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Liberia

Public Expenditure Review

Human Development

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WEIGHTS AND MEASURES

Metric System

ABBREVIATIONS AND ACRONYMS

ALP	Accelerated Learning Program
BPHS	Basic Package of Health Services
CEO	County Education Offices
CMH	Commission on Macroeconomics and Health
CFSNS	Comprehensive Food Security and Nutrition Survey
CfWTEP	Cash for Work Temporary Employment Project
CH&SWT	County Health and Social Welfare Team
COTAE	Coalition for Transparency and Accountability in Education
CSA	Civil Service Agency
CSR	Country Status Report
CWIQ	Core Welfare Indicator Questionnaire
DfID	Department for International Development
DHS	Demographic and Health Survey
DPF	Donor Pool Fund
ECE	Early Child Education
EFA	Education for All
EMOP	Emergency Response Operations
EPHS	Essential Package of Health Services
ESP	Education Sector Plan
EU	European Union
FFP	Food for Peace
GDP	Gross Domestic Product
GER	Gross Enrollment Ratio
GNI	Gross National Income
GPE	Global Partnership for Education
HEIS	Higher Education Institutions Survey
HRH	Human Resource for Health
IEG	Independent Evaluation Group
ILO	International Labor Organization
JFK-MC	John Fitzgerald Kennedy Medical Center
JHS	Junior High School
LACE	Liberia Agency for Community Empowerment
LAR	Livelihood Asset Rehabilitation

LAUNCH	Liberian Agricultural Upgrading, Nutrition and Child Health
LEEP/LEAP	Liberia Emergency Employment Program and Liberia Employment Action Program
LFS	Labor Force Survey
LISGIS	Liberia Institute of Statistics and Geo-Information Services
MCH	Maternal and child health
MCSS	Monrovia Consolidated School System
MDGs	Millennium Development Goals
MOE	Ministry of Education
MOF	Ministry of Finance
MOGD	Ministry of Gender and Development
MOHSW	Ministry of Health and Social Welfare
MOL	Ministry of Labor
MOPEA	Ministry of Planning and Economic Affairs
MOYS	Ministry of Youth and Sports
NAP	National Action Plan
NASSCORP	National Social Security and Welfare Corporation
NCHE	National Commission for Higher Education
NER	Net Enrollment Ratio
NFAA	National Food Assistance Agency
NHA	National Health Accounts
NPS	National Pension Scheme
NGOs	Non-governmental organizations
OFM	Office of Financial Management
OOP	Out-of-pocket
OPM	Oxford Policy Management
OSF	Open Society foundation
PAD	Project Appraisal Document
PEMFAR	Public Expenditure Management and Financial Accountability Review
PER	Public Expenditure Review
P4P	Purchase for Progress
PRRO	Protracted Relief and Recovery Operation
PRS	Poverty Reduction Strategy
SCT	Social Cash Transfer
SHS	Senior High School
SSA	Sub-Saharan Africa
SSN	Social Safety Net
STR	Student Teacher Ratio
SWAp	Sector-Wide Approach
TT	Trained Teachers
TVET	Technical Vocational Education and Training
UL	University of Liberia
UN	United Nations
UNDP	United Nations Development Programs
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VIPs	Very Important Persons
WAEC	West African Examination Council
WFP	World Food Program
WTO	World Trade Organization
YES	Youth, Employment, and Skills

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Liberia
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PART I - Overview

A. Introduction

1. **The Human Development sector (essentially, education, health, and social protection) plays an important role in promoting economic development and social equity, and improvement in these areas can have a salutary impact on peace and stability.** A healthy and better educated and trained labor force has the potential to make significant contributions to labor productivity (complemented by investment in physical infrastructure) and build a vibrant and diversified economy. An effective and encompassing social protection system, one that includes a mandatory social insurance system and social safety nets, can help reduce household vulnerability and hardship resulting from economic, social, and natural disturbances, and thereby lessen inequalities between the “haves” and “have-nots.”

2. **Since the end of the war in 2003, human development in Liberia has been improving, although slowly and unevenly.** Liberia's progress on the Millennium Development Goals (MDGs) has been mixed.¹ While three of the MDGs have shown some progress,² the remaining five, all concerning human development, will unlikely meet the targets due to a number of major challenges that are impeding progress. The five lagging MDGs are: eradicate extreme poverty and hunger (goal 1), achieve universal primary education (goal 2), reduce child mortality (goal 4), improve maternal health (goal 5), and ensure environmental sustainability (goal 7).

3. **Clearly, much remains to be done given the extent of the challenges facing this post-conflict society.** The country has inherited a “lost generation” – those who did not have access to schools (and proper medical care) during the protracted conflict – that urgently needs targeted programs to provide catch-up opportunities so they can gain labor market skills. The population suffers from inadequate access to basic social services, a sector that is poorly managed, limited by poor facilities, finding it difficult to attract (and retain) qualified personnel, and lacking adequate safety nets for those who need it most.

4. **There are a number of reasons that help explain the difficult conditions in the human development sector.** Because the conflict lasted so long and the destructive impact so widespread, the result was a devastated physical infrastructure, a severe loss of human capital, and significant

¹ UNDP, Liberia 2010 MDGs Report – Achieving 2015: Progress, Prospects, Constraints, September 2010.

² The MDGs targets related to human development likely to be achieved include Goal 3: Promote Gender Equality and Empower Women, and Goal 6: Combat HIV/AIDS, Malaria and Other Diseases, Halt and Reverse the Spread of HIV/AIDS.

deterioration of the country's institutions. Public finances are overwhelmed with competing demands from all segments of government, leaving the human development sector with about 20 percent of the budget. Compounding the limited funding envelope that is available to government, public finances suffer from weak governance, high dependency on donor contributions or supplemental programs, and inefficient spending through leakage of funds and low value for money.

5. **The government is committed to improving basic social services as reflected in its medium-term economic and development strategy for 2013-17, *Agenda for Transformation*, currently being formulated.** The strategy is based on the National Vision 2030 that foresees Liberia as a middle-income country supported by peaceful and inclusive politics, a diversified economy, stable institutions, and enjoyed by a healthy, capable citizenry. Towards this end, human development programs will seek to improve quality of life by investing in accessible and higher quality education, affordable and accessible quality health care, social protection for vulnerable citizens, and expanded access to healthy and environmentally friendly water and sanitation services.³ Education policy will promote equal access to high quality, free and compulsory basic education and a variety of post-basic schooling and training opportunities that lead to improved livelihoods and/or tertiary education. The health and social welfare policy will aim to improve the health, nutrition, and social welfare status of the population on an equitable basis. Finally, social protection policy will help protect the poorest and most vulnerable households and groups from poverty, deprivation and hunger, and aid them attain a minimum standard of living. In light of the considerable amounts required for this comprehensive undertaking, any future fiscal resource that may be available for human development will need to be shared with the demands from other sectors, the a process that will benefit from improved efficiency and governance, and effective initiatives to increase fiscal space.

B. Cross cutting themes in human development

6. **This Public Expenditure Review is a follow-up to a study undertaken in 2009, the first of its kind for the country.**⁴ **While the previous PER was in response to the government's desire to better understand and improve its financial management and accountability after the war, this study examines in more detail Liberia's human development sector.**⁵ It examines a number of key public expenditure issues that are affecting progress in attaining the MDGs. The Review considers the sources and levels of funding, budgetary allocations across and within the sectors, and the quality, equity, and efficiency of public expenditures on human development. The findings are expected to inform the government, development partners and other stakeholders of the efficiency of public spending in the human development area.

³ Republic of Liberia (Draft, 2012), *Agenda for Transformation, 2013-17 - Steps toward Liberia Rising 2030*.

⁴ The World Bank (2009), *Public Expenditure Management and Fiduciary Assessment (PEMFAR)*.

⁵ This Review of expenditure in the education, health and social protection sectors has benefited from several recent studies (completed and ongoing). They include the Core Welfare Indicator Survey conducted in 2007 and 2010, Health Demographic Survey (DHS), Labor Force Survey (2010), Sector Policies and Strategies (prepared by the Government of Liberia), Diagnostic of Social Protection Reform in Liberia, and various studies conducted by the World Bank and development partners.

7. **This report is a compilation of three separate sector studies, covering education, health, and social protection. Notwithstanding that each study focuses on progress achieved in distinct areas, a number of cross cutting themes permeate the different chapters.** The main cross-cutting threads can be summarized as follows: (i) overall public spending on human development is low given the needs of the population and is highly dependent on donor financing for a large number of activities, a situation that entails risks to sustainability and future development; (ii) intra-sectoral allocation is not sufficiently pro-poor; (iii) resource allocation is inequitable; (iv) inefficiency in public expenditures, with large shares of funds going to overhead; leakage of wage funds; and low value for money; and (v) severe lack of data and capacity to monitor and analyze developments. These themes and the main findings and recommendations of the three chapters are summarized below.

9. **Public spending on the human development sector in Liberia during 2008/09 and 2010/11 remains low by Sub-Saharan African (SSA) standards.** Education spending as a share of GDP was the fourth lowest among similar SSA countries despite recent increases (from 4 percent in 2009/10 to 6 percent in 2011/12). As a share of total public expenditures, Liberia ranked at the very bottom among SSA countries, with a figure remaining around 14 percent over the period. The share of health in the total budget was below 10 percent on average, equivalent to government per-capita funding of just over US\$5 in each of the first two years of this period and around US\$8 in 2010/11. Actual public spending on health equivalent to 6.8 percent of total government expenditure is below the SSA average of 7-8 percent. And though public spending on social protection (pension, social insurance, and social protection) remained relatively consistent about 2 percent of total expenditure throughout the period, the levels are insufficient for those most in need and not pro-poor.⁶

10. **The human development sector depends heavily on external financing.** The available information from the MoF shows that external financing accounted for about 38 to 53 percent of total education expenditure during the last three years. In the health sector, donor resources accounted for more than 80 percent of total health resources. In the social protection sector, external (donor) financing is the largest source of funding for the social safety net programs (nutrition support, cash transfer and public works), while the government is the only financier of the social insurance program. Donors provided 99 percent of nutrition support financing and over 80 percent of public work programs.

11. **Intra-sectoral allocations within the human development sector during the past three years are not sufficiently pro-poor.** The Global Partnership for Education (GPE) recommends a benchmark of 50 percent for the share of primary education in the total education budget and a maximum of 20 percent for higher education. In Liberia, the government allocated only 33 percent of the total education budget to primary, the group that accounted for 79 percent of total enrollment in public schools. By contrast, 34 percent of the total was allocated to tertiary education, which accounted for close to 5 percent of total enrollment. Benefit incidence analysis using the 2010 CWIQ data on enrollments in public schools and expenditures indicates that middle class students comprise the largest share of enrollment in public primary schools, while students from the wealthiest households comprise a large share of enrollment in secondary and higher schools. It also shows that public expenditures on education and allocation of education inputs benefited households in the top quintile. In the health sector, relatively little budgetary resources were spent at the primary care level vis-a-vis secondary levels (after excluding certain centrally-

⁶ The government budget does not include a social protection sub-sector; rather these programs fall under various budget sectors, including public administration, industry and commerce, and social development services.

paid expenses such as salaries). Instead, the Health Sector Pool Funds (a grouping of donor contributions) have been spent principally to support the implementation of the Basic Package of Health Services (BPHS), which is offered free to the public. A similar pro-rich bias is seen with public investments in higher-level facilities (such as secondary and tertiary institutions) that tend to benefit the rich more than the poor. A closer look into the distribution of the subsidies by type of services also indicates that the pro-rich bias is greater in magnitude for inpatient services than for outpatient services. Public spending on social protection (pensions, public works, nutritional support, and cash transfers) favors pension support (accounting for about 75 percent of total social protection spending). The resources available under existing social protection programs (such as Cash for Work Temporary Employment Program) to support the poor and vulnerable populations are limited when compared to the needs.

12. **Resource allocation is inequitable across counties.** The distribution of education inputs shows regional disparities in terms of teachers and trained teachers, class and school sizes, student-teacher ratio, and share of female teachers. The regional disparities are observed in the distribution of qualified teachers and the ratio of student to trained teacher across counties. Regional inequity is also seen in the allocation of health sector budgetary resources. The distribution of health inputs is concentrated in Montserrat County, which has only one-third of the total population. This area has about 53 percent of all medical doctors and is where the average distance to a health facility is only 2.8 kilometers (compared to the desired threshold of 5 kilometers established by the BPHS). In the social protection area, the coverage of insurance programming is tied to the country's urban centers where formal sector employment is most prevalent, while the distribution of social assistance programs that focus on nutrition and public works are fairly equally distributed at the regional level.

13. **Public spending on human development is inefficient as indicated by the high share of resources spent on wages and administrative overhead, leakages of public funds, under-execution of the budget, and low value for money.** In the education sector, about 90 percent of the budget for primary education in FY2012 was spent on wages due to overstaffing, while only 9 percent of the total primary education budget was spent on recurrent expenditure such as textbooks, education materials, repair and maintenance. In the health sector, the quality of health services remains problematic despite low central administrative costs, of about 20 percent of the budget and which is considered within the norms in other related industries. In the social protection sector, public work programs administered by the Ministry of Labor allocated 64 percent of the 2010/11 budget to administrative cost and only 36 percent to program costs. Another indicator of inefficiency is the leakage of public funds through fictitious workers and payroll fraud in the education and health sectors. The government has signaled its intent to tackle the issue by carrying out audits of the payroll and civil servants. The low execution rates of the education and health budgets during the past three years also signal the inefficient use of scarce budgetary resources. The problem is caused by low absorptive capacity associated with weak capacity in public financial and procurement management. This, together with weak accountability, leads to low value for money in public spending.

14. **A final common theme that appears throughout the three reports concerns the limited availability and poor quality of data.** This issue is echoed in all the sector reports and highlights the seriousness that this poses for robust analysis of public sector operations. The public sector is still challenged by the quality of its staff, tools, and organization that are needed to carry out and synthesize data collection. Social expenditure financed by the government still lacks a detailed disaggregation of

spending by function and by region, and what is available is out of date. Budget data based on the 2001 Government Financial Statistics classification is only available for a few years as the new Integrated Financial Management Information System (IFMIS) was introduced only in 2011. Efficiency deployment and usage of the system remain a challenge for users. Budget execution outturns based on the new classification is available for only one year. Spending by development partners on education and health is neither properly tracked nor organized and what information is available lacks detail. Recent data on private out-of-pocket payments by households for education and health services are not available.

C. Key findings

Education

15. **Liberia’s challenges in the education sector are somewhat unique, clearly a result of the protracted conflict that ended in 2003.** The country needs to not only provide basic education to its current generation of young people, but also provide catch-up programs (preferably with a focus on skills training) to a “lost generation” that was left out during the 14-year civil war. In fact, it’s not unusual to find the first grade of a primary school with students ranging from ages six to sixteen. Current teacher training does not address the specific learning needs of overaged students especially in a mixed aged classroom. Specific training on learning styles and classroom management of such scenarios should be included within the teacher training. (An accelerated learning program–ALP–had been established throughout the country to address overage students but was phased out in 2011.) However, not only does Liberia have to deal with a lost generation, but also with an increasingly young population bulge accounting for 75 percent of the population. While this would be a challenge for the best of teachers, Liberia has to deal with a deficiency in terms of absolute number of teachers and in the caliber of the teachers that can make a contribution in the classrooms.

16. **Liberia has made improvements in enrollment rates at all levels.** While the gross enrollment ratio at the primary level increased slightly from 86 percent (2007) to 88 percent (2010), this enrollment trajectory implies that Liberia is unlikely to achieve universal primary completion by 2015. Nominal school enrollment increased significantly (by 43 percent between 2007 and 2010), with the largest gains in pre-primary enrollment (about 30 percent of the total enrollment gain). In terms of change, tertiary enrollment showed the highest gain (135 percent), followed by senior secondary school (77 percent). The highest gain in enrollment was found in private schools, an increase of 68 percent in three years. Liberia’s proportion of out-of-school children at the primary level is the highest compared with 23 SSA countries. Without addressing this issue, Liberia will continue to face a “youth problem,” whereby adolescents with insufficient early exposure to appropriate levels of education enter the labor market woefully unprepared.

17. **The gender gap in access to all levels of education is narrowing, and Liberia is likely to meet the MDG of gender parity in access to primary and secondary education by 2015.** Girls make up 48 percent and 47 percent of enrollment in pre-primary and primary, respectively. These figures reveal that Liberia is one of only ten countries globally that showed significant progress towards gender parity in primary enrollment. Still, regional disparities remain, both with respect to general enrollment and gender parity. Girls experienced higher dropout and repetition rates at all levels compared with their male counterparts. Girls withdraw from schools in large numbers upon reaching puberty as parents and society

prepare them for marriage, or because they're singled out to care for family members, or to avoid further harassment in school settings. While the transition rate of girls from primary to secondary is low, once they enter secondary school they are less likely than boys to drop out. Despite this progress, there is also recognition that there are no policies in place currently to ensure that the same enrollment patterns will be observed as the education system expands. In many other countries, programs that specifically targeted enrollment of girls and other vulnerable children were put into effect as a way to absorb the more marginalized populations. Liberia will need to continue to monitor progress with respect to gender parity to ensure that they stay on track.

18. **Liberia has the lowest rates of qualified teachers, student-teacher ratios, and share of female teachers among a set of comparable SSA countries.** The comparison countries have similar profiles as Liberia's, with some emerging from civil conflicts and low economic development indicators, suggesting that Liberia could improve its teaching quality and quantity by making teacher development, deployment, and performance management more of a priority.

19. **Education in Liberia is financed by the government, donors, and private out-of pocket contributions.** Education's share in total government spending has remained constant, hovering around 14 percent between 2009/10 and 2011/12, while its share in GDP shows an upward trend over the same period. Capital spending in education fluctuated significantly between 1.7 and 12.5 percent over the same period (most of which is going to school construction); this is considerably lower than the Global Partnership for Education (GPE) minimum benchmark of 40 percent. The volatility in the share of capital spending reflects government's heavy reliance on external aid. The strong linkage between capital projects and external aid often results in donors driving the agenda.

20. **Despite the positive indications, a comparison with other countries suggests that Liberia's total public education spending remains relatively low.** Out of 15 SSA countries, education spending as a share of GDP in Liberia was the fourth lowest, while Liberia ranked at the very bottom in the share of education as a share of total public expenditures. Actual spending is both below the government target as espoused in the Education Sector Plan 2010-20 and the Global Partnership for Education minimum benchmark. As the government moves from post-war reconstruction to building a sustainable, quality education system, the balance between recurrent and capital spending will need to be carefully examined.

21. **Public spending on education is biased towards higher education and does not reflect the sector's priority, which is achieving universal primary education.** Liberia ranks at the bottom second with respect to the share of education expenditures in primary, and is also on the lower end for secondary education, but far higher for tertiary. In fact, Liberia allocates the largest share of the budget for tertiary education at 34 percent, with the second highest (Senegal) coming in at only 24 percent. Between 2009-10 and 2011-12, higher education not only accounted for the largest share of total public expenditures on education, but its share even increased during this period.

22. **Public spending on education is inefficient as signaled by overstaffing and payroll irregularities.** The MoE is responsible for the largest public sector payroll in the country, and as with most education systems worldwide. Liberia's staff costs dominate the MoE budget. The central government in the education sector appears to be both overstaffed (with more than 860 people on the MoE payroll) and under-skilled to manage and monitor the sector. Nevertheless, payroll irregularities

pose an additional challenge to the integrity and efficiency of public expenditures in education. Any effort to improve the efficiency of government spending on education should be focused on the effective development, deployment, and performance management of teachers. Payroll reform for the education sector is urgently needed, a recommendation that was also noted in the 2009 PER. A leaner MoE with clearly defined roles and functions, paired with targeted capacity building, would further enhance management and accountability.

23. **Weak governance continues to hamper the sector's ability to meet the needs of increasingly disenchanted beneficiaries.** The 2012 Coalition for Transparency and Accountability in Education report highlighted issues related to mis-procurement due to weak governance. Valuable funding for the sector is not benefiting students, teachers, and schools because of poor governance and mismanagement of funds at the central level. Recommendations include fiscal de-concentration and administrative decentralization to local government levels, and a public expenditure tracking survey for the sector.

24. **Education reform in Liberia will need to proceed in a two-pronged approach:** increasing the share of public expenditure on primary education, while addressing governance and accountability structures within the sector. Improving the quality of education, particularly at the basic levels, should be a high priority for the new administration. The leadership of today needs to ensure that future generations will be fully functional, literate, and skilled members of society, lest they jeopardize the likelihood of achieving the nation's vision for 2030.

Health

25. **The situation in the health sector remains difficult.** The population suffers from one of the highest rates of maternal mortality in the world. Child malnutrition rates are also very high. In addition, the sector faces shortages of personnel at all levels ranging from the medical school to local clinics. Despite progress since the 2008 PEMFAR, the data indicate that government spending on health care is problematic on a number of fronts: inequity of spending, a pro-rich bias in subsidies, high out-of-pocket costs for vulnerable groups, lack of quality as regards facilities and training of personnel, poor budget execution, and worrisome levels of dependence on donor funding in the sector.

26. **Data suggest public spending on health remains inequitable, with a historical concentration of resources in the capital city of Monrovia.** The report measured disparities in per-capita spending between regions and disparities in the availability and quality of health personnel (although the suspension of user fees has arguably increased access and utilization of services). The study also found that government subsidies are generally not pro-poor (with the exception of subsidies to government clinics). The magnitude of the bias was found more significant in higher-level health facilities (such as secondary and tertiary institutions) than in lower-level ones, and greater in magnitude for inpatient services than for outpatient services. These findings suggest that the government ought to invest more in lower level facilities if it is to achieve its health equity goals.

27. **Health care is expensive.** Despite the free health care policy, out of pocket spending (estimated at 35 percent of total health expenditures based on the 2007-08 National Health Accounts) constitutes a significant burden on the incomes of the vulnerable and poorest, with the poorest 20 percent of the

population reportedly spending as much as 17 percent of their annual income on health. Besides cost (access) issues, the sector suffers from poor quality. Of the reported 550 functioning health facilities (378 public and 172 private), only 31 percent of private facilities met the minimum facility accreditation criteria, while 80 percent of government facilities successfully met the criteria.

28. **The very prominent role of donor funding in health is an issue that deserves attention.** Fortunately, in both absolute and per-capita terms, total donor support to the sector appears to be sufficiently high such that Liberia's national health spending is comparable to those recommended internationally for low-income countries. While donors have clearly stepped up and contributed far more than the government to increase health spending, the level at which this occurs raises the issue of whether such funding can be maintained going forward. More specifically, donor funding was found in the last PEMFAR to represent about 69 percent of total public health expenditure (already considered well above average for low-income countries), while for this PER donors' share of public funding was close to or above 80 percent every year between 2008-09 and 2010-11. In fact, EC contributions for the sector are slated to increase significantly. While this would be a significant boost to the sector and would help to ease some immediate concerns, there are two important observations to make: first, to what extent does the government have the capacity to fulfill the conditions for the draw-downs consistently through the period; and second, whether this aid will cover up issues about the sustainability and predictability of health financing sources in the long term. Government needs to not only grapple with the challenge of ensuring current levels of donor funding, but also prepare a strategy to address the inevitable future reductions in these levels of funding.

29. **The health PER raises the concern that the sector is providing inadequate value for money.** Without a doubt, the Liberian health system began from a very low base after the war and the country to this day is still having to deal with the aftermath of those events. Notable progress has been made in many areas. Still, the headline message from the health chapter is that, while big strides have been made in raising and spending resources since the last PER, most of the increase in public spending has come at the cost of a deepening of donor dependence. Based on the available (but poor and limited) data and analyses, and given the amount of resources invested so far, the report suggests a disappointing return for all the dollars raised and spent in health. Much work remains to be done in this area.

Social Protection and Labor

30. **A large portion of the population is in need of public assistance.** The latest data indicate that nearly a quarter of the population (about 850,000 people) in Liberia is under-employed. Of those active in the labor market, almost 70 percent are employed in the informal sector. By contrast, formally paid employees (about 195,000 people) make up only about 5 percent of the population. When it comes to food insecurity (manifested through high malnutrition and stunting rates), it is both transient – that is, linked particularly to the rainy season – and chronic, often due to low productivity and production among rural communities. About 13 percent of households are food insecure and 28 percent are vulnerable to food insecurity. Social assistance programs in Liberia, therefore, tend to focus on these two groups and reflect (i) the immediate problems of providing nutrition to those in need and access to employment to those without any skills or training, and (ii) the more longer-term issues of assuring that future generations of the poor avoid a cycle of inter-generational poverty.

31. **Social protection interventions typically include social *insurance* and social *assistance* programs.** Formal sector employees are targeted through the social *insurance* programs, which covers pensions and workers compensation. The limited coverage of social insurance in Liberia is compounded by the small size of the country's formal sector, which constitutes only about 18 percent of the country's workforce and is tied to the country's urban centers. The government is the sole financier of social insurance programming. By contrast, social *assistance* programming is funded primarily by donor expenditures. The World Food Program (WFP) is the largest donor, funding approximately 50 percent of the sector; other key partners include USAID, UNICEF, the World Bank, the EU and UNDP. Social assistance projects in Liberia are fairly equally distributed at the regional level.

32. **Expenditure on social protection interventions fall into four main categories:** nutritional support (64 percent), pensions (18 percent), public works (16 percent), and cash transfers (3 percent). Although recent figures suggest spending on the sector is comparable to the regional average in SSA countries, it should be noted that GDP for Liberia is probably on the low side (thereby inflating the relative ratio of social protection) and that government is heavily reliant on international donors for its funding, which reinforces the concerns highlighted by the other sub-sector reports about the sustainability of the programs. The level of spending in the sector has remained relatively consistent throughout the period under review. Government spending heavily favors pension support, while donor financing (particularly in FY 2009-10 and FY 2010-11) favors nutritional support.

33. **Nutrition-related support represents the largest share of social protection spending and reflects the country's high and widespread food insecurity.** About 41 percent of the population is severely food insecure or vulnerable to food insecurity, 39 percent of children are stunted, and 19 percent are underweight. Spending is divided as follows: school feeding (30 percent), supplementary feeding programs (26 percent), and food distributions (8 percent). Donor allocations account for over 99 percent of nutritional support financing. WFP is the largest contributor to nutritional support and food distribution programs in Liberia. The problems in social protection and labor range from the immediate – such as providing access to employment to those without any skills or training – to those of a more long-term nature – such as assuring that future generations of the poor do not face similar problems so the country can avoid a cycle of inter-generational poverty.

34. **The unemployed are assisted primarily by public works programs.** This targeting reflects the Liberian context: informally self-employed people register very high poverty rates. In fact, households whose head is self-employed in agriculture (approximately 33 percent of the population) have a poverty share of 72 percent. Although the government does provide budgetary allocations for public works, over 80 percent of such programming in Liberia is donor financed. Government spending on public works interventions is heavily weighted toward administrative expenditures. Of the total FY2010-11 budgetary allocations in the MoL for public works, approximately 36 percent was allocated to programming costs, while approximately 64 percent was allocated to administrative costs.

35. **The policy issues arising from the social protection sector are relatively new for the nation.** While the government has long-running pension and work-related disability schemes for formal sector employees, it has only recently begun to focus on the importance of creating a productive safety net for its poor and vulnerable populations. The achievement of inclusive growth in Liberia will require active

government policies targeted toward the poor, vulnerable, and typically excluded populations. Not only do such interventions improve the lives of beneficiaries, they also have the capacity to promote economic growth and ensure the country's continued stability. The government's current challenge is to harness the potential impact of its own (and donor) expenditures toward the successful achievement of its long-term vision for the development of Liberia.

D. Recommendations

36. The following section brings together the recommendations outlined in the three sector chapters. Their presentation here, following upon the overviews above, helps to succinctly frame the issues and highlight the priorities current to Liberia's human development challenges. The text has been abridged from what is presented at the end of each sector report.

Education

37. **Probably the most “bang-for-the-buck” proposal for the education sector is improving the efficiency of resource utilization.** This would go a long way towards increasing fiscal space and thereby improving the quality of services and efficiency of the system as a whole. This entails strengthening the public financial management system with a focus on better control of payroll and more effective external oversight. Spending efficiency can be improved through cost sharing and better targeting of government subsidies to reflect socio-economic differences among students. Similarly, improvements can be had through better monitoring of the results and impact of spending on service quality and by strengthening capacity in financial and procurement management to increase value for money.

38. **Resources for education should be increased.** This sector is expected to represent approximately 12 percent of the national budget in FY2012/13, which falls significantly below the benchmark of 20 percent and the level allocated among other SSA countries. Any additional financing should target quality improvements in basic education, especially for vulnerable or marginalized students. The “pro-rich” tendencies observed in the expenditure data will need to be acknowledged and addressed. A service delivery or public expenditure tracking survey is recommended.

39. **The government needs to take immediate action to address the high proportion of out-of-school children.** If the current trend continues, Liberia will face severe challenges in achieving the MDG on universal primary completion, and encounter major constraints in developing skilled workers for its labor market. The government should move to quickly strengthen existing (or implement new) “second chance” programs to better prepare its youth (and overage student population) for work and life challenges. Initiatives to improve human capital should be increased without delay – the sooner they are implemented and effective, the sooner they can be phased out from the national budget in the years to come.

40. **Unequal access to education across socio-economic status and counties should be addressed.** The decentralization policy that is in place is insufficient because of limited funding and poor capacity to gauge needs and implement remedies. The “business as usual” approach to education is not working. One option to address the issue is to decentralize decision-making and fiscal responsibility to the school level

coupled with adequate funding. Another is to institute a better feedback loop to ensure that government officials work more collaboratively and in partnership with local communities.

41. **The quality of the teaching staff needs serious improvement.** A teacher development strategy is needed to ensure that Liberia's education system is well-managed and has a sufficient number of adequately trained and motivated cadre of educators. Teacher development is a critical factor in ensuring cost efficiency in public education expenditures. While there are various, generally agreed options for policymakers to consider when developing good teacher policies, there is no "magic bullet" formula. In Liberia's case, a quick diagnostic of the state of pre- and in-service teacher training and deployment would be helpful to highlight where good progress has been made and where the bottlenecks persist. Findings then need to be aligned with a pay scale that provides teachers with a decent living wage so that the requisite talent is recruited and retained in the profession.

42. **The education management information system (EMIS) and budget tracking system need to be improved.** This will help to better monitor resource allocation and utilization to inform government about policy reforms. While an initiative is underway (with support from USAID), the government will also need to strengthen the capacity of the recently established monitoring and evaluation team in the MoE. Better coordination between the MoE and MoF is also needed to improve the timely availability of data.

Health

43. **Donor funding at current levels for the health sector cannot be sustained indefinitely.** Evidence already points to some unpredictability in donor support, which makes planning difficult. The government needs to prepare a strategy to address the inevitable future reductions. A discussion with partners about future commitments and strategies for eventually reducing such dependence is encouraged.

44. **Following from the above recommendation, the government is urged to develop a medium-term resource mobilization strategy jointly with its health development partners.** The exercise would be best undertaken as part of a fiscal space analysis and the development of an MTEF. It should also identify areas of efficiency gains and any quick wins that would help boost returns for the dollars spent in the sector and improvements in the quality of care.

45. **Budget execution by the MoHSW has been less than optimal and needs to be urgently addressed.** Efforts to tackle this issue should involve both the MOHSW and the MoF; success in improving budget execution would help to convince partners that the government is serious about spending efficiency and will help justify any calls to increase funding.

46. **Serious effort is needed to improve the collection and handling of data so as to facilitate evidence-based policy decision-making.** The OFM, the Pool Fund and other agencies involved in tracking public sector health expenses are encouraged to address its shortcomings in this area. Further investment in the statistical services (monitoring and evaluation functions) of the MoHSW may be required. There is also a need to disaggregate expenditures at the budget level so estimates of spending at the primary, secondary and tertiary levels of the health system can be carried out. Capacity for detailed analysis of health spending and its impacts should be strengthened so government can better gauge the

effectiveness of its health policy initiatives. The Liberia Institute for Statistics and Geo-Information System is encouraged to lead the coordination among health data producers with an aim to harmonize the definition of health indicators and thus increase consistency.

47. The importance of social assistance programs in the post-conflict situation of Liberia would seem to be self-evident; it would therefore seem nearly just as important to be able to accurately track spending under such programs to be able to judge to what extent such spending is or is not commensurate to the challenges.

Social Protection

48. **The National Social Protection Secretariat should continue its efforts to develop clear(er) institutional arrangements and design more robust implementation and monitoring mechanisms.** The sector is fragmented and lacks adequate coordination between units and programs. Capacity building and further integration of donor financing within the national framework are required.

49. **To improve system efficiencies over the short-term, a common targeting system and comprehensive beneficiary registry database for social protection interventions should be created.** Improved targeting and removing overlaps in coverage can have a positive impact on reducing poverty.

50. **The government is encouraged to create a pooled donor fund (similar to what exists in the health sector).** The benefits are several: it would help the authorities oversee the design, implementation, and impact of social protection interventions in a more systematic manner, and the synergies gained among programs could be exploited to leverage the impact of social protection expenditures toward poverty alleviation and cost savings.

51. **Social *assistance* and social *insurance* interventions should be developed simultaneously but with each having different time horizons.** Social *assistance* programs are critical in the short- and medium term to address pockets of extreme poverty or vulnerability throughout the country. Over time and as the economy develops and the private sector expands, social *insurance* schemes can increase their coverage to provide social protection and security to an even greater portion of the population.

52. **Immediate attention is required to address shortcomings in the benefit level of pensioners.** While these expenditures represent over three-quarters of government spending on social protection, some recipients still do not receive adequate coverage (particular those affected by the devaluation of the Liberian dollar during the conflict). The ongoing actuarial reviews of NASSCORP and CSA are good first steps in understanding the operating efficiency of these pension programs. Actuarial studies could also help identify areas for increased efficiency in the allocation of this relatively large financial allocation.

53. **Over the long-term, government could realize a more comprehensive, and perhaps more fiscally efficient, insurance system by transiting to a single, contributory scheme.** This program could provide an expanded range of social insurance, including retirement, invalidity, and survivors pensions. The design of such a coordinated system will require research and consideration by the authorities as to the objectives of its social insurance initiatives.

54. **Given the country's fiscal constraints, the government should be realistic about the possibilities to create additional fiscal space for social protection.** Rather, it should reconsider current expenditures within a cohesive national framework developed through the National Social Protection Strategy. In particular, three basic options can be considered: (i) the reallocation of expenditures both within and between sectors; (ii) better integration of donor financing in the national budget planning processes and improved coordination by the government of external resources; and (iii) continued borrowing from donors to maintain current expenditures levels.

PART II – Sector Reports

1. Expenditure in the education sector

A. Introduction

1. **Research shows a clear linkage between education attainment and its positive contributions to economic prosperity and the reduction of poverty and deprivation.** Quality education is fundamental for the economic, social, and political transformation of Liberia. Liberia's development trajectory will depend on its ability to reap the benefits of post-war reconstruction, including investments in infrastructure, agriculture, and private sector growth. Enhancing Liberia's human capital potential is critical for the transition to an economy based on improved productivity, innovation, and technology.

2. **Education is a vital contributing factor to improving social cohesion and stability.** Conflict and education can be considered two sides of a coin that have the power to transform societies, but also each other. How conflict and education are managed can prove to be the fault line between whether countless lives will be lived in prosperity or prolonged hardship. Education is a smart investment in terms of return on investment a country can make to promote its own economic and social development and to lay a foundation for a democratic society (Buckland, 2005).

3. **Simply going to school is not sufficient; what matters more is what students actually *learn* in the classrooms.** Children must not only enroll in school, they must also have access to high quality and motivated teachers, relevant learning materials, and a stimulating environment that enhances not only their cognitive, behavioral, and technical skills but also provides an opportunity for reflective learning through experience. By measuring education levels based on what students have learned, one influential study estimates that an increase of one standard deviation in student scores on international assessments of literacy and mathematics is associated with a 2 percent increase in annual GDP per-capita growth (Hanushek and Woessmann, 2008).

4. **Education in Liberia is at a critical juncture: signs of progress are evident but significant challenges remain, particularly with respect to improving students' learning outcomes.** Liberia is likely to meet the Millennium Development Goal (MDG) of gender equality in primary and secondary education, and school dropout and repetition rates through senior secondary education are reasonably low. Enrollment in early childhood education (ECE) and higher education have recorded significant gains. Decentralization of the education system is expected to improve service delivery, particularly to vulnerable and/or marginalized groups, while enhancing accountability. However, decentralized service delivery is not yet operational and, at least in the short term, the administrative transition is likely to result in some disruptions. At the same time, while reasonable progress has been made in primary gross enrollment rates, Liberia is unlikely to meet the MDG of universal primary completion by 2015. Liberia continues to grapple with providing equitable access to quality schooling at all levels and the challenges related to extremely high rates of out-of-school children. Public sector governance and accountability also remain weak; rebuilding trust with schools and communities is essential for the MoE. A critical first step

is payroll reform: this applies to the MoE and county/district offices, as well as for teachers and administrators.

5. **Liberia’s increasingly young population presents both challenges and opportunities: prioritizing the improvement of education quality is an urgent prerequisite for ensuring that future generations become fully functional, literate, and skilled members of society.** Currently, 75 percent of the population in Liberia is below the age of 35 (CWIQ 2010). Everything else equal, the larger the population the less available are education and employment opportunities due to absorptive capacity constraints, whether in schools or in the labor market. The youth bulge, however, also presents significant opportunities for Liberia. The rapid rise in the ratio of the working to nonworking populations in East Asia may have played a role in the successful rise of the Asian Tigers (Bloom and Williamson, 1998). Reaping the benefits of the demographic dividend requires ensuring that sufficient budget is allocated to address priority issues at all levels of education and that a strong targeting mechanism is in place for funds to reach the most vulnerable and marginalized populations.

6. **The three tenets of education investments can be summarized as follows: invest early, invest smartly, and invest for all.** First, foundational skills acquired early in childhood make possible a lifetime of learning (challenging the traditional view that education begins in primary school). Second, getting value for the education dollar requires smart investments — that is, programs that have proven to contribute to learning. Quality needs to be the focus of such investments, with learning gains as a key metric of quality. Third, “learning for all” means ensuring that all students, not just the most privileged or gifted, acquire the knowledge and skills that are needed. This goal will require lowering the barriers that keep vulnerable and marginalized groups from attaining similar amounts of education as do others (World Bank, 2011).

7. **This chapter draws on recent data and updates findings from the previous 2008 PER.** The main data sources for the analysis include: (i) 2007 and 2010 Core Welfare Indicators Questionnaires (CWIQ), (ii) 2007 Demographic and Health Survey (DHS), (iii) 2008/09 and 2010/11 Ministry of Education School Censuses, (iv) 2009/10 and 2011/12 Higher Education Institutions Survey, and (v) budget, payroll, and donor partner financing information from the Ministry of Finance.

8. **With respect to data quality, many issues noted in the previous PER remain, including:**

- *Lack of a tracking mechanism for donor contributions to the sector.* Most donor funds are channeled outside the national budget system and instead go directly to implementing agencies. For example, according to the 2008 PER, 49 percent of the total spending of US\$72.8 million on education came from donors, but those funds could not be tracked.
- *No budget disaggregation by level of education.* The budget framework from the Ministry of Finance does not distinguish between pre-school and primary levels, or junior and senior secondary education, thereby making it difficult to analyze efficiency by level of education.
- *A centralized system of budget management remains in place, despite a decentralization law.* Although Liberia’s education system is in the process of creating a decentralized management system, most education budgets are executed at the central management unit, thus hindering analysis of equity and linkages between resources and educational outcomes. There has been a recent effort to collect program and finance information from the donors to

improve donor coordination. This informal approach should become regular and more systematic.

9. **There is a disparity between data from household surveys and national school censuses.** The 2008/09 School Census shows a primary gross enrollment ratio (GER) of 103 percent, compared with the CWIQ 2007 and 2010 that show 86.3 and 87.7 percent, respectively. For the current PER, household surveys were primarily used for international comparisons and equity analysis, whereas the school census results are used for internal efficiency estimation and to calculate indicators such as student-teacher ratios, spending per student, textbook per student, and class size.

10. **The structure of this chapter is organized in six sections.** Following the Introduction, Section Two discusses the education system's administrative structure and recent policy reforms. Section Three analyzes school flows (enrollment, dropout, and repetition). Section Four examines trends in public expenditure by level of education and sources of funding. Section Five conducts a value-for-money analysis by comparing resources against performance, equity and efficiency. The final Section summarizes the findings and offers recommendations for improving the performance of the education sector.

B. Education management and accountability

(i) Governance: structure and challenges

11. **The current legal framework for the education sector is primarily informed by the Education Reform Act 2011, as well as the Education Sector Plan (ESP) 2010-2020.** One of the reforms introduced through the Education Reform Act is the decentralization of the education system with the aim of improving service delivery across the country. County Education Offices (CEO) have been established in all 15 counties, and each county education officer has district education officers reporting to them. This structure is intended to provide a direct link between the schools/communities and the county/central levels. CEOs are now legally responsible for the provision of educational services in the counties, and their functions and responsibilities include budget preparation and implementation of policies and procedures. However, because resource constraints delayed deployment of adequate staffing of CEOs and severe capacity limitations are ever-present, the decentralization of the system is expected to take some time. In August MOE has trained and will deploy seventy five staff for the counties including finance, procurement and monitoring.

12. **The hierarchical structure of the MoE likely contributes to the lack of effective communication and sector coordination, implementation, and monitoring.** Under the minister of education, there is a deputy minister for each of the three departments: (i) Administration, (ii) Planning, Research and Development, and (iii) Instruction. The departments are further divided into ten bureaus, which are led by assistant ministers. In 2011, a donor coordinator was hired and the Sector Coordination Unit was established to address some of the administrative challenges. The minister, deputy ministers, and assistant ministers are nominated directly by the president and then endorsed by the Senate. While the minister and deputy ministers were appointed following the 2011 elections, it is not yet clear whether the assistant ministers will be re-appointed.

13. **Weak governance continues to hamper the sector’s ability to meet the needs of increasingly disenchanted beneficiaries.** The 2012 Coalition for Transparency and Accountability in Education (COTAE) report highlights several issues that are worth further examination, mostly focusing on allegations of mis-procurement due to weak governance. The report recommends fiscal de-concentration and administrative decentralization to local government levels, and building in social accountability mechanisms to elicit feedback directly from community members and beneficiaries.

14. **The central government in the education sector appears to be both overstaffed with more than 860 staff on the MoE payroll and under-skilled to manage and monitor the sector.** Payroll reform for the education sector is urgently needed, a recommendation that was also noted in the 2008 PER. A leaner MoE with clearly defined roles and functions, paired with targeted capacity building, will further enhance management and accountability of the sector. The MoE is also responsible for the largest public sector payroll in the country. Presently, there are three official payrolls, one each from the MoE, MoF, and the Civil Service Agency. The MoE is currently undergoing a payroll unification exercise with financial and technical support from USAID. The exercise will identify gaps among the three payrolls in an effort to remove unauthorized employees and eliminate double counting. A payroll analysis that was initiated in 2011 identified a discrepancy of around 6,000 employees that were not on all three payrolls. An electronic employee tracking systems using biometric identification cards is being introduced, and it is expected that the payroll will be automatically generated as employees are registered and then monitored regularly.

(ii) Structure of the education system

15. **Education expenditure data in Liberia are grouped as follows: pre-primary, primary, secondary, and tertiary education; however, the structure has been modified under the new Education Reform Act 2011** as follows: early childhood education (ECE; two years), basic education (comprising primary and junior secondary education; nine years total), senior secondary (three years), and tertiary education. The Ministry of Education manages “general education,” which is comprised of the above four groups. Teacher training is available at both the senior secondary school and tertiary levels, while technical vocational education and training (TVET) is available starting with the most basic of skills training in centers at the primary level through tertiary level. TVET is overseen by four ministries: Education, Youth and Sports, Agriculture, and Labor. Schools are divided into four classifications: public, community, private, and faith-based (details of the education system structure is presented in Figure A1, Annex A).

16. **The financial analyses of this PER focus on public and community schools.** Public schools are operated and fully financed by the government. Community schools are established and then operated by a community for a period of time, after which the government takes over. Since community schools are funded by and ultimately administratively absorbed by the government, both public and community schools are included in all analyses. Private and faith-based schools do not receive full government funding but instead the MOE provides subsidies, thus they are excluded from the financial analyses but included in the sections that discuss enrollment, dropout and repetition rates.

17. **Pre-primary and primary education is free and compulsory, while fees for junior secondary were reduced in 2005.** As noted above, the Education Reform Act 2011 combines primary and junior secondary levels and refer together as basic education. While junior secondary education is not free and compulsory, the Act is expected to channel more funding to this level to improve access and quality. Liberia also established the Accelerated Learning Program (ALP) to provide a second chance education for older out-of-school children and adolescents, which allows them to complete a primary education in three years.

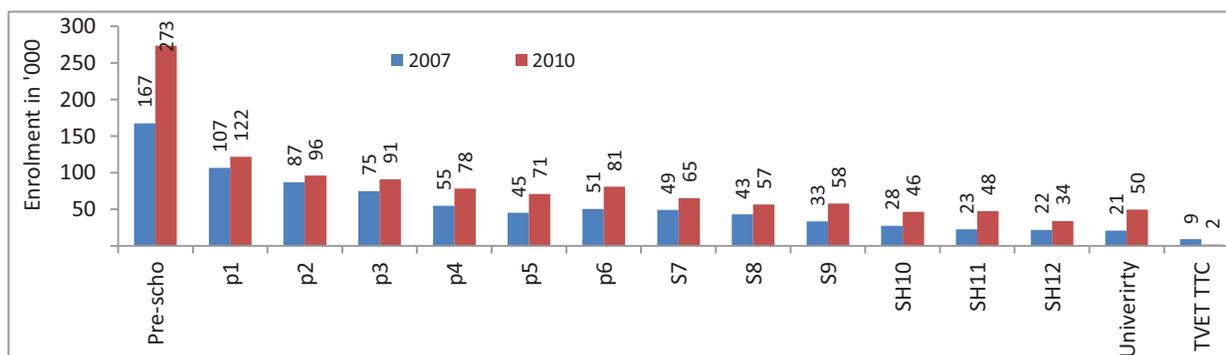
C. Progress and challenges in the education sector

18. **In the nine years since the end of the civil war, many education indicators reveal improvement, although significant challenges remain.** Liberia has made good progress to improve gender equality in primary and secondary education, and school dropout and repetition rates through senior secondary education are reasonably low. Enrollment in early childhood education (ECE) and higher education have recorded significant gains. Despite reasonable progress made in primary gross enrollment rates, it continues to grapple with providing equitable access to quality schooling at all levels and challenges related to extremely high rates of out-of-school children. Thus, by 2015, Liberia will likely meet the Millennium Development Goal (MGD) of gender equality in primary and secondary education but will lag behind on the MDG of universal primary education.

(i) Enrollment

19. **Nominal school enrollment increased significantly between 2007 and 2010.** Enrollment grew by 43 percent, with the largest improvement occurring in pre-primary (about 30 percent of total enrollment gain). In terms of change, tertiary enrollment showed the highest gain (135 percent), followed by senior secondary school (77 percent; Figure 1-1). Geographically, most of the enrollment gains came from the Greater Monrovia area, which accounted for 34 percent of the total enrollment in 2010, an increase of 64 percent from 2007. Some counties expanded enrollment by more than double (including Montserrado, Grand Bassa and Grand Gedeh), while three counties (Gbarpolu, Grand Cape Mount and Lofa) experienced a drop in enrollment (Figure A3, Annex A). By type of school, the highest gain in enrollment was found in private schools, an increase of 68 percent in three years (Figure A4, Annex A).

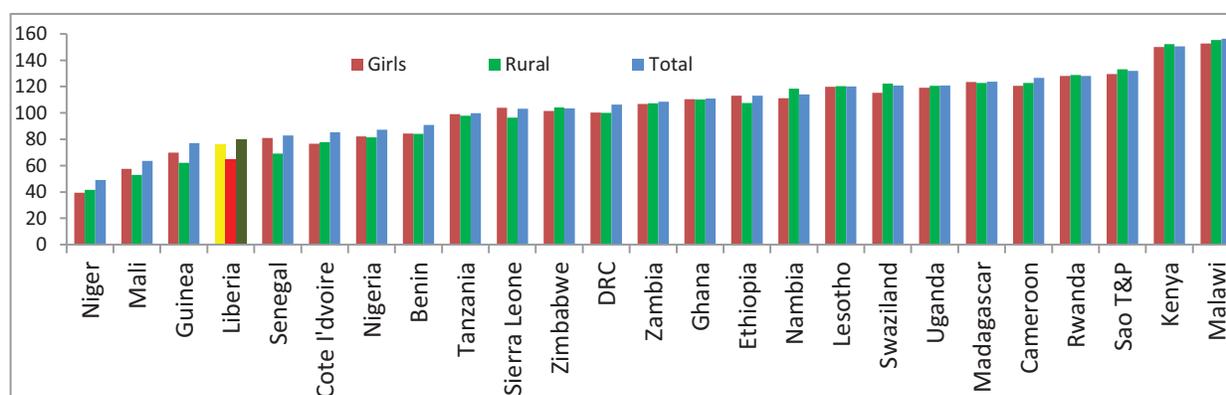
Figure 1-1: Nominal enrollment by level of education (2007 and 2010)



Source: CWIQ 2007 and 2010

20. **Liberia has made improvements in gross enrollment rates at all levels, but is unlikely to meet the MDG on universal primary completion by 2015.** Gross enrollment ratio at the primary level increased from 86.3 percent in 2007 to 87.7 percent in 2010. The enrollment trajectory means that Liberia is unlikely to achieve universal primary education by 2015 (Table A2, Annex A). In addition, data from Demographic and Health Surveys (DHS) between 2006 and 2010 for 25 African countries show that Liberia ranks at the bottom fourth with respect to the gross enrollment rate, coming in behind Niger, Mali, and Guinea (Figure 1-2). Liberia's primary GER is also lower than other conflict-affected countries, such as Côte d'Ivoire and Sierra Leone. In 2010, junior secondary school enrollment was 62.2 percent (an increase of only 0.6 percent from 2007), while the senior secondary school was 53.3 percent (a more significant increase of 14 percent from 2007).

Figure 1-2: Primary gross enrollment ratio in African countries, by sex and geographical location

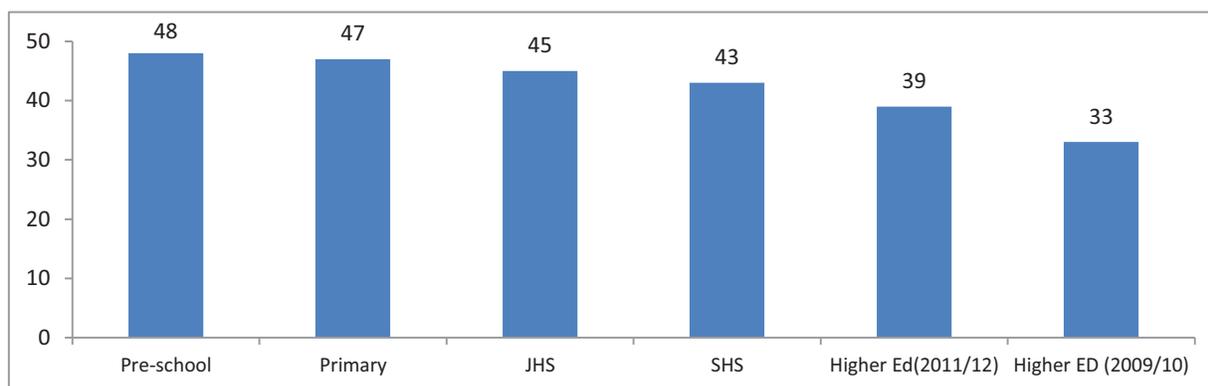


Source: Staff's computation using DHS 2006-2010

21. **Net enrollment at all education levels remains low, ranging from 32.4 percent in primary to 5.4 percent in senior secondary.** The primary net enrollment ratio (NER) of 32.4 percent in 2010 reflects a 2.5 percentage point increase from 2007 (Table A3, Annex A). Junior secondary NER is much lower, at less than 10 percent. The large discrepancy between gross and net enrollment ratios can be explained by the backlog of adolescents and youth who have not enrolled in school, resulting in a large number of overage students. The 2010/11 School Census shows that only five percent of students in government and community schools and ten percent of students in private and faith-based schools are in the right age-grade cohort. Indeed, it is not unusual to find adolescents in lower primary school grades, or even in pre-primary school.

22. **The gender gap in access to all levels of education is narrowing, and Liberia is likely to meet the MDG of the gender parity in access to primary and secondary education by 2015.** Girls make up 48 percent and 47 percent of enrollment in pre-primary and primary, respectively (Figure 1-3). Liberia is one of ten countries globally that showed such significant progress towards gender parity in primary enrollment. Although slightly lower, girls still constitute 45 and 43 percent in junior and senior secondary school levels, respectively. Even in higher education, female students are quickly catching up with their male counterparts, registering a six percentage point increase between 2009/10 and 2011/12, from 33 percent to 39 percent.

Figure 1-3: Female enrollment by level of education (percent)



Source: School Census 2011/11 and Higher education survey 2008/10 and 2011/12

23. **Regional disparities remain, both with respect to general enrollment and gender parity.** National average figures for primary GER, for instance, hide regional variations ranging from 45.9 percent in River Cess county to 116.9 percent in Maryland County (Table A2, Annex). Despite the eradication of gender disparities in urban areas, girls living in rural areas tend to have less access to primary and secondary education: for example, female junior secondary school GER in Margibi is 29 percent, compared with 42.4 percent for males.

(ii) Dropout and repetition rates

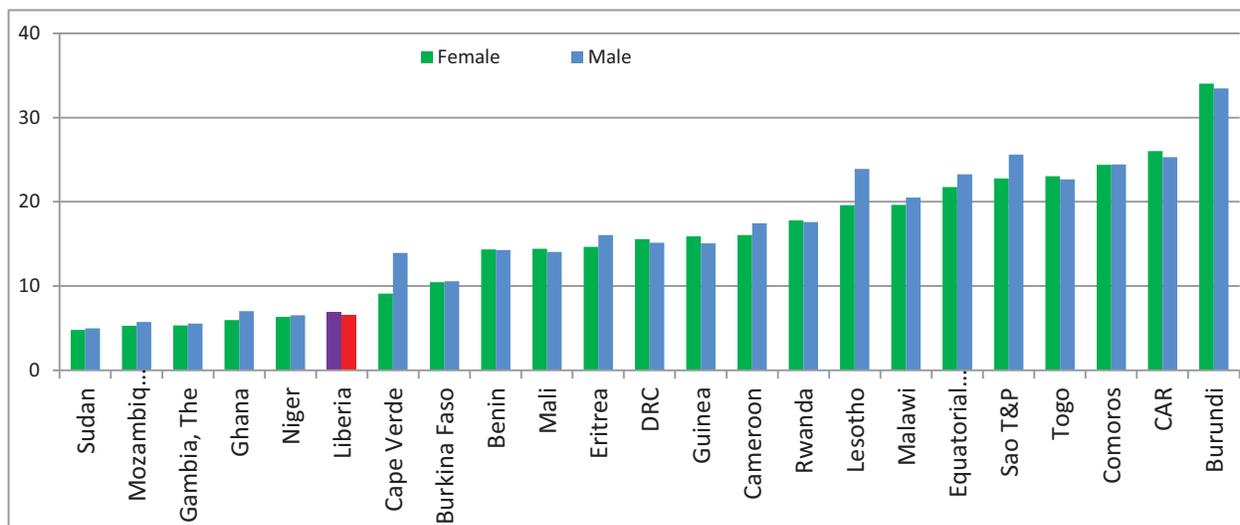
24. **Only about 3.5 to 6 percent of children dropout in primary, junior secondary, and senior secondary levels; yet this is seemingly contradictory to low enrollment trends (Table 1-1).** Most countries with low dropout and repetition rates have high enrollment, however, this is not the case in Liberia. As discussed above, there is a large number of overage students in Liberia’s education system and they may contribute to the counter-intuitive finding. However, the low dropout and repetition rates among older children are encouraging, because in most countries, such students tend to become discouraged and leave. In fact, Liberia’s repetition rate is the lowest among Sub-Saharan African countries (Figure 1-4).

Table 1-1: Dropout and repetition rates by grade, gender, and levels of education

Grade	Primary dropout rate (%)							JHS dropout rate (%)				SHS dropout rate (%)			
	1	2	3	4	5	6	Overall	7	8	9	Overall	10	11	12	Overall
Boys	5.7	5.3	5.4	5.5	5.5	5.1	5.4	6.0	5.8	5.4	5.7	5.1	4.0	2.3	3.8
Girls	6.1	5.9	6.2	6.2	6.8	6.9	6.4	7.7	7.1	6.7	7.2	6.3	5.3	2.5	4.7
Grade	Primary repetition rate (%)							JHS repetition rate (%)				SHS repetition rate (%)			
	1	2	3	4	5	6	Overall	7	8	9	Overall	10	11	12	Overall
Boys	7.8	6.5	6.1	5.6	5.0	4.1	5.9	5.0	4.4	4.1	4.5	4.8	3.8	2.5	3.7
Girls	8.5	7.2	6.7	6.2	5.8	4.7	6.5	5.7	5.1	4.2	5.0	5.2	4.3	2.6	4.0

Source: EMIS 2010/11 School Year

Figure 1-4: Repeaters in primary education for 23 SSA countries (percent)



Source: DHS 2006-2010

25. **Girls experienced higher dropout and repetition rates at all levels compared with their male counterparts.** With the generally overage population in school, some hypotheses can be drawn to explain the higher dropout and repetition rates for girls, who are more likely to: (i) care for other family members, including siblings and sick family members especially if a parent or parents are deceased, (ii) engage in early marriage or become pregnant as a teenager, (iii) become the target of sexual assault by teachers, and (iv) find the school environment generally hostile, including at schools where latrines are unavailable. For Liberia to truly turn the lower rates of dropout and repetition into a success story, the challenge of retaining girls in school needs to be tackled.

D. Financing of the education sector

(i) Sources of funding

26. **Although education in Liberia is financed by the government, donors, and private out-of-pocket contributions, analyses by funding source is not possible.** A breakdown by funding source is not available since the CWIQ no longer tracks private expenditures on education. The MoE only recently started to track donor partner financing to the sector. From the 2008 PER, however, it is clear that the education sector relies heavily on financial contributions from households and donors. At the same time, the government has been able to increase public expenditures on education as evidenced by an increase in the nominal amount and in the share of total public expenditure as a share of GDP.

27. **Estimates suggest large year-to-year variation in donor financing for education, ranging from 38 to 53 percent over a three-year period (2009/10 to 2011/12).** Major donor partners contributing to the education sector include the United States Agency for International Development (USAID), The United Nations Children's Fund (UNICEF), Open Society Foundation (OSF), European Union (EU), World Food Program (WFP), and the World Bank. Most donor financing focuses on basic education, with the exception of the USAID Excellence in Higher Education for Liberia's Development

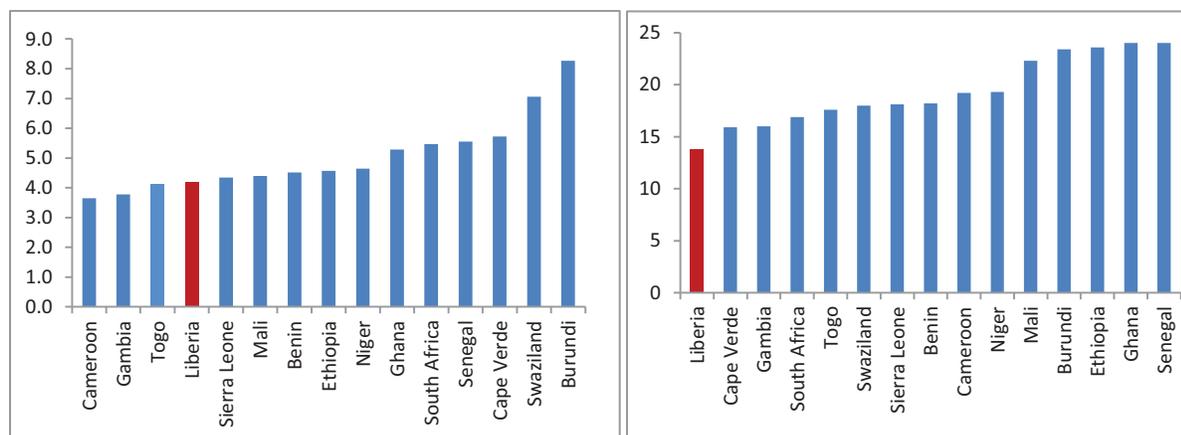
(EHELD) program and the World Bank’s analytical and technical assistance to the National Commission of Higher Education (NCHE). No donor is currently engaged in secondary education. Despite the significant funding in the form of external aid, the MoE does not have an effective monitoring and tracking system to ensure that the resources reach the intended beneficiaries and contribute towards meeting the sector’s goals.

(ii) Level of public spending on education

28. **Education's share in total government spending has remained constant, hovering around 14 percent between 2009/10 and 2011/12, while its share in GDP shows an upward trend over the same period of time.** Public spending on education increased from 4.2 percent to 5.1 percent of GDP between 2009/10 and 2010/11, and is projected to increase to 6.0 percent in 2011/12 (Table A4, Annex A). Education sector expenditures include funds spent by any line ministry and other government institutions that contributed to the sector; for example, education expenditures include funds disbursed by the Ministry of Youth and Sports on TVET.

29. **Despite the increasing trend, a comparison with other SSA countries suggests that Liberia’s total public spending on education remains low.** Out of 15 SSA countries, education spending as a share of GDP in Liberia was the fourth lowest, while Liberia ranked at the very bottom in the share of education in total public expenditures (Figure 1-5). Despite the increasing trend, actual spending is both below the government target as espoused in the Education Sector Plan 2010-20 and the Global Partnership for Education minimum benchmark (both 20 percent).

Figure 1-5: Education expenditure (percent of GDP (left) and percent of total expenditure (right))



Source: UIS 2009 and Liberia MoF

30. **The share of expenditure allocated to primary education in Liberia was lower than that allocated to tertiary education (Table 1-2).** Primary education expenditure accounted for 32.7 percent of the total education budget, while tertiary education accounted for 34 percent of total expenditure on

education. International comparison of the shares of primary and tertiary education expenditures among 14 selected African countries shows that expenditure on primary education in Liberia ranked second from the bottom, while expenditure on tertiary education in Liberia ranked the highest. Expenditure on secondary education (24 percent of total education expenditure) ranked the fourth after Uganda (23 percent), Benin and Togo (22 percent each), and Madagascar (20 percent).

**Table 1-2: Education expenditures by level in select African countries, 2009
(in percent)**

	Primary	Secondary	Tertiary
Cameroon	29.9	58.6	7.4
Liberia	32.7	24.2	34
Ghana	34.2	39	21.3
Mali	39.9	40.7	18.7
Senegal	43.8	29.6	23.7
Cape Verde	47	31.2	12.1
Madagascar	47.2	20.1	17.7
Sierra Leone	49.9	32.6	17.5
Burundi	50.8	25.1	20
Togo	50.8	35	14.2
Gambia	51.1	33.7	13.9
Uganda	58.3	23.8	11.7
Benin	59.1	22	17
Niger	61.1	22	11.8

Source: UNSECO and Liberia Ministry of Finance

31. **Recurrent expenditures (compensation of employees, travels, and others) in the education sector accounted for more than 90 percent of total expenditure on education during 2009/10-2011/12.** The Ministry of Education received the largest share of education budget compared to other ministries that operate education institutions. Within the MoE, wage and salaries accounted for the largest share of total spending (44 percent of total expenditure on education). Transfers from the ministry to other education institutions accounted for the second largest share (more than 30 percent). The remaining expenditure in the ministry was allocated to travel and other items (Table 1-3).

**Table 1-3: Education expenditures, recurrent and capital
(including personnel and non-personnel recurrent expenditure, 2009/10 - 2011/12)**

	Amount in Million of US\$			As percentage of Total Education Expenditure		
	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
Recurrent Expenditure (Sub-total)	38.84	49.61	69.54	98.3	87.5	93.5
Ministry of Education	37.23	46.89	66.28	94.2	82.7	89.1
<i>Employee compensation</i>	19.58	25.25	32.78	49.5	44.5	44.1
<i>Transfer</i>	12.36	16.67	24.73	31.3	29.4	33.3
<i>Travel</i>	1.47	1.73	3.87	3.7	3.0	5.2
<i>Scholarships</i>	1.20	.81	1.33	3.0	1.4	1.8
<i>Others</i>	2.62	2.43	3.58	6.6	4.3	4.8
Other Ministries	1.62	2.72	3.25	4.1	4.8	4.4
Capital Expenditure (Sub-total)	.68	7.11	4.83	1.7	12.5	6.5
<i>Non-residential buildings</i>	.53	4.52	3.79	1.3	8.0	5.1
<i>Transport Equipment</i>	.12	.14	.56	0.3	0.2	0.8
<i>ICT infrastructure, and Facilities</i>	.02	.24	.06	0.1	0.4	0.1
<i>Furniture and Fixtures</i>	.01	1.82	.07	0.0	3.2	0.1
<i>Others</i>	.00	.39	.35	0.0	0.7	0.5
Total Education Expenditure	39.52	56.73	74.36	100.0	100.0	100.0

32. **The share of capital spending in total expenditure on education was low and volatile and concentrated on school construction.** The share of capital spending on education that fluctuated between 1.7 and 12.5 percent between 2009/10 and 2011/12 was low compared to the Global Partnership for Education minimum (GPE) benchmark of 40 percent. The volatility in the share of capital spending was due to substantial dependence on external aid, which is unpredictable. Most capital expenditures (78 percent in 2009/10, 64 percent in 2010/11 and 79 percent in 2011/12) were allocated to school construction (Table 3).

33. **Capital investment in the education sector over the past years has been dominated by donors due to their significant levels of funding; however, the government has recently begun to assume more ownership in this area.** The Ministry of Education has taken stronger ownership as demonstrated by its effort towards the setting of priorities for capital spending in the education sector. It is developing standard guidelines for school construction and maintenance including a school construction database. The database includes ongoing and pipeline projects under each donor partner and takes into account student enrollment projects. The School Census shows in 2010/11 about 32 percent of schools either have minor or major damages and that this rate varies greatly by county. This information is expected to be taken into account in future school construction projects (Figure A5, Annex A).

34. **Expenditures by level of education show that compensation to employees in primary and secondary education crowded out other non-wage recurrent expenditures.** In primary education, compensation to employees increased during FY2009/10 and 2011/12 and accounted for about 90 percent of total expenditure, while goods and services accounted less than 10 percent in FY 2011/12 (Table 1-4). By contrast, compensation to employees in secondary education declined (from over 80 percent in FY2009/10 to about 76 percent of total expenditure in FY2011/12), thus increased space for expenditure on goods and services.

Table 1-4: Expenditures by level of education, 2009/10 – 2011/12
(Recurrent expenditures and share of personnel and non-personnel expenditures)

	Amount in US\$			Percentage of total by s of education		
	2009/10	2010/11	2011/12	FY10	FY11	FY12
Primary	16,164,918	17,951,653	20,932,964	100.00	100.00	100.00
Employee Compensation	13,256,669	14,722,716	18,912,220	82.0	82.0	90.3
Transfers	777,087	152,037	69,233	4.8	0.8	0.3
Goods and services	2,131,162	3,076,900	1,951,511	13.2	17.1	9.3
Secondary	5,930,150	10,601,217	15,512,623	100.0	100.0	100.0
Employee Compensation	4,809,957	8,836,958	11,744,885	81.1	83.4	75.7
Transfers	8,648	7,965	8,873	0.1	0.1	0.1
Goods and services	1,111,545	1,756,294	3,758,865	18.7	16.6	24.2
TVET	3,257,987	4,106,180	5,898,882	100.0	100.0	100.0
Employee Compensation	1,500,143	1,811,751	2,152,784	46.0	44.1	36.5
Transfers	616,087	1,319,811	1,958,498	18.9	32.1	33.2
Goods and services	1,141,756	974,618	1,787,600	35.0	23.7	30.3
Higher	11,409,467	14,734,945	21,765,853	100.0	100.0	100.0
Employee Compensation	438,810	419,277	509,526	3.8	2.8	2.3
Transfers	10,573,532	14,067,244	20,649,161	92.7	95.5	94.9
Goods and services	397,125	248,424	607,166	3.5	1.7	2.8
Grand total*	38,842,825	49,612,644	69,539,131	100.0	100.0	100.0
Employee Compensation	20,005,580	25,790,702	33,319,415	54.4	54.4	52.0
Transfers	11,975,354	15,547,057	22,685,765	32.6	32.8	35.4
Goods and services	4,781,589	6,056,236	8,105,143	13.0	12.8	12.6

Source: Author's computation from the Ministry of Finance Budget

Note: * Transfer components of the grand total include transfers to non-public schools/institutions (US\$2.1 million in 2009/10, US\$2.2 million in 2010/11, and US\$5.4 million in 2011/12)

35. **Compensation to employees and goods and services in higher education are understated and disguised under transfers to education institutions.** Transfers in the higher education sector accounted for over 90 percent of the recurrent higher education expenditures, of which 70 percent was the transfer to the University of Liberia (whose enrollment accounted for about 54 percent of total higher education enrollment). These transfers can be spent on any expenditure type, including salary, goods and services, and capital expenditures; however, detailed information is not available. Agencies that receive transfers from the government do not submit financial statements that detail disbursement information as required by the 2009 Public Financial Management Act and the breakdowns of transfers by detailed expenditures are not available due to the weak financial management and procurement systems. Further, the MoE has limited control over disbursement of funds because funds flow directly from the Ministry of Finance to the recipient agency or institution.⁷

⁷ Transfers and subsidies were high at US\$32 million in 2007/08, as the government finances a large number of permanent and transitional commissions with specific functions (Truth and Reconciliation Commission, Governance Commission, and so on) and subsidizes some agencies and state-owned enterprises that are not yet generating revenue. The efficiency of this expenditure is hard to assess because transfers and subsidies can cover any type of expenditure (salaries, goods and services, or capital expenditure).

E. Quality, equity and efficiency of public expenditure on education

36. There are significant variations in education inputs across counties; however, the relationship between the quality of inputs and student learning is inconclusive. Key inputs to education including trained teachers, textbook, class and school sizes, etc. are allocated unevenly across counties. Given the large variation in school size and number of teachers throughout the country, the ratios of student-to-trained teacher ranges from 30:1 in Grand Cape to 77:1 in Sinoe, while disparities across counties for the student-all teacher ratio (from 17:1 to 38:1 in Sinoe) and student-text book ratio (ranging from 1:1 and 2:1) are not as large (Table 5). The impact of these inputs on student learning as measured by the West Africa Examination Council (WAEC) is inconclusive. The WAEC⁸ score (ranging from the highest score of 1 to the lowest score of 9) for all counties in Liberia are poor, ranging from 7.4 in River Gee to 8.5 in Grand Kru and Gbarpolu. The low ratio of students to trained teachers in Grand Cape Mount and Montserrado (30:1 and 39:1, respectively) does not improve the WAEC scores in Grand Cape Mount (8.4) and Montserrado (8.0). By contrast, the worst WAEC scores of 8.5 each registered in Grand Kru and Gbarpolu correspond to high ratios of student to trained teacher (77:1 and 60:1, respectively). River Gee, with the best score among the counties (7.4), has the student to trained teacher ratio of 58:1 (slightly above the Liberia average of 55:1) but has a student-textbook ratio of 2:1. However, the WAEC is not considered as a good assessment of student learning due to lack of standardization in terms of its contents and quality, thus the scores are not comparable.

Table 1-5: Education inputs by county

County	% of Trained	STR		Student to Textbook Ratio	Class Size	School Size	Grade 12 WAEC score
		All teachers	Trained teachers				
Bomi	56	28	50	1	25	92	7.7
Bong	66	38	57	2	38	166	8.2
Gbarpolu	60	36	60	2	33	133	8.5
Grand Bassa	53	28	52	2	23	95	8.0
Grand Cape Mount	76	23	30	2	21	83	8.4
Grand Gedeh	47	25	54	1	29	128	7.9
Grand Kru	34	27	77	1	28	128	8.5
Lofa	59	35	60	2	36	164	8.0
Margibi	72	30	42	1	35	153	7.9
Maryland	48	32	67	1	33	140	8.3
Montserrado	56	22	39	1	33	141	8.0
Nimba	62	32	51	2	37	165	8.3
River Cess	46	29	63	2	18	109	7.8
River Gee	40	23	58	2	24	89	7.4
Sinoe	22	17	78	2	15	74	8.4
Liberia	53	28	55	2	29	125	8.2

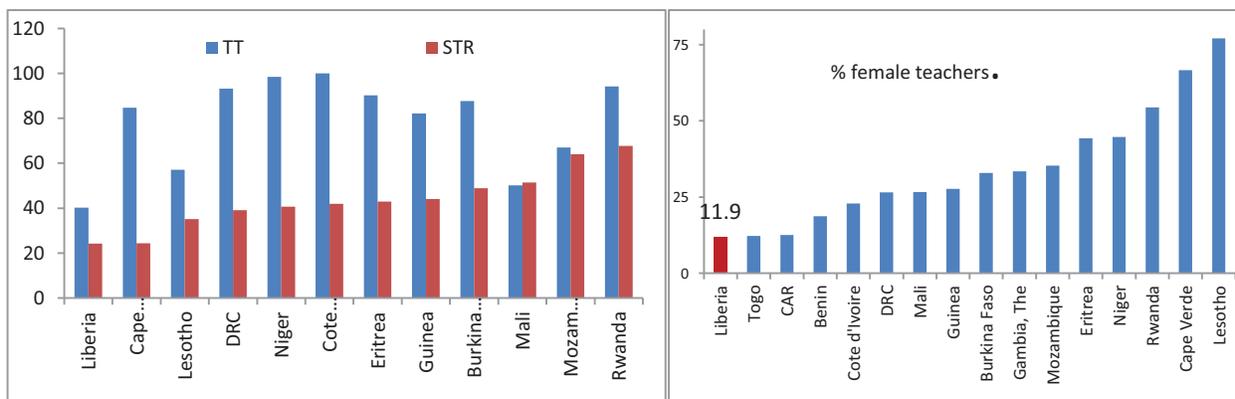
Source: MoE Education Management Information System and WAEC

⁸ The WAEC is a quasi-governmental institution funded by national governments and candidates' fees, mainly devoted to conducting school exams. It is also not a compulsory examination and there is no penalty for not taking the exam or getting a low score.

37. **The Student-Teacher Ratio (STR) is low and diverges significantly across counties reflecting inequality in education spending at the county level.** The national average of the STR stands at 28:1, lower than the GPE recommendation of 40:1. Further, none of the counties has a STR above the GPE benchmark. This reflects a lack of effective teacher deployment policies and incentives for teachers to go to schools with the greatest needs. However, when only trained teachers are considered, the national average STR is 55:1. It ranges from 30:1 in Grand Cape to 78:1 in Sinoe. Only two counties (Grand Cape and Montserrado) have a STR for qualified teachers below the GPE benchmark. Further, enrollment does not increase in proportion to the inputs (primary teachers and schools) despite the low STR. Primary enrollment increased by 11 percent, while the number of primary teachers and primary schools increased by 14 percent and 15 percent, respectively, during the 2010/11 school year.

38. **Liberia has the lowest rates of qualified teachers, student-teacher ratios and the share of female teachers among a set of comparable SSA countries.** Figure 1-7 shows that Liberia had the lowest percentage of qualified teachers (less than 50 percent) in primary education among 11 SSA countries in 2009. Liberia also ranked last with respect to the share of female teachers (12 percent).⁹ Finally, Liberia’s STR both in primary (Figure 7) and secondary (Figure A7, Annex A) are the lowest of all comparable SSA countries.

Figure 1-6: Primary level comparison for select African countries (2009)
(share of trained teachers (TT), student teacher ratio (STR), and share of female teachers)



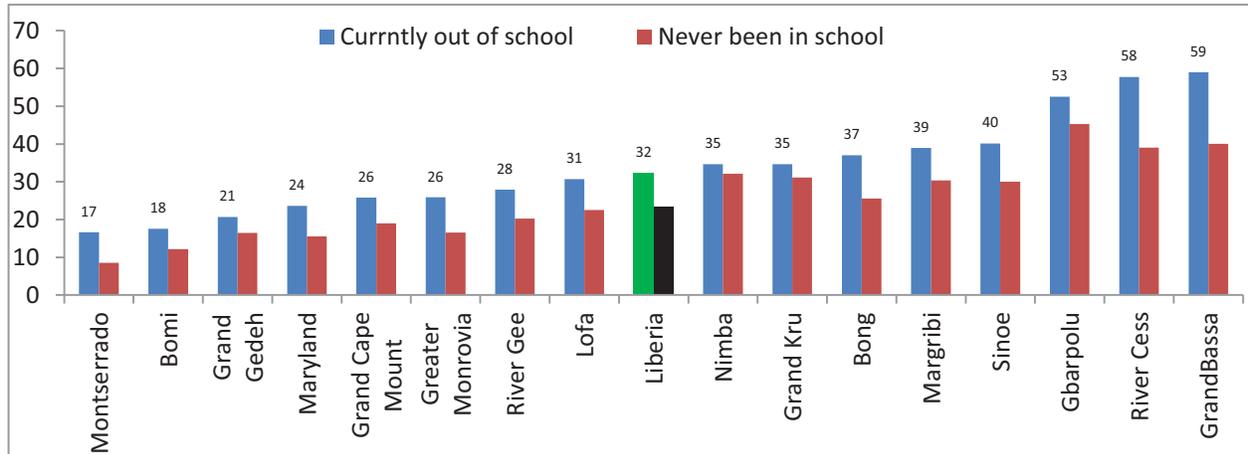
Source: UIS 2009

39. **The primary completion rate among low-income quintiles is small despite the high primary GER.** Most disadvantaged children are from poorer households. For example, the primary completion rate in 2010 was 39 percent for children from the poorest quintile compared to 112 percent for children from the richest quintile (Figure A8 and Table A7, Annex A). In Grand Bassa county, 59 percent of the

⁹ There is a perception that student learning is positively associated with gender in primary education. For example, UNESCO advocacy brief (UNESCO 2006) argues in favor of hiring more female teachers in developing countries and in doing so it will have two positive outcomes: an improvement in both girls’ enrollment and girls’ learning achievement. Other researchers have also suggested a positive relationship between teacher gender and enrollment and achievement, especially for girls (UNESCO 2000).

school-age children are out of school because they either did not attend (40 percent) or dropped out (19 percent; Figure 1-7).

Figure 1-7: Official school age children out-of-school in 2010 (percent)

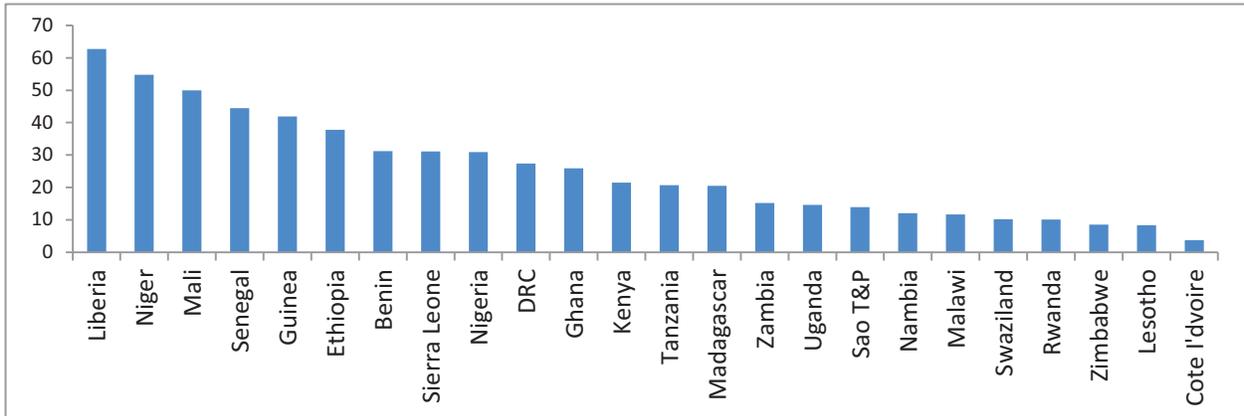


Source: CWIQ 2010

40. **The number of official school age children classified as never having attended school is high, and varies across counties.** At the national level, the percentage of out-of-school children under the category of never attended increased by 5.6 percent between 2007- 2010. This figure varies across counties ranging from 8.6 percent in Montserrado County to 45.2 percent in Gbarpolu County. Only a few counties (Montserrado, Bomi and Lofa) managed to enroll more children, while others (such as River Cess) experienced a huge increase in the proportion of out-of-school children during the same time (Figure 6). Although Liberia established the Accelerated Learning Program in all counties to target overage children, schools are dominated by this group and thus leave few opportunities for official school children between 6 to 17 years to access education.

41. **Investing early and in all children is critical for ensuring that every child acquires the requisite skills at the appropriate age window and reaches developmental milestones in cognitive, behavioral, and technical skills throughout their life cycle.** Liberia’s proportion of out-of-school children at the primary level is the highest compared with 23 SSA countries (Figure 1-8). The data suggest that the Accelerated Learning Program is insufficient for moving overage children through the education system and creating opportunities for on-time start and completion of schooling. Without addressing this issue, Liberia will continue to face a “youth problem,” whereby adolescents with insufficient early exposure to appropriate levels of education enter the labor market woefully unprepared. If this trend continues, expensive and less effective remediation programs will continue to dominate the education sector’s agenda. This has grave implications for youth preparedness (those entering the labor market and contributing to society as productive citizens), as well as for their ability to make informed decisions in life.

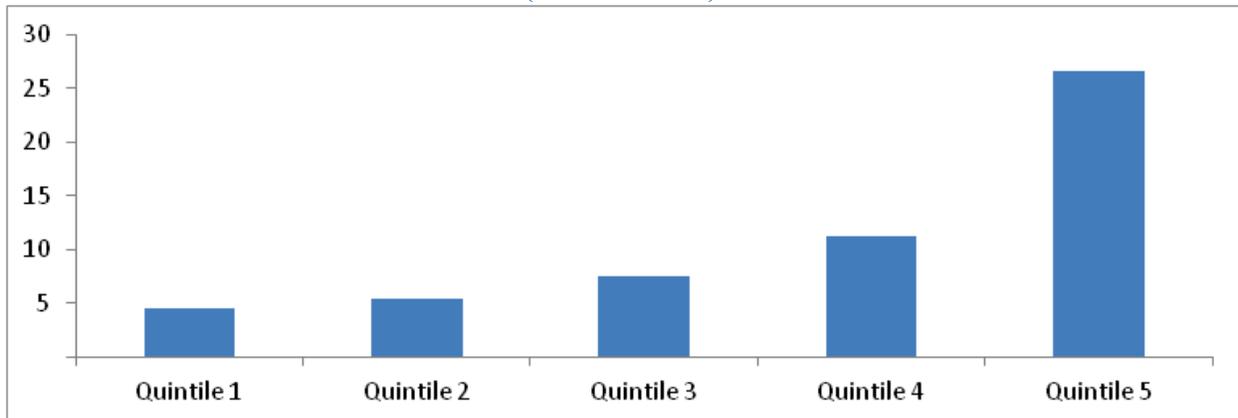
Figure 1-8: Proportion of out-of-school children at primary level (percent)



Source: Staff's computation from DHS 2006-2010 (Liberia, 2007 DHS)

42. **The analysis of expenditure incidence shows that students from wealthier households benefit disproportionately from public funding in the sector.** The CWIQ 2007 was used for the previous PER where the share of household spending on education was estimated to be US\$27 million (about 35 percent of the total spending on education). The CWIQ 2010 did not collect data on public and household education expenditures, which hindered private spending analysis. However, an analysis of student enrollment and expenditures in primary, secondary, and higher education by household wealth quintile from CWIQ 2010 reveals noteworthy patterns. First, the “middle class” comprise the largest share of enrollment in public primary schools. For secondary and higher education, however, students from the wealthiest households comprise a disproportionately large share of enrollment. The enrollment disparity between the lowest and highest quintile of household wealth is particularly blunt (Figure A6, Annex A). Estimation of public expenditures using per unit cost of enrollment by level of education and household wealth quintiles reveals that the overall public expenditure on education is biased against poor household quintiles (Figure 1-9).

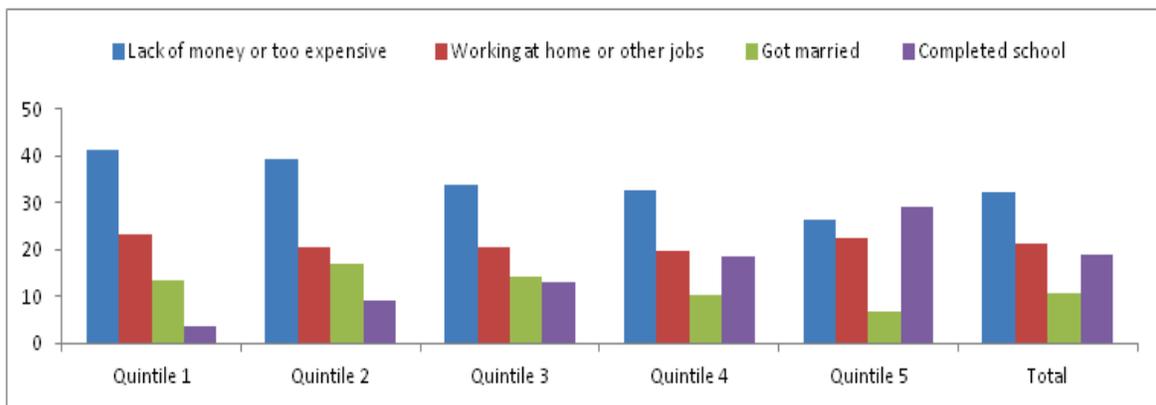
**Figure 1-9: Education expenditures by wealth quintile (all levels)
(Millions of US\$)**



Source: CWIQ 2010

43. **Students from wealthier households benefit from the education system.** When school-aged children were asked why they were not in school, more than 40 percent from the lowest wealth quintile indicated “lack of money or too expensive.” While the share of respondents with the same answer is still high (25 percent) for the top quintile, the most dominant response (nearly 30 percent) for wealthier students was “completed school.” In other words, they are out of school because they graduated, not because they dropped out (Figure 1-10).¹⁰ On the other hand, only about 4 percent of students from the poorest quintile list “completed school” as a reason for not being in school.

Figure 1-10: Reasons for not being in school, by wealth quintile



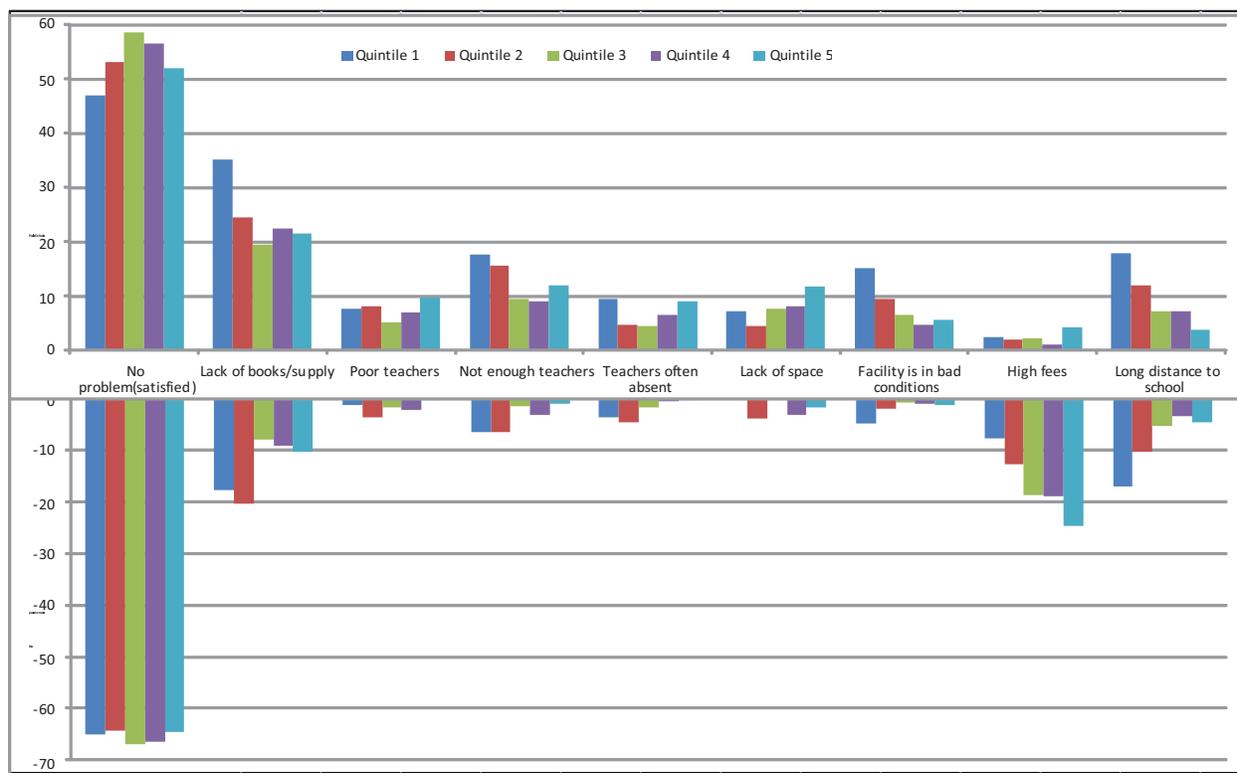
Source: CWIQ 2010

44. **Allocation of education inputs in public schools was not in favor of students from the poor quintile.** The 2010 CWIQ reported that problems with their schools as reported by students differed across household wealth quintiles and depending on their enrollment in public or non-public schools. A slightly larger share of the top quintile students in non-public schools reported that they were satisfied with their schools compared with those in public schools. A larger share of students, especially from the poorest quintile in public schools complained about lack of inputs (books/supplies, quantity and quality of teachers, space, and condition of school facilities). However, high fees were the main concern for students in non-public schools and particularly so among those in the wealthiest quintiles. Long distance to schools was reported at about the same rate by both sets of students and appeared to be a concern for the poorest quintile (Figure 1-11).¹¹

¹⁰ In addition to the four reasons mentioned for why children are not in school, the survey included others (but few students reported the problems): (1) school too far away, (2) illness, (3) barriers to pregnancy in school, (4) school is useless/uninteresting, (5) failed exam, (6) awaiting admission, (7) expelled/dismissed, (8) orphaned, and (9) unsafe school environment (for girls only).

¹¹ In addition, sexual harassment was included in the survey but dropped because less than 0.3 percent reported the problem.

**Figure 1-11: Problems in schools as reported by students
(in public and non-public schools, and by wealth quintile)**



Source: CWIQ 2010

45. **Allocation of public expenditures by level of education does not reflect the sector’s priorities and is not aligned with global good practice.** Between 2009/10-2011/12, only about 33 percent of total education expenditures is allocated to primary education, while the share of public expenditure on higher education increased and accounted for the largest share of total public expenditures on education (34 percent). The allocation for primary education is well below the recommendation of the Global Partnership for Education benchmark, which recommends allocating about 50 percent to primary and a maximum of 20 percent to higher education. The low share of public expenditures on primary education is likely to hinder the government’s ability to meet the MDG goal of universal primary education by 2015 and beyond.

46. **The distribution of public education expenditures is disproportionate to the relative share of enrollment in public schools at each level.** Primary education, with an enrollment of 79 percent, received only 33 percent of total education expenditure. By contrast, higher education, with an enrollment of less than 5 percent, received 34 percent of the total. Moreover, higher education allocated over 90 percent of total higher education expenditures to the “transfers” category, as previously discussed. A recent diagnostic study on Liberia’s higher education sector, however, shows that the sub-sector suffers from a shortage of funds, poor quality inputs, and low motivation among faculty.

47. **Per-student recurrent expenditure varies considerably across levels of education and, not surprisingly, the cost for technical vocational education and training (TVET) is relatively expensive.** Table 1-6 shows that a significant difference between expenditures per student in primary schools (US\$46) and in TVET (US\$2,941). TVET expenditures (including those from ministries besides the MoE) account for around 9.2 percent of total expenditures, while only enrolling 0.3 percent of total enrollment. On average, the recurrent cost per student was US\$111 in 2009/10.

Table 1-6: Per student recurrent expenditure by level of education, 2009/10

	percent enrolled at each level	Share of fund	Unit cost per level	Per-capita	Student factor
Primary education	78.7%	32.7	46.0	15	1.0
Secondary education	16.3%	24.2	164.4	53	3.6
TEVT and TTC	0.3%	9.2	2,940.6	950	63.9
Higher education	4.6%	34.0	810.6	262	17.6
Total	100.0%	100	111	36	2.4

Source: Staff's computation using Ministry of Finance and CWIQ 2010.

48. **The staff cost per student is affected by class and school size at the county and school levels.** In principle, the higher the class and school size, the lower the cost per student. As with most education systems worldwide, Liberia's staff costs dominate the MoE budget. Staff cost per student (teachers and non-teachers) varies significantly, ranging from US\$7 per student in Montserrado (where the highest student enrollment is concentrated) to US\$36 per student in Bong (Table 1-7). However, Bong County's high cost per student may be explained by the high proportion of trained teachers (66 percent as shown in Table 1-7). Montserrado County has the lowest per student cost both with respect to teaching and non-teaching staff (approximately US\$6 and US\$1 per student, respectively) due to the highest share of students.

Table 1-7: Staff cost per student (US\$)

Row Labels	Cost per student		Total Staff cost per student
	Non teachers staff	Teachers salary	
Bomi	1.7	12.8	14.5
Bong	5.6	29.9	35.5
Gbarpolu	2.1	11.4	13.5
Grand Bassa	1.1	6.7	7.8
Grand Cape	1.9	14.4	16.3
Grand Gedeh	7.4	20.6	28.0
Grand Kru	4.0	24.8	28.8
Lofa	2.7	9.2	11.9
Margibi	0.9	8.2	9.1
Maryland	2.6	15.8	18.4
Montserrado	0.9	6.1	7.0
Nimba	1.7	12.1	13.8
River Cess	4.7	16.9	21.6
River Gee	9.2	24.9	34.1
Sinoe	5.2	21.7	26.9
Liberia	2.9	12.4	15.3

Source: MoE Education Management Information System (EMIS)

49. **Poor governance at the central level continues to obstruct funds from reaching targeted beneficiaries.** Several ongoing challenges are observed: (i) payroll irregularities continue to expose the sector to unauthorized payments and severe leakage of funds at the central level, (ii) financial management and procurement systems are ineffective at all levels of implementation,¹² (iii) a comprehensive monitoring and evaluation (M&E) system does not exist to evaluate the impact of inputs (either financed by government, donors, or private contributions) on student learning, (iv) the MoE has only recently (with donor financing) been able to inject discretionary funds into schools, despite abolishing primary school fees in 2005, and (v) lack of donor coordination has resulted in misalignment of inputs with the sector’s priorities. In short, valuable funding for the education sector does not benefit students, teachers, and schools because of weak governance and mismanagement of funds at the central level.

50. **As noted above, payroll irregularities pose a constant challenge to the integrity and efficiency of public expenditures in education.** The number of teachers shows a large discrepancy when compared to the MoE’s payroll and to the School Census (and as noted above, there are separate payrolls at the Ministry of Finance and the Civil Service Agency, also with a different number of teachers). The MoE’s payroll records 11,234 teachers, while the School Census records 14,510 teachers excluding

¹² A 2010 procurement and financial management assessment of the MoE by the World Bank noted that there was no effective system in place to adequately monitor the US\$40 million Global Partnership for Education grant. Therefore, the MoE was required to hire additional procurement staff, including an international procurement specialist. In addition to hiring accountants, the MoE relies on the Project Financial Management Unit (PFMU) of the Ministry of Finance to monitor the grant. Over time, the financial management responsibilities are expected to be fully transferred from the PFMU to the MoE when a follow up assessment determines that their capacity has been sufficiently developed.

volunteer teachers of 5,444 (approximately 27 percent), resulting in a discrepancy of 3,276 teachers¹³. According to the budget, about US\$23.6 million was allocated to primary and secondary teachers compared to US\$21.7 million of actual disbursement from the payroll record. Data from the payroll record show no personnel classification by level of education. In addition, it is widely speculated that teachers shift from one school to another, from one education level to another, and even from one county to another, most likely in order to earn more income. Teacher salary by education level is difficult to calculate due to unreliable data for the number of teachers, budgeted or actual payroll for each level of education, and the shifting of teachers across schools, levels, and counties. However, estimations suggest that primary teachers' salary is approximately 4 times the GDP per-capita, which is slightly higher than the GPE benchmark of 3.5.¹⁴

F. Conclusions and Recommendations

(i) Conclusions

51. **Although Liberia has made good progress in the education sector during the past few years, several challenges remain to be addressed.** The gross enrollment rate has improved at all levels; gender equality improved especially in primary and secondary education; school dropout and repetition rates through senior secondary education fell; and enrollment in early childhood education (ECE) and higher education increased. However, challenges remain due to insufficient public expenditures in education (especially in primary and secondary education), low net enrollment at all education levels, regional disparities with respect to general enrollment and gender parity, dominance of an overage population in the education system, and the pro-rich tendency in education expenditures.

52. **Public spending on education is relatively low.** The current budget allocation for the education sector is insufficient to truly reform the education sector and meet the country's human capital needs. The share of public education spending in total expenditure has remained constant (hovering around 14 percent between 2009/10 and 2011/12). It is the second lowest among selected African countries and is lower than the benchmark targeted in the Education Sector Plan 2010-20 and by the Global Partnership for Education (20 percent). Its share in GDP, although showing an upward trend, remains relatively low compared to other SSA countries. Public capital spending on education is lower than the GPE benchmark of 40 percent and exhibits significant volatility (ranging from 1.7 and 12.5 percent between 2009/10-2011/12) reflecting heavy dependence on unpredictable donor funding.

53. **Intra-sectoral allocation favors higher education instead of primary education.** The over-reliance on donor financing in basic education has resulted in a disproportionate share of public education expenditures going towards higher education. Budgetary allocation to primary education was only 33 percent of total education expenditure despite its 78 percent student enrollment and its vital role in

¹³ The total salary for staff and non-staff by county from the payroll account is presented on Table A1, Annex A.

¹⁴ From the payroll record, approximately 86 percent of total personnel spending was allocated to teachers and administrators, and this ratio was used to divide the US\$14.7 million allocated to primary personnel between teachers (US\$ 12.7 millions) and non-teachers (US\$2.0 millions). Using the number of primary teachers from the 2011/12 School Census (10,287), and GDP per-capita of US\$310, the average teacher's salary is estimated at US\$1,281 per year, which is approximately 4 times the GDP per-capita. With the 27 percent of volunteer teachers included, the average would be below the GPE benchmark of 3.5 times the GDP per-capita.

achieving universal primary education. In contrast, allocation to higher education accounted for 34 percent of total education expenditure given 5 percent of student enrollment. This clearly reflects the lack of prioritization within the sector.

54. **There is scope to further improve efficiency of public spending on education.** The signals include high wage cost due to overstaffing, leakages of fund due to payroll fraud and fictitious teachers, and under execution of the budget. The evidence also indicates that value for money in public procurement is being undermined by weak capacity. Further, the STR of 28:1, which is below the GPE benchmark of 40:1, indicates that the deployment of teachers is ineffective and school and class sizes are sub-optimum.

55. **Resource allocation in the education sector is pro-rich, and at the primary school level is inequitable across counties.** Since higher education comprises a large share of the government's education budget where students from wealthier households are disproportionately enrolled, allocation is skewed to benefit the rich. Wealthier students also benefit from what appears to be better quality education at private and faith-based schools. The regional disparities are shown in the share of qualified teachers, school sizes, proportion of out-of-school children, and access to education opportunities, and as a result, the Student-Teacher Ratio (STR). The variations of inputs (especially qualified teachers) across counties likely affected student learning as well as the primary completion rate, although the evidence is inconclusive due to a lack of a standardized assessment of learning outcomes in Liberia. It becomes critical, therefore, to focus on teacher development, deployment, and performance management.

56. **The delivery of education services is not cost effective.** Public education spending per-capita at the TVET level is relatively high compared to spending per-capita at the primary level (US\$2,941 versus US\$46). This is not cost effective given that the number of students enrolled at TVET level is much smaller than those enrolled at primary level. Due to an inverse relationship between the cost per student and the sizes of class and school, saving can also be made by having appropriate class and school sizes.

57. **Governance in the education sector is weak.** The sector is overstaffed and lacks adequate skills to be effectively managed and monitored. Further, unauthorized and duplication of salary payments reflect weak payroll control and pose a serious governance concern. With persistent weak governance and financial management, the public is likely to grow increasingly disenchanted with a government that is unable to meet the needs of the majority, much less the needs of vulnerable and marginalized groups.

(ii) Recommendations

58. Given the low level of public spending and inefficiency of public expenditure, education reform in Liberia will need to proceed in a two-pronged approach: increasing the share of public expenditures on primary education while addressing governance and accountability structures within the sector.

59. **It is crucial that the government focus primarily on improving efficiency in resource utilization.** In fact, improving efficiency of public expenditure will go a long way towards increased fiscal space in the education sector and thereby improve the quality of education services and efficiency of the system as a whole. Strengthening the public financial management system, including control of

payroll and external oversight, will contribute to spending efficiency as it reduces leakages and corruption. Better control and management of teachers' payroll would eliminate irregularities, such as unauthorized and duplication of salary payments. Strengthening the external oversight system, especially by establishing effective school boards of governors that consist of elected parents, teachers and community members, would strengthen accountability, reduce the fiduciary risk in using public funds and deter corruption. Optimizing class and school sizes, encouraging cost sharing and better targeting of government subsidies to reflect socio-economic differences on the part of students could also contribute to increased spending efficiency. Finally, improving the monitoring of results and impacts of spending on education service quality and strengthening capacity in financial and procurement management to increase value for money will enhance efficiency of education spending.

60. Resources to education should be gradually increased to meet the benchmark set in the Education Sector Plan 2010-20, and the intra-sectoral allocation should be carefully examined, including those from donor partners. Education will comprise approximately 12 percent of the national budget in FY2012/13. This still falls significantly below the benchmark of 20 percent, and below the allocation share of other SSA countries. As resources are increased, the additional financing should target quality improvements in basic education, especially for vulnerable or marginalized students (although not cutting from the current level for higher education). The “pro-rich” tendencies of public education expenditures will need to be acknowledged and addressed to avoid further disenfranchising the poor. A service delivery or public expenditure tracking survey is recommended.

61. The government needs to take immediate actions to address the extremely high proportion of out-of-school children. If the current trend of out-of-school age children continues, Liberia will face severe challenges in achieving the MDG on universal primary completion, as well as developing skilled workers for its labor market. Although dropout and repetition rates in the country are reasonably low, limited access to education and the dominance of an overage population in the education system is likely to continue and pose challenges for Liberia. For instance, the government has allocated \$20 million for a Youth Development Fund in its FY2012/13 national budget to focus on instilling young people with requisite employment and livelihood skills. The government recognizes that Liberian youth had no access to social service delivery during the war and thus require immediate “second chance” programs to better prepare them for work and life challenges. The other short-term imperative is for the government to sufficiently invest in human capital development to ensure that such “second chance” programs can be phased out from the national budget over time.

62. Inequalities of access to education across socio-economic status and counties should be addressed. While a decentralization policy is in place, putting it into operation is critical for delivering better services outside Monrovia and to the poor. For starters, the “voices of the poor” are rarely heard in Liberia, including in the education sector. Central government agencies are not funded or well equipped to gauge the needs of people living in hard-to-reach areas. Coupled with weak implementation capacity, it will take a long time for quality education services to reach the poor and the vulnerable and marginalized groups. Alternatives to the “business as usual” approach to education are urgently needed. Decentralizing decision-making and fiscal responsibility to the school level is one option. In fact, the MoE recently decided to launch a school grants program that will inject funds into resource-constrained schools through the provision of an operational budget. Yet the flow of resources from central government to schools is not sufficient. A better feedback loop is needed to ensure that

government officials work more collaboratively and in partnership with local communities. A better understanding of the needs of the poor and those in under-served counties will enable the government to design better targeting mechanisms, including for potential scholarship or conditional cash transfer programs.

63. **Education policy reform is in vain if effective teachers are not in place; teacher development is a critical factor in ensuring cost efficiency in public education expenditures.** A teacher development strategy is needed to ensure that Liberia's education system has a sufficient number of adequately trained, motivated and a well-managed cadre of teachers. There are eight goals for policymakers to consider when developing good teacher policies: (i) setting clear expectations for teachers, (ii) attracting the best into teaching, (iii) preparing teachers with useful training and experience, (iv) matching teachers' skills with students' needs, (v) leading teachers with strong principals, (vi) monitoring teaching and learning, (vii) supporting teachers to improve instruction, and (viii) motivating teachers to perform. There is no "magic bullet" formula and it is not necessary to focus on all eight goals at the same time. In Liberia's case, a quick diagnostic of the state of pre- and in-service teacher training, as well as deployment of teachers, would be helpful to highlight where good progress has been made and where the bottlenecks persist. Findings then need to be aligned with a pay scale that provides teachers with a decent living wage, as well as with opportunities for professional development and career progression so that the requisite talent is recruited and retained in the profession.

64. **The education management information system (EMIS) and budget tracking system need to be improved to better monitor resource allocation and utilization to inform government policy reform.** The MoE, with financial support and technical assistance from USAID, is in the process of improving the EMIS to track key school management indicators including resource utilization and student stock and flow. Data quality and reliability will be in focus as these are inputs for determining the demand for education services that are critical for strategic decision making. The government will also need to strengthen the capacity of the recently established monitoring and evaluation team in the MoE. Better coordination between the MoE and MoF is also needed to improve timely data availability, specifically the classification of education expenditures by levels of education, county, district and school. The current expenditure classification, for example, has no separate code for early childhood education and primary and junior and senior secondary schools, despite the shifts in the education sector set out in the Education Reform Act 2011. Such misalignment hinders useful assessment of policy effectiveness.

65. **Liberia needs to develop a learning assessment system to monitor the quality of education and learning outcomes.** The current education assessment program offered by the West African Education Council (WAEC) is not sufficient to track what students are (or are not) learning in the education system. Without better measurements of student learning, and thus the quality of the education system, it will continue to be difficult to ascertain the cost effectiveness of the sector.

2. Expenditure in the Health Sector

A. Introduction

(i) Context

1. As part of an effort to improve public expenditure and financial management as well as accountability after the war, the government and its partners, notably the World Bank, undertook a “Public Expenditure Management and Financial Accountability Review (PEMFAR)” in 2008, the first public expenditure review in the country’s history.¹⁵ The 2008 PEMFAR noted that health spending in Liberia had increased sharply since the end of the war, both in absolute terms (from US\$4.2 million in 2004/05 to US\$16 million in 2007/08) and as a proportion of total public spending (from 5.5 to 8.1 percent, respectively, over the same period). The picture was similar for per-capita public health spending, which rose steadily from US\$1.3 (2004/05) to US\$3.4 (2006/07) and US\$4.8 (2007/08).

2. The 2008 PEMFAR noted, however, that whereas much of health spending in the immediate post-war context was off-budget and outside the Ministry of Health and Social Welfare (MoHSW) systems, future funding was likely to be funneled through the government’s budget rather than directly via NGOs, putting pressure on the MoHSW to improve its financial management capacities and service delivery or, alternatively, to increase its capacity to directly contract with NGOs for service provision. The PEMFAR further noted that this also presented opportunities for efficiency gains through economies of scale that could be achieved by the reduction or consolidation of management and administrative structures with the multiplicity of NGOs in the sector.

3. The PEMFAR also welcomed good progress made in the execution rate of the health budget over the period, going from 66 percent in 2004/05 to 98 percent by 2007/08. This implied an improved absorptive capacity and probably also meant that officials had quickly mastered the new public procurement rules introduced in 2006/07. However, government spending on health care was recognized as very inequitable, as measured by indices such as the disparities in per-capita spending on curative care between regions (the ratio of per-capita spending in the richest to the poorest region was more than six times), and disparities in the availability and quality of health personnel (with the ratio of physicians in the wealthiest region less than half that in the poorest).

(ii) Objectives and scope of the health PER

4. This Public Expenditure Review for health is a follow-up to the 2008 review exercise and assesses the progress to which public spending has been in line with the government’s priorities as stated in the 2007-2011 National Health Policy and Plan. This PER is designed to complement the National Health Accounts (NHA) and other reviews but differs from the NHA by explicitly addressing the efficiency and equity implications of the resources raised and spent in the health sector. It primarily

¹⁵ The Government of Liberia et al. 2009. “2008 Public Expenditure Management and Financial Accountability Review” World Bank: Poverty Reduction Economic Management Unit (PREM 4), Africa Region.

covers the three fiscal years since the initial report, i.e., from 2008/09 to 2010/11. The assessment encompasses all public expenditures of the health sector including the expenditures of central government, counties and other local authorities, donor expenditures and those by autonomous and parastatal institutions in the health sector. The Liberian health sector includes the public sector institutions (as described in more detail below, section B-iii), hospitals and clinics run by mining companies for their employees, and a small but growing private-for-profit sector mostly in Monrovia. As one of the legacies of the civil war, there are many NGOs involved in the provision of health care, although many are now contracted by the MoHSW under public-private arrangements to provide services to the population. There was not, however, sufficient data to discuss direct household contributions to health sector expenditures.

5. **A health PER examines how revenues are raised and spent in the public sector in order to provide health care in an efficient and equitable fashion.** It seeks to examine the flow of funds within the public sector with a public policy focus as well as the performance of the health system in ensuring and financing the provision of care and improving welfare.¹⁶ To do this in a particular country context, the PER must necessarily examine the goals and objectives of the health system as set out by the government or Ministry of Health and the extent to which the funds raised and spent during the period concerned have aligned with those goals and objectives.

6. The PER is organized into five sections including the Introduction. Section Two provides an overview of the health system and its status, government health policy, and the organization and management of its service delivery. Section Three discusses resource mobilization and expenditure. It analyzes health expenditure financed by various sources of funding including the government budget, donors, and private sources. Section Four analyzes the efficiency and equity of health expenditure in the country. It examines the alignment of spending allocations with health policy objectives, the MDGs, the levels of the health care pyramid (primary care focus), and functional levels (central administration versus service delivery). In addition, it looks at the budget execution rate and quality of care. To analyze efficiency, the section reviews budgetary resource allocation and distribution of health personnel by county, physical access to health care facilities, and benefit incidence of health expenditure. The final section concludes and offers recommended actions for going forward.

B. An Overview of the Liberian health system

(i) Overview of health system successes and weaknesses

7. **An analysis of the sector by the Oxford Policy Management (OPM) group in 2011 noted that, although it is unlikely that Liberia will fully achieve the MDGs by 2015, the 2% per annum poverty reduction that is taking place is consistent with the requirements of the MDG targets.**¹⁷ Infant and under-five mortality rates have almost halved to 71 and 110 per 1,000 births, respectively, over the last 20 years. Other indicators relating to the MDGs show that progress to date is in line with, or better, than that required to achieve MDGs over the stated 25-year period, suggesting that progress is being made towards the goals.

¹⁶ World Bank, May 2009. "Core Guidance: Preparing PERs for Human Development."

¹⁷ Oxford Policy Management (OPM), Jan 2011. "Liberia Health Financing: Situational Analysis (draft)."

8. **However, even though there has been notable progress in many areas, Liberia's health status as a whole remains weak.** The infant and under-five mortality rates mentioned above remain high. Child nutrition and maternal mortality rates remain poor. The 2007 DHS reported a maternal mortality ratio of 994 deaths per 100,000 live births, with only 37 percent of deliveries taking place in health facilities and only 35 percent of women who had ever used any contraceptives. While communicable diseases such as malaria, TB and HIV continue to take a toll on the population, issues of mental health and malnutrition, likely related to the economic and social destruction wrought by the previous 14-year civil war, pose important health challenges as well. The provision of many health services is inadequate and inequitable with a historical concentration of resources in the capital city of Monrovia (although the suspension of user fees has arguably increased access and utilization of services).

(ii) Government policy

9. **The relationship between poverty, health and economic development was acknowledged by the government in 2006 when it developed its Interim Poverty Reduction Strategy (PRS) based on a three-year implementation plan (2008–2011).** The plan sets out the goals and targets to be achieved by each government department during the three years of the Strategy. Improved health is one of the core objectives of the PRS.

10. **The government has been implementing a Basic Package of Health Services (BPHS), which was stated as the cornerstone of the national health care delivery strategy in the National Health Policy and Plan for 2007-11, and its follow-on.** The BPHS¹⁸ lists in detail a standard set of prevention and treatment services that the MoHSW assures will be available throughout the health system. BPHS components were chosen on the basis of their proven cost-effectiveness in reducing morbidity and mortality, and designed to be affordable and sustainable interventions in Liberia.

11. **The National Health Policy and Plan for 2007-11 states that the entire package would be available as an integrated whole, rather than as individual programs implemented only when adequate funding is available or when a donor expresses particular interest.** Services not included in the BPHS, as long as they were approved by the MoHSW, could be added to those included in the BPHS. In order for a health facility to be deemed fully functional, it had to offer the entire BPHS to its catchment population. To this end, public sector health funds would be allocated, preferentially, to providing the BPHS. The BPHS would be delivered at each level of the health system, and would also shape most aspects of health sector development, such as financing, the mix of health personnel, and allocation of medicines and equipment.¹⁹ A third full BPHS Accreditation exercise was conducted and the report published in 2011 showed that 84.3 percent of all facilities operated the BPHS health care delivery package. A comparison with a previous accreditation indicated a growth of 4 percent in a number of facilities able to so.

¹⁸ The BPHS covers the following services: maternal and newborn health, child health, reproductive and adolescent health, communicable disease control, mental health and emergency care. The BPHS includes only the highest priority services that can be implemented given Liberia's current resource constraints. As a result, certain services that are often included under basic primary health care may not be included in the BPHS.

¹⁹ OPM Report, op. cit.

12. **To ensure universal access to health care, especially in the context of the generalized impoverishment caused by the civil war, user fees at public healthcare facilities were suspended in 2007.** Despite the free health care policy, however, out of pocket (OOP) spending (estimated at 35 percent of total health expenditures based on the 2007/08 National Health Accounts, or NHA) constituted a significant burden on the incomes of the vulnerable and poorest, with the poorest 20 percent of the population reportedly spending as much as 17 percent of their annual income on health. NHA, however, happened just as the fees were being abolished and may not therefore have been able to fully capture the impact of the fee abolition as yet. The next NHA household survey, scheduled for late 2012, is keenly awaited in order to have a better appreciation of the true impact of the fee abolition on OOP spending.

13. **As the National Health Policy and Plan for the 2007-2011 period drew to a close, the MoHSW initiated a process to develop a new 10-year National and Social Welfare Health Policy and Plan (2011-2021) in 2010.** The new 10-year Plan, developed with wide stakeholder involvement and consultations, is currently under implementation. Its key themes include improving efficiency, effectiveness, equity and decentralization. The key objectives or pillars of the Plan are: (i) increasing access to and utilization of a comprehensive package of quality health and social welfare services of proven effectiveness, delivered close to the community, endowed with the necessary resources and supported by effective systems; (ii) making health and social welfare services more responsive to people's needs, demands and expectations by transferring management and decision-making to lower administration levels; and (iii) making health care and social protection available to all people in Liberia, regardless of their position in society, and at a cost that is affordable to the nation.

14. **As part of the process of developing the new 10-year Policy and Plan, the BPHS was replaced by the new Essential Package of Health Services (EPHS), which expands the BPHS to include non-communicable diseases, neglected tropical diseases, prison health, school and child health and eye care.** This came after national consultations and stakeholder recommendations. However, since the BPHS was provided free to the population under government policy, there has been some concern, especially among some health partners, that the new EPHS may not be affordable. Government has not yet, however, decided whether all of the EPHS would form a part of the free health care package or whether some of the services included would attract user payments.

15. **A National Health and Social Welfare Financing Policy and Plan was also developed in 2011 and envisages the piloting and eventual introduction of social health insurance as a long-term approach to meet the challenges of sustainable increases in health sector resources in an equitable fashion.** The overarching goal of this new Plan is to ensure that the health and social welfare services are affordable for Liberians while preventing catastrophic household expenditures. The objectives of the health financing policy include: (i) increasing the mobilization and predictability of adequate, sustainable financial resources for health and social welfare; (ii) improving the planning, budgeting and accounting for equitable resource allocations; (iii) increasing the efficiency of resource utilization; (iv) increasing systemic efficiency and equity through a harmonized provider payment mechanism; and (v) strengthening the financial evidence base for management and policy decision-making. Significantly, the new health financing policy looks beyond the current phase of a free basic package to an era in the medium-term when fees will be reintroduced at certain levels of the health system, while simultaneously developing health insurance mechanisms to help ease their burden on the population.

(iii) Structure of the Liberian public health sector

Overall structure and levels of care

16. **The Liberian health system is organized around the traditional tier or pyramid structure, based on three main levels of care (primary, secondary and tertiary), with each level acting as a gate-keeper for the next level.** The health system was designed, under the National Health Policy and Plan of 2007–2011, to deliver essentially a basic package of health services (BPHS) as well as complementary and more specialized services, all under the supervision and regulatory oversight of the central MoHSW. Figure 2-1 below shows the basic operational elements of this tier system of health care delivery.²⁰ The different levels of the system are described further below.

Figure 2-1: Liberia health delivery structure, levels of care and system organization

Levels of Care	Health Facilities	System Organization			
PRIMARY	Clinic	Community	District	County	National
	Health Centre				
SECONDARY	District Hospital			County	
	County Hospital				
TERTIARY	Regional Hospital				
	National Referral Hospital				

Source: Adapted by the authors from the 2007-2011 National Health Policy and Plan to reflect that the health centers in fact provide both primary care services to their own catchment populations and secondary services to a number of satellite clinics. In the Plan documents, health centers are indicated as exclusively secondary level facilities, which do not fully reflect the descriptions of the functional roles of these facilities in the same document.

²⁰ A review of this structure was on-going during the period of data collection. This review may result in some amendment to this health service delivery pyramid.

Central Level

17. **The Ministry of Health and Social Welfare (MoHSW):** The key roles and functions of the central level ministry, as defined in the 2007-2011 National Health Policy and Plan, are:

- Proposing and monitoring of health legislation and law enforcement
- Policy formulation, revision and enforcement
- Resource mobilization and allocation, national and long-term planning
- Broad health sector programming
- Monitoring and evaluation
- Technical oversight of service delivery, regulation, major research and development
- Initiatives

18. **The MoHSW is headed by the minister and contains four departments.** Each department is headed by a deputy minister: Health Services; Planning, Research, Human Resource Development and Statistics; Administration; and Social Welfare. The departments are sub-divided into bureaus headed by assistant ministers. The bureaus comprise several divisions, headed by directors. The ministry is reconsidering its organizational structure, with functions of each department and sub-divisions to be reviewed and clarified to make it more effective. The ministry also defines the service mix provided at each level of the tier system consistent with the Basic Package of Health Services (BPHS) and the national health sector goals.

Operational Levels

19. **County Level: The County Health and Social Welfare Service Administration is the operational management structure, which includes the County Health and Social Welfare Team (CH&SWT).** County health authorities manage county health facilities, including county hospitals. They are responsible for financial and asset management and personnel, and accountable to local constituencies, as well as to overseeing public bodies.

20. **The primary level of care includes basic health care services delivered through clinics and small health centers.** The health clinic is a small facility with not more than five beds, providing basic preventive and curative care. The package at this level includes promotional health, basic mental health services and the management of common conditions of children and adults. Facilities are expected to also support environmental health (water and sanitation) in the surrounding community. Community health services should be supported by the appropriate Community and District Management structures.

21. **The secondary level of care encompasses large health centers and county hospitals.** The large health center is both a primary care and referral facility with up to 40 beds, providing a wide range of curative and preventive services, supported by a small laboratory. They should normally be equipped with an adequate power source, communication equipment and an ambulance. Basic emergency and inpatient care is included. The county referral hospital has more than 50 beds and permanent capacity to manage common surgical conditions, including basic intensive care.

22. **The tertiary level of care is composed of four institutions, the leading one being the John Fitzgerald Kennedy Medical Center (JFK-MC).** JFK-MC is autonomous and managed by its Hospital

Administration Department under the supervision of a Board of Directors. It receives its funding directly from the Ministry of Finance. Phebe Hospital and the Liberian Institute of Biomedical Research are also classified as tertiary referral hospitals with autonomous management and funding also received directly from the Ministry of Finance. The newly-opened Jackson Doe Hospital is the fourth tertiary referral facility; however, it enjoys—for now—less autonomy than the other three, receiving its operational funds from the MoHSW rather than MoF. Referral hospitals have up to 150 or more beds. Training institutions include schools of nursing and midwifery, notably at JFK and Phebe Hospitals, and the University of Liberia Medical School.

Infrastructure

23. **In the 2010 Basic Package of Health Services Accreditation Final Results Report²¹, the MoHSW reported 550 functioning health facilities (378 public and 172 private).** Only 31 percent of private facilities met the minimum facility accreditation criteria, while 80 percent of government facilities successfully met the criteria. The report further noted that the absence of infrastructure design standards and building codes for construction, reliance on an expensive clinic prototype and inadequate project delivery processes had constrained the optimal functioning of public facilities.

C. Health resource mobilization and expenditures

(i) Public sources of sector funding

24. **This section discusses how resources were raised and spent for health from public sources.** It discusses funding from government and donors alike. This should normally be complemented by an analysis of private sources as well to obtain a fuller picture of sector spending and the significance of different sources in the entire mix of sources of funding. However, this review exercise had no access to data regarding private sector spending, as the main survey that would have provided that data had not been completed as yet. In addition, there was no data regarding the public sector’s internally generated revenues, such as fees charged for services outside the BPHS or those raised by the MoHSW from miscellaneous sources such as licenses, etc. In a similar vein, data inconsistencies prevented a discussion of the economic classification of the health budget as well as a comparison with other fragile countries. In general, it is fair to say that much of the data collected tended to suffer from problems of consistency between different sources, reliability and completeness.

Government and donors

25. **The GoL budget allocated to the health sector, including tertiary institutions funded directly by the MoF, increased from just under 8 percent in the two years from 2008/09 to 2009/10, to nearly 11 percent in the 2010/11 fiscal year and then declined to about 9.5 percent in the current budget for 2011/12 (Table 2-1).** However, because the sector budget execution is well below 100

²¹ Ministry of Health and Social Welfare (2010), “The Basic Package of Health Services Accreditation - Final Results Report”.

percent, the actual health spending percentage figures are below the appropriations, as shown in Table 2 as well as the section on ‘budget execution rate’ further below.²²

**Table 2-1: National budget appropriations (in US\$), 2008/09 - 2010/11
(central ministry, counties, and tertiary health institutions)**

	2008/2009		2009/2010		2010/2011		2011/2012	
National Budget	298,087,792		347,035,687		369,379,000		516,430,000	
Budget Appropriation To The Health Sector								
Ministry of Health &SW + Counties	16,628,880	72.6%	20,146,400	74.3%	31,205,025	78.5%	39,578,023	81%
JFK Hospital	5,521,736	24.1%	6,000,000	22.1%	6,865,380	17.3%	6871588	14%
Phebe Hospital	391,637	1.7%	600,000	2.2%	1,201,143	4.4%	1,822,180	4%
LIBR	364,355	1.6%	375,630	1.4%	500,009	1.8%	727,400	1%
HEALTH SECTOR BUDGET	22,906,608	100%	27,122,030	100%	39,771,557	100%	48,999,191	100%
% of Health Budget to National Budget	7.68%		7.82%		10.77%		9.49%	

Source: Office of Financial Management, MoHSW

26. **Table 2-2, compiled from different reports, presents the sources of public funds (actual releases, as opposed to budgets) for the health sector between 2008/2009 and 2010/2011, and clearly highlights the very dominant role of donor funding to the sector (among public funding sources).** Donors’ share of public funding is close to or above 80 percent every year between 2008/09 and 2010/11. There is, however, a slight decline in the donor share over the period, from 83 percent in 2008/09 to 78 percent in 2010/11, with government releases to the sector making up the difference in each of those fiscal years.²³ Figure 2-2 gives a graphical depiction of the relative shares of public sources of health sector funding.

27. **In both absolute and per-capita terms, total donor support to the sector appears to be sufficiently high such that Liberia’s national health spending is comparable to those recommended internationally for low-income countries.** Donors, according to these data, contributed nearly US\$90 million in the 2008/09 fiscal year, declining to just over US\$70 million 2009/10, before sharply increasing again to over US\$113 million in 2010/11. The per-capita donor contribution is around US\$26, US\$20 and US\$30, respectively, in those three years compared to GoL funding of just over US\$5 per-capita in each of the first two years of this period before a sharp rise to about US\$8.50 in 2010/11. Figure 1 graphically depicts the relative shares of these public sources of funding. Thanks largely to this substantial donor support, the average health spending per-capita from public sources alone in Liberia was around US\$30 for 2008/09, dipping to about US\$24.50 in 2009/10, before rising sharply again to above US\$38.50 in 2010/11. In the last year, per-capita spending from public sources alone is above the original US\$34 per-capita originally recommended by the Commission on Macroeconomics and Health

²² If budget execution was 100 percent, the budget shares for the last two years would be above the Sub-Saharan African average of 7-8 percent.

²³ Note that the data sources here include the recent NHA institutional survey, whose results are currently provisional.

(CMH) for low-income countries around the beginning of the 2000s, and very close to the 2007 inflation adjusted CMH figure of US\$40.

28. **Although in the last two years government's own resource allocation increased by nearly 80 percent (from US\$18 million to just over US\$32 million), the issue of sustainability hangs over the future of sector funding in a rather stark fashion.** The releases for one fiscal year certainly do not provide any basis for extrapolation whatsoever, but if last year's rise continues into the future (especially in the context of well-founded grounds for expecting an improved fiscal situation driven by mineral resources) and government begins to take up a bigger share of public spending on health, this would be a positive development. Although it would help to address some concerns about the sustainability issue, it is difficult nevertheless to conceive of the government being able, in any short to medium-term scenario, to ramp up funding sufficiently to replace most of the donor aid currently going to the sector.

29. **Ministry of Finance sources have indicated that a key donor, the European Commission, plans to increase significantly resource allocations that directly support the health sector in the four-year period through FY 2015/16.** The EC plans to provide aid for health through the budget at around 10 million euros (around US\$12.7 million) annually in that period. While this would be a significant boost to the sector and would help to ease some immediate concerns, there are two important additional observations to make about this. The first is whether the government has the capacity to fulfill the conditions for the draw-downs consistently through the period; and the second is that this aid will not remove the underlying issues about the sustainability and predictability of health financing sources in the long term given the large dependence on donors.

Table 2-2: Sources of public health sector funding (actual releases, US\$)
(inclusive of substantial off-budget data)

	2008/2009			2009/2010			2010/2011		
	\$Amount	Percent	\$Per capita	\$Amount	Percent	\$Per capita	\$Amount	Percent	\$Per capita
Government of Liberia Funding	18,284,172	17%	5.31	18,584,169	21%	5.04	32,245,973	22%	8.52
Releases to MoHSW & Counties	12,408,635		3.61	13,315,810		3.61	24,245,973		6.40
Tertiary Institutions	5,875,537		1.71	5,268,359		1.43	8,000,000		2.11
Donor Funding	89,760,000	83%	26.08	71,813,175	79%	19.49	113,845,587	78%	30.06
Releases through MoHSW									
Pool Funds	6,838,816		1.99	9,646,929		2.62	4,091,817		1.08
Global Fund	4,119,750		1.20	8,364,080		2.27	13,578,819		3.59
Project Funds	7,315,118		2.13	9,946,990		2.70	10,787,010		2.85
Sub-Total of Donor Releases through MoHSW	18,273,684		5.31	27,957,999		7.59	28,457,646		7.52
Add Donor Releases Outside MoHSW	71,486,316		20.77	43,855,176		11.90	85,387,941		22.55
Total Health Sector Receipts	108,044,172	100%	31.39	90,397,344	100%	24.53	146,091,560	100%	38.58

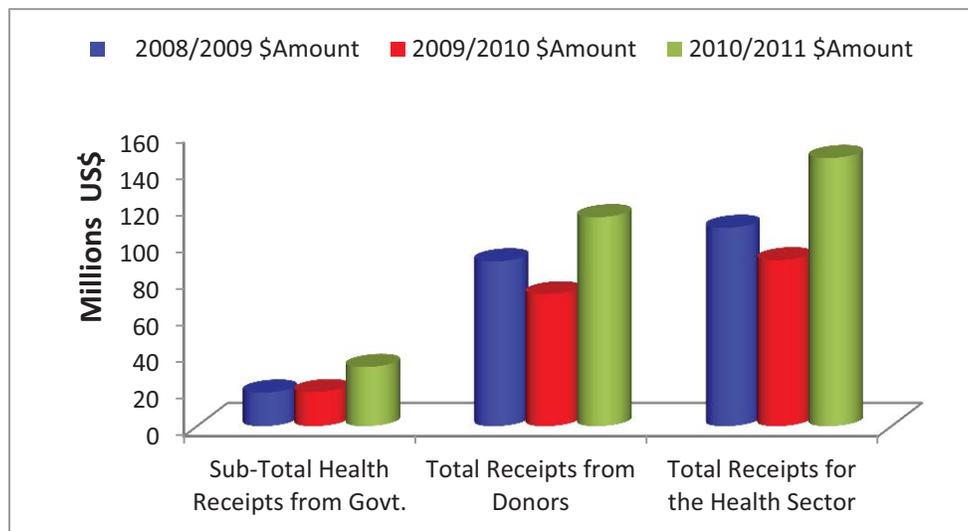
Sources: Office of Fin Mgt, MoHSW; OPM Report; JSI Report; and provisional 2009/2010 NHA Reports.

Population figures from IndexMundi web site: <http://goo.gl/MJIPV>, accessed May 1st, 2012.

NB. There may be some rounding off errors

NB. Donor releases outside MoHSW include funding from non-governmental organizations

Figure 2-2: Relative shares of public sources of health sector funding (US\$)



(ii) Private institutional spending

30. **A major shortcoming of this PER exercise was the absence of any data on household health care spending, making it impossible to estimate the overall levels of spending on health from all sources.** The main exercise since the 2008 PEMFAR that was expected to provide this information was the NHA. However, the NHA households' survey has been delayed until later in 2012. Private institutional funding figures for 2009/10 are available from the NHA institutional survey, and these are reported to be about four million dollars, or three percent of total institutional health spending (source: NHA Institutional survey provisional data).

D. Efficiency and equity of health sector expenditures

(i) Efficiency of health spending

31. **The efficiency of health spending will be further assessed here by examining the extent to which public health spending aligned with national and system priorities for the sector.** This section examines the alignment of spending allocations by the strategic pillars of the National Health Policy and Plan, the health policy objectives, the MDGs, the levels of the health care pyramid (primary care focus), and functional levels (central administration versus service delivery). It looks at budget execution as well, and discusses some data regarding quality of care, an important dimension in assessing efficiency.

a. Evolution of public health expenditures by the strategic pillars of the National Health Policy and Plan

32. **The breakdown of on-budget expenditures captured by the MoHSW in accordance with national plan components illustrates the alignment of spending channeled through the MoHSW with the components or pillars of the national health policy and plan (Figure 2-3).**²⁴ The four stated principal components (or pillars) of the National Health Policy and Plan (2007-11) are the BPHS, HRH, Infrastructure Development, and Health Support Systems. The MoHSW tracks and reports spending in accordance with the plan components, but as with much of the data, there are often significant discrepancies between data reported by the Ministry's Office of Financial Management (OFM) and that reported by other sources.²⁵

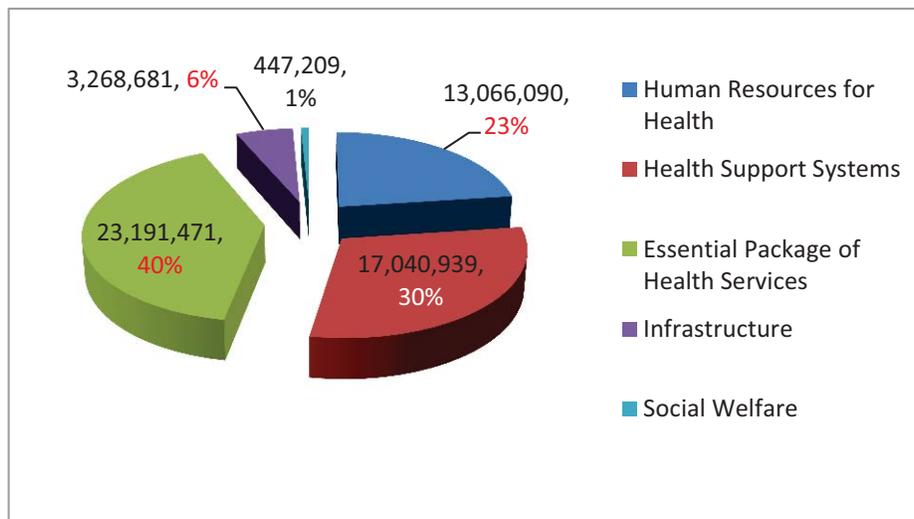
33. **Within these national plan pillars, the emphasis in spending of the government and its partners has clearly been on implementing the BPHS.** Figure 3 shows that the largest share of the pie, 40 percent, goes to the BPHS (now called the Essential Package of Health Services, EPHS), but in fact this share is likely far higher than this because, first, all the spending on drugs and medical supplies in the system are recorded under Health Support Systems (which accounts for 30 percent of recorded spending),

²⁴ Social Welfare is included here as a separate component because the MoHSW reporting for 2010/11 follows the pillars of the new 10-year plan, in which Social Welfare is included as a fifth component rather than those of the previous Plan. In the new policy and plan, the BPHS is now called the Essential Package of Health Services or EPHS.

²⁵ The totals of on-budget spending for 2010/11 in Figure 3 and Table 6 differ somewhat (they come to about US\$57 million and US\$60.7 million, respectively); this is likely due to differences in reporting by different sources. More importantly, both figures leave out a large amount of off-budget spending by partners as shown in Table 2-2.

and second, the BPHS could not have been delivered without using a large share of the human resources (23 percent share) and infrastructure (6 percent share) that are recorded under separate pillars.

Figure 2-3: Share of spending by National Plan components, 2010-2011 (US\$)



Source: Office of Financial Management, MoHSW

Note: While it is unclear under what BPHS component the Health Sector Pool Fund includes expenditure on drugs and supplies, the MoHSW's Office of Financial Management (OFM) apparently includes this in Health Support Systems. If so, the practice of the OFM is certainly in line with the definition of Health Support Systems given in the National Policy and Plan documents.

The Health Sector Pool Fund

34. **The Health Sector Pool Fund is a funding mechanism set up in 2008 under which several donors agreed to pool their funding support to the sector by aligning with the National Health Policy and Plan.** Prior to the establishment of the health sector pool fund, most donors deployed their resources directly or through NGOs for service delivery in the sector. The Pool Fund has helped to channel donor resources through government systems, helping also to build up those systems and to reduce off-budget spending since the end of the civil war. It is also important to note that the Fund frequently operates through contracting with both NGOs and County Health Teams. At present, the government and most donor funds are not channeled through this mechanism, but the Fund has a secretariat based in the MoHSW and a manager jointly appointed by the contributing partners and the government. This Fund is an innovation in the Liberian context that could potentially be a precursor or pilot experience towards a full-scale sector-wide approach (SWAp) to partner harmonization, coordination and alignment.

35. **Table 2-3 shows that the Health Sector Pool Funds have also been spent principally to support the implementation of the BPHS, which is offered free to the public.** About three-quarters of the cumulative funds since 2008, both in terms of allocations and actual execution, have gone to

supporting the BPHS.²⁶ This Fund is therefore a key mechanism of support for the free health care policy of the government. Health support systems, infrastructure and human resources are the other operational costs that are supported by the Pool Fund. This illustrates the alignment of the Pool Fund with the National Health Policy and Plan (2007-11). The Pool Fund tracks and reports its spending in line with these Plan components but apparently does not go further to report spending in line with the policy objectives of the Health Policy and Plan, an analysis that would arguably be more useful for tracking the focus on the key health priorities of the government vis-a-vis other areas of spending.

Table 2-3: Health Sector Pool Fund: cumulative expenditure, as of December 2011

Expense Item	Allocations (US\$)	Payments (US\$)	Executed (%)
Pool Fund Management	2,194,894	1,183,413	53.92
Basic Package of Health Services (BPHS)	25,200,056	19,951,137	79.17
Human Resources	1,558,817	1,387,544	89.01
Health Infrastructure	2,239,058	1,705,677	76.18
Support Systems	2,833,294	2,325,060	82.06
Drugs & Pharmaceuticals	Included in BPHS		
Total	34,026,119	26,552,831	78.04

Source: Health Sector Pool Fund Secretariat, MoHSW

b. Allocation of spending by health policy objectives

36. **The declared policy objectives of the National Health Policy and Plan are a pertinent way to gauge the alignment of public spending with national health goals, although the data reported does not allow this to be easily assessed.** The six policy objectives announced in the 2007-2011 Policy and Plan were (i) improved child health, (ii) improved maternal health, (iii) increased equitable access to quality health care services, (iv) improved prevention, control and management of major diseases, (v) improved nutrition status, and (vi) increased access to quality social welfare services. No national agency appears to be tracking spending along these objectives or in a fashion that might facilitate a clear assessment of how spending is aligned with policy objectives.

37. **Table 2-4 combines 2009/10 data from the OFM and the provisional NHA to give a rough approximation of public spending directed towards the key policy objectives, but the findings should be treated with extra caution here.** Maternal and Child Health are combined in the provisional NHA results. Spending on service delivery for the BPHS is taken as a proxy for increased equitable access to quality health care. Moreover, since the MCH and BPHS figures are taken from separate reports, it can be assumed that the US\$24 million BPHS spending, by definition, includes the MCH

²⁶ Of the ‘non-BPHS’ spending items, it is arguable that much of the spending on HRH and possibly also on support systems and infrastructure support the BPHS.

amount of over US\$11 million. This overlap is inherent in the very definition of the BPHS that was set up precisely to focus attention on health priorities in Liberia, chief among them being the unsatisfactory maternal and child mortality rates. Additionally, spending on prevention of communicable diseases (mostly on HIV, TB and malaria) that can be seen in the table is likely to be less than what is actually spent on prevention, control and management of these diseases. Nutrition is not reported by the MoHSW although apparently there is a division for nutrition within the MoHSW. In addition, there is a fairly large nutrition program run by other government agencies and reported under social protection.²⁷ With the above assumptions, the data in Table 2-4 indicates that the total spending on the policy objectives in 2009/10 was just over US\$30 million, or about two-thirds of the on-budget public health spending for that year. These inferences represent, at least for that year, some tentative evidence of close alignment of spending with the public health priorities declared by the government in its Health Policy and Plan, although social welfare spending would seem too low for a country that was dealing with the social impact of a brutal 14-year war that ended only about five years before this data was collected.²⁸

Table 2-4: Spending by policy objectives

No.	Policy Objective	US\$ Amount in 2009/10
1	Maternal and child health BPHS - access to free health care (equitable access)	11,214,412
2	Prevention of communicable diseases	24,104,460
3	Nutrition*	6,566,831
4	Social Welfare	-
5		866,620

Sources: NHA 2009/10 for items 1, 3; OFM for items 2 and 5

*Nutrition spending was not reported by the MoHSW systems in 2009/10 but it is known that (i) there is a nutrition program in the MOHSW and spending at least since then is reportedly being tracked (ii) there is also a large nutrition program under social protection (reported in the appropriate section of this PER).

c. Allocation of public health expenditures by MDGs

38. **Table 2-4 indicated that just over US\$11 million was spent in 2009/10 on maternal and child health (MCH) services, based on NHA provisional institutional data, and the only year for which such data, even in provisional form, are available at all.** If these data are correct, then they must be compared with the provisional NHA data showing a total public health spend of just over US\$90 million in that fiscal year (Table 2-2), making this MCH spend about 12 percent of all the spending in that year. Moreover, it was earlier inferred that, relative to the amount spent on the BPHS, the spending on MCH appeared reasonably aligned with the health priorities of the government.

²⁷ Spending on nutrition under one program is reported to be nearly US\$40 million during 2009-2011 targeting 660,000 beneficiaries but there is no breakdown of the amount between these 2 years. See the 'Social Protection' section of the full 2012 PER.

²⁸ It is worth noting that the accuracy of the social welfare figures were questioned by some partners at the PER Review workshop; however, no alternative figures have been offered.

39. **In the absence of disaggregated data on each of the maternal and child health components of the MCH spent, it is not easy to calculate cost per case for each of these MDG areas.** The lack of multi-year data also means that even if such a calculation could be made (by, for example, making assumptions around weighting factors or coefficients to transform maternal into equivalent child health services), very little could be said about the trends or the evolution of spending over time, and therefore whether efficiency gains are being made or not.

40. **From 2009/10 to 2010/11, expenditure on AIDS increased by over two and a half times, from US\$3.6 million to about US\$9.4 million, while spending on TB and malaria both fell, in each case by just over 40 percent.** Table 2-5 presents these data, including the number of cases involved and the cost per case. These are just two years' of data. Even so, the data seem to raise more questions than answers. It is not clear, for instance, why the cost per case for AIDS quadrupled in two years (with the total number of cases treated falling by nearly half), while the cost per case for both TB and malaria fell (with the number of cases treated for TB falling by about a fifth and those of malaria rising by nearly a half). At the very least, both the Global Fund (which presumably finances most of these cases) and the government need to track these unit costs over time and try to find explanations for what seems at first and on the basis of only two years' data to be rather random fluctuations in costs per case, with a view to removing any inefficiencies and driving unit costs down to the minimum compatible with quality and improved access.

41. More specifically, it can be observed from the data that the vast majority of funding in those years goes to HIV/AIDs, while malaria may in fact be a bigger burden in Liberia's circumstances. Such a disease funding pattern if it holds more generally would likely be quite distorted.

Table 2-5: Expenditures on AIDS, TB and Malaria

	2009/10				2010/11			
	AIDS	TB	MALARIA	TOTAL 2009/10	AIDS	TB	MALARIA	TOTAL 2010/11
Total US\$	3,610,862	1,624,752	1,319,365	6,554,979	9,353,377	939,838	776,192	11,069,407
No. of cases	7,991	6,668	1,265,268	1,279,927	4,183	5,402	1,834,049	1,843,634
Per-capita spend US\$	451.9	243.7	1.0	5.1	2,236.0	174.0	0.4	6.0

Sources: NHA, OFM-MoHSW, NHDP and NDS.

d. Allocation of public health expenditures by level of health care pyramid

42. **Public health policy and experience worldwide emphasize the cost-effectiveness of investing in primary health care in order to achieve quick wins in health gains for most of the population, especially in a low-income context.** The available evidence here, however, does not readily permit a disaggregation of the crucial primary/secondary differences in public spending. Nevertheless, the limited data accessible (on-budget public spending presented in Table 2-6) appear to show that well over 80 percent of public spending is focused on primary and secondary levels taken together, with the rest going to the tertiary level. Besides the fact that this says nothing about how much of that 80 percent and more is

spent on primary versus secondary care (hence about allocative efficiency, as discussed in the next paragraph and Table 2-6 below), even this limited picture may be further distorted by some other factors: vastly more people have access to the lower level facilities than the tertiary ones and so the use of the same denominator to obtain the per-capita spending in both cases may be misleading in this case. Moreover, there may be a difference in income quintiles between social groups in the population who have access to, or tend to use, particular levels of the health care pyramid more than others (as the evidence on benefit incidence discussed later will show), which has equity implications.

**Table 2-6: On-budget spending for health institutions
(by donors and government at the primary, secondary, and tertiary levels)**

	2008/2009	%	Per capita	2009/2010	%	Per capita	2010/2011	%	Per capita
Primary and Secondary Care Spending	31,600,747	84	9.09	41,712,950	89	12	50,448,734	83	13.61
Govt Releases to Tertiary Institutions	5,875,537	16	1.69	5,268,359	11	1.52	10,254,885	17	2.07
Total	37,476,284	100	10.78	46,981,309	100	13.51	60,703,619	100	15.68

Source: MoHSW and MoF

Note 1: Government and donor releases to the MoHSW and the counties were counted as constituting primary and secondary care spending, with no disaggregation.

Note 2: Government releases to tertiary institutions were said during interviews to include the new tertiary Jackson Doe Hospital (in 2010/11) and so we deducted that hospital's allocation, i.e. \$2,254,885, from the MoHSW/counties releases and added it to the tertiary institutions' releases for that year.

Note 3: Donor contributions through other sources outside MoHSW are not included.

43. **Further examination of health spending by type of provider institution (Table 2-7) gives some limited indication of the relative spending between primary health institutions (clinics and health centers) and secondary health institutions.** After certain centrally-paid expenses (such as salaries) are excluded, very little is spent at the primary care level vis-a-vis secondary levels. There are important qualifications to make to the last statement. It is clear in the table that most of the institutions' spending (especially human resources) is lumped together with the 'Central Ministry' spending, giving the latter an exaggerated share of all the spending. However, this lumping together is true for all institutions, and it is arguable that HRH costs at secondary level will far exceed those of primary institutions, subject to the numbers as well as qualifications/skills mix of staff at each of those levels. Thus, even though the data show only the residual expenses at each institutional level, the fact remains that when all that is taken into account, very little is apparently left for health centers and clinics.²⁹

²⁹ Higher levels of care, of course, require more facilities and equipment than lower level ones, once the HRH and others such as drugs are taken out of consideration. But, it is unclear what exactly is included in the 'Central Ministry' besides HRH that should perhaps have been included in the operational level spending figures.

Table 2-7: Health spending by provider type

2010/2011		
Provider Type	US \$	%
Central Ministry	40,247,552	70.6
Referral Hospitals (Jackson Doe Hospital)**	2,254,885	3.95
Training Institutions	211,250	0.37
County Health Teams	8,763,570	15.36
County Hospitals	3,949,697	6.92
Other Hospitals implementing Essential Services scheme	1,175,199	2.06
Health Centers & Clinics	442,236	0.78
Total	57,044,389	100

Source: Office of Financial Management (OFM), MoHSW

**Note: The main tertiary hospitals (JFK, Phebe and LIBR) are NOT included in this table. Therefore, this table does not depict the spending at all the levels of the health system. This helps to explain some, though not all, of the difference between the total spent of US\$57 million here and US\$60 million in Table 2-6. Missing information or errors may explain some of the discrepancy, too.

e. Allocation of public health expenditures to functional levels (service delivery versus central administration)

44. **The objective of policy should be to maximize the allocations to front line services as opposed to central administration costs.** Table 2-8 shows that the MoHSW spent around 80 percent annually between 2008/09 and 2010/11 on service delivery and health programs/activities, and about 20 percent each year on central administration costs, including planning, statistics, and social welfare administration. This broad relationship between the two spending figures appears to be within norms in other related industries,³⁰ but a further drill down to examine what each dollar actually achieves and whether spent on service delivery or administration might be useful information for policy makers concerned about efficiency of spending. In the end, however, the best way to judge this is by looking at the results or impacts of spending, or undertaking a cost-benefit or similar analysis to be more rigorous about it. In the absence of that kind of rigorous exercise, the other analyses here regarding quality of care, average distance to nearest facility, etc all help to make an overall assessment of some of the spending outcomes.³¹

³⁰ If the MoHSW were a health insurance firm, this relationship would be equal to a ‘medical -loss ratio’ of about 80:20 between services on the one hand, and admin/overheads/margin on the other, which is within the accepted industry norm.

³¹ It might not be irrelevant to note an apparent correlation between the generally poor quality of data available for the PER and the minuscule amounts spent on statistics, at less than half of a percent of the total each year.

Table 2-8: Total amount and percentage of cash release per functional level

Functions	2008/2009	%	2009/2010	%	2010/2011	%
Health Service Delivery Programs and Activities	21,266,497	78.3	24,104,460	79.8	46,402,888	81
Sub-Total for central Ministry administrative costs	5,902,071	21.7	6,080,800	20.2	10,641,501	19
<i>Social Welfare Admin</i>	887,992	3.2	866,620	2.9	686,091	1.2
<i>Planning</i>	1,078,653	4	597,120	2	4,635,483	8.1
<i>Vital Statistics</i>	117,957	0.4	126,230	0.4	253,836	0.4
<i>Other Administration (Central)</i>	3,817,469	14.1	4,490,830	14.9	5,066,091	8.9
TOTAL	27,168,568	100	30,185,260	100	57,044,389	100

Source: Office of Financial Management (OFM), MoHSW

Budget execution rate

45. **Table 2-9 shows that the health sector budget was executed at about 80 percent in 2008/09, but execution fell to just below 70 percent the following fiscal year, before recovering to just over 80 percent in 2010/11.** This represents a fall from the high of 98 percent execution reportedly achieved in 2007/08 when the 2008 PEMFAR was prepared. Without prejudging the reasons for less than optimal budget execution, a consistent execution rate of at least 95 percent is required to convince policy makers and planners in the Ministry of Finance that the sector needs more funding, or even the same level of allocations going forward. Often the reasons for less than optimal performance have to do with absorptive capacity at the MoH level (and this is frequently cited by people in the MoF in Liberia) but sometimes they can be due to procedures and delays at the MoF level given its central role in budget execution.³² When performance is low, the real reasons should be investigated and solutions found to ensure optimal spending of what is available to the MoHSW.

Table 2-9: Budget execution rate, 2008/09 – 2010/11

	2008/2009			2009/2010			2010/2011		
	Budget	Release	Budget Execution Rate	Budget	Release	Budget Execution Rate	Budget	Release	Budget Execution Rate
Health Sector Budget	22,906,608	18,284,172	80%	27,122,030	18,584,169	69%	39,771,557	32,245,973	81%

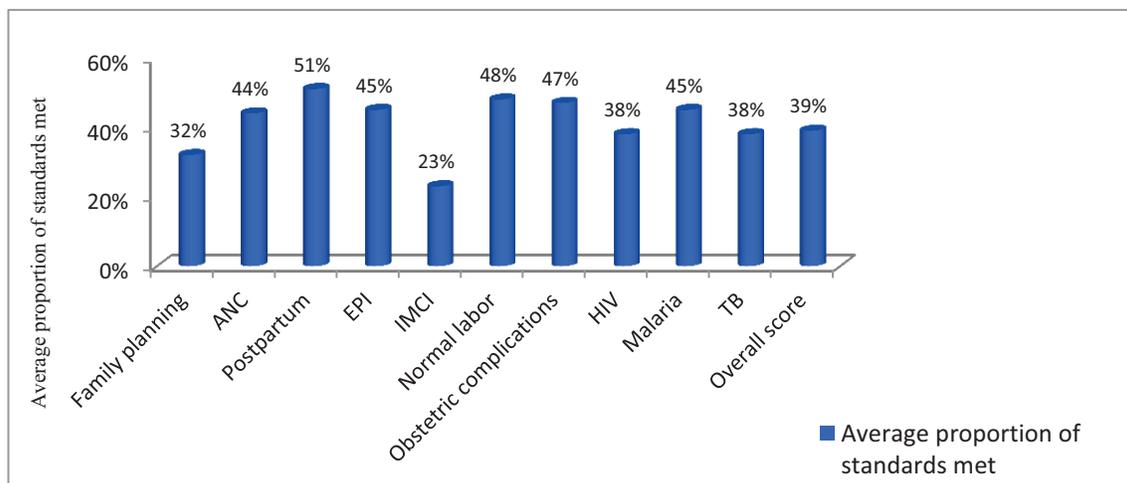
Source: MoHSW and Ministry of Finance.

³² Indeed the MoHSW contends that the MoF tends to release funds very late in the cycle, which imposes difficult challenges in execution according to their plans. This is a phenomenon that is well-known in many other African countries, and therefore has some plausibility to it.

Quality of care

46. **An assessment of efficiency of health spending must take into consideration the quality of care.** A quality assurance survey of health facilities in Liberia conducted towards the end of 2010 (see Figure 2-4) revealed that, on the basis of the proportion of quality standards met for 10 clinical areas, the facilities surveyed received less than 50 percent on all but one of the clinical areas, and the overall score or proportion of standards met was 39 percent. Although the Liberian health system began from a very low base after the war, it seems that, given the amount of resources invested so far, these findings indicate a much less than stellar return for the dollars spent in health and, at the very least, that much work remains to be done in this area.

Figure 2-4: Clinical quality



Source: Quality Assurance Baseline Assessment Report (RBHS), November 2010.

(ii) Equity of health expenditures

47. **The National Health Policy and Plan clearly states that its vision “is a nation with improved health and social welfare status and equity in health.”** This section discusses the equity impact of health spending by examining the spending allocations by region (each region contains three counties), the distribution of human resources for health by county, the average distance to the nearest health facility by county and the benefit incidence of health spending nationally.

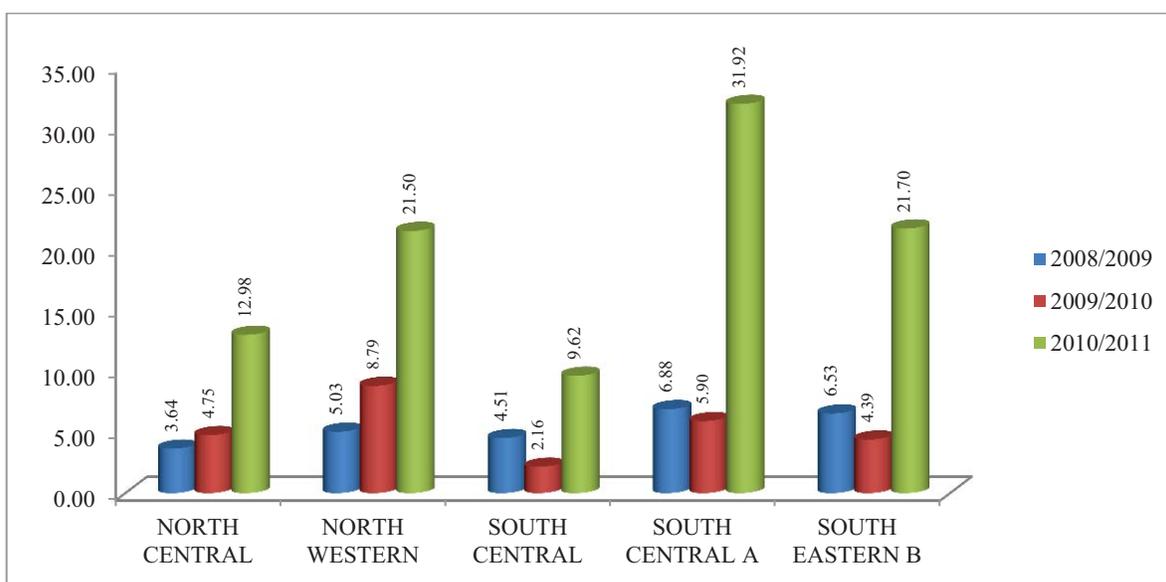
a. Equity of public health expenditures by region/county

48. **Despite progress since the 2008 PEMFAR, the data presented in Figure 2-5 indicate that regional inequity remains in the allocation of the health sector budgetary resource.** The South Central A Region received a disproportionate share of resources per-capita in 2008/09 and 2010/11 as its per-capita allocation was nearly twice the per-capita allocation of the least favored region (North Central) in 2008/09 and over three times the per-capita allocation for the least favored region (South Central) in 2010/11. In 2009/10, the Northern Western Region received over four times the allocation of South Central, which had the lowest per-capita transfer. The year 2010/11 was, however, one of greatly

increased per-capita allocations for all regions. More to the point, compared to the situation at the time of the last PEMFAR where the ratio of the per-capita spending in the richest to the poorest region was more than six times, these data seem to show that some progress has been achieved in equity, with some way still to go.

49. **There is a need to qualify the data presented in the preceding paragraph, however.** The South Central counties (including Montserrado, the capital county) appear in the bottom or near the bottom position in all three years, contrary perhaps to expectations, given the often-cited concentration of resources in the capital. This apparent inconsistency may be explained by two factors: first, Montserrado also has the largest population, at over 1 million inhabitants or about a third of the total population, so that although it tends to receive the lion’s share of resources, its per-capita figure for the government transfers shown also tends to be low. Secondly, and perhaps even more importantly, this picture is also distorted somewhat by the non-inclusion of tertiary institutions, and Montserrado has the most important and well-funded of these institutions, especially the JFK hospital that receives the most funding for tertiary care. Finally, these data do not include off-budget spending by partners and so for all these reasons the data in Figure 2-5 need to be interpreted with caution.

Figure 2-5: Per capita government transfers to regions/county health system (US\$)



Source: Office of Financial Management (OFM), MoHSW

Note: Tertiary institutions are not included here, thereby distorting the picture somewhat since Montserrado (Capital County) and a few other provinces have tertiary institutions that also receive funding from public sources.

b. Distribution of human resources for health (HRH) by county

50. **The HRH distribution highlights and reinforces the above implication that Montserrado enjoys more than a fair share of health resources, despite partial data tending to show otherwise.** With just under a third of the population, Montserrado County has a disproportionate concentration of key

staff: over a half (53 percent) of medical doctors are based there, as well as over a third (37 percent) of nurses and just over 40 percent of pharmacists (Table 2-10).

Table 2-10: Health work force by county and by cadre, 2009

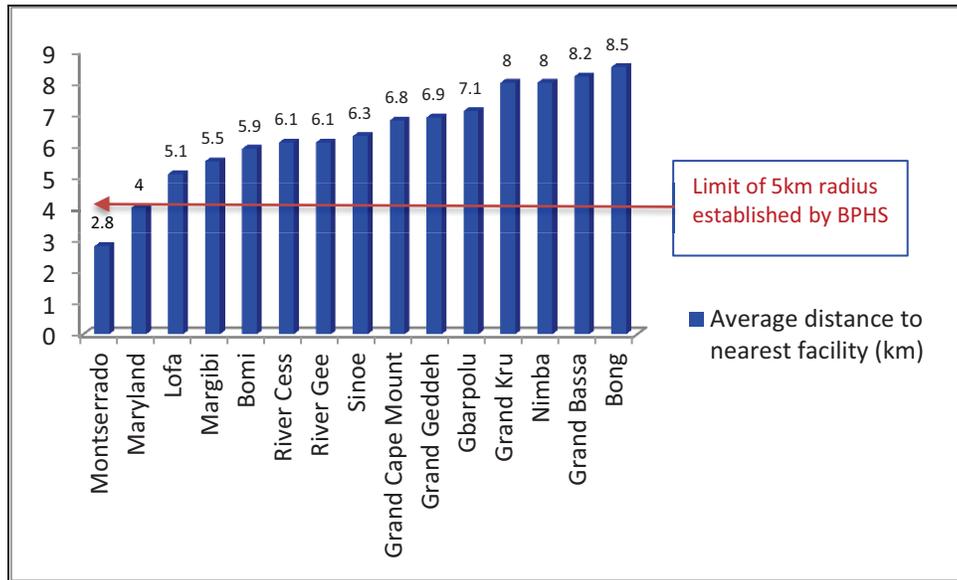
County	MDs	Nurses	Pharmacists
Bomi	1	53	2
Bong	5	124	5
Gbarpolu	1	27	1
Grand Bassa	5	89	2
Grand Cape Mount.	1	49	2
Grand Gedeh	2	40	2
Grand Kru	1	12	0
Lofa	9	120	5
Margibi	4	90	3
Maryland	6	48	0
Montserrado	48	512	20
Nimba	5	121	2
River Cess	1	39	0
River Gee	0	26	0
Sinoe	1	43	2
Total Health sector Workforce	90	1393	46

Source: 2009 HRH survey (National Census of Health Workers in Liberia, 2009)

c. Average distance to nearest facility

51. Analysis of the average distance to the nearest facility (Figure 2-6) shows that out of the fifteen counties, only Montserrado and Maryland are within the norms established by the BPHS as the desired threshold, i.e., no more than 5 kilometers (km) radius or one hour of walking. Here also we can see evidence of the concentration of resources in the capital county, Montserrado, which, at 2.8 kilometer (km), has the smallest average distance to travel to a health facility. Four counties have rather poor physical access to health care, with distances to the nearest facility at least 8 km, or 60 percent above the BPHS norm. Distances to facilities are an important measure of access, especially in rural communities with poor roads and means of transportation, which can mean the difference between life and death for someone with a serious illness or other health condition requiring urgent medical attention.

Figure 2-6: Average distance to nearest facility (km)



Source: MoHSW, 'Country Situational Analysis Report,' draft, 2010.

d. Benefit incidence of public spending

52. A study on benefit incidence of public spending was undertaken in 2010,³³ and the results showed that government subsidies are generally not pro-poor, with the exception of subsidies to government clinics. The magnitude of the pro-rich bias in the distribution of government subsidies was found to be more significant in higher-level health facilities than in lower-level facilities. In other words, investments in higher level facilities such as secondary and tertiary institutions tended to benefit the rich more than the poor. A closer look into the distribution of the subsidies by type of services also indicated that the pro-rich bias in the distribution of government subsidies is greater in magnitude for inpatient services than for outpatient services. These findings would tend to reinforce the message that the government ought to invest more in the lower level facilities if it is to achieve its health equity goals.

E. Conclusions, key issues, challenges, and recommendations

53. This section draws some conclusions and discusses the key issues, challenges and recommendations emerging from the PER.

(i) Conclusions, key issues and challenges emerging from the study

54. The headline message emerging from this PER is that Liberia has made some big strides in significantly raising and spending more resources for health in the period since 2008/09, but that most of the increased public spending seems to have come at a cost of an apparent deepening of

³³ Hong Wang et al. June 2010. "Who Benefits from Government Subsidies to Public Health Facilities in Liberia? Evidence from Benefit Incidence Analysis" (USAID/Health System 20/20).

donor dependence and that a lot remains to be done to demonstrate commensurate returns for the dollars raised and spent. Institutional health spending as a whole has doubled since the last PER, according to provisional NHA data, and per-capita spending has grown very rapidly, largely due to large infusions of donor funds into the sector. Current per-capita health spending from public sources (US\$38.50) is close to the 2007 inflation-adjusted CMH recommended figure for low income countries of US\$40. The health spending represents about 14 percent of the country's GDP, a fairly high level of spending.

55. **Donors have clearly stepped up and contributed far more than the government to increase health spending, but this raises a key issue of the sustainability of this level of spending in the future.** More specifically, donor funding was found in the last PEMFAR to represent about 69 percent of total public health expenditure (already considered well above average for low-income countries), while for this PER the share of donor funding is now around 80 percent.

56. **The budgetary allocation to the health sector in absolute terms has risen dramatically, by around 80 percent in the last two fiscal years, but the share of health resources in the national budget has fallen from 7.7 percent (in the last PEMFAR) to around 6.8 percent in 2009/10.** Though the government's budget allocations to health in the last two fiscal years (11 and 9.5 percent, respectively, as a share of the national budget), have been high by Sub-Saharan Africa's standards of 7–8 percent, the actual spending at about 6.8 percent is below the SSA average, possibly due to sub-optimal budget execution as one factor among others. It is also not entirely clear what are the substitution effects of this increased donor spending in health, but an analysis of such effects might be instructive especially in the context of addressing the contribution and adjustment of future domestic spending to reduce donor dependence.

57. **Donor spending has been increasingly channeled through the budget and aligned with national health priorities but a high portion of these funds is still kept off-budget.** The Health Sector Pool Fund has helped to channel a considerable amount, though by no means most, of donor funds through the government systems and also helped to align those funds very closely to the health sector's declared priorities in the National Health Policy and Plan. The Pool Fund has also arguably helped to improve the delivery of quality services through contracting arrangements with NGOs and County Health Teams. As a result, some of those NGOs have been able to make a relatively smooth transition from humanitarian to development assistance.

58. **There is strong evidence of alignment of on-budget spending with the key pillars or components of the National Health Policy and Plan including the BPHS (strengthening the likelihood of some efficiency gains) but weaker evidence of alignment to some other pertinent health sector objectives.** Spending by health care level seems to be moving in right direction but there are reasons to be concerned about continued progress due to the new expanded BPHS (or EPHS as it is now called) as well as newer regional-based tertiary health facilities coming on stream. The EPHS explicitly includes services provided at the higher levels of the health care pyramid, thereby apparently obliging the government to prioritize spending on those services just as for the more basic services included in the previous BPHS.

59. **There is evidence that health services are not equitably distributed across regions and counties.** Even though some progress has been achieved in equity, notably in reducing the gap between per-capita spending on health in the richest regions versus the poorest ones, most health sector resources continue to be concentrated in the capital county of Montserrado.

(ii) Recommendations

60. **Moving forward, the government needs to grapple with key challenges in ensuring the sustainability of current levels of donor funding and it needs to prepare a strategy to address the inevitable future reductions in those levels of funding.** There was some evidence during the study of the unpredictability of donor funds, which makes planning inherently difficult. If the 80 percent rise in government releases to the sector in the last two years could be interpreted as a realization by government of the need to ramp up domestic funding into the future, this could help to eventually address this concern. Rising mineral wealth may also provide the fiscal means to realize this goal, but an urgent discussion with partners about future commitments and strategies for eventually reducing dependence may be a prudent approach in addition.

61. **The government is urged to develop a medium-term health sector resource mobilization strategy jointly with its health development partners.** The strategy should take into account as much as possible any information that can be obtained about the future commitments of donors to the sector and the predictability of their funding, as well as projections of future domestic resource commitments. Such an exercise is best undertaken as part of a fiscal space analysis and the development of an MTEF around several scenarios. This exercise should also include an effort to identify areas of efficiency gains and any quick wins that would help boost returns for the dollars spent in the sector and improvements in the quality of care.

62. **Budget execution by the MoHSW has been less than optimal and needs to be urgently addressed.** Looking for the reasons behind the observed less than optimal budget execution is another key challenge that both the MoHSW and MOF need to tackle. This would help to convince partners that the GoL is serious about efficiently spending what is currently available to it, and help to justify any calls to increase funding.

63. **The earlier analysis on government policy indicated that the new Health Financing Policy and Plan envisages the piloting and introduction of social health insurance, although the feasibility of health insurance (and the specific kinds of insurance) for Liberia remains to be made.** In the circumstances, it appears prudent that the government is committed to piloting community based health insurance schemes in the medium term, and has not made any plans for immediate or even medium-term roll-out on a national scale. This would give time for drawing appropriate lessons learned from the proposed pilot schemes before decisions can be made about extending to the whole country.

64. **Given the sheer volume of resources going into the health sector at present, especially for implementing the BPHS, it is arguable that the current free health care can probably be maintained for the time being provided that the overall level of public investments, especially donor commitments, continue at current levels.** This suggestion is, however, also crucially pending on the

findings of the NHA survey on household expenditures scheduled for late 2012. If the survey reveals that households have been making significant out-of-pocket expenses despite the free care policy, then it would mean that there is effectively no free care anyway. In addition, if health financing turns out to be unsustainable due to some alternative scenario—such as a substantial reduction in donors’ contributions taking place—the ability to pursue this policy would also be placed in some jeopardy.

65. **There is also a need for the OFM, the Pool Fund and other agencies involved in tracking public sector health expenses to improve the collection of data and its accuracy and reliability to facilitate evidence based policy decision-making.** There is also a need for sufficient disaggregation of expenditure to enable estimates of how much of spending occurs at primary, secondary and tertiary levels of the health system, and to show the economic classification of the budget. The improved availability and reliability of data will enable detailed analysis of the health spending and its impacts and to assess whether such spending achieves health policy objectives.

66. **On the whole, there is a need to invest in better data collection and analysis to improve the quality of data for decision making.** In some cases, the data may be already being collected at some level, but there is still a need to collate and analyze it for decision makers. This may require more investment in the statistical services as well as the monitoring and evaluation functions of the MoHSW. This includes capacity building for all agencies involved and collaboration among them to minimize data inconsistencies and contradictions. The suggestions below may be considered for improving the data collection, analysis and reporting processes in the country:

- The Office of Financial Management (OFM) and the Donor Pool Fund (DPF) management need to harmonize their expenditure categories for reporting purposes;
- Financial data should be collected, analyzed and recorded according to health plan pillars, by objectives of the health plan and by level of the health pyramid where these are incurred, i.e. primary, secondary and tertiary levels;
- At the start of each fiscal year, the agencies involved in collecting such health data, including the above two agencies should meet together with the Liberian Statistical and Geographical Information Services (LISGIS) and partners to agree on the coordination of their data collection and analysis efforts for the year, including clear definitions of the categories headings used. The same meeting might also take a look at data reported for the past year and agree on resolving any contradictions and inconsistencies in their reports before they are finalized. Any additional training or capacity building or other needs could also be identified at such a meeting.

67. The importance of social assistance in the post-war context of Liberia needs to be underscored by the GoL through better tracking of all the spending on such programs (especially by the MOHSW among others) in order to help determine if the efforts in this area are sufficient to the challenges or not.

3. Social Protection Expenditure

A. Introduction

(i) Context

1. **Between 2007 and 2010, Liberia witnessed steady economic growth and a subsequent decline in overall poverty; however, over half of the population remains poor.** The World Bank estimates that the poverty rate has fallen from around 64 percent in 2007 to 56 percent in 2010. This reduction in national poverty statistics is matched by a perception among many Liberians that their own economic status has improved over this same period. Still, with 56 percent of Liberians living in poverty, much progress remains to be made. Liberia's human development indicators are among the lowest in the world, with a ranking of 182 out of 187 countries evaluated by the UNDP Human Development Index.

2. **In Liberia, poverty and vulnerability are correlated with limited opportunities to engage productively in economic activities and food insecurity.** Almost 70 percent of people active in the labor market are employed in the informal sector, with nearly a quarter of the population (about 850,000 people) underemployed and an estimated 78 percentage engaged in vulnerable employment (LFS, 2010).³⁴ The poorest households seem to be those where the head is self-employed in agriculture and poverty tends to decrease as the education level of the head of household increases. Formally paid employees are typically better off but represent only about 5 percent of the population (195,000 people). In addition, the latest Comprehensive Food Security and Nutrition Survey (CFSNS) found that 13 percent of Liberian households were food insecure and that 28 percent are vulnerable to food insecurity.

3. **The exclusion of certain segments of the population in Liberia poses a potential threat to the country's continued growth and stability, particularly in the context of its recent emergence from civil conflict.** The exclusionary history of the Liberian state was one of the major factors that contributed to the country's 14-year civil conflict. As witnessed during the 2011 elections, peace in Liberia remains tenuous. The repetition of previous discriminatory practices could have serious negative implications for continued peace, stability, and economic growth.

(ii) Objectives and scope of current expenditure review

4. **This Public Expenditure Review (PER) is the first such undertaking for social protection in Liberia and seeks to establish a baseline for social protection spending by government and donor partners.** The 2008 Public Expenditure Management and Financial Accountability Review included only education and health in its chapters on social expenditures. This reflected the government's development policy documents and national budgets, which did not include social protection programming. As the government has now adopted social protection as a national priority, the present section of the PER seeks

³⁴ The 2010 LFS defines vulnerable employment as "own account" and "contributing family" workers.

to analyze those limited expenditures that have been incurred to date in this sector. In particular, the PER reviews government and donor partner spending for FY08/09, FY09/10, and FY10/11.

5. **The PER is organized into seven sections:** (a) Introduction; (b) Overview of social protection in Liberia; (c) Social protection sector expenditures; (c) Equity of expenditures; (d) Efficiency of expenditures; (e) Key issues and challenges; and (f) Conclusion and recommendations. Throughout each section of the PER, the analysis is negatively affected by the severe limitation on data available as well as inconsistencies in data collection among the various stakeholders implementing social protection programming.

B. Overview of the social protection sector in Liberia

(i) Defining social protection

6. **Social protection aims to contribute to inclusive economic growth and more equitable development.** The World Bank's Africa Social Protection Strategy 2012-2022 outlines the institution's objectives in this sector to support the strengthening of social protection systems to reduce vulnerability and poverty by supporting poor citizens to: (i) *manage risk and respond to shocks*; (ii) *build their productive assets and increase their access to basic services*; and (iii) *engage in productive income-earning opportunities*. Social protection interventions typically include: (a) social insurance programs: contributory and non-contributory programs, such as pensions, unemployment benefits, and health insurance; (b) social assistance programs: cash or in kind transfers to alleviate poverty, often termed social safety nets (SSN); and (c) passive labor regulations and active labor market programs, such as education and training, credit, and employment services.

7. The draft National Social Protection Strategy and Policy (2012) for Liberia defined social protection as a package of policies and programs implemented as part of public actions that provide income or consumption transfers to the poor, protect the vulnerable against livelihood risks and promote efficient labor markets, with the aim of reducing food insecurity and deprivation and increasing resilience to shocks, as well as ensuring more equitable access to basic services and adequate employment. Adopting a system approach, the policy includes the following three components:

- **Social assistance** includes non-contributory programs that provide predictable cash transfers as well as in kind transfers to the poorest and most vulnerable households, individuals and groups; fee waivers in order to reduce barriers of access to essential social services; and a national school feeding program.
- **Social insurance** includes contributory schemes that enable contributors to manage risk. Some will be provided and co-funded by government while others will be provided by the private sector. These schemes include contributory pension and micro insurance products for workers in formal and informal sectors.
- **Social legislation** includes labor legislation that mandates employers to provide mechanisms protecting employees from risks, including legislation on child labor, working conditions, discrimination in the work place, maternity benefits and health and safety.

8. **This public expenditure review (PER) focuses primarily on social assistance and social insurance programs**, although it also considers labor regulations and market programs, particularly regarding employment programs and services, which are captured in the discussion on social assistance. The Review does not discuss government’s education policies, including technical and vocational educational training (TVET), as these are addressed under the education sector of the PER. Moreover, social protection as defined here does not encompass the entirety of the government’s social development sector, which includes the full portfolios of the Ministry of Gender and Development and Ministry of Youth and Sports, as well as several governmental and quasi-governmental agencies with mandates that extend beyond the social protection sector.

(ii) Government policy towards social protection

9. **In recent years, the government has launched efforts to develop a coordinated strategy for social protection.** The government’s focus on inclusive economic growth recognizes the importance of human development, including social protection, in creating shared wealth that will provide all Liberians with a stake in the country’s continuing stability. Moreover, the recent waves of global price crises, in particular the food price crisis, have highlighted the weaknesses in Liberia’s capacity to assess the risks and mitigate the impact of economic shocks on the poor.

10. **Social protection will be one of the key policy issues addressed within the Human Development pillar of the second Poverty Reduction Strategy (PRS II).** Neither the government’s first PRS nor other main policy documents reference social protection specifically; however, the Ministry of Planning and Economic Affairs (MoPEA), through the National Social Protection Secretariat, led the development of a National Social Protection Strategy and Policy, which will inform the Social Protection Sector Plan in the PRS II. This social protection strategy and policy will provide guidance to:

- Increase the coverage of effective social protection interventions which link to wider sector objectives;
- Reduce system fragmentation and increase coordination of interventions;
- Address capacity constraints;
- Create fiscal space for the sustainable financing of social protection;
- Move towards adoption of cash rather than food based transfers;
- Move towards a comprehensive package of social protection interventions as capacity and resources allow; and
- Ensure benefit sizes are set at an effective level.

(iii) Ongoing social protection programming

11. **Spending on social protection programming in Liberia is relatively substantial; however, the sector is highly dependent on donor financing and fragmented between uncoordinated, often small-scale, interventions.** Current spending levels on social protection interventions represent approximately 3 percent of GDP (2.5 percent of GDP when only considering SSN programming).³⁵ While

³⁵ These calculations are based on the 2010 GDP of USD 941.4 million as estimated by the International Monetary Fund (IMF).

this is in keeping with the Sub-Saharan Africa regional average of 2.81 percent (WB, 2012), the GDP of Liberia remains low as the country recovers from the recent conflict and is likely underestimated. The government also is heavily reliant on international donors, whose support is included in this figure.

12. **Excluding private sector employer contributions, the government is the sole financier of social insurance programming.** In Liberia, social insurance programming includes pensions and workers compensation insurance for only those in the formal sector. In 1975, the government established the National Social Security and Welfare Corporation (NASSCORP) to provide social protection for job-related injuries or invalidity and old age retirement. Currently, NASSCORP operates two schemes: (1) the Employment Injury Scheme (EIS), launched in 1980, and (2) the National Pension Scheme (NPS), introduced in 1988. A third foreseen Social Welfare Scheme has not been launched. In addition to this contributory scheme, the government supports a non-contributory pension for civil servants. The Civil Social Agency (CSA) administers this scheme, which covers all civil servants, including military personnel, through a non-contributory pension scheme and is designed to augment the benefits that civil servants receive through NASSCORP. In its current iteration, all civil servants are enrolled in both NASSCORP schemes as well as the CSA pension.

13. **By contrast, social assistance programming is funded primarily by donor expenditures; between 2008 and 2010, donor financing represented 94 percent of all SSN expenditures.** The social assistance programming implemented within the country and identified in this study as SSN are, mainly: (i) cash transfers and near-cash transfers; (ii) public works in which the poor work for food or cash; and (iii) in kind food transfers such as school feeding and take-home rations, nutritional supplementary feedings and food distribution during lean season. The World Food Program (WFP) is the largest donor in the sector, funding approximately 50 percent of the sector in FY2010/11, with a focus on both food and cash transfers and community works to support rehabilitation of agricultural assets and rural farm-to-market roads. The U.S. Agency for International Development (USAID) and the United Nations Children’s Fund (UNICEF) are other important development partners, accounting for 14 and 8 percent of social assistance spending in FY2010/11, respectively. USAID and UNICEF also concentrate largely on food security interventions, as well as smaller contributions to two pilot social cash transfer projects. World Bank support represents about 3 percent of the sector and UNDP supports about 2 percent of the sector, both focused on public works. Given the predominance of donor funding within this sector, the following section reviews social protection expenditures from these funding sources in detail.

C. Social protection sector expenditures

(i) Government expenditures

a. Social insurance

14. **NASSCORP’s Employment Injury Scheme (EIS) and National Pension Scheme (NPS) represent the only contributory social insurance programming in Liberia.** The total contribution rate is 7.75 percent, of which 6 percent is allocated to the NPS (of which 3 percent is paid by workers and 3 percent by employers) and the remaining 1.75 percent to the EIS (paid solely by employers). On average, the government contributes USD 500,000 annually through the CSA to cover all civil servants, estimated

at 36,000 people. In 2010, this CSA allocation represented approximately 4 percent of total employer contributions to NASSCORP.

15. **NASSCORP’s scheme appears financially sustainable in the short term; however, the system is likely to experience a deficit in the medium-term given the increasing number of beneficiaries and high operating costs in spite of stable enrollment.** In 2010, NASSCORP provided benefits to 3,029 people, or about 4.4 percent of its total enrollment of 69,328 people (NASSCORP, 2010). Through the NPS, beneficiaries receive 25 percent of their salary at retirement for 100 months; after the first 100 months, this amount increases by 1 percent every 10 additional months of contribution. In case of injuries on the job, beneficiaries receive medical benefits for two weeks as a temporary disability. Following this two-week period, beneficiaries are subject to a medical board that defines their degree of disability and benefits are determined accordingly. A designation of permanent disability results in a benefit equal to 30 percent of salary at the time of the injury. In 2010, the average benefit per beneficiary was USD 791, about USD 65 per month, which is relatively high considering that per-capita gross national income (GNI) is estimated at USD 173.³⁶ Table 3-1 below offers a picture of the financial situation of NASSCORP for January to September 2010. Operations and administration costs are relatively high, at close to 60 percent of total expenditures, which, particularly when coupled with the reported trend of an increasing number of beneficiaries but stable enrollment, raises questions about the longer-term financial viability of NASSCORP’s schemes and institutional arrangements.

**Table 3-1: Financial situation of NASSCORP
(January - September 2010)**

	Category	USD
Income		8,906,984
	Contributions	7,298,688
	Investments	1,726,456
Expenditures		5,731,042
	Benefits (3,029 beneficiaries)	2,396,567
	Operations and administration	3,334,475

Source: NASSCORP, Annual Report, 2010

16. **In addition to NASSCORP, the Civil Service Agency operates a non-contributory pension scheme for government civil servants and military personnel.** Civil servants are covered both by the NASSCORP schemes and the CSA pension. There are currently 15,404 pensioners on the CSA payroll. The table below outlines the government’s actual or budgeted allocations to the general civil service pension between FY2008/09 and FY2010/11. The government realized a significant reduction in expenditures of approximately 25 percent between FY2008/09 and FY2009/10 as the result of its efforts to verify the eligibility of beneficiaries on its pension payroll (Table 3-2). These ghost pensioners were identified as part of the CSA audit of civil servants and adoption of the use of biometric identification for pensioners, as supported by the World Bank.

³⁶ <http://data.un.org/CountryProfile.aspx?crName=LIBERIA>

Table 3-2: Actual and budgeted government allocations for social insurance

FY2008-09 to FY2010-11 (USD)

Expenditure Category	2008/2009 Actual	2009/2010 Revised Budget	2010/2011 Budget
Pension for General Civil Service	6,440,356	4,867,483	4,609,000

Source: GoL FY2010/2011 and FY2011/2012 National Budgets

b. Public works

17. **The government’s support of public works is provided through the Ministry of Labor and the Ministry of Youth and Sports.** While the government’s 2009 Employment Policy does not reference social protection specifically, half of its two-pronged approach to employment is through emergency employment schemes. The Policy outlines that the National Bureau of Employment, under the Ministry of Labor (MoL), will continue, expand, and consolidate such schemes, mainly through public works. At present, the MoL is the key government actor in this area and receives budgetary support for two public works activities, employment initiatives, as well as administrative costs. Programmatic activities are supported through a transfer to the Liberia Emergency Employment Program and Liberia Employment Action Program (LEEP/LEAP) Secretariat and administrative costs, including employee compensation, goods, and services, are allocated to the MoL’s employment initiatives bureau. The Ministry of Youth and Sports (MoYS) has two activities that aim to provide temporary employment to unemployed youth.

18. **The MoL is responsible for the implementation of two public works programs, as well as two employment initiatives.** The LEEP/LEAP Program mainly targets former combatants, engaging them in community works and labor-intensive projects at the wage of USD 3 per unskilled workers and USD 5 for skilled workers for an 8 hour working day. In 2011, short-term employment was provided to 6,018 people.

19. **The *Vacation Job program* provides internships and community service jobs for students in Monrovia, who receive USD 150 and USD 100, respectively, through the program.** In 2011, the program engaged 700 students as community workers and 500 students in private sector internships. The program is overseen by the Inter-ministerial Committee on Youth Employment and includes funding allocations through the Ministry of Youth and Sports (see Table 3 below) as well as UNDP (committed USD 50,000 in FY2009/10 and USD 150,000 in FY2010/11).

20. **Through the budgetary transfer to the LEEP/LEAP Secretariat, the MoL also supports additional internship opportunities as well as career awareness services.** In 2011, these activities benefited 336 and 500 people, respectively.

21. **In addition to its support of the Vacation Job Program, the MoYS has supported the *National Youth Volunteer Service program*.** The ministry allocated USD 18,590 in 2009/10 and 69,883 in 2010/11, as outlined in the Table 3 below. This investment contributed to the engagement of 131 and 133 students, respectively, in the one-year volunteer program, under which students are employed in public service. Students received a stipend of USD 150 per month, plus an additional USD 300 for resettlement expenses. UNDP contributed USD 750,000 to this program over the two years. Budget

allocations, therefore, are equal to approximately 12 percent of total program costs. Between its contributions to the Vacation Job and National Youth Volunteer Service programs, the MoYS allocates approximately 3 percent of its total expenditures for both FY2009/10 and FY2010/11 to social protection.

22. **Government spending on public works interventions is heavily weighted toward administrative expenditures.** Of the total FY2010/11 budgetary allocations in the MoL for public works, approximately 36 percent was allocated to programming costs while approximately 64 percent was allocated to administrative costs. All MoL programming is community-based and employs self-targeting for beneficiary enrollment. The Ministry of Youth and Sports (MoYS) also supports emergency employment projects; however, because these expenditures represent only 2 percent of Ministerial spending during the period under review, it is difficult to determine the allocation of administrative costs associated with these expenditures. Table 3-2 outlines the government’s actual or budgeted allocations to these activities between FY2008/09 and FY2010/11.

**Table 3-3: Actual and budgeted government allocations for public works
FY2008-09 to FY2010-11 (USD)**

Expenditure Category	2008/2009 Actual	2009/2010 Actual	2010/2011 Budget
Ministry of Labor			
LEEP/LEAP Secretariat	300,000	160,666	250,000
Employment Initiatives	314,784	308,679	435,827
<i>Compensation of employees</i>	162,700	272,173	291,827
<i>Use of goods and services</i>	152,084	36,506	144,000
Ministry of Youth and Sports			
Vacation Job Program	- 0 -	71,400	96,400
Youth Volunteer Program	- 0 -	18,590	69,883

Source: GoL FY2010/2011 and FY2011/2012 National Budgets.

c. Budget transfers

23. **Within the social protection sector, the government provides budget transfers to two governmental agencies, the National Food Assistance Agency and the Liberia Agency for Community Empowerment, to help subsidize administrative operating costs (Table 3-4).** In both instances, the programmatic work of these agencies is funded by donor partners. The *National Food Assistance Agency* (NFAA) is charged with coordinating the delivery of food assistance throughout the country. As noted below, the largest donor in this area is WFP, which spent nearly USD 13 million in nutritional support programming in Liberia in FY2010/11. The government’s support to the NFAA, as outlined below, represents about one percent of WFP’s contributions; it is largely allocated to NFAA staff compensation.

24. **The Liberia Agency for Community Empowerment (LACE) is a non-profit organization that was established by the government under the “Community Empowerment Act.”** LACE adheres to a community-driven development model to improve standards of living through the construction of social infrastructures and public works employment projects in communities across the 15 counties. On average, LACE receives about USD 500,000 per annum from the government to support its overhead costs. The World Bank, including its management of European Union (EU) co-financing, is the largest donor to

LACE. The government's budget transfer to LACE is approximately 13 percent of the World Bank and EU financed expenditures over these three years.

**Table 3-4: Government allocations for social protection budget transfers
FY2008-09 to FY2010-11 (USD)**

Expenditure Category	2008/2009 Actual	2009/2010 Actual	2010/2011 Budget
National Food Assistance Agency			
Compensation of Employees	77,730	89,082	77,229
Use of Goods and Services	- 0 -	1,485	5,907
Liberia Agency for Community Empowerment			
Administration and Management	417,682	421,933	598,715

Source: GoL FY2010/11 and FY2011/12 national budgets.

(ii) Donor expenditures

a. Cash transfers

25. **Cash transfer programming in Liberia is funded entirely by donor support.** Cash transfers have the potential to enable the poor to better manage social risks and to generate a range of positive socio-economic impacts. International evidence shows that social cash transfers can have a positive impact on education, health, nutrition, food security and overall poverty reduction (Grosh et al., 2008). Toward these ends, donor financing supports the Ministry of Gender and Development (MoGD), with partnership support from UNICEF, and Save the Children to implement cash transfer programming.

26. **The Social Cash Transfer program is implemented by the government, with partnership support from UNICEF and funding provided by the European Union and, previously, the Government of Japan.** It is administered by the National Social Cash Transfer Secretariat in the MoGD and overseen by the National Social Protection Steering Committee housed in the MoPEA. The program was introduced in 2010 to target with monthly cash transfers households that are both extremely poor and labor-constrained. The scheme currently benefits approximately 1,960 households in Bomi and will target an additional 3,100 households in the Southeast.

27. **Households receive monthly transfers according to their size, ranging from US\$10 to US\$25. Although not a condition of the base transfers, households can receive up to USD 4 per month in addition for each child enrolled in school.**

28. **Funded predominantly by USAID, Save the Children has undertaken three cash transfer programs targeting a range of vulnerable populations.** The first program, Action R, was implemented between 2006 and 2008, targeting girl mothers associated with armed groups in 3 counties. The total transfer of this project in 2008 was USD 12,000 with an average transfer of approximately USD 70 per individual or group. The second program was implemented in Montserrado County in 2009 and 2010 and provided young mothers who had dropped out of school with training and a cash transfer of USD 150. In total, about 150 girls received this benefit, for a total transfer of USD 22,500. The third program, which

focuses on educating and protecting orphans and vulnerable children in family settings, began issuing cash transfers in December 2011 and works in cooperation with the Ministry of Health and Social Welfare (MoHSW). The project will target roughly 2,000 families in 6 counties with 2 transfers: a one-time USD 150 cash grant followed by monthly transfers of USD 20 for a period of 3 to 6 months.

b. Public works

29. **Although the government does provide budgetary allocations for public works, over 80 percent of such programming in Liberia is donor financed.** As noted above, the government has highlighted, through its National Employment Policy, the need for publically provided emergency employment opportunities, such as public works. These activities represent about 17 percent of overall spending in the social protection sector in Liberia. In addition to government expenditures, the World Bank, the WFP, and UNDP also finance public works programs in Liberia. UNDP's contributions are discussed in section B.1.b above.

30. **The Liberia Youth, Employment, Skills (YES) program is a project of the government, with financial support from the World Bank, that includes a public works component.** The Community Works activities are implemented by LACE and target 45,000 vulnerable beneficiaries through temporary employment. This includes 32 days of work conducting low-skill tasks, such as simple construction and road maintenance, as well as eight days of life skills training. The cash transfer for the program is USD 5 per day for skilled workers, for a total one-time transfer of USD 200, and USD 3 per day for unskilled workers, for a total one-time transfer of USD 120. The Community Works budget is USD 7.5 million; approximately 72 percent of the budget is allocated for workers' wages.

31. **The WFP supports food security and livelihoods activities in the Northwest and Central regions through its Livelihood Asset Rehabilitation (LAR) program.** Food and cash for work support is provided to smallholder farmers to rehabilitate agricultural assets including smallholder irrigation structures and related community infrastructure such as roads, with a focus on rice production. LAR activities cover Lofa, Bong, and Nimba counties, specifically targeting: (1) poor food-insecure rural households in communities identified through participatory approaches involving rural communities and representatives of the Ministry of Agriculture local offices in the counties; and (2) poor food-insecure households participating in the government's seed multiplication project. The program also relies on the CFSNS for beneficiary targeting. Through these efforts, WFP engaged approximately 5,600 and 3,600 rural households in 2010 and 2011, respectively, who receive a daily family transfer composed of 2 kg cereals, 0.4 kg pulses and 0.125 kg vitamin A-enriched vegetable oil per day, or its cash equivalent. WFP plans to expand the interventions to Bomi, Gbapolu and GrandKru.

c. Nutritional support

32. **Comprising three quarters of social protection expenditures, nutritional support is by far the largest type of social safety net provided in Liberia.** The prevalence of food security programming reflects the country context, in which 41 percent of the population is severely food insecure or vulnerable to food insecurity, 39 percent of children are stunted, and 19 percent are underweight (CFSNS, 2010; USAID, 2010). Donor allocations account for over 99 percent of nutritional support financing.

33. **As noted above, the WFP is the largest contributor to nutritional support and food distribution programs in Liberia.** This support is conducted through its *Protracted Relief and Recovery Operation* (PRRO), which works on four major areas: LAR (described above); school feeding and lean season safety nets; nutrition interventions; and capacity-building, including through Purchase for Progress (P4P). The P4P is particularly innovative; it aims to simulate Liberian production by creating a stable market for rice farmers through procurement of locally produced rice for the school feeding program. The nutrition aims to prevent chronic malnutrition and treat a targeted 20,000 children under five who are suffering from moderate acute malnutrition through enhanced food commodities. The 2009-2011 PRRO targeted 660,000 beneficiaries and distributed 30,784 metric tons of food within an overall budget of USD 39,838,729 (WFP, 2011).

34. **USAID is another major donor in the area of in-kind transfer programming.** In June 2010, USAID awarded ACIDI/VOCA USD 40 million for the implementation of the Liberian Agricultural Upgrading, Nutrition and Child Health (LAUNCH) program, a five-year initiative with the aim of reducing food insecurity among vulnerable rural populations. The project includes a range of approaches to this challenge, including farmer training on agriculture and business schools, access to savings and credit, nutrition support for vulnerable women and children, and livelihoods education for youth (USAID, 2010). The overall target of direct beneficiaries for the five years of implementation is around 186,885 people. USAID is also active against food insecurity of the most vulnerable groups through the Food for Peace Strategic Plan (FFP), which is designed to meet the needs of both chronic and transient food insecure people (USAID, 2009). The budget for the FY 2010 is approximately USD 20 million.

35. **The political crisis in Ivory Coast, which began in November 2010, escalated into a serious and complex humanitarian situation in Liberia with the presence of over 170,000 Ivoirians refugees in the country.** In particular, WFP scaled up its operations through two Emergency Response Operations (EMOP) targeted toward refugees and their host communities. The duration of the project is intended to be from February 2011 to December 2012 with an estimated total budget of USD 7,913,218, although this is under review given the decreasing number of refugees in the affected areas. UNICEF's and WFP's programs for refugees also aim to prevent and treat malnutrition in children among refugee and host populations. As part of this effort, an estimated 6,750 children received treatment for severe and moderate malnutrition.

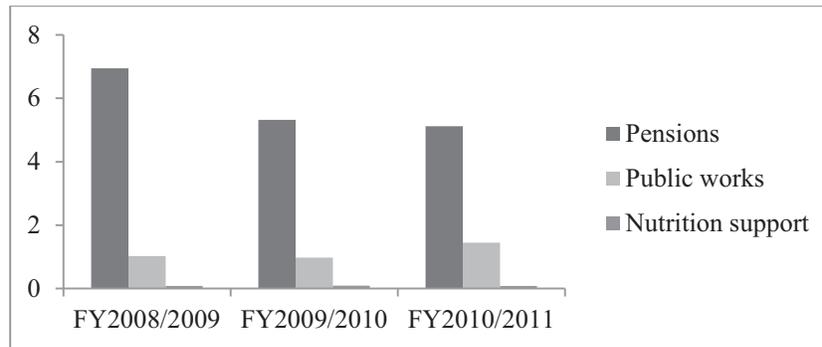
(iii) Analysis of overall expenditures

36. **The expenditures in the social protection sector have remained relatively consistent throughout the period under review.**³⁷ The figures 3-1 and 3-2 below show an overview of spending in pensions, public works, nutritional support, and cash transfers disaggregated by government and donor expenditures. Government spending heavily favors pension support while donor financing, particularly in FY 2009/10 and FY 2010/11, favors nutritional support. During these two fiscal years, WFP expenditures in school feeding more than doubled and USAID began its LAUNCH program. UNICEF and WFP scaled up nutritional support in response to the Ivorian refugee crisis during FY2010/11. There is also a slight

³⁷ The government budget does not include a social protection sub-sector, rather these programs fall under various budget sectors, including public administration, industry and commerce, and social development services.

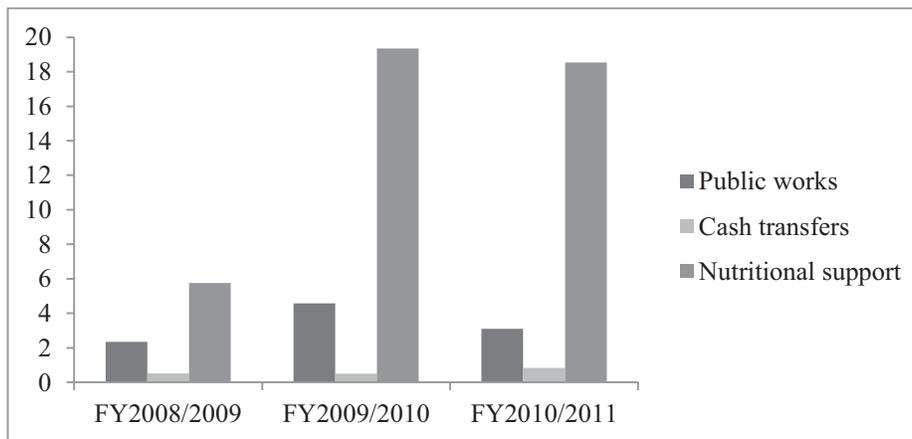
increase in public works spending by the government in FY2010/11, which results from additional allocations to youth employment programs through the MoYS.

**Figure 3-1: Government spending in social protection (US\$ millions)
FY2008-09 to FY2010-11**



Source: Calculations from GoL budgets, donor projects documents, and direct interviews

**Figure 3-2: Donor spending in social protection
FY2008-09 to FY2010-11 (USD millions)**



Source: Calculations from GoL budgets, donor projects documents, and direct interviews.

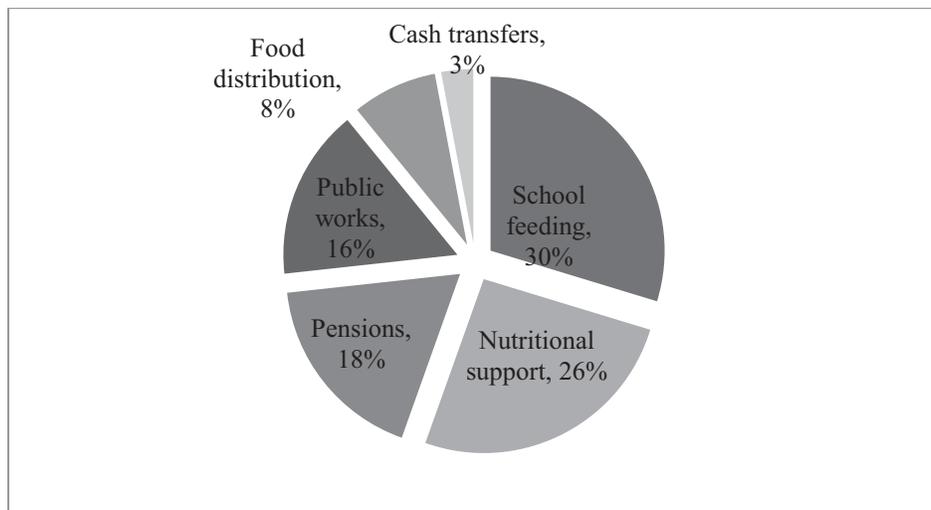
37. **The expenditures within this sector highlight a relatively coherent distinction between the government and donors, as well as among donors themselves.** As outlined in detail in the following sections, there is a diversity of potential gains from the government’s efforts to create a national framework to organize the implementation of social protection programming. Still, the existing complementary of stakeholder expenditures can serve as a useful foundation for the government’s policy efforts. In the years under review, government and donor support appears to have been coherent in that different actors allocated resources across a range of social protection interventions with only limited overlap of expenditures. This foundation is bolstered by the consistency of expenditures between FY2008/09 and FY2010/11. That is, throughout the period of review, there are fairly uniform spending allocations and indeed the largest fluctuation is the significant upscale of expenditures in nutritional

support between FY2008/09 and FY2009/10 to FY2010/11. This suggests a sound, and growing, commitment from government and donors to the sector.

38. **The greatest imbalance among expenditures on types of social protection interventions appears regarding nutritional support programming.** As outlined in Figure 3-3 below, food-related social safety nets receive the biggest share of expenditure, a total of 64 percent of funding—divided into school feeding (30 percent of the overall spending), supplementary feeding programs (26 percent), and food distributions (8 percent). This policy choice, in part, reflects Liberia’s high and widespread food insecurity. However, although food transfers in humanitarian and post-conflict contexts are typical, recent experiences of successful cash delivery in conflict-affected environments are starting to show a viable alternative. Cash is increasingly being used as a complement to in-kind transfers in humanitarian assistance, supporting the transition from relief to recovery. Moreover, in situations of chronic food insecurity, emergency food distributions can represent an expensive and inefficient response to hunger. If well designed, institutionalized cash transfers can constitute a timelier, more predictable, and more flexible alternative. Plus, they hold the potential to yield net positive effects on local agricultural production and market development.

39. **Also notable is the slight downward trend in the proportion of public spending on pensions for the period from FY2008/2009 to FY2010/2011.** Pensions represent a long-recognized obligation of the state to its employees. However, there is a slight trend downwards in its prevalence with the overall percentage of decreasing from 86 percent in FY2008/09 to 83 percent in FY2009/10 to 77 percent in FY2010/11. While the downward shift between FY2008/09 and FY2009/10 is largely the result of decreased government expenditures on pensions, the change between the latter two years also highlights an increasing government allocation to public works programming, particularly targeted toward unemployed youth. This trend is expected to continue given the prominence of youth unemployment within the current government administration.

Figure 3-3: Spending on social protection interventions by type, 2010-2011



Source: Calculations from GoL budgets, donor project documents, and direct interviews.

D. Equity of expenditures

(i) Categorical coverage

40. **In terms of categorical coverage, social assistance programs in Liberia tend to focus on two groups: the food insecure and the unemployed.** As noted above, food insecurity—manifested through high malnutrition and stunting rates—remains a significant challenge in Liberia. Within this category of beneficiaries, donor programming particularly targets pregnant women, young children, and early adolescent girls as critical periods of life cycle development. A second group of beneficiaries are unemployed people, currently addressed primarily by public works programs. Unemployment is intended here also to cover the ample portion of the population that is underemployed or engaged in vulnerable employment. Again, this categorical targeting reflects the Liberian context. In particular, informally self-employed people register very high poverty rates: households whose head is self-employed in agriculture (approximately the 33 percent of the population) have a poverty share of 72 percent.

41. **Formal sector employees are targeted through the social insurance programs offered by NASSCORP as well as the CSA pension scheme.** In 2010, 69,080 people were enrolled in NASSCORP, representing about 35 percent of the 195,000 people estimated to be employed in the formal sector, and 3,029 people received benefits from NASSCORP. Approximately 50 percent of people enrolled in NASSCORP are civil servants. These civil servants are also enrolled in the CSA pension. In addition to current enrollees, the CSA pension payroll benefits 15,404 pensioners. Even within the formal sector, these coverage rates are relatively low. In the 2010 LFS, only 40 percent of formal sector employees reported that their employer contributes to a pension/retirement fund on their behalf. The limited coverage of social insurance in Liberia is compounded by the small size of the country's formal sector, which constitutes only about 18 percent of the country's workforce.

(ii) Geographical coverage

42. **Social assistance projects in Liberia are fairly equally distributed at the regional level.** As outlined in Table 3-5, the most covered area of the country appears to be the North Central region, with 25 SSN projects altogether. While the poverty rate in the North Central region is lower than the North Western and the South Eastern A regions, the total number of poor people in the North Central region (726,709 people) far exceeds the country's other leeward counties, including the North Central region (224,970 people) and the South Eastern A region (227,753 people). Some of the slightly disproportional coverage of the North Central region, therefore, can be explained by the higher population densities in the North Central region as compared with the North Western and South Eastern regions. Based on this comparison of poverty rates and regional populations, the geographic coverage of SSN programs appears equitable.

Table 3-5: Geographical coverage of main SSN programs

Regions	Population	Poverty %	Extreme poverty %	Number of SSN projects	Main type of SSN projects
Greater Monrovia	1,010,970	48.5	22.7	4	Public works
North Central	1,067,121	68.1	57.6	25	Nutritional support, public works
North Western	294,849	76.3	62.2	18	Cash and near-cash transfers
South Central	558,364	58.9	42.2	16	All types
South Eastern A	296,940	76.7	60.9	16	Nutritional support
South Eastern B	260,828	67.2	53.7	13	Nutritional support

Source: Calculations based on project documents, 2008 Census and 2007 PRS

43. **By contrast, the coverage of social insurance programming is tied to the country’s urban centers where formal sector employment is most prevalent.** Approximately two thirds of the estimated 195,000 paid employees in Liberia (130,000 people) live in urban areas (LFS, 2010). Given that social insurance programming only covers formal sector employees, it is likely that beneficiaries are overwhelmingly from these relatively more affluent areas.

(iii) Coverage of the poor

44. **The coverage of the poor under existing social protection programs is likely limited when compared to the needs.** Assuming no overlap between programs, the theoretical estimate of the total number of SSN beneficiaries arrives at 830,568 individuals in 2010, about 23.8 percent of the total population of Liberia, as reported in the 2008 Census. However, limited data in this sector prevents any detailed understanding of specific program beneficiaries. This figure does not provide any insight as to the degree to which benefits are received by poor households.³⁸ It also likely over-estimates the coverage of SSN, as it does not account for potential overlap between interventions. For instance, geographical overlap of different interventions is possible, particularly when considering that the school feeding programs provide universal coverage in the counties where they are operational. Moreover, until coordinated procedures for beneficiaries’ identification are not in place, there may be individual attempts to enroll in different programs in order to be entitled to multiple benefits.

45. **Coverage of social insurance is not included in the discussion above because it is assumed that these benefits accrue to the non-poor.** The 2010 LFS estimates that, on average, paid employees receive USD 74 in wages per week. While this average is distorted by the country’s highest earners, even the median cash earnings—reported at USD 20 per week (USD 1,040 annually)—are well above the country’s poverty line. However, an estimated 3,500 CSA pensioners are receiving benefits based on their pre-war, Liberian Dollar salaries. The pre-war Liberian Dollar was approximately equivalent to the US Dollar; today the exchange rate fluctuates around 70 to 1. The benefit level has not been corrected for this significant devaluation and, as a result, the pension level for these retirees is likely below the poverty line.

³⁸ Section 4 on the efficiency of expenditures includes a discussion of two recently-completed impact evaluations of pilot SSN programs that included an analysis of targeting accuracy.

E. Efficiency of expenditures

46. **Given the limited data within the social protection sector, as well as the nature of government expenditure in this sector, it is not possible to conduct a detailed assessment of the efficiency of these expenditures.** Regarding social insurance, the national budget for CSA includes salaries and benefits for much of the civil service; therefore, it is not possible to analyze the level of administration costs (i.e., the salaries of those civil servants who work directly for the CSA to administer the CSA pension as well as associated overhead). However, in a continuation of technical assistance from the World Bank, the CSA is currently planning to undertake an actuarial study that should provide insight into this question. NASSCORP has recently completed similar research, although the results of this study have not yet been released. The question of the efficiency of expenditures for pensions in Liberia should be revisited following the availability of these analyses, particularly given the high operating ratio presented in NASSCORP's 2010 Annual Report.

47. **Constraints also exist in calculating the efficiency of government expenditures for social assistance and labor market interventions.** Regarding the MoL's employment initiatives, the ratio of overhead to programmatic expenditures is approximately two to one; however, nearly 70 percent of overhead costs are for employee compensation. This should not suggest that the MoL employment initiatives department is overstaffed; rather, with limited budgetary allocations, the retention of even minimal personnel requires a significant percentage of total resources. In the instance of LACE and the NFAA, government expenditures are intended to subsidize, albeit on a limited level, the support of donor partners and are specifically allocated for overhead and administrative expenditures. For example, LACE maintains a reasonable operating ratio of 18 percent when including its budget transfer from government with annual operations and goods allocations under its World Bank and EU projects against the sub-project and consultancy allocations for its World Bank and EU financed activities.³⁹

48. **Despite this, there is a growing body of evidence in Liberia to support the positive impact that social protection programming can engender within poor and vulnerable households.** The World Bank conducted both a quantitative and qualitative assessment of the LACE-implemented Cash for Work Temporary Employment Project (CfWTEP) that provides insight into the possible effect of such programming on poverty alleviation. The project created temporary employment for 17,000 vulnerable Liberians in all 15 counties and transferred over USD 2 million to vulnerable Liberians. While this is a small program in comparison to the needs outlined above, results of the CfWTEP assessment on its impact on the poor are encouraging. It included a reduction in the poverty gap of 27 percent, from 17.2 percent to 12.6 percent for the 1,100 beneficiaries surveyed. In addition, sampled participants reported spending 31 percent of wages on education, 28 percent on living expenses, and 22 percent on investments, which suggests not only short-term benefits to household consumption, but also possible longer-term effects through the paying of school fees and making agricultural, small business, and household investments.

³⁹ World Bank funded and managed grants to LACE allow for up to 13 percent of total grant proceeds for administration and management.

49. **The evaluation also indicates project targeting was effective with an estimated 80 percent of the target group being either poor or extremely poor.**⁴⁰ The results in Table 3-6 suggest that, depending on methodology, between 55 and 75 percent of program participants belong to the lowest three quintiles of asset wealth. Overall, using various methods based on estimated consumption or asset wealth, between 60 and 90 percent of program participants are likely to be poor. Using the consumption indicators (which tend to be more precise measures of well-being), a high number of indicators point to the upper register of this interval. It thus seems reasonable to suggest that, on average and all indicators taken into account, up to 80 percent of participants are likely to be poor, which is a fairly good targeting performance by international standards. This success is due, in part, to the fact that the overall level of poverty in the country is rather high.

Table 3-6: Share of CfWTEP participants by asset wealth quintile

	No matching				First stage CEM matching			
	National wealth quintiles		Evaluation regions wealth quintiles		National wealth quintiles		Evaluation regions wealth quintiles	
	2007	2009	2007	2009	2007	2009	2007	2009
Q1	22.5	20.5	20.3	18.7	26.7	23.4	24.2	22.5
Q2	19.0	20.2	16.4	15.3	20.5	19.4	17.7	14.1
Q3	19.5	26.4	14.9	18.9	21.1	28.1	16.6	22.3
Q4	20.4	26.0	16.5	25.7	20.7	22.4	17.8	22.6
Q5	18.6	7.0	31.8	21.4	11.1	6.6	23.7	18.6
All	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Andrews *et al*, 2011.⁴¹

50. **Lastly, the overall cost-effectiveness of 0.51 is comparable to international standards.** This means that for each dollar spent under the project, 51 percent is transferred directly to beneficiaries. This calculation is based on three variables: labor intensity, wage targeting performance, and net wage gain. The project's labor intensity, or the amount of project costs allocated to wages, was 68 percent.⁴² Wage targeting performance is measured by the proportion of the total cash transfer through program wages that goes to poor workers. As noted above, it is estimated that up to 80 percent of participants are likely to be poor. Lastly, because of the relatively high wage paid by the CfWTEP (as compared to market wages), extreme poverty, and lack of other income opportunities in Liberia, the quantitative survey found that the net wage gain of the CfWTEP (share of the gross wages received by the poor after taking into account any foregone income) was very high at 93 percent. Approximately 75 percent of participants had no other income or employment before the program so the foregone earnings were very low.

$$\text{Cost-effectiveness of the wage transfer: labor intensity (.68) * wage targeting performance (.80) * net wage gain (0.93) = 0.51.}$$

⁴⁰ This targeting performance compares fairly well with the Ethiopian Productive Safety Net Project (PSNP), for instance, where it was found that 87 percent of beneficiaries were among the target group. In the case of Argentina's *Trabajar* program, it is estimated that 70 and 80 percent of beneficiaries were under the national poverty line.

⁴¹ This report was published in July 2011 before the release of the CWIQ 2010 data and is therefore based on the CWIQ 2007.

⁴² Other public works programs show rates of around 60 percent in India (National Rural Employment Guarantee Scheme), 70 percent in Korea's public works program, 85 percent in the Productive Safety Net Program in Ethiopia, 40-50 percent in Argentina's *Trabajar* Program, and 60-70 percent in Bangladesh's Food for Work Program.

51. **Boston University, on behalf of the Government of Liberia and UNICEF Liberia, also recently completed an external evaluation of the Bomi Social Cash Transfer Pilot (SCT).** The evaluation compared beneficiary households to households identified during targeting as extreme poor but not labor constrained. Looking at indicators such as use of health and education services, nutrition and food consumption, and household assets and expenditures, the evaluation found marked differences between the beneficiary and comparison households. Ninety percent of beneficiary households reported a higher food intake over the previous year, as compared with only 26 percent of comparison households. Seventy-four percent of beneficiary households reported that their children's health had improved over the previous year; only 37 percent of comparison households reported likewise. Moreover, there was a 9 percent difference (94 versus 85 percent) in girls school enrollment between beneficiary and comparison households and a 22 percent difference (70 versus 52 percent) regarding whether children were less likely to work now as compared to the previous year.

52. **In addition to these social impacts, the cash transfer appears also to have had an impact on economic activities in the intervention area.** Thirty-two percent of beneficiary households reported starting a small business (12 percent for comparison households) and 42 percent of beneficiary households reported savings for future needs (24 percent for comparison households). Spill-over effects of the transfer were also identified, with business owners in the project area reporting sales growth of 20 to 50 percent following the introduction of the program in their locations. Indeed, 93 percent of the cash transfer was reported to have been spent locally.

53. **These results were corroborated by quantitative surveys and qualitative focus groups of beneficiary and non-beneficiary households, as well as key informant interviews with teachers, health workers, and religious leaders, among others.** While the study does not allow for a detailed analysis of inclusion and exclusion targeting errors, the reported consumption levels of beneficiary households indicate relatively high poverty levels.

F. Key issues and challenges

54. **The achievement of inclusive growth in Liberia will require active government policies targeted toward poor, vulnerable, and typically excluded populations.** Not only do such interventions improve the lives of beneficiaries, they also have the capacity to help promote economic growth and ensure the country's continued stability. In 2010 and 2011, the ILO, DfID, and the Independent Evaluation Group of the World Bank each released studies of international evidence regarding the positive impact of social protection programs. The ILO reported that non-contributory cash transfers "make a significant contribution to addressing poverty and vulnerability amongst the poor and poorest households in developing countries." This research highlighted the positive impacts witnessed on human development indicators, employment, economic productivity, consumption, as well as social inclusion and cohesion.

55. **Well-designed social protection programs can positively impact a country's labor market, especially if they are supported by simultaneous efforts to enhance employment opportunities and quality.** In South Africa, households receiving the Old Age Pension have labor force participation rates 11 to 12 percent higher than non-beneficiary households and employment rates 8 to 15 percent higher

(Vincent and Cull, 2009; WB 2011). This contradicts the widespread view that transfers in developing countries create disincentives to work and save. The spillover effect of stimulating local production and trade has been documented, too. Grocery shops arose even in the smallest villages in Namibia due to the increased demand generated by social pension programs and, in many rural locations in South Africa, the benefit transfer attracts day traders and moneylenders. These impacts are reinforced by the initial evaluation of the Social Cash Transfer program in Liberia.

56. **In considering options for investing in social protection interventions, it is important to mention that they face a unique set of fiscal, political, and institutional risks that may hinder their effectiveness** (IEG, 2011). Low-income countries, such as Liberia, face particular fiscal risks in establishing national social protection systems as they lack the redistributive capacity to support social protection systems on their own and, as such, are heavily donor dependent. The short-term risk for these countries is the reduction of external investment, while, in the longer run, they need to ensure the appropriate embedding of donor support within the overall envelope of their national strategy and budget for poverty alleviation. Moreover, SSN, in particular, are relatively new in many countries and lack permanent budget sections or refined institutional arrangements: they are consequently more susceptible to political influence, and may be highly affected by political shifts that can in turn jeopardize the creation of fiscal space in their favor (DfID, 2011). Finding an appropriate institutional ‘home’ and a clear legal framework for social protection interventions, such as under the auspices of the National Social Protection Secretariat, together with a regular, predictable financing source, can help diminish these risks.

G. Conclusions and recommendations

57. **Public expenditures by the Government of Liberia on social protection reflect that this sector remains a relatively new national policy issue.** While the government has long-running pension and work-related disability schemes for formal sector employees, it has only recently begun to focus on the importance of creating a productive safety net for its poor and vulnerable populations. As such, pension expenditures account for over three-quarters of all government expenditures in the social protection sector. There is, however, significant and stable donor financing of social safety nets ranging from food security to public works to cash transfers. The government’s current challenge is to harness the potential impacts of its own expenditures as well as donor expenditures toward the successful achievement of its long-term visioning for the inclusive growth and development of Liberia.

58. **First, the National Social Protection Secretariat should continue its efforts to develop clearer institutional arrangements and more robust design, implementation, and monitoring mechanisms.** In drafting the National Social Protection Strategy, the government has elucidated its commitment to encourage complimentary and coordination between programs. Such systems are an important first step in building capacity to overcome the current fragmentation of the sector, including integrating donor financing within a national framework.

59. **In the short term, the creation of a common targeting system and comprehensive beneficiary registry database for social protection interventions could improve system efficiencies.** By improving targeting and avoiding unintended overlaps in coverage, an emphasis on developing effective targeting systems could contribute to their ultimate impact on poverty. While the data limitations

in Liberia likely exclude the use of proxy means testing, the government and UNICEF developed a thorough targeting system under the SCT program that used national census data and could be expanded to other SSN interventions. Moreover, the World Bank is already providing technical assistance toward the development of a monitoring and information system with the Secretariat.

60. **In the medium to long term, as government’s managerial capacity in the sector increases, a pooled donor fund—such as in the health sector—could further increase the efficiency and impact of expenditures.** Intervention types should be defined within a holistic national framework. Synergies among ongoing programs could be exploited to leverage the impact of social protection expenditures toward poverty alleviate and realize operational cost savings. Creating a common pooled donor fund could allow government to oversee the design, implementation, and impact of social protection interventions in a more systematic manner.

61. **Second, social assistance and social insurance interventions should develop simultaneously, but with different time horizons.** Social assistance programs are critical in the short and medium term to address pockets of extreme poverty or vulnerability within the country. However, as the economy develops and private sector expands, social insurance schemes can increase their coverage to provide social protection and security to a more significant portion of the population.

62. **Immediate attention is necessary to address shortcomings in the benefit level for current pensioners.** The government’s ongoing actuarial reviews of NASSCORP and the CSA pension are a good first step in understanding of the operating efficiency of these pension programs. As noted above, these expenditures represent over three-quarters of government spending on social protection. Yet, there are still pensioners who do not receive adequate coverage, in particular those beneficiaries affected by the devaluation of the Liberia Dollar during the conflict. The actuarial studies could help to the government to identify areas for increased efficiency in the allocation of this relatively large financial allocation.

63. **Longer term, the government could realize a more comprehensive, and perhaps more fiscally efficient, insurance system by transiting to a single, contributory scheme.** This likely could provide an expanded range of social insurance, including retirement, invalidity, and survivors pensions. However, the design of such a coordinated system will require much research and reflection by the government on the objectives of its social insurance schemes.

64. **Lastly, considering the country’s fiscal constraints, the government should be realistic about the possibilities to create additional fiscal space for social protection.** As noted above, when including donor contributions, social protection sector expenditures as a percentage of GDP are relatively high, particularly in regional comparisons. The government, therefore, does not necessarily need to create additional fiscal space for social protection but rather to reconsider current expenditures within a cohesive national framework developed through the National Social Protection Strategy. In particular, three basic options can be considered: (i) the reallocation of expenditures both within and between sectors; (ii) better integration of donor financing in the national budget planning processes and improved coordination by the government of external resources; and (iii) continued borrowing from donors to maintain current expenditures levels.

Annex A

Figure A1: Diagrammatic representation of the Education System of Liberia

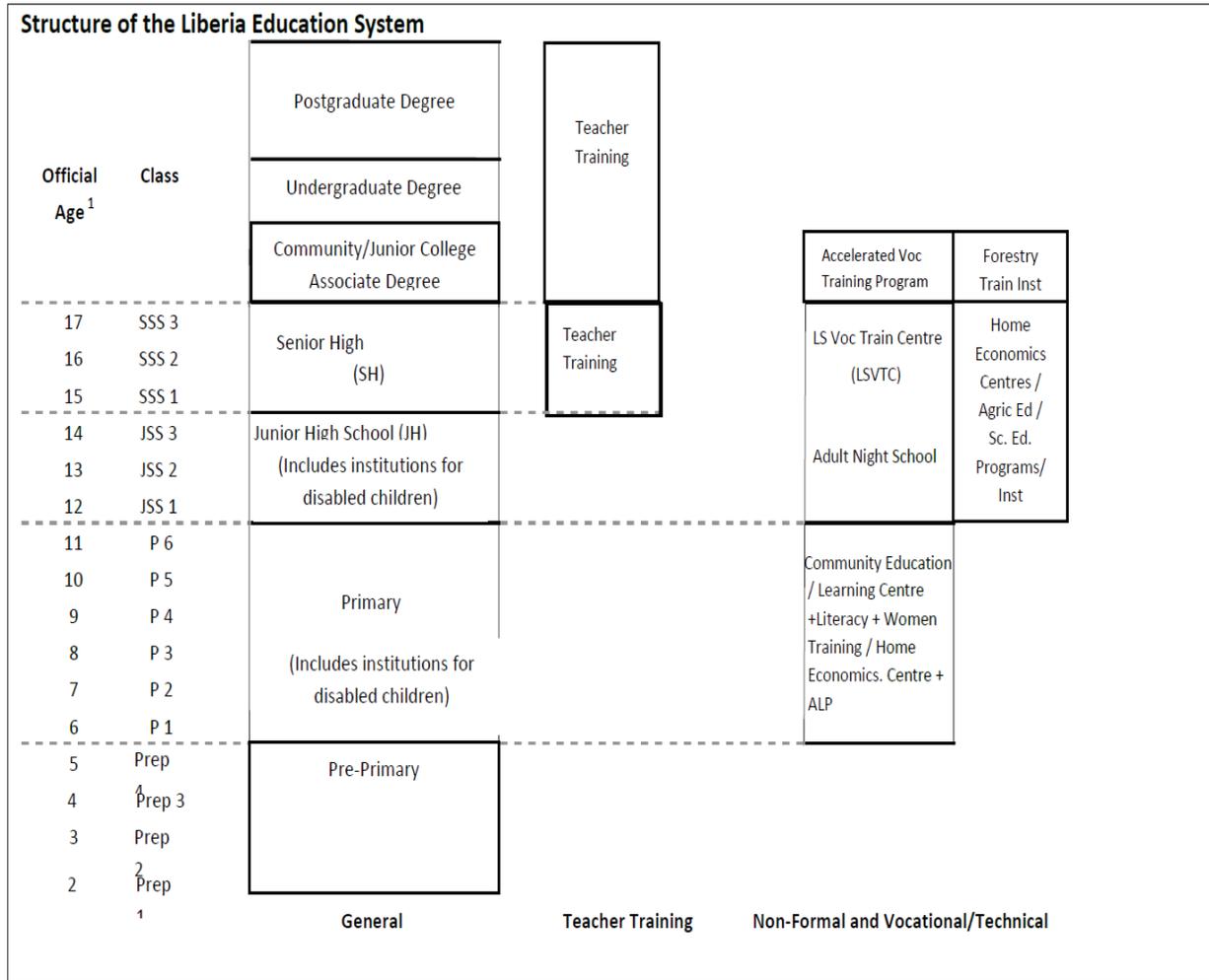
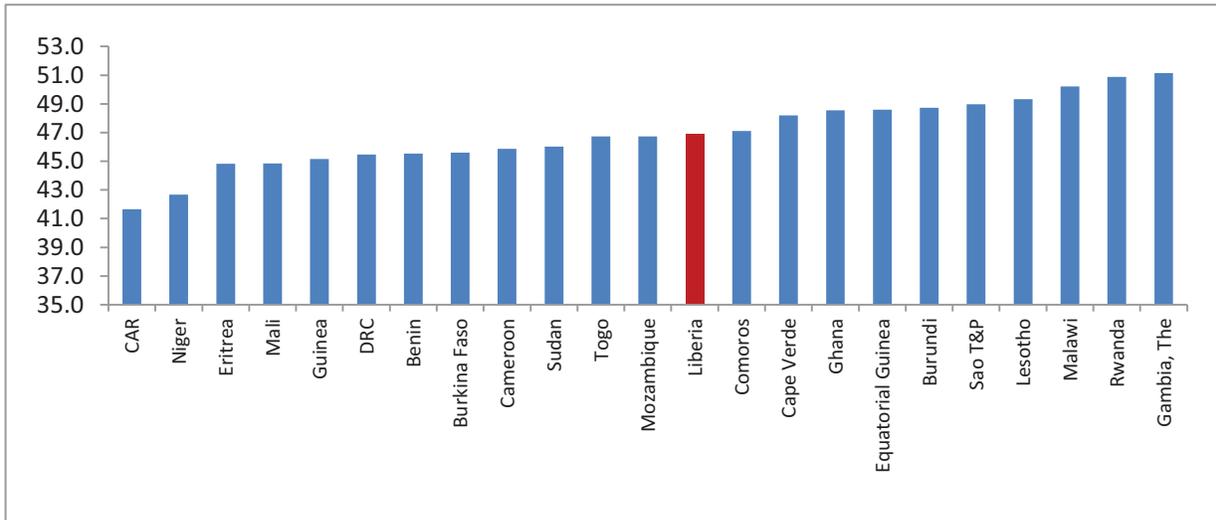
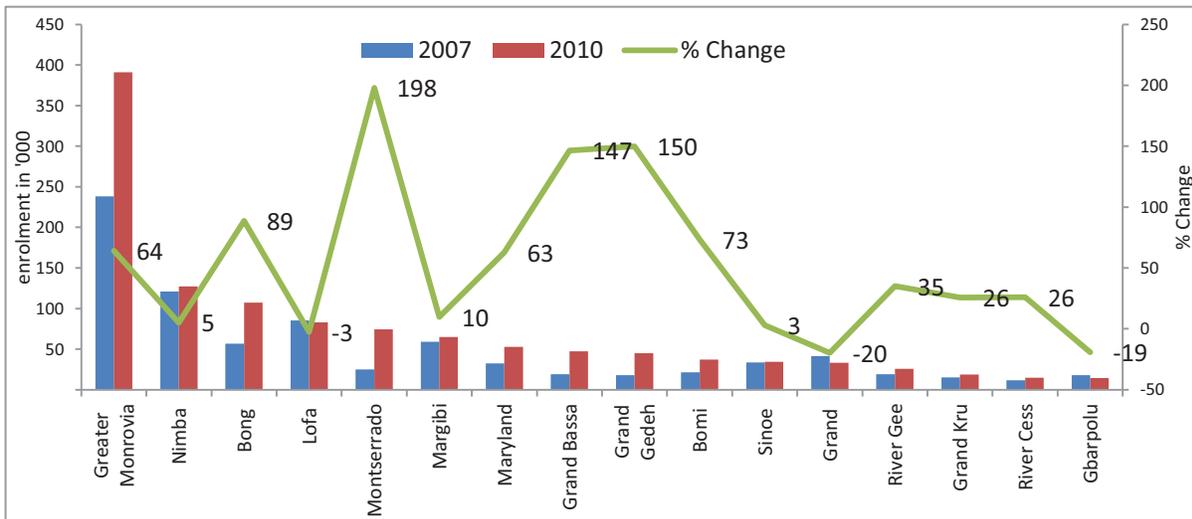


Figure A2: Female students (Primary) for select SSA countries (percent)



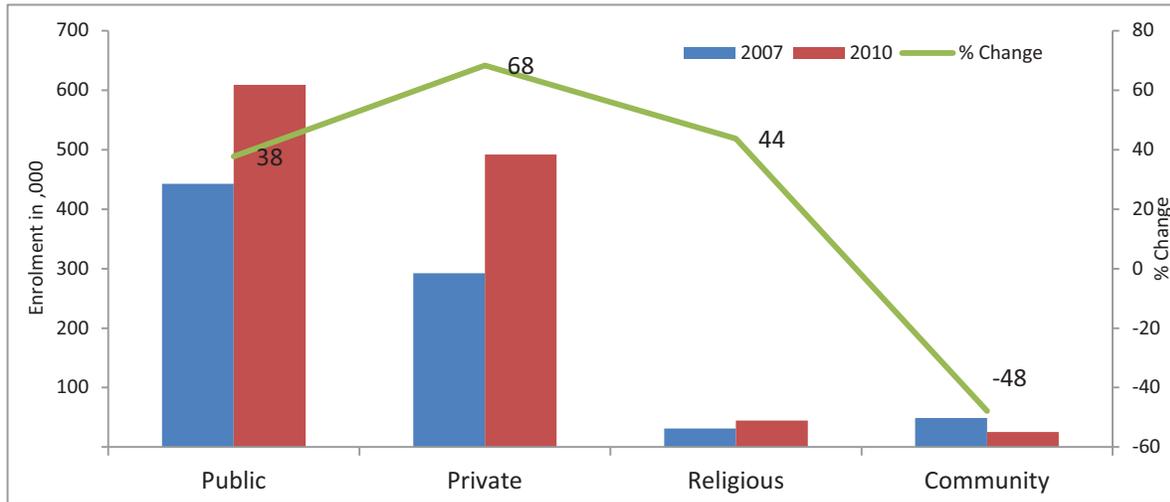
Source: DHS 2006-2010

**Figure A3: Enrollment and growth by county between 2007 and 2010
(Enrollment on left axis, and growth rate on right axis)**



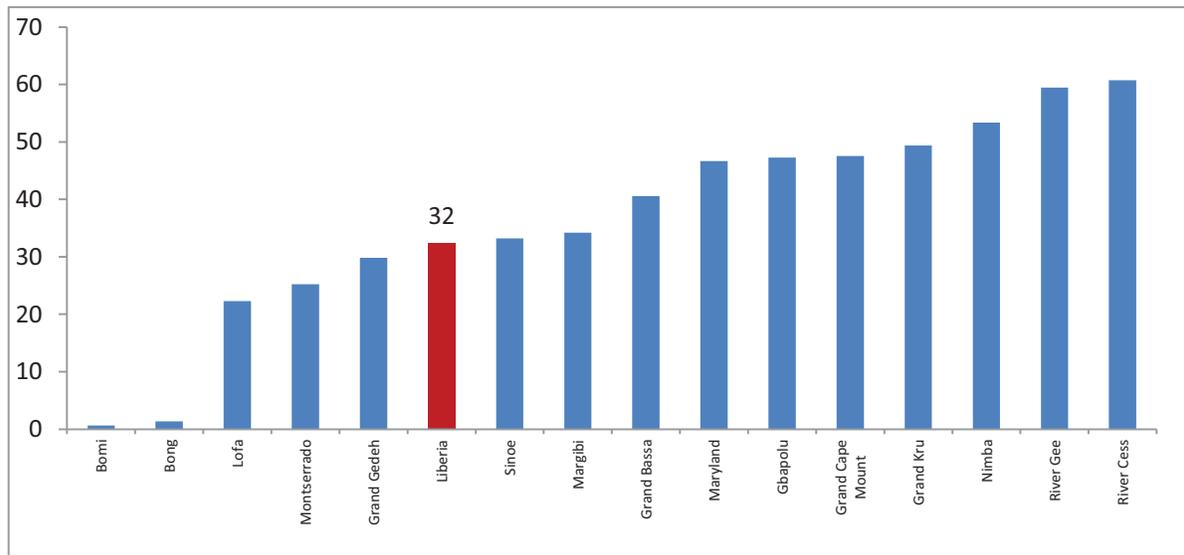
Source: CWIQ 2007 and 2010

**Figure A4: Enrollment and growth by school management between 2007 and 2010
(Enrollment on left axis, and Growth Rate on right axis)**



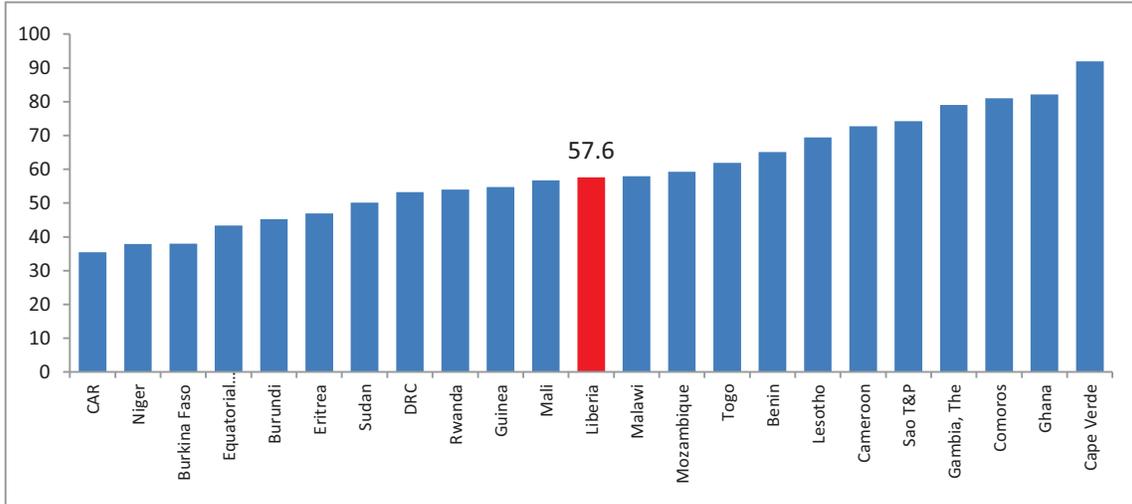
Source: CWIQ 2007 and 2010

Figure A5: Schools' report of minor or major damage status by county (percent)



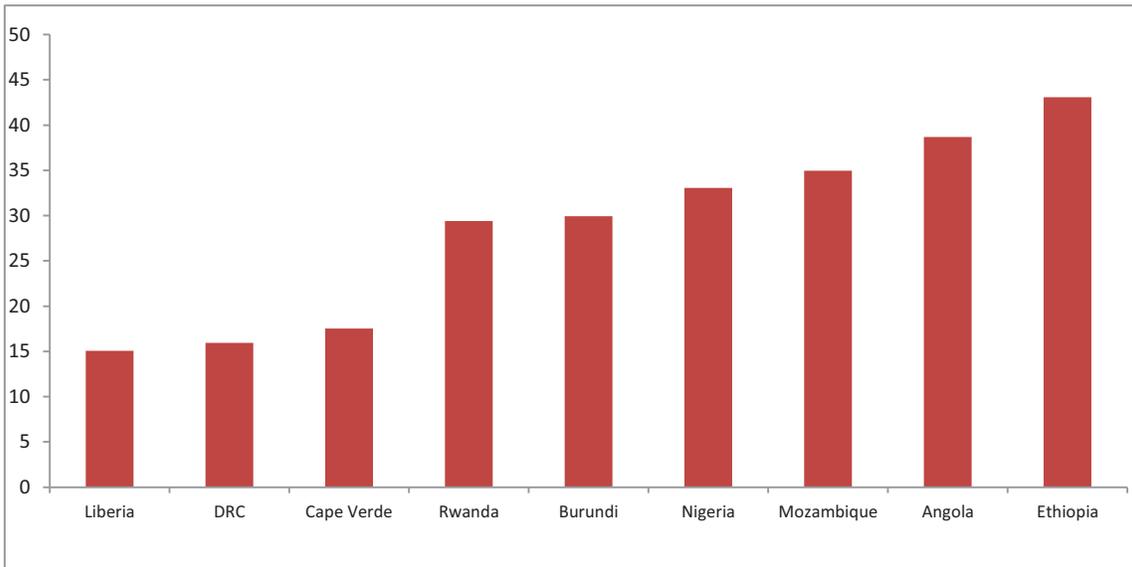
Source: MoE

Figure A6: Primary completion rate, total (percent of relevant age group)



Source: DHS 2006-2010

Figure A7: Secondary: Student-Teacher Ratio (STR) Nine SSA Countries



Sources: UIS

Table A1: 10 Countries with the most improvement toward gender parity in primary enrollments

	Percentage Points Improved	2000 GPI	Most current GPI	% Improved
Ethiopia	0.27	0.65	0.91	41
Burkina Faso	0.2	0.71	0.91	27.6
Benin	0.19	0.69	0.88	27.4
Senegal	0.18	0.86	1.04	20.4
Yemen, Rep.	0.17	0.63	0.8	27.7
Liberia	0.17	0.72	0.9	23.8
Guinea	0.17	0.69	0.86	24.5
Burundi	0.17	0.8	0.97	20.9
Togo	0.16	0.78	0.94	20.7
Djibouti	0.16	0.73	0.89	21.8

Source: UIS in Edstats, Sept 2011,

**Table A2: Gross Enrollment Ratios (GER)
by level of education, gender, residence area and county, 2010**

	Primary		Junior Secondary		Senior Secondary	
	All	Female	All	Female	All	Female
Liberia	87.7	87.4	62.6	56.9	53.3	45.6
Rural	80.8	78.7	53.6	42.1	36.1	25.8
Urban	96.5	97.4	71.7	70.1	70.4	62.9
Greater Monrovia	106.0	104.2	79.3	73.8	78.9	73.3
Bong	55.0	54.2	43.6	29.4	50.8	27.9
Lofa	102.8	103.5	59.3	45.3	53.0	24.7
Nimba	85.3	86.4	76.8	66.1	32.2	31.0
Bomi	106.6	108.8	77.3	78.8	65.6	66.8
Grand Cape Mount	95.7	94.1	45.7	19.1	15.6	9.4
Gbarpolu	59.5	51.3	36.9	18.5	20.5	3.2
Grand Bassa	61.8	74.6	27.6	36.1	24.1	19.6
Margibi	87.7	93.8	42.1	29.0	27.5	21.4
Montserrado	90.6	81.1	50.6	54.8	62.9	61.0
Grand Gedeh	94.3	86.4	78.3	107.4	64.0	48.3
River Cess	45.9	43.0	42.4	50.6	26.3	21.0
Sinoe	69.6	53.8	69.5	52.6	51.8	40.2
Grand Kru	92.6	83.6	74.8	61.3	32.3	12.0
Maryland	116.9	121.0	71.8	65.7	59.2	52.0
River Gee	91.8	93.9	58.7	50.0	29.2	17.3

Source: CWIQ 2010

Note: Primary refers to P1 to P6, and the denominator is 6-11 years, Junior Secondary refers to S7-S9, denominator is 12-14 years and Senior Secondary refers to SH10-SH12, denominator is 15-17 years.

**Table A3: Net Enrollment Ratios (NER)
by level of education, gender, residence area and region, 2010**

	Primary			Junior Secondary			Senior Secondary		
	All	Male	Female	All	Male	Female	All	Male	Female
LIBERIA	32.4	31.6	33.3	7.1	6.6	7.6	5.4	4.3	6.4
Rural	26.8	26.5	27.2	4.9	5.2	4.5	2.6	2.4	2.9
Urban	39.6	38.9	40.3	9.4	8.2	10.5	8.1	6.5	9.6
Greater Monrovia	48.6	47.9	49.2	12.0	10.6	13.1	9.9	6.8	12.5
North Central	26.4	26.1	26.7	5.1	5.5	4.7	2.7	3.2	2.1
North Western	34.8	35.1	34.5	7.7	8.1	7.2	2.8	2.7	2.9
South Central	23.4	23.1	23.7	5.2	5.1	5.3	4.2	3.4	5.0
South Eastern A	22.0	22.5	21.5	3.4	3.1	3.8	4.2	4.5	3.7
South Eastern B	36.0	34.4	37.5	3.2	3.2	3.1	3.0	2.6	3.4

Source: CWIQ 2010

**Table A4: Public expenditure on education, 2009/10 - 2011/12
(percent)**

	2009/10	2010/11	2011/12
Total Public expenditure (% of GDP)	30.3	36.9	41.6
Education Expenditure (% of GDP)	4.2	5.1	6.0
Education Expenditure (% of total public expenditure)	13.7	13.8	14.3
Growth rates			
Total public expenditure	-	43.0	26.3
Total education Expenditure	-	43.4	31.3
Total expenditure	-	21.8	12.8
Memo:			
Total Public Expenditure (million of US\$)	285.5	408.4	515.6
Current	255.9	344.3	443.7
Capital	29.6	64.1	71.9
GDP (million of US\$)	941.4	1105.8	1238.1
Population in million	3.4	3.7	4.0
GDP per capita	277	300	310

Source: Ministry of Finance, GDP from IMF

Table A5: Transfers of budget by destinations

	Amount in US\$			Percentage share		
	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
Education Expenditure				0	1	2
Transfer to University of Liberia	6,893,441	10,348,956	14,479,071	55.8	62.1	58.6
Transfer to W.V.S. Tubman University	2,294,330	2,541,430	3,508,000	18.6	15.2	14.2
Public colleges			1,160,000	0.0	0.0	4.7
Transfer to Booker Washington Institute	1,527,106	1,854,003	1,900,000	12.4	11.1	7.7
Transfer to Cutting University College	0	740,275	1,188,000	0.0	4.4	4.8
other private institutions	256,170	229,988	869,000	2.1	1.4	3.5
Transfer to Free and Compulsory Primary Education	527,741	116,967	30,000	4.3	0.7	0.1
Transfer to WAEC Fees Grade 6	213,936	-	-	1.7	0.0	0.0
Transfers to private school	222,017	382,000	397,000	1.8	2.3	1.6
Transfer to Liberia Opportunities Industrialization Center	400,000	160,000	649,600	3.2	1.0	2.6
Others	24,708	295,032	545,352	0.2	1.8	2.2
Total	12,359,449	16,668,651	24,726,023	100.00	100.0	100.0

Source: MoF

Table A6: Total personnel salary and average teachers and none-teachers salary by county

	Actual Salary in US\$				Average Salary US\$ (all staff)			Average Salary US\$ (teachers)		
	2011	2012	Change	%	2011	2012	Change	2011	2012	Change
River Cess	612738	601247	-1.9	2.5	123.7	159.9	36.1	130.0	155.9	25.9
Grand Cape	523101	602557	15.2	2.5	106.1	129.1	23.1	141.5	156.6	15.1
Gbarpolu	490931	621539	26.6	2.6	123.5	148.3	24.7	130.6	154.5	23.9
Bomi	487556	684868	40.5	2.8	118.4	142.4	24.0	147.7	156.5	8.8
Grand Bassa	630514	711930	12.9	3.0	148.2	123.5	-24.7	141.4	158.5	17.1
River Gee	853999	883651	3.5	3.7	118.7	113.3	-5.3	128.9	158.7	29.8
Maryland	952320	1146068	20.3	4.8	128.2	109.2	-18.9	140.9	159.1	18.2
Sinoe	971173	1188675	22.4	4.9	113.8	123.8	10.0	132.0	162.3	30.3
Grand Kru	1091821	1203587	10.2	5.0	110.2	133.4	23.2	126.5	154.8	28.4
Grand Gedeh	1179475	1281114	8.6	5.3	127.4	146.1	18.7	138.7	159.5	20.8
Margibi	865506	1341921	55.0	5.6	128.2	166.0	37.8	143.1	165.6	22.5
Central office	855482	1581487	84.9	6.6	121.2	123.1	1.9	144.0	167.3	23.3
Lofa	1249145	1715015	37.3	7.1	134.3	123.3	-11.0	143.4	156.4	13.0
Bong	5544246	1944825	-64.9	8.1	756.8	134.6	-622.1	316.3	154.4	-161.9
Montserrado	3622391	4264727	17.7	17.7	137.8	142.2	4.4	171.6	178.8	7.1
Nimba	3171682	4352646	37.2	18.0	126.5	140.0	13.4	136.4	153.5	17.2
Grand Total	23102080	24125857	4.4	100.0	149.8	131.7	-18.1	165.8	160.8	-5.0

Source: MoF

**Table A7: Inequalities of educational outcome
by household wealth level**

	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
Gini coeff. of average years of sch. age 15+	75.2	69.0	60.2	50.1	33.9
Primary Net attendance rate.	17.0	20.1	29.0	38.7	65.5
Primary completion rate	39.6	34.6	68.3	79.1	112.3
Primary late entry.	26.0	29.2	31.7	52.9	68.4
Primary age population never in school	74.0	70.8	68.3	47.1	31.6

Source: DHS 2007

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