Liberia’s economy, institutions, and human capacity were devastated by a 14-year civil war. Annual GDP per capita is only US$240 and life expectancy has fallen to 45 years. Since the end of the war in 2003, this country of about 3.5 million people has made great progress despite the considerable difficulties and risks that remain. It has held elections, reestablished a public financial management system, begun rebuilding public sector institutions, reestablished the delivery of some essential public services, and laid the foundations of a local government system.

<table>
<thead>
<tr>
<th>Country Indicators</th>
<th>1980</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per capita (US$)</td>
<td>510</td>
<td>240</td>
</tr>
<tr>
<td>GDP growth (%)</td>
<td>–4.1</td>
<td>7.1</td>
</tr>
<tr>
<td>Average inflation (%)</td>
<td>13.7</td>
<td>17.5</td>
</tr>
<tr>
<td>External debt (% of GDP)</td>
<td>48</td>
<td>483</td>
</tr>
<tr>
<td>Poverty incidence (% below poverty line)</td>
<td>N/A</td>
<td>63.8 (2007)</td>
</tr>
<tr>
<td>Access to safe water (%)</td>
<td>N/A</td>
<td>51 (2007)</td>
</tr>
<tr>
<td>Access to improved sanitation (%)</td>
<td>N/A</td>
<td>39 (2007)</td>
</tr>
<tr>
<td>Under-five child mortality (per 1,000)</td>
<td>240</td>
<td>110 (2007)</td>
</tr>
<tr>
<td>Life expectancy at birth (years)</td>
<td>44</td>
<td>45 (2007)</td>
</tr>
<tr>
<td>Population (millions)</td>
<td>1.9</td>
<td>3.5</td>
</tr>
</tbody>
</table>

Sources: IMF; Core Welfare Indicator Questionnaire; Demographic and Health Survey; World Development Indicators; World Bank, 1982, Liberia: Recent Economic Developments and Medium-Term Prospects.
The World Bank Group reengaged with Liberia in 2003 after a 20-year absence, opening a country office and preparing an interim strategy built upon a multi-donor transitional support program. The first full Country Assistance Strategy for Liberia, approved by the IDA Board in April 2009, lays out a US$140 million post-conflict program for the next three years. The International Development Association (IDA), the World Bank’s fund for the world’s poorest countries, will support economic revitalization, infrastructure, and pro-poor growth.

COUNTRY ACHIEVEMENTS

Liberia is a small, open economy strongly dependent on trade.

Since the peace accord in 2003, the economy has posted a strong recovery, and the prospects are favorable for further strong GDP growth as security continues to improve. GDP growth is projected to fall to 4.9 percent in 2009, owing to the global economic crisis, but is expected to accelerate in 2010.

Liberia is highly aid dependent. Its economic recovery has produced a consistent rise in fiscal revenues (from a very low base). But its per capita public spending—at US$40 per capita in Fiscal Year 2006/07—is among the lowest in the world.

The government has carried out a number of important economic reforms including improvements in tax and customs administration, budget preparation, spending controls, and building of basic procurement capacity. A major challenge going forward, as natural resources are mined and begin to produce revenue, will be to ensure that growth benefits the poor, avoiding the inequities that led to past conflict.

Most Liberians live in tremendous poverty.

In 1980 Liberia’s real GDP per capita had reached US$890. The economy began losing momentum soon afterwards with the economy contracting sharply during the war.

Current per capita GDP is estimated at US$240 (2008), making Liberia one of the world’s poorest countries. Close to two-thirds of the population lives below the national poverty line (63.8 percent), and close to half of the population lives in extreme poverty (47.9 percent) according to the Core Welfare Indicator Questionnaire of 2007.

Poverty is more prevalent in rural areas (where 68 percent of the people are in poverty and 56 percent in extreme poverty) than it is in towns and cities (where 55 percent of the people are in poverty and 29 percent in extreme poverty). Poverty shows itself in both low income and poor access to social services, resulting in poor health and education status. About 39 percent of the children in Liberia are stunted and net primary school enrollment is only 37 percent. However, progress is being made as the government rebuilds its overall capacity, increases revenues, attracts more development aid, and improves its ability deliver basic services to the population.
IDA CONTRIBUTIONS

Resuming relations after a 20-year hiatus.

The IDA program in Liberia is relatively new: the first post-conflict IDA grant was approved in June 2006 and the bulk of the financing approved over the last two years. The World Bank Group resumed support to Liberia in 2003 after a 20-year absence. It opened a country office and prepared an interim strategy based on a multi-donor transitional support program.

In the initial post-conflict period, Liberia remained in arrears with the World Bank preventing resumption of a full IDA program. The Bank was able to engage in the initial post-conflict period through a combination of trust fund grants and analytic work, laying a foundation for interventions in infrastructure rehabilitation, economic governance reform, and social protection, in particular community-driven development.

In 2006, IDA approved a first pre-arrears clearance grant of US$30 million for Liberia opening the way for a large and sustained program in transport rehabilitation—the government’s primary post-conflict objective—in addition to support in the other areas mentioned above. In total, IDA committed pre-arrears clearance grants of some US$60 million. Arrears were cleared in December 2007, allowing it IDA’s reengagement in Liberia.

The first full IDA Country Assistance Strategy for Liberia was discussed by the Board in April 2009 building upon the government’s first Poverty Reduction Strategy. It lays out a 3-year post-conflict program with a selective focus on economic revitalization, infrastructure, and pro-poor growth for IDA support.

IDA and Trust Funds at Work

The existing portfolio of projects under implementation (financed both by IDA and trust funds) in Liberia includes:

- US$214.3 million in infrastructure and basic services (road rehabilitation, port rehabilitation, energy, urban works, health, education and community-driven development projects);
- US$22.9 million for economic revitalization projects (forestry, public financial management, procurement reform and budget support); and
- US$8.4 million for governance and judicial reform.

IDA’s current portfolio in Liberia amounts to US$ 180.2 million.

Establishing basic economic governance systems, procurement capacity, and project management cadre has helped the government define and implement its development priorities. In addition, IDA’s engagement has significantly leveraged other donor activities and funding. The World Bank is administering the Liberia Reconstruction Trust Fund, a multi-donor fund focused on major infrastructure projects. To date, donors have committed some US$120 million to scale up IDA’s existing work in transport rehabilitation and solid waste management.

IDA programs have registered some early outcomes.

Delivering early results in a number of sectors.

Economic Governance. Early in the post-conflict period, the Bank helped Liberia rebuild its economic governance and fiduciary capacity through the use of trust funds and other
instruments. As the Bank moved toward full-fledged support, IDA has consolidated much of this work into a multi-sector economic governance reform program.

The Economic Governance and Institutional Reform project (US$11 million) has built on, and deepened, reforms already being undertaken in the areas of public financial management and the civil service. The on-going project provides:

- Assistance to the Ministry of Finance’s Resource Management Unit;
- Financing for the Ministry of Finance’s Financial Management Training School;
- Specialized technical assistance for the Public Procurement Concession Commission;
- Support to the Liberian Agency for Community Empowerment for the implementation of investment programs in sectors such as education, health and urban works;
- Support for the consolidation and strengthening of Liberia’s tax administration reform efforts by implementing a new computerized integrated tax administration system;
- Physical infrastructure and hardware for the government’s financial management information system;
- Support to the Liberia Extractive Industries Transparency Initiative through financial management and governance of the mining sector, in coordination with technical support provided by EITI Multi Donor Trust Fund;
- Support to the Ministry of Lands, Mines and Energy on managing mineral resources;
- Training, support and equipment for the General Auditing Commission in order to strengthen the government’s external audit function and strengthen the capacity of the Ways and Means Committees to ensure proper scrutiny of the execution of the budget;
- Establishing a human resources management information system;
- And support to the Liberia Institute of Public Administration for civil servant and legislator training.

As a result, the General Auditing Commission recently published Liberia’s first general audit in 25 years. An Aid Management Unit has been established to monitor aid flows. And the Liberia Extractive Transparency Initiative (LEITI) has begun publishing data on natural resource revenues from the country’s extractive industries. The LEITI has helped earn Liberia an international award from the world EITI secretariat in Oslo, Norway, for rapid progress toward compliance with the program’s guidelines.

**Infrastructure.** Rehabilitation of physical infrastructure and restoration of service delivery have been Liberia’s two highest priorities following the end of conflict.

Building on earlier work financed by trust funds, IDA has supported a large infrastructure rehabilitation program consisting of three emergency projects totaling some US$150 million: the Emergency Infrastructure project; the Agriculture and Infrastructure Development project; and the Urban and Rural Infrastructure Rehabilitation project.

The three projects complement one another. In Monrovia, the capital city, for example, project activities include rehabilitation of several major road corridors; partial restoration of water supply; creation of a rudimentary solid waste management service; and construction of major urban bridges.

While still in its early days, the program has delivered impressive results, not only tackling a daunting transport reconstruction agenda,
but also rebuilding Liberia’s institutional capacity to manage infrastructure rehabilitation projects in the future.

Some of the early results to date:

- **Major road corridors have been rehabilitated.** These include road links from Monrovia to Cotton Tree, as well as two major corridors comprising the “backbone” of the country. The rehabilitation of these two corridors allows for more efficient transportation to and from the inland counties. The IDA projects are also setting the stage for increased donor harmonization; allowing the Liberia Reconstruction Trust Fund—a multi-donor trust fund administered by the World Bank—to scale up further roads reconstruction. At least two major bridges and multiple smaller road crossings will be rehabilitated by the IDA program. Finally, emergency civil works at the Freeport of Monrovia, coupled with a much-needed reform program of the National Port Authority, will increase the efficiency of transporting goods in and out of the country’s only major seaport.

- **IDA is helping the Ministry of Agriculture rebuild its institutional capacity** to tackle the needs of Liberia’s devastated agriculture sector, through analytical work to underpin needed reforms in the sector; strategic planning; training; and extension services.

- **Water supply has improved** as a result of IDA-funded activities to upgrade the distribution network in Monrovia. Access to safe water in urban areas has risen to 57 percent (compared to 51 percent nationally), according to the Core Welfare Indicator Questionnaire of 2007. As with transport, IDA-financed activities in the water sector are closely coordinated with those financed by other donors. Designs for the rehabilitation of Monrovia’s water treatment plant have been finalized. Construction will be financed by the African Development Bank.

- **Major strides have been made in the area of urban development.** First, the IDA program has established a rudimentary solid waste management system, which has collected and disposed of some 80,000 tons of solid waste; initiated development of a sanitary landfill; and is rehabilitating public infrastructure throughout Monrovia, including drainages, market buildings, public toilets, and the Monrovia City Hall. The IDA program has not only financed the infrastructure needed for a solid waste management system, but has supported public education campaigns to increase use of the system and eventually to help reduce the amount of waste generated.

**Community Empowerment and Jobs.** In addition to investments in physical infrastructure, IDA is supporting the continuation of a Community Empowerment project, which seeks to involve local communities in the reconstruction of vital social infrastructure with a focus on local decision-making and labor. IDA’s US$11 million grant is complemented by EUR8.5 million co-financing from the European Commission. The project is implemented by the Liberian Agency for Community Empowerment (LACE), a semi-autonomous community-development authority established under the Bank’s early post-conflict program in Liberia.

The project is having an important impact in building ownership and capacity at the local level. As of June 2009, 100 subprojects—including markets, health clinics, schools, and small bridges—have been completed.
In addition, the Cash for Work Temporary Employment project has provided short term civil works employment for 10,000 people in Montserrado, Bassa, Nimba, Bong, Cape Mount, Lofa, Gbarpolu and Rivercess counties. Given the importance of employment in reducing poverty, all Bank-funded infrastructure projects utilize labor-intensive work methods to the extent possible.

**Health and Education.** In response to urgent needs in the health sector, the IDA launched a US$8.5 million emergency Health System Reconstruction project in 2007, supporting the Ministry of Health through the provision of equipment, development of human resources, and strengthening of institutional management capacity.

During the last two years, the World Bank has supported education in Liberia by providing technical assistance for capacity building in the Ministry of Education. A Country Status Report and Education Sector Plan have been prepared jointly, diagnosing the education challenges in a country where the net primary school enrollment rate is only 37 percent, and laying out future policy directions.

**PARTNERSHIPS**

Donor coordination is particularly strong among the main donors active in Liberia. These donors—IDA, the United States, the IMF, the African Development Bank, and the European Commission—co-hosted a two-day Liberia Partners Forum in Washington, D.C. in February 2007. The World Bank and Germany hosted a second Liberia Poverty Reduction Forum in Berlin in June 2008. Both forums strongly endorsed the government’s reform program and pledged significant development assistance and debt relief as Liberia moves from a short-term relief to a long-term development agenda.

The World Bank is active in the Liberia Reconstruction and Development Committee (LRDC)—the government-led body that coordinates the implementation of the national development agenda both within government and with donors. The Bank is actively engaged in the LRDC’s Economic Revitalization Working Group and the Infrastructure & Basic Services Working Group, and is a member of the Governance/Rule of Law Working Group.

The Bank works closely with and coordinates with the U.N. agencies represented in Liberia. The Bank, the UN Mission in Liberia (UNMIL) and UNDP have devised a unique and innovative solution to emergency infrastructure repairs within a post-conflict environment: IDA provides the funding; UNMIL engineering battalions provide the heavy equipment; and UNDP provides administrative support.

In line with the principles of harmonization and coordination, the Bank held extensive consultations with the U.N. system and other development partners during the preparation of the Bank’s Interim Strategy Note (ISN) in June 2007 and the Country Assistance Strategy (CAS) for Liberia in April 2009.

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**Responding to New Needs**

In May 2008, in response to the crisis caused by rapidly rising food prices, the World Bank approved a US$10 million emergency grant from the Food Price Crisis Response Trust Fund. The grant supported activities to: achieve quick wins in improving agricultural productivity; establish community-based cash for work program; and to provide emergency nutritional support to vulnerable women and children in collaboration with the World Food Programme.
CHALLENGES AHEAD

The war had a devastating impact on the economy and social welfare. The economy contracted by more than two-thirds in real terms between 1980 and 2003. Much of the country’s physical and productive infrastructure was destroyed, forcing almost half the population (48 percent) into extreme poverty. The capacity of the public sector to deliver basic public services deteriorated markedly, as a result of a collapse in government revenues, loss of human resources from the public service and a breakdown of systems of government. Many experienced and qualified staff left the public service as salaries and benefits shrunk to extremely low levels. Equipment and documents were destroyed or stolen and basic systems and procedures for public administration broke down in many cases, including systems for financial management and procurement, providing opportunities for corruption.

More progress needs to be made on governance, capacity development and public sector reforms to help Liberia rebuild its shattered state institutions and service delivery infrastructure and sustain post-war recovery efforts. IDA will continue to focus on a core governance reform program, in particular rebuilding the public financial management system.

Liberia is rich in natural resources (agricultural land, forests and mineral deposits) but national government capacity needs to be strengthened to ensure that the benefits derived from these natural resources are sustainably managed and benefit the poor. Strong governance and oversight functions to ensure transparency in the flow of natural resource revenues, strong accountability measures for their use, and environmental programs to encourage sustainable resource management could help tackle this challenge. IDA is supporting these steps through the EITI Initiative, support to the Liberia Forestry Initiative, and support for smallholders in agriculture.

Liberia remains one of the poorest countries in the world with two thirds of the population living below the poverty line. The long civil war destroyed most basic infrastructure such as schools and clinics as well as the country’s institutional capacity to deliver these critical basic services. Although much progress has been made in the short post-war period, Liberia is unlikely to meet the Millennium Development Goals by 2015.

Looking ahead (and responding to the global financial crisis), the government is focusing on good macro-economic policy and putting in place programs for the poorest and most vulnerable—programs that would boost smallholder agriculture, social protection, health, and community driven development—with IDA’s continuing support.

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http://www.worldbank.org/ida