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ANNEX 1

to the Commission Implementing Decision on the financing of the annual action plan 2024 in favour of the Republic of Liberia

Action document for “Financial governance for natural resource management”

ANNUAL ACTION PLAN

This document constitutes the multiannual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation

1 SYNOPSIS

1.1 Action Summary Table

1. Title	Financial governance for natural resource management
CRIS/OPSYS business reference	OPSYS number: ACT-62518
Basic act	Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	The Action will contribute to the Team Europe Initiatives (TEIs) ‘Safe and Sustainable Food Systems’ and ‘Forestry and Biodiversity’
3. Zone benefiting from the Action	Liberia
4. Programming document	Multiannual Indicative Programme (MIP) 2021-2027 for Liberia
5. Link with relevant MIP objectives / expected results	Priority Area 1 – Enhancing and preserving natural resources for sustainable growth Priority Area 2 – Promoting decent jobs and inclusive growth Priority Area 3 – Improving financial and democratic governance
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority areas / sectors	(310) Agriculture, forestry and fisheries (food and nutrition security, food safety, resources management) (410) Environment protection (governance, biodiversity, ecosystem services) (321) SME development (processing of food and industrial crops, business environment, innovation) (151) Economic governance (PFM, business and investment climate)
7. Sustainable Development Goals (SDGs)	Main SDG: 15 (Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss) Other significant SDGs: 2 (Zero hunger); 5 (Gender equality); 8 (Decent work and economic growth); 10 (Reduced inequalities); 13 (Climate action); 16 (Peace, justice and strong institutions)
8.a) DAC code	(51010) General budget support – 100%

8.b) Main delivery channel	Central Government – 12001			
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster risk reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11. Internal markers and tags	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @		<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	YES <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	NO <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	/
	Connectivity @	<input checked="" type="checkbox"/>		<input type="checkbox"/>
	digital connectivity energy transport health education and research	YES <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	NO <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	/
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of inequalities @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

BUDGET INFORMATION	
12. Amounts concerned	Budget line: 14.020120 Total estimated cost: EUR 63 000 000 Total amount of EU budget contribution EUR 63 000 000 of which EUR 56 000 000 for budget support, and EUR 7 000 000 for complementary support
MANAGEMENT AND IMPLEMENTATION	
13. Type of financing	Direct management through budget support (State and resilience building contract). Indirect management with the entities to be selected in accordance with the criteria set out in section 4.4.1.

1.2 Summary of the Action

This Action will contribute to the three MIP priority areas: 1) Enhancing and preserving natural resources for sustainable growth, 2) Promoting decent jobs and inclusive growth and 3) Improving financial and democratic governance.

The main objective is to enhance overall financial and economic governance, while fostering sustainable management practices in the forest and agriculture sectors in Liberia. The proposed Action builds on a window of opportunity provided by the new Government sworn-in in January 2024, which is determined to bring in reforms and reinforce transparency and accountability in the country.

The Action will contribute to effectively implement public financial management (PFM) reforms, with a special focus on the agriculture and forest domains. The budget support operation will promote the strategic use of resources to implement the Government's policy priorities. Additionally, technical assistance will help to implement other key reforms to enhance *inter alia* revenue mobilisation and redistribution, budget appropriation and execution, as well as control and auditing. Transparency in decision-making, strategic resource allocation and investments will be at the core of the operation. The Action is also expected to boost structural changes in the agriculture and forest sectors, promoting food and nutrition security and fighting deforestation in line with the new Government's agenda. Accountable and sustainable management of forest and land resources will ensure that revenues from forest activities also benefit local communities. It will also ensure that farmers and forest communities, with a special focus on women and people from vulnerable groups, such as people with disabilities, receive improved extension and advisory services. Furthermore, it will facilitate support for the private sector to comply with the EU Regulation on Deforestation-free products (EUDR). Liberia's food and nutrition security status is expected to improve, while carbon emissions should be reduced.

Capacity building and technical assistance will lead to stronger Government institutions. This is expected to facilitate the revision of policies and laws to endorse climate- and ecosystem-smart practices, as well as the development of deforestation-free sectors. Strengthened public services will be better equipped to enforce inclusive and gender-responsive policies and legislation that aim at reducing Liberia's deforestation rate, or to develop a land use plan to support gender sensitive, climate- and ecosystem-smart and deforestation-free forest and agriculture development. This will stimulate private sector engagement and attract related investments. Both sectors will align to consistent and compatible objectives.

The Action will support two TEIs: 'Forestry and Biodiversity' and 'Safe and Sustainable Food Systems'. These initiatives aim to reinforce the conservation and sustainable use of renewable natural resources in Liberia, while promoting the growth of the forest and agriculture sectors in a sustainable way and enhancing food and nutrition security. Overall, the Action will play a crucial role in advancing Liberia's national determined contributions (NDCs), while contributing to the global fight against climate change and its impacts. This will be achieved by protecting the forests through the preservation of protected landscapes and by implementing soil protection measures. Additionally, the carbon storage capacity of standing forests will be enhanced through sustainable management practices and better forest protection methods.

The commitment of the EU's contribution to the TEIs to which this action refers will be complemented by other contributions from Team Europe members. It is subject to the formal confirmation of each respective member's meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise, the EU action may continue outside of a TEI framework.

The Action will contribute to EU's Action Plan on Gender Equality and Women's Empowerment in External Relations 2020-2025¹ (GAP III), especially to its thematic area of engagement 'Addressing the challenges and harnessing the opportunities offered by the green transition and the digital transformation'.

1.3 Zone benefitting from the Action

The Action shall be carried out in Liberia, which is included in the list of ODA recipients.

¹ https://international-partnerships.ec.europa.eu/system/files/2021-01/join-2020-17-final_en.pdf.

2 RATIONALE

2.1 Context

Liberia is a least developed country with a population of 5.36 million (2022), which has increased by 50% in the last 15 years. Even though Liberia has experienced steady consolidation of its peace and stability since 2003, it is “becoming fragile” (OECD, September 2022). Key fragility factors include: weak human and institutional capacity; lack of transparency and accountability in Government’s processes; low public confidence in Government institutions; high youth unemployment (with roughly 78% of Liberia’s population being under the age of 35); high prevalence of gender inequality, particularly in terms of women’s access to education, employment, and participation in decision-making processes; high climate change vulnerability; an undiversified economy, highly dependent on extractive sectors, with limited private sector involvement outside the extractive sector; a tight fiscal space that puts pressure on the Government’s ability to invest substantially in sectors that are key to Liberia’s development and economic growth.

Despite these elements of political and socioeconomic vulnerability, in October-November 2023 Liberia successfully organised its fourth Presidential election after the civil war that ended in 2003, for the first time without the presence of the UN peacebuilding mission. These free and democratic elections raised the international reputation of Liberia and demonstrated its impressive capacity for a peaceful democratic transition. A new Government, which is committed to implementing reforms and strengthening transparency and accountability throughout the country took office in January 2024.

A **new National Development Plan** called the ARREST Agenda for Inclusive Development Plan (AAID) is being developed through a multi-stakeholder approach and expert consultation. This process involves various groups, including civil society organisations, private sector representatives, and government institutions, building on county-level development plans. AAID will focus on accountability, transparency and inclusiveness, expanding on the earlier, more concise ARREST document, which stands for Agriculture, Roads, Rule of law, Education, Sanitation, and Tourism. Within this shorter ARREST agenda, promoting agriculture, fisheries development and forestry management stands out as a core objective aimed at facilitating sustainable economic growth and job creation. It also stresses the importance of rule of law and economic and financial governance to spur accountability and transparency in the public service. At the end of May, President Boakai formally endorsed the AAID road map.

Liberia is endowed with an abundance of biological and natural resources in the **forest** sector. Its total forest area is estimated at 4.2 million hectares, representing about 43% of the country’s surface and 40% of the remaining Upper Guinean Rain Forest. Nearly 700,000 households directly depend on the country’s vast forest resources and agricultural biodiversity for their livelihoods. Nonetheless, the deforestation rate is estimated at around 2% per year, mainly due to agriculture, mining and poor governance, with uncontrolled logging exacerbating forest degradation. Deforestation undermines climate resilience and leads to biodiversity loss, soil degradation and increased vulnerability to natural disasters. The ARREST agenda supports climate-change mitigation initiatives and commits to implement all international agreements and protocols on climate change. It promotes community participation in environmental management programmes and encourages engagement in forest and biodiversity conservation efforts.

Liberia’s dependency on food imports has been significantly challenged by global market disruptions, notably exacerbated by the consequences of the Russian invasion to Ukraine, leading to increased food prices. Liberia continues to import over 60% of its staple food, rice. The country’s economic reliance on **agriculture**, which represents 28.4% of its GDP as of 2023 and employs nearly 70% of its labour force – predominantly women and youth – underscores the criticality of enhancing food self-sufficiency. The new ministerial leadership is proactive with initiatives pushing forward the National Agriculture Development Plan 2024-2029 and working on a new investment plan.

Strengthening **domestic revenue mobilisation (DRM)**, and **increasing fiscal discipline and oversight** are the cornerstones for national and sector-based reforms. It is necessary for Liberia to adequately allocate resources to priority sectors. Misallocation of financial resources and poor levels of budget execution hinder the State’s ability to provide appropriate services to its citizens and to ensure equitable distribution of benefits

from the abundant country's natural resources. Liberia still needs to implement an effective system of checks and balances to ensure accountability across all Government institutions.

The public financial management constraints in Liberia significantly exacerbate the challenges in the **forest and agriculture sectors**, impeding the efficient allocation of national resources to these productive and vital sectors. The Forest Development Agency (FDA) faces serious budget constraints, with poor sector oversight and increased illegal and unreported logging as a consequence. Establishing effective systems for managing revenues generated from non-renewable and renewable natural resources is essential. This includes mechanisms for saving, investing, and utilising these funds for long-term development projects and diversification of the economy.

Liberia is emerging to become a value-based strategic ally, effectively aligned in multilateral contexts, including on matters where most African states do not take a proactive stance, particularly on Ukraine. Liberia is therefore also a relevant example of the more for more principle. The human rights track record is, despite outstanding challenges related to women's rights, better than in comparable post-conflict least developed countries. Freedom of speech, assembly and press freedom were effectively respected throughout the year 2023 general and legislative elections.

The proposed Action is fully in line with the new Government's priorities of ensuring a prudent financial management and a culture of regular audits within all branches of the public administration, aiming to enhance investment in the well-being of citizens. Agriculture is a major objective outlined in ARREST, and this will be also reflected in the National Development Plan, currently under development.

2.2 Problem Analysis

Pillar 1: Strengthen the public financial management system through enhanced fiscal discipline and domestic revenue mobilisation

The Government has scarce financial resources to meet Liberia's immense needs. The Ministry of Finance and Development Planning (MFDP) lacks sufficient capacity to ensure effective programme-based budgeting. In the past, budget preparation lacked alignment to the national development strategy. The previous PFM Reform Strategy and Action Plan (PFMRSAP 2020-2023), came to an end. The new PFM strategy and action plan PFMRSAP 2023-2026 were adopted in December 2023. Following the government change after the elections the documents are being updated. The Steering Committee will adopt additionally work plans, which will pave the way for execution. The Strategy and AP are expected to improve DRM, strengthen financial control and public finance accountability.

In the past the Medium-Term Fiscal Framework faced significant challenges stemming from poor baseline costing, a lack of macroeconomic considerations, and undue political influences. As a consequence, budget execution was often marred by unforeseen commitments arising throughout the fiscal year. Furthermore, the allocation of resources to Ministries, Agencies and Commissions (MACs) seems arbitrary, lacking adherence to policy-based principles. Under previous government years, budget readjustments have become a recurrent practice, typically occurring each summer without following the required procedures for a standard supplementary budget. Notably the Parliament has emerged as a major beneficiary of this system, with its allocation witnessing significant increases following each budget realignment. As a result, in addition to an imprecise sector-wise budget appropriation, **budget execution remained weak, primarily limited to recurrent expenditures.**

Concerning DRM, the Liberian Revenue Authority (LRA) has made efforts to modernize the country's revenue system, leveraging advancements in IT tools and enhancing communication with taxpayers, while prioritising the satisfaction of both internal and external clients. Notably, the recent rollout of the Liberian Integrated Tax Administration System, under World Bank PFM programme (PFMRISP), to which the EU contributed, stands as a testament to these efforts. Consequently, there has been an increase in revenue collection in recent years. However, many challenges persist, including the implementation of the new VAT law approved by the Parliament in 2024, transiting from the Goods and Services Tax approach. This transition aims not only to boost tax revenue and transparency, but also to align Liberia's fiscal practices with regional commitments within the Economic Community of West African States (ECOWAS).

Despite positive strides, the weak management of tax arrears and the prevalence of excessive tax exemptions and subsidies continue to hinder the efficiency of DRM efforts. Regarding **revenues from the forest and agriculture sectors**, the LRA should strengthen tax compliance within forest and agriculture concessions and expand the tax base in the agricultural sector. Furthermore, exploring mechanisms for reinvesting revenues collected in the forest and agriculture sectors could further bolster their growth and sustainability.

There have been efforts to tackle **budget transparency and oversight** issues in the recent years. One significant advancement has been the closure of many of the 509 accounts belonging to MACs at commercial banks. In addition, progress has been observed in budget planning through the utilization of the Integrated Financial Management and Information System (IFMIS) for the budget year 2023. The Government took steps to improve budget transparency by publishing its annual budget and audit reports on the MFDP website. Under the new government some commendable initiatives improved the timeliness of financial reporting. According to the General Audit Commission (GAC), 30% of MACs were failing to submit periodic financial reports on time (under previous government). This year the 2023 reporting and 1st quarter financial reporting reached 95%, due to disciplinary measures adopted by Comptroller General.

Also on the positive side, the GAC has demonstrated improvements in both the quantity and timeliness of audit reports. Notably, it has published reports addressing critical areas such as domestic debts and the payroll. The latter issue is an object of ongoing reforms undertaken by the Public Service Agency.

Another positive trend is the audit of the systems within the Legislature and Senate, which will pave opportunities for reforms and improvements.

GAC also created a follow-up unit tasked with overseeing the implementation of audit recommendations. While the GAC issues recommendations, their implementation often lacks follow-up by the Parliament, limiting the efficacy of the audit process.

Challenges related to oversight persist, however, as the Public Procurement and Concession Commission, responsible for overseeing Government's contracts, lacks capacity and resources to effectively carry out its mandate.

The Public Account Committee (PAC) faces significant challenges in keeping pace with the growing volume of audits performed by the GAC, despite the audit reports being issued in a timely manner. This capacity shortfall similarly impacts the effectiveness of the Legislative Budget Office (LBO). Without adequate systems and resources in place, both bodies struggle to conduct thorough follow-up and oversight of audit findings, undermining their ability to hold MACs accountable. The World Bank is planning to provide support to the PAC through an upcoming Domestic Revenue Mobilisation project.

The Internal Audit Agency (IAA) with the support of the WB Public Financial Management Reforms for Institutional Strengthening Project (PFMRISP), to which EU contributes, expanded the automated audit system and introduced a National Scorecard for evaluating Government agencies, marking positive developments in enhancing accountability and transparency. Nonetheless, the IAA continues to grapple with resource constraints and a shortage of properly trained staff. Notably, out of 110 MACs, only 80 have an internal auditor in place.

Finally, the management of **public investment** is hindered by the absence of a proper public investment framework, resulting in inadequate prioritization of critical projects and a proliferation of unfinished initiatives. The MFDP aims to enhance project selection procedures, aligning them with the priorities outlined in ARREST. A new Public Investment Policy is currently being drafted and is expected to be approved in July 2024.

Thus, supporting institutions successfully pioneering transparency and accountability and addressing remaining challenges will be essential for the management of public finances, thereby building trust and confidence in Government institutions.

Pillar 2: Improve transparency, accountability, and effectiveness in the forest and agriculture sectors and promote a sustainable development approach

The status of PFM systems in Liberia, coupled with the limitations of accountability mechanisms, directly translates into insufficient public investments, and the failure to meet budgetary and revenue targets, especially in the agriculture and forest sectors.

In the forest and agriculture sectors, national budget allocations fall short of addressing their respective challenges and development needs². Not only have financial allocations to these sectors been minimal, but also they have experienced a concerning downward trend, declining from around 3.5% in 2013³ to less than 1% currently. This decline strongly contrasts with the 10% allocation goal set by the 2003 Maputo Declaration. This funding reduction has resulted in a negligible investment budget for vital entities like the Ministry of Agriculture (MoA) and the FDA. Thus, Liberia's agricultural and forest sectors rely increasingly on financial assistance from development partners, with over USD 700 million contributed to the past decade alone. This underscores the pressing need for increased domestic funding to ensure the sustainable development of these sectors. Moreover, there is an urgent call for strengthened integration, reconciliation and coordination of off-budget donor funding within the budget formulation process to ensure coherence and effectiveness in resource allocation.

The reform of Liberia's forest sector in 2005 resulted in the enactment of the National Forestry Reform Law and the development of a National Forest Policy and Implementation Strategy that identified three pillars (Commercial, Conservation and Community) for achieving sustainable forest management. The Policy implementation began in 2006, with an expected review in 2016 that never took place. Last year, given the changing parameters and interests in forest management since 2016, consultations of key stakeholders started to review the policy and recently a first draft has been presented and is in process of finalisation. It is expected that the new FDA approves the 2023 National Forest Policy and Implementation Strategy in the months to come. This new forest policy "Forests for communities, Conservation, Commerce and Carbon" introduces the 4 C's Approach (Community, Commercial, Conservation and Carbon) to forest use.

Channelling financial resources to the forest sector in Liberia is fundamental. The alarming rate of deforestation, compounded by logging companies disregarding regulations, has led to severe forest degradation. Additionally, the high incidence of poaching and the bushmeat trade pose major threats to biodiversity. Underlying these challenges lies the inadequate governance by the FDA, which lacks sufficient budget allocation beyond staff salaries. Improving forest sector funding will enable FDA to enhance its oversight capabilities, and strengthen its support to community forest schemes. Increased domestic revenue generation could lead to greater income to forest communities through benefit-sharing agreements and facilitate the protection of endangered wildlife. Furthermore, engagement with the Forest Law Enforcement, Governance and Trade Voluntary Partnership Agreement (FLEGT VPA) will improve transparency and governance, ultimately leading to increased revenue generation. In addition, strengthening forest structures may prepare Liberia to access climate finance in accordance with the conditions outlined in the Paris Agreement, thus better equipping the country to address climate-related challenges and promote sustainable forest management.

FDA's track record in forest governance is poor, characterised by instances of financial mismanagement, poor accountability, and deficient reporting practices. Coupled to this, tax revenue has sharply declined due to the closure of formal logging companies. Consequently, there has been a shift in logging operations towards community forests, leading to rampant over-logging and unreported logging activities, resulting in tax evasion both in wood harvesting and wood exports. Moreover, FDA failed to submit its budget and priorities to the MFDP last year. This lack of transparency and engagement further undermines efforts to address governance shortcomings and restore fiscal responsibility in the forest sector.

The Ministry of Agriculture has in May 2024 presented its National Agriculture Development Plan 2024-2030, which builds on the Liberia Agriculture Sector Development Plan. Despite possessing a comprehensive set of policies and strategies at both the sectoral and sub-sectoral levels, Liberia's agricultural sector faces significant challenges hindering its effective implementation. Budgetary constraints, limited capacity, coordination issues, and leadership gaps all impede progress.

While increased rice self-sufficiency stands as a top priority for the Government, national policies allowing subsidised rice imports conflict with sector-level efforts to boost production. Smallholders, especially women, face barriers to accessing extension services, mechanisation and credit. The private sector's potential role in providing services to producers and driving agricultural investment remains largely untapped due to the

² Budget allocations to agriculture and forest have consistently remained low, typically hovering between 1% to 1.5% of the total budget. Furthermore, there is scarce evidence of investments beyond merely disbursing funds for recurrent expenditures within these sectors.

³ Agriculture Sector Public Expenditure Review. World Bank, 2013.

absence of a coherent strategy and adequate regulatory framework. Moreover, the MoA faces structural and staffing inadequacies relative to its mandates, necessitating urgent functional reforms and decentralisation efforts. Transparency in revenue collection and utilisation at the sector level pose ongoing challenges, particularly in rubber and palm oil production, where information regarding revenues from large concessions is limited.

Compounding these challenges is the absence of a proper medium-term budget plan in the agriculture sector, which results in a lack of visibility that hampers proper planning, especially for reforms with significant budgetary implications. This absence of clear financial planning undermines the sector's capacity to systematically address its numerous challenges and effectively implement necessary reforms for sustainable development.

The lack of public and private investments results in low production and productivity. Inadequate and unreliable infrastructure, including roads, storage and processing facilities, as well as electricity supply and internet connectivity hampers access to markets. High post-harvest losses exacerbate the situation. Addressing these multifaceted issues is essential to unlocking the agricultural sector's potential for sustainable growth and development in Liberia.

The Government alone cannot address the above challenges, as only 3.1% of the total public resource envelope was allocated to the agriculture and forest sectors in 2022. Therefore, greater public and private investments are critical for Liberia to achieve nutritional and financial sustainability.

Identification of **main stakeholders** and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the Action:

Actors involved in the sphere of PFM accountability and oversight:

- MFDP and various of its departments, notably the Department of Economic Management, the Department of Budget and Development Planning, the Public Investment Unit and the Aid Management and Coordination Unit;
- Controller and Accountant General's Department;
- LRA and core operational departments (e.g. customs);
- GAC;
- IAA;
- Liberia Anti-Corruption Commission (LACC);
- Ministry of Justice;
- National Integrity Forum, which represents a consortium of Government agencies, civil society organisations (CSOs), and private institutions committed to the promotion of integrity standards, support the fight against corruption and advance good governance in Liberia;
- Legislature through the PAC and the LBO;
- CSOs, including women CSOs, academia and media active in the transparency and accountability spheres and in the fight against corruption.

Actors involved in the sphere of forest and conservation:

- FDA, which is a semi-public autonomous corporation responsible for implementing policies and regulations related to forest production and conservation, including the issuance of permits for logging, mining, and other forest-based activities;
- Environmental Protection Agency (EPA), which is the principal entity responsible for implementing the national environmental policy and the sustainable management law for the protection of natural resources in Liberia. It is also the designated entity in relation to the NDCs. EPA is relevant for the agriculture sector as well;

- Forest communities, forest concessionaires, chain saw millers, and wood businesses, in particular small and medium enterprises (SMEs).

Actors involved in the sphere of agriculture:

- MoA;
- Liberia Agriculture Commodity Regulatory Authority (LACRA);
- National Fisheries and Aquaculture Authority (NaFAA);
- Liberia Land Authority;
- Central Agricultural Research Institute;
- Cooperative Development Agency;
- Smallholder and family farmers, youth and women’s groups and cooperatives, and food businesses, particularly SMEs;
- Private sector and CSOs that play a key role in both the agriculture and forest sectors.

2.3 Additional Areas of Assessment

2.3.1 Public Policy

In January 2024, newly elected President Boakai presented a political manifesto called ARREST agenda for Agriculture, Roads, and infrastructure development, improve the Rule of law, rethink the Education sector, improve Sanitation, and unlock the potential of the Tourism sector with the view to prioritize economic reforms that foster sustainable economic growth and job creation. Its five pillars include: (1) macroeconomic stability and infrastructural development; (2) health, wash, environment and climate change; (3) human capacity development; (4) governance and rule of law; and (5) gender, youth, children and social protection. On the basis of this shorter ARREST agenda, a new fully fledged development agenda called ARREST Agenda for Inclusive Development (AAID) is being elaborated. It will focus on integrated sectors based approach focusing on Agriculture, Roads, Rule of Law, Education, Sanitation/Health and Tourism. All existing sector plans and analysis conducted by development partners (e.g. EU, UN, etc) were submitted to the government to be fed into the new AAID. Consultations for AAID started in July 2024 including sixty-two (62) districts and fifteen (15) counties consultations, eleven (11) sectoral consultation, and fifteen (15) counties validations. A roadmap for the AAID was approved by President Boakai.

The Government has demonstrated ownership and leadership in this process and is committed to ensuring accountability and transparency in all governmental and donor interventions outlined in the AAID. This commitment includes the implementation of an open Dashboard, showing budgetary allocations and execution.

The objectives of this Action align with the Government’s agenda as formulated in ARREST and as indicated for the new NDP. The focus is on prudent fiscal management, restoring confidence in the monetary and fiscal sectors, strengthening integrity institutions and accountability, promoting agriculture and forest in a compatible way, and fighting climate-change, which are also priorities in the EU MIP 2021-2027 for Liberia.

The new administration is also committed to zero-tolerance for corruption across the Government, civil society and the private sector. This includes the creation of a dedicated court to fast-track corruption cases, enforce asset declaration for all appointed public officials, and institute lifestyle and performance audits of all such officials.

The Government acknowledges the dramatic effects of climate change, such as flooding and drought that negatively impact farming and the livelihoods of rural and semi-urban communities. It aims at implementing all international agreements and protocols on climate change, while empowering EPA to coordinate, integrate, harmonize, and monitor the implementation of environmental policies. Additionally, EPA seeks to promote environmental awareness through public participation, enforce environmental laws, regulations, and policies across the counties, and support communities’ participation in environmental management programmes,

while encouraging their engagement into forest and biodiversity conservation. This Action will directly support these commitments.

On the PFM side, the 2009 PFM Law is a basic reference. Revenue collection holds utmost importance, necessitating a reassessment of waivers and tax holidays. All civil servants will undergo performance reviews. The new Government is determined to turn Liberia into a well-functioning and wealthy nation.

After the 2023 elections the new government presented a revised draft budget on 14 March (the previous government's budget was not approved by the legislative). The House of Representatives passed the budget at the end of April. The budget was published on 26 June 2024. This quick revision process demonstrates as well the government's commitment.

In conclusion, the new administration is actively working towards finalising a new Arrest Agenda for Inclusive Development, building on its political ARREST agenda, which already serves as a relevant and owned foundation for such a strategy. The eligibility (in the framework of an SRBC) can be considered as met under the assumption that the new NDP – set to be adopted shortly – will be assessed as sufficiently relevant, inclusive and credible. Furthermore, it will be gradually complemented by sector policies that are relevant to this Action.

2.3.2 Macroeconomic Policy

The macroeconomic situation has moderately improved in recent years, especially in terms of monetary policy indicators such as inflation, exchange rates, interest rates, and reserve requirements. In 2021, Liberia's economy began to recover from the 3% budget contraction experienced in 2019 and 2020. Economic growth reached 5% in 2022 and is expected to be 4.6% in 2023, reflecting the negative effect of global uncertainties and anticipated commodity price shocks. Growth is projected to average 5.3% in 2024. In 2022, the annual average inflation slowed to 7.6%, down from 7.8% in 2021. Food prices declined by 1.6% due to relatively good agriculture harvests, whereas non-food inflation reached 10.6%, primarily driven by rising energy prices. This non-food inflation is expected to gradually reduce to 8% by 2024.

In 2022, the overall fiscal deficit was 6.9% of GDP, up from 2.4% in 2021. This increase was partly due to the change in World Bank IDA lending policy in July 2020, lower-than-expected royalties from iron mining and expenditure overruns for goods and services, transfers, and subsidies. The fiscal deficit further increased in 2023 as the overall country PFM system discipline weakened during the election period at the end of the year. Persistent fiscal deficits over the last two years have led to increased borrowing. Therefore, public debt rose to 54.6% of GDP in late 2022, up from 53.2% in 2021. With a debt-to-GDP ratio of 53.4%, the debt sustainability analysis assesses Liberia as being at moderate risk of external debt distress and high risk of overall debt distress. This has led to limited fiscal space to accommodate economic shocks and finance investments. The situation probably worsened slightly in 2023, but data are not yet available.

The current account deficit narrowed in 2022 to 17.4% of GDP, down from 17.7% in 2021, mainly due to an increase in gold exports. The trade balance improved from a deficit of 13.1% of GDP in 2021 to 11.8% in 2022, largely driven by higher volumes and export prices of gold. Various initiatives to modernise the tax administration achieved some results with the support of technical assistance from the International Monetary Fund (IMF), the African Development Bank (AfDB), the World Bank (WB) and the Swedish Tax Agency. The DRM strategy identified seven areas for further tax restructuring, including duty waivers, tax withholding for Government contractors, and exemptions granted by decree, and in concession agreements. A new DRM strategy for the next 5 years has been drafted and is set to be endorsed by the new Government in 2024.

Liberia benefited from concessionary loans from the IMF's Poverty Reduction and Growth Trust (PRGT). One of the PRGT's facilities is the four-year Extended Credit Facility (ECF), aiming to support the country to achieve a sustainable and stable macroeconomic position. The ECF programme, which began in December 2019, aimed to ensure a relative sustainability of key macroeconomics indicators and the harmonisation of the wage bill. Liberia also benefitted from the Rapid Credit Facility (June 2020), a debt service relief from the IMF's Catastrophe Containment and Relief Trust (April 2020 to April 2022), and a general special drawing rights (SDR) allocation (August 2021). Overall financial support from the IMF as of 2019 has totalled USD 550 million (14 % of GDP), most of which was supposed to build up Liberia's international reserves.

The 6th review of the ECF took place in July 2023 and was never finalized due to a lack of data during the electoral period. The last ECF ended in December 2023 without achieving the expected results. The final disbursement was not made, and the programme was not extended by 6 months as initially foreseen. Major setbacks such as difficulties in repaying external debt, accumulation of arrears, failure to reduce tax exemptions and duty waivers, resumption of monetary financing by the Central Bank of Liberia and insufficient foreign currency reserves, despite IMF financial assistance, motivated this decision.

The new Government immediately reached out to the IMF and an agreement was made for a possible new ECF programme to start in the summer 2024, contingent upon meeting certain conditions. A mission from IMF took place late June-early July 2024.

Based on official IMF and WB analyses, the Liberian authorities were pursuing a stability-oriented macroeconomic policy until 6 months before the elections, and it is expected that they will resume this approach under the new Government.

In conclusion, the new administration is making efforts to maintain macroeconomic stability and the eligibility criterion is assessed as met. However, agreeing on a new programme with the IMF is expected to provide additional assurance in this respect.

2.3.3 Public Financial Management

The PFM Strategy and Action Plan PFMRSAP 2023-2026 was initially approved in December 2023, but was subject to a revision following the government change. AFRITAC2 played a key role in this revision, aiming to make the document more strategic and streamlined. The updated strategy is expected to improve DRM, strengthen financial control and enhance public finance accountability. Additionally, the new Government is about to approve a new DRM strategy drafted by the LRA.

Based on progress achieved since 2016, the Public Expenditure and Financial Accountability (PEFA) performed in 2020 acknowledged positive outcomes for Liberia. Still, the assessment scored Liberia a C⁴, indicating “basic PFM performance”. The assessment highlighted many challenges that remain to be addressed:

- Weak DRM, both in terms of reaching sources and operational systems;
- Large use of arbitrary tax exemptions that do not follow policy-based criteria;
- Very weak cash management and commitment control, leading to the accumulation of arrears;
- Externally financed projects and programmes operating as off-budget items;
- Expenditure execution consistently exceeds budget allocations, undermining fiscal discipline;
- Year-end financial statements that are not sufficiently robust;
- Lack of follow-up by the National Legislature on the implementation of audit recommendations;
- Insufficient control over public procurement, despite some progress with the implementation of the E-procurement tool;
- Weak financial controls and insufficient performance monitoring systems;
- Insufficient capacities of oversight institutions;
- Systemic shortcomings in both upstream and downstream PFM systems, along with deficiencies in information flows.

Recommended actions suggest better integration of all systems put in place in recent years, such as the IFMIS, and their rollout across the relevant MACs involved in managing natural resources.

Specific improvements include: enhancing revenue mobilisation in key sectors; consolidating budget execution and ensuring reliable and timely reporting; boosting internal auditing in key sectors; consolidating payroll management; strengthening the management of public and external investments; expanding the rollout of IFMIS to tackle the lack of connectivity with other applications used within the PFM/DRM environment. In addition, the new PFM strategy should incorporate gender-sensitive budgeting.

Improvements in the PFM system are already noticeable, including the development of sector-based policies, strategies, work plans, guidelines and legislation, especially in areas targeted by development partners’ programmes, supported by well targeted external technical assistance.

⁴ <https://www.pefa.org/sites/pefa/files/assessments/reports/LR-Jul16-PFM-PR-Public-with-PEFA-Check.pdf>

On 14 March, the Deputy Finance Minister stressed the 2009 PFM Law serves as a basic reference to all public servants. He also highlighted the importance of revenue collection and the need to reassess waivers and tax holidays. Additionally, he mentioned that civil servants will undergo performance reviews. The new Government keeps underlining that Liberia is on its way to become a well-functioning state.

In January 2024, the draft national budget presented by the former Government was rejected by the Parliament. However, the new Government managed to submit a revised draft in line with the ARREST agenda within two months, in March 2024. It is currently published and generally accessible.

In this context, the EU budget support operation and its complementary measures can become an effective instrument for improving financial institutional capacities, including in the sectors of agriculture and forest.

In conclusion, the new administration is demonstrating a strong commitment to improving public financial management and domestic revenue mobilisation. A streamlined PFM reform strategy and action plan was approved in September 2024, marking a significant milestone and fulfilling one of the conditions for the new IMF Extended Credit Facility. Additionally, a robust updated DRM strategy is currently under review for approval by both the legislature and cabinet. While the eligibility condition can be considered met, the continued relevance and effectiveness of these reforms will be closely assessed throughout the implementation period.

2.3.4 Transparency and Oversight of the Budget

There have been efforts to improve **budget transparency and oversight** in recent years. Many of the 509 accounts of MACs in commercial banks have been closed and a Treasury Single Account was developed with the intention to make it fully operational by the end of 2022. Progress in budget planning through the IFMIS has been observed for the 2023 budget year. The GAC has increased the number of audits in recent years and established a follow-up unit to support the Parliament to oversee the implementation of GAC's audit recommendations. Moreover, due to more consistent financial reporting by MACs, the Auditor General has been able to provide an opinion on the annual financial statement since 2022. The Government has also taken steps to improve budget transparency by publishing its annual budget and audit reports on the MFDP website.

In addition, in July 2023, the IAA approved and launched the National Non-compliance Scorecard for all MACs⁵ to facilitate and boost the role of internal auditors within the Government. The Director General of the IAA recently emphasised the need for more training for their staff-auditors to improve their capacity to deliver quality services. The IAA is also seeking support from development partners, particularly for the professional qualification of internal auditors. Similar capacity building needs have been highlighted by the GAC and various departments of the MFDP.

Whilst the budget classification is comprehensive, consistent, and accessible to users, external funding remains off-budget. Transfers to sub-national entities are not based on clear and transparent rules. Information about service delivery to the public is still insufficient. Budget oversight could be enhanced by debating budget policy before the executive's budget proposal is tabled; improving the timeliness of the budget cycle; approving the executive's budget proposal before the start of the budget year; examining in-year budget implementation and publishing reports with their findings online. Strengthening the financial independence of the GAC with adequate and timely funding for ensuing audit processes is also a key priority.

The latest Open Budget Survey of 2021⁶ ranks Liberia 63rd out of 120 countries assessed, with a score of 45/100 for transparency, despite publishing the Citizens Budget and in-year reports online in a timely manner; 6/100 for public participation; and 41/100 for budget oversight⁷. In compliance with their own regulations, the Government is expected to publish the pre-budget statement and mid-year review online in a timely manner. The pre-budget statement should be published at least one month before the executive's budget proposal is presented to the legislature and the mid-year review should be published within three months after the midpoint of the fiscal year. Furthermore, the audit report should be produced and published online in a timely manner as per INTOSAI standards.

⁵ <https://iaa.gov.lr/>

⁶ <https://www.pefa.org/sites/pefa/files/assessments/reports/LR-Jul16-PFM-PR-Public-with-PEFA-Check.pdf>.

⁷ <https://internationalbudget.org/open-budget-survey/country-results/2021/liberia>.

Several improvements can be made to enhance budget transparency and public participation: improving the comprehensiveness of the Citizens Budget and in-year reports; engaging public participation and CSOs during budget formulation; establishing public hearings related to the approval of the annual budget; promoting other actions that encourage citizens' participation. Strengthening these areas would help ensure greater transparency, accountability, and inclusiveness in Liberia's budget processes.

The Legislature, which is expected to guarantee oversight, adds complexity to the situation. This massive and opaque spending entity consumes up to 2% of the GDP annually. In addition, the Public Accounts Committee has been dysfunctional for years, holding public hearings on only three GAC reports while having a backlog of 165 to process. The new Government has committed itself to a culture of transparency and regular audits in the public administration. An audit of the National Legislature was requested right after the formation of the new Government to understand how funds were used in previous years – an action that had not been undertaken for decades. To begin with, both Legislature and Senate are undergoing their system audits.

The new Government has also requested a system to track the expenses of the National Legislature, with the endorsement of the new chair of the Public Accounts Committee. The new administration has also decided to audit the National Security Agency due to a disbursement of USD 80 million from the national budget, significantly exceeding the initially forecasted USD 8 million.

In conclusion, the relevant budget documentation has been published and the eligibility criterion is met. However, fiscal transparency and oversight are expected to improve significantly to foster accountability.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The **overall objective** of this Action is to promote accountable and sustainable development in Liberia's forest and agriculture sectors through strengthened public financial management system.

The **specific objectives** of this Action are to:

1. Enhance effectiveness of public finances and redistribution of income.
2. Improve policy effectiveness in the forest and agriculture sectors, while promoting a sustainable development approach.

The **induced outputs** of this Action are:

Contributing to specific objective 1:

- 1.1 Improved budgetary system, including solid financial and regulatory frameworks, aligned with the new NDP.
- 1.2 Improved national tax system.

Contributing to specific objective 2:

- 2.1 Improved resources mobilisation for forestry and agriculture sectors.
- 2.2 Improved forest and agriculture policies, consistent with gender sensitive, climate- and ecosystem-smart development.
- 2.3 Improved institutional structures and participatory coordination and monitoring systems of FDA and MOA.

The **direct outputs** contributing to the corresponding specific objectives (outcomes) are:

- 1.1 Improved capacities of MFDP, LRA, Controller and Accountant General's Department, GAC and other relevant bodies for managing the budget cycle, with the emphasis on relevant funding of the target sectors.

- 1.2 Improved capacities of LRA for modernised tax administration and operation.
- 2.1 Improved capacities of FDA for operations, coordination and monitoring.
- 2.2 Improved capacities of FDA and MOA for gender and climate-sensitive forest and agriculture policy formulation.
- For both components:
- DO 0.1. Improved fiscal space for the reforms in PFM, forestry and agriculture.
- DO 0.2. Improved policy dialogue between EU and Liberia on PFM, forestry and agriculture.
- DO 0.3. Improved dialogue between EU, Liberia and development partners.
- DO. 04. Improved monitoring and reporting of reforms.

3.2 Indicative Activities

Government and national entities will be in charge of:

- Achieving progress on the national policy priorities and accordingly the general and specific objectives of the budget support programme.
- Organisation of BSSC meetings.
- Ensuring progress on the budget support general conditions and providing required evidence of progress.
- Engaging in policy dialogue with the EU and providing the Delegation with continuous access to the required information for that purpose, as well as underpinning documentation for payment requests. This will build on documentation made available publicly for domestic purposes and on data provided to the IMF or to other development partners in order to minimise the administrative burden.
- Reaching the targets on the agreed variable tranches performance indicators and keeping the EU informed of the progress achieved or the encountered difficulties throughout the year.
- Prepare annually the dossier of disbursement requests with all necessary supporting documents.

The main activities of the EU and, in particular, the Delegation that will contribute to the budget support outcomes and outputs are:

- Jointly with the government organise regular operational, strategic, political and policy dialogue sessions, involving the EU, EU MS, IMF, WB, AfDB, and the Government at different levels of responsibility, ensure continuous dialogue on national policies within the scope of this Action and conduct formal assessments of budget support general conditions and variable tranche indicators, with the involvement of CSOs, women's organisations and other stakeholders where relevant.
- Contribute to the general monitoring of programme performance and information exchange between all counterparts and support the monitoring of progress on eligibility criteria and variable tranche indicators, including through missions when needed.
- Ensure the PFM (coordinated by USAID and the government) and Budget Support Donor Coordination groups (World Bank) meet regularly to maximize coordination and support from other donors.
- Strengthen the natural resources sector coordination framework by promoting formal development partner (donor) coordination on renewable natural resources.
- Maintain regular dialogue with the private sector and CSOs, including women's organisations active in the budget support programme areas (accountability and transparency, forest, agriculture).
- Annual transfer of the planned amount for budget support to the Public Treasury account (depending on eligibility and the achievement of progress).

The complementary measures for financial accountability (Pillar 1) will focus on strengthening the capacity of the MFDP, ensuring that transparency and accountability mechanisms are promoted internally, and that personnel are capable of applying rules and regulations. Solid support for capacity building within the national audit is also foreseen. The measures will also make sure that CSOs are further empowered to assist the Government in its efforts to ensure public engagement in transparency.

The complementary measures for efficiency of the forest and agriculture sector (Pillar 2) will focus on strengthening the capacity of the MACs involved in these sectors, ensuring that personnel are capable to implement rules and regulations to understand and mainstream gender and climate sensitive issues. These measures will also ensure that CSOs are further empowered to assist the Government in its efforts to ensure sound public management in the agriculture and forest sectors.

3.3 Mainstreaming

Environmental protection and climate change

The Action will aim at promoting a halt in deforestation through the development of sustainable and deforestation-free value chains, in line with the new EU Regulation 2023/1115 on deforestation-free products. Deforestation undermines Liberia's climate resilience by releasing stored CO₂, altering water cycles, and causing biodiversity loss, which diminishes nature's ability to adapt to climate change and negatively affects vulnerable communities. The Action is designed to encourage competitive and sustainable agricultural and forest sectors, while safeguarding social and environmental standards.

Outcomes of the Strategic Environmental Assessment (SEA) screening: the SEA screening concluded that no further action was required.

Outcomes of the Environmental Impact Assessment (EIA) screening: the EIA screening classified the Action Category C (no need for further assessment).

Outcome of the Climate Risk Assessment (CRA) screening: the CRA screening concluded that this Action is no or low risk (no need for further assessment).

Gender equality and empowerment of women and girls

As per the OECD Gender DAC codes identified in section 1.1, this Action is labelled as G1. This implies that gender equality is an important and deliberate objective, but not the principal reason for undertaking the programme. However, gender inequality is a big concern in Liberia, particularly in terms of women's access to education, employment, and participation in decision-making processes. Therefore, the Action contributes to GAP III, commits to a gender transformative approach and incorporates the human rights-based approach (HRBA) as well as the intersectionality approach. It will use updated gender analyses to inform decision-making on future actions and integrate these into all relevant dialogues, policies, strategies, programmes and operations. For example, the new PFM strategy and action plan should plan for gender sensitive budgeting.

Human rights

The Action will apply a HRBA approach, enhancing citizens' participation and oversight in public affairs. It will ensure the implementation of HRBA principles, including respect for all rights, non-discrimination, transparency, participation and accountability. Activities will be tailored to *'leave no one behind'*, ensuring that groups with specific needs (such as women, persons with disabilities and youth) take an active part in decision-making processes.

Moreover, the country remains committed to ratifying human rights treaties and conventions it has signed. The Government of Liberia has made efforts to protect human rights and counter gender-based violence, including the passage of key legislation such as: i) the Domestic Violence Act (2019), which criminalises sexual- and gender-based violence; ii) the Land Right Act (2018), which increases women's access to land and enhances economic empowerment and participation in community land ownership; iii) the Decent Work Act (2015), which ensures that women and men are equal before the law in terms of employment and prevents discriminatory practices regarding the minimum wage; and iv) the Local Government Act (2018), which

protects women's participation in local governance and supports opportunities of leadership training for women and girls.

Disability

As per OECD Disability DAC codes identified in section 1.1, this Action is labelled as D1. This classification indicates that people with disabilities (PWD) are not a specific target group of the Action. However, the Action is committed to upholding the rights of PWD, ensuring that, whenever appropriate, activities related to project formulation, implementation and evaluation may be inclusive of PWD. It will also support mainstreaming inclusiveness and special needs across all activities, including appropriate infrastructure and materials.

Reduction of inequalities

In Liberia, inequalities persist across various dimensions, posing significant challenges to the nation's development and stability. In 2022, the human development index stood at 0.487, but drops to 0.31 when adjusted for inequalities (inequality-adjusted human development index). Socioeconomic disparities are evident in access to basic services such as healthcare, education, and clean water, with rural and marginalised communities often facing greater barriers. The main drivers of inequality in Liberia are related to the country's lack of economic development, including weak economic growth, limited job opportunities, weak governance and high levels of poverty. Structural factors, such as gender and ethnic disparities, also contribute to inequality.

Addressing these inequalities requires concerted efforts to promote inclusive economic growth, enhance access to quality basic services, and foster social cohesion and reconciliation. Additionally, improving governance, combating corruption and the misuse of natural resources, and ensuring accountability through increased transparency are essential for building a more equitable and just Liberia.

Democracy

Democracy in Liberia has been a challenging process that began after the end of the civil war in 2003. Since then, Liberia has held four presidential and legislative elections, the most recent one in 2023. These elections have been generally peaceful, credible and inclusive. While the democratic framework is largely in place in the country, widespread public distrust in Government institutions is a main challenge to the Liberian democracy. Liberia's democracy could benefit from improved governance, oversight and rule of law, and enhanced social cohesion.

By promoting the involvement of CSOs in transparency and oversight in Liberia, the Action will directly support democracy as public accountability is a crucial instrument in democratic systems and a safeguard of rule of law. This programme aims to increase transparency in Government operations and subsequently public trust by improving performance and openness. There is a positive momentum in this regard from both the new Government and the legislature, with concrete proposals being put forward. CSOs are expected to play a crucial role in empowering citizens to demand more control and information from the Government. The Action will also promote women's participation in the political sphere.

Conflict sensitivity, peace and resilience

The Action will help strengthen and enforce the PFM system, the national budget definition and control, and the anti-corruption framework, thus contributing to more resilient institutions. Stable institutions, in turn, will diminish the risks of conflicts. Moreover, with increased transparency and accountability in the public sector, civil society will be strengthened and better prepared to influence the definition and implementation of national policies.

By supporting the country's food and nutrition security, the Action also contributes to its stability and resilience. For instance, rice import shortages have historically caused disorders and riots in Liberia, as rice

is the country's staple food. Addressing this issue is crucial, as rice shortages have been major drivers of instability in the past.

The current context marked by a peaceful transition of power and a new Government committed to accountability and transparency is favourable. However, unresolved tribal and community disputes over land and property since the end of the civil war remain significant challenges.

Disaster risk reduction

Enhanced management of natural resources, particularly renewable resources, through better control, more adequate tax policies, and a strong emphasis on anti-corruption measures in the deforestation sector will contribute to preventing tensions and reducing risks related to natural disasters.

Other considerations if relevant

N/A

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
Political commitment	Changes in the political priorities of the Government can occur due to various factors, including election compromises, party politics, interest group influences, and external pressures beyond the Government's control	Medium	High	<ul style="list-style-type: none"> Engage in political and policy dialogue with the Minister of Finance, legislators and the office of the President in coordination with the EU Member States (MS), the IMF and the WB to ensure alignment and support for key reforms. Leverage the budget support general conditions in coordination with the IMF, WB and MS. Use relevant variable tranche indicators that complement the new IMF programme's performance criteria and structural benchmarks, as well as WB prior actions, focusing on the most needed reforms. Ensure that this Action is complementary to other Team Europe initiatives to maximise impact and resource efficiency. Apply lessons learned from previous budget support programmes in Liberia.
Fiduciary	Lack of progress in public finance management and in budget transparency/oversight can hinder the execution of the budget support	High	High	<ul style="list-style-type: none"> Leverage the budget support general conditions and indicators in coordination with IMF, WB, and MS. Engage in policy dialogue with the Government and the national legislature in strong coordination with the IMF and WB with support from the Budget Support Donor Coordination Group. Support the MFDP through complementary measures to energise and stimulate its organisational units tasked to ensure legal and fiscal compliance and expenditure tracking. Coordinate with other development partners to support and induce the Government in systemic improvements to policy, fiscal transparency, discipline and timely flow of information.

Institutional capacity	The ability of the MACs to realise and implement lacking national and sectoral policies	High	High	<ul style="list-style-type: none"> • Use policy dialogue to reach agreements with the relevant MACs about capacity shortcomings before launching any complementary measures. • Encourage the use of common platforms and hubs, and provide a strategic approach to technical support. • Focus on capacity building to contribute to the implementation of reforms.
Institutional capacity	Limited commitment to gender equality and women's empowerment, the (HRBA) and the inclusion of PWD by the targeted institutions and non-state actors.	High	High	<ul style="list-style-type: none"> • Provide sufficient means to work with institutions and non-state actors on the importance of mainstreaming gender equality, the HRBA and the rights of PWD.

Lessons Learned:

Liberian citizens demonstrate weak trust in the capacities of public institutions and their leaders to commit to and engage in public reforms. However, lessons show that CSOs are committed to engaging and supporting national reforms when given the opportunity. Existing hubs can be further used to reconcile private and public interests. Interactions between civil society and national institutions can be deepened, including in the area of anti-corruption within the natural resources sector.

The lack of technical capacities is a significant challenge. Coordination and policy dialogue with stakeholders involved in various sectors are instrumental. Encouraging regular formal and informal contacts and working interactions is essential. It is also crucial to involve the Legislature in activities and dialogue around the programme to discuss oversight and transparency-related objectives. Regular high-level political dialogue on PFM should be organised between the Government and relevant development partners to discuss ongoing reforms, challenges and solutions.

Lessons learned from the previous State and Resilience Building Contracts with Liberia 'Moving Liberia Forward', which ended in 2020, and 'State-building Contract Liberia' completed in 2017, suggest the following recommendations to mitigate risks related to the limited capacity of Liberian institutions:

- Pay more attention to the organisational and individual capacities in the MFDP to ensure ownership and implementation of the revised PFM reform strategy. The same attention should be given to line ministries and agencies;
- Ensure political engagement and develop a roadmap for the envisaged reforms. Establish clear and measurable outcomes indicators to identify the midterm pathway towards achieving specific objectives;
- Maintain continuous political and policy dialogue to facilitate the budget support operation in all its aspects and achieve the expected results in strong coordination with the IMF, the WB and the MS;
- Support capacity building initiatives in the MACs involved in the programme;
- Ensure sufficient financial volume of the variable tranches to incentivize the focus of all counterparts involved;
- Provide technical assistance on an ad hoc, demand-driven basis, focusing more on addressing specific fundamental weaknesses in PFM processes and systems in a programmatic and sequenced manner;

Lessons learned for the forest sector:

- Revitalising the industry: Liberia's once vibrant forest industry has entirely disappeared. However, the country still has significant forest cover and a wood industry, providing an opportunity to rebuild the sector. This depends on improving FDA oversight and enhancing productive infrastructure (transport, port facilities, connectivity, power supply) to allow production at competitive cost.
- Strengthening FDA capacity: the limited capacity of the FDA requires extra efforts to enhance self-regulation within the forest sector. This can be achieved by auditing forest operations through FDA field staff; engaging

independent forest monitoring networks, involving the Liberia Extractive Industry Transparency Initiative or independent certification bodies.

- Supporting community forests: logging companies have shifted operations to community forests due to lower taxation and better forest stock. Yet, communities face challenges such as weak bargaining position, limited oversight capacity, and lack of follow-up on reported infractions. Therefore, companies tend to fail paying their contractually agreed fees. To address these issues, a better support structure for communities should be developed to ensure the successful impact of the community forestry model.

Lessons learned for the agriculture sector:

- Improve productivity and commercial competitiveness: EU agriculture projects under the 11th European Development Fund aimed at reducing poverty, increasing income and resilience against shocks and improving food and nutrition security. They predominantly focused on increasing productivity, neglecting aspects of commercialisation and competitiveness. Limited public and private sector investment on service delivery further undermined sustainability post-project.
- Enhance market linkages and value chain connections: projects have struggled to establish strong market/trade linkages and connections between value chain agents, notably between smallholder producers with other private operators along the chain. Constraints such as limited financing options to private sector actors for business services development hindered effective collaboration, leading to projects with limited sustainability and overall impact.
- Use climate- and ecosystem-smart approaches: performance in implementing climate- and ecosystem-smart approaches has been weak. There is a need for strong technical support and broad awareness raising in this area to address climate change and environmental sustainability challenges.
- Shift towards demand-driven approach: projects often spent considerable resources on creating and training farmer/community groups, leading to delays in progressing across the value chain. A shift towards a demand-driven value chain approach is crucial. This approach was already introduced in the recent EU agriculture programme under the NDICI. This approach focuses on addressing common bottlenecks in food value chains and tailoring support to individual beneficiaries' needs.
- Strengthen coordination and consistency: inconsistency in interventions and a lack of steering by national authorities with a food systems mandate have been major challenges. However the new leadership is prioritising alignment of all development partners' activities with the National Agriculture Development Plan to increase coordination and consistency. To support the Government, the current EU agriculture programme comprises technical assistance to enhance the public functions of institutions, like MoA, NaFAA and LACRA.

3.5 The Intervention Logic

Through a mix of direct fungible budgetary support disbursed through the national treasury and complementary measures, the Action aims to **strengthen Liberia's PFM system and promote accountable and sustainable development in the forest and agriculture sectors**. These efforts will be aligned with the two TEIs for 'Forestry and Biodiversity' and 'Safe and Sustainable Food Systems'. The underlying intervention logic is grounded in the understanding that financial, economic and social governance are interlinked and require serious commitment and political will from national institutions. Addressing major bottlenecks in the PFM system is crucial for improving service delivery to Liberian citizens and governance in the forest and agriculture sectors. The Action strives to improve overall and sectoral financial management to enhance policy implementation and law enforcement capacities in forest and agriculture. Ultimately, this will benefit Liberian society by better preparing it to tackle climate change impacts, and by increasing food and nutrition security.

Budget support, more than any other cooperation modality, has the potential to mobilise political commitment, while mitigating associated risks. By stimulating Government participation and engaging in policy dialogue, budget support may overcome limited coordination and technical capacities and reduce the influence of external factors. Furthermore, strategically targeted supportive measures will assist in building the capacity of institutions involved in the sectors, ensuring a sustainable impact.

The Theory of Change sustaining the Action assumes that **IF**:

- i. The Government increases domestic revenue mobilisation and improves strategic budgeting and fiscal discipline;
- ii. Accountability is enhanced and a culture of auditing and implementation of audit recommendations is established across all branches of national institutions; with proper monitoring mechanism for the reform in place and periodic reviews of the reform plans
- iii. The MACs working in the forest and agriculture sectors are enabled to address sectoral bottlenecks through efficient human resources management;

And an engaged policy dialogue facilitates the improvement of the PFM system, **THEN**:

- iv. Revenue generation will increase, strategic allocation of resources will improve and budget execution will be more compliant and effective, resulting in better public service delivery to Liberian citizens;
- v. There is less opportunity for public funds to be diverted by malpractice and personal interests, resulting in the Government being more accountable to its citizens;
- vi. Enhanced monitoring, policy implementation and law enforcement capacity, along with increased financial governance capacity, will lead to more sustainable exploitation and management of Liberia's forest and agriculture resources. This will promote gender-sensitive, climate- and ecosystem-smart sector development, aligned with the Government priorities and the ARREST agenda.

The following table demonstrate the relations between specific objectives, expected outcomes and assumptions necessary for their achievement. The non-fulfilment of these assumptions, results in the occurrence of the risks mentioned above.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

BUDGET SUPPORT MODALITY as reflected by the national/sector public policy supported (4 levels of results / indicators / Baselines / Targets / Source of Data - no activities)

Caveat: the indicators used in the *Logical Framework Matrix* refer to the budget support intervention logic. They help monitoring the implementation of the programme in view of its objectives and later evaluate its contribution to country policy's achievements. The list of indicators below should not be understood as the list of indicators informing the disbursement of variable tranches and spelled out in the relevant part of the financing agreement signed with the partner country, although some indicators may be used for both purposes and will be marked accordingly.

Results	Results chain	Indicators	Baselines (year)	Targets by the end of the contract (year)	Sources of data (1 per indicator)
Indicative impact of the policy	Accountable and sustainable development in Liberia's forest and agriculture sectors promoted	1. GDP per capita (USD)	1. 800 USD (2023)	1. 850 USD (2027)	1. IMF reports
		2. LULUCF emissions (Gt CO ₂ eq)	2. TBD Gt CO ₂ eq (2023)	2. TBD Gt CO ₂ (2027)	2.UNFCCC Forest Reference Emission Level data
		3. Number of people that are food insecure disaggregated by sex age and disability) (**GERF 1.24)	3. 500.000 (2023)	3. 350.000 (2027)	3. Liberia Comprehensive Food Security and Nutrition Survey
		4. Rural poverty rate with disaggregated data (gender, age, disabilities)	4. 80% (2016)	3. 350.000 (2027)	4. Liberia poverty assessment, World Bank
Expected outcomes of the policy	1. Effectiveness of public finances and redistribution of income enhanced	1.1 Fiscal deficit stabilisation/ decreasing trend (%)	1.1 Deficit level (2023-2024)	1.1 Deficit 0.5% (overall balance) and enhanced compliance with the national budget law (2027)	1.1 National budget data; financial statements data
		1.2 Extent of compliance with the national budget law	1.2 TBD (2024)	1.2 TBD (2027)	1.2 IMF data
		1.3 Tax revenues growth rate (%) (link with ** GERF 2.19)	1.3 TBD (2024)	1.3 TBD (2027)	1.3 IMF data
		1.4 Tax subsidies growth rate (%)	1.4 Tax subsidies rate (2023)	1.4 TBD (2027)	1.4 Reports from CBL
	2. Policy effectiveness in the forest and agriculture sectors, while promoting a sustainable development approach, improved	2.1 GERF 2.2 Areas of agricultural ecosystems where sustainable management practices have been introduced with EU support (ha).	2.1 0% (2023)	2.1 10 % ha (between 2024 and 2027)	2.1 LISGIS/forestry and agriculture (farmer surveys) statistics; FDA/MoA annual reports.
		2.2 Deforestation rate (ha)	2.2 TBD ha (between 2020 and 2023)	2.2 TBD ha (between 2024 and 2027)	2.2 FDA forest cover maps

Induced outputs - contributing to specific objective 1	1.1 Improved budgetary system, including solid financial and regulatory frameworks, aligned with the new NDP.	1.1.1. Percentage of MACs submitting periodic financial statements	1.1.1. 70% (2023)	1.1.1. 90% (2027)	1.1.1 GAC reports
	1.2 Improved national tax system	1.2.1 Status of Liberian Integrated Tax Administration System	1.2.1 Not fully rolled-out and functional by 2023	1.2.1 Fully rolled-out and functional (2027)	1.2.1 LRA report on implementation of the system
		1.2.2 Status of the law on VAT	1.2.2 Goods and services tax approach before 2024	1.2.2 Law on VAT satisfying Liberia's commitments within ECOWAS	1.2.2 The law as approved by the Parliament
Induced outputs - contributing to specific objective 2	2.1 Improved resources mobilisation for forestry and agriculture sectors	2.1.1 Domestic financial support for the sectors	2.1.1 TBD (2023)	2.1.1 Increase of 25% (2027)	2.1.1 Reports MoA and FDA
	2.2 Improved forest and agriculture policies, consistent with gender sensitive, climate and ecosystem smart development	2.2.1 Status of the 2023 National Forest Policy and Implementation Strategy	2.2.1 Not adopted	2.2.1 Adopted, costed and reflected in the enacted budget law by 2027	2.2.1 FDA report and government decision
		2.2.2 Status of the National Agricultural Plan	2.2.2. Presented by the MoA in December 2023	2.2.2 Adopted by the government and budgeted in consecutive annual budgets by 2027	2.2.2 MoA report and government decision
	2.3 Improved institutional structures and participatory coordination and monitoring systems of FDA and MOA.	2.3.1 Status of FDA's monitoring systems	2.3.1 Weak and ad-hoc monitoring	2.3.1 A comprehensive monitoring system, including database and mapping of forests and regular reporting on the state of the forests, using also local intelligence info	2.3.1 Reports of FDA discussed with MoA or with a specific consultative/ coordination body.
Direct outputs	1.2 Improved capacities of Liberia Revenue Authority for modernised tax administration and operation.	1.1.1 Number of officials trained and capable of monitoring and audit disaggregated by institution and sex	1.1.1 Ten (2023)	1.1.1 100, number disaggregated by institution and sex	1.1.1 Pre and post training assessment, sign-in lists

	1.2 Improved capacities of Liberia Revenue Authority for modernised tax administration and operation.	1.2.1 Number of LRA officials trained	1.2.1 Zero (2023)	1.2.1 50 (2027)	1.2.1 LRA reporting	
	2.1 Improved capacities of FDA for operations, coordination, and monitoring	1.2.2 Status of the draft new VAT law	1.2.2 Status of the draft new VAT law	1.2.2 Adopted	1.2.2 LRA reporting	
	2.1 Improved capacities of FDA for operations, coordination, and monitoring 2.2 Improved capacities of FDA and MOA for gender and climate-sensitive forest and agriculture policy formulation	2.1.1 Number of officials of FDA trained and capable of managing operations, monitoring and coordination	2.1.1 Ten (2023)	2.1.1 75 (2027)	2.1.1 FDA reporting	
		2.1.2 Status of coordination mechanisms	2.1.2 Not operational (2023)	2.1.2 Fully Operational	2.1.2 FDA reporting	
	2.2 Improved capacities of FDA and MOA for gender and climate-sensitive forest and agriculture policy formulation DO 0.1 Improved fiscal space for the reforms in PFM, forestry and agriculture	2.2.1 Number of officials of FDA and MOA understanding and implementing gender and climate sensitive policy	2.2.1 Three (2023)	2.2.1 75 (2027)	2.2.1 FDA and MoA reporting	
		2.2.2 Status of the draft National Forest Policy	2.2.2 Not approved	2.2.2 Approved by 2025	2.2.2 FDA reporting	
		2.2.3 Status of the FLEGT VPA and related draft national plan strategy	2.2.3 No FLEGT Licence	2.2.3 FLEG Licence by 2027	2.2.3 FLEGT VPA monitoring reports	
		2.2.4 Status of the National Agricultural Development Plan	2.2.4 Not approved	2.2.4 Approved by 2025	2.2.4 MOA reporting	
	Direct outputs - for both components	DO 0.1 Improved fiscal space for the reforms of PFM, forestry and agriculture	DO 0.1. Amount transferred to the Liberia Treasury in the framework of the BS	DO 0.1. 0 by 2023	DO 0.1. 56 M EUR BS (2027)	DO 0.1. Transfer documents
		DO 0.2 Improved policy dialogue between EU and Liberia on PFM, forestry and agriculture	DO 0.2. Status of the BS Steering Committee	DO 0.2. Non-formed by 2023	DO 0.2. Formed with representatives from EU, EU MS, MFDP, FDA, MoA and meeting regularly (i.e. twice annually)	DO 0.2. BS SC meeting minutes

	DO 0.3 Improved dialogue between EU, Liberia and development partners	DO 0.3 Status of the coordination between the Liberian Government, EU, and development partners	DO 0.3 Partnership dialogue, cabinet retreats with development partners and the EU, TEI SC	DO 0.3.Partnership dialogue, regular joint cabinet retreats EU, development partners and the government of Liberia, TEI SC	DO 0.3. Official reports and minutes of EU-Liberia partnership/ political dialogues
	DO.0.4 Improved monitoring and reporting of reforms	DO.0.4. Extent to which the monitoring and reporting of key performance indicators linked to the reforms is regular and robust	DO.0.4. To be established	DO.0.4. Progress reports of the reforms supported are according to the national M&E plan and the agreed timelines for the disbursement of the variable tranches	DO 0.4. Sectoral progress reports from FDA, MoA, Central Bank of Liberia, MFDP

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this Action, it is envisaged to conclude a financing agreement with the Liberia.

4.2 Indicative Implementation Period

The indicative operational implementation period of this Action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement. Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this financing decision and the relevant contracts and agreements.

4.3 Implementation of the Budget Support Component

4.3.1 Rationale for the Amounts Allocated to Budget Support

The proposed amount for budget support is EUR 56 000 000, with an additional EUR 7 000 000 available for complementary support. This contribution aims to provide sufficient leverage to engage in policy dialogues and foster necessary policy reforms in coordination with other development partners (e.g., IMF, WB, EU MS, USAID).

There will be only one disbursement per fiscal year in order to keep focused dialogues, facilitate the follow-up and reduce administrative burden. In order to enhance predictability, disbursements will preferably occur in the beginning of the fiscal year and assuming that it has been reflected into the budget law adopted in the period n-1. In addition to the fact that the disbursements of the budget support constitute a direct fiscal support to the balance of payment, it also provides significant additional financial resources benefiting to the budget planning of the NDP. In concrete terms, the total amount of the BS represents almost 3% of the annual state budget of Liberia to be disbursed over three years (1% per year), constituting a significant leverage to promote the reform process in the agriculture and the forest sectors. It will be important for the EU delegation to work closely with the budget department of the Ministry of Finance on the costing of the NDP planning, to reflect the priorities of the EU policy reform matrix. Budget support resources must be publicly accounted for in the Government's budget documentation.

4.3.2 Criteria for Disbursement of Budget Support

a) Conditions:

The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the National Development Plan and continued credibility and relevance thereof or of the subsequent policy.
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances.
- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme.
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information.

b) The performance indicators for disbursement to be used for variable tranches may focus on the following indicative policy priorities:

Domestic revenue generation in key sectors, timely availability of financial information, quality of spending and fiscal discipline, reduced annual deforestation rate, increased area of sustainably managed forests, increased FDA's capacity for law enforcement, progress registered in the implementation of anti-corruption measures at national and sub-national levels, enhanced access to extension services for smallholder farmers and forest communities; increased budgetary allocations to the agriculture and forest sectors; increased de-concentration in both sectors.

c) Modifications:

The chosen performance indicators and targets to be used for the disbursement of variable tranches will apply for the duration of the Action. However, in duly justified cases, the partner country and the Commission may agree on changes to indicators or on upward/downward revisions of targets. Such changes shall be authorised in writing ex-ante, at the latest at the beginning of the period under review applicable to the indicators and targets.

In exceptional and/or duly justified cases, for instance where unexpected events, external shocks or changing circumstances have made the indicator or the target irrelevant and could not be anticipated, a variable tranche indicator may be waived. In these cases, the related amount could either be reallocated to the other indicators of the variable tranche the same year or be transferred to the next variable tranche the following year (in accordance with the original weighting of the indicators). It could also be decided to re-assess an indicator the following year against the original target, if there was a positive trend and the authorities did not reach the target because of factors beyond their control. The use of this provision shall be requested by the partner country and approved in writing by the Commission.

d) Fundamental values:

In case of a significant deterioration of fundamental values, budget support disbursements may be suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

4.3.3 Budget Support Details

Budget support is provided as direct untargeted budget support to the national treasury. The crediting of the euro transfers disbursed into Liberia dollars will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

The disbursement calendar and profile will be set out in the financing agreement and may remain subject to change. The disbursement profile will tentatively consist of fixed and variables tranches to account for a range of 30 to 50% and 50 to 70% respectively of the budget support component. They will be disbursed over the lifespan of the operation after the signature of the financing agreement.

4.4 Implementation Modalities

The Commission will ensure that the EU rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the Action with EU restrictive measures⁸.

4.4.1 Indirect Management with an entrusted entity

Complementary measures through technical assistance and capacity building may be implemented in indirect management with an entrusted entity, which will be selected by the Commission's services using the following criteria:

- Demonstrated experience in financial governance projects with a particular focus on strengthening the MFDP capacity to enact the budget cycle and the audit institutions capacity to oversight the budget in partner countries.
- Solid experience in providing support to CSOs in the areas of accountability and budget transparency and oversight.

The implementation by this entity entails strengthening the public financial management system by enhancing fiscal discipline and domestic revenue mobilisation, and improving transparency, accountability, and policy effectiveness in the forest and agriculture sectors, while promoting a sustainable development approach.

4.4.2 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

If negotiations with the entrusted entity for indirect management fail for circumstances beyond the Commission's control, the Commission's services may use direct management as follows.

Grants (direct management)

(a) Purpose of the grant(s)

'Grants in PFM, DRM': Provide grants to NGOs or think tanks with experience in Liberia in the area of PFM, DRM, transparency and accountability, able to provide support to the MFDP and LRA to strengthen the budget cycle and increase revenues. The grants will contribute to strengthening the public financial management system by enhancing fiscal discipline and domestic revenue mobilisation.

'Grants in forestry, agriculture': Direct grants to NGOs able to strengthen oversight and transparency in the forestry and agriculture sector. Direct grants to the Government audit agencies with the purpose to enhance their capacity building should also be considered. The grants will contribute to improving transparency, accountability, and policy effectiveness in the forest and agriculture sectors, while promoting a sustainable development approach.

(b) Type of applicants targeted

Non-governmental organisations, international organisations, social enterprises, (international) public sector operator/organisations, public and private universities, government audit agencies, etc.

4.5. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provision.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other

⁸ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

duly substantiated cases where application of the eligibility rules would make the realisation of this Action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.6. Indicative Budget

Indicative budget components	EU contribution (amount in EUR)
Budget support – cf. section 4.3	56 000 000
Complementary measures (fully integrated measures corresponding to all DO, most relevant DO are 1.1, 1.2, 0.3, 0,4)	
Support the PFM Strategy and Action Plan 2024-2027 (idem on DO)	
Indirect management – cf. section 4.4.1	7 000 000
Evaluation – cf. section 5.2 Audit – cf. section 5.3	To be covered by another Decision
Totals	63 000 000

4.7 Organisational Set-up and Responsibilities

A Budget Support Steering Committee (BSSC), chaired by the MDFP, will be established. It will provide a structured and collaborative platform for overseeing policy and strategic decision-making. By involving key national institutions and development partners, the BSSC will ensure coordinated efforts, enhance accountability, and drive the successful implementation and monitoring of the Action.

Its core members will be LRA, MoA, FDA, EPA, LACRA, EU Delegation, observers including representatives from EU MS present in Liberia, IMF and WB. Other MACs and development partners may also be additional observers when relevant. Development partners and budget support providers will coordinate their requests for meetings and information to ensure efficient and streamlined communication.

The BSSC will convene every six months and the members will be invited by the MFDP. The first meeting will be convened one month after the signature of the Financing Agreement with the Government of Liberia. It will set the modalities for policy dialogue and for the visibility of the budget support outcomes.

Regarding the sectoral policy dialogues, regular technical meetings will be held between key institutions and stakeholders. These meetings will aim to facilitate detailed discussions, address sector-specific issues, and monitor the implementation of the Action.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the Action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this Action and ensuring effective coordination.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this Action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the Action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the Action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the log frame matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

- All disbursements are subject to continued compliance with general eligibility criteria. Variable tranche disbursements are additionally determined by the achievement of targets for agreed indicators. The MFDP will regularly report on the progress of public policies with a particular focus on the NDP, macroeconomic stability, PFM reforms, and budget transparency/oversight. The MFDP frequently produces various information and reports for both internal use and public access via its website. These include weekly fiscal reports, expenditure and resource flow analysis, monthly and quarterly debt management reports, monthly debt bulletin, fiscal outturn report, mid-year budget execution report, and consolidated financial statements. This comprehensive, accurate and timely reporting is expected to continue to fuel domestic accountability. Additional information may be required for reform and result monitoring and should be provided to the EU Delegation. To minimize administrative burdens and account for limited capacities, the MFDP can share documents with the EU Delegation that are already shared with the IMF, the WB or other development partners.
- The new NDP's monitoring framework will be utilised to the maximum extent possible for this budget support, limiting administrative burdens and promoting domestic accountability. The MFDP will be the primary driver of monitoring the progress of the NDP, supported by its monitoring and evaluation unit, in collaboration with MACs, particularly the MoA, given the focus of the Action.
- Implementing partners and the civil society oversight and dialogue mechanism will be in charge for monitoring progress and relevant indicators related to complementary measures.

Other institutions, in addition to the MFDP, are expected to provide the EU Delegation with data and documentation to ensure comprehensive monitoring and evaluation. These institutions include:

- Liberia Institute of Statistics and Geo-Information Services (LISGIS) and MACs' statistical units;
- Internal Audit Agency;
- GAC;
- PAC;
- LOB;
- LACC;
- FDA.

The statistical and monitoring systems, as well as the quality of official data in the policy fields covered by the Action have been assessed. This assessment has been instrumental in the design of the Action. The overall quality of data is currently assessed as weak. However, there have been improvements in the delivery of macroeconomic and PFM related information in recent years, supported by the IMF and the WB.

Monitoring and reporting will evaluate how the Action addresses inequality reduction. This will be a key metric in assessing the success and impact of the intervention.

Important challenges persist in the domains of forest and agriculture development policies, due to lack of data collection at all levels. Improving data collection and analysis capacity in these sectors is crucial for effective policy formulation and implementation.

5.2 Evaluation

Having regard to the importance and nature of the Action, mid-term and final evaluations may be carried out for this Action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to improving performance of the programme. The final evaluation will be carried out for

accountability and learning purposes at various levels and to measure the achievements. The evaluation of this action may be performed through a joint strategic evaluation of the action together with the MFDP, the MoA, and the FDA.

The Commission shall inform the implementing partners at least 3 months in advance of the dates envisaged for the evaluation missions. The MFDP, LRA, MoA and FDA shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities. The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments. All evaluations shall assess to what extent the action is taking into account inequality reduction as well as how it impacts the most vulnerable (bottom 40% and socio-economically disadvantaged individuals). Expertise on inequality reduction will be ensured in the evaluation teams.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this Action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

A new approach to pooling, programming and deploying strategic communication and public diplomacy resources has been adopted in the 2021-2027 programming cycle.

In line with the 2022 “[Communicating and Raising EU Visibility: Guidance for External Actions](#)”, it remains a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union’s support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation continues to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources are instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

Appendix 1 REPORTING IN OPSYS

A primary intervention (project/programme) is a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

- Articulating actions or contracts according to an expected chain of results and therefore allowing them to ensure efficient monitoring and reporting of performance;
- Differentiating these actions or contracts from those that do not produce direct reportable development results, defined as support entities (i.e., audits, evaluations);
- Having a complete and exhaustive mapping of all results-bearing actions and contracts.

Primary interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit).

The level of the primary intervention chosen can be modified (directly in OPSYS) and the modification does not constitute an amendment of the action document.

The intervention level for the present action identifies as (tick one of the 4 following options):

Action level (i.e., budget support, blending)		
<input checked="" type="checkbox"/>	Single action	Present action: all contracts in the present action
Group of actions level (i.e., top-up cases, different phases of a single programme)		
<input type="checkbox"/>	Group of actions	Actions reference (CRIS#/OPSYS#): N/A
Contract level		
<input type="checkbox"/>	Single Contract 1	Grant contract
<input type="checkbox"/>	Single Contract 2	Contribution agreements with an entrusted entity
Group of contracts level (i.e., series of programme estimates, cases in which an action includes for example four contracts and two of them, a technical assistance contract and a contribution agreement, aim at the same objectives and complement each other)		
<input type="checkbox"/>	Group of contracts 1	