

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



LIBERIA

**AFRICAN DEVELOPMENT BANK – WORLD BANK
JOINT ASSISTANCE STRATEGY
2008-2011 and Eligibility to the Fragile States Facility**

COVER NOTE

REGIONAL DEPARTMENT WEST II (ORWB)

November 2008

REPUBLIC OF LIBERIA – FISCAL YEAR

July 1 - June 30

CURRENCY EQUIVALENTS (as of October 30, 2008)

Currency Unit	= Liberian Dollar (LR\$)
UA 1.00	= LR\$102.3
UA 1.00	= US\$1.56
US\$1.00	= LR\$65.69

WEIGHTS AND MEASURES

Metric System

ACRONYMS AND ABBREVIATIONS

ADF	African Development Fund
AFCR	African Food Crisis Response
AfDB	African Development Bank
CPA	Comprehensive Peace Agreement
CPIA	Country Policy and Institutional Assessment
DFID	Department for International Development
ECOWAS	Economic Community of West African States
EFF	Extended Fund Facility
EITI	Extractive Industries Transparency Initiative
ESW	Economic and Sector Work
EU	European Union
FAPA	Fund for African Private Sector Assistance
FDI	Foreign Direct Investment
FSF	Fragile States Facility (AfDB)
GEMAP	Governance and Economic Management Assistance Program
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
I-PRS	Interim Poverty Reduction Strategy
ISP	Institutional Support Project
JAS	Joint Assistance Strategy
LRDC	Liberia Reconstruction and Development Committee
LWSC	Liberia Water and Sewerage Corporation
MDG	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MOF	Ministry of Finance
MTEF	Medium Term Expenditure Framework
NTGL	National Transitional Government of Liberia
ODA	Official Development Assistance
PCCF	Post-Conflict Country Facility
PEFA	Public Expenditure and Financial Assessment
PFM	Public Financial Management
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
SLFO	Sierra Leone Field Office
SME	Small and Medium Enterprises
SSA	Sub-Saharan Africa
UA	Unit of Account of the AfDB
USAID	United States Agency for International Development

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I. INTRODUCTION

1. A Joint Interim Strategy Note for Liberia was discussed by the World Bank Board of Directors in June 2007¹ and by the African Development Bank Boards of Directors in September 2007². It laid out a 12-month strategy under the rubric of Liberia's Interim Poverty Reduction Strategy Paper (PRSP), focusing on rebuilding the shattered institutions of the state, as well as the infrastructure so desperately needed to jump start economic growth.

2. The Government has made great strides over the past year, with the clearance of arrears with the World Bank, the African Development Bank (AfDB), and the International Monetary Fund (IMF). This allowed Liberia to reach Heavily Indebted Poor Country (HIPC) Decision Point quickly. This opened the door for full development programs with the International Financial Institutions (IFIs) and unblocked the path to full debt relief under the Multilateral Debt Relief Initiative (MDRI). In addition, the Government has recently completed its first full PRSP covering the period April 2008 to June 2011.

3. The proposed Joint Assistance Strategy (JAS) conceptualizes Bank Group and World Bank Group support to Liberia during the three-year period of July 2008 to June 2011.³ It also requests Liberia's access to financing under the Fragile States Facility (FSF). Bank Group assistance to Liberia under the JAS will be provided within the framework of African Development Fund (ADF)-11 (2008-2010), part of ADF-12 (2011-2013), and the FSF should eligibility be granted. The JAS was prepared in close collaboration between the two institutions and Liberia, including a joint mission to conduct comprehensive consultations with the government, development partners and other stakeholders. Sierra Leone Field Office (SLFO) staff participated in the preparation mission and conducted the joint consultation mission. Close cooperation between the Bank, the World Bank and the government will continue during the implementation of the JAS, on the basis of the joint performance monitoring framework.

¹ See Liberia: Joint Interim Strategy Note, June 2007

² See Liberia: Joint African Development Bank/World Bank Interim Strategy Note (ISN) 2007-2008 (ADB/BD/WP/2007/77, ADF/BD/WP/2007/51)

³ The PRSP covers up to June 2011. Though the JAS could cover only up to December 2010 to coincide with the ADF-12 cycle, the new PRSP may not be at an advanced enough stage to inform the new country assistance strategy.

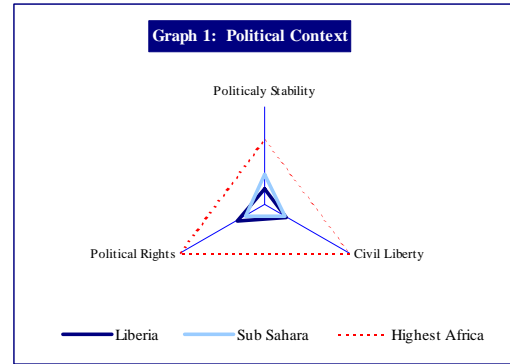
II. COUNTRY CONTEXT AND PROSPECTS

2.1 Political, Economic and Social Context

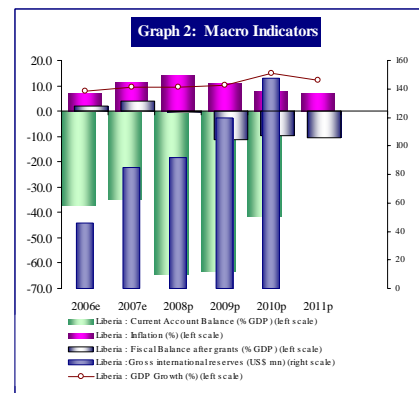
4. **Political Context.** After the outbreak of civil war in 1989 and 14 years of civil conflict in Liberia, a Comprehensive Peace Agreement (CPA) was signed and the National Transitional Government of Liberia (NTGL) was established. Historic presidential elections took place and Ellen Johnson-Sirleaf was sworn into office in 2006, becoming the first democratically elected female Head of State in Africa. By early 2007, significant progress was made in restoring peace and security, and UN forces are expected to begin to be drawn down over the coming years.

5. Strained relations between the Executive and opposition-controlled Legislature has complicated the enforcing of reforms. Truth and Reconciliation Commission hearings are contributing to a national dialogue about the war. Liberia is politically less stable than most Sub-Saharan African (SSA) countries but is marginally above SSA average on political rights and civil liberty. Security with Sierra Leone, Cote d'Ivoire and Guinea remains stable at this time, but ongoing crises in several neighboring countries remain a cause for concern.

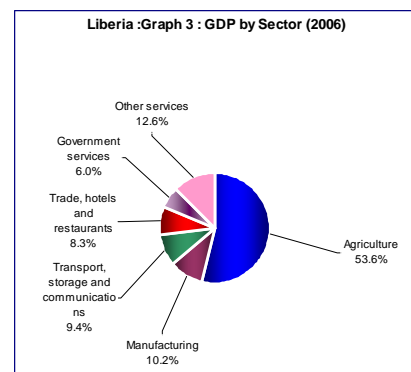
6. **Growth and Growth Drivers.** Real GDP has increased steadily since 2003, reflecting notably the contribution of a large donor presence. The 2007 estimate of aid per capita is at \$75.1, much higher than that for Africa at \$43.9. Growth has been spurred by agriculture which accounts for over half of GDP, retail trade, communications, transport and construction. Foreign direct investment grew from about US\$6 million in 2006 to US\$120 million in 2007. Domestic investment also increased. Export growth recovered strongly, reflecting mostly the recovery in rubber exports. Real GDP growth should strengthen with higher private sector-led investment.



Source: AfDB Statistics Department, African Economic Outlook 2008, WB Governance Indicators 2008

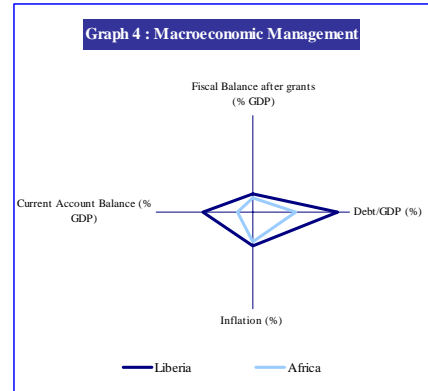


Source: AfDB Statistics Department, using IMF, 2008 data



Source: AfDB Statistics Department, African Economic Outlook, 2008

7. **Macroeconomic Management.** The first review (October 2008) under the 2008-2010 arrangement under the Poverty Reduction Growth Facility (PRGF) and Extended Fund Facility (EFF) indicated that performance under the program has been strong with a bright medium term outlook. Preliminary understandings under Article IV consultations have been reached. Inflation has remained in the single digit range, though it is projected to increase due to higher international food and energy prices. Strong import demand has resulted in a widening of the trade balance.

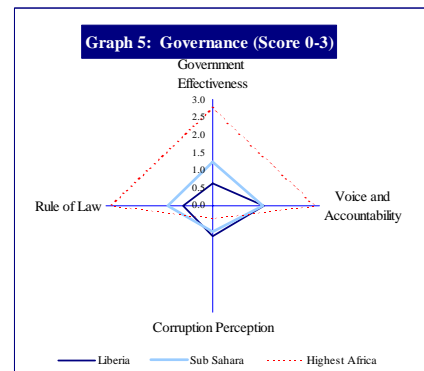


Source: AfDB Statistics using IMF 2008 Data

8. Fiscal revenues have consistently improved, and the Government kept expenditures in line with revenues. The fiscal account showed an accumulated surplus over the last two fiscal years. Despite this recent strong performance, Liberia's per capita expenditure (\$40 per capita in FY06/07) is among the lowest in the world.

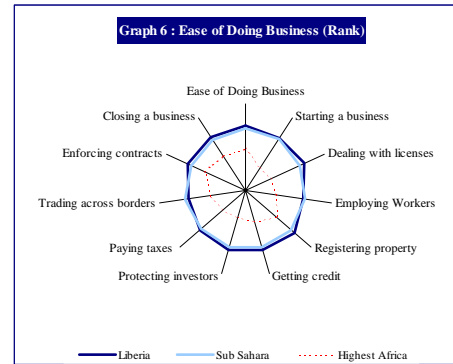
9. Liberia cleared its arrears to the World Bank and AfDB in December 2007 and to the IMF in March 2008, thus reaching Decision Point under the Enhanced HIPC initiative. The Government also reached an agreement with the Paris Club creditors in April 2008, and is working to resolve its commercial debt and domestic debts. The Government has also recently completed a debt management strategy. It is expected that Liberia will reach completion point by 2010. The low-income country debt sustainability analysis baseline scenario—which assumes full delivery of traditional debt relief—reveals that Liberia is in debt distress.

10. **Governance.** Under the first PRGF/EFF review (October 2008), the IMF commended the Executive and the Legislature for their continued commitment to strengthening public financial management, as well as Liberia's efforts to improve governance and combat corruption. The Governance and Economic Management Assistance Program (GEMAP) has led to considerable improvements. An independent anticorruption commission with prosecutorial powers has been established. Liberia showed the world's second-largest improvement in the 2006 index of "control of corruption". Its performance under Government Effectiveness and Rule of Law is below SSA averages, but is on par with SSA on Voice and Accountability and on Corruption Perception. The Government plans to develop a decentralization policy.



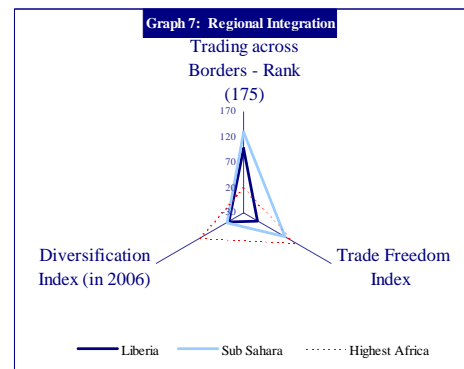
Source: AfDB Statistics Department, WGI, WB, 2008

11. Business Environment and Competitiveness. Liberia's business environment is plagued by cumbersome procedures and high administrative and regulatory costs. Liberia was ranked 157 out of 181 economies in 2008 and 170 out of 178 in 2007⁴ on ease of doing business. It ranks below SSA average on all but "employing workers" and "trading across borders". Between 2007 and 2008, a number of reforms made starting a business and starting construction works faster and easier, eased access to credit and facilitated cross-border trade.



Source: AfDB Statistics Department, Doing Business Databases, WB, 2008

12. Regional Integration and Trade. Liberia ranks better than the SSA average on trading across borders. It is a member of the Economic Community of Western African States (ECOWAS) and has committed to adopting its Common External Tariff. It is also a member of the Mano River Union. Liberia's exports of diamonds, rubber and timber are no longer under economic sanctions. In 2007, Liberia applied for World Trade Organization membership. The Government aims for better integration of Liberian firms with regional and global markets, and achieving accession to the World Trade Organization.



Source: AfDB Statistics Department, Doing Business Databases, WB, 2008, AEO 2008 and The Heritage Foundation, 2008

13. Poverty, social inclusion and equity. Liberia is one of the poorest countries in the world, ranking on the bottom on human development indicators. Significant rural-urban and male-female divides exist. Despite important progress, women remain disproportionately affected by poverty in all its dimensions, and gender-based violence remains a serious problem (PRSP, 2008). Liberia is unlikely to meet most of the Millennium Development Goals (MDGs) despite the country's commitment to achieve progress in them. Government has focused on improving outcomes in basic education and in

Box 1: Key Poverty & Social Indicators - 2007	
Per capita GDP	US\$ 190
Percent below poverty line	63.8
Percent in extreme poverty	47.9
Urban percent below pov. line	55
Rural percent below pov. line	68
Net Primary Enrollment rate	37
Gross Enrolment rate	86
Under-five Mortality (per 1,000)	235
Maternal mortality (per 100,000 births)	994
Life Expectancy at birth (years)	45
Children Stunted (%)	39
Access to safe water	50
Access to improved sanitation	40
HIV prevalence (percent)	2-5

⁴ Doing Business Report 2008 and 2009.

health, including ensuring social protection for the poorest and most vulnerable. Inequity and marginalization are recognized by Liberians as the root cause of civil conflict.

13. **Environment and climate change.** Liberia is party to most environmental International Agreements.⁵ Forestry remains one of Liberia's most important latent sources of income and environmental management is key to its sustainability. The Government has developed a National Environmental Policy, adopted two major environmental laws, and established the Environmental Protection Agency, fully functional in 2006.

2.2 Strategic Options

2.2.1 Country Strategic Framework

14. The first full PRS (April 2008 - June 2011) is built around four pillars: (i) Peace and Security, (ii) Economic Revitalization, (iii) Governance and Rule of Law, and (iv) Infrastructure and Basic Services, with gender equity, peace-building, environmental sustainability, HIV and AIDS, children and youth, and Monitoring & Evaluation (M&E) cross-cutting themes. The PRS identified weaknesses and sets up a medium term agenda that will move the country from post-conflict stabilization to laying the foundation for inclusive and sustainable growth, poverty reduction, and progress towards the MDGs (see Annex III).

2.2.2 Challenges and Weaknesses

15. **Infrastructure** paucity is one of the key impediments to investment, trade and growth, and remains one of Liberia's greatest post-war challenges.

16. **Agriculture** is the primary source of livelihood for a majority of the population in the form of subsistence farming. The challenge is to boost marketable surplus through infrastructure, technology, inputs extension services and land tenure reform. Agriculture is a major component of economic revitalization and is critical to food security. Reforming Liberia's outdated dual land tenure system is also necessary to boost agriculture. The recently completed Agricultural Sector Review identified major strategies for agricultural recovery and provided a foundation for the PRS. In addition to extractive industries, forestry remains one of Liberia's most important latent sources of income with considerable potential to contribute to economic growth.

⁵ Liberia is party to the following International Agreements: Biodiversity, Climate Change, Climate Change-Kyoto Protocol, Desertification, Endangered Species, Hazardous Wastes, Ozone Layer Protection, Ship Pollution, Tropical Timber 83, Tropical Timber 94, and Wetlands. It has signed but not ratified the following agreements: Environmental Modification, Law of the Sea, and Marine Life Conservation.

17. **Commercial mining** activities ground to a halt during the civil war and the challenge is to restart the mining activities in a way that would ensure rapid and inclusive growth. Since 2006, the government has demonstrated a commitment to reforming the mineral sector to ensure rapid and inclusive growth.

18. **Improving human development outcomes remains a daunting challenge in Liberia's post-war recovery**, and it is unlikely that the country will meet most of the MDGs. Since the end of the war, Government has focused on improving outcomes in basic education and in health and ensuring social protection for the poorest and most vulnerable.

19. **Another challenge relates to raising the stock and quality of human resources.** The civil conflict led to a profound degradation of the country's institutional capacities and the public administration's human resources.

20. **The private sector is highly underdeveloped, yet private sector growth, if equitable, is poised to be the main engine of Liberia's post-war recovery.** Most businesses are small and informal. In addition to the limited infrastructure and low human development indicators, there is limited access to finance and advisory services. The country's financial institutions, most of which are banks, remain small and extremely fragile due to severe undercapitalization and the very poor quality of their loan portfolios.⁶ There are no reliable business support services. The government of Liberia is committed to private sector-led growth, focusing particularly on the enabling environment for the private-sector.

2.2.3 Strengths and Opportunities

21. **Liberia's comparative advantage lies in its natural resource endowment.** Liberia has a rich natural resource base with fertile lands, extensive forestry resources, iron ore, gold, diamonds and the ocean and coastal areas. Traditional exports have included rubber, cocoa, palm oil, iron-ore, gold, diamonds, and forestry products. Much of the country's export base was eroded during the war, and the main exports today are rubber

Table 1: Sectoral Real GDP Projections 2007-2011

	2007 Est.	2008 Proj.	2009 Proj.	2010 Proj.	2011 Proj.
	Annual percentage change				
Real GDP	9.5	9.6	10.3	14.8	12.3
Of which:					
Agriculture & fisheries	7.3	3.6	3.7	3.8	3.8
Forestry	1.0	22.1	10.0	15.6	14.9
Mining & panning	1614.6	73.5	106.4	78.2	51.1
Manufacturing	3.9	3.9	3.9	24.3	5.0
Services	10.4	9.5	9.0	8.2	8.2
	Percent share of total real GDP				
Real GDP	100.0	100.0	100.0	100.0	100.0
Of which:					
Agriculture & fisheries	42.0	39.8	37.4	33.8	31.2
Forestry	12.9	14.4	14.4	14.5	14.8
Mining & panning	2.5	4.0	7.5	11.7	15.8
Manufacturing	13.2	12.5	11.8	12.7	11.9
Services	29.3	29.3	28.9	27.3	26.3

Source: Government of Liberia and IMF staff estimates, in PRSP 2008

⁶ Prior to the civil war, there were 14 banks in the country whereas today there are only five, two of which received their licenses in 2005. As of December 2006, the total assets of the banking sector were equivalent to USD 157.0 million. Although this is small in absolute terms, it represents 25% of total GDP compared to 14% at the end of the civil war in 2003. There are also 20 insurance companies, five microfinance institutions, three money-transfer entities, and 118 licensed foreign exchange bureaus.

and scrap metal.

22. **Significant potential in the agriculture sector exists.** Agriculture production has been increasing, particularly for rice (by 25 percent in two years) and cassava (by 35 percent). Over the medium term, rubber, palm oil, coffee, cocoa and other cash crops have significant potential. There is also a large potential for growth in fisheries. There has been a sharp increase in world demand for, and international prices of agricultural commodities of late, providing an excellent opportunity for Liberia to expand its agricultural output.

23. **In the medium term, economic growth is expected to be driven primarily by the forestry and mining sectors.** Liberia has a significant artisanal and small-scale mining sector, primarily in diamonds and gold. Mining and panning activities are expected to grow to 12 percent of GDP over this three-year period. Forestry production is projected to bring in about \$46 million by 2011. Growth in these sectors will be complemented by an expansion in construction, hotels, restaurants, retail trade, electricity and other services. Construction has been a main driver of growth over the past two years expanding by 40 percent since 2005.

24. **In the medium to long term, Liberia has the potential to diversify** in agro-processing, horticulture, furniture and other wood products, downstream rubber products, and services, besides producing for export. Establishing an environment that promotes economic diversification is an important element of the PRSP to ensure long-term inclusive growth.

25. **Liberia's domestic and international transport costs are lower than regional and low-income group averages.** On the latest Logistics Performance Index Liberia was ranked 105th (out of 151), with a score very similar to that of an average SSA or low-income country⁷. Liberia's domestic and international transport costs (3.2 and 2.8 respectively, on the scale of 1 to 5 best) were lower than regional and low-income group averages.

26. **Between 2005 and 2007, Liberia showed a steady improvement in its overall Country Policy and Institutional Assessment (CPIA),** moving it from the fourth to third to second quintile of African countries. Notable improvements have occurred in macroeconomic management and fiscal policy, equity of public resource use and in public sector management and institutions. Areas with least improvement are debt management, the financial sector, gender equity, social protection/labor laws, environmental policy and property rights. In 2007, Liberia's performance on any of these indicators places it in the first to third quintiles of African countries. The Donor community has acknowledged these achievements and has been supportive of

⁷ World Trade Indicators, 2008

Government reform efforts with about 100 percent increase in Official Development Assistance (ODA) per capita between 2005 and 2007.

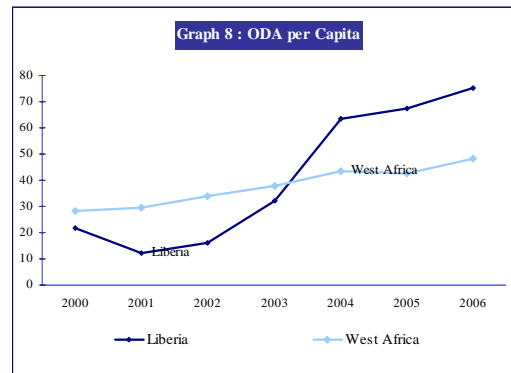
Table 2: Liberia CPIA Ratings 2005-2007

Year	A. Economic Management			B. Structural Policies			C. Policies for Social Inclusion / Equity					D. Public Sector Management and Institutions					Overall Rating
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
	Macro Economic Management	Fiscal Policy	Debt Policy	Regional Integration and trade	Financial Sector	Business Regulatory Environment	Gender Equality	Equity of Public Resource Use	Building Human Resources	Social Protection and Labor	Environmental Policy & Regulations	Property Rights & Rule Based Governance	Quality of Budgetary & Financial Managt.	Efficiency of Revenue Mobilization	Quality of Public Administration	Transparency, Accountability & Corruption in Pub. Sector	
2007	4.5	4.5	3.0	3.5	3.0	3.5	3.5	4.0	3.0	3.0	3.0	3.0	4.0	4.0	3.0	4.0	3.54
2006	4.0	4.0	3.0	3.0	2.5	3.5	3.5	4.0	2.5	2.5	2.5	3.5	3.5	4.0	2.5	3.5	3.27
2005	2.5	4.0	3.5	2.5	2.5	2.0	3.5	1.5	1.5	2.5	3.0	2.5	2.5	2.5	1.5	1.5	2.54

Source: AfDB/WB, 2007, CPIA

2.3. Developments in Aid Coordination and ADB Positioning

27. Total ODA is estimated at \$357 million for 2007, excluding UNMIL's peacekeeping operations.⁸ Donors concentrate in a few key areas: security sector reform, health, education and infrastructure. Data on aid flows is limited. The largest donor is the United States Government, followed by the UN and the World Bank. Liberia also receives significant support from private foundations. Other important donors in Liberia include Sweden, the UK, Germany, Switzerland, Ireland, Japan and France. The recently launched Liberia Reconstruction Trust Fund (LRTF) for infrastructure pools funds in support of massive infrastructure reconstruction needs. Development assistance is coordinated through the Liberia Reconstruction and Development Committee (LRDC). The February 2007 Liberia Partners Forum in Washington DC was a strong step towards government-led donor coordination, and partners endorsed the Government's PRS at the 2008 Partners' Forum in Berlin.



Source: AfDB Statistics Department, OECD Databases, 2008

28. **ADB Positioning.** The Boards in July 2008 approved the Bank's and the Fund's share of HIPC debt relief for Liberia. The Bank Group's contribution to Liberia's debt relief of US\$238.1 million in end-June 2007 NPV terms was provided under the arrears clearance mechanism with contributions from the PCCF, the European Commission and other Donors. By mutual agreement with the HIPC Trust Fund, there is an over-delivery of Bank Group debt relief to Liberia, equivalent to US\$19.8 million in June 2007 NPV

⁸ Based on data from the 2007 Paris Declaration Survey.

terms, to be used at Liberia's completion point as additional debt relief due to data revisions. Consequently, no further disbursement will be necessary to deliver interim relief to Liberia. The total debt relief committed by the creditors, including the Bank Group, will be revised during the DSA exercise at completion point.

29. Since October 2006 and as of 30 September 2008, the Bank Group has approved 5 operations: 2 are ADF-10-financed, one is AWF-financed, one has a DfID-financed component which is administered by the Bank, and the fifth is financed out the Bank's private sector window. The total grant-financing of UA 20.64 million is allocated to the following sectors: water supply and sanitation (7 percent); infrastructure/social (78 percent); economic management and governance (15 percent). These projects have been approved recently, and only three operations are ongoing (see Annex I (B)), with a global disbursement rate of 6 percent. The ISP is the only project rated so far. Project performance is satisfactory and will continue to improve. The project is rated 2.46⁹ with implementation progress of 2.33 and impact on development of 2.75.

30. The anticipated problems affecting portfolio performance include delays in fulfillment of conditions for operation effectiveness, submission of progress and audit reports and in procurement and disbursement. This partly reflects weak country implementation capacity. The Bank is delegating field missions to SLFO to play a proactive role in portfolio management and to increase the Bank presence on the ground. The lessons from the Bank's experience in Liberia are thus: (i) maintain selectivity and limit areas of engagement; (ii) build implementation capacity at the country level including in key areas such as procurement and financial management; (iii) simplify project design and; (iv) enhance field presence.

III. JOINT BANK GROUP/WORLD BANK GROUP STRATEGY

3.1 Rationale for Bank Group Intervention

31. The overarching aim of this joint Country Assistance Strategy (JAS) of the Bank Group and World Bank Group is to support Liberia's transition from post conflict recovery to long-term development. More specifically, the strategy is focused on addressing some key constraints to growth as well as enhancing the policy and institutional framework to ensure that growth is increasingly pro-poor. The proposed strategy is fully aligned with the PRSP pillars and objectives.

32. The strategy was prepared jointly to allow the two institutions to better align their development programs, avoid duplication of efforts, and realize the benefits of combining their technical expertise. Under this joint strategy the World Bank and the Bank Group have developed a shared vision and common platform for action. The World Bank and

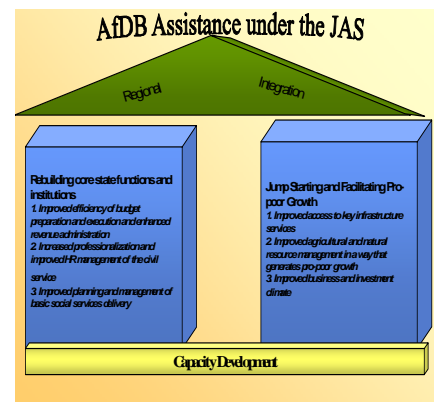
⁹ The scale ranges from 0 "highly unsatisfactory" to 3 "highly satisfactory"

the African Development Bank will carry out several jointly financed programs, including joint investments in the water sub-sector and joint analytic work in the areas of governance and public finance management as well as WSS. The strategy was prepared in close cooperation with the government and is based on extensive consultations with stakeholders across Liberia. The Government has requested the Bank to assume the lead role in the water supply and sanitation sector.

33. The JAS will focus on three strategic themes: (i) Rebuilding core state functions and institutions; (ii) Rehabilitating infrastructure to jump-start economic growth; and (iii) Facilitating pro-poor growth. These themes are fully aligned to Pillars II, III, and IV of Government's PRS but they also reflect the comparative advantage of both Banks as well as the leadership of other donors in specific thematic areas, such as for example, the leadership of the UN on Pillar I-Peace and Security of the PRS. The JAS will also focus on the cross-cutting objective of capacity development. Gender and the environment, and job-creation are important elements of the strategy that will be increasingly mainstreamed into AfDB and World Bank programs.

3.2 Bank Group Assistance under the JAS-Deliverables and Targets¹⁰

34. Bank Group assistance to Liberia under the JAS will be provided within the framework of ADF-11 (2008-2010), part of ADF-12 (2011-2013), and potentially the FSF. The three-year indicative ADF 11 performance-based country allocation as of 2008 amounts to UA 29.81 million. Liberia is potentially eligible for FSF financing (see Annex IV). Should eligibility be granted, FSF supplemental financing would amount to UA13.01 million, and available FSF financing from the targeted support window would amount to UA 2.00 million. Total ADF and FSF financing under ADF-11 cycle thus amounts to UA 44.82 million. Indicative additional financing of UA 9 million will be sought from ADF-12 resources. Additional financing from AfDB project restructuring to finance the African Food Crisis Response in Liberia amounts to UA 3.0 million, and will be provided under the first 2008 budget support operation. Total indicative financing during the JAS period is thus UA 56.82 million.



35. The proposed assistance strategy is consistent with ADF-11 operational priorities and the Bank Group's Strategy for Enhanced Engagement in Fragile States, focusing on governance and capacity building and the rehabilitation and reconstruction of basic infrastructure. As per the Strategy for Enhanced Engagement in Fragile States and the Policy on Expenditures Eligible for Bank Group Financing, more flexibility will be

¹⁰ All amounts are indicative.

introduced in future projects on case-by-case basis, allowing up to 100 percent Bank financing, including for recurrent expenditures, taxes and local costs in order to strengthen the Bank's delivery performance in fragile states like Liberia. Rapid response-procedures will also be applied to speed up disbursement and procurement.

36. Bank support under the JAS will be selective, focusing on the priority sectors of governance and infrastructure. This support generally builds on existing projects which are complementary to the strategic themes and cross-cutting objectives of the JAS. Nonetheless, as under the ISN, Bank assistance will also aim to facilitate pro-poor growth so as to help maintain peace and security. Bank assistance under the JAS can thus be framed in terms of two pillars: (i) Rebuilding core state functions and institutions; and (ii) Jump-starting and facilitating pro-poor economic growth. The second pillar encompasses improved access to key infrastructure services, improved agricultural and natural resource management in a way that generates pro-poor growth; and improved business and investment climate.

37. **Pillar1: Rebuilding core state functions and institutions:** The Bank Group aims to contribute to achieving improved efficiency of budget preparation and execution and enhanced revenue administration; and improved planning and management of basic service delivery. In 2008, UA 9.00 million from the supplemental support window of the FSF will be used to finance the Public Financial Management Reform Support Programme (PFMRSP) I, a budget support operation which aims to strengthen public financial management (PFM) systems and modernize the tax and customs administration. The programme will be supported by the public financial management assistance provided under the Institutional Support Project, and seeks to, among others, improve fiscal policy design, strengthen the procurement and audit systems of the government, and support the government's measures to limit the social impact of rising food prices. The Bank would harmonize with the recently adopted Accra Action Agenda on aid effectiveness, agreed on September 4, 2008.¹¹ The Bank will also continue to assist Liberia, in close cooperation with the World Bank, in the implementation of the Extractive Industries Transparency Initiative (EITI), and seek to mobilize additional resources from bilateral trust funds to support governance reform.

38. The programme's UA 9 million financing will be enhanced by a UA 3 million grant in the form of an allocation from the Surplus Account of the ADB to the African Food Crisis Response (AFCR), which aims to mitigate the global food price rises.¹² The

¹¹ The Accra Agenda covers: (i) predictability (donors will provide aid information for up to 5 years); (ii) country systems (partner country systems will be used to deliver aid as the first option); (iii) conditionality (donors will switch from prescriptive conditions to accommodating the developing country's development objectives); (iv) untying (donors will allow developing countries to buy goods and services from the source offering the best quality at the lowest price).

¹² Specific objectives of the AFCR are to: i) reduce vulnerability of the poor to high and unstable food prices; ii) support broad based growth through increased agricultural productivity, market participation, and strengthened government policies for sustainable agricultural development; and iii) strengthen capacity in Government to ensure an enabling environment for sustainable agriculture growth.

UA 3.00 million from the AFCR will be disbursed with the first tranche. The government intends to use the AFCR funds for fertilizers, crop protection, and dissemination of the New Rice for Africa, and related activities which will ensure efficient implementation of subsequent medium-term food security interventions.

39. The second budget operation, for which indicative financing in the amount of UA 9.0 million will be sought from ADF-12 resources, would build on achievements under this programme and the Institutional Support Project.

40. **Pillar 2: Jump-starting and facilitating pro-poor economic growth**: the Bank Group aims to contribute to jump-starting and facilitating pro-poor growth through improved access to key infrastructure services; improved agricultural productivity and production and more effective management of natural resources (forestry and extractive industries); improved business and investment climate; and increased employment. In 2009, UA 20.00 million will be used to finance the Monrovia Expansion and Rehabilitation of Three County Capitals Water Supply and Sanitation Project. Part of the financing will come from the FSF supplemental financing window (UA 4.01 million). The design study for this project is ongoing. The project aims to expanding and rehabilitating the supply and sanitation systems in Monrovia and three county capitals of Kakata, Zwedru and Buchanan. This project will complement the on-going WB/DfID/AfDB/EU Monrovia Water and Sanitation Immediate Rehabilitation Project. The objective of the project is to improve water and sanitation services to Monrovia and improve the capacity of the Liberia Water and Sewerage Corporation (LWSC). The main components of the project consist of water works rehabilitation and sewerage system rehabilitation, capacity building for LWSC and water sector reform.

41. In 2009, UA 12.0 million will be used to finance the Agriculture Sector Rehabilitation Project which will focus on increasing agricultural productivity and income of small and medium scale farmers through the rehabilitation and reconstruction of rural feeder roads, storage, processing and marketing facilities, and water management/irrigation infrastructure for swamp rice cultivation, as well as increased extension and input support for production of crops (rice, the main staple) and vegetables. This project has an indicative infrastructure component of over 80 percent. The main aim is to revamp the rice value chain.

42. The Bank Group's private sector strategic priorities will focus on supporting Liberia's growth and competitiveness, through (i) more effective exploitation of natural resources; and (ii) improved business and investment climate. This will be done through lines of credit and/or equity and technical assistance from trust funds such as the Fund for African Private Sector Assistance (FAPA). In collaboration with IFC, the private sector window are exploring a potential Public-Private Partnership project for providing renewable energy to urban and rural areas, using wood from unproductive rubber trees. A project in iron mining is also under study. Besides the on-going Access Bank Liberia

project, support to the Liberian Bank for Development and Industry to increase access to commercial and investment banking in Liberia is also being explored.

43. **Regional Programs.** Consistent with AfDB Group regional Integration Strategy and ADF-11 Regional Operations Framework, Liberia will benefit from regional operations. The 2008 pipeline includes six operations in the areas of infrastructure, governance, health, and statistics and capacity building. UA 1.82 million will be used to cover Liberia's contribution to regional operations. Future regional operations will also be consistent with AfDB's Regional Integration Assistance Strategy for West Africa once it is approved by the Boards.

Table 3 Indicative Bank Program for Liberia for 2008-2011 to be financed during ADF 11 and part of ADF 12 Cycles

Project Title	Planned Board Approval	Indicative Amount	Region Covered
Public Sector Window (in UA million)			
Governance/Multisector-Pillar I			
1. PFRMRSP I-Budget Support (FSF and AFCR)	2008	12.00	
2. PFRMRSP II-Budget Support (ADF/ FSF-12)	2011	9.00	
Sub-Total		21.00	
Water Supply and Sanitation-Pillar II			
2. Monrovia Expansion and Rehabilitation of Three County Capitals (ADF-11/FSF)	2009	20.00	Monrovia and 3 County Capitals (Kakata, Zwedru and Buchanan)
Sub-Total		20.00	
Agriculture-Pillar II			
Agriculture Sector Rehabilitation Project (ADF-11)	2009	12.00	Lofa, Grand Kru and Grand Gedeh counties
Subtotal		12.00	
Liberia Contribution to Regional Programs (ADF-11)	2008-11	1.82	
FSF Targeted Support Window Activities	2008-11	up to 2.00	
Total		Up to 56.82	
Private Sector Window (in US\$ million)			
Energy-Pillar II			
Buchanan Renewable Power	TBD	TBD	TBD
Extractive Industries-Pillar II			
Iron Ore Project	TBD	TBD	TBD
Finance-Pillar II			
Credit Line/equity to LBDI	2009	8.00	Monrovia
Total		TBD	

44. **Analytical Work.** The Bank Group will undertake analytical work, including studies in the water sector and the development of a Water Sector Reform Strategy and Action Plan. The Bank will also continue to work with the World Bank and other development partners in the implementation of the PEMFAR recommendations, and will jointly undertake joint Public Expenditures and Financial Assessment (PEFA) in 2009. A Gender Profile will also be undertaken in 2009. An on-going Fragile States Needs Assessment Study will also design a program of capacity-building and analytical work which will be implemented under this JAS. The Bank will seek to prepare all Economic and Sector Work (ESW) jointly with other development partners, such that it would inform the preparation of the Bank Group's mid-term JAS review.

Table 4: Indicative Planned Analytic Work

	Product	Year
Pillar I	PEFA	2009
	Needs Assessment Study	2009
Pillar II	Water Strategy	2009/10
	Water Sector Reform Study	2009
Cross-Cutting	Gender Profile	2009

3.3 Monitoring and Evaluation of the JAS

45. The JAS Results Framework presents the results chain for the Banks' program of support and uses Liberia's new PRSP as its starting point (JAS Annex 1). A JAS M&E plan details baselines and targets for all indicators and milestones, as well as the sources and responsibilities for data collection and monitoring (JAS Annex 2). Given that results during the JAS period will come mainly from existing operations and the quicker-disbursing interventions, the results framework is closely linked with expected results of the ongoing portfolio of operations and analytical work.

46. In accordance with the FSF Operational Guidelines, monitoring of the FSF will be undertaken within the Bank's overall framework and the results matrix outlined in the FS strategy (Annex V). All operations supported by the FSF will follow the Bank Group's project design for monitoring and evaluation including the use of results based log-frame. Besides, Project Completion Reports shall be prepared for all FSF-funded operations above UA 1 million in value. This includes the PFRMRSP I-Budget Support operation and the Monrovia Expansion and Rehabilitation of Three County Capitals project.

47. The JAS outcomes will be monitored jointly by the AfDB, the World Bank and the Government. The Bank and World Bank are planning to focus on supporting the development of sound M&E systems related to infrastructure, agriculture and public financial management. The Government has started to prepare a national statistical development strategy which is expected to be finalized in 2008. The AfDB is proposing the establishment of a country office. Technical assistance out of the "targeted support" window of the FSF might be sought to support statistical capacity. There will be regular portfolio reviews, a JAS mid-term Progress Report, and a Completion Report at the end of the JAS period.

3.4 Country Dialogue issues

48. Continued dialogue with the Government within the Partnership Framework that the Bank signed with Government and other development partners in September 2008 is

essential to ensure success of the budget support operation in Liberia. Agriculture and extractive industries dialogue is also needed as the Government is developing its Agriculture and Mining policies and given the importance of these two sectors to inclusive growth. There is also need for dialogue on regional integration opportunities for Liberia.

3.5. Potential Risks and Mitigation measures

49. Implementation of the JAS is subject to three broad risks: (i) security, particularly in light of gradual UN troop drawdown, as well as a significant political and corruption risk; (ii) lack of implementation capacity, as well as environmental management weaknesses in infrastructure work; and (iii) external shocks, in particular global food and fuel price increases, as well as the global financial crisis. The JAS seeks to mitigate these risks through careful design of projects to offset corruption risks, while building capacity throughout its interventions. Although security and political risks cannot be comprehensively addressed by AfDB's and World Bank's interventions, the JAS program of interventions is designed specifically to target risky areas and provide support and incentive to continued efforts to increase stability and a commitment to reform. The close dialogue with the IMF under the macroeconomic reform program and a program of interventions targeted at the food price increases will help mitigate external shock risk.

IV. CONCLUSIONS AND RECOMMENDATIONS

50. **Conclusions:** Liberia is a fragile state undergoing a dramatic post-conflict transformation. This Joint Assistance Strategy, prepared by the African Development Bank and the World Bank, proposes a program of support for three years, closely aligned with the government's Poverty Reduction Strategy and in accordance with international principles and Bank policy and guidelines on engagement in Fragile States. Liberia meets the eligibility criteria for FSF financing.

51. **Recommendations:** The Boards are invited to: endorse this Cover Note to the Joint African Development Bank/World Bank Assistance Strategy 2008-2011 for Liberia; agree that Liberia meets the eligibility criteria for FSF financing; approve the use of the FSF supplemental financing resources amounting to UA13.01 million as proposed; approve the use of FSF financing from the targeted support window of up to UA 2.00 million as proposed.

Annex I (A) Bank Group Operations

Project Title	Approved Loan (UA)	Approval Date	Signed	Entry into Force	Disbursement Deadline	Disbursed (UA)	Undisbursed (UA)	% disbursed
INSTITUTIONAL SUPPORT PROJECT FOR ECONOMIC MANAGEMENT AND GOOD GOVERNANCE	3,000,000.00	27.10.06	24.11.06	29.04.08	30.12.09	385,976.00	2,614,024.00	12.87
EQUITY INVESTMENT IN SHARE CAPITAL OF ACCESS BANK (ABL)	1,010,000.00	23.04.08	–	–	–	600,000.00	410,000.00	59.41
LABOR-BASED PUBLIC WORKS PROJECT	15,240,000.00	18.12.07	29.02.08	–	31.12.2013	0	15,240,000.00	0
MONROVIA EXTENSION AND 3 COUNTY CAPITALS	1,435,059.00	17.01.08	11.03.08	15.09.08	31.12.09	486,801.26	948,257.74	33.92
MONROVIA WATER SUPPLY AND SANITATION REHABILITATION PROJECT	4,000,000.00	12.02.08	11.04.08	11.04.08	11.06.2010	0	4,000,000.00	0
Total	24,685,059.00					1,472,777.26	23,212,281.74	6%

Annex I (B) ADB Program Description

- Liberia fell into arrears in 1985, and the suspension of regular cooperation occasioned the cancellation of the total active portfolio of projects and programs with a total commitment (net) of UA 94.1 million for 21 operations. As pre-arrears clearance support, the AfDB Boards in October 2006 approved a pre-arrears clearance Institutional Support Project (ISP) for Governance, Economic Management, and Poverty Reduction, amounting to UA 3.0 Million. The ISP experienced effectiveness delays which have blocked implementation. The first disbursement (13 percent) under this project was effectuated in 2008 and the project is rated satisfactory so far (2.46) on implementation progress. With partial support from the ISP, the Liberia Institute of Statistics and GeoInformation Service (LISGIS) have published preliminary results for the Liberian census and are preparing a dissemination workshop.
- The AfDB in December 2006 also signed a Grant Agreement for assistance to the Governance Reform Program, financed by bilateral Nordic Funds amounting to US\$ 145,040. This financing has helped to establish the Liberia Governance and Reform Commission and the development of a National Security Sector Reform Policy and Strategy. A land reform commission is also being established. The AfDB Boards approved on August 27 2007 an amount of UA 45,000 to Liberia to support the implementation of the EITI, focusing on the forestry sector. Additional support to the EITI in the amount of US\$ 150,000 from the Nordic Trust Fund for Governance was granted in October 2007.
- Liberia's arrears to the AfDB Group were cleared on December 18, 2007 through the PCCF. The Boards of Directors endorsed the assessment that Liberia, as a PCC, had satisfied all the criteria required to qualify for financial assistance from the PCCF. They approved the specific flexibilities required for Liberia's financial circumstances, namely to limit the country's share to a one percent contribution, extend the initial cut-off date of end-December 2003 to end-December 2007 and include in the financing plan the servicing of maturities through end-2008 to prevent reoccurrence of arrears prior to reaching the HIPC decision point. The financing plan permitted the country to pay 1 percent, bilateral donors to cover 29.7 percent, and 69.3 percent from the PCCF. The ADF had received the country's share in the amount of UA 1.62 million, and donors had committed UA 48.13 million to the proposed program to cover their share. The ADF Board of Directors approved a UA 113 million grant from the PCCF to complete the financing plan for the proposed arrears clearance program; and the Boards of Directors approved the lifting of sanctions on Liberia.
- The Boards in July 2008 approved the Bank's and the Fund's share of HIPC debt relief for Liberia. The Bank Group's contribution to Liberia's debt relief of US\$238.1 million in end-June 2007 NPV terms was provided under the arrears clearance mechanism with contributions from the PCCF, the European Commission and other Donors. By mutual agreement with the HIPC Trust Fund, there is an over-delivery of Bank Group debt relief to Liberia, equivalent to US\$19.8 million in June 2007 NPV terms, to be used at Liberia's completion point as additional debt relief due to data revisions. The Boards decided that debt relief for Liberia by the Bank and the Fund after completion point shall be subject to the approval of the Boards of the Bank and the Fund.
- An ADF grant in the amount of UA 15.24 million to finance the Labor-Based Public Works Project was approved on the same day of arrears clearance, using up the remainder of the country allocation under ADF-10. The project aims to rehabilitate socio-economic infrastructure and improved capacities for infrastructure maintenance. The project is in the

III

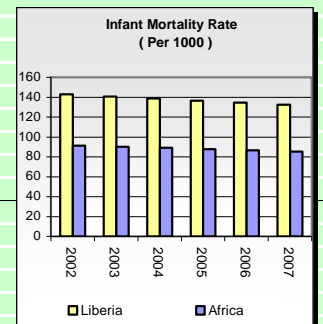
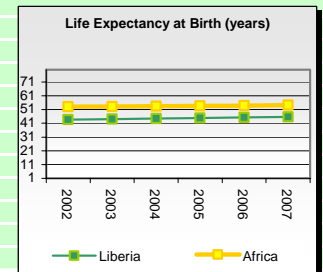
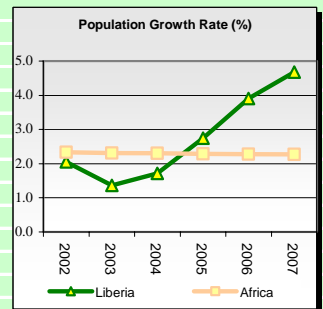
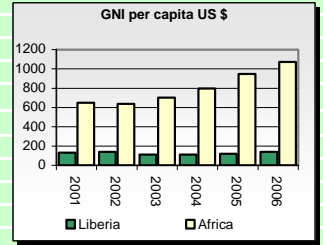
process of fulfilling conditions precedent to first disbursement. It is expected that the first disbursement would be effectuated in December 2008.

- In January 2008, the African Water Facility approved a grant of Euro 1.52 million to assist in financing the expansion of Monrovia and rehabilitation of three county capitals water supply and sanitation project. This financing is for project preparation for subsequent ADF financing. First tranche disbursement of 34 percent was made in November 2008. On February 12, 2008, a grant equivalent of UA 4.0 million from the DFID Technical Cooperation Fund to finance the Monrovia Water Supply and Sanitation Rehabilitation Program was approved on a no-objection basis. This project is co-financed with the EC and the World Bank for a total cost of 16.63 million. Its objective is to rehabilitate the Monrovia water and sanitation infrastructure, to build capacity, and to assist with necessary reform of the sector.
- An Access Bank of Liberia Project was approved by the Boards in April 2008. The AfDB transaction is up to USD\$ 1.5 million in equity investment and USD\$ 1.0 million in technical assistance FAPA grant. The project aims to establish a micro-finance commercial bank that will provide financial services to the low income population/MSEs in Liberia. The project is to be undertaken in collaboration with IFC and others. First disbursement of US 900,000 (59 percent) took place in October 2008.

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Annex II – Comparative Socio Economic Indicators

	Year	Liberia	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)		111	30 307	80 976	54 658
Total Population (millions)	2007	3.8	963.7	5 448.2	1 223.0
Urban Population (% of Total)	2007	60.3	39.8	43.5	74.2
Population Density (per Km ²)	2007	33.7	31.8	65.7	23.0
GNI per Capita (US \$)	2006	140	1 071	2 000	36 487
Labor Force Participation - Total (%)	2005	41.4	42.3	45.6	54.6
Labor Force Participation - Female (%)	2005	40.3	41.1	39.7	44.9
Gender -Related Development Index Value	2004	...	0.486	0.694	0.911
Human Develop. Index (Rank among 174 countries)	2004	...	n.a.	n.a.	n.a.
Popul. Living Below \$ 1 a Day (% of Population)	2002-05	76.2	34.3	...	...
Demographic Indicators					
Population Growth Rate - Total (%)	2007	4.7	2.3	1.4	0.3
Population Growth Rate - Urban (%)	2007	4.1	3.5	2.6	0.5
Population < 15 years (%)	2007	47.2	41.0	30.2	16.7
Population >= 65 years (%)	2007	2.1	3.5	5.6	16.4
Dependency Ratio (%)	2007	97.3	80.1	56.0	47.7
Sex Ratio (per 100 female)	2007	100.0	99.3	103.2	94.3
Female Population 15-49 years (% of total population)	2007	22.3	24.2	24.5	31.4
Life Expectancy at Birth - Total (years)	2007	45.7	54.2	65.4	76.5
Life Expectancy at Birth - Female (years)	2007	46.6	55.3	67.2	80.2
Crude Birth Rate (per 1,000)	2007	49.6	36.1	22.4	11.1
Crude Death Rate (per 1,000)	2007	18.3	13.2	8.3	10.4
Infant Mortality Rate (per 1,000)	2007	132.5	85.3	57.3	7.4
Child Mortality Rate (per 1,000)	2007	205.2	130.2	80.8	8.9
Total Fertility Rate (per woman)	2007	6.8	4.7	2.8	1.6
Maternal Mortality Rate (per 100,000)	2005	1 200	724	450	8
Women Using Contraception (%)	2000-06	...	29.9	61.0	75.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)*	2004	3.1	39.6	78.0	287.0
Nurses (per 100,000 people)*	2004	18.3	120.4	98.0	782.0
Births attended by Trained Health Personnel (%)	2000-05	89.1	50.4	59.0	99.0
Access to Safe Water (% of Population)	2006	64.0	62.3	80.0	100.0
Access to Health Services (% of Population)	2004	39.0	61.7	80.0	100.0
Access to Sanitation (% of Population)	2004	27.0	45.8	50.0	100.0
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2000-05	3.7	4.7	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2005	301.4	300.7	275.0	18.0
Child Immunization Against Tuberculosis (%)	2006	89.0	83.7	85.0	93.0
Child Immunization Against Measles (%)	2006	94.0	75.4	78.0	93.2
Underweight Children (% of children under 5 years)	2000-05	26.5	28.6	27.0	0.1
Daily Calorie Supply per Capita	2004	1 923	2 436	2 675	3 285
Public Expenditure on Health (as % of GDP)	2005	4.4	2.4	1.8	6.3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2006	91.0	96.4	91.0	102.3
Primary School - Female	2001-06	...	92.1	105.0	102.0
Secondary School - Total	2001-06	34.0	44.5	88.0	99.5
Secondary School - Female	2001-06	...	41.8	45.8	100.8
Primary School Female Teaching Staff (% of Total)	2001-06	28.0	47.5	51.0	82.0
Adult Illiteracy Rate - Total (%)	2007	39.3	33.3	26.6	1.2
Adult Illiteracy Rate - Male (%)	2007	23.3	25.6	19.0	0.8
Adult Illiteracy Rate - Female (%)	2007	55.3	40.8	34.2	1.6
Percentage of GDP Spent on Education	2000-05	6.4	4.5	3.9	5.9
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2005-07	2.0	6.0	9.9	11.6
Annual Rate of Deforestation (%)	2000-07	2.0	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	2000-07	...	10.9	...	...
Per Capita CO2 Emissions (metric tons)	2005-07	0.1	1.0	1.9	12.3



Sources : ADB Statistics Department Databases; World Bank: World Development Indicators;

last update : July 2008

UNAIDS; UNSD; WHO; UNICEF, WRI, UNDP; Country Reports

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

Annex III PRSP Strategy in Short

Box 1. PRSP Strategy in Short

- *Peace and Security.* The main objective for the security sector is “to create a secure and peaceful environment, both domestically and in the sub-region, that is conducive to sustainable, inclusive, and equitable growth and development.” Government’s goal is to rebuild effective national security institutions capable of assuming authority as the peacekeeping force is drawn down. Emphasis is placed on reforming security institutions, training soldiers, police officers, and other personnel in the security sector, as well as building public confidence in the government’s ability to maintain peace and security.
- *Economic Revitalization.* The main goal of the economic revitalization pillar is “to firmly establish a stable and secure environment and to be on an irreversible path towards rapid, inclusive and sustainable growth and development.” Growth will be private sector-led, while the government will focus on reforming public sector institutions and processes in order to facilitate investment and strengthen market functions. Emphasis is placed on agriculture, as well as the traditional growth sectors, forestry and mining. Liberia also hopes to stimulate light manufacturing, primarily through downstream production from the agriculture, forestry and rubber sectors.
- *Strengthening Governance and Rule of Law.* In order to improve governance and the rule of law, the government intends “to work in partnership with all citizens to build and operate effective institutions and systems that will strengthen peace and promote and uphold democratic governance, accountability and justice for all.” To support this, Government will develop a decentralization policy, work to curb corruption, reach out to civil society, and undertake public sector reform, including civil service reform. Judicial reform efforts will focus on building the capacity of the judicial system through training and institutional reform, and expand access to justice, and enhance the protection of human rights.
- *Infrastructure and Basic Services.* One of government’s key objectives is “to embark on the rehabilitation of infrastructure and the rebuilding of systems to deliver basic services in order to create the conditions and linkages needed to achieve broad-based growth and poverty reduction”. One of the main priority areas identified through stakeholder consultations is the rehabilitation of roads, as well as improvements in health and educational services. The government has laid out a plan identifying the main infrastructure rehabilitations that can be completed over the PRS period, which includes roads and bridges, energy provision, transportation facilities, and water and sanitation systems. It aims to encourage private sector participation, particularly in road and transportation infrastructure construction.

Annex IV –Liberia Fragile States Facility Eligibility Note

Analysis of First Stage Criteria for Liberia – Supplemental Support Window

Criterion	Justification
Commitment to Consolidate Peace and Security	<p>(i) In August 2003, a Comprehensive Peace Agreement (CPA) was signed by the major warring factions in Liberia.</p> <p>(ii) A democratically elected government came to power and historic presidential elections took place in October-November 2005, and were judged free and fair by international observers. Ellen Johnson-Sirleaf became the first female Head of State in Africa when she was sworn into office on January 16, 2006. The next elections are expected in 2011.</p> <p>(iii) The demobilisation process and reintegration programmes are on-going. It is estimated that by 2007, about 101,500 ex-combatants are already demobilised and some 65,000 are rehabilitated while 37,000 remained to be placed in reintegration programs.</p>
Unmet Social & Economic Needs	<p>(i) Estimated real GDP per capita declined by 80-90 percent between 1980 and 2006. Per capita income fell from USD 1,269 in 1980 to USD 163 in 2005. Real GDP per capita declined by more than 50 percent between 1989 and 2008.</p> <p>(ii) Liberia human development indicators are amongst the lowest in the world. Around 63.8 percent of households live on less than US\$1/day, and 47.9 percent live in severe poverty. Infant and maternal mortality is estimated at 72 and 10 per 1000 live births respectively. The adult literacy rate is approximately 55 percent and net primary school enrolment is around 37 percent. Life expectancy at birth is 45 years, and 39 percent of children are stunted. Only 25 percent of the population has access to safe drinking water, and 14 percent have access to improved sanitation.</p>

Analysis of Second Stage Criteria for Liberia – Supplemental Support Window

Criterion	Justification
Improving Macroeconomic Conditions and Pursuit of Sound Debt Policy	<p>(i) The first review (October 2008) under the PRGF/EFF program indicated that performance has been strong and that economic prospects are good despite the global economic downturn. The government has been successful in keeping expenditures in line with revenues in keeping with its cash-based budget. As a result, the fiscal account showed a surplus of 3.8 percent of GDP in FY06/07. Fiscal management is improving, and the prospects for continued real GDP growth are good.</p> <p>(ii) Liberia reached the HIPC decision point in March 2008 and the debt stock is expected to fall substantially upon reaching the HIPC completion point, expected in 2010. Liberia's external debt is then expected to be sustainable.</p>
Sound Financial Management Practices	<p>(i) Under the first PRGF/EFF review, the IMF commended the Executive and the Legislature for their continued commitment to strengthening public financial management, as well as Liberia's efforts to improve governance and combat corruption. Continued support from donors is important for making the recently established anti-corruption commission fully operational. The government, supported by donors, has made great strides in the area of public financial management under the GEMAP. It has been undertaking key actions to improve financial management practices. Recent successes include clean-up of the procurement process, introduction of internal controls and overhaul of financial management procedures as well as measures aimed at fighting corruption in the public sector. Procurement, despite the passage of a new procurement law</p>

VIII

Criterion	Justification
	<p>reflecting international best practices, remains a serious problem and a source of rent-seeking behavior.</p> <p>(ii) An anti-corruption policy and strategic framework was recently adopted and an independent anticorruption commission with prosecutorial powers was established. Liberia showed the world's second-largest rate of improvement in the 2006 index of "control of corruption".</p>
Transparency of Public Accounts	<p>(i) The national budget for FY06/07 was the first budget submitted for legislative review in decades. Despite the tradeoffs required by the political process in an opposition-dominated Legislature, its passage reflects a milestone in the introduction of transparency, public accountability, and good governance. Regularly, the draft budget, the final budget, and quarterly budget execution reports have been published, including posting on the web site of the Ministry of Finance, as are monthly revenue outturns and the regular financial reports of the State Owned Enterprises.</p>

Targeted support window. Given that Liberia is a post-conflict country with critical needs to strengthen human capacity, the country requests support from the targeted support window in three areas: (i) from the secondment programme to obtain highly qualified professionals, with hands-on fragile state experience, to provide assistance to the Government (specific entities will be determined through the Needs Assessment Study in consultation with the Government); (ii) to support statistical capacity-building as well as analytical and capacity building work proposed under the Needs Assessment Study; and (iii) to provide service delivery through non-sovereigns (e.g. Employ professional services to build capacity/fill the gap in projects). The Water Supply and Sanitation and Agriculture projects, for example, have a number of components, and the implementing units would require the capacity to ensure that such varied tasks as Water Supply and Sanitation, extension services and irrigation are implemented effectively.

Rationale for using FSF funds for budget support. The Bank has not provided budget support to Liberia in the recent past. The timing during this JAS (2008-11) is, however, propitious to provide budget support to help Liberia further strengthen its systems. Budget support is an efficient way to support the Government's on-going post-conflict programme, which includes PFM reforms designed to strengthen national systems, particularly procurement, financial management, and tax and customs modernization. These will help enhance transparency and improve Liberia's CPIA ratings. Liberia satisfies the conditions for budget support as set out in the Bank policy on Development Budget Support Lending and its policy on fragile states. The IMF's recent review indicates that progress is being made and emphasized the need for budget support. The World Bank, France, and China have provided some budget support during 2006/07-2007/08, and the European Commission is considering such a contribution. In terms of a fiduciary review, the government has developed, together with donors, a medium-term Public Financial Management Reform Program, informed by a baseline PEFA assessment. The IMF report "Strengthening PFM Reforms" (2008) recognizes the impressive achievements of the government since 2006, identifies the remaining key PFM challenges, and recommends reform priorities to be addressed by the authorities. Similarly, the IMF is assisting the government in designing Liberia's tax administration reform and customs modernization. Furthermore, a PEMFAR (2004/05-2006/07), prepared by a joint donor team (including the Bank), is being finalized. Other recent assessments have also been undertaken by the IMF, World Bank and GEMAP. Also, budget support provides a vehicle through which to transmit the UA3.00 m provided by the Bank for the food crisis.

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In terms of safeguards, Liberia's impressive accomplishments in implementing reforms and establishing political and macroeconomic stability go a long way toward lowering risks to the Bank of a budget support operation. Further safeguards are provided by the high-level GEMAP and the IMF's PRGF that ensure implementation of macroeconomic and financial policy. The positive trajectory of change has resulted in progress in raising CPIA indicators, and the government's PFM reform programme is receiving the tangible support of donors, validating the credibility of the reforms. The MoF has sent a Letter of Intent to the ADB detailing the uses for the budget support it anticipates from the Bank. All appropriation, allotment, and expenditure will be made through existing country systems, in conformity with the Public Procurement and Concessions Act, approved by the Cash Management Committee, and subject to audit by the Auditor General. The operation would be firmly linked to the safeguards provided by GEMAP and the condition that the government maintains the successful implementation of the IMF's PRGF. As the FSF guidelines for budget support operations foresee that additional safeguards may be applied, it is proposed that the Bank undertake two audits of the account, which will, among other objectives, verify that disbursed funds were transferred to the Common Treasury Account and used as foreseen under the PFMRSPI. The first audit would take place at the end of FY 2008/09 and the second at end-2009. The Bank, in turn, will seek to ensure that the funds provided under the PFMRSPI are being utilized according to the spirit of the government's intentions. Within six months of the end of the programme, the Bank will prepare a project completion report providing an overall evaluation and lessons learnt. The Bank will continue to align with the programmes funded by other donors, including the IMF's PRGF. A condition prior to disbursement would be satisfactory progress on the IMF programme. The Bank will actively support the PEFA assessments. Institutional capacity strengthening will be targeted through current Bank institutional support project, the technical assistance and secondment programs under the FSF targeted support window, and future work; and through technical assistance financed by other donors (World Bank, IMF, EC, DfID, USAID).

ANNEX V-Liberia: Results Monitoring Framework of the Fragile States Facility Resources, 2008-2011

OBJECTIVES	EXPECTED IMPACTS & RESULTS	REACH	PERFORMANCE INDICATORS (MEANS OF VERIFICATION)	BANK'S INDICATIVE TARGET AND TIMEFRAME	ASSUMPTIONS, RISKS & BANK MITIGATION MEASURES
STRATEGIC GOAL To restore stability and foster socio-economic recovery and growth in Liberia	<u>Long-Term Impact</u> Improved human development, governance and accountability	<u>Beneficiaries</u> Liberian population and the populations of neighboring Sierra Leone, Cote D'Ivoire, Guinea and neighboring regions; Global community	<u>Indicators</u> 1. Improved Human Development Index (HDI) 2. Improved Country Policy and Institutional Assessment (CPIA) <u>Data Source:</u> Development Partners and Bank's annual reports	1. Liberia HDI rises to above 0.41 by end of 2011 from a base year value of 0.32 (2005). 2. Liberia maintains good performance under the IMF PRGF/EFF 2008-2011 program; 3. Improvement in economic, financial, and external debt management practices as reflected by an increase in the score of the Economic Management cluster of the CPIA from 4.00 in 2007 to 4.20 by 2011 4. Improvement in economic governance as reflected in: (i) an improvement in Transparency International's Corruption Perception Index ranking from 150 (2007) to 135 by 2011; and (ii) Increase in the score of the Public Sector Management and Institutions cluster of the CPIA from 3.60 in 2007 to above 4.00 by 2011 5. Improvement in private sector development as reflected by an increase in the score of the Structural Policies cluster of the CPIA from 3.33 in 2007 to above 3.7 by 2011 6. Increased Social Inclusion/Equity as reflected by the CPIA cluster score from 3.30 in 2007 to above 3.7 by 2011. 7. Raised IFC's average Doing Business Rankings by more than 2 to better than 155	<u>Assumption statement:</u> Political and macroeconomic stability Continued strong donor support
FINAL OBJECTIVE	Final Result of the	Beneficiaries	Indicators	Bank's Indicative Target	Assumption statement:

<p>OF THE INITIATIVE</p> <p>Liberia transitions out of Fragile status</p>	<p>Initiative</p> <p>Liberia stabilized</p>	<p>Liberia population Populations of Sierra Leone Cote D'Ivoire, Guinea and neighboring regions Global community</p>	<p>1. Improved CPIA 2. Real GDP Growth rate 3. Lowered poverty rate 4. Lowered extreme poverty rate</p> <p>Data Source: Development Partners and Bank's annual reports</p>	<p>1. Liberia CPIA ranks it in the top 2 quintile of African countries during 2008-2011 2. Real GDP growth rate averages at least 11% annually during 2008-2011. 3. Poverty rate reduced from 64% (2007) to 60% (2011) 4. Extreme poverty rate lowered from 48% (2007) to 44% (2011)</p>	<p>Political and macroeconomic stability</p> <p>Continued strong donor support</p>
<p>INTERMEDIATE OUTCOME</p> <p>Pillar I and III:</p> <ol style="list-style-type: none"> Enhanced Governance Strengthened economic recovery Improved social recovery <p>Pillar II: Enhanced Debt Sustainability</p>	<p>Intermediate results of the Initiative</p> <p>Pillar I and III:</p> <ol style="list-style-type: none"> Rebuild public financial management and public administration institutions Rebuild and rehabilitate domestic infrastructure, including cross-border infrastructure Improved social inclusion and equity <p>Pillar II:</p>	<p>Beneficiaries</p> <p>Liberia population Women and other vulnerable groups Populations of Sierra Leone Cote D'Ivoire, Guinea and neighboring regions Global community</p>	<p>Indicators of medium-term outcomes & Data Sources:</p> <p>Pillar I and III:</p> <ol style="list-style-type: none"> Improved Public Sector Management and Institutions cluster of the CPIA Increased infrastructure investment Improved Social Inclusion & equity cluster of the CPIA <p>Pillar II:</p> <p>Liberia benefits from HIPC and MDRI initiatives</p> <p>Data Sources: Government Statistics, AfDB, IDPs</p>	<p>Bank's Indicative Target</p> <p>Pillar I and III:</p> <ol style="list-style-type: none"> Public Sector Management and Institutions cluster of the CPIA rises from 3.6 (2007) to above 3.8 by 2011. Increased infrastructure investment by 20% by end 2010 and 40% by end 2011 compared to 2007 level Improved Social Inclusion & equity cluster of the CPIA from 3.3 in 2007 to above 3.7 by 2011 <p>Pillar II:</p> <p>Liberia reaches Completion Point by 2011</p>	<p>Risks:</p> <p>Risks of conflict resumption in Liberia or in neighbouring countries</p> <p>Slippage in pace of reform due to weak institutional capacity and to resistance from the opposition-led legislature</p> <p>Global recession and reduced aid flows</p>

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Annex VI: Key Economic and Financial Indicators

	2006	2007	2008	2009	2010
	Est	Est	Proj	Proj	Proj
	(Annual percentage change, unless otherwise indicated)				
National income and prices					
Real GDP	7.8	9.5	9.6	10.3	14.8
Consumer prices ¹³	7.2	11.4	10.6	9.0	8.0
Consumer prices (end of period) ¹⁴	8.9	11.7	9.5	8.5	7.5
Nominal GDP (US\$ millions)	611.6	732.2	818.2	916.8	1082.6
GDP deflator (US\$)	7.4	9.4	2.0	1.6	2.9
Real GDP per capita (constant 1992 US\$) ¹⁵	121.0	126.4	131.7	138.6	152.5
External Sector (US\$)					
Exports of goods, f.o.b.	43.0	43.8	46.8	49.3	52.7
Imports of goods, f.o.b.	36.5	21.6	73.2	16.5	11.3
Terms of trade (deterioration -)	49.1	-0.7	-4.0	-2.5	7.2
Official exchange rate (L\$/US\$; end of period)	59.5	62.5	...	...	...
Nominal effective exchange rate (end of period)	-11.6	...	...	...	...
Real effective exchange rate (end of period)	-5.3	...	...	...	...
Central Government Operations ¹⁶					
Total revenue and grants	6.5	73.3	25.2	19.4	23.1
Of which: total revenue	6.6	73.6	26.5	14.0	23.3
Total expenditure and net lending	-3.7	67.4	53.4	68.8	15.7
Of which: current expenditure	2.2	58.4	57.6	77.5	8.7
: capital expenditure	-40.7	164.1	26.7	-0.6	114.7
	(annual percentage change; beginning period stock of money unless otherwise indicated)				
Money and Banking					
Net foreign assets	61.7	-23.2	-39.5	-17.4	395.2
Net domestic assets	-27.3	63.3	62.6	37.9	-370.2
Net claims on Government	-18.9	73.3	64.1	39.7	-370.5
Claims on nongovernment	17.3	16.4	1.5	7.4	9.3
Other items net	-25.7	-26.5	-3.0	-9.2	-9.0
Broad money (M2) ¹⁷	34.4	40.1	23.2	20.4	25.0
Velocity (GDP relative to broad money)	4.3	3.8	3.8	3.8	3.8
Reserve money	23.9	26.7	20.6	21.4	24.5
Broad money (stocks, L\$ billions)	8.5	12.0	14.8	17.8	22.2
Liberian dollar component	3.5	4.6	5.8	7.0	8.7
US dollar component	5.1	7.4	9.0	10.8	13.5
	(Percent GDP)				
Central Government Operations					
Total revenue and grants	15.0	22.1	24.0	25.6	27.3
Of which: total revenue	14.8	21.9	24.0	24.4	26.1
Total expenditure and net lending	12.9	18.3	24.3	36.7	36.8
Of which: current expenditure	11.8	15.8	21.6	34.3	32.3
: capital expenditure	1.1	2.5	2.7	2.4	4.5
Overall fiscal balance	2.1	3.8	-0.4	-11.2	-9.6
External Sector					

¹³ The Monrovia CPI was replaced in February 2007 with a more comprehensive harmonized CPI.

¹⁴ The Monrovia CPI was replaced in February 2007 with a more comprehensive harmonized CPI.

¹⁵ The US dollar-denominated GDP deflator is derived mainly from the change in the domestic CPI, the L\$/US\$ exchange rate, and the international commodity prices in a few selected sub-sectors.

¹⁶ Fiscal year basis (July-June). Commitment basis starting in 2006/07.

¹⁷ Defined as Liberian currency outside banks plus demand, time, and savings deposits in Liberian and U.S. dollars.

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	2006	2007	2008	2009	2010
	Est	Est	Proj	Proj	Proj
Current account balance, including grants (deficit, -)	-37.3	-34.9	-64.6	-63.4	-41.3
Of which: public interest payments due	-23.2	-19.5	-11.5	-11.3	-9.7
Current account balance, excluding grants (deficit, -)	-72.2	-66.2	-93.6	-86.8	-61.9
Trade balance (deficit, -)	-39.7	-35.6	-62.4	-53.0	-31.0
Exports, f.o.b.	25.8	31.0	40.7	54.3	70.2
Imports, f.o.b.	-65.6	-66.6	-103.2	-107.3	-101.1
Public sector external debt outstanding (total)	822.8	645.3	576.0	513.2	9.5
	(Millions of U.S. dollars, unless otherwise indicated)				
Current account balance including grants (deficit, -)	-228.4	-255.4	-528.9	-580.8	-447.0
Trade balance (deficit, -)	-243.1	-260.5	-510.9	-486.2	-335.1
Gross official reserves	46.2	58.1	91.6	119.8	147.5
(months of imports of goods and services)	1.0	1.5	1.0	1.1	1.2

Source: Liberian Authorities and IMF staff estimates and projections.

**Document of
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Report No.

**INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL FINANCE CORPORATION
AFRICAN DEVELOPMENT FUND
AND
AFRICAN DEVELOPMENT BANK**

**DRAFT
JOINT COUNTRY ASSISTANCE STRATEGY
FOR
THE REPUBLIC OF LIBERIA
FOR THE PERIOD FY09-FY11**

**World Bank
West Africa Department 1**

IFC

**African Development Bank
Regional Department West 2**

Last Interim Strategy Note: June 14, 2007 (Report No. 39821-LR)**REPUBLIC OF LIBERIA – FISCAL YEAR**

July 1 - June 30

CURRENCY EQUIVALENTS (as of Sept 30, 2008)Currency Unit
US\$1.00= Liberian Dollar (LR\$)
= 61.5000 LR\$**WEIGHTS AND MEASURES**

Metric System

ACRONYMS AND ABBREVIATIONS

ACPA	Accra Comprehensive Peace Accord
AfDB	African Development Bank
ADF	African Development Fund
AFCRTF	African Food Crisis Response Trust Fund
AFL	Armed Forces of Liberia
AWF	African Water Facility
BDS	Business Development Services
BIVAC	
BOB	Bureau of Budget
BWIs	Bretton Woods Institutions
CBL	Central Bank of Liberia
CDD	Community-driven Development
CDMAP	
CDP	Country Dialogue Paper
CMC	Contracts and Monopolies Commission
CMCO	Cash Management Committee
CPA	Comprehensive Peace Agreement
CSA	Civil Service Agency
DDRRP	Disarmament, Demobilization, Rehabilitation, and Reintegration Program
DFID	Department for International Development
DHS	Demographic and Health Survey
DSRP	Department of Sectoral and Regional Planning
DTIS	Diagnostic Trade Integration Study
EC	European Commission
ECOMOG	Economic Community of West African States Monitoring Group
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EFCRP	Emergency Food Crisis Response Program
EGIRP	Economic Governance and Institutional Reform Project
EGSC	Economic Governance Steering Committee
EIP	Emergency Infrastructure Project
EITI	Extractive Industries Transparency Initiative
EPA	Environment Protection Agency
EPAG	Economic Empowerment of Adolescent Girls
EU	European Union
FAPA	Fund for African Private Sector Assistance
FAO	Food and Agriculture Organization
FDA	Forest Development Authority
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Service
FPCR	Food Price Crisis Trust Fund
FY	Fiscal Year
FSF	Fragile States Facility (African Development Bank)
FSU	Fragile States Unit
GAC	General Auditing Commission

GEMAP	Governance and Economic Management Assistance Program
GOL	government of Liberia
GRC	Governance Reform Commission
GSA	General Service Agency
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries
I-CSP	Interim Country Strategy Paper
IDP	Internally Displaced People
IFI	International Financial Institution
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
I-PRS	Interim Poverty Reduction Strategy
ISN	Interim Strategy Note
ITAS	Integrated Tax Administration System
JSSL	Justice Sector Support to Liberia
LACE	Liberia Agency for Community Empowerment
LAN	Local Area Network
LCEP	Liberia Community Empowerment Project
LEC	Liberia Electricity Corporation
LICUS	Low Income Countries under Stress
LIPA	Liberia Institute of Public Administration
LPERP	Primary Education Recovery Program
LPRC	Liberia Petroleum Refining Company
LRDC	Liberia Reconstruction and Development Committee
LRTF	Liberia Reconstruction and Development Trust Fund
LTU	Large Tax Payers Unit
LURD	Liberians United for Reconciliation and Democracy
LWSC	Liberia Water and Sewerage Corporation
MDG	Millennium Development Goals
MDTF	Multi-donor Trust Fund
MFU	Macro-Fiscal Unit
MODEL	Movement for Democracy in Liberia
MOE	Ministry of Education
MOF	Ministry of Finance
MOJ	Ministry of Justice
MOP	Ministry of Planning and Economic Affairs
MTEF	Medium Term Expenditure Framework
NARDA	New African Research Development Agency
NGO	Non-governmental Organization
NPA	National Port Authority
NTFG	Nordic Trust Fund for Governance
NTGL	National Transitional government of Liberia
NTFP	Non timber Forest Products
PCCF	Post-Conflict Country Facility
PEFA	Public Expenditure Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PPCC	Public Procurement and Concessions Commission
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
RFTF	Results Focused Transitional Framework
RIA	Roberts International Airport
RMU	Resource Management Unit
SC	Steering Committee
SDR	Special Drawing Rights
SME	Small and Medium Enterprises
SMP	Staff Monitored Program
SOE	State-owned Enterprise
SWAP	Sector-wide Approach
TFLIB	Trust Fund for Liberia
TOR	Terms of Reference

UA	Unit of Account of the African Development Bank
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNMIL	United Nations Mission in Liberia
USAID	United States Agency for International Development
USTD	United States Treasury Department
UNDP	United Nations Development Program
UNMIL	United Nations Mission in Liberia
WB	World Bank

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**JOINT COUNTRY ASSISTANCE STRATEGY
FOR LIBERIA**

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EXECUTIVE SUMMARY

1. This Country Assistance Strategy—prepared jointly by the World Bank, the African Development Bank, and the International Finance Corporation—sets out planned lending and non-lending support by the World Bank and African Development Bank to Liberia over the period FY09-12 (July 2008-June 2011).
2. Liberia's economy, institutions, and human capacity were completely devastated by the country's 14-year civil war, which ended in 2003. Since then, this country of 3 million people has made important progress despite the considerable difficulties and risks that remain. It has held elections, re-established a public financial management system, begun rebuilding public sector institutions, reestablished the delivery of some essential public services, and laid the foundations of a local government system.
3. **A twelve-month Joint Interim Strategy for mid-2007 to mid-2008 provided a framework for the engagement of the World Bank Group and the African Development Bank under the rubric of Liberia's Interim Poverty Reduction Strategy (PRS).**^{18,19} The Interim Strategy focused on rebuilding the shattered institutions of the state, as well as infrastructure desperately needed to jump-start economic growth. Most of the activities pursued under this strategy are still in progress. **The World Bank** has provided emergency support with nearly \$100 million in IDA and trust-funded programs for economic governance reform, agricultural development, road rehabilitation, health systems, community-driven development, and governance of natural resources. **The International Finance Corporation** has supported some critical improvements in the investment climate—particularly for the small and medium enterprises so important to private sector recovery. IFC's program is also helping to build microfinance institutions to support emerging businesses and revitalize agriculture. **The African Development Bank** resumed its full support to Liberia, particularly in the priority sectors of infrastructure and governance, putting in place ADF and trust-funded programs of more than \$39 million for economic governance reform, road rehabilitation, rehabilitation and extension of water supply and sanitation, and governance of natural resources. An equity investment through the African Development Bank's private sector window supports microfinance institutions and therefore small and medium size enterprises. Pervading all the activities under the Interim Strategy has been the common goal of building Liberia's institutional capacity. Despite significant constraints that are posed by lack of capacity, uneven governance, and implementation difficulties, the World Bank program has begun to deliver results. The African Development Bank program introduced under the Interim Strategy is largely in place, and intermediate results will be tangible during the JAS period.
4. **The government has made great strides over the past year.** The clearance of more than \$1.5 billion in arrears with the World Bank, the IMF, and the African Development

¹⁸ See *Liberia: Joint Interim Strategy Note*, June 2007.

¹⁹ See *Liberia: Joint African Development Bank/World Bank Interim Strategy Note (ISN) 2007-2008 (ADB/BD/WP/2007/77, ADF/BD/WP/2007/51)*.

Bank has opened the door for full development programs with the international financial institutions and unblocked the path to full debt relief under the Multilateral Debt Reduction Initiative. Prospects are good for settling a large commercial debt inherited from past regimes. In addition, Liberia has shown its commitment to maintaining its strong macroeconomic program and the good governance reforms and anti-corruption efforts that underpinned a first development policy operation under the World Bank's new program.

5. **The government's first full Poverty Reduction Strategy (PRS), introduced in March 2008, covers the period 2008–2011 and is based on extensive consultations and a thorough poverty analysis.** The PRS has four core strategic areas of intervention: peace and security; economic revitalization; governance and rule of law; and infrastructure and basic services. In addition, it pursues a number of priority crosscutting themes, including gender equity, peace-building, environmental issues, HIV and AIDS, children and youth, and monitoring and evaluation (M&E).

6. **The Joint Country Assistance Strategy (JAS) of the World Bank Group and the African Development Bank is fully aligned with the PRS and is designed to support Liberia's transition from post-conflict recovery to long-term development.** The Joint Strategy seeks to address some key constraints on growth as well as to enhance the policy and institutional framework to ensure that growth is increasingly pro-poor. The JAS will pursue three strategic themes: (i) rebuilding core state functions and institutions; (ii) rehabilitating infrastructure to jump-start economic growth; and (iii) facilitating pro-poor growth. The strategy will also pursue the crosscutting objective of capacity development. Gender and the environment are important elements of the strategy that will be increasingly mainstreamed into World Bank and African Development Bank programs. The activities supported will be consistent with a regional integration perspective, given the government's expressed interest in achieving benefits from West African regional integration.

7. **Focus on selectivity and achieving results.** The focus of the JAS is selective, reflecting the lesson from implementing the Interim Strategy that to achieve solid results, efforts should not be spread too broad and thin, given Liberia's limited implementation capacity. New projects are carefully targeted, largely avoiding entry into new sectors. The choice of activities is consistent with the comparative advantages of both banks as well as the leadership of other donors in certain thematic areas, and with the government's expressed wish to focus of the bulk of new investment finance in rebuilding transport and other infrastructure.

8. **The following measurable improvements are expected by the end of the JAS period:**

- Improved efficiency of government budget preparation and execution, and enhanced revenue administration;
- Increased professionalization and human resource management of the civil service;
- Improved planning and management of basic social services delivery;
- Improved access to key infrastructure services;
- Improved agricultural productivity and production;

- More effective management of natural resources; and
- A better business and investment climate.

9. **Under the JAS, both the World Bank Group and the African Development Bank Group will continue their current activities in Liberia while also providing new financing and analytical and advisory services.** The existing World Bank portfolio of \$160 million and African Development Bank portfolio of \$39 million include operations supporting economic governance, transport, basic services, and capacity development that will help the JAS to attain results.

10. **The World Bank Group** proposes to deepen its work on public financial management and institutional reform, financial sector development and access to finance; expand its infrastructure and agriculture development programs; and intensify its support for natural resource-led, but pro-poor growth. The program will be supported by a combination of IDA (US\$ 138 million over the three-year JAS period), IFC investments and advisory work, and expected trust-fund financing (approximately US\$ 150 million), including through a new multilateral donor trust fund for infrastructure, the Liberia Reconstruction and Development Trust Fund that the World Bank will administer. New World Bank/IDA projects will help to complete and scale up work in the transport sector, scale up support for governance reform, and work to put in place the foundations of shared growth. The Bank will continue to lead in the social sectors through its provision of technical assistance and analytical work. The IFC program focuses on improving the investment climate, facilitating the revival of agribusiness, and advising and participating in investments in energy and mining, as well as supporting the emergence of small and medium-size enterprises linked to the bigger projects being implemented in the country. IFC is working very closely with the World Bank and the African Development Bank on public-private partnership solutions to Liberia's vast infrastructure reconstruction needs.

11. **The African Development Bank** plans to provide approximately US\$ 89 million in new financing from the African Development Fund (ADF) and Fragile States Facility (FSF), subject to Liberia's eligibility to the FSF. New projects will provide continued support for governance reform and for rehabilitating and extending water supply and sanitation, and help to scale up agricultural productivity through rural infrastructure support and agricultural production development and marketing. Potential new investments through the African Development Bank's private sector window will target the banking, mining, and renewable energy sectors.

12. **Analytical and advisory work by the World Bank and African Development Bank will be aligned with the strategic themes and crosscutting issue of the JAS,** and will focus on creating the knowledge base for strong policy advice and on identifying specific strategies for enhancing pro-poor growth. The **World Bank Group's work** program addresses economic management, governance, and institutional reform, financial sector reform, women's economic empowerment, and long-term development planning, notably in transport, health, education, and other sector strategies. **African Development Bank's program** includes a water sector reform study and action plan, a public expenditure and

financial assessment, a gender profile, a fragile states needs assessment study, and analytic work recommended by the latter study.

13. **Implementation of the JAS is subject to three broad risks.** One is insecurity, particularly in light of the gradual UN troop drawdown. Related to this is a significant political and corruption risk, as vested interests with varying degrees of commitment to reform compete for scarce resources. Second, Liberia's fundamental lack of implementation capacity creates enormous implementation risks, while widespread infrastructure rehabilitation work exposes weaknesses in environmental practices and management. Third, there is a large risk of external shocks, not only of international price changes for Liberia's key exports but also of volatility in global food and fuel prices, which could worsen poverty outcomes and lead to social instability. Though the two banks cannot seek to provide a comprehensive approach to the security and political risks inherent in Liberia's post-conflict environment, the Joint Strategy is designed specifically to target risky areas and provide support and incentives for Liberia to continue efforts to increase stability and a commitment to reform. Projects will be carefully designed to offset corruption risks, while building capacity throughout its interventions. In particular, the focus on improving public financial management and institutional capacity for service delivery will help keep the governance agenda on the center stage. The close dialogue with the International Monetary Fund under the macroeconomic reform program, along with interventions to lessen the effects of food price increases on the poor, will help mitigate the risks associated with external shocks.

IV. INTRODUCTION

52. **This Country Assistance Strategy—prepared jointly by the World Bank, the African Development Bank, and the International Finance Corporation—sets out planned lending and non-lending support by the World Bank Group and African Development Bank to Liberia over the period FY09-12 (July 2008-June 2011).** The joint strategy (JAS) is rooted in a results-based framework and aligned with the priorities set out in Liberia's PRSP, which the World Bank Board discussed in August 2008. As the country emerges from the immediate post-conflict period, its central challenge is to deepen its reforms and strengthen its institutional capacity, in pursuit of stability and shared and sustained growth over the medium term. On this basis, the JAS has three main objectives: (i) rebuilding core state functions and institutions; (ii) rehabilitating infrastructure to jump-start economic growth; and (iii) facilitating pro-poor growth, with capacity development as an important crosscutting theme. Initiatives to address gender and environmental sustainability are integrated throughout the strategy, which also respects the importance of efforts to promote West African regional integration.

53. **Both the World Bank Group and the African Development Bank will provide new financing while continuing their current activities in Liberia.** From the **World Bank Group**, planned new IDA grant financing—of \$138 million over the three-year JAS period—will be complemented by expected trust-fund financing of approximately \$140 million. New projects will help to complete and scale up work in the transport sector—the highest priority identified in the PRSP—scale up support for governance reform, and work to put in place the foundations of shared growth. The IFC program focuses on improving the investment climate, facilitating the revival of agribusiness, and advising and participating in investments in energy and mining, as well as supporting the emergence of small and medium-size enterprises linked to the bigger projects being implemented in the country. IFC is working very closely with the World Bank and the African Development Bank on public-private partnership solutions to Liberia's vast infrastructure reconstruction needs. The **African Development Bank** plans to provide an indicative \$89 million in new financing from the African Development Fund (ADF) and Fragile States Facility (FSF) subject to Liberia's eligibility to the FSF. The new projects will provide continued support for governance reform and for rehabilitating and extending water supply and sanitation, and help to scale up agricultural productivity through rural infrastructure support and agricultural production development and marketing. Potential new investments through the African Development Bank's private sector window will target the banking, mining, and renewable energy sectors.

V. COUNTRY CONTEXT AND RECENT DEVELOPMENTS

A. Country and Political Context

54. **Liberia's economy, institutions, and human capacity were completely devastated by the country's 14 year civil war, which ended in 2003.** The 2003 Accra Comprehensive Peace accord and the deployment of a UN peacekeeping force have provided much-needed space to lay a solid foundation for recovery.

55. **Since that time, Liberia has made important progress,** holding elections, re-establishing a public financial management system, beginning to rebuild public sector institutions, delivering some essential public services, and laying the foundations of a local government system.

56. **Both the World Bank Group and the African Development Bank Group have been assisting Liberia since the conflict ended.** World Bank Group engagement has focused on providing emergency stabilization support, to begin rebuilding state institutions and restoring public services. During this period, the Bank's programs have supported basic economic governance reforms, community-driven development for service delivery, and emergency infrastructure rehabilitation. African Development Bank provided emergency assistance in the health sector in 2001 and 2003 as well as statistical capacity building assistance in 2005, all through grant resources. Since 2005, African Development Bank has been assisting Liberia to rehabilitate and extend infrastructure, strengthen institutional capacity through good governance and economic policy reform, and address its debt and arrears.

57. **Now, two years after its election, the democratic government's** top concern is to stimulate economic growth, by getting major transport corridors functioning to open up trade and commerce, revitalizing agriculture, and rebuilding Liberia's devastated energy infrastructure. Job creation is also crucially important, particularly in the short term, to ensure that citizens feel tangible benefits from peace and reform. On the policy side, the government is beginning to consolidate economic governance reforms, moving beyond the Governance and Economic Management Assistance Program (GEMAP)²⁰ to fully owned and functioning public financial management, and to rebuild state institutions, including the civil service. The government is also beginning to rebuild state capacity for basic service delivery in health and education, as the NGOs that provided relief services during wartime dismantle their operations.

58. **The situation remains fragile with significant political and implementation risks.** Popular expectations for tangible peace dividends remain very high. Strained relations between the Executive and the opposition-controlled Legislature have complicated the passage of new legislation necessary to enforce reforms, and the delicate political balance constantly threatens the gains made on governance and against corruption. Ongoing Truth and Reconciliation

²⁰ A multi-donor program that has been in place since 2005 to secure the government's revenue streams and curb corruption; GEMAP instituted strong expenditure controls in the Ministry of Finance and introduced a zero-tolerance policy on corruption.

Commission hearings are contributing to a national dialogue around the events of the war. The government has taken important actions to prevent corruption, including adopting a national anti-corruption policy and strategic framework measures designed to reduce corruption, but a perception persists of a culture of impunity for wrongdoers.²¹

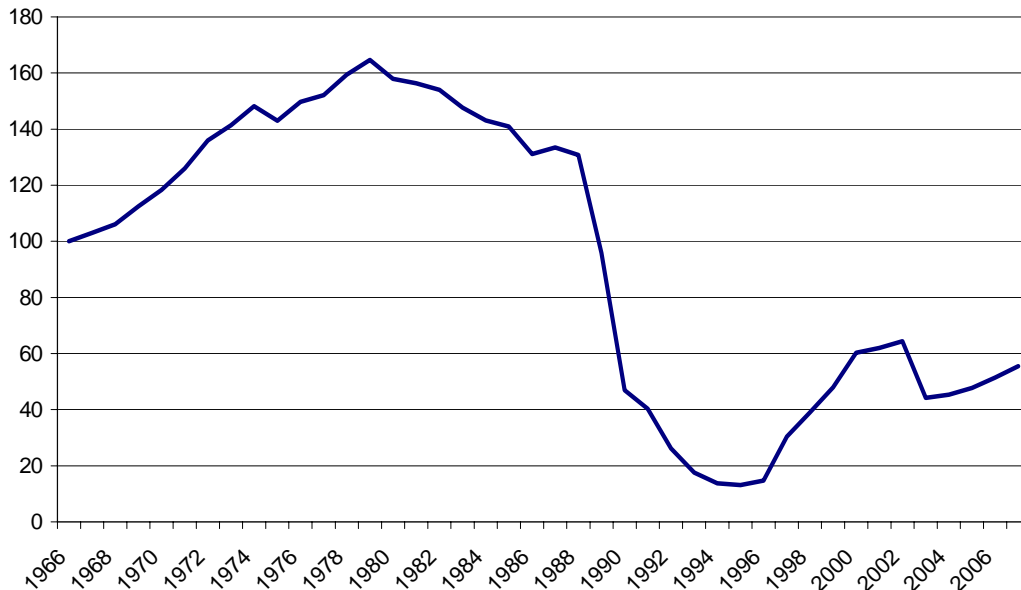
59. **Strong international support has helped to consolidate peace and security.** UNMIL has deployed 15,000 peacekeepers and 1,115 police personnel to Liberia. By early 2007, UNMIL had disarmed and demobilized about 102,000 combatants and rehabilitated some 65,000 of them, though about 37,000 ex-combatants remained to be placed in reintegration programs. UNMIL and its partners have also supported the restructuring of the national police and army and the re-establishment of state authority throughout the country. When this effort is deemed complete, in coming years, UN forces will begin to be drawn down. While security along Liberia's borders with Sierra Leone, Cote d'Ivoire, and Guinea is stable at present, ongoing crises in several neighboring countries remain cause for concern.

60. **Donors have rallied around the new Liberian government, providing significant support.** However, because of the paucity of Liberia's state systems and capacity most of their aid remains off budget and outside of country systems. The challenge is now to move from humanitarian to development assistance, to scale up small, transaction-intensive interventions, and increase efficiency by moving aid on to the government budget in ways that improve domestic capacity.

B. Economic Context and Outlook

61. **Liberia's economy collapsed during the 14 years of civil conflict.** Liberia's is a small, open economy strongly dependent on trade. Traditional exports included rubber, cocoa, and more recently iron ore, palm oil, gold, diamonds, and forest products. During the 1960s and 1970s, the economy grew rapidly, spurred mainly by exports of mining products (primarily iron ore) and rubber. But mining and rubber production were enclave industries that benefited the political elite disproportionately and did not sustain poverty reduction. Though real GDP in 1980 reached US\$890 per capita, the economy began losing momentum soon afterwards, partly because of the second oil shock, and the festering social discontent erupted into a brutal civil war in 1989. The economy contracted sharply during the hostilities, and though it began to recover during a hiatus in the conflict between 1997 and 2001, it slumped again during the two subsequent years of war (Figure 1).

²¹ In principle, civil society will have an important role to play in curbing corruption in Liberia, by holding government to account and demanding transparency, but at present it lacks the necessary capacity.

Figure 1: Index of Real GDP, 1966-2007*(1996 = 100)*

62. **Since the peace accord in 2003, the economy has posted a strong recovery.** Real GDP growth gathered speed, spurred by agriculture, retail trade, communications, transport, and construction, and, as the security situation improved, both foreign and domestic investment in Liberia expanded. A strong recovery in export growth in 2005 and 2006 was based mostly on rubber; large-scale mining and timber production have not yet recommenced. Looking ahead, the prospects are favorable for further strong GDP growth as security continues to improve. Higher private sector-led investment, including substantial foreign direct investment, can be expected in the key export sectors of forestry and mining. Vigorous growth in construction is expected to continue and a recovery in agriculture is expected to pick up pace with the strong demand for food and higher food prices.

Table 1: Liberia: Selected Economic Indicators, 2004–11*(Percent of GDP unless otherwise specified)*

Indicator	2004	2005	2006	2007	2008	2009	2010	2011
			Est.	Est.	Proj.	Proj.	Proj.	Proj.
Real GDP (% growth)	2.6	5.3	7.8	9.5	8.8	10.3	14.8	12.3
Consumer prices (annual average rise)	3.6	6.9	7.2	11.4	14.2	10.9	8.0	7.0
Consumer prices (end of period)	7.5	7.0	8.9	11.7	13.4	8.5	7.5	6.5
External current account balance, excl. grants	-65.6	-74.4	-72.2	-66.5	-98.7	-90.1	-63.8	-40.9

Revenues (excl. grants) 1/	12.9	16.1	14.8	21.9	24.1	24.5	26.3	26.9
Expenditures 1/	11.6	15.5	12.9	18.3	24.5	37.0	37.1	38.0
Overall fiscal surplus or deficit (incl. grants) 1/	2.0	0.8	2.1	3.8	-0.4	-11.3	-9.6	-10.4

1/ Cash basis. Grants amounted to about US\$1 million in FY05/06 and about US\$1.5 million in FY06/07.

Sources: Government of Liberia, IMF, and World Bank.

63. **Liberia's strong economic recovery has produced a consistent rise in fiscal revenues, albeit from a very low base.** Total revenues (excluding grants) reached 22 percent of GDP in 2006/07, coming from international trade (50 percent), income (30 percent), and domestic goods and services (19 percent). The government's commitment to cash-based budgeting has helped to keep spending in line with revenues, in the face of enormous demand for public spending. Liberia's per capita public expenditure (\$40 per capita in FY06/07) is among the lowest in the world, and insufficient to meet the country's vast reconstruction needs. Thus Liberia depends heavily on aid, estimated at \$300-500 million annually.

64. **The improving fiscal trends shown in Table 1 reflect a wide range of measures taken by the government.** The multi-donor GEMAP has provided significant external support for reform of public financial management. On the revenue side, the government has taken measures to improve tax and customs administration, including reorganizing tax administration, revising tax rates, reducing exemptions, eliminating non-cash payments, and strengthening pre-shipment inspection. On the expenditure side, it has implemented an expenditure management program based on an interim commitment control system, to ensure that spending does not exceed available revenues and that procurement practices keep to the new public procurement guidelines. To implement its cash budget, the government has relied on prioritized monthly cash plans that are prepared by line ministries and agencies. Given the relatively large domestic revenue base, a major challenge for the government in the medium term will be to manage its spending in ways that maximize value for money and avoid corruption, and that benefit the poorer people in society.

65. **Over the longer term, Liberia's real GDP growth is expected to stabilize at about 4 percent annually, bringing per capita GDP close to its real 1980 level by about 2027.** This projection might not be met, however, if growth is held back by lack of the social and economic infrastructure needed to support higher private sector investment, by the unavailability of skilled labor, or by a loss of momentum in the government's public sector reform efforts.

C. Debt

66. **Liberia has made substantial progress in resolving its debt but challenges remain.** The stock of external debt was provisionally estimated at about US\$4.7 billion at end-June 2007. Of this amount, about US\$1.6 billion was owed to multilateral creditors including the IMF, the World Bank, and the African Development Bank; about US\$1.5 billion to bilateral creditors, mostly Paris Club Creditors; and about US\$1.6 billion to commercial creditors (Table 2).

Table 2: Liberia: Public and Publicly Guaranteed Stock of Debt at end-June 2007

(US\$ million, unless otherwise specified)

	Debt Stock Including Arrears		Arrears	NPV of Debt After Traditional Debt Relief 2/	
	Nominal	NPV 1/		NPV 1/	Percent
Total	4,732.2	4,683.2	4,545.6	3,144.7	100.0
Multilateral	1,614.8	1,575.8	1,499.3	1,575.8	50.1
World Bank	442.6	414.6	366.9	414.6	13.2
IMF	809.2	809.2	809.2	809.2	25.7
AfDB Group	271.3	263.1	240.2	263.1	8.4
Other	91.7	88.8	83.0	88.8	2.8
Bilateral	1,542.9	1,532.9	1,471.8	1,053.8	33.5
Paris Club Creditors	1,413.9	1,406.2	1,353.5	947.5	30.1
Non-Paris Club Creditors	129.0	126.7	118.3	106.3	3.4
Commercial 3/	1,574.6	1,574.6	1,574.6	515.1	16.4
Commercial Banks	1,325.5	1,325.5	1,325.5	433.7	13.8
Suppliers Credits	249.0	249.0	249.0	81.5	2.6

Sources: Liberia HIPC decision point document.

1/ Discount rates applied are the average commercial Interest Reference Rates published by the OECD over the 6 month period prior to June 2007.

2/ Assumes a stock-of-debt operation on Naples terms at end-June 2007; and comparable action by other bilateral and commercial creditors.

3/ Based on the estimated stock of debt provided by the government's financial advisor.

67. Liberia reached the Decision Point under the Enhanced Heavily Indebted Poor Countries (HIPC) initiative in March 2008, as a result of clearing its arrears to the World Bank and African Development Bank in December 2007, and those to the IMF in March 2008. Reaching this point enables the government to benefit from interim relief under the HIPC initiative. Steps still need to be taken to reach the HIPC Completion Point; Box 1 shows where Liberia now stands with regard to these requirements.

Box 1: Status of Liberia's Progress towards the HIPC Completion Point

PRSP: The full PRSP was completed in March 2008 and was broadly endorsed by the donors at a forum in Berlin in June. The government has established pillar working groups to drive the implementation of the PRS.

Macroeconomic stability: The IMF has completed its First Review of Liberia's program under the Poverty Reduction and Growth Facility/Extended Fund Facility and indications are that the program is on track.

Public financial management: The Post-conflict Country Facility publishes a quarterly bulletin, "Alert," which includes a quarterly report of signed procurement contracts and concessions. The General Auditing Commission has completed an audit of the Ministry of Finance and expects to complete the other four required audits by January 2009. The new Public Financial Management Law has been submitted to the Legislature for consideration.

Social sectors: The main components of the Basic Package of Health Services (BPHS) are being delivered in some 32 percent of health facilities, and a certification system is being established to enable the Ministry of Health to track the BPHS rollout. After an audit by the Ministry of Finance (MOF), more than 1,000 names are being removed from the payroll of the Ministry of Education ; since procedures for adding and removing teachers from the payroll have not been finalized

Debt management: The government has prepared a comprehensive debt management strategy and has established a Debt Management Unit in the Ministry of Finance. The Ministry of Finance has begun to publish some external and domestic debt data on its website.

Governance: A new investment code has been completed, and the revenue code is near completion -- both will be submitted to the Legislature early in 2009. The first publishing of revenues under the Extractive Industries Transparency Initiative is expected to begin in November 2008. An Anti-Corruption Commission (ACC) Act was passed in August 2008, and commissioners for the ACC were appointed and confirmed by the Legislature in September 2008.

68. **Looking ahead, the achievement of a robust external debt position will depend on real GDP growth and on export and revenue performance as well as on prudent debt management.** The Liberian government has already reached agreement with its Paris Club creditors, and is currently in negotiations with towards resolving its commercial, as well as domestic, debt. The low-income country debt sustainability analysis (LIC DSA) baseline scenario—which assumes full delivery of traditional debt relief—reveals that Liberia is in debt distress, emphasizing the need for debt relief. Under the alternative scenario—which assumes full delivery of debt relief from HIPC, the Multilateral Debt Reduction Initiative (MDRI), and IMF beyond-HIPC²² at completion point—Liberia’s debt dynamics remain manageable, assuming moderate new borrowing, largely on concessional terms, and robust GDP growth. (See Annex 14 for detailed debt sustainability analysis).

D. Poverty Profile

69. **Liberia is now one of the world’s poorest countries.** Current per capita GDP is estimated at US\$190.²³ Close to two thirds of the population lives below the national poverty line, and close to half of the population lives in extreme poverty (Table 3.).²⁴ Poverty is more prevalent in rural areas (where 68 percent of the people are in poverty and 56 percent in extreme poverty) than it is in towns and cities (where 55 percent of the people are in poverty and 29 percent in extreme poverty). Poverty shows itself in both low income and poor access to social services, resulting in poor health and education status.

Table 3: Key Poverty & Social Indicators, 2007

Poverty (% below poverty line)	63.8
(% in extreme poverty)	47.9
Female literacy rate (%)	61
Net primary enrollment	37
Under-five mortality (per 1,000)	
Life expectancy at birth (years)	45
Children stunted (%)	39
Access to safe water	50

²² Liberia’s debt to the IMF under the three-year PRGF/Extended Fund Facility will not be covered by MDRI since it will be contracted after the end-2004 MDRI cutoff date. “Beyond-HIPC” debt relief refers to the assistance necessary to reduce the value of the stock of qualifying debt to zero.

²³ International Monetary Fund, Macroeconomic Framework, 2007.

²⁴ Core Welfare Indicator Questionnaire 2007.

70. **Life expectancy at birth is estimated at 45 years—below the average even for most fragile states.** Preventable diseases such as malaria, diarrhea, respiratory infections, and measles are rife. Malnutrition is considered a key factor in high death rates, and 19 percent of children under five are underweight and 39 percent are stunted. Access to quality health services remains low. About half the population lacks access to safe water, and more than 60 percent have no access to improved sanitation facilities.²⁵ An estimated 86 percent of the population was displaced during the civil war, and many have chosen not to return to their original communities but to remain in overcrowded and unsanitary slums, particularly in and around Monrovia. Access to education and skills is limited, and net primary school enrollment is low, at 37 percent.

71. **Women in Liberia remain disproportionately affected by poverty. They have fewer opportunities for education and employment, and suffer gender-based discrimination and violence.** In particular, non-income dimensions of poverty affect women disproportionately. These include high fertility rates, with 5.2 children per woman and 6.2 children per woman in rural areas²⁶; high maternal mortality, with between 774 and 994 deaths for 100,000 live births in 2000²⁷; high illiteracy, with 59 percent of women illiterate compared to 37.4 percent of men²⁸; and low access to education. Also, while Liberian women are very active in the labor market, the nature of their work, concentrated in the informal sector, may not put them on a sustained path of poverty reduction.

72. **Liberia’s social indicators regressed considerably during the war, but the causes of poor living conditions were rooted in earlier inequities.** Liberia’s pre-war growth, concentrated in industrial mining and plantation production, was highly inequitable. State resources were also concentrated in Monrovia, and most infrastructure and basic services benefited only urban residents.

Liberia is unlikely to meet most of the Millennium Development Goals despite the country’s commitment to achieve progress in them. The government projects a reduction in poverty “that is at least consistent with the spirit of the MDGs”. It also expects that several sub-targets can be met. Table 4. shows each MDG, its status, and the likelihood of meeting the MDG targets.

Table 4: Liberia: Status of MDG Targets

MILLENNIUM DEVELOPMENT GOALS

²⁵ Core Welfare Indicator Questionnaire 2007.

²⁶ Demographic and Health Survey, 2007.

²⁷ Demographic and Health Survey, 2007.

²⁸ Core Welfare Indicator Questionnaire, 2007.

Goal	Target and Indicator	2000	2007	Likelihood of achieving MDG
Eradicate Extreme Hunger	Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day/Halve, between 1990 and 2015, the proportion of people who suffer from hunger			
	Poverty headcount ratio at national poverty line (% of population)	..	63.8	Unlikely
	Malnutrition prevalence, weight for age (% of children under 5)	..	18.8	Likely
	Proportion of population below minimum level of dietary energy consumption	..	48	Unlikely
Achieve Universal Primary Education	Target 2: Achieve universal primary education			
	Literacy rate, youth total (% of people ages 15-24)	..	73.1	Likely
	School enrollment, primary (% net)	34.7	37.3	Unlikely
Promote Gender Equity and Empower Women	Target 3: Promote gender equality and empower women			
	Ratio of girls to boys in primary education (%)	0.73	0.96	Likely
	Ratio of girls to boys in secondary education (%)	0.72	0.84	Likely
	Ratio of young literate females to males (% ages 15-24)	0.67	0.80	Unlikely
Reduce Child Mortality	Target 4: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate			
	Immunization, measles (% of children ages 12-23 months)	52	63	Likely
	Mortality rate, infant (per 1,000 live births)	113	72	Likely
	Mortality rate, under-5 (per 1,000)	174	111	Likely
Improve Maternal Health	Target 5: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio			
	Births attended by skilled health staff (% of total)	51	46	Unlikely
	Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	994	Unlikely
Combat HIV/AIDS and other Diseases	Target 6: Have halted by 2015 and begun to reverse the spread of HIV-AIDS/Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases			
	Contraceptive prevalence (% of women ages 15-49)	10	11	Likely
	Prevalence of HIV, female (% ages 15-24)	..	1.6	Likely
	Prevalence of HIV, total (% of population ages 15-49)	..	1.5	Likely
Ensure Environmental Sustainability	Target 7: Integrate the principles of sustainable development into country policies and program and reverse the loss of environmental resources/Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation/Have achieved, by 2020, a significant improvement in the lives of at least 100 million slum dwellers			
	Forest area (% of land area)	..	47	Unlikely
	Improved sanitation facilities (% of population with access)	..	39.4	Unlikely
	Improved water source (% of population with access)	..	51.4	Unlikely
Develop a Global Partnership for Development	Target 8: Develop a global partnership for development			
	Total debt service (% of exports of goods, services and income)	..	2,000	Likely

Source: PRSP 2008.

73. **Reliable poverty statistics for Liberia are difficult to come by, but the government is committed to producing basic social data over the three-year duration of the Poverty Reduction Strategy.** The Core Welfare Indicator Questionnaire and the Demographic and Health Survey in 2007 provided considerable new data that helped to inform the PRS. In addition, a Comprehensive Food Security and Nutrition Survey in 2006 provided baseline data on food security and consumption. A national census was undertaken in March 2008.

VI. COUNTRY DEVELOPMENT PROGRAM AND ISSUES

E. Country Priorities and Agenda

74. **Liberia's first full Poverty Reduction Strategy sets out the government's priority agenda for the three-year period from April 2008 to June 2011.** The PRS is built around four pillars that represent the core strategic areas of intervention: Peace and Security, Economic Revitalization, Governance and the Rule of Law, and Infrastructure and Basic Services. In addition, the PRS pursues a number of priority crosscutting themes, including gender equity, peace-building, environmental issues, HIV and AIDS, children and youth, and monitoring and evaluation (M&E).

75. *Peace and Security.* The main objective is “to create a secure and peaceful environment, both domestically and in the sub-region, that is conducive to sustainable, inclusive, and equitable growth and development.” Government aims to rebuild national security institutions capable of assuming authority as the international peacekeeping force is drawn down. Emphasis is placed on reforming security institutions and training soldiers, police officers, and other personnel in the security sector, as well as building public confidence in the government's ability to maintain peace and security.

76. *Economic Revitalization.* The main objective is “to firmly establish a stable and secure environment and to be on an irreversible path towards rapid, inclusive, and sustainable growth and development.” Growth will be led by the private sector, while the government will focus on reforming public institutions and processes in order to facilitate investment and strengthen market functions. Emphasis is placed on agriculture, as well as the traditional growth sectors of forestry and mining.

77. *Strengthening Governance and Rule of Law.* The main objective is “to work in partnership with all citizens to build and operate effective institutions and systems that will strengthen peace and promote and uphold democratic governance, accountability, and justice for all.” The government plans to develop a decentralization policy, work to curb corruption, reach out to civil society, and undertake public sector reform, including civil service and judicial reform.

78. *Infrastructure and Basic Services.* The main objective is “to embark on the rehabilitation of infrastructure and the rebuilding of systems to deliver basic services in order to create the conditions and linkages needed to achieve broad-based growth and poverty reduction”. Priority

areas identified through stakeholder consultations are the rehabilitation of roads, water supply, and sanitation, as well as improvements in health and educational services. Main priorities include: roads and bridges, energy infrastructure, transport facilities, and water and sanitation systems, financed over time with significant private sector participation.

F. Structural and Sectoral Development and Challenges

Infrastructure

79. **Rehabilitation of infrastructure remains Liberia's greatest post-war challenge, but could provide one of the greatest boosts to growth and recovery.** During the war the extensive destruction of basic infrastructure, coupled with lack of maintenance, contributed to the collapse of productive activities and a reversion essentially to a subsistence economy. The transport infrastructure base needs to be rebuilt: most of the country's 10,000 km of existing roads are in extreme disrepair, and often impassable during the rainy season. The airport and seaport are dilapidated and poorly organized, severely hampering international commerce. There is very little electricity generation: a 2.3 MW grid mainly supplies institutional customers, and individual diesel generators contribute 40-50 MW combined production throughout Monrovia. Urban infrastructure requires significant investments. Major public services were discontinued during the war and need to be reestablished, including solid waste collection and the development of a landfill, and restoration of water and sewerage facilities. Needs for information and communications technology are enormous.

80. **Clearly, Liberia's immense infrastructure needs far outrun the available funds and implementation capacity.** Part of the solution will be to seek regional collaborative approaches as with the West African Power Pool, when these can lower costs; or to take advantage, where possible, of private sector investments such as roads developed by mining companies; or to structure jointly desirable public-private partnerships, as several West African countries have been doing in urban water supply. The PRS sets out a prioritized program of interventions, targeting selected activities in transport, energy, water, and sanitation leading to the development of long-term sector strategies over the three-year PRS period.

Agriculture and natural resources

81. **Agriculture is the main source of livelihood for most of Liberia's population and employs 70 percent of the people who have jobs.** Recovery from conflict has been quicker in the commercial plantation sector, where high world prices for rubber and palm oil have spurred investment. But ensuring a balanced growth of Liberia's agricultural economy will be critical for sustained peace: if the smallholder sector continues to stagnate, this will perpetuate the inequalities that contributed to previous conflicts. Most of the country's households, many headed by women, reverted to subsistence farming during the war. The challenge now is to boost their marketable surplus. Few modern technologies are available to them and the poor transport network hampers their ability to get products to market.

82. **The major needs for revitalizing agriculture**, as recognized in the PRS, are to: increase yields and production in key cash and export crops from both the smallholder and commercial/plantation sectors; support improved value chains, including more efficient supply chains and more opportunity for value addition and off-farm employment; enhance food security by stimulating food crop production; and build the capacity of the Ministry of Agriculture and other institutions to plan and monitor outcomes in the sector.²⁹ This includes the need to ensure that women—who make up more than half the people engaged in agriculture—obtain equal access to resources, training, and services. Reforming Liberia’s outdated dual land tenure system—formal and customary—will also play a major part in boosting agriculture (Box 2.)

Box 2: Land and Poverty in Liberia

Land governance is a critical dimension of poverty reduction, as the poor depend heavily on land for shelter, food security, income, and investment. Appropriate land policy is also critical to ensuring that the gains from large-scale commercial investments in agriculture, forestry, and mining are fairly distributed.

Security of land tenure in today’s Liberia is weak to non-existent, as a result of the dislocations of people during the war, loss and disorganization of documentation, weak institutional capacity to manage land administration, and the weakness of the courts and other institutions that can settle land disputes, as well as weaknesses in the legal foundations for land ownership.

The government has recognized the centrality of land policy to economic development and good governance, and is committed to initiating a dialogue on land reform and land administration. With financial support from the AfDB-administered Nordic Trust Fund for Governance, the Governance Commission has recently completed a series of regional consultations on land and has proposed draft legislation for the formation of an autonomous Land Commission to review land policy and law. There is also recognition that there may be a need to institute a special dispute mechanism, to resolve the large numbers of land disputes that are currently overburdening the court system.

83. **Mining. Though most commercial mining activities ceased during the civil war, the mining sector has a large potential for rapid growth and poverty reduction in the medium to long term.** Mining has historically been one of Liberia’s main sources of growth, with four large iron-ore concessions contributing approximately 25 percent of GDP and 64 percent of exports in the mid-1970s. A significant artisanal and small-scale mining sector, primarily in diamonds and gold, employs an estimated 100,000 people.

84. **Since 2006, the government has shown a commitment to reforming the mineral sector.** It has reviewed and renegotiated concessions that were signed during the National Transitional Government period, launched the Kimberly Process in 2007, and worked towards a revision of the legal and policy framework for mining—through the development of a draft Mineral Policy and a draft model Mineral Development Agreement, with draft fiscal terms and conditions for mining and petroleum to be incorporated into legislation. Liberia has also made

²⁹ These needs were identified by the Comprehensive Agricultural Assessment and Strategy (CAAS-Lib), supported by FAO and the World Bank.

progress towards implementing the Extractive Industries Transparency Initiative (EITI).³⁰ The government has decided to include the forestry sector, in addition to mining and petroleum, in EITI. Liberia quickly reached EITI candidacy stage and is currently working towards producing its first EITI report. The African Development Bank and the World Bank are collaborating to help the government implement the Initiative.

85. **Forestry.** Historically, efforts to convert Liberia’s natural forest capital into monetized growth have led to growth without development: the so-called “resource-curse”. Liberia lies at the heart of the Upper Guinea Forest Biodiversity Hotspot, which is one of 35 such critical areas worldwide for biodiversity conservation. Forests in this region have been reduced to an estimated 14 percent of their original extent, with Liberia maintaining 43 percent of what remains. Thus Liberia’s actions will be critical to successful conservation in the region. Liberia’s PRSP and the new Forestry Law reflect a consensus strategy for a more balanced and integrated development of the country’s forests. Putting the strategy into practice will require conservation measures (also as a means of carbon storage) and sustainable management of the forest and secondary processing of forest products, so that forestry can make a lasting contribution to economic growth.

86. **As well as respecting environmental considerations, the challenge is to encourage pro-poor growth based on:** (i) sharing with communities the benefits of revenues from commercial concessions (mechanisms for this are enshrined in Liberia’s forest reform law, but the government will probably require medium-term assistance to ensure their effectiveness); (ii) opportunities for meaningful participation in value-chains; and (iii) equity sharing in productive forest resources. Given the direction of policy and legislation towards recognition of community rights on forest lands, there is also an emerging need to avoid land-use conflict by developing opportunities for synergy between small-scale producers and commercial companies.

Human development

87. **Improving human development outcomes remains a daunting challenge in Liberia’s post-war recovery.** Since the end of the war, the government has sought to improve outcomes in basic education and health, seeking to ensure social protection for the poorest and most vulnerable. Ultimately, Liberia will need to balance short-term needs in health, education, and social protection, using a consolidated approach to delivering basic human services and a long-term strategy towards social protection and risk management.

88. **Education.** Wide disparities exist in enrollment, dropout, and survival rates by economic status, gender, and physical location. Education is provided by a combination of private, church-owned, community-based, and public schools with little government oversight of curricula and outcomes. A rise in the gross primary enrollment rate to a relatively high 87 percent suggests that older children who missed being educated during the war are returning to school. Most of the

³⁰ This global initiative supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas, and mining.

children in school are older than the intended age range for the grade they are attending and schools remain overcrowded. Dropout rates are high and fewer than one in five children proceeds to secondary school. The government's recently introduced Primary Education Recovery Program (LPERP) is the initial step towards a full sector plan and setting up an administrative and financing framework. It aims to improve the organization and management of physical and human resources, curriculum, and teaching programs, and to supervise the quality of teaching and learning in both public and private schools.

89. **Health.** Filling gaps left by wartime relief agencies is critical to avoid a collapse of the health sector. During the war, the Liberian health sector benefited from extensive support from international humanitarian relief organizations whose mandate is now ending. Fewer than 170 doctors are now practicing in this country of more than 3 million people. The government's newly formed National Health Policy calls for a two-pronged approach: (i) strengthening the delivery and management of an equitable, effective, efficient, responsive, and sustainable health care system; and (ii) securing and expanding access to basic health care of acceptable quality by attracting additional funding and by reducing systemic inefficiencies and improving operational management.

90. **Social Protection.** Social protection is fragmented and under-resourced. Since the conflict ended, the social protection agenda in Liberia has been driven by a series of often-uncoordinated activities financed by donors and executed mainly by international NGOs. UN agencies have played a key role in addressing issues of disarmament, displacement and relocation, job creation, and support to the most vulnerable groups, but much of this work has been carried out without a clear strategic vision and prioritization of actions. In the absence of structured policies for social protection, a community-based approach to managing risks and protecting the most vulnerable people remains viable in the short run. Priorities at the community level include: provision of basic services; food security measures (including community-based agro-processing); and efforts to create jobs and means of livelihood. Various donors and agencies have financed and implemented CDD projects, including the European Union, USAID, UNDP, ILO, African Development Bank, and the World Bank.

91. **Over the longer term, government will need to develop a social protection strategy that integrates local government, community development, and protection for the poorest and most vulnerable populations** and that adequately addresses the different sources of vulnerability of various population groups. For example, a recent World Bank assessment underscores the complexity and multiplicity of risks that certain groups, such as adolescent girls, face in Liberia, making them a priority group of poor people that a social protection strategy should target.³¹

Private sector development

³¹ Ruiz Abril, M.E., "Girls' Vulnerability Assessment, background report for the preparation of the Women's and Adolescent Girls Economic Empowerment Project," June 2008. World Bank: Monrovia.

92. **Private sector growth, if equitable, is poised to be the main engine of Liberia's post-war recovery.** To achieve growth and create jobs on the broad scale that is needed, a dynamic small and medium enterprise sector will be essential. At present, however, Liberia has a generally weak entrepreneurship culture. The current business environment is typical of a post-conflict country: except for a few major companies such as Arcelor Mittal and Firestone, most businesses are small and informal, with low production capacity. Before the war, Liberia's heavy dependence on primary exports resulted in under-development in other critical sectors such as agriculture, manufacturing, tourism, and general service provision. Today there are no reliable business support services. The most prevalent SME support institutions are public institutions with mixed track records, a weak skills/knowledge base, dependence on government funding, and limited potential for efficient operations. In addition, the existing infrastructure (energy, roads, and telecommunications) is severely inadequate.

93. **Substantive reforms and capacity building are required to revitalize the financial sector.** Certain aspects of a basic financial infrastructure, such as market instruments for the conduct of monetary policy and an interbank payment system, are yet to be established. The legal and regulatory framework for collateralized lending needs to be developed and the legal framework to facilitate the collection of debts and enforcement of financial contracts needs strengthening. Overall confidence in the financial system could be enhanced through capacity building for the Central Bank for regulation and supervision and through developing processes for sharing information on creditworthiness. The market for long-term capital is yet to be developed and there are no effective vehicles for contractual savings and collective investment aside from the National Social Security and Welfare Corporation.

94. **Despite the challenges, the government is committed to private sector-led growth,** focusing particularly on the enabling environment for the private sector, including macroeconomic stability, tax and tariff reforms, a clear legislative framework, and transparency in business dealings. Between 2007 and 2008, a number of reforms made starting a business and starting a construction project faster and easier, facilitated access to credit, and encouraged cross-border trade. On the ease of doing business, Liberia was ranked 157 out of 181 economies in 2008, up from 170 out of 178 in 2007.³² IFC has been assisting with private sector development and access to finance, including through development of microfinance institutions. The African Development Bank, through its private sector window and in collaboration with IFC and other partners, is providing equity and technical assistance support to the financial services sector with a view to providing finance to micro, small, and medium-size clients in Liberia.

95. **To further strengthen the investment climate, Liberia will need assistance to develop the financial sector; streamline the regulatory framework for businesses; continue its tax reform efforts, including alignment with the ECOWAS Common External Tariff; and invest in infrastructure, including roads, port facilities, telecommunications, and energy provision.** In addition, regional issues loom large given Liberia's small economy and the

³² *Doing Business* Report 2008 and 2009.

existence of cross-border issues including security, energy, agricultural trade, and common natural resources such as fisheries.

G. Governance and Anti-Corruption Efforts

Civil service reform

96. **Some progress has been made in reforming the dysfunctional and bloated civil service that the new government inherited after the war.** The government has developed a government civil service reform strategy. Some of the salary arrears to public servants have been cleared and there have been three modest increases in basic pay (though salaries remain very low and highly compressed). A large number of ghosts have been eliminated from the civil service payroll, which is now down from 42,000 to 35,000. The Liberia Institute of Public Administration is now operating in rehabilitated premises, a Senior Executive Service has been launched, and several ministries have begun their own restructuring programs. A remaining challenge is to narrow the gender gaps in the civil service, only about one in five public sector employees are women.³³

Public financial management

97. **Governance issues have been a key driver of conflict in Liberia and the system of vested interests remains entrenched in the public sector.** Robust diagnostics of the quality of governance are scarce, but the 2006 Global Integrity Report³⁴ rated Liberia as “very weak” on four of six indicators. Liberia continues to score poorly on Transparency International’s Corruption Perception Index (2.1 out of 10 in 2007).

98. **Progress made since 2006 is commendable, however,** and the World Bank Institute’s most recent Worldwide Governance Indicators reflects a strong improvement in Liberia’s index of “control of corruption”. Liberia adopted (in December 2006) a national anti-corruption policy and strategic framework, and has passed a law for the creation of an Anti-Corruption Commission with prosecutorial powers. The World Bank’s most recent Post-Conflict Performance Indicators rated Liberia 3.3 (on a six-point scale) on public sector management and institutional performance, up from 2.3 in the previous year. Similarly, Liberia showed an improvement in public sector management and institutional performance under the African Development Bank’s Country Policy and Institutional Assessment, from 3.4 in 2006 to 3.5 in 2007.

99. **Financial management reforms in particular show that the current government is firmly committed to governance reform over the long term.** As described in Chapter II above, the government has put cash management controls in place, maintained a balanced cash-based budget, and restored transparency to the budget process. The government achieved most of its

³³ Liberia Institute for Statistics and Geo-information Services (LISGIS). 2005. National Census of the Liberian Civil Service. Monrovia: LISGIS.

³⁴ See *Global Integrity 2006 Report* at <<http://www.globalintegrity.org/reports/2006/liberia/index.cfm>>.

objectives under two IMF staff-monitored programs, which focused on strengthening public financial management and the domestic financial sector and implementing anticorruption and domestic debt resolution strategies. The government has improved the budget preparation process and implemented an interim commitment control system that prevents the accumulation of domestic arrears; introduced regular fiscal reporting; enacted and implemented a new procurement law; and introduced better financial controls in key state-owned enterprises.

100. **Further work on public financial management is needed**, including improving the effectiveness of the budget. A public expenditure management and financial accountability review (PEMFAR) undertaken by the World Bank, the African Development Bank, and IMF, proposes a framework for further reforming PFM and procurement, building robust audit functions, and anti-corruption measures. Success under these reforms will form the basis for phasing out the GEMAP during the JAS period (by the HIPC completion point in 2010).

101. **As the government's structures and implementation capacity for public financial management improve, donors' scope increases for channeling their aid through Liberia's budget.** Direct budget support allows governments to more easily forecast aid inflows, align aid resources to its policy priorities, and pursue more economically efficient and scaled-up solutions to problems. Only a small part of the aid to Liberia takes the form of budget support at present. To provide increased assurances to donors, the government will need to continue its PFM reforms and sustain its strong performance under the Poverty Reduction and Growth Facility, so as to show it can effectively use increased donor resources through the budget.

H. Cross-cutting and Other Issues

Capacity building

102. **Capacity is the binding constraint on Liberia's reconstruction and development.** The widespread brain drain that took place during the civil war left the country largely bereft of skilled people, hampering reconstruction and reform efforts at all levels. Ministries lack capacity to implement development projects, and should employment opportunities pick up in the private business sector there is a risk that few qualified applicants will be available. Capacity building needs to be pursued in every sector at all levels, including by rebuilding the technical skills base, building implementation capacity, and rebuilding state administrative capacity. Over the longer term Liberia will need to address its critical shortage of training organizations, whether by reviving some that existed before the war or by establishing new ones, such as a school for training in project management, financial management, and monitoring and evaluation.

103. **The government is tackling the need to build capacity on several fronts under the PRS**, including through a Senior Executive Service program to get qualified Liberians into the management levels of the civil service; revitalization of the Liberian Institute for Public Administration to train mid-level civil servants; a Financial Management Training School to train certified financial accountants to staff key ministries; and the Ministry of Finance's accelerated education programs for young adults, among other measures. It is working to build public implementation capacity for large infrastructure projects, and is also taking steps to

encourage the development of the private sector. For the medium term, it is working on a capacity development plan to address critical needs across all of these areas.

Gender issues

104. **Despite progress, Liberia still faces tremendous challenges to achieve gender equality and empower women.** Significant legislative advances have been made since the end of the war, but women still lack equal opportunities and participation in management and decision making at all levels of society. Their participation in political leadership and decision making remains low, with only 14 percent representation in the legislature (2007), 0.8 percent in the judiciary (2005), 5.3 percent in government bureaus and agencies (2005), and 10.3 percent in ministries (2005). Most important, gender-based violence is a serious problem in Liberia affecting women's and girls' ability to lead a safe life (PRSP, 2008). Domestic violence is endemic, and rape remained the most reported crime in Liberia in 2006. Gender issues will require a strong policy response in the next few years. And in the context of limited capacity, strengthening the government's ability to undertake gender-aware policy formulation will be essential.

Trade development

105. **The development of trade and export-led growth is critical to Liberia's recovery.** Much of the country's export base was eroded during the war, as noted earlier, so that the main exports today are rubber and scrap metal. Liberia has large potential for growth in mining, agriculture (particularly in tree-crops such as rubber, oil palm, and cocoa), fisheries, and forest products, but a prudent policy framework must be put in place to ensure that growth is equitable and sustainable, and that it is environmentally responsible. Basic elements of the needed framework include concession agreements that secure a fair share of the rents for government, prudent management of tax revenues and royalties, an improved investment climate, and market-friendly approaches to promote employment of poor people, including women in largely male-dominated export sectors.³⁵

Environmental sustainability

106. **Liberia retains one of the world's largest remaining pristine forest areas, and its coastal waters and uplands are rich sources of biodiversity.** Its abundant natural resources have enormous economic potential, making the sustainability of these resources a primary issue for the government. Data are insufficient either to establish a baseline or to assess whether Liberia will meet the MDG on environmental sustainability. At the same time, the government's capacity to monitor progress is weak.

107. **The government is nonetheless committed to addressing environmental issues and has made some progress since 2003.** It has developed a National Environmental Policy and

³⁵ See the recent World Bank-led Diagnostic Trade Integration Study (DTIS).

adopted two major environmental laws: the Environmental Protection and Management Law and the Environmental Protection Agency Act. The Environmental Protection Agency became fully functional in 2006. During the ISN period, the World Bank carried out training programs in the EPA and the Forest Development Authority on environmental impact assessment, strategic environmental assessment, social assessment, the resettlement framework, process framework, and participatory strategies for infrastructure, mining, and forestry-related investments.

Regional integration

108. **Liberia has a keen interest in regional integration, being aware that national efforts alone will have great difficulty achieving the rapid, inclusive, and sustainable economic growth that is needed.**³⁶ Its own battered economy is small, and its human, institutional, and financial resources very limited.

109. **Better physical connectivity across its borders will be critical for Liberia to access regional and global markets and thereby diversify its economy.** A country of Liberia's size cannot significantly expand and diversify its production base unless it has access to a larger and open regional market that promotes the achievement of economies of scale, improves efficiency, and increases competition.

110. **Additional growth opportunities can be unlocked through regional approaches to the management of a number of important shared resources (fisheries, the Mano river basin) and trans-boundary development challenges (conflicts, infectious diseases, and the potential negative impacts of mining development).** In particular, building a stronger and more competitive agriculture will require collaborative efforts with neighboring countries in agricultural research and the dissemination of new technologies. The potential of the mining sector for economic growth and poverty reduction can be more fully exploited if regional collaboration can harmonize regulatory frameworks and fiscal regimes; contain negative environmental, social, and economic transboundary impacts; and develop economic regional clusters and regional networks of energy and transport infrastructure catalyzed by mineral developments.

VII. IMPLEMENTATION OF THE INTERIM STRATEGY AND LESSONS LEARNED

111. As Liberia moved rapidly from civil war to the founding of a functioning and successful state, the World Bank/African Development Bank responded with an Interim Strategy for the period July 2007 to June 2008. The Joint Interim Strategy Note (ISN) of June 2007 set out a three-pronged approach that was fully consistent with the government's Interim Poverty Reduction Strategy and focused on: (i) revitalizing the economy; (ii) strengthening governance

³⁶ Growth that comes from a more dynamic agriculture sector, labor-intensive manufactured and services exports that promotes jobs for low-skilled workers, and less dependency on primary products and extractive industries over time.

and the rule of law; (iii) rehabilitating infrastructure and delivering basic services. The components of the Interim Strategy were designed to help rebuild state capacity, ensure visible impact, and coordinate closely with the activities of other donors.

I. Implementation Experience

112. **Overall implementation of the Interim Strategy has been satisfactory.** Both the World Bank and the African Development Bank have maintained a consistent engagement in Liberia, leading the donor community in their core areas of expertise: economic governance, community-driven development (World Bank only), and infrastructure rehabilitation. Over the past year, as noted above, the government has shown strong commitment to maintaining its macroeconomic program, implementing reforms in support of good governance, and undertaking efforts to reconstruct and rehabilitate physical infrastructure. Despite the significant constraints that are posed by lack of capacity, uneven governance, and implementation difficulties, the World Bank program has begun to deliver results. The African Development Bank program introduced under the Interim Strategy is largely in place, and intermediate results will be tangible during the JAS period.

J. Lessons

113. The ISN implementation has yielded some important lessons:

114. **Respect Liberia's limited implementation capacity.** Implementation capacity is the defining barrier to rapid development in Liberia. Both the banks have found it a challenge to implement their existing portfolios, not only because of counterparts' weak capacity for project management but also because of difficulties in attracting qualified bidders for works. Though the government has a strong reformist bent, the country's almost total lack of technical capacity has left much of the burden of implementation on bank teams. During the ISN period, a rapid scale-up of implementation capacity in two Liberian agencies—the Ministry of Public Works and the Liberia Agency for Community Empowerment (LACE)—provided the foundation for the approval of eight World Bank emergency operations. These two agencies had the most promising implementation capacity, but they are already overstretched and will need sustained support to keep up with increasing demands. The African Development Bank's Institutional Support Project, aiming to rebuild national capacity in the areas of good governance and economic management and which was approved in late 2006, experienced significant effectiveness delays due in large part to lack of implementation capacity; thus far, it has made just one disbursement. Out of four operations approved in late 2007-early 2008, only two other African Development Bank projects have just recently made their first disbursements.

115. **Consolidate interventions and keep to the principle of strategic selectivity.** Experience suggests that the **World Bank Group** has spread itself thinly in Liberia. As one of the most active donors since the peace accord, it has created high expectations that far outrun its program resources and staff capacity. Going forward, it must be more selective and better leverage a full range of resources, including those of the IFC, multi-donor trust funds, and co-financing with other donors. The **African Development Bank's support** since the peace accord

has focused mainly on infrastructure and governance reform. Consistent with the ADF-11 operational priorities and the Bank's strategy for enhanced engagement in fragile states focusing on governance, capacity building and the rehabilitation and reconstruction of basic infrastructure, the African Development Bank will continue and build on its support in these sectors; it will also reengage in lending to the main productive sectors of the Liberian economy, particularly agriculture—where it has a comparative advantage—and perhaps mining, while maintaining focus on infrastructure.

116. Build capacity for portfolio management and strengthen project-level monitoring and evaluation. The current Liberian portfolios of both banks are very young. The World Bank's six active IDA projects are only about one year old, on average, and 90 percent of them are rated satisfactory thus far. The African Development Bank's five active projects have an average age of four months (from effectiveness date); one project is rated satisfactory while others have not been rated yet. A detailed review by the World Bank of its portfolio M&E arrangements found weaknesses in the articulation and implementation of project results frameworks, ranging from unclear formulation of project development objectives to lack of baseline and target data. During the JAS period, a stronger emphasis will be put on monitoring and evaluation to ensure that operations are on track to deliver expected outcomes. The African Development Bank is planning (subject to Board approval) to open a field office in Monrovia starting 2009, that will facilitate its portfolio management and capacity building efforts. In the meanwhile, the Sierra Leone Field Office is assisting in this regard.

VIII. WORLD BANK GROUP AND AFRICAN DEVELOPMENT BANK GROUP ASSISTANCE STRATEGY

K. Principles for World Bank Group and African Development Bank Group Engagement in Liberia

117. Align with the government's Poverty Reduction Strategy. The overarching aim of the Joint Country Assistance Strategy (JAS) of the World Bank Group and the African Development Bank Group is to support Liberia's transition from post-conflict recovery to long-term development. The strategy addresses some key constraints on growth as well as enhancing the policy and institutional framework to ensure that growth is increasingly pro-poor. It is fully aligned with the pillars and objectives set out in Liberia's PRSP. The JAS will pursue three strategic themes: (i) rebuilding core state functions and institutions; (ii) rehabilitating infrastructure to jump-start economic growth; and (iii) facilitating pro-poor growth. These themes are fully aligned with pillars II, III, and IV of the Poverty Reduction Strategy. The JAS will also focus on the crosscutting objective of capacity development. Gender and the environment are important elements of the strategy that will be increasingly mainstreamed into World Bank and African Development Bank programs.

118. Focus on selectivity and achieving results. The focus of the JAS is selective, reflecting the lesson from implementing the Interim Strategy that to achieve solid results, efforts should not

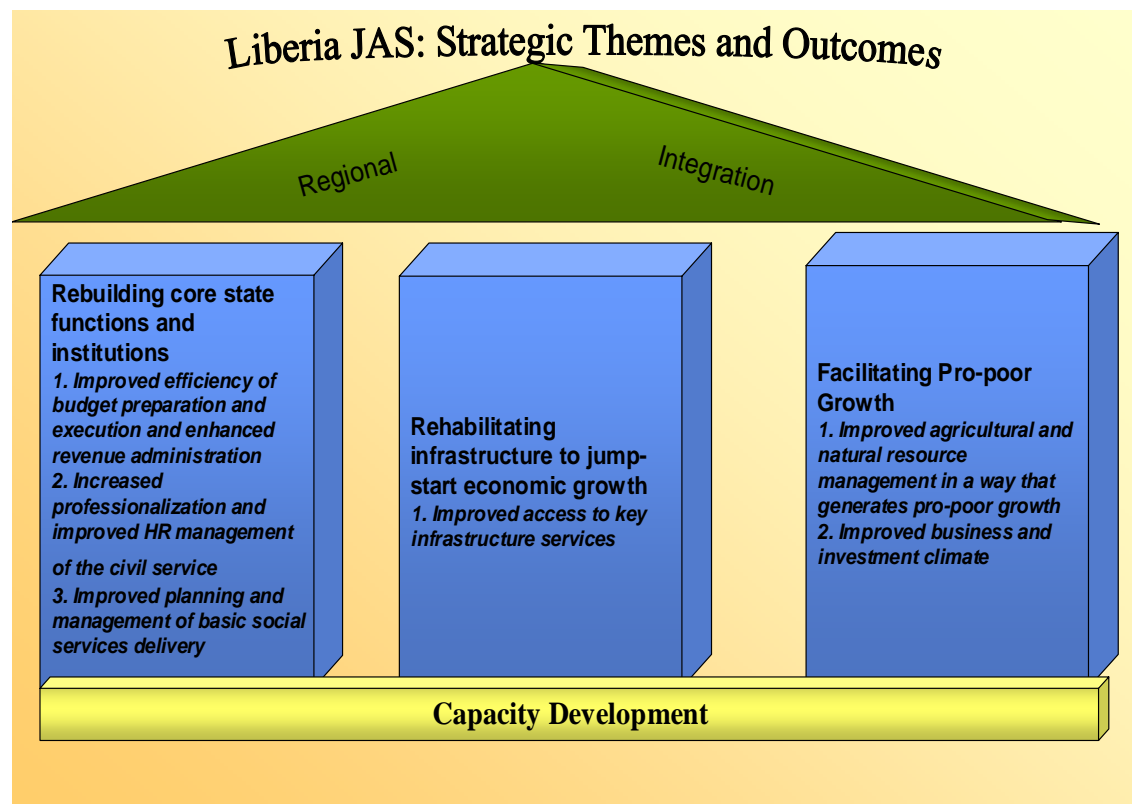
be spread too broad and thin, given Liberia's limited implementation capacity. New projects are carefully targeted, largely avoiding entry into new sectors. The choice of activities is consistent with the comparative advantages of both banks as well as the leadership of other donors in certain thematic areas, and with the government's expressed wish to focus of the bulk of investment finance in rebuilding transport and other infrastructure. The two banks will work with government and the rest of the donor community to ensure that donors are working selectively and to their comparative advantage across all PRS priorities.

119. **Make choices that are consistent with a regional integration perspective, given the government's key interest in achieving the benefits from regional integration.** The African Development Bank and other development partners are committed to supporting efforts to increase regional cooperation and dialogue through, for example, the World Bank's dialogue in Liberia's neighboring countries, World Bank and African Development Bank participation in the International Contact Group for the Mano River Union, and the African Development Bank's upcoming Regional Integration Assistance Strategy for West Africa.

L. Expected Outcomes

120. Figure 2 illustrates the strategic themes and expected key outcomes of the Joint Strategy (Annex 1 shows the complete results framework).

Figure 2: JAS Strategic Themes and Outcomes



Theme 1: Rebuilding core state functions and institutions

121. **The JAS will help Liberia to rebuild core state functions and institutions through support for strengthening public financial management, reforming and modernizing the civil service, and improving the planning and management of basic social services delivery.** Progress has been made in these areas over the past year under the two banks' Interim Strategy but more needs to be done.

JAS Outcome 1: Improved efficiency of budget preparation and execution and enhanced revenue administration

122. **The World Bank will provide continued support to strengthen public financial management mainly through the Economic Governance and Institutional Reform Project (EGIRP-US\$11 million).** This project covers the three-year period of the JAS and focuses on consolidating and extending existing work on public financial management and procurement reform. Specifically, it will support the implementation of the proposed Public Financial Management Law and regulations, strengthening the payment system, upgrading the existing computer network and accounting software in MoF; and strengthen financial management training programs; (ii) provide technical assistance on public procurement reforms, including support for the Public Procurement and Concessions Commission (PPCC) and key ministries and agencies; (iii) consolidate and strengthen the tax administration reform efforts by implementing a new computerized Integrated Tax Administration System (ITAS); and (iv) train and equip a new team of auditors within the General Auditing Commission (GAC) in order to strengthen the government's external audit function; and (v) strengthen the capacity of the Ways and Means Committees to ensure proper scrutiny of the execution of the budget.

123. **The African Development Bank will provide continued support to strengthen public financial management mainly through the Public Financial Management Reform Support Program I and II (PFMRSP I & II- UA 9 million or US\$14 million each).** The first of these operations covers up to 2009, and aims to strengthen public financial management systems and modernize Liberia's tax and customs administration. Specifically, it seeks to improve fiscal policy design, notably as regards budget preparation and execution; enhance capacity for sustainable tax revenue generation, by revamping the tax revenue departments and implementing a medium-term fiscal framework (MTFF); make operational the one-stop service facility in customs; strengthen the procurement and audit systems of the government; and support the government's measures to limit the social impact of rising food prices. The programme will be supported by the public financial management assistance provided under the Institutional Support Project. The programme's UA 9 million financing will be enhanced by a UA 3 million grant in the form of an allocation from the Surplus Account of the African Development Bank to the African Food Crisis Response (AFCR), which aims to mitigate the global food price rises.³⁷ The UA 3.00 million from the AFCR will be disbursed with the first tranche. The PFMRSP II (to be financed under ADF 12 cycle) will build on achievements under this programme and the

³⁷ Specific objectives of the AFCR are to: i) reduce vulnerability of the poor to high and unstable food prices; ii) support broad based growth through increased agricultural productivity, market participation, and strengthened government policies for sustainable agricultural development; and iii) strengthen capacity in Government to ensure an enabling environment for sustainable agriculture growth.

Institutional Support Project . The Bank will seek to mobilize additional resources from bilateral trust funds to support governance reform.

JAS Outcome 2: Increased professionalization and improved HR management of the civil service

124. **The World Bank will continue to provide implementation support for the government’s civil service reform strategy, through two trust fund grants and an IDA project:** (i) a LICUS Trust Fund Grant of \$900,000 supports civil service reform, funding for studies (e.g. development of a pay and employment strategy and organizational reviews), and capacity building for the Civil Service Agency and the Liberia Institute of Public Administration; (ii) a Trust Fund for Liberia grant of \$2.3 million supporting the Senior Executive Service, which aims to help fill the major capacity gap that exists in key ministries at the level immediately below ministers; and (iii) the Economic Governance and Institutional Reform Project, approved by the World Bank Board in May 2008, supports the development of a human resources and payroll module within the integrated financial management and information system. This support complements DfID’s Civil Service Capacity Building program and the work of other donors, including UNDP and USAID, that are assisting with governance reforms.

JAS Outcome 3: Improved planning and management of basic human services delivery

125. **In the social sectors in Liberia, other donors are making substantial contributions to basic service delivery.** Rather than provide financial support, the World Bank will use its policy and technical expertise to support planning, institutional capacity building, and policy formulation for the financing, management, and delivery of basic services, particularly in education and health. Its contributions will include policy work to develop an education sector strategy and provide TA for the Ministry of Education. In the health sector, the World Bank will continue to provide institutional development support for: (i) sustainable health financing; (ii) scaling up the education of health workers; and (iii) contracting with, and investments to support, private and NGO providers of services.

Theme 2: Rehabilitating infrastructure to jump-start economic growth

126. **Rehabilitation of Liberia’s devastated infrastructure is essential to rebuilding shattered lives and stimulating economic activity across all sectors.** Faced with the huge needs, the government has indicated that its preferred use of lending from the World Bank and African Development Bank for roads, water supply and sanitation and agricultural infrastructure, given the high priority of these facilities in the Poverty Reduction Strategy and difficulties in attracting investments in these areas from other sources.

JAS Outcome 4: Improved access to key infrastructure services

127. **Transport.** The **World Bank** will take the lead in supporting the rehabilitation of roads and bridges. A series of emergency infrastructure programs (financed by IDA and the Liberia Reconstruction and Development Trust Fund (LRTF) will continue with a new program totaling \$85 million (\$71 million in FY09 and the remainder in outer years), to support the rehabilitation

of Monrovia streets, a pilot road-resurfacing program which could be scaled up in future projects, and a first portion of two major roads that would be completed potentially under the LRTF. The World Bank Group will also help develop the Special Implementation Unit of the Ministry of Public Works into a fully professional infrastructure implementation unit, which would then be phased into a road maintenance authority as other line ministries acquire the capacity to carry out their own infrastructure projects. In line with government priorities, many works will continue to be done using labor-intensive methods. The **African Development Bank's** ongoing labor-based public works project will rehabilitate the Fishtown-Harper road, construct drainage points and bridges, and rehabilitate selected schools and health facilities. It will also build capacity within the Ministry of Public Works for infrastructure maintenance using labor-based methods. A significant component of African Development Bank's proposed agricultural sector project is the construction and rehabilitation of rural and feeder roads and social infrastructure. Finally, the JAS will continue facilitating the private-sector-led rehabilitation of the port of Monrovia—a key access point for Liberia's international trade.

128. **Water and sanitation.** The African Development Bank will lead the JAS financial support and advisory services for this sector; interventions aim to increase the volume of water supply and sanitation in Monrovia and some rural areas and to strengthen the responsible line ministries' ability to take on these functions. Ongoing operations consist of the African Development Bank/DfID/WB Monrovia Water Supply and Sanitation Rehabilitation Program and the White Plains Water Treatment Plant Rehabilitation Project. Under the JAS, the African Development Bank will finance the Monrovia Expansion and Rehabilitation of Three County Capitals' Water Supply and Sanitation. The design study for this project is ongoing. The African Development Bank's proposed agricultural sector project includes a significant water management/irrigation infrastructure component.

129. **Energy.** **JAS support for energy will concentrate on electric power supply; the World Bank and IFC together are supporting efforts to get electricity up and running in Monrovia and key rural areas.** The challenges are immense, given the low starting base, and expectations of results should remain modest for this JAS period. As lead adviser to the government, the IFC will help select a private operator for an integrated electricity concession for Monrovia; it will advise on the preparation, design, and implementation of a transparent competitive tender process for this purpose. The World Bank Group will also provide technical expertise for bringing modern energy services to rural areas and assist the realization of the West Africa Power Pool (WAPP) priority regional project. In collaboration with IFC, the private sector window of the African development Bank are exploring a potential Public-Private Partnership project for providing renewable energy to urban and rural areas, using wood from unproductive rubber trees.

130. **Urban development.** **The World Bank will continue to support the processes of urban development, slum upgrading, capacity building, and decentralization.** Efforts will be made to sustain earlier emergency work in the area of solid waste collection, and the government in collaboration with IFC is exploring a financing mechanism to gradually assume the cost of collection. Ongoing support to identify a suitable location for a permanent landfill site for

Monrovia will continue. Efforts to improve municipal revenue collections, introduce financial controls, consolidate operations, and build capacity at the sub-national level remain of prime importance. The Bank will continue to provide policy advice in key areas for urban development.

131. **Community-driven development (CDD).** The World Bank will continue its existing **CDD program** (Liberia Community Empowerment Project II, US\$ 5 million) being implemented through the Liberia Agency for Community Empowerment (LACE), with additional financing from other donors during the three-year JAS period. This program supports the rebuilding of community cohesion and social capital in addition to much-needed community infrastructure.

Theme 3: Facilitating Pro-Poor Growth

JAS Outcome 5: Improve agriculture and natural resources management in ways that generate pro-poor growth

132. **A key part of the JAS addresses needs in agriculture and natural resources management, which have been important traditional sources of growth.** Lending and non-lending services seek to restore and improve productivity in these sectors, with an emphasis on jobs and incomes for poor workers and producers and on environmental sustainability. Over the longer term, Liberia will need to create a vigorous private sector in other industries, so the JAS also contains programs to help improve the business and investment climate, especially for small and medium enterprises, and to begin strengthening the financial sector.

JAS Outcome 5: Improve agriculture and natural resources management in ways that generate pro-poor growth

133. **Agriculture.** Liberia's high poverty rates, low post-war productivity in agriculture, and dependence on imported food mean that the world food price crisis is taking a heavy toll on many of its people. As well as increasing domestic food production, Liberia also needs to improve productivity and achieve sustainability of supply in its export crops, which are a major source of jobs, income, and foreign exchange.

Box 3: Global Food Price Crisis: Impact and Responses by the Two Banks

Food in Liberia now costs 25 percent more than in January 2007, pushing more people below the poverty line and potentially threatening the hard-won stability and recovery of the past few years.

The World Bank has responded rapidly to the food price crisis in Liberia, through the Liberia Emergency Food Price Crisis Response Program under the Bank's Global Food Crisis Response Program (GFRP) together with US\$10 million from the new Food Price Crisis Response Trust Fund (FPCRTF). The response includes quick-impact social protection measures aimed at the most vulnerable populations with additional activities to spur agricultural production in targeted areas with the most productive potential. It also begins the process of building up new social protection institutions that will be important to stability in the medium term.

Specific programs include: (i) a program for vulnerable women and children including a school feeding program implemented in partnership with the World Food Program that is designed to feed up to 62,000

children and keep 4,300 girls in school; (ii) a demand-driven public works program for dry-season employment which is expected to transfer cash to 10,000 people, including in marginalized urban areas in Monrovia where unrest is a significant threat to social stability; and (iii) a program to expedite the agricultural supply response by supplying essential inputs and interventions to reduce post-harvest losses and increase productivity in rice and cassava.

The AfDB has responded rapidly to the food price crisis through the new Africa Food Crisis Response. The response includes quick-disbursing financing to allow the government to implement social protection measures, with additional activities to spur agricultural production.

134. The World Bank will focus on improving agricultural productivity and production. The Agriculture and Infrastructure Development Project (\$5 million component) supports food crop and smallholder tree crop production for export. Additional financing will be provided under the World Bank's Food Price Crisis Response Program to expand food crop production and to support quick-impact interventions to improve post-harvest infrastructure for the current planting season. The project will also establish local seed multiplication facilities to produce around 1,000 metric tons of certified seed. IFC is providing technical assistance in the agribusiness sector and is considering taking a stake in several multinational investments. The Foreign Investment Advisory Service (IFC and MIGA) is providing technical assistance for a model concession contract for tree crops. The World Bank is also supporting the policy capacity of the Ministry of Agriculture and will work toward improving market access through the reconstruction of rural roads.

135. The African Development Bank's Agriculture Sector Rehabilitation project (UA 12 million or US\$19 million) has the main aim of revamping the rice value chain, rice being Liberia's main staple food. The project aims to increase agricultural productivity and income of small and medium scale farmers through the rehabilitation and reconstruction of rural feeder roads, storage, processing and marketing facilities, and water management/irrigation infrastructure for swamp rice cultivation, as well as increased extension and input support for production of crops. This project has an indicative infrastructure component of over 80 percent. The project will also support sector-specific capacity building efforts. In addition, the African Development Bank will provide financing of UA3.0 million (US\$4.7 million) under the Africa Food Crisis Response (AFCR) as part of budget support in 2008. The government intends to use the AFCR funds for fertilizers, crop protection, and dissemination of the New Rice for Africa, and related activities which will ensure efficient implementation of subsequent medium-term food security interventions.

136. **Forestry.** In the forestry sector, the World Bank's analytical and advisory work will continue under the multi-donor Liberia Forestry Initiative. This uses a "three C's" approach to forestry (commercial, conservation, and communities, with carbon financing cutting across all three), to achieve accountability, transparency, security, social responsibility, implementation of Liberia's new forestry law, and drafting of a community rights law. Public investments in forestry are currently financed by other donors and by tax revenues from logging. In addition, GEF grants totaling \$1.7 million are supporting conservation and biodiversity efforts.

137. **Mining.** Both industrial and small-scale artisanal mining are potentially important sources of growth and poverty reduction in Liberia, and both banks will contribute support in this sector. It is expected that the World Bank will remain involved in this sector mainly on the governance front, through existing project interventions such as the Economic Governance and Institutional Reform Project (EGIRP). Analytical work by the World Bank Group will help the government to identify ways to (i) promote and develop large-scale industrial mining as a source of substantial revenues and regional economic development; and (ii) develop and organize small-scale and artisanal mining in order to generate jobs and improve rural livelihoods. Ongoing governance and transparency work will be done under the EGIRP during the JAS period. Further economic and sector work will be undertaken in FY09 to analyze the mining sector in greater depth and review regional dimensions of mining. Additionally, a regional mining initiative may be launched, with the aim of spurring the development of regional growth-poles, and mitigating negative environmental and social impacts of mining across the sub-region. The African Development Bank's private sector window is exploring supporting a project in iron mining.

138. **Transparency.** Both banks are providing a range of support for Liberia's implementation of the Extractive Industries Transparency Initiative (EITI), to enable Liberia to continue its strong progress towards EITI compliance. This work is being done jointly to ensure complementarity of support to the government's EITI Secretariat and the Ministry of Finance. The African Development Bank has funded a scoping study for EITI in the forestry sector and provided Liberia with US \$150,000 through the Nordic Trust Fund for Governance for the implementation of the costed work plan of LEITI. The World Bank is providing resources under its EITI Trust Fund.

JAS Outcome 6: Improved business and investment climate

139. **Sound macroeconomic management and policy reforms will be supported by a series of World Bank development policy operations expected to total around \$15 million (\$5 million yearly) and by two African Development Bank budget support operations totaling \$ 28 million.** This series of operations supports agreed policy actions to enhance peace and security; revitalize the economy (including by improving the business environment); strengthen governance and the rule of law; and rehabilitate infrastructure and improve the delivery of basic services.

140. **Both IFC and the private sector window of the African Development Bank will work to increase access to finance for Liberian banks and businesses, especially small and medium enterprises.** The **International Finance Corporation will play a lead role in supporting private sector development**, both through expanding access to finance and through improving the overall investment climate, with a particular emphasis on encouraging SMEs. To improve access to finance, IFC will help to establish microfinance institutions, expand the Global Trade Finance Program, and accelerate technical assistance for Liberia's banks, to improve the take-up and use of available funding. On the investment climate, the IFC program includes continuing work to improve the regulatory environment and supporting investment generation through work with the National Investment Commission. IDA will seek to complement IFC activities through technical assistance for developing a policy framework for

revitalizing the financial sector. Activities in this sector will be closely coordinated with those of the IMF. **The African Development Bank's private sector window** supports the ongoing Access Bank Liberia project, and is also exploring support to the Liberian Bank for Development and Industry to increase access to commercial and investment banking in Liberia. Financing will be sought for technical assistance from trust funds such as the Fund for African Private Sector Assistance.

Cross-cutting objective: capacity development

141. Liberia's stock of skilled people is paltry even by the standards of post-conflict African countries. **To meet pressing needs, the World Bank and the African Development Bank will exploit existing capacity across organizational boundaries**, drawing on agencies that have *some* relevant implementation capacity if the more logical choice of government agency lacks this capacity. (For example, the Liberia Agency for Community Empowerment (LACE) was created through World Bank project finance as a national agency for community-driven development. But now, to help respond to the food-price crisis, it is being modified to be able to implement a \$3 million cash-for-work social safety net scheme under the Emergency Food Crisis Response Program.)

142. **Meanwhile, the two banks will seek to help build capacity within implementation agencies for the longer term.** As partly described above, efforts will focus particularly on the Special Implementation Unit, the Ministry of Finance, Civil Service Agency, LACE, and the Liberia Water and Sewerage Corporation. In addition, the banks will continue their work with Parliament and the Ministry of Finance around the budget process—a critical component of public financial management reform. Both Bank's will carry out further assessments of capacity building needs during the JAS period to broaden the understanding of the capacity challenge in Liberia and develop a set of tailored instruments supported by analytic work, grants, secondments, among others.

Strategic mainstreaming

143. **Gender equity.** The JAS will promote gender equality and women's economic empowerment wherever such opportunities arise. The World Bank will continue its program of technical and advisory services to build capacity on gender and economics in Liberia, supported by trust funds such as the Multi-Donor Trust Fund for the Gender Action Plan and the Bank-Netherlands Partnership, through its Governance Window. The activities will build on ongoing projects and programs including the US\$ 2.7 million project for Economic Empowerment of Adolescent Girls (EPAG), supported by the Nike Foundation, and UNIFEM Results Based Initiatives. Analytical work of the World Bank and the African development bank will focus on understanding context-specific determinants of and constraints on Liberian women's economic empowerment, to help with the prioritization and mainstreaming of relevant gender interventions in the proposed lending portfolio. This work will be aligned with the World Bank Gender Action Plan's focus on women's economic empowerment (in land, labor, financial, and agriculture

product markets). The Banks will also contribute to strengthening the collection of sex-disaggregated data to facilitate the tracking of gender-relevant indicators.

144. **Environmental sustainability.** Under the JAS, the World Bank and the African Development Bank will allocate resources mainly through the infrastructure, agriculture, and potential extractive industries programs to further build environmental planning and management capacity in Liberia’s line ministries and agencies—notably the Environment Protection Agency (EPA), the Ministry of Public Works, the Forest Development Authority (FDA), the Ministry of Lands, Mines and Energy, and the Liberia Water and Sewerage Corporation—in tandem with the scaling up of investments in the sectors for which they are responsible. The Global Environment Facility will support work to strengthen the management of natural resource and protected areas.

145. **Job creation.** The World Bank and the African Development Bank will continue to favor labor-intensive building methods where feasible, recognizing that it will take considerable time for the private sector to generate enough jobs to meet Liberia’s dire needs, and that lack of jobs could have serious consequences for social stability. The World Bank’s cash-for-work program (\$3 million under the Food Price Crisis Response TF) in response to the food price crisis targets both urban and rural areas; it will help the government to put in place a social protection mechanism that can be scaled up during the JAS period.

M. Lending

146. **The implementation of the JAS is supported by existing and new financial instruments** including IDA, the African Development Fund, the Fragile States Facility (subject to Liberia’s eligibility to the FSF), the Africa Food Crisis Response, the Trust Fund for Liberia, the Liberia Reconstruction and Development Trust Fund, and others, as well as by analytical and advisory work as described in the following section.

147. **The banks’ new lending programs during the JAS period will combine policy-based lending and investment lending in support of the three strategic themes and the crosscutting objective of the joint strategy.** The policy-based operations are intended to help address Liberia’s external financing needs while the export sectors recover, as well as to support the policy and institutional changes that are needed to create the environment for pro-poor growth and safeguard against external shocks. The investment lending is aimed at supporting the rebuilding of the economic and social infrastructure necessary for enhancing growth and improving social stability, scaling up primarily from existing programs that are now realizing gains from start-up implementation capacity building.

148. **The pipeline over the next three years adds up to some US\$496 million (Table 5)³⁸.** The World Bank’s three-year IDA allocation is about US\$138 million. It is also expected that IDA Regional resources will be determined during the CAS period based on operation needs and under Liberia under the new rules for IDA 15 for small country programs, leveraging up to around \$150 million in additional resources. The Liberia Reconstruction Trust Fund—a new

³⁸ Includes US\$ 5.9 million to be used for AfDB regional programs and capacity building, not shown in Table 5.

multi-donor trust fund for infrastructure administered by the World Bank—is expected to contribute around \$120 million in donor financing to complement the IDA program. The African development Bank Group’s assistance to Liberia under the JAS will be provided within the framework of ADF-11 (2008-2010), part of ADF-12 (2011-2013), and the Fragile States Facility subject to Liberia’s eligibility to the FSF. ADF 11 performance-based indicative country allocation amounts to UA 29.81 million (\$46.5 million). The indicative potential FSF supplemental financing amounts to UA13.01 million (\$20.3 million), and indicative potential FSF financing from the targeted support window amounts to UA 2.00 million (\$3.1 million). Total indicative ADF and potential FSF financing under ADF-11 cycle thus amounts to UA 44.82 million (\$69.9 million). Indicative financing in the amount of UA 9 million (\$14.0) will be sought from ADF-12 resources. Additional financing from the African Food Crisis Response amounts to UA 3.0 million (\$4.7 million), and will be provided under the 2008 budget support operation. Total indicative financing during the JAS period is thus UA 56.82 million (\$88.6 million).

Table 5: Liberia JAS Indicative Program: Main Funding Sources (FY09-12)

Main Theme	PRSP Alignment	Project	Lending				Total
			IDA (US\$m)	Regional IDA (US\$m)	AfDB	LRTF	
I. Rebuilding of Core State Functions and Institutions	Pillars II and III						
		Development Policy Support	15		28.1		43.1
		Sub-total	15		28.1		43.1
II. Rebuilding Infrastructure to Jump-Start Growth	Pillar IV						
		Transport	96				96
		Energy	15				15
		Water and Sanitation			31		31
		Sub-total	111		31	0	142
III. Facilitating Pro-Poor Growth	Pillars II and IV						
		Growth/Agriculture (including Regional Agriculture, Fisheries & Mining)	12		23.4		35.4
		Sub-total	12		23.4		35.4
		Grand Total	138	150¹	82.5	120¹	490

¹ - Regional IDA and LRTF resource allocation to be confirmed during the CAS period.

N. Non-lending Program

149. **Knowledge creation and transfer is a fundamental part of the work of the World Bank Group and the African Development Bank in Liberia, particularly in view of the relatively small allocations of funding relative to Liberia’s vast needs.** A large body of analytic work has been substantially completed during the past year under the ISN, including a public expenditure financial accountability (PEFA) survey; a comprehensive poverty diagnostic; a public expenditure management and financial accountability review (PEMFAR); a comprehensive assessment of agriculture; education and health sector assessments; and a diagnostic trade integration study. Currently underway are more comprehensive studies in education and in mining and natural resource management. To help track progress on poverty reduction and provide evidence-based policies for social protection interventions where necessary, a second poverty diagnostic will be completed and will be followed by a poverty assessment. The dissemination of these reports will provide the basis for policy discussions with government and other development partners on the country’s development priorities.

150. **The two banks will align their analytical work, like their lending, to the strategic themes and crosscutting issue of the JAS,** and will focus on creating the knowledge base for strong policy advice and on identifying specific strategies for enhancing pro-poor growth. Issues to be covered by the World Bank Group include economic management, governance, and institutional reform, women’s economic empowerment, financial sector development, and long-term development planning, notably in transport, health, education, and other sector strategies. African Development Bank’s program of analytic work consists of a water sector reform study, a PEFA review, a gender profile, a study of the needs of fragile states, and analytic work recommended by the latter study. Table 6 provides an overview of anticipated analytic work over the JAS period. The World Bank and African Development Bank will undertake analytic work jointly where possible.

Table 6: Indicative Planned Analytic Work

	Product	Fiscal Year
I. Rebuilding of Core State Functions and Institutions	Policy Notes (e.g. macro, fiscal decentralization, and social protection).	FY09
	DTIS	FY09
	Women’s economic empowerment	FY10
	Gender Profile	FY09
	Education Country Status Report	FY09
	Education Sector Plan	FY10
	Impact Evaluation of Early Grade Reading Assessment and Teacher Training	FY10
	PEFA	FY09
	Needs Assessment Study	FY09

II.Rebuilding Infrastructure to Jump-Start Growth	Water Sector Reform Study	FY09
III. Facilitating Pro-Poor Growth	Mining Sector Review	FY09
	Oil Palm Sector Study	FY09
	Policy Note on Pro-poor Growth	FY09
	Financial Sector Revitalization Strategy	FY09/10

O. Trust Funds

151. While it was still in arrears to the international financial institutions, Liberia relied heavily on trust funds to allow World Bank and African Development Bank interventions. Because of the need to access a number of different instruments (e.g. LICUS, TFLIB, NTFG), this led to a highly fragmented and transaction-intensive portfolio.

152. **Under the JAS, trust funds will be used selectively, to leverage existing resources or to put in place large interventions where IDA and ADF do not play a role** (Table 7). The recently launched **Liberia Reconstruction and Development Trust Fund (LRTF)** for infrastructure is expected to make available around \$120 million during the JAS period. Contributions and pledges currently include Germany (US\$23 million); Sweden (US\$10 million); European Commission (\$80 million); Ireland (\$4 million); and the World Bank (US\$3 million – LICUS Trust Fund). The fund will leverage World Bank capacity and knowledge to assist the government in preparing and implementing infrastructure reconstruction. LRTF projects will be integrated into the IDA portfolio; they are designed and prepared under IDA emergency policies and procedures in order to exploit synergies with existing World Bank infrastructure projects.

153. **Other planned and potential trust-funded activities during the JAS period** include support from the Global Environment Facility for management of natural resource and protected areas, and potential support for land tenure reform from the new State and Peacebuilding Trust Fund. African Development Bank will pursue trust fund financing for governance reform. Financing under the African Development Bank private sector window will be determined according to the feasibility and viability of the projects under consideration. Trust funds that may be accessed during the JAS period include the Education for All Catalytic Fund, which could bring large resources to bear in the education sector, where IDA and ADF operations are constrained. Smaller trust funds could be used judiciously to support ongoing initiatives, for example to support EITI implementation or debt reduction.

Table 7: Trust Fund Commitments and Relevance to Core Program

Trust Fund	Connection to Core Program	Existing Commitments	New Commitments in JAS period
TFLIB	Economic and natural resource governance,	\$25 million	None – fully

	infrastructure, public sector/civil service reform		committed
LICUS Trust Fund	Public financial management, public procurement, donor coordination, labor-intensive public works (urban), natural resource management, public sector/civil service reform	\$45 million	None
Food Price Crisis Response Trust Fund (FPCR TF)	Social safety net support (e.g. school feeding, cash for work); agricultural production support	\$10 million	To be determined
IDA Debt Reduction Facility	Debt reduction – commercial debt	\$1.3 million	To be determined
MDTF – EITI	Natural resource governance	\$400,000	n/a
Global Environment Fund (GEF)	Environmental and natural resource management	\$1.7 million	To be determined
Liberia Reconstruction Trust Fund (MDTF)	Infrastructure Rehabilitation	\$18 million	\$125 million
Nordic Trust Fund	Governance Reform	\$0.3 million	N/A
Nike Fund for Economic Empowerment of Adolescent Girls	Economic empowerment of women	\$2.7 million	To be determined
State and Peacebuilding Fund	Governance and Land Tenure Reform	n/a	\$2 million
GAC Trust Fund	Decentralization	n/a	To be determined
Bank-Netherlands Partnership Program	Improving the gender targeting of public expenditures	\$75,000	

IX. JAS MONITORING

154. **The JAS has been designed with a strong focus on achieving and demonstrating results on the ground.** The JAS Results Framework for the two banks' program of support is shown in Annex 1. It uses Liberia's PRS as its starting point, and narrows down the range of PRS objectives to those that the World Bank and African Development Bank can demonstrably contribute to during the JAS period. Given that results during the JAS period will come mainly from already-existing operations and the quicker-disbursing interventions, the results framework is closely linked with the expected results of the ongoing portfolio of operations and analytical work. The framework has been formulated in light of the capacity constraints on results management in Liberia. The JAS Monitoring and Evaluation Plan, shown in Annex 2, details the baselines and targets for all indicators and milestones, as well as the sources and responsibilities for data collection and monitoring.

155. **The JAS outcomes will be monitored jointly by the World Bank, the African Development Bank, and the government over the JAS period.** As noted, the African Development Bank proposes to establish a country office in 2009. Technical assistance for

statistical capacity building out of the “targeted support” window of African Development Bank’s Fragile States Facility might be provided. Regular portfolio reviews aligned with the results framework will be carried out, jointly with other development partners when possible. At mid term, a JAS Progress Report will be prepared to assess the progress made toward JAS outcomes. Mid-course adjustments may be made in light of these findings or of changing country circumstances. A completion report will be prepared at the end of the JAS period.

156. **All new operations will be designed with a focus on clearly defined outcomes, sound results measurement, and M&E arrangements adapted to Liberia’s situation.** During the start-up phase of the two banks’ current Liberian operations, monitoring information was scarce but programs needed to get up and running quickly. As the program matures and more data become available, collection and reporting on outcomes is being strengthened across the portfolio. An effort will be made to improve project-level M&E, paying appropriate attention to the emergency context of many operations. In this connection it will be important, given the limited capacity in many ministries, to align with and strengthen existing sectoral M&E efforts as well as to support the system that is being established to monitor the implementation of Liberia’s PRSP. The World Bank and the African Development Bank are planning to focus particularly on supporting the development of sound M&E systems related to infrastructure, agriculture, and public financial management.

X. PARTNERSHIPS AND PARTICIPATION

P. Partnerships and Donor Coordination

157. **Total official development assistance to Liberia is estimated at \$357 million for 2007.**³⁹ This excludes UNMIL’s peacekeeping operations. The largest donor is the United States government, which provided almost \$100 million in 2007, followed by the combined contribution of the UN agencies, at almost \$90 million, and the World Bank’s contribution of approximately \$40 million. In addition to ODA, Liberia receives significant support from private foundations including the Soros Foundation, Clinton Foundation, and Gates Foundation. The bulk of aid to date has been dedicated to security sector reform, health, education, and infrastructure. Data on aid flows are limited and most of the funding is not channeled through government structures.

158. **Development assistance is coordinated through the Liberia Reconstruction and Development Committee (LRDC), which was established in 2006.** LRDC is a transitional mechanism established to provide a platform for dialogue between the government and development partners, and is organized around the four PRS pillars. Cooperation among lead donors has been strong, but aid coordination vis-à-vis the government has been less so, and the government has had limited tools and information with which to monitor the aid flows coming into the country. The government is making significant efforts to strengthen its capacity to monitor aid flows and interventions. For its part, the LRDC has made it a priority to foster the

³⁹ Based on data from the Liberia Reconstruction and Development Committee’s recently completed Paris Declaration Survey.

harmonization and accuracy of donor reporting on disbursements for development. Its recently completed Paris Declaration Survey on Aid Coordination and Harmonization will help in establishing a benchmark and monitoring system. More predictable sector strategies, combined with more Liberian (versus donor) execution of projects, and, eventually, donors' contributions to budget support, will improve the government's control over its reconstruction resources and agenda.

159. Liberia provides a strong example of donor coordination at the operational level. Table 8 shows the main areas of support by each main donor. Consistent with a fragile-states approach, donors concentrate in a few key areas, aligning their support and sending common messages to government. For example, the US, the World Bank, the African Development Bank, the EC, and the IMF all support fundamental economic governance reforms, but ensure that their programs are mutually reinforcing. In water supply and sanitation, where the African Development Bank is now the lead agency, the World Bank will not undertake new work during the JAS period. The World Bank is the leading donor for roads but strongly coordinates its activities in this area with the UN, and it relies on the UNDP to administer more than \$20 million in World Bank grant funding. In road building, the African Development Bank and the European Commission will channel resources through the World Bank-managed Liberia Reconstruction and Development Trust Fund for infrastructure.

Table 8: Key Donor Activities in Liberia

Sector	Main Partners	PRS Cost (US\$ mil)
Peace and security		252
Security sector reform	US government, UNMIL	
Economic revitalization		141
Food and agriculture	FAO, WFP, World Bank	
Labor and employment	ILO, World Bank	
Investment, trade, export promotion, private sector support	World Bank, IFC, IMF, EC, USAID	
Financial services	IMF	
Governance and rule of law		224
Rule of law	USAID, UN, World Bank	
Civil service reform	DFID, USAID, World Bank, UNDP	
Governance reform (other)	DFID, USAID, World Bank, UN	
Infrastructure and basic services		995
Infrastructure	World Bank, EC, USAID	
Health	DFID, USAID, Irish Aid, UNICEF	
Education	USAID, UNICEF, WFP	

160. Going forward, a move to budget support will increase efficiency. As the government increases its capacity for transparent financial management, a transition will be needed whereby donors channel more of their aid through the national budget, helping to add capacity and working with the government's systems to carry out government's plans. A move to budget support will allow the implementation of larger, more effective, and "mainstream" programs, rather than the proliferation of "pilot" and small post-conflict initiatives that has been typical since the conflict ended.

Q. Participation

161. **In 2007/08, government carried out comprehensive consultations as a part of the development and validation process for the Poverty Reduction Strategy.** This process covered all 15 counties in Liberia and included the full range of stakeholders, including citizens' groups, community and tribal structures, local governments, trade unions, and others. The consultations in each county resulted in the identification of specific local problems and concerns as well as recommended action plans. As well as providing deep insights into people's interests, the key messages of the consultations became the basis for the four pillars of the PRS, which together make up the country's strategic framework for development.

162. **The key messages of the consultations** included:

- *National security.* Despite an improvement in security since the end of the civil war, crime and violence are still prevalent. Liberians cited the shortage of qualified security staff, the incidence of corruption, and the public's distrust in the police force.
- *Economic revitalization.* The public noted that agriculture, roads, and access to finance are the highest priorities.
- *Governance and rule of law.* The consultations revealed that corruption is present at all levels of government.
- *Infrastructure and basic services.* The consultations emphasized shortages in four sectors, in the following order of importance: (i) roads; (ii) safe drinking water and electricity; (iii) educational facilities and trained teachers; and (iv) healthcare facilities and trained medical personnel.

XI. MANAGING RISK

163. **Liberia faces considerable risks following the disruptions caused by the civil conflict.** A major risk is that of insecurity. Although the deployment of UNMIL peacekeepers and police has restored peace and stabilized most parts of the country, the state institutions and mechanisms (including the police and judiciary) that are responsible for protecting citizens' human rights remain fragile and underdeveloped. In particular, the large number of ex-combatants awaiting reintegration and rehabilitation opportunities, as well as the political groups who have been marginalized in the new political context, might pose challenges to security in the country. Further, the unstable regional context, including in Côte d'Ivoire and Guinea, continues to present an external risk. Thus, UNMIL's continued presence under a strong Security Council mandate is critical, as are enhanced efforts by the government to reform security institutions and reintegrate ex-combatants into Liberian society.

164. **Widespread unemployment and the perception that peace has only limited tangible benefits pose a risk to stability during the CAS period.** This will be partly mitigated through the creation of a national urban and rural employment program, under the Liberia Agency for Community Empowerment, that can be scaled up in the future. In addition, the work to be carried out on pro-poor economic growth will need to generate both short-term and structural

employment for the working classes as a critical part of Liberia's return to stability in the medium term.

165. **The government's shortage of capacity to implement reforms poses another significant risk.** This risk is mitigated by the support provided by development partners, but substantial additional efforts to build capacity are urgently needed. As discussed above, the JAS will build capacity at the project implementation level, support civil service reform, and help to build the capacity of specific government agencies in charge of implementing reforms. The World Bank Institute will continue its support on strengthening the Liberian Parliament's role in the budget process.

166. **Corruption poses another risk.** Corruption and the abuse of power and privileges continue to impede effective policy implementation, public service delivery, and the reduction of poverty. Yet the government has shown a firm commitment to fight corruption, by finalizing an anti-corruption strategy and passing anti-corruption legislation. It has shown its commitment to enhancing governance, transparency, and accountability in the work of the public sector through the continued implementation of GEMAP and it is embracing the Extractive Industries Transparency Initiative.

167. **A further risk concerns the government's ability to get legislation passed by Parliament, where the President's political party lacks a majority.** A failure to win the support of members of other parties could undermine the government's reform efforts. Continued strong demonstrations of international support for the current administration's anti-corruption efforts—combined with judicious attention to internal fiduciary controls and external private sector/civil society scrutiny and appropriate capacity building—are expected to help mitigate these risks.

168. **Given the emphasis on building new infrastructure and potential development in Liberia's mining sector, the government's ability to address environmental issues and manage environmental and social impacts is crucially important.** Dedicated capacity to regulate and manage environmental impacts is not yet keeping pace with needs. Under the JAS, the World Bank and the African Development Bank will allocate resources (primarily through infrastructure programs) to further build environmental planning and management capacity in key line ministries and agencies, notably the EPA; the Ministry of Public Works; the FDA; the Ministry of Lands, Mines, and Energy; and the Liberia Water and Sewerage Corporation, as investments are scaled up in the sectors for which they are responsible.

169. **Finally, Liberia's fragile economic and social situation puts it at risk from external shocks—including recent global food and fuel price increases, which have pushed up inflation and threaten to worsen poverty outcomes and instability.** The JAS supports a holistic approach to mitigating such risks. This includes World Bank Group support from the Food Price Crisis Trust Fund to put in place entirely new institutions, such as a cash-for-work social safety net program and a program to increase agricultural productivity, and African Development Bank's increased budget support and investments in raising agricultural productivity. In addition, the World Bank will support appropriate macroeconomic policy

responses to external shocks through its programs of targeted budget support, and both the World Bank and African Development Bank will work with the IMF to ensure their policy positions are mutually consistent.

XII. SCALING UP AND EXIT STRATEGY

170. **If current circumstances continue, the World Bank will continue to provide post-conflict allocations from IDA in line with current IDA allocation policy while African Development Bank will operate under ADF and Fragile States Facility policy.** Provided Liberia's policy performance is satisfactory, the World Bank expects to provide modest annual budget support operations. Satisfactory implementation of the investment portfolio would provide an important basis for moving forward with the new operations outlined in this strategy.

171. **In the event of unsatisfactory progress on reform, the World Bank and African Development Bank would enter into dialog regarding the basis of future budget support operations.** Should poor portfolio performance arise, the World Bank and African Development Bank would adjust their operations as needed, revising implementation schedules and planned activities, or in the case of severe obstacles, would partially suspend their activities. Nevertheless, the World Bank and African Development Bank remain committed to staying engaged in Liberia over the long term.

ANNEX 1: DRAFT RESULTS MATRIX FOR LIBERIA JAS (FY09-FY11)

Selected Liberia PRSP objectives & indicators ⁴⁰	Key Issues from PRSP	CAS Outcome & Indicators	CAS Milestones	World Bank Group/African Development Bank Instruments
CAS Strategic Theme 1 – Rebuilding of Core State Functions and Institutions (aligned with PRSP Pillar III)				
<p>Create a new framework for PFM</p> <p>Improve PFM using an integrated financial management system</p> <p>Improve revenue collection by implementing tax administration reforms and automation</p> <p>(No indicators presented in the PRSP)</p>	<p>Fragmented and incomplete legislation, unclear rules and lack of coordination create opportunities for abuse and corruption</p> <p>The accounting system is handicapped by a single-entry system, weak purchase order and accounts payable systems and weak coordination between HR and Payroll and between MOF, BoB and CBL</p> <p>Outdated laws, overlapping procedures, weak organizational structures and limited automation have resulted in inefficient revenue administration</p> <p>Weak procurement legal framework and practices lead to inefficiencies in the use of public funds</p>	<p>1. Improved efficiency of budget preparation and execution and enhanced revenue administration</p> <p><i>Budget Preparation and Execution</i> Average difference between budget out-turn and legislated budget allocation for each Ministry decreased to 8% (compared to 21% in 2007)</p> <p><i>Revenue Administration</i> 50% of collected revenue captured in the Integrated Tax Administration System by 2010</p>	<p><i>Budget Preparation and Execution</i> Quarterly expenditure reports posted within 6 weeks after end of quarter by 2009 (compared to 3 months after in 2007)</p> <p>Three modules of the IFMIS system (General Ledger, Budget Preparation and HR and Pay Roll) operational by 2010</p> <p>80 % of vouchers can be approved and paid by MOF by 2009 (compared to 60% in 2006)</p> <p>Reduction in number of days to process payment vouchers by at least 30% (from 14 days) by 2009</p> <p><60% of public procurement that used direct contracting and/or less competitive methods without proper justification by 2010 (compared to estimated more than 80% in 2008)</p> <p><i>Revenue Administration</i> New computerized Integrated Tax Administration System (ITAS) operational by 2009</p>	<p>On-going Projects: Support for MOF Resource Management Unit (FY07) Institutional Support Project (FY07) EGIRP (FY08) IFMIS (FY08) Public Procurement Reform (FY04)</p> <p>Pipeline Projects: African Development Bank budget support operation (FY09) WB Development Policy Operation (FYXX)</p> <p>AAA DTIS (FY09)</p> <p>Partners: DfID</p>
<p>Strengthen and enhance the effectiveness and efficiency of public institutions and</p>	<p>Public institutions, for the most part, have been bloated, disorganized, weak and supportive of corrupt practices.</p>	<p>2. Increased professionalization and improved HR management of the civil service</p>	<p><i>Civil Service Professionalization</i> Senior Executive Service (SES) Scheme is fully operational - at least 70 staff recruited by 2009</p>	<p>Ongoing Projects: Senior Executive Service (TFLIB- FY08)</p>

⁴⁰ This is a subset of the Liberia PRSP Objectives taken directly from the final PRSP document.

Selected Liberia PRSP objectives & indicators ⁴⁰	Key Issues from PRSP	CAS Outcome & Indicators	CAS Milestones	World Bank Group/African Development Bank Instruments
<p>functions</p> <p>% of population that perceives the Government of Liberia to be performing better than in the previous year</p> <p>Number of Ministries, Agencies and SOEs/parastatals restructured based on revised, published and adopted mandates</p>	<p>Experienced and qualified professional staff left the civil service because of low salaries</p> <p>Staff motivation is low</p> <p>Payroll controls are weak and there is a high number of ghost workers</p>	<p><i>Civil Service Professionalization</i></p> <p>75% of SES staff are rated satisfactory in terms of performance against targets in performance contracts</p> <p><i>HR Management of Civil Service</i></p> <p>Discrepancy between nominal and actual payroll less than 5% in 2010 (compared to 25% in 2007)</p>	<p>6 Ministries implement restructuring plans based on redefined mandates, new organizational structures and matching staffing plans</p> <p>Civil Service Reform Strategy in place by 200X</p> <p>Development of a plan for LIPA's training delivery by early 2009 and XX MDA staff trained by 2010</p> <p><i>HR Management of Civil Service</i></p> <p>HR system with 65% of civil servants registered by 2009</p>	<p>Civil Service Reform Project (LICUS - FY08)</p> <p>EGIRP (FY08)</p> <p>Partners: UNDP, EC, USAID, Dfid</p>
<p>Health - Expand access to basic health care of acceptable quality and establish the building blocks of an equitable, effective, efficient, responsive and sustainable health care delivery system</p> <p>Education - Provide access to quality and relevant educational opportunities at all levels and to all, in support of the social and economic development of the nation</p>	<p>Access to health services is estimated to be 41% with many of the current facilities are not equipped or designed for an optimal level of service delivery.</p> <p>Only one third of primary teachers in public school have been trained, and 9% have received some ALP training. Salaries are low, making recruitment and retention difficult.</p> <p>Enrolment rates remain low, especially for girls.</p> <p>(UNICEF lead on education)</p>	<p>3. Improved planning and management of basic social service delivery</p>	<p>400 PMC members and 30 county/district officials successfully trained yearly in 2008 and 2009 (CEP II)</p> <p>Education Strategy adopted by 200X</p> <p>Options for sustainable financing of the health sector identified</p>	<p>On-going Projects:</p> <p>Community Empowerment II (FY08)</p> <p>Health System Reconstruction (FY07)</p> <p>AAA</p> <p>Education Status (FY09)</p> <p>Education Sector Plan (FY10)</p> <p>Partners: USAID, Dfid, EC, UN</p>
CAS Strategic Theme 2 – Rehabilitating Infrastructure to jump-start growth (aligned with PRSP Pillar III)				
<p>Transportation - to improve the Liberian transport sector through policy, systems and infrastructure development that create access to reliable, affordable and efficient services</p>	<p><i>Transport</i></p> <p>Liberia's roads network is in complete deterioration.</p> <p>Liberia has limited road maintenance workforce.</p>	<p>4. Improved access to key infrastructure services</p> <p><i>Transport</i></p> <p>20% reduction in travel time between Monrovia – Ganta and Cotton Tree - Buchanan by 2010</p>	<p><i>Transport</i></p> <p>Monrovia – Ganta and Cotton Tree – Buchanan road corridors under Output Based Road Performance Contract by 200X</p> <p>Draft legislation on establishment of Road Authority and Road Maintenance Fund by</p>	<p>On-going Projects</p> <p>Agriculture and Infrastructure Dev. Project (FY08)</p> <p>Emergency Infrastructure Project (FY06)</p>

Selected Liberia PRSP objectives & indicators ⁴⁰	Key Issues from PRSP	CAS Outcome & Indicators	CAS Milestones	World Bank Group/African Development Bank Instruments
<p>Indicators: roads rehabilitated or reconstructed by 2011 Vessels clearing Freeport of Monrovia increased from 28 to 32 per month</p>		<p>Productivity of the Monrovia port increased from 3 moves/hr per crane in 2007 to 10 moves/hr per crane in 2010</p>	<p>2009</p> <p>20 kms of Monrovia roads resurfaced</p> <p>New Vai Town, Caldwell (WB) and four other bridges (African Development Bank) and 100 minor river crossings built or improved by June 2010</p> <p>600 kms of roads maintained by 2009</p> <p>400 kms (WB) + 125 kms (African Development Bank) of rural feeder roads constructed/rehabilitated by 2010</p> <p>70% of the general cargo operations by professional terminal operator by 2009</p> <p>Landlord Port Authority established by 2009</p>	<p>African Development Bank Labor-based Public Works Project (FY08)</p> <p>Pipeline Projects: Monrovia/Urban Infrastructure Emergency Project (FY09)</p> <p>AAA: Infrastructure Strategies: (Transport FY09/10)</p> <p>Partners: Norway, EC, US</p>
<p>Water and Sanitation - Reduce the water and sanitation-related disease burden in Liberia</p>	<p><i>Water and Sanitation</i> Only about 42% of the Liberian population has access to improved drinking water. Only about 39% of the population has adequate means of human waste collection. Liberia's urban infrastructure is destroyed and in disarray and city planning is poor. Operation of water and sanitation facilities currently unsustainable.</p>	<p><i>Water and Sanitation (Monrovia)</i> Number of people served with safe drinking water increased to 700,000 by 2010 (African Development Bank)</p> <p>Number of people with access to sanitation facilities increased to 300,000 by 2010 (African Development Bank)</p>	<p><i>Water and Sanitation (Monrovia)</i> Number of household water connections in Monrovia increased from 17,900 in 2007 to 50,000 by 2010 (African Development Bank)</p> <p>75 km of Transmission Mains and over 200 km of Distribution lines rehabilitated in Monrovia by 2010 (African Development Bank)</p> <p>Treated water volume at Monrovia plant increased from 2 million gallons per day (MGD) to 6 MGD by 2010 (WB)</p> <p>1 sewage stabilisation pond, and 31 public toilets, rehabilitated/constructed by 2010 (African Development Bank)</p> <p>XX tons of solid waste disposed of in a sanitary manner annually (WB/AfDB)</p>	<p>On-going Projects Emergency Infrastructure Project (FY06)</p> <p>African Development Bank Monrovia Water Supply and Sanitation Rehabilitation Project (FY08)</p> <p>Pipeline Projects: African Development Bank Monrovia Extension and 3 county Capitals Project (FY08/09)</p> <p>Monrovia/Urban Infrastructure Emergency Project (FY09)</p> <p>AAA: African Development Bank</p>

Selected Liberia PRSP objectives & indicators ⁴⁰	Key Issues from PRSP	CAS Outcome & Indicators	CAS Milestones	World Bank Group/African Development Bank Instruments
				Water/sanitation Expansion and Rehabilitation – study Infrastructure Strategies: (Urban, Water FY09/10) Partners: Norway, EC, US
<p>Energy - Provide reliable, sustainable and affordable energy services to all Liberians in an environmentally sound manner</p> <p>Indicators: % of households with access to electricity increased from 0.6% to 10% by 2011 Installed capacity increased from 2.6 MW to 29.6 MW by 2011</p>	<p><i>Energy</i> Grid electricity is non-existent outside Monrovia Presently only 2.65MW of power is available in Monrovia while the demand is between 30 to 50MW</p>	<p><i>Energy</i> % of households in Monrovia with access to electricity</p>	<p><i>Energy</i> Selection of a private operator for an integrated Electricity Concession for Monrovia by 200X</p>	<p>On-going Projects IFC Program to Implement Public Private Partnership in the Monrovia Power Sector</p> <p>Pipeline Projects: Regional West Africa Power Pool Project (FY10) Potential AfDB private sector window renewable energy Project</p> <p>AAA: Infrastructure Strategies: (Energy FY09/10)</p> <p>Partners: Norway, EC, US</p>
			<p><i>Rehabilitate Community Infrastructure</i> 200 health clinics restored to functionality by 2010 (WB)</p> <p>20 schools and health facilities rehabilitated by 2010 (African Development Bank)</p> <p>XX schools constructed by 2009 (WB CEP II)</p> <p>90% of the at least 80 sub-projects undertaken under CEP II reflect beneficiary priorities</p>	<p>On-going Projects: Community Empowerment Project II (FY08)</p> <p>Health System Reconstruction (FY07)</p> <p>African Development Bank Labor-based Public Works Program</p> <p>Partners: EC, WHO, DfID, UNICEF</p>
CAS Strategic Theme 3 – Facilitating Pro-poor Growth (aligned with PRSP Pillar II)				
<p>Agriculture and Food Security - Revitalize the food and</p>	<p>Agricultural supply chains have collapsed due to fragmented markets, weak rural demand, no</p>	<p>5. Improved agriculture and natural resources management</p>	<p><i>Agriculture</i> Number of markets where seed rice is available has increased from 3 in 2007 to 7</p>	<p>On-going Projects Agriculture and Infrastructure Development</p>

Selected Liberia PRSP objectives & indicators ⁴⁰	Key Issues from PRSP	CAS Outcome & Indicators	CAS Milestones	World Bank Group/African Development Bank Instruments
<p><i>agricultural sector to contribute to shared, inclusive and sustainable economic growth and development; provide food security and nutrition; increase employment and income; and measurably reduce poverty.</i></p> <p>Indicator: Growth of agricultural production %</p>	<p>value addition, and few incentives for cash crop production. High levels of food insecurity and child malnutrition impede socioeconomic development and poverty reduction. Agricultural institutions remain largely ineffective at delivering services such as regulation, policy and planning, and research and extension.</p>	<p>in a way that generates pro-poor growth</p> <p><i>Agriculture</i> Yields of rice increased from 700 kg/ha to 1200 kg/ha among beneficiary farmers by 2010</p> <p>Metric tons of cocoa sites increased from 3,000 in 2007 to 4,000 tons by 2010</p>	<p>in 2009</p> <p># of farmers benefiting from support?</p> <p>Local seed multiplication facility established and produces 1000 mt of certified seed by 200X</p> <p>Two new agricultural sector policies completed with results framework by 2010 At least 3 markets constructed/rehabilitated by 2010</p>	<p>Project (FY08)</p> <p>Emergency Infrastructure Project (FY06)</p> <p>Community Empowerment II (FY07 + AF FY08)</p> <p>Pipeline Projects: African Development Bank Agriculture Sector Rehabilitation Project</p> <p>African Development Bank budget support operation (FY09)</p> <p>Regional Fisheries (FY09)</p> <p>Pro-Poor Growth</p> <p>AAA: IFC sector study on palm oil (FY09) Policy Note on Pro-Poor Growth (FY09) DTIS (FY09)</p> <p>Partners: WFP, EC, US</p>
<p>Forestry - <i>The forestry sector should become a source of higher incomes for the rural population, ensuring that the benefits are shared equitably, and that adequate environmental and other regulatory safeguards are in place to ensure sustainability.</i></p> <p>Indicator: Volume of timber products produced increase from 0 to</p>	<p><i>Forest</i> Lack of awareness and information and compliance with the law in relation to commercial and other forestry. Small area allocated for protected area network and a non-comprehensive legal framework to govern wildlife management Rights and responsibilities of communities with respect to forests are lacking.</p>	<p><i>Forest</i> All illegal concessions cancelled and no commercial logging outside of concession framework</p>	<p><i>Forest</i> 2 community forestry concessions by 2010</p> <p>Community Rights Law approved by 2009</p> <p>Declaration of 3 new Protected Areas by 2010</p> <p>Calculation of the carbon storage for Liberia by 2009</p>	<p>Ongoing Projects: Forestry Sector Management Project (TFLIB – FY07)</p> <p>EGIRP (FY08)</p> <p>AAA: Policy Note on Pro-Poor Growth (FY09) DTIS (FY09)</p>

Selected Liberia PRSP objectives & indicators ⁴⁰	Key Issues from PRSP	CAS Outcome & Indicators	CAS Milestones	World Bank Group/African Development Bank Instruments
1327 000 cubic meters by FY10/11				
<p>Mining - <i>To rapidly expand mining as an engine of economic growth and social development, to ensure that the benefits from mining activities are widely shared, to diversify the mining sector into new and downstream activities, and to improve support to local miners.</i></p> <p>Indicator: Volume of iron ore produced increase from 0 to 3 million tons by 2011</p>	<p><i>Mining</i> Lack of consistent, fair and enforceable mineral agreements, and high transaction costs. Low efficiency in recovery of minerals, and poor environmental and social practices. Lack of adequate logistics and human resources in the Ministry of Lands, Mines and Energy</p>	<p><i>Mining</i> Achieve EITI compliant status by 2011</p>	<p><i>Mining</i> At least 2 reports of payments to and revenues received by the Government for mining and minerals are published</p> <p>Audit of revenues from mining companies carried out in accordance with EITI for FY07/08</p> <p>Artisanal mining?</p>	<p>Ongoing Projects: EGIRP (FY08)</p> <p>EITI Secretariat Support (TF)</p> <p>Pipeline Projects: Regional Mining COCPO TA Potential AfDB iron mining private sector window project</p> <p>AAA: Mining Sector Analysis (FY09) Policy Note on Pro-Poor Growth (FY09) DTIS (FY09)</p>
<p>Land and Environmental Policy - <i>To develop a comprehensive national land tenure and land use system that will provide equitable access to land and security of tenure</i></p>	<p><i>Land</i> Inequities in access and utilization of land. Policies to promote investment and development are nonexistent or inadequate. Taxation and zoning rules are inadequate and/or outdated</p>		<p><i>Land</i> Policy framework for land tenure reform adopted</p>	<p>AAA: Land Tenure Study (FY08-09) Policy Note on Pro-Poor Growth (FY09) DTIS (FY09)</p>
<p>Private Sector Investment - <i>Create a strong enabling environment for private sector investment and exports in non-traditional activities.</i></p> <p>Indicator: Number of new registered businesses increase from 1047 in 2007 to 1622 in 2011</p> <p>Financial Sector - <i>To promote a stable, sound and market-based financial system that supports efficient</i></p>	<p>Administrative and regulatory barriers severely limit the ability of businesses, especially SMEs, to operate effectively and efficiently. Outdated provisions of the investment code create obstacles to domestic and foreign investment. Majority of payments are made in cash, which undermines security and flexibility of finances and credit Financing for productive investments for the poor and for</p>	<p>6. Improved business and investment climate</p> <p>6.1 Reduction in time taken to register a business</p> <p>6.2 Reduction in time of export transactions</p> <p>Number of bank accounts increased to [] from [] in 2007</p> <p>Implementation of a Financial Sector Revitalization Strategy</p>	<p>Creation of Liberian Better Business Forum</p> <p>Identification of barriers to business formalization</p> <p>Redrafting Investment Code</p> <p>Implement quick win possibilities from Doing Business 2008</p> <p>Modern business registry developed</p> <p>Creation of at least one Business Incubator</p> <p>Adoption by Cabinet of Financial Sector</p>	<p>Ongoing Projects: African Development Bank Access Bank Liberia Project</p> <p>IFC – Investment Climate Facility for Africa</p> <p>IFC Global Trade Finance Program</p> <p>IFC Post Conflict Equity Fund for SMEs</p> <p>IFC Global Manufacture</p>

Selected Liberia PRSP objectives & indicators ⁴⁰	Key Issues from PRSP	CAS Outcome & Indicators	CAS Milestones	World Bank Group/African Development Bank Instruments
<p><i>mobilization and allocation of resources to foster sustainable economic growth and poverty reduction</i></p> <p>Indicator: Banking system deposits/GDP increase from 21.4% to 30% in 2011 Non-performing loans decrease from 31% to 15% (by 2011) of total assets of the banking system</p>	<p>MSMEs is limited High volume of non-performing loans Poor integrity, weak internal controls and long delays in customs clearance result in poor investment climate, revenue leakage Poor port facilities, inefficient institutional framework and inadequate port maintenances.</p>	<p>validated by public consultation</p> <p>Submission to Parliament of key financial sector legislation</p>	<p>Revitalization Strategy</p>	<p>Services Outreach Initiative</p> <p>FIAS Doing Business Program</p> <p>Pipeline project s: Pro-Poor Growth (FY10)</p> <p>African Development Bank budget support operation (FY09) Potential private sector window LBDI project</p> <p>WB DPO (FYXX)</p>

ANNEX 2: DRAFT LIBERIA CAS M&E PLAN

CAS Outcomes and Indicators	Base-line	2009	2010	2011	Source/ Definition:	Frequency	Responsible Agency/ Intervention	Agency M&E Capacity and Systems
1. Improved efficiency of budget preparation and execution and enhanced revenue administration								
1.1 Average difference between budget turn out and allocation for each Ministry	21%	15%	12%	8%	National Budget and Fiscal Reports PEFA Indicator P1-2	Annually	Ministry of Finance Dept. of Expenditure	MOF is emphasizing transparency in budget management and execution. Monitoring is an integral part of the MOF Departmental work. World Bank has supported a 2007 PEFA assessment which provides baseline data. World Bank is supporting MOF capacity building (including monitoring) through the Resource Management Unit.
<i>Timing of posting of quarterly expenditure reports</i>	3 months after end of quarter	6 weeks after end of quarter	6 weeks after end of quarter	6 weeks after end of quarter	MOF Quarterly Outturn Report PEFA Indicator???	Quarterly	<i>EGIRP Project/IFMIS projects</i>	
<i>Number of modules of IFMIS system operational</i>	0		3		IFMIS Progress Report	Semi-Annually		
<i>% of vouchers that can be approved and paid by MOF</i>	60% (2006)	75%	80%	>80%	Cash Management Committee Reports One of the published performance benchmarks of MOF.	Semi-Annually	Ministry of Finance, Dept. of Accounting <i>IFMIS /EGIRP projects</i>	
<i>Days to process payment vouchers</i>	14	10	7	4	Regular BGA reporting	Semi-Annually		
<i>% of public procurement that used direct contracting and/or less competitive methods without proper justification</i>	>80%	<80%	<60%	<60%	Public Procurement and Concessions Commission (PPC)Monitoring Report/PPC Survey	Annually	PPC <i>Public Proc. Reform Project</i>	One of PPCs core functions is monitoring of the public procurement system. A system for monitoring is currently being established with support from the WB.
1.2 % of revenue captured in the Integrated Tax Administration System	System not in place	30%	40%	50%	ITAS, Annual Fiscal Reports	Annually	Ministry of Finance, Dept. of Revenue	IMF supports production of macro-economic data. It is expected that the ITAS reporting system will be able to generate the monitoring data required.
<i>Computerized Integrated Tax Administration System operational</i>	No	Yes	Yes	Yes	ITAS Progress Reports	Semi-Annually	<i>EGIRP Project</i>	
2. Increased professionalization and improved HR management of the civil service								
% of SES staff rated	n/a	50%	75%	75%	Reports of the Civil	Annual	Civil Service	DfID and the WB is

CAS Outcomes and Indicators	Base-line	2009	2010	2011	Source/ Definition:	Frequency	Responsible Agency/ Intervention	Agency M&E Capacity and Systems
satisfactory in terms of performance against targets in performance contracts					Service Agency/ Annual Performance Assessments of SESers		Agency <i>SES Project</i>	supporting CSA (including on monitoring and reporting)
<i># of staff recruited under Senior Executive Service Scheme (SES)</i>	x	>70	90	100	SES progress reports	Quarterly		
<i># of Ministries that implement restructuring plans based on redefined mandates, new organizational structures and matching staffing plans</i>	0	4	6	8	Reports of the Civil Service Agency	Quarterly		
<i>Development of a plan for LIPA's training delivery and XX MDA staff trained</i>		Plan available	XX staff trained	Xx staff trained	LIPA records?	Bi-Annually	LIPA <i>EGIRP project?</i>	
Discrepancy between nominal and actual payroll	25% (2007)		<5%	<5%	Employee roll and payroll	Annually	Civil Service Agency	
<i>% of civil servants registered in HR MIS</i>	n/a	30%	65%	>65%	HRMIS records and payroll	Annually	<i>Civil Service Reform/EGIRP</i>	
3. Improved planning and management of basic social service delivery								
<i>Number of PMC members and county district officials trained</i>		430					LACE <i>Community Empowerment Project II</i>	
<i>Options for sustainable financing of the health sector identified</i>	No						MOHSW Department of Health Services <i>Health System Reconstruction Project</i>	Some health information systems in place, but weaknesses in collecting and analyzing data. TA provided by Clinton Foundation, DFID (financial), and WHO. WB project provides financing for IT for HMIS. System expected to be functional by end of WB project.
<i>Education Strategy adopted</i>							<i>Education ESW</i>	An Education MIS system

CAS Outcomes and Indicators	Base-line	2009	2010	2011	Source/ Definition:	Frequency	Responsible Agency/ Intervention	Agency M&E Capacity and Systems
								in place, but weaknesses exist in data collection and processing. Support to strengthening M&E provided by UNESCO and EC.
4. Improved access to key infrastructure services								
Transport								
4.1 % reduction in travel time between Monrovia – Ganta and Cotton Tree - Buchanan	X	5	20	20	Survey/MPW reports	Annual	Ministry of Public Works	The selected indicators and milestones are relatively simple to monitor and consist mostly of outputs. Information will be collected as part of regular project monitoring by the PIUs. At the same time, there will be an effort to strengthen the road network information system (as per the milestone in this regard) to enable a more effective and strategic management of the road network development.
<i>Monrovia – Ganta and Cotton Tree – Buchanan road corridors under Output Based Road Performance Contract</i>							<i>Emergency Infrastructure Project</i>	
<i>Draft legislation on establishment of Road Authority and Road Maintenance Fund</i>	No	Yes					<i>Agriculture and Infrastructure Dev. Project</i>	
<i>kms of Monrovia roads resurfaced</i>			20				?	
<i>New Vai Town and Caldwell Bridges built</i>			Yes		Certificate of works	Once	<i>Agriculture and Infrastructure Dev. Project</i>	
<i># of minor river crossings built or improved</i>		10	>30					
<i># of bridges built or improved</i>			4				<i>African Development Bank Public Works Program</i>	
<i>kms of roads maintained by 2009</i>		600						
<i>Kms of rural feeder roads constructed and rehabilitated</i>	0	50	200	400			<i>Emergency Infrastructure Project</i>	
	0		125				<i>African Development Bank Public Works Program</i>	

CAS Outcomes and Indicators	Base-line	2009	2010	2011	Source/ Definition:	Frequency	Responsible Agency/ Intervention	Agency M&E Capacity and Systems
<i>200X</i>								
Rehabilitate Community Infrastructure								
<i># of health clinics restored to functionality</i>	0	100	150	200	Administration records	Annually	MOHSW Department of Health Services <i>Health System Reconstruction Project</i>	Some health information systems in place, but weaknesses in collecting and analyzing data. TA provided by Clinton Foundation, DFID (financial), and WHO. WB project provides financing for IT for HMIS. System expected to be functional by end of WB project.
<i># of schools and health facilities rehabilitated</i>	0		20				<i>African Development Bank Labor-based Public Works Program</i>	
<i># of schools constructed</i>	0	TBD	Tbd	tbd	LACE MIS	Quarterly	LACE	
<i>% of CEP II sub-projects reflecting beneficiary priorities</i>	0	90%	90%	90%	Beneficiary Survey	Bi-annual	<i>Community Empowerment Project II</i>	
5. Improved agricultural and natural resources management in a way that generate pro-poor growth								
Yields of rice (kg/ha)	700	1,000	1,200	1,200	Crop Assessments	Annual	Ministry of Agriculture Monitoring Unit	Limited capacity in MoA to monitor agriculture sector strategy implementation and results. Specific support to strengthening the Monitoring Unit is provided by USAid and through the WB financed project.
<i>Number of markets where seed rice is available</i>	3	7	7	10	Market Survey	Annual		
<i>Local seed multiplication facility established and produces 1000 mt of certified seed by 200X</i>					?	?	<i>Agriculture and Infrastructure Dev. Project</i>	
<i># of markets constructed/rehabilitated</i>			>3				LACE <i>CEP II</i>	
Metric tons of cocoa sites	3,000	3,200	4,000		Export statistics	Annual	BIVAC	

CAS Outcomes and Indicators	Base-line	2009	2010	2011	Source/ Definition:	Frequency	Responsible Agency/ Intervention	Agency M&E Capacity and Systems
<i>possibilities from Doing Business 2008</i>								
<i>Modern business registry developed</i>								
<i>Creation of at least one Business Incubator</i>								
Reduction in time of export transactions								

ANNEX 3: LIBERIA WORLD BANK PORTFOLIO AND PIPELINE

Liberia: World Bank Active Portfolio
Data as of September 30, 2008 (in USD million)

Pillar	Funding Source	Implementation	Project Name	Grant Amt.	Disb. to Date	Pipeline Amount	
Eco Revitalization	DRF	Country-Ex	Liberia Debt Preparation	1.30			
	GEF	Country-Ex	GEF MSP - Liberia: Grant for Consolidation of Liberia Protected Area Network Project (COPAN)	0.75	0.10		
		Fauna & Flora, Int'l.	GEF MSP-Liberia: Biodiversity Conservation in the Republic of Liberia's SAPO National Park	0.98	0.54		
	IDA	Country-Ex	Economic Governance and Institutional Reform (OP 8.0)	11.00	2.00		
	LICUS II	Country-Ex	LR-Procurement Reform LICUS (FY08)	1.10	1.10		
	UNDP		LR-PFM Capacity Building LICUS (FY07)	2.50	1.56		
	TFLIB	UNDP	LR-Development Forestry Sector (FY07) (pre-OP 8.0)	2.00	1.29		
	TFESSD	Bank-Ex	LR-Land Tenure & Sustainable (FY08)	0.12	0.11		
Eco Revitalization Total				19.75	6.70		
Gov/Rule of Law	LICUS I	ILAC	Capacity Building for Judicial Services	0.75	0.14		
	LICUS III	Bank-Ex TA	Civil Service and Governance Supp. Prog.	0.90	0.28		
		Country-Ex	Support to PRSP Preparation	0.72	0.31		
	TFLIB	Country-Ex	LR-Emergency Senior Executive Service (OP 8.0)	2.30	0.30		
Gov/Rule of Law Total				4.67	1.02		
Infras/Basic Servic	EITI TF	Country-Ex	Support to the Implementation of EITI	0.40	0.10		
	FPCR TF	Country-Ex	LR - CEP Public Works - Addl Financing (OP 8.0 - Food Crisis)	3.00	0.45		
				Food Price Crisis Agricultural Productivity Support (OP 8.0 - Food Crisis)	3.00		
	IDA Pre-arrears	Country-Ex/WFP	LR-Food Sup. for Vulnerable Women & Children (OP 8.0 - Food Crisis)	4.00	2.00		
		Country-Ex	LR-Agric. & Infra. Dev. Proj. ERL (FY08) (OP 8.0)	37.00	2.00		
			LR-Comm. Empowerment II (FY07) (OP 8.0)	5.00	0.81		
			LR-Emergency Infrastructure ERL (FY06) (Roads & Water - \$30m; Supplemental I - \$16.5m) (pre-OP 8.0)	46.50	38.33		
			LR-Health Systems Reconstr. (FY07)	8.50	0.85		
	LICUS II	UNDP	LR-Transition Support Fund LICUS (FY08)	8.50	8.50		
	TFLIB	Bank-Ex TA	LR-Infrastructure TA (MultiSec Grant Infrstrctr)	5.00	3.79		
		Country-Ex	LR-Com Empowerment Prjct (FY05)	6.00	5.86		
			LR-Infrastructure Rehabilitation Proj. (MultiSec Grant Infrstrctr) (OP 8.0)	8.50	8.50		
	EFA FTIE	Bank-Ex TA	LR-Educ Sect Strategy & EFA Plan (FY09)	0.76	0.20		
		Country-Ex	LR-Vulnerable Yth Sexual/Repr Hlth (FY08)	0.47			
Infras/Basic Services Total				136.63	71.40		
Multi-Sectoral	LICUS II	UNDP	LR-Transition Support Fund LICUS (FY08)	0.60	0.60		
Multi-Sectoral Total				0.60	0.60		
Pipeline	Carbon Fund	??	REDD Readiness Plan			0.65	
	IDA	Country-Ex	Budget Support			15.00	
			Transport			96.00	
			Growth/Agriculture			7.00	
			Regional Fisheries (Country IDA + Regional IDA)			15.00	
			Regional Agriculture (Country IDA + Regional IDA)			4.00	
			Energy (Country IDA + Regional IDA)			165.00	
			Regional Mining (Country IDA + Regional IDA)			4.00	
	LICUS	Country-Ex	Liberia Reconstruction Trust Fund (LRTF)			15.00	
	TFLIB	UNDP	IFMIS (OP 8.0)			3.00	
Pipeline Total						324.65	
Grand Total				161.65	79.72	324.65	

ANNEX 4: SUMMARY OF NON-LENDING SERVICES

As of September 16, 2008

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>	<i>Audience^a</i>	<i>Objective^b</i>
Recent Completions				
DTIS Trade	2008	123	G/D	K
Agriculture Sector Review	2008	112	G/D	K
Land Tenure and Sustainable	2008	175	G/P	K/PS
Underway				
PEMFAR	2009	208	G/B	K/PS
Planned				
Policy Notes	2009/10		G/D/B	K/PS
Education Strategy	2009		G/D/B/P	K/PD/PS
Mining Strategy	2010		G/D/B	K/PD/PS
Transport Strategy	2009		G/D/B	K/PS

a. government, donor, Bank, public dissemination.

b. Knowledge generation, public debate, problem-solving.

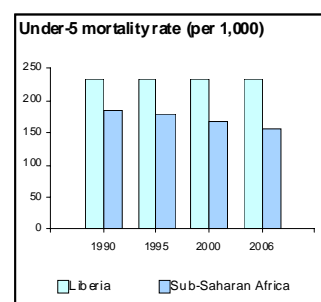
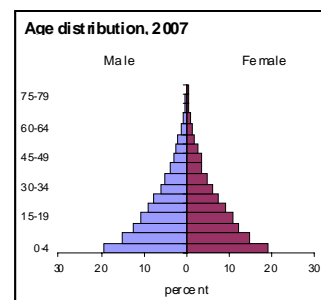
**ANNEX 5: SELECTED INDICATORS OF BANK
PORTFOLIO PERFORMANCE AND MANAGEMENT**

ANNEX 6: LIBERIA AT A GLANCE

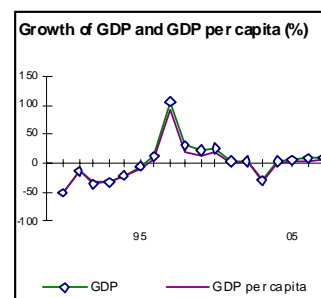
Liberia at a glance

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Key Development Indicators (2007)	Liberia	Sub-Saharan Africa	Low income
Population, mid-year (millions)	3.8	800	1,296
Surface area (thousand sq. km)	111	24,242	21,846
Population growth (%)	4.8	2.4	2.1
Urban population (% of total population)	59	36	32
GNI (Atlas method, US\$ billions)	0.6	762	749
GNI per capita (Atlas method, US \$)	150	952	578
GNI per capita (PPP, international \$)	290	1,870	1,500
GDP growth (%)	9.4	6.2	6.5
GDP per capita growth (%)	4.3	3.7	4.3
<i>(most recent estimate, 2000–2007)</i>			
Poverty headcount ratio at \$ 1.25 a day (PPP, %)	-	50	..
Poverty headcount ratio at \$ 2.00 a day (PPP, %)	-	72	..
Life expectancy at birth (years)	45	50	57
Infant mortality (per 1,000 live births)	157	94	85
Child malnutrition (% of children under 5)	23	27	29
Adult literacy, male (% of ages 15 and older)	58	69	72
Adult literacy, female (% of ages 15 and older)	46	50	50
Gross primary enrollment, male (% of age group)	96	99	100
Gross primary enrollment, female (% of age group)	87	88	89
Access to an improved water source (% of population)	64	58	68
Access to improved sanitation facilities (% of population)	32	31	39



Net Aid Flows	1980	1990	2000	2007 ^a
<i>(US\$ millions)</i>				
Net ODA and official aid	97	114	67	269
<i>Top 3 donors (in 2006):</i>				
United States	32	19	16	88
European Commission	4	8	13	44
Japan	14	6	0	17
Aid (% of GNI)	10.4	10.2	17.4	56.3
Aid per capita (US\$)	52	53	22	75
Long-Term Economic Trends				
Consumer prices (annual % change)	14.7	9.1	12.1	15.0
GDP implicit deflator (annual % change)	9.1	-0.2	-1.3	14.0
Exchange rate (annual average, local per US\$)	1.0	1.0	41.0	61.3
Terms of trade index (2000 = 100)	..	-	-	..
Population, mid-year (millions)	1.9	2.1	3.1	3.8
GDP (US\$ millions)	954	384	561	725
<i>(% of GDP)</i>				
Agriculture	32.2	54.4	72.0	65.8
Industry	25.2	16.8	11.6	15.7
Manufacturing	6.9	-	9.5	12.4
Services	32.3	28.8	16.4	18.4
Household final consumption expenditure	66.1	-	89.1	86.4
General gov't final consumption expenditure	19.1	-	14.4	11.1
Gross capital formation	..	-	4.9	16.4
Exports of goods and services	64.3	-	21.5	25.4
Imports of goods and services	64.4	-	26.0	64.5
Gross savings	..	-	-21.4	39.8



1980–90	1990–2000	2000–07
<i>(average annual growth %)</i>		
1.3	3.6	2.9
-7.0	4.1	-2.7

Note: Figures in italics are for years other than those specified. 2007 data are preliminary. .. indicates data are not available.
a. Aid data are for 2006.

Liberia at a Glance (cont.)

Liberia

Balance of Payments and Trade	2000	2007
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	120	41
Total merchandise imports (cif)	182	142
Net trade in goods and services	-25	-283

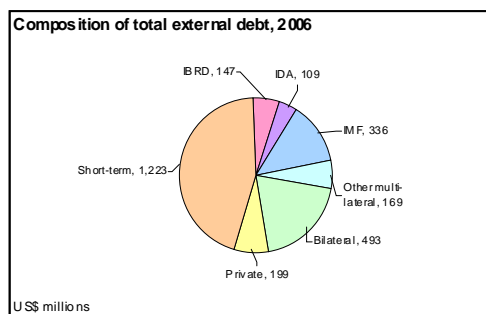
Workers' remittances and compensation of employees (receipts)	..	685
Current account balance as a % of GDP	-131	-106
	-23.3	-14.6
Reserves, including gold	2	10

Central Government Finance

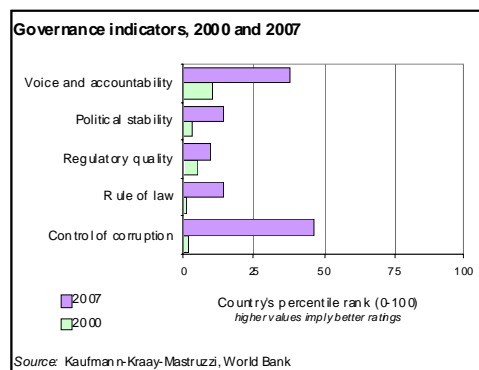
<i>(% of GDP)</i>		
Current revenue (including grants)	12.8	5.4
Tax revenue	..	..
Current expenditure	7.5	5.3
Overall surplus/deficit	-0.7	-0.9
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	..

External Debt and Resource Flows

<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	2,032	2,674
Total debt service	1	1
Debt relief (HIPC, MDRI)	-	-
Total debt (% of GDP)	362.2	435.5
Total debt service (% of exports)	0.5	0.5
Foreign direct investment (net inflows)	21	-82
Portfolio equity (net inflows)	0	0



Private Sector Development	2000	2008
Time required to start a business (days)	-	27
Cost to start a business (% of GNI per capita)	-	100.2
Time required to register property (days)	-	50
Ranked as a major constraint to business (% of managers surveyed who agreed)		
n.a.
n.a.
Stock market capitalization (% of GDP)
Bank capital to asset ratio (%)



Technology and Infrastructure

	2000	2007
Paved roads (% of total)	6.2	-
Fixed line and mobile phone subscribers (per 1,000 people)	0	-
High technology exports (% of manufactured exports)	..	-

Environment

Agricultural land (% of land area)	27	27
Forest area (% of land area)	35.9	32.7
Nationally protected areas (% of land area)	..	15.8
Freshwater resources per capita (cu. meters)	..	58,109
Freshwater withdrawal (% of internal resources)	0.1	-
CO2 emissions per capita (mt)	0.14	0.14
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	..	-
Energy use per capita (kg of oil equivalent)	..	-

World Bank Group portfolio

	2000	2007
<i>(US\$ millions)</i>		
BRD		
Total debt outstanding and disbursed	130	147
Disbursements	0	0
Principal repayments	0	0
Interest payments	0	0
IDA		
Total debt outstanding and disbursed	100	109
Disbursements	0	0
Total debt service	0	0
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	4	0
Disbursements for IFC own account	4	0
Portfolio sales, prepayments and repayments for IFC own account	0	0
MIGA		
Gross exposure	-	-
New guarantees	-	-

Note: Figures in italics are for years other than those specified. 2007 data are preliminary.
- indicates data are not available. - indicates observation is not applicable.

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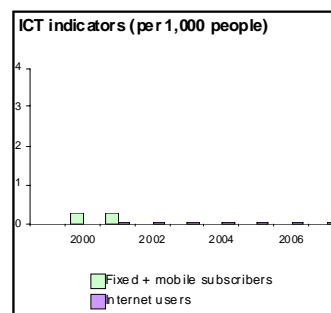
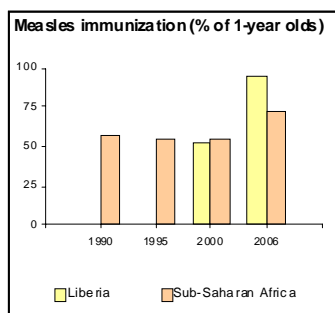
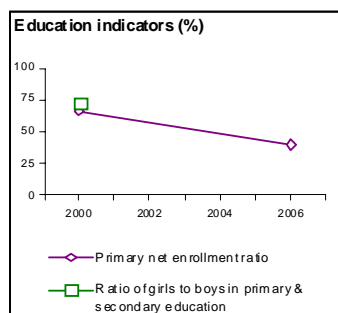
Liberia at a Glance (cont.)

Millennium Development Goals

Liberia

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Liberia			
	1990	1995	2000	2007
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$1.25 a day (PPP, % of population)	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Share of income or consumption to the poorest quintile (%)	..	..	..	..
Prevalence of malnutrition (% of children under 5)	..	..	22.8	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net %)	..	..	66	39
Primary completion rate (% of relevant age group)	..	..	..	63
Secondary school enrollment (gross, %)	..	..	32	..
Youth literacy rate (% of people ages 15-24)	..	51	..	67
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	..	..	73	..
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	..	11	..
Proportion of seats held by women in national parliament (%)	..	6	8	13
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	235	235	235	235
Infant mortality rate (per 1,000 live births)	157	157	157	157
Measles immunization (proportion of one-year olds immunized, %)	..	..	52	94
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	1,200
Births attended by skilled health staff (% of total)	..	..	51	..
Contraceptive prevalence (% of women ages 15-49)	..	..	10	..
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	1.4	1.7
Incidence of tuberculosis (per 100,000 people)	132	198	287	331
Tuberculosis cases detected under DOTS (%)	..	31	26	55
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	57	61	63	64
Access to improved sanitation facilities (% of population)	40	36	32	32
Forest area (% of total land area)	42.1	..	35.9	32.7
Nationally protected areas (% of total land area)	..	..	..	15.8
CO2 emissions (metric tons per capita)	0.2	0.2	0.1	0.1
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	..	..	..	..
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	0.4	0.2	0.2	..
Mobile phone subscribers (per 100 people)	0.0	0.0	0.0	15.0
Internet users (per 100 people)	0.0	0.0	0.0	0.0
Personal computers (per 100 people)	..	..	..	..



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

9/16/08

**ANNEX 7: LIBERIA SOCIAL AND ECONOMIC
INDICATORS**

ANNEX 8: LIBERIA KEY EXPOSURE INDICATORS

ANNEX 9: IBRD/IDA PROGRAM SUMMARY

Proposed IBRD/IDA Base-Case Lending Program ^a

<i>Fiscal year</i>	<i>Proj ID</i>	<i>US\$(M)</i>	<i>Strategic Rewards b (H/M/L)</i>	<i>Implementation b Risks (H/M/L)</i>
2009	LR-Transport Emergency Project	67.3	H	H
	LR-Budget Support	4.0	H	H
	Result	71.3		
	Overall Result	71.3		

ANNEX 10: CAS ANNEX B3 (IFC & MIGA) FOR LIBERIA

Liberia: IFC Investment Operations Program

	2006	2007	2008	2009*
<u>Commitments (US\$m)</u>				
Gross			1.01	11.28
Net**			1.01	11.28
<u>Net Commitments by Sector (%)</u>				
Agribusiness				88
Financial Markets			100	12
Total	0	0	100	100
<u>Net Commitments by Investment Instrument (%)</u>				
Equity				10
Guarantee			100	2
Loan				88
Total	0	0	100	100

* As of August 31, 2008

** IFC's Own Account only

MIGA Outstanding Exposure (Gross Exposure, \$ million)

As of end of fiscal year	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Guaranteed Investments into Liberia	0	0	0	0	0	0	0	0
Guaranteed Investment Financed by Liberian Investors	0	0	0	0	0	0	0	0

through
31-Aug-
08

**ANNEX 11: IFC'S COMMITTED AND OUTSTANDING
PORTFOLIO**

ANNEX 12: OPERATIONS PORTFOLIO (IBRD/IDA AND GRANTS)

CAS Annex B8 - Liberia

Operations Portfolio (IBRD/IDA and Grants)

As Of Date 09/16/2008

Closed Projects **34**

IBRD/IDA *

Total Disbursed (Active)	44.00
of which has been repaid	0.00
Total Disbursed (Closed)	638.03
of which has been repaid	49.63
Total Disbursed (Active + Closed)	682.03
of which has been repaid	49.63
Total Undisbursed (Active)	69.47
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	69.47

Active Projects

Project ID	Project Name	<u>Last PSR</u>		Fiscal Year	<u>Original Amount in US\$ Millions</u>			Cancel.	Undisb.
		Supervision Rating			IBRD	IDA	GRANT		
		<u>Development Objectives</u>	<u>Implementation Progress</u>						
P 105282	LR-Health Systems Recons	MU		2007	8.5			7.74	
P 104716	LR-Agric. & Infra. Dev. Proj.	S		2008	37			36.61	
P 098266	LR-Com Empowerment ERIS	S		2005			6		
P 105683	LR-Comm. Empowerment IMS	MS		2007		5		4.40	
P 104287	LR-Development Forestry SS	MS		2007			2	0.71	
P 107248	LR-Econ. Gov. & Institut. Re#	#		2008		11		8.96	
P 100160	LR-Emergency Infrastructure S	S		2006	46.5			11.76	
P 109195	LR-Emergency Senior Exec MS	MS		2008			2.3	2.00	
P 112107	LR-Food Sup. for Vulnerabl#	#		2008			4	2.00	
P 101456	LR-Infrastructure RehabilitatS	S		2007			8.5	0.00	
Overall Result					108		22.8	74.19	

ANNEX 13: LIBERIA: COUNTRY FINANCING PARAMETERS

1. This note describes the application of the policy for expenditure eligibility in World Bank financing to the Liberia program and proposes a corresponding set of country financing parameters. The government of Liberia has been consulted and welcomes the increased flexibility the parameters would provide.

I. BACKGROUND

2. Liberia has embarked on the process of recovery from a devastating 14-year civil war. In January 2006, an elected government headed by a strong reformer, Ellen Johnson-Sirleaf, came to power, after a two-year transitional appointed government – the National Transitional government of Liberia (NTGL). The new government has firmly demonstrated its commitment to reform, agreeing on implementation of the Governance and Economic Management Assistance Program (GEMAP), which has instituted strong expenditure controls in the Ministry of Finance, as well as introduced a zero-tolerance policy on corruption. The government is making good progress towards these reforms and donors are beginning to implement projects using the government's system.

3. **Accrual Status.** Liberia entered accrual status in December 2007, after clearing arrears to the Bank. Prior to arrears clearance, Liberia has been in non-accrual status since 1987, and as a result has been receiving a combination of financing from the LICUS Trust Fund, the special Trust Fund for Liberia (TIFLIB)⁴¹, as well as an IDA pre-arrears clearance grant.

4. **Fiscal and Debt Situation.** The government budget has risen rapidly during the reconstruction period, from US\$80 million in 2005/06 to an estimated US\$199 million in 2007/08, but per capita public expenditure remains extremely low and most aid flows are external to the budget. Although there have been significant improvements, the public financial management system remains weak. Total revenue excluding grants was US\$85 million (14.8 percent of GDP) in 2005/06, rose to US\$147 million (21.9 percent of GDP) in 2006/07, and is projected to rise to over US\$186 million (24 percent of GDP) in 2007/08. As the government functions on a cash basis, this also sets a ceiling on expenditures. Capital expenditures are low, and the majority of investment expenditure is financed by foreign development assistance. However, revenues are expected to continue growing rapidly as the lifting of UN timber sanctions in 2006 is expected to contribute to additional increase in government revenues from timber exports when production fully resumes in 2008, and a large iron-ore mining operation is projected to come on stream by late 2010.

⁴¹ The TFLIB was approved by the Board in 2004, with \$25 million funded out of the Bank's net income; see World Bank Assistance to Liberia: Proposed Establishment of a Trust Fund for Liberia, (IDA/R2004-0211) August 9, 2004. Its aim is to provide support for infrastructure, service delivery, and a distance learning center.

5. Following the war, the government inherited large external and domestic debts. The external debt was estimated at US\$4.8 billion (almost 700 percent of GDP). The value of all outstanding domestic claims was \$914 million in January 2007. The government has made substantial progress towards a resolution of its unsustainable debt burden. Liberia cleared its arrears to the World Bank and African Development Bank in December 2007 and entered a PRGF/EFF program with the IMF in March 2008, enabling Liberia to access funds to clear its arrears to the IMF, thereby, restoring its drawing and voting rights, and reaching the Decision Point under the Enhanced HIPC Initiative. The HIPC Initiative will enable the government to access debt relief from multilateral donors.

6. **Public Financial Management.** The government has taken significant steps to improve fiscal management. The interministerial Cash Management Committee (CMC) and the payment process of which it is part have been strengthened, introducing signature accountability for authorizations at every step from the budget to the final payment. To accompany a new procurement law that decentralizes procurement to the line ministries, procurement agents in these ministries have been trained in public financial management. This has resulted in a more efficient authorization process with fewer documents being rejected by the CMC as incomplete or not justified by the annual budget. Transparency is assured by the oversight of GEMAP experts within the Bureau of the Budget, the Ministry of Finance, and the CBL, thus assuring that the integrity of the chain of expenditures has been established and maintained. The draft budget, the final budget, quarterly budget execution reports and annual fiscal outturn reports are published on the web site of the Ministry of Finance, as are monthly revenue outturns and the regular financial reports of the SOEs. Similarly, reports by those revenue generating institutions covered by GEMAP are published on the GEMAP website.

7. **Donor Response.** Weak governance during transitional appointed government led to an agreement in late 2005 among all major donors on the Governance and Economic Management Assistance Program (GEMAP)—a multi-donor mechanism to get basic public financial management controls in place and build government capacity to manage public finances. The World Bank, the US, and the EC are financing major components of the control mechanisms of the GEMAP, which has received strong support from the new President and her Cabinet. GEMAP-supported public financial management reforms have led to tangible increases in government revenue and increased transparency in the budget process. In addition, the government entered a three-year IMF Poverty Reduction and Growth Facility (PRGF) in March 2008, focusing on strengthening revenue collection and expenditure control.

8. **Bank Strategy.** The Bank's current operations in Liberia are guided by the Interim Strategy Note (ISN), approved by the Board on June 14, 2007. The ISN is aligned with the I-PRSP along three of its four pillars – economic revitalization, governance and rule of law, and infrastructure and basic services. The Bank is currently in the process of developing a three-year Country Assistance Strategy (CAS), building on the government's recently completed PRSP.

9. **Bank Portfolio.** The Bank currently has US\$148 million in commitments with another US\$29 million⁴² in the pipeline. With the completion of the CAS, the Bank is expecting an annual IDA allocation of approximately US\$35-40 million. The existing portfolio includes US\$126 million in infrastructure and basic services (road rehabilitation, port rehabilitation, energy, water urban works, health, education and community-driven development projects); US\$17 million for economic revitalization projects (forestry, public financial management, procurement reform and budget support); and US\$4.5 million for governance and judicial reform.

Funding Source	Implementation	Project Name	Grant Amount	Disbursements to Date	Pipeline Amount
Eco Revitalization					
GEF	Fauna & Flora	Biodiversity Conservation in SAPO	0.975	0.542	
IDA		Budget support	4.00		
		Arrears Debt Service	5.00		
LICUS I	Country-Ex	Procurement reform	1.04		
LICUS II	Country-Ex	Procurement Reform	1.10	0.70	
	UNDP	PFM Capacity Building	2.50	1.56	
TFLIB	UNDP	Development Forestry Sector	2.00	0.71	
TFSCB	Bank-Ex TA	Statistics Capacity Building	0.042		
			16.66	3.51	
Gov/Rule of Law					
LICUS I	ILAC	Legal Reform	0.65		
LICUS III	Bank-Ex TA	Civil Service Reform	0.90	0.148	
	Country-Ex	Support to PRSP Preparation	0.72	0.10	
TFLIB	Country-Ex	Emergency Senior Executive Service	2.30	0.30	
			4.57	0.55	
Infras/Basic Services					
LICUS II	Mercy Corps	Community Driven Development	1.18		
	UNDP	Transition Support Fund	8.50	6.40	
TFLIB	Bank-Ex TA	Infrastructure TA	5.00	3.75	
	Country-Ex	Com Empowerment	6.00	5.47	
		Infrastructure Rehabilitation Project.	8.50	8.36	
IDA Pre-arrears	Country-Ex	Comm. Empowerment II	5.00	0.42	
		Emergency Infrastructure ERL	46.50	25.16	
		Agric. & Infra. Dev. Project.	37.00	2.00	
		Health Systems Reconstruction.	8.50	0.85	
			126.18	52.41	
Multi-Sectoral					
LICUS II	UNDP	LR-Transition Support Fund	0.60	0.60	
			0.60	0.60	
Pipeline					
GEF		GEF Protected Areas Network			
IDA		Economic Governance and Institutional Reform			11.00
		Debt Reduction Facility			
LICUS		Liberia Reconstruction Trust Fund (LRTF)			15.00
TFLIB		IFMIS			3.00
PPIAF		Telecom			

⁴² Includes pre-arrears clearance IDA (\$11m), LICUS TF (\$15m) and TFLIB (\$3m).

					29.00
Grand Total			148.01	57.07	29.00

10. **Pipeline.** The pipeline for the coming three years, totaling up to **US\$240 million** (including the anticipated IDA allocation) is expected to focus heavily on infrastructure, including roads and bridge rehabilitation; with continued support to the public financial management reform program and a civil service reform program; support to the growth sectors to stimulate economic recovery (forestry, agriculture and mining) and some smaller support to the social sectors.

II. COUNTRY FINANCING PARAMETERS

11. Section II discusses the four components of country financing parameters (cost sharing, recurrent cost financing, local cost financing, and taxes and duties) as they apply to Liberia.

A. Cost Sharing

12. In Liberia's fragile post-conflict environment, there is little scope at this time for government to provide direct contributions to project financing. While it is feasible that some co-financing from other donors could be made available in some instances as a means of reducing the Bank's share in project financing, it is expected that flexibility to go up to 100 percent financing will be needed in all Bank-financed projects for the medium term. As public financial management reforms are implemented, aid begins to be channeled through the budget, and production of timber resumes with the lifting of UN sanctions, government may have greater leeway for own-financing of its public expenditure program including development projects.

13. The Bank is now focusing on interventions that are reflected in the government's PRS to ensure greater ownership of Bank-financed programs. At the project level, ownership is being ensured through close supervision and capacity-building of government institutions. A significant proportion of projects are now government executed, primarily through the Special Implementation Unit within the Ministry of Public Works, and Project Financial Management Unit within the Ministry of Finance. In addition, some projects work directly to strengthen government capacity, such as the Community Empowerment project financed by TFLIB, which is building the capacity of a new Liberian Community Empowerment Agency which is a national entity responsible for all community-driven development work in the country.

B. Recurrent Cost Financing

14. It is expected that the government will request the Bank to finance recurrent costs in all projects implemented over the medium term. The majority of recurrent costs will finance external and domestic experts responsible for launching projects and for the capacity building required for eventual government takeover, in addition to general operating costs, including salaries for workers on projects. The upcoming IDA-financed

infrastructure projects, the Economic Governance and Institutional Reform Project and other governance projects will all include these types of recurrent costs. The government's weak fiscal situation argues for Bank financing of recurrent costs simply to ensure sustainability of the Bank and government's development investments until the situation begins to normalize.

15. All World Bank financing over the next three years will take the form of IDA or trust fund grants, to avoid adding to government's debt burden. Bank financing of recurrent costs per se would not have an adverse impact on the country's debt sustainability. Nonetheless, the Bank will continue to monitor the fiscal situation, public expenditure management, and public sector reforms to ensure that recurrent cost financing is embedded in a credible and sustainable government macroeconomic strategy. As the situation normalizes, the Bank will re-assess the need for Bank-financed recurrent costs, in order to ensure sustainability of Bank projects.

16. Based on the above assessment, no country-level limit is being set on recurrent cost financing. Recurrent costs may be financed as needed in individual projects, subject to project or program-level assessment. In determining Bank financing of recurrent costs in individual projects, the Bank will take into account sustainability issues at the sector and project levels, including a consideration of implied future budgetary outlays.

C. Local Cost Financing

17. The criteria for World Bank financing of local costs have been met. First, the recently completed PRSP estimates the financing needs for Liberia's reconstruction and development over the three-year PRS period to be approximately US\$1.6 billion, which is well beyond the internal resources of the government. The government estimates that it will be able to commit US\$510 million to PRS financing, leaving a financing gap of about US\$1.1 billion.

18. Second, the financing of foreign expenditures alone would not enable the World Bank to assist in the financing of individual projects. The World Bank's current portfolio focuses primarily on projects in the infrastructure and social sectors, both of which have a high element of local expenditure. Further, the government is deeply concerned about unemployment and its potential threat to security and development, and has requested the Bank to support local employment creation through labor-intensive infrastructure construction, which necessitates a high proportion of local costs. Current infrastructure rehabilitation projects include local cost financing of approximately 25% of the total project amount. Thus, the World Bank may finance local costs in any proportions required by individual projects.

D. Taxes and Duties

19. In design, Liberia has a reasonable tax system. Direct taxes include a progressive personal income tax beginning at 2 percent and capped at 35 percent, with withholding at source. Larger businesses face a company income tax of 30 percent; small businesses pay

a 4 percent turnover tax while the smallest enterprises pay a fixed petty trader tax. However, in application, because of weak capability to collect direct taxes, government depends upon trade taxes for 48 percent of its tax revenue (2006/07). Customs duties provide the bulk of this revenue, and ranges from 2.5% to 25%. In addition, an export tax of 0-4 percent on exports, diamonds, and precious metals can be credited against income tax and thus serves as a partial palliative to poor tax collection. Since 2001 there has been a 7 percent tax on goods and services, although the government intends to progressively increase GST to 10% over three years starting in 2008/09. Table 2 provides a summary of the main tax rates. Bank financed projects are taxed at the same rates as the country's normal rates, or in some cases are exempted from taxes and duties.

Table 2: Current Tax Rates

Tax	Rate	Comments
Personal Income	2 - 35%	
Business	4 - 30%	Depending on size
Customs	2.5 – 25%	
Excise	5 – 30%	Special rate of 50% for arms and ammunition
Real estate tax	1 – 2%	
Timber production	Varies	Varying levels for severance, reforestation, and conservation

20. In summary, taxes and duties have been assessed to be reasonable, and the Bank may finance taxes and duties associated with project expenditures. The application of this general approach will be subject to an ongoing monitoring of tax policy and how taxes are applied to Bank-financed projects. At the project level, the Bank would consider whether taxes and duties constitute an excessively high share of project costs.

Liberia: Country Financing Parameters

Item	Parameter	Remarks/Explanation
<p>Cost Sharing: Limits on the proportion of individual project costs that IDA may finance.</p>	100%	<p>All projects are expected to be financed at 100%, given the government's extremely small budget and inability to provide counterpart funding. In the near term, only when co-financing is available will IDA's share be less. Ownership of Bank-financed programs is being ensured through alignment of the Bank's program and the PRSP and through ongoing dialogue.. At the project level, ownership is being ensured through close supervision and capacity-building of government institutions. A significant proportion of projects are now government executed, primarily through the Special Implementation Unit within the Ministry of Public Works, and Project Financial Management Unit within the Ministry of Finance.</p>
<p>Recurrent Cost Financing: Any limits that would apply to the overall amount of recurrent expenditures that the Bank may finance.</p>	No country-level limit	<p>The Bank, working closely with the IMF, would monitor the fiscal situation, and public expenditure management and public sector reforms to ensure that recurrent cost financing is embedded in a credible and sustainable government macroeconomic strategy. In determining Bank financing of recurrent costs in individual projects, the Bank will take into account sustainability issues at the sector and project levels, including a consideration of implied future budgetary outlays.</p>
<p>Local Cost Financing: Are the requirements for IDA financing of local expenditures met, namely that: (i) financing requirements for the country's development program would exceed the public sector's own resources (e.g., from taxation and other revenues) and expected domestic borrowing; and (ii) the financing of foreign expenditures alone would not enable IDA to assist in the financing of individual projects?</p>	Yes	<p>The requirements for local cost financing are met. The Bank may finance local costs in any proportions required by individual projects.</p>
<p>Taxes and Duties: Are there any taxes and duties that the Bank would not finance?</p>	No	<p>Taxes and duties are considered reasonable. The application of this general approach will be subject to an ongoing monitoring of tax policy and how taxes are applied to Bank-financed projects. At the project level, the Bank will consider whether taxes and duties constitute an excessively high share of project costs.</p>

ANNEX 14: JOINT WORLD BANK-IMF DEBT SUSTAINABILITY ANALYSIS

The low-income country debt sustainability analysis (LIC DSA) reveals that Liberia is in debt distress, emphasizing the need for debt relief.^{43 44} Under the alternative scenario which assumes full delivery of HIPC, MDRI and IMF beyond-HIPC⁴⁵ debt relief at completion point, debt dynamics remain manageable, assuming moderate new borrowing, largely on concessional terms, and robust GDP growth. While domestic debt is substantial, the inclusion of domestic debt in the analysis does not significantly change the overall assessment of Liberia's debt sustainability.

Introduction

172. The external and public sector LIC DSAs presented below are based on the common standard LIC DSA framework⁴⁶, with some modifications to the stress tests to address data limitations in Liberia and the potential for domestic debt contingent liabilities to be realized.⁴⁷ The DSAs present the projected path of Liberia's external and public sector debt burden indicators, and draw some conclusions on the forward-looking

⁴³ These DSAs have been produced jointly by the World Bank and Fund staffs. Liberia's fiscal year runs from July 1-June 30.

⁴⁴ Liberia has not yet been rated under the World Bank's Country Policy and Institutional Assessment (CPIA). However, for the purposes of this analysis, the staff's have conservatively assumed a weak policy rating (without prejudicing any future CPIA assessment). Accordingly, the corresponding indicative thresholds for the external LIC DSA are 30 percent for the NPV of debt-to-GDP ratio, 100 percent for the NPV of debt-to-exports ratio, and 15 percent for the debt service-to-exports ratio. See "Operational Framework for Debt Sustainability Assessments in Low-Income Countries—Further Considerations" (<http://www.imf.org/External/np/pp/eng/2005/032805.htm> and IDA/R2005-0056, 3/28/05) and "Applying the Debt Sustainability Framework for Low-Income Countries Post Debt Relief", (SM/06/364 and IDA/SecM2006-0564, 8/11/06). Assuming a more favorable CPIA rating of "medium" would not change the substance of the external LIC DSA analysis.

⁴⁵ Liberia's debt to the IMF under the 3-year PRGF/EFF will not be covered by MDRI since it will be contracted after the end-2004 MDRI cutoff date. "Beyond-HIPC" debt relief refers to the assistance necessary to reduce the value of the stock of qualifying debt to zero.

⁴⁶ See "Debt Sustainability in Low-Income Countries: Proposal for an Operational Framework and Policy Implications" (<http://www.imf.org/external/np/pdr/sustain/2004/020304.htm> and IDA/SECM2004/0035, 2/3/04) and "Debt Sustainability in Low-Income Countries: Further Considerations on an Operational Framework, Policy Implications" (<http://www.imf.org/external/np/pdr/sustain/2004/091004.htm> and IDA/SECM2004/0629, 9/10/04) and "Applying the Debt Sustainability Framework for Low-Income Countries Post Debt Relief", (SM/06/364 and IDA/SecM2006-0564, 8/11/06).

⁴⁷ On the historical averages for the stress tests, average GDP growth is calculated using data from 1961-1980 which excludes significant volatility during the last 25 years due to political instability; the historical averages for some of the other key variables are taken over different subsets of the last 10 years due to the poor quality of data. Also, as noted in "Liberia: Enhanced Initiative for Heavily Indebted Poor Countries – Preliminary Document", Annex II (Country Report No. 08/53), service exports for Liberia were estimated using data from comparator countries, as was done for the HIPC DRA.

sustainability of debt. Methodologically, the LIC DSA differs from the HIPC Debt Relief Analysis (DRA) in that it compares the evolution over the projection period of debt-burden indicators (based on single-year denominators) against policy-dependent indicative thresholds. In contrast, under a HIPC DRA, the debt burden indicators (based on three-year backward-looking averages of denominators) are compared to uniform thresholds in order to evaluate eligibility or to calculate HIPC debt relief as of a historical reference date.⁴⁸

Baseline Scenario

173. **The baseline scenario relies on the same long-run macroeconomic framework as that underlying the HIPC DRA and is consistent with the program projections under the PRGF/EFF arrangements.** Average annual real GDP growth is projected to moderate over the projection period, from 10.5 percent in 2007/08–2012/13 to the long-run average of 3¾ percent in 2013/14–2026/27. This pattern reflects the projected decrease in foreign direct investment (FDI)-to-GDP ratio from short- to medium-term exceptional levels above 30 percent, to a still significant, yet markedly lower, long-term level of about 7 percent.⁴⁹ While direct donor-financed reconstruction and investment is expected to remain an important factor supporting growth over the medium term, it is expected to decline gradually over the long term as a share of GDP. The ratios of key macroeconomic variables (for example, government revenues, current account deficit and FDI) to GDP may be overstated due to the probable underestimation of GDP owing to the absence of official national accounts data following the destruction of Liberia’s statistical capacity during the civil war.

174. **Liberia is assumed to exercise continued fiscal discipline resulting in limited borrowing over the medium to long term.** It is assumed that the government will continue with the cash-based balanced budget until reaching completion point. The projection then assumes borrowing in 2010/11 to fund fiscal deficits (including grants) of 1.5 percent of GDP in the initial year, and 3 percent of GDP per year for the rest of the projection period. Two thirds of the deficit in each year is assumed to be financed by concessional external debt and the remainder by local currency domestic debt. Underlying this, revenues are assumed to increase gradually from 24 percent of GDP in 2007/08 to their long-term level of 27½ percent of GDP (28.6 percent of GDP, including grants) in 2012/13. Expenditures, excluding debt servicing due which is financed by HIPC assistance, are expected to peak at their long-run level of 31.6 percent of GDP in 2012/13.

⁴⁸ In addition, the results of the LIC DSA differ from the HIPC DRA because of two other methodological differences related to the definition of: (i) discount rates; and (ii) exchange rates.

⁴⁹ FDI-related imports are assumed to represent about 85 percent of FDI over the projection period.

175. **Under the assumption that FDI and donor flows continue to be robust over the medium term, the external position is projected to remain manageable.** Over the longer term, the current account deficit (excluding grants) is projected to decrease gradually as a percentage of GDP from about 69 percent in 2006/07 to around 23 percent in 2026/27. External grants and FDI are expected to remain the predominant form of financing, but decreasing as a percentage of GDP from 42 percent in 2006/07 to around 19 percent in 2026/27. As official transfers and FDI taper off as a percent of GDP, the current account deficit (including grants) is expected to decline gradually to just below 11 percent of GDP by the end of the projection period, matching the gradual fall in the trade deficit as a percentage of GDP as the impact of continuous FDI is fully reflected in export growth. Income growth and improved financial intermediation are expected to stimulate private sector savings and result in a narrowing of the private sector savings-investment deficit in the long term.

176. **The baseline scenario assumes full delivery of traditional debt relief, multilateral arrears clearance and interim HIPC assistance.**⁵⁰ In addition, a financing gap is assumed to be met through additional voluntary interim-period assistance beyond-HIPC Initiative relief, as detailed in the decision point document. Consistent with LIC DSA guidelines, the baseline does not reflect the delivery of HIPC, MDRI and IMF beyond-HIPC assistance at the completion point; however, this is presented in an alternative scenario.⁵¹

Debt Sustainability Analyses

External Debt Sustainability

177. **The baseline scenario, which assumes full delivery of traditional debt relief and a financing gap to be met, in part, through HIPC interim assistance, indicates that Liberia is in debt distress (Table 1a, Figure 1).** The NPV of external debt-to-GDP ratio remains well above the threshold (30 percent), while the NPV of external debt-to-exports ratio moves below the 100 percent threshold by 2016/17, reflecting the cumulative effect of FDI on exports. The debt service ratios (to export and revenue) become manageable after 2018/19 reflecting the high degree of concessionality of the outstanding stock of debt owed to multilateral (mainly on IDA or IDA-like terms) and bilateral creditors. However, Liberia's debt service ratios are above their respective thresholds (15 percent for exports and 25 percent for revenues) during 2011/12 to 2017/18, due mainly to payments associated with the PRGF/EFF arrangements.

⁵⁰ The stock of external debt at end- 2007/08 reflects large up-front borrowing from the IMF to clear arrears to the IMF, as well as other reschedulings, and fully grant-financed clearance of World Bank and African Development Bank arrears.

⁵¹ See "Staff Guidance Note on the Application of the Joint Bank-Fund Debt Sustainability Framework for Low-Income Countries" (www.imf.org and IDA/SECM2007/0226, 03/05/2007).

178. **The alternative scenarios and bound tests indicate that the evolution of Liberia’s external debt position is subject to considerable vulnerabilities and highlight the importance of debt relief (Table 1b, Figure 1).** In particular, most debt indicators deteriorate significantly under the bound tests (temporary shocks). Nevertheless, since Liberia’s new borrowing is assumed to be moderate and largely on highly concessional terms, a permanent (unfavorable) shock to the terms of new borrowing will not result in a drastic deterioration of debt indicators. However, given Liberia’s development needs, any deterioration in the debt ratios will make meeting its spending priorities substantially more difficult.

179. **Debt relief through HIPC Initiative, MDRI and IMF beyond-HIPC assistance and possible bilateral and multilateral beyond-HIPC interim-period assistance, would significantly improve Liberia’s debt situation.** Assuming the full delivery of such assistance at completion point, all three debt-burden indicators (NPV of debt-to-GDP ratio, NPV of debt-to-exports ratio, and debt service-to-exports ratio) would be significantly below their indicative thresholds.

Public Sector Debt Sustainability

180. **Under the baseline scenario, Liberia’s public debt (including domestic debt) is expected to decline steadily as a percentage of GDP throughout the projection period (Table 2a, Figure 2).** In the first few years of the projection, the steady fall in the debt-to-GDP ratio is largely driven by strong GDP growth and assumed moderate borrowing. In the outer years, borrowing remains moderate and GDP growth of 3¾ percent is robust enough to continue contributing to the decline in the ratio.

181. **Domestic debt does not play a significant role in public debt dynamics.** While the stock of domestic debt at the beginning of the projection period is substantial at around 40 percent of GDP, it has been restructured on concessional terms consistent with the government’s domestic debt strategy, and new domestic borrowing, assumed to commence after the completion point, averages 1 percent of GDP.⁵²

182. **The various stress tests indicate that Liberia’s public debt dynamic is most vulnerable to GDP shocks (Table 2b, Figure 2).** Although the one-time 30 percent depreciation shock in 2008/09 (bound test B4) has a large adverse impact on debt dynamics, it should be interpreted cautiously, given that currently about 95 percent of

⁵² Debt owed to the Central Bank of Liberia represents over 90 percent of the total domestic debt at end-June 2007 and was rescheduled on concessional terms with a 30 year maturity, 10 year grace period on principal, and interest rates increasing from 1.0 percent at the start of the repayment period to 2.5 percent for the latter part of the period.

government revenues are collected in U.S. dollars.⁵³ The DSA also shows that the inclusion of part of domestic claims which are currently classified as “contestable” following the government’s vetting of domestic debt claims (bound test B5) would increase the debt stock in 2008/09, but not affect debt ratios significantly over the long term.⁵⁴

Debt Distress Classification and Conclusion

183.

184. **The low-income country debt sustainability analysis reveals that Liberia is in debt distress.** Under the baseline scenario, external debt burden indicators remain well above their indicative thresholds. This emphasizes the need for debt relief. Debt relief under the HIPC Initiative, MDRI and beyond-HIPC assistance significantly improve Liberia’s external debt situation and bring Liberia’s debt indicators to a manageable level.

185. **Alternative scenarios and bound tests indicate that the evolution of Liberia’s external debt position is subject to vulnerabilities.** The achievement of a robust external debt position will depend on real GDP growth, export and revenue performance as well as prudent debt management. The inclusion of domestic debt in the analysis does not significantly change the overall assessment of Liberia’s debt sustainability.

⁵³ If Liberia were to start collecting a greater portion of revenues in Liberian dollars, resulting in a greater mismatch on the government’s balance sheet, the implications of this scenario would become more important.

⁵⁴ The outcome of the further vetting of approximately \$0.3 billion of “contestable” domestic claims is uncertain due to the need to establish the validity of claims and the discount factor, as well as potential legal action on the part of claimants. Without prejudging the results of the vetting exercise, the scenario assumes that the discounted value of claims will be 10 percent of GDP (approximately \$80 million).

ANNEX 15: CAS CONSULTATIONS

A consultation mission with stakeholders at the government and community levels was carried out in June 2008 to discuss and validate the joint strategic directions and markers for success of the Bank and African Development Bank. The team met with and presented the proposed program covering the period of the PRS to key government officials, donors and partners, and civil society (local and international NGOs).

The main purpose of the consultations was to receive feedback from the different stakeholders on whether the proposed programs of the Bank and African Development Bank are aligned with the priorities of the PRS and to determine if more should be done and by whom. Through this exercise, it was evident that there is harmonization and coordination among the donors and development partners as well as in the NGO community. However, these stakeholders face many challenges and difficulties ahead in the achievement of their respective development goals and objectives in Liberia. For instance, the need for capacity building was emphasized repeatedly by all stakeholders.

On the government side, the team met with the Minister of Finance, Minister of Agriculture, Minister of Land, Mines and Energy, Minister of Public Works and the Advisor to the President from the LRDC. The following is a summary of the consultations with the government:

Ministry of Finance: The Minister pointed out that the CAS must signal full alignment with the PRS to the donors. Infrastructure is a high priority of the PRS because Liberia cannot achieve shared growth without this. The Bank should do as much in infrastructure as possible and that the African Development Bank should link agriculture with roads. However, despite the emphasis on these sectors, there should also be focus on budget support. As the government does better, the Bank and African Development Bank should increase budget support, retain objectivity while signaling willingness to take risks to the rest of the donor community. The CAS should also have heavy focus on implementation and impact on the ground. And through non-lending activities or TAs, the government will continue to demonstrate leadership in structural policies issues, e.g., DTIS. The role of the PFMU should be reviewed and phased-out in 3 years as the government develops more capacity.

Ministry of Agriculture: The Minister summarized the basic challenges affecting the sector in a post-conflict setting – (i) low yield and productivity which are mainly due to the quality of seeds, lack of fertilizers and pest management issues; and (ii) deterioration of capacity in the research institute. Research was decimated as a result of almost 2 decades of war. The market system is weak because of low rural demand and lack of access to markets. The entire system needs improvements and the need for specialists and scientists is urgent. Through the assistance of the Chinese government, FAO and WFP, in 2 years, the production of rice and cassava doubled but it is still below pre-war level.

What can be done as a short-term emergency response in the context of the PRS? The Minister enumerated the priorities:

Soil and Water Management – Liberia is blessed with water yet the population still has no access to it. The irrigation system needs to be improved.

Planting Material – This is fundamental. High quality equals high yield.

Rubber Plantation – Even during the war, these plantations continued to operate.

However, there has been no replanting during the last 15 – 20 years thus, the inventory is old.

Oil Palm – There is tremendous interest for this product. Maybe in 10 years, Liberia will be a big exporter.

Cocoa – There is more interest in cocoa than in coffee. As a result, the US is funding sustainable tree crop program.

Coffee – Tree stock is old and needs to be rebuilt. There is also a need to reinvest in seed.

Low wages in the Agriculture Sector – The earning scale in the sector needs to be improved in order to attract new farmers and old farmers to return to farming.

Community-based facilities should be made available for the use of the public.

Where are interventions needed?

Focus on planting materials in food (rice, cassava and vegetables) and cash crops (rubber, oil palm, cocoa and coffee);

Review storage processing areas; and

Improve the institution through capacity building. Improve the skills of farmers by providing them with training.

Ministry of Land, Mines and Energy: The Minister indicated that the government is working with Mittal Steel on a 200 megawatt power plant project in Buchanan. There is a need for transmission line with 50 megawatts of power in the interim of the hydropower interconnection through the WAPP.

Ministry of Public Works and Ministry of Transport: The Minister named the 5 priorities in terms of roads work – Monrovia Streets, Cotton Tree, Small Bridges, Monrovia Ganta and Sealing. The team brought up the issue of maintenance and the need for an appropriate, institutional set-up and financing mechanism. The contractor is responsible for the maintenance of the roads. The Minister also expressed that the procurement process of the WB is complicated to which the team responded that these are institutional guidelines which have to be followed.

LRDC: The Advisor to the President indicated that the government is still building the foundation in Liberia. In order to meet the priorities of the PRS, all sectors in the matrix need to have a dialogue as a group to have an understanding of what they want and can achieve realistically given the constraints. The Bank and African Development Bank have the resources, capacity and reach and therefore the need to leverage is vital.

With respect to donors, the team met with major players in Monrovia. Representatives from the following organizations were able to attend the meeting: EC, FAO, IMF,

USAID, UNICEF and WFP. With such broad and complex programs, the team expressed to the donors that in order to achieve the goals and objectives of the PRS, there has to be harmonization, collaboration and synergism in the partnerships and therefore constant dialogue and leveraging of resources and skills are necessary. Pooling of funds, more importantly, the MDTF which the Bank is coordinating will bring donors together. The following are the key messages from the donors:

The donors support focusing of efforts because there is so much to do and each donor as a single entity cannot do everything. The group has to work closely together to complement each other, continue the dialogue and remain to be engaged. (USAID)
 Use comparative advantage in aligning with the PRS. Align with the other donors and not to duplicate each other. Land issue is emerging and needs a lot of technical work, e.g., how to issue land registry for land ownership. The Bank and African Development Bank have a lot of experience in this area and can provide TA. The group should also think about Liberia's exit from GMAP and aim at financial management. (IMF)
 Those donors who bring in small financing compared with the others can contribute TAs. (FAO)

The Bank should provide some financing in social sectors to build confidence of other donors. The Bank should make sure to work with all sectors. (UNICEF)
 The donors should participate in joint program initiatives. (WFP)

On the side of civil society, 2 separate consultations were held – one with the Management Steering Group (MSG) and one with the local NGOs. 19 organizations were represented during the meeting with the MSG to which the team expressed that they will be consulted annually at the minimum. The following is a summary of concerns and discussions:

What can be done to help farmers increase rice production? What is their incentive? Is there training available for farmers? What about storage for farmers? The team responded to these issues by naming the programs the Bank and African Development Bank are involved with. To increase rice production, African Development Bank's NERICA program can help. As for the storage issue, the Bank is already addressing this through the DTIS which looks at the chain. The AIDP is designed mainly for cash crops and responded rapidly with \$3m food crisis funding. Another \$3m food crisis funding for nutrition in vulnerable areas was approved.

Liberia is interested in growing more rubber due to the Firestone phenomenon. Can this success be transferred to rice?

There are no roads in the SE, hence there is no agriculture because farmers cannot mobilize their produce.

The situation in Monrovia with regards to urban squatters is becoming worse. Urban planning is necessary in order not to lose investors. There has to be a shift in aid that from humanitarian to development. If this issue is not addressed, the progress achieved today could be destroyed by an unfortunate humanitarian crisis.

If pillars are not done right, all donors, all of civil society will be out of Liberia.

Another meeting was organized in the offices of NARDA, a group which coordinates civil society at the local community level. A total of 22 participants attended representing their respective organizations. After the team explained to the group their roles and the programs in support of the PRS, several questions and clarifications were raised:

It was evident that the development of the Agriculture Sector is a priority to some members of the group. The team was asked to clarify what the Bank will be doing and whether the African Development Bank's NERICA program is the only program addressing this issue.

NARDA representative asked if there can be a recommendation as to which organization is capable. Another asked how grants are monitored to which the team explained that these are done through monitoring and evaluation systems, mid-term reviews, audits and review of the results matrix. These questions were clear signs of mistrust in government. Other representatives asked if the team is thinking of health, sanitation and water management to which the team responded by enumerating the projects each is already involved with.

Another NGO asked how they can participate and access grants. The team explained that as local NGOs, they act as service providers to the different sectors they work with. They can participate by providing bids in order to engage in contracts.

Capacity building or in general training for Liberians was brought up. One asked that as expatriates come and go, is there any plan for a sustainable training program.

ANNEX 16: LIBERIA: FUND RELATIONS

ANNEX 17: DONOR COORDINATION IN LIBERIA

Partner	Approx. Annual Funding (US\$M)	Sector/Thematic Areas														
		Private Sector	Financial Sector	Infrastructure/Transport	Trade	Agriculture & Rural Dev.	Health	Education	Environment	Water & Sanitation	Social Protection	Public Sector	Judicial & Legal Reform	Capacity/Inst. Building (incl. M&E)	Security & Stability	Gender
European Community	14	X		X		X	X	X						X	X	
African Development Bank	0.65			X						X			X	x		
France	2	X														
Japan						X										
United Kingdom/DFID	20						X					X	X			
United Nations	150	X				XX	X	X	X	X	X	X	X	X		X
United States	100	X		X		X	X	X	X			X	X	x	XX	
IFC		X	XX													
World Bank	40			X	X	XX	X		X			X	X	X	X	X
Denmark						X										X
Germany				X		X		X		X	X			X	X	
China				X		X	X	X							X	
Sweden	10	X			X	X		X					X	X		

Note XX-Lead donor

ANNEX 18: TFLIB ANNUAL REPORT

ANNEX 19: COUNTRY MAP



