

INTRODUCTION

WITH A POPULATION OF 3 MILLION, Liberia has a gross national income (GNI) of USD 140 per person. According to the Core Welfare Indicator Questionnaire in 2007, it is estimated that 63.8% of the population is living below the national poverty line, with 47.9% of the population living in extreme poverty. Liberia is still struggling to recover from a civil war that left around 270 000 dead and forced more than half the population from their homes. Only since the Comprehensive Peace Agreement was signed in 2003 did many donors resume providing aid to Liberia. Net official development assistance (ODA) to Liberia in 2006 was USD 269 million, 26% higher than in 2004; this accounted for 54% of GNI.

This is the first time that Liberia has taken part in survey associated with the Paris Declaration. Thus, the country's 2010 targets for most indicators will derive from the results of the 2008 Survey. Data for 2005 exists for Indicator 1 and Indicator 11 (see below) and provide the basis for 2010 targets in these areas. Six donors responded to the 2008 Survey; together, they provided 71% of the country's ODA. ■

DIMENSIONS	2007	CHALLENGES	PRIORITY ACTIONS
Ownership	Low	Weak integration of budget process and national development strategies	Adopt a medium-term expenditure framework to better link plans to budgets
Alignment	Low	Aid is not recorded in accounting and budget systems	Implement integrated financial management system and aid tracking system
Harmonisation	Moderate	Low proportion of donor missions are co-ordinated	Donors to improve co-ordination of donor missions
Managing for results	Low	Low quality of development information	Implement National Strategy for the Development of Statistics and national monitoring evaluation system
Mutual accountability	Low	No mutual assessments have taken place	Establish mutual accountability mechanism focused on Liberian priorities

OVERVIEW

Box 29.1:
Challenges and
priority actions

OWNERSHIP

OWNERSHIP IS CRITICAL TO ACHIEVING DEVELOPMENT RESULTS and is central to the Paris Declaration on Aid Effectiveness. Aid is most effective when it supports a country-owned approach to development; aid is less effective when countries feel that aid policies and approaches are driven by donors that provide assistance. In the context of the Paris Declaration, ownership specifically concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

INDICATOR 1

Do countries have operational development strategies?

Ownership has many dimensions. Indicator 1 – assessed as part of the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead* – provides an entry point to the issue. The World Bank assesses the operational value of a country's development strategy and policy against three criteria, all of which are essential features of any serious effort to harness domestic and external resources for development purposes: the existence of an authoritative, country-wide development policy which clearly identifies priorities and is well costed.

The World Bank rates the operational value of a country's development strategy against a five-point scale running from A (highest score) to E (lowest score). The Paris Declaration 2010 target is to raise, to at least 75%, the proportion of partner countries having operational development strategies – *i.e.* meriting a rating of A or B.

Liberia did not participate in the 2006 Baseline Survey; however, it received a rating of D from the World Bank's review – a rating received by 21% of countries participating in the 2006 Baseline Survey. This indicates that some elements of an operational development strategy were in place, but gaps remained in several areas. For the 2008 Survey, Liberia maintained a D rating, indicating that “there is some basis for making progress, either through what already exists or through definite plans.”

In 2006, the government set up an institutional framework to co-ordinate the country's development agenda, the Liberia Reconstruction and Development Committee (LRDC). Under the leadership of the president, the LRDC provides a partnership framework for the government and donors to co-ordinate the reconstruction and development agenda. The LRDC provides policy guidance and oversees preparation of national development strategies. Under the LRDC, the government prioritised key development issues into four areas: 1) enhancing national security; 2) revitalising economic growth; 3) strengthening governance and the rule of law; and 4) rehabilitating infrastructure and delivering basic services.

Liberia's Interim Poverty Reduction Strategy (IPRS), covering the period 2006-08, outlines the country's vision of “consolidating peace, enhancing justice, deepening democracy, promoting human development and irreversibly setting Liberia on a path toward long-term growth and development.” Building on the IPRS, Liberia completed (April 2008) the full PRS for 2008-11, which integrates the Millennium Development Goals (MDGs) and sets out clear, prioritised development objectives.

The government is striving to improve balance within its national development strategies. Sector strategies in priority areas are elaborated and eventually integrated. With most aid still being provided outside the budget, the major challenges continue to be strengthening the capacity of local administrations to engage partners in development activities and

better co-ordination of these activities. However, in terms of capacity and resources for implementation, expenditures are typically authorised in an ad hoc fashion, with limited transparency. More worrisome is that critical sectors are not fully funded and there is no medium-term expenditure framework (MTEF) to direct expenditures. However, the PRS costing chapter lays out anticipated costing needs for the PRS period (2008-11) which will help guide budget allocations during that period. In 2006, the government established a national budget committee, which manages major budgetary decisions. In addition, the government is developing a medium-term macro fiscal framework for the purpose of preparing the 2009/10 budget.

Liberia's efforts in finalising the full PRS provide evidence that it has taken additional action towards achieving good practice, and is thus making progress towards meeting the 2010 target. However, challenges remain in co-ordinating activities between donors and government, as well as in increasing efficiency. Further work is also needed to strengthen the capacity of local administrations to fully engage in development activities. ■

ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies, institutions and procedures. The Paris Declaration envisions donors basing their support fully on country partner aims and objectives. Indicators 2 through 8 examine several dimensions of aid to assess the degree to which partner countries and donors achieve alignment.

In Liberia, there is little alignment. Country systems are relatively weak, thus donors make little use of them. In addition, aid is not reported in the budget or recorded in national accounting systems. Substantial input is needed in building reliable country systems and in improving systems for managing financial information.

BUILDING RELIABLE COUNTRY SYSTEMS

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. In each case, the focus is on the degree to which these systems adhere to broadly accepted good practices – or to which there is in place a reform programme to promote improved practices. If countries have reliable systems, donors will be encouraged to use such systems for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses the degree to which partner countries either have public financial management (PFM) systems that are in line with broadly accepted good practices or have credible reform programmes in place to establish reliable PFM systems. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong) with half-point increments. To score highly, a country needs to meet all three of the following criteria: a comprehensive and credible budget linked to policy priorities; effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way; and, timely and accurate accounting and fiscal reporting, including timely and audited public accounts. The 2010 target is that each country will move up at least one measure (*i.e.* 0.5 points) on the CPIA scale for measuring the quality of PFM systems.

INDICATOR 2a

How reliable are country public financial management systems?

Liberia did not receive a CPIA score from the World Bank for the 2006 Baseline Survey or the 2008 Survey and, therefore, has no 2010 target. The World Bank's Aid Effectiveness Review profile, along with the 2008 Survey results, will be used to inform discussion of this Indicator.

Civil war and political instability have substantially eroded capacity for planning and implementation in Liberia. Line ministries have insufficient resources to plan, manage and execute programmes and projects. Local governments lack human and financial resources. The judiciary has been undermined by years of corruption and neglect for the rule of law. Over the past few years, many donors have made efforts to align their support with the various national development frameworks, including the newly released PRS. The challenge now is to improve the amount of aid executed through the budget.

In an effort to tackle challenges in fiscal and economic governance, the government and external partners launched (September 2005) the three-year Governance and Economic Management Assistance Programme (GEMAP). Key actions are: the improvement of financial management in key revenue-generating agencies and institutions; improving capacity for public expenditure management; establishment of a new procurement law and implementation of an e-procurement system; establishment of an anti-corruption commission; and reform of the civil service and structures.

The current administration has ambitiously set out to implement the GEMAP and made significant progress. Further efforts are being made to improve the quality of PFM systems and to implement an integrated financial management system (IFMIS). A review of the legal framework surrounding PFM in Liberia is currently being undertaken with the view to better clarify the roles and responsibilities of stakeholders in the budget process and with the hope of positive reforms being submitted by June 2008. Aid information management systems are under review, for implementation in the near future. Significant challenges remain in improving revenue collection.

INDICATOR 2b

How reliable are country procurement systems?

At the time of the 2006 Baseline Survey, no mechanism was in place to systematically assess and quantify the quality of procurement systems in partner countries. Thus, it was impossible to set country-level targets on progress towards Indicator 2b.

No score was available for the 2008 Survey on the quality of Liberia's procurement systems, and therefore no 2010 target is set. In an effort to improve the current public procurement and concessions practices in Liberia, the *Public Procurement and Concessions Act* was prepared and approved in 2005. The *Act* established the Public Procurement and Concessions Commission (PPCC) with oversight responsibility to regulate and monitor all forms of public procurement and concessions practices in Liberia. To enhance implementation of the *Act*, regulation manuals and standard bidding documents are currently being developed. The World Bank provided procurement specialists to assist in the training of procurement officers and committee membership. However, evidence of compliance remains limited. In order to combat pervasive corruption, the government is developing (under the GEMAP) a comprehensive anti-corruption strategy to complement the work of the PPCC.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Comprehensive and transparent reporting on aid, and how it is used, is an important means of ensuring that donors align aid flows with national development priorities. The degree to which development assistance to the government sector is fully and accurately reflected in the budget provides a useful indication of the degree to which serious effort is made to connect aid programmes with country policies and processes. It also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

Indicator 3 is a proxy for alignment. It measures the percentage of aid disbursed by donors to the government sector that is included in the annual budgets for the same fiscal year. The indicator is a joint measure of two components: the degree to which donors report aid flows comprehensively to partner countries; and the degree to which partner countries accurately record aid.

INDICATOR 3

	Government budget estimates of aid flows for 2007 (USD m) a	Aid disbursed by donors for government sector in 2007 (USD m) b	2007*	
			c = a/b	c = b/a
European Commission	0	0	--	
Germany	0	8	0%	
United Kingdom	0	4	0%	
United Nations	0	2	0%	
United States	0	0	--	
World Bank	0	40	0%	
Average donor ratio	--	--	0%	
Total	0	54	0%	

* Ratio is c=a/b except where government budget estimates are greater than disbursements (c=b/a).

TABLE 29.1:
Are government budget
estimates comprehensive
and realistic?

The final figure highlights any discrepancy between the government's budget estimates and actual disbursements by donors. The discrepancy (or gap) can be in either direction: budget estimates can be higher or lower than disbursements by donors. In order to have a single measure of discrepancy under 100%, the ratio is inverted when budget estimates are higher than donor disbursements. The 2010 target is to halve the proportion of aid flows to the government sector that is not currently reported on government budget(s), ultimately arriving at a point where at least 85% of aid is reported on the budget.

The World Bank's review for 2006 reports that external partners support the PRS. However, according to the 2008 Survey, no aid is recorded in Liberia's budget for the donors participating in the 2008 Survey. Limited amounts of aid, for example from China, and sums from the World Bank and France were recorded in the FY 2007-08 supplemental budget, which is outside the scope of the survey.

The 2010 target is to have at least 85% of ODA reported on budget. To improve this situation, the government is encouraging donors to increase levels of budget support and of pooled sector support, which would make it easier for government to track external aid. For example, pooled funding mechanisms have been established in the education, health and infrastructure sectors (Liberia Education Pooled Fund, Health Sector Pooled Fund and the multi-donor Liberia Reconstruction Trust Fund). It is hoped that the trend will continue into other sectors as the government seeks to move increasingly towards budget support.

The LRDC brings together government and donor representatives on a monthly basis to co-ordinate the national development agenda. Through this forum, the government articulates its national priorities and works directly with donors to ensure that funds are directed toward priority interventions. In turn, the LRDC requests donors to present their portfolio for support to Liberia at each monthly LRDC Steering Committee meeting. However, aid tracking remains weak within Liberian government systems. The LRDC is working with partners to implement an Assistance Management Platform (AMP) aimed at improving the tracking and management of aid flows.

If the IFMIS is implemented quickly, along with an aid information management system, substantial progress towards the 2010 target of 85% aid recorded in the government budget should be possible. However, any delays in implementation will undermine the likelihood of reaching the target.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

INDICATOR 4

Capacity constraints significantly undermine the ability of partner countries to capture, co-ordinate and utilise aid flows more effectively. Under the Paris Declaration, donors committed to providing technical co-operation in a manner that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Likewise, there is greater recognition that successful capacity building is endogenous – *i.e.* is led by the partner country. To this end, the partner country defines clear objectives to ensure that existing capacities are used effectively and that external support is harmonised within this framework.

TABLE 29.2:
How much technical
co-operation is co-ordinated
with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	2007 c = a / b
European Commission	2	4	45%
Germany	0	2	0%
United Kingdom	1	1	79%
United Nations	5	9	52%
United States	5	18	26%
World Bank	1	3	35%
Total	13	36	35%

Indicator 4 focuses on the extent to which donor technical co-operation – an important input into capacity development – is moving towards this country-led model. It measures the degree of alignment between donor technical co-operation and the partner country's capacity development needs and strategies. The Paris Declaration 2010 target is that 50% of technical co-operation flows are implemented through co-ordinated programmes that are consistent with national development strategies.

The 2008 Survey for Liberia shows that 35% of technical assistance was co-ordinated. This is within reach of the Paris Declaration 2010 target of 50%. The government and external partners identified low human capacity as one of the main developmental constraints in Liberia.

The government communicated clear objectives for capacity development through several projects including the GEMAP, the Senior Executive Service (SES) project, the Transfer of Knowledge Through Expatriate Nationals (TOKTEN) programme, and the Liberian Emergency Capacity Building Support (LECBS) project. In addition to providing support to these programmes, donors are encouraged to incorporate capacity building components into many of their projects.

Liberia does not yet have an overarching framework for capacity building, although the full PRS contains a special chapter on capacity building, and efforts are underway to develop a 10-year capacity building strategy (with support from UNDP). Additionally, the government is developing a civil service reform strategy that will address some of the government's capacity constraints. Although capacity building efforts are still somewhat fragmented – with many different donors and agencies developing stand-alone projects – programmes such as these are beginning to direct donors in their technical co-operation efforts.

USING COUNTRY SYSTEMS

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the partner's long-term capacity to develop, implement and account for its policies – to both its citizens and its parliament. The Paris Declaration encourages donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. In this respect, Indicator 5 is directly linked to Indicator 2 on the quality of PFM and procurement systems, and measures the use of both.

INDICATOR 5

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding to the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting, and auditing) as a percent of total aid disbursed to the government sector. The 2010 target is relative to Indicator 2a on the quality of PFM systems.

Indicator 5b measures the volume of aid, as a percent of total aid disbursed to the government sector that uses partner country procurement systems. The 2010 target is relative to Indicator 2b; thus, targets are indicated only for those countries that established scores for Indicator 2b in the context of the 2006 Baseline Survey.

To date, the quality of Liberia's national systems has not been rated; thus, no 2010 targets are set for the use of either PFM or procurement systems.

The 2008 Survey for Liberia reports that 32% of aid made use of PFM systems, averaged across the three components. At present, very few donors are channelling funds completely through the country PFM systems, due to concerns about the strength of fiduciary controls and low government implementation capacity. Apart from the technical assistance provided to government ministries or agencies, most projects are stand-alone projects and do not rely on government financial management or procurement systems. External assistance has mainly been channelled through the UN, UN trust funds, NGOs, private contractors, integrated PIUs within ministries, and external partner-administered programmes.

The World Bank has set up a Public Financial Management Unit within the Ministry of Finance. The Unit provides financial management for projects that are funded by the World Bank and executed by the Liberian government. This PFM is also used by some other donors. Several donors use special implementation units that are embedded into government ministries. Such embedded units do not fully utilise country PFM systems, but follow the financial management procedures of the donor agency. As mentioned earlier, progress is being made on improving the government PFM systems. For example, commitment controls and cash management procedures have improved prevention measures against unauthorised withdrawals. Challenges remain in clarifying roles of key stakeholders in the budget process and in overhauling the legal framework.

TABLE 29.3:
How much aid for
the government sector
uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management (PFM)				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	2007 avg (b,c,d) / a	Procurement systems (USD m) e	2007 e / a
		European Commission	0	0	0	0	0
Germany	8	6	6	0	49%	0%	
United Kingdom	4	0	0	0	0%	0%	
United Nations	2	0	0	0	0%	0%	
United States	0	0	0	0	--	--	
World Bank	40	40	0	0	33%	0%	
Total	54	46	6	0	32%	0%	

At present, no aid makes use of Liberia's procurement systems. While much progress has been made since the establishment of the PPCC in 2006, weak government capacity to manage the procurement process remains an issue. In fact, many ministries currently under-spend due to poor procurement capacity and oversight. To date, only those donor funds provided in direct budget support have made use of national procurement systems. Challenges also remain in implementing the new procurement law to improve compliance and ensure transparency.

Support for building the capacities is critical to advancing progress in this area. This is articulated in Liberia's full PRS in a special chapter on the 10-year capacity building plan. The World Bank is one partner that plans to scale up its support to public procurement reform in 2008-10, primarily through increased support and capacity building at the ministry level.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

INDICATOR 6

When providing development assistance, some donors establish specific project implementation units (PIUs), *i.e.* dedicated management units designed to support development projects or programmes. A PIU is said to be "parallel" when it is created at the behest of the donor and operates outside existing country institutional and administrative structures.

In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, PIUs often tend to undermine national capacity building efforts, distort salaries and weaken accountability for development.

To make aid more effective, the Paris Declaration encourages donors to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes.” Indicator 6 is a count of the number of parallel PIUs being used in partner countries. The 2010 target is to reduce by two-thirds the stock of parallel PIUs in each partner country.

The 2008 Survey reports 16 parallel PIUs in Liberia. For countries participating for the first time in the 2008 Survey, the 2010 target is to reduce the stock of parallel PIUs by 40%. Thus, the 2010 target for Liberia is a maximum of 10 parallel PIUs.

Due to low government implementation capacity, most donors to Liberia rely on PIUs to deliver programmes. A large proportion of externally funded programmes are implemented by NGOs and contractors. In the Liberian context, PIUs and other special implementation arrangements provide a first step towards greater national ownership and control over external aid. PIUs provide a necessary transitional mechanism for project implementation, as capacity is being built more holistically across ministries and agencies. For example, in several of those PIUs, appointment decisions are made in collaboration with the government. The government’s commitment to overcoming capacity constraints are evident through initiatives such as the SES, GEMAP, civil service reform, TOKTEN, LECBS, and various other projects. The hope is that through these initiatives, PIUs can eventually be phased out.

	2007 (units)
European Commission	3
Germany	0
United Kingdom	1
United Nations	4
United States	5
World Bank	3
Total	16

TABLE 29.4:
How many PIUs are parallel
to country structures?

PROVIDING MORE PREDICTABLE AID

For many countries, development assistance constitutes a vital source of revenue and resources. Being able to predict aid disbursements – in terms of both how much aid will be delivered and when – is an important factor in the ability of countries to manage public finances and undertake realistic planning for development. It is particularly crucial to enabling partner countries to implement medium- to long-term development plans and to optimise the allocation of resources within and across sectors. In this regard, the Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable fashion according to agreed schedules.

Indicator 7 examines in-year predictability of aid to the government sector, measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in the national accounting system as actually disbursed. Indicator 7 assesses predictability from two angles. The first angle is the combined ability of donors and government to disburse aid on schedule. The second is the ability of donors and government to record comprehensively disbursements made by donors to the government sector.

Indicator 7 is designed to encourage progress in relation to both angles, with the aim of gradually closing the predictability gap – by one-half – by 2010. The ultimate goal is to improve not only the predictability of actual disbursements, but also the accuracy of how disbursements are recorded in government systems – an important feature of ownership, accountability and transparency. The 2010 target for improving predictability is to reduce by half the proportion of aid not disbursed within the year it was scheduled for.

INDICATOR 7

In Liberia, donors scheduled USD 47 million for disbursement in 2007 and actually disbursed – according to their own records – slightly more than expected (USD 54 million disbursed for the government sector). The discrepancy varies considerably among donors and is mainly due to delays in implementing programmes. In regards to the second angle, according to the 2008 Survey, government systems in Liberia did not record any disbursements made by donors.

Indicator 7 seeks to improve the predictability of actual disbursements as well as the accuracy of how such disbursements are recorded in government systems – an important feature of ownership, accountability and transparency. In Liberia, this combined predictability gap amounts to USD 47 million (100% of aid scheduled for disbursement). Closing this predictability gap will require close collaboration between donors and government. Improvements could be made in three areas: a) the realism of predictions on volume and timing of expected disbursements; b) the way donors notify disbursements to government; and c) the comprehensiveness of government records of disbursements made by donors. For countries participating for the first time in the 2008 Survey, the 2010 target is to reduce by 30% the proportion of aid not disbursed within the fiscal year for which it was scheduled. The 2010 target for Liberia is therefore 30%.

TABLE 29.5:
Are disbursements
on schedule and recorded
by government?

	Disbursements recorded by government in 2007 (USD m)	Aid scheduled by donors for disbursement in 2007 (USD m)	Aid disbursed by donors for government sector in 2007 (USD m)	2007*	
	a	b	for reference only	c = a / b	c = b / a
European Commission	0	0	0	--	
Germany	0	8	8	0%	
United Kingdom	0	0	4	0%	
United Nations	0	0	2	--	
United States	0	0	0	--	
World Bank	0	39	40	0%	
Average donor ratio	--	--	--	0%	
Total	0	47	54	0%	

* Ratio is c=a/b except where disbursements recorded by government are greater than aid scheduled for disbursement (c=b/a).

Aid tracking in Liberia is currently poor. In addition, external financing remains linked to external partners' funding cycles. The government has only rough estimates of the total volume of external aid expended in the country (estimated to be more than 150% of total government expenditure). A 2007 study of external aid flows during 2004-06 found that disbursements fell short of commitments by 26%; disbursements fell short of pledges by 73%. Some ministries and agencies (such as the Ministry of Health), have established Aid Units and systems for tracking project aid within sectors. However, not all sectors have such mechanisms and tools; those that do exist are often weak and poorly co-ordinated.

The LRDC is developing a centralised aid-tracking tool that will provide better information about current aid flows and enable the government to make projections of future aid flows. This will be closely co-ordinated with the Ministry of Finance, especially as the government seeks to develop a MTEF. In addition, the full PRS contains a chapter on the total cost of the PRSP and of government plans to develop an aid policy. In turn, these efforts should encourage donors to commit funds to specific, multi-year priorities as outlined in the development agenda articulated in the full PRS.

UNTYING AID

Aid is said to be “tied” when it is provided on the condition that the recipient country will use it to purchase goods and services from suppliers based in the donor country. Experience shows that aid with such conditions attached increases the costs of goods and services provided to partner countries; it also increases the administrative burdens on both donors and partners. By contrast, untied aid helps build a country’s capacity to provide goods and services.

Country figures for untying aid are based on voluntary self-reporting by donors that are members of the OECD Development Assistance Committee (OECD-DAC). The 2010 target is to continue progress towards untying aid over time.

According to OECD data covering 71% of aid to Liberia, 82% of aid was untied in 2006. This suggests that Liberia has made progress on Indicator 8, as previously the level of untying was only 43%. The 2010 target calls for continued progress over time. Some discussion is ongoing within Liberia on further untying ODA. To make progress, donor headquarters need to be better informed of realities and positive developments at country level when taking decisions on untying aid. ■

INDICATOR 8

How much aid is untied?

HARMONISATION

DECADES OF DEVELOPMENT EXPERIENCE show that poor co-ordination of aid increases the cost for both donors and partner countries, and significantly reduces the value-added of aid. Harmonisation of aid delivery procedures and adoption of common arrangements help reduce duplication of effort and lower the steep transaction costs of managing aid. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and share analysis.

USING COMMON ARRANGEMENTS

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A sound mechanism for aid co-ordination can be described as one that builds on shared objectives and that reconciles, in a constructive manner, the various interests of stakeholders.

Indicator 9 assesses the degree to which donors work together by measuring the proportion of total ODA disbursed within PBAs. In practice, there are many different modalities for implementing PBAs, which operate at various levels. At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* sector policy) and establishing a single budget framework that captures all resources (both domestic and external). At the second level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that 66% of aid flows are provided in the context of PBAs.

INDICATOR 9

TABLE 29.6:
How much aid is
programme based?

	Programme based approaches (PBAs)			Total aid disbursed (USD m) d	2007 e = c / d
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b		
European Commission	0	4	4	9	48%
Germany	0	0	0	8	0%
United Kingdom	0	1	1	9	6%
United Nations	0	0	0	90	0%
United States	0	99	99	99	100%
World Bank	40	0	40	461	9%
Total	40	104	144	675	21%

In Liberia, the proportion of aid using PBAs, and thus common procedures, was 21% in 2007 – significantly below the 2010 target of 66%. However, there are a number of efforts to establish pooled funds within different sectors. The World Bank is leading this effort in the infrastructure sector by establishing a multi-donor trust fund (MDTF). Similar efforts are being spearheaded by the United Kingdom in the health sector, and by UNICEF in the education sector. The United Nations system is also fully aligned with the PRS process through the United Nations Development Assistance Framework (UDAF). Several other donor co-ordination mechanisms (such as LRDC, GEMAP and the UN Country Team) aim to avoid duplication of efforts and promote co-ordinated responses among donors. The World Bank, France and China have provided, on a pilot basis, some budget support in fiscal year 2007/08; however, this represents only a small fraction of total aid flows. At present, harmonisation of procedures or pooled funding arrangements is conducted only within specific sectors.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

One of the most frequent complaints of partner countries is that donors make too many demands in relation to their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared.

Indicator 10 measures the extent to which donors are merging their missions (Indicator 10a) and analytical work (Indicator 10b) at the country level – either with country partner authorities or amongst the donor community (or both). It calculates the proportion of missions to the country undertaken jointly (*i.e.* by more than one donor) and the share of country-analysis exercises undertaken on a joint or co-ordinated basis. The 2010 target is that 40% of donor missions to the field are conducted jointly and that 66% of country analytical work is carried out jointly.

INDICATOR 10a

The 2008 Survey reports that donors conducted a total of 136 missions to Liberia, with 13% of these being co-ordinated. As there are relatively few donors, and strong donor-to-donor co-ordination, reaching the 2010 target of 40% looks promising. Joint missions take place primarily with multi-donor projects or initiatives, such as the Civil Service Reform programme. Increased emphasis on joint mission work will continue in the future.

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2007 c = a / b
European Commission	2	6	33%
Germany	3	3	100%
United Kingdom	3	8	38%
United Nations	1	48	2%
United States	2	3	67%
World Bank	12	68	18%
Total	17	136	13%

* The total of co-ordinated missions has been adjusted to avoid double-counting. A discount factor of 35% is applied.

Country analytical work is increasingly carried out in partnership. The data for Indicator 10b reports that 66% of analytic work is co-ordinated in Liberia, meeting the 2010 target of 66%. A good example is the ongoing Public Expenditure Management and Financial Accountability Review, led by the World Bank with support from several other donors. All IMF technical assistance reports on tax policies and PFM reforms are also shared with donors through government. Similarly, analytical work for the PRS was carried out by the Liberia Institute of Statistics and Geo-Information Services, in collaboration with a collaboration group of donors. ■

	Co-ordinated donor analytical work* (analyses) a	Total donor analytical work (analyses) b	2007 c = a / b
European Commission	4	6	67%
Germany	0	0	--
United Kingdom	0	0	--
United Nations	13	13	100%
United States	4	5	80%
World Bank	0	0	--
Total	16	24	66%

* The total of co-ordinated analytical work has been adjusted to avoid double-counting. A discount factor of 25% is applied.

MANAGING FOR RESULTS

THE PARIS DECLARATION CALLS ON donors and partner countries to make a joint commitment to managing for development results – *i.e.* to manage resources according to desired results. This implies defining desired results and measuring progress toward them, as well as using information on results to improve decision making and performance. It also implies strengthening capacity to undertake such management and helping to increase the demand for a focus on results (*i.e.* adopt a results-based monitoring framework).

Indicator 11 utilises data collected as part of the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead*. The review focuses on three particular aspects of a robust results-based monitoring framework: the quality of the information generated; stakeholder access to the information; and the extent to which such information is utilised within a country-level monitoring and evaluation system.

TABLE 29.7:
How many donor missions
are co-ordinated?

INDICATOR 10b

TABLE 29.8:
How much country analysis
is co-ordinated?

INDICATOR 11
Do countries have
results-based monitoring
frameworks?

The assessments are expressed in scores running from A (high) to E (low), with B representing a “largely developed results-based monitoring framework.” The 2010 target is to reduce by one-third the proportion of countries lacking transparent and monitorable results-based monitoring frameworks (*i.e.* reduce by one-third the number of countries not attaining at least a B rating).

Liberia did not participate in the 2006 Baseline Survey. However, it received a rating of D from the World Bank’s review – a rating received by 34% of those countries participating in 2006. This implies that some elements of a results management framework are in place and incorporate some elements of good practice. For the 2008 Survey, Liberia maintained a D rating, which indicates that “there is some basis for making progress.” The 2010 target for Liberia is to move up one grade to a C rating.

The quality of development information is very low; however, some factors exist to improve data quality and availability. The full PRS includes a strategy for strengthening Liberia’s statistical capacity through the National Strategy for the Development of Statistics and for strengthening administrative results reporting at sub-national and national levels. Liberia is working to improve access to development information. With the support of external partners, national and local media play an active role in informing the public on development activities. For example, local radio stations covered the preparation of the Rapid Social Assessment. In addition, programme planning and assessments were conducted to develop regional level agendas that were then incorporated into the PRS.

The development of a country-level monitoring and evaluation system is at an early stage in Liberia. Through the IPRS, a framework for monitoring performance on delivery of government and donor support is in place using the Modified Balanced Scorecard model. Results of these reviews are posted for public review on the government’s web site. Information on performance is also fed back to the national level through reports from line ministries and agencies as part of the LRDC Steering Committee. The Committee is chaired by the president, and the results are shared with the Cabinet to inform policy decisions. The full PRS envisions strengthening the framework for monitoring and evaluation under the LRDC in order to hold stakeholders accountable at the national and local levels. ■

MUTUAL ACCOUNTABILITY

INDICATOR 12

Do countries have reviews of mutual accountability?

THE PARIS DECLARATION RECOGNISES that for aid to be truly effective, stronger and more balanced accountability mechanisms are required at all levels. In particular, aid is more effective when both donors and partner country governments are accountable – to their respective publics and to each other – for the use of resources and management to achieve development results. The Paris Declaration calls for donors and partner countries to jointly assess (through existing country-level mechanisms) mutual progress in implementing agreed commitments on aid effectiveness, including commitments made under the Paris Declaration.

Indicator 12 is concerned with the specific question of whether there is a country-level mechanism for mutual assessment of progress on the partnership commitments arising from the Rome or Paris Declarations, or from local harmonisation and alignment plans. The 2010 target is for all partner countries to have in place such mechanisms.

No such mechanism that fulfils all the above-mentioned criteria currently exists in Liberia. However, donors and government do undertake joint reviews of progress and results of development actions through committees such as the LRDC Steering Committee and the Economic Governance Steering Committee. Other development effectiveness frameworks among external partners are use by each institution. The government plans to conduct joint assessments with donors more regularly in the future. Participation in the 2008 Survey, associated with the Paris Declaration, is viewed as a positive step in that direction. ■

PROGRESS SINCE 2005 AND PRIORITIES FOR 2010

LIBERIA HAS MET TARGETS FOR TWO INDICATORS: Indicator 8 on untying aid and Indicator 10b on joint analytic work. For the remaining indicators, significant gaps need to be filled in order to attain the 2010 targets. In particular, government and donors must direct substantial efforts to improve ownership, alignment of aid with national priorities, aid predictability, results-oriented frameworks and mutual accountability. Liberia should continue its reforms for institutional development and improving capacity. Donors must engage in increased alignment and harmonisation of activities to reach the 2010 targets. ■

INDICATORS		2007	2010 TARGET
1	Operational development strategies	D	B or A
2a	Reliable public financial management (PFM) systems	N/A	N/A
2b	Reliable procurement systems	Not available	Not applicable
3	Aid flows are aligned on national priorities	0%	85%
4	Strengthen capacity by co-ordinated support	35%	50%
5a	Use of country PFM systems	32%	N/A
5b	Use of country procurement systems	0%	Not applicable
6	Strengthen capacity by avoiding parallel PIUs	16	0
7	Aid is more predictable	0%	36%
8	Aid is untied	82%	More than 43%
9	Use of common arrangements or procedures	21%	66%
10a	Joint missions	13%	40%
10b	Joint country analytical work	66%	66%
11	Results-based monitoring frameworks	D	B or A
12	Mutual accountability	No	Yes

SUMMARY
TABLE 29.9

CONTRIBUTORS

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ACRONYMS

AER	Aid Effectiveness Review (World Bank)
GEMAP	Governance and Economic Management Assistance Programme
GNI	gross national income
IFMIS	integrated financial management system
IPRS	Interim Poverty Reduction Strategy
LRDC	Liberia Reconstruction and Development Committee
LECBS	Liberian Emergency Capacity Building Support
MDG	Millennium Development Goal
MTEF	medium-term expenditure framework
ODA	official development assistance
PBA	programme-based approaches
PFM	public financial management
PIU	project implementation units
PPCC	Public Procurement and Concessions Commission
SES	Senior Executive Service
TOKTEN	Transfer of Knowledge through Expatriate Nationals