

**Probable Date of Presentation to the Committee
Operations/Development Effectiveness
CODE**

23 September 2019

FOR CONSIDERATION

MEMORANDUM

TO : THE BOARDS OF DIRECTORS

**FROM : Vincent O. NMEHIELLE
Secretary General**

SUBJECT : LIBERIA – BANK GROUP COUNTRY STRATEGY PAPER 2019-2023*

Please find attached for your consideration the above-mentioned document.

Attach:

Cc.: The President

***Questions on this document should be referred to:**

Mrs. M. AKIN-OLUGANDE	Director General	RDGW	Extension 4018
Mr. S. N'GUESSAN	Deputy Director General	RDGW	Extension 4042
Mr. E. PINTO MOREIRA	Director	ECCE	Extension 4011
Mr. O. AMU	Country Manager	COLR	Extension 7060
Mr. J. WAHOME	Lead Economist	ECCE/RDGW	Extension 3117
Mr. K. BANDA	Principal Country Economist	ECCE/COLR	Extension 7065

AFRICAN DEVELOPMENT BANK GROUP



REPUBLIC OF LIBERIA

BANK GROUP COUNTRY STRATEGY PAPER 2019-2023

Team Members	<p>Kelvin Kanswala Banda – Principal Country Economist, COLR – Task Manager Abdul Bangura, Principal Country Programme Officer, COLR Prince Tambah- Senior Transport Engineer, COLR Alex Yeanay – Senior Fragility Expert, COLR Emmanuel Maniragaba – Energy Sector Consultant, RDGW Mohamadou Ba – Trade Finance Officer, PIFD.3 Isaac Maneni, Consultant Trade Finance – PIFD.3 Nathalie Gahunga, Chief Gender Officer, RDGW Arona Soumare, Principal Climate Change and Green Growth Specialist, PEGG Philip Boahen, Chief Agriculture Policy Economist, AHAI Chukwuma Ezedinma, Principal Commodity Crop Processing Zone Expert, AHFR Jocelyne, Ade-Legre, Principal Investment Climate Regulatory Officer, PITD Ann Defraye, Nutrition Officer, AHHD Josephine Ndao, Chief Entrepreneurship and SME Development Officer, AHHD Francois Traore, Senior Civil Society Officer, AHGC Ahmed Khan, Chief Fisheries Officer, AHAI2 Soumaila Karambiri, Statistician Assistant, ECST Sandrine Ebakisse, Senior Governance Officer, ECGF Philip Doghle, Principal Financial Management Specialist, SNFI Daniel Osei-Boakye, Procurement Specialist, SNFI Mark Eghan, Senior Agriculture Economist, AHAI2 Julius Tieguhong, Chief Forestry Officer, ANRC Chimwemwe Roberta Mhango, Environmental Officer, SNSC Nusula Nassuna, Principal Legal Counsel, PGCL Jerry Ahadjie, Chief Minerals Officer, ECNR Richard Schiere, Chief Quality Assurance Officer, SNOQ</p>
Management	<p>Orison Amu, Country Manager, COLR James Wahome, Regional Lead Economist, RDGW Emmanuel Pinto Moreira, Director, ECCE Serge N’guessan, Deputy Director General, RDGW Marie Laure Akin-Olugbade, Director General, RDGW</p>
Peer-Reviewers	<p>Edward Sennoga, Chief Country Economist, COET/RDGE Thierry Kangoye, Principal Strategy and Policy Officer, SNSP1 Ndoli Kalumiya, Senior Country Economist, RDGS</p>

WEST AFRICAN REGION

August 2019

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ACRONYMS AND ABBREVIATIONS

ADF	African Development Fund
ADB	African Development Bank
AfT	Agenda for Transformation
ASYCUDA	Automated System for Customs Data
CBL	Central Bank of Liberia
CLSG	Cote D'Ivoire, Liberia, Sierra Leone and Guinée
CODE	Committee on Operations and Development Effectiveness
COLR	Country Office Liberia
CPIP	Country Portfolio Improvement Plan
CPPR	Country Portfolio Performance Review
CSP	Country Strategy Paper
CT	Country Team
DSA	Debt Sustainability Analysis
ESW	Economic and Sector Work
EU	European Union
FAPA	Fund for African Private Sector Assistance
FDI	Foreign Direct Investment
F(5)YDP	Five Year Development Plan
GAC	General Auditing Commission
GAFSP	Global Agriculture and Food Security Program
GDP	Gross Domestic Product
GoL	Government of Liberia
HDI	Human Development Index
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPFMRP	Integrated Public Financial Management Reform Program
IPSAS	International Public Sector Accounting Standards
MACs	Ministries, Agencies, and Commissions
MDAs	Ministries, Departments and Agencies
M&E	Monitoring and Evaluation
MFDP	Ministry of Finance and Development Planning
MLME	Ministry of Lands, Mines and Energy
MRU	Mano River Union
MTEF	Medium Term Expenditure Framework
MTR	Mid-Term Review
PAPD	Pro Poor Agenda for Prosperity and Development
PAR	Project Appraisal Report
PBA	Performance-Based Allocation
PCR	Project Completion Report
PD	Presidential Directive
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMU	Public Financial Management Unit
PIU	Project Implementation Unit

PMU	Project Management Unit
PP	Problem Project
PPCA	Public Procurement and Concession Act
PPP	Potentially Problem Project
RMCs	Regional Member Countries
SAPEC	Smallholder Agric. Productivity Enhancement & Commercialization Project
SCPZ	Special Commodity Processing Zone
SEZ	Special Economic Zone
SOE	State Owned Enterprise
SWG	Sector Working Groups
TA	Technical Assistance
TSF	Transitional State Facility
TVET	Technical Vocational Education and Training
TYS	AfDB's Ten Year Strategy
UA	Unit of Account
UNDP	United Nations Development Program
UNMIL	United Nations Mission in Liberia
USAID	United States Agency for International Development
WAMZ	West African Monetary Zone
WAPP	West African Power Pool
WASH	Water, Sanitation, and Hygiene
WB	World Bank

CURRENCY EQUIVALENTS

August 2019

UA 1.00 = LRD 278.68

UA 1.00 = USD 1.38

USD 1.00 = LRD 202.61

WEIGHTS AND MEASURES

Metric System

1 metric tonne	=	2 204 pounds
1 kilogramme (kg)	=	2.2 pounds
1 metre (m)	=	3.281 feet
1 millimetre (mm)	=	0.03937 inch
1 kilometre (km)	=	0.621 miles
1 hectare (ha)	=	2.471 acres

GOVERNMENT FISCAL YEAR

July 1- June 30

MAP OF LIBERIA



EXECUTIVE SUMMARY

1) **The African Development Bank Group’s Country Strategy Paper (CSP) 2019-2023 describes the main elements of the Bank’s support to Liberia aimed at addressing fragility and strengthening country resilience and to accelerate the achievement of a sustainable inclusive pro-poor economic growth in the medium term.** The Bank’s Committee on Operations and Development Effectiveness (CODE) endorsed the strategic thrust of this CSP at its meeting of 3rd June 2019.

2) **Liberia is the oldest African Republic founded by freed American slaves in 1847. Its recent background has been characterised by the high levels of fragility because of the two civil wars between 1989 and 2003.** The wars in Liberia are considered to have been the worst in Africa, killed and displaced thousands of people and destroyed all key infrastructure including roads, electricity, water and sanitation, schools and health facilities. This had significant impact on the poor population with no access to basic social infrastructure for twelve years. The country also suffered from a severe Ebola crisis that hit the country between 2014 and 2016 and this brought economic progress to a halt. Since then some progress has been made to restore broad based economic growth but the country faces significant development challenges.

3) **The preparation of this CSP comes at an opportune time when Liberia has experienced a peaceful political transition in 2018 and the new Government has unveiled the Pro-Poor Agenda for Prosperity and Development (PAPD) as its overarching development strategy for the period 2018 to 2023.** The objectives of the PAPD include: (i) poverty alleviation through enhanced domestic food production and job creation; (ii) improved infrastructure; (iii) improved education and health delivery systems; and (iv) a transparent and accountable governance system. The PAPD has been developed with close collaboration with development partners, private sector and CSOs and it has been well received by all stakeholders.

4) **The overarching development challenge for Liberia is to overcome its deep-rooted, multi-faceted fragility and to evolve into a stable, functioning and socio-economically prosperous state.** The Bank’s Country Resilience and Fragility Assessment (CRFA) 2019 concluded that the level of fragility in Liberia is substantial and the country’s resilience level is low. The key drivers of fragility include political, economic, social and environmental factors. Specifically, lack of key infrastructure mainly roads and electricity, lack of economic diversification and over dependence on extractive and primary agriculture exports, weak natural resource governance, general weak public institutions, weak security and political tensions, high youth unemployment, high gender inequalities, a sense of marginalization and exclusion, and high environmental vulnerabilities.

5) **In direct response to Liberia’s overarching development challenge, the main objective of the Bank’s CSP 2019-2023 is to tackle key drivers of fragility and to strengthen the country’s resilience, in a selective manner and in close alignment with the Bank’s corporate strategic framework and Liberia’s development priorities as spelled out in the PAPD.** To achieve this objective, the CSP will support private sector driven economic diversification and strengthen economic governance. Accordingly, the CSP is articulated around the following two priority areas for Bank support: *Priority Area 1: Economic diversification through improved transport and energy infrastructure; and Priority Area 2 – Improving economic governance and enhancing private sector development.* The main objective of Priority Area 1 is to reduce infrastructure deficits in roads and energy sectors in order to promote private sector driven economic diversification

and inclusive economic growth. The main objective of Priority Area 2 is to strengthen transparency and accountability in public financial management, and enhancing investment climate and private sector development particularly in the agriculture sector¹. The focus areas remain largely the same as those of the previous CSP. While the Bank's interventions in the previous CSP 2013 -2018 made significant contribution to Liberia's development process, there is still more that needs to be done in these areas hence the need for consolidating the work that has been done to-date.

6) This CSP has been developed in full consultation with Government, development partners, private sector and civil society organisations in Liberia. The CSP draws lessons from the implementation of the previous CSP (2013-2018). The CSP has also benefited from the Bank's Country Fiduciary Risk Assessment (CFRA) of March 2019 and Country Resilience and Fragility Assessment (CRFA) of April 2019. This CSP follows on the new CSP format adopted by the Bank effective 1st July 2019. This CSP has been underpinned by 17 sectoral and sub-sectoral analytical notes².

¹ Including fisheries and forestry

² A country diagnostic note was not prepared because the preparation of this CSP based on 17 analytical notes was already at an advanced stage when the new format came into effect. Hence the country diagnostic note was waived by OpsCom. The analytical notes provided sufficient and deep analysis to inform the strategic priorities for Bank's intervention in Liberia.

1.0 INTRODUCTION

1. This Country Strategy Paper (CSP) proposes the African Development Bank Group (AFDB) strategy for Liberia covering the period 2019-2023. The Strategy has been prepared taking into account the CSP Completion Report (CR) for the previous Strategy covering the period 2013-2018 and the 2018 Country Portfolio Performance Review (CPPR). The Bank's Committee on Operations and Development Effectiveness (CODE) endorsed the strategic thrust of this CSP at its meeting of 3rd June 2019. The main objective of the Bank's CSP 2019-2023 is to tackle key drivers of fragility and to strengthen the country's resilience, in a selective manner and in close alignment with the Bank's corporate strategic framework and Liberia's development priorities as spelled out in the PAPD. To achieve this objective, the CSP will support private sector driven economic diversification and strengthen economic governance. Accordingly, the CSP is articulated around the following two priority areas for Bank support: ***Priority Area 1: Economic diversification through improved transport and energy infrastructure; and Priority Area 2 – Improving economic governance and enhancing private sector development.*** The focus areas aim at deepening the Bank's engagement in Liberia and contribute to the achievement of the country's development plan by 2023.

2. The preparation process of this CSP included a mission undertaken in November 2018 to Liberia to discuss both strategic and implementation issues with the Liberian Authorities related to the former strategy, the new strategic direction and priorities of the Government going forward. In particular, ensuring the alignment with the Government's development plan, the Pro-poor Agenda for Prosperity and Development and the Bank's High Fives and Ten Year Strategy. Development partners, private sector and civil society organisations were also consulted. A CSP Validation mission was conducted in July 2019 and the objective was to reconfirm national priorities, the priority areas of the CSP, and pipeline of planned interventions. The strategy takes into account outcome of these consultations, lessons learnt from implementation of the previous CSP, Liberia's Country Resilience and Fragility Assessment, Country Fiduciary Risk Assessment and sectoral analytical works. The CSP has also been informed by 12 sector specific analytical notes that provided detailed sectoral context.

3. The rest of the CSP document is organised as follows: Chapter 2 presents an update on the country context and prospects; Chapter 3 provides key findings of the Country Portfolio Performance Review; Chapter 4 presents the lessons learnt in the implementation of the last CSP; Chapter 5 presents the Bank strategy for 2019-2023; and Chapter 6 is the conclusion and recommendation.

2.0 COUNTRY CONTEXT AND PROSPECTS

2.1 Political Context and Prospects

4. **Liberia is the oldest African republic founded by freed American slaves in 1847. Its political scene has been characterised by elitism, nepotism, disparities between social classes that created frequent conflicts between various population groups. This culminated in the worst two civil wars in Africa between 1989 and 2000.** The wars killed and displaced thousands of people and destroyed all key infrastructure including roads, electricity generation plants and distribution lines, water and sanitation infrastructure, schools and health facilities. This had significant impact on the poor population with no access to basic social infrastructure for twelve years. The wars also resulted in a total collapse of Government's institutional capacity. The peace building, reconciliation and restoration efforts began in 2003 when the war ended but the severe impact of the wars made this process difficult.

5. Liberia is a multi-party democracy. The country held its presidential and legislative elections in November 2017. The presidential candidate for the Coalition for Democratic Change (CDC), George Manneh Weah, won the presidential election run-off by 61.5% of the total vote and 14 out of the 15 counties. On January 22, 2018, George Manneh Weah was sworn in as the President of Liberia. This was the country's first peaceful and democratic transfer of power in 74 years. President Weah's Government currently enjoys majority in the legislature and this presents an opportunity to push key reforms to put the country on a positive trajectory in terms of governance, improving public sector administration and creation of a favourable environment for private sector investment. While the Government is popular amongst the youth population, this also presents a threat if the immediate needs of the youth in terms of job creation are not met. It is in this context that the Government has placed particular focus on infrastructure development and job creation particularly for the large youth population.

6. Governance: Liberia's performance across various governance indicators has been mixed in recent years. The Country Policy and Institutional Assessment (CPIA) Governance cluster rating has remained constantly low at 3.5³ in the last three assessments mainly on account of poor quality of public administration which is attributed to weak institutional capacities. The 2017 Mo Ibrahim Foundation Report on African Governance, Liberia scored 51.4 and ranked 28th out of 54 countries compared with a score of 50.7 and a ranking of 26th out of 54 countries in the 2015 report. This shows an improvement in the overall governance in Liberia with improvements in safety and rule of law, participation and human rights, sustainable economic opportunities and warning signs in human development. However, Transparency International's 2018 Global Corruption Barometer ranks Liberia 120 out of the 180 countries reviewed. This is a marginal improvement from a rank of 122 in the 2017 assessment and this suggests that a high level of corruption still exists in Liberia.

7. Country Resilience and Fragility Assessment: While some improvements have been made with three successive and successful general and presidential elections and more than a decade of uninterrupted peace and stability, the level of fragility remains substantial for Liberia. The Bank's Country Resilience and Fiduciary Assessment (CRFA 2019) indicates that political, economic, social, and environmental pressures are high and interlinked while state and societal capacity to address these pressures is low. Political fragility is singled out as the main source of fragility in Liberia. Some of the underlying factors include governance weaknesses, land disputes, limited access to justice and conflict resolution channels, and the fragile security situation within the region. Environmental pressures have been identified as a new source of fragility in Liberia. Sea level changes leads to vulnerability of the coastal populations and the fishing industry. Sea erosion in Buchanan, one of Liberia's key commercial cities, threatens the City's promise as the country's service hub. Unpredictable weather strains farming households and worsens food insecurity. The country is susceptible to natural disasters concurrent with degradation of natural capital.ⁱ These challenges are made worse by weak institutions, limited infrastructure and weaknesses in regional climate-change and environmental governance. (Annex 12).

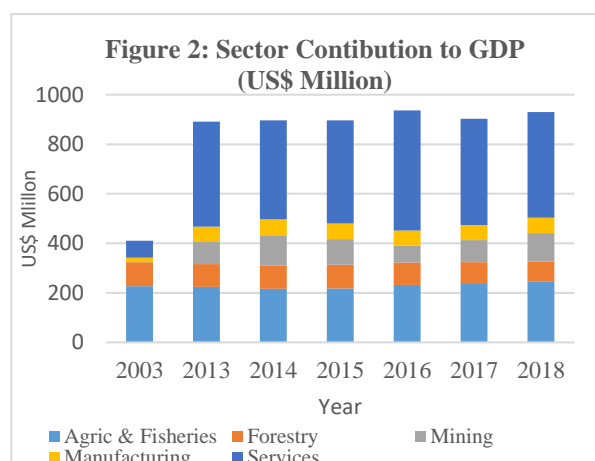
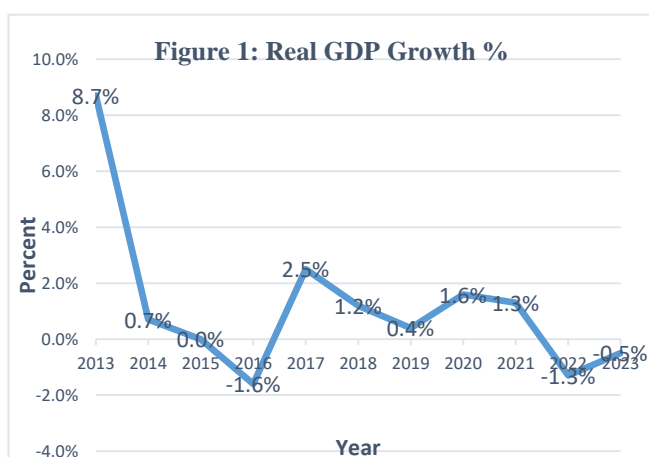
2.2 Economic Context and Prospects

8. Liberia is well-endowed in natural resources and has conditions favourable to tropical agriculture. However, the country's GNI per capita stood at a very low level of USD600 in 2018, classifying it in the category of Least Developed Countries. Liberia's economy based on natural resource including iron ore, gold, diamond and vast forests. The country has vast arable and wet lands estimated at 4.9 million hectares that is favourable for agriculture. Until the 1980s Liberia

³ CPIA rating, 1 is weakest while 6 is strongest level

was one of the leading exporters of iron ore in the world. The two wars between 1989 and 2003 disrupted the country's economic progress due to the destruction on infrastructure and brain drain. After the war in 2003 the country resumed its mining activities in iron ore, diamonds and gold. Agriculture and forestry are also key sectors focusing on rubber plantations and palm oil plantations. The economy is largely dependent on primary commodities with very limited value addition. In the last 5 years the Liberian economy has suffered from volatility in the commodity markets of key exports of iron ore, rubber, and timber. The Ebola Crisis further plunged the economy into a recession between 2014 and 2016. To-date the economic restoration is still heavily dependent on improved performance of natural resource hence remains vulnerable to international commodity prices. The agriculture and forestry sector has the potential for driving economic growth in the medium to long term but requires structural reforms and a favourable investment climate for private sector participation.

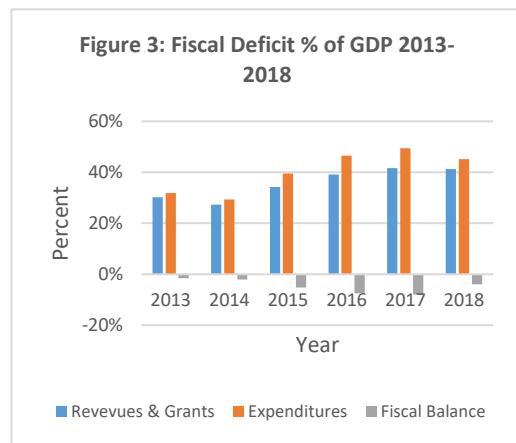
9. **Economic Growth: GDP growth fell from 8.7% in 2013 to -1.6 in 2016 the lowest in a decade and this sharp drop was on account of Ebola crisis.** The economy showed signs of recovery in 2017 when GDP growth edged up to 2.5% driven largely by improved performance of the mining (gold and iron ore), agriculture and forestry sectors. The mining sector grew by 28.8% in 2017 from a sharp decline of -33.3 in 2016 while the agriculture and fisheries sector grew by 1.7% in 2017. This growth could not be sustained on account of uncertainty in the wake of political transition in 2018. Rising inflation and currency depreciation coupled with the withdrawal of the United Nations Mission in Liberia (UNMIL) slowed down economic activities.



10. **Medium Term Outlook: The medium term appears to remain challenging, hence sound policies are required to stimulate economic growth. GDP projection for 2019 is estimated to be 0.4%. GDP growth is further projected to remain just over 1% in the next two years unless economic turn-around measures are successfully implemented under the IMF programme under discussions.** Despite the fall in projected GDP growth, there have been a number of positive developments in recent years that could determine the growth path. These include the expansion of commercial gold exports, expansion of commercial palm oil production, commercial investment in the cocoa sector and investment in fisheries. In the medium term, GDP growth is expected to continue being generated from the traditional primary sectors of mining, agriculture and fisheries which have showed signs of recovery. (Annex 7).

11. **Fiscal Performance: Government operations have generally been constrained due to limited fiscal space. In the last 6 years, total revenues including grants have averaged around**

36% of GDP while expenditures have averaged around 40% of GDP with an average fiscal deficit of around -5%⁴. There has generally been a growing trend in both revenues and expenditures during this period. Revenues increased because of increased inflow of donor aid in response to Ebola crisis and similarly the increase in expenditures between 2014 and 2016. In the medium term, revenues including grants are projected to be around 30% of GDP while total expenditures would be around 35% of GDP thus maintaining a fiscal balance of -5.0% on average. Liberia remains highly dependent on grants which account for nearly half of its budgetary expenditures. On account of successful implementation of the domestic resource mobilization strategy, own revenues may increase and could offset the declining trend in grants. This could provide the much-needed fiscal space to increase government expenditures on investments. The growing recurrent expenditures at 87% of national budget dominated by the wage bill estimated at around 65% is a major constraint to Government operations and significantly constrains development expenditures. The Government is taking measures to reduce the wage bill, eliminate the recruitment of allowance-based staff and to implement a harmonized civil service wage structure. This is a major reform area under the ongoing discussions of an IMF supported macroeconomic programme. (Annex 10).



12. **Debt Sustainability:** Liberia has a Domestic Debt strategy in place but its strict adherence has been challenged in recent years due to the difficult macroeconomic environment, low domestic revenues generation and the fall in international commodity prices against Government's need to finance the budget. Liberia's public debt level is rated moderate at about 37.9% of GDP, of which external debt is estimated at 29.9% and domestic debt at 8.0%⁵. The bulk of domestic debt is Government borrowing from the Central Bank. External debt has generally been contained as Government has resorted to concessional borrowing from its traditional development partners. The fall in commodity prices coupled with low levels of domestic resource mobilization versus the need for implementing an ambitious development plan are recipes for high debt risk for Liberia⁶. Government has now taken measures to stop borrowing from CBL and this should curb further increase on domestic debt. Government has also adopted a domestic resource mobilization strategy in 2018 to widen the tax base and increase domestic revenues. The most recent Debt Sustainability Analysis⁷ concluded that Liberia's economy remains vulnerability to external debt on account of any major exchange rate depreciation, a fall in commodity prices or extreme shock arising from re-occurrence of Ebola Virus. While domestic revenues are expected to increase with the implementation of the domestic revenue mobilization strategy, there are risks with a reduction in grants amidst an increased need for pro-poor social and infrastructure spending. This emphasizes the importance of prudent fiscal policies to manage debt. (Annex 11).

13. **Exchange rate and inflation: The monetary policy stance of the Central Bank of Liberia (CBL) is price stability anchored on a broad exchange rate stability.** The Liberian dollar (LRD) depreciated by 57% between end-December 2016 and end-December 2018, mainly because of deteriorating terms of trade, and high demand for foreign exchange to facilitate imports. The CBL has in 2018 intervened on the exchange market to curb a further depreciation of the local

⁴ Estimates on fiscal performance are based on AFDB statistics. With revised GDP in 2016, the estimates are lower at 30% of GDP for revenues and grants and 25% for expenditures.

⁵ Debt statistics based on IMF Article IV Report of 2019.

⁶ In 2018 Government intended to obtain a US\$536.4 million loan from ETON Finance PTE Limited and EBOMAF to finance its ambitious infrastructure program. This was later dropped after discussions with its traditional development partners and Government is now financing the infrastructure program from concessional loans.

⁷ IMF/WB DSA November 2017

currency⁸. By the end of 2018 LRD showed signs of stabilization but this could be short lived if not supported by increase in exports. End year inflation was projected to decline from 12.4% in 2017 to 11.7% in 2018. Instead, due to the deterioration in the country's trade balance, low foreign exchange inflows and depreciation of the LRD, inflation rose sharply to 28% at the end of December 2018⁹. Inflationary pressure was also exerted by increased speculation on LRD exchange rate against the USD. In February 2019 the CBL made a shift in its monetary policy and started selling CBL bills to the public, introduced the Standing Deposit Facility, and Intra-Day Liquidity Facility and replaced the 2016 guidelines on the new Standing Lending Facility. These measures are expected to lead to the adoption of an interest rate based monetary framework. Following on the implementation of these new measures, inflation has gone down to 23% as of June 2019. Exchange rate has stabilised around LRD 200 to US\$1.

14. External Sector: Liberia has faced various external shocks in recent years, including the Ebola crisis in 2014 to 2016, commodity price shocks, and a significant reduction in economic activity resulting from the United Nations Mission to Liberia (UNMIL) withdrawal in March 2018. The current account balance as a percentage of GDP averaged -22.7% in the last 6 years and it is projected to remain around that level in the next 2 years. The year 2014 was an outlier due to the response to Ebola crisis as large foreign aid flows supported remediation of the Ebola epidemic.

15. Minerals (iron ore, diamond and gold) and rubber account for 90% of total export value of which 55% is from the minerals sector. Total exports for 2018 are estimated at USD490 million and this is an increase from USD 279 million in 2016. In terms of imports, food imports account for 25% of import value followed by machinery and transport equipment (24%), petroleum products (15%) and manufactured goods (15%). Total imports value for 2018 was estimated at USD1.0 billion and this is a marginal increase from USD0.99 billion for 2017. The over reliance on imports is not sustainable as the trade balance continues to grow hence the need for economic diversification to high value exports.

16. Public Finance Management: Liberia has a Public Finance Management Act of 2012 in place and governs the management of public resources. The country also has adopted a new Public Finance Management strategy and action plan in 2017 covering the period 2017 to 2020. The Bank conducted a Country Fiduciary Risk Assessment (CFRA) which concluded that there have been marginal improvements in the general PFM environment in Liberia. With the support of donors, a solid foundation has been laid in IT-based modernization of PFM systems with the introduction of Integrated Financial Management Information System (IFMIS), Civil Service Management System (CSMS), and establishment of a Treasury Single Account, the Standard Integrated Government Tax Administration System (SIGTAS) and the Automated System for Customs Data Administration (ASYCUDA). The public procurement system of Liberia has seen improvements resulting in the PPCC Act 2005, which was amended in 2010, making its provisions and system more aligned to international best practice. Its institutional capacity and market operations among others have also seen improvements over the years. However, major challenges still exist and these relate to weak control environment, low human resource capacity especially at the operational levels, frequent in-year budget adjustments, insufficient controls over payroll, and non-adherence to internal controls. The procurement system is still challenged in some relevant areas which require further attention. A summary of the CFRA is provided in annex 13.

17. Investment Climate and Private Sector Development: Private sector investors face burdensome challenges in starting a business in Liberia. The World Bank's 2018 Doing

⁸ In 2018 Government authorized CBL to release USD25 million for mop up exercise.

⁹ IMF Revised Estimate

Business Report ranks Liberia 172nd out of 190 countries in terms of ease of doing business, a slight improvement in its ranking of 174th out of 190 countries in the 2017 Report. However, six out of ten of these indicators rank the country in the last quarter of the Doing Business 2018 ranking. This is the case, for instance, for “enforcing contracts”, “getting electricity” and “trading across borders”, although this latter indicator moved from 185th to 177th. Liberia’s private sector essentially consists of small and informal businesses with capacity shortfalls. Small and Medium Enterprises (SMEs) can be the engines for job creation and avenues of innovation and entrepreneurship, but in Liberia, many of them operate in the informal sector with low productivity and lack access to financing, protection, and long-term capital. The challenge for Liberia is to create a more enabling business environment that can increase the capacity of the formal sector to create better paying jobs especially in the agro-processing and manufacturing sectors.

18. Financial Sector: Liberia’s financial sector is shallow and dominated by the banking sector that accounts for at least 85% of the sectors total assets. Liquidity in the banking system remains strong with a Liquidity Ratio (LR) of 40.7% and Capital Adequacy Ratio (CAR) of 27.2% at end-December 2018 which is above the minimum requirement of 15% and 10%, respectively. Non-Performing Loans (NPL) have also improved to 9.6% compared with 14.7% at end-December 2018. Average lending rates were at 12.4% being a slight decline from 13.6% in 2016. General trading accounts for 33% of loans from commercial banks and this is explained by the high imports of goods into the country with limited own manufacturing capacity. Liberia’s trade finance (TF) market demand is estimated to be in the region of USD 750 million, mostly by local firms operating on both the export and import sides. Only about 20% of this potential is supported by TF products opened in Liberian Banks. This is mainly because of the categorization of Liberia as a fragile state and the sometimes-negative perception of a post conflict nation coupled with the ongoing negative effects of de-risking. This has led to local Liberian banks experiencing an acute shortage of trade finance facilities irrespective of their financial performance and capitalization.

19. Regional Integration and Trade: Liberia ranks below average with an index of 0.31 against an Africa average of 0.39 on the Africa Regional Integration Index. At ECOWAS, level Liberia is the 2nd bottom out of the 15 member countries. This shows that non-tariff barriers to trade are significant and these include poor infrastructure for regional connectivity and their limitation to trade facilitation beyond its borders. The Liberian Parliament passed the ECOWAS Common External Tariff (CET) and ECOWAS trade liberalization scheme in September 2016. The Government of Liberia (GoL) has signed on to the treaty connecting Liberia to the West African Power Pool (WAPP). The GoL has played a lead role in the AfDB’s Mano River regional infrastructure initiative, which creates a forum for coordinating regional transportation, energy and ICT infrastructure. Liberia is a member of a number of regional integration arrangements including the Economic Community of West African States (ECOWAS), the Mano River Union (MRU), the West Africa Monetary Zone (WAMZ), New Partnership for Africa’s Development (NEPAD), and participates in continental integration initiatives under the African Union.

2.3 Sector Context and Prospects

20. Shortage of energy is a major constraint to economic and social development in Liberia. Access to electricity is estimated at 19.3% at national level, 32% urban and 1.4% rural¹⁰. This is an improvement from the 2013 electricity access rate of 10.1% nationwide and 16% for Monrovia, the capital. The country has one of the world's highest electricity tariffs at US\$0.35/kwh which is a reduction from US\$ 0.52/kwh in 2016. Liberia had no electricity except for individual diesel powered generators for several years after the war. Since 2007, there have been efforts to restore hydro-power generation and distribution. Mount Coffee hydro plant has been restored with a capacity of about 88 MWh. The country also has 38MW of diesel-powered generation. While generation has improved, distribution of electricity remains a challenge due to lack of adequate infrastructure. Government has developed the National Energy Policy (NEP) whose goal is to provide power to 70% of the Monrovia population and 35% of the nation as a whole by 2030. Government has adopted a two-pronged strategy: (i) expansion of service in Monrovia and priority economic corridors; and (ii) development of decentralized electricity service that would provide electricity to important areas of the country.

21. Road Transport: Over half of the population in Liberia remains unconnected by road. Lack of road connectivity deprives them of opportunities for increased economic activity and growth and increases the incidence of poverty. Decades of civil wars rendered Liberia's transport infrastructure inadequate and in poor condition. The Rural Access Index (RAI) of Liberia, in 2015 was roughly 42%. This implies that 2.3 million people, or more than a half of Liberia's population, remain unconnected to an all-weather road. RAI is lowest in areas with higher poverty incidence, particularly in the southeast regions. This emphasizes the importance of the expansion of the transportation network, especially roads, to improve inland connectivity to the unconnected and deprived rural areas. The road network length is approximately 11,500 km and the road density is 10.3 km per 100 square kilometers. This road density is lower than the Sub-Saharan Africa's average of 10.9. Only 10% of country's road network is paved. Efficient, cost-effective, safe, climate resilient and affordable transport is essential for Liberia's development.

22. Water and Sanitation: Access to and use of improved sources of drinking water has improved over the last 6 years but remains very low especially in rural areas. Access to drinking water is estimated at around 73% and access to sanitation is estimated at 17%¹¹. An estimated 35% of existing clinics and schools lack adequate access to water and sanitation facilities while formal solid waste management services are only available in Monrovia. Major constraints to achieving sustainable WASH services includes but are not limited to institutional fragmentation; weak legal and regulatory framework; inadequate water distribution infrastructure due to lack of funding; and inadequate sanitation services. GoL has established the WASH Commission and is expected to mobilize resources for water supply infrastructure, and provide rural water supply amongst other functions.

23. Information, Communication and Technology (ICT): Liberia has made progress in developing the necessary framework for the expansion of ICT. In 2007, the National Legislature passed the Telecommunications Act. The Act liberalized the sector and enabled growth and compliance to acceptable regional standards. The Liberia Telecommunications Authority (LTA) was created to serve as the regulatory arm, and the Liberia Telecommunications Corporation (LIBTELCO) remained the national operator. In 2011, the first fiber optic cable, Africa Coast to Europe (ACE), landed in Liberia to facilitate the construction of a backbone infrastructure to increase accessibility, reliability and affordability of telecommunications services. A Metro-

¹⁰ AFDB Statistics, 2016.

¹¹ PAPD

Monrovia Ring is under construction and, when completed, will improve connectivity and reduce the cost of telecommunications services in the Greater Monrovia area. Despite the progress, weak policy and regulatory frameworks and weak human technical capacity remain major constraints to growth of the ICT sector.

24. Natural Resources: Liberia is well-endowed with natural resources including water, minerals, forests and vast agriculture land. In 2016, total natural resources rents accounted for 50% of GDP where forest rents represented 32.4% GDP and mineral rents 17,6% GDP (WDI, 2018). Traditionally, the country has relied on forestry (rubber and timber), mining of iron ore, gold and diamonds, as a major source of income to the economy. Mining of gold and diamonds are artisanal traditionally carried out by indigenes. The mining sector has the potential to contribute significantly to employment, income generation, and infrastructure development. Specifically the Artisanal and Small Scale Mining sub sector, has the potential to employ thousands of the youth. Currently the sector employs over 100,000 people and when well-managed, holds the potential to contribute to reducing unemployment. Efforts are being made by the Ministry responsible for Mines to formalize activities of the artisanal and small scale miners. The Liberian government is also encouraging oil exploration through the granting of exploration licenses to international oil companies under production sharing contracts, but to date, there is no indication of oil production in the country. Liberia has great opportunities for profitable investments in the forestry sector through the establishment wood processing factories. For instance, for every cubic metre of sawn wood exported, 4-12 times more jobs can be created if the wood is processed into fine furniture within the country. The government of Liberia's national forest strategy puts emphasis on the commercial uses of the forest for job creation and community incentives. Moreover, the Forestry Development Authority (FDA)'s Regulation No. 112-08 target forest products processing and marketing. However, the Liberian domestic timber value chain is short and is constrained by inadequate technical expertise, poor regulations and continuous use rudimentary hand tools, and consequently low quality products.

25. Agriculture: This is a major sector in the Liberia economy, contributing about 26.2% to GDP, employing more than 70% of the population and providing a valuable export income. The country has a climate favorable for farming, vast forests, and an abundance of water resources. Half of Liberia's total landmass is forest (4.9 million hectares) and 47% is arable land, although most of this is upland pasture. The major crops are natural rubber, rice, cassava, bananas and palm oil. Historically, other commodities such as cocoa, coffee, fruits and vegetables have also been important, alongside cassava, rice is the staple food. Foodstuff accounts for 22% of agricultural GDP, and livestock for 14%. However, with low farm yields and poor agricultural practices, over half of foodstuffs are imported with rice accounting for over 80%. The Government of Liberia has formulated the Liberia Agriculture Sector Investment Plan 2 (LASIP - 2) covering the period 2017 to 2025. The plan builds on the lessons learnt from the first Liberia Agriculture Sector Investment Plan (LASIP 1) which covered the period 2010 to 2015. The program seeks to foster Public Private Partnerships in which investment growth for the export crops. The Government promulgated the Special Economic Zones Act in October 2017. The purpose of the Act is to regulate the establishment, development, operations, maintenance, and management of single, multiple and mixed use special economic zones in Liberia. The government intends to leverage on this Act to establish Special Commodity Processing Zone (SCPZ) in Liberia.

26. Fisheries and the Blue Water Economy: The fisheries sector plays an important role in the economic development and well-being of Liberians. Fish protein is the most important animal source in the country (65%) and the most traded commodity after rice. Fisheries also contribute significantly to the country's GDP (about 10%) and employs close to 40,000 people, of which 60% are women. Despite the rich fisheries resources with an area of 186 322 km² of Exclusive Economic Zone (EEZs) Liberia is a net importer of fish with high levels of food

insecurity, illegal fishing and mismanagement. Capacity to manage fisheries is weak with low-level technical resources to produce blue economy cross-sectoral strategies in the broader context for fishery development planning, integrated coastal zone management and marine spatial planning. The fisheries sector could contribute tremendously to food security and job creation through enhanced production, conservation planning, and value chain development.

2.4 Social Context and Cross Cutting Themes

27. Poverty, Human Development and Unemployment– Liberia is one of the least developed countries in the world raking 181 out of 189 countries with an HDI index of 0.435 on the 2018 Human Development Index. Major challenges for Liberia include high levels of poverty, high unemployment levels particularly amongst the youth, very low level of education and lack of skills and limited social infrastructure including schools and health facilities that are often in poor condition and understaffed. It is estimated that 48% of the population is in extreme poverty, and a further 16% are at risk of slipping into extreme poverty.¹² The country is estimated to have a population of 4,243,475¹³ of which 71% is below the age of 35 years and nearly half (44.5%) of the population are below the age of 15 years. An estimated 85% of the active work force has only vulnerable employment without access to a pension, insurance policies, sick benefits or job security. The economically active population (EAP) is expected to grow from 1.6 million in 2018 to nearly 2 million in 2023.¹⁴ Unemployment is high (around 25%) and particularly amongst the youth. Further, 19% of youth have no formal education and 58% of 15-24 year olds have not completed primary education in Liberia while literacy rate is 49% among the youth population. The country has only 11% gross enrolment rate in tertiary education, 10 percent in secondary education and only a net enrolment rate 37% in primary education.¹⁵ With 1,072 maternal deaths for every 100,000 births, Liberia has one of the highest maternal mortality rates in the world. In the remote areas, infrastructure and facilities in clinics are often lacking. Among Liberian children under age 5, an estimated 32% are stunted and 6% are wasted.¹⁶ This high level of undernutrition undermines human capital development, and translates into economic losses due to increased health costs and reduced educational performance and productivity. The threat from reoccurrence of Ebola remains because of poor sanitation and weaknesses in the health system. (Annex 8).

28. Gender Equality: Liberia has made progress on gender inequities since the end of the civil war, but considerable gaps remain. Its 2018 female HDI score was 0.298 in contrast with 0.470 for males, resulting in a Gender Development Index of 0.846, i.e. the HDI for females is 85% of that for males. Liberia's Gender Inequality Index (GII) in 2018 was 0.656, ranking it 154th out of 160 countries. This underscores the challenge of gender inequality in Liberia. Educational disparities remain high with 88% of men being literate compared to just 55% of women.¹⁷ This situation is exacerbated by the lower socio-economic status of women and by the fact that female-headed households are common in Liberia as nearly 25 percent of the population lives in households headed by a female. 44. Female participation in the labour market is 53.9% compared to 57.4% for men. Women in Liberia comprise 53% of the agricultural labour force and produce 60% of agricultural output. Rural women are also heavily involved in trading in markets, carrying out 80% of trading activities in rural areas and thus playing a vital role in linking rural and urban markets. Women and men have equal right to access financial services, including credit and bank loans. In practice, however, it is often difficult for women to access credit due to low literacy rates, and/or because they cannot meet the requirements needed to take out a loan. As part of gender mainstreaming the GoL has in 2019 adopted a gender responsive planning and budgeting policy

¹² LISGIS, *Op Cit*, 2016

¹³ LISGIS, *Op cit*, 2016

¹⁴ ILO, *Towards a National Social Protection Floor in Liberia*, 2017

¹⁵ National Social Protection Policy and Strategy. Government of Liberia. August 2012

¹⁶ Liberia Demographic Health Survey 2013.

¹⁷ 2016 Household Income and Expenditure Survey

and also established a unit to oversee its implementation within the Ministry of Finance and Development planning.

29. Environment, Climate Change and Green Growth: Liberia is one of the five worst performing countries at extreme risk of vulnerability to climate change and climate-related shocks thus according to the 2017 Climate Change and Vulnerability Index (CCVI). This is due to high levels of poverty and extreme dependence on climate sensitive sectors like agriculture, forestry, fisheries, energy and mining and weak institutional capacity to ensure sustainable management of natural resources and adaptation to predicted climate changes. Challenges on the environment and natural resources include limited enforcement of regulated land use, forests, minerals and poaching of wildlife. These have led to illegal logging and unsustainable agricultural practices. Land and water degradation is high due to illegal mining activities and improper waste management. Liberia is party to most environmental International Agreements including the Convention on Biological Diversity and it is implementing the National Biodiversity Strategy and Action Plan (2017 – 2025). Liberia is compliant with the Extractive Industries Transparency Initiative (EITI), it has completed negotiations on a Voluntary Partnership Agreement (VPA) with the EU to assure its trade partners that their timber have been legally produced. The country has also signed the Paris Climate Change Agreement which has been ratified by the National Legislature.

30. Civil Society Engagement: According to a 2017 European Union survey, civil society in Liberia is rich and diverse. CSOs consist of over 1,500 formal organizations registered under the umbrella of the National Civil Society Council of Liberia (NCSCCL), and countless informal organisations. Most CSOs are small community based service delivery organisations working on niche projects for their members at community level and a few larger organisations are active at sector level in governance and accountability. Liberian CSOs also played a key role during the Ebola crisis, through the provision of basic services. Different evaluations and studies indicate that Liberian CSOs enjoy a relatively favourable enabling environment, which supports the ongoing state building process. Both legal and policy frameworks recognize the need and added value of CSO engagement.

2.5 Country Strategic Framework

31. The Government in October 2018 adopted its Development Agenda for the next 5 years entitled “Pro Poor Agenda for Prosperity and Development (PAPD)”. The objectives of the development plan include: (i) poverty alleviating through enhanced domestic food production and job creation; (ii) improved infrastructure, particularly road and energy infrastructure; (iii) improved education and health delivery systems; and (iv) a transparent and accountable governance system. The PAPD has prioritized four Pillars namely, (1) Power to the People; (2) Economy and Jobs, (3) Sustaining the Peace; and (4) Governance and Transparency. The PAPD has been developed with close collaboration with development partners, private sector and CSOs and it has been well received by all stakeholders. The PAPD is broad and ambitious, inclusive, pays particular attention to the need to diversify the economy, creation of jobs, improvement of governance, and improvement of human capacity. The PAPD has generated high expectations amongst Liberians hence the challenge for the Government is to implement the plan successfully.

2.6 Aid Coordination Mechanisms, Bank Positioning and Comparative Advantage

32. The National Aide Policy of 2012, which was revised in 2018, provides a framework for donor coordination that ensures the advancement of the principles of the Paris Declaration (2005), the Accra Agenda for Action (2008) and Busan Partnership for Effective Development

Corporation (2011). Various donor coordination groups exist and these include: Cooperating Partners Group (CPG), UN Country Team¹⁸ (UNCT), Budget Support Working Group, PFM Donor Coordination Group, Sector Working Groups on Energy, Transport, Agriculture, and Water, Sanitation, and Hygiene (WASH). These forums provide the Bank with a platform to engage in dialogue with development partners and the GoL on a range of issues, including economic, financial, social development and sectoral issues.

33. There are a number of Development Partners (DPs) active in Liberia and these include AfDB, World Bank, USAID, EU and EIB, Germany and GIZ, JICA, China, Sweden and SIDA. Liberia remains highly donor dependent. Estimates show development partners' share of the total expenditure rose from 64% in FY2012/2013 to 76% in FY2014/2015. The Ebola crisis explains this increase. The increase in ODA placed Liberia in the top four receiving countries in the world. The post-EVD period has seen declining donor transfers and grants from 60% to 20% of GDP. Details on division of labour is provided in Annex 4. In the last 6 years the Bank has been working in the transport, energy, (electricity), agriculture and food security, economic governance, institutional and private sector. The Bank has its place as a leading and partner of choice in Liberia, particularly in the infrastructure sectors. Annex 4 on donor mapping provides more details on aid coordination and the Bank's positioning in Liberia.

2.7 Strengths, Opportunities, Weaknesses and Challenges

34. As earlier mentioned, Liberia's overarching development challenge is to overcome its deep-rooted, multi-faceted fragility and to evolve into a stable, functioning and socio-economically prosperous state. Liberia's strengths and opportunities, weaknesses and challenges – many of which are similar to those identified in the previous CSP 2013-2018 – are discussed in detail in the preceding sections and summarized in Box 1 below. Liberia's main weaknesses and challenges are structural in nature and are a result of the long civil wars between 1989 and 2002 that completely destroyed all key infrastructure including roads, electricity generation and distribution infrastructure, water and sanitation, and telecommunications and social infrastructure including health facilities and schools. The country also faces significant public sector institutional and capacity weaknesses and challenges.

¹⁸ The UN Country Team is chaired by the UN Mission in Liberia and serves as a forum for donor coordination since the end of the war. UNMIL's mandate ended on March 30, 2018.

Box 1- Liberia SWOT Analysis

Strengths

- a. **Abundant Natural Resources:** Liberia is well-endowed with natural resources including water, minerals (Iron ore and gold), forests (rubber plantations and timber logging) and vast arable land.
- b. **Demographic Dividends:** About 70% of the population are below the age of 35 and 44.5% of the population are below the age of 15 years.

Opportunities

- a. **Pro-Poor Agenda for Prosperity and Development (PAPD):** The PAPD has clearly articulated the Government's priorities for the period 2018-2023.
- b. **Special Economic Zones:** The SEZ presents investment opportunities for the Bank to lend its assistance through various flagship programs under Feed Africa such as the Blue Economy, ENABLE Youth and Staple Crops Processing Zones.
- c. **Regional Integration:** ECOWAS protocol on the free movement of goods and people provides regional market opportunities and enhanced participation in African economic integration.
- d. **Existence of environmental governance institutions:** Liberia has ratified international conventions and has adequate environmental governance institutions at national and local government levels.

Weaknesses

- a. **Transportation:** Only 10% of the road network length of 11,500 km is paved. Half of Liberia's population, remain unconnected to an all-weather road.
- b. **Energy (Electricity):** Energy access rate is very low at 19.3% at national level, 32% urban and 1.4% rural Liberia has one of the highest tariff rates in the world for electricity at \$0.36/kwh.
- c. **Lack of Agriculture Modernization:** The agriculture sector is characterized by low productivity hence the country is a net importer of food.
- d. **Weak Business Environment:** Liberia ranks 172nd out of 190 countries in terms of ease of doing business.
- e. **Underutilised blue water economy:** Liberia is a net importer of fish, illegal fishing and weak institutional capacity in fisheries.
- f. **Undiversified economic base:** Over-reliance on primary exports mainly rubber and timber, iron ore, gold and diamonds.
- g. **Overexploitation of natural resources, susceptible to natural disasters and environment degradation:**
- h. Weak PFM environment and limited domestic resource

Challenges

- a. **High Poverty Rates:** About 48% of the country's population is in extreme poverty with about 3 million of the 4.5 million population multi-dimensionally poor.
- b. High unemployment and underemployment levels:
- c. Weak environmental monitoring and enforcement:
- d. Institutional and governance weaknesses.
- e. Fragile political and security environment.

3.0 KEY FINDINGS OF COUNTRY PORTFOLIO PERFORMANCE REVIEW

3.1 Active Portfolio

35. **The Bank has 16 on-going and recently approved operations in Liberia with a total commitment of UA 281.54 million, an equivalent of US\$ 390 million.** This includes 15 sovereign operations, which accounts for over 95% of total commitment, and 1 non-sovereign operation, which is still been negotiated with the beneficiary institution. The active portfolio spreads over six sectors and is heavily invested in infrastructure, predominantly, roads and energy, amounting to a total of UA 221.16 million (US\$309.62 million) or 77% of the total commitments. The transport sector accounts for the largest share of the portfolio (57%), followed by energy (19.75%), agriculture and rural development (13.30%), and multi-sector (3%). The average project size in Liberia is UA 16.90 million (US\$23.67 million). Details of the operations are provided in annex 3. In terms of the High 5s, the focus has been on integrate Africa on account of the regional roads infrastructure, light up and power Africa on account of the energy projects and improving the quality of people's lives arising from the budget support and systems strengthening through capacity building interventions.

3.2 Portfolio Performance

36. **As at July 2019, overall portfolio is rated 3.0, (on a scale of 1 – 4), however, there are challenges.** The average Implementation Progress (IP) rating is 3.1 while the average Development Objective (DO) rating is 3.0. As at date, there is no outstanding PCR for completed projects. However, 5 operations are flagged, whilst 2 are under close watch for

reasons relating to signature and ratification/effectiveness delay, as well as slow procurement and disbursement. The Smallholder Agriculture Productivity Enhancement and Commercialization Project (SAPEC) is classified as potentially problematic (PPP). As such, the Bank's portfolio at risk (PAR) is 6% and commitment at risk (CAR) is UA 4 million. The average age and approved amount of the ongoing portfolio is 3.3 years and UA 16.9 million, respectively.

3.3 Portfolio Issues

37. The main challenges affecting the on-going portfolio include delays in ratification; delays in first disbursement and generally slow disbursement arising from slow procurement processes. The turnaround time for signing and ratifying loan agreements improved from 6 months in 2014 to 4 months in 2018. However, there are still significant delays to reach first disbursement. While a number of steps have been taken to address the portfolio's issues, major challenges remain. COLR has put in place the following measures: (a) aggressive follow up on portfolio issues based on the live performance flashlight; (b) support of efforts from GoL to clean up non-performing projects; (c) bi-weekly meetings on portfolio with sector task managers with strong monitoring of improvements and resolving issues, and; (d) strong follow-up by COLR which has led to constant dialogue with the Projects to resolve any implementation issues. The level of capacity for project management is generally low and affects progress on implementation.

4.0 LESSONS LEARNT

4.1 Lessons Learnt from CSP 2013-2018 Implementation

38. The design of this CSP draws lessons learnt from the implementation of the CSP 2013-2018. The following section summarises key lessons learned from the 2013-2018 Country Strategy completion report and 2018 CPPR. The section further provides main recommendations emanating from the strategic and operational levels.

Strategic Level

- a) The country's development plan was relevant in guiding the Bank's investment decisions in Liberia. Strong alignment with national priorities is therefore key for successful engagement. The CSP Completion Report recommended that the Bank's CSP should ensure strong alignment with the new development plan, the Pro-Poor Agenda for Prosperity and Development.
- b) Infrastructure gaps remain a binding constraint for the Liberian economy especially in energy and road transport. In turn, private sector investments in key sectors such as agriculture is very limited and the economy remains highly undiversified with limited value addition. In addition, the limited infrastructure has made the delivery of services, particularly health and education, very daunting especially in rural communities. The Bank is recommended to continue to invest in addressing these key infrastructure gaps to unlock private sector investment in key sectors and address social exclusion. Capacity constraints are significant in Liberia and there is need for complementing the Bank's interventions in infrastructure with continued capacity building and institutional strengthening to enhance efficiency and effectiveness of the public sector.
- c) Close collaboration with other development partners is important for achieving development effectiveness particularly in fragile countries. This promotes complementarity and reduces duplication and promotes alignment to national priorities.

- d) The private sector plays a limited role in investment and formal job creation. Developing the private sector, improving the doing business environment and economic diversification is required to strengthen economic resilience and reduce vulnerability to external shocks.

Operational Level

- a) Implementation capacity weaknesses continue to affect portfolio performance. The 2018 portfolio review identified several areas of implementation weaknesses such as delay in loan signature by Government caused by delay in parliamentary approval and ratification of loan agreements, and inadequate implementation capacity particularly in procurement and financial management.
- b) Training of executing agencies proved essential and facilitated operational effectiveness. The Bank should continue undertaking fiduciary clinics to improve the implementation and oversight capacity of executing agencies given the limited capacity in public institutions and agencies. Capacity building should also be targeted to strengthening environmental and social safeguards implementation, monitoring and reporting.
- c) Country ownership and political will is key for the achievement of results. Government should ensure full ownership of development projects for development effectiveness and accountability.
- d) The AfDB's regional approach was appropriate for leveraging regional resource and co-financing for regional projects. However, there is need for improved design and implementation mechanisms of multi-national projects in order to minimize implementation delays.

4.2 Outcomes of Stakeholder Consultation

39. Extensive consultations were undertaken with key stakeholders in Liberia including Government, private sector, civil society and development partners. The consultations were done through the CSP preparation mission in November 2018 and CSP validation mission in July 2019. Government confirmed the appropriateness of the CSP pillars and priority areas to be supported under this CSP. Highlights from these consultations include the following: Confirmation that infrastructure gaps remained a binding constraint for the economy especially in energy and transport. The Bank was encouraged to continue with investments in these sectors which are considered critical for addressing exclusion and stimulating economic growth. Stakeholders emphasized the need for investing in agriculture diversification and addressing import substitution for main staple crops. In particular to reduce food imports which cost the country about US\$250 million per year and also to promote value addition for agriculture commodities for export. Other priorities included the need for addressing the human and systemic capacity constraints in public institutions, digitization of government systems, enhancing domestic resource mobilization systems, and support for the civil service reforms. The need for developing the private sector and increasing SME participation in economic activities for job creation was also emphasized.

4.3 CODE Comments on CSP 2013-2018 Completion Report

40. The Bank's Committee on Development Effectiveness recognized progress made in the implementation of the CSP 2013-2018 despite the severe negative impact of Ebola Crisis between 2014 and 2016. This significantly affected the timing in preparation and execution of planned operations during the CSP period. Despite these challenges, CODE observed that the implementation of the portfolio contributed substantially to the country's recovery and development efforts. Going forward, CODE emphasized the need for exploring ways to adequately articulate agriculture sector development within Pillar II of this CSP. CODE also

recommended strengthening policy dialogue and country systems in order to minimize the impact of natural disasters and shocks. CODE also highlighted the need for identifying fragility drivers and strengthening capacities for country resilience. CODE also recommended for selectivity and focus in the Bank's pipeline of projects. CODE endorsed the strategic thrust of this CSP.

5.0 BANK GROUP STRATEGY

5.1 Strategy Rationale, Objective and Priority Area(s) for Bank Support

41. **Despite progress made in rebuilding Liberia since the end of the war in 2003, the underlying drivers of fragility continue to pose significant downside risks for the country's overall development and socio-economic prosperity.** In direct response to Liberia's overarching development challenge, the main objective of the Bank's CSP 2019-2023 is to tackle key drivers of fragility and to strengthen the country's resilience, in a selective manner and in close alignment with the Bank's corporate strategic framework and Liberia's development priorities as spelled out in the PAPD. To achieve this objective, the CSP will support private sector driven economic diversification and strengthen economic governance. Accordingly, the CSP is articulated around the following two priority areas for Bank support: ***Priority Area 1 – Economic diversification through improved transport and energy infrastructure; and Priority Area 2 – Improving economic governance and enhancing private sector development.*** In addition, special emphasis will be placed on the following aspects: 1) strengthening resilience to fragility; 2) capacity development; 3) gender and women's empowerment; 4) youth economic empowerment 5) environment and climate change; and 6) regional integration and trade (especially within the Mano River Union). The priority areas will ensure continuity and build on achievements of the previous CSP because infrastructure deficits still remain significant and the process of reforms in economic governance, private sector space and economic diversification is still on-going. However, while ensuring continuity, the CSP will also address a number of newly emerging issues that have become more pressing in recent years which include addressing environmental challenges.

42. CSP Priority Area 1 is strongly aligned to the Bank's High 5s on Integrate Africa and Lighting up Africa and also consistent with the Bank's Ten Year Strategy priorities on infrastructure development and regional economic integration and in turn promotes inclusive growth. Priority area 2 is strongly aligned with the Bank's High 5s on Feed Africa and Improving the Lives of People. It is also consistent with the Bank's Ten Year Strategy priorities on private sector development, governance and accountability. The proposed interventions have been carefully selected to address the three areas of special emphasis of the Ten Year Strategy on addressing fragility, agriculture and food security and gender.

43. The CSP's two priority areas have been chosen on the basis of the following selectivity criteria: (i) addressing the most pressing development challenges for Liberia, notably fragility and strengthening resilience; (ii) alignment with Liberia's strategic development framework; (iii) Bank achievements and comparative advantage; and (iv) outcome of stakeholder consultations.

i) ***Most Pressing Development Challenges:*** As discussed above, Liberia's overarching development challenge is to overcome its deep-rooted, multi-faceted fragility and to evolve into a stable, functioning and socio-economically prosperous state. Drivers of fragility include low economic diversification and dependence on extractive and few primary agriculture exports; natural resource governance challenges; weak institutional capacities; high unemployment; and a sense of marginalization and exclusion. High infrastructure deficits

mainly roads and electricity inhibit inclusive economic growth. Poor road connectivity and low access to electricity are a major constraint to private sector investment and a source of marginalization and exclusion.

ii) ***Alignment with the PAPD:*** Liberia's PAPD recognize the country's main development challenges and has prioritised infrastructure development and creation of jobs particularly for the large youth population. Investment in infrastructure is expected to facilitate movement of goods, services and people and unlock the economic potential of Liberia. In the road transport sector, the PAPD target is to construct and improve at least 517km roads connecting all county capitals, 260km of urban roads, and 237.1km secondary road. Similarly, in the energy sector, the PAPD intends to increase energy access to 45% and reduce the cost of electricity to US\$0.25 by 2023.

iii) ***The Bank's achievements and comparative advantage:*** The choice of sectors is guided by the Bank's achievements in the previous CSP and comparative advantage in operations where road transport and energy have figured strongly in the past. The Bank's experience in these sectors is significant and the Bank is among the largest investors in Liberia. This will also allow for continuity considering the huge needs for Liberia in the selected areas of Bank support.

iv) ***Outcome of stakeholder consultations:*** The Government of Liberia has requested the Bank to remain in the key sectors of road transport and energy while also supporting private sector development to unlock the potential in the agriculture sector.

5.2 Bank Strategy and Expected Results

44. The Bank's strategy under each of the two priority areas is presented in the following sections. The Results Measurement Framework in Annex 1 demonstrates alignment of the CSP with Liberia's PAPD and the Bank's corporate strategic framework, and presents a performance matrix to monitor results expected to be achieved upon completion of the strategy in 2023.

Priority Area 1 – Economic diversification through improved transport and energy infrastructure

45. The main objective of Priority Area 1 is to reduce infrastructure deficits in roads and energy sectors in order to promote economic diversification, inclusive economic growth and to facilitate the delivery of services especially in health and education. Specifically, Bank's investments in roads will expand the primary and secondary road network, improve transport connectivity, reduce transport cost and time, and reduce the cost of doing business. All-weather climate resilient roads will connect production centres in important areas of agriculture production to markets. Road connectivity will create a more conducive environment to boost private sector activities, unlock economic potential of key growth sectors and increase employment opportunities. Households and vulnerable groups will benefit from these interventions and in turn strengthen inclusiveness. On energy, the Bank will support renewable electricity energy generation and distribution to address one of the main binding constraints to private sector development. The objective is to increase access to electricity and lower electricity tariffs hence contribute to the creation of a favourable environment for private sector activities.

46. Investments in road transport and energy will lead to improved living standards of people of Liberia as access and quality of social infrastructure such as schools, health centres, and markets will be improved. Deliberate efforts will be placed on improving school and health infrastructure

along the targeted road. Similarly, electricity connectivity will be made to these facilities. This will strengthen inclusiveness particularly for marginalized and hard to be reached communities. The Bank will use physical infrastructure projects, technical assistance and institutional support to implement the proposed interventions in energy and road transport. In doing so, the Bank will ensure environmental sustainability in infrastructure projects through capacity building and strengthening of institutional capacities at national and project levels, use of country systems to mitigate impacts and risks on the biological, physical and human environment, and inclusion of environmental and social safeguards implementation and monitoring in project costs.

47. Key Result 1: Expanded and improved national road network to reduce the cost of transportation and doing business, support the generation of decent employment opportunities, and transforming the living conditions of the poor and vulnerable through better access to social services. - Specifically, Bank's investments in roads will focus on upgrading of existing national road network to improve transport connectivity, reduce transport cost and time, and reduce the cost of doing business. The Bank will undertake regional projects aimed at connecting with regional MRU members. The Bank's investment is expected to reduce travel time on the south west corridor by more than half and reduce vehicle operating costs by 25%. Households and vulnerable groups will benefit from improved road infrastructure which will further strengthen inclusiveness.

48. Key Result 2: Increased electricity energy generation and distribution to increase access to affordable electricity for all to sustain economic performance and national development. The Bank will support renewable electricity energy generation and distribution to address one of the main binding constraints to private sector development in Liberia. Specifically, the Bank will support the construction of Gbedin Falls Hydro Power Plant and power distribution lines to improve access and provide cheaper electricity. This will complement the on-going Bank support in the energy sector in Liberia. The Bank's investment is expected to contribute to increased access to electricity from 19.3% to 45% nationwide and reduced cost of electricity from the current US\$0.36/kwh to US\$0.25/kwh by 2023.

Priority Area 2 – Improving economic governance and enhancing private sector development.

49. The main objective of Priority Area 2 is to unlock bottlenecks for private sector development particularly in the agriculture sector. This priority area is also designed to support policy, regulatory and institutional reforms aimed at creating an enabling environment for private sector investment. Particular focus will be placed on the agriculture sector to develop agriculture value chains, improve market linkages and crop diversification. This will underpin food and nutrition security, new income opportunities and job creation from the agriculture sector with increased focus on women and youth. In this context the Bank use physical investment project to support the establishment of Special Agro-Industrial Processing Zones (SAIPZ). Staple crops mainly rice and cassava value chains will be specifically targeted to enhance food security and nutrition. . The Bank will also use policy based operations, private sector financing instruments, technical assistance and ESWs to support the participation of private sector in the development of integrated value chain programs for agricultural and fishery products, and the establishment of small and medium enterprises for job creation and livelihood opportunities and to build relevant skills (including technical and vocational trainings) to guarantee the quality and sustainability of the SAIPZ. This priority area will also support economic governance policy reforms and institutional capacities to strengthen transparency and accountability in public financial management through FM institutional support operations. Areas for reform and institutional support will include strengthening of PFM, procurement and audit in line Ministries and Agencies, domestic resource mobilization, civil service reform, and increasing transparency to help mitigate a factor of fragility.

50. Key Result 1: Support for agriculture value chain development and diversification. The Bank will support the establishment of Special Agro-Industrial Processing Zones (SAIPZ) to promote domestic value addition, agro-industrial development, import substitution and enhance skills in the agriculture sector. The SAIPZ will provide a basis to crowd in the private sector in areas of high agricultural production, address value chain and infrastructure deficiencies, create jobs in rural and urban areas, enhance farmer - market linkages, demonstrate best management practices, trigger geographic clustering, reduce postharvest losses and enhance rural industrialization. The SAIPZ will also support actions aimed at enhancing food security and nutrition. The Bank will also promote access to finance opportunities for stakeholders along the priority agriculture value chains. The Bank's investment is expected to contribute to the reduction of imports of staple crops by at least 25% by 2023.

51. Key Result 2: Strengthening economic governance, accountability and transparency in public financial management and public administration - The Bank will implement policy based operations and institutional support operations to expedite reforms aimed at improving accountability and transparency in public financial management, and enhance private sector competitiveness. Focus will also be placed on key economic sectors including agriculture and natural resources. The Bank will also support the implementation of the domestic revenue mobilization strategy to enhance Liberia's tax revenues. The Bank will also support capacity building and strengthening of the public debt management system. Technical capacity building will be provided for improved public sector administration to enhance the efficiency and effectiveness of key public institutions. Capacity building assistance will be provided through interventions accessible using various Bank managed trust funds, project preparatory facilities, and project advisory services.

52. Key Result 3: Improving investment climate and supporting private sector development. The Bank will support actions aimed at increasing access to financial services for MSMEs especially women. Lines of credit and access to medium-term trade finance resources will be promoted to contribute towards the expansion of Liberia's international trade. The Bank will also support structuring of transactions involving innovative trade finance financial products and liquidity support from international banks. Furthermore the Bank will strengthen the institutional and human capacity of Liberia National Investment Commission to identify and assess the most promising investment opportunities and provide tailored facilitation and investor services to attract actual investment during the CSP period and beyond.

5.3 Private Sector Window

53. The Bank will catalyze capital flows, especially commercial lending and private investment to scale up agribusiness in Liberia by de-risking investments and mitigating risks associated with agricultural lending using mechanisms such as partial risk and partial credit guarantee facilities. Also, The Bank will lead efforts to establish partnerships with key financial institutions, commercial banks and specific agro-focused funds that wish to expand lending to the agriculture sector in Liberia. Private sector companies (commercial farms, industrial manufacturers and processors), agriculture SMEs, and agriculture support services providers (agro-dealers, input providers, aggregators), will be targeted with specific attention to value chain priority areas identified under the Feed Africa Strategy. The Bank will engage private sector to explore options to tap into direct support to non-sovereign operations.

5.4 Indicative Lending Program

54. The Bank has identified various projects and has developed a pipeline that is aligned to the pillars of the CSP, PAPD, TYS and High 5 priorities. These projects include 2 road transport sector projects and 2 energy sector projects under Pillar 1. The pipeline also includes 1 agriculture project, 2 policy based operations, 1 PFM project. The total cost of the indicative programme is UA 375 million (sovereign only). Specifically, the Bank will provide financing towards the MRU Development and Transport Facilitation Road Project-Phase III; Renewable Energy for Electrification in Eastern Liberia and Rural Electrification Projects; Development of the Special Agro-Industrial Processing Zones (SAIPZ); PFM institutional capacity building; and policy based operations. (Annex 2A).

5.5 Indicative Non-Lending Program

55. The Bank's non-lending programme is meant to build capacity in Regional Member Countries (RMCs) especially in formulating economic policies in project preparation and appraisal. Such technical assistance programmes will complement the lending activities in Liberia. Demand driven knowledge-based studies will be undertaken, in line with the proposed strategic pillars, to identify reform options to achieve the PAPD thereby assisting Liberia to promote inclusive growth. The Bank will organise and deliver business opportunity seminars and investment forums to create awareness and generate investor interest for investments into the country. The Bank will also provide advisory services on concessions and public private partnership frameworks in order to draw in much needed private financing for infrastructure projects. Technical assistance and institutional support will be provided to build capacity of public sector administration and systems. (Annex 2C).

5.6 Country Dialogue:

56. Country dialogue will focus on key policy reform areas and the implementation of planned activities under this CSP. The CSP envisages five key areas for promoting country dialogue, namely: (i) portfolio implementation and performance; (ii) institutional reforms and capacity building to strengthen economic governance, (iii) sectoral dialogue around transport, energy, agriculture and private sector development; (iv) enhancing country resilience to fragility; and (v) leveraging co-financing and parallel financing. The Bank's active engagement in donor coordination and participation in sector working groups (SWGs), and the provision of advisory services in addition to its analytical work will consolidate the Bank's position as a key strategic regional partner. The Bank will also pursue strong high level dialogue on important topical areas that have wider development impact for Liberia.

5.7 Financing the Strategy

57. The implementation of this CSP will span over three ADF cycles (ADF 14, ADF15, and ADF 16). The Performance Based Allocation for Liberia has been on a decline in the last three ADF cycles. The PBA and TSF country allocations decreased substantially from UA 92.15 million in ADF-12 to UA 57.03 million in ADF-13 and UA 92.15 million in ADF-14." For this reason the estimated PBA allocation is based on a 50% increase on the average of the last ADF cycles of UA 61.40 made up of UA 26.16 ADF and UA 35.24 TSF. Co-financing from regional funding and other financing sources is expected to continue to play a major role in increasing the total financing for Liberia (Annex 2B). These financing instruments shall include but not limited to Nigeria Trust Fund, Nigeria Technical Cooperation Trust Fund, Governance Trust Fund, European Union Infrastructure Trust Fund, and European Investment Bank. The Bank is expected to work closely with other development partners present in Liberia including the World Bank, European Union, USA Government, UK Government, Germany,

Sweden, France, China and the United Nations to jointly finance some key activities planned under this CSP.

5.8 Implementation Arrangements, Monitoring and Evaluation

58. Implementation of the CSP will be in line with the PAPD implementation arrangements to ensure strong country ownership and sustainability. Bank policies, strategies, procedures and processes will guide and facilitate implementation of planned operations. The CSP recognises Liberia's low capacity in implementation of projects. Measures will be instituted to strengthen both human and systemic capacities to ensure efficiency and effectiveness in the implementation of planned projects. Monitoring of the implementation and achievements of results of this CSP will use the existing PAPD M&E framework. GOL is in the process of establishing and to implement a government-wide M&E system, including the setting up and strengthening of M&E and management information systems currently existing in MACs. This system will facilitate monitoring of activities and programmes of the PAPD. The M&E framework for the PAPD is premised on the principles of results-based management with focus on outcome indicators. The CSP is cognisant of the fact that Liberia is constrained by a range of socio-economic statistics and spatial data gaps. As such measures will be put in place in the design of specific interventions to include data collection for M&E. (Annex 1).

5.9 Risks and Mitigation Measures

59. The major risks that may impede the effective implementation of the strategy include: (i) project implementation risk; (ii) political/security risk; (iii) fiduciary risk; and (iv) external shock risk including reoccurrence of Ebola virus. In March 2019, the Bank undertook a Country Fiduciary Risk Assessment for Liberia and the results of this assessment indicate that the overall fiduciary risk of Liberia regarding financial management and procurement is high. Therefore in the implementation of this CSP the Bank will institute strategies and measures that will mitigate risks and this will be complimented with fiduciary clinics in order to build capacity of Government institutions. PBOs will also be used as instruments that stimulate appetite for key policy reforms in PFM. The Bank will also take appropriate measures to mitigate risks and threats associated with the environment and climate change. Capacities of project implementing institutions will be strengthened to effectively implement and monitor mitigation measures for project impacts/risks on the environment. Climate smart and conservation agricultural practices and technologies will be integrated in project designs. The risks and mitigation measures are summarised in Annex 6.

6.0 CONCLUSIONS AND RECOMMENDATIONS

60. The CSP provides a complementary programme to support the efforts of Government and other development partners towards the achievement of Liberia's development medium-term objectives. The focus in the next five years will be placed on infrastructure development in roads transport and energy. The CSP will also focus on the development of the agriculture sector and private sector development. Economic governance, capacity building and institutional support will also be supported. This support is designed to put Liberia on a positive socio-economic trajectory and improve inclusiveness. This is consistent with Liberia's own PAPD and the Bank's overarching TYS and High 5S. The Bank's comparative advantage and experience in the focus areas will enable delivery of planned work programme in the next five years.

61. CODE Members are invited to consider for approval the Country Strategy Paper 2019-2023 for Liberia.

ANNEX 1: RESULTS MEASUREMENT FRAMEWORK

Annex 1A: CSP Strategic Alignment Matrix

PRIORITY AREA 1: Economic diversification through improved transport and energy infrastructure				
Liberia National Development Plan			AFDB Corporate Policies	
Pro-Poor Agenda for Prosperity and Development (PAPD) Pillars 2: Economy and Jobs PAPD objectives: (i) poverty alleviation through enhanced domestic food production and job creation; and (ii) improved infrastructure, particularly road and energy infrastructure.			Ten Year Strategy (2013-2022): Operational priorities: Infrastructure development; Regional Economic Integration Areas of special emphasis: fragile states and gender High 5s <ul style="list-style-type: none"> Light-up and Power Africa; Integrate Africa and Improve the quality of Life of People 	
Country Sector Strategy <ul style="list-style-type: none"> Multi Modal Transport Master Plan Rural Energy Strategy and Master Plan National Energy Policy 			Bank Sector Strategy <ul style="list-style-type: none"> Energy Sector Policy Transport Sector Policy 	
Country Development Results			Bank Interventions	
Indicators	Baseline (2018)	Targets (2023)	Investments instruments/sectors	Amount (Million UA)
Reduced Vehicle Operating Costs (vehicle/km)	US\$0.52	US\$0.39	Road & Transport investment projects ¹	53
Increased universal electricity access (%)	19.2	45	Energy Projects ¹	215
Reduced cost of electricity (\$/Kw)	0.36	0.25		

¹ ADF and Co-financing contribution

Results Chain

PRIORITY AREA 2: Improving economic governance and enhancing private sector development				
Liberia National Development Plan			AFDB Corporate Policies	
Pro-Poor Agenda for Prosperity and Development (PAPD): Pillars 4: Governance and Transparency. PAPD objectives: (i) poverty alleviation through enhanced domestic food production and job creation; and (ii) a transparent and accountable governance system.			Ten Year Strategy (2013-2022): Operational priorities: Private Sector Development, Governance and accountability; and skills and technology Areas of special emphasis: Fragile states: agriculture and food security; and gender High 5s: <ul style="list-style-type: none"> Feed Africa and Improve the quality of Life of People 	
Country Sector Strategies <ul style="list-style-type: none"> Agriculture Sector Investment Plan Liberia Agricultural Transformation Agenda (LATA) Food Security and Nutrition Strategy PFM Act of 2009 Financial Sector Development Implementation Plan 			Bank Sector Strategies <ul style="list-style-type: none"> Feed Africa Strategy Private Sector Development Policy 	
Country Development Results			Bank Interventions	
Indicators	Baseline (2018)	Targets (2023)	Investment instruments/sectors	Amount (Million UA)
Imports of staple food reduced (Rice)	64%	31%	Agriculture sector investment	25
Improved Doing Business (ranking)	172	152	Policy Based Operations	59
			Private Sector Financing ²	UA20M
			Knowledge products (e.g debt management, PPPs, etc.)	3.1

² To be confirmed during the implementation of the strategy.

Results Chain

Annex 1B Performance Matrix

Performance Area	Monitoring Indicators	Baseline (2018)	Target (2023)	Data Source	
Operational results (from projects) ¹⁹ Outcomes	Road Transport Travel time between Sanniguellie and Louatou reduced Vehicle Operating Costs per vehicle reduced (\$/km)km	210 Minutes 0.52	90 Minutes \$0.39/km	PAPD Progress Reports Project Implementation Reports Sector Review Reports	
	Electricity Energy Generation and Distribution Universal electricity access Increased (%) Cost of electricity Reduced (\$/kwh)	19.3 0.36	45 0.25		
	Agriculture Reduced imports of staple crops (Rice)	64%	31%		
	Private Sector Development Doing Business Environment Improved (Ranking) Regional trade expanded (%)	172 10%	152 20%		
	Economic Governance Domestic resource mobilization increased (%) Increased domestic revenue to GDP	14%	20%		
Outputs (Outputs from projects proposed in CSP)	Road Transport Primary roads paved constructed (km)	0	118 km	Project Implementation Reports	
	Electricity Energy Generation and Distribution Electricity transmission and distribution built (km)	517	2,279		
	Agriculture Special Agro-Industrial Processing Zones (SAIPZ) established (#). Farmer's cooperatives, associations linked to agro-processing facilities created (#). Number of farmers trained.	0 0 0	1 30 2,000		
	Private Sector Development Administrative procedures and formalities to promote ease of doing business (#).	0	50	Doing Business Report	
	Economic Governance Recommendations of the Domestic Revenue Mobilization Strategy implemented (#). Civil Service Wage Bill costs (%). MACs and SOEs procurement compliant (%).	0 0 70	5 10% 100%	IMF Article 4 Reports CRFA	
	- Cross-cutting (climate change & gender)	Jobs created in road construction (#), of which - Female - Youth	0 0 0	800 (240 400 1,000	Project implementation reports
		Training in agro-processing (#), of which - Female - Youth	0 0 0	500 500) 500	
		Jobs created in SAIPZ (#), of which: - Female	0 0		

¹⁹ Including projects carried over from previous CSPs/RISPs and projects approved under the current CSP/RISP.

	- Youth	0	250 250	
1. Policy advice and knowledge	<ul style="list-style-type: none"> ▪ IMF Programme approved (yes/no) ▪ Country Resilience and Fragility Assessment undertaken (yes/no) ▪ Feasibility study for PPP investment in the fisheries sector in Liberia (yes/no) ▪ Civil Service Needs Assessment undertaken 	No	Yes	
2. Financial leveraging	<ul style="list-style-type: none"> ▪ Co-financing and parallel financing(UA Million) 	UA48 Million	UA300 Million	
3. Portfolio performance	<ul style="list-style-type: none"> ▪ Overall portfolio rating (IPR rating) ▪ Disbursement ratio (%) 	3.0 40	>3.0 >50	CPPR
4. Sustainability and capacity building	<ul style="list-style-type: none"> ▪ Annual Portfolio Improvement Reviews Conducted (#) ▪ Fiduciary Clinic undertaken (#) 	0 0	5 4	
5. Development coordination and harmonization	<ul style="list-style-type: none"> ▪ Policy reforms adopted 	0	At least 5	

ANNEX 2A INDICATIVE LENDING PROGRAM

2019 Projects Pipeline - Sovereign Operations (ADF 14)

No.	Project	CSP Pillar	Sector	Project Cost (UA)	Co-Financing (UA)	ADF 14 Resources (UA)
1	Renewable Energy For Electrification In Eastern Liberia Project	I	Energy	23 080 000	16 490 000	6 590 000

2020 Projects Pipeline -Sovereign Operations (ADF 15)

No.	Project	CSP Pillar	Sector	Project Cost (UA)	Co-Financing (UA)	ADF 15 Resources (UA)
2	Special Agro-Industrial Processing Zones (SAIPZ)	II	Agriculture	25 000 000	15 000 000	10 000 000
3	Policy Based Operation	II	Multi-Sector	27 000 000	20 000 000	7 000 000
4	Multinational: Mano River Union Road Development and Transport Facilitation Project-Phase III	I	Transport	105 000 000	90 000 000	15 000 000
				157 000 000	125 000 000	32 000 000

2021 Projects Pipeline -Sovereign Operations (ADF 15)

No.	Project	CSP Pillar	Sector	Project Cost (UA)	Co-Financing (UA)	ADF 15 Resources (UA)
5	Rural Electrification	I	Energy	30 000 000	25 000 000	5 000 000
				30 000 000	25 000 000	5 000 000

2022 Projects Pipeline -Sovereign Operations (ADF 15)

No.	Project	CSP Pillar	Sector	Project Cost (UA)	Co-Financing (UA)	ADF 15 Resources (UA)
6	Multinational : Liberia-Guinea-Sierra-Leone Road	I	Transport	110 000 000	95 000 000	15 000 000
7	Policy Based Operation	II	Multi-Sector	32 000 000	25 000 000	7 000 000
8	Integrated Public Financial Management Reform Program	II	Multi-Sector	23 000 000	18 000 000	5 000 000
				165 000 000	138 000 000	27 000 000

Non-Sovereign Operations

No.	Project	CSP Pillar	Sector	Financing Source	Amount in UA
1	Fruits Cannery	II	Industry	ADB	15 000 000
2	Ports Concession/Expansion	I	Transport	ADB	50 000 000
					65 000 000

ANNEX 2B: SOURCES OF CO-FINANCING

No.	Project	Sector	Project Cost (UA)	Co-Financing (UA)	ADF 14 Resources (UA)	Anticipated Source of Co-financing
1	Renewable Energy For Electrification In Eastern Liberia Project	Energy	23 080 000	16 490 000	6 590 000	Climate Fund Investment/ Scaling-up Renewable Energy Program (SREP)

	Project	Sector	Project Cost (UA)	Co-Financing (UA)	ADF 15 Resources (UA)	Anticipated Source of Co-financing
2	Special Agro-Industrial Processing Zones (SAIPZ)	Agriculture	25 000 000	15 000 000	10 000 000	Global Agriculture and Food Security Program (GAFSP), USAID and World Bank
3	Policy Based Operation	Multi-Sector	27 000 000	20 000 000	7 000 000	Budget Support Donors
4	Multinational: Mano River Union Road Development and Transport Facilitation Project-Phase III	Transport	105 000 000	90 000 000	15 000 000	World Bank, EU, EIB and ECOWAS Bank for Investment and Development

	Project	Sector	Project Cost (UA)	Co-Financing (UA)	ADF 15 Resources (UA)	Anticipated Source of Co-financing
5	Rural Electrification	Energy	30 000 000	25 000 000	5 000 000	CIF/SREP

	Project	Sector	Project Cost (UA)	Co-Financing (UA)	ADF 15 Resources (UA)	Anticipated Source of Co-financing
6	Multinational : Liberia-Guinea-Sierra-Leone Road	Transport	110 000 000	95 000 000	15 000 000	World Bank and EU Multi National Funds
7	Policy Based Operation	Multi-Sector	32 000 000	25 000 000	7 000 000	Budget Support Donors
8	Integrated Public Financial Management Reform Program	Multi-Sector	23 000 000	18 000 000	5 000 000	World Bank, EU, USA and Sweden.

ANNEX 2C: INDICATIVE NON LENDING OPERATIONS

Activity	Cost UA Million	Source of Financing	Sector
2019 - Fragility and resilience assessment	0.02	Admin	Multi-Sector
2019 - Gender Profile for Liberia	0.02	Admin	Multi-Sector
2019-2022 Support to Investment Promotion Agencies in Transition Countries – Pilot project: Liberia, Sierra Leone and The Gambia	0.77 ²⁰	TSF Pillar III-ADF 14	Investment Climate
2020 - Fisheries and blue water economy study	0.1	Trust Fund	Fisheries
2020 - Study on improving private sector participation and investment in Liberia	0.05	Trust Fund	Industry
2020 - Public sector capacity development and needs assessment	0.15	Trust Fund	Multi-Sector
2020 – Urban Mobility Study for Greater Monrovia	0.20	ADF	Transport
2021 – Study on Modernization of the Agriculture Sector in Liberia	TBC	Trust Funds	Agriculture
2021 – South East (Ganta – Harper) Corridor Development Plan	0.7	Trust Fund	Transport
2021 - Feasibility study for potential PPP investment in Liberia	0.3	Trust Fund	Multi-Sector
2021 - CSP Mid-term Review	TBC	Admin	
2022 - Country Diagnostic Study	0.05	Admin	
Annually - Country Portfolio Performance Review and Country Performance Improvement Plan	TBC	Admin	
2020-2021: Supporting secondary wood processing SMEs in Liberia (equipment and seed money)	1.0	Trust Fund	Forest
2020 Business Opportunity Seminar	0.1	Admin Budget	
2020 Capacity Building for Debt Management	1.0	TSF	

²⁰ Amount for Liberia only, equivalent to USD 1,078,733

ANNEX 3: ACTIVE PORTFOLIO

Liberia: Approved & ongoing Portfolio as at July 25, 2019

	Project Name	Date Approved	Closing Date	Amount Approved (M UA)	Amount Disbursed (M UA)	Status
Agriculture and Rural Development				38.24		
1	Smallholder Agriculture Productivity Enhancement and Commercialization Project (SAPEC)	02.05.2012	29.06.2020	37.33	24.70	ONGO/PPP
2	Scaling up the Participation of SMEs in the Secondary Wood Processing Industry	14.09.2018	30.06.2021	0.72	0.10	ONGO
3	Development of Agricultural Value Chains in Liberia	13.04.2019	30.03.2021	0.199	0	ONGO
Power/Energy				56.78		
4	CLSG-Rural Electrification -Liberia	06.11.2013	31.10.2020	17.96	0.38	ONGO
5	CLSG Electricity Interconnection Project	06.11.2013	31.10.2020	8.10	2.5	ONGO
6	Liberia Energy Efficiency and Access Project	13.12.2016	31.12.2020	30.72	2.70	ONGO
Social				0.155		
7	Technical Advisory Assistance and Capacity Building support to the Liberia Revenue Authority	05.11.2018	30.03.2020	0.155	0	ONGO
Transport				164.38		
8	Paving Fishtown - Harper Road Phase I	04.09.2013	31.12.2020	42.04	26.0	ONGO
9	MRU Road Development and Transport Facilitation Project – Phase I	18.12.2014	30.06.2022	52.08	24.20	ONGO
10	MRU Road Development and Transport Facilitation Project – Phase I- additional Loan	03.06.2015	30.06.2022	24.80	13.8	ONGO
11	MRU – Road Development and Transport Facilitation Project Phase II	19.09.2018	31.12.2023	45.46	0	APVD
Multisector- Governance, Technical Assistance and Capacity Building				15.98		
12	Institutional Support for the Integrated Public Finance Management Project Phase II	30.01.2017	31.12.2019	6.26	1.2	ONGO
13	Economic Governance and Competitiveness Support Programme	31.07.2018	31.12.2019	7.0	4	ONGO
14	Technical and Capacity Building Assistance project to the Government of Liberia	13.09.2018	30.12.2020	1.0	0.3	ONGO
15	Liberia Youth Entrepreneurship and Employment Project	04.05.2016	30.06.2021	1.72	0.70	ONGO
Private Sector Finance				6.01		
16	Trade Finance Line of Credit Liberian Bank for Development and Investment	16.05.2018	TBD	6.01	0	APVD
TOTAL (UA million)				281.54	100.58	35.82%
TOTAL (USD million)				390	140	

ANNEX 4: DONOR MAPPING

	Pillar III -Power to People			Pillar II - Economy and Jobs								Pillar III - Sustaining the Peace				Pillar IV - Governance and Transparency			
	Education	Health	Vulnerability and disability	Water and Sanitation	Private Sector Development	Management Issues	Other	Energy	Roads	Agriculture and Food Security	Forestry	Mining	Security	Peace and Reconciliation	Justice and rule of law	Judicial reform	Political Governance	Building a capable state	Economic Governance
Partners																			
AFDB																			
CHINA																			
EU																			
FRANCE																			
UK																			
GERMANY																			
IRELAND																			
NORWAY																			
SIDA / SWEDEN																			
JICA/JAPAN																			
USA																			
WORLD BANK																			
UN SYSTEMS																			

Note: The AfDB is currently active in 7 thematic areas of the PAPD. These are road transport, energy, private sector development, agriculture, forestry, building capacity of the state and economic governance. The World Bank, EU, Germany, USA and Sweden are the major partners in the Bank’s areas of focus. Notably the Bank is not in education and health sectors because the other partners mainly World Bank, USA and EU have comparative advantage and significant financial resources going to these key social sectors. The presence of the UN is wide and strong in most sectors and this provides the much needed financial and technical resources particularly at the lower decentralized structures. There is generally good division of work and strong cooperation amongst partners in Liberia. The Bank is currently the convener of the Cooperation Partners Group which is the highest level of DP coordination.

ANNEX 5 COUNTRY POLICY AND INSTITUTIONAL ASSESSMENT RATING

Annex 5A: Country Policy and Institutional Assessment Ratings (2018/2014)

Year	Economic Management (Cluster A)			Average - Cluster A	Structural Policies (Cluster B)			Average - Cluster B	Policies for Social Inclusion / Equity (Cluster C)					Average - Cluster C	Average: Governance (Cluster D)		Infrastructure Development	Regional Integration	Infrastructure and Regional Integration (Cluster E)	CPIA A-C Avg Score	CPIA A-D Avg Score	CPIA A-E Avg Score
	Fiscal Policy	Monetary Policy	Debt Policy		Financial Sector Development	Trade Policy	Business Regulatory Environment		Gender Equality	Equity of Public Resource Use	Building Human Resources	Social Protection and Labor	Environmental Policy and Regulations		Infrastructure Development	Regional Integration						
2018	3.5	3.5	3.5	3.5	3.2	3.0	3.0	3.2	3.3	3.5	3.3	3.5	3.5	3.3	3.5	3.2	3.3	3.2	3.3	3.3	3.3	
2016	3.5	4.0	3.5	3.7	3.0	3.1	3.2	3.1	3.3	3.5	3.3	2.8	3.0	3.2	3.5	3.0	3.0	3.0	3.3	3.3	3.3	
2015	4.0	4.0	4.0	4.0	3.0	3.1	3.3	3.1	3.3	3.7	3.3	2.5	3.0	3.2	3.5	3.0	3.3	3.1	3.4	3.4	3.3	
2014	4.0	4.0	4.0	4.0	3.0	3.3	3.3	3.2	3.3	3.8	3.3	2.9	3.0	3.3	3.5	3.0	3.0	3.0	3.5	3.5	3.4	

Annex 5B: Country Policy and Institutional Assessment: Governance Rating

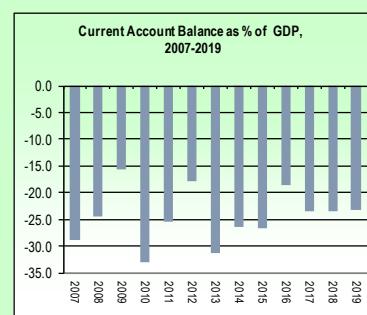
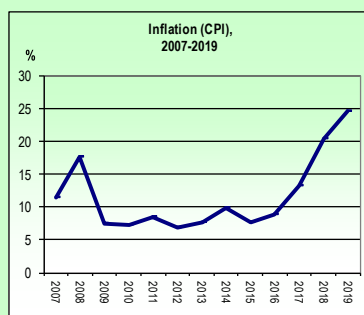
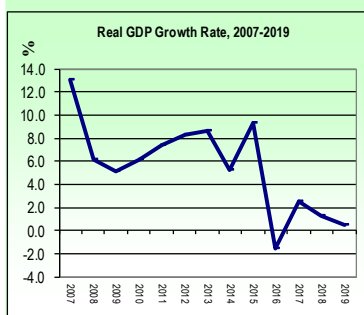
Year	Property Rights and Rule Based Governance	Quality of Budgetary and Financial Management	Quality of Public Administration	Efficiency of Revenue Mobilization	Transparency, Accountability and Corruption in Pub. Sector	Governance (Cluster D)
2018	3.3	2.9	3.8	4.0	3.5	3.5
2016	3.1	3.6	2.9	4.0	3.8	3.5
2015	3.1	3.6	2.9	4.0	3.8	3.5
2014	3.3	3.6	2.9	4.0	3.8	3.5
2013	3.3	3.5	2.9	4.0	3.8	3.5
2012	3.3	4.1	2.9	4.0	4.3	3.7
2011	3.0	4.0	3.0	4.0	4.5	3.7
2010	3.0	4.0	3.0	3.8	4.3	3.6

ANNEX 6: RISKS AND MITIGATION MEASURES

Macro-Fiscal and External Shock Risk	
<p><i>Medium probability of Risk occurrence</i></p> <ul style="list-style-type: none"> • Liberia’s economy remains highly vulnerable to international commodity prices due to its high dependence on primary export commodities. • High dependence on donor aid and low domestic revenue capacity. • Liberia’s economy is vulnerable to climate changes (e.g. agriculture, forestry and fisheries). • Reoccurrence of Ebola. 	<p><i>Mitigation Measure</i></p> <ul style="list-style-type: none"> • The Bank will support the implementation of the Domestic Resource Mobilization Strategy. • The Bank will support economic diversification from traditional exports. • The Bank will facilitate Liberia’s access to climate change funds and support lending to areas that promote green growth. • GoL with support from DPs has put up measures to combat any reoccurrence of Ebola.
Political and Security Risk	
<p><i>Medium probability of Risk occurrence</i></p> <ul style="list-style-type: none"> • Social exclusion arising from structural factors that contributed to the outbreak of violence have yet to be fully addressed. • Security challenges following on withdrawal of UNMIL and political instability could result in the inability of the Bank to implement projects in the country. 	<p><i>Mitigation Measure</i></p> <ul style="list-style-type: none"> • The Bank support will contribute and boost youth employment and inclusive economic growth. • Bank’s non-lending program will support development of inclusive policy reforms promote dialogue on sustenance of peace. • The authorities have tightened security in the country.
Fiduciary Risk	
<p><i>High probability of Risk occurrence</i></p> <ul style="list-style-type: none"> • Lack of adequate structure for the use of country system in procurement and financial management. • High fiduciary risks based on PFM diagnostics reviews (PEMFAR, PEFA, CPIA). • Significant weaknesses in areas of public accounts, legislative oversights, internal and external audit and budgeting. • Corrupt practices in the execution of procurement activities. 	<p><i>Mitigation Measure</i></p> <ul style="list-style-type: none"> • The Bank will encourage limited use of country system in procurement and financial management with the implementation of the IFMIS, and the on-going Procurement and PFM reforms. • The Bank will limit the operation of special accounts on projects. • The Bank will provide technical support and training to key PFM institutions and Project Staff.
Project Implementation Risk	
<p><i>High probability of Risk occurrence</i></p> <ul style="list-style-type: none"> • Weak public sector capacity for implementation of donor-funded projects. • Significant delays from project approval to effectiveness and first disbursement. • Weak and inappropriate project designs that do not respond to the specific seasonal weather patterns, geographical and institutional capacity challenges. 	<p><i>Mitigation Measure</i></p> <ul style="list-style-type: none"> • The Bank will enhance dialogue and support capacity building initiatives. • The Bank will assess the capacity of PIUs for effective implementation of projects, and the capacity enhanced through training when necessary. • Project design will be thoroughly reviewed and should take into account local conditions.

ANNEX 7: SELECTED MACROECONOMIC INDICATORS

Indicators	Unit	2010	2014	2015	2016 [†]	2017	2018 (e)	2019 (p)
National Accounts				2.6	2.6	2.6	2.5	2.5
GNI at Current Prices	Million US \$	989	2,770	2,837	2,815	2,933	...	...
GNI per Capita	US\$	251	631	631	610	620	...	...
GDP at Current Prices	Million US \$	1,020	2,053	2,669	2,757	2,763	3,249	3,221
GDP at 2000 Constant prices	Million US \$	819	1,712	1,871	1,862	1,908	1,932	1,940
Real GDP Growth Rate	%	6.1	5.2	9.3	-1.6	2.5	1.2	0.4
Real per Capita GDP Growth Rate	%	2.4	2.6	6.7	-4.2	0.0	-1.2	-2.0
Gross Domestic Investment	% GDP	18.7	22.7	15.3	11.2	10.8	10.3	10.1
Public Investment	% GDP	4.1	7.6	5.6	4.5	4.3	4.1	3.9
Private Investment	% GDP	14.7	15.1	9.7	6.7	6.5	6.3	6.2
Gross National Savings	% GDP	...	...	...	...	...	...	...
Prices and Money								
Inflation (CPI)	%	7.3	9.9	7.7	8.8	13.2	20.4	24.5
Exchange Rate (Annual Average)	local currency/US\$	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Monetary Growth (M2)	%	28.7	4.6	14.1	6.1	7.1	...	...
Money and Quasi Money as % of GDP	%	...	...	...	...	...	...	...
Government Finance								
Total Revenue and Grants	% GDP	23.5	44.6	31.8	33.3	31.0	26.0	28.0
Total Expenditure and Net Lending	% GDP	23.5	49.4	36.2	36.0	35.8	31.5	34.1
Overall Deficit (-) / Surplus (+)	% GDP	...	-4.8	-4.4	-2.7	-4.8	-5.5	-6.1
External Sector								
Exports Volume Growth (Goods)	%	29.2	16.4	-3.6	-11.9	-6.7	0.6	2.2
Imports Volume Growth (Goods)	%	-9.7	70.2	7.0	-15.9	-24.5	-17.0	-3.2
Terms of Trade Growth	%	41.6	-10.8	-26.3	15.1	8.5	-10.8	-0.2
Current Account Balance	Million US \$	-338	-542	-712	-513	-647	-760	-751
Current Account Balance	% GDP	-33.1	-26.4	-26.7	-18.6	-23.4	-23.4	-23.3
External Reserves	months of imports	2.9	1.9	2.1	3.3	3.3	3.0	2.1
Debt and Financial Flows								
Debt Service	% exports	5.2	3.3	4.7	4.4	5.2	6.7	7.7
External Debt	% GDP	6.9	11.5	16.4	20.1	24.3	28.7	33.5
Net Total Financial Flows	Million US \$	2,423	846	1,858	155	364	...	...
Net Official Development Assistance	Million US \$	1,416	750	1,094	815	622	...	...
Net Foreign Direct Investment	Million US \$	450	277	512	453	...	...	...



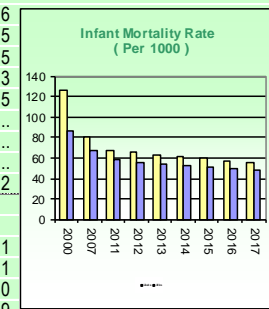
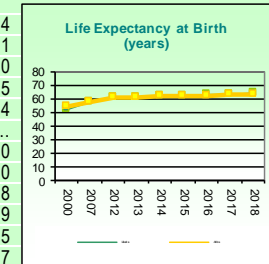
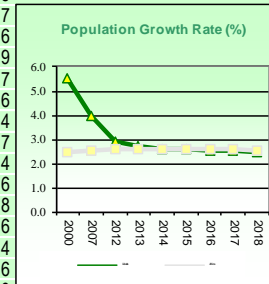
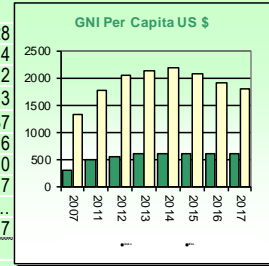
Source : AfDB Statistics Department; African; IMF: World Economic Outlook, April 2019 and International Financial Statistics, April 2019; AfDB Statistics Department: Development Data Portal Database, July 2019. United Nations: OECD, Reporting System Division.

Notes: ... Data Not Available (e) Estimations (p) Projections

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ANNEX 8 – COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Liberia	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)	2018	111	30,067	94,808	37,228
Total Population (millions)	2018	4.8	1,274.2	6,306.6	1,204.4
Urban Population (% of Total)	2018	51.5	42.9	49.8	81.2
Population Density (per Km ²)	2018	50.3	43.4	68.4	34.3
GNI per Capita (US \$)	2017	620	1 767	4 525	41 387
Labor Force Participation* - Total (%)	2018	56.1	65.9	61.8	60.6
Labor Force Participation** - Female (%)	2018	54.7	55.5	47.0	53.0
Sex Ratio (per 100 female)	2018	100.9	99.8	100.6	98.7
Human Develop. Index (Rank among 189 countries)	2017	181	...	...	...
Popul. Living Below \$ 1.90 a Day (% of Population)	2007-17	38.6	...	11.8	0.7
Demographic Indicators					
Population Growth Rate - Total (%)	2018	2.5	2.5	1.3	0.5
Population Growth Rate - Urban (%)	2018	3.5	3.6	2.4	0.7
Population < 15 years (%)	2018	41.1	40.8	27.7	16.6
Population 15-24 years (%)	2018	19.7	19.3	16.5	11.9
Population >= 65 years (%)	2018	3.3	3.4	7.0	17.7
Dependency Ratio (%)	2018	79.8	79.2	54.6	52.6
Female Population 15-49 years (% of total population)	2018	24.0	24.1	25.4	22.4
Life Expectancy at Birth - Total (years)	2018	63.7	63.2	70.6	80.7
Life Expectancy at Birth - Female (years)	2018	65.1	65.0	72.7	83.4
Crude Birth Rate (per 1,000)	2018	33.0	33.5	20.3	10.6
Crude Death Rate (per 1,000)	2018	7.5	8.1	7.4	8.8
Infant Mortality Rate (per 1,000)	2017	55.9	47.7	31.9	4.6
Child Mortality Rate (per 1,000)	2017	74.7	68.6	42.6	5.4
Total Fertility Rate (per woman)	2018	4.3	4.4	2.6	1.6
Maternal Mortality Rate (per 100,000)	2015	725.0	444.1	237.0	10.0
Women Using Contraception (%)	2018	30.3	38.3	61.6	69.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2010-16	3.7	33.6	119.9	297.4
Nurses and midwives (per 100,000 people)	2010-16	10.1	123.3	233.9	891.1
Births attended by Trained Health Personnel (%)	2010-17	61.1	61.7	78.5	99.0
Access to Safe Water (% of Population)	2015	75.6	71.6	89.4	99.5
Access to Sanitation (% of Population)	2015	16.9	39.4	61.5	99.4
Percent of Adults (aged 15-49) Living with HIV/AIDS	2017	1.4	3.4	1.1	...
Incidence of Tuberculosis (per 100,000)	2016	...	221.7	157.0	12.0
Child Immunization Against Tuberculosis (%)	2017	87.0	82.1	84.5	91.0
Child Immunization Against Measles (%)	2017	87.0	74.4	84.0	93.8
Underweight Children (% of children under 5 years)	2010-16	15.3	17.5	15.0	0.9
Prevalence of stunting	2010-16	32.1	34.0	24.6	2.5
Prevalence of undernourishment (% of pop.)	2016	38.8	18.5	12.3	2.7
Current health expenditure (% of GDP)	2014	3.2	2.6	5.4	12.6
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-17	93.8	99.5	104.3	102.6
Primary School - Female	2010-17	89.8	97.4	104.8	102.5
Secondary School - Total	2010-17	36.3	51.9	72.4	108.5
Secondary School - Female	2010-17	31.8	49.5	71.9	108.3
Primary School Female Teaching Staff (% of Total)	2010-16	13.9	48.7	62.1	81.5
Adult literacy Rate - Total (%)	2010-16	...	65.5	83.5	...
Adult literacy Rate - Male (%)	2010-16	...	77.0	87.9	...
Adult literacy Rate - Female (%)	2010-16	...	62.6	79.2	...
Percentage of GDP Spent on Education	2010-15	4.1	4.9	4.3	5.2
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2015	5.2	8.0	11.4	10.1
Agricultural Land (as % of land area)	2015	28.0	38.2	38.3	35.1
Forest (As % of Land Area)	2015	43.4	22.0	31.9	29.0
Per Capita CO ₂ Emissions (metric tons)	2014	0.2	1.1	3.5	10.9



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

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

Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)

** Labor force participation rate, female (% of female population ages 15+)

ANNEX 9: PROGRESS TOWARD ACHIEVING THE SDGS

	2000 ¹	2010 ²	2018 ³	
Goal 1: End poverty in all its forms everywhere				
Proportion of population living below the international poverty line of US\$ 1.90 (PPP) per day	61.3	59.6	...	
Proportion of population living below the national poverty line (%)	...	63.8	...	
Proportion of employed population below the international poverty line of US\$1.90 per day, aged 15-24 (%)	72.8	71.5	71.7	
Proportion of employed population below the international poverty line of US\$1.90 per day, aged 15 and over (%)	67.6	65.8	66.0	
Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture				
Prevalence of undernourishment (%)	39.4	36.5	42.8	
Prevalence of stunting among children under 5 years of age	...	...	32.1
Agriculture orientation index for government expenditures (Unit)	0.01	0.04	0.03	
Total official flows (official development assistance plus other official flows) to the agriculture sector (Millions of constant \$US)	1	14	30	
Goal 3: Ensure healthy lives and promote well-being for all at all ages				
Under-five mortality rate (per 1 000)	138	98	75	
Maternal mortality ratio (per 100 000)	1,110	811	725	
Malaria incidence per 1,000 population	333.5	328.2	192.6	
Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all				
Proportion of children and young people at the end of primary achieving at least a minimum proficiency level in: Reading (%)	...	...	...
Proportion of children and young people at the end of primary achieving at least a minimum proficiency level in: Maths (%)	
Gender parity index of teachers in primary education who are trained	...	1.2	1.2	
Total official development assistance flows for scholarships (Constant US\$ Millions)	...	0.074	0.384	
Goal 5: Achieve gender equality and empower all women and girls				
Proportion of women aged 20-24 years who were married or in a union before aged 18 years	35.9	
Proportion of girls and women aged 15-49 years who have undergone female genital mutilation/cutting	...	...	44.4
Proportion of seats held by women in national parliaments (%)	7.8	12.5	9.9	
Goal 6: Ensure availability and sustainable management of water and sanitation for all				
Proportion of population using safely managed drinking water services (%)	
Proportion of population using safely managed sanitation services (%)	...	...	...
Level of water stress: freshwater withdrawal as a proportion of available freshwater resources	...	...	...
Total official development assistance for water supply and sanitation (Constant US\$ Millions)	0	7	82	
Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all				
Proportion of population with access to electricity (%)	0.0	5.2	19.8	
Proportion of population with primary reliance on clean fuels and technology (%)	5.0	5.0	5.0	
Renewable energy share in the total final energy consumption (%)	90.2	89.2	83.9	
Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all				
Unemployment rate, (aged 15 over) (%)	...	3.7	...	
Unemployment rate, (aged 15-24) (%)	...	5.1	...	
Proportion of children aged 5-17 years engaged in child labour	...	14.9	...	
Growth rate of real GDP per employed person (%)	1.0	0.5	0.8	
Total official flows disbursed for Aid for Trades (Millions of constant US\$)	...	100	273	

Sources : ADB Statistics Department Database;

United Nations Statistical Division, Online Database on Sustainable Development Goals (<https://unstats.un.org/sdgs/>).

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

¹ Latest year available in the period 2000-2005; ² Latest year available in the period 2006-2010; ³ Latest year available in the period 2011-2018

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August 2019

ANNEX 10: PRESS RELEASE – IMF MISSION JUNE 2019

A mission from the International Monetary Fund (IMF) led by Mika Saito, visited Monrovia June 12 - 24, 2019 to discuss possible financial support under the Extended Credit Facility. The mission supports the authorities' objectives of restoring macroeconomic balance in the near-term, addressing weaknesses in governance and institutions of the public sector, improving the business climate, and putting Liberia on a fiscally sustainable and inclusive growth path. Towards these aims, good progress was made in a number of important areas, including the contours of the FY2020 budget, the stance and modalities of monetary policy, and a structural reform program that is consistent with the Government's Pro-Poor Agenda for Prosperity and Development. Discussions will continue over the period ahead.

The mission held discussions with His Excellency President George Manneh Weah, Speaker of the House of Representatives Dr. Bhofal Chambers, President Pro Tempore of the Senate Albert Chie, Finance Minister Samuel D. Tweah, Central Bank Governor Nathaniel R. Patray, Minister of Commerce Wilson K. Tarpeh, Members of the House and Senate, senior government and central bank officials, and development partners.

At the end of the mission Ms. Saito issued the following statement:

“Following a series of external shocks—including a fall in key commodity prices, the lingering effects of Ebola, and the rapid depreciation of the exchange rate that followed—the economic situation facing Liberia has proved challenging. Growth has slowed, reserve stocks have come under significant pressure, and macroeconomic imbalances have increased. Inflation accelerated, and now stands at about 23 percent. The difficult economic conditions and loss of purchasing power are being felt particularly by the most vulnerable members of society, many of whom are experiencing significant hardship. Macroeconomic stabilization, particularly a lowering of inflation, is the immediate priority.

“The success of the reform agenda is predicated on the adoption of a credible and executable budget for FY2020 and beyond. In addition, participation across all groups within the public sector is essential to support the reform agenda. Key to this is that expenditure be held to a level consistent with realistic estimates of the resource envelope, so that budget execution in the coming year can proceed with predictability and efficiency. This is needed to support the provision of essential public services and avoid the accumulation of domestic arrears.

“Securing enough resources to fund an efficient government expenditure program will require both additional revenue measures and reforms to reallocate expenditure. The latter requires a reduction in the size of the public sector wage bill, as it currently accounts for almost 65 percent of total budget expenditure and is effectively crowding out needed spending in other areas. Full implementation of a credible and equitable wage restructuring program is essential to the success of the overall reform agenda.

“The mission noted the importance of rebuilding foreign exchange reserves to improve resilience to external shocks, which is one of the key objectives of Fund-supported programs. The mission also highlighted the importance of allowing the exchange rate to remain flexible and improving the transparency of CBL's foreign exchange operations.

“The mission welcomes the new monetary policy framework developed by the Central Bank of Liberia (CBL), aiming to better manage monetary conditions to achieve price stability. In this regard, the mission supports the CBL's intention to achieve greater alignment of interest rates on its newly introduced monetary policy instruments. The mission notes, however, that success of the new monetary policy framework will also hinge on a successful fiscal program and the elimination of additional government borrowing from the CBL.

“The reform agenda will also place requirements on managing the CBL’s operational budget, improving internal controls and oversight, and strengthening governance. The mission welcomed the recent appointment of non-executive Governors of the CBL and the two acting deputy governors—as essential for improvement in the bank’s operational efficiency and governance.

“Discussions also included a package of growth-enhancing structural reforms to strengthen public financial management, reduce corruption, and improve the business climate. In this regard, the mission noted the need to improve private sector confidence in the reform agenda, the attainment of better economic outturns in the years ahead, and on government’s commitment to working closely with business to remove unnecessary administrative barriers and reduce corruption.

“The Mission would like to thank the authorities for the excellent cooperation it received, and for the candid and constructive discussions that facilitated a productive exchange of views. It looks forward to further discussions to follow in the period ahead”.

ANNXE 11: SUMMARY OF LIBERIA DEBT SUSTAINABILITY ANALYSIS

The last debt sustainability analysis for Liberia was conducted in 2018 by the IMF and World Bank during Article IV Consultations. According to this DSA, Liberia's risk of external debt is rated moderate. The DSA report observed that under the baseline scenario, which reflects staff's interpretation of the authorities stated plans, Liberia will remain at moderate risk of debt distress but move closer to thresholds that mark a high probability of debt distress. A reform scenario was discussed with Government and the reform scenario assumes that all external financing would be on concessional terms. And that the amount of domestic financing would be strictly controlled and supplemented by domestic resource mobilization. Liberia's external debt has increased substantially since 2010 and this is on account of infrastructure spending and increased spending in response to adverse shocks including Ebola crisis and a fall in major export commodity. Total external debt stock was at US\$736 million (25% of GDP) at end of 2017. Since then public debt has risen to 37.9% of GDP, of which external debt is estimated at 29.9% and domestic debt at 8.0%²¹. The bulk of domestic debt is Government borrowing from the Central Bank. External debt has generally been contained as Government has resorted to concessional borrowing from its traditional development partners. The fall in commodity prices coupled with low levels of domestic resource mobilization versus the need for implementing an ambitious development plan are recipes for high debt risk for Liberia.

The DSA baseline scenario observed that Liberia's risk of debt distress will remain moderate assuming that Government uses precision and care in the implementation of its ambitious infrastructure programme. This was based on Government using concessional borrowing to meet the financing gap. However, if Government was to finance its fiscal gap from private external financing then Liberia would move to high risk debt distress. It is in this context that development partners raised concerns to the Liberian Government in May 2018 when Government intended to obtain private external financing of US\$536.4 million from ETON Finance PTE Limited and EBOMAF to finance its ambitious infrastructure program. This was later dropped after discussions with its traditional development partners and Government is now financing the infrastructure program from concessional loans.

The DSA concluded that Liberia's vulnerabilities call for a prudent fiscal policy, maintenance of a fiscal anchor on debt accumulation, and the implementation of effective measures to mobilize resources. To maintain moderate debt it would be important to prioritize grants and concessional loans. A strong commitment to mobilize increased domestic resources is critical for macroeconomic stability while also satisfying Government spending needs.

²¹ Debt statistics based on IMF Article IV Report of 2019. However, Government statistics on debt are lower at 33% for total debt of which 9% is domestic debt.

ANNEX 12: SUMMARY OF LIBERIA RESILIENCE AND FRAGILITY ASSESSMENT

Introduction

An independent consultant was recruited by the AfDB in March 2019 to undertake a Resilience and Fragility Assessment for Liberia. A mission was conducted to Liberia in March/April 2019 and consultations were held with Government and other key stakeholders. The summary below are findings and recommendations of the consultant.

The Assessment

- 0.1. The goal of this Fragility and Resilience Assessment was to provide detailed understanding of fragility and resilience in Liberia. It stresses fragility drivers (pressures), resilience sources (capacity to respond to or withstand pressures), and entry-points for effective interventions. It identifies the kinds of partnerships needed to help the country improve state and societal resilience, and embark on post-conflict transformation. The analysis was informed by the AfDB priority for the ten-year Strategy (2013-2022): the need to apply a fragility lens while engaging in conflict-affected and fragile countries.ⁱⁱ It is also in line with the Bank's *Strategy of Addressing Fragility and Building Resilience in Africa*.ⁱⁱⁱ In-depth desk and field research informed this report. Key informant interviews (KIIs) and focus group discussions (FGDs) were held with key state ministries, agencies and commissions (MACs), donor agencies, diplomatic representations, civil society and media practitioners, and the AfDB country team.
- 0.2. An *Assessment Score* was developed based on the *Strategy on Addressing Fragility and Building Resilience* in which a six-level fragility scale is given.^{iv} Qualitative assessment was used to determine numerical scores for fragility driver/resilience sources.

Main Findings & Conclusions

- 0.3. Liberia's current stability is tenuous because the root causes of fragility persist; political, economic, social, and environmental pressures are numerous and interlinked; state and societal capacity (funding, personnel, equipment, structures, coordination and cohesion) to address these pressures is low; and governance weaknesses and corruption is perceived to be high. At the heart of fragility in Liberia is the institutional infrastructure that, since 1847, privileged minority settlers at the expense of majority indigenes, breeding deep-seated discontent with the fusion between This led to years of repressive rule (1980-1989); and devastating civil wars (1989-1997; and 2000-2003). There are also regional fragility pressures like low levels of intra-regional trade, porous borders and conflicts in neighbouring countries, which allow illicit proliferation of small arms and light weapons (SALWs) and trafficking. As Liberia tried to recover, the EVD afflicted the MRU region. It infected more than 22,000 people. More than 8,000 died in one year, about 4,000 of them in Liberia. The EVD's virulence, rapidity of infection, geographical spread, numbers of casualties, and impact on psychosocial fabric exacerbated the already-fragile situation.^v This adversely affected employment and fiscal revenues, weakened macroeconomic stability, and exposed deep institutional, economic and societal weaknesses that fed into political pressures.
- 0.4. Current **political drivers** of fragility include: aftereffects of repressive rule (1980-1989) and devastating civil wars (1990-1003); competition between state and traditional authorities; weak state capacity; and dependence on natural resources and foreign support

for post-conflict transformation; politicisation of ethnicity; and weak base of democracy. There are also governance challenges like corruption, vested interests, land disputes, limited access to justice and conflict resolution channels, and fragile security situation within the region.

- 0.5. **Economic drivers** include: low economic diversification and dependence on extractive and few agriculture exports; natural resource governance (NRG) challenges; weak capacity of macro- and micro-economic institutions; low levels of investment, wealth and employment creation; poor business operating environment; massive poverty and unemployment; low levels of technology transfer, adaptation, and innovations; and limited regional integration.
- 0.6. **Social drivers** include: legacy of tensions between “Americo-Liberians” and indigenous groups; weak social-development institutions; conflicts between sociolinguistic and regional groups; food insecurity; religio-cultural prejudices; underhand influence of traditional and settler-group secret societies and institutions; poverty, inequality, and marginalisation. There are low levels of collective/national consciousness and spill-over of regional social fragilities.
- 0.7. Liberia’s **environmental drivers** are plain: climate change induces sea level rise, leading to vulnerability for coastal populations and the fishing industry. Sea erosion in Buchanan, one of Liberia’s key commercial cities, threatens the City’s promise as the country’s service hub. Unpredictable weather strains farming households, which worsens food insecurity. The country is susceptible to natural disasters concurrent with degradation of natural capital.^{vi} These challenges are made worse by weak institutions; infrastructure underdevelopment; and weaknesses in regional climate-change and environmental governance.
- 0.8. The major **sources of resilience** include: a tradition of elected leadership only disrupted during 1980-2003; regional and international support; natural resource endowments; resilient traditional authority structures; a tolerant population; readiness of political and non-political stakeholders to transform the country; and opportunities for short-term interventions.

Way Forward/Recommendations for the AfDB

Liberia needs Interventions that: (a) *link agriculture, food security, infrastructure, fisheries and tourism sectors* to benefit most of the marginalise; (b) strengthen *macroeconomic and accountability* institutions, social services, *diversification* of the economy, and consolidation of reforms; (c) build *national cohesion* and reinforce *property rights*; and (d) make regional integration a cross-cutting element in most interventions.

ⁱ Agenda for Transformation, ch. 17

ⁱⁱ African Development Bank (AfDB), 2013, *At the Heart of Africa's Transformation: Strategy for 2013 — 2022*, Abidjan: AfDB Group

ⁱⁱⁱ AfDB, 2014, *Addressing Fragility and Building Resilience in Africa: The AfDB Group Strategy 2014—2019*, Abidjan: AfDB

^{iv} AfDB, *Addressing Fragility And Building Resilience in Africa*, p. 43

^v Sessay, et al, Ch. 2/pp. 20-21 & Ch. 3; Republic of Liberia, 1947, *Constitution of the Republic of Liberia 1847 (as amended through May, 1955)*, Monrovia: Office of the Secretary of State

(https://web.archive.org/web/20100117084908/http://onliberia.org:80/con_1847_orig.htm#a3, 6 January 2019); Central Intelligence Agency (CIA), 2018, *The World Fact Book — Liberia*: Langley: CIA (from <https://www.cia.gov/library/publications/the-world-factbook/geos/li.html>, 31 Jan 2019)

^{vi} Agenda for Transformation, ch. 17

ANNEX 13 - COUNTRY FIDUCIARY RISK ASSESSMENT

1. Executive summary

The Liberian Country Fiduciary Risk Assessment (CFRA) was performed in April 2019 subsequent to the main CSP 2019-2023 preparation mission in November 2018. The assessment followed the Bank’s Country Fiduciary Risk Assessment User Guide (April 2014). The team used recent diagnostic reviews (including the 2016 PEFA, 2016 BPAR etc.), conducted interviews with some key PFM officials within Government of Liberia (GoL), development partners, and other fieldwork. The CFRA provides an objective assessment of the key inherent fiduciary risk associated with the core PFM and suggests appropriate mitigating measures against the risks identified. It determines whether the Bank should place full or partial reliance on the core GoL PFM systems for the implementation of the Bank financed operations, as well as establishes the scope for capacity development where weaknesses are identified, in line with the Bank’s commitment to operationalize the objectives of the Paris Declaration on Aid Effectiveness, Accra Agenda for Action, and Busan Partnership for effective development co-operation. The current assessment covers the main PFM areas of the GoL, consisting of Budget planning and execution, Treasury management, Accounting and Reporting, Internal Control, Procurement, External Audit, and Governance

There had been marginal improvements in the general PFM systems. The cumulative effects of key challenges slow the pace of PFM reforms; the challenges include inter alia: weak control environment; the impact of the prolonged Ebola Virus Disease (EVD); low human resource capacity especially at the operational levels; power and connectivity problems; financial resource shortfalls; frequent in-year budget adjustments; insufficient controls over payroll; expenditure commitment and other non-salary, and non-adherence to internal controls... Nonetheless, with the support of partners, a solid foundation was laid in Information Technology (IT) based modernization, automating some key PFM systems with the Integrated Financial Management Information System (IFMIS), Civil Service Management System (CSMS), establishment of the Treasury Single Account (TSA), the Standard Integrated Government Tax Administration System (SIGTAS), and the Automated System for Customs Data Administration (ASYCUDA). The legal framework of the public procurement system has seen improvements with the amendment of the PPCC Act 2005, in 2010, aligned the law to international best practice and improvements in the institutional capacity/ market operations. There are identified areas of the law and its regulations, which call for future revisions to improve transparency. Consequently, the procurement environment is fraught with issues of poor compliance, inadequate capacity, weak private sector involvement and lack of effective procurement audits. Despite the above challenges of the PFM system, the GoL is committed to improving the PFM system through reforms and initiatives. The draft PFM Act is currently before legislature seeking amendments in identified critical areas, which will correct some lapses in the system. The strong decision of the GoL to solicit IMF support is a good demonstration of its commitment to this course, and it is expected that the IMF ECF will initiate reforms that will help government to address both macroeconomic and PFM challenges faced by the government of Liberia. The country’s performance across various governance indicators has been mixed in recent years due to weak low quality of public administration institutional capacities, explained by weak institutional capacities and also perceived high level of corruption. There are some initiatives of GoL supported by some DPs as well as recommended mitigating measures to be implemented to further mitigate the overall fiduciary risk. The Bank’s assessment rated the overall fiduciary risk (covering PFM, Procurement and Governance) of Liberia as substantial.

Summary of the Fiduciary Risk

PFM	Budget	Substantial	Substantial
	Treasury	High	
	Accounting and Reporting	Substantial	
	Internal Control	Substantial	
	External scrutiny and audit	Substantial	
	Governance	High	
Procurement	Pillar I	Substantial	
	Pillar II	Substantial	
	Pillar III	Moderate	
	Pillar IV	Substantial	

2. Performance of the PFM systems and Overall Risk Ratings

PFM Risk Determination

Elements	Average Development Capacity Rating (based on 2016 PEFA indicators & 2017 updates)	Average Development Capacity Rating (based on April 2018 mission)	Trajectory	Current Risk Assessment
1) Budget				
1. The Budget sub-system capacity is adequate to plan (formulate) budgets for the programs and projects	1.2	1.5	↑	Substantial
2. The Budget sub-system capacity is adequate to execute budgetary control of programs or projects	1.6	1.6	—	Moderate
2) Treasury				
1. The Treasury sub-system capacity is adequate to manage the inflow of resources and disbursements of aid funds.	1.7	0.8	↓	High
2. The Single Treasury Account is an appropriate and reliable way to administer aid funds	1.5	1.5	—	Substantial
3) Accounting Recording and Reporting				
1. The Financial Accounting sub-system is sound and capacity is adequate to record programme and/or project transactions and account for their progress and financial status.	1.4	1.4	—	Substantial
2. Financial Management information systems have flexibility to accommodate specific reporting requirements of programmes and projects and have procedures in place to ensure timeliness and quality of information produced.	1.5	1.5	↑	Substantial
3. The Financial Accounting sub-system has an integrated Fixed Assets module for the proper recording and control of assets purchased with programme / project funds.	0.0	0.0	-	High
4. The Accounting sub-system maintains up to date records of the country's borrowings.	1.5	1.8	↑	Moderate
5. The Accounting systems are secure against deliberate manipulation of data and/or accidental loss of or corruption of data.	1.0	1.5	↑	Substantial
6. Internal Control				
1. The Internal Control sub-system capacity is adequate to control the financial operations of programs and projects.	1.2	1.0	↓	Substantial
2. Competition, value for money and controls in procurement are adequate	1.0	1.2	↑	Substantial
3. The Internal Audit function capacity is adequate	2.2	2.4	↑	Moderate
7. External Scrutiny and Audit				
1. The SAI has the level of "independence" needed to enable it to effectively fulfill its functions.	0.70	0.70	—	High
2. The SAI has the capacity to meet its audit mandate	1.0	1.5	↑	Substantial

Key-Risk assessment :

Below 0.75 = High Risk, Between 0.76-1.50 = Substantial Risk, Between 1.51-2.50 = Moderate Risk, Above 2.51=Low Risk

3.1 Budget Sub-system

3.1.1 Credibility of the Budget - The quality of overall revenue forecasting and administration has improved with appreciable reductions in variations from actual collections. However, non-tax revenues from mining and other natural resource concessions remains unpredictable. High variation in international trade taxes as well as property income and administrative fees and charges resulted from

the downward risk regarding Ebola crisis and reduction in the prices of iron ore, which negatively affects royalties more than anticipated. This has a ripple effect on the credibility of the budget, since FY2013/2014 and FY 2014/2015. The 2016 PEFA review indicated that whilst variance in expenditure composition fell below 10% in FY 2014/2015, arrears increased sharply in same year, due to payments overdue for work on roads contracts committed by Ministry of Public Works (MPW) outside the commitment control framework. Arrears remain an area for appropriate monitoring. IFMIS does not record arrears to suppliers that arise from M&As making commitments outside IFMIS and M&As are required to make information available to MFDP. This calls for comprehensive data availability from all spending agencies including SOEs, to make expenditure forecasting consistent.

3.1.2 *Comprehensiveness and transparency of the budget*-Budget transparency assess the extent to which central government makes eight key budget documents (pre-budget statement, executive's budget proposal, enacted budget citizens budget, in-year reports, mid-year review, year-end report and audit report) available to the public online in a timely manner and if the information is comprehensive and useful. The 2016 PEFA review confirmed an improvement in the comprehensiveness of budget documentation submitted to legislature. The FY 2015/16 and FY2016/2017 budgets and the associated documentation submitted to the Legislature satisfied seven of the nine information benchmarks, increased from six in the 2012 PEFA assessment. However, advances to M&As continue to be accounted for as expenditures, instead of the respective actual expenses. This is considered a significant weakness with respect to the overall transparency of expenditure. The budget on the other hand, is currently captured and executed from IFMIS, using same codes for execution, and classification is based on the IMF's Government Finance Statistics Manual (GFSM) 2001, which is all credible although the system is yet to be used to generate reports on a functional basis. GOL has adopted an 11 sector poverty reduction strategy (PRS) economical classification, which is also a step in the right direction, and which has already started to impact positively the quality of information, although of course lots more still needs to be done to refine these. Also monitoring of activities of state-owned enterprises (SOEs) is still a challenge with consequences on comprehensiveness and transparency. The bulk of the donor-funded projects are self-accounting and therefore reporting outside IFMIS.

3.1.3 *Policy-based budgeting*-The PFM Act 2009 and related Regulations outlines the key stages of the budget preparation cycle and broad timelines. GoL adopted MTEF since FY 2012/13, with the aim of increasing macroeconomic stability and public investment through fiscal discipline. The 2016 PEFA review indicates that a three-year rolling MTEF remains in place, which establishes the indicative resource envelope for spending for the annual budgets for each of the next three fiscal years and has proved to be reasonably robust. The Macro Fiscal Analysis Unit of the MFDP with inputs provided by the Revenue Forecasting Unit and the Debt Management Unit (both MFDP) and CBL prepare the macro-fiscal model. This is described under Section 3, including table 6, in the annual Budget Framework Paper (BFP), for FY 2015/16, FY 2017/18 and FY 2018/19. However, the impact remain limited owing to the fact that the annual budget often fail to be passed on time by the legislature. The late adoption of the budgets affects its predictability, with adverse consequences on procurement planning and cash planning, which weaken budget execution. The 2016 PEFA review noted that, the approvals of budget by legislature, had not been timely: FY 2013/2014 (October 16, 2013); FY2014/2015 (November 27, 2014); FY/2015/2016 (August 25, 2015); FY 2016/2017 (September 21, 2016); FY 2017/2018 (July 18, 2017). This trend was reversed with the approval of the FY 2018/2019 passed on June 26, 2018 within the constitutional time frame. However, there had been delays in the submission of the draft FY 2019/2020 budget to legislature.

3.1.4 *Predictability and control in budget execution* –

There have been reforms in this area especially with the creation of the Liberia Revenue Authority (LRA) through the LRA Act, 2013, bringing the Bureau of Internal Revenue and the Bureau of Customs and Excise under a single semi-autonomous agency authority, falling under the Department Revenue in MFDP. The main departments of LRA are the Customs Department, Domestic Tax Department, Legal Department, Internal Audit Department and the General Services Department. LRA has 42 branch offices located all over Liberia. The GoL has made important advances regarding predictability and controls in budget execution most notably in the transparency of taxpayer obligations and liabilities, in

the effectiveness of registration and tax assessment, and in the effectiveness of collection of tax payments. The 2016 PEFA review confirmed that major concerns on external and domestic debt management have been fully addressed, a new debt management strategy had been approved and a well-established Debt Management Unit (DMU) is managing debt payments on a timely basis using the CS-DRMS system. Payroll constitutes a significant expenditure, which is characterized by weak controls and ghost workers. The time lag in recording payroll movements either onto or off the payroll, affects the reliability of payroll data. In addition, the Public Procurement and Concessions Act of 2005 was updated and approved in September 2010, bringing Liberia largely in line with good international practice (some areas within the Act still need to be addressed to make it even more compliant with international best practice). Further, capacity challenges at both M&As and the PPCC in meeting the requirements of the Act continue to impact its implementation. Another significant shortcomings relating to the budget execution process is the persistently late approval of the budget, which as indicated affects procurement planning and cash flow planning.

3.1.5 Current Risks – The main risks associated with the sub system are: (i) the failure to incorporate the bulk of donor funding and SOEs in the approved budget; (ii) the multiplicity of bank accounts associated with ‘donor and other M&As not within TSA accompanied with weak / ineffective monitoring; (iii) inability to correctly forecast non-tax revenues; and (iv) weak controls over payroll expenditure cycle, which has a significant incidence of ghost workers and unreliability of payroll data.

3.1.6 Mitigation – The government is determined to roll out IFMIS to self-accounting donor projects and the PFMU, which currently handles the fiduciary function of majority of donor-funded operations into the main government accounting system. A Unit has been established at the MFDP charged with monitoring SOEs and their financial reporting. There are ongoing efforts by the CSA and IAA as well as GAC to clean up the payroll through biometrics and payroll audits, respectively. DPs through collaborative efforts have been supporting the PPCC to build the capacities its staff. It is expected that wider deployment of IFMIS will help improve the government’s forecasting ability with in non-tax revenues, improve the performance of the TSA and other areas in budgeting.

3.1.7 Overall Rating- The overall is associated with the sub-system was as Substantial.

3.2 The Treasury Sub-System

3.2.1 Review of Performance-The 2009 PFM Act and its accompanying Regulations provide the legal and regulatory framework of the treasury sub-component. The TSA was established in 2014, for six (6) CAG- managed bank accounts held at the CBL, consisting of the bulk of all GoL held bank accounts - (i) USD Revenue Account; (ii) LRD Revenue Account; (iii) USD Operating Account (iv) LRD Operating Account; (iv) LRD Payroll Account; and (vi) LRD Pension Account. The PEFA 2016 review indicates that consolidation of TSA balances held in CBL takes place frequently and the balances outstanding in the individual CAG accounts are swept into the Consolidated Fund (i.e. the main TSA) and later reversed for normal transactions. While there is no direct interface between IFMIS and the CBL banking platform, the CBL has granted access to MFDP to the platform that allows for daily requisition and upload of bank statements onto IFMIS for reconciliation and consolidation of government cash balances. In addition to the above-mentioned government bank accounts, over 200 M&As accounts are held at the CBL and also in commercial banks. Some of these accounts are not linked to the TSA in violation of Section 34 of the 2009 PFM Act. M&As that have internally generated funds (IGFs) maintain revenue collection bank accounts/ transitory bank accounts with commercial banks with the approval of MFDP, which transfer end-day balances to the TSA (revenue account). The bulk of donor-funded projects accounts held in commercial banks by M&As, do not form part of the daily reconciliation and cash consolidation of the TSA. Thus, a comprehensive TSA showing a consolidated government cash position which captures all GoL accounts at the CBL and commercial banks is yet to be achieved. There were no ring fenced mechanisms regarding donor funds maintained at the CBL or supposed to be linked to the TSA, which had resulted instances of violations and refunds. Annual and periodic cash flow forecasts often tend to be done very late and not systematically updated on a monthly basis, to make cash forecasts effective. Allotments to M&As, which constitute the

commitment ceilings, are made for a monthly period only, rendering longer term cash flow planning meaningless.

3.2.2 *Current Risk* – The main risk is the multiplicity of bank accounts held by M&As and the bulk of donor-financed projects bank accounts which are not linked to the TSA. The lack of ring-fenced mechanisms to ensure that donor funds are not co-mingled. The lack of unified consolidated cash position poses significant risks and weaknesses to the cash management process as well as budget execution and control.

3.2.3 *Mitigation* – The above risk would be addressed by widening the Treasury Single Account (TSA) system to cover all GoL accounts, which gives a comprehensive consolidated position of government cash balance. This needs a concerted effort by the MFDP to enforce compliance. There had been a follow up with commercial banks by the CAG for inclusion of all government accounts held by them into the TSA for monitoring purposes. The MFDP needs to develop and enforce mechanisms to provide reasonable assurance that donor funds covered under the TSA are not to be co-mingled.

3.2.4 *Overall rating*- The overall risk associated with the sub-system is rated as High.

3.3 Accounting and Reporting

3.3.1 *Review of Performance*-The PFM Act 2009 and related Regulations govern GoL's accounting and financial reporting. The accounting and financial reporting has improved significantly due to the deployment and rollout of IFMIS (and upgrade) to 50 M&As (out of 107) representing 85% of total central government expenditure. The PEFA 2016 review confirmed that IFMIS has undoubtedly improved the quality of financial data, but significant challenges remain in terms of reconciliation between MFDP and M&A data. The IFMIS budget preparation model is not yet functional and instead, the approved budget is uploaded onto IFMIS with the aid of a mapping table. This, however, leads to classification challenges, due to coding mismatches. A number of M&As have no direct connectivity to IFMIS due to network connectivity challenges. Thus at the ASU (MFDP), data entry clerks have been assigned to these M&As to process financial data on their behalf and quarterly reconciliations carried with the M&As to improve data integrity. There are other smaller M&As and some M&A Units with offices in counties (safe Margibi, Nimba, Grand Bassam & Bong Counties), which are not connected to IFMIS. The AG reports for FY 2013/2014 to 2015/16 indicated serious concerns regarding data quality, misclassification of financial data, inconsistencies in accounting records, non-acquittal of DSAs and incomplete reconciliations among others. According to the AG, similar challenges have delayed the finalization of the 2016/ 2017 audit reports, (yet to be finalized as of April 2019). The adoption of International Public Sector Accounting Standards (IPSAS) cash basis of accounting, automation of budget execution and roll out of IFMIS has improved the preparation of GoL consolidated financial statements (CFS) by the CAG. The assessment noticed that the CFS for FY 2015/16 and draft FY 2016/2017 and FY 2017/2018 included the required IPSAS statements and relevant mandatory disclosure of notes. The 2016 PEFA review report, noted that some M&As were not submitting the individual financial statements for consolidation and the information in the disclosure notes on public debt, end-of- year arrears and donor-funded projects was incomplete. The draft FY 2017/2018 was submitted to the AG in December 2018 (six months after year-end, instead of within four months).

Of great concern is the status of the payroll, which improved with the establishment of Civil Service Management System (CSMS) in CSA in 2014, that electronically links the CSMS to payroll records, facilitating monthly reconciliation between the two. The CSMS is interfaced with IFMIS, integrating personnel and payroll management system, which enable quicker payroll production. To facilitate this, the HRM module of IFMIS went live in July 2013, replacing the GAPS payroll system. There is an ICT Security & Network policy to regulate users and improve business processes. The challenge is that personnel records kept in M&As, which are not yet electronically linked to CSMS and are not necessarily correct. There are still inadequate internal controls around payroll processing, as well as fragmentation of pay scales and numerous non-standard allowances (some of which are processed outside the HR system). The military payroll is not also part of the CSMS. The IFMIS fixed asset module has yet to be activated; once done it will improve the security and record keeping capacity of government on its assets. Donor financed projects are still generally self-accounting outside the IFMIS,

with those managed by the MFDP's PFMU using Sun Accounting, and the other major donor recipient in Health and Agriculture running customized software. GoL is further exploring the option of integrating donor funded projects in IFMIS.

3.3.2 *Current Risk* – Major risks in the sub-system relates to: (i) payroll which constitutes the bulk of government budgeted expenditure and characterized with inherent control lapses especially supplementary payroll parallel to CSA; and (ii) they are self-accounting and do not form part of the consolidated GoL financial statements.

3.3.2 *Mitigation* – There is continuous payroll clean-up efforts being done by CSA including biometric verification and capturing of biodata for government employees. There are continuous efforts to capacitate the IAA and GAC, to enable them conduct complete payroll audits, which would serve to correct the inherent control violations within the payroll system. IAA has already embarked of such audits and the results of their audits are helpful in removing some 'ghost employees. There is a commitment from the CAG to pilot donor funded projects on IFMIS and eventual migrate them.

3.3.4 *Overall rating*- As a result of the magnitude of payroll expenditure relative to the total government budget and associated inherent controls, the overall risk associated with the sub-system in March/ April 2019 was rated as Substantial.

3.4 Internal Control

3.4.1 *Review of Performance*- Part VIII of the PFM Act 2009 and Part J of the Regulations as Well as the GoL Financial Management Policies and Procedures Manual (2015) and PPCC Act provide the bases of the related internal controls. The code of conduct 2014 and The Civil Service Human Resources Policy Manual (2013) governs the ethical behavior for civil servants. The main challenge in the fiduciary remain, inadequate human capacity and logistics, which negatively impede the performance of most M&As. Albeit the decision-making levels are generally better resourced, the operational levels are generally staffed with unqualified accountants, with low usage of IFMIS. There have been improvements in the internal audit function, executed by Internal Audit Agency (IAA), which draws its authority from the Internal Audit Agency Act of 2013. It has total staffing strength of 256 (over 80% are professional staff), being deployed to the key ministries (covering 52), key agencies (52) and four treasury unit counties (Grand Bassam, Margibi, Bong and Nimba). The coverage accounts for responsibility over approximately 85% of the national budget. The Unit, which is autonomous (with separate budgetary allocation) is mandated amongst others to standardize, harmonize, capacitate, coordinate, establish, manage, direct and control internal audit functions within all branches of government including all public sector entities, autonomous agencies and commissions, and the Central Bank of Liberia. An Internal Audit Manual and Internal Audit Operating Procedures, and a five-year strategic plan guide IAA's operations. IAA's approach is risk based and some of the areas of focus now are payroll and fixed assets. The Executive Director confirmed during the assessment that through the Unit's audits of the ministries of health and education alone, over 1400 names have been earmarked for deletion from the payroll. The exercise is being extended to the Justice department and others and its estimated that approximately L\$7 million could be saved in the 2018/2019 fiscal year.

3.4.2 *Current Risk*: The key risk with the sub-system relates to low capacities in the fiduciary areas especially at the operational levels (both human and technical) and within IFMIS. The control over the payroll also post a challenge. CAG's inability to account for donor financed projects within IFMIS and GoL accounts poses a serious challenge.

3.4.3 *Mitigation*: The IFMIS was upgraded from Freebalance version 6.5 to version 7.0, which is a web-based reporting tool (Microsoft Reporting Server) and continuous training is required both the functional and operating level to enhance efficiency also address the other current shortcomings. GoL with donor support continues to offer training to M&As staff on the new reporting tool and other key fiduciary areas. The IAA and GAC are continuously carrying out payroll audits and systems audits to tightening controls surrounding the payroll and rid it of 'ghost employees' as well as address weaknesses in the internal control environment.

3.4.4 *Overall Rating:* The overall risk associated with the sub system in March/ April 2019 was rated as Substantial.

3.4.5 External scrutiny and audit

3.4.5.1 *Review of Performance-*The GAC Act 2014 further strengthens the legislative oversight, enhancing the mandate and independence of the Auditor General (AG), giving her/him a direct reporting line to the legislature, with copies to the president, in line with international best practice. The law gives the AG the same remunerations and packages as enjoyed by regional Heads of Audit Institutions, as determined through an independent and transparent salaries and remuneration vetting process. However, the same legislation specifies the AG's tenure as seven (7) years, not eligible for reappointment. The AG's financial independence is governed by section 3.4 of the Act which requires the AG on an annual basis to submit her budget to legislature for review and approval, copying the Minister of Finance. The GAC budget is charged on the consolidated fund. The assessment noted that the AG's budget had consistently been squeezed over the years – 2016/2017 (approx.. \$650,000) and 2017/2018 (\$179,000) which impacts the scope and delivery of her work. There are obvious capacity gaps, from logistics (in terms of computers and vehicles), inadequate infrastructure and budget appropriations, which affect the effectiveness of the GAC. GAC has 230 professional staff of which 7 are CPAs. In terms of audit coverage, GAC covers about 80% of entire government expenditure comprising of the consolidated fund and other entities (including some SOEs). Safe for resource constraints, the AG intends to carry out other specialized audits including payroll and forensic audit of the IFMIS system. Development partners continue to offer significant support to strengthen the capacity of the GAC and IAA, aimed at improving the country's fiduciary environment. This has widened the scope and types of audits carried out by the GAC including performance audits, procurement audits, donor financed projects audits and IT systems audits. The AG's performance reports for 2017 confirmed that, in all 36 strategic audits were completed and presented to legislature, covering ministries, agencies, commissions and projects. Similarly, joint audits were conducted with PwC, which also contributed to the increase in audit coverage and enhanced the skills of GAC personnel.

The GAC collaborates with other SAIs and in particular within AFROSAI and AFROSAI-E to promote knowledge sharing and benefit from core competencies which these institutions have so as to execute various assignments in a cost-effective manner. In 2016, the GAC was peer reviewed by the Office of the Auditor General (OAG), Kenya for six fiscal years from 2009/10 to 2014/15. A follow up audit had been approved by the PAC of the 53rd National Legislature, to validate implementation of the recommendations. Compliance with ISSAIs has remained paramount, but the timeliness of the audit of the consolidated annual financial statements has been experiencing serious delays. The AG confirmed that 2016/2017 audit reports are still pending due to lack of documentation. That of 2015/2016 has been submitted to legislature for scrutiny. Generally, legislative and executive follow-up on the implementation of audit recommendations had been low, reducing the effectiveness of external scrutiny. The 2016 PEFA review indicated that audit recommendation implementation rate of 32% was recorded for 8 lines ministries for 2014/2015 fiscal year. The AG confirmed during the assessment that the current implementation rate is not different from previous. PAC had been effective since its establishment in 2014, conducting reviews and published about five (5) consolidated reports from the AG and more than 400 audit reports including specialized audits. There are improvements in the PAC's work including wider coverage of public hearings with the media, civil society and the counties. The PAC, enumerated non-implementation of the PACs's recommendations by the office of the president, low budgetary allocation, logistical support, capacity of the Secretariat staff and its members in some technical areas, as key challenges hampering its work.

3.5.2 *Current Risk* – The key risks for this sub-system relates to: (i) the independence of the office of the AG, and insufficient budgetary allocations as well as logistics constraints to enable the AG meets its mandate (ii) Also logistical constraints, capacity in technical areas and low budget allocations are hampering of the work of the PAC.

3.5.3 *Mitigation* – There have been concerted DPs support to the GAC in the form of training, and logistical support to help the AG carries out its work effectively and tighten the fiduciary environment. Similarly, DPs would continue to offer support to PAC to enhance its capacity and effectiveness. The

expected IMF program will also help the GoL to improve budget credibility and controls among others, and improvement of the PFM including accountability environment.

3.5.4 *Overall rating-* The overall risk associated with the external scrutiny and audit sub-system was rated in March/ April 2019 as Substantial.

4 Review of Performance: Procurement

4.1 *Methodology of the Procurement risk assessment-* The current diagnostic work had been conducted based on the Methodology for Assessing Procurement Systems (MAPS) developed by the OECD/Development Assistance Committee (DAC). The Assessment was carried using legal documents and previous ESWs available, and findings of meetings with main stakeholders involved in procurement activities as well as some DPs active in this area in Liberia.: Twenty (20) sub-indicators were identified as “critical” to assess the conformity of the Borrowers’ Procurement System (BPS) with the Bank’s fiduciary obligations, and should be evaluated without negative impact on Bank-funded operations in order to allow for the use of BPS. The assessment of the twenty-one (20) critical sub-indicators provides the modality in ensuring that the public procurement regulatory and institutional framework in force, allows for transparent, equitable and competitive public procurement, and has functional mechanisms to: (i) deal with dispute resolution in a fair and transparent manner, (ii) carry-out internal/external controls and regular public procurement audits, (iii) manage complaints in a transparent and equitable manner throughout the procurement process, and (iv) detect and sanction prohibited practices in public procurement. The outcome of the assessment and findings are presented below, including summary of the country procurement risk rating.

4.1.1 *Legislative and Regulatory Framework-* Liberia’s public procurement framework is underpinned by the Public Procurement Concessions Act (PPCA) of 2005 which was amended in year 2010. The Act establishes a reliable and internationally aligned procurement best practices that is anchored on five basic foundations of public procurement: (1) comprehensive, transparent legal and institutional framework; (2) clear and standardized procurement procedures and standard tender documents; (3) independent control system; (4) proficient procurement staff; and (5) anti- corruption measures. The Act applies to all procurement financed in whole or in part from public funds throughout the procurement cycle from the selection to the administration of contracts including disposal of government stores, plant and equipment and all concessions as defined under the law. Notwithstanding this provision, procurement with international obligations arising from any grant or concessionary loan to the government must be in accordance with the terms of the financing agreement. In furtherance of the use of this Act, a Public Procurement and Concessions Regulations was adopted to clarify and set details implementation rules and procedures but the current version issued in 2015 is not fully in line with the 2010 procurement Act in use.

The public procurement law of Liberia to a large extent ensures that public procurement is carried out in accordance with the principles of economy, efficiency, and transparency. This is demonstrated by its wide applicability and accessibility, existence of procurement oversight, right for challenging procurement decision, need of procurement planning preparation, mandatory publication of bid notice and contract award as well as complaint decisions , the use of competitive procurement as default, procurement methods well described with clear circumstance when to use; public opening; pre-announced and objective evaluation criteria. This said, the law does include limitations to its applicability that go against the aforementioned principles and some of its provisions do not fully comply with international standards. Indeed, the law does not provide conditions under which state owned enterprises can be eligible for bidding and contract award. Moreover, the law does not apply to: (i) procurements which are determined to be of strict national defense and security implications (*the procedures set out in this Act may be modified by the Commission for the specific procurement, but the modification shall be governed strictly by considerations relating to defence or security*); and (ii) procurements linked to agreements executed by the Central Bank on monetary policy or procurement related to the production of coins or currency. For these authorized non-application of the law, an implementation mechanisms need to be clarified, adopted and monitored since this provision provides an avenue, which can be used to introduce procedures that go against good public procurement practices.

4.1.2 *Current Risks for Pillar I:* (i) Regulations not amended to conform with the 2010 Procurement law (ii) Absence of conditions under which state owned enterprises can be allowed to bid in competition with others from private sector (iii) absence of implementation mechanism of revision of provision of the Act for a specific tender process due to its nature (defense; security; and monetary policy) of the needs (iv) absence of obligation for publishing procurement plans (v) Limited coverage and/or inadequate definitions of prohibited practices (*i.e. : the law does not mention obstructive practices; the definition of corruption is not in line with what is comprehensively covered and agreed at international level*) . (vi) Absence of requirement for sharing procurement audit outcome with the public.

4.1.3 *Mitigation Measures:* (i) Revise and enact regulations to ensure conformity with the amendment and re-instatement of the law; (ii) Amend the law to include clear framework provisions relating to the participation of SOEs in public procurement while ensuring fairness to the private sector; (iii) clarify in the appropriate document of the legal and regulatory framework, the implementation of exemption provision of the law relating to procurement of needs that have a link with Defense and security issues or monetary policy (handle by the Central Bank) to avoid any interpretation including political influence; (iv) Amend the legal framework to include provisions for publication of procurement plans and procurement audits results; and (v) Extend the coverage of prohibited practices to include among others ‘obstructive practices‘ and ensure that definitions are comprehensive and in line with international standards.

4.1.4 *Current risk rating for Pillar I:* In view of the risks identified above, the risk rating attributed to Pillar I is Substantial.

4.2.1 *Pillar II: Institutional Framework and Management Capacity-* The procurement institutional framework is comprehensive and structured, however, the distribution of key functions among different entities is not appropriate and create a situation of conflict of interest. The PPCC Act, 2010 provides for the establishment of a PPCC regulatory body charged with, providing policy and regulatory oversight; providing training and capacity building for procurement officials; hearing appeals and complaints; debarment and undertaking information dissemination on public procurement. The Authority must also maintain a database of all suppliers, contractors/ consultants and establish and publish a code of conduct for all procuring entities, public officials and their representatives as well as for suppliers, contractors and consultants. The provision of the PPCA stipulates that the PPCC is not responsible for direct procurement transactions and its members are not represented in any procurement committees. But in the same time, PPCA has also a prior-review function and decisions making responsibility for single source approval (Part V of the Act) involving de facto the regulatory body into operation which is not in line with international standard. The PPCC has others additional responsibilities including giving advice and clearance to procuring and concession entities while also organizing and participating in the administrative review procedures (Part VIII of the Act). The above mentioned situation gives rise to a situation of conflict of interest as the regulator may for example be in a situation where it will handle complaint on issues on which it was involved. It is argued that, if the PPCC wants to maintain its neutral and unbiased role it has to be away from operations even if it can give a general and neutral advice to stakeholders. Whereas the Liberia procurement law has a comprehensive institutional and management structure, there are practical challenges of inadequate capacity that is affecting the effective performance of the system and there is the phenomena of procuring entities replacing trained procurement professionals with new personnel without the requisite experience and training. In addition to the above entity, the Act provides for the creation, in every public entity funded by the Government a Procurement Committee. The Procurement Committee in each procuring entity is chaired by the Head of the entity or the Deputy. The functions of the Procurement committee include: preparation and review of procurement plans; review of entity tender documents; appointment of evaluation teams; validation of evaluation reports, award and management of contracts to predefined value thresholds, review of complaints and referral of unresolved issues to the Commission. The Act defines ‘‘Procurement Unit’’ as the unit that is dedicated to providing technical procurement services to the Procurement Committee. The Procurement Unit is headed by a procurement professional and its functions include: coordination of the preparation of the procuring entity’s Procurement Plans; coordination/facilitation of the procurement processes in the entity; and acting as

the secretariat to the Procurement Committee. The Procurement committee may make use of external consultants in the performance of its functions.

4.2.2 *Current risks for Pillar II:-* (i) Involvement of the regulatory body in operations. (ii) the PPCC has capacity constraint and inadequate logistics that is affecting its efficient and effective delivery. (iii) Lack of human resources with adequate procurement capacity.

4.2.3 *Mitigation measures:-* (i) Amend provisions of the law and the regulation to withdraw PPCC from operation and ensure that function are allocated as advice by international standard; (ii) Enhance the resource allocation to the PPCC for its operations; (iii) Establish a clear and comprehensive national procurement capacity building strategy in order to help having the critical mass of trained staffs to address the issues.

4.2.4 *Current risk rating for Pillar II :-*In the light of the above inadequacies of the system, the overall risk rating is Substantial.

4.3.1 *Pillar III: Procurement Operations and Market Practices-*The PPCA, 2010 as amended and reinstated provides adequate provisions for competitive procurement processes with focus on ensuring value-for-money. Public procurement in Liberia is undertaken in an environment where bidders largely effectively compete for various contracts, however, there exist instances where contracts of considerable amounts have been awarded including some in the road sector where competitive methods or the provisions in the PPCA have not been followed. The procurement system commences with a procurement planning which is expected to be linked with the eventual payment mechanism at the Ministry of Finance, in practice this co-ordination of procurement plans and payment systems is not properly linked leading to delays in payment on public contracts and over expenditure of the public purse in considerable instances. In various annual reports of the PPCC, there has been recommendation for the MFDP to sanction procuring entities whose contracts submitted for payment are not contained in the approved procurement plan. Public tender processes in practice are carried out according to the provisions of the legal framework but there are delays that affect the efficiency of the public procurement system. Liberia do not have a specific law on arbitration but its legal enactments has provisions on arbitration that may be adopted in public contracting although not mandatory. The country is a member of the New York Arbitration Convention and the Commercial Code of Liberia has provisions for the enforcement of arbitral awards. The legal and regulatory regime lacks emphasis on contract monitoring and management, whereas it is important to have an efficient contract award process, it is critical that contracts are properly monitored and managed. The regulation 18-Contract Administration (Section 41 of the Act) provides contract administration procedures for procuring entities but it is not adequate to provide the relevant guidance to officials in dealing with contract management issues and especially taking into consideration the transitional environment like Liberia. It must however be mentioned that the PPCC through its continuous sensitization and capacity building activities for procuring entities has improved contract management and administration in public procurement but there remain challenges that needs to be overcome in the long term. In addition, the enhancement in the activities of the civic society organizations in the area of contract monitoring has also made public institutions alert to make the right decisions on various contracting processes in the country as per the requirements of the law and acceptable procedures.

It is noted that since 2010, PPCC has been carrying out a number of short term, medium and long term training programmes and workshops for the private sector participants. One of these capacity building programs conducted in September 2018 for nearly 300 participants brought together indigenous enterprises to strengthen the capacity of these businesses in meeting eligibility requirements and understanding the entire tendering processes for goods, services and works; and developing the skills to prepare competitive tenders that fulfils the requirements in various public procurement activities. Liberia has the potential to evolve a vibrant private sector, but currently, the private sector is faced with numerous challenges due to impact of the civil war and lately the Ebola crisis that affected the country. This means that conscious efforts would have to put in place to support the competitiveness improvement of the sector and this is particularly the case for the Micro, Small and Medium Enterprises (MSME) sector which represents a third of the workforce but accounts to only six percent of GDP. It also worth noting that there is limited international market exposure of the MSME sector, lack of

management capacity, non-compliance with standards, and low quality products. The prevalence of high interest rates and limited access to medium-long term finance is a constraint for the MSMEs. This results in a limited number of contractors and service providers that are in a position to compete for large-volume contracts. Liberia's ranking in the doing business indicators is not on a positive trend. The country has further decline from 172 to 174 from 2017 to 2018 among 190 countries. This means that effort is required to resolve the constraints that continue to inhibit private sector development including its access to the public procurement market.

4.3.2 *Current risk for Pillar III:-* (i) Contract awards are not effectively and systematically published in practice whilst this is requested by the law(ii) there is some level of inadequacies in the entire contracting processes including delays in payment on contracts that turn to affect the performance of the procurement system.

4.3.3 *Mitigation Measures:-* (i) Contract awards should be effectively and systematically published. (ii) Assess in detail to identify gaps to fill in order to identify specific actions and strategies to reduce the inefficiencies in the contracting process.

4.3.4 *Current risk rating for Pillar III :-* In relation to the risks identified above, the risk rating attributed to Pillar III is Moderate.

4.4.1 *Pillar IV: Accountability, Integrity and Transparency-* The legal framework that governs the auditing of the public accounts and procurement in Liberia is embedded in Article 89 of the Constitution, General Auditing Commission Act of 2014, Public Finance Management Act of 2009, Internal Audit Agency Act of 2013 and Public Procurement Concession Commission Act of 2010. Except the compliance prior review, the different control in place are as follow: (i) *Internal Control-* a number of internal oversight functions are embedded in the PPCC Act, most prominently the quality control and decision-making function of the Procurement Committees. Besides, the IAA was established by the IAA Act of 2013, with the objective to co-ordinate, facilitate and provide quality assurance for internal audit activities of public institutions; (ii) *External Control-* The GAC Act of 2014 have defined the roles and responsibilities of the AG who is responsible for the external oversight function of government. Per section 137, of the PPCC Act, the AG is required to conduct annual audits of the procurement activities of entities and furnish copies of the reports to the Commission. It is also required to carry out specific audits into the procurement activities of entities and bidders at the request of the Commission. The results of the audits of procurement activities are to be implemented by the Commission to improve the procurement system; and (iii) *Parliamentary Oversight and Audit Report Implementation Committees-* The Public Accounts, Expenditure and Audit Committee holds public hearings on the audit reports. The Internal Audit Agency Act and the Audit Service Act require government Ministries and Agencies to establish Audit Recommendation Implementation Committees (ARICs), which are responsible for ensuring the implementation of the recommendations of audit reports. The audit oversight system in the country is assessed as adequately independent and sufficient to oversee the procurement function, however resource constraints in the established structures hamper the effectiveness of the safeguards and control. In addition, to make operational the right of complaint recognized by the Act, the Complaints, Appeals and Review Panel (CARP) is established and functional to deliberate on procurement complaints on behalf of the Commission. The CARP comprised five (5) members: three qualified and licensed legal practitioners and two other non-lawyers but with considerable experience in procurement or concession process or in matters related to the administration of procurement or concessions contracts. The CARP submits its decisions to the Commission for publication. The decisions of the CARP can only be challenged in a court of competent jurisdiction. Deadlines for review procedures are specified in the Act, section 125 (2). A complaint must be submitted within 45 days of having knowledge of the event. The procurement entity is supposed to make a decision on the complaint within 15 days. The procurement entity is entitled to suspend the procurement contract for 10 days. Within another 15 days, the complainant can seek administrative review if the procuring entity fails to issue a decision on the matter or the complaint decides to appeal to the CARP on the decision of the procuring entity issued within the stipulated time.(iv) *Ethics and Anti-Corruption in Procurement-* The legal/ regulatory framework explicitly deals with the matter of fraud and corruption in public procurement. It defines fraud and corruption in procurement and spells out the individual responsibilities and consequences for government employees and private firms or

individuals found guilty of fraud or corruption in procurement, without prejudice of other provisions in the criminal law. The Tender documents with the exception of Request for Quotations have adequate provisions on fraud and corruption. In addition, section 47 of the PFM Act, 2009 provides for anti-corruption measures applicable to everyone involved in any public or government transaction. The Act provides for the application of sanctions upon the infringement of the provisions of the law and this is elaborated by the enabling regulations of the Act (Part N). Furthermore, the PPCC Act section 132 and 138 make provisions on punitive measures for offences related to procurement.

In 2008, a specific anti-corruption entity was created in Liberia by enacting the Liberia Anti-Corruption Commission (LACC) Act of 2008, which has the mandate to investigate complaints and allegations related to corruption. This commission is also empowered to investigate complaints that public officers have violated the existing “National Code of Conduct” for public officials or conflict of interest issues. For prevention, Guidelines on Conflict of Interest were developed to assist public officials identify, manage, and resolve conflicts of interest. To this end, workshops were conducted and participating institutions were encouraged to develop their own conflict of interest rules. LACC has signed the UN Convention against Corruption, which in Article 9 specifically refers to public procurement, but the country’s indication of passing new anti-corruption legislations or revision of existing ones to enforce the provisions of the international convention has not materialize. The current definition of corruption is considered too narrow and not in line with the UN Convention. In 2017 and 2018, Liberia was ranked 122 and 120 respectively out of 180 countries, a minor improvement on the Corruption Perception Index of Transparency International (TI) and but stakeholders agree that more needs to be undertaken to control the level of corruption in the country. The media in Liberia is very vibrant and plays an important role in exposing corruption cases. Civil Society Organisations (CSOs) have not been actively involved in the public procurement process as expected and the limited public access to public procurement information and their own operational constraints has made it difficult for them to play a role in monitoring the procurement process in the various sectors. However, despite this limited access to procurement information, CSOs are becoming more active in monitoring public procurement and contracting in the country in recent times.

The Center for Transparency and Accountability in Liberia (CENTAL), an anti-corruption civil society organization in Liberia and one of the African chapters of Transparency International has embarked on initiatives to provide a platform for citizens, corporate bodies and all legal persons interested in Liberia to participate more efficiently in the fight against corruption in the country. The center among these initiatives launched a toolkit that assesses the existence, effectiveness and citizen access to key governance and anti-corruption mechanisms in each of Liberia’s 15 Counties. Other civil society organizations including the Liberia Democratic Institute (LDI) and the Center for International Private Enterprise (CIPE) have also partnered with CENTAL to embark on some anti-corruption activities aimed at improving the governance system of the country. The Coalition for Transparency and Accountability in Education (COTAE) also, for example, publishes report on procurement in the education sector.

4.4.2 Current risks for Pillar IV - (i) Audits reports submissions encounter delays and procurement audits are not carried out regularly as required by the Act. (ii) Available audit reports of public agencies indicates lapses in internal controls and non-adherence to required procedures in procurement processes and expenditures. (iii) Audit recommendations are also not systematically implemented and the expected sanctions of stakeholders in breach of the Act is absent. (iv) the CARP is not adequately resourced;

4.4.3 Mitigation measures: (i) Resource adequately the Auditor General office to carry out the expected periodic and specific audit as required by the law. (ii) Ensure an effective collaborative environment for procurement oversight institutions for result-oriented efficiency. (iii) Provisions on the composition of the CARP should be amended to bring it in conformity with the tripartite composition in accordance with international standards and it should also be resourced.

4.4.4 *Current risk rating for Pillar IV:* In view of the risks identified above, the risk rating attributed to Pillar IV is Substantial.

5.1 Governance and General PFM Environment

5.1.1 Liberia's performance across various governance indicators has been mixed in recent years. The Country Policy and Institutional Assessment (CPIA) Governance cluster rating has remained constant at 3.5 in the last three assessments mainly on account of low quality of public administration which is attributed to weak institutional capacities. The 2017 Mo Ibrahim Foundation Report on African Governance, Liberia scored 51.4 and ranked 28th out of 54 countries compared with a score of 50.7 and a ranking of 26th out of 54 countries in the 2015 report. This shows an improvement in the overall governance in Liberia with improvements in safety and rule of law, participation and human rights, sustainable economic opportunities and warning signs in human development. However, Transparency International's 2017 Global Corruption Barometer ranks Liberia 122 of the 180 countries reviewed. This suggests that a high level of corruption exists in Liberia. The country got weakened by the adverse effects of Ebola crisis, and hard hit by drop in global commodity prices (for rubber, iron ore and palm oil). Additionally, budget pressures especially towards the 2017 elections and security handover from UNMIL has worsened unemployment and increased the poverty headcount from 54.1% in the first half of 2014 to 61.2% in 2016 in same period. The UN Human Development Indices (HDI) and Indicators report for 2018, reported Liberia's HDI value for 2017 as 0.435, (placing it in the low human development category) ranking it at 181 out of 189 countries and territories. Similarly, the Gender Inequality Index (GII) value of 0.656 was recorded, ranking Liberia 154 out of 160 countries in the 2017 index. About 9.9% of parliamentary seats are held by women, and 18.5% of adult women have attained at least secondary level of education compared to 39.6% per male counterparts. On a positive note, the country is endowed with vast mineral resources and was the first African country to be EITI compliant in 2009, and the only country that includes forestry and agriculture concessions as part of the EITI process. In the recent May 2017 EITI validation report, EITI Board acknowledged the country as having demonstrated "meaningful progress" in implementing the EITI Standard.

5.1.2 *Current Risk* – High poverty rates, growing youth unemployment, low economic, social and infrastructural facilities, weak governance particularly in the natural resource sector and gender inequality are catalysts for agitation and possible reversal of the stability so far and development progress. The political environment tends to be contentious, with regular allegations of corruption and periodic demonstrations.

5.1.3 *Mitigation* – The GoL through its Pro-Poor-Agenda, is committed to tackle poverty from all aspects including- economic, political, socio-cultural, whilst building human capacity and creating the enabling environment for income generation-generating opportunities and dignified employment.

5.1.4 *Overall rating*- In light of all the foregoing, the risk associated with the governance sub-system was rated as High in March/ April 2019.

5.1.5 *Key fiduciary risk not addressed by the existing PFM reforms*- Key risks here primarily relate to human capacity challenges, high incidence of corruption, non-compliance with some laid down controls and sanction regime, and lack of executive follow up implementation of audit recommendations, which require deeper attention. The issue of legislative changes to the PFM Act had been on the radar for long, whilst current changes to the PPCC Act is required to improve transparency and fairness. There is also the issue of getting the legislature to approve the nation's annual budget in a timely manner in order to benefit PFM processes linked to the budget approval process.

5.1.6 *Safeguards to mitigate key fiduciary risks* - There is a need to continuously support and monitor the implementation of the ongoing PFM reforms by GoL by maximizing efforts in the following: (i) Endorse the new PFM Strategy and Action Plan (2017-2020) action plan, implemented and monitored through the RCU; (ii) Strengthen the PFM sector working group as the main platform of dialogue among DPs and GoL; (iii) Continue to support PFM reforms through the IPMRP II project funded by AfDB and the World Bank; (iv) Support the infrastructural and operational deployment of IFMIS to drive reforms; (v) Provide support to oversight institutions such as the GAC, IAA, PPCC and PAC to improve

the accountability environment; (vi) Support reforms under the CAG to the quality and timeliness of financial reports preparation; (vii) Provide support to the local accounting profession regulatory body (Liberian Institute of Certified Professional Accountants- LICPA) to improve the quality standards of financial reporting in Liberia; (viii) Support capacity building initiatives especially at the operational levels of key fiduciary institutions; and (ix) Support reforms that facilitate the implementation of the implementation of the TSA.

5.2 The African Development Bank's Fiduciary Strategy in Liberia and Level of recommended use of Country Public Financial Management System.

Level of recommended use of Country PFM System -Based on the overall fiduciary risk rating, the full use of the country system is not possible, as such, the Bank will continue to address the country fiduciary risk during the CSP implementation period and adjust as justified the use of any sub-component that risk is significantly mitigated. The proposed FM strategy for managing investment operations and PBOs will be two pronged, respectively :

(1) for investment projects: The approach will be based on case-by-case basis and will be informed by results of FM capacity assessment of the executing and the proposed implementation arrangements. For instance: Public investment projects/programs will use existing public system implementation procedures and control systems subject to the existence of sound Financial Management systems and procedures within the implementing Units/Agencies, which have been duly assessed by the Bank's Financial Management Specialist (FMS). Accounting and financial reporting will follow the IPSAS in accordance with Section 35 of PFM Act and Section I, A.4 of the PFM Regulations 2009. Due to the risk associated with the sub-treasury system, additional measures and safeguards would be put in place surrounding deposit of operations proceeds into the CBL. The use of CBL for Special Accounts will be assessed on case-by-case basis with the mitigating measures and safeguards as satisfactory to the Bank. During the implementation period, the GAC will be in charge of the audit of Bank financed operations in line with her constitutional mandate and Section 2.1.3 of the GAC Act 2014. Where GAC is not able to carry out the audit, the audit will be outsourced to an independent external private audit firm using its outsourcing policy and through a competitive process;

(2) PBOs: These will be assessed on their own merits and will incorporate specific fiduciary measures (where applicable) to ensure that funds provided are, timely and accurately transferred into the consolidated fund and assurance derived from the AG's audit reports issued on the consolidated fund account during the PBO period. Budget Support operations can be channeled through the use of the public spending systems, subject to keeping track / implementation of key medium-term mitigation measures, namely: submission of consolidated fund audit report by the AG, rolling of IFMIS to all M&As, timely submission of AG's reports to legislature.

5.2.1 Level of recommended use of Country Procurement System-The Bank's strategy will be to commonly use its own procurement system for Banks financed projects and give consideration for the public procurement system only for low value contracts with marginal procurement risk. In addition, conscious efforts would be made for continuous dialogue with government and development partners to support PFM reforms on identified areas requiring improvements to move towards the use of full country system. It is planned that during the CSP period, the Bank's institutional support program in collaboration with the World Bank, will be used as the mechanism for supporting various relevant reform activities in financial management and public procurement. To foster commitment, PBOs to be prepared during the targeted period will be use as vehicles, for main procurement reforms activities with greater impact and proposed them as measures and/or triggers.

5.2.2 Bank support to PFM and Procurement reforms- To ensure appropriate coverage of PFM reforms on FM and procurement (under 5.5 above), the Bank will maintain active dialogue with the GoL and work closely with other DPs in country.

5.2.3 Fiduciary support to Performance Management of Country Portfolio and individual operations: The GoL is responsible for the management and monitoring of fiduciary risks. The Bank will work closely with other DPs and support GoL in the following: (i) Provide technical assistance to portfolio management and to the Bank's individual operations to resolve all fiduciary issues; (ii) Assist

implementing entities of Bank's operations in submitting audited financial statements in line with Bank's requirements; (iii) On an annual basis, organize fiduciary clinics (covering procurement, FM and disbursements) and targeted training for fiduciary staff of Bank financed projects and their external auditors to improve audit reporting compliance (iv) Take initiatives to put in place harmonized fiduciary arrangements for the Bank's operations co-financed with other DPs.