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Liberia

Gov Constraints to Service Delivery

WASH Sector Financing

June 21, 2019

GOV



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LIBERIA WASH SECTOR FINANCING

KEY TAKEAWAYS

- **Liberia needs to increase WASH budget allocation** — Between FY2015-18, national contributions to WASH activities accounted for less than 6 percent of the total amount, while more than 94 percent was financed through funds from development partners.
 - **Liberia needs to integrate its WASH sector effectively** — WASH activities are disjointed in various institutions and hard to track activities in the national budget. The National Water Resources and Sanitation Board and National Water Supply, Sanitation and Hygiene Promotion Committee can be a WASH champion and strengthening their coordination capacity is critical to bring all WASH related institutions and activities.
 - **Liberia needs to continue the dialogue with development partners** —GoL should continue the dialogue with development partners and develop a comprehensive financing policy for the WASH sector, prioritize future donor funds more strategically according to the financing policy, and conduct a public expenditure review for WASH sector.
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I. CONTEXT

1. **The Pro-Poor Agenda for Prosperity and Development (PAPD) recognized the need for improving WASH conditions in the country.** The PAPD is a Government of Liberia (GoL)'s medium-term development strategy covering 2018-2023 towards Liberia Rising 2030 accelerating growth and reducing poverty to achieve its vision of middle-income status by 2030. The PAPD recognized that the lack of financing for infrastructure investments as one of the key constraints, and it has hindered the improvement in water supply, waste disposal, garbage disposal and drainage. Other constraints included limited human resource, institutional fragmentation, weak legal and regulatory framework, inadequate water distribution infrastructure due to lack of funding, and inadequate sanitation services. The sector lacks trained manpower, has inadequate data (on access to services), difficulties with planning, and communities' resistance for change in their water and hygiene practices. The PAPD addressed the critical need for WASH improvements by indicating that "the Government aims to have equitable, safe, affordable and sustainable water supply and sanitation services for all Liberians", and also committed that "the Government will mobilize resources for water supply infrastructure, provide rural water supply, facilitate supply and financing for water resources management, mobilize communities to fully participate in planning, operation and maintenance of WASH facilities, and eliminate open defecation nationwide while enforcing minimum standard WASH packages".

2. **The improvement in WASH is important for Liberia to achieve Sustainable Development Goals (SDGs).** SDG 6 "Clean Water and Sanitation" addresses WASH management and service in relation to sustainable development. The goal is based on the improvement in water supply and sanitation management and improved health, well-being and economic productivity. The goal is considered challenging for Liberia due to significant commitment required for the GoL to prioritize the WASH sector, allocate substantial amount of resources and manage such financial resources, coordinate multiple ministries and agencies and development partners on the investment made at national, county and community level, and build capacity in implementing WASH activities. The development partners, both multi-lateral, bilateral agencies and civil society organizations (CSOs) have been providing support to the GoL through projects and technical assistance to advance its progress towards the goal.

Box 1. WASH Sector Policies and Institutions

WASH sector policies have provided strategic direction of the WASH Sector in Liberia. **Water Supply and Sanitation Policy 2009** set out institutional arrangements and policies in delivering WASH services. **The WASH Compact 2011**, signed by the President, set out a roadmap of themes based on four key commitments and related cross cutting issues. The need to improve sector financing was one of the commitments. **WASH Sector Strategic Plan 2012-2017** provided detailed guidance to the institutional responsibilities and strategies for implementing the ‘WASH Compact’ and the sector policies. GoL prepared **WASH Sector Investment Plan (SIP) 2012-2017** that provided details on the investment plans to WASH activities for the five years, and **Sector Capacity Development Plan 2012-2017** put together areas needed for capacity development based on the findings on needs assessment in WASH. In addition, GoL organized **WASH Joint Sector Review (JSR)** in 2013, 2014, 2015, and the most recently in 2018 and prepared **WASH Sector Performance Report** to take stock of sector institutions, achievements, key challenges, and actions going forward. After these policies, the GoL launched the **One WASH Program** in 2018 with the aim of modernizing the way WASH services are delivered to the communities in Liberia, and thereby contributing to economic growth and poverty reduction. The One WASH Program provided a platform for single annual work plan, annual budget, information system, monitoring and evaluation system, and reporting system. The program was coordinated by the National WASH Coordination Committee Secretariat, which are supported by the Ministry of Public Works (MPW), Ministry of Health, Ministry of Land and Mines, and Ministry of Education.

As envisioned in 2009 Water Supply and Sanitation Policy, the National Water Resources and Sanitation Board (NWRSB) was established in 2015. NWRSB was given the mandate to coordinate multi-ministries relating to WASH, oversee legislation and policy implementation. The NWRSB’s coordination role is supported by the National Water Supply, Sanitation and Hygiene Promotion Committee (NWSHPC), which is administered by the Ministry of Public Works. It also oversees the facilitation and regulatory agencies as well as the service delivery agencies.

CHALLENGES

3. **WASH sector activities are spread across multiple ministries and agencies and lacks WASH champion.** WASH covers access to water, sanitation and hygiene, which include investments in water supply and public health related activities in both urban and rural areas. This includes i) piped water services, sewerage system, toilets and waste management system in urban areas (Urban WASH), ii) wells, boreholes and springs and sludge treatment in rural areas (Rural WASH), iii) sanitation and hygiene education at schools, health facilities and communities (WASH in Health and Schools), and iv) solid waste management at local government. Due to its diverse nature of the sector, WASH areas are spread across multiple ministries and agencies in Liberia. The Ministry of Public Works (MPW) is in charge of water-related large infrastructure and rural water services, Liberia Water and Sewer Corporation (LWSC) provides urban water and sewer services, Ministry of Education (MoE) provides health, water and hygiene education, Ministry of Health (MoH) provides basic water, sanitation and hygiene services through health facilities, and Municipal Government such as Monrovia and Paynesville City Corporations provides solid waste management services (see Table 1). On the other hand, water related issues in the Ministry of Agriculture, Ministry of Land and Mines are considered in the subsector of ‘Water Resources’ rather than WASH activities. The multiplicity of WASH activities and wide functional responsibilities in various ministries and agencies have left GoL with no ministries playing a leading role in WASH.

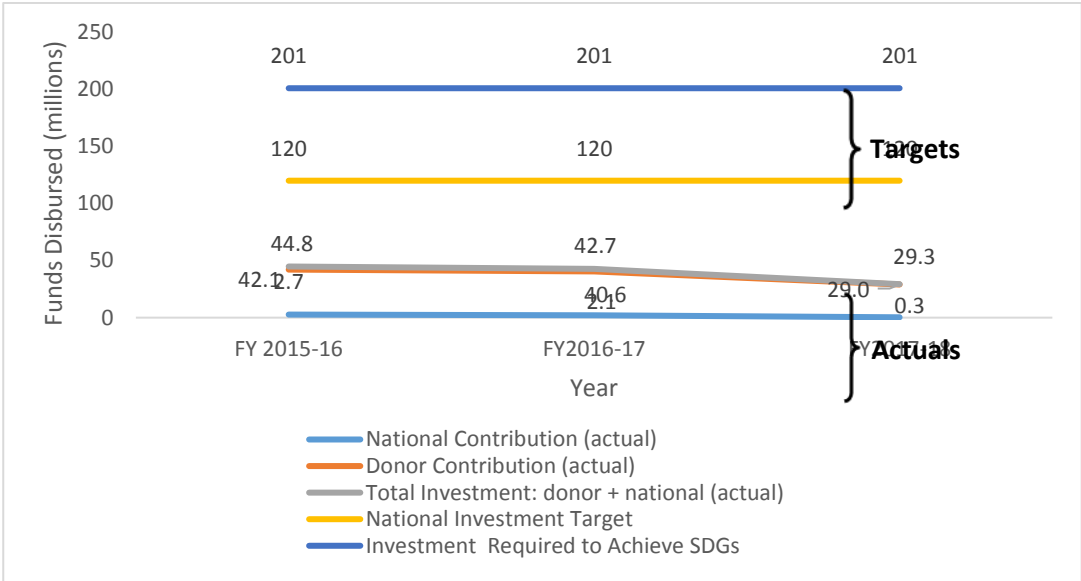
Table 1. The WASH functions in ministries and agencies

Ministry/Agency	WASH Activities
Ministry of Public Works (MPW)	Water-related infrastructure, Rural WASH
Liberia Water and Sewage Corporation (LWSC)	Urban WASH, mainly urban water supply and sewage
Ministry of Education (MoE)	WASH in Schools and education
Ministry of Health (MoH)	WASH in Health, sanitation and hygiene
Municipal Government (such as Monrovia City Corporation)	Solid Waste Management
Ministry of Agriculture	Not WASH. Activities are considered under ‘Water Resources’
Ministry of Land and Mines	

4. **Disjointed nature of WASH-related activities has made the tracking of budget allocation and disbursement extremely difficult.** Governed by the Public Financial Management Act of 2009, line ministries prepare annual budget under the guidance of the Ministry of Finance and Planning (MoFP). The national budget classifies policy areas into 11 “sectors”: public administration, municipal government, transparency and accountability, security and rule of law, health, social development services, education, energy and environment, agriculture, infrastructure and basic services, and industry and commerce. Each “sector” lists spending entities (ministries and agencies). Given that WASH is not a “sector” in the budget classification, WASH related activities are spread across respective spending entities in respective “sectors”. For example, WASH activities in the MPW are classified under “infrastructure and basic services” while MoE and MoH WASH activities are in “education” and “health” sectors. Such disjointed nature of WASH activities has made it difficult to track and consolidate all the WASH activities, its budget allocation and actual disbursement.

5. **Financial allocation to WASH is alarmingly low compared to what the country needs.** Recent estimates made by WASH Sector Performance Report suggest that Liberia must spend five times more than it does today or invest US\$ 201 million per year (2015 prices) to achieve SDG 6.1 “Proportion of population using safely managed drinking water services” and SDG 6.2 “Proportion of population using safely managed sanitation services, including a hand washing facility with soap and water” by 2030. Liberia’s WASH Sector Investment Plan estimated funding needs for the period FY2012-17 of approximately US\$596 million or US\$120 million per year for the five years to stay on track for the access targets set by the Government WASH policies¹. However, between FY 2015-16 and FY2016-17,², annual allocation for WASH sector, including both GoL and donor funds, was 44.8 million and 42.7 million respectively, or only 22 percent of what was required to meet the targets (see Figure 1).

Figure 1. National and SDG targets for Liberia v/s Actual Investments (Annual): FY2015-18



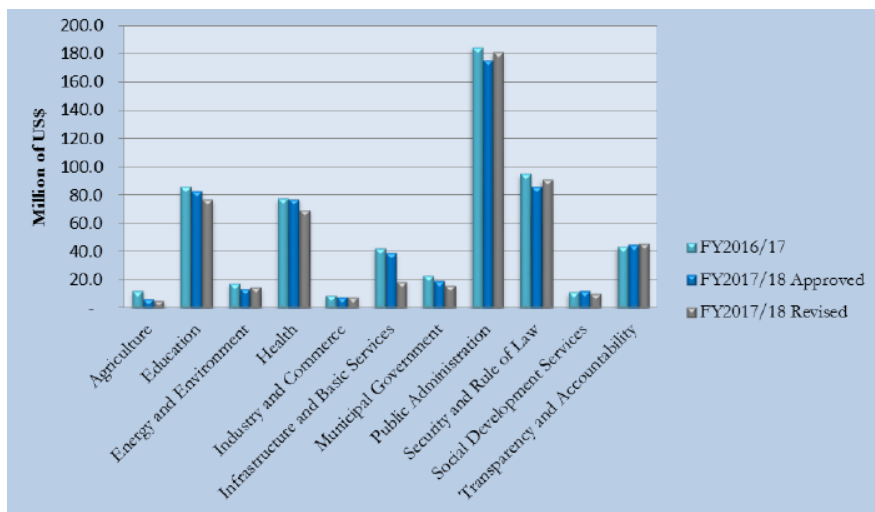
Source: Ministry of Finance and Development Planning

6. **The amount allocated to WASH activities from the national budget is significantly small.** GoL’s national priorities are mainly focused in the areas of public administration, security and rule of law, transparency and accountability, education and health. In FY2017-18, most of the funding at over US\$180 million was allocated towards public administration, US\$90 million was allocated towards security and rule of law and US\$40 million towards transparency and accountability pertaining to the 2018 elections (see Figure 2). While disaggregation for WASH activities in annual budget can be a challenge, WASH Sector Performance Report suggests that the national spending for WASH in FY2017-18 was US\$0.3 million, which is only 1 percent of the total annual budget. Most of the national budget to WASH activities are allocated as counterpart funding to donor projects, and staff-related cost, leaving extremely little for capital investment and operational costs for WASH services.

Figure 2. FY2016-18 Budget Appropriations

¹ Ministry of Public Works 2013, p.13

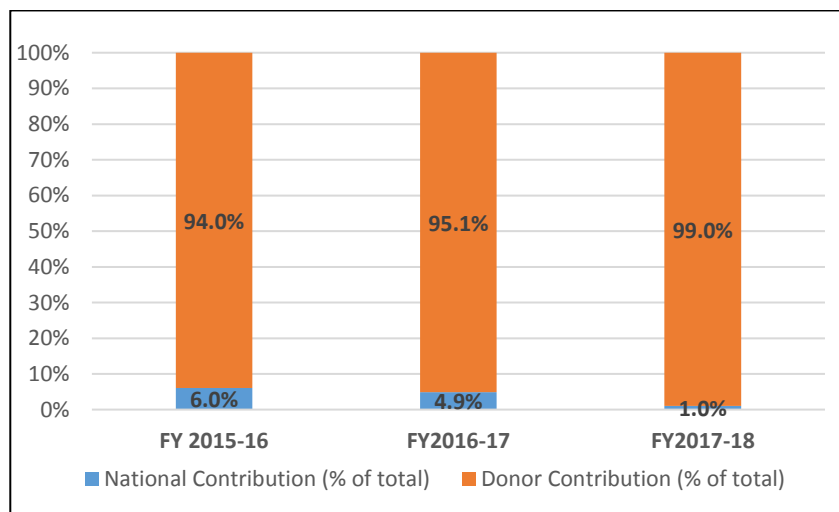
² Based on data for approved projections and actual disbursements in FY2015-16 and FY2016-17 from GoL and development partners, while data for FY2017-18 accounts for disbursements as of Quarter II of FY2017-18.



Source: Ministry of Finance and Development Planning

7. **Due to the limited amount allocated from the national budget, WASH activities are mainly financed by development partners.** Between FY2015-18, national contributions to WASH activities accounted for less than 6 percent of the total amount, while more than 94 percent was financed through funds from development partners. Over the three years, share of development partners' contributions have increased from 94 percent in FY2015-16 to 99 percent in FY2017-18 while the share of GoL contributions declined from 6.0 percent to 1.0 percent (see Figure 3). Most of development partners' contributions are financed through the form of a 'project', which can be either recorded in the budget or provided directly to the communities outside of the budget. The GoL's national budget is committed as counterpart funds for donor projects instead of financing government-led capital investments and maintenance of investments. The major development partners by the funding amount include UNICEF (35 percent), AfDB (25 percent), USAID (24 percent), World Bank (9 percent) and EU (5 percent) (see Box 2).

Figure 3: National v/s Donor Contributions to WASH Sector (FY2015-18)



Source: Project Investment Unit – Ministry of Finance and Development Planning

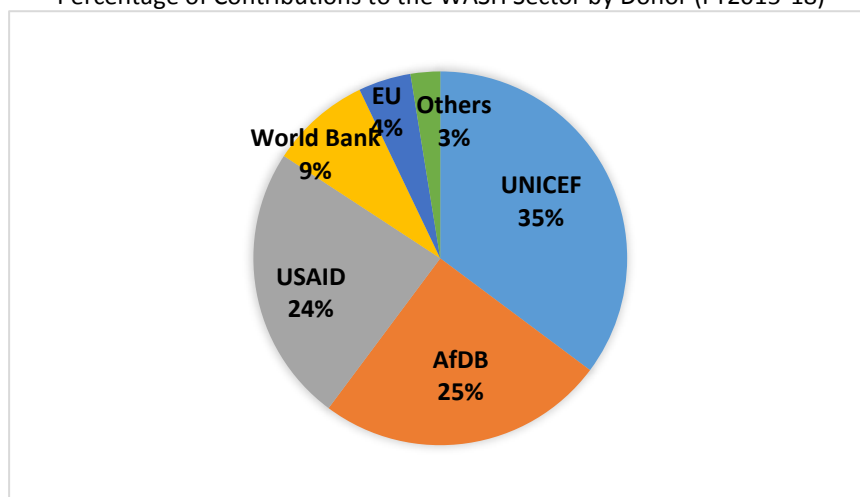
8. **Among available funds, Urban WASH received the most, while Rural WASH received the smallest amount of funds in the WASH sub-sector.** In FY2015-18, the funds disbursed to Urban WASH dominate as 51.1 percent of the total WASH sector funds which is approximately US\$56 million (see Table 2). This is followed by WASH in Health Facilities and Schools as 40.3 percent of sector funds or US\$47 million, where all funds come from development partners. Solid waste management is at 6.9 percent or US\$8 million mostly targeting Monrovia City Corporation. On the other hand, rural WASH is poorly funded both from national budget and development partners and only constitute 0.1 percent of total WASH funding and received US\$0.1 million over the three years. Rural WASH funds were allocated towards construction of new water points, rehabilitation of existing waterpoints, procurement of borehole drilling equipment and logistics and community programs.

9. **Fiscal decentralization in Liberia is incomplete, making it difficult to transfer funds from central government to counties.** Since 2010, the GoL started shifting responsibilities to counties, and Local Government Act was promulgated in 2018. However, WASH responsibilities undertaken by the counties have yet been articulated in the Act or subsequent guidelines, and an intergovernmental fiscal transfer system has yet to be fully developed. WASH activities have been continued to be budgeted through central government ministries such as MPW, MOH, MOE except solid waste management where budget is allocated to municipal governments.

Box 2. Donor Contributions for WASH Sector

Total donor support between FY2015-18 was approximately US\$ 112 million. The UNICEF, USAID and AfDB are responsible for most of the donor disbursements to the sector between FY2015-18. UNICEF funding is entirely directed to one project: Young Children Survival Development, which cuts across three components: WASH, Maternal and Child Health, and Nutrition. Its total contribution to WASH is approximately US\$ 39 million. AfDB has funded a study on rural WASH with the amount of US\$ 96,652 and a project on urban water supply and sanitation with the amount of US\$ 27.8 million. USAID on the other hand has focused all its funding nearly US\$ 27 million on urban water supply, while the World Bank has mainly targeted both urban water and solid waste, its contributions totally around US\$ 9.7 million. The Government of Ireland and the European Union set aside US\$ 1.5 million and US\$ 5 million respectively for institutional WASH, while the Gates Foundation allocated a small amount of around US\$ 200,000 for urban sanitation.

Percentage of Contributions to the WASH Sector by Donor (FY2015-18)



Source: Aid Management Platform – MFDP

Table 2: WASH Funding for FY2015-18 by subsector

Subsector	(US\$1,000)		
	National Allocation (US\$)	Donor Allocation (US\$)	Total (US\$, %)
Urban WASH	2,875	56,864	67,768 (51.1%)
WASH in Health Facilities and Schools	0	47,074	47,074 (40.3%)
Solid Waste Management	300	7,729	8,029 (6.9%)
Water Resources	1,848	0	1,848 (1.6%)
Rural WASH	23	97	120 (0.1%)
Total	5,045	111,764	116,810 (100%)

Source: Ministry of Finance PSIP data

10. **While the importance in WASH improvements was highlighted in the GoL national plans and sector strategies, limited amount of financial resources allocated in the budget informs that WASH activities have not been the priorities in the national budget.** Limited amount of national budget allocated to WASH activities are impacted by the limited credibility on the resource allocation. This is resulted from i) weak planning and forecasting of revenues available to GoL and expected

expenditures for the WASH; and ii) too little discretionary spending to enable them to perform the functions due to the large portion of the budget taken up by salaries and related costs, leaving insufficient room to fund operating costs for WASH activities at realistic level. Weakness also lies in the execution where there is a significant gap between the committed amount and the disbursed amount. Development partners fund a significant portion of WASH activities, but not all the development partner funds are included in the budget or accounted. In addition, internal control is weak, and funds allocated to WASH activities are often transferred from one budget line to another, leaving little resources to implement activities. Other challenges include weak linkage between WASH sector policies and Public Sector Investment Plan and weak capacity in the management of cash and procurement processes in delivering services.

III RECOMMENDATIONS

Short-term Recommendations

11. **Strengthen the capacity of existing cross-ministerial coordination body including National Water Resources and Sanitation Board (NWRSB) and the National Water Supply, Sanitation and Hygiene Promotion Committee (NWSHPC).** Given the fragmented nature of the WASH sector, it is essential to have a single entity to coordinate all WASH related activities across different ministries and agencies. The idea behind the establishment of NWRSB and NWSHPC was to provide multi-ministerial coordination on WASH activities. However, coordination has not been successful partly due to lack of leadership, lack of resources, its lack of convening power, and unclear mandates. The weak institutional capacity of NWRSB, together with the disjointed nature of the WASH sector, have led to no political champion in the WASH sector. This has also led to fragmented ownership of WASH activities, limited financial resources, and weak monitoring of WASH activities implemented. To increase the institutional capacity of NWRSB and NWSHPC, it is recommended that the NWSHPC is well staffed, and is given clear mandates to coordinate with line ministries and development partners. It is also important that NWSHPC would strengthen the capacity to be able to prepare just-in-time policy advice and manage coordination activities necessary for NWRSB to make policy decisions. This would include preparing WASH financing policies, WASH activity map, annual plans, and monitoring implementation progress.

Medium-term Recommendations

12. **Together with development partners, GoL should establish a comprehensive financing policy for the WASH sector and better prioritize future donor funds.** In the medium-term, WASH sector is expected to remain dependent on external aid for WASH projects. Since sector needs are far more than what is financed domestically, GoL should have a dialogue with development partners in drafting a comprehensive financing policy for the WASH sector, and better prioritize future donor funds. This will include identifying critical national WASH activities in the national development plans and various strategies, harmonizing donor funds to WASH priorities, identifying areas national funds can be allocated and gradually increasing counterpart funds in priority yet donor financed projects in WASH sector. While counterpart funds should be encouraged to reflect the realistic projection of available resources, such funds would increase government ownership of the WASH projects that are mainly financed by development partners.

13. **Review and reorient institutional mandate and performance of existing WASH institutions for better management of WASH activities.** It is recommended that the GoL conduct a Public Expenditure Review of WASH. This would include reviewing existing responsibilities and financial viability of NWRSB and NWSHPC as coordinating bodies, rural WASH responsibilities under MPW, urban WASH under LWSC, and solid waste management under municipal government. It is recommended that the review include budget allocation and disbursement to each entity, staff and related costs, and operational costs, donor financing, and issues that are hindering implementation and cross-sectoral coordination. It may also assess the efficiency and effectiveness in revenue collection as well as private sector involvement in urban and rural WASH, and how it can be improved. Where possible, institutional mandates can be oriented across different ministries and agencies.

Long-term Recommendations

14. **Strengthen institutional capacity to manage public finance and coordinate development partners' fund for WASH activities.** As in the Public Financial Management Reform Strategy and Action Plan 2017-2020, it is recommended that the GoL continue the improvement in the various aspects in public financial management. This would include strengthening the capacity to plan and forecast revenues, analyzing the budget allocation for WASH-related activities including salaries and related costs against operational costs, and improving the budget execution capacity to reduce the discrepancy between budgeted amount and the disbursed amount in WASH-related activities. In addition, internal control should be strengthened

by mitigating the transfer of funds allocated to WASH activities to another budget lines. Enhancement in PFM systems will facilitate the annual budget to be closely linked with WASH sector strategies and overarching national development plans, thereby appropriating and executing funds in a predictable manner. It is also recommended that the GoL strengthen a dialogue with development partners and build institutional capacity to coordinate WASH activities and account funds financed by development partners in WASH-related activities in the national budget.

15. **Consider the benefits of a self-contained Ministry of Water Resources and Sanitation to manage a holistic integrated water related issues as a long-term objective.** Some countries have established a dedicated ministry to manage WASH activities such as Ministry of Water and Sanitation in Kenya, Ministry of Sanitation and Water Resources in Ghana, Ministry of Water and Environment in Uganda, Ministry of Water in Tanzania. In the long-term, GoL may wish to consider the institution that can centrally manage WASH matters. A single WASH administrative entity can set policies, legislation, regulation and guidelines, and manage environmental issues. It can also consolidate WASH activities, align national plans and sector policies, coordinate national budget and donor activities in WASH matters. The scope of the ministerial mandates should be discussed either to expand it to irrigation, water resources, water related to energy and mines or simply limit it to urban and rural WASH and water resources. It is recommended that GoL explore other countries' experience on how such ministries were set up and operationalized.

16. Other recommendations for long-term solutions for WASH Sector Financing are:

- Sourcing private sector financing – through Public Private Partnerships and look for other ways engage with private sector to finance WASH activities. This will include enhancing private sector's participation in WASH activities and collect revenues;
- Strengthening performance of the urban water utility company (LWSC) —to be able to collect bills and reduce leakages in user fee collection. Improved billing and improved financial management could provide additional funds for investment; and
- Invest in WASH infrastructure (e.g. urban WASH and solid waste collection) and charge fees that could be reinvested in expanding WASH provision in the country.