3.3 State Cohesiveness:** The NTGL could prove unworkable and at worst collapse if competing interests of the former warring factions take precedence over the business of governing during the transitional period. In such a situation, the RFTF may become impossible to implement. The strong support from development partners mitigates the emergence of such a situation.

## IV. DIALOGUE WITH DEVELOPMENT PARTNERS

### 4.1 Status of Dialogue on Donor Coordination

**4.1.1** A two-track coordination framework was proposed by the NTGL during the conference to manage the implementation of the RFTF (see cluster 10). The first track involves the establishment of a Policy Level Planning Board (PPB), while the second involves the Technical-Level Working Committee. The PPB aims at providing general policy orientation throughout the implementation process, while the Working Committee is responsible for the day-to-day coordination, monitoring, evaluation, and reporting of progress that is achieved in the implementation of the RFTF.

**4.1.2** The Bank Group, in partnership with the government and its development partners, will continue to maintain dialogue on policy reforms, reconstruction and rehabilitation that focuses on enhancing the efficient coordination of donor activities and inflows into Liberia. This dialogue will be undertaken within the framework of cluster 10 of the RFTF. To this end, the World Bank has agreed to take the lead in establishing and assisting in strengthening the donor coordination unit that will be based in Monrovia. When fully operational, the unit will be administered by a technical support office and will provide links to all Liberia's development partners. The mechanism will

endeavor to ensure that development partners meet regularly every six months. The strengthened donor coordination mechanism is essential in providing the require confidence in the RFTF process and in building Liberia's absorptive capacity for aid, which is vital in the period ahead. The funding for this component will be through the Low Income Countries Under Stress (LICUS) Trust Fund.

## 4.2 Status of Dialogue with the Bretton Woods Institutions (BWIs)

4.2.1 **World Bank:** As explained in section 2.5.3, the World Bank suspended disbursements to Liberia in December 1986, as a result of mounting arrears. Since the CPA was signed in June 2003, the World Bank has participated in multi-donor assessment missions, co-hosted the International Conference for Reconstruction in Liberia in February 2004 and prepared a re-engagement strategy that was approved by the World Board in March 2004. The World Bank Board also approved grant resources for institutional capacity building in the amount of US\$ 4.0 million in April 2004.

4.2.2 In 2005, the World Bank plans to conduct a poverty assessment; an assessment of health and education services delivery institutions; an infrastructure assessment, and a study on the prospects of economic growth in Liberia. The assessments are significant on account of the social, economic and physical destruction that was caused by the civil conflict. Moreover, the World Bank is planning to undertake Economic and Sector Work that focuses on reviewing the existing socio-economic conditions outside of Monrovia. Finally, in support of institutional building and governance reforms, a rapid Public Expenditure Management and Fiduciary Accountability Review (PEMFAR) and an institutional governance and forestry paper will be undertaken. Since July 1, 2004, the World Bank has established a Country Office in Monrovia to better coordinate the Bank's activities in Liberia.

4.2.3 **IMF:** Since assuming office the NTGL has demonstrated willingness to pursue sound policies and this has laid the basis of resumption of consultations with the IMF. Liberia is also making token payment of US\$50,000 monthly to the IMF towards clearing its arrears. On the basis of these developments, the IMF has prepared the Report on Post-Conflict Economic Situation and Prospects for January-June 2004, and the Report on Post-Conflict Economic Conditions and Economic Programme for 2004/20005. Based on these reports, the Executive Board has decided to permit the resumption of technical assistance support to Liberia, particularly in the areas of monetary operation, strengthening the payments system, improving the banking system through appropriate restructuring, and strengthening the operations of the Central Bank of Liberia. The IMF is also working with the authorities with a view to ensure that a Staff Monitored Programme (SMP) is implemented by early 2005. The satisfactory implementation of a set of key actions under the SMP might create the required conditions for the IMF Board to consider the removal of the declaration of non-cooperation and subsequently the reinstatement of Liberia's voting rights at the IMF.

## 4.3 Other Development Partners

4.3.1 **UNDP** The UNDP is providing technical support in the coordination of the disarmament and demobilization of former combatants. At the same time, the UNDP is giving vital assistance to the NTGL in the form of helping with the establishment of a comprehensive national reconstruction plan, including rebuilding the nation's health, education and water infrastructure.

UNDP is further providing technical assistance to bolster the capacity of key government ministries and funding the rehabilitation of office buildings.

**4.3.2 European Union (EU):** The EU is mainly involved in humanitarian assistance and in assisting to resettle the displaced population. The EU is further involved in implementing the DDDR programme, as well as assisting with the provision of basic services, especially health and education, and in the coordination of the overall development assistance that flows to Liberia from bilateral sources. EU is also assisting in auditing the Central Bank of Liberia and all the revenue generating agencies.

**4.3.3 United States of America.** The United States (US) leads the international initiative that is responding to the Liberian crisis and contributed nearly one-third of the total resources requested by the UN. In addition, the US Treasury Team is in Monrovia providing technical assistance in the areas of budgeting, tax administration, debt management, banking supervision, including the implementation of anti-money laundering measures. The US has also pledged to provide support and the leadership that is required to clear Liberia's arrears, which include a US\$ 15 million initial contribution to the ADB Group arrears clearance for Liberia. USAID is responding to proposals by nongovernmental organizations and to the activities identified by the UN as most urgent and appropriate and providing support to the DDDR programme.

## **V. BANK GROUP ASSISTANCE STRATEGY**

### **5.1 Bank Group Portfolio**

**5.1.1** The Bank has been absent from Liberia since the country fell into arrears with the Bank Group in 1984. The suspension occasioned the cancellation of the entire Bank Group portfolio of on-going operations. Prior to the onset of this adverse development, the Bank had an active portfolio of projects and programmes with a total commitment of US\$230 million for 23 operations. Of the 23 operations, 18 were completed and 5 cancelled, because as the conflict deepened, the operations could not be implemented and the country inevitably found it difficult to honor its obligations to the International Community, including those to the Bank Group. Two (2) Emergency Assistance operations financed through grant resources were also successfully implemented in 1999 and 2003.

**5.1.2 Regional Projects:** Within the regional context, the Bank has prepared two regional initiatives in West Africa, both of which will benefit Liberia. The first is the HIV/AIDS Prevention Project that covers the Mano River states of Liberia, Sierra-Leone and Guinea, as well as Western Cote d'Ivoire. The project focuses on refugees and their host communities in providing blood transmission services, promoting information, education and awareness on HIV/AIDS prevention and training in the management and treatment of HIV/AIDS and other related illnesses, like tuberculosis. The second regional operation is the Peace and Development Project in ECOWAS countries. The project is expected to strengthen regional capacities for peace building in West Africa by establishing a mechanism through which additional resources can be secured for priority conflict-related interventions and early recovery activities.

## 5.2 Proposed Bank Group's Programme of Assistance

5.2.1 The proposed Bank Group's programme of assistance to Liberia in transitional period to December 2005 is geared towards preparing the grounds for the resumption of normal Bank Group's activities as soon as Liberia is declared a post-conflict country, settles its arrears and restores relationship with development partners to a point where an IMF Staff Monitored Programme (SMP) is negotiated with the authorities, which will eventually translate into a Poverty Reduction and Growth Facility (PRGF). The programme has two main components: (i) strengthening the destroyed institutional capacity; and (ii) assisting Liberia address its debt and arrears problems.

5.2.2 **Strengthening the Destroyed Institutional Capacity:** To effectively undertake this task, the Bank Group will continue to consult with the NTGL and the country's development partners, with a view to identifying the most appropriate support that could be extended to Liberia for rebuilding the destroyed institutional capacity, particularly in the critical area of public expenditure management. The support will also involve relevant training of some key civil service staff through the Joint African Institute (JAI). Such support is essential in strengthening the macroeconomic management framework and in ensuring that resources flowing to the government are managed in a transparent and accountable manner. The grant resources that will be allocated to Liberia under ADF-X will finance the capacity building support project, whose preparation is expected to commence in the first quarter, 2005. The objective of the project is to restore the minimum capacity required within the core Departments in the Ministry of Finance (MOF), such as the Debt Management Unit (DMU) and the Accountant General's (AG) Department. The project will further enhance the institutional and human capacity of the Auditor General's Department. The Bank will collaborate and coordinate with the NTGL, the US, IMF, the World Bank, UNDP and the EU during the appraisal and implementation of the project.

5.2.3 Bilateral funds will also be mobilized to complement the capacity building initiatives that will be funded under the grant resources of ADF-X. More specially, the Bank will mobilize bilateral funds to strengthen the institutional and human capacity in other critical areas of governance, such as the judiciary. Bilateral funds will further be used to conduct relevant studies, such as the governance and gender profiles for Liberia and to finance Economic and Sector Work (ESW) that focuses on the policy measures that could be implemented to revive the key sectors of the economy. Assessment studies will be conducted in selected sectors, such as health and education, in order to strategize on the measures that could be implemented to rehabilitate the destroyed institutions in view of the weak capacity in line ministries. The findings of these studies, including the needs assessments and the governance and gender profiles, will be used to inform and strengthen the RFTF in the context of an Interim Poverty Reduction Strategy Paper (I-PRSP) that will be prepared in the period after December 2005. The Bank Group will use bilateral funds to support the participatory approach and strengthen the capacity of Liberia's I-PRSP process. The I-PRSP is required in order to prepare a medium term development strategy that could be implemented in the 2005-2007 period.

5.2.4 **Assisting Liberia Address Debt and Arrears Problems:** The Bank will further work in partnership with the government and Liberia's development partners with a view to assisting the country address its twin problem of debt and arrears. Addressing Liberia's debt and arrears issues is crucial, even at this early stage, in order to ensure financial stability and allow for the full resumption of Bank Group's support, as soon as the country earns the post-conflict status.

5.2.5 Liberia has accumulated substantial arrears with the Bank Group. As at 30 November 2004, Liberia's arrears to the Bank Group amounted to UA147.95 million, of which UA 120.48 million was owed to the ADB; UA 3.53 million to the ADF; and UA 23.94 million to the Nigerian Trust Fund (NTF). All the undisbursed loans and grants have been cancelled. Liberia has, however, no arrears on capital subscription because it forfeited 427 shares in December 2003. In the absence of an arrears clearance plan, Liberia's arrears with the Bank Group are expected to increase over the medium term, on account of the heavy loan repayment obligations as clearly evident in Table 5.1.

Table 5.1: Liberia: Projections of Bank Group Loan Repayments, 2004-2007.  
(In UA million)

		2004	2005	2006	2007
<b>ADB</b>	Principal	-	-	-	-
	Charges	1.72	-	-	-
	<b>Total</b>	<b>1.72</b>	-	-	-
<b>ADF</b>	Principal	0.36	0.48	0.48	0.48
	Charges	0.12	0.12	0.11	0.11
	<b>Total</b>	<b>0.48</b>	<b>0.60</b>	<b>0.60</b>	<b>0.59</b>
<b>NTF</b>	Principal	1.04	1.04	1.04	1.04
	Charges	0.87	0.80	0.76	0.72
	<b>Total</b>	<b>1.91</b>	<b>1.84</b>	<b>1.79</b>	<b>1.75</b>
<b>Total</b>	Principal	1.40	1.52	1.52	1.52
	Charges	2.72	0.92	0.87	0.83
	<b>Total</b>	<b>4.11</b>	<b>2.44</b>	<b>2.39</b>	<b>2.35</b>

Source: ADB

5.2.6 **Use of the Post-Conflict Facility (PCCF):** The Bank will continue to sensitize the NTGL about the use of the PCCF to address Liberia's arrears with the Bank Group. The PCCF programme is beneficial to Liberia in that it will create the opportunity for a sustainable normalization of relations with the Bank Group. Under the basic framework of the PCCF, arrears are to be cleared according to a three-way burden-sharing arrangement between the PCC, Donors and the PCCF, with each expected to clear 33 percent of the outstanding arrears. Liberia will certainly find it difficult to pay one third during the transitional period to December 2005 given: (i) the tight fiscal situation occasioned by the current weak revenue base; (ii) the magnitude of arrears that the country has accumulated with other development partners; and (iii) the numerous post-conflict rehabilitation and humanitarian expenditures that will have to be incurred over the medium term. As such, both Liberia's bilateral development partners and the PCCF will need to provide significant resources in addressing the country's arrears problem. To this end, The United States (US) Government has already taken the lead in the matter and has made an initial pledge of US\$15 million (through ADF-X) to the PCCF for Liberia. In the light of recent discussions by ADF Deputies on the PCC initiatives, Management will explore the possibility of a higher PCCF contribution towards Liberia's arrears clearance programme.

5.2.7 **PCCF Qualification:** The Bank Group will intensify dialogue, during the period to December 2005, on the conditions that Liberia would have to meet in order to qualify for an arrears clearance program, and, where appropriate, the Bank Group should play an active role in helping the country meet these requirements. Specifically, Liberia must meet the criteria to be declared a PCC and then meet the additional criteria to benefit from financial support from the PCCF. The

Bank Group will monitor Liberia's efforts towards meeting the required criteria for accessing the PCCF, with emphasizes being placed on the steps that the Bank Group could take to help the country to qualify. The areas of concern include: (i) consolidating peace; (ii) improving governance; (iii) reviving the economy; (iv) progress that continues to be made in Disarmament, Demobilization, Rehabilitation, and Reintegration; and (v) monitoring Liberia's relations with BWIs, especially with respect to the preparation and implementation of the IMF Staff Monitored Programme.

**5.2.8 PCCF Arrears Clearance Qualifications Criteria:** The Bank will also work with the authorities with a view to ensure that Liberia meets the PCCF Arrears Clearance Qualification Criteria during the interim period to December 2005, which include:

i) **HIPC Eligibility:** Liberia is potentially eligible for HIPC debt relief and clearance of its arrears to the Bank Group would remove an obstacle to reaching decision point. The Bank Group will promote dialogue on satisfying the preconditions for HIPC debt relief, which requires Liberia to show progress in the areas of: (i) consolidating the peace process; (ii) reaching agreements with various development partners on an arrears clearance plan; (iii) maintaining macroeconomic stability as evidenced by satisfactory performance under an IMF program; and (iv) preparing and satisfactory implementing an I-PRSP.

ii) **Non-discriminatory debt servicing:** The Bank Group should encourage the authorities to stabilize arrears by making payments, potentially with the help of donors, towards servicing new maturities and, if possible, to clear arrears accumulated since the PCCF cutoff date of 31 December 2003. A good starting point will be the implementation of the Memorandum of Understanding (MOU) that was proposed by the ADB Mission of October 2004 requiring the NTGL to start making payments towards the servicing of new maturities, falling due in 2004 and 2005, with the Bank Group. The MOU is still with the Liberian Authorities, and should be signed and payment initiated. The Bank Group will continue to sensitize the NTGL on the need for non-discriminatory debt servicing, which is a pre-condition for accessing PCCF.

iii) **Financial sustainability:** As shown on Table 2.1, over 90% of Liberia's debt is in arrears, primarily to the IFIs. As such, the Bank Group should play an active role in coordinating arrears clearance efforts among the IFIs. Depending on the arrears clearance modalities employed by the IFIs and Paris Club lenders, HIPC debt relief will also likely be critical for long-term sustainability. It is therefore imperative that dialogue is maintained on the preconditions that will need to be met before Liberia qualifies for the HIPC decision point. In addition, the Bank Group should prepare plans for follow on financing once arrears are cleared to provide positive net transfers as quickly as possible.

iv) **Maximum effort to pay from internal resources:** Subject to the target countries demonstrating maximum reasonable effort to pay their arrears from internal resources, the PCCF framework provides some flexibility to modify the cost-sharing arrangement between the PCC, bilateral donors, and the PCCF. In drawing up an arrears clearance programme for Liberia, the Bank should independently assess Liberia's capacity to pay from internal resources to ensure adherence to the guiding principles in the policy framework.

v) **Maximum effort to mobilize donor resources:** The PCCF framework places primary responsibility for mobilizing donor resources on the PCC. However, the Bank Group will offer to work closely with the Liberian authorities to solicit donor financial support for a PCCF arrears

clearance operation. The Bank will invite the US to assume the lead role in mobilizing donor resources for Liberia's arrears clearance programme.

5.2.9 Should Liberia fail to qualify for the post-conflict status, clear arrears, and restore relationship with development partners through the implementation of the SMP by December 2005, the Bank Group will intensify dialogue with the authorities until conditions on the ground improve to a point where Liberia embarks on the path to post-conflict recovery. To this end, the Bank Group will closely coordinate its activities with those of other development partners.

## **VI. CONCLUSION AND RECOMMENDATIONS**

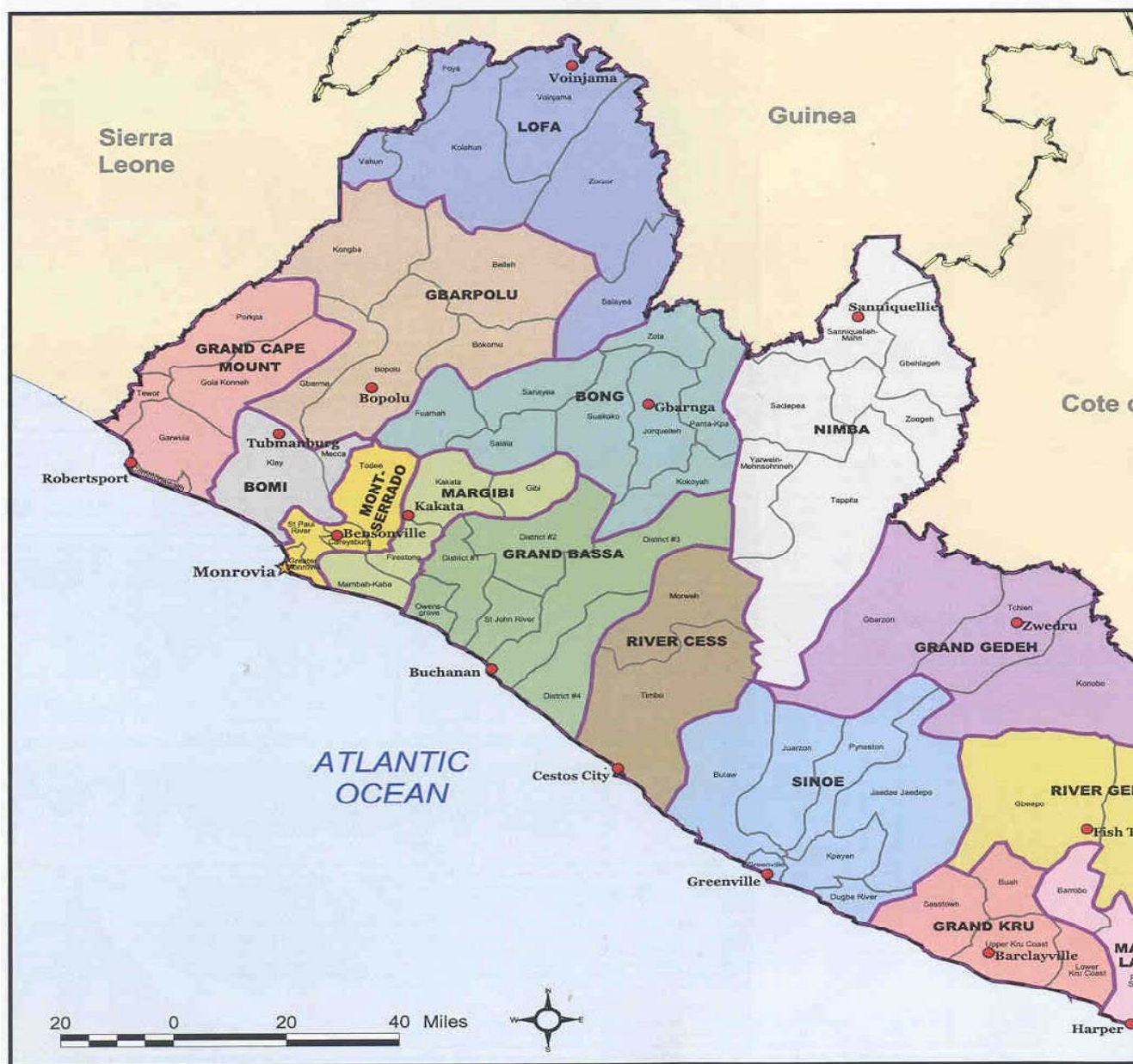
### **6.1 Conclusion**

The NTGL has inherited a largely devastated economy, dysfunctional government institutions, deeply rooted governance issues and an unsustainable external debt burden. The government is also confronted with a humanitarian crisis that requires the concerted efforts of the international community, including the Bank Group. Moreover, peace in Liberia is fragile, susceptible to being derailed by those more interested in personal gain than Liberia's future, and by the ongoing dynamics of regional instability. Similarly the risks of engagement to the Bank and other donors in Liberia are high, but timely and concerted support by the country's development partners is essential in pulling Liberia out of its current quagmire and positioning it on the irreversible path to post conflict recovery.

### **6.2 Recommendation**

The Boards are invited to consider and adopt the Country Dialogue Paper for 2005 proposed for Liberia.

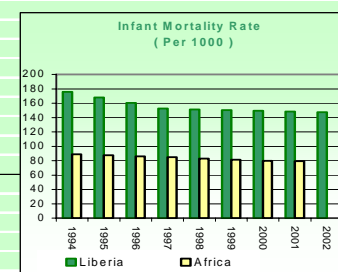
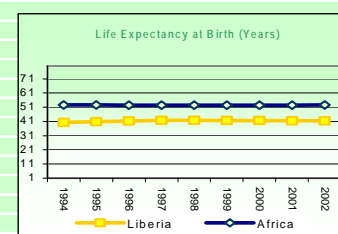
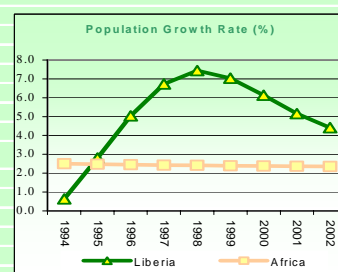
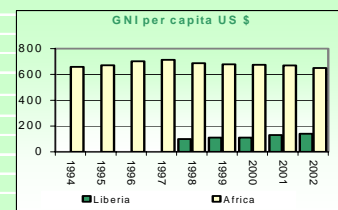
# ANNEX 1: MAP OF LIBERIA



## Liberia

### COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Liberia	Africa	Developing Countries	Developed Countries
<b>Basic Indicators</b>					
Area ( '000 Km <sup>2</sup> )		111	30 061	80 976	54 658
Total Population (millions)	2002	3.2	831.0	5,024.6	1,200.3
Urban Population (% of Total)	2002	48.5	38.6	43.1	78.0
Population Density (per Km <sup>2</sup> )	2002	29.1	27.6	60.6	22.9
GNI per Capita (US \$)	2002	140	650	1 154	26 214
Labor Force Participation - Total (%)	2002	38.1	43.1	45.6	54.6
Labor Force Participation - Female (%)	2002	40.3	33.8	39.7	44.9
Gender -Related Development Index Value	1999	...	0.484	0.655	0.905
Human Develop. Index (Rank among 174 countries)	1999	...	n.a.	n.a.	n.a.
Popul. Living Below \$ 1 a Day (% of Population)	1995	...	46.7	23.0	20.0
<b>Demographic Indicators</b>					
Population Growth Rate - Total (%)	2002	4.4	2.2	1.7	0.6
Population Growth Rate - Urban (%)	2002	5.2	3.9	2.9	0.5
Population < 15 years (%)	2002	48.3	43.2	32.4	18.0
Population >= 65 years (%)	2002	2.3	3.3	5.1	14.3
Dependency Ratio (%)	2002	95.4	86.6	61.1	48.3
Sex Ratio (per 100 female)	2002	99.8	98.9	103.3	94.7
Female Population 15-49 years (% of total population)	2000	...	24.0	26.9	25.4
Life Expectancy at Birth - Total (years)	2002	41.4	50.6	62.0	78.0
Life Expectancy at Birth - Female (years)	2002	42.2	51.7	66.3	79.3
Crude Birth Rate (per 1,000)	2002	50.0	37.3	24.0	12.0
Crude Death Rate (per 1,000)	2002	21.5	15.3	8.4	10.3
Infant Mortality Rate (per 1,000)	2002	147.4	81.9	60.9	7.5
Child Mortality Rate (per 1,000)	2002	229.0	135.6	79.8	10.2
Maternal Mortality Rate (per 100,000)	1992	560	641	440	13
Total Fertility Rate (per woman)	2002	6.8	4.9	2.8	1.7
Women Using Contraception (%)	1989	6.4	40.0	59.0	74.0
<b>Health &amp; Nutrition Indicators</b>					
Physicians (per 100,000 people)	1997	2.5	57.6	78.0	287.0
Nurses (per 100,000 people)	1997	5.9	105.8	98.0	782.0
Births attended by Trained Health Personnel (%)	1996	58.0	38.0	56.0	99.0
Access to Safe Water (% of Population)	1994	30.0	60.3	78.0	100.0
Access to Health Services (% of Population)	1988	34.0	61.7	80.0	100.0
Access to Sanitation (% of Population)	1994	18.0	60.5	52.0	100.0
Percent. of Adults (aged 15-49) Living with HIV/AIDS	1997	3.7	5.7	1.3	0.3
Incidence of Tuberculosis (per 100,000)	1998	70.1	198.0	144.0	11.0
Child Immunization Against Tuberculosis (%)	2002	67.0	76.4	82.0	93.0
Child Immunization Against Measles (%)	2002	57.0	67.7	73.0	90.0
Underweight Children (% of children under 5 years)	1996	20.0	25.9	31.0	...
Daily Calorie Supply per Capita	2001	1 946	2 444	2 675	3 285
Public Expenditure on Health (as % of GDP)	1993-98	...	3.3	1.8	6.3
<b>Education Indicators</b>					
Gross Enrolment Ratio (%)					
Primary School - Total	2000	118.0	89.2	91.0	102.3
Primary School - Female	2000	99.3	83.7	105.0	102.0
Secondary School - Total	2000	22.5	40.8	88.0	99.5
Secondary School - Female	2000	18.4	38.2	45.8	100.8
Primary School Female Teaching Staff (% of Total)	1990-97	...	49.9	51.0	82.0
Adult Illiteracy Rate - Total (%)	2002	44.3	37.9	26.6	1.2
Adult Illiteracy Rate - Male (%)	2002	27.8	29.2	19.0	0.8
Adult Illiteracy Rate - Female (%)	2002	60.9	46.4	34.2	1.6
Percentage of GDP Spent on Education	1996-98	...	3.5	3.9	5.9
<b>Environmental Indicators</b>					
Land Use (Arable Land as % of Total Land Area)	2002	2.0	6.2	9.9	11.6
Annual Rate of Deforestation (%)	1990-95	...	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	1981-90	...	4.0	...	...
Per Capita CO2 Emissions (metric tons)	1998	0.1	1.1	1.9	12.3



Source : Compiled by the Statistics Division from ADB databases; UNAIDS; World Bank Live Database and United Nations Population Division.

Notes: n.a. Not Applicable; ... Data Not Available.

**Table 1: Selected Economic and Financial Indicators, 2001-June 2004**

	2001	2002	2003	2004	2004	2005
	Est.	Est.	Jan-Jun	Jul-Dec	Jan-Jun	Proj
<b>National incomes and Prices</b>						
Real GDP/1	4.9	3.3	-29.5	23.1	20.5	8.5
Consumer prices (annual average)	12.1	14.2	15.0	...	5.0	....
Consumer prices (end of period)	19.3	11.1	5.0	5.0	4.0	...
Nominal GDP (in million of US dollars)	534.4	561.8	442.2	214.8	259.8	284.5
GDP deflator in US. dollars	-5.9	1.8	8.2	8.5	0.9	0.7
<b>External sector (in U.S. dollars terms)/1</b>						
Exports of goods, f.o.b	6.4	30.1	-43.0	-57.3	6.7	5.0
Imports of goods, c.i.f	6.4	-6.2	-20.1	134.8	8.2	20.6
Terms of trade	-21.4	14.1	21.2	...	...	....
<b>Official exchange rate</b>						
(Liberian dollars per U/S Dollaer, end of period)	49.5	65.0	50.0	....	.....	.....
<b>Central government operations/</b>						
Total revenue and grants	-18.5	4.7	-34.2	80.6	3.2	23.9
Of which: Tax revenue	-18.3	15.8	-40.1	71.6	3.2	25.1
Total expenditure and net lending	-12.3	9.2	-43.8	174.4	-3.7	24.1
Of which: current expenditure	-14.9	-36.2	-5.7	179.5	-11.4	21.9
Capital expenditure	-8.6	65.7	-62.3	119.3	99.6	37.3
<b>Money and banking (stock, in billions of Liberian dollars)</b>						
Net Foreign Assets	-31.6	-36.8	-30.1	-31.6	-31.3	-31.1
Net Domestic Assets	33.6	39.7	33.1	35.8	36.3	36.9
Net domestic credit	44.9	53.6	44.3	48.2	491.1	49.5
Net Claims on government	43.8	52.4	43.0	46.6	47.1	47.3
Claims on non-government	1.1	1.2	1.3	1.6	2.0	2.2
Other Items, net	-11.4	-13.9	-11.2	-12.4	-12.8	-12.6
Reserve money	...	10.3	15.8	7.1	21.8	17.8
Broad money	.....	11.5	12.2	41.8	20.8	15.5
Velocity (GDP relative to broad money)	13.2	10.6	5.5	5.7	5.7	5.4
<b>Central government operations (Janu-Dec)</b>						
Total revenue and grant	13.0	12.9	10.8	16.1	13.7	15.6
Of which: tax revenue	11.4	12.5	9.5	14.2	12.1	13.8
Total expenditure and net lending	13.7	14.2	10.2	17.2	13.7	15.6
Of which: current expenditure	7.6	4.6	5.5	...	...	...
Capital expenditure	6.1	9.6	4.6	...	....	....
Overall fiscal balance (cash basis)/3	-0.7	-1.3	0.7	-1.1	0.0	0.0
<b>External sector</b>						
Current account balance, including grants (deficit, -)	-20.3	-1.1	-7.6	-12.3	-9.0	-8.0
Of which: public interest payments due	-12.7	-8.0	-10.1	-13.5	-	-10.5
Current account balance, excluding grants (deficit, -)	-26.3	-8.7	-12.0	-24.7	-18.7	-17.1
Trade balance (deficit, -)	-12.3	-2.7	-11.4	-70.1	-62.9	-70.4
Export, f.o.b	23.9	29.6	21.4	9.4	8.3	8.0
Import, c.i.f	-36.3	-32.3	-32.8	-79.6	-71.2	-78.4
Public sector external debt outstanding (total)	455..3	476.8	613.3	640.9	588.8	498.4
Current account balance including grants (deficit, -)	-108.5	-6.1	-33.4	-26.5	-23.3	-22.8
Trade balance (deficit,-)	-65.9	-15.3	-50.4	-150.6	-163.3	-200.4
Net Foreign reserves	....	-2.0	-2.1	0.7	5.9	11.3
In months of imports cover	....	0.0	0.0	0.0	0.2	0.3

Source: Liberian Authorities and IMF Estimates and Projections

1/ for 2004 and 2005, figures are six-monthly rates over the previous six months

2/ Defined as Liberian currency outside banks plus demand, time and savings deposit in Liberian and U.S.Dollar

3/ The fiscal deficit during Jan-Jun 2004 was financed through a cash surplus from end 2003.

**Table 2: Summary of Central Government Operations, 2002 -June 2005**

	2002	2003	2004 Q1	2004 Q2	2004 Budget Jan-Jun	2004 Actual Jan-Jun	FY 2004/05 Budget July-June
(in millions of U.S. Dollars)							
Total revenue and grant	72.7	47.9	17.0	17.6	28.0	34.6	80.0
Tax revenue	70.3	42.1	15.7	24.6	30.4	70.7	10.0
Of which: maritime revenue	13.4	11.2	5.3	2.6	6.0	7.9	18.0
Stumpage fees and land rental	13.0	2.6	0.0	0.1	0.0	0.1	0.0
Tax on international trade	17.0	18.0	6.6	7.9	9.5	14.6	24.6
Goods and services tax	3.5	4.3	0.6	0.8	3.0	1.5	8.8
Nontax revenue	2.4	2.8	2.3	1.9	3.4	4.2	9.3
Grants	0.0	3.0	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending (cash basis)	80.1	45.0	19.7	17.4	32.5	37.0	80.0
Current expenditure	26.0	24.5	18.2	16.3	27.4	34.5	69.1
Wages and salaries/2	13.4	11.1	5.7	6.5	12.0	12.2	23.2
Goods and services	5.9	6.8	10.8	6.2	14.0	17.1	18.9
Interest on debt	6.3	6.0	0.8	0.8	1.1	1.6	1.0
External							
Domestic	5.7	5.8	0.8	0.7	1.1	1.5	0.4
Domestic Arrears clearance							
Subsidies, transfers and net lending	0.4	0.5	0.8	2.9	0.3	3.7	15.5
Capital expenditure/2	54.1	20.4	1.5	1.0	5.1	2.6	10.9
Internally financed	54.1	20.4	1.5	1.0	5.1	2.6	10.9
Externally financed	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and Omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall surplus/deficit	-7.3	3.0	-2.7	0.2	-4.5	-2.4	0.0
Financing/3	7.3	-3.0	2.7	-0.2	4.5	2.4	0.0
(in percent of GDP, unless otherwise indicated)							
Total revenue and grants	12.9	10.8	15.8	16.4	13.0	16.1	14.7
Tax revenue	12.5	9.5	13.7	14.6	11.5	14.2	13.0
Nontax revenue	0.4	0.6	5.0	2.4	1.6	1.9	1.7
Grants	0.0	0.7	0.0	0.1	0.0	0.0	0.0
Total Expenditure and net lending	14.2	10.2	18.3	16.2	15.1	17.2	14.7
Current expenditure	4.6	5.5	16.9	15.2	....	....	12.7
Of which: wages and salaries	2.4	2.5	5.3	6.0	5.6	5.7	...
Capital expenditure/2	9.6	4.6	1.4	1.0	...	...	2.0
Overall surplus/deficit	-1.3	0.7	-2.5	0.2	-2.1	-1.1	0.0
Memorandum item							
GDP at current prices (in millions of US dollars)	561.8	442.3			214.8	214.8	544.3

Source: Liberian Authority and the IMF

Table3: Monetary Survey, 2002-June 2005

	2002 Dec.	2003 Jun.	2003 Dec.	2004 Mar.	2004 Jun Est.	2004 Dec Proj.	2005 Jun proj.
Net foreign assets	-36,816	-50,767	-30,142	-31,604	-31,309	-31,309	-31,101
Of which: fund credit and overdraft charges	-36,607	50,105	-30,579	-32,604	-32,995	-33,179	-33,363
Of which: CBL's gross foreign reserves	212	39	396	678	455	821	1,190
Assets corresponding to Government U.S. dollar denominated deposit at CBL	47	11	265	52	0	0	0
Asset corresponding to commercial banks' U.S. dollar deposit at CBL	294	249	235	638	415	499	567
CBL's net foreign reserves	-128	-221	-105	-12	40	322	623
Net domestic assets	39,714	53,378	33,083	35,119	35,774	36,348	36,920
Net domestic credit	53,571	69,606	44,294	47,521	48,159	49,123	49,501
Net Claims on Government	52,383	67,712	43,027	46,140	46,559	47,075	47,268
Of which: funds credit and overdraft charges	36,607	-50,105	30,579	32,604	32,995	33,179	33,363
Claims on private sector	1,109	1,801	1,060	1,324	1,541	1,990	2,175
Claims on public sector	65	79	43	39	39	39	39
Claims on nonblank financial institutions	14	14	164	19	19	19	19
Other Items, net	-13,857	-19,219	-11,211	-12,403	-12,385	-12,775	-12,580
Monetary aggregates							
Currency outside banks (Liberia Bank notes and coins)	1,045	1,137	1,304	1,317	1,399	1,700	2,003
Commercial bank's reserves at Central Bank of Liberia	196	151	132	154	176	216	255
Money and Banking (stocks in billions of Liberian dollars)	1,241	1,288	1,436	1,472	1,576	1,917	2,258
Commercial bank deposit	1,853	1,483	1,637	2,457	2,771	3,339	3,816
Total demand deposit	1,318	942	1,203	1,850	2,091	2,513	2,845
Liberia Dollar denominated deposit	168	120	137	174	188	226	263
U.S. dollar denominated	1,150	822	1,066	1,676	1,903	2,287	2,583
Time, savings, and other deposits	535	541	434	607	679	826	971
Liberian dollar denominated deposit	94	159	160	192	208	260	308
U.S. dollar denominated deposit	441	382	273	415	471	566	662
Broad money	2,898	2,620	2,941	3,774	4,170	5,039	5,820
Liberian dollar component	1,307	1,416	1,601	1,683	1,796	2,186	2,575
U.S. dollar component	1,591	1,204	1,340	2,091	2,374	2,853	3,245

Source: Liberian Authorities and the IMF

**Table 4: Balance of Payments, 2001 – June 2005**

	2001	2002	2003	2004	2004	2005
		Est.	Est.	Jan-Jun	Jul-Dec	Jan-Jun
Trade balance	-65.9	-15.2	-50.4	-150.6	-163.3	-200.4
Exports, f.o.b	127.9	166.5	94.8	20.3	21.6	22.7
Of which: rubber	54.0	59.2	39.3	19.7	18.7	20.4
Timber	69.2	100.4	54.3	0.0	0.0	0.0
Imports, c.i.f.,	-193.8	-181.7	-145.2	-170.9	-185.0	-223.1
Petroleum	-37.7	-60.5	-25.3	-12.7	-15.3	-16.8
Rice (incl. food aid)	-27.6	-38.1	-49.0	-22.1	-22.1	-22.1
Donor	-15.2	-19.5	-19.0	-114.3	-117.0	-136.8
Others	-113.3	-63.6	-51.9	-12.3	-37.6	-22.5
Services (net)	14.7	19.3	1.5	-2.8	-3.6	-3.9
Income (net)	-110.7	-87.0	-64.2	-32.1	-32.1	-32.1
Of which, public interest payments due	-67.8	-44.8	-44.5	-29.1	-29.1	-29.9
Current transfers (net)	53.4	76.8	79.7	159.0	175.7	213.6
Donor/Ngos transfers	32.1	42.6	19.6	130.2	132.5	173.1
Private Transfer	21.3	34.2	60.1	28.8	43.2	40.5
Remittances	10.2	20.8	50.3	20.9	31.2	28.5
Other transfers	11.0	13.4	9.8	7.9	12.0	12.0
Current account balance	-108.5	-6.1	-33.4	-26.5	-23.3	-22.8
Current account balance, excluding grants	-140.6	-48.7	-52.9	-53.1	-48.5	-48.7
Money and banking (stocks, in billions of Liberian dollars)	-10.2	-15.0	-34.7	-12.0	-12.8	-13.2
Official financing	-22.5	-22.4	-23.5	-9.1	-9.1	-9.1
Disbursement	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-22.5	-22.4	-23.5	-9.1	-9.1	-9.1
Private financing	12.3	7.4	-11.2	-2.9	-3.7	-4.0
Direct foreign investment	8.3	2.8	0.0	0.0	0.0	0.0
Other investment	4.0	4.7	-11.2	-2.9	-3.7	-4.0
Errors and Omissions	29.2	-47.5	0.0	0.0	0.0	0.0
Overall balance	-89.5	-68.6	-68.1	-38.5	-36.1	-35.9
Financing	89.5	68.6	68.1	38.5	36.1	35.9
Changes in Official reserves (increase, -)	-0.2	2.0	0.1	-2.8	-5.2	-5.4
Arrears (Accrual, +)	89.7	66.6	68.0	41.3	41.3	41.3
Memorandum Items:						
Current account balance (in % of GDP)						
Including Arrears	-20.3	-1.1	-7.6	-12.3	-9.0	-8.0
Excluding arrears	-26.3	-8.7	-12.0	-24.7	-18.7	-17.1
Excluding grants and public interest payments due	-7.6	6.9	2.5	1.2	2.2	2.5
Trade balance (in % of GDP)	-12.3	-2.7	-11.4	-70.1	-62.9	-70.4
Public sector external debt (medium and long term)						
Debt outstanding, including arrears	2,433.0	2,679.0	2,712.0	2,753.3	2,794.6	2,835.9
In % of GDP	455.3	476.8	613.3	640.9	588.8	498.4
Debt service charges	89.7	66.6	68.0	41.6	41.6	41.9
In % of GDP	16.8	11.9	15.4	19.4	16.0	14.7
Terms of Trade (1997=100)	88.6	107.0	122.3	119.5	117.8	119.5
Net foreign assets	...	-2.0	-2.1	0.7	5.9	11.3
Net foreign reserves (in months of imports)	....	0.0	0.0	0.0	0.2	0.3
GDP at current prices)	534.4	561.8	442.2	214.8	259.8	284.5

Sources: Liberian Authorities and the IMF

**LIBERIA: SUMMARY OF CLUSTERS AND EXPECTED OUTCOMES OF  
THE RESULTS-FOCUSED TRANSITIONAL FRAMEWORK (RFTF)**

No.	CLUSTER & SECTOR	PRIORITY OUTCOME BY END 2005
1	UNMIL Deployment	Public and Business confidence increased, and greater security ensured through UNMIL deployment.
	Armed Forces Restructuring	Establishment of armed forces' role in building peace and supporting democratic transformation, restructuring, retraining and deployment initiated in accordance with the August 2003 Comprehensive Peace Agreement (CPA).
2.	Disarmament, Demobilization, Rehabilitation of Ex-combatants (DDRR).	Successful disarmament and demobilization of 38,000-53,000 female and male ex-combatants (XCs) and collection and destruction of 70,000 weapons by December 2004. Child XCs demobilized and fully reintegrated, essential retrospective support, counseling and referral services initiated for all ex-combatants, at least 50 percent of adults reintegrated into Liberian society.
3.	Refugees, Returnees and Internally Displaced Persons (IDPs).	Essential retroactive support, including social protection, legal assistance and basic social services (health, education, water and sanitation) for up to 350,000 refugees and returnees; 73,000 third-country refugees in Liberia and 490,000 IDPs with inputs to community-level institutions that encourage self-sufficiency of returnees and IDPs, and their effective reintegration.
4	Governance, Democratic Development and Rule of Law	<p>Immediate priority given to the establishment of institutions necessary for security and the rule of law, particularly those required by the CPA, and to the essential functions of government during the transition period.</p> <p>Government functions implemented through streamlined, efficient national institutions, executed by a restructured, re-capacitated, professional and merit-based public sector that works as a disciplined and credible entity.</p> <p>Improved capacity for planning, coordination and delivering essential services at local level.</p> <p>Jump-starting of essential criminal courts, foundations laid for a professional, independent and credible judiciary.</p> <p>Mechanisms re-established to facilitate the rule of law.</p> <p>Rapid establishment of an interim Police Force, staffed by well-vetted personnel with essential equipment and training.</p> <p>Reform of the correction system so that it functions more in line with international best practices</p> <p>Foundations laid for a strong, vibrant and involved civil society with CSOs able to exercise their rights, develop community-driven accountability mechanism and access legal aid, including for women and the vulnerable.</p>
5	Elections	Prepare for and ensure the holding of free, fair, and transparent elections, with full participation of the electorate in accordance with the CPA
6	Basic Services	<p>National-wide action to increase the Liberian people's access to effective Primary Health Care (PHC) and referral services, targeting priority health conditions such as HIV/AIDS, malaria, TB, diarrhea, childhood and maternal illness.</p> <p>Support universal access to quality education by: (i) rehabilitating supplying and revitalizing at least 25 percent primary and secondary schools, and a substantial part of the vocational training and the higher education system; (ii) implementing back-to-school programmes, and (iii) addressing gender-based inequality in education.</p> <p>Meeting immediate needs for capacity and institutional building, including supporting the Ministry of Education in</p>

7.	Restoration of Productive Capacity and Livelihood	<p>defining and implementing a new education policy, strengthening teachers and education officers' training, reviewing curriculum for all levels of education system, and procuring and developing teaching and learning materials</p> <p>Availability of, and access to, food in rural and urban areas improved, and food security achieved through the following actions: (i) improving vulnerable groups' access to food, via food input and cash-based safety nets; (ii) restoring agriculture based productive capacity; (iii) community based development sustained through local capacity-building, inputs to increase food and cash crop production, skills training, rehabilitation of rural infrastructure and sustainable use of forestry resources.</p> <p>Artisan coastal fish production restored through provision of equipment and micro-finance; community development programmers jump-started, with particular attention to the needs of women and returnees, and options for safety nets are examined and acted on to support disabled and elderly people, pregnant women and other vulnerable victims.</p>
8.	Infrastructure	<p>Rehabilitating capacity of Liberia Electricity Corporation, electricity services in Monrovia restored, electricity services in rural areas developed, and options for private sector participation explored.</p> <p>Restoration of the road system and stable road management restored, including the upgrading of primary roads and the rehabilitation of secondary and feeder roads</p> <p>Improve safety of public and freight transport, improved availability and efficiency of air travel, through the restoration of normal operations of Robert International Airport and domestic airports.</p> <p>Fixed telephones services restored, mobile phone network expanded and regular framework established</p> <p>Urban water and sanitation management systems improved.</p>
9	Economic Policy and Development Agenda	<p>Revenue collection, budgeting and finance management practices brought into line with current best practices</p> <p>Strengthened accounting systems and practices and decentralization of the financial management system</p> <p>Strengthen Public procurement system</p> <p>Revive the banking and financial system and reactive industries and natural resources management.</p>
10	Coordinated Implementation of the transitional Framework	<p>A joint government, international organization and donor mechanism established to manage inputs for implementation of the RFTF</p>