

**PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

July 31, 2017
Report No.: 118028

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Operation Name	Fourth Poverty Reduction Support Development Policy Operation
Region	Africa
Country	Liberia
Sector	General public administration sector (70%); General agriculture, fishing and forestry sector (10%); General energy sector (10%); General health sector (10%).
Operation ID	P162111
Lending Instrument	Development Policy Lending
Borrower(s)	Republic of Liberia
Implementing Agency	Ministry of Finance and Development Planning
Date PID Prepared	July 31, 2017
Estimated Date of Appraisal	November 6, 2017
Estimated Date of Board Approval	December 20, 2017
Corporate Review Decision	Following the corporate review, the decision was taken to proceed with the preparation of the operation.

I. Key development issues and rationale for Bank involvement

The proposed operation is a single tranche Fourth Poverty Reduction Support Development Policy Operation (PRSDPO-IV) for Liberia in the amount of US\$20 million equivalent. The operation is the fourth in a programmatic series of four single-tranche operations to support the implementation of the government's Agenda for Transformation (AfT), which remains Liberia's extant medium-term strategy even in the aftermath of the Ebola crisis. These programmatic series are consistent with the World Bank Group Country Partnership Strategy (CPS).¹

Since the return to democratic governance in 2006 and peaceful elections again in 2011, Liberia has made notable economic and social progress, despite challenges. Between 2006 and 2014, gross domestic product (GDP) growth averaged 7 percent with a strong boost from iron ore mining since 2010. The government has maintained prudent fiscal and monetary policies, consequently inflation has been largely maintained in single digits. The relatively large current account deficits have been sustainably financed by foreign direct investment (FDI) and donor transfers. As a result, the exchange rate has been mostly stable. The incidence of poverty at the national level fell to 54 percent in 2014 from 64 percent in 2007 due mainly to the decline in rural poverty.² The overall drop in poverty reflects economic growth, lower inflation and government's income support to the poor and vulnerable. Inequality, as measured by the GINI

¹ IDA, IFC and MIGA Country Partnership Strategy for the Republic of Liberia for the period FY13-17. Report No.74618-LR. The CPS was discussed by the World Bank Board on July 1, 2013.

² According to the 2014 Household Income and Expenditure Survey (HIES), implemented by the Liberia Institute of Statistics and Geo-Information Services, 54 percent of Liberians were living in poverty between January and August 2014 before the deepening of the Ebola crisis.

coefficient was marginally lower in 2010 than in 2007 with the Gini falling from 0.36 in 2007 to 0.35 in 2010. Although exact estimates of poverty levels await the completion of the 2016 household survey, projections show that the impact of the Ebola crisis reversed the post-war trend of decreasing poverty.

Liberia's fledgling economy, already weakened by the adverse economic effects of the Ebola crisis, has been hard hit by severe exogenous shocks from the sustained slump in global commodity prices. The sharp drop and sustained low prices for rubber, iron ore and palm oil and the ensuing crisis have exacerbated the already sharp economic downturn, with gross domestic product (GDP) estimated contraction by 1.6 percent in 2016. The twin shocks and the impact of withdrawal of United Nation Mission in Liberia (UNMIL) have exacerbated the already sharp economic downturn, with severe adverse consequences for employment and fiscal revenues. Additional budget pressures are coming from the cost of upcoming October 2017 presidential elections and security handover from UNMIL. This led to increased poverty and created uncertainty around the possibility of accomplishing key objectives of the AfT, such as increasing per capita income and improving living standards for a large share of population.

II. Proposed Objectives

4.1 The objectives of the proposed operation are: (i) strengthening governance with particular emphasis on transparency and accountability as well as budget execution and oversight; (ii) addressing key constraints to growth, including electricity; and (iii) improving human capital development particularly through improved access to education and health. The objectives of the proposed operation remain relevant in the wake of the Ebola and commodity price crises and in fact proposed reforms are intended to build resilience to such shocks in the future.

III. Preliminary description

The proposed operation focuses on three principal areas: (i) governance and civil service reforms; (ii) economic transformation; and (iii) human capital development. Within these three areas, the operation is selective of reforms that directly or indirectly address the issues of fragility and conflict. Consequently, the operation focuses on reforms that are expected to contribute to: (i) improving transparency in key aspects of government operation; (ii) increasing accountability in the management of public assets and reducing opportunity for corruption; (iii) building capacity for equitable service delivery, and (iv) enhancing inclusive growth and employment opportunities.

IV. Poverty and Social Impacts and Environment Aspects

Reforms supported by this operation are expected to have both direct and indirect positive poverty and social effects although not significant in the short term. First, the resources under the operation will increase fiscal space allowing the government to increase public resources towards its AfT priorities and help mitigate the impact of twin shocks. With the substantial slowdown in economic activity and the sustained low prices for rubber and iron ore, the government's fiscal resources from tax and non-tax revenues are well below the levels prior to the crisis and inadequate to maintain effective service delivery. Second, the reforms intended to enhance political and economic governance; support economic transformation and improve

education and health, will foster more efficient and transparent use of public resources as well as promote inclusive growth to increase employment reduce poverty and inequity.

The focus on public procurement and asset disclosure will likely help curb corruption and improve public service delivery. A more transparent procurement system and a strengthened asset disclosure system are expected to improve oversight of public resource management, improve efficiency of public resource management, increase value for money, and reduce opportunities for corruption.

The reforms proposed under this operation are focused largely on economic governance, economic transformation and human capital development. These reforms are not expected to have any significant **negative** direct environmental effects. The improvement in land management is expected to have positive environmental effect. The implementation of measures to strengthen the management of public finances and improve accountability in the public sector are expected to have a neutral effect on the environment. However, there are linkages between environment degradation and weak macroeconomic management and governance. Hence, it is expected that there will be some positive indirect effects on the environment associated with policy and institutional reforms supported under the program.

V. Tentative financing

Source:		(\$m.)
International Development Association (IDA)		20.0
	Total	20.0

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