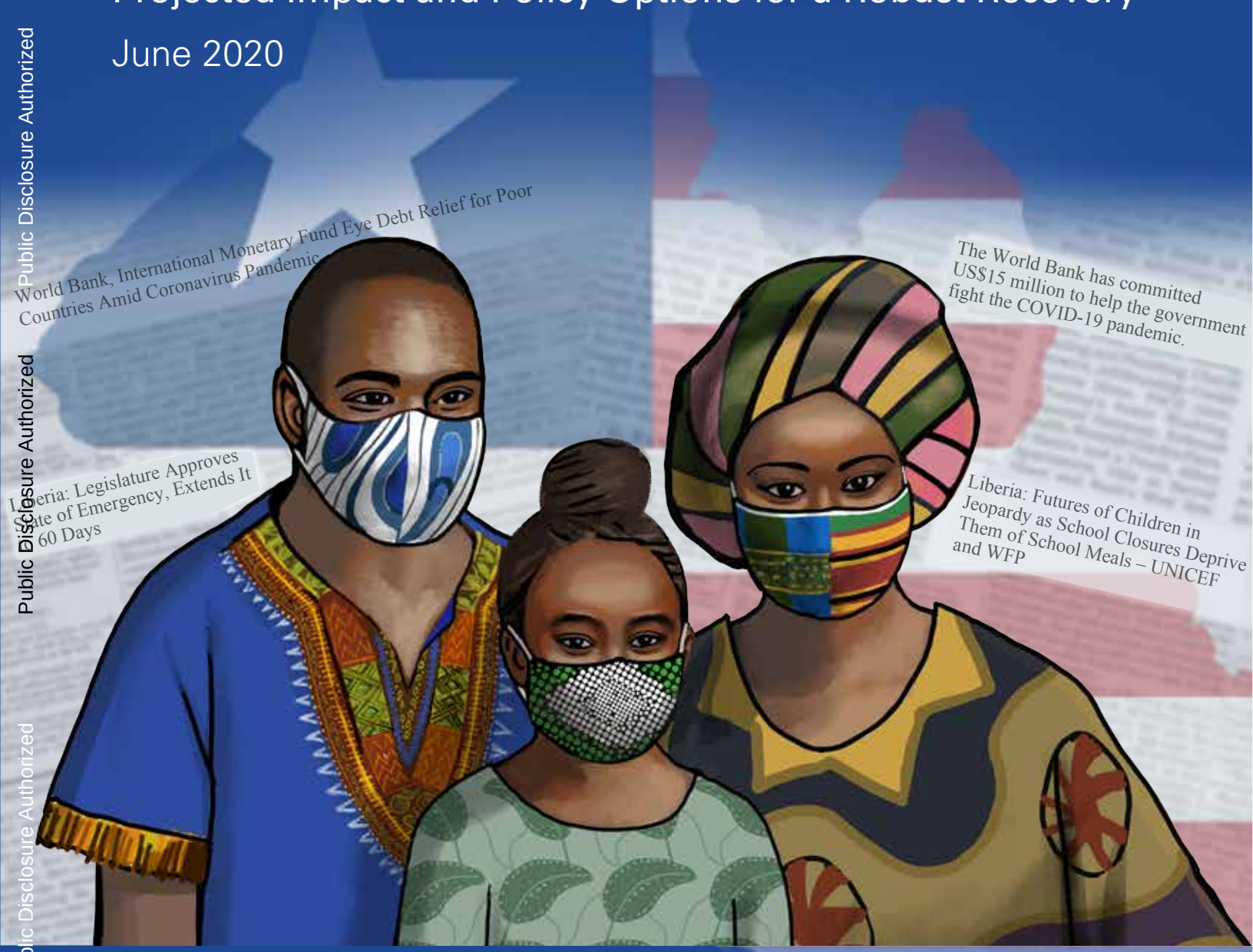
LIBERIA ECONOMIC UPDATE

1st Edition

The COVID-19 Crisis in Liberia:

Projected Impact and Policy Options for a Robust Recovery

June 2020



WORLD BANK GROUP

Macroeconomics, Trade and Investment Global Practice

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Liberia Economic Update, 1st Edition

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Preface and Acknowledgements

This edition of the Liberia Economic Update (LEU) is the first in a series of annual reports designed to monitor recent economic developments and examine emerging issues. It presents a broad overview of Liberia's macroeconomic context, policy framework, and structural reform agenda, and it assesses the country's macro-fiscal profile and growth outlook over the short and medium term. The authors of this edition are Marina Bakanova (Senior Economist) and Gweh Tarwo (Economist). Vaanii Baker (Senior Private Sector Specialist), Oleksii Balabushko (Senior Public Sector Specialist), Moulaye Bamba (Consultant), Irina Capita (Consultant), Bobby Musah (Consultant), Adetunji Oredipe (Senior Agricultural Economist), Zeljka Sedlo (Consultant), Nicholas Smith (Financial Sector Specialist), Victoria Strokova (Senior Economist), Oni Lusk-Stover (Senior Education Specialist), Ayago Wambile (Senior Economist/Statistician) provided valuable inputs. The analysis also benefited from the advice provided by Errol Graham (Lead Economist), Patrick Hettinger (Senior Economist, peer reviewer), Ilyas Sarsenov (Senior Economist, peer reviewer). Abebe Adugna (Practice Manager, EA1M1), Khwima Nthara (Country Manager, Liberia), and Pierre Laporte (Country Director, Ghana, Liberia and Sierra Leone) provided overall guidance.

Karima Ladjo (Program Assistant) and Joseph Koilor (Team Assistant) provided administrative support to the team. Michael Sahr (External Affairs Officer) helped with external communications. Sean Lothrop (Consultant) provided editorial support. Yong Chen (Consultant) designed the cover of the report.

The findings, interpretations, and conclusions expressed in this publication do not necessarily reflect the views of the World Bank's Executive Directors or the countries they represent. The report is based on information current as of June 15, 2020.

The World Bank team welcomes stakeholder feedback on the content of the Liberia Economic Update. Please direct all correspondence to Marina Bakanova (mbakanova@worldbank.org) and Gweh Tarwo (gtarwo@worldbank.org)

Abbreviations and Acronyms

BRAC	Building Resources Across Communities
CBL	Central Bank of Liberia
CIT	Corporate Income Tax
COHFSP	COVID-19 Household Food Support Program
CPI	Consumer Price Index
COVID	Coronavirus Disease
DB	Doing Business
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
ECOWAS	Economic Community of West African States
EU	European Union
EVD	Ebola Virus Disease
FDI	Foreign Direct Investment
FY	Fiscal Year
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GoL	Government of Liberia
HIES	Household Income and Expenditure Survey
IDA	International Development Association
IFC	International Finance Corporation
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
LISGIS	Liberia Institute for Statistics and Geo-Information Services
L$	Liberian Dollar
MFDP	Ministry of Finance and Development Planning
MGCSP	Ministry of Gender, Children and Social Protection
MoA	Ministry of Agriculture
MoCI	Ministry of Commerce and Industry
MoE	Ministry of Education
NPL	Nonperforming Loan
NHSR	National Household Social Registry
NPA	National Port Authority
ODA	Official Development Assistance
PAPD	Pro-Poor Agenda for Prosperity and Development
PIT	Personal Income Tax
PPG	Public and Publicly Guaranteed
PPP	Public-Private Partnership
RCF	Rapid Credit Facility
SDR	Special Drawing Rights
SEZ	Special Economic Zone
SOE	State-Owned Enterprise
SSA	Sub-Saharan Africa
UNCTAD	United Nations Conference for Trade and Development
US$	United States Dollar
WDI	World Development Indicators
WGI	Worldwide Governance Indicators

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Main Messages

When the global COVID-19 pandemic emerged in early 2020, Liberia was already facing a challenging domestic and external environment. Weak consumption and declining output had caused the Liberian economy to contract by an estimated 2.3 percent in 2019. Meanwhile, the inflation rate reached 27 percent, eroding consumer purchasing power and undermining household welfare, and fiscal consolidation and monetary tightening further weakened domestic demand during the second half of 2019. However, the economy was poised for a recovery in 2020, underpinned by a positive global and regional outlook, a renewed focus on responsible macroeconomic management, improved governance, and structural reform. The IMF's Extended Credit Facility (ECF) program[1] and the World Bank's new Inclusive Growth Development Policy Operation programmatic series[2] supported significant improvements in Liberia's institutional and policy context, laying the groundwork for the anticipated recovery.

The pandemic is still in its early stages, and its full social and economic impact cannot be reliably projected, but several country-specific features render Liberia especially vulnerable to the effects of COVID-19. Liberia is a fragile state; it never fully recovered from its two devastating civil wars (1989-2003), and it has suffered multiple exogenous and domestic policy shocks since 2014. Large macroeconomic imbalances, limited fiscal space, and low foreign-exchange reserves constrain the government's options for addressing the COVID-19 crisis. Pervasive informality intensifies the economy's exposure to shocks and complicates any potential policy response, while poor health indicators, weak public health systems, and high levels of food insecurity and malnutrition increase the population's vulnerability to COVID-19.

The burgeoning COVID-19 pandemic poses a major threat to the Liberian economy. The unprecedented slowdown in global economic activity caused by COVID-19 is expected to depress external demand for Liberian exports and may disrupt investment in the export-oriented mining, agriculture, and forestry sectors. Meanwhile, economic downturns in destination labor markets are likely to reduce remittance inflows, which sustain a significant share of household consumption and provide a vital source of foreign exchange. A domestic epidemic could profoundly disrupt the critical service sector in Monrovia, which is densely populated and lacks the physical, institutional, and economic infrastructure to implement pandemic-response measures efficiently and with minimal impact on household welfare. In the near term, the collapse of global oil prices may improve household purchasing power by lowering the cost of imported fuel, but any such gains are likely to be concentrated among wealthier urban households and will do little to shield the poor and vulnerable from the overwhelmingly negative economic and health repercussions of COVID-19.

Economic growth is projected to slow sharply, and while projections are highly uncertain, risks to Liberia's economic outlook are tilted heavily to the downside. Under the baseline scenario, real GDP is projected to contract by 2.6 percent in 2020, down

1 A new four-year ECF arrangement was approved by the IMF Board on December 11, 2019.

2 The First Inclusive Development Policy Operation (IGDPO-1) was approved by the World Bank Board in March 2020.

3.2 percentage points from the pre-COVID baseline projection in January 2020. The COVID-19 pandemic is reducing output across multiple sectors, especially services and manufacturing, reflecting a combination of precautionary behavioral changes and public policies designed to halt the spread of the disease. If these efforts succeed and the outbreak is contained in the first half of the year, a sharp rebound is expected in 2021, and the real GDP growth rate is projected to rise to an average of 4.1 percent during 2021-22. However, under the moderate downside scenario, in which the outbreak is not effectively contained during the first six months of 2020, real GDP could contract by 3.6 percent in 2020 and recover more slowly, growing at an average rate of 3.7 percent in 2021-22. A protracted pandemic could worsen global and domestic conditions via supply, demand, and terms-of trade shocks, which would further weaken Liberia's fiscal and external balances, constrain growth, and inhibit poverty reduction. Meanwhile, policy uncertainty could negatively affect the medium-term outlook. In the worst-case scenario, the contraction will be deeper and more prolonged, with a modest recovery in 2022. In all scenarios, the medium-term recovery will be underpinned by the post-COVID-19 normalization of economic activity and the implementation of structural reforms designed to alleviate constraints on productivity growth and support economic diversification.

Poverty rates are projected to increase as per capita income contracts and food prices rise. The share of the population living below the national poverty line is projected to increase from 55.5 percent in 2019 to 65.2 percent in 2020 under the baseline scenario and reach 68.9 percent under the downside scenario.[3] Prior to COVID-19, 3.02 million Liberians were projected to live below the national poverty line in 2020. This projection rises to 3.36 million under the post-COVID baseline scenario and reaches 3.55 million under the downside scenario, indicating that an additional 335,000 to 526,000 Liberians are now at risk of falling into poverty. Given limited domestic resources, timely support from Liberia's development partners will be vital to fund social protection policies to safeguard household welfare and prevent the erosion of human capital during the crisis.

The widening fiscal deficits generated by COVID-19 are projected to create an urgent balance-of-payments gap of US$150 million (or over 5 percent of GDP) in 2020. The fiscal financing gap, spanning the 2020 and 2021 fiscal years, is expected to be closed through increased budget support from the IMF and other development partners, including a provisional US$87 million from the IMF,[4] an additional US$25 million from the World Bank, US$16 million from the European Union and US$16 million from the African Development Bank.[5] In

3 Poverty calculations and forecasts are based on the Liberia 2016 Household Income and Expenditure Survey (2016 HIES).

4 In June 2020, the IMF approved the disbursement of US$50 million under the RCF to support the authorities' response to COVID-19; the remaining financing is projected to be disbursed before the end of 2020.

5 This is in addition to US$51 million of pre-COVID-19 budget support provided since the beginning of FY2020, of which US$40 million was provided by the World Bank under the IGDPO-1.

addition, US$52 million in off-budget support from development partners is expected to focus on healthcare, food aid, cash transfers, and humanitarian assistance. The government remains committed to executing a realistic and credible budget over the medium term, but a deteriorating external environment and the adverse impact of the pandemic and associated lockdown measures on domestic economic activity will pose serious challenges to the administration's ongoing fiscal consolidation efforts.

The government has taken swift action to contain the community spread of COVID-19. Drawing on its experience during the 2014-15 Ebola Virus Disease (EVD) outbreak, Liberia was among the first countries to introduce airport screening measures as COVID-19 began spreading outside China, and hand-washing facilities appeared outside shops and offices as early as January 2020. The government has already drafted a COVID-19 response plan focusing on public health and containment measures, and programs to counter the social and economic impacts of the pandemic were implemented. A stay-at-home order was introduced on April 10, and the government launched a stimulus effort designed to mitigate the lockdown's adverse effects on household welfare. Key measures included: (i) the US$25 million COVID-19 Household Food Support Program (COHFSP) implemented by the World Food Program, which provides food supplies to poor and vulnerable households; (ii) the provision of free electricity and water; (iii) the wholesale settlement of loans to market women and petty traders; (iv) the suspension of pre-shipment inspections and import surcharges; and (v) the appropriation of at least US$15 million in the FY2020/21 national budget to service domestic arrears.

Despite the government's swift response, Liberia's near-term outlook is dire. Lower prices for key commodities, including rubber and iron ore, will diminish output growth in the country's crucial agriculture and mining sectors. Falling commodity-export revenue, coupled with lockdown measures and precautionary behavioral changes, will adversely affect households that depend on the urban industrial and service sectors. Meanwhile, the headline inflation rate will remain at about 20 percent through 2020, undercutting household purchasing power. Even with significant budget support, the widening fiscal deficit will intensify pressure to reduce essential spending, while social-distancing measures will complicate service provision. Liberia's weak health infrastructure and limited administrative capacity exacerbate the risk of uncontrolled community spread, tilting public health and economic risks heavily to the downside.

While the medium-term outlook is highly uncertain, there is cause for cautious optimism. If the government and its development partners successfully contain the virus, Liberia will be well positioned to benefit from an accelerating global recovery. The structural reforms and improving macroeconomic fundamentals that provided the basis for earlier growth projections will likely survive the crisis, and the emergency itself may help galvanize political consensus around critical reforms and overcome resistance from vested interests. If the government remains focused on ensuring macroeconomic stability while coordinating an

effective response effort with its development partners, a post-COVID-19 rebound in global commodity prices could drive a robust recovery.

This edition of the Liberia Economic Update provides detailed guidance on mounting a successful COVID-19 mitigation effort. While this advice is primarily directed to the national authorities, Liberia will not be able to implement effective public health or economic response measures without strong and sustained assistance from the international community. The speed and efficacy with which Liberia's development partners intervene to support the government's response will largely determine whether Liberia is able to protect its poorest and most vulnerable households against the threat of COVID-19.

Mitigating the impact of the COVID-19 pandemic on the Liberian economy poses a complex and evolving challenge. The World Bank framework for addressing COVID-19 and the international experience with pandemic-response policies both highlight the importance of combining short-term actions to cope with the immediate impact of the crisis with medium-term measures focused on ensuring a robust recovery. This framework encompasses both the public health emergency created by the spread of COVID-19 and the incipient global economic crisis caused by its extremely disruptive impact on domestic and international economic activity.

Fiscal policy will play critical role in the pandemic response. Liberia's fiscal space is sharply limited, and the COVID-19 pandemic has put extraordinary pressures on the budget. The government's immediate response must focus on meeting the rising funding needs of the health sector, protecting critical public expenditures, and providing emergency relief to vulnerable populations and affected businesses. Fiscal constraints will require the reallocation of expenditures toward health and emergency response services, social safety nets, and public utilities. Debt relief and a surge in official development assistance (ODA) will temporarily bolster the government's resources and provide the liquidity necessary to address urgent spending needs and keep essential government services functioning. These resources must be used efficiently and transparently, but the administrative demands of the crisis will complicate oversight.

In addition to the measures already implemented, the authorities should consider the following immediate and short-term response priorities:

- *Scaling up social protection programs*. The authorities can increase transfers to help safeguard the welfare of existing beneficiaries while also temporarily expanding social protection programs to encompass new beneficiaries, especially in urban areas. The emergency response should be aligned with the government's longer-term efforts to build a National Household Social Registry (NHSR). Close coordination with key partners can enable a rapid response by overcoming delivery constraints and providing a coherent approach to fill coverage gaps. Increased aid to small businesses and robust employment support will be vital to the post-crisis recovery.

- *Ensuring continued access to education*. The education authorities must strive to offer alternatives to traditional school attendance while lockdown measures remain in effect. Radio broadcasts can help sustain education access during the crisis, though radio coverage is limited in remote counties and districts. Maintaining timely salary payments to teachers will help prevent attrition and provide essential income support to teachers' households. As schools reopen, school-specific emergency plans detailing instructions for students with disabilities and for girls must be formulated, and regular data collection and monitoring for COVID-19 must continue.
- *Ensuring the continuation of essential trade and market activities*. To facilitate continued international trade, the government should eliminate the Import Notice and the Export Permit Declaration and address mismatched working hours at the National Port Authority.
- *Supporting financial-sector development to bolster the response to COVID-19*. Reforming the Market Women and Small Informal Petty Traders Bank Loan Program would help avoid distortions in the financial sector. The authorities should ensure compliance with BIS-related COVID-19 guidance and eligibility criteria for loan restructuring and regulatory forbearance. Implementing regulations to support the growth of digital credit and digital remittance transfers would expand financial access enhance the financial system's ability to cope with the disruptions caused by COVID-19.

Productivity-driven growth and diversification will be central to Liberia's post-pandemic recovery and continued development. Sustainably accelerating productivity growth and employment creation in Liberia will require: (i) upgrading the country's existing production and export base; and (ii) building institutions to broaden the country's endowments, strengthen competitiveness, and expand opportunities for productivity-driven private-sector growth.[6]

Macroeconomic stabilization will be vital to support improvements in productivity and competitiveness. While diversification away from the resource sector will reduce Liberia's macroeconomic volatility over the long term, reforms to fiscal policy can help reinforce stability in the medium term. Policy actions on both the revenue and expenditure sides will be necessary to create room for priority spending.[7] Key fiscal policy reforms include: (i) increased revenue collection, including revenues from natural resources and agricultural concessions; (ii) systemic improvements in expenditure efficiency, including the efficiency of external aid; (iii) a prudent debt-management policy; and (iv) structural reforms to promote growth and encourage economic diversification.

6 World Bank (2019).

7 These policies are discussed in detail in the ongoing Programmatic Public Finance Review.

1. The Global and Regional Economic Context

In 2019, the global economy expanded at its slowest pace since 2008-09, but a modest recovery was projected for 2020. The global growth rate slowed from an average of 2.9 percent per year during 2016–18 to 2.4 percent in 2019, due largely to rising trade tensions between the United States and China and diminishing consumer and business confidence in some advanced economies. The period was marked by falling commodity prices, lower-than-expected capital inflows to emerging economies, and volatile financial markets. These same factors also slowed growth in Sub-Saharan Africa (SSA), and the region's aggregate economic growth rate fell from 2.7 percent in 2017 to 2.6 percent in 2018 and reached an estimated 2.4 percent in 2019.[8] By January 2020, the global and SSA growth rates were projected to rebound to 2.5 percent and 2.9 percent, respectively, underpinned by the gradual recovery of trade and investment (Figure 1).

However, past projections have been overtaken by events, and the emergence of the COVID-19 novel coronavirus has profoundly worsened the global economic outlook. The COVID-19 pandemic is inflicting a vast toll in human lives and severely straining public health systems. Economic activity has collapsed across much of the world, financial markets are in turmoil, and drastic measures have been imposed to contain the outbreak. A severe global recession is expected in 2020, and the path to recovery is uncertain and marked by significant downside risks. Under the current baseline scenario, the global economy is projected to contract by 5.2 percent in 2020—the largest contraction of the postwar period. However, even this dire forecast may prove optimistic, as the baseline scenario assumes that three months of mitigation measures will be sufficient to stem the spread of the pandemic and that containment efforts can be gradually lifted during the second half of 2020, enabling a moderate recovery by the year's end followed by a 4.2 percent rebound in 2021.

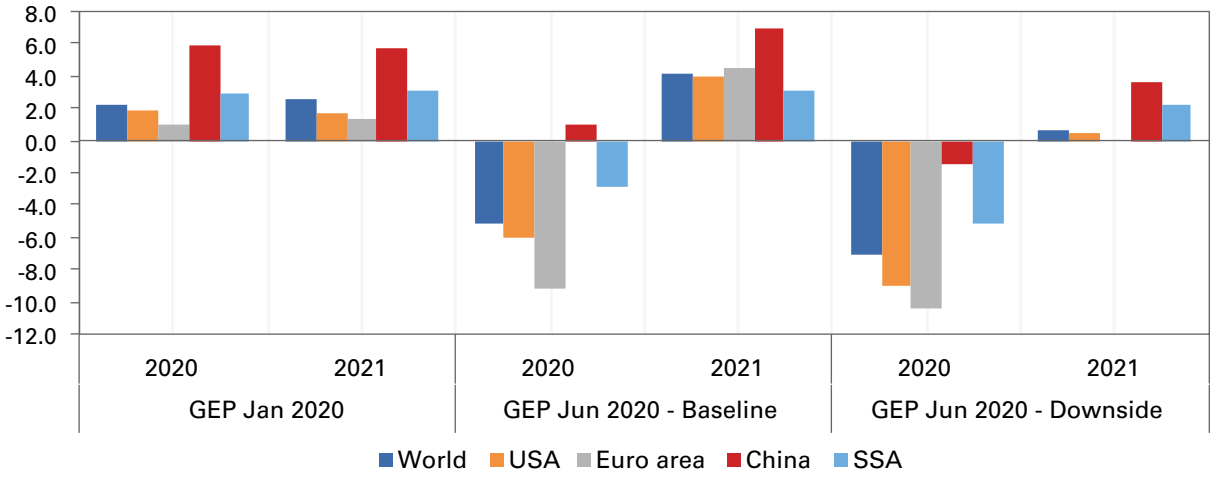
This revised forecast is subject to unprecedented uncertainty, and downside risks are exceptionally severe. The downside scenario assumes that the COVID-19 outbreak, and the stringent mitigation measures necessary to contain it, would extend beyond the first half of 2020. A protracted pandemic would further disrupt global value chains, inhibit trade and travel, depress commodity prices, trigger financial distress in emerging markets, spur the exit of vulnerable firms, and cause a sharp decline in household consumption. As a result, the global and regional economic contraction would deepen in 2020 and be followed by a sluggish recovery in 2021 (Figure 1).

COVID-19 will have a major economic impact on SSA, and the first region-wide recession in 25 years is forecast to begin in 2020. The World Bank's April 2020 edition of *Africa's Pulse* projects that SSA's aggregate economic growth rate will fall from 2.4 percent in 2019 to between -2.1 and -5.1 percent in 2020, costing the region between US$37 billion and

8 World Bank, 2020c.

US$79 billion in economic output in 2020 alone.[9] By June 2020, this already dire outlook had worsened, and the regional economic growth rate under the baseline and downside scenarios are now projected at -2.8 and -5.2 percent, respectively, with risks clearly tilted to the downside.

Figure 1: The Global and Regional Outlook under the Baseline and the Downside Scenario 2020-21



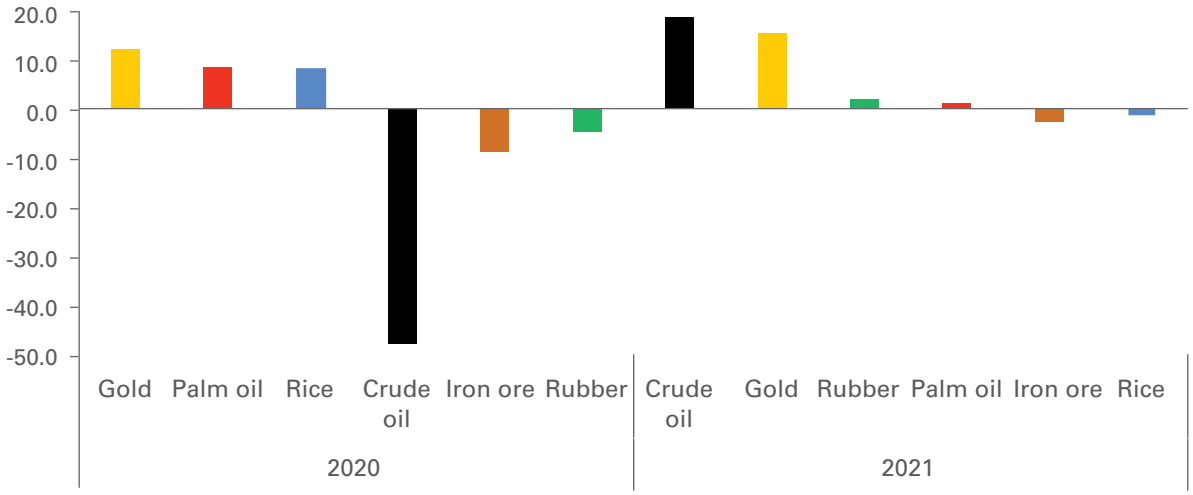
Source: World Bank

Commodity prices have declined sharply since the emergence of COVID-19.[10] The pandemic and associated mitigation measures have significantly reduced travel and transportation, causing an unprecedented decline in demand for oil, while slowing economic growth is further reducing overall commodity demand. Crude oil prices are expected to average US$32 per barrel (bbl) this year and US$38/bbl in 2021, which may limit external inflationary pressures in Liberia and other oil importers. However, prices for Liberia's major exports—iron ore and rubber, which accounted for a combined 56 percent of total exports in 2019—are also projected to fall sharply in 2020, with negative implications for the mining and agricultural sectors (Figure 3). During the first five months of 2020, prices for iron ore and rubber fell by 2.2 percent and 20.0 percent, respectively. However, gold prices rose by 9.9 percent during the same period, reflecting the commodity's safe-haven status, and gold prices are projected to increase by 12.3 percent in 2020 and 15.4 percent through 2021. Meanwhile, rice prices are expected to rise by 8.3 percent in 2020, following a 20.7 percent year-on-year (y/y) increase during January-May 2020 and a 13.1 percent increase since January 2020. Rice is a key import in Liberia, and rising prices have important implications for household welfare, food security, and consumer price inflation. Palm oil prices have dropped by 29.2 percent since January 2020, but this trend obscures a 15.3 percent (y/y) during the first five months of 2020. The price of palm oil is projected to rise at an accelerated rate in 2020 before moderating in 2021. Risks to food-price forecasts are large in both directions and depend on the speed with which the pandemic is contained and mitigation measures are lifted.

9 World Bank, 2020a.

10 World Bank, 2020. Commodity Markets Outlook, April.

Figure 2: Projected Price Changes for Liberia's Main Exports and Imports, 2020-21



Source: World Bank

2. Recent Economic Developments Prior to the Emergence of COVID-19

2.1. Economic Growth

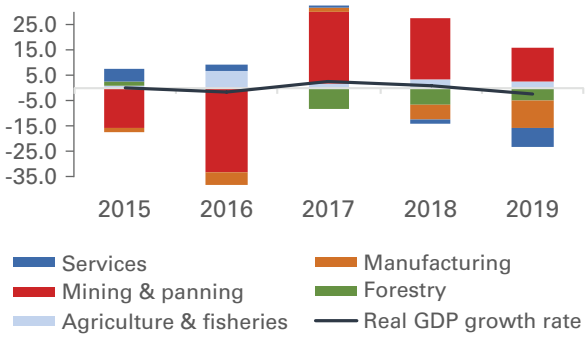
Liberia's economy contracted by an estimated 2.3 percent in 2019, reflecting a combination of supply- and demand-side factors. Services account for 45.3 percent of Liberia's economic output, followed by agriculture and fisheries (27.3 percent), commercial and artisanal mining (22.1 percent), forestry (9.7 percent), and manufacturing (6.5 percent). The 2019 contraction was driven by declining output in forestry, manufacturing, and services, coupled with sluggish agricultural growth and a slowing expansion in the mining sector (Figure 3 and Figure 4). Meanwhile, high inflation rates eroded real household income, which adversely affected private consumption. Fiscal consolidation and monetary tightening further undermined domestic demand during the second half of 2019.

A modest expansion in the primary sector was more than offset by sharp contractions in manufacturing and services. Agriculture and fishery output grew by just 2.3 percent in 2019, well below the annual average of 3.8 percent for 2016-18, as increases in rubber and crude palm oil output were offset by significant declines in cocoa and coffee. Following a slowdown in the previous year, mining output expanded by 13.2 percent in 2019. The forestry, manufacturing, and services sectors, which together account for over 60 percent of GDP, contracted in 2019. Forestry output fell by 5.2 percent (y/y), marking the third consecutive annual decline since 2017, due to falling demand for round logs and timber. Manufacturing output contracted by 10.1 percent, its second consecutive annual decline, as domestic demand remained soft. On the supply side, the manufacturing sector continues to face enormous structural constraints, including the

high cost of energy. The Liberian economy's largest sector, services, contracted by 2.2 percent in 2018 and by an estimated 7.6 percent in 2019, as weakening aggregate demand impacted both market and nonmarket services. Output in the trade and hospitality, transportation and communications, and utilities subsectors all declined modestly during the year, while nonmarket services plunged by 27.0 percent.

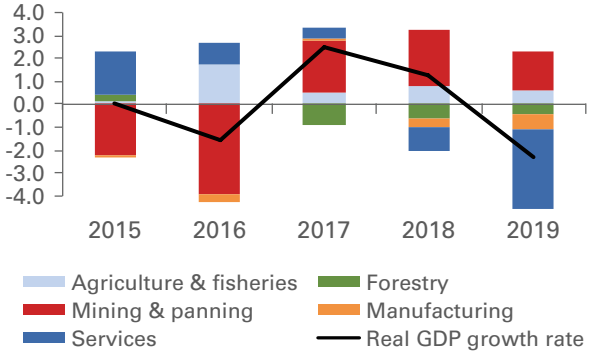
Liberia's weak economic performance in recent years has contributed to rising

Figure 3: Real GDP and Output Growth by Sector, 2015-19
(annual % change)



Source: World Bank Staff Calculations

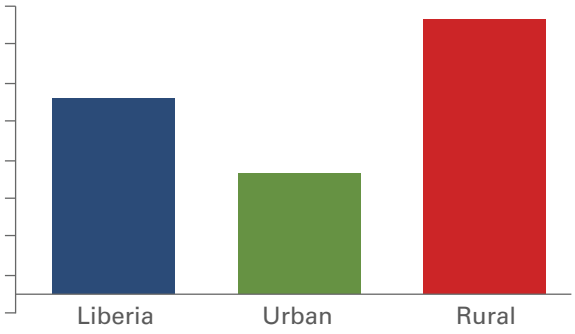
Figure 4: Contributions to Real GDP Growth by Sector, 2015-19
(percentage points and %)



Source: World Bank Staff Calculations

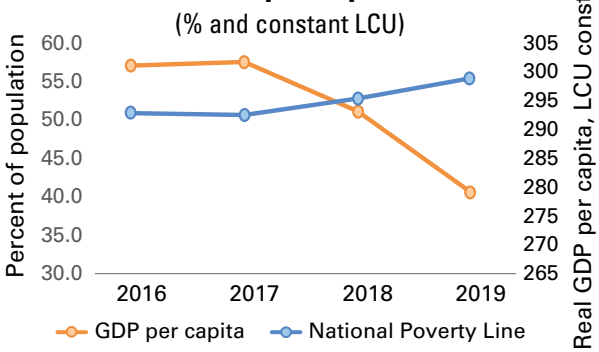
poverty rates. According to the 2016 Household Expenditure and Income Survey (HEIS), more than half of the population was living below the national poverty line in 2016, with higher poverty rates observed in rural areas (Figure 5). The national headcount poverty rate increased to an estimated 55.5 percent in 2019, reflecting negative per capita GDP growth rates and rising inflation (Figure 6).

Figure 5: National Poverty Headcount Rate 2016
(%)



Source: LISGIS

Figure 6: Poverty Headcount Ratio and Real GDP per Capita, 2016-19
(% and constant LCU)



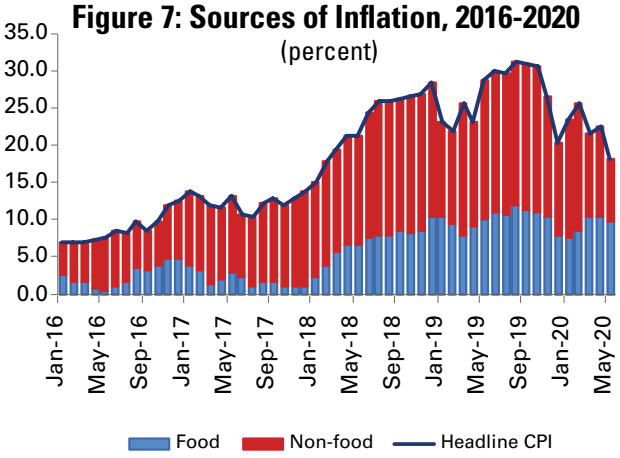
Source: World Bank

2.2. Monetary Policy and the Financial Sector

The headline inflation rate reached a record high of 26.9 percent in 2019, but a declining trend has been observed since the last quarter of 2019. Inflationary pressures began mounting at end-2016, as the pass-through effect of exchange-rate depreciation combined with other supply-side constraints, the monetization of the fiscal deficit (especially during the first half of 2019), and the financing of the large central bank deficit[11] drove an increase in consumer prices. Inflationary and exchange-rate pressures eased in the last three months of 2019, and the end-of-period inflation rate fell from 28.5 percent in December 2018 to 20.3 percent in December 2019. The downward trend continued during the first quarter of 2020, and the headline inflation rate had declined to 21.7 percent by end-March 2020.

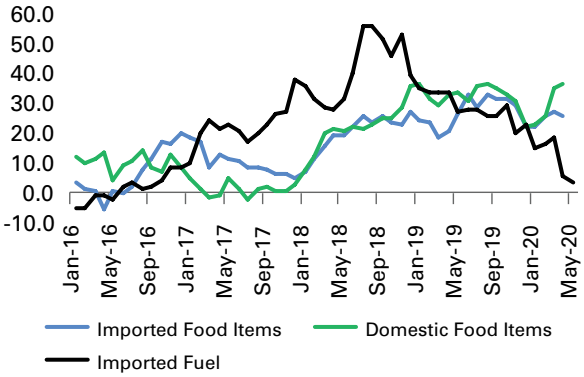
High levels of import dependency, especially for food and fuel, magnified the depreciation's pass-through effect on domestic prices. Imported food and fuel account for 26 percent of Liberia's Consumer Price Index (CPI) basket. In 2019, prices for imported food and fuel rose by 26.9 percent and 27.2 percent, respectively. Domestic food-price inflation reached 31.2 percent in 2019, largely due to the poor performance of the agricultural sector, and total food-price inflation approached 30 percent (Figure 7 and Figure 8). While the recent collapse of global fuel prices appears to be easing nonfood inflationary pressure, food prices continued to rise in 2020 in a context of supply-side constraints, including weak farm-to-market road infrastructure and inadequate storage and processing facilities.

Figure 7: Sources of Inflation, 2016-2020
(percent)



Source: CBL

Figure 8: Changes in Food and Fuel Prices, 2016-2020
(percent)

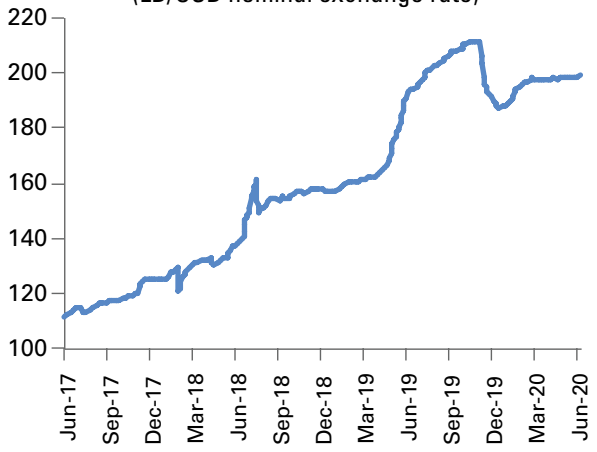


Source: CBL

11 The deficit was a result of large and increasing operational losses during 2017-2019, including from a high increase in staffing level in 2019.

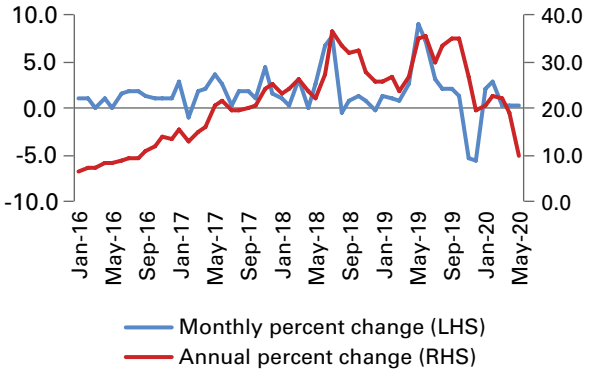
In recent years, the Liberian dollar has weakened significantly against the US dollar. Diminishing aid flows, remittances, and export receipts, coupled with strong demand for foreign currency to finance imports and external payments, drove the depreciation of the exchange rate. At end-December 2019, the Liberian dollar (L$) had depreciated by 29.6 percent (y/y) against the U.S. dollar (US$). Year-on-year depreciation peaked at 35.6 percent in June 2019 but fell toward the end of the year due to a cash shortage[12] combined with monetary tightening (Figure 9 and Figure 10). Following a slowdown in economic activity induced by containment measures, the rate of depreciation has slowed to 9.5 percent by end-May 2020.

Figure 9: Exchange-Rate Developments, 2017-20
(LD/USD nominal exchange rate)



Source: CBL

Figure 10: Changes in the L$/US$ Exchange Rate
(percentage change)



Source: CBL
Note: Positive values indicate depreciation; negative values indicate appreciation.

In July 2019, the Central Bank of Liberia (CBL) transitioned from a de facto exchange-rate-targeting framework to an interest-rate-based framework. By November, the CBL had tightened its monetary policy stance while demonstrating a credible commitment to zero monetary financing. Faced with declining net foreign-exchange inflows and dwindling international reserves during 2017-19, the authorities adopted a new monetary framework that uses a standing deposit/credit facility as proxy for monetary policy rates. In addition, the CBL aligned interest rates across all market instruments, issued shorter-tenor instruments, adjusted cash-reserve requirement for banks, and suspended its "remittances split" policy[13] for the month of December 2019 to address a Liberian dollar shortage in the last quarter of the year. On May

12 In the last quarter of 2019, currency outside the banking system accounted for 97 percent of the total currency in circulation. The handling of the L$16-billion saga and the US$25 million direct mop-up exercise undermined public confidence in the banking system and contributed to the hoarding of hard currency, while the combination of depreciation, inflation, and a low deposit rate weakened incentives to hold local-currency-denominated cash balances in banks.

13 The CBL applies the "remittances split" policy introduced in December 2016 to mandatory purchase of foreign exchange by withholding 25 percent of all remittance inflows received by commercial banks.

28, 2020, the CBL Board approved a reduction in the monetary policy rate from 30 percent to 25 percent in the wake of positive price developments during the fourth quarter of 2019 and the first quarter of 2020, as well as a further decline in inflation rates projected for 2020.[14]

The growth rate of the broad money supply (M2) slowed from 31.7 percent at end-2018 to 19.8 percent at end-2019, while the growth of narrow money (M1) also decelerated. The slow growth of M2 reflected weak economic activity combined with a Liberian dollar cash shortage in the last quarter of 2019. The growth of currency in circulation slowed from 21.1 percent at end-2018 to 13.1 percent at end-2019. However, the volume of currency outside banks remains high at L$20.5 billion, up from L$18.1 billion at end-2018.

After growing by 5.3 percent in 2018, credit to the private sector contracted by 6.1 percent in 2019, due to slowing economic activity and challenges in the banking sector. Declining personal loans, trade finance, and loans to the services sector drove the contraction. Access to credit and bank accounts remains very low, and confidence in the banking sector is weak. At approximately 14.0 percent of GDP, credit to the private sector is below the regional average. Just 36 percent of adults have access to financial services, including 21 percent who have a mobile-money account. Mobile money has been responsible for over 83 percent of the total increases in financial inclusion since it was introduced in 2011. However, only 12 percent of mobile-money accountholders actively use their accounts.

Financial-sector vulnerabilities intensified in 2019.[15] The average nonperforming loan (NPL) ratio rose from 13.9 percent in December 2018 to 17.2 percent in December 2019, while return on equity and return on assets stood at 14.3 and 2.4 percent, respectively, at end-December 2019. Improving profitability in a context of rising NPL ratios reflects the CBL's reliance on cost reductions, fees, commissions, and government securities. At end-December 2019, the capital adequacy ratio stood at 18.1 percent, down 8.7 percentage points from December 2018, and two of Liberia's nine banks reported capital levels below the minimum regulatory threshold of US$10 million. With support from the IMF, the CBL is implementing an action plan to address financial-sector risks. This plan prioritizes measures to strengthen banking supervision, bolster the resolution framework, improve data quality, and enforce reporting requirements. In December 2019, the government launched a new National Financial Inclusion Strategy for 2020-24 that emphasizes the use of digital financial services.

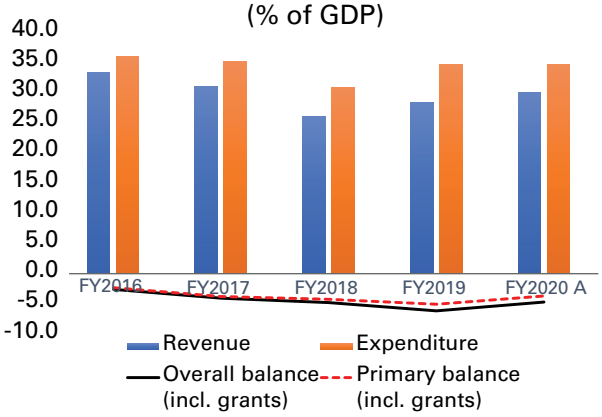
14 https://cbl.org.lr/2press.php?news_id=206&related=7&pg=sp. The remittances split policy remained suspended.

15 Liberia's bank financial sector is represented by nine commercial banks with 93 branches. The nonbank financial sector is dominated by one large microfinance institution (MFI) and includes two or three other small but promising MFIs, 12 mostly insolvent rural community financial institutions (RCFI), and a limited range of digital financial services that includes mobile money. The use of the CBL's Automated Clearing House and Real-Time Gross Settlement system is limited, and each year the national switch processes fewer than 10,000 ATM transactions (exclusively in US dollars) for four banks.

2.3. Fiscal Developments

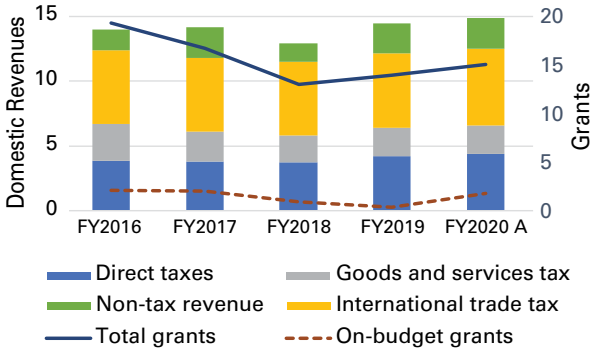
The government's fiscal position deteriorated significantly in FY2019. The fiscal deficit widened from 4.8 percent of GDP in FY2018 to 6.2 percent in FY2019, while the primary deficit increased from 4.2 percent of GDP to 5.1 percent. Both indicators have more than doubled since FY2016 (Figure 11 and Table A1.2). Underperforming revenues, pervasive tax waivers, a loose fiscal stance, and an insufficient expenditure adjustment drove the widening deficit. Between FY2018 and FY2019, total revenues rose by 3.9 percent in nominal terms but remained 18 percent below projected levels. Meanwhile, actual spending increased by 7.9 percent in nominal terms, remaining 9 percent below projected levels but still significantly outpacing revenue growth. The government financed the deficit through external loans, borrowing from the CBL, and the accumulation of payment arrears, which rose by an estimated 1.5 percentage points of GDP in FY2019.[16]

Figure 11. Fiscal Indicators
(% of GDP)



Source: GoL, IMF/World Bank Staff estimates
A - Approved budget.

Figure 12: Sources of Government Revenue
(% of GDP)



Source: GoL, IMF/World Bank Staff estimates
A - Approved budget.

Revenues have failed to meet expectations across all major categories, but the shortfall in external grants and nontax revenues has been especially acute. Despite recent improvements, domestic revenue mobilization has remained weak, and Liberia's 12.0 percent tax-to-GDP ratio in FY2019 is still well below the averages for SSA and the Economic Community of West African States (ECOWAS).[17] International trade taxes and income taxes remained the country's major domestic revenue sources in FY2019, accounting for a combined 80 percent of total tax revenue. Meanwhile, revenue from consumption taxes, including the General Service Tax (GST) and various excise taxes, has remained low, and the consumption

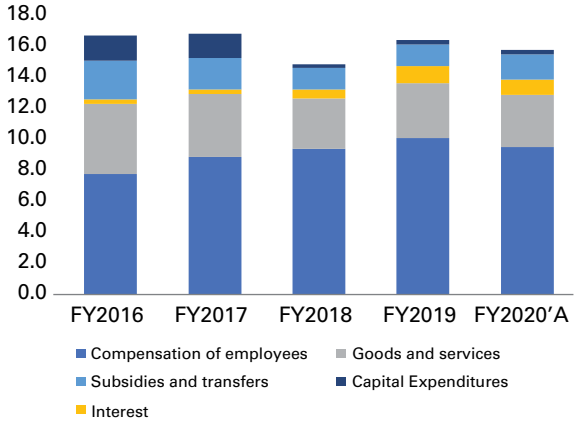
16 The size of the outstanding arrears has yet to be established through an audit conducted by the General Auditing Commission or by an independent audit firm.

17 This refers to the average for 2015-2018 based on World Bank, IMF, and OECD data.

tax base is largely underutilized (Figure 12). A new Excise Law was promulgated in 2018, but its implementation has been postponed due to delays in the procurement of excise stamps.

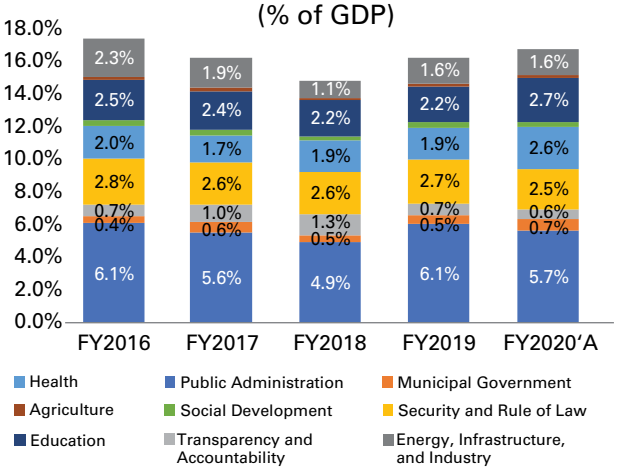
Total expenditures rose by about 8 percent in nominal terms, or about 4 percentage points of GDP, during FY2019. The public sector wage bill and interest payments on public debt together accounted for 68.6 percent of on-budget expenditures in FY2019, up more than 20 percentage points from FY2016. The wage bill has increased more than tenfold since 2015 and equaled 70 percent of domestic revenue in FY2019. Discretionary on-budget spending, already very modest, has borne the brunt of the expenditure adjustment over this period, further undermining the quality of public service delivery. On-budget capital expenditures fell from 1.6 percent of GDP in FY2016 to 0.3 percent in FY2019, a decline of almost 50 percent in nominal terms. Meanwhile, expenditures on goods and services fell from 4.5 percent of GDP to 3.6 percent, a decline of about one-third in nominal terms (Figure 13). Public grants, almost 50 percent of which are for education, health, and economic development, declined by more than 40 percent in nominal terms during the same period. The composition of expenditures by function further illustrates the crowing out of discretionary spending, with the most affected sectors being energy, infrastructure, and industry, followed by education, health, security, and rule of law (Figure 14).

Figure 13: Composition of Expenditures by Economic Categories
(% of GDP)



Source: GoL, IMF/World Bank Staff estimates
Note: On-budget Central Government Expenditures.

Figure 14: Composition of Expenditures by Economic Categories
(% of GDP)



Source: GoL, IMF/World Bank Staff estimates
Note: On-budget Central Government Expenditures.

Liberia's total public debt stock almost tripled between 2014 and end-2019, reaching 52.4 percent of GDP. The rising debt stock reflects multiple shocks to Liberia's economy during the period. About 63.4 percent of Liberia's public debt stock is external public and publicly guaranteed (PPG) debt, more than 87 percent of which is due to multilaterals. Rapidly widening primary fiscal deficits, a 0 percent real GDP growth rate over the period, and real exchange-rate

depreciation drove the growth of the public debt stock. The sharp increase in domestic debt is mainly due to government borrowing from the CBL in the form of bridge loans and advances to cover the financing gap in FY2018 and FY2019, an approach that has contributed to high inflation rates. Persistently high current-account deficits combined with moderating non-debt-creating inflows, such as foreign direct investment (FDI), drove the growth of the external public debt stock.

The adoption of the FY2020 budget represented a critical step toward restoring sustainable macroeconomic balances. The authorities broke with the past practice of approving unrealistic budgets that overestimated resource envelopes and then using ad hoc adjustments and CBL borrowing to address mounting cash shortages during budget execution. The approved resource envelope for FY2020 was just 2 percentage points higher in nominal terms than actual expenditures in FY2019, and the new budget was underpinned by a conservative macroeconomic framework. On the expenditure side, the budget involved a wage-harmonization exercise, which included: (i) downsizing the total wage bill by about 10 percent; (ii) consolidating base wages and discretionary allowances; and (iii) centralizing wage payments under the authority of the Civil Service Agency. On the revenue side, the budget envisaged: (i) expanding the base for the personal income tax; (ii) expediting the transition to the ECOWAS Common External Tariff; (iii) implementing a new Excise Law; and (iv) modifying the revenue-sharing ratio between state-owned enterprises (SOEs) and state budgets in favor of the latter. The government also developed and operationalized a domestic arrears-clearance strategy.[18] The overall deficit was projected to decline from 6.2 percent of GDP in FY2019 to 4.7 percent in FY2020, and the primary deficit was projected to improve from 5.1 percent of GDP in FY2019 to 3.7 percent in FY2020 (Figure 11 and Table A1.2).

Revenues underperformed in the first half of FY2020 due to a greater-than-anticipated contraction in economic activity. Shortfalls were recorded for all major taxes, but especially for taxes on international trade, reflecting a sharp drop in imports in the second half of 2019. A one-off increase in nontax revenue combined with strict cash management and expenditure controls helped contain the cash deficit in the first half of FY2020. However, a shortfall of US$24 million from the approved budget FY2020 of US$526 million was already projected before the emergence of COVID-19. The revised FY2020 budget lowered total spending to US$505 million but allocated US$3 million in additional emergency spending.[19] While the wage bill and expenditures on goods and services have remained stable or risen, capital expenditures and subsidies and grants have been cut in line with the target for the primary deficit. In May, as the COVID-19 crisis unfolded, the budget was revised again (see Section 3, below).

18 With support from the IMF's new ECF program, the government has launched a comprehensive arrears-clearance strategy based on: (i) halting the accumulation of new arrears; (ii) verifying the existing stock of arrears; and (iii) approving and implementing a credible repayment plan.

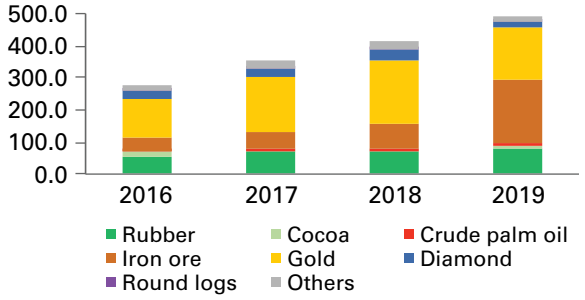
19 The recast FY2020 Budget was signed into Law on March 23, 2020.

2.4. The External Sector

The current-account deficit narrowed from 23.5 percent of GDP in 2018 to 22.1 percent in 2019. Trade dynamics underpinned the improvement in the current-account balance, as the trade deficit fell from 18.4 percent of GDP in 2018 to 17.7 percent in 2019, due to rising exports and weakening import demand (Table A1.3). Trade in services recorded a deficit of 9.9 percent of GDP, down 0.1 percentage points from 2018. The income account remained in deficit in 2019 but showed improvement, while the surplus in current transfers was smaller than in 2018. In a weak domestic environment characterized by slow growth, rising inflation, and dwindling consumer and business confidence, FDI declined between 2018 and 2019, and the current-account balance improved only marginally. The current-account deficit was financed by net IMF credit, loans, and drawdowns of gross official reserves.

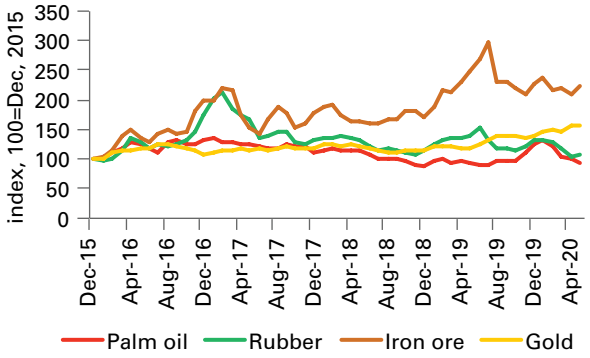
Higher international commodity prices improved Liberia's export performance in 2019. The value of Liberia's exports expanded by 18.2 percent (y/y), driven by rising prices for gold, iron ore, and rubber (Figure 15 and Figure 16). Higher international gold prices reflected increased demand from some central banks and gold-backed exchange funds, while rising iron ore exports were driven by surging steel production in China, which pushed up the price of iron ore during most of the year. Similarly, an anticipated increase in automobile production boosted demand for rubber, causing international rubber prices to rise. Exports of other products, including cocoa, crude palm oil, diamonds, and round logs, increased marginally. Europe (mainly Switzerland) accounted for 63.9 percent of Liberian exports, Asia (mainly China) accounted for 15.6 percent, and Africa (mainly Liberia's neighboring countries) accounted for 4.5 percent.

Figure 15 : Composition of Exports, 2016-19
(US$ millions)



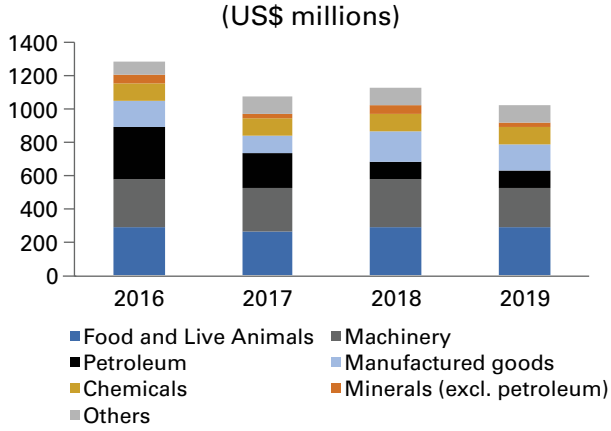
Source: CBL

Figure 16: Prices of Liberia's Main Exports



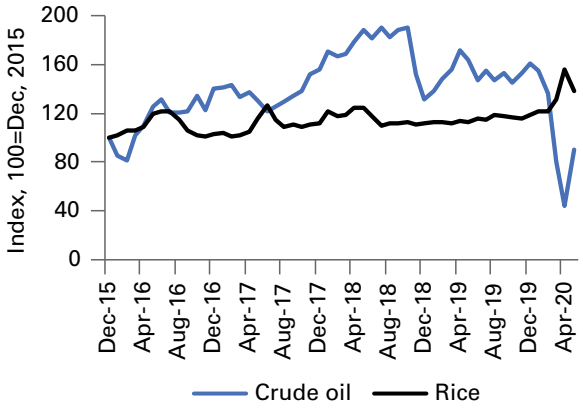
Source: World Bank Commodity Price Database

Figure 17: Composition of Imports, 2016-19



Source: CBL

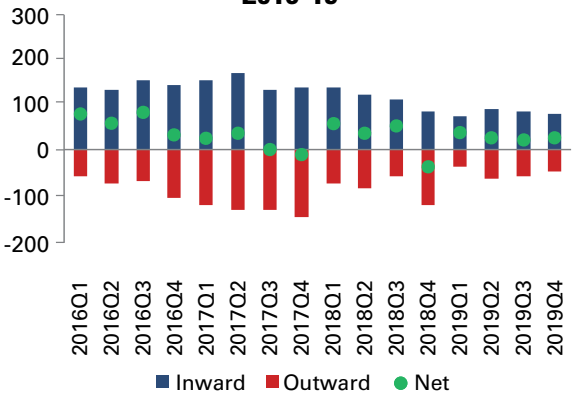
Figure 18: Prices of Liberia's Main Imports



Source: World Bank Commodity Price Database.
Note: *Liberia imports fossil fuels, the prices for which are linked to international crude oil prices.

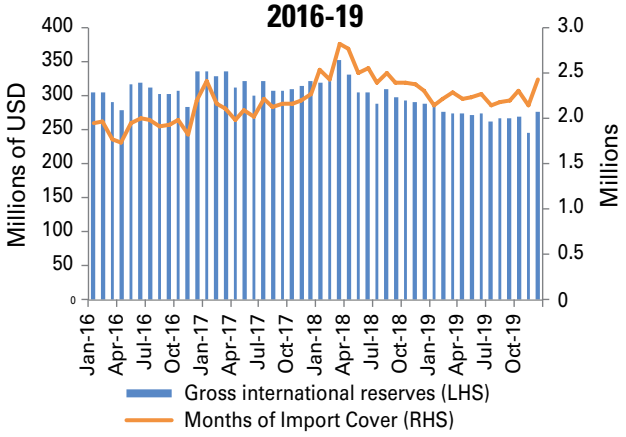
Merchandise imports declined by 9.7 percent in 2019, as falling real income levels and rising inflation weakened economic activity. Imports fell across all major categories, but the decline was especially pronounced for capital goods and manufactured goods, which dropped by 17.5 percent and by 26.6 percent, respectively (Figure 17). International prices for Liberia's main imports—rice and petroleum—fell in 2019 (Figure 18). However, the decline in prices did not significantly influence the value of imports. The top three sources of Liberia's imports in 2019 were Asia (mainly China), Africa (mainly Côte d'Ivoire), and Europe, which accounted for a combined 90 percent of total imports during the year.

Figure 19: Remittance Inflows and Outflows 2016-19



Source: CBL, World Bank Staff estimates

Figure 20: Gross International Reserves 2016-19



Source: CBL, World Bank Staff estimates

Net remittance inflows fell from US$245.1 million in 2016 to US$105.9 million in 2019. The sharp decline in remittance inflows reflects slow growth and uncertainty in advanced economies, which are the major source of remittances to Liberia. Due to the countervailing

decline in remittance outflows, net remittance inflows fell by 2.0 percent in 2019 (Figure 19). Since 2016, the CBL has purchased foreign exchange by withholding 25 percent of all remittance inflows through commercial banks.

Gross international reserves stood at US$276 million at end-2019, equivalent to 2.4 months of import coverage. The level of reserves has been declining since March 2018 due to the combined effect of falling foreign-exchange inflows, CBL interventions in the foreign-exchange market, the drawdown of government deposits, and the CBL's provision of credit to the government (Figure 20).[20] Reserve coverage had dropped to 2.1 months of imports by November 2019, but it partially recovered by the end of the year following the disbursement of funds under the IMF's ECF program.[21]

3. The COVID-19 Outbreak: Impact, Outlook, and Risks

3.1. Transmission Channels and Macroeconomic Challenges[22]

Liberia reported its first confirmed case of COVID-19 on March 16, 2020. As of June 18, Liberia had recorded 516 cases and 33 fatalities, though inadequate testing limits the reliability of these figures. The recorded mortality rate of 6.4 percent in Liberia is the second-highest rate in the region (after Chad) and well above the SSA average of 2.21 percent.

Liberia is highly vulnerable to the public health and economic impacts of COVID-19; its range of potential policy responses is narrow; and its path to recovery will be especially challenging. Liberia is a fragile state. Its economy never fully recovered from the effects of two devastating civil wars (1989-2003), which caused widespread loss of life, suppressed economic activity, and destroyed vital infrastructure, including electricity lines, roads, and water and sewage systems. The conflicts had a disproportionate impact on the poor and left deep rifts between communities and social groups. After contracting for a quarter century, Liberia's per capita GDP grew steadily during 2004-2013 at an average annual rate of 4.8 percent, but in 2014 the regional EVD outbreak and a sharp decline in global prices for iron ore and rubber disrupted the recovery. Since then, Liberia has experienced multiple exogenous shocks, the effects of which were exacerbated by domestic policy slippages. Liberia's per capita GDP fell by 14 percent between 2013 and 2019, and the gains in poverty reduction achieved during the post-war recovery have been significantly eroded. High levels of inequality in access to assets, services, and opportunities worsen the destabilizing effect of economic shocks.[23]

20 The recommended minimum reserve level is 3.3 months of import coverage.

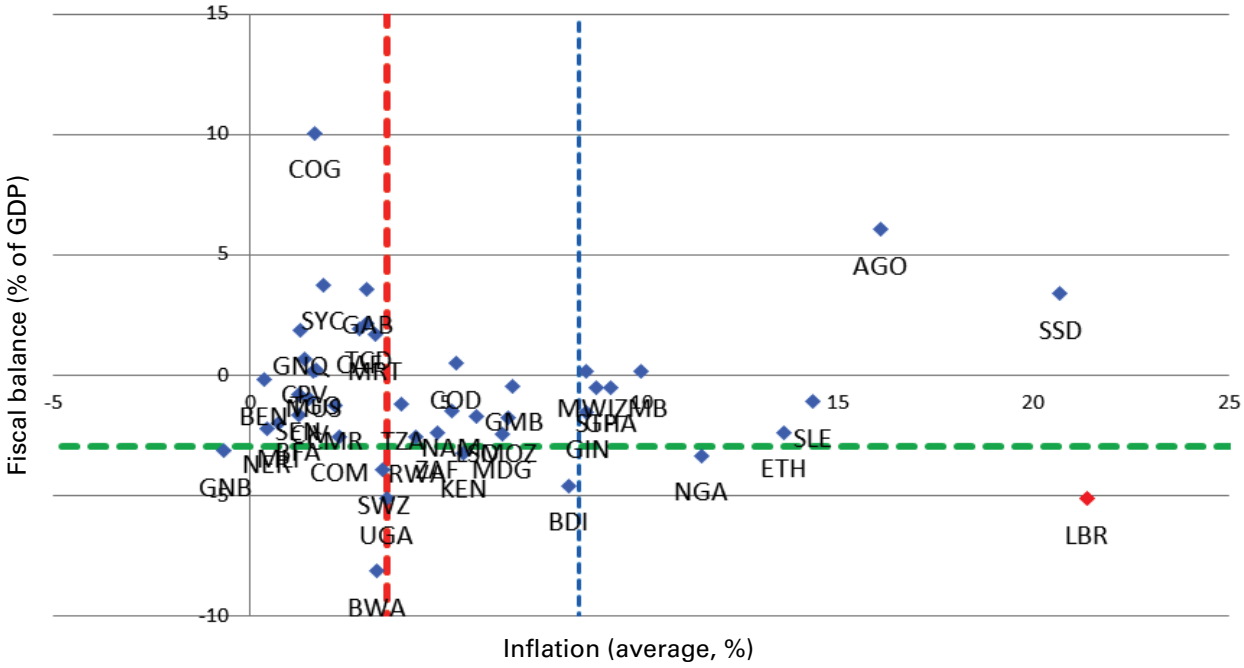
21 The IMF Executive Board approved a four-year ECF arrangement for Liberia in an amount equivalent to SDR 155 million on December 11, 2019, with an initial disbursement of SDR 17 million (US$23.5 million).

22 This section draws heavily on recent editions of *Africa's Pulse* and "A Framework for Operational Response to the COVID-19 Pandemic and Global Crisis".

23 World Bank, 2018.

Liberia's large macroeconomic imbalances, low fiscal reserves, and depleted foreign-exchange buffers limit the government's options for addressing the COVID-19 crisis. Liberia's fiscal deficit and inflation rate are among the highest in the region (Figure 21). A highly concentrated export structure, dependence on imported food and fuel, a heavy reliance on external aid, a narrow revenue base, and a structural fiscal deficit render the economy extremely vulnerable to external shocks. A lack of fiscal space constrains the government's ability to mount a meaningful fiscal policy response, and revenues are expected to decline further as economic activity slows. Moreover, the COVID-19 pandemic threatens to undo hard-won progress in tightening cash management to keep the deficit under control and avoid the buildup of arrears, as well as efforts to establish a new monetary framework to contain price growth. The pandemic is creating enormous economic, political, and social pressures, which could create the conditions for a full-blown macroeconomic crisis that would deepen the collapse of economic activity and impede the subsequent recovery, with devastating effects on poor and vulnerable households.

Figure 21: Fiscal Balances and Inflation Rates, Liberia and SSA Comparators, 2019/20

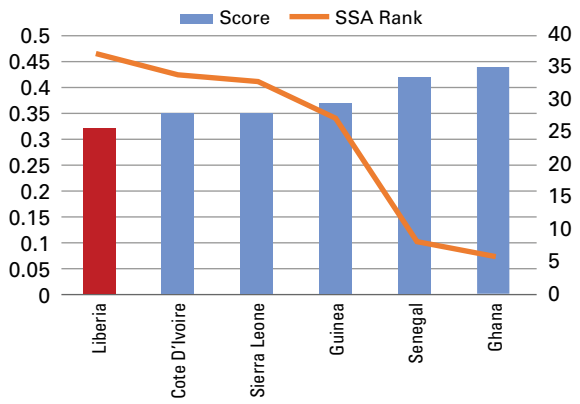


Source: World Bank (2020). Africa's Pulse, April 2020, vol. 21.

Note: Sudan and Eritrea are excluded from the figure.

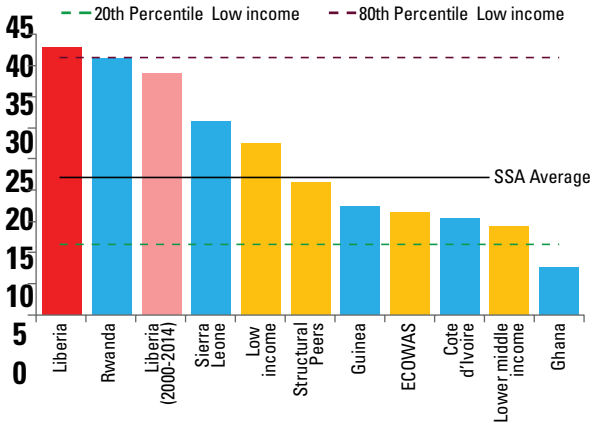
Informal employment accounts for about 80 percent of total employment in Liberia.[24] The share of informal employment in total employment ranges from 86.5 percent in rural areas to 72.5 percent in urban centers.[25] An estimated 91 percent of working Liberian women are employed informally, compared to 69 percent of men. The service sector, especially wholesale and retail trade, accounts for a large share of informal employment. Most informal workers live in unplanned urban settlements or rural areas, and their livelihoods are highly precarious.[26] In the agricultural sector, where informal employment is especially pervasive, households rely heavily on subsistence farming.

Figure 22: Human Capital Index, Liberia and Comparators, 2018
(HCI score and rank in SSA)



Source: World Bank Human Capital Project, 2019.

Figure 23: Prevalence of Undernourishment, Liberia and Comparators, 2015-18
(percent)



Source: WDI

Poor health indicators, weak public health systems, and high levels of food insecurity and malnutrition increase the population's vulnerability to COVID-19. Liberia ranks near the bottom of the global Human Capital Index and performs poorly against regional comparators (Figure 22). The 2014 EVD outbreak decimated a health system already weakened by conflict, and the subsequent recovery has been slow and incomplete. Since the EVD crisis, Liberia has made great strides in strengthening epidemic preparedness, but its health system remains among the weakest in the world, with severe shortages of human and financial resources, limited institutional capacity and infrastructure, weak information systems, and critical gaps in the availability of drugs, equipment, medical supplies, and other essential inputs.

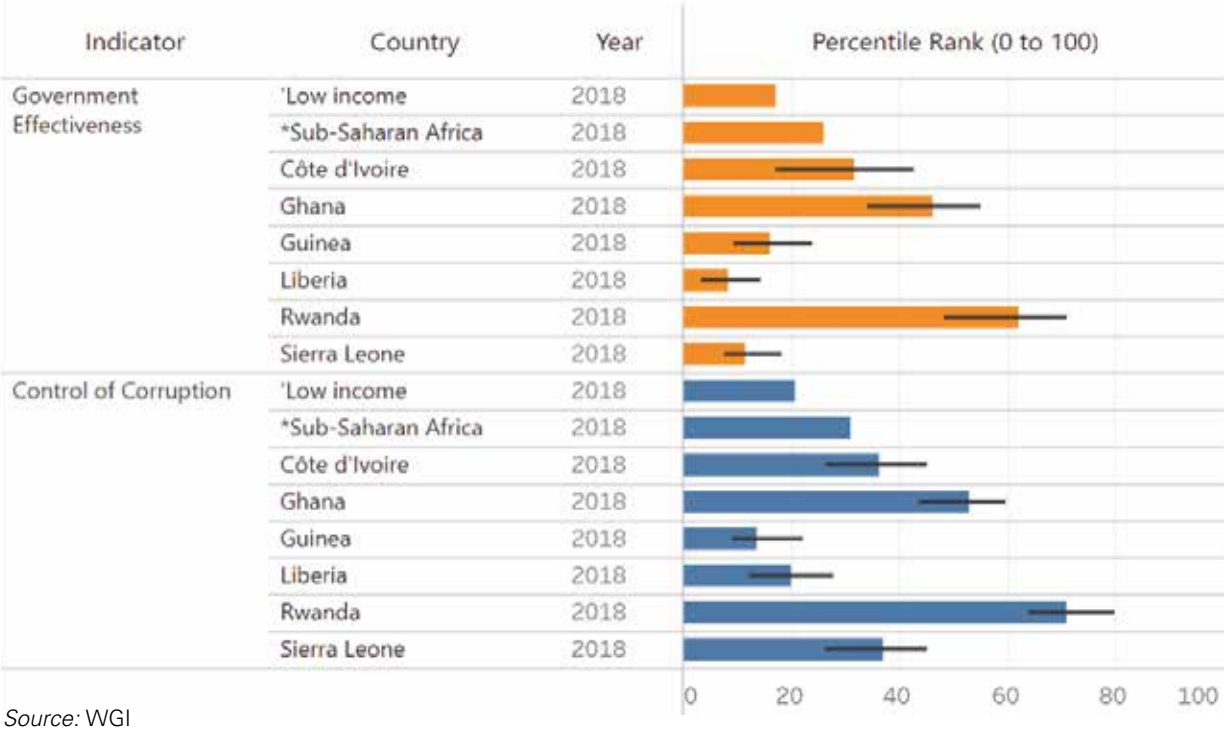
24 HEIS, 2016.

25 In line with the ILO definition, the informal employment rate excludes self-employed farmers, but it includes wage earners working in the agricultural sector. Consequently, workers in subsistence agriculture are largely excluded from the definition, but workers in concession agriculture are included.

26 This includes all jobs in unregistered and/or small-scale private unincorporated enterprises that produce goods or services meant for sale or barter. Self-employed street vendors, taxi drivers, and home-based workers, regardless of size, are all considered enterprises. However, agricultural and related activities, households producing goods exclusively for their own use (e.g., subsistence farming, housework, care work, and paid domestic labor), and volunteer services rendered to the community are excluded.

Respiratory diseases such as COVID-19 are not covered by Liberia's active disease surveillance system. Early identification in communities and health facilities, compliance with infection prevention and control measures, contact tracing, and good hygiene practices remain major challenges. The COVID-19 outbreak is likely to further strain the already fragile health system. These risks are exacerbated by high levels of food insecurity and malnutrition (Figure 23). According to the FAO's 2019 State of Food Security and Nutrition in the World report, Liberia's levels of undernourishment and severe food insecurity are among the highest in SSA, affecting an average of 37.2 and 62.2 percent of population, respectively, during 2016-18.[27]

Figure 24: Government Effectiveness and Control of Corruption
(percent)



Source: WGI

Low governmental capacity poses a major obstacle to an effective pandemic response. Weak government effectiveness and major challenges in controlling corruption (Figure 24) constrain Liberia's ability to deliver key public services such as health, education, clean water, and sanitation, especially in rural areas and in densely populated urban slums. Less than 1.2 percent of population was estimated to have access to basic handwashing facilities in 2017. About 70 percent of residents of Greater Monrovia live in heavily congested informal settlements that do not allow for social distancing and that lack basic water and sanitation services. Despite recent improvements in the financial management system, cash management, and budgetary transparency, public administration remains weak, and the public sector suffers from a shortage

27 http://www.fao.org/state-of-food-security-nutrition/en/

of skilled staff. As Liberia's experience with EVD demonstrated, a strong communications campaign and robust community engagement and empowerment are critical to build trust in the government's response during a health crisis (Box 1).

Box 1: Lessons from Liberia's Experience during the West Africa EVD Outbreak

Liberia was severely affected by the 2014-15 EVD outbreak, registering at least 9,860 cases and over 4,400 deaths. The EVD outbreak claimed the lives of 83 doctors, nurses, and midwives, as well as 49 other health workers, severely damaging the country's already fragile public health system. In addition to its devastating human toll, the EVD outbreak had a major socioeconomic impact, and Liberia's experience highlighted the importance of a comprehensive response effort that encompasses:

A social response: Addressing the EVD outbreak required clear communications and a high level of transparency, as public outreach was vital to build trust in the government. The government launched a robust information campaign to spread good health practices, disseminate important information, counter the spread of rumors, and build public trust. The authorities employed social mobilisers on vehicles with loudspeakers, broadcast a weekly talk show on ECOWAS radio with updates from the National Public Health Institute (NPHI), and partnered with the private sector to use mobile phones to spread EVD-prevention messages. At the community level, testimonials from survivors reinforced public trust in treatment units.

A public health response: The government rapidly implemented measures to curb the spread of the disease. In the early stages of the outbreak, the authorities imposed movement restrictions, quarantines, and even curfews. With the support of local communities and organizations, the government installed hand-washing stations and water-supply and sanitation facilities. Liberia implemented contact tracing to monitor the spread of the virus and provide early treatment, along with other measures such as the identification and isolation of cases and the quarantining of suspected contacts.

A nongovernmental response: The active involvement of communities and NGOs was critical to stop the spread of EVD. Community groups and leaders helped raise local awareness, brought infected people to treatment units, provided food and care to families of EVD victims, discouraged unsafe burial practices, and built confidence in the response effort. Individual Liberians and local organizations donated soap, chlorine, buckets, and hygienic products to the Ministry of Health and Social Welfare to cover the shortage of supplies. Domestic and international NGOs implemented an estimated 246 projects across the country, focusing on health promotion, case management, social mobilization, contact tracing, and coordination.

An economic response: The EVD outbreak disrupted livelihoods and depleted the wealth of Liberian households, creating an urgent need for economic support. The government, with assistance from its development partners, implemented food-aid and cash-transfer programs, expanded agricultural extension services, and provided agricultural inputs to mitigate the possibility of food shortages. Over the long term, expanded access to financial services and technical support remains vital to the recovery of firms and households in the wake of the crisis.

Source: World Bank staff based on World Bank (2015a and 2015b), and OCHA (2014).

The Liberian economy is highly exposed to the effects of COVID-19. Preexisting macroeconomic weaknesses intensify Liberia's vulnerability to deteriorating external conditions, and limited safety nets are in place to mitigate shocks to household consumption. The pandemic is expected to impact the Liberian economy through four main channels:

International trade and global supply chains. The worldwide spread of COVID-19 has disrupted global trade and financial flows, reducing international prices for some of Liberia's

major export commodities and increasing domestic prices for certain imported and domestically produced goods. With a trade-to-GDP ratio of over 120 percent in 2018, Liberia has a high level of trade exposure, and pandemic-related shocks to external demand and prices are expected to generate large macroeconomic impacts. Overall, Liberia's terms of trade are projected to improve slightly, but the direction and magnitude of changes in prices for the country's main exports and imports are subject to a high degree of uncertainty. Slowing global demand and lower prices for all export commodities except gold will reduce export earnings, putting pressure on the exchange rate and further undermining the country's fragile foreign-reserve position. Low fuel prices and weakening demand for capital goods are expected to reduce the import bill, but given Liberia's high level of dependency on imported food and pharmaceuticals, unpredictable price changes could intensify macroeconomic volatility and exacerbate the anticipated increase in inflation.[28]

Tourism and business travel. Reduced regional and international travel due to a combination of behavioral changes and preventive measures, including the closure of Roberts International Airport since March 23, are directly impacting the transportation and hospitality industries, which account for about 20 percent of Liberia's GDP. Reduced travel is having an adverse spillover effect on local supply chains, with negative implications for employment, income, and government revenue.[29]

Remittances. Due to the COVID-19 crisis, remittance flows to the Africa region are expected to decline by 23.1 percent in 2020, while a recovery of 4 percent is expected in 2021.[30] Liberia is highly dependent on inbound remittances, which averaged 16 percent of GDP during 2015-19, more than one-third of which originate in the United States. The economic contraction and job losses in the United States[31] and other remittance source markets will weaken the balance of payments and reduce private consumption, with negative second-order effects on domestic demand, particularly in labor-intensive sectors that employ a large share of poor workers. [32]

Other external flows. Liberia relies heavily on FDI, primarily in the extractive industries and commercial agriculture, as well as donor assistance (Figure 25 and Figure 26). The economic crisis precipitated by COVID-19 could reduce global investment flows by 30-40 percent over 2020-21.[33] The World Bank projects a 35 percent decline in FDI in 2020 due to travel bans, the

28 According to the Ministry of Agriculture, the price of a 25kg bag of rice in rural Liberia rose by 15.9 percent to L$3,435, above the regulated price of L$2,675, after lockdown measures took effect on April 10.

29 Occupancy rates in major hotels plunged to below 2 percent by end-April 2020, down from over 80 percent a year earlier.

30 http://documents.worldbank.org/curated/en/989721587512418006/pdf/COVID-19-Crisis-Through-a-Migration-Lens.pdf

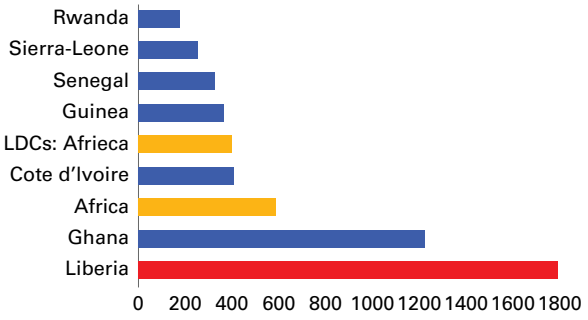
31 In April 2020, the US unemployment rate soared to 14.7 percent, its highest level since the Great Depression.

32 World Bank (2018). Private Transfers, Remittances and Welfare in Liberia.

33 UNCTAD (2020). https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=2313

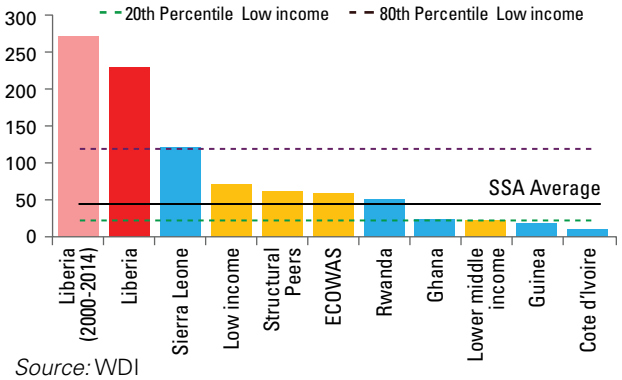
disruption of international trade, and the wealth effects of declining stock prices of multinational companies. Private portfolio flows through stock and bond markets may decline by as much as 80 percent.[34] FDI in Liberia had already fallen over the last five years due to multiple external and domestic shocks and a prolonged period of uncertainty related to the political transition. With diminishing inflows and shrinking borrowing space, the external gap is expected to be filled by ODA and concessional financing.

Figure 25: Inbound FDI Stock per Capita, Liberia and Comparators, 2018
(current US$)



Source: UNCTAD

Figure 26: Net ODA Received, Liberia and Comparators, 2015-18
(% of gross capital formation)



Source: WDI

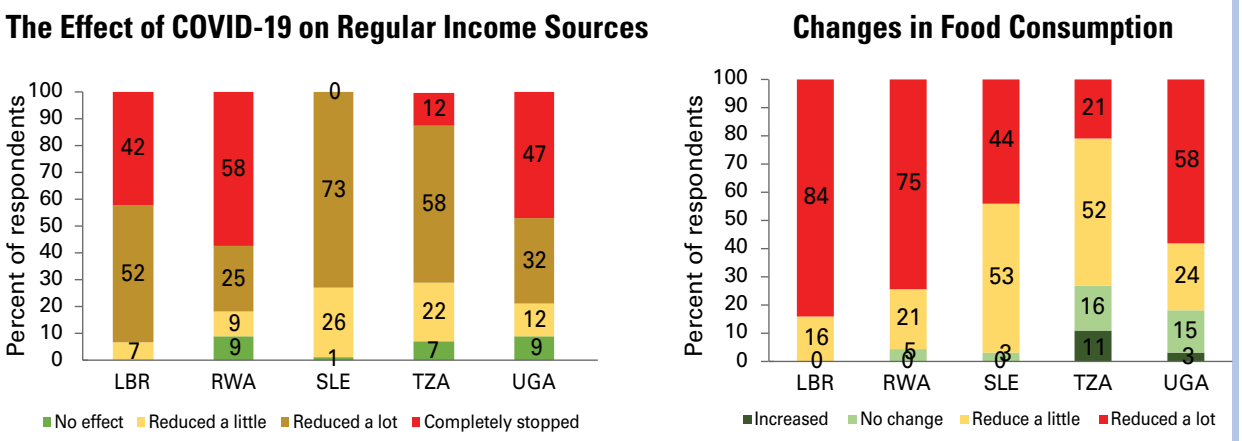
Domestic economic activity. The COVID-19 pandemic is exerting a deeply negative impact on economic activity and employment, particularly nonfarm self-employment in urban areas. Fear of infection is reducing demand for services, which disproportionately affects informal workers, and lockdown measures are restricting various forms of economic activity. Production of major commodities has slowed, while consumption has weakened. Major firms in the agriculture, mining, and manufacturing sectors have reduced their workforces, citing the slowdown in activity due to COVID-19 coupled with other structural factors. During the first four months in 2020, rubber output fell by 27.1 percent (y/y), as operations slowed and employment in the agricultural sector declined. During the same period, iron ore output dropped by 18.0 percent (y/y), as international prices for iron ore declined by 11.5 percent between January and April 2020 before recovering marginally in May. Despite rising gold prices, output in the gold sector declined during the first two months of 2020. Production of the two most important manufactured goods, cement and beverages, declined by 10.1 percent (y/y) and 46.7 percent (y/y), respectively, between January and April due to the decline in service-sector output and weakening consumption. The microfinance institution (MFI) subsector, which caters to entrepreneurs, microenterprises, and small businesses, was severely impacted by the EVD outbreak, and the COVID-19 pandemic is likely to have a similarly negative effect. In the context of increasing defaults and diminished economic activity, lending from banks and nonbank financial institutions (NBFIs), including MFIs, is likely to decrease.

34 http://documents.worldbank.org/curated/en/989721587512418006/pdf/COVID-19-Crisis-Through-a-Migration-Lens.pdf.

In sum, the burgeoning COVID-19 pandemic poses a major threat to the Liberian economy. The unprecedented slowdown in global economic activity caused by COVID-19 is expected to depress external demand for Liberian exports and may disrupt investment in the export-oriented mining, agriculture, and forestry sectors. Liberian households are highly vulnerable to health shocks, and the national healthcare system has not yet recovered from the devastating impact of the 2014 EVD outbreak. A domestic epidemic could profoundly disrupt the critical service sector in Monrovia, which is densely populated and lacks the physical, institutional, and economic infrastructure to implement pandemic response measures efficiently and with minimal impact on household welfare. Moreover, large shares of both the urban and rural populations are already food insecure and vulnerable to economic disruptions that adversely affect agricultural production and food-related supply chains. In the near term, the collapse of global oil prices may improve household purchasing power by lowering the cost of imported fuel, but any such gains are likely to be concentrated among wealthier urban households and will do little to shield the poor and vulnerable from the overwhelmingly negative economic and health repercussions of the pandemic. Declining employment, along with rising prices and increased trade barriers, could prompt the sale of productive household assets or the consumption of working capital as coping mechanisms. A recent Rapid Food and Income Security Assessment by Building Resources Across Communities (BRAC) finds that Liberia's situation is increasingly dire (Box 2).

Box 2: Rapid Food and Income Security Assessment

A recent BRAC assessment found evidence of income losses due to COVID-19. The share of respondents reporting that their household income had disappeared or fallen by "a lot" is very high and increased sharply between the two rounds of data collection, which took place during the first and third weeks of April 2020. A full 42 percent of the respondents reported no household income, while 52 percent indicated that their income has fallen by "a lot." Respondents who rely mainly on a regular salary were more likely to report "no change" in their income, while those relying on businesses and casual work were most severely affected.



The BRAC assessment also found an increase in food insecurity, as well as diminished access to food due to market closures and restrictions on movement. 84 percent of respondents reported reducing their food consumption by "a lot," while the remaining 16 percent reported reducing their food consumption by "a little." Food-price inflation is exacerbating food insecurity, and a rising share of respondents reported spending more than usual on food, even as their food consumption decreased.

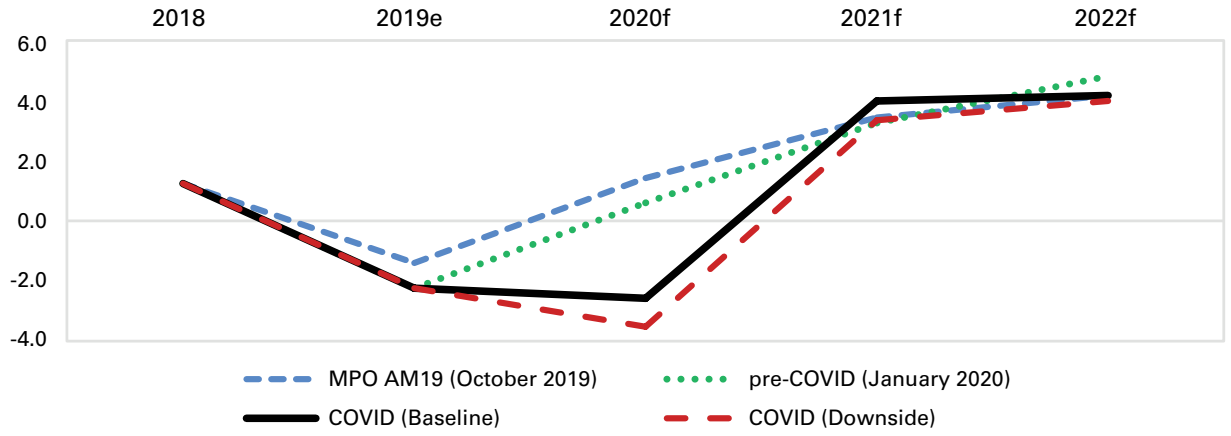
Source: BRAC International Rapid food and income security assessment Round 2: http://www.bracuk.net/wp-content/uploads/2020/04/BI-COVID-19-Rapid-Assessment-Round2_20200424.pdf

3.2. Outlook and Risks

Liberia's economy is expected to contract further in 2020 before recovering over the medium term. Under the baseline scenario, real GDP is projected to contract by 2.6 percent in 2020, down 3.2 percentage points from the pre-COVID baseline projection in January 2020 (Figure 27 and Table 1). The pandemic is reducing output across multiple sectors, especially services and manufacturing, reflecting a combination of precautionary behavioral changes and public policies designed to halt the spread of the disease. If these efforts are successful, and the outbreak is contained in the first half of the year, a sharp rebound is expected in 2021, and the real GDP growth rate is projected to rise to an average of 4.1 percent during 2021-22. However, under the moderate downside scenario, in which the outbreak is not effectively contained, real GDP could contract by an additional percentage point to 3.6 percent in 2020 and recover more slowly, growing at an average rate of 3.7 percent in 2021-22. In either scenario, the medium-term recovery would be underpinned by the post-pandemic normalization of economic activity

and the implementation of structural reforms designed to alleviate constraints on productivity growth and promote economic diversification.

Figure 27: Real GDP Growth Rate
(%)



Source: Liberia authorities, IMF/World Bank Staff estimates

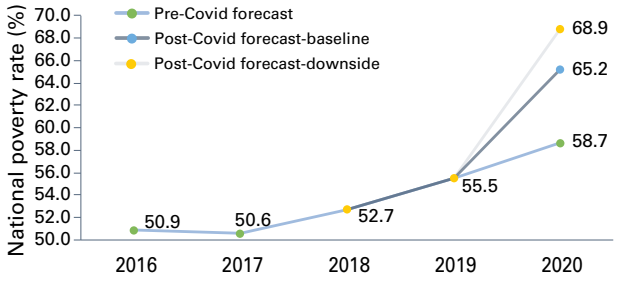
Baseline COVID-19 Scenario	Downside COVID-19 Scenario
Under the baseline scenario, social distancing and other containment measures will continue until June 2020, after which advanced economies will begin to recover, while the pandemic will taper off in China, and the domestic outbreaks in Liberia and neighboring countries will be contained. However, lower prices for export commodities and the constraints imposed by containment measures will have a lasting impact on productivity growth in major sectors of the Liberian economy.	The (moderate) downside scenario assumes that the pandemic and related containment measures will persist beyond June 2020, with adverse implications for the global and regional economies. Under this scenario, Liberia will be forced to impose additional containment measures that impact productivity in various economic sectors, triggering an increase in consumer prices and weakening consumption.

The headline inflation rate is expected to remain in double digits at 19.3 percent in 2020. While falling fuel prices are expected to attenuate nonfood inflationary pressures, COVID-19 will exacerbate the inflationary effect of supply-side constraints.[35] Lockdowns and other stringent containment measures could disrupt both the global and domestic food supply chains, intensifying upward pressure on food prices. Meanwhile, border closures and other mobility restrictions could diminish the input supply and increase transportation costs, disrupting farming activity and further raising import prices. However, the CBL is expected to maintain its tight monetary policy stance as the fiscal consolidation continues, and by 2022 the inflation rate is projected to ease to 11.0 percent.

35 World Bank Commodities Price Forecast (April 2020).

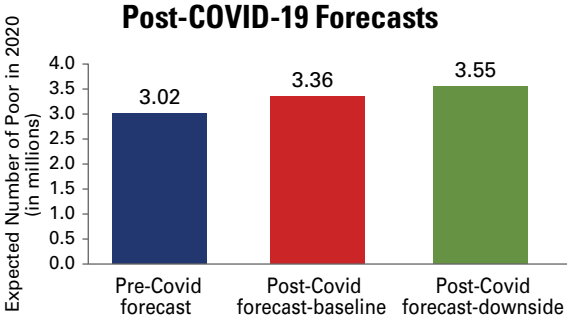
Negative per capita income growth and high food prices are expected to drive up poverty rates in the near term. Pre-COVID-19 forecasts already expected the poverty rate to rise from 55.5 percent in 2019 to 58.7 percent in 2020, and this anticipated increase has been revised sharply upward in recent projections. The share of households living below the national poverty line is projected to rise to 65.2 percent in 2020 under the baseline scenario and to 68.9 percent under the downside scenario (Figure 28). In the pre-COVID-19 forecast, 3.02 million Liberians were projected to live below the national poverty line in 2020. This projection rises to 3.36 million under the post-COVID baseline scenario and reaches 3.55 million under the downside scenario, indicating that an additional 335,000 to 526,000 Liberians are now at risk of falling below the poverty line (Figure 29).

Figure 28: Projected Increase in the National Poverty Rate, Pre- and Post-COVID-19 Forecasts



Source: SSAPOV/GMD database; PovcalNet 2018 and World Bank 2020 forecast.

Figure 29: Projected Number of People Living below the National Poverty Line, Pre- and Post-COVID-19 Forecasts



Source: SSAPOV/GMD database; World Bank forecasts, and UNDESA population estimates

The fiscal deficit is projected to widen to 6.1 percent of GDP in FY2020, up from 4.7 percent in the original budget but broadly consistent with its FY2019 level. A revised FY2020 budget in the amount of US$518 million was approved on May 26, 2020. The projected fiscal deficit reflects declining revenue from taxes on income and profits, the GST, and international trade, which will be partially offset by a surge in donor financing. Tax revenues are projected to drop from 12.0 percent of GDP in FY2019 to 9.8 percent in FY2020, while total expenditures are projected to increase marginally from 21.9 percent of GDP to 22.1 percent. On June 5, the IMF approved the disbursement of US$50 million under the Rapid Credit Facility (RCF) to support the authorities' response to the COVID-19 pandemic,[36] and the total amount of COVID-19-related budget support is projected to reach US$150 million in FY2020.[37] The FY2021 budget is currently being prepared, and the government remains committed to executing a realistic and credible budget over the medium term. However, a deteriorating external environment and

36 https://www.imf.org/en/News/Articles/2020/06/05/pr20237-liberia-imf-executive-board-approves-a-us-50m-disbursement-address-the-covid19

37 This is in addition to US$51 million of pre-COVID-19 budget support provided during FY2020 so far. Out of US$51 million, US$40 million was provided by the World Bank under the First Inclusive Development Policy Operation (IGDPO-1), approved by the Board on March 18, 2020.

the adverse impact of the pandemic and associated lockdown measures on domestic economic activity will pose serious challenges to the administration's ongoing fiscal consolidation efforts.

Liberia's external position is projected to improve over the medium term despite lower prices for all its major export commodities except gold. The current-account deficit is expected to widen from 22.1 percent of GDP in 2019 to 22.7 percent in 2020 before narrowing to 19.7 percent by 2022 despite improvements in the trade balance. The trade deficit is expected to narrow from 17.7 percent of GDP in 2019 to 16.0 percent in 2020, driven by favorable international gold prices and a recovery in prices for other export commodities toward the end of the year. Meanwhile, slowing domestic economic activity is expected to reduce imports of investment-related goods and manufactured goods, a trend that is already apparent in the data for the first quarter of 2020. Imports of investment-related goods fell by 22.6 percent (y/y) in the first three months of the year, while imports of manufactured goods fell by 50.1 percent (y/y). The current-account deficit will be financed by the net use of IMF credit and capital inflows to the agriculture, mining, and infrastructure sectors as the COVID-19 pandemic subsides. Gross international reserves are expected to fluctuate before stabilizing at about US$316 million, or 2.5 months of import coverage.

Table 1: Selected Macroeconomic Indicators, 2019-22

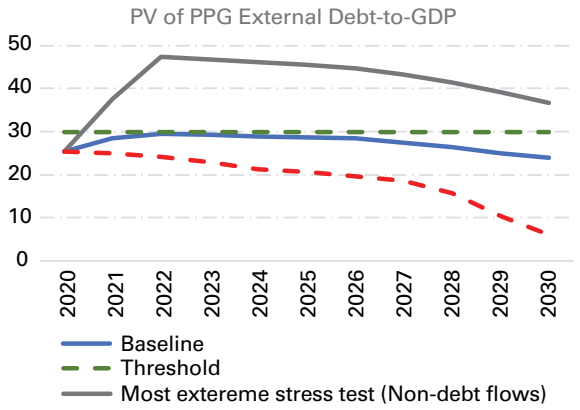
		Baseline			Downside		
	2019e	2020f	2021f	2022f	2020f	2021f	2022f
Real GDP growth, at constant factor prices	-2.3	-2.6	4.0	4.2	-3.6	3.3	4.0
Agriculture	0.4	5.5	3.5	3.0	4.8	3.3	3.0
Industry	5.2	1.7	5.3	5.7	0.9	4.1	5.7
Services	-7.9	-12.1	3.8	4.6	-13.4	2.9	4.1
Inflation (Consumer Price Index)	27.0	19.3	13.5	11.0	20.8	13.9	11.0
Current Account Balance (% of GDP)	-22.1	-22.7	-20.5	-19.7	-23.2	-21.7	-20.5
Fiscal Balance (% of GDP)	-6.2	-6.1	-5.7	-3.2	-6.5	-5.9	-3.3
Debt (% of GDP)	51.1	59.7	65.8	66.0	60.4	67.1	67.3
Primary Balance (% of GDP)	-5.1	-4.8	-4.5	-1.0	-5.1	-4.7	-1.0

Source: World Bank Staff estimates
Notes: e = estimate, f = forecast

A joint World Bank-IMF debt sustainability analysis (DSA) undertaken in May 2020 concluded that Liberia is at moderate risk of external debt distress, but that its overall risk of public debt distress is high, with limited space to accommodate shocks. The DSA was prepared in the context of the IMF's ECF program, which was approved in December 2019. A new, streamlined DSA is currently being prepared in the context of the government's request for a

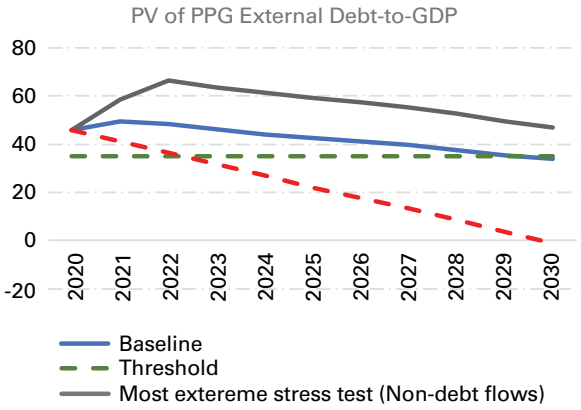
disbursement under the RCF. While the risk assessment remains unchanged, the new DSA underscores the lack of space to accommodate shocks (Figure 30) and projects an extended breach of the present value of the public debt-to-GDP ratio (Figure 31). Two consecutive years of negative economic growth (2019 and 2020) will reduce the sustainable external borrowing level and adversely impact Liberia's medium-term growth potential. The updated baseline scenario eliminates all non-concessional borrowing until 2022 and incorporates COVID-19-related financing from international financial institutions, as well as debt relief provided under the Catastrophe Containment and Relief Trust. The government's external debt ratios are expected to stabilize over the long term, as the pandemic subsides and the fiscal deficit narrows, reducing gross financing need. The present value of the external PPG debt is expected to stabilize at around 30 percent of GDP over the medium term (Figure 32), while liquidity indicators are expected to return to their pre-COVID levels (Figure 33).

Figure 30: The Present Value of the External PPG-Debt-to-GDP Ratio



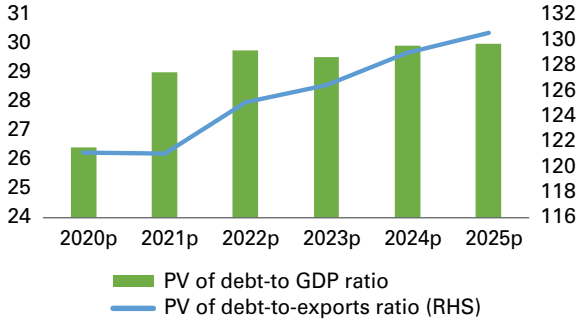
Source: IMF/World Bank joint DSA May 2020.

Figure 31: The Present Value of the Public-Debt-to-GDP Ratio



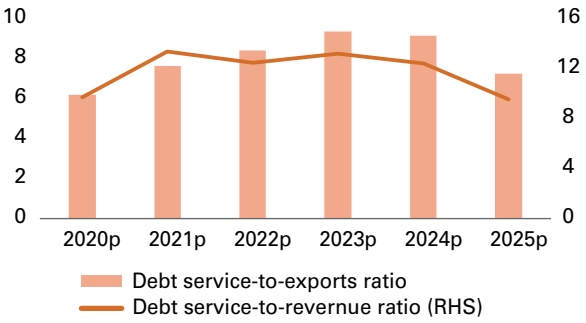
Source: IMF/World Bank joint DSA May 2020.

Figure 32: External Debt Solvency Indicators



Source: IMF/World Bank joint DSA May 2020.

Figure 33: External Debt Liquidity Indicators

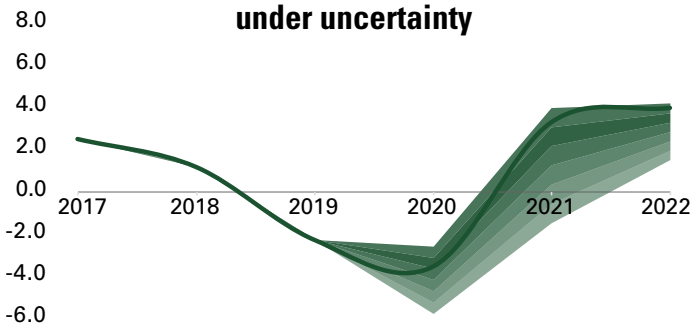


Source: IMF/World Bank joint DSA May 2020.

The current outlook is highly uncertain, with risks tilted heavily to the downside. A protracted pandemic could worsen global and domestic conditions via supply, demand, and terms-of-trade shocks, which would further weaken Liberia's fiscal and external balances, constrain

growth, and inhibit poverty reduction. Policy uncertainty could negatively affect the medium-term outlook, as a failure to execute a clear economic recovery plan backed by a credible budget and appropriate fiscal measures could prompt a return to monetary financing, with negative consequences for inflation, reserves, and debt sustainability. Low confidence and unaddressed vulnerabilities in the financial sector could undermine the effectiveness of the newly adopted monetary policy framework, jeopardize macroeconomic stability, and worsen growth prospects. Insufficient progress on structural reforms, including improvements in domestic revenue mobilization, the business climate, and public investment efficiency, could undermine medium-term growth and slow economic diversification. In the worst-case scenario, the contraction will be deep and lasting, with a modest recovery in 2022 (Figure 34). Conversely, a clear commitment to structural reforms and an aggressive policy response could lead to a rapid, broad-based, and sustainable recovery.

Figure 34: Real GDP growth forecast under uncertainty



Source: WB staff estimates.
Note: The fan chart shows the distributions of the likelihood of different GDP growth outcomes in 2020, 2021 and 2022.
The estimation is based on a set of growth scenarios and risk profiles under different combinations of the virus spread, containment measures and economic policy responses.
The darker bands are the most likely outcomes, and the central green line is the moderate downside scenario.

4. The Government's Policy Response to the COVID-19 Pandemic

The authorities have taken swift action to contain the community spread of COVID-19. Building on its experience with EVD, Liberia was among the first countries to introduce airport screening measures as COVID-19 began spreading outside China, and hand-washing facilities appeared outside shops and offices as early as January 2020. By early March, the government had drafted a costed COVID-19 National Strategic Preparedness and Response Plan in line with the WHO's Operational Planning Guidelines to Support Country Preparedness and Response, and the authorities had approached the donor community for additional financing to support its implementation. The draft response plan continues to evolve, and policymakers are focusing on measures to support healthcare workers; purchase and rehabilitate healthcare equipment; procure medical supplies; deploy surge staff to conducting contact-tracing activities; tighten monitoring of border areas; establish rapid-response teams; enhance planning, communications and information sharing; fully staff and equip laboratories; and provide logistical support. The

World Bank approved US$17 million in off-budget project funding for the health sector,[38] which has been supplemented by largely in-kind support from other development partners.

On March 21, the Ministry of Health declared a national health emergency. The authorities announced school closures and restrictions on public gatherings in Montserrado and Margibi Counties. Roberts International Airport was temporarily closed, with limited exceptions.

On April 8, President Weah declared that a State of Emergency would take effect starting on April 10. The authorities imposed restrictions on the movement of people between counties and mandated the closure of non-essential businesses and government offices. On May 22, the government extended those restrictions and announced updated curfews and social-distancing guidelines. Restaurants and stores selling food, dry goods, building materials, or electronic appliances may remain open, provided they limit their occupancy to 25 percent and observe social distancing. Additional security was requested to enforce the mandatory wearing of masks in all public spaces. The State of Emergency expired on June 9, but the containment measures have been extended for two more weeks, and the authorities continue to closely monitor the situation. The reopening of the airport and hospitality businesses is planned for June 21.[39]

On April 14, President Weah submitted a stimulus plan to the legislature designed to support the COVID-19 stay-at-home order. The plan includes the following components: (i) a US$25 million COVID-19 Household Food Support Program (COHFSP) implemented by the World Food Program, which provides food supplies to poor and vulnerable households; (ii) the provision of free electricity and water; (iii) the wholesale settlement of loans to market women and petty traders; (iv) the suspension of pre-shipment inspections and imports surcharges; and (v) the appropriation of at least US$15 million in the FY2020/21 national budget to service domestic arrears. Implementing these measures will require about US$35 million before the end of 2020. On April 18, the President appointed a National Steering Committee to oversee COHFSP, which includes the heads of key government agencies, as well as representatives from civil society, opposition parties, youth and women's organizations, and development partners.

Since March, the CBL has adopted several policy measures related to the crisis, including reforms designed to facilitate electronic payments.[40] The CBL has increased daily limits and suspended fees and charges for most electronic transfers and point-of-sale outlets used by merchants and mobile-money operators. The CBL has also increased the daily and aggregate limits for mobile-money transactions for a period of three months. Banks are now

38 This figure includes the new US$7.5 million Liberia COVID-19 Emergency Response Project and $9.5 million activated Contingent Emergency Response from the existing Regional Disease Surveillance Systems Enhancement Program– Phase 2 (REDISSE 2) project.

39 https://www.emansion.gov.lr/2press.php?news_id=5159&related=7&pg=sp

40 https://www.cbl.org.lr/doc/response%20to%20corona.pdf

allowed to practice limited forbearance on asset classification, provisioning, and lending policies in hard-hit sectors of the economy, though the CBL remains vigilant for signs of banking-sector stress. The shortage of Liberian dollar banknotes, coupled with a lack of confidence in the banking system, precludes any meaningful monetary policy response to the pandemic. However, the CBL is expediting the procurement of additional banknotes to help meet the economy's demand for Liberian dollars.

On May 26, the legislature approved the revised budget for FY2020 with a total envelope US$518 million. The revisions are based on more realistic revenue projections and the estimated costs of the emergency response. The budget resolution, which has been approved by the legislature, envisages the imposition of excise tax of US$0.3/per gallon on the sale of petroleum products, which is expected to yield 1.2 percent of GDP in revenue in FY2021 while having a negligible effect on retail fuel prices. The budget resolution also stipulates changes to the legislation relating to two SOEs, the Liberia Maritime Authority and the Liberia Telecommunications Authority, to ensure that 100 percent of their revenues will be collected by the Liberia Revenue Authority and flow directly into the government consolidated account at the CBL starting July 1, 2020. The resolution also requires the Ministry of Finance and Development Planning (MFDP) to improve the timelines and comprehensiveness of financial reporting and fiscal transparency by: (i) mandating that all spending entities use the Integrated Financial Management and Information System (IFMIS) for all their expenditures; and (ii) publishing weekly spending reports on its website.

The government has begun preparing an Economic Recovery Plan to be incorporated into Liberia's medium-term national development strategy, the Pro-poor Agenda for Prosperity and Development (PAPD). The finalization of this plan will help Liberia's development partners determine the appropriate levels and modalities of development assistance, including support for urgent response measures and for the broader post-COVID-19 recovery. The Economic Recovery Plan will be complemented by sectoral response strategies and by a health-oriented COVID-19 mitigation plan formulated in consultation with domestic and international stakeholders.

5. Policy Options to Support a Robust Crisis Response and an Inclusive and Sustainable Recovery

The Liberian government has mounted a swift response to the COVID-19 outbreak, but mitigating its economic impact will pose a complex and evolving challenge. To address this challenge, the World Bank has developed a three-pronged framework for organizing an effective and comprehensive policy response to the COVID-19 pandemic in Africa. This

framework encompasses both the public health emergency created by the spread of COVID-19 and the incipient global economic crisis caused by the pandemic's impact on domestic and international economic activity. The three elements of this framework are: (i) protecting lives; (ii) protecting livelihoods; and (iii) protecting the future (Box 3).

Box 3: A Framework for Responding to the COVID-19 Crisis

A simple three-pronged framework can help guide the response to the COVID-19 pandemic and associated economic crisis:

Protecting Lives. In the immediate term, saving lives should be the government's primary concern, and the rapid deployment of systems to prevent, detect, and treat COVID-19 should be its highest priority. In a context of limited administrative and financial resources, "smart containment" strategies are especially effective. For example, targeted physical distancing measures have been shown to significantly slow the spread of COVID-19 while minimizing economic damage. Implementing these measures requires relatively little institutional capacity, allowing governments to efficiently leverage their finite resources.

Protecting Livelihoods. Safeguarding livelihoods during a period of profound economic disruption is vital both to maintain welfare and to stem the spread of the disease, as the loss of livelihoods may prompt individuals to disregard public health measures out of necessity. Direct income-support programs are crucial to maintain adequate levels of consumption among vulnerable households. Assistance to firms, especially small and medium enterprises (SMEs) and smallholder farms, can mitigate the economic damage caused by pandemic-related shutdowns. While revenue shortfalls may force some elements of the public sector to suspend operations, critical government services must be maintained. Finally, households must have uninterrupted access to essential goods and services even during lockdowns and quarantines.

Protecting the Future. While policymakers must focus on addressing the immediate crisis, investments in human, physical, and institutional capital will be crucial to establish a foundation for the post-pandemic future. These investments should be designed to ensure a sustainable, broad-based, and resilient recovery.

Source: World Bank (2020). Africa Region. A Framework for Operational Response to the COVID-19 Pandemic and Global Crisis. April 15, 2020.

The World Bank framework for addressing COVID-19 and the international experience with pandemic-response policies highlight the importance of combining short-term crisis-response actions with medium-term measures to ensure a robust recovery. The scope of the COVID-19 crisis also underscores the vital importance of sustained donor engagement. The following subsections examine the government's priorities in key areas of crisis response. More detailed policy recommendations in the areas of social protection and education are included in the Annexes.

5.1 Short-Term Measures to Address the Impact of COVID-19

Adapting fiscal policies in response to the crisis

Fiscal policy will play critical role in the pandemic response. Liberia's fiscal space is

extremely limited, and the COVID-19 pandemic has put extraordinary pressure on the budget. The pandemic is slowing growth and diminishing fiscal revenue while demanding an immediate increase in health spending and economic assistance to preserve lives and livelihoods. A short-term fiscal policy response must focus on meeting the crisis-related funding needs of the health sector, protecting critical public expenditures as fiscal revenues decline, and providing emergency relief to vulnerable populations and affected businesses. Accomplishing these goals will require the reallocation of spending toward health and emergency-response services (e.g., public security, law enforcement, communications), social safety nets, and public utilities. The pandemic's fiscal impact is expected to push up the total public sector debt stock by at least 8.6 percentage points of GDP in 2020. Debt relief and increased ODA will temporarily widen the available fiscal space and provide liquidity to address urgent spending needs and keep essential government services functioning. This fiscal space should be used efficiently and transparently: even in the middle of a health crisis, essential practices for macroeconomic stability, strict cash management, and good governance should be followed.

Given the government's limited administrative capacity and constrained resource envelope, fiscal policies and interventions should be simple, transparent, manageable, and easily reversible. Immediate fiscal policy measures to contain the pandemic could include targeted and time-bound exemptions from GST for COVID-19-related related goods and services and a reduction in import tariffs and excises on COVID-19-related imports. Short-term fiscal policy measures to protect livelihoods could include: (i) lowering the personal income tax (PIT) and payroll tax rates for lower-income taxpayers[41] from 15 to 10 percent or the deferral of PIT payments for 12 months for lower-income households; (ii) introducing a new PIT bracket for incomes above L$1,600,000 with a 35 percent rate; (iii) deferring property tax payments by six months for residential properties;[42] and (iv) deferring corporate income tax (CIT) payment for SMEs.[43] Designing appropriate policies to support the economic recovery will require a thorough appraisal of policy options and trade-offs, as well as the careful sequencing of measures, given the government's limited fiscal and administrative resources. Any changes to tax policies should be accompanied by clear communication of the nature of the changes. Arrangements should be made to enable the payment of tax obligations in installments and allow for filing or payment deferrals, especially for SMEs that do not file electronically. Measures to facilitate the transition to e-filing could improve the efficiency of tax administration, and the government should establish a business-continuity plan for the Liberia Revenue Authority.

Scaling up social protection programs

The crisis underscores the importance of social safety nets in protecting lives and livelihoods. Alongside health policies and interventions, social protection programs can help

41 Lower-income taxpayers are defined as those earning less that L$800,000 (about US$4,000) per year.

42 The estimated cost of this proposal is about US$0.25 million.

43 The estimated cost of this proposal is about US$2 million.

mitigate micro- and macro-level economic losses by protecting household consumption and welfare during the crisis; preventing the spread of COVID-19 in urban and rural areas (and from urban to rural areas); and injecting cash into local economies, especially in essential sectors like food production and marketing. Prior to the COVID-19 crisis, the Liberian government, with support from the World Bank and other development partners, started building a national social safety net system. This system is still in its early stages; its coverage is limited, and it consists of a few fragmented donor-financed programs.[44] The government is working with the donor community to address food insecurity and vulnerability during the lockdown. The revised budget for FY2020 allocated US$35 million to provide food assistance for two months while the shelter-in-place order is in effect. Depending on the length of the lockdown and the geographical coverage of the food-assistance program, the cost could be higher, and additional resources will be needed to finance it. The government is also working with the WFP to redesign school feeding programs to allow for social distancing, which will help protect the nutritional intake of children who depend on those programs.

Rising levels of food insecurity and extreme poverty must be addressed through a combination of in-kind food distribution and cash transfers. Local authorities can leverage school feeding programs to serve as distribution points for direct food provision in areas where supply chains fail. Additional short-term social protection priorities include: (i) safeguarding the wellbeing and safety of existing beneficiaries; (ii) temporarily expanding cash transfers to reach new beneficiaries, especially in urban areas; (iii) aligning emergency response programs with efforts to build an NHSR; (iv) ensuring close coordination with key partners to overcome delivery constraints and fill coverage gaps; and, (iv) helping small businesses and workers resume their livelihoods as confinement measures ease. See Annex 3 for further details.

Ensuring continued education access

In addition to the emergency health response, protecting Liberia's human capital requires targeted interventions in the education sector. As a containment measure, all schools in Liberia were closed on March 17, 2020. Even before the pandemic, learning outcomes in Liberia were poor and education access was extremely unequal. School closures will exacerbate these challenges. Children and youth who are forced out of school may not return, and those who do will have lost valuable time for learning and will find their schools weakened by budget cuts and economic damage to local communities. Students who lose access to school feeding programs may forego their most important meal, and the economic crisis will worsen disparities in educational access between richer and poorer households. Unless mitigation measures are put in place, Liberia will suffer a significant long-term loss in educational attainment and human capital.[45]

44 World Bank, 2020a.
45 World Bank, 2020g.

The Ministry of Education (MoE) finalized its COVID-19 response plan on May 29. The plan focuses on ensuring the continuity of learning while protecting the health and safety of students, families, and communities during the school closure and after the reopening. In the near term, the MoE is focusing on educational radio programming, parental outreach, support for school personnel, the national food security program, and a communications campaign. Complementing radio programming with teaching and learning materials, online platforms for urban areas with internet access, and partnering with non-state education service providers as well as telecom carriers could help maximize learning opportunities during the pandemic. However, given limited radio coverage in remote counties and districts, alternative learning programs must be developed and implemented. Other short-term priorities include: (i) maintaining timely salary payments to teachers; (ii) creating school-specific emergency plans with detailed instructions for students with disabilities and for girls; (iii) collecting data on educational interventions and evaluating their impact. See Annex 4 for further details.

Ensuring the continuation of essential trade and market activities

To reinforce food security, the Ministry of Agriculture (MoA) has established a price-monitoring system for basic foods and has published a weekly COVID-19 Food Security Situation Report on its website since April 2020.[46] In addition, the MoA is working to facilitate the opening of "green channels" to enable the movement of food commodities and agricultural inputs across counties. Jointly with the Ministry of Commerce and Industry (MoCI), the MoA is reviewing stock levels for major food commodities available in the private sector and in government food reserves and monitoring supply chains to identify and address oligopolistic behavior. These efforts must be continued and supplemented by the following measures to improve the regulatory environment:

Discontinue the Import Notice. On April 15, 2019 government issued Presidential Executive Order No. 96, abolishing mandatory Import Permit Declarations. However, the order instructed all importers to notify the MoCI in writing of their intent to import products into the country, and these written notifications have now replaced the declarations with essentially identical procedures. Notices must still be approved by the MoCI, and in some cases they require the signature of the Deputy Minister. This requirement causes a delay in the import process, and in some cases importers who might compete with established incumbents cannot get their imports approved. This requirement has severely restricted the importation of some food items and has led to shortages in the market.

Discontinue the Export Permit Declaration. On March 28, 2019, the MoCI published an Administrative Regulation (MCI/NO.003/2019) formalizing the Standard Operating Procedure for obtaining an Export Permit, which requires all exporters to register with the ministry. This registration is separate from the normal business registration and must be completed before

46 https://www.moa.gov.lr

an Export Permit Declaration can be obtained. Once an exporter is registered, a pro forma invoice must be submitted detailing the terms of future transactions with the buyer and any other documentation deemed necessary by the MoCI. Upon receipt of the pro forma invoice, the ministry dispatches an inspection team to verify the information provided. The new procedure also includes a nonrefundable application fee of US$150 for each EPD. These procedures are unnecessarily burdensome; they afford excessive discretion to MoCI staff; and they could lead to significant delays in the exportation process.

Address the mismatch in working hours at the National Port Authority (NPA). The NPA gates do not open until 9:00 am, while the APM Terminals yard begins work at 7:30 am, and the banks operating within the port close at 2:00 pm. This mismatch in working hours restricts the amount of time each day that importers have to complete the importation process. Harmonizing the hours of operation among the NPA, customs service, banks, and APM Terminals would greatly facilitate importation, which could increase the availability of essential goods.

Supporting financial sector development to bolster the response to COVID-19

The CBL's response in the financial sector has been swift, but further measures will be necessary to address the sector's challenges. The suspension of fees for mobile-money services and CBL payment systems has expanded access to digital finance and reduced the need for physical visits to bank branches. The temporary authorization of bilateral arrangements[47] that allow the movement of funds between mobile wallets and bank accounts has further bolstered financial access. However, removing fees for mobile-money services and informally requesting mobile-money operators not to charge fees for moving money between mobile wallets and bank accounts is likely unsustainable, as it may harm the profitability of financial service providers. The suspension of fees for using the CBL's Automated Clearing House and Real-Time Gross Settlement systems is also a positive step, but due to the low utilization of these systems, the impact on the financial sector and economy is likely to be minimal.

The Market Women and Small Informal Petty Traders Bank Loan Program must be reformed to alleviate distortions in the financial sector. The program's size, terms, and eligibility requirements are not clear, and consultations with CBL on the program have yet to take place. The authorities must ensure that the program is based on sound financial-sector management and market-based principles. The government should mandate that any loan write-offs apply to all sectors, and not just those deemed critical, as bank credit is generally directed to the trade and services sectors and not to market women and petty traders. All loan restructuring and regulatory forbearance mechanisms should comply with the Basel Framework and the Bank for International Settlement's Guidelines on the Prudential Treatment of Problem Assets, the Definition of Non-Performing Exposures and Forbearance, and other COVID-19-

47 The CBL is temporarily allowing bilateral switching until the National Electronic Payment Switch (NEPS) is fully functional.

related guidance.[48] Due to the lack of a national identification system and weak recordkeeping among most MFIs, the government will also need to develop a robust methodology to ensure that potential beneficiaries had eligible past-due loans before the COVID-19 outbreak, that those loans were impacted by COVID-19, and that relief is provided on behalf of the intended beneficiary.

New CBL regulations are likely to have a significant impact on SMEs and other small borrowers. With support from the World Bank, the CBL has developed a tiered, risk-based approach to the regulation and supervision of NBFIs (including MFIs) through amendments to various regulations. The CBL has also amended regulations to support the introduction of digital credit and the digital transfer of remittances. Most of these regulations have been approved and gazetted but are not yet published on the CBL's website. In addition to professionalizing the microfinance sector, the NBFI regulatory amendments will allow MFIs to increase the maximum size of their loans from US$7,000 to US$50,000 depending on their capital levels. Credit-only NBFIs (including MFIs) can now provide digital credit over mobile phones, while amendments to the consumer protection regulations will allow truncated disclosure requirements, permitting digital credit to be offered on USSD-feature phones. Adopting amendments to the two remittances regulations ("Payment of Inbound Money Transfers" and "Licensing and Supervision of Money Remittance Entities") would allow these critical transfers to be deposited directly into mobile wallets or bank accounts, as opposed to being paid out in cash, thereby reducing the costs involved.

5.2 Measures to Accelerate the Post-Crisis Recovery

Productivity-driven growth and diversification will be central to Liberia's post-pandemic recovery and continued development. A recently completed World Bank report discusses productivity-driven growth and economic diversification in Liberia.[49] It finds that Liberia's development challenges could be effectively addressed through a two-pronged approach to economic growth and diversification. Sustainably accelerating productivity growth and employment creation in Liberia will require: (i) upgrading the country's existing production and export base; and (ii) building institutions to enhance the country's endowments, strengthen competitiveness, and expand opportunities for private-sector development.

Macroeconomic stabilization will be vital to support improvements in productivity and competitiveness. While diversification away from the resource sector will reduce Liberia's macroeconomic volatility over the long term, reforms to fiscal policy can help reinforce stability in the medium term. Policy actions on both the revenue and expenditure sides will be necessary to create room for priority spending.[50] Key fiscal policy reforms include: (i) increased revenue collection, including revenues from natural resources and agricultural concessions; (ii)

48 Additional BIS resources related to COVID-19 responses can be found at: https://www.bis.org/topic/coronavirus.htm

49 World Bank, 2019.

50 These policies are discussed in detail in the ongoing Programmatic Public Finance Review.

systemic improvements in expenditure efficiency, including the efficiency of external aid; (iii) a prudent debt-management policy; and (iv) structural reforms to promote growth and encourage diversification.

A mix of health, education, worker training, and social protection policies will be necessary to improve productivity and enhance the employment prospects of working-age Liberians. Liberia's structural transformation will require a workforce equipped with the necessary skills to meet the evolving demands of employers. However, due to the low quality of education services at all school levels and in technical training programs, many graduates remain unemployed even as firms struggle to fill skilled positions. The content of education and training must change 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 nutrition 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.

Macroeconomic stabilization measures should be accompanied by reforms to strengthen institutions, improve the business environment, and enhance the provision of basic services and infrastructure. Liberia's low rankings on the Global Competitiveness, Economic Freedom, and Doing Business indicators, as well as the results of recent Enterprise Surveys, suggest that firms face serious obstacles that reduce their productivity and inhibit investment. Removing these obstacles will be vital to support Liberia's structural transformation. While the competitiveness agenda should encompass the entire economy, specific reforms should target key sectors. Even in the informal sector, the conduciveness of the business environment and the quality of infrastructure are key determinants of productivity.

Accelerating the development of special economic zones (SEZs) could address key policy and infrastructure constraints. A new SEZ law was passed in December 2018; its implementing regulations are being drafted; and a 900-acre port area near the city Buchanan has been identified as Liberia's prospective first SEZ. The Buchanan area has an uncongested deep-sea port, proximity to the airport, good highway access, and a container and logistics area. SEZs can be an important component of an economic growth strategy focused on enhancing competitiveness and attracting FDI. Through SEZs, governments can develop and diversify exports, create jobs, and pilot new policies and processes in areas such as customs administration, legal systems, labor markets, and public-private partnerships (PPPs). SEZs can also allow for more efficient government supervision of enterprises, the provision of off-site infrastructure, and stronger environmental protections.

Introducing a National Single Window for trade would lower the cost of importing and exporting and curb opportunities for corruption. Liberia's current import and export procedures require businesses to engage with several government agencies, creating a costly, inefficient and time-consuming process, which creates strong incentives to use unofficial payments to expedite clearances. A National Single Window can address these challenges by establishing an electronic repository for all documents required to import or export goods and allowing importers and exporters to file the necessary paperwork online. This system can also reduce administrative costs by enabling the customs service to establish risk profiles to help identify shipments that require further analysis prior to approval.

Improving the PPP framework could mobilize additional sources of funding and financing for infrastructure. The government should either amend the legislation to better distinguish between infrastructure PPPs and other concessions or develop new legislation specifically for PPPs. In addition, the authorities should consider creating a PPP unit to centralize expertise, provide advice and technical support to line ministries, and potentially oversee PPP implementation. Moreover, the policy framework should clarify the MFDP's role in assessing the fiscal implications of PPPs.

Accelerating the development of financial infrastructure will support a more robust and equitable recovery. Credit information systems, a movable-collateral registry, and biometric identification are all essential components of a modern financial sector. Strengthening the regulatory framework will be vital to facilitate financial intermediation, encourage financial inclusion, and foster the growth of digital financial services. Liberia also requires a market-driven financing facility to provide capital for on-lending to stimulate economic activity and provide funds for firm restructuring and relief. Establishing such a facility will require extensive planning and should reflect lessons learned from previous government-directed lending programs. In addition, a risk-sharing facility is needed to de-risk loans and encourage financial institutions to lend downstream. Liberia can also expand access to credit by operationalizing its digital credit registry, which will help ensure that loans reflect borrowers' credit-risk profiles, and by encouraging the use of the movable-collateral registry to securitize loans.

Liberia can leverage the digital economy to accelerate job creation, promote inclusive growth, boost productivity and competitiveness, and enhance governmental efficiency at a modest fiscal cost. Given Liberia's vast infrastructure deficit and complex developmental challenges, expanding digital platforms and applications will be critical to enhance public-sector efficiency and overcome constraints on access to services and markets. To reap a digital dividend, the authorities should prioritize policy reforms and investments that enhance digital connectivity. Policymakers should also foster the expansion of digital payments and transactions, digital identity systems, digital skills development programs, and digital

entrepreneurship opportunities.[51]

Promoting the welfare of poor households will require strengthening the social protection system's resilience to shocks and improving job quality in the informal sector. To ensure a faster response to future crises, the government should continue developing the NHSR by increasing its coverage and ensuring its interoperability with other government databases. Special attention should be paid to expanding the coverage of social protection systems among extremely poor households and promoting their productive inclusion in economic activities. These measures will complement the increased use of digital payments and other mechanisms to expand financial inclusion.

To accelerate progress on economic diversification, the authorities must build on the institutional and structural reforms initiated prior to COVID-19 crisis. The recently approved First Inclusive Growth Development Policy Operation (IGDPO-1) is the first in a programmatic series of three operations designed to support the government's structural reform program. The IGDPO-1 focuses on productivity-driven private-sector-led growth, improved public sector transparency, and greater economic and social inclusion. The policy reforms supported by the IGDPO series will alleviate constraints on productivity and facilitate economic diversification, and the series encompasses measures targeting agriculture, energy, trade, tax administration, SOE oversight, and debt management. The series also supports reforms to promote economic and social inclusion by facilitating access to digital financial services and building a viable national social safety-net system, with a special focus on women and girls.[52]

51 The forthcoming World Bank Liberia Digital Economy Diagnostic (June 2020) will provide a detailed analysis and policy recommendations for this area.
52 World Bank, 2020a.

Annexes

Annex 1. Statistical Annex

Table A1.1. Selected Economic and Social Indicators

	2015	2016	2017	2018	2019
					Est
National Accounts and Prices					
GDP at constant market prices (percentage change)	0.0	-1.6	2.5	1.2	-2.3
Agriculture	2.7	6.6	-6.3	-3.2	0.4
Industry	-17.4	-38.2	30.2	18.5	5.2
Services	4.5	2.2	1.0	-2.2	-7.9
Consumer prices (annual average)	7.7	8.8	13.2	23.4	27.0
Central government (percent of GDP on fiscal year basis)					
Revenue and grants	20.8	33.3	31.0	25.9	28.3
Domestic revenue (tax and nontax)	14.4	14.0	14.3	12.9	14.4
Grants	6.4	19.3	16.7	13.0	13.9
Total expenditure and net lending	27.1	36.0	35.8	30.8	34.5
Overall fiscal balance, including grants	-6.3	-2.7	-4.8	-4.8	-6.2
Overall fiscal balance, excluding grants	-12.7	-22.0	-21.5	-17.8	-20.1
Money and Credit					
Money and quasi money (percentage change)	22.3	20.5	18.6	19.6	19.8
Credit to private sector (annual percent change)	8.1	2.3	25.3	5.3	-6.1
External Sector (US$ millions, unless otherwise indicated)					
Exports (goods and services)	262.2	380.9	424.3	522.2	564.9
Imports (goods and services)				-1101.1	
Gross official reserves (millions of U.S. dollars)	446.0	453.0	376.0	333.0	276.0
(months of imports)	3.0	3.2	2.7	2.5	2.4
Current account (percent of GDP)	-22.7	-18.6	-23.4	-23.4	-22.1
Exchange rate (LD per US$ average)	86.3	94.9	113.6	144.8	186.4
Debt Stock					
External debt (public sector, percentage of GDP)	14.6	19.2	24.9	28.5	33.2
Domestic public debt (percent of GDP)	9.7	9.4	12.3	11.7	19.2
Poverty					
National poverty rate	..	50.9	50.6	52.7	55.5
International poverty rate (US$1.9 in 2011 PPP terms)	..	40.9	40.8	42.4	44.5
Lower middle-income poverty rate (US$3.2 in PPP terms)	..	72.6	72.5	74.2	75.6
Upper middle-income poverty rate (US$5.5 in PPP terms)	..	92.2	92.2	92.6	93.2
Other					
Doing Business (rank)	174.0	174.0	172.0	174.0	175.0

Sources: WDI, World Bank staff calculations based on MFMod and IMF data.

Table A2.2. Liberia: Summary of Key Fiscal Indicators, FY2016-2019

(in percent of GDP unless otherwise is stated)

	FY2016 Act.	FY2017 Act.	FY2018 Est.	FY2019 Est.
Revenue	33.3	31.0	25.9	28.3
of which: Revenue, excl. grants	14.0	14.3	12.9	14.4
Taxes	12.4	11.9	11.5	12.0
Income, profits, and capital gains tax	3.6	3.5	3.5	3.7
Goods and services tax	2.8	2.3	2.1	2.2
International trade tax	5.7	5.7	5.6	5.8
Other taxes2	0.3	0.3	0.2	0.3
Other revenue	1.6	2.4	1.4	2.3
Grants	19.3	16.7	13.0	13.9
o/w on-budget	2.1	2.1	0.9	0.4
Expenditures	35.9	35.1	30.7	34.5
Current Expenditures	22.8	22.4	21.2	23.6
Compensation of employees	7.8	8.9	9.4	10.2
Goods and services	12.2	11.2	9.9	10.9
o/w on-budget	4.5	4.1	3.3	3.6
Interest	0.3	0.3	0.6	1.1
Subsidies and transfers	2.5	2.0	1.4	1.4
Capital Expenditures	13.1	12.7	9.5	10.9
o/w on-budget	1.6	1.6	0.2	0.3
Overall balance (incl. grants)	-2.6	-4.1	-4.8	-6.2
Primary balance (incl. grants)	-2.3	-3.8	-4.2	-5.1
Financing	2.6	4.1	4.8	6.1
External (net)	3.4	3.6	3.4	4.3
Domestic (net)	-0.8	-0.5	0.6	0.3
Change in accounts payable (+ increase/-decrease in arrears)	...	1.0	-0.3	1.5
Financing gap / unidentified financing	0.0	0.0	0.0	0.0
Memorandum item:				
Fiscal year GDP	3,227.0	3,281.0	3,274.0	3,159.0

Sources: MFDP, IMF, World Bank

Table A1.3. Balance of Payments, 2016-19 (% of GDP)

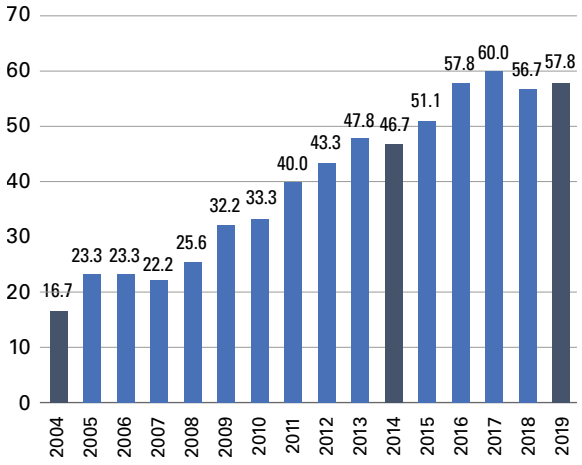
	2016	2017	2018	2019
	Act.	Act.	Est.	Est.
Trade balance	-28.2	-20.2	-18.4	-17.7
Services (net)	-20.7	-16.4	-10.0	-9.9
Income (net)	-6.4	-9.2	-13.5	-11.6
Current transfers	36.6	22.4	18.6	17.2
Current account balance	-18.6	-23.4	-23.5	-22.1
Capital and financial account (net)	17.5	21.6	22.2	22.0
Financial account (net)	15.7	19.9	20.6	19.9
Foreign direct investment (net)	7.1	7.4	8.8	8.2
Official financing (net)	1.3	2.3	1.8	0.0
Private financing (net)	7.3	10.2	10.1	11.7
Financing	1.0	1.9	1.2	0.1
Change in gross reserves (increase -)	-0.1	1.9	1.3	0.4
Net use of IMF credit and loans	1.2	0.0	-0.1	-0.3
Exceptional Financing	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0
Gross official reserves (millions USD)	336	321	287	276

Sources: Liberian authorities; and IMF and World Bank staff estimates

Annex 2. Statistical capacity and data to build the evidence base

The availability and regular publication of micro and macro data as well as whether production of such data adheres to international standards is key in informed policy decision making. Through data and evaluation, existing policies may be reformed and refined, while new policies may be experimentally evaluated. Access to timely and reliable data can therefore help improve public policies over time. To effectively and efficiently deliver reliable and timely statistics in accordance with international standards and best practices the government should aim to support the National Statistical System and Liberia Institute for Statistics and Geo-Information Services (LISGIS) to improve**:** (i) the capacity to collect, process, and disseminate statistical information, (ii) relevance, accuracy, and reliability of data, (iii) Improve timeliness of data production and dissemination. All this will be in vain however if an effective partnership between producers and users of statistics including development partners and the government is not harnessed, to sustainably build the capacity of the statistical system. The statistical capacity outcome of a country can be measured by the Statistical Capacity Index (SCI) generated by the World Bank. The SCI provides a grade for every country in the world and is an aggregation of 25 indicators related to on the methodology, data sources, and periodicity and timeliness of core economic and social statistics. Ngaruko (2008) estimated that about 77 percent of the overall indicator is based on activities and outputs, while 23 percent reflects aspects of capacity building per se.[53] The indicator can be used along with other information to assess the statistical capacity in a given country.

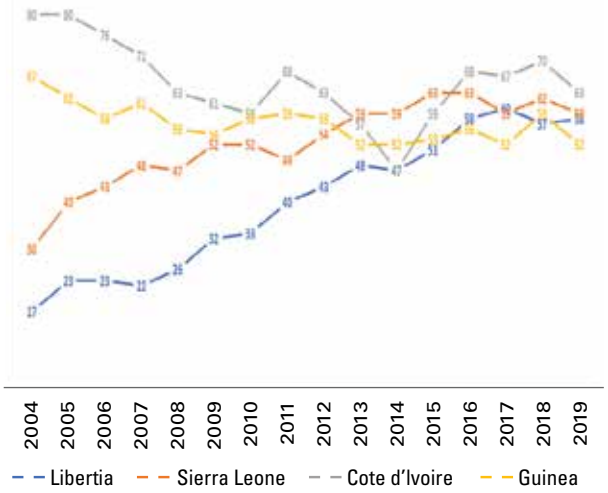
Figure A2.1. Statistical Capacity in Liberia 2004–2019



Notes: 2004 - Year after the end of Civil War; 2014 - Ebola virus epidemic; 2019-COVID-19 start globally

Source: The World Bank, http://datatopics.worldbank.org/statisticalcapacity/

Figure A2.2. Comparing Liberia's Statistical Capacity with neighboring countries



Source: The World Bank, http://datatopics.worldbank.org/statisticalcapacity/

53 Ngaruko Floribert. 2008. "The World Bank's Framework for Statistical Capacity Measurement: Strengths, Weaknesses and Options for Improvement." *The African Statistical Journal* Volume 7: 149–169.

There has been progress in the production of statistics over the last 16 years in Liberia. The statistical capacity in Liberia, shown by the SCI has been steadily increasing since 2004, improving overtime between 2004 and 2019 (Figure A2.1), with much improvements in statistical capacity after 2009. The dips in 2004, 2014, and 2019 highlighted in Figure A2.1 coincides with the period immediately after or before exogenous factors that have negative effects on the LISGIS' capacity to produce and disseminate statistics. The 2004 depicts the year immediately at the end of the civil war – a period in which the statistical and data systems in the country have destroyed, 2014 - the beginning of the Ebola outbreak, and 2019 – the start of COVID-19 outbreak globally.

Even though Liberia's performance in overall statistical capacity has been impressive over the years, it is still ranked lower than some of the neighboring countries (Figure A2.2). Compared to Côte d'Ivoire, Guinea, and Sierra Leone, Liberia's statistical capacity is slightly lower than that of Côte d'Ivoire and Sierra Leone but higher than Guinea's. The relatively lower statistical capacity in Liberia compared to other countries is also reflective of a lack of micro data, especially regarding agricultural statistics, labor statistics, population census and administrative data. For instance, one of the chief constraints regarding obtaining insights in labor markets dynamics in Liberia is the lack of appropriate data. There is no nationally representative labor-force survey (LFS) data for recent years with the last survey having been conducted in 2010. In order to undertake detailed analysis on labor force participation and further the role of women and youth in national labor markets a new LFS survey is needed. In addition, Liberia still uses the 1993 System of National Accounts (SNA) with base the base of 2016, and even the timeliness of the consumer price index (CPI) has also improved the geographic coverage is still limited, only covering the capital city, Monrovia and the base year of 2005. There is also no existence of a comprehensive system of administrative data in all key sectors.

Timely production of economic and social statistics is also important and can be measured by lag time in production and dissemination of data relative to a preset schedule. As noted earlier, timeliness is one of the dimensions of the SCI and further unpacking of the SCI shows that while Liberia has improved the timeliness of poverty statistics and health surveys, the country is still lagging behind in other domain of statistics (Figure A2.3). LISGIS through support of development partners has conducted socioeconomic surveys such as Demographic and Health Survey (DHS) and Household Income, Expenditure surveys (2014 and 2016 HIES), as well as the establishment-related surveys and censuses (Box A2.1). However, there are important data gaps in many areas. Agricultural sample surveys and Censuses have not been conducted, and population census have also been missed within the recommended 10-year period with the last population census having been conducted in 2008. Liberia remains behind in timely collection and public release of agriculture and population censuses and adoption of internationally accepted vital (birth and death) registry.

Figure A2.3. Periodicity of Key Surveys and Censuses

Legend

	Agricultural Census	Health Survey	Population Census	Poverty Survey	Vital Registration[a]
0.0	>10 years	>5 years	>10 years	>5 years	
0.5	>10 years	3–5 years	>10 years	3–5 years	
1.0	0–10 years	0–3 years	0–10 years	0–3 years	

Source: The World Bank, http://datatopics.worldbank.org/statisticalcapacity/.
Note: a. The score is 1 if the country completes registries of vital (birth and death) statistics by the United Nations Department of Economic and Social Information and Policy Analysis; 0 otherwise.
Green denotes the achievement of the recommended periodicity or standard.

Box A.2.1. Welfare surveys conducted in Liberia

In January 2014, the first integrated household survey since 1964 was launched with a planned field time of 12 months. However, the survey was halted after six months of fieldwork in August 2014 due to the Ebola outbreak. The half-year data was analyzed, including the calculation of poverty statistics. Due to the urgent need to update statistics, a new poverty report was issued in April 2016 based on the 2014 survey, and the estimated poverty numbers were officially released. Methodological changes in the questionnaire and seasonality concerns over the 2014 partial data meant that the Core Welfare Indicator Questionnaire (CWIQ) survey conducted in 2007 and the 2014 HIES survey are not comparable.

A rerun of the HIES was initiated, which began in January 2016 and was completed in January 2017. The HIES 2016 is the first survey to collect seasonally adjusted consumption data since 1964. The main survey report reflected full-year poverty estimates at both national and county levels. The dissemination of survey data, poverty numbers, and survey report were subsequently undertaken in 2018. The poverty numbers are however not comparable with either CWIQ 2007, and the HIES 2014. Therefore, a new comparable survey is planned for 2022.

Other surveys conducted by LISGIS include; Agricultural Crop Cutting Survey (2014 & 2015), Agriculture Recall Survey (2016), the National Establishment Census (2017) and the National Accounts Annual Survey (NAAS 2018).

Impact of COVID-19 on statistical operations: What's next

Institutional weaknesses and inconsistent financing limit the quality of statistics in Liberia. LISGIS do not always have the autonomy to recruit staff or design incentives. Administrative and technical coordination of LISGIS is often inadequate, and financing mechanisms are unreliable and insufficient, leading to infrequent data collection and inadequate human resources. Due to COVID-19 several data collection operations have been halted or postponed, and only essential services are in operation following the Government of Liberia directives (see Box A2.2 for details).

Box A2.2 The impact of COVID-19 on Statistical operations/activities in Liberia

National accounts: Significant progress has been achieved regarding the compilation of GDP for Liberia. However, due to the COVID-19 situation, technical missions were halted including the IMF mission planned to finalize our GDP. Currently, discussions are been held to complete the process remotely. There are also delays in obtaining data on life and non-life insurance and other source data.

Consumer Price Index (CPI): Regular production of monthly CPI Data remains on course as businesses are still opened. However, following government directives on social distancing some marketers have been removed especially those in open market areas which could potentially affect data collection in the coming weeks/months. Open marketers mainly sell local food and nonfood products a larger portion of which are within the CPI Basket. Cost of data collection has also increased significantly as almost every item must be bought in order to have it weighed. This is because traders are observing measures against the spread of COVID-19 and therefore are very likely to resist touching items without buying. The roll-out plan that was slated for this June isn't in sight as COVID-19 has hindered such process.

Agricultural statistics: Administrative data compilation and censuses have been halted due to the outbreak of the COVID 19 virus. However, together with LISGIS the Ministry of Agriculture (MoA), National Disaster Management Agency (NDMA), Ministry of Gender, Children and Social Protection (MoGCSP) with funding from the World Food Program (WFP) had planned to carry out a Rapid Food security Assessment (RFSA) in the 15 counties of Liberia. The assessment was planned to last for 21 days but was placed on hold due to COVID-19. The routine/annual agriculture crop cutting survey was also being planned with two seasons of production in Liberia.

2020 National Population and Housing Census: The Census Project document was signed in October 2019. The Legislature approved conducting of the Census with field enumeration date set at March 2021. Field Mappers for Enumeration Areas (EA) were trained and awaiting deployment which is contingent upon curbing of the COVID-19. Currently all major government activities (including Questionnaire design and preparations for Pilot Census) on Census Project are on hold due to the novel COVID-19 as only a small essential staff are asked to work. Working remotely for others is allowed but almost not possible due to poor or no access to internet.

Building Liberia's statistical capacity and monitoring the impacts of COVID-19 requires a multipronged approach to developing sustainable data ecosystems. The World Bank in collaboration with LISGIS is further providing support to high-frequency phone monitoring survey of households (HFPM-HH) and enterprises (HFPM-E), focusing on the socio-economic impacts of COVID-19 on households and businesses in Liberia, using the

recent nationally representative sampling frame (2016 HIES). The objective is to provide data to the government and development partners in near real-time, supporting an evidence-based response to the crisis. Data collection for the both surveys has commenced during the second week of June 2020. Households and enterprises will be tracked monthly over a 6-months period first and a possible extension for another 6 months.

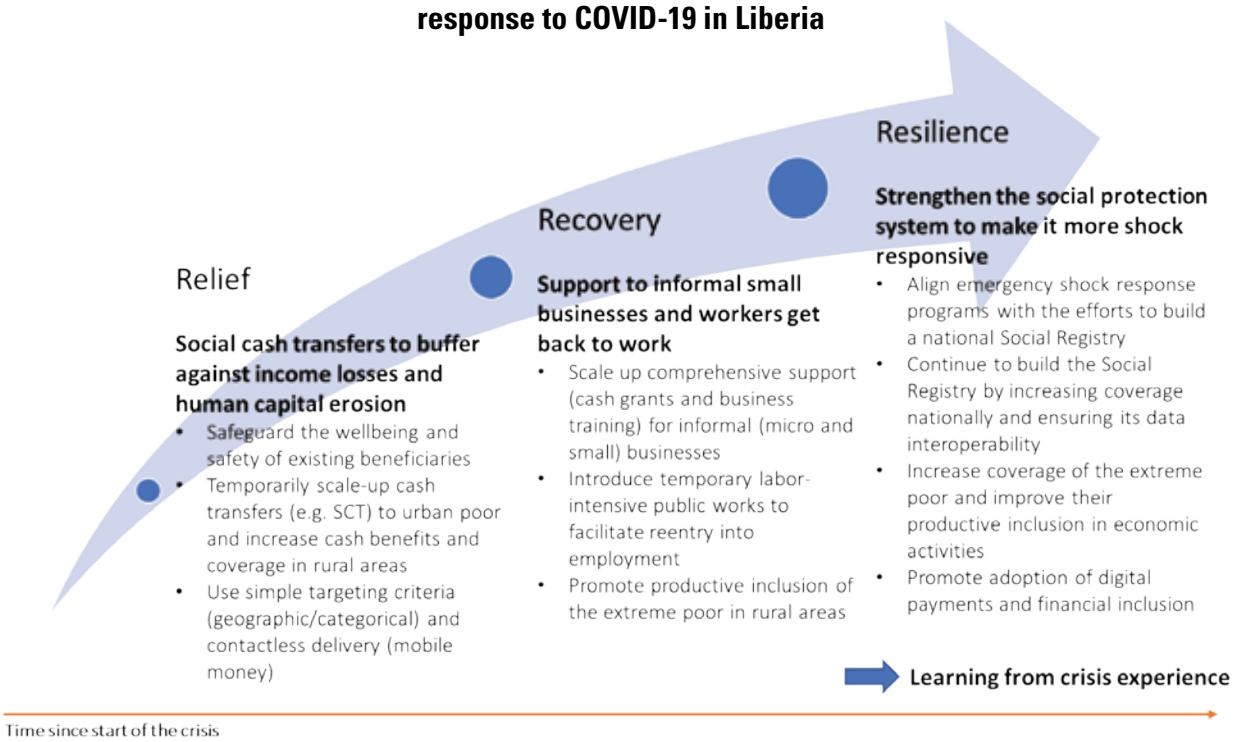
In order to build the capacity of national statistical system, a regional statistical project has recently been approved focusing harmonizing and improving statistics in West Africa.[54] The object of the project is to '**Strengthen the statistical systems of participating countries and regional bodies in Africa to harmonize, produce, disseminate and enhance the use of core economic and social statistics'**. This project aims to strengthen the capacity of LISGIS and to fundamentally improve the national statistical system in the country; it provides support to the University of Liberia to establish an undergraduate program in Statistics. The project will support Liberia's National Statistical System through the LISGIS focus on production, dissemination and use of reliable and timely statistics for effective policy decision making.

54 https://www.worldbank.org/en/news/press-release/2020/03/26/harmonizing-and-improving-statistics-in-west-africa#:~:text=The%20new%20project%2C%20Harmonizing%20and,core%20economic%20and%20social%20statistics.

Annex 3. Priorities for social protection policies

Social protection can support the COVID-19 response in Liberia through relief, recovery, and resilience assistance by focusing on three phases: (1) *Relief* - cash transfers (or, when markets fail, in-kind assistance) to buffer income loss and human capital erosion and to protect poor and vulnerable households during the initial period, (2) *Recovery* – supporting households, workers, and informal micro entrepreneurs to restart economic activities and livelihoods as the immediate crisis begins to ebb, and (3) *Resilience* – boosting resilience of households and self-employed as well as economic resilience through strengthened shock responsive social protection systems (Figure A3.1).

Figure A3.1: From relief to recovery and resilience: Elements of the social protection response to COVID-19 in Liberia



Source: Authors' adaptation from Adhikari, S. et al. 2020. Relief, Recovery and Resilience: Emerging Directions for the Social Protection Response to COVID-19 in Africa. Internal World Bank Memo, April 17, 2020.

Alongside health policies and interventions, social protection (SP) programs can help '**flatten' the economic loss curve at the micro- and macro-levels** by protecting household consumption and wellbeing throughout the crisis, preventing the spread of COVID-19 in urban and rural areas (and from urban to rural areas), and protecting local economic activities through the injection of cash in the local economy, especially in essential sectors like food.

Specifically, the Government of Liberia, with support of development partners, could consider

the **following policy priorities to counteract the impact of the crisis and ensure a quick recovery**:

- Safeguard the wellbeing and safety of existing beneficiaries through design and delivery tweaks that enable safe support during social distancing. Specific interventions include:
    a. Ensure current safety net beneficiaries continue to receive their benefits during social distancing (e.g. move delivery to mobile money under the Social Cash Transfer program).
    b. Adapt design of accompanying measures to prevent spread of COVID-19 (delivery of information sessions and other communication over radio, SMS, etc.).

- Temporarily scale up cash transfers for a COVID-19 shock response through vertical and *horizontal expansions to new beneficiaries*, including in urban areas:
    a. Temporarily top-up benefits to current beneficiaries of safety nets programs (*vertical expansion*).
    b. Rapidly expand cash transfer to new beneficiaries, especially youth and other informal workers and vulnerable households in urban areas (*horizontal expansion*), by using simple targeting criteria (geographic/categorical) and contactless delivery (mobile money).
    c. In-kind assistance (food) may be used to complement cash transfers, especially when markets fail and there is food shortage on the markets.

- Align emergency shock response programs with the efforts to build a national Social Registry.
    a. While the intake for the emergency COVID-19 shock response programs (e.g. food distribution) can follow simplified processes and targeting approaches, a common intake instrument should be used to the extent possible.
    b. Beneficiary lists for the COVID-19 shock response can then be incorporated into the Liberia National Household Social Registry (NHSR) (See Box A3.1) and reassessed using more rigorous assessment tools later, as and when possible.
    c. This would aid both in the recovery and resilience phase as expanded NHSR can be used for enrollment and targeting of various programs.

- Coordinate close *partnership and collaboration with key partners* to achieve scale in the response, help overcome delivery constraints and to provide a coherent approach to fill coverage gaps, including through program alignment.
    a. Given limited resources and a great level of need, government-led coordination is critical to ensure an effective response.
    b. The intergovernmental National Social Protection Steering Committee (NSPSC) led by the Ministry of Gender, Children and Social Protection (MGCSP) can play a critical role in donor and intergovernmental coordination of various SP programs.

- During the recovery phase, helping small businesses and people get back to work by:
    a. Scaling up comprehensive support (cash grants and business training) in urban areas to informal micro and small enterprises and the self-employed in different sectors;
    b. Re-introducing temporary labor-intensive public works to facilitate reentry into employment while developing critical social and economic infrastructure for the poor and vulnerable in urban areas;
    c. Promoting productive inclusion of the extreme poor in rural areas focused on helping households build resilience to shocks and diversify their livelihoods. Such interventions can include capital grants, savings groups, coaching and training, as well as support to communal farming, and often focus on empowering women.

- Looking ahead beyond the crisis, *further strengthen the social protection system to make it more shock responsive and intensify efforts to improve jobs in the informal sector*. To build resilience at the household level and for the economy overall:
    a. Continue building the NHSR by increasing coverage nationally and ensure its interoperability with other government databases to enable quicker response to shocks in the future.
    b. Increase coverage of the extreme poor and promote their productive inclusion in economic activities.
    c. Promote adoption of digital payments and financial inclusion.

Box A3.1: Liberia's National Household Social Registry (NHSR)

Social Registries are information systems that support outreach, intake, registration, and determination of potential eligibility for one or more social programs. Social registries centralize data integration up front, collecting/compiling data for a registry of potential beneficiaries that is then drawn upon for eligibility determination of specific programs. They can also serve as powerful tools for assessing the demand for social protection programs by profiling specific needs and conditions of various population groups. The objective of the *National Household Social Registry (NHSR)* is to improve efficiency, enhance capacity, and strengthen the national social protection system in Liberia through the development of the basic building blocks of social safety net delivery system.

In a testament of high level of Government of Liberia's commitment toward the development of an effective social safety net system, in January 2020, H.E. George Manneh Weah via a Presidential Endorsement mandated to adopt the NHSR as the principal mechanism for identifying and targeting beneficiaries of social protection (SP) programs nationwide and for managing national resources, and, encouraged the development partners, implementing their own social protection programs to use the NHSR in order to harmonize the programs and reduce leakages and redundancies. The same has been also mandated by the GoL's Executive Cabinet, therefore, building the foundation for an effective intergovernmental coordination in the area of social protection, which is particularly needed in response to COVID-19. To assist in this effort, the MGCSP prepared a rapid response social registry intake tool and made it available to all stakeholders. This common intake tool and a common data collection platform will allow rapid scale up of intake into the NHSR and will allow for better coordination of the SP interventions during and after the crisis.

Annex 4. Education Policy Priorities for Liberia

Context

As a containment measure of COVID-19 spreading, the Ministry of Education (MoE) issued the order for school closure on March 17, 2020. The MoE finalized the COVID-19 response plan on May 29, 2020 with a focus on learning continuity and the health and safety of students, families and communities during the school closure and after school reopening. As an immediate response (phase 1), the MoE is focusing on radio programming, outreach to parents, communication and school personnel, inputs to the national food security program and a communications campaign. The MoE defines phase 2 as preparing the school environment for post COVID-19 resumption and phase 3 as resuming schools across the country. As noted in the Government's Economic Support Note, "Given that schools are tentatively postponed, the education sector in the country could remain dysfunctional if the outbreak continues since Liberia lacks the sophistication to introduce modern technology that will replace face-to-face learning as currently practiced in other COVID-19 affected countries." Maintaining human capital investments during this time are critical to mitigate the lasting impact of COVID-19 from a health, social and economic perspective.

Response/relief phase

1. **Ensure that all teachers and personnel (including those in non-government schools) are paid and a clear COVID-19 communication strategy is implemented for teachers and school personnel via WhatsApp and Facebook from the central level to teachers through Education Officers.** Given the Government faced a challenge in paying teachers' salaries prior to COVID-19 and some arrears may still be owed, ensuring teachers and school personnel receive back payment and their salaries throughout all COVID-19 pandemic phases is key for education sector continuity and to mitigate household insecurity for the country's thousands of teachers and school personnel. Additionally, lessons from Ebola show that it is equally important for non-government schoolteachers to receive salaries during the crisis period and ensure their return to the classroom after the crisis. After the Ebola outbreak, many non-government teachers took to the street to protest owed salaries and refused to return to the classroom until compensation was given especially given their government counterparts were receiving full salaries. School administrators and teachers also comprise a cadre that can be trained during the school closure to help with some initiatives such as sensitization and other social activities (e.g., during the Ebola Virus Outbreak in 2014, teachers in Guinea carried out advocacy work in their communities and supported contact tracing of Ebola patients.).

2. **Improve financing of digital infrastructure, curriculum and materials with an eye to reducing disparities in access.** The COVID-19 pandemic further uncovers the challenges of inadequate digital infrastructure (internet access) and limited basic digital skills (individuals able to use the internet), which has made it difficult to implement alternative ways of teaching and learning including online learning platforms during school closure. Given all learning is now remote, additional support to and bolstering of remote learning platforms is necessary. While radio programming was an immediate Government response to ensure the continuity of learning, complementing radio programming with teaching and learning materials, online platforms for urban areas where internet can be accessed and partnering with non-state education service providers as well as telecom carriers to maximize students' learning opportunities is essential. Given limited radio coverage and lack of access to radio programming in remote counties and districts, alternative learning pathways must be explored and implemented. The Government can partner with community radio stations and also use the network of Education Officers to ensure learning resources can reach all students including those in remote locations.

3. **Protect the most vulnerable including students with disabilities and girls.** The education sector should prioritize minimizing social vulnerability and potential exploitation. For students with disabilities, emergency plans need to address their complex needs for example ensuring that these students have the best opportunity to be safe and continue learning during the crisis period. There is evidence that during the Ebola outbreak, as school closures were put in place, adolescent girls were vulnerable to coercion, exploitation, and sexual abuse, some of which resulted in unwanted pregnancies. Measures must be put in place to address the needs and risks of vulnerable populations under COVID-19. Measures can include school-specific emergency plans detailing instructions for students with disabilities and for girls with provisions for conditional cash transfers during the response phase and school grants to address school fees and other school-related costs during the recovery phase.

4. **Enable data collection and monitoring for COVID-19 interventions and evaluation of their results**. Given Liberia has not conducted a robust school census since 2015/2016 yet data collection on students and monitoring of COVID-19 interventions is necessary (there is a concern and anticipation that a large number of students may not return to school once schools reopen for many reasons including economic hardship and stigmatization), alternative data collection and monitoring mechanisms must be put in place. This can include the use of WhatsApp and phone surveys with and through local Education Officers, working with non-state education providers who have tested mechanisms for student monitoring and tracking systems already in place and phone surveys for parents and students to assess radio programing penetration and learning during the COVID-19 response phase.

Recovery phase

1. **Maintain a consistent budget allocation to the education sector.** To ensure that the education sector can recover from the Covid-19 pandemic, the national budget allocation to the education sector must, at least, be maintained. Education sector recovery from the pandemic will be dependent on the Government being able to pay teachers and school personnel, open schools sequentially to abide by health protocols and ensure access, learning and equity are prioritized. Without a consistent budget allocation, recovery and future planning is not possible.

2. **Ensure schools and education facilities are ready to re-open and can remain clean, safe spaces.** Roll out school re-opening gradually with new protocols for social distancing, hygiene, and health screening protocols developed with input from the health authorities and the Office of the President. Bringing education facilities back to their original condition may not be enough if wash stations or latrines are not available, which would leave students vulnerable once again to future health risks. The school environment, including classrooms, school furniture, equipment, and toys, should be frequently and thoroughly cleaned to avoid the transmission of COVID-19. Establish regular cleaning schedules and monitor them. Teachers, students, and PTAs can help the principal to monitor the activity. Extra precautions should be taken with regard to classroom seating arrangements as well as the food that is being provided in schools. The school principal and trained teachers are responsible for ensuring that children receive the psychosocial support they need and reducing stigma in the school setting. It is especially important for children who lost a parent/ care giver to COVID-19 or are a COVID-19 survivor themselves. Larger assemblies should be avoided such as morning singing and other whole school gatherings with special attention to overcrowded classrooms. It may be necessary for subjects where social distancing cannot be maintained to be canceled and other subjects taught instead. Time should be divided between classes in relation to arrival, lunch and free time so that students and personnel are not gathered at the same time in the same areas. Meetings amongst school personnel should be done outdoors, via video / telephone or at a good distance from each other.

3. **Focus on teachers and school principals and their roles in enabling a safe learning environment.** Teachers and school principals need to be trained on topics related to school emergency preparedness and prevention including the following topics before school reopening: 1) COVID-19 prevention and social mobilization; and 2) psychosocial support and life skills. Teacher training materials and guidance notes should be developed. In addition to the training, reference materials should be provided to schools. This can include posters or leaflets, recapping the content of the training and that are easy to understand and follow.

4. **Prioritize Water, Sanitation and Health (WASH) interventions.** There must be easy access to handwashing stations with water and soap. For schools without handwashing/ pumps stations constructed, provision of buckets with clean water and soap should be set up, in accordance with Ministry of Health guidance. The hand washing stations should be placed at the school entrance and latrines. Where available, additional hand washing stations should be placed in front of the main school office, classrooms, kitchens and playground. All schools should have a school hygiene kit.

5. **Engage the school community.** Everyone in the school community has a role to play in ensuring a safe school environment following the COVID-19 outbreak. Communicating with families and communities and involving them in the effort to prevent another COVID-19 is critical. Communities need to be sensitized on protocols for operating safe and protective learning environments once schools reopen and their roles and responsibilities. Key messages on behaviour changes and new rules should be clearly communicated with families and communities, so that they become the strongest advocates and allies.

6. **Ensure the Education Emergency Response Plan, tools and reports are published on MoE website.** The emergency response plan, tools and reports must be published and readily accessible to enable education officers, school leaders, parents and the public access to the information and guidance they need to adequately prepare and effectively respond to the crisis. The plan should be updated as changes occur and as needed for use as the situation continues to evolve in the coming months.

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