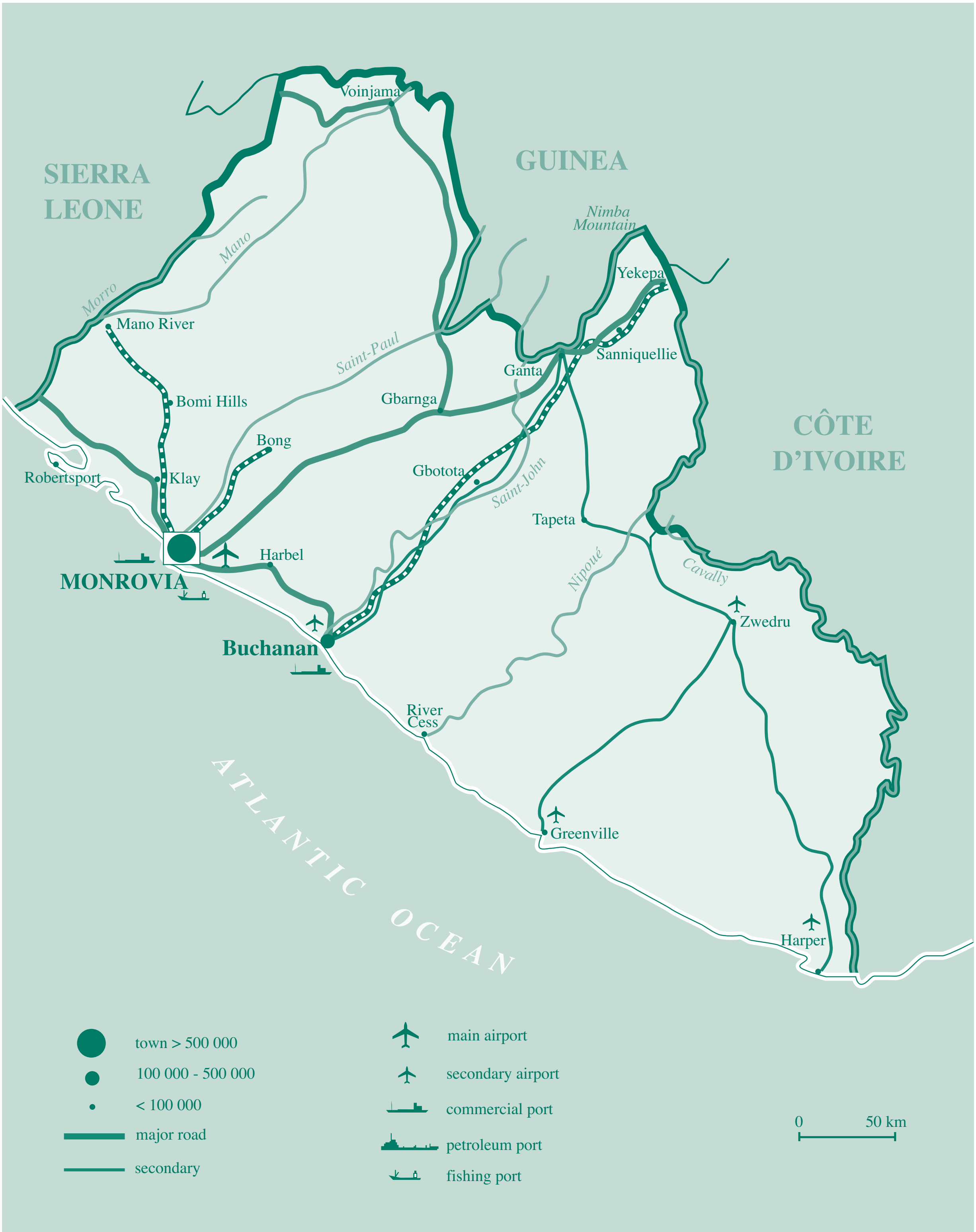
Liberia

key figures

• Land area, thousands of km²	111
• Population, thousands (2007)	3 750
• GDP per capita, USD at constant 2000 prices (2007)	130
• Life expectancy (2007)	35.3
• Illiteracy rate (2007)	39.3

Liberia



SIERRA LEONE
GUINEA
CÔTE D'IVOIRE
ATLANTIC OCEAN
Voinjama
Nimba Mountain
Yekepa
Sanniquellie
Ganta
Gbarnga
Mano River
Bomi Hills
Bong
Klay
Robertsport
MONROVIA
Harbel
Buchanan
Gbotota
Tapeta
Zwedru
River Cess
Greenville
Harper
Morro
Mano
Saint-Paul
Saint-John
Nipoué
Cavally
town > 500 000
100 000 - 500 000
< 100 000
major road
secondary
main airport
secondary airport
commercial port
petroleum port
fishing port
0
50 km

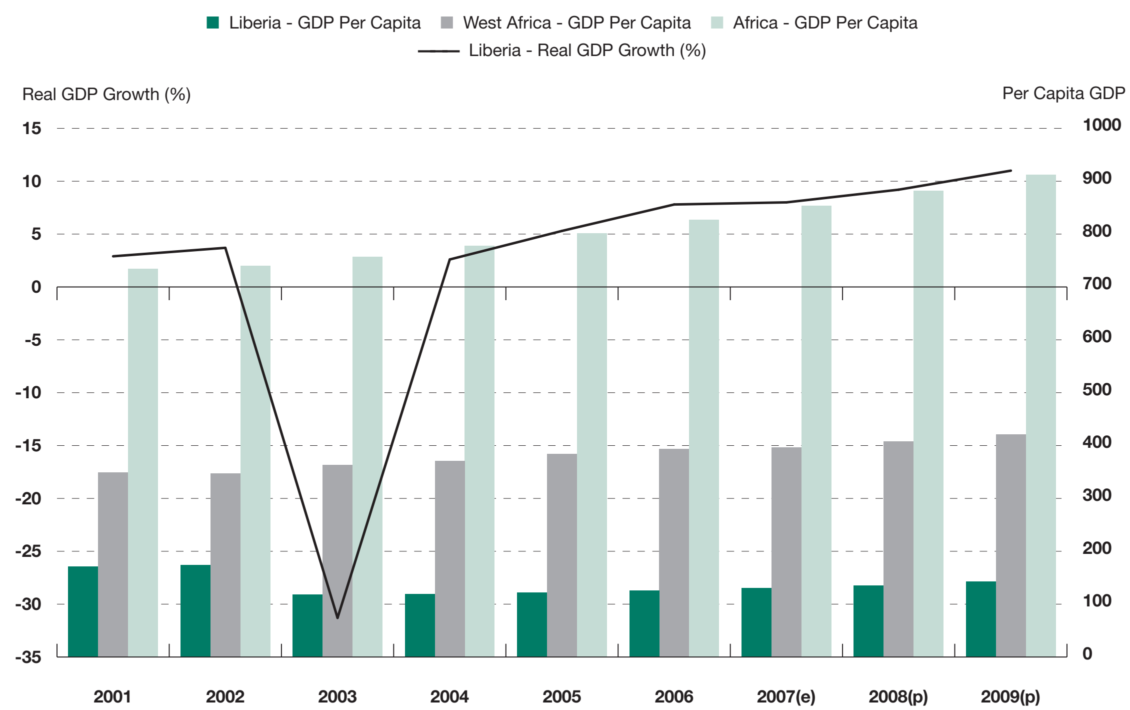
Liberia

LIBERIA IS A FRAGILE STATE UNDERGOING a post-conflict transformation with the assistance of the international community, which has deployed peacekeepers and police personnel to support the stability of the country's political and security situation. Within the constraints of several war-induced impediments, including a collapsed infrastructure, degraded institutional capacity and loss of experienced and skilled manpower, the economy has rebounded strongly following the cessation of conflict. Real GDP growth has risen strongly since 2004, reaching an estimated 8.0 per cent in 2007. As a consequence of the gradual improvement in security in rural areas agricultural production has revived, and there has been a resumption of mining and forestry activity. Real GDP growth is projected to rise to 9.2 per cent in 2008 and further to 11.0 per cent in 2009.

The economy is showing signs of modest recovery after years of civil conflict.

Economic management is also improving in response to reforms. The recovery of economic activity is taking place within a stable inflation environment. Government revenue is increasing, although the domestic tax effort still remains low and poses a challenge for further reforms. A key challenge is the deteriorating current account. Although export volumes are expected to rebound, more needs to be done to compensate for the larger share of imports in the economy that is the

Figure 1 - Real GDP Growth and Per Capita GDP
(USD at constant 2000 prices)



Source: IMF and domestic authorities' data; estimates (e) and projections (p) based on authors' calculations.

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reason behind the deteriorating current account. The government's efforts on governance are laudable, but still more needs to be done on the "Very Weak" indicators, including corruption, that have historically driven conflict in the country. Besides, Liberia's poverty and social situation continues to remain dire, and to require more concerted effort at improving health and education, especially technical-skills and vocational training.

Recent Economic Developments

The Liberian government is pursuing a Governance and Economic Management Assistance Program (GEMAP), signed by the National Transitional Government of Liberia (NTGL) and development partners in September 2005, and adopted in early 2006. This programme was derived in response to the years of civil conflict that saw the collapse of the country's main productive sectors. In pursuit of its economic revitalisation programmes, the government also agreed with the IMF on a Staff Monitored Program (SMP) in early 2006, and achieved most of its objectives. Agreement was also reached on an SMP for 2007, which aims to continue progress in strengthening public financial management and the domestic financial sector, and in implementing the government's anti-corruption and domestic debt resolution strategies.

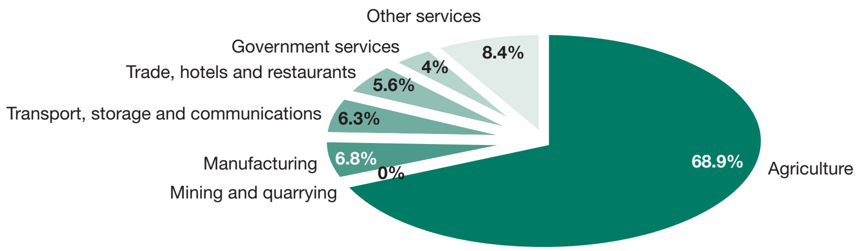
The World Bank is leading the donor community in core areas of expertise — economic governance, community-driven development and infrastructure rehabilitation. In support of these, the Bank has maintained a consistent and selective engagement and has mobilised significant funding and technical capacity to support the programme.

The main pillars of the GEMAP have been maintained in the preparation of an Interim Poverty Reduction Strategy (I-PRS), which was finalised in January 2007. The I-PRS focuses on: maintaining security and building peace; improving governance and the rule of law; revitalising the economy; and rebuilding infrastructure and beginning to get basic services up and running. The government intends to start preparations of a full PRS, which is expected to be finalised by mid-2008.

Under the GEMAP, the economy has shown modest signs of recovery. The incomplete national accounts data available suggest that, following the cessation of conflict, the economy stabilised and began to rebound. After having declined by over 30 per cent in 2003, real GDP increased by 2.6 per cent in 2004 and by 5.3 per cent in 2005 in response to post-civil war construction, supported by large contributions from the donor community which were especially geared to the social services sector and the reconstruction of basic infrastructure. In 2006, real GDP growth reached 7.8 per cent, reflecting the gradual improvements in security in rural areas and in construction. Real GDP growth is estimated at 8.0 per cent in 2007, mostly driven by construction, the recovery in the agricultural sector, and donor-funded expenditures in the country. Growth is projected to reach about 9.2 per cent in 2008 and to rise to 11.0 per cent in 2009, buoyed by a revival of the mining, forestry and agricultural sectors.

The mainstay of the Liberian economy is agriculture, which contributed about 68.9 per cent of aggregate GDP in 2006. Agriculture is thus a major component of economic revitalisation. Growth in the agricultural sector is led by the production of rubber and timber. Agriculture is the primary source of livelihood for the majority of the population. Recovery has been quicker in the commercial plantation sector, with the high prices of rubber and oil palm on the international market spurring investment. However, the scarce resources available to smallholders and a poor transportation network hamper their ability to get products to market. The agricultural sector also suffers from low productivity, as technology has remained virtually stagnant for decades. This has been compounded by Liberia's dual land tenure system, formal and customary, which seriously restricts land ownership by both Liberians and foreigners. The seriousness of the situation is underlined by the fact that the unequal distribution and limited access to land contributed significantly to the escalation of the civil conflict.

Figure 2 - **GDP by Sector in 2006** (percentage)



Source: Authors' estimates based on IMF and Central Statistical Office data.

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The government has embarked on an Agricultural Sector Review under the GEMAP to address some of the issues. Efforts are being made to increase yields and produce key cash and export crops, both in the smallholder and commercial plantation sectors. Other measures being implemented include: support for improved value chains, including more efficient supply chains; providing more opportunity for added value and for off-farm employment; and building the capacity of the Ministry of Agriculture and other institutions to implement policies and monitor outcomes in the sector.

Liberia's natural resources are a significant potential source of economic growth. The mineral sector in particular has enormous potential. Prior to the conflict, the mineral sector accounted for 25 per cent of GDP. However, mining recorded an extremely small share of only 0.1 per cent of GDP in 2004/05. In 2006, the sector virtually did not contribute to total GDP. Although the UN Security Council removed the embargo on Liberia diamond exports, the output of precious stones (gold and diamonds) has not significantly resumed. The government has begun to improve the regulatory framework of the mining sector. Work has already begun on a national mineral policy, a new legal framework for the sector, and an updated cadastral system. In recognition of the government's efforts to fulfil Kimberley Process requirements, the UN Security Council lifted sanctions on diamonds in April 2007. Forestry reforms being undertaken include the establishment of a protective area network to cover at least 10 per cent of forested areas.

Table 1 - **Demand Composition**

	Percentage of GDP (current prices)		Percentage changes, volume			Contribution to real GDP growth		
	1999	2006	2007(e)	2008(p)	2009(p)	2007(e)	2008(p)	2009(p)
Gross capital formation	**31.2**	**43.4**	**9.5**	**9.1**	**8.8**	**5.9**	**5.7**	**5.5**
Public	16.9	5.7	26.0	24.0	20.0	2.1	2.3	2.2
Private	14.3	37.7	7.0	6.5	6.5	3.8	3.5	3.4
Consumption	**97.8**	**111.0**	**5.2**	**2.8**	**4.8**	**6.0**	**3.2**	**5.1**
Public	18.8	11.8	13.3	10.1	9.8	1.9	1.5	1.5
Private	79.0	99.1	4.0	1.7	3.9	4.1	1.7	3.5
External demand	**-28.9**	**-54.4**				**-3.9**	**0.2**	**0.5**
Exports	39.4	35.5	9.8	14.5	14.6	3.8	5.8	6.1
Imports	-68.3	-89.9	6.6	4.8	5.1	-7.7	-5.5	-5.6
Real GDP growth	-	-	-	-	-	**8.0**	**9.2**	**11.0**

Source: Office of National Statistics data; estimates (e) and projections (p) based on authors' calculations.

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The service sector accounted for about 24 per cent of GDP during 2004/05. This share rose marginally, to about 25.0 per cent in 2006. Growth in the sector during this period was mainly based on increased activity in the construction, transportation and communications, trade and hotels sub-sectors. The service sector comprising trade, hotels and restaurants is buoyant, whereas the manufacturing sector, as well as the mining sector, remains weak.

The demand composition of GDP reveals that strong growth in the volume of public investment contributed to growth in 2007 and will do so again in 2008 and 2009. Public investment is concentrated in reconstruction efforts in infrastructure, especially roads. This is an encouraging sign after the war. However, its sustainability is doubtful, depending as it does almost exclusively on foreign savings. On the other hand, the modest expansion in private investment is focused on mining and forestry, which in turn will drive the strong growth in the volume of exports from these sectors and their significant contribution to growth in both years.

Macroeconomic Policies

Fiscal Policy

The government is implementing a wide range of measures to improve fiscal management. However, as the government cannot borrow (though consideration may be given in the future to short-term borrowing for liquidity management), the macroeconomic influence of fiscal policy is limited.

In mid-2006, the government signed a Memorandum of Understanding between key revenue-generating state-owned enterprises (SOEs) and commercial banks. All revenues and fees of SOEs are now deposited openly in a small number of accounts that are closely monitored to ensure that the revenues are not misused. Furthermore, internationally recruited experts have been seconded to key ministries and other public agencies with co-signing authority to establish transparent financial management systems and to report openly on SOE operations, revenues and spending.

The government has also made a strong effort to improve tax and customs administration, including a revision of tax rates and the reduction of exemptions. Measures taken in 2006 and 2007 include: enforcement of pre-shipment inspections for imports and exports, including an increase in the penalty for failure to comply; improving tax collection through strengthening the Large Taxpayer Unit (LTU); implementation of a computerised tax payment system; elimination of non-cash payment of taxes; reducing import tax exemptions and improving the management of those granted to non-governmental organisations (NGOs); redefining the base for the goods and services tax on imports; and

Table 2 - **Public Finances** (percentage of GDP)

	1999	2004	2005	2006	2007(e)	2008(p)	2009(p)
Total revenue and grants[a]	**12.7**	**16.0**	**15.6**	**13.9**	**13.6**	**13.4**	**12.5**
Tax revenue	10.6	14.5	14.7	13.2	12.6	12.5	11.6
Grants	1.4	0.2	0.2	0.2	0.4	0.4	0.4
Total expenditure and net lending[a]	**10.9**	**16.1**	**14.8**	**9.7**	**12.1**	**12.5**	**12.4**
Current expenditure	7.7	13.9	12.8	9.1	11.4	11.7	11.5
Excluding interest	*7.0*	*13.3*	*12.5*	*8.9*	*9.5*	*10.2*	*10.2*
Wages and salaries	1.8	5.6	8.2	4.8	4.5	4.4	4.1
Interest	0.7	0.6	0.3	0.2	1.9	1.5	1.3
Capital expenditure	3.3	2.3	2.1	0.6	0.7	0.8	0.9
Primary balance	**2.4**	**0.5**	**1.1**	**4.4**	**3.4**	**2.4**	**1.4**
Overall balance	**1.8**	**-0.1**	**0.8**	**4.2**	**1.5**	**0.9**	**0.1**

a. Only major items are reported
Source: IMF data; estimates (e) and projections (p) based on authors' calculations.

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increasing the excise tax on beer and cigarettes. Also in 2008, the government intends to eliminate the granting of ad hoc tax exemptions to individual investors outside of the Liberia Revenue Code (LRC).

Domestic revenues have risen significantly in response to the measures put in place. In nominal terms, domestic revenue rose from USD 56.0 million in 2004 to USD 79.3 million 2005, and further to USD 84.6 million in 2006. In 2007, domestic revenue was estimated to be 79 per cent higher than the preceding year, though this sharp rise was due to a one-off payment of USD 15 million to the government by Mittal Steel. On the other hand, the domestic tax effort remains low and below historical ratios, presenting a challenge for further reforms. Tax revenue as a percentage of GDP has declined to 13.2 in 2006 and is projected to fall to 11.6 in 2009.

On the expenditure side of the budget, the government has strengthened its commitment control system, reinforcing the role of the Cash Management Committee, which now ensures that expenditures are consistent with funds available. As a result the government now implements a cash-based budget. The government has also taken initial steps to develop a multi-year fiscal framework to guide spending agencies in expenditure planning. To further increase transparency, the government produced an Annual Fiscal Report 2005/06 for parliamentary and public scrutiny.

The government's fiscal measures resulted in an overall fiscal surplus, equivalent to 4.4 per cent of GDP in 2006. However, the fiscal surplus in 2006 is much lower when expenditures are measured on a commitment, rather than on the government's cash-budget basis. As a result of delays in approving expenditures during the early part of 2006 (which were the result of the enactment of a revised budget, the strengthening of the interim commitment control system and the introduction of the Public Procurement and Concessions Act), many government cheques were only printed towards the end of the year and had yet to be cashed when the year ended. The budget surplus was reduced to an estimated 3.4 per cent of GDP in 2007, and is expected to remain in surplus in 2008 and 2009 on a declining trend.

Monetary Policy

The key objectives of the Central Bank of Liberia (CBL) include the safety and soundness of the Liberian banking system and the adoption and implementation of strategies for dealing with distressed banks. The CBL policies aim to maintain domestic price and exchange rate stability. As the principal policy instrument, the CBL uses foreign exchange auction, a regular programme of bi-weekly auctions, which started in 2006. The government has put in place a Money Management and Policy Review Committee to guide monetary policy decision-making.

Money-supply growth in the Liberian economy has remained moderate, and this has contributed to stable inflation and exchange rates. The growth in broad money supply fell from 49.3 per cent in 2004 to an estimated 35.7 per cent in 2005, and then further declined to 34.4 per cent in 2006. Consumer price inflation, which, given the large share of imports in the economy, is strongly influenced by the trade-weighted exchange rate, has been relatively stable since 2004. Inflation as measured by the consumer price index has averaged about 8 per cent per annum between 2004 and 2007.

The Liberian Dollar (LRD) is a free-floating currency. However, the US Dollar (USD) is also legal tender in Liberia and is used alongside the LRD. But the two currencies are held for different purposes. While the LRD is held for small purchases, especially in the rural areas, and is used by the government to pay civil servants' salaries, the USD is the medium of exchange in trade and financial transactions. Except in 2004 when it strengthened to LRD 47.00/USD 1, the LRD exchange rate versus the USD generally held around LRD 60/USD 1. In the first quarter of 2007, however, it weakened to LRD 61.56/USD 1. The depreciation of the LRD is attributable to the rebound in imports of goods and services. On a trade-weighted basis, the exchange rate has depreciated more since the USD has itself depreciated against the euro and other currencies.

External Position

Liberia's current account deficit continues to widen. The deficit, which stood at below 10.0 per cent of GDP in 2005, rose sharply to 20.5 per cent of GDP in 2007. The increase in the deficit derived exclusively from the trade deficit, which continues to widen as a result of the larger share of imports in the economy. For similar reasons, the current account deficit is projected to widen further in 2008. On the other hand, Liberia's capital account deficit has started to improve since 2005 with the re-emergence of private investment and foreign direct investment (FDI).

Liberia emerged from its decade-long civil conflict with a severe external debt problem. As of end-June 2006, Liberia's total external debt in Net Present Value (NPV) terms was estimated at USD 4.5 billion comprising essentially accumulated arrears of debt-service payments. Multilateral institutions represented

Table 3 - **Current Account** (percentage of GDP)

	1998	2003	2004	2005	2006(e)	2007(p)	2008(p)
Trade balance	-21.8	-30.6	-35.6	-39.6	-36.9	-36.9	-31.3
Exports of goods (f.o.b.)	10.2	24.0	21.5	25.7	26.2	27.5	27.7
Imports of goods (f.o.b.)	31.9	54.6	57.1	65.3	63.2	64.5	59.0
Services	0.0	-11.3	-12.6	-14.8	-13.9	-11.5	-10.8
Factor income	0.0	-20.1	-22.0	-22.5	-20.6	-21.6	-18.6
Current transfers	0.0	56.1	60.5	59.3	50.8	46.4	42.1
Current account balance	**-21.8**	**-5.9**	**-9.8**	**-17.6**	**-20.5**	**-23.6**	**-18.6**

Source: IMF data; estimates (e) and projections (p) based on authors' calculations.

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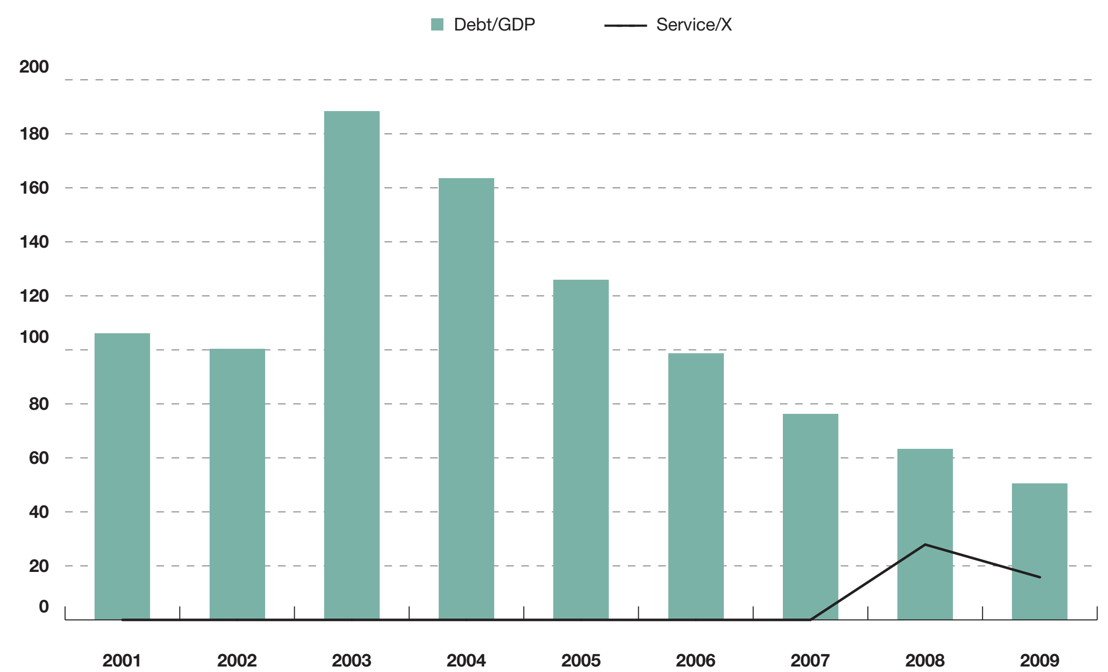
Figure 3 - **Stock of Total External Debt** (percentage of GDP) **and Debt Service** (percentage of exports of goods and services)



Source: IMF.

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the largest creditor group, followed by bilateral creditors. Total external debt relative to exports of goods and services stood at 196.7 per cent. This debt/export ratio was significantly above the Heavily Indebted Poor Countries (HIPC) benchmark of 150 per cent.

Liberia is eligible for debt relief under the HIPC and Multilateral Debt Relief Initiative (MDRI) (International Development Association [IDA] and African Development Bank [AfDB]) frameworks, but the country's arrears to the Multilateral Institutions need to be cleared first. It was widely recognised that the country's own ability to clear these arrears was non-existent, given its acute resource constraints. The International Monetary Fund (IMF), the World Bank and the AfDB have been working with shareholders to find a comprehensive solution to Liberia's arrears problem, and a great deal of progress has been made. In 2007, there was a three-way burden-sharing arrangement among the AfDB (through the Post-Conflict Country Facility [PCCF]), donors, and the Government of Liberia to clear Liberia's arrears of UA 162.41 (Units of Account) million with the AfDB. Liberia paid UA 1.62 million (1 per cent), donors contributed UA 48.24 million (29.7 per cent), and UA 112.55 million (69.3 per cent) was drawn from the PCCF to finance the arrears. The clearing of the arrears paved the way for the AfDB to lift its sanctions on Liberia, normalise relations, and give consideration to debt relief under the HIPC Initiative when Liberia reaches the decision point.

Structural Issues

Recent Developments

Liberia faces several structural challenges, of which the rehabilitation of the infrastructure sector remains the greatest post-war challenge. During the war, there was extensive destruction of basic infrastructure, as a result of which the transport infrastructure base is greatly diminished and needs to be rebuilt. Most of the 10 000 kilometres of existing roads are in an extreme state of disrepair, and they are often completely impassable during the rainy season. The airport and ports are dilapidated and poorly organised, severely hampering international commerce. There is very little electricity generation (only a 2.3 MW grid) supplying mainly institutional customers, as well as individual diesel generators (as 40-50 MW combined production) throughout Monrovia; only 10-15 per cent of Monrovia has running water; the sewerage system is not operational; and no solid waste removal is in place.

The civil conflict resulted in a profound degradation of the country's institutional capacities and the public administration's human resources, resulting from physical damage, losses in human lives, and the interruptions or degradation of education for an entire generation. The conflict has caused serious losses in experienced and competent management-level staff, as well as in material and archiving capacities — "brain drain" continues to be a widespread phenomenon in Liberia.

The government is making attempts at structural reforms to aid economic recovery. The government's programme focuses on short-term employment generation, with a longer-term focus on agriculture, natural resource management, and improving the climate for private-sector recovery. The World Bank and other donors are supporting private sector-led growth through improvements in the regulatory environment and business climate, in addition to the generation of quick-impact employment through labour-intensive infrastructure and agricultural rehabilitation programmes.

In the effort to rebuild critical infrastructure and deliver basic services, the World Bank and the AfDB are supporting infrastructure projects in roads and transport to help make commerce possible and improve the delivery of basic services by developing water infrastructure and rehabilitating both the public and private segments of the energy sector. Also, as a first step towards reversing the massive erosion of public-sector capacity during 14 years of civil war, a Governance Reform Commission was created under the Comprehensive Peace Agreement to oversee an ambitious agenda of reform initiatives covering such areas as: civil service reform, judicial reform, constitutional reform, land reform, anti-corruption strategy, code of conduct for public officials, decentralisation, legislative capacity building and security sector reform.

With regard to the private sector, the business environment in Liberia is weak, with little formal activity and few incentives for large-scale private investment. With the few exceptions of major companies such as ArcelorMittal (iron ore) and Firestone (rubber), most businesses are small and informal, and there is very limited access to finance and advisory services. In addition, there are no reliable business support services. The most prevalent institutions providing support to small and medium-sized enterprises (SMEs) are in the public sector, and these possess mixed track records and limited potential due to their dependence on limited government funding and a weak skills/knowledge base. As a result, there is generally a weak entrepreneurship culture and a low level of productivity in local firms. Nonetheless, the government is committed to private sector-led growth, focusing particularly on an enabling environment for the private sector. In 2007 the government published the "Investor's Guide to Liberia" as a step towards creating a stable, secure and transparent environment for investors.

Although, with the support of the IMF, progress has been made in improving bank capitalisation, the banking system remains fragile, with a high share of non-performing loans. The CBL is now working on plans to address the banking sector's non-performing loans: this is being approached through efforts to restructure under-capitalised banks. In 2006, the authorities signalled that there would be no licences issued to new banks until the non-performing loans problem had been addressed. Good progress has already been made in this regard, as the ratio of non-performing loans to total advances has been estimated to have come down from 62 per cent in 2003 to 18.4 per cent in 2005. In view of the asset quality situation, an additional weakness in the Liberian banking system is that 80 per cent of the revenues of the banks are generated predominantly from "fees" rather than "interest income". The challenges to the Central Bank also include the weakness of confidence in the banking system, which is reflected by the fact that 80 per cent of the money supply is held outside the banks and 50 per cent of public cash is held in US Dollars.

Technical and Vocational Skills Development

The national objectives and strategies of technical and vocational education and training (TVET) are to empower rural residents as well as vulnerable groups; it thus has a prominent place in the national Poverty Reduction Strategy Paper (PRSP). The country's TVET system virtually collapsed during the civil conflict. As one element in its rehabilitation, the Ministry of Labour has recently designed a series of quick-employment training programmes for ex-combatants in order to integrate these young men and women into the work force. Since 2005, the Ministries of Education and Labour have started a programme of community youth empowerment. This programme is geared toward encouraging youths and ex-combatants (who are often very young and former child soldiers) to engage actively in activities that will provide them with a living. About 5 000 youths from all over the country have been participating in the programme. Some of the skills taught include: carpentry, missionary work, computer software, computer repair, agriculture, domestic skills, and other related vocational educational activities.

It is the sole duty of the Bureau of Vocational and Technical Services within the Ministry of Education to check on the programmes of other line ministries and agencies to ensure that their programmes are in line with national, as well as regional, vocational education agendas. Those falling below standard are automatically closed down.

Political Context

The 2003 Comprehensive Peace Agreement (CPA) signed by Liberia's warring factions in 2003 paved the way for the establishment of the National Transitional Government of Liberia (NTGL), which organised the historic presidential elections in 2006 that saw Ellen Johnson-Sirleaf become the first democratically elected female Head of State in Africa. However, the stability of Liberia's political and security situation depends upon the United Nations Mission in Liberia (UNMIL), which has deployed 15 000 peacekeepers and 1 115 police personnel in the country.

Governance issues have been a key historical driver of conflict in Liberia, and the system of vested interests remains entrenched in the public sector. Robust governance diagnostics are scarce, but the *2006 Global Integrity Report* rated Liberia as "Very Weak" on four of six indicators, including: government accountability; administration and civil service; oversight and regulation; and anti-corruption and rule of law, and the World Bank's *Post-Conflict Performance Indicators* rated Liberia 2.3 (on a 6-point scale) on public-sector management and institutional performance, although this is an improvement from a rating of 1.7 in previous years.

The government is making efforts to improve the governance situation in the country. The I-PRS addresses the challenge of strengthening the rule of law, rebuilding the public sector, and strengthening governance at all levels of government and civil society. In 2007, the government replaced the Governance Reform Commission by the Governance Commission (GC) to promote good governance in the public sector. The GC has undertaken the revision of the mandates, functions and structures of the ministries of Agriculture, Gender and Development, Youth and Sports, and Labour, in addition to gathering establishment data from more than half of the 15 ministries. The rationalisation of the ministries and agencies of public institutions in Liberia is yet to be finalised and approved by the government.

Also, in 2007 the government adopted an anti-corruption strategy, drafted in consultation with international partners, to demonstrate its commitment to promoting good governance in public affairs. The government intends to establish an independent anti-corruption commission with its own investigative and prosecutorial powers. In 2007, to further its drive towards reducing corruption, the general concessions and contract review of 96 major contracts was completed, with a number of contracts being cancelled, while the concessions granted to Mittal Steel were successfully renegotiated on terms which are much more favourable to Liberia. The government has also subscribed to the Extractive Industries Transparency Initiative (EITI) and has started work on implementing the Kimberley Process. Efforts are also under way to transform the General Auditing Commission (GAC) into an effective supreme audit institution by ensuring its legal independence, and to strengthen it.

Social Context and Human Resources Development

In spite of the recent positive growth trends, the incidence of poverty remains high and other aspects of the social situation remain dire. A recent United Nations Development Programme (UNDP) survey conducted in 2005 and a survey on food security and nutrition conducted by the government in collaboration with the Food and Agriculture Organization (FAO)/World Health Organization (WHO) in 2006 together provide some relevant indicators: 11 per cent of the households surveyed were food-insecure, and 40 per cent were highly vulnerable to food insecurity. 41 per cent were moderately vulnerable to food insecurity, while 9 per cent could be considered to be food-secure. The World Bank estimates that over three-quarters of Liberia's three million people live below the poverty line of USD 1 per day. Moreover, the government estimates that 80 per cent of the labour force works in the informal sector, if at all. The government is working to ensure that spending is increasingly pro-poor. In 2007, the government adopted a short-term national poverty reduction plan to tackle the country's massive unemployment. The 2007 budget re-allocated resources to pro-poor sectors, and the budget for social services, including education and health, has been increased to one-quarter of all government expenditure.

Improving health and education is recognised as the key to rebuilding Liberia's human resources. Presently, health services are meagre, with only 390 clinics operating, of which 80 per cent are supported by humanitarian assistance. The closure of internally displaced persons (IDP) camps and the departure of relief NGOs which had operated throughout the war

Liberia Rapid Social Assessment and Update

In 2004 a Rapid Social Assessment (RSA) was carried out in Liberia to inform the overall post-conflict needs assessment and underpin the development of the Community Empowerment Project. It found that "community" in Liberia was a deeply contested notion and that the existing assumptions of social cohesion, participation and consensus that underpin Community-Driven Development (CDD) were overly idealistic. It recommended that programmes take measures to prevent resources from being a source of conflict in communities and to ensure that vested interest did not dominate planning. It also recommended that CDD activities avoid focusing only on infrastructure to the exclusion of other activities which could build social cohesion.

An update of the RSA was carried out in 2006, and this confirmed the original findings, particularly in the light of persistent tensions with regard to return and reintegration. Evidence suggests that the responsiveness of development agencies to these dynamics is lagging behind, and yet there are important opportunities for building on emerging community cohesion and engaging in a new forum for local government involvement.

These recommendations are being incorporated in the African Development Bank's Community Empowerment Project, which includes a focus on building social capital, as well as a new component to help integrate local government into the implementation process.

years are having a negative impact on families that were receiving relief services. The latest World Population Prospects of the United Nations surveys indicated that life expectancy was only 45.7 years in 2007. Infant mortality was around 132.5 per 1 000 live births, child mortality was around 205 per 1 000 live births; and maternal mortality was 790 per 100 000 live births, among the highest in the world. Preventable diseases such as malaria, diarrhoea, respiratory infections and measles were the main direct causes of under-five mortality. Malnutrition was also found to be widespread, and is considered to be a key underlying factor in high death rates. The government and donors are working together on a national health plan to address systemic deficiencies, to attract additional investments in infrastructure and human resource development, and to fund recurrent expenditures.

Large numbers of additional children have enrolled in schools following the recent abolition of fees, but the system is unable to absorb them. In addition, there are a significant number of youths and young adults with very low education levels as a result of the war. Donor interventions in the education sector have been both fragmented and dispersed on non-core activities, so providing little assistance in improving public service delivery or filling the budget gap. Government and donors have recently begun addressing this with the development of a system-wide education sector plan to identify the key policies, resources and capacities needed to attain the overarching goal of universal primary education. Even with progress at the policy or ministerial level, actual service delivery at the local level remains a daunting challenge.