



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 01-Oct-2021 | Report No: PIDC32849



**BASIC INFORMATION**

**A. Basic Project Data**

Country Liberia	Project ID P176993	Project Name Liberia Inclusive Growth Development Policy Operation 3 (P176993)	Parent Project ID (if any) P175570
Region AFRICA WEST	Estimated Board Date May 06, 2022	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Finance and Development Planning	Implementing Agency Ministry of Agriculture		

**Proposed Development Objective(s)**

The program development objectives of these series are: 1) removing distortions in selected sectors and strengthening public-sector transparency; and 2) promoting economic and social inclusion.

**Financing (in US\$, Millions)**

**SUMMARY**

<b>Total Financing</b>	20.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	20.00
World Bank Lending	20.00

**Decision**

The review did authorize the preparation to continue



## B. Introduction and Context

### Country Context

**Liberia's economy is still recovering from a prolonged period of weak economic and social performance.** Between 2014 and 2020, partly as a result of repeated exogenous shocks (Ebola outbreak, iron ore and rubber prices collapse, United Nations peacekeeping forces drawdown, and COVID-19 pandemic) the economy contracted by 0.4 percent per year on average and *per capita* GDP declined by 12.3 percent cumulatively. As a result, the poverty rate rose to an estimated 52 percent by 2021<sup>1</sup>, erasing nearly half of the gains achieved in the first decade after the conflict (2004 and 2013). Non-monetary poverty indicators, including access to healthcare, education, and basic utilities, remain low by regional and international standards, with especially acute rural/urban and gender disparities driven by unequal access to productive assets, infrastructure, public services, and markets. Going forward, real GDP is projected to expand by 3.6 percent in 2021 and 4.9 percent on average over 2022-23.

**Liberia continues to face complex development challenges, including a highly concentrated export structure, a narrow revenue base and major considerable spending needs.** Transitioning to an economic path in which GDP growth reliably generates broad-based improvements in poverty and social development would require boosting productivity in agriculture and other informal sector activities, accelerating formal job creation, strengthening socioeconomic resilience, enhancing the quality of governance, and expanding institutional capacity. These priorities are reflected in the country's Medium-Term National Development Policy Framework embodied in the PAPD, which the proposed operation supports.

### Relationship to CPF

**The IGDP series is fully aligned with the World Bank's Liberia CPF for FY19-24.** The CPF's overarching goal is to support Liberia as it strives to achieve pro-poor, private-sector-led growth underpinned by human-capital development, institutional capacity-building, infrastructure development, and economic diversification. The CPF also seeks to support Liberia to effectively address key drivers of fragility and conflict, such as weak governance, inadequate economic and social inclusion, the breakdown of social cohesion, youth unemployment, gender inequality, and regional disparities. The three pillars of the CPF are: (i) strengthening institutions and creating an enabling environment for inclusive and sustainable growth; (ii) building human capital to seize new economic opportunities; and (iii) narrowing the infrastructure gap to foster more equitable nationwide development. Other World Bank Group operations targeting agriculture (STARP, P160945), land rights (Liberia Land Administration Project, P162893), energy (LACEEP P133445, LESSAP P173416, and CLSG P113266), trade, financial inclusion and the digital economy (MSME & Rural Finance post Ebola Reconstruction P157797), social protection (LSSN P155293), macro-fiscal management, and good governance (PFMIS, P172654) are linked to the proposed series and will provide valuable technical assistance and other forms of complementary support.

## C. Proposed Development Objective(s)

The program development objectives of these series are: 1) removing distortions in selected sectors and strengthening public-sector transparency; and 2) promoting economic and social inclusion. To achieve these objectives, the proposed operation focuses on two strategic pillars and seven policy areas. The choice of pillars and policy areas reflects a combination of factors, including poverty-reduction potential, available analytical evidence to underpin reforms, current World Bank engagement (including complementarity with other World Bank projects), coordination with the IMF and other development partners, and the government's expressed priorities and reform momentum.

<sup>1</sup> [https://www.worldbank.org/en/publication/macro-poverty-outlook/mpo\\_ssa](https://www.worldbank.org/en/publication/macro-poverty-outlook/mpo_ssa) p251



#### Key Results

**The key results for this operation are to enhance inclusive growth.** Policy areas supported under pillar 1 include agriculture, energy, trade, tax incentives, SOEs oversight and debt transparency. The policy and institutional reforms supported under this pillar will contribute to improving agricultural productivity, facilitate access to affordable and reliable electricity, reduce trade costs to thereby supporting private investment and service delivery. Establishing the proper legal and institutional framework for rationalizing and managing tax expenditures will increase transparency and reduce corruption and rent-seeking. Strengthening SOEs oversight and improving debt transparency will help Liberia to sustainably finance its development and promote prudent debt management. Policy areas supported under pillar 2 focus on institutional reforms in key areas as financial inclusion and social safety nets (SSNs). Strengthening the regulatory framework for financial inclusion, including for digital finance, will improve access to formal financial services among excluded and underserved groups, particularly women, facilitating economic participation, asset accumulation, and inclusive growth. Reforms that increase the efficiency and financial accountability of SSN programs will be necessary to create a sustainable SSN system and maximize its impact on poverty alleviation.

#### D. Concept Description

**The program development objectives of the IGDP series are : (i) removing distortions in selected sectors and strengthening public-sector transparency; and (ii) promoting economic and social inclusion.** To achieve these objectives, the proposed operation focuses on two strategic pillars and six policy areas. The choice of pillars and policy areas reflects a combination of factors, including poverty-reduction potential, available analytical evidence to underpin reforms, current World Bank engagement (including complementarity with other World Bank projects), coordination with the IMF and other development partners, and the Government's expressed priorities and their own reform momentum.

**Pillar 1 focuses on removing distortions in selected sectors and strengthening public-sector transparency to support inclusive growth.** Policy areas supported under this pillar span agriculture, energy, tax incentives, and SOEs oversight and transparency. In agriculture, productivity growth and future resilience to climate change are constrained by very limited access to improved seeds and other agricultural inputs, as weak incentives undermine the private sector's participation in inputs markets. In energy, a costly and unreliable electricity supply inhibits private investment and growth, particularly in light manufacturing, agro-processing and household enterprises. Improving energy affordability and the financial viability of the energy sector will be essential not only to support private investment but also to sustainably expand access as well as mitigate the threat that climate change poses to hydropower production (lower water levels, higher costs). The development of both the agriculture and energy sectors will require significant public investment (including in road and energy-transmission networks). Therefore, strengthening domestic revenue mobilization will be a key factor of success. In addition to boosting revenue collection, streamlining tax incentives will reduce rent-seeking behavior and leakages and provide a level playing field for private investments. Finally, strengthening SOEs oversight and transparency would contribute to better governance and responsible borrowing. Together, these reforms could help improve productivity and economic diversification, including via greater transparency and efficiency of the public sector, and expand employment opportunities and incomes for the poor.

**Pillar 2 supports measures to promote economic and social inclusion.** Reforms in this area are aligned with the Government's objectives for improving public service delivery, especially to the poorest households. Policy actions include reforms in key areas such as financial inclusion and Social Safety Nets. Strengthening the regulatory framework for financial inclusion, including for digital finance, will improve access to formal financial services among excluded and underserved groups, particularly women and rural residents, facilitating economic participation, asset accumulation, and inclusive growth. Reforms that increase the efficiency and financial accountability of SSN programs will be necessary to



create a sustainable SSN system and maximize its impact on poverty alleviation. The SSN programs can help low-income households adapt their homes and businesses to climate-related shocks, especially those caused by extreme weather events. SSN programs can also integrate climate change adaptation awareness and education to these communities.

**The design of the IGDP series reflects lessons learned from previous DPOs.**<sup>2</sup> The IGDP is grounded in strong national ownership and supports reforms that enjoy broad political consensus as reflected in the PAPD. It is selective (only 6 prior actions across two broad pillars) and takes into account the Government’s limited institutional capacity. Ongoing technical assistance is being provided to the authorities to ensure the implementation and sustainability of legal and regulatory reforms. The sequencing of prior actions is designed to facilitate incremental progress, with each supported measure laying the groundwork for subsequent actions. The first operation focused on measures to strengthen the legal framework, while later operations concentrate on supportive regulatory provisions to support implementation.

### E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

#### Poverty and Social Impacts

**The reforms supported under the proposed IGDP series are expected to have moderate to high positive poverty and distributional effects in the medium-to-long term.** Reforms under Pillar 1 aim at removing distortions to productivity-driven growth and economic diversification, by reforming agricultural input markets, energy, trade—and strengthening SOE oversight and transparency. Reforms under Pillar 2 support economic and social inclusion through promoting access to finance and strengthening SSNs.

#### Environmental, Forests, and Other Natural Resource Aspects

**Liberia’s environmental laws, policies, and guidelines are relatively adequate for the assessment of potential environmental risks and impacts.** Article 7 of the 1986 Constitution provides the basis for the protection and management of the environment in Liberia. It also encourages public participation in the protection and management of the environment and the natural resources in Liberia. The National Legislature enacted the Environmental Protection Agency Act in 2002. The Act established the Environmental Protection Agency (EPA) of Liberia, the lead agency for environmental protection and management in the country. The Environmental Protection and Management Law of Liberia was also enacted in 2002. This law provides the environmental and social impact assessment requirements for policies and undertakings that may have adverse impact on the biophysical and social environment.

### CONTACT POINT

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<sup>2</sup>World Bank (2019). Implementation Completion and Results Report on Three Credits, Five Grants and Three Recipient Executed Trust Funds in the total amount of US\$126.34 million equivalent to the Republic of Liberia for the Poverty Reduction Support Operations I, II, III, IV and Supplementals for the Second and the Third Operations. Report No: ICR00004767. December 23, 2019.



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**APPROVAL**

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**Approved By**

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