

A WORLD BANK STUDY



Developing Public-Private Partnerships in Liberia



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Acronyms and Abbreviations

BOC	Bureau of Concessions
CLSG	the WAPP segment covering Cote d’Ivoire, Liberia, Sierra Leone, and Guinea
DFI	Development Finance Institution
EITAF	Extractive Industries Technical Advisory Facility
FIL	Financial Intermediary Loan
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German International Development Agency)
GOL	Government of Liberia
HFO	Heavy Fuel Oil
IFC	International Finance Corporation
IMF	International Monetary Fund
IPP	Independent Power Producer
kW	Kilowatt
kWh	Kilowatt-hour
LEC	Liberia Electricity Corporation
LPRC	Liberia Petroleum Refinery Company
MHI	Manitoba Hydro International
MLME	Ministry of Lands, Mines and Energy
MOJ	Ministry of Justice
MPEA	Ministry of Planning and Economic Affairs
MPW	Ministry of Public Works
MW	Megawatt
MYS	Ministry of Youth and Sports
NBC	National Bureau of Concessions
NIC	National Investment Commission
NPA	National Ports Authority
O&M	Operations and Management
OBA	Output-based Aid
PDF	Project Development Facility
PFI	Privately Financed Initiatives
PPCA	Public Procurement and Concessions Act
PPCC	Public Procurement and Concessions Commission
PPIAF	Public-Private Infrastructure Advisory Facility
PPP	Public-Private Partnership
PRSP	Poverty Reduction Strategy Paper
RREA	Renewable Energy Agency of Liberia
TVET	Technical and Vocational Education and Training
USAID	United States Agency for International Development
VGf	Viability Gap Facility
WAPP	West African Power Pool

Executive Summary

The Government of Liberia is in the process of developing a new Poverty Reduction Strategy (PRS) that is intended to determine its path toward middle-income status. One central aspect of the Strategy is likely to be a stronger focus on inclusive growth. This will mean that higher priority will be placed on growing the local private sector, and broadening the base of the economy. Public-private partnerships (PPPs) in infrastructure and services can be a key instrument for achieving these goals especially in an economy like Liberia. The analysis contained in this Study identifies the steps toward establishing PPPs as both a policy instrument and method for deepening private sector investment in Liberia.

Liberia's rich natural resource endowments have played a fundamental role in the way in which the economy has developed, and in the way in which Government manages private investment in extractive industries. The Government itself has a long history of entering into concession contracts with private investors and operators. Firestone rubber first signed a concession agreement in 1926, and re-signed their concession to last until 2041. More recently, the Government of Liberia has entered into several large natural resource and mining concession contracts that will see large sums of private sector capital invested onshore.

The private sector's interest can be expanded beyond natural resources to the provision of public infrastructure and services. Liberia's infrastructure deficit is estimated at between US\$350 and US\$600 million dollars annually. Taking into account Liberia's recent expenditures annually into core infrastructure, this leaves an estimated funding gap of between US\$250 and US\$500 million each year. In addition to the basic need to expand the stock of infrastructure to keep pace with economic growth and population increase, much of Liberia's existing infrastructure stock has still yet to be replaced or rehabilitated following the civil war. This additional deficit creates even greater fiscal stress and makes alternative means of financing and managing infrastructure all the more important.

Already, Liberia has some limited experience in implementing PPP transactions, establishing a strong foundation for the future. Specifically, Liberia's experience in the energy and transport sectors brings with it some important lessons, including the sequencing of actions, and unique characteristics that need to be addressed, from upstream project planning to downstream project-specific structuring. This review also helps identify certain themes useful in designing future PPP transactions and improving the Government's PPP capacity. These themes include: a preference for a phased risk-based approach from the private sector; a preference from the private sector for remuneration by user charges; the need to address the Government's low capacity to develop, monitor both concessions and PPPs; the need for sustained dialogue to avoid missing opportunities for joint-infrastructure development with natural resource concessionaires; and establishing a set of clear principles for selecting and prioritizing PPPs.

Liberia already has a framework to manage concessions for extractive industries and natural resources. While this framework is strong in some regards; in other places there are significant gaps that limit its effectiveness. Equally, the existing framework

does not do justice to the opportunity to build upon this foundation to include PPPs and PFIs that can be linked to the concessions themselves. These linkages can have significant consequences for the economy and job generation in Liberia.

Liberia's existing legal framework for PPPs could also be improved substantially. The existing legal framework is currently derived from its concessions framework. This includes the Public Procurement and Concessions Act (PPCA) and the proposed National Bureau of Concessions Act (NBC). Both require either amendments or additional complimenting legislation. There are two main options for doing so. One introduces a parallel legislation focused on PPPs only while the second seeks to achieve an integrated PPP and concessions legal and institutional framework. The most thorough approach to remedy this would be for Liberia to introduce a new PPP-focused legislation that complements existing legislation, including the traditional public procurement practices, and replaces the specific parts of the existing laws dealing with PPPs and concessions.

Additional work relating to the legal and policy framework includes the preparation of a PPP Policy Paper that outlines institutional roles, PPP principles, and objectives. Equally important is the need to conduct sector-specific reviews to identify weaknesses limiting private sector investment in key areas like power and transport. Related to this is the necessity to examine the establishment and role of regulatory authorities in key sectors. Finally, deep legal capacity building and technical advisory work would assist the Government of Liberia (GOL) to structure optimal PPP deals.

Running parallel to activities for strengthening capacity and the enabling environment is the importance of structuring new PPP transactions that address a critical need. In this context, this study identifies two categories of potential new PPP transactions. The "short – list" consists of projects in port facilities, IPPs, HFO facilities, min-grid power projects and power and road "spin-off" from existing or planned concessionaire infrastructure investments. The "long-list" looks to projects that could be developed over the long-run after further technical and sector-specific work is carried out. This includes projects in the social sectors such as health and possible technical and vocational training centers as well as airports and bulk water supply.

In support of moving these PPP transactions forward, the Government would benefit from technical assistance to help plan, screen and select PPP transactions; undertake and oversee appropriate due diligence to determine the commercial viability of a proposed project and the economic rationale for developing it as a PPP; strengthen sector plans and strategies to guide infrastructure investment in a coordinated and coherent fashion; and encourage greater dialogue with the private sector on PPP development and natural resource concession coordination.

This study is one element of a multi-faceted effort to support local private sector and financial sector development in Liberia. It takes into close account the Government's focus on job-creation, the post-conflict dynamics in the country, and Liberia's reliance on extractive industries as a primary source of revenue. The analysis also builds on previous economic sector work that has looked closely at how to stimulate private sector growth and investment, how to support small and medium-size enterprise (SME), and how to leverage existing private sector investment to generate deeper local markets and create new jobs. The study is structured as follows:

- Chapter 1 explains the background and context for the report, as well as the objectives and methodology employed;
- Chapter 2 reviews Liberia's experience to-date with PPP transactions and natural resource concessions;
- Chapter 3 builds off these experiences and lessons-learned to define themes useful for structuring future PPP transactions in Liberia;
- Chapter 4 looks into greater depth at the weaknesses with the institutional and legal enabling environment, outlines possible options, and puts forth recommendations for correcting many of the problems;
- Chapter 5 builds on the lessons learned and experience to suggest a "short-list" of possible PPP transactions that could be supported and could have positive effects on infrastructure and service delivery; and
- Chapter 6 provides conclusions and next steps.

To advance the PPP agenda further in Liberia, the next steps include:

- Strengthening government capacity and awareness – including the development of a PPP Policy;
- Building capacity to conduct project selection and screening and confirm a short-list of transactions to be developed as PPPs;
- Conducting proper upstream pre-feasibility analyses on these transactions;
- Implementing key steps to reinforce the legal and institutional enabling environment.

Finally, Liberia offers important lessons for other countries in the region based its long-standing engagement with the private sector through its extractive industries and the experiences resulting from these relationships. Many sub-Saharan countries have economies largely based on mining or other extractive industries and continue to seek creative methods to leverage the investments based on these resources for other infrastructure development projects. Likewise, other post-conflict countries in the region are endeavoring to identify ways to engage the private sector in various places of the local market including in infrastructure provision. Liberia is doing both, and its new interest in using PPPs as a development tool may assist in bridging these two distinct endeavors.

Appendix 2: Potential Concession Contracts

Table A.2.1: Potential Concession Contracts

Sector	Name	Resource	Location	Area km ²
Agriculture	Kedica Farm	Rubber	Maryland	51.07
Forestry	TSC "A-19"	Forestry	Grand Cape Mount	42.41
	TSC "A-10"	Forestry	Grand Cape Mount	50.44
	TSC "A-4"	Forestry	Gbarpolu	49.82
	TSC "A-17"	Forestry	Gbarpolu	39.71
	TSC "A-18"	Forestry	Gbarpolu	51.31
	TSC "A-12"	Forestry	Lofa	49.95
	TSC "A-13"	Forestry	Lofa	50.05
	TSC "A-14"	Forestry	Lofa	50.23
	TSC "A-1"	Forestry	Grand Bassa	51.84
	TSC "A-20"	Forestry	Rivercess	53.07
	TSC "B-1"	Forestry	Rivercess	51.14
	TSC "B-2"	Forestry	Rivercess	50.39
	TSC "B-3"	Forestry	Nimba	52.65
	TSC "B-4"	Forestry	Nimba	51.27
	TSC "B-5"	Forestry	Nimba	50.85
	TSC "B-6"	Forestry	Grand Kru	53.26
	TSC "B-7"	Forestry	Grand Gedeh	50.58
	TSC "B-8"	Forestry	Grand Gedeh	52.38
	TSC "B-9"	Forestry	Grand Gedeh	50.39
	TSC "B-10"	Forestry	Grand Gedeh	50.87
	TSC "B-11"	Forestry	Grand Gedeh	50.15
	TSC "B-12"	Forestry	Grand Gedeh	50.10
	TSC "B-13"	Forestry	Grand Gedeh	50.43
	TSC "B-14"	Forestry	Grand Gedeh	50.45
	TSC "B-15"	Forestry	Grand Gedeh	50.95
	TSC "B-17"	Forestry	Grand Gedeh	50.15
	TSC "B-18"	Forestry	Grand Gedeh	51.47
	TSC "B-19"	Forestry	Grand Gedeh	50.64
	TSC "B-20"	Forestry	Grand Gedeh	51.93

(Table continues on next page)

Table A.2.1: Continued

Sector	Name	Resource	Location	Area km²
Forestry	TSC "C-1"	Forestry	River Gee	47.20
	TSC "C-2"	Forestry	River Gee	53.15
	TSC "C-3"	Forestry	River Gee	50.30
	TSC "C-4"	Forestry	River Gee	50.72
	TSC "C-5"	Forestry	River Gee	50.51
	TSC "C-6"	Forestry	Maryland	49.91
	TSC "C-7"	Forestry	Grand Kru	50.44
	TSC "C-8"	Forestry	Grand Kru	46.38
	TSC "C-9"	Forestry	Grand Gedeh	53.35
	TSC "C-10"	Forestry	Grand Gedeh	49.70
	TSC "C-12"	Forestry	Rivercess	52.35
	TSC "C-13"	Forestry	Sinoe	50.61
	Area "D"	Forestry	Gbarpolu & Grand Cape Mount	3670.20
	Area "H"	Forestry	Sinoe	2604.48
	Area "J"	Forestry	Rivercess	825.92
	Area "M"	Forestry	Gbarpolu	3693.11
	Area "G"	Forestry	Grand Gedeh	1296.74
	Area "E"	Forestry	Nimba	588.34
	University Forest	Forestry	Sinoe & Grand Kru	1222.07
Mining	Amlib United Minerals Inc.	Diamonds	Grand Bassa	200.00
	Mano River Resources Inc. (Kpo)	Diamonds	Gbarpolu	200.00
	Belle Resources Inc.	Iron Ore	Gbarpolu	531.93
	Iron Resources Inc.	Iron Ore	Nimba	496.75
	Western Cluster	Iron Ore	Grand Cape Mount	93.10
	Western Cluster	Iron Ore	Bomi & Gbarpolu	114.42
	Western Cluster	Iron Ore	Grand Cape Mount	63.06
	Wologisi Range	Iron Ore	Lofa	237.85

Source: Derived from Liberia Natural Resource Concessions database, 2011. Composed by the World Bank with information provided by the Ministry of Foreign Affairs, Liberia, and Bureau of Concessions at the Ministry of Finance, Liberia.

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Liberia is making great strides to recover from its recent era of conflict and re-establish itself as a global competitor. Central to Liberia's economic growth is its rich endowment of natural resources, such as iron ore and rubber. Liberia's natural resources have defined, in large part, the country's engagement with the private sector. However, the government of Liberia is now exploring new ways to partner with the private sector, with the objective of growing the economy. One method is by developing public-private partnerships (PPPs) in core infrastructure and social services. This World Bank Study examines Liberia's experience with PPPs to date, as well as its experience with natural resource concessions, and builds on the lessons learned to map out a way forward. The study looks in depth at the legal and policy-enabling environment for PPPs to uncover areas that require strengthening. Likewise, the study analyzes existing PPPs and natural resource concessions in Liberia to tease out the most pressing obstacles to future PPP investment, culminating with a review of possible PPP transactions that could be supported in Liberia's next phase of recovery and growth.

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