

Report of the Chair of the Peacebuilding Commission Liberia Configuration's consultations with International Financial Institutions

May 2021

H.E. Ms. Anna Karin Eneström, Permanent Representative of Sweden to the United Nations and Chair of the Liberia Configuration of the Peacebuilding Commission (PBC), held virtual consultations with International Financial Institutions (IFI) in May 2021. The Chair met bilaterally with the International Monetary Fund (IMF), the World Bank and the African Development Bank on 12 May, 18 May and 25 May, respectively. The objective of the consultations was to explore ways of strengthening joint engagement and analysis in the context of PBC support to Liberia, following up on similar consultations held with IFIs in May 2020. Mr. Niels Scott, Resident Coordinator in Liberia, and the Peacebuilding Support Office joined the consultations. Mr. Oscar Fernandez-Taranco, Assistant Secretary-General for Peacebuilding Support, joined the consultation with the African Development Bank. The consultations highlighted a common understanding among the IFIs and the UN on key areas to invest in for sustaining peace in Liberia, including governance reforms, access to basic social services and addressing marginalization and exclusion, and offered an opportunity to further strengthen synergies and partnerships between the IFIs and the UN in support of Liberia's peacebuilding priorities.

IMF

At the IMF, the Chair met with Mr. Christoph A. Klingen, Mission Chief for Liberia, and Mr. Aidar Abdychev, Resident Representative for Liberia. The IMF updated on its four-year Extended Credit Facility, approved in December 2019, which continued to support Liberia in restoring macroeconomic stability, setting a foundation for sustainable inclusive growth and addressing governance challenges. Total disbursements under the Extended Credit Facility to date amounted to approximately USD 72 million. In June 2020, the IMF disbursed USD 50 million to Liberia under the Rapid Credit Facility to support the Government's response to the COVID-19 pandemic, which, together with debt relief approved in April 2020 under the Catastrophe Containment and Relief Trust, was aimed at helping Liberia meet its urgent balance of payment needs, mostly stemming from fiscal needs necessary to respond to the pandemic. The IMF is currently considering an SDR (Special Drawing Rights) allocation to all member countries, amounting to approximately USD 350 million in the case of Liberia, representing over 10% of GDP, mainly for the purposes of beefing up Liberia's Central Bank's international reserves, but also for partial on-lending to the Government.

The IMF informed the Chair that Liberia's economy had contracted by -3% in 2020 (reflecting the economic impact of the COVID-19 pandemic) and that GDP growth was expected to reach +3.5% in 2021, which meant that Liberia would be at the same level of economic activity as before the

pandemic. Liberia had made important progress towards macroeconomic stability and strengthening public financial management by managing to reduce the inflation rate to approximately 10%, avoiding Central Bank financing of the budget and not contracting any new non-concessional external debt. The IMF noted that structural reforms were also progressing, although at a slower-than-envisaged pace.

Liberia's prolonged economic challenges, along with persistently high unemployment rate, widespread corruption and lack of transparency, were highlighted as some of the main obstacles to sustainable development and lasting peace. Addressing inequalities, increasing opportunities for youth and strengthening equitable service delivery, including access to education and health services, were also recognized as key areas to invest in for peacebuilding. The IMF highlighted that one of the major challenges for making progress in these areas was a lack of resources. Most government investments were made with donor financing and a large part of the budget was allocated to the considerable wage bill, leaving very limited resources for operational expenses and domestically-financed investment. The IMF stressed that progress on governance reforms, improving quality of spending and the structural reform agenda would be central for maintaining the critical international support as well as for increasing public trust in state institutions, which would be essential for sustaining peace. The IMF further suggested that supporting private sector development and improving the business climate are indispensable for sustainable peacebuilding, while emphasizing that budget support would be key to support structural reforms in Liberia.

World Bank

At the World Bank, the Chair met with Mr. Ousmane Diagana, Vice President for Western and Central Africa, Ms. Elisabeth Huybens, Director of Strategy and Operations for Western and Central Africa, Mr. Pierre Frank Laporte, Country Director for Liberia, and Mr. Khwima Nthara, Country Manager for Liberia. The World Bank noted that while the health impact of the COVID-19 pandemic in Liberia had been relatively limited in comparison with other contexts, the socioeconomic impact of the pandemic had been significant. The Bank had provided USD 80 million in COVID-19 response to Liberia and a support of USD 7 million for the procurement and rollout of vaccines was expected to be presented to the Board before the end of the Bank's fiscal year in June 2021. The Bank emphasized that the COVID-19 pandemic had provided opportunities to further advance the UN-World Bank partnership in Liberia with a range of joint initiatives to support the Government's pandemic response, including support for national coordination, procurement of medical supplies and strengthening social protection. In cooperation with UN agencies and other IFIs, the Bank had supported the Government's food security program through which 95% of vulnerable households had received support to date. In addition, UNICEF had used World Bank financing to support the reopening of schools post-lockdown in Liberia.

The Bank stressed that improving access to basic social services throughout the country and strengthening governance – including the perception of governance among the public – is essential to promote social cohesion and development in Liberia. The Bank was providing support in these areas through various projects, including support for access to education, electricity and health services, while also providing development policy financing to advance critical governance reforms. Ongoing World Bank financed social protection and land administration projects were highlighted as areas where closer collaboration between the Bank and the UN could be envisaged. The Bank further acknowledged that limited institutional capacities in Liberia is a challenge in the implementation of World Bank projects. In response to this challenge, the Bank had significantly increased and diversified its presence in the country.

The Bank reiterated its commitment to continue strengthening the UN-World Bank partnership in Liberia by utilizing the comparative advantages of the respective institutions. The Bank stressed that the international community needed to come together to meet financing needs and strengthen coordination in support of Liberia’s peacebuilding and development priorities to reduce fragility and consolidate gains made, while acknowledging that strong national ownership will be vital to attract additional support. The Bank noted that national ownership would be particularly central in order to make progress on governance reforms and suggested that the international community should do more to speak with one voice in this regard.

African Development Bank

At the African Development Bank, the Chair met with Mr. Joseph Martial Ribeiro, Deputy Director General for West Africa, Mr. Orison Mawumenyo Amu, Country Manager for Liberia, Mr. Jerome Berndt, Senior Fragility and Resilience Officer, and Mr. Kelvin Banda, Principal Country Economist for Liberia. The African Development Bank updated on its broad private and public sector support to address key drivers of instability in Liberia, including critical support to help mitigate the health and socioeconomic impact of the COVID-19 pandemic. The Bank’s Country Strategy Paper 2019-2023 for Liberia, which had been approved only months before the outbreak of the pandemic, incorporated the level of flexibility needed to respond to the urgent challenges posed by the pandemic. In July 2020, the Bank had approved a budget support to Liberia of approximately USD 14 million for COVID-19 response. The Bank’s COVID-19 support had focused on strengthening government capacities, public resilience and social protection, including by providing food supplies to low-income households, while also focusing on long-term post-COVID-19 recovery.

The Bank stressed the need to increasingly decentralize interventions to rural areas and improve access to basic social services throughout the country to reduce marginalization and exclusion, with particular emphasis on addressing gender inequalities. Past experiences had demonstrated that economic exclusion was a particularly central threat to social cohesion that could quickly increase

tensions and create civil unrest. In response to these challenges, the Bank was working with Liberia's Central Bank to develop a plan aimed at increasing the number of Liberians included in financial systems across the country. The Bank was also providing private sector support to reduce youth unemployment, which had been identified as a major barrier to sustaining peace in Liberia. Recognizing the link between climate change and peacebuilding, the Bank highlighted its support to help Liberia gradually transition to renewable energy, which was also expected to contribute to private sector development and job creation. While some progress had already been made in this area by connecting Liberia to the regional power grid and thus enabling Liberia to trade more clean energy, the possibility of investing in solar power was also being explored.

The Bank stressed that consolidated and coordinated efforts on all fronts were particularly needed in light of the pandemic and noted in this regard the potential in further utilizing the PBC platform to strengthen coherence and advocacy. In connection to the upcoming mid-term review of the Country Strategy Paper for Liberia, the Bank was working with the Government and partners on how to further adjust interventions to respond to emerging challenges and to explore opportunities for cooperation with partners. The Bank was currently working closely with UN Women to strengthen African Development Bank interventions to promote gender equality and women's empowerment. In addition, discussions with UNDP were ongoing on possibilities for joint support to strengthen Liberia's justice system. The Bank highlighted its Transition Support Facility (TSF) through which resources from partners could be channeled to achieve larger scale and impact via co-financing, to achieve cost-efficiencies and reduce fragmentation. The TSF is the Bank's financing vehicle for providing fast and flexible support in fragile contexts (including fragility lens application) to help consolidate peace and strengthen social cohesion in transition countries, such as Liberia. The Bank emphasized its strong commitment to continue working with the UN Country Team to support Liberia's peacebuilding priorities, while recognizing that all African Development Bank interventions in Liberia were geared towards creating conditions for long-term stability. The participants agreed on the immense potential in further strengthening joint UN-African Development Bank analysis in Liberia as well as the broader region, as demonstrated by the ongoing joint Fragility and Resilience Assessment with the Mano River Union Secretariat.

Conclusions

In the consultations, the Chair recognized that the analyses of the IFIs on the drivers of instability in Liberia were highly relevant for the work of the PBC. She reiterated that strengthening governance and the Rule of Law, tackling corruption, increasing transparency and ensuring human rights and equitable service delivery were at the center of peacebuilding and would be essential for attracting international support and for building public trust in state institutions. The Chair recalled the most recent meeting of the PBC Liberia Configuration on 9 March 2021 on gender equality and women's empowerment and stressed that ensuring women's rights and participation would be key for sustaining peace in Liberia. Tapping into the potential of Liberia's youthful population by

promoting meaningful livelihood opportunities and access to quality education would also be central for building social cohesion. The Chair noted that Liberia had been identified as a country at extreme risk of vulnerability to climate change and climate-related shocks and emphasized the need for continued attention to the adverse effects of climate change on the economic situation and peacebuilding efforts in Liberia. She underscored that the PBC had the potential to bring analysis together while also offering political accompaniment to IFI operations. The Chair further recognized that there was a growing need for peacebuilding activities. In this regard, she highlighted the initiative on Good Peacebuilding Financing that entailed ensuring predictable, adequate and sustainable funding to peacebuilding, including through the Peacebuilding Fund (PBF). Strengthened synergies between donors, the UN, IFIs and other stakeholders were key in this respect.

The Resident Coordinator highlighted that while there were already strong synergies between UN and IFI operations in Liberia, it was a priority to further strengthen these partnerships. He stressed the need for partners and national stakeholders to jointly define a medium to long-term outlook and strategic approach to peacebuilding, which would also be key for maximizing leverage of PBF support. The Assistant Secretary-General for Peacebuilding Support stressed that the PBC provided a unique platform for strengthening partnerships with the IFIs, highlighting its power to convene a range of actors to ensure coherence, coordination and diversification. He further noted that the mode of operation of the PBF allowed the UN system to work as one, which in turn created conditions for advancing partnerships with the IFIs and regional actors.

The Chair committed to continue engaging with the IFIs in activities of the PBC Liberia Configuration to further strengthen joint analysis and engagement in support of Liberia's peacebuilding priorities.