Liberia

- Liberia witnessed its first peaceful and democratic transfer of power in 74 years.
- The Liberian economy is slowly recovering from the impact of weak commodity prices with an increase in economic growth from -1.6% in 2016 to 2.5% in 2017 and a projected growth of 7% in the medium term.
- Due to declining revenue and the need to prudently control expenditure due to high risk of debt distress, the new administration faces increased fiscal pressure, especially in the area of security.
- Liberia has made major strides since the mid-2000s in rebuilding its infrastructure, which was destroyed by its civil war, but a lot remains to be done.
- The new administration unveiled a four-pillar development strategy to address development challenges and diversify the economy.

OVERVIEW

The Liberian economy continues to experience persistent exchange rate and inflation pressures but achieved positive economic growth in 2017. The economy recorded real gross domestic product (GDP) growth of 2.3% in 2017, up from -1.6% in 2016. This was mainly driven by the mining and quarrying sector through gold production, which registered growth of 28.8% in 2017, from -33.0% in 2016. Economic growth is expected to be steady in 2018 at 3.5% and in 2019 at 4.4%.

The risks to growth in 2018 and over the medium term include: continued decline in the price of the country’s primary commodity exports (rubber and iron ore) on the global market; and infrastructure challenges, including poor roads and limited energy supply.

Average annual inflation increased from 8.8% in 2016 to 11.7% in 2017, mainly driven by an increase in the prices of petroleum products and the depreciation of the Liberian Dollar (LRD). In 2017, the LRD depreciated by 23.9% against the US Dollar (its main transactional currency). Average annual inflation is projected to be 11.3% in 2018 and 10.4% in 2019. Attaining low levels of inflation over the medium term is believed to hinge on the stability of the LRD, the level of domestic food production, improved access to markets, the behaviour of international oil and food prices, Government tax policies on key commodities, and peace and political stability.

Real GDP growth helped to improve the budget deficit (relative to GDP) from 9.4% in 2016 to 4.1% in 2017, and the current account deficit (relative to GDP) from 25.3% in 2016 to 19.4% in 2016. The budget deficit to GDP is projected at 4% in 2018 and 3.1% in 2019; and the current account deficit to GDP at 18.5% in 2018 and 14.7% in 2019.

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1. The 2018 fiscal deficit projection takes account of revisions that were made to the original (approved and balanced) budget after expected revenues fell from USD 563.5 million to USD 479.9 million.
RECENT DEVELOPMENTS AND PROSPECTS

The agriculture, forestry, fishing and hunting sector is the mainstay of the Liberian economy, contributing 70.3% of real GDP in 2017. It is followed by the services sector (around 22.8%), the manufacturing sector (around 5.2%) and the mining and quarrying sector (around 1.7%).

The real GDP growth of 2.3% in 2017 was driven by growth in the mining and quarrying sector, which grew by 28.8% (from -33.0% in 2016). Growth in mining was largely due to increased industrial gold production. In other major sectors, growth declined but remained positive: agriculture and fisheries at 1.8% (from 6.4% in 2016) and services at 1.0% (from 2.1% in 2016). The forestry sector shrank by 8.0% in 2017 (0% in 2016).

In agriculture and fisheries and forestry sectors:

- Rubber production slumped by 8.8% to an estimated 37 937 metric tons in 2017 from 41 595 metric tons in 2016.
- Cocoa production plummeted significantly by 78.7% to an estimated 2 010 metric tons in 2017 from 9 424 metric tons in 2016. This is attributed to a fall in the global market price of cocoa.
- The production of round logs decreased by approximately 43.6% from 147 181 metric tons in 2016 to 83 063 metric tons in 2017. This was partly due to a decline in the international market price and reduced exports of round logs.
- The output of crude palm oil increased by 170% from 2 610 metric tons in 2016 to 7 051 metric tons in 2017, because more trees became mature.

In the manufacturing sector:

- Cement production increased by 18.2% from 240 929 metric tons in 2016 to 284 668 metric tons in 2017, due to increased construction in the country.
- In 2017, the production of beverages (alcoholic and non-alcoholic) remained relatively unchanged from its 2016 level of 23.69 million litres.
- Total output of paint (water and oil) decreased by 17.5% from 208 284 gallons in 2016 to 171 783 gallons in 2017. This was partly due to the importation of other paint products.
- Candle production in 2017 fell by 45.5% from 177 534 kilograms in 2016 to 96 726 kilograms in 2017, due to the expansion of electricity supply by the Liberia Electricity Corporation.
- Supply of treated water increased by 33.3% from 1.5 billion gallons in 2016 to 2.0 billion gallons in 2017 following rehabilitation of the main water treatment plant in Monrovia.

In the mining and quarrying sector:

- Iron ore output increased by 35.7% from a revised 1.4 million metric tons in 2016 to 1.9 million metric tons in 2017, mainly as a result of opening the New Liberty Gold Mine, a new mine.
- Gold production expanded by 35.1% from 151 224 ounces in 2016 to 204 355 ounces in 2017, helped by improved global prices and the industrialization of gold mining, which began in the second half of 2016.

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2. Data from the Ministry of Commerce & Industry (MOCI), Liberia Produce & Marketing Corporation (LPMC), Forestry Development Authority (FDA), Sime Darby Plantations, Ministry of Lands, Mines & Energy, Liberia Water and Sewer Corporation.
Diamond production declined slightly by 0.69% from 60,367 carats in 2016 to 59,951 carats in 2017, affected by the declining average price of diamonds on the international market.

Preliminary statistics on merchandise export earnings in 2017 showed an increase of 39.2%, from USD 279.3 million recorded in 2016 to USD 388.8 million in 2017. This was largely due to increased earnings from traditional exports. Earnings from gold rose by 60.9% from USD 116.5 million in 2016 to USD 187.5 million in 2017; rubber increased by 21.5% from USD 56.0 million in 2016 to USD 68.1 million in 2017; and iron ore export revenues increased by 31.35% from USD 48.2 million in 2016 to USD 63.3 million in 2017. The share of gold in total export earnings increased from 41.7% in 2016 to 48.2% in 2017. The share of exports of rubber and iron ore fell respectively from 20% to 17.5% and from 17.3% to 16.3%.

Liberia’s merchandise import payments continued to decline in 2017. Import payments contracted by 15.2% from USD 1,201.2 million in 2016 to USD 1,018.2 million in 2017. The fall in 2017 was due to lower imports of food and live animals, minerals, fuel and lubricants, as well as machinery and transport equipment.

The trade deficit improved by 31.7%, from USD -921.9 million in 2016 to USD -629.3 million in 2017. This represents a 50% improvement over the 2015 trade deficit.

The current account balance deteriorated by 6.5%, from a deficit of USD -325.4 million in 2016 to a deficit of USD -346.5 million in 2017. This was due to a sharp deterioration in net secondary income receipts, by an estimated 43.6%. However, the current account deficit in 2017 improved by 59.4% when compared to the USD -852.3 million deficit recorded in 2015.

Dependence on primary commodity exports and food imports makes the country highly vulnerable to external shocks.

### MACROECONOMIC POLICY

#### Fiscal policy

The Government has adopted a medium-term expenditure framework (MTEF) since FY 2012/13, with the aim of increasing macroeconomic stability and public investment through fiscal discipline. The use of the MTEF budgetary process in line ministries, agencies and commissions informed and improved inter- and intra-sectoral allocation of resources. Priorities were based on fiscal strategy and institutional capacity.

### TABLE 2. GDP by sector (percentage of GDP)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2011</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry, fishing and hunting</td>
<td>68.2</td>
<td>70.3</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>2.9</td>
<td>1.7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5.6</td>
<td>5.2</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>0.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Construction</td>
<td>2.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Wholesale and retail trade; repair of vehicles; household goods; restaurants and hotels</td>
<td>4.9</td>
<td>5.0</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
<td>5.3</td>
<td>5.5</td>
</tr>
<tr>
<td>Finance, real estate and business services</td>
<td>0.9</td>
<td>1.0</td>
</tr>
<tr>
<td>Public administration and defence, security</td>
<td>7.1</td>
<td>7.3</td>
</tr>
<tr>
<td>Other services</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Gross domestic product at basic prices / factor cost</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

* Other services include education, health and social work and other services.

Source: Data from domestic authorities.
on the country’s refocused medium-term development agenda, the Agenda for Transformation.

Fiscal pressures continued in fiscal year 2016/17 due to declining domestic revenues. Total revenues and grants fell short of the approved budget by 9% as a result of a slowdown in economic activities. International trade taxes were 11% below target while direct tax revenues and non-tax revenues were 29.1% and 57% below target respectively. To mitigate the revenue shortfall, the Government increased the general sales tax rate from 7% to 10% and introduced a petroleum storage surcharge of USD 0.30 per gallon. On the expenditure side, Government cut spending on goods and services, subsidies, transfers, and domestically financed investment. With these measures, and augmented support from development partners, total revenue and grants were estimated to amount to 30.8% of GDP, and total expenditure to 34.9%, resulting in an overall deficit of 4.1% of GDP, compared to 9.4% in fiscal year 2015/16. Current expenditure was estimated at 27.3% of GDP, and capital expenditure at 7.7%. Wages and salaries of public sector employees, a component of current expenditure, were estimated to be 13.1% of GDP.

In FY 2017/18, fiscal pressures continued as a result of a shortfall in revenue and grants. Total revenue and grants were projected at 32.6% of GDP and total expenditure at 36.6%, resulting in an overall deficit of 4.0% of GDP. Current expenditure was estimated at 28.6% of GDP, and capital expenditure at 8.0%. Wages and salaries of public sector employees were estimated at 12.4% of GDP, and continued to be the biggest expenditure line item mainly due to salary and allowance increases for top public officials.

### Monetary policy

The monetary policy objective of the Central Bank of Liberia (CBL) is to attain price stability via broad exchange rate stability. To this end, CBL has intervened in the foreign exchange market and issued Government of Liberia treasury bills and bonds to influence domestic monetary conditions.

On CBL’s foreign exchange auction, a total of USD 53.2 million was sold in 2017, representing a 117.1% increase compared with 2016 (USD 24.5 million). This level of intervention was necessary to help smooth volatility in the foreign exchange market and slow down rapid depreciation of the LRD in the wake of low inflows of foreign exchange.

However, the high level of dollarization (estimated at 93% of lending, 68% of broad money, and 80% of deposits) continued to constrain monetary policy. This, together with a relative decrease in the net inflows of foreign exchange (by 28% from end-fiscal year 2016 to end-fiscal year 2017), caused the LRD to depreciate regularly and spurred high inflation. The LRD depreciated by 15.4% in 2016 and 23.6% in 2017. CBL issued regulations in November 2016 that required 25% of inbound money transfers to be paid in LRD.

### Economic co-operation, regional integration and trade

Liberia has bilateral and multilateral agreements with several countries and institutions. Along with other member Governments of the Economic Community of West African States (ECOWAS), Liberia also has an Economic Partnership Agreement with the European Union and is a member of the World Trade Organization (WTO).

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**TABLE 3. Sector and real GDP growth (percentage)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>2015</th>
<th>2016</th>
<th>2017(e)</th>
<th>2018 (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and fisheries</td>
<td>0.7</td>
<td>6.4</td>
<td>1.8</td>
<td>2.6</td>
</tr>
<tr>
<td>Forestry</td>
<td>2.0</td>
<td>0</td>
<td>-8.0</td>
<td>-4.0</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>-15.9</td>
<td>-33.0</td>
<td>28.8</td>
<td>3.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-1.6</td>
<td>-5.2</td>
<td>1.4</td>
<td>1.6</td>
</tr>
<tr>
<td>Services</td>
<td>4.3</td>
<td>2.1</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Real GDP</td>
<td>0</td>
<td>-1.6</td>
<td>2.3</td>
<td>3.5</td>
</tr>
</tbody>
</table>

Source. Data from domestic authorities; estimates (e) from the IMF and World Bank; predictions (p) are based on the authors’ calculations.
Liberia joined the WTO as its 163rd member on 14 July 2016. As part of the accession process, it passed laws on foreign trade and competition, promoting transparency and non-discrimination. The legislature approved the ECOWAS common external tariff (CET) and ECOWAS trade liberalization scheme in September 2016. The first phase of a three-year CET transition plan began in January 2017, but the Government has not finalized the technical and policy preparations to implement the ECOWAS common tariff regime.

Improving trade across Liberia’s borders is challenging. This is evident from the country’s ranking in trade and business indices. The country was ranked 120 (out of 136 countries) in the World Economic Forum’s 2016 Global Enabling Trade Index, and 174 (out of 190 countries) on the World Bank’s 2017 Ease of Doing Business index. The Government is discussing the development of a ‘national single window’ to facilitate regulatory formalities for imports and exports.

The value of Liberia’s traditional exports was heavily affected by the drop in international prices of iron ore and rubber. The value of exports of goods decreased from 11.6% of GDP in 2016 to 11.4% of GDP in 2017. The cost of imported goods also declined, from 43.6% of GDP in 2016 to 42.4% of GDP in 2017. The combined impact of changes in the value of exports and the cost of imports was to improve the trade deficit slightly, from 32% of GDP in 2016 to 31% of GDP in 2017. The current account deficit also improved from 25.3% of GDP in 2016 to 19.4% of GDP in 2017.

The trade deficit is projected to reduce further to 27.5% of GDP in 2018 and 24.4% in 2019. The current account deficit is projected to improve similarly, to 18.5% of GDP in 2018 and 14.7% in 2019. These improvements are mainly on the back of falls in imports of goods, from 39.2% of GDP in 2018 to 36.5% in 2019.

Debt policy
Liberia has resumed concessional borrowing after reaching the heavily indebted poor country completion point in 2010, when its public external debt was 12% of GDP. Government has contracted borrowing for infrastructure projects in energy, roads, governance, budget support, agriculture and on construction of the airport terminal. Consequently, Liberia’s total public debt stock increased from 31.9% of GDP in 2015 to 36.7% in 2016, and 41.3% in 2017. Correspondingly, total external debt increased from 18.8% of GDP in 2015 to 23.9% in 2016, and 28.8% in 2017. Total external debts in 2017 constituted about 69.6% of total debt; domestic debt accounted for the remaining 30.4%. According to the current debt sustainability analysis, Liberia’s risk of debt distress remains moderate but close to high.

ECONOMIC AND POLITICAL GOVERNANCE

Private sector
Liberia is a fragile low income country which has made significant progress in transforming itself. It has established a stable democratic Government and has developed an economic strategy grounded in the country’s comparative advantages.
Under the strategy, agriculture is the preferred sector for creating employment opportunities and increasing productivity through local processing and indigenous value-chains. However, the sector faces major constraints, including poor infrastructure, limited financing, ineffective institutions, and a social and economic environment that is inimical to business.

The most binding constraint is lack of finance, especially obtaining access to private sector investment. Addressing agriculture’s structural bottlenecks will require significant financing through both public and private investments.

Private sector investors in Liberia, however, face burdensome challenges in starting a business, dealing with construction permits, receiving electricity, registering property, obtaining credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency, and managing labour market regulations that impede competition and innovation. These problems are highlighted in the World Bank’s 2017 Ease of Doing Business index, which ranked the country 174 out of 190 countries.

Liberia is gradually addressing its infrastructure constraints by expanding access to energy and developing several key transportation corridors (though the network is still limited). In addition, a commercial court has been established to hear commercial disputes, including debt disputes (for sums over USD 15 000), and a revised commercial code enacted. Measures are being taken to develop local businesses; for example the Government is introducing regulations that will require at least 25% of Government procurements to be sourced from locally owned enterprises.

Reform measures linked to Liberia’s 2016 accession to the WTO can help improve the business environment, investment and competition in the long term.

### Financial sector

The banking industry is the largest sub-sector of the financial sector, accounting for at least 85% of the sector’s total assets. The number of licensed banks in the Liberian banking sector in 2017 remained at nine, unchanged over the past five years. The number of commercial bank branches, including windows and annexes across the country, fell from 93 in 2016 to 90 in 2017 (following the closure of 3 unprofitable Ecobank branches).

Liquidity in the banking sector remained strong during the year with a liquidity ratio of 41.8%, 26.8% above the 15% minimum requirement. On a year-on-year basis, total assets grew by 1.4%, total capital by 19.1%, total deposits by 2.3% and total loans by 13.3%. Total assets rose by 30.1%, compared to 5.4% in 2016. Similarly, total capital grew by 38.4%, compared to 21.2% in 2016, and deposits by 19.4% compared to 3.8% in 2016. Gross earnings for the period ending October 2017 stood at LRD 14.02 billion, compared with LRD 7.3 billion recorded in the same period a year ago. Similarly, net profit for the same period was LRD 1.65 billion, compared with LRD 934.91 million recorded in 2016. Return on equity was 10.8% in 2017 and return on assets was 1.7%; in 2016, return on equity was 7.8% and return on assets was 1.1%. Non-interest income, mainly fees and commissions, constituted the largest portion of the banking sector’s income.

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**TABLE 5. Current account (percentage of GDP)**

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017(e)</th>
<th>2018(p)</th>
<th>2019(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trade balance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export of goods (f.o.b)</td>
<td>-20.8</td>
<td>-26.1</td>
<td>-43.1</td>
<td>-32.0</td>
<td>-31.0</td>
<td>-27.5</td>
<td>-24.4</td>
</tr>
<tr>
<td>Import of goods (f.o.b)</td>
<td>8.8</td>
<td>18.6</td>
<td>11.9</td>
<td>11.6</td>
<td>11.4</td>
<td>11.6</td>
<td>12.1</td>
</tr>
<tr>
<td>29.6</td>
<td>44.7</td>
<td>55.0</td>
<td>43.6</td>
<td>42.4</td>
<td>39.2</td>
<td>36.5</td>
<td></td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td>-43.8</td>
<td>-41.2</td>
<td>-41.1</td>
<td>-41.4</td>
<td>-33.0</td>
<td>-26.9</td>
<td>-24.2</td>
</tr>
<tr>
<td><strong>Factor income</strong></td>
<td>-9.2</td>
<td>-14.2</td>
<td>-13.4</td>
<td>-12.1</td>
<td>-11.9</td>
<td>-11.7</td>
<td>-11.5</td>
</tr>
<tr>
<td><strong>Current transfers</strong></td>
<td>58.2</td>
<td>59.3</td>
<td>63.8</td>
<td>60.2</td>
<td>56.6</td>
<td>47.7</td>
<td>45.4</td>
</tr>
<tr>
<td><strong>Current account balance</strong></td>
<td>-15.7</td>
<td>-22.1</td>
<td>-33.8</td>
<td>-25.3</td>
<td>-19.4</td>
<td>-18.5</td>
<td>-14.7</td>
</tr>
</tbody>
</table>

Source: Data from domestic authorities; estimates (e) and predictions (p) are based on the authors’ calculations.
The banking sector continued to show a strong capital position during the year, reflected in the two main capital measures, the capital adequacy ratio (CAR), and reported capital net of provisions. CAR was 33.4% at the end of October 2017, up from 21.4% at end of October 2016. With respect to total reported capital, the sector recorded an average position of USD 15.3 million, which exceeded the minimum requirement of USD 10.0 million and represented an increase of 13.2% over the average capital for 2016. Non-performing loans (NPL) increased, rising from 11.8% in 2016 to 13.6% in 2017.

The sector includes one development finance company, the Liberian Enterprise Development Finance Company, and one deposit-taking microfinance institution, Diaconia MDI as well as 16 registered non-deposit microfinance institutions (MFIs). The 16 non-deposit MFIs, which have 49 networks, provide credit services, mainly in rural, hard-to-reach poor communities across the country. At the end of September 2017, the microfinance sector had 26,352 clients, up from 23,478 in June 2017.

To improve access to affordable finance, CBL has supported the establishment of 12 rural community finance institutions (RCFIs), which operate in 8 counties. At the end of September 2017, the number of RCFI customer accounts had reached 11,790, from 8,029 at the end of November 2016. CBL concluded a financing agreement for USD 5.5 million with the International Fund for Agricultural Development (IFAD) to provide financing for the rural community finance Project. The project plans to establish additional RCFIs and strengthen existing ones.

260 credit unions, and 2,300 village savings and loan associations, operate in the country. There are two mobile money providers, Orange Money (a subsidiary of Orange Communication Company) and Lonestar Cell MTN Mobile Money Inc. The number of mobile money agents increased from 2,110 in November 2016 to 3,162 at end-October 2017.

The number of registered licensed foreign exchange bureaux increased from 131 in 2016 to 133 in 2017. 19 licensed insurance companies operate 31 branches across the country. Two insurance brokerage firms are licensed by CBL to provide insurance intermediation. The insurance industry remained stable in 2017. During the year, total assets of the sector fell by 24.1%; capital decreased by 37.1% and investment grew by 6.3% compared to 2016. Gross premium (comprising life and non-life businesses) grew by 33.2%, while net income recorded a growth of 24.7%.

The total stock of credit to various sectors of the economy at end-November 2017 amounted to LDR 53,342.7 million, indicating a growth of 31% over the amount recorded at end-December 2016. Key sectors that contributed to credit growth are: trade (17.5%), services (9.7%), personal loan and advances (7.7%), construction (6.9%), oil and gas (4.6%), manufacturing (3.3%) and agriculture (2.7%). The private sector received an overwhelming share of 98%, reflecting its continued importance in the economy’s growth and development.

Public sector management, institutions and reforms

Since the end of the civil war, Liberia has worked to strengthen public governance and institutions. However, weak capacity and co-ordination continue to undermine public confidence in the administration, which slows progress. Progress on public financial management (PFM) has been mixed. A public expenditure and financial accountability assessment carried out in 2016 detected a modest improvement since 2012. However, while 14 of 31 categories showed progress, ten received ratings as low as D or D+. Significant investments in an integrated financial management information system and in other information technology platforms have taken place. Building on the 2016 assessment, the Government has developed a new PFM strategy for 2017-2019.

The Government is continuing to decentralise services outside the capital city, Monrovia. Ten county service centres (CSC) had been opened by December 2017. It is planned to open one CSC in each of Liberia’s 15 counties in 2018.

Transparency International’s Corruption Perceptions Index for 2017 ranked Liberia 122 out of 180 countries with a score of 31 out of 100. The country’s score has declined from 41 in 2012 to 37 in 2016, and 31 in 2017.

Natural resource management and the environment

Liberia is endowed with rich natural resources including iron ore, gold, diamonds, natural rubber, vast forests, and large areas of agricultural land. In addition, it has begun exploration of unproven offshore oil reserves that may exceed one billion barrels. Liberia’s natural resources will generate large revenue inflows in the medium to long term, from mineral deposits, natural rubber, and, potentially, petroleum. At end-November 2017, natural resource revenue inflows accounted for about 18% of GDP. They create significant opportunities to accelerate reconstruction, development, and poverty reduction, and could help finance Liberia’s transition to middle income status by 2030 (the objective of the Agenda for Transformation). For its development model, Liberia has relied on these inflows.

However, there are associated risks unless the resources are properly managed. The key challenge is to maximize Liberia’s natural resource revenue and channel it into sustainable economic development.

To address this challenge, new policies on resource management should be linked to relevant policies and must take the country’s unique political economy into consideration, including its history of concessions, Government patronage channels, and recent challenges to its development funds. In addition, policies should be formulated in consultation with the public and stakeholders, in accordance with sound resource management principles. Further, they should carefully define the roles of relevant institutions and be transparent, enabling effective, honest management and citizen monitoring of Government actions. Such an environment will attract and retain profitable, responsible companies.

Weak monitoring and oversight responsibility, and alleged corruption in the awarding of concessions, have limited efficient and sustainable use of natural resources. Measures taken to promote land reforms in Liberia include the Land Authority Act, which was approved in October 2016. However, the Land Rights Act, which will define the mandate of the Land Authority, has yet to be enacted.

Various reforms in the forestry sector are promoting a balance between sustainable commercial use and conservation. Liberia receives support to conserve 30% of its forests and enhance the capacity of the country’s forestry development authority.

Political context

The political landscape in Liberia in 2017 was dominated by presidential and legislative elections. The elections were held on 10 October 2017. Twenty candidates stood for president and the first round did not produce a clear winner. In the second round (slated for 7 November but eventually held on 26 December 2017), George Weah of the Congress for Democratic Change (CDC), which consisted of the Congress for Democratic Change (CDC), the Liberia People Democratic Party (LPDP) and the National Patriotic Party (NPP) stood against Joseph Nyumah Boakai of the Unity Party.

On 29 December, George Weah was declared the winner, having won 61.5% of the votes and 14 of Liberia’s 15 counties; Vice President Joseph Boakai conceded defeat. On January 22, 2018, Liberia witnessed its first peaceful and democratic transfer of power in 74 years, from the former president, Ellen Johnson Sirleaf, to the current president, George Weah. In addition, the extended mandate of the UN in maintaining a rapid response force in Liberia ended in March 2018 after 14 years. The new Government has unveiled a four-pillar development strategy that will underpin its development agenda. Pillar I (Power to the People) will focus on education, health and sanitation, gender equality, youth empowerment through skills training, job creation and expansion of sports. Pillar II (Economy and Jobs) will focus on achieving sustainable growth through agricultural expansion and addressing infrastructure deficits, particularly road construction and the provision of affordable electricity. Pillar III (Sustaining Peace) will create new processes and avenues to ensure that all people are fully reconciled. Pillar IV (Governance and Transparency) will focus on decentralizing institutions and systems of governance, increasing the accountability of public officials and reducing the incidence of corruption.

Building human resources

The 2016 Human Development Index Report ranked Liberia 177 out of 188 countries with a score of 0.43. The ranking and score were the same as they were in the 2015 report, which highlights the socio-economic challenges confronting the country. Only 62.7% of the population has any formal education. However, access to education has expanded: primary net enrolment rates increased from 33% in 2008 to 49% in 2015. One major constraint is that teachers are largely untrained. According to 2015 figures from the Ministry of Education, only 62% of primary school teachers and 33% of high school teachers have the requisite qualifications. This has contributed to weak outcomes. Only 40% of students passed the West African Examinations Council Senior High School Certificate Exam in May 2016. In 2016, about 73% of students failed the University of Liberia entrance examination. Literacy rates are estimated at 67%; male literacy is estimated to be far higher (81%) than female (55%).

Funding for the education sector is low. The sector’s 14% share of the 2016/17 national budget places Liberia in the bottom third of countries in Sub-Saharan Africa. Low funding is exacerbated by inefficient allocation; almost half of the funding goes to the tertiary, technical and vocational sub-sector, which enrols only 5% of students.

The Ebola outbreak highlighted the health system’s structural weaknesses and vulnerabilities. The number of health professionals per capita increased from 6.3 per 10 000 in 2010 to 8.6 in 2015, and 11.7 in 2016. The ratio of Liberia’s 234 doctors to the population is much lower, at under 0.6 per 10 000. Only 71% of the population live within five kilometres of a health facility. Nationally, on this measurement, access to a health facility
varies widely (from 32% of the population to 96%), underscoring significant geographical inequalities.

Although the proportion of births attended by health workers increased from 46% in 2007 to 61% in 2013, this fell to 51% in 2015/16 partly due to low use of health services. This may have consequences for the maternal mortality rate, which at 1,072 deaths per 100,000 live births (in 2013) is one of the highest in the world.

Government expenditure on health has expanded significantly over the past decade, from 7% of the budget in 2005/06 to 12% in 2015/16. However, donors continue to fund most expenditure in the sector (USD 299 million or 82% of sector funding in 2015/16).

**Poverty reduction, social protection and labour**

Poverty in Liberia remains widespread, but inequality is low. The 2016 household survey shows that 50.9% of households were living below the national poverty line. This means that more than 2.2 million Liberians were unable to meet their basic food and non-food needs. Poverty is more prevalent in rural areas (71.6%) than in urban areas (31.5%), and overall it is lower in Monrovia than the rest of the country.

The level of inequality, as measured by the Gini coefficient, is 0.33 nationally. Inequality is higher in urban areas (0.32) than in rural areas (0.27). About 46% of Liberian households receive transfers, predominantly in the form of cash (40%). Rural households (40%) receive fewer transfers than urban households (52%).

Some 79.5% of Liberia’s labour force are in ‘vulnerable employment’, without an assured salary. Unemployment is a critical issue, particularly among youth. The unemployment rate is estimated at 85%; 75% of young adults aged between 15 and 35 are unemployed.

**Gender equality**

Liberia has made progress on gender inequity since the civil war, but major gaps remain. Liberia scored 0.65 in the 2015 Gender Inequality Index and was ranked of 150 out of 159 countries in the 2016 Human Development Report. Moreover, educational disparities have improved but remain high. According to the 2014 household income and expenditure survey, 81% of men are literate compared to just 55% of women.

Sexual and gender-based violence continue to be prevalent, affecting women and girls’ health. In October 2016, the UN reported that impunity remains high: fewer than 4% of the alleged perpetrators of 1,511 cases of rape registered in 2014 and 2015 were convicted. In September 2016, the legislature passed a law establishing seven ‘special constituencies’, which reserved five seats in the legislature for women, as well as one youth and one for persons with a disability. Currently, only 10% of lawmakers are women.

**THEMATIC ANALYSIS: INFRASTRUCTURE FINANCING**

Liberia’s civil war was extremely damaging to the country’s infrastructure. The destruction of infrastructure in turn had a devastating effect on the economy and the country’s standard of living. GDP fell by 85% between 1980 and 2003; 75% of Liberians lived on less than one US Dollar a day.

Liberia has made major strides since the mid-2000s in rebuilding its infrastructure. Its main port in Monrovia has undergone steady improvement in recent years. The Dutch group, APM Terminals, the world’s largest port and terminal operating company, is currently the private operator of the port.

Only 5% of Liberia’s road network is paved, and only 11% is rated in excellent or good condition. About 45% of households are able to access an all-season road within 5 km. With support of international finance institutions, Liberia has rebuilt a proportion of its roads and has started to develop some key economic corridors in recent years. These include the main corridor, from Monrovia to Ganta and the Guinea border, as well as the road from Monrovia to Buchanan (a key economic centre). The road from Fish Town to Harper Road in the southeast is being paved. Financing has been secured for the first 80 km of the road into Lofa country (in Liberia’s north), a key area for agricultural production.

The history of rail transport in Liberia began shortly after World War II when the Freeport of Monrovia was completed with limited rail access. In the early 1960s, three long-distance railway lines were constructed, about 480 km in length, mainly for transporting iron ore from mines to port facilities. They were the Mano River Railway, the Lamco Railway and the Bong Mine Railway. All three lines were closed as a result of the civil war. As of August 2010, only the Bong Mine Railway was operational. The Lamco Railway was partially rebuilt and started service in 2011.

Energy production and access to energy in Liberia are among the lowest in the world, while electricity tariffs are among the highest, hindering manufacturing growth. Generation capacity has been just 23 MW for several years. Three heavy fuel oil (HFO) plants were installed in 2016, adding 38 MW; and in December 2016, the Government commissioned the Mount Coffee hydro-power plant, adding a further 22 MW. In all, there
will be 88 MW of installed capacity. In addition, the West African Power Pool electricity interconnection project will add 27 MW of power from Cote d’Ivoire from 2019.

At 4.9%, Liberia has one of the lowest electricity access rates in the world. In the capital city of Monrovia, less than 7% of the population have access to electricity. With significant donor support, Liberia Electricity Corporation has ramped up grid connections from 13 000 in 2012 to 48 000 in February 2017. Funding is available for more than 100 000 additional connections in coming years. Outside the capital, several communities in three rural counties (about 6 000 connections) are importing lower cost energy from Cote d’Ivoire.

Electricity tariffs have been among the highest in the world at USD 0.52 per kilowatt hour. Tariffs were reduced to USD 0.39 in March 2017 because production costs dropped when lower cost hydro-power and HFO generation came on stream.

Thirteen years after the war ended, only 25% of the country’s 4 million people have access to clean, safe drinking water. Access to water, a fundamental right of citizens, has become a struggle for survival for most Liberians. In 2013, Liberia devoted 1.2% of the national budget to the sector, dropping to 0.4% in 2014, a figure which has remained low since. As a result of the central Government’s failure to allocate the resources required to meet water needs, local vendors have filled the gap in demand. To address this problem, the Government and development partners negotiated the Liberia WASH Compact in 2011. Part of the ‘Sanitation and Water for All’ initiative, the Compact continues to receive support from a range of development partners.

A decade after emerging from war (2007-2016), Liberia’s ICT sector has evolved dramatically. Where there was little or nothing, there are now ATM machines at banks, high-speed Internet access provided through an undersea fibre optic cable system, online banking, telemedicine, eLearning, unified communications, etc.

Liberia is still struggling to recover from its huge infrastructure deficit. Addressing this structural impediment to economic growth will require significant public and private investment. Liberia’s financing to GDP ratio of 180% is amongst the highest in Africa. This ratio reflects the high levels of foreign direct investment (FDI) in Liberia, which constituted 88% of its 2015 financing stock, and high investments by international companies in the mining and agricultural sectors.

After foreign direct investment, domestic bank lending is the most important source of financing. Liberia has nine commercial banks, which are well-capitalized with high levels of liquidity. Domestic private credit from these banks, which accounted for 98% of total credit to the Liberian economy in 2017, averaged only 10% of total financing because of high FDI. However, the ratio of domestic bank lending to the private sector (relative to GDP) is above the average for Sub-Saharan African countries and lending is relatively short-term.

Infrastructure development in Liberia has received significant financing and capacity building support from donors. Projects are coordinated by Government through various ministries. On average, Liberia has to spend at least USD 300 million to USD 500 million annually within the next ten years to meet the minimum standard of infrastructure growth. Currently, Government spends up to USD 100 million on public investment infrastructure, which is not enough to reach the minimum standard.

Financing is a major constraint in infrastructure development in Liberia. Progress is also constrained by lack of institutional capacity to plan, prioritize and manage infrastructure projects. The business environment is a further constraint on growth, reflected in Liberia’s very low rank in the World Bank’s Ease of Doing Business index. Other significant constraints include the availability of electricity, weak contract enforcement, and the difficulty of cross-border trade. The first and third of these relate directly to poor infrastructure, a catch-22 situation. Ineffective public and private institutions are another major challenge.

To ensure sustainability and continued expansion in the energy sector, longer-term measures will be necessary to improve weak institutional and human capacity. A major milestone in this regard is the agreement signed in November 2017 between the Liberia Electricity Corporation and ESB International Engineering and Facilities Management, facilitated by Power Africa, to operate and manage the utility towards commercial viability.

For Liberia to deal with its acute water shortage, the country should establish a dedicated ministry to independently handle the water sector. It should be empowered to ensure citizens have access to water of good quality which is adequately regulated and distributed to them.

The focus on infrastructure development is well-grounded because infrastructure is a prerequisite for growth. However, given the scale of financing required and the duration of national infrastructure projects, specific infrastructure in various sectors should be further prioritized.

There are clear limits to Government and donor funding for private sector investment. The scale of specialist financing available from development finance institution projects, blended financing and innovation challenge funds, further constrains investment in infrastructure projects. These limits, taken together with the Government’s tighter borrowing constraints and anticipated lower revenue growth, mean that it will be essential to prioritize infrastructure investment. To make the best use of future funds, there will need to be careful planning and improvements in institutional oversight and management, giving due consideration to economic impacts, particularly economic returns and employment generation. Efforts to support commercial and agricultural development, public service delivery and improved welfare in rural areas should be given utmost consideration. The Road Fund must also be operationalized to set aside and manage funding for road maintenance and rehabilitation. Public-private partnership (PPP) arrangements for infrastructure projects should also be encouraged.