

Liberia: Country Results Profile



Liberia: Meeting the Nation's Post-Conflict Development Needs

Overview

After years of conflict, Liberia's economic recovery has continued even during the global crisis. The government has rehabilitated and reconstructed physical infrastructure destroyed by the civil war, improved social services in education and health, strengthened state institutions and capacity and implemented structural reform necessary to support post-war economic reconstruction. Foreign direct investment has gradually returned to Liberia to invest in the natural resource sectors (agriculture, forestry and mining). These investments, together with enhanced peace and stability and improved governance, have contributed to strong economic recovery since 2003.

However, the recovery was weakened slightly by the global economic crisis towards the end of 2008 through most of 2009 and as a result, output grew slowly by only 4.6 percent in 2009. However, the pace of economic growth began to pick up to 5.6 percent in 2010, reflecting an increase in agricultural output (rubber and forestry) and construction activities.

Challenge

Liberia's economic outlook for 2012 is favorable, although key vulnerabilities remain. A steady global economy recovery and the renewed interest of foreign direct investors would maintain the growth impetus. The country's economic growth performance is projected to be 7 percent per annum during the next five years. This projection is based on expectations of continued prudent macroeconomic management, high inflows of foreign direct investments in the extractive industry, and steady growth in the non-mining sector. However, given the low level of foreign exchange reserves, the country remains vulnerable to commodity price shocks for its key exports and imports.

The process and outcome of the 2011 presidential and legislative elections bring new and considerable challenges for the government in re-uniting Liberians and regaining the development momentum. Liberia must also tackle the other development challenges of limited infrastructure, low human capital and weak governance in the face of limited financial resources and its weak civil service capacity. Key issues facing the new government include the following: state-building, transparency and accountability; service delivery/decentralization; strengthening the legislature; youth unemployment; and rebuilding infrastructure.

More Results



**\$248.8
Million**

Amount of IDA financing for 12 projects supporting the Joint Country Assistance Strategy

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- » Country Brief
- » Country Assistance Strategy
- » Data and Statistics
- » Ministry of Agriculture
- » Ministry of Finance

Approach

During the Country Assistance Strategy (JCAS) period (FY09-11), the Bank was able to mobilize significantly higher levels of financing, from both the International Development Association (IDA) and trust funds, than anticipated in the original lending strategy. The total original Bank financing package for the CAS was estimated to be approximately US\$284.8 million, but to date, has reached a total of approximately US\$528.7 million. Specifically, IDA lending increased from the US\$138 million to US\$248 million during FY09-11. The majority of the funding was to support investment lending but to date, the IDA has also delivered a total of US\$15 million in budget support as planned.

Increased resources meant that the Bank was able to respond positively to the Government of Liberia's request to increase funding for key infrastructure programs, including roads, which was the number one priority identified in the Poverty Reduction Strategy (PRS) I. The increased resources made possible not only the financing of new investments, but also the mitigation of cost overruns in individual IDA-financed operations affected by the inflationary impact of the global crises.

Additional resources also allowed IDA the flexibility to respond to the Liberian government's growing concern about responding more adequately to investments in human capital and employment creation, activities not programmed in the CAS.

Results

Significant progress has been made in mitigating the effects of two decades of armed conflict, which weakened the credibility of the Liberian state and its capacity to provide basic services. In order to address these weaknesses, the government devised a two-prong strategy focusing on: (a) strengthening governance and the rule of law, and (b) consolidating peace and security. The government strategy for strengthening governance and the rule of law focuses on four key goals namely, building and operating efficient and effective institutions and systems of accountability, strengthening public institutions and the effectiveness and integrity of legal and judicial institutions and expanding access to justice.

Good progress has been made in addressing these goals, particularly in areas related to the efficiency of budget preparation and execution; both have improved under a new budget framework, the introduction of new budget classification and chart of accounts in line with international public sector accounting standards. An internal audit strategy was also adopted, which is now being implemented and an Integrated Tax Administration System (ITAS) is operational.

Reforms in core state institutions have been underpinned by broad-based capacity building efforts. The Financial Management Training School, for instance is building public financial management human resources capacity in ministries and agencies by building a cadre of qualified practitioners. The establishment of an independent General Auditing Commission (GAC) and programs to strengthen audit capacity has enabled the audit of government accounts for the first time in twenty years. In the civil service, reform needs have been addressed through short-term solutions, such as IDA support to the Senior Executive Service (SES) Program, while capacity building in the government ministries, departments, and agencies is ongoing and the government has strengthened its human resource management system.

Bank Contribution

IDA 15 was the major source of financing for the implementation of the JCAS FY09-11, which, based on the priorities expressed in the PRS I, focused on supporting: (i) rebuilding core state functions and institutions; (ii) rehabilitating infrastructure to jump-start economic growth; and (iii) facilitating pro-poor growth in addition to pursuing cross-cutting objectives of capacity development, gender and the environment. A total of 12 IDA-financed projects were approved by the World Bank's Board of Executive Directors for a total of US\$248.1 million.

- » Ministry of Gender and Development
- » Ministry of Information, Culture and Tourism
- » Ministry of Lands, Mines and Energy
- » Ministry of Planning and Economic Affairs
- » Ministry of Public Works
- » Ministry of Youth and Sports
- » Liberia Telecommunications Authority
- » Rural and Renewable Energy Agency (RREA)

IDA funding was in the form of emergency investment credits until mid 2010 after Liberia's external debt was reduced with the support of the World Bank, the International Monetary Fund (IMF) and other partners when the country reached the Heavily Indebted Poor Countries (HIPC) completion point. The quality of the IDA 15 portfolio was satisfactory with respect to disbursement rates (some of highest in the Africa Region), net commitments at risk (none from FY09-11), and over-age projects. Implementation towards the end of FY11 showed 46 percent of projects rated satisfactory and the remainder as marginally satisfactory, mainly because of client capacity constraints and implementation delays. Client capacity in contract management and procurement were and continue to be major constraints to implementation, both at the level of IDA-financed portfolio and at the level of the country's national budget execution.

During FY09-11, the Bank was able to use Liberia's IDA allocation to mobilize significantly higher levels of financing than anticipated in the present JCAS. IDA lending increased from US\$138 million to US\$248 million; this included a total of US\$15 million in budget support, which supported key government reform efforts. Approximately US\$280 million was committed from other sources, mainly trust funds; a portfolio of approximately 56 trust funds was active during this period. One of the most important, the Liberia Reconstruction Trust Fund (LRTF), supported the country's priorities in infrastructure while other funds made it possible for the Bank to work in other important areas for a fragile, conflict-affected country, such as land tenure and judicial reform.

Trust funds and Bank support also provided much high quality demand-driven analytical work and technical assistance during the IDA 15 period. Examples include the development of sector strategies in education, health, social protection, and energy as well as the many studies that are now informing the elaboration of the national visioning document and the PRS II.

Partners

Coordination is improving, and other donors look to the Bank to promote this agenda even further. Coordination is especially strong in health, agriculture, energy and public sector reform. Successful pooled arrangements have been established in some sectors and donor coordination is being improved with the creation of joint government–donor working groups, working together to discuss priorities for the second Poverty Reduction Strategy. Donors have also delegated to IDA the management of the Liberian Reconstruction Trust Fund, which is providing major support to rehabilitating key transport infrastructure in the country. Important partners are the African Development Bank and the European Union.

Donor coordination will continue to be a vital component of the Bank's work. Partnerships will be strengthened with donors not only to promote harmonization in programming and alignment with the government's priorities, but also to promote new funding sources for those priorities. Reconstruction financing needs to establish a solid base in infrastructure and human capital remain enormous. Nontraditional partners and bilateral donors are channeling significant levels of aid to Liberia, especially the European Union, the African Development Bank and the governments of the United States, China, Japan, France, Sweden and Ireland, Norway and the United Nations family.

Toward the Future

As Liberia moves from its post-conflict to a long-term development phase, IDA is supporting a comprehensive program of intensified dialogue, analytic and strategic work to underpin the medium-term growth agenda (pro-poor economic growth, employment generation, capacity building, and mining/growth corridors). This agenda also includes specific sector strategy work such as a National Energy Plan and an Energy Sector Master Plan, as well as a national roads strategy, an education and vocational training strategy, among other things. At the same time, IDA will continue its work to help Liberia deepen and sustain its core governance reform program, ensure increased employment opportunities for citizens, and improve management of basic service delivery. IDA is also providing analytical work and non-lending technical assistance to Liberia. Two examples include the current preparation of a growth diagnostic study and the work of the World Bank Institute in supporting the process of developing a national vision for Liberia. Both studies will help the government in the preparation of their second generation Poverty Reduction Strategy. The studies will also inform IDA's one-year extension of the current CAS and development of a new strategy for the next five years.

Beneficiaries

The landing of the Africa Coast to Europe (ACE) submarine fiber-optic cable (West Africa Regional Communications Infrastructure Program) in Monrovia in early November 2011 has already started improving lives psychologically in Liberia's capital, Monrovia. Caesar Morris, owner and operator of a local internet café shop on 11th Street, Sinkor, Monrovia, expressed happiness for this project. According to Caesar, "this fast and less expensive internet system will boost our work in a significant way; it will enhance learning, especially for high school and university students, who greatly depend on our services on a daily basis." Currently Caesar pays US\$769.00 for a monthly subscription for internet services, which is very high. Also, the speed is slow, thus compelling students to stay overnight to complete assignments involving the use of internet. "This is outrageous," Caesar lamented.

The high cost of electricity further compounds the problem. In spite of these challenges, Caesar says the landing of the ACE cable will improve the industry. "It will have a trickle-down effect on end-users," he emphasized. Due to the high population of Monrovia, he is struggling to cope with customers' demand due to the slow speed of the internet. Monrovia is home to about half of Liberia's 3.4 million people.