REPUBLIC OF LIBERIA | SYSTEMATIC COUNTRY DIAGNOSTIC

From Growth to Development:
Priorities for Sustainably Reducing Poverty and Achieving Middle-Income Status by 2030

WORLD BANK GROUP

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Republic of Liberia

From Growth to Development: Priorities for Sustainably Reducing Poverty and Achieving Middle-Income Status by 2030

Systematic Country Diagnostic

International Development Association
Country Department AFCW1
Africa Region

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Multilateral Investment Guarantee Agency

WORLD BANK GROUP

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Currency Unit = Liberian Dollar (LRD)
US$1.00 = LRD 134.34

Abbreviations and Acronyms

ACE	Africa Coast to Europe
AfT	Agenda for Transformation
BCEAO	Central Bank of West African States (*Banque Centrale des Etats de l'Afrique de l'Ouest*)
CPI	Consumer Price Index
CSC	County Service Center
CWIQ	Core Welfare Indicators Questionnaire
DBS	Doing Business Survey
DHS	Demographic and Health Survey
DSA	Debt Sustainability Assessment
EITI	Extractive Industries Transparency Initiative
FDA	Forestry Development Authority
FDI	Foreign Direct Investment
FGM	Female Genital Mutilation
GDP	Gross Domestic Product
GEMAP	Governance and Economic Management Program
GER	Gross Enrollment Rate
GNI	Gross National Income
GPI	Gender Parity Index
HIES	Household Income and Expenditure Survey
HIPC	Heavily Indebted Poor Countries
HIV	Human Immune Deficiency Virus
ICT	Information and Communication Technology
IFC	International Finance Corporation
IMF	International Monetary Fund
kwh	kilowatt hour
LATA	Liberia Agricultural Transformation Agenda
LECBS	Liberia Emergency Capacity-building Support
LEITI	Liberia Extractive Industries Transparency Initiative
LISGIS	Liberia Institute of Statistics and Geo-Information Services
MIC	Middle-income Country
MoA	Ministry of Agriculture
MoH	Ministry of Health
MoL	Ministry of Labor
MW	Megawatt
NEC	National Elections Commission
NER	Net Enrollment Rate
PPP	Purchasing Power Parity
PROSPER	People, Rules, and Organizations Supporting the Protection of Ecosystem Resources
SCD	Systematic Country Diagnostic
SES	Senior Executive Service
SMEs	Small and Medium Enterprises
SOE	State-owned Enterprise
SSA	Sub-Saharan Africa
TFP	Total Factor Productivity
TOKTEN	Transfer of Knowledge through Expatriate Nationals
TVET	Technical and Vocational Education and Training
UN	United Nations
UNMIL	United Nations Mission in Liberia
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
WASH	Water, Sanitation, and Hygiene
WDI	World Development Indicators
WDR	World Development Report
WFP	World Food Programme
WHO	World Health Organization

Map of Liberia

Source: World Bank.

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Acknowledgements

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Preface

The following Systematic Country Diagnostic (SCD) evaluates Liberia's efforts to achieve the twin goals of sustainably eliminating poverty and promoting shared prosperity by 2030, and it identifies strategic options to accelerate the country's progress. Because more than 40 percent of the Liberian population currently lives below the poverty line, the country's poverty reduction and shared prosperity goals effectively overlap. The analysis, therefore, regards the headcount poverty rate as the primary metric for measuring achievements under both goals.

In 2012, the Government of Liberia published its national strategic vision, *Liberia Rising 2030*. This plan is designed to enable Liberia to achieve middle-income country (MIC) status[1] by 2030 through peaceful and inclusive politics, stable institutions, economic diversification, and accelerated human capital formation. The Agenda for Transformation, a medium-term development plan for 2013–17, attempted to advance the Government's vision by focusing on Liberia's primary development challenges: consolidating peace and security, developing the manufacturing and service sectors, investing in human capital, improving the quality of governance, and strengthening public institutions. In line with the Government's objectives, this SCD explores the various challenges facing Liberia as it strives to achieve MIC status by 2030.

As the SCD was being prepared, Liberia's efforts to consolidate peace and stability reached a critical juncture. Between October and December 2017, Liberia held the third round of elections since the end of its second civil war in 2003. Having already served two terms in office, President Ellen Johnson Sirleaf was not eligible for reelection, and the contest pitted Vice President Joseph Boakai against George Weah of the Coalition for Democratic Change. Weah won both a plurality of votes in the general election and a clear majority in a subsequent runoff. Consequently, 2018 marks the country's first peaceful political transition from a living incumbent, the first voluntary transfer of power between political parties, and the longest period of democratic rule in Liberia's history. Meanwhile, the United Nations Mission in Liberia (UNMIL) has completed the transfer of security responsibilities to national institutions at end-March 2018.[2] Both the political transition and the UNMIL drawdown have been going smoothly, underscoring the country's remarkable progress in establishing a stable multiparty democracy.

This SCD is divided into seven chapters. Chapter 1 describes the country context and examines the structural governance constraints that inhibit deep and sustainable reforms. Chapters 2 and 3 examine patterns of poverty, inequality, and growth. Chapter 4 analyzes the state of the country's public institutions and their impact on corruption, service delivery, property rights, natural resource management, and private sector development. Chapter 5 evaluates the sustainability of growth, recent progress on poverty reduction and shared prosperity, and the feasibility of Liberia attaining MIC status by 2030. Chapter 6 describes key constraints to inclusive growth and identifies strategies for advancing the country's development objectives, including priority policy interventions. Chapter 7 assesses data limitations and highlights critical knowledge gaps.

1 The World Bank defines middle-income countries as having a per capita gross national income (GNI) of at least US$1,005. https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups.

2 The UNMIL mandate was extended through March 31, 2018, to ensure a smooth handover of security functions after the election. Currently, about 1,000 UNMIL civilian and military personnel remain in Liberia, down from over 18,000 in early 2016.

And thus was born Liberia, a country of almost impossible social, religious, and political complexity.
—Helene Cooper, Madame President: The Extraordinary Journey of Ellen Johnson Sirleaf

Executive Summary

1. **Liberia is a postconflict fragile state with abundant natural resources, a rapidly growing population, and a unique legacy.** Founded in 1847, Liberia is the oldest republic in Africa. Its population is estimated at 4.5 million, and the country has both a high fertility rate and large youth cohort. Almost half of the population resides in cities, and a full 30 percent lives in the capital, Monrovia. Liberia is richly endowed with natural resources, including iron ore, rubber, gold, and timber, as well as substantial arable land and a climate favorable for agriculture. However, a combination of poor education and health indicators, inadequate and dilapidated physical infrastructure, limited transportation and communications connectivity, and weak public institutions has prevented Liberia from leveraging its natural wealth to promote sustainable, broad-based income growth. Meanwhile, a legacy of entrenched inequality continues to undermine social and political stability, while demographic trends are increasing pressure on the labor market and intensifying the demand for public services. Even after 170 years, Liberia is still building its national identity, and for many Liberians ethnic loyalties outweigh the bonds of common citizenship.

2. **After a quarter century of conflict, instability, and economic contraction, Liberia's per capita gross domestic product (GDP) grew steadily between 2003 and 2013.** The consolidation of peace and political stability—combined with robust external assistance, rising foreign direct investment (FDI), and private sector-led growth in the context of a sound macroeconomic framework—was fundamental to Liberia's economic recovery. GDP expanded at an annual average rate of 6.2 percent during the period, but due to Liberia's high fertility rate, per capita GDP grew at a more modest pace of 3 percent per year. External aid reengaged human and physical resources that had been largely idle during the years of political uncertainty and conflict, and aid-financed investments helped jump-start the economy. Improvements in the road network and telecommunications infrastructure expanded market access and increased economic integration across regions and sectors, while rising prices for the country's main export commodities contributed to foreign exchange earnings and bolstered fiscal revenues.

3. **Yet, even as the economy recovered, Liberia struggled to translate renewed growth into deep and sustainable poverty reduction.** Between 2007 and 2014, the national headcount poverty rate dropped from 64 percent to 54 percent. However, due to rapid population growth, the total number of poor Liberians increased by 8 percent. Urban areas benefitted the most from the recovery, while rural poverty rates increased slightly during the period.

4. **In 2014, the regional Ebola crisis and a sharp drop in global commodity prices disrupted Liberia's recovery.** The economy contracted an average rate of 0.8 percent per year during 2014–2016, or 3.2 percent in per capita terms. These twin shocks also eroded the uneven but important gains Liberia had made in reducing

poverty and vulnerability over the preceding decade, as losses of both wage employment and self-employment reduced household income. Slowing economic activity across all sectors led to layoffs and reduced working hours. Delayed investments in key sectors such as mining and commercial palm oil production and related services slowed job creation, and low international prices for Liberia's chief exports, including rubber, reduced income from cash crops. The impact of the twin shocks caused the headcount poverty rate to rise from 54.1 percent in the first half of 2014 to 61.2 percent in the first half of 2016.

5. **Liberia's economy grew by an estimated 2.5 percent in 2017, as increased mining sector output compensated for the anemic performance of other sectors.** However, the rapid depreciation of the Liberian dollar, sluggish overall export growth, and reduced inflows of aid and remittances intensified inflationary pressures. Meanwhile, declining domestic revenues and rising mandatory expenditures, including the cost of the 2017 election cycle and the increase in security spending that accompanied the drawdown of United Nations (UN) peacekeeping forces, strained the fiscal balances. In the wake of the twin shocks, maintaining prudent macroeconomic policies and advancing the structural reform process will be vital to mitigate external vulnerabilities and build fiscal resilience.

6. **Poverty data reveal deep and entrenched inequalities between regions, genders, and social groups.** Liberia ranks 177th out of 188 countries on both the World Bank's Human Development Index and Gender Inequality Index. Poverty rates are far higher in rural areas than in urban centers, and non-monetary poverty indicators such as access to health care, education, infrastructure, and public services are marked by acute rural-urban and gender disparities. Cross-county variations in access to health services are reflected in the percentage of women attending postnatal care, which ranged from 50 percent in Bong county to 17 percent in Margibi county in 2016. Over 50 percent of Liberian women between the ages of 25 and 34 have not attended school, and the median young woman from a poor rural household has just 1.8 years of formal education. Access to improved water sources, sanitation services, and electricity has increased but remains heavily skewed toward wealthier urban households, while in rural areas, geographic and economic isolation contribute to both high poverty rates and low human development indicators. Despite their significant economic potential, Liberia's more remote regions remain underdeveloped, and the country's limited and dilapidated road network is a particularly acute constraint on growth in remote areas.

7. **An ongoing process of rural-urban[3] migration presents both challenges and opportunities.** While the total number of poor people in urban areas has increased, the declining urban poverty rates have driven overall poverty reduction. Urban areas have attracted an especially large share of younger workers, whose numbers are rising nationwide due to a confluence of demographic trends. Robust urban employment growth could enable Liberia to capitalize on this rising youth cohort, generating a demographic dividend. Conversely, a failure to provide adequate job opportunities—or to equip younger workers with the skills demanded by the labor market—could lead to rising unemployment, alienation, and hopelessness among young Liberians, with deeply negative social and economic implications.

8. **The international experience underscores the critical role of structural transformation in reducing poverty and supporting broad-based growth, but Liberia's structural transformation is still at a nascent stage, and the country remains heavily dependent on primary commodities.** Though rural-urban migration

3 Liberia has conducted four censuses in 1962, 1974, 1984, and 2008. From 1984 to 2008, Montserrado's share of the total population increased from 23 percent to 32 percent despite the county having the lowest total fertility and mortality rates.

has accelerated, most of the working-age population is engaged in subsistence agriculture, and the low levels of human capital and limited employment opportunities slow the movement of labor between sectors. The postconflict recovery of the mining sector and the period of high commodity prices had only a modest impact on the labor force, as mining employs a small share of Liberian workers and commodity prices have little direct effect on wages. Infrastructure investment, often supported by external financing, has had highly positive effects on nonagricultural employment, but robust and sustained economic growth will be necessary to maintain elevated levels of infrastructure investment. Following the twin shocks, Liberia faces a less-favorable external environment, and the Government has no fiscal space to stimulate domestic demand. As it strives to maintain a tight fiscal stance in an adverse macroeconomic climate, the Government will need to focus its limited administrative capacity on protecting recent gains in poverty reduction while maintaining a stable and sustainable growth trajectory.

9. **Liberia has taken important steps to strengthen the public administration, but the passage of reforms has outpaced their implementation.** Beginning in 2005, the Government introduced a wide range of policy reforms aimed at enhancing governance and improving the management of natural resources. Liberia's governance indicators steadily improved from 2005 through 2011, but progress began to slow after the initial postconflict recovery. Limited administrative capacity and entrenched patronage system present major obstacles to reform, and while the Government has promulgated a new legal framework designed to increase transparency and accountability in the public administration, corruption continues to affect all aspects of public service delivery. The Government has made especially significant progress in improving the legal and institutional framework governing the natural resource sector, but capacity constraints and widespread corruption continue to undermine natural resource management.

10. **Poor governance and weak institutions inhibit the development of Liberia's private sector.** Most investment focuses on the extractive industries, and firms in other sectors face major obstacles to doing business. While other countries in the region, such as Côte d'Ivoire and Guinea, have successfully improved their business environments, Liberia continues to lag its regional and global peers, and in the 2018 *Doing Business* report, it ranked 172 out of 190 countries. Inadequate infrastructure, limited workforce skills, and an underdeveloped financial sector inhibit both domestic entrepreneurship and foreign investment, while burdensome regulations, weak enforcement of public policies, and ubiquitous corruption in both the private and public sectors slow economy-wide growth.

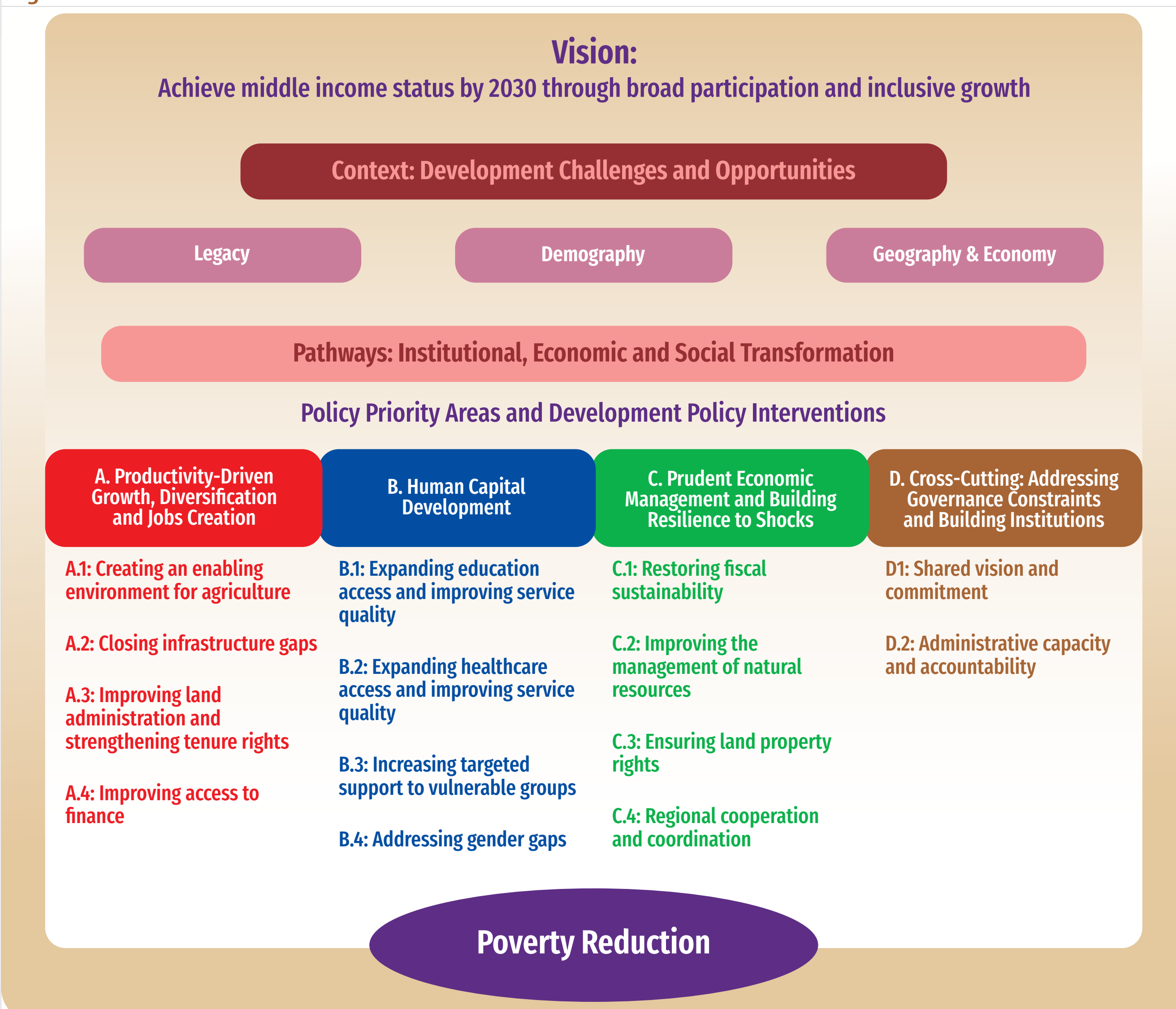
11. **Liberia faces complex development challenges, including a highly concentrated export structure, a narrow revenue base, a heavy reliance on foreign aid, a structural fiscal deficit, and an increasing dependence on food imports.** Transitioning to an economic model in which GDP growth reliably generates broad-based improvements in poverty and social development indicators will require building human capital, boosting productivity, accelerating job creation, strengthening socioeconomic resilience, enhancing the quality of governance, and expanding institutional capacity. These challenges are reflected in Liberia's national strategic vision, *Liberia Rising 2030*, and addressing them will require well-designed, tightly coordinated, and properly sequenced policy interventions.

12. **The analysis presented in this SCD identifies three pathways toward inclusive and sustainable economic growth in Liberia.** The first is economic transformation through increased productivity across sectors. The second is social transformation through radical improvements in education and health outcomes, with particular attention

to vulnerable groups. The third is institutional transformation through greater political stability and progressive improvements in administrative capacity and public service delivery. Consistent with these three pathways, the SCD outlines four complementary priority policy areas and 14 development policy interventions (Figure E.1).

13. **Productivity-driven growth, diversification and job creation require an enabling business environment and an adequate supply of vital infrastructure.** Widespread access to economic opportunity is at the core of inclusive development. An enabling business environment encourages entrepreneurship and facilitates the growth of new industries, while infrastructure links individuals, households, and firms to markets for goods and labor as well as to social services. Even in the informal sector, the conduciveness of the business environment and the quality of infrastructure are key determinants of productivity. Efforts to boost productivity should emphasize improved access to finance, which Liberian entrepreneurs consistently identify as a major obstacle to starting or expanding a business.

Figure E.1: The SCD Framework



Source: Developed by the SCD team.

14. **Agricultural development will be critical to bolster food security, accelerate poverty reduction, and preserve peace and stability.** In Liberia's agricultural sector, a small number of large commercial agricultural concessions employs improved inputs and modern techniques to produce cash crops for export, while numerous smallholder farms largely rely on traditional inputs and methods to produce subsistence crops for household consumption. Agricultural concessions are well integrated into global markets for both inputs and outputs, but they remain mostly disconnected from the smallholder sector. In this context, agricultural development will require: (a) investment in transportation and communications infrastructure to link smallholder farmers to national and international markets; (b) expanded access to credit in rural areas; (c) an increased supply of agricultural extension services; and (d) the comprehensive reform of the land-tenure system. Rising rural income levels could greatly accelerate improvements in health and education outcomes, and a vibrant agricultural sector could reduce reliance on food imports, reinforcing food security at both the national and household levels and improving the balance of payments.

15. **Human capital development will be vital to support Liberia's structural transformation.** To increase the employability of working age Liberians, the authorities will need to implement a targeted mix of education and skills training policies. Structural transformation requires a workforce equipped with the necessary skills to meet the evolving demands of employers, but due to the low quality at all levels of education and technical training programs, many graduates remain unemployed even as firms struggle to fill skilled positions.

16. **A successful human capital development strategy must be underpinned by steady improvements in basic health indicators, especially among women and children.** Infant and maternal mortality, child malnutrition, and childhood disease prevention and treatment are especially critical priorities, as poor maternal, neonatal, and child-health outcomes not only inflict a terrible human toll but also erode the productive capacity of the population. Because investment in human capital provides a concrete example of the state's commitment to the welfare of its citizens, improving the quality of public health and education services will be critical to consolidate political stability and encourage popular engagement in democratic processes. However, weak institutional capacity as well as low financing are major obstacles in both the education and health sectors.

17. **Given Liberia's sharply limited fiscal space, multiple urgent policy priorities, and persistently large current account deficits, restoring fiscal sustainability will be pivotal to long-term growth.** The Government is responsible for managing large inflows of external aid, as well as revenues from concessions. How effectively it leverages these resources to build physical and human capital, create an enabling business climate, and strengthen the capacity of public institutions will determine the extent to which recent GDP growth will translate into a sustainable increase in long-term economic productivity. Maintaining fiscal sustainability will require (a) increased revenue collection, including revenues from natural resources and agricultural concessions; (b) systemic improvements in expenditure efficiency, including the efficiency of external aid; (c) a prudent debt management policy; and (d) structural reforms to promote growth and encourage economic diversification.

18. **The management of the resource sector will largely determine whether Liberia's natural wealth becomes a source of economic dynamism or a driver of conflict.** Unresolved disputes over natural resources and land contribute to ongoing social and economic tensions. Projects that exploit natural resources are inherently disruptive to local populations and may negatively affect livelihoods, traditional cultures, and community governance. Resource revenues are also volatile, and their returns tend to be narrowly distributed. Recognizing the

challenges and the opportunities presented by the resource sector, investors, communities, and the Government are experimenting with new arrangements designed to increase equity and promote shared prosperity. Citizen engagement is vital to these efforts, as are the institutions and procedures through which the Government, investors, and local communities advance their respective interests and negotiate a joint approach to resource management. The impact of climate change could further intensify conflicts over resources, and the socioeconomic implications of changing climatic conditions must be closely monitored.

19. **Liberia is highly vulnerable to environmental degradation and the effects of climate change.** Coastal flooding and sea-level rise pose especially serious risks, as Liberia's coastline includes many of its most densely populated and economically vibrant areas, as well as numerous informal settlements composed of extremely poor households with little ability to either minimize their exposure to natural disasters or cope with the effects of environmental shocks. To mitigate the impact of climate change, the Government will need to develop and implement policies to strengthen coastal management, construct sea walls and other infrastructure, conserve ecologically vital mangrove ecosystems, facilitate environmental technology transfer, and build institutional capacity for risk monitoring and oversight. An integrated, gender-responsive approach will help build resilience at the household and community levels.

20. **Liberia's ongoing political-economic tensions reflect an unfinished process of state formation, in which individuals and groups continue to negotiate their integration into the polity and their relationship to state authority.** Since the end of the war, the authorities have made substantial progress on an ambitious institutional reform agenda. However, the Government's limited administrative capacity and lack of resources, as well as opposition from vested interests, present serious challenges. Further progress will require extensive multistakeholder coordination to balance competing objectives and maintain broad-based support for improved governance and institutional quality. Administrative decentralization can facilitate this process by rebalancing power relations and creating multiple nodes of contestation. Constructing a shared narrative that reinforces the legitimacy of legal authority is the core element of state formation, and efforts to expand public outreach and empower citizens to play an active role in public oversight and accountability can support this process. The key challenge is to build political and economic institutions in tandem.

21. **To achieve its objectives, the Government must create a shared vision of Liberia's future and demonstrate a credible and enduring commitment to the national interest.** A shared vision is essential to ensure that rival interest groups have a common stake in Liberia's success, collaborative problem solving prevails over zero-sum competition, and economic activity is regarded as an inclusive process of wealth creation rather than a struggle for control of existing resources. Social, political, and economic exclusion; lack of accountability; and inadequate administrative capacity can swiftly undermine popular confidence in the state and its ability to foster a just society. Investing in public goods and services can demonstrate the Government's commitment to the national interest, but implementing the revenue measures necessary to finance that investment—while also managing trade-offs between competing priorities—will require the political credibility that only a transparent and accountable public sector can create.

1 Introduction: Country Context

Liberia's complex development challenges and its emerging opportunities to accelerate progress on the twin goals both reflect its unique political legacy, demographic makeup, geographic features, and economic characteristics. Examining these contextual factors can reveal pathways to sustainably reduce poverty and enable the country to achieve middle-income status by 2030.

1.1 A Legacy of Entrenched Inequality Undermines Social and Political Stability

1. **Liberia's status as a fragile state is deeply rooted in the political and economic exclusion practiced by the country's founders.** Although they constituted just 5 percent of the population, freed American slaves and their descendants dominated the country's intellectual and ruling class from 1847 to 1990. While Liberia's 16 indigenous ethnic groups[4] comprise over 90 percent of the population, the country's political system was created to protect the small minority of settlers rather than to promote inclusive development or advance the public interest. Property rights were extremely limited, and administrative power was both centralized in Monrovia and concentrated in the executive branch. Political accountability was minimal, the country's resources were exclusively controlled by its political and economic elite, and infrastructure and basic social services were largely unavailable outside of a few major cities. This unbalanced development pattern gave rise to vast disparities in power and wealth between rural and urban areas. Wealth inequality exacerbated ethnic and class rivalries, leading to a coup d'état in 1980 followed by two devastating civil wars. These conflicts claimed over 300,000 lives and caused the complete collapse of both the state and the economy, derailing Liberia's development and compounding its already severe institutional and governance challenges.

2. **To realize its national vision of achieving middle-income status, Liberia must overcome two aspects of its legacy that have persistently undermined the effectiveness of its public policies and institutions: (a) the Government's excessively centralized administrative structure and (b) the extensive system of corruption, patronage, and rent-seeking through which the political and economic elite has long maintained its power.** In the Liberian Government, a strong executive faces minimal institutional checks and dominates a weak bureaucracy. This system is the product of modern Liberia's early history, when the newly established Government in Monrovia needed to assert military control over its territory to prevent encroachment by other colonial powers. The centralization of administrative, political, and military authority in the executive branch enabled the small minority of Americo-Liberian settlers to create a state that served their narrowly defined interests. Indigenous groups were gradually incorporated into the polity as they became 'civilized' but were largely excluded from positions of political and economic power. The entrenched disparity between the coastal cities and rural inland

4 In this analysis, the term 'indigenous' refers to the ethnic groups that are generally considered native to Liberia, as opposed to freed American slaves who settled in the country in the 19th century and their descendants.

areas led to an oppressive and corrupt system of Government marked by elite capture, confiscatory taxation, forced labor, and the arbitrary appropriation of land and resources. The marginalization and poverty of Liberia's indigenous ethnic groups was a major factor behind the 1980 coup against then President William Tolbert that initiated a period of instability and conflict from which Liberia is only now emerging.[5]

3. **Liberia's historical patterns of growth and conflict are intimately related to the elite's ability to maintain political power by using the state to control the distribution of rents.**[6] The country's focus on the development of extractive industries began with President William Tubman's 'Open Door Policy' in the mid-20th century. Natural resource exports generated enormous revenues, which accrued directly to the state. However, due to the enclave nature of the resource sector, only a small share of workers benefitted from its development. Meanwhile, the Government largely outsourced the provision of basic public services to extractive industry firms, further weakening its institutional capacity. Few links were created between the resource sector and the local economy, creating an archetypal example of "growth without development."[7] In the 1970s, President Tolbert, faced with a flagging global economy and increasing pressure from a rising liberal intellectual class, struggled to expand the patronage network while maintaining political and economic control. After Tolbert was assassinated in 1980, the country descended into its first civil war. President Samuel Doe assumed office in 1986 and began brutally dismantling the Americo-Liberian power structure, which he replaced with his own system of ethnic favoritism financed by the timber and diamond industries.[8] After Doe's assassination in 1990, the country entered its second civil war, with multiple armed groups vying for control of the state and its resources.

4. **Since the end of the second civil war in 2003, Liberia has made an explicit effort to break with the legacies of the past while striving to manage the new challenges that have emerged in the wake of the conflict.** The 2003 Accra Accord established a transitional government, which organized new elections. This process succeeded in enabling a wide range of diverse interest groups, including former combatants, to pursue their goals through formal institutions—in many cases for the first time. The 2005 and 2011 elections were highly competitive, with no single party able to dominate the legislature. Importantly, the election results indicated that most parties do not represent a narrow ethnic or geographic constituency.[9] However, the elections did not eradicate the expectations of elite privilege or the distribution of rents through patronage networks, both of which are deeply embedded in the political system. While the Government launched an ambitious reform program that includes administrative decentralization, land tenure security, and improved natural resource management, measures that threatened to diminish the power of elites or disrupt patronage networks have met strong resistance from entrenched interests.

5 When the coup occurred, Tolbert was in the process of developing an administrative deconcentration plan to address the country's unbalanced power structure. The 1986 constitution represented another failed attempt to check the power of the executive.

6 Werker and Pritchett, 2017.

7 Clower *et al.*, 1966.

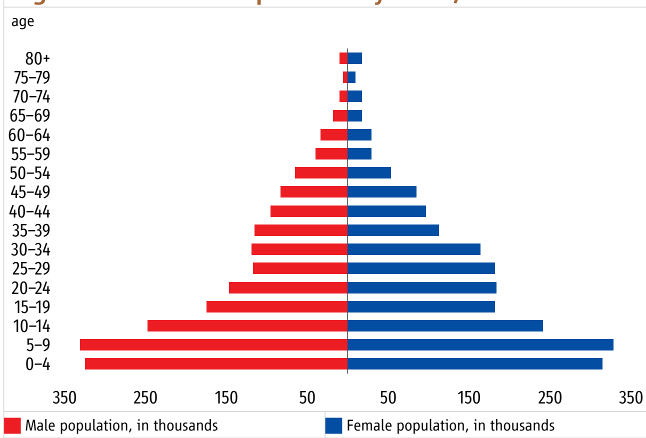
8 Although Doe, an ethnic Krahn, ostensibly represented the country's marginalized indigenous groups, he preserved the Government's highly centralized structure to facilitate his brutal authoritarian rule (Sawyer 2005; Gerdes 2013).

9 Pailey and Harris, 2017.

1.2 Demographic Trends Are Increasing Pressure on the Labor Market and Intensifying Demand for Public Services

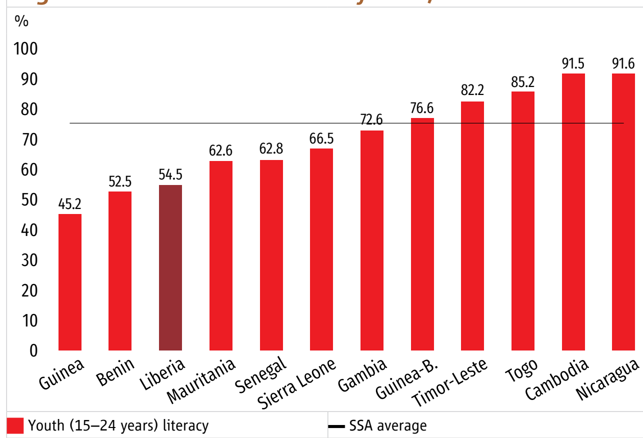
5. **Due to Liberia's high fertility rate and low life expectancy, young people make up a large share of the population.** In 2014, over 70 percent of Liberians were below the age of 35, and 40 percent were below the age of 15 (Figure 1). This large youth cohort is intensifying demand for jobs, farmland, infrastructure, and public services. High fertility rates also have serious implications for human development indicators. Only 55 percent of children in Liberia have received a complete set of vaccinations; 32 percent of children under the age of five are stunted; and the country's maternal and neonatal mortality rates are among the highest in the world. An estimated 47 percent of women and girls, and 33 percent of men and boys, have never attended school. In rural areas, these rates rise to 63 percent and 43 percent, respectively.

Figure 1: Liberia's Population Pyramid, 2014



Source: LISGIS, 2014.

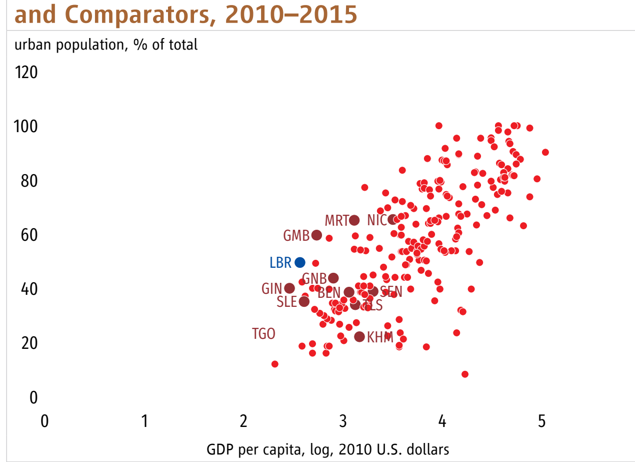
Figure 2: The National Literacy Rate, 2014



Source: World Development Indicators (WDI).

6. **An acute shortage of workers with adequate education and job skills inhibits the development of the formal sector and slows economy-wide productivity growth.** More than half of the labor force has not completed primary school, and literacy rates are well below the levels of comparable countries (Figure 2). In 2010, only 56 percent of the working age population was literate, compared to an overall average of 62 percent for Sub-Saharan Africa (SSA). The female literacy rate was even lower at 44.8 percent, and well below the SSA average of 53 percent. A 2010 Labor Force Survey found that the formal sector employed less than 20 percent of the labor force. Among 15- to 24-year-olds, the rate of formal employment was just 6.2 percent.

Figure 3: Per Capita Income and Urbanization, Liberia and Comparators, 2010–2015



Source: WDI.

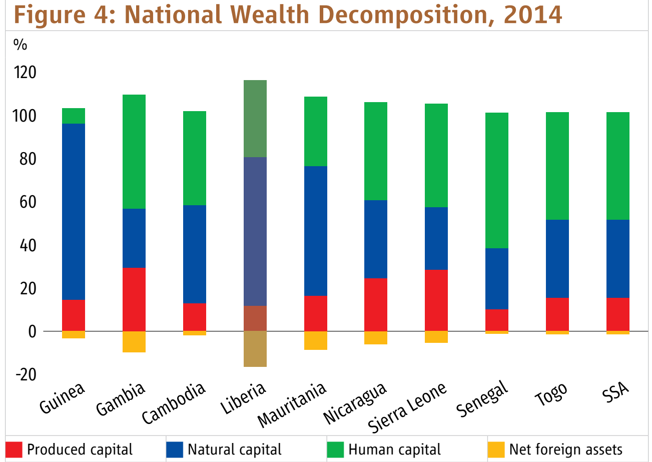
7. **Liberia's rapid urbanization has not been accompanied by adequate employment growth, especially for younger workers.** Liberia's urbanization rate is high relative to its level of development (Figure 3).[10] The share of the population living in urban areas has increased steadily since the end of the conflict and reached 50 percent in 2015. Urban areas, particularly Monrovia, have attracted both workers in search of employment and displaced persons seeking refuge from conflict and instability. However, the urban unemployment rate is more than twice as high as the rural rate—and more than three times as high for younger workers—and urban job seekers often lack the skills demanded by employers. Meanwhile, relatively low unemployment rates in rural areas largely reflect the role of smallholder farming as an employer of last resort. Youth unemployment is especially low in rural areas, because many young workers are engaged in unpaid household labor.

1.3 Liberia's Geography Shapes Its Economy

8. **Liberia is relatively well endowed in renewable and nonrenewable natural resources.** Its climate is well suited for agriculture, with sufficient fertile land and water resources to support widespread irrigation. Liberian seaports link producers and consumers to the global economy, and Liberia's territorial waters encompass about 20,000 km² of marine fisheries. The country's domestic waterways include over 1,800 km² of riverine fisheries, as well as numerous perennial swamps and inland water bodies capable of supporting both fisheries and aquaculture. Liberia also has about 4.3 million ha of lowland tropical forest, comprising 43 percent of the remaining Upper Guinean forests, and forest cover accounts for 45 percent of the country's landmass. Liberia's forests are home to many rare and endemic species, and Liberia is listed as one of 34 global biodiversity hotspots. However, only 4 percent of Liberia's forested areas are classified as primary forest.

9. **Liberia's per capita national wealth is currently estimated at US$10,227, about 40 percent of the SSA average.**[11] Natural capital comprises 68 percent of Liberia's national wealth, human capital makes up another 36 percent, and produced capital accounts for just 12 percent (Figure 4). Foreign assets, which are presented as negative values, represent 16 percent of Liberia's wealth.[12] Compared to its peers, Liberia is relatively rich in natural capital and relatively poor in human and produced capital. Furthermore, while Liberia's total per capita national wealth increased by an impressive 47 percent between 2005 and 2014, produced capital per capita declined by 17 percent during the same period.

Figure 4: National Wealth Decomposition, 2014



Source: World Bank Wealth of Nations Database, 2017.

10 Urbanization and per capita income are positively correlated across Sub-Saharan Africa. However, this does not imply causation.

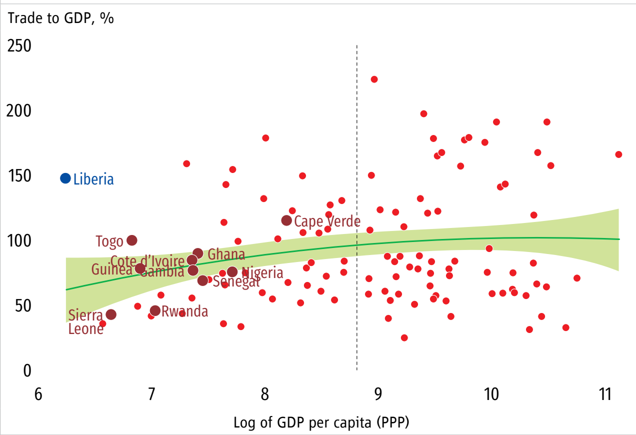
11 World Bank Wealth of Nations Database, 2017. Figures are in constant 2014 U.S. dollars.

12 National wealth is the sum of produced capital, natural capital, human capital and net foreign assets. Due to rounding, the sum may not equal 100 percent. Oceanic resources are not explicitly included in national wealth. The estimate for Liberia is presented in constant 2014 U.S. dollars.

10. **Despite its sufficient arable land, Liberia suffers from pervasive food insecurity.** In 2015, about 15 percent of the population was estimated to be severely food insecure, and the disruptive impact of the 2014–2015 Ebola outbreak was responsible for as much as 5 percentage points of the total rate. Although the effects of the Ebola crisis continue to fade, food insecurity may have increased further since the 2015 assessment, as multiple economic shocks and the country's high level of import dependence were expected to contribute to a rise in the number of food-insecure households over the near term. Most of the population relies on subsistence agriculture, and low rates of human capital formation, inadequate infrastructure, and persistent social and political instability hinder productivity growth. Many farmers specialize in nonfood export crops such as rubber and cocoa, and an exodus of farmers from conflict-affected rural areas during the civil war pushed the country's reliance on food imports to an alarming 73 percent. Staple foods such as rice and wheat make up the bulk of agricultural imports, with rice imports alone reaching US$200 million per year.

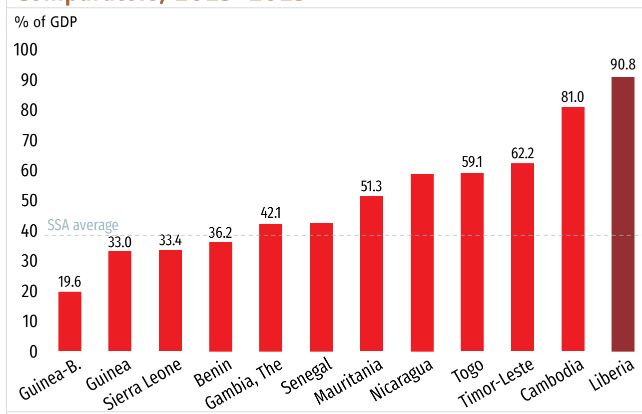
11. **Liberia relies heavily on international trade.**[13] The country's level of trade openness, as measured by the sum of exports and imports as a share of GDP, has increased over time and is much larger than what its income

Figure 5: Trade Openness, Liberia and Comparators, 2011



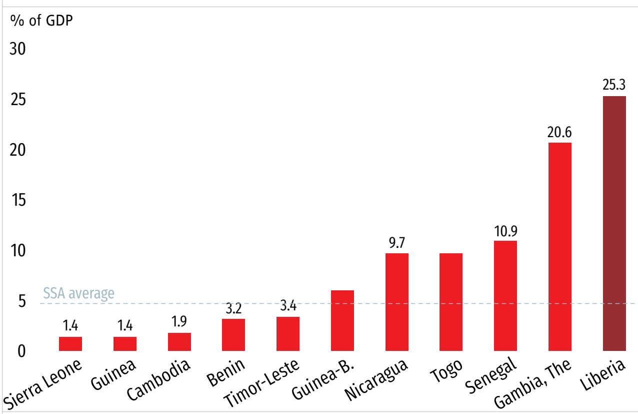
Source: World Bank (2016).

Figure 6: Merchandise Imports, Liberia and Comparators, 2013–2015



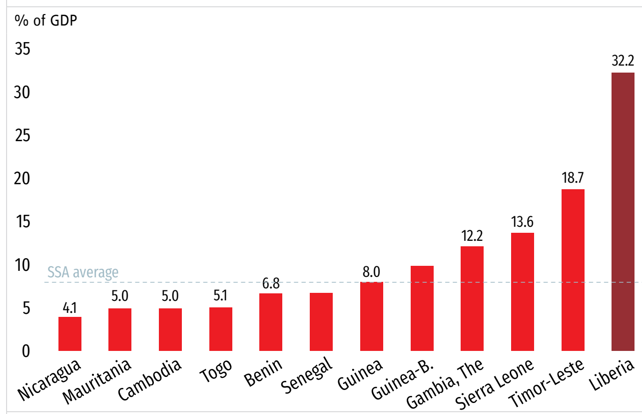
Source: WDI.

Figure 7: Remittance Inflows, 2013–2015



Source: WDI.

Figure 8: Net Official Development Assistance, 2013–2015



Source: WDI.

13 See Annex 2 for a comparison with peer countries.

level would predict (Figure 5). At 90 percent, Liberia's import-to-GDP ratio is among the highest in the world (Figure 6). In addition, Liberia's strong historical links with the United States—a major destination for Liberian labor migration—greatly increase international labor mobility and remittances. Consequently, the country has one of the world's highest remittances-to-GDP ratios (Figure 7), and more than one-third of inbound remittances originate in the United States. During 2013–2015, inbound remittances equaled more than 25 percent of Liberia's GDP, far above the SSA average and second only to The Gambia among regional comparators.[14] Liberia also attracts a substantial amount of FDI, primarily in the extractive industries and commercial agriculture.

12. **Liberia is among the world's most aid-dependent countries.** Due to its status as a postconflict fragile state, Liberia's inflows of external budget support, investment financing, humanitarian aid, and technical assistance are very large relative to the size of its economy (Figure 8). Budget support helps cover the substantial gap between the Government's capacity for public spending and the needs of its growing population. Between 2013 and 2015, net official development assistance equaled 166.5 percent of Liberia's gross capital formation, compared to 155.4 percent for Guinea-Bissau and 111.2 percent for Sierra Leone during the same period.

14 Liberia ranks 6th in the world for inbound remittances, after Tajikistan, Nepal, the Kyrgyz Republic, Togo, and Moldova. However, Liberia's level of outbound remittances is higher than that of any of these countries, and thus, its net inflows are lower at about 8 percent of GDP, placing the country 27th worldwide.

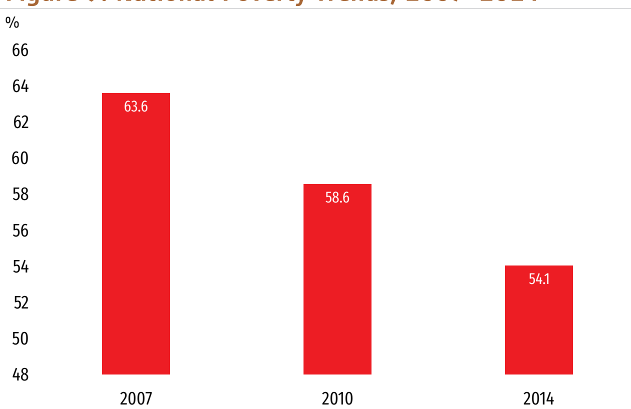
2 Patterns of Poverty

Liberia has made slow and uneven progress in reducing poverty. As in many other SSA countries, poverty rates are the highest in rural areas. Poor households tend to have elevated fertility rates; own few assets; and derive most of their income from farming, fishing, and small enterprises. Non-monetary poverty indicators, including access to health care, education, and basic utility services, are also low by regional and international standards, with especially acute rural-urban and gender disparities. Sustainable poverty reduction will require both broad-based income growth and expanded access to vital social services, especially in rural areas.

2.1 Poverty and Inequality Incidence and Trends

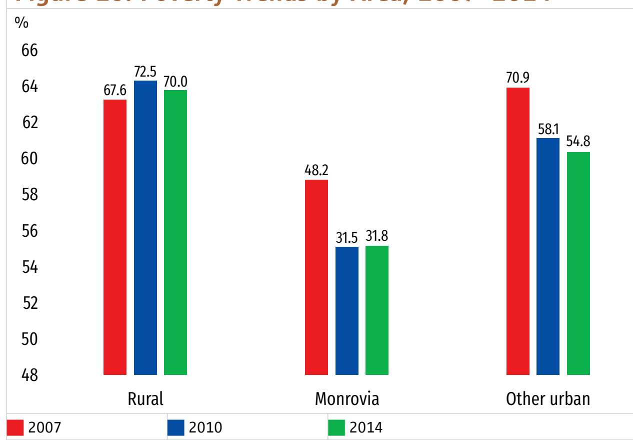
13. **A falling urban poverty rate drove nationwide poverty reduction between 2007 and 2014.** The national headcount poverty rate fell from 63.6 percent in 2007 to an estimated 54.1 percent in 2014 (Figure 9), as a sharp drop in the urban poverty rate more than offset a slight increase in the rural rate (see Annex 1 and Box 1). The pace of poverty reduction has slowed over time, from an average decline of about 1.7 percentage points per year between 2007 and 2010 to 1.1 percentage points per year between 2010 and 2014. Poverty rates are persistently high in rural areas, lowest in Monrovia, and falling rapidly in other urban centers (Figure 10).

Figure 9: National Poverty Trends, 2007–2014



Source: World Bank staff calculations.

Figure 10: Poverty Trends by Area, 2007–2014

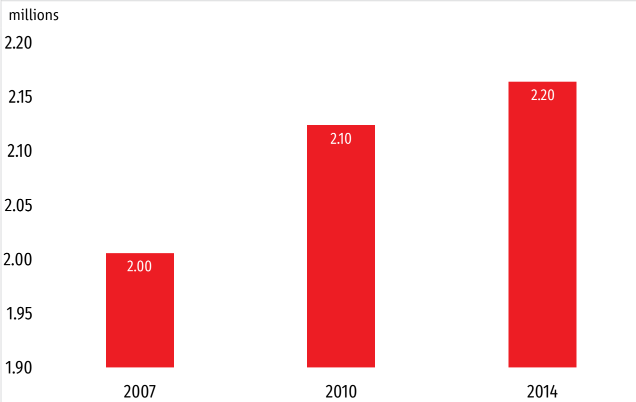


Source: World Bank staff calculations.

14. **Population growth and urbanization are changing the size and distribution of Liberia's poor population.** Although the poverty rate fell between 2007 and 2014, the total number of poor Liberians rose by 8 percent due to population growth (Figure 11). Meanwhile, rural-urban migration reduced the number of poor people in rural areas and increased the number in urban areas. The poor population remained broadly stable in Monrovia but rose

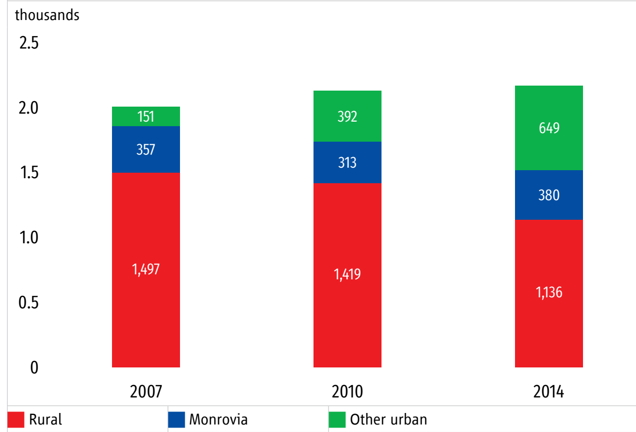
substantially in other urban areas (Figure 12). Between 2010 and 2014, the increase in the number of poor people in urban areas almost equaled the decline in rural areas.

Figure 11: Number of People Living below the Poverty Line, 2007–2014



Source: World Bank staff calculations.

Figure 12: Number of People Living below the Poverty Line by Area, 2007–2014



Source: World Bank staff calculations.

15. **Income growth has driven poverty reduction in recent years, supported by a modest decline in inequality.**[15] Since 2007, increases in average consumption have caused poverty rates to fall in both rural and urban areas, and consumption growth was especially robust between 2007 and 2010. Widening inequality contributed to rising poverty rates before 2010, but a subsequent decrease in inequality bolstered poverty reduction.

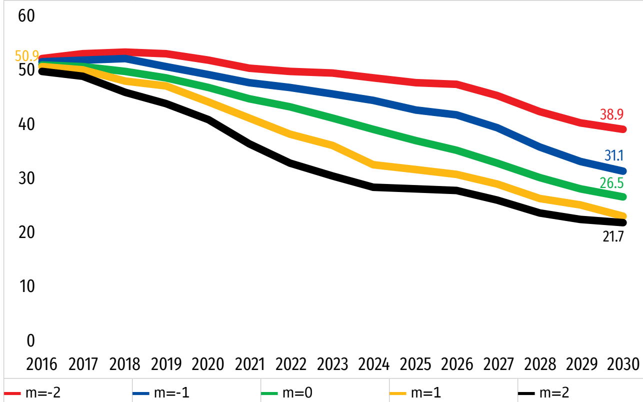
16. **Liberia's poverty rate increased from 54.1 percent in the first half of 2014 to an estimated 61.2 percent in the first half of 2016**[16] **due to slowing economic growth, the lingering impact of the Ebola crisis, and the secondary effects of rising prices for imported food.** Liberia is heavily dependent on rice imports, and rice purchases represent an average of 20 percent of total food spending. Consequently, prices for imported rice have a major impact on household budgets. The recent depreciation of the Liberian dollar has contributed to the rising cost of food imports. Meanwhile, global prices for the country's main exports, including rubber, have fallen, limiting income from cash crops. Compounding these trends, the Ebola epidemic both disrupted agricultural production and reduced international trade.

17. **Future poverty reduction will require growth that is both more robust and more inclusive.** While recent economic growth has contributed to poverty reduction, Liberia's growth rate is too slow, and the impact of growth on poverty is too weak, to achieve the country's development objectives. Based on current growth projections, and assuming a neutral distribution of income gains, the national poverty headcount rate would be expected to fall from its current estimated level of 50.9 percent to about 26.5 percent by 2030. However, under a moderately progressive distribution, with income gains among poor households exceeding gains among wealthy households by 1–2 percentage points, the headcount poverty rate would drop to 21 percent by 2030 (Figure 13). The distribution of income gains will be especially vital to poverty reduction over the medium term, as serious social and political

15 Poverty reduction can be separated into that which comes from an average increase in consumption across the population (that is, growth) and that which comes from a change in the shape of the consumption distribution (that is, distribution). 75 percent of the total reduction in poverty can be attributed to consumption growth over 2007–2014.

16 These figures are based on the 2014 poverty line.

Figure 13: Projected Headcount Poverty Rates under Alternative Scenarios, 2016–2030

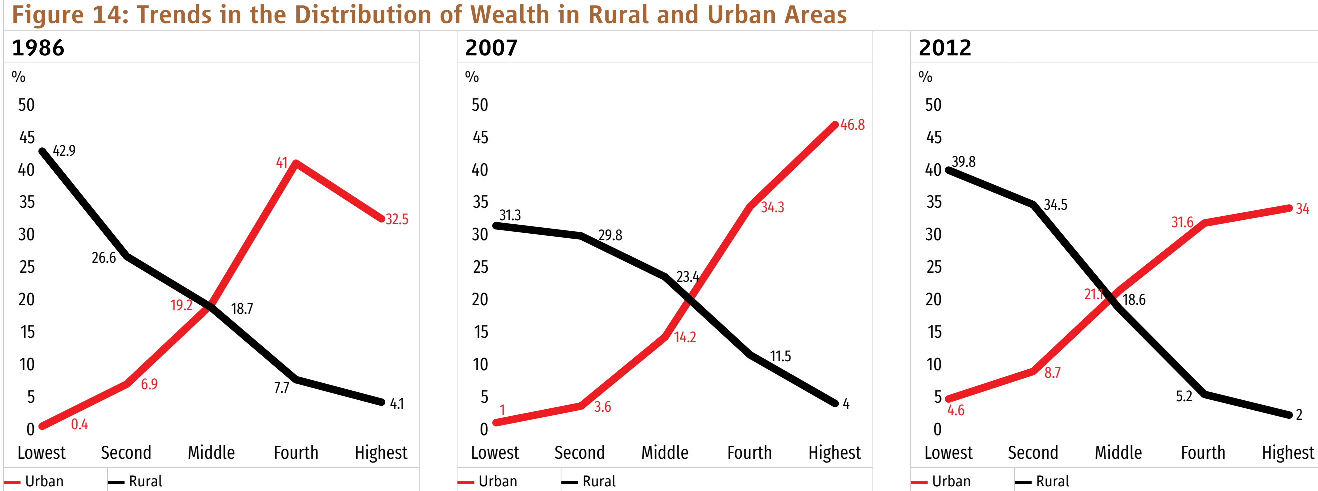


Source: World Bank staff calculations.
Note: This figure shows poverty projections under five distributional scenarios (m): m = 0% is based on a neutral distribution of returns to growth; m = 1% and m = 2% assume that the income of households in the bottom 40 percent of the income distribution will grow 1 and 2 percentage points faster than the mean, respectively; by contrast, m = -1% and m = -2% assume that income growth among these households will be 1 and 2 percentage points slower than the mean, respectively.

risks, and the lingering effects of the twin shocks and UNMIL withdrawal, continue to slow economy-wide growth.

18. **Income inequality is moderate, but wealthy households own far more assets than poor households.** Between 2010 and 2014, the Gini coefficient fell slightly from 33 percent to 32 percent, below the most recent figures for neighboring Guinea and Sierra Leone and far below the most recent figures for Côte d'Ivoire. In 2014, the urban Gini coefficient was about 32.5 percent, while the rural Gini coefficient was about 27.5 percent. While income inequality is relatively modest, wealth inequality is vast and has changed little over time.[17] The distribution of the population by wealth quintiles remained broadly constant between 1986, 2007, and 2013, and in all periods, the country's wealthiest households were heavily concentrated in urban areas, while the poorest households were primarily located in rural areas (Figure 14). In 2013, over two-thirds of the urban population was in the fourth wealth quintile, while nearly three-quarters of the rural population was in the first and second quintiles.

Figure 14: Trends in the Distribution of Wealth in Rural and Urban Areas



Source: Demographic and Health Survey (DHS) 1986, 2007 and 2013.

17 Household wealth is based on survey data encompassing ownership of consumer items, such as a television, a bicycle, or a car, as well as contextual factors such as drinking-water source, sanitation facilities, and housing quality.

Box 1: Preliminary Results of the 2016 Household Income and Expenditure Survey

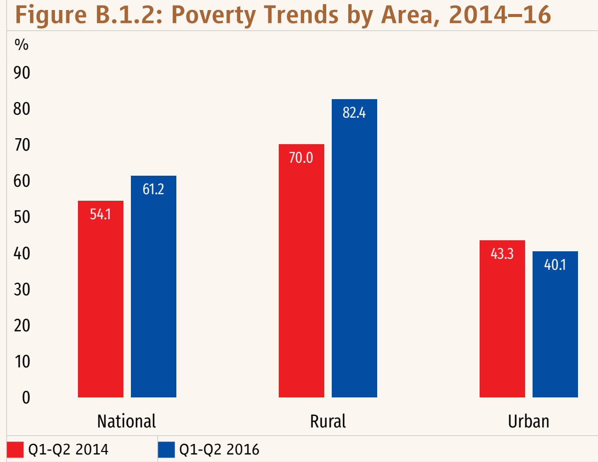
The Systematic Country Diagnostic (SCD) is an analytical document that draws heavily on empirical analyses to arrive at its conclusions. To do so, the SCD team has relied on micro-data and statistical abstracts made available by Liberia Institute of Statistics and Geo-Information Services (LISGIS). To provide a long-term dynamic on poverty and inequality, the core analysis in the SCD focuses on 2007–2014, using the Core Welfare Indicators Questionnaire (CWIQ) (2007 and 2010) and the 2014 Household Income and Expenditure Survey (HIES). However, the preliminary results of the 2016 HIES became available after the final draft of the SCD had already been approved. This new survey allowed the SCD team to (a) assess the impact of the Ebola outbreak by comparing half-year 2016 data to half-year 2014 data, and (b) update the poverty projections and simulations by using the 2016 HIES full-year poverty headcount rate as the new baseline.[18]

According to the 2016 HIES, the headcount poverty figure for the country is 50.9 percent. Rural poverty is 71.6 percent, and urban poverty is 31.5 percent. Regional poverty was the lowest in Montserrado which includes Monrovia, 20.3 percent, followed by 57.2 percent in South Central, 58.4 percent in South Eastern A, 58.6 percent in North Western, and 68.5 percent in the North Central regions. The region with the highest poverty level was South Eastern B at 81.3 percent. Of the other main poverty measures, 39 percent and 16.5 percent of Liberians live in food and extreme poverty, respectively. For Liberia, the national Gini coefficient is 0.33 in 2016.

Figure B.1.1: Absolute Poverty by Country

Source: HIES 2016.

Figure B.1.2: Poverty Trends by Area, 2014–16



Source: HIES 2014 and 2016.

A poverty headcount 50.9 percent means that ore than 2.2 million Liberians are living in poverty. While these were almost evenly split between urban and rural areas in 2014, the 2016 figure shows that the number of poor in rural areas is more than double compared to urban areas. Although the overall population share in urban areas is higher, the poverty headcount was much lower in 2016. Around 68 percent of the country's poor are in rural areas, that is, 1.5 million people, while 700,000 are in urban areas. By region, the largest number of poor are living in the North Central region, about 900,000 or more than 40 percent of the total poor in Liberia. Of the other main poverty measures, there were about 1.6 million Liberians living in food poverty and 670,000 living in extreme poverty.

Continued to next page.

18 The 2014 and 2016 poverty and inequality measures presented in the SCD are consistent with the Government's official published numbers.

Continued from previous page.

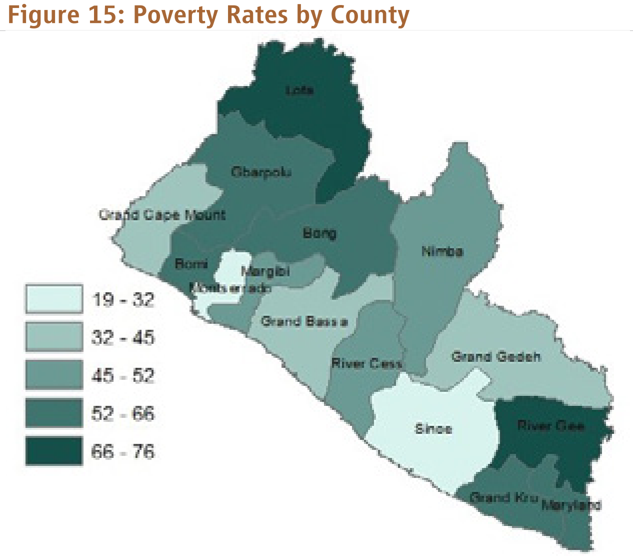
The twin shocks of Ebola and commodity prices negatively affected rural poverty. Rural poverty increased from 70 percent in the first half of 2014 (just before the Ebola crisis) to 82.4 percent in the first half of 2016 following the Ebola crisis. In urban areas, the incidence of poverty remained much lower than that of rural areas and flat between 2014 and 2016 (it fell from 43.3 percent to 40.1 percent though without statistical significance). In addition, poverty increased in all regions except for Montserrado, where it declined from 31.6 percent to 27.5 percent.

Source: 2016 HIES and LISGIS, 2018 (forthcoming).

2.2 Poverty Profiles

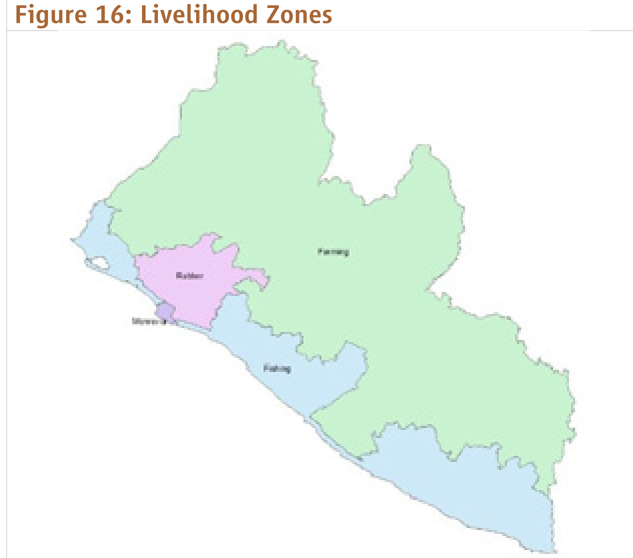
19. **Wide regional variations in poverty rates underscore the country's uneven development.**[19] Among Liberia's 15 counties, Lofa has the highest poverty incidence at 76 percent, followed by River Gee at 70 percent (Figure 15). Across livelihood zones, poverty rates are highest in rural farming areas at 77 percent, followed by rural coastal fishing areas at 62 percent, and rural rubber-producing areas at 58 percent (Figure 16). In 2014, 60 percent of Liberia's poor, or 702,000 people, lived in rural farming zones. Geographic and economic isolation contribute to both high poverty rates and low human development indicators. Despite their significant logging and mining potential, Liberia's more remote regions remain underdeveloped due to poor infrastructure, and the country's limited and dilapidated road network is a particularly acute constraint on growth in remote areas.

Figure 15: Poverty Rates by County



Source: World Bank staff calculations based on data from the 2014 HIES.

Figure 16: Livelihood Zones



Source: World Bank staff calculations based on data from the 2014 HIES.

19 Rural areas are divided into three livelihood zones: farming areas (primarily rice and cassava); commercial rubber areas, where much of the rural population is employed as contract labor; and fishing areas, which include riverbanks and the coast.

20. **Most of Liberia's poor live in large rural households in which income earners are self-employed in agriculture.** Poor households tend to have high dependency ratios and older heads of household. They also tend to be located relatively far from markets, public institutions, and infrastructure. Fertility rates are especially high in rural areas, and rapid population growth slows increases in per capita income. Female-headed households are especially likely to be poor, as female income earners are typically responsible for a larger share of domestic work than their male counterparts.[20] An estimated 69.3 percent of households headed by a person with no formal education are below the poverty line, as are 77.2 percent of households headed by a smallholder farmer. Households headed by a person employed in the public service or in any nonagricultural sector are significantly less likely to be poor.

21. **Most poor rural households are not self-sufficient.** In the poorest rural areas, household food production (mostly rice and cassava) supplies only 35 percent of household food requirements, and about 45 percent of the country's total population lives below the food poverty line.[21] Like the distribution of monetary poverty, the food poverty rate is higher in rural areas (27.3 percent) than in urban centers (18.5 percent). Food price surveys conducted during the Ebola crisis revealed significant regional disparities in the prices for basic staple foods. Food prices tended to be the highest in remote rural locations, potentially contributing to the elevated rates of food and monetary poverty observed in rural areas.[22] The inability of poor rural households to produce enough food to meet their own consumption needs reflects their lack of access to fertile land and improved inputs, including high-quality seeds and fertilizer, as well as low levels of formal education among farming households. Moreover, the displacement of farming communities during the civil war disrupted production, and weak infrastructure increases transportation costs, discouraging farmers in prime food-growing areas from producing a marketable surplus. While the unemployment rate is low among the poor, about 85 percent work informally, many on family farms.

22. **In urban areas, poverty is most common among self-employed workers.** Small informal enterprises tend to be only marginally profitable and are highly vulnerable to a range of market and nonmarket risks, which constrain savings and investment. The poor also face an elevated cost of living in urban areas, where rents are relatively high and where few workers who lack salaried employment in either the public or private sector can afford to buy land or build a house.[23]

2.3 Access to Services

Education

23. **Access to education has improved since the end of the civil war, but outcome indicators remain low by international standards.** In 2006, the Government abolished school fees in public primary schools (Grades

20 See Annex 3.

21 2014 HIES.

22 Murphy, Emmet; Erickson, Kali; and Tubman, Macon. 2016. USAID Office of Food for Peace Food Security Desk Review for Liberia, 2016–2020. Washington, DC: FHI 360/FANTA.

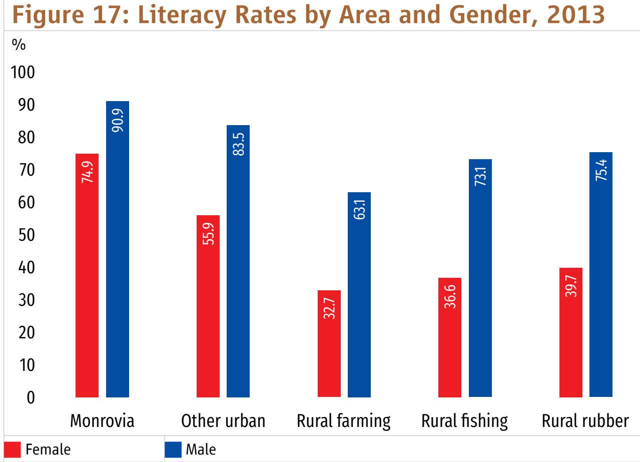
23 About 58 percent of urban renters pay between LD 350 and LD 1,000 per month from a median monthly urban wage of LD 10,180. Another 11 percent of renters pay between LD 100 and LD 2,000 per month.

1–9), which boosted primary enrollment. In 2015/16, the gross enrollment rate (GER) at the primary level was 87 percent, while the net enrollment rate (NER) was 48 percent. Many Liberian children between the ages of 6 and 14 are not currently enrolled in school, have never enrolled in school, or are enrolled at a grade level that does not correspond to their age. An estimated 80 percent of students are over the appropriate age for their grade level, which is due in part to delayed enrollment, because most children who begin kindergarten are 3–5 years older than the standard age. Furthermore, the quality of early childhood education services is poor, reflecting limited access to learning materials and a lack of trained teachers. The most recent Early Grade Reading Assessment found that the mean score for Grade 3 students in oral reading fluency was below 25 correct words per minute. The pass rate for Liberian students taking the West African Examinations Council's standardized tests dropped from 81 percent in 2007 to 46.8 percent in 2014.

24. **The Government is the main provider of education overall, but in Monrovia this is not the case.** At the national level, 47.7 percent of people in education are in Government schools. This is followed by private non-religious institutions (29.3 percent) and then religious entities (22.2 percent). While the state's role in provision of education is overall larger, more provision of education comes from private non-religious institutions in Monrovia (47.6 percent). The role of private providers—religious or not—is stronger in urban-type livelihood areas. Whether private or not, all schools face similar challenges.

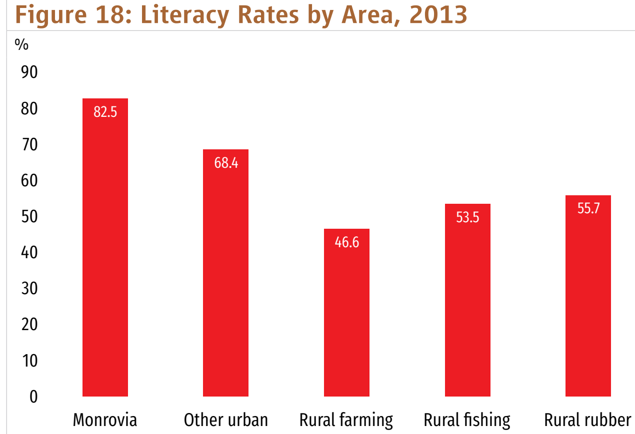
25. **Gender disparities in education are substantial but are declining.** The male literacy rate exceeds 80 percent, while the female rate is below 55 percent (Figure 17). However, the gender gap in literacy rates is narrowing among students in the youngest age cohorts across all areas and income groups. The Government has also initiated special programs to promote gender parity in education, and in 2015 female students accounted for about 49 percent of primary enrollment. Nevertheless, inadequate school safety continues to pose a serious challenge for female students.

Figure 17: Literacy Rates by Area and Gender, 2013



Source: DHS 2013.

Figure 18: Literacy Rates by Area, 2013



Source: DHS 2013.

26. **Educational attainment rates vary by region, with a sharp divide between rural and urban areas.** Literacy rates are the highest in Monrovia, at 82.5 percent, and the lowest in rural farming areas, at 46.6 percent (Figure 18). The Monrovia Consolidated School System, which operates public primary and secondary schools in

the capital, receives an average of 5 percent of the country's total education budget. Nationwide, the distribution of trained teachers and educational supplies is systematically skewed toward wealthier urban schools.

27. **Children from poor households and those living in rural areas have the least access to education and receive the lowest quality of education services.** Among wealthier households and households in urban areas, 48 percent of children between the ages of 6 and 11 attend primary school, compared to just 26 percent of children from poorer households and households in rural areas. The median young woman from a poor, rural household has just 1.8 years of formal education. Parents whose children do not attend school most often cite lack of money, the distance to the nearest school, and early marriage as the most important barriers to education access.

28. **Effective teacher management and deployment remain key challenges.** The share of the national budget allocated to education has increased steadily since 2012/13, and approximately 80 percent of the education budget finances teacher salaries. However, the education payroll includes numerous 'ghost teachers', who receive salaries but do not actually teach. A recent reform effort by the Ministry of Education purged 1,900 ghost teachers from the payroll. In addition, over 5,000 teachers serving in public primary schools do not hold the minimum teaching qualification, and many teachers do not possess the basic literacy skills necessary to teach. Teacher absenteeism is common, especially in rural areas, which further reduces education quality.

29. **An inadequate supply of infrastructure, equipment, and trained teaching staff diminishes the quality of secondary and postsecondary education.** Senior high schools, technical and vocational education and training (TVET) programs, and higher education institutions all suffer from a lack of educational supplies, facilities, and faculty with advanced degrees. The low quality of higher education results in high rates of unemployment and underemployment among graduates, even as employers struggle to fill skilled positions in areas such as secondary education, business administration, and business services. In many cases, employers are forced to hire foreign workers for these roles.

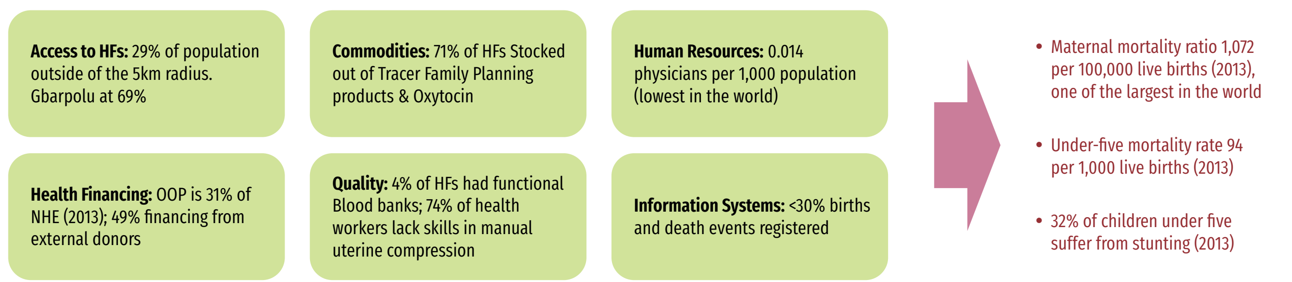
Health

30. **Though Liberia's health system has steadily improved since the end of the second civil war, it remains weak and fragile, and the country suffers from some of the world's highest rates of maternal and neonatal mortality.** Liberia's health system performs poorly across indicators of access to care, quality of care, human resources, supply chain management, health financing, and information systems. These deficiencies contribute to the country's poor health outcomes (Figure 19). Liberia's maternal mortality rate is one of the highest in the world at 1,072 deaths per 100,000 live births, and its under-five mortality rate is very high at 94 deaths per 1,000 live births. In addition, an estimated 32 percent of Liberian children under five suffer from stunting. Most maternal and neonatal deaths are from preventable causes, including hemorrhage (25 percent), hypertension (16 percent), unsafe abortion (10 percent), and sepsis (10 percent), underscoring the critical challenge of improving the quality of care.

31. **Health indicators vary substantially by region.** Cross-county variations in access to health services are reflected in the percentage of women attending postnatal care, which ranged from 50 percent in Bong county to 17 percent in Margibi county in 2016. Similar variations are also seen in coverage indicators for child health, including full immunization of children under 1 year, which ranged from 94.5 percent in Bong County to 34 percent

in River Gee in 2016. Unplanned and unwanted pregnancies account for an estimated 177 of every 1,000 live births, contributing to high abortion rates. Liberia also suffers from high rates of human immune deficiency virus (HIV) and other sexually transmitted infections.

Figure 19: Liberia's Health Access and Outcomes



Source: DHS (2013).
Note: HF = Health facility; NHE = National Health Expenditure ; OOP = Out-of-pocket.

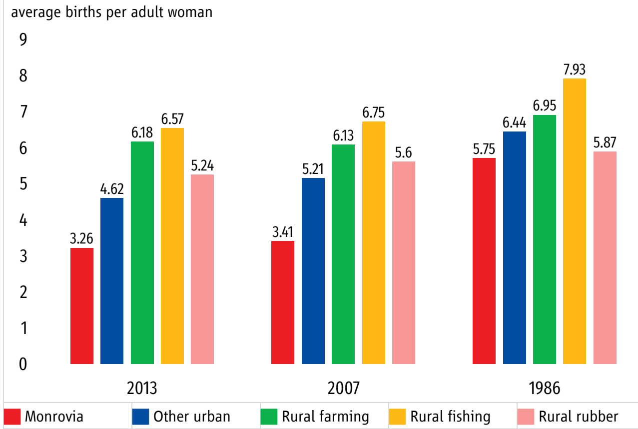
32. **The Ebola outbreak further weakened the country's already fragile health system.** Between 2013 and 2014, the share of deliveries attended by a skilled health care worker fell by 7 percent; fourth antenatal care visits dropped by 8 percent; measles coverage declined by 21 percent; and health-facility utilization rates plummeted by 40 percent, from an average of 5.5 visits per capita in 2013 to an average of 3.3 visits in 2014. Liberia lost a staggering 10 percent of its doctors and 8 percent of its nurses and midwives to Ebola—just over 8 percent of the nation's healthcare workforce. A 2015 study estimated that the deaths of these health workers could increase the maternal mortality rate by 111 percent relative to the pre-Ebola baseline. Liberia remains vulnerable to future outbreaks of Ebola and other diseases due to weaknesses in disease surveillance, including community-level surveillance. Liberia has no national laboratory network, and the nation's few existing laboratories are of poor quality. The supply of skilled healthcare workers is inadequate, and the country lacks a multihazard public health emergency preparedness and response plan.

33. **Both the fertility rate and the under-five mortality rate have declined over time, but further gains will require improving both the quality and distributional equity of health services.** The fertility rate fell from 5.2 children per woman in 2007 to 4.7 in 2013, due in part to expanded education and health services. During the same period, the under-five mortality rate dropped from 110 to 94 deaths per 1,000 live births.[24] However, substantial differences in fertility and under-five mortality rates persist across livelihood zones (Figure 20 and Figure 21). The fertility rate is the lowest in Monrovia (3.3 children per woman) and the highest in rural fishing areas (6.6) and rural farming areas (6.2). Gains in Monrovia have driven the nationwide decline in fertility rates since 1986, while progress in rural areas has been limited. Rural fishing areas have the highest under-five mortality rate by far (116 deaths per 1,000 live births), well above the rates for Monrovia and other urban areas (89), as well as the rate for rural rubber-growing areas (87).

34. **Liberia's public health facilities lack adequate staff, prescription drugs, equipment, infrastructure, and cash on hand to finance their day-to-day operations.** Liberia has the fewest physicians per capita of any country in the world at just 0.014 per 1,000 people.[25] More than 50 percent of health facilities experience

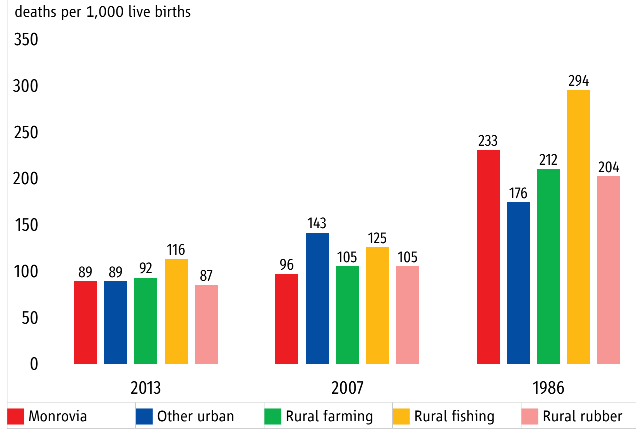
24 DHS 2013.
25 Global Health Observatory Data Repository (http://apps.who.int/gho/data/node.main.A1444).

Figure 20: Trends in Total Fertility by Area, 1986–2013



Source: DHS, 1986, 2007, and 2013.

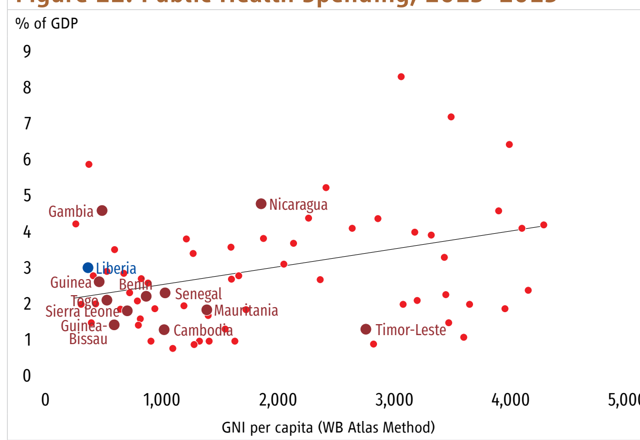
Figure 21: Trends Under-Five Mortality by Area, 1986–2013



Source: DHS, 1986, 2007, and 2013.

frequent shortages of essential medicines and medical supplies, including supplies necessary to address critical health conditions among pregnant women, and 71 percent of health facilities experience shortages of tracer family-planning products and oxytocin. Health facilities suffer from dilapidated infrastructure, and most lack triage or isolation units, which contributed to the spread of Ebola. Moreover, primary health facilities do not receive financing for community outreach or similar activities. A poor working environment and a lack of autonomy discourage students from becoming health care workers and make it difficult for existing health care workers to perform their duties.

Figure 22: Public Health Spending, 2013–2015



Source: WDI.

35. **Poor female health indicators, including high maternal mortality rates, are compounded by high rates of gender-based violence, which also undermine women's economic prospects.** Like many postconflict countries, Liberia has very high rates of gender-based violence. In a 2007 survey, about 29 percent of Liberian women reported experiencing violence during the previous 12 months, most often perpetrated by a current or former husband or intimate partner.[26] Impact evaluations suggest that cognitive-processing therapy can help rehabilitate survivors of violence, even in settings with few mental health professionals.[27] Female genital mutilation (FGM) is also common in Liberia. Roughly 60 percent of women have undergone the procedure, most in so-called 'bush schools' for girls known as 'sande'.[28]

36. **Although public health spending in Liberia is broadly in line with the levels of comparable countries, an inefficient and unequal allocation of funding and a general lack of accountability contribute to**

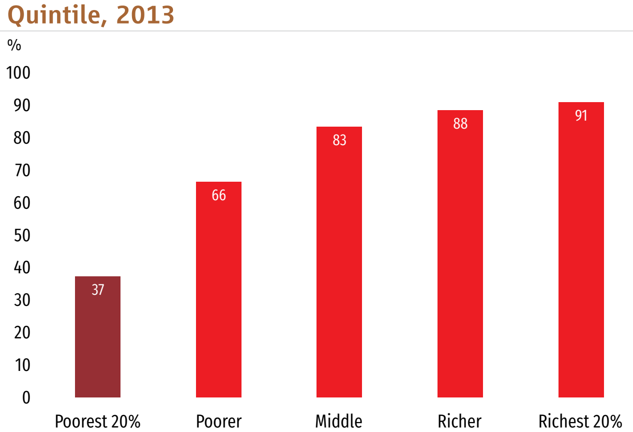
26 DHS, 2007.
27 Bass *et al.*, 2013.
28 See Annex 3.

poor health outcomes (Figure 22). The share of the Central Government budget devoted to the health sector has consistently increased over the last decade, rising from 8.9 percent of the total budget in FY2007/2008 to 14.6 percent in FY2017/2018—close to the Abuja target of 15 percent. Nevertheless, current spending levels are inadequate to implement the country's universal health care policy or sustainably expand health service delivery. Moreover, the Ministry of Health (MoH) lacks the capacity to fully execute its existing budget, which reduces the efficiency of spending across counties and among different units within the health sector. Donor funding accounts for over 80 percent of total health spending, and about 75 percent of donor funding is off-budget, which suggests significant scope to improve allocative efficiency.

Utilities and Infrastructure

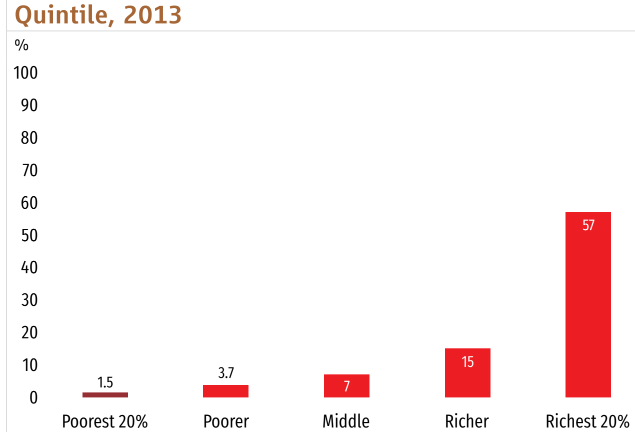
37. **Much of Liberia's population is exposed to unsafe drinking water and inadequate sanitation.** Access to improved water sources has increased, but fewer than 3 percent of Liberian households are connected to a water grid. The share of the population with access to improved sanitation remains below 17 percent, and almost half of the population practices open defecation.[29] Households in the wealthiest quintile have nearly 3 times more access to improved water and over 30 times more access to improved sanitation than those in the poorest quintile (Figure 23 and Figure 24). In Monrovia, an estimated 80 percent of the population relies on 'access point' water sources such as hand-dug wells, which are unsafe in dense urban environments. A 2011 water quality study in Monrovia found that even the most 'improved' wells were contaminated,[30] and in 2012, the economic cost of inadequate sanitation was estimated at US$17.5 million per year (World Bank 2012a).[31] The high incidence of contamination even among 'improved' water sources highlights the importance of prioritizing water quality, rather than focusing exclusively on the technical upgrading of facilities. While rates of access to improved water, sanitation, and hygiene (WASH) facilities tend to be the lowest in remote rural areas, densely populated urban centers have the greatest absolute need for safe WASH facilities. Over half of Liberians without access to safe WASH facilities live in Montserrado, Bong, and Nimba counties.[32] Nationwide, the poorest households have the lowest rates of access to improved WASH facilities.

Figure 23: Access to Improved Water by Wealth Quintile, 2013



Source: DHS 2013.

Figure 24: Access to Improved Sanitation by Wealth Quintile, 2013



Source: DHS 2013.

29 WHO and UNICEF, 2015.

30 UHL and Associates, 2011.

31 This includes US$1.9 million lost due to lengthy access times, US$8.4 million lost due to premature death, US$7.1 million lost due to additional healthcare spending, and US$80,000 lost due to reduced productivity.

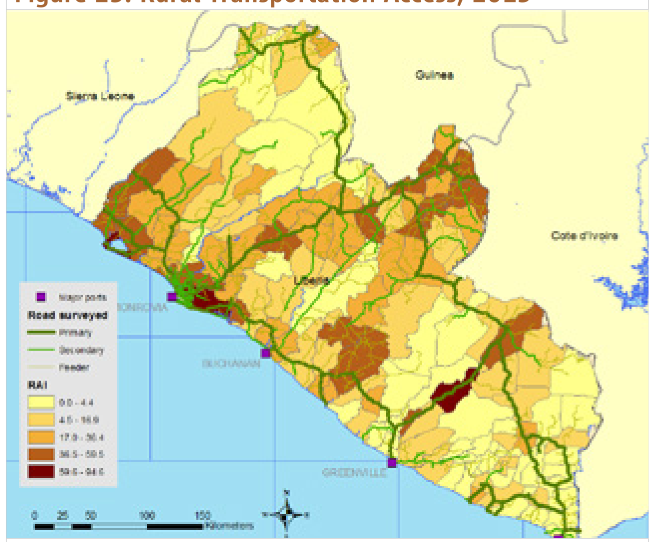
32 DHS 2013; LISGIS 2016.

38. **Diseases associated with inadequate WASH access are very common.** Diarrhea is widespread among children. A 2013 survey found that 22 percent of children had suffered from diarrhea in the previous two weeks. Similar shares of urban and rural children report experiencing diarrhea (20.1 percent versus 23.8 percent, respectively). Cholera remains endemic, with 60 cases reported in 2014.[33] Moreover, a recent joint report by the UN, the World Bank, and the African Development Bank found that "lack of access to safe water [and] proper hygiene… contributed to the propagation of the [Ebola] virus".[34] The report recommended improving "access in underserved, urban poor communities and areas affected by epidemic by expanding the distribution network and installing household connections".[35]

39. **In 2016, the share of the population with electricity access rose from less than 2 percent to about 4.9 percent.** Nevertheless, Liberia's electrification rate remains among the lowest in SSA. In Monrovia, about 20 percent of the population has access to electricity, but the electrification rate is less than 1 percent in the rest of the country. Limited electricity access is a major obstacle to economic development, public service provision, and efforts to improve living standards.

40. **Poor transportation infrastructure contributes to high levels of both monetary and non-monetary poverty in rural areas.** In 2012, an estimated 58 percent of the rural population, or 2.3 million people, lacked adequate transportation access (Figure 25).[36] Inadequate transportation access slows economic activity, reduces social inclusion, inhibits public service provision, and is closely correlated with rural poverty. Southeastern Liberia has an especially low rate of transportation access and a very high poverty rate. Expanding the road network will be essential to reduce poverty in rural areas.

Figure 25: Rural Transportation Access, 2015



Source: World Bank staff estimates.

41. **Liberia's road density is below the SSA average, and most of the country's roads are in poor condition.** The total length of the road network is approximately 10,000 km, or 10.3 km of road per 100 km^2 of land area, just below the Sub-Saharan Africa average of 10.9. About 7 percent of the road network (734 km) is paved, and although 90 percent of paved roads are well maintained, the same is true for just 20 percent of unpaved roads. A sustainable asset management strategy will be necessary to improve the quality of the road network.

42. **Transportation costs are high and vary substantially between transport corridors.** Road transport costs are relatively low along the recently upgraded Monrovia-Ganta corridor and the highest in the country's

33 UNICEF, 2015.

34 UN, World Bank, and AfDB, 2015.

35 Ibid.

36 Adequate transportation access is defined as being within 2 km of an all-season road.

remote southwest and northeast regions. For example, the cost per ton along the Monrovia-Pleebo corridor is approximately 33 percent higher than along the Monrovia-Ganta corridor. Due to differential transport costs, the price of imported rice is 15 percent higher in Bopulu (160 km from Monrovia), 20 percent higher in Toe Town (400 km from Monrovia), and 30 percent higher in Gbaweelenken (650 km from Monrovia) than it is in the capital (LISGIS and WFP 2013).[37] Investing in the quality of the road network could help reduce economic disparities between regions.

37 Imperfect competition and extortion payments may also contribute to the observed price differences.

3 Patterns of Growth

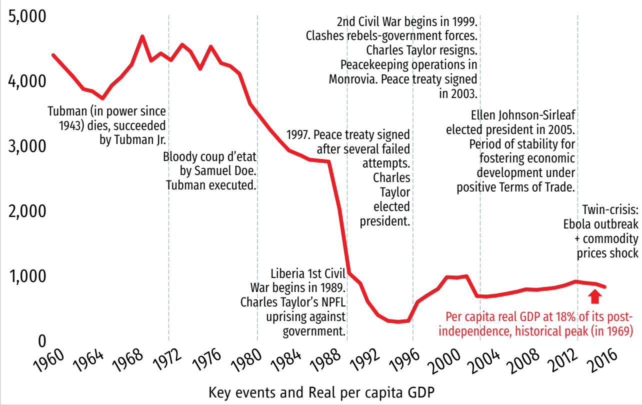
After contracting for a quarter century, Liberia's per capita GDP grew steadily between 2003 and 2013. This period of renewed growth reflected (a) a political agreement that reestablished peace and stability and laid the foundation for a return to democratic governance; (b) large inflows of aid and FDI in the mining, agriculture, and forestry sectors; and (c) the gradual restoration of the Government's capacity to provide public services. Factor accumulation has supported Liberia's recent economic expansion, while changes in productivity have been closely linked to output volatility. Since 2004, the accumulation of physical and human capital has made a positive and increasingly significant contribution to economic growth; yet, decades of limited investment and the devastation inflicted by the conflict have resulted in a small capital stock per capita. Between 2004 and 2013, exports and consumption drove growth on the demand side, while mining and services became increasingly important to growth on the supply side. Agriculture, manufacturing, and services are the main engines of growth and job creation. However, low productivity across all major sectors continues to hinder the country's economic performance. The twin shocks of the Ebola outbreak and the sharp drop in global commodity prices reduced Liberia's exports and slowed economic activity, with negative implications for fiscal revenues, inflation, exchange-rate stability, and poverty reduction. The country's medium-term economic outlook is positive but subject to significant downside risks.

3.1 Long-term Growth Dynamics

43. **Liberia's recent economic history can be divided into the conflict period (1988–2003), the postconflict and recovery period (2004–2013), and the twin shocks and recession period (2014–2016).** Before the outbreak of the country's first civil war in 1989, political turmoil and macro-fiscal mismanagement had already locked Liberia's economy into a vicious cycle of low investment and slow growth. When the war began, Liberia's per capita GDP had fallen 50 percent below its postindependence peak in 1969 (Figure 26). The conflict further devastated the economy, and real per capita GDP reached its lowest point in 1995. Public and private investment plummeted, and the deterioration of the country's existing assets caused a sharp decline in the capital stock. After falling continuously for a decade, total capital formation began to recover in 2003, and by 2016, it had almost returned to its 1980 level. However, even in 2016, Liberia's capital stock per worker was about 40 percent of the level achieved in 1980 (Figure 27).

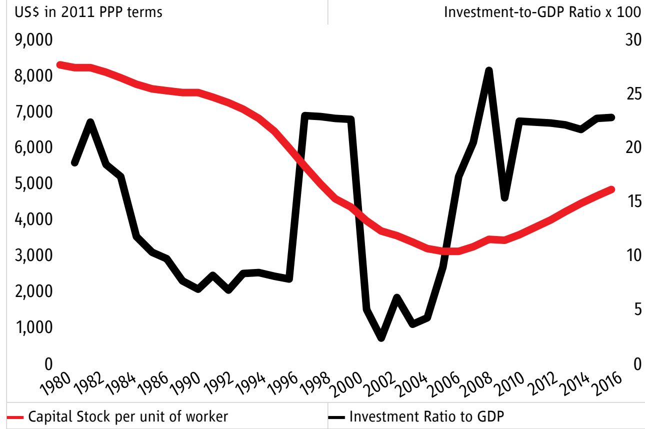
44. **Large-scale development assistance accelerated Liberia's postconflict economic recovery.** Between 2003 and 2015, annual development assistance averaged 72 percent of gross national income (GNI). External aid leveraged human and physical resources that had been largely idle during the years of political uncertainty and conflict, and aid-financed investments helped jump-start the economy. From an accounting perspective, several different variables explain the changes in real GDP and real per capita GDP (Table 1, Table 2, and Figure 28). Factor accumulation contributed almost two-thirds to both real GDP growth and real per capita GDP growth during 2003–

Figure 26: GDP per Capita, 1960–2016



Source: World Bank staff calculations on WDI data.

Figure 27: Capital Stock per Worker and Investment-to-GDP Ratio



Source: World Bank staff calculations on WDI data.

2013. However, a decline in total factor productivity (TFP) in 2014–2016 mirrored a drop in the capacity utilization as the Ebola crisis disrupted economic activity. Before 2004, human capital made only a modest contribution to growth, but its impact intensified as educational outcomes (measured by average years of schooling) improved during the second half of the 2000s.

Table 1: Extended Growth-Accounting Decomposition (% Change)

Initial Year	Final Year	Real GDP per Capita	Capital Stock per Unit of Labor	Human Capital Index per Capita	TFP	Real GDP
1988	2003	-9.37	-2.50	0.37	-6.98	-6.94
2003	2013	3.00	1.22	0.84	0.94	6.18
2014	2016	-3.21	-0.36	1.34	-4.11	-0.81

Source: World Bank staff calculations based on WDI data.

Table 2: Extended Growth-Accounting Decomposition, Demographics and Labor (% change)

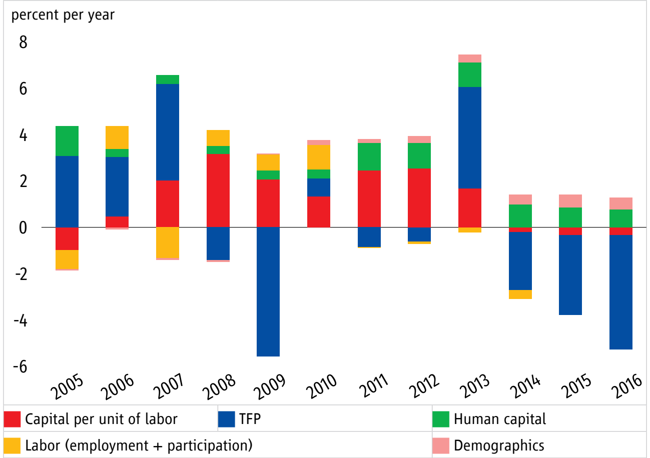
Initial Year	Final Year	Human Capital Index per Capita	Human Capital Index per Unit of Labor	Employment Rate	Participation Rate	Dependency Ratio	Population
1988	2003	0.37	0.20	-0.11	0.02	0.25	2.43
2003	2013	0.84	0.65	-0.05	0.16	0.08	3.18
2014	2016	1.34	0.81	-0.06	0.06	0.53	2.40
1988	2016	0.63	0.43	-0.10	0.08	0.22	2.69

Source: World Bank staff calculations based on WDI data.

45. **Liberian policy makers implemented economic reforms and launched investment projects designed to spur the postconflict recovery.** The Government adopted a policy framework that focused on improving the business climate to encourage investment and entrepreneurship, while public investment and development assistance concentrated on closing the infrastructure gap.[38] Improvements in road and telecommunications infrastructure expanded market access and increased economic integration across regions and sectors. Meanwhile, rising prices for the country's main export commodities contributed to foreign-exchange earnings and bolstered

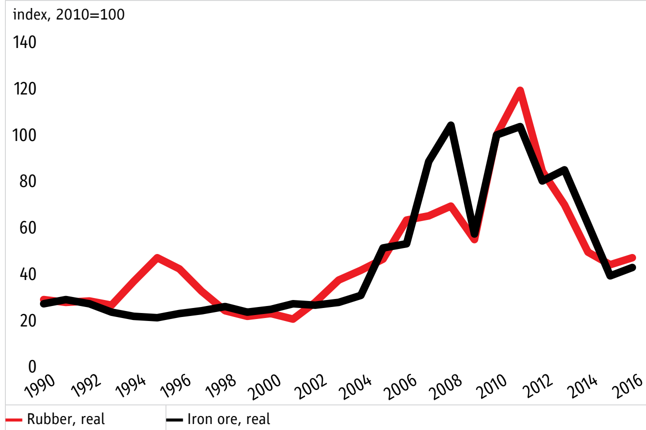
38 Government of Liberia, 2013.

Figure 28: Contribution to the Annual Real per Capita GDP Growth Rate, Proximate Determinants



Sources: World Bank staff calculations based on WDI, International Monetary Fund (IMF), and national data.

Figure 29: Price Index for Rubber and Iron Ore



Source: World Bank Global Economic Monitor (GEM) database.

fiscal revenues. Rubber and iron ore prices both increased more than 300 percent between 2003 and 2011, and iron ore production rose sharply during 2011 and 2012 (Figure 29).

46. **Between 2014 and 2016, the twin shocks of the Ebola crisis and the collapse of global commodity prices had a deeply negative impact on the Liberian economy.** The terms of trade began deteriorating in 2011, and by 2015, rubber and iron ore prices had fallen nearly two-thirds below their 2011 levels. The real GDP growth rate slowed from a projected 6 percent to just 0.7 percent in 2014, and growth was negligible in 2015. The drawdown of the UNMIL peacekeeping forces exacerbated the protracted terms-of-trade shock, contributing to a 1.6 percent economic contraction in 2016 (see Annex 4). Overall, GDP fell at an average annual rate of 0.8 percent during 2014–2016, while GDP per capita declined at an average annual rate of 3.2 percent. TFP contracted by 4.1 percent each year, and the investment rate fell from around 22 percent of GDP in 2013 to 12 percent in 2015–2016. The decline in the capital stock per worker reduced the GDP growth rate by 0.4 percentage points. However, demographic trends and labor-force dynamics contributed 1.3 percentage points to the GDP growth rate, reflecting both a growing workforce and improvements in educational attainment. The Liberian dollar depreciated against the U.S. dollar, causing prices for imported food to rise. Inflationary pressures increased, and the inflation rate rose from an average of 7.7 percent in 2015 to 8.8 percent in 2016. The consequent rise in the cost of living, combined with limited employment opportunities, continues to undermine the welfare of Liberian households in both urban and rural areas.

47. **Because foreign firms own a large share of the mining and rubber sectors, Liberia's GNI differs significantly from its GDP.**[39] Because all mining production and most rubber plantations are owned by nonresident firms, per capita GDP exceeded per capita GNI by an average of 18.3 percent during 2004–2015. Due to the economic importance of the mining and rubber sectors, tax revenues, wages, and investment are all highly sensitive to changes in international commodity prices, particularly prices for iron ore and raw rubber.

39 See also Annex 6.

48. **The impact of the twin shocks eroded the important gains Liberia had made over the preceding decade in reducing poverty and vulnerability.** Job losses, both in wage employment and self-employment, reduced household income. Diminished activity across all sectors led to layoffs and reduced working hours; delayed investments in key sectors, including mining and commercial oil-palm production; slowed job creation, and low international prices for Liberia's main exports, including rubber, reduced income from cash crops. Although above-average harvests partially offset these losses, the poverty rate rose from 54.1 percent in the first half of 2014 to an estimated 61.2 percent in the first half of 2016. Poverty rates were already highest in rural areas, and the incidence of rural poverty rose from 70 percent in 2014 to 82.4 percent in 2016 (see Box 1), widening the rural-urban economic divide.

49. **The twin shocks also negatively affected the public finances.** Economic stagnation and declining rates of tax compliance reduced domestic public revenues by 1.1 percent of GDP, year on year, in FY2014/15. Meanwhile, the fiscal cost of responding to the Ebola crisis drove a sharp increase in expenditures, which rose from 29.3 percent of GDP in FY2013/14 to 42.2 percent in FY2014/15. Diminished revenues and elevated spending widened the fiscal deficit from 1.6 percent of GDP in FY2012/13 to 9.8 percent in FY2014/15. The Government requested emergency budget support from donors to help cover this abnormally large financing gap, which persisted into FY2015/16. External support equaled about 10 percent of GDP, two-thirds of which consisted of Ebola-related grants that helped sustain the delivery of vital social services. In FY2015/16, the stronger-than-expected impact of the commodity price shock pushed domestic revenues below 22 percent of GDP. The Government cut expenditures by about 10 percent from their FY2014/15 level, mostly thought reduced spending on goods, services, subsidies, and transfers. Finally, the under-execution of the budget allowed the Government to contain the overall fiscal deficit at 4.2 percent of GDP.

50. **Fiscal pressures intensified in FY2016/17, as declining domestic revenues and high non-discretionary expenditures pushed the fiscal deficit to 7.4 percent of GDP.** Total revenues (including grants) were 2.1 percent of GDP, lower than had been anticipated under the approved FY2016/17 budget, reflecting the adverse economic impact of the UNMIL drawdown, falling commodity prices, and election-year political uncertainty. The authorities introduced new revenue measures[40] and stepped up efforts to strengthen tax administration and tighten tax enforcement. Policy makers also continued to cut spending on goods, services, subsidies, transfers, and domestically financed investment. While the overall fiscal deficit reached an estimated 7.4 percent of GDP in 2017, additional financial support by the World Bank and the International Monetary Fund (IMF) helped limit domestic deficit financing to 1.8 percent of GDP.

51. **Liberia's medium-term growth prospects remain positive, provided the Government maintains prudent macroeconomic policies and continues to implement structural reforms.** The GDP growth rate is estimated to recover to 2.5 percent in 2017 before rising slowly to 4.8 percent by 2020 (see Annex 4). Medium-term growth projections remain well below their pretwin-shocks averages. Increases in mining (gold and iron ore) and manufacturing (cement) outputs are expected to drive near-term growth. Excluding the mining sector, the real GDP growth rate for 2017 is estimated to be negligible, but should rise gradually to 4.4 percent in 2020, supported by the improved performance of manufacturing, agriculture, and services. The commissioning of new power plants[41]

40 These measures include (a) increasing the general sales tax rate from 7 percent to 10 percent; (b) imposing additional excises on tobacco, alcohol, and nonalcoholic beverages and introducing excises on outbound international calls and the use of the Global System for Mobile Communications; (c) raising the real estate tax rate; and (d) increasing the petroleum-storage surcharge by US$0.30 per gallon.

41 These include the Mount Coffee Hydropower Plant (88 MW) and three thermal generation plants.

and the expansion of the energy grid are expected to boost the supply of electricity. In the medium- to long term, the Côte d'Ivoire-Liberia-Sierra Leone-Guinea Regional Electricity Transmission Line (P113266)[42] is expected to provide access to the West Africa Power Pool, which will enable Liberia to import relatively inexpensive electricity, especially when the dry season diminishes hydropower output. Energy imports could significantly reduce Liberia's reliance on thermal power plants. Meanwhile, private consumption and FDI will continue to drive growth on the demand side, and export earnings are expected to gradually increase as global commodity prices rise and the business environment improves. Increased Government investment is expected to expand the agricultural sector's contribution to growth and employment over the medium term. However, Liberia's generally positive outlook will hinge on effective macroeconomic management and continued structural reform, particularly in the agriculture, land management, and energy sectors.

52. **Risks to the growth outlook are tilted to the downside and include lower-than-projected commodity prices and a larger-than-expected impact of the UNMIL drawdown.** A slowdown in global economic growth could arrest the recovery of rubber and iron ore prices, reducing foreign exchange inflows and diminishing fiscal revenues. The drawdown of the UNMIL forces could weaken confidence in the Government's ability to maintain public security, and the threat of a deteriorating security situation could have a negative impact on investor confidence even if no actual disruptions occur. While the political transition entails important downside risks, the peaceful transfer of power in January 2018 could have an upside potential as well, as renewed confidence in democratic institutions could help spur investment, boosting GDP growth in 2018 and beyond.

3.2 Structure of the Economy and Employment Dynamics

53. **The Liberian economy is undergoing a process of structural change.**[43] The primary sector—which includes agriculture, forestry, and mining—contributed 4.4 percentage points of the 6.0 percent increase in real value added between 2008 and 2013 (Figure 30). The contribution of the mining sector to total value added rose from close to zero in 2008 to 20 percent in 2013. Industry and services also made positive contributions to value added during the period, supported by a more conducive environment for doing business and greater access to finance. However, deteriorating terms of trade reduced the primary sector's contribution by 2.2 percent per year between 2014 and 2016, which was only partially offset by modest growth in the industrial and service sectors.

54. **Between 1980 and 2010, the share of the workforce employed in agriculture and mining fell from almost 80 percent to less than 48 percent** (Figure 31). The mining sector grew at an average rate of 12 percent per year during the period, but mining currently employs less than 2 percent of the working-age population.[44] The growth of the manufacturing sector also contributed little to job creation, and preliminary data indicate a net decline in the number of manufacturing workers. Trade and other services absorbed a significant share of the labor force, and employment in construction and utilities increased over the period. However, the informal service sector, especially in Monrovia, accounted for the largest share of employment growth. The private sector, which includes

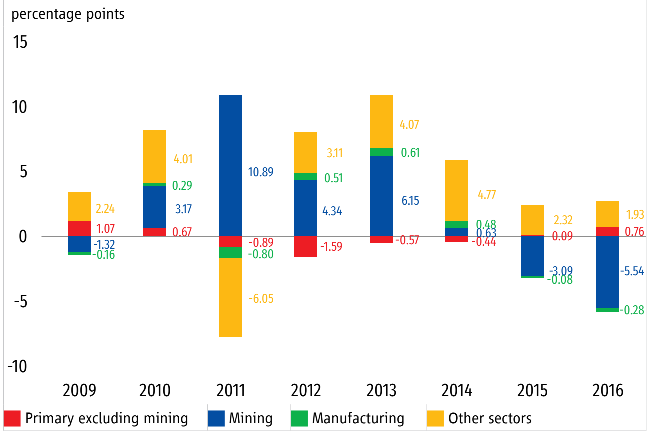
42 This project is financed by the World Bank and other donors.

43 See also section 3.3.

44 Labor Force Survey, 2010.

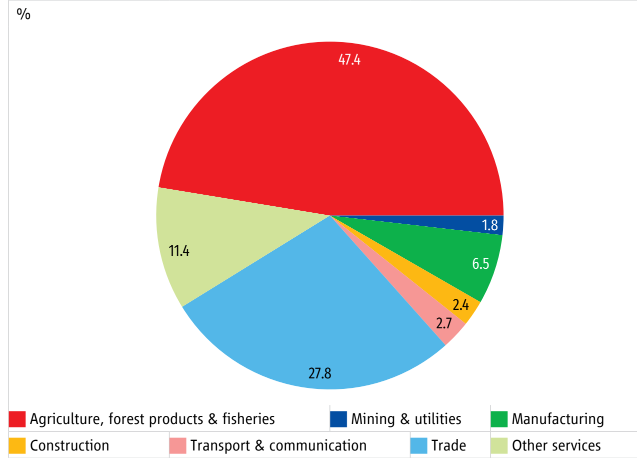
household enterprises and semi-subsistence farming, employs 54 percent of the labor force, and the Government employs 21 percent. While the unemployment rate is low at 2.8 percent, informal and vulnerable employment rates are very high at 81.2 percent and 74.2 percent, respectively.

Figure 30: Contribution to the Growth of Real Value Added by Major Economic Sector



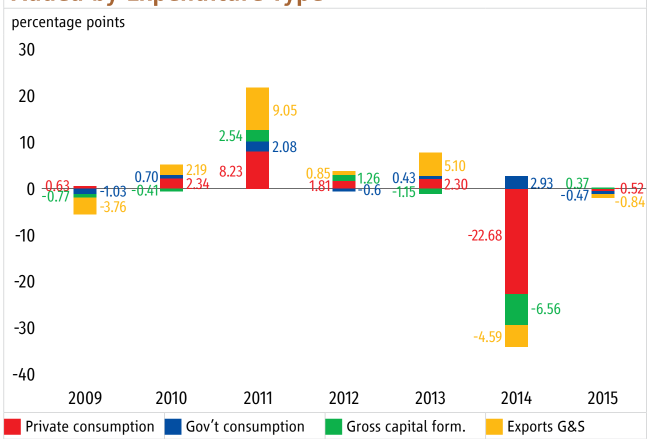
Source: World Bank staff calculations based on WDI data.

Figure 31: Employment Structure by Sector



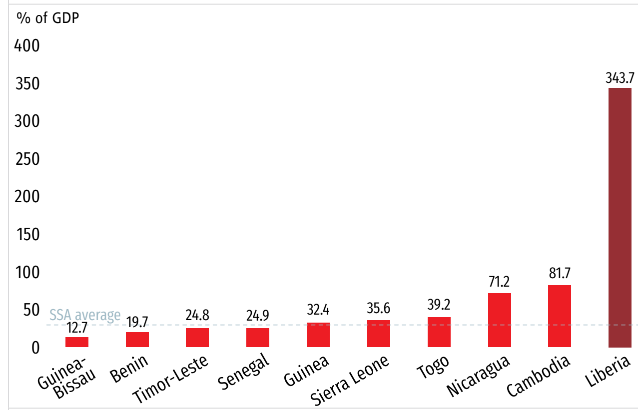
Source: Liberia Labor Force Survey 2010.

Figure 32: Contribution to the Growth of Real Value Added by Expenditure Type



Source: World Bank staff calculations based on WDI data.

Figure 33: Inbound FDI Stock, 2015



Source: WDI.

55. **Exports have driven aggregate demand growth in the postconflict period, supported by rising public and private consumption.**[45] A large inflow of external capital fueled a rapid increase in all expenditure categories between 2003 and 2013, which rising imports only partially offset. Real GDP growth accelerated to an average annual rate of 6 percent between 2008 and 2013, as goods and services imports expanded by an average of 6.8 percent per year, pushing the annual growth rate of aggregate supply (and demand) to 6.3 percent (Figure 32).[46] In 2014, all expenditure categories except government consumption contracted sharply. The Ebola outbreak

45 Due to data constraints, this analysis is limited to 2008–2015.

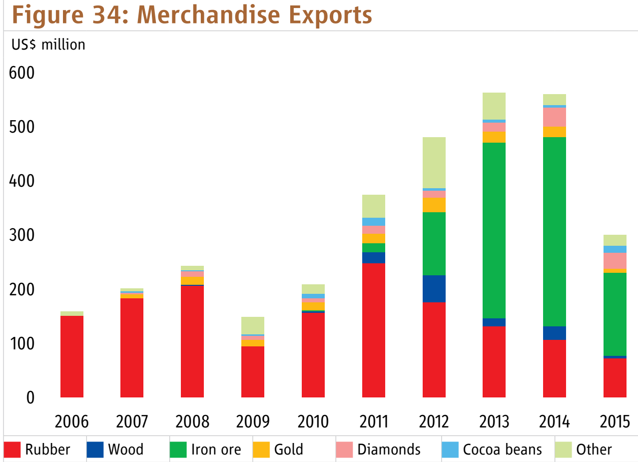
46 Aggregate supply equals total real GDP plus imports. Aggregate demand is the sum of private and public consumption, gross capital formation, and exports of goods and services. After accounting for changes in inventories, aggregate demand equals aggregate supply.

prompted a massive influx of foreign assistance, which bolstered the growth of government consumption. Declining foreign assistance, coupled with diminished fiscal revenue in a context of slowing growth, reduced government consumption in 2015–2016.

56. **FDI has played a key role in shaping the economic structure of postconflict Liberia.** FDI has risen steadily since 2003, supported by land concessions to international firms and other investment incentives. Liberia's inbound FDI stock is well above the averages for individual peer countries and SSA (Figure 33). Total concession agreements cover over 40 percent of Liberia's territory and affect about 30 percent of the rural population. In FY2013/14, direct government revenue from mining, oil and gas, agriculture, and forestry concessions amounted to US$135.5 million, or about 30 percent of the total government revenue. However, employment opportunities with concession companies are not yet commensurate with published forecasts, and concession-related employment is generally restricted to unskilled labor and seasonal work. In forestry and agriculture, labor-intensive planting, harvesting, and logging generate substantial employment, but these jobs offer low wages and no employment security. Mining concessions are capital intensive and create a relatively small number of jobs, primarily for skilled workers.

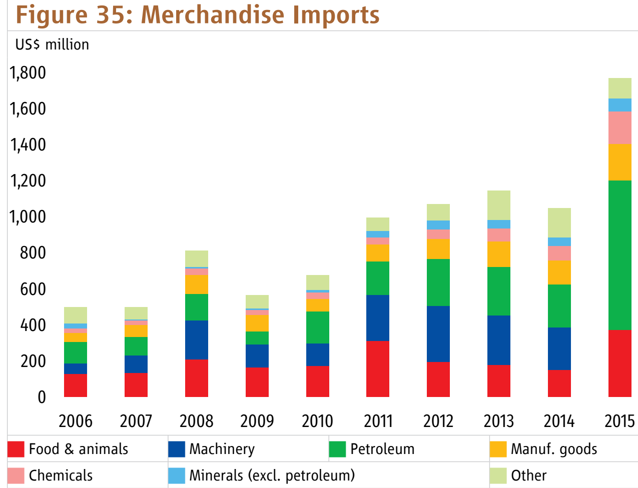
57. **Rising iron ore exports have driven the growth of the extractive industries, but the mining sector has yet to realize its full potential.** Iron ore exports increased tenfold between 2011 and 2012, then almost tripled between 2012 and 2014. By the end of 2014, iron ore represented over 62 percent of Liberia's total exports (Figure 34). While 55 firms hold a total of 108 commercial exploration agreements, only 8 have signed formal agreements to commence mining operations, and just 1 of those 8 companies, ArcelorMittal, is currently producing iron ore.[47]

Figure 34: Merchandise Exports



Source: World Bank staff calculations based on Central Bank of Liberia data.

Figure 35: Merchandise Imports



Source: World Bank staff calculations based on Central Bank of Liberia data.

58. **Despite indications of increasing product diversification, rubber and mining products continue to dominate Liberia's export portfolio.** Together, rubber and mining products represent 81 percent of total exports (Figure 34). Liberia has demonstrated a comparative advantage in the production of cocoa, wood, and palm oil, and their total export share has increased steadily over the past several years. The resumption of diamond and commercial forestry exports following the lifting of a United Nations export ban in 2007 has also marginally

47 China Union, which began exporting ore in early 2014, closed its operation in 2015.

increased export diversification.[48] However, the continued concentration of export earnings in the mining and rubber sectors intensifies Liberia's vulnerability to external shocks, including changes in the terms of trade. Domestic value addition in export-oriented sectors is also very limited, which reduces their impact on employment and further increases the sensitivity of the trade balance to volatile global commodity markets.

59. **Major public investment projects have spurred the growth of the construction sector, but domestic private investment remains modest.** Construction and renovation account for about one-third of the total number of contracts and more than half of the total value of contracts awarded to local businesses. However, most construction projects are financed by the Government or its development partners, rather than by private firms. The construction sector faces a critical shortage of technical skills in areas such as engineering, planning, and project management, which heightens the risks involved in local subcontracting and complicates the implementation of large-scale infrastructure projects in the road, power, ports, and telecommunications sectors.

60. **The service sector makes up the largest share of Liberia's GDP.** Services expanded from 20 percent of GDP in 2003 to 30 percent in 2016. The sector employs 42 percent of the labor force and is largely driven by trade, hospitality, government services, transportation, and communications. However, employment in the service sector is concentrated in the Monrovia area and Montserrado county, while other urban and rural areas have not benefitted from the changing structure of the Liberian economy. Moreover, the service sector remains highly informal and provides very little employment security.

61. **The manufacturing sector is relatively small and contributes just 9 percent to total value added.** The sector comprises cement, beverages, and printing, as well as several light manufacturing subsectors including textiles, demining supplies, furniture, metal and mineral processing, wood and paper, and rubber and plastic. Construction activity has helped spur the growth of the manufacturing sector, especially cement production. Liberia's rising demand for cement has attracted a regional cement producer, whose entrance into the market is projected to increase competition and boost growth. However, the manufacturing sector remains constrained by high energy costs and inadequate capital, which limit its potential for expansion.

62. **Though agriculture and fisheries represent a declining share of Liberia's GDP, these sectors continue to play an important role in economic growth, trade, and employment dynamics.** Liberia's main agricultural products include rice, cassava, rubber, cocoa, and palm oil. Rubber is the country's largest agricultural export, followed by cocoa, and palm oil exports are modest but rising. Between 2006 and 2010, the agricultural sector attracted US$2.7 billion in FDI, and in 2011, rubber and cocoa together comprised about 61 percent of the total value of exports. Between 2010 and 2014, the domestic forestry market's contribution to real GDP was three to four times that of forestry exports. In 2013/14, logs and timber contributed 4.1 percent to GDP, while charcoal and wood contributed 11.1 percent.

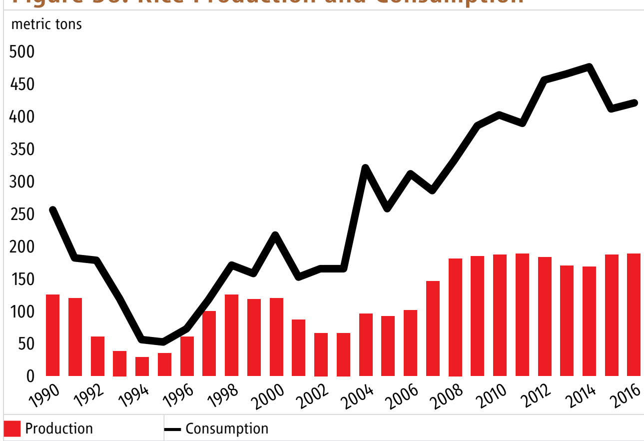
63. **While commercial agricultural concessions are highly productive, the rest of the agricultural sector struggles with low productivity, and most farmers barely produce enough food to meet their own consumption needs.** Insecure land tenure, a lack of inputs, high preharvest and postharvest losses due to inadequate facilities and technology, poor pest management, and the extremely limited use of fertilizer and other modern cultivation methods all contribute to the agricultural sector's low productivity. The sector remains

48 World Bank Group, 2016.

dominated by traditional subsistence farming, especially the cultivation of rice and cassava. Some smallholder farmers also cultivate cash crops, including coffee and cocoa, though typically on a very modest scale. Most of these cash crops are cultivated in upland areas using labor-intensive techniques, with very limited use of improved inputs, machinery, or modern production methods.

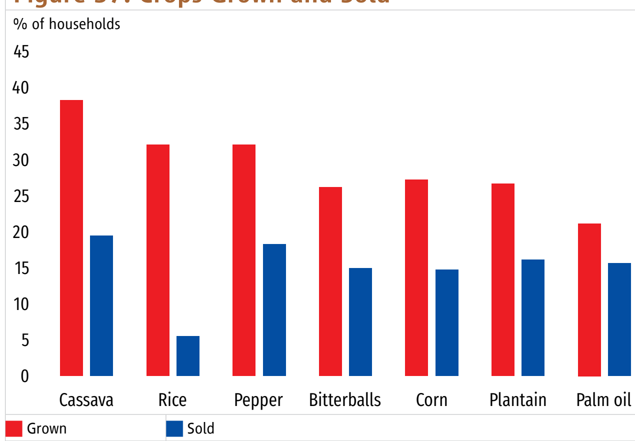
64. **Liberia's 14-year civil conflict resulted in chronic food insecurity and severe nutritional deficits.** Many Liberians continue to suffer from food insecurity and inadequate nutrition, especially in rural areas. Any agricultural surplus is sold in urban centers, particularly in Monrovia. Rice, the staple grain for most of the population, is imported on a large scale (Figure 35, Figure 36 and Figure 37). The collapse of both formal and traditional systems for enforcing property rights during the conflict further disrupted agricultural production and reduced incentives to invest in long-term productivity. Limited commercialization, a lack of organized farmer groups, the virtual absence of mechanization, and the weak integration of the smallholder and concessionary subsectors further reduce the efficiency and competitiveness of the agricultural sector. Due to the prevalence of informal trading in the rural economy, encouraging the growth and formalization of small and medium enterprises (SMEs) could strengthen agricultural supply chains.

Figure 36: Rice Production and Consumption



Source: United States Department of Agriculture (USDA) and 2014 HIES.

Figure 37: Crops Grown and Sold



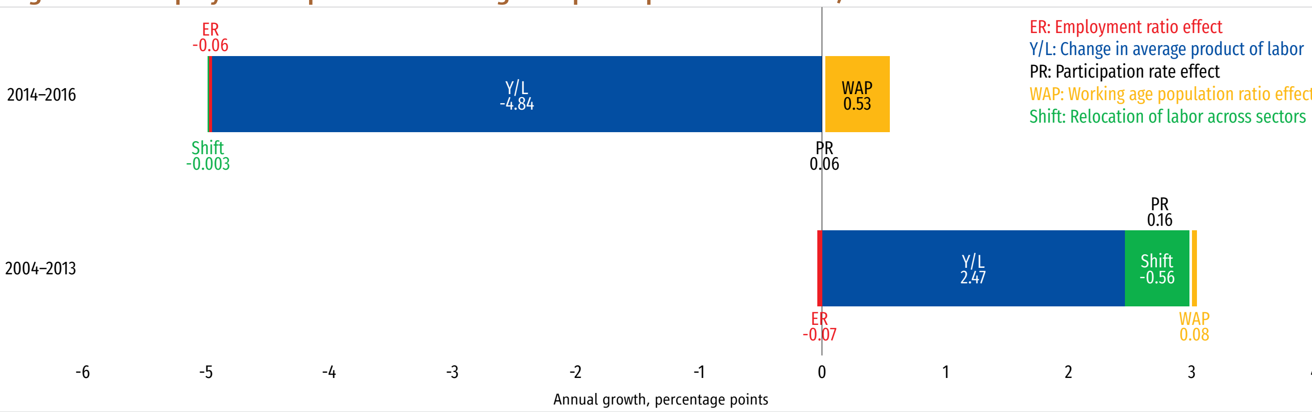
Source: USDA and 2014 HIES.

3.3 Structural Transformation

65. **Liberia's ongoing structural transformationhas contributed to a postconflict boom in GDP per capita.** As economies develop, labor and capital are reallocated from subsistence agriculture and other low-productivity sectors to secondary and tertiary activities that add more value to production. This process of structural transformation increases the average product of labor, raising wage rates and contributing to poverty reduction and shared prosperity. In Liberia, rising labor productivity was a key driver of growth during 2004–2013 (Figure 38). Over 80 percent of total productivity growth was due to the reallocation of labor within sectors, rather than between sectors. Mining and services experienced the largest increases in labor productivity, which more than

offset a decline in labor productivity in the non-mining primary sector and in manufacturing (Table 3 and Table 4).[49] Rising labor productivity within sectors, which broadly corresponded with changes in TFP, was augmented by the shifting of labor (and, implicitly, land and capital) to more-productive sectors.[50] Finally, an influx of young workers into the labor force increased the size of the working-age population relative to the total population, while greater economic opportunity increased labor-force participation rates among both men and women.

Figure 38: Shapley Decomposition of Changes in per Capita GDP Growth, 2004–2013 and 2014–2016



Source: World Bank Staff calculations.
Note: Data on employment by sector in Liberia are very limited. This figure is based on the International Labour Organization's 2010 Liberia Labor Force Survey and model-derived estimates for 2000–2016, plus forecasts through 2021. The per capita GDP growth estimates are based on IMF, World Bank, and Liberian Government data.

66. **Both the relative size of the working-age population and the labor-force participation rate continued to rise through 2014–2016, further contributing to per capita GDP growth.** Employment also continued to shift from less- to more-productive sectors (Table 4). However, the period was marked by a substantial decrease in the contribution of the average product of labor to per capita GDP, particularly in the mining and manufacturing sectors. Only construction and utilities experienced a significant increase in labor productivity, which was not enough to offset the decline in mining and manufacturing.

67. **Recent analytical work has found that employers cite lack of capital as a key obstacle to providing apprenticeships and on-the-job training.**[51] Younger workers also identify inadequate capital as a constraint on their ability to pursue training opportunities, even when they expect that training would significantly increase their future earnings. Finally, training providers report challenges in securing an appropriate workspace, obtaining consistent access to electricity, and providing adequate tools and materials. These findings suggest that improving access to capital for firms and trainees could boost both the supply of and demand for training services, potentially accelerating the growth of labor productivity.

68. **Liberia's structural transformation is still at a nascent stage, and the country remains heavily dependent on primary commodities.** Most of the working-age population is engaged in subsistence agriculture,

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49 As shown in Table 3, mining contributed 2.7 percentage points to the 2.5 percentage-point increase in the contribution of the average product of labor to changes in per capita output. The mining sector's share in GDP rose from about 1 percent in 2010 to 20 percent in 2013.

50 The Shapley decomposition is a counterfactual analysis that measures the economic impact of changes in individual labor-productivity variables. The contribution of employment is measured by examining changes in the employment ratio, both by sector and in total, while holding constant the average product of labor and the composition of employment. The 'shift' effect is measured by examining changes in the structure of employment while holding constant the average product of labor and the employment ratio.

51 Ralston and Foster, 2016.

Table 3: Decomposition of Changes in per Capita GDP by Average Product of Labor, Employment Ratios, and Employment Shifts across Sectors, 2004–2013

percentage points per year

	Contributions from changes in:			
	Output per worker	*Level employment*	*Sectoral comp. of employment*	*Total*
Change in Per Capita GDP:				**3.3**
Change in Net Taxes				0.1
Change in per capita Value Added GDP				**3.2**
Sectoral Contribution	**2.5**	**-0.1**	**0.6**	**3.0**
Agriculture, forest products and fisheries	-3.5	-0.9	0.3	-4.1
Mining	2.7	0.0	-0.2	2.5
Manufacturing	-1.1	0.4	0.2	-0.5
Construction and utilities	0.5	0.2	0.3	1.0
Transport and communication	0.0	0.0	0.0	0.1
Trade	2.8	0.2	-0.1	2.9
Other services	1.1	0.1	0.0	1.2
Participation rate				**0.2**
Pop15+/Population				**0.1**
Info. Item: Decomposition of change in output per worker				2.5
- Due to Changes in TFP				1.9
- Due to changes in Capital Labor Ratio				0.6

Source: World Bank staff calculations.

Table 4: Decomposition of Changes in per Capita GDP by Average Product of Labor, Employment Ratios, and Employment Shifts across Sectors, 2014–2016

percentage points per year

	Contributions from changes in:			
	Output per worker	*Level employment*	*Sectoral comp. of employment*	*Total*
Change in Per Capita GDP:				**-3.2**
Change in Net Taxes				1.1
Change in per capita Value Added GDP				**-4.3**
Sectoral Contribution	**-4.8**	**-0.1**	**0.0**	**-4.9**
Agriculture, forest products and fisheries	0.0	0.0	0.0	0.0
Mining	-4.8	0.0	0.0	-4.8
Manufacturing	-0.4	0.0	0.0	-0.3
Construction and utilities	0.0	0.0	0.1	0.1
Transport and communication	0.0	0.0	0.0	0.0
Trade	0.1	-0.1	0.0	0.0
Other services	0.1	0.0	0.0	0.0
Participation rate				**0.1**
Pop15+/Population				**0.5**
Info. Item: Decomposition of change in output per worker				-4.8
- Due to Changes in TFP				-4.3
- Due to changes in Capital Labor Ratio				-0.5

Source: World Bank staff calculations.

as low levels of human capital and limited employment opportunities slow the movement of labor between sectors. Among workers who have successfully shifted to the secondary and tertiary sectors, many are engaged in low-value-added activities such as petty trading or unskilled labor, which are often informal. Because mining employs a small share of Liberian workers, and commodity prices have little direct effect on wages, the postconflict recovery of the mining sector and rebounding global commodity prices had only a minimal impact on the labor force. Infrastructure investment, often supported by external financing, has had the most positive impact on nonagricultural employment. However, broad-based economic growth will be necessary to sustain high levels of infrastructure investment.

4 Governance and Institutions

The authorities recently launched an ambitious institutional reform agenda as part of a concerted effort to accelerate Liberia's economic recovery and attract increased donor and private financing. While the Government has made substantial progress in strengthening the country's legislative framework, the public sector's weak institutional capacity and limited resources have slowed the implementation of reforms. The authorities are striving to establish rules-based governance and enhance the efficiency of public administration, but the obstacles they face are deeply rooted in the country's political and economic history. The success of the reform agenda will require extensive multistakeholder coordination to balance competing interests and maintain broad-based support for improved governance and institutional quality.

4.1 Political Governance

69. **Liberia has reached a critical juncture on its path to consolidating peace and stability after 14 years of civil war.** Liberia is currently experiencing the longest period of democratic rule in the 170 years since its founding. The country held its third postwar presidential and legislative elections in late 2017, and it completed both its first peaceful political transition from a living incumbent and its first nonviolent transfer of power between political parties in January 2018. Meanwhile, UNMIL has handed over security responsibilities to national institutions by April 1, 2018. The country has completed the political transition and is expected to complete the security transitions without incident, underscoring Liberia's remarkable progress in establishing a stable multiparty democracy. The country now has signaled a clear break from the 100-year authoritarian rule of the True Whig Party (1878–1980), the military coup that led to Samuel Doe's rise to power, the subsequent increase in ethnic polarization, and the zero-sum posturing of armed groups that resulted in Charles Taylor's disastrous rule.

70. **Recognizing that Liberia's history of political centralization, authoritarianism, and entrenched inequality is closely linked to the management of the natural resource sector, the Johnson Sirleaf administration reformed the institutional framework for natural resources to reduce rent-seeking and attract high-quality investment.** The administration also negotiated explicit contractual provisions that require concessionaires to invest in local infrastructure, hire local labor, support domestic value chain development through local sourcing, and support local communities through corporate social responsibility activities and contributions to social development funds. Though positive, these steps have not been sufficient to generate and sustain robust growth that benefits local populations. A 2013 audit found that only two of the 68 concessions awarded since 2009 were fully compliant with the initial terms of their agreements, and there are indications that FDI in the natural resource sector has encouraged corruption and rent-seeking.[52] Moreover, even the reformed concession agreements are predicated on the Central Government's unilateral authority to dispose of vast tracts of land without the input

52 A recent empirical study found that FDI in Liberia's natural resource sector tends to accelerate local economic growth, but its impact varies for different types of concessions and concessionaires. Mining concessions outperform agricultural concessions, and concessions granted to Chinese investors outperform concessions granted to U.S. investors. See: Bunte et al., 2017.

or consent of local communities. In this context, the fundamental objective of resource sector reform will be to address the underlying power relations that continue to inhibit a collaborative approach to equitable development.

71. **In recent years, policymakers have stepped up efforts to decentralize governance.** Decentralization was a key element of President Johnson Sirleaf's agenda, and she and her allies were attempting to consolidate this aspect of her legacy. In addition, many key players in the past administration were associated with the progressive movement of the 1970s, and some saw this as an opportunity to pass an agenda that was not politically feasible decades ago. However, the demands of the political transition, the country's limited fiscal and institutional capacity, and the difficulty of coordinating a complex administration over a large geographical area with poor infrastructure tended to complicate efforts at decentralization.

72. **The Government has made progress in decentralizing the policy process, but other aspects of the decentralization agenda have stalled.** The authorities launched the National Policy on Decentralization and Local Government in 2012 in an effort to rectify longstanding political and economic imbalances between regions and ethnic groups.[53] The 2013 Draft Local Government Act outlined the legal framework for decentralization, which would replace the current system—in which the president appoints county superintendents and district commissioners, who are accountable to the Ministry of Internal Affairs—with locally elected county and district officers and a county council. The draft act is pending before the legislature, and it faces political resistance from legislators who fear it could undermine their control over administrative resources.

73. **While the full implementation of the decentralization strategy will be a long-term process, incremental progress is being made on certain aspects of decentralization.** The most successful example of decentralization is the delivery of public health services (Box 2). Another is the establishment of county service centers (CSCs) as one-stop shops for obtaining official documents at the same cost as in Monrovia. In addition to birth certificates and marriage licenses, the CSCs provide business registration certificates, land titles, and other legal documents. With support from development partners, the Government has established CSCs in eight of Liberia's 15 counties and is investing in county-level managerial and technical capacity. However, accountability at the county level remains a challenge, as audits of county authorities have consistently revealed financial irregularities and the mismanagement of funds, prompting the Central Government to repeatedly suspend the annual transfer of US$200,000 in county development funds.

74. **Going forward, Liberia's central political challenge will be to eliminate entrenched patterns of elite capture and develop more inclusive, participatory governance institutions.** Liberia is still in the process of reconstituting its public sector in the wake of the conflict, and consolidating a new democratic state will require both redefining the relationship between different organs of the Government and renegotiating the role of the citizenry in the public administration.[54] The successful implementation of the decentralization agenda could help rebalance power relations and open up multiple forums for participation in the policy process. To be effective, administrative decentralization must be accompanied by increased public information and the empowerment of citizens to promote accountability. Over time, more inclusive political engagement will encourage the formulation

53 Sawyer, 2008.

54 Gerdes, 2013.

55 County health authorities, social welfare teams, and hospitals also receive funding directly from development partners and nongovernmental organizations.

Box 2: Decentralization Policy in Liberia's Health Sector

Since the reconstruction of the health sector in the wake of the conflict, Liberian policymakers have consistently focused on decentralizing service delivery. The Government has demonstrated its commitment to strengthening the health sector by (a) steadily expanding healthcare services across the country; (b) increasing intergovernmental fiscal transfers earmarked for health spending; (c) embedding principles of decentralization in the sector's core policy documents; and (d) maintaining leadership continuity at the national level by allowing health ministers to serve extended terms in office. Earmarked transfers and low ministerial turnover have proven especially important to the decentralization agenda. Earmarked transfers to the county level have enabled county health teams, social welfare teams, and hospitals to cover a rising share of the sector's personnel costs.[55] Meanwhile, continuous leadership at the national level has helped ensure that decentralization policies are fully implemented. Rather than attempt to legislate decentralization in the health sector, the Government has allowed the MoH to formulate its own decentralization policy.

The health sector is far from fully decentralized, but the authorities have made significant progress in establishing the policy and institutional framework necessary to support county-level service provision. Key elements of this framework include the following:

(a) *Donor support.* The health sector receives a significant amount of donor funding, which allows the MoH to develop locally specific programs, and allocate resources and staff county-level facilities. Some donor funding targets specific counties, strengthening their ability to address local health needs.

(b) *Budget allocation processes.* The health sector's budget is determined on a per county basis. The MoH receives funds from the national budget, which it transfers to county health teams and individual hospitals.

(c) *Decentralization policies.* The MoH is the only ministry with a clear decentralization policy, which enjoys broad support within the bureaucracy. It also employs a dedicated team management process that supports decentralization through regular quarterly and annual reviews.

(d) *Consistent leadership.* The MoH has had the same minister for several years, which has enabled the consistent implementation of decentralization policies and signaled robust political support for the minister's agenda.

To enhance the equity and effectiveness of the decentralization process, the MoH is striving to address various challenges, and its experience could provide important lessons for other sectors. These challenges include:

(a) A heavy dependence on external support, both for sectoral financing and service delivery, which does little to build the capacity of local health authorities;

(b) Limited autonomy from the Central Government in key areas such as pharmaceutical supply;

(c) The absence of a system for ensuring accountability among county health teams and individual health facilities; and

(d) The lack of an equity-based formula for allocating resources at the county level.

Source: World Bank, 2014b.

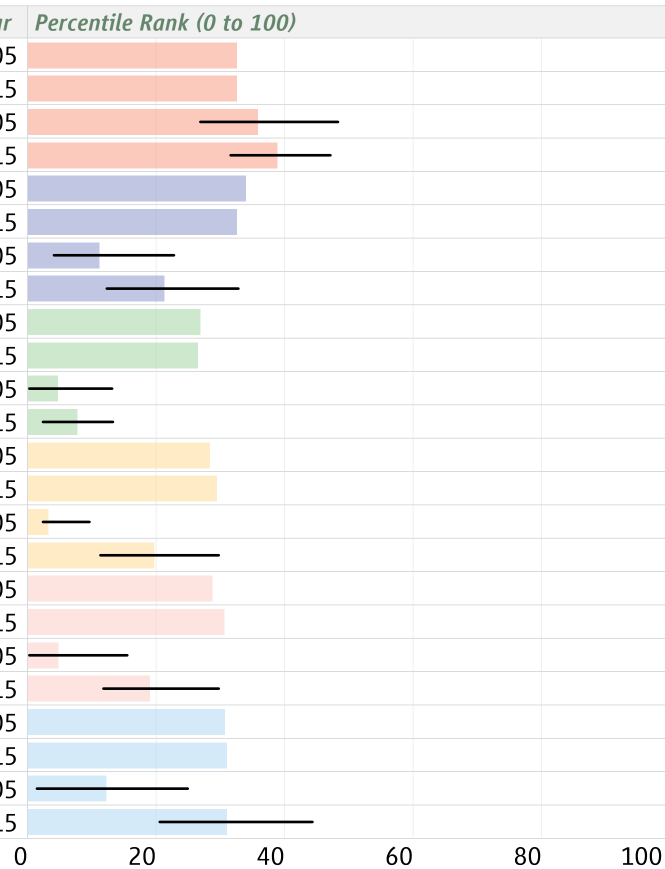
of policies to promote broad-based growth, rather than to advance the narrow objectives of powerful interest groups.[56]

4.2 Public-Sector Governance

75. **Liberia has taken important steps to strengthen the public administration, but the passage of reforms has outpaced their implementation.** Beginning with the Governance and Economic Management Program (GEMAP) in 2005, the Government introduced a wide range of policy reforms aimed at enhancing governance and improving the management of natural resources. Liberia's governance indicators steadily improved from 2005 through 2011, but after the initial postconflict recovery, progress began to slow. In 2015, Liberia lagged the SSA average on indicators of political stability and the absence of violence, government effectiveness, regulatory quality, and the rule of law. However, Liberia performed better than average on indicators of voice and accountability, despite making only moderate progress during the last 11 years (Figure 39).

Figure 39: Worldwide Governance Indicators: Liberia and SSA

Indicator	*Country*	*Year*
Voice and accountability	Sub-Saharan Africa	2005
		2015
	Liberia	2005
		2015
Political stability and absence of violence/terrorism	Sub-Saharan Africa	2005
		2015
	Liberia	2005
		2015
Government effectiveness	Sub-Saharan Africa	2005
		2015
	Liberia	2005
		2015
Regulatory quality	Sub-Saharan Africa	2005
		2015
	Liberia	2005
		2015
Rule of law	Sub-Saharan Africa	2005
		2015
	Liberia	2005
		2015
Control of corruption	Sub-Saharan Africa	2005
		2015
	Liberia	2005
		2015



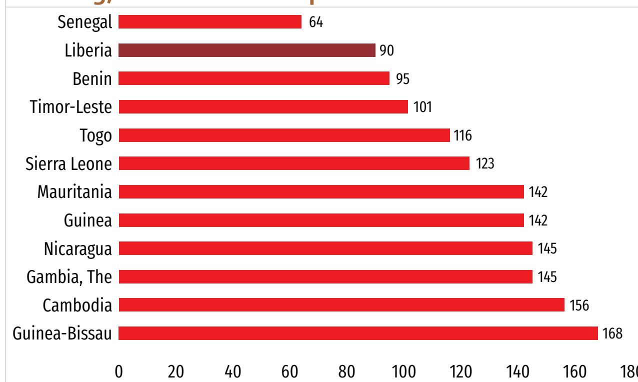
Source: Worldwide Governance Indicators (WGI), 2016.

56 World Bank, 2017a.

76. **The Government has promulgated a new legal framework designed to increase transparency and accountability in the public administration, but corruption remains pervasive.** The Public Financial Management Act of 2009, the Public Procurement Commission Act of 2010, the Freedom of Information Act of 2010, and the Anti-Money Laundering and Countering the Financing of Terrorism Law of 2013 were designed to reinforce the integrity of the public sector. Meanwhile, measures to ensure the independence of the General Auditing Commission, establish the Liberia Anti-Corruption Commission and the Financial Intelligence Unit, and verify compliance with the Extractive Industries Transparency Initiative (EITI) were intended to strengthen fiduciary institutions.

77. **While several high-level public officials have been dismissed for corruption, these investigations have not been followed by successful prosecutions, and corruption, cronyism, and nepotism remain endemic across the Liberian public sector.** Liberia ranked 90 out of 137 countries in Transparency International's 2016 Corruption Perceptions Index, broadly in line with its regional peers (Figure 40). However, in Transparency International's 2015 Global Corruption Barometer, 73 percent of respondents reported that corruption had increased over the last year—one of the highest rates in SSA.

Figure 40: Corruption Perceptions Index Global Ranking, Liberia and Comparators



Source: Transparency International, 2016.

78. **Limited administrative capacity and entrenched patronage system present major obstacles to reform.** While the authorities have made significant progress in reducing the number of civil servants and instituting personnel and technical audits, deeper reforms will be necessary to achieve a meritocratic and effective public service. Capacity constraints and inadequate funding limit the public administration's presence outside of Monrovia. Most public agencies have a small, underresourced cadre of field staff, who are often charged with serving vast areas yet granted little administrative autonomy. Many civil servants report having limited job security and being beholden to an institutional patron. The base pay for high-level administrators and elected officials is 10–20 times that of civil servants, and numerous mandatory and discretionary allowances increase the pay gap exponentially.

79. **Justice sector reform has progressed slowly, and much of the country lacks access to the formal legal system.** Liberia's legal system and judiciary suffer from a legacy of elite manipulation. Public confidence in formal legal processes is low, and the justice system is rife with operational inefficiencies. Much of the population is effectively unable to pursue civil cases through formal channels, resorting instead to customary law and traditional authorities. The Judicial Training Institute is attempting to rehabilitate the legal system by strengthening the professionalism and integrity of judicial officials, and several donor-supported initiatives are striving to build local capacity for community-based mediation. The prison system suffers from severe overcrowding due to a large backlog of cases combined with the frequent use of pretrial detention, even for minor crimes.

80. **Corruption affects all aspects of public service delivery.** The Global Corruption Barometer found that 69 percent of Liberians who had had contact with a public agency in the previous 12 months reported paying a bribe, far above the SSA average of 22 percent. Endemic corruption was reported in all six areas covered by the

survey: the courts, the police, public utilities, identification, permits, and public education. Efforts to improve governance at the local level have proven largely ineffective.

81. **The Ebola epidemic both underscored and exacerbated the enormous governance challenges facing the health sector.** Public health services are expensive, inaccessible to many, and often of low quality. Public financial management in the health sector is weak, and the public health budget is not used efficiently. The country not only lacks an adequate supply of doctors, but many are poorly trained and underqualified. Donor support has not effectively targeted the country's long-term health care needs. Although more than US$3.6 billion was spent to fight the Ebola epidemic in West Africa[57], not a single permanent health care facility was built in Liberia. Moreover, public mistrust of both the Government and foreign aid workers hampered efforts to address the crisis.

82. **The Government has made gradual but important progress in reforming public financial management.** Increased collaboration between the macroeconomic forecasting units at the Ministry of Finance and Development Planning and the Liberia Revenue Authority has improved the accuracy of revenue projections. The Government is transitioning to a medium-term expenditure framework, and it recently published a manual to guide ministries in estimating their expenditures. Public investment programs are now centrally managed at the Cabinet level. To ensure comprehensive budget coverage, 15 donor-supported projects are being migrated into the integrated financial management information system. The General Auditing Commission now publishes backlog audit reports, the audits of the consolidated account are up to date, and the legislature holds public hearings on completed audit reports. Consequently, Liberia's 2016 Public Expenditure and Financial Accountability Assessment noted marginal improvements since the previous assessment in 2012.

83. **State-owned enterprises (SOEs) suffer from weak institutional arrangements and unclear mandates.** Many of Liberia's numerous SOEs were established during the mid-20th century as part of the country's extensive patronage system.[58] Each SOE has a separate legal governance regime, and there is no public oversight agency for the SOE sector. Instead, each SOE's governing board is responsible for monitoring its financial and operational performance, even though many SOEs receive public subsidies and transfers. To strengthen public oversight, the government recently created an SOE Unit to supervise financial reporting by SOEs. The unit is supposed to separate each SOE's policy, regulatory, and shareholder functions to ensure greater transparency. To effectively execute this mandate, the SOE Unit will require specific and transparent objectives and quantifiable performance indicators that can be monitored over time.

84. **The legal and institutional framework governing the natural-resource sector has been greatly improved, but the management of the sector continues to suffer from capacity constraints and pervasive corruption.** Beginning in 2008, the Government fast-tracked a set of legislative and regulatory reforms, including what has been dubbed Africa's first-best EITI framework,[59] in an effort to end UN sanctions on timber and diamond exports and attract foreign investment. These reforms enabled the country to garner US$16 billion in FDI, and Liberia benefitted from high commodity prices in the late 2000s and early 2010s. However, several concessionaires speculatively acquired far more land than they could use, and the recent drop in commodity prices has dampened

57 USAID. Center for Decease Control and Prevention (CDC). West Africa – Ebola Outbreak. Factsheet #6. January 21, 2016. https://www.usaid.gov/sites/default/files/documents/1866/west_africa_fs07_01-21-2016.pdf

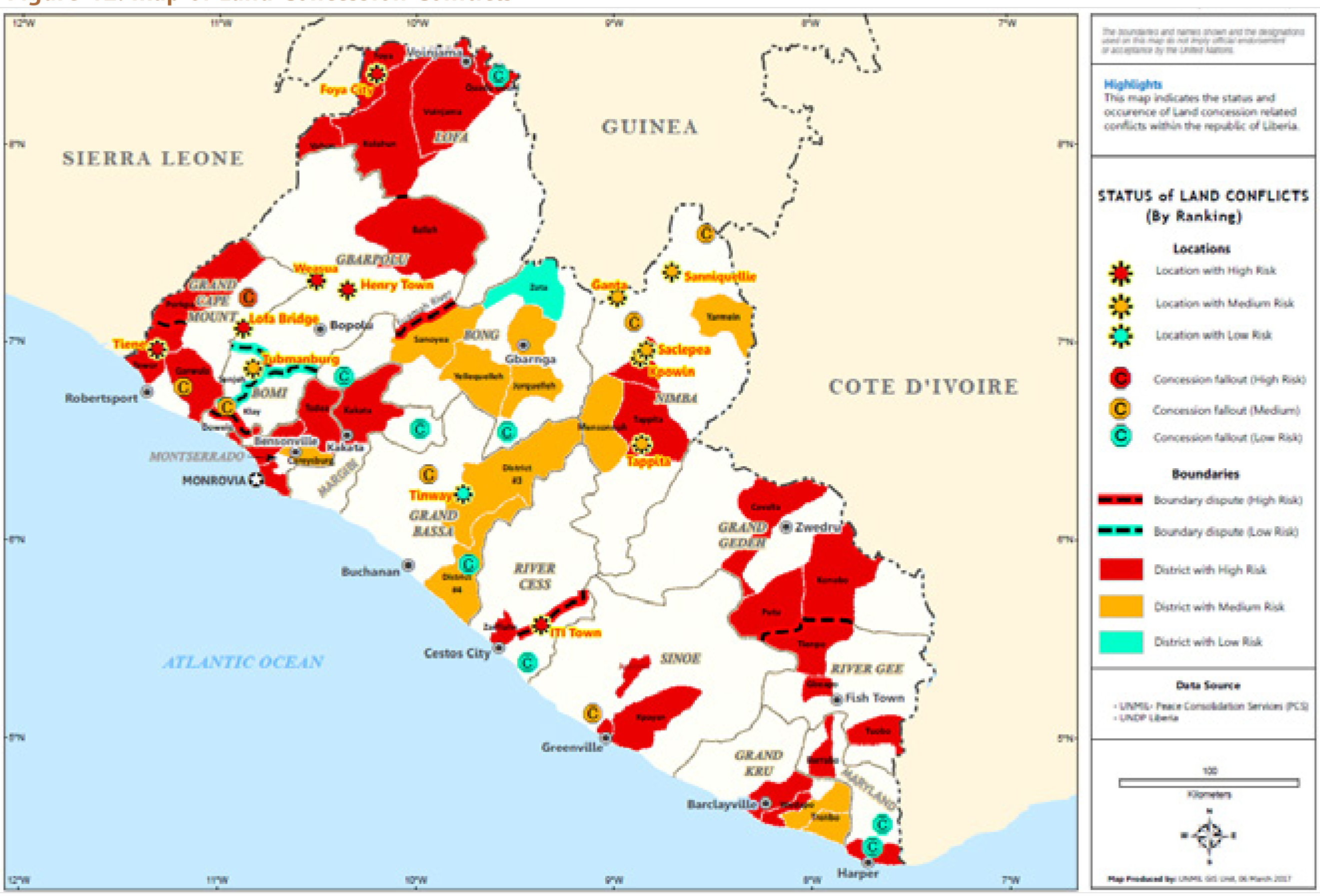
58 Werker and Pritchett, 2017.

59 In October 2009, after the first Liberia Extractive Industries Transparency Initiative (LEITI) report, Liberia became the first country in Africa (and the second country in the world, after Azerbaijan) to achieve EITI compliance (LEITI 2010).

investor interest in the resource sector. Moreover, the process for awarding concessions is rife with corruption, and concessionaires' compliance with contractual obligations is inadequately monitored. Local communities have little or no input into how resource revenues are shared or utilized, and larger concessions have displaced citizens and occupied valuable agricultural land.[60] Overall, the Government's performance in managing the resource sector in compliance with the EITI and the Kimberley process has been generally poor.[61]

85. **Effective governance reform will require addressing the underlying power relations that have long prevented equitable development.** As part of Liberia's Agenda for Transformation, the EITI and the National Bureau of Concessions are being mobilized to enhance fiscal monitoring of the resource sector and strengthen its links with the rest of the domestic economy. Currently, most concessions cover areas already occupied and used by Liberian citizens, many with unrecognized land rights. Some communities have viewed the concessions as expropriating land belonging to local citizens, and tensions over land access have escalated into civil unrest and even violence (Figure 41). UNMIL recorded 15 such incidents in 2016 alone. Ensuring proper respect for local property rights will require a thorough review of both new and existing concessions.

Figure 41: Map of Land Concession Conflicts



Source: UNMIL.

60 Global Witness and Liberia Oil and Gas Initiative, 2011.

61 https://eiti.org/liberia.

86. **Land use is a constant source of conflict in Liberia.** A recent study based on interviews with 10,000 people in 247 communities across the Lofa, Nimba, and Grand Gedeh regions confirmed that disputes over land use, tenure, and inheritance are pervasive in rural Liberia.[62] Interviewees reported that many ongoing disputes were the result of wartime displacement and subsequent resettlement, as well as inconsistencies between customary and formal legal systems for adjudicating property rights. Land disputes are often protracted, and they frequently escalate to violence.

87. **Recent forestry sector reforms have promoted community-based management of forest resources.** The 2009 Community Rights Law authorized the establishment of local structures for managing forests. The law's provisions are being implemented across the country through a nine-step process that includes socioeconomic surveys, community boundary demarcation and harmonization, and the creation of community governance organizations.[63] The process culminates in the signing of a Community Forest Management Agreement with the Forestry Development Agency, which formally charges the community with managing local forests for 25 years. The community then develops a Community Forest Management Plan to leverage forest resources to provide income and employment. These management plans may include commercial logging activities or conservation-oriented approaches that provide payments for ecosystem services, among others. Robust governance structures and technical assistance at the local level empower communities and help manage the social, economic and environmental challenges associated with logging and other forestry activities. However, the promulgation of the Land Rights Act and further efforts to build the capacity of communities to develop Community Forest Management Agreements will be necessary to realize the full benefits of the Community Rights Law.

4.3 The Business and Investment Climate

88. **Poor governance and weak institutions inhibit the development of Liberia's private sector.** Most investment focuses on the extractive industries, and firms in other sectors face major obstacles to doing business. While other countries in the region, such as Côte d'Ivoire and Guinea, have successfully improved their business environments, Liberia continues to lag its regional and global peers. In 2018, its overall rank in the *Doing Business* report was 172 out of 190 countries. Liberia performed the worst on indicators of the ease of dealing with construction permits (184), registering property (183), protecting minority investors (177), trading across borders (177), and getting electricity (176). The 2017 Enterprise Survey identified high tax rates and constraints on access to finance, electricity, and land as the most important obstacles facing Liberian firms (Figure 42). Corruption was the sixth most frequently cited obstacle, and Liberia's score for bribery incidence was very high at 56.1, well above the incidence for Sierra Leone (46.1) and more than double the SSA average (24).[64]

89. **Liberia's overall rank in the Global Competitiveness Index has steadily worsened since 2012.** Liberia fell from a rank of 111 out of 144 countries in 2012/13 to 131 out of 138 countries in 2016/17. Compared to the

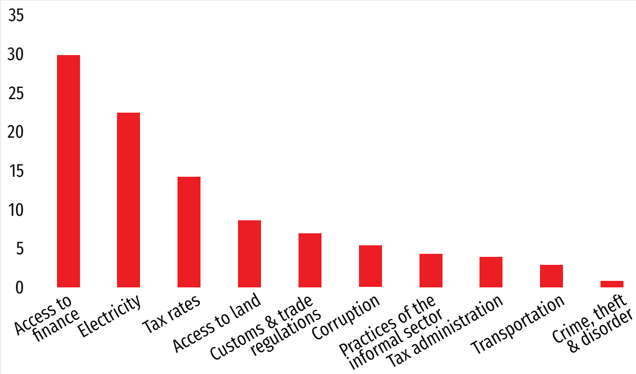
62 Blattman, 2011.

63 This is known as the People, Rules, and Organizations Supporting the Protection of Ecosystem Resources (PROSPER) process, which was developed under a United States Agency for International Development (USAID) program.

64 The incidence of bribery is the percentage of firms that reported at least one request for a bribe during six transactions involving utilities, permits, licenses, and taxes.

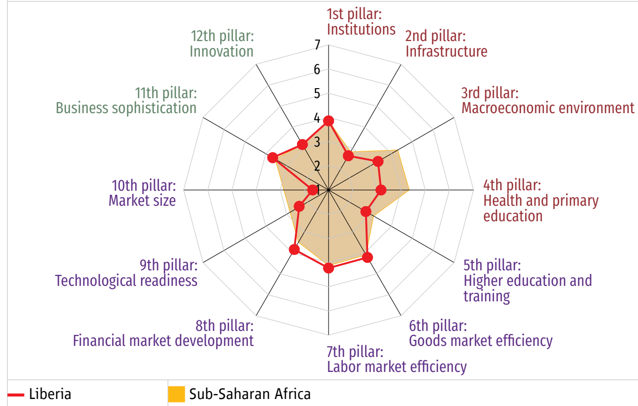
SSA average, the country's weakest areas are the quality of the macroeconomic environment, health and primary education indicators, and market size (Figure 43). All three of these areas are critical to the global competitiveness of a factor-driven economy. The five obstacles to doing business most frequently cited by executives were access to finance, tax rates, Government instability, foreign currency regulations, and corruption.

Figure 42: 10 Most Frequently Cited Challenges Facing Liberian Firms, 2017



Source: World Bank Enterprise Surveys

Figure 43: Global Competitiveness Index, Liberia and Sub-Saharan African Averages, 2016–2017



Source: Global Competitiveness Report 2016–17.

90. **The findings of the Global Competitiveness Index are closely aligned with the results of a 2016 survey of 51 businesses and business organizations.**[65] The survey revealed that tax-payment procedures were cumbersome and subject to frequent delays, which resulted in penalties and fines being charged to business owners. Customs procedures were also described as onerous, and customs duties were considered high and arbitrary compared to those of other countries in the region. Importers and exporters rarely benefitted from Economic Community of West African States treaty rules, which discouraged cross-border trade. Respondents also reported that the Government frequently passed laws affecting the business climate without publicizing their provisions or implication and that business regulations were not properly assessed in terms of their impact on job creation and profit margins. The business community reported that improvements in access to electricity and finance were slow and uneven across sectors and firm types. Many firms stated that Government policies were rarely enforced in areas that generated little public revenue.[66] The ubiquity of informal payments and other forms of corruption in both the private and public sectors was a consistent theme among survey respondents.

91. **Survey respondents identified access to finance as a major constraint to doing business in Liberia and one which is especially binding for SMEs.** SME owners described adequate access to capital as vital to start or expand a business, but they stated that personal savings was a more common source of business capital than lending. Whether they qualified for loans or not, financial agents often asked SMEs to make informal payments equal to between 10 and 20 percent of the approved amount, and most loans were offered at high interest rates

65 Chapman el at., 2016.

66 In 1975, the Government established a 'Liberianization policy' that reserved 12 business activities exclusively for Liberians. A 1998 amendment increased the number of protected activities to 26. The policy mandates that qualified Liberians be employed at all levels of each protected business activity, including the upper management of foreign-owned companies. Under this policy, the Ministry of Labor has sometimes delayed work permits for expatriates and intervened in negotiations between foreign managers and their Liberian employees.

(+15 percent) and short maturities. Larger firms reported being more able to access financing from local banks, but they also encountered informal payment requests and other improper practices.

92. **Liberia's bancarization rates are low: only 17.6 percent of adults have an account with a commercial bank, and an additional 10.6 percent have an account with an informal financial institution.** While technological advancement is critical to expand access to formal financial services, technology alone cannot overcome the severe governance deficiencies of the financial sector. Inadequate credit access among SMEs hinders economic growth and diversification, and measures to improve credit access among SMEs, extend loan maturities, provide risk-mitigating tools, and improve the efficiency and stability of the financial system are central to the country's growth strategy.

93. **The economic slowdown has put pressure on banks.** The share of nonperforming loans in total loans increased from 14.8 percent in March 2014 to a high of 19.3 percent in July 2015, then returned to 14.8 percent in December 2016. Despite progress in strengthening payment infrastructure and improvements in some areas of financial regulation and supervision, key weaknesses in the integrity and transparency of the financial system persist. These weaknesses contributed to the loss of correspondent-banking links to the global financial system as part of foreign banks' 'derisking' efforts, posing serious challenges in the areas of trade finance, remittance inflows, and financial inclusion.

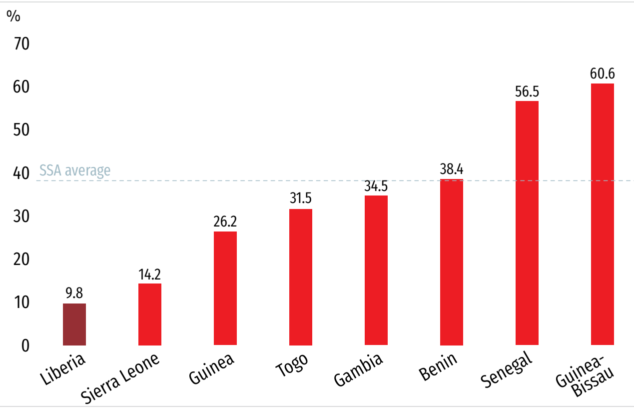
94. **Although the Government has devoted considerable resources to the transportation sector, a large infrastructure gap remains.** A 2013 Public Expenditure Review concluded that roads and bridges accounted for 70 percent of total public capital spending. However, it also estimated that fully rehabilitating the existing road network—without expanding it—would require additional investment equal to 42 percent of GDP. Given the Government's fiscal constraints, private sector involvement may be necessary to finance road rehabilitation. Liberia already has considerable experience with infrastructure concessions in the seaport subsector, which policy makers could draw on to develop road concessions. A concession agreement for the Free Port of Monrovia is already in place, and policy makers are considering creating another concession for an inland intermodal terminal or 'dry port'.

95. **Trade with neighboring countries is limited, and links among different transport modes are suboptimal.** Trade with neighboring Sierra Leone, Guinea, and Côte d'Ivoire accounts for only 1 percent of Liberia's total merchandise trade, due in large part to the poor condition of Liberia's transportation infrastructure, especially its road network. Both regional trade and domestic commerce rely heavily on roads, as multimodal transport links are underdeveloped. Establishing a coastal shipping line and passenger service between Liberia's four major cities—Monrovia, Buchanan, Greenville, and Harper—could cut transportation costs by as much as 80 percent. Making more effective use of existing railway lines could also significantly reduce transportation costs to and from inland areas.

96. **Low electrification rates and high electricity costs severely constrain business activity and investment.** The Liberian electricity sector was largely destroyed during the second civil war, but electricity services have since been reestablished in some areas of Monrovia. Initial progress was slow but has recently accelerated. Liberia's electrification rate roughly doubled from about 5 percent to about 10 percent, though it remains one of the lowest rates in SSA (Figure 44). Meanwhile, Liberia's electricity tariffs are among the highest in the world. Consequently,

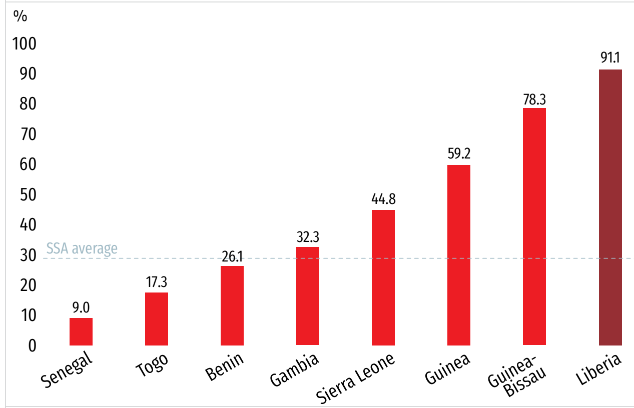
electricity remains either unavailable or unaffordable for most Liberians. Instead, poor households rely on expensive informal electricity providers or other energy sources, such as kerosene and charcoal. Limited access to costly electricity severely weakens the competitiveness of Liberian firms, as mines, agricultural concessions, and commercial enterprises typically rely on expensive private diesel generators (Figure 45). The 2016 HIES found that only one out of every six households had access to electricity from a generator or from the public electric utility, the Liberia Electricity Corporation. Nearly all of these households were in urban areas, and less than 2 percent of rural households had access to electricity.

Figure 44: Electricity Access, Liberia and Comparators



Source: WDI.

Figure 45: Share of Electricity Produced by Private Generators among Firms That Use Generators, Liberia and Comparators



Source: WDI.

97. **Over the past five years, Liberia has greatly increased electricity generation.** Total installed capacity rose from 22 MW to 126 MW following the rehabilitation of the Mount Coffee Hydropower Plant (88 MW) and the completion of three heavy fuel oil/light fuel oil thermal generation plants (38 MW). The Rural and Renewable Energy Agency has also launched a strategy to expand the supply of energy from renewable sources. With the support of international donors, including the World Bank, the Government is expanding the national electricity grid in Monrovia and along key economic corridors while promoting the use of decentralized systems in remote areas of the country. Generation capacity is now sufficient to accelerate the grid-expansion program. The number of customers served by the Liberia Electricity Corporation rose from 2,469 in 2010 to 52,300 at the end of October 2017. Following the rehabilitation of the Mount Coffee Hydropower Plant, electricity tariffs were reduced from US$0.49–0.52 per kWh to US$0.39 per kWh in March 2017 and then to US$0.35 per kWh in October 2017, below the Government's target of less than US$0.40 per kWh, but still high by international standards.[67] Costly thermal generation is now needed only during the dry season, which runs from December to March.

98. **Despite Liberia's limited electrification, the information and communication technology (ICT) sector has developed rapidly.** Cellular coverage has expanded dramatically, and the share of Liberians with a mobile phone shot up from 4.5 percent in 2005 to 81.1 percent in 2015.[68] In 2013, Liberia was connected to the Africa Coast to Europe (ACE) cable, an undersea fiber optic link that now provides the country with high-speed Internet access. The ACE cable enabled mobile broadband penetration to reach 20.5 percent in 2015. While only 1 percent

67 Including the 10 percent general sales tax, the effective tariff rate is currently US$0.385 per kWh.

68 Although Liberia's cellular market includes major regional firms, a recent market consolidation could threaten competition.

of the population has a fixed broadband connection, the share of the population with internet access rose from 1.5 percent in 2010 to 30.8 percent in 2016. With its new ACE connection, Liberia now has excess Internet capacity.

99. **Weaknesses in basic infrastructure also impede efforts to provide Government to decentralize public administration.** Civil servants located outside of Monrovia cite the deteriorating road network, dilapidated schools and public buildings, and an inadequate supply of administrative infrastructure, such as office space and housing for local civil servants, as major obstacles to successful decentralization.[69] Deficiencies in basic infrastructure are a key barrier to effective and efficient local service delivery, as they hinder the ability of local authorities to provide essential services.

100. **Domestically owned small enterprises dominate the informal sector.** The formal private sector employs just 5.6 percent of the workforce.[70] Most firms are SMEs: 57 percent have fewer than four employees, and 20 percent have between five and nine. Many SMEs are household enterprises engaged in petty trading or household-level manufacturing. SMEs often have difficulty integrating into larger supply chains due to high transportation costs, limited capital, and lack of access to market information. Facilitating the growth of SMEs will require strengthening links with supply chains and expanding access to credit.

101. **Firms owned by women make up a large share of the informal sector and are particularly vulnerable to weaknesses in the business climate.** An estimated 69 percent of Liberian women are self-employed, compared to 56 percent of men. Roughly 34 percent of formal SMEs are owned by women, but most female entrepreneurs work informally and in low-productivity sectors such as retail and trade (Box 3). A full 75 percent of Liberia's

Box 3: Obstacles Most Commonly Faced by Female Entrepreneurs

Education. A large share of Liberian women lacks essential workforce skills. The protracted conflict contributed to high rates of illiteracy, particularly among women. The current generation of female entrepreneurs lacks many of the basic skills needed to successfully operate or expand a business. Gender gaps in vocational and professional training are especially wide.

Access to credit. Despite recent improvements, women continue to face limited credit access. Supply and demand factors both constrain women's access to credit. Low repayment rates make it difficult for financial institutions to lend to SMEs, and many financial firms consider women to be a greater credit risk than men. Limited financial literacy and lack of collateral further reduce women's access to credit. According to the most recent data, female entrepreneurs receive only 6 percent of commercial bank credit.

Professional networks. Female entrepreneurs rarely participate in business organizations, limiting their opportunities to share information, contacts, and knowledge. Female business owners are not well represented in most general business networks, such as local chambers of commerce or the Liberian Business Association. While women's associations exist in Liberia, only a few focus specifically on entrepreneurship and business management. Created in October 2012, the Liberian Women Entrepreneurs Network is the country's first forum devoted exclusively to female entrepreneurs.

Source: IFC 2013.

69 World Bank, 2014.

70 Core Welfare Indicator Questionnaire, 2007. The public sector employs another 6 percent of the Liberian workforce. However, a 2010 Labor Force Survey found that the informal sector accounted for 68 percent of total employment. See: World Bank 2014a.

female workforce was employed informally in 2010, versus 61 percent of the male workforce. Wholesale and retail trade, the country's second-largest contributor to total employment after agriculture, employs 35 percent of the female workforce, compared to just 15 percent of the male workforce.[71]

102. **Underdeveloped supply chains and regulatory constraints diminish agricultural productivity.** Liberia's agricultural sector ranks low on most indicators of the ease of doing businesses.[72] Limited access to finance prevents smallholder farmers and agribusinesses from investing in productive assets or acquiring the working capital necessary to purchase inputs such as seed and fertilizer. Lack of market access reduces farmers' options for selling their surplus, which further discourages investment, and inadequate information prevents farmers from learning about new opportunities in production and marketing. Liberia's highest rankings are for financial regulation and ICT access, while its lowest are for access to seed, fertilizer, markets, machinery, transportation, and water. Creating an enabling environment to support the growth of input supply chains could boost agricultural output.

71 IFC, 2013.

72 World Bank Group, 2017.

5 The Sustainability of Growth and Poverty Reduction

Multiple factors threaten the limited but important progress on poverty reduction and shared prosperity achieved by Liberia over the past decade. The UNMIL drawdown and the election cycle have heightened political and security risks in an already fragile political and economic environment. Meanwhile, the twin shocks of the recent Ebola outbreak and the ongoing slump in global commodity prices have intensified fiscal pressure and weakened macroeconomic stability. The limited economic prospects faced by young workers and the continued marginalization of other vulnerable groups further threaten the country's hard-earned peace. In this context, the Government and its development partners will need to carefully prioritize economic reforms to protect gains in poverty reduction and shared prosperity while laying the foundation for more sustainable and inclusive long-term growth.

5.1 The Sustainability and Inclusiveness of Growth

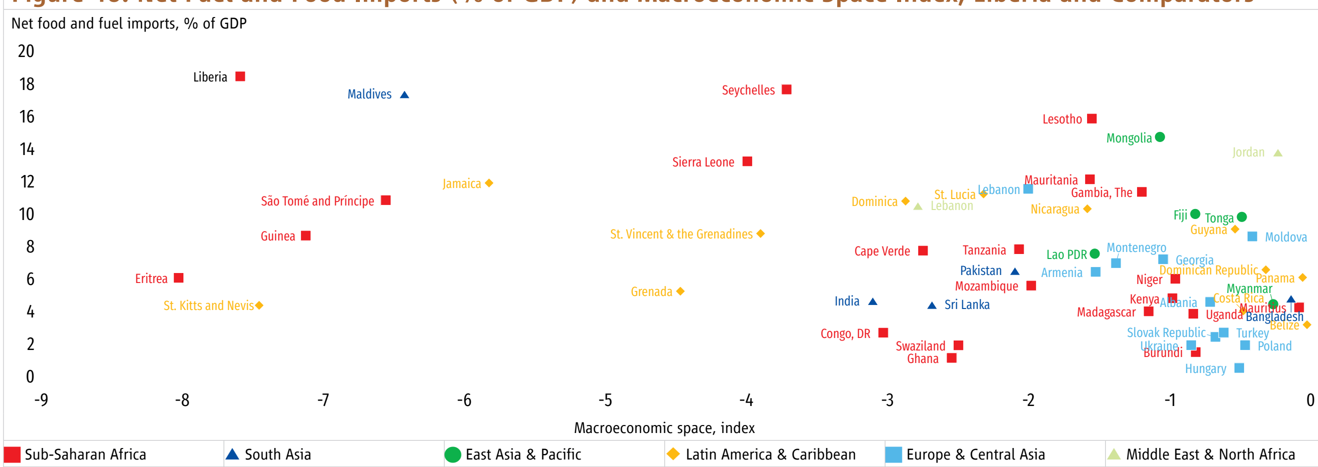
103. **The consolidation of peace and political stability—combined with robust external assistance, rising FDI, and private sector-led growth in the context of a sound macroeconomic framework—has been fundamental to Liberia's economic recovery since 2003.** The strategy has proven highly successful: per capita GNI increased at a rate of 2.9 percent per year between 2004 and 2015, while the poverty rate fell by 9.5 percentage points between 2007 and 2014. However, Liberia now faces a far less favorable external environment, and the Government has no fiscal space to stimulate domestic demand. As it strives to maintain a tight fiscal stance in an adverse macroeconomic climate, the Government will need to focus its limited administrative capacity on measures to protect recent gains in poverty reduction.

104. **Liberia's macroeconomic risks are rooted in a set of structural imbalances, including a highly concentrated export structure and fiscal revenue base, a heavy reliance on foreign aid, persistent fiscal deficits, and an increasing dependence on food imports, among others.** Addressing these imbalances poses an immense challenge for the Government, given its limited capacity, modest resources, and numerous competing priorities, which include implementing its infrastructure investment agenda, managing large foreign exchange inflows in a way that mitigates Dutch-disease effects, reducing its exposure to international commodity price volatility, promoting external competitiveness, and mitigating the economic impact of a depreciating Liberian dollar. The country's high level of dollarization reduces the scope for monetary policy, increasing the Government's reliance on fiscal policy to both manage macroeconomic shocks and promote stable long-term growth. Macro-fiscal, political, and security risks remain elevated in the wake of the twin shocks and in the context of the ongoing UNMIL drawdown, declining inflows of Ebola-related foreign aid, and increased fiscal and political pressures generated by the election cycle.

105. **Because commodity producers comprise a large share of the tax base, the volatility of global commodity prices contributes to the procyclical orientation of Liberia's fiscal policy.** While this pattern of commodity-based fiscal procyclicality is not unique to Liberia, the country's especially undiversified economy and heavily concentrated tax base intensify its sensitivity to commodity-price shocks. Moreover, this situation is self-reinforcing, because the large rents generated by concessions, especially in the extractive industries, weaken the Government's incentives to cultivate more broad-based revenue sources such as income and sales taxes. In addition, the public sector plays an important role in employment, both directly and through public procurement of goods and services, which increases the impact of public spending on aggregate demand, exacerbating cyclical downturns. Measures to increase revenues and broaden the domestic revenue base will help create the fiscal space necessary for growth-enhancing investments and vital improvements in the quality of public services.

106. **Over the past 12 years, external development assistance and foreign investment have fueled economic growth in Liberia.** Large inflows of FDI and external support have also contributed to persistently wide current account deficits. While such deficits are not necessarily problematic per se, they can pose a risk to macroeconomic stability if external savings are used to support unsustainable consumption levels or finance investments that do not generate returns commensurate with borrowing costs. Commodity exports and consumption have driven Liberia's recent growth—and while this pattern partially reflects the nature of a postconflict recovery—the sustainability of recent current account deficits will hinge on the quality of public spending.

Figure 46: Net Fuel and Food Imports (% of GDP) and Macroeconomic Space Index, Liberia and Comparators



Source: World Bank staff calculations based on data from UN Comtrade and the April 2011 IMF World Economic Outlook.

107. **Liberia's dependence on food imports intensifies its vulnerability to external price shocks, and the Government's capacity to counter these shocks with either fiscal or monetary policy is very limited.** Liberia's wide fiscal and external imbalances, growing debt stock, and low international reserves further reduce its ability to manage price volatility (Figure 46). In this context, achieving the Government's objectives for poverty reduction will require addressing the country's macroeconomic and structural imbalances and boosting productivity, especially in agriculture.

108. **Given Liberia's sharply limited fiscal space, multiple urgent policy priorities, and persistently large current account deficits, the quality of Government spending is pivotal to the sustainability of growth.**

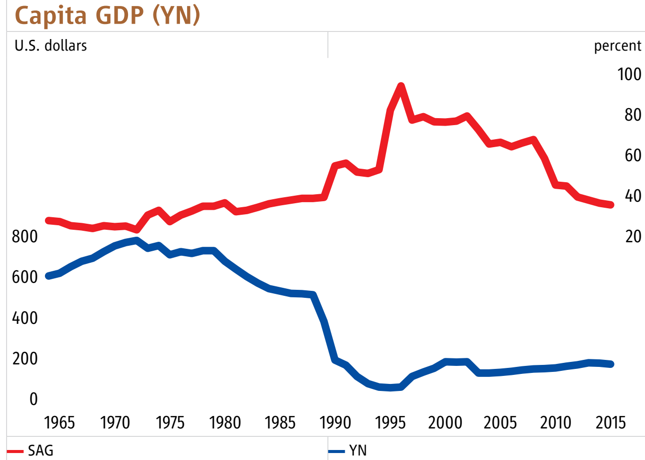
The Government is responsible for managing large inflows of external aid as well as revenues from concessions. How effectively it leverages these resources to build physical and human capital, create an enabling business climate, and strengthen the capacity of public institutions will determine the extent to which recent GDP growth will translate into a sustainable increase in long-term economic productivity.

109. **Persistent vulnerabilities in the debt profile require a prudent debt management policy.** Although Liberia's debt stock remains low by regional standards, it has increased significantly in recent years due to the country's considerable investment needs in economically vital areas such as electrification and the road network. The public external debt stock more than doubled from 13.2 percent of GDP in 2014 to 29 percent in 2016. Liberia reached the Heavily Indebted Poor Countries (HIPC) completion point in 2010, but its risk of debt distress rose from low to moderate in the 2015 debt sustainability assessment (DSA), as the contracting of new debt accelerated and the twin shocks worsened the country's economic outlook. The latest DSA update in November 2017[73] confirmed Liberia's moderate risk of external debt distress and highlighted its vulnerability to external shocks. In addition to a prudent debt management policy, the authorities must adopt a credible strategy for revenue mobilization and fiscal consolidation while also implementing structural reforms to promote private sector-led growth and diversification. Given the country's limited borrowing space, policy makers will need to enhance expenditure efficiency and prioritize pro-growth projects.

110. **The Government's fiscal reliance on concessions, particularly in the natural resource sector, contributes to a vicious cycle of underinvestment and narrowly focused growth.** The Government derives far more revenue from mining, forestry, and agricultural concessions than it does from taxing general economic activity, which encourages policy makers to focus on developing new concessions rather than investing in productivity-enhancing physical and human capital. Meanwhile, minimal taxation outside the resource sector weakens political pressure to provide high-quality public goods and services. Instead, public agencies and interest groups compete over the distribution of concession revenues, perpetuating structural economic disparities and encouraging the perception of politics as a zero-sum contest over resources rather than a collaborative effort to advance the national interest.

111. **Liberia's long history of political instability and conflict has exacerbated constraints on agricultural productivity and prevented the structural transformation process from taking hold.** In most developing countries, agricultural productivity increases over time; yet, the share of agricultural output in GDP diminishes as higher-value-added sectors emerge and grow. In Liberia, protracted conflict and insecurity have had the opposite effect: between the mid-1970s and the mid-2000s, the share of agriculture in GDP increased while per capita GDP plummeted (Figure 47). However, the restoration of peace and stability has recently begun to reverse these trends.

Figure 47: Share of Agriculture in GDP (SAG) and per Capita GDP (YN)



Source: WDI.

73 IMF, 2017.

112. **Liberia's agricultural sector is not well integrated into upstream or downstream value chains.** Most Liberian farmers rely on traditional farming methods. Commercial inputs are rarely used, and modern marketing, storage, transportation, and processing systems are underdeveloped. A long history of political and economic instability; a lack of access to agricultural credit, insurance, and other ancillary markets; high transportation costs; limited information; and inadequate public sector support have encouraged farmers to focus on subsistence rather than specialization. Meanwhile, agricultural concession operators are integrated into external rather than domestic value chains, importing specialized inputs and technologies and exporting outputs for processing and marketing.

113. **Inadequate physical, financial, and human capital all constrain agricultural productivity.** Low levels of educational attainment and underdeveloped financial systems inhibit the adoption of modern farming technologies, while poor infrastructure and weak governance increase production and transaction costs, reducing the price competitiveness of agricultural producers. Due to a lack of physical and human capital, many Liberian farmers have difficulty producing the same commercial crops grown on agricultural concessions, while others struggle to compete with imports of rice and other subsistence crops.

114. **Natural disasters related to climate change, such as increased flooding, are already affecting the agricultural sector, with negative consequences for food security and household income.**[74] Exceptional rainfall in 2007 led to floods, which had damaging effects on public health, agricultural production, and infrastructure.[75] Liberia's major agricultural exports (rubber, cocoa, and coffee) are also sensitive to changing weather conditions. Cacao and coffee have specific climatic requirements, and productivity may decrease as rising temperatures reduce moisture levels and contribute to the spread of pests and diseases such as leaf rust (or *roya*), which has already damaged coffee production throughout Latin America.[76]

115. **Beyond their demand for local labor, Liberia's mining, forestry, and agricultural concessions have minimal ties to the rest of the economy.** Few inputs are sourced locally, and output processing is minimal. Moreover, inadequate access to capital and the limited capacity of domestic firms to reproduce the scale and complexity of concession operations slows technology transfer. Infrastructure is a binding constraint on both upstream and downstream integration, as concession operators can source inputs and process outputs more cheaply in countries with lower transportation costs and adequate electricity supplies. However, a weak business environment marked by ubiquitous corruption also inhibits the development of sophisticated economic activities.

5.2 Sustainability of Liberia's Political and Social Model

116. **The 2017 legislative and presidential elections marked a watershed moment in Liberia's history.** Twenty political parties registered to compete in the legislative elections, and each party also nominated a presidential candidate. The elections took place on October 10, 2017, and the National Elections Commission (NEC) released the results of the presidential election on October 19, 2017. Senator George Weah of the Coalition

74 https://www.climatelinks.org/sites/default/files/asset/document/2017_USAID%20ATLAS_Climate%20Risk%20Profile_Liberia.pdf.

75 http://sdwebx.worldbank.org/climateportal/countryprofile/home.cfm?page=country_profile&CCode=LBR&ThisTab=RiskOverview.

76 http://unfccc.int/resource/docs/napa/lbr01.pdf.

for Democratic Change received a plurality of the vote, followed by Vice President Joseph Boakai of the Unity Party. This triggered a runoff election, as Liberian law stipulates that the president must win an outright majority. On November 7, 2017, the Liberty Party and three other political parties petitioned the Supreme Court to halt the runoff until allegations against the NEC and irregularities reported during the first round of the elections could be addressed. On December 7, 2017, the Supreme Court ruled that the run-off would proceed and instructed the NEC to make the necessary preparations. The runoff was held on December 26, 2017, and Weah was elected president with a 61 percent majority.

117. **While the elections are now over, allegations of voter fraud and other irregularities briefly threatened to disrupt the peaceful transfer of power, and further political uncertainty could slow economic growth and diminish investor and consumer confidence.** President Weah will likely have to contend with a legislature comprising numerous parties organized into ad hoc coalitions. A difficult economic environment could amplify political pressures, and partisan infighting may distract attention from the reform agenda.

118. **Strengthening the rule of law and reforming the security sector will be crucial to consolidate the gains in peace and security achieved since 2003.** In line with a 2015 UN Security Council Resolution, the Government, along with national and international stakeholders, developed a Peacebuilding Plan to further the restoration of peace and security. The plan prioritizes security sector reforms and broad-based political engagement as vital to sustain peace after the UNMIL drawdown. To support the Government's efforts, the World Bank and UN agencies are jointly undertaking a public expenditure review of the security and justice sectors.

119. **Unaddressed grievances, persistent political-economic tensions, and the legacy of violence itself continue to pose important political and security risks.** The postconflict reconciliation process has largely failed to resolve the root causes of the civil war. While there is widespread support for maintaining the peace, disparities in political and economic power between regions and ethnic groups remain a source of underlying instability. Moreover, an estimated 40 percent of the population suffers from some form of posttraumatic stress disorder.[77] The psychological trauma caused by the conflict can sharply limit economic opportunities for both civilians and former combatants and may encourage further violence.[78]

120. **Limited economic opportunities for younger workers pose a major risk to peace and stability.** Many younger workers are employed as unskilled laborers, petty traders, or farmers. Wages are especially low among younger workers, and informality and underemployment are especially common. Moreover, younger workers make up 85 percent of the unemployed. Recent surveys indicate that many younger workers believe that their lack of economic opportunity is primarily due to the decisions of elite interests rather than to market factors.[79] Many respondents also believe that they are excluded from decision-making processes, and some consider violence to be an acceptable means of addressing their grievances. Extremely poor and vulnerable youth residing in urban slums and remote rural villages are most affected by the lack of economic opportunity. These include the so-called 'zogos', primarily young, unemployed ex-combatants who have not fully reintegrated into society and who frequently resort to drug abuse to cope with physical and psychological trauma. Many zogos rely on low-wage

77 The Carter Center, 2014. This figure does not account for the psychological trauma inflicted by the Ebola outbreak.

78 Maedl et al., 2010.

79 World Bank, 2013b.

informal employment or petty crime for survival. The Liberia National Police has launched a crackdown on zogos, but its efforts are unlikely to be effective if underlying problems remain unaddressed.

121. **Integrating younger workers into the economy will require substantial investments in education and workforce skills, as well as measures to accelerate job creation.** Because paid employment, even in the informal sector, is unlikely to increase fast enough to fully integrate Liberia's large cohort of unemployed young people, improving self-employment prospects—for example, by expanding access to capital—will be equally important. Specific outreach programs targeting particularly vulnerable young people could focus on improving non-cognitive skills and addressing psychological trauma. Encouraging political participation and community engagement among younger workers could also increase their sense of agency and reduce the likelihood that they will resort to violence.

122. **Liberia's demographic trends have created the potential for a 'demographic dividend', but downside risks are high.** A reduction in infant mortality, a falling fertility rate, and a large youth cohort entering the workforce could cause a sharp drop in the dependency ratio and spur economic growth. However, the economy will not benefit from this youth dividend without an appropriate policy framework, major investments in human capital, and an increased demand for labor. Younger workers must be sufficiently educated and skilled to compete in the labor market, and the labor market must be sufficiently robust and dynamic to incorporate them. If the Government fails to create the necessary conditions for a demographic dividend, it will not only miss an opportunity to accelerate growth but will also face a large increase in youth unemployment and underemployment, with negative long-term social and economic consequences.

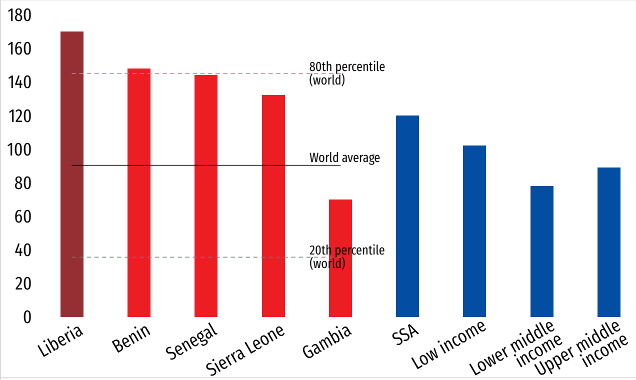
5.3 Environmental Sustainability and Climate Change

123. **Liberia is highly vulnerable to environmental degradation and the effects of climate change.** The risks of coastal flooding and sea-level rise are especially severe. In addition to its human cost, coastal flooding can displace populations and damage or destroy economic assets, while sea-level rise could permanently inundate lowland areas; accelerate beach erosion; salinize land, rivers and aquifers; alter the coastal water table; and disrupt economic activities. The capital, Monrovia, is highly vulnerable to floods and rising sea levels, and a 1 meter increase in sea levels could displace as many as 230,000 people.[80] In addition, many of Liberia's small coastal communities are informal settlements composed of extremely poor households with little ability to either mitigate their exposure to environmental shocks or cope with the effects of those shocks.

124. **Climate change poses a serious threat to growth and poverty reduction.** Liberia's vulnerability to climate risks is high even by regional standards (Figure 48). To address these risks, the Government will need to develop climate change mitigation and adaptation strategies, strengthen environmental safeguards, and expand social protection measures targeting vulnerable groups. Investing in sustainable fishery practices and the protection of marine ecosystems could bolster the climate resilience of coastal households.

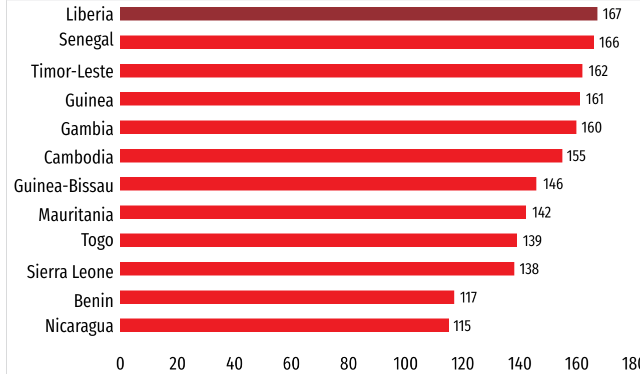
80 http://unfccc.int/resource/docs/natc/lbrnc1.pdf.

Figure 48: Climate Risk Index, Liberia and Comparators, Latest Available Data



Source: Germanwatch.

Figure 49: Environmental Performance Index Global Rankings, Liberia and Comparators, 2016



Source: Yale Center for Environmental Law and Policy.

125. **The Government's capacity for managing environmental issues and implementing environmental policies is low even by regional standards.** Liberia ranked 167 out of 178 countries on the most recent Environmental Performance Index (Figure 49). It performed poorly across almost all indicators of environmental quality, especially household air quality, wastewater treatment, and access to sanitation. The civil war badly damaged the country's water and sanitation infrastructure, and in 2015, just 17 percent of Liberians had access to improved sanitation facilities. Liberia's institutional framework for environmental management suffers from poor coordination between oversight agencies, limited technical capabilities, and weak monitoring and enforcement mechanisms. While Liberia's National Adaptation Plan lays out sector-specific measures to build the Government's climate-change adaptation capacity, many sectoral policies have not yet mainstreamed climate risks. Improved coordination cross institutions will be necessary to enhance Liberia's ability to cope with the effects of climate change.

126. **Liberia's Nationally Determined Contribution under the Paris Climate Accord lays out national adaptation and mitigation goals, and managing coastal areas is defined as one of three overarching priorities.** Liberia's coastline includes the country's most densely populated and economically vibrant areas, and coastal erosion and sea-level rise threaten many of its major cities. To mitigate the impact of climate change, the Government will need to develop and implement policies to strengthen coastal management, construct sea walls and other infrastructure, conserve ecologically vital mangrove ecosystems, facilitate environmental technology transfer, and build institutional capacity for risk monitoring and oversight. An integrated, gender-responsive approach will help build resilience at the household and community levels.[81] Liberia's Nationally Determined Contribution also calls for improving energy efficiency by at least 20 percent and increasing the share of renewable energy in total electricity production to at least 30 percent by 2030. The Government's energy plan targets the electricity, transportation, and waste management sectors.

127. **Across the country, illegal logging and mining operations, unsustainable charcoal production, and large-scale infrastructure and agriculture development projects are damaging local ecosystems.** Between 1990 and 2010, Liberia lost about 12.2 percent of its forest cover, with an average annual deforestation rate of 0.6 percent. Because most of Liberia's rural population depends on forest products and ecosystem services, the

81 http://www4.unfccc.int/submissions/INDC/Published%20Documents/Liberia/1/INDC%20Final%20Submission%20Sept%2030%202015.002.pdf.

country's ongoing deforestation poses a major social and economic threat. Liberia has established a relatively robust legal framework for forest management. Prompted by UN Security Council sanctions on Liberian timber exports, the Government passed the 2006 National Forest Reform Law to promote conservation and encourage community management of commercial forestry. However, enforcing this legislation remains a challenge.

6 Binding Constraints and Pathways toward the Twin Goals

Liberia is well endowed with natural resources, but poor education and health indicators, dilapidated infrastructure, limited economic connectivity, and weak public institutions inhibit the country's ability to transform its natural wealth into physical, financial, and human capital. Liberia is a fragile state that in many ways is still emerging from two decades of devastating conflict and instability. An analysis of the challenges and opportunities facing Liberia reveals three pathways toward more robust and inclusive growth. The first is economic transformation through increased productivity across sectors. The second is social transformation through radical improvements in education and health outcomes, with particular attention to vulnerable groups. The third is institutional transformation through greater political stability and progressive improvements in administrative capacity and public service delivery. These three pathways are detailed in the following paragraphs, along with four complementary priority policy areas and 14 development policy interventions.

6.1 Prioritizing Constraints and Development Policy Interventions

128. **Liberia faces a diverse range of constraints, which reflect its political and institutional fragility, its poverty profile and growth performance, and its fiscal and macroeconomic vulnerability.** The priorities described in the following paragraphs were identified through a review of the available evidence and consultations with stakeholders in Liberia. The following criteria were used to evaluate the prospective impact of selected policy interventions on the Government's development objectives:

a. **Estimated impact on growth and poverty.** This criterion evaluates the impact of a policy action on the pace and inclusiveness of growth. Higher scores reflect interventions that are likely to both accelerate growth and reduce poverty.

b. **Feasibility.** This criterion reflects whether actions are realistically achievable given Liberia's political-economic dynamics, governance quality, administrative capacity, and institutional framework.

c. **Relative urgency.** This criterion identifies a prospective time frame in which actions could be implemented and assesses their short- and long-term impacts.

129. **The prioritization of constraints and policy actions followed a four-step process.** First, challenges were identified in terms of inclusiveness, economic growth, governance, fragility, and sustainability. Drawing on the available evidence, as well as input from the country team, a list of 16 broad policy actions was developed. Second, the list was vetted and ranked through in-depth consultations with internal and external stakeholders based on the

three criteria described earlier (see Annex 7). Third, the proposed actions were prioritized: 'first-order priorities' ranked high in at least two criteria; 'second-order priorities' ranked moderate in at least two criteria, and 'third-order priorities' ranked low in at least two criteria. This process identified four first-order priorities, seven second-order priorities, and five third-order priorities (Table 5). Finally, first- and second-order priorities were grouped according to four policy areas as discussed in Table 6. The identification of underlying constraints and policy interventions was also informed by a draft Risks and Resilience Assessment.[82]

130. **Policy actions designed to create a more enabling environment for agriculture, improve education quality and expand education access, and extend the reach of water, sanitation, and sewage services ranked high across all criteria.** Reviewing concession agreements and strengthening property rights, improving land administration and reinforcing land-tenure rights, and enhancing natural-resource management all ranked high in terms of urgency and anticipated impact on growth and poverty, but low in terms of feasibility. Enhancing institutional quality by strengthening accountability and transparency in the executive branch ranked moderate on all three criteria. While other reform ranked low, it should be noted that the prioritization exercise does not account for complementarities between actions. For example, although SOE reform ranked low on all criteria, it would contribute to reducing fiscal risks and strengthening fiscal sustainability, which is high-priority area. Leveraging these complementarities can magnify the impact of second- and third-order priorities.

131. **Most first- and second-order priorities are closely aligned with the pillars of Liberia's national strategic vision, *Liberia Rising 2030*.** The Government's objectives for economic transformation, human development, and good governance are especially consistent with the priorities outlined in Table 5.

Table 5: Prioritization of Constraints and Policy Actions

First-order priorities	*Second-order priorities*	*Third-order priorities*
Expand education access and enhance service quality: • Improve educational attainment and addressing the gender gap in educational outcomes. • Increase the adult literacy rate. • Reform educational curricula and training programs to build the necessary skills for a diversified economy.	Restore fiscal sustainability: • Introduce fiscal rules and build fiscal buffers. • Strengthen debt management.	Promote economies of agglomeration and support urban development.
Expand healthcare access and improve service quality: • Enhance the quality of basic health services. • Focus on child nutrition, disease prevention, and treatment. • Strengthen pandemic prevention and monitoring systems.	Increase expenditure efficiency and equity.	Review concession agreements and strengthen the protection of property rights.

82 World Bank, 2017.

Table 5: Prioritization of Constraints and Policy Actions

First-order priorities	*Second-order priorities*	*Third-order priorities*
Close infrastructure gaps: • Rehabilitate and expand physical infrastructure such as roads and ports. • Improve telecommunications networks. • Expand access to electricity, water, and sanitation services.	Improve land administration and strengthen tenure rights.	Reform SOEs.
Create an enabling environment for modern agriculture: • Train farmers in improved agricultural techniques. • Expand access to inputs, including seed, fertilizer, machinery, and financing. • Develop agro-processing value chains.	Improve natural-resource management.	Strengthen environmental protection and climate change adaptation policies.
	Increase targeted support to vulnerable groups.	Establish a more inclusive social contract to mitigate sociopolitical risks.
	Enhance institutional quality by strengthening accountability and transparency in the executive branch.	
	Improve financial inclusion: • Support the development of mobile banking. • Enhance credit access for SMEs.	

6.2 Policy Priorities for Growth and Development

132. **Liberia faces complex development challenges.** Transitioning to an economic model in which growth translates into broad-based development will require building human capital, boosting productivity, accelerating job creation, strengthening socioeconomic resilience, addressing governance constraints, and enhancing institutional quality. While these priorities are grouped under different policy areas, the complementarity between these efforts makes concerted action critical to consolidate progress.

Priority Policy Area A: Productivity-Driven Growth, Diversification and Jobs Creation

133. **Liberia lacks the institutional framework necessary to support a competitive, diverse, and inclusive formal sector.** The fiscal importance of the extractive industries, agricultural concessions, and other commodity

Table 6: Priority Policy Areas and Development Policy Interventions

	Priority Policy Areas			
	A. Productivity-driven Growth, Diversification, and Job Creation	***B. Human Capital Development***	***C. Prudent Economic Management and Building Resilience to Shocks***	***D. Cross-cutting. Addressing Governance Constraints and Building Institutions***
Development Policy Interventions	A1. Creating an enabling environment for agriculture A2. Closing infrastructure gaps A3. Improving land administration and strengthening tenure rights A4. Improving access to finance	B1. Expanding education access and improving service quality B2. Expanding healthcare access and improving service quality B3. Increasing targeted support to vulnerable groups, including youth B4. Addressing gender gaps	C1. Restoring fiscal sustainability C2. Improving the management of natural resources C3. Ensuring land tenure and land property rights C4. Strengthening regional cooperation and coordination	D1. Shared Vision and commitment D2. Administrative capacity and accountability

producers distracts the Government's attention from the country's vast, underdeveloped informal sector. Limited efforts to encourage formalization have particularly serious implications for women, who are more likely than men to rely on informal or vulnerable employment: 86 percent of employed women work in the informal sector, versus 34 percent of men, and 85 percent of employed women work in vulnerable jobs, versus 64 percent of men. Women are underrepresented in traditionally male-dominated sectors such as rubber production, where they comprise just 2 percent of the sector's 8,451 workers. Women are also concentrated at the lower end of the pay spectrum: 25 percent of women earn less than LRD 6,000 per month (approximately US$53), compared to 14 percent of men.[83] While the informal sector employs roughly 80 percent of the Liberian workforce, policy makers have made limited efforts to build the institutional and regulatory framework necessary for formalization. This framework includes an administratively simple, low-cost system for registering businesses, property, and employment status, along with mechanisms to implement regulations efficiently, protect property rights, enforce labor laws, and collect taxes. Without this framework, firms and workers may be more inclined to perceive the Government as a distant and occasionally intrusive force, rather than a guarantor of personal rights and custodian of the public interest.

134. **Robust productivity growth and diversification require an enabling business environment and an adequate supply of basic services and infrastructure.** An enabling business environment encourages entrepreneurship and facilitates the rise of new industries, while basic services and infrastructure are necessary to support more sophisticated productive activities and link individuals, households, and firms to markets for goods and labor. Even in the absence of formalization, the conduciveness of the business environment and the quality of infrastructure and services are key determinants of productivity. Measures to strengthen property rights and improve the business environment could have an especially positive impact on female workers and entrepreneurs, who tend to have less-secure access to property and land and less time (due to domestic tasks) to cope with burdensome business regulations. Poor households are especially dependent on public infrastructure and services, and their productivity is especially vulnerable to inadequate investment in public health, education, and social protection.

83 2014 HIES; ILO 2010.

135. **Infrastructure investment can also alleviate interregional disparities in wealth and poverty.** Regional poverty rates in Liberia are closely correlated with the distribution of basic infrastructure. The Government's diversification strategy should strive not merely to keep pace with urban growth, but also to spread infrastructure to regions outside of Monrovia by investing in projects with positive rates of return.

136. **The Government is attempting to expand the electricity supply to 35 percent of the population by 2030, beginning with the electrification of three major economic corridors, the implementation of a cross-border project, and the completion of the planned Côte d'Ivoire-Liberia-Sierra Leone-Guinea regional transmission line.** Donors have scaled up electrification projects targeting areas not currently connected to the grid. However, these projects face numerous challenges, including: (a) the weak institutional capacity of the Rural and Renewable Energy Agency and the limited budgetary resources available to finance capacity-building efforts or hire and retain qualified staff, and (b) the lack of an effective business model for sustainably operating small, isolated power systems in Liberia.

137. **Modern technologies have amplified the importance of telecommunications infrastructure.** High cellular penetration rates present opportunities to expand financial inclusion, but leveraging the power of cellular connectivity to support the growth of mobile banking requires overcoming important obstacles. Given the high costs of both cash- and branch-based banking in Liberia, agent banking, mobile banking, and other electronic tools have enormous potential to extend financial services—including deposits, lending, and transfers—to the country's large unbanked population. Liberia's two mobile-money providers currently offer agent banking in all 15 counties. However, the spread of more sophisticated mobile banking services remains limited due to weaknesses in connectivity, liquidity management challenges, and economic constraints. While new fiber optic cables have improved connectivity, the Government could catalyze the development of mobile-money systems and rapidly expand financial inclusion by leveraging recent investments in payment infrastructure to achieve interoperability between mobile-money accounts and traditional bank accounts. The authorities could also develop a mobile-microcredit regulatory framework to bolster the financial stability of mobile banking.

138. **Expanding access to finance, particularly among SMEs, will be critical to achieve productivity-driven growth and diversification.** Credit is currently concentrated in the trade sector, and access remains limited in other sectors such as agriculture. Long-term credit is generally unavailable, severely limiting investment opportunities. While low rates of credit access partly reflect demand-side issues such as a lack of bankable projects and low levels of workforce skills, financial intermediation could be enhanced by addressing systemic inefficiencies ranging from the lack of a robust credit-reference bureau to the absence of a modern insolvency law. In addition, Liberia's financial sector does not currently offer products such as factoring, leasing, and warehouse-receipt financing, which could support increased credit to the agriculture and manufacturing sectors.

139. **Modernizing Liberia's subsistence-focused agricultural sector will require investment in both human and physical capital.** Current levels of productive technology, inputs, infrastructure, and human capital offer very little scope to increase marginal output. To boost productivity and compete with foreign agricultural goods, Liberia must invest in the physical connectivity and technological innovations that drive modern agricultural production. Rehabilitating and expanding roads and other forms of transportation infrastructure would help link isolated producers to national and regional markets, expand access to improved inputs, promote technology transfer, and facilitate the provision of research and extension services. Investing in education would enable farmers to make

the best use of the new technologies and market opportunities offered by greater connectivity. Implementing a comprehensive strategy for transforming Liberian agriculture will require a sustained commitment by the Government, its development partners, and the private sector, as well as multistakeholder coordination during both the decision-making and implementation processes and cooperation in monitoring and evaluating the impact of the reform program.

140. **The productivity of female farmers is especially important.** Female farmers in SSA tend to be far less productive than their male counterparts, due largely to disparities in land-tenure security, reduced access to household labor, and lower returns from household labor.[84] In Liberia, only 10 percent of women own the land they cultivate, compared to 44 percent of men.[85] Because insecure land tenure reduces incentives to make productivity-enhancing investments in land,[86] efforts to strengthen tenure security have an especially positive impact on productivity among female farmers.[87] In addition, female-headed households in Liberia have an average of 3.7 members, compared to an average of 4.5 members for male-headed households. Consequently, female-headed households have less labor to draw on, and women in both male- and female-headed households typically bear a greater share of the domestic workload, which reduces their ability to supervise farm work. Formalizing land rights and incentivizing men to include their wives as co-owners on their land titles could have a positive impact on agricultural productivity,[88] as could efforts to provide women with greater access to credit to hire labor.[89]

141. **Policy makers can more effectively leverage concession-based agriculture to support productivity growth among smallholder farmers.** Foreign rubber firms have proven especially adept at developing new productive technologies, but their innovations are not effectively disseminated outside rubber concessions. Both in the rubber subsector and in other agricultural activities, more effective research and extension services will be vital to support the adoption of new technologies. Developing partnerships with regional and international non-governmental organizations can augment the Government's limited capacity to provide extension services and help overcome the obstacles posed by the small size of the domestic market.

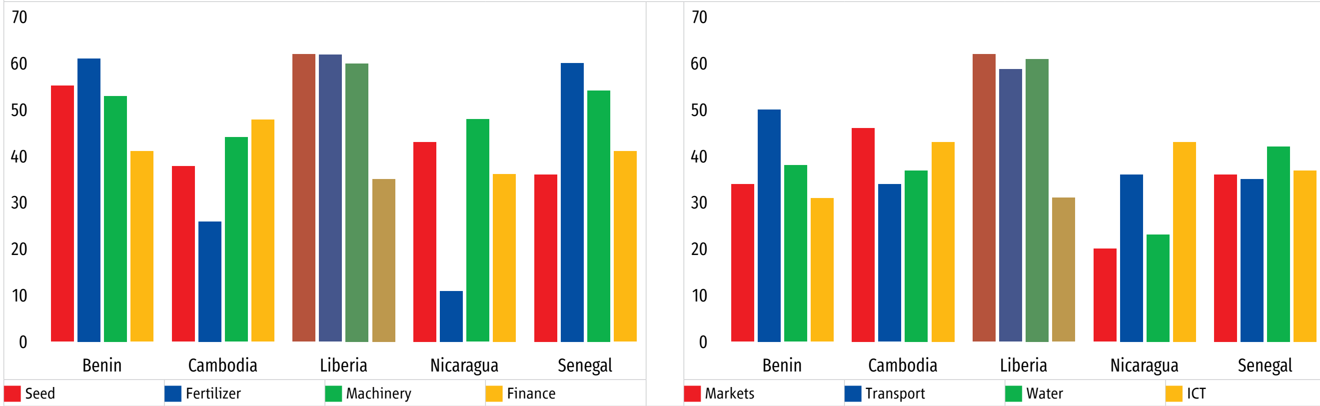
142. **Inclusive agricultural development will be critical to reinforce food security, accelerate poverty reduction, and preserve peace and stability.** The prospect of an ample livelihood in the agricultural sector can diminish incentives to resort to crime or engage in armed conflict. However, policy makers should not settle for the restoration of the prewar status quo, in which agricultural productivity was low outside plantation areas, extension services were rare, and value chains were short and restricted to export crops. The chronic underdevelopment of the agricultural sector directly contributed to the conflict, and policies that accelerate productivity and income growth among smallholder farmers can help consolidate peace and security.

143. **Liberia's agricultural sector suffers from an inhospitable business climate.** Access to seed, fertilizer, and machinery, as well as water, transportation infrastructure, and markets, is low by the standards of comparable countries (Figure 50). Addressing weaknesses in the business environment could improve agricultural productivity, which would accelerate poverty reduction and contribute to shared prosperity, with positive spillover effects on

84 World Bank and ONE, 2014.
85 World Bank, 2007.
86 Goldstein and Udry, 2008.
87 Ali *et al*., 2014.
88 Ali *et al*, 2014; Hasan *et al*, 2013.
89 Seidenfeld *et al.*, 2013.

health and education outcomes. Increased food production would also lessen Liberia's dependence on imports, improving food security and reducing external imbalances.

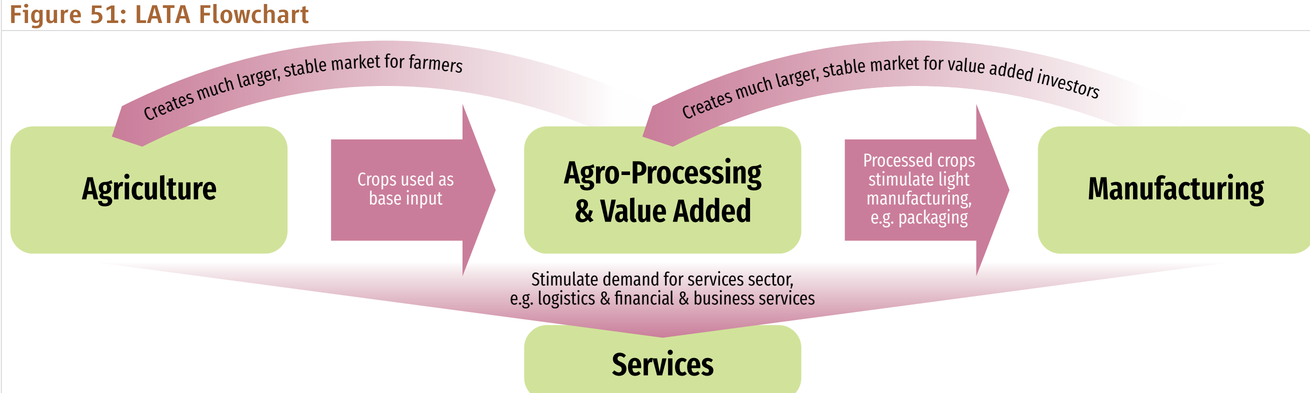
Figure 50: 'Enabling the Business of Agriculture' Index Scores, Liberia and Comparators, 2017



Source: World Bank Group 2017a.

144. **To address key challenges in the agricultural sector, the Government recently launched the Liberia Agricultural Transformation Agenda (LATA).** LATA's objective is to promote the development of agricultural value chains through increased private sector investment in the context of a more enabling business environment.[90] The LATA strategy explicitly links agricultural production to agro-processing and manufacturing, with services playing a key supporting role throughout the value chain (Figure 51).

Figure 51: LATA Flowchart



Source: Ministry of Agriculture of Liberia 2015.

Priority Policy Area B: Human Capital Development

145. **Improving the employment prospects of working-age Liberians will require building their human capital through a mix of health, education, worker training, and social protection policies.** Over the longer

90 Ministry of Agriculture of Liberia, 2015.

term, the content of education and training must evolve to suit the needs of a growing and diversifying economy. Improvements in education must be augmented by increased access to basic health services, especially in the areas of child malnutrition and childhood disease prevention and treatment, as poor health outcomes erode the productive capacity of the population. Investing in human capital is crucial to break the vicious cycle of intergenerational poverty, and an increasingly skilled workforce is a prerequisite for structural economic transformation. Improving health and education outcomes could empower citizens to demand greater efficiency and integrity in the public sector and ease the dependence of households on a small number of income earners.

146. **Public investment in human capital is not only essential to accelerate productivity growth, it also provides a concrete example of the state's commitment to the welfare of its citizens.** For this reason, the efficient provision of public education services is critical to consolidate political stability and encourage popular engagement in democratic processes. However, Liberia faces severe institutional capacity constraints that limit the supply of education and health services.

147. **The Ministry of Education lacks the ability to effectively coordinate the delivery of education services.** While its workforce has been streamlined, the ministry is still a complex bureaucracy with convoluted decision-making processes and limited administrative oversight. Other governance challenges in the education sector include substandard infrastructure, inadequate supplies, pervasive teacher absenteeism, and weak school governance.

148. **Improving the education level of the labor force is critical to reduce poverty in Liberia.** An analysis of household survey data across countries reveals a close correlation between educational attainment and income levels. While adequate data are not yet available, this correlation almost certainly holds for Liberia as well. Education is essential to accelerate productivity growth and encourage the adoption of modern production methods across all sectors, including agriculture.[91]

149. **The ever-increasing technological sophistication of the modern economy continues to raise the returns to education.** While education has always played a vital role in productivity, modern production processes in all economic sectors are increasingly technology-intensive. To compete against imports and succeed in foreign markets, Liberian firms will need greater access to workers with sophisticated skills. Even in traditional sectors such as farming, adopting new technologies can greatly increase marginal output, but workers require adequate knowledge to utilize new technologies effectively.

150. **Expanding apprenticeships and on-the-job training programs could benefit a large share of younger workers, particularly those from poor and vulnerable households.** Formal TVET services are limited and of generally low quality. However, informal TVET opportunities are relatively numerous and more accessible to young people from poorer households, who often lack the connections and financial resources necessary to access formal TVET programs. Young workers who have participated in informal apprenticeships and on-the-job training are also more likely to be gainfully employed. However, gender disparities are significant, financing arrangements do not always suit the interest of both trainees and training providers, and many informal programs cannot provide certification of the skills acquired.

91 Schultz 1964. "The man who farms as his forefathers did cannot produce much food no matter how rich the land or how hard he works. The farmer who has access to and knows how to use what science knows about soils, plants, animals and machines can produce an abundance of food though the land be poor."

151. **Large gender gaps in educational attainment and adult literacy are a major obstacle to inclusive growth.** While Liberia is approaching gender parity in primary enrollment, the female-to-male enrollment ratio drops from 0.92:1 in primary school to 0.78:1 in secondary school, and the female-to-male literacy ratio is just 0.33:1. Higher dropout rates among female students are driven by the cost of schooling in urban areas and by early marriage and/or childbearing in rural areas. Both factors may partly reflect economic considerations that have ossified into social norms, as households may perceive that investing in the education of girls generates lower returns than investing in the education of boys. Due to gender disparities in education, women have fewer, less stable, and less lucrative opportunities in the labor market, especially in urban areas.[92]

152. **Interventions that address household financial constraints can narrow the gender gap in educational outcomes.** Across SSA, conditional cash transfers have had a positive impact on female enrollment rates, early childbearing, and early marriage.[93] An impact evaluation of the Liberia Economic Empowerment of Adolescent Girls and Young Women Project (P110571) suggests that a combination of vocational and life-skills training can have significant impacts on economic empowerment among girls who have already dropped out of school and who are unlikely to return, as the program increased the earnings of participating girls by 80 percent. However, the design of such programs must reflect the time and cost constraints of participants—for example, by including a transportation allowance and/or free childcare.[94] Evidence from a similar program in Uganda indicates that this type of intervention can also have significant positive impacts on reproductive behavior. The program was found to have reduced teen pregnancy and early marriage or cohabitation among participants by 26 percent and 58 percent, respectively, and almost halved the percentage of girls who reported having sex against their will.[95]

153. **Liberia's legacy of conflict, displacement, gender-based violence, food insecurity, and inadequate health care may reduce the ability of much of the population to access new economic opportunities, even in a context of renewed stability and growth.** A substantial portion of the Liberian labor force has experienced severe physical and emotional trauma, which has inflicted lasting damage on their productive capacity. The experiences of other fragile states in SSA yield important lessons for providing effective social protection services in a postconflict environment, including the necessity of improving access to high-quality education and health care while narrowing gender disparities and addressing the needs of vulnerable groups.

154. **Over the long term, addressing the deficiencies of the education sector will require deep and sustained reform efforts, but in the short term, the Government can alleviate its capacity constraints by adopting innovative service-delivery models.** For example, in 2016 the Ministry of Education announced the establishment of the Partnership Schools for Liberia program, a public-private partnership that will enable private education providers to work directly with public primary schools in Liberia.[96] Further expanding the role of the private sector could enable the Government to overcome its limited institutional capacity and deliver high-quality education services to a larger share of the population.

92 See Annex 3.

93 Baird *et al.*, 2010 and 2012; Akresh et al., 2013.

94 Adoho *et al.*, 2014.

95 Bandiera *et al.*, 2014.

96 http://www.bridgeinternationalacademies.com/countries/liberia/.

155. **High rates of malnutrition reduce educational attainment.** Adequate nutrition, particularly in the first five years of a child's life, is vital to physical, social, and cognitive development. Adequate nutrition is fundamental to a child's readiness to learn and is linked to better educational and economic outcomes. Expanding nutrition interventions through Liberia's health, agriculture, and social protection services can greatly reduce the high stunting rate among Liberian children and magnify the positive impact of education programs.

156. **Enhancing access to reproductive and child health services will be crucial to realize a demographic dividend.** Liberia's changing population structure provides an opportunity to accelerate its demographic transition, which is necessary to harness a demographic dividend. The Government could achieve a sustained decrease in the fertility rate, a deep reduction in infant mortality, and an overall improvement in the health of the working-age population by expanding access to quality reproductive, maternal, and child-health services, with a focus on women, young children, and adolescent girls. Key areas include family planning, antenatal care, facility-based delivery, postnatal care, immunization, childhood disease prevention and management, and nutrition interventions for children under five and pregnant women.

157. **Expanding health care access and enhancing the quality of basic health services will require efficiency improvements in service delivery.** Policy makers must address deep and persistent deficits in medical supplies, equipment, infrastructure, and qualified health care workers, while increasing both the autonomy and accountability of health care providers and local health authorities. Liberia faces tight fiscal constraints, and maximizing the efficiency of health services will require fully leveraging the limited supply of domestic and external financing. The Government should accelerate the restructuring of the supply chain to reduce waste, prevent shortages, and optimize the distribution of trained health care workers. Going forward, adopting performance-based financing mechanisms, strategic purchasing arrangements, a harmonized approach to donor funding, and an empirical system to guide resource allocation would further improve the efficiency of the health sector.

158. **Investments in health and education are critical to poverty reduction, as poor households are the most reliant on labor income and the least able to cope with health shocks.** Most poor households have few physical assets, and the health of working-age members greatly influences household income. In this context, building human capital is crucial to breaking the vicious cycle of poverty. At the national level, structural economic transformation requires a workforce equipped with the necessary skills to meet the evolving demands of employers.

Priority Policy Area C: Prudent Economic Management and Building Resilience to Shocks

159. **Maintaining peace and political stability will be vital to Liberia's development.**[97] In addition to its terrible human toll, the country's descent into civil war inflicted an enormous economic cost. Because the domestic institutions remain weak, collaboration with regional bodies can help ensure security and consolidate the transition to a fully functioning multiparty democracy. Multilateral initiatives such as UNMIL and regional organizations like the Economic Community of West African States and its military component, the Economic Community of West African States Monitoring Group, were critical to the establishment and consolidation of peace after 2003. These organizations should continue to play a vital role in reinforcing Liberia's political and economic stability.

97 Favaro, 2008.

160. **Regional and international organizations can do much more than guarantee basic security.** For example, joining the Central Bank of West African States (*Banque Centrale des Etats de l'Afrique de l'Ouest*, BCEAO) could greatly enhance monetary stability.[98] Joining the West Africa Telecommunications Regulatory Agreement could alleviate the institutional burden of regulating the telecommunications sector. In addition, integration into a regional electricity grid could expand electricity access at a relatively low administrative cost. By joining regional organizations, Liberia could access high-quality public services without overwhelming the capacity of its domestic institutions. Membership in these organizations could also accelerate regulatory modernization and consolidate reforms.

161. **Prudent fiscal and monetary policies are critical to both mitigate external shocks and maintain peace and security.** Expenditure consolidation will be necessary to avoid a fiscal crisis, while measures to mobilize domestic resources and increase the efficiency and equity of public spending will be crucial to maintain medium-term fiscal sustainability. Building external buffers to mitigate shocks is especially important in the context of Liberia's highly dollarized economy.

162. **Adopting fiscal rules could help mitigate the budgetary impact of commodity-price changes.** Liberia's public revenues are highly sensitive to the output of the mining and concession-based agriculture sectors. Changes in the prices of export commodities affect government revenues directly through the taxes and royalties paid by mining firms and agricultural concessionaires[99] and indirectly through the spillover effects of commodity production and exports on the domestic economy. While commodity producers import most of their inputs, the growth of the mining and concession-based agriculture sectors has a significant impact on construction and non-tradable services. While stabilizing revenue inflows would require sophisticated financial mechanisms (for example, a sovereign wealth fund), the Government could smooth expenditure volatility by establishing relatively simple fiscal rules. To date, over 90 countries have adopted fiscal rules to alleviate expenditure pressures during economic expansions and avoid unsustainable deficits during subsequent downturns.[100]

163. **Land rights and tenure security are among the most sensitive and important policy issues facing Liberia, with major implications for consolidating peace and fostering sustainable, broad-based growth.** Land policy involves a complex set of issues related to mining and agricultural concessions. In 2009, the Government established a Land Commission with a mandate to propose, advocate, and coordinate reforms to land policies, laws, and programs. In 2013, the authorities adopted a Policy Framework for Land Tenure Reform, which clarifies rights to communal land, government land, customary land, and private land. The Government also drafted a Land Rights Act, which has been pending legislative approval since 2014. The act is opposed by vested interests, including investors who have leveraged insecure land rights to acquire plantations and forestry operations. Meanwhile, the legislature approved the establishment of the Liberia Land Authority, which will be responsible for land management. However, land management in Liberia is inherently complicated due to the necessity of coordinating the numerous ministries and agencies involved, which include the Ministries of Lands, Mines and Energy, Agriculture, Internal Affairs, Public Works, and Justice, as well as the Environmental Protection Agency and the Forestry Development Authority, plus a wide range of stakeholders in the private sector, local

98 While most BCEAO member states are former French colonies, Guinea-Bissau, a former Portuguese colony, is also a member. The admission of Liberia, another country with no French colonial history, would not be unprecedented.

99 Changes in concession activity may also affect wages paid to local workers to some degree, though the fiscal impact of this dynamic is likely very modest.

100 http://www.imf.org/external/datamapper/fiscalrules/map/map.htm.

governments, and communities. Effective coordination and cooperation is vital to ensure the peaceful resolution of conflicting claims to land.

164. **Natural resource management will largely determine whether Liberia's natural wealth becomes a source of economic dynamism or a driver of conflict.** Unresolved disputes over natural resources and land contribute to ongoing social and economic tensions.[101] Projects that exploit natural resources are inherently disruptive to local populations and may negatively affect livelihoods, traditional cultures, and community governance. Resource revenues are also volatile, and their returns tend to be narrowly distributed. Recognizing the challenges and the opportunities presented by the resource sector, investors, communities, and the Government are experimenting with new arrangements designed to increase equity and promote shared prosperity. Citizen engagement is vital to these efforts, as are the institutions and procedures through which the Government, investors, and local communities advance their respective interests and negotiate a joint approach to resource management. The impact of climate change could further intensify conflicts over resources, and the socioeconomic implications of changing climatic conditions must be closely monitored.[102]

165. **Regional integration will be essential to prevent and contain future pandemics and strengthen the resilience of the health care system.** Liberia is highly vulnerable to epidemic disease, as evidenced by both the devastating Ebola outbreak and a more recent meningitis outbreak in Sinoe county. Well-coordinated regional disease surveillance and laboratory systems are necessary to manage the risk of pandemics and decrease cross-border transmission. To complement regional coordination, Liberia can leverage the ongoing Community Health Assistants Program to strengthen the ability of community health systems to disseminate information, collect basic statistics, monitor community health indicators, and report their findings to national authorities.

Priority Policy Area D: Addressing Governance Constraints and Building Institutions

166. **The 2017 World Development Report identified commitment, coordination, and cooperation as the three core elements necessary to ensure that policy reforms yield the desired development outcomes.** In Liberia, achieving the Government's development goals will require that institutions (a) make a strong commitment to economic reforms; (b) improve the coordination of investment decisions and market expectations while enhancing the overall investment climate and increasing market contestability; and (c) increase cooperation between various stakeholders to advance a shared vision and strengthen public ownership of the reform process. These elements combine to form a virtuous cycle: as commitment is strengthened and coordination failures are overcome, economic growth and social development increase demand for greater cooperation between stakeholders. While reforms to the institutional and legal framework are important, they must be accompanied by public outreach and empowerment to enable citizens to more effectively promote Government accountability. The simultaneous evolution of political and economic institutions reinforces this cycle.

167. **Maintaining political and economic stability while creating a foundation for inclusive development requires a government that is committed to the national interest, credible in the eyes of the public, and**

101 World Bank, 2013.

102 http://unfccc.int/resource/docs/natc/lbrnc1.pdf.

capable of effectively implementing sound policies.[103] Investing in public goods and services can demonstrate the Government's commitment to the national interest. Implementing the revenue measures necessary to finance investment while managing trade-offs between competing priorities requires credibility, which can be developed through greater public sector transparency and accountability. Administrative capacity building is vital to operationalize the Government's commitment and leverage its credibility to effect positive change.

168. **Close coordination between the Government and its international partners will be essential to build the capacity of the public administration.** Extensive technical assistance will be necessary to modernize the public sector (Box 4). To effectively leverage external support to build more robust and efficient public institutions,

Box 4: Implementation Capacity

"*They voted for you because they had confidence in your ability to deliver immediately. Only you cannot. Not because of the lack of financial resources, but simply because the capacity to implement whatever change you have in mind does not exist*." - President Ellen Johnson Sirleaf of Liberia, 2013

The limited institutional capacity of the public sector is a major cross-cutting constraint that affects almost every aspect of Liberia's development. Much of the civil service is neither trained nor equipped to execute its core functions, and consultations with stakeholders indicate the importance of improving administrative capacity at both the central and local levels. As the decentralization process continues, the challenge of building local capacity in areas such as education and health will become increasingly pressing. Given Liberia's persistent fragility, capacity-building efforts must prioritize government functions that consolidate economic and social stability. Since the end of the war, the government and its cooperating partners have implemented three types of capacity-building initiative in the Liberian public sector:

- **High level, immediate capacity relief:** In these short-term programs, donors hire expatriate consultants to temporarily fill specific roles in the public sector. The Governance and Economic Management Assistance Program (GEMAP) and the Liberia Emergency Capacity Building Support (LECBS) Project (P143064) both recruited technical staff to provide financial and procurement management expertise in various SOEs, revenue agencies, and public-sector management institutions.
- **Mid-level, short-term capacity building:** These initiatives hire both expatriates and Liberian nationals on short-term contracts to provide mid-level managerial and technical skills and build capacity in the civil service. Examples include the hiring of 100 professionals by the Senior Executive Service (SES) to alleviate the staff shortage in the civil service, the Transfer of Knowledge through Expatriate Nationals (TOKTEN) program, which funded the recruitment of 77 local and expatriate professionals on contracts of 6–18 months; and UNMIL's deployment of local and expatriate Civil Affairs Officers.
- **Mid-level, long-term capacity building.** These initiatives leverage public training institutions to permanently improve the capacity of the civil service. For example, the Financial Management Training School is a World Bank-funded training institute that admits 30 graduate students every year for a two-year Master's program in accounting and financial management. Graduates are immediately hired by the Ministry of Finance. Another example is the Strengthening Liberia Institute of Public Administration, a World Bank-funded program aimed at developing procurement capacity in Liberia's public sector.

Source: World Bank, 2017b.

103 Commission on Growth and Development, 2008.

the Government will need to establish a shared vision for the reform agenda, one that incorporates the interests and aspirations of a wide range of stakeholders in the public sector, the private sector, and civil society.

169. **Maintaining political and economic stability will also require a sustained commitment to inclusive, participatory decision making and the cultivation of strong democratic norms.** Liberia's ongoing political-economic tensions reflect an unfinished process of state formation, in which individuals and groups continue to negotiate their integration into the polity and their relationship to state authority. Administrative decentralization can facilitate this process by rebalancing power relations and creating multiple nodes of contestation. Constructing a shared narrative that reifies the legitimacy of legal authority is the core element of state formation, and efforts to expand public outreach and empower citizens to play an active role in public oversight and accountability can support this process. The key challenge is to build both political and economic institutions in tandem.

170. **The design and implementation of institutional reforms must account for the role of historical factors in both perpetuating state fragility and creating opportunities to overcome it.** In Liberia, unresolved conflicts over access to land and natural resources continue to threaten political stability and economic growth.[104] The Government has promulgated numerous policy statements recognizing the need for a common national vision backed by values and institutions that can resolve conflicts peacefully. The challenge is to develop this shared vision and establish it as the foundation for a renewed social contract.

171. **A shared vision is essential to ensure that rival interests have a common stake in the future of the country, collaborative problem-solving prevails over zero-sum competition, and economic development is a broad and inclusive process of wealth creation rather than a struggle for control of existing resources.** A 2014 survey found that most Liberians believe the country is headed in the right direction—an encouraging sign that popular confidence in the state's ability to provide peace, security, and the conditions for prosperity is rising. However, sustaining confidence in the power of public institutions as a forum for collective action will require continuous efforts to reinforce the legitimacy of the Government and demonstrate its commitment to inclusive development. Moreover, increased public optimism is driven in part by Liberia's return to relative peace and stability, and as the conflict fades further into the past, Liberians will demand more from their Government than basic security. In this context, social, political, and economic exclusion; a lack of accountability; and inadequate administrative capacity could swiftly undermine confidence in the state and its ability to foster a just society.

104 World Bank, 2013c.

7 Data and Knowledge Gaps

172. **Addressing key data and knowledge gaps could facilitate evidence-based policy making in Liberia.** The analysis presented in this SCD is based primarily on data from the Demographic and Health Survey (DHS), the HIES, the Doing Business Surveys (DBSs), and the WDI. Annex 4 provides a detailed overview of data quality and availability in Liberia.

173. **Poverty and employment data.** The lack of reliable poverty and employment data presented a serious challenge during the preparation of the SCD as the 2016 HIES was not available for the team at the time of the SCD preparation. The latest available HIES for the analysis covers only the first six months of 2014, as the Ebola outbreak caused the survey to be suspended. The latest labor-force survey was conducted in 2010. None of these surveys is representative at a lower geographical level than Monrovia, other urban areas, and rural areas, which reduced the ability of the analysis to identify specific local issues, opportunities, and constraints.

174. **Remittances data.** Empirical evidence suggests that remittances represent an important source of income for many fragile and conflict-affected households, often serving as insurance against income shocks and helping to mitigate vulnerability. The available data indicate that Liberia is one of the most remittance-dependent countries in the world. However, the quality of remittances data is poor. There is no information on domestic or external remittances at the household level. No information is available on the use of remittances or their impact on poverty. A special survey could help fill this gap.

175. **Private sector data.** Productivity growth and economic diversification will be critical to accelerate poverty reduction and promote shared prosperity in Liberia. Understanding this process will require more detailed data on the private sector. However, the latest industrial census dates from 2013, and the Government collects no other firm-level data. A more detailed analysis will require information on the size and composition of the manufacturing and service sectors, as well as firm-level financing mechanisms.

176. **Knowledge gaps.** Consultations with government officials, development partners, civil-society organizations, think tanks, and citizens revealed a broad consensus regarding the challenges facing Liberia as it strives to alleviate poverty and promote shared prosperity. However, more knowledge is required in several key areas. Priorities for further study by the Government, development partners, researchers, and academic institutions include the following:

a. **Constraints on the productivity of firms, including commercial farms and smallholders.** A new Enterprise Survey was launched in June 2017, and this effort should be augmented by additional firm-level surveys. A better understanding of the challenges facing Liberian firms, including commercial farmers and farming households, could inform a more effective economic policy agenda. For example, a detailed decomposition of the factors that contribute to gender gaps in agricultural productivity could enable policymakers to design better interventions by isolating the relative importance of differences in access to inputs and returns to inputs.[105]

b. **Political economy and governance.** More information will be required to design effective policies to (i) strengthen public administrative capacity, (ii) increase coordination across Government institutions, (iii) accelerate land reforms, (iv) manage SOEs and control the associated fiscal risks, and (v) remove barriers to market entry and encourage competition in various economic sectors.

c. **Diversification.** The World Bank's 1975 Economic Report on Liberia identified 'the need to diversify the economy' as the main challenge to Liberia's development. Forty-two years later, reports by both the Government and its development partners continue to highlight diversification as a key issue requiring in-depth analysis. Diversification is a prerequisite for achieving sustainable and inclusive growth, and evaluating the impact of policies, institutions, economic incentives, and constraints on the growth of nontraditional sectors will be essential to develop an effective reform program.

d. **The strategic orientation, efficiency, and equity of public spending.** Improving expenditure efficiency will require a more detailed analysis of public spending, both in total and by sector. Liberia's most recent Public Expenditure Review is limited in scope and outdated. A new Programmatic Public Finance Review has been proposed to update and deepen the analysis of both expenditure and revenue dynamics using recently collected BOOST data, among others.

e. **Climate change vulnerability and resilience.** Climate change can undermine growth and poverty reduction through its effects on agriculture, coastal erosion, infrastructure, public health, natural resources, and other factors. Socioeconomic status, gender, power, and access to resources greatly influence individual and household-level vulnerability to the effects of climate change. A detailed analysis of the economic and social implications of climate change, including an assessment of geographic risks and the role of gender in vulnerability and resilience, would provide the basis for an effective national climate change adaptation strategy. In addition, further study will be needed to estimate the cost of implementing Liberia's Nationally Determined Contribution under the Paris Climate Accord.

105 Such an exercise could be modelled on the analyses of six Sub-Saharan African countries summarized in the World Bank's 2014 'Leveling the Field' report.

Annex 1: Data Sources and Poverty Estimations

Three data sets were used to estimate the welfare measures. The Liberia 2007 survey was the first in 14 years due to the civil strife that ended in 2003. The overall objective for conducting the Core Welfare Indicators Questionnaire (CWIQ) survey was to provide information that would enable the preparation of a poverty profile as a baseline for the first (2008) Poverty Reduction Strategy Paper. The 2007 survey included a module on household expenditure. On the other hand, the second CWIQ (2010) contains basic information for the enumerated households in the country but does not include expenditure or income information. The 2014 HIES is a nationally representative survey, designed to provide estimates at the national level for both urban and rural areas. The main objective of the survey is to provide household consumption data that will be used to update the market basket and weights for the Consumer Price Index (CPI), develop a national accounts benchmark, and update poverty numbers as well as provide baseline socioeconomic indicators for the Government's five-year plan, the Agenda for Transformation (AfT). However, the 2014 HIES data were collected over five months when fieldwork was halted by the outbreak of the Ebola Virus Disease. By then, approximately 50 percent of the sample had been collected.

The challenge, therefore, for the Liberia SCD is to estimate poverty trends with data that are not comparable and somehow incomplete. In this context, we estimate consumption-based welfare (poverty and inequality) measures for Liberia at the county and region levels as well as rural-urban level using survey-to-survey imputation. The estimation procedure follows the methodology derived from the work of Elbers, Lanjouw, and Lanjouw 2003). It involves using an econometric model based on data from the benchmark survey—in this case the 2014 HIES survey—to assign a welfare indicator to the previous 2010 and 2007 CWIQ surveys. The new welfare indicator is then used to determine poverty trends in place of the consumption aggregate obtained directly from the survey. The process involves three phases:

- The first is to establish a set of variables common to all three surveys and bearing the same definition. The potential independent variables include geographic location (rural/urban location, region, and so on); demographic characteristics of the household and its head (household size, number of rooms per person in the house, gender and marital status of household head, and so on); household human capital (education levels, employment status, formal/informal sector, and so on); and housing quality (electricity, running water, and so on).

- The second step builds a basic model for the 2014 HIES. It is a regression for log per adult equivalent consumption with independent variables common to all three surveys on the right-hand side. To define a parsimonious model, variables are included group by group and then tested.

- The third step is to validate the model and predict the welfare indicator.

The imputation is done in Stata using the 'multiple imputation' commands with the predictive means matching options, which performs well. Given that the annual consumption imputed for 2007 and 2010 is done in 2014 Liberian dollars (LRD), we use the 2014 national poverty line of LRD 62,963 per adult equivalent (AE) per year throughout the estimations. The food poverty line is LRD 35,888.

Annex 2: Benchmarking: Selection Process for Country Comparators

To select the country comparators, countries were first filtered according to the following structural criteria. The initial filters resulted in eight SSA and two non-SSA country comparators. To increase the number of non-SSA country comparators, the threshold for commodity exports was lowered from 20 percent to 10 percent of total exports, which resulted in one additional non-SSA country (Cambodia) to enter the list of comparators.

Selection criteria for country comparators:

- GNI per capita (World Bank Atlas Method) < US$2,000
- 1 million < country population < 20 million
- Non-landlocked
- Commodity exporters (countries with share of commodity exports greater or equal to 10% of total exports)

Income Level		GNI per Capita (Atlas Method)	Region	Population (million)	Landlocked	Commodity Exporter
Liberia	Low income	373.3	Sub-Saharan Africa	4.20	No	Yes
Guinea	Low income	463.3	Sub-Saharan Africa	12.04	No	Yes
Gambia, The	Low income	480.0	Sub-Saharan Africa	1.93	No	Yes
Togo	Low income	530.0	Sub-Saharan Africa	7.12	No	Yes
Guinea-Bissau	Low income	593.3	Sub-Saharan Africa	1.74	No	Yes
Sierra Leone	Low income	710.0	Sub-Saharan Africa	6.23	No	Yes
Benin	Low income	870.0	Sub-Saharan Africa	10.59	No	Yes
Senegal	Low income	1,026.7	Sub-Saharan Africa	14.54	No	Yes
Mauritania	Lower-middle income	1,395.0	Sub-Saharan Africa	3.62	No	Yes
Nicaragua	Lower-middle income	1,866.7	Latin America and the Caribbean	6.20	No	Yes
Timor-Leste	Lower-middle income	1,920.0	East Asia and the Pacific	15.31	No	Yes
Cambodia	Lower-middle income	1,070.0	East Asia and the Pacific	1.15	No	No
SSA Average	-	2,259.0	-	20.00	-	-
LIC Average	-	623.8	-	20.00	-	-
LMIC Average	-	2,504.5	-	58.00	-	-

Source: Find My Friends tool.
Note: LIC = Low-income country; LMIC = Lower-middle-income country.

Annex 3: Gender Constraints to Poverty Reduction in Liberia

The ability to work productively is one of the main assets of the poor, and education, especially from the secondary level up, appears to have a sizeable impact on poverty. Therefore, large gender gaps in adult literacy and access to education are a concern for Liberia. The ratio of female-to-male literacy rates is just 33 percent. Women drop out of education earlier than men due to cost (especially urban areas) and early marriage/childbearing (especially rural areas). Between primary and secondary school, as girls reach adolescence, the female-to-male enrollment rate drops from 92 percent to 78 percent.

Partly because of their lower access to education and likelihood of early marriage/childbearing, women have fewer, less-stable, and less-remunerated opportunities in the labor market, especially in urban areas. This is significant because the urban poor in Liberia are those without wage employment. Women, compared to men, are more likely to be in informal (86 percent versus 34 percent, respectively) or vulnerable work (85 percent versus 64 percent); are very poorly represented in traditionally male-dominated sectors, such as rubber (2 percent of 8,451 employees); and occupy the lower end of the pay spectrum—25 percent earn less than LRD 6,000, versus 14 percent of men (2014 HIES; ILO 2010). Female youth employment is especially high (41 percent versus 28 percent for male youth). Evidence from an impact evaluation of the Liberia Economic Empowerment of Adolescent Girls and Young Women Project suggests that combined vocational and life-skills training can have significant impacts if designed in a way that responds to girls' time and cost constraints (transport allowance and free childcare): earnings of participating girls increase by 80 percent (Adoho et al. 2014).

In rural areas, high fertility rates impede per capita impacts of economic growth, and discriminatory customs undermine women's access to certain productive assets, including land, likely impeding their agricultural productivity and their ability to contribute to their households' welfare. Given rural households' lack of self-sufficiency in food production, and as agriculture employs half the workforce, including the poorest, gender gaps in agricultural productivity have direct consequences for the achievement of poverty reduction. While detailed analysis of yields by gender is missing for Liberia, the World Bank research highlights large gender productivity gaps in six African countries, ranging from 24 percent in Ethiopia to 66 percent in Niger (World Bank and ONE 2014). Only 10 percent of Liberian women own the land they cultivate, compared with 44 percent of men (World Bank 2007). This is important because we have strong evidence that less-secure land tenure reduces the incentives for making productivity-enhancing investments in land (Goldstein and Udry 2008). Ensuring that women are not disadvantaged in terms of land access may be particularly important in Liberia, given that 50 percent of land has been leased or promised to foreign investors—in neighboring Sierra Leone, for example, Addax Bioenergy leased land from 51 villages; yet, only one out of 153 land owners' representatives who liaised with the company was a woman. Looking at labor, female-headed households in Liberia have an average of 3.7 members compared to 4.5 members for male-headed households. This means women in female-headed households may have less labor to draw upon, and women in both male- and female-headed households may have less time to effectively supervise farm labor due to their greater domestic work burden.

A weak health care system, with high maternal mortality (see Chapter 2), and high rates of gender-based violence serve to further undermine women's ability to work productively. As with many postconflict countries, Liberia has very high rates of gender-based violence: around 29 percent of Liberian women report experiencing violence in the last 12 months, with most victims citing a current or former husband/partner as the perpetrator (DHS 2007).

Given the lack of trained judicial and law enforcement staff, it is not surprising that women do not have confidence in the justice system: a study in northern Liberia found that only 1 percent of victims seek legal redress, while 35 percent respond to violence by 'obeying their husband' and 16 percent by 'involving family/community' (Allen and Devitt 2012). Impact evaluation evidence suggests that cognitive processing therapy can be an effective way to rehabilitate survivors of violence and can be implemented in settings where there are few mental health professionals (Bass et al. 2013). FGM is also common in Liberia, with 60 percent of women having undergone the procedure, mostly within the 'bush schools' for girls known as 'sande'.

The legacy of violence associated with the civil war also has serious impacts on men and their ability to function as productive and peaceful members of society, especially given the current lack of economic opportunities. Impact evaluation evidence from Liberia shows that US$200 cash grants combined with Cognitive Behavioral Therapy reduced men's participation in violence and crime for at least a year (Blattman, Jamison, and Sheridan 2015). Engaging men will also be important in projects aimed at improving women's empowerment; otherwise, men could feel their social status is being undermined, which evidence suggests could result in an increase in intimate partner violence.

Annex 4: Selected Economic and Financial Indicators, 2013–2020

	2013	2014	2015	2016	2017	2018	2019	2020
	Act.	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.
Annual percentage change unless otherwise indicated								
GDP and Price								
Real GDP	8.7	0.7	0.0	-1.6	2.5	3.2	4.7	4.8
Real GDP excluding mining sector	7.6	0.3	2.6	2.5	0.2	1.1	3.7	4.4
Nominal non-mining per capita GDP (U.S. dollars)	404	438	452	463	441	429	443	468
Nominal GDP (millions of U.S. dollars)	1,854	2,012	2,038	2,101	2,115	2,125	2,246	2,438
Consumer prices (annual average)	7.6	9.9	7.7	8.8	11.9	11.4	10.5	9.5
Percent of GDP, fiscal year								
Central government operations[1]								
Total revenue and grants	29.9	27.4	32.4	31.4	29.3	29.5	27.4	27.3
Total revenue	27.2	19.2	22.4	21.8	22.3	22.8	24.3	22.8
Grants, including Ebola-related support	2.5	3.9	10.0	9.6	7.0	6.7	3.1	2.1
Total expenditure and net lending	31.5	29.3	42.2	35.6	36.8	35.4	32.4	31.2
Current expenditure	26.6	24.3	32.4	27.8	27.4	26.9	25.3	23.0
Capital expenditure	4.9	5.0	8.8	7.8	9.3	8.4	7.1	8.2
Overall fiscal balance, including grants	-1.6	-1.9	-9.8	-4.2	-7.4	-5.9	-5.0	-3.9
Overall fiscal balance, excluding grants	-4.0	-5.8	-19.8	-13.8	-16.6	-12.6	-8.1	-6.0
Public external debt	9.6	13.2	22.8	28.0	35.3	40.1	44.4	45.6
Central government domestic debt	16.7	15.1	15.1	13.0	15.4	15.4	12.4	10.7
Percent, unless otherwise indicated								
M2/GDP	34.8	34.6	34.8	32.2	31.0	31.3	31.5	32.6
Credit to private sector (percent of GDP)	18.3	18.8	20.1	20.3	22.4	24.6	25.9	26.3
Credit to private sector (annual percent change)	28.7	5.6	8.1	4.5	10.7	10.2	11.6	10.1
Percent of GDP, unless otherwise indicated								
External sector								
Current account balance								
including grants	-28.5	-32.5	-35.4	-24.6	-26.1	-30.1	-25.7	-24.3
excluding grants	-77.5	-95.1	-85.4	-71.9	-66.9	-62.1	-53.5	-50.3
Trade balance	-23.5	-37.0	-45.1	-31.2	-28.6	-26.1	-23.5	-20.9
Exports	28.5	24.0	12.5	11.3	12.7	15.4	16.4	17.1
Imports	-52.0	-61.0	-57.6	-42.5	-41.3	-41.6	-40.0	-37.9
Grants (donor transferts, net)	49.2	62.6	50.1	47.3	40.8	32.0	27.8	26.0
Gross official reserves (millions of U.S. dollars)	393.1	411	446	452	426	476	488	509
Months of imports of goods and services[2]	2.8	2.4	3.0	2.9	2.7	3.2	3.2	3.3
CBL's net foreign exchange position[3]	237	179	164	167	149	180	196	246

Sources: Liberian authorities; and IMF staff estimates and projections

1 Including major off-budget items, such as Mt. Coffee project. Fiscal data and projections refer to fiscal year (July–June).

2 In months of next year's imports excluding imports related to UNMIL operations and FDI projects such as iron-core concessions.

3 Net foreign exchange position is evaluated at the program exchange rates, instead of the current market exchange rates, and therefore, valuation adjustments are shown separately.

Annex 5: Economic Growth Decomposition

Examining the sources of income growth in a country like Liberia coming out of a civil war where economic activity had been brought to a minimum poses huge challenges. The first challenge is in the measurement of human and physical capital; the second challenge is distinguishing between changes in TFP and changes in capacity utilization.

The rest of this annex makes explicit the observational equivalence between changes in TFP and in capacity utilization in the context of a Cobb-Douglas production function.

Using a Cobb-Douglas production function:

$$Y/N=A[(1-v)K]^{\alpha}\,[(1-u)L]^{1-\alpha}\,N^{-1},$$

where
N = Population
Y = GDP
A = TFP
$(1-v)$ = Capacity utilization
u = Rate of unemployment
K = Physical capital endowment
L = Labor force

The equation can be rewritten as

$$Y=A[(1-v)^{\alpha}/(1-u)^{\alpha}][L/N][K/L]^{\alpha}.$$

GDP per capita varies with the change in TFP, the change in capacity utilization and unemployment, labor force participation and the capital/labor ratio. If we further assume $u = v$, this simplifies to:

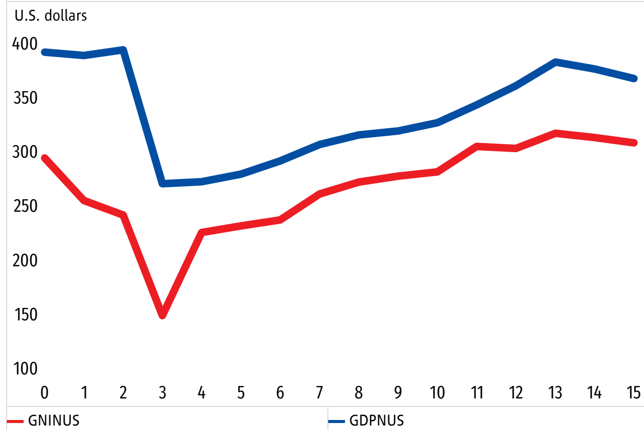
$$Y=A(1-u)[L/N][K/L]^{\alpha}.$$

This simplified formula starkly shows the huge impact of changes in capacity utilization and the inherent difficulty of distinguishing between the contribution of TFP and the contribution of changes in capacity utilization in explaining the rate of growth.

Annex 6: Distinguishing between GDP and GNI in Liberia

From 2004 to 2015, per capita GDP exceeded, on average, per capita GNI by 18.3 percent (Figure A6.1). The gap between the two concepts reflects income accrued to nonresident-owned capital investments in Liberia.

Figure A6.1: Per Capita GNI (GNINUS) and per Capita GDP (GDPNUS)



Source: WDI.

Equation (1) describes the relationship between GNI (Y_t) and GDP ($F(K_t, L_t)$). The main reason for the difference between GNI and GDP in Liberia is the remuneration of capital owned by nonresidents (in the equation this income appears as the product of the marginal productivity of capital ($F_K (K_t, L_t)$) times the stock of capital owned by non-residents (K_t^F). Equation (2) says that the total capital stock is the sum of the part owned by residents (K_t^D) and that owned by nonresidents (K_t^F).

$$Y_t = F(K_t, L_t) - (1-\tau)*F_K (K_t, L_t)*K_t^F \quad (1)$$

$$K_t = K_t^F + K_t^D \quad (2)$$

where
Y_t = GNI
K_t = The stock of capital in the economy
K_t^F = Capital owned by nonresidents
K_t^D = Capital owned by residents
L_t = The labor force
τ = The tax rate on capital income
$F(K_t, L_t)$ = GDP
$F_K (K_t, L_t)$ = The marginal productivity of capital

The value added by a nonresident investment equals the amount paid in wages and salaries in the sector plus the value of intermediate inputs sourced from the rest of the Liberian economy, plus taxes and royalties paid to the Government.

Annex 7: Prioritization of Constraints and Development Policy Interventions - Step 2

	Development Policy Intervention	*Impact on Poverty and Shared Prosperity*	*Political Feasibility*	*Urgency*
1	Expanding education access and improving service quality	First	First	First
2	Expanding healthcare access and improving service quality	Second	First	First
3	Upgrading electricity, water, and sanitation systems	First	First	First
4	Reforming SOEs	Third	Third	Third
5	Creating an enabling environment for modern agriculture	First	First	First
6	Closing infrastructure gaps	First	First	First
7	Promoting agglomeration and urban development	Third	Second	Third
8	Restoring fiscal sustainability	Second	Second	First
9	Increasing expenditure efficiency and equity	First	Second	Second
10	Reviewing concessions and strengthening the protection of property rights	Third	Third	Second
11	Improving land administration and strengthening tenure rights	Second	Third	Second
12	Improving the management of natural resources	Second	Third	Second
13	Establishing a more inclusive social contract to mitigate risks	Third	Third	Third
14	Enhancing institutional quality by strengthening the accountability and transparency of the executive	Second	Second	Second
15	Increasing targeted support to vulnerable groups	Second	Second	Second
16	Improving financial inclusion	Second	Second	Third
17	Strengthening environmental protection and climate-change adaptation	Third	Third	Third

Source: SCD team based on available evidence and in-depth consultations.
Note: A ranking of 'First' indicates constraints and corresponding policy interventions that were in the top 5 in any given criterion. Conversely, a ranking of 'Third' indicates constraints and policy interventions collectively ranked in the bottom 5.

Annex 8: Data Diagnostics for Liberia

Country: LIBERIA______________________________ Date: __MARCH 23, 2017

Section 1: General Information about the Statistical System	
Legal status of NSO	**Statistics Act of Liberia**
Statistical Legislation (latest)	**2008**
NSDS/Statistical masterplan	**NSDS II - 2014–2018**

Section 2: Micro data						
Type of Census/Survey	*Latest (Year)*	*Second Latest (Year)*	*Representativeness (national, regional, urban/rural)*	*Data Accessibility (Open Access/with Permission/No Access)*	*Optional Disaggregation (Y/N)*	
					Sex	*Regional*
Censuses						
Population census	2008	1984	National/regional and urban/rural	Published	Y	Y
Agriculture census	1995	n.a.		Published	Y	Y
Business/establishment census	2013	2008				
Surveys						
Household Survey on income/consumption[106]	2016	2014	National/regional and urban/rural	2014 Published. Data analysis for 2016 ongoing	Y	Y
Household survey on education (for example, MICS)	2013	n.a.	National/regional and urban/rural			
Household survey on health (for example, DHS and MICS)	2012	2007	National/regional and urban/rural	Published	Y	Y
Labor force survey (household survey focusing exclusively on labor indicators)	2010	2007	National	Published	Y	Y
Business/establishment survey						
Other (CWIQ)	2010	2007	National/regional and urban/rural	Published	Y	Y
Note: MIC = Middle-income country.						

106 All household surveys since 2000 listed in Country Profiles.

Section 3: Macro data				
Does the country subscribe to the IMF SDDS or participate in the eGDDS? n.a.	*(SDDS/eGDDS/Neither)*			
If eGDDS - eGDDS Data Category	*Periodicity*		*Timeliness*	
	e-GDDS	*Country*	*e-GDDS*	*Country*
National accounts: Gross Domestic Product by production and expenditure at current and constant prices	Q	Liberia	1Q	Liberia
Consumer price index	M		2M	
Central Government operations	Q		1Q	
Balance of payments	Q		1Q	
External debt	Q		2Q	
Merchandise trade	M		12W	
Production index	M		12W	
Employment	A		3Q	
Unemployment	A		3Q	
Producer Price Index	M		2M	

Note: 1Q = One Quarter; 2M = 2 Months; 2Q = 2 Quarters; 3Q = Three quarters; 12W = 12 Weeks; A = Annual; e-GDDS = Enhanced General Data Dissemination System; Q = Quarterly; M = Monthly; SDDS =Special Data Dissemination Standard.

Section 4: Compliance with the World Bank Group's Core Data Standards: n.a.			
	World Bank Group Standard	*Compliant (Y/N)*	*Actual Yearly Interval or %*
Household survey of income or consumption	Once every 3 years	Y	2
PPP price survey	Once every three years	N	
CRVS	• 80% of births registered • 60% of deaths registered with cause of death	N	

Note: CRVS = Civil registration and vital statistics.

Section 5: Statistical Capacity Indicators	
Method	40.0
Source data	60.0
Periodicity	73.3
Overall (Memo: Overall Average all IDA)	57.8 Liberia (62.9 all IDA)

Section 6: Open Data	
Open Data Barometer Score	n.a. (Score/position… of …)
Open Data Index Score	n.a.

Section 7: Data for Country Priorities			
Indicator Name	*Available (Y/N)*	*Latest Year*	*Issues*
Population	Y	2008	Population census is conducted every 10 years, and the next one is due next year.
Share of people living below poverty line	Y	2014	Although it is official, the poverty number is based on a half-year survey. Currently, data analysis is ongoing to estimate poverty using full-year 2016 data, which will be the baseline for the future comparison given that none of the previous surveys is comparable to provide trends.

Section 7: Data for Country Priorities			
Indicator Name	*Available (Y/N)*	*Latest Year*	*Issues*
Unemployment and informal employment and youth literacy rate	Y	2010	The main source is the most recent labor force survey, which was conducted in 2010. This survey is supposed to track several indicators annually. However, these indicators can also be tracked by the HIES, the 2016 data for which are now available.
Net additional, full-time equivalent jobs created in target enterprises benefitting from AfT interventions (by gender and by youth)	N		Labor Management Information System needs further strengthening to report on the indicator by the Ministry of Labor (MoL)
Domestic for-profit businesses registered on the Liberia Business Registry and the number of days to legally start and operate a company	N		Database of Liberia Business Registry needs further strengthening.
Crime rate, share of people that are satisfied with their protection against crime/their safety, and the proportion of cases that are resolved taken up by palava huts and other alternative dispute resolution mechanisms	N		Central database at Ministry of Justice is needed, plus harmonized approach to measuring it is needed.
Time to export compared to time to import (days) and costs to export compared to costs to import (U.S. dollars per container)	Y	2012	Statistics of Ministry of Commerce and Industry, Liberia Revenue Authority, National Port Authority, BIVAC; World Bank Doing Business, CR Liberia
Government domestic revenue collection as share of GDP (%)	Y	2011/12	Annual Fiscal Outturn Report, 2011/12 and Report and Consolidated Fund Account FY 2011/12
Electrification rate and the cost of electricity from national grid to consumers	Y		Liberian Electricity Corporation Annual Report, Quarterly/Biannual Basis Review on Tariffs
Share of primary, secondary, and feeder roads and bridges, which is in 'fair' or 'good' condition	Y		Needs baseline survey and regular monitoring
Average travel time along major economic transport corridors (with normal commercial vehicle of that area) and share of rural population with access to an all-season road (%)	Y		Ministry of Public Works annual report
Access to Internet services	Y	2012	LTA 2012 Annual Report, p. 16
Yield of selected crops, livestock, and fish	Y	2011	Liberia Agricultural Survey 2011, LISGIS, and Ministry of Agriculture also, some in Central Bank of Liberia 2012 Annual Report Data analysis for 2016 agriculture crop-cut survey is ongoing.
Ratio of agricultural imports to total domestic agricultural consumption/production	N		Liberia Export Strategy 2012–2017

Section 7: Data for Country Priorities			
Indicator Name	*Available (Y/N)*	*Latest Year*	*Issues*
Proportion of surveyed land that is registered with the National Archives	N		
Share of commercial bank credit to the agriculture sector (or commercial farmers—to be discussed with central bank) (%) and share of agricultural credits to women Share of farmers receiving commercial bank credit (by gender)	Y	2012	Central Bank of Liberia Annual Report 2012
Share (%) of forest area under legal protection by forest rangers	Y		Forestry Development Authority Annual Report, Conservation Department, Strategic Planning Unit, Monitoring and Evaluation Unit
State revenue from the mineral/mining sector	N		Data from concession monitoring reports
Investment of mineral sector into local socioeconomic development	N		Annual Company Reports and expenditures for corporate social responsibility
Upstream investments of extractive industries, local value added Number of artisanal and small-scale miner cooperatives formed Number of demarcated areas for licensed small-scale mining	N		5-Year Procurement Plan of companies in Mining Sector, Local Content Reports by Mining Companies, and Quarterly Reports from National Bureau of Concessions to National Investment Committee on concessions;
Net enrollment rate of actual school-going-age pupils 6–11 years of age (by gender, children with disabilities, rural/urban areas, and county) Retention rates of students from primary through to tertiary education (%, by gender, share of children with disabilities, and county) Net secondary enrollment rates in counties (by gender, share of children with disabilities, and county) Passing rate of the national examination results	N	2015	Annual School Census (2015) Net enrollment rates for children with disabilities are not available. Retention rates through to tertiary are not available. Disaggregated data on national examination results are also not available.
Share (%) of youth (age to age) from youth empowerment schemes, who found decent employment within 12 months (by gender and county) Share of university graduates receiving …. employment in the last 12 months	N		TVET-Task Force has been set up in January 2014, headed by Ministry of Youth and Sports; Ministry of Education and MoL are part of it to track this indicator.

Section 7: Data for Country Priorities			
Indicator Name	*Available (Y/N)*	*Latest Year*	*Issues*
Children (%) under 1 year who received Measles vaccine Proportion of under-five deaths per 1,000 live births (number) Proportion of maternal deaths per 100,000 live births (number) Share of population (%) within 5 km of a health facility (by county)	Y	2012	EPI Cluster Survey, Health Management Information System, and DHS
Proportion of vulnerable households receiving social transfers Percentage of vulnerable households accessing social services Share of rural/urban population (%) with access to protected (improved) drinking water collection points Share of rural/urban population (%) with access to sanitation (on-site, off-site, and solid waste) Improved access to sanitation facilities (share of population with access to sanitation facilities)	Y	2014	HIES
Liberia: Spatial Analysis of Transport Connectivity and Growth Potential	Y	2017	Road network and domestic connectivity, rural accessibility, broader transport connectivity, and potential economic and social benefits from improved connectivity

Section 8: Data Gaps Identified and Recommended Actions	
Major Data Gaps Identified	*Recommended Actions*
Price data	Although price data are frequent, the coverage is limited to the capital city. There is need to expand the data collection to other cities or regions in the country.
Agricultural census	It is quite some time since the agriculture census was conducted. The last agricultural census was conducted in 1995.
The overall statistical capacity is lower compared to the average for all IDA (57.8 Liberia and 62.9 for all IDA).	Need to support the effort to build statistical capacity in Liberia
Some of the indicators listed in the data for country priority list in Section 7 lack appropriate source data and possibility of consistent tracking to inform Government priorities	Support data production for targeted indicators that have been listed for tracking by the Government in AfT.

Annex 9: Liberia - Selected Economic and Social Indicators

	1980	*1990*	*2000*	*2005*	*2010*	*2015*
General						
Surface area (km²)	111,370	111,370	111,370	111,370	111,370	111,370
Land area (km²)	96,320	96,320	96,320	96,320	96,320	96,320
Agricultural land (% of land area)	26.74	25.88	27.10	27.15	27.62	
Arable land (% of land area)	3.85	3.63	4.15	4.15	4.98	
Forest area (% of land area)		51.17	48.06	46.50	44.94	43.39
Arable land (ha per person)	0.20	0.17	0.14	0.12	0.12	
Population, total	1,892,529	2,102,877	2,891,968	3,269,786	3,957,990	4,503,438
Population in largest city	324,785	1,041,858	835,532	1,202,031	1,055,952	1,263,800
Rural population (% of total population)	64.83	44.58	55.67	53.95	52.20	50.30
Population in urban agglomerations of more than 1 million (% of total population)	17.16	49.54	28.89	36.76	26.68	28.06
Population ages 0–14 (% of total)	44.92	45.06	43.23	43.32	43.35	42.31
Population ages 15–64 (% of total)	52.44	51.99	53.67	53.66	53.58	54.68
Population ages 65 and above (% of total)	2.64	2.95	3.10	3.01	3.07	3.01
Age dependency ratio (% of working-age population)	90.68	92.33	86.32	86.36	86.63	82.87
Population density (people per km² of land area)	19.65	21.83	30.02	33.95	41.09	46.75
Population growth (annual %)	3.31	(1.61)	5.33	2.64	3.51	2.40
Birth rate, crude (per 1,000 people)	48.83	45.33	42.77	40.21	37.12	34.61
Adolescent fertility rate (births per 1,000 women ages 15–19)	199.89	169.69	149.31	144.15	127.24	107.12
Life expectancy at birth, female (years)	47.91	49.39	53.10	55.94	60.37	62.19
Life expectancy at birth, male (years)	44.23	45.12	51.75	54.23	58.55	60.18
Life expectancy at birth, total (years)	46.02	47.20	52.41	55.07	59.44	61.16
Health						
Health expenditure, public (% of Government expenditure)			6.65	13.28	12.80	
Health expenditure, public (% of total health expenditure)			24.50	19.33	23.10	
Out-of-pocket health expenditure (% of total expenditure on health)			38.01	41.70	27.04	
Fertility rate, total (births per woman)	6.97	6.50	5.88	5.46	5.02	4.65
Mortality rate, infant (per 1,000 live births)	160.80	170.10	123.00	87.60	65.20	52.80
Mortality rate, under-5 (per 1,000 live births)	241.10	255.00	181.80	124.70	89.30	69.90
Maternal mortality ratio (modeled estimate, per 100,000 live births)		1,500.00	1,270.00	1,020.00	811.00	725.00

	1980	*1990*	*2000*	*2005*	*2010*	*2015*
Tuberculosis treatment success rate (% of new cases)			80.00	75.00		
Vitamin A supplementation coverage rate (% of children ages 6–59 months)			83.00	79.00	97.00	
Immunization, measles (% of children ages 12–23 months)			63.00	62.00	65.00	64.00
Prevalence of undernourishment (% of population)			36.50	39.70	34.90	31.90
Prevalence of anemia among children (% of children under 5)		83.40	79.30	75.30	72.00	
Prevalence of anemia among non-pregnant women (% of women ages 15–49)			56.30	54.70	50.10	
Prevalence of anemia among pregnant women (%)			60.10	57.50	53.70	
Prevalence of HIV, total (% of population ages 15–49)		0.70	2.50	2.10	1.40	1.10
Improved sanitation facilities (% of population with access)			13.10	14.30	15.60	16.90
Improved water source (% of population with access)			62.40	66.80	71.10	75.60
Physicians (per 1,000 people)					0.01	
Education and literacy						
Government expenditure on education, total (% of Government expenditure)						
Literacy rate, adult total (% of people ages 15 and above)						47.60
School enrollment, primary (% net)						37.61
School enrollment, primary (% gross)	48.94		112.69			93.92
School enrollment, primary, private (% of total primary)						33.28
Persistence to last grade of primary, total (% of cohort)						
Progression to secondary school (%)						
School enrollment, secondary (% net)						
School enrollment, secondary (% gross)	22.62		35.20			37.30
School enrollment, secondary, private (% of total secondary)						58.37
School enrollment, primary (gross), gender parity index (GPI)	0.55		0.74			0.90
School enrollment, secondary (gross), GPI	0.39		0.73			0.78
School enrollment, tertiary (gross), GPI			0.55		0.53	

	1980	*1990*	*2000*	*2005*	*2010*	*2015*
Pupil-teacher ratio, primary			38.27			30.45
Pupil-teacher ratio, secondary						18.39
Primary education, teachers			12,966.00			22,479.00
Secondary education, teachers						12,334.00
Trained teachers in primary education (% of total teachers)						46.98

Source: WDI, accessed online on June 27, 2017.

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