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# A Diagnostic of Social Protection in Liberia

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## **Government Fiscal Year**

July 1 to June 30

## **Currency Equivalents**

Currency Unit: Liberian Dollar (LR\$)

(as of January 1 2012)

US\$ 1 = 72.5 LR\$)

## **Weights and Measures**

Metric System

## **ABBREVIATIONS AND ACRONYMS**

ART	Anti-Retroviral Therapy
CfWTEP	Cash for Work Temporary Employment Program
CFSNS	Comprehensive Food Security and Nutrition Survey
CT	Cash Transfer
CWQI	Core Welfare Questionnaire Indicator
EU	European Union
FAO	Food and Agriculture Organization
FFT	Food-For-Training
FFW	Food-For-Work
GAM	Global Acute Malnutrition
GDP	Gross Domestic Product
GoL	Government of Liberia
HH	Household
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
IDP	Internally Displaced Person
IMF	International Monetary Fund
LD	Liberian Dollars
LFS	Labor Force Survey
LISGIS	Liberia Institute of Statistics and Geo-Information Services
MCHN	Mother and Child Health Nutrition
MOA	Ministry of Agriculture
MOE	Ministry of Education
MOF	Ministry of Finance
MOGD	Ministry of Gender and Development
MOHSW	Ministry of Health and Social Welfare
MOPEA	Ministry of Planning and Economic Affairs
NCHS	National Centre for Health Statistics
NGO	Non-Governmental Organization
NSWP	National Social Welfare Policy

OVC	Orphans and Vulnerable Children
PL	Poverty Line
PRRO	Protracted Relief and Recovery Operation
PRS(P)	Poverty Reduction Strategy (Paper)
PSNP	Productive Safety Net Program (Ethiopia)
SFP	Supplementary Feeding Program
TFC	Therapeutic Feeding Center
TFP	Therapeutic Feeding Program
UN	United Nations
UNDP	United Nations Development Program
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNMIL	United Nations Mission in Liberia
USAID	United States Agency for International Development
USD	United States Dollars
VAM	Vulnerability Analysis and Mapping
WB	World Bank
WFP	World Food Programme
WHO	World Health Organization

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## EXECUTIVE SUMMARY

1. In recent years, the Government of Liberia launched efforts to develop a coordinated strategy for social protection. Indeed, social protection will be one of the key policy issues addressed within the Human Development pillar of the Poverty Reduction Strategy (PRS) II. The Ministry of Planning and Economic Affairs (MOPEA) is the lead ministry in the development of the PRS II, a final draft of which is expected in June 2012. The MOPEA, through the National Social Protection Secretariat, is also the lead agency in the development of a National Social Protection Strategy, which is expected in early 2012 and is a key element of the Social Protection Sector Plan in the PRS II. The research presented here analyzes the social protection sector in Liberia in support of this policy development.

2. Ongoing social protection (SP) interventions in Liberia provide a strong foundation on which the Government can build a comprehensive, inclusive, and responsive national SP system. At present, SP spending including donor partner support equates to approximately 1.6 percent of gross domestic product (GDP); these programs, however, lack the coordination necessary to realize the full potential of such interventions. International best practice suggests that SP programs tend to perform better if important interactions between them are exploited. In drafting the Strategy, the Government should focus on reducing the fragmentation of the system and increasing coverage and impact through the creation of fiscal space and the adoption of multi-sectoral approaches to SSN.

### **Poverty and Vulnerability in Liberia**

3. In Liberia, the incidence of poverty was estimated at 63.8 percent in 2007, with extreme poverty at 47.9 percent (PRS, 2007). Poverty is predominantly a rural phenomenon. The poorest households seem to be those where the head is self-employed in agriculture; poverty tends to decrease as the level of education of the head of household increases. Poverty also is strongly linked to age; young people are generally poorer than adults. The South Eastern A and the North Western regions of the country are have the highest percentage of people living in poverty.

4. Opportunities to engage productively in economic activities are limited. Vulnerable employment is estimated at 77.9 percent (LFS, 2010).<sup>1</sup> There are households with able-bodied adults who have no access to productive employment to generate a decent income. In Liberia, formally paid employees number about 195,000 people, only about five percent of the population. Almost 70 percent of people active in the labor market are employed in the informal sector, while the latest data indicate that nearly a quarter of the population (approximately 850,000 people) is underemployed.

5. In addition to limited opportunities for income-generation, vulnerability to poverty is strongly correlated with food insecurity. The latest Comprehensive Food Security and Nutrition Survey (CF-SNS) found that 13 percent of Liberian households were food insecure and that 28 percent of the population is vulnerable to food insecurity. In Liberia, food insecurity is both transient, in that it is

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<sup>1</sup> The Labor Force Survey defines vulnerable employment “as those workers whose status in employment is given as being own-account work or contributing family member, while the vulnerable employment rate is obtained by calculating this sum as a proportion of the total employment” (LFS, 2010).

linked particularly to the rainy season, and chronic, since it is often due to low productivity and production among rural communities. Liberia depends heavily on imports of rice as its main staple food.

## **Defining Social Protection and Social Safety Nets**

6. In the World Bank Social Protection Discussion Paper 9904, Holzmann and Jorgensen define social protection as public interventions meant to assist individuals, households, and communities in better managing income risks (Holzmann and Jorgensen, 1999:4–6). Through this assistance, social protection aims to contribute to poverty reduction and equitable, sustainable growth, specifically focusing on: protection to ensure adequate support to the poor; prevention to provide security to vulnerable people; and promotion to increase the chances for greater productivity and higher incomes.

7. As defined by the World Bank, social protection interventions typically include: (a) social assistance programs, such as cash or in kind transfers to alleviate poverty, often termed social safety nets (SSN); (b) social insurance programs, such as contributory programs, (i.e., pensions, unemployment benefits and health insurance); and (c) passive labor regulations and active labor market programs, such as education and training, credit, and employment services.

## **Overview of Social Protection in Liberia**

8. In Liberia, spending on social protection programming is relatively substantial; however, the sector is highly dependent on donor financing and fragmented between uncoordinated, often small-scale interventions. Current spending levels on social protection interventions represent approximately 1.6 percent of GDP (1.5 percent of GDP when only considering SSN programs). As a share of GDP, this is higher than the regional West African average. However, the GDP of Liberia remains low as the country recovers from the recent conflict. The Government also is heavily reliant on international donors, the support from which is included in this figure. Between 2008 and 2010, donor financing represented 93.8 percent of all SSN expenditures.

9. Regarding social insurance programs, the Government established the National Social Security and Welfare Corporation (NASSCORP) in 1975 to provide social protection for job-related injuries, occupational illnesses, being an invalid, and old age retirement. Currently, NASSCORP operates two schemes: (1) the Employment Injury Scheme (EIS), launched in 1980, and (2) the National Pension Scheme (NPS), introduced in 1988. An analysis of the financial situation of NASSCORP reveals that its schemes, as they are currently set up, are sustainable in the short term but the trend of growing beneficiaries and increasing costs in spite of stable enrollment is likely to lead the system toward large deficits in the medium term.

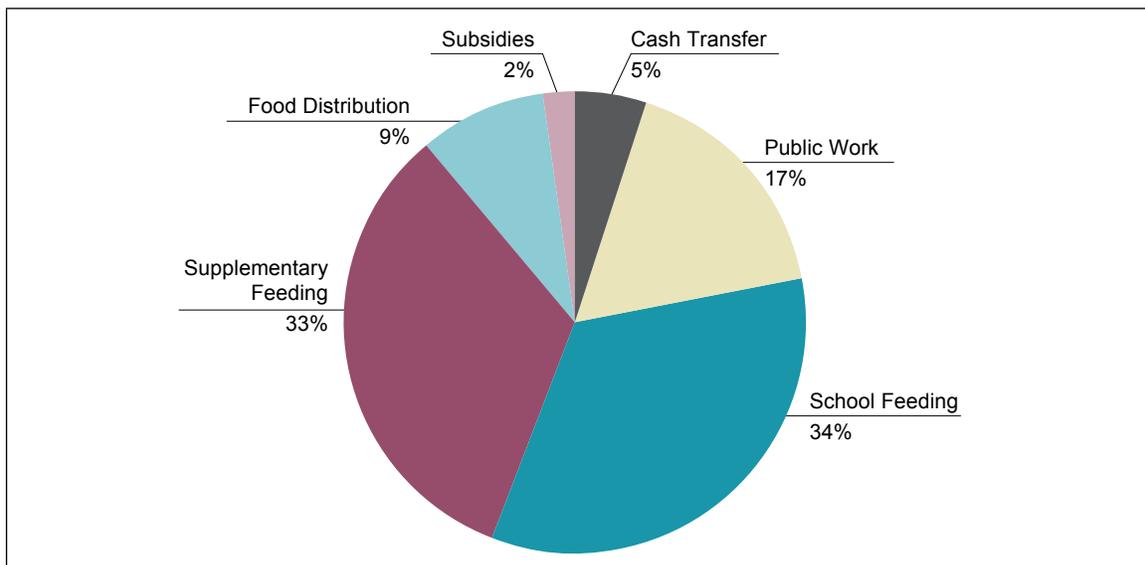
10. The social assistance programs implemented within the country and identified in this study as SSN are mainly: cash transfers and near-cash transfers; public works in which the poor work for food or cash; in kind food transfers such as school feeding and take-home rations, nutritional supplementary feedings and food distribution during lean season; and general subsidies meant to benefit households, often for food, energy, housing, or utilities.

11. The financing for SSN programs is heavily donor-dependent. The World Food Programme (WFP) is the largest donor in the sector, funding 60 percent of the SSN programs, with a focus

on food security and rural development that includes both food transfers and public works. The U.S. Agency for International Development (USAID) and the United Nations Children’s Fund (UNICEF) are other important development partners, accounting for 20 percent of the overall investment in SSN. USAID and UNICEF also concentrate largely on food security interventions, although—with funding from the European Union and the Japanese International Cooperation Agency—UNICEF supported the Government’s launch of a Social Cash Transfer targeted toward labor-constrained poor households. World Bank support represents about six percent of the sector and is focused on public works.

12. The graph below provides an overview of the percentages of total SSN spending by intervention type. Within these totals, Government spending represents approximately six percent of the total, split fairly equally between cash transfers, public works, and subsidies.

**Figure ES 1: Spending on SSN Interventions by Type**



Source: Authors’ calculations from projects documents and direct interviews.

### Coverage of Social Safety Nets in Liberia

13. This study estimates that ongoing SSN interventions reached approximately 830,000 beneficiaries in 2010. In a simple comparison to the 2008 census, this represents around 24 percent of the population; however, this percentage likely over-estimates the coverage of SSN, as overlap between these interventions is very likely. For instance, geographical overlap of different interventions is possible, particularly considering that school feeding programs provide universal coverage in many counties and that limited coordination between programs allows for individual attempts to enroll in multiple programs. Limited administrative data and program impact evaluations also prevent any calculation of what percentage of these 830,000 beneficiaries is poor or vulnerable. Moreover, the total average benefit amount covers only between 7 percent and 20 percent of the poverty line.

14. In terms of categorical targeting, SSN in Liberia currently focus primarily on two groups — the food insecure and the unemployed. The prevalence of food security programming reflects the country context: 41 percent of the population is severely food insecure or vulnerable to food insecurity; 39 percent of children are stunted and 19 percent are underweight (CFSNS, 2010; USAID, 2010). A second group of beneficiaries are unemployed people, currently addressed primarily by public works programs. The term *unemployment* is intended herein to also cover the ample portion of the population that is underemployed or engaged in vulnerable employment. Again, this categorical targeting reflects the Liberian context. In particular, informally self-employed people register very high poverty rates: households whose head is self-employed in agriculture (approximately the 33 percent of the population) have a poverty share of 72 percent.

15. Regarding geographic coverage, SSN programs in Liberia are fairly equally distributed at the regional level, as outlined in the table below. The most covered area of the country appears to be the North Central region, with 25 projects altogether, although the poorest regions are the North Western and the South Eastern A, where the share of poverty exceeds 76 percent. The higher population densities in the North Central region as compared with the North Western and South Eastern regions may explain some of the slightly disproportional coverage in that region.

**Table ES1: Geographical Coverage of Main SSN Programs**

Regions	Population	Poverty %	Extreme Poverty %	Number of SSN projects	Main type of SSN projects
Greater Monrovia	1,010,970	48.5	22.7	4	Public works
North Central	1,067,121	68.1	57.6	25	In-kind food transfers
North Western	294,849	76.3	62.2	18	Cash and near-cash transfers
South Central	558,364	58.9	42.2	16	All types
South Eastern A	296,940	76.7	60.9	16	In-kind food transfers
South Eastern B	260,828	67.2	53.7	13	In-kind food transfers

Source: Author's calculations based on project documents, 2008 Census and PRS 2007.

## Options for the Allocation of Social Safety Net Spending

### *Improving coverage through increased coordination*

16. Given the Government's limited national budget, this study examines scenarios for reallocating the current level of funding under a more coordinated and targeted SSN framework, rather than scaling up financing. Options for creating additional fiscal space for SSN exist; however, the Government and donor partners spend approximately 1.5 percent of Liberia's GDP on SSN annually (US\$23,620,051), which is above the regional average and relatively high considering the country's many competing demands for resources. The following table highlights three different possible coverage levels within 1 percent of GDP. To reflect the ongoing relevance of food assistance in Liberia, the approximately 0.5 percent of GDP allocated to school feeding programs is not accounted for in this reallocation exercise. It is assumed that the funding of school feeding, at this current level of .5 percent of GDP, will remain a critical Government priority going forward and will not be reallocated.

**Table ES2: Options for Scaling-Up SSN Programs\***

Type of SSN program	SCENARIO 1 100% Contribution to Extreme Poverty	SCENARIO 2 100% Extreme Poor	SCENARIO 3 50% Extreme Poor & 50% Contribution to Extreme Poverty
Beneficiaries (% of extreme poor)	324,776 (25.1)	1,295,295 (100)	647,648 (50)
Transfer/household/month (% of extreme poverty line)	US\$17 (100)	US\$4.25 (25.1)	US\$8.5 (50)
Transfer expenditure (annual)	US\$12,991,028		
Input and overhead expenditure (20% annual)	US\$2,598,206		
Total cost of transfers (annual)	US\$15,589,234		
% of GDP	1.5% minus school feeding (34% of 1.5%) = around 1% GDP		

Source: Simulations created by the authors.

\* The population of extreme poor is estimated at 1,295,295 people, as based on the PRS 2007. A transfer equal to 20 percent of the extreme poverty line is estimated to represent full coverage of the poverty gap. Since the PRS 2007 sets the extreme poverty line at approximately US\$200, this would be equal to US\$40 per person per year or US\$17 per household per month (with an average household size of 5 people established by the 2008 Census).

17. The choice between the different types of interventions depends on the Government's priorities. Ongoing and future evaluations of SSN programming in Liberia could help to inform this decision by providing relevant information about the benefits of different types of programs, as well as provide information to help decide between increasing coverage versus benefit size. However, all options imply the development of a more well-designed framework of safety net programs by way of refining the targeting mechanism, delivery of benefits, administrative costs, and program coordination among the different SP projects run by various stakeholders.

18. The Productive Safety Nets Program (PSNP) in Ethiopia provides a useful case study of successful coordination between donor partners and government. Under the PSNP, donors have pooled their financing—both cash and in-kind contributions—and their technical advice in support of this single program led by the government. This approach harmonizes SSN efforts in Ethiopia and enhances supervision and monitoring of the program, while avoiding excessive transaction costs for the government and donors.

### ***Multi-sectoral approaches***

19. Given the country's constrained resources, SSN that combine more than one objective and are cross-sectoral could help leverage the impact of such interventions. Especially in contexts where poverty is highly dynamic, SP interventions can benefit from multiple objectives. Income transfers can target human capital formation, such as education or nutrition, while public works can provide much-needed employment opportunities and support the creation of small-scale infrastructure. In Liberia, the latest initiative of the Government in this direction aims to exploit linkages between food security programming and agricultural productivity, specifically supporting the rehabilitation of agricultural assets and rural infrastructure by providing targeted productive SSN to beneficiaries and creating market opportunities for smallholder farmers to sell their harvests.

### *Cash versus food transfer programming*

20. Currently, there is a huge disproportion within the country between food and cash transfers, both in terms of expenditure and coverage. Food-related social safety nets receive the biggest share of expenditure, a total of 76 percent of funding—divided into school feeding (34 percent of the overall spending in SSN), supplementary feeding programs (33 percent) and food distributions (9 percent)—while cash transfers account for only 5 percent of total expenditures. Similarly, school feeding covers 37 percent of the total of beneficiaries, nutrition programs cover 31 percent and targeted food distributions cover 25 percent, while cash transfers only cover 1 percent of the total beneficiaries of existing SSN. This policy choice, in part, reflects Liberia’s high and widespread food insecurity.

21. Although food transfers in humanitarian and post-conflict contexts are typical, recent experiences of successful cash delivery in conflict-affected environments are starting to show a viable alternative. Cash is increasingly being used as a complement to in-kind transfers in humanitarian assistance, supporting the transition from relief to recovery. Moreover, in situations of chronic food insecurity, emergency food distributions can represent an expensive and inefficient response to hunger. If well designed, institutionalized cash transfers can constitute a timelier, more predictable, and more flexible alternative. Plus, they can yield net positive effects on local agricultural production and market development (DfID, 2011).

22. A gradual increase of cash transfers could, therefore, be considered in the Liberian context, taking into consideration the following (Grosh et al., 2008):

- The functioning of local food markets and how this is reflected in the prices of staple foods;
- The level of transaction costs, both for the program and for beneficiaries; and
- The preferences of beneficiaries, which may vary depending on circumstances: the greater flexibility offered to households by cash transfers can be both a positive and negative trait.

23. These considerations reinforce the complementarity of food and cash transfers and also suggest the possibility of adopting programs in which participants may change their benefit type depending on evolving household considerations. This latter option has been successfully adopted under the Ethiopian PSNP referenced above.

### **Returns on Safety Net Investments**

24. In regard to the rationale behind allocating scarce Government and donor partner resources to SSN, international evaluations of social protection systems highlight the positive returns on the investment in productive SSN programming. In 2010 and 2011, the International Labor Organization (ILO), the UK Department for International Development, and the Independent Evaluation Group of the World Bank each released studies of international evidence regarding the positive impact of social safety net programs. The ILO reported that non-contributory cash transfers “make a significant contribution to addressing poverty and vulnerability among the poor and poorest households in developing countries.” This research highlighted the positive impacts witnessed on human development indicators, employment, economic productivity, and consumption as well as on social inclusion and cohesion. Beneficiary households were found to have greater access to health

services; have higher consumption levels; be able to make productive investments; and experience less income variability. Still, while these reports pointed to long-term improvements in household welfare, more research is required to understand the sustainability of these outcomes, particularly in breaking intergenerational transfers of poverty.

25. The Cash-for-Work Temporary Employment Project provides a limited view of the possible effect of such programming on poverty alleviation within the Liberian context. The project created temporary employment for 17,000 vulnerable Liberians in all 15 counties and transferred over US\$2 million to these households. While this is a small program in comparison to the needs outlined above, results from two project assessments are encouraging, including an average reduction in the poverty gap of 27 percent, from 17.2 percent to 12.6 percent for the 1,100 beneficiaries surveyed. Additional ongoing impact evaluations in Liberia promise to provide further information about the effectiveness of SSN programming in contributing to poverty alleviation.

### **Lessons from Informal Support Systems in Liberia**

26. The disparity between the vulnerability of Liberians and the scope of formal social protection mechanisms highlights the necessity of households to rely on informal coping mechanisms. Liberia has a pervasive system of family and community networks through which households manage chronic poverty and mitigate shocks. Informal systems depend on the social capital that exists within families and communities and can leverage these ties to reduce the transaction costs typical of formal-sector insurance, loans, and other safety net mechanisms. A community's detailed knowledge of its members allows for relatively cheap and accurate identification of individual needs. The lack or minimal costs of participation in these systems is critical to their efficacy within the communities. However, in Liberia, where poverty levels are estimated at 64 percent, there are inherent limitations within systems of mutual support. Notably, they cannot cope with covariate shocks, which limit both person-to-person transfers and the ability of community organizations to respond simultaneously to numerous demands.

27. Moreover, research conducted for this diagnostic found that the most vulnerable were often excluded from the indigenous resources that might have helped to improve their standard of living or guard against household shocks. The inability to afford membership was the most commonly given explanation why focus group members did not participate in any monetary community groups. Moreover, social pressure is crucial to the enforcement of the regulations that govern community organizations. The severity for non-payment, coupled with the high interest rates for credit, further limit the participation of relatively poorer community members who would be less certain about their ability to make regular payments. These lessons reinforce the importance of developing a well-targeted social protection sector in Liberia. While extensive informal social support systems do exist, barriers to entry increase in direct correlation to one's poverty and only reinforce the need for outside intervention.

### **Overview of Conclusions and Recommendations**

28. The Government's creation of a National Social Protection Secretariat and its commitment to adopting a National Social Protection Strategy is an important step in strengthening this sector. In drafting the Strategy, the Government should focus on reducing the fragmentation of the system

and increasing coverage and impact through the creation of fiscal space and the adoption of multi-sectoral approaches to SSN.

29. First, the **National SP Secretariat should begin, through the National SP Strategy, to develop clearer institutional arrangements and more robust design, implementation, and monitoring mechanisms** to encourage complementarity and coordination between programs. Such systems are an important first step in building capacity in order to overcome the current fragmentation of the sector, including integrating donor financing within a national framework. At the same time, the development of capacity at the local level could ensure **more effective implementation of national policies**.

30. Second, **considering the country's fiscal constraints, the Government should be realistic about the possibilities of creating additional fiscal space for SP**. Four basic options can be considered: (i) the reallocation of expenditures both within and between sectors; (ii) better integration of donor financing in the national budget planning processes and improved coordination by the Government of external resources; (iii) borrowing; and (iv) increasing domestic revenue either by raising the efficiency of revenue generation or by accelerating economic growth.

31. Third, **intervention types should be defined within a holistic national framework**. To leverage the impact of social protection interventions, Liberia also could gradually move toward a more integrated system of SSN, investing in the economies of scale that such a multi-sectoral approach can yield. The Strategy could also consider SSN that combine more than one objective. In addition, the gradual increase of cash transfer and public works programming could be an effective option to scale-up coverage and directly address two main dimensions of vulnerability in Liberia: food insecurity and unemployment.

32. Fourth, a **more effective system of targeting of SSN interventions** can significantly contribute to their ultimate impact on poverty. In Liberia, the most effective strategy seems to be the adoption of multiple targeting mechanisms, with an emphasis on transparency and a strong beneficiary role in the oversight of programs. The creation of a common comprehensive database of all SSN interventions also could help ensure appropriate targeting and avoid unintended overlaps in coverage.

33. Finally, and in broader terms, **social assistance and social insurance interventions should develop simultaneously, but with different time horizons**. Social assistance programs are critical in the short and medium term to address pockets of extreme poverty or vulnerability within the country. However, as the economy develops and the private sector expands, social insurance schemes can increase their coverage to provide social protection and security to a more significant portion of the population.

34. The following table provides an overview of the recommendations provided here and suggests key actions and a timeline for their adoption.

## OVERVIEW OF KEY SOCIAL PROTECTION POLICY RECOMMENDATIONS FOR LIBERIA

Policy Recommendations	Actions and Timeframe		Actors	Monitoring Indicators
	2012	2013		
<b>Policy Objective 1: Strengthen Liberia's National Social Protection System</b>				
Adopt a national social protection strategy to provide an overall framework for a social protection system.	<ul style="list-style-type: none"> <li>Draft the national SP strategy with input from relevant line ministries.</li> <li>Hold national consultations with line ministries, local government, and civil society on the draft.</li> <li>Finalize and present the strategy to Cabinet for its approval.</li> </ul>	<ul style="list-style-type: none"> <li>Continue holding regular meeting of the NSPSC to evaluate progress toward the objectives of the national SP strategy.</li> <li>Begin consultations with donors regarding the adoption of a multi-donor pool for SP financing.</li> </ul>	Cabinet, ministries, NSPSC, civil society and donor partners	Adoption of a national social protection strategy
Develop a robust national monitoring and evaluation system to facilitate informed policy decisions.	<ul style="list-style-type: none"> <li>Build capacity in the NSPSC to monitor ongoing Government and donor implemented SP interventions.</li> <li>Invest in a database management software capacity.</li> </ul>	<ul style="list-style-type: none"> <li>Develop a common registry of beneficiaries of at least a few key interventions.</li> <li>Establish minimum reporting requirements for ongoing SP interventions.</li> <li>Begin implementing systematic monitoring of ongoing SP interventions.</li> <li>Transmit annual program evaluation to relevant line ministries at end of FY.</li> </ul>	NSPSC and implementing ministries, agencies, NGOs and donor partners	Annual monitoring reports
Build local-level capacity for the implementation of social protection interventions to improve the quality of service delivery.		<ul style="list-style-type: none"> <li>Couple county and district staff with Government and donor partner staff currently implementing social protection interventions.</li> <li>County and district staff report to NSPSC regarding progress of interventions in their locations.</li> </ul>	Local government staff and implementing ministries, agencies, NGOs and donor partners	Assessment reports to NSPSC
<b>Policy Objective 2: Support the Poor and Vulnerable in Attaining an Improved Standard of Living</b>				
Develop a strategy for the expansion of fiscal space for social protection interventions.	<ul style="list-style-type: none"> <li>Hold consultations with relevant line ministries, NGOs, and donor partners to review the possible means through which to increase or reallocate SP spending, as identified in this report.</li> </ul>	<ul style="list-style-type: none"> <li>Determine levels of financing available to scale-up key interventions as outlined in the national SP strategy.</li> </ul>	NSPSC and implementing ministries, agencies, NGOs and donor partners	NSPSC work plan

(Continued on next page)

**OVERVIEW OF KEY SOCIAL PROTECTION POLICY RECOMMENDATIONS FOR LIBERIA (Continued)**

Policy Recommendations	Actions and Timeframe		Actors	Monitoring Indicators
	2012	2013		
Review type and quantity of benefits provided under ongoing social protection interventions.		<ul style="list-style-type: none"> <li>Hold consultations with relevant line ministries, NGOs, and donor partners to review type and level of benefits based on national M&amp;E database.</li> <li>Create an action plan to revise, as necessary, type and level of benefits based on the objectives of the national SP strategy.</li> </ul>	NSPSC and implementing ministries, agencies, NGOs and donor partners	NSPSC work plan
Identify improvements in the targeting of ongoing social protection interventions to reach poor and vulnerable people more effectively.		<ul style="list-style-type: none"> <li>Hold consultations with relevant line ministries, NGOs, and donor partners to review beneficiary coverage based on national M&amp;E database.</li> <li>Create an action plan to reach identified populations in keeping with the national SP strategy.</li> </ul>	NSPSC and implementing ministries, agencies, NGOs and donor partners	NSPSC work plan
Continue efforts to review the pension and employment disability schemes offered through NASSCORP.	<ul style="list-style-type: none"> <li>Finalize the internal assessment of the ongoing contributory schemes within NASSCORP, particularly in regards to financial sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>Hold consultations regarding the possible expansion of NASSCORP's pension coverage (likely through a new schemes) to the informal sector.</li> </ul>	NASSCORP	Assessment report to NSPSC

# CHAPTER 1: INTRODUCTION

## A. Rationale and Objectives

35. In recent years, the Government of Liberia has launched efforts to develop a coordinated strategy for social protection. Indeed, in the Poverty Reduction Strategy (PRS) II, social protection will be one of the key policy issues to be addressed within the Human Development pillar. Neither the first PRS nor other main policy documents reference social-protection-specific interventions. Furthermore, until recently, only a limited number of programs specifically targeted the needs of extremely poor households, estimated in 2010 at approximately 340,000.

36. The Ministry of Planning and Economic Affairs (MOPEA) is the lead ministry in the development of the PRS II, a final draft of which is expected in June 2012. The MOPEA, through the National Social Protection Secretariat, is also the lead agency for the development of a National Social Protection Strategy, the draft of which is expected in early 2012. This will be followed by formulation of a policy and plan of action that is a key element in the Social Protection Sector Plan in the PRS II. The donor community, with UNICEF as the lead agency for human development, is actively involved in the drafting of both planning documents.

37. To support this strategy development, the objective of this paper is to inform the development of an integrated, national social protection strategy targeting the needs of “the most neglected categories of households in Liberia” (UN, 2008). The analysis that follows considers the current state of the social protection system of Liberia by responding to the following key questions.

- What are the core elements of the formal social safety net system in Liberia and what is the cost to the Government?
- What are the respective benefits and limitations of contributory systems and non-contributory systems, as well as the types of programs available in both areas, within the Liberian context?
- What is the overall institutional approach to ensure that SP programs work? Is it to establish new institutions, reform existing arrangements that are not working, or a combination of both?
- What are the cost implications of the different programmatic and institutional framework options presented and what are the repercussions of each in regard to sustainability?

36. On this basis, this document presents recommendations for an effective social protection strategy, highlighting key policy and budgetary implications for the Government.

## B. Defining Social Protection

37. In the World Bank Social Protection Discussion Paper 9904, Holzmann and Jorgensen define social protection as public interventions meant to assist individuals, households and communities in better managing income risks (Holzman and Jorgensen, 1999:4–6). The objectives of these interventions are a subset of the overall development objective of economically sustainable, participatory development with poverty reduction. As such, social protection aims to contribute to poverty reduction, manage individual risks, and promote equitable and sustainable growth, through (i) protection to ensure adequate support to the poor; (ii) prevention to provide security

to vulnerable people; and (iii) promotion to increase the changes for greater productivity and higher incomes.

38. This report adopts the definitions developed by the World Bank, which are explained in detail in Chapter 3. Broadly speaking, a social protection system involves: (a) social assistance programs: cash or in kind transfers to alleviate poverty; (b) social insurance programs: mandatory (contributory) social insurance programs (pensions, unemployment benefits, health insurance); (c) passive (labor regulations) and active labor market programs (education and training, credit, employment services). In general, social protection programs tend to perform better if important interactions between them are exploited, making the overall system a well-coordinated and integrated sector.

### **C. Methodology of the Study**

39. The present study was completed using existing poverty analysis, administrative data, and household survey data, in close collaboration with various ministries as well as with donors engaged in social protection. The main sources of data used in this report are: Core Welfare Indicators Questionnaire (CWIQ) surveys, along with a review of the Risk and Vulnerability Assessment, and the latest Food Security and Nutrition Survey. The PRS I has been a tremendous source of information related to the overall context of the country. This data was supplemented by programmatic reports from development partners such as UNICEF, WFP, and USAID.

40. Inventories and documents of various existing social safety net programs (funded by the government, international organizations/bilateral donors, and NGOs) were analyzed. Administrative data as well as existing program evaluations have been used to assess the outreach and effectiveness of programs and their relevance to the risks faced by vulnerable households. The available information is not always definitive or complete. Specifically, little information is available on the performance and monitoring of the various projects and few impact assessments have been conducted.

41. Field research on informal social protection mechanisms included 20 focus group discussions and 40 individual interviews in ten localities across five counties. Bomi, Montserrado (specifically Greater Monrovia), Nimba, Grand Gedeh, and Maryland were selected to represent all of the major regions within the country and each of the food insecurity categories outlined in the 2010 CFSNS. Given the scope of the research, it was not possible to develop a representative sample size; therefore, community members, localities, and counties were selected based on specific characteristics, rather than at random. The findings, therefore, cannot be extrapolated for the population at large; the findings reflect only the reported behaviors of the small cross-section Liberians interviewed.

### **D. Structure of the Report**

42. This report is organized as follows. After the introductory first chapter, Chapter 2 presents the profile of poverty and vulnerability in Liberia. It focuses on income poverty and economic vulnerability. Chapter 3 defines social protection and presents the theoretical role of social protection as a strategic policy option to address vulnerability and poverty, with a focus on the national institutional framework. Chapter 4 illustrates current spending in social protection programs. Chapter 5 reviews existing contributory programs. Chapter 6 outlines existing non-contributory programs

with a view on the various actors (government, technical and financial partners, and key actors of civil society), the main programs, and the financial resources allocated. An analysis of their relevance, effectiveness and efficiency in order to identify best practices is also reported. Chapter 7 details the coverage of SSN in Liberia at present. Chapter 8 presents possible options for increasing or better allocating the spending on SSN in Liberia. Chapter 9 suggests a multi-sectoral approach to SSN, including an analysis of the complementarity of food and cash transfers. Chapter 10 provides an overview of field research conducted on the coping mechanisms and informal social protection networks used by Liberian households. Finally, the last chapter provides key policy recommendations for improving the effectiveness of existing social safety nets and the reach of the sector to protect the poor and vulnerable and respond to future crises.

## CHAPTER 2: POVERTY AND VULNERABILITY IN LIBERIA

### A. Socio and Macroeconomic Context

43. Liberia's remarkable economic growth since 2006 is greatly associated with the Government's pursuit of policies aimed at promoting economic revitalization and development. GDP is estimated to have increased steadily between 2006 and 2008 and, though it declined to 2.8 percent in 2009 following the global financial crisis, it grew at 5.0 percent in 2010 and is projected at 6.1 percent in 2011. The Emergency Food Security and Market Assessment (2011) outlines that growth is driven predominately by the mining, agriculture, forestry, manufacturing, and service sectors. The country's inflationary pressures decreased throughout 2009, with consumer price inflation averaging 7.4 percent, far below the average rate of 17.5 percent in 2008. This growth has resulted in an increase of per capita GDP from US\$190 in 2007 to US\$262 in 2010. However, with the national poverty line estimated at 63.8 percent in 2007, the challenge facing Liberia remains great.

### B. The Nature and Extent of Poverty within the Country

44. As noted above, in Liberia, poverty was estimated at 63.8 percent of the population in 2007, with extreme poverty arriving at 47.9 percent (PRS, 2007). The PRS provides a concise profile of poverty, on the basis of the data on consumption provided by the CWIQ 2007. The rural Poverty Line<sup>2</sup> (PL) is estimated at US\$357 per year, while the urban PL is at US\$504 per year.<sup>3</sup> The

#### Box 1: Some Definitions Related to Poverty and Vulnerability

Three dimensions are usually taken into account in poverty analysis: incidence, depth and persistency.

- *The incidence* of poverty is the proportion of poor households or individuals whose consumption (or income) is below the defined poverty line (Liberia: rural PL US\$357 US per year; urban PL US\$504 per year);
- *The depth (or gap)* of poverty measures the distance at which households or individuals can be found in relation to the poverty line; it basically assesses the resources needed to bring all of the poor out of poverty.

When the temporal dimension is added to these concepts, it is possible to obtain a more complete picture to analyze the persistence of poverty analysis and thereby define:

- *Chronic poor* as people who lack the assets to earn sufficient income in year  $t$  and in year  $(t+1)$ , that is even in good years.
- *Transient poor* as people who earn sufficient income in good years, but fall into poverty, at least temporarily, as a result of idiosyncratic or covariate shocks ranging from an illness in the household or the loss of a job to drought or macroeconomic crisis; that is, a person can be poor in year  $t$ , but not in  $t+1$  and vice versa.

From this concept it is possible to further define an important aspect of poverty:

- *Vulnerability* to poverty is defined as the probability to fall into poverty in the period  $(t+1)$  due to the low capacity to guard against the risk of knowing the state of poverty. *Vulnerable groups*, commonly include—but are not limited to—inhabitants of food insecurity areas, disabled, elderly, orphans, displaced, refugees, and asylum seekers.

Source: Grosh et al. (2008) and authors.

<sup>2</sup> The consumption poverty line is defined, in fact, in terms of the cost of basic needs. It derives, first, from the cost of a food basket providing 2,400 kcal per day per adult equivalent, and computes, second, the non-food spending of households whose food expenditures are within 5 percent of the food poverty line. The total poverty line (PL) is the sum of the food and the non-food poverty lines, while the food poverty line represents the basis for measuring "extreme" poverty.

<sup>3</sup> Calculated per individual, not per household.

**Table 1: Percentages of National and Regional Poverty and Extreme Poverty Shares in Liberia**

	<b>National %</b>	<b>Urban %</b>	<b>Rural %</b>
Poverty	63.8	55.1	67.7
Extreme Poverty	47.9	29.0	56.3
<b>Regions</b>	<b>Poverty %</b>	<b>Extreme Poverty %</b>	
Greater Monrovia	48.5	22.7	
North Central	68.1	57.6	
North Western	76.3	62.2	
South Central	58.9	42.2	
South Eastern A	76.7	60.9	
South Eastern B	67.2	53.7	

Source: PRS, 2007.

food PL, which defines extreme poverty, is US\$0.67 per day per adult equivalent, equivalent to US\$242 per year.

45. With this perspective, the PRS 2007 notes that 1.7 million Liberians live in poverty, while 1.3 million in extreme poverty. Poverty is predominantly a rural phenomenon, with a rural poverty incidence of 67.7 percent (1,286,159 people), representing 56.3 percent of extreme poverty (1,063,952 people). About 70 percent (1,899,791 people) of the population lives in rural areas, meaning that approximately three quarters of the poor live in extra-urban contexts. The South Eastern A and the North Western regions of the country contain the highest percentage of people living in poverty, however, in absolute terms the largest number of people living in poverty is found in the North Central region at 660,000 people.

46. The table below highlights the key data of the poverty profile within the country. It is of grave concern that the highest poverty shares can be found among the youngest groups of the population: almost one third of the population is between 0 and 9 years of age (789,770), with 63.3 percent (499,925 people) living in poverty; almost one fourth of the population (645,929 people) belongs to the range 10 to 19 year-old, and the share of poverty for this group is 67.4 percent (higher than the national poverty indicator, accounting for 435,356 people). Households with male heads account for three-quarters of the total number of households, with a poverty share of 64.6 percent. The education level of the head influences poverty within the household: in 42.2 percent of the households the head does not have any formal education, and the poverty share for these households reaches 72.6 percent. The share of poverty tends to decrease as the levels of education of the head increases (although only a very small percentage of the population has completed secondary or tertiary education). Accordingly, the poorest households seem to be those where the head is self-employed in agriculture (with a poverty share of 72.0 percent), while households whose head is employed in the public sector tend to be better off (49.1 percent of them live in poverty).

**Table 2: Population Share for Poverty in Liberia (%)**

<b>Age of individuals (parenthetical figures show percent of population)</b>	<b>Poverty (63.8%)</b>
Less than 10 (29.1%)	63.3
10 thru 19 (23.8%)	67.4
<b>Gender of head</b>	
Male (74.3%)	64.6
Female (25.7%)	61.6
<b>Marital status of head</b>	
Monogamous (63.7%)	65.4
Widowed, divorced, separated (11.8%)	68.8
Polygamous (6.3%)	73.0
<b>Education level of head</b>	
None (42.2%)	72.6
Completed primary (3.9%)	70.3
Some secondary (21%)	62.5
<b>Socio-economic group of head</b>	
Self-agriculture (33.3%)	72.0
Self-other (19.8%)	59.0
Public (13.9%)	49.1

Source: PRS, 2007.

47. The 2008 National Population and Housing Census (LISGIS, 2011 Draft) collected data on some indicators used as proxies for poverty assessment, wherein poverty status is determined by characteristics of the heads of household.<sup>4</sup>

48. In the analysis, households without all the essential assets (a mattress, furniture and a radio) are classified as poor: about 85 percent of the Liberian households do not have any of these three essential items (LISGIS, 2011 Draft). The situation appears to be worse for the rural dwellers, since 93 percent of them do not own any of the essential items, compared to 78 percent for urban residents. The high percentage of households without essential amenities shows the general aftermath effects of the civil conflict and its devastating consequences in terms of displacement. The majority of the displaced persons used to have agriculture as their principal occupation; their displacement meant a drastic reduction in food and other crop production and, consequently, a reduction in their income.

49. Geographically, essential asset deficiency also suggests widespread poverty. Greater Monrovia reports 76 percent essential asset deficiency, whereas the remaining counties—with the exception of Maryland (which is also 76 percent)—are over 80 percent. The county with the highest essential

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<sup>4</sup> Specifically, the questionnaire had questions about ownership of amenities: furniture, mattresses, radios, television, cell phones, motorcycles, vehicles, refrigerators, and main construction materials of housing unit (outer walls, roof and floor), together with main sources of supply of drinking water, fuel for lighting and cooking, human waste disposal system used by household members, time to get from home to nearest health facility and household members activity status. The commodities considered for measurement and estimation of unmet basic needs were classified into ownership of essential amenities, housing, sanitary conditions, water, education, health services, and agriculture.

asset deficiency is Nimba, with 95 percent, followed by Bomi, with 94 percent. Nimba was one of the hardest hit counties during the civil war, and this may have contributed to the lack of ownership of amenities by its residents. In the case of Bomi, the only mining company that used to be the key source of employment in the county has collapsed, leaving a sizeable number of household heads unemployed (LISGIS, 2011 Draft).

50. Households headed by illiterate individuals are have a higher level of essential asset deficiency than those whose heads were literate. Households whose heads are young (aged less than 25 years) or old (over 65 years) also have higher essential asset deficiency compared to other age groups. This same pattern also applies to households whose heads are not in paid employment compared to the other categories, especially those household heads who are labor-constrained, household workers, or contributing family workers. In addition, households whose family members are engaged in food crop cultivation (rice, plantain, and cassava) generally face a higher essential asset deficiency compared to those who engage in livestock and chicken rearing or fishing (LISGIS, 2011 Draft). These findings are in keeping with the CWIQ 2007 on which the first PRS is based.

51. According to the 2008 Census, the **overall literacy rate is 57 percent**, but it is much higher for males (66 percent) than for females (49 percent,). In terms of locality, the urban rate (at 72 percent) is 30 points higher than the rural rate (42 percent), with a substantial urban-rural difference in rates even among the youngest age group. In terms of the proportion of the population that has attended school, there appears to be a greatly improving pattern over time. Whereas only 25 percent of those aged 65 and over said they had ever attended school, the proportion having attended school increased to 84 percent (473,000 people) for those aged 15–24. According to the data collected by the CWIQ 2007, at the national level the primary schools net enrolment rate is 37.3 percent, while in secondary schools, the corresponding figure is 15.2 percent (LISGIS Education, 2007). Enrolment rates are lower in rural areas than in urban areas; they are also lower among poorer households identified here according to five quintiles of consumption per equivalent adult. Enrolment rates remain slightly lower for girls than for boys, but recent efforts to improve girls' education have helped to reduce the gap so that differences now are relatively small at the primary level. However, differences at the secondary level remain substantial. The lack of proper infrastructure and teachers, the lack of security in the country and the high cost of education linked to user fees led to a sharp decline in enrolment in the early part of this decade, especially for girls (National Policy of Girls Education, MOE, Government of Liberia, 2005).

52. In terms of **labor force**, the currently active population includes all those who are currently employed as well as those who are currently unemployed (and actively looking for work). Considering all ages, there are about 1.3 million people in the Liberian labor force, in both the formal and informal sectors; the comparable figure for the adult population (aged 15 and over) is about 1.1 million, with approximately equal numbers of males and females, and slightly more of them in rural areas than in urban. The great majority of the labor force is in the productive ages of 25 to 54, but there are a surprising number of younger people as well, particularly in rural areas. At the national level, skilled agricultural workers constitute the largest group (400,000). In rural areas, subsistence farmers predominate (316,000); agricultural, forestry, and fishery laborers (87,000) are also a substantial group. Most of the occupational groups are more likely to be found in urban rather than rural areas, except for skilled agricultural workers and elementary occupations which occur more often in rural areas. In Liberia, *paid employees* as a group number about 195,000 people, of whom 84,000 are in

Greater Monrovia. The largest formal sector employment is through education, with approximately 24,000 male and 10,000 female professionals. The 50,000 persons employed by Government benefit from various favorable conditions: three-quarters report that their employer contributes to a pension or retirement fund for them, half receive paid leave, and a similar proportion get medical benefits.

53. There are almost three-quarters of a million people engaged in *informal employment* in Liberia, which accounts for 68 percent of all employment. There are more women than men in informal employment and informal employment is more common in rural areas, where 75 percent of all employment is informal. Most of the informal employment is provided in just two sectors: agriculture, with over half of total informal employment, and wholesale/retail trade, with more than one-quarter. The latter sector is particularly important in the case of female informal employment. The rate of informal employment across counties varies from a rate of just over 60 percent in Montserrado, Nimba and Margibi, up to over 80 percent in Grand Gedeh, Lofa and River Gee.

54. According to preliminary findings from the Labor Force Survey 2010, the overall adult *unemployment* (meaning people actively looking for work) rate is 3.7 percent. Younger people are more likely to be unemployed than older people. Urban rates are more than twice as high as rural rates; with the figure being particularly high for young people aged 15–24. The most frequent action taken to find work is to seek assistance from friends or relatives, an approach more often adopted by females than by males.

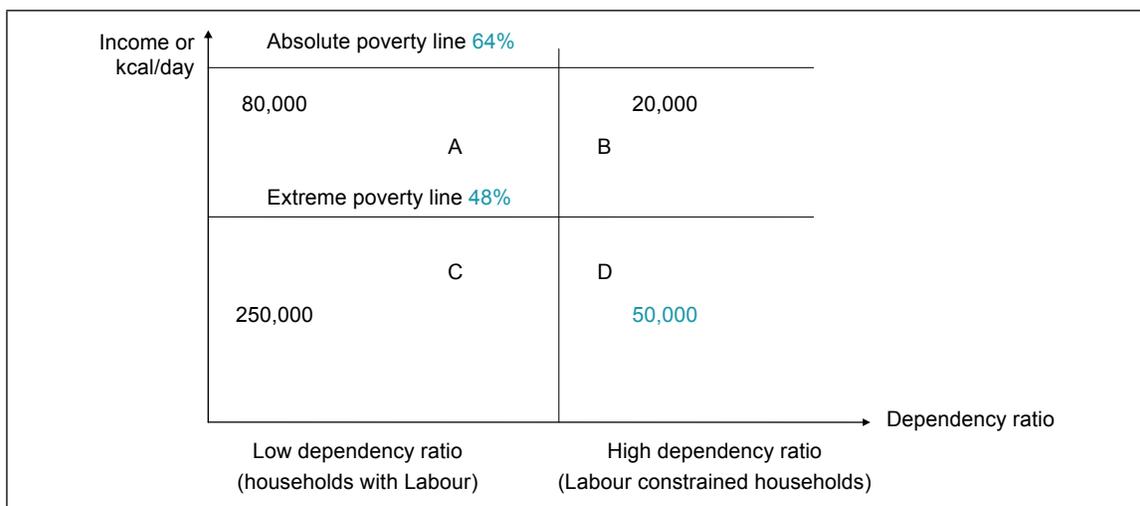
55. In its preliminary findings, the LFS 2010 also attempts to measure the extent of *underemployment* in the country, i.e. any sort of employment that is in some sense ‘unsatisfactory’ from the point of view of the worker, through three contributory factors: the person may be working insufficient hours, they may be receiving insufficient compensation, or they may feel the job makes insufficient use of their skills. Time-related underemployment (referred to as “visible” underemployment) is concerned with the first of these three factors, and can be measured in terms of the hours a person works. The other two factors (referred to as “invisible” underemployment) are much more difficult to quantify. An estimated 80,000 workers in Liberia would like to work more hours (more males than females) and more than 250,000 workers would like to earn more.

56. A 2008 UN report (reference needed here) on social protection estimates that approximately one-sixth of the extreme poor households in Liberia (50,000) are *labor constrained* and, as a result, experience chronic extreme poverty (UN, 2008). As such, they cannot respond to self-help oriented or labor-based programs. Single mothers with a large number of children, households headed by disabled people and child-headed households also belong to this category. The remaining 250,000 households are poor because of a combination of transitory factors caused by unemployment or underemployment: they are households with able-bodied adults who have no access to productive employment. See Figure 1.

### **C. Trend in Vulnerability and Risks Analysis**

57. Vulnerability to poverty is the likelihood of falling into poverty because one’s income falls below a predefined poverty line. This quantitative approach of vulnerability implies estimating a probability as well as selecting a poverty line. Furthermore, it involves choosing a probability threshold under which people should be considered vulnerable. Intuitively, this threshold is when

**Figure 1: Groups of Poor Households in Liberia**



Source: UN, 2008.

the probability of being poor in the future exceeds 50 percent: people should be considered vulnerable in this case since they are more likely than not to fall into poverty in the future (Pritchett et al., 2000).

58. Vulnerable people engage in coping strategies to try and guard themselves against risks. Accumulating assets—including cash, livestock and other goods, as well as supporting education, health, family, and social networks—helps people cope with shocks and insure themselves against falling into poverty. Hence, asset accumulation should be considered as a major factor in risk management. However, in some particularly poor (rural) areas, there is limited possibility for asset accumulation due to a persistent lack of infrastructure and means. Here, poverty is deeply felt and vulnerability associated with shocks is at its highest. In this context, vulnerability may be defined as a person’s chronic inability to accumulate durable goods and develop capabilities to get out of poverty. In such circumstances, risk management induces a diversification of activities and the engagement in low risk activities. However, mitigation strategies are costly. Low-risk activities and assets having low returns can have lasting effects on long-term poverty. Furthermore, even when implemented, these strategies are often unsuccessful in fully guarding against the impact of shocks, which involve serious losses of assets, capabilities, and health, thereby further limiting possibilities for poverty reduction.

59. Across Liberia, high levels of vulnerability are partly due to income disparities already existing before the war and are partly the result of many years of armed conflict. As the 2008 UN paper, *Social Protection Issues in Liberia*, emphasizes, “in addition to income poverty, which is reflected in the high number of absolutely poor and extremely poor households, the country also suffers from scarcity of social services (education, health, water and sanitation) and from the inadequacy of physical infrastructure (especially roads), of economic infrastructure (financial services like rural banks) and of administrative and security related infrastructure.” (UN, 2008)

60. Moreover, vulnerability to poverty is strongly correlated with *food insecurity*: with more than two-thirds of its food requirements imported, Liberia is strongly dependent on international

markets and **highly vulnerable to high food-price shocks**. According to the 2010 Comprehensive Food Security and Nutrition Survey (CFSNS), 13 percent of all Liberians have poor food consumption and dietary diversity, meaning that an estimated 368,000 Liberians can be considered to be severely food insecure. In addition, 28 percent (about 850,000 people) have borderline food consumption, meaning that they are moderately vulnerable to food insecurity. Finally, 59 percent are considered to have adequate consumption and can be considered to be food secure (about 1,776,000 people). USAID (2010) reports that 39 percent of children are stunted and 19 percent are underweight.

61. The 2010 CFSNS further confirms high levels of food insecurity, referring to specific *regions*. Generally, the highest levels of food insecurity among households can be found in the counties of Bomi (73.6 percent), Grand Kru (78.2 percent), Maryland (72.5 percent) and, above all, River Gee (82.5 percent), while the most well off area is Greater Monrovia, where household food insecurity is 7.8 percent. In addition to these counties, transitory food insecurity greatly affects the population of those regions that become inaccessible during the rainy season (May to October) due to the lack of infrastructure, especially roads. Regions in the South East cannot receive any food supply during those months, and as a result suffer malnutrition and severe hunger.

62. Finally, vulnerability concerns the *usual groups*: children, women, the elderly, people living with disabilities, and HIV/AIDS-affected people. In addition, specifically in Liberia, social protection must address those large groups of the population suffering from specific problems as a result of the war: internally displaced people, people who fled to neighboring countries and are repatriated, ex-combatants, orphans, former child soldiers, and women who were abducted or exposed to sexual violence. These groups suffer from income poverty and *war-related traumas* and thereby require interventions of psychosocial support, basic education, vocational training and employment in order to become self-reliant and able to integrate in the community.

## **D. Chronic and Transitory Poverty in Liberia**

63. Based on the analysis presented above, an effective social protection strategy will target the most vulnerable part of the population: primarily rural people living in the most inaccessible

### **Box 2: Liberian Households Most Likely to be Food Insecure**

- Households headed by widows/widowers.
- Households headed by the elderly (above 60 years old); the prevalence of poor food consumption in this age group is estimated at 22 percent in rural areas.
- Households with a chronically sick or disabled member; almost one quarter of households with a chronically ill person have poor food consumption in rural areas.
- Families residing in poorly constructed houses: in urban areas, the likelihood that a household with poor food consumption resides in nondurable housing conditions is three to five times as high as for food secure households.
- Households within the lower wealth categories, which is indicative of their limited asset base and resilience to shocks.
- Households involved in just one or two income activities rather than several; the prevalence of poor food consumption drops from 15 percent for households engaged in one or two income activities to only nine percent for those with three income activities and to six percent for households involved in four or more.
- Households in rural areas that depend on agricultural activities; more than 20 percent of these households have poor food consumption.
- The unemployed, self employed, or casually employed.
- Households headed by a person with no or limited education.

Source: CFSNS, 2010.

regions of the country, usually within labor-constrained households, or within households whose head is self-employed in agriculture and does not earn enough for appropriately feeding his/her family. The typical Liberian poor person is young (usually below 20 years of age), and is particularly worse off if the head of household has not undergone any form of education. Two key factors contribute to make some groups particularly vulnerable: *food insecurity and the impossibility, within the household, to perform income-generating activities*, or activities likely to make a decent living for the entire family (households in rural areas that depend on agricultural activities such as crop production, charcoal production, rubber tapping, and palm oil production).

64. *Transient* food insecurity is often linked to difficulties in accessing particularly remote counties. As previously discussed, the difficulties in accessing particularly remote counties result from poor road conditions, especially in the rainy season. *Chronic* food insecurity is connected to low productivity and production among rural communities. People living in the South East (in River Gee, Grand Kru and Maryland), and in Bomi in the North West, are particularly food insecure. The South East counties tend to be chronically food insecure, while transitory food insecurity is, for example, often experienced in rural Montserrado. Ironically, food insecurity is more common within agrarian communities, because of widespread low agricultural productivity and production. Malnutrition, more broadly, is also connected to poor access to health, water and sanitation services, as well as inadequate care of mothers, infants, and young children.

65. Moreover, although rice production has tripled between 2005 and 2009, national demand for this staple persists and is compounded by above-average population growth in recent years. These factors have elicited high dependence on unstable world food markets and increased vulnerability to food-insecurity. Households cope with difficulties in accessing food by consuming less preferred foods, limiting their food intake, reducing the number of daily meals, or borrowing food. These coping strategies, together with traditional feeding practices, limited access to safe drinking water, inadequate sanitation, rudimentary health services, and low educational achievements are linked to chronic malnutrition among children (WFP, 2010).

66. The *inability to perform work* also can be *transitory* when linked to unemployment or under-employment, and can be as such addressed with appropriate policies. On the contrary, households can be structurally labor-constrained and, as such, may be *chronically* unable to work. This is the case, for example, for single mothers with a large number of children who, hence, will become suitable for income generating activities in the long run only, or households headed by persons with disabilities, the chronically ill, or children. This second group requires direct targeting of interventions because it is very dependent on external help and cannot actively respond to development interventions.

## CHAPTER 3: STRATEGIC ROLE OF SOCIAL PROTECTION SYSTEM

### A. Consolidated Theory of Social Protection Systems

67. Most countries implement anti-poverty or risk management policies and programs that are classified as a social protection system. Although the term “system” conveys an interconnectedness of programs achieving interrelated functions, the reality in most cases is that of an amalgam of schemes operating with little or no coordination. There are nonetheless several open questions regarding how countries at different levels of economic and institutional development should move toward more integrated social protection systems. The potential benefits from integration will depend on the types of social protection programs that countries have in place.

68. There is a general consensus in the literature about the core functions of a social protection system. Most publications define three such functions: (i) protecting income and consumption from shocks such as disease, unemployment, or disability in old-age; (ii) preventing and combating poverty and deprivation by ensuring access to a basic set of goods and services; and (iii) improving individuals’ earnings opportunities by promoting investments in human capital, giving access to credit, and making labor markets (the main source of income for most) work better.

69. A satisfactory SP system should incorporate a list of general features, such as:

- *Inclusion*: identify the coverage gaps and work to ensure the inclusion of the most vulnerable in the SP system and to eliminate overlaps and redundancies;
- *Equity*: ensure that fiscal resources are equitably distributed and will achieve horizontal equity in the ratio of contributions to benefits across workers of similar levels of income;
- *Sustainability*: ensure a fiscal sustainability under different scenarios of demographics and rules;
- *Incentive compatibility*: engender program rules that create incentives for workers (individually or if appropriate, at community level) to work, save, and participate in insurance (avoiding adverse selection and perverse incentives to work less and to save less and to seek informal work) and to participate in human capital enhancement programs, as well as incentives for SP insurers and service providers to enroll all workers in the system (avoiding risk selection); and
- *Focus on results*: establish clear goals that are linked to a well-articulated program for reaching those goals and are implemented using effective monitoring and evaluation systems.

70. In general, social protection programs tend to perform better if important interactions between them are exploited, making the overall system a well-coordinated and integrated sector. A social protection system includes formal programs that are traditionally mapped into three categories:

- *Social insurance programs* (e.g., pensions, unemployment benefits, health insurance) which are mainly associated with preventing abrupt reductions in consumption as a result of an income shock or an increase in expenditures. If individuals become unemployed, for instance, they receive unemployment benefits and, in the case of illness, part of their health expenditures is covered.
- *Social assistance programs*, which are mainly related to the poverty prevention function and involve protective transfers to the poor and vulnerable (such as the disabled).

- Finally, *active* (e.g., education and training, credit, employment services) and *passive* (labor regulations) *labor market programs* and policies that mainly focus on improving earnings opportunities and the functioning of labor markets efficiently. These types of policies are not considered in the present study.

71. The development of adequate social protection programs is often correlated with the general level of economic development. This is a natural consequence of the fact that the possibilities for social protection depend in large part on the savings capacity of individuals and countries. As per capita income rises, there is more opportunity for sustainable programs to be created. However, it has become clear that those low-income countries that have successfully used social protection systems to reduce vulnerability and inequality and to build human capital have been able to grow faster than other countries that have preferred to postpone the development of protective and redistributive systems.

### **Box 3: Building Social Protection Systems in Africa**

In *Africa Social Protection Strategy 2012–2022*, the World Bank identifies three priorities for building an effective SP system:

- Long-term vision and policy coherence in terms of instruments, financing mechanisms, and institutional arrangements;
- Integration, harmonization, and coordination among different programs and functions; and
- Setting-up basic administrative tools.

Source: WB, 2011.

72. Social protection programs are only a part of a broader poverty reduction strategy. They interact with and work alongside of health and education services, the provision of utilities and roads, and other policies aimed at reducing poverty and managing risk. Poverty reduction requires ensuring people's access to consumption and food security, health, education, rights, voice, security, dignity, and decent work. It involves an appropriate political process and requires dedicated efforts to empower the poor by strengthening their voice and fostering democratic accountability.

## **B. Social Protection in Low-income and Fragile Countries**

73. In low-income countries and fragile situations, such as post-conflict states, an effective social protection strategy has to develop against a milieu of strong socio-economic and political economy constraints and, as such, must take into consideration a range of specific factors. First, contexts of fragility tend to have a greater exposure to shocks and risks. The existence of large displaced populations, the high numbers of orphans, widows, and people with both physical and psychological disabilities, the need to reintegrate ex-combatants and child soldiers into society, economic risks in terms of the price of imported goods, lack of capability to react promptly to natural disaster due to lack of infrastructure, and so on, all require a sound preliminary understanding of the context before proceeding to the design of an SP strategy. Second, a large proportion of the population may live in rural areas, where infrastructure and basic service delivery are particularly weak; this hinders the actual possibility of projects to effectively reach beneficiaries. Third, most households work in the informal sector, where social protection entitlement programs do not traditionally exist. Fourth, economic crises and natural disasters disproportionately affect the most vulnerable in these contexts, putting an enormous stress on the SP system to respond promptly and effectively. Finally, accountability mechanisms, such as civil society monitoring, are often less well developed. All these factors, combined with an often-unsecure environment and a limited state capacity in financial and logistical terms, impose additional challenges on low-income countries and fragile states.

74. However, in these countries where social safety nets are less entrenched, policy makers have great potential to guide the development of effective SP interventions. Well-designed interventions can gradually redress the balance for historically marginalized segments of the population, at the same time helping to create productive infrastructures. For example, labor-intensive programs can be a stabilizing force providing employment opportunities to those without alternative livelihoods, while at the same time yielding valuable infrastructure investments.

75. Social safety nets, given their non-contributory nature, are likely to be the dominant social protection approach in low-income and fragile countries due to the prevalence of the informal sector, among other factors. As countries develop, and their implementation and financial capacity improves as the formal economy expands, social insurance and employment assistance are likely to become more prominent approaches of SP. Implementing social assistance non-contributory programs (SSN) can be preferable in the short and medium term, if these programs are complemented by a slower, but consistent, development of well-structured social insurance programs (contributory systems).

76. This report briefly illustrates contributory programs and then mainly focuses on the non-contributory programs, here named social safety nets (SSN). A complementary analysis on the active and passive labor market policies is beyond the scope of this paper.

77. Liberia is a post-conflict state and, as emphasized above, severe deprivation and vulnerability, the absence of basic infrastructure, weak administrative systems, low levels of social cohesion, and an uncoordinated range of support operations characterize such environments. Formal social protection systems often do not offer complete coverage and inevitably exclude parts of the population. A variety of traditional or “informal” ways of providing social protection within households, groups, and networks fill some of the gaps left by formal social protection interventions and distribute risk within a community. As community-based mechanisms for providing social protection are part of the overall social protection system in developing countries, it is important to understand what types of informal social support networks exist and their relevance for social protection program design—an analysis that will be done in Chapter 10.

### **C. Defining Social Safety Nets (SSN)**

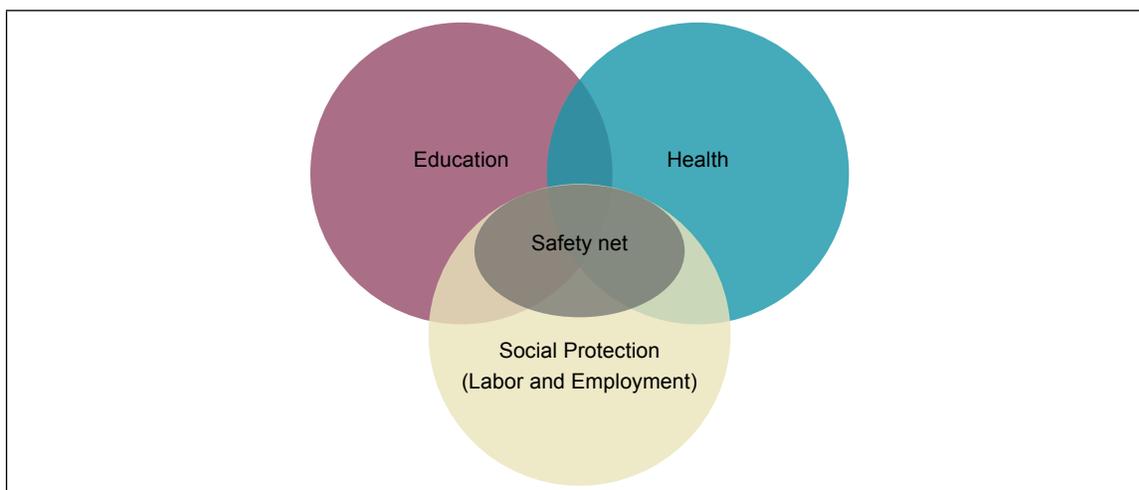
78. In this report, SSN refer to non-contributory programs of social assistance targeted, in some manner, at the poor or vulnerable. The following figure is meant to show graphically the intersection between SSN and traditional social sectors.

#### **Box 4: WDR 2011: High Stresses and Weak Institutions in Fragile States**

The role of institutions and the potential for building strong institutional arrangements for social protection must be developed with fundamental differences between fragile, violent situations and stable development environments in mind. First, there is a preliminary need to restore confidence in collective action before embarking on wider institutional transformations, since confidence-building is a prelude to more permanent institutional change in the face of violence. Second, states need to transform institutions so that they can provide citizen security, justice, and jobs. SP can play a fundamental role in this regard. Third, regional and international actions must be put in place to contain external stresses. Finally, the external support needed to rebuild institutions and finance their development must be embedded into national policies and carefully monitored by a strong national leadership.

Source: WB, 2011a.

**Figure 2. Conceptual Intersection between the Different Social Sectors and Safety Nets**



79. Common types of SSN programs may be classified as follows (Grosh et al., 2008): (i) cash transfers such as child benefit, family allowances and social pensions, and near-cash transfers such as food stamps and commodity vouchers; (ii) public works in which the poor/vulnerable work for food or cash; (iii) in kind food transfers such as school feeding and take-home rations; (iv) general subsidies meant to benefit households, often for food, energy, housing, or utilities and (v) programs that protect and enhance human capital and access to basic services such as conditional transfers such as transfers in cash or in kind to poor/vulnerable households subject to compliance with specific conditions in relation to education and/or health, and fee waivers for health and education such as fee waivers for health care services, scholarships, and so forth.

80. SSN, as previously defined, aim at increasing and stabilizing consumption as well as supporting the use of basic social services, either directly or indirectly by lowering the cost of food and other basic commodities and essential services. Income-generating activities and other livelihood programs thus fall outside the scope of this study. Such programs are important poverty reduction instruments but may not ensure a direct increase in consumption and are therefore not classified as social safety net programs.

81. In developing countries, there are usually three basic forms of social transfers provisioning: (i) formal mechanisms that are provided by governments and are prescribed by law; (ii) semi-formal support provided by UN agencies or NGOs; and (iii) informal mechanisms supplied by households and communities. Chapters 5 and 6 outline formal and semi-formal support; Chapter 10 addresses informal support networks on which Liberians households rely.

#### **D. Institutional Arrangements for Social Protection**

82. Six domestic legal instruments and six international conventions (signed by the GoL, although not all ratified) provide the legal framework for social welfare and social protection. The relevant national legislation includes the 1972 Executive Law regarding the duties and responsibilities of MOHSW; the 1972 Judiciary Law; the 1973 Domestic Relations Law; the 1975 Public Health Law;

the 2005 Act establishing the Commission on Disabilities; and the 2005 Rape Law. Normative ground is provided by international and regional conventions, including the International Covenant on Economic, Social and Cultural Rights (into force 1976); the African Charter on Human and People's Rights (ratified); the African Charter on the Rights and Welfare of the Child; the Convention on the Rights of the Child (ratified); the Convention on the Elimination of All Forms of Discrimination Against Women (ratified); and the Convention on the Rights of Persons with Disability (ratified). In addition, the recently-passed Children's Law and the Adoption Law, once signed into law by the President, will update and amend the relevant sections of domestic law regarding children's rights and will aim at international standards for adoption.

83. There are a number of key actors in the social welfare and social protection sectors at the ministerial level. In particular, the Ministry of Health and Social Welfare is responsible for coordinating the social welfare response and for delivering health services, including mental health services; the Ministry of Education is responsible for the delivery of education services; the Ministry of Justice and the judiciary oversee the delivery of legal services to juveniles in contact with the law or in need of legal services; and the Ministry of Gender and Development carries out advocacy work and strategic responses to gender and children's issues. The Ministry of Planning and Economic Affairs has established a National Social Protection Steering Committee that seeks to coordinate the various Governmental, donor actors and other development partners within this sector. The Committee is also tasked with developing a comprehensive National Social Protection Strategy, Policy, and Plan of Action. This will lay the basis for the creation of an effective social protection system with a robust monitoring and evaluation system. At the secondary level, there are a range of national commissions, whose mandates cover key social welfare and protection areas, including reintegration, refugees, disabilities, and others, and the National Social Security and Welfare Corporation, responsible for the administration of social security and social insurance schemes for formal sector workers.

84. At the local level, county and district Government authorities are involved in service delivery, as are local and international NGOs, local volunteers and development workers, as well as community-based organizations (informal and formal organizations that assist with activities in their neighborhoods and communities).

85. Coordination mechanisms at both central and local levels appear almost non-existent. On the one hand, it is difficult to clearly understand where actual responsibilities for the different issues lie; on the other hand, the lack of capacity at local level renders it difficult to decentralize decision-making processes and deliver services effectively. Information and data constraints represent another key challenge that further complicates good coordination as well as implementation.

86. Overall, the system for the development and implementation of social welfare and social protection seems to be highly fragmented, with no clear policy guidance, either in political or in administrative terms. Complex institutional arrangements coupled with weak capacities make it difficult to properly organize the whole institutional arrangement for social protection in Liberia, limiting the sophistication of the interventions that might be introduced

## CHAPTER 4: SPENDING ON SOCIAL SECTORS AND SOCIAL PROTECTION

### A. Overall Spending on Social Sectors

87. This chapter provides an overview of the expenditures recorded in the GoL budget in the different social sectors, of which (as specified in the previous section) social protection is but one component.<sup>5</sup> The overall investment budget of the Government in the social sector is around one fifth of the total budget.

**Table 3: Share of Social Sector Spending in the Budget (US\$)**

Social Service Sector	2008/2009	2009/2010	2010/2011	Avg 2008–2010
Education	24,941,259	28,408,992	33,659,737	29,003,329
Health & Social Welfare	18,992,740	25,356,723	32,480,992	25,610,152
Gender & Development	1,049,234	1,226,433	1,417,899	1,231,189
Youth & Sports	3,855,344	4,377,099	4,090,795	4,107,746
Total Social Sector Ex.	48,838,577	59,369,247	71,649,423	59,952,416
% of National Budget	19.5%	19.0%	19.4%	19.3%

Source: MOF.

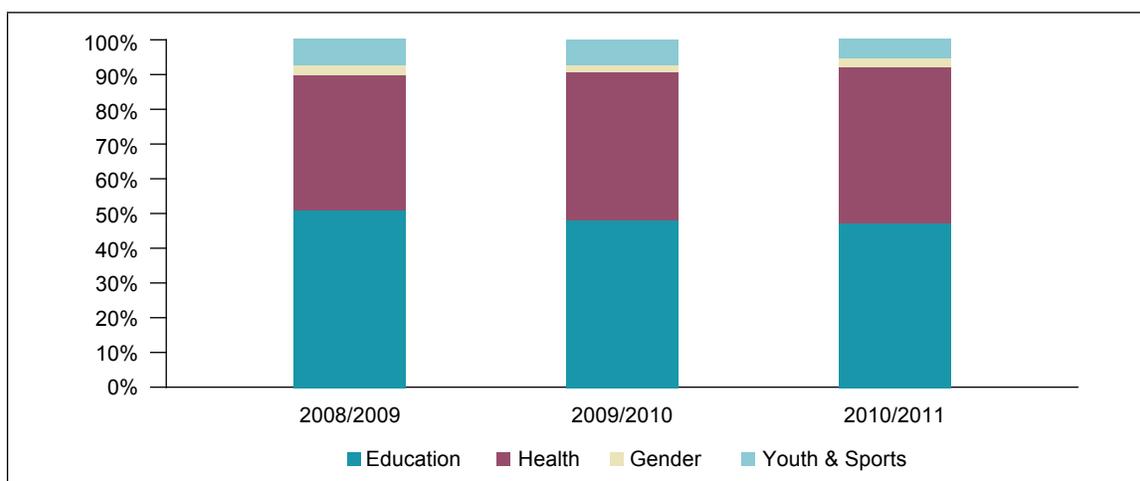
88. The education subsector received the largest share of the allocation to the social services sectors with an average of 48 percent, followed by the health sector with 43 percent, youth and sports with 7 percent and gender with just 2 percent. These calculations are based on allocations to the above-mentioned ministries and therefore do not include Government expenditures in some areas of social protection, such as public works, pensions, or general subsidies.

89. In spite of some recent improvements, Liberia's education system remains weak. First of all, the majority of school buildings were destroyed during the war and the surviving schools lack textbooks and basic materials. Many teachers have no training and their attendance is low, primarily because of very poor and irregularly received salaries. Moreover, school attendance and achievement vary substantially between urban and rural contexts. Despite the Government's policy regarding free primary education, costs remain a huge barrier for many households since poor families often cannot cover basic fees, let alone the costs for uniforms and materials. The net primary enrolment in 2007 was 37.3 percent, far below the target set by the MDGs for 2015.

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<sup>5</sup> This analysis does not take into account possible future steps made viable by the June 2011 decision of the IMF to enable an immediate disbursement in an amount equal to about US\$7 million, bringing total disbursements under the arrangement to about US\$379.7 million. The IMF also approved the authorities' request for an extension of the arrangement through March 2012, and an augmentation of access of about US\$13 million, equivalent to about 6.9 percent of quota, bringing total access under the arrangement to about US\$394 million (<http://www.imf.org/external/np/sec/pr/2011/pr11258.htm>)

**Figure 3: GoL Expenditures on Social Services – 2008–2010**



90. Health remains a major issue, too, in spite of the growing public spending in the sector. As in the case of schools, many health facilities were destroyed during the war, with the result that Liberians have very little physical and financial access to the few available health services. Even if some indicators have improved after the end of the war and with the restoration of some basic services, maternal mortality remains high, and the prevalence of preventable diseases and of malaria is still high (66 percent malaria prevalence among children under five). Within the MOHSW allocations, expenditures on social welfare represent only a very small proportion of the budget: US\$930,000 out of almost US\$17 million in 2009, and only US\$370,000 in 2010, within a total budget of over US\$20 million.

## **B. Overall Spending on Social Protection**

91. As noted above, social protection is one sub-sector of social services provided within Liberia. The following analysis provides an overview of spending by Government and its development partners on contributory and non-contributory programs, as defined in Chapters 5 and 6. It also looks at categories of beneficiaries with the overall objective of characterizing the availability and quality of services and to determine what improvements should be pursued at the system level.

92. On the contributory side, the GoL established the National Social Security & Welfare Corporation (NASSCORP) in 1975 to provide social protection for job-related injuries, occupational illnesses, being an invalid, and old age retirement. NASSCORP operates two contributory schemes, the Employment Injury Scheme (EIS), launched in 1980, and the National Pension Scheme (NPS), introduced in 1988. Information on the combined expenditures under these two schemes is provided in Table 4.

93. In terms of non contributory schemes, social safety nets can be classified in five groups, as previously defined: (i) cash transfers and near-cash transfers; (ii) public works in which the poor/vulnerable work for food or cash; (iii) in kind food transfers which include school feeding and take-home rations, supplementary feeding to poor/vulnerable households subject to compliance with specific

**Table 4: Main programs in Social Protection in Liberia**

Non Contributory		Budget US\$				
Programs	Institutions	2008	2009	2010	2011	Average 2008–11
Cash Transfers						
	MOGD/EU/UNICEF/ JICA			500,000	500,000	500,000
	STC (AR, KV, OVC)	12,000	22,500		340,000	124,833
	MOHSW			480,000	400,000	440,000
Public Works						
	MOL (NBE)	120,000	720,000	280,000	80,000	500,000
	LACE (YES)			1,500,000	1,500,000	1,500,000
	WFP (FFW PRRO)		875,422	2,626,267	1,750,845	2,188,556
In Kind/Food Transfers						
School feedings	WFP (PRRO)		4,083,200	12,249,599	8,166,399	8,166,399
Take home rations	WFP (PRRO)		233,820	701,460	467,640	467,640
Nutritional support	USAID (LAUNCH)			2,000,000	2,000,000	2,000,000
	MOHSW/UNICEF/EU/USAID				3,600,000	3,942,308
	WFP (PRRO)		979,706	2,939,118	1,959,412	1,959,412
Food distribution	WFP (PRRO)		467,640	1,402,920	935,280	935,280
	WFP (EMOP)			49,983	1,318,870	684,426
Subsidies*						
Transports subsidies	MOF	480,000	580,512	600,000	n.a.	553,504
<b>Total</b>		<b>612,000</b>	<b>7,962,800</b>	<b>25,329,347</b>	<b>23,360,754</b>	<b>23,620,051</b>
<b>CONTRIBUTORY</b>						
EIS + NPS		n.a.	1,317,690	2,380,039	n.a.	1,848,865
<b>SP CONTRIBUTORY &amp; NON CONTRIBUTORY</b>						
<b>Total (USD)</b>		<b>612,000</b>	<b>9,280,490</b>	<b>27,709,386</b>	<b>23,360,754</b>	<b>25,468,916</b>

Source: Authors' calculations from projects documents and direct interviews.

\* These figures for subsidies do not reflect the forgone incomes of the suspension of the rice import tax, which was lifted in 2008 as part of the Government's response to the global food price crisis. They also do not include subsidies for fuel and electricity (as precise costs are not available) or expenditures on fee waivers for health and education (as these are included in internal ministry allocations).

conditions in relation to health, and general food distribution in case of emergencies; (iv) general subsidies for food, energy, housing, or utilities; and (v) fee waivers for health and education.

94. The first and second rows of Table 5 show the shares of overall expenditures in non-contributory programs as a percentage of GDP and as a percentage of the Government budget, respectively. The third and fourth rows show the combined expenditures in contributory and non-contributory programs, both as a share of GDP and as a share of Government budget. We can highlight a positive trend from 2008 to 2010, which slightly slowed down in 2011; however, this slow down may result from the lack of data for expenditures in contributory programs the current year.

**Table 5: Share of GDP and State Budget for Non-contributory and Contributory Programs**

	2008	2009	2010	2011	Average 2008–11
%GDP (non contributory)	0.3%	1.1%	2.5%	2.2%	1.5%
%Budget (non contributory)	1.2%	3.2%	7.2%	5.9%	4.4%
%GDP (contributory + non contributory)	0.3%	1.2%	2.8%	2.2%	1.6%
%Budget (contributory + non contributory)	1.2%	3.6%	7.8%	5.9%	4.6%

Source: Calculations of the authors.

95. However, financing for SSN programs is heavily donor-dependent and, as a result, the figures in Table 5 above may be misleading. Between 2008 and 2010, the external financing share in total SSN financing averaged 93.8 percent of total expenditures (see Table 6). The WFP appears to play the biggest role, funding more than half of the programs for SSN, with a focus on food security and rural (smallholder farmers) development. USAID and UNICEF (funded by the EU and JICA) are other important development partners, accounting for a fifth of the overall investment in SSN.

96. Finally, Figure 4 below shows the shares of interventions in SSN divided by sector. Food-related social safety nets receive the biggest share of expenditures, divided into school feeding (34 percent of the overall spending in SSN), supplementary feeding programs (33 percent) and food distribution (nine percent). Public works' interventions account for about 17 percent of the overall spending, while cash transfers for five percent only. As such, the various food transfer programs account for approximately three-quarters of all SSN interventions. This disproportion has to do with the deep need of food distribution within the country in recent years, both as a result of the overall socioeconomic breakdown and spreading of poverty caused by the war, and as a consequence of the recent food price shock.

97. Spending patterns reveal different priorities between the Government and donor partners. Donors tend to give priority to food-based programs. Based on available data, targeted food distribution, nutrition and school feeding programs (all food-based programs) represent 94 percent of total SSN spending on average between 2008 and 2010. The Government tends to spend more

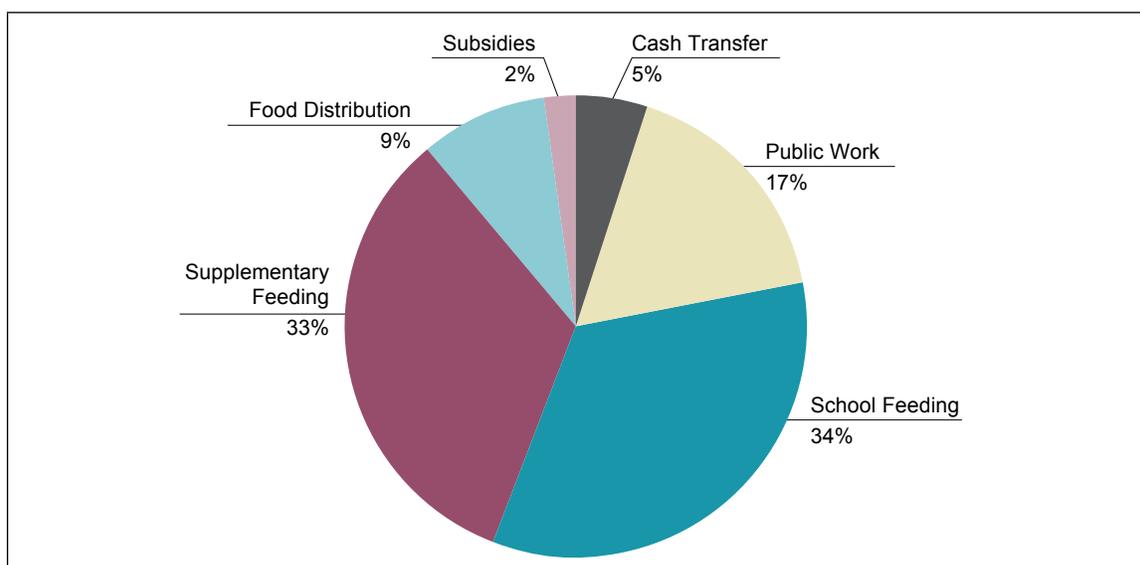
**Table 6: Funding for Social Protection Programs by Source, Average 2008–2011**

Source of Financing	Amount (US\$ millions)	Shares
GoL (without Subsidies)	1.5	6.2%
DPs*	22.5	93.8%
USAID	2.0	8.3%
WB (LACE)	1.5	6.2%
WFP	14.4	60.0%
EU/JICA	4.4	18.3%
STC	0.03	0.01%
Total	24.0	100.0%

Source: Calculations of the authors.

\* For some DPs, the data are show for 2011, rather than 2010, given a lack of data.

**Figure 4: Sectors of Interventions in Social Safety Nets**



Source: Authors' calculations from projects documents and direct interviews.

on public works' programs (through the MOL) and in cash transfers mainly targeting children (MOHSW).

98. The analysis of the current breakdown of various types of SP interventions implemented in Liberia at the moment will be discussed in more detail later in the paper.

### C. The Role of Donor Support

99. Given such a strong dependency on external aid, it is essential that donor financing in Liberia be well coordinated and duly integrated within the national strategy. This sort of strong dependency on external assistance is quite common in fragile situations, however, without proper coordination mechanisms, the proliferation of donor investments and different stakeholders on the ground can result in duplications of efforts and overlap of beneficiaries. However, there are examples in Sub-Saharan Africa, including post conflict countries, where governments and donor partners have adopted mechanisms for ensuring that donor funding is consistent with the country's SP agenda.

100. In Liberia, the priorities and investments of both donors and the Government often seem to go in different directions, as shown in Table 7, yet this does not necessarily hinder a future desirable framing of external aid into the national policy. As seen in Ethiopia, it is possible to design an effective institutional arrangement able to ensure smooth governance along the overall system.

**Table 7: Donor and Government Priorities by Program**

	Government	Donors
Cash Transfers	29%	3%
Public Work	33%	16%
School Feeding	0%	37%
Supplementary Feeding	0%	36%
Food Distribution	0%	7%
Subsidies*	37%	0%
	100%	100%

Source: Calculations of the authors.

\* The figure only represents the available data on the allocation for transports subsidies indicated in the Table above.

### **Box 5: Donor Harmonization in Ethiopia**

In Ethiopia, donor agencies have pooled their financing—both cash and in-kind contributions—and their technical advice in support of a single program led by the government, the Productive Safety Nets Program (PSNP). This approach harmonizes donor efforts in Ethiopia and enhances supervision and monitoring of the program, while avoiding excessive transaction costs for the government and donor agencies. The rights, obligations, and coordination arrangements of this government-donor partnership are spelled out in a Memorandum of Understanding.

Several joint bodies administer the program, which minimizes costs. The Joint Coordination Committee (JCC) oversees the implementation of the program by monitoring progress towards its goals and providing technical guidance on specific components or crosscutting issues. The JCC is chaired by the State Minister for the Disaster Management and Food Security Sector and includes representatives of all donor partners. The PSNP Donor Working Group harmonizes donor support and is chaired by each donor in turn on a six-month rotating basis. A Donor Coordination Team supports the Working Group and manages research and technical assistance commissioned for the program. Donor contributions to the PSNP are channeled through a World Bank-administered Multi-donor Trust Fund and pooled government accounts. Donors also commit resources to another trust fund to finance technical advice to the government.

*Source:* Wiseman, et al. 2010.

## CHAPTER 5: REVIEW OF CONTRIBUTORY PROGRAMS

101. The GoL established the **National Social Security & Welfare Corporation (NASSCORP)** in 1975 to provide social protection for job-related injuries, occupational illnesses, being an invalid, and old age retirement. NASSCORP is a tripartite institution comprising the government, employers, and employees. As noted Chapter 4, NASSCORP operates two contributory schemes, the Employment Injury Scheme (EIS), launched in 1980, and the National Pension Scheme (NPS), introduced in 1988. The foreseen Social Welfare Scheme has not been launched yet. In 2010, NASSCORP was providing benefits to 3,029 people, only 4.4 percent of its total enrolment of 69,080 people (NASSCORP, 2010).

102. While the NPS covers both public and private entities in the formal sector and qualifies for pensions those entities that have more than 5 employees, the EIS covers all contributors. The contribution level is 7.75 percent: 6 percent to the NPS (3 percent paid by workers and 3 percent by employers) and the remaining 1.75 percent to the EIS (paid by employers). Through the NPS, for 100 months, beneficiaries receive a pension of 25 percent of their salary, increased by 1 percent every 10 additional months. In case of injuries on the job, beneficiaries receive medical benefits for two weeks as a temporary disability; this becomes permanent disability at the end of the two weeks after the approval of a medical board that defines the degree of disability (permanent disability covers 30 percent of the salary).

103. The table below offers a picture of the financial situation of NASSCORP for January to September 2010. The Agency is autonomous in terms of budget, in spite of the fact that the GoL appoints its management.

104. NASSCORP covers a very low percentage of people engaged in economic activities within the country. First of all, it is meant for the formal sector only and the formal sector in Liberia constitutes less than 20 percent of the overall economy. Second, in spite of being mandatory, the scheme covers only a small proportion of workers in the formal sector. However, enrolments have grown in

**Table 8: Financial Situation of NASSCORP (Jan to Sep 2010)**

2010	Category	US\$	% GDP*	% State Budget**
	Income	8,906,984	0.75	2.7
	Contributions	7,298,688	0.62	2.2
	Investments	1,726,456	0.15	0.5
	Expenditures	5,731,042	0.48	1.7
	Benefits (over 3,000 beneficiaries)	2,396,567	0.20	0.7
	Operations and administration	3,334,475	0.28	1.0

Source: NASSCORP, Annual Report, 2010.

\* GDP (2010): 1.175,3 million US\$.

\*\* State Budget: 329,8 million US\$.

the last five years, bringing the total from 60,000 in 2005 to 69,080 in 2010. NASSCORP's schemes represent the only contributory social program in Liberia.<sup>6</sup>

105. At the same time, according to its 2009 report, the institution paid LD 95,532,496 to beneficiaries, which represents a doubling of paid-out benefits in just one year's time. This is starkly contrasted by an increase of contributors of 1.2 percent over that same period. This highlights one of the main challenges that NASSCORP faces: how to maintain sustainability in the long run. Given the fact that the current benefit level is inadequate to the needs of contributors, NASSCORP is undergoing a review to analyze contribution levels. The results of this review are due at the end of 2011.

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<sup>6</sup> NASSCORP does not have provisions for military or paramilitary, who are instead covered by the Ministry of Defense. Civil servants are covered both by the NASSCORP scheme and by a pension scheme provided by the MoF through the Civil Service Agency. Neither the MoD or MoF schemes are contributory.

## CHAPTER 6: REVIEW OF SELECTED ONGOING NON CONTRIBUTORY PROGRAMS

106. Table 9 summarizes the largest SSN programs found in Liberia, dividing them by funding and implementing agency. The subsequent paragraphs review the main features of these programs in terms of: (a) their objectives and description; (b) their targeting and the number of actual beneficiaries; (c) the funding agencies and costs of the project; (d) project strengths and weaknesses; and (e) recommendations and whether these programs are sustainable or not in the long run.

**Table 9: Main SSN Programs in Liberia**

Program	Agency	Donor	Target Group	Number of Beneficiaries	Region
<b>1. Cash and near-cash transfers</b>					
Social Cash Transfer <i>Cash transfers to extremely poor and labor constrained HH</i>	MOGD/MOPEA	EU/JICA/ UNICEF	Ultra-poor, labor constrained HH	1,900 HH	Bomi (expansion to Maryland and Grand Kru planned for 2012)
OVC <i>Cash transfers to orphanages</i>	MOHSW	MOHSW	Orphanages	118 orphanages (2010)	—
AR/KV/OVC <i>Cash transfers to young mothers for starting-up income generating activities</i>	STC	STC	Young mothers, OVC	75 girls (AR), 150 girls (KV) and 2,000 HH (OVC)	Bomi, Montserrado, Gbarpolu, Margibi, Bong, Grand Cape Mount
<b>2. Cash for Work/Public works</b>					
LEEP/LEAP <i>Short-term employment in public works</i>	MOL	MOL	Former combatants	153,000 individuals (2006–2009)	—
Vacation Job <i>Short-term internship/employment for students</i>	ICYE	MOL	Students grade 10+	6,000 ind. (2009) and 10,000 ind. (2010)	Monrovia
NBD <i>Public works' employment before national festivities</i>	MOL	MOL	Unemployed people	—	All counties
YES <i>Short-term employment and training to young unemployed</i>	LACE	WB	Vulnerable young people	45,000 ind.	All counties
LAR <i>Food for work of rehabilitation of farmland assets</i>	MOA, selected NGOs (GTZ, Concern, Samaritan Purse, CARE, etc.)	WFP	Poor food-insecure rural households	5,600 HH (first year) 7,400 HH (intended)	Lofa, Bong and Nimba

*(Continued on next page)*

**Table 9: Main SSN Programs in Liberia (Continued)**

<b>Program</b>	<b>Agency</b>	<b>Donor</b>	<b>Target Group</b>	<b>Number of Beneficiaries</b>	<b>Region</b>
P4P <i>Creation of market opportunities for smallholder farmers through purchases of their rice</i>	MOA, CDA, LPMC, FAO, SOCODEVI, etc.	WFP	Smallholder farmers	40,000 farmers	Lofa, Bong and Nimba
<b>3. In-kind food transfers</b>					
School feeding	MOE School Feeding Unit, PTA-unit, County/District Education Officers, Parent Teacher Associations (PTAs) at community level, NRC, etc.	WFP	Primary school children	300,000 children	Lofa, Gbarpolu, Nimba, Bong, Rivercess, Grand Bassa and Bomi
Lean season safety net <i>Food transfers in seasons of higher food insecurity</i>	MOA, PTAs, women's groups, MOE, community groups, etc.	WFP	School enrolled children from vulnerable families plus vulnerable households who do not have children enrolled in school	200,000 enrolled children and 14,000 HH who do not have kids in school	Rivercess, Bong, Grand Bassa
Supplementary feeding <i>Supplementary food rations for selected malnourished groups of the population</i>	MOHSW, UNICEF, UNAIDS, WHO, ACF, UNDP, etc.	WFP, UNICEF	Malnourished pregnant women and all teenage pregnant mothers (15–19 years); children under 5 and caretakers of severely malnourished children; TB and HIV/AIDS affected patients	7,500 pregnant and lactating women and their children, 12,000 children and their caretakers and over 3,200 severely malnourished children	All counties
LAUNCH <i>Interventions focused on building technical, management and business skills of farmers</i>	ACDI/VOCA	USAID	Vulnerable rural pop	10,800 farmers; 19,294 pregnant or lactating women; 25,161 children under 2 years of age; 131,675 other family members— Total in 5 yrs 186,885 people	Rural areas
Food For Peace Strategic Plan <i>Food distribution for the population at risk of food insecurity</i>	USAID	USAID	Population at risk of food insecurity	—	—
Life saving nutrition interventions <i>Emergency nutritional materials for the refugee influx from Ivory Coast</i>	UNICEF and WFP	ECHO/ USAID	Refugees and host populations	Over 70,000 children screened for malnutrition and over 2,000 children treated for malnutrition	Nimba, Grand Gedeh, Maryland and River Gee

(Continued on next page)

**Table 9: Main SSN Programs in Liberia (Continued)**

Program	Agency	Donor	Target Group	Number of Beneficiaries	Region
EMOP <i>Emergency operation for the refugee influx from Ivory Coast</i>	CARITAS, SEARCH, Liberia National Red Cross Society, Samaritan's Purse and Norwegian Refugee Council	WFP	Refugees and host populations	88,000 refugees, 11,500 ind. within host pop. and 2,000 malnourished children	Buutuo and Loguatu border in Nimba county and the vicinity of the Toe Town border crossing in Grand Gedeh county
<b>4. General Subsidies</b>					
Food Price subsidies <i>On imported rice</i>	MOA/MOF	MOA/MOF	All population	—	All counties

## A. Cash and Near-cash Transfers

107. International evidence shows that social cash transfers can have a positive impact on education, health, nutrition, food security, and overall poverty reduction (Grosh et al., 2008). Cash transfers have the potential to enable the poor to better manage social risks and to generate a range of positive impacts. First, by providing cash income, they directly reduce both income and expenditure poverty over the short term. Second, given typical consumption patterns, poor households allocate a significant proportion of the expenditure to food, improving nutritional outcomes. Depending on intra-household allocation decisions, much of this spending is likely to benefit children. In most cases, social transfers will also support children's human capital accumulation, particularly in terms of increased school attendance and educational outcomes as well as increased access to primary health care. In addition, an evolving evidence base demonstrates that social cash transfers contribute to pro-poor and inclusive economic growth. The range of outcomes contributes to long-term poverty reduction, particularly by breaking the inter-generational transmission of deprivation; this is discussed further in Chapter 8.

### *The Social Cash Transfer program*

108. Valuable lessons can be learned from *Social Cash Transfer program*, which is implemented by the GoL with partnership support from UNICEF and funding provided by the European Union and the Government of Japan. The National Social Cash Transfer Secretariat (SCT Secretariat), which is within the Ministry of Gender and Development, administers the program and the National Social Protection Steering Committee, housed in the MOPEA, oversees it.

109. The scheme has the following objectives: (1) reducing poverty, hunger, and starvation in all households of Bomi county that are extremely poor and, at the same time, labor-constrained; (2) increasing school enrolment and attendance and improving the health and nutrition of children living in target group households; and (3) generating information on the feasibility, cost-effectiveness, and impact of a social cash transfer scheme managed by a county administration (UNICEF, 2010a).

110. Bomi County was selected on the basis of a variety of a socio-economic and food vulnerability data indicating severe poverty and destitution. In terms of beneficiaries, the scheme benefits

approximately 1,900 households. This figure represents universal coverage of the target population within the county and represents approximately 10 percent of the county's total population of 83,033 people, living in 20,508 households.

111. The program was launched in February 2010 and, by August 2010 the program had established Community Social Protection Committees (CSPCs) and completed the targeting and approval cycle in 19 village clusters, representing 12 of Bomi's 18 clans. As of September 2011, 1,417 families in the county were receiving transfers, following the completion of community training implemented by the program. A total of more than 6,000 individuals are now benefiting directly from the program, of which 54 percent are children (UNICEF, 2011). As of September 2010, 25 percent were enrolled in primary schools, while six percent were enrolled in secondary schools (UNICEF, 2010a). Eco Bank, a commercial bank in Liberia, delivers monthly transfers at clan level pay points. These payments are facilitated by a well-structured system of beneficiary cards and bank identification cards developed under the program.

112. One of the main challenges of the program concerned targeting procedures. The program began by using community-based targeting, which initially proved very effective. But, as the coverage area expanded, residents of already benefiting communities would coach other communities on how to respond in order to be enrolled in the program, with the result of very high inclusion errors. In order to mitigate this problem, a new targeting mechanism has been adopted, foreseeing two household interviews. Households that are determined to be labor-constrained are then visited for a second time to determine whether they can be classified as ultra-poor. This determination is based on information such as the condition of their dwelling, household possessions, and eating patterns. According to these interviews, a list of presumptively eligible households is then reviewed and approved by the county social protection committee. After community training, the payment process begins.

113. Households receive monthly transfers according to their size, with an additional sum for each child enrolled in school. The program is not conditioned on school enrolment, but this additional allowance is intended to provide an incentive for education, discouraging at the same time child labor and providing caregivers with additional resources for schooling-related costs (clothing, exercise books, pencils, and other basic costs). A three-person household receives US\$20 per month, plus a sum of US\$2 for each child enrolled in primary school, and US\$4 for every child enrolled in secondary school. The monthly amounts are shown in Table 10.

**Table 10: Monthly Transfers to Beneficiaries, Social Cash Transfer Program**

Transfer Amount (Liberian Dollars and US Dollars)	
1 person HH	700 LD (US\$10)
2 persons HH	1,050 LD (US\$15)
3 person HH	1,400 LD (US\$20)
4 person HH	1,750 LD (US\$25)
Additional amount for each child in primary school	150 LD (US\$2)
Additional amount for each child in secondary school	300 LD (US\$4)
<i>Average payment per HH in Bomi</i>	<i>1,750 LD (US\$25)</i>

Source: UNICEF, 2011.

114. With continuing support from the European Union and UNICEF, the Government intends to launch the Social Cash Transfer program in the country's South Eastern region in 2012, beginning with an initial target of 3,100 ultra-poor, labor-constrained households in Maryland and Grand Kru counties.

*Assessment of the intervention*

115. Anecdotal evidence and interviews with beneficiaries and CSPC members collected throughout September 2010 and May 2011 indicate that beneficiaries are using the transfers mainly for investment in educational expenses, home improvements (repairing their roofs for the rainy season), and for buying food. Also, beneficiaries invest in hiring labor to plant cassava, in buying small livestock and in petty trade. The impact with regard to poverty reduction, food security, and school enrolment and attendance appears to be significant (UNICEF, 2010b). A comprehensive evaluation of the SCT program is being undertaken by Boston University with the support of UNICEF and is expected to be completed in 2012.

116. It is noteworthy to highlight that a great strength of the project is the new targeting mechanism described above. Although time-consuming and costly, it is proving effective in reducing inclusion errors and in providing accurate targeting. The mechanism constitutes a good practice that should be replicated in other projects and leveraging such coordination between projects could help offset the costs of this targeting approach.

117. A challenge within the program concerns poor decentralized administrative structures: the program was in fact originally designed to use existing local administrative structures to improve efficiency. However, these structures are either still not in place or not adequate for implementing the program. In particular, integration in the county administration and linkages to other sectors on the county level are weak and participation of sector representatives in meetings of the Social Protection Sub-Committee is sporadic. As in many programs throughout the country, an initial reliance on volunteer cooperation from community members and chiefs has now led to requests for payment for those services and is an ongoing cross-sectoral challenge.

*The MOHSW support stipend to orphanages*

118. The MOHSW is a key player in the social welfare sector, in particular targeting orphanages to receive a basic package for social services and a cash transfer of US\$6 per month per child. The ultimate objective of the MOHSW, as part of its alternative family care approach, is the deinstitutionalization of children and, where appropriate, their reunification with their families or next of kin through community and family based programs. In terms of beneficiaries, 118 orphanages have been targeted so far, for a total of 5,000 children, and a further target of another 2,500 children in 2011. In 2010, 500 children out of 5,000 targeted were reunited with their families. The MOHSW budgeted US\$480,000 toward this program in 2010. This amount was reduced to US\$400,000 in 2011, which accounts for all of the Government's spending on cash transfers.

*Assessment of the interventions*

119. The MOHSW research suggests that only 80 percent of the children in these orphanages are actually without parents. The Ministry has recently launched an accreditation assessment procedure,

carried out by the Independent Accreditation Team for Welfare Institutions in Liberia, to assess and accredit orphanages. Before being accredited, the institution must aim to achieve 15 objectives (including such things as all children living in the institution are accounted for and contact of children with their families is encouraged) and meet 21 basic requirements (such as a register for all children and that the institution is in a safe area) (MOHWS, 2010). Accreditations are valid for one year, meaning that the process has to be repeated after 12 months. This new system, if duly implemented in spite of the lack of local staff and capacity, can become effective in promoting more accurate targeting.

### *Save the Children's cash transfer interventions*

120. Funded predominantly by USAID, Save the Children is an NGO active in cash transfer programs, mostly through three components: (a) Action R, targeting girl mothers, (b) a project in Kingsville giving young out-of-school mothers economic support; and (c) educating and protecting vulnerable children in family settings, targeting orphans and vulnerable children (OVC).

121. The *first program*, Action R, was implemented between 2006 and 2008, targeting chiefly girl mothers associated with armed groups in Montserrado, Bomi and Grand Bassa counties. The overall objective was to provide financial support for income generating activities through the re-integration of these mothers into economic activities both in rural and urban settings. The project benefited 75 individuals and 100 groups over three years, each of them receiving a grant for starting up economic activities—mainly, textiles, petty trade, and small business. The total transfer of this project in 2008 was US\$12,000.

122. The *second program* was implemented in Monserrado County in 2009 and 2010 and supported young mothers who had dropped out of school. Save the Children provided an integrated framework based on raising health awareness, training, school construction, and a cash transfer of US\$150. About 150 girls in three communities received a grant of US\$150 each, for a total transfer of US\$22,500.

123. The *third program*, focusing on educating and protecting OVC in family settings, began issuing cash transfers in December 2011 and will last four years, in cooperation with the MOHSW, as a further development of its project on orphanages. The project addresses OVC in ineffectual family-based care structures, providing a US\$150 cash grant, as well as an unconditional transfer of US\$20 per month for supporting the family's economic activities for a period of three to six months. The project mainly aims to reunite orphans with their families, particularly targeting street children, and to strengthening families in order to prevent separation. Further, the program provides support for families where children have been reunified, especially to ensure that children are in school (providing uniforms, books, and other necessities). About 2,000 families in six counties (Bomi, Montserrado, Gbarpolu, Margibi, Bong, Nimba) will be targeted based on a case-by-case assessment, surveying families where children have left home.

### *Assessment of the interventions*

124. A critical issue, in the context illustrated above, is how to avoid the *pull factor*, i.e. the temptation for some families to send their children to the streets in order to receive support. To combat

this possibility, Save the Children also intends to target random vulnerable families in the beneficiary counties whose children remain at home.

125. In spite of their limited scope and scale, and of challenges with difficult targeting, the programs managed by Save the Children have been able to address specific *short-term needs* of particular vulnerable groups, such as young mothers or orphans, providing an opportunity to escape the vulnerability exacerbated after the war by the lack of income-generating activities.

## B. Cash for Work

126. Cash for work or public works programs are extensively used across developing countries to reach a great number of beneficiaries.<sup>7</sup> This type of intervention seems to be particularly relevant in contexts of high unemployment and underemployment, as it provides critical and reliable short-time income for vulnerable households, especially in seasons where decent wage work is especially hard to find. Its high rates of unemployment and underemployment among young people make Liberia an exceptionally suitable context for this typology of SSN.

### *The MOL public works projects*

127. The MOL is the key institutional player as far as programs of cash for work are concerned, mainly through three projects: (a) Liberia Emergency Employment Program/Liberia Employment Action Program (LEEP/LEAP); (b) Vacation Job Program through the Interministerial Committee on Youth Employment; and (c) National Beautification Days (NBD). As outlined in its 2009 National Employment Policy, the MOL has adopted a twofold approach to unemployment: first, scaling up emergency unemployment schemes and coordinating them through the Government and, second, sustainable productive employment through TVET, incentives in agriculture and promoting SMEs,

**Table 11: Overview of Public Works Program in Liberia**

Program	Beneficiaries	Working Time	Wage
LEEP/LEAP	153,000 (2006–2009)	8-hour working day – short term	US\$3 for unskilled workers US\$5 for skilled workers
VACATION JOB	6,000 (2009) 10,000 (2010)	8-hour working day – short term	US\$100 for public works US\$150 for private sector
NBD	—	8-hour working day – short term	US\$3 for unskilled workers US\$5 for skilled workers
YES Community Works	45,000	8-hour working day – short term with life skills training	US\$3 for unskilled workers US\$5 for skilled workers
LAR	5,600 HH (first year) 7,400 HH (intended)	(Food for work)	Daily family ration of 2 kg cereals, 0.4 kg pulses and 0.125 kg vitamin A-enriched vegetable oil (or cash equivalent)

Source: MoL, WFP and LACE project documents.

<sup>7</sup> In India, where the National Rural Employment Guarantee Program provides a guarantee of 100 days of work per household, in Ethiopia, where the PSNP program employs some 1.2 million people annually, for an average of 150 days each, in Malawi and Zimbabwe, where cash for work interventions manage to achieve coverage of about 300–400,000 persons per year.

as well as the integration of informal sector activities into the formal economy in the long run. The objective of its cash-for-works projects is to fulfill the first of these policies. All projects are community-based and grounded on a method of self-targeting, although differences exist among them.

128. The *LEEP/LEAP* begins with the community, which—before benefiting from the project—must apply for approval from the county-level superintendent, the labor commissioner, and the district representative. The program's primary targets are former combatants, engaging them in community works and labor-intensive projects. The workfare is US\$3 per unskilled workers and US\$5 for skilled workers for an eight-hour working day. Between 2006 and 2009, 153,000 jobs have been provided, for a budget of US\$120,000 in both 2008 and 2009, reduced to US\$80,000 annually in 2010 and 2011.

129. The *Vacation Job Program* has provided internships (monitored by the employer) and community service jobs (group monitoring with student supervisors) for students in grade 10 or above. Before being enrolled, students have to provide a written application and a letter of reference from a community leader or their school. After being enrolled and having performed their short-term job, students receive US\$100 (US\$150 in the private sector). All work takes place in Greater Monrovia during the students' summer vacation. In 2009, the program targeted 10,000 students but succeeding in enrolling only 6,000 people; in 2010, 2,000 students were targeted and duly reached. The budget for the program was US\$600,000 in 2009 and was reduced to US\$200,000 in 2010.

130. The *National Beautification Program (NBD)* runs annually in parallel to works necessary for national celebrations. The target demographic is similar to that for LEEP/LEAP and provides the same compensation, US\$3 for unskilled and US\$5 for skilled workers. Most beneficiaries are unskilled workers, focusing mainly on simply road maintenance and the cleaning of public spaces. The NBD is community-based and county authorities and local town chiefs select people. As such, it is difficult to estimate the total number of beneficiaries each year.

#### *Assessment of the interventions*

131. While these projects are proving effective in transferring much-needed income to vulnerable households, little is known on the actual capability of beneficiaries to leverage the short-term employment, through savings or investments, to reduce their vulnerability.

132. The vacation job program has a dual impact. For those students placed in internships, it provides experience that may be critical in helping them to secure formal sector employment after graduation. Moreover, while the majority of beneficiaries work in community services (rather than formal sector internships), this income is critical in allowing students to afford their school fees for secondary education and tuition for private second and all tertiary education.

#### ***The YES Project***

133. The *Liberia Youth, Employment, Skills (YES)* is a project of the GoL with financial support from the World Bank. Its objective is to expand access of poor and young Liberians to temporary employment programs and to improve youth employability through two complementary components. The first component (*Community Works*) aims to provide immediate support to vulnerable households through temporary employment and is implemented by the Liberia Agency for Community

Empowerment (LACE). The second component (*Skills Development*) provides formal and informal skills training programs with the purpose of improving youth employability and employment. This component is implemented under the supervision of the Ministry of Youth and Sports (MOYS).

134. The *Community Works* component scales up a pilot Cash-for-Work Temporary Employment Project (CfWTEP) implemented by LACE from 2008 to 2010. Developed as a response to the 2008 food price crisis, the CfWTEP provided 17,000 Liberians with 40 days of temporary employment conducting low-skill tasks, such as roadside brushing and backfilling of potholes. Two impact assessments conducted of this pilot project showed very good results in terms of targeting with 80 percent of participants in the first three quintiles. This corresponds with the country's 63.8 percent poverty rate; however, targeting of the first quintile (i.e. the poorest of the poor) was less successful. Only 14.5 percent of participants were drawn from the first quintile whereas 41.5 percent and 28.5 percent were from the second and third quintiles respectively. The assessments also highlighted a significant impact in terms of an increase of net income on a yearly basis of 93 percent, even after considering foregone income, and a long-lasting impact on households in terms of use of these resources by investing beyond living expenditures on fixed assets, farming, and non-farming activities.

135. In addition, the payment arrangements implemented were of particular note, especially given the design and operational challenges of payment effectiveness that exist within any safety net program. Careful payment design at the outset of project implementation paid special attention in ensuring timely, accurate, and predictable payments under this program. The project partnered with a commercial bank (Eco Bank) with relatively high penetration throughout the country and the ability to make mobile payments where a local branch was unavailable. Eco Bank used both on-site and off-site payment, meaning that people could go to local branches where available or, in the absence of nearby branches, that Eco Bank staff would deliver the payments locally in the villages. To support the process and make it accurate, a range of payment instruments was introduced, including a contract for workers, a daily attendance sheet, monthly payroll sheets and photo identification cards to help ensure transparency (MEI, 2011).

136. Based on this impact, the *YES Community Works* will expand on the CfWTEP model to provide 45,000 Liberians with eight weeks of temporary employment. One significant development from the CfWTEP is that, instead of 40 days of work, the project now 32 days of work and eight days of basic life skills training. The training was developed to reinforce lessons from the Community Works activities focusing on budgeting and managing money, health issues, work place habits and conduct, making a living, personal identity, and looking for work and new opportunities. In addition, the Community Works introduces a quota for youth (75 percent of beneficiaries) and raises the target of female participation to 50 percent. Under the CfWTEP, the target was 30 percent; however, the total enrolment was 46 percent.

137. Participants are being selected on the basis of the following conditions: a) they are at-risk adults between 18 and 35 (75 percent as noted above); b) they do not hold a public office and are not on the payroll of any public or private entity; c) they are vulnerable, defined as from a household with more than six members and that does not own land. Under the CfWTEP, the third criterion was more generic. The specific definitions regarding vulnerability have been added to help increase transparency. During the enrollment, all potential beneficiaries (self-selected) will be able to complete a

short interview that helps determine their level of vulnerability. This information will be recorded and kept as a supplement to the baseline data collected for the project's impact evaluation.

138. The *Community Works* budget is US\$7.5 million; approximately 72 percent of the budget is allocated for workers' wages, which are aligned with the MOL: US\$5 per day for skilled workers and US\$3 per day for unskilled workers.

#### *Assessment of the intervention*

139. A major strength of the CfWTEP was the accurate system of payment to beneficiaries: the introduction of payment instruments such as contracts for workers, daily attendance sheets, monthly payroll sheets and, above all, identification cards with photos have proven particularly successful in making the process fully transparent.

140. Despite the fact that 80 percent of beneficiaries of the CfWTEP were from the bottom three quintiles, the project did have difficulty in reaching the lowest quintile. While this may be attributable to the lack of labor in such households, the YES Community Works should aim to improve on this. The use of potential beneficiary surveys is intended to help; however, this system should be complemented by community targeting criteria, whereby members of the community provide input on what criteria define vulnerability. The combination of the two (survey *and* community targeting) is more likely to prevent inclusion errors.

#### ***The WFP Livelihood Asset Rehabilitation (LAR)***

141. Food security and livelihood support activities are implemented in the North West and Central counties through the *Livelihood Asset Rehabilitation (LAR)*. Food for work support is provided to smallholder farmers to rehabilitate agricultural assets including smallholder irrigation structures and related community infrastructure such as roads, with a focus on rice production. This component supports the Purchase for Progress (P4P) initiative (described in detail below) to increase productivity and incomes through the direct purchase of rice. While rice production in Liberia remains inadequate to meet national requirements, at sub-national level, several districts are already producing surpluses beyond local needs. Livelihood asset rehabilitation, along with P4P, aims at enabling poor households and communities to achieve sustainable increases in rice production through the rehabilitation of farmlands and improved access to markets. The focus is on households who have not been able to expand their cultivated areas beyond one hectare due to poverty. Particular attention is given to women and to female-headed households (FHH), identified among the most vulnerable groups.

142. LAR activities cover Lofa, Bong and Nimba counties, specifically targeting: (1) poor food-insecure rural households living in communities identified by P4P for project expansion; and (2) poor food-insecure households participating in the Government's seed multiplication project. During the first year, the project targets 5,600 rural households, with the intent to expand to 7,400 households in the second year.

143. Households are chosen on the basis of their lack of access to food markets or their inability to produce food. In general, targeting is done community to community on the basis of the CFSNS;

however, in those communities where poverty is widespread and, as such, where there is a very high demand for participation in the project, the selection is done on the basis of a duly developed profile of poverty in those particular communities.

144. LAR beneficiaries receive a daily family ration composed of 2 kg cereals, 0.4 kg pulses and 0.125 kg vitamin A-enriched vegetable oil per day, or its cash equivalent. The Ministry of Agriculture (MOA), including county/district agricultural coordinators, FAO and selected NGOs, including GTI, Concern, Samaritan Purse, CARE, etc., are responsible for implementing the project.

#### *Assessment of the intervention*

145. The LAR intervention must be clearly understood within the framework of the overall WFP operational program in Liberia, which will be discussed later on. Taken within the general WFP picture, the initiative appears sustainable in the long run.

### **Box 6: Public Works Programs—Elements Required for Reaching the Poor**

In a context where poverty targeting appears particularly challenging, and where financial and administrative capacities remain limited, relying on self-targeting (by setting the wage rate below the market wage) is attractive. However, this is only possible if the market wage is above the minimum wage. If the minimum wage is equal or above the market wage and restrictive employment laws prevent setting the wage below the minimum level, the possibility of using self-targeting is hindered and other targeting mechanisms need to be introduced. The use of pure self-selection might also be insufficient in reaching vulnerable groups in poor areas or when demand for participation is very large and some form of employment rationing is needed. Separate mechanisms to target specific at-risk populations may also be appropriate. In addition, setting the program wage too low also presents the risk of excluding poor households that have higher opportunity costs of labor—if the program wage is below the reservation wage or risks missing specific program objectives (e.g., nutrition objective if the program wage is far below the cost of the minimum basket). It is crucial to ensure the program wage is set in relation to the project goals.

Provision of quality public goods also is crucial. Based on international experience, public works should only be promoted as a social safety net instrument if the public goods generated have a positive impact on the community and are built at a cost similar to hired contractors. It should not be introduced solely as a strategy to provide social transfers to “deserving” poor (if that is the objective, a straight cash transfer program could be considered). Public works projects may include traditional infrastructures or public environmental improvement projects (for example, sanitation projects to roll back malaria, natural disaster risk reduction projects), but also social activities (such as South Africa’s home-based care workers and early childhood development workers) or economic activities (small businesses and cooperatives, for example). The public goods produced if relevant, well executed, and maintained, could have an important role in alleviating constraints to higher returns for poor people, regardless of their participation in the program. WFP has promoted synergies between food-for-work programs and school feeding and nutrition programs, such as building classrooms, storage rooms, latrines, and other similar projects.

To address chronic poverty, public works programs should run throughout the year with varying degrees of intensity. A program run during agricultural slack seasons only, when the opportunity cost of labor is low, would provide “consumption-smoothing” for poor households but no assurance of finding a job whenever it is needed. A program operating throughout the year with varying degrees of intensity will provide both “insurance” and “consumption-smoothing” for poor households. In countries with widespread levels of unemployment and underemployment, standard short-term public works programs proved unable to lift the chronic poor out of poverty. Brazil, Argentina, India, and Bangladesh represent some good practice examples where the program served the functions of assurance, consumption-smoothing and poverty reduction. To ensure additional coverage, the number of days worked can be rationed and a rotation system applied. For instance, India provides a legal guarantee of 100 days of employment a year to any rural household willing to do public work for a statutory minimum wage. Ethiopia assists over 7 million chronically food-insecure people—about 10 percent of the population—through its Productive Safety Net program’s employment schemes and food or cash transfers. This being said, high labor-intensive public works projects can also be effectively used in the aftermath of natural disasters for the rehabilitation and reconstruction of damaged or destroyed infrastructures.

Source: Grosh et al., 2008; del Ninno et al., 2009.

**Table 12: Overview of In-kind Transfers in Liberia**

Type of intervention	Project	D/T Partner
<i>Food distribution</i>	LAUNCH	USAID
	Lean season safety nets	WFP
<i>Emergency food and nutritional support distribution</i>	Program for Refugees	UNICEF
	Immediate Emergency Response Operation	WFP
<i>Nutrition support</i>	MCHN, Supplementary feeding, Support to therapeutic feeding caretakers	WFP/UNICEF
<i>School feeding</i>	School feeding intervention	WFP
<i>Food market opportunities and capacity building</i>	Purchase for Progress (P4P)	WFP
	Food for Peace for Strategic Plan	USAID

Source: USAID, WFP and UNICEF project documents.

### C. In-kind Food Transfers

146. Food transfer projects are meant to temporarily address severe food insecurity among the most vulnerable. They (should) represent a transitory, short-term intervention, in differentiation from a long-run coordinated strategy to address food insecurity within the country. Food insecurity is caused by complex challenges in Liberia’s agricultural, health and education sectors, as well as its lack of road infrastructure, and requires an integrated approach and careful interventions that do not undermine market-oriented development efforts or create dependency among beneficiaries. Still, food transfer interventions are particularly relevant in the context of high food insecurity (both temporary and chronic) that has characterized Liberia in recent years. Programs in Liberia can be divided as the following table illustrates.

#### *Food distributions*

##### *a. USAID LAUNCH Program*

147. In June 2010, USAID awarded ACDI/VOCA a five-year US\$40 million Title II Multi-Year Assistance Program in Liberia for the implementation of the Liberian Agricultural Upgrading, Nutrition and Child Health (LAUNCH) program, with the aim of reducing food insecurity among vulnerable rural populations. On this basis, ACDI/VOCA, working with Project Concern International, John Snow Inc., and Making Cents International, is implementing the project in Bong and Nimba counties. As part of LAUNCH, 42,200 metric tons of food commodities will be shipped to Liberia to support program objectives through both monetization and direct distribution (USAID, 2010).

148. The *first component* of the project relates to increasing availability and access to food. ACDI/VOCA will train Liberian farmers on how to use environmentally sustainable production techniques, improve post-harvest practices, integrate cash crops into smallholder production systems, increase access to savings and credit, and develop business skills. Working through farmer associations, LAUNCH plans to build the technical and management capacity of approximately 10,800 farmers. Moreover, the project intends to use a value chain approach to help farmers identify market opportunities and address constraints. The program targets commodity value chains such as rice, cocoa, horticulture, and poultry. It also works with private sector businesses and formal financial

institutions to implement market-oriented strategies for increasing beneficiary access to products, services, and markets.

149. The *second component* concerns reducing chronic malnutrition of vulnerable women and children, focusing on prevention of malnutrition, early identification and treatment of acute malnutrition, and promotion of high-impact health and nutrition interventions at household, community, and facility levels. Households receiving supplementary food rations will be included in the agriculture and livelihoods activities. Over the life of the program, the aim is to reach 19,294 pregnant or lactating women, 25,161 children under 2 years of age and 131,675 other family members with supplementary food rations. Direct distribution of 7,700 metric tons of corn-soy blend packets, bulgur wheat, yellow peas, and vegetable oil is also intended to help mothers care for the health and nutrition of their families.

150. *Third*, LAUNCH works on increasing access to education for youth by developing community capacities to support education and by enhancing access to livelihood education that increases the employability of youth. The project also wants to create youth *agropreneurs*, individuals who adopt a commercially oriented approach to agriculture and small business/micro-enterprise development (USAID, 2010). The agropreneurs will be trained in basic business skills such as analyzing business trends, understanding value chains, and identifying opportunities to add value to goods or services. Graduates of these trainings will be eligible for small micro-grants to help them start small farming, micro-enterprises, or other complementary, rural-based small business activities such as providing inputs and services to farmers.

151. The project targets communities that have been identified by the GoL as particularly food insecure. The second and third components will have universal coverage within target communities. The overall target of direct beneficiaries for the five years of implementation is around 186,885 people, including farmers, pregnant or lactating women, children, and other family members. The project's budget is US\$8 million per year.

#### *Assessment of the intervention*

152. According to USAID staff operating within the country, the key challenge for implementation concerns *capacity at the local level*. The lack of capacity to manage targeting and distribution at local level hinders the overall effectiveness of the programs, with a consequence that there are loopholes of food insecurity among vulnerable populations.

#### *b. The WFP framework for intervention: Lean season safety nets*

153. The WFP is a key player in food distribution through its Protracted Relief and Recovery Operation (PRRO), which contributes to Liberia's ongoing transition recovery by rebuilding rural livelihoods, reducing malnutrition, and strengthening national capacities to reduce hunger.

154. The PRRO works on four major areas: livelihood asset rehabilitation (LAR) described above; school feeding and lean season safety nets; nutrition interventions; and capacity-building, including local purchase through Purchase for Progress (P4P). The current PRRO is meant to last from September 2009 to August 2011, targeting 660,000 beneficiaries for an overall cost of US\$39,838,729 and the distribution of 30,784 metric tons of food (WFP food costs are US\$14,092,852) (WFP, 2009).

155. In particular, *lean season safety nets* represent a typology of distributions to mitigate the impact of high food prices on vulnerable rural households and prevent a depletion of assets. Given restricted market access and Liberia's high dependency on rice imports, WFP uses schools as a platform to distribute lean season safety net family rations, targeting districts in the most food insecure counties (WFP, 2009).

156. In terms of beneficiaries, the intervention focuses on schools in targeted communities: 200,000 enrolled children from vulnerable families will receive a one-off family ration at the beginning of the school vacation, which coincides with the lean season in Liberia. The distribution of family rations through schools also targets an estimated 14,000 vulnerable households who do not have children enrolled in school; these beneficiaries are identified through parent-teacher associations and the local community.

157. The lean season family ration provided through schools comprises 25 kg of cereals, giving 1,750 kcal per beneficiary.

### ***Emergency food and nutritional supplies distributions***

158. The recent political crisis in Ivory Coast, which began in November 2010, escalated into a serious and complex humanitarian situation in Liberia. The presence of over 170,000 Ivoirians, a vast majority of them children and women, put extreme pressure on resources and basic services in the local host communities. Despite the resolution of the electoral dispute in Ivory Coast, large numbers of Ivoirians remain in Liberia, both for issues of safety and security and because the earlier unrest interrupted agricultural activities meaning that the refugees do not have any harvests to return to back home. Various assessments have found high levels of acute malnutrition among refugee children as well as host communities—apart from issues of sexual exploitation and recruitment by armed groups. The number of persons particularly at risk—adolescent girls, pregnant and lactating mothers, child-headed households and single mothers—is high.

#### ***a. UNICEF Program for Refugees***

159. In this context, UNICEF is working to prevent nutritional deprivation, thereby reducing child morbidity and mortality and ensuring continued adequate growth and development of children affected by the crisis. With a budget of approximately US\$1,200,000, interventions aim to prevent and treat malnutrition in children among refugee and host populations through the distribution of ready-to-use high energy and micronutrient dense foods or supplementary feeding of moderately malnourished children, provision of nutrition support, including food supplementation, to pregnant and lactating women and HIV affected families.

160. As a result, over 70,000 children were screened for malnutrition and over 2,000 received treatment for severe and moderate malnutrition, including the use of ready-to-use high energy and micronutrient dense foods.

#### ***b. The WFP Immediate Emergency Response Operation***

161. WFP is responding to the refugee crisis in two phases. First, the *Immediate Emergency Response Operation (IR-EMOP)* is intended to cover a short period only, at a cost of almost US\$500,000, targeting villages within and around the Buutuo and Loguatuo border axis in Nimba county and the vicinity of the Toe Town border crossing in Grand Gedeh county.

162. The purpose of the *IR-EMOP* is to address the immediate and urgent food needs of an estimated 15,000 beneficiaries for a period of 45 days, including 13,500 refugees (56 percent female) and 1,500 vulnerable people among the host population (49 percent female). Each family registered receives a 45-day food basket at a full general food distribution ration of 0.555 kg per day per person, consisting of cereals (bulgur wheat or maize), pulses, cooking oil, corn-soy blend, and iodized salt. High-energy biscuits are provided to 4,000 of the most vulnerable refugees at 250 kg per person per day for a five-day ration (WFP, 2010b). For implementation purposes, partnerships have been established with local and international NGOs such as CARITAS, SEARCH, Liberia National Red Cross Society, Samaritan's Purse, and Norwegian Refugee Council.

163. Following the *IR-EMOP*, the longer term *EMOP* aims to provide emergency assistance to the refugees and host population by both improving the food security and nutrition situation of Ivoirian refugees and vulnerable host community populations in Liberia adversely affected by the refugee influx; and stabilizing acute malnutrition rates among under-five children in the refugee and host populations. Target beneficiaries are Ivoirian refugees who have so far opted to remain in border areas among Liberian communities, as well as vulnerable, food-insecure households among the host population affected by the refugee crisis. The duration of the project is intended from February to July 2011, for a total budget of US\$7,913,218.

164. The *EMOP* has three components (WFP, 2011):

1. *General food distribution (GFD)* targets both refugees and vulnerable host population groups. In-kind food transfers are preferable to cash-based transfers at this time considering that local rice and cassava prices have already risen, that cash may further fuel inflation and that food availability on local markets decreases at the start of the lean season in April. Moreover, cash may be more attractive than food for the food-insecure and poor Ivoirians living across the border, thus representing a "pull factor" for more refugees. Finally, the injection of cash in the local economy may induce host communities to sell more of their food stocks, in effect bringing forward the lean season. All refugees registered with UNHCR (50,000 anticipated) will benefit from GFD, together with vulnerable and food-insecure households in host communities in Nimba and Grand Gedeh – a planning figure of 20 percent of the host population targeted for GFD has been adopted (10,000 beneficiaries).
2. A 7-day supply of *emergency rations* of high energy biscuits (HEB) are distributed to an anticipated 25,000 newly arriving refugees as a rapid response to their food needs pending their first receipt of GFD rations. This component did not target the existing 25,000 refugees who had arrived in Liberia prior to the introduction of the emergency rations and already started receiving GFD through the *IR-EMOP*.
3. *Targeted supplementary feeding program (SFP)* targets 2,000 moderately malnourished children under five from the refugee and host populations in feeding centers established and managed by the Government, UN partners, and specialized NGOs.

#### ***Nutrition support: the WFP and UNICEF***

165. Initiatives of nutrition support are carried out by the WFP within the framework of the PRRO described above. Interventions are divided into various projects targeting different groups of people.

166. Maternal and Child Health Nutrition (*MCHN*) activities target counties with critical chronic malnutrition rates, defined as stunting rate of children under five higher than 40 percent. The entry point is malnourished pregnant women and all teenage pregnant mothers (15–19 years). Community mother support groups and the county health teams identify pregnant and lactating women for referral. As for beneficiaries, the program assists 7,500 pregnant and lactating women and their children aged 6–24 months.

167. *Supplementary feeding* is generally implemented in areas identified as having high pockets of acute malnutrition, where 12,000 children under five (with weight-for-height below 80 percent of the median) are targeted, along with 4,800 caretakers of severely malnourished children. In addition, over 3,200 severely malnourished children have received therapeutic foods.

168. Support for therapeutic feeding is granted to tuberculosis and HIV/AIDS-affected patients. Vulnerable TB patients on Directly Observed Treatment Short-course (DOTS) therapy are eligible to receive food support for the intensive in-patient phase of treatment (two months) and the subsequent outpatient phase of treatment (seven months). Food assistance is conditional upon participation in the treatment programs, with the exit criterion being the completion of treatment. Finally, HIV/AIDS activities target malnourished and food insecure people on anti-retroviral therapy (ART) in line with the National Strategy Framework for People Living with HIV. Discharge takes place after nine months.

169. For the MCHN activity, corn-soy blend (CSB), Vitamin A-fortified vegetable oil and sugar are provided on a monthly basis. Women receive food during pregnancy and for six months after delivery; infants receive a ration from the age of 6–24 months. Moderately acute malnourished children under five receive CSB, Vitamin A fortified vegetable oil and sugar on a monthly basis. Therapeutic feeding provides full individual daily rations of 2,100 kcal, composed of cereals, pulses, CSB, oil and salt. An individual daily ration of 1,933 kcal (comprising 0.37 kg cereals, 0.04 kg pulses, 0.05 kg CSB, 0.025 kg vegetable oil and 0.02 kg sugar) is provided to TB in/out-patients on DOTS treatment. A daily individual ration, providing 1,933 kcal (comprising cereals, pulses, CSB vegetable oil and sugar), is provided to people living with HIV on ART.

170. UNICEF is working with the MOHSW to strengthen the delivery of nutrition actions and help reduce the burden of morbidity and mortality due to malnutrition for Liberian women and children. As part of this ongoing work, efforts are underway to increase the national capacity to identify and manage Severe Acute Malnutrition (SAM). This work takes place through community based nutrition facilities for the outpatient treatment of children suffering from SAM. Training of a broad range of community volunteers and medical staff to improve their ability to identify, monitor and treat malnutrition and its health consequences complements this treatment.

### ***School feeding: the WFP***

171. The WFP is the key player in Liberia as far as school feeding is concerned. In 2010, its program of school feeding targeted more than 300,000 primary school children in the most food insecure counties, while phasing-out assistance in Greater Monrovia as a result of an improvement in conditions. All beneficiary children receive daily nutritious meals, while girls receive take-home rations as an incentive for families to keep them in school and to help reduce the primary education gender gap.

172. Specifically, the school feeding activities of the PRRO, targeting 303,000 primary school children, is implemented in the counties where more than 45 percent of households have poor or borderline food consumption, namely Lofa, Gbarpolu, Nimba, Bong, Rivercess, Grand Bassa and Bomi counties. The girls' take-home rations target 2,000 girls each year in counties where the gender gap is 15 percent or more. A monthly family ration is distributed to girls enrolled in grades four to six who attend at least 80 percent of total school days per month. For school feeding, a cooked mid-morning meal is provided each school day, composed of cereals, pulses, vitamin A-enriched vegetable oil and iodized salt. Girls receive a monthly take-home family ration of 25 kg of cereals and 1.83 kg of vitamin A-enriched vegetable oil.

173. School feeding is managed by the WFP in coordination with specialized NGO partners that have supported the capacity building of MOE's school feeding unit at central, county and district level through the transfer of logistics equipment (light vehicles and motorcycles to the MOE) and relevant training. The school feeding activities are coordinated with UNICEF and MOE activities.

### ***Food market opportunities and capacity building***

#### ***a. The WFP Purchase For Progress (P4P) initiative***

174. The WFP P4P aims at creating market opportunities for smallholder farmers, mainly by connecting them to markets by purchasing rice surpluses they have produced for use in the girl's take-home activity of the school-feeding program. The initiative is a pilot project being implemented over five years (from 2009 to 2014) that intends to reach 25,000 beneficiaries in Lofa, Bong and Nimba counties initially and expand to cover 40,000 small-scale farmers and their families.

175. As the first part of procurement by the end of 2009, WFP had contracted a total of 257 metric tons of local rice across the three counties and, as of August 2010, farmers had received payment for a total of 192,385 metric tons of milled and packaged parboiled rice. By August 2010, up to 200 metric tons of the high quality local rice, *purchased from local smallholder farmers under the P4P*

### **Box 7: A Debate and Rethinking of School Feeding**

Despite the global evidence on the positive impact of school feeding, further research is required to assess the longer-term relative merits of in-school feeding versus take-home rations or other social safety net instruments (conditional cash transfers). School feeding programs may increase school attendance, cognition, and educational achievement, particularly if supported by complementary actions such as de-worming and micronutrient fortification or supplementation (Bundy et al. 2009). In discussing the effectiveness of school feeding modalities, Bundy et al. (2009) recognize a particular need for better data on the cost-effectiveness of the available school feeding approaches and modalities.

School feeding programs may not reach the poorest and most vulnerable, especially in the poorest areas, where school enrollment is low. First, the poor are less likely to be in school than the non-poor. Second, it is extremely difficult to target benefits to the poor within a school except with take-home rations, which are not that different from conditional cash transfers. Third, school feeding activities are expensive and need to be geographically targeted, but then the program does not provide benefits to the majority of the poor who live in areas not covered.

Food assistance programs could be better linked to local production. Increasingly, local purchasing has been promoted and better linkages between food assistance programs and support programs to small farmers have been established. Globally, local procurement is being actively evaluated as a means to achieve sustainable programs and, at the same time, to use the purchasing power of the program as a force multiplier and a stimulus for the local agricultural economy (Bundy et al. 2009). The WFP introduced the Purchase for Progress (P4P) program, which aims to procure a significant part of the food from associations of small farmers.

Source: WFP and WB (2009).

*initiative*, have been distributed to a total of 2,666 girls attending primary schools in the mentioned counties for three months.

176. Payment has been made to individual farmers, largely women, for the total of over 497 metric tons (9,940 50kg bags) of paddy rice sold via P4P. Farmers receive US\$17 for each bag of paddy rice; payments to date total over US\$168,980. Additionally, the WFP pays US\$6.45 to farmer cooperatives (four cooperatives have been created to date) for processing and handling rice. Hence, a bag of 35kg of cleaned rice totals US\$23.45, or US\$0.67/kg (WFP, 2010).

#### *Weaknesses and strengths of the intervention*

177. Broadly speaking, the main implementation challenges for the WFP programs concern the *weak logistic capacity at the local level*, coupled with the inability to mobilize local financial resources (for example to pay farmers under the P4P). These issues hinder the overall effectiveness of the project.

178. In spite of this, the *linkage between the different components* of the PRRO (LAR, P4P and take home rations) is remarkable as it leverages its various interventions against one another to achieve a greater overall impact on the counties and communities of implementation. As such, it represents a good practice that should be scaled up nationally. Moreover, such a well-interconnected system is able encourages the *long-term sustainability* of the overall framework.

#### *b. USAID Food for Peace Strategic Plan*

179. Besides LAUNCH, USAID is also active against food insecurity of the most vulnerable groups through the *Food For Peace (FFP) Strategic Plan*, focused on reducing the risks of and vulnerability to food insecurity shocks (including natural, economic, social, health, and political shocks), and protecting and building human and livelihood assets. The FFP Strategic Plan is designed to meet the needs of both the chronically food insecure, who suffer from persistent food insecurity, and the transitorily food insecure, who have a temporary inability to meet food needs or smooth consumption levels. As such, it is more than a short-term intervention on food security. In fact, its two intermediate results are (1) to enhance global leadership in reducing food insecurity and (2) to increase impact in the field (USAID, 2009).

180. Key target groups under the FFP Strategic Plan are those populations at risk of food insecurity because of their physiological status, socioeconomic status or physical security, and/or people whose ability to cope has been temporarily overcome by a shock. In addition to enhancing the capabilities of vulnerable individuals, households, and communities, the FFP Strategic Plan focuses on building the capacity of partners in the field to increase the impact and sustainability of food security programming (USAID, 2009). This is also done by importing food commodities that are not produced locally and selling them into the market at a lower price (oil, for example) to input additional money in the market. In 2011, the Plan includes food distribution for refugees from Ivory Coast and Guinea. The budget for the FY 2010 is around US\$20 million.

## **D. General Subsidies**

181. General subsidies by the MOF mainly concern fuel, food commodities and electricity (for some entities) and, at minor level, public transportations in Monrovia. It is difficult to give a

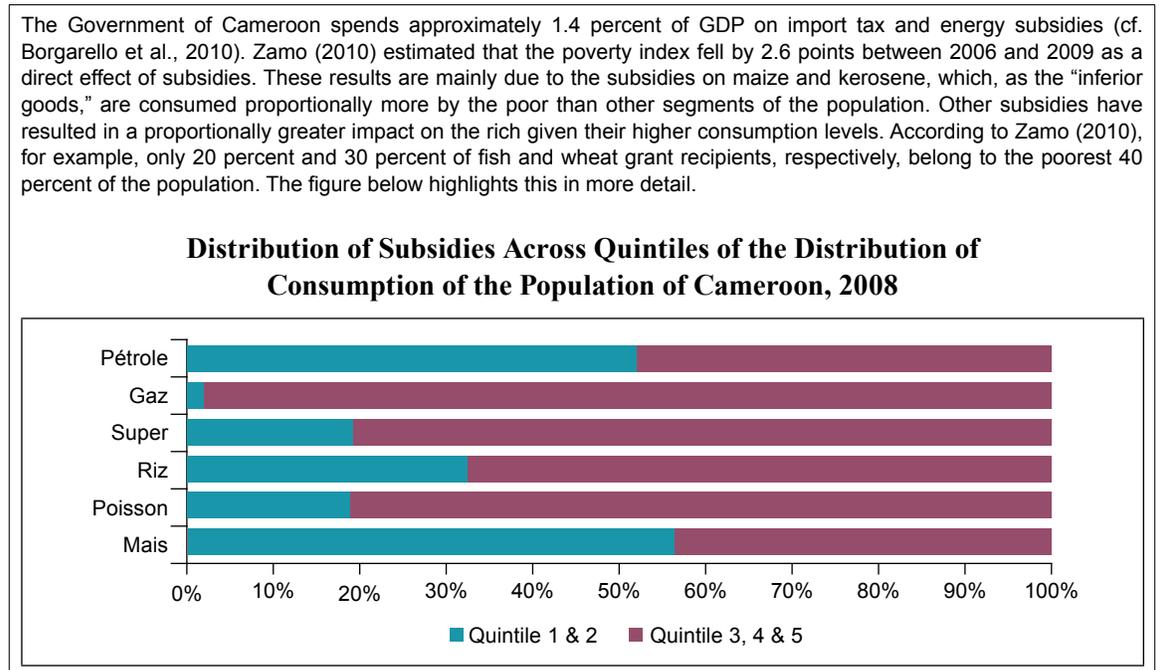
precise estimation of the annual costs of subsidies to the Government due to lack of data; likewise, an estimation of the actual number of beneficiaries is not feasible. As far as *electricity* is concerned, the MOF recently granted the Liberian Electricity Corporation US\$500,000 for providing free electricity to hospitals and for streetlights in Monrovia. Also *fuel* is duty free for NGOs, schools, health centers, and religious institutions. The cost of approximately five years of Government subsidies on fuel taxes is around US\$20 million. Finally, the MOF subsidizes *public transportation* in Monrovia through its support to the National Transit Authority and the co-provision, together with the Indian Government, of 33 buses (25 from the Indian Government and eight buses provided by the GoL). As such, all kids wearing a uniform in Monrovia are granted exemption on the use of public transportations.

182. The Government also currently incurs foregone revenues following the removal of its import duties on *rice* in 2008. The import tax of US\$2.25 per 50kg bag was lifted by executive order as part of the Government’s response to mitigate the domestic impact of the global food price crisis. According to the Ministry of Commerce, approximately six million bags of rice were imported in 2008, the estimated revenue from which would have been US\$13.5 million. As with the general subsidies, it is not possible to estimate the number of beneficiaries from this policy. However, regionally in West Africa, such policies are controversial because of their high costs and typically limited general benefit.

### Fee Waivers for Health and Education

183. The GoL has implemented fee waivers for health and education.

### Box 8: The Impact of Price Subsidies on the Poor: The Case of Cameroon



Source: Zamo (2010).

184. As outlined in the 2008 Basic Package of Health and Social Welfare Services (BPHS), the Minister of Health has suspended user fees for “the foreseeable future,” in recognition of the country’s pervasive levels of poverty and to encourage more equitable access to the health care system. The BPHS intends to guarantee basic services, including maternal and newborn health, child health, reproductive and adolescent health, communicable disease control, mental health, and emergency care, for all Liberians through the provision of appropriately trained health staff, adequate health facilities and essential medicines. In the National Health and Social Welfare Policy and Plan 2011–2021, the Ministry estimates that it will spend US\$8.87 million annually on health infrastructure and an annually increasing amount on drugs, with an estimated US\$25 million in 2012 and US\$55 million in 2021. These estimates include Government budgetary allocations and donor financing.

185. In addition, the MOF subsidizes specific health institutions. In Monrovia, JFK hospital received US\$5.2 million from the GoL in 2009, US\$5.6 million in 2010 and US\$6.1 million in 2011. Similarly, the Phoebe hospital (in Bong county) has received US\$392,000 in 2009, US\$551,000 in

### **Box 9: The Debate over User Fees**

Globally, user fees have increasingly come into question. Research in Mali, Burkina Faso, and elsewhere has shown that user fees reduced the access of vulnerable populations to health services, leading to a reduction in service use, particularly among women and the poorest groups (James et al., 2006 cited in Ridde and Haddad 2009). In its 2008 annual report, the World Health Organization (WHO) urged countries to “resist the temptation to rely on user fees” (2009). James et al. (2005) estimated that more than 230,000 children’s lives could be saved each year if fees were abolished in 20 African countries. An increasing number of donors support governments willing to abolish user fees for basic health services (DfID 2006; Ridde and Haddad 2009).

Now, while research clearly supports the abolition of user fees, there is little consensus about how such policies are best implemented. A recent study on the effect of removing direct payment for health care on utilization and health outcomes in Ghanaian children showed that pre-payment schemes are not pro-poor, because the worst-off are rarely enrolled (Ansah et al., 2009 cited in Ridde and Haddad 2009). And Ridde and Haddad (2009) stress that local health insurance systems have shown limits in Africa, where the penetration rate, after more than 15 years of promotion by their organizations, remains very low (five percent). They also point out the considerable gap between “the enthusiasm generated by pre-payment schemes and the scientific evidence to support their use.” Still, as long as there is no evidence that health insurance schemes are ineffective, the authors call for the protection of families against catastrophic health care costs and the removal of financial barriers to health care as a health system priority.

More generally, the abolition of user fees requires solving three problems. The last two are often forgotten by policy makers. The first problem is how to replace this revenue and ensure that the new revenue is actually received by health facilities. User fees can be an important, direct source of funding for health facilities. Research shows that Government allocations rarely arrive at the facilities level and are often much delayed if they do. Indeed it is precisely because many health facilities were not receiving their budget allocations that the user fees were introduced in the 1990s. This dilemma underscores the need for fiscal devolution; however, it also highlights the lack of capacity for such devolution in many African countries.

The second point is that the user fees are an economic incentive for the provision of quality services, in that they create an incentive for health facilities to attract as many patients as possible. Thus, removing user fees also requires establishing new incentive mechanisms. To date, the most promising solution today is funding based on the results, as has been successfully implemented in Burundi.

Finally, abolishing user fees does not solve the problem of access to care for the poor. Even when the user charges are completely free (as in Sierra Leone since 2010), this policy tends to benefit urban populations more than rural ones. The fee exemption programs are usually very inefficient, because they disproportionately fund the rich, who are more likely to live in the city with easy access to care, in comparison with the poor, whose poverty may prevent them from paying for transportation necessary to reach the nearest health facility. Here targeted health insurance directed specifically at poor populations can provide a more progressive system for the provision of health services.

Source: WB, 2010.

2010 and US\$1.1 million in 2011. Indeed, all welfare institutions are given some form of subsidies, as are the major private hospitals.

186. As far as education is concerned, public schools are subsidized at the primary and secondary level. However, families are responsible for registration fees, which typically cover the difference between the funding provided to a school by the Government and the actual operating costs of that school and are distinct from other education expenses, such as uniforms and books. These fees can range from a few hundred to a few thousand Liberian dollars, and as such can be prohibitively expensive for many households. Regarding higher education, university students are normally responsible for paying tuition. For example, a full course load of 21 credits at the University of Liberia can range between US\$45 and US\$100 per semester. Medical schools are fully subsidized.

## CHAPTER 7: BENEFICIARY COVERAGE OF SSN AT THE NATIONAL LEVEL

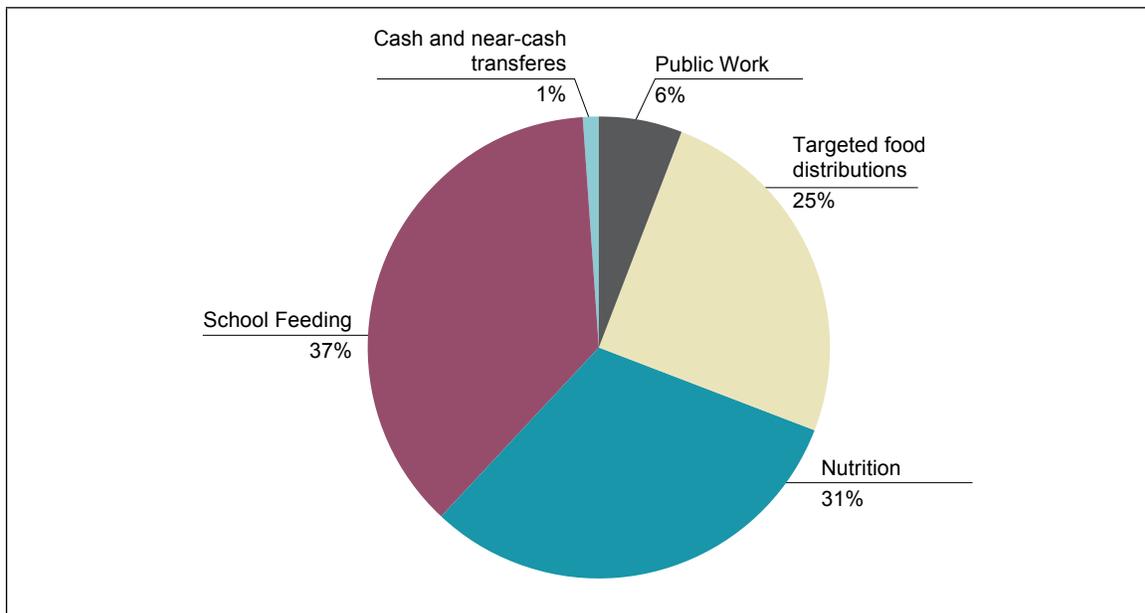
187. Looking at overall coverage of SSN in Liberia, food-related programs cover 93 percent of total of beneficiaries of SSN interventions. In particular, school feeding covers 37 percent of the total of beneficiaries, nutrition programs cover 31 percent and targeted food distribution covers 25 percent. Conversely, cash transfers only cover 1 percent of the total beneficiaries of existing SSN.

### A. Categorical Coverage

188. In terms of categories of beneficiaries, the current system seems to focus on the that part of the population that faces *food insecurity*, mainly addressing starvation and malnutrition among households, children, and refugees. This reflects national needs, since 13 percent of the population can be considered to be severely food insecure, while an additional 28 percent are vulnerable to food insecurity (CFSNS, 2010). In addition, 39 percent of children are stunted and 19 percent are underweight (USAID, 2010). As previously discussed, transient food insecurity is often linked to difficulties in accessing particularly remote counties, while chronic food insecurity is connected to low productivity and production among rural communities. Food insecurity and malnutrition, more broadly, are also connected to poor access to health, water and sanitation services, as well as inadequate care of mothers, infants, and young children. Food insecurity hence represents a key dimension of vulnerability in Liberia, especially when coupled with the fact that many households' find it impossible to perform income-generating activities.

189. The second big share of beneficiaries appears to be *unemployed people*, currently addressed primarily by public works programs. "Unemployment" used here also covers the ample portion of

**Figure 5: Annual Number of Beneficiaries of Existing SSN Programs, 2009**



Source: Authors' calculations.

the population who are underemployed or engaged in vulnerable employment. Almost three-quarters of a million people belong to this group in Liberia, most commonly in rural areas (where 75 percent of all employment is informal), mainly in agriculture and wholesale/retail trade. Informally self-employed people register very high poverty rates: households whose head is self-employed in agriculture (approximately the 33 percent of the population) have a poverty share of 72.0 percent, while households whose head is self-employed in other sectors within the informal economy register a poverty rate of 59 percent. In addition, the non-formal nature of their employment makes these people more vulnerable to shocks as they do not enjoy contributory SP coverage. The seasonality of this employment, particularly in agriculture, further contributes to their vulnerability.

190. Although the disproportion between the coverage of the two groups (food insecure people and unemployed people) is quite remarkable—6 percent of the total beneficiaries are covered by public work programs and 93 percent from various kinds of nutrition interventions—together they represent the largest vulnerable groups in Liberia. This is in keeping with the current SSN projects in Liberia to date, which have consistently focused on these two areas of vulnerability.

## B. Geographical Coverage

191. Table 13 highlights the regional coverage of the different programs of SSN in comparison to the regional poverty shares in order to assess if those regions that most urgently need to be addressed by SSN interventions do actually benefit from key projects.

192. The most covered area of the country appears to be the North Central region, (the counties of Bong, Lofa and Nimba) with 25 projects altogether (Bong and Nimba, in particular, are benefitting from nine interventions each). The poorest regions are the North Western and the South Eastern A regions, where the share of poverty exceeds 76 percent, while the percentage of extreme poverty is, respectively, of 62.2 percent and 60.9 percent. Within the South Eastern A region, Sinoe county appears particularly overlooked by SSN projects, being addressed by only four interventions. This can perhaps be explained by the fact that, in spite of being highly poor, Sinoe is one of the least populated counties of Liberia, with a density of 27 inhabitants per square kilometer according to the latest Census, far below the national density average of 93 people per square kilometer.<sup>8</sup>

**Table 13: Geographical Coverage of Main SSN Programs Compared to Regional Poverty**

Regions	Poverty %	Extreme Poverty %	Number of SSN projects	Main type of SSN projects
Greater Monrovia	48.5	22.7	4	Cash for Work/Public Works
North Central	68.1	57.6	25	In-kind food transfers
North Western	76.3	62.2	18	Cash and near-cash transfers
South Central	58.9	42.2	16	All types
South Eastern A	76.7	60.9	16	In-kind food transfers
South Eastern B	67.2	53.7	13	In-kind food transfers

Source: Author's calculations based on project documents and PRS 2007.

<sup>8</sup> The least populated county is Gbarpolu, with only 22 people per square kilometer.

193. Regarding the types of projects implemented, the main difference seems to lie in the very nature of the county: Greater Monrovia, i.e. the only real urban area of the country, is mostly addressed by projects of cash for work and public works, while rural areas mainly receive transfers, both in food and in cash.

### C. SSN Coverage of the Poor at National Level

194. To understand the extent of SSN coverage as compared to the population as a whole, total enrollment figures are compared with the number of poor and extreme poor within the country. Moreover, such percentages will not be useful without an idea of the benefit's size. The percentage of the poverty line actually covered by the amount of US\$ per beneficiary can be calculated by a simple division of the overall budget spent in each single intervention (or category) by the number of beneficiaries of those interventions. The following table shows these results as a share of the poverty line and the coverage of this by the main SSN interventions in Liberia.

195. The coverage of existing social safety net programs is limited when compared to the need. Assuming no overlap between programs and excluding general subsidies, the theoretical estimate of the total number of beneficiaries is 830,568 individuals in 2010, that is, about 23.8 percent of the total population of Liberia, as reported in the 2008 Census. However, this figure over-estimates the coverage of SSN, as overlap between these interventions is very likely. For instance, geographical overlap of different interventions is possible, particularly when considering that the school feeding programs provide universal coverage in the counties where they are operational. Moreover, until very detailed and coordinated procedures for beneficiaries' identification are not in place, there may be individual attempts to enroll in different programs in order to be entitled to multiple benefits—an issue that will be specifically addressed in Chapter 8. Additionally, overlaps may also result from the existence of different programs running in parallel without complementing each other, a concern that is amplified in a post-conflict state where government is struggling to rebuild and organize its institutional arrangements and consequent policies.

**Table 14: Beneficiaries and Budgetary Allocation by Program in Liberia, 2010**

Program	Number of Beneficiaries (2010)	Annual Budget US\$(2010)	US\$ per Beneficiary per Year	% of Rural Poverty Line (357\$ per year)	% of Urban Poverty Line (504\$ per year)
1. Cash and near-cash transfers	10,333	1,320,000	127.7	36%	25%
2. Food transfers	771,235	23,285,388	30.2	8%	6%
2.1 Food distributions	209,500	2,154,363	10.3	3%	2%
2.2 Nutrition	258,735	8,881,426	34.3	10%	7%
2.3 School feeding	303,000	12,249,599	40.4	11%	8%
3. Public works	49,000	3,906,267	79.7	22%	16%
<b>Total</b>	<b>830,568</b>	<b>28,511,655</b>	<b>34.3</b>	<b>10%</b>	<b>7%</b>

Source: Authors' calculations.

196. Furthermore, coverage rates only provide a partial understanding of both the actual beneficiary groups and the real benefit to households, and must be complemented with analysis of benefit size as well as program targeting. In Table 14, the budget spent per beneficiary is calculated to provide an indication of the size of the benefit of each SSN, regardless of the actual categories covered. The size of the benefit only amounts to 10 percent and seven percent of the urban and rural poverty lines respectively. The budgetary allocation per person, however, is significantly higher for cash transfers and public works than for food transfers. Program details such as geographic coverage or administrative costs are not considered in the above calculations and could affect the benefit size. That said, international studies have repeatedly shown that the administrative costs of food distribution are higher than cash transfers in many cases.

## CHAPTER 8: OPTIONS FOR THE ALLOCATION OF SSN RESOURCES

197. The Government faces many critical and competing demands—from income support for the poor to promoting education for girls to improving the still-limited stock of public physical capital—for the allocation of its narrow national budget. These constraints are compounded by the recent recurrent international price and financial crises and must be considered within the context of the development of a National Social Protection Strategy.

198. The purpose of this section is to encourage reflection on the various options available for improving the overall effectiveness of SSN to impact poverty in Liberia without increasing current budgetary allocations. The first section presents three possible options for better-targeted and coordinated coverage of extreme poverty in Liberia through cash transfer interventions, within the budget currently allocated to SSN. The second section provides tools for improving the design and the allocation of funding for SSN, again within existing budgetary constraints. The third section highlights international evidence regarding the possible returns on investments for SSN interventions. This exercise only intends to give an overview of this topic, with the scope of furnishing insights on a new program design; a more thorough analysis should be implemented prior to proceeding to actual policy choices.

### A. Improving the Coverage of Extreme Poor Households

199. The following scenarios assess the possible coverage and benefit levels that could be achieved by reallocating the current level of funding, which is above the regional average, under a more coordinated and targeted SSN framework. At present, the Government and donor partners spend approximately 1.5 percent of Liberia's GDP on SSN annually (US\$23,620,051). The scenarios assume the adoption of a general cash transfer (which, in practice, could combine CCTs, PWPs, and similar such interventions) that would comprise approximately 66 percent of the total SSN portfolio (US\$15,589,234). To reflect the ongoing relevance of food assistance in Liberia, this exercise does not take school feeding programs into account for the total SSN spending. Using an estimated overhead cost of 20 percent (see Box 10), the actual amount available for transfers is reduced to US\$12,991,028.

200. As presented in Table 15, the three scenarios are based on full coverage of the poverty gap, full coverage of the extreme poor, and a mixed scenario wherein half of the extreme poor are provided with a benefit equal to half of the poverty gap.<sup>9</sup> Under the first Scenario, *full* coverage of the poverty gap could be provided to 324,776 beneficiaries (25.1 percent of all extreme poor) based on the established level of financing. The second Scenario aims at targeting *all* extreme poor, who would receive US\$10.00 per person per year, which is the equivalent of US\$4.25 per household per month. Alternatively, Scenario three presents coverage of *50 percent* of extreme poor (647,648

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<sup>9</sup> The population of extreme poor is estimated at 1,295,295 people, as based on the 2007 PRS. A transfer equal to 20 percent of the extreme poverty line is assumed to represent full coverage of the poverty gap. Since the 2007 PRS sets the extreme poverty line at approximately US\$200, this would be equal to US\$40 per person per year or US\$17 per household per month (with an average household size of 5 people established by the 2008 Census).

**Table 15: Options for Scaling-Up SSN Programs**

Type of SSN program	SCENARIO 1 100% Contribution to Extreme Poverty	SCENARIO 2 100% Extreme Poor	SCENARIO 3 50% Extreme Poor & 50% Contribution to Extreme Poverty
<b>Cash transfers</b>			
Beneficiaries – Extreme poor	<b>324,776</b> (25.1%)	1,295,295 (100%)	<b>647,648</b> (50%)
Transfer/household/month (20% EXPL, USD)	17	4.25	8.5
Transfer/person/year (20% EXPL, USD)	40 (100%)	<b>10.00</b> (25.1%)	<b>20.00</b> (50%)
<b>Total available for transfers (US\$ per year)</b>	<b>12,991,028</b>		
Taking into account 20% inputs	2,598,206		
Total cost of transfers (US\$ per year)	15,589,234		
% of GDP	1.5% minus school feeding (34% of 1.5%) = around 1% GDP		

Source: Simulations of the authors.

people) who would get the 50 percent of the needed contribution to extreme poverty, either US\$20 per person per year or US\$8.5 per household per month.

201. The choice between the different types of intervention obviously depends on the GoL priorities. In the end, it is a choice between targeting all the extreme poor within the country with a small transfer of money, or reaching a quarter of the extreme poor, granting them full coverage of their poverty gap. The third option represents a more balanced approach between quantity and quality. Ongoing and future evaluations of SSN programming in Liberia could help to inform this decision by providing relevant information about the benefits of coverage versus benefit size.

202. All options imply the development of a better-designed framework of safety net programs by way of refining the targeting mechanism, delivery of benefits, administrative costs, program coordination among the different SP projects run by various stakeholders (donors, Government and NGOs)—all issues that will be dealt with in Chapter 9. Such a coordination mechanism would require the adoption of a long-term approach and not *ad hoc* interventions that do not provide a secure safety net for households.

## **B. Creating Fiscal Space for SSN**

203. Given the context of constraints of financial resources, investing in improving SSN coverage in virtue of their potential positive returns raises the issue of fiscal space. Four basic options are usually considered for creating fiscal space: (i) reallocating of expenditure under existing fiscal constraints, (ii) increasing donor financing on concessional terms; (iii) borrowing; and (iv) increasing domestic revenue either through taxation or through improved revenue collection. The advantages and disadvantages of each are summarized in Table 16.

204. As suggested within the table, a *reallocation of expenditures* should be considered. Rationalization, consolidation, and reallocation can occur both within and between sectors (DfID, 2011). In

### Box 10: Administrative Costs in Some Social Programs

Before planning SSN interventions, it is important to take into account operational costs, which would increase budgetary requirements. Summarized below are some of the administrative costs of international and national programs for reference.

	Administrative costs (% of budget)	Other costs (% of budget)
<b>Cash Transfers in AFRICA</b>		
CT Ethiopia	17.2%	
HIMO Ethiopia	17.2%	(capital) 15%
CT Malawi	15%	15%
CT Kenya pilot	40%	
CT Kenya (OEV) extension	25%	
<b>LIBERIA</b>		
WFP (FT – PRRO)	24.6%	(indirect) 6.5%
LACE (CfWTEP)	11.1%	(assets) 14.1%

Source: Summary by the authors from different sources.

**Table 16: Options for Increasing Safety Net Budgets: Advantages and Disadvantages**

Financing methods	Advantages	Challenges
Reallocation of expenditure	<ul style="list-style-type: none"> <li>Finances programs within budget constraints</li> <li>Increases overall productivity of government outlays</li> <li>Efficiency gains by cutting into unproductive expenditure</li> <li>Feasible in the short term on a small-scale basis particularly if “low hanging fruits” can be identified for cuts</li> </ul>	<ul style="list-style-type: none"> <li>No additional funds relative to the budget</li> <li>Depending on the amounts to be freed up, this options could require significant commitment from the government to implement trade-offs</li> <li>Can be difficult to implement if large-scale reallocations are necessary – that option would require a detailed analysis of public expenditure programs and medium-term commitment by government</li> </ul>
Donor financing	<ul style="list-style-type: none"> <li>Concessional financing or grants</li> <li>Increases the overall envelope</li> </ul>	<ul style="list-style-type: none"> <li>Budget support required for more flexible use of funds</li> <li>Cyclicality of funding, and medium-term downward trend</li> <li>Donor coordination issues</li> <li>Needs significant increase in fresh budget support</li> <li>Needs a significant and durable donor commitment toward harmonization and continuity, for gradual or larger-scale programs</li> </ul>
Borrowing	<ul style="list-style-type: none"> <li>Finances temporary expansion of programs during crisis</li> <li>Less reliance on donors</li> </ul>	<ul style="list-style-type: none"> <li>Liberia at risk of debt distress</li> <li>Agreement IMF</li> <li>Overhang impact on growth</li> <li>More expensive than concessional financing</li> </ul>
Increased domestic revenue	<ul style="list-style-type: none"> <li>May be more sustainable than other options</li> <li>Need to be trough improved tax management</li> <li>Provide secured financing in the short-term</li> <li>May have redistributive effect</li> </ul>	<ul style="list-style-type: none"> <li>If done through increased taxation, economic costs may have direct and indirect effects on the economy, which could harm economic growth and ultimately the poor; needs tax incidence analysis</li> <li>Tax increase may have limited return given Liberia’s narrow fiscal base and low revenue to GDP ratio, be politically unpopular, and may hurt the poor</li> </ul>

Source: Report WB, No. 54491.

Liberia, in particular, despite recent increases, there is a need to further expand public resources for education and health. At the same time, funds may be redirected into effective transfer schemes by cutting back on budget allocations to inefficient forms of expenditures in other sectors (DfID, 2011). Additionally, improving the quality of expenditure through better planning and implementation would also yield potential savings (IMF 2010 IV Article revision). Still, while this reprioritization may be the best technical option in the short or medium term, achieving it can be difficult mainly because of political competition for funds' allocation among sectors.

205. Fiscal space can also be gained by better integrating *donor* investment in the overall budget planning at national level (WB PER, 2008; DfID, 2011). Over the medium term, there is need for a strong growth in the budget envelope, especially in the perspective of effectively addressing poverty reduction. But recent estimates (WB PER, 2008) foresee there will still be large shortfalls in budget resources in relation to poverty-alleviation spending requirements. This makes it even more essential, on the one side, to improve both the allocation and the technical efficiency of expenditures and, on the other side, to seek to secure greater external assistance (DfID, 2011). In a context of limited domestic financing, donor support appears to be vital.

206. The GoL should consolidate and deepen its on-going public financial management reform efforts to (i) increase its absorption capacity; (ii) increase efficiency in its public expenditure; and (iii) attract more direct budget support from donors. At present, most donor financing is project-based and implemented outside government agencies, which makes coordinating and managing public development programs a challenge. Additionally, external development assistance may flow in an unreliable and inflexible manner, hindering the long-term sustainability of interventions and not contributing to the building of national institution capacity. Moreover, donor support may entail high transaction costs (DfID, 2011).

207. The Government should hence attempt to persuade donors to gradually channel a larger share of their assistance through the national budget to enable it to assume greater responsibility for providing essential public services (WB PER, 2008), maybe shifting their resources from the provision of emergency humanitarian assistance to the supply of regular and predictable investment in a coordinated national strategy (DfID, 2011). On its side, the GoL should also ensure a more effective integration of donor assistance into its national budget and a better overall coordination of external resources drawn into national expenditures—similar to the experience of the multi-donor supported Ethiopian Productive Safety Net Program (PSNP)—which proves a solid commitment by both the national government and donors to integrate resources in order to avoid usual SSN inefficiencies (DfID, 2011).

208. Following the HIPC completion point reached in June 2010, Liberia has a low risk of debt distress and *borrowing* represents an additional option. The recent agreement with the Paris Club creditors on the full cancelation of the remaining debt will further reduce debt vulnerabilities, and the debt buyback funded by the World Bank-managed Debt Reduction Facility was completed in November 2010. Moreover, the Debt Management Committee is fully operational and, over the coming months, intends to issue guidelines for new borrowing and government guarantee requests. In such a context, there can be scope for domestic or external borrowing in the medium term. This option, however, seems to be feasible only to the extent that the Government manages to prove the economic returns of investing in SSN. The common tendency, in fact, is for governments to use debt financing only for those forms of public expenditures clearly (economically) productive

and therefore able to grant the repayment of the debt (DfID, 2011). The productive returns to SSN investments are discussed in a subsequent section.

209. *Increasing domestic revenue* is the fourth macro-area that the Government should address, either by raising the efficiency of revenue generation (more revenue as a percentage of GDP) or by accelerating economic growth. At present, Government revenue is insufficient to meet Liberia's poverty-reduction needs and, as noted above, the country remains heavily dependent on donor resources. At the same time, the Government itself is attempting to strengthen its coordinating and regulatory roles and to contribute to improvements in basic social service delivery—both actions require a substantial mobilization of human and financial resources. Revisions to the revenue code would therefore be appropriate, especially since a further cut in revenues has been caused by a recent fiscal reform aimed at countering the perception that the tax burden on the private sector is large: authorities have recently reviewed the perceived over-taxation of formal sector enterprises and corporate income tax rates have been reduced from 35 percent to 25 percent in 2009–2010 (IMF, 2010 IV Article revision). The critical problem here is how to expand the tax basis in a context where formal employment represents only a small share of the actual economic activity within the country.

### **C. Improving Targeting**

210. A more effective system of targeting of SSN, too, can contribute to the overall impact of such interventions, particularly in a low-income country such as Liberia, where careful targeting is a necessary decision for allocating the at-best scarce national budget. A number of critical issues should be considered in choosing targeting approaches. First, given the data constraints and the limited administrative capacity of low-income countries, targeting methods should be kept simple. For example, the Ethiopian PSNP combines different simple instruments (geographic, community-based, and self-selection) to minimize inclusion errors. Second, even after successfully applying a targeting method, excess of demand may persist in a country with such a high rate of poverty: community-targeting in the allocation of benefit may, in this case, offer a locally acceptable option. Or, as in the cash-for-work program in Sierra Leone, beneficiaries could regularly rotate to increase overall enrolment levels. Finally, while SSN strategies tend to specifically take into account the direct costs of targeting, they should not forget the range of indirect, beneficiary-related costs: incentive costs (does the project reduce willingness to work among beneficiaries?), social costs (does participation in the program yield the stigmatization of beneficiaries hence reducing their willingness to take part?) and private costs (transport costs to enroll in the project, compliance costs, etc.). Even when a system of targeting has been well designed and implemented, it may need fine-tuning over time.

211. Various targeting systems as adapted to the Liberian context are discussed below.

212. *No targeting or universal targeting.* It is generally quite expensive to adopt targeting approaches where an intervention benefits the entire population. The ILO has estimated that a minimum package of universal benefits would cost four to 11 percent of GDP in most countries. General subsidies such as fee exemptions or price subsidies reach their target group and eliminate the administrative costs of targeting, but at the cost of using public resources to subsidize some people who would have been able to pay without hardship. Such subsidies should be limited to situations

where they address a clear constraint for a substantial portion of the population and where the absence of subsidies would compound poverty rates.

213. *Geographic targeting.* Geographic targeting can perform quite well when the poor are concentrated in a particular area but is less effective where poor and rich live in close proximity to each other. In Liberia, geographic targeting is therefore mostly useful in identifying broad zones of intervention, although ideally it should be supplemented with additional criteria to identify beneficiaries within specific areas. For instance, Liberia's food security and labor-intensive works programs generally follow the model of geographic targeting coupled with socioeconomic characteristics or self-targeting. As shown in Table 13, this approach may be misleading: in Liberia, the area the most targeted by SSN interventions appears to be the North Central region (Bong, Lofa and Nimba), notwithstanding the fact that the largest shares of poverty are to be found in the North Western and the South Eastern A regions.

214. *Categorical targeting.* Characteristics such as occupation, sector of activity, education levels, health status, and gender help to identify poverty groups. Unskilled workers, single parents, orphans, the homeless, and people with disabilities constitute generally vulnerable groups. But it remains difficult to identify intended beneficiaries accurately within groups: all people in a single group are not equally at risk. The administrative burden of targeting more finely is high, as is the risk of misidentification. Regrettably, when such programs are discretionary, they are often subject to abuse. In Liberia, categorical targeting has been largely used in cash and food transfer SSN, not without issues of inclusion errors. One example is the first phase of the Social Cash Transfer program, which began by using community-based targeting to identify labor-constrained households, but had adopted a more sophisticated method because, as the coverage area expanded, residents of already benefiting communities would coach other communities on how to respond in order to be enrolled in the program, with the result of very high inclusion errors.

215. *Community targeting.* This approach enables very local knowledge to be used. If well designed, it can ensure transparency in identifying beneficiaries and keep eligibility in line with community standards. However, if monitoring and oversight are insufficient, this approach risks high inclusion errors, as noted with the Social Cash Transfer program above. There is also a need for transparency regarding program benefits and eligibility criteria in order to avoid elite capture.

216. *Self-targeting.* Seemingly a good approach, this option targets the poor most effectively if the benefit offered is of interest only to the poor. Liberia's public works and food for work projects fall into the self-targeting category. However, as discussed in the text, the level of benefits in these programs often can be interesting to non-poor or marginally poor households, and thus the programs may miss the poorest, or the program benefit may be diluted over a wider range of beneficiaries than intended. To reach the poor effectively, such programs must be tightly designed.

217. Given the pros and cons of each approach, the most effective strategy seems to be the adoption of multiple targeting mechanisms. Good targeting is highly context-specific (DfID, 2011) and requires a careful assessment of the distribution of poverty within the context where interventions are to be implemented, the evaluation of targeting costs and of the political acceptability by the different groups of the population, and it relates to the specific program objectives (see Box 11).

## Box 11: Steps for Better Targeting

Which steps are to be followed for more accurate targeting?

*Need for a global view.* Careful design and assessment of the targeting method should be put in place: individual programs should be planned and then monitored cautiously, often with donor support, and their impact should be evaluated on the ground. A clear priority is to reinforce constant information on safety net flows and get a more complete picture.

*Redirection of the flow of resources towards the poor and categorically vulnerable.* Once a fuller picture is in place, the most important step is to find a formula for increasing the transfers to poorest districts and households, taking into account the needs identified through the risk and vulnerability analysis, the social protection gaps analysis and participatory feedback. There are many options: an obvious one is to undertake a rapid expansion of successful programs in the poorest districts.

*Access to adequate in-depth information.* Data and maps for poverty, malnutrition, natural disasters, infrastructure, education and health provide useful information. While they need regular updates, the Government is on the right track. At the central level this information is relatively accessible; however, for those working in a decentralized administration or in smaller programs in the counties, information is harder to obtain. Additionally, in spite of the gains in knowledge about the localization of poverty, the information is often not available on a sufficiently disaggregated basis for fine targeting. This is a more complex problem, as disaggregated data collection can be very costly. However, local knowledge needs to be used systematically, with an emphasis on participatory data collection.

*Discretion in the choice of beneficiaries.* As highlighted above, this may be a frequent problem in a context of deep poverty coupled with weak governance, when local implementers must identify beneficiaries. In some cases, beneficiaries are chosen without transparency; in other cases, benefits are withheld from potential beneficiaries to avoid raising expectations among others. Potential beneficiaries are often unaware of the benefits to which they can have access, while in other cases they can be even too aware and this may create a pull-factor. This is largely a question of effective governance, supervision and information sharing at local level.

Source: Various sources as summarized by the authors.

218. Generally speaking, the most effective tools are transparency and a strong beneficiary role in the oversight and management of programs, coupled with continuous reviews of experiences and exchanges of information on approaches among program organizers. The creation of a common comprehensive database with information about single beneficiaries of all SSN interventions could be a way to ensure appropriate targeting and to avoid overlaps. This would help in crosschecking data among various programs while also coordinating them with other public databases such as tax and civil registries.

### D. The Case for Investing in SSN

219. International evaluations of social protection systems highlight the potential positive returns to the investment in productive SSN programming. Moreover, the need to gain political support for such spending is best approached by highlighting the potentially large impact that it can have on poverty alleviation. Although there remains limited national-level data on the impact of ongoing SSN programming, international evaluations provide useful case studies to contribute to policy discussion regarding social protection.

#### *Short and long term development impacts of cash transfers*

220. In a May 2010 compendium, the International Labor Organization (ILO) reported that non-contributory cash transfers “make a significant contribution to addressing poverty and vulnerability among the poor and poorest households in developing countries.” (ILO, 2010) While the ILO adopts a rights-based approach to social protection programming, the compendium highlights the

positive impacts witnessed internationally on human development indicators, employment, economic productivity and consumption, as well as social inclusion and cohesion.

221. Social transfer programs are effective in improving *nutrition*, both short-term as they enhance households' nutritional status, and long-term as for the quality of beneficiaries' food intake, which has long-lasting effects on new generations through pregnant women and newborns. Higher and better food intake has an immediate impact on the poverty of households, enabling them to cope with contingencies, with positive effects on their *food security*. Transfers also improve direct access to *health services*, and indirectly enhance the overall health status of beneficiaries through higher (in both quantity and quality) consumption levels, with particularly remarkable improvements on maternal and child health. *Schooling* is also positively affected by social transfer programs, either through specific targeting or through the indirect effects of pure transfer in countries with a decent level of school infrastructure, which as such can support a possible increased demand for education services.

222. Social transfers also enable beneficiaries to make *productive investments* by saving and investing a fraction of their grant: regular transfers empower households affected by liquidity constraints to reallocate their productive resources, and to accumulate and protect their assets. Additionally, in combination with other interventions, social transfers can yield access to credit by helping the poor obtaining admittance to basic financial services for the first time in their lives. In Kenya, DfID has partnered with Equity Bank in the Hunger Safety Net Programme, providing access by the poor to financial services under the rigorous monitoring of the Oxford Policy Management. In Zambia, the Kalomo Social Cash Transfer Scheme led to four times more households engaging in investment activities and a doubling of the amounts invested (WB, 2011). Whether this immediate economic benefit will trigger the long-term financial inclusion of beneficiaries will depend on local circumstances and the efficiency of program design (DfID, 2011).

223. At the same time, to the extent that social transfers lift credit and childcare constraints, they allow members of the household to work, positively impacting *labor supply*, especially if they are supported by simultaneous efforts to enhance employment opportunities and quality. In South Africa, households receiving the Old Age Pension have labor force participation rates 11–12 percent higher than non-beneficiary households, and employment rates eight to 15 percent higher, also owing to the fact that pensions have a positive impact on job-search among unemployed household members (Vincent and Cull, 2009; WB, 2011). This contradicts the widespread view that transfers in developing countries create disincentives to work and save. The spillover effect of *stimulating local production and trade* has been documented, too. In Namibia, many grocery shops arose even in the smallest villages in response to the increased demand generated by the social pension programs. In remote rural locations in South Africa, on the day that transfers are delivered, traders bring their wares on site and moneylenders join to lend or collect their money.

224. In 2011, the Department for International Development (DfID) released an evidence paper that echoed the ILO's findings on cash transfers positive impacts in terms of reduced inequality and depth of poverty, improved access to health and education, greater accumulation of productive assets, and women's empowerment. Similar conclusions are drawn by the World Bank in its *Africa Social Protection Strategy 2012–2022*. In particular, the Bank analyzes the positive impact of SSN at the micro (i.e. the household), at the meso (labor, local markets, infrastructure) and at the macro (in terms of broad economic growth at national level) levels (WB, 2011).

225. A 2011 Independent Evaluation Group (IEG) Report further stresses the above findings on the positive short-term effects of cash transfers on human capital, poverty status, consumption, and productive investments, emphasizing in particular their potential to enhance households' levels of human and physical capital for future earnings in the long run. As the report points out, investing in the human capital of the poor may help them break out of *intergenerational poverty traps*, even though the actual long-term sustainability of their development outcomes is an area needing further research. So far, only a few studies have investigated the long-term effects of SSN interventions, but there is some evidence that the immediate improvements in welfare they yield may be sustainable over time. This finding is confirmed by the ILO report as well, which highlights the medium- and longer-term effects of cash-transfers that appear to outlast a household's participation in a specific program.

226. In addition, IEG emphasizes the valuable *indirect effects* of some programs that can have long-term development impact. These effects range from remittances and other private transfers to marriage, sexual behavior and fertility, to the reallocation of resources within the household and women empowerment, to credit markets and spillover. For instance, by keeping girls in school longer, cash transfers encourage them to adopt safer sexual practices, potentially delaying childbirth and early marriage. Programs that increase women's control over family resources help them gain more decision-making power within the household. The injection of more liquidity into communities yields increasing savings and potentially increasing credit available for non-participant households. Evidence also points to the relevance of the so-called '*demonstration effects*,' as the behavior of beneficiary households tends to be emulated by non-beneficiary ones, generating a virtuous increase in school enrolment, access to health services, and so on. This in turn augments pressure on local resources, requiring cash transfer interventions to be complemented by ongoing sectoral strategies to improve service availability and quality if they want to yield long-lasting effects (DfID, 2011).

227. It is difficult to evaluate the actual impact of cash transfers for *aggregate growth*: these interventions are usually aimed at the poorest, who by definition contribute very little to the overall formal economy, even if well-designed programs can help them participating in markets they have previously been excluded from (DfID, 2011). In particular, cash transfers may support long-term growth by alleviating poverty and inequality and by mitigating the worst effects of economic adjustments and crisis. Additionally, they usually yield social stability, which is a precondition of investment in growth.

### ***Preliminary evidence from Liberia***

228. Within the Liberian context, the LACE-implemented Cash-for-Work Temporary Employment Project provides a limited view into the possible effect of such programming on poverty alleviation. The project created temporary employment for 17,000 vulnerable Liberians in all 15 counties and transferred over US\$2 million to vulnerable Liberians. While this is a small program in comparison to the needs outlined above, results from two project assessments are encouraging to the impact on vulnerable households, including a reduction in the poverty gap of **27 percent**, from 17.2 percent to 12.6 percent for the 1,100 beneficiaries surveyed. In addition, sampled participants reported spending 31 percent of wages on education, 28 percent on living expenses, and 22 percent investments, which suggests not only short-term benefits to household consumption, but also possible longer-term effects through the paying of school fees and making agricultural, small business,

and household investments. These impacts were achieved with a total investment of US\$3 million, or approximately US\$176 per beneficiary.<sup>10</sup>

229. Additional ongoing impact evaluations, particularly of the Social Cash Transfer program, whose results are expected in January 2012, promise to provide further information toward the effectiveness of SSN programming in poverty alleviation.

### ***Political and fiscal risks of SSN***

230. In considering options for investing in SSN interventions, it is important to mention that they face a unique set of fiscal, political, and institutional risks that may hinder their effectiveness (IEG, 2011).

231. As in the case of Liberia, *fiscal risks* are particularly relevant for LICs, which do not have the redistributive capacity to support SSN programs on their own and, as such, are heavily donor dependent. The short-term risk for these countries is the reduction of external investment, while, in the longer run, they need to ensure the appropriate embedding of donor support within the overall envelope of their national strategy and budget for poverty alleviation, following the good examples of Rwanda and Ethiopia (see, respectively, Box 12 and Box 5). Moreover, SSN are relatively new in many countries and lack therefore permanent budget sections or refined institutional arrangements: they are consequently more susceptible to political influence, and may be highly affected by political shifts that can in turn jeopardize the creation of fiscal space in their favor (DfID, 2011). A particular additional issue that may create fiscal pressure involves the difficulty in scaling back a program that has been expanded: for instance, a crisis response intervention that has been implemented without clear plans to scale it back after the crisis can face strong *political pressure* to maintain its benefits. Anticipating the potential politicization of SSN reform within the initial design would reduce further political risks (IEG, 2011). Similarly, finding an appropriate *institutional* “home” and a clear legal framework for SSN programs, together with a regular, predictable financing source, would diminish risks of jeopardizing SSN existence.

232. Obviously, building the credibility of SSN interventions by showing that they are accountable, transparent, and fair, and that they trigger concrete development impacts helps boosting domestic political support, consequently ensuring their political and institutional sustainability over time (IEG, 2011; DfID, 2011).

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<sup>10</sup> The distinction between the total investment for this intervention as compared to the total cash transfer to beneficiaries includes costs of tools and other inputs for the public works, NGO facilitators, worker payment arrangements, and administrative costs.

## **CHAPTER 9: ADOPTING A MULTI-SECTORAL APPROACH IN SSN**

233. Given Liberia's constrained resources, and looking at the possible budget reallocation among SSN sectors suggested above, the National Social Protection Strategy should emphasize SSN that combine more than one objective, taking into account the economies of scale that can originate from a system that spans across different sectors. There is increasing recognition of the key role of complementary interventions in determining sustainable impacts for augmenting the chance of graduation from poverty (DfID, 2011). Especially in contexts where poverty is highly dynamic, SP interventions need to have multiple objectives such as income transfers with human capital formation (education or nutrition); or income transfers with small-scale infrastructure, including for productive purposes; or public works, and so on.

234. As the stage of development permits, Liberia could gradually move towards a more integrated and coherent system of SSN. For example, adopting multiple methods could be possible through an incremental approach. The latest initiatives of the Government in this direction aim to exploit linkages between food security programming and agricultural productivity, specifically: (i) supporting the rehabilitation/creation of agricultural assets and rural infrastructure through provision of targeted productive SSN including labor-based food/cash/voucher for work schemes, and (ii) creating market opportunities for smallholder farmers to sell their agricultural products. In particular, the MOA is trying to facilitate sharing of experiences among stakeholders operating within the sector, with the ultimate goal of establish guiding principles for the coordination and harmonization of the different interventions in these two sectors.

235. The following section suggests two (incremental) steps that could be helpful in achieving a successful multi-sectoral integration of the SSN system in Liberia. These steps should be considered in the perspective of the current efforts of the GoL to encourage greater coordination and integration within SSN programming. The implementation of a large scale cash and in-kind transfer, or of a regular seasonal public work program, could establish basic systems for identification of beneficiaries, targeting, record keeping, payments, and could serve to address the most urgent food and income needs. It could then be used as a platform for extending the delivery of services, focusing on micro-insurance or health insurance initiatives and providing pensions to informal sector workers.

### **A. Achieving Greater Complementarity between Food and Cash Transfers**

236. Currently, there is a huge disproportion within the country between food and cash transfers, in terms of both expenditure and coverage. As Figure 4 shows, food-related social safety nets receive the biggest share of expenditure, a total of 76 percent of funding—divided into school feeding (34 percent of the overall spending in SSN), supplementary feeding programs (33 percent) and food distributions (9 percent)—while cash transfers account for only 5 percent of total expenditures. Similarly, school feeding covers 37 percent of the total of beneficiaries, nutrition programs cover 31 percent and targeted food distributions cover 25 percent, while cash transfers only cover one percent of the total beneficiaries of existing SSN (Figure 5).

237. The choice between cash and food transfers depends on the availability of sufficient food in the local market. In Liberia, two issues must be considered, as highlighted at the beginning of this document. First, Liberia imports most of its food because of its limited domestic agriculture production. In addition, even where there is food accessibility, transporting food to different local markets in the rural areas, where most of the beneficiaries reside, becomes a major problem in the rainy season (May to October). The current preference toward food transfers is congruous with this scenario, as a means to address Liberia's high and widespread food insecurity.

238. Liberia is not an exception. Although food transfers in humanitarian and post-conflict contexts have been more typical, recent positive experiences of successful in-cash delivery in conflict-affected environments, such as Zimbabwe, are starting to show a viable alternative (DfID, 2011). Cash is increasingly being used as a complement or alternative to in-kind transfers in humanitarian assistance, supporting the transition from relief to recovery. Recent cases include small cash transfers to drought-affected pastoralists in Somalia or STC food and cash transfers to drought-affected households in Swaziland in 2007–8. Moreover, in situations of chronic food insecurity, where the annual number of food insecure households is usually predictable to a great extent, emergency food distributions represent an expensive and inefficient response to hunger. On the contrary, institutionalized cash transfers constitute a timelier, more predictable and more flexible alternative. Plus, they generally yield net positive effects on local agricultural production and market development (DfID, 2011). The Ethiopian PSNP was developed precisely for replacing inefficient food aid based on annual emergency appeals with institutionalized transfers where beneficiaries may choose the share of benefit received in cash and in food.

239. Given this evidence, a gradual increase of cash transfers is recommended. In considering the possibility of this balanced transition, program designers should keep in mind four key considerations as to what are the appropriate criteria when deciding how much to distribute in the form of rations and how much as cash (see Grosh et al., 2008).

240. First, as seen above, the *functioning of local food markets* (including access, transport, and storage that were mentioned previously), and how this is reflected in the prices of staples. In the early stages of economic development, when the national market is still fragmented, or monopolistic, or simply not able to respond to the provision of cash, this may increase prices, reducing the value of the transfer and causing additional hardship to those poor households that do not receive any transfers (see Grosh et al., 2008). This may be the case in remote areas. However, as markets become better integrated across the country, cash transfers may generate increased demand that can, in turn, trigger an enhanced *supply of food* by local producers (DfID, 2011; ILO, 2010). Moreover, transfers in cash have an advantage because of the private sector's superior ability to move food and other goods more efficiently than the public sector. Furthermore, cash can have a positive impact on small trade and other newly developed economic activities. A close monitoring of prices and market integration in Liberia is thereby needed to assess the actual chances of cash transfers to impact positively local food supply.

241. Second, as highlighted in the previous section, the level of transaction *costs* both for the program and for beneficiaries shall be taken into account. From the perspective of the program, food distribution in Liberia is proving more expensive as it takes time to organize, requires storage

and transport, and is subject to losses and pilferage. Generally, the public sector tends not to be efficient at keeping costs down; but, in places where marketing and transport channels are not developed, the public sector is the only stakeholder that can provide adequate supplies in local markets, even if at a high cost. Moreover, beneficiary transaction costs should be considered, too: these include the time and expense of going to local markets, which might increase if places are far, hardly accessible (for instance in the rainy season) or unsafe—quite an issue where infrastructures are not very developed, as in Liberia. In spite of the scarce number of evidence on costs of nationwide schemes of cash transfer in low-income countries, cash transfers typically have operational and administrative costs ranging between 10 percent and 20 percent, while the cost of food distribution can reach 40 percent with transportation, distribution, and administration. Cash transfers, though, cannot work with self-selection targeting, because cash is interesting for everybody and this aspect may increase the operational costs (for targeting) of a cash transfer program. For food distribution, self-selection can work because distributed goods can be “inferior goods.” Still, in the Liberian context, cash transfers can be easier to organize and less costly in terms of time and money for both the program providers and beneficiaries. Consider, for example, the possibility for the Government to partner with a private entity with relatively high penetration and the ability to make mobile payments throughout the country, as, for instance, the smooth arrangements provided by Eco Bank through both on-site and off-site payments in the Social Cash Transfer program.

242. A third aspect, emphasized earlier, concerns the actual impact of cash transfers on *nutrition*. Traditional literature indicates that small food transfers result in higher food consumption than cash transfers (see del Ninno and Dorosh, 2003; Fraker, 1990), and that households are more likely to stick to consumption patterns and intra-household distributions that have a positive impact on the nutrition of children if they have access to small transfers of good food. However, recent evidence—for instance from the Ethiopian PSNP or from Malawi’s Cash Transfer program—shows that the impact of cash transfers on hunger has been most pronounced in low-income countries, where poverty is generally more severe (DfID, 2011; ILO, 2010). Very poor households are more likely to consume food and to eat good food if they receive a small transfer; households seem to be likely to spend their additional income in improving the quantity and quality of consumed food. As reported by the DfID (2011), surveys conducted in sub-Saharan Africa found that the primary use of cash transfers was to buy food in six out of seven reviewed countries. This additional food consumption translates, in the longer run, in the improvement of nutritional indicators for vulnerable groups—in Lesotho, almost half of pensioners reported they never went hungry after the introduction of the old age pension, compared to 19 percent before (Vincent and Cull, 2009; ILO, 2010; WB, 2011; DfID, 2011). This could become the case of Liberia as well, especially if we imagine cash transfers to be targeted to food insecure households.

243. Finally, beneficiary preferences may vary depending on circumstances: even though beneficiaries may prefer cash simply because it is more flexible, they still want to maximize the level of the transfer and their control over it—a factor that may render food preferable, especially to women (see Ahmed, Quisumbing, and Hoddinott, 2007 in Bangladesh and Sharma, 2006 on Sri Lanka). However, once food insecurity has been addressed, transfers of cash are likely to enable poor households to better manage social risks related to the unavailability of financial resources. Income poverty is reduced in the short term, while investments in human capital accumulation

is made possible, particularly through *augmented school enrollments for children* and *improved access to basic health services* (DfID, 2011; ILO, 2010), two key dimensions of vulnerability in Liberia. On the long run, this contributes to a more inclusive and pro-poor economic growth (Grosh et al., 2008).

## **B. The Instrumental Use of Public Works Programs (PWPs)**

244. *Public works programs (PWPs)* can be considered a particular form of cash transfer, even if they differ from the generic definition of cash transfer as they include multiple objectives (the construction of infrastructure in addition to income transfer), they are often seasonal or ad hoc, and they can provide transfers in kind (food-for-work) rather than cash (cash-for-work) (DfID, 2011). What is important here is that, in spite of the type of transfer chosen—in cash, in kind or, even better, as highlighted in the previous chapter, as a combination of the two—PWPs are likely to have a positive impact in terms of poverty alleviation. In fact, they can improve food security and reduce poverty by, first, providing poor households with transfers in return for work and, second, through the construction of infrastructure that can potentially support the further development of economic activities (and reduce seasonal food insecurity in some areas).

245. Specifically in Liberia, as noted above, results from two project assessments on the Liberian CfWTEP are encouraging regarding the impact of PWPs on household well being. Among 1,100 beneficiaries surveyed, the program can report an impact on vulnerable households to a reduction in the poverty gap of 27 percent. In addition, sampled participants report spending 31 percent of wages on education, 28 percent on living expenses and 22 percent investments, which suggests not only short-term benefits to household consumption, but also possible longer-term effects on human capital through the paying of school fees and making productive and household investments. In Ethiopia, PWPs under the PSNP also have shown an impact in terms of their infrastructure outputs. On top of the benefit of the cash transfer to direct program participants, the irrigation systems built through the program have helped to improve soil and water management and to reduce vulnerability to drought for the beneficiary communities as a whole.

246. In both mentioned cases, the effectiveness of PWPs can be linked to a sophisticated institutional design, which has substantially smoothed implementation, ensuring to a great extent the achievement of planned results. For instance, a major strength of the CfWTEP has been the accurate system of payment to beneficiaries, which has proven particularly successful in making the process fully transparent. In Ethiopia, a refined institutional system has been put in place to grant flexibility to beneficiaries who could choose whether to receive either food or cash transfers. Such flexibility has proven extremely helpful in responding to rapidly changing food prices.

247. Specifically, the effectiveness of PWPs as a SSN is usually linked to four institutional design aspects (DfID, 2011; IEG, 2011): (1) a clear definition of how it is going to target benefits to the poor, in a way that these really reach the intended groups through transparent methods, (2) setting the wage rate appropriately so that it provides adequate income support for participants while not discouraging other work or attracting the non-poor to the worksite, (3) ensuring timely receipt of the transfer, and (4) considering the implications for labor intensity and the need to provide adequate budget to ensure the quality of assets created. For PWPs to address chronic poverty the duration of employment must be sufficiently long or repeated opportunities must be assured.

248. If well designed and systematically arranged in institutional terms, public works can positively impact food security and serve as a catalyst for further economic and social development. As shown by the UN (2008), in Liberia approximately 250,000 households are poor because of unemployment or underemployment, that is, they are households with able-bodied adults who have no access to productive employment. If these households get access to skills training, productive assets, and employment through well-designed PWPs, they may be able to graduate from poverty and food insecurity. Investing in larger scale PWPs is hence an option worth considering if Liberia wants to build an integrated and multidimensional SSN system.

## CHAPTER 10: INFORMAL SUPPORT SYSTEMS IN LIBERIA

249. The disparity between the vulnerability of Liberians and the scope of formal social protection mechanisms highlights the necessity of households to rely on informal coping mechanisms. Liberia has a pervasive system of family and community networks through which households manage chronic poverty and mitigate shocks. To better understand these coping mechanisms, the diagnostic included 20 focus group discussions and 40 individual interviews in ten localities across five counties.

250. Given the scope of the research, it was not possible to develop a representative sample size; therefore, community members, localities, and counties were selected based on specific characteristics, rather than at random. The aim was to encompass the widest possible range of different coping mechanisms by engaging as diverse poor and vulnerable populations as possible. However, the research cannot be extrapolated for the population at large; the findings reflect only the reported behaviors of the small cross-section Liberians interviewed.

251. Bomi, Montserrado (specifically Greater Monrovia), Nimba, Grand Gedeh, and Maryland were selected to represent all of the major regions within the country and each of the food insecurity categories outlined in the 2010 CFSNS. Given the focus of the research on poor households, two counties from the most food insecure category were selected, while one from each of the other three categories was included.

### A. Individual Coping Mechanisms

#### *Dietary adjustments*

252. In the ten localities, dietary adjustments were the most frequent response to insufficient incomes. Specifically, in both the male and female focus groups, respondents universally reported substituting cheaper foodstuffs in order to feed their families. Rice was replaced most commonly with cassava as well as other grains and starchy vegetables, including bulgur wheat, farina, plantain, eddoes, yam, and breadfruit. Communities also reported eating greens from various tubers and cabbage. In five localities, respondents specifically noted that children were prioritized to receive rice when only limited quantities are available. Respondents in all ten localities also reported reducing their overall food intake, including either having fewer or smaller meals. Seasonal fluctuations in consumption were frequently reported as rice becomes more scarce and, therefore, more expensive as the next harvest season approaches. In addition, as further discussed below, the consumption of households was closely tied to more immediate successes or failures, such as finding contract labor or selling all one's goods at the market. Because of the instability of incomes, many households reported that they had to work most of the day until they were able to earn enough money to buy food. People also reported going without food altogether in all ten localities. The Liberian phrase for this ("drink water and lay down") highlights the productivity lost as a result of this extreme but seemingly common coping mechanism. The inability to work due to this lack of energy increases the likelihood that households will fall deeper into poverty and—despite efforts reported by parents to protect children from this practice—that stunting and malnutrition will contribute to intergenerational poverty. And, it was only in two urban communities in Greater Monrovia that this coping mechanism was linked primarily as a response to the hungry season.

### *Expenditure reduction*

253. This research targeted poor households; therefore, it follows that their options in terms of expenditure reduction are limited. The most commonly reported expenditure reduction was withdrawing children from school. Although the Government has established free elementary education, as previously discussed additional mandatory expenses often mean that children are withdrawn from school, or never enrolled at all. In nine localities people reported that financial constraints prevented their children from attending school. Representing approximately ten percent of the sample, the number of households reporting this ranged from one to five per community. This example provides one of the clearest connections between household coping mechanisms and the intergenerational transfers of poverty. Even if children are able to attend school in years when their family is more prosperous, these disruptions will have lasting effects on the overall level and quality of education received.

254. Fostering also was reported in nine of the ten communities and appeared to be an option parents used to maintain higher standards of living for their children. Indeed, in many communities, fostering was a seasonal practice done only during those periods when food was scarce. Education was given as another main reason for fostering, in that extended family or friends would assume the costs of school enrollment, supplies, etc. In addition, one community, where 25 percent of households reported fostering, explained that many people there sent their children to live with relatives because the local school quality was so low. The interviews included both households who had sent their children outside the community as well as those who were themselves fostering children.

## **B. Informal Safety Nets**

### *Informal transfers*

255. Informal transfers of food, other in-kind donations, and cash seem to be relatively frequent. Every community reported that people shared or borrowed food in a reciprocal manner; only the men's focus group in West Point, Monrovia, reported that food was available through credit alone. And, while transfers of food and other in-kind donations were most common, communities also reported giving one another cash transfers, between 50 and 150 LD, or less than US\$2. Although the average amounts of these transfers are seemingly small, this can represent a significant transfer when considering that a cup of rice rarely costs more than 25 LD. The reciprocity associated with these transfers was universal, with people noting that they would help their family and friends, and vice versa, when they were able.

256. In addition, about 20 percent of the people interviewed also reported receiving or giving charity. Family was the most common source of such transfers but in some cases people also received money from church leaders, market women, and friends within the community. These transfers were larger amounts—ranging from around 500 LD to, in one instance, 7,450 LD—and were seemingly given without the expectation of later reciprocity. While the reciprocal transfers largely centered on daily consumption needs, people reported a range of reasons for seeking or giving charity. Charity was used for food, transportation, school fees, and medical expenses, in addition to helping while someone was sick and paying for agricultural day laborers. In-kind charity included mostly food although one man reported receiving livestock from a friend and one woman had given her sister rice to plant her farm.

257. Lastly, only one person in the focus groups reported receiving remittances. This is in keeping with national data showing that remittance flows are regressive in nature. The 2010 CFSNS reports that on average 5.2 percent of the population receives remittances; however, when disaggregated for food security, the data reveals that 7.7 percent of food secure households receive remittances while this figure drops to only 1.5 percent among the food insecure. Gallup surveys conducted in 2009 and 2010 found that 18 percent of the population had received remittances in the last 12 months. While presenting a higher overall estimate, this data shows that such transfers are skewed toward urban households, 27 percent of which receive remittances and which are typically—as noted previously—better off than rural households, 15 percent of which receive remittances.

### ***Income generation***

258. Liberia's prevailing high rates of poverty limit the degree to which income generation can be employed as a coping mechanism. In neither the focus groups nor individual interviews did respondents report selling household assets or livestock in order to generate income. Furthermore, for those households engaged in farming cash crops, this activity was their primary source of income, not an alternative livelihood available in times of need. Farming communities did highlight that prior to the rice harvest they relied on smaller gardens with cassava, peppers, bitter balls, and other crops to both eat and sell. Only in one instance did a respondent note that his family sometimes had to sell food that they would have otherwise eaten in order to afford other necessities for the household. Less than 15 percent of respondents reported saving money.

259. The most commonly reported means for income generation were contract labor, foraging, and borrowing either money or salable goods. Although reported in eight of the 10 localities, the ability to find contract labor was perceived as somewhat of a luxury. Throughout the focus groups, there was a pervasive willingness to work; however, as evidenced by the high rates of vulnerable employment in the country, the opportunities for any type of paid employment in Liberia are limited. In all but one of the rural localities, foraging was a common means through which to raise additional income. Palm oil, palm wine, charcoal, thatch and firewood were all harvested and/or processed for sale.

260. Lastly, borrowing money or goods (referred to by Liberians as “crediting”) was reported frequently in all ten localities. Among the focus groups and individual interviews, over 100 individual loans were reported, approximately half of which were taken within the previous year. In five of the ten communities, people reported that they had borrowed money from family, friends, co-workers, or the church in times of need. Most of these loans ranged from 500 to 1,500 LD; however, three people reported borrowing amounts around 3,000 LD and two people credited 15,000 LD each for family funeral expenses. Of the 33 people who reported borrowing through this relatively informal channel, only three loans were repaid with interest, two at 25 percent and one at 50 percent.

261. In four localities, people reported that they could credit goods (such as rice and charcoal) to sell for income generation. The loan would be repaid in cash from the person's earnings and were reported both to carry interest (typically 20 percent) and, in other instances, to be interest free. One woman reported that the challenge with this credit was that, if she was late in her repayments, she could not go to the market for fear of seeing her creditor and thus had an even more difficult time earning money to clear her debts.

262. The reasons for which people took loans paralleled both the shocks households faced and the reasons why they sought charity from friends and family. In eight of ten localities, people credited money for health-related costs. Loans for schools fees, business or farm expenses and food were taken in seven of ten localities. Five localities reported borrowing for funeral expenses, four for transportation, two for home repairs or improvements and in one urban community for rent.

### ***Rotating savings and credit associations***

263. Rotating savings and credit associations (RoSCAs) are known to have existed in West Africa, specifically Nigeria, as early as the 16<sup>th</sup> century. Hans Seibel (2004) argues that they are the “earliest evidence of financial institutions in Africa.” Indeed, of the people included in this study who reported that they had savings, 85 percent of the total saved was held in one of the community-based savings organizations described here.

264. In Liberia, as elsewhere, RoSCAs encompass a wide diversity of savings and credit options. This paper focuses on three distinct types of RoSCAs. First, the traditional *susu* clubs are predominately community organized RoSCAs. Second, savings and credit clubs are also community organized groups; however, they are annually based, rather than rotational, and use this capital to provide credit to members and (qualified) non-members alike. At the year’s end, club members’ savings are returned with their share of the club’s earned interest from these credits. Third, Liberians refer to ‘Nigerian’ *susu* in which a single person engages with individuals to collect and hold regular savings from them for a set fee, typically paid at enrollment, through purchasing a *susu* card, or when the savings is withdrawn.<sup>11</sup> In all three cases, the contribution amount and frequency vary significantly.

265. Traditional *susu* clubs were the most commonly reported community savings mechanisms. *Susu* clubs do not facilitate members earning interest on their savings; however, the rotational savings allows access to a relatively large amount of money, as one person receives the total member contributions once during each rotation. Six of ten communities—both urban and rural—had active clubs and 13 percent of people were members of at least one *susu* club. Group size and the size and frequency of the contribution varied. Of the people interviewed, contributions ranged from 40 to 175 LD and daily to monthly, respectively. Smaller clubs (both in size of membership and contributions) tended to be organized among a group of friends; it was reported that prominent, wealthy community members typically started and managed the larger clubs.

266. Savings and credit clubs were reported in only three of the ten communities and only two interviewees (one man and one woman, both in Zlehtown) reported belonging to this type of club.<sup>12</sup> Both people belonged to clubs with weekly contributions. The man deposited 100 LD per week while the woman deposited 500 LD per week. The majority of respondents said that they could not afford the regular contributions over the course of a year required by this type of club. Still, the research

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<sup>11</sup> Seibel (2001) describes that both Ghana and Ivory Coast have daily deposit collection *susu* that they term *anago* and *nago*, respectively, which both translate to Nigerian.

<sup>12</sup> The one woman was interviewed specifically because the focus group discussants identified her belonging to both a traditional *susu* and savings and credit clubs. She had stalls in the local market.

highlighted the well-established regulations that communities have developed to govern the savings and credit clubs. In Zlehtown, where each of the community's ten quarters has its own club, the focus group discussions outlined a variety of officers within the club. All positions within the club are decided by election; however, each club has a wealthy or otherwise respected patron (a "big man") who oversees the club's functioning and holds ultimate control. The interviewees all agreed that membership was open to anyone able to make his or her contributions reliably. This meant that anyone who failed to make regularly payments in the previous year's club was ineligible to rejoin.

267. Nigerian *susu* appears most prevalent in peri-urban and urban areas, as it was reported only in the one peri-urban and two of three urban communities included in this research. In Buzzi Quarters, Monrovia (urban) and Coopers Town, Bomi (peri-urban), it was the only option for savings that people reported, whereas people in Ganta, Nimba (urban) equally reported participation in traditional and Nigerian *susu*. All of the respondents who reported participating in Nigerian *susu* were female. Compared to the RoSCAs and AsCrAs described above, Nigerian *susu* appears to offer participants the greatest flexibility. Members reported that they decided individually the size of their contributions—although always less than 100 LD—and their frequency, which ranged from daily to monthly.

268. Overall RoSCAs primarily provide saving functions for their members, while risk mitigation is offered to varying degrees. The Nigerian *susu* provides the greatest insurance in times of crisis as participants can—at least in theory—withdraw their contributions when needed. To a lesser degree, savings and credit clubs also provide such a function through their crediting activities. These clubs were the most frequently reported source of loans taken by respondents and, therefore, serve as an important access to capital, not withstanding their high interest rates. *Susu* clubs do not offer participants risk mitigation.

### ***Labor cooperatives***

269. Labor co-operatives, known as *kuu* groups in Liberia, are a rotational community group in which members benefit from pooling their labor rather than their savings. All of the four of the ten communities with *kuu* groups were—logically—rural and dependent on agriculture. This represents 75 percent of the rural communities involved in the research. Two communities had *kuu* groups whose membership was either men or women, as well as mixed gender groups.

270. The communities with *kuu* groups all reported having multiple such organizations; however, much like the *susu* clubs, the size and formality of the *kuu* groups varied. Some groups were organized relatively informally among a small number of friends who were sharing their respective workloads. By contrast, in Wlewien, Maryland, each quarter had its own *kuu* group, suggesting management at the community level. Overall, in communities that had *kuu* groups, the frequency of membership reported within the focus groups was significantly higher than with RoSCAs or AsCRAs.

271. *Kuu* activities varied both between and within communities. The simplest groups worked on one another's farms throughout the planting and harvesting seasons. Others worked not only their own land but also hired out their labor to others within the community; in one case the daily wage for the group was approximately 500 LD. In addition, one *kuu* group in Graie, Nimba, raised chickens communally to sell eggs at market. The groups that raised money—either through their labor

or sales—frequently reported having a group emergency savings, which was withheld before the earnings were divided between members. Furthermore, in the case of a death in a member’s family, the groups reported collecting additional money to help with associated expenses.

### **C. Lessons for Formal Social Protection Sector Development**

272. Informal systems depend on the social capital that exists within families and communities and can leverage these ties to reduce the transaction costs typical of formal-sector insurance, loans, and other safety net mechanisms. The detailed knowledge that a community has of its members allows for cheap and accurate identification of individual needs. The lack, or minimal cost, of participation in these systems is critical to their efficacy within the communities. However, in Liberia, where poverty levels are estimated at 64 percent, there are inherent limitations within systems of mutual support. Notably, these systems cannot cope with covariate shocks, which limit both person-to-person transfers and the ability of community organizations to respond simultaneously to numerous demands. People reported that, annually, it was harder to expect support through the community during the rainy season because work opportunities and food were limited.

273. The inability to afford membership was the most commonly given explanation why focus group members did not participate in any monetary community groups. This highlights another inherent weakness in the system of intra-community support. Those people who are most vulnerable are likely to be excluded from the indigenous resources that might help them improve their standard of living by guarding against future shocks or saving more successfully for school fees. Moreover, social pressure is critical to the enforcement of the regulations that govern community organizations and it allows for the organization to take severe action against any members or creditors for non-compliance. The severity for non-payment, coupled with the high interest rates for credit, further limit the participation of relatively poorer community members who would be less certain about their ability to make regular payments.

274. These lessons highlight the importance of developing a well-targeted Social Protection sector in Liberia. While extensive informal social support systems do exist, barriers to entry increase in direct correlation to one’s poverty, which thereby only increases the need for outside intervention. Moreover, the pervasive willingness to work and lack of such opportunities reported highlight the applicability of public works interventions in the Liberian context. Such programs would be particularly relevant if appropriately timed with the rainy season when food prices are highest and work is least available.

## CHAPTER 11: CONCLUSIONS AND RECOMMENDATIONS

275. **In Liberia, the incidence of poverty was estimated at 63.8 percent in 2007, with extreme poverty at 47.9 percent** (PRS, 2007). Poverty is predominantly a rural phenomenon. The South East and the North West of the country are proportionately the poorest regions of the country. The share of poverty tends to decrease as the levels of education of the head of household increases. The poorest households seem to be those where the head is self-employed in agriculture. Finally, poverty is strongly linked to age; young people are generally poorer than adults.

276. **Opportunities to engage productively in economic activities are limited; vulnerable employment is estimated at 77.9 percent.** There are households with able-bodied adults who have no access to productive employment to generate a decent income. In Liberia, formally paid employees number about 195,000 people, of whom 84,000 are in Greater Monrovia. Almost 70 percent of people active in the labor market are employed in the informal sector, while the latest data indicate underemployment in the country at approximately 850,000 persons.

277. In addition to limited opportunities for income-generation, **vulnerability to poverty is strongly correlated with food insecurity.** Food insecurity greatly affects the population, due to the lack of infrastructure, principally roads, especially during the rainy season (May to October). Moreover, Liberia heavily depends on imports of rice as its main staple food. The latest CFSNS found that 13 percent of Liberian households were food insecure; an additional 28 percent of the population is vulnerable to food insecurity. Coping strategies include the reduction of food consumption by limiting food intake or reducing the number of daily meals. In Liberia, food insecurity is both *transient*, that is, linked to difficulties in accessing particularly remote counties, and *chronic*, where connected to low productivity and production among rural communities.

278. **These critical poverty conditions demand a broad social protection system.** This system should involve, in a coordinated and interactive manner, three aspects: (a) social assistance programs: cash or in kind transfers to alleviate poverty; (b) social insurance programs: mandatory (contributory) social insurance programs (pensions, unemployment benefits, health insurance); and (c) passive (labor regulations) and active labor market programs (education and training, credit, employment services).

279. Overall, **the current system of development and implementation of social welfare and social protection seems to be highly fragmented, with no clear policy guidance, both in political and in administrative terms.** Complex institutional arrangements, coupled with weak capacities, make it difficult to organize properly the whole institutional arrangement for social protection in Liberia, limiting the sophistication of the interventions that might be introduced.

280. Contributory programs are implemented through the NASSCORP to provide social protection for job-related injuries, occupational illnesses, being an invalid, and old age retirement. **69,080 people are enrolled in NASSCORP; between January and September 2010, 3,029 people received benefits.** The institution is at present in a positive financial situation, but, according to the last available report, the institution doubled its benefits paid out in one year while only increasing its contributions by 1.2 percent.

281. **The non-contributory programs implemented within the country and identified in this study as social safety nets (SSN) are primarily:** (i) cash transfers and near-cash transfers; (ii) public works in which the poor work for food or cash; (iii) in kind food transfers such as school feeding and take-home rations, nutritional supplementary feedings and food distribution during lean season; (iv) (to a minor extent) general subsidies meant to benefit households, often for food, energy, housing, or utilities.

282. **SSN in Liberia represent a budget equal to 1.5 percent of the GDP.** As a share of GDP, expenses on Liberian SSN are higher than the regional West African average. However, the GDP of Liberia remains low as the country recovers from the recent conflict. As such, the Government is heavily reliant on international donors, the support from which is included in this figure, rendering it somewhat misleading. Indeed, between 2008 and 2010, **donor financing represented 93.8 percent of all SSN expenditures.**

283. National coverage of all programs is around 24 percent of the total population, but this calculation is likely over-estimated given the inherent assumption that there is no overlap between beneficiaries under the various programs analyzed. Furthermore, **the total benefit amount covers only between 7 and 20 percent of the poverty line**, depending on the area and the programs. In terms of categories of beneficiaries, the current SSN system focuses on *food insecurity*, mainly addressing starvation and malnutrition with food distributions, and on *unemployment* (also covering informal employment), addressed by public works programs.

284. **The analysis identified three SSN programs as good practice in Liberia.**

1. *The P4P program*, because it aims at ensuring self-sustainability and overcoming both transient and chronic food insecurity in the long run.
2. *The Social Cash Transfer program*, as there is anecdotic evidence of its positive impact on poverty reduction, food security and school enrolment and attendance.
3. *The YES Community Works program*, a noteworthy intervention, especially in terms of both effectiveness and coverage of the intervention.

285. Scaling-up Liberia's existing social safety net would require significant investments, which is no a currently viable solution; however, evidence from programmatic impact evaluations suggests the possible important returns to such programming in regards to poverty alleviation. Given the context of constraints of financial resources, **efforts should focus on improving the overall SSN system within the available 1.5 percent of GDP budget**, as suggested in the following recommendations.

## **A. General Recommendations**

286. A comprehensive National Social Protection Strategy should focus on reducing the fragmentation of the actual system, creating fiscal space for SP and increasing the general coverage through a multi-sectoral approach to SSN.

287. First, the **National SP Secretariat should begin developing clearer and smoother institutional arrangements, and more robust design, implementation, and monitoring mechanisms**

## Box 12. Embedding SP within National Priorities in Rwanda

The Vision 2020 Umurenge Program (VUP) in Rwanda is one of the most notable examples of a program that is entirely rooted in the national development strategy, with a strong commitment of the central government. This has led all donors to align their activities with the government's strategy, thus avoiding fragmentation. The government's efforts to strengthen social protection culminated in 2011 with the adoption of a national social protection strategy. Rwanda already has a well developed set of social protection programs, including universal health insurance (covering 91 percent of the population), free education and social transfers such as a pension scheme, the VUP, a program of support to survivors of genocide and the "one cow per family" program. The administration of these benefits is decentralized under the supervision of the Government. Over the medium term, the Government aims to reinforce existing programs and establish a universal old age grant for people over the age of 65. The Government allocated about 4.7 percent of the budget to the social protection sector in 2009/2010, an amount that is expected to reach 4.9 percent in 2010/2011 and 5.1 percent in 2011/2012.

Source: European Union, 2010.

in order to encourage complementary and coordination between programs. Such systems are an important first step in building GoL capacity to overcome the current fragmentation of responsibility of the system. This also concerns Liberia's strong dependency on external aid, which makes it essential that **donor financing is highly coordinated and duly integrated within the national strategy**. This approach could result in increased predictability and sustainability to the whole system, fighting the chronicity of poverty instead of continuous but irregular emergency interventions.

288. At the same time, in terms of *capacity building*, the development of better skills at the local level would ensure **greater participation of local authorities for effective implementation of national policies**. In fact, all stakeholders denounce a gap of capacities between the central and the local level, posing relevant and widespread implementation issues. If not properly addressed, this gap risks hindering the GoL's national decentralization plan.

289. Second, **given Liberia's current resource constraints, the Government must be realistic in its creation of additional fiscal space for SP funding**. Four basic options can be considered: (i) the rationalization and reallocation of expenditure both within and between sectors, under existing fiscal constraints, (ii) a better integration of donor financing in the overall budget planning at the national level and an enhanced coordination, by the Government, of external resources drawn into national expenditures; (iii) borrowing, to the extent that this is feasible in terms of debt distress and that the Government manages to prove the economic returns of borrowing for investing in SSN; and (iv) increasing domestic revenue either by raising the efficiency of revenue generation (more revenue as a percentage of GDP) or by accelerating economic growth.

290. Third, the *types of interventions* should be defined within a holistic national framework. In the perspective of a possible budget reallocation among SSN sectors, the new strategy could also consider **SSN that combine more than one objective**. As the stage of development permits, Liberia could gradually move towards a more integrated system of SSN, investing in the economy of scale that such a multi-sectoral approach can yield. The following two incremental steps would be effective in terms of **coverage**, as they would directly and indirectly address two main dimensions of vulnerability in Liberia: food insecurity and unemployment.

- A **gradual increase in cash transfers**, keeping in mind (i) the functioning of food markets (access, transport and storage), and how they can be impacted by cash transfer, triggering a

local increase in food supply; (ii) the level of transaction *costs* both for the program and for beneficiaries, since, in Liberia, cash transfers are proving less expensive, in terms of operational costs, than food transfers, and cash transfers can be easier to organize and also less costly in terms of time; (iii) the positive impact of cash transfers on *nutrition*, since very poor households seem to be likely to spend their additional income in improving the quantity and quality of consumed food, which translates, in the longer run, in the improvement of nutritional indicators for vulnerable groups; (iv) beneficiary preferences, considering that, once food insecurity has been addressed, transfers of cash are likely to enable poor households to invest in human capital accumulation through *augmented school enrolments of children* and *improved access to basic health services* (DfID, 2011)—two key dimensions of vulnerability in Liberia.

- An increased investment in **large-scale public works programs**. If well designed and systematically arranged in institutional terms, public works can positively impact food security and serve as a catalyst for further economic and social development. This can be particularly relevant in Liberia, where approximately 250,000 households are poor because, even if they have able-bodied adults, they have no access to productive employment. If these households get access to skill training, productive assets, and employment through well-designed public work programs, they may be able to graduate from poverty and from food insecurity. While the LACE-implemented Cash-for-Work Temporary Employment Project is a small program in comparison to the country's needs, results from two project assessments are encouraging to the impact on vulnerable households, including a reduction in the poverty gap of 27 percent.

291. Fourth, a **more effective system of targeting SSN interventions**, can also significantly contribute to their ultimate impact on poverty. In Liberia, the most effective strategy seems to be the adoption of multiple targeting mechanisms, with an emphasis on transparency and a strong beneficiary role in the oversight and management of programs, coupled with continuous reviews of experiences and exchanges of information on approaches among program organizers. For instance, the creation of a common comprehensive database with information about single beneficiaries of all SSN interventions could be a way to ensure appropriate targeting and to avoid overlaps, as it would allow to cross-check data among various programs while also checking them about public databases such as tax records and civil registries.

292. Finally, and in broader terms, **the contributory and non-contributory interventions should develop simultaneously, but with different time horizons**. Non-contributory programs are key in the short and medium term to address pockets of extreme poverty or vulnerability within the country. This is mainly due to three aspects: (i) the Liberian economy is largely informal and by consequence only a small share of the labor force can take part to contributory schemes; (ii) the formal labor market has limited resources and by consequence their contribution to a formal system can only be limited, and (iii) a contributory system needs a sophisticated architectural design, which presupposes an clear idea of sustainability to avoid other distortions in the development of the country. However, as the economy develops, contributory schemes can expand their coverage and actually provide the function of social protection and security for which they are meant.

### Box 13: Complementarity Between Priorities for Safety Nets in Africa and in Liberia

On the basis of its recent review of the experience of SSN in African countries, in July 2011 the World Bank has identified key priorities for its *Africa Social Protection Strategy 2012–2022* that are absolutely in line with those identified within this paper:

1. *Reform food aid systems to deliver a predictable safety net.* In countries (and areas) that are already receiving regular inflows of food aid, this should be transformed into a predictable coherent SSN, which can have a significantly greater positive impact on chronically food-insecure households than emergency food aid. There can also be significant cost savings associated with shifting to cash transfers.
2. *Consolidate and scale up national cash transfers.* Experiences with CTs in African countries demonstrate that this instrument can be very effective. These interventions, which tend to be small, short-term pilots, need to be scaled-up into national programs through the establishment of robust targeting, governance, and accountability mechanisms.
3. *Expand the use of regular and predictable public works to reduce chronic poverty.* To reduce chronic poverty, PWP should provide regular employment, replacing the current tendency to provide a single short episode of temporary employment, more appropriate for responding to temporary disruptions in the labor market or other shocks.
4. *Support the creation of quality assets through public works.* PWPs have the additional benefit of being investments in community assets that can support local economic growth and poverty reduction: resources and technical skills are hence required to ensure that the infrastructure is of adequate quality and that the project is integrated into local investment planning.
5. *Integrate school feeding programs into national education policies.* School feeding programs can be effective when alternative SSN interventions are limited, but targeting should be improved and the cost-effectiveness of interventions increased. These programs need to be owned by the Ministry of Education and integrated into national education policies to be sustainable.
6. *Building long-term scalability.* The food, fuel, and financial crisis of 2008 demonstrated the vital role that SSN play in mitigating the impact of shocks on vulnerable households. African governments need to put in place the prerequisites for scaling up their programs effectively, such as robust early warning systems and a contingency planning process that prepares potential public works in advance so that they can be flexibly used.
7. *Ensuring immediate crisis response capability.* Many countries have established humanitarian response systems underpinned by early warning systems; drawing upon simplified SSN designs to enable a rapid response could complement these efforts.

Source: WB, 2011.



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