

BTI 2014 | Liberia Country Report

Status Index	1-10	5.48	# 71 of 129	
Political Transformation	1-10	6.45	# 53 of 129	➔
Economic Transformation	1-10	4.50	# 95 of 129	➔
Management Index	1-10	6.22	# 26 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	4.2	HDI	0.388	GDP p.c.	\$	654.7
Pop. growth ¹	% p.a.	2.7	HDI rank of 187	174	Gini Index		38.2
Life expectancy	years	59.9	UN Education Index	0.429	Poverty ³	%	94.9
Urban population	%	48.6	Gender inequality ²	0.658	Aid per capita	\$	149.8

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

Liberia continued its recovery from civil war by improving political, administrative and economic conditions. The strategy of becoming a middle-income country (Vision Liberia Rising 2030) through private-sector development driven by investments in the extractive industries and a broad based public sector reform has been implemented in the medium-term Agenda for Transformation 2012-2017 (PRSP II).

Liberia's president, Ellen Johnson-Sirleaf, continues to enjoy international support for her reform agenda, while her approval ratings back home suffer from a perceived gap between proclaimed reform initiatives and limited tangible impact on the ground.

In the run-up to the 2011 elections, political opponents sought to profit from such grievances, but the opposition's inability to forge strong alliances kept it from significantly challenging the incumbent and her Unity Party. The elections were generally considered to be free and fair, with the United Nations Mission in Liberia (UNMIL) again providing the bulk of technical and financial assistance in addition to guaranteeing security.

Winning the Nobel Peace Prize just weeks before the presidential election was a coup for the incumbent. In October 2011, President Johnson-Sirleaf, together with Liberian women's rights activist Leymah Gbowee and a Yemeni journalist, received the award in recognition of her contribution toward promoting women's rights and peace-building. The president nominated her co-laureate to head the National Peace and Reconciliation Commission established in November 2011. Only a year after taking up the position, however, Gbowee resigned, citing gross mismanagement and widespread corruption as key reasons for her decision.

Despite concerns of a violent backlash in Liberia over the April 2012 ICC conviction of former president Charles Taylor for crimes committed during Sierra Leone's civil war, no violent incidents were reported. While he was not tried for crimes committed in Liberia, Taylor's sentence

of 50 years' imprisonment revived nationwide discussions around accountability for human rights abuses and the implementation of recommendations by the Truth and Reconciliation Commission, including a tribunal to try those accused of committing war crimes.

Post-conflict reconstruction measures continue to yield considerable gains in the rate of GDP growth, with the IMF describing Liberia's economic outlook as favorable. It has projected an above average real GDP growth rate (for sub-Saharan Africa) of 8% – 9% in the 2012 – 2013 period. GDP per capita stood at \$298 in 2011 and was projected to exceed the \$300 mark in 2012 – 2013.

A revival of iron ore exports, strong rubber exports and increased timber production all contribute to this positive development. Growth will continue as the country welcomes foreign direct investment (FDI) in infrastructure development and increases commodity exports. Notwithstanding such positive developments, the baseline from which the country is growing is very low. The leadership faces massive structural constraints on its governance capacity. The economy is still heavily dependent on donor support, with aid flows accounting for roughly 39% of GDP. Unemployment levels, which are estimated at 80% – 85%, have been high for years. Over two-thirds of the Liberian population lives in extreme poverty (i.e., less than \$1,25 per day), and illiteracy rates among children and young adults remain high. Most Liberians have yet to see the consistent economic growth of the past few years translated into improved quality of life.

History and Characteristics of Transformation

The era of Liberian-American dominance in Liberian political life, which began with independence in the mid-1800s, came to an end in 1980 when Samuel Doe overthrew the government in a bloody military coup. The descendants of former slaves who returned to Liberia after 1822, Liberian-Americans made up only a fraction of the Liberian population. The dissolution of the state accelerated in the wake of the 1980 coup, but Liberia returned to presidential rule with a bicameral parliament in 1986. Following the suppression of an attempted coup, Samuel Doe entrenched his power by exploiting ethnic tensions and exercising repression with a security apparatus led by members of his Krahn ethnic group from the northeast.

When the National Patriotic Front of Liberia (NPFL) launched a civil war at the end of 1989, the corrupt kleptocracy of the second republic collapsed within a few months. A rapid-response ECOWAS force failed to establish peace. When a final attempt to resolve the issue of power through military means ended with the destruction of the capital city Monrovia in April 1996, all parties of the conflict agreed to elections. The NPFL won in 1997, and Charles Taylor was inaugurated as president. Taylor's failure to bridge political cleavages, however, led to a second civil war in 1999.

During the first half of 2003, Liberia's political and economic framework deteriorated considerably. The Movement for Democracy in Liberia (MODEL) challenged Taylor's rule in the

southeast. With backing from Côte d'Ivoire and Guinea as well as the tacit consent of the U.S. government, the northwestern-based military faction Liberians United for Reconciliation and Democracy (LURD) pushed south and reached the area surrounding Monrovia by mid-2003. Taylor was finally forced to accept the Nigerian President Obasanjo's offer of asylum as a necessary precondition for the installment of a transitional government. The National Transitional Government (NTGL) was formed in accordance with the Comprehensive Peace Agreement (CPA) of the Accra Conference in August 2003. One of its foremost tasks was to pave the way for democratic legislative and presidential elections, to be held in October 2005. Much of that year was devoted to the preparation of these elections and in January 2006, Ellen Johnson-Sirleaf became the first female African head of state. In the legislative elections, nine parties won seats in the Senate and 11 won seats in the House of Representatives, though both bodies included a number of independents.

In 2006, the Johnson-Sirleaf government initiated a restructuring of Liberia's political institutions, and while the country's economic prospects have improved since her election, they nonetheless remain unstable as the country continues to rely heavily on development aid.

Immediately after her inauguration, Johnson-Sirleaf resumed cooperation with the IMF, which resulted in two Staff-Monitored Programs (SMP) – one in 2006 and a second which ran through 2007. The success of these programs entailed further assistance from donors. In 2008, the Johnson-Sirleaf administration successfully negotiated a debt-reduction program with the World Bank and the IMF. In November 2012, following the completion of the IMF's HIPC debt relief initiative in June 2010 and a four-year Extended Credit Facility (ECF) running from March 2008 to May 2012, and in recognition of the country's need for continued support in reducing and creating jobs, the IMF approved a second three-year ECF of roughly \$78.9 million. The key objectives of the current ECF will include the safeguarding of macroeconomic stability and upscaling of infrastructure and social investments.

Liberia's Governance Economic Management Assistance Program (GEMAP), a measure aimed at improving financial and operational controls and practices, placed international actors in key administrative positions between 2006 and 2010. The Governance and Economic Management Support Program builds on the success of GEMAP. Funded by USAID, the five-year program is geared toward strengthening public sector capacity, targeting Liberian government ministries and agencies responsible for economic governance.

Notwithstanding these positive developments, the bulk of the urban and rural population remain occupied with basic problems of survival and everyday life: reconstructing houses, procuring tools and seeds for subsistence production, ensuring functioning roads and markets, creating jobs, reintegrating refugees, internally displaced persons (IDPs) and former combatants (including child soldiers), reopening schools and clinics, and establishing a functioning administration.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Question
Score

A monopoly on the use of force has been established in principle. However, the state's ability to exercise that monopoly remains questionable as it continues to rely heavily on the United Nations Mission in Liberia (UNMIL) for support in guaranteeing security throughout the country.

Monopoly on the
use of force
8

UNMIL continues its drawdown process, announcing plans to cut military forces by a further 50% to 3,750 troops by mid-2015. However, in recognition of the capacity constraints of the Liberian National Police (LNP), the U.N. Secretary-General recommended that the police component remain at strength and even be reinforced during the drawdown period.

Election-related grievances put the LNP to the test, revealing gross inadequacies in their ability to deal with what began as a peaceful protest outside the CDC headquarters on 7 November 2011. Two commissions of inquiry led to the dismissal of then Police Inspector General, Marc Amblard that same month.

The Johnson-Sirleaf administration continues to face serious difficulties in increasing the capacity of its justice and security sectors to arrest, detain and adjudicate criminals. In collaboration with UNMIL, the Liberian National Police identified 18 priority projects as part of its strategic plan for the period 2009 – 2013. However, capacity development remains slow in both the justice and police sectors, as the LNP continues to rely on UNMIL for operational support while the justice and correctional institutions grapple with capacity, infrastructure and equipment deficits.

General rights of full citizenship, which is granted exclusively to those of black African descent and includes, for example, the right to own real estate, are not disputed, and the constitution of 1986, which is still valid, is generally accepted. There are discussions from time to time concerning the national status of the Lebanese and some of the Mandingo population, which is mainly of Guinean origin.

State identity
8

The Mandingoes' association with several of the rebel groups that have fought in Liberia during the on-off civil war partly explains why they have often been marginalized. Moreover, as a minority, Mandingoes are considered by many Liberians to be strangers or non-Liberians. The Mandingo population therefore relies on alliances with those actors currently in charge of state affairs to protect their rights.

As stipulated by the (still valid) Liberian constitution of 1986, the principle of the separation of religion and state is generally adhered to. This fact notwithstanding, Liberia identifies itself as a Christian nation, and the Muslim population regularly strives to enhance the public presence of Islam. There have been religious overtones to the war and armed conflicts of the past decades. Political entrepreneurs vying for power often exploit popular sentiments and politicize religion to serve their personal interests. Since religious affiliation and ethnicity is closely linked, ethnic tensions persist, most prominently between returning Mandingo, many of whom are Muslim, and Dan (Gio) and Mano in Nimba, as well as between Mandingo and Lorma in Lofa and Bong counties. Furthermore, ethnic conflict between the Krahn and Dan communities persists in the north.

No interference of
religious dogmas

9

The restructuring of Liberia's political institutions began in 2006. Following institutional and personnel audits to determine technical competency, the number of civil servants within all ministries was drastically reduced. Efforts were made to enhance the visibility of public officials as well as to strengthen coordination and monitoring structures throughout the country, particularly at county level.

Basic
administration

5

This process is ongoing, and progress is understandably slow given that financial and capacity constraints remain a concern in all sectors, despite the substantial assistance received from external actors such as the United Nations family, the United States, the European Union and its member states.

The Agenda for Transformation, Liberia's five-year development plan for 2012 – 2017 (PRSP II), which is supported by all major donors, outlines several administrative reforms and basic infrastructure development as key targets, focusing on five strategic pillars: 1) peace, justice, security and rule of law, 2) economic transformation (e.g., private sector development, infrastructure, mineral development and management) 3) human development, particularly in the health and education sectors; 4) governance and public institutions (e.g., economic governance, modernizing the public sector and promoting transparency and accountability); and 5) interconnected issues focused on youth skills, child protection, gender equality, and human rights.

In terms of the efficacy of state institutions, the state's authority remains limited in rural or remote areas as a result of ill-trained officials, low incentives and limited infrastructure. There have been some improvements since the last BTI report. According to UNICEF's latest available estimates, access to improved sanitation

facilities remains low at just under 20% in 2010. Access to safe drinking water remains a challenge, with 27% of the population yet to gain access.

Initial measures toward decentralization are underway – for instance, County Development Funds for local development initiatives have been established. However, since 2010, the government has frozen the initiative due to severe mismanagement of these funds. The traditional gap between a centralized government and the constituencies in the hinterland still exists.

2 | Political Participation

In line with its constitutional provisions, Liberia held its second presidential and legislative elections since the end of the civil war in October 2011. As with the 2005 nationwide elections, this round was deemed to be broadly free and fair by most observers, providing for universal suffrage under a secret ballot thanks to continued international support for the process. UNMIL once again provided the bulk of technical and financial support as well as security.

Free and fair
elections

8

While an absolute majority was required to win in both the legislative and presidential elections in 2005, the winners of the 2011 legislative election were determined by simple majority following the amendment of Article 83 (b) of the Liberian constitution of 1986. The presidential elections are still run under an absolute majority principle, providing for a second run-off should no candidate obtain more than 50% of the votes cast in the first round of elections.

As mentioned in the previous BTI country report, Liberia's political party landscape appeared to be maturing as many parties formed coalitions in the run-up to the 2011 elections. In mid-2009, Johnson-Sirleaf's Unity Party (UP) boosted her coalition by merging with the Liberia Unification Party (LUP) and the Liberia Action Party (LAP).

No significant opposition alliances have formed – the proposed merger between the CDC and the Liberty Party (LP) never materialized as its leaders could not agree on a joint presidential candidate – with the strongest opposition party, CDC, even losing members to the ruling UP.

Incumbent Johnson-Sirleaf won in a controversial run-off on 8 November 2011 with just over 90% of the total vote against contender Winston Tubman's 9.3%; the CDC's Tubman boycotted the second round, alleging fraud and falsification of results.

Election observers had, however, concluded that the first round was well-run, and that the irregularities identified were not sufficient to affect the results. Nevertheless, Tubman and his running mate, George Weah, withdrew from the race four days before the run-off despite calls from international and regional actors such as the AU

and ECOWAS to reconsider their decision. On November 7, protests by CDC supporters turned violent as LNP officers opened fire on the crowd, killing at least one civilian and injuring several others. Citing incitement to violence, the Justice Ministry subsequently obtained a warrant to shut down four radio and television stations considered to be pro-CDC (Love FM, owned by a confidant of ex-President Charles Taylor and a key CDC supporter; King's FM, owned by George Weah; as well as Shatta FM and Power FM, owned by Aaron Kollie, journalist and friend of Taylor). The Johnson-Sirleaf administration came under fire for what was perceived as a lockdown on opposition voices.

The context of the 2011 elections was particularly challenging. For one, the fact that Liberia does not have a national civil register of its citizens placed considerable strain on the voter registration process. This was further exacerbated by the influx of resettled IDPs, and the repatriation of refugees and asylum seekers returning home. Election-related violence in neighboring Côte d'Ivoire led to an influx of Ivorian refugees, putting further pressure on the National Election Commission (NEC) charged with organizing the elections.

Little has changed since the last BTI report, and the government's power to govern generally remains intact. However, the Liberian government's effective power remains limited. The continued presence of the international peacekeeping force, which holds potential veto players at bay – particularly former warlords and influential businessmen – continues to have a significant impact on the current government's ability to govern effectively. The constitution, which bestows extensive powers on the president, remains unchanged. Whether the state- and nation-building efforts become an enduring success story depends heavily on the personal dedication and ability of the current incumbent, Mrs. Johnson-Sirleaf, and her circle of management experts and technocrats, to reach out beyond the ranks of the political administration.

While Article 17 of the current constitution guarantees that all persons have the right to assemble "in an orderly and peaceable manner," some law enforcement agents continue to exercise excessive force when dispersing demonstrations or detaining persons suspected of organizing public demonstrations. The 7 November 2011 clashes between LNP and CDC supporters are a prominent case in point. While this is not part of a government directive to prevent citizens from exercising their rights to association and assembly, it does point to the difficulties faced in reforming members of a police force who had committed gross atrocities in the past, many of whom were complicit in crimes and regularly violate the rights of civilians. Recognizing the challenge in building an operationally independent police force, the U.N. Secretary General reaffirmed the need to maintain the freeze on the drawdown of UNMIL's police component that has been in place since 2008. In fact, in his Special Report on UNMIL dated 16 April 2012, he recommended that the number of

Effective power to govern

6

Association / assembly rights

8

UNMIL formed police units be increased from seven to 10 units given the LNP's limited crowd-control capacity.

Notwithstanding this challenge, political parties, voluntary associations, economic interest groups, religious organizations and churches, human rights groups and others can generally associate and assemble freely.

While there is nominal unrestricted freedom of opinion, media rights and freedom of expression were violated on occasion by the authorities during the period under review. Since the departure of Charles Taylor in 2003, the press and other media have been able to express opinions freely, but Liberian journalists remain at risk of harassment by state officials. Freedom House and Reporters Without Borders joined many other observers in criticizing the government for the 2011 lockdown of four radio and television stations following election-related violence. The Press Union of Liberia (PUL) and some prominent Liberian politicians, among them former presidential candidate Charles Brumskine and respected Public Works Minister, Samuel Kofi Woods, publicly called for the stations to be reopened. Following a court order, the stations were reopened at the end of 2011.

Freedom of
expression

6

Notwithstanding these challenges, Freedom House acknowledges the modest improvements in this sector, categorizing Liberia as “partly free” in its latest Freedom of Press Report of 2012 and ranking it 132nd of 197 countries (in 2010, Liberia was labeled “not free” and ranked 134th out of 196).

The Freedom of Information Bill, passed in 2010, was a first for West Africa. It provides citizens with statutory rights of access to information. However Freedom House reports that harassment of journalists continued well into 2011, particularly in the lead-up to the 2011 elections, in the form of both physical oppression and libel charges brought by politicians to silence critics. Fines for libel are high, placing journalists and media companies under financial strain and encouraging self-censorship.

As mentioned in the previous BTI report, there has been little progress in two other draft media laws, which were also submitted in 2008. The Independent Broadcast Regulator law is still awaiting endorsement by the Senate after it was passed by the House of Representatives in 2009, while the bill to transform the state broadcaster into a public-service broadcaster remains with a committee in the House of Assembly and is still pending.

3 | Rule of Law

Since Johnson-Sirleaf's inauguration as president the opportunities for developing a more democratic system of checks and balances between the executive and the legislative branches of the state have improved, although the constitution has not been

Separation of
powers

6

revised. The president's Unity Party (UP) remains in the minority and depends on cooperation (or co-optation) of various other groups to challenge the strongest opposition coalition, the Coalition for Democratic Change (CDC). Fully balanced relations between the government and parliament are constrained to some extent by the capacity problems of the executive, but even more by the lack of experience with democratic process of the majority of representatives in the House of Representatives and the Senate (some of them being former leaders of warring factions during the civil war).

Furthermore, the broad powers of the executive, who has the constitutional authority to appoint government officials at almost all levels, limits the development of an effective system of checks and balances. To address this constraint, in March 2012 Johnson-Sirleaf presented the Senate with draft legislation to establish a constitutional review body and in August she appointed a Constitution Review Committee. A separate initiative was also launched by a group comprising all major political parties (including the UP) and civil society groups. Known as the Political Consultative Forum, its stated objective is to advance broad-based consultation in the constitutional review process.

According to information available at the time of writing, the review process will be jointly run by the Constitutional Review Committee, the Law Reform Commission of Liberia and the Governance Commission of Liberia, with substantial funding from the Government of Liberia.

The judiciary continues to face serious shortcomings in terms of capacity and infrastructure. It operates under outdated laws and legal frameworks and continues to rely heavily on donor funding. Judicial reform has been on the agenda for several years as the judiciary's ability to fulfill its function is hampered by significant shortcomings, namely a lack of qualified personnel, insufficient funding, poor infrastructure, weak administration and poor case-flow management. Corruption is endemic despite salary hikes for judges and magistrates, and the prosecution-to-conviction ratio remains low.

Furthermore, the judiciary – much like the legislature – has suffered severe damage in recent decades. Both fell victim to the nearly unrestricted power claims of former presidents who were supported by a one-party system, the military and/or by warlordism. As a result, the relationship between the executive and the judiciary has had to be entirely rebuilt.

Recognizing the need for qualified personnel as a direct means of strengthening the justice system, the Judicial Training Institute has finalized a five-year strategic plan (including public awareness raising and internal capacity building initiatives by the Law Reform Commission), and supported two sets of training for court clerks.

Independent
judiciary

5

By June 2011, 61 civil servants had completed the Professional Magistrate Training Program. The graduates took up roles as magistrates in courts across the country.

President Johnson-Sirleaf has maintained her zero-tolerance policy on corruption. In her annual address to the legislature in January 2013, anti-corruption measures featured high on the agenda. The president announced plans for legislation to create a dedicated court which would fast-track corruption cases. The government also expects to introduce bills to dissolve public agencies and reconstitute the statutory boards of state-owned enterprises. The Administrative Code of Conduct, an executive order to improve public accountability and transparency among public sector employees signed by the president in January 2012, met with resistance in the Liberian Senate and has been pushed back to 2013.

The National Integrity Forum (NIF) – a partnership between state and non-state actors including the LACC, the General Auditing Commission, the Governance Commission as well as civil society organizations and business associations – has, by its own admission, made “modest efforts to articulate its objectives,” with the technical and steering committees yet to become operational. It remains to be seen whether the NIF can coordinate and advocate for the strengthening of anti-corruption legislation, relevant institutions and policy instruments.

The president has taken high-profile steps such as reshuffling the cabinet and suspending 46 officials in 2012 for not declaring assets within 14 days of taking office.

However domestic media, opposition leaders and external development partners increasingly criticize the President for family cronyism and failing to crack down on high-level conflict of interests and even clear cases of graft. At the political level, anti-corruption measures appear to be applied selectively, depending on the expendability of the wrongdoer.

Incidents such as the frank and public debate between former auditor general John Morlu (whose tenure was politically ended in April 2011) and the president based on 65 audit reports cast daylight on severe shortcomings in public financial management and fraud investigations.

While the president’s dismissal of ministers and other government officials, including former allies, met with a positive response, many questioned why those officials accused of corruption by the Liberia Anti-Corruption Commission (LACC) have not faced prosecution and court decisions.

All of the challenges have increased due to the influx of money from aid and the extractive industries (i.e. mining, oil and logging).

Prosecution of
office abuse
5

The protection of civil rights constitutes another key policy area of the government. The government has taken effective steps to break with past abuses of state force for personal gain, which had resulted in serious violations of human and civil rights. These steps include the dissolution of the army, the police and the secret services as well as the appointment of veteran opposition politician Boima Fahnbulleh to the post of national security adviser. In today's Liberia, civil rights are generally respected. According to the U.S. State Department, however, problems persist in many areas with reports of police abuses, arbitrary arrests and detention as well as the denial of due process and fair public trials. Violence against women and domestic violence were widespread during the review period. The prevalence of female genital mutilation (FGM) remains high, and racial and ethnic discrimination persist.

Civil rights
5

With the Senate passing a bill outlawing same-sex marriage in July 2012, a bill yet to be approved by the House of Representatives and the president, Liberia has fared worse in this area since the last BTI report. While "sodomy" has always been considered a criminal offence under Liberian law, the proposed legislation, spearheaded by Charles Taylor's ex-wife Jewel Howard Taylor, declares homosexual behavior as a second degree felony punishable by a prison sentence of up to five years.

4 | Stability of Democratic Institutions

By and large, democratic institutions perform their functions. There appears to have been a further upward trend in the rehabilitation of state institutions as well as the implementation of democratic procedures and mechanisms in the period under review in line with the prioritization of the reform of key governance institutions by the president upon assuming office in 2006.

Performance of
democratic
institutions
7

While the government and donor community have collaboratively supported a number of institutional reform initiatives – such as those within the justice sector – capacity deficits as well as poor management and governance continue to hamper progress.

The legislature is a case in point. Several capacity-building measures have been implemented since 2006, yet lawmakers still lack the resources and capacity to fulfill their responsibilities of oversight and representation. Following the 2011 elections, only a third of incumbents of the 73-member House of Representatives were re-elected. In 2011, 15 of the 30 Senate seats were also contested, with only two incumbents winning. This has created a new set of legislators, mostly inexperienced, with limited knowledge and capacity to fulfill their oversight responsibilities.

In 2013, the Governance Commission, an oversight body charged with setting up a national framework for legal and political reform, will embark on a number of

programs in line with Liberia's second Poverty Reduction Strategy, the Agenda for Transformation, as well as the National Reconciliation Roadmap. It will focus on decentralization as well as institutional and structural reform.

Justice sector reform has proven difficult given the nature of Liberia's justice system. Tainted by a culture of impunity and a lack of impartiality due to the past misuse of the justice system by powerful individuals, the justice sector has required comprehensive reform that incorporates the prisons, the formal justice sector as well as the state-sponsored customary law. The training efforts currently underway at the Judicial Training Institute constitute a progressive, but as yet untested effort towards rehabilitating the judicial system.

The executive branch continues to dominate the political sphere and all hope is vested in the president to effectively alter the postwar and post-transitional economic situation with external support. The success of these efforts remains the most important factor in realizing a democratic process at a national level and in gaining the support of democratic institutions and procedures by all relevant actors.

Since the successful staging of the first postwar democratic elections in 2005, there has been no vocal opposition from any relevant actors toward democratic institutions and procedures. The standard bearers of the parties founded by former military or warlord-like leaders (e.g., Doe, Taylor) won only single-digit numbers of seats in parliament. It must be borne in mind, however, that nearly all active political parties are personality-centered political movements without stable democratic structures and procedures. The House of Representatives and the Senate are highly fragmented. Religious leaders, civil society organizations, trade unions and other relevant societal groups support the present political leadership, although the extent to which their support of the personalities at the head of the government implies agreement with democratic structures and procedures is not always clear.

Commitment to
democratic
institutions
8

5 | Political and Social Integration

The party system remains fragile with on-going dynamics shifts within political parties, including changes in leadership in parties that fared relatively well in the first round of the 2011 presidential elections.

Party system
5

With the addition of nine districts in the run up to the 2011 elections, Liberia's House of Representatives now comprises 73 members. The bicameral legislature also includes a Senate comprised of 30 senators, two for each of the country's 15 counties. Six parties (and one independent) are represented in the Senate, with the ruling Unity Party and Taylor's National Patriotic Party (NPP) retaining four seats each. The UP gained 24 seats in the House of Representatives, winning more seats than any other party and tripling its results from the previous elections.

Political parties remain highly personalized, focusing on a single leading personality during election times. Voting patterns continue to run along ethnic and regional lines. Only a handful of parties can trace their roots back to the 1980s, when the de facto one-party system of the True Whig Party (TWP) under Liberian-American rule came to an end during the coup d'état of 1980. Some of these older parties still exist today, but they are losing ground; others have survived in coalitions and wield moderate influence. Some party programs are restricted to general declarations of no relevance to the urgent need for reconstruction in a society devastated by civil war. Others have designed detailed programs for national reconstruction, but it remains to be seen whether they can serve as platforms for opposition politics. As in the previous term, there are many political parties represented in both the Senate and the House of Representatives (Laakso / Taagepera index > 5).

Emerging from a low organizational level after years of civil war, interest groups have alternately established, re-established or reorganized themselves since 2003. Various sectors of the business community, workers' unions, professional associations, religious organizations and other civil society groups formed to defend various interests. Old and new voluntary associations at county, district and community levels are also organized to convey their concerns to the government. Many with more general concerns are dependent on support from abroad, others, lacking support, concentrate on the alleviation of the hardships of everyday life. Self-organizational activities are flourishing, but must overcome the extreme poverty and the level of destruction that affects all elements of daily life.

Interest groups
5

The most recent public opinion survey data was that mentioned in the BTI report of 2012. Afrobarometer was expected to complete its fifth round of surveys in 35 African countries, including Liberia, by December 2012. At the time of writing, results from this survey were not yet published.

Approval of
democracy
n/a

According to the Afrobarometer's 2008 survey on popular opinions on democracy in Liberia, the majority of Liberians (72%) preferred democracy to any other form of government. There is resounding partiality towards democratic values and practices, and 83% of the population agree that there should be a two-term limit on the presidency, while most Liberians believe that the national legislature (and not the president) should make laws, and nearly two-thirds (61%) of the population are in favor of the current multi-party system.

Public opinion of the performance of democratic institutions is less positive. Only 51% of Liberians are fairly or very satisfied with the way democracy works in their country, while as many as 44% are unsatisfied with the democratic performance. This is also reflected in the approval ratings for key public officials. Only 48% of the population are satisfied with the performance of their representative in the national

legislature, and just 48% are satisfied with that of their local government councilor. Johnson-Sirleaf enjoys higher approval ratings than other elected officials, at 63%.

Therefore, while the majority of respondents agreed that the present system of elected government should be given time to address problems inherited from years of conflict and maladministration, popular trust in constitutional and democratic institutions is generally low. As to be expected given the performance approval ratings, the presidency was the only institution with a trust rating above 50% (58%), while the trust levels for the other institutions such as the legal system, legislature, police and opposition parties ranged from 45% to 27%.

As such, a democratic civic culture has not yet fully developed. Associational life and especially social trust have still to recover from the aftermath of more than a decade of civil war. The extent of damage to ethnic traditions and the question of their restoration are key issues for social integration in postwar Liberia. It is not clear whether the Poro (and Sande) secret societies in the northwestern parts of Liberia and the mechanisms of social integration in the traditional societies of the southeastern region will regain sufficient strength to influence the construction of social capital in these rural areas. The Poro, victims of various factions during the civil war between 1990 and 2003, have the potential to either help resolve or exacerbate social and ethnic conflicts. However, research has shown that the secret societies tend to play a negligible role in urban areas, and are to some extent even considered a substantial threat. Moreover, their ability to act as conflict mediators appears to be hampered by the fact that they operate in an isolated “parallel society.”

Social capital
5

II. Economic Transformation

6 | Level of Socioeconomic Development

Poverty and inequality are structurally ingrained in Liberia. The 2011 HDI ranks the country at 182nd of 187 countries (in the previous year, Liberia ranked 162nd out of 169 countries). As a result of continuous improvements to datasets developed by international data agencies, the data and subsequent ranking of countries are not comparable to that published in earlier HDI reports. HDI does, however, provide a tool to measure trends in development using consistent data calculated at five-year intervals (for 1980 – 2011), and results for Liberia show only a nominal increase in human development over the past two years.

Unemployment levels in Liberia remain high. An estimated 85% of the population is without formal employment (figures have ranged from 80% to 85% for some years). Poverty remains pervasive, with 84% of the population living on less than \$1.25 per

Question
Score

Socioeconomic
barriers
1

day. The situation is even bleaker when one considers HDI's Multidimensional Poverty Index, which uses data from household surveys to measure individual deprivation in terms of education, health and standard of living. Each person is assigned a 'deprivation score' comprising ten component indicators, with each dimension weighted equally. Households with a deprivation score of 50% or more are considered "severely multidimensionally poor". According to this index, more than half the population, that is 57.5%, live in severe poverty. Given the limited capacity of the formal economy, most employment is in the informal sector, mainly in petty trading and subsistence farming. However, paid employment can be found with state institutions and NGOs, for example. The post-conflict economic recovery has created private sector job opportunities (e.g., on rubber plantations and in the logging industry, which produces for the local market). At the same time, the rationalization measures undertaken by the Johnson-Sirleaf administration in the civil service sector have led to cuts in public sector employment.

The large numbers of unemployed youth continue to pose the most pressing problem. Informal groups of young men, many of them ex-combatants, are not only perceived as key threats to security, but also highlight the unresolved issues of reintegration and the unemployment of young males.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	1155.1	1292.7	1545.4	1767.1
GDP growth	%	13.8	10.9	9.4	10.8
Inflation (CPI)	%	7.4	7.3	8.5	6.8
Unemployment	%	-	3.7	-	-
Foreign direct investment	% of GDP	11.1	35.0	84.9	-
Export growth	%	9.5	5.9	2.5	-
Import growth	%	12.6	12.2	7.2	-
Current account balance	\$ M	-277.2	-415.2	-755.7	-
Public debt	% of GDP	171.1	31.6	27.3	29.1
External debt	\$ M	1850.3	418.7	447.6	-
Total debt service	\$ M	64.4	6.1	3.4	-

Economic indicators		2009	2010	2011	2012
Cash surplus or deficit	% of GDP	-	-0.9	-0.6	-
Tax revenue	% of GDP	-	17.3	17.3	-
Government consumption	% of GDP	15.8	14.2	15.2	-
Public expnd. on edu.	% of GDP	-	-	-	1.9
Public expnd. on health	% of GDP	4.4	3.1	6.2	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.6	0.7	0.9	0.8

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

Freedom of market economy in Liberia has improved since the last BTI report, with the Heritage Foundation reporting an improved economic freedom score in its 2013 Index of Economic Freedom. While it is still considered “repressed,” substantial improvements in trade freedom and the control of government spending have resulted in an increase in its score from just over 46 to 49.3 (50 is the threshold for a country to move up in ranking and be considered “mostly unfree”).

Reforms have also promoted access to business licenses and eased credit restrictions. However, weak institutions continue to provide fertile soil for persistent corruption and violation of property rights.

Furthermore, market competition remains only present in some segments, and the informal sector is substantial. Although the Johnson-Sirleaf government’s economic policies favor a free market system, the government nonetheless feels compelled to fix prices and to control imports of certain basic commodities – especially rice, crude oil and oil products. There is reliable evidence that these practices, which Johnson-Sirleaf criticized during her campaign, have continued under the current government. Although no reliable data is available, the informal sector is certainly vast and includes large parts of the labor force.

The formation of monopolies and oligopolies is only occasionally regulated. There have been changes in the antitrust and competition laws in recent years, but these are yet to bear fruit. For example, Liberia’s number one export product, rubber – which accounts for more than half of export earnings – is mainly produced by the Firestone

Market-based
competition
4

Anti-monopoly
policy
4

Natural Rubber Company (a division of the Bridgestone Corporation) under an amended concession agreement with the Liberian government.

Trade is liberalized in principle. The large-scale revitalization of mineral, timber, rubber and palm oil production has led to a steady rise in export growth since 2008, with earnings expected to rise further as mining projects begin production.

Liberalization of
foreign trade
4

According to the Heritage Foundation, trade freedom has improved since 2010. However, Liberia still only ranks 147th in the 2013 Index of Economic Freedom and its overall score remains below that of the global and regional average.

The trade-weighted average tariff decreased from 15.6% in 2007 to 11.8% in 2012. While still high, it is an improvement on previous years. Trade freedom is restricted by sluggish customs procedures, with import bans and restrictions, as well as poor infrastructure and trade capacity, licensing, corruption and the minimal enforcement of intellectual property rights further adding to the cost of trade.

The WTO's Enhanced Integrated Framework (EIF), a multi-donor support program to assist Least Developed Countries (LDCs) in addressing supply-side constraints to trade, partnering with the African Development Bank (AfDB), continues to promote trade in Liberia by strengthening its capacity to formulate and implement trade policies and enhance donor coordination on aid for trade.

Liberia is not yet a member of the WTO. The country applied for accession to the WTO in June 2007, a move which is hampered by its status as an LDC emerging from over a decade of civil war with its concomitant negative impact on its ability to promote trade and investment. At a meeting of the WTO's Working Party on the Accession of Liberia held in July 2012, many WTO members believed that Liberia's membership negotiations would be expedited with the release of new accession guidelines for LDCs, which would reduce barriers to trade and enhance competitiveness.

A key focus area under Liberia's first Extended Credit Facility (ECF) arrangement with the IMF covering the period 2008 – 2012 was the strengthening of the banking system through improved financial policy measures.

Banking system
6

According to the IMF, Liberia's banking system remains capitalized and liquid. However, high non-performing loans and low profitability put the capital market at risk. Some banks have fallen below capital requirements as a result of bad loans, and the effectiveness of a commercial court mandated to improve asset recovery from borrowers defaulting on loans was limited, with no responsibility for loans approved prior to its establishment in 2012.

While the banking system has continued to grow, it is dominated by one bank which holds more than half of the commercial bank demand deposits and is responsible for approximately 40% of credit lent to the private sector.

In her speech to the 53rd Legislature in January 2013, the president noted that according to figures available in November 2012, total capital in the banking system stood at LRD 7.9 billion and the capital adequacy ratio stood at 22.5%, easily meeting the minimum regulatory requirement of 10%.

8 | Currency and Price Stability

The government has retained both the U.S. dollar and the Liberian dollar as legal tender. The Central Bank of Liberia (CBL) has maintained a near-stable exchange rate since the Comprehensive Peace Agreement. The IMF estimates the real effective exchange rate to have increased by 25% since mid-2008 as a result of high domestic inflation, determined mainly by rising fuel and food prices. With a high degree of dollarization – the US dollar comprising 72% of liquidity – the exchange cannot be used as a policy tool to improve competitiveness given the adverse impact it would have on local spending power.

Anti-inflation /
forex policy

5

The exchange rate is one of the key factors influencing inflation, explaining some of the reductions in inflation from 2011 to 2012. The exchange rate system is free of restrictions on payments for current and capital transfers, and authorities continue to intervene to influence the direction of the exchange rate. As a result of CBL intervention in the foreign exchange market and tight liquidity management, the average exchange rate in 2011 was LRD 73.5 to \$1, and by the end of 2012, the Liberian dollar had strengthened to LRD 72.5.

The stabilization of oil and food prices led to a steep decline in inflation from 18% in 2008 to 9% in 2010. Thanks to increased domestic food production and prudent monetary policy management, inflation sank even further, from 8.5% in 2011 to 6.9% in 2012.

There are dangers associated with the constraints of a fully dollarized economy, which should be supervised by the CBL with the assistance of international experts. In addition to a stable exchange rate, a constant supply of fresh Liberian money is needed to avoid economic instability.

Although limitations remain, Liberia has continued to make progress in terms of economic macrostability during the period under investigation.

Macrostability

7

With the resumption of new borrowing following the HIPC completion point, Liberia's public sector external debt has increased slightly from below 10% of GDP in 2010 to roughly 14% of GDP in 2012, of which approximately 50.2% constitutes

external debt (\$290.9 million). Liberia's debt management policy had set a ceiling on annual foreign currency borrowing of 4% of GDP. Most of this is intended to support public investment, particularly in infrastructure and energy. In her annual address to the Legislature in January 2013, the President announced the successful loan of \$14 million from the Kuwait Fund for Development (to finance the restructuring of Greenville's port) as well as the signing of a loan of \$65 million from the European Investment Bank to rebuild the Mount Coffee Hydro Power Plant.

In its Debt Sustainability Analysis published in November 2012, the IMF gave a positive assessment of the country's capacity to repay its debts and projected that public external debt would remain well below the thresholds of debt distress over the medium term.

9 | Private Property

Reform efforts are still very much at the policy level, but have improved significantly for the extractive industries' concession management process with the establishment of a coordinating National Bureau of Concessions in 2012. According to the Heritage Foundation, property rights are not well protected, and the rule of law remains uneven across the country.

In her January 2013 address to the Legislature, Johnson-Sirleaf highlighted the need for improved administration and management of land and natural resource governance systems. A Land Commission was recently established to address this challenge through the development of policies, legislation and regulation which guarantee all Liberians equal access to productive land and security of tenure, including the harmonization of statutory land tenure systems. The Commission completed a draft Land Rights Policy in late 2012. At the time of writing, the policy – which calls for the recognition of customary land rights, as well as private, public and government land rights – was due to undergo consultation and validation via five regional consultative meetings.

With support from the U.N. Peacebuilding Fund, the Commission will pilot an alternative dispute resolution mechanism in six affected counties. These Land Coordination Centers will be established in Bong, Lofa, Margibi, Maryland, Montserrado and Nimba counties.

The Commission has taken on the task of developing a Land Administration Policy, intended to reform and improve the policy, legal, regulatory and institutional frameworks for land administration.

It remains to be seen whether the formalized frameworks established by the Commission will be implemented and enforced consistently under the rule of law.

Property rights

6

Private companies are permitted and in principal can act freely, but in practice they face several hurdles. According to the World Bank's Doing Business 2013 report, Liberia's regulatory environment has improved, ranking five positions higher than in 2012 (Doing Business creates a comparable ranking for the previous year – not to be confused with the published ranking for that country – so as to capture data corrections and newly-added countries). According to the most recent data, starting a business takes an average of six days, a marked improvement on the 20 days cited in the BTI report of 2012. The country has made significant strides in this area, surpassing Sierra Leone (ranked 76th) to rank 38th of 185 economies on the ease of starting a business. However high operating costs for energy and transportation continue to place significant constraints on growth. According to the Heritage Foundation, considerable efforts have been made to modernize the regulatory framework. As shown above, the business start-up process is more straightforward, with no minimum capital required. Fees related to licensing requirements, though still high, have been reduced considerably. The labor market is underdeveloped, and about 80 percent of the workforce is engaged in informal activity.

Private enterprise
6

10 | Welfare Regime

The government has made concerted efforts to improve the provision of social safety nets, but the challenges are massive – poor public service delivery is a result of continued staff shortages and weak capacity, especially in the education and health sectors.

Social safety nets
3

The Education Reform Act of 2011 is a case in point. The Act provides for free and compulsory education in public schools from primary to junior secondary level. The Act increased the compulsory education age to 15, thereby also eliminating the gap between it and the minimum employment age.

However, the reality for Liberian school pupils is quite different from what they are guaranteed on paper. In its country report on human rights practices in 2011, the U.S. State Department noted that schools continued to charge informal fees to cover salaries and operating costs, preventing many from attending. In a country where more than three-quarters of the population has to survive on less than \$1.25 a day, this prevents many children from attending. Similarly, secondary schools continue to charge fees, and students are expected to purchase their own uniforms, books and other stationery needs.

The President has put human development at the top of her agenda for her second term in office, but it is a mammoth task. Life expectancy remains low at 56 years, and despite plans to strengthen social welfare programs, access to health and social welfare services is limited for the majority of Liberia's population, particularly the

rural and urban poor. Most Liberians continue to depend on familial support networks (including relatives abroad) and grass-roots aid networks.

Suffice it to say that the country still lacks a functioning public welfare system of government payments or payments by social insurance providers to alleviate risks associated with illness, unemployment or old age.

Profound social inequalities continue to restrict equal access to health and educational institutions in Liberia.

Equal opportunity
4

According to the latest available figures, the total adult literacy rate improved marginally to 59.1% of the total population aged 15 and over (compared to the 58.1% mentioned in the previous BTI report). As in the previous years, there is a generational gap, with youth literacy estimated at a much higher level of 77% in the latest figures of 2010.

While the head of state and government may be female, women have considerably less access to education. Only around 55% of women are enrolled in the tertiary education sector compared to men.

11 | Economic Performance

Post-conflict reconstruction measures continue to yield considerable gains in the rate of GDP growth, with the IMF describing Liberia's economic outlook as favorable. It has projected an above average real GDP growth rate (by Sub-Saharan African standards) of 8% – 9% in the 2012 – 2013 period. GDP per capita stood at \$298 in 2011 and was projected to exceed the \$300 mark in 2012 – 2013.

Output strength
6

A revival of in iron ore exports, strong rubber exports and increased timber production all contributed to this positive development. Growth will continue as the country welcomes foreign direct investment (FDI) in infrastructure development (mine construction) and increases commodity exports (timber and rubber). The increased investments in the country's mining sector have contributed substantially to growth in 2012, and economic activity in this sector will peak in 2015 as the only operating iron ore mine reaches full production capacity. However, weak iron ore prices might limit the effect of increased production on revenue and export receipts.

Notwithstanding such positive developments, the baseline from which the country is growing is very low. The economy is still heavily dependent on donor support, with aid flows accounting for roughly 39% of GDP. Unemployment levels, which are estimated to be at 80% – 85%, have been high for years. Jobs outside the state and agricultural sectors remain scarce, so too jobs with NGOs (including U.N. organizations). Other economic indicators offer more discouraging news. The trade deficit has widened further in 2012 as a result of concession-financed capital imports

and the rising cost of importing food and fuel. The country has resumed lending following the extensive debt relief granted on completion of the HIPC initiative, but it will borrow no more than 3% of GDP per annum as stipulated by the IMF.

12 | Sustainability

Environmental consciousness is not highly developed within Liberian urban society, though tribal societies have traditionally been very conscious of the need to protect the environment.

Environmental
policy
5

Liberia has made some progress in incorporating environmental sustainability concerns into policymaking. In May 2011, for example, Liberia signed a bilateral Voluntary Partnership Agreement (VPA) with the European Union to guarantee legal production of timber both for the local and export markets. The VPA will support Liberia's stated objective of promoting sustainable forest management.

However challenges persist, and the government has been criticized for favoring FDI by big multinationals over environmental concerns voiced by affected communities in areas earmarked for development. Mining projects and agroindustry increasingly impact farmland, forestry and small-waterway fishing, thereby exacerbating food insecurity.

The Center for International Conflict Resolution (CICR) at Columbia University is scathing in its report on the negative social impact of FDI in Liberia. The 2012 report criticizes the government for not securing informed consent and consultative rights in Project-Affected Communities (PACs) during the negotiation and ratification of agreements with investors, despite the potential effect such operations have on livelihoods and environment of these communities. It claims that monetary compensation offered is often inadequate and not commensurate with the loss of livelihood, and that the government consistently places economic interests ahead of environmental concern.

Liberia has made significant progress in creating the policy framework to provide education to its citizens. Noteworthy steps include the Education Reform Act of 2011 (see point 10 above). The act provides for free and compulsory education in public schools from primary to junior secondary level, and increases the compulsory education age to 15, thereby also eliminating the gap between that and the minimum employment age.

Education policy /
R&D
4

However, whether such legal provisions will translate into better access to education on the ground remains to be seen. Certain groups remain disproportionately disadvantaged when it comes to accessing education –income, geographical location and gender are still highly influential factors in education access.

Moreover, while public expenditure on education is targeted to rise to 13.2% of GDP (from a low of 2.7%), education infrastructure remains insufficient, and despite an increase in budget allocation to education, teachers are poorly trained and underpaid, schools are under-resourced (lacking textbooks, libraries, laboratories, etc.), and many families cannot afford to send their children to school. Tertiary education also faces major challenges as the University of Liberia continues to battle with understaffing and an overcrowded campus. Overall education levels are therefore expected to remain low for some time to come.

Transformation Management

I. Level of Difficulty

There are massive structural constraints weighing upon Liberia that pose formidable challenges for the government. Over two-thirds of the Liberian population live in extreme poverty (i.e., less than \$1,25 per day), and illiteracy rates among children and young adults remain high. Many of the country's educated laborers with technical training fled during the civil war, leaving both the state's administrative infrastructure and economy without sufficiently skilled and experienced personnel. This problem has been aggravated by the fact that educational opportunities remained underdeveloped during the civil war. Further constraints include poverty, unemployment, devastated infrastructures (physical and social), the reintegration of returning refugees and IDPs, and the difficulties associated with resuming subsistence agriculture and cash crop production. The government seems determined to meet the country's economic difficulties by implementing the financial and fiscal policies of the IMF with coherence and consistency. Opportunities for overcoming these difficulties arise almost exclusively from foreign direct investment (e.g., ArcelorMittal, BHP Billiton, China Union in mining, Chevron in oil, and 14 logging concessions). The transfer of higher corporate governance levels, technical and management capacities and know-how to Liberia by the investors improves the structural constraints in the surrounding area of the extractive industries' projects. Policies and instruments to reap broad-based benefits through social and economic linkages to this enclave economy have been found, but effects on employment and private-sector development are still limited.

Structural
constraints
10

Local chapters of international NGOs and domestic groups with civil or religious backgrounds are a visible and palpable part of public life. Half a dozen civil rights groups and the media critically observe the government's implementation of its new policies. The realities of life in urban and rural centers, corruption, nepotism and professional wrongdoing are published, along with calls for prosecution. Aside from this relatively small group of educated and politically engaged people in the capital, however, most of the population is preoccupied with survival.

Civil society
traditions
7

Broader social background conditions remain a source of concern for long-term stability. There is still a large population of unskilled, jobless youth who have few prospects for future employment. Notwithstanding vocational training and short-term

Conflict intensity
4

employment programs, the lack of employment opportunities for this marginalized group, which includes ex-combatants, means that the hard-won peace in Liberia remains fragile. Minor clashes often escalate into violence, and the inexperienced LNP is ill-equipped to respond to such emergencies. The violence that erupted after the first round of the 2011 presidential elections, considered by many observers to be a manifestation of the frustrations of the disgruntled, marginalized youth, underscores this vulnerability.

Local populations still consider ex-combatants a key threat to security, which highlights the unresolved issues of reintegration and/or the unemployment of young males. The structural foundation of armed conflict will remain intact as long as there is no prospect of an economic upswing and sufficient employment opportunities. The creation of alternative sources of income is necessary in order to reintegrate such groups. Efforts to address this problem are underway, including the employment of ex-combatants in donor-funded government road construction and other labor-intensive projects.

II. Management Performance

14 | Steering Capability

The political leadership is by and large committed to democracy and a market economy. It pursues long-term aims, but is limited by the country's structural constraints as well as its continued dependence on foreign aid which enjoys multimillion-dollar budgets which almost render government budgets irrelevant by comparison.

The government continues to pursue a range of national priorities within a second IMF-monitored Poverty Reduction Strategy (PRS2). Dubbed the "Agenda for Transformation," its ambitious goal is to transform Liberia into a middle-income country by 2030. The second PRS has prioritized those areas not adequately addressed by the first strategy, focusing on three strategic areas for investment, namely infrastructure, human capital and institutions. Specific objectives include increasing productivity in the agricultural sector, promoting food security, and creating employment opportunities, areas where the first PRS was considered to have fallen short. Of the PRS1's four pillars – security, economic revitalization, governance and the rule of law, and infrastructure and basic services – most have been aligned with the Liberian Peacebuilding Program. In recognition of Liberia's progress in implementing reforms, the IMF has approved a second ECF to support PRS2.

Question
Score

Prioritization

7

The Johnson-Sirleaf administration set ambitious goals in its first Poverty Reduction Strategy; only some of these were fulfilled. Unemployment levels, for example, did not fall as much as hoped. Its second strategy is equally ambitious and it is unlikely that it will be fully successful.

Implementation
6

Responding to the fact that most capacity-building initiatives are externally funded and time-bound, authorities launched a National Capacity Development Strategy in order to focus on the need to enhance capacity in the long term.

The executive branch has shown progress in overcoming the damages of war, politics of division and unlawful private enrichment. It has demonstrated a willingness to acknowledge mistakes and is eager to formulate new policies and implement necessary reforms based on international standards.

Policy learning
6

The government has admitted on several occasions that the limits of its effectiveness are set by its own lack of political will, the inadequate capacities of the administration and the constraints of red tape, as well as the poor quality of education and lack of a qualified workforce. It is also dependent on the international donor community's willingness to continue aid until a substantial economic recovery yields results and until the state can secure its own internal and external security. The government is seeking to secure the rule of law and respect for property rights while establishing a competent judiciary. It aims at developing opportunities for domestic value chains and upstream, downstream and sidestream linkages to the extractive industries, which have advanced largely at a policy level and only to a limited extent in practice.

15 | Resource Efficiency

Deep-rooted corruption and the lack of a skilled civil service and parastatal personnel continue to severely hamper the effective use of economic and human resources. The lack of funds to pay experienced employees – often returning from abroad – exacerbates the problem. As previously mentioned, the government has succeeded in reducing the number of public service employees. Appointments are generally based on qualification and achievement, recruitment processes are accessible and transparent. To satisfy its human resource demand, Liberia is counting on the return of more emigrants while waiting for its own educational institutions to produce a new generation of educated workers. Given the poor quality of education in Liberia and the long-term nature of education sector reform, the latter will prove difficult to achieve within one generation.

Efficient use of
assets
5

Coherent policies alone cannot resolve the problems facing a war-devastated society. Furthermore, it is somewhat unrealistic to expect the government to formulate coherent policies given the conflicting objectives it must negotiate. These include the clash between environmental and economic needs in the face of extreme poverty and

Policy
coordination
5

the urgent task of conserving the rainforest, which has been subject to uncontrolled timber exploitation since the 1980s. However, despite existing friction, the Liberian government coordinates its ministries with key performance indicators. This model certainly sets an example in Africa and post-war countries in general, and its performance has improved in the period under investigation.

Integrity mechanisms have become more robust and efficient. Among the factors helping to contain corruption are: the independent Supreme Audit Institution of the General Auditing Commission, due diligence in the Ministry of Finance, the budgetary oversight of parliament and the National Procurement and Concession Commission (PPCC), the Liberia Extractive Industries Transparency Initiative (LEITI) with its transparency of revenue streams and contracts, and the Liberia Anti-Corruption Commission (LACC).

Anti-corruption
policy
6

High-level cases of graft pose a challenge. Clientelistic behavior of the president showed a certain ambivalence regarding corruption. Of the 25 mostly high-level cases investigated by the LACC since March 2009, six were submitted to the Ministry of Justice for prosecution. However, there have been no prosecutions to date.

In theory the LACC can prosecute any case that the Ministry of Justice declines to prosecute, but this has never happened in practice. As is the case with many of Liberia's institutions, the LACC's capacities are hampered by capacity, human, material and financial resource constraints. It is understaffed and underfunded.

Formal measures to combat corruption remain hampered by the endemic nature of the problem, and given the weak judicial system, there are persistent concerns about the de facto impunity of officials who have been removed from office.

16 | Consensus-Building

The president, the government and the legislature appear determined to develop a multiparty democracy and to foster a market-based economy. There is broad agreement among the existing parties to support these goals, although some published party programs refer to a reconstructed Liberian nation without mentioning democracy as a constitutional goal. The same is true of a number of Pentecostal ministries and preachers, although leaders of traditional Protestant and Catholic churches in Liberia cultivate a close relationship with the president and a public commitment to the democratic ideal.

Consensus on goals
7

While the Johnson-Sirleaf government supports a market economy in principle, the facilitation of free market activities is superseded by the need to recover and improve economic productivity and to stabilize prices. This is particularly true for essential consumer goods and for certain areas of the extractive industry. This approach

undermines the interests of an emerging Liberian middle class in need of domestic investment opportunities.

Along with increasing domestic capabilities, the presence of UNMIL has ensured a stable environment for post-conflict reconstruction, and deterred would-be saboteurs from threatening reform efforts. As long as U.N. forces remain in Liberia, militant groups do not pose a serious threat to the state. However once they withdraw, anti-democratic groups are likely to emerge and publicly advocate the use of force. Whether or not the large number of unemployed youth, many of whom are ex-combatants, assimilate the principles of democracy will depend on the pace at which their living conditions improve. Some actors, such as former warlords and their inner circles, might be waiting for an opportunity to reclaim power.

Anti-democratic
actors

7

There are several divisive social problems in Liberia as a result of widespread unemployment, tense labor conditions, a large subsistence economy, and the reintegration of returning refugees, IDPs, former combatants and child soldiers. Ethnic groups extend beyond borders, and instability along borders with Guinea and Côte d'Ivoire persists. Warring factions in the civil war exacerbated existing historic ethnic and religious tensions in Nimba and Lofa counties, making the reintegration of the Mandingo population particularly difficult. Disagreements over property rights and land use issues are frequent. With support from the international donor community, the government aims to address these ethnic tensions, and has thus far successfully prevented cleavages from escalating.

Cleavage /
conflict
management

7

The increased transparency brought by LEITI on revenue streams from the private sector to the government and the dissemination of information to mining communities have helped reduce conflict.

To an extent, the government takes the interests of civil society actors into account. This is in part due to the PRS conditions set by donors. Press freedoms have improved substantially since the Taylor regime, with little government interference with media operations, particularly radio stations and the print media. The closing of four media outlets following the November 2011 clashes between CDC supporters and LNP officers met with harsh criticism from local and international observers. The government claimed the radio stations were propagating hate speech before the second round of the presidential elections. However, the government rescinded its decision and the stations reopened at the end of 2011.

Civil society
participation

6

Civil society organizations and human rights groups voice opinions on a wide range of urgent problems, including the rampant corruption of public officials, labor conditions on the Firestone plantation, and environmental issues. The government does respond to these pressures and take them seriously, although not always with the speed and resolve they deserve.

Reconciliation

7

One of the most commonly cited recommendations of the widely criticized report released by the Truth and Reconciliation Commission (TRC) in 2009 was the barring of 50 people from holding public office for 30 years as a penalty for supporting warring factions. The president was listed along with other high-profile political figures. In early 2011, the Supreme Court overthrew the TRC's recommendation on the grounds that it was unconstitutional and inconsistent with the right to due process.

As forecast in the previous BTI country review, the TRC report, a poorly written and weakly argued document with several controversial recommendations, gained renewed exposure in the run-up to the elections, with presidential hopefuls using its recommendations as a means to discredit opponents. Given that some of them were themselves implicated in the report, such calls were little more than rhetoric. Prince Johnson – known for ordering the videotaped execution of former President Samuel Doe – is a case in point. Johnson initially warned that the report risked returning the country to a state of war. He was then quoted as saying that the TRC's recommendations should be implemented by the opposition CDC.

Reconciliation – together with the Agenda for Transformation – is a key objective of Liberia's National Vision for 2030. In November 2011, shortly after the presidential run-off, Johnson-Sirleaf announced the establishment of a National Peace and Reconciliation Commission (NPRC), to be led by fellow Nobel laureate Leymah Gbowee. During the period under review, the government also launched a "palava hut" mechanism that would use traditional reconciliation measures to promote forgiveness, led by the Independent National Commission on Human Rights as part of the country's peacebuilding program. A Strategic Roadmap for National Healing, Peace-building and Reconciliation was adopted in December 2012. The 18-year process has set as its strategic outcome sustainable reconciliation and peace through the transformation of mindsets, the reconstruction of social, political and economic institutions as well as the rebuilding of relationships. Ensuring the streamlining of these initiatives will be crucial to the success of reconciliation efforts.

The newly established NPCR already sparked with controversy when its head, Leymah Gbowee resigned, citing corruption and nepotism, alluding specifically to the appointment of three of the president's associates to senior positions in her government.

In December 2012, the president nominated former football star and presidential hopeful, George Weah, to take over as peace ambassador. The appointment of her former opponent, who is particularly popular among young Liberians, will add legitimacy to the president's claim to be representing the interests of the entire population, and not just those who had voted for her.

17 | International Cooperation

Liberia continues to depend on support from U.N. organizations (especially the UNMIL mission), and the international donor community (including a host of NGOs) to sustain its population's survival, state- and nation-building.

Effective use of
support
9

It also continues to rely on the IMF for assistance in economic and fiscal policies, and on regional organizations and the solidarity of the international community of states to continue economic and political reconstruction. The government has no option but to seek their support and cooperation. The United States still plays the most important role as a bilateral political partner, though Liberia welcomed recent grant and investment offers from China which are part of that country's growing engagement in Africa. International support has been particularly successful in keeping the peace and stabilizing the country.

In contrast to its predecessors, the NTGL and the Taylor administration, as well as its regional neighbors, the government acts as a reliable partner in its relations with the international community. The IMF and the World Bank have been satisfied overall with Liberia's performance since the last round of the BTI. In the political arena, President Johnson-Sirleaf continues to enjoy great respect and credibility, particularly internationally, although implementation and management in some line ministries continue to raise concerns.

Credibility
8

The Liberian government has demonstrated the will to cooperate with the three neighboring countries in the Mano River Union and within the larger framework of the ECOWAS and the AU, and acts accordingly, particularly in the fields of security, infrastructure and mining.

Regional
cooperation
7

Liberia aims to prevent spillover from conflicts in neighboring Guinea and Côte d'Ivoire into Liberia via mercenary trafficking and refugee movements.

Given the porosity of the borders in the Mano River region, the recent crisis in Côte d'Ivoire adversely affected stability in Liberia as reports surfaced of armed militias operating on the border between the two countries. Moreover, a large number of Ivorian refugees remain in the country. Following a series of attacks by alleged pro-Gbagbo forces against the Ivorian government and reports of training camps being set up on the eastern border of Liberia, both countries pledged to cooperate to improve border security, signing a communiqué to this effect in October 2012.

Strategic Outlook

During the period under review Liberia has again made progress in terms of political and economic transformation. Looking back to the end of the civil war in 2003 and the interim government, the Johnson-Sirleaf administration compares favorably with its predecessors. However Liberia still has to develop into a full liberal democracy, let alone a fully-fledged, socially responsible market economy, and the key challenges it faces remain unchanged.

The Johnson-Sirleaf government is committed to continuing the process of reconstructing and rehabilitating Liberia's political institutions which it began in 2006. The costs of rebuilding basic institutions, training personnel and other elements of this process mean it will remain dependent on foreign donor aid and expert support. Although Liberia's economic prospects are expected to improve due to investments of the extractive industries, the economy will remain unstable and heavily dependent on development aid, and this dependency will eventually be replaced by a dependency on revenues from the extractive industries. The IMF's second Extended Credit Facility will therefore remain indispensable and will continue to guide economic policy.

The government has concentrated activities within its second IMF-monitored poverty reduction strategy on those areas that were not adequately addressed by the first strategy, focusing on three strategic areas for investment, namely infrastructure, human capital and institutions. In order to meet its ambitious objectives, it will need to promote effective public investment to ensure that bottlenecks to project implementation are overcome and the right projects are prioritized.

Aside from the obvious need to combat endemic corruption, the government must continue to give priority to reforming the security and justice sectors while facilitating their mutual reinforcement. The 2011 presidential and legislative elections served as a litmus test for the progress made in the country's political institutions since 2003. As the first elections to be held in full compliance with the constitution, they tested not only the stability of the party system but also the capacity of the National Security Agency to ensure security under potentially explosive conditions. Suffice it to say that the government did not receive a glowing report card from observers. Election-related grievances put the LNP to the test, revealing a propensity to use excessive force and gross inadequacies in their ability to control crowds.

Reforms which improve access to education must be translated into practice and that practice must be monitored. At the same time the need to expand employment opportunities for the country's citizens will become increasingly acute as an improved security situation facilitates the return of IDPs and refugees in search of gainful employment.

Economic growth will be driven by the extractives industries, agroindustry plantations and projects in the mining and oil industry, which in combination with work-intensive domestic private sector development provides the single biggest opportunity for achieving the status of a middle-income country, although dependency on the extractives sector increases the risks of external shocks and volatility.

